

Watershed Business Model Case Study

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Published 2015
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Watershed Business Model Canvas



Based on the Business Model Canvas by Strategyzer.com

The canvas is colour-coded to illustrate the primary function of each element. It is important to note how much is common to all three companies. These elements form the heart of the Watershed brand and Value Proposition. Some elements will engage with more than one part of the Watershed group.

Watershed Arts Trust

Watershed Trading

iShed Community Interest Company

Combination

Watershed produces and presents original ideas and content and curates a diverse programme of talent development, cinema exhibition, events and festivals.

Introducing Watershed

Watershed is a social enterprise and a registered charity in Bristol. It was founded in 1982 and declared itself to be 'Britain's First Media Centre'.

It is the leading film culture and digital media centre in the South West. It advances education, skills, appreciation and understanding of the arts with a particular focus on film, media and digital technologies.

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Watershed occupies the first floor of a historic Grade II listed building at the entranceway to Bristol's Harbourside. The building contains three cinemas, a cafe/bar, flexible conference and events spaces and a research space called the Pervasive Media Studio.

The organisation had a turnover of £4.9 million in 2014-2015.

Structuring the business into related companies helps avoid unnecessary trade offs between different types of activity.

The ‘Unbundled’ Business Model

Watershed is an example of a medium scale partially ‘unbundled’ business model, which is relatively rare in cultural organisations. It is a group of three companies: Watershed Arts Trust, Watershed Trading and iShed Community Interest Company. The three companies operate together within a common values-led brand.

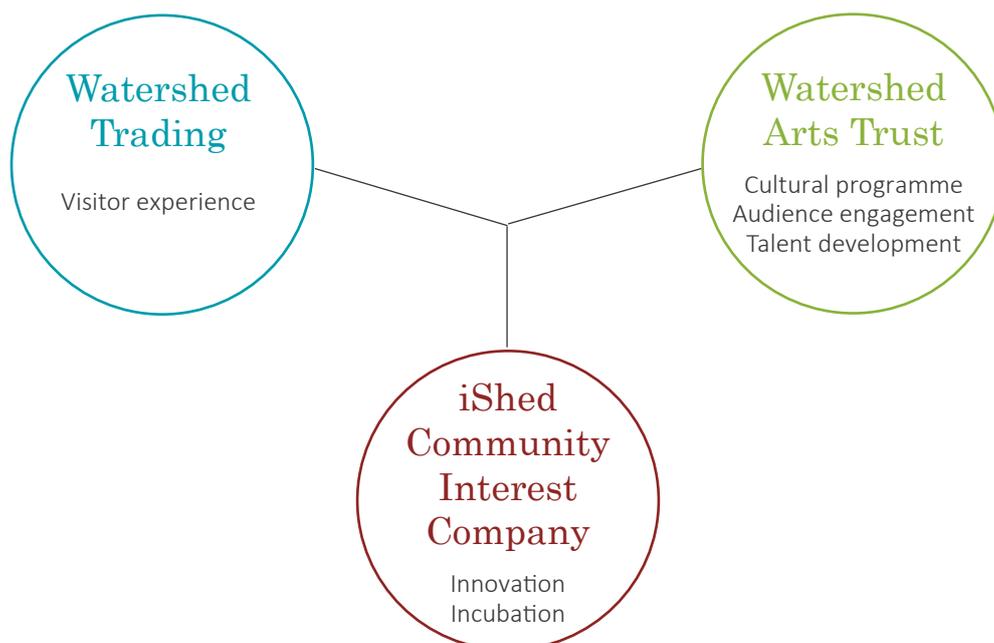
Structuring the business into related companies helps avoid unnecessary trade offs between different types of activity. Each company has a particular function within the overall business model, presenting a distinct offer to complementary Customer Segments.

The group structure allows Watershed to operate beyond the confines of the charitable remit of the Arts Trust, inhabiting a commercial space at the same time. It has also meant that the organisation is less frequently criticised for being ‘too commercial’. It has given a wide range of funders increased comfort that their desired outcomes will be delivered by the relevant aspects of

Watershed - be that public value-driven arts funders, innovation funders interested in business return or academic funders.

It has also helped create new opportunities. iShed led to deeper partnership with Hewlett Packard and with Bristol’s universities and business sector. This ultimately led to the creation of the Pervasive Media Studio, which is a physical manifestation of the new approach.

Each of the three companies has its own Board with expertise appropriate to the needs of that company. Watershed’s Board governs the Arts Trust, which maintains the Group overview. A Chair’s Coordinating committee brings together the chairs of the Arts Trust, iShed and Trading company boards. This committee provides a vital link between the individual boards ensuring that the Group remains a consolidated unit with shared vision and values.



In the book *Business Model Generation*, Osterwalder and Pigneur describe three fundamentally different types of business that can be found in ‘unbundled’ corporations: customer relationship, product innovation and infrastructure businesses. At Watershed these co-exist within a single group, albeit as different legal entities. The Arts Trust is essentially a customer relationship business, iShed focuses on innovation and the Trading Company has elements of infrastructure through rentals and customer relationships through bars and events.

For Watershed, bars and catering are important in developing a creative social space as well as being an income generator.

The core of innovation

The model is centred on the Value Proposition but is open to influence and innovation from outside factors. Watershed's Value Proposition has evolved to embrace a role as a pathfinder to new value in the creative economy. This is partly as a result of the development of media and technology clusters in Bristol and of the interests of Key Partners in business and education.

Innovation has come from multiple epicentres. Partners such as Hewlett Packard and the universities create changes. Customer trends lead to innovation. The acquisition of new resources, such as building space, leads to new income streams. The ideas of creative practitioners, staff and new possibilities of technology - such as livestreaming of conferences - create new offers. The need to control costs and ensure margins on film hires leads to adapted approaches to programming and marketing.

The number of visitors alone is not the key factor in making the model work. The most important aspect to visitor numbers is the quality of relationship the visit reflects and creates. In 2015 there were 136,340 paid visitors and 164,820 visited off-site exhibitions and installations.

Paid visitors are an important part of the financial aspect of the business model with cinema admissions forming 14% of income in 2014-2015. Catering, which generated 22% of income in 2014-2015, also relies on those who may not buy tickets on each visit. Watershed has over 300,000 visitors a year. A good number of visitors is equally important to create the sense of energy and open exchange that drives the creativity within Watershed.

Numbers also help deliver diversity that is critical to the ongoing spirit of enquiry. Conscious that audiences do not fully reflect the age and ethnicity demographics of the city, Watershed particularly targets Black and Minority Ethnic and young audiences. The pricing structure was changed earlier this year with a £4.50 ticket for people aged 24 or under for all days and times

to try and attract more diverse young people.

Visitors may be motivated by love of independent cinema or innovative digital work. They may also use Watershed as a shared social space that is different from bars and clubs nearby. Depth and quality of relationship are important to Watershed.

One reason Watershed purchased the headlease on the buildings in which Watershed is located was to influence the leisure environment around the venue. Watershed now controls the leases of the cafes and bars located on the ground floor. By being flexible on terms and rents they have encouraged independent operators rather than big chains, massively improving the evening atmosphere in the area.

For Watershed, bars and catering are important in developing a creative social space as well as being an income generator. Although Watershed catering, which is managed in house, has been profitable in recent years it is just one element of a diverse income portfolio.

Work outside the building has become more important due to the success of Playable City. This has attracted funders and partners in Lagos, Tokyo, Austin and Recife but also brings ideas to Bristol. The second Playable City International award winner Shadowing had 100,000 engagements in Bristol and was selected for the London Design Museum Designs of the Year competition. It has recently been commissioned for Illuminating York 2015. Bristol Crane Dance by artist Laura Kriefman attracted 10,000 people to see it live but it reached over 4 million people online and via social media.

Audiences online may have a necessarily different relationship with Watershed than those who are also local. It is an important part of the model to have global and local reach simultaneously. The value varies only on the context. This creates partnerships and income streams but more importantly puts Watershed's practice into a larger context where it can have more effect and be enriched by learning.

The evolution of Watershed into a complex group of different companies working internationally has been a journey of shared learning.

Developing the model in practice

The Value Proposition for Watershed has always been about film and media practice, audiences and the creative economy. However, in the last 10 - 15 years it has become increasingly focused on the creation of purposeful spaces - intellectual, physical and digital - where creatives, academics and businesses can come together to explore ideas. This includes the value of Watershed as a physical hub, containing workspaces and places where audiences can come together.

Watershed enables relationships between people involved in developing Bristol as a city at the heart of a technology and media cluster. This encompasses both hard and soft elements - from microchips to animation studios and music innovation. People working in art, science and technology explore together how a city evolves. They explore how a cultural or creative ecology can work. They learn how it works while making it, supported by Watershed.

Co-production shapes the relationships with customers and partners. Graham Leicester and Bill Sharpe explore this in more detail in [Producing The Future](#), a paper that explores Watershed's role in what the authors term 'ecosystems of cultural innovation'. It is, to a large degree, what funders want to invest in. Funders are key Customer Segments given that 19% of income is regular grant funding and 26% project and partnership funding.

It is important to note that value comes not from a narrow 'digital' or 'technology' specialism but from creative practice. Watershed does not create value or generate income from its 'digital innovation' capabilities so much as from 'practice innovation' and public sharing of media. This is something Watershed does itself, as well as facilitating for others. It is a 'learning through doing' approach, although it is noticeable how much reflection Watershed does. It has also commissioned influential studies of its work to understand and share learning from the experience.

Artists who work with Watershed become part of a network. As artists become more established they move out of Watershed's own workspaces to make way for new talent. Many stay in touch and mentor younger artists or develop projects with the organisation.

Watershed plays an expanding role beyond media production and exhibition. It is one of the hubs for a new high capacity experimental network called Bristol Is Open. Led by University of Bristol and Bristol City Council it explores digital connectivity. This approach is also applied in the organisation's education and engagement work. 2014 saw the launch of RIFE magazine, the fruit of work for Bristol City Council on an online information service for young people. As a three year commission it is useful financially but also evidence of the value Watershed creates for the local authority.

Growth has been important to Watershed for a long time. It has grown faster than imagined with the expansion of iShed, Pervasive Media Studio and the purchase of the building. Even though the 2008 recession affected income, a focus on margins from events and sales was able to stabilise and grow income. However core infrastructure is now described as 'creaking' and investment is needed into innovation capacity and staffing of the business administration functions.

The organisation is exploring potential long-term core partnerships with technology business partners and stakeholders. Potential partners are interested to explore areas such as the future of cities, the internet of things and social uses of digital innovation. They are also exploring the potential to create wholly-owned subsidiaries able to act more freely in commercial markets, perhaps working with equity partners.

The evolution of Watershed into a complex group of different companies working internationally has been a journey of shared learning. Variations and models have been tested in public. This reflects the collaborative enquiry at the heart of the organisation's growth. There has had to be a mixture of constant questioning and holding onto a clear purpose over a long period of time. Penny has been with the company since 1998 and has worked with just two chairs during the last twenty years. There has been periodic renewal of active people on the board and in the company, maintaining energy and ideas.

Nurturing staff has been important and helped by a model based on conscious risk-taking. Organisational, personal and professional development have gone hand in hand.

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