

V&A Images: Scaling Back to Refocus on Revenue

Case Study Update 2011

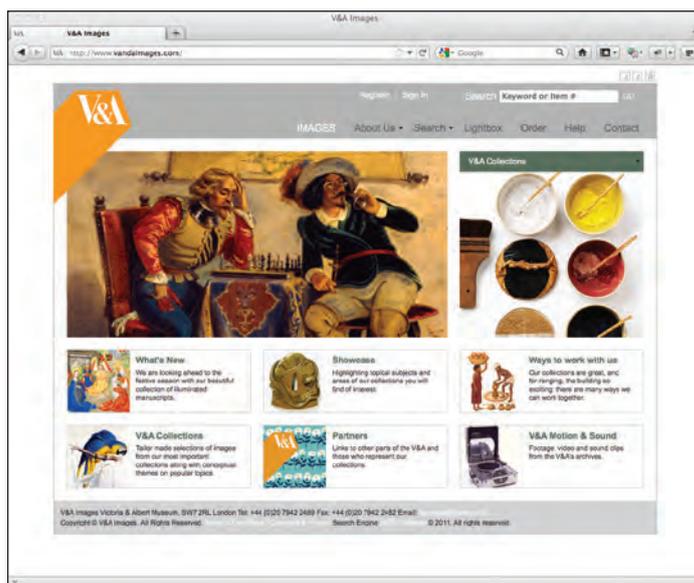
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Ithaka Case Studies in Sustainability

V&A Images, the commercial image licensing unit of the Victoria and Albert Museum, had a difficult task: to generate profits through image licensing while also fostering the museum's public and scholarly mission of providing access. In 2009, our study focused on the challenges of operating an image licensing business whose sustainability model depends on monetising the same assets that are available for free. In part due to these challenges, the group expanded their scope in 2010 to include mobile app development in addition to content production, rights management and sales. Yet in 2011, with revenues not keeping pace with costs, the museum opted to disband the unit, retaining only the sales function.

The Victoria and Albert Museum (V&A) is the world's largest museum of decorative arts and design, with a renowned collection of ceramics, furniture, fashion, glass, jewellery, metalwork, photographs, sculpture, textiles and paintings.¹ It is committed to offering free online access to its collections, and has expended significant resources to develop its 'Search the Collections' portal, which was re-launched in 2009 with images of more than 100,000 objects and over a million records detailing items in the museum's collection. The museum's goal is to increase annual web traffic, from 20 million visits a year in 2010 to 30 million visits a year by 2015, and to continue the systematic digitisation of the collection.²

The museum includes a commercial trading division, V&A Enterprises (VAE), that generates revenue through various means, including e-commerce and the licensing of the right to use the 'V&A Museum' brand to manufacturers using V&A images or textile patterns on linens, stationery and



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other goods. The digital picture library, V&A Images (VAI), was a unit of VAE, and until June 2011 was responsible for licensing images of objects in the museum's collections for commercial, educational and personal uses. By 2011 it was offering approximately 30,000 digital images in its online catalogue and had expanded its activities in many directions, including rights management and development of software applications to enhance visitors' experience of museum exhibits. While VAE intends to continue licensing the museum's images, in June 2011 it was decided that the department that had conducted this work, V&A Images, would be reorganised, its several functions embedded into other departments within VAE and elsewhere in the museum.

Original sustainability model (2009)

The Victoria and Albert Museum relies heavily on funding from the Department for Culture, Media and Sport, supplementing its budget with income generated through V&A Enterprises (VAE), a for-profit commercial subsidiary that returns its profits to the institution, and through other

¹ The original Ithaka case study provides the history and further detail on the sustainability of V&A Images. See K. Kirby Smith, 'V&A Images: Image Licensing at a Cultural Heritage Institution', available at www.ithaka.org/ithaka-s-r/research/ithaka-case-studies-in-sustainability/case-studies/SCA_BMS_CaseStudy_V-VAImages.pdf

² Victoria and Albert Museum, 'Strategic Plan 2010-2015' (2010/11), p. 11. Available at <http://media.vam.ac.uk/media/documents/about-us/2010/v&a-strategicplan2010-15.pdf>

In 2009, Ithaka S+R published twelve detailed case studies of online digital resources, exploring the strategies project leaders were using to sustain those projects for the long term. All of the case studies have been updated in 2011, to revisit the original sustainability models and see how they have fared over the past two years. To read the original case studies, please visit: www.ithaka.org/ithaka-s-r/research/ithaka-case-studies-in-sustainability



David Decapitating Goliath, by Francesco Parmigianino (1503-40). Drawing. Italy, 16th century. Copyright © V&A Images

activities.³ VAE's mandate has been clear since the beginning, according to the Managing Director of VAE, Jo Prosser. 'The unit should make money. If we stop making money, we should stop doing what we do.'

Within VAE, V&A Images was established in 2003 as a picture library, with the goal of monetising images from the general collection and providing guidance on rights.⁴ The unit's revenue-generating activities included image licensing for commercial clients, custom photography, research services, and on-demand generation of prints. In 2008, V&A Images had revenues of £348,000 (\$560,280) and costs of £405,000. In its initial years the unit handled not only commercial requests, but also requests for academic uses of images in research and publications. Its costs included staff to manage the commercial and academic requests as well as the production process, including creation of custom metadata to suit the academic market and high-quality scanning to meet the needs of commercial customers. It managed some costs by drawing on shared services within the museum and on support from a cadre of interns.

³ Additional revenue is generated through entry fees, private donations, income from restaurants and snack bars, and lottery income. See Victoria and Albert Museum, 'Annual Report and Accounts 2009-2010' (July 2010), p. 32. Available at <http://www.vam.ac.uk/media/documents/about-us/2010/v&a-annualreportandaccount2009-2010.pdf>

⁴ The other units of VAE include V&A Licensing, V&A Publishing, V&A Retail and V&A Corporate Events.

'Andrea Stern... estimated that this decision may have cost the unit, which continued to handle academics' requests for images, as much as 25% of its annual revenue.'

In 2007, museum management chose to begin providing images at no charge for academic uses. In early spring 2010, Andrea Stern, VAI's Director of Digital Sales and Development at the time, estimated that this decision may have cost the unit, which continued to handle academics' requests for images, as much as 25% of its annual revenue. At that time, the cost of supporting picture research and provision for scholarly uses, which now generated no revenue, was acknowledged to be a trade-off between revenue and enhancing the role of the unit in the larger educational mission of the museum.

How the model has fared

Over the past two years, a great deal has changed for the VAI unit, as the tightening economic environment, paired with a reassessment of the unit's core strengths, led first to some new avenues of activity, and finally to a radical streamlining and downsizing of the entire unit.

Economic environment. Following the change of government in 2010, the appropriation contributed by the Department for Culture Media and Sport (DCMS) was reduced to 55% of the museum's operating costs, from the 60% of those costs that it had covered in 2008. Along with other similar institutions, the museum was also asked by DCMS to prepare for reductions of 25% to 30% over the next four years.⁵ According to Stern, the museum had already begun preparing by making gradual cutbacks over the past several years, so there were few redundancies in the wake of the economic slowdown.

'The commercial market for 'stills' has undergone a revolution, with consumers now expecting images free of charge, free of usage restrictions, and instantly available for use...'

Changing market for images. According to Prosser, since 2006 there has been a fundamental shift in the landscape for digital images that has made it a more challenging

⁵ Victoria and Albert Museum, 'Strategic Plan 2010-2015' (2010-2011), p. 5; <http://media.vam.ac.uk/media/documents/about-us/2010/v&a-strategicplan2010-15.pdf>

Sustainability dashboard

	2009 Case Study*	2011 Update	What's Changed?
Content	20,000 digital images	30,000 digital images	Growing content base
Functionality	Licensing images for commercial and scholarly uses		
Costs	£405,000 (\$652,050)	Going forward, the costs of the unit will be just those of the sales staff, and its revenues would be just those they generate through licensing image content	
Revenues	£348,000 (\$560,280)		
Impact			
Sustainability Bottom Line	V&A Images not quite achieving its goal to be 'profit neutral' and cover its costs	V&A Images was disbanded as a department in spring 2011, its image licensing work folded into the ongoing work of the branded licensing team	

* These costs and revenues reflect V&A's 2007/08 fiscal year.

business. 'The commercial market for "stills" has undergone a revolution, with consumers now expecting images free of charge, free of usage restrictions, and instantly available for use ... In summary, more people want more content, from more complex sources and at more speed, but are less prepared to pay for it and less sympathetic to the real, non-digital, human resource required to deliver it.'

Changes in direction and new initiatives, 2009-2010

The re-launch in September 2009 of the 'Search the Collections' portal⁶ made high-resolution images freely available, resulting in a drop in the revenues VAI had previously received from academic users, according to Stern, and 'with the recession VAI needed to look for other ways to attract new and maintain existing customers'. In addition, VAI continued to expand its role in several ways, looking to identify new sources of revenue to cover its costs, and seeking to further expand its role in helping to lead the rest of the organisation in developing a workflow better suited to digital content, for instance, in encouraging the collections staff think about metadata requirements at the earliest stages of a new acquisition.

Expanded role for VAI. By 2010, the unit had expanded to include four departments: Rights, Research and Development (including app development), Sales and Production. This expansion figured as part of a larger strategy, according to Stern, to reflect the changing world of images, and the new-found admission that museums now recognise 'images as assets ... the sales side of images has become very important'. Through 2009 and 2010, the VAI unit continued to carry the same level of staffing, and it introduced several new initiatives:

- **Internal centralisation of activities related to digital assets:** This larger role for VAI was developing into a means to educate the rest of the organisation about the

full workflow involved in handling digital material, to 'educate people all along the chain about providing proper documentation for objects, starting with cataloguing' and including other critical stages of the process, including development of detailed metadata, raising awareness of copyright issues within the institution, and actively clearing rights for audio and video materials from other sources so that they could be repurposed for commercial use. According to a memo drafted by Prosser, 'the department also undertook rights clearance of non-V&A content (eg from exhibitions) for publishing, merchandise, etc, as well as resale, in a commendable attempt to centralise this activity'.

- **Mobile app development:** VAI developed new apps for mobile devices that were launched in March 2011, each with somewhat different features. The app related to the museum's permanent medieval and Renaissance



Men and woman in 18th century dress seated on a pew, by Josiah Wedgwood (1730-95). Salt-glazed stoneware with applied brown details. Staffordshire, England, mid-18th century. Copyright © V&A Images

⁶ <http://collections.vam.ac.uk/>

collections includes text, stills, video and audio, and allows the user to follow the exhibit based on a particular interest (ie politics, religion, etc), with guidance provided by the museum's curators. The app accompanying the upcoming 'Cult of Beauty' exhibit will serve as an exhibition guide, pointing to specific items on display. It also features an audio tour that takes the user out of the building to points of interest related to the exhibition. The apps will be offered at a price point of £1.00-£2.50 (\$1.60-\$4.00). Stern views this as an experiment to determine to what extent people are willing to pay for this offering. 'We are trying to find the balance between free apps and paid-for apps', according to Stern, 'but it's hard to see how we are going to make a profit from this kind of activity'. The costs of developing the content included hiring a celebrity narrator, plus a consultant to manage the technology side of the project. These activities have now been moved elsewhere in the museum.

New sales and marketing strategies. Stern reported in early 2011 that to encourage more effective working relationships with its customers and build sales volume, VAI in 2009 had begun to offer 'loyalty rates' to customers who could commit to licensing a certain number of images each year and to encourage customers to license multiple images rather than single images in each transaction, through bulk pricing rates.

Changes in direction and new initiatives, 2011

Despite efforts to identify new sources of revenue for the unit, in April 2011, after about eight years of operation as a commercial unit, V&A Images as such ceased to exist. 'Andrea and I agreed that we had tried everything', said Prosser. 'The picture library days were over.'

According to Prosser, the unit had 'outgrown what it had originally focused on'. While the immediate problem was that revenues were not sufficiently covering the costs of operating the unit, this was due to an underlying structural flaw that had persisted for several years, as VAI continued to carry staff that were tasked with supporting other units in the museum and with providing services to a non-paying audience - academic researchers - without hope of seeing any revenue in return. The unit had 'started taking on functions for internal museum management', says Prosser, but the 'balance was unsustainable'. According to an internal memo drafted in 2011 by Prosser, 'The huge number of inquiries and requests that continue to flood into the V&A for images ... has created a situation where a service is being run on behalf of the V&A that is not recognised or valued - or fully costed. The reality is that the level of demand reflects a real and on-going demand that needs to be considered rather than pushed to the margins in the hope that it will reduce with time and automated delivery'.

Management thus acknowledged the 'financial impossibility of undertaking non-commercial activity' and that the structure of the unit and the organisation of its original team were not suited to take on the challenges of the new environment, noting that 'different skills are needed at different times'. For a while, reports Prosser, 'we defended and justified our system too much instead of integrating it into others. ... Then we realised we needed other skills' and 'started a process of "down-ambitioning" the goals of the V&A Images unit'.



V&A Ceramics. Flickr / Tim Regan

In its new incarnation, the commercial image licensing business still takes place via the website 'vandaimages.com', and is staffed by four sales people and a recently hired sales manager, a new position. This group has joined the Brand Licensing unit of VAE, so that, according to a department memo circulated by Prosser, 'unbranded and branded permissions can be coordinated.'⁷ Rights clearance has been centralised to support the whole of VAE, with Central Design and Research. Their new experiments in developing applications for sale to museum visitors are not being entirely phased out, but will continue on a project basis. Perhaps most telling, with this realignment, all activities deemed 'non-commercial' have been 'returned to the museum, thanks to the efforts of Andrea Stern and colleagues within the V&A, who see the rationale for this'.

⁷ Branded licensing includes rights deals that capitalise on the V&A brand itself, for such products as wallpaper, stationery and bed linens. See www.vandalicensing.com/VAProducts



V&A Foyer. Flickr / Prodrimos Sarigianis

So the enterprise group will not continue VAI's style of creating sophisticated metadata for the scholarly audience, coaching those in other divisions in digital workflow issues, or hand-selecting images from the museum's main content management system to be part of the VAI commercial database. Rather than trying to be all things to all people, the unit formerly known as V&A Images will now consist of a sales staff with a much clearer mandate: to generate revenue through the sale of images from the collection via the website, vandaimages.com.

To smooth the transition, management worked to place VAI staff elsewhere within the museum. They have successfully done this with the exception of the unit's director, who has left the organisation. Overall, the transition has not been easy. 'It's been difficult', says Prosser. 'The plus side is we are getting somewhere. ... We know where we fit and what our relationship is to the museum.'

Sustainability outlook

Today, there is little guesswork involved when talking about the current or future sustainability of V&A Images; as an operating unit it has officially ceased to exist. In its most recent form it was deemed not sustainable.

And yet what was 'unsustainable' was not the picture licensing activity itself, but rather the particular shape of this department, which had taken on activities that were not financially supported by the commercial activity at its centre. The component parts that it had developed over time are still vital to both the commercial and mission-based activities of the museum; this is borne out by the maintenance of the vandaimages.com website and by the placement of former VAI staff throughout the larger organisation. Whether image

licensing itself is a sustainable activity for the museum is a separate question, and one not taken up by this update. But by no longer burdening an image sales group with the need to also support activities that are handled elsewhere in the organisation, the group's success will be much easier to measure.

Lessons learnt over the past two years

- Aligning revenues with costs is essential
- Free and fee models for digital content can co-exist, but clearly differentiating the free offer from the fee offer is important, both for users' experience of the service and ultimately for revenue generation
- It is vitally important to focus on the value proposition of a service: how it performs something in some way that is essential to others without duplicating work done elsewhere

Interviewees

Jo Prosser, Director of V&A Enterprises Ltd., Victoria and Albert Museum, 27 May 2011

Andrea Stern, formerly the Director of Digital Sales and Development, V&A Images, Victoria and Albert Museum, 27 May 2010 and 8 March 2011

This case study update was researched and written by Nancy L. Maron as part of the Ithaka Case Studies in Sustainability project.

Summary of revenues and costs

	2008/09	2011*	Comments
Total revenue			
Commercial image licensing fees	62%	n/a	
Academic/non-profit image licensing fees	17%	n/a	
Fees related to loans to museums	15%	n/a	
Other fees (eg public print-on-demand)	6%	n/a	
Total costs			
Personnel costs	80-95%	100%	
Non-personnel costs	10-15%	n/a	
Number of staff	8.4 FTE	4 FTE	In 2009, 8.4 FTE included head of department, 3 in sales, 3 in rights clearance; 1 in production; .4 in print requests. In 2011, shifted to 4 sales people and a manager
In-kind/volunteer contributions	8 unpaid interns; digitisation services, office space, and IT support provided by V&A Museum	n/a	

*Note: As of 2011, V&A Images is no longer considered a separate 'unit', but rather is activity within the larger Branding unit. Revenue figures for sales of licensed images were not available for publication.

Explanatory note

The information presented in this table is intended as a broad picture of revenues and budgeted costs associated with the project, not as a detailed financial report. It does not include in-kind contributions or other unbudgeted items, though these are described where they are known. The financial data, which are presented in the currency in which the project reported the information, were compiled as part of the interview process with project leaders and staff, and in some cases were supplemented with publicly available documents, such as annual reports. Many of the figures are rounded or best estimates. Some leaders preferred not to offer figures at all, but suggested percentages instead. Because of the variability in the way each institution estimated the various categories of revenues and costs, the information presented in the table is of limited value for detailed cross-project comparisons.