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An Investigation into How Greater financial Stability Can Be Achieved for Portugal’s National Museums Under Management of The Portuguese Institute of Museums and Conservation (IMC)

Luis Ramos Pinto

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An Investigation into How Greater financial Stability Can Be Achieved for Portugal’s National Museums Under Management of The Portuguese Institute of Museums and Conservation (IMC)

By Luis Ramos Pinto

A thesis submitted in conformity with the requirements for the Master’s Degree in Art Business Sotheby’s Institute of Art

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IMAGES

I. Palácio Nacional Da Ajuda (Ajuda National Palace)
II. Paço Dos Duques De Bragança (Palace Of The Dukes Of Braganza)
III. Palácio Nacional De Mafra (Mafra National Palace)
IV. Palácio Nacional De Queluz (Queluz National Palace)
V. Palácio Nacional De Sintra (Sintra National Palace)
VI. Museu Nacional De Arte Antiga (The National Antique Art Museum)
VII. Museu Do Chiado
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INTRODUCTION

I. UNDERSTANDING THE STRUCTURE OF THE IMC AS WELL AS ITS ROLES AND RESPONSIBILITIES

The Institute of Museums and Conservation (IMC) is a public body that fits within the Portuguese Secretariat of State of Culture (which until June 2011 was the Ministry of Culture) under the umbrella of the Portuguese Government. The IMC is responsible for the financial oversight and supervision of 28 museums and 5 national palaces. In order to gain an understanding of the importance of the built heritage and museums that are part of the IMC, I will list some of the most significant sites here:

- Palácio Nacional da Ajuda (The Ajuda National Palace a baroque royal residence)
- Paço dos Duques de Bragança (The Palace of the Dukes of Braganza a medieval royal palace)
- Palácio Nacional de Mafra (Mafra National Palace a baroque royal residence and convent)
- Palácio Nacional de Queluz (Queluz National Palace a rococo style royal palace)
- Palácio Nacional de Sintra (Sintra’s National palace a medieval palace)

Important museums within the IMC are:

- Museu Nacional de Arte Antiga (The National Antique Art Museum)
- Museu do Chiado (The National Contemporary Art Museum)
- Museu Nacional dos Coches (The National Coach Museums)
- Museu de Etnologia (Ethnology Museum with a strong collection of African and South East Asian Artefacts)
- Museu Monográfico de Coimbra (museum responsible for the maintenance of roman ruins)

Images of the above-mentioned museums can be found in Appendix I, there

\(^1\) COMPEDEIUM Cultural Trends and Policies in Europe, “Portugal” [Country Report], 6
are also 23 smaller museums.²

Many of these museums and palaces are of significant cultural importance for Portugal and for humanity as a whole. As a government entity within the cultural field, the IMC has a series of obligations towards the Portuguese public that are outlined in Portugal’s constitution, where the role of the state (and consequently the IMC) in the provision of culture is highlighted in Section I, Chapter III Articles 73, 74, 76 & & 78. In summary, the following is stated:³

Article 73 Education Culture and Science (sections 1&2):

1. All should have access to education and culture.
2. The state should promote the democratization of culture, encouraging and ensuring that all its citizens gain access to and benefit from cultural goods. The state should achieve this by working through and with the mass media, arts; associations, foundations, recreational and cultural collectives and the associations for the defence of cultural patrimony…

Article 74 Education (section 2.F):

2.F Schools should be integrated with the communities they serve. An interconnection between education and economic social and cultural activities should be established.

Article 78 Access to and cultural enterprise (sections 1&2):

1. All should have the right to access culture and to creative expression, as well as a responsibility to preserve, defend and value cultural patrimony.

2. It is the state’s role in collaboration with all its cultural agents to:

A. Encourage and guarantee to all its citizens access to the means and instruments of cultural action, as well as to ensure the equitable distribution of such throughout the country.
B. Support initiatives that stimulate individual and collective creativity in

² “About the IMC”, on the IMC’s official website, last accessed 17th October 2011, http://www.ipmuseus.pt/pt-PT/o_imc/ContentDetail.aspx Translated by the Author. All translations of quotations from untranslated sources are by the author.

³ The Constitution of The Portuguese Republic, Chpt. III as stated on the 17th of October 2011
its multiple forms and expressions, as well as to ensure a greater
distribution and circulation of quality cultural goods.
C. Promote, safeguard and improve the cultural patrimony, ensuring that it
is an important element of the collective cultural identity.
D. Develop cultural relations with all people, especially those of the
Portuguese speaking countries, and to promote and protect Portuguese
culture overseas.
E. Create cultural policy and other such sectorial policies.

As part of the state apparatus the IMC’s roles and responsibilities must be in
line with what is set out by the Constitution. The mission of the IMC is outlined on
its website where it states that the IMC’s role is to:

“Preserve and promote the unique objects d’art within its scope, in order
to guarantee that future generations will continue to benefit from them.
This is the main objective of the IMC ... the IMC’s staff are also very
active in the field of temporary exhibitions and educational activities...
several national initiatives have been developed to encourage visits to
the museums, these include the International Day of Museums, The
Museum Night ... the IMC whenever possible is always looking to work
with local communities, schools, higher education institutes foundations
and cultural associations... the IMC besides playing a role as a
consultative entity in cultural policy in the field of museology,
conservation and restoration, classification, inventory and circulation of
cultural goods also plays a role in the systematic cataloguing and
circulation of goods, it therefore develops a systematic role in the study
and documenting of its collections ... the museum collections as well as
the respective exhibitions programmes are the object of promotion
through publishing in periodical publications, series, catalogues,
educational maps ...”

Other laws of relevance to cultural policy and the IMC worth mentioning are
the Portuguese Heritage Protection Law (Law 107/2001) which establishes the basis
for the cultural heritage policy on protection and improvement, and the Framework
Law on Portuguese Museums (Law 47/2004), a legal document which defines
principles of national policies for museums and establishes guidelines for recognition
of museums and visiting collections.

As stipulated by the constitution and reiterated on the IMC’s web-site, we can

4 “About the IMC” [trans. by author], on the IMC’s official website, last accessed 17th October 2011,
see that broadly the responsibilities of the IMC are *to make culture widely available to the Portuguese public, to conserve and restore the cultural patrimony of the national collective identity and interest and to act in the promotion and understanding of cultural patrimony both nationally and overseas.* Any analysis developed in the paper is seen through this understanding.

II. CHALLENGES THAT THE IMC FACES

In Portugal since 2003 there has been a consecutive reduction in heritage interventions (maintenance work) due in part to a reduction in the National Budget assigned to the Ministry of Culture, this has consequently implied less use of European Funds.\(^5\) This constraint on the public funding of culture, specifically the recurring reduced Ministry of Culture budget, has become a central cultural policy issue. This trend was already in motion before the 2008 global financial crisis and clearly has been even more apparent since then. As a predictable consequence, the Ministry's own activity was adjusted and contained through measures such as the merging or closing of some of its departments and the suspension or delay of specific programmes. The very existence of a Ministry of Culture and its replacement by a Secretary of State is at least as a symbolic measure, a regression to the mid-1990s as far as cultural policy is concerned. This replacement became effective with the advent of the Nineteenth Government (June 2011). At the same time, there has been in recent years an increasing emphasis regarding economic policy within most countries, including most European countries, on opening up the economy to market forces and reducing state involvement in economic activity in the field of culture.\(^6\)


\(^6\) David Thorsby, “Rethinking the State’s Role” in *Privatization and Culture*, Broosman, Peter B. et al.
The financial constraints felt by the IMC can be seen in 2010. In this year the IMC generated 6,847,562 Euros in earned income and received 4,192,880 Euros for structural and maintenance work from the government under the PIDDAC package. It also received 3,600,779 Euros for salaries from the Portuguese Government. Despite this, the IMC had in 2010 to resort to a loan of 847,562 Euros that was paid off by the selling of some land which raised 950,094 Euros. At the end of 2010 the IMC also had an outstanding debt of 1,837,008 Euros owed primarily to service providers involved in the basic running of the museums and palaces (security and cleaning). In 2010 the IMC still ran at a cost of about 2,500,000 Euros.7 This means that in 2010 the IMC with its 33 dependent services could not cover its costs. The costs of running the IMC in 2010, according to its Deputy Director, consisted of: “At present the government funding and earned income goes almost exclusively to pay salaries and the running costs of the IMC, the amount of money going into the IMC doesn’t allow for much else.”8

This means that the responsibilities of the IMC as outlined by the Portuguese Constitution are not being met. To add to this, across the board public sector cuts as a consequence of the European Debt Crisis suggest that the IMC will see its public funding further cut. This in a country where about 516,168 (out of a population of slightly over 10.5 million) people are directly employed by the central government, consequently it will probably be more difficult for the IMC to obtain earned income from the national population through ticket sales and revenue derived from retail.9

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7 Instituto dos Museus e Conservação Relatório de Actividades 2010 [IMC Activity Report, 2010], 398
8 Filipe Mascaranhas Serra (Deputy Director of the IMC from Dec. 2009 to Sept. 2011), in discussion with the author August 9th 2011
III. What this thesis proposes to do

Given the financial constraints that the IMC faces at present, this paper examines possible ways in which the IMC can either raise revenues or lower costs, with the aim of suggesting ways in which the Institute can be more financially sustainable. Throughout the paper I will examine the impact that each suggestion has on the constitutional obligations of the IMC.

In the first section I will look at the issue of ticket revenue, a source of earned income that is potentially the most significant way for museums to increase their revenue. I will assess what changes can be made in terms of ticket prices and what impact this has on the national population’s access to culture. In the second chapter I will examine how money flows in and out of the IMC and what if any are the constraints that this represents in generating more revenue. In the third I will focus on what improvements can be made in terms of the IMC’s branding and the way it projects its image, as well as whether this can be a source of more revenue. In the fourth I touch upon cost cutting measures that the IMC could adopt and the impact these would have on the provision of cultural services. Finally I will turn to the second largest source of revenue for the IMC the museum store to see if there are ways that these can generated more revenue.
I. TICKETING

I.I FREE ENTRIES

Ticket revenue was the highest source of earned income for the IMC in 2010 with ticket sales representing 58% of the total of the earned in income in that same year. As such a large source of income, changing the ticket policy remains one of the predominant sources of untapped revenue for the Institute given that substantial changes can be made with minor administrative adjustments, as opposed to structural ones, hence the involvement of lesser costs for their implementation.

The majority of visits to the IMC’s palaces and museums were unpaid. In 2010 the paid/unpaid ratio was 39% (926,278 visits) to 61% (1,442,284) respectively, this statistic is shown in Appendix II – Chart I. With regards to the breakdown of this demographic, 24% of the entries were from a category entitled the free category, 16% were on Sundays, (which are always free up until 14h00) 16% on bank holidays, 3% are young people under the age of 14, and the remainder belonged to numerous sub-categories which accounted for between 0 and 2% of visitors per category.

Therefore the free entries along with entries on the bank holidays and Sundays accounted collectively for the bulk of non-paid visits to the museums and palaces under the management of the IMC, representing 40% of all visits (both paid and unpaid) to the Institute’s Museums and Palaces, and corresponding to a total number of 961,917 visits. This is a substantial amount of entries that could be charged

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10 IMC, Instituto dos Museus e Conservação Relatório de Actividades 2010 [IMC Activity Report, 2010] 398
11 The Free category corresponds to; donors, freinds of the museum, employees of the IMC, Employees of the Secretariate of State of Culture, all academics and professors, Lusitania Insurance Company employees, industry association members
12 Instituto dos Museus e Conservação Relatório de Actividades 2010, 306
for. If each of these visitors paid 3 Euros for their entry (the average price of a
ticket applied by the IMC) then this would equate to an increase in ticket sales of
2,885,751 Euros which would increase the total revenue of ticket sales earned by
the IMC by a total of 70%.\textsuperscript{13,14}

I.II THE ISSUE OF PRICE ELASTICITY

When considering changes to the ticketing policy of the IMC, it is important
to bear in mind that the IMC is fundamentally a public institution that provides
service that is of cultural benefit to the Portuguese population. Whatever change
occurs in ticketing policy must therefore be seen in terms of the context of the impact
it has on the national and international visitor demographic. In economic terms, the
measure of the impact of changes in price upon demand is often referred to as price-
elasticity.\textsuperscript{15} In a paper entitled “Fee or Free” presented by researchers at the 12\textsuperscript{th}
biennial Conference of the Association for Cultural Economics (ACEI) held in
Rotterdam June 13-15 2002, researchers look at the broader issue of price elasticity
when trying to determine whether public museums in the Netherlands should charge
fees or not, highlighting the complexities that previous research has found on this
issue. One is the difficulty of acquiring valid data. For example: when the museum is
free the entries are done by hand, which make the results of dubious accuracy. These
differences in accuracy therefore make it very difficult to compare the number of
visits before and after the introduction of entrance fees.\textsuperscript{16} Another problem with
determining price elasticity of visitors to museums is that there are very few

\begin{itemize}
  \item \textsuperscript{13} Instituto dos Museus e Conservação Relatório de Actividades 2010, 395
  \item \textsuperscript{14} Ibid, 398
  \item \textsuperscript{15} Investopedia, “Price Elasticity of Demand”, last accessed 17\textsuperscript{th} Oct. 2011,
    http://www.investopedia.com/terms/p/priceelasticity.asp\textsuperscript{axzz1bP27p2B3}
  \item \textsuperscript{16} Been, l. et al, Fee or Free?, 2
\end{itemize}
consistencies in the results of the studies that have been presented there usually being big discrepancies between the types of elasticity, since each museum is very much its own reality.\textsuperscript{17} In this report however they highlight some consistencies in research on museum take price elasticity; The prices of substitutes determine the demand for museum visits for example the direct competition of a Natural History museum might be a Zoo; Those who made a long journey to visit a museum, such as foreign visitors are largely insensitive to changes in entrance fee when compared with the cost of actually going to the place because, as for them, the cost of a substitute is very high; The cost of complementary goods also effects the price elasticity, for example how much fuel will cost to get the individual to the museum and so forth (i.e. before making the trip).\textsuperscript{18}

I.III VISITOR DEMOGRAPHICS TO THE IMC: A CASE STUDY

Bearing some of the considerations with regards to price elasticity in mind, I will look at the visitor demographic of the IMC to see if some conclusions can be derived from this.

The majority of visitors to the IMC’s museums and palaces are national visitors. In 2010 the proportion of national to non-national visitors was 57\% to 43\%.\textsuperscript{19} With regards to the global visitor numbers, there has been a progressive increase over time with a slight slump just after 2008 in non-national visitors (\textit{Appendix II. Graph II}).

\textsuperscript{17} Been, I. et al, \textit{Fee or Free?}, 2
\textsuperscript{18} Ibid
\textsuperscript{19} IMC, \textit{Instituto dos Museus e Conservação Relatório de Actividades 2010 [IMC Activity Report, 2010]: 306
There are also differences in the demographics with regards to the museums and palaces as well. Visitors to the museums are predominantly national. (Appendix II. Graph III.). Non-nationals have predominantly visited monuments, (Appendix II. Graph IV.). It is worth noting that monuments have the highest priced tickets of the IMC as well as being located in places that require cars to get to, suggesting that maybe one of the reasons for the much higher attendance from non-nationals is that the price elasticity for non-nationals for this is lower. If we look at the ratios in 2010 of the Palácio Nacional de Sintra only 6% of the visitors were nationals, in the Palácio Nacional de Queluz only 16%, both these palaces charged 5 Euros per ticket and were situated away from urban centres suggesting that the costs of visiting these museums is to high for the national demographic.20

I.IV MACRO-ECONOMIC FACTORS

It is important to note that several macro-economic factors may come into play when considering future price elasticity of the national demographic on museum visits. The consequences of the European Debt Crisis remain to be seen however these will more likely reduce price elasticity for the national and international demographics in the long run.

I.V VISITOR DEMOGRAPHICS TO PSML (PARQUES DE SINTRA MONTE DA LUA) A CASE STUDY

PSML is a publicly owned privately run organization that oversees the management of 4 monuments and is located in Sintra, a location that is situated quite

20 Instituto dos Museus e Conservação Relatório de Actividades 2010 [IMC Activity Report, 2010], 398
far from Lisbon. When compared with the average intake from tickets of PSML, the IMC generates a far smaller amount per visitor (about a third). PSML has been able to consecutively raise its ticket prices whilst simultaneously increasing visitor numbers. In an interview, its CEO Professor António Lamas highlights that developing an adequate ticketing system was one of the reasons behind this success:

“We have a very robust ticketing system with over 300 types of tickets. We installed a modern ticketing system linking all the monuments together via optic fibres this allows visitors to avoid queues. We have also have several discounted fares available and very we do not provide free tickets to anybody”\(^{21}\)

Since 2006 the ticket prices of PSML increased an average of 1 euro, while in 2006 5 euros was the highest tariff applied for visits to palaces in 2010 it was 11 Euros. If we breakdown the visits according to the demographics PSML has more foreign visitors than national ones, only 13.9 % of PSML’s visitors between Sept. 2010 and July 2011 were nationals. This suggests that the ticketing prices applied by PSML may be marginalizing the national demographic. At this point it is also worth noting that despite the price increases, the non-national demographic to Sintra as a whole has continued to rise, suggesting that the price elasticity of non-nationals extend beyond the prices applied.

1.V THE SÃO JORGE TICKETING MODEL AS A CASE STUDY

\(^{21}\) Instituto dos Museus e Conservação Relatório de Actividades 2010 [IMC Activity Report, 2010], 398
In December 2004, the Castelo de S. Jorge a castle situated in the centre of Lisbon that is run by the municipality of the city introduced a ticketing fare. The fare was initially 3 Euros and had discounts for students, seniors, families and tour operators amongst other demographics, the way its ticketing policy differs however to other museums is that it doesn’t charge Lisbon residents for entry. Since the implementation of the fare the normal ticket fare has gone up to 7 Euros, with the first price increase to 5 Euros in 2007 and the second to 7 euros in 2010. General attendance to the castle has remained more or less constant during this period. In 2007 the nationality of the visitors started to be surveyed, the method was by asking the visitor where he was from upon his purchasing of the ticket, the results showed that since 2007 the national visitor demographic has gone up from 5% of total visits to 12%. This example of market segmentation ensures that access to the monument is available to national local residents.

I.VI CONCLUSIONS

Measuring the impact of prices on visitor numbers is very difficult. Past studies have shown that it is almost impossible to see the impact that introducing fees to a previously free museum had on visitor numbers. In fact, it is only now that the IMC is introducing an adequate system of ticket registration, while PSML only introduced this in Sept. 2010, so most of the statistics used until present contain a slight margin of error. Yet with regards to the finances of the IMC one thing is almost certain: there

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22 Sonia Santos (Director of Communications, Castelo de S. Jorge) in interview with the author 19th Oct. 2011
23 Sonia Santos (Director of Communications, Castelo de S. Jorge) in interview with the author 19th Oct. 2011
24 Although this method does not differentiate between residents of the city and other non-national resident and the method of the data collection is also open to error
25 Sonia Santos (Director of communication, Castelo de S. Jorge) in interview with the author 19th Oct. 2011
can be no increase in the number of free tickets given as the IMC needs to increase its revenue to cover its costs. Given that there are so many free entries into the IMC’s museums and palaces there is opportunity to generate revenue by charging for more tickets, the big question is how to go about this without marginalizing the national demographic, seeing as according to the constitution, one of the roles of the state is to make culture available to all. At present, the macro-economic conditions of the country and Europe as a whole, this would suggest that the price elasticity of visitors to museums would decrease.

One way would be to reduce the number of days in which a general free entry is available to only one Sunday a month (at present it is available every Sunday until 14h00). In an interview the director of the IMC Professor João Brigola highlighted the problem relating to having free entries on every Sunday:

“We conducted a study whereby we concluded that if we were to simply make one weekend a month free for visitors we would increase our ticket revenue considerably. We have also realized that many of the non-national visitors are still paying for their visits on the weekend, but are instead paying directly to tour operators, so the IMC is in effect subsidizing tour operators.”

In France the government did the opposite, whereas before there were no free tickets on weekends the French government introduced free entry on the last Sunday of every month. Under the French model, they found that the free day once a month had the following positive effects:

- A monthly free admission day gives it the character of a special event.
- Free admission at weekly intervals makes it easier to postpone the visit until the next week. A monthly recurrence is sufficient to get

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26 Prof. João Brigola (Director of IMC), interview with the author on the 19th August 2011
accustomed to visiting museums and the new audience could develop the habit.

- A monthly occurrence has less of an affect on the financial independence of the museums.

- The overall trend is that special events attract a large audience, so by making one Sunday a month free, audiences make a point of remembering that specific day to attend.

- The frequency of once a month reduces substitution between regular days and days free of charge, visitors who are willing to pay will be less inclined to choose the free day for their visitor because it could be more crowded.27

It is unlikely that cutting the number of free Sundays will marginalize the non-national visitors given their higher price elasticity. However, if the IMC absolutely wished not to further marginalize their national demographic they could develop a scheme whereby they would segment their tickets according to markets. Although a contentious issue, this worked positively with the Castelo de São Jorge, which does not charge residents of the city of Lisbon. This could be applied in several ways, either every Sunday could be free only for national visitors, or one Sunday a month would be free for national visitors only.

Another aspect, which may lead to the IMC generating more revenue, would be to include Palácio de Sintra in the PSML ticketing scheme. The Palace would therefore benefit from a whole series of economies of scale as it is in the same

27 Christophe Fourteau, La gratuite au bois dormant, (Paris: Musée du Louvre, 2001) 1-10
UNESCO World Heritage Site as PSML. As one of the main sources of revenue for the IMC, the revenue would have to continue to revert back to the IMC. In an interview Prof. Lamas addressed this issue where he said: “it would not necessarily have to be case of us completely absorbing the Palácio de Sintra, rather we could simply manage the location for a fee and have the revenue still revert back to the IMC.”

It is important to note that if this were to happen the price of the entry to the Palácio de Sintra should not be raised, given that it already has the lowest ratio of national to non-national visitors of all the palaces.

Rationalizing ticketing may bring in a significant amount of revenue for the IMC, however even if every free entry were to be paid for at its full amount, this would most likely not have been able to pay for the total running costs of the IMC (with government subsidies as they were then included). While reducing the number of free entries may lower the level of national visitors, market segmentation may reduce the impact of this. It is also important to note that increased revenue may improve the levels of promotion and conservation of the museums and palaces of the IMC, this also being a constitutional duty to which they have to abide.

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28 Prof. António Lamas (CEO PSML), interview with the author on the 5th August 2011
II. THE FLOW OF MONEY WITHIN THE IMC

II.1 INTRODUCTION TO THE FINANCIAL WORKINGS OF THE IMC

In order to fully understand the IMC and the financial difficulties it faces, one must understand how it is that money flows in and out of the organization. In 2010, money flowed into the IMC through various sources. This is illustrated in Appendix III – Chart I. It receives public funding from the Ministry of Finance through the Secretariat of Culture (which was the Ministry of Culture in 2010) to pay for the salaries of all the staff under the IMC umbrella; this is illustrated by the green arrow on the chart. With regards to the earned income generated by the museums and the palaces, this flows through the organization in two different ways, as illustrated by the yellow arrows and the blue arrow. The yellow arrows correspond to what I shall call earned income I, consisting of revenue from visits and shop sales. This money reverts back to the IMC (central institute) and is then redistributed throughout the 28 museums and 5 palaces, covering the overall running costs of the Institute, the museums and palaces. The blue arrow corresponds to what I shall entitle earned income II. This is revenue derived from educational activities, events and donations; I have labelled this as a separate source of income because museums are entitled to keep this income. The red flag represents the returning of any funds at the end of the year to the Ministry of Finance, which the Institute is legally obliged to do. Next I look at some of the problems this model presents to the running of the IMC:
II.II DIFFICULTIES PRESENTED BY THE PRESENT MODEL WITH REGARDS TO PUBLIC FUNDING

The amount given to the IMC by the government is proposed to the government by Institute in July and is decided by the government around August time.\(^{29}\) The quantity provided is a lump sum given to the IMC at the beginning of the year and is suppose to cover all costs relating to staffing. This model does not however allow for contingencies. In 2010 the amount budgeted for salaries came to 3,600,779 Euros, 1,002,132 Euros short of what the actual cost was.\(^{30}\) The surplus cost was covered by the earned income of the Institute, with it already being hard pressed to earn sufficient revenue to cover its operational costs. The amount in question is provided as a lump sum to which no money is added. Combined with the fact that the IMC cannot retain money over longer than the period of a year, and since the salaries have to be covered, this means that the cost relating to any unforeseen contingencies will inevitably be borne upon by the IMC’s earned income. This leaves it with even less money than it would normally have to cover maintenance costs.

The problem with this model was highlighted in an interview with Manuel Bairrão Oleiro who had been the deputy-director of the IMC:

“A major problem with the current model is that even though the state guarantees the payment of the wages, there is always unexpected maintenance costs to be paid. This year, only part of the costs were paid for by the government’s budget. So when the IMC received maintenance or unexpected bills that could not be paid for with the state’s budget it used the museums’ and the monuments’ earned income to cover these

\(^{29}\) Prof. João Brigola (Director of IMC), interview with the author on the 19th August 2011, 308
\(^{30}\) Ibid.
costs, as opposed to applying it to what it should be used for - museum activities. "

EARNED INCOME I

The earned income of 5.274.129 Euros obtained from ticket sales (the highest source of revenue for the IMC, amounting to 3.963.290 Euros) and shop sales (the second highest source amounting to 1.310.839 Euros) reverts immediately back to the IMC. This money is then distributed by the IMC to its 33 museums and palaces, according to their operating requirements, and is used for basic maintenance, running and conservation costs. It is worth mentioning that the bulk of these costs are security and cleaning services. Nonetheless the IMC was not fully able to pay all its service providers accumulating in 2010 a debt of 1.837.008 Euros owed primarily to the security and cleaning service providers. Another added complication that this model brings about is that in not being able to keep their income from these sources resulting in the money going back to the IMC, there is therefore little incentive for museums to increase their revenue. The financial administration of the 33 palaces and monuments is completely centralized, so there is inevitably a lag between the immediate and short run financial needs of a museum and the attention the IMC can provide given its financial and staffing resources.

EARNED INCOME II

31 Manuel Bairrão Oleiro (former Director of the IMC), interview with the author August 5th 2011
32 Instituto dos Museus e Conservação Relatório de Actividades 2010 [IMC Activity Report, 2010], 410
33 Ibid
As mentioned above, museums and palaces are allowed to keep the revenue that is derived from space hire, educational services and donations. There is a large discrepancy with what the amount in question derived from this could represent, however it generally tends to be a small amount. For example: The National Coach Museum which is one of the most visited museums in the IMC only received 12,000 Euros worth of donations and the vast majority of the other museums (with the exception of the Palácio Nacional da Ajuda) received less. Another problem that museums and palaces face in this field is that they cannot get loans, sometimes events require an initial investment for example the Director of the Palácio de Sintra Inês Ferro indicated in an interview that:

“For example, additional funds could be used to improve existing or build new infrastructure for commercial purposes and corporate events, such as more adequate catering facilities and equipment.”

Again, museums cannot keep their money and so there is no real incentive for them to try to generate more. The current accounting system is called the SIC system and this is somewhat complicated this acts as a further deterrent to museums generating more revenue on account of the administrative process behind it. Although it is important to note that this is a relatively small amount and will not provide for significant financial autonomy for the museums, it may allow some to do things that they wouldn’t have been able to do before.

II.III MUSEUMS AS PRIVATE ENTERPRISES: A CASE STUDY

34 Instituto dos Museus e Conservação Relatório de Actividades 2010 [IMC Activity Report, 2010], 36
35 Inês Ferro (Director of the Palácio Nacional de Sintra), interview with author, August 9th 2011
One way to provide publicly owned museums with more financial autonomy is to run them as private companies. This is the case with the PSML. It is a public shareholder limited company, or what is referred to as a Sociedade Anonima (S.A.) in Portugal. This company manages the UNESCO World Heritage site of Sintra (excluding the Palácio de Sintra) that was established in 2000, following the recognition by UNESCO of Sintra's Cultural Landscape as a World Heritage site, and is committed to the restoration, maintenance and promotion of this historical site.\textsuperscript{36}

The company is publicly owned and at present its share ownership is broken down in the following way: 36\% of the shares belong to the Institute for Nature Conservation and Biodiversity, 34\% the IMC, 15\% Tourism of Portugal and 15\% the Municipality of Sintra. Despite its public ownership the company is privately managed with the shareholders having transferred the management responsibilities to the company.\textsuperscript{37}

Despite being a private company since PSML is publicly owned it benefits from a special tax-exempt status that is the same of that used by private foundations and not-for-profit organizations in Portugal.\textsuperscript{38}

As a private entity PSML benefits from a financial freedom that palaces and museums run by the IMC do not. One of the benefits that PSML has as a private company and that the IMC does not is the ability to obtain loans. The company as its own separate entity can also accumulate capital for investment purposes and contingencies. The investment component is visible in the monuments of the site that have been the subject of numerous restorations since the company was set up. The sites also have a much stronger didactic component than those of the IMC and it is

\textsuperscript{36} PSML Website, last accessed 17th November 2011 http://www.parquesdesintra.pt/
\textsuperscript{37} PSML Website, last accessed 17th November 2011 http://www.parquesdesintra.pt/
\textsuperscript{38} Sonia Santos (Director of Communications, Castelo de S. Jorge) in interview with the author 19\textsuperscript{th} Oct. 2011
visible that investment has been also made in this field. It is attributable to the improvement of the experiential component that the PSML has seen its visitor numbers raise consecutively. Prof. Antonio Lamas said in an interview that “structural investment led to the consistent rise in visitor numbers.” Consequently, through these investments PSML has seen a rise in both its revenue and visitor numbers since it was set up, and it is now self sustainable, receiving no public money and reinvesting all the profits into the company.

Whilst this is a successful model, it would only be applicable to the palaces and museums with the sufficient capacity to generate enough revenue to cover their costs Appendix II. Graph V. shows that these are predominantly the IMC’s Palaces. Because the visitor attractions in PSML are monuments, they can easily generate more revenue, as their visitors (predominantly foreigners) have higher price elasticities than others. It would be much more viable to privately run the palaces than it would the museums, yet it is also worth noting that the palaces are the main source of income for the IMC and are in a way supporting the rest of the organization (this is further detailed in section IV of the paper). Also, due to the fact that they have no autonomy over the management of their budget, the current managers of the museums and palaces of the IMC have relatively little management experience so if these were to be privately managed the staff would go from one management model to another overnight.

II.IV EXAMPLES OF PUBLICLY OWNED PRIVATELY MANAGED MUSEUMS IN OTHER EUROPEAN COUNTRIES:

39 Prof. António Lamas (CEO of PSML), interview with the author on the 5th August 2011
The subject of public/private hybrids has been developing throughout Europe and is a very complex issue, as academic J. Mark Shuster points out in his article *The Hybridization of Museums and Built Heritage* that until 1998:

“There is very little consensus in the field of museums and built heritage as to whether or not privatization has been a good thing or indeed whether it has been going on long enough to know yet whether it has been a good thing… What documentation exists is anecdotal at best; we are a long way from an empirically based understanding of what the quality of what the various experiments with privatization (or hybridization) have been.”\(^{40}\)

I now look at some examples of hybrid models that have been developed elsewhere in Europe.

**FRANCE**

Françoise Benhamou economist specializing in cultural economics presented in 1997 at a round table on the privatization of museums at the Boekmanstichting, Conference in the Netherlands on Cultural policy a paper called *France and the Case of Museums* herein she details public museums that are managed in some type of capacity by private firms or associations. This table explained the diverse set of hybrid models in existence at the time, and revealed that: At Baux de Provence a private firm is in charge of receiving visitors in exchange the district council receives fees but remains in charge of the restoration work. At the Palais des Popes in Avignon and at the Jacqument André Museum in Paris the same arrangement is in place. Even

\(^{40}\) Françoise Beahmou, ‘France and the Case of Museums’ Paper presented to the 1997 Circle Round Table Privatization Decentralization and Culture: Limitations or opportunities for cultural Development in Europe? Boekmanstichting, Amsterdam the Netherlands 11-14 of June 1997
in Blois, whose Mayor is Jack Lang, Minister for Culture for Years, local authorities have taken the decision to entrust the management of the well-known chateau of François I to a private firm. More and more shops and cafeterias – but not the bookshops – are managed by private firms. Still, very few public museums are managed entirely this way, though this intervention, as we have seen, is compatible with public control of collections.  

This shows us that in public museums in France the hybrid model consists predominantly of a concession-based system for managing services rather than collections.

THE NETHERLANDS

In the Netherlands, the privatization of museums started to happen during the Dutch process of automation of its museums and galleries in the early nineties. Prior to this, much like with the IMC in Portugal, the museum’s directors were only responsible for an institution’s programme and activities budget. The management of the museums was fragmented throughout several government bodies; questions of policy were decided by the Ministry of Culture, questions of Finance with the the Treasury and questions of personnel with the Home Office. The government therefore sought to place responsibility for the financial management of museums primarily in the hands of its directors. The purpose of this was to move these museums away from the state is that they develop some renewed genuine economic interest in serving the people.  

The way the government did this was by reshuffling the organization, the Ministry of Culture became responsible for providing a fair and sufficient subsidy, and the director became responsible for the internal management and generating

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41 Ibid
42 Peter E. Boorsma, “Privatizing the Muse ‘and all that Jazz’ in Privatization and Culture, Boorsman et al., 35
revenue. Like PSML, buildings continued to belong to the state, but in order to encourage museums to generate more revenue they had to start paying a rent to the government. The relationship of museum director with the state then becomes the same as that of a landlord tenant with the onus of responsibilities on both sides. As tenants the museums can force the State to take care of the maintenance of the buildings as they *can go to court if necessary and withhold payment of the rent. So it introduces some sort of equal footing between contractual partners.* The Dutch model is therefore one of simplifying the financial management of the museums by reducing the number of state stakeholders involved in their management and putting greater emphasis on the role of the museum director as the manager. The model comes across as somewhat complex highlighting how public/private hybrids can take many forms according to the intentions of the state and the way public museums are initially structured.

II.V CHANGE IN LAWS

One way to provide museums with greater financial autonomy without placing them under private management would be to change some of the laws governing the IMC. For instance, a law could be altered that allows museums and the IMC to keep funds for over a year, as this would act as an incentive for them to save and also earn more. *However several factors have to be taken into account when this is considered: Who would get to keep the money and manage it? Would the process be centralized through the IMC? And would the museums gain autonomy over the management of the funds themselves? How will the law be changed at present it*

43 David Thorsby, “Rethinking the State’s Role” in *Privatization and Culture*, Boorsman et al., 55
applies to all government bodies, can it be excluded just for institutes related with culture? The complexity of changing laws applying to the structure of government departments is emphasized by how legally and administratively complicated it was to give the Dutch museums more autonomy.

II.VI FRIENDS OF THE MUSEUM AS A FORM OF FINANCIAL AUTONOMY

Another way of providing museums with some financial autonomy without going through the process of creating a private company like PSML would be to channel revenue through an external association connected with the museum such as The Friends of Museums. This could be beneficial for relatively small amounts of money as in proceeds derived from the earned income that museums are allowed to keep; events, sponsorships and educational services. The Friends of Museums could ask for a not-for-profit status similar to that of foundations in order to benefit from tax exemptions on the revenue. The work could be predominantly voluntary to keep the costs down, and the museum director would have to be on the board of the organization in order to make sure he had the ultimate decision over the application of the funds. If sufficient volunteers were not obtained then the museums could have their own staff manage the account.

Under this model museums would not have to return their money to the Ministry of Finance and it would allow them to save for small contingencies (such as unexpected maintenance works). Museums would also be allowed small loans in order to make initial investments.

The fact that museums would have some more financial autonomy over their earned income may act as an incentive that could provide them with more freedom to increase their income and allow them to circumvent any obstacles currently presented
by the current SIC accounting model. *Other small sources of revenue that are currently not being explored, such as donation boxes and audio-guides, could be channelled into the account of the organization as an extra source of earned income for them.*

Given that the museums are public bodies, if this model were to be adapted it would still nonetheless have to be strictly audited by the IMC. Measures setting forth restrictions on loan amounts (in order for museum not to over-borrow), and rules with regards to public tender (like that of the public sector) would have to be established. Possible complications would be that some of the museum employees may not have accountancy backgrounds or be familiarized with how to pass receipts for tax exemptions and so forth. Also worth noting is that in an organization as big and as overworked as the IMC, there is a question of whether they would be able to audit something like this..

While at present there are several friends of the museum associations affiliated with IMC institutions, the three main ones are the Museu de Arte and Antiga the Museu de Arqueologia, the Museu de Évora (which has its shop run by the group of friends). The director of the Museu Naitonal dos Coches Silvana Bessone explained how already their friends of the museum group helps with the maintenance of the museum:

_“We have friends of the museums that raise small amounts of money to allow the museum to hold their own exhibitions 2 to 3000 euros to support exhibitions other times they raise sometimes small amounts to pay for the restoration of pieces.”*_

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44 Silvana Bessone (Director National Coach Musuem), interview with the author on July 28<sup>th</sup> 2011.
The Museum Nacional de Arte Antiga for example has friends of the museum that pay for the acquisition of artworks for the museum’s permanent collection.45

II.VII CONCLUSIONS AND QUESTIONS RAISED

Although the hybrid model of PSML has proven to work in increasing revenue, it would only ever be sustainable for palaces in Portugal (if we look at Appendix II Chart V we can see that it is only the Palácio Nacional de Sintra that generates enough revenue to absolutely cover its costs) as it would be very difficult for the many smaller museums that constitute the IMC to raise enough revenue to cover their costs (it is also important to note that PSML has high ticket prices which could imply that this model is only sustainable at the cost of further marginalizing the national demographic).

With no or very little control over their earned income museums have no real incentive to generate more revenue. This coupled with the fact that presently they cannot save money for longer than the period of a year means that they cannot really make investments or save for unexpected costs. There are several ways to provide museums with more financial autonomy that should be looked at on a case specific basis according to the needs of the museum and that of the state. The spectrum of hybrid models applied throughout Europe attests to this. In Portugal channelling revenue through the friends of museums or changing laws pertinent to public agencies are possible models. It is worth noting that these models would probably not lead to a major increase in revenue however it would give museum directors more experience with the financial management of the museums allowing them to more easily address the basic financial needs of these.

III. BRANDING

III.1 INTRODUCTION

Given that increasing the level of non-national visitors is an important source of revenue for the IMC, I will look primarily at how it is that the IMC can increase awareness of its global brand. This said, I am fully aware that the IMC as an institute works under financial difficulties; this is therefore just an analysis of a way to possibly improve museum branding.

When contemplating this topic it is important to note the different challenges of connecting to customers and audiences in today’s shifting environment. Globalization has radically altered the ways in cultural organizations communicate with their audiences. Over the World Wide Web, one can easily gain access to developments across the planet within seconds. Barriers to trade and information are more porous than ever before. In this environment cultural organizations compete for audiences globally and in order to stay competitive they are constantly forced to adapt to new technologies and look for new ways of engaging with their audiences.

In order to create visitor fidelity, museums must devise a brand that creates in the mind of the visitor a clear identity of what the museum is. As George E. Hein, an academic in the field of museum marketing points out in his book Learning in the Museum:

“The challenge for museums is to promote congruence between the brand’s identity and the brand’s image through marketing so that consumers can begin to develop a loyalty to the brand. Some of the tools that museums have used to do this are logos, fonts, copy semiotics, marketing website design, Décor
Architecture and buildings (by starchitects as is the case of the Guggenheim in New York and Bilbao).”

III.II THE BRAND IDENTITY OF THE IMC AND ITS WEBSITE

As an acronym, the message transmitted by the logo of the IMC comes across as somewhat confusing and example of the logo can be seen on the IMC’s website Appendix I. Image XI. As the brand identity communicated by the institute’s name and logo is not very clear and the message seems to get lost somehow. This logo is even more difficult for a non-Portuguese speaker to understand. The website does not seem to be available in other languages, making it so that the brand of the IMC is not transmitted to any non-national visitor. The website should act as a platform for non-national visitors to gain information about Portuguese museums. While it is very important to mention what the roles of the IMC are, it is worth noting that this site should be an easily accessible source of reference for information about these museums. English Heritage, a similar organization to the IMC that works to preserve English monuments and Historic locations, has on the homepage of its website Appendix I. Image XII an inventory of the sites it manages. At the top there is a tab entitled professionals, which leads to the page with all the institutional information that is available for individuals wanting to conduct research.

With regards to the individual museum websites of the IMC, there is a large discrepancy between them. Whilst some are informative, clear and easy to navigate, there are some museums that don’t have their website listed and others that are not translated into different languages, some museums don’t have site and rely exclusively on blogs or Facebook Appendix I Images XIII & XIV exemplify these.

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46 George E. Hein, Learning in the Museum, (Routladge: 2000) USA, 150
differences. It is also worth noting that many of the smaller museums don’t have websites at all, making it very difficult for someone to find out information about them.

III.III SIGNS

Signs are an effective way for generating awareness for a museum. English Heritage for example uses signs (extensively illustrated in Appendix I Image IV). It also has such a recognizable logo that sometimes all a sign needs is the inclusion of the logo for visitors to know what it concerns. For the IMC It would be important to create signs and logos that would be easily identifiable as being those belonging to Portuguese national museums. This is especially true in areas zoned for pedestrians, where tourists may not be sure of the museum’s location.

III.IV THE EDUCATIONAL COMPONENT OF BRANDING USING THE INTERNET AND NEW MEDIA IMC

The Institute has limited amounts of funding for exhibitions to tour internationally, international promotion of culture being one of the constitutional duties of the government. This makes the use of the Internet increasingly important for the promotion of the IMC. For academics wanting to conduct research on the IMC, the fact that the website is not available in different languages is of detriment to the external promotion of the IMC.

Increasingly important is the role of new media in acting as educational vehicles for museums. Scholar of art institutions András Szantó points out in his article *Time to Loose Control – Museums Have Made Great Strides But they Need to Go Much Further the Impact*. Szántó highlights how digital media have opened up new pathways for exchange between experts and visitors, and are making it possible for
members of the public to learn from each other. Also mentioned is how some museums are moving into on-line education. MoMA’s education portal lists 20 courses aimed at the general audience, starting at $220, with titles like “The 1960s: Art and Life” further perpetuating their role as educational institutions.47

It is worth noting that the majority of the IMC’s museums and palaces have Facebook pages and there are some encouraging signs with regards to the use of new media. Yet still relatively little is done in making the IMC go viral. In 2010 the IMC produced five educational videos which were placed on YouTube, yet these are very difficult to find on the Internet.48

III.V CONCLUSION

The Internet is a fundamental tool for the promotion of culture institutes. Maintaining a user-friendly website that is easy to navigate is important for the promotion of museums, by having the website only in Portuguese the IMC is marginalizing the Institute from a much larger market. Combined with this the IMC’s logo does not seem to transmit a clear message further hindering the brand of the IMC. An improvement in the site and the making of a more recognizable logo/name could generate a greater awareness of the IMC ‘s museums and palaces. New media might present itself as a relatively inexpensive source of marketing for the IMC.

47 András Szántó, “Time To Loose Control Museums Have Made Great Strides in Adapting to the Digital Age But They Need to Go Much Further” The Art Newspaper Dec 2., 2010
48 Instituto dos Museus e Conservação Relatório de Actividades 2010 [IMC Activity Report, 2010], 264
IV. COST CUTTING

IV.1 INTRODUCTION

The cost to revenue ratio is unevenly distributed throughout the institute. Appendix II Chart V illustrates this. The chart that maps running costs (exc. salaries) against earned income, shows that only a handful of museums and palaces generate more earned income than cost. These are for the most part palaces which are guaranteed to attract visitors. It is also evident that the Palácio Nacional de Sintra (Sintra’s National Palace) is by far the biggest earner. So concentrated is earning in the top 7 most visited museums and palaces of the 33 (Palácio Nacional de Sintra, Palácio Nacional de Queluz, Paço dos Duques de Bragança, Museu National dos Coches, Palácio Nacional de Mafra, Museu Nacional do Azulejo and Museu Nacional de Arte Antiga) that their earned income in 2010 accounted for 63% of the total earned income of the IMC. With regards to visitor numbers, a similar scenario was evident in 2010, these 7 locations accounting for 62% of the visits. With regards to costs, these locations account for approximately 42% of the costs of the organization. So in all we can see that the 7 main museums and monuments (mostly palaces) or 20% of the locations account for 3/5 of the visitors and earned income as well as approximately 2/5 of the total costs. If we look at the similar numbers for the bottom 20 museums and institutes we get an even clearer idea of the skew of the cost/revenue distribution. The 20 museums with lesser earned income account for 37% of the costs but only account for 4% of the earned income and 20% of the visitors. Therefore, the main visitor attractions are in great part

49 Instituto dos Museus e Conservação, Relatório de Actividades 2010 [IMC Activity Report, 2010], 397
supporting the lesser visited ones and the cost of not having sufficient maintenance funds for themselves. Many of the more visited locations are national monuments and palaces of historical and cultural reference as well as the national identity.

The large size of the IMC was highlighted in interview by its director. When comparing the organization with its counterparts in other countries, Prof. João Brigola highlighted the following:

“Spain [the corresponding organization] has 17 museums in Brazil they have 28 here in Portugal a much smaller country we have 33.”

One way therefore to ease the current financial burden of the IMC would be to lower costs for the organization as a whole and in the smaller museums, given that it is fundamental that the basic maintenance costs of the larger museums are met.

IV.II ENERGY RELATED COST CUTTING TECHNIQUES

Whilst I saw many of the museums were applying energy saving techniques, I create here a list of ways in which the museums and palaces could be more energy efficient. These could be introduced as guidelines by the IMC and maybe awards and some kinds of benefits could be given to those museums best able to lower their efficiency as a form of incentivising them. In order to monitor and implement these changes one employee could be nominated per museum to be responsible for ensuring that standards are being met and procedures followed, hence encouraging employee involvement. Some of the techniques that could be applied are as follows:

Lighting

Turning off lights to exhibition rooms when no one is present.

50 Prof. João Brigola (Director of IMC), interview with the author on the 19th August 2011
Wherever possible (not effecting exhibition quality and guaranteeing that light levels remain at a decent standard) one should introduce energy efficient light bulbs.

**Temperature Control**

If central heating is present you should make sure that the heating is set to the right amount for both winter and summer.

**Office equipment**

In order to reduce internal heat gain, turn off computers, monitors, printers and copiers during non-business hours. *Museums should try to as often as possible to get equipment donated from local businesses. Actively procuring the cheapest source of office equipment would be another way.*

**IV.III DECENTRALIZATION**

One of the ways of easing the costs on the IMC would be to have the museum incorporated into local authority structures. In an interview the Deputy Director of the IMC Filipe Mascaranhas Serra however explained the complications behind this:

“We have in the past contacted with local authorities about integrating museums into their budgets, however most of them are stretched enough as it is and cannot afford any additional expenses.”

**IV.IV. CLOSING SOME MUSEUMS**

Given the large cost that some smaller museums with relatively few visitor numbers have on the IMC as a whole, one solution may be to temporarily close some

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51 Filipe Mascaranhas Serra (Deputy Director of the IMC from Dec. 2009 to Spet. 2011), interview with author, August 9th 2011
of the smaller museums during their low season. This may not necessarily imply the complete closure of the museum, just having it closed during the low-season to save on running costs such as security, cleaning and energy and to have the staff conduct research or other activities of interest to the museum or the IMC.

Should the permanent closure of some of the smaller museums be considered necessary, the staff could be incorporated in one of the many other organisms of the Secretariat of Culture. Their collections could be incorporated into the collections of larger museums. Some of the smaller museums could be hired for private use, for example the Palácio de Seteais in Sintra has been rented to a luxury hotel chain by PSML.

IV.IV CONCLUSION

At present the large size of the IMC makes is so that its costs exceed the revenue. A small amount of the most significant museums (predominantly the palaces) generate a large percentage of the earned income of the IMC, which is then redistributed to the smaller ones. By lowering the costs of the smaller museums this may provide the IMC with some needed financial leeway.
V. THE MUSEUM STORE

V.I ON-LINE SALES AND INTERNATIONAL PROJECTION

Although the merchandise made by the IMC is available to view on-line, there is no way of buying it. Given that the IMC website is not available in foreign languages, then these goods are marginalized from international consumers.  

If there are not sufficient funds to build on on-line sales platform then the present defunct one should be removed as it reflects negatively on the IMC, but the images could still remain in order to create an awareness of the products that are being sold in the shops of the IMC.

V.II PUBLIC-PRIVATE PARTNERSHIPS THE MUSEUM STORE AS A HYBRID MODEL

In an interview with the director of the museum Casa Museu Anastácio Goncalves José Alberto Ribeiro highlighted that there was a problem with stock replenishment in the museum stores, in that it took a while for the stock to be replaced. Stock of the good for sale in the museum stores is centralized Lisbon and coordinated by the IMC in a location in Palácio Foz this makes it especially difficult for stock in the more peripheral museums to be replaced. In the 2010 IMC annual report this department highlighted that is suffered from a staffing shortage, it also highlighted how it was in dramatic need of new I.T. equipment for the management of the stock.

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53 José Alberto Ribeiro (Director of the Casa Museu Anastacio Goncalves), in interview with the author  
54 Instituto dos Museus e Conservação Relatório de Actividades 2010 [IMC Activity Report, 2010], 508
One way to circumvent the abovementioned problems is to set up public-private partnerships for the management of the museum stores this may be especially beneficial for the peripheral museums so that they can establish bonds with local suppliers. For example in the Museu de Evora the shop is run by the friends of the museum. The IMC is also now for the first time providing the management of one of its museum stores (Museu da Arte Popular) to two private companies, it charges them rent and gets a percentage of the profits, as this is the first such case in the IMC, the results of this approach will be studied to see if could be applied to other museums stores.
CONCLUSION:

In 2010 the IMC’s costs exceeded its revenues. The costs in themselves did not extend far beyond the amounts necessary to cover the basic maintenance of the museums and palaces that the IMC runs. This makes it very difficult for the IMC as a public cultural institute to meet with its obligations as set out by the Portuguese Constitution. As governments scale back spending and consumption declines in face of the European Debt Crisis, all this suggests that the IMC will continue to face financial challenges in the future.

At present the majority of people who visit the IMC do so without paying, rationalizing ticket practices is one way of potentially raising the IMC’s revenue considerably. Care must be taken however, not to further marginalize that national demographic, the impact of reducing the number of free entries on the national visitors can be attenuated by market segmentation of the tickets with discounts or free entries for national visitors.

The museums and palaces of the IMC have very minimal control over their budgets and cannot accumulate funds for longer than a year. With funds being centralized and volatile, this implies that often the basic financial needs of the museums and palaces are not met. Museums do not have the chance to ask for loans in order to make investments. This model marginalizes the museums directors from the financial workings of the museum and creates a gap between the needs of the museum and the time it take to address them. Creating some financial autonomy for the museums would allow them some autonomy to deal with their needs more efficiently as well as possibly encouraging them to raise revenue. For this to happen hybrid public/private models can be developed that should cater for the specific
workings of the museums/institutes they will be applied to.

There is significant opportunity for the IMC to improve its brand image to the non-national visitor demographic. By making changes to its brand image museums and palaces would become more understandable to visitors of other nationalities (especially by making the website available in different languages) could generate greater awareness of the IMC and raise non-national visitor ticket revenues. By optimizing its use of new media the IMC could further market itself rather inexpensively to a global audience.

While the financial sustainability of the IMC depends greatly on raising revenues, it also depends on lowering costs. At present a few of the most visited palaces are in effect subsidizing the majority of the smaller museums, some of which receive very little visitor numbers. Debate must be had as to whether it is more beneficial to the Portuguese public and best serving the interests of the Constitution to have the state run many museums, of some or relative significance and have their basic maintenance costs covered, or whether it is more beneficial to have a smaller concentration of significant cultural heritage supporting itself and being adequately managed.

The museum shop is also centralized, this brings some complications with regards to the distribution of stock. One way to possibly circumvent this is to allow museums to have their shop run privately, this is a model that is now starting to be explored by the IMC.
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APPENDIX I. IMAGES

I. PALÁCIO NACIONAL DA AJUDA (AJUDA NATIONAL PALACE)

![Image of Palácio Nacional da Ajuda](source)

Source: Wikimedia Commons, photographer - OsvaldoGago (CC BY-SA 2.0)

II. PAÇO DOS DUQUES DE BRAGANÇA (PALACE OF THE DUKES OF BRAGANZA)

![Image of Palácio dos Duques de Bragança](source)

Source: Wikimedia Commons, photographer – Palickap (CC BY-SA 3.0)
III. PALÁCIO NACIONAL DE MAFRA (MAFRA NATIONAL PALACE)

![Image of Mafra National Palace]

Source: Wikimedia Commons, photographer – Joselomba (CC BY-SA 3.0)

IV. PALÁCIO NACIONAL DE QUELUZ (QUELUZ NATIONAL PALACE)

![Image of Queluz National Palace]

Source: Wikimedia Commons, photographer Sergio Calleja (CC BY-SA 2.0)
V. PALÁCIO NACIONAL DE SINTRA (SINTRA NATIONAL PALACE)

Source: Wikimedia Commons, photographer - Fulviusbsas (CC BY-SA 3.0)

VI. MUSEU NACIONAL DE ARTE ANTIGA (THE NATIONAL ANTIQUE ART MUSEUM)

Source: Wikimedia Commons, photographer Joaomartinho63 (CC BY-SA 3.0)
VII. MUSEU DO CHIADO

Source: Wikimedia Commons, photographer - Sergio Calleja (CC BY-SA 2.0)

VIII. MUSEU NACIONAL DOS COCHES (THE NATIONAL COACH MUSEUM)

Source: Wikimedia Commons, photographer - Igor Zyx (Public Domain marked)
IX. MUSEU NACIONAL DE ETNOLOGIA (NATIONAL ETHNOLOGY MUSEUM)

Source: Wikimedia Commons, photographer guendel (CC BY 4.0)

X. MUSEU MONOGRÁFICO DE CONIMBRIGA (CONIMBRIGA MONOGRAPHIC MUSEUM)

Source: Wikimedia Commons, photographer Manuel Anastácio (CC BY 2.0)
XI. IMC WEBSITE

Source: IMC website (CC BY-NC)

XII. ENGLISH HERITAGE WEBSITE

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XII. PALÁCIO NACIONAL DA AJUDA WEBSITE

Source: Ajuda National Palace website (CC BY-NC)

XIII. BLOG MUSEU JOAQUIM MANSO

Source: Joaquim Manso website (CC BY-NC)

XIV. ENGLISH HERITAGE SIGN
This image has been removed for copyright reasons.
APPENDIX II. CHARTS

I. FEE/PAID ENTRIES IMC 2010

NUMBER OF PAID/UNPAID VISITS TO IMC MUSEUMS/PALACES IN 2010

Paid 39%
Unpaid 61%

Source: IMC Annual Report 2010

II. IMC TOTAL VISITORS MUSEUMS & PALACES 2007-10

IMC - TOTAL VISITOR NUMBERS

Source: IMC Annual Report 2010

National Visitors
Non-National Visitors
III. IMC VISITORS MUSEUMS

![Chart showing IMC visitors to museums from 2007 to 2010.]

Source: IMC Annual Report 2010

IV. IMC VISITORS PALACES

![Chart showing IMC visitors to palaces from 2007 to 2010.]

Source: IMC Annual Report
V. EARNED INCOME VS. RUNNING COST IMC 2010

Source; IMC Annual Report 2010
APPENDIX III. CHARTS

I. MONEY FLOWCHART IMC 2010

Ministry of Finance

Secretariat of Culture

IMC

33 Palaces and Museums

Earned Income