



## **White Paper #1**

### **Market Research & Financial Modelling of Minimum Viable Platforms**

incubated by



October 2018



## PROBLEM

The arts and culture industry must manage and share a tremendous range of private and public data to sustain the capacity of the sector to foster a more inspired and engaged society. However, the industry lacks robust data management solutions that stimulate efficiency and illustrate impact across all arts and culture disciplines. From Sumac to Salesforce and more, embedded platforms fail to respond to the ever-evolving requirements of the whole arts sector including small producers who are systemically underserved with access to relevant and affordable digital tools. The development of a comprehensive, enterprise-level solution responding to the diverse needs of the whole arts industry is warranted.

## SOLUTION

Artse United is a cloud-based Enterprise Resource Planning (ERP) platform cooperative providing open source desktop and mobile arts management solutions prioritizing small producers across all artistic disciplines, including: private project and financial data management; constituency relationship management (CRM); digital asset and team collaboration management; business intelligence analytics and open data visualization/benchmarking spanning both quantitative and qualitative measures (BI). Public betas of individual components will be released over six iterative phases of nine to twelve months each, including: project/finance management and quantitative BI (Phase 1+2), CRM and qualitative BI (Phase 3+4), and asset and team collaboration management (Phase 5+6).

## VALUE PROPOSITION

Artse challenges and remakes unproductive lifecycles of cross-disciplinary cultural enterprise by promoting enhanced efficiency and excellence in data-driven impact practices that sustain quality connections between artists, administrators, advocates, and audiences alike, including:

### EFFICIENCY OF ADMIN

#### PROJECT MANAGEMENT

- Less time spent on administration by artists
- Increased time in the studio for artists to develop their creative practices
- Improved internal awareness of core artistic vision and potential
- Enhanced external marketing communications of artistic vitality to audiences

#### CONSTITUENCY RELATIONSHIP MANAGEMENT

- Increased connectivity between artists and audiences
- Increased public attendance and support of the arts
- Increased earned and private sector revenues for the arts
- Enhanced financial sustainability of the arts

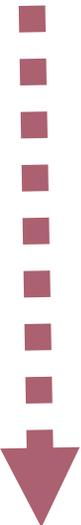
#### ASSET AND COLLABORATION MANAGEMENT

- Improved security in physical and digital spaces for artists and administrators
- Increased collaboration, risk-taking, and innovation by artists and administrators
- Improved insights and decision-making for the arts
- More quality time devoted to administration of the arts

#### BUSINESS INTELLIGENCE ANALYTICS

- Improved impact data for advocates of the arts
- Improved public policies for the arts
- More resilient arts industry
- More inspired and engaged society

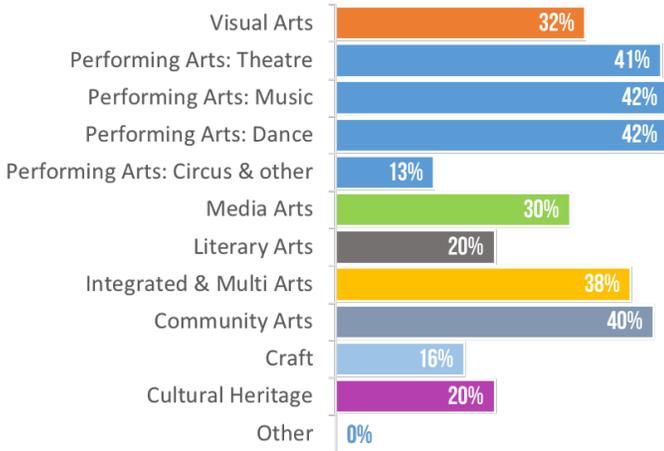
### EXCELLENCE IN IMPACT PRACTICES



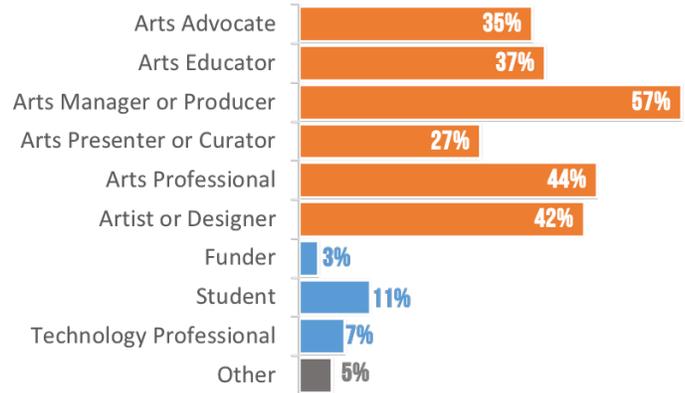
## MARKET RESEARCH

ArtsPond completed initial market research for Artse in Winter/Spring 2017. **Managing Creativity in a Digital World** was a bilingual, national, online survey exploring the digital arts services needs of small creators and producers from all disciplines. Selected highlights follow.

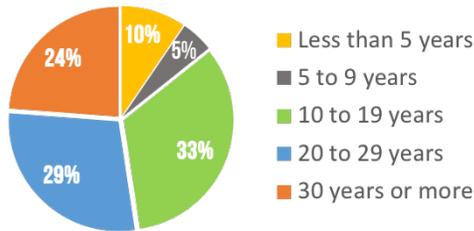
### Respondents by Arts Discipline



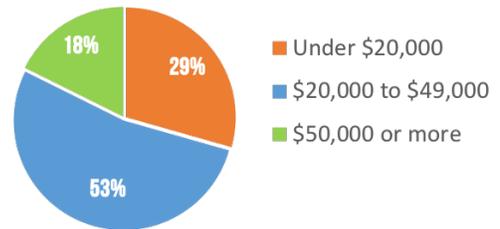
### Respondents by Profession



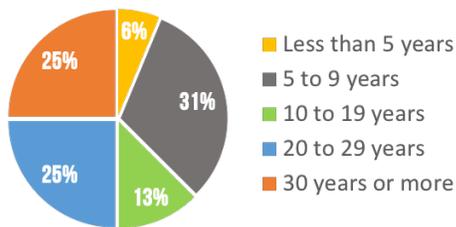
### Respondents by Personal Arts History



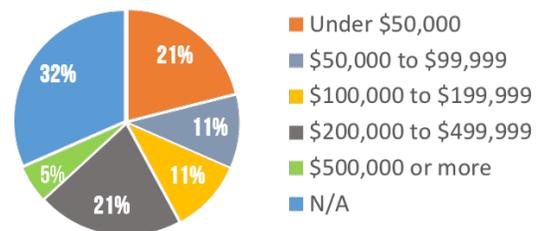
### Respondents by Personal Annual Income



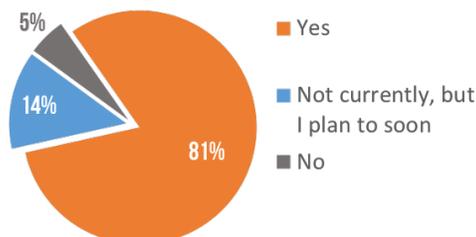
### Respondents by Organizational History



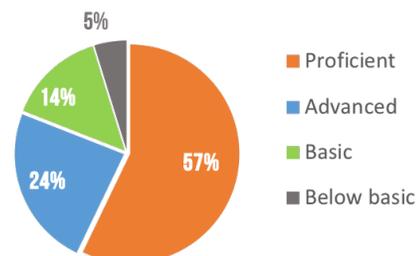
### Respondents by Annual Organizational Budget



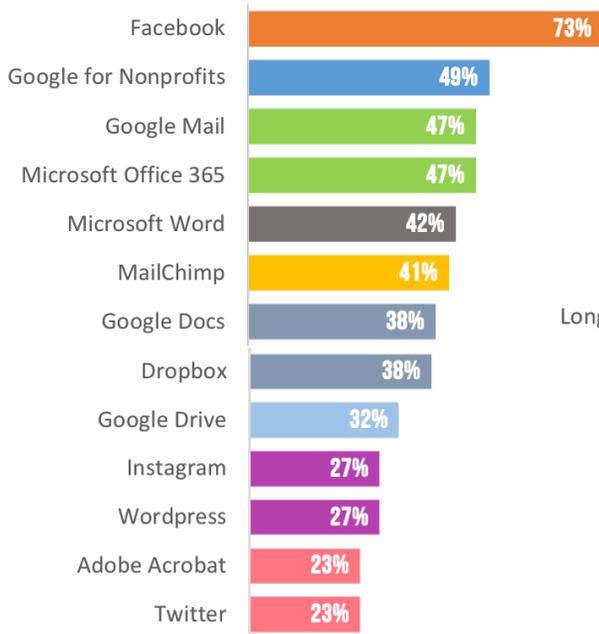
### Use digital apps regularly to manage arts career/organization



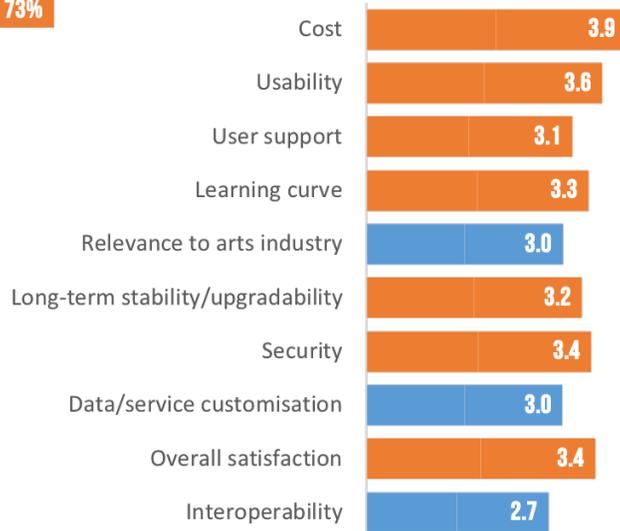
### Skill level in using digital apps to manage arts career/organization (self assessed)



### Ranking of software as one of 'Top 10' for managing arts career/organization



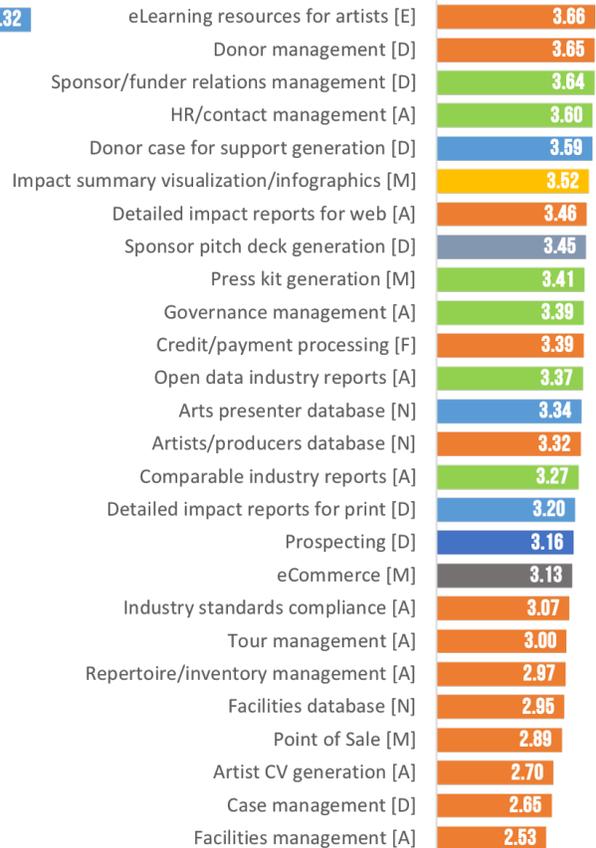
### Average satisfaction with 'Top 10' apps currently using to manage arts career/organization (1= not at all satisfied, 5 = very satisfied)



### Average priority ranking for potential services of new arts management software (1= very low priority, 5 = very high / mission critical priority)



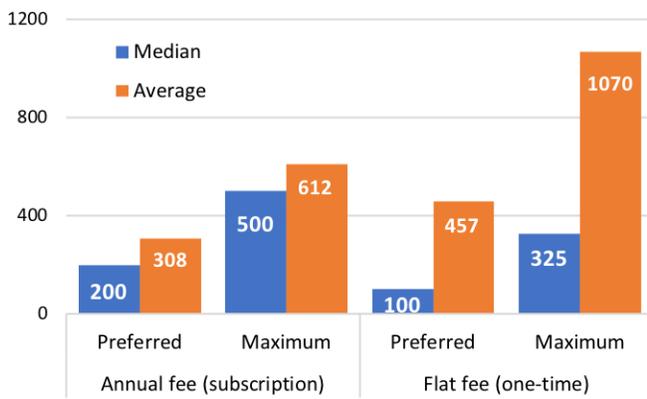
■ [M] Marketing    ■ [D] Development    ■ [N] Networking  
■ [A] Administration    ■ [F] Finance    ■ [E] Education



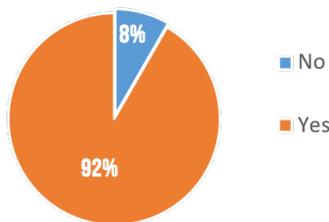
### 'Top 5' desired impacts of new arts management software



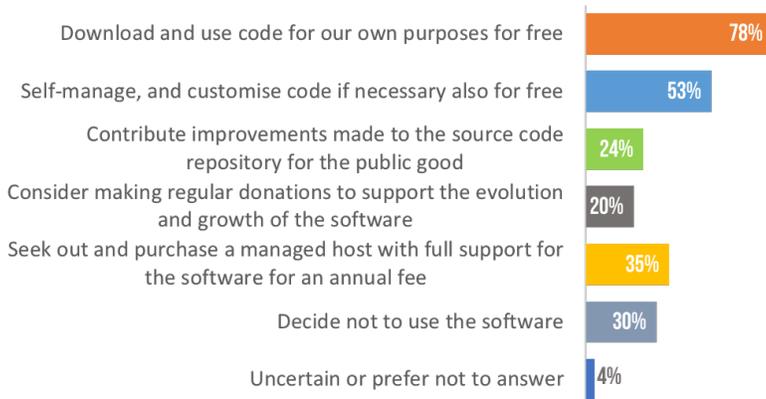
### Desired cost of new arts management software (\$)



### Prior experience using open source software to manage arts career/organization



### If a robust open source solution for managing the arts was available, would you:



"[Artse] is the most cost-effective and efficient way to have the greatest impact for indie artists-producers"

"A wonderful and timely project making artists more visible, relevant, recognized, and our organizations more creative. Thanks for taking the leap on this!!"

"Things are getting more and more complex every second and I've got data scattered across every corner of the known universe. Help!"

"Artse is like having a team of administration help, something I cannot afford at the moment!"

"With at least 65% of arts industry professionals operating as contractors, a user-friendly, multi-use database like Artse is essential for maintaining excellent business practices that support what happens on stage."

"[Artse] is customized to meet the unique needs and challenges that exist in this sector. There has been nothing like this so far, so the potential for success is huge! A definite trailblazer!"

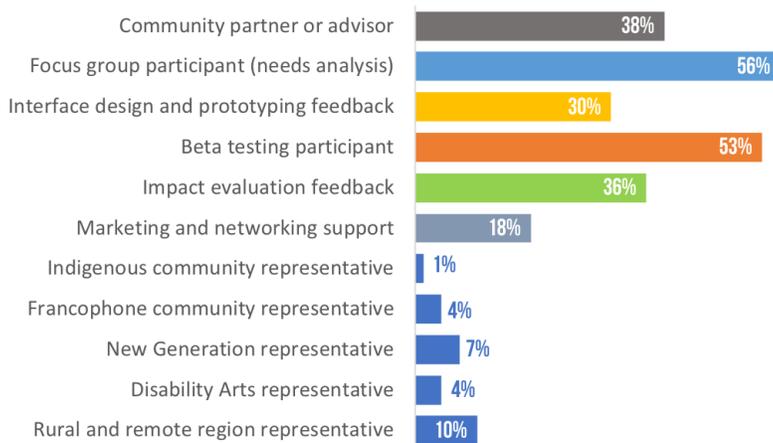
"The leg up that Artse's open source software provides is essential for artists!"

"[Artse's] digital collaboration is imperative for creating the most efficient workplace, allowing teams to dedicate more time to making arts programming happen."

"We don't have the budget to purchase the tools we need, so we operate with free but insecure systems held together with twigs and bits of string. Nothing works well together, and we waste so much time transferring data from one platform to another. Crucial information sometimes falls through the cracks, and we are worried about the security of our dependence on Google. An affordable platform like Artse that integrates our operations in a secure, Canadian, solution, customized for arts, would streamline our work and allow us to better fulfill our mission of empowering artists and engaging audiences."

– Respondents, 2017 Managing Creativity in a Digital World Survey

**Interest in supporting the development of open source arts management software by becoming:**



**MINIMUM VIABLE PLATFORM**

Business modelling suggests that the Minimum Viable Platform (MVP) for Artse will require the following number of **paid members** to sustain + grow the platform after launch without a reliance on public funding:

MVP #1: **2,500** (no new software development annually)

MVP #2: **6,000** (supporting \$260,000 in new software development annually).

Economies of scale are achieved beyond 6,000 paid members, with significant revenues for new software development (or other added value) at \$0.75 million (10,000 members), and \$2.0 million (20,000 members) annually. Paid members will access fully-hosted editions of the software. An open source community edition (user-hosted) will always be free. Light editions of the software (hosted) will also be available for free to attract new members and build sectoral facility in impact practices.

MVP 1+2 implement fees within the desired range expressed by respondents to ArtsPond’s 2017 Managing Creativity in a Digital World Survey. Fees are gradually increased over time for individuals and companies from **\$3-69/mo** (Phase 2) to **\$6.50-139/mo** (Phase 6+) as new services are released.

According to Statistics Canada, Hill Strategies Research, and others, in 2011 there were 14,450 arts and culture non-profits, 136,700 professional artists, 82,920 pre-professional arts and culture students, and 189,600 non-professional artist graduates in Canada.

An Artse MVP with 2,500 paid members in Canada can be reached by attracting **6.0% of arts and culture non-profits** (865), **0.525% of professional artists** (709), **0.525% of pre-professional students** (432), and **0.26% of non-professional artist graduates** (494). Projected revenues are \$0.9 million annually for 2,500 members, and \$2.3 million for 6,000 users as outlined below.

“Arts managers lose productive time navigating between digital platforms and learning to patch together systems whose creators never intend to integrate. The resulting inefficiencies waste time and money in an industry that has very little of either. Being able to give my team quick, easy access to all our organization's documents and data, in one consistent format rather than having to work across all the platforms we use, would make us SO much more efficient. A solution like Artse would save us effort, time AND money that we could put toward programming.”

“Technology is supposed to connect us better, but instead it is siloing us. A digital infrastructure like Artse for managing the arts that prioritizes creating meaningful connections within the arts ecosystem is imperative. The solution will not come from outside our sector, and therefore, we need to gather the resources, know-how, and will to take control of our digital future.”

“It’s a digital world, but we don’t have adequate, relevant, flexible and integrated systems for the myriad needs we have, and the demands of the sector and funders. Until I can be an octopus with multiple arms, and a hybrid administrator with multiple heads to manage and use multiple inefficient programs, I will continue to work inefficiently.”

“To serve our communities better, we need the types of tools Artse is offering that all other businesses and sectors are already using.”

– Respondents, 2017 *Managing Creativity in a Digital World Survey*

## Number of paid members

Phase	1	2	3	4	5	6	MVP 1	MVP 2
Members	0	100	250	750	1,500	2,500	2,500	6,000

## Median monthly member fee, organizations (\$)

Annual budget	Phase:	2 + 3	4 + 5	MVP 1+2
Less than \$30,000		23.50	32.25	51.75
\$30,000 to \$99,999		29.25	40.00	64.50
\$100,000 to \$249,999		41.00	56.25	91.00
\$250,000 to \$499,999		51.75	68.25	103.00
\$500,000 or more		69.00	91.00	138.00

## Median annual member fee, organizations (\$)

Annual budget	Phase:	2 + 3	4 + 5	MVP 1+2
Less than \$30,000		282	387	621
\$30,000 to \$99,999		351	480	774
\$100,000 to \$249,999		492	675	1,092
\$250,000 to \$499,999		621	819	1,236
\$500,000 or more		828	1,092	1,656

## Median monthly member fee, individuals (\$)

Career status	Phase:	2 + 3	4 + 5	MVP 1+2
Professional		7.75	11.00	18.50
Pre-professional		5.25	7.50	12.75
Non-professional		3.00	4.00	6.50

## Median annual member fee, individuals (\$)

Career status	Phase:	2 + 3	4 + 5	MVP 1+2
Professional		93	132	222
Pre-professional		63	90	153
Non-professional		36	48	78

## Projected Membership Revenues (MVP 1)

### TOTAL

6.0 % of 14,450 arts and culture non-profits

- Less than \$30,000 annual revenue
- \$30,000 to \$99,999 annual revenue
- \$100,000 to \$249,999 annual revenue
- \$250,000 to \$499,999 annual revenue
- \$500,000 or more annual revenue

0.525% of 136,700 professional artists

0.525% of 82,920 pre-professional students

0.26% of 189,600 non-professional artist graduates

Members	\$ ea/mo	\$ ea/yr	\$ Total
2,500			\$969,984
865			707,958
476	51.75	621	295,596
165	64.50	774	127,710
118	91.00	1,092	128,856
47	103.00	1,236	58,092
59	138.00	1,656	97,704
709	18.50	222	157,398
432	12.75	153	66,096
494	6.50	78	38,532

“I’m so excited that you are taking the initiative to create such a tool for the arts world. A few years ago, I reached out to Salesforce to learn whether they had experience implementing their CRM tool for indie artists or arts organizations. A one stop place for me to manage all my interactions with collaborators, presenters, bookers, fans, and the multitude of different types of “clients” we as independent artists end up having to work with on a regular basis depending on which part of the process we are working on. They mentioned, they didn’t have anything as such; at which point I asked if they would want to collaborate with me and other artists I know who are in the same position and create / customize a Salesforce version for such use, at which point I was told that their account manager would evaluate and get back to me. I still haven’t heard anything back, yay or nay.”

– Respondent, 2017 *Managing Creativity in a Digital World Survey*

The fees above assume allocations of basic data plans (5 to 125 GB) and subscriptions to all available modules for all members during each phase. Lower and higher member fees are possible for members by: 1) not subscribing to all modules or 2) selecting additional storage beyond the basic data plans.

Projected Membership Revenues (MVP 2)	Members	\$/mo	\$/yr	\$ Total
<b>TOTAL</b>	<b>6,000</b>			<b>\$2,326,104</b>
14.4 % of 14,450 arts and culture non-profits	2,074			1,696,641
Less than \$30,000 annual revenue	1,143	51.75	621	709,803
\$30,000 to \$99,999 annual revenue	395	64.50	774	305,750
\$100,000 to \$249,999 annual revenue	282	91.00	1,092	307,944
\$250,000 to \$499,999 annual revenue	113	103.00	1,236	139,668
\$500,000 or more annual revenue	141	138.00	1,656	233,496
1.25% of 136,700 professional artists	1,703	18.50	222	378,066
1.25% of 82,920 pre-professional students	1,039	12.75	153	158,967
0.63% of 189,600 non-professional artist graduates	1,185	6.50	78	92,430

### Projected Budget, Milestones + Specifications

	PHASE	2	4	6	MVP 1	MVP 2
<b>TOTAL REVENUES</b>		<b>453,000</b>	<b>570,000</b>	<b>1,281,000</b>	<b>969,000</b>	<b>2,326,000</b>
Earned Revenues		13,000	135,000	826,000	969,000	2,326,000
Member fees (organizations)		9,700	100,200	606,000	707,000	1,697,000
Member fees (individuals)		3,300	34,800	220,000	262,000	629,000
Public and Private Sector Revenues		440,000	435,000	455,000	-	-
<b>TOTAL EXPENSES</b>		<b>453,000</b>	<b>570,000</b>	<b>1,281,000</b>	<b>969,000</b>	<b>2,326,000</b>
IT infrastructure expenses		12,825	85,500	607,000	618,000	1,439,000
Software development fees and expenses		418,825	418,500	450,500	-	261,000
Administration fees and expenses		21,350	66,000	223,500	351,000	626,000
Administration fees		-	42,600	175,000	282,500	438,000
Marketing fees and expenses		15,000	15,000	25,650	45,000	164,750
Legal, audit, other administration expenses		6,350	8,725	22,850	23,525	23,875
<b>MILESTONES &amp; SPECIFICATIONS</b>						
# of months (phase duration)		9	9	12	12	12
# of members (total)		100	750	2,500	2,500	6,000
# of members (organizations)		35	259	865	865	2,075
# of members (individuals)		65	491	1,635	1,635	3,925
\$ median fee/month (organizations)		41	56	78	91	91
\$ median fee/month (individuals)		5	8	11	13	13
\$ median monthly IT cost/user (for Artse)		14.25	12.67	20.23	20.60	19.99
# of development and testing servers		1	2	2	3	3
# of hosting servers		1	5	13	13	30
# of GB (multi-regional) storage per user*		5	50	125	125	125
# of TB (multi-regional) storage total all users*		0.5	36.6	305.2	305.2	732.4
# of TB (cold) backup storage total		11.0	93.2	630.4	640.4	1494.8

\* basic plan, increased storage will be available for an additional fee not included in this projection

As detailed above, annual revenues from ~\$280,000 to \$440,000 are required to fund expenses for essential administrative human resources required by MVP 1 and 2 scenarios. Anticipated needs for human resources (outside of new software development) include: Platform Manager, IT/Network Manager, IT/Help Desk, BI Manager, Marketing Manager, Financial Manager, Bilingual Membership Manager, and Bilingual Outreach and Administration Coordinators to help sustain and grow the platform over time.

Additional monthly revenues of ~\$14.25 to \$20.50+ per member are also required to offset digital infrastructure costs for basic plans. Large amounts of data storage will not be required until asset management services are developed in Phase 6. While members may purchase increased storage for an additional fee, the modelling above allocates basic plans of 5 GB (Phase 2), 50 GB (Phase 4), and 125 GB (Phase 6 and MVPs) in multi-regional (active) cloud storage for each member. Cold storage (inactive) backups of all data on two or more servers in different locations ensures member accounts are secure. 1 TB of additional multi-regional (active) cloud storage per member costs the platform \$40+ per month.

We believe scaling to and beyond 2,500 paid members is an attainable milestone, especially if the platform is able to attract a Canada-wide and international membership. Canadian Arts Data (which currently has 1,572 operating-stream organizations as its users) is seen as a ready-made member base that may help the platform achieve and then surpass a 2,500 MVP limit relatively quickly.

In the global marketplace, Artse's services and tiered pricing strategies by budget size stand out, especially for lower-budget organizations and individuals. Most CRM-only platforms cost thousands of dollars per year regardless of budget size (Sumac \$1,675+, Raisers Edge \$3,000+). They are also only responsive to the realities of larger organizations, fail to address the full spectrum of constantly evolving arts-specific practices and data across multiple domains, and do not capitalize on communities of open source developers to extend core software offerings at an affordable cost.

While a portion of community members will elect to implement Artse's open source software for free, the complexity of doing so will require those without the technical resources or expertise to become paid members. As noted above, 36% of Managing Creativity respondents would purchase a managed host for open source arts management solutions, while 20% would make regular donations to support evolution of the software. As such, we are confident that access to gateway funding for technical development will foster the conditions necessary to permit Artse to establish itself as a transformative fixture in the arts industry across Canada and around the globe.

## ADDITIONAL RESOURCES

- <https://artspond.com/artse-united-workplan>  
*Detailed workplan and technical features descriptions (coming soon)*
- <https://artspond.com/artse-united>
- <https://artspond.com/portfolio/artse-united/>  
*General information on Artse United, updated regularly.*
- <https://digitalaso.ca>  
*Information on DigitalASO, ArtsPond's digital transformation efforts in the arts including the second Digital Arts Services Symposium in Toronto, March 15-20, 2019.*

"Artse is so needed. Good luck and please finish fast!! We need a new solution yesterday."

"Artse is an amazing concept with a huge market. Hope to see it manifest with great success!"

"Thank you for being the leaders to begin to take on this massive undertaking!"

"A very needed resource! Looking forward to supporting this project."

– Respondents, *2017 Managing Creativity in a Digital World Survey*