

New Business Models for Culture

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Outline

- The Issue of Business Models for Culture
- New Challenges
- Upstream: Other Values and Perspectives
- Downstream: The Ripple Economy
- Concomitance: Other Industrial Designs
- Future Prospect: IP as a Business Model
- Conclusion: A life cycle for business model?

The Issue of Business Models for Culture

- « Nobody Knows »
- A permanent but changing issue: the business (or economic) value of culture
- Different challenges according to domains and sizes

Nobody Knows

- 🎨 A work of art, being radically new, is exposed to the highest degree of uncertainty
- 🎨 A good produced by the cultural industry is less risky since the prototype can be tested and modified in anticipation of the reactions of future consumers;
- 🎨 A good produced by the creative industry is also risky, but less than in the previous case since it is usually based on a need clearly identified in advance (high fashion and ready-to-wear sector, design furniture and mass-produced furniture, etc.)

The Business Value of Culture: A Permanent Issue

- The valuation of cultural products has always been problematic, but it was partly ignored by the fact that work of arts were demanded on the basis of alternative reasons (religious, political, etc.)
- Is there exists an artist curse in a market economy?
- Attempts have been made for a long time to solve it either through the intervention of public bodies or through the intervention of patrons of the arts. But today these solutions are not very encouraging

Different Challenges According to Domains and Sizes

- Different challenges according to the sector and the type of culture
- Bigger companies – mainly those linked to media industries – may be able to face these challenges. The existence of two-tier markets opens new opportunities and changes the nature of difficulties due to the relative intensity of the two-tiered demand.
- But for the smaller companies - those having no strategic links with media industries - the challenge is even greater.

New challenges

- Digitalization ?
- New Consumption Spaces ?
- The Spring of Cultural SMEs ?
- Change in Traditional Supports ?

Digitalization

- ❖ *From decreasing marginal costs to copying*
- ❖ *From digital technologies to convergence*
- ❖ *From actual to virtual consumption; or From virtual to actual consumption?*

New Consumption Spaces: Privatization, Individualization, Networks

- Privatization consists of a shift towards the domestic sphere of cultural activities traditionally practiced in public spaces like concerts or movie theatres.
- The phenomenon of individualization becomes more pronounced when a household has several members, particularly teenagers, as there are several pieces of the same equipment. This phenomenon leads to a new mapping of the distribution of cultural preferences according to sex and generation in the various areas of a private home with children's rooms becoming truly autonomous cultural universes.

New Consumption Spaces: Privatization, Individualization, Networks

- Network culture is based on an overlap of cultural and communication practices
- Due to Internet a person having a passion will now try to contact on Internet forums other persons sharing the same interest
- This principle of sharing experiences related to cultural products with other individuals has brought about a major transformation in the family's private cultural life because these exchanges take place with people who are outside the home
- These new creative amateur activities in the digital universe generate an "expressive individualism"

The Spring of Cultural SMEs (2004) ?

- In most cultural SMEs there is an imbalance between 'production' and 'marketing'. Their resources are allocated mainly to technical operations and those allotted for marketing are often inadequate.
- Lack of specialized professional competencies is certainly a characteristic of cultural enterprises. Further, many creators are simply overwhelmed by the wide array of skills needed to run a business and potential entrepreneurs by and large do not undergo any specialized training before starting a business. In countries where resources for training are limited, this lack of professional skills is very evident.
- The lack of funding is a major problem faced by cultural industries where initial funding is critical. In the case of crafts, which require relatively less capital, this lack of funding is not such a handicap.

Change of Traditional Support

- The decrease of central government support.

In some cases, this disengagement led to palliative measures: devolution of cultural functions to local governments or the introduction of matching grants from the central government and local bodies. Another palliative resulted in finding other sources of funds for cultural activities such as lotteries and the reserves of the banking foundations

- The new logic of sponsorship

For a long time, patrons or their representatives in the boards of directors of cultural institutions were directly involved in the management of the funds they provided for culture to fulfill the proposed artistic and cultural objectives. Today, companies have changed these traditional methods of patronage and prefer to formulate specific cultural policies.

Upstream

Considering instrumental values

Palying with external effects

Downstream

Windowing

Versioning

Derived products

New Business Models for Culture

Future

Copyrights as a business model?

Concomitance

Economics of Attention

New Competition Designs

Upstream: Looking for Other Sources of Values

- From Intrinsic to Instrumental Values
 - An illustration: 30% for French Regional Operas incomes
 - New management Issues: Sharing the benefits
- Playing with external effects of content
 - The non cultural demand for cultural goods
 - When Trade follows Films (A Tourism New Zealand Study, 2003: 10% of tourists)

Downstream: The Ripple Economy

- The principle: Declining content and supports independently or simultaneously
- *Windowing*
- *Versioning*
- *Derived products*
- The issue: Adding new consumers without losing other ones

Downstream: Windowing

- The principle: Declining content and supports
- Windowing:
 - *A given content is presented on several different platforms*
 - *A main issue: the potential consumers are the same so that the availability of a new window may give rise to an eviction effect.*
 - *Managing a sequence of availability*

Downstream: Versioning

- The content is made available in different versions
- By changing the form and the price, it is possible to reach consumers who would not otherwise have been interested in the basic product or who could not be considered as buyers of the basic product.
- An Issue: the market, which opens up after the first version is made available to the consumers, will benefit from the reputation acquired by the product's first version thus giving rise to a positive external effect of the content.

Downstream: Derived Products

- The third method is based on derived products and markets. From Walt Disney to Pocket Monster, there has been a spate of illustrations of increasing diversity.
- In this case there is even less competition between various groups of consumers than in the two previous cases
- Two main issues:
 - The “derived company” can enter in the domain of the first company to control the intellectual property
 - The success of the “derived product” will depend on the positive atmosphere created by the first product

Concomitance: The Economics of Attention

- A tradition:
 - The two tier markets
 - A traditional issue between culture and the media
- A technological innovation: Creating more personalized announcements
- A change: Internet Vs. Traditional media
- Which economic consequences for cultural activities?

Concomitance: From Clannish Competitive Space....

- Companies were traditionally engaged in intra-industry competition for author and channel control, but were relatively oblivious of the dynamics of international and other content industries.
- As these industries were highly product-driven and as sources of competitive advantage were closely related to the size of catalogue, and core competencies were focused on the company's editorial side
- Companies got their basic earnings from front list titles and profits from back-list titles

Concomitance: To New Horizontal Competition

- Convergence changes the nature of the competitive space. Due to fewer boundaries, the number and variety of competitors has increased, motives for profitability have changed, content industries have to incorporate new competences and develop new routines to face the new competitive space.
- Players bet on a limited number of titles in their catalogue in order to maximize sales, appropriate the highest possible share of returns and capitalize on these same titles to version the content in terms of channels and formats
- From a catalogue economy to a best seller and blockbuster economy

Future: Intellectual Property as a Business model

- Copyright as a business model?
 - For the producer: The way to recover sunk costs
 - For the artist: The way to share unanticipated returns
- Interpreting the extension of intellectual property?
 - The extension of neighbouring rights
 - A business model for poor and unknown artists?

Future: Intellectual Property as a Business model

- A main issue: The attitude of the collective rights management societies
- A second issue: The negative attitude of the media
- The superstars: Back to the past?

Big Companies Vs. SMEs?

- A different challenge according to the specific link with media industries?
- Big companies: The challenge of the double sided markets
- SMEs: The challenge of imbalance between production and marketing?
- A life cycle for business models?
 - From sponsorship to box office?
 - From box office to selling its own creativity?