
**ANALYSIS
OF THE ARTISTIC
PRODUCTION
IN THE EUROPEAN
CULTURAL POLICIES**

**FOCUS ON THE
INTERNATIONALIZATION
STRATEGIES OF
MUSEUMS**

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Banksy in Boston: «Follow your dreams cancelled» (Chris Devers/ Flickr)

Introduction

Public and private budget cuts, state withdrawal from the cultural field, and increasing production costs, put pressure on museums to integrate economic issues into their development models. In every western country, museum organizations have been asked to reduce their total cost function while developing programs geared to a wider audience and to expand their research on collections. And internationalization may be a response to this economic responsibility. Internationalization of museums cannot only be restricted to economics. Soft power, the widespread of culture and commercial relations are previous causes for the internationalization of museums. For instance the first touring exhibition appeared in the 1930s when colonial ambitions led Salazar and Mussolini to participate in international art exhibitions and organize touring exhibitions to highlight the national masterpieces of Portugal and Italy. The distortion of costs structures for the functioning of museums (conservation, publishing, education, diffusion) favors the increase of their earned resources.

To prove the positive effects and externalities of internationalization on museums, I draw on existing theories, analyze strategies through concrete examples, and model related economic functions. The idea is to foresee an innovative business model that will make museums less dependable on the subsidies.

I am to tackle five questions during this lecture: why is a new business model needed? What is exactly internationalization? What about international touring exhibitions? The part would be based on a academic article published in March 2013 in "The Journal of Arts Management, Law, and Society" and I am going to talk about another international strategy – based on intangible assets – the branding strategy. At last, I analyze the effects of internationalization. From a theoretical point of view, creating economic models for museums and applying international economics to the cultural field is original. Moreover, professionals may rely on this research program to overcome cut subsidies and to frame international development. Outside the museum field, this intervention program seeks to legitimize internationalization strategies among art organizations, increase their earned incomes, and spread an innovative business model for industries dedicated to the arts.

01.

The necessity to find a business model for museums to rely on their own re

« A museum is a non-profit, permanent institution in the service of society and its development, open to the public, which acquires, conserves, researches, communicates and exhibits the tangible and intangible heritage of humanity and its environment for the purposes of education, study and enjoyment. » Definition of a museum, International Council of Museums (ICOM)¹.



© Stanley Museum

That is why European art museums rely on state funding and are constantly seeking new sources of funding and testing approaches such as deaccessioning³ (O'Hagan, 1994). Regarding deaccessioning, the museum markets is roughly polarized with American museums for which deaccessioning is legal and so sell their work of arts and Europeans who are forbidden to do so. For example, in the United States, the city of Detroit suggested to sell the masterpieces of their museum to cover for their debts.

What are the main resources of a museum?

The main resources of a museum are public subsidies, private donations and their own resources: ticketing, loans, marketing products...and public subsidies have been decreasing for museums. As the American Association of Museums states, government funding dropped drastically for 47 % of American museums⁴. In Spain, "museums state subsidies have dropped by 35% for the last two year" says Jesus Prieto, director of museums and libraries at the state department for culture⁵. As for France, a recent published report denounced the constant increase of public subsidies even though museums status gave them an administrative autonomy recently⁶, an imminent decrease can be foreseen. The resulting deficits have been compensated by the increase of private resources: private donations, corporate foundations and earned incomes. Anne-Imelda Radice, managing director of the American Folk Art Museum, does not even include public funding in her budgets. If she receives such funding, she considers it a "nice surprise"⁷. On top of that, there is an uncertainty among professionals on the evolution of private funding. Hence, the idea is to foresee an innovative business model without these subsidies with the internationalization strategy. Many institutions have chosen to internationalize their functions first through co-production, which allows pooling of cost and externalization certain functions, and then to increase their own resources and become independent from public subsidies.

What is a museum?

Elements in this definition are common to most museums (Aykaç, 1989). Museums are non-profit driven – generating more revenues than expenditures is not their primary goal – and are created by and for society in a long of transmission. Indeed, "museums have the duty to acquire, preserve and promote their collections as a contribution to safeguarding the natural, cultural and scientific heritage²." The main goals are to create, enrich, preserve, and pass on a collection based on scientific and cultural research. My contribution to the problems faced by museums consists of analyzing these functions as part of a larger economic unit. These functions are immensely costly.

They consider effects – such as the raise of incomes and enlargement of their public and externalities – either technic or pecuniary – as given. Art museums find economic value in the flow of services the assets provide. Internationalization can turn services and goods into profitable assets.

1. ICOM Statutes, Adopted During the 21st General Conference in Vienna, Austria.

2. ICOM Code of Ethics for Museums, 1986, revised in 2004

3. Deaccessioning is very controversial activity of a museum as it refers to trading or selling an object or a part of a collection.

4. American Association of Museums, Museums and the American Economy in 2011. April 2012

5. Maurot, Elodie, En Espagne, la crise frappe durement la culture, La Croix, 2 June 2013

6. Les musées nationaux après une décennie de transformations (2000-2010), public thematic report, Cour des comptes, mars 2011

7. Barange, Sébastien, Zéro argent public pour la culture, Blog les Affaires, 16 May 2013

02.

What is internationalization?

We will define "internationalization" consistent with its usage in the late XIXth century. In place of interstate relations, the flow of goods and services are at the core of trade exchange highlighting behaviors of individuals and organizations. The internationalization is the selling of goods or services in a country where it has not been produced in. This strategy can create services and goods into profitable assets, and be fully integrated into the economic value of museum.

I challenge the common idea that museums cannot be considered as a rational decision-making utilitarian – that is to say an economic agent being able to maximize efficiency – and will always rely on public subsidies and private donations. I am going to tackle two different international strategy: the first one based on tangible asset and the second on an intangible asset.

03.

An innovative economic model inside the museum

the economic role of international touring exhibition



Practitioners have been producing touring exhibitions for a long time. I interviewed professionals to understand why. "Exhibitions are more and more expensive. Costs related to artworks transport have drastically increased. So it was natural to produce exhibitions in other museums to share production costs," says, for instance, Laurence Petit, Deputy Head of Exhibits Department, Cultural Production Division, Louvre Museum. Based on interviews, I do some empirical work to theorize the best practices and highlight innovative actions. We present three models of internationalization and the distortion on their cost model: coproduction, co-organization, and export with different business models. There is an increase of revenues due to the reducing of costs production and the increase, in some case, of resources.

Coproduced exhibition

Partnerships between museums are increasingly common. "Partnership" means a formal agreement between two or more museums to work together toward a common goal, namely, the realization of an exhibition, and is often encouraged by influential groups such as the Bizot one. Indeed, the Bizot group, among other groups, provides the opportunity of debating the possibility of coproducing a show five years in advance. On the initiative of a museum, a project is presented to assemble the knowledge, skills, and works that make a touring exhibition. Created in 1992 by Irène Bizot, then the President of the Board of the Réunion des Musées Nationaux, the Bizot Group is the principal international group of major exhibition organizers, bringing together the world's foremost heritage organizations, including RMN-GP, the Louvre, the Metropolitan Museum of Art, or the British Museum. The result is cooperation in the processes of creation, implementation, and realization. Subsequently, the exhibition travels for a predetermined period of time between the different parent institutions, as in the case of the MCPS exhibition coproduced by the French Réunion des Musées Nationaux-Grand Palais (RMN-GP, a public body under the French Ministry of Culture) organization, SFMoMA, and the Metropolitan Museum of Art.

This model tends to create international networks for the loan of artworks. This strategy was developed in 1940 by SFMoMA's founding director Dr. Grace L. McCann Morley, who traveled to South America to investigate what exhibitions could be imported and which museums could be interested in hosting an exhibition of contemporary art (Lemieux 2008). The result was that Latino-American art traveled to the Museum of Modern Art of New York. She was able to create and develop a Western tour for traveling exhibitions that allowed her to share transport and insurance costs with museums that hosted the exhibition. This system has enabled SFMoMA to offer exhibitions that otherwise might have not been financially feasible.



As an example, we will tackle the Stein exhibition in the MOMASF, Grand Palais Paris and MET in 2011. Its purpose was to illustrate how the Stein family, two brothers and a sister, U.S. citizens who settled in Paris in the early twentieth century, influenced the art world of that period. First to buy works by Matisse and Picasso, over many years they brought avant-garde artists together and created a strikingly modern collection. It was presented successfully in three different institutions: from May 21 to September 6, 2011, at SFMoMA; from October 5, 2011, to January 22, 2012, at the Grand Palais; and from February 1 to June 3, 2012, at the Metropolitan Museum of Art in New York. Out of a budget of 3 370 000 euros, there was a huge economy in transportation (packing), of 140 000 euros (65% of the transportation item).

The advantages are that it has a more diverse catalogue due to the availability of works: artistic improvement, it brings together scientists and historians: brings about innovation and that there is a pooling of costs and economies of scale: reduce of overall costs. Technically, logistically, and financially, the producing organization RMN-GP was highly satisfied with the results of the Stein exhibition and reported that it is working on future coproduced projects.

Co-organized exhibition less involving coproduction

This model embodies a collaboration between several museums, but unlike coproduction there is one identified technical producer and only one museum is financially responsible. Two different types of fees are involved in co-organization: loan fees (about a few hundred euros) in compensation for administrative costs and exhibition fees, a financial retribution for the museum that initiated the project. If there is a contribution from a receiving museum to adapt the exhibit, the latter is not involved at a grassroots level.



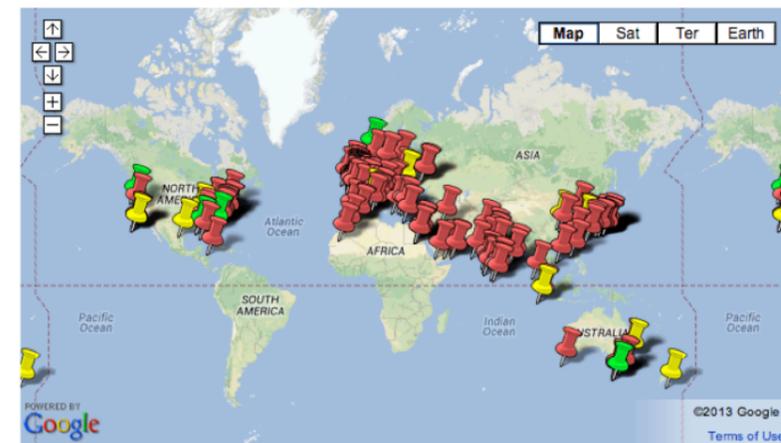
exhibition "Moral Beauty and Pleasure at the Victoria and Albert museum"

V&A international touring exhibitions

This map highlights the international spread of travelling exhibitions past, present and future. Click and drag the map to view other countries, and click on the place pins to find out more information.

Key:

Red pin = past exhibitions; Green pin = current exhibitions; Yellow pin = future exhibitions



Screenshot from V&A website

Victoria & Albert Museum has been pioneer of this type of exhibition. For instance, the exhibition "Moral Beauty and Pleasure," coorganized by the Victoria & Albert Museum, Musée d'Orsay, and SFMoMA, opened in 2011 in London. The Victoria & Albert Museum was the creator of the show. The principle of cooperation has certain advantages such as economies of scale (freight, insurance, etc.), prestigious communication outside the walls of the parent museum, and a great opportunity to practice one of the basic objectives of a museum: cultural diffusion. The advantages are in the pooling of costs and sell of the scientific product (conception of the exhibition).

The Export of an Exhibition by a Heritage Institution

«The model embodies» an exhibition produced by an institution and is subsequently sold or sent to other institutions. Exporting an exhibition internationally requires an organizing institution to set up an outreach function in order to sell the exhibition to foreign institutions as a turn-key operation. The institution is responsible for logistics; that is, assembling the exhibits, insurance, transport, and possibly the offer of derivative products, including the catalog.

I took the example of the Picasso museum. They had to provide for 65% of the costs of renovation (34M out of 54). Anne Baldassari, the President created two exhibitions: the first one on masterpieces of the museum and the second created with photos, videos and less original paintings.... Depending on cities, it was sold approximately for 1,000,000 euros).

Between 2008 and 2012, the Picasso Museum sold these two exhibitions to 18 institutions. Four million people have visited these international exhibitions in four years, an attendance equal half what the Musée National Picasso in Paris achieved during its 25 years of existence.

The economic advantages are that there are little or no production costs, only revenues, that is why they are called "pocket filling" exhibitions by professionals. Some of these turnkey sales now generate revenues of several million euros. Moreover, the organizers internalized the maximum of items – curator, transport, conservation, scenography, and derivative products – to ensure a maximum of economies of scale.

Impact of a Picasso Exhibition for an Institution That Bought the Exhibition "Masterpieces of the Musée National Picasso, Paris"

Positive benefits of exported exhibitions are various, as evidenced by Bill Beyers (2011), professor at the University of Washington, who has studied the impact of the exhibition "Picasso: Masterpieces from the Musée National Picasso, Paris," presented between October 2010 and January 2011 at the Seattle Art Museum.

The exhibition attracted 405,000 visitors, who spent a total of \$22.7 million. The economic impact was estimated through the input-output model to calculate the return on investment for the Seattle Art Museum and its patrons. The study showed that the exhibition generated \$66 million in business activity and supported 936 jobs. As mentioned in the report, Cree Zischke, Regional Director of Philanthropy at JP Morgan Chase, highlighted the real impact in terms of social cohesion and local economy.

As demonstrated, products developed by the Picasso Museum are characteristic of an internationalization strategy. Not only does this strategy result in funding 65 percent of museum renovations from own resources but it also helps build a sustainable network of international partners.

Moreover, these exhibitions have a positive local impact. After the post-renovation reopening, the museum's management wishes to continue these international activities (Musée Picasso, 2011).

The success achieved by the National Picasso Museum was recounted in the press release and the affirmation of a strong interest from major global cultural operators in hosting exhibitions set up by the museum. These exhibitions will therefore constitute a reference activity for the future of the Picasso Museum.

There are different business models for type of international touring exhibitions. Coproduction, co-organization and export do not involve financially the art organization the same way. As an art organization, you can choose between those kind of international touring exhibitions depending on your assets at the beginning and how financially involved you are prepare to be.

04.

Another example of internationalization strategy

The branding strategy



Modeling internationalization strategies facilitates the understanding of positions on which it is possible to achieve economies of scale – due to the increase of one or more factors of production, or to the sharing of costs – and to increase of earned resources. Even when a museum does not have a scientific specificity, expanding the market favors external economies of scale while the development of partnerships encourages internal economies of scale. Economies of scale may be an independent cause of museum internationalization.

On top of tangible assets, the branding strategy is about intangible assets of the museums.

“First, savoir-faire will be charged, then through an international valorization of the brand: museums will be allowed to sell the right to use their brand, offering it to more culturally dynamic countries.”⁸

This quote from a 2006 French report on intangible economy highlights Thomas Krens controversial use of branding at the Guggenheim for a long time. The charismatic “CEO” of the Guggenheim created a system of franchise branches and an international network of branded museums. The package included savoir-faire for curators, loans of original collections, and the right to carry the brand. For instance, the 1997 contract between the international organization and Basque public authorities, which gave birth to the Guggenheim Bilbao, mentioned a twenty-year use of the brand at the price of 20 millions dollars. But the contract was not only based on financial transactions: the museum had to invest a minimum amount to purchase art and create a collection, the Guggenheim team played a role in intern management but they gave up any royalties on by-products (Benhamou, 2012). Occasional failures occurred in the Guggenheim strategy⁹ (Soho antenna closed as well as Nevada’s built by Rem Koolhaas), but the latter is an example of international cultural strategy that inspired other renowned museums that built long-term international relations such as Le Louvre,

Cultural Brand Equity (CBE)

It is a concept developed by Carmen Camarero, Maria Jose Garrido-Samaniego, and Eva Vicente in “Determinants of brand equity in cultural organizations: the case of an art exhibition”. They argue that brand may become a key asset for cultural organizations. It can include reputation, tradition, history, avant-garde, modernity, patriotism, etc. It is the basis of institutions whose brand names like Tate Gallery, Guggenheim, MOMA, etc. have come to form part of their assets. With other aspects of cultural institution brands (values, image, quality, venue, etc.), the « cultural brand is a special type of brand requiring particular consideration and analysis. »

In the 1980s, for the Marketing Science Institute brand equity is « the added value of the brand which is rewarded by the market with enhanced profit margins or greater market shares ». Three perspectives can be addressed when we talk about brand equity: the consumer, the financial (the firm) and the relational (the stakeholders).

First, for the consumer, brand equity is a set of assets and liabilities which name enhance or reduce the value of a product of service (Aaker, 1991; Keller, 1993). Then, for the financial, the brand has a business asset of course. It does impact the cash flows and share equity, allows premium pricing, offers greater margins, and lower vulnerability to competitor marketing strategy (Bharadwaj, Varadarajan, & Fahy, 1993). At last, relational is extremely important for museums. Consumers, distributors, suppliers, employees, competitors, public opinion, government are at the core of a museum business model. And I can quote from the article that « Brand orientation enhances the confidence and trust stakeholders place in organizations, helps to boost the target public’s awareness thereof, leads to greater employee involvement and commitment, and stimulates loyalty among donors (Hankinson, 2000, 2001; Hankinson & Rochester, 2005). » Five dimensions define brand equity: brand loyalty, brand awareness, perceived quality, brand image, and other assets held by the brand (patents, registered trademarks, etc.). Brand is a crucial intangible asset for museums. They can use it to go international. Obviously, a local and national short and mid term strategy have to be done. On the other hand, going international can also help building a brand.

Camarero, Carmen, Maria Jose Garrido-Samaniego, and Eva Vicente. “Determinants of brand equity in cultural organizations: the case of an art exhibition.” *The Service Industries Journal* 32, no. 9 (2012): 1527-1549.

which recently sold its brand and savoir-faire for over a billion euros to Abu Dhabi. In general, the savoir-faire of each museum and brand can be commercialized in order to increase earned revenues.

For instance, the French organization Réunion des Musées Nationaux – Grand Palais (RMN-GP) has been presenting itself since 2011 as a global leader in cultural engineering¹⁰. The branding economy has been widely studied in the cultural industries field. Benghozi, for instance, claims that it is more and more inherent to cultural success because of imperfect information markets and the control of the consumer¹¹. I argue that museums are similar to these industries when it comes to branding. Going international offers a wider perspective for the museum image.

8. Lévy, Maurice, and Jean-Pierre Jouyet. *L’économie de l’immatériel: la croissance de demain*. La Documentation française, 2006. Original quote « Cela commencera par une facturation du savoir-faire, puis par une valorisation internationale de la marque : les musées seront autorisés à céder le droit d’utiliser leur nom en le proposant aux pays les plus dynamiques en matière culturelle ».

9. Lamarche Bernard, *La nébuleuse Guggenheim s’effrite*, Le Devoir, vendredi 3 janvier 2003

10. Website of the RMN-GP <http://rmn.fr/les-activites-de-la-rmn-gp/la-rmn-et-le-grand-palais-reunis>

11. Benghozi, Pierre-Jean. « Mutations et articulations contemporaines des industries culturelles. » *Création et Diversité au miroir des industries culturelles* (2006): 129-152.

05.

What are the effects of internationalization

A wider audience

Effects and externalities vary on the museum market. Expenses for a cultural organization that can be define in the framework of a cause-and-effect relationship are those appearing in a territory (Greffé, 2011), except if the museums’ visit is not the main reason for coming into the territory; for companies, except if they have not a determining role in the production of museums assets, or in the case of space rental, that this location is absolutely determining for the activity. As for indirect effects, they must be calculated gradually from the direct effects or with an expected multiplier from the direct to the indirect effects. This may be a revenue multiplier (Keynesian multiplier) or an activity multiplier (Leontief multiplier)¹⁵. We will analyze the direct effects of internationalization on the museum: a wider audience, a label effect, and also externalities such as the super-specialization of museums areas of expertise.

There is both a concentration effect and a distribution effect regarding artworks. First, I consider the international collaboration as an event, new and ephemeral, which attracts new visitors, that is why I refer to it as a concentration effect. Second, the distribution effects (Heilbrun and Gray, 1993) is crucial : art is brought to places considered more remote than museums. Both of these effects engender a wider audience for artworks, which is one of the main purposes of museums.

15. Greffe Xavier, *La Valorisation économique du patrimoine*. Paris, La Documentation française, 2003.

Label effect

The multiplication of such projects by heritage institutions appears to have created a “label effect” by which institutions that go international can be identified as major cultural organizations. Such a label effect tends to push other institutions to consider internationalization. Hence, the network externalities create a network economy: the value of internationalization increases as others adopt similar strategies. The label effect is self-justifying, an adaptation to a bandwagon effect among museums.

Externalities

Internationalization also has implications for other economic spheres and side effects and spillovers are numerous. Employment effects are the core of political concerns and are often claimed by museums administrators. For instance the Louvre museum warrants its significant impact on jobs creation and at a very low cost for the public budget (Greffé, 2011). A plethora of impact studies now serve to justify increases in cultural budget policies more than considering the actual economic impact of heritage organizations (Frey and Meir).

Conclusion

The economics of museums can be studied through two different approaches. The first concerns reducing costs and/or increasing demand, the second concerns the consideration of a museum as an economic unit governed by the rules of supply and a demand (Frey, 2006). We considered both. I proved that the internationalization strategy engenders for the producing organizations: economies of scale thanks to the pooling of costs and, for the exportation, few production costs and only revenues. For the receiving organizations, these are less costly exhibitions. Moreover, the branding strategy is at the core of cultural organizations. And I showed some the effects and externalities of internationalization.

On overall, internationalization has a positive influence of museum’s business models as it increases their own resources and make their more financially sustainable. The goal is not to make praise of public cuts in culture. The objective is to have a long-term perspective and start thinking about new business models that will make museums less dependable of public and private subsidies and spread it among cultural organizations in general. Public authorities can help museums to be less dependable on public and private subsidies and accompany them into this transition.

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Presently, Rebecca Amsellem is a PhD candidate cultural economics at Sorbonne University and is developing a PhD thesis about the internationalization of museums and its impact on their economic models. Her fields of expertise include international economics, economic impact of culture, cultural indicators and economics of museums. She holds a specialized Master's Degree from Sciences Po Toulouse in "International Affairs and Firms Strategies," as well as a Master's Degree from La Sorbonne in "Economics and Management of Cultural Products" (2012). From 2010 to 2013 Rebecca has been a project manager of the Forum d'Avignon, where she was responsible for managing the partnership section, working groups and studies, communication and the annual event department. Since 2013 she has been an adviser in development strategies for cultural projects. Rebecca speaks English, French and Spanish.