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mac birmingham

Business Model Case Study



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mac birmingham has increased its audience and resilience by focusing on its offer as a gateway connecting people with the arts.

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mac birmingham

Business Model Canvas



mac birmingham programmes
theatre, dance, independent
cinema, live streaming,
music, comedy, spoken word,
exhibitions and special events
as well as 120 practical
classes each week.

Introducing mac birmingham

Opened in 1962, **mac birmingham** (Midlands Arts Centre) is an arts centre in Cannon Hill Park in the Edgbaston area of Birmingham.

Its programme includes theatre, dance, independent cinema, live streaming of performances elsewhere, music, comedy, spoken word, exhibitions and special events.

It holds around 120 practical classes each week covering all aspects of creativity from playing musical instruments to ceramics and jewellery-making.

It also tours theatre productions and exhibitions developed in house or in partnership with other arts organisations.

Diversity is an important part of mac's Value Proposition, attractive to both individuals and funders.

The Business Model

The Business Model for **mac birmingham** is offer-driven, centred on its Value Proposition. The core of this proposition is the centre as a gateway where people can meet, work, enjoy, experience and generally connect with the arts. This offer applies to artists, local residents, visitors to Birmingham, community groups and business users of the space alike.

The diversity of the spaces, the programmes and the people in the building make this a potentially powerful proposition. People feel encouraged to experiment with the art they make or the art they consume. The building encourages those coming for the independent cinema to try a visual arts exhibition, for instance.

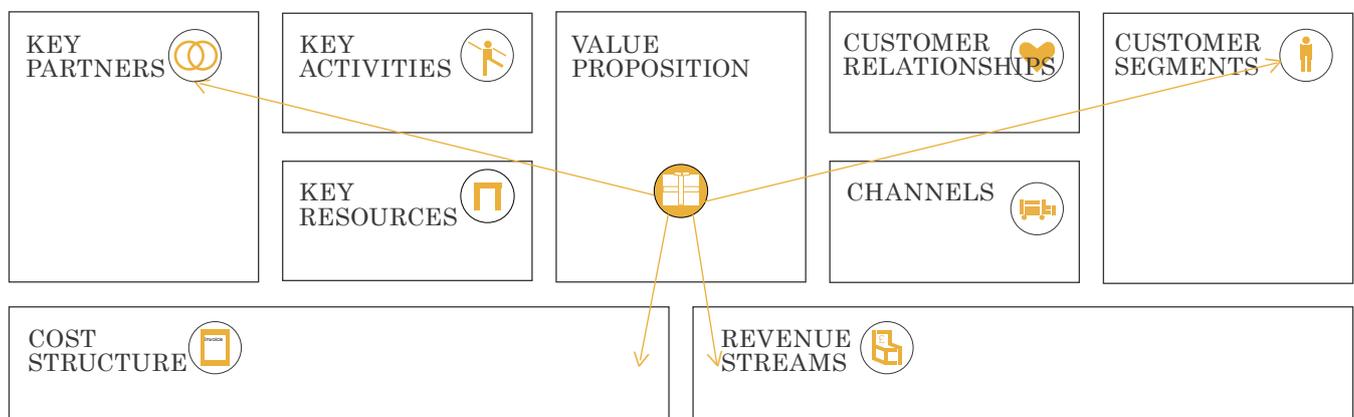
Activity includes self-generated projects and commissions that tour beyond Birmingham, and incoming work that gives **mac** visitors the chance to experience a diversity of artistic forms and styles.

Outreach and developmental programmes increase engagement with the arts. They also build social cohesion by bringing together different communities. Such programmes are of value to a range of Customer

Segments, for whom the different elements combine several interests. **mac** is, for instance, the Arts Champion for the area of Hall Green. Birmingham City Council and other funders support this activity so that people in an area of lower arts engagement can benefit from the value **mac** creates for its users. **mac** also invests in this work substantially, as it helps reach broader audiences and creates a more diverse mix of visitors. This diversity is itself an important part of the Value Proposition, attractive to individuals and funders.

Part of **mac's** value to customers and partners such as the City Council and Arts Council England is also the economic value created by its activity. The Annual Review for 2013-2014 describes 921,793 building visits and **mac's** activities as generating £13 million local economic impact, or £6.98 for every £1 of funding from Birmingham City Council. This highlights a key characteristic of the Business Model. Its success is based on high visitor numbers. The 'busy-ness' of the **mac** building and public spaces is not just an indicator of success; it is part of the model and makes the Value Proposition possible. This in turn creates Revenue Streams and partnerships and shapes expenditure on activities. A contrast would be some commercial arts and crafts galleries where a feeling of 'exclusivity' is desirable, as the model needs to create a small number of high value sales.

The Core of Business Model Innovation



mac birmingham has an offer-driven model of innovation. At the core of its model is the Value Proposition, positioning the organisation as 'a gateway connecting people with the arts'. This offer has led to capital development and refurbishment, strengthened Revenue Streams, diverse new audiences and an extended programme of free and ticketed events. It has also driven changes to the Cost Structure with greater investment in artists and alterations to the staffing model.

The arts centre model includes a wide scope of cultural offer with a range of Customer Segments coming together in one space.

The Model in Practice

As a large arts centre, **mac** uses its Key Resources to involve people in its Value Proposition. The building was extended and refurbished in 2010 and since reopening has increased its visitor numbers greatly. The building has a wide variety of physical resources: three theatres (including an Outdoor Arena), a cinema, a gallery and other exhibition spaces. It has performance studios, dance and drama rehearsal spaces, music rooms, a media studio, studios for pottery, textiles, jewellery, sculpture and painting, a learning area, bar and cafe, and access to outdoor areas.

Some activities are ticketed and paid for but these sit alongside 'free entry' offers such as the visual arts programme. In addition, the building was developed to emphasise the creation of free entry shared public spaces, including retail and cafe spaces as well as facilities used by a wide range of community and commercial groups through hires. There are also public spaces outside which serve to connect the building to the surrounding Cannon Hill Park and vice versa.

The capital development and refurbishment can be seen as being led by the Value Proposition. Investment from ACE, City Council and a successful fundraising campaign created spaces better suited for a greater diversity of people to find the art that they connect to and for artists to make work. It also enhanced the revenue income stream.

Multi-artform centres arguably have a diversity of Revenue Streams built in from some of their activities. Popular paid for activity (often from comedy, music or cinema programmes) can support risk-taking in other areas of programming that maintain artistic excellence and diversity. It can also allow some elements to be free to audiences.

The role of artists remains central. **mac** is a space for artists as well as audiences, and clearly illustrates its investment into artists in its reporting, with 16% of expenditure described as relating directly to artists in 2013-2014. In addition, 863 artists were given 751 days

of free rehearsal space at **mac**, with a cost equivalent exceeding £127,000.

As most of **mac's** activity is temporary and ephemeral - performance or experience of some sort - it is perhaps not immediately clear that it has characteristics of a 'long tail' business model. This type of business model is most associated with goods, e.g. publishing, where a small number of sales of a large enough number of things creates a viable model over time. The arts centre model includes a wide scope of cultural offer, only some of which is likely to be a 'banker' in financial terms, with a range of Customer Segments coming together in one space. However, the 'niche' elements of programme are a key part of the blend. **mac** also has typical 'long tail' characteristics in that it has become increasingly 'user-generated' in recent years, especially in its young people's work.

This model has helped **mac** increase earning from retail, more akin to a gallery than most smaller arts centres. It has also broadened the catering and bar offers, with net income from catering increasing by 12% over two years. Spend per head of visitors has reduced slightly from £1.18 in 2013-2014 to £1.13 in 2014-2015, although there has been a substantial increase in the footfall which may account for this. In the last two years net retail income has increased by nearly a third.

This has been important as revenue from public funding sources has gone down dramatically in recent years. In 2010-2011, the first year after reopening, 55% of income came from grants, including ACE and Birmingham City Council. In 2013-2014 this had fallen to 43% of income. Over the same period, however, income from commercial, trading and operations increased by 49% in cash terms and increased from 27% to 36% of total income. Income from arts activities had increased by 36% in cash terms and increased from 16% to 19% of total income. This was due to the emphasis on increasing the numbers of visitors and the amount each visitor spent.

Partnership and connectivity play an important part in the business model, as well as in mac's ability to adapt and be resilient.

There have been increases in trading, programme and participation activity, reflected in expenditure. Costs of the building have reduced in quantum and proportion, but investment into artists and materials has risen slightly overall.

The staffing model has also evolved to reflect the new balance of programming. Communications and marketing have been maintained, despite tight budgets. In addition, reserves are now being built back up to allow for future investment into the building that will maximise the returns from this business model.

Changes to the building - achieved in partnership with Sampad, one of the arts companies resident in the building - have enhanced the facilities for artists, companies and the general public. This has allowed diversification of the offer, such as monthly food and craft markets and improved customer services and retail space. This also has the secondary effect of lengthening people's stay at **mac**, thus strengthening the social aspect of the model. This in turn leads to more visitors and a virtuous circle with positive benefits for all areas of the Business.

According to Visit England figures for 2014, visits to **mac** increased by 12% with 996,523 visits. This made **mac** Birmingham's second most visited free attraction, with only the new Library of Birmingham visited by more people. **mac** is the fifteenth most-visited free attraction nationally. It is the only arts centre in the top 20.

mac has a particular specialism in developing work with children, families and young people from all backgrounds. This includes young people as artists, producers and critics with young people exhibiting and performing as part of the programme. In 2013-2014 this included 350 young artists making work seen by over 8000 young people in exhibitions, performances

and festivals. This activity flows directly from elements of the Value Proposition, 'connecting people with the arts', diversity and broadening cultural engagement and social cohesion. It drives relationships with Key Partners such as Monument Trust, J Paul Getty Jnr Charitable Trust, the People's Postcode Lottery, and IdeasTap and Somewhere_to that support work with hard-to-reach young people (aged 16-24) to help them shape their future creative careers.

Partnership and connectivity play an important part in the business model, as well as in **mac's** ability to adapt and be resilient. The connectivity of **mac** is highlighted publicly, as this is an important element of the value artists, audiences, funders and partners derive from **mac**.

The annual review highlights membership of 16 local, regional and national network or membership organisations - from Birmingham Arts Partnership to the National Institute for Adults Continuing Education. **mac** also works in partnership with a wide variety of organisations in the community and across the arts sector.

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