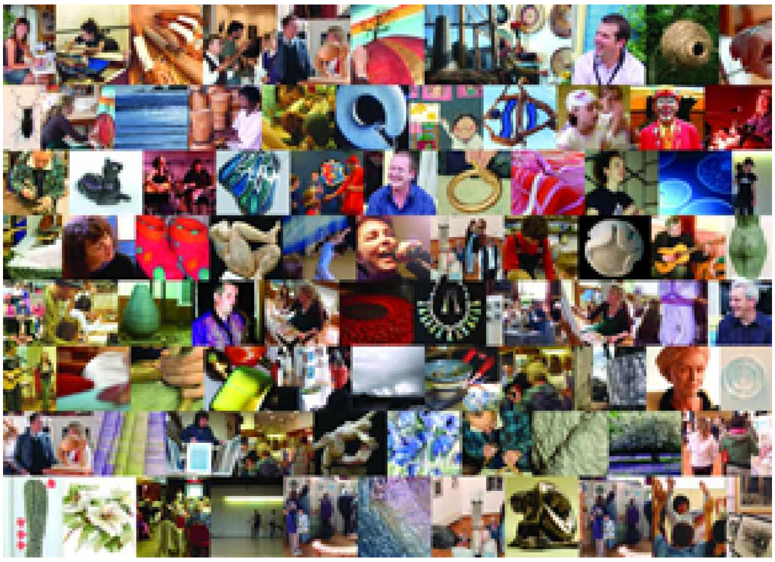
Perfect Moment

BUILDING CREATIVE SUCCESS



PAPER A
Economic and Business Findings

Devon & Torbay Creative Industries Economic & Skills Research

April 2006

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DEVON COUNTY COUNCIL TORBAY COUNCIL ARTS COUNCIL ENGLAND EUROPEAN UNION European Social Fund

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Acronyms used in this report

ABI	Annual Business Inquiry
DCC	Devon County Council
CI's	Creative Industries
DCMS	Department for Culture, Media and Sport
DET	DCMS Evidence Toolkit
GVA	Gross Value Added Gross Value Added (GVA) measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom.
ICT	Information, Communications Technology
IDBR	Inter Departmental Business Register
NESTA	National Endowment for Science, Technology and the Arts
ONS	Office for National Statistics
SIC	Standard Industry Classification
SME	Small and Medium Sized Enterprise
SOC	Standard Occupational Classification
SWRDA	South West Regional Development Agency
WTO	World Tourism Organisation

1 Introduction

This report focuses on the economic and business findings of the Devon and Torbay Creative Industries Research Study in to Economic Performance and Skills Issues and what they mean in terms of future support and development.

The study was carried out on behalf of Devon CC, Torbay Council, and Arts Council England South West and ran from May to November 2005. This research work was funded by project partners and the European Social Fund Objective 3 programme as part of its Adaptability and Entrepreneurship programme under the banner of *Identifying and Meeting Skills Shortages*. As part of assessing skills issues it was felt that this needed to be embedded within the economic performance aspect of the sector so that the interface between the two could be examined.

Creative Industries are a key component of the new knowledge economy. The purpose of this research is to examine the sector in the Devon County Council and Torbay areas (but excluding Plymouth where separate research is being conducted) so that for the first time we can get an understanding of the scale and economic value of the creative industries in this area and the key skills issues that affect businesses and individuals within the sector.

Armed with such information, the major agencies can plan for future growth, and identify the correct business support and training interventions that will help to strengthen the performance of this important sector in Devon and Torbay.

Specific areas of interest to Devon and Torbay arising from this research are clearly:

- The current performance, value, and potential for the Creative Industries sector in both the urban and rural areas of Devon and Torbay
- The diversity and varying strengths and weaknesses of the four DCMS domains (a concept we will explain in more depth later): Audio-visual, Books & Press, Performance, and Visual Arts
- The structure of the industry and drivers for growth or barriers to development
- Skills gaps and shortages that may hold back the development of the sector and how best to tackle them
- Sector-specific business support
- Interventions in the market required to address barriers to growth and maintain/ increase growth
- Key issues for training and support in relation to skills development, social inclusion and entry into the workforce
- The role that Information and Communications Technology (ICT) currently plays in areas such as marketing, sales and learning
- The potential linkages with Tourism and Heritage

1.1 Structure Of Report

In order to present the wide range of detailed findings in digestible chunks we have split the research into 3 reports:

- Main report (which acts as an extended summary report)
- Paper A: Economic and Business Findings
- Paper B: Skills Findings

Therefore this paper should be read in conjunction with the other two reports which are downloadable from the Devon County Council and Torbay Council websites.

1.2 Acknowledgements

In carrying out this work we have been supported by a range of people and organisations without whom this would not have been possible and whose unfailing goodwill and co-operation has been instrumental in pulling this work together:

- The Partnership Management Group
- Mark Painter, Corporate Projects Manager, Corporate Information Services at Devon CC for the Maps
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- The focus group participants who gave up an evening of their time to attend and contribute to the study
- The representatives of the 6 case study organisations who provided information and interview time (Nine Days of Art, Animated Exeter, Brixham Community College, Dartington Plus, Devon Guild of Craftsmen, and Juice Advertising Ltd)
- Consultees – for their meetings and telephone conversation time

1.3 Approach And Methodology

The research was based around two phases and centred on a number of key tools to help us carry out the research. The first phase was based on **secondary desk research** looking at national and regional statistics for the Creative Industries plus a literature review of key national, regional, local and sectoral reports.

This was followed by a primary research phase which built up a **project database of c5,000 creative businesses**. All were furnished with full postcode data which has been used to construct a series of **'cluster, co-locational, or density maps'** of creative industry activity across Devon and Torbay using Geographical Information System mapping software and expertise provided by Devon Corporate Information Services.

We undertook a **detailed economic and skills survey** of 257 creative businesses of varying sizes across Devon and Torbay (sole traders, partnerships, micro businesses and SMEs) with sampling to reflect geographic location and sectoral profiles.

Within the context of the above areas of research, more detailed information (via telephone or face-to-face interviews) was sought from a **consultation round** involving a cross section of key stakeholders from: regional and sub regional organisations, agencies and public sector bodies with an interest in the skills and economic development of the Creative Industries. This was supplemented by a presentation of the findings to key stakeholders at Bovey Tracey on 9th Dec 2005.

We also held **three focus groups** – concentrating on issues concerning Exeter, Torbay, and Rural Devon which aimed to investigate in depth some of the key issues raised during the research and sought to draw out further useful strategic information.

From our research and consultations we identified **6 short illustrative case studies** that highlighted interesting issues in the fields of economic and skills development in the Creative Industries.

1.4 Study Definitions

1.4.1 Defining the Research Area

The research areas for this work were the administrative areas of Devon County Council and Torbay Council. Plymouth (as a separate unitary authority) was not included in this work as it is undertaking its own study but clearly reference has been be made to its role and influence in the Creative Industries profile of Devon where relevant. In the interests of establishing common or aligned methodologies we have also been liaising with the research team at the University of Plymouth.

So, in this report "Devon" generally means all of Devon including Plymouth. We use the words "Devon CC area" to refer to the current administrative area that excludes Plymouth and Torbay as unitary authorities.

1.4.2 Definition of Creative Industries

Wikipedia, the online encyclopedia, defines the **Creative Industries** as "*a set of interlocking sectors that are a growing part of the global economy. They are often focussed on creating and exploiting intellectual property products such as the arts, films, games or fashion designs, or providing business-to-business creative services."* It is the interlocking concept that is important to understand as there are overlaps and flows of products and labour between the various sub-sectors.

In line with other studies and accepted practice we have adopted the Department for Culture, Media and Sport's (DCMS) definition. DCMS has defined the Creative Industries as: *'Those industries that have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property'* . The DCMS divides these into the following list of thirteen sub-sectors:

Advertising	Architecture	Art and Antiques Markets	Crafts
Design	Designer Fashion	Film and Video	Interactive Leisure Software
Music	Performing Arts	Publishing	Software and Computer Service
Television and Radio			

Tourism was not included in this study, nor was the heritage sector but the relationship between these and the creative industries is explored further in our separate report ***Cultural Tourism: a Devon Perspective*** for Devon CC and ACE SW.

Unless one is very familiar with the DCMS definition, it can be hard to grasp what is and what isn't included in the definition. For those working specifically in the arts it can seem strange that the DCMS classification includes such categories as the manufacture, wholesale and retail of TVs and Radios. For some this can appear at odds with their understanding of what constitutes a creative enterprise. This is because the DCMS has included businesses from across the entire production cycle: from the creative content, through to manufacture and distribution. See the next section for more detail.

1.5 Use Of DCMS Evidence Toolkit (DET)

In line with other reports we have analysed a number of national datasets using the guidelines laid down by the DCMS within its Evidence Toolkit. The DET was developed by the DCMS in order to provide a common evidence-base for assessing the regional impacts of cultural activity. It contains a number of features that are relevant to this study:

- A definition of the cultural sector and its constituent domains or sub-sectors
- A description of the sub-sectors in terms of Standard Industrial[1] and Occupational Classifications[2]
- A framework for understanding the production/supply chain of the cultural sector
- Recommendations concerning the use of national datasets for research purposes

The DET has identified seven cultural sector domains based on the interdependency between certain sub sectors. The Creative Industries thirteen sub sectors mentioned in the previous section have been spread across the following four domains (the other domains being Heritage, Sport and Tourism): **Audio-Visual, Books and Press, Performance** and **Visual Arts**

The following table shows the type of activity associated with each of the four domains:

DOMAIN NAME	WHAT IS INCLUDED
Audio-Visual	Includes film, TV, radio, new media, music and advertising. Encompasses interactive media, which covers leisure software, digital art and new media activities.
Books & Press	Includes books, magazines, newspapers, press and literary agencies, literary festivals
Performance	(Note: does not include music) Includes theatre, arts, dance, circus, agents, festivals
Visual Arts Domain	Includes galleries, architecture, design and crafts, sculpture, fashion design, graphic design, interior design, creation of visual works, production of visual works, visual arts festivals

[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 purpose is to classify business establishments by types of economic activity. Minor revisions to SIC 92 were made in 2003 but these have yet to effect the presentation of data. The next major revision is in 2007.

[2] The Standard Occupational Classification system is a corresponding means of classifying paid jobs performed by economically active people.

The DCMS Evidence Toolkit also stresses the importance of a six-stage production cycle within each area of activity. The key areas identified are: *Creation -> Making -> Dissemination -> Exhibition / Reception -> Archiving / Preserving ->Education / Understanding.* A range of SIC codes are assigned to the various stages in the process.

1.6 Statistical Health Warnings – Limitations Of The Data And Analysis

The main datasets[3] analysed in this type of study are:

- The Annual Business Inquiry (ABI)
- Inter Departmental Business Register (IDBR)
- A Business Database (in this case the Experian Yellow Pages business database)

In many of the analytical tables and charts in this report we have used data drawn from the ABI dataset. This is the principal source of employment and labour market data for Great Britain. The dataset can be analysed by 4-digit SIC codes enabling a reasonably accurate but imperfect fit with the DCMS Evidence Toolkit (DET) criteria. Whilst the DET has achieved a significant improvement by establishing common methodologies which allow for more accurate comparisons there are still fundamental problems with data collection. Even the DCMS' own annual economic bulletin points out the inherent difficulties of measuring activity within the creative industries given that the official statistical classification systems do not accurately capture the full extent of the activity.

The recent Regional Mapping and Economic Impact Study of the Creative Industries report recently commissioned by South West Regional Development Agency (SWRDA) and Culture South West highlighted the following key issues with the data:

- The level of reliability of the data sources lessens at sub-regional level due to the diminishing size of the samples used as a basis for estimation, but grouping activities into the four DCMS domains as described above mitigates some of this
- Important parts of the creative sector fall beneath the financial and/or employment thresholds for inclusion within the samples used for national datasets – largely due to the under-representation of the SME sector and self-employment data within the datasets: hence our decision to build a customised project database of 5,000 businesses and conduct a telephone survey of 257 businesses
- The DCMS Evidence Toolkit 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 Arthur D Little report for SWRDA (State of the Key Sectors) also notes that the major limitation of the DET approach is that many cultural activities cannot be unbundled from certain 4 digit SIC codes – particularly the Digital Content sub-sector

[3] Additionally it should be noted that the following datasets have been examined but were found to have either suppressed or unreliable SIC or SOC data at either Devon or District Council level: Labour Force Survey, Annual Survey of Hours and Earnings (formerly New Earnings Survey), VAT registrations and de-registrations

However, despite the potential flaws in using the data at county level, it does allow us to compare the figures to other counties and to the region as a whole so that we can begin to estimate and identify the size of the sector and pinpoint growth trends.

Therefore, the tables and charts produced in this report have been produced using the SIC codes and scaling ratios laid down by the DCMS Evidence toolkit. We noticed during the examination of the statistics that the Culture South West Regional Mapping Document of 2004 used some additional weightings and scaling ratios. Some of these vary from the DCMS toolkit and we also noted that similar studies in Somerset, Gloucestershire, and London were also taking a slightly different approach to their use of the DCMS toolkit. Following discussions with Culture South West[4] it was agreed that, given that the data is problematic at below regional level, we should establish the most appropriate scaling ratios for Devon and align where possible with other studies.

By examining in detail, by SIC code, the Experian Yellow Pages Business Database data and Devon CC's own database of businesses to establish the most likely percentage of creative businesses under each SIC code we came up with a set of scaling ratios which are very closely aligned with the Regional Mapping Study and those of Somerset and Gloucestershire. In cases where they are slightly different this is due to selecting a more appropriate ratio for Devon on the basis of the data we looked at (*see appendices for the scaling rates used in comparison to other areas).*

What this means is that some of the figures will appear slightly different to the Regional Mapping Study but the key point is to see whether the major trends highlighted in the regional mapping report are replicated or not at county level – despite potential variations in some of the baseline figures such as employee numbers.

The DCMS is aware of these statistical problems but our sources suggest that it will be some time before they are fully ironed out. The key for this Devon and Torbay study is to make sure the statistics are fit for purpose, attuned with regional methodology, and acceptable to the project partners and future users of the study results.

It should now be evident that counting in the Creative Industries is not an exact science, particularly at county level, but the convergence of these figures with those taken from our project database, telephone survey and other sources have allowed us to calculate and provide figures which are accurate enough to support the development of strategies and policies.

[4] Culture South West is the regional cultural consortium whose mission is to 'provide strong strategic leadership to people interested in the region's cultural development and work with partners to celebrate, champion and increase cultural opportunities across the South West'.

2 Setting The Context

2.1 The Creative Economy

In recent years the Creative Industries have been the subject of much investigation and debate but unquestionably have been drawn ever more into mainstream and central government thinking.

It is now identifiably a proven valuable part of our emerging knowledge-driven economy. What is more, it is growing nationally, regionally, and across Devon at higher rate than other sectors of the economy.

The current government has determined that evidence-based policy making is a pre-requisite for the sector to be taken seriously and have taken a largely instrumentalist approach to funding and supporting the sector – i.e. what outputs particularly, economic and social, can the sector provide?

Research in the last 10 years by national and regional government bodies and agencies (DCMS, Arts Council England, Sector Skills Councils, Regional Cultural Consortia, Cultural Observatories) and respected economic writers such as Will Hutton (Leader writer of the Observer) have shown that the creative economy is not simply hype or a 'catch-all' brand perpetrated by those within the sector merely to advocate for their own work.

What often fuels the doubters about the creative sector is its fragmentation into a number of sub-sectors – how is it that dancers, ceramic makers, radio stations, publishers, new media, software developers etc can all be part of the same sector? Is it not an arbitrary line drawn around businesses based on the concept of creating and exploiting intellectual property?

Apart from extremely large companies and agencies (e.g. the TV companies, large publishers) the predominant forms are the micro-business and the sole traders and freelancers often working together in clusters and networks. This 'micro-ness' has traditionally been frustrating for business support and skills agencies to get to grips with.

Some sectors can be volatile – advertising and media companies are notoriously at the sharp end of any slowdowns or downturns in the economy. In 2002 47% of London's job losses were in the sector. Yet despite the fragility the sector has enjoyed astonishing success and expansion in the last decade.

2.2 Economic Growth

The creative economy is growing globally at 5% per annum and is likely to nearly triple in size globally by 2020[5]. The latest DCMS Creative Industries Economic Estimates Statistical Bulletin (October 2005) and recent research by NESTA in 2003 contain the following UK data which confirms the recent trends of growth in turnover, exports and employment.

- The Creative Industries grew by an average of 6% per annum between 1997 and 2003. This compares to an average of 3% for the whole of the economy over this period

[5] The Creative Economy: How People Make Money from Ideas; John Howkins 2001 Penguin

- The Creative Industries accounted for 8% of Gross Value Added (GVA) in 2003
- The sector is of a similar size to the UK construction industry[6], and is over a third of the size of the overall UK manufacturing sector[7]
- The average UK creative business grew by 9% from 1997-2001

In May 2004 the Culture South West and the South West Regional Development Agency published their *Creative Industries Regional Mapping and Impact study of the Creative Industries*. In addition, a number of sub-regional mapping initiatives have been undertaken in Bristol, Cornwall, Gloucestershire, Swindon and Somerset. All of these studies have identified the Creative Industries sector as one which is undergoing a period of sustained growth and one which has the strong potential to continue to do so. Culture South West documentation states that the sector regionally:

- Is dominated by small businesses: the total number of businesses was calculated at 8,608 or 3.7% of the regional total. 98% of these were small enterprises. The predominance of single-site, owner managed micro-enterprises means that the sector is less prone to the kind of shocks that affect some other sectors in the region (e.g. manufacturing)
- Is growth-oriented: two thirds of all creative businesses have ambitions to grow over the coming year, and business start-up rates are almost twice that found in the Creative Industries sector on a national level
- Is private-sector focused: private sector businesses predominate (83%), in a region in which the public sector has accounted for a disproportionate component of recent employment growth
- Is growing faster in the South West than elsewhere: the period 1998 – 2001 saw an 8.2% growth in employment across the sector in the South West, compared to 2.6% nationally, despite the concentration of Creative Industries activity in London
- Creates significant added value: in comparison with a regional average of £14.9K per annum, per employee, the Creative Industries sector produces an average Gross Value Added of £25.8K. The visual arts domain produces a higher figure of £35K per employee per annum whilst digital media employees produce £41K
- Has strong identified clusters: in TV and Film Production, computer graphics and interactive media
- Is capitalising on the development of broadband services and digital interactive media: for purposes of creation, production and reproduction, marketing, distribution and point of sale
- Is supported by important support agencies that are beginning to spring up such as Creative Kernow, Creative Bristol, Creative Plymouth, Devon Artsculture, Creative Skills (Cornwall), and ArtsMatrix

2.3 Exports[8]

- Nationally, exports by the Creative Industries contributed £11.6 billion to the balance of trade in 2003. This equated to around 4.1% of all goods and services exported

[6] See www.tradepartners.gov.uk
[7] See www.foresight.gov.uk
[8] DCMS Creative Industries Economic Estimates Statistical Bulletin (October 2005)

- Nationally exports by the Creative Industries grew at around 11% per annum over the period of 1997-2002. By comparison, over the same period the value of all services exported grew by 7% per annum
- Regionally, the sector appears weak in exports: a number of studies have shown that the markets are very locally and regionally focused and account for only around 4.5% of sales. UK markets outside of the South West account for around 25% of sales

2.4 Labour Market

Nationally, employment in the summer of 2004 totalled 1.8 million jobs (1 million from companies in the Creative Industries plus a further calculated 0.8 million creative jobs within companies outside of the sector).[9]

Creative employment in the UK also grew at a rate of 3% per annum from 1997 to 2004 compared with 1% for the whole of the economy.

From a range of reports Culture South West have identified that regionally the sector is a significant employer, providing direct employment for 89,000[10] people in the South West, or 3.7% of the regional workforce. According to Culture South West's *Key Questions on Regional Impact* document the audio visual domain is key to the Creative Industries in the South West. A separate study for South West Screen[11] showed that there were an estimated 3,236 employees in 1,825 business units (6.7% of the UK digital Media workforce). 96% of these are micro businesses. GVA per employee is considerably higher in digital media than in the rest of the AV sector.

2.5 Tourism

Devon has the largest market share of tourism in the South West with nearly 8 million annual visitors (2001) spending around £1,300 million. Culture South West states that *"…the potential for sustained links between the creative industries sector and tourism is enormous"*. Links between the sector and tourism across the South West region are beginning to gather momentum. Devon's own study *Cultural Tourism: A Devon Perspective (2005)* is to be welcomed.

Cultural Tourism is now a huge market (up to 37% of world travel) and is growing at 15% per year. Tourism trends suggest that it will become more evident that areas with cultural tourism programmes will have an effective edge over those that just rely on traditional approaches to tourism marketing.

In the medium to long term the development of more innovative cultural product and packages coupled with more accurate research to find out what the high spending, long staying, cultural tourist wants would allow Devon to move centre stage within the region and take a stronger competitive position alongside other areas such as Cornwall. This innovation is the key. Devon's Creative Industries are important because they are a counter-balance to older or more established tourism and heritage assets. That is, an area cannot rely on selling its past: it needs to be innovating and producing new product and experiences. A vibrant Creative Industries sector is vital for tourism in Devon's cities, resorts, market towns, and rural areas.

[9] DCMS Creative Industries Economic Estimates Statistical Bulletin (October 2005)
[10] The Arthur D Little Report for SWRDA, *State of the Key Sectors 2004* put this figure at a lower 59,500
[11] *Exploratory Statistical Study of the Digital Media Sector in the South West 2004* – Burns Owen Partnership for South West Screen

2.6 Quality Of Life

In addition, the South West nationally has a high quality of life rating by both residents[12] and visitors and it displays a high regional spend on cultural and leisure goods and services[13]. From all the factors mentioned above, it is clear that the Creative Industries sector is well positioned to play a major role in both the economic and social development of the region.

2.7 The Devon Economy

According to the *November 2005 Economic Review* published by SWRDA, Devon's largely rural economy has been relatively static overall but this masks the fact that some parts are dynamic whilst others have been in decline. In recent years Plymouth and Exeter have been performing well overall but the rural areas have been in stagnation.

Torbay, on the other hand, has experienced difficulties largely through a decline in manufacturing (some of this has had considerable impact on the creative industries employment figures – *see section on Employment*). Figures that analyse Devon as a whole are often 'deflated' by Torbay's relative poor performance.

In 2003 the population of the county of Devon (inc Plymouth and Torbay) was around 1.09 million – approximately 1.8% of the UK total and the Devon economy marginally outperformed the national economy over the decade from 1993 to 2003 (5.7% growth compared with 5.4%)[14]. During this period there was a significant growth in jobs rising at 1.8% per annum but several sectors were in decline: notably agriculture, energy supply and manufacturing.

The combination of the traditional and staple economic activities of the county (agriculture, fishing, mining and quarrying, maritime manufacturing, and tourism) have not been strong enough over 10 years to generate levels of income per head commensurate with the national average. The income per capita was £12,811 in 2003 which is 77.9% of the national rate.

All of the above sectors have performed poorly which means that the key to devising an economic strategy for the county is to decide on what part the traditional sectors should play and how far the strategy will need to rely on creating new industries to exploit new opportunities. Hence this study into the Creative Industries

2.8 Building Creative Success

In terms of building success for the Creative Industries across Devon we need to recognise that the skills and experience needed to thrive in the new knowledge-driven creative economy are different from those required by previous economic models.

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[12] According to a national MORI survey commissioned by the East of England Development Agency in 2003, the South West has the highest percentage of residents (58%) stating that they are 'very satisfied' with the region as a place to live. MORI, *Life in the East of England*, EEDA, 2003.

[13] Family expenditure on the category 'Recreation and Culture' is, at £58.60 per week the second highest category of expenditure after transport. It is a higher figure than the UK and London figures. See *Family Spending: 2005 Edition: Household Expenditure*, Office for National Statistics, The Stationery Office, London, 2005.

[14] *The Devon Economy 1993-2003* – Devon CC 2005

Globalisation and the rapid influx and influence of Information and Communications Technology have brought about a marked change in the UK economy. Labour and capital are still important but these have been joined by the more amorphous drivers of knowledge, ideas, intellectual property, and service provision. These changes have become more evident in the cities, towns, companies, and sub-sectors leading this economic growth. It has become increasingly clear that the Creative Industries, which we know are growing, are at the heart of this emerging economy and one in which the UK already has some competitive advantage.

The old economic model has been undermined by the availability of cheap labour in areas such as Eastern Europe and East and South East Asia. The UK must now increasingly compete on knowledge, skills, innovation, service, and creativity.

What matters nowadays, and why the creative sector is so important, is how knowledge, which due to conduits such as the internet and email is universally available to all at no or low cost, is interpreted to drive innovation, and new product development in ever shorter production cycles.

What is distinctive about the sector is its ability to originate creative content (of whatever type) and then sell it (often made easier by digitisation and ICTs). Many businesses rely on the ingenuity and creativity of their owners and small staff teams and pools of freelancers.

However growth is being constrained in some sub-sectors and some geographic areas by a number of barriers to growth and a shortage of people with the right skills, work culture, and attitudes to service to drive the sector forward.

The sector has a high level of sole traders and freelancers (anywhere from 30% to 80% depending on the location and particular industry) who grapple with their own skills and continuing professional development whilst larger companies and employers can struggle with skills gaps and hard to fill vacancies as they experience difficulties in identifying and developing talent in a structured way.

The very fragmentation and diversity of the sector makes it difficult for policy makers to create any type of umbrella intervention or one-size-fits-all solution to support its growth and mitigate against areas of volatility.

The creative sector does not just require high level technical skills (e.g. the ability to craft quality ceramic ware) but the business skills of marketing, sales, and financial management, accompanied by softer skills such as working with others and customer service (the skillset of social skills and emotional intelligence).

2.9 The Research Findings

In the sections that follow we examine in detail many of the economic and business findings arising from the research in to Devon and Torbay's Creative Industries. We begin first with a look at the Labour Market.

3 Employment

The creative sector poses a few problems of its own when attempting to determine the number of people in the workforce – this is largely due to the high level of workers who fall below or outside the national data capture mechanisms such as the Annual Business Inquiry. These include many businesses and self-employed who fall below the VAT threshold, freelancers, and those whose principal occupation is in another sector falling outside of the DCMS definitions.

Therefore what needs to be done is to determine the *statistically visible* using national datasets and then via various tools such as our survey of Devon businesses and other fieldwork (such as the investigations and detective work to build up our project database) attempt to calculate some estimates on the numbers of the *statistically invisible* working in the sector.

3.1 Statistically Visible Employment

Again we should point out that these figures should serve as a starting point for our calculations and assumptions about the sector. More sensibly they should be used a guide and to identify trends which can be compared to other areas and provide a 'feel' for what has been going on in the sector in Devon over the past few years. So, grasping the statistical nettle, let us examine the data.

We have looked at 5 sources of visible employment data as show in the table below:

These figures include Devon CC, Torbay, & Plymouth	**ABI (2003)**	**IDBR (2004)**	**Devon CC Business Database based on IDBR (2004)**	**Experian Yellow Pages Business Data (2005)**	**Regional Mapping Report (2002)***
Total Creative Industries Employment	15,739**	6,791***	13,944	17,703	11,871

*In the Regional Mapping and Economic Impact Study of Creative Industries Stage 1 Report 2004. scaling factors were applied to some of the SIC codes that in some cases varied from those suggested by the DCMS Evidence Toolkit.

** Based on our scaling co-efficients shown in the appendices.

***There are significant problems with the IDBR data due to suppression of data and confidentiality because of the Statistics of Trade Act 1947 which cannot disclose certain figures below certain threshold levels.

If we exclude the IDBR figures as the most problematic due to the suppression and confidentiality issues, and put to one side the Regional Mapping Figures because they were scaled slightly differently and only go up to 2002, we see that we have a spread in the others between 14,000 and 17,700.

We have chosen to use the ABI figures for the basis of many of the subsequent charts and calculations in this report because they are based on our own scaling co-efficients which were based on detailed examination of the project datasets. It is also usefully a mid-point average figure between the Devon Business figure and the Experian figure. The charts in this section therefore display the statistically visible employment data for the Creative Industries in Devon.

The creative industries across the county of Devon (including Plymouth and Torbay) therefore employ around 15,739 people which is 3.7% of the statistically visible county workforce[15]. (The national figure is closer to 5%, regionally it is 3.6% and in a comparative county such as Somerset it is 3.3%).

This is more than Agriculture, Forestry & Fishing (1.4%) , Energy (0.5%), and closer to Construction (4.9%) and Transport and Communications (4.5%). The largest sectors in Devon are Distribution (19%), Business Services (13.6%) and Manufacturing (11%). Public Administration, Education, Health, and Social/Community work total between them 35%.

The following two charts show how these figures are spread across the district councils and the two unitary authorities of Plymouth and Torbay. Care should be taken with ABI figures at a local level due to distortions caused by the sampling methods used in ABI.

Figure 1 Employees By District

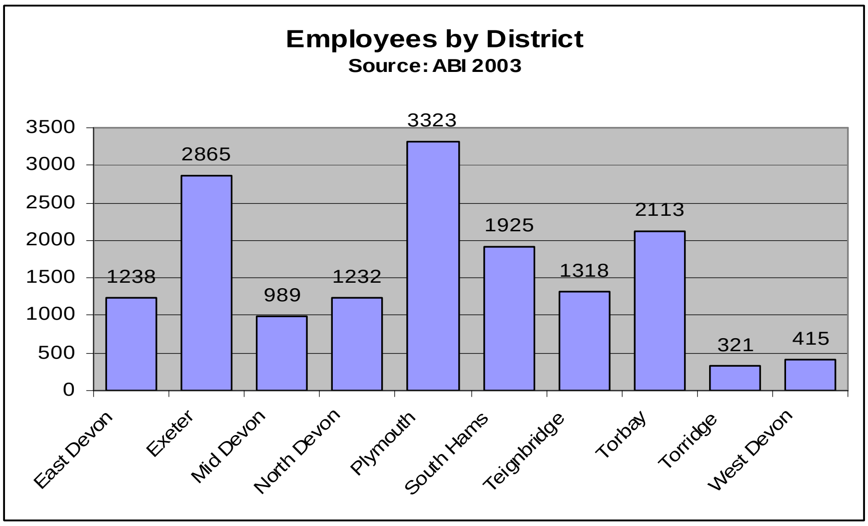
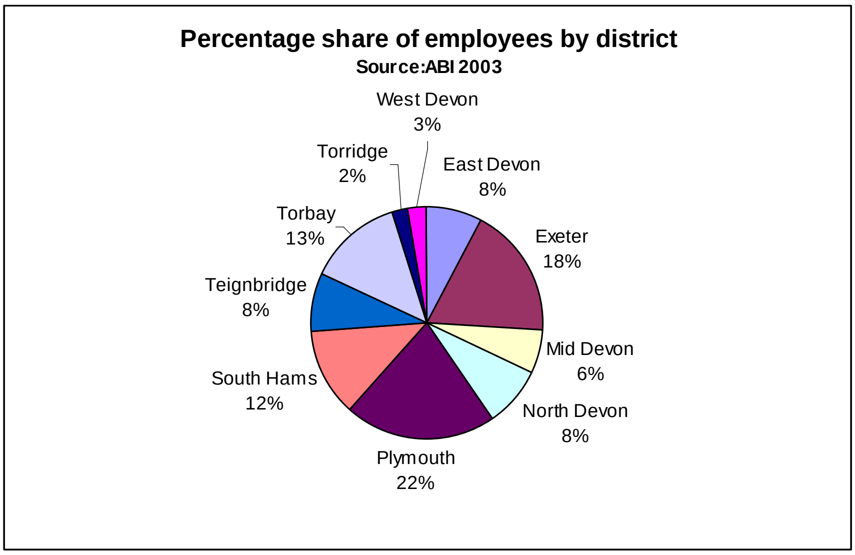


Figure 2 Percentage Of Employees By Local Authority District



[15] 424,738 in 2003 according to *The Devon Economy 1993-2003*, Devon County Council 2005

As expected the majority of these are in the urban conurbations of Plymouth (22%), Exeter (18%), and Torbay (13%) although the more rural district of South Hams at (12%) is much higher than other rural districts.

Clearly we would expect to see high numbers around the urban areas such as Exeter and Plymouth and the conurbation of Torbay. What is interesting from a rural point of view is the high numbers showing in South Hams. Between them these four areas clearly form the '*Golden Crescent'* of Devon's creative industries.

In the next table we can see how employment figures changed between 1998 and 2003.

Table 1 Employment Growth Rates 1998 - 2003

ABI data 1998 to 2003	**GROWTH**
Devon CC	25.05%
Torbay	**-49.41%**
Plymouth	1.69%
All Devon	2.15%
Devon CC and Torbay	2.29%
Please note that growth figures may vary from other reports due to the scaling co-efficients used in this study or if the DCMS Evidence toolkit was not used on the other studies	

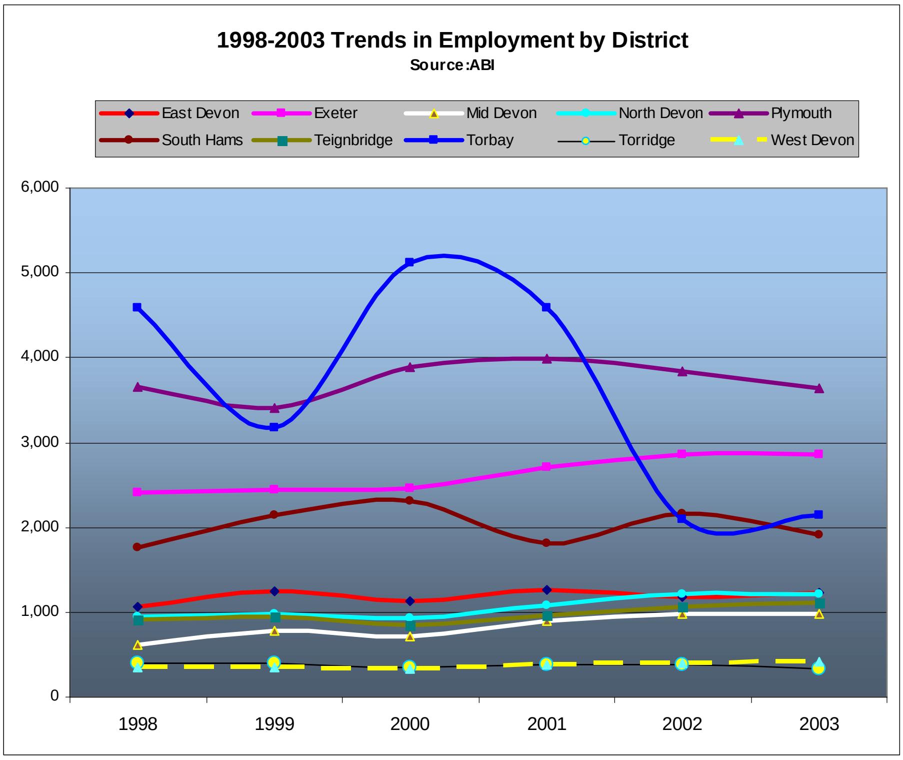
As we mentioned in the Setting the Context section, the apparent decline in employment in Torbay slews the averages for Devon overall.

As we explain later in the report, Torbay's figures are a bit of a statistical anomaly due to the fact that the area lost over 1,000 jobs in the past two or three years primarily due to job losses at a couple of large employers.

The Devon County Council area is showing strong growth comparable to that of Cornwall (which has been shown as high as 29% in the Regional Mapping study). Somerset showed 15% over the same period. From 1998 to 2002 the regional growth was 8.2% according to the Regional Mapping Study).

In the following chart you can see the strong growth in Exeter, the slowing of the Plymouth growth, the previously mentioned 'anomaly' drop in Torbay, the fluctuations in South Hams and the steady progress in most of the other districts.

Figure 3 Employment Trends 1998 To 2003 By Local Authority District



The Plymouth figures are in line with those reported in the Plymouth City Growth strategy. This showed strong growth up to 2001 (25% in their study, 16% with our scalings). However since then there has been a slight downturn possibly due to the slow down and volatility in the audio-visual sector which is strong in Plymouth. Similar effects were noted in a recent London report. Interestingly Exeter showed a growth rate of 22% (confirming the strong performance outlined in SWRDA's *November 2005 Economic Review*) for the same period, but it is not as reliant on the audio-visual sector.

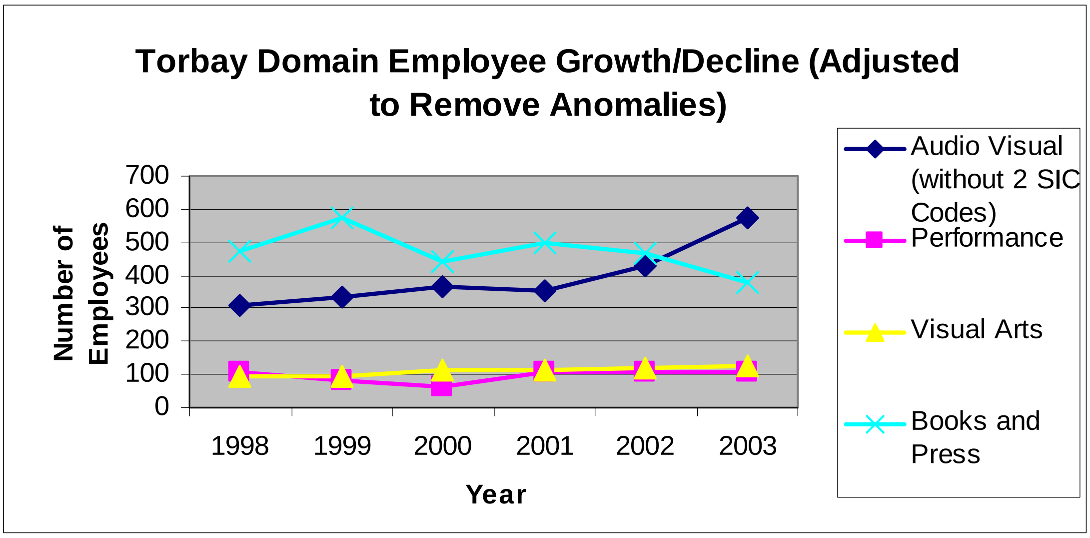
3.2 The Torbay Conundrum

The statistical picture shows Torbay experiencing a decline of nearly 50% in numbers employed between 1998 and 2003 in the creative sector. However, our view is that the situation is not as it seems at face value. This issue highlights a problem with the way statistics are collected and the definitions of Creative Industries.

In Torbay's case we think that the statistical decline is due to the capture in the ABI of electronic and telecommunications companies such as Nortel and JDS Uniphase which have experienced job losses in the past few years. These companies would not commonly be seen as part of the 'creative sector' but because their work included making telecommunications components they are included in the production chain for the Creative Industries. If these statistics are removed from the overall figures the picture of growth in Torbay for the Creative Industries is much brighter and similar to the rest of South Devon.

The graph below shows the numbers employed in each of the 4 domains of the Creative Industries with the electronic and telecommunications component making statistics removed:

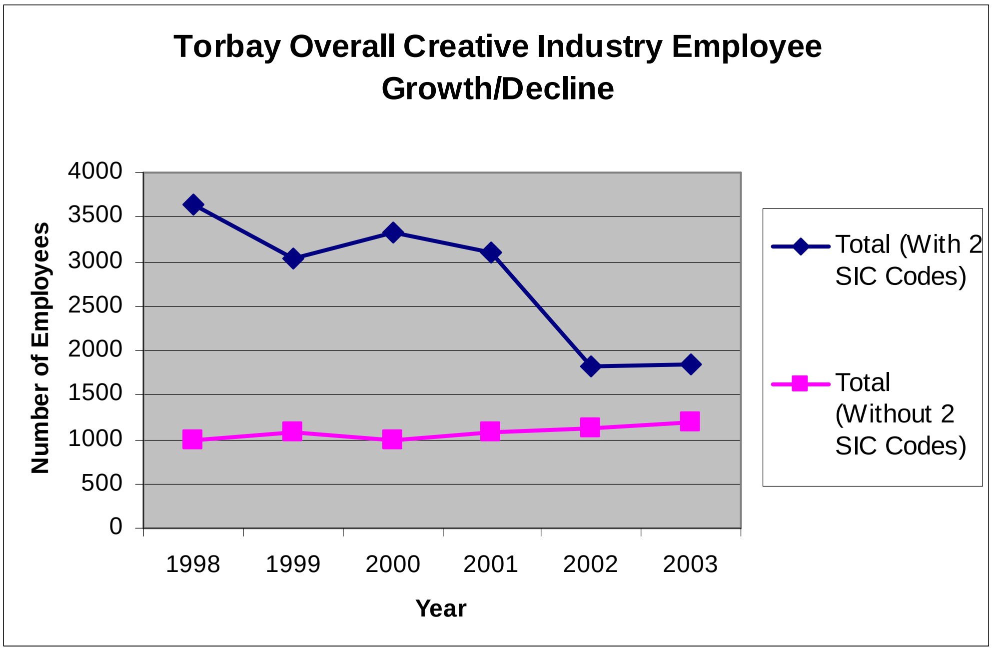
Figure 4 Torbay Employee Figures - Adjusted



As you can see the Books and Press domain has declined (this is common across the county and other areas due to technological advances). Numbers employed in Visual Arts and Performance have show modest growth and there has been growth in the Audio-Visual sector. This is in line with other research across Devon and the region.

The next graph shows the comparison in overall growth/decline in the Creative Industries (all 4 domains) if the 2 telecommunications and electronic component SIC codes are included or omitted in the overall figures. As you can see, you either have modest growth or significant decline depending on whether these are included:

Figure 5 Comparison Of Torbay Employee Figures - Non Adjusted With Adjusted



One final point to note is that from 1998-2002 no record of the numbers employed in IT software consultancy was kept in the ABI statistics. By factoring this into our figures the overall growth in the Creative Industries for Torbay comes up to around 10% which appears to be a more accurate figure when compared to nearby areas such as South Hams with 10.3% growth.

3.3 Employment In The Domains

The following charts show employment figures analysed by domain:

Figure 6 Count Of Employees By Domain

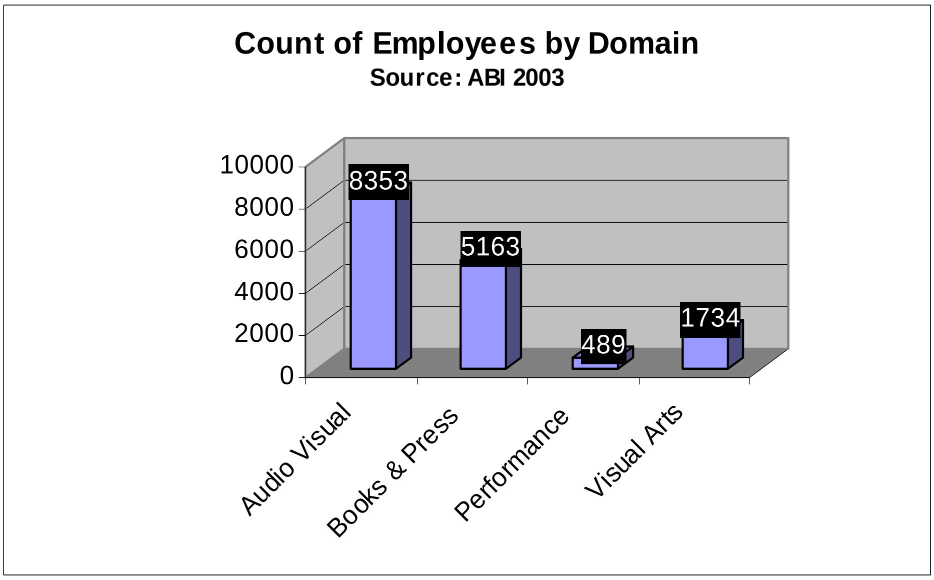
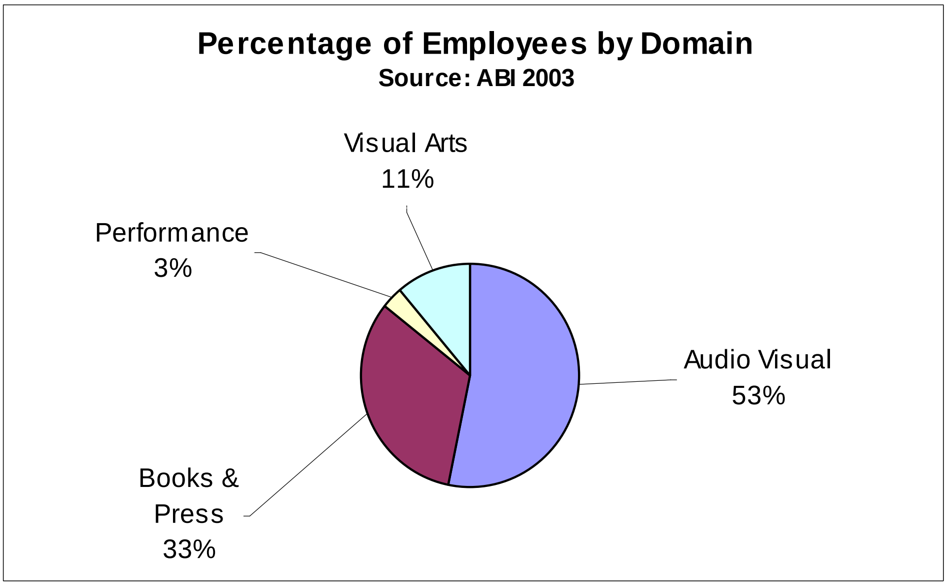
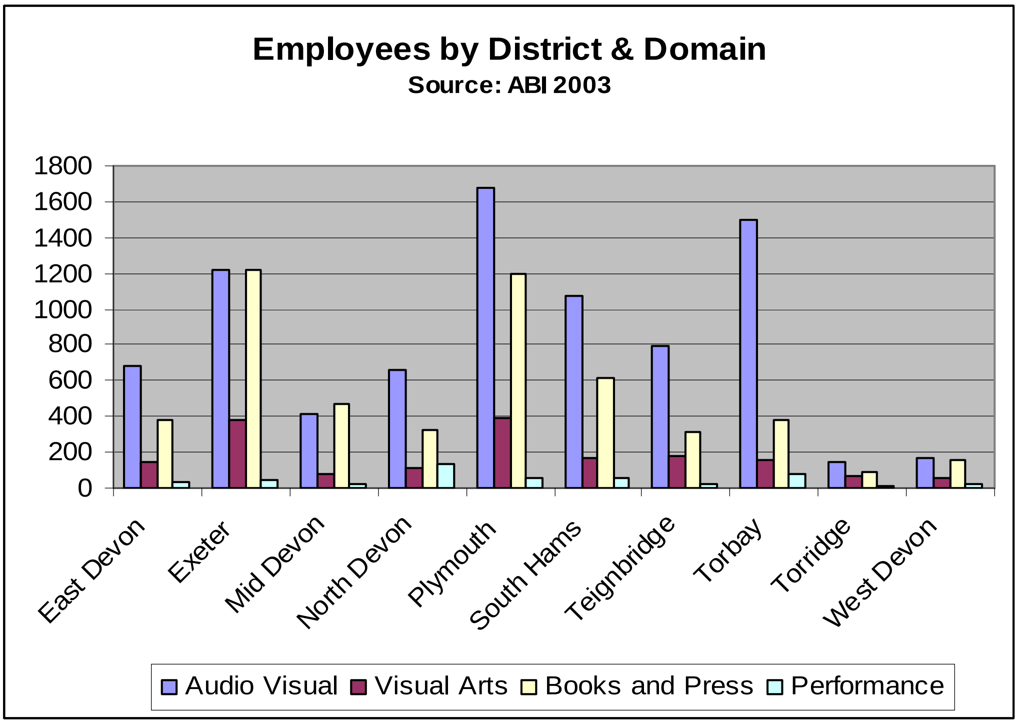


Figure 7 Percentage Of Employees By Domain



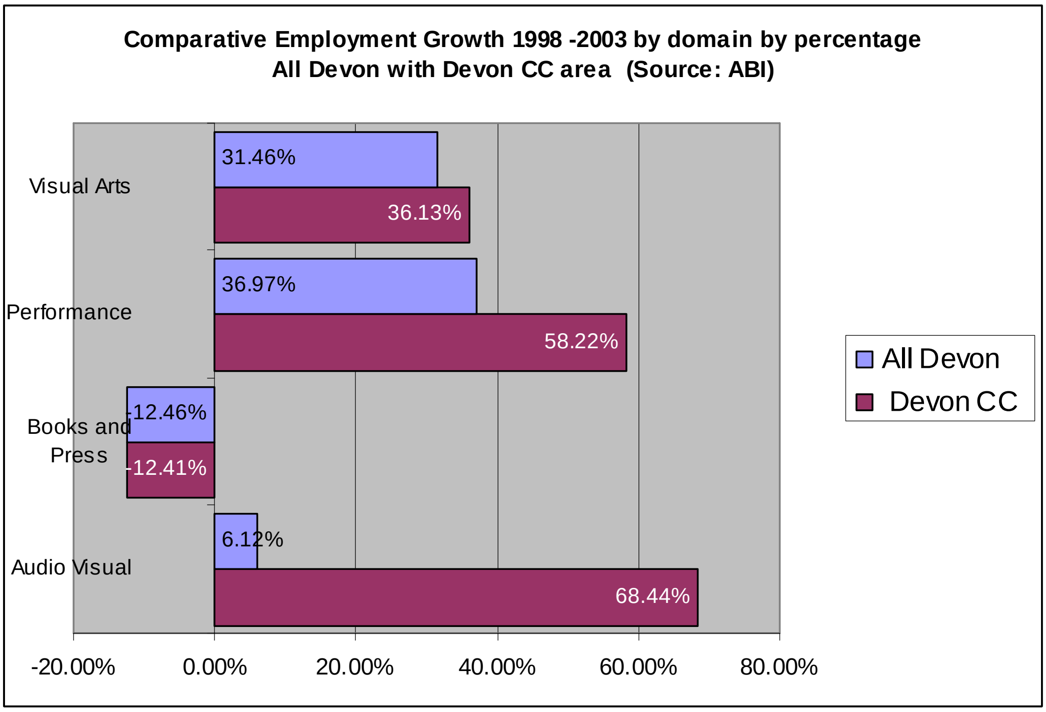
On these figures it is clear that the Audio-Visual and Books & Press domains are predominant.

Figure 8 Employees By District & Domain



The Audio Visual figures for Plymouth and South Hams confirm the findings of the 2002 University of Plymouth report on the *Creative Industries Skill Needs in the Plymouth Travel to Work Area* (see bibliography) which identified a discernible concentration of media related businesses in and around Plymouth (this would obviously include organisations such as BBC South West, and ITV Westcountry etc). In terms of employment growth by domain between1998 to 2003 the following figures compare the whole of the Devon area with the Devon CC area.

Figure 9 Comparative Employment Growth By Domain



Again, we can see the slewing impact of the Torbay figures on the All Devon Audio-Visual figures which is why we have included the Devon CC area figures to show the picture outside of Plymouth and Torbay. The decline in Books and Press is consistent with other studies and is due to the impact of new technology on the sector.

3.4 Statistically Invisible Employment

As we have stated already many self-employed and freelancers are not picked up in national statistical surveys principally because their earnings are below the current VAT registration threshold (£60,000 pa), they do not run a PAYE scheme or because their principal occupation is in another sector outside of the DCMS Evidence toolkit SIC codes.

These people can often form between 30% to 80% of the sector. Creative and Cultural Skills (the Sector Skills Council for advertising, crafts, cultural heritage, design, music, performing, literary and visual arts) estimate that inside London the figure is 25% or less but outside of London around 50% of the sector may be made up of these *'invisibles'*.

A recent Somerset study put their percentage at around 30%, Gloucestershire's study found 50% whilst our own Creative Value study for Cornwall in 2003 showed that Cornwall is unusual in that it is dominated by freelancers and self-employed who make up around 76% of the workforce.

The picture for Devon is likely to be a mix of around 25% of the sector in the urban areas (due to the fact that the largest employers are based in these areas) but closer to the 50% figure in the rural areas: but more of which later.

The reason that these are important is that they are the often the lifeblood of the creative sector and function as micro-organisms within the creative ecology moving easily between the commercial and public (subsidised) or voluntary sectors; transferring their labour, skills and intellectual property across a range of companies, organizations, and locations.

It is under this category that we now look to our project database and the findings of our surveys to make some estimates of the number of *invisibles* we need to add to our *statistically visible* sets

3.5 A More Detailed Picture Emerges

By applying an "invisibles" factor to the ABI figures we can begin to calculate the total size of the creative industries workforce in Devon.

By using a modest 20% of the workforce for the urban areas of Plymouth and Exeter and a conservative rate of 30% for the more rural areas of Devon we get the figures in the following table:

Table 2 Calculation Of Visible Versus Invisible Employment Per District

	Visibles: ie. ABI 2003 figures (i.e. 70 or 80% of the workforce)	**Invisibles % Rate of workforce**	**Predicted number of Invisibles** (i.e. Visibles divided by 70 or 80 *x* the Invisible % Rate)	**Total predicted workforce**
East Devon	1238	*30*	531	1769
Exeter	2865	*20*	716	3581
Mid Devon	989	*30*	424	1413
North Devon	1232	*30*	528	1760
Plymouth	3323	*20*	831	4154
South Hams	1925	*30*	825	2750
Teignbridge	1318	*30*	565	1883
Torbay	2113	*30*	906	3019
Torridge	321	*30*	138	459
West Devon	415	*30*	178	593
Total	**15739**		**5640**	**21379**

The paragraphs below explain why a figure of around 21,000 looks a reasonable forecast of the total workforce for Devon.

The *Visibles* figure of 15,739 has been based on national datasets that have been scaled in line with national recommendations. The projected *Invisibles* figure of 5,640 has been based on the calculations shown in the table above.

We can now cross match the invisibles figure of 5,640 against the project database where we have captured nearly 2200 of the forecast 5640 *Invisibles*. This would constitute a capture rate of 39% which is consistent with other studies we have undertaken.

Is 5,640 therefore a reasonable estimate of the number of *Invisibles* within Devon? How easy is it to show how the gap between what we have captured (2,200) and the 5,640 estimated figure could be bridged?

As an example let us look at one sub-sector: crafts. The last national survey of craft makers[16] stated that 25% of the 32,000 in the UK are registered. From the Crafts Council register of makers, Devon Guild of Craftsmen's membership, and a number of other sources we have captured 220 to 250 makers in the database. On the Crafts Council's national figures this would mean that at least another 750 unregistered makers are working in Devon (bringing the total to 1,000).

From their own investigations, Alex Murdin, the Director of Devon Guild has estimated that the number of craft makers operating in Devon may be as high as 2000.

By extending this exercise to other sub-sectors such as visual artists, freelance musicians, web designers etc the figure of 5,640 would easily be justifiable and in fact may be considered a conservative estimate.

[16] Making it in the 21st Century, Crafts Council 2004

3.5.1 Cross matching against the project database

We can now cross-match this initial calculation against an analysis of the project database. In the table below we have applied a series of weightings (average number of jobs per business) against a range of employee bandings within the 2,800 businesses in the project database.

These are based on low, mid-low, mid, and mid-high calculations. It should be noted that the mid-low weightings generally correspond to the figures derived from the telephone survey.

Below the employee calculations we have then added a number of individuals (the *Invisibles*) based on forecasts of how many of them we may have captured in the project database. For example the low forecast is based on the (slightly unlikely) scenario that we have captured 70% of *Invisibles* within the database, thereby leaving only a further 30% to pick up.

Table 3 Employee Forecasts Based On Weighted Analysis Of Businesses In Project Database

Weightings				
No of employees	**Low Weighting (average no of employees)**	**Mid-Low Weighting (based on survey)**	**Mid Weighting**	**Mid High Weighting**
2 to 5	2	2.5	3	3.5
6 to 10	6	7	7.5	8
11 to 20	11	12.5	15	17.5
21 to 50	21	28	35	42
Over 50	51	60	70	80
Forecasts *based on multiplying number of businesses in each band by the weightings above*				
No of employees	**Low forecast –**	**Mid - Low**	**Mid**	**Mid-High**
2 to 5	4,006	5,008	6,009	7,011
6 to 10	2,418	2,821	3,023	3,224
11 to 20	2,244	2,550	3,060	3,570
21 to 50	2,247	2,996	3,745	4,494
Over 50	3,672	4,320	5,040	5,760
TOTALS	**14,587**	**17,695**	**20,877**	**24,059**
Added Individuals *based on dividing the database individuals figure of 2169 by each capture rate and then multiplying by 100*				
% of individuals captured in project database	*70% capture*	*60% Capture*	*50% Capture*	*40% Capture*
Added Individuals	3,084	3,598	4,318	5,398
Estimated Workforce Total	**17,671**	**21,293**	**25,195**	**29,456**

Total Workforce
From the table above we know that the low calculation is not accurate, as the number of visible employees is less than the ABI total. However, the mid-low forecast is based on information from the telephone survey and should therefore

be in the right area. It is also close to our previous calculations based on *invisibles* as a percentage of the workforce. The higher weightings are less likely because they are based on a much higher average number of employees per banding than those revealed by our survey. So the calculations lead us to believe that a figure of 21,000 is a reasonable minimum baseline figure for the total Devon workforce.

According to a number of observers there is another group of employees which is often omitted from economic studies of this nature. Given there is a skills focus to this study we must mention here the number of people employed in delivering creative industry education and training at Devon's FE and HE colleges. From full-time employee information provided to us by the colleges across Devon we would estimate this number to be between 700 - 800. This would then bring the total workforce figure to closer to 22,000.

3.6 Demographics

3.6.1 Male/Female Ratio

According to Devon County Council analysis, across the whole Devon economy in 2003, 52.9% of employees were women. The ratio of men to women working in the creative sector is as follows. Note that the ABI figures and our own survey produce very similar findings

Table 4 Gender Breakdown Of Datasets

Data Source	Male	Female
ABI 2003	53%	47%
Our survey *	54%	46%
*based on 228 businesses who were able to provide a breakdown of their staff		

3.6.2 Employees from Black and Minority Ethnic Communities

From our survey, 7 businesses (2.7% of the sample) reported having staff from Black or Minority Ethnic communities. This totalled 13 people or 1.7% of the survey's full-time workforce. Taking into account survey margins of error this sample is too small to successfully analyse.

A 1995 study by O'Brien and Feist found that 4% of people with cultural occupations came from a minority ethnic background, but a more recent report from Creative Yorkshire (2004)[17] found that even in an area with a reasonably high minority ethnic population such as Yorkshire the figure for the creative workforce was around 7%. So with Devon's low minority ethnic population (7,903 but set to triple in the next 10 years) we should not be surprised at the lowish figures from the survey.

3.6.3 Employees with a disability

13 businesses (5% of the sample) reported having staff with a disability. This totalled 15.5 people or 2.1% of the survey's full-time workforce. Labour Force Survey figures for Winter 2004 show disabled people forming 12.7% of the national employment figures. As with the figures for Black and Minority Ethnic communities, above, care should be exercised with these figures due to the sampling margin of error.

[17] Creative Yorkshire: cultural diversity and employment in the creative sector – University of Leeds and Yorkshire Forward

3.6.4 Age

Due to the nature of the survey (i.e. we were interviewing businesses and not individual members of the workforce) we did not include a question on the age profile of the workforce. However, during the consultation phase it was brought to our attention that there was a significant number of people in Devon (visual artists, craftmakers etc) who were developing creative practice and businesses (or even second, third, or fourth careers) in their 40s, 50s and 60s.

The nearest confirmation of this trend we have from the project data is an analysis of the ArtsMatrix CPD beneficiaries which showed that 70% were in the 25-49 age range whilst 26% were above 50. According to the South West Observatory the South West has the oldest age structure of all the English regions and the population is getting older. By 2028 between one third to 45% of the population will be over 60. This age structure has important economic, labour market and planning implications generally but they should be borne in mind for business support and skills programmes in the creative sector.

3.7 Employment Comparisons

How do the employment figures compare to other South West counties for which we have detailed information on the Creative Industries. We have cross-referenced our workforce figures with those from other areas to produce the chart below based on the figures in the table which shows that both Devon CC and Torbay are performing well in comparison to other counties:

Figure 10 Workforce Comparison Chart By Authorities

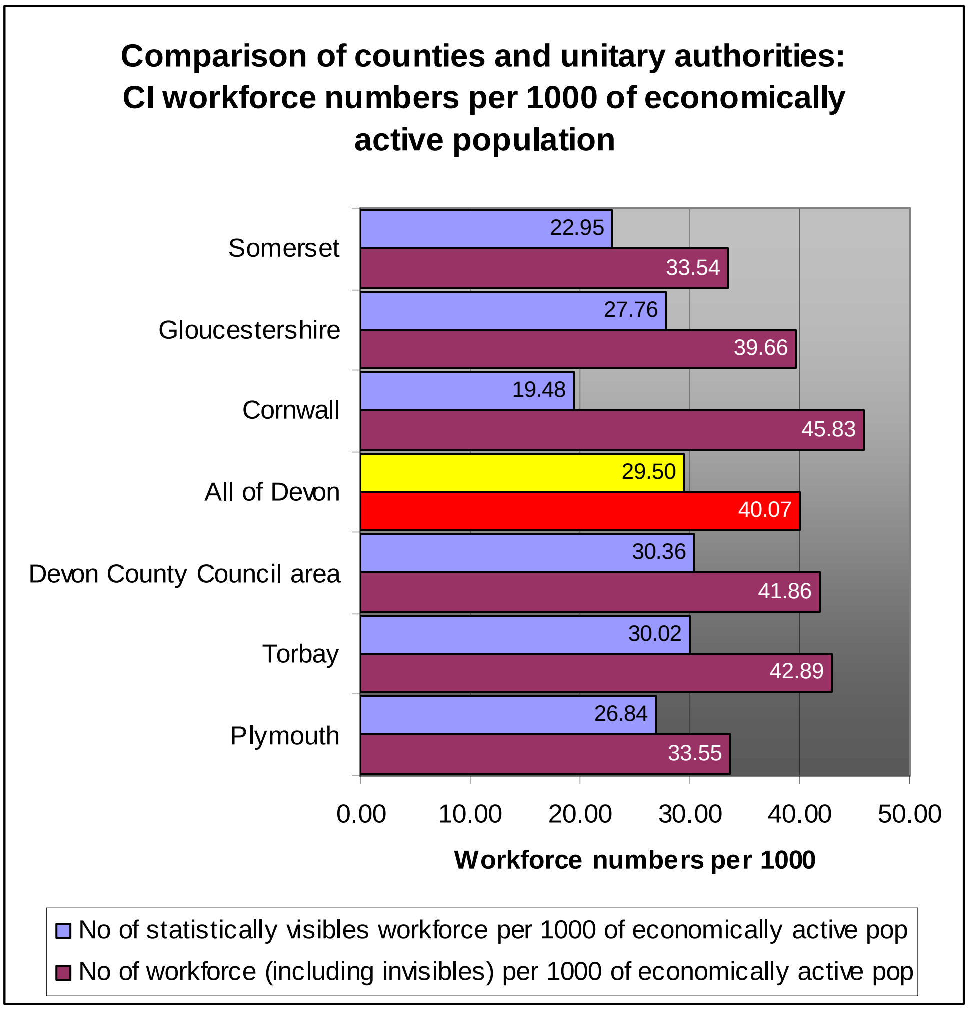


Table 5 Data For County Comparison Chart

Authority Area	Economically Active Pop (ONS)	CI Visible Employment (from latest written reports)	CI Visibles + Invisibles from report (*30% of workforce where not known)	% of economically active pop.
Plymouth	123,826	3,323	4,154	3.35
Torbay	70,384	2,113	3,019	4.28
Devon County Council area	339,394	10,303	14,206	4.18
All of Devon	533,604	15,739	21,379	4.07
Cornwall	226,950	4,422	10,400	4.58
Gloucestershire	273,780	7,600	*10,857	3.96
Somerset	247,000	5,668	8,285	3.35

3.8 Employment Location Quotients

A location quotient is defined as the ratio of an industry's share of the local economy to the industry's share of the regional or national economy.

A Location Quotient (LQ) score of 1.0 means that the sub-regional share of employment in a given industry is equivalent to the regional average.

In location quotient terms, where the percentage of the Devon creative industry workforce (as provided by the 2003 ABI statistics) is benchmarked against regional figures, Devon shows some interesting trends across the four DCMS domains.

The figures below highlight that Torbay and Devon in general are strong in Performance

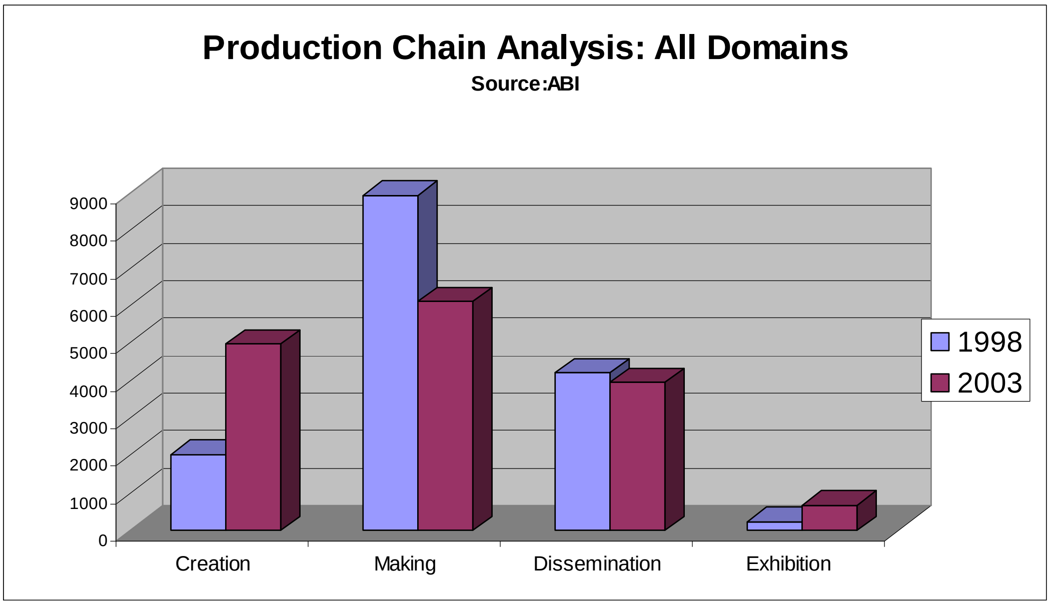
	Devon CC	Torbay	All Devon
Audio Visual	0.74	0.92	0.99
Books & Press	1.01	0.42	0.65
Performance	1.28	1.95	1.23
Visual Art	0.94	1.02	0.9

3.9 Production Chain Analysis

In terms of production chain analysis other sub-regional studies have shown that there has been significant growth in employment in the 'content industries' (Creation stage), a decline in the Production and Reproduction (or Making) stage due to the structural decline in manufacturing accelerated by the development of less labour intensive digital technologies, and smaller growth in the demand side activities related to the distribution and consumption of cultural product.

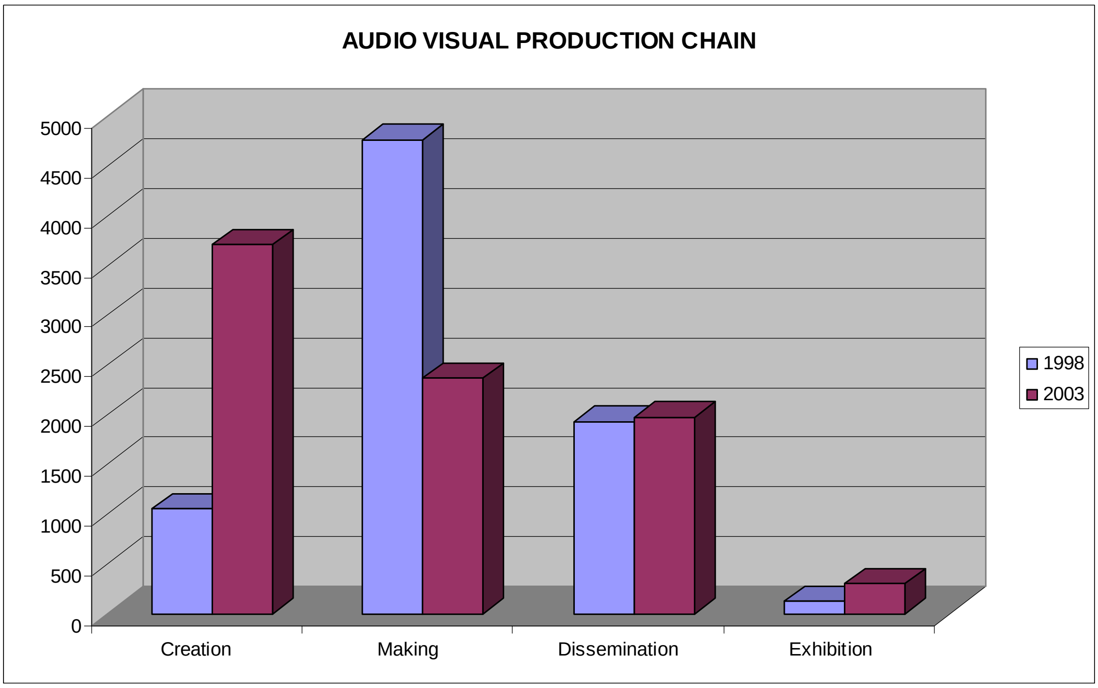
The Devon figures confirm this pattern as evidenced below:

Figure 11 Production Chain Analysis: All Domains



The pattern is most strikingly shown in the production value chain for the Audio-visual domain

Figure 12 Audio-Visual Production Chain



This pattern holds some encouragement for rural areas of Devon as content origination is more likely to be done by sole traders and micro-enterprises and with the advance of broadband is an activity equally at home and suited to rural areas.

3.10 Size Of Businesses

An analysis of the IDBR data and our survey data indicates that there are a few businesses with a large number of employees but that generally the size of company is small. This is in line with other creative sector research within the South West.

IDBR analysis shows that 92% of businesses across Devon have less than 10 employees (the Regional Mapping Study figure was 90%) and 82% have less than 5 employees.

The IDBR figures show that the major conurbations of Plymouth, Torbay, and Exeter along with South Hams have a higher percentage of larger companies.

In our survey, 87% of the employer businesses (i.e. the non sole traders) employed 10 or less people. 72% employed less than 5 people.

4 Workplaces And Location

4.1 Statistically Visible Workplaces In Devon

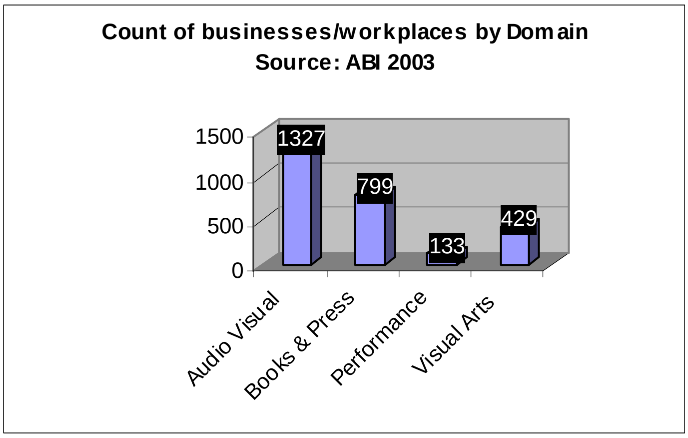
The statistically visible headline figures for Devon are:

	ABI (2003)	IDBR (2004)	Devon CC Business Database based on IDBR (2004)	Experian Yellow Pages Business Data (2005)
Total Creative Industries Workspaces Count	2,688	1,646	1,580	1,983

Using the ABI figures (as they are closest to our final project database total of 2800 businesses with more than one person), Devon has 28% of the total regional count of statistically visible businesses as mentioned in the regional Mapping Study (Somerset has 8.6%, Gloucestershire 7.6%).

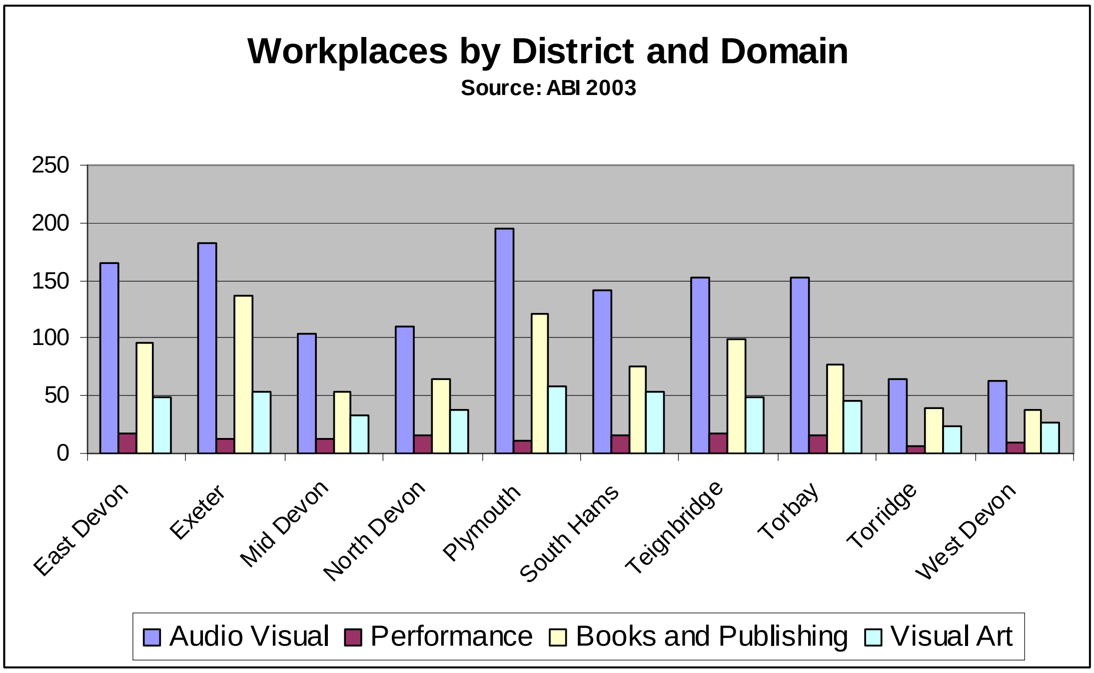
This is due to the fact that it has two cities (Plymouth and Exeter), a sizeable conurbation around Torbay, plus the successful rural arc of Teignbridge and South Hams which contains the hotspots of Newton Abbot, Dartington and Totnes. This implies that Devon is an important regional player within the Creative Industries and should therefore be considered seriously in regional policy making and programmes.

Figure 13 Count Of Visible Workplaces By Domain



49% of these are in the Audio-Visual domain. Books & Press have 30%, Performance 5%, and Visual Art 16%. Again, a warning here – once we add the *invisibles* from the project database later you will note that the percentage breakdown will change.

Figure 14 Count Of Workplaces By District And Domain



This ABI breakdown confirms the strong presence of Audio-Visual and Books & Press workplaces in Plymouth and Exeter and the expected lower numbers of workplaces in the more rural and isolated areas of Devon.

4.2 Filling The Gaps – Adding The Invisible Workplaces

By purchasing datasets and adding information on businesses from 35 different sources (directories, membership lists, online lists) we have been able to build up a more detailed picture of the number and distribution of business workplaces in Devon. Our final database of 5,000 businesses contains c2,800 business with more than one person in employment and c2,200 individual sole traders or freelancers.

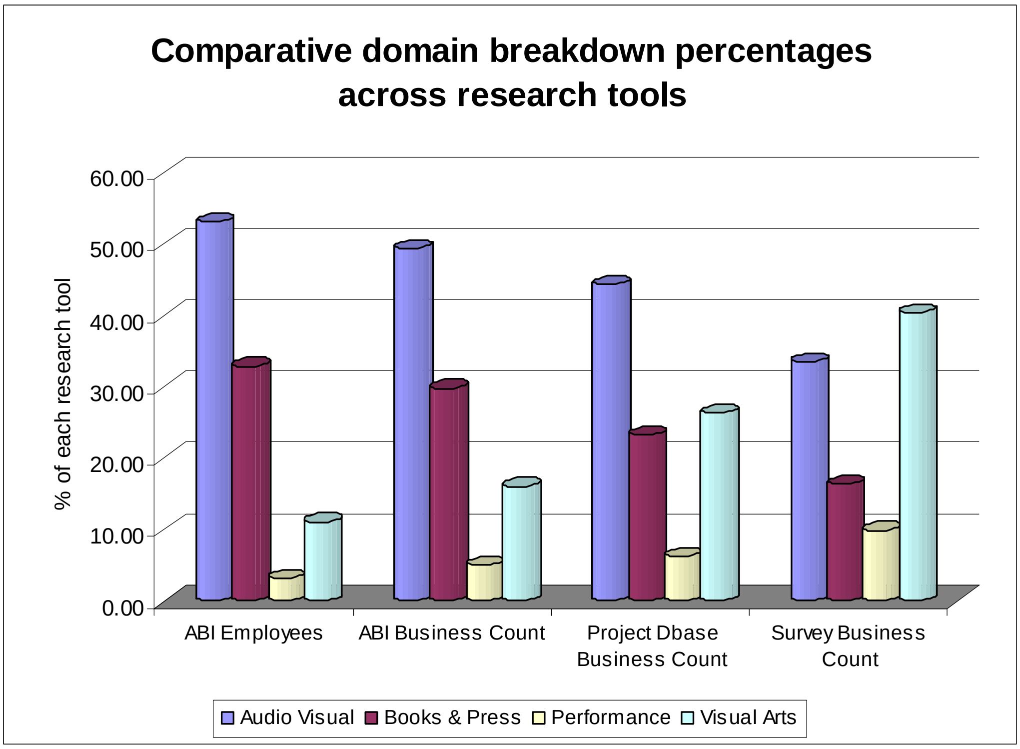
In the urban districts the percentage of sole trader type businesses was around 34%. In the rural areas it ranges from 44% to 52% of businesses.

If we assume that the missing number of extra individuals, freelancers etc is 3440 (5,640: the forecast number from Table 2 above minus 2,200 in the project database) then the total number of workplaces will rise to 8,440 (although it is safe to assume from our survey figures that a large number of these businesses will be working from home). This has implications for a range of policies such as live-work, broadband development, virtual clusters and office services, and hub and satellite plans (such as Dartington Art Park), incubator and move-on workspace.

On the basis of other studies we have undertaken many of the *invisibles* uncovered are often to be found in the Visual Arts domain (individual artists, crafts people etc). It is therefore not surprising that our analysis of the project database by DCMS domain shows a slightly different and potentially more realistic percentage breakdown from the ABI workplace analysis.

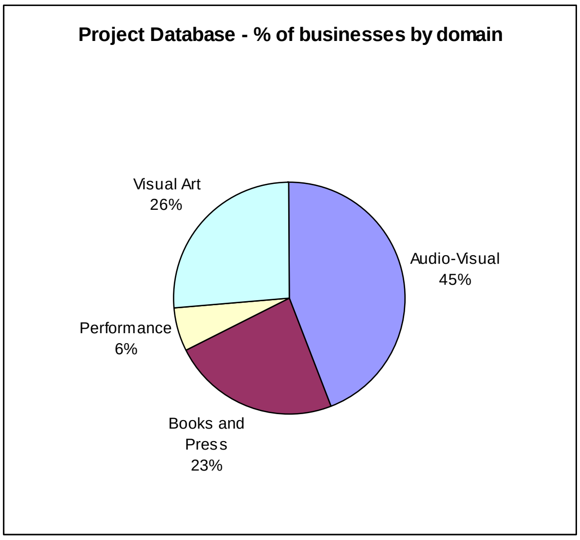
By comparing the ABI figures with the Project Database and the Survey Findings (and the ABI employee figures) we see the following patterns.

Figure 15 Comparison Of Research Tools By Domain Breakdown



Note that the introduction of more individual artists and freelancers into the database has increased the visual arts percentage from 16% in the ABI figures to 26% here as shown by the domain analysis of the project database below.

Figure 16 Project Database By Domain



4.3 Location

Where is all this activity happening? We ensured that all records in the project database had full postcodes. This allowed us to input the data into mapping software to produce the maps that are in the appendix. The data analysis and the maps in the appendices show quite clearly the clustering, co-locational, and dispersal patterns of the creative industries (and the constituent DCMS domains) in Devon.

Whilst the lion's share of the Creative Industries lie in the South Devon arc from Exeter to Plymouth (taking in Teignbridge, Torbay and South Hams) the Audio-Visual sector and the Visual Arts sectors both have a wider county spread. This is understandable as the Performance and Books & Press sectors clearly have distribution and exhibition patterns rooted around cities, towns and good transport.

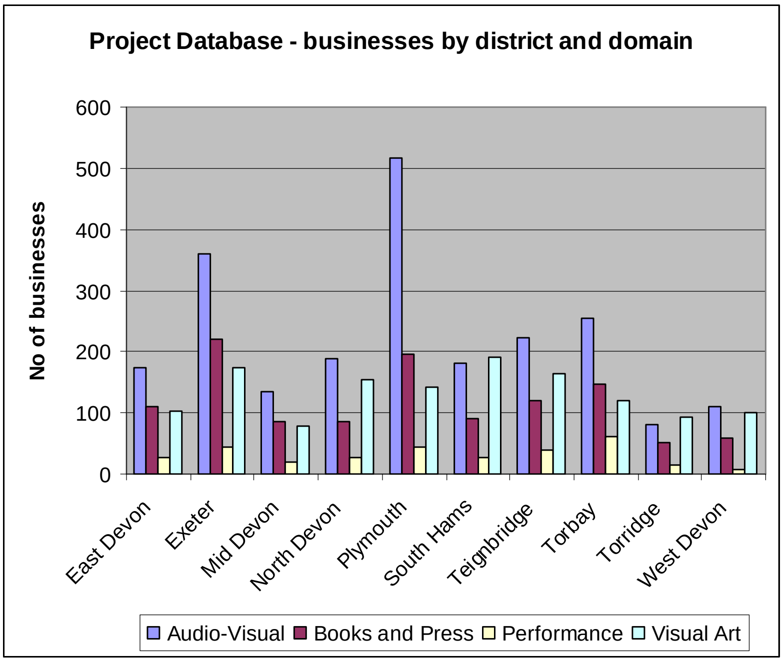
By examining the various maps in the appendices we can clearly see the proximity effects on clustering both in the urban and rural parts of Devon and the hot spots (Plymouth, Exeter, Torquay, Totnes, Newton Abbot).

Devon therefore, has a number of the major Creative Industries clusters in the region – and is home to many of the people who work in those clusters but it means that the 'count' for Devon – in employment, business numbers and turnover – will always be comparatively low in the rural hinterland. This is not necessarily a problem as many businesses in the Audio-visual and Visual Arts domains can survive happily in rural areas.

NOTE: in all the charts in this report based on project database figures, the Plymouth figures are there as illustration and can generally be considered to be under-representative as the numbers were merely those we collected through the acquisition of datasets and directories: i.e. as Plymouth was not part of this study we did not vigorously pursue further individual artists and freelancers in Plymouth.

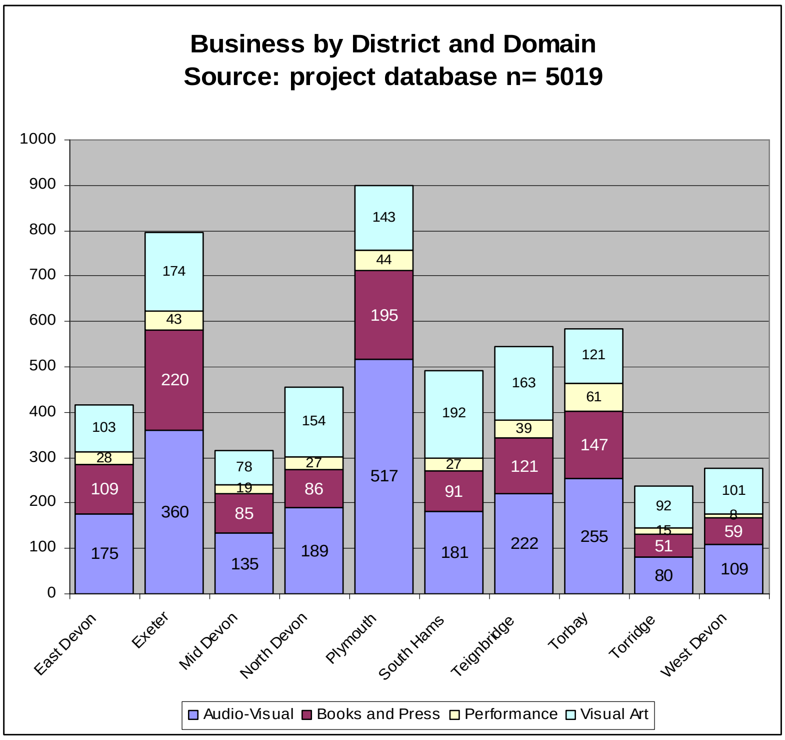
The next two charts, based on the project database, show the breakdown of business numbers by district and DCMS domain. The second of the charts displays clearly the domain composition of businesses within each district.

Figure 17 Project Database By District & Domain



This chart shows clearly the high level of visual arts activity in rural areas such as South Hams, Teignbridge, and North Devon.

Figure 18 Total Businesses By District With Domain Breakdown In Columns



5 Characteristics Of Creative Businesses In Devon

5.1 How Long Have Businesses Been In Devon

From our survey, 84% of businesses have always been based in Devon leaving a figure of 16% of businesses who have moved into the county. What is interesting is that the pattern of inward migration shows that the businesses generally move into the rural areas of Devon and not the cities:

- In fact 21% of the businesses surveyed in the rural areas of Devon have moved from elsewhere into Devon – more than half of them in the last 6 years
- Over a third (39%) of the inward businesses moved into Devon from London or the South East
- Over half are from the Visual Arts domain with a quarter from the Audio-visual sector

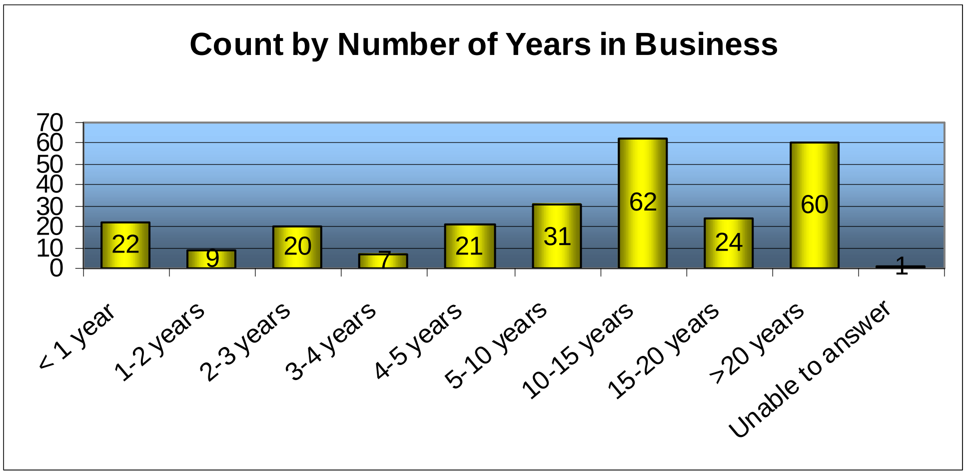
Interestingly little mention is made of business environment reasons for moving. Most people moved for family, personal, or quality of life reasons – indicating a pattern of downshifting away from London, the South East, and other parts of the UK. This trend was also picked up in the recent Somerset Creative Industries study.

Again this has implications for Devon and its inward investment initiatives in the sector. It would seem that flagship developments along the lines of Plymouth University's Innovation Centre for Creative Industries (ICCI), Dartington Art Park, and Devon Artsculture, could help to change the 'business' image of Devon and attract businesses to Devon for both the quality of life <u>*and*</u> the business facilities and opportunities.

5.2 Length Of Time In Business

Within our survey, the businesses showed maturity with over 77% having been in business for longer than 3-4 years. 57% have been going for longer than 10 years. The figure of 23% for new businesses (under 4 years) is close to the regional figure of 25% (Regional Mapping Study).

Figure 19 Count By No. Of Years In Business



5.3 Business Status

Of the non-sole traders respondents in our survey, 60% were Limited Companies and 22% partnerships.

The other 18% were made up of co-ops, collectives, charities, subsidiaries of companies elsewhere in the UK, or membership associations.

5.4 Sectors Worked In

Many individuals and businesses work across the private, public and voluntary sectors. Understanding the differences in culture and the requirements in different sectors needs a reasonably sophisticated skillset.

Within our own survey of 257 businesses, we picked up on nearly 90 sub-domain business activities indicating the breadth of creative businesses randomly captured within the sample quotas.

This included theatres, arts centres, festivals, visual artists, craftspeople, music businesses, dancers, advertising, marketing, software design, manufacture of musical instruments, digital art, photography, web design, radio, film and TV, bookbinding, printers, writers, publishers, architects, interior designers, galleries, artists in education, furniture makers, public artists, textiles, and fashion.

As reflected in other studies, there is a high level of cross-sectoral working in the Creative Industries in Devon. Whilst 58% of our survey described themselves as working exclusively in the private sector, the remaining 42% worked across more than one sector.

For example, 31% said that they worked in the both the private and public sector, 13% said that they worked in the voluntary and charity sector and 41% said that they worked in both the public and the voluntary/charity sector.

A recent Somerset study (currently in reporting phase) has revealed strong evidence of cross-flows between commercial and public funded sectors because of the portfolio nature of employment in the creative sector.

Our Devon survey clearly reinforces these findings.

5.5 Premises

Where do Devon's creative businesses work from?

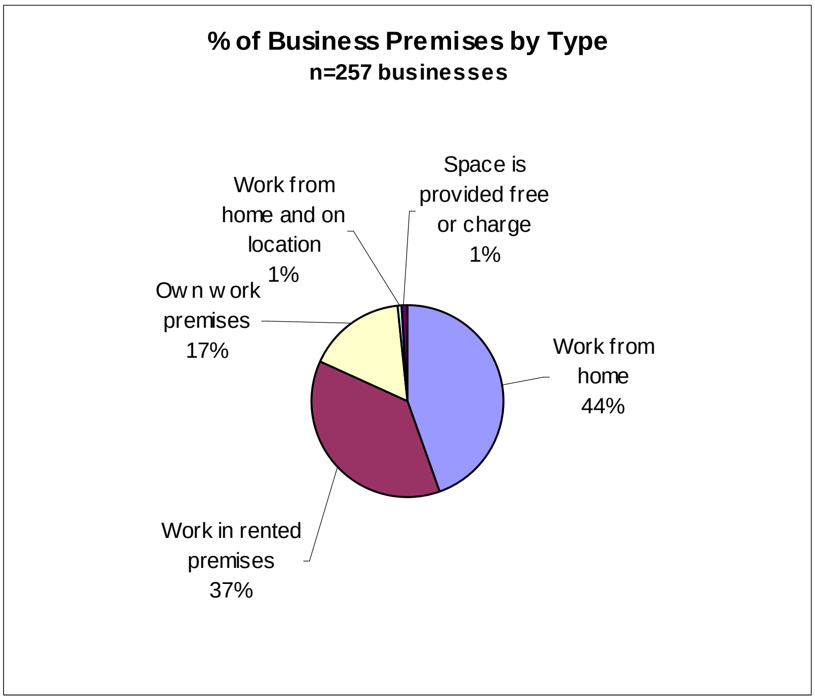
Given the large numbers of freelancers, visual artists, craftsmakers etc within the workforce it is not surprising that around 44% of all businesses surveyed were home-based. In the case of the individual traders and small partnerships this rose to 63% whilst only 17% of businesses with employees were home-based. However, nearly half of those working from home had plans to move premises within the next 5 years.

17% own their work premises whilst another 37% of all businesses rent (56% of businesses with employees and 23% of individual traders and partnerships).

The rest work on location, or on local authority or institutional premises.

The next chart shows the breakdown of the survey findings by premises type.

Figure 20 % Of Business Premises By Type



The vast majority who work from home are, unsurprisingly, the individual traders and freelancers (83%). However, 45% of those planning to move premises in the next 5 years currently work from home, which would suggest that a good proportion see their businesses and business practices growing and moving forward.

It is also clear from the survey that if a business is not home-based then most people want a short travel time. 45% travel less than 10 mins, 23% 10-20 mins, and 23% 20 to 40 mins, 8% 40-60mins, and only 1% more than an hour.

This has demand-side implications for those proposed projects such as Dartington Art Park, Princetown Duchy Square development, and business units within the larger urban areas such as Exeter, Plymouth and Torbay.

General rent levels can be difficult to determine within these types of surveys but of the 68% of businesses who rent, knew their rent levels, and were prepared to tell us: the average monthly rent (including business rates) is £537 whilst the median rent is £415. A percentile analysis reveals that 67% of the rents are below £600, 50% below £415 and 40% are below £360 per month.

34% of businesses are thinking of moving premises within the next 5 years. In Northern Devon and Exeter the rates were a little higher at 40% and 38% respectively.

The main reasons cited for wanting to move are: expanding business (18%), end of tenure (13%), better location required (10%) current premises too small (9%) or sub-standard (9%).

Issues of demand, location, space and affordability are important for Devon's Creative Industries – the Exeter focus group brought to our attention the difficulties of finding decent affordable space within the city.

5.6 Marketing And Promotion

In common with other areas of the UK, the marketing and promotion of the Creative Industries in Devon varies in the level of investment, quality, and impact and in the smaller businesses can be hampered by a lack of suitable skills. The Regional Mapping and Economic Impact Study noted a number of skills gaps in marketing, client-customer relationships, identifying sales, and selling products. Within our survey we found that:

- 74% of businesses said that they assessed customer satisfaction, but only a quarter of this was through any formal means. Mostly this was done through an informal feedback system
- Only 27% of businesses conducted some form of market research and, of those, only a third said that it involved any element of formal market research
- Interestingly 55% of businesses who did no marketing had seen their turnover increase in the past 3 years, but this figure rose to 68% with those who did conduct some form of market research
- 20% said they spent no money on marketing (the Regional Mapping Study found 25%)
- 36% said that they spent 1-4% of turnover on marketing, 14% spent 5-9%, and 20% spent more than 10% (10% were unable to answer the question) Compared to the regional findings more businesses in Devon were prepared to spend more than 5% upwards on marketing
- 52% said they would continue to spend about the same amount in the forthcoming year, 28% said more, whilst 12% said less
- Around half of those already spending between 1 to 10% were forecasting increased spend on marketing in the forthcoming year

However in terms of working with new technology and websites the picture was certainly rosier and slightly higher than the Regional Mapping Study findings that *"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".* In our survey:

- 64% of businesses had a website which compares very favourably to the 40% figure for businesses in the South West noted in the SWRDA 2003 ICT research[18]
- 20% do not have a website but plan to have one in the next year
- 16% said they had no plans to have one
- Of those with websites 34% had websites that allowed customers to make online bookings or purchases which indicates an encouraging trend towards maximising the use of ICT for sales

5.7 Role And Importance Of ICTs

According to SWRDA's *Overview of ICT in the South West* (May 2004): *"Companies that use ICT have on average, improved turnover by 6 per cent, whereas it is 3.5% for companies without. That is, a company is likely to be more profitable than 'techno-lite' competitors."*

In terms of importance of ICTs to their business: 88% of our survey respondents said they were crucial, very important or important. The main role of ICTs was for Business Admin (84% of businesses), Marketing (70%), Creation of Product/Service (60%), Distribution (48%) and Point of Sale (26%).

[18] *Research Project into Business Uptake, Understanding, and Awareness of ICT and Broadband in South West England: An Overview* May 2004: SWRDA

Broadband is also having a major impact on the Creative Industries. In our survey:

- 70% had access to Broadband and had subscribed which is understandably much higher than the 17% 2004 figures from the SWRDA research[19]
- 14% had access to Broadband and had not subscribed
- 16% said that they did not have access to Broadband

6 Turnover And Economic Impact

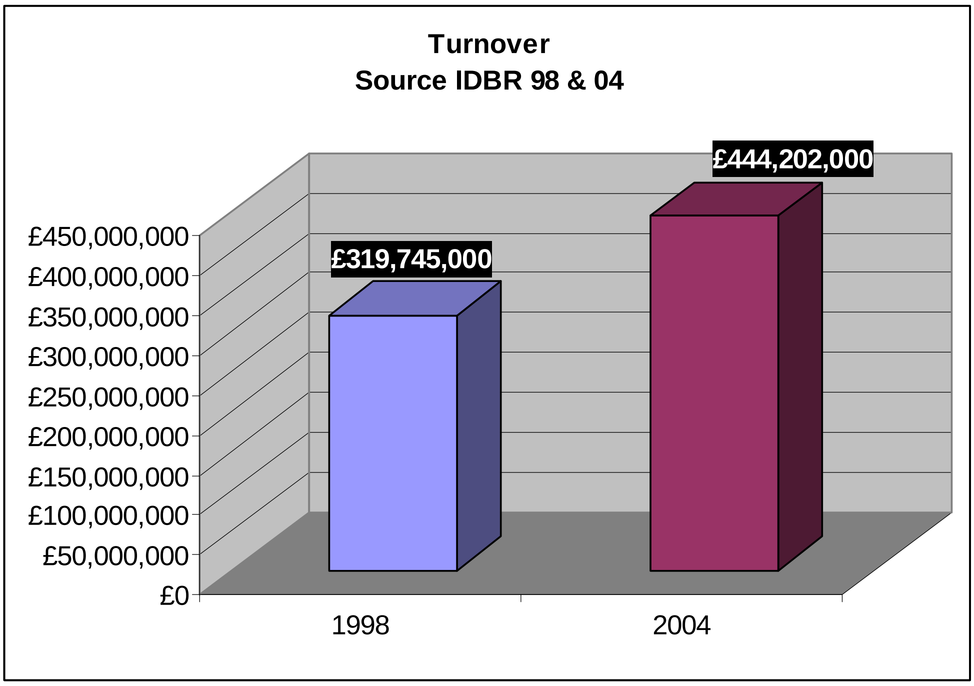
6.1 Turnover

Establishing a total turnover figure for Devon is as potentially difficult as calculating employment figures for the sector. In order to arrive at a total turnover figure we need to begin our calculations with the statistically visible turnover.

There are two possible starting points. ABI turnover figures and IDBR. Turnover in Devon from the 2004 IDBR figures which we scaled at the most conservative came out to £444,202,000 (see fig 21). This is around 8% of the regional total for the sector. Turnover growth from £319,745,000 in 1998 is 39% (17% in Somerset for the same period). With slightly less harsh scaling the IDBR turnover would be between £500 to £600 million.

However the ABI turnover figures for 2003 (which are actually a grossed up result from a survey sample of businesses within the IDBR – and therefore come with their own set of statistical problems) comes out at more than double the turnover at £1.3 billion. This wide margin is problematical but not irresolvable which we explore in more detail below. It is not impossible to arrive at a scaled-up figure of over £1 billion via various calculations but comparative work on other counties and with the regional figures would lead us to believe that under £1 billion may be more in the right area.

Figure 21 Turnover Growth 1998-2004 Based On Idbr Figures



[19] Same report as previous footnote

We will return to the ABI figure later, but if initially we work with the low end IDBR figure of £444 million we would then need to add the turnover figures for the statistically invisible sole traders and freelancers which, for Devon, we are saying is around 5,500 to 6,000 people.

We know from our research that a large number of these will be visual artists, crafts people, designer makers etc. We also know that the average turnover according to the Crafts Councils recent *Making It in the 21st Century* report is around £26,000 (allowing for 41% of crafts people reporting turnovers of less than £10,000). However, the *Real World*: *A Prospectus for the Crafts in the South West (see biblio)* research shows the average turnover for those that indicated craft to be their only source of income is £16,155.

Multiplying these figures (6,000 invisibles by £16K - £26K) would add another £100 - £156 million to our £450 million running total (or say £500 – £600 million if we were to scale IDBR less harshly). This would provide a total turnover figure for Devon of between £550 million and £750 million.

The following pie chart shows the percentage breakdown by turnover band of the IDBR dataset for Devon.

6.2 A More Detailed View Of Turnover

As we have seen with Employment, in order to arrive at a more realistic assessment of Turnover within the sector for Devon we need to perform more triangulation and calculations to arrive at a turnover figure which allows for businesses missed by ABI and IDBR and the turnover of the statistically invisible businesses (Freelancers, Self-employed etc).

Firstly let us examine the percentage of businesses in a variety of turnover bands as shown by IDBR (Fig 22) and our survey (Table 6) below.

Figure 22 Breakdown Of Turnover Bands Based On Idbr 2004

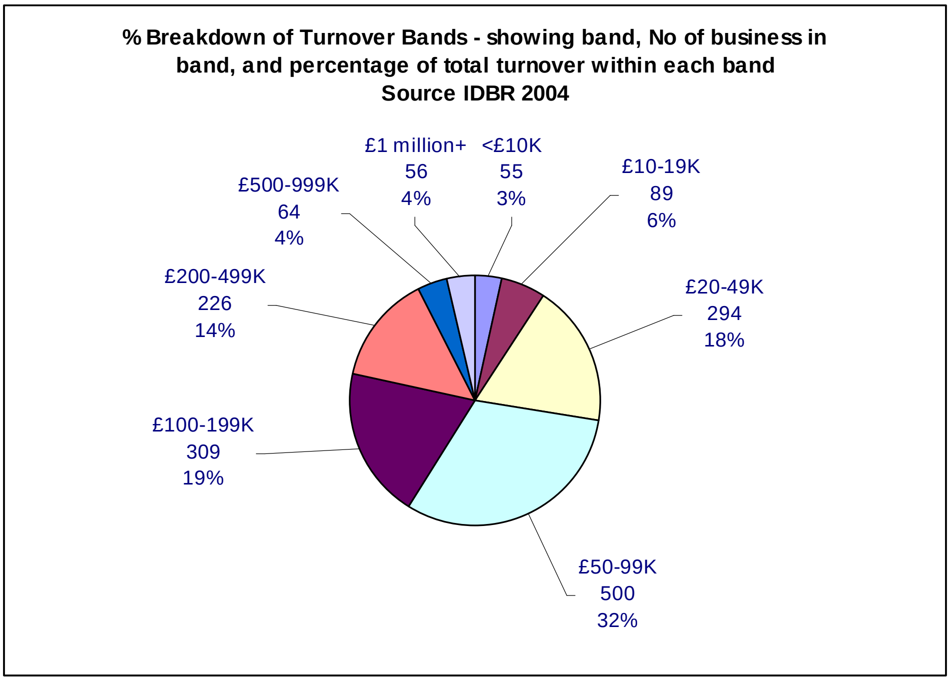


Table 6 Survey Turnover Bands By %

Percentage of businesses on each turnover band	
less than £20K per year	33%
between £20K and £50K	22%
between 50K and £100K	13%
between £100K and £200K	16%
more than £200K	16%
more than £1m	4%
Turnover bands based on the 229 survey respondents that were prepared to answer questions on turnover:	

According to the IDBR figures, 59% of businesses turnover up to £100,000 per annum. The Regional Mapping Study figure was 58%. Our survey figures show 68%. Fig 23 below also shows that most of those earning below £100K are in the rural areas. We would expect the creative sector to have a large number of small businesses earning below £100K, but as a useful comparator to all sectors, the percentage of all businesses in the Devon County Council area earning below £100K in 2005 was 49%.[20]

Now, we can apply the turnover bands from either the IDBR data or our own survey to the 5000 businesses within the project database. We have used three weightings to calculate the estimated turnover totals. For example 22% of the survey respondent businesses are in the £20 – 50K band and we used £20K as the low weighting multiplier, £35K as the Medium, and £42K as the high or three quarters point.

If we apply similar weightings across all of the turnover bands we arrive at the following total turnover figures shown in Table 7.

Table 7 Turnover Calculations Based On Survey And Idbr Bandings

	Low Weighting	**Medium Weighting**	**High Weighting (3/4 of range)**
IDBR	**£538,639,080**	**£897,798,720**	**£1,322,631,975**
Devon Survey	**£559,317,360**	**£848,010,240**	**£1,365,293,475**

The closeness of the figures indicates the close match up between IDBR and our survey 'businesses-to-turnover' bands. If we add to this the extra projected 3700 *invisibles* with turnover bandings also scaled as per the survey findings for the individuals and sole traders we get an extra £103 million.

This would bring the low weighting figures up £641-662 million which would appear to be a conservative estimate as it is based on low projections. The medium figure would be between £951 million to £1 billion. The high end predictions would come to around £1.4 billion which is much closer to the ABI figures but less likely statistically.

If we now compare the turnover figure with recent Cornwall, and Somerset reports we see how the various projections compare to per capita figures for other counties:

[20] UK Business: Activity, Size and Location – 2005: ONS

Table 8 Comparative Revenue Per Capita Table

	No in workforce including statistically invisibles	Estimated Turnover in £millions	Per Capita estimate
Devon – low estimate	22,000	650	£29.545
Devon – medium estimate	22,000	950	£43,181
Devon – high estimate	22,000	1,400	£63,636
Cornwall – Creative Value Report 2003	8600	250	£29,069
Cornwall – Redruth Creative Parc Demand Study - 2005	10400	350	£33,653
Somerset Creative Industries Research 2005	8200	314 - 345	£38,292

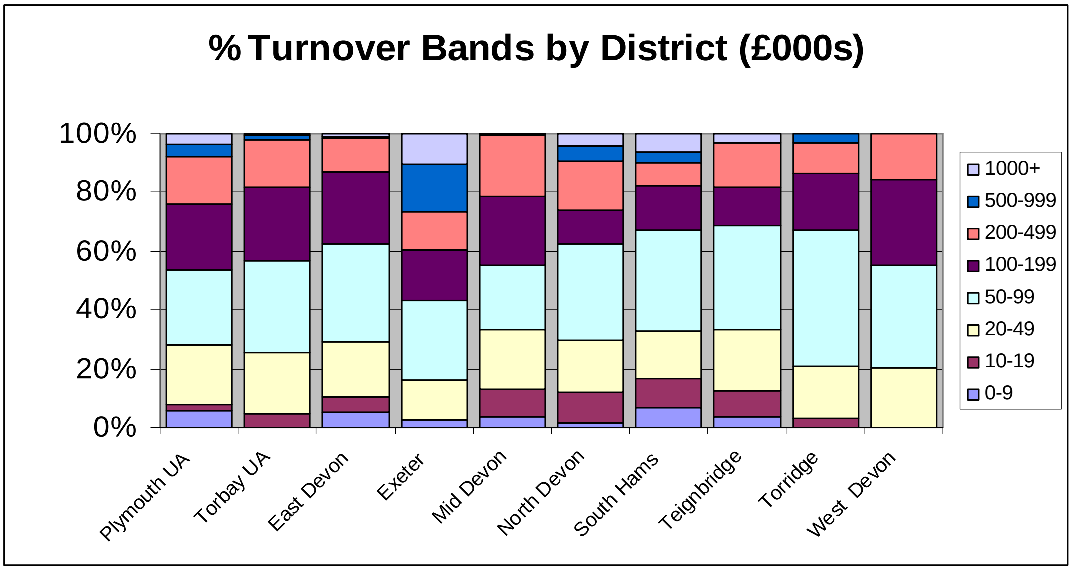
This comparative table shows us that the high estimate looks less plausible but that a figure between the low estimate and closer to the medium estimate would appear to be more consistent with other findings.

Therefore, in terms of identifying a total turnover for the sector in Devon we can say that after carrying out a wide range of calculations it is statistically a minimum of £650 million but is more likely to be in the range of £850 – 950 million (which would give a turnover per capita figure slightly higher than the Somerset figure).

6.3 Turnover By District And Domain

To gain some understanding of how turnover is performing by district and domain we have analysed the IDBR turnover figures in the following two charts.

Figure 23 Turnover Bands By District – Percentage Breakdown

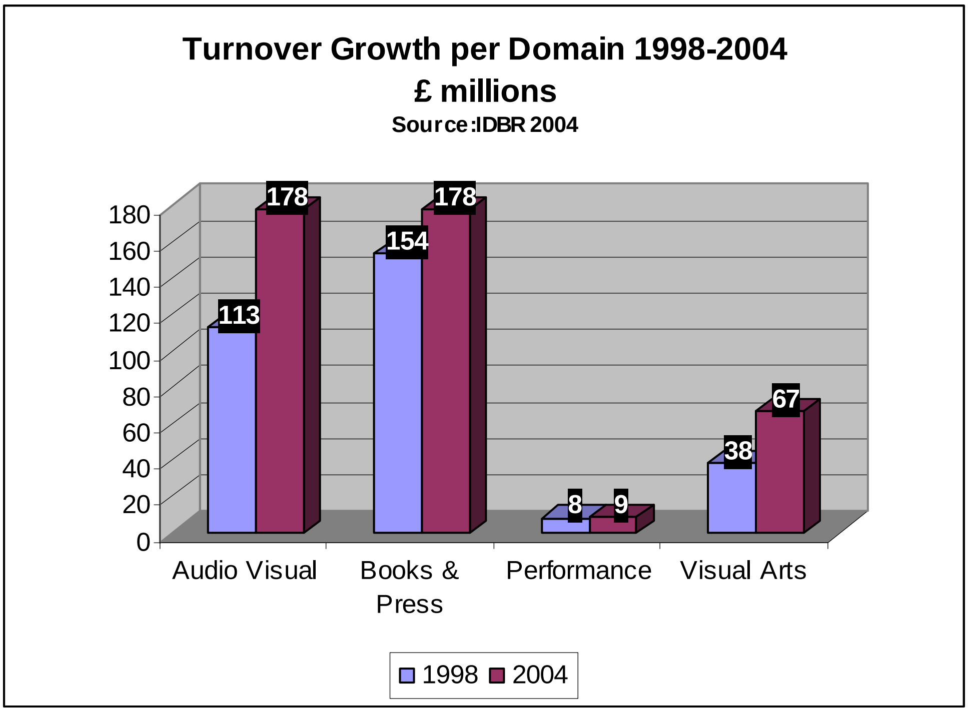


Exeter forms the central part of the Exeter and Heart of Devon sub-region (Exeter, East Devon, Mid Devon and Teignbridge) and this chart shows that Exeter has the largest percentage of higher turnover creative businesses with around 60% earning over £100,000 per year. Plymouth and Torbay also show high figures as one would expect.

The concentration of the higher turnover businesses in the more urban and denser populated areas means that economic support and intervention policies/programmes need to take account of the large and lower earning micro-business presence across the county. One current intervention example is the Objective 2 funded Devon Artsculture which specifically targets small rural creative businesses and has implemented a range of tools to work with the sector on a micro-level.

The following chart shows how the 4 DCMS domains have performed from 1998 to 2004 according to IDBR figures:

Figure 24 Turnover Growth Per Domain



The growth rates are as follows and indicate the slowdown in the Books and Press sector and the higher expansion in the Audio-Visual and Visual Art Sectors. The latter are encouraging for businesses in rural Devon as our Project Maps show that Books and Press and Performance are much more urban based:

- Visual Arts 73%
- Performance 21%
- Audio Visual 58%
- Books & Press 16%

6.4 Economic Impacts

6.4.1 Gross Value Added[21]

Gross Value Added (GVA) *per capita* (the principal economic indicator) is consistently higher in the creative industries than in other industry sectors.

[21] Gross Value Added (GVA) measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom. It is used in the estimation of Gross Domestic Product (GDP) which is a key indicator of the state of the whole economy.

At regional level annual GVA *per capita* is calculated at £25,800 compared to £14,900 as the regional average for all industries. (The draft Somerset report shows £22,000 for the creative sector).

Here are the latest GVA figures for the sector based on ABI figures. These figures are calculated on the £1.3 billion total turnover figure from their statistics and 14,219 employees (close to but slightly below our own scaling of employees in the sector of 15,739). We have explained previously that the £1.3 billion figure here is likely to be at the top end of possible turnover figures. However, despite these differences, the table below provided to us by ONS gives a good indication of GVA levels for the sector in Devon – and shows the detailed performance by domain and local authority.

Domains	Geo Description	Total number of employees Based on 5 digit SIC codes	Total Turnover (exc. VAT)	GVA at Basic Prices	GVA/Head
			£k	£k	£
Audio Visual	**Devon County Council**	4,238	£334,928	£138,419	£32,659
Books & Press	**Devon County Council**	3,712	£261,140	£102,960	£27,734
Performance	**Devon County Council**	497	£16,057	£6,476	£13,028
Visual Arts	**Devon County Council**	776	£36,951	£18,475	£23,809
	TOTAL	**9,224**	**£649,075**	**£266,330**	**£28,874**
Audio Visual	**Plymouth**	1,901	£365,084	£114,029	£59,968
Books & Press	**Plymouth**	1,235	£74,453	£34,823	£28,205
Performance	**Plymouth**	155	£4,010	£2,996	£19,306
Visual Arts	**Plymouth**	147	£6,445	£3,865	£26,339
	TOTAL	**3,438**	**£449,992**	**£155,713**	**£45,291**
Audio Visual	**Torbay**	904	£225,629	£40,023	£44,265
Books & Press	**Torbay**	417	£24,378	£9,728	£23,331
Performance	**Torbay**	164	£6,219	£3,511	£21,467
Visual Arts	**Torbay**	72	£2,944	£1,226	£16,927
	TOTAL	**1,557**	**£259,170**	**£54,488**	**£34,993**
	Grand Total	14,219	£1,358,237	£476,531	£33,514

Source: ABI 2003

These figures are likely to be at the top-end of the possible range due to the high turnover figures. They show the GVA to be higher than the regional averages from the 2002 Regional Mapping Study apart from Visual Arts which in that report was £35K per capita. A recent *Sector Profile of the Creative Industries* released by LINC (Local Intelligence Network Cornwall) gives a total GVA for Cornwall in 2002 of £341 million on employee figures of 8,530 which equals £39,976 per capita. But it should be noted that this did not cover all the Creative Industries SIC codes as contained within the DCMS Evidence Toolkit.

6.4.2 Indirect Economic Impacts

In addition to causal economic relationships such as the link between investment and outputs (new jobs created, increased revenues or profits etc) it is logical to suggest that there are also indirect impacts arising from investments.

These are the knock-on consequences of the immediate impact beyond the company or industry concerned. For example, a decision to fund or invest in a new business park for Creative Industries, beyond creating a demand for workspace, offices and leading to new jobs etc, will lead to new demand for the services of, lawyers, catering, transport, etc. Payments to these people will also flow locally to other businesses for food, clothing, etc.

There are also indirect impacts associated with the funding arts venues or events. For example audiences attending a production spend money on transport, meals, accommodation, and so on.

This 'ancillary spending' associated with arts and cultural events is well-documented and often used as a strong advocacy case for the funding, through public subsidy, of culture and the arts. This is where we get the idea of the 'multiplier effect'[22] from. It is suggested that, for example, for every £1 spent on the arts there is a multiplier effect of between 1.6 and 2.5 depending on the nature of the industry and sub-sector under consideration.

The report *The Economic Impact of the Arts and Cultural Industries in Wales* published in 1998, calculated the following multipliers for the creative sector in Wales as follows

	Output impact	Income impact	Employment impact
Cultural sector	1.83	1.71	1.62

Although the use and impact of multipliers is often debated at local and regional levels, this would appear to be a plausible range of multipliers and conforms to earlier work done in the UK on the economic significance of the arts and is more conservative than many US studies.

Applying these multipliers now to the turnover of the sector in Devon (Using the low estimate of £650 million and the upper estimate of £850-950 million) we can arrive at the following calculations for the combined direct and economic impacts of the Creative Industries as a whole

Output Impact	Income Impact	Employment Impact
£650 - £950 million x 1.83	£260 - £380 million[23] x 1.71	22,000 x 1.62
Total output impact	Total income impact	Total employment Impact
£1.18 to 1.73 billion	**£444 to 650 million**	**35,640 jobs**

However, the calculation of these multipliers cannot be done by simply importing them from elsewhere, especially given the distinctive demographic and industrial features of Devon. They should be produced by a thorough understanding of the dynamics and flows of the local economy.

We would stress that further long term work is required to estimate with a degree of accuracy the indirect or multiplier consequences. Further research can help draw together a picture of the Devon creative economy that specifies how the various sub-sectors fit together in terms of their trading relationships.

[22] The local multiplier effect specifically refers to the effect that spending has when it is circulated through a local economy.

[23] Assumes wage costs overall at 40% of £650 – 950 million turnover – based on detailed analysis of creative sector business wages costs in our Cornwall study *Creative Value*

6.5 Turnover Performance In Devon From Our Survey

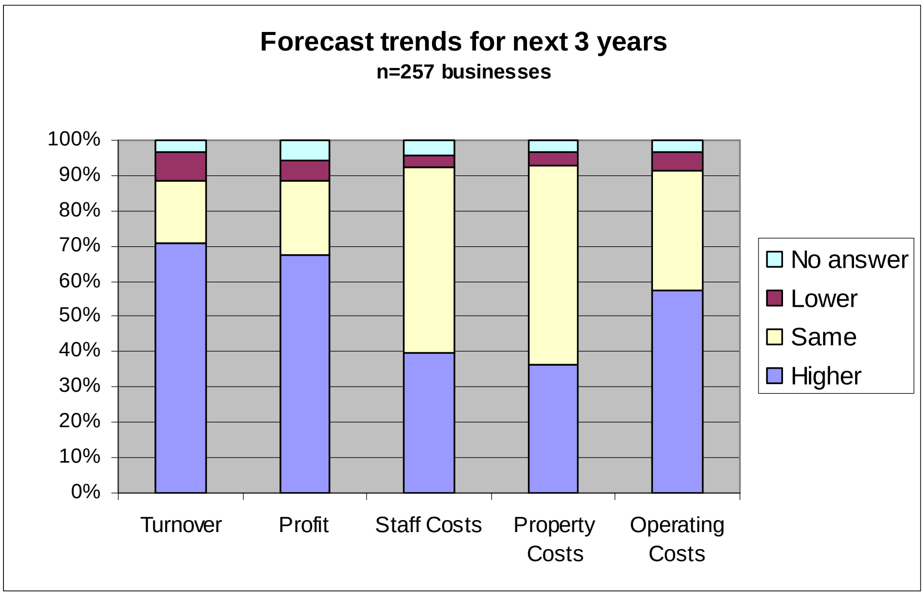
From our survey we have been able to glean further detailed information on turnover: In the last 3 years:

- 59% of businesses' turnover has increased, 26% stayed the same and 15% have decreased
- Of the businesses whose turnover had increased: 36% had increased by under 20%, 33% had increased by 20-49%, 30% by over 50%
- The range of reasons provided covered: better marketing, better reputation, better pricing, higher quality, more competitive, and diversification
- Of the 36 businesses whose turnover had decreased, the majority had decreased by between 20 and 50%
- Reasons for the decrease were: increased competition, digitisation, health and family issues, reduced grants, loss of important clients
- The rural areas (as expected in terms of a higher visual arts spread have a slightly higher percentage of businesses with a turnover below £20K (35% of rural businesses)
- 74% of Visual Arts businesses have a turnover below £50K (Books & Press 33%, Performance 58%, Audio-Visual 43%)
- 87% of new businesses (1 to 2 years old) are turning over less than £50K. But by years 4 and 5 this drops to around 68% as more businesses begin to turnover £50K to £200K. 5 to 10 years in existence brings the higher turnovers over £200K
- The under £50K turnover band is mainly populated by those working from home
- The vast majority of businesses earning above £50K rent or own their own premises
- 82% of the businesses that have moved into Devon are earning below £100K
- 72% of those who earn all of their money within Devon are earning below £100K

6.5.1 Business Optimism

The Regional Mapping Study 2004 found that 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 (our survey showed 27%). Our survey asked about future trends over next 3 years – see next chart:

Figure 25 Forecast Trends

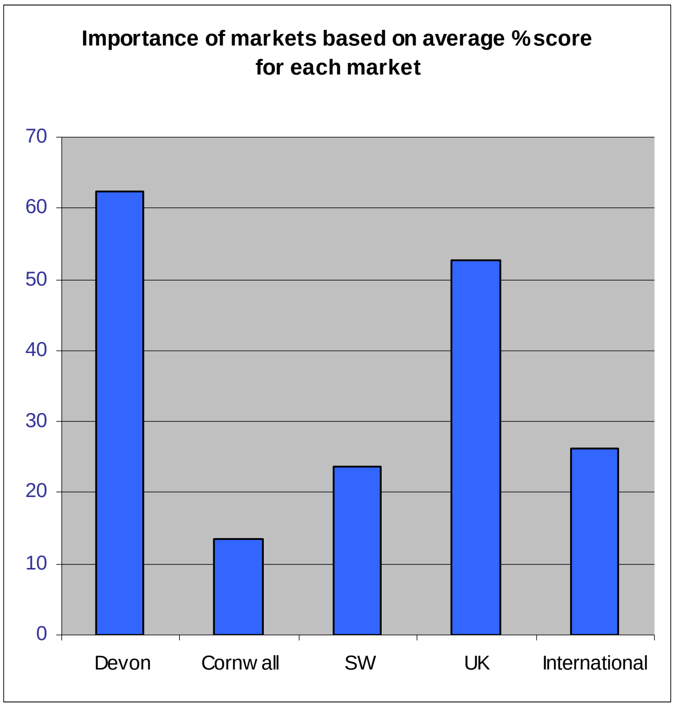


- 71% thought that turnover would increase
- 67% thought profits would increase
- 40% thought staff costs would increase
- 37% thought property costs would increase
- 58% thought operating costs would increase
- Of those who thought their turnover would increase, 63% thought it would increase by more than 20%
- 6% thought their turnover would decrease
- The northern part of Devon showed a slightly lower percentage of businesses who think that their turnover would increase in the next 3 years.
- 38.5% of businesses thought that they would be likely to take on more staff (a total of 120.5 new employees) in the next three years - an average of 1.2 FTE per business. (This compares with a figure of 1.6 FTE elicited in a recent Cornwall survey)

6.6 Sources Of Income

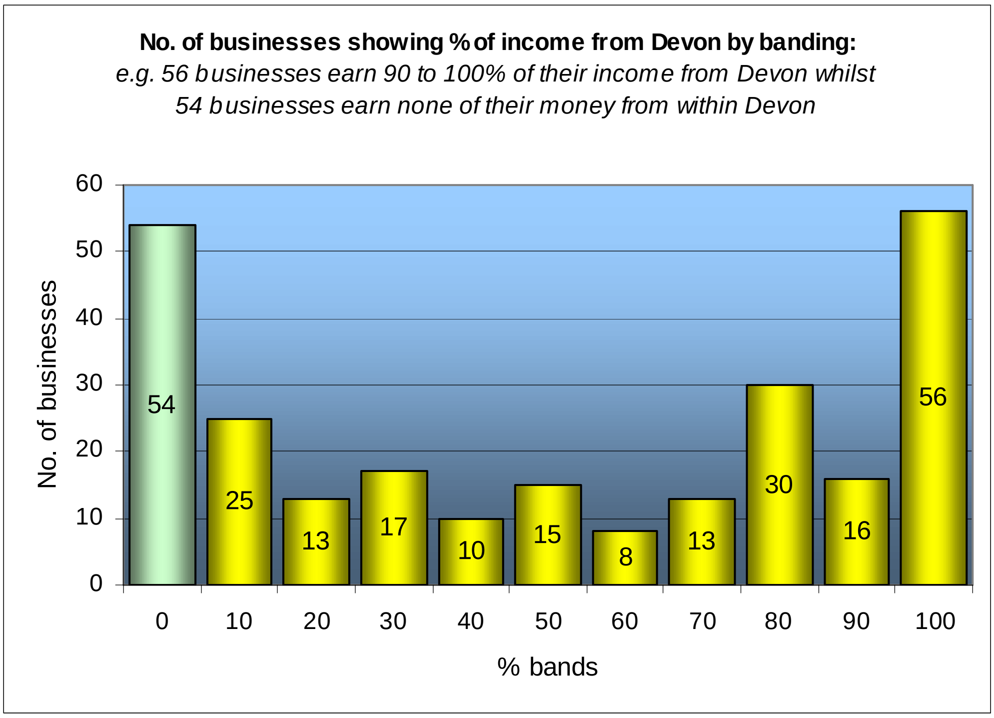
Our survey showed that Devon was clearly the most important market for Devon businesses:

Figure 26 Importance Rating Of Markets



The following chart shows the number of businesses from our survey earning varying percentages of their income from the Devon market.

Figure 27 Analysis Of Devon Market's Importance From Survey



- 82% of businesses earn at least some of their income from within Devon
- 21% earn *all* of their income from Devon
- 41% earn at least 75 % of their income from Devon
- 54 % earn at least half of their income from Devon
- 21 % earn no money from within Devon

Other interesting figures are:

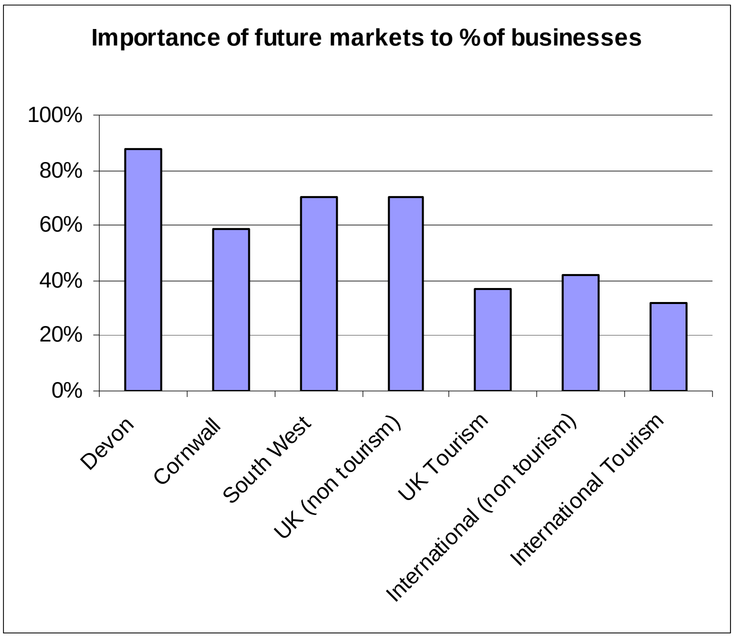
- 12% earn from Cornwall – generally in the10-25% range of their income with the rest being made up of Devon and South West income
- 19% earn from the South West – generally in the 10-50% range of their income with the rest being made up of Devon, Cornwall and UK income
- The UK market is important to Devon businesses with at least 70% earning some of their income from this market
- 39% of businesses earn at least 50% of their income from UK markets outside of the South West – 6% earning exclusively in this field
- 20% earn from international markets – generally in the 10-50% range of their income

These findings are in line with regional and other county findings which show that Creative Industries in the South West tend to be very locally focused in their markets. Although the UK market appears to be strong for Devon compared to the regional mapping study findings (39% versus 25%). This may suggest that some of Devon's Creative Industries have started to grapple with the concept of selling outside of the region.

6.6.1 Future Markets

In the next 5 years the following markets were rated as very important or important by the stated percentage of respondents:

Figure 28 Survey - Importance Of Future Markets



It is encouraging to see the importance placed on out-of-county markets and the realisation of the link between the Creative Industries, their products and services, and the growing cultural tourism market.

6.6.2 Customers/Clients

For businesses within our survey the most important customer type was "individuals" (identified by over 50%), followed by small companies, the public sector, large companies, and the education sector respectively (46% of businesses sell to one client type only, 54% sell to at least two, 25% to at least three). The large percentage of individuals highlights the potential B2C (Business to Consumer) applications of new technology – online selling and bookings etc).

6.7 Purchasing

In terms of supplies, 67% of businesses make their purchases within Devon. Of those who purchase outside of Devon, the majority (74%) purchase outside of the region in the UK – many state that they now use online purchasing to purchase from the cheapest supplier where location and delivery is not a purchasing factor. The increasing influence of online purchasing has implications for supply chains and local circulation of money within Devon.

7 Access To Finance

From other reports around the UK the problems of accessing finance for creative businesses are well documented, The Arts Council's *Banking on Culture* report (2000) stated that:

- New approaches are needed to finance the cultural sector and to stimulate economic and employment growth
- Credit, equity and new money instruments all have potential to develop the cultural sector
- Self-employed and micro-businesses could usefully access forms of micro-credit

- Globalisation and new technologies are changing the nature of cultural enterprises and employment, and venture capital often accelerates this change
- The 'social economy' is one way of growing employment in the cultural sector
- Young and excluded people can be integrated through cultural employment, and finance through forms of 'social credit' is a way to achieve this

Within the music industry, for example, reports such as the DCMS's *Banking on a Hit* highlighted the suspicion and ignorance that musicians and financing organisations had of each other. Also creative sector start-ups need support to combine creative and commercial motives which do not always present a clear business path to an investor.[24]

Our survey confirmed that in terms of accessing finance at start up or since :

- 48% of Devon businesses had used personal or family funds
- 31% of respondents had had a bank loan or an overdraft facility
- 14% said that they had not needed finance
- 17.5% had accessed a grant (ACE, Lottery, Princes Trust, Business Link, New Deal, Leader, South West Screen, Local Authority etc)

In terms of new financial instruments Wessex Reinvestment Trust has recently launched "Creative Credit", a loan programme designed for the creative sector, jointly badged with Arts Council England South West, and with input from Culture South West. Examples such as this, and other community investment funds, will constitute the way forward in terms of financial opportunities for the smaller businesses.

8 Barriers To Growth

In terms of perceived barriers to growth, recent Cornwall and Somerset studies have confirmed a number of common themes such as appropriate, affordable training, access to finance, premises issues, sector-specific business support, improvement of marketing and sales skills etc. The findings from our survey are in the table below ranked by the percentage of businesses who cited them as barriers:

Table 9 Barriers To Growth From Survey

General economic situation	23%
Marketing Problems	19%
Finance – access to finance	17%
No Barriers	14%
Perception of region among potential customers	12%
Premises - lack of appropriate workspace or inadequate premises	11%
Competition - Local	10%
Skills Issues	9%
Inward investment – the lack of	9%
ICT or Technology Issues	8%
Business support issues - lack of or inadequate	7%
Transport issues	7%
Competition - from other parts of the UK	5%

[24] Fleming, T. 2003. *Forward Thinking – New Solutions to Old Problems: Investing in the Creative Industries*, NESTA.

Apart from the 'general economic situation', all of the barriers are responsive to intervention. Marketing is a familiar issue which can be addressed by a range of interventions from training through to the setting up of a county wide body or arts marketing programme which could operate along the lines of other successful UK examples of arts marketing initiatives.

9 Business Support, Advice, & Networking

9.1 Business Support And Advice

Other studies around the UK have shown that business support for Creative Industries has a number of characteristics that are perceived by the sector as being important. Namely the fact that most creative businesses prefer their business support to be delivered by sector specific agencies who speak the same language and are often staffed by people with creative sector backgrounds. This perceived level of trust is attributable to the network based nature of the sector and its view of itself as being 'different' as a sector.

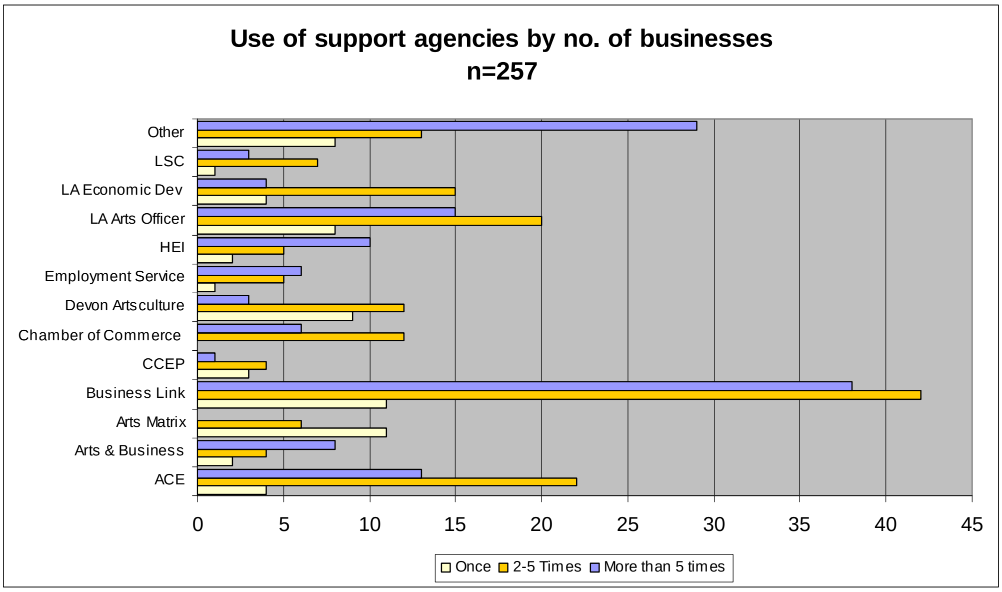
Currently, the Creative Industries in Devon are often the subject of time-limited business support and skills programmes, sometimes only within tightly defined regeneration areas that exclude businesses elsewhere in Devon (e.g. Devon Artsculture – Obj 2 funded, so only working within the Obj 2 area). Even when businesses have met the geographical criteria for support, there is always a danger that support will cease when funding for a particular programme stops.

Sectoral supply of business support/skills advice and training is provided by organisations such as Devon Artsculture, CCEP, and ArtsMatrix. A number of agencies consulted during the study were concerned that Devon's business support offer to the sector was in danger of becoming confusing and incoherent with some businesses not knowing whether to go to Business Link, Devon Artsculture, CCEP at Dartington, ArtsMatrix etc. Whilst one has to work within the funding limitations, a vital step will be to bring business support, workforce development and skills training closer together. For the majority of creative businesses, these are one and the same, but they are each delivered by a complex range of private, public and voluntary sector organisations through separate programmes funded by different agencies.

This situation should hopefully be addressed by an upcoming initiative supported by Culture South West, Business West, SWRDA, ACE and other major agencies in the region: the Creative Enterprise Gateway. This scheme is due to go live as a telephone support service in 2006. It is designed to refer sector callers on to the most appropriate source of advice/support etc whether that is a Business Link adviser, ArtsMatrix, CCEP, Devon Artsculture etc. Simplifying and extending access to provision will more effectively meet the needs of the sector and provide more relevant sub-sector support to businesses and employees over periods closely linked to their commercial and individual development needs.

In our survey 38% of businesses had had no contact with any business support agency or officer. Of the remaining 62% who had contacted a business support agency or had sought advice from various agencies or local authority officers, the following agencies had been contacted by the pecentage of businesses shown in brackets: Business Link (57%) Local Authority Arts Officers (27%), Arts Council England (24%), Devon Artsculture (15%) and ArtsMatrix, Arts & Business, and local HEIs (9% each).

Figure 29 Use Of Support Agencies By Business



Once businesses had made contact with an agency they were generally very satisfied. At least 60% of the businesses who contacted them at least once, rated them "Excellent" or "Good" However, it was noticeable that sector specific agencies such as ACE, Arts & Business, ArtsMatrix, CCEP, Devon Artsculture, and local authority arts officers gained a much higher satisfaction rating than the more generic agencies such as Business Link.

In terms of accessing business support: 39% had travelled up to 20 mins, 33% up to 40 minutes, 14% up to 1 hour and 14 % more than an hour. This shows that nearly 60% of businesses are prepared to travel a considerable distance (i.e. more than 40 minutes) in order to access good quality support and advice.

9.2 Networks And Professional Organisations

The sector is strengthened by networks and the quality of relationships and transactions within those networks to create strong supportive communities and trading opportunities. Networking and networks, both formal and informal, are an important part of the creative sector's ecology. In our survey:

- 62% of businesses were not members of any business bodies or support network (this compares to 54% of a recent small survey of Devon's arts organisations in 2004)[25]
- 38% of businesses stated that they were members of around 40 business networks: highest membership occurrence was for Federation of Small Businesses (41%), Local Chambers of Commerce (31%), and Professional Trade Bodies and Associations (13%)
- 20.6% stated that they were members of 22 Devon specific networks with Devon Guild of Craftsmen, Plymouth Media Partnership, and Devon Artsculture featuring prominently

The Devon Arts Networking study separately found that:

- The building based theatres network with each other

[25] *A Review Of Arts Networks In Devon* by Peter Mason for Devon County Council in 2004

- Dartington, in its various manifestations (the College, Dartington Plus and the Centre for Creative Enterprise) networks extensively in the county (and further afield) and is playing a vital role in supporting artists and arts organisations
- Beaford Arts Centre and North Devon Theatres (including North Devon Festival) both provide foci for networking both within north Devon and with similar organisations elsewhere
- The Devon Arts Officers Group, Devon Theatre Locality Plan working group, Devon Choreographers Forum, DAISI and Dance in Devon were seen overall as ‘essential’ or ‘important’
- Organisations regularly funded by the Arts Council are the most likely to participate in regional and county networks
- Individuals and small arts organisations are least likely to participate either because of lack of knowledge about networks or being unwilling to sacrifice ‘earning’ time
- The opportunities to network are most developed in the fields of dance and the visual arts

10 Appendices

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10.2 DCMS SIC Codes And Scaling Co-Efficients

The right hand columns in the following table contain the scaling co-efficients used in the analysis of the SIC code data. The rationale for the Devon scaling is explained earlier in the report. Where a cell is blank it means that 100% of that code was used in the analysis.

DCMS DOMAIN	4 DIGIT SIC CODE	5 DIGIT SIC CODE	DESCRIPTION	DCMS DET	Regional Study 04	Devon	Somerset	Gloucester
			NEC = not elsewhere classified			* Scaling applied at 4 digit level		** Scaling assumed to be at 4 digit level
VISUAL ART								
	5248 : Other retail sale in specialised stores	52.48/6	Retail sale in commercial galleries - new code in SIC 03			5*		
	5250 : Retail sale of second-hand goods in stores	52.50/1	Retail sale of antiques, including antique books - previously retail of second hand goods in stores			5*		5**
	7420 : Architectural and engineering activities and related technical consultancy	74.20/1	Architectural activities	25	25	25*	25	25**
	7487 : Other business activities not elsewhere classified	74.87/2	Specialty design activities including fashion, interior, graphics - previously included in 74.84/2 SIC 92			5*		
	7487 : Other business activities not elsewhere classified	74.87/3	Activities of exhibitions and fair organizers			5*		
	9231 : Artistic and literary creation and interpretation	92.31/9	Other artistic & literary creation and interpretation		25	25*	25	
PERFORMANCE								
	9231 : Artistic and literary creation and interpretation	92.31/1	Live theatrical presentation		50	25*	50	
	9232 : Operation of arts facilities	92.32	Operation of arts facilities					
	9234 : Other entertainment activities NEC	92.34/1	Dance halls and dance instructor activities					

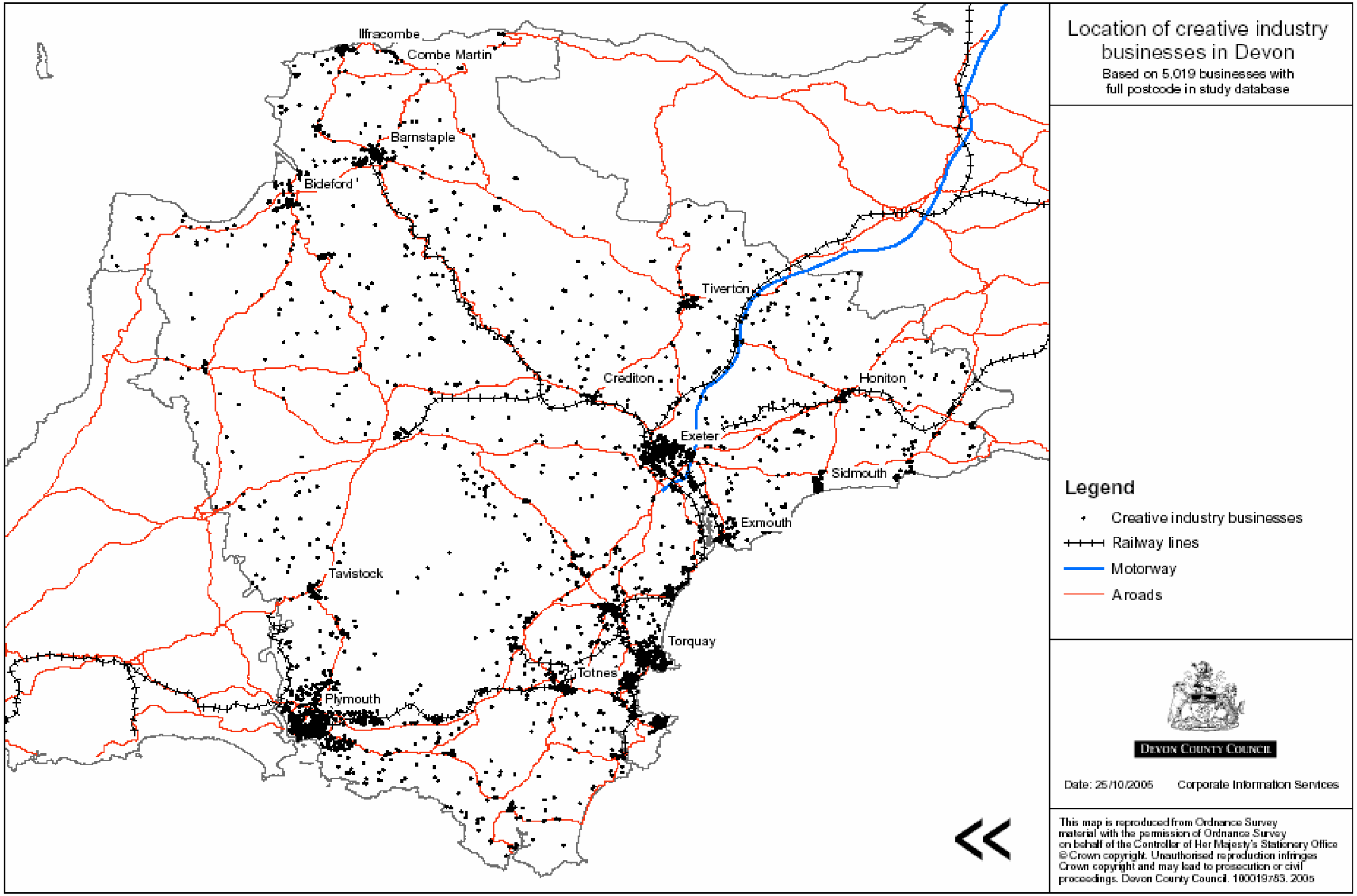
DCMS DOMAIN	4 DIGIT SIC CODE	5 DIGIT SIC CODE	DESCRIPTION	DCMS DET	Regional Study 04	Devon	Somerset	Gloucester
	9234 : Other entertainment activities not elsewhere classified	92.34/9	Other entertainment activities nec including circus production, puppet shows, rodeos, activities of shooting galleries firework displays etc (also includes training of circus animals)	50		50*		50**
AUDIO-VISUAL								
	2214 : Publishing of sound recordings	22.14	Publishing of sound recordings					
	2231 : Reproduction of sound recording	22.31	Reproduction of sound recordings	25	33	33	33	25
	2232 : Reproduction of video recording	22.32	Reproduction of video recordings	25	33	33	33	25
	2233 : Reproduction of computer media	22.33	Reproduction of computer media	25		25		25
	2464 : Manufacture photographic chemical material	24.64	Manufacture of photographic chemical material					
	2465 : Manufacture of prepared unrecorded media	24.65	Manufacture of prepared unrecorded media					
	3210 : Manufacture of electronic valves and tubes and other electronic components	32.10	Manufacture of electronic valves and tubes and other electronic components					
	3220 : Manufacture of television and radio transmitters and apparatus for line telephony and line telegraphy	32.20/2	Manufacture of TV and radio transmitters		50	50*	50	
	3230 : Manufacture of television and radio receivers, sound or video recording or reproducing apparatus and associated goods	32.3	Manufacture of TV and radio receivers, sound or video recording or reproducing apparatus etc					

DCMS DOMAIN	4 DIGIT SIC CODE	5 DIGIT SIC CODE	DESCRIPTION	DCMS DET	Regional Study 04	Devon	Somerset	Gloucester
	3340 : Manufacture of optical instruments and photographic equipment	33.40/3	Manufacture of cinematographic equip					
	3630 : Manufacture of musical instruments	36.3	Manufacture of musical instruments					
	5143 : Wholesale of electrical household appliances and radio and television goods	51.43/1	Wholesale of records tapes CDs videos and playback equipment					
	5143 : Wholesale of electrical household appliances and radio and television goods	51.43/9	Wholesale or radios and TVs and other electrical appliances nec					
	5147 : Wholesale of other household goods	51.47/5	Wholesale of musical instruments			12.5*		
	5147 : Wholesale of other household goods	51.47/6	Wholesale of photographic goods		12.5	12.5*	12.5	
	5245 : Retail sale of electrical household appliances and radio and television goods	52.45	Includes retail sale of TV goods and radios					
	5248 : Other retail sale in specialised stores	52.48/2	Retail sales of photographic, optical and precision equipment and office supplies					
	7221 : Publishing of software	72.21	Software publishing					
	7222 : Other software consultancy and supply	72.22	Other software consultancy and supply					
	7440 : Advertising	74.40	Advertising					
	7140 : Renting of personal and household goods not elsewhere classified	71.40/3	Renting of radios, TVs, video recorders and DVD players			5*		
	7140 : Renting of personal and household goods not elsewhere classified	71.40/4	Renting of records and other pre-recorded media			5*		

DCMS DOMAIN	4 DIGIT SIC CODE	5 DIGIT SIC CODE	DESCRIPTION	DCMS DET	Regional Study 04	Devon	Somerset	Gloucester
	7140 : Renting of personal and household goods not elsewhere classified	71.40/5	Renting of video tapes and DVDs			5*		
	7481 : Photographic activities	74.81/2	Portrait photographic activities - previously other portrait photographic activities					25**
	7481 : Photographic activities	74.81/3	Other specialist photography					25**
	7481 : Photographic activities	74.81/4	Film processing - previously coded in 74.81/9 SIC 92					25**
	7481 : Photographic activities	74.81/9	Photographic activities NEC					25**
	9211 : Motion picture and video production	92.11/1	Motion picture production on film or video tape					
	9211 : Motion picture and video production	92.11/9	Other motion picture and video production activities					
	9212 : Motion picture and video distribution	92.12	Motion picture and video distribution					
	9213 : Motion picture projection	92.13	Motion picture projection					
	9220 : Radio and television activities	92.20/1	Radio activities					
	9220 : Radio and television activities	92.20/2	Television activities					
	9272 : Other recreational activities not elsewhere classified	92.72/1	Casting activities included previously 92.72 other recreational activities NEC SIC 92	25		25*		25
BOOKS AND PRESS								
	2211 : Publishing of books	22.11	Publishing of books					
	2212 : Publishing of newspapers	22.12	Publishing of newspapers					
	2213 : Publishing of journals and periodicals	22.13	Publishing of journals and periodicals					
	2215 : Other publishing	22.15	Other publishing	50				50
	2221 : Printing of newspapers	22.21	Printing of newspapers					

DCMS DOMAIN	4 DIGIT SIC CODE	5 DIGIT SIC CODE	DESCRIPTION	DCMS DET	Regional Study 04	Devon	Somerset	Gloucester
	2222 : Printing not elsewhere classified	22.22	Printing nec					
	2223 : Bookbinding	22.23	Bookbinding- previously bookbinding and finishing SIC 92					
	2224 : Pre-press activities	22.24	Pre-press activities - previously plate making and composition SIC 92					
	2225 : Ancillary operations related to printing	22.25	Ancillary activities related to printing - previously other activities relating to printing SIC 92					
	2430 : Manufacture of paints, varnishes and similar coatings, printing ink and mastics	24.30/2	Manufacture of printing ink					
	5247 : Retail sale of books, newspapers and stationery	52.47	Retail sale of books, newspapers					
	5250 : Retail sale of second-hand goods in stores	52.50/9	Retail sale of other second hand goods.			5*		5**
	9240 : News agency activities	92.40	New agencies activities					

10.3 GIS Map: Dispersal Pattern Of Creative Industries In Devon



10.4 GIS Map: Density Of Creative Industries In Devon By Ward