

Article

Business Model Canvas:

six questions for the sector

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The Business Model Canvas

a quick introduction

Origins

Osterwalder and Pigneur created The Business Model Canvas as a shared language for describing, visualising, assessing and changing business models.

They say 'a business model describes the rationale of how an organisation creates, delivers and captures value.'

A creative canvas

The Business Model Canvas is a visual framework for describing the different elements of how a business works. It illustrates what the business does, for and with whom, the resources it needs to do that and how money flows in and out of the business.

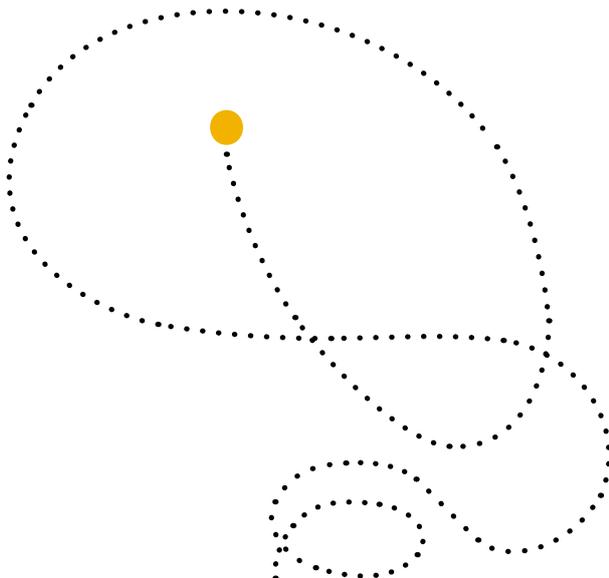
The canvas, which can be used to design new models or to analyse current models, is made up of nine elements* :

- Key Partners
- Key Activities
- Key Resources
- Value Proposition
- Customer Relationships
- Channels
- Customer Segments
- Cost Structure
- Revenue Streams

For a full introduction see [Introducing the Business Model Canvas](#).

* The nine elements in an arts and cultural context

- Key Partners - other arts and cultural organisations, funders, education providers, artists, venues etc
- Key Activities - these might be performances, exhibitions or workshops, or things like catering, retail or school visits
- Key Resources - the things we need to deliver our offer and connect with our audiences, such as staff, buildings etc
- Value Proposition - the offer(s) we make to solve the problems or satisfy the needs of our Customer Segments
- Customer Relationships - these are established and developed with each Customer Segment
- Channels - we deliver our offer to audiences through communication, distribution and sales channels
- Customer Segments - audiences, participants, funders, commissioners etc
- Cost Structure - this typically includes staffing, marketing, fundraising and building costs
- Revenue Streams - the money an organisation generates when it successfully matches its offer with the needs of an audience



Emerging patterns

six questions for the arts and cultural sector

Case studies

From the growing series of arts and culture [business model case studies](#) shared on CultureHive some patterns emerge.

Common trends and outlying choices raise questions about focus, benefits and how the cultural sector is adapting to a changing environment.

While the sample is still relatively small, the series poses some interesting questions and points to patterns for future consideration in the cultural sector.

Q1. Can you talk clearly, simply and powerfully about your business model and your value?

Osterwalder and Pigneur describe typical patterns of business models using the Business Model Canvas.*

The arts and culture organisations explored in this series of case studies do not fall simply into one category or another. They are marked by their hybrid and complex nature.

One can speculate that this complexity may stem from the often wide range of Customer Segments and Key Partners involved in most cultural organisations. Even where a large proportion of income flows from end-users such as visitors, audiences or schools, there are other customers or audiences who benefit from the Value Proposition. These may be funders or regional or national partners. This tends to lead to open multi-sided business models.

There are several examples of 'open' models. These are especially open to influence from partners and customers through some degree of community involvement. Many can be seen as 'social' or 'multi-sided platforms' in that they require two sets of customers to derive value from the business simultaneously to function well. This is often a funder and an end-user Customer Segment.

Some parts of the arts sector, such as publishing, lend themselves more obviously to the 'Long Tail' type of model where a large amount of product means mass audiences are not required. This can be seen to some extent in the arts centre models described.

* A quick guide to Osterwalder and Pigneur's typical patterns of business models

- Unbundled - models with three fundamentally different types of business: customer relationship, product innovation and infrastructure
- Long Tail - models that focus on offering a large number of niche products, each of which sells relatively infrequently
- Multi-sided - models that bring together two or more distinct but interdependent groups of customers
- Free - models where at least one substantial Customer Segment is able to continuously benefit from a free-of-charge offer
- Open - models that create and capture value through systematically collaborating with outside partners

<https://strategyzer.com/>

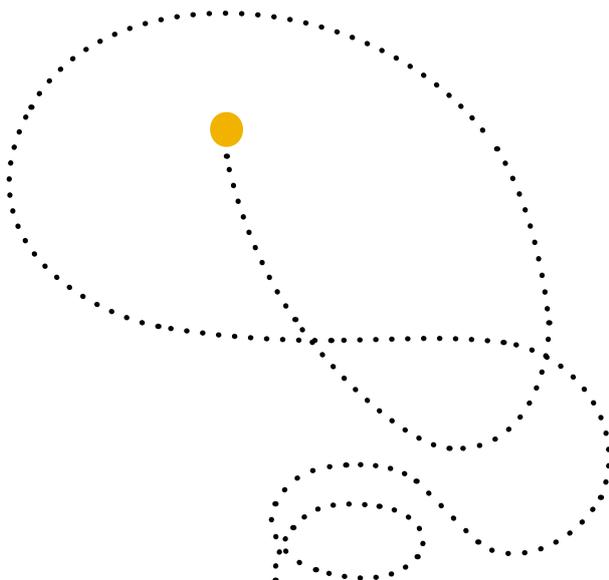
‘Free’, where one customer segment pays for another or one part of the model allows another to be ‘free’, is often found in arts and cultural models. The debate about charging for entry is illustrated by the approaches of [Derby Museums](#) and [Black Country Living Museum](#) or [Ironbridge](#).

The ‘free’ model is also present in some of the other studies, such as [Ministry of Stories](#). Premium offers and ticket prices for events or experiences are examples of variations on the ‘free’ model.

There is no right or wrong model for arts and culture organisations. Success depends on many variables such as the people involved, their vision, the place and the surrounding physical and political context.

It may be helpful for the sector to develop a clearer but nuanced way of talking about business models in arts and culture. It is simplistic to suggest that all cultural organisations can achieve the often cited ‘third/third/third’ financial mix of public, private and earned income. Revenue models, resources and earning ability vary too much.

Being able to articulate the effectiveness of many variant business models and the Value Propositions they deliver may be crucial to individual and collective success. On an individual basis, this more powerful articulation of value and relevance is a common feature in organisations featured in the case studies.



Q.2 Does your adapted Value Proposition fit well with your mission, purpose and your customers?

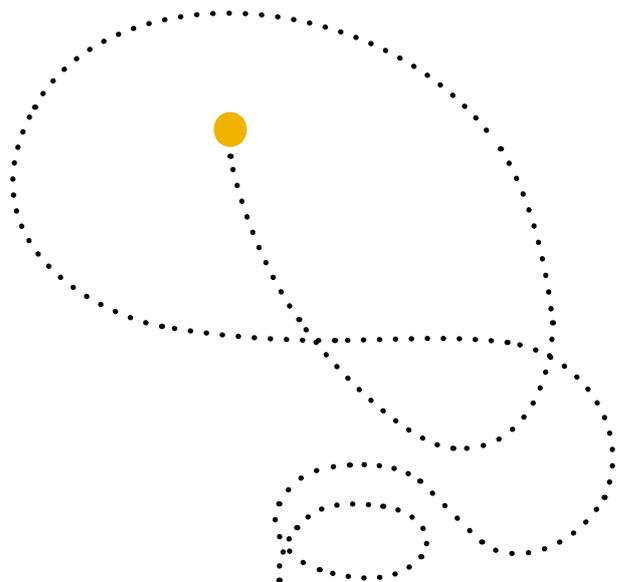
For most organisations explored in these case studies, the Value Proposition was important to their model. Much innovation was offer-driven; what people did and how they did it adapted to changing market trends, available resources or customer and partner needs.

One limitation of the Business Model Canvas as applied to arts and cultural organisations is that there is no specific way to accommodate purpose or mission, especially where this is charitable in nature rather than financial.

Some case studies, such as [Santa Cruz](#) or [Live Theatre](#), demonstrate how this can still be reflected through the Value Proposition. They also show how an emphasis on either customers or income generation need not be separate from continued focus on charitable purpose within the overall Value Proposition.

The purpose can also come through elements of the Customer Relationships. These often draw directly on the expressed values of the organisation and shape what kind of relationships businesses establish with Customer Segments.

Most Value Propositions here do connect a clear offer rooted in mission or purpose with direct value to customers and partners. They are rarely unconnected. It is therefore important for people to consider how their Value Proposition fits with their mission and cultural manifesto, as well as other parts of the Canvas.



Q.3 Does your business model reflect your values?

The Business Model Canvas doesn't explicitly reference Values. These are often reflected in the Customer Relationships where we articulate what kind of relationship the model needs to establish with customers. Several organisations talked about community and co-creation.

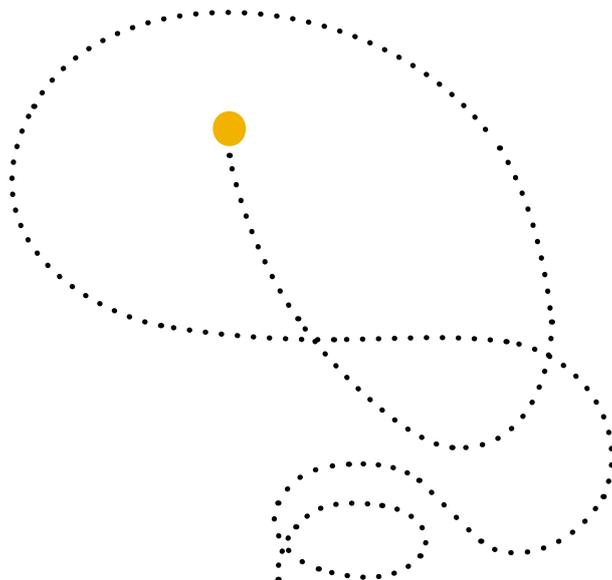
Several organisations also talked about moving beyond a concern with the demographics of their audiences to rooting relationships and marketing in behaviours and motivations. Some have moved onto the even deeper attitudes and value systems that drive behaviours.

Key questions for organisations are where on a spectrum of engagement they wish to concentrate and how deep in influence as well as longevity they wish relationships to be. In practice this often comes down to how much influence customers or communities have on the work of the organisations and how much they can actively shape their engagement with it.

Q.4 Are you making the best use of your particular crisis?

There is a cliché that every crisis is actually an opportunity. A surprising number of people interviewed for these case studies related stories of how crisis had been useful to them.

The nature of the crisis varied widely. Some talked about crises of finance, where income had fallen and left a hole in the budgets. Others talked about facing a crisis of relevance that had gradually emerged as their business lost its community or audience backing. One small organisation talked of a crisis of short-termism - a common syndrome as organisations grow. For others the crisis was one of performance dropping or of stakeholders changing priorities.



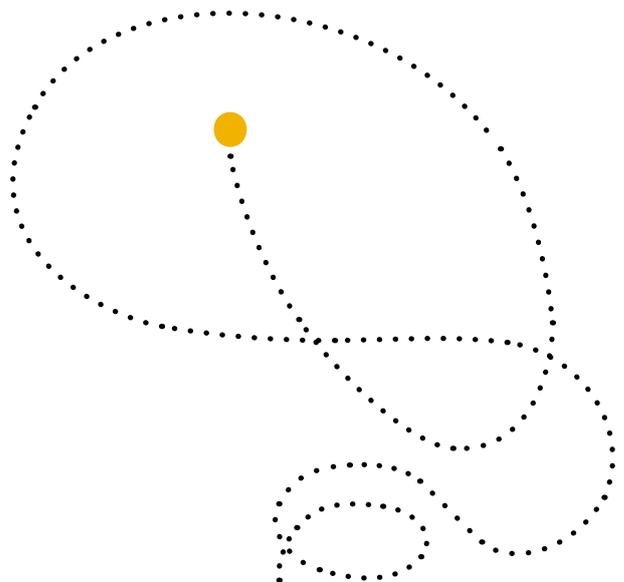
Q.5 What role do your Key Partners play in your business model and in the model for the sector as a whole?

It is a truth universally acknowledged that a cultural organisation in possession of a mission and a Value Proposition must be in need of a partner. Partnership is widely seen as a way of responding to funding cuts, of creating greater efficiencies and by many as a positive thing in and of itself.

A recent study by Kings College Cultural Institute, *The Art of Partnering*, has identified a taxonomy of partnerships in the cultural sector. The types of partnerships can be categorised as resource-based, goal-orientated, delivery mechanisms or network-based.

All of these types of partnerships can be seen in the case studies developed in this research. Some organisations bring in intellectual and physical resources such as building or equipment through partners. For some, partners can be crucial because of their influence in particular networks. Some partners work together on particular goals, such as developing public spaces. One discernible pattern is for local authorities to have shifted from being primarily Customers to being influential and supportive Partners, as they have moved from funding to more enabling roles.

The increasing role of city and regional business in arts and cultural business models is apparent in many of the case studies. This represents one aspect of 'knitting into the fabric of a place' that is perhaps becoming more explicit as part of the Value Proposition and overall Business Model of organisations.



Q.6 Are you adapting your business model as a whole or just one element?

Although it was most common to see innovation driven by changes to the offer and the overall Value Proposition, this was often influenced by Key Partners and Customer Segments. Understanding of customers, increasingly informed by data that allows mining for behaviours as well as demographics, can be seen to shape offer and resources - as in [Beamish](#)'s development of a new 1950s town.

For some, such as [Ironbridge](#) or [mac birmingham](#), development was informed by a desire to drive up visitor numbers for both financial and cultural reasons.

There are also examples in our sample of finance-driven innovation. [Hackney Empire](#) adapted its staffing model to reduce costs as well as emphasising the financial margins on programme. [Live Theatre](#) added new income streams through joint ventures and new assets.

What was common with those we spoke to was a desire to see the business model as a whole. Leaders recognised a need to avoid continually adding on 'sub-business models' designed simply to increase Revenue Streams, without considering the whole business. This means that staffing, partnerships and crucially the Value Proposition to customers can be aligned as the model adapts.

