MUSEUM BUSINESS ENVIRONMENTAL FACTORS

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Museum Business Environmental Factors

Introduction

The history and its beauty are accessible in museums. Museums are categorized under the products they parade for the visitors to see ranging from scientific extinct animals and historical artifacts to ancient arts. The art museums are the most popular types of museums in the US and Europe. Moreover, art museums are in the sector of public and non-profit corporations. The economic analysis of museums is complex, just as any other non-profit organization due to their objectives and mode of business. Additionally, museums are important in solving socio-cultural issues and educating the public on past events and problems.

It is important to determine the industrial business environmental factors that impact the future of museums. Although donations in the museum industry have increased in the last decade, the number of visitors has reduced over this period leading to the decrease of the economic support from the government to museums (Tribe, J. 2012). The trend is worrying for the future of the museums. Therefore, it is important to determine the business environmental factors impacting the museums’ future and the changes needed to help boost the business’ competencies and competitiveness in the next five years.

Micro-Business Environment Factors

According to Porter’s five forces, every business must consider the industry competitiveness based on the five forces environmental analysis. The five forces include: competition with other companies in the industry, threats of new companies, threat of alternative companies, and the bargaining power of the suppliers and buyers (Porter, P. 2008). According to surveys of the museum industry in the US, the biggest and oldest museums dominate the market share compared to the 70% of the museums being smaller ones. The Metropolitan Museum of Art in New York is among the best museums in the country and focuses on artwork displays. Competition in the industry is high due to the 30% of large museums in the country. The historical background of the company plays a vital role in the wave-off competition from the smaller museums. Additionally, the geographical location in New York, one of the most famous and popular domestic and international tourist destinations, gives the possibility to the museum to have an upper-hand over the other bigger museums located in different areas.

Museums are known to hire artifacts due to the expensiveness of purchasing the arts. There are fewer owners of the objects, thus making them a high supply power (Leask A., Garrod B., and Wanhill S. 2008). The competition from other museums and the general rating of a particular artwork boosts the suppliers’ power. The buyers of the services are more numerous than the sellers, thus making the latter have lower bargaining power. Although the buyers have a low purchasing power, most museums focus on targeting the wealthy due to their generous donations to the business. The rich targeted have a higher bargaining power and may use their donations to determine the management focus of the company (Porter, P. 2008).

The federal government has increased the entry fee to preserve the major museums, thus limiting the number of new entrants. As earlier stated, the goodwill and history of an institution determines the success of the organization, thus hindering new arrivals (Tribe, J. 2012). International museums can also form merges with the already existing museums to increase competition, but the threat of new entrance is relatively low.

Macro-Business Environmental Factors

The external environment is just as important as the internal one. Museums are affected by external factors that are termed as macro-business factors. These factors are economic constraints, socio-cultural factors, and technological changes. The recent depletion led to the economy declining and the change of the socio-cultural factors. In the event of economic constraints, people are unwilling to pay for the museums. The economic issues led to the change of preferences and also led to the company revenue declining. The industry saw a decreased number of visitors and donations leading to layoffs of the employees. The museum objectives range from ensuring the satisfaction of the visitors to ensuring that the visitors will return. Just as other industries, the industry faced major issues due to income decline, inflation of the lending costs and losing skilled employees who could be hired by competitors (Tribe J. 2012). The problem of the best strategy to employ during tough economic periods makes it challenging for the museums to maintain the dominance in the industry.

The socio-cultural factors are mostly affected by financial constraints, whereby most of the current population views visiting of the museums as a luxury. These issues have reduced the number of younger generation visiting the museums. As for the older generations, they became poorer as they are dependent on the pensions only, and did not put visiting the museums at the top of their priority lists. The industry is at a risk of losing its significance as for now. Technological changes have affected the industry as almost all photos of the artifacts are accessible via the internet for free. The other issue is the lack of adequate skills and the usage of modern technology that can inhibit the museum industry (Leask, A., Garrod B., and Wanhill S. 2008).

Discussion and Recommendations

The micro- and macro- business environmental factors demonstrate that they are limiting the success of museums and indicate the necessary need for change to help the museums compete in the next five years. The museums should formulate search and discovery channels to ensure they can find the artifacts themselves or lend directly from the owners rather than with the help of the agents. The government should support socio-cultural benefits of museums and continue to finance their operations. Since the level of competition is high, the management should try to adopt smart strategies that are diversified in order to attract more visitors. The use of free children entries may help ensure more customers will come, and also ensure that the younger generations will be taught to appreciate art, a value that will continue exist in the future (Leask A., Garrod B., and Wanhill S. 2008).

In conclusion, the museums should focus on boosting the skills of their employees rather than engaging in price wars. The company cannot change the macro-business environment factors, but the management should use their management skills to determine the best strategies to use during depletions (Porter, P. 2008). Advertising via the Internet and launching websites accessible with all devices that access the Internet will ensure the youths are more interested in visiting the museums. In addition, the donors should not be allowed to determine the running and strategies of the museums due to their conflicting interests. Consequently, the management should adopt the best possible approach considering all the facts above..

References

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