



LEEDS METROPOLITAN UNIVERSITY

**The Sizing of the UK Creative Services Firms  
Marketplace**

**A Report by the Centre for Public Relations Studies,  
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**For**

**Pembridge Partnership**

**May 2002**

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## 1. Executive Summary

This research provides a current picture of the size of the Creative Services Firms marketplace in the UK. Evidence is presented which clearly points to the considerable contribution that the Creative Industries make to the UK economy.

The figures provided show that growth is a key feature in each of the sectors examined, with the emergence of new media innovations and developments in e-commerce playing a major role in this growth. If the increases reported in each sector are representative of the growth in the marketplace as a whole, then the Creative Services Industries indicate a growth of approximately 5% since 2000.

However, due recognition has not been given to the contribution that this expansive sector makes to the UK economy. This is partly due to the lack of common understanding concerning the scope of the Creative Industries. To further our knowledge of these industries, it is crucial to keep pace with the expanding marketplace and the subsequent changes in definition as this process of reinvention occurs. There is an obvious need for more research into the Creative Services Firms marketplace, which not only addresses the reclassification of the marketplace leading to a current configuration, but also investigates in detail the emerging and fragmenting Creative Services sectors. In addition to this, comparisons of the sizing of the Creative Industries in different regions within the UK as well as across Europe should be made.

Clearly, the significant levels of revenue, employment and growth already demonstrated by the Creative Services sector is evidence of the potential that the UK has in exploiting and capitalising on the dominant position that it already holds to take market leadership on the world stage.

## 2. Background

The Creative Services Industries are in a strong position, making an important contribution to the UK economy. Formed from convergence between the media and information sectors and the cultural sector, the Creative Industries have become a significant area for development in our increasingly knowledge-based society (Jeffcut, 2001), and have become a key element in underpinning global competitive advantage.

For the first time in history, knowledge is the primary source of economic productivity and has begun to penetrate most of the products that we create (Seltzer & Bentley, 1999).

The Department for Culture Media and Sport (DCMS) has published two Creative Industries Mapping Documents in 1998 and 2001 respectively. The need then was to raise awareness of these industries. Since then the importance of this sector to national wealth creation is more commonly recognised, although their direct impact at present still needs to be researched in detail and then publicised. These publications are by no means comprehensive. They act as source documentation upon which considerable expansion of the knowledge of the sizing of the marketplace can be made. What is needed now, is to build on this knowledge previously discovered to help these industries in achieving their potential in terms of the creativity on which they are founded upon.

The 1998 Creative Industries Mapping Document was only the first attempt to measure the economic contribution of these industries to the UK economy. The second attempt was published as the 2001 Mapping Document, which was based on data collected in the year 2000. Since then there has been no comprehensive and inclusive update concerning the UK creative services firms marketplace. This is partly due to the problems associated with the current measurement of the marketplace.

Difficulties in measurement result from the complexity of these industries and the multifaceted nature of the services that they provide. To try and obtain robust data that not only separately identifies each industry but also provides an holistic picture of the total marketplace is difficult due to industry classifications and economic statistics failing to acknowledge the creative industries in their own right. The Standard Industrial Classification (SIC) codes which form the basis for economic monitoring typically aggregate Creative Services within more conventional industry sectors and are inappropriate for the analysis of modern or emerging economic sectors.

Within this, the problem is compounded by the difficulty in obtaining reliable figures for employment due to the subjective perceptions involved in determining an individual's occupation. For example, a temporary film set designer may also have alternative employment in an unrelated field making it difficult to ascertain in which sector they should be categorised. This is a situation common to these industries which are characterised by a number of different working patterns (including part-time, temporary and freelance). If these figures are not obtainable, it becomes virtually impossible to predict the changes in both the structure and the distribution of employment in these industries. Yet another group which are often neglected in official statistics are those individuals that work in in-house Creative Service departments.

In addition, creative industry inputs to other sectors of the economy are defined in official statistics in terms of the end products or services that it produces. As such, any statistics produced will be skewed, and it becomes difficult to isolate and quantify the exact contribution of these inputs.

### **3. Introduction to the Research**

The Centre for Public Relations Studies at Leeds Metropolitan University has produced this report outlining the importance and contribution of the creative industries to the UK economy. A large variety of sources were reviewed to ensure that the most appropriate and up-to-date data was included to provide the best picture of the current characteristics of the marketplace.

This summary report focuses on the facts and figures sourced from vast quantities of secondary data concerning the Creative Services firms marketplace in the UK. This data not only adds weight to existing material but also redefines it.

The four main areas highlighted for data extraction were:

- UK market size / structure
- Revenue
- Employment
- Projected future growth

Due to inconsistencies in the way that the secondary data sourced is presented, there are difficulties in providing complete figures for these four requirements. It was also found that there were contradictions in the figures sourced. Therefore, the facts and figures presented below have been ascertained to be the best conservative estimate of the sizing of the Creative Services Firms marketplace in the UK based on the new redefining of the sector. The analysis makes no pretence at comprehensiveness.

Predicting the economic situation in the Creative Industries in the UK over the next few years is also problematic. The global economy is experiencing a slowdown in growth, mainly driven by the USA, and as a result of the events of September 11<sup>th</sup> 2001, there is much uncertainty looming. The effects of this and the subsequent military action in parts of the eastern world have meant that many parts of the UK economy, including the Creative Industries have suffered economically. It is predicted that this economic slowdown will be experienced for the most part of 2002 (Optimedia, 2001). Yet, the failure of the stock market to crash as predicted in the wake of the September 11<sup>th</sup> atrocities, have led to cautious optimism concerning many of the sectors, especially in advertising. However, as a result of these events, it has become even more difficult to analyse future trends in growth, with the long-term effects remaining largely unknown.

#### **4. Research Methodology**

The findings are based upon secondary data available within the period of research (the first quarter of 2002) and are contextualised with the information presently available concerning these industries. Sources reviewed included: trade bodies and associations data, specific industry reports, governmental sources and reports, websites, national press articles and research and forecasting organisations. The sources referenced are provided in the bibliography and those reviewed are shown in Appendix 1.

It was seen to be inappropriate to make direct comparisons with both the previous research that has been conducted in this area and the individual sectors referred to because of the differences between data sources, dates of publication and methodologies utilised in data collection. The figures presented in this report are the most comprehensive to-date.

Desk research was used for data collection, by sourcing publicly available data and previously published material. The methodological process entailed was as follows:

- Classifications for inclusion / analysis in the Creative Services sector
- Sourcing of existing data / research / papers
- Updating of existing data in conjunction with new sources of data
- Reaggregation of data
- Interpretation and presentation of data

## 5. Defining the Creative Services Firms Marketplace

In establishing a suitable definition of 'creativity', the product and the value created by the creative work are clearly important (Green, 1999).

Creativity is the ability to create something new by bringing together two or more different elements in a new context, in order to provide added value to a task (Green, 1999). Creativity should not be seen as something to be added onto business, but as an integral and essential part of an organisation's success. It is the production of difference.

The DCMS (2001) defines the Creative Industries 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*" p.5. Thus, Creative Services Firms can be seen as those that marry creativity and business.

This research focuses on those services that are provided to businesses as part of the process of the production of value-add in the economy whereby added value is the fundamental element of anything that is defined as creative. These services are the future of our creative output, whereby additional value is added along the process, as business serves business, and further wealth is generated. One definition of the Creative Industries is provided by the Scottish Enterprise (1999) as "*those in which creativity fundamentally is the enterprise*" (p.4). This however should not be taken as a model definition, in that it does not embrace the creative input that has a role to play in many activities. For example, website creation is seen as

intrinsically technical, yet design is obviously an essential element in its development.

Traditionally, this definition would have called for the inclusion of Advertising and Public Relations agencies, Designers and Marketing consultants. In its publications, the DCMS also includes other sectors which align to its definition of Creative Industries (See Appendix 2). For example, creativity is evident in markets which provide creative content such as in Film, Music, Television and Radio production. In addition, it is important to recognise those firms that act as a support mechanism to the Creative Industries in terms of the essential research and information that they provide. For the purpose of this research, the sector has been classified as Market Research.

However, beyond the traditional sector classifications, the significant impact that the Internet and E-Commerce have had on the Creative Industries has called for the inclusion of other areas of creative business that have previously not been acknowledged. For the purpose of this research, the sector has been classified as New Media, although within individual sectors, the growing role of the Internet is analysed.

It is also noted that there is a close economic relationship with other sectors including: tourism, hospitality, heritage and sport and museums and galleries. These can be interpreted within the envelope of the cultural industries, which can be said to be even more dispersed and broad ranging. The cultural industries tend to include those activities and sectors that have a creative or artistic input, with the primary of purpose to express ideas, meaning and experiences to the public. Through the offering of specific services and the processes involved in creating a product, these individual sectors are often encompassed in the overall marketplace. Linkages between other industry sectors and Creative Services can be made at numerous stages of production cycles. The mapping of these sectors and their linkages is however beyond the main focus of this research.

The sectors, activities and occupations incorporated in this research under the umbrella of the Creative Services Firms Marketplace are presented in Appendix 3. It is important to note however that this list is far from exhaustive, although there are difficulties in entangling creative aspects from other sectors to provide an all-encompassing list.

## **6. Impact of E-Commerce, Technology and the Internet**

E-Commerce and the Internet have had played an increasingly central role in the development of the Creative Industries in the UK. Whether this exploitation has been through the seeking of ways to complement existing products or the revolutionary development of new media innovations, e-commerce has undoubtedly added to the development of business processes. For example, in the advertising sector, traditional advertising is now being complemented by using new media / online advertising space, and in addition, new media businesses are using traditional advertising media (print, television, radio).

The use of the Internet as a distribution channel for products and services will grow as digitisation prevails and bandwidth increases and becomes more widely available. Businesses will also continue to feel the demand of having an Internet presence in the marketplace.

Alongside the apparent benefits of the onset of the Internet for creative businesses, there are also threats that need to be carefully monitored and acted upon. The importance of the protection of intellectual property rights to long-term creativity is a critical issue to the potential growth and continuing success of the Creative Industries in the UK. For example, the online distribution of creative products, concepts and ideas poses problems to content creators because of the need to protect their rights and payments. Such long-term creativity is also vital for ensuring the continued competitiveness of British industry.

Equally as pertinent is the issue that e-commerce is impacting on employment by challenging traditional means for information delivery. This, alongside the opportunity that e-commerce presents for the UK to serve the global market is an issue which warrants serious investigation.

## **7. Quantification of the Creative Services Firms Marketplace**

The Creative Industries are big. Being such a diverse sector, mapping the number of organisations, people and revenue is a problematic task.

The findings from the DCMS presented below highlight the contribution that the Creative Industries in the UK make to the economy (based on data from a survey carried out in 2000). This data forms the initial base upon which the research is to be carried out. It does not provide a detailed insight into the current Creative Services Firms Marketplace.

Figure 1 - Findings from the Department for Culture Media and Sport (DCMS) 2001 Creative Industries Mapping Document

	Revenues (£ billion)	Employment	Exports (£ million)
Software & Computer Services	36.4	555,000	2,761
Design	26.7	76,000	1,000
Publishing	18.5	141,000	1,654
Television & Radio	12.1	102,000	440 *
Music	4.6	122,000	1,300
Film & Video	3.6	45,000	653
Advertising **	3.0	93,000	774
Interactive Leisure Software	1.0	21,000	503

(\* Television only)

(\*\* Public Relations, Marketing and Market Research are under the remit of Advertising. It is clear that this aggregation of data is insufficient to portray the separate economic impacts of the distinct creative sectors of Marketing, Market Research and Public Relations).

According to the latest Creative Industries Mapping Document published by the governmental Department for Culture Media and Sport, the Creative Industries in the UK generate a total revenue of £112.5 billion, employ 1.3 million people, have exports worth £10.3 billion and account for over 5% of UK GDP.

Findings from this research show that growth is a key feature in each of these sectors. If the increases reported in each sector are representative of the growth in the marketplace as a whole, then the Creative Services Industries indicate a growth of approximately 5%

## 7.1 Research Findings

This secondary research collected by the Centre for Public Relations Studies at Leeds Metropolitan University builds on the initial findings presented in the DCMS Creative Industries Mapping Documents by presenting the most up-to-date data available.

### UK Summary

The creative sector accounted for 3.7% of employees in the UK in 2000. The region with the highest proportion of employees working in the creative sector is Greater London with 7.4%, followed by the south east with 4.9%

Figure 2 - General characteristics of the UK creative sector in 2000:

Size	Number of Enterprises*	% of Enterprises
Micro (1 – 9)	157,806	93.7
Small (10 – 49)	7,984	4.7
Medium ( 50 – 249)	2,291	1.4
Large (250 +)	263	0.2
Total	168,344	100.0

Source: [www.creativeyorkshire.com](http://www.creativeyorkshire.com)

\*Note: these figures only reflect businesses with employees and therefore do not include sole traders.

The annual rate of growth in the creative sector in the UK throughout the 1990s was 4.7%

Creative businesses make a significant contribution to all regional economies in the UK (DTI, 2001).

(Note: Most of the individual media forecasts that follow have been based on UK forecasters experience in each particular market and by overlaying economic figures and impending economic figures).

## Advertising

- UK Market Size / Structure

There are no specific figures for UK market size.

The UK is a centre for advertising best practice, with London as one of the three main global advertising centres, which is used as a base for targeting pan-European and global markets (DCMS, 2001).

The advertising market in the UK though has fragmented with the creation of new media agencies (DCMS, 2001). This has enabled the economic targeting of niche markets, although many of these new agencies are likely to be integrated into larger advertising organisations that want to strengthen their new media competencies.

- Industry Revenues

Zenith predicted that total advertising expenditure across the industry would fall by just under 6% by the end of 2001.

It was predicted that total advertising revenue in 2001 was £11,202 million. This is a decline of 3% from 2000 (Optimedia). Zenith note that this is the first time that the market has shrunk in real terms in ten years. It has been noted though that the performance of the advertising industry has a strong

relationship to the UK economy. In periods of economic growth, expenditure on advertising increases, with the converse true in periods of recession (DCMS, 2001).

UK advertising turnover is approximately £18 billion, with exports estimated to be about £815 million annually (ONS SIC 7413).

Regional press is the second largest advertising medium, after T.V., taking an estimated £2,762 million in 2000 – around 19% of total UK adspend. National press takes around 16% (£2,258 million), magazines 14% (£2,019 million), posters 6% (£823 million) and radio 4% (£536 million). Advertising revenue in the regional press increased by 11.2% in 2000 – the biggest growth for 12 years. Display was up by 8% and classified grew by 13% (Advertising Association Yearbook, 2001).

◦ Magazines:

It was estimated that the magazine sector's revenue grew by 3% in 2001 to reach £2,080 million. However, these forecasts cover consumer magazines as well as trade/business titles (Optimedia).

Figure 3 - Estimated magazine advertising revenue and growth rates:

	2000	2001	2002	2003	2004	2005
£ millions	2,019	2,080	2,100	2,142	2,250	2,362
Year-on-year Increase %	5	3	1	2	5	5

Source: Optimedia, 2001

◦ Radio:

Over the last few years, radio has constantly seen high levels of revenue growth. In 2001 the trend has reversed and it was estimated that revenue was £421 million. This represents a 7% decrease over 2000 (Optimedia). This negative growth was due to the slowdown in advertiser demand for the medium as a result of the dotcom boom which took off in the year 2000. Consequently, commercial radio advertising is expected to be overtaken as the fastest growing medium by the Internet as early as 2003.

However, The Advertising Association expects commercial radio revenue to grow ahead of the total display marketplace making it once again the fastest growing medium. This is reflected in the predictions made by Optimedia who forecast an 8% year-on-year growth for 2005. This recovery will largely be as a result of growth in locally targeted advertising.

Figure 4 - Estimated radio advertising revenue and growth rates:

	2000	2001	2002	2003	2004	2005
£ millions	455	421	405	418	447	482
Year-on-year Increase %	15	-7	-4	3	7	8

Source: Optimedia, 2001

° Television:

It was estimated that in 2001, television took £2,916 million in advertising revenue, although expenditure dropped by 11% (£368 million) in 2001. It is estimated that overall revenue will increase by 3% in 2002 to £3,003 million, indicating a recovery in the broadcasting industry. It will not be until 2005 that total television advertising revenues surpass the levels of 2000 (Optimedia). However, with recent declining audience / impact levels, the effects on the changing marketplace need close monitoring.

Figure 5 - Estimated television advertising revenue and growth rates:

	2000	2001	2002	2003	2004	2005
£ millions	3,284	2,916	3,003	3,124	3,249	3,411
Year-on-year Increase %	7	-11	3	4	4	5

Source: Optimedia, 2001

◦ Cinema:

Although cinema advertising accounts for less than 2% of UK adspend (Zenith), it has been predicted that advertising revenue for the film industry grew by around 19% to £152 million in 2001. This growth is a reflection of the increased popularity in audience viewing, including the success of many UK films, and the strong demand from advertisers for the medium. This large revenue growth is likely to continue as the popularity of the medium grows with revenues forecasted to reach £227 million in 2005 (Optimedia).

Figure 6 - Estimated cinema advertising revenue and growth rates:

	2000	2001	2002	2003	2004	2005
£ millions	128	152	176	193	212	227
Year-on-year Increase %	4	19	16	10	10	7

Source: Optimedia, 2001

◦ National newspapers:

In 2001 the national newspaper market was estimated to have taken approximately £2,145 million in display advertising revenue. This is a 5% drop over 2000 (Optimedia).

Specifically, the broadsheets fared even worse in % terms. Broadsheet advertising revenues ended 2001 16% or £173 million lower, at £902 million (Advertising Association).

However, projected future growth indicates an increase in revenue of £198 million to 2005, a year-on-year increase of between 1% and 3% (Optimedia).

Figure 7 - Estimated national newspaper advertising revenue and growth rates:

	2000	2001	2002	2003	2004	2005
£ millions	2,258	2,145	2,166	2,209	2,275	2,343
Year-on-year Increase %	13	-5	1	2	3	3

Source: Optimedia, 2001

° Regional newspapers:

It was estimated that regional newspaper revenue grew by 2% in 2001 to reach £2,817 million (Optimedia).

Following a few years of marked growth, 2001 is the beginning of a slowdown in revenue for regional newspapers, with year-on-year increases expected to reach no more than 4% to 2005. This is partly due to the gradual shifting of classified advertising money into online media.

Figure 8 - Estimated regional newspaper advertising revenue and growth rates:

	2000	2001	2002	2003	2004	2005
£ millions	2,762	2,817	2,873	2,960	3,048	3,170
Year-on-year Increase %	11	2	2	3	3	4

Source: Optimedia, 2001

° Internet:

It was estimated that £120 million was spent on Internet advertising in 2001, a 20% increase from 2000 (Optimedia). Despite this growth, technology and dotcom spending has dropped from the year 2000. With 2000 the year that the Internet really took off, a huge expenditure was seen. However, the UK economy is experiencing an economic slowdown, Internet prices are

decreasing as the medium becomes established and there are increases in the number of advertisers using the Internet.

In addition to these factors, spending has reduced as companies are pressurised to compete for shrinking budgets, which all leads to advertising revenues expected to flatten out from the growth of 122% for 2000, to rates of between 10% and 45% predicted growth to 2005.

In 2002, it is predicted that it will take almost the same amount of advertising revenue as the cinema industry.

Figure 9 - Estimated Internet advertising revenue and growth rates:

	2000	2001	2002	2003	2004	2005
£ millions	100	120	174	244	305	336
Year-on-year Increase %	122	20	45	40	25	10

Source: Optimedia, 2001

° Outdoor advertising:

It is estimated that outdoor advertising accounts for 8% of total display advertising with an estimated market value of £697 million in 2000 (Outdoor Advertising Association).

It is estimated that outdoor advertising revenue dropped by 3% in 2001 to £551 million. The economy and the withdrawal of dotcoms from the marketplace particularly affected this decline.

However, it is forecasted that the market will pick up towards the end of 2002, with revenue growth increasing by 2%. It is expected that outdoor advertising revenues will reach £650 million in 2005, although with the growth of interactive media resulting in increasing patterns of working, shopping, banking, etc. from home revenues may plateau over the next few years (Optimedia).

Figure 10 - Estimated outdoor advertising revenue and growth rates:

	2000	2001	2002	2003	2004	2005
£ millions	568	551	562	579	614	650
Year-on-year Increase %	19	-3	2	3	6	6

Source: Optimedia, 2001

- Employment

There are no specific figures for employment.

- Projected Future Growth

Optimedia have predicted that total advertising revenue in 2001 based on the individual media highlighted above, will be £11,202 million. This represents a decline of 3% from 2000, although is explained by the various factors outlined within each of the media sectors above, the reasons from which largely stem from the global economic slowdown. However, the UK economy has remained reasonably buoyant, with recovery expected in all sectors (Advertising Association).

Figure 11 - Estimated total UK advertising revenue and growth rates:

	2000	2001	2002	2003	2004	2005
£ millions	11,574	11,202	11,459	11,869	12,400	12,981
Year-on-year Increase %	10	-3	2	4	4	5

Source: Optimedia, 2001

Note: Although Optimedia has been cited for much of the data in the advertising sector, many different sources were reviewed with the data collaborated from other sources.

## Design

- UK Market Size / Structure

Design is integral to most economic activities, with the UK widely regarded as a world leader across all design disciplines and as a top exporter of design worldwide (DCMS, 2001). Britain is Europe's largest design market, accounting for around 25% of its annual expenditure on design services (DTI).

The industry mainly comprises of small and medium sized companies, with London dominating the design sector, and accounting for 42% of the total turnover and fee earnings (Design Industry Valuation Survey, 2001).

In 2000 it was estimated that there were 4,000 firms in the industry, an increase of 1,000 companies on the estimate in 1996 (Design Council, 2001).

- Industry Revenues

The design industry had a turnover of just over £6.7 billion in 2000/2001, up from £6.5 billion in 1999/2000 (Design Industry Valuation Survey).

Figure 12 – Size, number and turnover of British design consultancies

	% of Companies	Number of Companies	Turnover (£ million)
Up to £50,000	6.8%	272	£13.6
£50,000 - £100,000	9.1%	362	£27.2
£100,000 - £250,000	13.6%	543	£95.1
£250,000 - £500,000	16.9	678	£254.2
£500,000 - £1 million	17.3%	691	£517.9
£1 million +	36.4%	1,455	£5,851.1
Total	100%	4,001	£6,749.1

Source: Design Industry Valuation Survey, 2001

In 2001 the gross total of fee income for the industry was £5 billion, showing a small increase over the year 2000, which recorded an income of £4.8 billion (Design Industry Valuation Survey).

British business spent £26.7 billion on design as either an in-house resource or as a bought-in service in 2001 (The Design Council).

Figures for 2000 suggest that British design consultancies earn around £1 billion a year in export revenue (The British Design Initiative) compared to the £350 million estimated by the DCMS for 1995.

- Employment

Around 1 million people are employed in the sector in either full or part-time positions (The Design Council, 2001).

The gross estimate of the number of employees in the UK design consultancy industry is 82,000, an increase of 6,000 on the 76,000 recorded in the 2000 Design Industry Valuation Survey.

The number of in-house designers in the corporate sector in Britain (as defined by the firms themselves) is estimated at 1,003,000. This includes staff working on part-time design-based activities (Design Council, 2000).

- Projected Future Growth

Demand for competitive edge from the design of websites and supporting technologies will lead to considerable growth in this sector. Fields such as information design are being developed to deal with the new demands of the diverse technology available to business-to-business markets (DCMS, 2001). With strong global markets, the UK design industry will considerably benefit from the use of the Internet to work with design partners in other countries.

In 2001 the sector has remained more or less static with just a 0.3% growth over the past 12 months (Design Industry Valuation Survey).

It is estimated that between 2000 and 2004, design consultancy fees will rise by 12.7% to £816 million (KeyNote).

## Film

- UK Market Size / Structure

The UK possesses no large, indigenous distributors or exhibitors of film and the production sector comprises a large number of very small, independent production companies. The majority of companies are set up to make only one film due to the problems in recycling returns from previous film projects into new productions. As a result, undercapitalisation remains a key problem for many companies in this fragmented sector (DCMS, 2001).

The videography (video production) market is sized at 15,002 companies (Institute of Videography).

According to the Greater London Authority 80% of the film industry is located in London.

- Industry Revenues

The videography market has an annual spend of £20 million (Sony).

Film production spending during 2000 was 33% more than in 1999 (The Film Council).

In 1999 the film industry generated exports totalling £653 million, an increase of £72 million from the previous year (DCMS, 2001).

- Employment

It was estimated that in 2000 there were 33,000 employee jobs in film and video activities, with a further 11,500 estimated to be self-employed (ONS).

Many people employed in the industry are freelance (Skillset, 1996), with employment reflecting the individual project-based nature of the work.

- Projected Future Growth

Videography has an estimated growth of 20% per year (Institute of Videography).

The film industry in the UK is more prosperous now than it was in the early 1990s due to the success of more UK films. 2001 was a strong year for the UK film industry with cinema admissions rising to record levels.

With the onset of digitisation, huge savings in film print production and distribution are imminent with a great potential for the export of digital equipment for cinemas (DCMS, 2001).

## Marketing

- UK Market Size / Structure

There are no specific figures for the general UK marketing market size. This is due to data sources tending to relate to specific sectors within the overall marketing industry.

E-commerce is undoubtedly going to be the growth area of marketing services business as Internet access opens up further towards mass penetration from its current niche status. Many of the major sales promotion agencies are heavily investing in services such as website design and new media promotions (Mintel).

The sales promotion industry structure has been radically transformed over the last decade as a new integrated marketing culture has proved a major catalyst in enabling sales promotion agencies to win a larger share of the marketing expenditure based on merit and multi-discipline expertise. Mergers and acquisitions are likely to continue to characterise the sales promotion industry landscape in the short-term, with global and pan-European networks being built (Mintel).

- Industry Revenues

Sales promotion expenditure was worth £8.6 billion in 1999 (Mintel, 2000). (However, it must be noted that as well as the inclusion of specialised sales promotion agencies, this figure also includes spending by advertising agencies and integrated organisations, which do not reveal a sales promotion breakdown).

In 1999 the total exhibition sector exhibitor spend was estimated to be £1,757 million (Exhibition Venues Association).

- Employment

There are no specific figures for employment in the marketing sector.

In 2000, the number of people employed in the exhibition sector was 8,520. This comprised of: 2,018 full-time, 3,580 outsourced, and 2,922 part-time jobs (Exhibition Venues Association).

- Projected Future Growth

There are no specific figures for the general marketing sector.

In 1999, television was the largest marketing medium in expenditure terms followed by regional newspapers, and both of these sectors have continued to grow (Exhibition Venues Association).

The sales promotion industry showed a 20% year-on-year growth for 2000 (Mintel). This reflected a new media pre-Millennium increased marketing spend.

The direct marketing market grew by more than 80% between 1995 and 2000, to £10 billion. This reflects the increasingly sophisticated and niche centred direct marketing techniques being used. Growth rates may start to slow from 2003/2004 but losses are not expected (KeyNote). This growth has partly been due to the market expanding away from the traditional sectors of direct mail and telemarketing into new technologies such as the Internet, database and field marketing.

Service industry exhibitions represent 20% of the total number of exhibitions in 2000, and have shown a 9% rate of growth since 1998 (Exhibition Venues Association).

## Market Research

- UK Market Size / Structure

In recent years the market research sector has seen an increasing trend towards the establishment of research super groups. Largely driven by increasing globalisation, these groups have the ability to offer fully co-ordinated worldwide research. However, independent companies have often retained key competencies, where global strategies have been a downfall (KeyNote, 1999).

There are 600 UK owned market research companies. These include the largest international customised market research specialists (ONS).

- Industry Revenues

The industry in the UK is estimated to be worth around £1.5 billion, of which £200 million of income is generated from international business (ONS SIC 7413).

In 2000 the industry had a turnover of £145.8 billion, 5% higher than in 1999 (ONS).

- Employment

In December 2000, there were 182,000 employees in GB in market research and business and management consultancy activities (ONS).

- Projected Future Growth

It is estimated that the industry will be worth £1.1 billion in 2003, growing by 34.3% between 1999 and 2003. Key determinants for success include increased value-added data analysis and report writing, and the ability to harness the Internet to improve efficiency and international reach (KeyNote, 1999).

## Music

- UK Market Size / Structure

It is estimated that Britain may account for as much as 15% of the global music market, with the UK the third largest market in the world for sales of music (British Phonographic Industry, 2002).

According to the Greater London Authority 90% of the music industry is located in London.

- Industry Revenues

Britain's music industry is worth almost £4 billion a year (British Phonographic Industry, 2002).

Copyright earnings generated by composers and music publishers were £358 million in 1999 (DCMS, 2001).

The music industry has an enviable export record, with estimated overseas earnings of £1.3 billion. Exports are approaching twice the level of imports and annual net earnings are in excess of £500 million (British Phonographic Industry, 2002).

- Employment

Music activities generate the equivalent of about 122,000 full-time jobs in the UK (DCMS, 2001).

Composers and musicians represent 30% of employment in the industry, which is a good indicator of the significance of origination of content and its performance in the music industry's supply chain (DCMS, 2001).

Reliable quantification of the various employment characteristics of the music industry is hard to provide due to the flexible approach to work, changing industry fashions and the autonomy which is characteristic of the creative process itself (DCMS, 2001).

- Projected Future Growth

There are no specific figures for projected future growth.

Total music sales revenue grew by an impressive 5.3% over the period of 2001 as a whole (British Phonographic Industry).

## **New Media / Software**

- UK Market Size / Structure

Definitions of the digital media sector are as diverse as the media itself. Descriptors of new media however encompass a general reference to various new formats and channels resulting from the convergence of IT and media products and services (Digital Media Alliance, 1998).

New media agencies are chiefly concerned with providing companies with the ability to benefit from the functionality of the new technologies available to them as well as ensuring their Internet presence is professional. New media marketing agencies clearly overlap with other related sectors, including

corporate communications, advertising, brand developments, direct marketing and design (KeyNote, 2000). This makes it difficult to gather reliable statistics that do not incorporate figures from overlapping and integrated sectors more than once.

There are approximately 2,750 digital media companies in the UK whose sole, or primary activity is designing and creating content for the Internet and other digital platforms (Digital Media Alliance).

The UK is a world leader in related IT fields such as multimedia applications, and also in many areas of animation. Animation companies in the UK are supported by a huge network of specialist support companies in advertising, film processing, motion capture, printing, camera hire, sound, and many other areas. In addition to pure animation programming, animation skills are heavily in demand from the advertising, music video, and film special effects industries (The Investment Technology Resource Centre).

Figure 13 - Number of animation production companies in the UK

220	2D animation companies
240	3D animation companies
150	character design companies
90	model making and prop companies
130	post production companies
60	scriptwriting companies
120	story board making companies
30	voice-over companies

Source: [www.invest.uk.com](http://www.invest.uk.com)

N.B. Some companies are counted in more than one category.

- Industry Revenues

Business-to-business e-commerce is estimated at £800 million in the UK, which is the largest e-commerce market in Europe (UK Online for Business, 2001).

New media business-to-business information publishing products and services account for over £1,000 million (The Periodical Publishers Association).

The digital media industry generates annual revenues in the region of £925 million (Digital Media Alliance).

In 2001, the new media marketing sector which encompasses: Internet, CD-ROM, interactive television, interactive kiosks and company Intranets, was worth at least £189.5 million in agency billings (KeyNote).

It was estimated that the size of the computer services market in GB in 2000 was £32 billion (including exports) (ONS, 2001).

- Employment

There are no specific figures for employment.

The digital media industry employs an estimated 20,750 people (Digital Media Alliance).

It is predicted that total employment due to packaged software in Western Europe will grow by 52% between 1999 and 2003. This represents an aggregate yearly growth rate of nearly 14% over the five years – higher than the general economy for Western Europe as a whole. (There are no figures solely for the UK). (Business Software Alliance, 2002).

- Projected Future Growth

E-commerce spending grew by 350% in the UK in 2001 compared with 70% in the USA (UK Online for Business, 2001). This represents that the UK is catching up with the USA market.

Total e-trade in business goods and services is expected to increase from \$12.9 billion (about £8.9 billion) in 2000 to \$225.5 billion (about £155.9 billion) in 2004 (The Investment Technology Resource Centre).

The new media marketing industry is set to grow to £2.7 billion in value by 2004 (KeyNote).

The digital media industry faces many operational, legal and regulatory issues which are unique to the emerging digital economy. If the barriers to growth are removed the industry could achieve a growth rate of at least 20% per annum

over the next decade, providing the economy with over 100,000 jobs and annual revenues of nearly £5 billion by 2007. However, if the obstacles to growth are not removed, many digital media companies will be engulfed and in the possession of international competitors within a period of five years (Digital Media Alliance).

The UK software industry is set to remain flat at 2.6% growth in 2002. Although the largest UK software companies are mainly games and consumer focused, business software companies account for the fastest growing companies, with over 300 growing at upwards of 20% (vnunet.com).

It has been indicated that the European packaged software industry (application solutions, development and deployment tools and system infrastructure software) will reach €109 billion (about £67.3 billion) in 2005, compared with €56.7 billion (about £35 billion) in 2000. (There are no figures solely for the UK). (Business Software Alliance, 2002).

## Public Relations

- UK Market Size / Structure

The UK accounts for approximately 10% of the world market which is valued at £10 billion (ONS SIC 7413).

There are approximately 2,800 public relations consultancies in the UK (Institute of Public Relations, 2001).

- Industry Revenues

The public relations industry in the UK is worth an estimated £1.2 billion which is mainly from consultancy income/fees (Institute of Public Relations, 2001).

- Employment

Around 30,000 people are employed in public relations in the UK with estimates of up to 50,000 people with aspects of public relations not exclusively in their work (Institute for Public Relations, 2001). The figures are hard to establish due to the diversity in the PR industry and the in-house work that doesn't specifically fall under the remit of public relations.

- Projected Future Growth

The PR industry in the UK is growing by around 17% each year (Institute for Public Relations, 2001).

In 2001, the top 50 public relations agencies grew by an average of 8.3%, medium-sized firms grew by an average of more than 10% and small firms showed an average growth of more than 17% (PR Week, 2002).

## **Publishing**

- UK Market Size / Structure

The figures for the publishing sector include: newspaper, magazine, book and business-to-business information publishing.

A great number of mergers, acquisitions and restructuring activities mainly involving larger companies have taken place in recent years.

The business-to-business information publishing market is dominated by business magazines, newspapers, journals, directories and other print base products. Business-to-business publications offer great scope to expand largely from national into global markets, while database publishers of research, professional and business information have world-leading products to offer (CIEPAG, 1999).

There are now 26% more business magazines since the beginning of the 1990s (Periodical Publishers Association).

Electronic publishing is well established in the business information area, with the market dominated by a small number of key players.

Over 90% of the publishing industry now have an online presence (The Newspaper Society).

There are nearly 1,600 regional newspaper titles and 13 national titles (KeyNote, 2000).

There are around 100 regional press publishers ranging from about half who own just one title to a few controlling more than 100 each (ONS, 2002).

The printing industry comprises of more than 12,000 companies (British Printing Industries Federation, 2001).

In 1999 newspapers represented 45% of the market, magazines represented 34.2% and books 20.8% (KeyNote).

- Industry Revenues

The business communications marketplace is worth £11 billion.

The UK market for printed products is inclusive of those sectors to which UK printers sell. This includes: book, magazine and newspaper publishing, advertising, brochures, catalogues, labels and packaging, commercial stationery and business forms, diaries, cards and calendars. Figures exclude the sales of bookbinding, finishing and plate-making. The market was estimated to be worth £12.32 billion in 2001 (KeyNote).

National press generates 55.2% of total revenue, the remaining 44.8% by regional press. The estimated total newspaper revenue for 2001 was £7.61 billion, up from £7.37 billion in 2000 (KeyNote, 2001).

62.6% of newspaper revenue comes from advertising, which renders the industry vulnerable to any downturn in advertising expenditure (KeyNote, 2001).

It was estimated that the book market was worth £3.25 billion in 2000. This includes fiction and non-fiction, academic and professional books (KeyNote).

The value of sales in the printing industry is about £13 billion, which accounts for 1.7% of UK GDP. Sales of advertising, literature and books, brochures and leaflets dominate the figures (British Printing Industries Federation, 2001).

- Employment

The regional newspaper industry employs around 34,000 people (The Newspaper Society).

The UK printing industry employs over 170,000 people (British Printing Industries Federation, 2001).

- Projected Future Growth

It is estimated that the UK publishing market will grow by 21.8% between 2000 and 2005. Magazine income will grow by 25.8%, newspaper turnover will increase by 16.3% and book publishing revenues will rise by 26.9% (KeyNote, 2000).

It is predicted that growth in the newspaper industry will fall to 2.3% - 2.8% until 2005, when growth will rise to 3.1% (KeyNote, 2001).

Sales in both the national and regional newspaper sectors are recovering from the negative growth shown between 1998 and 2000. This decline can be attributed to major rationalisation and changes in ownership in the industry (KeyNote).

Increasing competition from other media in the delivery of news, information and entertainment has had a negative effect on the national press. However, most national newspaper groups have set up Internet websites in recent years offering editorial, directory and advertising services (ONS, 2002).

The contract publishing sector is growing more rapidly than other areas of the magazine publishing market. By 2000, the market size was showing a 70.3% increase on the 1996 figure. The rate of growth will continue with a forecast

increase in market value of 47.2% between 2000 and 2005 (KeyNote, 2001).

At the beginning of 2002, the strongest sectors of the printing market were publishing, advertising, brochures and catalogues (KeyNote, 2002).

Forecasts predict that the UK market for printed products will continue to show slow growth between 2002 – 2006 (KeyNote).

The Internet and other new media will undoubtedly exert a strong influence on the publishing sector, with the growth of new channels to market. The possibilities of online publishing are already being exploited strongly by the academic and professional sector, although there is a general uncertainty surrounding the use of new technologies by the publishing industry. This can be attributed to the difficulty in predicting which electronic products and services will succeed and because of the complexities associated with issues connected with rights and royalties in book publishing (KeyNote, 2001).

## Television and Radio

- UK Market Size / Structure

There are 3 national and almost 250 local commercial radio stations (Commercial Radio Companies Association).

According to the Greater London Authority 80% of the television industry is located in London.

- Industry Revenues

Commercial radio revenue in 2001 was £549 million (Radio Advertising Bureau).

Television revenue in 2001 was £7.9 billion (ITC).

Figure 14 - Components of television revenue in 2001:

Sponsorship	£84 million	1%
Sale of goods	£312 million	4%
Other	£382 million	5%
Licence fee spent on TV	£1.7 billion	21%
Subscription revenue	£2.0 billion	25%
Net advertising revenue	3.4 billion	44%

Source: ITC

- Employment

Commercial radio employs nearly 12,000 people, almost as many as television, and is a £500 million industry (Commercial Radio Companies Association).

- Projected Future Growth

There are no specific figures for projected future growth.

## 8. Conclusions

The evidence has been presented through this research and other previously published documents on the Creative Industries in the UK, that the Creative Industries are central to the growth of the UK economy. The Creative Industries, in aggregate, are important providers of both employment and income; a fact which may be overlooked when each creative sector is analysed in isolation.

The Creative Industries offer considerable potential for growth in the formation of new businesses, especially micro-businesses, as well as the acquisition of smaller specialist businesses by larger companies, as seen with in the new media sector. Leading edge developments in digital markets and e-commerce activities will lead to the expansion and restructuring of the Creative Industries

in the UK. The generation of new products, services, jobs and skills will enable the UK to continue to compete effectively both at home and abroad.

There is a great need for more research into the Creative Services Firms marketplace in the UK.

However, a lack of common understanding of the scope of the Creative Industries has caused problems in the collection of robust data. There is a timely need for the re-classification of these industries to reflect the current marketplace and give recognition to these sectors in their own right. This will enable a deeper understanding of market trends and the nature and needs of the Creative Service economy which is based on intangible assets and creative expression. This will ultimately help businesses capitalise and exploit the opportunities that they are presented with. With the provision of this information, it will be easier to identify the best means for new enterprises to secure investment and achieve sustained long-term growth as well as ensuring the continued success of existing businesses. For example, the film industry will need to move to digital transmission which will require substantial and necessary investment.

This greater understanding will also help to map the Creative Industries at regional and sub-regional levels, and will provide more consistency in measurement. Ultimately a better representation will result in better informed policy development at local, regional and national level. Taking action to enable creativity to flourish is needed to make a difference to these vibrant, exciting and productive sectors of the economy.

The following summary indicates the areas of research that are needed to provide a more comprehensive picture of the Creative Services Firms marketplace:

- Reclassification of the marketplace leading to a current definition
- Research into the emerging Creative Services sectors
- Research into the fragmenting Creative Services market sectors
- Comparisons of the sizing of the Creative Services Firms marketplace in different UK regions
- Comparisons of the Creative industries across Europe

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- Appendix 1

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- Photo Marketing Association
- British Printing Industries Federation
- British Market Research Association
- Association for Conferences and Events
- Association of Professional Recording Services
- Advertising Producers Association
- Periodical Publishers Association
- Music Publishers Association
- National Music Council
- British Phonographic Institute
- Institute of Videography
- British Exhibition Contractors Association
- Association of Exhibition Organisers
- Management Consultancies Association
- Design Council
- European Leisure Software Publishers Association
- UK Web Design Association

- Appendix 2

Sectors which align to the Department for Culture Media and Sport's definition of Creative Industries (taken from 1998 and 2001 Creative Industries Mapping Documents):

Advertising  
Architecture  
Arts and Antiques market  
Crafts  
Design  
Designer Fashion  
Film  
Interactive Leisure Software  
Music  
Performing Arts  
Publishing  
Software  
Television and Radio

- Appendix 3

Sectors, activities and occupations in the Creative Services Firms marketplace redefined in this research:

Advertising

Advertising Agencies  
Advertising Agencies (Direct Mail)  
Advertising Agencies (Scotland)  
Advertising Consultants  
Advertising Contractors  
Media Buyers  
Outdoor Advertising Services  
Recruitment Advertising  
Services – Advertising  
Services – Advertising Agencies  
Services – Direct Mail Advertising Services

## Design

Artists (Commercial & Industrial)  
Commercial Photographers  
Design Consultancies  
Designers – T.V. & Film  
Graphic Designers (including Branding)  
Photographic Libraries  
Photographic Processing  
Photographic Services  
Press Photography  
Services – Mailing, Reproduction, Commercial Art  
& Photography

## Film

Film Editors  
Film Industry  
Film & Video Production Companies  
Film & Video Distributors  
Reproduction of Video Recording

## Marketing

Direct Mail  
Direct Marketing  
Conference & Exhibition Centres  
Conference Organisers  
Exhibition Equipment & Services  
Exhibitions and Conferences  
Marketing Consultants  
Marketing Industry  
Sales Promotions  
Telemarketing

## Market Research

Information Services  
Market Research Agencies  
Market Research Consultants  
Market, Social, Economic Research Services

## Music

Music Publishers  
Recording Companies  
Recording Services  
Recording Studios  
Reproduction of Sound Recording

## New Media / Software

Computer Aided Design Services  
Computer Services  
Digital Imaging  
Internet Consultancies  
Internet Services  
Internet Website Design Services  
Multimedia  
Multimedia Design  
New Media Marketing  
Reproduction of Computer Media  
Software Consultancy

## Public Relations

Promotional Items and Incentives  
Public Relations Consultants  
Publicity Consultants

## Publishing

Miscellaneous Publishing  
Newspapers: Publishing or Publishing & Printing  
Periodicals: Publishing or Publishing & Printing  
Printers and Lithographers  
Printing & Publishing  
Publishers of Magazines and Journals  
Publishers of Newspapers  
Publishers of Sports Periodicals  
Service Industries for the Printing Trade  
Technical Book Publishers  
UK Publishing

## Television & Radio

Audio Visual Industry

Commercial Radio

Commercial Television

Radio Broadcasting

Television and Radio Monitoring Services

Television Broadcasting Services

Television Post Production

Television Programme Production