



# 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 lungens 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.



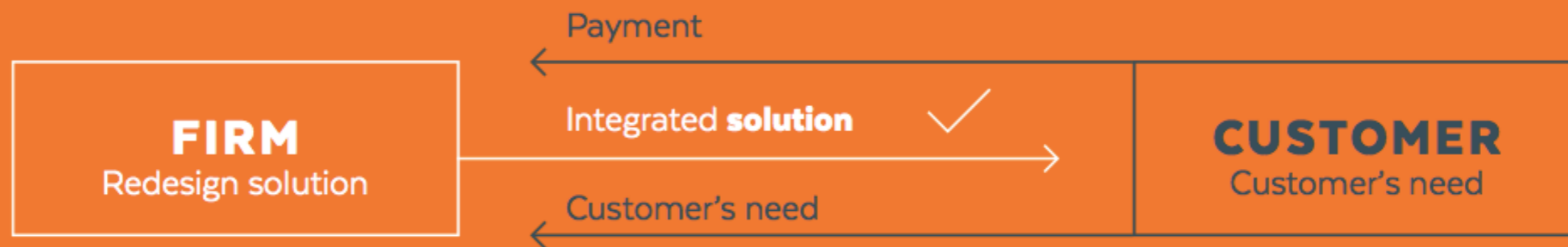


# PRODUCT MODEL



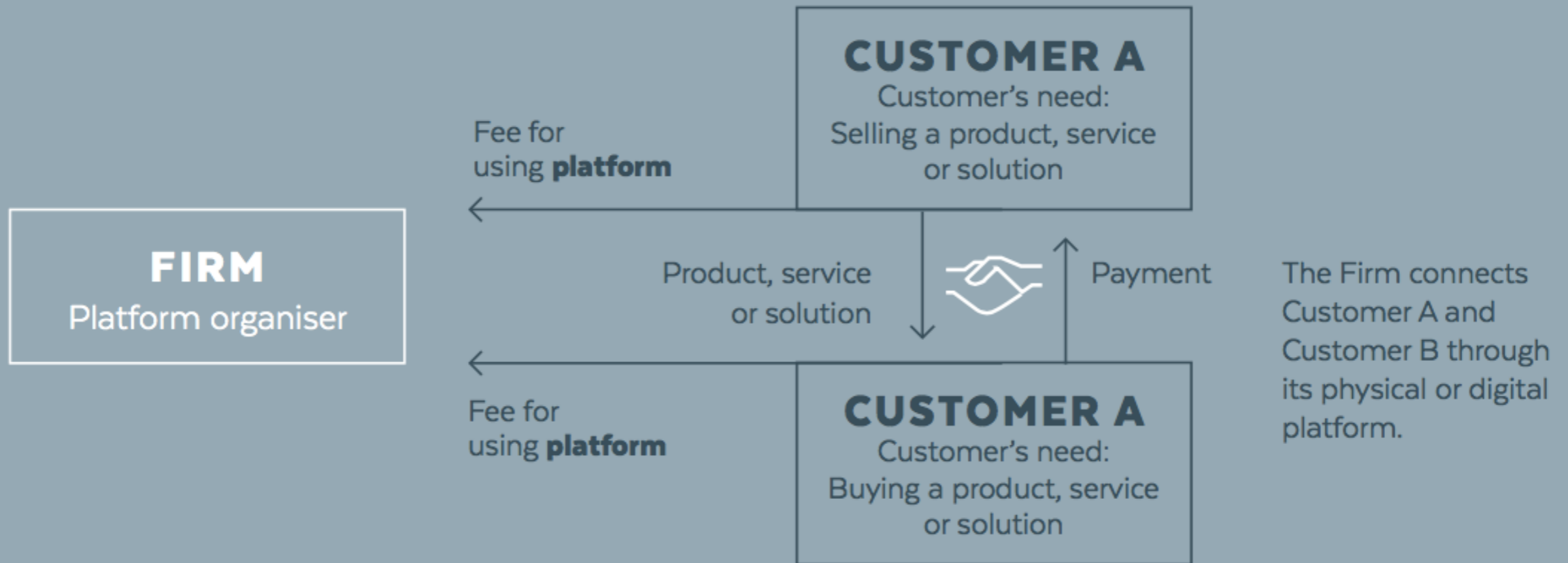


# SOLUTIONS MODEL





# MATCHMAKING MODEL

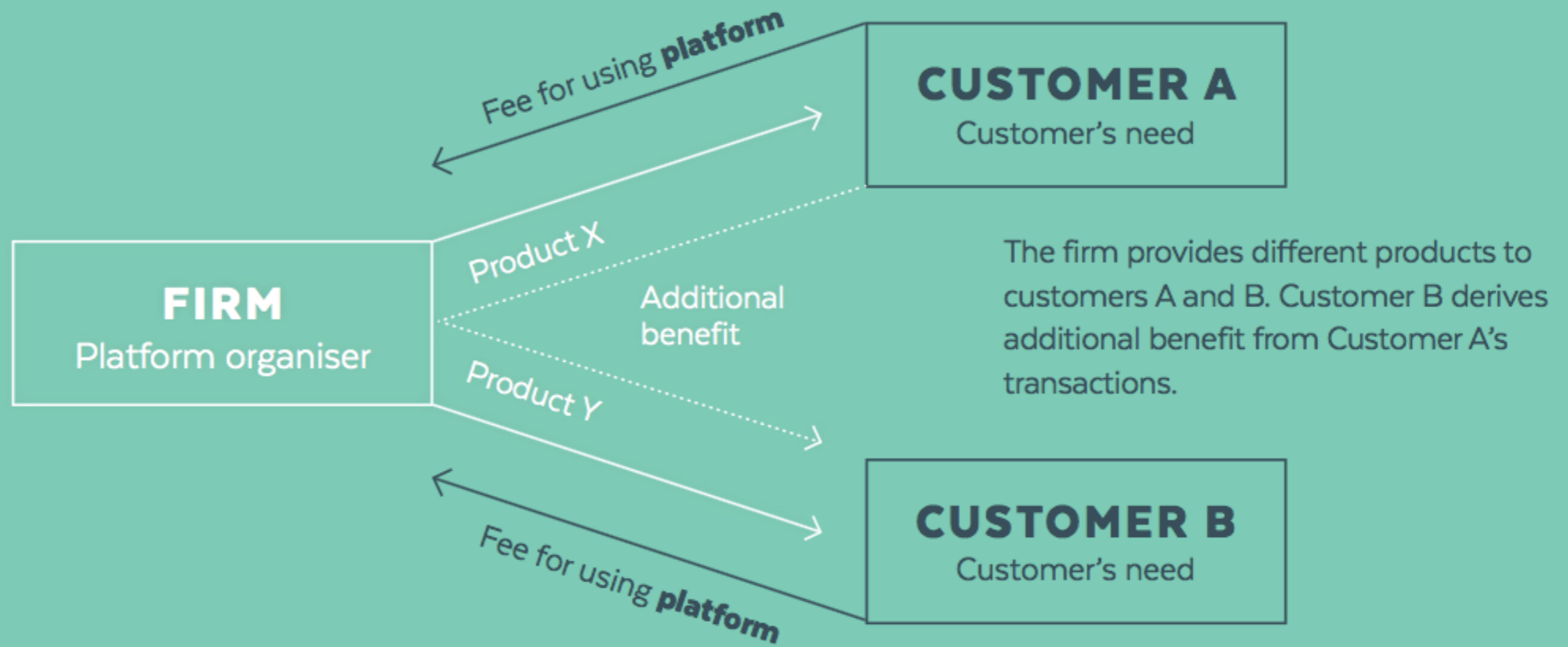


The Firm connects Customer A and Customer B through its physical or digital platform.





# MULTI-SIDED MODEL





# 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

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

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



	<i>Self-determination view</i>	<i>Social practice view</i>
<i>Output</i>	Product	Good
<i>Incentive</i>	Reward	Unity of life, moral obligation
<i>Interaction with peers and tasks</i>	Situational, next step, solution-oriented	Developmental, sequential, quest-oriented
<i>Quality perception</i>	Use value	Standards of excellence
<i>Time perspective</i>	Short- to mid-term	Long-term, sense for the right time

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

pdf with slides:

