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Aberdeen & Grampian
Chamber of Commerce
The Ultimate Business Network

CULTURE & CREATIVE network

North-east Culture & Creative Survey 2012

Fine Dining Media
Culture & Creative Network
North-east



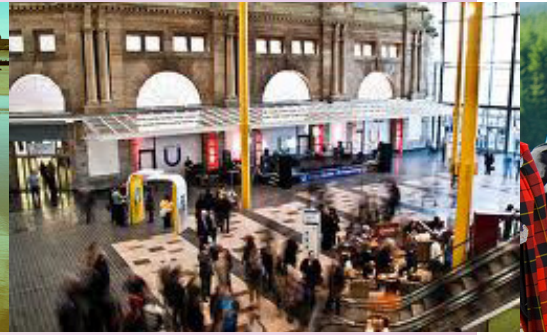
Aberdeen & Grampian
Chamber of Commerce



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Technology Strategy Board
Driving Innovation



*Robert Collier
Chief Executive, AGCC*

Foreword

This report aims to highlight the importance of the cultural and creative industries to North-east Scotland. 2012 is the Year of Creative Scotland, reflecting the Scottish Government's aspiration to make Scotland one of the world's most creative nations by 2020. This report therefore provides a general overview of this industry at the start of this journey and will act as a benchmark for future initiatives.

This piece of work also marks the final instalment of our knowledge transfer partnership survey series looking at the key industry sectors in North-east Scotland. This project was an initiative by the Chamber, Robert Gordon University, Aberdeen City and Shire Economic Future and the Technology Strategy Board. The suite of results gathered over the past two years and eight surveys have enabled us to identify the key issues for each sector, which are now informing our work and engagement with members going forward.

Looking at the survey findings, it is encouraging to note the relative strength of our culture and creative sector in North-east Scotland. Our region has a strong cultural identity which has been complemented over the years by both long standing and new international connections forged through trade, academia and the arts. Indeed, our culture and creative offering contributes to the overall attractiveness of this region as a place in which to live, work and invest.

Businesses within the sector are generally small, very engaged with new technologies and, most importantly, are optimistic about the future in terms of increasing their turnover, profitability and expanding within the next three years. In particular, businesses see future opportunities for their enterprise in our region and an improving market for arts and culture offerings, albeit in the face of rising costs and increased competition. Respondents also want to see better government policy towards the sector, though given the timing of the survey this may be as a result of the well-publicised difficulties for Creative Scotland.

The issues that constrain growth within the sector are the cost of doing business and difficulties with access to finance. These are issues that have also been highlighted by other sectors. Work by the Chamber to tackle these problems is thus cross-sectoral and is based upon sound evidence.

For the Chamber, the priorities shaped by the survey findings are to ensure that the relative economic strength of our region is also reflected in a strong and diverse cultural and creative sector.



Your Chamber
Your Network
Your Opportunities

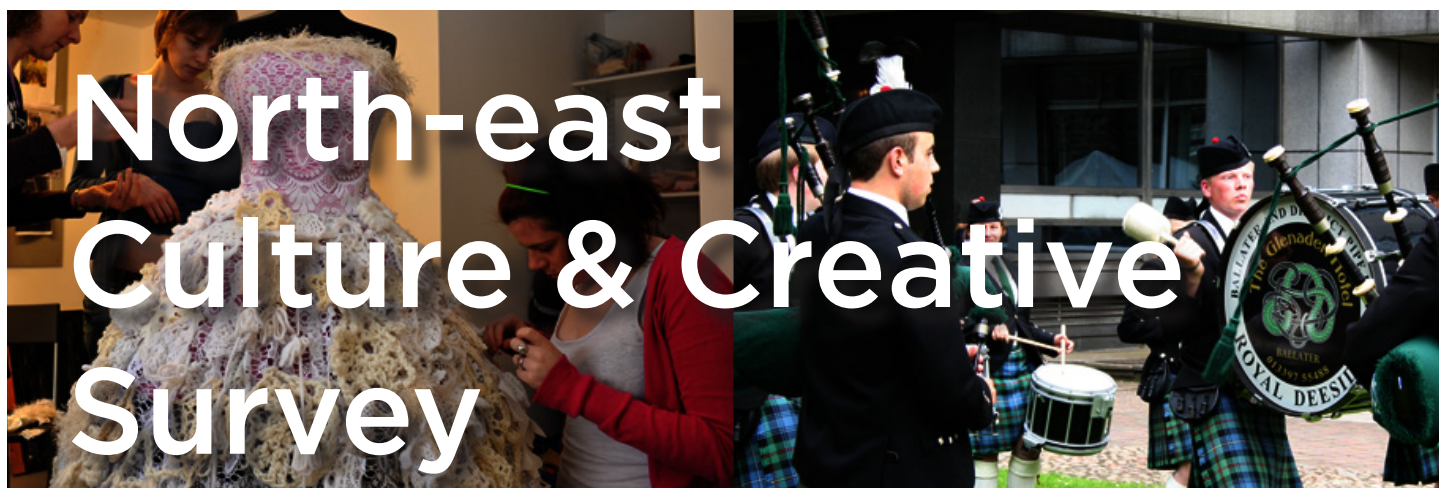
*Robert Collier
Chief Executive*



North-east Culture & Creative Survey

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North-east Culture & Creative Survey

EXECUTIVE SUMMARY

- 39% of respondents to the survey are from the creative industries subsector while 26% are in the arts, 19% in tourism and 16% in culture. Nearly one-third of respondents are artists and performers and 20% are commercial agents.
- Over 50% of organisations that responded operate mainly within the Aberdeen City Council area. 33% operate in the Aberdeenshire Council area and 13% operate elsewhere in the north-east of Scotland.
- In terms of employees, the majority of organisations surveyed were micro or small businesses with 8% owner-managed and 54% employing less than 10 people. 10% of organisations have between 10 and 49 employees and only 4% of organisations have over 250 employees.
- In terms of turnover, 37% of organisations that responded take between £50,000 and £250,000 and 30% take between £250,000 and £500,000. Smaller percentages of organisations reported turnovers above £1 million.
- 60% of respondents saw an increase in the cost of doing business and 40% stated that the level of competition had also increased.
- However, 38% of respondents reported an increase in productivity and turnover and 29% reported an increase in profits.
- Nearly 50% of respondents saw a reduction in access to finance for their business and 20% saw a decrease in productivity.
- For the majority of respondents (58%) there has been no change in the number of employees. However, 33% said that they had increased the number of employees and 9% said that they had reduced the number of employees.
- 59% of respondents expect to retain the same number of employees, 27% expect an increase and 14% expect a reduction in the number of employees.
- The most common methods of marketing in the sector are new technologies. 85% of respondents always use email and internet for marketing purposes and 47% always use social media.
- The use of new technologies like email, website and social media for marketing is set to increase in the future. Similarly, the use of networking as a means of marketing is set to increase. However, the use of more traditional methods of marketing like press and media advertising is set to reduce.
- The majority of respondents (over 60%) are generally optimistic that the art and culture market will get better and opportunities for their business in the North-east region will improve.



- 60% of respondents expect that productivity and turnover will increase and over 50% expect that profitability will increase over the next three years. However, more than 50% also expect that competition and costs will increase.
- For over 50% of respondents the most important factors in ensuring achievement of objectives are improvements in access to finance and improvements in the local business environment. Over 45% also consider better government policy as a key factor.
- Over the next three years 32% of respondents are very optimistic that their business will achieve its objectives for the next three years. 63% are somewhat optimistic and 5% are not at all optimistic.
- Over the next three years 52% expect to grow and expand their business while 43% expect to consolidate the business in its present form and 5% expect to downsize.

Introduction

A 2011 report by the Scottish Government, the Scotland's People Annual Report (2011), highlighted the value and benefits of art and culture to communities and individuals in Scotland. In acknowledging the value derived from this sector, the Scottish Government announced the Year of Creative Scotland for 2012, with the aim of promoting the nation's creative and cultural credentials on the world stage. This initiative is part of the overall strategy by the Scottish Government to achieve the following three objectives:

Promote and develop the crucial role of culture and creativity in making the strongest contribution that we can to sustainable economic development;

Focus on the contribution that culture can make to improving the health, wellbeing, confidence and quality of life for our communities;

Raise the profile of Scotland at home and abroad, and ensure that as many people as possible in Scotland and overseas are able to benefit from, be inspired by and enjoy the very best of Scotland's creative and cultural offer.

Aberdeen and the North-east is an important economic and culture hub in Scotland. In recent years, the culture and art sector in the region has grown more buoyant and diverse thanks to the evolving population and cosmopolitan mix of people living in the area. The vibrant energy sector has attracted a variety of people from a wide mix of cultural backgrounds, and this has contributed to the creation of new creative forms, culture waves and art events. In addition, the region is home to universities and colleges which have, over the years, attracted scholars from all over the world and contributed to the growth and diversity in its art and culture. The culture and creative sector has therefore become ever more important to the region, supporting its tourism and hospitality aspirations and providing positive vibrancy to its economic activity.

Against this background, the final survey in the Knowledge Transfer Partnership (KTP) between Aberdeen & Grampian Chamber of Commerce and the Robert Gordon University focused on the region's culture and creative sector. The aim of this report is to explore the sector's current profile in terms of how businesses are performing on a number of key indicators, the issues that affect this performance, their priorities and objectives, as well as the outlook for the future. The research does not aspire to provide the answers to the issues, but to identify key issues in an exploratory manner, in order that future work might be carried out for the purpose of addressing them.

The KTP research project supports the Chamber's Culture and Creativity Network and was undertaken with funding from the Technology Strategy Board and Aberdeen City and Shire Economic Future (ACSEF).

It is important to note that this report represents the views of those who responded to the survey. Respondents were mainly from the Chamber's membership from the culture and creative sector. Therefore the findings are susceptible to sampling bias. A snowball technique was used, with 35 responses obtained from an estimated sample of 138 businesses (a response rate of 28%). Some caution is recommended in interpreting the results at this level of response.

Sector Profile

F1 shows a breakdown of organisations that responded to the survey by their main business subsector. Respondents were mainly from creative industries (39%) with 26% working within art, 19% in tourism and the remaining 16% from the culture subsector.

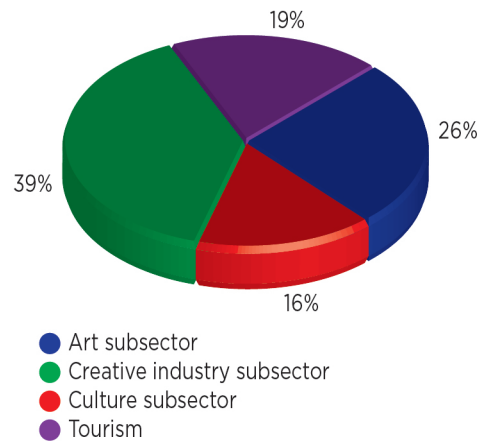
Breaking the sample down further (F2), almost one third of respondents classified themselves as artists/performers which include musicians and photographers etc. 34% of the sample represent companies such as studios, galleries or tourist attractions and 20% are commercial agencies. 17% represent consultants within the culture and creative sector.

Over 50% of responding companies operate within the Aberdeen City Council area, 33% within Aberdeenshire and the remaining 13% operate elsewhere in North-east Scotland (F3)



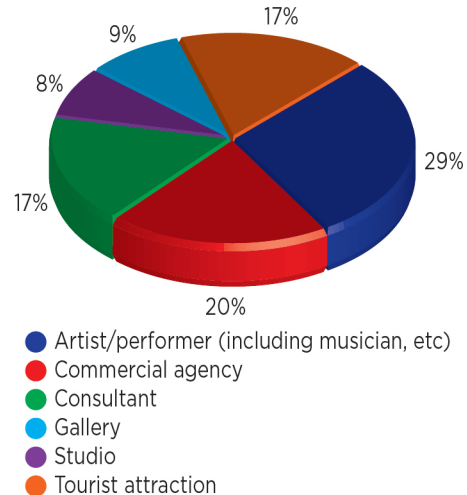
F1.

Q. How would you describe your business's main subsector?



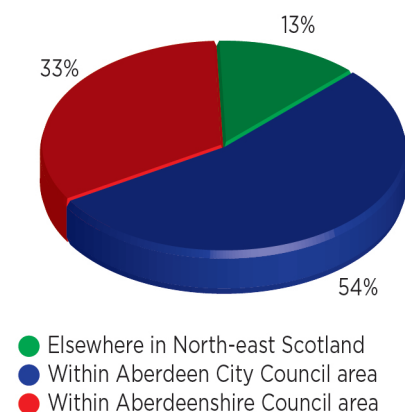
F2.

Q. Which of the following best describes your main business function?



F3.

Q. In which location do you mainly operate?

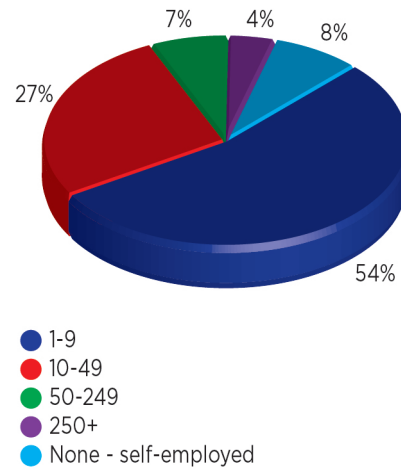


In terms of company size the majority (54%) of respondents would be considered micro-businesses with less than 10 employees. 10% of responding companies have 10-49 employees and only 4% have over 250 employees (F4). 8% of respondents were self-employed with no other employees.

F5 shows that the majority of responding companies have a turnover of less than £500,000 with 37% taking between £50,000 and £250,000 a year and 30% taking between £250,000 and £500,000. A small number of businesses have a turnover of over £1 million and 4% report a turnover of between £6.5 and £25.9 million. Based on classifications from the European Commission, a large proportion of companies within this sector would be classed as micro-businesses (with employee numbers under 10 and an annual turnover of less than £1.6 million).

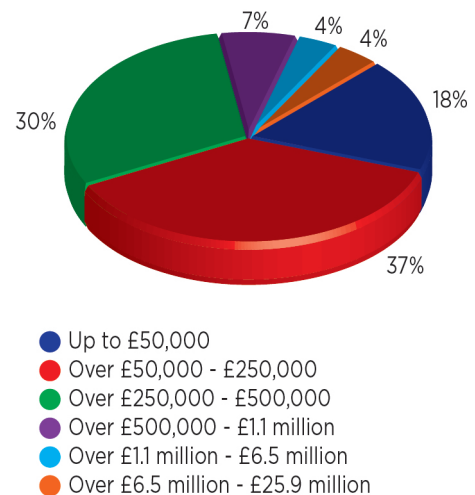
F4.

Q. What are your regular employee numbers?



F5.

Q. Approximately, what is your annual turnover?



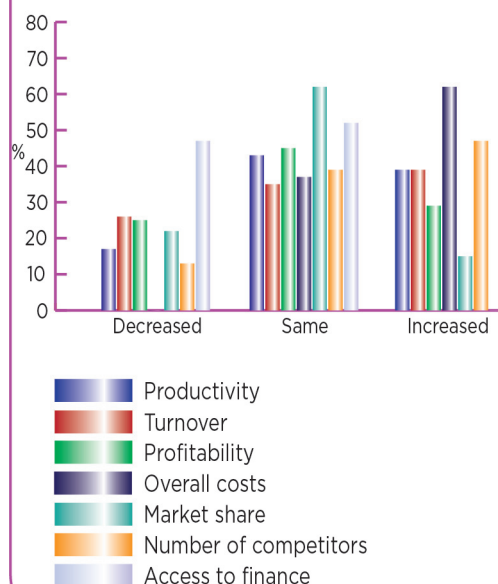
How is business?

To assess businesses' performance in this sector over the past 12 months, respondents were asked to indicate the level of change in key performance indicators as well as to express their level of satisfaction with factors that impacted on business performance. F6 shows that over 60% of respondents experienced the largest change in the cost of doing business, and over 40% stated that there had been an increase in the number of competitors in the sector. However, several businesses also reported increases in productivity (38%), turnover (38%) and profitability (29%). Perceived market share had remained the same for over 60% of respondents while access to finance had also remained stable for about half of businesses that responded (52%). Nearly 50% of respondents witnessed a reduction in their ability to access finance for their business and over 20% witnessed a decrease in turnover as well as productivity.

The key results regarding operating environment shown in F7 are that over 40% of respondents are satisfied with the level of access they have to business support and about 25% are satisfied with the opportunities available to their business in the North-east region, although 30% are either

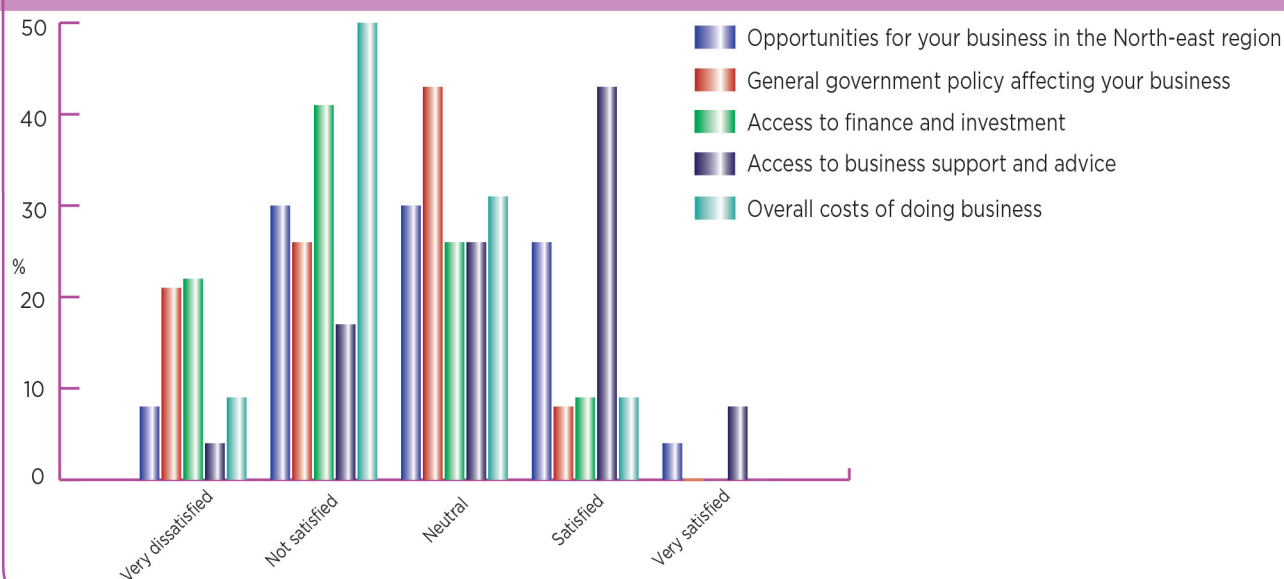
F6.

Q. Thinking about your business over the past 12 months, how would you rate the following?



F7.

Q. In the past 12 months, how satisfied have you been, or not, with the following factors?



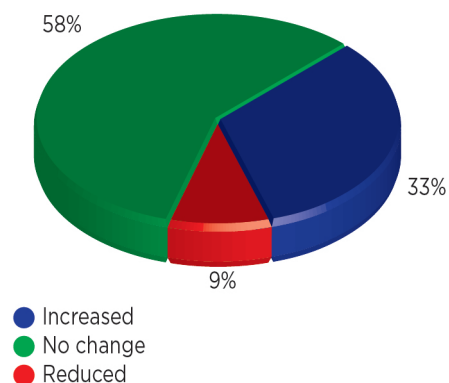
neutral or not satisfied. Furthermore, the majority of respondents (50%) are not satisfied with the overall cost of running their business, while over 40% are not satisfied with the level of access to finance for their business. In fact, over 20% of respondents are very dissatisfied with their ability to access finance for their business. With regards to government policy toward the sector, over 40% of respondents appear unable to decide on their level of satisfaction or dissatisfaction, but 25% are not satisfied and 21% are very dissatisfied. Therefore the two biggest issues for businesses within the sector are access to finance and costs.

In addition to general performance factors, an indication of business performance (that is, growth or lack of it) is the change in the number of employees in a sector. Therefore respondents were asked to indicate any changes in the number of employees in their business (F8). For 58% of respondents there was no change in the number of employees. However, 33% of responding businesses stated that they had increased their employee numbers while 9% stated that they had decreased the number of employees, suggesting that more businesses were growing than declining over the last year.

Respondents were also asked to indicate their expectations about employment trends in the sector (F9). It would appear that in general respondents expect an era of stability with 59% responding that they expected no change in the number of employees in the next 12 months. However, while 27% expect that there will be growth in numbers, 14% expected a reduction in the number of employees. In comparison to the trend in the previous 12 months (shown in F8) businesses expect growth to be more muted in the next 12 months. This contrast is shown in F9b.

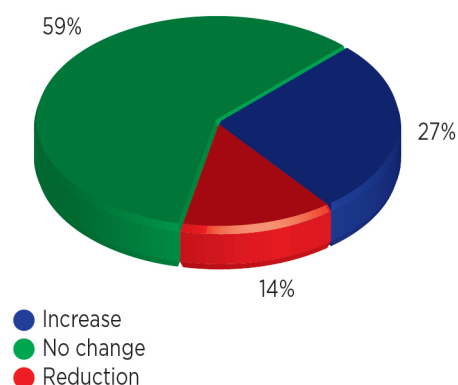
F8.

Q. In the past 12 months, what was the change in number of staff?



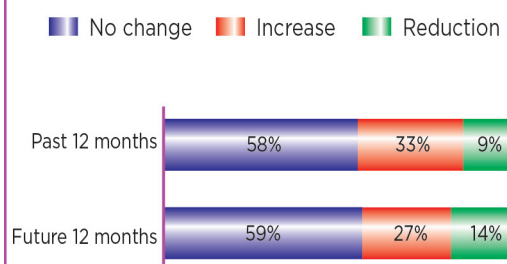
F9.

Q. Do you anticipate an increase or reduction in number of staff in the next 12 months?



F9b.

Q. Previous and expected change in employment



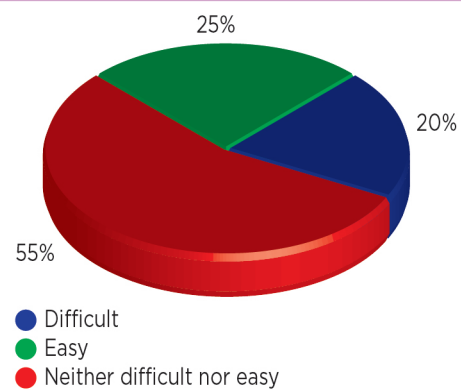
Respondents were also asked about their experience with finding and recruiting skilled people in the region. F10 shows that for 55% of businesses that responded this was neither an easy nor difficult exercise but that for 25% this was easy. However, up to 20% of respondents stated that finding and recruiting people with the right skills had been difficult.

Respondents were asked to indicate how much (in average percentage terms) they had spent on staff training and development activities. F11 shows that the majority (69%) spent between 1% and 5% of their turnover on staff training and development activities, while a quarter (25%) spent between 6% and 10% of turnover. Only 6% of respondents spent over 10% of their turnover on staff training and development.



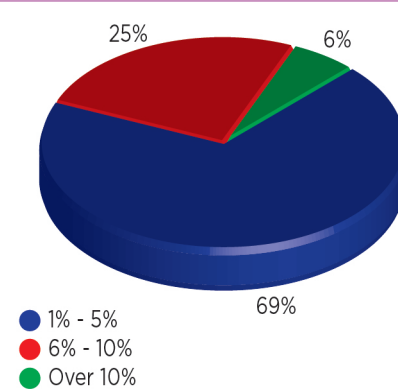
F10.

Q. In general, what has been your experience in finding and recruiting people with the required skills?



F11.

Q. What estimated percentage of your turnover did you spend on staff training and development in the past 12 months?

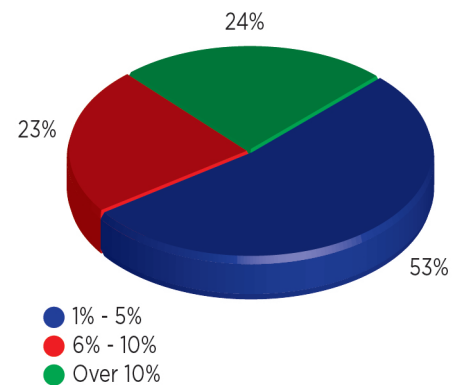


In comparison F12 shows that 53% of respondents spent between 1% and 5% of their turnover on marketing costs, while 23% of respondents spent between 6% and 10% and 24% of respondents spent over 10%.

The majority of businesses in the sector prefer to market and promote themselves using new technologies, perhaps as a cheaper alternative to traditional methods of advertising and marketing. F13 shows that over 80% of respondents most frequently (always) used email and internet websites for marketing, and another 47% used social media in the same way. However, only 26% used networking as frequently, and 15% used traditional advertising just as frequently. The proportion of respondents who did not use traditional advertising at all is as high as 30%.

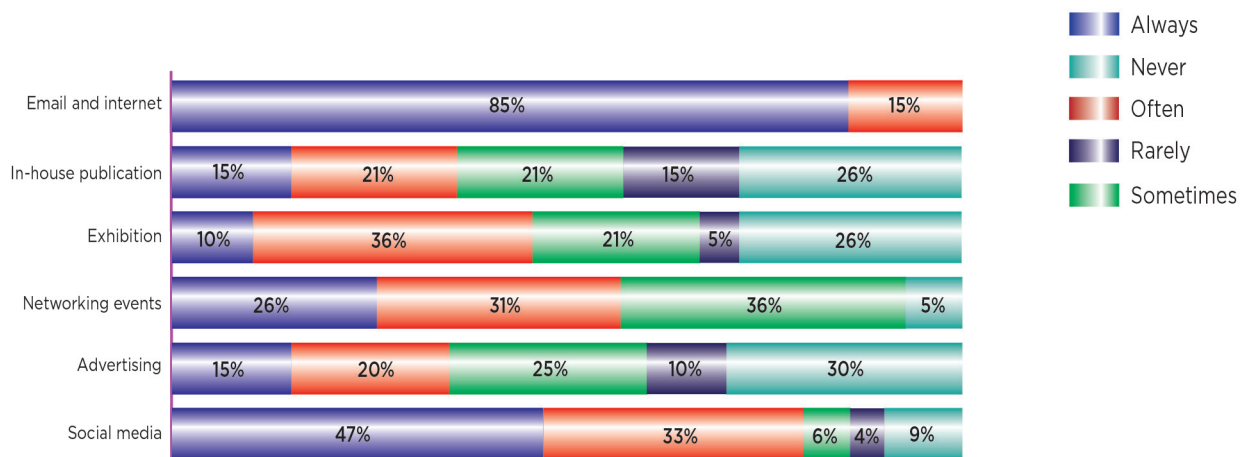
F12.

Q. What estimated percentage of your turnover did you spend on marketing in the past 12 months?



F13.

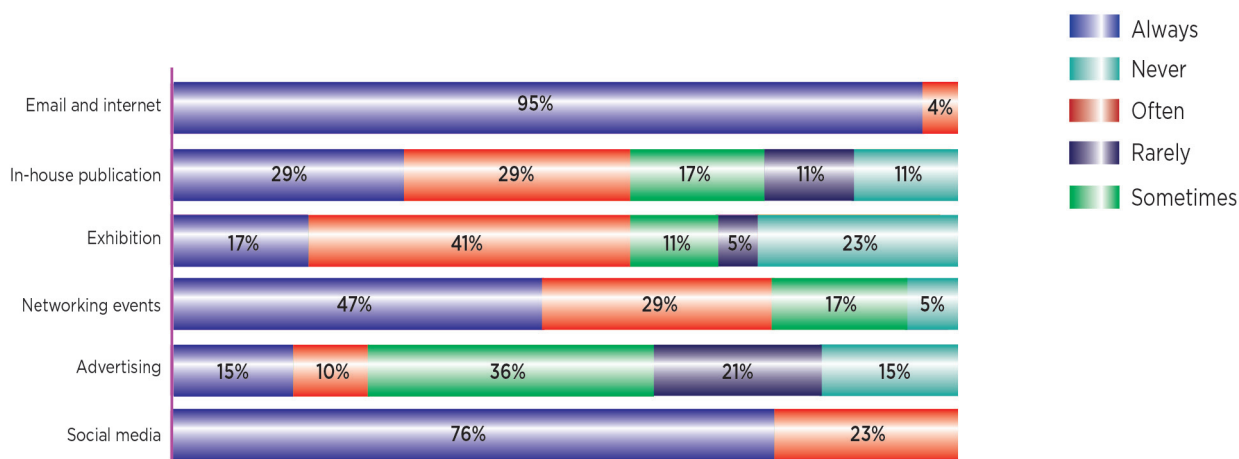
Q. In the past 12 months, how often did you use the following to market to your current and potential customers?



The reliance on new electronic media as a means of reaching out to the market is set to continue to grow in the near future. F14 shows that businesses expect to rely even more on internet and email marketing, with over 90% expecting to use this means. The use of social media will also become more popular, with over 75% expecting to employ this in their marketing activity. More than 40% also expect to frequently (always) use networking events.

F14.

Q. In future, how often do you anticipate you will be using the following to market to your current and potential customers?



Future prospects, priorities and outlook

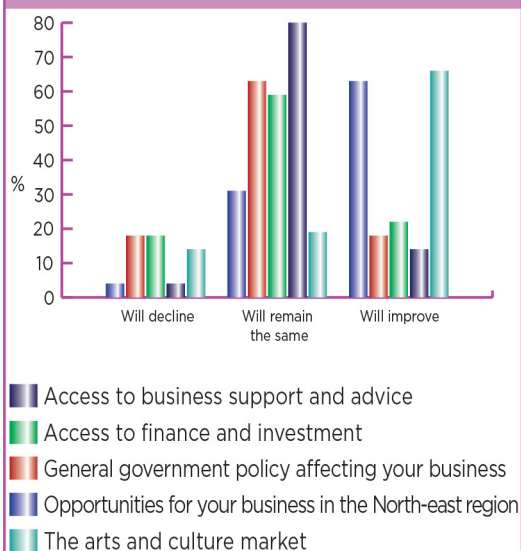
On the whole, businesses in the sector appear to expect a period of relative stability and little change in the external factors affecting them. F15 shows that 80% of respondents expect no change in the level of business support currently available to them, while only over 10% expect that this will improve and less than 5% expect that this will decline. Over 60% of responding businesses expect no change in government policy toward the sector, while an equal 18% expect that this will improve or decline. Nearly 60% also expect that there will be no change in the availability of finance for their business but 22% expect this to improve and 18% expect a decline.

However, respondents are bullish about future market conditions for art and culture, which 66% expect will improve, and in the region's business opportunities for art and culture, which 63% expect to improve. Overall, the sector is confident about future opportunities to grow.

Similarly, key performance and environmental indicators affecting businesses in the sector indicate an upward trend in the next three years, some indicative of growth but others indicative of a tougher economic climate (F16). In particular, over 60% of respondents expect that productivity will increase, 60% expect that turnover will increase, just over 50% expect that profits will increase, and over 30% expect to see an increase in their market share. However, many businesses also see an increase in costs and the level of competition in the sector. 60% expect to see more competition while 51% expect that the costs of doing business will rise.

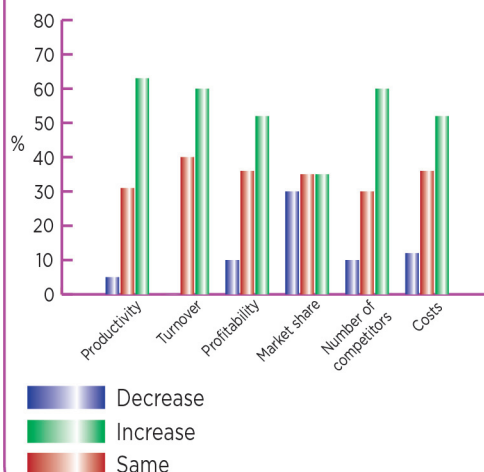
F15.

Q. In the near future (say three years) how do you expect the following to change?



F16.

Q. In the next three years, what change do you expect to the following?



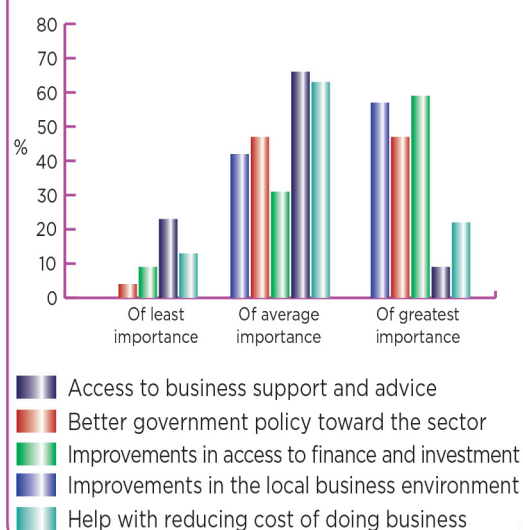
Respondents were asked to rate a number of factors according to the level of importance they attached to them in achieving their future business objectives (F17). Nearly 60% considered access to finance as factor of greatest importance with another 57% considering improvements in the local business environment to be the factor of greatest importance. 47% of respondents also considered government policy toward the sector to be of greatest importance in successfully achieving objectives. Over 60% of respondents considered access to business support to be of medium importance, with a similar percentage considering access to help with managing costs as a factor of medium importance.

F18 shows how participants responded when asked about their optimism for achieving their business objectives in the next three years. In general, there is optimism with 63% stating that they were somewhat optimistic about the future, and almost a third (32%) stating that they were very optimistic. However, 5% of respondents stated that they were not at all optimistic about achieving objectives for the next three years. This gives an optimism index of plus 27.

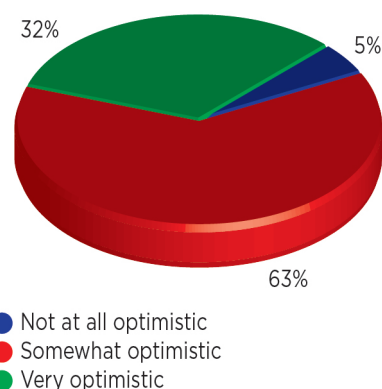
In addition to optimism, respondents were asked to indicate what strategic direction their business was likely to take in the next three years (F19). Again the picture shows that for many (47%), the near future will be a period of stabilisation. However more than half of respondents (52%) intend or expect to pursue a strategy of growth and expansion, and only 5% expect that they will downsize their business. None of the respondents expect to divest from the sector.

F17.

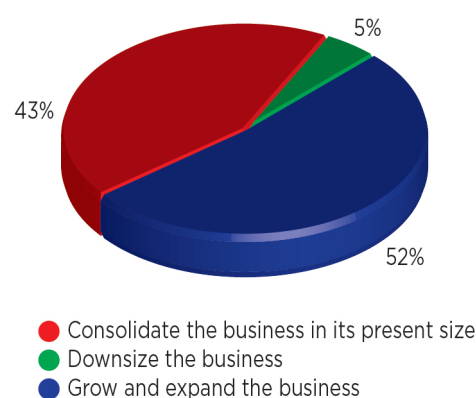
Q. What factors are the most important in ensuring that your business achieves its objectives?

**F18.**

Q. In the next three years, how optimistic are you that your business will achieve its set objectives?

**F19.**

Q. What strategic direction do you expect your business to take in the next three years?



General Comments

Q: How can the region's local environment be made more conducive to the success of culture and creative industries?

The main issue surrounding the culture and creative networks seems to be a lack of visibility within the local area and little support in terms of promotion of activities, initiatives and expertise. To a lesser extent access to finance was perceived to be an issue as well as effective leadership and support with business growth.

Q: Please list below any barriers that you may have to training and developing yourself and your staff?

A lack of time and budget set aside for staff training were perceived to be the biggest barriers to staff development in the culture and creative network:

"...hard to give time off for people to attend courses."

"...expensive to send people on courses."

Other barriers included a lack of training courses centred on the specific industry and type of business.

Q: Please provide comment on any issues that you can share with the rest of the sector to help the sector in the North-east prosper.

Answers to this question were mixed but mirrored issues mentioned elsewhere in the survey. They predominantly included access to finance and lack of exposure and collaboration within the area. There are also major concerns relating to public funding of the arts the process for accessing publicly provided funds. The Scottish Government has been identified in some comments as not being effective in its current approach to funding the sector, and this is seen to have an adverse effect on the region.

At the local level, some comments relate to the need to provide creative and art-oriented spaces, affordable accommodation – potentially on a fluid basis – and more proactive involvement in the arts by the local energy industries.

Conclusions

The culture and creative sector is active and thriving in the North-east of Scotland. It has been made more so by the interest generated in the Year of Creative Scotland 2012 and by changing demographics in the area, with a mix of cultures enriching the already vibrant community. Although the area is known mainly for its dominant energy sector, it is also home to two well-known universities. The arrival of many nationalities of different cultural backgrounds as scholars and/or to work in the energy sector has helped to create a community of diverse cultures and creative orientations. It can be concluded that the future of culture, art and creativity in the North-east region looks very promising.

The results of the Chamber's survey of business performance, concerns and optimism in the sector shows that it is dominated by micro businesses that are likely to be owner-managed. Assuming that the results of the survey are representative of the sector's profile, over half of businesses in this sector employ less than 10 people, and over three-quarters employ less than 50 people. The size of businesses in this sector is further demonstrated by their indicated turnover, with most taking between £50,000 and £500,000.

The results above indicate that the sector's businesses rely on small numbers of employees and that the sector is not capital intensive. This makes the sector an attractive provider of self-employment opportunities, which has been acknowledged widely as being essential in the recovery and future viability of Scotland's economy as a whole.

In terms of performance, the sector appears to have been stable in the period reviewed, although it is clear from the results that businesses have been affected by growth enhancing as well as growth constraining factors. For example it is encouraging to note that nearly 40% of respondents reported increases in productivity and turnover, and nearly 30% reported an increase in profits. On the downside, more than 60% reported that the costs associated with their business had increased; nearly 50% reported that competition had increased and nearly 50% reported a reduction in ability to access finance. Some of these findings, for example increase in cost and number of competitors, may represent natural growth of the sector. However,

access to finance is an important area of concern and may hinder any potential growth that the sector can achieve.

Another area of some concern is related to the prospects for employment within the sector. Although over 50% that respondent stated that they expected to retain the same level of employees in the near future, the number that expected to trim their employee size in the near future is higher than the number that had done so in the previous 12 months, while the number that expected to hire more people in the near future is lower than the number that had done so in the preceding 12 months.

Some areas of the business environment have also been sources of dissatisfaction within the culture and creative community. Asked about how satisfied they were with particular aspects of their business environment, businesses indicated strongly the lack of satisfaction with costs associated with their business. While some cost increases may be in the natural course of business and prevailing economic conditions, others were seen to be as a result of specific policy decisions, and these costs nevertheless appear to affect businesses in two ways: by reducing potential margins and by reducing potential custom. For example, some of the key comments obtained from business owners during the research relate to the cost of parking within the city centre of Aberdeen, which some owners blamed for a reduction in patronage of their business. Business rates were also identified as constraining the ability of the sector's businesses, particularly small operators, to grow and prosper. On the other hand, most respondents considered the level of support and advice available to them to be satisfactory.

Perhaps due to its limited budgets, employee size and operational models, the culture and creative sector appears to spend relatively little on staff training and development, and on marketing and promotion activities, when compared to other sectors previously researched. Nearly 70% of businesses in the sector spent only between 1% and 5% of their turnover on staff development in the previous year. By comparison to other sectors surveyed, this is the lowest annual spend on staff training and development, indicating either that there is very little requirement for additional training of employees in this sector, or there is lack of resources to undertake training and development.

Some of the comments received point to the latter with some respondents complaining about the lack of time and money to undertake required training activity.

Similarly, over 50% of businesses reported that they had spent 5% of turnover or less on marketing and promotion activities. Furthermore, marketing in the sector appears to predominantly use email, website and social media. These methods represent below-the-line marketing, requiring little or limited use of monetary resources. Social media is the most heavily used marketing method and businesses are planning on increasing this within the next 12 months. Similarly, marketing campaigns utilising email, internet and websites will increase, with all businesses in culture and creative planning on taking advantage of this method to some extent. Businesses are also planning on using networking events and in-house publications to reach their market. More traditional methods of advertising are reported to be on the decrease and marketing at exhibitions is set to remain fairly stable. This may represent an opportunity for commercial operators in the creative industry to provide the arts and culture providers with marketing support.

The future outlook for the culture and creative sector appears to be mixed. On the one hand it is a case of holding a steady course through the difficult economic conditions. In most areas examined, expectations are for relatively little change in the business environment. Although many businesses expect that there will be more opportunities in the region, and that the art and culture markets will improve, it is also clear that in the areas of general government policy, access to finance, and access to advice and support, there are few expectations for improvements. Rather, businesses expect that these will remain at current levels in the near future. But on the other hand, businesses are more positive about their internal ability to achieve growth, given that over 60% expect to be able to increase productivity and sales. Furthermore, more than 50% of respondents expect that they will manage to increase profits, even as 60% anticipate an increase in the number of competitors and over 50% anticipate an increase in costs. These results are therefore a mix of cautious outlook about the external environment and a rather optimistic outlook about individual performance expectations.

Nearly all responding businesses are optimistic about achieving their objectives for the next three years, with 32% very optimistic and 63% somewhat optimistic. It can be concluded therefore that despite the challenging economic environment and growth-constraining factors like lack of access to finance and growing costs, businesses' optimism has not dampened in the sector. There is a positive outlook for future performance, although with evident caution about the impact of external, non-controllable factors. Hence, to realise the expected goals and objectives, businesses have identified some priorities that the sector and its stakeholders should focus on, of which the most important are improvements in access to finance, improvements in the local environment, and better government policies toward the sector.

Further Reading

1. <http://www.scotland.org/culture/>
2. <http://www.creativescotland.com/explore/2012-2014/year-of-creative-scotland-2012>

Note on methodology

A survey method using an online questionnaire was utilised. Sampling was based on a snowballing technique, with the initial invitations sent to 69 members of Aberdeen & Grampian Chamber of Commerce's Culture and Creative Network. 35 useful responses were collected after three weeks and these form the basis for the above analysis.

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