

# Creative Growth Regional Mapping

For the Institute of Creative Industries, Edinburgh Napier University





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Prepared by TBR's Creative & Cultural Team

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## Foreword

On behalf of The Institute for Creative Industries at Edinburgh Napier University, I would like to welcome you to this mapping report on the cultural and creative industries (CCI) in Edinburgh and the Lothians. Devised with input from The City of Edinburgh Council and Creative Edinburgh, the study was undertaken, and the report written, by the independent research firm TBR.

The report was commissioned as part of the EU INTERREG IVc project Creative Growth, launched in September 2008 ([www.creative-growth.eu](http://www.creative-growth.eu)). Throughout the three years of Creative Growth the eleven partner regions have investigated and exchanged innovative ideas and practices in the fields of business advice, networking, training, research and financial support, compiling evidence and information for policy makers who seek to promote a flourishing CCI business environment in their region.

Edinburgh, of course, has a worldwide reputation, richly-deserved, for its support for cultural and creative industries, with a recent study showing the major economic impact of the various festivals on the city and region. In commissioning this study, the Creative Growth project has heard the voices of many CCI professionals whose work is not wholly aligned to the Festivals; while approval of the Edinburgh and Lothians region as a place to live and work is widespread, there is a hope that some of the innovative support schemes and policies already introduced by local and national government can be enhanced or extended, along with new strategies and initiatives.

Good policy and investment stem from access to reliable, detailed information; our engagement with the City of Edinburgh Council and representatives of Creative Edinburgh throughout the Creative Growth project has helped us ensure that this report is pertinent and well-focused, valid and comprehensive. Distributed to professionals, trainers, researchers, politicians and policymakers, it is hoped that it will serve as a basis for decisions that will make the Edinburgh and Lothians region an even better place to do creative business.



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## 1. Introduction

TBR was commissioned to conduct this research in May 2011. The study covered a period of three months, reporting in August 2011. The research is part of a broader project being undertaken by the Institute for Creative Industries at Edinburgh Napier University entitled Creative Growth.

The Creative Growth project is an EU-funded Interreg IVC project between eleven partner organisations in Europe which aims to increase European competitiveness and accelerate regional economic growth, through contributing to the development of the creative sector as a new business sector and as a key driver of the emerging knowledge economy<sup>1</sup>. The objectives are:

- Improved and more effective policies on a regional and local level through evidence-based policy-making.
- Enhanced business support services and solutions for the creative industries.
- Increased knowledge on how creativity can be a catalyst for regional competitiveness.

The activities of the project so far include:

- A transnational mapping exercise to determine the size and shape of the creative industries in the partner regions/nations.
- The identification of good practice in the area of access to finance, of incubator solutions, of collaboration with science/education institutions and of business networks for creative companies across Europe.
- A number of expert conferences on specific themes within the cultural and creative industries.

This report focuses on the provision of detailed statistics that will be used to help inform policy decisions and ultimately boost the local and regional creative economy in Edinburgh and the Lothians. As such, the outputs of this study will be highly useful to Edinburgh Napier University as well as a wider audience of stakeholders and partners such as Creative Edinburgh and Edinburgh City Council.

### 1.1 Aims and Objectives

The primary aim of this research is:

*To address the critical need for precise information on the cultural and creative sector in Edinburgh and the Lothians as a basis for sound political and institutional decision-making on future support schemes.*

In order to achieve this aim the project had the following objectives:

- 1) Determine the actual size and shape of the sector based on key economic data (e.g. in terms of number of companies; number of employed; distribution of companies/employed people by sector; annual turnover; growth perspectives; etc).
- 2) Identify key modes of business operations (e.g. cross-sectoral activities, share of collaborative project-based work, etc).
- 3) Obtain information on the client base (geographical spread, nature of client base).
- 4) Detect skills needs and barriers for business development and business growth.
- 5) Determine demand-led support schemes, tailored to the specific framework conditions in the City of Edinburgh and the Lothians.

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<sup>1</sup> Edinburgh Napier University 2011: Creative Growth Regional Mapping – Call for Tenders



## 1.2 Methodology

The project included a combination of desk research, data analysis and consultation with industry. The key methodological steps for the project were as follows:

- 1) Undertake a desk-based review of existing data and literature to fully understand the creative and cultural sector within Edinburgh and the Lothians:
- 2) Create a definition of activity which accurately captures and reflects the sector. Using this definition, produce a set of detailed statistics, which show the scope of the creative and cultural industries in Edinburgh, the Lothians and Scotland.
- 3) Conduct an online survey of creative and cultural firms/organisations to understand research areas such as freelancing, collaborative working, client bases, etc.
- 4) Conduct two research focus groups to explore in depth a small number of key issues for the creative and cultural sector in Edinburgh.
  - a. A research session with members of the creative and cultural business base identified through Edinburgh Napier's associate networks and other 'cold' contacts (i.e. those who have not previously engaged in research).
  - b. A workshop with key strategic stakeholders to review evidence created through the short survey as well as the statistics on the sector, in order to generate and prioritise recommendations and identify demand-led support options.
- 5) Creation of a concise report that pulls together all the evidence created during the course of the research.

TBR would like to thank all those individuals who gave their time and effort to contribute to this research. A summary of the profile of the 129 respondents who took part in the online survey can be found in the appendix at the end of this report as well as the names of those who participated in the focus group sessions. Thirteen people attended each of the two focus group sessions; nine businesses were present at the first focus group, whilst the second session was attended by eight key sector stakeholders.

## 1.3 Challenges and solutions

There are many traits of publicly available data that make mapping intricately defined sectors such as the creative industries a challenge. These include:

- Defining and analysing sectors utilising data that is restrained by 4 digit SIC codes.
- Generating and analysing consistent trend data at a local level.
- Negotiating high levels of suppression in public data sources.
- Capturing data on 'non-employing' entities.

Data analysis for this project was made possible through the use of TBR's own longitudinal dataset Trends Central Resource (TCR), part of the TBR Observatory<sup>2</sup>. TCR contains records on nearly 3.5 million live firms in the UK and therefore enables the identification of businesses at the firm level. In addition, for the purposes of this project, TCR has been weighted to the BIS SME Statistics<sup>3</sup> in order to provide an estimate of the 'non-employing' element (businesses that consist only of the owner(s) and do not employ staff), which make up an important part of the creative industries. This approach has never been

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<sup>2</sup> <http://www.tbr.co.uk/pages/tbr-observatory.php>

<sup>3</sup> SME Statistics are published annually by BIS and produce estimates on the total size of non-VAT registered enterprises in the UK and therefore the total size of the UK business base. They can be found at <http://stats.berr.gov.uk/ed/sme/>

conducted in Edinburgh and the Lothians before. As such, to enable an examination of how the sector has changed in the past five years, data were analysed over two time periods, 2005 and 2010.

Given this approach, figures presented in this report regarding the size of the creative sector are likely to be greater than estimates of the size of the sector that could be derived from official statistics. This is because official statistics and other attempts to measure the size of the creative sector are not able to capture size or value of the 'missing tier' of non-employing entities. It also important to note that this report focuses on firms operating in the creative sector and people employed within them. As such, the figures will differ from other statistics which focus on the creative workforce (for example those produced by Creative & Cultural Skills<sup>4</sup>) as these tend to include individuals working in creative occupations in non-creative businesses.

Table 1 below presents a summary of the sector definition that was used for the purposes of this project. All economic analysis in this report is presented at the sector level described below. A more detailed description of the activities that fall within these sectors can be found in the Appendix (page 31), along with further detail on the approach taken to defining sectors.

**Table 1: Creative Industries definition**

Creative Industries subsector
Art and Antiques Market
Advertising and PR
Architecture (excluding Civil Engineering)
Crafts
Cultural Heritage
Design
Film, Video, TV and Radio
Music
Performing Arts
Publishing
Visual Arts
Software

Cultural Heritage was included in the definition of the creative industries for the purposes of this project, even though many organisations in the sector are public institutions with different organisational objectives to the rest of the creative industries. However, Cultural Heritage organisations make a valuable contribution to the creative industries in Edinburgh and the Lothians, some of which is tangible (e.g. jobs) and some of which is intangible (e.g. place-making). Software is another subsector which is sometimes excluded from the definition of the creative industries but it has been included here due to its strong links to other aspects of the creative industries. Retailers of software are not included in this definition.

In order to understand the issues affecting creative businesses in Edinburgh and the Lothians an online survey was conducted which received responses from 129 creative firms. Firms from all sectors completed the survey to provide insights into modes of operation in the sector as well as barriers to growth.

A research workshop with a small number of key businesses was held to discuss the emerging findings of the online survey and also to discuss modes of working in the sector, barriers to growth and actions that can support the creative industries in the region.

<sup>4</sup> <http://www.ccskills.org.uk/Research/Industryresearch/tabid/832/Default.aspx>



The key messages of all these strands of the research have been synthesised and distilled, then presented in this report. Findings from an early draft of this report were presented at a workshop session with key stakeholders; this session also included a discussion of the strategic implications of this research.

### 1.4 Structure of the document

The remainder of this document is structured as follows:

**Context:** This section explains the context within which this research is situated. A review of existing data and literature was carried out to help fully understand the creative industries across Europe, within Scotland, and in Edinburgh and the Lothians specifically.

**Economic profile:** This section of the report presents quantitative analysis of the size and shape of the creative industries in Edinburgh and the Lothians. It provides information on the number of firms and employees within the sector, as well as the financial contribution that the sector makes to the regional economy.

**Modes of operation:** This part of the report explores the modes of working undertaken by creative industries firms in Edinburgh, with particular consideration given to the nature of collaborative working, key markets and also supply chain issues.

**Barriers to the performance, development and growth of the sector:** This section discusses barriers to growth faced by the creative industries in Edinburgh and the Lothians. It also reflects on what can be done to help business development and enhance the sustainability of businesses in the sector.

**Opportunities to support the sector:** This concluding section pulls together the key messages from the previous sections and focuses upon highlighting opportunities to support growth and enhance the sustainability of the creative industries in Edinburgh and the Lothians.

## 2. Context

This section provides the context and foundation for the research. Investigations start at a European level, then explore policy from a national perspective before discussing local policy issues.

### 2.1 European

The focus upon creative industries across Europe is driven not only by the benefits of cultural diversity but also by economic benefits that can be generated by a thriving creative sector. Recent studies have shown that the creative industries include highly innovative companies with a significant economic potential and that the creative industries are substantially contributing to European growth and employment<sup>5</sup>.

The creativity and diversity of creative industries, and the people involved in them, offer huge potential for new growth and jobs through innovation, especially for SMEs. Creative industries are seen as one of Europe's most dynamic sectors, contributing around 2.6% to the EU GDP, with a high growth potential, and providing high quality jobs to around five million people across the EU<sup>6</sup>. It is felt that by unlocking the potential of the creative industries, economic growth can be fostered. In order to do so, there are a number of challenges identified by the European Commission which need to be overcome<sup>7</sup>, including:

- Creating the right environment by increasing the capacity for the population to experiment, innovate and succeed as entrepreneurs, with additional easier access to funding and the right mix of skills.
- Helping creative and cultural industries develop in their local and regional environment and therefore creating the conditions for a stronger global presence, including through increased exchange and mobility.
- Moving towards a creative economy by utilising the spillover effects of creative and cultural industries in the economy and society.

Innovation and creativity are at the heart of European strategy for 2020<sup>8</sup>. In 2011 the European Commission stated its wish to establish a European Creative Industries Alliance to develop new forms of support for the creative industries, helping to promote the wider use of creativity and innovation by other sectors. Further assistance, outlined in the Amsterdam Declaration (2010)<sup>9</sup> is seen to be provided through:

- Promotion of greater understanding of the required 'framework conditions' within which creative industries can flourish.
- Raising the awareness of investors with regard to the potential economic value of creative industries.
- Calling for more investment into research and skills for creative industries.

Beyond their contribution to cultural diversity and social cohesion, creative industries represent great economic potential. In order to take full advantage of this potential there is a need to combine arts and creativity with entrepreneurship and innovation. The creative industries are not only a source of inspiration but represent an asset that can be turned into competitive advantage and assist in the

<sup>5</sup> A European Agenda for Culture in a globalizing world (Commission of the European Communities, 2007)

<sup>6</sup> Green Paper – Unlocking the potential of cultural and creative industries (European Commission, 2010)

<sup>7</sup> Green Paper – Unlocking the potential of cultural and creative industries (European Commission, 2010)

<sup>8</sup> Europe 2020 Flagship Initiative – Innovation Union (European Commission, 2011)

<sup>9</sup> Amsterdam Declaration – (Member States and the European Commission 2010)

creation of new and better jobs in Europe<sup>10</sup>. As such, the creative industries and the creativity that they generate are essential for Europe's economy and competitiveness.

## 2.2 Scotland

The contribution of the creative industries to the economy in Scotland is significant<sup>11</sup> and it is felt that Scotland's creative industries contain comparative advantages, which can be built upon to increase economic growth. In particular the Scottish Government sees that the creative industries possess "high growth potential and the capacity to boost productivity, through enhanced support across strategic priorities, including the regulatory and fiscal environment"<sup>12</sup>.

The Scottish Government's desire to see the creative industries succeed is demonstrated by the establishment of Creative Scotland, the new national development body for the arts, screen and creative industries that was launched in July 2010. This body brings together key public sector organisations involved in providing support to the creative industries through the Scottish Creative Industries Partnership<sup>13</sup>. This partnership of organisations, chaired by Creative Scotland, is central to the co-ordinated approach which the Scottish Government is taking to develop the creative industries.

The Scottish Government's strategy for the Creative Industries (launched in 2011) established priorities and goals for the sector. These include:

- Improvement of Scotland's competitive position at UK and international levels.
- Building the scale of businesses, business activity, skills and investment.
- Attraction of business activity, businesses, skills and investment to Scotland.
- Development of creative leadership and the talent base in Scotland.

The goals that have been identified for the sector by the strategy include:

- Increasing the annual GVA of the sector.
- Increasing employment within the sector.

Creative industries in Scotland are noted to provide highly paid, high quality jobs, which complement existing areas of strength such as engineering, science and emerging industries including life sciences and renewable energy. In supporting the creative industries, the public sector can prioritise resources and assist in helping the Government's purpose of "creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth"<sup>14</sup>.

## 2.3 Edinburgh

Edinburgh and the Lothians is an important location for creative industries employment. The City of Edinburgh Council observed that in 2008-09 the creative industries sector generated approximately 10,900 jobs in Edinburgh (excluding the Lothians) and 20% of creative industries employment in Scotland (not including the self employed). A study that informed the regional economic strategy notes that Edinburgh and the Lothians accounts for a larger share of Scotland's creative employment (25%)

<sup>10</sup> Amsterdam Declaration – (Member States and the European Commission 2010)

<sup>11</sup> Scottish Government Creative Industries Website: <http://www.scotland.gov.uk/Topics/ArtsCultureSport/arts/creative-industries>

<sup>12</sup> Scottish Government Creative Industries Website: <http://www.scotland.gov.uk/Topics/ArtsCultureSport/arts/creative-industries>

<sup>13</sup> Growth, Talent, Ambition – the Government's Strategy for the Creative Industries (The Scottish Government, March 2011)

<sup>14</sup> Scotland 's Creative Industries Partnership Report (2011):

<http://www.scotland.gov.uk/Topics/ArtsCultureSport/arts/CulturalPolicy/creative-scotland/partnership-report>

than any other region<sup>15</sup>. The regional strategy also recognised that creative industries are a key growth sector but also that the city's cultural infrastructure, competitiveness and attraction of talent are important assets that can drive the sector forward. This is supported by The City of Edinburgh Council which identifies the city's cultural assets, the large domestic market for creative products and the academic strengths of the local higher education institutions as being important for the sector<sup>16</sup>.

Delivering Our Potential (the regional strategy for Edinburgh and the Lothians) differs slightly from the national strategy (which has more focus upon digital industries and technology) and focuses more upon cultural assets. Despite this, Edinburgh and the Lothians has a large share of creative employment generally, but is particularly strong in Advertising and PR, Film, TV/Radio, Other Multimedia, Publishing, Computing and Cultural Industries<sup>17</sup>. Within these sectors, there are multinational companies with Edinburgh HQs (e.g. RMJM , Rockstar North and MediaCom). However, the majority of firms are SMEs, micro businesses and freelancers that are concentrated in Edinburgh and West Lothian.

The creative industries are clearly important for Edinburgh and the Lothians, with the sector seen as key to economic growth, driving competitiveness and attracting talent. Despite this, the City of Edinburgh Council has identified a number of weaknesses and challenges for the creative industries in Edinburgh, these include<sup>18</sup>:

- Difficulties with retention, protection and exploitation of intellectual property.
- Funding difficulties.
- An uncompetitive tax regime.
- Skills gaps.
- Limited adoption of super-fast broadband relative to other countries.

In order to create a strategy that addresses these weaknesses and challenges and moves forward, the Council is currently working towards an ambitious Economic Strategy for 2012-2017<sup>19</sup>. The Edinburgh City Region Economic Review has recently been published with a consultation period during September 2011. This consultation document will be used to guide the production of the new Economic Strategy. Through this consultation, the outputs are expected to support the growth potential for the creative industries, as a sector which is supported by the local education system and research base<sup>20</sup>.

The main supporting mechanisms for the creative and cultural industries in Edinburgh draw on three strands<sup>21</sup>:

- Creative Edinburgh Limited, a membership organisation providing a channel for communication and networking.
- Collaborations with the Cultural Enterprise Office to help creative entrepreneurs develop their management skills.
- Marketing Edinburgh and other agencies which help to attract inward investment into the creative business sector.

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<sup>15</sup> Creative Industries Baseline: Edinburgh and the Lothians (EKOS Ltd., January 2004)

<sup>16</sup> Matching Sector Strengths with Local and Global Opportunities: Creative Industries in Edinburgh (Edinburgh Council, March 2011)

<sup>17</sup> Creative Industries Baseline: Edinburgh and the Lothians (EKOS Ltd., January 2004)

<sup>18</sup> Matching Sector Strengths with Local and Global Opportunities: Creative Industries in Edinburgh (Edinburgh Council, March 2011)

<sup>19</sup> Edinburgh City Region Economic Review Consultation (Edinburgh Council, June 2011)

<sup>20</sup> Edinburgh City Region Economic Review Consultation (Edinburgh Council, June 2011)

<sup>21</sup> Edinburgh City Region Economic Review Consultation (Edinburgh Council, June 2011)

### 3. Economic Profile

This section of the report considers the profile of the creative industries in Edinburgh and the Lothians in terms of:

- The shape and size of the sector - number of firms and levels of employment by subsector.
- How the shape of the sector has changed over the last five years.
- The added value created by the sector.

#### 3.1 The shape and size of the sector

There are 20,675 creative industries firms in Scotland and 4,440 within Edinburgh and the Lothians, of which 3,230 are based in Edinburgh itself and 1,160 in the Lothians (Table 2). The sectors with the most firms in Edinburgh and the Lothians are Software (840 firms), Architecture (650), Performing Arts (575) and Visual Arts (530).

Scotland has over 81,000 workers in the creative industries, almost 25% of these employees work in Edinburgh and the Lothians (19,800) as shown in Table 3. Approximately 16,030 work in the City of Edinburgh, whilst 3,770 work in the Lothians.

**Table 2: Firms in Edinburgh and the Lothians and Scotland**

Sector	Edinburgh	The Lothians	Edinburgh and the Lothians	Scotland
Advertising and PR	185	40	220	810
Architecture	480	170	650	3,390
Arts and Antiques Market	105	15	120	580
Crafts	70	30	100	805
Cultural Heritage	200	75	270	1,720
Design	150	35	185	680
Film, Video, TV and Radio	305	80	385	1,965
Music	250	95	345	1,350
Performing Arts	395	180	575	2,640
Publishing	185	40	220	980
Software	590	250	840	3,260
Visual Arts	375	155	530	2,505
<b>Total</b>	<b>3,280</b>	<b>1,160</b>	<b>4,440</b>	<b>20,675</b>

Source: TBR Observatory 2011 (TBR Ref: W1/S1a and S2a)

**Table 3: Employment in Edinburgh and the Lothians and Scotland**

Sector	Edinburgh	The Lothians	Edinburgh and the Lothians	Scotland
Advertising and PR	1,860	100	1,950	5,650
Architecture	2,760	660	3,430	16,530
Arts and Antiques Market	450	30	480	1,590
Crafts	180	150	330	2,760
Cultural Heritage	1,920	360	2,280	7,330
Design	520	80	600	2,750
Film, Video, TV and Radio	1,070	110	1,180	6,300
Music	630	130	760	2,670
Performing Arts	990	280	1,260	6,070
Publishing	1,890	380	2,270	12,000
Software	2,640	1,290	3,940	13,030
Visual Arts	1,120	200	1,320	4,430
<b>Total</b>	<b>16,030</b>	<b>3,770</b>	<b>19,800</b>	<b>81,120</b>

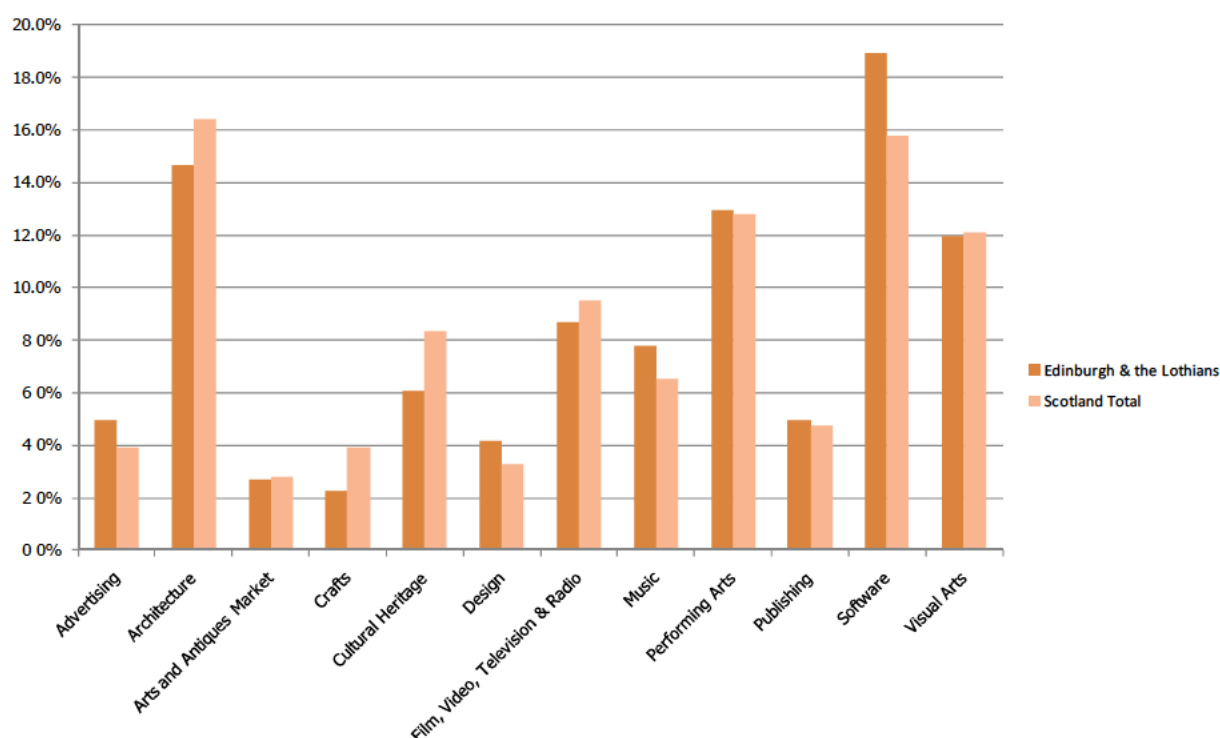
Source: TBR Observatory 2011 (TBR Ref: W1/S1a and S2a)



Considering strength in terms of a higher-than-average proportion of activity within a subsector, Edinburgh and the Lothians has the following sectoral strengths (Figure 1):

- Software; 18.9% compared to Scotland’s 15.8%. There is also a significant amount of people employed in this sector in Edinburgh and the Lothians with 3,940 employed, which is proportionally more than the Scotland average (19.9% compared to 16.1% - Figure 2).
- Music; 7.8% compared to Scotland’s 6.5%. The sector also employs slightly more proportionally than the Scotland average (3.8% compared to 3.3% - Figure 2).
- Design; 4.2% compared to Scotland’s 3.3%. Despite contributing more firms proportionally, the sector does not contribute significantly to employment (3% in Edinburgh and the Lothians and 3.4% in Scotland - Figure 2) and could demonstrate that firms in this sector, whilst numerous, find it difficult to recruit.
- Advertising and PR; 5% compared to Scotland’s 3.9%. The sector also contributes significantly to employment; 9.7% compared to Scotland’s 7% (Figure 2) Over one quarter of Scotland’s Advertising and PR firms are based in Edinburgh and over a third of employment in the sector within Scotland is in Edinburgh.
- Publishing employs 2,270 people and also has a relatively large number of firms in Edinburgh. Despite this, the sector employs proportionally fewer people than the national average (11.5% compared to 14.8%).

**Figure 1: Proportions of firms in Edinburgh and the Lothians and Scotland by sector (2010)**



Source: TBR Observatory 2011 (TBR Ref: W1/S1a)

Edinburgh and the Lothians has proportionally fewer firms than the whole of Scotland has in the following sectors (Figure 1):

- Cultural Heritage 6.1% compared to Scotland’s 8.3%:

The firm base figure for Cultural Heritage is perhaps somewhat surprising given the strong tourist economy connected to Cultural Heritage assets in the city of Edinburgh. However, despite its low proportion of firms compared to the national average, it employs a significant number of people (2,280). This suggests that Edinburgh and the Lothians has a relatively small population of large Cultural Heritage organisations. This suggestion is further reinforced by the fact that the sector employs 11.5% of the workforce in Edinburgh and the Lothians compared to 9.0% in Scotland (Figure 2). Cultural Heritage is slightly anomalous compared to the other creative industries subsectors as many organisations in this subsector operate on a not-for-profit basis and many Cultural Heritage organisations receive a significant proportion of their income from the public sector. Because Edinburgh and the Lothians has strengths in commercial creative activities (e.g. Software, Design etc), Cultural Heritage organisations account for a smaller proportion of creative firms in the region.

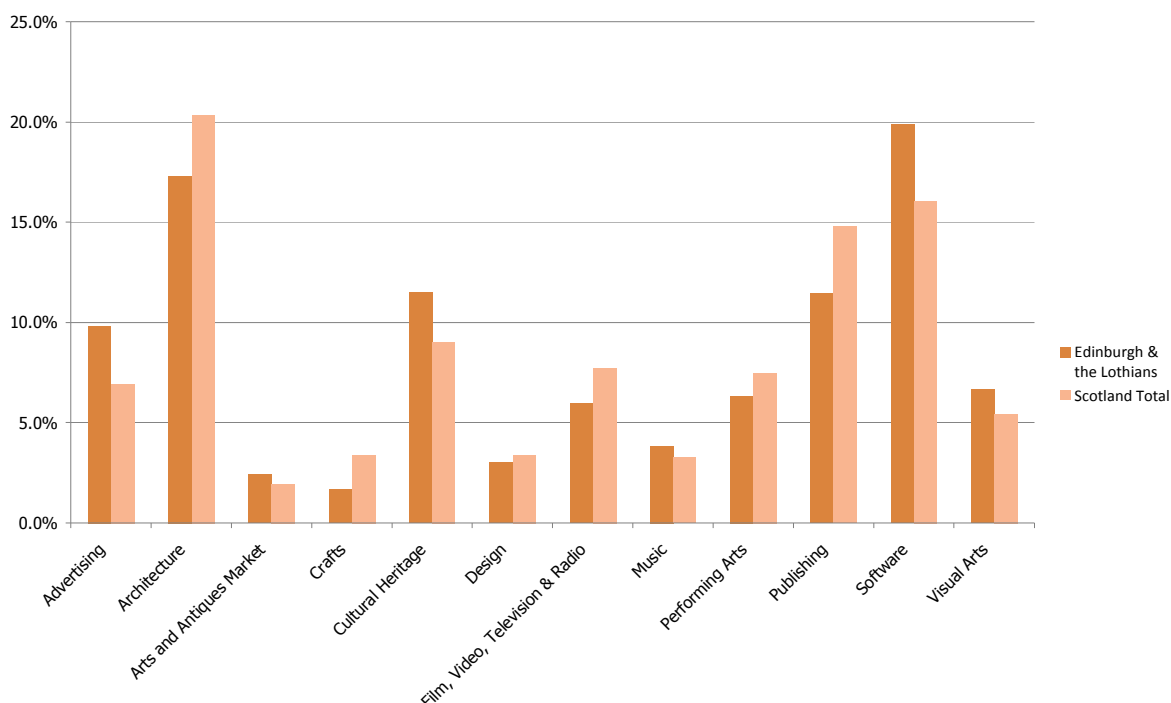
- Crafts; 2.7% compared to Scotland’s 3.9%:

The sector with the least employment in the creative industries across Edinburgh and the Lothians is Crafts (330 people in 100 firms), demonstrating a high occurrence of independent practitioners. The sector contributes little to the employment within the creative industries in Edinburgh and the Lothians (1.7%) compared to the Scotland average (3.4% - Figure 2).

- Architecture firms 14.6% compared to Scotland’s 16.4%:

Architecture has a smaller proportion of employment compared to the national average (17.3% compared to 20.4% nationally - Figure 2). Despite this, firms within the sector employ a significant amount of people (3,430).

**Figure 2: Employment in Edinburgh and the Lothians and Scotland by sector (2010)**



Source: TBR Observatory 2011 (TBR Ref: W1/S2a)

### 3.1.1 Firm and Employment Composition<sup>22</sup>

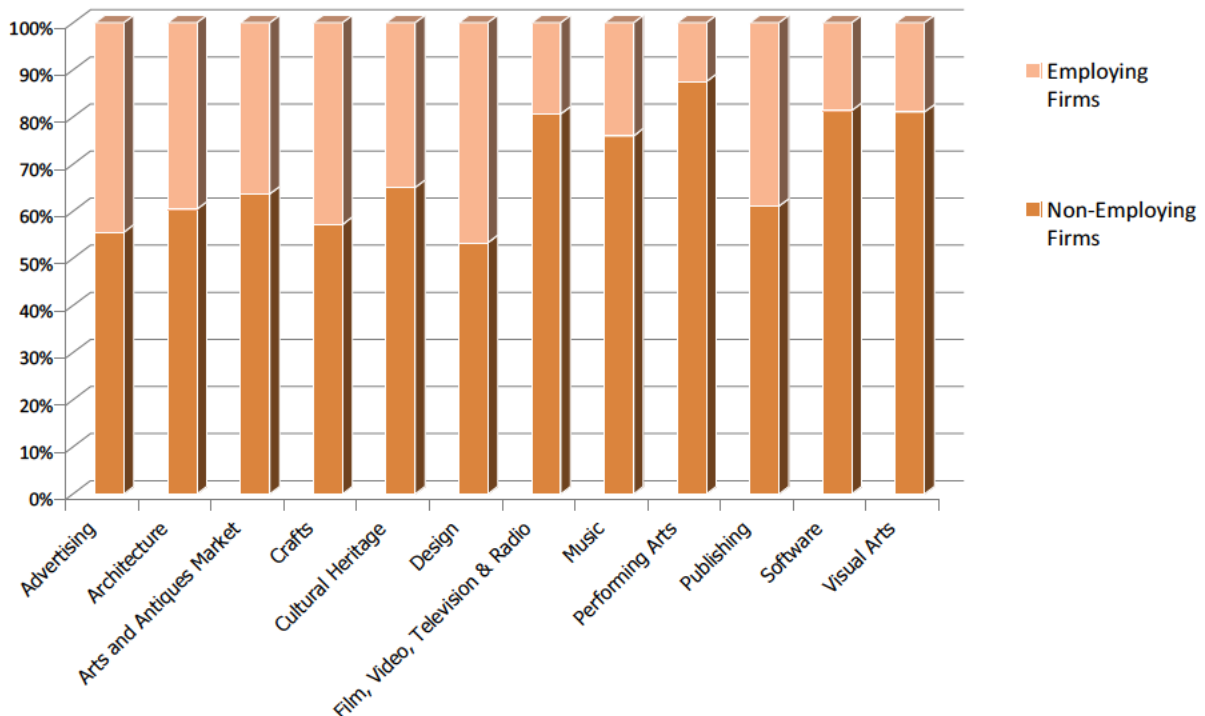
As noted in the methodology section of this report, the analysis undertaken in this study has made it possible to quantify the contribution of non-employing firms within the creative industries in the City of Edinburgh. Due to the difficulties associated with identifying and accurately measuring the existence of such companies and their absence from official statistics, non-employing firms are often overlooked as a 'missing tier' in similar research studies. This sub-section presents, for the first time, information which measures the contributions of non-employing firms within the City of Edinburgh's creative sector.

More than three quarters of firms (75%+) based in the City of Edinburgh in the following sectors are non-employing, as illustrated in Figure 3:

- Software
- Visual Arts
- Performing Arts
- Film, Video, TV and Radio
- Music

The sectors with the largest number of employing firms are Architecture (190 firms) and Software (110 firms), whereas Performing Arts and Music have low numbers of employing firms (50 and 60 respectively). The fact that employing firms only account for 900 out of the 3,280 firms in the City of Edinburgh's creative industries (with the rest being sole traders and partnerships or non-employing firms) shows the prevalence and importance of freelancing and self-employment. There have been significant increases in the number of sole traders and partnerships in the City of Edinburgh's creative industries between 2005 and 2010 whilst the number of employing companies declined. This could be due to individuals who have been made redundant from creative firms deciding to set up their own business.

**Figure 3: Proportion of firms which are non-employing (2010)**



Source: TBR Observatory 2011 (TBR Ref: W1/C6)

<sup>22</sup> The data contained in this sub-section applies only creative firms based in the City of Edinburgh rather than the entire region of Edinburgh and the Lothians.

As might be expected, non-employing firms only account for 15% of creative sector employment in Edinburgh. This varies by sector with sole traders and partnerships and other non-employing firms accounting for greater proportions of employment in Music (35%), Performing Arts (36%) and Visual Arts sectors (28%). Conversely, Publishing, Cultural Heritage and Advertising and PR (all 6-7%) have the lowest proportions of employment occurring within such entities.

It should be noted that any employment issues experienced by these non-employing firms will not be related to an employer *per se*, but to the running of their own business. Furthermore, the growth aspirations of non-employing firms are likely to differ from employing firms. This needs to be taken into account by organisations seeking to support the sustainability and future development of the sector.

### 3.2 Change in the profile

Across Scotland, the creative industries have seen an increase of 8.5% in the number of firms between 2005-2010; this contrasts with an increase of 1.5% in Edinburgh and the Lothians (a 0.3% rise in Edinburgh and 5.1% in the Lothians). Despite the increase in the number of firms, there have been declines in employment within the creative industries in Scotland, which is mirrored in Edinburgh and the Lothians. Employment in the creative industries across Scotland has dropped by -3.9% compared to -1.3% in the City of Edinburgh and -4.3% in the Lothians.

The declines suggest that across the period a number of larger firms have ceased to operate or have been forced to downsize their operation, resulting in a proliferation of micro businesses, perhaps due to people leaving firms and setting up as sole traders.

This shows that despite an overall increase in firms since 2005, there have been decreases in some of the key sectors identified as important to the creative industries, in terms of employment and firms (Table 4 and Table 5):

- Software has seen a decrease in firms (-18.5%) and employment (- 8.6%) at a greater rate than the national average.
- Advertising and PR has seen decreases in firm numbers (-15.5%) at a greater rate than the national average but decreases in employment (-11.7%) have been less pronounced than the national average.
- Design has also decreased in firms (-24.9%) and employment (- 35.6%) at a greater rate than the national average.
- Publishing has seen a decline in numbers of firms (-11.3%). However, employment in Publishing has remained relatively steady (rise of 0.1%), which would suggest that the market has become harder for sole traders since 2005.

The only subsectors that have seen growth in the creative industries are: Music, Visual Arts, Architecture, Cultural Heritage and Performing Arts (Table 4). Of these sectors, a few have seen growth stronger than the national average:

- Cultural Heritage has seen firm numbers increase by 25.8% compared with Scotland's 15.9% and employment rise by 17.2% compared to 6.3% in the whole of Scotland.
- Music has seen firm numbers increase by 31.3% compared with Scotland's 25.7% and employment rise by 18.4% compared to 7.6% in the whole of Scotland.

However, the other sectors show different traits. Architecture has seen firm numbers increase more slowly (18.4% compared with Scotland's 23.3%) but employment has risen by 10% compared to 2.1% in the whole of Scotland. Performing Arts has seen both employment (2.4%) and firms (16%) increase

slower than the national rate (13.5% and 20.2% respectively). Visual Arts has seen firm numbers increase slightly less in Edinburgh and the Lothians (54.3%) than the national average (65.1%) but employment rise (21.7%) when the overall sector has seen a decline of -5.6%.

Where growth in a sector is experienced, Edinburgh and the Lothians appears to have been more successful in supporting this. In all sectors showing growth in firms (with the exception of Performing Arts) change in employment has been greater in the study area compared to Scotland.

**Table 4: % change in Firms 2005-2010**

Segment	Edinburgh	The Lothians	Edinburgh and the Lothians	Scotland Total
Advertising and PR	-16.8%	-8.8%	-15.5%	-16.6%
Architecture	19.3%	16.0%	18.4%	23.3%
Arts and Antiques Market	-23.8%	-9.2%	-22.2%	-16.5%
Crafts	-24.0%	-26.8%	-24.9%	-18.8%
Cultural Heritage	39.7%	-0.7%	25.8%	15.9%
Design	-24.5%	-26.4%	-24.9%	-24.5%
Film, Video, TV and Radio	-9.0%	-18.9%	-11.2%	-0.7%
Music	45.1%	5.1%	31.3%	25.7%
Performing Arts	6.8%	43.6%	16.0%	20.2%
Publishing	-9.4%	-19.4%	-11.3%	-1.6%
Software	-21.0%	-11.9%	-18.5%	-7.3%
Visual Arts	48.2%	70.9%	54.3%	65.1%
<b>Total</b>	<b>0.3%</b>	<b>5.1%</b>	<b>1.5%</b>	<b>8.5%</b>

Source: TBR Observatory 2011 (TBR Ref: W1/S1b)

**Table 5: % change in Employment 2005-2010**

Segment	Edinburgh	The Lothians	Edinburgh and the Lothians	Scotland Total
Advertising and PR	-10.5%	-30.0%	-11.7%	-16.5%
Architecture	8.2%	18.5%	10.0%	2.1%
Arts and Antiques Market	-12.9%	-16.9%	-13.2%	-4.8%
Crafts	-16.6%	-32.9%	-24.9%	-23.2%
Cultural Heritage	16.6%	20.5%	17.2%	6.3%
Design	-24.1%	-66.9%	-35.6%	-21.5%
Film, Video, TV and Radio	-19.2%	-9.2%	-18.4%	3.5%
Music	22.6%	1.3%	18.4%	7.6%
Performing Arts	-2.8%	26.8%	2.4%	13.5%
Publishing	3.2%	-13.0%	0.1%	-13.7%
Software	-9.4%	-6.9%	-8.6%	-1.4%
Visual Arts	18.6%	42.1%	21.7%	-5.6%
<b>Total</b>	<b>-1.3%</b>	<b>-4.3%</b>	<b>-1.9%</b>	<b>-3.9%</b>

Source: TBR Observatory 2011 (TBR Ref: W1/S1b)



### 3.3 The value of the sector

This section presents data on the value generated by the creative industries in Edinburgh and the Lothians. Two primary measures are used – turnover and gross value added (GVA)<sup>23</sup>. Although both of these measures are useful in quantifying the value of the activities undertaken by firms within the sector, the insight they provide is only partial. This is because some of the benefits of a thriving creative industries are not economic (for example they may be social, regenerative or educational benefits). Furthermore, some organisations within the creative industries (e.g. many Cultural Heritage organisations) are heavily subsidised by public funding or are run on a not-for-profit basis.

Businesses in Edinburgh and the Lothians contribute £803 million in GVA to the Scottish creative industries (which has a total GVA of £3,488 million). Creative businesses in Edinburgh contribute £650.7 million and those in the Lothians contribute £158.6 million. Two sectors in particular contribute a particularly significant amount of GVA in Edinburgh and the Lothians: Architecture (£179.9 million) and Software (£188.3million). These sectors contribute approximately double the amount of GVA compared to the third most significant sector, Advertising and PR (£95.4 million).

At 23.3% of all GVA, Software contributes a larger proportion of total GVA in Edinburgh and the Lothians than the subsector does in Scotland's creative industries economy as a whole (17%) (see Figure 4 below). However, Architecture contributes a smaller proportion of GVA in Edinburgh and the Lothians (22.2% compared to 25.9%); showing that whilst Architecture is a major element of the local creative economy it does not add as much value in Edinburgh and the Lothians when compared to the national average.

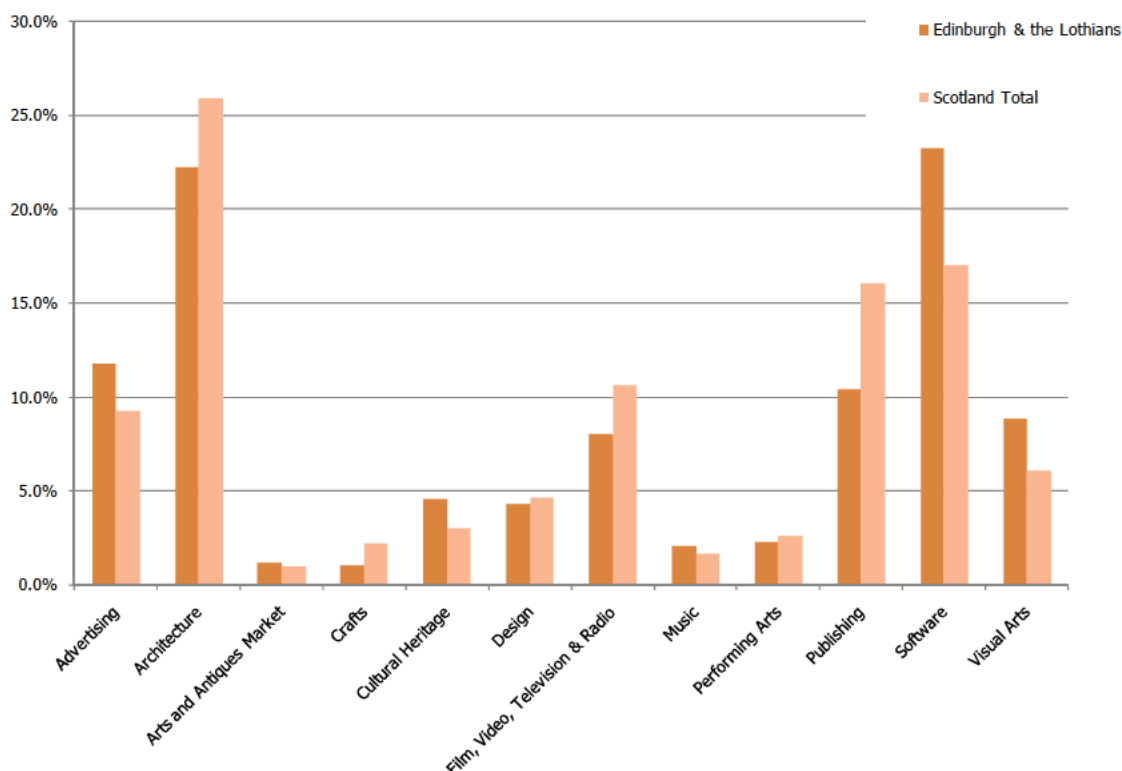
Looking at the distribution of GVA (Figure 4 below), Edinburgh and the Lothians has three other sectors that contribute more added value to the local creative economy than is seen in the Scottish creative economy overall:

- Advertising and PR contributes 11.8% of creative industries GVA in Edinburgh and the Lothians, but only 9.2% nationally.
- Cultural Heritage contributes 4.6% locally and 3% nationally.
- Visual Arts contributes 8.8% to the local economy and 6.1% nationally.

The other sectors (Crafts, Design, Film, Video, TV and Radio and Publishing) all contribute a greater proportion of GVA at the Scotland level.

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<sup>23</sup> Turnover is provided from company records within the TCR database. GVA contributed by an individual firm by summing remuneration, profit and depreciation (depreciation will usually be negative).

**Figure 4: GVA distribution in Scotland and Edinburgh and the Lothians (2010)**

Source: TBR Observatory 2011 (TBR Ref: W1/S4a)

GVA per head figures show that overall businesses in Edinburgh and the Lothians tend to be less productive than the national average, with each employee generating £40.9k in GVA compared to £43k across Scotland as a whole. Across the board it appears that productivity is generally lower, with only four sectors out of the twelve having higher GVA per head in Edinburgh and the Lothians compared to Scotland. The sectors which have been discussed previously as being strong in terms of employment, firms and contribution to the economy show differences in GVA per head:

- Software in Edinburgh and the Lothians (£48k) has a higher GVA per head than the average for Scotland (£46k).
- Advertising and PR in Edinburgh and the Lothians (£49k) has a much lower GVA per head than the average for Scotland (£57k).
- Architecture in Edinburgh and the Lothians (£53k) has a lower GVA per head than the average for Scotland (£55k).
- Cultural Heritage in Edinburgh and the Lothians (£16k) has a higher GVA per head than the average for Scotland (£14k).
- Visual Arts in Edinburgh and the Lothians (£54k) has a higher GVA per head than the average for Scotland (£49k).

The turnover of creative businesses in Edinburgh and the Lothians is £1.57 billion, a significant proportion (16.5%) of the £6.84 billion turnover of Scotland's creative industries. The City of Edinburgh contributes £1.27 billion to turnover figure and the Lothians contributes £298.7 million. Three sectors in particular

have particularly high amounts of turnover - Architecture (£313.1 million), Advertising and PR (£215.7 million) and Software (£360.8 million).

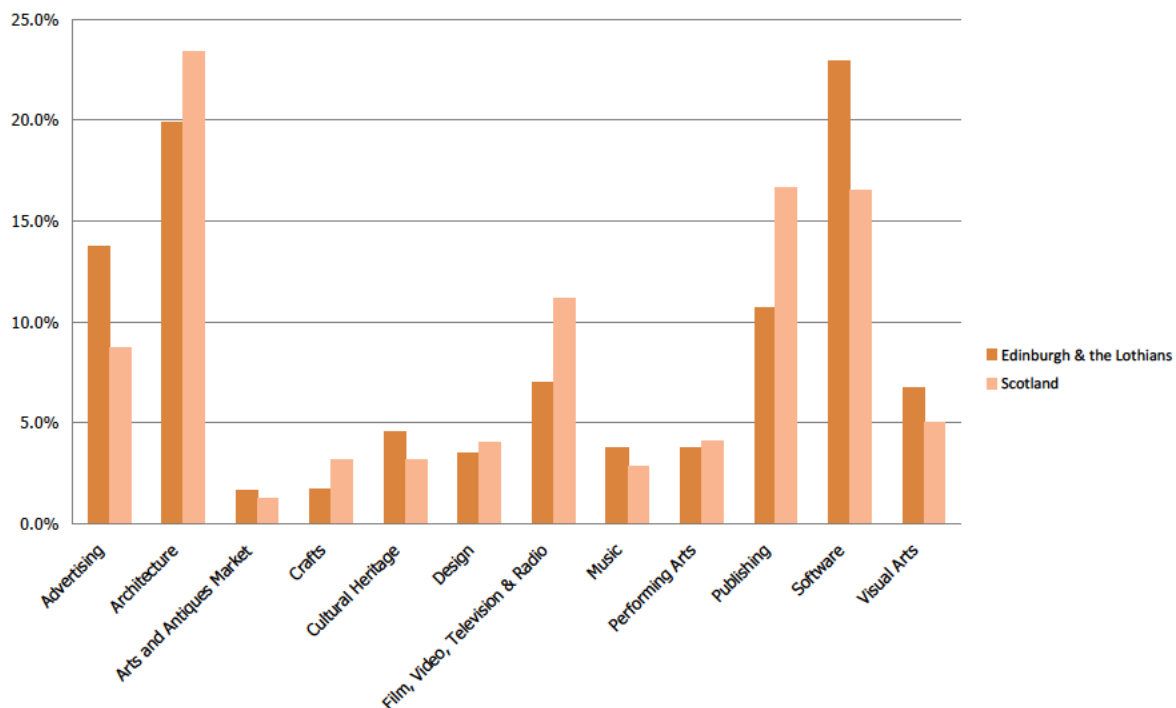
At 23% of all turnover, Software contributes a larger proportion of turnover in Edinburgh and the Lothians than the subsector does in Scotland’s creative industries economy as a whole (16.5%) (Figure 5). Other sectors which contribute more (proportionally) to turnover in Edinburgh and the Lothians than to the Scottish creative economy overall, include:

- Advertising and PR: 13.7% of creative industries turnover in Edinburgh and the Lothians, but only 8.8% nationally.
- Cultural Heritage: 4.6% of turnover locally and 3.1% nationally.
- Visual Arts: 6.7% of turnover locally and 5% nationally.

However, Architecture contributes a smaller proportion of turnover to Edinburgh and the Lothians’ economy (19.9% compared to 23.4%) (Figure 5). Whilst Architecture is a major element in terms of scale of the local creative economy, it is not productive nor does it create as much turnover in Edinburgh and the Lothians compared (proportionally) to the national average.

When looking at turnover per head, it is clear that a number of sectors have higher figures than the Scotland average including: Advertising and PR, Crafts, Music, Software (between £4k and £5.2k more than the Scotland average). However, Film, Video, TV and Radio and Publishing are well below the Scotland turnover per head figure (£20k and £29k less).

**Figure 5: Turnover distribution in Scotland and Edinburgh and the Lothians (2010)**



Source: TBR Observatory 2011 (TBR Ref: W1/S3a)

### 3.4 Key messages

To understand which sectors are stronger in Edinburgh and the Lothians than at a national level, we have used a scoring system (Table 6) which notes whether a sector has had a bigger contribution at the local level than national level or has seen greater (positive) change locally or nationally. For example, a sector can have a small amount of firms or few employees but this small amount could still represent a proportional strength compared to national sector averages. Although many of the sectors could be argued to be important for Edinburgh and the Lothians, the five most important are:

- The Music sector performs well in all of the analyses. The sector is one of the smallest in the country and in Edinburgh and the Lothians in terms of employment and firms, but has seen significant growth and contributes more to the local economy than the Scotland average.
- Software contributes a larger proportion of GVA to the Edinburgh and Lothian creative industries economy than to Scotland's. The sector also has proportionally more employment and firms. However, the sector has seen a decline in both of these since 2005.
- Advertising and PR contributes proportionally more firms and GVA to the local economy compared to the national average but has comparatively low GVA per head and a small proportion of employment.
- Cultural Heritage contributes a higher proportion of GVA and GVA per head locally than it does nationally. Despite the comparatively low amount of firms, this sector contributes to employment (which has grown since 2005) more than the average for this sector in Scotland.
- Visual Arts contributes proportionally more to GVA and GVA per head and provides proportionally more employment than the national average despite a decline firms.

On the basis of this scoring system (Table 6), it is possible to identify potentially 'weak' sectors. It is clear that Film, Video, TV and Radio and Crafts do not have any characteristics which outperform the national average. Architecture has seen employment decline less than the national average, and Performing Arts has more firms proportionally than Scotland. However, despite these poor scores in the system, these sectors do contribute to employment, firm numbers and GVA and as such, cannot be considered to be inadequate.

**Table 6: Sector Analyses Score chart**

	Firms	Employment	GVA %	GVA per head	Turnover	Turnover per head	Employment change	Firm Change	Count
Advertising and PR	Y	X	Y	X	Y	Y	Y	Y	6
Architecture	X	X	X	X	X	X	Y	X	1
Arts and Antiques Market	X	Y	Y	X	Y	X	X	X	3
Crafts	X	X	X	X	X	Y	X	X	1
Cultural Heritage	X	Y	Y	Y	Y	Y	Y	Y	7
Design	Y	X	X	X	X	X	X	X	1
Film, Video, TV and Radio	X	X	X	X	X	X	X	X	0
Music	Y	Y	Y	Y	Y	Y	Y	Y	8
Performing Arts	Y	X	X	X	X	Y	X	X	2
Publishing	Y	X	X	X	X	X	Y	X	2
Software	Y	Y	Y	Y	Y	Y	X	X	6
Visual Arts	X	Y	Y	Y	Y	Y	Y	X	6

Source: TBR Observatory 2011 - NB where a sector is performing more strongly in Edinburgh and the Lothians compared to the Scotland average this is noted in the table above with a 'Y' in a green shaded cell. The right hand column is a total of the 'Y's across all performance indicators.

## 4. Modes of operation

### 4.1 Sector activity

In order to understand the range of activities delivered by organisations, participants in the online survey were asked about the different creative sectors they work in and the activities that were responsible for contributing the most towards their revenue.

There was a high level of variation in terms of the extent to which organisations diversify their activities in order to generate revenue. For example, Table 7 shows that firms in Architecture, Music and Publishing generate all (or nearly all) of their revenue from their core activities, indicating that they do not have a diversity of revenue streams. In comparison Cultural Heritage organisations tend to only raise an average 39.1% of their revenue from Cultural Heritage related activities. This is perhaps a reflection of the significant level of public funding which they receive for maintenance of a cultural venue and the revenue that can be made by using that venue for other activities.

**Table 7: Revenue streams**

Sector	% of Revenue from this sector	Next highest % of revenue from
Architecture	100.0%	N/A
Music	97.9%	Other (non creative)
Publishing	97.9%	Other (non creative)
Software	90.9%	Other (non creative)
Film and Video	85.1%	TV and Radio
Visual Arts	83.4%	Performing Arts
Performing Arts	80.8%	Film and Video
Design	79.0%	Software
TV and Radio	71.2%	Film and Video
Advertising and PR	69.1%	Design
Crafts	66.7%	Design
Arts and Antiques	63.6%	Crafts
Cultural Heritage	39.1%	Visual Arts/Art and Antiques

Source: TBR Creative Sector Survey 2011 (TBR Ref: W2/S4c)

There are some clear complementarities between the core sector and the one from which the next highest proportion of revenue is generated. For example, that Advertising and PR firms commonly deliver Design-based activities is not surprising. Similarly, a close level of working between Television and Radio and Film and Video, Software and Design, and Arts and Antiques and Crafts might all be expected.

The fact that firms in many sectors are generating significant proportions of their revenues from sectors which are not their primary sector provides an insight into the Creative industries' marketplace in Edinburgh and the Lothians, and the need to diversify in order to survive.

### 4.2 Supply chain

In order to understand supply chain linkages within the creative industries and with firms outside the creative industries, firms were asked which sectors their clients operated in. Sectors that were most commonly supplied to were<sup>24</sup>:

- Film and Video (37% of businesses supplying products/services to clients in this sector)
- Outside Creative (36%)

<sup>24</sup> Responses total more than 100% as respondents were able to select more than one sector.



- Performing Arts (31%)
- Television and Radio (31%)
- Music (29%)

It is interesting that, in general, firms have a dispersed pool of clients to sell to, but that on the whole clients tend to also be based in the creative industries. This demonstrates the interlocking nature of the creative industries in terms of the purchase and delivery of products and services. An interesting question to consider is whether reliance on an 'internal' market is a potential weakness as the fortunes of the sector are so interdependent.

Many of the Edinburgh and the Lothians creative industries firms surveyed have clients within the Film and Video and Television and Radio sectors, highlighting the dependence of these sectors on the rest of the creative industries for content creation and supporting services. There is also strong interdependence between these two sectors, with 40% of Television and Radio firms and 50% of Film and Video firms supplying to clients in the other sector.

Certain sectors are much more likely to use suppliers that work as freelancers than other sectors. For example, only 5% of creative industries freelancers supply services to the Arts and Antique sector (where people are more likely to work as a paid employee or business owner) and 7.5% in the Software and Crafts sectors. However:

- 40% of creative freelancers have clients in the Film and Video sector
- 35% of creative freelancers have clients in the Visual Arts sector
- 35% of creative freelancers have clients in the Music sector
- 32.5% of creative freelancers have clients in the Television and Radio sector

The majority of creative industries firms based in Edinburgh and the Lothians have clients who are based in Edinburgh (74%) as well as in the rest of the Lothians region (51%). Interestingly, firms are more likely to work for clients who are based in the rest of Scotland (69%) or the rest of the UK (68%) than in the Lothians (51%), reflecting the relatively small size of the regional market (once the City of Edinburgh is excluded). This evidence shows that the City of Edinburgh is undoubtedly the driving force of creative industries in Edinburgh and the Lothians, a fact underscored by the key businesses present at the research workshop.

A significant proportion of firms are involved in selling to clients in international markets, with over a third of Edinburgh and the Lothians creative firms supplying to Europe (36%) and almost a fifth of firms supplying to clients based outside Europe (18%). Creative businesses represented at the research workshop felt that there is significant scope to expand the reach of Scottish firms into these international markets in the years to come. The sectors that are least reliant upon the local markets of Edinburgh and the Lothians for customers are Television and Radio and Film and Video; these sectors have a greater proportion of their client base outside the UK.

Freelancers are far more likely to work for clients based in Edinburgh, rather than outside the UK. Only 1 in 8 creative industries freelancers (12.5%) work for clients based outside Europe whilst 70% of creative industries freelancers work for clients based in the City of Edinburgh. Survey respondents who are paid employees of a creative business were far more likely to work for clients based outside Europe (30% of clients based outside Europe). Whilst it could be inferred that the infrastructure of businesses may make it easier to deliver work for international clients and that freelancers develop their practice around their home location, the technology available to support working on a worldwide basis should mean that it is not an unrealistic prospect to deliver a contract for an international client.

Of respondents who worked outside Europe, almost half had clients in the United States, whilst a similar number said that they had clients 'worldwide'.

**Table 8: In which of the following areas are your clients based?**

Location	% of clients based in Creative Industries
Edinburgh	74.4%
Rest of Lothians	51.2%
Rest of Scotland	69.0%
Rest of UK	68.2%
Europe	36.4%
Outside of Europe	18.6%

Source: TBR 2011 (TBR Ref W2/S10a)

### 4.3 Collaborative working

The vast majority of creative industries firms based in Edinburgh and the Lothians work collaboratively in some form, with only 14% of firms reporting that they always work independently (see Table 9). This underlines the importance of collaborative working practices within the creative industries in the region; collaboration is much more prevalent in the creative industries compared to levels of collaborative working observed across the rest of the economy.

Over half of creative firms surveyed state that they work collaboratively more often than they work independently. Compared to all other categories of worker, freelancers are more likely to work collaboratively for the majority of their time. Interestingly, individuals who own their own business are the most likely to work mainly independently and collaborate only occasionally; this is perhaps reflective of the fact that from time-to-time they may need to collaborate to gain access to specific and niche skills that they cannot afford to have located permanently within their organisation. Performing Arts is the sector with the greatest propensity for firms to work collaboratively, with 60% of firms working collaboratively for the majority of their time.

**Table 9: Extent of collaborative working in the creative industries**

Mode of working	% of firms in the Creative Industries
Always Independent	16.3%
Mostly Independent	30.2%
Half Collaboratively	22.5%
Majority collaboratively	31.0%
<b>Total</b>	<b>100%</b>

Source: TBR 2011 (TBR Ref W2/S5a)

Survey respondents identified the following key reasons for collaborating:

- To deliver specific projects
- To access skills/services
- To access funding/investment

Interestingly, relatively few firms cite the ability to access additional staff, additional workspace or additional equipment or technology as a reason for collaboration. Being able to access additional skills was found to be a particularly important reason for collaboration in the Design sector where niche skills are often required on a project-by-project basis.

Creative firms present at the research workshop stated that many of the most fruitful and productive collaborative relationships began as *ad hoc* collaborations between firms, before turning into long-term strategic relationships. This is partly because a key condition for successful collaboration in the sector is that both parties are able to 'like and trust' each other. This often comes down to whether individuals are compatible working together.

Individual attendees at the research workshop also expressed the opinion that creative firms in Edinburgh are better at collaborating than firms and agencies in London who often 'struggle to set aside their pride for long enough to collaborate'. However, given the dominance of London in the creative industries marketplace, if Edinburgh firms were able to collaborate with London-based creative firms then it might help to open up new market opportunities.

The majority of creative firms which work collaboratively with other creative firms do so with firms in their own sector. However, firms in certain sectors are more likely to collaborate with firms outside of their sector. Examples include:

- Music with Film and Video
- Television and Radio with Film and Video
- Visual Arts with Film and Video
- Visual Arts with Publishing

In considering the location of collaborators, discussions with creative firms at the research workshop revealed a number of insights about the nature of collaboration involving creative industries firms in Edinburgh and the Lothians. Creative firms represented at the workshop believe that working collaboratively should be about working with the 'right people, on the right brief, at the right time'. Thus collaborating with other local firms isn't necessarily more advantageous than collaborating with firms located elsewhere in the UK or overseas.

**Table 10: When you work collaboratively, where are your collaborators based?**

Location	% of collaborators based in Creative Industries
Edinburgh	61.2%
Rest of Lothians	24.0%
Rest of Scotland	47.3%
Rest of UK	41.1%
Europe	21.7%
Outside of Europe	16.3%

Source: TBR 2011 (TBR Ref W2/S8a)

Notwithstanding the above, the survey findings show that firms are more likely to collaborate with other local firms (see Table 10). A majority of firms which work collaboratively do so with other creative firms based in Edinburgh. Despite the relatively small size of Edinburgh's creative industries in comparison to the UK and the global marketplace, collaboration between firms still primarily occurs within the city boundaries. Less than a quarter of firms that work collaboratively do so with firms based in the rest of the Lothians. Only a fifth of firms collaborate with European partners whilst 16% of firms that collaborate work in partnership with firms outside of Europe.

Workshop attendees felt that motivations behind local and non-local collaboration tended to be slightly different. They suggested that collaboration happens at a local level in order to support the development of the sector in the area. This would help to explain why so many firms collaborate with other firms in Edinburgh. However, workshop attendees also considered that business-critical collaboration (i.e. collaboration on projects that will deliver real benefits to their own business) would be more likely to

happen with organisations located further away, and that locality wouldn't be a factor in the decision to collaborate or not with these organisations.

Another benefit of collaboration to the region's creative industries is that working collaboratively can help new and emerging companies be prepared for the rigours of operating in the broader marketplace, as they work with more established firms.

Workshop attendees identified a lack of work in the market place as an important barrier to working collaboratively. When there are few opportunities to supply the market, firms often feel under pressure to try and secure an entire project for themselves, whereas they may have submitted a joint bid in a strong market. They also identified the fear of failure as a barrier to collaboration. For example, not collaborating with another firm to launch a new product or service because of the worry that diversification might not be successful.

Other individuals present at the research workshop believed that a more entrepreneurial attitude towards collaboration is required; instead of competing fiercely for limited opportunities in a small market place, they suggested that firms need to realise that if they collaborate to offer complementary skill sets within the global marketplace they each enjoy 'larger slices of bigger pies', i.e. expand the marketplace in which they operate and the scale of business opportunities open to them.

### 4.4 Key Messages

- The City of Edinburgh is undoubtedly the driving force of creative industries in Edinburgh and the Lothians.
- Firms in Architecture, Music and Publishing generate all (or nearly all) of their revenue from their core activities, indicating that they do not have a diversity of revenue streams. In contrast, Cultural Heritage organisations tend to only raise an average 39.1% of their revenue from Cultural Heritage related activities.
- Although firms have a dispersed pool of clients to sell to, their clients tend to also be based in the creative industries. This demonstrates the interlocking nature of the creative industries in terms of the purchase and delivery of products and services.
- A significant proportion of firms are involved in selling to clients in international markets, with over a third of Edinburgh and the Lothians creative firms supplying to Europe (36%) and almost a fifth of firms supplying to clients based outside Europe (18%).
- The vast majority of creative firms based in Edinburgh and the Lothians work collaboratively in some form, with only 14% of firms reporting that they always work independently.
- Although many creative firms collaborate with other creative firms based locally, it is felt that the most valuable, and often most 'business-critical' collaborations, occur with firms based further away, as geographical convenience is not the major reason for the collaboration.
- There is a need for a more entrepreneurial attitude towards collaboration; instead of competing fiercely for limited opportunities in a small marketplace, firms need to realise that if they collaborate to offer complementary skill sets within the global marketplace they can increase the number of market opportunities open to themselves. The lack of opportunities in the marketplace is seen as a key barrier to collaborative working.



## 5. Barriers to the development and growth of the sector

This section explores barriers to the growth - and challenges in sustaining and developing a creative business - that are experienced by those working in the sector in Edinburgh and the Lothians. It considers the key challenges, specific obstacles to growth, and skills needs within the sector.

### 5.1 Key challenges

As can be seen from Table 11 the primary challenge facing creative industries firms in Edinburgh and the Lothians is difficulty in winning work, both with new clients and more generally. Many firms are being forced to focus on survival in the short term, rather than being able to make plans for future growth. Indicating the difficult market conditions currently prevailing, only a very small minority of firms (6%) suggest that they are facing no challenges to developing their business. Out of the 28 respondents who replied 'other' to this question, 19 stated that access to finance was a major challenge to growing their business at the present time. Relatively few firms (21%) see skills shortages or shortages in suitable training provision as a key challenge to their organisation.

**Table 11: Key challenges facing creative businesses**

Key challenge to developing their business <sup>25</sup>	% who see this as a key challenge to develop their firm
(Difficulties in) Winning contracts with new clients	39.5%
(Difficulties in) Winning contracts (in general)	38.0%
Building a reputation/establishing a track record	24.8%
Shortage of high level support for management/leadership	23.3%
Shortage of skills	20.9%
Shortage of suitable training provision	20.9%
Other	21.7%
None	6.2%

Source: TBR 2011 (TBR Ref: W2/S12a)

One key challenge identified by attendees of the research workshop, which is very specific to the creative industries in Edinburgh and the Lothians, is determining how to ensure that the festival is a boost to local creative businesses rather than being a drain on public resources that could otherwise have been used to support creative firms. Edinburgh's festivals provide an opportunity for the creative industries in Edinburgh to showcase themselves and could offer great opportunities for local firms in the sector. However, there is a perception amongst some workshop attendees that the potential to support local creative industries is not being realised.

Creative firms present at the research workshop claimed that there has been a lack of leadership in the sector, particularly from The City of Edinburgh Council, in recent years. Whilst there are a number of organisations that are supportive of the creative industries in Edinburgh and the Lothians, some attendees felt that there has historically been a lack of a common goal for the sector to unite around and strive to achieve.

Some doubts were expressed at the research workshop about the extent to which The City of Edinburgh Council understands the creative industries, and sees it as a driver of the economy. The council needs to improve communication with the sector as some firms present at the workshop felt that the council doesn't understand the needs of creative businesses.

Some attendees felt that, for there to be unity around a common goal it is important that everyone understands what is meant by the term creative industries and particularly how the cultural, less-

<sup>25</sup> NB respondents were able to give multiple answers, hence values will not sum to 100%



commercial parts of the sector contribute. At present, it was felt, the creative industries are lacking a clear and coherent vision which they can unite behind.

Creative firms represented at the research workshop were divided about the role that Edinburgh's festivals can play in the life of the city's creative industries. The Fringe Festival, in particular, was thought by some to be a significant drain on resources, believing that its losses are offset by funds that could have been directed towards supporting local firms.

### 5.2 Barriers to growth

Difficulties experienced in winning new contracts with existing and new clients are seen as key barriers to growth (see Table 11). Unsurprisingly, a lack of success winning new contracts with new clients is a particularly big issue for new firms who are yet to establish a solid customer base whilst more established firms report difficulties in winning work in general due to a subdued marketplace. Business owners are particularly concerned about difficulties in winning work (especially amongst owners of new firms) whilst paid employees in the sector see the need to build reputations and track records as a barrier to growth, perhaps because of the time and resources involved in doing so.

Many survey respondents (31%) believe that a lack of access to industry-specific business support (from an agency that understands the nature of their creative business) is a major barrier to growth for established firms in Edinburgh and the Lothians' creative industries. New entrants to the creative industries would benefit from access to funding sources to support their growth in the early years, according to a number of respondents who answered 'other' to questions on barriers to growth.

Procurement is a big hurdle for firms across the sector. Creative business owners present at the research workshop felt that many procurement professionals do not know how to interact with the creative industries. An example was offered of a public sector procurement officer inviting 40 design agencies to bid to create a new logo. Creative firms, especially those serving the public sector, can spend too much time and effort on non-revenue generating work due to the bureaucracy involved in responding to procurement opportunities; this is a particular challenge for small firms.

Workshop attendees stated that there are some excellent businesses and highly skilled individuals working in the creative industries in Edinburgh but this message is not getting through to potential clients. In order for the creative industries to be able to expand successfully, attract new talent and access new markets the profile of the sector needs to be raised. Local creative firms feel that they are unable to compete with large firms in the sector who are based elsewhere in the UK, and particularly in London, due to more positive perceptions about the creative industries in those areas. This market dynamic limits the expansion of the sector in Edinburgh and the Lothians because of other potential clients' perceptions of the quality of services offered by creative firms based in the region.

### 5.3 Skills needs

Very few survey respondents (9%) cite finding skilled workers as a barrier to starting a new business within Edinburgh and the Lothians. A higher proportion of respondents (21%) felt this was an issue when growing an established business.

Table 12 shows which skills need to be developed by creative firms in Edinburgh. On a ranking scale of 1-4 (with 4 representing a particularly significant need for improvement in a given skill) no single skill recorded an average of above 3, indicating that across the creative industries in Edinburgh and the Lothians skills shortages are not particularly severe, although there is scope for improvement and refinement. In some sectors skills needs are more pronounced. For example, Television and Radio firms record an average rating of 3.7 for the need to be able to develop content on multiple platforms, Software and Cultural Heritage firms need to better understand intellectual property rights, and leadership and management skills (rating of 4.0) and Crafts firms need improved technical or digital skills (rating of 3.5).

## Barriers to the development and growth of the sector

Business skills, and sales and marketing skills, received the highest scores in the survey (indicating that some respondents have experienced skills issues in these areas). Respondents who answered 'other' to this question in the survey highlighted the need for improved commercial skills amongst creative individuals in the sector, who may not be maximising the potential of their business due to a lack of commercial acumen, rather than any skills issues related to their creative talent. The survey findings show that skills in using software packages, multi-skilling and creative talent are among the skills least likely to be causing skills gaps and shortages in the sector.

**Table 12: Skills gaps and shortages in creative firms**

Skills issue	Average rating of skills they/their business needs to develop
Developing content for multiple platforms	2.9
Business skills	2.9
Sales and marketing skills	2.8
Understanding intellectual property rights, leadership and management skills	2.6
Finance skills	2.5
Technical or digital skills	2.3
Creative talent	2.2
Multi-skilling and transferable skills	2.2
Skills in using software packages	2.1
<i>Other</i>	<i>2.3</i>

Source: TBR 2011 (TBR Ref: W15/S8a) – NB Respondents were asked to rate their response for each skill on a scale between 1 and 4, 1= lowest, 4 = Highest. The numbers presented in this table are averages.

Many of the individual business owners who were present at the research workshop expressed their concern about the ability of creative firms to identify and develop talent effectively. Individual workshop attendees identified the use of social media as a potential skills issue, with workers needing to be aware how to use their new communication channels to expand their potential market place.

### 5.4 Key Messages

- The primary challenge facing creative firms in Edinburgh and the Lothians is difficulty in winning work, both with new clients and more generally. Many firms are being forced to focus on survival in the short term, rather than being able to make plans for future growth. New entrants to the creative industries would benefit from access to funding sources to support their growth.
- Survey respondents identified a lack of access to industry-specific business support as a major barrier to growth for established firms in Edinburgh and the Lothians' creative industries.
- Very few survey respondents (9%) cite finding skilled workers as a barrier to starting a new business within Edinburgh and the Lothians. A higher proportion of respondents (21%) felt this was an issue when growing an established business. Business skills and sales and marketing skills were most likely to be identified as skills issues by employers who were surveyed.
- Whilst there are a number of organisations that are supportive of the creative industries in Edinburgh and the Lothians, some workshop attendees felt that there has historically been a lack of a common goal for the sector to unite around and strive towards.
- Another key challenge is to ensure that the Festivals are demonstrated to be a boost to local creative businesses, and not a consumer of public resources that could have been used to support them.

## 6. Opportunities to support growth and sustainability

As discussed in the previous section there are a number of strengths and areas of distinctiveness within Edinburgh and the Lothians' creative industries that can be built upon. There are also a number of challenges and barriers to growth facing the creative industries in Edinburgh and the Lothians. Table 13 shows these in the form of a SWOT analysis, highlighting the key points.

**Table 13: SWOT**

<b>Strengths</b>	<b>Opportunities</b>
<ul style="list-style-type: none"> <li>• Strong Music, Software, Advertising and PR, Cultural Heritage and Visual Arts sectors.</li> <li>• Employment growth in a number of sectors between 2005-2010 and sectors outperforming the average for Scotland.</li> <li>• Support for the creative industries through key organisations such as The City of Edinburgh Council and Creative Edinburgh.</li> <li>• There is a will to see young people employed in the sector.</li> <li>• Businesses do not report a high incidence of skills gaps impacting on performance.</li> <li>• Academic strengths of the Local Higher Education Institutions, who play an important role within the sector.</li> <li>• Relatively large domestic market for creative products.</li> <li>• Multinational companies with Edinburgh HQs (e.g. RMJM , Rockstar North and MediaCom).</li> </ul>	<ul style="list-style-type: none"> <li>• Building upon strength of Music, Software, Advertising and PR, Cultural Heritage and Visual Arts.</li> <li>• Opportunities to build upon sectors with large contribution to employment or firm numbers.</li> <li>• Participants in the research workshop were united in the belief that it is crucial for the profile of the creative industries in Edinburgh to be raised. There is a need for these supporting organisations to work together to give the sector a voice.</li> <li>• There is an opportunity for supporting organisations to show leadership through business champions as an advocate for the sector.</li> <li>• One method to promote and support growth would be to offer a subsidy to creative businesses which recruit young people. This would be particularly helpful given the state of the marketplace and labour market and the need for businesses to receive additional support.</li> <li>• Introduction of scheme to provide large Scottish companies (e.g. financial service companies) with a strong incentive to use Scottish agencies; if Scottish businesses support creative firms this could provide a strong boost to the region's creative industries.</li> <li>• Another suggestion mooted by creative businesses includes providing business support to help creative firms find new ways to harness new technology and social media, thereby creating a buzz around the city's creative industries and opening up new market opportunities.</li> <li>• Improving collaborative working relationships will help to share creativity through knowledge transfer and reduce the impact of skills shortages and thereby strengthen the sector.</li> <li>• Collaboration with the Cultural Enterprise Office to help creative entrepreneurs develop their management skills.</li> </ul>

Weaknesses	Threats
<ul style="list-style-type: none"> <li>• Declines in employment and firms across a number of creative industries between 2005-2010.</li> <li>• Firm and employment number declines in a number of sectors between 2005-2010 and sectors being outperformed by the average for Scotland.</li> <li>• Some creative industries performing poorly compared with Scotland average; Film, Video, TV and Radio and Crafts.</li> <li>• It is thought that the creative industries profile is low currently.</li> <li>• Procurement procedures remain a big hurdle for firms across the sector. There is a feeling that procurement professionals do not know how to interact with the creative industries. Creative firms would like to see the procurement requirements relaxed (especially for small businesses) as well as support for Scottish firms bidding for Scottish contracts.</li> <li>• Uncompetitive tax regime.</li> <li>• Limited adoption of super-fast broadband compared to competitor regions outside of the UK.</li> <li>• Difficulties with the retention, protection and exploitation of intellectual property.</li> <li>• Some skills gaps, particularly in business and management skills.</li> </ul>	<ul style="list-style-type: none"> <li>• There could be problems for the sector, if the declines in employment and firm numbers continue.</li> <li>• There could be an issue with persisting low profile of creative industries.</li> <li>• Vision is lost through lack of leadership.</li> <li>• Lack of support restricts the recruitment of young people and business support needs.</li> <li>• Competition from creative industries outside of Scotland.</li> </ul>

### 6.1 Development opportunities arising from the research

In summary the key development opportunities arising from the research include:

- Ensuring that Edinburgh and the Lothians' creative industries have the leadership they need to make certain that the sector is able to unite around a coherent vision and common goal.
- Raising the profile of the region's creative industries and enhancing external perceptions of the quality of Edinburgh's creative firms.
- Simplifying procurement procedures to make it easier for creative SMEs to win contracts without having to expend very significant resources or encounter too much bureaucracy.
- Although skills issues don't appear to be a major barrier to the growth of the sector, many workers in the creative industries feel that there is a shortage of business skills amongst creative firms, which could be restricting the growth of the sector. Providing business support to companies, which is tailored to firms in the creative industries, should help to overcome this problem.
- Working collaboratively brings many benefits to the sector in Edinburgh. Extending collaboration between firms in the sector and also with firms located outside of the region will help to open up new market opportunities.



## 7. Appendix

### 7.1 Definition

Whilst our definition is based on Standard Industrial Classification (SIC) codes, it is built from the bottom up by selecting only those activities within particular SICs that are relevant to the CI sector. Whilst SICs are useful in providing an indication of creative industries activity, for the most part there are large proportions of the SIC that are not relevant. To pinpoint the relevant creative sector activities, TBR determined and searched for a set of keywords within the business activity of each firm in every SIC in our definition. This is only possible due to TCR's granular nature, through which we can examine the actual activity of a firm. The methodology is highly robust as it is based on the actual activities of firms within relevant SICs, rather than alternative approaches based upon applying static proportions to SICs to extract the relevant information.

**Table 14: Detailed subsector definition**

Creative Industries subsector	Activities
<b>Advertising and PR</b>	Consumer research and insights Management of client marketing activity/communication plans Identifying consumer tastes and responses Creation of advertisements, promotions Public Relations and marketing consultancy Media planning, buying and evaluation Production of advertising materials
<b>Architecture</b> (excluding civil engineering)	Building design Architectural services and consultancy Draughtsmen and drawing services Planning approval
<b>Art and Antiques Market</b>	Trade in art and antiques, including: <ul style="list-style-type: none"> <li>• Paintings</li> <li>• Sculpture</li> <li>• Works on paper</li> <li>• Other fine art (e.g. tapestries)</li> <li>• Furniture</li> <li>• Collectibles (e.g. mass produced ceramics and glassware, dolls and dollhouses, advertising/packages etc.)</li> <li>• Couture (including jewellery)</li> <li>• Textiles</li> <li>• Antiquities</li> <li>• Arms and armour</li> <li>• Metalwork</li> <li>• Books, bindings, signatures and maps</li> </ul> Retailing via auctions, galleries, specialist fairs, shops, warehouses, internet
<b>Crafts</b>	Creation, production and exhibition of crafts: <ul style="list-style-type: none"> <li>• Textiles (inc small textile design companies)</li> <li>• Ceramics</li> <li>• Jewellery/silver</li> <li>• Metal</li> <li>• Glass</li> </ul>
<b>Cultural Heritage</b>	Archaeology Built heritage and historical sites Libraries and Archives (private and public) Museums



Creative Industries subsector	Activities
<b>Design</b>	Design consultancies (services include: brand identity, corporate identity, information design, new product development) Design components of industry Interior and environment design Designer Fashion (including Clothing design, Manufacture of clothes for exhibition, and Consultancy and diffusion lines. Other Textiles design too – minus the craft element.)
<b>Film, Video, TV and Radio</b>	Screenwriting Production Distribution Exhibition Programming and packaging Broadcasting Transmission Animation and VFX
<b>Music</b>	Production, distribution and retailing of sound recordings Administration of copyright in composition and recordings Live performance Management, representation and promotion Song-writing and composition
<b>Performing Arts</b>	Content origination Performance production Live performance of ballet, contemporary dance, drama, music-theatre, and opera Touring Costume design and making Lighting
<b>Publishing</b>	Book publishing <ul style="list-style-type: none"> <li>• General (fiction and non-fiction)</li> <li>• Children's</li> <li>• Educational</li> </ul> Learned journal publishing Journalists/Authors Magazine publishing (incl. Consumer) Digital content publishing
<b>Visual Arts</b>	Cartoonists Fine artists Painters Sculptors Photography (inc Wedding and Passport)
<b>Software</b>	Software development: <ul style="list-style-type: none"> <li>• System software</li> <li>• Contract/bespoke</li> </ul> Software architecture and design Interactive leisure and computer games software activities (development, publishing and distribution)

Source: TBR Observatory 2011

## 7.2 Research participants

The following tables provide information on the nature of the respondents who took part in the online survey. The aim of the sample used in the survey was to ensure that views were gathered from different organisations and subsectors, rather than to conduct a highly detailed statistically significant analysis of the data by sizeband of firms or by subsector etc.

Table 15 shows the subsectoral break down of firms participating in the survey. It should be noted that firms were allowed to state that they worked in more than one sector. A respondent's main sector was identified by selecting the subsector to which most of their revenue is attributed. Table 16 provides information on the way in which the respondent is working within the creative industries in Edinburgh and the Lothians.

**Table 15: Survey respondents by sector and main sector.**

Sector	Firms in subsector	Sector Percentage	Main subsector	Main sector percentage
Advertising	18	14.0%	9	7.0%
Architecture	5	3.9%	3	2.3%
Arts and Antiques	6	4.7%	2	1.6%
Crafts	6	4.7%	2	1.6%
Cultural Heritage	10	7.8%	2	1.6%
Design	30	23.3%	12	9.3%
Film and Video	41	31.8%	24	18.6%
Music	18	14.0%	13	10.1%
Performing Arts	21	16.3%	15	11.6%
Publishing	16	12.4%	9	7.0%
Software	12	9.3%	3	2.3%
Television and Radio	24	18.6%	10	7.8%
Visual Arts	21	16.3%	11	8.5%
<i>Other</i>	25	19.4%	14	10.9%
<b>Total</b>	129*	100%	129	100%

Source: TBR 2011 (TBR Ref: W2/S4a). NB Sum of firms will not add up to 129 due to overlap between sectors.

**Table 16: Survey respondents by status**

Role in Creative Industries	Total	Percentage
Freelancer	40	31.0%
Own Business	37	28.7%
Own Business in Partnership	21	16.3%
Paid Employee	31	24.0%
<b>Total</b>	129	100%

Source: TBR 2011 (TBR Ref: W2/S2a)

Table 17 and Table 18 detail the participants who contributed to the qualitative element of the research by attending the research workshop and focus group sessions mentioned in the methodology.

**Table 17: Focus group session with key stakeholders - attendees**

Name	Organisation
Iyke Ikegwuonu	Edinburgh City Council
June Edgar	Creative Edinburgh
Ginnie Atkinson	Creative Edinburgh
Helena Ward	Creative Scotland
Carol Sinclair	Cultural Enterprise Office
Jim Henderson	West Lothian Council
Jane Crawford	Midlothian Council
Linda Mcpherson	Scottish Enterprise
Duncan Cobbett	TBR
Fiona Dodd	TBR
Stephanie Koenen	Edinburgh Napier University
Graham Weir	Edinburgh Napier University
Robin Macpherson	Edinburgh Napier University

**Table 18: Research workshop with creative businesses - attendees**

Name	Organisation
Tony Bibby	Tangible UK Ltd
Ben Rainger	Keppie Design
Ian Wright	Family Comms
Jan-Bert Van den Berg	Artlink
Iain Morrison	Fruitmarket Gallery
Neil Ross	REL Records
Linda Crooks	Traverse
Ken Dixon	New Haven Communications
Veronica Ferguson	Heedi Design
Duncan Cobbett	TBR
Fiona Dodd	TBR
Stephanie Koenen	Edinburgh Napier University
Graham Weir	Edinburgh Napier University