2030 CI

The Future of the Creatives Industries

Global Futures & Foresight

SEVENTY7 VENTURES

Contents

Executive Summary

Although damaged by the pandemic, the UK Creative Industries (CI) look set to outperform the broader economy in the period to 2030 while also proving a key driver of wider economic transformation.

Creativity is becoming synonymous with innovation and a critical lever for building value and digitally transformation, which in turn could see CI and the broader economy develop greater synthesis.

There is still a gap in both talent and perhaps mindset between CI and other industries, meaning new structures will be needed to capitalise on the inherent potential and value of closer relationships.

In doing so the definition of CI may change. Is banking a creative industry? Is insurance? Do they need to be so in order to compete with a range of fintech upstarts?

Creativity will become a key aptitude and core capability for a much wider range of industries than the current, somewhat narrow, definition. The way we consume, transact and do business is set for a creative revolution.

The policy response to nurture the necessary growth for this to come to fruition has been well documented elsewhere. However, steps beyond favourable policy must be taken. Venture capital and other forms of private equity need to participate in wider engagement across the ecosystem if regeneration and evolution of UK CI is to tackle the breadth of challenges ahead and realise the considerable profit at stake.

The post-pandemic space

Innovation in the post-covid space is transforming into an essential corporate survival skill, with the need to constantly reinvent offerings now a standard part of doing business[i].

Creativity now carries currency, with this perhaps best exemplified by 32% of S&P500 firms now investing more in intangible assets, such as R&D, networks, brands and data than they do in tangible ones[ii].

For business leaders across all industries, this means that developing strategies for the intangible is essential, and that pre-pandemic ways of doing business will no longer suffice.

Sustainability and the so-called attention economy are contributing to the process of blurring the distinction between innovation and creation, and between creator and customer[iii]. The pandemic has further accelerated business transformation and market dynamics while temporarily hamstringing the one UK industry – the creative industry - capable of delivering the skills and know-how of 'creativity,' to the wider economy.

Image Copyright: James Crockford

"The past decade has seen the Creative Industries achieve remarkable growth and success with the sector's vast power to grow wealth and employment extending throughout local communities across the whole of the UK.

With ambitious investment, the creative sector can rebuild faster than the UK economy and make a major contribution to the country's post-pandemic recovery.

We are money makers, job creators, innovators and problem solvers. We can reshape this country's future for the better, but to realise our ambitions for tomorrow, we must invest in creativity today.

We are not asking for handouts. We are asking for meaningful, targeted investment in creative ideas, creative industries and creative skills, that can unlock the incredible potential of the creative sector to kickstart our country's recovery, and that will be repaid many times over."

Caroline Norbury MBE
CEO, Creative UK Group & Creative Industries Federation

Around 3.2 million jobs in the UK – or around a tenth of the total - are deemed creative, with design now ranking as one of the top three drivers of innovation[iv].

Around a quarter of professional services and close to two-thirds of ICT jobs depend on CI, indicating the core role creativity writ large plays in the economy. Indeed, the definition of CI could spread beyond the typical sectors that are included, such as Design, Music and Entertainment, Fashion, Film/ TV/ Radio, esports, and Gaming[v].

In any event, the future and nature of the sector will depend heavily on the direction of the recovery of the pandemic. The UK creative sector has lost more than an estimated 100,000 jobs and over £12 billion in economic value yet could still potentially add another 300,000 jobs by 2025[vi], even when using the more traditional and perhaps constrictive definition of the sector. It is likely that UK CI will return to above-average growth; recent April 2021 predictions call for a reduced yet still significant CI GVA of £250bn by 2030[vii], while the creative economy workforce is forecast by Deloitte to reach 4,344,000 by 2030, up from 3,107,000 just prior to the start of the pandemic.

The past 18 months have been exceptionally challenging for the UK music industry, with billions wiped off the value of the sector – but we are determined to look to the future and focus on recovery.

Music matters to us all. And in a year when we've seen just how important music is to all our lives, it's more important than ever that we take the necessary steps to protect, strengthen and grow the industry.

In our Music Industry Strategic Recovery Plan we identify the policy interventions required and set out a clear action plan to get the industry back up on its feet. With the right support, the UK music industry can help drive the post-pandemic recovery.

This Is Music sets out the positive role the music industry can play in our country's future, and the steps that need to be taken to achieve that. Music is a key national asset, part of our history and our heritage. More than that, it's part of our future. And we can't value it highly enough.

Jamie Njoku-Goodwin
CEO, UK Music

Drivers for change

Digitalisation, sustainability, wellness, and mental health as well as diversity and the state of the gig economy are emerging as critical business levers. Few of these key issues can be addressed by a single stakeholder group alone[viii], suggesting the need for wider and deeper ecosystem consultation.

Perhaps surprisingly, the UK CI '...sector as a whole has a significant digital skills gap, made more apparent during the pandemic as the Creative Industries digitally transform at pace[ix].'

This situation will, by definition, need to change as much future CI growth will depend on digital technologies such as augmented and virtual reality (AR & VR). In turn, these technologies will be key in delivering more engaging and personalised products and experiences.

Furthermore, with CI increasingly global in reach, some CI sectors will likely need to diversify – or at least modify - their offerings to appeal to a wider range of distinct audiences. Many emerging consumer demands, from transparency to sustainability, can't be captured with pre-crisis strategies.

Close to two-thirds of senior executives across all industries expect such shifts to be the new norm, but 60% say their organisation isn't prepared to meet these evolving needs[x].

If CI can develop the requisite tech skills in a timely manner, they will likely find an outsized market opportunity through partnerships or other forms of collaboration with incumbents across the wider economy.

'...the creative industries are critical to the sustainable development agenda.'

Isabelle Durant
Deputy Secretary-General
United Nations Conference on Trade and Development (UNCTAD)

CI tech adoption needs to occur in a smart and sustainable way. Isabelle Durant, Deputy Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) suggests that '...the creative industries are critical to the sustainable development agenda[xi].'

Studies find a '...strong correlation between the creative economy and social and environmental impact[xii].' It is a point not lost on executives in the wider economy; 78% of whom see the link between sustainability and innovation[xiii]. 90% believe they need to change their core business model at least somewhat in order to operate within a truly sustainable economy, and 38% say the change needs to be radical[xiv].

Global Environmental, Social, and Corporate Governance (ESG) regulation and laws grew 90% between 2016 and 2020, which concluded with efforts to standardise the various frameworks and taxonomies for measuring ESG[xv].

These changes will require CI organisations to embed ESG at the heart of their operations. There are signs that this is achievable. Eileen Burbidge, co-founder and partner of early-stage venture-capital firm Passion Capital, notes that many UK founders have starting work to ensure that '...wellness and mental health are built in at the core of new startups[xvi],' for example.

In other areas, key drivers of change are yet to fully deliver an impact. In 2020, the Creative Industries Policy and Evidence Centre observed that '...those from privileged backgrounds are more than twice as likely to land a job in a creative occupation.

They dominate key creative roles in the sector[xvii].' CI is far from alone in this regard. The UK's Black and multi-ethnic communities now comprise 14% of the total population[xviii], yet across a ten-year period to 2019 black entrepreneurs received just 0.24% of the total VC sum invested and all ethnic teams just 1.7%. Furthermore, just 2.87% went to all-female teams[xix].

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The role of Tech

The confluence of several emerging and maturing technologies key to CI will broaden the scope, capacities and economic influence of the sector over the next decade[xx]. Various forms of artificial intelligence (AI), the Internet of Things (IoT), data analytics and new forms of audio-visual experience such as AR and VR will not just change how we do things, but what it is that we actually do and even how we approach 'creativity.'

The confluence of several emerging and maturing technologies key to CI will broaden the scope, capacities and economic influence of the sector over the next decade.

Examples are already emerging of a new paradigm in creativity, with one in Russia seeing an AI programme impress unaware clients with its design work[xxi]. Such cases are likely to fuel the growth of so called CreaTech – the cultural and commercial exploitation of a range of core technologies based on AI and Mixed Reality (MR).

The potential for this area given overall market growth and evolution of specific technological capabilities, will be significant.

Image: Headshot London Photography Ltd

The coming together of the creative industries with the technology sector has enormous potential for the UK economy, as demonstrated by the amazing line-up of innovative businesses in the 'Ones to Watch' list, and there's still lots more to come.

The UK is a global creative industries super power. So we're well placed to build on that and develop new ways to boost collaboration between academia and industry. The time is now to accelerate innovation in the creative industries and boost R&D, to fuel the UK's COVID recovery and to take our industries to new heights.

Dr Jeremy Silver
CEO, Digital Catapult

Technology	Developments to 2030	UK Value in 2030	UK CreaTech value (2020)[xxii]	Current CreaTech investment as % of future potential
AI & ML	• Changes value chains for creative content & optimises the full range of creative processes. • There is also a push for rules to change to allow AI to be considered an inventor[xxiii].	£232 billion[xxiv]	£478.28 million	0.2%
AR & VR	• Transforms the way we experience content/storytelling	£62.5 billion[xxv]	£132.74 million	0.21%
Blockchain	• Building the skills, partnerships & models for using blockchain will take time.	£57 billion[xxvi]	-	-
3D Printing	• 3D printing could become one of the key sources of innovation and disruption to products, services & business models.	£51 billion (global[xxvii])	-	-

While some technological investment will inevitably be done by incumbents merely digitising or else streamlining existing processes, the greater value and potential lies in using it to change or create what an industry or company does.

> *multi-stakeholder collaboration will likely be required for change to be effective[1].*

MediaTech – centred on content creation and consumption such as with social media – will also be boosted from its current £21.6 billion[xxviii] as it incorporates new technologies, markets, and sectors[xxix] and enables businesses and consumers to do different things, rather than just do things differently.

From CI organisations' perspective as well as potential client businesses, multi-stakeholder collaboration will likely be required for change to be effective[xxx]. For example, in seeking to generate optimum AI outcomes, businesses across many sectors will need to reassess the mental models, customer propositions and other fundamentals on which their sector runs[xxxi].

In effect, many creative entrepreneurs, SME's and networks could imitate tech companies when it comes to use of data and innovative content. Without frameworks and pathways for investment, achieving the scale of tech companies remains unrealistic for all but the most successful CI companies.

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Creative Industries in 2030

The pandemic has turbo-charged tech development to the point where we face a significant inflexion point; the past and the present are no longer a good guide for the future. In 2020 and 2021 we have taken large, if forced, strides towards erasing some of the divisions between home and work[xxxii], with people finding fewer reasons to leave their homes for an array of leisure, commercial, cultural and professional purposes.

Mass adoption of Mixed Reality (MR) will further change how we live in significant ways – from where we do things once spatially bound, to how we retrieve, use and act upon real-time, contextual information[xxxiii]. By 2030, ambient AI and internet access will allow us to do different things, which is not only creative in and of itself, but forces current incumbents to adapt to and adopt new processes and mental models. Voice-recognising contact lenses and ear implanted nano-speakers could start to reshape customer engagement and allow customers to access the immersive web from anywhere[xxxiv].

Creativity is no longer apart from business, but a core driver of its success in marketplaces craving differentiation. simplification and

The net itself is likely to be more personalised, geolocated and contextual, while we will have the ability to search for and interrogate physical objects that have been linked to the internet of nano things (even smaller sensors and devices than the IoT).

Creativity is no longer apart from business, but a core driver of its success in marketplaces craving differentiation, simplification and personalisation.

There is also a huge opportunity in the merging B2B2C sector. B2B software models are sought by leading VC's investing in the creative space, as well as Direct-to-Consumer (D2C) businesses that have ready built audiences[xxxv].

Scale of revenue

The scale of employment and revenue of the CI sub-sectors differs from source to source, due to differing methodologies (counting direct vs indirect employment, for example). To minimise these differences, the below table uses one 2021 source[xxxvi] for most of its base data, augmented by two different sources for emerging areas not covered.

In our projections to 2030 we include three possible scenarios and their assumptions:

1. Creativity Lost: Depressed investment sees growth fall far below potential. 2019 numbers only realised by 2025. 2026-2030 growth broadly follows wider annual employment growth and below recent historical norms for value (8% for value).

2. Creative Destruction: Nike swoosh shaped recovery that sees short-term damage persist. 2019 numbers reached by 2024. 2025-2030 growth approximates the past growth rates between 2011-2021 (10% CI growth p.a.)

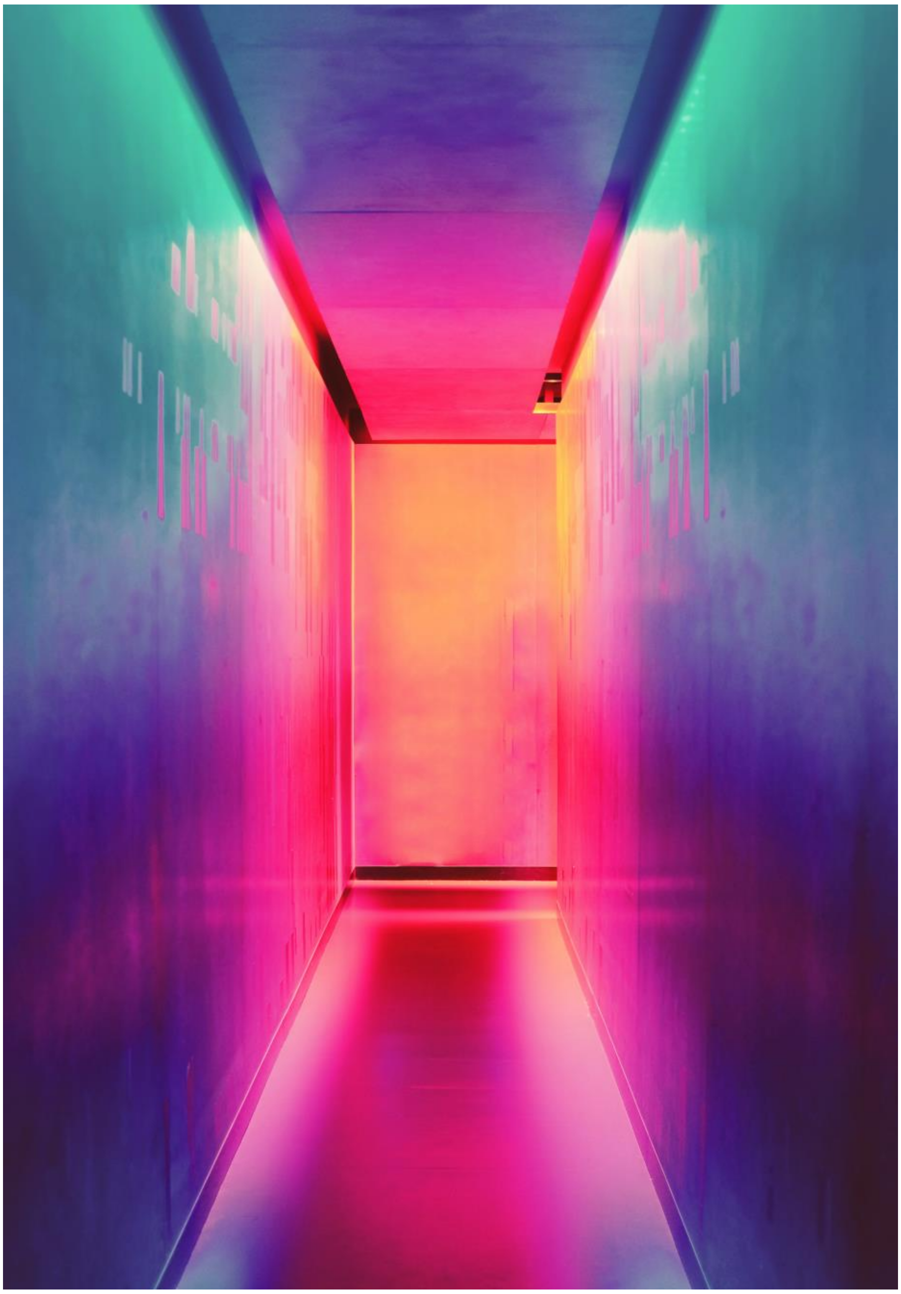
3. Creativity Unleashed: V shaped recovery. Labour market flexibility sees jobs gained almost as quickly as they were lost (i.e. in freelance roles). Public and private drivers ensure rapid growth. 2019 numbers reached by early 2023. CAGR thereafter approximates some past growth rates between 2011-2021 of 15% CI growth p.a)

Sub-sector	Pre COVID GVA (bn)	CV19 adjusted GVA (bn)	UK GVA 2030 forecasts (bn)		
			1	2	3
Visual arts	£20.3	£9.3	£29.8	£35.9	£53.9
Music	£6	£3	£8.8	£10.6	£15.9
Theatre	£4.9	£1.9	£7.1	£8.6	£13.0
Film/TV/ Radio	£67.9	£31.9	£99.7	£120	£180
Crafts	£0.9	£0.4	£1.3	£1.5	£2.3
Designer fashion	£3.4	£1.4	£4.9	£6.0	£9.0
Advertising & market research	£43.1	£24.1	£63.3	£76.3	£114
Publishing	£17.5	£10.5	£25.7	£31.0	£46.5
Museums & galleries	£8.6	£4.7	£12.6	£15.2	£22.8
Architecture	£4.1	£3.1	£6.0	£7.2	£10.9
Gaming[xxxvii]	£1.8	£2.2	£3.59	£4.1	£6.3
eSports[xxxviii]	£0.1	£0.1	£0.22	£0.27	£0.40
TOTAL			***£263***	***£316***	***£475***
Design (value to business)	*£78.7*	*£41.7*	*£115*	*£139*	*£209*

Note: the total refers to the total sum of these sub-sectors, not necessarily the entire (expanding) CI sector

It is likely that different sub-sectors will recover at varying rates, with newly emerging areas and those more obviously augmented by AI and other technologies scaling at an enhanced rate.

For comparison one report forecasts a CI GVA of around £250bn by 2030, down from a previous pre-pandemic projection of £300bn. Were technological gains, appropriate market mechanisms such as platforms and policy all to align, there would appear to be few reasons why growth in excess of this isn't possible. It is also interesting to note the value of design to business – not an area traditionally folded under CI – but one with a clear and direct link.



Scale of employment

In our projections to 2030 we include three possible scenarios and their assumptions:

1. Creativity Lost: Job losses do not rebound as quickly as hoped (only by 2025) and sluggish wider economic growth pulls down the job growth rate to only 1.5x that of the national forecast average (forecast annual growth at 0.3% to 2027[xxxix]). The implied 2025-2030 growth rate is thus 0.45% CAGR

2. Creative Destruction: Nike swoosh shaped recovery that sees short-term damage persist until 2024. Thereafter growth approximates the pre-covid growth rate (at 3x the national average[xl]) at 0.9% CAGR

3. Creativity Unleashed: V shaped recovery. Labour market flexibility sees jobs gained almost as quickly as they were lost by 2023 (i.e. in freelance roles). Thereafter, job numbers grow at 4.5x the national average (1.35% CAGR) as more and more jobs become 'creative,' and new taxonomies of jobs appear en-masse.

The same caveats apply to the scenarios below as to the GVA table above.

Sub-sector	Pre COVID employment	CV19 forecast adjusted employment	UK possible employment 2030		
			1	2	3
Visual arts	312,280	134,280	319,367	329,525	343,009
Music	190,000	76,000	194,312	200,491	208,695
Theatre	46,153	34,153	47,198	48,699	50,692
Film/TV/ Radio	242,857	140,857	248,367	252,267	266,754
Crafts	123,404	65,404	126,203	130,216	135,545
Designer fashion	170,000	119,000	173,857	179,386	186,728
Advertising & market research	188,400	139,400	192,676	198,802	206,937
Publishing	196,153	145,153	200,603	206,984	215,453
Museums & galleries	87,500	80.500	89,484	92,329	96,109
Architecture	90,000	88,200	92,041	94,969	98,854
Gaming[xli]	16,532	18,279	18,943	19,633	20,344
eSports[xlii]	-	1,200	1,242	1,286	1,332
Totals	1,663,279	962,007	1,704,293	1,754,587	1,830,452

Note: the figures refer to these sub-sectors only, not necessarily the entire (expanding) CI sector

More jobs are all but guaranteed, as are the evolution of what these jobs ‘do.’

New jobs

Technology, changing consumer behaviour and wants, along with a abruptly digitising economy will see a range of new creative jobs emerge that could be classified into three distinct groups.

First are those with links to existing CI jobs, then come those that see traditional 'non-creative' industries demand a new creative edge, while the third are not currently found en-masse.

The below sample of a dozen plausible future jobs also shows the extent of the crossover that creative skills and traditional industries will have in the future[xliii] [xliv].

New CI jobs:

1. Virtual Sound Mixer
   AR, VR and other mediums require real-time mixing.
2. Voice UX Designer
   An increased focus on interface design and conversational AI design.
3. Artificial Resource Manager
   Tomorrow's workforce will blend human and artificial resources, requiring a new form of creative management. This collaboration will secondarily impact workflow designers etc.
4. Extended Reality Designer
   Overlaying our physical world with a layer of digital data creates new workforce and customer engagement options.
5. Behavioural Psychologist
   A behavioural psychologist could enable a more holistic understanding of consumers. Together with data driven insight, such roles could better match products and services to customers at various touch points in real-time[xlv].

Traditional style jobs requiring creative influence

6. Chief Purpose Planner[xlvi]
   There is a mostly unmet need for business to articulate their driving purpose more clearly. 'A creative role that's similar to marketing and public relations, this job could help banks, airlines or other large, international corporations craft top-line goals and ideals.'
7. Black Swan Risk Manager
   With the pandemic, volcanic eruptions and closed shipping canals all revealing supply chain fragility in the last few years, organisations will need to embrace and prepare for a wider range of scenarios than typically done in a strategy review[xlvii].

New jobs

8. Learning-for-life Consultant
   The notion of university as a defined period of life could erode suddenly, already weakened by the gig economy, rapidly changing technology and the high costs of higher education. The demand from employees is there: should costs and technology align, the university experience could include alternate periods of learning and working that adapt to individuals' needs.
9. Executive Creativity Coach
   Creativity will become a must have capability in the post-covid space, and for a wider range of professionals than is most commonly assumed.
10. Business Wargames Designer
    VR and AI can help build simulations/scenarios that enable leaders to grapple with uncomfortable thought-experiments or ideas. Future proofing businesses and even exploring new opportunities could ensue.
11. System (Re)Designer
    Entire organisations may need to be reimagined – what would a bank, for example, look like if designed today?

Beyond creativity: The Wider need for Creativity beyond CI

McKinsey notes that companies that integrate creativity, analytics, and purpose are delivering at least two times the growth of their peers. Only 7% of companies are delivering on this growth triple play by unifying these three drivers, owing in part to a critical miscalculation

While 77% of CEOs, COOs and board members acknowledge creativity to be crucial growth driver in the post-pandemic era, only half of leaders believe that creativity can be integrated with technology[xlviii]. However, 82% of executives expect substantial AI-driven redesign of business processes[xlix].

> *Companies that integrate creativity, analytics, and purpose are delivering at least two times the growth of their peers.*
>
> McKinsey

> *As our society-wide adoption of automation increases, creativity is set to become ever-more important.*
>
> The World Economic Forum

The realisation, when it comes, that creativity and technology are often bedfellows will further dissolve the boundary between CI and the wider economy.

For example, ambient technology in the office or home, gathered via sensors and analysed by AI at the edge could also help optimise working patterns for individuals and drive productivity.

It could also change the nature of insurance from a compensatory to a preventative model, for example by detecting weakness in water pipes before a leak even happens. Edge processing could enable a widespread adoption of virtual, augmented, and mixed reality applications, creating new 'spaces,'[l] and removing some of the boundaries between consumers and employees.

High-fidelity mobile holograms could similarly revolutionise communications and the ways in which we collaborate, access data and work[li]. Customer service could enter a more intuitive, even proactive, realm. The World Economic Forum suggests that as our society-wide '...adoption of automation increases, creativity is set to become ever-more important[lii].'

New business models and emerging sectors

Increasingly, organisations are moving from a permanent workforce to a model designed around accessing skills and resources as and when needed. It is also likely that the pandemic has brought forward the date at which new sectors could emerge entirely[liii].

> *'...revolutions happen when new technologies become accessible enough to put into the hands of entrepreneurs with shoestring budgets and not a lot of adult supervision.'*

In 2020 CreaTech saw more VC cash at £1bn than did UK energy startups[liv]. It could account for close to 40% of employment in the CI sector by 2030[lv]. Indeed, '...revolutions happen when new technologies become accessible enough to put into the hands of entrepreneurs with shoestring budgets and not a lot of adult supervision[lvi].' It is this reality that makes the collision of existing industries and emergence of new industries at the intersections of existing ones all but inevitable.

> *70% of new value created in the economy over the next decade will be based on digitally enabled platform business models.*

The creative economy and the platform economy are converging, and thus redefining the relationship between creators, publishers and technology companies. An estimated 70% of new value created in the economy over the next decade will be based on digitally enabled platform business models[lvii]. Concurrently, tech companies are more deeply penetrating CI and ensuring further erosion of sub-sector boundaries[lviii].

CI skillsets and design know-how will be essential in helping create interfaces and even the products themselves for a range of emerging industries in the period to 2030, including:

1. Personalised Medicine – at the intersection of preventative medicine, food and biotech.
2. WellCare – at the intersection of healthcare and wellness.
3. Cosmeceuticals – at the intersection of cosmetics and pharmaceuticals.
4. The Netflix of Financial Services – at the intersection of finance and the platform economy.
5. Preventative 'Insurance' – at the intersection of the smart home, the IoT, AI and insurance.
6. Education for Life providers – at the intersection of MOOCs, universities and need for continuing education.
7. Ambient Commerce (via VR, Mixed Reality) – at the intersection of entertainment, social media and advanced tech.
8. Personal Production – at the intersection of manufacturing and the creator economy, 3D and 4D printing using new materials could radically redraw supply chains and enable production to become more democratised.

...for every £1 the Creative Industries contributed prior to the pandemic, an extra 50p was generated in the wider economy through their supply chains.

Oxford Economics

Oxford Economics estimates that for every £1 the Creative Industries contributed prior to the pandemic, an extra 50p was generated in the wider economy through their supply chains[lix].

This multiplier effect could be vastly enhanced should CI more broadly adapt leading edge data practices and tech use while applying CI techniques and thought processes to the rest of the economy. It is for this reason that for individual businesses as well as the wider economy, '...creativity matters more than IQ[lx].'

The future economy: Creativity-as-a-Service (CaaS)

Creativity and design have been recognised not just as essential skills within CI, but banking, insurance, retail and a range of other industries. In fact, 'STEM careers require the same kind of creative thinking as the arts,' confirms new research from the University of South Australia[lxi].

As arguably does management, which could in turn benefit from design, creativity and insights from psychology[lxii].' Indeed, the World Economic Forum denotes the top future skills as analytical thinking and innovation, active learning, complex problem solving, creativity, originality and initiative[lxiii].

Back in 2015 McKinsey estimated talent platforms as plausibly adding $2.7 Trillion to global GDP by 2025[lxiv]. If the pandemic has accelerated 'talent mobility' as much as it has more general digital transformation, then this potential is now likely higher by a significant margin.

5G could further drive the creation of platforms as specialists and creative talent potentially work for multiple employers. The importance of this should not be underestimated: creativity itself is similar to a raw material in that the value of it is only realised when it is refined and applied. Indeed, Peter Drucker repeatedly suggested that 'What is lacking in most organisations is not creativity in the idea-creating sense but innovation in the 'making-it-happen sense[lxv].''

Funding the future

Opportunities for UK Plc

With UK CI outsizing the combined UK Life Sciences, Aerospace and Automotive sectors, and contributing to 12% of all UK services sold overseas[lxvi], there is little doubt of the regional and global importance of UK creativity. Maintaining it will likely require an adjustment of UK policy – well documented in other papers – and a recalibration of private markets' expectations.

> *the broad private markets industry '...has the ability and imperative to improve diversity, equity, and inclusion.'*

McKinsey notes that the broad private markets industry '...has the ability and imperative to improve diversity, equity, and inclusion[lxvii].'

Research shows a clear financial imperative for doing so; not only does it act as a value creator within an organisation's operation, it may also help raise capital[lxviii]. This may require a change in how VC's assess potential. One study found that 42% of UK venture capital invested at seed stage was invested in founding teams with at least one member from an elite educational background[lxix]. If creativity is to become a national driver of value creation, it can no longer be the preserve of the elite.

Calls have therefore been made for '...all venture funds to make data on their investments publicly available so they can be tracked to enable inclusive ongoing reporting on the industry's performance on diversity[lxx].' VCs could also explore '...the possible resilience criteria independent of race, gender and education that are indicators of success,' and adapt this to their filtering processes to minimise bias.

Allowing creative talent to coalesce more easily – whether virtually or physically – will also become a key driver of the CI industry and of broader creativity. The interrelated nature of many CI drivers, including tech linkages, also ensure that a strong ICT industry can boost the attractiveness of a given country for creative economy investment[lxxi].

Ecosystems, clusters and best practice

One reason for this is that symbiotic relationships between sub-sectors segments will likely instigate multiplier effects across the broader CI economy. As technologies, such as mixed and virtual realities, AI and holograms all evolve, such symbiosis may strengthen, leading to more positive feedback loops[lxxii].

A significant branch of economic theory exists around clustering, and how industries tend to cluster thanks to the speedy exchange of ideas and talent. Indeed, most successful creative economies have traditionally flourished near academic, tech and/or cultural centres. However, over time, CI clusters are likely to expand their geographic footprints into an expanded range of regions[lxxiii].

Part of the reason is that GenZ has become used to building trust in new ways; for example, online gaming has led to authentic relationships, while Zoom has fast evolved into a de-facto way of doing business. Importantly, such products and processes are not static – incorporating VR, third spaces and haptics will change the nature of these meetings further.

Nevertheless, the digital shift of 2020 has already impacted the private markets. One survey from Private Equity International (PEI) found that over 90% of Limited Partners (LPs) would take a first General Partner (GP) meeting virtually, and over half would commit to a new manager without ever meeting face-to-face[lxxiv]. Some interesting secondary effects are worth watching for. While GPs tend to locate near existing clusters and talent pools, many LPs remain geographically tied to their capital base. A greater degree of flexibility on location, not to mention the evolving work-from-home space could alter their ability to attract creative talent and shift geospatial imprints[lxxv].

On the other hand, it has been suggested by the World Economic Forum that the broader talent war of the future will not be fought between companies, but between cities[lxxvi]. Indeed, individual incubators depend on geography for their existence. In the United States, NEW INC is an incubator for start-ups that unite art and technology in 7 distinct groups. Forecast data shows that around 200 businesses have been created through this one incubator, with between 400 and 450 jobs and in excess of $20 billion in raised capital[lxxvii].

The UK has real opportunities to build on expanding CI sub-sectors. For example, streaming demand for UK shows to 2025 could create an estimated 30,000 film and TV jobs[lxxviii]. Many of these jobs will require or else help nurture the growth of other forms of CI professionals, not to mention accelerate the future role of tech and CreaTech on film and media dissemination.

Indeed, one scenario proffered by Deloitte for the TV and video industry of 2030 sees a ‘Universal Supermarket,’ whereby some global digital platform companies have replaced national broadcasters[lxxix]. Further linking CI into such platforms could further enhance any multiplier effect and clustering tendencies.

Such evolution already seems underway in the music industry. Goldman Sachs has projected global revenues from recorded music (in either physical formats, streaming or downloads) to hit £30bn by 2030. It has been estimated that if ‘...UK export earnings rise in line with this forecast, then they will grow to be more than £1 billion[lxxx].’

"Our business operates in the global entertainment industry, specifically investing in film and TV companies and delivering financing solutions for the rapidly increasing levels of production activity that shows little sign of abating any time soon. We are seeing an unprecedented demand for private capital in the entertainment sector in particular, and the wider media and creative sectors generally, because the rules and conventions are changing and to some extent financing models are playing catch-up. M&A activity at increasing EBITDA multiples is becoming the norm and could continue for years to come. One of the highest profile recent examples of this is the sale of Reece Witherspoon's five-year-old production company Hello Sunshine for a reported $900m.

A key driver is the voracious appetite across the streaming platforms for original content or content that has all world-wide rights available at the point of sale and acquisition - this in turn is reinventing how content production is financed so as to keep all sales and revenue options open to producers and content creators. Once upon a time, pre-sold rights were a staple bankable component of the film and TV financing mix, and while that method still has its benefits and its loyal fans, the focus now is really shifting to all-equity plays and private capital solutions for the majority of clients who come to us.

There has never been a more vital time for private capital in the creative sector - and never a more important moment for creators and producers to step up their game in the packaging and presentation of their opportunities to financiers."

Eric Woollard-White
Co-Founder and Managing Director, Round World Studios

How to best facilitate the growth of start-up entities

Jim Breyer, the founder of Breyer Capital and the first VC investor in Facebook, suggests that '...the best deals often come from my network of trusted investors, entrepreneurs, and professors.

Help from experts goes a long way in generating quantity and then narrowing down for quality[lxxxi].' Statistics attest to this belief: one Harvard Business Review (HBR) survey shows more than 30% of deals stemming from leads from VCs' former colleagues or work acquaintances and a further 20% coming from referrals by other investors[lxxxii]. Ensuring equitable access to such networks could help spread the benefits of VC, and creativity.

The notion of mentorship is also already strongly linked with start-up success, especially since time pressures often limit other forms of at-work learning for creative entrepreneurs[lxxxiii].

a distinct lack of business skills among creative and culture entrepreneurs, raising the possibility of partnering with others outside CI.

There is also a distinct lack of business skills among creative and culture entrepreneurs, raising the possibility of partnering with others outside CI[lxxxiv].

Funding fragmented industries

Square, Uber, Zillow and Airbnb all originate in highly fragmented (if geographically bound) markets[lxxxv]. A fragmented market is generally thought to be one in which no single player captures more than 20% of revenues. Often featuring low barriers to entry, fragmentation often results in many businesses not being able to reach VC viability[lxxxvi].

Indeed, by 2030 there could be somewhere around 350,000 microbusinesses and SME's operating under the broadening umbrella of CI in the UK[lxxxvii]. Although potentially problematic for consumers and producers, such markets are primed for platform type models that can further create and capture value. The same could be said for creative talent, where the '...current climate is ripe for the emergence of new platforms to help companies recruit and retain talent in a truly borderless way[lxxxviii].'

Another way of looking at it is that platforms could lead to the 'industrialisation' of private markets in the next 15 years or so[lxxxix]. Whichever way platformisation falls, there is no reason why fragmented industries cannot attract private investment. Britain is home to 3,018 Fintech companies, the largest four of which are expected to have a combined market share of 7.1% in 2021-22[xc], and in total attracted £18bn worth of deals in the first half of 2021[xci].

As machine learning becomes more entrenched within VC approaches, fragmentation may matter even less. One European VC built a model capable of interrogating over 400 characteristics of more than 30,000 deals, which resulted in the identification of about 20 drivers of success for various deal profiles.

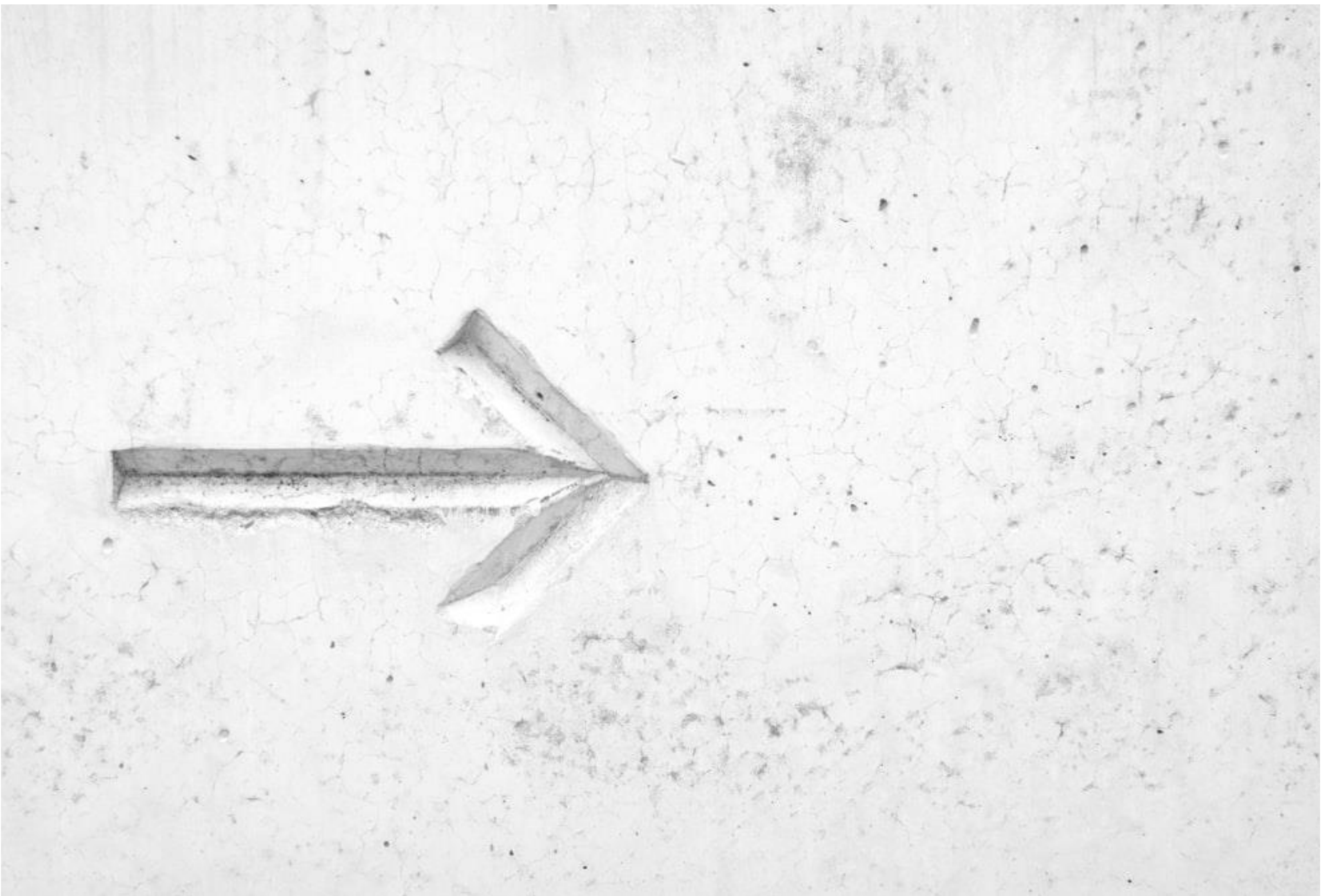
McKinsey notes that '...these often turn out to be unusual combinations of characteristics that no one would otherwise have suspected had much bearing on performance[xcii].'

We live in the Information Age and how that knowledge is communicated, alongside the demand of entertainment and leisure is only going to grow and expand in the coming years. Capital is indispensable to the process, without money to fund the works, pay for the materials and salaries of the creatives nothing will be possible. In short, money is the capacity to do – and we need it to make creative projects happen.

Dr. Zuzana Palovic
Author

Key actions/takeaways and conclusion

- The traditional framing of CI as the arts and cultural sectors is perhaps too narrow, and underplays the broader and larger opportunities available for creative types and investors[xciii].
- Success in one CI sector will likely ripple through adjacent subsectors as technology and talent circulates more widely. There is huge potential in CreaTech.
- More start-ups are to be expected, with a wider geographic footprint throughout the UK than has been the case in the recent past.
- A conduit that helps prepare and diffuse creative talent into what would be considered non-creative industries could fuel economic growth and innovation more generally. This would likely contribute to an evolution in our understanding of what 'creativity' is and further fuel private investment.
- Digital and business skills are often missing from creative entrepreneurs and will be needed if they are to evolve their value propositions.



About the author

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The GFF is a Futures Framework supplier of futures methods to the UK government via the Department for Business, Energy and Industrial Strategy.

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About Seventy7 Ventures

Seventy7 Ventures is a platform that invests into digital and technology acceleration of the Creatives Industries.

The platform offers a wide range of services including:

- Venture Fund/ Capital Raising
- Wealth Creation
- Consultancy

Seventy7 Ventures aims to increase the opportunities and enrich the landscape of the Creatives Industries to bring more prosperity, new jobs and grow the contribution these sectors and industries make to the UK Economy.

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