

## The business structure - NSW

That leads us to the question of business structure.

In NSW the options are listed below. The decision about structure has important implications for your tax, insurances, your liabilities and ability to raise funds. It will also affect your ability to apply for grants and sponsorships, to respond to tenders and to enter into contracts with government agencies. You need to seek legal and accounting advice.

- **Sole Trader** The simplest and least expensive business structure to set up. A sole trader is not a separate legal entity and you are responsible as an individual for all the actions of the business. You will be liable for any debts incurred.
- **Partnerships** These are defined by the Partnership Act 1892 (NSW). It is "the relationship which exists between persons carrying on a business in common with a view to profit". A partnership involves an agreement between two or more parties to have a legally-binding business relationship.
- **Proprietary Limited Company** This is a private company. The company name ends with the abbreviation 'Pty Ltd'. It is run by directors and owned by shareholders.
- **Association** An association structure suits small, non-profit groups. Examples include interest groups, sporting clubs, and industry and hobby bodies.
- **Cooperative** A cooperative business structure is one where five or more individual members own the business. A cooperative supplies goods and services to members and in some cases, to the general public.

## The business plan

We don't aim to set out an approach to business planning in this booklet. Go to the Small Business ToolKit when you are ready for templates and tools.

However, you do need to:

- Be sure you are clear about your goals.
- Think through both your management and financial plans.
- Spend a lot of time on a sales and marketing plan.
- Be precise about how you are going to carry out the tasks of the business.
- Understand the human resources issues and how to get the staff you need (they can be contracted out!).

Lastly, do an executive summary. That's where you see what's missing or what doesn't make sense.

## The goals

- Your business goals need to stretch over 1-2 years to give some future-focus.
- They should align to the company's vision and mission, and be easy to understand.
- Be realistic about them (forget the global impact statements!)
- Make sure you can measure them and focus on outcomes on inputs or process.

## The marketing plan

If you spend time working through the Business Toolkit you'll become aware of how many aspects there are to a good strategic and business plan. Each of them needs careful attention. We're going to spend a bit more time on the marketing plan because the buying of a creative product as you will appreciate is much more nuanced than, say, buying a hamburger.

If you take the selling of hamburgers as an example, a typical marketing plan would address fundamental questions such as 'who are the customers, what do they want and how can we give them greater value for their dollar?' This is clearly all about customer focus and is typical of a commercial approach.

Under this model for a creative business, you would systematically study your customers' needs and wants, perceptions and attitudes, as well as their preferences and levels of satisfaction, and then act on the information to improve what you offer them.

However, there is some evidence that performance (sales) can decline when creative businesses are too customer focused. There is the risk of making artistic sacrifices only to find that the product isn't what the target audience wants after all.

There can be truth in both these approaches so it is important not to reject either without careful reflection. To be useful, however, commercial marketing must be adapted to the artist or the creative business.

The question then arises as to how to implement a customer-focussed approach without sacrificing the creative 'product'. Or you could go for the option suggested by Ian Fillis of Sterling University and reject the traditional approach altogether, deciding it is possible for your art and/or business to build a following with the simple policy of art for art's sake.

It might be easier to think through these issues by thinking about graphic design or writing. If you ask a writer how they would like to earn their living they might respond that they would like to write novels or travel books or blockbuster screenplays or serious journalism. The truth is that most working writers earn their living by writing advertising copy, media releases, corporate documents, training materials, brochures, blogs and web pages. As for graphic designers, they might aspire to create award winning ad campaigns or movie special effects but let's face it, most will be working in parallel with the writers on publications, logos, websites, signs and brochures.

These realities create specific business planning issues. But what if you bring them together? What else could you do?

## Why marketing plans?

The purpose of marketing plans is to create customers and increase sales. It is essential. The marketing strategy and plan are intended to focus on how an organisation will compete in its chosen business. However this approach may need to be adapted and the assumptions questioned to optimise success for the artist and the creative enterprise.

## What is a marketing plan?

A typical commercial marketing plan would be developed to describe attributes of the marketing mix described widely as the four P's - product, place, price and promotion.

Let's go back to our definition of the creative industry sector.

- Music and performing arts
- Film, television and radio
- Advertising and marketing
- Software development and interactive content
- Writing, publishing and print media
- Architecture, design, craft and visual arts.

To what extent are each of these creative endeavours driven by what customer research suggests will be most successful? And which will be most likely to be successful through break-through innovation?

However more recently it has evolved into the six P's including persistence and people. A general description of the P's might be as follows:

- **Product** is the definition of the product attributes that satisfy a set of consumer needs, including the packaging.
- **Place** outlines where and how the product is offered: the kind of facility, its location, and accessibility, time of performance or exhibition, methods of ticket purchase.
- **Price** might include the cost to the customer of a piece of art, an entry ticket, or parking and babysitting along with the costs to you such as upgraded hardware and postage.
- **Promotion** concerns the message used to convey the product to the public and the channels used to communicate the message.
- **Persistence** is the management of the organisation and its relationship with its customers, resulting in income.
- **People** refers to the constantly evolving relationship between the organisation and its customers.

One challenge in writing a marketing plan for the creative entrepreneur is that the clear separation between the artist and the consumer may not be as applicable as it would be in other commercial transactions. Apart from such obvious examples such as playwright or composer, what about technological innovations such as a phone app? Here ease of use, back-end development, hosting, security, reliability and controls will be even more important to the 'buy' decision than the original creative idea. Similarly, work in heritage interpretation, place-making, publications or creating a new brand for a client will all draw on a range of professional and creative skills. For each of these, the creative output will rely on a group of people. Your marketing plan will need to realistically address the definition of 'product' within the parameters of the skills-cluster you can establish. For a small or start-up endeavour, it will be critical that you clarify how you will achieve your goals in this area. Working within a cluster of people may be your answer.

## How are marketing plans for creative endeavours written?

Putting together a marketing plan starts with the relevant "P's".

However these traditional marketing concepts are challenged by the values and practices of the creative industries and can be difficult to define.

The clear distinctions between the marketing mix of six P's may not be as clear for the artist or the creative organisation as for other enterprises. There is additional sophistication required in these plans to reflect the complexity of the underlying process.

The suggestions below may help to think the challenge through.

Central elements of any marketing plan are:

- the product or offer,
- the seller or organisation, and
- the buyer or the market.

1. There are some important distinctions in creative products and services. They are cultural, they often involve human performances of some kind and they may have a strong location identity.
  - a. There can be strongly felt cultural attitudes associated with creative offerings. One example is the difference between what might be termed 'fine art' which might appeal to the social 'elite' and 'pop' art or popular performance which may be accessible to a greater number of people but may attract criticism for being too commercial. Another example might be the cross-generational issue of younger people differing from older people in the way they consume creative technology. It is important here to be clear about the concept of 'branding' and the importance of aligning your product, communications, people and office or web presence with your brand idea.
  - b. A specific 'arts' product is also often inseparable from the artist so the marketing approach has to be sensitive to the need to represent the artistic offering consistently with the artist's vision and commitment.
  - c. Many creative enterprises are identified by reference to place - their home base - such as the Sydney Symphony Orchestra or Newcastle's Dancing Koalas. This means it can be difficult to separate the performance or work from the location, which limits development options. On the other hand, it may also mean there are opportunities from strong market positioning statements based on location. Place identity is important to artists and the general public and art that raises question of cultural identity will require particular sensitivity in the approach to marketing.
  
2. There are distinctive characteristics of the creative enterprise that impact the marketing plan.
  - a. Creative enterprises are different from other commercial entities in that their focus may be primarily internal on the artists and the art. This means there can be a struggle between cultural and business imperatives unless the approach is to find an audience for the art rather than a more classic product-focused approach to marketing.
  - b. In some situations the organisation (or seller) has a high dependency on the individual/s so some separation of roles can be important. This crucial individual will commonly be committed firstly to the art and secondly to the organisation and supporting it needs. Consequently there is potential for a clash between the commercial mindset and the artist's approach.
  - c. The different and at times opposing objectives of the creative talent and commerce have potential to create challenges for creative enterprises. As a result clear boundaries between the two and sensitivity to the artist are required in the marketing approach.
  - d. Creative organisations, like other entities exist in a network. This network includes entities that make up part of the art production process such as venues, promoters, merchandisers and at every stage of this process there needs to be reconciliation of the artistic and commercial motives. The network usually extends further with support networks such as cultural agencies, other arts organisations

and individual sponsors. The internal focus of the arts organisation on the art and the artists needs to be considered at every stage so it is important that the commercial activities do not distract from the cultural objectives throughout the development process. A cooperative, pro-art perspective is generally what is required of the network and the marketing approach. Here you might think about an example such as Melbourne's Comedy Festival and everything that it involves.

3. The arts and entertainment buyer or market has distinctive characteristics including its resource base, the diversity of support and opposition, and the involvement of critics on whose opinion the work is highly dependent.
  - a. Creative individuals need resources to continue their work and there is a variety of sources including arts organisations, public arts bodies, endowments, private donations and corporate sponsorships. Government policy will impact the amount of public funding and the tax incentives to encourage private funding. Grants provide a challenging source of funding as they arrive with different and often short term funding when strategy development and implementation require long term views. The position on funding and resourcing needs to be guided by a compromise between the creative goals and commercial imperatives.
  - b. Marketing creative projects is impacted by a broader diversity of audience than most commercial organisations will experience and by segments of society that may offer extreme support or opposition. In this way the market is similar to the political market. Such diversity requires insight into behavioural segments of the audience and the development of appropriate positioning strategies.
  - c. Critics have always played a role in the world of creative endeavour. A few important critics can have enormous impact on the commercial success (or otherwise) of artists and their organisations. Marketing activities have little impact on critics and indeed may be detrimental, so this powerful audience influence is mostly out of the control of your marketing. Thus the emphasis of the organisation on the value of its 'product' is extremely important. Long term strategies that emphasise positive word of mouth support and the development of reputations may be useful in countering adverse critiques.
  
4. In addition to defining and determining the creative product, the marketing plan needs to consider the definition, development and delivery of value to the consumer. We will look at these issues in turn below.
  - a. What is value? When considering the definition of value in the creative industries it is worth considering whether the value is defined by the person generating the work or by the people who 'consume' the work or by the value of innovative works.

In the case of innovative and creative uses of new technology, functionality, reach, novelty and social significance also define 'value'.

In a commercial marketing orientation the market determines the value of a product. However this is not clear for creative businesses. Does public and private support or funding indicate value? Or can the value remain as defined by the creator? The marketing approach needs to consider the role and purpose of the product and recognise the complexities of defining 'value'.

The value question is more complex when considering the continual discovery of 'new art'. Its artists, interpretations, products and performances may never be discovered or disseminated commercially. And attempting to define good or quality art or other creative activity can be problematic. While some new art forms, events, performances, housing designs or literary forms are seen as wonderful, others may not conform to the demands of commercialisation and then never be discovered. So how does that affect the value of the work?

- b. The development processes of creative endeavours are distinguished by the education and development of the 'creators' and the education and development of audiences.

Creative people are developed in many ways including education, apprenticeships and training programs that support them, for example, in expressing their ideas and encouraging them to experiment with new ideas, new built forms or innovative software. Continuous innovation (and its companion, competitive advantage) requires the continuous development of people.

Audience development is also an extremely important aspect of creative businesses and this may need to be reflected in the marketing approach. The development of a market of current and future consumers is vital in protecting our society from declining into ignorance of culture. Educating and developing audiences requires long term priorities form both our society and its creative community.

- c. The delivery of innovative creative forms involves two issues that will affect marketing. They are how to access and price the art/experience/product.

Delivering new creative projects is about delivering maximum exposure for both the 'product' and the individual or group behind it. Creating access can involve a number of public and private organisations and sponsors.

When it comes to the creative product, the question of value is complex and so too is the issue of pricing.

Pricing decisions also need to take into account long term development of a product's creator. Linking pricing to costs, typical in commercial markets, will be unlikely to produce a useful guide. An intelligent market orientated price point will improve the delivery of value and therefore in turn the development of the product and its creator.

The distinctive qualities of creative products require a review of traditional marketing assumptions. It is useful to recognise that there is a limited role, if any, for marketing to influence the product. Rather, marketing sometimes has to serve the product (that is, the product is not always created to suit the market) as the creative drive shapes the product.

## So what?

Taking time to consider your philosophy and marketing approach and then writing a marketing plan that fits this approach will allow you to stimulate exchange with potential customers. This in turn should enable you to co create your products or services by building and maintaining relationships with customers for the dual purpose of creating value for them and simultaneously achieving your objectives. The result will be a greater level of a success at both the creative and commercial level.

## Activity

Read and reflect on the notes above and record any insights regarding the marketing of your product.

If appropriate write a marketing plan describing the 6 P's for your product.