

# FUTURE PROOF MUSEUMS



Image courtesy of Derby Museums

## Derby Museums Business Model Case Study



Supported using public funding by  
**ARTS COUNCIL  
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Derby Museums attracts customers, partners and income through a clear and compelling offer centred around creativity, innovation and making.

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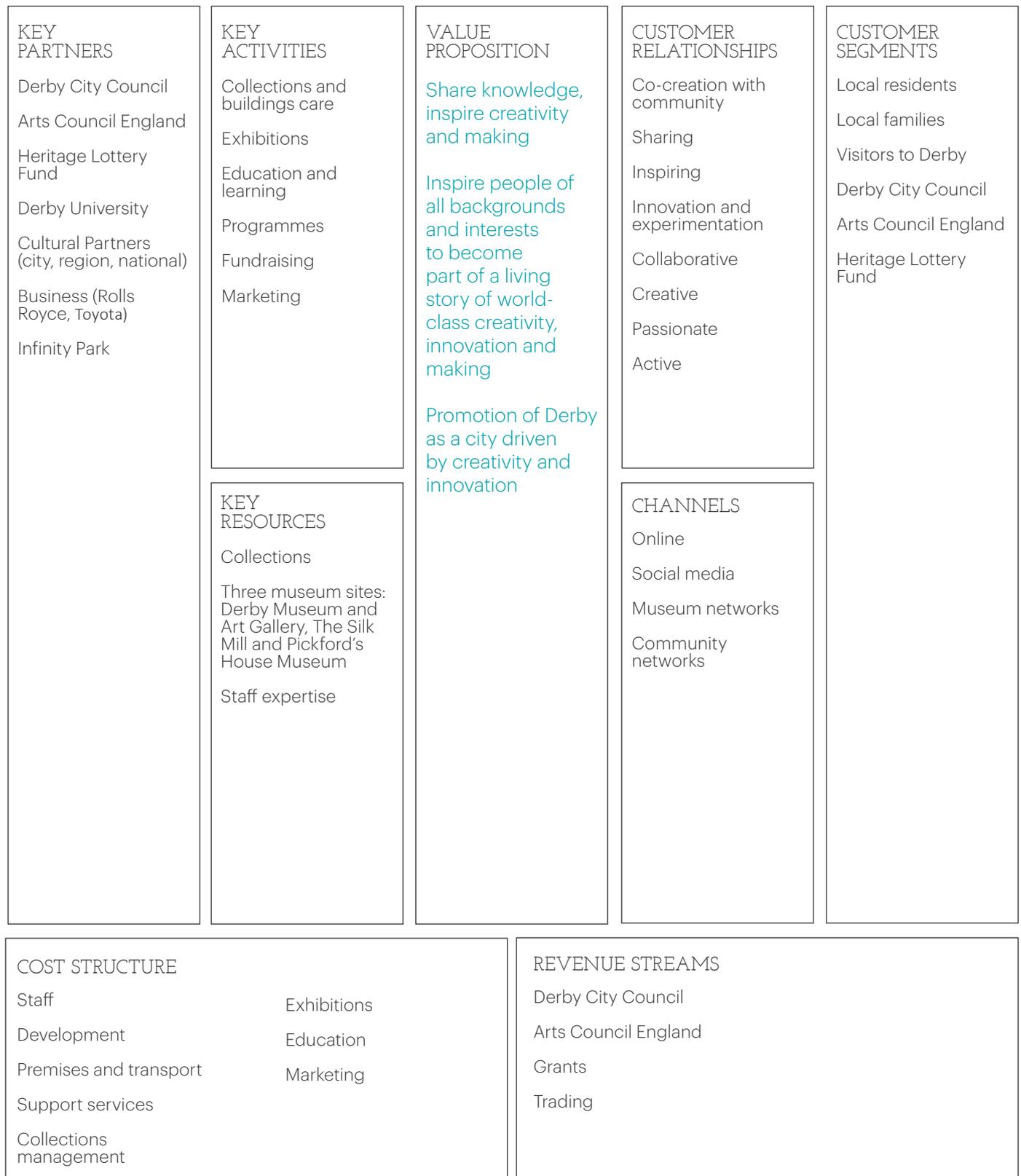
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# Derby Museums Business Model Canvas



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## Introducing Derby Museums

Derby Museums is a limited company and independent charitable trust. It was formed in 2012 when what had previously been the Museums Service of Derby City Council was moved to trust status.

The organisation currently manages 3 sites in Derby: Derby Museum and Art Gallery, The Silk Mill and Pickford's House Museum and their associated collections. It has a particular specialism in work by or relating to artist Joseph Wright of Derby.

The Silk Mill building stands on the site of the world's first factory and is part of the UNESCO World Heritage Site. It also contains the Midlands Railway Study Centre.

It is currently going through a process of development, with investment from Heritage Lottery Fund and Derby City Council, to create a Museum of Making opening in 2019 - 2020.

The trust holds a 30-year lease on the buildings it manages and manages collections under a funding agreement with the City Council.

It is a Major Partner Museum of Arts Council England, in a partnership with Nottingham City Museums, reflecting its importance in the East Midlands.

Derby Museums' mission is to positively affect the way in which Derby is understood, the way in which the city projects itself and the way in which people from all places are inspired to see themselves as the next generation of innovators, makers and creators.

# The Business Model

Derby Museums’ business model falls mainly into the ‘free’ category. It receives money in the form of grants from particular Customer Segments while subsidising free offers to other segments.

There are elements of Derby Museums’ business model that reflect an openness to influence from both partners and customers. This is due to the collaborative nature of much of the activity and to the large proportion of income derived from Derby City Council.

Innovation has largely been centred in the Value Proposition and finding new uses for Key Resources. A more compelling use of the collection and building has been developed around a narrative that positions Derby as a city with a past, present and future rooted in making, creativity and innovation. This has been an important part of the relationship with the two key Customers, the funders Derby City Council and Arts Council England. The activity and high quality delivery of the Value Proposition leads to funding so that the organisation can maintain free entry, education work and increased visibility.

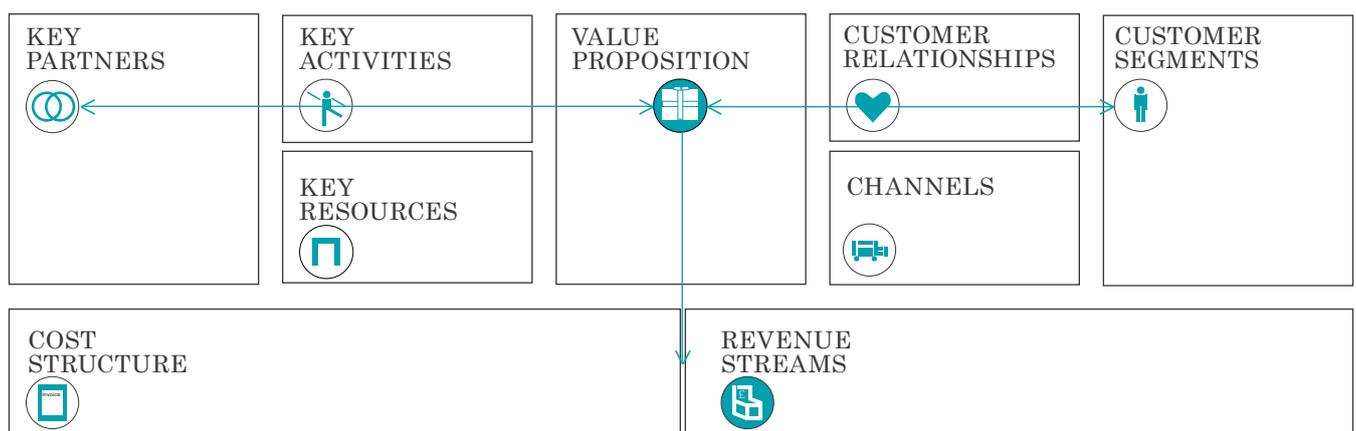
The Customer Segments are to some degree mutually dependent. Without the funders Derby Museums would have to fundamentally alter its customer base

and its relationships with them and without local and visiting audiences the funders would be less keen. However, it is important that neither the Value Proposition nor the Revenue Streams are particularly dependent on ‘mass’ visitor numbers, although they would be affected by declining attendances.

Financially the model is relatively simple with income from a small number of sources and a relatively small, though growing, proportion from retail and commercial activity. Costs are also relatively straightforward with a large proportion of expenditure on staffing, through which much of the key activities are delivered.

60% of funding comes from Derby City Council, 30% from Arts Council England and 10% from earned income. Derby Museums is earning more since the move to trust status, with earned income increasing as a proportion of total income from 2% to 10%. This has been achieved by improvements to hires and commercial activity but is also a result of subsidy having been reduced. Although the freedom from local authority restrictions has meant Derby Museums can spread its risk and develop more diverse income streams, these are so far still in a limited proportion of its income.

## The Core of Business Model Innovation



Based on the Business Model Canvas by [Strategyzer.com](https://strategyzer.com)

Innovation in Derby Museums’ business model is primarily offer-driven, attracting Customer Segments and Key Partners through a clear offer centred around creativity, innovation and making. Elements of the model also reflect an openness to influence from Customer Segments and Key Partners due to the collaborative nature of much of the activity.

Staffing structure has changed to reflect the new business model and the way Derby Museums wishes to establish Customer Relationships centred on co-creation rather than on curatorial expertise.

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## What can we learn?

Trust status has not been a solution to all Derby Museum's challenges. However, it has enabled Tony Butler and his team to look at Derby Museums as a business rather than a service area.

A change programme, begun by an Interim Director, has helped make staffing changes but most important has been cultural change. Derby Museums has become more autonomous and able to decide its own shape and partnerships. As Butler puts it, it can now 'make guilty its own disasters'.

Derby Museum conceives the Silk Mill as 'a museum of making' rather than an industrial museum in a more traditional sense. This has driven partnerships with major regionally-based international companies such as Rolls Royce and Toyota. They have invested in 3D printers, CNC machines, laser cutters and other usable technology for the public to use in workshops. The printers have also been used to make things for displays, thus saving money. Connections have been made with the maker movement in the United States. This kind of partnership activity has made for a richer process but has also been useful given reductions in staff numbers.

The staffing structure has changed to reflect the new business model and the way Derby Museums wishes to establish Customer Relationships centred on co-creation rather than on its specialist curatorial expertise.

Half of the current staff have been in post less than 18 months and there has been a conscious effort to attract people from non-museum backgrounds to

provide new perspectives. A curatorial team of six people has changed to a single 'curatorial' post that is mainly focused on collection asset management. A co-production team of curators, designers and others has been created, working with the community in far more agile ways. Overall staffing in curatorial and co-production has reduced from ten to five but due to the removal of silos and new ways of working, the output is actually far more dynamic and in keeping with the Value Proposition and desired Customer Relationships.

Key Partners play an increasingly important role in the Derby Museums model, both creatively and in terms of how work is developed and delivered. Derby Museums works in partnership with other cultural organisations in the city including DEDA, Quad and Derby Theatre. It works with national partners such as TATE, which complement its own skills base. It also works with expert partners in higher education such as the Zoology Department of Derby University on the refurbishment of its natural history gallery. This partnership approach is now embedded in how the Key Activities are delivered.

The Joseph Wright of Derby collection was designated in 2010. This led to refurbishment of the Joseph Wright Gallery and creation of the Joseph Wright Study Centre. An international touring show of Wright's work is currently being developed with US partners. This is an example of how the museum creates and extends the narrative around its assets, to promote Derby as a city and deliver its Value Proposition.

The long-term financial structure remains a key issue and Tony Butler would like to explore new ways of sustaining a mainly 'free' model through an endowment and increased commercial activity.

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## Future Proofing

Executive Director Tony Butler argues passionately for the public value virtues of free entry to museums, especially in terms of equity and the creation of public realm spaces for communities to come together to create and explore heritage.

However, he also argues that for organisations such as Derby Museums admission charges are not a simple solution to revenue challenges. At around 100,000 visitors per annum (70% to the Museum and Art Gallery) and an average dwell time of just over an hour, Derby Museums lacks the kind of scale to support long visits that would justify entry fees at a level that would create significant income.

Even putting aside ethical issues such as local residents arguably paying twice, entry fees for the Museum and Art Gallery where the Designated collection is located would be unlikely to bring in more than 10% of current turnover. That said, Derby Museums are currently considering admission charges to Pickford's House, which they feel is more in keeping with its offer to visitors.

Visitor numbers had been declining for some years but have been rising since 2014. The visitor base for Derby Museums is mainly local - most visitors come from within a 12-mile radius - with a high proportion

of families. The Silk Mill is increasingly attracting students and young people due to its workspace functions. Audience numbers are not, therefore, the most urgent priority for Derby Museums.

Bringing together the new mix of offers with the revised purpose around making and promotion of Derby as a city of making, creativity and innovation is key to medium and long-term sustainability.

The long-term financial structure remains a key issue and Tony Butler would like to explore new ways of sustaining a mainly 'free' model through an endowment and increased commercial activity. He estimates an endowment of £25 million would be required.

The Value Proposition and purpose would drive any case for investment into an endowment. For Butler this proposition is as much ethical as economic, rooted in the kind of public value Derby Museums wishes to work with others to generate.

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by this case study?

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