

Te Rauemi

Resource Guides

Developing business cases for museum projects

If your museum is considering a new business venture, developing a business case will help you decide whether it is feasible. This guide explains how and when to develop a business case, and includes a template you can use for the process.

Why do a business case?

Revenue generation is increasingly important for museums, and as a result museums are becoming more involved with business ventures. When you're considering a new venture, a business case is a key tool for planning and decision-making. It also allows you to communicate your plans to decision-makers, stakeholders, and other interested parties.

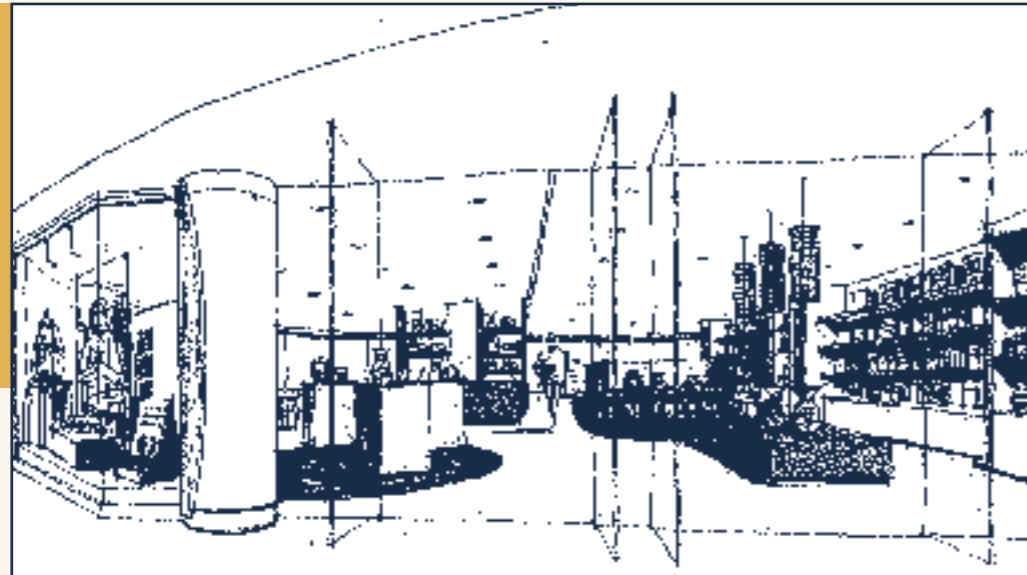
When you do a business case, you consider:

- your current position
- the concept for the proposed venture
- what you aim to achieve
- the market you are targeting
- how you will approach the market
- who does what
- costs and earnings
- how you will know what you've achieved
- how and when you'll get the agreed venture up and running
- decisions you recommend for the proposal.

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When should you do a *business case?*



A business case can be particularly useful in the following situations:

- You're exploring an idea for a new venture which hasn't been done before.
- You need to decide whether to proceed with a venture.
- The venture will involve capital expenditure.
- You have limited funds available and need to prioritise your spending.
- Your venture involves collaboration with other parties and you need to communicate clearly with them about the venture, to get buy-in and clarify involvement and responsibilities.

A business case can be a very effective communication tool when:

- You have to get approval or buy-in for the project from senior management or stakeholders.
- You have been asked to investigate a business opportunity, but on analysis you can show that it is not wise to proceed.
- You're applying for funding or a loan and need to show the funds provider that you've thought your venture through carefully.

Investing in your business case

Develop a business case when you're reasonably sure the proposed venture is a good idea, and you're seriously considering going ahead with it. Doing a business case involves an investment of time and resources, and you want some return on your effort.

Circulating your business case to other parties can be an excellent way to increase support for the proposed venture. It shows them that you've carefully considered all associated issues and have decided on realistic, quantifiable goals and figures. A business case also recognises conflicts, competition, and possible risks and offers strategies for addressing these.

Consider attending a workshop on developing business cases for museum projects. Contact National Services Te Paerangi to find out about training opportunities for this.

The end product

When you're considering how much time to invest in preparing your business case, think about your intended audience. Are you going to use your business case to get buy-in from your board, management, or stakeholders? Are you going to use it as documentation when you apply for funding or a loan? If so, the completed business case will need to be clearly written and well presented.

Or will it just be for internal use, to help you decide whether or how to proceed with a venture? If so, the process of considering the issues and putting them in writing may be more important than the final product – don't get hung up on producing a beautifully formatted document!

Thinking through the business venture

The process of doing a business case is often just as important as the finished product.

In putting together a business case, you think logically through all aspects, issues, and possibilities for the venture and get these down on paper. This process is often as important as the finished product.

Developing a business case also forces you to clarify your concept for the proposed project. A clear concept is crucial for any venture. Sometimes people within an organisation may see a concept in different ways. Doing a business case will bring this into the open, so you can address it.

In your business case, you can experiment with a variety of scenarios for your venture and build a model on paper before you commit capital or resources. You may in the end decide against proceeding – this too can be a useful outcome!

Two case studies

Te Papa four-wheel drive feasibility study

Result: decided that project not viable

Sometimes developing a business case shows that a proposed project isn't actually feasible. A feasibility study of one proposed venture at Te Papa – a four-wheel drive tour of Wellington's south coast in association with the Awesome Forces exhibition – recommended against proceeding with the tour.

The study found that:

- the tour was a high-risk venture
- customer numbers were likely to be low
- there were no operators of a sufficiently high standard
- the financial reward was likely to be limited
- the risk to the Te Papa brand was high.

Kevin Tso, Director Commercial at Te Papa, said the study was a crucial step, as it is in considering any new product. 'The venture was intended as a revenue generation undertaking which added to Te Papa's visitor experience. But when we looked at operational issues and possible risks, and costed it out, we found it wasn't going to make us any money, and there was a risk to Te Papa's brand. Doing the feasibility study meant we could make an informed decision not to go ahead with the tours.'

Tours to explore Palliser Bay heritage

Result: concept refined and improved

Often the process of developing a business case can help clarify and refine the concept for a venture.

South Wairarapa hapū (sub-tribe) Ngāti Hinewaka made a number of changes and improvements to their proposed business venture as a result of developing a business case. The hapū was developing a cultural tourism experience, Ngā Rā ā Kupe – Sails of Kupe Guided Tours, which would take visitors around the Palliser Bay area, exploring and interpreting key archaeological sites and natural features.

Hapū chairman Haami Te Whaiti said that doing a detailed business case made the hapū focus strongly on the viability and logistics of the tours. As a result, they decided to have tours start from Wellington, rather than Featherston, and to run them through the week as well as weekends. Said Haami, 'Preparing the business case made us focus on viability – it was really helpful. I'm very optimistic about developing a viable cultural tourism product.'

Ngā Rā ā Kupe (The Sails of Kupe) Front from left are: Maikara McArdell, Jon Te Tau, William Keizy (Solomon Islands), Haami Te Whaiti. Back from left: Darcy Tilyard and Hoani Te Tau. Source: Haami Te Whaiti.



A business case *template*

You can use the following template to develop a business case. The left column explains each element of the business case and gives you some tips about what to consider and include. In the right column is a sample business case for a proposed venture developing and selling a range of branded postcards and cards drawn from the museum's collection. This shows how each of the sections might be filled out in practice.

Sections 2 to 6 of the template investigate the venture's feasibility. Section 6 – the financials – is often a turning point, as you quantify the numbers and consider whether there will be an acceptable rate of return. Some business cases don't get further than the financials.

Not all sections of the template will be relevant to all projects. You should adapt the template as appropriate to your particular venture.

Executive Summary

Start your business case with a summary of everything in the main body of the business case. This should be no more than one page.

Show exactly what you're proposing and your recommendations. Aim the summary at people who may not read the entire document in detail. This may include decision-makers, so make sure all the important information is up front.

Include:

- Purpose
- Background statement
- Description
- Objectives
- Financial highlights (how much it will cost; existing revenue, expense, and profit; projected revenue, expense, and profit; increase in revenue and net revenue [the incremental increase]; return on investment; payback period)
- Timing and next steps (business case approval; detailed marketing plan; design and tender; implementation; ongoing review and evaluation, including dates)
- Recommendation.

BUSINESS CASE ELEMENT	SAMPLE BUSINESS CASE
1. Introduction	
What is the purpose of the document?	This business case explores the possibility of developing a branded range of cards and postcards featuring items from the museum collection.



BUSINESS CASE ELEMENT	SAMPLE BUSINESS CASE	
2. Current position		
Background		
Explain the background to the proposed venture. What basis was the idea developed from? Has it been through a proposal and/or feasibility stage?	The museum is currently pursuing a strategy to increase revenue generation, and the Friends of the Museum want more products to sell in the museum shop. The museum has an excellent collection of items that would lend themselves to being used as the subjects of cards and for which copyright clearance is easy. There is also an existing internal photography resource, which is currently under-used.	
SWOT Analysis		
What are the existing strengths and weaknesses (internal to your organisation)? What are the key opportunities and threats? Include external factors that could affect you, such as economic or political factors. How will you make the most of your strengths and opportunities, and counter any weaknesses or threats?	Strengths	How to maximise
	Excellent collection	Use collection items as subjects for cards
	Under-used internal photography resource	Photographer will photograph items
	Database of customers and Friends	Do direct mailout to customers and Friends
	Existing shop with good reputation	Sell card range in shop
	Weaknesses	How to counter
	No internal design resource available	Use museum's preferred supplier for design projects
	Limited financial resources	Minimise financial risk by starting with small range and expanding later, if successful
	Shop is away from the main shopping precinct	Increase promotion of shop; also sell cards over internet
	Opportunities	How to maximise
	Could develop into a business wholesaling cards to other museums	Research possible opportunities to do this
	Current growth in regional tourism	Promote cards to tourist market
Threats	How to counter	
A number of other local gift shops selling postcards	Emphasise specialised aspects of range (for example, features art objects rather than landscapes)	
Possible cuts in funding	Explore other avenues for funding and revenue generation	

BUSINESS CASE ELEMENT	SAMPLE BUSINESS CASE	
3. Description		
Describe your proposed venture – what is it? This section is key, as a clear concept is central to any business venture. Include a fully detailed description as an appendix. If relevant, include diagrams or samples too.	The proposed venture is a range of branded cards and postcards depicting popular, iconic images from the museum collection. The range will comprise ten postcards and six cards initially, possibly expanding to include a further six postcards and a series of posters. The postcards will be A6, printed on quality card, and will sell for approximately \$0.95 including GST. The cards and envelopes will retail for around \$2.50.	
4. Objectives		
Why are you doing this? What targets do you want to achieve? These may include sales or revenue; customer numbers, and profit; when you'll achieve these targets; and how you'll evaluate them. Your objectives should be clear and measurable.	<ul style="list-style-type: none"> • Generate \$15,000 gross revenues (GST exclusive) in the current financial year. • Increase public access to the museum collection. • Position the museum shop as having a distinctive range of items. • Raise awareness of the museum's brand. 	
5. Market analysis		
Competitor analysis		
Who are your key competitors? Are many others doing what you plan to do? (If not, why not?) What are your competitors' strengths and weaknesses? How does your product/service compare with theirs? How do customers perceive your brand in comparison with theirs? Think about price, quality, image, service, convenience, and customer loyalty.	<ul style="list-style-type: none"> • Other local gift shops. These are established retailers with an extensive range of cards and are in the town's central shopping area. However, the quality of their postcards is low, and their subjects are more traditional 'tourist' subjects, for example, landscapes. • Other galleries which produce ranges of art cards for sale. These are more expensive than the proposed range and are not widely available locally. • Discretionary spend within the museum. Research shows that 20 per cent of museum visitors purchase some item. This is usually coffee or food. 	
Target market		
Who are your most likely customers? What are their demographic (age, gender, income, and so on) characteristics? What do you know about your target market's size and geographical location?	<ul style="list-style-type: none"> • Museum visitors. 500,000 people visit the museum each year. • Friends of the Museum. There are currently 500 people enrolled in the Friends programme. • International tourists. Research shows 40 per cent of museum visitors live outside New Zealand. • Visitors to the museum's website. The website has 200,000 visitors a year. 	
Research		
Has any research been done into your target market? In some cases research may be available from outside sources.	Tourism research done by the local council shows that tourism is increasing in the region. Research in the museum shows that 20 per cent of visitors purchase some item, and a survey of shop customers found that 30 per cent of respondents wanted to buy cards or postcards.	

BUSINESS CASE ELEMENT	SAMPLE BUSINESS CASE
6. Financials	
<p>These should summarise how much you will invest and how much revenue you're expecting. Project financials for a few years out, and include the return on investment and the payback period.</p> <p>It's generally best to do your financials in a spreadsheet. Put in-depth financials in an appendix.</p> <p>Include a number of 'what-if' scenarios – what if we had to drop the price to \$X, or what if the price of goods increased to \$X because of the New Zealand dollar exchange rate?</p> <p>Financials may include:</p> <ul style="list-style-type: none"> • development cost – the cost of developing the product or service • investment cost – how much it will cost to set up • cost of goods – cost of producing • existing profit – existing revenue, expense, and profit (if relevant) • projected profit – projected revenue, expense, and profit. Basically a forecasted budget you can relate actuals to • incremental increase – increase in revenue and net revenue • return on investment • payback period – how long it will take until development and investment costs are paid back • breakeven – how much money you have to make to cover your costs. 	See the table on page 11.



Source: Puke Ariki

BUSINESS CASE ELEMENT	SAMPLE BUSINESS CASE
7. Marketing	
Marketing communications objectives	
<p>What do you want to achieve? Make your objectives clear and measurable.</p>	<ul style="list-style-type: none"> • Establish awareness of the new range of cards among target markets. • Encourage card sales over the internet. • Reinforce the museum brand. • Position the museum shop as having a distinctive range of products.
Strategies	
<p>What's the main strategic approach you will take to achieve your marketing objectives?</p>	Our approach will be to maximise awareness and uptake among visitors to the museum and Friends, and over the internet.
Tactics	
<p>What specific campaigns and/or advertising plans will you implement? What advertising channels will you use? Radio, television, print, internet? What other communications/promotions channels will you use, for example, product profiles, interviews? When will these campaigns take place?</p>	<ul style="list-style-type: none"> • Develop a brochure advertising the card range for staff to hand out to visitors, and for direct mailout to Friends. • Have the cards available for sale on the e-commerce section of the museum's website. • On the museum's home page, place a visually obvious link to the card sales page. • Improve website placement in Google and other search engines, using appropriate keywords. • Hold a launch party for the postcard range, inviting artists and media. • Include an article about the cards in the Friends newsletter. • Have a special two-for-one offer available to Friends.
Budget	
<p>Include the budget for the tactics above.</p>	See the table on page 11.
Evaluation	
<p>When and how will you check whether it worked?</p>	<ul style="list-style-type: none"> • Track uptake of special offers. • Record numbers of website visitors. • When doing shop research, ask customers how they heard about the card range.
8. Roles and responsibilities	
<p>Who is responsible for what? Be specific about resourcing for your venture. Include people who have an accountability.</p>	<ul style="list-style-type: none"> • Project manager – leads the project. • Photographer – takes photos of items. • Marketing assistant – develops and implements promotional campaign. Coordinates design and production of postcards. • Website administrator – adds card range to website. Submits site to search engines. • Volunteer co-ordinator – liaises with Friends.

BUSINESS CASE ELEMENT	SAMPLE BUSINESS CASE
9. Evaluation	
How will you know if your venture is successful? Who is responsible for evaluating it? You may measure whether you've achieved your objectives in terms of finance, market research, or new business.	<ul style="list-style-type: none"> Track sales data from both shop and internet. Get feedback from museum visitors – include awareness of and reaction to the cards in visitor surveys.
10. Timing and next steps	
What will happen next, and when, to launch the new venture? Consider business case approval; developing a detailed marketing plan; design and tender; implementation; and ongoing review and evaluation. Include dates.	<ul style="list-style-type: none"> Approval from finance section (February) Copyright clearances for items (March) Design and production of cards (March April) Marketing campaign development (March April) Stock in store (May) Review period after three to six months (August November)
11. Recommendations	
What are your recommendations? Should the venture proceed? On what basis (for example, a pilot)? What do you want approved, and by whom?	We recommend proceeding with an initial range of ten postcards and six cards for a cost of \$12,300, with a review after three to six months that will consider expanding the range to include more cards and a series of posters.



Source: Puke Ariki

Financials

ABC Museum Card & Postcard Range

NOTE: All dollar amounts are GST exclusive

	RRP/item		
Postcard (10 in series)	\$0.84		
Card (6 in series)	\$2.22		
	QTY A	QTY B	QTY C
Print run quantity (each item)	200	500	1,000
Revenue			
Proportion of Print Run Sold:	100%	100%	100%
Postcards	\$1,689	\$4,222	\$8,444
Cards / Envelopes	\$2,667	\$6,667	\$13,333
Total Revenue	\$4,356	\$10,889	\$21,778
Costs			
Design, Production & Print			
Postcards			
Design and Production	\$1,000	\$1,000	\$1,000
Postcard Print	\$1,100	\$1,800	\$2,100
Cost per unit (cpu)	\$1.05	\$0.56	\$0.31
Cards			
Design and Production	\$750	\$750	\$750
Card print	\$2,000	\$2,800	\$4,800
Envelopes	\$50	\$100	\$150
Cost per unit (cpu)	\$2.33	\$1.22	\$0.95
Total Production Costs	\$4,900	\$6,450	\$8,800
Marketing			
Brochure x 500	\$800	\$800	\$800
Direct Mail x500	\$1,000	\$1,000	\$1,000
Website Update	\$500	\$500	\$500
Launch event & invites (x100)	\$1,200	\$1,200	\$1,200
Total Costs	\$8,400	\$9,950	\$12,300
Net Profit	-\$4,044	\$939	\$9,478

Considerations

- 1 People resource to carry out the work
- 2 Viability of selling through total volume printed, and sensitivities around different sales levels, e.g.:

Print Run	Breakeven Sales	Comment
200	not possible	Project not worth it, given upfront design & production costs. Per unit costs > proposed retail price
500	91%	Need to sell through large proportion of stock before profit made. Consider justification of marketing costs.
1,000	56%	Good return – providing all volume sold. Consider other variations (e.g. lower card print run) to reduce upfront cost.

- 3 Impact on stockholding of museum store if greater volume produced.
- 4 Future print runs will not incur the initial design & production costs.



Tips for doing a business case

- Remember to consider non-financial benefits and weigh them up with financial benefits. How does the proposed venture fit with your qualitative objectives? For instance, a venture may not be a big money-maker, but it might further a non-financial objective such as making your collections more accessible to the public.
- Make sure you factor in any hidden costs. For instance, will your venture involve diverting staff and resources which would normally be used on other projects?
- Assume a lead-up period before your venture is fully up and running – you probably won't be operating at full capacity immediately. It takes a while for most business ventures to gain momentum.
- Think about the use of resources within your organisation. Is this venture the best use of your money? Are there other projects that won't happen if you pursue this one?

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