Business Models in the arts: The role of practice and motivation

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Models of Business

- To model value creation and value capturing!
- What is a business and its purpose?
- The example of “sharewashing" versus a deeper understanding of communities
- Enter the zoo: what types of models are there?
Customers are key

• Business Models differ from strategy frameworks in that they ask: Who is the **customer**, how are they engaged and do those who are engaged also pay?

• **Structure of relationships**: Insights from Sociological-Economic domain: Simmel (1950); Granovtter (1985); Uzzi (1996) – Dyadic versus Triadic relationships

• **Behaviour of actors**: Obstfeld (2005) looks at what brokers do and further divides Triadic into Iungens vs. Gaudens
4 Types of Business Models

01. PRODUCT MODEL
The company develops a product or standardised service and sells it to customers. The value proposition is transactional: to provide a product or standardised service that many customers will buy.

02. SOLUTIONS MODEL
The company engages with a customer about a problem the customer faces, and provides an integrated solution. The value proposition is relational: to tailor solutions to each customer.

03. MATCHMAKING MODEL
The company joins buyers and sellers in its online or physical marketplace. The value proposition is transactional: to facilitate exchange.

04. MULTI-SIDED MODEL
The company provides different products or services to different customer groups. The value proposition is multi-sided: one customer group gets additional benefits from the other group’s transactions.

www.businessmodelzoo.com

Baden-Fuller, Giudici, Haefliger, Morgan, 2016
SOLUTIONS MODEL

FIRM
Redesign solution

Customer’s need

Integrated solution

Payment

CUSTOMER
Customer’s need

www.businessmodelzoo.com
MATCHMAKING MODEL

FIRM
Platform organiser

CUSTOMER A
Customer’s need:
Selling a product, service or solution

Fee for using platform

Product, service or solution

Payment

The Firm connects Customer A and Customer B through its physical or digital platform.

CUSTOMER A
Customer’s need:
Buying a product, service or solution

Fee for using platform
The firm provides different products to customers A and B. Customer B derives additional benefit from Customer A’s transactions.
Arts and Business Models

- Selling products: merchandising, prints and mugs
- Sell solutions: art shows, art as performance or service, commissioned art, corporate events
- Build a market: the gallerist as a match-maker, auction houses and secondary markets
- Build a multisided platform business model: museum with retail and education, Art Basel
## Elements of every business model

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<tr>
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<th><strong>Definition</strong></th>
<th><strong>Examples from the arts</strong></th>
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<tbody>
<tr>
<td><strong>Customer identification</strong></td>
<td>Who are your paying customers?</td>
<td>Audience, collector, user, consumer, advertiser, employee</td>
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<td><strong>Customer engagement</strong></td>
<td>How are we engaging with the customers?</td>
<td>Curated, commissioned, spammed</td>
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<td><strong>Value chain linkages</strong></td>
<td>How do we create value in complex systems or networks of actors?</td>
<td>Who is the artist and are they suppliers, co-creators, consumers, critics?</td>
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<td><strong>Monetization</strong></td>
<td>When and how is money raised?</td>
<td>From object sales to subscriptions</td>
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Baden-Fuller and Haefliger, 2013 LRP
The Critical Enterprise

- *Les entreprises critiques* - artists with a business model: critical *and* fragile, superficial *and* subversive (Art&Flux http://www.art-flux.org/)

- The company as an artwork: using the structure of a firm as a tool to create art (e.g. etoy) and as a medium to criticise capitalist business practices (e.g. Ouest-Lumière): 100+ only in Europe

- Art intermediation and education: engaging with multiple customers including the artist
Similar business but different practice?

• Compare Airbnb and Couchsurfing: hotel versus community?

• Why do people engage? What is the driver of economic activity?

• Multi-sided business models engage with possibly heterogeneous communities
What is a social practice?

- Shared type of work: think care givers, architects, managers, engineers, bankers etc.

- Social practice defined as “a coherent and complex form of socially established cooperative human activity ... trying to achieve and extend the standards of excellence appropriate to and definitive of the activity” (after MacIntyre, 1981)
# Two perspectives on motivation

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<th><strong>Self-determination view</strong></th>
<th><strong>Social practice view</strong></th>
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<td><strong>Output</strong></td>
<td>Product</td>
<td>Good</td>
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<td><strong>Incentive</strong></td>
<td>Reward</td>
<td>Unity of life, moral obligation</td>
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<td><strong>Interaction with peers and tasks</strong></td>
<td>Situational, next step, solution-oriented</td>
<td>Developmental, sequential, quest-oriented</td>
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<td><strong>Quality perception</strong></td>
<td>Use value</td>
<td>Standards of excellence</td>
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<td><strong>Time perspective</strong></td>
<td>Short- to mid-term</td>
<td>Long-term, sense for the right time</td>
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von Krogh, Haefliger, Wallin, Spaeth 2012
Business Model Experiments

• Experiment with adding new customer groups
  • because network effects at play between customer groups

• Become a critical enterprise!

• Understand the social practice behind artistic innovation
  • because interaction is developmental, long-term
  • because consumers are also suppliers
  • because learning is an explicit part of the customer engagement and runs both ways