REDESIGNING THE BUSINESS MODEL OF CULTURAL ORGANIZATIONS IN A TIME OF ECONOMIC CRISIS

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Department of Communication - ISFSC
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OBJECTIVES

- To discuss:
  a) New business models opportunities for cultural organizations;
     - No ready-made solution
     - Some guidelines to rethink a business model
  b) A paradigm shift in funding cultural organizations:
     - Crowdfunding for artistic ventures.
Crisis

Danger

Opportunity

Cuts in the Culture Budget

Table 1: Culture budget cuts in Europe (*)

<table>
<thead>
<tr>
<th>Country</th>
<th>Culture budget cuts (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands (2012)</td>
<td>-25.0</td>
</tr>
<tr>
<td>Spain (2007-2012)</td>
<td>-50.0</td>
</tr>
<tr>
<td>France (2013)</td>
<td>-4.5</td>
</tr>
<tr>
<td>Italy (2010-2012)</td>
<td>-30.0</td>
</tr>
<tr>
<td>UK (2012-2013/2013/2014)</td>
<td>-8.0</td>
</tr>
<tr>
<td>Greece (2010-2012)</td>
<td>-35.0</td>
</tr>
</tbody>
</table>

(*) Figures are rough estimates reported in the media.
THE CULTURE BUDGET CUTS

Map 1: Cultural organizations hit by budget cuts in Europe.


REDESIGN THE BM

Crisis → Redesign the Business Model → New Opportunities
A NEW BUSINESS MODEL

New?

A NEW BM: TURNING OLD INTO NEW?

Source: www.wmagazine.com, Matt Collins, November 2007
A NEW BM: CONTEMPORARY ART IN ANCIENT SETTING

Joana Vasconcelos, « Marilyn Monroe shoes », 2013, Ajuda Royal Palace, Lisbon

A NEW BM: A DISRUPTIVE INNOVATION?

Frank O. Gehry, Starwood Hotel, Marques de Riscal, Elciego, Spain
REDESIGN A BM

Jan Fabre, « The brain, the sexiest part of the body », 2012.
Source: http://www.gradivasoup.net/tag/jan-fabre/

WHAT IS A BUSINESS MODEL?

« A BM describes the rationale of how an organization creates, delivers, and captures value ».

Value ≠ Money

Creating Value

Aesthetic | Bejart Ballet Lausanne, The Rite of Spring, 2011
Social | Woodstock Music Festival poster, 1969
Economic | Lifehack blog quoting Andy Warhol

Source: [www.dancemagazine.com](http://www.dancemagazine.com), [www.shellyrusten.com](http://www.shellyrusten.com), [www.lifehack.org](http://www.lifehack.org)
**Creating, Delivering and Capturing Value**

**Economic Value: Valuing the experience**

*Progression of Economic Value*


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**Understanding the Value Chain**

*E-books will usher in new activities and players in the publishing value chain*

Existing publishing players

- Publisher
- Printers
- Distribution companies
- Booksellers

E-book activities

- Publishing
- Digitizing
- Promoting
- Online placement
- Electronic distribution
- Placement on book device

Players

- Publishers
- Digital warehouses
- Publishers
- Existing promoters
- Publishers
- New players
- Telecom companies
- Producers of electronic devices

Source: A.T. Kearney analysis
THE TOOL: THE BM CANVAS

- A BM Canvas:
  «A shared language for describing, visualizing, assessing, and changing business models»

- 5 Key questions
- 9 Building blocks
- Show the logic of how an organization intends to make money

BUSINESS MODEL CANVAS

<table>
<thead>
<tr>
<th>5 Key Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>How?</td>
</tr>
</tbody>
</table>

€ How much? €
**Business Model Canvas**

9 Building Blocks

- **Key Partners**: Who are our suppliers and service providers?
- **Activities**: What do we do with our resources?
- **Value Proposition**: What problems need to be solved? What product does it best?
- **Customer Relationships**: How do we interact with our customers?
- **Customer Segments**: Who are our users and who are our paying customers?
- **Resources**: What goods, services, and infrastructure do we use?
- **Channels**: How do our customers find, buy, and use the product?
- **Cost Structure**: What is the total cost of production?
- **Revenue Model**: Where does revenue come from?

*Source: after Osterwalder & Pigneur, www.businessmodelgeneration.com*

**New BM in the Book Publishing Industry: LULU.COM**
NEW BM IN THE BOOK PUBLISHING INDUSTRY: LULU.COM

- Lulu.com BM is:
  - A multi-sided platform that serves and connects authors and readers
  - with a Long Tail of user-generated niche content.
- Over 1.1 million authors from 200 countries use Lulu.com self-service tools to publish and sell their books;
- Over 20,000 titles are published per month;
- This BM works because books are printed only in response to actual orders.
- The failure of a particular title to sell is irrelevant to Lulu.com, because such a failure incur no costs.

NEW BM IN THE BOOK PUBLISHING INDUSTRY: LULU.COM

<table>
<thead>
<tr>
<th>KP</th>
<th>KA</th>
<th>VP</th>
<th>CR</th>
<th>CS</th>
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</thead>
<tbody>
<tr>
<td>Payment</td>
<td>Platform development</td>
<td>Self-publishing services</td>
<td>Communities of interest</td>
<td>• Niche authors</td>
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<tr>
<td>Professionals</td>
<td>Logistics</td>
<td>Market place for niche content</td>
<td>Online Profile</td>
<td>• Niche audiences</td>
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<tr>
<td>Getty Images</td>
<td>Platform</td>
<td>Publishing &amp; marketing services</td>
<td>LULU.com</td>
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<tr>
<td></td>
<td>Print-on-demand</td>
<td>Worldwide distribution</td>
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<tr>
<td></td>
<td>infrastructure</td>
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</table>

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<tr>
<th>€C</th>
<th>€R</th>
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</thead>
<tbody>
<tr>
<td>Platform management &amp; development</td>
<td>Sales commission (20%)</td>
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<tr>
<td></td>
<td>Publishing services fees</td>
</tr>
<tr>
<td></td>
<td>Paid à la carte services</td>
</tr>
</tbody>
</table>
Business Models

A Building

- Structure

An Organization

- Flows

- Statics

- Dynamics

Business Models

An organization is an engine...

Diego Rivera, Fresco, Detroit Institute of Art.

All the pieces must fit together...
NEW BM IN THE BOOK PUBLISHING INDUSTRY: LULU.COM

Key trends:

- **New diversity of roles and players**: e.g. an online bookseller develops an e-Book reader (e.g. Amazon Kindle); readers are writing and publishing their works themselves (i.e. becoming self-publishers);

- **Crowd funding and crowd sourcing phenomenon**: market research, financing and content creation are being placed in the hands of the end users, i.e. if the community likes an idea then it comes up with the money for it or helps with the writing of a new work;

- **Streaming content** via the Cloud instead of downloading it, and **unbundling and reaggregating content** as required, open the way to **licensing-and subscription-based BM**.
CROWD FUNDING CREATIVE PROJECTS

The Concept

Small Contributions \times \text{Lots of People} = \text{Creative Success!}

MONEY FROM THE CROWD

Crowdfunding activity in the world

Source: http://www.crowdsourcing.org
CROWD FUNDING CREATIVE PROJECTS - NEW BM: Kickstarter.com

CROWD FUNDING CREATIVE PROJECTS - NEW BM: Kickstarter.com (JULY 2013)

<table>
<thead>
<tr>
<th>Categories</th>
<th>Launched</th>
<th>Successful</th>
<th>Amount pledged ($M)</th>
<th>Success rate (%)</th>
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<tbody>
<tr>
<td>All</td>
<td>105,124</td>
<td>44,463</td>
<td>594</td>
<td>44</td>
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<tr>
<td>Art</td>
<td>9,482</td>
<td>4,477</td>
<td>22</td>
<td>49</td>
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<tr>
<td>Comics</td>
<td>2,747</td>
<td>1,265</td>
<td>17</td>
<td>48</td>
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<tr>
<td>Dance</td>
<td>1,384</td>
<td>961</td>
<td>4</td>
<td>71</td>
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<tr>
<td>Design</td>
<td>4,493</td>
<td>1,618</td>
<td>76</td>
<td>39</td>
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<tr>
<td>Fashion</td>
<td>3,656</td>
<td>993</td>
<td>15</td>
<td>29</td>
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<tr>
<td>Film &amp; Video</td>
<td>27,498</td>
<td>10,592</td>
<td>124</td>
<td>40</td>
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<tr>
<td>Food</td>
<td>3,869</td>
<td>1,524</td>
<td>19</td>
<td>41</td>
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<tr>
<td>Games</td>
<td>5,856</td>
<td>1,914</td>
<td>134</td>
<td>35</td>
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<tr>
<td>Music</td>
<td>23,096</td>
<td>12,329</td>
<td>74</td>
<td>55</td>
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<tr>
<td>Photography</td>
<td>3,306</td>
<td>1,171</td>
<td>9</td>
<td>37</td>
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<tr>
<td>Publishing</td>
<td>12,413</td>
<td>3,817</td>
<td>27</td>
<td>32</td>
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<tr>
<td>Technology</td>
<td>2,503</td>
<td>805</td>
<td>59</td>
<td>34</td>
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<tr>
<td>Theater</td>
<td>4,821</td>
<td>2,997</td>
<td>15</td>
<td>64</td>
</tr>
</tbody>
</table>

Source: Data from Kickstarter.com, 4 July 2013
CROWD FUNDING CREATIVE PROJECTS - NEW BM: Kickstarter.com

Successfully funded projects - July 2013

Source: Data from Kickstarter.com, 4 July 2013

CROWD FUNDING CREATIVE PROJECTS – NEW BM: KissKissBankBank.com (FRANCE)
CONCLUSION

« There’s not a single business model...
There are really a lot of opportunities and a lot of options and we just have to discover all of them »

Tim O'Reilly, CEO, O'Reilly

CONCLUSION

This is not an apple...

René Magritte, 1964

This is not a BM...
Any Question?

Thank you for your attention

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