



Culture South West / South West Regional Development Agency

Regional Mapping and Economic Impact
Study of the Creative Industries

Final Report

18th May 2004

BOP (Burns Owens Partnership),
and the School of Performance and Cultural Industries,
University of Leeds.





Culture South West/South West Regional Development Agency

Regional Mapping and Economic Impact
Study of the Creative Industries

Summary & Key Observations Paper

Final Report

18th May 2004

BOP (Burns Owens Partnership),
and the School of Performance and Cultural Industries,
University of Leeds,

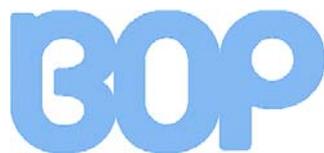


Table of Contents

<u>1</u>	<u>Introduction</u>	1
<u>1.1</u>	<u>Methodology</u>	1
<u>1.2</u>	<u>Acknowledgements</u>	2
<u>2</u>	<u>Summary of key observations</u>	3
<u>2.1</u>	<u>At the creative industries sectoral level</u>	3
<u>2.2</u>	<u>Performing Arts, Music, Visual Arts and Design</u>	4
<u>2.2.1</u>	<u>Industrial structure</u>	4
<u>2.2.2</u>	<u>Market development</u>	5
<u>2.2.3</u>	<u>Skills</u>	5
<u>2.2.4</u>	<u>Continuous Professional Development (CPD)</u>	6
<u>2.2.5</u>	<u>Attitudes to the region</u>	6
<u>2.2.6</u>	<u>The sub-regions</u>	7
<u>2.2.7</u>	<u>Role of the public sector</u>	7
<u>2.3</u>	<u>At the industry group level</u>	7
<u>2.3.1</u>	<u>Performing Arts & Music (PAM)</u>	8
<u>2.3.2</u>	<u>Visual Arts & Design (VAD)</u>	10
<u>3</u>	<u>Appendix 1: Consultees</u>	12
<u>4</u>	<u>Appendix 2: References</u>	14
<u>5</u>	<u>Appendix 3: Intelligence Group SWOT</u> Error! Bookmark not defined.	
<u>6</u>	<u>Appendix 4: Steering Group Members</u>	16

1 Introduction

This report provides a summary of the Creative Industries Mapping and Economic Impact study undertaken by BOP (Burns Owens Partnership) and the School of Performance and Cultural Industries at the University of Leeds for Culture South West, the South West Regional Development Agency (SWRDA) and their partners. The document also synthesises findings from all the work undertaken into the study to derive a set of key observations.

The research ran from September 2003 until the end of May 2004. The study has a specific focus on the South West region as a whole (as defined by the remit of SWRDA). Any sub-regional analysis which has been undertaken as part of this study is therefore necessarily very limited in its scale and scope.

The research has been divided into two main phases:

Stage I: Secondary research into the whole creative industries sector in the South West. This is based on statistical analysis of the government's most accurate data sources on the labour market and economic performance. The study has deployed definitions and methodologies outlined by the English RCCs/DCMS Regional Cultural Data Framework (RCDF).

Stage II: Primary research into four particular creative industry sub-sectors in the South West region:

- Visual Arts (inc. Crafts)
- Design (inc. Architecture)
- Performing Arts
- Music

Given this, it is important that the present report should not be read purely as a stand alone document, but instead taken together with the 'Stage I: Data and Technical Report' and the 'Stage II: Survey Report'.

The four sub-sectors chosen for more in-depth analysis in Stage II were selected by CSW/SWRDA due primarily to the difficulties associated with analysing them using secondary data sets. This stems from an inability to accurately and discretely identify many of the activities in the four sub-sectors (e.g. Crafts) using the government's Standard Industrial Classification (SIC).

1.1 Methodology

The research drew on a range of research methods:

- **Stage I** was comprised largely of secondary data analysis of the whole creative industries sub-sectors as defined in the RCDF
- **Stage II** utilised primary research to analyse the four sub-sectors outlined above. This involved a combination of both quantitative analysis, in the form of a business survey of over 400 companies and sole traders undertaken on behalf of the research team by Experian Business Strategies (EBS), and qualitative analysis, through four focus groups with businesses and practitioners working in Visual Arts, Design, Performing Arts and Music. The focus groups were organised into the two aggregated industry groupings used in the business survey, namely:
 - Visual Arts (inc. Crafts) & Design (inc. Architecture) – VAD
 - Performing Arts & Music – PAM

To ensure that the focus groups also reflected a range of areas within the South West, the sessions took place in four different locations: Swindon, Cheltenham, Plymouth and Dorchester.

A process of consultation with stakeholders and experts was also undertaken throughout the research (see Appendix 1 for details of consultees) which cut across both Stage I and II, as did the literature review which informed the study (Appendix 2).

The presentation of the research has been designed so that it can be interrogated for different purposes and by different audiences. In particular, the 'Stage I: Data and Technical Report' was delivered, in part, to feed into SWRDA's 'State of the Key Sectors' report and presented in as transparent a way as possible to enable further manipulation of the data by SWRDA/CSW. Similarly, the 'Stage II: Survey Report' presents an account of majority of the substantive findings from the survey which can also be augmented by further bespoke analysis of the raw SPSS data which has been forwarded to SWRDA/CSW by the consultancy team.

1.2 Acknowledgements

We would like to thank all of the people from across the region who gave up their time to take part in all of the elements of the research. We would also like to acknowledge the work of the Steering Group throughout the course of the project (for members of the Steering Group, please see Appendix 4) and to Karen Yair, the project manager for SWRDA/CSW.

2 Summary of key observations

2.1 At the creative industries sectoral level

The key observations to be made at the sector level for the South West are largely derived from the secondary data analysis undertaken as Stage I of the project. As such, a number of the observations are based on the four domains used in the Stage I analysis: Audio-visual (including Music and Advertising), Books and Press, Performance and Visual Arts (including Design, Architecture and Crafts).

- **Size of the businesses:** businesses in the region's South West share the same size profile as the sector at the national level – nearly 90% of all enterprises are micro businesses.
- **Self employment** in the sector in the South West is high at 34% –much higher than in other regions, for example, Yorkshire and the North West.
- **Business growth:** over the last four years for which data is available there has been growth in the size of some businesses from micros to small enterprises (10-49 employees).
- There has been a **shift in employment** since 1998 from functions focused on the creation of, and supporting manufacture for, creative and cultural products and services, towards their retail and exhibition.
- The **Audio-visual domain (including Music and Advertising)** is the most significant of the creative industries in the region in terms of economic performance and wealth generation. However, the domain also appears to be more volatile and subject to fluctuations than the other creative industry sectors, both nationally and regionally.
- **Books and Press:** the publishing and associated printing industries in the South West currently employ more people than any of the other domains within the creative industries. They also make a significant contribution in terms of business revenues and GVA. At the same time, it is the least recognised domain of the creative industries in the region. There is no research undertaken on Books and Press in the South West¹ (at least not publicly-available) and, perhaps relatedly, no organisation has a remit to support, promote and develop the domain in the South West (in contrast to the other creative industries in the region). This is, of course, not to say that the publishing and printing industries are in fact in need of public support and intervention; merely to indicate that there appears to be a gap in the evidence base with regard to this domain.
- Both the **Performance domain and the Visual Arts domain** continue to exhibit secure/steady employment growth and, contrary to many expectations, the Visual Arts also has the highest level of GVA per employee of all the creative industries domains.

¹ C.f. Mercer C. (2003) 'Joining the Dots', report for Culture South West.

- The **strong employment growth in Cornwall** over the last year seems to provide an early indication that investment and intervention may have had a positive effect on the sector in the area. However, how sustainable is this growth?
- **Bristol is maintaining its strength** and relative level of creative industries specialisation within its peers in the Core Cities group (all the other Core Cities are slipping with the exception of Manchester)

2.2 Performing Arts, Music, Visual Arts and Design

The key observations in this section are derived from a synthesis of all aspects of the Stage II research and encompass observations that are identifiable across all four of the sub-sectors.

2.2.1 Industrial structure

In addition to being predominantly micro enterprises, the vast majority are single site businesses (88%) and have always been based in the South West (92%). Many are also young, with over a quarter being established in the last five years. This industrial structure may well be at the root of the reservations expressed in the course of our work about the sector being fragmented and lacking in critical mass², but this needs to be placed within the wider regional context.

Firstly, as mentioned above, in terms of size, businesses at the national level share broadly the same profile (although self employment is higher). Secondly, an industrial structure based on indigenous micro enterprises is not prone to the kinds of actual and potential problems of divestment and retrenchment often associated with externally (generally foreign) owned subsidiaries and branch plants which, for instance, is characteristic of some of the region's manufacturing base³. Thirdly, the vast majority of enterprises are private sector businesses (83%) in a region in which the public sector has accounted for a disproportionate component of recent employment growth⁴. Perhaps most importantly, new business formation in these creative industry sub-sectors is healthy in a region which is below the GB average in this respect and, as the recent Local Futures report on the South West economy points out, 'needs to stimulate a more entrepreneurial culture'⁵.

² See the initial Intelligence Group SWOT Analysis (Stage II Report: Appendix 3) undertaken at the beginning of the project.

³ For example, in the article, 'Plymouth: A City whose "Time has Come"?', SWEC argue that the city's transition from dependency on government defence contracts to a broader manufacturing base driven by inward investment has merely, 'swapped one type of dependence for another'. Further, that the footlooseness of Foreign Direct Investment (FDI) has already produced a spate of closures and rounds of job shedding and, that, 'there is little sign of investment or re-investment, so that when existing operations become obsolete, the firms may close' (in *South West Economic Review*, Winter 2003/4).

⁴ C.f. South West Regional Assembly (2003), *Trends and Challenges for the South West: Key Issues for the Future of the Region*.

⁵ Local Futures (2004) *Geographical Analysis of the South West*.

What is clear is that (for a number of reasons), there does appear to be a lack of critical mass in some instances, but this is more to do with issues such as improving networking between businesses and sub-sectors to aggregate the offer (see next section 2.2.2), rather than a direct product of the particular industrial structure of the sector in the region.

2.2.2 Market development

The sub-sectors face a number of issues associated with developing the markets for their products and services. One of the clear messages from the business survey is the low level of export activity undertaken by the sub-sectors. A similar pattern emerges with regard to the domestic UK market, where there would appear to be considerable scope to increase the sales base beyond the local and/or South West region. The generally low amounts of expenditure invested by businesses in marketing and promotion may, of course, be a contributory factor in the sub-sectors' sales performance. The seeming lack of desire to attempt to change the sales base – as indicated by a similar focus on the South West in the market most regularly identified for growth – may be linked to businesses' perceived lack of skills in sales and marketing.

Of course, the correlate of these observations is the apparent strength of the local market (given that the business survey indicates that the recent fortunes of the sub-sectors are positive). The focus groups re-inforced this view with participants stating that there were no real problems with local demand in general.

The focus groups also identified a range of specific issues associated with market development (see 2.3 below). While these issues have very particular manifestations, they tend to focus upon two key areas: cross promotion and aggregation of the creative/cultural offer, and developing demand at the top end for higher value/more innovative/better quality product.

2.2.3 Skills

While the emphasis varies across the sub-sectors, the business survey clearly highlights a number of perceived skills needs related to technical skills, particularly IT and software, but also in business management, and marketing and sales. It should be noted that this skill needs profile is not likely to be solely due to the nature of the businesses in these sub-sectors, as it is also shared by many small (and particularly micro) enterprises in other sectors. In addition to these more generic skills needs, qualitative work identified a number of more sub-sectorally specific skills needs (again see 2.3 below).

2.2.4 Continuous Professional Development (CPD)

The Dartington College of Arts/Falmouth College study on HE-provided CPD in the creative industries⁶ and our own qualitative work undertaken for the project present a broadly similar picture. In terms of supply, the sub-sectoral coverage is good at the regional level (with the exception of designer fashion), but this provision is not equally distributed across the sub-regions. The nature of CPD provision by HEIs tends to be an offer centred upon formally taught, accredited schemes.

However, in terms of the demand for CPD, businesses have a number of problems and 'disconnects' with the current supply of CPD on offer by the region's HE sector. Most obviously is the question of finance: being able to afford CPD and training is difficult for many businesses in these sub-sectors – as it is for most micro businesses and sole traders in other sectors.

There are also a number of issues concerned with being able to access provision. Firstly, this relates to both distance and travelling times (which is also linked to the unequal geographical distribution of provision). Secondly, it is also about the mode of learning on offer as it is hard for sole traders and micro businesses to take time out from their businesses to undertake CPD. For this reason, businesses prefer more 'bite size' provision – what could be summed up as 'just-in-time and just enough' – rather than formal, accredited courses over a number of days or weeks⁷. Finally, a view expressed within the focus groups was that while there was often a general awareness that there was a range of possibly-relevant CPD on offer within the region, actually pinpointing the most appropriate course among many was difficult.

2.2.5 Attitudes to the region

As a result of some of the early qualitative work undertaken for the project⁸, one of the focuses that were identified for the business survey was the attitude of businesses towards the region. Concern was expressed that various generic aspects of the region – from its image to its physical topography – might be adversely affecting businesses in the creative industries. However, both the quantitative survey findings and our qualitative focus group work found that, on the contrary, businesses were largely strongly positive about the general attributes of the South West region. Rather, their concerns and issues relate to *specific* aspects of the market conditions and trading environment for each of the four sub-sectors in the region or sub-regions.

⁶ Falmouth College of Arts and Dartington College of Arts (2004) *CPD for Arts and Design Practitioners in the South West Region*, report for HEFCE, Arts Council England and the Design Council.

⁷ The same conclusion is reached with regard to how to change NVQ provision for the Creative Industries sector in the South West in order to improve the current very low levels of take-up (c.f. Ekos Consulting (2003) 'NVQ Progression Routes Research in the South West', chapter on the Creative Industries.

⁸ The Intelligence Group SWOT of the creative industries in the South West (see Stage II Report: Appendix 3).

2.2.6 The sub-regions

As detailed in the Stage II report, it was only possible within the business survey to undertake a very rough sub-regional breakdown, namely: Cornwall & Devon, Somerset & Dorset, and the West of England, Gloucester and Wiltshire (WEGW). However, even at this level, some messages about the differing nature and prospects of the sub-sectors in these sub-regions do seem to emerge.

The sub-region which is geographically the most connected to the key London and South East markets, the WEGW area, also appears to be the most established and mature in terms of the three sub-regions. However, the businesses' greater degree of integration with national and international markets (through both sales and supply inputs) seems to have resulted in greater fluctuations in performance which appear to be more closely tied to the fortunes of these external economies.

In contrast, the most peripheral areas of the region, Cornwall & Devon, have, over the last year, outperformed the rest of the region and nationally. This echoes the findings from Stage I of the project for the whole of the creative industries sector in Cornwall. But, as mentioned above in 2.1, the sustainability of this growth and performance remains an open question.

2.2.7 Role of the public sector

The public sector plays an important role across the four sub-sectors in a number of ways. Firstly, it is a major buyer of products and services, being identified as a client by more companies than any other sector. This means that the procurement policies of public sector organisations can have significant effects on the sub-sectors. Secondly, it has an influence as an investor in the sector and the impact of this investment is not solely related to the level of funds invested, but also in terms of what public organisations require of Performing and Visual Arts businesses and stipulate in their service agreements. Lastly, the public sector has a less direct but still important influence on businesses within the sub-sectors through its role in planning, land use and licensing – whether this is through the use of Section 106 Agreements to add conditions to development, through local authority supplementary planning guidance regulations, or granting permission for street theatre and festivals.

However, much of the nature and extent of the public sector's actual and potential influence on the creative industries is little understood within the public sector (as is the creative industries sector more generally). There is, therefore, a need to raise awareness, visibility and understanding of the sector which is particularly low in some localities across the region.

2.3 At the industry group level

The following key observations are specific to the two industry groupings used throughout the primary research work in Stage II, namely:

- Performing Arts & Music (PAM)
- Visual Arts (inc. Crafts) & Design (VAD)

They are derived predominantly from the qualitative work undertaken through focus groups and consultation. A number of issues and observations are common to both groupings, which does mean that the summary involves a degree of repetition. The findings have been presented in this format such that a reader with an interest in only one of the industry groupings can read all the key observations in one place.

2.3.1 Performing Arts & Music (PAM)

Spaces and places

- PAM plays an important role in the animation of venues, spaces and places across the region. This strong and diverse infrastructure is a considerable cultural asset and has brought benefits through image change, an increase in the value of the offer, and the provision of new opportunities for cultural consumption. It has also contributed to the regeneration of physical assets through, for example, the use of found spaces such as The Tobacco Factory in Bristol.
- This investment, both financial and cultural, should be safeguarded to ensure that the infrastructure is maintained and enhanced in both physical and programming terms. There also seems to be an opportunity (that is presently being missed) to organise these spaces and venues more strategically in order to address any gaps in provision and/or capitalise/maximise on success.

New works

- Surprisingly good levels of audience demand are reported across the industry grouping, together with a reasonable supply of product for promotion. Indeed, in a number of quarters, the challenge seems to be how to respond adequately to higher levels of demand than can currently be met. In particular, there is a need to consider options for the development of middle and/or large scale venues, especially those in key sub-regional centres.
- However, certain gaps were found in both demand and, to some degree, supply in the more adventurous/niche market areas (in contemporary classical music or theatre) which need to be better understood and strategies developed to address these gaps.

Markets

- While the demand side is high and reportedly growing, businesses felt that there is still considerable opportunity to joint/cross market the 'offer' (product and venues) to both local audiences and the visitor markets.
- Establishing closer links between individual venues could also enable the aggregation of their potential into more of a 'circuit' which would

make the South West a more attractive and commercially viable proposition for a broader range of touring companies and acts.

- The growth of cultural visitor markets needs to be better researched and understood and integrated with regional tourism and DMO strategies.
- There is also a need to recognise the increasingly close working of the private cultural sector (such as 'entertainment' and commercial galleries) with the public and voluntary sectors and to foster this cross-pollination.

Business-led development

- Some tensions were reported between the business/market-led approach which is increasingly being adopted by businesses in PAM (in both voluntary and private sectors) and the policy-led requirements of funders in, for example, establishing criteria for funding that cannot be met or are at odds with prevailing market opportunities.
- A lack of available investment for more flexible, strategic and business-based investment such as pump-priming (e.g. for start-ups, but also for growth and expansion opportunities etc.) was identified.
- Businesses feel that there is either a genuine lack of, or they are unaware of, skilled resources to provide diagnostic support for helping them develop their businesses

Education and skills

- Certain specific skills shortages were reported in the region in specialist areas of expertise, typically related to innovation or better quality product (e.g. new writing and commercial entertainers respectively).
- Skills gaps associated with a general lack of an entrepreneurial aptitude were also identified in many new entrants to the labour market.
- This was reported to be related to an overall need for HEIs to better understand the routes to, and context of, employment in PAM for their students.
- In summary, the industry grouping felt that there is a need for more research and provision for CPD and upskilling in all aspects of their businesses, and to this end, believes that the region's HEIs and employers should be engaged in more constructive, strategic, long term planning.

Gaps in knowledge

- There is little available information and analysis related to human resource issues in PAM, resulting in difficulties gauging the level and seriousness of reported weaknesses such as burn-out and low wage levels.

- Equally, reported interactions between cultural institutions (often publicly-funded) and the effect that their employment has in terms of stimulating a further market for freelance and self employment needs to be better researched and understood.

2.3.2 Visual Arts & Design (VAD)

Markets

- There is a perception that for the visual arts and crafts, the market is being undermined by a saturation of product at the low cost/low value end.
- As a result, many businesses see their commercial livelihood dependent on accessing new and/or higher value markets. One very specific drawback of the sector in the region is seen to be the typical retail practice of sale or return, whereas in larger markets (e.g. London) it is much easier to find galleries and buyers prepared to buy upfront.
- In addition to the purely commercial imperative, many businesses are also aware that to continue their professional and artistic development requires being able to tap into higher value markets.
- However, in many cases this realisation stops at awareness as:
 - there is a need to better understand market differentiation in order to develop the high end/quality proposition; and
 - there is little market intelligence about new markets and/or knowledge of how to gain access to the right sales channels with both other sub-sectors within the creative industries (e.g. a maker linking-up with an architect or interior designer) and beyond (e.g. retail buyers).
- To ensure that the higher cost/higher quality proposition is better understood also requires some pump priming in terms of the stimulation/education of demand, for both trade buyers/other sectors and consumers.
- While the aggregation of supply in the form of, for example, open studios is becoming more common across the region, it is still felt that there is more scope to joint/cross market the 'offer' (product and venues) with other cultural sectors to both local audiences and the visitor markets.
- The growth of cultural visitor markets needs to be better researched and understood and integrated with regional tourism and DMO strategies.
- The public sector has an important role to play in terms of:
 - examining its own procurement policies, with particular reference to improving the chances of locally-based small and micro firms winning contracts by making tendering procedures more public, transparent and streamlined; and

- considering the influence of other locally-held responsibilities, particularly as regards planning, land use and licensing, for example, the need for local authority supplementary planning guidance regulations to balance their existing concern for the heritage of the traditional South West built environment with a new desire to stimulate high quality, contemporary approaches to architecture and urban design.

Business development

- Businesses feel that there is either a genuine lack of, or they are unaware of, skilled resources to provide diagnostic support for helping them develop their businesses. This relates both to financial and business planning as well as focused advice related to, for instance, developing and exploiting Intellectual Property (IP) for designers and makers.
- There is frustration at the continuing perception among investors of the service elements of VAD (e.g. architecture) as intrinsically high-risk businesses (due to their lack of capital assets). This often leads to firms having to secure the personal assets of the director(s) against the business and/or means that growth opportunities are not pursued and exploited.

Education and skills

- While there is a recognition that new technologies now need to play a key role in the education and training of new entrants, a concern was expressed that the emphasis placed on these transient skills might be to the detriment of the teaching of enduring skills such as draftsmanship, which are actually the fundamentals required to sustain a long term career in Visual Arts and Design.

3 Appendix 1: Consultees

Mike Brewser	Arc Design
Ross Williams	Arts Centre Trust
Richard Cragg	Arts Council England South West
Simon Jutton	Arts Council England South West
Kate Offord	Arts Council England South West
Jo Peters	Arts Council England South West
Katya Romankevitch	Arts Council England South West
Mariam Sharp	Arts Council England South West
Gillian Taylor	Arts Council England South West
Peter Stiles	Arts Council England South West
Erica Steer	Arts Council England South West
Sue Way	Arts Council England South West
Andy Hawthorne	Association of Applied Artists
John Struthers	Bath Spa University
Sarah Smith	Bristol Old Vic
Justine Ennion	Bristol County Council, Arts Development
Jane Wright	Bristol County Council, Economic Development
Maeve O'Brien	Centre for Creative Enterprise and Participation, Dartington College of Arts
Mary Schwarz	Centre for Creative Enterprise and Participation, Dartington College of Arts
Toff Milway	Conderton Pottery
David Kirk	Cornwall Arts Marketing
Jeanette Radcliffe	Cornwall County Council
Kelly Marshall	Cornwall County Council
Tim Beattie	Cornwall Media
Julie Davies	Creative Kernow
Ben Weschke	Creative Kernow
Tamzyn Emery	Creative Partnerships
Antony Waller	Dance and Theatre Cornwall: The Works
Kate Castle	Dance South West
Matt Griffiths	Dartington Plus
Mr Yosuke Yamamoto	Design & Realisations Limited
Anna Hobbs	Devon County Council, Economic Development
Jackie Donaldson	Dorset Art Weeks Association
Stuart Tarr	DTI, GOSW

Sue Hill	Eden Project
Patrick Cunningham	Exeter Phoenix
Chris Chapman	Falmouth College of Arts
William (Bill) Gething	Feildon Clegg Bradley Architects
Gordon Bess	GB Productions and Entertainment
Phil Gendall	Gendall Design
Philip Bernays	Gloucestershire Everyman Theatre
Graham Bradshaw	Kernow Group
Bertell Martin	Kuumba Arts
Shea Connolly	Northcott Theatre
Liz Tyler	Maker (Jewellery)
Rachael Woodman	Maker (Glass)
Jaya Chakrabati	n:uk
Shea Connolly	Northcott Theatre
Prof Colin Mercer	Nottingham Trent University
Alison Nash	Plymouth City Council
Paul Kelly	Plymouth City Council, Arts Development
Mark Ellis	Propagation House Studios
Phil Webb	Restormel Arts
Brian McCarthy	Small Business Service
Paul Hassan	South West Screen
Celia Yeoman	Swindon Borough Council, Artscape
Alison McCaig	SWRDA
Ann O'Driscoll	SWRDA
Matt Smith	SWRDA
Dan Danson	The Tobacco Factory
Fran Moulds	The Tobacco Factory
Charlie North Lewis	Tivoli Wimborne Theatre
Jason Carter	Trade Partners UK
Cath Gregg	Travelling Light Theatre
Paul Williams	UKTI
Katrina Deverson	West of England LSC
Fiona Gorley	Wiltshire Music Centre
Jan Truman	Wireworks

4 Appendix 2: References

- ADL (2004) *State of the Key Sectors: Volumes 1 and 2*, report for SWRDA.
- DTZ Pineda (2000) *Research on Current and Emerging Industrial Sectors and the Implications for Skills and Business Development*.
- Annabel Jackson Associates (2002) *Review of Managed Workspace*.
- Cooper Simms Associates Limited (2003) *Creating Excellence: the South West Regeneration Centre – Draft Business Plan 2003-06*.
- CPPRU and Perfect Moment (2003) *Creative Value: The Economic Significance of the Creative Industries in Cornwall*.
- CSW, ACE-SW and Dartington Centre for Creative Enterprises (2003) *Made to Measure or Off the Peg? Improving Business Advice to Creative Industries SMEs*.
- Cultural Capital (2004) *Somerset Creative Industries Mapping and Impact Study: Phase 1 Report*.
- CSW Design Industry Forum (2001) *Towards a Design Strategy for the South West*.
- Ekos Consulting (2003) *NVQ Progression Routes Research in the South West*, Creative Industries Chapter, report for SWRDA.
- Falmouth College of Arts and Dartington College of Arts (2004) *CPD for Arts and Design Practitioners in the South West Region*, report for HEFCE, Arts Council England and the Design Council. Draft report.
- Financial Times (2003) 'FT South West England Special Supplement', *Financial Times*, 11/11/03
- Gloucestershire Labour Market Information Unit (2004) *An Introduction to the Creative Industries Sector*, produced for Gloucestershire Learning and Skills Council.
- HERDA-SW (2002) 'Research Briefing: Creative Industries', based on work undertaken by Institute for Employment Studies for HERDA-SW.
- Leadership South West/Centre for Leadership Studies/Centre for Creative Enterprise and Participation (2002) *Making It Real – a Cultural Sector Leadership Development Initiative for the South West*.
- Local Futures (2004) *Geographical Analysis of the South West*.
- Mercer, C. (2003) *Joining the Dots: Cultural Sector Research in the South West of England*, report for CSW.

ONS (2003) *Region in Figures: South West*, Winter 2003/4.

Plymouth City Council (1999) *Developing the Creative Industries Sector in Plymouth*.

South West Arts (2002) *The Real World: A Prospectus for the Crafts in the South West*.

South West Economy Centre (2004) 'Plymouth: A City whose "Time has Come"?' in *South West Economic Review*, Winter 2003/4.

South West Observatory (2003) '2001 Census: Economic Activity in the South West of England – Statistical Bulletin'.

Steer, Erica (2002) *Craft Review of the South West*, for Arts Council South West.

SWRDA (2003) *Regional Economic Strategy for the South West of England 2003-2012*.

University of Plymouth (2002) *Plymouth Travel-to-Work Area Sectoral Workforce Development Programme – Medium- to Long-Term Skills Needs*, report by the Social Research and Regeneration Unit.

South West Regional Assembly (2003) *Trends and Challenges for the South West: Key Issues for the Future of the Region*.

Touch Productions/Denegri-Knott, J. (2003) *Wessex Media Action Research*.

Further Reading

Colin Mercer's *Joining the Dots: Cultural Sector Research in the South West of England* (2003) provides, as the title implies, an overview of research undertaken on the creative industries and the wider cultural sector in the South West between 1997-2003. The report analyses and references 113 regionally-specific studies and a further 62 relevant research studies at the local, regional, national and international level.

5 Appendix 4: Steering Group Members

Karen Yair	CSW/SWRDA
Sue Kay	CSW
Catherine Devenish	ACE-SW
Jules Channer	SW Screen
Jonathan Coe	SWRDA
Damian Whittard	SWRDA
Dafydd Williams	SWRDA



Culture South West/South West Regional Development Agency

Regional Mapping and Economic Impact
Study of the Creative Industries

Stage I Data & Technical Report

Final Report

18th May 2004

BOP (Burns Owens Partnership)
and the School of Performance and Cultural Industries,
University of Leeds



Table of Contents

1. Introduction	1
2. Analysis of Secondary Data	6
3. Technical Notes	14
Appendix 1: Labour Market Data	18
Appendix 2: Economic Performance Data	27
Appendix 3: Definitions	30

Data Tables

LM1 Aggregate Baseline Employment (2001-02)	18
LM2 Creative Industries Employment (1991-2002)	18
LM3 Creative Industries Employment Change (1991-2002)	19
LM4 CDF Domains Employment (1998-2002)	20
LM5 Production Chain Employment Data (1998-2002)	21
LM6 Creative Industries and CDF Domains Employment: Status (%) (1998-2002)	21
LM7 Creative Industries and CDF Domains Employment: Gender (%) (1998-2002)	22
LM8 Creative Industries Employment by Sub-region and District (1998-2002)	23
LM9 National and Core City Creative Industries Employment Comparisons (1998-2002)	24
LM10 Creative Industries Specialisation (Location Quotients)	24
LM11 Self-employment (2001-2)	25
LM12 Occupational Analysis of the Creative Industries (2001)	26
EP1 Stock of Businesses (1998-2001)	27
EP2 Micro-enterprises (1998-2001)	27
EP3 Revenues and Gross Value-added (2001)	28
EP4 Net Capital Investment (2001)	29
EP5. Summary of Audio-visual Sector (2001-2)	29

1. Introduction

This report summarises the key findings from the first stage of the South West Creative Industries Mapping and Economic Impact Study. The report is part of a broader project being jointly undertaken by BOP (Burns Owens Partnership) and the School of Performance and Cultural Industries of the University of Leeds for Culture South West, the South West Regional Development Agency (SWRDA) and their partners. The work ran from September 2003 until the end of May 2004. The study has a specific focus on the South West region as a whole (as defined by the remit of SWRDA). Any sub-regional analysis that has been undertaken as part of this study is therefore necessarily very limited in its scale and scope.

The research has been divided into two phases:

Stage I: Secondary research into the whole creative industries sector in the South West. This is based on statistical analysis of the governments most accurate data sources on the labour market and economic performance. The study has deployed definitions and methodologies outlined by the English RCCs/DCMS' Regional Cultural Data Framework.

Stage II: Primary research into four particular creative industry sub-sectors in the South West region:

- Visual Arts (Inc. Crafts)
- Design (inc. Architecture)
- Performing Arts
- Music

Given this, it is important that the present report should not be read purely as a stand alone document, but instead be taken together with the Stage II report and the 'Key Issues Paper' which contains a synthesis of findings from all the work undertaken in the study.

The four sub-sectors chosen for more in-depth analysis in Stage II were selected by CSW/SWRDA due primarily to the difficulties associated with analysing them using secondary data sets. This stems from an inability to identify accurately and discretely many of the activities in the four sub-sectors (e.g. Crafts) using the government's own statistical methodologies.

1.1 Regional Cultural Data Framework (RCDF)

This section explains the basis on which the data presented has been sourced and collated. In particular, the section introduces the Regional Cultural Data Framework (RCDF) and explains how it has been used to structure the data presented. This section draws to the reader's attention some of the inherent limitations of the sources of data consulted for the purpose of the study

The RCDF was developed by the Department of Culture, Media and Sport in partnership with the Regional Cultural Consortia and other regional cultural agencies in order to provide a common evidence-base for assessing the regional impacts of cultural activity. Although comprehensive in scope, the intention behind the RCDF is to develop a Framework that is useable, manageable and cost effective. The scope of the RCDF is broad and includes economic, social and cultural impacts. It contains a number of features that are particularly pertinent to the purposes of this report:

- a) A definition of the cultural sector and its constituent domains (sub-sectors);
- b) A proposed schema for understanding the production/supply chain of the cultural sector (see section 1.2 below);
- c) A description of the sub-sectors in terms of Standard Industrial¹ and Occupational Classifications²;
- d) A set of impact indicators with recommended measures;
- e) Recommendations concerning the appropriate use of national datasets for specific purposes.

The application of the Framework to the South West has been informed by the findings of the *Joining the Dots* survey of cultural sector research in the South West, undertaken by Colin Mercer³

¹ The system of industry classification in the UK used in this study is contained in the Office for National Statistics publication UK Standard Industrial Classification of Economic Activities 1992 (SIC 92). Its principal purpose is to classify business establishments by types of economic activity. The classification system is used to provide a framework for the collection, collation, presentation and analysis of data. The UK system of classification is intended to be broadly in line with the European standard – *Nomenclature generale des activites economiques dans le Communautes europeenes* (NACE Revision 1 1990) and this in turn is broadly consistent with the International Standard Industrial Classification of all Economic Activities (ISIC Revision 3, 1989). Major revisions of the classification take place every 15 years or so. The next is in 2007. Minor revisions to SIC 92 were made in 2003 but these have yet to effect the presentation of data.

² The Standard Occupational Classification system is a corresponding means of classifying paid jobs performed by economically active people. Classification is normally made by main job. The UK system is broadly in line with the International Standard Classification of Occupations (ILO, 1990). Revisions take place approximately every 10 years.

³ Mercer, C. 2003. *Joining the Dots*. Bristol: Culture South West.

1.2 Definition of the Cultural Sector

The RCDF reviews the available definitions of the cultural sector, drawing where appropriate on international definitions and frameworks. The aim is to propose a definition of the cultural sector that is grounded in a consistent conceptual basis. The RCDF recommends a principle of classification based on the two ideas of 'cultural use' (the breadth of the cultural sector) and 'production chains or cycles' (the depth of the cultural sector).

On defining the boundaries of the cultural sector industrial activities are included within the definition if their products and services have a final intended cultural use. Industrial activities are subsequently grouped into domains based on the existence of strong linkages between the activities. The exceptions to this are for creative design processes that are essentially cultural inputs into other sectors such as architecture and designer fashion.

This results in the definition of seven domains: Audio-visual (including Music and Advertising), Books and Press, Performance, Visual Arts, Heritage, Sport and Tourism, each of which is determined by the strong internal linkages between their respective constituent activities. The aim is for these domains to be mutually exclusive (to avoid double counting) and to be capable of periodic revision as the sector itself changes. The Standard Industrial and Occupational Classifications (SIC/SOC codes) used to populate these domains with data are set out in the appendices to this report. For the purposes of this report the creative industries are taken to be the first four domains listed above. It is important to note that the RCDF recommends a conservative approach to the use of SIC and SOC codes including only those that can be confidently identified as containing creative industry activities. This has particular implications for two sets of activities believed to be significant within the creative industries – software and interactive media and crafts. In the case of the former, the relevant SIC codes are not sufficiently fine-grained to be able to identify robustly the creative element⁴. In the case of the latter, there are no codes that enable a clear identification of the relevant activities.

In shorthand, the principal activities within each of the four RCDF creative industry domains are as follows:

⁴ Burns Owen Partnership is undertaking a separately commissioned piece of work on behalf of South West Screen to estimate the size and economic impact of the interactive media sector. This work employs the procedure of estimating a co-efficient to apply to the SIC codes that may be relevant for these industrial activities.

Audio-visual⁵ Film and video Radio and television Advertising Music	Books and press Publishing Printing Literature
Performance Theatre Dance Circus	Visual arts Fine arts Architecture Design

Production/Supply Chains

One of the principal limitations of previously available definitions of the cultural sector is that they have tended to have a very narrow focus on direct cultural activities at the expense of seeing the full range of activities that enable cultural activities to take place. The presentation of the cultural sector using a production chain or cycle approach provides a fuller picture of the activities that are necessary to enable cultural activities to take place. Thus, where, for example, a traditional approach to music foregrounds the role of the composer and musician, a production or supply chain approach sets the work of these occupations within a broader context taking in recording studios, music publishing, instrument manufacture, music venues, music management, etc.

The production chain/cycle schema proposed by the RCDF is a further development of international standards used for example by UNESCO and other cultural statistical frameworks. The RCDF proposes six separate linkages or functions that illustrate the typical kinds of activities undertaken within any given domain or sub-sector. These six functions are Creation, Making, Dissemination, Exhibition/Reception, Archiving/Preserving and Education/Understanding.

Creation includes the original conceptualisation and realisation of a creative idea. Manufacture includes production and, where relevant, reproduction. Dissemination encompasses activities that distribute creative and cultural products. Exhibition and reception include activities of presentation and final sale. Archiving and preserving incorporate conservation activities. Education and understanding include the full range of development activities whether of the practitioner (disciplinary and vocational education) or the audience.

⁵ The Audio-visual sector (including music and advertising) is not synonymous with the set of industrial activities that fall under the remit of the regional Screen Agencies. Music is included in the statistics covered by the focus of this stage of the impact study. Music has a separate focus in the second stage.

Due to limitations in present statistical classification systems, the data presented in this report concerns only the first four stages of the production chain: Creation, Making, Dissemination, Exhibition/Reception. The appendices to this report set out the four relevant domains as described above with their production/supply chain functions defined by Standard Industrial Classifications (SIC). Further commentary on the data sources used in the report and the ongoing development of the RCDF is included in the Technical Notes below.

Statistical Health Warnings

The fundamental claim of the RCDF is that the cultural sector has not fully realised the potential use of existing national data sets for mapping and assessing the economic impact of the cultural sector. More detailed comments on the sources of data are made below in section 4.1. However, for the purposes of reading section 2 and the detailed statistical appendices a number of general statistical health warnings need to be made. These are:

1. Whilst the principal data sources are intended to be broadly reliable for regional purposes, the level of reliability lessens the more detailed the classification of industrial activities becomes as a result of the diminishing size of the samples used as a basis for estimation. Grouping activities into domains as described above mitigates some of this.
2. It is widely claimed that important parts of the creative sector fall beneath the financial and/or employment thresholds for inclusion within the samples used for national datasets. This particular component of the creative sector may be underestimated in the national datasets for two principal reasons. First, the SME sector is represented by a comparatively small sample within the national datasets that may not be large enough to capture the breadth of SME-based creative activities. Secondly, self-employment data is based on a very small sample of households that may not be sufficient to capture the required activities at the necessary level of occupational and geographical definition. This is emphatically the case at the sub-regional level and regional data has to be treated with some caution too.
3. The national datasets are not intended to be robust at the sub-regional level with the necessary level of industrial definition required to identify creative activities.

4. The domains can only be populated by existing SIC codes. The RCDF identifies a wide range of activities that should be included under each domain but which cannot be separately identified because the SIC codes do not exist for them. The statistics presented here therefore, are, by definition, incomplete pictures of the potential list of activities that are undertaken in any given domain.

2. Analysis of Secondary Data

This section presents a summary analysis of the available secondary economic data for the creative industries in the South West. A one-page summary of the key variables is included as Table 1, with the full statistical tables reproduced in Appendices 1 and 2. In the following section, the headline data is presented in two sub-sections. The first sets out the principal labour market characteristics of the creative industries sector in the South West. The second summarises the economic performance of the creative industries in the South West. Each sub-section is concluded with a brief interpretation of the data.

2.1 Labour Market Data

Employment and Self-employment:

1. In 2002⁶, the creative industries provided direct employment for nearly 89,000 people representing 3.6% of the total regional workforce (2002).
2. Nearly 59,000 are employees of which 67% were employed on a full-time basis.
3. Over the period 1991-2002 employment growth in the creative industries in the South West was 17.4% against a national creative industries growth rate over the same period of 19.2%.
4. Of the 89,000 people employed in the creative industries, just under 30,000 are self-employed (34%).
5. The South West accounted for 8.0% of employees in the creative industries in England and 11.1% of the self employed.
6. Overall, the South West has 8.8% of the aggregate creative industries workforce of England.

⁶ The latest year for which labour market data is available is 2002. The data for 2003 will become available late in 2004.

Sub-sectoral employment:

1. For the purposes of this report the creative industries sector is divided into four component sub-sectors or domains: The Audio-visual sector (including Music and Advertising), Books and Press, Performance and Visual Arts. The latter includes architecture and crafts.
2. Of the 89,000 working in the creative industries, 28,814 work in the Audio-visual sector. Of these, 16.3% are self employed.
3. 30,076 people work in Books and Press. Of these, 20% are self employed.
4. Nearly 6,300 people work in Performance in which nearly 33% are self employed.
5. Nearly 23,500 people work in the Visual Arts sector where almost 75% are self employed. In the Visual Arts sector, self employment is particularly prevalent among architects, artists, graphic designers and craft makers.

Sub-regional Employment:

1. The employment base of the creative industries is distributed across the region. To illustrate the extent of this distribution some sub-regional analysis has been possible. For the purposes of this report seven sub-regions have been defined. These have been derived from the areas of activity defined by Government Office South West and are: West of England, Cornwall and the Scilly Isles, Devon, Dorset, Gloucestershire, Somerset, Wiltshire and Swindon.
2. The largest concentration of creative industry jobs is in the West of England centred on the City of Bristol. Over the period 1998 to 2002, employment in the creative industries around this area grew by 12.8%. Cornwall and the Scilly Isles experienced a much higher growth rate over the period (29.7%) but from a much smaller base. Smaller growth rates and even contraction were experienced in the other sub-regions: Devon (11.4%), Dorset (-1.5%), Gloucestershire (-0.8%), Somerset (8.7%) and Wiltshire and Swindon (2.0%).
3. The ONS have advised that a sub-regional analysis of self employment in the creative industries sector would not be sufficiently reliable to be made available.

Employment by Occupation:

1. Over a third (36%) of jobs undertaken in the creative industries are classed as associate professional and technical occupations.
2. Professional occupations are less prevalent (10% and 9% for the South West and England respectively).
3. There is some specific sub-sectoral variation in the Visual Arts sector where 32% and 35% of jobs are classified as professional for the South West and England respectively.
4. Managers and senior officials account for 19% and 16% of the creative industries workforce in England and the South West respectively.
5. Sales occupations account for 10% and 12% of workers respectively.
6. In the South West, however, sales occupations account for 21% of jobs in the Audio-visual sector compared with a national average of 13%. Approximately one half of these jobs are in retail occupations with an additional quarter in advertising. 12% of South West Books and Press jobs are in sales occupations as are 6% of Performance jobs and 1% of Visual Arts jobs.

Demographics of Employment:

1. In 2001, 55% of creative industries jobs in the South West were occupied by men.
2. At a sub-sectoral level, the Audio-visual and Visual Arts sectors reproduce this picture.
3. In Books and Press, the workforce is evenly split between men and women.
4. However, in Performance, 54% of jobs are held by women.
5. It is not possible to identify the ethnic minority component of the creative industry workforce as SICs/SOCs are not cross-tabulated with ethnicity at the level of detail required. According to the 2001 Census, 97.7% of the regional population was classified as white.

Pay and Earnings:

1. The New Earnings Survey was consulted for data relating to pay and earnings for creative occupations. However, the sample size used for this dataset only supports analysis at a national level for this level of occupational definition. The sample size at regional level is too small to be considered reliable.

Commentary

These comments are subject to the statistical health warning given in section 1.2 above. Throughout the 1990s employment in the creative industries in the South West grew broadly in line with national trends. In the period 1991-1998, employment in the region as a whole grew faster than employment in the creative industries. However since 1998, employment growth in the creative industries has equalled that of the South West economy as a whole.

There is continuous growth in creative industry employment through to 2001. However the provisional employment estimates from the ONS for 2002 show a fall in aggregate national employment (employees plus self-employed) in the creative industries of 2.7%. The fall within the South West region is more than double this, leading to a small overall reduction in the region's share of national creative industry employment from 9.0% to 8.8%.

The fall in employment both nationally and regionally is, however, localised to fluctuations in the Audio-visual sector. At the regional level, the overall fall in aggregate employment numbers for this sector is in spite of a growth in self-employment numbers in this domain. While continuing to be the single-most important source of direct employment in the creative industries, the Audio-visual industries seem to be prone to greater fluctuations, possibly arising from the market but also possibly dependent upon competition from other parts of the country.

The employment figures for Books and Press, Performance and Visual Arts are either stable or still on a growth path. The findings from the Stage II survey of Performance, Music, Visual Arts and Design businesses tend to confirm optimistic expectations within these sectors.

Across the production chain there has also been a shift in the focus of employment. In 1998, 66% of regional creative industries employment was located in the Creation and Making functions. Since this time, there has been a reduction in the proportion of employment attributable to these functions and a growth in the significance of

Dissemination and Exhibition and Reception, which account for 41% of sector employment by 2002. The growth in Exhibition and Reception employment is particularly accentuated in the Audio-visual sector, driven primarily by investment in multiplex cinemas. In this function the region has twice the national level of Audio-visual sector employment in sales occupations. This may indicate some level of re-structuring within the Audio-visual sector within a cyclical pattern of employment growth and contraction.

Looking at the sub-regional level, Bristol manages to maintain its high level of creative sector specialisation compared with the other members of the Core Cities Group⁷. This is despite a reduction in Audio-visual sector employment in the city which has contributed to an absolute reduction in Bristol's share of creative industry employment in the region.

On a broader sub-regional level, the centres of employment growth (in terms of absolute numbers) are concentrated upon the Avon and Devon sub-regions. However, in relative growth terms, the fastest growing sub-region is Cornwall and the Scilly Isles.

Full labour market data is contained in Appendix 1.

2.2 Economic Performance Data

Number and Size of Businesses:

1. The total number of businesses with employees in 2001⁸ was 9,355.
2. Of these, nearly 90% are micro-enterprises employing less than 10 people. Micro-enterprises accounted for 32.5% of sector employment. There are no significant differences in the size profile of the creative sector in the South West compared with that of the sector at the national level.
3. Small and medium-sized enterprise accounted for 10% of businesses, employing 48% of the creative industry workforce. The

⁷ The Core Cities Group was set up in 2002 by the Office of the Deputy Prime Minister to engage a wide range of city stakeholders in developing approaches to improve the contribution of cities towards an urban renaissance and their contribution to regional economic prosperity. The Core Cities are Bristol, Birmingham, Nottingham, Sheffield, Leeds, Manchester, Liverpool and Newcastle.

⁸ The latest year for which economic performance data is available is 2001. Although the data for number of businesses is available for 2002, the 2001 data has been used here to ensure consistency of period. It is anticipated that the 2002 economic performance data will be released by the Office for National Statistics in the summer of 2004.

pattern is roughly the same at the national level, with small and medium sized enterprises accounting for nearly 10 percent of the stock of businesses and employing 45% of the creative industry workforce.

4. There are approximately 25-30 large enterprises.
5. Between 1998 and 2001 the stock of businesses grew by approximately 9% at the regional level and 5% at the national level.
6. The small and medium-sized enterprises increased their share of employment by 3% during this period.

Turnover, Output and Gross value-added (GVA):

1. The output of the South West creative industries generated revenues of £5.54bn and GVA of £1.63bn in 2001.
2. This represented 4.3% and 3.6% of regional business revenues and GVA. By comparison, the sector makes a 5.7% and a 5.8% contribution to national (England) business revenues and GVA respectively. This national picture does include the respective figures for London (not available to the research team at time of writing).
3. The Audio-visual sector (including Music and Advertising) accounts for 66.6% of all business revenues and 47% of the GVA generated by the creative industries in the South West. Books and Press contributes 24% of business revenues and 34% of GVA. Visual Arts and Performance together contribute 10% of business revenues and 19% of GVA.

Investment (Net Capital Expenditure):

1. Investment in capital equipment made by the creative industries sector in 2001 amounted to £173m, representing an average investment per business and per employee of nearly £19k and £2.7k respectively. The average level of net capital investment per business and per employee for the South West economy as a whole was £35.4k and £3.3k.
2. 56% of aggregate net capital investment was made in the Audio-visual sector (including Music and Advertising), with an average capital investment of over £28k and £3.3k per business and employee respectively.

3. 29% of aggregate net capital investment was made in the Books and Press sector with an average capital investment of £18.1k and £2.2k per business and employee.
4. The Visual Arts and Performance sectors accounted for 15% of aggregate net capital investment made by the sector. The average level of investment per business and per employee for Visual Arts was £8.3k and £2.1k. The average level of investment per business and per employee for Performance was £7.9k and £2.1k.

Business Start-ups and Failures:

1. The VAT Registration and De-registration data published by the Small Business Service was consulted for this report. The data is however only available for 3-digit SIC codes at the national level and would therefore be a very unreliable indicator of performance for the sector at a regional level.
2. A regional analysis of registrations and de-registrations is not available at the 4-digit SIC level required to separately identify the creative industries.

Commentary

Whilst there has been some decline in the overall numbers employed in the creative sector in the South West in the period 1998 to 2001, it is also important to point out that there has been some growth in the size of some businesses. Whilst micro-enterprises accounted for 36.9% of employment in 1998, this had fallen to 32.5% in 2001. However, small enterprises (10-49 employees) increased their share of employment over the period from 24.2% to 26.6%.

Financial trend analysis for the sector is impossible to undertake on only one years worth of data. In 2001 the sector as a whole was a contributor to direct wealth creation⁹ in the region accounting for 3.6% of Gross Value-added. 47% of the sector's contribution to wealth creation came from the Audio-visual sector. 34% came from the Books and Press sector. 4.4% came from Performance and 14% from Visual Arts.

Full economic performance data is contained in Appendix 2.

A summary table of key variables for creative industries in the region is included as Table 1 below.

⁹ This does not include wealth that may be realised by the secondary spend activities of sector customers.

Table 1. South West Creative Industries: Key Data Summary

Labour Market Data			Economic Performance Data		
Variable	Value	Ref	Variable	Value	Ref
Aggregate Employment in South West Creative Industries	88637	LM1	Total number of businesses in South West Creative Industries (2001)	9355	EP1
Employment in Creative Industries in the South West (2002)	58883	LM2	Proportion of Micro-enterprises in the South West Creative Industries (2001)	89.7%	EP1
Creative Industries share of South West employment (2002)	2.8%	LM2	Employees working in Micro-enterprises in the South West Creative Industries (2001)	32.5%	EP1
South West share of English Creative Industries employment (2002)	8.0%	LM2	Aggregate revenues generated by South West Creative Industries (2001)	£5.5 bn	EP3
Change in South West Creative Industries employment (1991-2002)	17.4%	LM3	Creative Industries share of aggregate regional economy revenues (2001)	4.3%	
Audio-Visual share of South West Creative Industries employment (2002)	40.1%	LM4	Gross Value Added (GVA) generated by South West Creative Industries (2001)	£1.6bn	EP3
Books and Press share of South West Creative Industries employment (2002)	40.1	LM4	Creative Industries share of aggregate regional GVA (2001)	3.6%	
Performance share of South West Creative Industries employment (2002)	7.2%	LM4	Aggregate net capital investment in South West Creative Industries (2001)	£173m	EP4
Visual Arts share of South West Creative Industries employment (2002)	12.6%	LM4	Average net capital investment per Creative Industries business (2001)	£18.7k	EP4
Ratio of full-time to part-time employees in South West Creative Industries (2002)	67:33	LM6	Average net capital investment per Creative Industries employee (2001)	£2.7k	EP4
Ratio of male to female employees in South West Creative Industries (2002)	53:47	LM7			
Avon area share of South West Creative Industries employment (2002)	28.6%	LM8			
Total number of freelancers in the South West Creative Industries (2002)	29754	LM1/9			

3. Technical Notes

Standard Industry and Occupational Classifications

The SIC system uses a hierarchical structure of codes enabling a progressively more fine-grained definition of industrial activities as analysis moves from upper to lower levels. For most purposes the creative industries are defined at the four-digit level. For most available datasets this is the most detailed level of analysis available. However, some creative industries activities are combined in four-digit SIC codes with other activities that are irrelevant. Where the creative industries element is expressed in a 5-digit code, for the purposes of this report, it has been assumed that any value at the four-digit level can be equally apportioned across any five-digit codes that it contains.

It is important to note, as pointed out by *Joining the Dots* that two functions - Archiving/Preserving and Education/Understanding do not possess corresponding SIC codes. Similarly, activities based in the Visual Arts and Performance are less well defined than the Audio-visual and Books and Press sectors. The absence of fully detailed SIC codes for these sectors may lead to an understatement of their economic impact.

The RCDF also recommends the use of a number of Standard Occupational Classifications to assist in identifying the occupational structure of the cultural sector and to identify the distinction between employment and self-employment. As with the Industrial Classifications, occupations are grouped together to form larger sub-sets. These sub-sets bring together occupations based around the general level of skill required to perform them, typically evidenced by the requirement for formal qualifications and the length of time required to acquire them¹⁰. Thus for example, the group Associate Professional and Technical occupations are those that typically require a degree or equivalent work experience. The relevant occupational groupings are set out in the attached appendices.

4.1 Indicators and Measures of Economic Impact

The RCDF provides advice and guidance on a wide range of indicators and measures for assessing the range of impacts of the cultural sector. The indication and measurement of economic impact is

¹⁰ For a more detailed discussion of the principles of classification see ONS. 2000. *Standard Occupational Classification 2000, Vol. 1 Structure and Description of Unit Groups*. London: The Stationery Office.

served by a number of datasets. The main ones and a brief description of their strengths and weaknesses for this purpose are as follows:

Annual Business Inquiry (ABI)

The ABI is an annual survey of a sample of businesses that have employees. The sample of businesses chosen for the survey is designed to reflect the size of businesses and their industrial activities. The ABI does not survey sole traders. It collects a wide range of data that is presented in two datasets. ABI 1 covers labour market data including business size by employment, demographics of the workforce and labour market status (full and part-time working). ABI 2 covers economic performance data including business revenues, gross value-added and net capital investment. The ABI is designed to be broadly representative at the regional level across industrial activities and business size.

Labour Force Survey (LFS)

The LFS is a quarterly survey of a sample of households. Each quarter the survey samples 60,000 households about their labour market activities including industry and occupation worked in. The survey is particularly important for identifying self-employed people and their economic activities. Each year the four quarters are amalgamated to produce an annual Labour Force Survey. In this report the volume of self-employment has been calculated by cross referring employment status (employed or self-employed) with the relevant creative industries SOCs as set in the appendices.

New Earnings Survey (NES)

The NES is a sample survey of employees earnings. It specifically provides data concerning the levels, distribution and composition of employees earnings. However data is not published at the four-digit level for industries and occupations. For this reason, the earnings of employees in the creative industries are not clearly discernible.

VAT Registration and De-registration Data (VAT RD)

The main source of national data concerning business start-ups and closure is the VAT DR dataset. The principle of VAT registration is taken as a proxy for business start-up, de-registration as a proxy for business closure. The dataset therefore only covers businesses required to register for VAT. National data is published at the three-digit SIC level for industries. Regional data is not available for specific industries. For this reason the VAT RD dataset cannot be used to

assess the start-up and closure patterns for regional creative industries.

Geographical Scope

The definitions of region and sub-region used throughout the report are those defined by Government Office areas of responsibility and operation.

4.2 On-going Data Collection and Presentation

Existing datasets

The Annual Business Inquiry and Labour Force Survey can be interrogated on an annual basis to provide regional level data on employment and business performance in the creative industries sector. However, the level of definition required to analyse the creative industries cannot be replicated at sub-regional levels with any reasonable degree of reliability. This position could only be improved by means of increase in sample size. This is an issue that could only be resolved at national level through the use of sample boosters.

Similarly, the relatively low level of definition within the SIC system for some parts of the creative industries sector can only be fully addressed through a revision of the classification system itself. Some work is currently being undertaken on this in preparation for the 2007 revision of the international classification system. The Department of Culture, Media and Sport is contributing to that process. This however, does not preclude the development of a classification system for the creative industries that could be implemented through primary research provided that it was co-ordinated nationally to ensure comparability and consistency.

Development of RCDF

This section briefly reviews the experience of implementing the RCDF for the specific purposes of mapping the creative industries and estimating their economic impact. The implementation of RCDF has highlighted a number of areas for further attention.

1. The locations of some sub-sectors (architecture in Visual Arts and music and advertising in Audio-visual) have drawn attention and may need to be re-considered.

2. A number of activities which should be included (crafts and creative software development) are excluded because of a lack of clearly attributable SIC codes. A question has been raised as to whether their omission is more misleading than trying to find a way to include them on, perhaps on another basis. The problem with this is that it would require a level of estimation that may be at odds with the aspiration to develop a credible evidence-base.
3. The RCDF recommends the use of a number of five-digit SIC codes. However, the ABI can only be analysed up to the four-digit level. This therefore still leaves the problem of trying to estimate the relevant fraction of any four-digit level value.
4. The production/supply chain model has been found to be inappropriate for some activities. It may therefore be necessary to refine the existing six-function model to make it more sensitive to sub-sectoral characteristics.
5. Similarly, the absence of suitable SIC codes for the functions of Archiving/Preservation and Education/Understanding has led to a questioning of their relevance. It may be necessary to look for other ways of acknowledging the role of these activities.
6. Other candidates for functional status within the production/supply chain model include Marketing and Regulation.

Appendix 1: Labour Market Data

LM1 Aggregate Baseline Employment (2001-02)

Sector	Employment Status					
	Employees ¹		Self-employed ²		Total	
	2001	2002	2001	2002	2001	2002
South West Creative Industries	63807	58883	30003	29754	93810	88637
South West Audio Visual	29908	24113	4551	4701	34459	28814
South West Books and Press	23116	24052	6100	6024	29216	30076
South West Performance	4085	4220	1337	2064	5422	6284
South West Visual Arts	6698	6498	18105	16965	24713	23463

¹ Annual Business Inquiry © Crown Copyright (2003)
² Labour Force Survey © Crown Copyright (2003)

LM2 Creative Industries Employment (1991-2002)

Variable	Date						
	1991 ¹	1995 ¹	1998	1999	2000	2001	2002
Creative Industries Employment: England	667113	673711	721520	747156	764088	780417	740092
Creative Industries Employment: South West	50156	53424	54403	58376	61696	63807	58883
South West Share of England Creative Industries	7.5%	7.9%	7.5%	7.8%	8.1%	8.2%	8.0%
Creative Industries Share of South West Employment	2.9%	3.0%	2.8%	2.9%	3.0%	3.0%	2.8%
Total Employment England	18608304	18882022	21158389	21602111	21914852	22057115	22175255
Total Employment South West	1714308	1781091	1950850	1991167	2032128	2099315	2109162

Source: Annual Business Inquiry © Crown Copyright (2003)
 Except:
¹ Annual Employment Survey © Crown Copyright (2003). 1995 figures are un-re-scaled.

LM3 Creative Industries Employment Change (1991-2002)

Variable	Period		
	1991 ¹ -1998	1998-2002	1991-2002
Creative Industries South West	8.5%	8.2	17.4
South West Economy	13.8%	8.1	23.0
Creative Industries England	8.2%	2.6	19.2
Source: Annual Business Inquiry © Crown Copyright (2003)			
Except ¹ Annual Employment Survey © Crown Copyright (2003).			

LM4 CDF Domains Employment (1998-2002)

	Date				
	1998	1999	2000	2001	2002
Audio-visual (AV)					
Aggregate Employment in AV: England	335098	347376	374059	376569	345072
Aggregate Employment in AV: South West	24049	25112	29556	29908	24113
South West AV Share of England AV Employment	7.2%	7.2%	7.9%	7.9%	7.0
AV Share of South West Creative Industries Employment	44.2%	43.0%	47.9%	46.9%	40.1
Books and Press (BP)					
Aggregate Employment in BP: England	266002	268954	259065	266317	259511
Aggregate Employment in BP: South West	21190	23417	22386	23116	24052
South West BP Share of England BP Employment	8.0%	8.7%	8.6%	8.7%	9.3
BP Share of South West Creative Industries Employment	39.0%	40.1%	36.3%	36.2%	40.1
Performance (PA)					
Aggregate Employment in PA: England	43998	51364	50812	55101	54902
Aggregate Employment in PA: South West	3194	3784	3763	4085	4220
South West PA Share of England PA Employment	7.3%	7.4%	7.4%	7.4%	7.7
PA Share of South West Creative Industries Employment	5.9%	6.5%	6.1%	6.4%	7.2
Visual Arts (VA)					
Aggregate Employment in VA: England	76422	79463	79702	82431	80608
Aggregate Employment in VA: South West	5970	6064	5992	6698	6498
South West VA Share of England VA Employment	7.8%	7.6%	7.5%	8.1%	8.1
VA Share of South West Creative Industries Employment	11.0%	10.4%	9.7%	10.5%	12.6
Source: Annual Business Inquiry © Crown Copyright (2003)					

LM5 Production Chain Employment Data (1998-2002)

	Date										Change (%)
	1998		1999		2000		2001		2002		
	No	%									
Creation	16111	30	17792	30	18062	29	18715	29	14672	25	-9
Making	18489	34	19280	33	21143	34	22044	35	20074	34	9
Dissemination	17690	33	19114	33	19538	32	19562	31	18348	31	4
Exhibition & reception	2113	4	2190	4	2953	5	3486	5	5789	10	174
Archiving & preservation	0	0	0	0	0	0	0	0	0	0	0
Education & understanding	0	0	0	0	0	0	0	0	0	0	0
Total	54403	100	58376	100	61696	100	63807	100	58883	100	8.2

Source: Annual Business Inquiry © Crown Copyright (2003)

LM6 Creative Industries and CDF Domains Employment: Status (%) (1998-2002)

Variable	Date									
	1998		1999		2000		2001		2002	
	F/T	P/T								
England Creative Industries	75	25	74	26	75	25	75	25	73	27
South West Creative Industries	69	31	69	31	69	31	71	29	67	33
South West Audio Visual	74	26	74	26	73	27	74	26	69	31
South West Books and Press	64	36	65	35	65	35	68	32	65	35
South West Performance	51	49	51	49	53	47	57	43	54	46
South West Visual Arts	73	27	73	27	74	26	76	24	73	27

Source: Annual Business Inquiry © Crown Copyright (2003)

LM7 Creative Industries and CDF Domains Employment: Gender (%) (1998-2002)

	Date									
	1998		1999		2000		2001		2002	
	M	F	M	F	M	F	M	F	M	F
England Creative Industries	53	47	53	47	54	46	55	45	54	46
South West Creative Industries	52	48	51	49	53	47	55	45	53	47
South West Audio Visual	56	44	55	45	57	43	58	42	57	43
South West Books and Press	46	54	46	54	49	51	50	50	49	51
South West Performance	47	53	49	51	48	52	46	54	47	53
South West Visual Arts	57	43	57	43	58	42	59	41	56	44
Source: Annual Business Inquiry © Crown Copyright (2003)										

LM8 Creative Industries Employment by Sub-region and District (1998-2002)

Area	Date					
	1998	2001	2002	% of local employment		Change 98-02(%)
				2001	2002	
West of England						
Bath and NE Somerset	3116	4049	3851	5.4	4.8	23.6
Bristol	8814	9476	8953	4.1	3.7	1.7
N Somerset	1387	1784	1813	2.7	2.7	30.7
South Gloucestershire	1647	2879	2265	2.5	2.0	37.5
<i>Sub-regional total</i>	14964	18188	16882	3.7	3.4	12.8
Cornwall and the Scilly Isles						
Cornwall and the Scilly Isles	3409	3534	4422	2.1	2.5	29.7
<i>Sub-regional total</i>	3409	3534	4422	2.1	2.5	29.7
Devon						
Devon	5756	6906	7351	2.6	2.7	27.7
Plymouth	3103	3735	3279	3.5	3.2	5.7
Torbay	1793	2464	1241	5.1	2.8	-30.8
<i>Sub-regional total</i>	10652	13105	11871	3.1	2.8	11.4
Dorset						
Bournemouth	1899	2136	1892	3.0	2.5	-0.4
Dorset	2904	3597	3125	2.7	2.3	7.6
Poole	2039	2095	1720	3.2	2.9	-15.6
<i>Sub-regional total</i>	6842	7828	6737	2.9	2.5	-1.5
Gloucestershire						
Gloucestershire	7160	7461	7100	3.1	2.9	-0.8
<i>Sub-regional total</i>	7160	7461	7100	3.1	2.9	-0.8
Somerset						
Somerset	4041	4807	4394	2.5	2.3	8.7
<i>Sub-regional total</i>	4041	4807	4394	2.5	2.3	8.7
Wiltshire and Swindon						
Swindon	3505	4222	3308	3.7	3.0	-5.6
Wiltshire	3826	4657	4169	2.6	2.5	9.0
<i>Sub-regional total</i>	7331	8879	7477	3.0	2.7	2.0
South West	54399	63802	58883	3.0	2.8	8.2

Source: Annual Business Inquiry © Crown Copyright (2003)

LM9 National and Core City Creative Industries Employment Comparisons (1998-2002)

Area	Year										Change 98-02
	1998		1999		2000		2001		2002		
	No.s	%									
Bristol	8835	4.0	10122	4.4	10362	4.4	9476	4.1	8954	3.7	+1.3%
Birmingham	13920	3.0	14143	2.9	14107	3.0	15635	3.2	13121	2.7	-5.7%
Leeds	12159	3.3	12197	3.1	12092	3.1	12138	3.2	12013	3.0	-1.2%
Liverpool	6490	3.2	6640	3.2	6735	3.4	6662	3.2	6087	2.8	-6.2%
Manchester	10663	4.0	11522	4.1	11619	4.1	11514	4.0	12225	3.9	+14.6%
Newcastle	4906	3.3	4833	3.1	4780	3.0	4764	2.9	5330	3.1	+8.6%
Nottingham	5020	2.7	4864	2.8	5342	3.0	5229	2.9	5149	2.9	+2.6%
Sheffield	5609	2.5	4751	2.2	5749	2.6	6025	2.6	5207	2.2	-7.2%
Total Core Cities	67602	3.2	69072	3.2	70786	3.3	71443	3.3	68086	3.0	+0.7%
England	755646	100	781086	100	789364	100	805149	100	740092	100	-2.1%

Source: Annual Business Inquiry © Crown Copyright (2004)

LM10 Creative Industries Specialisation (Location Quotients)

Area	Year				
	1998	1999	2000	2001	2002
Bristol	1.2	1.4	1.3	1.2	1.2
Birmingham	0.9	0.9	0.9	1.0	0.9
Leeds	1.0	1.0	0.9	1.0	1.0
Liverpool	1.0	1.0	1.0	1.0	0.9
Manchester	1.2	1.3	1.2	1.2	1.3
Newcastle	1.0	1.0	0.9	0.9	1.0
Nottingham	0.8	0.9	0.9	0.9	1.0
Sheffield	0.8	0.7	0.8	0.8	0.7
Core Cities	1.0	1.0	1.0	1.0	1.0

Source: Annual Business Inquiry © Crown Copyright (2004)

LM11 Self-employment (2001-2)

Sector	Self-employment (Numbers) ¹				Share of total self-employment (%)			
	England		South West		South West share of sector self-employment in England		Self-employment share of regional total sector employment	
	2001	2002	2001	2002	2001	2002	2001	2002
Creative industries	243530	268969	30003	29754	12.3	11.1	32.0	33.6
Audio Visual	63256	72336	4551	4701	7.2	6.5	13.2	16.3
Books and Press	43464	51826	6100	6024	14.0	11.6	20.9	20.0
Performance	34360	33579	1337	2064	3.9	6.1	24.7	32.8
Visual Arts	102450	111228	18015	16965	17.6	15.3	72.9	72.3

Source: Labour Force Survey © Crown Copyright (2003)
¹This table only includes those individuals who record their work in the creative industries as their main job. It does not include those for whom work in the creative industries would count as a second job.

LM12 Occupational Analysis of the Creative Industries (2001)

Sector	Occupational Group (%)																			
	Managers and senior officials		Professional		Associate professional		Administrative and secretarial		Skilled		Personal services		Sales		Plant and machinery operation		Elementary occupations		Total	
	Eng	SW	Eng	SW	Eng	SW	Eng	SW	Eng	SW	Eng	SW	Eng	SW	Eng	SW	Eng	SW	Eng	SW
Creative Industries	19	16	9	10	36	36	10	7	6	7	1	1	10	12	3	4	6	7	100	100
Audio Visual	23	20	6	9	30	31	10	4	6	3	1	2	13	21	4	7	7	3	100	100
Books and Press	20	13	4	4	37	37	10	6	7	12	0	0	13	12	2	5	7	11	100	100
Performance	11	11	8	0	53	53	9	10	5	3	4	5	2	6	1	0	7	12	100	100
Visual Arts	14	16	35	32	34	32	11	14	3	2	1	0	0	1	1	1	1	2	100	100

Source: Labour Force Survey © Crown Copyright (2003)

Appendix 2: Economic Performance Data

EP1 Stock of Businesses (1998-2001)

Size	Dates							
	1998				2001			
	Businesses	%	Employment	%	Businesses	%	Employment	%
Micro (<10)	7835	91.1	20098	36.9	8396	89.7	20717	32.5
Small (10-49)	620	7.2	13175	24.2	782	8.4	16982	26.6
Medium (50-199)	126	1.5	11404	21	151	1.6	13663	21.4
Large (200+)	18	0.2	9722	17.9	26	0.3	12447	19.5
Total	8599	100.0	54399	100.0	9355	100.0	63809	100.0

Source: Annual Business Inquiry © Crown Copyright (2003)

EP2 Micro-enterprises (1998-2001)

Variable	Date		
	1998	2001	2002
England Creative Industries	90.4	89.7	
South West Creative Industries	91.1	90.1	
South West Audio Visual	88.7	87.3	
South West Books and Press	88.6	86.2	
South West Performance	97.2	96.8	
South West Visual Arts	95.3	94.7	

Source: Annual Business Inquiry © Crown Copyright (2003)

EP3 Revenues and Gross Value-added (2001)

Sector	Revenue (£k)			Gross Value Added (£k)		
	Total	Per business	Per employee	Total	Per business	Per employee
South West Creative Industries	5540982	592	87	1638126	175	26
Audio-visual	3689391	1060	123	770978	222	26
Books & press	1304514	472	56	561717	203	24
Performance	146640	105	36	72188	52	18
Visual arts	400437	232	60	233243	135	35

Source: Annual Business Inquiry © Crown Copyright (2003)

Notes:

1. At the current time, the Office for National Statistics is only offering 1 year of ABI2 data.
2. The ONS have advised that data at the 4-digit SIC level is only reliable at the regional level.
3. It is the standard practice of the Office for National Statistics to withhold data where there is a potential risk of disclosing the identity of businesses and persons. This is the case with the underlying data on which this table has been constructed.

EP4 Net Capital Investment (2001)

Sector	Net Investment (£k)		
	Total	Per business	Per employee
South West Creative Industries	173130	18.6	2.7
Audio-visual	97770	28.2	3.3
Books & press	49992	18.1	2.2
Performance	10992	7.9	2.7
Visual arts	14375	8.3	2.1

Source: Annual Business Inquiry © Crown Copyright (2003)

Notes:

1. At the current time, the Office for National Statistics is only offering 1 year of ABI2 data.
2. The ONS have advised that data at the 4-digit SIC level is only reliable at the regional level.
3. It is the standard practice of the Office for National Statistics to withhold data where there is a potential risk of disclosing the identity of businesses and persons. This is the case with the underlying data on which this table has been constructed.

EP5. Summary of Audio-visual Sector (2001-2)

Function	Variable						
	Employees (nos)		Businesses (Nos)		Revenues ¹ (£bn)	GVA ¹ (£bn)	Investment ¹ (£m)
	2001	2002	2001	2002	2001	2001	2001
Creation	8683	7031	1213	1250	0.69	0.34	11.7
Making	8390	5318	570	600	1.34	0.15	45.0
Dissemination	11210	10195	1622	1476	1.6	0.26	35.4
Exhibition	1624	1569	65	67	0.06	0.03	5.6
Total	29908	24113	3470	3393	3.69	0.78	97.7
% of region CI	46.9	40.1	37.1	36.1	67.0	47.6	56.0

Source: Annual Business Inquiry © Crown Copyright (2003)

¹ These figures are not yet available for 2002.

Appendix 3: Definitions

A. Creative Industries Definition (SIC)

Audio-visual		
Creation 92201 Radio activities 92202 Television activities 744 Advertising	Making 2464 Manufacture of photographic chemical material 2465 Manufacture of prepared unrecorded media 32202 Manufacture of television and radio transmitters etc (50%) 323 Manufacture of television and radio receivers, sound or video recording or reproducing apparatus and associated goods 363 Manufacture of musical instruments 92111 Motion picture production on film or video tape 92119 Other motion picture and video production activities 2214 Publishing of sound recordings 2231 Reproduction of sound recording (33%) 2232 Reproduction of video recording (33%)	Dissemination 9212 Motion picture and video distribution 51476 Wholesale of photographic goods (12.5%) 51431 Wholesale of records, tapes, CDs and videos, and of the playback equipment 51435 Wholesale of radio and television goods 5245 Retail sale of electrical household appliances and radio and television goods
Exhibition/Reception 9213 Motion picture projection	Archiving/Preserving	Education/Understanding
Books and Press		
Creation 92319 Other artistic and literary creation and interpretation (25%)	Making 2211 Publishing of books 2212 Publishing of newspapers 2213 Publishing of journals and periodicals 924 News agency activities 2215 Other publishing 2221 Printing of newspapers 2223 Bookbinding and finishing 2224 Composition and plate making	Dissemination 5247 Retail sale of books, newspapers
Exhibition/Reception	Archiving/Preserving	Education/Understanding

Performance		
Creation	Making 92311 Live theatrical presentation (50%)	Dissemination
Exhibition/Reception 9232 Operation of arts facilities 92341 Dance halls, discotheques and dance instructor services 92349 Other entertainment activities NEC (inc circus and puppet shows)	Archiving/Preserving	Education/Understanding
Visual Arts		
Creation 92312 Other artistic and literary interpretation (25%) 74201 Architectural activities (25%)	Making	Dissemination
Exhibition/Reception	Archiving/Preserving	Education/Understanding

Note: In all the foregoing tables, the data has been drawn from the national dataset called the Annual Business Inquiry. This is the principal source of employment and labour market data for Great Britain. The dataset can be analysed by 4-digit SIC code enabling a reasonably accurate but imperfect fit with precise CDF criteria. Where the CDF recommends inclusion of a code at the 5-digit level, for the initial estimation purposes set out above a co-efficient has been temporarily applied to the higher level 4-digit code. These co-efficients are based either upon those recommended by DCMS in their original Mapping Documents work, or where no such recommendation exists on a straight allocation of the 4-digit cell value among any corresponding 5-digit codes.

B. Creative Occupations Definition

<p>Audio-visual</p> <p>3433 Public relations officers 3415 Musicians 3432 Broadcasting associate professionals 3433 Public relations officers 3434 Photo. & audio-visual equip operators 5244 TV video and audio engineers</p>	<p>Performance</p> <p>3413 Actors, entertainers 3414 Dancers and choreographers 3416 Arts officers producers and directors</p>
<p>Books and Press</p> <p>3412 Authors writers 3431 Journalists newspaper & period editors 5423 Bookbinders and print finishers</p>	<p>Visual Arts (inc. Crafts)</p> <p>2431 Architects 3411 Artists 3421 Graphic designers 3422 Product clothing & related designers 5414 Tailors and dressmakers 5491 Glass & ceramic maker decorator finisher 5492 Furniture maker other craft woodworkers 5495 Goldsmith silversmith precious stone worker 5499 Hand craft occupations n.e.c.</p>

C Reconciliation between DCMS and RCDF definitions of the Creative Industries

Creative Industries Definitions					
1992 SIC Codes		Definition (%)			
		RCDF	Domain ¹	DCMS	Sector ²
1771	Manufacture of knitted and crocheted hosiery			X (0.5)	DF
1772	Manufacture of knitted and crocheted pullovers, cardigans etc			X (0.5)	DF
1810	Manufacture of leather goods			X (0.5)	DF
1821	Manufacture of workwear			X (0.5)	DF
1822	Manufacture of outerwear			X (0.5)	DF
1823	Manufacture of underwear			X (0.5)	DF
1824	Manufacture of other wearing apparel and accessories NEC			X (0.5)	DF
1830	Dressing and dyeing of fur; manufacture of articles of fur			X (0.5)	DF
1930	Manufacture of footwear			X (0.5)	DF
2211	Publishing of books	X (100.0)	BP	X (100.0)	P
2212	Publishing of newspapers	X (100.0)	BP	X (100.0)	P
2213	Publishing of journals and periodicals	X (100.0)	BP	X (100.0)	P
2214	Publishing of sound recordings	X (100.0)	BP	X (100.0)	MVPA
2215	Other publishing	X (100.0)	BP	X (100.0)	P
2221	Printing of newspapers	X (100.0)	BP		
2223	Bookbinding and finishing	X (100.0)	BP		
2224	Composition and plate-making	X (100.0)	BP		
2231	Reproduction of sound recording	X (33.0)	A-V	X (25.0)	MVPA
2232	Reproduction of video recording	X (33.0)	A-V	X (25.0)	F
2233	Reproduction of computer media			X (25.0)	S
2464	Manufacture of photographic chemicals	X (100.0)	A-V		
2465	Manufacture of prepared unrecorded media	X (100.0)	A-V		
3220	Manufacture of television and radio transmitters, etc.	X (50.0)	A-V		
3230	Manufacture of television and radio receivers, etc.	X (100.0)	A-V		
3630	Manufacture of musical instruments	X (100.0)	A-V		
5143	Wholesale of electrical household goods	X (100.0)	A-V		
5147	Wholesale of other household goods	X (12.5)	A-V		
5245	Retail sale: electrical household goods	X (100.0)	A-V		
5247	Retail sale of books/newspapers etc	X (100.0)	BP		
5248	Other retail sale in specialised stores			X (5.0)	AAM
5250	Retail sale of second-hand goods in stores			X (5.0)	AAM
7220	Software consultancy and supply			X (100.0)	S
7420	Architectural and engineering activities	X (25.0)	VA	X (25.0)	AR
7440	Advertising	X (100.0)	A-V	X (100.0)	A
7481	Photographic activities			X (25.0)	MVPA
7484	Other business activities not elsewhere classified			X (25.0)	DF
9211	Motion picture and video production	X (100.0)	A-V	X (100.0)	F
9212	Motion picture and video distribution	X (100.0)	A-V	X (100.0)	F
9213	Motion picture projection	X (100.0)	A-V	X (100.0)	F
9220	Radio and television activities	X (100.0)	A-V	X (100.0)	TVR
9231	Artistic and literary creation and interpretation	X (100.0)	VA, BP, P	X (100.0)	MVPA
9232	Operation of arts facilities	X (100.0)	P	X (100.0)	MVPA
9234	Other entertainment activities nec	X (100.0)	P	X (50.0)	MVPA
9240	News agency services	X (100.0)	BP	X (100.0)	P
9272	Other recreational activities not elsewhere classified			X (25.0)	MVPA

¹ VA = Visual arts, BP = Books & press, A-V = Audio-visual & P = Performance

² A = Advertising, AR = Architecture, AAM = Arts and Antiques Markets, D = Design, DF = Designer Fashion, F = Film, MVPA = Music, Visual & Performing Arts, P = Publishing, S = Software, TVR = TV & Radio



Culture South West/South West Regional Development Agency

Regional Mapping and Economic Impact
Study of the Creative Industries

Stage II Survey Report

Final Report

18th May 2004

BOP (Burns Owens Partnership),
the School of Performance and Cultural Industries,
University of Leeds,
with Experian Business Strategies



Table of Contents

1	Introduction	1
2	Summary of major findings	3
2.1	Across the four sub-sectors	3
2.1.1	General characteristics	3
2.1.2	Economic performance	3
2.1.3	Labour market.....	4
2.1.4	Investment and market development	4
2.2	Industry groupings	4
2.2.1	Performing Arts & Music (PAM)	4
2.2.2	Visual Arts & Design (VAD).....	6
2.3	Sub-regions	8
2.3.1	West of England, Gloucestershire & Wiltshire (WEGW).....	8
2.3.2	Somerset & Dorset.....	9
2.3.3	Devon & Cornwall	10
3	Nature of businesses in the sector	11
4	General business environment	15
4.1	Business confidence	15
4.2	Growth and barriers to growth	15
4.3	Customers, markets and supply chains	16
4.4	Location	18
5	Employment	20
5.1	Skills	21
6	Financial Trends	23
6.1	Turnover	23
6.2	Staff costs	23
6.3	Property costs	24
6.4	Other operating costs	24
6.5	Profit	24
6.6	Performance against business plan	26
6.7	The future	26
6.8	The risks	27
7	Marketing and promotion	29
7.1	The internet and e-commerce	30
8	Linkages	32
9	Appendix I: Survey methodology	33
10	Appendix II Survey questionnaire	36

1 Introduction

1.1 Context

This report is part of a broader Creative Industries Mapping and Economic Impact study being undertaken by BOP (Burns Owens Partnership) and the School of Performance and Cultural Industries at the University of Leeds for Culture South West, the South West Regional Development Agency (SWRDA) and their partners. The work ran from September 2003 until the end of May 2004. The study has a specific focus on the South West region as a whole (as defined by the remit of SWRDA). Any sub-regional analysis which has been undertaken as part of this study is therefore necessarily very limited in its scale and scope.

The research has been divided into two main phases:

Stage I: Secondary research into the whole creative industries sector in the South West. This is based on statistical analysis of the government's most accurate data sources on the labour market and economic performance. The study has deployed definitions and methodologies outlined by the English RCCs/DCMS Regional Cultural Data Framework.

Stage II: Primary research into four particular creative industry sub-sectors in the South West region:

- Visual Arts (inc. Crafts)
- Design (inc. Architecture)
- Performing Arts
- Music

Given this, it is important that the present report should not be read purely as a stand alone document, but instead taken together with the 'Stage I: Data and Technical Report' and the 'Key Issues Paper' which contains a synthesis of findings from all the work undertaken in the study.

The four sub-sectors chosen for more in-depth analysis in Stage II were selected by CSW/SWRDA due primarily to the difficulties associated with analysing them using secondary data sets. This stems from an inability to accurately and discretely identify many of the activities in the four sub-sectors (e.g. Crafts) using the government's Standard Industrial Classification (SIC).

1.2 Survey population

A sampling frame was used in the design of the survey to ensure that the sample of businesses in the survey is statistically representative of the

actual businesses in the region (for more detailed information on the survey methodology, see Appendix I). Similarly, the sampling frame has been used to weight the survey results (based on employment) to provide figures for the four sub-sectors as a whole in the South West. It should be noted then that unless stated otherwise, all figures are weighted. The sampling frame was based on an intended total of 400 respondents but the actual number of interviews exceeded this and ran to 419 businesses.

To summarise, in terms of constructing a viable sample for the business survey, the four sub-sectors were incorporated into two 'industry groupings':

- Visual Arts (inc. Crafts) & Design (inc. Architecture) – VAD
- Performing Arts & Music – PAM

A fuller explanation for the rationale used in aggregating the four sub-sectors into two industry groupings is provided in Appendix 1. It is important to note that this approach involves a crucial difference from the Stage I work as in Stage II, Music is aggregated as part of the Audio-visual domain rather than as part of the Performing Arts domain. In contrast, there is a straightforward fit between the VAD industry grouping used in Stage II and the Visual Arts domain used in Stage I of the research.

Finally, although the research is not specifically focused on the sub-regional level, three sub-regional groupings are used in the study as part of the process of ensuring that the survey population accurately reflects the sub-sectors in the region:

- West of England, Gloucestershire & Wiltshire (WEGW)
- Somerset & Dorset
- Cornwall & Devon (including the Isles of Scilly)

Once again, a fuller explanation outlining the sub-regional weighting and rationale for the selection of the three sub-regional groupings is given in Appendix I. It should be noted that this sub-regional analysis is not as localised as that utilised in Stage I of the research.

2 Summary of major findings

2.1 Across the four sub-sectors

2.1.1 General characteristics

- The last 12 months have generally been a good year for businesses in the four sub-sectors with employment, turnover and profits rising, though costs are also rising
- Given this context, business confidence is, not surprisingly, also strong
- The business base is comprised predominantly of micro businesses (employing 2-10) and the self employed
- The large majority of enterprises in the sub-sectors are private sector companies (83%)
- Income across the sub-sectors is predominantly generated through sales
- Over 90% of businesses have always been based in the South West
- Enterprises hold strongly positive views on the South West region – in terms of image, as a business location and as a physical environment
- Many businesses are relatively young: there has been a strong pattern of new business formation over the last five years (1999-2004) which accounts for over one quarter of all businesses
- Businesses sell to a wide range of types of markets and audiences, but companies sell to consumers and small businesses more regularly than to other market segments
- The public sector is the most regularly cited client by businesses across the sub-sectors and inter-linkages with the Arts (as a source of customers/clients) are also important

2.1.2 Economic performance

- There is a trend towards rising profits, though this is less strong than both increases in costs and in turnover
- However, looking forward over the next 12 months, there are much stronger expectations of rising profits
- Two thirds of businesses have ambitions to grow over the next year
- Businesses overwhelmingly see this growth as coming from local/regional markets

2.1.3 Labour market

- There has been a small trend of increasing employment over the last 12 months with stronger expectations of employment growth looking forward over the next year
- There are no real problems with hard-to-fill vacancies and staff turnover is relatively static
- The skills most commonly identified as in need of improvement relate to technical/IT skills, business management and entrepreneurial skills, and sales and marketing

2.1.4 Investment and market development

- In general, businesses spend either very little or nothing at all on marketing and promotion
- Markets for businesses are very locally/regionally focused: exports account for only around 4.5% of sales and UK markets outside the South West account for about a quarter
- Business adoption of ICTs is relatively advanced with roughly three quarter of businesses either currently with a website or with plans to establish one in the next year

2.2 Industry groupings

2.2.1 Performing Arts & Music (PAM)

Strengths: The grouping is growing strongly: it has a higher rate of new business formation than VAD; harbours more ambitions to grow; has a more diverse industrial structure and income base; is more likely to have increased turnover and employment and is more likely to anticipate increases in both over the next year.

Weaknesses: The growth story has its down-side: the sales base is extremely reliant on the local/regional market, costs are rising more frequently than turnover and increases in profits are less than half as likely as increases in turnover. These trends suggest that the character of the growth in the sector is being driven primarily by volume, selling into a local/regional market that may not support further growth in the medium-to-long term. It may also reflect the influence of public sector and/or charitable investment which may restrict the strategies of businesses with respect to, for instance, pricing and target markets. Possibly as a reflection of these trends, and perhaps also due to the numbers of non-private sector businesses in the grouping, the most common skills demands are in business management, and sales and marketing.

Key Findings

General characteristics

- There is a more mixed economy of enterprises than in VAD, with greater numbers of charitable, voluntary and public sector businesses although private sector companies still account for 72% of the grouping.
- New business formation is the stronger in this grouping, with 28% of businesses being established since 1999
- Though micro businesses dominate the industrial structure, those with over ten staff are more common than in VAD
- The turnover structure of businesses is more polarised than in VAD, with a higher proportion of both low value businesses (15% <£10K) and high value businesses (13% >£500K)
- While on balance the grouping is strongly positive about the South West, it is less so than VAD and particularly so with regard to the physical environment
- PAM has a larger component of businesses with ambitions to grow (68%)
- More than a third of businesses state that a shortage of finance is a barrier to growth
- Lack of finance is identified as the biggest barrier to growth (identified by 37% of the companies with ambitions to grow)
- The grouping is extremely reliant on the local/regional market which accounts for 72% of all sales
- PAM leads the adoption of ICT applications, particularly websites as over three quarters of businesses having established one and around 40% of these enabling online ordering/booking/purchasing

Labour market

- The grouping has a more mixed and fluid labour market with higher numbers of volunteers and casual staff and a particularly significant component of permanent PT staff which accounts for almost one in three jobs
- There was modest employment growth in PAM over the last 12 months, with a balance of 15% of businesses seeing rises (more frequent than in VAD)
- Expectations of employment growth over the next year are stronger, with a balance of 38% of businesses anticipating increases
- There is a strong trend towards increases in wage rates, with a balance of 40% of businesses experiencing rises over the last 12 months
- Staff turnover has decreased marginally over the last year (a balance of 1% experiencing decreases)

- Businesses more regularly report skills gaps than in VAD, with over 40% of businesses identifying skills in business management, advanced IT/software and marketing & sales as in need of improvement

Economic performance

- There is a strong trend towards increasing turnover in PAM, with a balance of 41% of businesses seeing rises, significantly more than in VAD
- The size of increases in turnover are higher than in VAD
- There is a strong trend towards rising costs across the board (staff, property, and additional operating costs) which is stronger in each case than in VAD
- Profits are, on balance, increasing though this trend is weaker than in VAD with less than half the numbers of businesses, on balance, increasing their turnover
- Anticipations of rises in profits over the next 12 months are, however, widespread with a balance of 51% of businesses expecting to see increases
- The size of profits generated in the grouping are also below those in VAD
- Anticipated future financial trends over the next 12 months follow the experience of the last year: stronger trends towards rises in turnover and across the board costs than in profits

2.2.2 Visual Arts & Design (VAD)

Strengths: The grouping has performed solidly over the last year showing positive trends in all key areas (turnover, employment, profits). While growth in turnover and employment is less favourable when compared with PAM, businesses in VAD have – either through controlling costs better or having greater pricing power (or a combination of the two – been able to increase profits more than in PAM. Looking forward, expectations of increasing profits remain strong (and above PAM), and the anticipated trend for employment is much stronger than over the last year, as are trends for investment in both marketing and promotion, and ICTs.

Weaknesses: The grouping is fragmented and almost wholly reliant on micro businesses and sole traders. This seems to be constraining investment in a range of areas (marketing and business development, skills, and technology) which is entirely characteristic of sectors with such a micro enterprise structure. Thus, despite generally sound financial management, many businesses still carry relatively high levels of risk as they are reliant on the immediate geographical market and, in some cases, also over reliant on a handful of individual customers. Extending this market base will be key to unlocking real growth possibilities for the grouping.

Key findings

General characteristics

- Micro businesses and the self employed account for 92% of businesses in the grouping
- The grouping is much more private sector-focused than PAM, with private sector businesses accounting for 93% of all enterprises
- New business formation is strong, with 23% of all businesses in the grouping being established since 1999, though this is still below PAM
- The turnover of businesses reflects the small size of companies with turnovers tending to be grouped around the low to mid range, with 58% of businesses between £25-100K
- The sector is more business-to-business focused than VAD
- VAD has strong supply chain linkages to other sectors, particularly due to architecture and design activities – thus one-in-three businesses has clients in the Primary and Manufacturing industries and 28% have clients in Construction
- The grouping is strongly linked into the regional economy through procurement as purchasing is undertaken predominantly within the South West, which accounts for 72% of all purchases
- Although the grouping is more likely to target international markets as key areas for growth (11%), actual export sales remain low at around 4.5% and on a par with PAM
- Sales to domestic markets outside the region are higher than in PAM and account for 29% of sales

Labour market

- There is only a small trend towards increasing employment within the grouping, with a balance of 9% of businesses seeing rises
- The majority of the workforce is permanent and full-time (84%)
- Staff turnover is increasing marginally and the grouping has experienced virtually no hard-to-fill vacancies over the last year which seems to indicate some loosening of the labour market
- Skills needs within the grouping relate primarily to technical and job specific skills, in particular to advanced IT/software skills

Economic performance

- There is a solid trend towards increasing turnover, with a balance of 25% of businesses experiencing rises
- There are trends towards rising costs related to both staff and property (balances of 23% and 21% respectively) and these are roughly commensurate with rises in turnover, but additional operating costs are, on balance, rising more frequently than turnover (a balance of 36%)

- There is also a solid trend towards increasing profits (a balance of 23%) which is roughly in line with the incidence of rises in turnover and, in terms of their actual size, increases in profits outstrip rises in additional operating costs
- Profit rises across the grouping are widely anticipated over the next 12 months, with a balance of 58% of businesses expecting increases
- VAD contains a significant group of businesses – over one quarter (27%) – whose fate is closely tied to a handful of customers, which leaves them very exposed to even small changes in the market

Investment

- Over 70% of businesses spend between nothing (31%) and 0.1-2.5% of turnover (40%) on marketing and promotion
- Despite this low level of expenditure, there is a small trend towards rising spend on marketing and promotion over the last year, with a balance of 11% having increased their spending
- Anticipated increases over the next 12 months are twice this level, with a balance of 22% expecting increases
- Perhaps relatedly, almost one-in-three businesses have plans to establish a website over the next year, in addition to the 55% of businesses that already have a web presence

2.3 Sub-regions

2.3.1 West of England, Gloucestershire & Wiltshire (WEGW)

The sub-sectors appear to be more established and mature in WEGW than the other two sub-regions, and in comparison:

- There has been less new business formation over the last 5 years
- The grouping has more higher value businesses
- Private sector companies account for a higher proportion of the stock of businesses
- Permanent full-time employees account for a greater share of the labour market
- The sub-sectors are more linked to overseas markets, both through greater export activity but also through more international procurement
- Businesses are more likely to look to exports markets for growth while at the same time being more aware of the barriers to international trading

While still having had a good year, businesses in WEGW have not performed as well as businesses in the other two sub-regions:

- Trends towards increasing employment, turnover and profits are all weaker (though still positive)
- Actual performance fell below business planning forecasts more often than it exceeded them (the opposite to trends in the other two areas)
- Anticipated rises in employment and turnover for the next 12 months are less widely held
- Staff turnover has increased in contrast to decreases in the other two sub-regions

The upside of this more subdued performance is that:

- Pressure on costs has been both less extensive (costs have on balance risen less frequently) and less intensive (actual increases have been smaller)
- The ability to control costs and/or exert pricing power has enabled some businesses to maintain profit margins above those in Somerset & Devon, despite weaker growth in turnover
- Businesses are more confident than in the other two sub-regions of being able to keep control of costs over the next 12 months

2.3.2 Somerset & Dorset

The sub-sectors in this sub-region are, arguably, the most 'emerging' of the three areas, encompassing a greater component of activity that is less avowedly commercial and also possibly more 'lifestyle' than in the other sub-regions:

- The area has the most mixed economy of enterprises with the smallest component of private sector companies (though this still accounts for the vast majority of businesses)
- Businesses derive less of their income from direct sales and more from both public and private sector grants than in the other two sub-regions
- Businesses in Somerset & Dorset are the least likely to want to grow
- The area has proportionally both the highest number of one person businesses and the highest number of low value businesses
- Volunteers account for twice the share of the workforce as they do in the two other sub-regions
- It has the most local/regional sales base

These characteristics should not distract from the fact that the sub-sectors in the area have experienced significant economic growth over the last year, though they do have a bearing on how businesses are coping with the associated pressures, thus:

- There is a strong trend towards increases in turnover, and both this and the size of increases were stronger than in WEGW

- The trend towards increases in profits was also stronger than in WEGW
- However, the actual size of increases in profits was the lowest of the three sub-regions
- This appears to be the result of sharply rising costs, particularly other operational costs which rose both on balance and in size more than in the other two areas

2.3.3 Devon & Cornwall

The sub-sectors in this area are undergoing significant growth and at a rate that is consistently above the other two sub-regions across all key indicators:

- Almost one-in-three businesses have been established over the last five years
- Business confidence is high and the highest of the three areas
- The trend towards increases in employment, turnover, and profits are the strongest and, in the case of the latter two indicators, the size of the increases are greater
- Businesses expect this situation to carry through next year as anticipated trends in job growth, increasing turnover and profits are once again the strongest

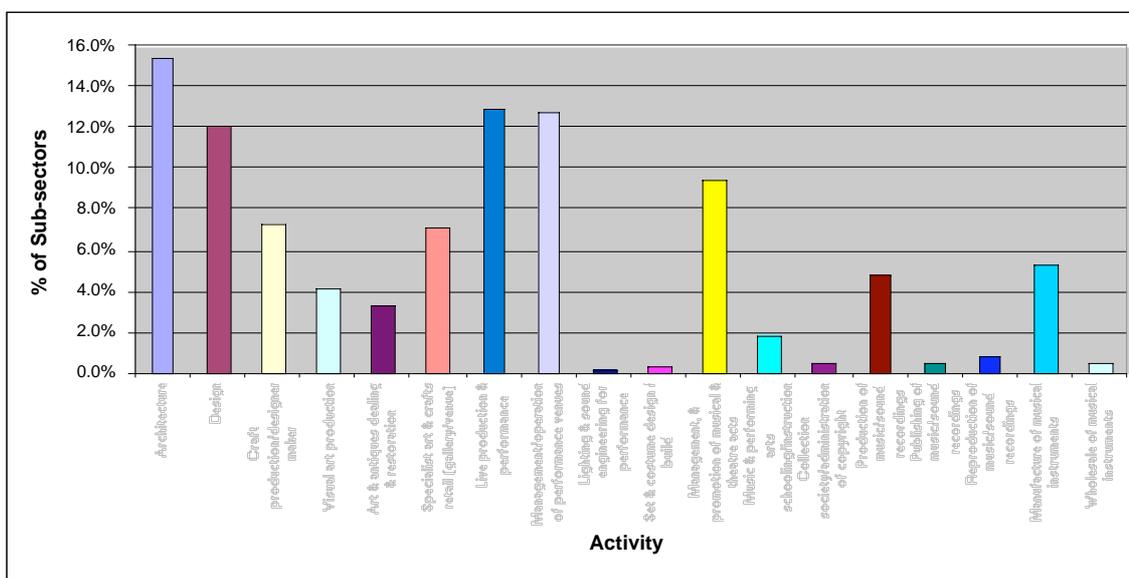
However, there are a number of less positive trends that accompany this growth story – both in terms of the corollaries of growth but also concerned with the particular character of the growth that has been experienced in the area:

- Businesses are suffering rising costs across the board, particularly staff and property costs for which the area is both the most likely to see rises and the increases are also the largest in terms of size
- Business do not anticipate these trends changing over the coming year, on the contrary, the trend towards rising costs is perceived as stronger still over the next 12 months
- Skills needs are also in greater demand than in the other sub-regions, particularly related to management, sales and business development
- The sales base includes a very high component of inter-trading within the Arts in the area which is much higher than in other two sub-regions
- Finally, employment in this sub-region involves a proportionally greater component of part-time and casual workers

3 Nature of businesses across the sub-sectors

In terms of the numbers of businesses as classified by their principal activity, Performing Arts accounts for the largest share across the four sub-sectors (31% of businesses), followed by Design (28%), Visual Arts & Crafts (22%) and Music (18%). These four categories encompass a wide range of activities, as can be seen below in Figure 1. Architecture is the single largest activity, accounting for 15% of all businesses, closely followed by Live production and Performance (13%), Management/operation of performance venues and facilities (13%), and other Design activities (12%).

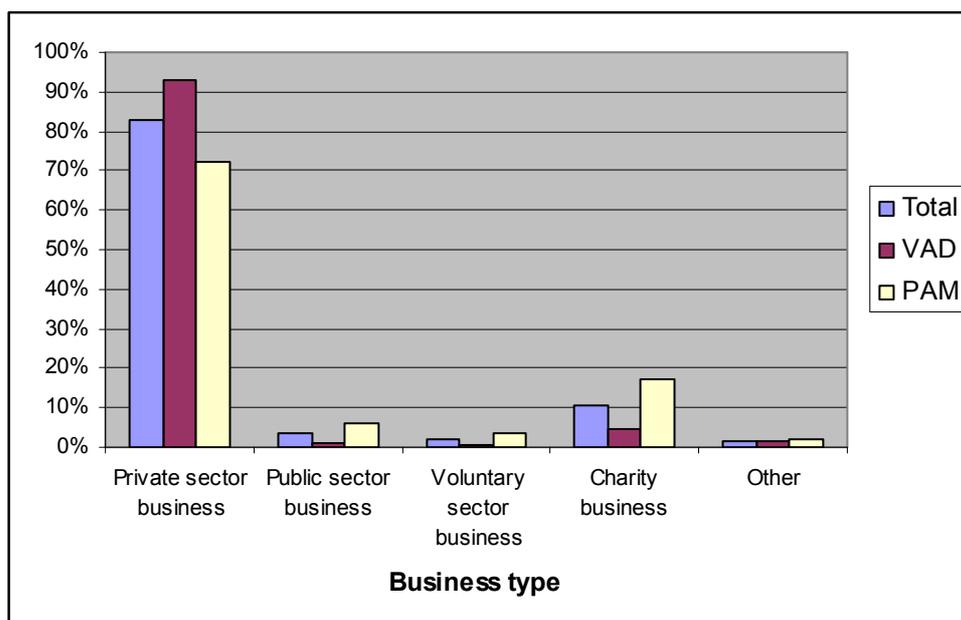
Figure 1. Main line of business, by industry grouping (%)



Businesses across the four sub-sectors as a whole are small: 85% employ between one and ten people and only 5% employ more than 50 people. This hides significant disparities between the industrial structure of VAD and PAM – micro enterprises and the self employed are much more common in VAD than in PAM. For instance, 92% of all businesses in VAD employ between one and ten people as opposed to 77% in PAM. There is little variation in industrial structure when analysed sub-regionally.

The vast majority of businesses are single site enterprises (88%), with 9% being one of number of multiple sites and a further 2% being the head office of a business with more than one site. Across the four sub-sectors as a whole 83% of enterprises are private sector businesses. 11% are charitable organisations and the small remainder is composed mainly of public and voluntary sector businesses. However, as can be seen in Figure 2 below, there is a significant difference between the two industry groupings: VAD is much more private sector driven than PAM, with private sector businesses accounting for 93% of all enterprises in VAD, compared with 72% in PAM.

Figure 2. Nature of business, by type and industry grouping (%)



Though less pronounced than the differences between industry groupings, there is also some sub-regional variance with regard to the nature of the businesses. Private sector businesses account for a slightly higher share (85%) in the West of England, Gloucestershire & Wiltshire (WEGW) than in either Cornwall & Devon (81%) and particularly Somerset & Dorset (79%).

Many of the businesses across the four sub-sectors are relatively young: 26% have been established within the last five years (1999-2004), and 84% of all businesses were established in the last 25 years. There is some variation between the two industry groupings, with proportionately more businesses being established in the last five years within PAM (28%) than within VAD (23%). The pattern of new business formation is more pronounced in some sub-regions than in others – for instance, 31% of enterprises in Cornwall & Devon have been established over the last five years (17% within just the two-year period of 2001-2) compared with 23% established between 1999-2004 in WEGW. This may be an ‘Objective 1 effect’, with the sub-sectors in the area benefiting from the influx of public funding into the Objective 1 area of Cornwall.

The average turnover of businesses within the four sub-sectors is relatively modest, as can be seen in Table 1 below. Of those that chose to answer¹, over half of the businesses (58%) have turnovers of up to £100K per annum and only 12% have turnovers in excess of £500K. There are variations between the two industry groupings, with PAM exhibiting a wider distribution across the turnover brackets, so both more businesses at the lower end of the scale (i.e. 15% of all enterprises have a turnover of less than £10K) and more at the upper end (e.g. 13% of

¹ The numbers of respondents choosing not to answer this question accounts for 17% of the sub-sectors.

businesses have a turnover in excess of £500K). On the contrary, the turnovers within VAD cluster more tightly within the low to mid range with 58% of businesses generating turnovers between £25-100K.

Table 1. Turnover structure, by industry grouping (%)

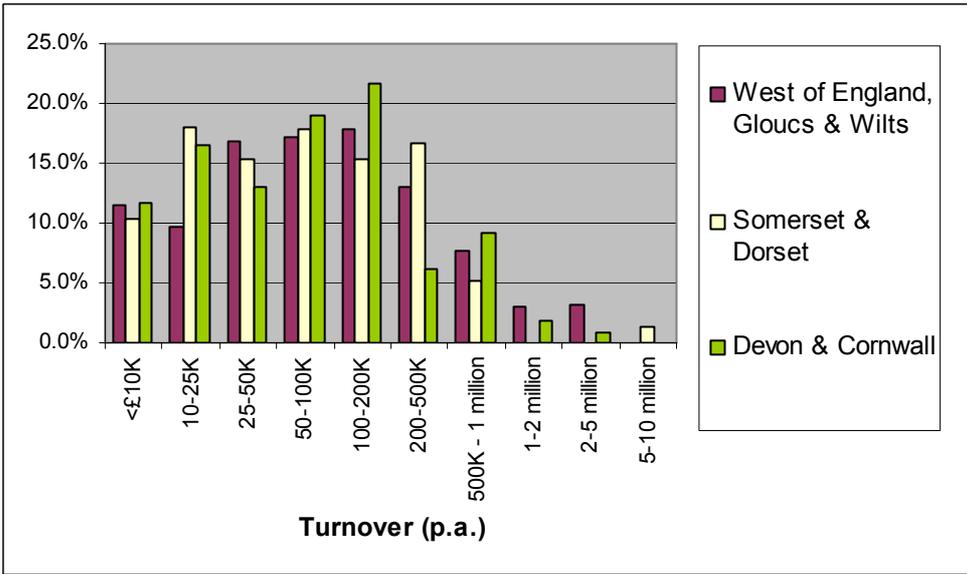
Turnover Band (£)	All	Industry Grouping	
		Visual Art & Design (VAD)	Performing Arts & Music (PAM)
<£10K	11%	8%	15%
10-25K	13%	13%	13%
25-50K	16%	19%	12%
50-100K	18%	22%	14%
100-200K	18%	17%	20%
200-500K	12%	11%	13%
500K-1 million	8%	7%	9%
1-2 million	2%	2%	2%
2-5 million	2%	2%	2%
5-10 million	0%*		1%*

*The apparent anomaly between the 'All' industry grouping figures and the PAM figures is due to the effect of rounding.

Turnover structure also varies with geography as Figure 3 below demonstrates. In particular, the sub-sectors in Somerset & Dorset have a noticeably smaller turnover profile than in the two other sub-regions, while in WEGW the sub-sectors have a marginally higher turnover profile than in the other two sub-regions. So, 62% of businesses within Somerset and Dorset have a turnover of less than £100K (compared with 60% of businesses in Devon & Cornwall and 55% in WEGW); while only 6% have a turnover in excess of £500K (compared with 12% of businesses in Devon & Cornwall and 14% in WEGW).

This turnover structure across the sub-sectors is reflected in high numbers of businesses that are not VAT registered businesses – 38%. However, the component of non-VAT registered businesses is unequally distributed both in terms of industry grouping and geography. Whereas the numbers of non-VAT registered businesses accounts for 34% of VAD, this rises to 41% in PAM. Similarly, fewer businesses in WEGW are not registered for VAT (33%) than in Somerset & Dorset (41%) and Devon & Cornwall (46%).

Figure 3. Turnover structure by sub-region (%)



4 General business environment

4.1 Business confidence

Asking about how optimistic firms feel about their business environment is a regularly used way of gauging business confidence within particular sectors of the economy. The creative businesses within the four sub-sectors in the survey are growing in optimism, with a balance of 42% of companies more optimistic than they were 12 months ago². However, a note of caution should be sounded here as with trends-based questions of this nature there is always an inherent bias in the response of different groups but this bias can only be accurately assessed over time as the survey process is repeated. Levels of business confidence vary little by industry grouping, but sub-regional variance is noticeable: WEGW is less optimistic (a balance of 37%) and Devon/Cornwall more optimistic (a balance of 49%).

4.2 Growth and barriers to growth

The majority of businesses (65%) have ambitions to grow over the coming year. This trend is slightly more common in PAM (68%) than in VAD (63%) and slightly less prevalent among businesses in Somerset & Dorset (60%) compared with the other two sub-regions. Across the four sub-sectors as a whole, the key factors perceived by businesses' to be inhibiting their growth are 'lack of finance' (30%), 'no barriers to growth' (21%), a 'lack of customers' (9%), and a 'lack of appropriate workspace' (9%).

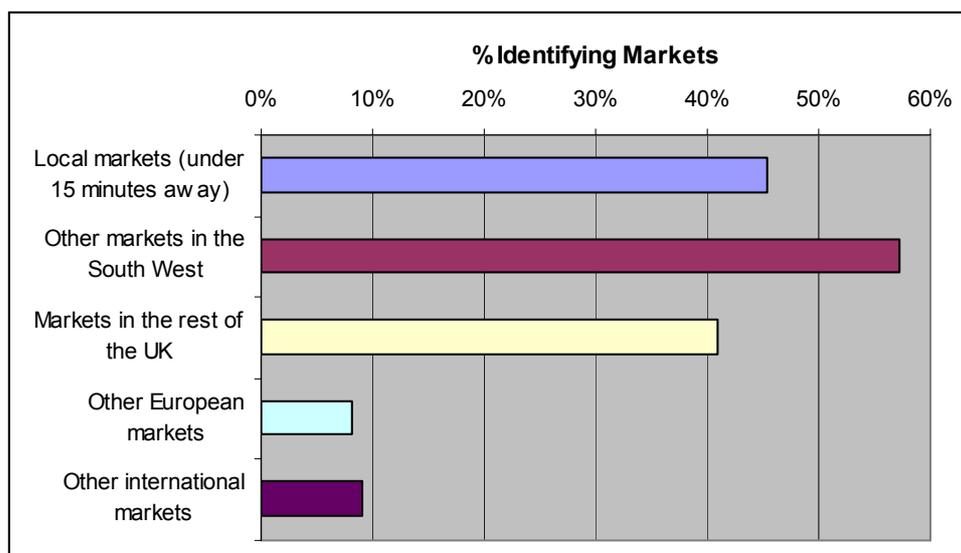
However, factors inhibiting growth differ according to both industry grouping and sub-region. A lack of finance is more regularly cited as an inhibitor of growth in PAM (37%) than in VAD (22%); and it is also more of a factor in Devon & Cornwall (35%) than it is in Somerset & Dorset (24%). Similarly, a lack of appropriate workspace, while a factor for 12% of businesses within Devon & Cornwall is only cited as an inhibitor of growth by 7.5% of businesses in WEGW. Interestingly, 'inadequate business support from government' is also perceived as a barrier to growth in one sub-region in particular – Somerset & Dorset (10%) - and this also seems to relate primarily to businesses in PAM (8.3%) rather than VAD (1.5%).

Of those businesses expecting to grow over the next 12 months, it is clear that the territories from which firms expect to derive the most growth are local and regional markets, as Figure 4 below demonstrates. There is very little variance in the expected growth markets between the two

² A balance is a regularly used way of indicating trends within survey data. It is obtained by subtracting the number of businesses responding that a certain variable is decreasing (in this case those reporting less optimism) from the number stating that the variable is increasing (in this case increasing optimism).

industry groupings – except for a marginally higher focus on ‘other international markets’ (11%) within VAD as opposed to PAM (7.3%). Sub-regional differences are also slight – the main difference is again in relation to exports, where more businesses in WEGW (19%) identify European and other international markets than in both Somerset & Dorset (16%) and Devon & Cornwall (15%).

Figure 4. Markets expected to see the most growth over the next 12 months (%)



When asked specifically to state their opinions on a range of possible barriers to international trading, the businesses express few tangible barriers to international trading. However, it is not clear as to whether this trend is a true reflection of the difficulties or otherwise of international trading or the result of a lack of actual experience. Digging deeper, the survey results would seem to suggest the latter. As can be seen in Figure 5 below, the perceived barriers to international trading increase across the board for those companies with any sales outside the UK, and are reported as higher still for companies within WEGW - which have the highest average level of exports as a percentages of sales (see section 4.3 below).

4.3 Customers, markets and supply chains

Businesses across the four sub-sectors sell to a range of different types of markets and audiences. The most commonly reported clients and customers however are individuals (cited by 76% of businesses), followed by small private companies (41%), and medium-sized companies (38%). The public sector (27%) and large private companies (25%) are also reported as customers and clients by a quarter or more of all businesses. While the numbers of businesses selling to consumers is broadly similar between VAD and PAM, sales to all types of private enterprises are more common in VAD than PAM. Sales to individual consumers are more

frequent in businesses in the Somerset & Dorset (83%) and Devon & Cornwall (80%) sub-regions than in WEGW (71%).

Of the businesses selling to other than just individual consumers, clients come from a range of different sectors. The public sector is the most regularly cited sector from which clients and customers are drawn (48%), though there is significant sub-regional variation within this figure, ranging from 51% in WEGW to 39% in Somerset & Dorset.

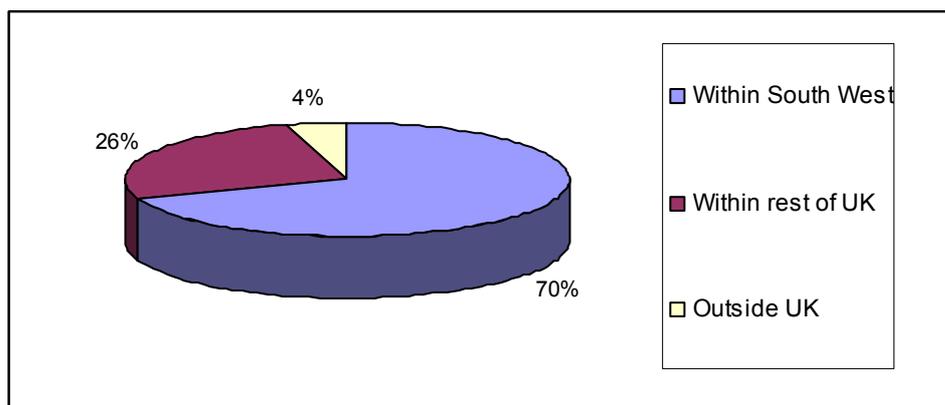
The next most regularly cited sector is the Arts itself (31%), indicating a significant degree of supply chain linkages across the sector. This is very pronounced in Cornwall & Devon, where fully 44% of all businesses have customers from the Arts, a level which is very much higher than in either WEGW (28%) or Somerset & Dorset (25%). Selling into the Arts sector is much more common within PAM (39%) than within VAD (24%). This pattern of transactional relationships is more understandable when the nature of the supply chain relationships in the two groupings are considered.

In particular, the design-based activities within VAD are essentially creative inputs into other sectors, whether this is construction for architects, or clothing or manufacturing for fashion and product designers respectively. This is borne out by the fact that one-in-three VAD businesses has clients in the Primary and Manufacturing industries and 28% have clients in Construction (the figures for PAM are, unsurprisingly, much smaller – 11% and 9% respectively³). In turn, more supply chain linkages occur within the same sector (i.e. the Arts) in PAM, whether it is a promoter placing acts with venue owners/managers or studios selling time to bands and musicians.

Looking at where actual sales are made, the general trend mirrors the trend for where companies expect to see most growth – that is, the sales base is strongly focused on the local/regional South West market, as Figure 6 below illustrates. Once again, exports are a small component of total sales, accounting for just 4% across the four sub-sectors. The distribution of sales by territory varies according to sub-sector in some instances, for example PAM has a more local/regional sales base (72% compared with 66% in VAD), and VAD sells more to other domestic UK markets (29% compared with 23% in VAD) but not in others – for example the export performance of the two industry groupings is broadly comparable. Sub-regionally, Somerset/Dorset has the most local/regional sales base (72%) and West of England the greatest proportion of exports (5.5%).

³ Although small relative to VAD, these figures may still seem puzzling for businesses operating in Performing Arts and Music but the sales to sectors such as Construction and Manufacturing are likely to largely be related to the promoters within the PAM grouping organising corporate entertainment for clients from all sectors.

Figure 6. Distribution of sales by territory (%)



In terms of where businesses make their purchases, again the local/regional area dominates, accounting for 68% of all purchases across the four sub-sectors. However, where the concentration of sales in the local area would, in general, be considered to be disadvantageous for the sub-sectors⁴, local procurement on the other hand has more positive economic development benefits as money (in the form of purchases), circulates within the local economy rather than being spent externally.

There is also significant discrepancy between the two industry groupings, with companies in VAD purchasing more locally/regionally (72%) than those in PAM (63%). In turn, businesses in PAM procure more from the rest of the UK (32%) and overseas (4.8%) than in VAD, where purchases are 24% and 2.9% respectively. Sub-regionally, businesses in WEGW procure more from outside the UK (4.5% of purchases) than businesses in both Somerset & Dorset (3.2%) and particularly Devon & Cornwall (2.9%).

4.4 Location

Perhaps surprisingly given the net population influx into the region over the last decade, an overwhelming majority of businesses (92%) have always been based in the South West. There is some divergence between the two industry groupings, as slightly more businesses in PAM have always been based in the region than in VAD (94% compared with 90%), and marginally more businesses (proportionally speaking) have always been based in Devon & Cornwall (94%) than in the other two sub-regions.

For the small numbers of businesses that have relocated to the South West, the most regular destination to be moving from is London, which accounts for fully 60% of all relocated businesses. The businesses that

⁴ For the reasons that a) market saturation will set-in more quickly and b) reliance on the local market means that businesses are susceptible to shifts in demand to in a comparatively very small area – thereby increasing the levels of risk for businesses.

have moved into the region have now been based in the South West, on average, for 11 years.

To understand more about how the South West serves as a location for firms in these sub-sectors, we asked businesses to assess the region in terms its negative or positive impact with regard to three inter-related elements:

- its role as a business environment
- the physical environment of the South West; and
- the image of the region.

As Table 2 below illustrates, in general the four sub-sectors have very positive attitudes about the South West, with a balance of firms in favour of the positive influence of the region across all three dimensions⁵. Businesses are most positive about the image of the region, followed by its role as a business location and then the physical environment of the South West.

Table 2. Influence of the South West, by industry grouping and sub-region (% positive balances)

	All	INDUSTRY GROUPING		SUB-REGION		
		VAD	PAM	WEGW	Somerset & Dorset	Devon & Cornwall
Business location	45%	51%	40%	46%	33%	54%
Physical environment	38%	49%	28%	38%	45%	32%
Image	52%	57%	47%	51%	49%	58%

However, there are significant variations in attitudes towards the region which vary both by industry grouping and by sub-region. As a sub-sector, VAD sees the region as a more positive influence than in PAM across each of the three aspects, but particularly with regard to the physical environment. The sub-regional variances follow a less consistent pattern. The most significant divergences relate to the less positive attitude towards the physical environment held by businesses in Devon & Cornwall and the less positive attitude towards the South West as a business location in Somerset & Dorset.

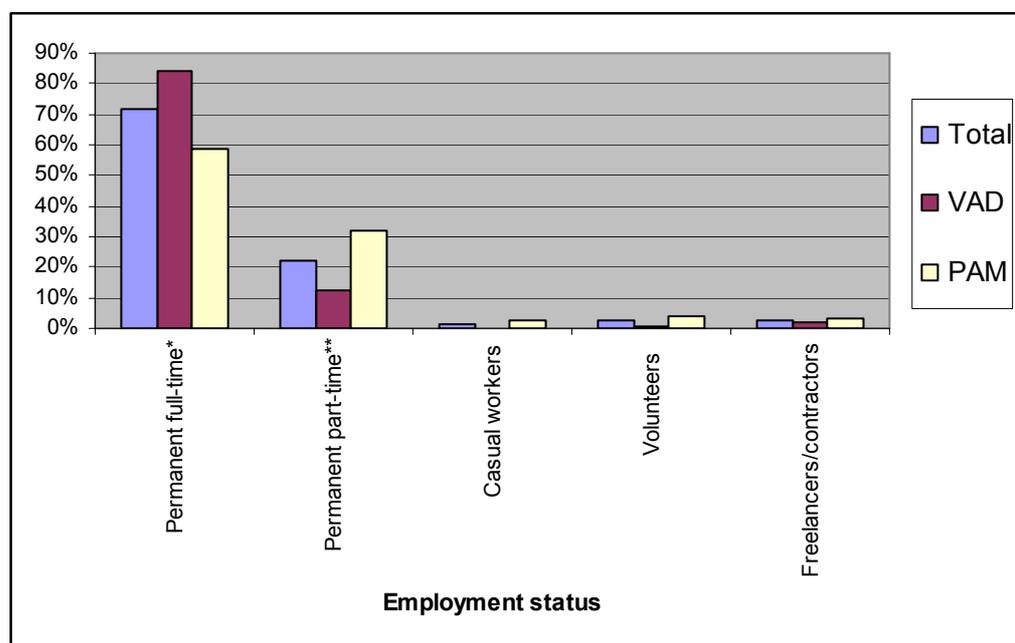
⁵ In this instance the balance has been calculated as the total of those businesses either 'Slightly positive' or 'Strongly positive' minus those either 'Slightly negative' or 'Strongly negative'.

5 Employment

As can be seen in Figure 7 below, the majority of the workforce across the four sub-sectors is permanent and full-time. However, there is a significant divergence between VAD and PAM.

Where 84% of the staff in VAD are permanent and full-time, this falls to 59% in PAM which has a more loose and fluid labour market when compared with VAD, characterised by relatively high numbers of permanent part-time staff (32%), making greater use of freelance and casual labour (both 3% each), as well as drawing on a pool of volunteers (4%).

Figure 7. Employment status, by industry grouping (%)



*Definition of full-time: 30+ hours per week
 **Definition of part-time: >30 hours per week⁶

The status of employment varies only marginally across the three sub-regions. Volunteers play a greater role in the labour market in Somerset & Devon, composing 5% of the workforce compared to 2% in Devon & Cornwall and 1% in WEGW, and permanent part-time staff make-up a greater proportion of staff in Devon & Cornwall (26%) than in either Somerset & Dorset (22%) or WEGW (20%).

In terms of employment growth, although the experience of most firms in the four sub-sectors has been one of no change, there is a trend towards increasing employment as a small balance of 11% of companies have increased their staff over the last 12 months. Increases are more common

⁶ 'Permanent' for both full and part-time work simply means only employment which is not bound by a fixed term period (even if this period is 3, 5 or 7 years etc.).

in PAM, where a balance of 15% of businesses saw employment rise on the year, than in VAD (a balance of 9%). Employment gains were also more frequent in Devon & Cornwall (a balance of 15%), and Somerset & Dorset (14%) than in WEGW (9%).

Looking forward, there are strong expectations of employment growth over the coming 12 months with a balance of 28% of businesses anticipating employment increases. At the industry grouping and sub-regional level, the trend echoes the pattern of employment growth witnessed over the last 12 months. So, anticipated employment increases are more common in PAM (30%) than in VAD (26%) and similarly, the trend towards anticipated employment increases is strongest in Devon & Cornwall where a balance of 35% of businesses expect to see employment rise, compared with balances of 27% and 25% for Somerset & Devon and WEGW respectively.

The four sub-sectors have not experienced any significant difficulties related to recruitment over the last 12 months, with only 9% of businesses reporting any hard-to-fill vacancies during this period. This experience is common across both industry groupings and all the sub-regions. This may be related to the fact that overall, the level of staff turnover has barely increased (or decreased) during the same period – a balance of just 1% of companies have experienced increasing staff turnover. But this masks a divergence between the experience of the sub-sectors at the sub-regional level as staff turnover in Somerset & Dorset and Devon & Cornwall has decreased by 2%, as opposed to WEGW where staff turnover has increased by 3%.

The unit cost of employment across the four sub-sectors is rising as a strong balance of 34% of businesses have experienced rising wage rates over the last 12 months. This trend is more common in PAM (a balance of 40% of companies) than in VAD (28%), and it is also more common in both Somerset & Dorset (a balance of 38%) and Devon & Cornwall (34%) than in WEGW (32%). It should be noted, however, that although respondents report rising wage levels, this is within a region in which lower wage levels than the UK average is a characteristic of the region⁷.

5.1 Skills

We then asked businesses about which skills they felt were most in need of improvement. Of course it should be noted that in any question of this nature, what is not entirely clear is whether apparent differences in the frequency and nature of skills gaps reflects genuine differences in skills levels or merely reflects a greater awareness of real or imagined deficiencies.

⁷ Only two regions have lower average weekly earnings than the South West: Wales and the North East (Local Futures (2004) 'Geographical Analysis of the South West').

Given this proviso, the particular skills that were identified as being in most need of improvement across the sub-sectors are 'Technical and job specific skills', ranking highest for both VAD (56%) and PAM (47%). Within this category, it relates principally to 'Advanced IT and software skills'. The next most commonly reported skills gaps relate to 'Entrepreneurial and business management skills' – in particular 'Project management' and 'Business planning' – and these are deemed to be more in need of improvement within PAM (45%) than in VAD (37%). Finally, businesses also identify skills related to 'Communication and customer handling' as an area where improvements could be made. However, there is a strong divergence here between PAM, where 44% of businesses identified these as skills in need of improvement and VAD, in which the response was almost half this number (24%). In particular, businesses in PAM are much more likely to report skills gaps in 'Marketing' (26%), 'Client/customer relationships' (23%) and 'Selling products' (15%) than in VAD, the respective figures for which are 12%, 14% and 3% respectively.

Looking at sub-regional trends within skills needs, businesses in Devon & Cornwall more commonly identify skills in need of improvement right across the five major skills categories. The greatest divergence between Devon & Cornwall and the rest of the region relates to skills associated with communication and customer handling, as businesses in this sub-region more often identify skills gaps in 'Client/customer relationships' (31%), 'Marketing' (23%), 'Identifying sales' (19%) and 'Selling products' (17%) than in the other two sub-regions.

6 Financial Trends

In order to assess how the four sub-sectors are performing economically, the survey incorporated questions on key financial trend indicators.

6.1 Turnover

There is a strong trend of rising turnover across the four sub-sectors with a balance of 33% of companies increasing their turnover over the last 12 months. However, this is much more common in PAM, where a balance of 41% of companies experienced increasing turnover, than in VAD (a balance of 25%). A trend of increasing turnover is stronger and roughly comparable in Somerset & Dorset and Devon & Cornwall (a balance of 38% and 37% respectively) than in WEGW, where the balance of businesses increasing their turnover is 29%.

There are also small differences between the two industry groups in terms of the actual size of increases in turnover. So, 39% of businesses in PAM experienced increases in turnover of 5%+, compared with 34% in VAD, but the most significant divergences here appear at the sub-regional level: 43% of businesses in Devon & Cornwall have increased their turnover by 5%+, compared with 35% in WEGW and 33% in Somerset & Dorset.

6.2 Staff costs

Staff costs relates to total staff costs which means that they can be effected by any one of, or a combination of some or all of, increases or decreases in the number of employees, the number of hours worked, and wage rates. Across the four sub-sectors, there is a strong trend towards rising staff costs with a balance of 29% of companies experiencing rising staff costs. As increases in staff costs are far more common than increases in employment in the sector, it is most likely that rises in staff costs are primarily associated in this instance with increases in wage rates (which are broadly comparable in frequency). Rising staff costs are more common in PAM than in VAD, with a balance of 35% of companies experiencing rises compared with 23% in VAD. Increases are broadly consistent in frequency across the three sub-regions.

The main differences regarding the actual quantity of the increases relates to the sub-regional level, with Devon & Cornwall experiencing the highest increases – almost a quarter of businesses (23%) saw staff costs rise by 5%+ over the last year, compared with 16% in Somerset & Dorset and 13% in WEGW.

6.3 Property costs

There is a definite trend towards rising property costs in the sector with a balance of 25% of businesses in the four sub-sectors experiencing increases over the last 12 months. Once again, increases are more common in PAM (a balance of 28% of companies) than in VAD (a balance of 21%). Sub-regionally, businesses in Devon & Cornwall are the most likely to experience rising property costs, with a balance of 29% seeing rises on the year, followed by WEGW (25%) and Somerset & Dorset (19%). These sub-regional trends are repeated when the absolute nature of increases in property costs are taken into account. Namely, 18% of businesses in Devon & Cornwall have seen property costs rise by over 5% on the year, as opposed to 14% in WEGW and 11% in Somerset & Dorset. Differences in the trends of property costs – when looked at in terms of absolute rises between the two industry groupings – more or less even out, though businesses in PAM have still experienced marginally higher rises.

6.4 Other operating costs

The strongest trend towards rising costs in the four sub-sectors is related to operating costs other than staff and property costs, as a balance of 40% of businesses have experienced rises in other operating costs over the last 12 months. Once again, PAM has suffered more from rising costs (a balance of 45% of businesses compared with a balance of 36% in VAD). Sub-regionally, the trend towards increasing costs is strongest within Somerset & Dorset (a balance of 47% seeing rises), compared with Devon & Cornwall (a balance of 44%) and WEGW (a balance of 36%).

Again, the differences that are apparent in the frequency of rising costs between industry groupings do not appear when the size of increases in other operating costs are examined. On the contrary, the sub-regional differences persist with 27% of businesses in Somerset & Dorset experiencing rises of more than 5% compared with 21% of companies in Devon & Cornwall and only 17% in WEGW.

6.5 Profit

There is a trend towards rising profits across the four sub-sectors over the last year, with a balance of 20% of businesses increasing profits on the last 12 months. Importantly, though, the incidence of rising profits is less common than increases in turnover (a balance of 33%). As can be seen in Figure 8 below, this may be related to the similarly higher incidence of rises in staff costs (a balance of 29%), property costs (25%) and other operating costs (45%).

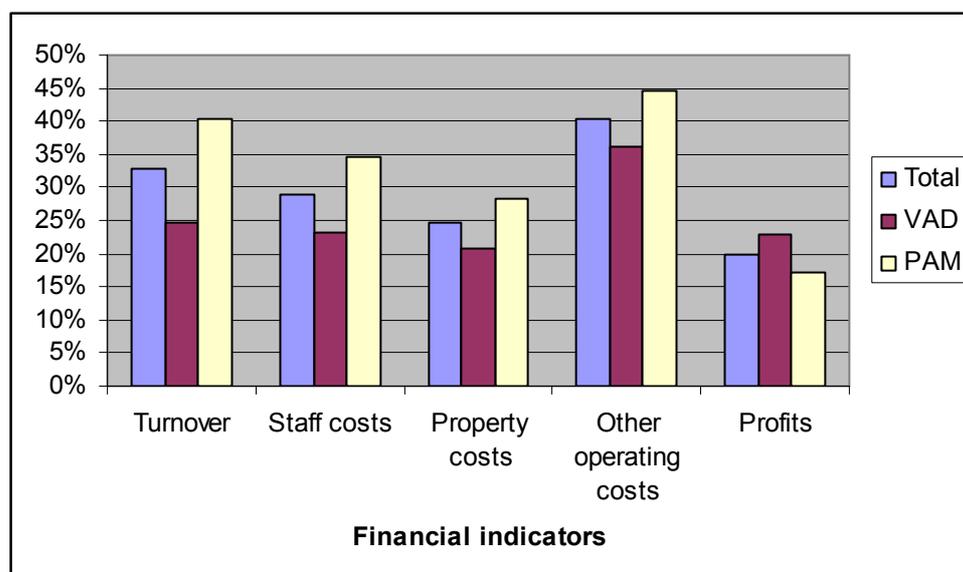
Contrary to the trends for turnover and costs, increases in profits are more common within VAD, where a balance of 23% experienced rises in

profits over the last 12 months, than in PAM (a balance of 17%). This trend is also repeated when we look at the size of rises in profits: 29% of businesses in VAD increased profits by more than 5% compared with only 18% in PAM. The performance of VAD is even stronger when compared against its cost base: the frequency of rises in profits is, on balance, roughly commensurate with rises in both staff and property costs. Moreover, while there is a stronger trend towards increases in additional operational costs, when looked at in terms of the size of these increases, they are far smaller than rises in the size of profits:

Sub-regionally, the trend towards rising profits is strongest in Devon & Cornwall, where a balance of 28% of businesses saw increases, compared with 19% in Somerset & Devon and 16% in WEGW. Businesses in Devon & Cornwall also perform strongly in terms of the size of increases in profits, with 28% of businesses in the sub-region increasing profits by more than 5% compared with 24% in WEGW and 19% in Somerset & Dorset.

The performance of businesses in WEGW here is notable as, despite operating in what seems to have been a more difficult market over the last year than that of the other two sub-regions (as exemplified by weaker general trends towards employment and turnover growth), in terms of absolute profits, businesses in WEGW outperform those in Somerset & Dorset. This suggests that a significant component of the businesses in WEGW have a greater control/awareness of the financial fundamentals of their businesses when compared with, at least, those businesses in Somerset & Dorset and this may be related to the fact that, on average, businesses have been established for longer than in the other two areas.

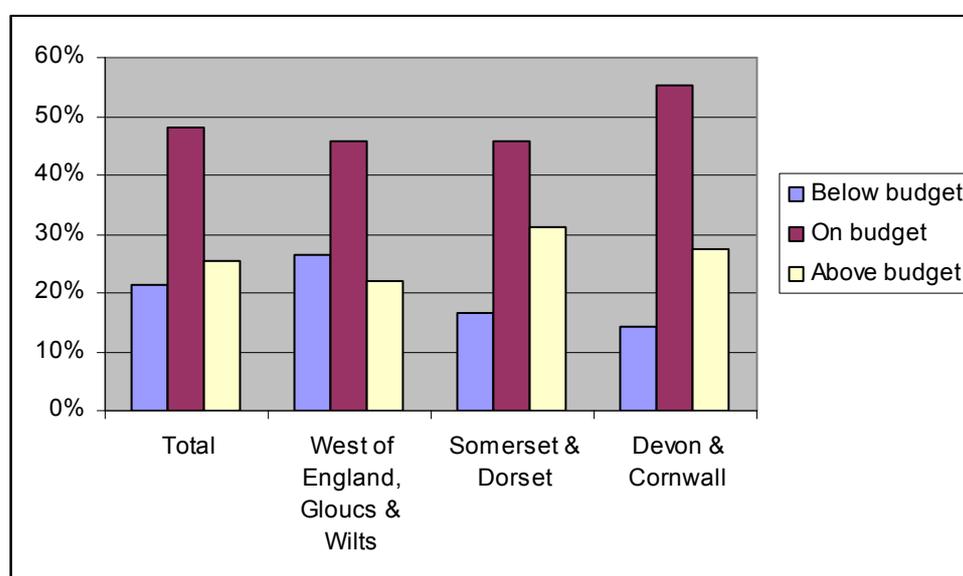
Figure 8. Trends over the last 12 months (balance %)



6.6 Performance against business plan

In order to gauge how this actual performance related to the intentions of 12 months ago, we asked respondents to state how their turnover compared with their budget/income target. On the whole, businesses achieved or exceeded their expectations with only around one fifth of businesses (21%) feeling that their performance had undershot their expectations. There is no real disparity in the performance of the two industry groupings but as Figure 9 below illustrates, there are real differences in the performance of businesses across the three sub-regions. In particular, more businesses in WEGW performed below their expectations (as measured by turnover) than exceeded expectations – quite the opposite from businesses in the other two sub-regions.

Figure 9. Actual turnover compared with budget over the last 12 months, by sub-regions (% of businesses)



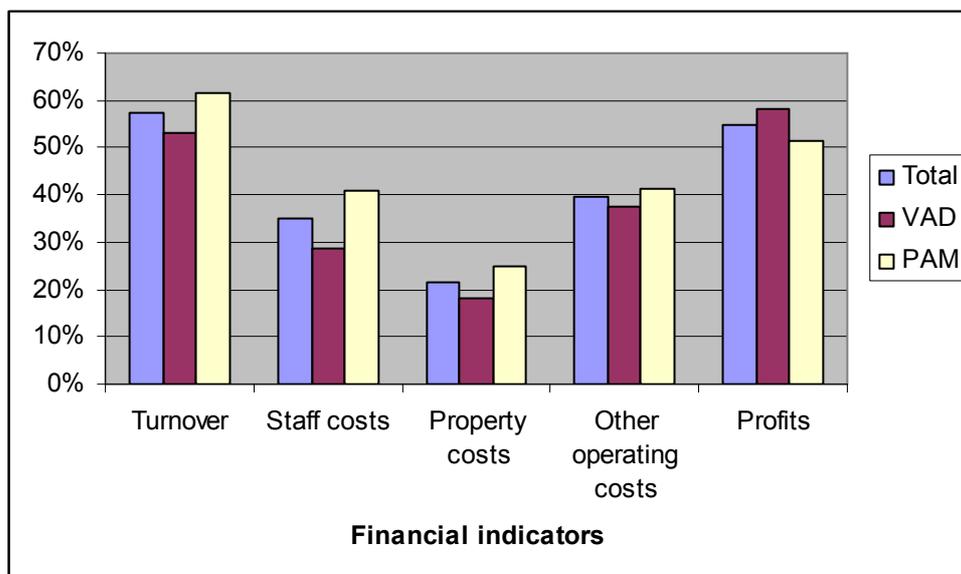
6.7 The future

Respondents were also asked what they felt might happen in the next 12 months as regards their key financial trends. Businesses continue to be optimistic about turnover and profits – indeed, anticipated trends towards increases in both are stronger than actual trends over the last 12 months – but rises in all costs are also anticipated and are broadly in line with trends over the last year.

In terms of differences between industry groupings and sub-regions, anticipated trends follow the general pattern of actual trends over the last 12 months, as Figure 10 below demonstrates. So, the trend towards anticipated increases in turnover is once again stronger in PAM, but so are anticipated increases in costs (across the board). Anticipated increases in profits are more common in VAD – again mirroring the actual

trend. Similarly, the trend towards anticipated increases in profits is strongest in the Devon & Cornwall sub-region, as is expected rises in both staff and property costs. The trend towards anticipated increases in turnover is strongest in Somerset & Dorset, though on balance businesses are also most likely to anticipate rises in other operating costs, and the trend towards increasing profits is (perhaps unsurprisingly given the latter), less strong than anticipated rises in turnover.

Figure 10. Anticipated trends over the next 12 months (balance %)



6.8 The risks

In order to get an idea of the exposure of businesses to changes in the general economy, we asked two questions about where they obtained most of their income.

Firstly, we asked about how much income is derived from various sources. Perhaps not surprisingly, businesses across the four sub-sectors generate their income predominantly from direct sales, which accounts for 92% of income. The remaining component of income is derived from public grants or awards (6%) and private grants or awards (1%).

However, there is a significant difference between the two industry groupings with direct sales accounting for a smaller proportion of income in PAM (88%) than in VAD (96%), and correspondingly, businesses in PAM derive a greater share of income from both public grants and awards (10%) and private grants and awards (1.5%) than in VAD. This means that the VAD grouping is more exposed to the general economic climate than PAM. The corollary, of course, is that VAD is also less dependent on public sector investment than PAM – investment that is subject to external change due to shifting policy priorities. A similar pattern is repeated on a sub-regional basis (though the differentials are

much smaller) as businesses in WEGW derive more of their income from sales (93%) than businesses in either Devon & Cornwall (91%) or Somerset & Dorset (90%).

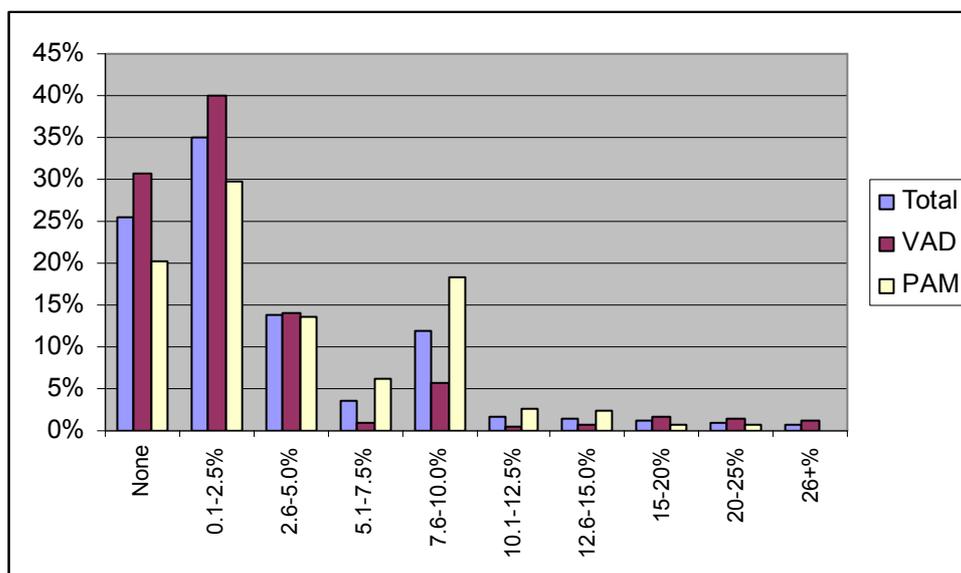
To further gauge exposure to changing market conditions, we also asked respondents what proportion of their sales are accounted for by their top three clients. This provides a good indication of how susceptible the respondents are if one or two of their top customers face difficulties. With its heavy reliance on consumers for sales, it is perhaps not surprising that the PAM grouping is least exposed. On the contrary, while the top three clients account for less than 10% of turnover for roughly one third of VAD businesses, a significant group – over one quarter of businesses (27%) – are very exposed to their top three clients as they account for more than half of their turnover.

Sub-regionally, the sub-sectors in WEGW and Somerset & Dorset are significantly more exposed to market conditions using this measure as 23% and 20% of businesses in the respective areas derive more than half of their turnover from their top three clients – compared with only 11% of businesses in Devon & Cornwall.

7 Marketing and promotion

We asked businesses a series of questions about their expenditure on marketing and promotion. As Figure 11 below illustrates, the strong trend across the four sub-sectors is that businesses spend little (35% spend between 0.1-2.5% of turnover) or nothing at all (25%) on marketing and promotion. This trend is stronger in VAD where 71% of businesses spend between nothing and 2.5% of turnover (the comparable figure for PAM is 50%).

Figure 11. Expenditure on marketing and promotion as a proportion of turnover, by industry grouping (%)



There are also sub-regional differences in the amount spent by businesses on marketing and promotion. Businesses in Devon/Cornwall in general spend more than enterprises in the other two areas. The sub-region has the highest numbers of businesses spending 10% or more of their turnover on marketing and promotion (8%), and the lowest numbers of businesses spending either nothing or up to 2.5% of turnover (55%). On the contrary, the trend towards spending the least on marketing and promotion is most pronounced in Somerset & Dorset: 65% of businesses in the sub-region spend either nothing or up to 2.5% on marketing and promotion and only 3% spend 10% or more.

There is no easily identifiable and consistent correlation between the level of expenditure on marketing and promotion and the export performance of businesses in the sub-sectors. Certainly on the industry groupings, the greater amounts spent on marketing in PAM does not coincide with a

better export performance than in VAD, as exports are roughly the same across the two groupings⁸.

For the sub-regions though, there does appear to be some correlation to the extent that businesses in Somerset & Dorset spend the least on marketing and promotion and have both the lowest levels of exports (2.9% of sales) and the lowest levels of sales in the UK outside the South West (25%). But the picture is less clear with regard to Devon & Cornwall. Businesses in this sub-region spend the most on marketing and promotion but this does not correlate with the highest levels of exports (though at 3.7% they are higher than in Somerset & Dorset). But this expenditure may have a bearing on the fact that businesses in Devon & Cornwall have the highest share of the domestic market outside the South West of all the three sub-regions (27%, compared with 26% and 25% in WEGW and Somerset & Dorset).

Despite this general trend towards low levels of expenditure on marketing and promotion, respondents report that this has, on balance, actually increased across the four sub-sectors over the last 12 months (a balance of 12%). This trend is also broadly comparable between the two industry groupings, but there are some small sub-regional differences. Once again, businesses in Somerset & Dorset are, on balance, less likely to have increased expenditure than in the other two sub-regions. Perhaps directly related to this trend, businesses in Somerset & Dorset are the most likely to increase their expenditure on marketing and promotion over the next 12 months, with a balance of 26% of businesses expecting rises (compared with balances of 22% and 20% in Devon & Cornwall and WEGW respectively). There is no divergence between the two industry groupings in terms of the trend towards increasing expenditure, with a balance of 22% anticipating increases in both.

It is worth reflecting on the lack of resources dedicated to marketing and promotion in light of both the very local/regional sales base of businesses in the four sub-sectors, and also the skills needs identified around marketing, sales, and customer relationships. In view of the latter, it cannot be discerned from the survey results as to whether marketing spend is influenced by the skills base related to marketing within businesses.

7.1 The internet and e-commerce

The adoption of new ICT applications is relatively advanced across the four sub-sectors. The vast majority of businesses (92%) have regular access to email, a level that is consistent across the two industry groupings. There are some small sub-regional differences though as the uptake of email is more common in Devon & Cornwall (97%) than in either WEGW (92%) or Somerset & Dorset (89%).

⁸ Of course, one might also argue that PAM might not have achieved even these levels of exports without this expenditure on marketing and promotion.

These trends are reversed with respect to websites where the incidence of having a website relates to industry grouping more so than to geography. For instance, while more than three quarters (77%) of the businesses in PAM have a website, this falls to 55% in VAD – although a further 31% of VAD businesses have plans to establish a website in the next 12 months which would largely take the penetration of websites in the grouping up to the current levels within PAM (in which a further 12% of companies plan to set-up a site in the next year).

We also asked respondents with websites if their websites are transactional, i.e. can customers make online bookings/orders or purchases through the site. Once again, PAM leads the industry groupings as 39% of businesses with websites are transactional, compared with 29% in VAD. Transactional sites are more common among in Devon & Cornwall (41%) and WEGW (36%) than in Somerset and Dorset (24%).

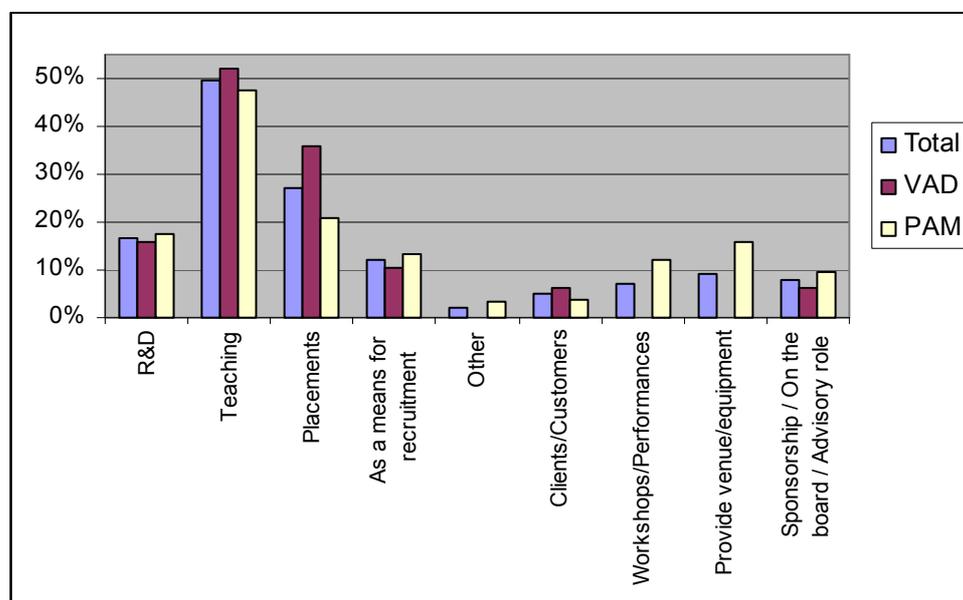
If we look at how long companies have had a website, the trend is reversed in terms of industry grouping, with VAD leading through a group of 'early adopters': 47% of businesses have had a website for more than three years (compared with 40% in PAM). Sub-regionally, the early adopters reside in WEGW and Devon & Cornwall where 46% and 44% of businesses have had a website for more than three years, compared with 35% in Somerset & Dorset.

8 Linkages

Businesses were asked about some of the relationships and links that they have with support agencies and education.

In terms of links with universities, colleges or specialist educational institutions, only around a quarter of businesses across the four sub-sectors have any links, though this is slightly more common within PAM (28%). When asked about the nature of these links, as Figure 12 below illustrates, businesses have a range of different types of linkages (particularly within PAM), but by far the most common is through teaching (49%). Placements are the next most common link with education (27%) and as with the teaching link, this is more common in VAD than in PAM.

Figure 12. Types of linkages with universities, colleges and specialist educational institutions (%)



Looking beyond linkages with the education sector, respondents were asked about their use of business support agencies and business-relevant networks. Over one third (36%) of businesses do use support agencies or belong to business networks, the most commonly cited being generic: the Chamber of Commerce, the Small Business Service and Business Link. In contrast, relatively little use is made of sector-specific networks and agencies. It is not possible to say from the survey findings whether this is due to the lack of sector-specific networks and agencies in the region or simply a lack of awareness about their existence.

9 Appendix I: Survey methodology

Sampling frame

In developing the sampling frame we attained as detailed a sub-sectoral and sub-regional breakdown as possible, while maintaining a statistically robust framework which ensures that the results can be accurate grossed-up at the regional level. In developing the sampling frame, we analysed information on business units within the four sub-sectors from the ABI. Three key messages came out of this analysis:

1. There were not enough business units in each of the four sub-sectors (allowing for a response rate of around 20-25%) to enable a sub-regional analysis while maintaining statistical significance. The agreed solution to this was to amalgamate the four sub-sectors into 2 groupings:

- Visual Arts & Design (including visual arts, crafts, design (inc. architecture))
- Performing Arts (including music and performing arts)

2. As there are only 160 companies with over 10 employees in Visual Arts and 71 with over 10 employees in Performing Arts, it would have been highly unlikely for us to be able to get a statistically valid number of responses for companies with over 10 employees in both areas. Therefore, because we would not be over sampling in terms of larger companies, we did not need to weight the data by sizeband to accurately reflect the true make-up of the sample universe. We did, however, ensure that we had at least 50 interviews with companies over 10 employees to ensure sizeband analysis (albeit across the whole sample only) can be carried out⁹.

3. There were not enough business units within these two groupings to undertake a full sub-regional analysis, therefore the sample is structured into three sub-regional groupings.

In conclusion, the interviews were conducted as shown in the grid below:

	Visual Arts	Performing Arts
1. West of England, Gloucester & Wiltshire	100	100
2. Somerset & Dorset	50	50
3. Devon & Cornwall (inc. Isles of Scilly)	50	50

The larger numbers of interviews conducted in the first sub-region (West of England, Gloucester & Wiltshire) represents the true distribution of businesses in these two sub-sector groupings. This sample frame still ensures that the diversity of the regional areas is taken into account, and it will also be used as the basis for a weighting frame.

⁹ It should also be noted that the respondents to the survey contained a high proportion of sole traders/freelancers (24%).

Construction and management of the sample

The agreed database for the project was constructed from the following four sources:

- National Business Database (from Experian)
- UK Crafts Council's National Register of Makers
- Arts Council South West's key organisations database

National Business Database (NBD): as Experian Business Strategies is part of Experian, the consultancy team has access to the entire National Business Database. This is a unique product which provides the UK's largest and most detailed database of commercially active organisations – from single person businesses working at home, to multi subsidiary corporations. It contains 1.55m businesses and 1.68m locations and is compiled from a variety of sources.

National Register of Makers: the Crafts Council's Register of Makers is the UK's most comprehensive database of craft/designer makers. Data for the South West's 635 entries on the Register was purchased for the project.

Arts Council South West: due to Arts Council South West being one of the sponsors of the research, access to ACE SW's directory of RFOs (regularly funded organisations) was provided.

A fourth source, Yell Data, was considered in the construction of the sample database but was not needed due to the numbers of companies and individuals yielded via the other three sources – which, after de-duplication, totalled over 4,000.

The sample was drawn up utilising the SIC(92) codes detailed in Q1 of the questionnaire (see Appendix II). We used activity at site descriptions in the database wherever possible to screen out non-relevant companies in the SIC codes 7240, 7484 and 5147. However, where this was not possible we used Q1 on the survey to screen out non-relevant organisations.

Questionnaire design

A range of areas and indicators to be covered by the survey, such as employment, turnover and skills, were outlined in the original tender specification for the project. In addition, an 'Intelligence Group' composed of key informants about the sector in the region was convened early in the course of the project. The intention was to quickly garner a range of views on the nature of the sector in the South West to help shape the agenda of the research work. In particular, the session was used to generate a SWOT analysis of the sector in the region (see Appendix III), leading to a series of research questions for both the quantitative and qualitative work. In particular, a number of questions around the South West as a location for creative businesses were incorporated into the questionnaire.

Piloting

The questionnaire was circulated for comment to the project Steering Group pre-Christmas 2003 and after revisions made in light of the input of the Steering Group, it was piloted. The consultancy team requested that Steering Group members provide contact details for eight organisations that covered a range of:

- geographical areas
- sub-sectors
- business size

For these reasons, the piloting frame below was suggested. It should be noted that this is not identical to the sample frame for the survey proper, but rather represented a simplified version that nevertheless provided enough diversity to ensure the validity of the piloting process

VISUAL ARTS & CRAFTS	Under 10 employees	10+ Employees
Cornwall/Devon/Somerset	1	1
Dorset/Wilts/Gloucs/Avon	1	1
PERFORMING ARTS & MUSIC	1	1
Cornwall/Devon/Somerset	1	1
Dorset/Wilts/Gloucs/Avon	1	1

The research team managed to undertake pilot interviews with five of the eight organisations that were suggested by members of the Steering Group. The results were very positive and necessitated only minor amendments to the draft questionnaire which were made in conjunction with CSW/SWRDA and partners.

The Stage II survey work commenced on the week starting January 12th and the agreed final questionnaire is included below as Appendix II

10 Appendix II Survey questionnaire

FOR INTERNAL USE ONLY

Id Number	
Interviewer Name	
Date	
Checked by	
Entered by	
Entry number	

Please can I speak to the MD or FD?

Collect Details and make appointment as necessary

Good Morning/Afternoon, my name is xxxx I am calling from Experian Business Strategies. I'm calling on behalf of Culture South West, the Regional Development Agency, and Arts Council South West who have commissioned us investigate how the South West's creative businesses work and what their needs are. The aim of the research is to determine the best ways of helping creative businesses like yours to develop and grow

Experian Business Strategies are affiliated members of the Market Research society, ensuring that your replies are strictly confidential and only reported in aggregate, unless you request otherwise.

If necessary provide contact name at Culture South West to confirm research)

Qualifying section

Q1. Firstly, as we are hoping to speak to a representative sample of businesses in your sector could you let me know which of the following best describes your main line of business?

A. VISUAL ARTS GROUPING	SUB-SECTOR	ACTIVITIES
<p><i>SIC Codes:</i></p> <p>7420/1 Architectural activities*</p> <p>7484 Other business activities*</p> <p>9231/9 Other artistic and lit. creation and interpretation</p>	<p>1. Design (inc. Architecture)</p> <p>2. Visual Art & Crafts</p>	<p>Architecture (building design & restoration, environment and landscaping, urban design & masterplanning)</p> <p>Design (Graphic, product, interior, exhibitions & events, new media, packaging)</p> <p>Craft production/designer maker (ceramics, glass, textiles, furniture, jewellery etc.)</p> <p>Visual art production (painting, sculpture, drawing & illustration)</p> <p>Art/craft/antique restoration</p> <p>Dealing in art/craft/antique products</p> <p>Specialist retail (gallery/venue)</p> <p>Other</p>
B. PERFORMING ARTS GROUPING	SUB-SECTOR	ACTIVITIES
<p><i>SIC codes:</i></p> <p>9231/1 Live theatrical presentation</p> <p>9232 Operation of arts facilities</p> <p>9234 Other entertainment activities NEC</p> <p>2214 Publishing of sound recordings</p> <p>2231 Reproduction of sound recording</p> <p>3630 Manufacture of musical instruments</p> <p>5147/5 Wholesale of musical instruments*</p>	<p>1. Performing Arts</p> <p>2. Music</p>	<p>Collection society/administration of copyright in composition and sound recordings</p> <p>Music & performing arts schooling and instruction</p> <p>Content origination (songwriting & composition, playwriting, choreography)</p> <p>Lighting and sound engineering for performance</p> <p>Live performance & production</p> <p>Management, representation and promotion of musical & theatrical acts</p> <p>Management/operation of performance venues & facilities</p> <p>Manufacture of musical instruments</p> <p>Production of music/sound recordings (operation of recording studios, engineers etc.)</p> <p>Publishing of music/CD/sound recordings</p> <p>Reproduction/replication of music/sound recordings</p> <p>Set & costume design/build</p> <p>Ticketing services</p> <p>Wholesale of musical instruments</p> <p>Other</p>

* Indicates a SIC class that does not solely cover activities in the four sub-sectors. In these instances, the non-relevant businesses that are drawn from these classes will be screened out at the first stage of the interview process.

Close non relevant activities with → Thank you very much for your help, unfortunately we do not need to conduct any more interviews in this sector. CLOSE

Q2 including you, how many people are employed at this site? {Code Number if difficulty read out bands }

Q2a) Number _____

Q2b)

1 Employees	
2-5 Employees	
6-10 Employees	
11-24 Employees	
25 –49 Employees	
50- 199 Employees	
200 + Employees	

Q3 What is the nature of the business? Is it . . . READ OUT

a) SINGLE CODED

1. Single site	
2. One of multiple sites	
3. Head office	
4. Don't know	

b) MULTI-CODED

A Private sector business	
A Public sector business	
A voluntary sector business	
A Charity business	
Other (Please specify)	
Don't know	

QF1: FOR FREELANCERS (1 employee businesses only) we are very interested in the views sole-traders and freelancers, but to ensure that we only ask you the relevant questions could I just ask which of the following would best describe your situation?

1. Most of my work is gained through an agency	
2. I mainly only work for a previous employer	
3. Most of my work is gained through direct contact with the client	
4. Most of my work comes via networks/contacts/peers	
5. Other (Please specify)	
Other	

 The interview should take no more than 15 minutes to complete and is broken down into the following 6 sections:

General Business Environment

Employment and Skills

Key Financial trends

Marketing

The Internet & E-commerce

And finally a short section asking about your opinions

Section A: General Business Environment

To start with I would just like to ask you a few questions about your general feelings about the current economic climate that you are operating in and how they are affecting your business.

A.1 Are you more or less optimistic than you were a year ago about the business climate you work in?' (SINGLE CODE)

More	Same	Less
------	------	------

A.2: Would you say that over the coming year you have any ambitions to grow, in terms of an increase in the amount of work undertaken or by employing more staff?

1 Yes hope to grow	
2 No – no plans for growth (go to A.4c)	

[INTERVIEWER/ CATI to note if QF1 =1,2 or A.2 = 2 then do not ask starred (*)

questions]

A.3 What are the key factors inhibiting growth in your business? (MULTI-CODE) Probe

Distance from market		Transport cost	
Finance shortage		Inadequate transport infrastructure	
Inadequate business support from government		IT/Technology Issues	
Hard to attract staff to region		Lack of inward investment	
High unit labour costs		Low capital investment	
Lack of appropriate workspace		Planning restrictions	
Lack of customers, reduced spending or grant cuts		Skills problems	
Housing cost		Red tape, rates, insurance premiums or increase in general costs	
Perception of region among potential customers		Macro economic policies/ General economic situation	
Marketing of company/attracting new clients		Other (Please specify below)	
Lack of Entrepreneurial culture			
Local competition		No Barriers	
Competition from other parts of the UK		Don't know	

A.4a Thinking about your prospects over the next 12 months, from which of the following areas are you expecting to receive the most growth (MULTI-CODE)

Local markets (under 15 minutes away)	
Other markets in the South West	
Markets in the rest of the UK	
Other European markets	
Other international markets	

A.4b (If rest of UK, Europe or International): Is there any particular place (or country) that you feel that this growth will come from? (Write IN)

Go to A.5

A4c (Those not planning to grow) You say that you do not plan to grow over the next year, is there any particular reason for this? (Probe fully)

*****A.5 On a scale of 1 to 5, to what extent, in your opinion, are the following barriers to international trading? Where 1 means it is not a barrier and 5 indicates a major barrier (READ OUT BARRIERS CODE ONE PER BARRIER – Interviewer to NOTE if they do not export this is still relevant and that if it is not a barrier to international expansion, then code 1)

Financial constraints	
Transportation constraints	
Language issues	
Lack of knowledge about markets	
Political and social instability	
Finding representatives/networks in other countries	
General level of bureaucracy, red tape and regulations	

A.6 Are your clients/customers..? (READ OUT MULTICODE)

Small private companies	
Medium private companies	
Large Private companies	
Multinationals	
Public sector	
Individuals	
Small Voluntary sector	
Medium Voluntary sector	
Large Voluntary Sector	
Education Sector	
Other (Please Specify)	

If Individuals only please go to A10

A.7 Which sectors do you have clients from: (READ OUT MULTICODE)

Primary & Manufacturing Industries	
Construction	
Retail & Wholesale	
FMCG (Fast Moving Consumer Goods)	
Hotels & Catering (incl restaurants, Bars & Nightclubs)	
Transport & travel	
Media & Communications	
Financial & Business Services	
Arts	
Museums, Libraries, Archives	
Public Sector, Education & Health	
Exhibition/Event Venues/Attractions	
Other (specify)	

A.8 Could you say approximately what percentage of your sales are:

(Code %)

Within the South West	
Within the rest of UK	
Outside UK	

TOTAL = 100

A.9 Could you say approximately what percentage of your purchases:

(Code %)

Within the South West	
Within the rest of UK	
Outside UK	

TOTAL = 100

A.10 Has the business always been based in the South West of England?

Yes – Go to A.13	
No	

A.11 If not, for how many years has it been based in the South West? _____

A.12 Where was it based before?

South East	
London	
Other England	
Other UK	
Abroad	

A.13 What influence do you believe the following factors have on your business?

	Strongly positive	Slightly positive	No influence	Slightly negative	Strongly negative	Don't Know
Business environment in the South West						
Physical environment in the South West						
Image of the South West region						

Section B: Employment

*****GO TO SECTION C

Thinking now about your workforce.

*B.1 Approximately what proportion of your workforce (on a full-time equivalent basis) consists of: (CODE %)	
<input type="checkbox"/> Permanent Full Time Staff (30 or more hours per week)	
Permanent Part Time Staff (Less than 30 hours per week)	
Casual Workers	
Volunteers (Unpaid workers whether Family members or not)	
Freelancers/contractors contracted through an agency / Temps	
Freelancers/contractors contracted to you directly	
Other	

***Please enter to the nearest 5% - all boxes must add up to 100%**

*B.2a Compared with this time last year has employment at that site increased, decreased or stayed the same? (SINGLE CODE)

Increased	
Same	
Decreased	

*B.2b Over the next 12 months do you expect employment at that site to increase, decrease or stay the same? (Single Code)

Increased	
Same	
Decreased	

*B3a Could we just ask do you have any vacancies that have proved hard to fill over the last 12 months?

Yes	
No (GO TO B.7)	

*B3b In which areas were these

Marketing and sales	
Business development	
Production	
Finance and strategic planning	
Administration/ office management	
Technical support	
Other please specify	

*B.4 Please could you tell me the top 3 causes of your hard-to-fill vacancies, your highest cause first? PROBE: Any others? MULTI-CODE (DO NOT READ LIST)

	1 Highest	2	3
Skill Shortage Vacancies (Not enough suitably skilled people locally)			
Too much competition from other employers			
Company/industry unable to pay market rate			
People with required skills don't want to relocate to this area			
Lack of resources to carry out effective recruitment			
Good economic climate			
Bad economic climate			
Poor career progression / lack of prospects (additional code from the ESS)			
Applicants lack the qualifications we want			
Applicants have poor motivation/attitude			
Lack of applicants/people willing to work for market rate /interested in this type of work			
Job entails shift work/unsociable hours			
Remote location/poor public transport			
Seasonal work			
Poor image of sector			
Other (specify)			
No Others			
Don't know			

*B.5 What impact, if any, have hard-to-fill vacancies had on your business? INCLUDE BOTH SHORT-TERM AND LONG-TERM IMPACT. PROBE: Any others? MULTI-CODE (DO NOT READ LIST)

Loss of business to competitors	
Loss of quality in service	
Delays in developing new products/ Services	
Withdrawal from offering certain products / services altogether	
Difficulties in meeting customer service objectives	
Difficulties in Introducing technological changes	
Difficulties in Introducing new work practices	
Increased running costs due to use of overtime, subcontracting or temporary staff	
Increased recruitment costs through advertising, use of recruitment agencies, etc.	
Loss of efficiency/increased wastage	
Current staff have to work harder	
Other (specify)	
None, no impact to business	

*B.6 What measures, if any, have you taken to tackle the problem of hard-to-fill vacancies? MULTI-CODE (DO NOT READ LIST)

Offered higher pay/perks (e.g. car, pension, health insurance, holidays)	
Offered additional training, personal development opportunities to attract	
Recruited from different geographical areas	
Expanded Recruitment channels (as opposed to geography)	
Increased PR activity to improve image of business	
Increased training and development within workforce	
Increase/ Expand trainee programs	
Changed work practices (flexible hours, work from home)	
Provided childcare support	
Highlighted problem to local providers (e.g., colleges, training bodies)	
Introduced more plant or equipment	
Head hunted people from other organisations	
Increase use of agency/temp staff	
Increased advertising	
Other (WRITE IN)	
Don't know	
Nothing	

*B.7 Would you say that staff turnover is higher or lower than 12 months ago? Single Code

Higher	
Same	
Lower	

*B.8 Compared with this time last year did wage rates increase, decrease or stay the same? Single code

Increase	
Same	
Decrease	

*B.9 Which, if any, of the following skills need improving during the next 12 months to meet your business needs? Multicode Read out BOLD HEADER then probe further of required.

Your Staff's Basic personal skills	
- Literacy	
- Numeracy	
- Basic IT skills	
- Time-management	
- Problem solving / initiative	
- Research Skills	
- Team working skills	
- other personal skills (Please specify)	
Your Staff's Technical and Job specific skills	
- Product Knowledge (Please specify)	
-Service related / process knowledge (not product) (Please specify)	
- Advanced IT or software	
- Other personal skills (Please specify)	
Your Staff's Entrepreneurial / Business Management Skills	
- Project Management	
- Operational Finance	
- Quality Systems	
- Business Planning	
- Decision making / problem solving / exchanging information to solve problems	
- R&D skills	
- Other Business Management skill (Please specify)	
Your Staff's Communication & Customer Handling Skills (including S&M)	
- Client/Customer relationship	
- Resolving customer complaints	
- Presentational skills	
- Identifying Sales opportunities	
- Selling products	
- Negotiating	
- Marketing Skills	
- Networking skills	
- Communication skills	
- Other Communication skill (please specify)	
Your employee's Staff management skills	
- People management skills	
- Coaching / Mentoring skills	
- Training & Development skills	
- Motivational skills	
- Knowledge of factors that contribute to staff satisfaction and achievement	
- Recruitment skills	
- Improving own performance	
- Workforce development planning	
- Other HR related skills (please specify)	

Section C: Financial Trends

I would now like you to think a bit more about some of your financial trends.

Please note: As with the rest of this survey, any information you provide remains anonymous, and will only be reported in aggregate for the sub sector as a whole.

C.1 Compared with this time last year by approximately what percentage have each of the following changed? (Single code for each option)

	Down					Same None	Up				
	>50%	20-49%	10-20%	5-10%	0-5%		0-5%	5-10%	10-20%	20-49%	>50%
Turnover											
Staff Costs											
Property Costs*											
Other Operating costs											
Profit**											

* Property costs represent rent, depreciation of buildings, rates and property insurance

** For profit please use Earnings before interest, tax and depreciation

C.2 What are your expected trends for the next 12 months? (SINGLE CODE FOR EACH OPTION)

	Higher	Same	Lower
Turnover			
Staff Costs			
Property Costs			
Other Operating Costs			
Profit			

C.3 Was your turnover for the last 12 months below or above budget / income target? (SINGLE CODE)

Below Budget	On Budget	Above Budget
--------------	-----------	--------------

C.4 We would like to gain an insight into the income into the sector could you say how much of your income is derived from the following sources? (Code %)

Sales	
Public Grants or awards not tied to a specific project	
Public Grants or awards for specific purpose	
Private grants or awards not tied to a specific project	
Private Grants or awards for specific purpose	
Donations	
Other (Please specify)	

Total = 100%

C.5 What percentage of your turnover comes from your top 3 clients? (Single Code)

Less than 10%	
10 to 20%	
21 to 50%	
51 to 70%	
71-80%	
80% or more	
Don't know	

C.6 Do you ever measure customer satisfaction to check your products or services?
MULTI-CODE

Informal Customer satisfaction	
Formal Customer satisfaction conducted using your own resources	
Formal outsourced customer satisfaction.	

C.7 Do you ever conduct any other types of market research to check your products or services? MULTI-CODE

Informal MR	
Formal MR conducted using your own resources	
Formal outsourced MR.	

Section D: Marketing and Promotion

Now, I would just like to ask a few questions about marketing & promotional spending.

D.1 For the period last 12 months what was marketing and promotional spend as a percentage of turnover? (Single Code)

None	
0.1-2.5%	
2.6-5.0%	
5.1-7.5%	
7.6 – 10.0%	
10.1 – 12.5%	
12.6 – 15.0%	
15-20%	
20-25%	
26+%	

D.2 Comparing with this time last year has your marketing and promotional spend changed? (Single Code)

Increased
Decreased
Stayed the Same

D.3 Over the next 12 months, do you expect to spend more, less or about the same on marketing and promotion compared with the last 12 months?

More
About the same
Less

Section E – The Internet and e-commerce

This section asks some questions on the web and e-commerce.

E.1 Do you have regular access to email?

Yes
No – but plan to have one in the next 12 months → Section F
No – have no plans → Section F

E.2 Do you have a website? Single Code

Yes
No – but plan to have one in the next 12 months → Section F
No – have no plans → Section F

E.3 If yes, for approximately how long have you had a website? Single Code

Less than 1 year	
1-2 years	
2-3 years	
3-5 years	
Longer than 5 years	

E.4 How often do you update it? Single Code

Every week or more frequently		Every 2 weeks to 4 weeks		Every 1 to 3 months	
Every 4 to 6 months		Every 6 to 12 months		Less frequently than every year	
Other (please specify)				Don't know	

E.5 Can customers make online bookings or purchases through it? Single Code

Yes
No

Section G Your Opinions

Finally I would like to ask a few more general questions.

G.1 Have you heard of the following organisations? (Single Code)

	SW RDA	Culture SW	Arts Council SW	SW Screen
Yes				
No				

G.2 Do you or your business have any links to Universities, colleges or specialist educational institutions? (Single Code)

Yes
No → G.4

G.3a If yes, Which ones?

G3b. What is the nature of those links? (Multicode)

R&D		
Teaching		
Placements		
As a means for recruitment		
Other (Please specify)		

G.4 In order to keep up with emerging trends that might assist your business to develop or innovate, do you or your business belong to any business relevant networks? (Single Code)

Yes
No → Go to Section H

G.5 Which of the following, if any, have you used in the last 2 years? CODE BELOW. MULTICODE

Chamber of Commerce	
Business Link	
Small Business Service	
Employment Service	
Connexions	
None	
Sector specific e.g.Creative Kernow, Bath Area Network for Artists, Devon Guild of Craftsmen	
Other (specify)	
Don't Know	

Section H: Classification

And now I just need to take a few more details about your business

H.1 Where is your company located (Sub-region code from db)

H.2 What year did your operation start? (Code year)

*H.3 Is this part of a chain or group?

Yes
No

*H.4 Where is the HQ?

South West
Rest of UK
EU
Other

H.5 What was your annual turnover for that site last year? (Single Code)

<£10K
10 – 25K
25 – 50K
50 – 100K
100 – 200k
200 – 500K
500 – 1 million
1-2 million
2- 5 million
5 –10 million
10 – 20 million
20 – 50 million
50+ million

H.6 Are you registered for VAT? (Single code)

Yes
No

H.7 Do you have any formal external or internal quality related procedures

ISO9000/1/2
IIP
Industry body accreditation (please specify)
Other external quality standard (please specify)
Internal quality standard (please specify, probe fully for details)

BOP, the University of Leeds, EBS

SWRDA may wish to carry out further research in the future and would like to know if you would be willing for your name to be passed back to them so that they can contact you to take part. ?

Yes – I don't mind my name being passed back for the purposes of further research

No – I do not want my name passed back

H.9 Contact Name

Company Name

Address

Telephone

E-mail

H10. Finally thinking about all of the areas I have covered, could you tell me which of these, or any others, would be the main areas which SWRDA could concentrate on to help your business? (PROBE FULLY)

Thank and close

11 Appendix III: Intelligence Group SWOT

The main purpose of the Intelligence Group session held in Bristol on 21st October was to develop a series of key questions that would influence the shape of the research. In order to arrive at these questions, a short SWOT analysis of the region's creative industries sector was first undertaken.

SWOT Analysis

The results of the SWOT exercise are summarised below. The results are based on a general and broad assessment of the sector as a whole, but all participants stressed the need to combine this with an understanding of sub-sectoral specificity.

Landscape/Geography

Strengths

- *Beauty of the physical environment* – seen as a major attraction for in-bound migration to the region.
- *Diverse* – the region's population encompasses considerable cultural diversity and its geography ranges from the many rural areas and communities to market towns and large urban areas.
- *Untapped geographical potential* – there is a feeling that there is scope to better capitalise on the region's physical and human geography.
- *Footloose businesses* – due to the attractions of its landscape and geography, the South West is an appealing base for businesses with an enhanced locational repertoire (i.e. those enterprises that can easily be moved).

Weaknesses

- *Lack of cohesion* – there is a feeling that the South West region, as defined in current governmental terms, is an entity that is based more on the pragmatics of administrative units rather than on a functionally-integrated region and/or an articulated regional identity.
- *Distance/peripherality* – the geography and topography of the South West means that some areas, particularly Cornwall, occupy remote and peripheral locations, while travel within the region can also be difficult due to the distances involved.
- *Hard to maintain relationships/networks* – given both the lack of cohesion and the limiting effects of distance/transport, it is hard to maintain relationships and establish/participate in business networks across the region.

Regional Image/Market Perceptions

Strengths

- *Distinctiveness* – the south west has a coherent identity that is widely shared outside of the region.
- *Creative industries image 'hotspots'* – over the last five to ten years, there has been a recognition of particular areas in the South West (e.g. Bristol) as creative, 'happening' places with successful creative enterprises.

Weaknesses

- *Distinctiveness underdeveloped* – although the South West has few problems in terms of instant recognition outside of the region, perceptions of the region may not stretch much beyond its identification as a holiday destination.
- *A 'cultural cringe'* – there is still a feeling within some parts of the region that if you want 'top quality' – be this people, products or services – one still needs to procure/source them from outside the region (and London in particular).
- *Lack of awareness of the strength of the region's creative industries* – perceptions related to quality issues may in part be the result from a more pervasive lack of awareness about the sector in the region, allied to a lack of showcasing opportunities.
- *Lack of demand* – there is a feeling that the cultural cringe/lack of awareness about the sector leads to a lack of demand for the products and services of the region's creative enterprises.

Infrastructure/Institutions

Strengths

- *Connections to London* – while the transport infrastructure can make travelling within the region difficult, certain areas within the South West have good road and rail links to London.
- *Higher Education coverage* – the south west has a good base of HEIs, with 14 in the region.
- *Presence of key players/drivers* – the South West is home to a number of key players/landmark developments (e.g. BBC, Eden, Aardman) that can act as both anchors of present activity and drivers of new activity across the creative sector in the region.

Weaknesses

- *HE less than the sum of its parts* – despite the number of HEIs, the region does not benefit from their presence as much as it could due to a lack of co-ordination and therefore synergy.

- *Graduate retention* – this is low across the region, which has significant implications for the creative sector as it is predominantly a graduate labour market.

Industrial Structure of Sector

Strengths:

- *Depth/number of micro businesses* – the region has a proliferation of micro businesses within the sector.
- *Strong links to other sectors* – in particular with regard to the significant tourist economy of the region and with the IT sector.

Weaknesses:

- *Fragmentation/low value* – given the dominance of micro businesses, the sector is fragmented and characterised by low value companies, which in turn means that the sector is relatively fragile and overly vulnerable to (external) shocks.
- *Lifestyle businesses* – there is a perception that a significant component of the creative sector in the South West is composed of lifestyle businesses – although opinion was divided on to what extent this can be construed as a weakness.
- *Under developed links with other sectors* – while some links are well developed with other sectors of the economy, many more remain as potential links.

Research questions

A series of key questions flow from the SWOT exercise as outlined above, namely:

1. Is the sector fragmented and if so, what would this mean? – Does the sector/sub-sectors in the region have difficulty achieving critical mass/volume and what are the consequences of this?
2. Influence of the environment? – To what extent is the environment in the South West an asset for the region's creative businesses and is this in a specific or general context?
3. Are these lifestyle businesses and if so, does it matter? – How to identify lifestyle businesses and benchmark them against 'non-lifestyle' businesses?
4. Role of in-migrators? – How to identify and quantify their role/influence?
5. How strong is identification with the region? – Does this relate to company formation and development?

6. How to stimulate demand for, and an acknowledgement of, the region's creative sector? – What kind of promotion/showcasing opportunities would work best and for which sub-sector?
7. How does the sector contribute to other sectors? – Through direct trading links or through more indirect mechanisms such as the labour market?
8. Achieving critical mass? – How to maximise the impact of the sector?
9. Critical development points? – From sole trader to one employee is a well known key transition for businesses but are there others for the sector in the region?
10. Can we improve collaboration between firms? – And what is the role that this plays in the competitiveness of the sector?
11. Are there/have there been any significant triggers for activity in the sector? – If so, which ones and what is/was their impact?
12. Product quality? – Is there scope for intervention in terms of regional 'kitemarking'/accreditation schemes and is this genuinely needed?
13. Recognition of non-economic impact? – Can/should the role of volunteers and the social impacts of the sector be addressed in the research?
14. Market Intelligence? – What is the role that improved market intelligence could play in enabling networks and establishing relationships, helping to develop a critical mass and improving quality?