

## Museum's self-financing capacity: axes of development to increase Italy's 1.737 billion euros worth cultural heritage self-generated income.

A museum's self-financing capacity is a measure of the extent to which cultural institutions are able to autonomously generate revenue, on top of the financial contribution provided by the public sector, to sustain their operations.

A well-known performance indicator employed in the public cultural institutions sector is based on the division of the total costs of a museum's structure for its self-generated income. Whereas in France and in the UK museum's self-financing capacity is ordinarily calculated and publicly published in order to establish and orient public budgetary allocations to cultural institutions, in Italy this measurement was never nor elaborated nor tracked, as no official statistics has ever calculated it.<sup>[1]</sup> In Italy, the profitability of cultural heritage is still debated due to the assumption that, in order to pursue virtuous cultural promotion, profitability-led strategies have to be overshadowed. However, considering the actual economic context marked by continuous cuts to public spending, and thus to funding allocated to museums, to keep on treating this sector as one with low profit potential is becoming utopic.

Indeed, in order to effectively pursue the mission of cultural democratization, museums should abandon their status quo of simple protectors and exhibitors of valuable objects and ought to rethink themselves into a more participative and active type of institution, which, amongst other things, would require much more financial resources than the ones currently provided by public funding.

On top of these considerations, we must take into account the effects of the COVID-19 pandemic on the economic sustainability of Italian museums. Admission fee constitutes more than 90% of the revenues of state-owned cultural sites and institutions in Italy.<sup>[2]</sup> Having a revenue base depending on a single activity makes museums extremely vulnerable to disruptions that considerably reduce the number of visitors that can be welcomed into a site.

Based on the aforementioned arguments, the necessity of envisioning new profitable activities that could diversify and increase museums' resources is clear. Cultural heritage must not be considered as a sector that absorbs funds from the state's balance sheet, but rather as an asset that, if well managed, could generate the resources necessary to finance its further growth. Italy's cultural heritage has been conservatively valued at 1.737 billion euros by Doctor Leo Tarasco, a number that corresponds to up to 67% of Italy's public debt in 2020. Such an estimate can help us realize that if we were to achieve a prudential yearly rate of profitability equal to one percent, we could generate an amount of resources reaching the height of several billion of euros.<sup>[3]</sup>

On top of the museum's self-generated income streams already extensively analyzed by existing literature and yet, in Italy's case, underdeveloped (such as fundraising, sponsorships, endowment funds, memberships, retail sales, consultancies etc) this article aims to focus over innovative and immediate profit generating activities that I deem of interest.

An immediate measure that could increase museum's profitability has to do with optimizing the management of public intangible assets and support strategies for their protection and enhancement. In order to do this, museums have to start considering themselves as public brands, having as object signs of the cultural heritage they safeguard and developing precise strategies for the profitable use of their intangible assets. The main dimensions of public intangible assets have to do with: **trademarks** (domain names, maintenance and securing the design and operation of a logo); **public sector information** (intellectual property rights of data and images that make up the photographic archives); **expertise**

(public know-how in managing cultural heritage); and the **value of access to public spaces for events**. On top of being a vector of resources that can help financing public service missions, to enact a public branding strategy would ultimately lead to the innovation of the public sector by: clarifying the actions of an institution; defining public know-how; giving a coherent visual identity to the entity within ICTs technologies, etc.[\[4\]](#)

After realizing the importance of this simple but fundamental premise to cultural public action, in 2007, France established the *Agence du Patrimoine Immateriel de l'État* (APIE). In a growing market, whose potential needs to be more efficiently assessed, bringing intangibles management in the picture thanks to the guidance of the APIE has not only allowed French museums to increase their flow of recurring activities, it also made it possible for them to benefit from their reputation getting involved in more global and emblematic operations, such as the Centre Pompidou Provisoire or the Louvre Abu Dhabi – which generated revenue streams of up to one billion euro. These operations were the result of cultural institutions developing such a strong branding that their name itself (valued 400 million in Louvre's case) would become the object of interest of a growing international demand. Indeed, emerging countries are asking for the expertise and collections of western museums to get assistance in the expansion of their cultural institutions.[\[5\]](#) In order to face the problem related to the undeniable overabundance of Italian cultural heritage compared to the available space for exhibiting it, to cooperate with actors disposing of financial resources and infrastructures (but not collections) could lead to important synergies. Hypothetical temporary international exhibitions of archive pieces (that nowadays cannot be enjoyed by anyone) would, on top of ensuring new revenues, allow Italian museums to be better known abroad consequently encouraging new publics to visit them. In order to become attractive for this kind of international demand (whose existence was confirmed by the French *Court des comptes* 2019 report) Italian museums have first of all to prioritize the definition and structuring of their brand, and to guide this renovation the Italian policy framework would have a lot to learn from its French counterpart exemple.

Another innovative axe of development that should be taken into consideration is that of digital storytelling. Technology could be used to develop new museum products which would add value to the visitor's experience, thus stimulating higher spending from the latter in the interaction with the institution. Such mechanism is a natural consequence of the economic law first exposed by A. Marshall at the end of the 19<sup>th</sup> century that clarifies how the cultural sector represents an exception to the "consumer paradigm", presenting an increasing rather than decreasing marginal utility[\[6\]](#). This means that, also based on the low price elasticity of the market, if the admission fee was a little higher in turn of interesting products that increase the ability to understand the objects visited, it is safe to predict the demand won't change much, while the box office would probably increase. Furthermore, such investments will increase the competitiveness of a cultural offer that has to face steadily increasing alternatives competing for the free time of the costumers.

For example, thematic podcasts could be developed crafting engaging routes guiding the visitor's sense-making of big museum collections, produced with voices and interpretations of personalities loved by the general public that could awaken the interest of an already established "fun-base" (who otherwise would not have reconnected with the institutions involved). Augmented reality is another type of technology that could develop alternative narratives benefitting the level of historical contextualization that visitors are offered with, and ultimately building up an offer whose complexity would stimulate higher visitors' spending.

In conclusion, there are several dimensions that Italian museums should begin focusing on in order to increase their self-generated income and diversify their profitable activities other than the simple admission fee. All of these axes of development, on top of providing new financial resources, would considerably increase the level of enjoyment of Italy's cultural heritage. The outstanding beauty Italy is gifted with has

made it possible for the entities responsible for its management to “rest on their laurels,” also based on the fact that the public sector has always financed these actors independently of their performance. To have museums earning sums of capital to be reinvested in their operations would create responsibility over the dynamism of a sector that too often astonishes us for its immobility. Considering the aforementioned international market created by the willingness of emerging countries to expand their cultural offer, the development of the reputation of Italian institutions would lead to the creation of a hardly beatable offer based on Italy’s uniquely rich and outstanding cultural capital.

## Footnotes

[1] A. L. Tarasco, *Diritto e gestione del patrimonio culturale*, Laterza, Bari-Roma, 2019

[2] As analyzed in A. L. Tarasco, *Diritto e gestione del patrimonio culturale*, Laterza, Bari-Roma, 2019, such financial data has been calculated by Doct. Leo Tarasco on the basis of data provided by the SISTAN of the Italian Ministry of Culture and Tourism.

[3] A. L. Tarasco, *Diritto e gestione del patrimonio culturale*, Laterza, Bari-Roma, 2019

[4] Agence du Patrimoine Immateriel de l’État (2019) “*La stratégie de marque pas à pas*”. Ressources de l’immatériel

[5] Court des Comptes (2019) *La valorisation internationale de l’ingénierie et des marques culturelles – Le cas des musées nationaux*. Communication à la commission des finances du Sénat.

[6] Carlo Fuortes (2001) *La domanda di beni culturali in Italia. Alla ricerca di un modello esplicativo*. in “Economia della Cultura, Rivista trimestrale dell’Associazione per l’Economia della Cultura”. pp. 363-378, doi: 10.1446/12788

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