

# SIXTH AUSTRIAN CREATIVE INDUSTRIES REPORT

**Short Version**

The Creative Industries and Their Markets



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# LEGAL INFORMATION

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The Sixth Austrian Creative Industries Report was compiled for creativ wirtschaft austria, part of the Austrian Federal Economic Chamber, with the support of the Federal Ministry of Science, Research and Economy's evolve strategy to promote innovation rooted in the creative industries.

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

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Photos: Visualisation of aws-supported projects provided by aws Kreativwirtschaft

Printing: Druckerei Janetschek GmbH

Place of publication and production: Vienna

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**Short Version**

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Austria's creative industries have developed well, are growing at an outstanding pace and display more confidence for the future than the overall economy. From 2008 to 2012, the number of creative businesses increased by eight per cent while both the number of employees and the various sectors' turnover even went up ten per cent each. About 140,000 people work in Austria's creative industries today, and 15 per cent of turnovers are generated with international clients. Despite these positive developments, the creative industries continue to bear ample potential for development by improving the position of their contribution to innovation in existing and emerging markets and by exploiting even more the chances of cooperation offered by the sector.

The Sixth Austrian Creative Industries Report entitled "The Creative Industries and Their Markets" sets out the current situation in Austria and points to new growth potentials. Moreover, this report gives an outline of the creative industries' contribution to innovation, structural change, employment, exportation and other businesses' success. It proves that the sector's entrepreneurial expertise is on the rise, demonstrating the areas in which supporting the creative industries is particularly useful to help bring the overall economy forward as well.

The Federal Ministry of Science, Research and Economy has promoted innovation originating in the creative industries both monetarily and by tailored services and awareness measures as part of our evolve strategy. While this accelerates development of the creative industries and their inter-connection with clients from other fields of the economy, it also increases the innovative capacity in Austria. Using this strategic approach, we will continue to make sure that the potentials for development opened up by creative services are exploited in a proactive manner.

**Reinhold Mitterlehner**

**Vice Chancellor and Federal Minister of Science, Research and Economy**



The achievements of creative enterprises have increasingly become the key factor successful businesses from all sectors rely on to secure their competitive advantages. Be it an appealing design, an emotionally harmonious presentation of a product or business, the intuitiveness with which machines or digital apps can be operated, the functional and creative design of workplaces and working gear or general web presence and web services—creative achievements strengthen innovation and raise a product's good will, service quality and acceptance by both clients and co-workers. This is, of course, also true for public administration and public institutions.

The Austrian Federal Economic Chamber has helped advance the enormous potential of the creative industries since 2002, so that all businesses can benefit. By establishing *creativ wirtschaft austria*, the Federal Economic Chamber itself has chosen an entirely new way that is highly acclaimed both within the sector and on European level.

Creativity will decide tomorrow's competitions. This means that enterprises will have to walk new paths. Creative enterprises are at the same time frontrunners and service providers on these new paths, showing what can be possible beyond conventional ways. And thus, creative know-how helps break open potentials for further development that will eventually result in even greater economic success.

**Christoph Leitl**  
President of the Austrian Federal Economic Chamber



## **“THE CREATIVE INDUSTRIES AS VANGUARD OF THE ECONOMY”**

or more than twelve years now, creativ wirtschaft austria has accompanied the development of Austria's creative industries. In five Creative Industries Reports starting in 2003, we were able to demonstrate how the creative industries have been a pioneer of various developments taking place in the overall economy and how they themselves have developed. In the meantime, one in ten Austrian enterprises can be counted among the creative industries.

Today, the creative industries, through their 140,000 employees, produce goods and services worth more than 20 billion euros every year. The creative industries are a pacemaker for other sectors not only in terms of economic performance; they are also a pioneer force of digitisation. The creative industries are characterised by their profound use of the latest technologies and methods as well as by the digitisation of many work processes in their every-day activities. Their high degree of experience makes the creative industries a vanguard and driving force of the digitisation of value chains, which is also commonly referred to as the Fourth Industrial Revolution or “Industry 4.0”.

Innovation, i.e. new ideas, methods and approaches, are devised, tested and refined in the creative industries to be then adopted by traditional businesses in transformative processes. By way of example, creativ wirtschaft austria's current campaign “Kreativwirtschaft für Unternehmen” (creative industries for enterprises) demonstrates quite well what the creative industries can do for enterprises.





The Sixth Austrian Creative Industries Report you have now before you achieves more than just give an insight to the creative industries, their environment and what they are capable of; it also tries to give an impression of the overall market of the creative industries and their potentials. In addition to private companies, the public sector is another very important client to the creative industries.

The Report reveals that 20% of the demand for creative services within the economy is directly or indirectly initiated by the public sector. This equals a turnover of 3.4 billion euros generated either directly by the Republic of Austria or indirectly through follow-up assignments awarded by public contractors. Creative businesses help the public sector in developing new public services tailored to the clients' needs. This makes clear how important a role the public sector plays as a purchaser—a fact all too often neglected.

Mariana Mazzucato, an Italian economist at the University of Sussex, describes the importance of an entrepreneurially oriented state in her 2013 book *The Entrepreneurial State*, stating that “the entrepreneurially oriented state can not only relieve the private sector of risks but also develop a concept of a risk space in which it acts courageously and efficiently to drive new things forward.” Mazzucato thus attributes a pro-active role to the public sector, one that not only corrects market failure or compensates market deficits but pushes innovation forward by actively designing it and opening up new market chances for businesses. Mazzucato sees Schumpeterian innovation economics and encourages bold action and lucid, bold visions. Such bold action, she states, had already paved the way for many important innovative steps, such as the Internet, mobile telephones and smartphones (GPS, touchscreens). Smartphones are also an excellent example of how the creative industries benefits not only from direct assignments but also from public innovation and investment. Current examples of how the creative industries can collaborate with the public sector in creating new, customer-friendly digital services are Linux projects for using open governmental data. All these examples and previous measures benefiting the creative industries on both federal and provincial levels demonstrate that the public sector as an innovator, assignor and purchaser of creative services still plays a very important role.

The present Sixth Austrian Creative Industries Report focuses on the market the businesses in the creative industries face. In addition to private demand, the Report also captures public demand and its development and offers practical advice to creative enterprises. The data on markets, demands and turnovers in the creative industries' individual subsectors are available in terms of well-founded “business intelligence” and market research in order for the creative industries to continue to develop as exceptionally well as they have so far.

Gerin Trautenberg  
Chairman of *creativ wirtschaft austria*

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# THE CREATIVE INDUSTRIES AS A DYNAMIC ECONOMIC FACTOR

**Austria's creative industries have developed outstandingly well and display more confidence for the future than the overall economy.**

## **What does 'Creative Industries' Mean?**

One in ten enterprises in Austria belong to the creative industries. Compared to the field of services only, it is even one in eight. In 2012, a precise number of 39,021 creative enterprises employed 139,585 people. A turnover of 20.3 billion euros and a value added of 4 % for Austrian businesses makes the creative industries a crucial pillar of the Austrian economy. The creative industries consist of architects, advertisers, designers and for-profit enterprises and self-employed persons who earn their living in the areas of music, books and artistic activities; radio and TV; software and games; publishing; or video and film. The three largest creative sectors, music, books and artistic activities (27 % of all enterprises); software and games (24 %); and advertisement (23 %) had the most employees, the highest turnovers and the highest value

## Structure of the creative industries sorted by sectors, 2012

	Enterprises	Staff in total	Paid employees	Turnovers in million euros	Gross value added at factor costs in million euros
Architecture	5,613	15,573	9,739	1,734	789
Design	1,507	2,393	843	161	74
Music, books and artistic activities	10,551	31,472	20,366	3,591	1,610
Radio and TV	91	4,895	4,836	1,273	451
Software and games	9,462	42,039	32,968	6,018	2,747
Publishing	975	10,357	9,525	2,420	745
Video and film	1,875	6,432	4,592	769	349
Advertisement	8,947	26,424	17,526	4,337	1,172
<b>Total creative industries</b>	<b>39,021</b>	<b>139,585</b>	<b>100,395</b>	<b>20,303</b>	<b>7,937</b>

Sources: Austrian Institute for SME Research, Statistics Austria

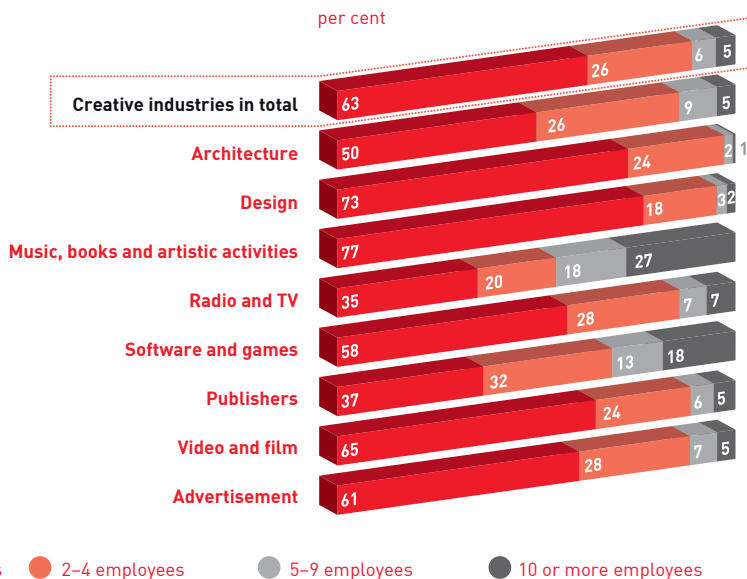
## Who Are the Big Names in the Creative Industries?

The cart has to be put before the horse here. Creative entrepreneurs act as supporters and make sure that things are up and running in other businesses, e.g. in terms of their advertising presence or design, irrespective of whether services are created inhouse or acquired from external creative enterprises. The higher the creative capacity of client enterprises is, i.e. the more inhouse creative employees they have who deal with such issues more thoroughly, the more flawlessly the cooperation with creative businesses will work. And thus, many creative enterprises help make other names and brands big.

Austria's creative industries have a rather small-scale structure. Two thirds of the more than 39,000 domestic creative enterprises do not have employees at all, making them single-person enterprises (SPEs). To put this into perspective, in the overall economy, only little more than a third of the businesses consist of a single person. Most of the creative entrepreneurs that work alone are from the fields of music, books and artistic activities; design and video; and film. On average, a creative enterprise will employ three to four persons (3.6 employees), while altogether there are 140,000 employees who work in the creative industries. Only 5% of creative businesses have more than ten persons on their payroll, compared to 12% in the overall economy.

The small-scale structures are met with close cooperation in the creative industries. Creative businesses like to work together, for example, in the form of business partnerships, agency models or joint labels. When Austrian creative entrepreneurs buy external services, they do so preferably in their own sector: 40 % of creative enterprises' entire turnover is generated by other businesses from the creative industries.

**Size structure of the creative industries sorted by sectors in per cent of all enterprises, 2012**



Rounding differences were not balanced; Sources: Austrian Institute for SME Research, Statistics Austria

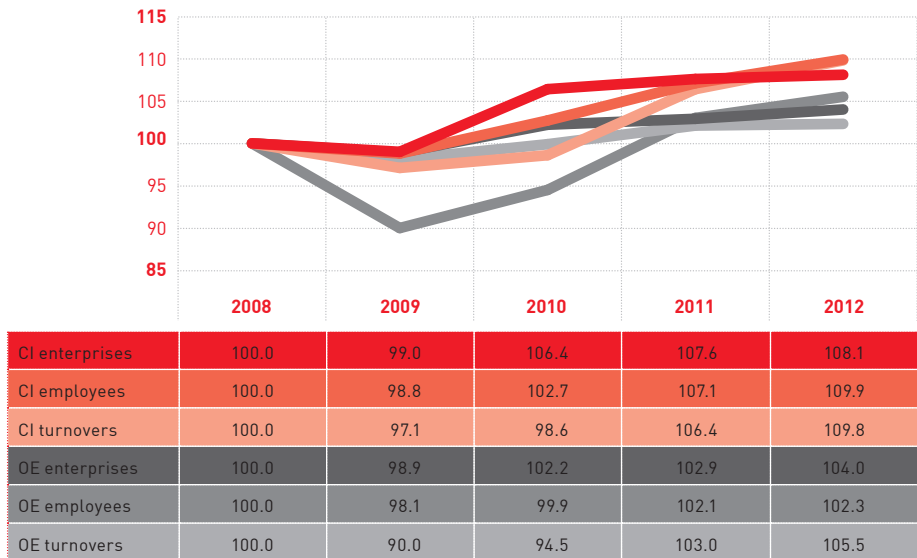
## How Can Small Businesses Be Important for the Austrian Economy?

Not only do the creative industries themselves create growth and employment, they also make a contribution to Austria as a business place. Austria's creatives order services, products or goods from other enterprises, thereby ensuring more jobs. For every single euro of value added and every single job in the creative industries, slightly more than half a euro and slightly more than half a job, respectively, are created in the supplying sectors. In specific numbers, this amounts to 79,000 jobs and a value added of 5.2 billion euros. This is accompanied by the positive effect creative enterprises have on their clients' turnover. Especially where creatives support their clients' innovative efforts, creative services will fuel growth and employment on behalf of the client business. Bottom line, this means that the creative industries secure at least as many jobs elsewhere as they employ people themselves.

## What About Growth and Future Perspectives?

The creative industries are a sector that has been growing steadily for years. In terms of turnover, Austria's creative enterprises gained 11.4% from 2010 to 2012; the number of employees went up 7% (as compared to 2.3% in the overall economy). The creative sector is developing in a more dynamic manner than the overall economy.

**Development of the creative industries vs. the overall economy 2008–2012**  
(Index: 2008 = 100)



CI = creative industries, OE = overall economy

1 exkl. agriculture and forestry (i.e. only sections B through S of ÖNACE 2008)


Sources: Austrian Institute for SME Research, Statistics Austria

The frontrunner among creatives is the field of software and games. Here the number of businesses increased by 8% from 2010 to 2012, employees increased by 18% and turnovers and gross value added climbed 31% and 26%, respectively. On the other hand, the number of businesses and employers was slightly reduced in the field of music, books and artistic activities. This was due to dropping book sales and a decrease in creative, artistic and entertainment-related activities. Be that as it may, Austria's creatives like to take a more optimistic perspective when looking ahead than their colleagues from the overall economy. Most recently, it was mainly the creative entrepreneurs from the fields of design, software and games and publishing who declared themselves optimistic with respect to the future. As a general rule, entrepreneurs who have been in the market for less than six years tend to be more confident.



## What Makes the Creative Industries So Profitable and Powerful?

Services generated in the creative industries are particularly labour-intensive, with knowledge being the 'material' that is so intensively used. This brain work reflects in the numbers as well, as creative businesses are generally more cost-effective than those in the overall economy. In 2012, creative entrepreneurs who account on a cash basis generated a profit of 8.6 cents per euro invested (as compared to 5.3 cents in the overall economy), while balance sheet accountants gained 6.1 cents per euro invested (overall economy: 3.2 cents). Software and games and architecture turned out to be the highest-yielding subsectors. Compared to other sectors, in the creative industries it is mainly the small businesses that do comparatively better.



Whether one does one's accounting on a cash basis or with balance sheets, all revenues and expenditures are entered in the books, and the profit is calculated. Balance sheets are more elaborate; they contain a debit and a credit side, individual outputs are transferred from year to year – such as cash positions and unpaid bills. Cash-based accounting, on the other hand, starts again from scratch every year.

The gross value added, i.e. the sum of all creative services minus advance expenses, was 7.9 billion euros when last calculated. That is 4 % of the entire value added generated in Austria. The gross value added at factor costs for the creative industries climbed 13.4 %, whereas that for the overall economy increased by only 8.1 %. When it comes to value added, lower costs of sales and fewer external services will always result in a more favourable output.

The proportion of internal achievements in the production value is very high in the creative industries. While in the production of manufactured goods, 70 out of 100 euros of turnover are spent for advance achievements, resulting in an added value of 30 euros (or 30 %), the value added in the creative field is 44 % and music, books and artistic activities even boast 77 %. Areas like advertisement that tend to receive external advance achievements, will typically not reach values that high.

**How the production value of Austria's creative enterprises is composed,  
in per cent, 2010**

Share of overall gross production value	Own value added	Domestic advance expenses			Imported goods and services
		from the production sector	from service sectors	from the creative industries	
Architecture	54	3	29	7	7
Design	53	4	31	2	9
Music, books and artistic activities*	77	4	10	3	5
Radio and TV	37	3	16	25	19
Software and games	52	2	24	13	9
Publishing	36	33	19	7	4
Video and film	36	2	16	36	10
Advertisement	26	5	15	48	6
<b>Total creative industries</b>	<b>44</b>	<b>8</b>	<b>19</b>	<b>21</b>	<b>8</b>

\* Music, book and artistic activities excluding activities in the fields of retail and training

Sources: Statistics Austria, IO-Tables 2010, calculations by the Institute for Advanced Studies

## Vienna is the Creative Hotspot. And the Other Federal Provinces?

Austria's creative hotspot is Vienna, where 41 % of all creative enterprises have their main residence, generating 48 % of turnovers and 51 % of gross value added. Nevertheless, Austria's creative industries do play an important role in more rural regions as well; they are well represented in all federal provinces. Second to Vienna, most creative entrepreneurs reside in Lower Austria (15%), followed by Upper Austria (10 %) and Styria (10 %). Although Upper Austria hosts fewer businesses than Lower Austria, the turnovers and value added generated there are higher. Tyrol and Vorarlberg are also strong regarding the value added, because these provinces accommodate a plurality of architects, who typically achieve higher gains. In Lower Austria, it is the field of software and games that provides for a high return on sales. Moreover, the number of businesses went up significantly in the following provinces: Burgenland (+14.3 %), Salzburg (+10.9 %) and Tyrol (+10.2 %).

### Structure of the creative industries, sorted by federal provinces, 2012

	Enterprises	Staff in total	Paid employees	Turnovers in million euros	Gross value added at factor costs in million euros
Burgenland	774	2,148	1,373	192	101
Carinthia	1,585	4,712	3,126	510	237
Lower Austria	5,705	16,692	10,922	1,843	771
Upper Austria	4,010	16,546	12,583	2,003	901
Salzburg	2,532	8,956	6,403	1,036	537
Styria	3,981	14,191	10,065	1,479	680
Tyrol	2,961	8,637	5,522	893	393
Vorarlberg	1,360	4,362	2,955	585	232
Vienna	16,113	63,341	47,446	11,761	4,085
<b>Austria</b>	<b>39,021</b>	<b>139,585</b>	<b>100,395</b>	<b>20,303</b>	<b>7,937</b>

Enterprises are assigned to a federal province based on where their company domicile resides, i.e. all employees, turnovers and the gross value added are assigned to that province in which the respective enterprise has its (main) domicile, irrespective of any venues (such as branches, shops etc.) they might have in other provinces.

Sources: Austrian Institute for SME Research, Statistics Austria

**Development of the creative industries and share of the overall economy, sorted by federal provinces, in per cent, 2012**

	Percentage of creative enterprises in the total number of enterprises in the overall economy	Development of creative enterprises sorted by federal provinces, 2008–2012, change in per cent		
		Change 2008–10	Change 2010–12	Change 2008–12
Burgenland	7.2	10.2	3.8	14.3
Carinthia	6.7	7.7	1.6	9.5
Lower Austria	9.2	3.9	2.4	6.4
Upper Austria	7.5	4.1	4.2	8.4
Salzburg	8.4	6.2	4.4	10.9
Styria	8.2	6.0	1.8	7.9
Tyrol	7.5	7.5	2.6	10.2
Vorarlberg	8.1	5.0	0.6	5.6
Vienna	17.7	7.7	0	7.7
<b>Austria</b>	<b>10.4</b>	<b>6.4</b>	<b>1.6</b>	<b>8.1</b>

Enterprises are assigned to a federal province based on where their company domicile resides..

1 exkl. agriculture and forestry (i.e. only sections B through S of ÖNACE 2008)

Sources: Austrian Institute for SME Research, Statistics Austria

## Salzburg

**2,532** creative businesses 2012  
(+10.9% from 2008–2012)  
**8,956** employed persons  
**1.04** billion euros turnover  
**537** million euros gross value added

Salzburg's creative industries accounted for 8.4% of the overall economy. The strongest field was that of advertisement, followed by music, books and artistic activities and software and games.

## Upper Austria

**4,010** creative businesses 2012  
(+8.4% from 2008–2012)  
**16,546** employed persons  
**2** billion euros turnover  
**901** million euros gross value added

7.5% of Upper Austria's businesses are creative enterprises, with the most frequently represented fields being advertisement; software and games; and music, books and artistic activities.

## Vorarlberg

**1,360** Creative businesses 2012  
(+5.6% from 2008–2012)  
**4,362** employed persons  
**585** million euros turnover  
**232** million euros gross value

As compared to the overall economy, the creative businesses occupied a share of 8.1% in Austria's westernmost province. Like in Tyrol, music, books and artistic activities; advertisement; and architecture are the three strongest fields in Vorarlberg.

## Tyrol

**2,961** creative businesses 2012  
(+10.2% from 2008–2012)  
**8,637** employed persons  
**893** million euros turnover  
**393** million euros gross value

In 2012 Tyrol's creative businesses occupied 7.5% of the provinces overall economy. Following the field of music, books and artistic activities, advertisement and architecture are the most important areas in Tyrol.

## Carinthia

**1,585** creative businesses 2012  
(+9.5% from 2008–2012)  
**8,956** employed persons  
**510** million euros turnover  
**680** million euros gross value added

The Carinthian economy consists of 6.7% creative enterprises, and the fields to be found most are music, books and artistic activities; advertisement; and software and games.

## Lower Austria

**5,705** creative businesses 2012  
(+6.4% from 2008–2012)  
**16,692** employed persons  
**1.84** billion euros turnover  
**771** million euros gross value added

The share of creative businesses in Lower Austria's overall economy was 9.2% most recently. Software and games; music, books and artistic activities; and advertisement are the strongest fields here.

## Vienna

**16,113** creative businesses 2012  
(+7.7% from 2008–2012)  
**63,341** employed persons  
**11.76** billion euros turnover  
**4.09** billion euros gross value added

Among all for-profit businesses in Vienna, 17.7% are active in the creative sector. Most of them are found in the fields of music, books and artistic activities; software and games; and advertisement.

## Burgenland

**774** creative businesses 2012  
(+14.3% from 2008–2012)  
**2,148** employed persons  
**192** million euros turnover  
**101** million euros gross value added

The creative businesses' share in the overall economy was 7.2%. The top three fields among Burgenland's creative enterprises are music, books and artistic activities; software and games; and advertisement.

## Styria

**3,981** Creative businesses 2012  
(+7.9% from 2008–2012)  
**14,191** employed persons  
**1.48** billion euros turnover  
**680** million euros gross value added

Creative entrepreneurs accounted for 8.2% of Styria's overall economy. A majority of businesses belong to the fields of software and games; music, books and artistic activities; and advertisement.

## And What About Export Activities?

Small but mighty, is what comes to mind. Austrian creative entrepreneurs generate 15% of their turnover or 2.85 billion euros abroad. Top of the list are publishing houses with an export rate of 28%. Imports amounted to 1.46 billion euros and were primarily received from clients from non-research-oriented manufactured goods production, trade or logistics. The fields of publishing; music, books and artistic activities; video and film; and advertisement exhibited particularly high import rates. There were export surpluses in software and games; architecture; and design.

The overall export rate of 15% is particularly striking seeing as creative services are seldom off-the-rack products. Assignments are usually characterised by high innovative outputs. This means that exporting enterprises tend to be more innovation-friendly, which usually makes for a much more relevant door-opener towards export markets than a particularly low-cost offer.

### Exports and imports of Austrian creative enterprises in million euros, 2010

	Exports	Imports	Balance
Architecture	293	127	166
Design	26	23	3
Music, books and artistic activities*	161	88	73
Radio and TV	0	222	-222
Software and games	785	475	310
Publishing	901	139	761
Video and film	80	95	-16
Advertisement	605	296	309
Total creative industries	2,850	1,465	1,385

\* Music, book and artistic activities excluding activities in the fields of retail and training

Sources: Statistics Austria, IO Tables 2010, calculations by the Institute for Advanced Studies



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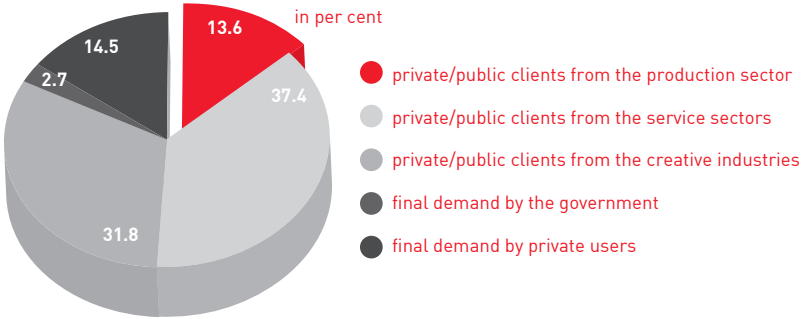
# **CREATIVE INDUSTRIES SERVICES FOR ENTERPRISES**

**Austria's creative industries fuel innovation with their original ideas. Achievements made by creative businesses increasingly turn out to be the key factor for other enterprises of all sectors to improve their competitive position.**

## **Who Are the Clients of the Creative Industries?**

To start with, the creative industries are an important member of many value-added chains within the Austrian economy, offering substantial impulses to their clients in terms of innovation and competitiveness. The most relevant group of clients for the creative industries are private and public enterprises, as they purchase 82.8% of all services offered by the sector, amounting to 19.52 billion euros. 14.5% of turnover are achieved with end users, about the same percentage is derived from exportation.

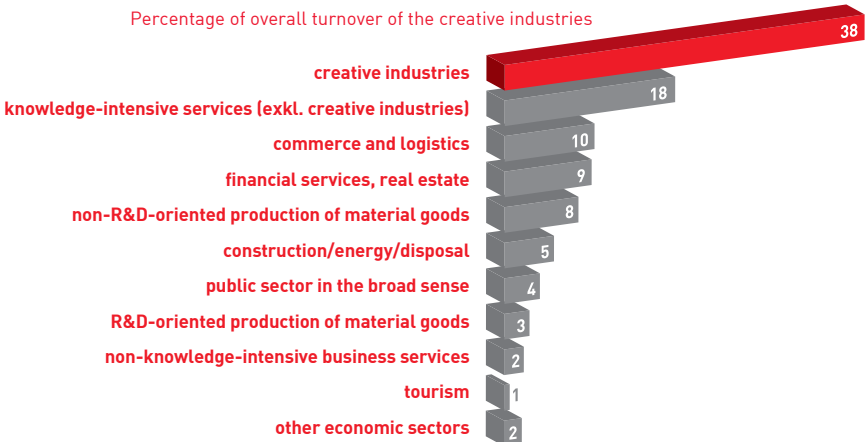
**Where the client base of the Austrian creative industries comes from, sorted by main sectors, in per cent, 2010**



Sources: Statistics Austria, IO Tables 2010, calculations by the Institute for Advanced Studies

About 70% of clients from almost all areas of the economy make use of services offered by the creative industries on a regular basis. At 38.4%, the largest buyer of creative services is the creative sector itself, followed by knowledge-intensive services such as telecommunication, IT and information services, engineering offices or legal, tax or business consultants (18.2%) as well as commerce/logistics (9.6%). Regarding the individual creative areas, the following client structure applies:

**How turnovers in the creative industries are distributed across client sectors, in per cent, 2010**



Sources: Statistics Austria, IO Tables 2010, calculations by the Institute for Advanced Studies

## **What Does a Creative Assignment Look Like?**

Almost one in two assignments earns the creative industries turnovers of less than 5,000 euros. This is particularly challenging seeing as two thirds of all creative assignments are tailored to the specific needs of individual clients. About half of creative businesses worked for between 10 and 49 different customers in 2013. The fields of design; video and film; and architecture have comparatively lower client numbers, while the highest numbers are boasted by music, books and artistic activities; publishers; and radio and TV, as they produce goods and services for end users: whoever buys a book or listens to the radio is one of their customers.

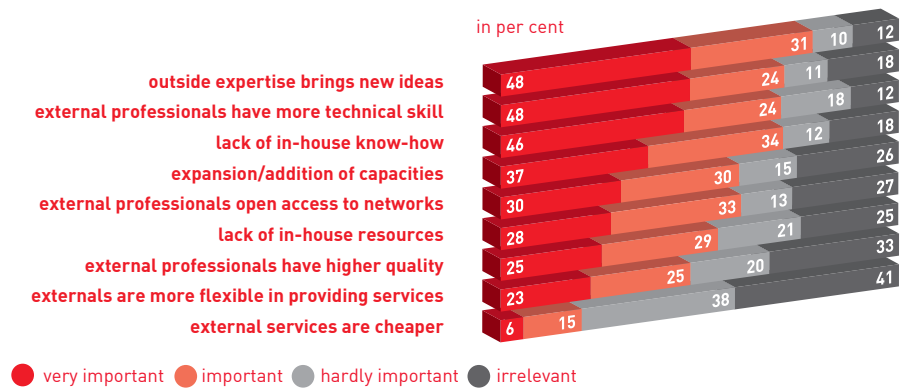
Although most creative entrepreneurs are able to pursue their professions independent of a particular location, 76 % of client relations take place within their base region. This shows that the creative sector is an important initiator for developing regional economies.

## **How Can Clients Benefit from Placing Creative Assignments?**

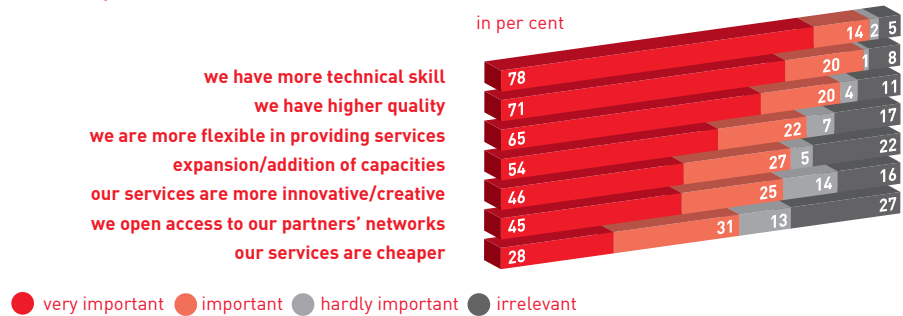
First of all, the clients of the creative industries are generally highly satisfied with the services they receive. Business clients appreciate that creative service providers combine high quality and specific skill with flexibility in accommodating individual wishes while at the same time introducing new perspectives to things. Creative entrepreneurs are usually very good in assessing what effects their services might have on the client businesses. In this respect, both creative professionals and their clients point out reputation enhancement, standing out compared to competition and raising their popularity as critical factors. Concerning enterprises' desire for innovation, the creative businesses are not always sufficiently aware of their role as a source of ideas. Two thirds of all business clients declare the creative service they ordered an important contribution to their own innovative efforts. On the other hand, interestingly enough, the creative professionals themselves assign much more relevance to the aspects of quality and pricing than their clients do.

**Reasons why clients use creative services as stated by clients and creative professionals, percentage**

**a) Clients' view**



**b) Creative professionals' view**



The question concerning the lack of in-house resources and the lack of in-house know-how was only asked to clients of the creative industries. Source: Institute for Advanced Studies/Centre for European Economic Research, creative industries survey

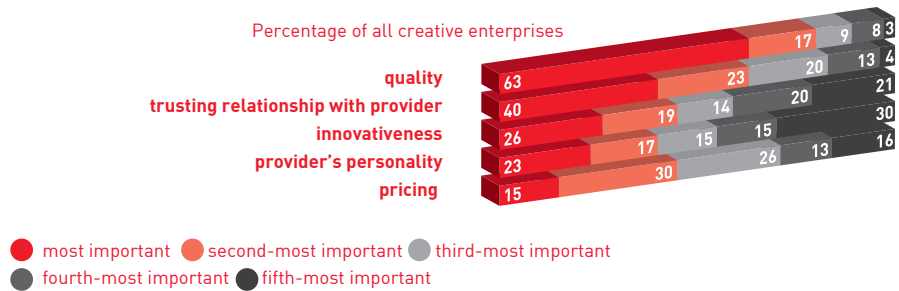
# How Do Creative Entrepreneurs Get Assignments?

Almost half of the business clients place assignments with their creative service providers only in the event of specific need. 63 % of all clients go out looking for assignees themselves, while 37% trust the advice of partner businesses and 24 % listen to private individuals. Only in 8 % and 6 % of cases are assignments awarded within presentations and competitions or by means of calls for tender, respectively. Generally, business clients would prefer to purchase more creative services in the future. To be able to do that, their financial scope or their own

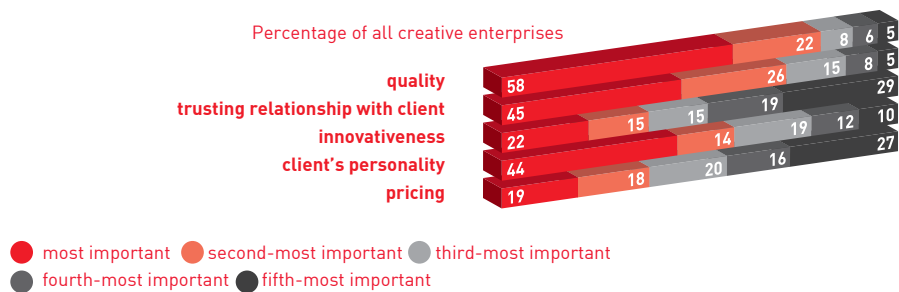
order situation would have to improve. The graph below shows how clients and creative professionals agree that quality and mutual trust are key.

Criteria for assignments as stated by clients and by creative professionals, percentage

a) Clients' view



b) Creative professionals' view

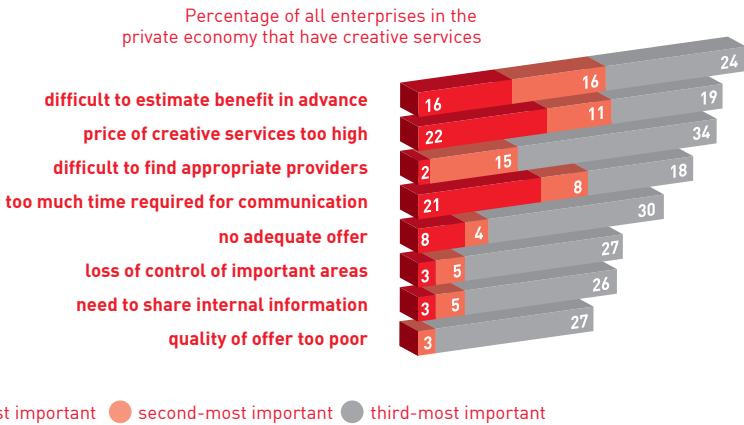


Source: Institute for Advanced Studies/Centre for European Economic Research, creative industries survey

# What About Those Who Do Not Work with Creative Businesses?

Those businesses that never purchase creative services generally refrain from doing so because they do not see the need. Among the ca. 28 % non-users of creative services – usually smaller businesses mostly from construction – 43 % have at least thought about using creative services, while 58 % have never even considered it. Those enterprises that thought about assigning a creative business but eventually chose not to named prices and undue time expenses as their reasons. But still, it is not that simple! Differing pricing ideas usually result from the fact the clients fail to estimate the surplus value of creative services.

## Reasons for enterprises who did not buy creative services but thought about doing it, percentage



Multiple answers concerning the three most important reasons were allowed.

Source: Institute for Advanced Studies/Centre for European Economic Research, creative industries survey

## How Does Creative Cooperation Work?

Almost all clients stated that the quality of the creative services they receive comply with their expectations. To a great extent, these clients had received their services from smaller creative businesses where they were mostly self-fabricated. Changes in project specifications did not necessarily entail scheduling changes, which demonstrates that creative entrepreneurs are flexible when pursuing their work. In general, it can be said that concentrating on few clients makes the creative cooperation more likely to turn out a success. Creative businesses with smaller client bases are more closely involved in the client enterprises' internal processes

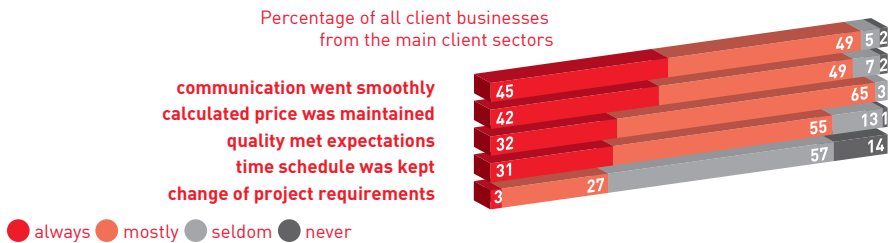
and therefore more easily capable of reacting to their specific needs. While in terms of clients, concentrating on a smaller group may be advantageous, in terms of cooperation, it can be worth thinking about working together with other creative professionals and entering business partnerships to share burdens more effectively. In the end, this could result in chances to accept bigger assignments.

## **How Can Creative Services Be Implemented Successfully?**

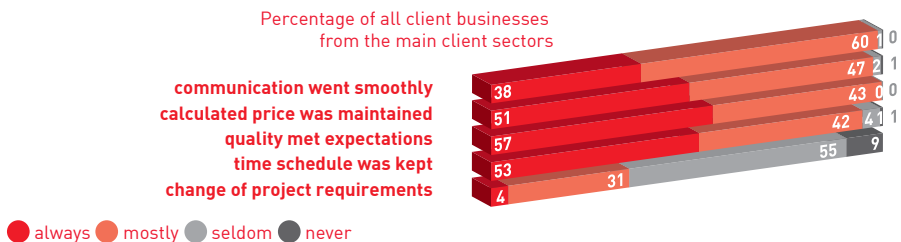
Acceptance, innovative achievement and effect of creative services is highly dependent on whether the client business itself has its own co-workers who appreciate such services and know how to implement them. Enterprises with inherent creative know-how, i.e. staff exhibiting creative capacities, tend to commission creative professionals more frequently than enterprises with little or no creative knowledge. Businesses that have creative capacities are better in phrasing their desires and in making effective use of the services, which gives them a good eye for necessary changes. So it is always a good idea for creative professionals to regard the creative representatives of their client businesses as important partners. In fact, there are 200,000 persons, more than the creative industries have to offer themselves, who pursue creative tasks in other enterprises and are often the ones to reach out to creative enterprises. As cooperation intensifies and the benefit of the services becomes more transparent, new demands—and new assignments—may arise. By the way: Client businesses that do not have their own creative employees tend to award assignments to creative professionals at short notice and as needed, but they are also usually interested in a trusting, long-term cooperation.

## Experiences shared by clients and creative professionals on buying or providing creative services

### a) Clients' view



### b) Creative professionals' view



Source: Institute for Advanced Studies/Centre for European Economic Research, creative industries survey

## How Can Non-Users Be Convinced of Creative Services?

When a potential business client says, "I don't need that", creative entrepreneurs should take another very close look. Any Austrian enterprise probably has potential for creative content hidden somewhere. Creative content is key to making oneself known and to improving one's competitiveness and market success. This needs to be made clear to, and understood by, potential clients. Then a price according to market requirements will usually no longer be a problem, and neither will the time consumed during executing the assignment or recognition of the benefit the creative service brings about. And aren't these the very concerns typically uttered by those entrepreneurs who once thought about cooperating with creative businesses but ultimately chose not to? Regarding this group, it can never hurt to reach out to them, talk, explain and point out the potential, which will ultimately shed a very positive light on the creative skill of the business client. The challenge for the creative enterprise is to be able to properly estimate



and elucidate their service's benefits and, most importantly, to place the client enterprise's business model at the centre of its creative services, especially regarding the client's end customers.

## **Anything Else They Can Do?**

Not all creative professionals are aware that the clients see them as innovative service providers and that they have desires for ideas and innovative endeavours they need for their business to be competitive and successful. By buying external services from the creative industries, business clients hope to improve their innovative performance and stand out from the competition.

They consider the enhanced degree of innovation in creative services an essential factor for an increase in demand for creative services on their own part, hoping to be met with understanding for their own business models and methods. So it is obvious that creative professionals are expected to display a great deal of consulting skill. In a survey, clients of the creative industries also expressed a wish for more entrepreneurial thinking, again expecting the creative professionals to understand their business models more deeply and target them more specifically with their services.



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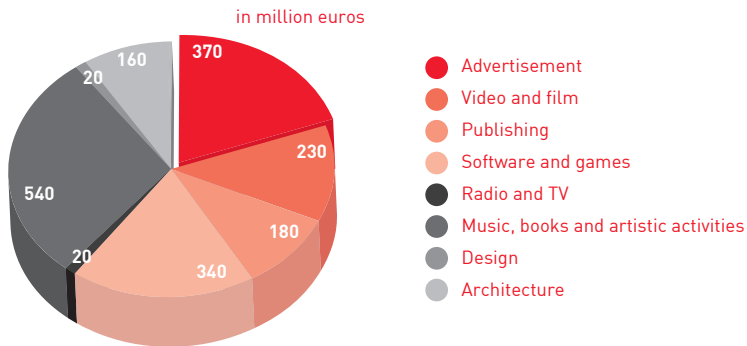
# THE PUBLIC SECTOR AS CLIENT OF THE CREATIVE INDUSTRIES

**Creative enterprises help the public sector in developing new user-oriented public services. And there is still potential for more.**

## **What Are the Creative Industries Doing for the Public Sector?**

Creative services received by the public sector amount to 1.85 billion euros every year. They include, for example, the development of user-oriented digital services for ministries, architectural services to improve the energy efficiency of public buildings, branding for tourism areas or a new web design for a municipality as well as a citizen-friendly design of communication paths in terms of New Public Management. The public sector buys 260 million euros worth of creative services annually in the form of investments. Direct assignments are complemented by indirect ones, for example, when an advertising agency deploys a film office in implementing PR measures for a municipality. Indirect demand benefits particularly the areas of design, advertisement and architecture. They amount to an additional 1.5 billion euros every year. This adds up to 3.35 billion euros, which means that the public sector purchases 20 % of all creative services.

## How direct public demand is distributed across creative sectors



\* Music, book and artistic activities excluding activities in the fields of retail and training  
Sources: Statistics Austria, IO Tables 2010, Calculations by the Institute for Advanced Studies

## How Can the Public Sector Benefit from the Creative Industries?

The creative industries can help raise awareness for public tasks. They can help improve communication as well as acceptance of how citizens fulfil public tasks. There is potential for more creative services in all layers of public authority and in many areas of public administration. The concept of 'public procurement fostering innovation' as it already exists in Austria by the German abbreviation IÖB could play an important role for public procurement in the future. For example, in improving the energy-efficiency of public buildings in the field of architecture creative enterprises offering innovative services are already seen benefiting from IÖB. Another key-word is New Public Management, summarising models of citizen participation. All essentials goals for implementing the concept of e-government require creative services; e.g. design is required in presenting content, to name but one example. The creative industries as a (digital) communicator could assume a key role in successfully shaping the future.

There is a lot of potential to be found in Austria's municipalities as well. They can all benefit from the services of the creative industries in areas like construction, architecture, provision of local infrastructure, design of local information material, tourism advertising or web design.

In times of tight budgets, the good ideas of creative enterprises may be able to strike particularly far-reaching effects, as the example below shows.



## **The Red Square, fully accepted in Zeillern— civic participation creates acceptance**

Zeillern im Mostviertel, known for its musical events and as the seat of the Austrian Brass Music Centre, wanted a new market square. What they did not want was a ready-to-use instant project to be presented to the population fait accompli but one in which all citizens could participate. An architectural office that works closely with the creative industries came up with the perfect idea. They took several days to talk to citizens of Zeillern and collect their ideas. Soon after these conversations, they realised that this was about more than just a market square.

In a place like Zeillern with its weak economic structures and outflow of people, the population is all the more in need of an environment worth living in. They needed a solution that went beyond a mere architectural service. So the creative professionals basically rolled out a carpet between the market square and the population. Today, 1,750 citizens of Zeillern stroll across the Red Square, where a red tarmac carpet connects the church and the palace. What used to be nothing but rambling undergrowth now accommodates a well-defined town centre. The creative work—including talking to the citizens, detailed planning and construction—took approximately two and a half years, and the costs were not much higher than those of a design or architecture competition. Also, as the mayor emphasises, such a competition would surely have brought nice architecture but never this level of broad acceptance. For everybody involved, the mayor himself included, the creative process meant being open towards unbiased conversations and allowing new things to unfold.

The idea to involve the creative industries did not result in the smallest common denominator but in the biggest and probably most exciting one. In any case, the people of Zeillern are highly satisfied with their new market square. And the municipality bears a variety of other ideas for the next 20 years to come.

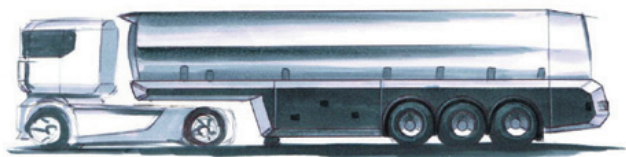
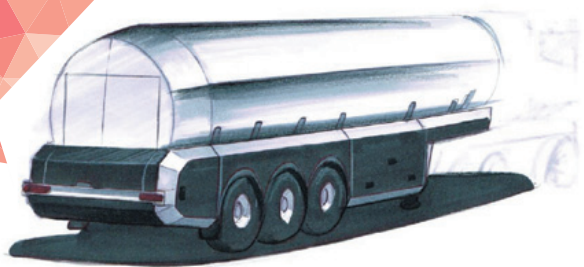
This section was drafted by Daniela Müller specifically for the present short version.

## What Does the International Comparison Reveal?

An international comparison shows numerous examples of how other countries stimulate public demand for creative services (if sometimes only indirectly).

In South Korea, for example, a dedicated agency, in which all relevant creative fields are represented, works hard to make the country one of the five global centres of content development. In the Netherlands, the creative industries are included in a growth strategy aiming to establish the country as one of Europe's most creative economies by 2020. The United Kingdom, an otherwise economically faltering industrial country, regards the creative industries as a highly promising field and fosters it accordingly, while Denmark sets targeted measures to become an internationally visibly centre for architecture, urban planning and development, fashion and design. After hosting blockbuster film production such as *Avatar* and *The Lord of the Rings*, New Zealand has discovered its relevance as a filming venue and now lures production companies with various stimuli. Special campaigns like this benefit not only creative enterprises with innovative products but also the public sector and the rest of the economy. Strategic financial support makes the creative industries more visible and allows them to make their own contributions to society, the economy and business locations.

Austria has pursued a strategic approach to promoting the creative industries as a contribution to domestic innovation since 2008. The Federal Ministry of Science, Research and Economy's evolve strategy promotes innovation rooted in the creative industries using an approach that aims to support the creative industries' contribution to innovation and, in a broader sense, restoration and development of Austria as a business location with coordinated steps including monetary support, services and awareness measures. The Austrian Federal Economic Chamber's *creativ wirtschaft austria* programme and *austria wirtschaftsservice* (aws Kreativwirtschaft) act as partners in implementing this strategy.



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# THE CREATIVE INDUSTRIES IN THE MARKET: A BRIEF SUMMARY

The history of the creative industries so far is a success story, but it should not serve as a pillow to rest on too comfortably. A survey among entrepreneurs conducted for this Creative Industries Report revealed that creative businesses often underestimate how crucial their work is for their clients' innovative and competitive advantage. This holds true for small SPEs just as it does for the public sector. It is therefore essential to explain how to make best use of the creative industries' range of services and what benefit and (added) value it can have for a business's success. The benefit of creative services exists, and in many cases it is the fundament for a better tomorrow. However, this innovative power and impact must be identified, recognised and successfully sold.