

Creating out Loud: Alternative Business Models



Overview

Purpose

The purpose of this meeting is to explore alternative business models for the arts and culture sector by

- reflecting critically on your own approach to creating and capturing value, and
- learning with and from your fellow group members.

Agenda

Activity
Being here
Individual reflection – Taking stock
Group exercise – New recipes
What next?

Being here

Acknowledge the Traditional Custodians of the Country on which you are meeting, and pay respects to their Elders – past, present, and emerging.	
If this is your first meeting...	If this is not your first meeting...
Share your name and how you are currently involved in the arts and culture sector...	Share what follow-up step(s) you have taken since your last meeting...
<p>Think of a person or company whose goods or services you enjoy and are willing to pay for. Briefly share with the group:</p> <p style="text-align: center;"><i>What is it about that person or company that makes you want to keep buying from them?</i></p>	

TIP: Be as personal / detailed as you feel comfortable being. Resist commenting during someone else's turn.



Individual exercise – Taking stock

Business models

Simply put, business models describe a “way of doing business.”^[2]

Like recipes, business models “involve ingredients that must be arranged and combined,” but they also leave room for innovation: “Just as the creative chef will innovate to produce a new recipe for a successful dish, the creative entrepreneur ... may innovate to build a new business model, a new recipe for ... behaviour.”^[3]

Business models typically include three basic ingredients:^[4]

1. How you deliver value to audiences / customers

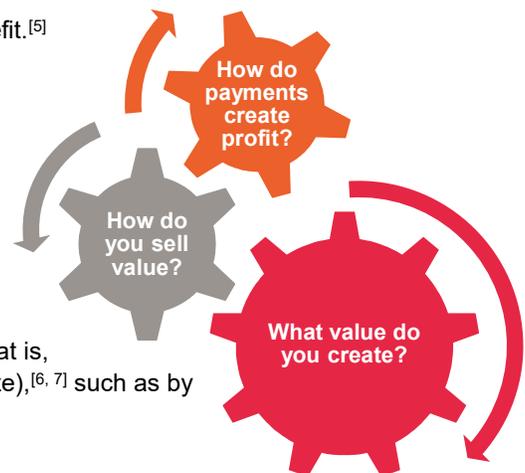
This might include cultural value and/or economic / social benefit.^[5]

2. How you persuade people to pay for that value

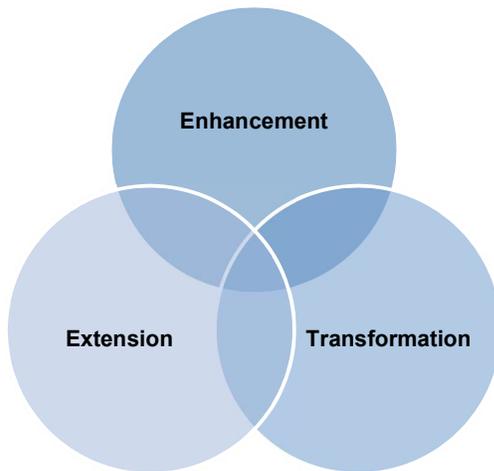
This involves the “‘deep truth’ about what customers really value” and how your service or product will “satisfy those needs” – as well as whether and how it is superior to other available service or product offerings.^[4]

3. How you convert payments into profit.

This involves connecting “value creation” to “value capture” (that is, securing financial and/or other returns from the value you create),^[6, 7] such as by balancing your cost and revenue models.^[8]



To be sustainable, business models (and other ways of working) need to “fit” with the external operating environment.^[9] Changes to your environment may mean your business model (way of working) needs to adapt or even change entirely:



New and alternative business models / ways of working can be developed by

- **enhancing** (improving) existing ways of doing business / approaching your work
- **extending** (adding to) existing business practices / ways of working, such as by adopting additional activities and/or processes
- **transforming** (replacing) existing business practices / ways of working with new approaches.^[1]

“Just as the creative chef will innovate to produce a new recipe for a successful dish, the creative entrepreneur... may innovate to build a new business model, a new recipe for behaviour.”^[3]

Reflect on your existing business model / way of working, using any or all of these questions:

1. How do you currently **deliver value to audiences**, *persuade audiences to pay for that value*, and **convert payments into profit**?
2. Has your **operating environment** changed in ways that mean your business model / way of working needs to change? If so, what has changed? (some environmental changes are listed on page 8)
3. Are there parts of your business model / ways of working that might benefit from **enhancement**, **extension**, and / or **transformation**? If so, which parts? Why?

TIP: *You might like to use the space on the next page to write and/or draw your responses.*

Share your reflections with the group.

TIPS: *Be as personal / detailed as you feel comfortable being. Listen deeply to understand what your fellow circle members share. Ask questions for clarification. Look for commonalities between responses, and points of common interest or concern.*





Group Discussion – New recipes

Discuss any / all of the questions below, to learn with and from each other about innovative business models and/or ways of working:

1. What alternative / innovative ways of combining business model ingredients have you seen that build both *creative* and *financial success*^[10]

- in the arts and culture sector?
- in other industries / sectors?

2. What “rules” might you / your organization / the arts and culture sector adopt, to ensure that the business side of creative practice remains consistent with artistic identity and values?^[11]

3. What steps might you / your organization / the arts and culture sector need to take, to create “shared value”^[11] for groups such as those listed below?

- artists
- funders
- commercial, public sector, community partners
- audiences
- investors
- government and policy makers
- arts organisations

4. What, if anything, might you / your organization / the arts and culture sector need to do to maintain credibility with key stakeholders during times of change?^[11]

TIP: *While sharing your knowledge and experience of different business model “ingredients” and “recipes,” try to avoid telling others what they “should” do.*



What next?

Making the most of your peer coaching experience involves taking at least one step after each meeting, to consolidate and build on what you have learned, and/or to pursue your specific goals.

After today's session, you might like to

1. develop a business model using the Creative Business Model Canvas outlined on pages 8 and 9.^[12]
2. rethink your existing business model, using the ideas discussed in this meeting.
3. explore The Arts & Culture Knowledge Base (developed as part of a four-year project co-financed by the European Commission), which seeks to make arts and culture organizations more sustainable by improving their business models:
 - o <https://cultureknowledgebase.eu/>
 - o <https://creativelenses.eu/publications/>
 - o <https://creativelenses.eu/>
4. read more about "value capture":
 - o <https://hbr.org/2014/10/capture-more-value>
 - o <https://medium.com/evergreen-business-weekly/why-value-capture-is-the-most-important-business-idea-you-haven-t-read-enough-about-c035c657d091>
5. consider including any in-kind / volunteer contributions you make on your invoices, to better represent the true value of your work
6. investigate Arts Pay, a payment processing company that uses transaction fees to help support the arts:
<https://artspay.com/>
7. take a step towards your own personal / professional goal

What one step will you take before the next meeting?



Possible changes to your operating environment

Businesses and other organizations often find that their external operating environment changes in ways that require adjustments to their business model.

Such changes include, but are not limited to:

- economic downturns and/or restrictions on gatherings during a public health crisis^[13]
- shifts towards digital engagement, e.g., crowdfunding / micro-sponsorship, streaming, pay-per-view, digital services, and gamification.^[5]
- new consumer behaviours, e.g., user-generated content and customer co-design^[5]
- gaps in financing and a need to reduce operating costs^[5]
- new work patterns, including working from home, co-working spaces, and “co-competition”^[5]
- increased focus on non-financial goals, e.g., responding to climate change, promoting gender equity, diversity, representation.



The Creative Business Model Canvas

Adapted for the arts and culture sector by Michelle Carter, the Creative Business Model Canvas^[12] is based on a well-known business model template

A copy is include on page 9 to help you explore the “ingredients” of your business in more detail:

1. At the centre of the model are your identity as an artist (or arts organization) and the artistic products and services you provide.

Together, these ingredients represent your “value proposition,” which is the most important part of any business.

Additional questions^[9] that can help identify your value proposition include:

- *What value do I create? For whom do I create value? (e.g., myself, peers, specific audiences, the general public)*
- *What is my core product? What related products and/or services do I offer?*
- *What do I do better than other artists / arts organizations? How do I position myself / my organization in the market?*



2. At the top left of the model are three “infrastructure management” ingredients, namely: your key activities, partners, and resources.

3. At the top right are three “customer interface” ingredients: your audience (or “market segment”), how you communicate with your audience, and the channels through which you deliver value to them.

4. Lastly, at the bottom of the model, are the “financial aspects” (or “revenue model”) of your business: your revenue streams (how you earn money) and your operating costs.

The relationship between financial ingredients is obviously important, because even organizations that aren’t designed to make a profit need to spend less than they earn.^[1]

Additional questions to explore your revenue model include:

- *How flexible are my revenue sources and prices? Are my operating costs mostly fixed or variable?*
- *Do I rely on high or low volume sales? Are my margins (difference between cost of producing work and its selling price) low or high?*



KEY PARTNERS

Who helps you in your art practice?
How do they help you?

KEY ACTIVITIES

What is the process you use when creating art products?
What administration activities do you do?
How do you develop your artistic identity?

COMMUNICATION

How do you communicate with your audience?
How does your audience know who you are?
How do you reach new audiences?

YOUR AUDIENCE

Who are the people who like your work, attend shows, follow you on social media?
Who are the people who buy your work?
Who are the people who pay you for your services?

KEY RESOURCES

What are the things you need to make art?
What are the things you need for your administration activities?

ART PRODUCTS

What products do you make for sale?
Describe your genre, style and subject matter.

ARTISTIC IDENTITY

Who are you as an artist?
What is your work about?
What are your professional achievements?
Why do you make art?

ARTISTIC SERVICES

What services do you provide to others?

CHANNELS

Where do you sell your art?
How does your audience find out about your product?
Who helps your audience make decisions about buying your work?
Who conducts the sale of your work?
Who delivers and installs your work?
What services do you provide to your audience after they have purchased your work?

COST STRUCTURE

What are the resources and activities that cost you money?
What are the resources and activities that you receive at no cost?

REVENUE STREAMS

What are the ways that you gain income from your art practice?
How do you determine the sale price for your art products and services?
What are the ways in which you earn income outside of your arts practice?

References

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Additional Discussion Guides

Discussion Guides on other topics related to arts and culture can be found at: <https://creatingoutloud.business.uq.edu.au/>



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The opinions in this Discussion Guide do not necessarily represent the views of The University of Queensland, funding / industry partners, or the individual members involved in the reference groups.

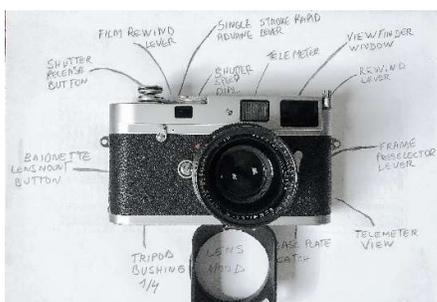
About Creating Out Loud

“Creating Out Loud” is an 18-month Industry Research Fellowship funded by the Queensland Minister for State Development, Tourism and Innovation, under the Advance Queensland Industry Research Fellowship program.

Creating Out Loud was developed to support Queensland’s artists and arts managers as they recover from and rebuild business, artistic, and cultural practices following the COVID-19 pandemic.

For further information visit

<https://creatingoutloud.business.uq.edu.au/>



Industry Reference Group

Penelope Benton, Executive Director, National Association for the Visual Arts

Nicole Beyer, Executive Director, Theatre Network Australia

Kate Eltham, Co-CEO, Blakdance

Melissa Robertson, Program Manager, Arts Nexus

Zohar Spatz, Executive Director, La Boite Theatre

Dilshani Weerasinghe, Executive Director, Queensland Ballet

Academic Reference Group

Professor Polly Parker, Associate Dean (Academic), Faculty of Business, Economics and Law, The University of Queensland

Professor Kim Wilkins, Deputy Associate Dean (Research) Faculty of Humanities and Social Sciences, The University of Queensland

Associate Professor Tim Kestelle, Director of Entrepreneurship & Innovation, School of Business, The University of Queensland

Associate Professor Nicole Hartley, School of Business, The University of Queensland

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This guide includes links to various web material. All links were working at the time of publication. Please note however that these links may become outdated over time.

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Contact details

Kate Power

ORCID: <https://orcid.org/0000-0002-6886-699X>

T +61 7 334 69989

E k.power@business.uq.edu.au

W uq.edu.au

CRICOS Provider Number 00025B