

Introduction

In August 2003, NESTA commissioned research into early stage investment in the Creative Industries by specialist, Tom Fleming.

The report, entitled *New solutions to old problems: investing in the Creative Industries*, identifies how Government, NESTA, the investor community and educational establishments can take action to improve investment in the Creative Industries, and raise their profile as a major driver in the UK economy.

It will also inform the development of NESTA's Graduate Pioneer Programme, which provides business and entrepreneurial training for graduates from creative disciplines.

Methodology / Process

To support the report, NESTA commissioned two opinion polls in December 2003 to test public and investor perceptions of the Creative Industries.

The public poll, involving interviews with 1004 people, representing a cross section of the UK population, was conducted by ICM Research in December 2003 to understand how the Creative Industries were perceived and valued by people.

The investor poll was carried out by Continental Research in January 2004, to learn how 100 venture capitalists and other financiers regarded the Creative Industries, as to their viability as an investment prospect.

The NESTA research identified that the Creative Industries make a significant contribution to the UK economy and had grown substantially. To test this hypothesis, NESTA sought to understand how investors ranked the Creative Industries alongside other market leading industries. The sectors chosen were Property Renting, due to its size, as well as profitable industries in traditional sectors: Construction, Insurance & Pensions, and Pharmaceuticals.

The surveys

Summary of the public survey

Economic contribution

The Creative Industries are one of the fastest growing areas of the UK economy. They contributed £11.5 billion to the balance of trade in 2001 and grew by an average of 8% per annum between 1997 and 2001, significantly

more than the economy as a whole over the same period (2.6%)¹. The results from both surveys show that there is confusion about the Creative Industries' contribution to the economy both among the public and the investor community.

Summary of the public poll

The results showed that the public do not understand the Creative Industries contribution to the economy, but value the products of the Creative Industries in terms of the contribution they make to the quality of their lives. While 75% of respondents agreed that the UK's capacity to be innovative plays a crucial role in maintaining and enhancing the country's economic competitiveness, they do not recognise the Creative Industries as a major driver of the economy.

Perception of value to the economy

The Construction, Pharmaceutical and Insurance & Pension sectors, were identified by the public as contributing more to the economy, than the Creative Industries. In fact the opposite is true, with the Creative Industries earning £54.8 billion a year, compared with £50.2 billion for Construction, £11.1 billion for Insurance & Pensions and just £6 billion for Pharmaceuticals².

The public felt that the Creative Industries were less likely to grow than the other sectors in the future. Interestingly, this assumption was later contradicted by half of all respondents (50%), who then correctly responded that the Creative Industries had grown faster than the economy as a whole in the last 10 years. In fact, the Creative Industries have grown in the past five years by more than twice the rate of the economy.

Knowledge of the Creative Industries

There was some confusion about what exactly the Creative Industries are. Under a third of respondents (31%) had ever heard of the term Creative Industries prior to being interviewed and more than half (54%) could not name a single type of business which falls into this category. The most commonly named type of creative business – computer games – was cited by only one in ten people (10%).

¹ DCMS (2003) Creative Industries Economic Estimates Statistical Bulletin

² The Creative Industries statistic has been taken from the *Creative Industries Economic Estimates Statistical Bulletin* (2003) published by the DCMS. The DCMS and the ONS use different definitions for gathering statistics on the performance of the Creative Industries and therefore, there is currently no source available or way of comparing the performance of the Creative Industries with other sectors. The ONS has estimated that in 2001, the Creative Industries contributed £80.5 billion to the economy. We have used the more conservative estimate.

Consumption of Creative Industries' products

The public do, however, greatly value the products produced by the Creative Industries and the creativity and innovation that drives them. Creative Industries products – music, radio and television entertainment – were rated as more important to people's quality of life than holidays or cars. The public on average spent £198 during November 2003 on Creative Industries products. It appears from this poll, that while people want the products that are produced by the Creative Industries, they don't appreciate the economic importance of the sector.

Summary of the investor poll

The poll is based on interviews with 100 venture capitalists and financiers from the private sector.

Willingness to invest

Investors spent twice as much (£393) on average than the public on Creative Industries products, and the majority believe that the sector has a large potential for growth. Despite this, only one in five would invest in the Creative Industries. This is curious when one considers that 41 of the investors taking part in the survey had financed a Creative Industries project in the previous 12 months.

Contribution to the UK economy

The majority of investors, like the public, ranked the Creative Industries in last place in terms of contribution to the UK economy, compared with the Construction, Pensions & Insurance, Pharmaceutical and Property Rental. But when asked which of the five sectors had the biggest potential for growth, investors ranked the Creative Industries second after the Pharmaceutical industry. 91% of investors accurately stated that the Creative Industries had grown faster than the economy as a whole in recent years.

Market leadership

Two-thirds of investors (64%) agreed that Britain had the potential to be world leaders in the Creative Industries, but only a third (38%) thought people working in the sector were focused and talented individuals who sought out new ideas.

One in five investors believed that the Creative Industries were already well supported by Government and one in three thought that people in the sector were more interested in the creative lifestyle than making a profit. Not surprisingly, the same proportion of investors thought that Creative Industries business models were too risky to be worth investing in.

Conclusion

It seems that while the public demands and appreciates Creative Industries products, the investor community has little knowledge of them and is reluctant to invest in the sector, despite a huge proportion recognising its recent growth and potential for the future.

Methodology

- ICM Research interviewed a random selection of 1004 adults aged 18+ by telephone between 19-21 December 2003.
- Interviews were conducted across the country and the results have been weighted to the profile of all adults.

Summary (1)

Economic Contribution, Growth & Competitiveness

- Overall the construction and pharmaceuticals industries were seen as the biggest contributors with one in four respondents mentioning each of them. The creative industries were the least likely to be mentioned with one in fourteen doing so.
- Over half of respondents ranked the Creative Industries as fourth or fifth out of the options given.
- One in five did not rank the Creative Industries at all.
- Over half (53%) of all respondents named the Construction sector within their top two, over one in five (21%) included the Creative Industries in their top two.
- Three in four (75%) respondents agreed that the UK's capacity to be innovative plays a crucial role in maintaining and enhancing the country's economic competitiveness, one in four (27%) agree strongly and just under half (43%) agree slightly.

Summary (2)

Awareness of and Attitude Towards the Creative Industries

- Over two thirds (69%) had not heard of the Creative Industries before being interviewed.
- The computer games industry, the arts and design industries are the top three mentions with around a tenth of respondents considering them to be part of the “Creative Industry” sector.
- Other industries mentioned include some traditionally “creative” industries and some whereby the definition of creative is linked more strongly to actually making or producing something.
- Just under half (49%) of all respondents felt that the Creative Industries grew faster or significantly faster than the economy as a whole.
- Over half (53%) of respondents agree that workers in the CI’s are focussed and talented, around half think that workers in CI’s are nerdy people and/or are more interested in pleasing themselves than their customers.

Summary (3)

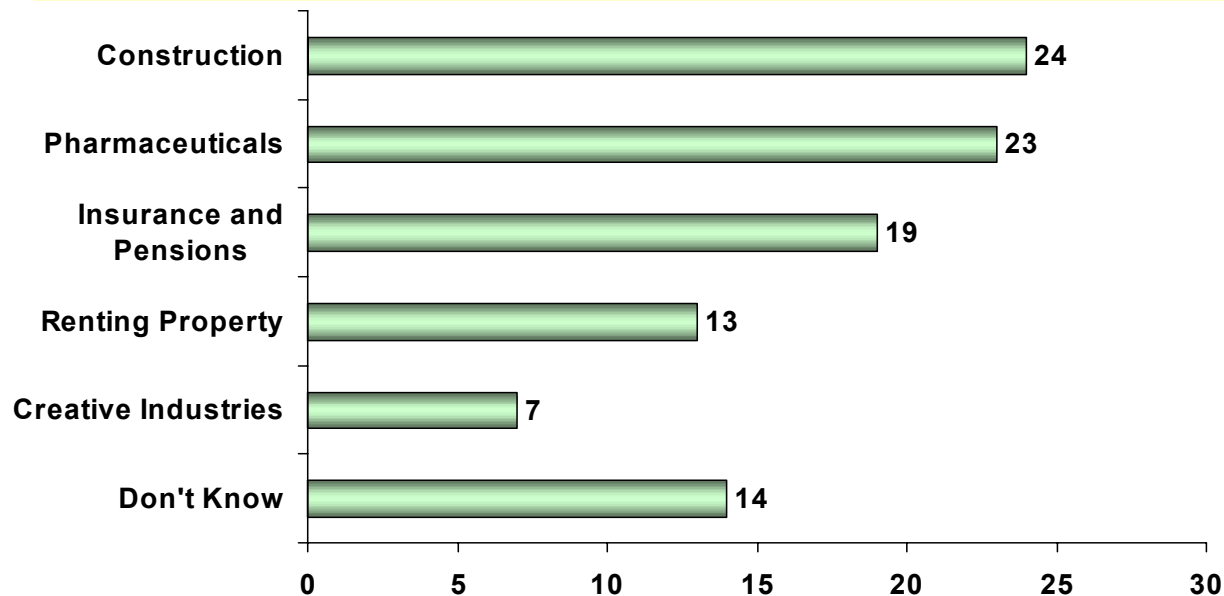
Lifestyle Questions

- Things that help people relax and unwind are amongst the most important things for people's quality of life. Music, Radio & TV and Holidays are important to around three in four respondents. Books & Magazines are important to around 6 in ten.
- The bottom half are dominated by hobbies or things that have appeal to certain sectors of the population. Around one in four feel that Film, design, Art & Architecture and the visual and performing arts are important.
- Respondents overall have spent the most amount of money on interior design in the last month and the least on attending art exhibitions. However, the relative expense of designer fashion and interior design projects could account for their prevalence here. It is also worth noting that many art exhibitions are free.

Economic Contribution, Growth and Competitiveness

Sectors Perceived to be Making the Biggest Contribution to the UK Economy

Overall the construction and pharmaceuticals industries were seen as the biggest contributors with one in four respondents mentioning each of them. The creative industries were the least likely to be mentioned with one in fourteen doing so.



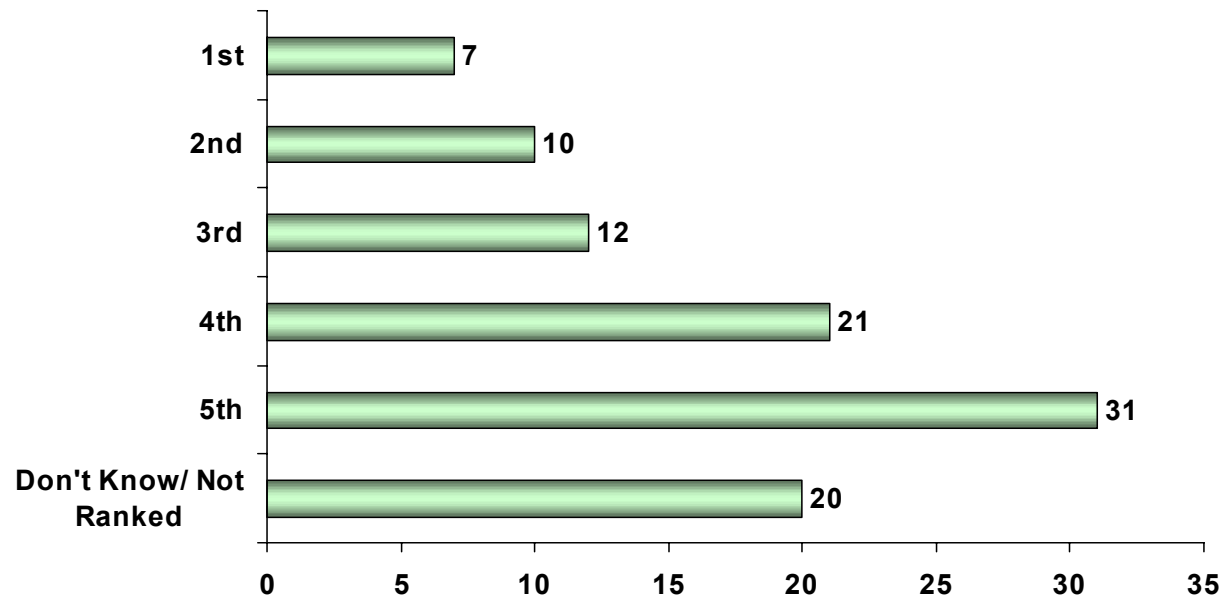
There are no significant differences in terms of age, social grade or region

Q1. Which sector would you say made the biggest contribution to the UK economy in 2001?

Base: All respondents = 1004

Perception of the Contribution of the Creative Industries

Over half of respondents ranked the Creative Industries as fourth or fifth out of the options given. One in five did not rank the Creative Industries at all.



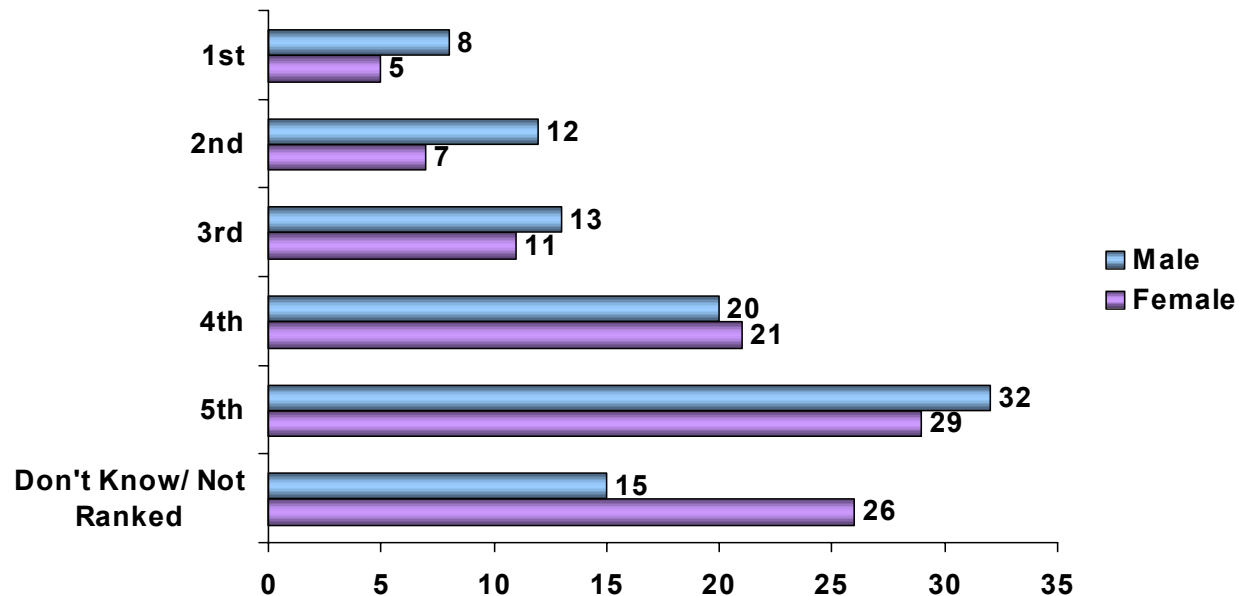
There are no significant differences in terms of age, social grade or region

Q1. Which sector would you say made the biggest contribution to the UK economy in 2001?

Base: All respondents = 1004

Perception of the Contribution of the Creative Industries - By Gender -

Men tended to be more generous in their ranking overall. Over one in four women did not mention the Creative Industries at all, however women were more likely to drop out of the ranking exercise than men for all sectors.

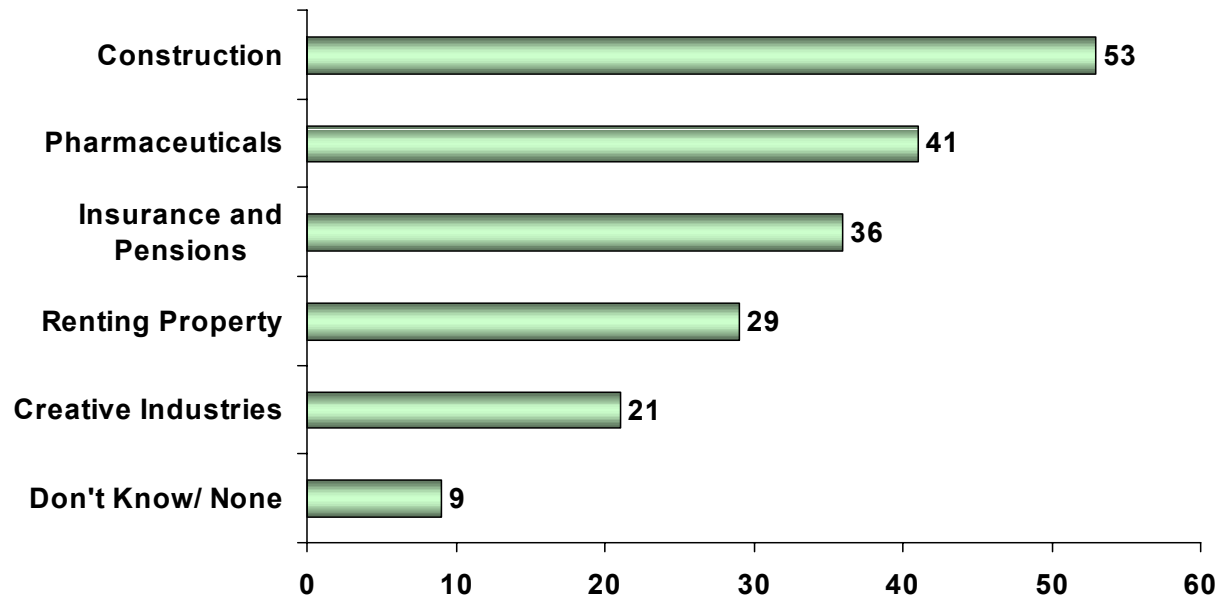


Q1. Which sector would you say made the biggest contribution to the UK economy in 2001?

Base: Men = 492, Female = 512

Sectors with the Most Potential for Growth

Over half of all respondents named the Construction sector within their top two, over one in five included the Creative Industries in their top two.



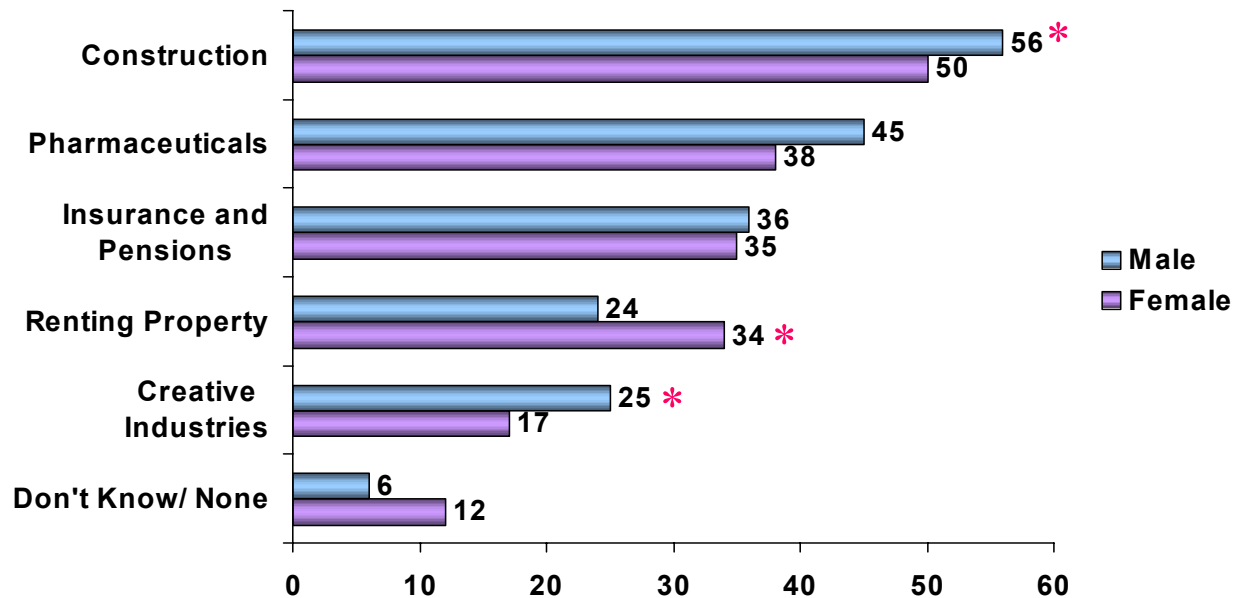
There are no significant differences in terms of age, social grade or region

Q2. Of these 5 sectors, which two do you think have the biggest potential for growth over the next 10 years?

Base: All respondents = 1004

Sectors with the Most Potential for Growth - By Gender -

Men are more likely to include Construction and the Creative Industries within their top two. Women are more likely to feel that the lettings sector has the most potential growth.

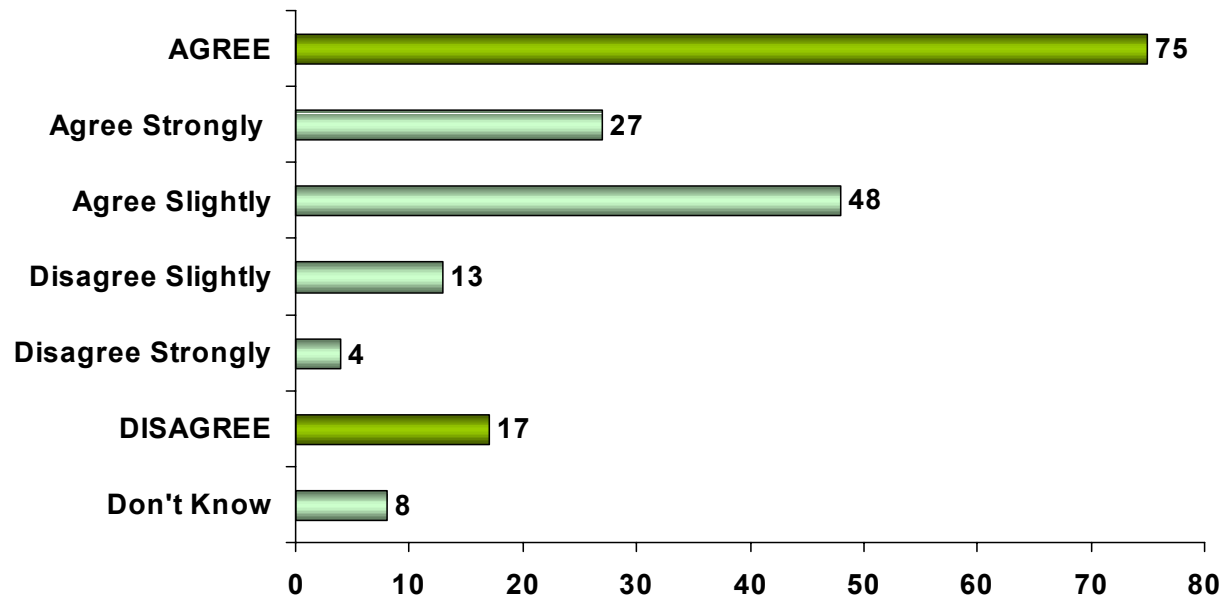


Q2. Of these 5 sectors, which two do you think have the biggest potential for growth over the next 10 years?

Base: Men = 492, Female = 512

Innovation and Future Economic Competitiveness

Three in four respondents agreed that the UK's capacity to be innovative plays a crucial role in maintaining and enhancing the country's economic competitiveness, one in four agree strongly and just under half agree slightly.

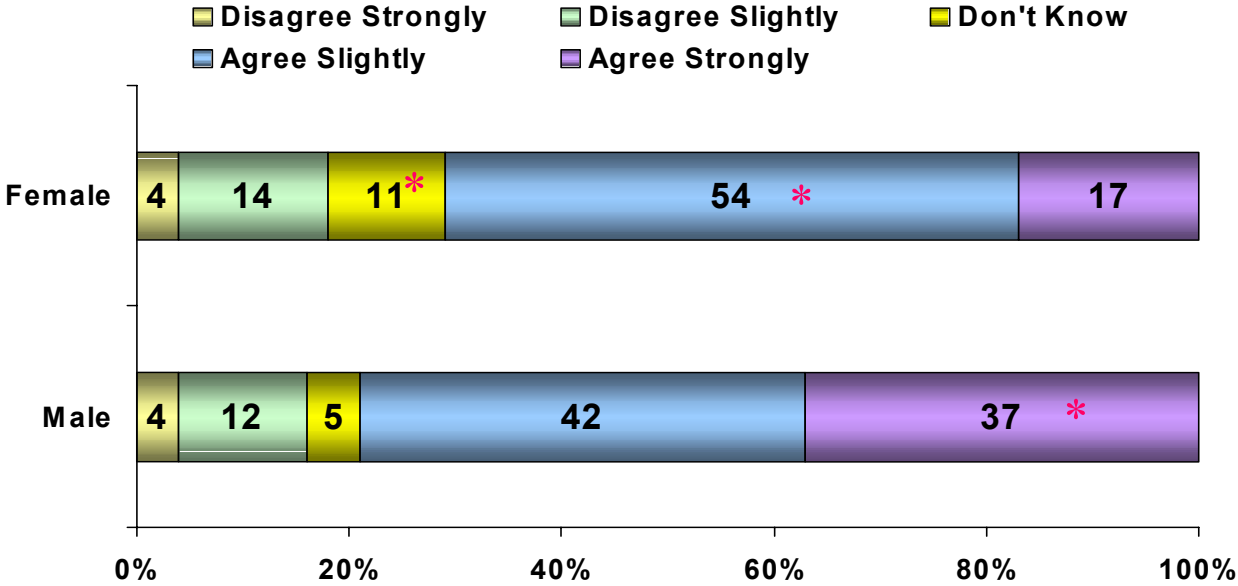


Q3. The UK's capacity to be innovative plays a crucial part in maintaining and enhancing the country's economic competitiveness. Do you ...?

Base: All respondents = 1004

Innovation and Future Economic Competitiveness - By Gender -

Men are more likely to agree with this statement with eight in ten doing so compared to one in seven women. Men are also more likely to agree strongly than women whereas half of women agree slightly.



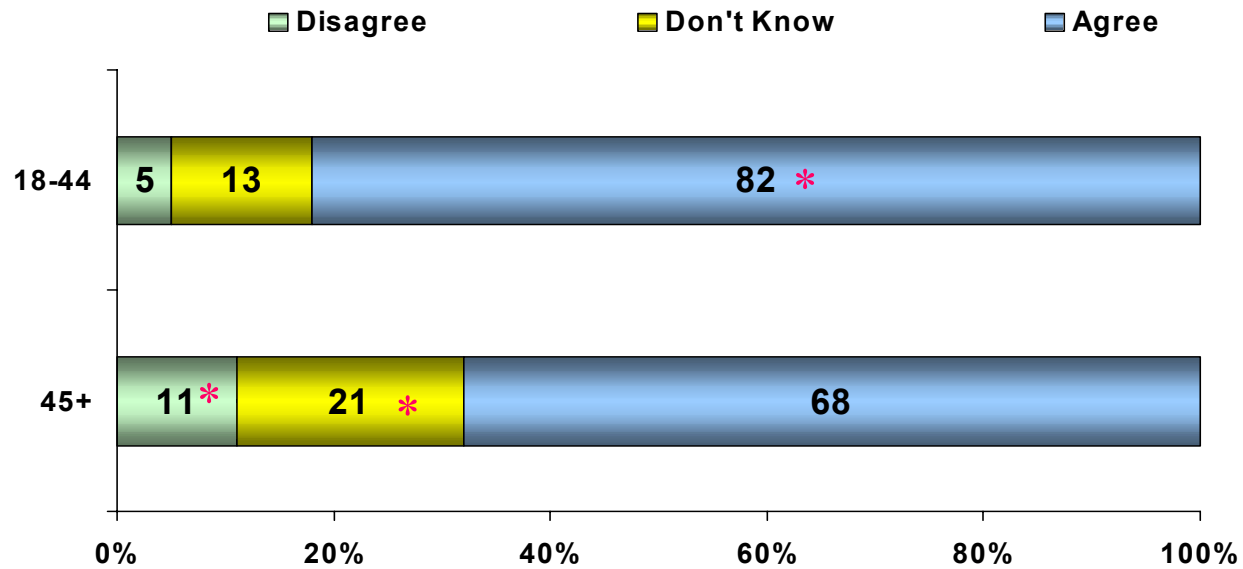
Q3. The UK's capacity to be innovative plays a crucial part in maintaining and enhancing the country's economic competitiveness. Do you ...?

Base: All respondents = 1004

Innovation and Future Economic Competitiveness

- By Age -

Overall younger respondents are more likely to see innovation as crucial to future economic competitiveness than older respondents

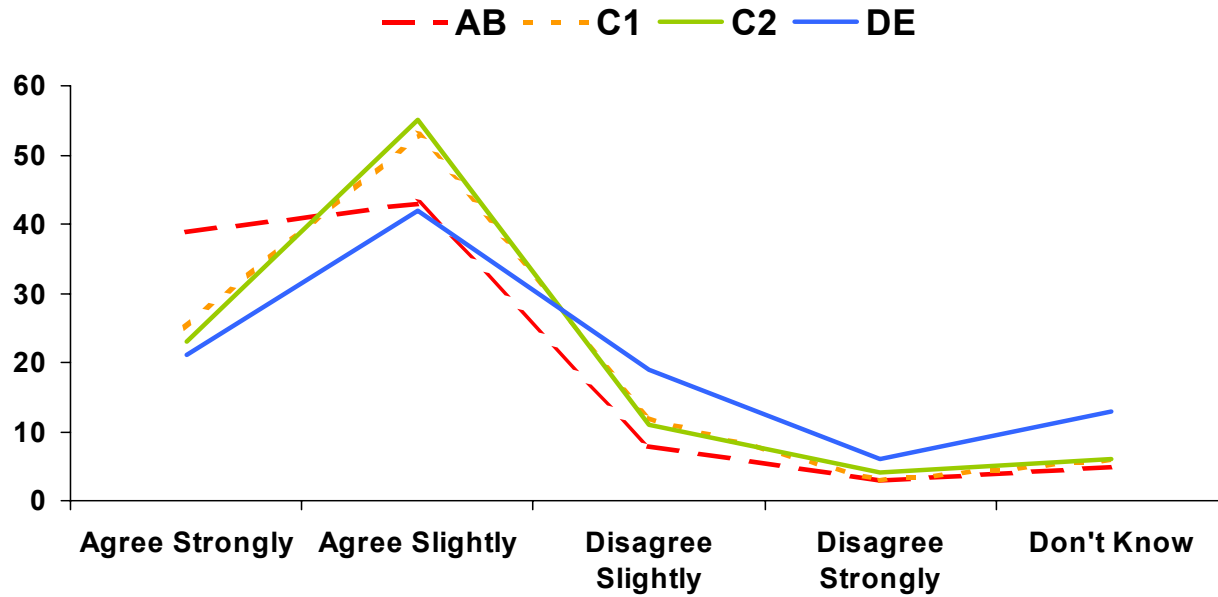


Q3. The UK's capacity to be innovative plays a crucial part in maintaining and enhancing the country's economic competitiveness. Do you ...?

Base: All respondents = 1004

Innovation and Future Economic Competitiveness - Social Grade

AB's are most likely to agree strongly with this statements whereas C1/C2's are most likely to agree slightly. DE's are the least likely to agree.



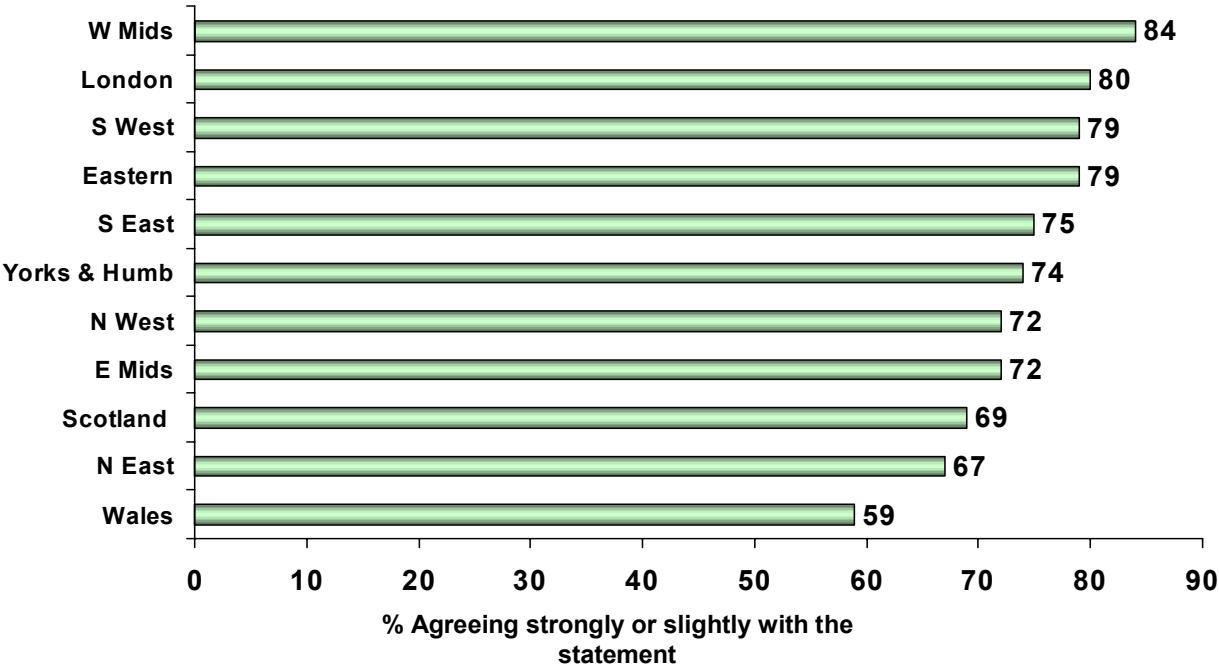
Q3. The UK's capacity to be innovative plays a crucial part in maintaining and enhancing the country's economic competitiveness. Do you ...?

Base: All AB = 278; C1's = 249; C2 = 205; DE = 272

Innovation and Future Economic Competitiveness

- Region -

Agreement is higher in W Mids, London, S West and Eastern regions.



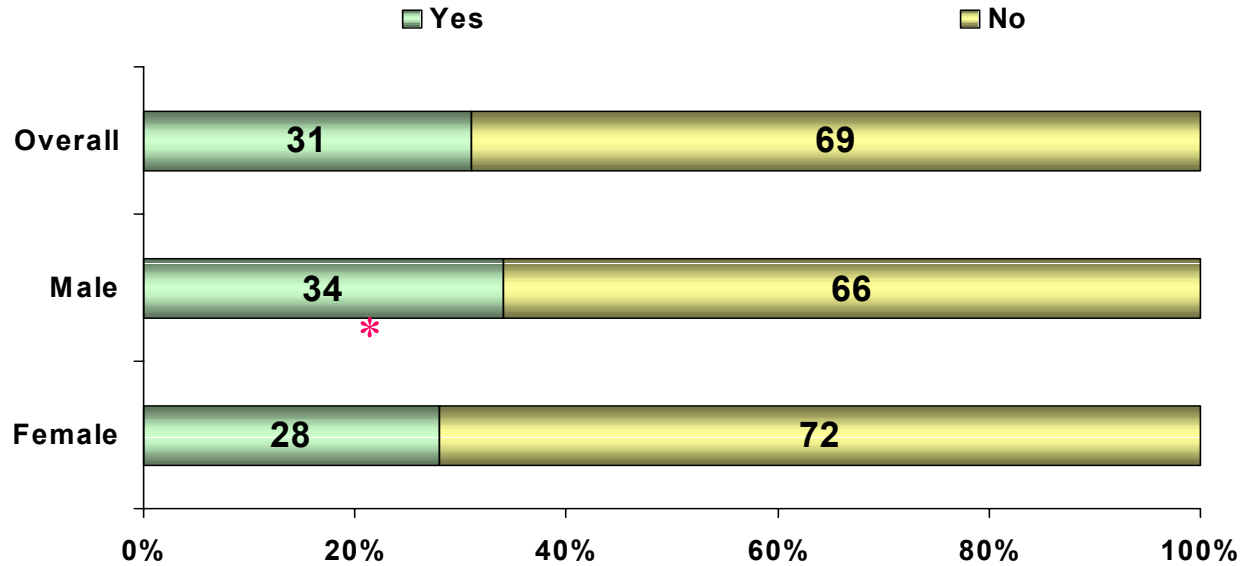
Q3. The UK's capacity to be innovative plays a crucial part in maintaining and enhancing the country's economic competitiveness. Do you ...?

Base: All respondents = 1004

Awareness of and Attitude Towards the Creative Industries

Awareness of the term “Creative Industries”

Nearly one in three respondents had heard of the Creative Industries before being interviewed. Awareness is higher amongst men than women.

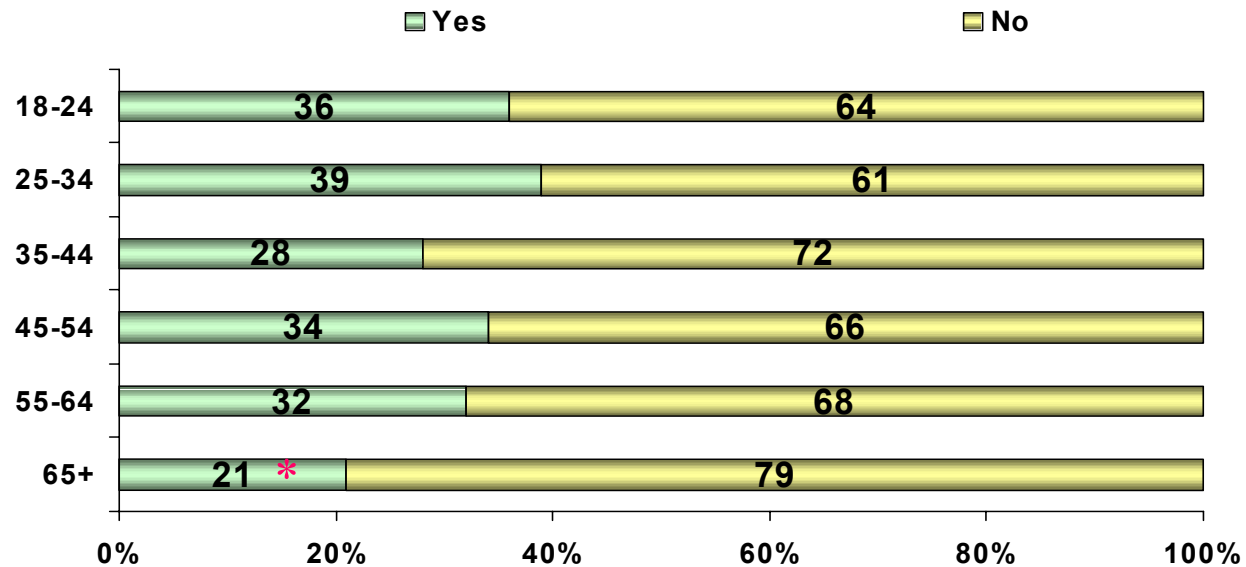


Q4. Before today, had you heard of the term “Creative Industries” to describe a particular sector or area of business activity?

Base: All respondents = 1004

Awareness of the term “Creative Industries” - By Age -

Awareness amongst respondents of retirement age (65+) is at it's lowest at around one in five.

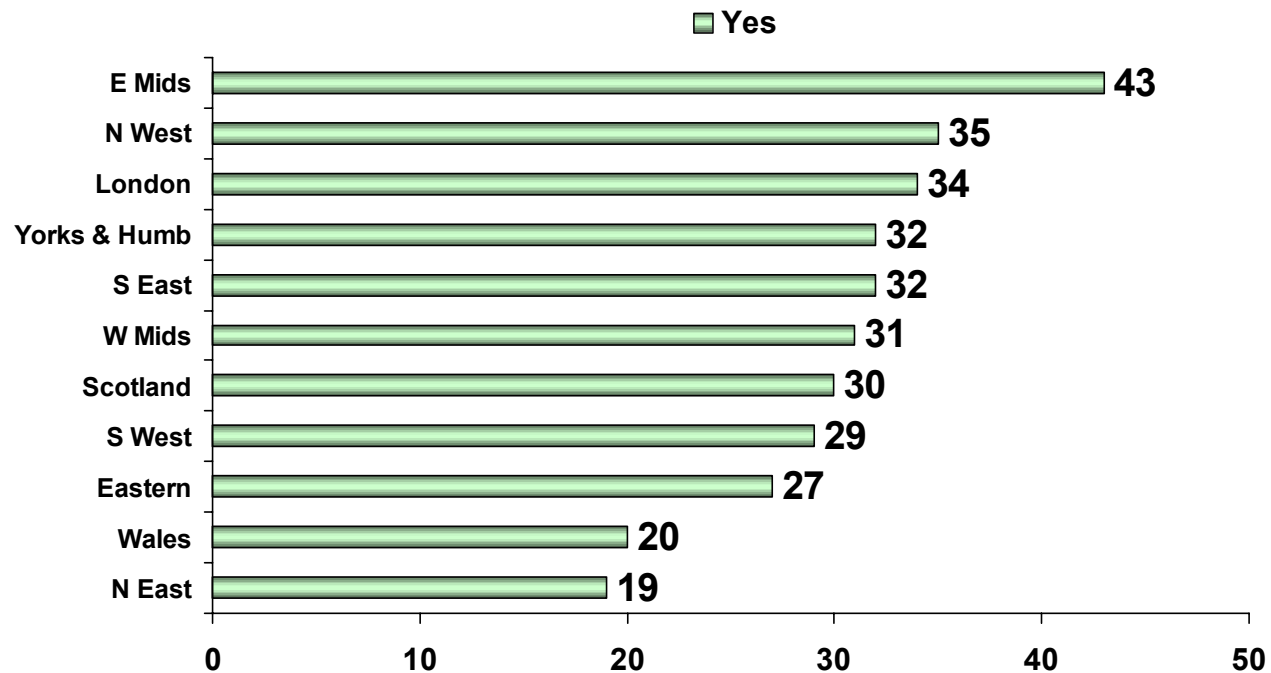


Q4. Before today, had you heard of the term “Creative Industries” to describe a particular sector or area of business activity?

Base: All respondents = 1004

Awareness of the term “Creative Industries” - Region -

Awareness is highest amongst those in the E Midlands.

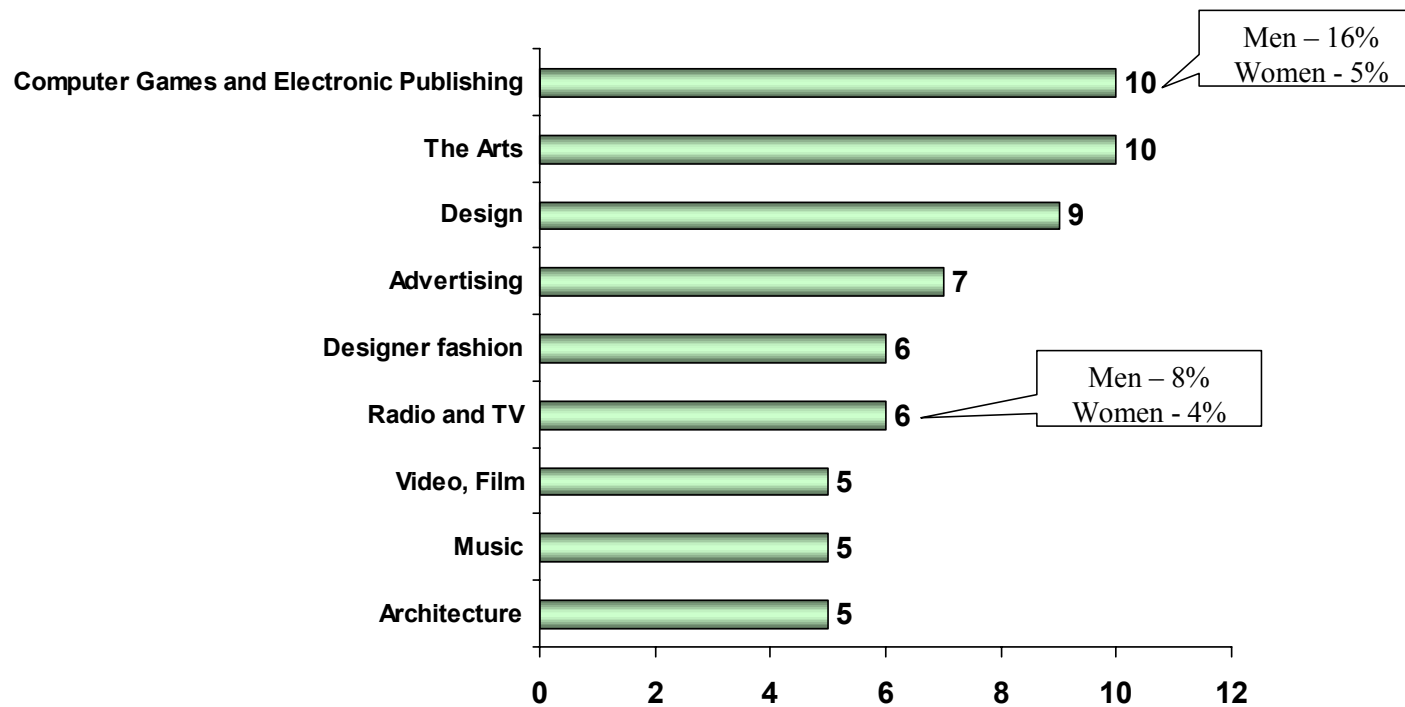


Q4. Before today, had you heard of the term “Creative Industries” to describe a particular sector or area of business activity?

Base: All respondents = 1004

Business Types Considered to be “Creative Industries” – Top 9

The computer games industry, the arts and design industries are the top three mentions with around a tenth of respondents considering them to be part of the “Creative Industry” sector.



Q5 What examples, if any, can you give me of types of businesses that might be considered “Creative Industries”?

Base: All respondents = 1004

Other Business Types Mentioned

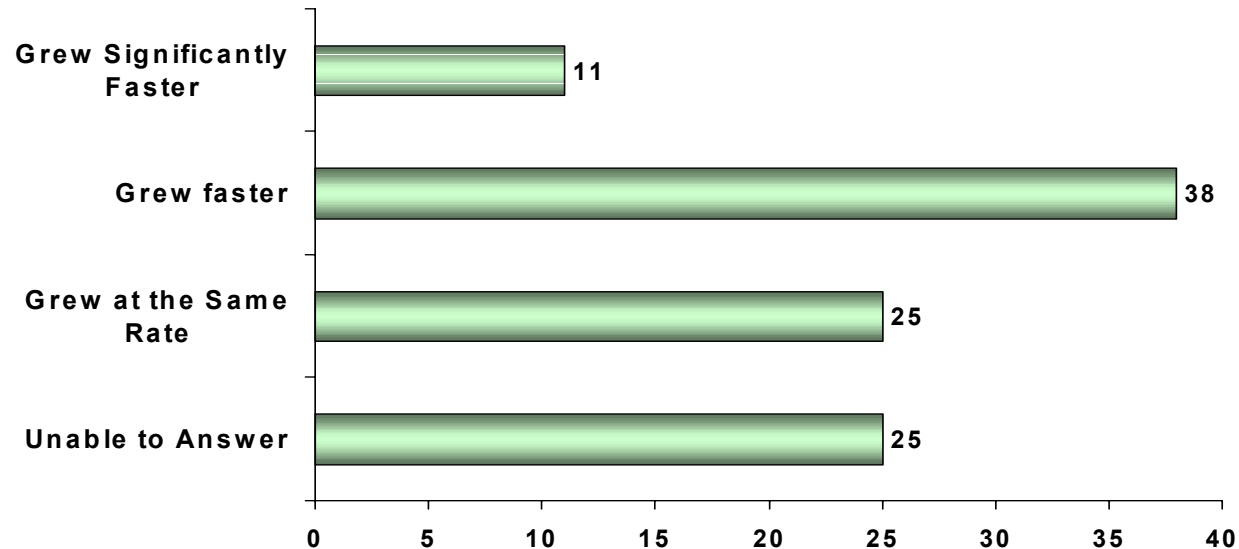
Other industries mentioned include some traditionally “creative” industries and some whereby the definition of creative is linked more strongly to actually making or producing something

- Construction/ manufacturing, Publishing – 4% each
- Visual and Performing Arts, Arts & Antiques, It/ Internet – 3% each
- Leisure/ recreation, Telecommunications – 2% each
- Teaching/ Schools, Transport/Motor industry, Farming/ Gardening, marketing, Travel/ Tourism, Pharmaceutical, Finance/ Insurance, Electronics, Engineering, Catering, Innovation/ Inventions, Crafts, Housing. Property, Small businesses, Heritage – 1% each

There are no significant differences in terms of age, social grade or region

Creative Industries vs. the Economy as a Whole

Just under half of all respondents felt that the Creative Industries grew faster or significantly faster than the economy as a whole. One in four felt that they grew at the same rate, whilst the same amount could not give an answer.



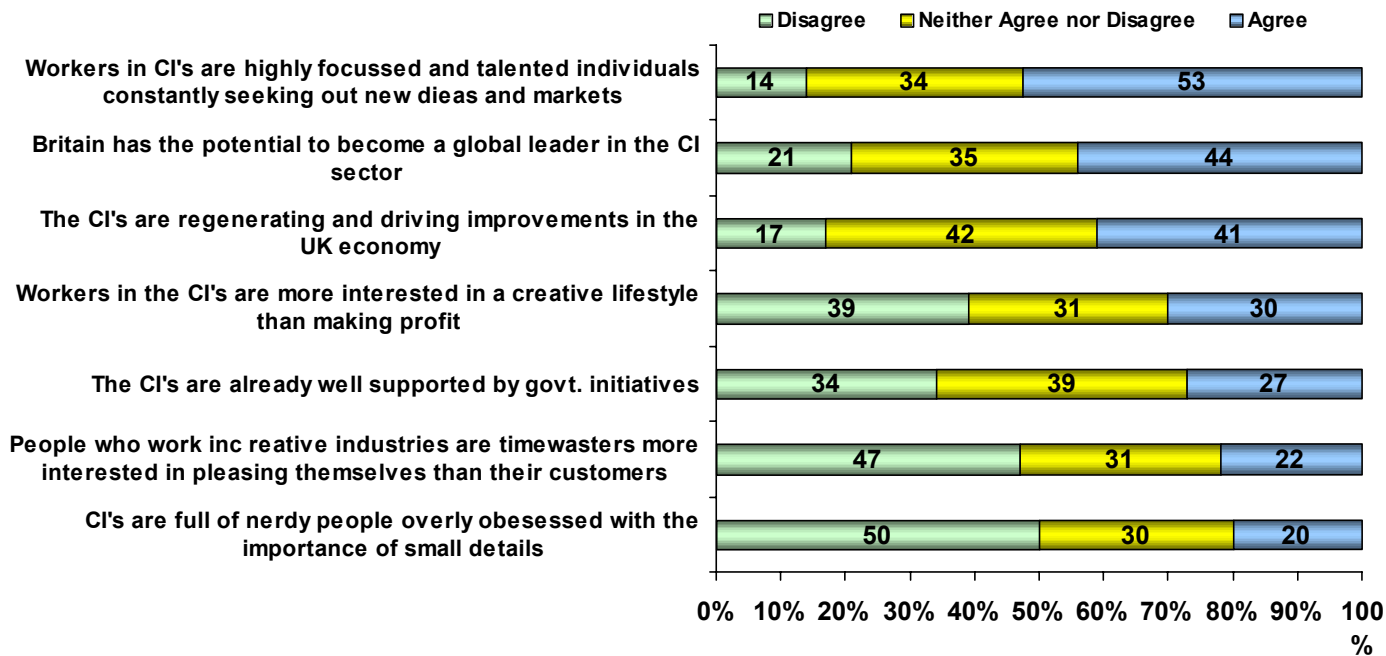
There are no significant differences in terms of age, social grade or region

Q6. Between 1992 and 2001 the UK economy grew by an average of 2.6% per annum. From what you know would you say that over the same period the Creative Industries as a sector ...?

Base: All respondents = 1004

Agreement with Statements about Creative Industries

Over half of respondents agree that workers in the CI's are focussed and talented, around half think that workers in CI's are nerdy people and/or are more interested in pleasing themselves than their customers.



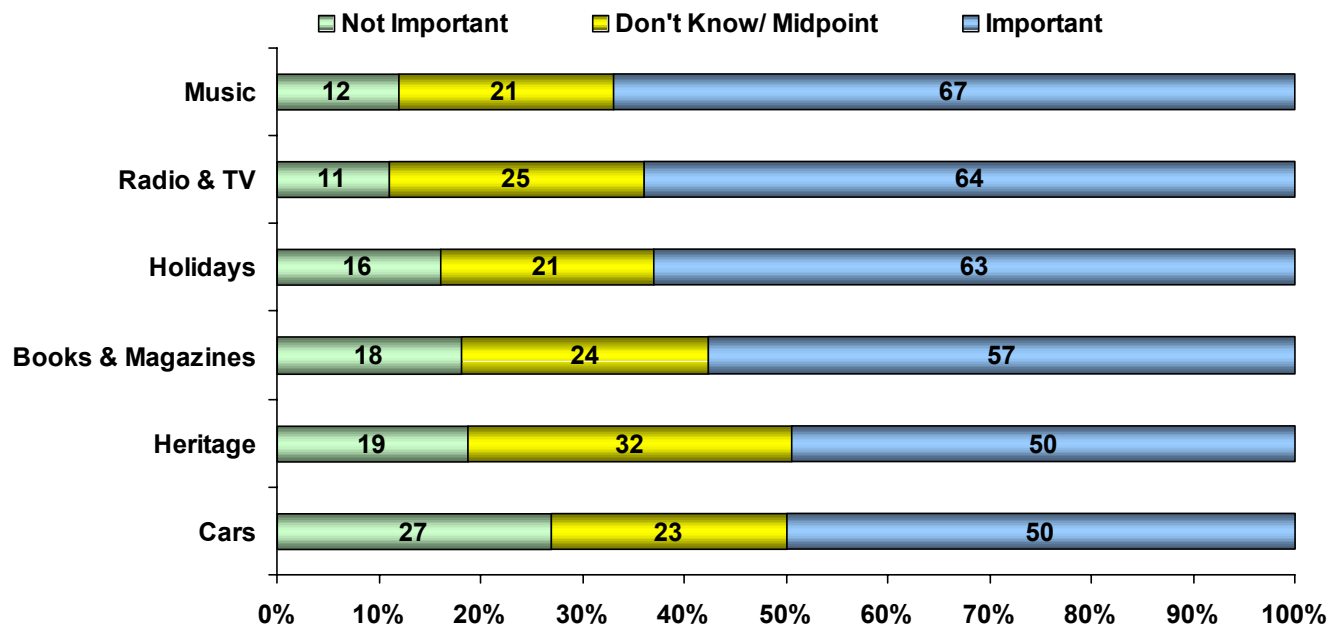
Q7. I'm going to read out some statements and for each one I would like you to tell me whether you agree or disagree...

Base: All respondents = 1004

Lifestyle Questions

Importance for Quality of Life - Top 6 -

Things that help people relax and unwind are amongst the most important things for people's quality of life. Music, Radio & TV and Holidays are important to around three in four respondents. Books & Magazines are important to around 6 in ten.

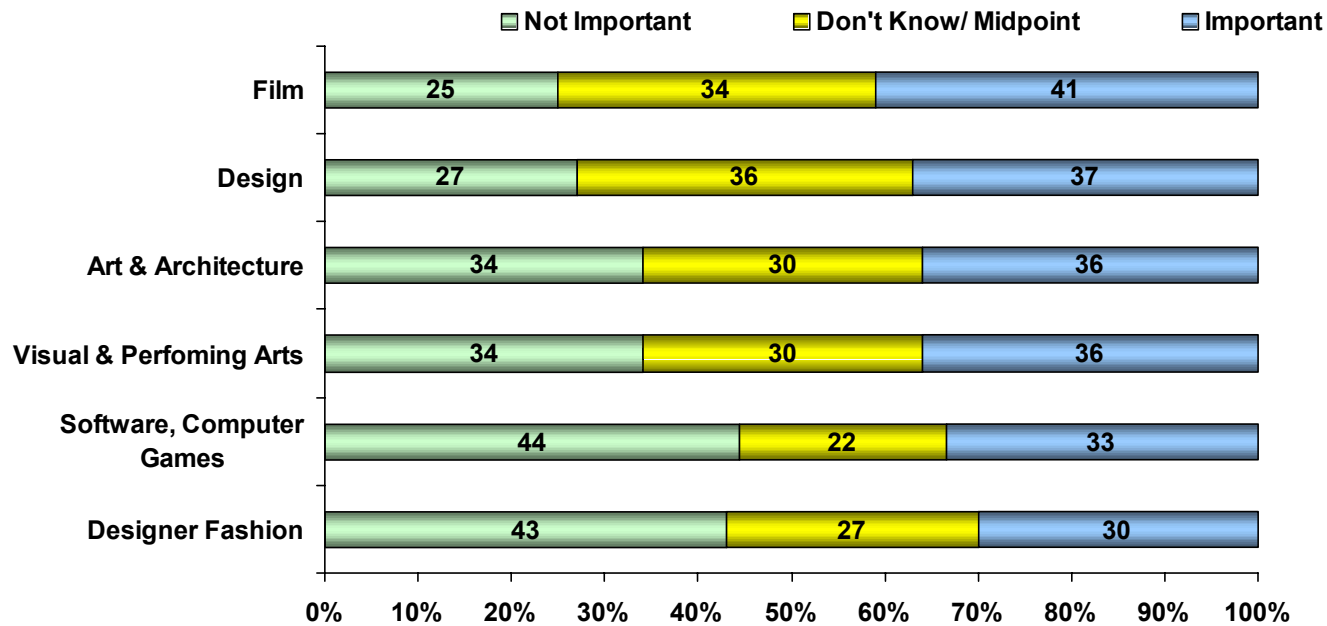


Q8. How important do you consider the following to be to your quality of life?

Base: All respondents = 1004

Importance for Quality of Life - Bottom 6 -

The bottom half are dominated by hobbies or things that have appeal to certain sectors of the population. Around one in four feel that Film, design, Art & Architecture and the visual and performing arts are important.

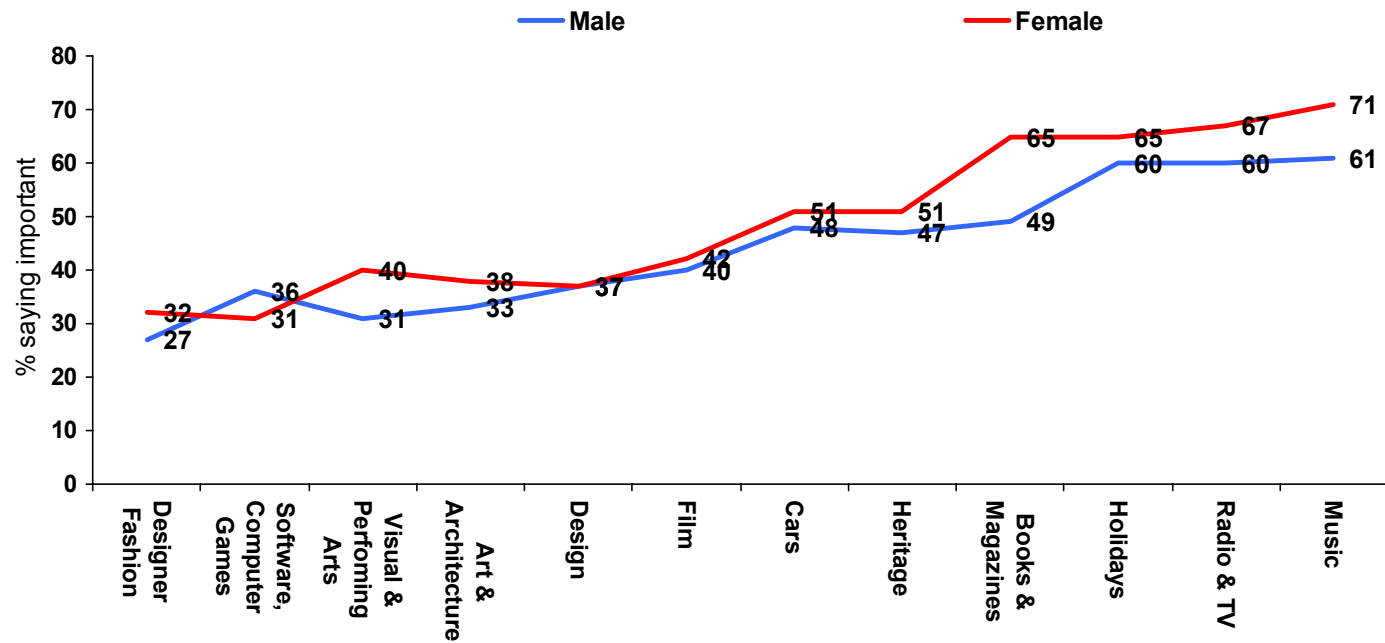


Q8. How important do you consider the following to be to your quality of life?

Base: All respondents = 1004

Importance for Quality of Life - By Gender -

Women tend to find most points more important to their quality of life than men do most notably, radio & TV, Books & Magazines and the visual and performing arts.

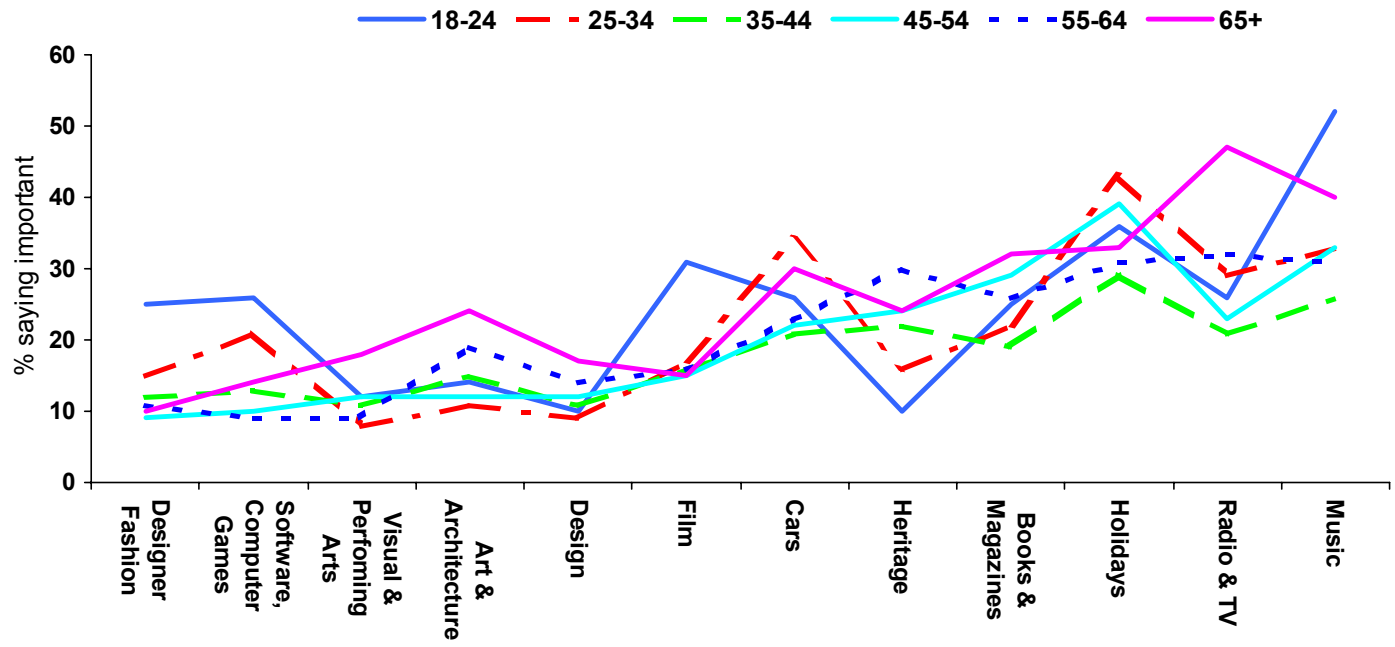


Q8. How important do you consider the following to be to your quality of life?

Base: Men = 492; Female = 512

Importance for Quality of Life - By Age -

18-24 yr olds are most likely to find music, film, software/ computer games and designer fashion as important to their quality of life. Adults aged 65+ are more likely to see Art & Architecture as important when compared to those aged under 45.

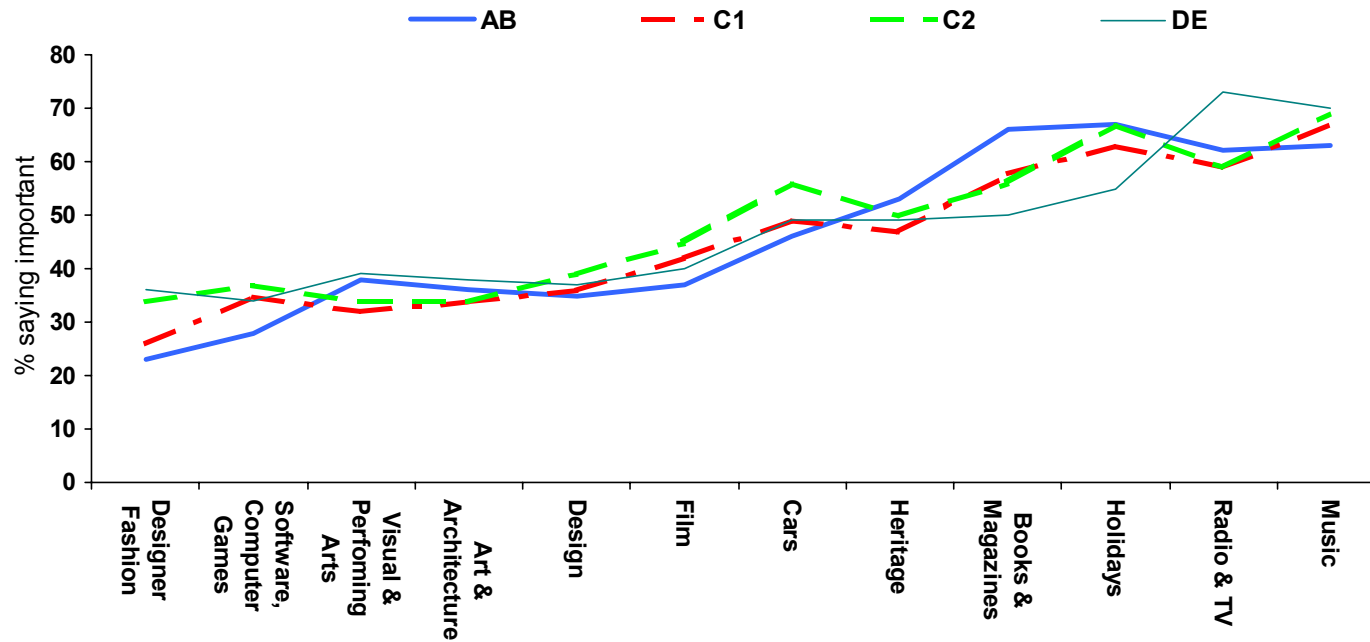


Q8. How important do you consider the following to be to your quality of life?

Base: Men = 492; Female = 512

Importance for Quality of Life - By Social Grade -

Radio and TV and Designer Fashion are more likely to be rated as important by DE's; Books and Magazines are more important amongst AB's

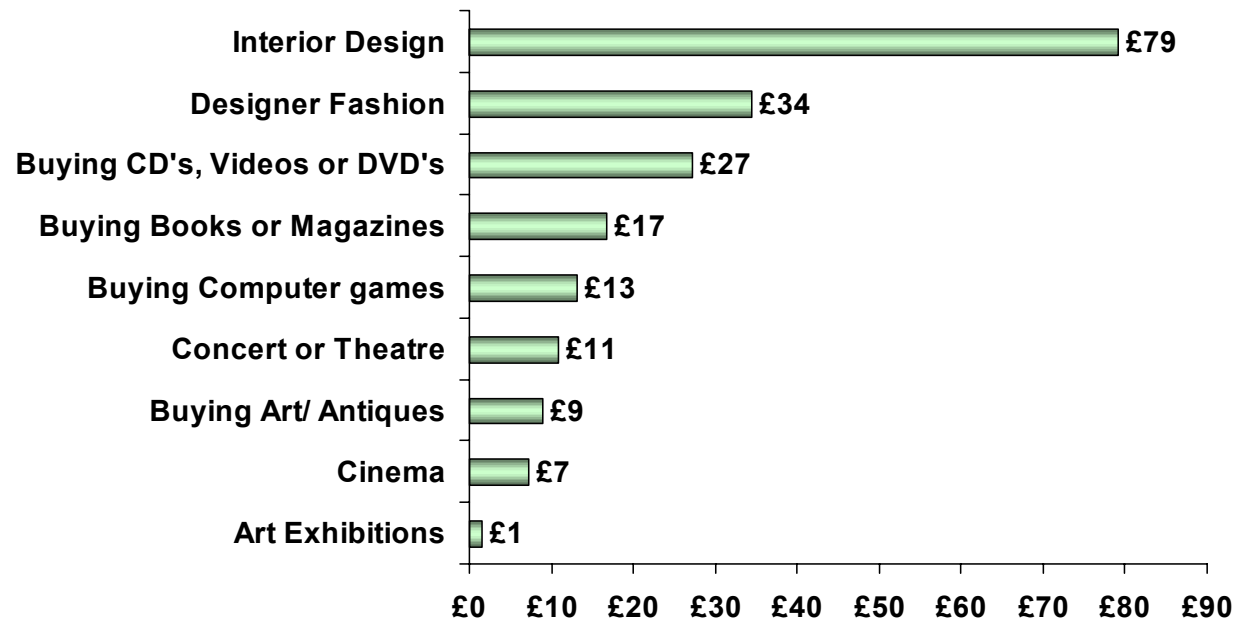


Q8. How important do you consider the following to be to your quality of life?

Base: All AB = 278; C1's = 249; C2 = 205; DE = 272

Expenditure on Activities in the Last Month - Mean Spend -

Respondents overall have spent the most amount of money on interior design in the last month and the least on attending art exhibitions. However, the relative expense of designer fashion and interior design projects could account for their prevalence here. It is also worth noting that many art exhibitions are free.

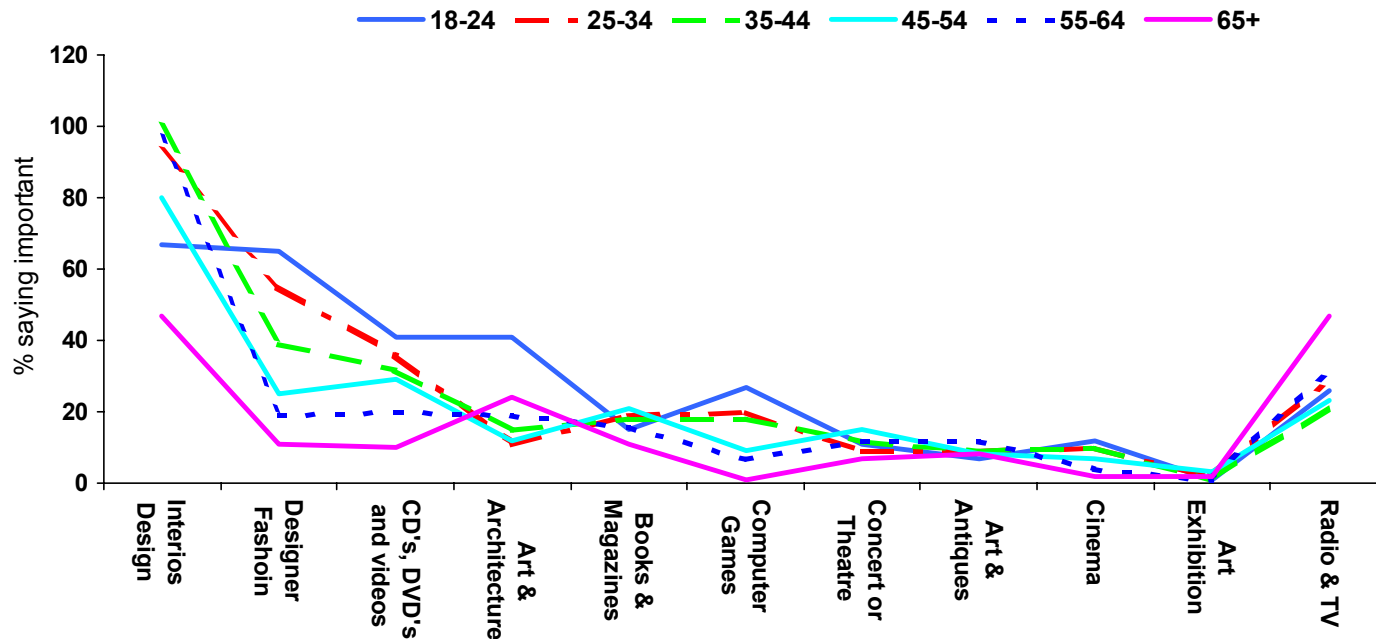


Q9. How much have you spent on ... in the last month?

Base: All respondents = 1004

Importance for Quality of Life - By Age -

Younger respondents (i.e. those under the age of 44) spend more buying designer fashion and entertaining themselves with DVD's, trips to the cinema and computer games.



There are no significant differences in terms of social grade or region

Q9. How much have you spent on ... in the last month?

Base: All 18-24 = 86; 25-34 = 176; 35-44 = 223; 45-54 = 168; 55-64 = 157; 65+ = 194