

# Increasing the Sustainability of Museums through International Strategy

Izabela Luiza POP<sup>1</sup>

Anca BORZA<sup>2</sup>

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## ABSTRACT

*Museums use resources in order to provide public goods and services. The most important sources of income for many museums are budgetary subsidies. Unfortunately, these grants are limited and shrinking. In this context, during the last years the need for sustainable development of museums was stressed. In order to continue to operate, museums were forced to find ways of increasing their own income and keeping their costs under control. Thus museums have begun to use management and marketing strategies similar to those used by private companies. This paper examines the positive effects of international strategy implementation on museums' sustainability. The first part of the paper explains why it is necessary to reform the traditional management of museums, which its main development directions are, what the sustainable development of museums is and why they should become sustainable. In the second part our research conducted on three museums (Guggenheim, Louvre, Hermitage) shows that international expansion helps museums to increase their sustainability. The international strategy enables museums to increase their revenue, through licensing agreements, reduce their storage costs, highlight their heritage, improve their market image and be closer to consumers. Thus, through a strategy applied until recently only in the private sector, museums can improve their sustainability, but also better fulfill their purpose of serving the society.*

**KEYWORDS:** *sustainable development, expansion, museums, licensing, international strategy*

**JEL CLASSIFICATION:** *F63, L32, L82, L83, M16, O10, O19, Q01, Z1*

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## INTRODUCTION

Global resources are diminishing rapidly, which is why, if museums want to continue to operate in the future, they have to become more entrepreneurial (Rentschler & Geursen, 1999). The mere preservation and conservation of heritage objects is no longer a strong enough argument for the allocation of public subsidies to museums (Gilmore & Rentschler, 2002). In order to justify their existence and account for the subsidies they receive, museums are forced to change their focus, from heritage towards consumers. This is why more and more museums have become concerned by measuring and improving their performances (Maher et al., 2011), which has resulted in the development of museum management and marketing (Kotler et al., 2008). In this context, museums have begun to develop business models, which would help them survive (Sheppard, 2009). Recently they

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<sup>1</sup> Babes-Bolyai University, Romania, email: pop.izabela.luiza@gmail.com

<sup>2</sup> Babes-Bolyai University, Romania, email: anca.borza@econ.ubbcluj.ro

have started to implement the same type of management strategies as private companies. The main reason for this behavior is that improving the sustainability of museums is closely linked to the development of their management and marketing strategies (Alcaraz, Hume and Sullivan Mort, 2009). Thus, in recent years there has been *“a rise of museum corporatism, characterized by the primacy of economic dominance of marketplace thinking in museum affairs”* (Janes, 2007). The adoption of corporate management by museums involves applying and improving some managerial strategies, which can enhance the museum’s social, cultural and economic output. Given these considerations, the aim of this paper is to analyze how museums apply the international strategy, and the positive implications it has on their sustainability.

## 1. MANAGERIAL CHALLENGES FOR MUSEUMS

### 1.1. Management orientations in museums

The resource shortage and increased competition have made museums to change their purpose and mission. Whereas traditional museums’ main objective was the acquisition, research and exposure of heritage (Feldstein, 1991), today more and more museums think they exist to serve the public (Hudson, 1998). Audrey Gilmore and Ruth Rentschler (2002) also emphasized the museums’ orientation towards consumers; they believe that *“as museums are part of the not-for-profit sector and depend on government for up to 70 percent of their income, they must be seen to offer value to government by attracting increasing visitor numbers”*.

This process of redefining the purpose of museums is not yet over, which has led to the development of two views on museums. The traditional view associates museums with archives, since both types of institutions are designed to preserve things related to the past of a society (Gilmore & Rentschler, 2002). Museums governed by traditional rules focus on heritage and are very little oriented toward consumers. The diversification of their supply is limited, which results in their visitors’ dissatisfaction and quite low levels of income earned by these museums. For this reason, the main sources of income are government subsidies. Despite their dependence towards the state budget, these museums do not feel the need to reform their management, thus the importance they give to marketing is quite low (Corboş & Popescu, 2012a). This approach is dominant in the Romanian museum sector. Even the most efficiently managed museums in Romania are able to attract about 500,000 visitors per annum (Năsui, 2013), while some international museums record ten times more visitors every year (Toepler, 2006).

On the other hand, according to the modern view a museum should get more involved in non-formal educational activities for the general public, because if museums did nothing more (for their respective communities) but to preserve their cultural heritage, the public money spent on these institutions would not be entirely justified (Gilmore & Rentschler, 2002). Modern museums aim to create value for their visitors through rapid innovation, high quality products and services, extended hours of access, and the wide range of products and services they provide (Andoniadis, 2010, pp. 17-20) according to customer needs. Differentiation and diversification strategies enable these museums to increase their number of visitors as well as their own income (Bagdali & Polino, 2006).

The modern view does not involve neglecting the traditional activities of museums, but performing them for the benefit of consumers; in fact, these activities are the cornerstone,

the "raw material" that museums can use to provide public services. According to the definition given by ICOM (2013), the purpose for which any museum operates is to serve the development of the society: *"a museum is a non-profit making permanent institution in the service of society and of its development, open to the public, which acquires, conserves, researches, communicates and exhibits, for purposes of study, education and enjoyment, the tangible and intangible evidence of people and their environment."* Thus, the modern view does not remove, but transforms the traditional aims of museums, arguing that these institutions do not exist to take care of heritage, but they take care of heritage in order to provide added value to society. Therefore, all activities from the definition set out above are equally important, and are essential for a museum to fulfill its mission. If one is missing, the outputs generated by the museum on the market can be affected. The same idea is also supported by Camarero and Garrido (2009), who showed that maximizing the social and economic performance of museums can only be achieved through a comprehensive approach to museum management, where the internal orientation (towards the museum's heritage) is dovetailed by the external orientation (towards customers and sales).

Unfortunately, many museums forget their main purpose and turn the means into end; visitors are placed somewhere on a lower position, and often regarded as a necessary evil. But a museum that is not geared towards consumers and the society does not justify the title of museum, because it does not meet the first part of the definition given to museums. In Romania, as in other European countries, the traditional museums predominate (Bagdali & Polino, 2006).

The reason for this situation is that customer orientation is a challenge for many museum managers, since they have to completely reform their management principles applied in the past. This is probably one of the reasons that caused the closure of several museums (Steel, 2012), and the underfunding of others (Brown, 2012), due to the low numbers of visitors. Thus, resistance to change was a double disadvantage for many museums: cutting public funding, along with the lack of alternative sources of income.

## **1.2. New directions in the development of museum management**

In recent years several studies on how museums have to adapt to their new environment have been conducted. In particular, researchers focused their attention on improving museum services so as to meet the needs of community members adequately (Weil, 2007). Quality has been regarded as a source of competitive advantage (Radder et al., 2011) and better performance indicators (Maher et al., 2011). In addition, any quality services provided in accordance with visitors' requirements allow museums to fulfill their social goals and at the same time increase their sustainability (Marković et al., 2013). Therefore, models have been developed and implemented for measuring service quality in relation to expectations of museum visitors (Radder & Han, 2013; Misiura, 2005; Hsiao & Yao, 2012).

The efficient use of resources and the maximization of the ratio of output to input were considered other solutions through which museums can adapt to the challenges and opportunities arising from environmental changes. In this regard, it is recommended that museums apply management theories and practices (Sandell & Janes, 2007, pp. 101-102) and strategically allocate resources for providing useful services to visitors (Griffin & Abraham, 2007).

Other researchers concluded that museums have characteristics similar to those of non-profit organizations (Rentschler & Geursen, 2004) and therefore they proposed that museum entrepreneurship be developed as a solution to improve the performance of museums. Apart from improving a museum's financial situation, entrepreneurship has the important advantage of stimulating innovation in the cultural sector (Klamer, 2011). At the same time, entrepreneurship supports the sustainable development of museums, since entrepreneurial strategies can be used to maintain sustainability (Rentschler, 2001). In fact, to become sustainable *"museums must be highly innovative in finding ways to mitigate environmental, social, and economic risks inherent in this mission"* (Lord et al., 2012, p. 6). Therefore, the innovative nature of entrepreneurship is an ingredient that cannot be excluded from any approach towards increasing the sustainability of museums. Thus, sustainability is the umbrella under which are gathered all the means that can be used by museums to improve their performance and their outputs on the market.

### 1.3. Museum sustainability

Museums are "organizations like any other" (Griffin, 2002), which is why they have to use resources to provide products, services and useful information to consumers. Furthermore, *"museums in the new millennium will be faced with increasing expectations and demands, but they will be equipped with decreasing, or at best static, resources"* (Genoways & Ireland, 2003, p. 328). In this context, over the last years the focus on defining and understanding the concept of museum sustainability has increased; sustainability has come to be considered even in museums the solution for improving the relationship between the degree of development and the resources used for this purpose. According to ICOM (2011), *"sustainability is the dynamic process of museums, based on the recognition and preservation of tangible and intangible heritage with the museums responding to the needs of the community. To be sustainable, museums, through their mission, must be an active and attractive part of the community by adding value to the heritage and social memory."* Alcaraz, Hume and Sullivan Mort (2009) give a more synthetic definition of museum sustainability, which is described as its ability to have *"sufficient resources to maintain existence, and fulfill its objectives, into the future."*

From the two definitions we can see why museums should focus towards sustainability. On the one hand, sustainability is closely linked to the mission of the museums: *"mandated to preserve tangible and intangible heritage in perpetuity, museums are one of the main tools for communicating sustainability"* (Lord et al., 2012, p. 6). Museums are created to help the development of the society, so they have an important responsibility in the implementation of the sustainable development principles. This is also asserted by the Canadian Museums Association (2010), according to which *"the integration of sustainable development practices into daily operations goes hand-in-hand with the general mission of museums to preserve, conserve and interpret our world."* On the other hand, sustainability is the way by which museums can use their resources with maximum efficiency, so as to survive and continue to grow even with limited resources: museums *"are consumed with the pursuit of the green. Not because they want to be, but because they have to be in order to survive, flourish, and provide programming for their constituencies"* (Genoways & Ireland, 2003, p. 121). The survival and development of a museum are factors that in turn allow the institution to fulfill its mission and socio-cultural goals. This means that, either directly or indirectly, sustainability has finally a positive influence on the goals and mission of the museum. For this reason, even if they carry out nonprofit activities, museums have to apply the principles of sustainable development and consider a better use of their resources.

**Table 1. Reasons for the sustainable development of museums**

| Reasons          | Economic   | Socio-cultural  |
|------------------|--|---|
| <b>Intrinsic</b> | ➤ Survival and development                                 | ➤ Fulfillment of the mission                          |
| <b>Extrinsic</b> | ➤ A region's economic development through cultural tourism | ➤ Improvement of the quality of life in the community |
|                  | ➤ Reduction of the budget deficit                          | ➤ Cultural development of the region                  |

Source: authors' contribution

Museum sustainability has three dimensions, corresponding to the concern for the natural, the social and the economic environments. **The social sustainability** derives from carrying out such activities, in accordance with the consumers' requirements, as to enable a museum to create a high social, educational, cultural, artistic and / or economic impact in the community. The social sustainability of museums entails *“working to serve patrons; enhancing the quality of live in communities; addressing pressing societal problems; and generating knowledge that provides a better understanding of the past, defines our present, and shapes the future”* (Lord et al., 2012, p. 6). Villeneuve (2013) argues that in order to be socially sustainable museums have to do what they know the best. As for the art museums, the author suggests that what they can do best *“is connecting the public with art in meaningful ways, particularly through visitor-centered exhibitions”* (Villeneuve, 2013). Since museums exist to serve the public, their social sustainability is essential for the fulfillment of their mission.

**The economic sustainability** of museums entails an efficient allocation of resources, so as to maximize the benefits generated by museums on the market. The efficient use of resources does not mean cutting down, but redeploying the resources, so that the outputs of the museum be as good as possible (both qualitatively and quantitatively) and, at the same time, address the customers' needs to the greatest extent. Such an allocation will lead to a high degree of visitor satisfaction, which will allow both the maximization of the museum's inputs and the cultural and economic development of the zone. Economic sustainability can be achieved by avoiding any unnecessary costs, increasing the number of visitors to the respective museum, and diversifying and increasing the museum's own income. In recent years some authors have mentioned a fourth dimension of museum sustainability, related to the cultural environment. According to them, *“cultural sustainability should be reflected in the museum's mission. (...) A museum that fails to deliver on its mission is intrinsically unsustainable, since a cultural institution's mission is its reason to exist in the first place”* (Lord et al., 2012, pp. 7-8). Given these considerations, the cultural sustainability of museums entails the development of “long-term cultural policy's strategies” (Campolmi, 2013), which will help such organizations to fulfill their mission as well as their cultural goals.

One can note that the three dimensions of museum sustainability – cultural, social and economic – are closely linked. The visitors' satisfaction leads to increased revenues for the museum, which in turn results into an improvement in the quality of the collections, products and services offered by museum to the market. This ultimately translates into achieving the organization's social and cultural goals. Also, the implementation of the market strategies, allows both revenue growth (and / or cost reduction) and the promotion and enhancement of the museum's heritage. For this reason, recent research emphasizes *“the need for more effective and appropriate marketing strategies”* in order to increase the sustainability of museums (Alcaraz, Hume and Sullivan Mort, 2009).

The development and implementation of certain strategies become even more necessary since traditional museums are considered unsustainable due to the fact that their collections continue to grow beyond the respective museums' capacity of research and exposure (Merriman, 2008). Any new acquisitions require additional storage space, which leads to increased preservation costs. For example, the collection of the National Museum of Wales is growing by 40,000 items a year, despite the lack of adequate storage space (Merriman, 2008). As a result, many museums have come to hold collections which exceed their exposure and research capacities over a person's life. Despite this, such museums continue to expand their collections every year. Therefore, *"they seem not to be meeting the needs of the present in full because they are not able to realize the potential of the collections they hold, and they are compromising the ability of future generations to meet their needs by passing on these collections for them to look after, having added even more material to them"* (Merriman, 2008).

Nevertheless, the acquisition of new heritage objects is necessary so as museums can reflect the changes taking place in the society. Moreover, enriching their heritage collections is one of the main functions of museums. Some experts' idea that museums should dispose of certain less important objects as they acquire new ones (Merriman, 2008) does not respect the principles of sustainable development. Firstly, by selling / disposing of some heritage items of a museum, the professional quality of its collections decreases. In addition, the sale of goods that have been donated to the museum by various people arouses ethical issues. On the other hand, keeping the museum collections at the same level would mean stagnation, not development. Therefore, the solution for enriching a museum's heritage and at the same time increasing its sustainability is to find and implement such strategies that would enable the respective museum to collect new items constantly, maintain the same storage costs and exhibit a significant part of their collections for the public.

## **2. THE INTERNATIONAL STRATEGY APPLIED IN THE MUSEUM SECTOR**

### **2.1. Methodology of the research**

The main objective of the research is to find out if the international strategy may help museums to improve their sustainability. To achieve this goal, we first analyzed documents, articles, recordings and interviews related to the museums which have expanded outside their home country. Following this step, we selected for a more in-depth analysis three museums that expanded internationally: The Guggenheim Museum in New York, the Louvre Museum in Paris and the State Hermitage Museum in Saint Petersburg. These museums were selected due to the particularities of their international strategy, which is different from that of other museums. While most museums only ensure their international presence by organizing temporary exhibitions in different locations, the selected museums do more than that; they also conclude licensing agreements for their brand. Therefore, these museums constitute our sample because they have in common the conclusion of international licensing agreements.

The data used for the analysis of these museums were retrieved from the management reports available on their web sites. For the Louvre, we analyzed the reports relating to the period 2003-2013; for the Guggenheim we analyzed the reports relating to the period 2003-2010, and for the Hermitage we analyzed the reports relating the period 2009-2011. In order to study the relationship between the penetration on the international market and the

economic sustainability of these museums, the main aspects considered in this analysis were: the international exhibitions organized, the licensing agreements, the international museum network, the structure and dynamics of these museums' income and expenditure, the self-financing capacity and the visitors' dynamics. The self-financing capacity was determined as the ratio between each museum's own income and its total revenue. The impact of the international market penetration on the social and cultural sustainability of each museum was analyzed based on the number of beneficiaries/visitors to the exhibitions organized by these museums abroad.

## 2.2. Findings and discussion

Before the concept of sustainable development became known and widely accepted, Thomas Krens, acting director of the Solomon R. Guggenheim Foundation in New York, had begun to be concerned about the problem of the large number of art works which "*sit in depositories unused and unseen*" (Fabelová, 2010). Since he did not find sufficient reasons to justify the costs for storing these works, he decided, in the 1980s, "*to change the way museums did business*" (Fabelová, 2010). Following the business model applied by private companies, he began signing licensing agreements for the Guggenheim brand and rent the museum's artworks and exhibitions worldwide. With this change in the policy of the museum Krens managed to increase the access of the public to the museum heritage, reduce the storage costs and even attract significant amounts of money. One can notice that these effects are consistent with the requirements for attaining museum sustainability. For this reason, the Guggenheim Museum can be considered the first museum that has successfully applied the licensing strategy in order to expand internationally, but also the first museum that has implemented significant changes so as to become sustainable. As a result of the implementation of "its international expansion project", the Guggenheim became the owner of the following network of museums (Solomon R. Guggenheim Foundation, 2008):

- The Deutsche Guggenheim Museum in Berlin, Germany, funded entirely by Deutsche Bank (opened in 1997 and closed in late 2012);
- The Guggenheim Museum in Bilbao, Spain, opened in 1997;
- The Peggy Guggenheim Collection in Venice, Italy;
- The Solomon R. Guggenheim Museum in New York;
- The Guggenheim Hermitage Museum in Las Vegas (2001 - 2008);
- The Guggenheim Museum in Abu Dhabi, scheduled to open in 2017.

A notable feature of the solution implemented by Krens is that it is able to generate benefits for both parties involved in the licensing agreement. On the one hand, the Solomon R. Guggenheim Foundation promotes and exhibits for worldwide audiences the cultural heritage it holds instead of keeping it locked in a warehouse; also, based on revenues from licensing and rental agreements, the Foundation may invest in the acquisition of new works of art or the preservation / restoration of existing ones. On the other hand, the licensee has the opportunity to develop its cultural sector, despite the lack of own significant cultural resources. In its turn, a well developed cultural sector will lead to the development of cultural tourism with all social and economic benefits arising from it.

This is why the countries which have realized that "investing in culture is a sustainable investment for the future" (Kisilewicz, 2011), have created urban areas constructed in such a way as to provide both cultural attractions and the opportunity to purchase high quality consumer goods. These urban areas are part of a very carefully developed scheme for urban

revitalization and have been included in various initiatives for tourist development. Such an example is the city of Bilbao, Spain, which after the collapse of the industry was forced to find alternatives in order to further ensure the welfare of its citizens. One of the elements of the city's urban and economic revitalization strategy was the establishment of a famous, magnificent museum, namely the Guggenheim Museum. In this respect, before the opening of the museum, a number of Basque institutions paid to the Solomon Guggenheim Foundation €17.94 million for the brand and the additional services. Additionally, they spent €32.31 million on purchasing works of arts, €7.21 on taxes, €93.69 million on the land and building, and €14.87 million on other costs related to the opening of the museum (Plaza, 2006). In return, the Foundation agreed to lead the institution, rotate works from its permanent exhibition through the Guggenheim museum in Bilbao, and to organize temporary exhibitions.

The economic impact was huge. Almost instantly after its opening, the Guggenheim Museum Bilbao became a popular tourist attraction, attracting visitors from around the world. As a result of this investment, the number of overnight stays in the Basque Country increased by 141% in 2011 as compared to 1996 (from 1,980,461 overnight stays at 4,491,745 overnight stays per year) (Plaza & Haarich, 2013). Research has shown that the activities of the museum generated an economic impact of €311 million in 2011; €42 million represented revenues generated directly by the museum, whereas €269 million represented the indirect contribution of the museum to the GDP (Plaza & Haarich, 2013). Therefore, in just one year of operation, this museum generated revenues which exceeded the tax paid by the authorities for the right to use the Guggenheim brand and collections.

On the other hand, the conclusion of licensing agreements and the rental of exhibitions on the international market is an important source of own income for museums. From Table 2 it can be seen that the Guggenheim Foundation has doubled its revenue from "Traveling exhibition fees, royalties and other" over the time frame 2003-2010. In 2010 this income became almost as important (21.08%) as the revenue earned from visitor fees (26.89%). In the period examined herein the highest level of revenue was attained in 2006 (\$15.95 million) following the agreement for the establishment of a Guggenheim museum in Abu Dhabi. This is reflected in the statement of William L. Mack, Chairman of the Solomon R. Guggenheim Foundation (Solomon R. Guggenheim Foundation, 2006): "*The Guggenheim Foundation Board of Trustees established a goal of achieving a Guggenheim presence in Asia, Latin America, and the Middle East and made an enormous step toward that goal on July 8, 2006, when Abu Dhabi, the capital of the United Arab Emirates, signed a Memorandum of Understanding (MOU) with the Guggenheim Foundation to establish a world-class museum devoted to modern and contemporary art. The museum, to be called the Guggenheim Abu Dhabi Museum (GAD), (...) will position the emirate as a leading international cultural destination.*"

The Abu Dhabi Guggenheim Museum is just one of the investments included in the plan for the cultural and touristic development of the United Arab Emirates (UAE), amounting to \$27 billion. The globalization has led to a growing competition between different regions and countries. In this context, some areas lacking natural attractions are developing urban development strategies focused on cultural attractions, chiefly museums (Hazime, 2011). Thus, besides the Guggenheim Museum, the museum complex planned to be established in Saadiyat Island (UAE) will also include: the Sheikh Zayed National Museum, an arts center designed by Zaha Hadid, a Maritime Museum and a Louvre Museum (Hazime, 2011). The aim of this investment is "to increase tourist numbers from 959,500 in 2004 to over 3



million by 2015” (Hazime, 2011). We can note that the long-term success of the strategy applied by the Guggenheim Foundation determined other museums to follow its model too, despite criticism from art historians, who believe that “there are risks in exporting national cultural heritage and selling museum names” (Fabelová, 2010).

**Table 2. The Guggenheim revenue and expenditure dynamics in the time frame 2003-2010**

| Indicators  | 2003<br>\$M  | 2004<br>\$M  | 2005<br>\$M  | 2006<br>\$M  | 2007<br>\$M  | 2008<br>\$M  | 2009<br>\$M  | 2010<br>\$M  | 2010          | Dynamics<br>2010/2003 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|-----------------------|
| <b>Contributions, grants and bequests</b>             | 14.47        | 19.55        | 19.51        | 15.12        | 23.05        | 9.67         | 14.31        | 17.22        | 28.46%        | 19.02%                |
| <b>Own income:</b>                                    | <b>32.82</b> | <b>35.11</b> | <b>43.47</b> | <b>52.14</b> | <b>44.19</b> | <b>44.19</b> | <b>44.38</b> | <b>43.29</b> | <b>71.54%</b> | 31.91%                |
| <i>Membership income</i>                              | 1.87         | 2.19         | 2.27         | 2.81         | 3.12         | 3.11         | 3.03         | 2.92         | 4.82%         | 55.98%                |
| <i>In-kind contributions</i>                          | 0.50         | 0.21         | 2.35         | 3.64         | 2.99         | 1.66         | 0.76         | 1.11         | 1.84%         | 120.38%               |
| <i>Benefit and special event income</i>               | 0.40         | 0.41         | 1.85         | 3.28         | 3.03         | 0.99         | 1.54         | 1.74         | 2.87%         | 335.23%               |
| <i>Admissions</i>                                     | 13.58        | 15.74        | 16.07        | 14.69        | 14.04        | 15.28        | 17.73        | 16.27        | 26.89%        | 19.79%                |
| <i>Traveling exhibition fees, royalties and other</i> | 6.27         | 6.06         | 10.25        | <b>15.95</b> | 9.90         | 12.88        | 12.30        | 12.75        | <b>21.08%</b> | 103.39%               |
| <i>Investment income</i>                              | 1.14         | 0.96         | 1.62         | 2.08         | 3.05         | 1.65         | -0.24        | -0.33        | -0.55%        | -129.24%              |
| <i>Investment income from spending rate</i>           | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.50         | 0.63         | 0.64         | 1.06%         | n/a                   |
| <i>Short-term investment income</i>                   | 0.02         | 0.01         | 0.08         | 0.14         | 0.16         | 0.05         | -0.01        | 0.01         | 0.01%         | -65.93%               |
| <i>Auxiliary revenues</i>                             | 9.04         | 9.52         | 8.97         | 9.55         | 7.89         | 8.07         | 8.64         | 8.19         | 13.53%        | -9.39%                |
| <b>Total revenue</b>                                  | 47.29        | 54.65        | 62.98        | 67.27        | 67.23        | 53.87        | 58.69        | 60.51        | 100%          | 27.96%                |
| <b>Self-financing capacity [%]</b>                    | 69.40        | 64.24        | 69.02        | 77.52        | 65.72        | 82.05        | 75.62        | 71.54        | -             | 3.08%                 |
| <b>Total operating expenses</b>                       | 47.64        | 51.54        | 55.44        | 59.48        | 62.86        | 65.52        | 58.85        | 56.62        | -             | 18.86%                |

Source: authors' contribution

In 2007, the French government decided to approve the conclusion of the partnership between the Louvre Museum and the city of Abu Dhabi, aiming at establishing a new Louvre Museum in Abu Dhabi. The branding and training agreement is concluded for a period of 30 years and has a total value of \$ 1.3 billion. Abu Dhabi agreed to pay \$ 520 million for the Louvre brand and \$ 747 million for borrowing works of art and organizing temporary exhibitions and for museum management expertise (Riding, 2007).

This agreement has caused a lot of controversy and the new policy of the museum, i.e. opening satellite museums abroad, has been widely criticized. In this regard, art historian Didier Rykner drew up the petition called “Our museums are not for sale”, which was signed by 4,700 people, including many curators, art historians and archaeologists. They stressed that the Louvre’s purpose should not be to make money (Astier, 2007). What Didier Rykner was unable to understand is the positive nature of the strategy applied by the Louvre. By applying the licensing strategy in order to penetrate the international market, the Louvre earns much more than money. Firstly, it manages to achieve to a greater extent one of the fundamental goals of any museum, which is to promote and disseminate the cultural heritage. The Louvre holds ten times more objects than it is able to expose. For example, in 2013 the museum’s heritage included 460,000 items, of which only 38,000 were exposed (Musée du Louvre, 2013). In other words, lending artworks for other exhibitions is a good way of raising the public’s accessibility to the collections of the museum. In addition, by organizing exhibitions on another continent, the Louvre offers a good opportunity to the people who would like to see the museum’s collections but do not have sufficient financial resources for a trip to Paris. Other benefits are the fact that such exhibitions enhance the museum’s reputation and the museum obtains more funds that can be used for further expanding its collection, as well as for the restoration or a better conservation of the works already in its hold. Therefore, the primary goal of this strategy is not profit maximization. Profit maximization is just a way by which the museum can achieve its true educational goals, and enrich, preserve and conserve its heritage.

**Table 3. The Louvre’s revenue and expenditure dynamics in the time frame 2003-2010**

| Year                  | Total revenue<br>€M | Subsidy<br>€M | Own income<br>€M | Self-financing<br>capacity | Total visitors<br>(thousand<br>visitors) | Total<br>expenditure<br>€M |
|-----------------------|---------------------|---------------|------------------|----------------------------|--|----------------------------|
| 1                     | 2=3+4               | 3             | 4                | 5=4/2                      | 6  | 7                          |
| 2003                  | 136.66              | 97            | 39.66            | 29.02%                     | 5,877                                    | 136.66                     |
| 2004                  | 148.73              | 93.64         | 55.09            | 37.04%                     | 6,894                                    | 148.73                     |
| 2005                  | 172.30              | 102.89        | 69.41            | 40.28%                     | 7,553                                    | 149.16                     |
| 2006                  | 188.61              | 115.87        | <b>72.74</b>     | 38.57%                     | 8,348                                    | 185.9                      |
| 2007                  | 401.49              | 128.62        | <b>272.88</b>    | <b>67.97%</b>              | 8,260                                    | 190.18                     |
| 2008                  | 225.13              | 129.01        | 96.12            | 42.70%                     | 8,461                                    | 209.75                     |
| 2009                  | 244.86              | 137.8         | 107.06           | 43.72%                     | 8,435                                    | 358.74                     |
| 2010                  | 233                 | 136           | 97               | 41.63%                     | 8,413                                    | 231                        |
| 2011                  | 210                 | 116           | 94               | 44.76%                     | 8,888                                    | 231                        |
| 2012                  | 215                 | 115           | 100              | 46.51%                     | 9,720                                    | 228                        |
| 2013                  | 199                 | 98            | 101              | 50.75%                     | 9,334                                    | 218                        |
| Dynamics<br>2003/2013 | 45.62%              | 1.03%         | 154.66%          | 21.73%                     | 58.82%                                   | 59.52%                     |

Source: authors’ contribution

As a result of the agreement between Louvre and Abu Dhabi, the museum's own income increased by 275% in 2007 as compared to 2006, from €72.74 million in 2006 to €272.88 million in 2007 (Table 3). This had a positive impact on its self-financing capacity, which

reached the value of 67.97%. In addition, the surplus income obtained in 2007 enabled the museum in the following years to develop and spend more than the revenue it collected.

In addition to the Louvre Abu Dhabi, the Louvre's international expansion project includes the Louvre-Lens, in northern France, the Louvre Atlanta and a series of temporary exhibitions held in different locations around the world. The Louvre Lens was opened to visitors in December 2012 and recorded its first million visitors by the end of January 2014 (Musée du Louvre, 2013). The Louvre Atlanta operated between the years 2006-2009, exhibited 397 works from the collections of the Louvre and was visited by more than 1,310,000 people (Musée du Louvre, 2009). For the treasures exhibited in Atlanta, the Louvre received €13 million (Fabelová, 2010). The Louvre Atlanta was funded entirely by American sponsors, such as Anne Cox Chambers, the main sponsor of the transaction, Accenture, UPS, Turner, Coca-Cola, Delta and AXA (Musée du Louvre, 2009).

**Table 4. The dynamics of the Louvre's own income in the time frame 2003-2013 (€M)**

| Year                            | 2003 | 2004 | 2005 | 2006 | 2007       | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Dynamics<br>2013/2003 |
|---------------------------------|------|------|------|------|------------|------|------|------|------|------|------|-----------------------|
| Admissions                      | 23   | 34   | 37   | 41   | 42         | 42   | 40   | 41   | 50   | 58   | 60   | <b>160.87%</b>        |
| Rental of space and concessions | 5    | 5    | 7    | 13   | 13         | 15   | 13   | 12   | 14   | 15   | 15   | <b>200.00%</b>        |
| Patronage / Sponsorship         | 7    | 9    | 17   | 13   | <b>58</b>  | 26   | 33   | 25   | 16   | 16   | 15   | <b>114.29%</b>        |
| Other income*                   | 5    | 7    | 8    | 6    | <b>160</b> | 13   | 21   | 19   | 14   | 11   | 11   | <b>120.00%</b>        |
| Total revenue                   | 40   | 55   | 69   | 73   | <b>273</b> | 96   | 107  | 97   | 94   | 100  | 101  | <b>152.50%</b>        |

\*Income related to collections, licensing, financial and exceptional products

Source: authors' contribution

Since individuals and companies of the host country usually sponsor temporary exhibitions organized abroad, the international expansion allowed the Louvre to increase its total sponsorship revenue. Louvre organized 70 international exhibitions during the years 2008-2013. In this respect the most efficient year was 2009, with over 3.32 million visitors of 15 international exhibitions held in 23 cities (*Europe*: Athens, Florence, Milan and Verona; *Asia*: Tokyo, Osaka, Kyoto, Taipei, Kaohsiung, Fuzhou, Beijing; *America*: Quebec, Rio de Janeiro, Buenos Aires, Quito, Atlanta, Minneapolis, Bogota, Medellin, Santo Domingo, Santiago, Montevideo, La Havane). Due to its international market penetration strategy and diversification strategy, in 2009 the Louvre managed to increase its own income by 11% (Table 3), despite the decrease of its traditional revenues (admissions, Table 4) due to the economic crisis.

From Tables 3 and 4 it can be seen that the international expansion of the Louvre Museum did not result in a decrease of the total amount of admission fees or the number of visitors to its head office. On the contrary, in 2013, by comparison to 2007, the income derived from the admission fees increased by 42.86% and the number of visitors increased by 13%.

The same effect can be noticed in the case of the Hermitage Museum. Because of its expansion on the international market through licensing agreements and international exhibitions, in the period 2009-2011 its income from admission fees increased by 28.69% (Table 6) and the total number of visitors increased by 18.69% (Table 5). It is noteworthy that the increase in international visibility was followed by an increase by 26.45% in the number of foreign visitors to the museum's head office in 2009-2011 (Table 5). Thus, by

organizing international exhibitions direct benefits (under the form of rental fees), but also indirect long-term benefits can be generated, due to the fact that these exhibitions promote the museum's collections and urge the public to "buy" the museum's core product, represented by the permanent exhibition held at its head office.

**Table 5. The visitors' dynamics at the Hermitage Museum  
in the time frame 2009-2011**

| Visitors         | 2009      | 2010      | 2011      | Dynamics 2011/2009 |
|------------------|-----------|-----------|-----------|--------------------|
| Total visitors   | 2,426,203 | 2,490,387 | 2,879,686 | 18.69%             |
| Free admissions  | 845,484   | 859,377   | 984,347   | 16.42%             |
| Payers           | 1,580,719 | 1,631,010 | 1,895,339 | 19.90%             |
| Foreign visitors | 726,172   | 785,885   | 918,273   | 26.45%             |

Source: authors' contribution

By contrast with the Guggenheim and the Louvre, the Hermitage's international strategy began by concluding licensing agreements for the manufacturing of goods for sale, with designs inspired by the museum's collections (Soldatenko, 2003). It is noteworthy that these licensing agreements were concluded not only with privately held businesses, but also with other museums in the world. For example, the Metropolitan Museum in New York was licensed to make reproductions of paintings and objects from the collections of the Hermitage Museum in St. Petersburg (Soldatenko, 2003). The Hermitage museum's international merchandising activities and all its international licensing agreements are coordinated by a Dutch company, Hermitage International Merchandising BV, which continues to develop strategies for the museum's commercial activities: "*as well as supervising the museum's current merchandising licensees, the company has also begun to develop a line of merchandise for the museum's temporary exhibitions around the world*" (Soldatenko, 2003).

In addition to licensing, the Hermitage also enters the international market through direct export of products that are available in its online store opened in 2000. For the management of the orders and the product distribution, the Hermitage Museum signed a contract with a U.S. company, Museum Online - MoL. The customers of the online shop are from all over the world, one third of them residing in the United States and Canada (Soldatenko, 2003).

Due to the recent entry of the Hermitage Museum on the international market, its recompense for participation in exhibitions and other income showed a higher dynamic (402.92% and 21166.72%, Table 6) than that of the Guggenheim and the Louvre which experience slower growth.

Whereas one can consider that the Guggenheim Museum has reached the maturity stage, since it has already created a well-defined international network, the Hermitage Museum is just launching its expansion. The Hermitage has not yet opened a museum with its name abroad, but only four exhibition centers: two in Russia, in Kazan and Vyborg, one in Amsterdam and one in Ferrara (Italy) (The State Hermitage Museum, 2011).

**Table 6. The Hermitage's revenue and expenditure dynamics  
in the time frame 2009-2011**

(Thousands rubles)

| Indicator  | 2009               | 2010               | 2011               | Dynamics<br>2011/2010 | Dynamics<br>2011/2009 |
|--|--------------------|--------------------|--------------------|-----------------------|-----------------------|
| <b>Receipts from<br/>the Federal Budget</b>                                    | <b>2,552,502.7</b> | <b>1,873,261.2</b> | <b>1,810,465.4</b> | <b>-3.35%</b>         | <b>-29.07%</b>        |
| <b>Own receipts</b>  | <b>560,376.2</b>   | <b>615,090.4</b>   | <b>763,638.2</b>   | <b>24.15%</b>         | <b>36.27%</b>         |
| <i>Admissions</i>  | 472,796.8          | 524,116.0          | 608,429.5          | 16.09%                | 28.69%                |
| <i>Recompense for<br/>participation in<br/>exhibitions</i>                     | 11,605.2           | 27,561.0           | 58,365.2           | 111.77%               | 402.92%               |
| <i>Donations and other<br/>revenue</i>   | 34,669.4           | 27,784.0           | 45,301.8           | 63.05%                | 30.67%                |
| <i>Grants</i>  | 1,185.0            | 780.0              | 550.0              | -29.49%               | -53.59%               |
| <i>Earnings from<br/>cultural, educational<br/>and theatrical<br/>programs</i> | 27,109.6           | 20,173.2           | 25,321.4           | 25.52%                | -6.60%                |
| <i>Fees for<br/>reproducing pictures<br/>from the Hermitage<br/>collection</i> | 6,635.0            | 6,750.4            | 7,802.2            | 15.58%                | 17.59%                |
| <i>Earnings from<br/>selling catalogues<br/>and souvenirs</i>                  | 6,317.5            | 6,915.3            | 5,597.2            | -19.06%               | -11.40%               |
| <i>Other income</i>  | 57.7               | 1,010.5            | 12,270.9           | 1114.34%              | 21166.72%             |
| <b>Total receipts</b>  | <b>3,112,878.9</b> | <b>2,488,351.6</b> | <b>2,574,103.6</b> | <b>3.45%</b>          | <b>-17.31%</b>        |
| <b>Total expenditures</b>  | <b>3,047,413.9</b> | <b>2,453,348.4</b> | <b>2,544,135.0</b> | <b>3.70%</b>          | <b>-16.51%</b>        |

Source: authors' contribution

In order to acquire the knowledge required for the operation of an international network of museums, the Hermitage has signed, in 2001, a strategic alliance agreement with the Guggenheim Museum, for the establishment of the Guggenheim Hermitage Museum in Las Vegas, which was closed in 2008, having recorded over one million visitors (Fabelová, 2010). The next strategic move of the Hermitage occurred on May 27, 2014, when it signed its first agreement for the opening of a satellite museum in the city of Malaga, in southern Spain. *“The ten-year agreement, means that around 100 works from St Petersburg will go on show in a former tobacco factory from early 2015 as well as temporary exhibitions”* (Pes & Rojas, 2014). It is worth noting that Malaga and the new Hermitage Museum are located exactly in the opposite side of the country, 921 km away, from Bilbao and its Guggenheim Museum. Under these conditions, the following question arises: will the two museums join forces to help develop the tourist industry in Spain, or they will choose to compete against each other to attract as many visitors they can? On the Spanish market, museums tend to cooperate in order to increase their number of visitors and revenues. For instance, *“Prado Museum, Queen Sofia Museum and Thyssen Bornemisza Museum, from Madrid, have created a program by which visitors have the possibility to purchase a single ticket, from any of these museums; the ticket provides access to all three institutions at a lower rate than sold separately”* (Corboş & Popescu, 2012b). Also, both a Guggenheim

Museum and a Louvre Museum were established in Abu Dhabi, not with the purpose of increasing the competition between them, but in order to increase the cultural attractiveness of the area. Therefore, it is likely that the new Hermitage Museum in Malaga is going to be established with a view to attracting more tourists to this area.

Thus, one can note that there is a direct, reciprocal link between museums and tourism. Museums have a potential to help the development of tourism because, “even though, due to their status, museums are non-for-profit institutions, the countries with attractive museums proved they had the ability to increase the citizens’ level of culture and civilization and enhance the economic benefits of communities by means of cultural tourism” (Oprîș, 2007). On the other hand, a large number of tourists leads to an increase in the museum's own income and thus it ensures means of survival and development for the museum, given that government subsidies are declining (see Table 6 Receipts from the Federal Budget, the Hermitage Museum). Therefore, the implementation by a museum of the international strategy leads to an enhancement of its own sustainability, as well as the sustainability of the community signing a licensing agreement.

## **CONCLUSIONS**

In order to fulfill their mission, survive and even grow, but also to contribute to the economic and cultural development of their respective regions, reduce the budget deficit and improve the quality of life in the community, museums need to become sustainable. Globalization is a factor that has created the opportunity for museums to increase their sustainability by expanding on the international market. Until now museums have used different methods of expanding outside the country: concluding licensing agreements for the manufacture and sale of commercial products under the museum’s brand; the direct export of the museum’s products through online stores that enable delivery of products worldwide; organizing temporary exhibitions in different countries; opening exhibition centers in other countries; and the establishment of museums abroad based on strategic alliances and licensing agreements.

Following the research we have conducted, we noticed that the international expansion of museums is a strategy that allows an increase in the sustainability of a museum, as well as of its native country and the country where it expands. The main benefits generated for the museum as a result of applying this strategy are: increasing the capacity and the degree of exposure of the museum’s heritage; fulfilling its mission of promoting and disseminating the collections it holds; increasing its international notoriety; increasing the total number of beneficiaries of the cultural products offered by the museum; reducing the required storage space and hence the cost of storage; the increase of its own income, based on the licensing and rental fees collected, but also due to the greater number of visitors from its head office. The native country of the museum that uses this strategy benefits also, due to the increase of the revenues collected, both directly from the museum, and indirectly in the form of travel costs incurred by tourists. Due to the higher international visibility of the museum, the number of tourists will increase (see the State Hermitage Museum), which will lead to higher receipts to the state budget. The country where a famous museum is established also benefits due to the development of cultural tourism, as demonstrated in the case of Bilbao.

Therefore, if until a few decades ago licensing agreements were entered into only between private for-profit organizations, this strategy is currently implemented at a higher level and licensing agreements have been concluded between private and public organizations (e.g., the Guggenheim - Bilbao), as well as between two public organizations (e.g., the Louvre -

Abu Dhabi). This means that many countries are becoming aware of the values they have, which is a step towards increasing the sustainability through a more efficient use of all types of resources of a country, including the cultural ones.

The main drawback of this strategy is that it cannot be used by any museum, but only by big museums which are well known and are visited by a large number of people. Therefore, in order to arouse the interest of potential licensees, a museum needs first to acquire a certain prestige on its own, to prove that it excels and that it differs significantly from its competitors. At the same time, the current preconceptions about the application of business strategies by museums and the resistance of museum staffs to change are elements that hinder a wider deployment of this strategy in the museum sector.

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