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Article

Between culture and commerce

This article draws on research undertaken by AEA on behalf of the Museums and Galleries Commission last year and published in Creative Industry – the first comprehensive review of commercial income generation in the museums sector in the United Kingdom. Since the publication of the report, evidence continues to emerge from the sector and the general market place, allowing us to refine further some of its conclusions.

Looking at the museum and gallery sector’s involvement in commercial activities, one gets a mixed picture: a few high performers stand out against a field of significantly more lacklustre and unprofitable operations. There is no correlation between success and failure and size. And even successful trading operations make a modest financial impact on museum’s overall financial health. They rarely contribute in excess of 5% towards museums’ core operating budgets.

By comparison, charging for admission is far more rewarding – meeting up to 20% of core costs. That said, income from trading activities, whilst modest in absolute terms, is often important as an additional source of funding for activities that are threatened by deteriorating core funding – exhibitions, conservation or acquisitions. It is also important as an element is a more plural funding mix.

Ingredients for success

Looking at why certain museums do better than their peers, the following four key factors stand out:

• First, commercial activities are to a greater or lesser degree extensions of the museum’s core functions (as a visitor attraction, seat of particular subject expertise) and asset base (collections, knowledge and buildings). Therefore, all other things being equal, the stronger a museum’s assets and the better it is at delivering its core functions, the greater the commercial opportunities;

• Second, to the extent that commercial activities are related to the museum’s core business, their fit between with the institution’s overall positioning is critical. In marketing speak, it’s the effective stewardship and protection of the museum’s brand (its identity, ethos, ‘unique selling proposition’) that is central to the success of any long term commercial strategy. Museums that have been most successful in their commercial endeavours have been those that have had their commercial activities driven by the brand, rather than attempting to use these activities (e.g. the shop or café) to develop their brand;

1 Creative Industry – Generating Income for Museums available from a.hill@mgcuk.co.uk
Third: any form of commercial activity requires both up-front investment and ongoing re-investment to grow. Those museums that have been successful have recognised that a business activity needs to be properly capitalised to develop; this means abandoning the ‘hand-to-mouth’ approach so typical of a sector chronically starved for cash.

Fourth, and implicit in the three points above, is the importance of entrepreneurial thinking, the ability to spot and seize market opportunities and to pursue these single-mindedly with the bottom line in mind. This is a mindset issue, but it translates all the way down the organisation into practicalities such as management structure, reporting lines, recruitment policies and the corporate planning process.

**Balancing museum cultures**

This is of course far less straightforward than it sounds. One reason is that museums tend to be dominated by either a ‘curatorial’ culture, primarily object-based and risk averse, or a ‘visitor/services-oriented culture’ that is not naturally entrepreneurial or bottom-line driven. We can all think of more or less extreme examples for both. Entrepreneurial thinking is often at odds with (or a threat to) museums’ prevailing values. Hence the way in which commercial operations are usually kept at bay from strategic planning and decision making and put into separate boxes (the trading companies) and left ‘to get on with it’ (but, please, deliver!).

Fostering entrepreneurial thinking at all levels within the organisation – some of the best ideas come from curators – and making sure that the three cultures – curatorial, visitor service and entrepreneurial – co-exist and complement one another is an art more than a science. In the end, it is the top person’s job to see to it that it works.

**A systemic dilemma**

This may all sound a bit glib. Indeed, the extent to which the view that museums have to conquer the market has turned into a dogma, which few dare challenge any longer, suggests that it may be time for a more critical appraisal of the notion of museum entrepreneurship. There is ample evidence to suggest that the pressure on everyone in the sector to ‘be commercial’ – come what may – has often pushed museums into inappropriate ventures when, on closer consideration, they might have been better served by a more deliberative approach.

At the heart of museums’ attempts to embark on the commercial road lies a systemic dilemma, which can be summarised as follows:

- Museums embark on commercial ventures as a result of being strapped for cash and needing new sources of income;
- Business development, as a rule, requires up-front investment before payback sets in and comprises an inherent element of risk – a rule of thumb being one successful venture for five failures;
- Museums usually cannot muster the up-front investment in capital and staff /skills – being short of money in the first place and, more importantly, without access to traditional sources of capital funding such as bank lending or venture capital – and their statutory position as charities or public sector run facilities tightly limits their ability for financial risk taking. The trading company structure is usually not sufficiently arms’ length to provide a way around this;
- As a result, museum ventures end up being chronically undercapitalised, translating into low profitability and an inability to grow as earned profits are not re-invested but used to fill the funding gaps.

This situation is rarely acknowledged by senior management or boards. Combined with funder and peer pressures, this has left many museums trapped in situations that have ended up wasting resources and demoralising everyone involved.

In many instances, the more sensible option is to hand over to an outside operator with the resources and skills to do the job. Outsourcing is, of course, widely practised in areas such as museum catering, with varying degrees of success, but it is much less frequent in museum retail for example.
There is still an engrained myth about the merits of doing things oneself, or the frequently cited issue of control over product and services when you hand over to an outsider. But in the end these are non-arguments. There is ample evidence to show that outsourcing works very well, where arrangements with the contractor are properly structured and based on a clear understanding of both sides’ priorities and objectives.

There are situations where finding a contractor to take on the job to run the shop, café or publishing programme will be a stretch, but that is usually because the business opportunity itself is not particularly appealing. Putting a service out to tender can be a good way to test the underlying commercial rationale for any particular activity. There may still be a perfectly good reason for pursuing a low/no profit activity, e.g. to pursue non-financial objectives such as quality of visitor services. In that case, however, it would help to state this clearly, rather than pretending that one is in it for the money.

**Capitalisation and risk profile – a growing issue**

The problems of capitalisation and financial risk taking are certain to become more apparent as museums try to increase their commercial exposure and aim for a bigger involvement in the market place. Markets are subject to an ever-faster pace of shortening cycles of innovation and product development. Real financial strength is required to stay in this game.

This applies, for example, to the whole area of e-commerce, which museums have been eyeing – whether for extending their retail activities, marketing reproduction rights or creating online education products. The sector’s involvement in the digital revolution is strongly supported by the British Government’s agenda, which, it is argued, will also open up income generating opportunities.

Nice as it may sound, these hopes betray a lack of appreciation for the breakneck pace at which commerce in cyberspace is evolving, and the realities of a market with no/very low barriers to entry and very high costs of establishing and sustaining a market position. The current roller coaster ride of the dot.coms provides ample evidence of this. Museums, even in alliance, are hardly in a position to compete in this area – and yet many are contemplating investing resources to position themselves within this market. One wonders whether these might not be put to better use elsewhere….

This may be an extreme example, but it highlights the basic point that, with few exceptions, museums will find it increasingly difficult to maintain, let alone increase their market involvement from their own resources. It also suggests that commercial activities are likely to involve an increasing level of financial risk taking. Boards and funders do not seem to have begun to embrace this reality.

**Commercial partnerships – the future model?**

So where then lies the future of museum entrepreneurship? In all likelihood in an increasing emphasis on long-term partnerships with the commercial sector, developing much beyond the traditional outsourcing model or the royalty deal. It seems time for museums to reconsider the old and tested principle of division of labour on which the Wealth of Nations is based: i.e. getting on with what one’s best at. That is, after all, how humanity got out of the caves.

Museums have a lot to offer that is valuable to commerce in today’s world – although, admittedly, the opportunities are not equally distributed. In commercial terms, their main assets comprise:

- a customer base (i.e. visitors and other users);
- a constituency of friends and supporters (individuals and corporate members, etc.);
- control over unique objects;
- knowledge (expertise in specific subject areas);
- prestigious venues in prime locations; and, perhaps most importantly,
- ‘brand’, that intangible thing which represents authority and power of authentication in particular subject areas.

If of sufficient pedigree, all these assets have commercial value in today’s market place, where culture in its broadest sense, has moved...
from being a ‘public good’ to becoming fully and unashamedly commoditised.

The principle of commercial partnership in the future will be based around the principle of exclusivity of access to the commercial exploitation of these assets. This will mean museum entrepreneurship shifting from worrying about developing and selling product to spotting the right partner and cutting the best deal. This will require being very clear about what you have; why and to whom it is commercially valuable; which forms of commercial exploitation are appropriate; and what share in the financial result the museum can claim for itself.

The advantage to museums is obvious: it gets round the capitalisation issue and shifts the balance of financial risk on to the commercial partner, thereby creating new sources of revenue at limited cost.

There are already many examples of how this approach can work to the mutual benefit of both sides: museum/heritage branded travel tours; exclusivity arrangements between museums and commercial picture libraries; content related consultancy for film production companies; exclusive venue hire arrangements with functions catering businesses.

Significant opportunities should emerge from areas such as the growing market for non-formal education (driven by life long learning trends) where commercial providers will be looking for authenticated content. But the principle could be applied to many other areas, for example botanical or historic gardens licensing their brands to (online) plant selling businesses.

Museums intending to benefit from these developments will need to focus their efforts on developing their USP, investing into core activities and assets, and following this up with strong brand development and marketing strategies. Examined in this light, a positive scenario begins to unfold, driving institutions to get on with and nurture what they are best at. Amongst other things, this will re-emphasise the role of the curator and interpreter – the gatekeepers/openers of knowledge – and the collections.

One important question, of course, is what new exposure and risk museums will face by allowing their names to be used by others. The issue of brand protection and control will be critical – hence the importance of carefully choosing your partner(s), relationship building and monitoring. The few existing examples of successful museum licensing programmes (e.g. the V&A’s) have shown that this is time and labour intensive, and requires the professional skills to act on a par with business partners.

Eventually, this field will turn into competitive turf. Globalisation will allow museums that are quick off the mark to ‘cherry pick’ commercially profitable areas from within their remit – e.g. dinosaurs, quilts, Egyptology, Impressionism, etc. Under this scenario, which is already beginning to unfold, the regional and national monopolies of knowledge that museums enjoyed in particular subject areas will come under threat.

You might ask how relevant this is to the majority of museums struggling with their day-to-day existence and whose reach is more likely to be local or regional than national or global. Surely the above only applies to the British Museums, Smithsonians and Guggenheims of the world? Not necessarily. Brands can be built in the smallest and most remote of museums if they have a global reach (e.g. if the institution owns a unique piece of world heritage, is associated with a particular personality or event, or skill), in which case globalisation and on-line technology will open up new opportunities. But even where the brand is local or regional, this should not in principle preclude commercial spin-offs.

No doubt the reality of going down this route will uncover new pitfalls. But at least it should stretch the way museums think about themselves in a way that will focus back on their core role as cultural institutions.

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Book Review

Nobrow: The Culture of Marketing – The Marketing of Culture
John Seabrook
Methuen 2000 (UK), Knopf 2000 (US)
ISBN 0 413 74470 1 (UK), 0 37540 504 6 (US)

Those of you who regularly read The New Yorker – as opposed to those who routinely buy it, then toss it on the coffee table to collect dust alongside the back issues of National Geographic – will be familiar already with John Seabrook’s writing. He joined the magazine while it was under the editorship of Robert Gottlieb and suffering losses at a rate of $12 million a year. The magazine’s glory days, when it was regarded as the cultural bible for a certain strata of society, had long since past, and it was struggling to keep hold of its readership in an increasingly competitive and fragmented marketplace.

Enter Tina Brown and the concept at the heart of Seabrook’s book. Brown, previously the grand dame of Vanity Fair, was brought in by Condé Nast owner Si Newhouse to turn the magazine around. Her arrival, Seabrook argues, reflected a larger change in American society, the end of a particular kind of cultural life and the beginning of another. ‘The old aristocracy of high culture was dying,’ writes Seabrook, ‘and a new, more democratic but also more commercial elite was being born—a meritocracy of taste.’

Welcome to Nobrow, where marketing and culture converge, where “buzz” is the new mantra, and the old distinctions of what represents “quality” no longer apply, where ‘...good equals hot, excellent means entertaining, and celebrity defines quality. It’s a world where the product may be trash but the marketing can be art and no-one, not even the people who created both, can really tell the difference.’

Seabrook supports his thesis by taking the reader on an autobiographical road trip through America’s recent cultural past, stopping along the way to take in the views offered by among others, MTV, the Star Wars phenomenon and his own local neighbourhood, SoHo. It is a journey that is by turns entertaining and frightening. More choice, that’s got to be good, right? And what about the Internet? Access to culture has never been easier. Of course in the world of Nobrow, culture can mean anything.

He ends the book back where he started, at The New Yorker, now sandwiched between Condé Nast’s other titles in plush new offices in the heart of Times Square, a little of the magazine’s independence sacrificed for the sake of survival. And Tina Brown has moved on to Talk, the offspring of her ultra-Nobrow marriage to Miramax and Tinsletown, where magazine begets movie, and movie begets merchandise. A match made in heaven? Time will tell.

As it happens, Seabrook is not the only one to have journeyed down the road to Nobrow in search of its origins. At the start of the recent, month-long Internet debate on arts and audiences, funded by the Arts Council of England, François Matarasso tabled “Whistling in the Dark,” a paper based on a startlingly similar premise.

In it he writes, ‘The combination of egalitarian philosophy, good free education, the mass media and extensive access to culture has made us a much more difficult lot to manage. Now we question the rules. We want to know why it’s better to be bored by Schubert’s Lieder than be moved by REM.’ He, like Seabrook, believes that we are witnessing ‘the birth of a cultural democracy in which the arts become one of the principal arenas in which society’s competing interests negotiate their common and relative values.’

His warning to those of us working in this ever-widening world of art and culture, particularly those who have come to expect and rely on a certain level of subsidy to realise their goals, is clear. We need to engage the public in a dialogue based on openness and respect. It’s no good us wagging our fingers and telling people...

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2 The “Arts and Audience Debate,” was managed by Britain’s Arts Marketing Association in collaboration with the Theatrical Management Association, the Independent Theatre Council and the Association of British Orchestras. It was funded by the Arts Council of England and sponsored by Tickets.Com. A summary of the debate is available on the Arts and Audience Website http://www.artsandaudiences.com.
what’s good for them anymore. They’ll just tune us out and turn on to something else, leaving us talking to ourselves.

He goes on to stress that such communication also depends on the arts profession addressing the issues that most concern those living and working outside it. Instead of assuming what people want, we should be asking them. True, they may not know, but odds are they can tell us what they don’t want. And isn’t it better that they tell us, rather than show us by taking their custom elsewhere or withholding it altogether?

But before the accusations of ‘dumbing-down’ start, let’s remember that it’s a dialogue we’re after. That means we need to know when and how to listen, but also when and how to speak. Yes, the arts must continue to push the cultural envelope, to present the new, the challenging and the different, but not from atop its ivory tower.

That way more people, not less, will be proud to say: Opera, ballet, theatre—been there, done that, got the T-shirt.

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Short reviews

Occasional Paper Number Five
The Management of Higher Education
Museums, Galleries and Collections in Nova Scotia

Occasional Paper Number Seven
The Management of Higher Education
Museums, Galleries and Collections in the UK

Melanie Kelly
International Centre for Higher Education Management, University of Bath
1998, 1999
ISBN 1 85790 048 0
ISBN 1 85790 059 6

These two meticulously researched and presented reports seek to explore the often stressful place that the wide range of university- and college-based museums and galleries occupy within the funding system. The study of Nova Scotia was undertaken during an exchange programme in 1997, and the British study was prepared upon the author’s return.

As policies for higher education funding have altered over time, those responsible for many significant collections have been left struggling to accommodate themselves to changing priorities (and changing languages and methodologies for prioritisation). Meanwhile, their status as component parts of higher education institutions has created a rationale for other funding sources to regard them as a low priority. Their fate in both countries researched is to languish between two stools—and one imagines the situation is no different in the United States. A critical factor affecting the degree of neglect is, understandably, the nature of the relationships that obtain between the educational curriculum and the museum, something that varies between institutions and that is only partially within the control of the museum or gallery in question.

The reports are an invaluable overview and primer for anyone working with museums or galleries that are part of the higher educational sector.

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Tanglewood: The Clash Between Tradition and Change
Andrew L Pincus
Northeastern University Press, 1998
ISBN 1 55553 346 9

This is the second book Andrew Pincus has written about Tanglewood, the site of America’s best established summer music festival and summer music school, and the summer home of the Boston Symphony Orchestra. (Scenes from Tanglewood examined the period from 1975 to 1988 and was published in 1989.)

The sequel describes the cold war between Seiji Ozawa and school administrators, the building of Seiji Ozawa Hall, the reintroduction of opera into the programme and other developments. The value of the book – prurient gossip apart – lies in the description of the tensions between the commercial imperatives of managing and
funding a large scale festival and summer school and the artistic ambitions that are its *raison d’etre*.

Pincus’ perspective is disconsolate and frustrated, and it is clear that he writes as an insider/outside, with good sources and a well developed point of view. But there’s not much in the way of a convincing prescription for a sustainable programming formula that does not have recourse to the large dollops of pops, jet-setting star turns and routine war-horse programming for which he feels such disdain.

But even as diagnosis without prescription, it is a good read and a case study in the phenomenon of ‘hollowing out’, to which so many European and America summer festivals are falling prone.

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**Beginnings and Ending**

Commissioned in April and May

- For the Royal London Borough of Kensington and Chelsea, concept for the reuse of Manresa Road Library;

- For the Sir John Soane Museum, an audience development strategy;

- For the Courtauld Institute, a strategic plan for development of a web based information and learning resource as part of the Somerset House project;

- For the Northampton Theatres’ Trust, a financial systems audit of the Royal Theatre, Northampton.

- For the National Association of Decorative and Fine Arts Societies (NADFAS), a review of current trading activities and a strategy for non-membership related revenue generation;

- For English National Opera, an options appraisal and strategic planning review for the proposed refurbishment and restoration of the Coliseum;

- For the Pew Charitable Trusts, Philadelphia, a review of plans for a National Constitution Center;

- For the Arnot Museum and The Arts of the Southern Finger Lakes, New York, a feasibility study for a new education center.

Completed in February and March

- For the London Philharmonia, a review of options for a new administrative, rehearsal and performance centre;

- For the Nonprofit Facilities Fund, four pilot due diligence studies (Poets House, Rockland Center for the Arts, Primary Stages, Aaron Davis Hall).

- For the National Heritage Memorial Fund, two introductory courses on Project Management for Grant Officers.

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3 i.e. regurgitation – attribution = calumny