

“Mapping” the Creative Economy: An Investor and Public Policy Perspective

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ASSET MANAGEMENT, CORPORATE FINANCE,
INVESTMENTS, VENTURES

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Our Credentials

- Ingenious: \$10 billion plus invested in creative assets since 1998
- More than 5,000 investors
- Investments, Ventures, Corporate Finance and Asset Management
- More than 80 films financed or co-financed, including *Avatar*
- Investments in music, film, TV production, games, publishing and marketing services
- Largest independent investors in creative content in Europe

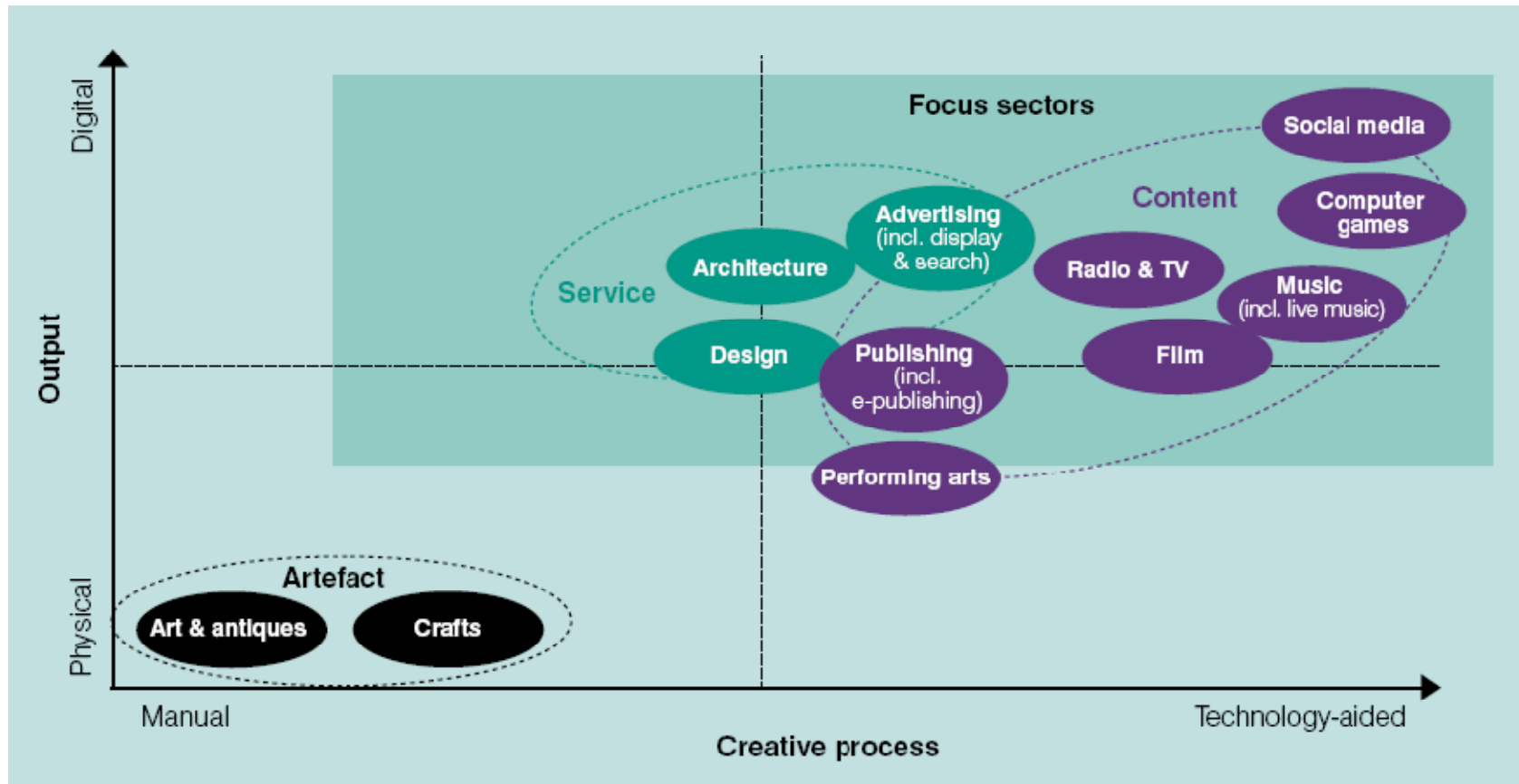
Structure of the Presentation

- Introduction: grappling with new conceptual frameworks
- Why “map” the creative economy?
- Entertainment industries and the digital revolution
- Main challenges for policy-makers
- Main challenges for private investors
- The importance of building capacity in civil society
- The role of government: three questions
- Concluding remarks

Introduction: Grappling with New Conceptual Frameworks

- Binary divides
 - Art and commerce
 - Creative + business, show + business
 - Cultural value, economic value
 - Public subsidy, private investment
- The economics of culture and entertainment
- Cultural distinctiveness: north and south
- Technology and the creative process

Technology and the creative process



Source: Technology Strategy Board, UK, 2009

Why “map” the Creative Economy?

- The global opportunity: UNCTAD 2010 report
- The diversification imperative
- Two very different mapping impulses can be identified:
 - (A) government and the census approach: “where are the people?” **Planning and policy driven**
 - Counting as a pre-requisite for planning
 - More sophisticated variants: *eg* flow of funds modelling
 - (B) The investor/private sector approach: “what are the drivers of value”? **Market intelligence driven**
 - To invest or not to invest?
 - Technological disruption and consumer behaviour
 - Forecasting and the critical role of independent analysis

Entertainment Industries and the Digital Revolution

- Schumpeter and “creative destruction”!
- The impact of digital: the “dis-intermediating” value chain
- IP, intangibles and creative content
 - “Raindrops” of revenue
 - Licensing fees and royalties
- Implications for the global majors: breaking distributors’ stranglehold
- Opportunities for developing economies

Main Challenges for Policy-makers

- Vision and strategy
- Data
- Public investment and creative infrastructure
 - Where is there likely to be “market failure”?
 - What does the private sector generally *not* pay for?
- “cross-cutting” and the machinery of government
- Domestic and inward investment
- Fiscal policy: global competition
- The skills agenda and the mobility of talent

Main Challenges for Private Investors (1)

- Exceptional risk characteristics of creative content investment
- Business models and the differential profiling of risk
- Shortage of finance
- Shortage of creative entrepreneurs
- Shortage of matching business talent

Exceptional Risk of Content Businesses

- Our focus is on the economic drivers behind the creative content business model – not the content genre
- Exceptional risks of creative content businesses:



- This risk profile is a distinctive barrier to investment not suffered by other industries, even other knowledge economy industries

Main Challenges for Private Investors (2): the Nigerian Case

- Main challenge for international investors is that Nigeria is not on the global map!
- Does not feature in the annual PWC *Global Entertainment and Media Outlook*
- No sector specific data gathered by other global accounting practices
- No data gathered by *Screen Digest*
- Domestically produced data are not independently verifiable

The Importance of Building Capacity in Civil Society

- Aggregate capacity to “map” any creative economy is increased by:
 - Developing markets for data
 - Trade associations
 - Collecting societies
 - Think tanks
 - NGOs
 - Specialist research firms
- Increasing need to think cross-sector and multi-platform
 - BSAC (UK)
 - CIC (UK)
- Significance of the exploding role of social networking: crowd sourced data collection?

The Role of Government

- Set clear policy objectives for the creative economy. These *might*, for example, be the following:

To ensure that **Nigerian audiovisual industries** appear in all relevant global business reports

To treble earnings from **exports** in the film, fashion and music sectors/industries

To **double the aggregate level of employment in the Nigerian creative industries' sector** over a ten year period

- Examine the case for intervention and relationship to other policy objectives, (*e.g.* tourism)
- Examine range of intervention options, *e.g.* fiscal incentives, loans and guarantees, and non-monetary support measures

Three Questions

- What is it desirable that you should have achieved in one, two or three years time?
- Are there any sub-sectors of the Nigerian economy that are currently priorities for investment and international promotion, and if so why? What is the current rationale for deciding priorities?
- Are these priorities immutable, or might they be changed in the light of the mapping work yet to be done?

Concluding Remarks

- Beware of “garbage in, garbage out”
- “Boiling the ocean”: not a realistic approach anywhere
- Need to embed mapping approaches within “the trade” if the results are to be credible and internationally respected

Appendix 1: Selected Ingenious Film Titles

Studios



Alien vs. Predator



Shaun of the Dead



Night at the Museum



Die Hard 4.0



X-Men Origins: Wolverine



Avatar



127 Hours



Water for Elephants

Independent



Girl with a Pearl Earring



Hotel Rwanda



Vera Drake



Brick Lane



Happy Go Lucky



Oranges and Sunshine



Streetdance 3D



Bel Ami

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Appendix 2: DCMS - Departmental Planned Expenditure 2011/12

