

Unit 20: Developing Business Models for the Art and Design Sector

Unit code:	M/502/5513
QCF Level 3:	BTEC National
Credit value:	10
Guided learning hours:	60

● Aim and purpose

The aim of this unit is to introduce learners to a broad range of creative business models. Learners will explore the relationship between careful planning and building a successful business.

● Unit introduction

To sustain a career as an artist or in the art and design sector, some understanding of business is necessary. In this unit learners were introduced to a broad range of business models and will explore the relationship between careful planning and building a successful business. Learners will review case studies and documentation to assist in the development of their own business planning materials. Some learners may eventually become self-employed, either as a sole trader or the director of their own company. As many creative businesses employ fewer than five people, it is necessary to have a range of transferable skills to be successful.

This unit can be delivered on its own or linked with a specialist unit. It can be effective if delivered alongside an assignment to produce an item so that the creative process can be analysed and recorded and costings may be produced and the target market explored. An outcome from a previous or concurrent unit could be used or the business model and outcome could be a case study of an existing product, or a fictional one.

Many learners may go on to be self-employed or may start selling work and working with clients while they study. This unit is intended to give an understanding of how to manage the planning and financial side of producing work. It should also give learners an insight into the relationship between planning and creativity. It is important to understand the legal requirements affecting making and selling work and how to keep records and produce professional documents. A glossary would be useful when approaching this unit as it may be some time before learners need to produce an invoice or register a company and much of the language may be new at this stage.

● Learning outcomes

On completion of this unit a learner should:

- 1 Know about different business models in the art and design sector
- 2 Understand the importance of planning in an art and design business
- 3 Be able to produce business planning documents
- 4 Know about the legal requirements of running a business.

Unit content

1 Know about different business models in the art and design sector

Business models in art and design sector: eg sole trader, partnership, limited liability partnership, limited company, trust, charity, not-for-profit, foundation, co-operative, social enterprise

Supply chain: eg component supplier, manufacturer, distributor, importer, exporter, retailer, end user, customer

Retailers: eg online gallery, gallery, exhibition, commission, shop, market, direct selling, fair, trade fair, agent

2 Understand the importance of planning in an art and design business

New product development: eg market research, product design, design cycle analysis, product life span, market segments

Financial planning: eg costing, cost price, wholesale price, retail price, profit margin, contingency planning, cash flow forecast, budgeting, pricing quotes

Marketing: eg promotional materials, target audience, advertising campaign, marketing strategy

Selling: eg online gallery, gallery, exhibition, commission, shop, market, direct selling, fair, trade fair, agent

Support agencies: eg Business Link, Prince's Trust, Arts Councils

3 Be able to produce business planning documents

Financial: eg costing, cost price, wholesale price, retail price, profit margin, contingency planning, cash flow forecast, budgeting, pricing quotes

Statement: eg mission, background, market segment, customer

Applications: eg loan application, funding application, exhibition application, press release, publicity statement, artists statement, lease application, curriculum vitae

4 Know about the legal requirements of running a business

Legal and financial: eg Inland Revenue, registering a business, VAT, tax returns, customs and excise, copyright, patent, intellectual property rights, insolvency, the Copyright Designs and Patents Act 1988, employer responsibilities

Licensing: eg the Performing Rights Society (PRS), Phonographic Performances Ltd (PPL), Video Performance Ltd (VPL)

Insurance: eg employers liability' insurance, business insurance, public liability insurance, product liability insurance

Health and safety: eg HSE, Health and Safety at Work Act (1974), COSHH, ROSPA

Assessment and grading criteria

In order to pass this unit, the evidence that the learner presents for assessment needs to demonstrate that they can meet all the learning outcomes for the unit. The assessment criteria for a pass grade describe the level of achievement required to pass this unit.

Assessment and grading criteria		
To achieve a pass grade the evidence must show that the learner is able to:	To achieve a merit grade the evidence must show that, in addition to the pass criteria, the learner is able to:	To achieve a distinction grade the evidence must show that, in addition to the pass and merit criteria, the learner is able to:
P1 describe different business models in the art and design sector [IE, CT]	M1 produce a coherent investigation into types of business models in the art and design sector	D1 produce a comprehensive investigation into types of business models with examples
P2 assess the relationship between planning and creativity [IE, CT, RL, SM, EP]	M2 show how planning and creativity can improve own business goals	D2 produce a perceptive business plan that has comprehensive targets and aims and is supported by detailed planning.
P3 create documents to support business planning [CT, RL, SM, EP]	M3 produce careful and accurate documents to support business planning.	
P4 identify the legal requirements of running a creative business. [IE, TW, EP]		

PLTS: This summary references where applicable, in the square brackets, the elements of the personal, learning and thinking skills applicable in the pass criteria. It identifies opportunities for learners to demonstrate effective application of the referenced elements of the skills.

Key	IE – independent enquirers CT – creative thinkers	RL – reflective learners TW – team workers	SM – self-managers EP – effective participators
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Essential guidance for tutors

Delivery

This unit should give a relevant and practical insight into planning and developing a business model for art and design. Learners can track a product of their own or use case studies and research to generate a business plan.

This unit can be delivered in a classroom or specialist workshop. Learners need access to IT facilities and may need support to produce some of the documentation. IT may be possible to link some of the content with Functional Skills skill-building sessions for learners who have not achieved Level 2 Functional Skills. This unit may be delivered during year 2 and could be used in conjunction with a final major project to give the work a relevant and professional approach.

Learning outcome 1 focuses on the background knowledge about types of business model appropriate to the art and design sector. Information may come from visiting speakers delivering workshop style sessions, case studies, internet and learning resource centre research. Art and design businesses may be part of a larger company, one person or many employees. Subject matter should cover the type, eg sole trader, partnership, limited liability partnership, limited company, trust, charity, not for profit, foundation, cooperative, social enterprise. Learners should know that not all art and design businesses are for profit and they should be able to give examples of businesses in each category. It is also important to know how businesses relate to each other and where they come in the supply chain, eg component supplier, manufacturer, distributor, importer, exporter, retailer, end user or customer. There is also a huge industry around arts and events management that can be referenced but is not covered in this unit.

Learners should also understand about selling and retailing and be able to describe different retailers. It can be useful to use case studies or for learners to provide illustrated examples as retailers are more easily accessible to learners than manufacturers or distributors. Examples they should know are online gallery, gallery, exhibition, commission, shop, market, direct selling, fair, trade fair, agent. They should understand the difference between direct selling, eg to the public, and wholesale and trade for example to another business which may then sell it on.

Learning outcome 2 looks at the planning stages. Research should start with exploring the type of product or business that the learner is promoting. A decision should be made as to whether they are making a product in another unit and analysing it, using a product they have made or an existing product. It may be that the unit is delivered as a case study only and could be a fictional business or product or one already in existence.

For new products learners should explore market research, for example market segments, age range and lifestyle of target customer and where the product or service would be available. If it is a product, the learners should describe how it will be made and where, how much it will cost and how long it is expected to last. Planning may be used to develop a business for example new product development, breaking into new markets, raising finance and raising profile.

Once a cost price has been established learners can look at forecasting and budgeting. Documents produced by banks for business customers are useful for this. The cost price might relate to the cost of a service rather than a product. Learners should explore how much it costs to run a business, including paying themselves. They may need support to find the information, in particular actual figures. Showing the importance of planning and working out prices is more important than realistic number crunching. Learners should cover financial budgeting, for example costing, cost price, wholesale price, retail price, profit margin, contingency planning in case of unforeseen problems, cash flow forecasting, and being able to use this information, for example producing quotes and price lists. Learners should explore how their product or business might be marketed. This can be as independent research, for example collecting leaflets, web addresses, adverts in magazines, postcards and business cards. An off-site visit to a relevant exhibition or a trade fair could be useful, for example New Designers Expo.

Some of the evidence produced for learning outcome 1 may be useful for learning outcome 2, eg retailers and identifying where the product or service might be available. Learners should identify where they can get support for business planning for example Business Link, Prince's Trust, Arts Councils.

Learning outcome 3 is putting together the information into a business plan. Much of the background research, planning and financial paperwork is covered in learning outcomes 1 and 2 so outcome 3 focuses on bringing it all together and presenting the information. Proformas are available for this and a business plan can take many forms but should include a statement, for example mission of the company, who is involved, background information, product information, customers and market segment. Learners should demonstrate that they can produce application forms and use their information in a formal way for a specific purpose. Examples of application forms should be available to learners and collecting and looking at how to fill them out could be part of independent research. Backup work may be relevant types of application forms for example loan application, funding application, exhibition application, lease application; and associated written documents for example press release, statement, artist statement, CV.

Learning outcome 4 looks at the legal aspects of running a business and could be delivered as a fact finding research project, or broken up and set as presentations in class to inform each other. Much of the information is available on the internet but it may be possible to have a visiting speaker to provide up-to-date information and give examples. At this stage in their learning an awareness into the legislation and why it exists is sufficient.

Outline learning plan

The outline learning plan has been included in this unit as guidance and can be used in conjunction with the programme of suggested assignments.

The outline learning plan demonstrates one way in planning the delivery and assessment of this unit.

Topic and suggested assignments/activities and/assessment
<p>Introduction to the unit.</p> <p>Assignment 1: Research and Fact Finding</p> <p>Introduction to assignment. Business models, visit to a business or visit from a Business Link adviser or Prince's Trust mentor to discuss business start-up support and legislation. Learners decide which product to use or what their business will be.</p>
<p><i>Independent research:</i> Case studies – looking at types of business, how they set up, what is their product and where do they sell it.</p>
<p><i>Independent research:</i> Learners explore types of funding, eg trip to banks and internet research for application forms, blank business plans, budget sheets, loan application forms, funding application forms.</p>
<p>Assignment 2: Starting a Company</p> <p>Product and market development, design cycle analysis – who is the product for, what will it be made from, where will it sell, how long will it last? Will it be mass produced, small batch, handmade or one off?</p> <p>Present ideas in a <i>Dragon's Den</i> style pitch.</p>
<p>Assignment 3: Making Money</p> <p>Learners write down how much time it took to make, what their overheads were, how much the materials cost, their hourly rate and your profit margin. This is the cost price. To work out a wholesale price which they should use and a retail price.</p> <p>Costings and price lists, cash flow forecast – when will they sell it and when will they get paid? Learners manage their budgets with this and include the profit and loss columns.</p> <p>To make this easier learners can use blank forms from business bank accounts that were collected for independent research.</p>
<p>Assignment 4: Putting the Business Plan Together</p> <p>Learners put all their information together to write a business plan, including a statement, financial plans, product and market overview and marketing strategy. They should include images of their work and sample promotional material from example businesses.</p>
<p>Unit review and assessment.</p>

Assessment

To achieve P1, learners must describe different business models in the art and design sector. This could be as a list, a mind map or broken into groups, for example producer, retailer, service provider. Learners may need support to find the information.

For P2, learners must show that they understand where planning would be used and how analysing a product or service and its costs and customers can improve it. This may be as annotations or descriptions and may use their own product as a starting point.

For P3, learners must provide evidence that shows that they can apply research and planning in the context of their business idea. They may find proformas useful and notional figures can be used instead of actual costs. Learners may need support to complete the documentation. Evidence should be presented appropriately.

For P4, evidence should show that learners have an awareness of legislation and know where to find the information. This may be as a list, fact sheet or referenced to in their business plan.

For M1, learners should provide examples of most if not all of the business types listed in the *Unit content*. Evidence should show research and application of knowledge.

For M2, learners must show that they have explored the market and the product or service that they are offering. Information should be used to support goals for example pricing should be appropriate to where the outcome will be available.

For M3, learners should put all of their information and research together into a coherent document. Presentation skills should be strong and learners should demonstrate that they can apply what they have learned to the context of their own business.

For D1, learners should show that they have researched and understood the types of business models by giving detailed information and examples. They may include leaflets and promotional material from selected businesses. Work produced should show a level of independent working and an ability to relate the project to own work.

For D2, evidence should show use of goals setting and understanding of the market, planning and research, analysis of own product or service against context of end user, for example reference Mintel reports. It should be presented as an illustrated business plan with appendices.

Programme of suggested assignments

The table below shows a programme of suggested assignments that cover the pass, merit and distinction criteria in the assessment and grading grid. This is for guidance and it is recommended that centres either write their own assignments or adapt any Edexcel assignments to meet local needs and resources.

Criteria covered	Assignment title	Scenario	Assessment method
P1, P4 M1 D1	Assignment 1: Research and Fact Finding	To find out information about business models, learners visit a business or a Business Link adviser or Prince's Trust mentor to discuss business start-up support and legislation. Use case studies and examples.	Notes, written evidence or a fact sheet about business models and types of support and legislation.
P2, P3 M2, M3 D2	Assignment 2: Starting a Company	Starting a company – product and market development, design cycle analysis writing Writing your mission statement and outlining target customer. Researching market segments using <i>Mintel</i> reports.	Group presentation or folder of evidence. Dragon's Den style pitch about the start-up company and the product.
P2, P3 M2, M3 D2	Assignment 3: Making Money	Working out: costings and price lists, cash flow forecast and using this information to manage budgets and work out the profit and loss.	Spreadsheets to show planning and application of learning.
P1, P2, P3, P4 M1, M2, M3 D1, D2	Assignment 4: Putting the Business Plan Together	Writing a business plan, including a statement, financial plans, product and market overview and marketing strategy.	Presentation of a business plan.

Links to National Occupational Standards, other BTEC units, other BTEC qualifications and other relevant units and qualifications

This unit forms part of the BTEC Art and Design sector suite. This unit has particular links with the following unit titles in the BTEC Art and Design suite:

Level 1	Level 2	Level 3
Explore Artists' and Designers' Work	Working in the Art and Design Industry	Freelance Work in Art and Design
	Building an Art and Design Portfolio	Community Art
		Fundraising for Art and Design
		Promoting Art and Design Work

National Occupational Standards

This unit also provides development opportunities for some of the underpinning skills, knowledge and understanding of the following National Occupational Standards:

CCSkills Sector Skills Council

Design (revisions in draft form June 2009)

- DES11 Provide written information in relation to your design work
- DES28 Developing your own design offer
- DES36 Develop and extend your design skills and practices
- DES39 Manage a design project.

Essential resources

Learners must have access to the internet, library and computer facilities. It may be useful to have access to photographic equipment so that learners can include visuals of their product in the evidence for assessment. Some of the material will require calculators. Off-site visits for information gathering should be included either as part of delivery or independent research. Visiting speakers will ensure that up-to-date and relevant information is given to learners regarding legislation, planning and preparing documentation. This is a good opportunity for learners to find out about the type of support available to them and where starting a business may fit in with their personal goals.

Employer engagement and vocational contexts

To deepen learning of this unit off-site visits to local businesses and practitioners are useful to learners, this could be combined with another visit during the year. Visiting speakers such as mentors and advisers from the Prince's Trust, Business Link, banks and Citizen's Advice Bureau can be helpful. The subject matter can be dry and hard to engage with so workshop style presentations will be more beneficial to visual, creative learners than a lecture or seminar. Access to industry links are important for delivery of business and funding units.

Centres should develop links with practising artists, craftspeople and designers to deliver assignments to learners or to provide work experience.

Links with employers are essential to the delivery of the programme for work experience and future employment.

Vocational learning support resources:

- Learning and Skills Network – www.vocationallearning.org.uk

Business and finance advice:

- local and regional Business Link – www.businesslink.gov.uk

Assignments should be vocationally relevant; centres should consider the delivery of 'live projects' for example, to support the vocational content of the unit and programme.

Creative and cultural skills (www.ccskills.org.uk), the Sector Skills Council for Arts, Crafts and Designs has launched the web portal Creative Choices (www.creative-choices.co.uk). This portal has a range of information about careers in the arts, crafts and design sector, including job descriptions.

Skillset, the Sector Skills Council for Creative Media (www.skillset.org), provides details on careers (www.skillset.org/careers) and be industry and has a regularly updated news and events page.

Skillfast-UK, the Sector Skills Council for Fashion and Textiles (www.skillfast-uk.org), provides details on careers (www.skillfast-uk.org/justthejob) and the industry and has regularly updated news and events pages.

Indicative reading for learners

Textbooks

Lester D – *How They Started: How 30 Good Ideas Became Great Businesses* (Crimson Publishing, 2007) ISBN 978-1854584007

Mornement C – *Second Steps: A One-stop Resource for All Who Are Setting Up a Business in the Applied Arts* (BCF Books, 2006) ISBN 978-0955002625

Mosse K – *Writers' and Artists' Yearbook 2009* (A&C Black, 2008) Produced yearly ISBN 978-1408102640

Williams S – *The Financial Times Guide to Business Start Up 2009: The Only Annually Updated Guide for Entrepreneurs* (Financial Times/Prentice Hall, 2008) ISBN 978-1408221600

Young A – *Setting up a Pottery Workshop* (Amer Ceramic Society, 2006) ISBN 978-1574982879

Journals

The Artists Newsletter

Crafts

Websites

www.artscouncil.org.uk

Arts Council England

www.BusinessLink.gov.uk

Business Link

www.designnation.co.uk

showcase for British designers

www.hmrc.gov.uk/startingup/index.htm

HM Revenue and Customs advice

www.hse.gov.uk

Health and Safety Executive guidelines

www.hse.gov.uk/business/elci.htm

Employers' Liability Compulsory Insurance

www.ipo.gov.uk/copy.htm

intellectual property office, copyright law

www.mintel.com

consumer, media and market research

www.newdesigners.com

website for the New Designers show, held in London

www.princes-trust.org.uk

the Prince's Trust

www.psybt.org.uk

the Prince's Scottish Youth Business Trust

www.shell-livewire.org

online community for young entrepreneurs

www.simplybusiness.co.uk

Compare quotes and buy insurance

www.startups.co.uk

business advice for new businesses

Delivery of personal, learning and thinking skills (PLTS)

The following table identifies the PLTS that have been included within the assessment criteria of this unit:

Skill	When learners are ...
Independent enquirers	researching business models, synthesising information, exploring leads and possibilities, generating contacts analysing case studies and presenting information using internet to look for funding, go to banks and collecting application forms, collating gathered information
Creative thinkers	creating and exploring ideas and developing real or fictional business
Reflective learners	Reviewing their own progress against goals using information from research to write evaluations using their own work as a case study for design cycle analysis and budgeting
Team workers	working in groups to collate and present information, eg researching case studies and collecting forms from banks working with visiting professionals, eg asking questions and seeking advice from Business link and Prince's Trust advisers
Self-managers	collecting information and using this to generate ideas and set targets writing statements and mission for their own business and producing outcomes
Effective participators	working with local external partners acting as an ambassador for college working towards goals set in brief.

Although PLTS are identified within this unit as an inherent part of the assessment criteria, there are further opportunities to develop a range of PLTS through various approaches to teaching and learning.

Skill	When learners are ...
Independent enquirers	working on tasks independently, researching and presenting information to peers
Creative thinkers	working in buzz groups to review case studies, to generate business ideas, to set targets, to evaluate products for design cycle analysis, to explore market segments and types of consumer
Reflective learners	applying transferable skills, eg using a product previously made as the outcome for the new business, working on concurrent project and doing costings, time sheets, materials lists
Team workers	working together to share ideas and feedback working with external visitors in workshop style sessions using peer reviews and peer target setting, peer learning
Self-managers	developing project management skills by breaking units and assignments into small chunks keeping progress records, organising workloads and using costings from their own project
Effective participators	participating in activities such as <i>Dragon's Den</i> presentations and, role playing bank manager working with external visitors.

● Functional Skills – Level 2

Skill	When learners are ...
ICT – Develop, present and communicate information	
Enter, develop and format information independently to suit its meaning and purpose including: <ul style="list-style-type: none"> • text and tables • images • numbers • records 	using spreadsheets for costing, cash flow and budgeting producing mission statement and business plan with images
Bring together information to suit content and purpose	producing business plan
Present information in ways that are fit for purpose and audience	compiling presentation folder of information, research and business plan
Evaluate the selection and use of ICT tools and facilities used to present information	
Select and use ICT to communicate and exchange information safely, responsibly and effectively including storage of messages and contact lists	emailing enquiries and contacting with tutor
Mathematics	
Use appropriate checking procedures and evaluate their effectiveness at each stage	using Excel spreadsheets to calculate profit and loss for cash flow forecast
Draw conclusions and provide mathematical justifications	producing budget, costing, price list and cash flow forecast
English	
Speaking and listening – make a range of contributions to discussions and make effective presentations in a wide range of contexts	doing oral and written presentations
Reading – compare, select, read and understand texts and use them to gather information, ideas, arguments and opinions	collecting and analysing information from banks, funding and support agencies
Writing – write documents, including extended writing pieces, communicating information, ideas and opinions, effectively and persuasively	producing business plan in formal English.