

PART 1 More Questions Than Answers

"Museums are under intense pressure to give away their images online. Yet they need more and more revenue in order to stay viable and fulfill their mission. Can the currently hot "free" business models work for museums? Few answers and many interesting questions."

INTRO

First of all, I would like to thank Harriet Bridgeman, Jessica Tier, and the CEPIC organization for organizing and hosting this conference today, and for honoring me with an invitation to speak this morning.

What I want to do this morning is not to dispense wisdom or reveal conclusions, because - frankly - I haven't any. What I do want is to ponder outloud rather a lot of questions. These are questions I have been dealing with in my own work, and will be dealing with, I suspect, for quite awhile.

In fact, as an art historian turned imaging and copyright manager for a large museum, I'm not sure what I'm doing, standing here presuming to speak about business models, or presuming to use Economics terms like "marginal cost" -- which, quite frankly, I had to look up recently on Wikipedia.

Nevertheless, I do know that the latest, hottest Internet Economics buzzword is a fairly simple one. It is the word, "FREE."

[slide: Free?]

I'm going to be leaning heavily this morning on articles like last year's *"Free" as a Business Model,* by Chris Anderson, in *WIRED*, and a fascinating series of articles by Mick Masnick on the site *Techdirt*. All of this reading followed a very lively debate amongst museum colleagues (MCN) -- at exactly the same time as discussions in my own museum -- regarding the future of image licensing.

There are two sides to this current debate, and both basically want the same thing: for more images to be provided by museums for many purposes, educational and commercial. But there are those who need this to be accompanied by an increase in revenue, and there are those who feel that museums are altruistic institutions with a cultural mission, who shouldn't be looking at the bottom line. Both, oddly enough, are going to have to look closely at "FREE" as a Business Model.

For me, it's ironic: when I took over my organization's image licensing department 17 years ago, one of the first things I had to do was to combat

"FREE." I had to convince quite a lot of people that they needed to *pay*. The prevailing attitude was, "What? But you're a museum!" Simple enough. There was a presumption of "free."

I did a lot of work in this area. I looked at the business world, I looked at stock photo agencies, explained and persuaded and set things straight. We made money. Nothing to brag about, but enough to make management ask, if we could do this even better - let's say we develop online sales, do more marketing online - could we earn even more revenue? Revenue which we need badly to support the institution? What's the Business Model?

And now I find myself confronted with a Business Model called: -- "Free."

There are independent musicians, and authors, like Clay Shirky, Chris Anderson, and Cory Doctorow, who have made a lot of news claiming they are making more money than ever by giving their work away online.

In an ocean of digital content, they say, the only way to "sell" it is by giving it away for free.

That, of course, is the kind of claim that makes people like me even more convinced that the entire field of Economics is simply a branch of cognitive torture.

[slide: acrobat]

But it's an intriguing idea. Museums are under growing pressure to "digitize" and "put all of our collections online" -- and also to provide free downloading of high resolution images - all of our images.

Can the same "Free as a business model" that works for independent musicians and for Cory Doctorow work for museums?

Doctorow famously claims "My problem isn't piracy, it's obscurity.

It's an interesting thought.

"Combating obscurity," after all, isn't a bad definition of "marketing."

[slide: business models]

[Slide: FREEconomics]

I don't have time this morning to go into all of the various models of "FREE"
But I will mention one, which is possibly the most relevant:

Freeconomics Model - Freemium

Give away the basic product, sell the Premium product.

Premium product or service pays for "free."

Flickr: 90% of users use free version. 10% use paid version.

Yousendit.com - free or paid

Free music downloads model: the money is made from live concerts, t-shirts, boxed CD sets. Premium stuff that fans want.

But something bothers me about that Freemium model. There's something fundamentally different about images. They don't fit a fan-based model. Can we give away images, and make money from the equivalent of live concerts? I'm not so sure. Our pricing model is the reverse: instead of CDs or downloads being cheap and live performance tickets costing a fortune, our admission tickets are cheap, and our image licensing fees are ...well, more substantial.

A better analogy might be giving free access to museum catalogs online, and selling hard copies by Print On Demand. That's the model in use now by some publishers who provide free, full text textbooks online - revenue coming from POD copies ordered via websites like Sparknotes (B&N).

Or, we could link through: from images reproduced in our catalogs to online giftshop items. That's certainly a model linking "FREE" directly to purchase. And there are probably a lot more ideas that haven't occurred to us yet.

(That's why I'm here this week!)

[slide: Pricing models]

Digital music and online videos have set the pattern - and books and images are expected to follow suit. But will they? Or will e-books follow a different pattern, due to devices like Amazon's Kindle and the iPhone with its apps store? Since e-books are a market for which images are inevitably bound - how is that going to change the way we deliver, license, or even think about the "editorial market?"

So - there's a change in market expectations. But what kind of business approach should we adopt to deal with these expectations? How do we intelligently and wisely deal with FREE?

Do we approach it with new and stronger digital rights protection models? Will that increase or decrease revenues?

[slide: Piracy]

Frankly, nobody knows. There are the now-famous studies showing that those who download music illegally are also the biggest buyers of music and related products.

On the other hand, we have to beware: an Economist would say "in statistics, correlation is not causality." It may be temporary. It's unpredictable.

[slide: Sharing]

The other, nicer term for Piracy is SHARING - and that's an Economics term we were all taught in kindergarten. One can't be against "sharing." Particularly if one is a museum.

So perhaps we should say, OK, call it illegal downloading or call it sharing - it isn't going to go away. It's normative behavior on the Internet, and fighting normative behavior is never a good idea - perhaps we should simply consider it marketing. Is FREE - or SHARING - simply "Marketing" by another name?

If that sounds revolutionary and liberal, consider this: books have been available for free in public libraries for over a century and a half - and has that hurt or helped book sales?

Perhaps we simply never thought of libraries as a marketing resource before.

Furthermore, a downloaded digital file, unlike a printed book stolen from a Library, remains available to the next person. And to the next, and the next.

[slide: Thos Jefferson]

This, by the way, is why the term "piracy" is a bad choice of words. Pirates have not boarded our ship by force, tied us up and stolen our possessions, leaving us to die. It's easier to claim that DRM mechanisms have intruded onto our computers by force, tied us up and deprived us of or fair use or fair dealing rights. So let's not go *there*. I'll let others take care of that.

[slide: you can compete with free]

Corduroy Mansions / Daily Telegraph (Alexander McCall Smith) podcasts - it's all free, but it's a pain in the ass. I'll buy the book in the end, I'm sure - perhaps as a gift for a friend.

Museums are being asked why we don't simply "put it all out there" for free on our own websites, on Facebook, "Wikipedia for Art", Flickr Commons, Google Images, or more serious aggregating sites - the theory being that this could (quote) "drive visitors to the museum and increase measurable revenue."

But it's impossible to draw a straight line between something like access to images and museum visits. One would have to stand at the door and ask each visitor "Are you here today because of an image you saw or downloaded?"

Other things have a much larger and more measurable impact on the number of museum visits.

Nor am I sure how one could measure that theoretical revenue from that theoretically increased visitorship. It's obviously far easier to prove cause and effect between the licensing of an image and the deposit of a check in the bank.

Even the studies showing that P2P downloading leads to increased concert or CD sales are more convincing.

And what if the Economy of FREE is really just a fleeting gimmick that won't hold up, in the long run? Is there really such a thing as a free lunch?

So - the typical argument one hears goes like this:

After putting a museum's collection online, and building a do-it-yourself image downloading service, it runs itself, there's no cost, and no human intervention is involved. It's free!

Well, I'm sure there isn't anyone in this audience who pull that argument apart word by word. It costs real money to create, store, catalog and deliver content.

First of all, it always amuses me when someone glides over the words "putting a museum's collection online" without mentioning the hundreds of thousands of dollars that *that* costs. It's a minor point, apparently, the assumption being that surely the government or "somebody" has paid for that. Yet that isn't the case in many countries, nor in many museums even in countries where one actually can use the words "museum" and government funding" in the same sentence.

Next, what about the 10s of 1000s of \$\$ that it costs to create a do-it-yourself image downloading site? There's no mention of that investment

having to be earned back. After all, once it's up and running, it's all over: "the thing runs itself." Only it doesn't. The cost of backups, maintenance, hardware replacement, bandwidth, and 24/7 technical support is not trivial, and there are indeed man-hours involved, both in running the site and in customer service which, it can't be helped, is still needed.

To make a long story short, it isn't "free."

One interesting suggestion that has been made is that museum technologists get together and create an open source software solution "in the cloud" that museums everywhere could adopt - for free - a software solution to facilitate online downloading and licensing. It's an interesting idea. And a model of "free" that museums could go for.

But, the argument continues, the provision of hi- resolution images for nearly any use -- images of works of art in the Public Domain, at least - this should be part of a museum's mission, it's public policy, it's public responsibility. "... especially," the argument goes on, "if we are using the people's money" to create those images. "The people paid for this once, why should they pay again?"

[slide: money changers]

In other words, one should drive the money-changers from the Temple of culture. The reference is to taxpayers' money, of course, but one has to be very careful with that assumption. Some small amount of taxpayer money might in some countries or some cities or some local circumstances, actually find its way towards supporting a museum's website, or its imaging labs, or its online collections - but that is far from being a legitimate generalization.

And it doesn't explain why, if we take that logic a few steps further along, *everything* in a museum shouldn't be free, including items in the gift shop, and perhaps free take-home works of art. After all, "the people" paid for them.

Of course, I'm exaggerating cruelly, just for effect. But it does bother me. I come from a museum world in which there isn't much government funding. Our high-resolution imaging is created specifically for our individual publications, each one of which is paid for by generous donors. So it would seem that those donors can claim to have paid for our images, and perhaps *they* can they can use them for free, if they like.

[slide: you can compete with free]

The real problem is that arguing with terms like "free access", "mission," and "public responsibility" is nearly impossible. It simply makes for *really* bad press.

On the other hand, if one is adept at the art of hype one can turn the thing on it's head:

Announcement (Powerhouse Museum, Australia):

"All of our collections documentation has now been released under a mix of Creative Commons Licenses! It can be freely used!"

No one ever thought it couldn't be. (information)

Fine print: "Just to be very clear, images, except where we have released them to the [Commons on Flickr](#), remain under license. There's a lot more work to be done there."

But we aren't really talking about "mission" and "public responsibility" in the first place. What we really deal with are not vague abstract public policy concepts nor equally vague concepts like "the image". After all each of us has the world's largest image bank in our heads, images are part of our consciousness.

What we provide and license are high-resolution image files - an actual *thing*, so to speak, that needs to be created, Photoshopped, cataloged, keyworded, backed up, re-sized to order, and delivered.

What we need to do is to recover the cost of providing those *files*, + earn something from the effort.

By the way, that has nothing to do with whether the underlying work of art appearing in that file is in the Public Domain, or is copyrighted, or if it is educational or pornographic. Technically speaking, of course.

One thing I haven't mentioned yet is the fact that most of our museums' images are probably to be found in Google Images by now, anyway. Google Images is, after all, the universal "solution" in the "cloud." What if we look at it this way: if our images are "all over" the web, as everyone puts it, in a way they are being marketed for us.

But in the best of all possible worlds, we would beat out Google Images with better quality photos (and certainly better informed caption information) as well as better search. After all, everyone else uses the marketing tag line "museum-quality". Why shouldn't museums? Perhaps that is where we can out-do "FREE?"

CONCLUSION

So to conclude: I have no conclusions. As I promised at the start.

But I think one thing is almost certain, and that is that "Free" will be part of the solution, once we come up with it - it will be part of the picture. Which part, and how, will be interesting to discover.

If we can figure out how to generate revenue using "FREE" as part of a business model, helping to financially support our cultural institutions and their mission to the public --

before the next new business model comes along!

-- we will be smart indeed.

[slide: George Bernard Shaw]