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## About this submission

The **Creative Industries Federation** is the national organisation for the UK's creative industries, representing members in every sub-sector across all nations and regions.

The creative industries are worth £91.8bn in GVA to the UK economy, account for one in nine UK businesses, export £35.9bn in goods and services, and export £21bn in digital services. There are considerable opportunities for further export growth in this sector. For example, from artificial intelligence to virtual reality to digital platforms, these new technologies are helping the creative industries reach billions of people across the globe.

In this submission, we highlight the need for a long term, creative industries-led export strategy. This should:

- Give a higher priority to supporting service exports.
- Ensure export support is tailored to micro businesses which make up 95% of the creative industries.
- Give greater focus to new technologies which help creative enterprises, particularly SMEs, reach global audiences and consumers.
- Focus on providing market access to the EU which is the creative industries' main export market. Government should ensure we remain in the EU Single Market and Customs Union, retain free movement of people, and continue to participate in EU funding programmes.
- Support exports to key non-EU growth markets for the creative industries, whilst addressing challenges particularly around intellectual property.

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## **1. Creative industries exports - what government should prioritise**

### **Q. How should government prioritise its support across different business sectors and overseas markets?**

Government should prioritise the following:

- Give a higher priority to supporting service exports.
- Ensure export support is tailored to micro businesses which make up 95% of the creative industries.
- Give greater focus to new technologies which can help creative enterprises, particularly SMEs, reach global audiences and consumers.
- Focus on providing market access to the EU which is the creative industries' main export market. Government should ensure we remain in the EU Single Market and Customs Union, retain free movement of people, and continue to participate in EU funding programmes.
- Support exports to key non-EU growth markets for the creative industries, whilst addressing challenges particularly around intellectual property.

The UK's creative industries are an exporting powerhouse worth £91.8bn in GVA, employing 1.96m people, and exporting £35.9bn in goods and services. Two-thirds of these exports are services (£21.2bn), representing 9.4% of total UK exports of services, and one-third are goods (£14.7bn), representing 5.2% of total UK exports of goods.<sup>1</sup> One in nine UK businesses are creative industries.

These exports are the UK's 'calling card to the world'. From BBC's Blue Planet to the Tom Clancy video game series, British creative exports are an expression of our culture and values and are recognised across the globe.

Over the last few years we have seen a rapid rise in creative exports in the UK. Since 2010, exports of creative services have grown by 44.3%, compared to 29.5% for total UK service exports, and creative goods by 38.6%, compared to 5.4% for total UK goods exports. Some creative sectors rely heavily on exports. In the publishing sector, half of all sales are made abroad.

There is also scope for considerable growth in the future as new digital technologies open up new ways to reach audiences and consumers across the globe through platforms such as Amazon Appstore, Google Play, YouTube, Facebook and Steam.

From the sale of a British-made video game, accessible on a mobile device, to an online advert aired in other countries, our creative digital exports are wide-ranging in their scope and global reach. According to a recent report by the Federation and Cebr, in partnership with the Creative

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<sup>1</sup> DCMS. November 2017. "DCMS Sectors Economic Estimates 2016: Employment and Trade."

Industries Council, the UK creative industries are at the forefront of digital trade, exporting £21bn in digital services, 40% higher than the official figure.<sup>2</sup>

The UK's creative enterprises and entrepreneurs - particularly in the creative tech, advertising, VFX and games sectors - are leading the way in digital innovation and utilising new technologies to create exciting new works and export globally, from virtual and augmented reality to cloud computing.

The publishing sector is taking advantage of new digital opportunities such as using e-commerce platforms to sell physical and electronic books and offering newspapers online to global audiences.<sup>3</sup> Even the art sector, seen as an exporter of goods via traditional routes, is taking advantage of digital opportunities. 64% of global art and antique dealers now sell online.<sup>4</sup>

Data collection, aggregation and transfer across borders can drive innovation, productivity and economic competitiveness. Global digital platforms are enormous sales forums for more than just creative tech – from music, to film, to designs, to branding.

The EU remains the primary market for creative goods and services exports due to its proximity and our shared culture and values. 57% of creative exports go to Europe in comparison to 29% to North America. There is a high amount of collaboration between UK and non-UK European partners which drives innovation, jobs and growth in the UK. Creative enterprises will often first export to Europe which gives them the foundation and capacity to expand their exports worldwide.

Creative industries are also exploring new geographical markets which present opportunities to grow exports. In the Federation's Global Trade Report,<sup>5</sup> we identified several important current non-EU markets for the creative industries. This includes the United States (US), China, India, South Korea, the Middle East and Japan.

There are variations in the different sub-sectors. For example, for architecture the Middle East accounts for 28% of total revenues followed by Asia on 21% and North America on 17%.<sup>6</sup> Whilst the EU and North America represent 70% of UK television exports, the remainder is the fastest-growing slice. From 2015 to 2016, television exports to Japan grew by 48%, India by 43%, China by 40% and South Korea by 39%.

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<sup>2</sup> Creative Industries Federation. March 2018. "True value of creative industries digital exports."  
<https://www.creativeindustriesfederation.com/publications/true-value-creative-industries-digital-exports>

<sup>3</sup> Nielsen Book Research, March 2017. "Books & Consumer Survey."

<sup>4</sup> TETAF, June 2017. "TEFAF Art Market Report: Online Focus."

<sup>5</sup> Creative Industries Federation. January 2018. "Global Trade Report: How to maximise the UK's global ambition and potential through its creative industries."  
<https://www.creativeindustriesfederation.com/publications/global-trade-report>

<sup>6</sup> Provided by the Royal Institute of British Architects (RIBA): <https://www.architecture.com/>

The expanding middle class in nations from Chile to China has led to rapid increase in the global appetite for creative goods and services. Moreover, the English language is spreading rapidly in Asia and the Middle East which presents new opportunities for books, films, television series and other forms of UK content. In Asia, far more digital 3D cinemas are being built than anywhere else which is an opportunity for our world-class VFX sector.

Nevertheless, creative industries face current and future export challenges undermining their ability to access world markets. These include:

- **Access barriers:** UK creative enterprises may face difficulties getting licensed, entering tightly controlled or highly competitive markets, regulations designed to disfavour foreign businesses, and contractual freedom barriers such as cross-border access mandates. Whilst some market access barriers for goods have been removed, progress to break down barriers for services has been slower.
- **IP barriers:** Poor protection or enforcement of intellectual property rights – particularly regarding digital piracy - in countries such as China and South Korea present a sizable challenge for creative enterprises. Legal alternatives and digital technologies have made it possible for many people to enjoy and pay for content, and they have enhanced innovation. However there are also challenges including the growth of illegal websites offering unauthorised content and goods which increases the risk of exporting.
- **Limited resources:** Almost 95% of creative industries are micro-businesses. Whilst new digital technologies have reduced the costs of exporting and many of these SMEs have huge export potential, they still face considerable resource challenges when exporting globally.
- **Late payment and cancellations:** Partners in foreign countries can be slow to pay UK creative enterprises or not pay at all if they go into administration. In some emerging markets such as China, UK enterprises have been informed very late about the cancellation of concerts and performances. It is often too late to change plans leading to significant losses.
- **Brexit:** If UK creative enterprises no longer have access to the Single Market and Customs Union, and there is no free movement of people, this would create significant barriers to trading in Europe. Uncertainty remains around our continued ability to receive and process data from the EU and the ease of movement of goods and services such as television broadcasts. Furthermore, Brexit could lead to less foreign direct investment and difficulties hiring critical talent with knowledge of foreign markets, which will undermine the creative industries ability to export.
- **EU funding:** If we are no longer in EU funding programmes such as Creative Europe and the European Structural and Investment Funds as a result of Brexit – and these are not adequately replaced - this would create a gap in finance and export support. These

programmes also develop cross-border collaborations, networks, and market knowledge which is critical to exports and would be extremely difficult to replicate at domestic level.

## **2. How government can support the creative industries in overseas markets**

- Q. How should government differentiate its support for different sizes of firm?**
- Q. How should government change its mix of products and services to help businesses achieve a sustained increase in exports?**
- Q. How should government charge for the services it offers?**
- Q. What should government do to increase capacity and capability in the private sector, particularly at a UK regional level?**
- Q. How should government work with regional and private sector export support to deliver a more joined-up offer for businesses?**

Government should remodel its approach and outline a long-term, creative industries-led export strategy. This should be three years long or more, rather than annually, to ensure the strategy is effective and forward looking. Government should also look even further to 2025-30, so that decisions made now will have positive impacts on the sector in the future.

Government should draw on the knowledge of the Federation, creative enterprises, associations and funding bodies which have an expert knowledge of providing export support to the creative industries. We are currently exploring how exports can be boosted in the creative industries and this will be a key priority for the Trade and Investment Board set up as part of the Creative Industries Sector Deal.<sup>7</sup>

Whilst mapping and more research is currently underway, the following should be taken into account in the export strategy:

- **Service exports:** Two-thirds of creative industries exports are services and 80% of the UK economy is services.<sup>8</sup> Government should give a higher priority to these exports, rather than focusing solely on goods. Neither DIT's single departmental plan or UKTI's five-year strategy (2014)<sup>9</sup> have a specific strategy for services. This requires a different approach and individual

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<sup>7</sup> HM Government, March 2018. "Creative Industries Sector Deal"

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/695097/creative-industries-sector-deal-print.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/695097/creative-industries-sector-deal-print.pdf)

<sup>8</sup> Creative Industries Federation. January 2018. "Global Trade Report"

<sup>9</sup> UK Trade and Investment, June 2014. "UK Creative Industries - International Strategy"

[http://www.thecreativeindustries.co.uk/media/244364/ukti\\_creative\\_industries\\_action\\_plan\\_aw\\_rev\\_2-0\\_spreads.pdf](http://www.thecreativeindustries.co.uk/media/244364/ukti_creative_industries_action_plan_aw_rev_2-0_spreads.pdf)

trade missions are not necessarily the route to success. Building relationships, capacity and using marketing could be more effective tools.

- **SMEs:** 95% of the creative industries are micro-businesses and these enterprises need access to the right products and services. Propensity to export varies in size.<sup>10</sup> Whilst it may be more challenging to promote exports in the smallest companies, the middle and larger SMEs have huge potential. Currently, Government's export support is not tailored to their needs and the minimum threshold on what you can borrow is too high for many SMEs and sole traders. Creative SMEs face challenges accessing export finance (public and from commercial lenders). UK Export Finance should offer more export finance on attractive terms to SMEs and to those exporting services, particularly in the regions.
- **Access to finance for non-commercial enterprises:** At the moment, export finance is focused specifically on commercial entities. Export finance should be available to non-commercial enterprises such as charities which play an important role in exporting British culture.
- **Digital:** More support is needed to encourage the uptake of new technology and innovation in the creative industries. As illustrated in the Federation's report, creative digital exports are 40% higher than official figures. Government should work in partnership with creative tech companies and place a greater emphasis on developing digital skills. For example, Google launched Google Digital Garage - a programme that provides free online training to anyone, from aspiring photographers to small business owners. This year, they are committing to visiting over 200 locations, from city centres to coastal towns and villages, and will look at launching bespoke workshops for businesses in the creative industries. Government should also ensure creative industries can continue to export and import digital data to and from the EU post-Brexit and seek open data flows agreements with other countries.
- **Accurately measuring exports:** Previous estimates of creative industries exports have not been able to capture the full extent of the UK's digital trade, including: musical artists gaining financial value from YouTube views of their music around the world, and designers and developers reaping the rewards of online game downloads. We recommended adopting the methodology used in the Federation and Cebr's recent report on the true value of creative industries digital exports.<sup>11</sup>
- **Market intelligence:** There is a lack of strategic focus on where the opportunities are for the creative industries. Government should work in collaboration with the Federation and the creative industries to identify specific opportunities to expand globally. Moreover, as

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<sup>10</sup> In the architecture sector for example, for the largest practices around 70% of their revenue comes from international work, which drops to less than 10% for smaller practices.

<sup>11</sup> Cebr. March 2018. "Estimating creative sector digital service exports."

<https://www.creativeindustriesfederation.com/publications/estimating-creative-sector-digital-services-exports>;

Creative Industries Federation. March 2018. "True value of creative industries digital exports."

<https://www.creativeindustriesfederation.com/publications/true-value-creative-industries-digital-exports>

highlighted by the Royal Institute of British Architects (RIBA), DIT's Market Selection Service (MSS) and Overseas Market Introduction Service (OMIS) reports vary in quality, are often costly and do not provide sufficient insight. This includes on the local regulatory environment, contract law, working practices, business culture, and suitable local partners and clients.

- **Better signposting:** The website for export support is extremely hard to navigate and better signposting is needed for creative enterprises, SMEs and clusters. Government should work with regional networks and offer more face-to-face advice at regional level specifically for creative enterprises. Policy experts on specific markets have been helpful and their expertise could be more accessible to SMEs regionally. This will be highly valuable for those taking their first steps to export and creative enterprises outside of London. This could also include making more accessible the Intellectual Property Office's resources on how creative industries can fully exploit their intellectual property abroad.<sup>12</sup>
- **Skills development and export training:** Government should work closely with the creative industries to ensure everyone has the right skills and training to make the most of trade opportunities. This could include organising seminars and workshops, business-to-business mentoring schemes, and working with educational institutions to integrate export skills into cultural and creative curricula. Exporting should be embedded as early on as possible in the business cycle.
- **Trade missions:** More funds should be made available for touring<sup>13</sup>, attendance at international trade fairs and festivals, and trade missions. These help promote international showcasing and develop creative networks and collaboration. Trade missions should involve freelancers, not just major companies, to promote diversity and demonstrate the strength and depth of the UK's creative industries. Moreover, there should be communication from DIT to creative enterprises after trade missions to follow up potential contracts and provide support. DIT should also look to make use of experts within the creative industries who are often travelling to foreign markets and attending similar events anyway.
- **Export guarantee:** Government could introduce an export guarantee to address late payments or cancelled events. For example, if a concert is cut, an orchestra could request government funding to help plug the expected deficit, or cover the late payment by a promoter.
- **Local, national and international networks and clusters:** Promoting collaboration must be at the centre of the Government's export strategy. This collaboration is essential to exporting.

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<sup>12</sup> Creative Industries Federation. January 2018. "From spark to market: Maximising your creativity through IP"  
[https://federation.force.com/CPBase\\_event\\_detail?id=a1U41000002GxKPEA0](https://federation.force.com/CPBase_event_detail?id=a1U41000002GxKPEA0)

<sup>13</sup> Unlike other countries there is no government funding to support touring, except in Scotland. The Scottish Government has a £350,000 International Touring Fund.

For example, Bristol Media<sup>14</sup> has a rich local network of advertising, TV production, digital companies, and other creative industries which work together to export works across the globe. Government should work closely with the private sector, financial institutions such as the British Business Bank, local governments, chambers of commerce, Local Enterprise Partnerships, and associations.

- **Promotion:** Creative industries are central to our soft power. All promotional activities should be developed in partnership with the UK-wide creative sector. Often these decisions are being made by marketing teams without consultation.
- **Costs:** Products and services should be free for SMEs, startups and new exporters that produce creative goods and services and which have limited resources. If a charge is applied, this should only be high enough to cover DIT's costs and discourage speculative requests.

It is important to note again the high value of EU funding in this context. European funding programmes such as Creative Europe and the European Regional and Development funds include export support. They play a crucial role in developing knowledge of export markets, skills, motivation and cross-border collaboration. If this support disappears then creative industries exports will be impacted. It is essential that all of this is taken into consideration when developing the Shared Prosperity Fund and when decisions are made regarding programmes such as Creative Europe.

The Creative Industries Federation looks forward to working closely with Government and the Trade and Investment Board to develop these objectives and export support initiatives.

### **Appendix: what are the creative industries?**

The creative industries were defined in the government's 2001 Creative Industries Mapping Document as "those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property."

The sector includes: advertising, architecture, broadcasting, crafts, design, creative tech, fashion, film, heritage, museums and galleries, music, performing arts, photography, publishing, video games and visual arts. The creative economy includes the contribution of those who are in creative occupations outside the creative industries as well as all those employed directly in the sector.

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<sup>14</sup> Bristol Media: <https://www.bristolmedia.co.uk/>

The creative industries deliver £91.8bn GVA and has been the fastest growing part of the UK economy since 2010.<sup>15</sup> Creative employment is growing at 5% year-on-year compared to 1.2% across the wider economy.<sup>16</sup> Creative industries account for 9.4% of total exports, with the latest figures showing a 7.2% year on year increase in the value of exported services.

The creative industries have been named as a priority sector of government’s industrial strategy due to their ability to deliver jobs and growth for the future. The Federation took a leading role in negotiating a sector deal for the creative industries.

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<sup>15</sup> “DCMS Sectors Economic Estimates 2016: GVA.” DCMS, November 2017.

<sup>16</sup> “DCMS Sectors Economic Estimates 2017: Employment and Trade.” DCMS, July 2017.