

ARE LOCAL CREATIVE INDUSTRIES MORE GLOBAL THAN WE THINK?

A STUDY OF SMEs BASED AT BALTIC CREATIVE IN LIVERPOOL

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1. A GROWING SECTOR

Creative industries account for almost 6 per cent of total UK jobs and are the UK's fastest growing sector (DCMS, 2016). In 2014, they accounted for an impressive 9 per cent of the UK's total services exports (DCMS, 2016). The government's *Industrial Strategy: Creative Industries Sector Deal* aims to increase exports by 50 per cent before 2023, claiming that "there remains a great deal of untapped potential in the sector, with many businesses not yet exporting at all" (BEIS, 2018). This poster, however, aims to show that creative industries firms are already deeply intertwined with the global economy.

2. THE COHORT

The research has been carried out at Baltic Creative, a Community Interest Company, which accommodates creative and digital businesses in a formerly derelict warehouse district in Liverpool, UK. The research comprises a 16-question online survey, which 59 Baltic Creative business owners completed in May 2018, and a dozen semi-structured interviews with these business owners.

3. THE EXPORTERS

Although official ONS statistics state that less than 11 per cent of UK businesses export (BEIS 2017a, ONS), our research found that an astonishing 69 per cent of Baltic Creative tenants trade internationally (Fig. 1). Furthermore these companies are extremely dependent on their international income: 35 per cent of the companies earn most of their income (over 50 per cent) abroad; another 35 per cent earn a significant portion of their of their income abroad (11 – 50 per cent), and a further 30 per cent of tenants earn under 10 per cent of their income abroad (Fig. 2). The EU is the largest trade partner with 90 per cent of companies exporting to Europe.

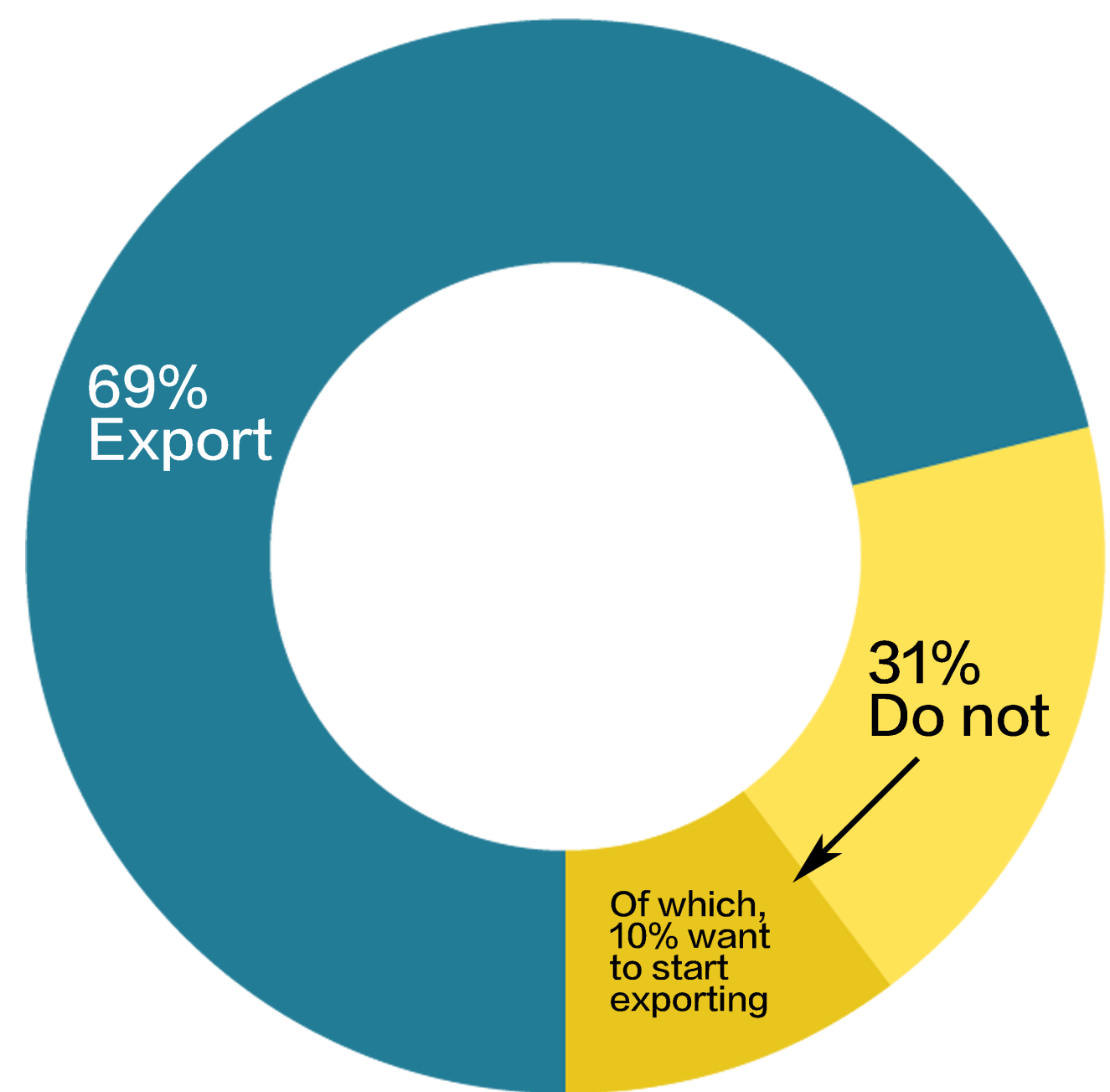


Fig. 1. Proportion of Baltic Creative that trade internationally ("exporters").

4. SIZE MATTERS

95 per cent of creative industries firms employ fewer than ten people (BEIS, 2018) and the Industrial Strategy sees "size in particular as a challenge to creative industries businesses seeking to export." (BEIS, 2018) Again, we have not found this to be the case at Baltic Creative. Although several companies surveyed employ between 10 and 50 employees, the mean company size is 3.2 FTE (full-time employees), in line with the national UK creative company average size of 3.3 FTE (Bazalgette, 2018).

5. CONCLUSIONS

While this research is based on a small, geographically isolated sample of companies and cannot claim to represent a broader snapshot of creative industries in the UK, the findings reveal a surprisingly large extent of income generated from exports, by even the smallest of SMEs. We applaud the *Sector Deal* for concentrating on exports. The government's efforts, however, should not focus on only improving the playing field, but also keeping a steady course so that creative industries businesses can continue to do what they're already doing exceptionally well: exporting their goods and services.



Fig. 2. Baltic Creative's Exporters rely heavily on their international income.

"EU/USA/Asia is much more important to us than the UK, so if Brexit gets in the way we may scale down British operations."

"On the day of Brexit, it cost us £13,000 because the value of transactions changed. It has cost us more since then because of exchange rates and on-going commitments."

"So far, Brexit has been good to us because the pound has weakened to the dollar and 65 per cent of our income is in US dollars. We have consciously spent more aggressively to acquire more US customers while the pound is weaker."

"We are retrenching all international business and making teams redundant to increase productivity. Because of Brexit, we have lost 7 major contracts in the last 12 months, a risk we cannot afford to make again."

"25 per cent of our sales come from Europe. If they introduce tariffs, that will be the biggest issue for us because it will affect our margins. Also, something that is a bit more intangible is how customers perceive [us]. Will they think, 'Oh it is a pain in the neck to buy from the UK. Am I going to get taxed at the border?'"

6. REFERENCES

Bazalgette, Peter. (September 2017). *Independent Review of the Creative Industries*. UK Parliament H.M. Government, & UK Parliament Department for Business, Energy Industrial Strategy. (January 2017). *Building our Industrial Strategy: green paper*. UK Parliament H.M. Government, & UK Parliament Department for Business, Energy Industrial Strategy. (November 2017). *Industrial Strategy: Building a Britain Fit for the Future* [White Paper], CM 9528. UK Parliament H.M. Government, & UK Parliament Department for Business, Energy Industrial Strategy. (March 2018). *Industrial Strategy: Creative Industries Sector Deal* [Policy Paper]. Key Non Parliamentary Papers Culture, Media Sport. (2016). *Creative Industries: Focus on Exports of Services*. UK Parliament H.M. Government, & UK Parliament Department for International Trade. (24 July, 2014). *Creative industries: Export help*. Key Non Parliamentary Papers Office for National Statistics. (2016). *Annual Business Survey 2015*.