

# SIXTH AUSTRIAN CREATIVE INDUSTRIES REPORT

Focus on creative industries and their markets



**WKO**  
WIRTSCHAFTSKAMMER ÖSTERREICH

CREATIVWIRTSCHAFT.AT

**bmwfw**  
Bundesministerium für  
Wissenschaft, Forschung und Wirtschaft

# IMPRESSUM

**Media Owner, Editor and Publisher:**

creativ wirtschaft austria, Austrian Chamber of Commerce  
Wiedner Hauptstraße 63, 1045 Vienna  
creativwirtschaft@wko.at  
+43 (0) 5 90 900 4000  
[www.creativwirtschaft.at/disclosure](http://www.creativwirtschaft.at/disclosure)

The Sixth Austrian Creative Industries Report was compiled for creativ wirtschaft austria of the Austrian Chamber of Commerce with the support of the Federal Ministry for Science, Research and Economy (BMWFV) as part of evolve, the Austrian strategy to promote innovations based on the creative industries.

creativ wirtschaft austria represents the interests of the Austrian creative economy at a national, European and international level. creativ wirtschaft austria is a part of the Austrian Federal Economic Chamber. It represents the Austrian creative economy and its development and creates links to other business sectors.

**Authors of the report (in alphabetic order):****Institut für Höhere Studien**

Helmut Gassler  
Richard Sellner

**KMU Forschung Austria:**

Aliette Dörflinger  
Cornelia Fürst  
Karin Gavac  
Kerstin Hölzl  
Peter Voithofer

**Zentrum für Europäische Wirtschaftsforschung**

Bettina Müller  
Christian Rammer

**Production**

Editing: Martin Thomas Pesl  
Layout: Barbara Wais, Drahtzieher Design + Kommunikation  
Photos: Visualisation of aws-supported projects provided by aws Kreativwirtschaft  
Printing: Druckerei Janetschek GmbH  
Place of publication and production: Vienna

ISBN-Nr. 978-3-200-03999-5

© 2015 creativ wirtschaft austria

This publication was produced in keeping with all standards for careful production. Mistakes are nonetheless possible. The publisher shall not be responsible for damages or subsequent liabilities that may arise from erroneous information.

# **SIXTH AUSTRIAN CREATIVE INDUSTRIES REPORT**

**Focus on creative industries and their markets**



# EXECUTIVE SUMMARY

## 10 percent of all enterprises belong to the creative industries

The creative industries are an important part of the Austrian economy. In 2012, the sector included more than 39,000 enterprises, which is 10.4 percent of all enterprises. It employed about 140,000 people and generated sales of 20.3 billion euros. Value added in 2012 was 7.9 billion euros, equalling roughly 4 percent of total GDP in Austria.

The creative industries are a particularly dynamic sector. From 2008 to 2012, the number of enterprises increased by 8 percent. Employment and sales went up 10 percent. These numbers are clearly above the average growth of the Austrian economy in general, which was 5.5 percent regarding the number of enterprises, 4 percent in terms of employment and 2.3 percent in sales.

These similar growth rates for employment and sales demonstrate that growth in business activities directly translates into new jobs. Business activities in the creative industries are labour-intensive. The capabilities and the creativity of entrepreneurs and employees are major success factors for enterprises in the creative industries. The share of full-time, self-employed persons in the creative industries is exceptionally high (28 percent), as is that of sole traders (63 percent). This last figure greatly exceeds that for the general economy (38 percent).

## Major indirect employment effects

In addition to the jobs created in the creative industries directly, the sector also contributes to employment in Austria in several indirect ways. Enterprises in the creative industries demanding goods and services generate a significant number of jobs at their supplier businesses (almost 80,000 in 2010). This means that for two jobs in the creative industries, more than one additional job is created in the supplier industries.

Creative input also contributes to employment in the creative industries' customer sectors in that it strengthens their competitiveness. Based on a conservative estimate, about 50,000 jobs in customer sectors may be attributed to this effect. All in all, it is fair to say that the creative industries facilitate employment in supplier and customer sectors to an extent equal to the employment in the creative industries themselves.

## Enterprises in the creative industries are successful in running their businesses

The average return of sales is substantially higher in the creative industries than in the general Austrian economy. In 2012, small businesses in the creative industries with a simplified accounting standard on a cash base reported a profit share in total sales of 8.6 percent, compared to an average 5.3 percent across all sectors. For the group of enterprises with a double-entry bookkeeping system, the creative industries have a 6.1 percent profit margin, compared to 3.2 percent across all sectors. Reasons for higher profits include lower costs for materials and services. In addition, those enterprises in the creative industries that are particularly small perform significantly better than their counterparts in other sectors. Enterprises in the creative industries with balance-sheet-based accounts that generate less than one million euros p.a. in sales report returns 5 to 10 percent above those of enterprises of the same order of magnitude in other sectors. For larger enterprises, the respective difference is only 2 to 3 percent.

## A positive business outlook in the creative industries

In autumn 2014, the creative industries reported an optimistic business outlook despite the difficult economic situation in Austria and Europe. Most enterprises in the sector expected an increase in orders and sales for 2015. This is a sharp contrast to the restrained business climate in the general Austrian economy, where a majority of enterprises expected dropping sales, lower employment rates and a decline in investment.

According to the entrepreneurs, this positive economic view within the creative industries has also brought about some ease in price competition. However, only few enterprises plan to increase their employee base. Also, investment levels tend to remain unchanged.

## Software and games: largest sector within the creative industries

The creative industries in Austria consist of eight sectors. The largest sector in terms of employment and sales is software and games, which accounts for about 30 percent of the entire creative industries. The second largest sector – music, books and

artistic activities – holds 23 percent of employees and 18 percent of sales. Similar shares are reported for the advertising sector (19 percent of employees, 21 percent of sales). Other sectors include architecture (9 percent of sales, 14 percent of enterprises), publishing (9 percent of sales, 2 percent of enterprises), radio and television (6 percent of sales, less than 1 percent of enterprises), video and film (4 percent of sales, 5 percent of enterprises) and design (1 percent of sales, 4 percent of enterprises).

In the most recent period (2010 to 2012), software and games, video and film, and design grew at a particularly high rate. In other sectors, i.e. music, books and artistic activities and radio and television, sales increased at a rather modest rate while the number of employed persons decreased.

### **Regional focus on Vienna, followed by Upper and Lower Austria**

The Fifth Austrian Creative Industries Report demonstrated that while the creative industries are spread throughout Austria, urban areas are clearly the hubs of creative entrepreneurial activities. This phenomenon is not specific to Austria, but can be found in most countries. Given Austria's urban structure, it is also implied that a high share of creative activities take place in the country's main urban centre, Vienna. The capital hosts 40 percent of all enterprises in the creative industries, generating more than 50 percent of the entire sector's sales. In terms of sales, Upper Austria is the second largest region (with a share of 10 percent), followed by Lower Austria (9 percent) and Styria (7 percent).

From 2008 to 2012, there was a particularly strong increase in the number of enterprises in the creative industries in Burgenland (+14.3 percent), Salzburg (+10.9 percent) and Tyrol (+10.2 percent).

### **The creative industries are a key pillar of the European economy**

The creative industries are an important sector of the European economy. For 2011, 8.5 million jobs and a total value added of 560 billion euros are attributed to this sector. 4.5 percent of total GDP and 3.8 percent of total employment in the EU is due to the creative industries.

Among EU member states, the United Kingdom, Sweden and Denmark stand out for placing a particularly strong focus on the creative industries.

### **Other enterprises are the main customer group for creative enterprises**

Private enterprises are the main group of customers for the creative industries in Austria, generating almost two thirds of the sector's total sales. End consumers (private households) account for about a sixth of total sales, while public organisations contribute one out of seven euros in sales. The non-profit sector is another albeit minor customer.

Clients from the private enterprise sector come from almost all branches of the economy. Creative inputs are a decisive part of many value added chains in both manufacturing and the service sector. The vast majority of private enterprises – more than 70 percent in 2013 – use creative work regularly.

### **Creative inputs are often used for clients' own innovative efforts**

Private enterprises most often use creative work in the areas of graphic design and layout, computer programming, advertising, marketing and product design. This creative work is often linked to the enterprises' own innovative efforts. In two out of three enterprises, input from the creative industries was directly used in innovation projects.

Only a few sectors of the creative industries – architecture, music, books and artistic activities, and design activities related to fashion and jewellery – predominantly serve private households or public organisations.

### **Close links between different sectors of the creative industries**

A key feature of the creative industries is the close link among creative enterprises. This holds true both for co-operation among enterprises from the same creative sector and for cross-sector alliances. Sales to enterprises from the creative industries constitute almost a third of total sales. Two sectors – video and film, and radio and television – sell the majority of their goods and services to other enterprises from the creative industries.

The links within the creative industries are based on different types of business partnerships among enterprises. A special form is the agency model, where a prime contractor co-ordinates the demand for crea-

tive work between clients and other creative enterprises. In many cases, creative enterprises do not get in direct contact with the end users of their products.

## **Exports account for 15 percent of sales**

In 2013, clients from outside Austria contributed 15 percent to the creative industries' total returns in Austria. The highest export quota is reported for the publishing sector (28 percent). Interestingly, it is the smaller creative enterprises that tended to obtain a higher share of export sales. Innovation is a key factor for successfully selling creative work to customers abroad.

From a macroeconomic perspective, imports of creative work to Austria (3.63 billion euros in 2010) exceed exports from Austria (2.85 billion). This negative trade balance is strongly driven by a high import share of the creative sectors publishing, music, books and artistic activities, and advertising. Software and games, architecture, and design reported an export surplus.

## **Clients value input from the creative industries**

From the clients' point of view, the special value of the creative industries' input to their business activities is to combine three features: high professional competence, flexibility in catering to the clients' specific needs, and innovative ideas. All in all, clients are highly satisfied with the services provided by creative enterprises. Most clients report that the quality of the creative work met their high expectations. They also emphasise smooth communication and compliance with budgets when collaborating with the creative industries.

Input from the creative industries is often used to support the clients' own innovative efforts and help them gain a competitive advantage. It is therefore the new perspective and the innovative approach brought in by the creative industries that are particularly important for the clients.

## **Clients' creative capacities are a main driving force for engaging with the creative industries**

Enterprises with substantial internal creative capacities – i.e. employees carrying out creative work – are

more likely to demand creative inputs from external suppliers than enterprises without their own in-house creative workers. Clients' creative capacities help these enterprises clearly define their needs, effectively use external creative input and organise successful co-operation with creative enterprises.

Creative workers employed by client businesses are therefore a door opener to the creative industries. This is particularly true in the fields of design, advertising and graphic design. The creative industries should consider the clients' creative workers not as competitors but as partners for jointly defining and implementing projects.

There is a huge potential for such collaboration. The main customer sectors of the creative industries in Austria employ more than 200,000 creative workers in the fields of computer programming, graphic design, advertising and marketing, and design, a number clearly exceeding that of people working in the creative industries (about 140,000).

## **Room for more demand for creative work**

Though many private enterprises regularly use input from the creative industries, there is still room for increasing the demand for creative work. In 2013, for example, more than one out of four enterprises in the main customer sectors of the creative industries did not obtain a single piece of creative input for their business activities. The smaller these enterprises, the less likely they are to commission creative work.

When asked for the main reasons for not requiring (additional) creative input, most enterprises state no need for creative goods or services. In addition, they often consider value for money not to be competitive. This view is strongly driven by the difficulty to accurately assess the actual advantages of using external creative input for their own businesses. There are also many enterprises that prefer to produce creative input entirely in-house and forego the professional services of creative enterprises.

## **Innovation, quality and flexibility are key competitive factors**

Clients would like to see a higher degree of innovation in the creative input offered by the creative industries as well as consistently high quality and flexibility. The challenge for the creative industries is to meet these

requirements in a business practice characterised by small, short-term orders, very specific and often idiosyncratic client needs and frequently changing project parameters when executing an order.

Clients also see room for more business professionalism on the part of the creative industries. This primarily means that creative enterprises need to get a better sense of their clients' business models in order to tailor their goods and services such that they add to their clients' competitiveness. On the other hand, clients do not consider an increase in marketing efforts on the part of the creative enterprises a priority.

### **Several ways to increase demand for creative work in the private business sector**

Both the creative industries and economic policy can take measures to leverage demand potentials for creative work in the private business sector.

A key priority is to strengthen the creative industries' role as a provider of services for innovation for their customer sectors. Creative work should be more directly linked to clients' innovative processes. This requires a thorough understanding of how the clients' markets work, how innovation works in these markets and how upcoming innovation issues (such as the digitisation of manufacturing as in Industry 4.0) can be included. At the same time, the creative industries need to maintain their own innovativeness. In this context, public promotion programmes like those run under the evolve initiative of the Federal Ministry of Science, Research and Economy (BMWFW) provide an important stimulus.

While the creative industries in Austria already make a significant contribution to growth and wealth in Austria, there is still plenty of room to further strengthen the role of creativity. This is particularly true for manufacturing, but also for a number of service sectors such as tourism.

### **Public demand for creative work totals up to 1.85 billion euros p.a.**

Around 11 percent of total demand for goods and services from the creative industries in Austria comes from public organisations, in whole numbers it was 1.85 billion euros in 2010. About 40 percent of this demand can be attributed to public administration (municipalities, federal provinces, the federal

government, public social insurance) and 45 percent to sectors that are predominantly controlled by public authorities or institutions (including energy and water supply, waste management, broadcasting, education, health and social services). Publicly owned enterprises not operating in these sectors account for the remaining 15 percent.

When adding demand for creative work that has been stimulated indirectly through public procurement (e.g. orders from construction companies for architects as part of public construction procurement), total public demand for creative work increases to 3.35 billion euros per year. This corresponds to 20 percent of total domestic sales for the Austrian creative industries. High shares of public demand can be observed in the music, books and artistic activities sector and in the video and film business.

### **Heterogeneous practice in public procurement of creative work**

Owing to the very large number of different public organisations that demand creative work, practices of outsourcing creative work are manifold, ranging from tenders in architecture to small direct orders of creative goods and services. Using creative input is important for various public organisations.

The Austrian government aims at directing a larger part of public procurement towards innovation. The programme on innovation-oriented public procurement (public procurement of innovative solutions – PPI) is a scheme to support innovation in the business enterprise sector that is also highly relevant to the creative industries due to this sector's strong innovative performance. Like many other countries, Austria has established a PPI strategy. A number of case studies clearly demonstrate how creative enterprises can profit from PPI, e.g. innovative architectural solutions for improving the energy efficiency of public buildings.

Another area of intensive use of creative work in public institutions is the modernisation of public administration as part of a new public management programme. Combining efficient organisation of public services with broad involvement of the general public typically requires innovative and creative solutions that will be best provided by the creative industries.



## **The creative industries can aid communication between citizens and the state**

E-government is another important anchor in connecting the creative industries and public organisations. With its E-government programme, Austria is on a good way to establish electronic communication throughout all areas of public services. Creative input is needed at almost all stages of this process, including processing and presenting information as well as communication and exchange among citizens, enterprises and public authorities. Creative input concerns both technical issues in the field of computer programming and content presentation.

New technological developments in mobile communication provide yet another opportunity for employing creative work. The more public organisations use mobile tools, the higher the demand for developing and designing mobile applications.

The role of municipalities as a group of public creative industries clients should not be underestimated. They require a variety of creative services, ranging from architecture and running local information systems to graphic design for information material, web design and advertising in tourism. So far, many small municipalities have opted to manage these tasks internally in a less professional way than creative enterprises could. More awareness of the benefits of professional creative services is needed.

## **Other countries demonstrate how to link public demand and the creative industries**

In all modern economies, the creative industries are a major source for employment, value added and export performance. In addition, they provide other economic sectors with new ideas, fostering growth and competitiveness throughout the economy. This is why governments in many countries have developed strategies and programmes to promote the creative industries. Depending on the actual situation in each country, policy measures include providing infrastructure, education and training, mentoring, networking and direct financial support to creative enterprises.

Many countries use the role of public administration as a client of creative work to stimulate the development of the creative industries. It is particularly in the context of new public management that governments actively engage with the creative industries.

## **Ways of increasing public demand for creative work in Austria**

An international comparison of government experience in promoting and involving the creative industries provides a number of good practice examples. Denmark, for instance, offers support to public organisations that demand creative services. In addition to financial funds, this includes training and awareness measures, since exploring new ways of public procurement is often interlinked with change in the procuring agencies.

Also worth mentioning are programmes which earmark a certain share of the budget of public organisations for procuring innovation from small and medium enterprises. In Europe, such schemes are run by the Netherlands and the United Kingdom. This could be a good start for a more intensive involvement of topics related to the creative industries.

South Korea is a leading country when it comes to promoting export activities in the creative industries. Government measures include both financial and other support to creative enterprises as well as information services and specialised infrastructure.



### creativ wirtschaft austria

creativ wirtschaft austria [cwa] holds as its remit the interests of the Austrian creative industries, both at a national, European and international level. cwa is an integral part of the Austrian Federal Economic Chamber. It is committed to developing the creative industries in Austria and creating linkages with other sectors.

Our activities encompass three areas:

**Skills Development** – cwa supports the economic success of creative people, regardless of membership in the Chamber of Commerce, through tangible services and networking of companies and intermediaries.

**Representation of Interests** – cwa acts as an advocate for the interests of the creative industries and is active in creating a supportive environment.

**Information and Awareness** – cwa sees itself as a knowledge hub, commissioning studies into and increasing the visibility of the achievements of the creative sector.

[www.creativwirtschaft.at](http://www.creativwirtschaft.at)



978-3-200-03999-5



CREATIVWIRTSCHAFT.AT

