



Digital R&D Fund  
for the Arts

# Making Digital Work: *Business Models*

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Sharing the learning  
from the Digital R&D  
Fund for the Arts



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# Business Models

It is hard to imagine a time when pressure on the bottom line together with competition for attention have ever been as great as today. All of which means that across all sectors and all industries, both incumbent organisations and dynamic startups are searching for new, innovative and sustainable business models which can create the revenue that is needed both for health and growth.

The arts need not be any different. We have seen the emergence of new distribution channels for performance and other content, for screens big and small. We are seeing theatre become more game-like and video games become more theatrical. Business model innovation is both challenging and potentially very rewarding.

Distribution and business models is one of the major learning themes from the Digital R&D Fund for the Arts, and work to date has mainly involved content with different distribution models being explored. You can build a platform to distribute it or use one that is already waiting and ready to distribute it for you. The decision of which way to go is not just about money—if an audience is already finding content somewhere, piggy-backing onto that platform will allow you to be exposed to that audience.

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**Nicole Yershon is  
Director of Innovative  
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# Contents

4

## What *is* a Business Model?

Understanding what business model and business model innovation really mean.

6

## Keeping Things Fresh

The Firestation explores how dynamic pricing can impact ticket sales with *Neo-Ticketing*.

8

## Opening Up Your Assets

Ticketing experimentation—Miracle Theatre try out new distribution models.

10

## New Musical Models

NYMAZ—developing a new business model around teaching music in rural schools.

12

## Distribution? That is the Question

Why arts organisations should be distributing their assets.

14

## Making Digital Work

Further resources related to business models and the cultural sector from the Digital R&D Fund for the Arts and beyond.



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Rohan Gunatillake shines light on this commonly used but often elusive term.

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Written by Rohan Gunatillake, former Innovation Lead at the Edinburgh Festivals Innovation Lab. Find out more about the Festivals Listings API at: [api.festivalslab.com](http://api.festivalslab.com)  
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Despite being very widely used, business model can be a confusing term. This is mainly because it is used in two different ways. The first and most common—although technically incorrect—use of business model is as a synonym for income or revenue. This results in the business model conversation being conflated with that about revenue and funding and by extension, funding uncertainty. For example, when someone says ‘let’s explore new business models’ this is often thinly-veiled code for ‘we have a hole in our balance sheet and we need to fix it’.

While income is certainly part of business model thinking, if we make them exactly the same thing then by default business model innovation becomes all about making money. In fact it is bigger than that and not always the primary reason why organisations engage in innovation. The influential us-based Nonprofit Finance Fund have their useful iron triangle concept which says that when assessing business model change you have to recognise that not only is the money affected but so too are the mission and the operating model.

Thankfully when it comes to definitions, there are some good ones out there. The Digital R&D Fund for the Arts uses the helpful Falk and Sheppard definition where a business model is the mechanism by which an organisation intends to manage its costs and generate its outcomes—in the case of for-profits, the outcomes are primarily revenues earned, and in the case of non-profits, the outcome is primarily the public good created. And Osterwalder, Pigneur *et al*, creators of the enormously popular Business Model Canvas are even more succinct when they say that a business model describes the rationale of how an organisation creates, delivers, and captures value. Or in even simpler terms, it is what you do and how you do it.

# What is a Business Model?

Business model innovation for existing arts organisations comes in two main flavours. The first is where an element of your existing model is extended. For example, if you are a performance venue and you craft a new ticketing campaign to attract students or start booking comedy performances when you are best known for dance. Or you are a gallery which gets access to a new exhibition space which grows your ability to show new work. Both these examples are based on skills and experience which already exist within the organisation.

The second main flavour of business model innovation for arts organisations is when you are looking to develop a whole new area of practice that has no direct equivalent in your existing model. One common example is a venue deciding to open a cafe. Or when a theatre company starts to distribute performances directly into people's homes through a digital platform.

As 'outside-in' development, this type of innovation practice is most likely to require skills that currently do not exist within the organisation and therefore need suppliers and /or partners. There is a third category of business model innovation in the arts—third party-led—which by definition starts not with arts organisations themselves but when external entrepreneurs spot an opportunity that arts organisations create but do not necessarily have the direct interest, mandate or resources to exploit. An example of this is a startup such as *CultureLabel* which aggregates together individual museum shops into a much larger online marketplace.

One of the most powerful ways to start thinking about business model innovation is not to start with the gaps in your budget or in your audience but to start the other way around entirely. An audit of your assets may highlight things your organisation has which are being underused or not used at all but could be reframed and recognised as a source of value. These assets can be in all sorts of categories such as data, existing audiences, physical space, brand value, partnerships, talent network, archives and staff.

Finally, given the potential rewards, business model innovation can involve a high level of risk—especially if it requires significant upfront investment in people and/or technology. Additionally, if the innovation is sufficiently disruptive it might even undermine elements of existing business models such as cannibalising existing audiences. Therefore, when undertaking any business model innovation process, it is important to put in place a good research process that can measure and evaluate the resulting external and internal impact. ▲

“A business model is simply what you do and how you do it.”



# Keeping Things Fresh

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We're living in complex times. There's a creeping uncertainty underpinning our work. It's heralded in part by the constant threat of spending reviews, in part by the mainstream arrival of technologies that ask questions of our traditional ways of doing things.

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**Written by Suzy Glass, a producer with a specialism in both digital and sited work.**  
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We increasingly need to justify what we do, which in turn is leading to a sector-wide identity crisis. We none of us know quite what's about to happen, and there's a jittery nervousness percolating through the sector as a result.

This is how Dan Eastmond, MD of The Firestation Centre for Arts & Culture, frames his ongoing drive to innovate and disrupt. The Firestation is a contemporary arts venue in the heart of Windsor. On the surface, it appears much like any other suburban arts centre, offering audiences a healthy programme of music, comedy, theatre, dance and film. Dig a little deeper though, and there are myriad activities afoot that tell a different story.

Dan is confronting what he perceives to be the gradual erosion of the traditional arts organisations by developing a cluster of initiatives. These are leading The Firestation into exciting new territory. Coupling emerging technologies with fresh thinking, he has led his team and collaborators on a journey of thinking about and—crucially—trailing ideas that might just revolutionise the arts organisation.

At the heart of these is the Firestation's Digital R&D project. *Neo-Ticketing* is an exploration of how dynamic pricing can impact ticket sales. Using the organisation as a live laboratory, the Firestation is trialling technology that adjusts the price of a ticket depending on its popularity. If you book early, you get a good price. Leave it until the last minute and either you'll get an amazing price if the show isn't selling particularly well, or you'll have to pay over the odds if there are just a few tickets left. It's a lot like booking a flight with one of the budget airlines. Which in fact is what inspired the project.



## “Organisations that are fit for purpose in the 21<sup>st</sup> Century can continually question their value and reposition accordingly.”

As Eastmond says: “Whilst the arts and entertainment sector aspires to be at the forefront of cultural progress, its business models and methods of working are often a long way behind the fresh and buoyant practices enjoyed by newer industries. These need to be researched and radicalised as much as new, enabling technologies if they are not to anchor essential progress.”

It’s a great tip. But how do you go about implementing a more outward-looking approach to business modelling? Eastmond talks about his organisation as an incubator, a space where he can test approaches to programming, audience engagement, funding, ticketing and so on. He muses that the best way for organisations to think about themselves in an increasingly uncertain environment might be as R&D portals, rather than conclusion-oriented vessels.

Ultimately, organisations that are fit for purpose in the 21<sup>st</sup> Century can continually question their value and reposition accordingly. They are fluid, they can think about their relevance. They work out how to connect people. And they do this by letting go of control. They become pathfinders by opening the doors and rolling with things. They have a healthy relationship with risk: they constantly carry out measured, well-planned experiments. They make enquiries, they forge new ground to explore. They’re more than happy to try something out and then to say it didn’t work, let it go, move on.

Eastmond and his team have a regular meeting in the diary where they address what the Firestation might look like without its building. Given that they’re a venue-based arts organisation, that’s an unusual way for them to use their time. Of course, what they’re actually doing is forcing themselves to think about alternative worlds, which in turn enables them to make connections both with ideas and people who they might not otherwise encounter. They’re not fetishising technology *per se*, but because they’re looking outwards, they tend to stumble across potential solutions to their problems that exploit omnipresent digital tools.

Eastmond points out that out in the real world we reached a tipping point a while ago. Everything is changing. For too long in the arts we’ve either been ignoring technology, or filling it with yesterday’s ideas in an attempt to make the old model work. We’re replicating systems that don’t mean anything anymore because we haven’t worked out what to do next. We’ll only find ways of articulating our value organisationally and sectorally if we discard classical frameworks and rebuild them in order to give ourselves the opportunity to be genuinely innovative. 

# Opening Up Your Assets



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Alternative forms of distribution are more and more in demand from arts organisations and arts audiences, as they embrace technology to increase access from both producer and consumer. It means that those unable to attend a show in person can see it elsewhere and that the company behind the work can extend its life and reach.

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Written by **Iain Aitch**,  
a writer who specialises  
in the arts and technology.  
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To this end, Miracle Theatre looked at digital distribution for their shows, which made sense, given their rural location. But the company didn't just want to film what they did, they wanted to experiment with how it is made as well. "With our *Waiting For Godot* we captured a theatre show as a live stream and then again as a made-for-screen version," says Annie Ukleja, who is Miracle Theatre's general manager. "With *Tin* (a mining drama featuring Jenny Agutter), we have treated it more like a film and just used different platforms, including traditional cinema release. This has definitely led to new revenue and new audiences. Our need was geographic, so we could reach places we can't get to regularly. We also do a lot of shows outdoors, which is not for everyone, so we had to find a way to get those indoors."

Cornish touring company Miracle Theatre had this model in mind when they drew up their business planning for an R&D project that was partnered by Golant Media Venture and Falmouth University. They wanted to give a longer lifespan to their work, reach new audiences and also make some additional revenue.



Miracle Theatre still wanted to create a sense of event around their work, so rather than simply provide streaming to homes they sought to create events in pubs or art centres. This created a communal experience, with the attendant post-show discussions and chance meetings that a physical performance offers.

When the events were live-streamed there was a steep learning curve. Miracle Theatre found it was over-preparing that was its downfall in their initial run. "It worked perfectly in testing," says Ukleja. "But then the feed stopped 20 minutes in. The irony was that as we had tested so much one of the drives got full and that stopped everything. We did find that communication between the venues and between ourselves and the audience is important. If something is going to start five minutes late or breaks down then you need to say when it is going to start. You need protocols for if a stream goes down. People are fine if they know what is going on."

One learning to come out of the experience for Miracle Theatre is that anyone taking part in R&D should assume that everything will take longer than you think and planning ahead is wise. For example, Miracle Theatre was grateful that the Beckett estate allowed them to use *Waiting For Godot* in their R&D work, but it would have been advantageous if it could have used a play where they could get distribution rights.

"We couldn't change our artistic programme just for the project," says Ukleja. "But we have had interesting outcomes, such as where we have put *Tin* in the cinemas we reached as many people in two weeks as we would in a three-month winter tour.

Although the income was around one-quarter of what we would make touring a show. This helps us to be more business-like and look at how we can add value to our IP and things like that." The biggest lesson was the need to retain flexibility. The business model and plans were more of a starting vision than an end goal. Being agile is what a small arts business needs to embrace.

"We couldn't have just set up a business model two years ago and followed that," says Ukleja. "You need flexibility or things wouldn't have worked out properly. You need to remain fleet of foot and that is perhaps where the arts and commercial sectors differ."



“Where we put *Tin* in the cinemas we reached as many people in two weeks as we would in a three-month winter tour.”

Although the R&D project has now finished, Miracle Theatre continues to experiment and learn in its distribution of downloadable content, whether that is via Synergy for cinema clubs or live-streams. They are also looking at a bespoke download platform for their own website, along with using Vimeo On Demand for home users.

The project has put Miracle Theatre at the forefront of small theatre groups who want to get their name and their work out there with a larger audience. But they are not afraid to say they are still perfecting their delivery and business model, and may always be. ▀

# New Musical Models

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In 2011, Arts Council England called for arts organisations to develop new models of IP exploitation that would deliver significant new revenue. “Innovation is championed across the arts,” stated its report *Supporting Growth in the Arts Economy*, “but it is rarely at the heart of operational and strategic thinking.”

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Written by Gaynor Aaltonen,  
a specialist in design and  
wellbeing.

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Artists and organisations have secured a level of sustainability through adherence to old business models, but this slows growth overall, stymies talent development, and reduces potential for collaboration.

For many arts organisations, though, new revenues are not as important as improving reach and accessibility. How do you ‘sweat’ your assets to achieve your ‘business goals’ if your aspiration is to reach more people? There is a lot technology can provide to deepen engagement with audiences, as well as improving your ‘offer’.

In 2015, youth music development charity NYMAZ ran a series of classes. A live streaming of a violin lesson: high culture meets hi-tech. Interactive concerts: teachers and their pupils invited to tweet their questions and comments. It all sounds very futuristic, and the classrooms were not in London, Tokyo or New York. They were in rural North Yorkshire.

Beautiful though it may be, England’s largest county has a widely dispersed population; only 21% of its people live in the two main towns, Harrogate and Scarborough. The population generally is known as ‘sparse’. With the county stretching from the North Sea on the east side and nearly as far as the Irish Sea to the west, public services are costly to provide given the distances involved. Rural isolation is a problem.

Music education services are facing huge challenges due to cuts in source funding and staff numbers. With the new Music Education Hubs calling for more collaborative working across formal and non-formal music education, NYMAZ saw a clear need to explore online solutions. It worked closely with two schools as a pilot, and then recruited the popular North Yorkshire band Hope & Social to broadcast an exclusive live performance. School children across the county were given a treat and a behind-the-scenes insight into the life of a band—without leaving the classroom.



“There is a lot of technology that can provide to deepen engagement with audiences.”

NYMAZ began with the ambition to break down barriers to children enjoying music and already does a huge amount in this field. It works with schools, runs ukulele clubs and choir workshops, and sets up bands which ‘anyone can join’. To raise the cash for this sterling public service NYMAZ went down the conventional charity fundraising-and-grant applications route. Yet it didn’t stop there. Alongside the technology company UCan Play and research partner University of Hull, the charity began to think bigger when it applied to the Digital R&D Fund for the Arts, looking outside its ‘business-model’. The first fruits of that thinking, project *Connect: Resound* is listed on the charity’s website as ‘Location: All North Yorkshire’.

“NYMAZ aims to be strategic,” says director Heidi Johnson. “We identify need and gaps in provision and develop collaborative solutions, in partnership with others. The issues NYMAZ faces in delivering music activities in a predominately rural county—lack of a local specialist workforce, long travel distances and costs making activities seem poor value for money—are shared by other music education providers.”

What were the main issues? “We knew we were in safe hands with UCan Play as our technology partner, so there wasn’t a sense that we could be making expensive mistakes. I think the main reservations were about how the technology might be received by the music tutors delivering on the project, and how open they might be to learning new skills and adapting their teaching to accommodate the delivery model. In fact, the music teachers and school support staff have been fantastic—they have really invested in the project, given insightful feedback and come up with their own solutions to challenges the technology has presented.”

Johnson is keen to find a model that can be rolled out to other music hubs and arts organisations, which is one reason—along with cost—that it has been really important to adapt existing technology solutions that others can access easily, including free software like Skype, domestic internet connections and affordable CCTV cameras. She is looking to embed the *Connect: Resound* model with future partners, as well as looking at new, future applications of the approach.

Does she feel like NYMAZ is ‘sweating’ the business model? “We are using existing ‘assets’, the skill of instrumental tutors, but changing the way rural primary schools work with them. So, yes.”

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Changes wrought by digital technology have swept through many industries over the past few years, bringing new opportunities while uprooting established companies and leaving business models in tatters.

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**Written by Chris Unitt,**  
a consultant in content  
strategy & digital analytics.  
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Although few arts organisations have been turned completely upside down by this wave, it has affected many aspects of their running and some have started to reconsider how they should go about serving their missions and their audiences. One of the areas where digital change has had the most significant impact for arts organisations is distribution, with knock-on effects for business models.

First, let's explain what we mean by business models and distribution.

Taking the Falk and Sheppard definition used by the Digital R&D Fund, a business model is 'the mechanism by which a business intends to manage its costs and generate its outcomes'. Naturally, distribution plays a crucial role in this, acting as a conduit for those outcomes and having implications on cost.

Distribution, in the case of arts organisations, consists of making performances, products, information and experiences available to audiences, consumers and participants. Digital technology has affected this by introducing and enabling new channels, networks and marketplaces to distribute on. Platforms such as YouTube, Soundcloud, and Wordpress provide simple ways to publish content online. Twitter, Facebook, and Instagram have created online networks where communication and content can proliferate. iTunes, Bandcamp, and Etsy have established themselves as marketplaces.

# Distribution? That is the Question

This has been to the detriment of some commercial companies. HMV and Jessops were put into administration and Blockbusters is no more. Luckily very few arts organisations have suffered the same fate, and the biggest problem arts organisations face is a surfeit of choice. They can now engage with their audiences and participants in new ways, such as livestreaming, downloads of film, books and audio, participative communities, content publishing, interactive experiences, and online courses.

In the face of all this possibility, arts organisations have tended to follow one or the other of these two trends. They've either created platforms or channels for distribution of content (their own and that of others) or focussed on creating content that can be distributed through platforms owned by others.

*Nt Live*, the National Theatre's platform for broadcasting theatrical performances to cinemas around the world, is the most prominent arts organisation that has created its own platform. Interestingly it also broadcasts productions by others, such as the Donmar Warehouse and Young Vic, examples of content producers — who stay focussed on producing content and can choose appropriate distribution partners.

Why take the risk of pouring investment into the creation of a platform when you can make use of *Nt Live* (or Facebook, Soundcloud and Etsy)? For most arts organisations building complicated platforms isn't even an option. However, those that do take a risk and invest resources stand to reap the benefits if their platforms prove to be successful.

At which point we need to talk about money. This has the most impact on arts organisations' ability to act in this area, with associated costs and uncertain or insufficient returns acting as a barrier to unlocking the various opportunities.

One issue is that there's no shortage of supply online when it comes to interesting and entertaining content. When demand stays constant then prices are forced down. Cost is also an issue when making use of new distribution channels. Although direct costs can be relatively low, new types of content must be produced and, given the increasingly competitive environment for audience attention, resource must be allocated to promotion. With projects of a larger scale, such as the development of a new distribution platform, the costs get larger, but larger returns no more certain.

As long as their current business models aren't significantly under threat, it's understandable if arts organisations are reluctant to radically overhaul their principal methods of delivering on their missions. We will continue to see digital distribution being used either to aid the delivery of existing forms of artistic activity (a website that sells tickets and provides directions to a theatre), or to offer small online manifestations of their usual activity (such as an online guide to playwriting).

It could be a while before those organisations feel any pressure to act differently. The concern is that, by the time that happens, it could be too late. New entrants that are better attuned to the evolving preferences of audiences may steal in. ▲



“One issue is that there's no shortage of supply online when it comes to interesting and entertaining content.”

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# Making Digital Work

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Visit the Digital R&D Fund for the Arts website at [artsdigitalrnd.org.uk](http://artsdigitalrnd.org.uk) for a wide range of resources to help organisations of different sizes and types on their own digital innovation projects.



## Theme Films

Engaging short films on the four learning themes of mobile, accessibility, data & business models.



## Product Toolkit

The processes and tools you need to take an idea through to a successful product.



## Print Magazine

Limited edition publication full of inspiration and opinion, also available as a PDF.



## Research Reports

Fascinating accounts from the R&D Fund projects from England, Scotland and Wales on the successes and challenges of their work.



## Digital Culture

Results from this major 3-year study tracking how arts and cultural organisations in England use technology.



## Magazine Features

Interviews, profiles and guides from a range of people and organisations working in arts, technology, research and beyond.

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## Further Resources

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### Strategyzer

The popular Business Model canvas tool.

[www.businessmodelgeneration.com/canvas/bmc](http://www.businessmodelgeneration.com/canvas/bmc)

### Digital Culture

Results from the ongoing Digital Culture study on how arts and cultural organisations in England are using technology.

[www.artsdigitalrnd.org.uk/research](http://www.artsdigitalrnd.org.uk/research)

### Business Models in the Visual Arts

Investigation of organisational business models for Arts Council England.

[www.artscouncil.org.uk/media/uploads/pdf/Final\\_business\\_models.pdf](http://www.artscouncil.org.uk/media/uploads/pdf/Final_business_models.pdf)

### Jumper

Diane Ragsdale's blog on the challenges facing the non-profit arts.

[www.artsjournal.com/jumper/](http://www.artsjournal.com/jumper/)

### The Artful Manager

Andrew Taylor's blog on the business of arts and culture.

[www.artsjournal.com/artfulmanager](http://www.artsjournal.com/artfulmanager)

### The Non-profit Finance Fund

The Nonprofit Finance Fund's extensive set of planning tools and resources.

[www.nonprofitfinancefund.org/tools-resources](http://www.nonprofitfinancefund.org/tools-resources)

### National Theatre

Research findings from *NT Live*.

[www.nesta.org.uk/publications/nt-live](http://www.nesta.org.uk/publications/nt-live)

## Related Digital R&D Fund for the Arts projects

Abandon Normal Devices

Art Fund

Arts Depot Trust

Audience Agency

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CultureLabel

Dance City

DegreeArt.com

Film London

Firestation Arts

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Hijack

Miracle Theatre

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