COM15-1036

Cultural times

The first global map of cultural and creative industries

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EY

Building a better working world

The study was carried out by EY, under the supervision of Marc Lhermitte, Bruno Perrin and Solenne Blanc, with the participation of Vincent Raufast, Hugo Alvarez, Joséphine Druesne, Mehdi Echiguer, Danielle Attias, Bonnie Olivier, Louisa Melbouci and Graeme Harrison (Oxford Economics).

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With the initiative to set up a project aimed at analyzing the cultural and creative markets in the world, CISAC, the International Confederation of Authors and Composers Societies, commissioned EY to conduct this study. The project is the first of its kind. CISAC collaborated with the following partners and supporters in an effort to rally a large segment of the representative organizations in the cultural and creative sectors for this unprecedented study.

Study supporters

"Globo" – *Globo Comunicação e Participações S.A.*

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Knowledge contributors

The World Bank

ICMP – International Confederation of Music Publishers

IFRRO – International Federation of Reproduction Rights Organizations

About CISAC

CISAC – the International Confederation of Societies of Authors and Composers – is the world's leading network of authors' societies. With 230 member societies in 120 countries, CISAC represents four million creators from all geographic areas and artistic repertoires; music, audiovisual, drama, literature and visual arts. CISAC is presided over by electronic music pioneer Jean-Michel Jarre and the organisation's four vice-presidents are: Beninese singer Angélique Kidjo, Senegalese sculptor Ousmane Sow, Indian poet, scriptwriter and lyricist Javed Akhtar and Argentinean film director Marcelo Piñeyro.

Founded in 1926, CISAC is a non-governmental, not-for-profit organisation with headquarters in France and regional offices in Africa (Burkina Faso), Latin America (Chile), Asia-Pacific (China) and Europe (Hungary).

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Forewords

UNESCO

Irina Bokova
Director-General of UNESCO

As we celebrate the 10th anniversary of the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions ratified on 20 October 2005, this study commissioned by the International Confederation of Societies of Authors and Composers confirms the powerful argument advocated by UNESCO of the contribution of the cultural and creative industries to sustainable development.

Capitalizing US$2,250b and nearly 30 million jobs worldwide, the cultural and creative industries are major drivers of the economies of developed as well as developing countries. Indeed, they are among the most rapidly growing sectors worldwide. It influences income generation, job creation and export earnings. It can forge a better future for many countries around the globe.

But that is not all there is to it. For unlocking the potential of the cultural and creative industries also means promoting the overall creativity of societies, affirming the distinctive identities of the places where it flourishes and clusters, improving the quality of life and providing resources for imagining diverse new futures.

In other words, in addition to its economic benefits, the cultural and creative industries generate non-monetary value that contribute significantly to achieving people-centered, inclusive and sustainable development.

Public policies are needed to support the diverse forms of creativity at the heart of the cultural and creative industry sectors as well as to address new challenges posed by digitization.

Convention on the Protection and Promotion of the Diversity of Cultural Expressions is taking action to promote the relevance is key principles of the Convention in the digital age. This constitutes a central challenge ahead of us: balancing all interests and the varied ways in which diverse cultural expressions are expressed, augmented and transmitted, whatever the means and technologies used.

This calls for more data and stronger indicators on the role of culture for the development of societies. This is the spirit of many UNESCO initiatives, such as the Culture for Development Indicators, the 2013 United Nations Creative Economy Report, as well as the first Global Report to monitor the implementation of the 2005 Convention. I welcome the publication of this new global map of cultural and creative industries as an important contribution to this global effort.

CISAC Presidency

Jean-Michel Jarre
President

Angélique Kidjo
Vice-President

Ousmane Sow
Vice-President

In our capacity as President and Vice Presidents of CISAC (Confederation of Authors and Composers Societies), we are the ambassadors of millions of creators around the world whose creative endeavors cover all repertoires – music, audiovisual, drama, literature and visual arts – and carry the torch of this cultural diversity that we cherish so much. We know, by experience, that art knows no boundary: it is the expression of the many different cultures on the five continents. At the same time, we are also very much aware of the fragility of the status of creators in today's world.

This study maps out the macro economy of creative industries in the world, continent by continent. This is the first time we have access to such a wealth of data. These facts and figures make for a very interesting tapestry. What first caught our eyes was the great divide between North and South. In developed economies, creative industries thrive because of a legal framework protecting the rights of creators, allowing for industries to be built from the works of thousands of creators.

This is a situation that does not apply in many developing countries. The culture in these countries is no less richer, yet the creators themselves are often poor and struggle to make a living from their creativity and contribute to the domestic economy.

We do hope that this study will be an eye opener for policy-makers around the world on the importance of providing their creative community with a strong legal apparatus to protect rights and allow for a fair remuneration of creators. Creators' rights do not stand in the way of the economy, quite the contrary. They help build sustainable economies, they provide local jobs, they generate revenues and taxes, and they allow a whole class of people, many of them young, to make a living from their talent.

And that's the other point that we would like all of those who will read this study to take into account: never forget that behind this massive aggregate of impressive figures, there are individual creators. Each and every one of them makes a unique contribution to the overall economy in his or her country in addition to providing the world with creative works that touch the souls of their fellow human beings.

Javed Akhtar
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Undeniably, culture and creativity have been the cement that binds together not only hearts and souls, but entire societies and nations. In a world that faces frequent disruption and upheavals – economic, social, political and technological – creativity and culture have been the common link through history, knitting together our past, present and future.

But culture and creativity are actually much more than that. They are catalysts for development. They are an economy – nearly 30 million people across the world make a living out of them, generating total revenues of US$2,250b.

The momentous impact of the cultural and creative industries (CCI), however, is only partially understood and appreciated. EY's global map is a groundbreaking initiative to bring to the fore their economic and social power. Initiatives of think tanks, such as the Forum d'Avignon, bringing together artists, industries and policy-makers have helped understand the economic weight of CCIs.

Besides the economic weight of culture and creativity, our report shows the unique diversity of these industries. And some challenges too. Consider, for instance:

- Asia-Pacific is the world's largest CCI market, generating a third of total revenues, followed closely by Europe and North America. Latin America, and Africa and the Middle East rank fourth and fifth, respectively – but the potential and opportunities in these two regions is striking.
- In Europe, CCI sectors typically employed more people aged 15-29 years than any other sector.
- While some would have feared that digital economy would standardize culture and creation, the impact of digital is actually the opposite: the digital economy is accelerating the diversity of culture and creation.
- Although exceptions to the rule exist, the crucial role of women in CCI's development must be better appreciated and rewarded.

Our research also highlights how CCI play a decisive role for the economic development of both mature and emerging markets. They are already a locomotive of the digital economy. In 2013, they contributed US$200b to the digital economy. The major internet giants of the world have emerged through and due to creative content, obviously. CCI are also a significant driver for urban development: cultural heritage, activities and events are accelerators of growth and attractiveness. Creators are entrepreneurs too: in the US, they are 3.5 times more likely to be self-employed than US workers overall.

CCI are undoubtedly strong pillars of the global economy, but fragile if not taken care of. Governments worldwide are awakening to the true economic value of CCI, but challenges to their growth abound. CCI need more structuring, supportive policies and robust protection of creative content. To boost their economic potential, the balance between creation, access (distribution) and care of cultural heritage is a must. We hope this unique report will support a better understanding of these challenges, and how to address them effectively for the long-term development of creativity and culture.

Executive summary

Cultural and creative industries (CCI) generate US$2,250b of revenues and 29.5 million jobs worldwide

CCI revenues worldwide exceed those of telecom services (US$1,570b globally), and surpass India's GDP (US$1,900b). Within the total, the top three earners are television (US$477b), visual arts (US$391b), and newspapers and magazines (US$354b). With 29.5 million jobs, CCI employ 1% of the world's active population. The top three employers are visual arts (6.73m), books (3.67m) and music (3.98m).

The cultural and creative world is multipolar

Asia-Pacific accounts for US$743b in revenue (33% of global CCI sales) and 12.7m jobs (43% of CCI jobs worldwide). The Asian market is driven by a large population, and the region is home to CCI leaders, such as Tencent, CCTV and Yomiuri Shimbun. Europe and North America are the second and third largest CCI markets. Today Latin America, and Africa including the Middle East rank fourth and fifth, respectively – but CCI players see great development opportunities in these two regions. Though symbiotic, each world region is developing a momentum of its own.

Cultural and creative content drives the digital economy

CCI are a locomotive of the online economy – contributing US$200b to global digital sales in 2013. Cultural and creative content also powers sales of digital devices, which totaled US$530b in 2013. Digital cultural goods are, by far, the biggest revenue source for the digital economy, generating US$66b of B2C sales in 2013 and US$21.7b of advertising revenues for online media and free streaming websites.

Cultural production is young, inclusive and entrepreneurial

Creative activities contribute significantly to youth employment and careers in CCI are relatively open to people of all ages and backgrounds. In Europe, CCI sectors typically employed more people aged 15-29 years than any other sector. Creative industries also tend to favor the participation of women compared with more traditional industries. Statistics compiled by the UK Government showed that women accounted for more than 50% of people employed in the music industry in 2014 (vs. 47% in the active population overall). Moreover, creation is driven by small businesses or individuals, giving rise to agile and innovative employers. More than half (53%) of Canadian gaming developers say they are independent operators. In the US, artists are 3.5 times more likely to be self-employed than US workers overall.

Culture boosts cities' attractiveness

World-class cultural infrastructure is a catalyst for urban development: building a museum often offers opportunities to engage in large urban development projects and to develop a new "city brand" around cultural and creative industries. Such flagship projects boost a city's attractiveness for tourists, talent and highly skilled workers. Bilbao, in Spain's Basque Country, is now an icon of culture-led urban regeneration: construction of the Guggenheim Museum led to the creation of more than 1,000 full-time jobs, and tourist visits have since multiplied eight-fold. Equally important, CCI make cities more livable, providing the hubs and many of the activities around which citizens develop friendships, build a local identity and find fulfillment.

The informal economy is a vast reservoir of jobs

Informal CCI sales in emerging countries were estimated to total US$33b in 2013 and to provide 1.2 million jobs. Performing arts are the biggest employers in the informal economy, providing unofficial music and theater performances (street performances, festivals and concerts that do not pay authors' rights, private performances at marriages and funerals, etc.), which are often free for audiences. In Africa, these performances are sometimes funded by individual sponsors.

Leveraging a more creative world

- **Promoting author's rights:** If we want authors and creators to continue creating culture and promoting cultural diversity, they must be compensated fairly for the use of their works. The current failure to properly reward creators is limiting CCI revenues, and holding back their growth and ability to generate job creation.
- **Looking for growth:** As companies chase the scale needed to exploit their best content ideas across global markets, consolidation is back in vogue. EY's 2015 Media & Entertainment *Capital Confidence Barometer* shows that 50% of CCI companies expect to pursue acquisitions in the next 12 months.
- **Pursuing global expansion:** Mature markets remain the most attractive for investment by CCI companies and organizations. Nonetheless, China and India are the emerging markets of choice for many executives, drawn primarily by their strong growth and massive long-term potential.
- **Balancing online monetization:** CCI players face two difficulties: trying to persuade consumers to pay for something they may have been accessing for free, and extracting a fair share of the value generated by cultural content, which has been largely captured by online intermediaries. The problem of a value chain distorted in favor of internet intermediaries needs to be addressed by policy makers across borders, so that the internet becomes a fair-trade place for creators and their works.
- **Nurturing talent:** Talent is the lifeblood of cultural and creative industries. According to urban economist Richard Florida, the "creative class," including designers, artists and high-skilled intellectual workers, acts as an engine of innovation and urban development, structuring creative hubs and networks for the economic, social and cultural development of their native cities and regions.

Introduction

The global map of cultural and creative industries

An unprecedented initiative

The world has a shared history and a rich, diverse cultural heritage. This heritage is cherished globally as an asset that belongs to us all, yet gives our societies their identity and binds them together, nurturing a rich cultural and creative present and future. That is why stakeholders of the creative and cultural world must do everything in their power to preserve this heritage and the diversity of actual cultural content, amid a political and economic climate that is subject to major upheavals.

The idea behind this report is that the economic weight of cultural and creative industries (CCI) in mature and emerging economies is partially described, misunderstood and undervalued. This is why the International Confederation of Societies of Authors and Composers (CISAC – the body representing authors' societies worldwide) – decided to commission a global study of the economic and social impact of CCI, focusing especially upon revenues and employment. The study has the following objectives:

- To produce a comparative, quantitative and qualitative analysis of cultural and creative industries
- To understand the overall economic role of CCI globally, by sector and by region
- To put these analyses into perspective against the past, current and future economic situation
- To show how, and to what extent, CCI may be a driving force for global economic growth
- To produce a comprehensive report with examples of the diversity and complexity of CCI worldwide

This study encompasses a wide range of creative activities combining the creation, production and distribution of cultural content. Unlike other studies, we have included all activities related to the performing arts (including dance, opera, ballet and live music) and visual arts (museums, visual arts creation, art market and design activities). In addition, EY's study is the first to separately assess the economic value of each CCI individually, and at a global level.

The result of in-depth collaboration

The study was conducted by EY, which has recognized involvement and experience in cultural, creative, media and entertainment industries worldwide. The EY project team was supported by the firm's global network of professionals, providing access, insights and expertise on this wide-ranging study.

All estimates and qualitative trends detailed in this report arise from long-standing collaboration:

- The study involved 150 interviews to identify megatrends and regional peculiarities.
- More than 300 sources were reviewed to develop the economic assessment.
- The valuation methodology and estimates were reviewed in depth by senior economists from Oxford Economics.
- The study was overseen and coordinated by a working group of methodology and CCI experts (including CISAC, authors' societies, the World Intellectual Property Organization (WIPO) and The World Bank).

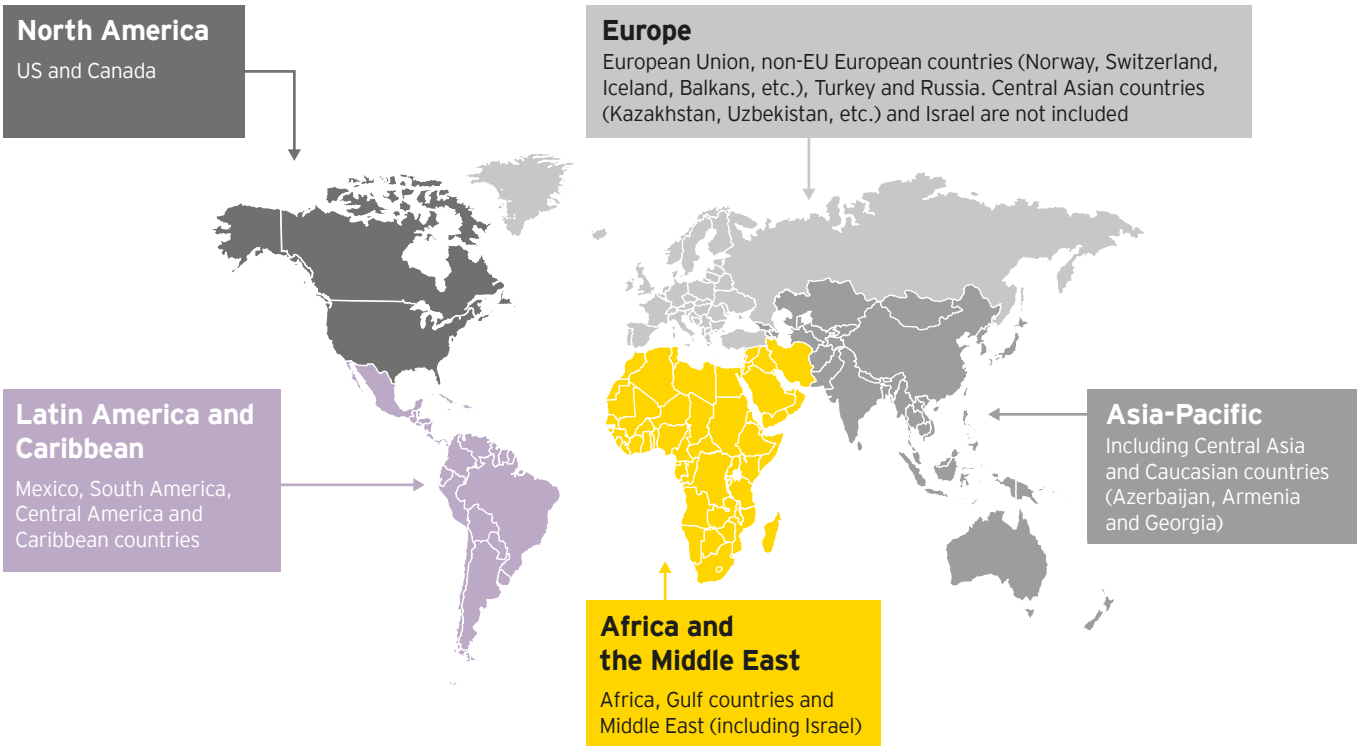
CCI analyzed in 11 sectors and 5 global regions

UNESCO defines cultural and creative industries as activities "whose principal purpose is production or reproduction, promotion, distribution or commercialization of goods, services and activities of a cultural, artistic or heritage-related nature."

CCI: a wide range of cultural and creative activities in 11 sectors

Advertising	Advertising agencies	**Music**	Sound recording and music publishing industry, live music	**Radio**	Radio broadcasting activities
Architecture	Architectural firms	**Movie**	Motion picture production, post-production and distribution	**TV**	TV programming, production and broadcasting including cable and satellite
Books	Physical and digital books sales (including scientific, technical and medical books)	**Newspapers and magazines**	Newspapers and magazine publishing industry (B2C and B2B, news agencies)	**Visual arts**	Visual arts creation, museums, photographic and design activities
Gaming	Video game publishers, developers and retailers; equipment sales	**Performing Arts**	Performing arts activities: dance, theatre, live music, opera, ballet, etc.		

Composition of the five global regions



Our assessment method (based on the most robust data available) provides regional estimates, for CCI sales and revenues, calculated from regional data and based on strong economic and sociologic assumptions. Hence, this methodology (see section 5) does not enable us to provide CCI sales and revenues at a country-level.

Measuring economic value by revenues and employment

The study quantifies the economic value of CCI (in US$), providing an assessment of CCI revenues (defined as Business-to-Consumer – B2C, and Business-to-Business – B2B, sales) and the number of people employed in CCI.

Revenues and employment

We measured the economic value of CCI with two metrics:

- **Cultural and creative industries revenues** (in 2013 current USD): The study adopted an approach based on final consumer and business markets (B2C and B2B), primarily at retail prices (without indirect taxes). Informal sales, defined as cultural goods and services sold through unofficial distribution channels by producers and retailers, are included in our estimates. We have also included public license fees for the audiovisual sector (TV and radio).
- **Cultural and creative employment:** This was estimated in the number of jobs. We used the ILO (International Labor Organization) definition of employment: "all persons ... who during a specified brief period, either one week or one day, were in the following categories: paid employment and self-employment." By doing so, we are able to include every person working in a CCI (including non-permanent jobs, creators, authors and performers).

Underground economy

The underground economy is defined as "market-based production of goods and services, whether legal or illegal, that escape detection in the official estimates of GDP" (Smith, 1994). Applied to CCI, the underground economy involves the exchange of cultural and creative goods and services that are hidden from official view. It includes:

- **Piracy:** physical piracy, i.e., the activity of manufacturing unauthorized copies (pirate copies) of protected material and dealing with such copies by way of distribution and sale; and digital piracy, i.e., unauthorized internet distribution of protected works

- **The informal economy:** supply of goods and services in exchange for payment, but which is not covered or is insufficiently covered by formal arrangements

In our estimates of CCI revenues and jobs, we included the informal economy, as defined above, and the sale of unauthorized cultural goods and services (unauthorized book copies, pirated recorded music, etc.). Because the impact of digital piracy on CCI is a loss of revenues, and not a monetary transaction, we did not assess the global impact of digital piracy on CCI sales and revenues (this does not imply that piracy is not a stream of revenues from illegal retailers).

Digital economy

We also consider the impact of CCI on the digital economy. Digital players (online retailers, streaming platforms, etc.) are fueled by CCI content. As this report aims to highlight the impact of CCI on other branches of the economy, we assessed the revenues generated by cultural content for digital players, defined as companies providing:

- Physical goods sold on the internet (books, music, games and video)
- Digital cultural content (ebooks, music, video, games)
- Online media advertising (for online media and free streaming services)
- Digital advertising creation

CCIs' economic contribution to the digital economy is the sum of cultural-content-generated revenues.

Methodology and assumptions

Because reliable aggregated statistical data was unavailable, the team adopted a "bottom-up" approach for this study. Estimates for each region were based on national statistics, market research, CCI studies, industry reports and interviews with approximately 150 stakeholders and experts. Our approach and assumptions have been validated by Oxford Economics experts.

In most cases – and particularly for global estimates of markets and employment – 2013 statistics were the most recent available.

Double counting

Totals for jobs and revenues have been estimated after the removal of double counting: the sum of sector figures (employment and jobs) exceeds the consolidated figure in each region because some activities can be counted in two CCI. For instance, live music revenues and employment are counted in both music and performing arts. To consolidate our regional figure, we had to deduct every activity that is double counted.

Overview and megatrends

The economic value of cultural and creative industries worldwide

In 2013, cultural and creative industries worldwide generated revenues of US$2,250b and employed 29 million people

The 11 CCI sectors are an integral, massive and universal cornerstone of the global economy. In 2013, they generated US$2,250b of revenues (3% of world GDP) and 29.5 million jobs.

US$2,250b

Global CCI markets

29.5 million

Global CCI employment

Within the 11 sectors, two patterns stand out:

- **Mass, versus nimbleness:** Visual arts and television are the heavyweights, accounting for more than a third of the economic value generated by CCI (39% of sales and 35% of jobs). With just 6% of CCI workers and 4% of CCI sales, radio and gaming are the smallest CCI sectors, but are evolving in dynamic markets.
- **Revenue versus labor intensity:** Advertising, newspapers and magazines, and architecture are CCI with greater revenues (38% of CCI sales) relative to employee numbers (only 22% of CCI jobs). On the other hand, with 46% of jobs but only 17% of revenues, music, movies, the performing arts and books are the biggest job generators. Yet, labor-intensive CCI include a high proportion of non-permanent workers and creators. In the music industry, 60% of workers are authors and composers, which explains the high number of jobs compared with the revenue figure.

Television tops the charts: CCI sectors by revenue (US$b) and jobs

CCI sectors	Revenues (2013, US$b)	Employment (2013, number of jobs)
Television	477	3,527,000
Visual arts	391	6,732 000
Newspapers and magazines	354	2,865,000
Advertising	285	1,953,000
Architecture	222	1,668,000
Books	143	3,670,000
Performing arts	127	3,538,000
Gaming	99	605,000
Movies	77	2,484,000
Music	65	3,979,000
Radio	46	502,000
Total (before removing double counting)	2,285*	31,524,000*
Total (minus double-counting)	**2,253**	**29,507,000**

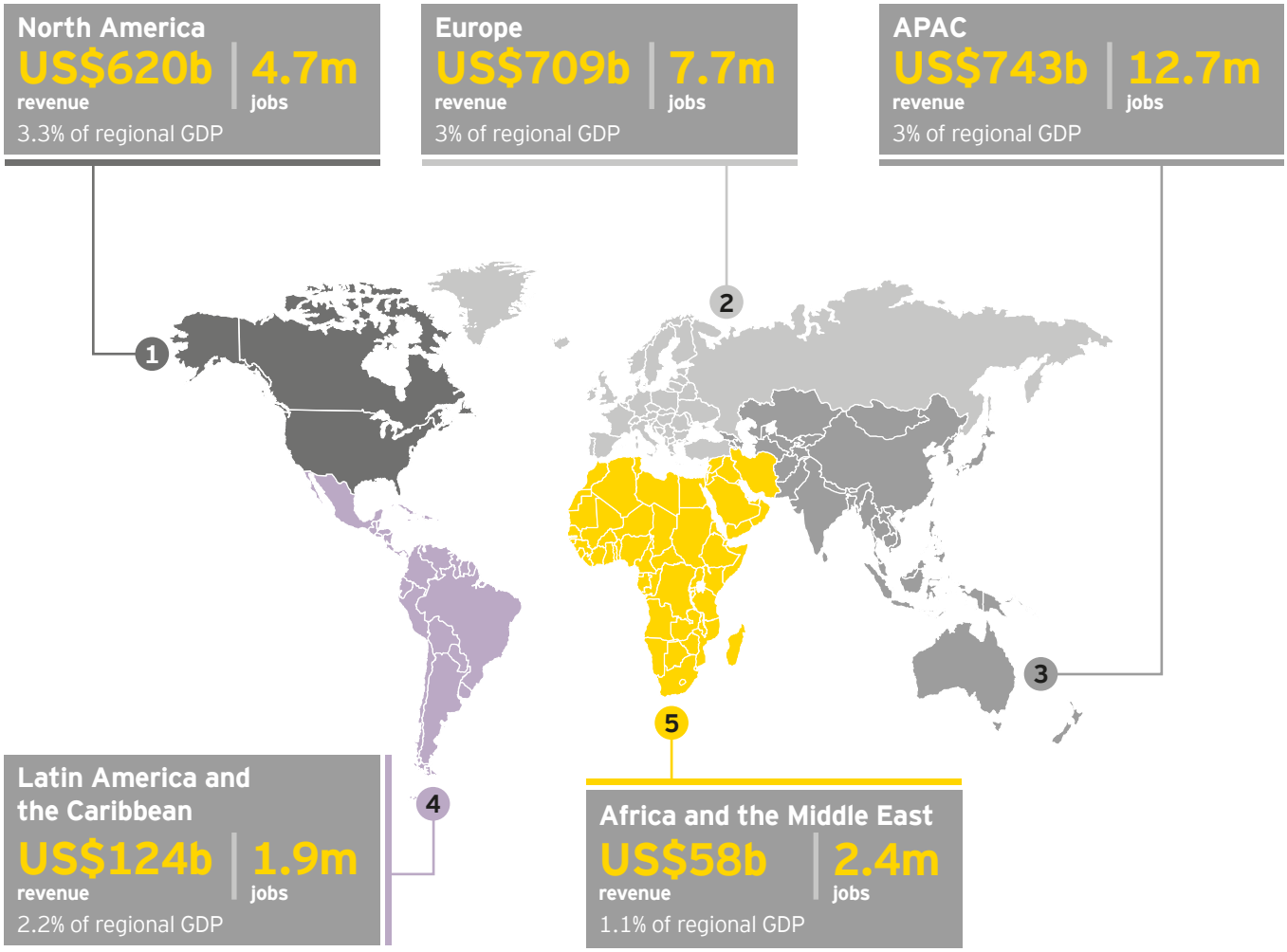
Source: *Cultural times: the first global map of cultural and creative industries*, EY, 2015

* Rounded figure

CCI by region: a complex and colorful canvas

- **Asia-Pacific** (APAC) is the world's biggest CCI market, generating US$743b of revenues (33% of global CCI sales) and 12.7 million jobs (43% of CCI jobs worldwide). The market has the largest consumer base. It is home to some CCI leaders – Tencent, a key player in games and instant messaging, had consolidated revenues of US$20b in 2013, while Japan's **Yomiuri Shimbun**, the world bestselling newspaper, prints 10 million copies a day. The Indian book industry became the 10th largest book market in 2014, and will see the fastest growth globally in total books revenue. APAC consumers are particularly keen on newspapers and video games (14.2 and 0.7 percentage points above the global average).
- **Europe** is the second-largest CCI market, accounting for US$709b of revenues (32% of the global total) and 7.7 million jobs (26% of all CCI jobs). Europe's cultural economy is rooted in its history: the region enjoys a unique concentration of heritage and arts institutions. However, Europe also remains a trendsetter on the global stage. For instance, the UK is a leader in the art market, especially due to its contemporary art, and French company Publicis is a key player in the global advertising industry. Seven of the 10 most visited museums in the world are European (three in Paris, two in London) and 30 of the 69 UNESCO "Creative Cities" are European. The European cultural economy also relies on a well-structured ecosystem with the presence of big CCI players (WPP Group, Pearson, Axel Springer, Universal, Ubisoft and others).
- **North America** is the third-largest CCI market with revenues of US$620b (28% of global revenues) and 4.7 million jobs (16% of total jobs). The North American market is powered by leading cultural and entertainment players: the region is the largest market for TV (US$182b), movies (US$28b) and radio (US$21b). North America is also at the forefront of the digital transformation, with the largest number of consumers of digital cultural content [47% of digital distribution and revenues, ahead of Asia (25%) and Europe (24%)].
- The **Latin American** CCI economy generates US$124b in revenues (6% of CCI global market) and 1.9 million jobs (7% of total CCI jobs). Latin America and the Caribbean region possesses a rich cultural and natural heritage, with 131 sites inscribed on the World Heritage List, and many Latin American writers have achieved global acclaim. The regional CCI market is also gaining traction. Multi-media conglomerates, such as Grupo Globo in Brazil, Grupo Televisa in Mexico and Grupo Clarin in Argentina, own a spread of TV, radio and press interests, capturing large audiences and producing distinctive TV programs.
- **Africa and the Middle East** achieves US$58b in revenues (3% of the total) and 2.4 million jobs (8% of total CCI jobs). African music has been central to the development of popular music in North and South America and even Europe. Today, African societies contain cultural riches that are bubbling up to embrace the opportunities offered by new technologies and commercial markets. Film production and viewing are now driving employment growth in the CCI, with striking successes such as the rise of Nollywood, the Nigerian film industry, which is now reckoned to directly employ 300,000 people. Yet, the African market is poorly structured and cultural goods are largely provided though the informal economy, which is believed to employ 547,500 people and generate US$4.2b in revenues.

Big in the north: CCI strongpoints**



Source: *Cultural times: the first global map of cultural and creative industries*, EY, 2015

** Rounded figures

Young, gifted and entrepreneurial

Cultural and creative workers stand out from the crowd, displaying four particular qualities:

- **Youth:** Creative activities contribute significantly to youth employment. In Europe, CCI sectors typically employed more people aged 15–29 years than any other sector (19.1% of total employment in CCI vs. 18.6% in the rest of the economy) in 2013. In Central and Eastern Europe, on average, young people account for 1.3 percentage point more jobs in the creative economy than in the economy as a whole.
- **High productivity:** CCI jobs in some sectors contribute more to GDP than the economy-wide average. In China, the film and television sector generated 78% more added value per worker than the rest of the economy in 2011, according to Oxford Economics. In South Korea, the productivity of film and television workers is twice the national average.
- **Independence and entrepreneurship:** CCI have always been fragmented, and creation driven by small businesses or individuals. More than half (53%) of Canadian gaming developers say they are independent operators. In the US, artists are 3.5 times more likely to be self-employed than US workers overall. The internet, digital technologies and mass travel have lowered entry barriers, making it far easier for an individual to start a creative or cultural business, and gain a global audience and reputation.
- **High level of education:** CCI workers are typically more educated than the average. In Brazil, CCI workers had 17% more years of education than the national workforce average in 2010.

Toward better access for women to cultural employment

With US$2,250b revenues in 2013 and 29.5m jobs, the creative economy appears to be a powerful development tool in general. More specifically, it gives an idea of the sector's potential to offer economic opportunities to women.

In many countries, creative industries tend to favor the participation of women compared with more traditional industries. Statistics compiled by the UK Government showed that women accounted for more than 50% of people employed in the music industry in 2014 (vs. 47% only in the whole active population).

However, this is not the norm for all creative sectors or job categories within those sectors. For example, in 2014, women comprised 17% of all directors, writers, producers, executive producers, editors and cinematographers working on the top 250 (domestic) grossing films in the US. This is the same percentage of women working in these roles in 1998.[1]

Important issues include women's access to participation in the cultural and economic life of their society, access to credit and investment capital for their projects, and access to property rights. These issues exist within a more generalized set of difficulties that creators face when attempting to secure equitable remuneration for their work: respect for their moral rights, contract negotiation under conditions of extreme power asymmetries, securing financial backing for creative projects, and the general precariousness of labor contracts in many sectors of the CCI. For the vast majority of women creators, these difficulties are amplified as they intersect with the realities that women face when attempting to gain access to economic participation.

In many developing countries and transition economies, women creators are more likely to be found in crafts and the visual arts. However, for a large percentage of countries — particularly those with weaker intellectual property frameworks — this sector is the least likely to have a functioning system of registered copyrights or designs, or strong institutional support. The result is often an unreliable source of income and no ability to claim attribution when works are appropriated by third parties.

[1] *The Celluloid Ceiling: Behind-the-Scenes Employment of Women on the Top 250 Films of 2014*

Cultural and creative industries fuel the whole economy

Comparing CCI with other industries shows the width and depth of the creative economy

CCI sales worldwide exceed those of telecom services (US$1,570b globally) and surpass India's GDP (US$1,900b). With 29.5 million jobs, CCI employ 1% of the world's active population. CCI have more workers than South Korea (26.6 million people), or the combined population of Paris, New York and London.

Big by any measure

	Revenues (US$b) in 2013	Employment (2013)
CCI	2,250	29.5 million
Industries	Telecom services 1,570	Automotive industry in Europe, the US and Japan combined 25 million
Countries	India's GDP 1,900	South Korea's workforce 26.6 million

Sources: *Cultural times: the first global map of cultural and creative industries*, EY, 2015; World Development Indicators – The World Bank, 2015; Thomson Reuters (2015), Walmart (2015), Telecommunications services report, Ibisworld, 2014; Advanced industries, McKinsey, 2013

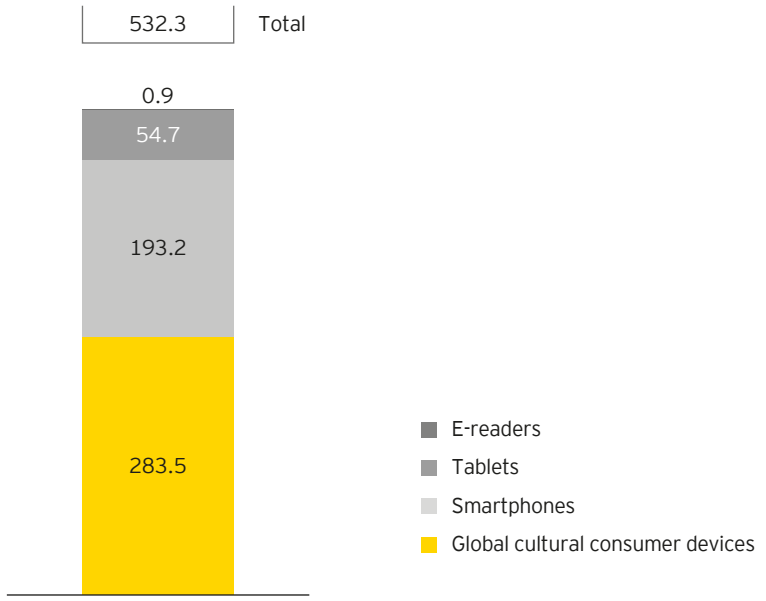
Cultural and creative content drives demand for electronics and digital devices

Individuals increasingly expect to access cultural content on every available distribution channel in an "any time anywhere any device" mode, feeding their appetite for smarter devices and higher bandwidth. Electronics sales and telecoms spending rely heavily upon demand for cultural goods and content. New forms of cultural content, developed for digital platforms, have emerged to boost creativity and online innovation.

Consequently, cultural content, goods and services have a direct impact on the sales of electronic devices used to enjoy them (tablets, e-readers, TV, DVD players), which amounted to US$532b in 2013. Content availability drives sales of both culture-dedicated devices (TV sets) and of multi-functional devices (tablets, smartphones) used to access cultural goods and services. Cultural content is also the key driver of the demand for high-bandwidth telecoms services (4G and 5G networks, fiber optic link, etc.).

Similarly, consumer electronics push the demand for new cultural content, allowing for the further development of content (videos, gaming, etc.).

Culture-related consumer electronics global sales in US$b, 2013



Source: *Global consumer electronics manufacturing*, IbisWorld, 2015; ABI research (2014); GfK (2014)

> "Smartphones and tablets are the future for the gaming industry. In Asia, smartphone penetration has increased by 70% between 2013 and 2014"

Allan Simonsen
Gaming industry representative in Asia
Co-founder, Boomzap Entertainment

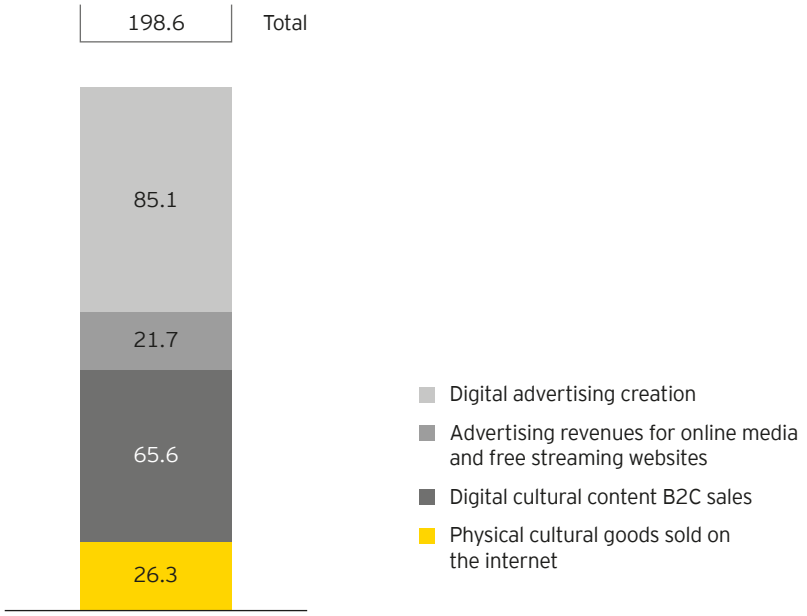
CCI contributed US$200b to the digital economy in 2013

Digital cultural goods are, by far, the biggest revenue source for the digital economy, generating US$66b of B2C sales (ebooks, music, video, games) in 2013 and US$22b of advertising revenues for online media and free streaming websites such as YouTube.

Cultural goods and event tickets are increasingly sold on internet platforms via e-retailers and online classifieds, generating US$26b in sales and driving the growth of the online economy.

Online advertisements provided US$85b in revenues for advertising agencies in 2013. The online migration is driving agencies to develop new skills in video, content production and storytelling.

The wellsprings of digital revenue, US$b, 2013



Source: EY analysis, MAGNA GLOBAL (2015), Thomson Reuters (2015, YouTube (2015), Dailymotion (2015), Spotify (2015)

Authors' rights and digital devices: private copying levies are a trending topic

Private copy exceptions to authors' rights/copyrights and neighboring rights constitutes the only efficient and operational way to transfer part of the value created by cultural works from digital players toward the creators of these works.

Private copy is a legal concept invented in Germany in 1965, at the time when magnetic copying machines (for music) were invented and people would buy them to copy music from the radio for their personal use.

The Germans created an exception to authors' rights by which creators waive their right to authorize/forbid the use of their works, in exchange for a fair compensation (a fee taken on each copying device), thus allowing the public to legally copy their works for their own use. It benefits both the public and the manufacturers of copying devices (as the devices would have much less interest without creative works to copy) while not neglecting the need to compensate creators for the use of their rights.

The private copying levies system proved adaptable and was, therefore, adopted in many countries; 52 countries worldwide have a private copy exception nowadays, including Burkina Faso and Algeria. It proves particularly efficient in the digital age, where blank copying devices (such as CDs and DVDs) and storage capacities on phones, tablets and computers and are massively used to copy cultural works.

The challenge is that in many countries this system does not exist. In other countries acts of private copy are permitted but no compensation is granted to creators (the UK). This means billions of dollars or euros lost for creators whose works are copied for people's use and entertainment without any compensation.

Protecting authors' rights and sharing value: what is collective management?

Authors' rights/copyright can be exercised either via individual direct licensing (e.g., a music producer negotiating the price of their catalogue with an online music service) or through collective management.

Collective management came to being as an economic answer to the challenges presented by many-to-many markets: it is impossible for each author/composer to deal directly with each user of their work, to give them authorization to use their works and get remuneration. For instance, SACEM, the French music collective society, has 153,000 members and 500,000 users. It could be practically impossible for each of these members to negociate or enter into a licence agreement with every potential licensee. Collective management organizations (CMOs) are generally ruled by creators themselves, to be both the interface between them and the people using their works. CMOs are working as cooperatives, where they can assemble their works to get better bargaining power with users (media outlets such as TV, radio, internet, digital companies, theaters, concert halls, etc.)

The first CMO to be created was SACD in France in 1777. There are now more than 200 such CMOs representing all types of repertoires and four million creators worldwide forming an efficient network through CISAC. Their primary goal is to manage economic rights and collect and distribute remuneration to creators for the use of their work. CMOs also work to create a sustainable environment for the development of copyright and authors' rights to foster and encourage the development of cultural diversity, and to promote the dissemination of creative repertoires worldwide.

CMOs are particularly well-adapted to the negotiating of rights in the digital era as they provide a one-stop-shop to get licenses for the Digital Sound Programmes (DSPs) for a large number of works, thus fostering legal security as well as simplicity. For creators and artists, they provide platforms to manage nano/micro payments and payments for the use of their works worldwide, and ensure that all repertoires are treated equally – essential to ensure that cultural diversity has the means to blossom.

Creative industries and cultural tourism have become strategic assets for local economies

The number and scale of cities continue to grow across the globe – driven by rapid urbanization in emerging markets and continued urbanization in mature markets. According to the United Nations (UN), 54% of the world's population now lives in cities, and by 2050, this proportion will increase to 66%. In 2010, 36% of Africans lived in cities; by 2030, half the continent's population will be urban, and by 2050, 6 out of 10 Africans are expected to be city dwellers.

The lure of culture

A rich cultural life has become a major asset for countries seeking to attract corporate executives and talented employees – who are typically keen consumers of culture and entertainment – as well as culture-driven tourists. Developing cultural infrastructure is especially important for emerging countries, which will attract more than half of international tourists by 2030.

Some cities are deliberately developing cultural zones. Examples include the Zorlu Center near Istanbul, Odaiba in Tokyo, West Kowloon Cultural District in Hong Kong, NDSM in Amsterdam and Stratford City Development in London. Zorlu Center, nine kilometers from the heart of Istanbul, includes not only a premium shopping mall (105,000 sq m) and hotels, but also a large cultural center (50,000 sq m) with two theaters and exhibition spaces. The inaugural season (2014–15) was to include 400 performances in front of 500,000 spectators.

In France, culture-based tourism (festivals, live music, operas and galleries, but excluding historic sites) generated US$2.6b in 2013. Cultural heritage, activities and events are urban growth accelerators, and play a major role in urban renewal. In Japan, the Odaiba artificial island brings together business, leisure and cultural infrastructure. The island's two museums and its cultural events (the Comic Market and Gundam festival attract international gaming, manga and anime enthusiasts) underpin the success and attractions of this Tokyo district. The Comic Market draws twice a year almost 500,000 people in a three-day event.

The South by Southwest (SxSW) festival has put Austin, Texas, on the global cultural map, attracting more than 370,000 people in 2014, and generating US$315m for the local economy.

The rising middle class is hungry for culture

The world is young – 1.8 billion of the world's population was between 10 and 24 years old in 2014, a record high – and global literacy has improved significantly. Strong economic growth and young populations are already combining to produce a surge of middle class consumers in many emerging markets. Nowhere is this trend stronger than in Asia and Africa: the rapid emergence of Asia's middle class is adding a leisure center to the world's manufacturing hub. Already, Asia counts 525 million middle-class cultural consumers.

In accordance with theories advanced by American economist Thorstein Veblen,[2] consumers are spending money on "luxury" cultural goods to publicly display their newfound economic power. Cultural knowledge and consumption have become a means of enhancing social status. This trend is clearly apparent in India, where rising newspaper sales reflect social as well as economic aspirations.

Source: *Hitting the sweet spot: the growth of the middle class in emerging markets*, EY, 2013; Skolkovo Institute for emerging market studies 2013

[2] *The theory of the leisure class*: an economic study of institutions, 1899.

Cities provide a concentration of people hungry for entertainment in many forms, and with diverse appetites. They provide a market for culture and allow cultural diversity to flourish – an effect increasingly displayed in China. Rising urbanization and demand for entertainment have prompted large investments in construction and real estate in the country. Chinese conglomerate Dalian Wanda Group, now the world's largest cinema operator, is investing US$1b to set up its Han Show Theatre in Wuhan (population 10.2m). Dalian Wanda Group is also investing in the nearby Wanda Movie Park, a giant indoor theme park, using European and Chinese talent to help develop the shows and attractions.

Urbanization is accompanied by changing employment patterns and the acquisition of new skills: African urbanization is part of a shift from agriculture to manufacturing and services. In Latin America, governments are awakening to the opportunities offered by, and the needs of, their developing creative industries. A vocational school for performing arts was recently established in La Plata, Argentina, to equip unemployed youngsters and adults for jobs in this growing arena.

A new creative class emerges with the growth of global cities

Urbanization, coupled with the development of cultural activities, is also fueling the emergence of a new economic class in both developed and emerging countries – the "creative class." This class, according to Richard Florida, urban studies theorist, includes "super-creative" scientists, artists, engineers, designers and novelists, as well as "creative professionals" who work in a wide range of knowledge-based occupations. The creative class is the incarnation of the triptych "Technology, Talent and Tolerance," defined by Florida, and is a key motor of growth, innovation and attractiveness in urban areas. The combination of cheap inner city property and strong endorsement of creative freedom helped revive Berlin, which now draws artists and cultural entrepreneurs from around the world.

Global talent in global cities (2014)
Top 10 city ranking

1	New York
2	London
3	Paris
4	San Francisco
5	Singapore
6	Sydney
7	Los Angeles
8	Berlin
9	Tokyo
10	Barcelona

Source: *Global talent in global cities*, EY, 2015

According to the EY *Global Talent in Global Cities 2015* study, the city ranking for creative class attraction is:

- New York – enjoys a unique cultural scene, embedded in a cosmopolitan and forward-thinking urban environment, generally considered beneficial to creative activities
- London – ahead of Paris owing to its international openness (33% of its population was born abroad, compared with just 12% in Paris)
- Paris – ranks third due to its cultural heritage and technology assets, but is penalized by a weaker entrepreneurial environment

Cultural projects are drivers of urban regeneration

World-class cultural infrastructure is a catalyst of urban development: building a museum often offers opportunities to engage in large urban development projects and to develop a new "city brand" around cultural and creative industries. Such flagship projects boost a city's attractiveness for tourists, talent and highly skilled workers.

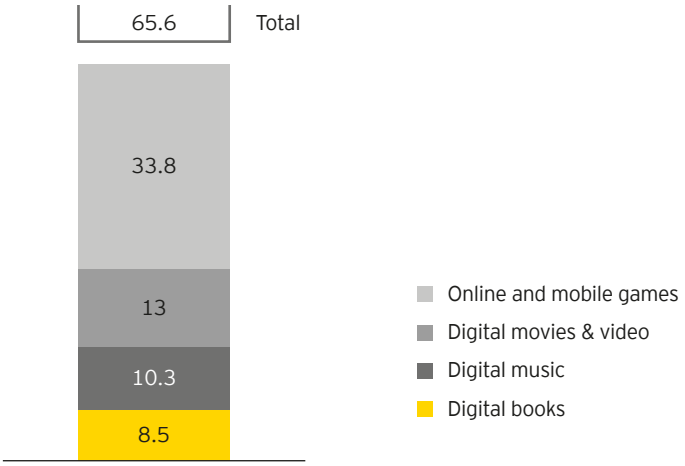
Bilbao, in Spain's Basque Country, is now an icon of culture-led urban regeneration, with the Guggenheim Museum. In a region blighted by high unemployment in the 1990s (around 25%), the US$700m revitalization plan enhanced the city's attractiveness, underpinned 4,400 existing jobs in the city, and created more than 1,000 full-time jobs. Tourist visits have since multiplied eight-fold.

The truth about the cultural-digital revolution

A variety of digitalization levels

Sales of digital cultural goods and services are estimated to have reached US$66b in 2013. Online and mobile games, with US$33.8b in sales, were the world's best-selling digital content, followed by digital movies (US$13b), music (US$10.3b) and books (US$8.5b).

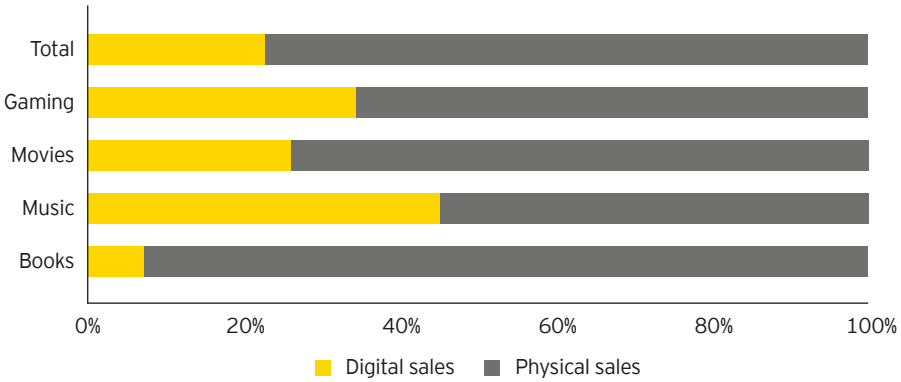
Worldwide sales of digital cultural content in 2013 (US$b)



Source: EY analysis of cultural and creative markets, 2015

The shift from physical to digital sales is most advanced in recorded music, where digital accounts for 45% of purchases worldwide, while online and mobile gaming account for 34% of sales. In movies, video-on-demand now contributes more than a quarter of sales (26%), while in books, e-books comprise 7% of the global market.

Digital vs. physical content sales in 2013 (% value in US$)



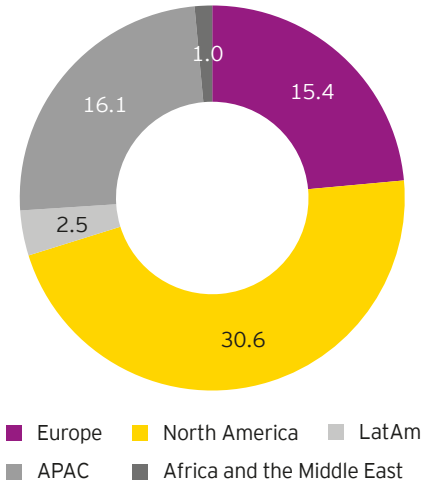
Source: EY analysis of cultural and creative markets, 2015

North Americans are the most enthusiastic consumers of digital cultural goods, accounting for nearly half of all digital content sales (47%) in 2013, followed by Asians (25%) and Europeans (23%). These varying rates reflect a difference in digital equipment and infrastructure availability (not everyone has a tablet or e-reader), but also highlight different consumption patterns. Buying 20% of their books in digital form, compared with 3.8% in Europe and 3% in APAC, North Americans are the most digitally-savvy population.

Understanding how consumers drive value and content

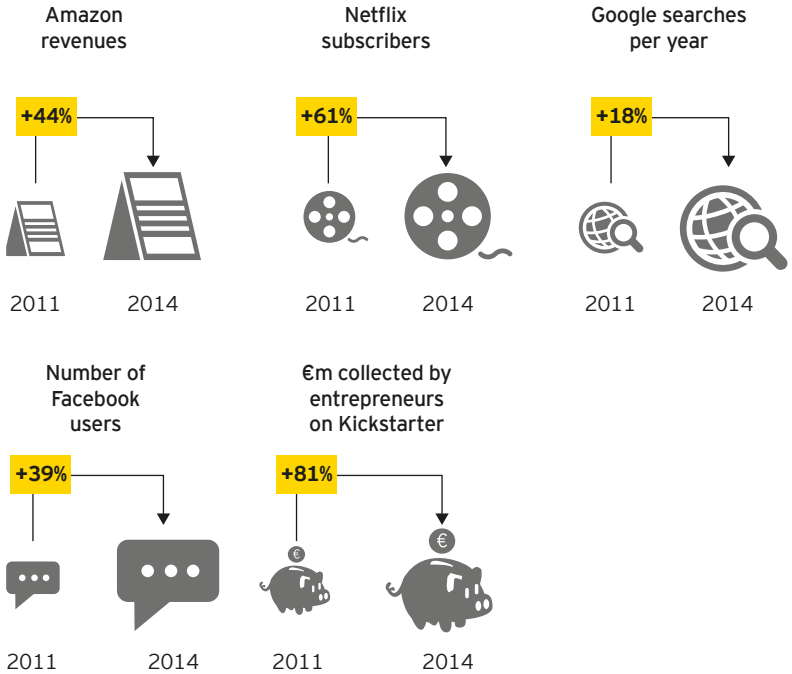
Consumer shifts reshape the world of cultural and creative industries. Though the scale and pace of the online shift vary markedly in different areas of media and entertainment, all are feeling the effects. Continuing technology change will accelerate this move, empowering the consumer.

Digital cultural goods sales by region, 2013 (US$b)



Source: EY analysis of cultural and creative markets, 2015

Disruptive business models: key figures



Source: Creating growth: measuring cultural and creative markets in the EU, EY, 2014 – updated

More than any other sector, CCI have radically restructured in response to the omnipresence of the internet and the new consumption patterns it enables, reshaping business models and content creation processes. Six features stand out:

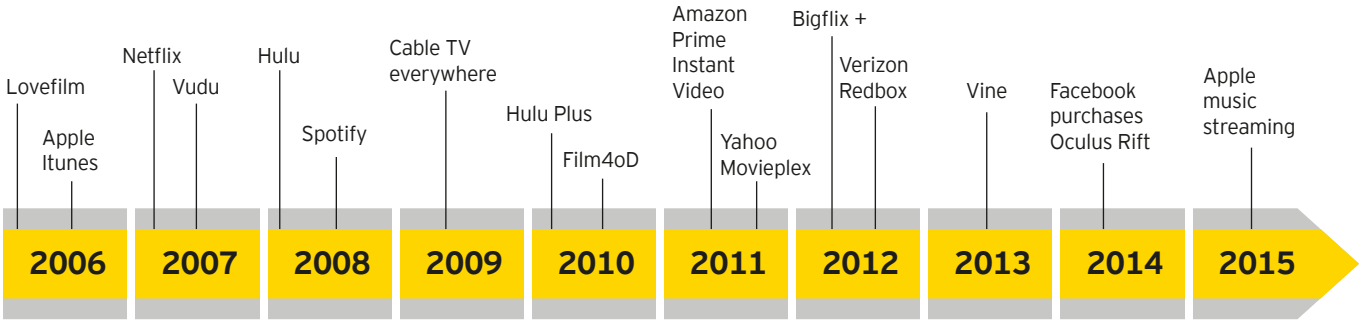
- Abundance: The abundance and immense diversity of content is now taken for granted by today's consumers.
- Personalization: The creative industries embody our appetite for increasingly personalized content, targeted according to time, place and person.
- Aggregation and recommendation: The emergence of "time and content consumption crossroads," such as Google and Facebook, has fueled market segmentation enabled by big data and the renewed search for relevance. State-of-the-art recommendation engines guide the end-user in a world of "hyper-choice" and enable them to track down specialized content of interest to minority audiences.
- Community: Social networks have aided the emergence of a community-based digital economy, in which friends may be more trusted than traditional brands and media.
- Involvement: Content needs to move from "offer" to "engagement" in order to sustain relationships. Social networks contribute to the production, diffusion and marketing of cultural and creative works.
- Illegal content: Digital technologies and the internet have enabled the emergence of many unauthorized services and usages. Unlawful dissemination deprives creators and entrepreneurs of revenues, in some cases making it hard to finance creation.

Changing consumption is challenging traditional formats: TV-established formats continue to prove successful, driven by live events and original content, whereas digitalization enables and requires experimentation to meet expectations and enrich viewer experience. Meanwhile, on-demand access is changing the way people watch TV shows (76% of viewers prefer to "binge-view" shows back-to-back). Online marketers are using gaming techniques (called gamification) to attract and hold audiences – witness the success of social video-game-viewing platforms such as Twitch – and viewers can enhance their experience of live events by simultaneously sharing their reactions via second screens and social platforms.

Developing innovation and a "culture of data"

New entrants have been creating ecosystems that make it easier for consumers to discover, choose and enjoy media and culture. Already, they have significantly disrupted business models and pricing in music and publishing. Often, with a background in technology such companies seek early international expansion to attain critical size, and invest heavily in technology and systematic data analysis. In 2013 Netflix devotes US$379m a year (9% of sales) to R&D and employs 300 people to maintain and develop its content recommendation engine at a cost of US$150m a year. As of 30 September 2015, R&D costs are up to US$172m per quarter.

Powerful ecosystems are emerging around content, devices and networks



To stay competitive, companies must innovate constantly. They have to:

- Match the interactivity of other online platforms by adding new features or improving existing ones
- Stop thinking in terms of platforms, and focus instead upon content, to deliver it seamlessly across platforms
- Develop direct relationships with customers to secure control over key value-chain activities

What recently surveyed media and entertainment CEOs have to say

"The challenge in navigating the path to digital is keeping your balance — keeping one foot safely on the dock as you put your leading foot in the boat."

"We need to invest in more digital talent."

"We will consider deals at the right price, but experimenting with formats and price and offers will also enable growth."

- Invest in new talent and skills to better leverage consumer and content analytics, improve the customer's multi-channel experience and develop the ability to constantly overhaul what they do
- Develop open innovation strategies enabling direct relationships with start-up companies, individuals and universities to benefit from their ideas

Investing in new media

Companies face tough choices about where to invest in a fast-changing landscape. Offline media still provide the majority of revenues and profits, but the share of digital is growing.

Yet, digital is often loss-making in the short and medium term. Media and entertainment (M&E) companies must continually assess their investment strategies as market dynamics change. They have to:

- Evaluate the opportunities and limitations of different platforms as they evolve, hinging investment decisions upon how they will affect the user experience
- Direct investments toward emerging ecosystems offering the greatest value
- Study how consumer behaviors and technological development influence each other, and adopt a "test and learn" approach (as digital companies do)
- Understand how current and future digital revenue models will affect long-term profitability: companies often struggle to recast their business models while focusing on short-term returns on investment

"Print is definitively here to stay. It is a popular medium and people are attached to reading on paper. In fact, it is the fifth year that we see a net increase in the number of book stores in the US."

Steve Bercu

Former President of American Booksellers Association, co-owner of BookPeople

The digital paradox

Although digitalization is driving media and culture consumption, some CCI are showing strong resistance to digitization, such as books: in 2015, print will represent 80% of all book sales worldwide, and even higher in developing countries.

The appetite for physical events and venues has sharpened. The music industry is now once again driven by live events, and revenues from live shows now exceed recorded music sales in some regions. In Europe, ticket sales for live music performances, at US$16.5b, are now more than twice those of recorded music sales (US$6.3b).

Digital distribution is becoming a tool for promoting live events. Using cultural data about consumers (cultural behavior and social recommendations) to alert them to live events and sell them tickets enables the creative industry to blend business models to achieve growth.

The informal economy is an economy

The informal economy is defined as "market-based production of goods and services, whether legal or illegal, that escape detection in the official estimates of GDP (Smith, 1994). In CCI, this involves the exchange of cultural and creative goods and services that are hidden from official view. It includes:

- Piracy: physical piracy, i.e., manufacturing unauthorized (pirate) copies of protected material and distributing and selling them; digital piracy, i.e., unauthorized internet distribution of protected works
- The informal economy: paid provision of goods and services, largely outside formal arrangements. As such, the informal economy must not be considered as criminal activities: it represents cultural activities and content traded by creators using informal distribution channels.

Piracy is a significant threat to CCI

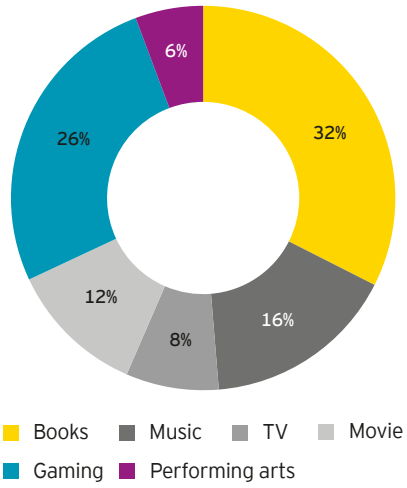
Digital technology has made it easy to unlawfully copy and share cultural content. Illegal streaming platforms, file-sharing, peer-to-peer networks and, most recently, stream ripping, rival legal subscription and downloading services. In Spain, 88% of cultural content consumed online during 2014 was illegal according to the Spanish Observatory on piracy and digital consumption habits in 2014.

Piracy is extremely harmful to the cultural and creative industries: it wrecks distribution channels and leaves creators and creative industries unrewarded or ill-rewarded. Piracy is believed to have cost the five largest EU economies around US$25b and more than 189,600 jobs between 2008 and 2011 as shown by a Tera Consultants/Forum d'Avignon report in 2014. In the US, music piracy causes US$12.5b in economic losses, and an estimated 71,000 jobs are lost annually, reducing the music industry's earnings by US$2.7b and depriving the US Government of US$422m in tax revenues.

The informal economy dominates cultural content distribution in developing countries

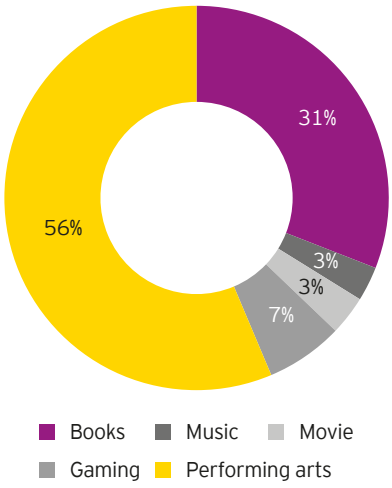
In Asia-Pacific, Africa and Latin America, informal trading of pirated cultural goods and services (usually at lower prices) without any payment to authors is widespread. It ranges from rip-off CDs, movies and video games, to unlawful book copies, to unlawful performances and back-door TV subscriptions. Informal CCI sales in emerging countries totaled an estimated US$33b in 2013 and provided 1.2 million jobs.

Informal sales of cultural goods and services in Africa, Latin America and Asia-Pacific, 2013



Source: EY analysis of cultural and creative markets, 2015

Where the jobs are: employment in the informal cultural economy in Africa, Latin-America and Asia-Pacific, 2013



Source: EY analysis of cultural and creative markets, 2015

The informal economy provides employment for sellers, artists and performers.

Performing arts are the biggest employers in the informal economy, providing unofficial music and theater performances (street performances, festivals and concerts that do not pay authors rights, private performances at marriages or funerals, etc.), which are often free for audiences. In Africa, these performances can be paid by individual sponsors.

In the absence of official alternatives, cultural consumers turn to the informal economy

In emerging countries, the high prices of cultural goods, low incomes, and cheap digital technologies combine to foster piracy. Relative to incomes, retail prices of CDs, DVDs are 5-10 times higher in Brazil, Russia, and South Africa than in the US or Europe.

The lack of legal cultural distribution channels (such as bookstores) and other cultural infrastructure makes it hard for consumers to obtain lawful copies of cultural works. In South Africa, the first multiplex in a township did not open until 2007.

Many creative workers in emerging economies, including musicians, artisans, performers and visual artists, often find themselves beyond the reach of official regulation.

Informal distribution channels in South Africa, Brazil, India, Russia and Bolivia have become so effective that lawful distributors sometimes try to use them. The Nigerian home video industry – now the second-largest film industry in the world – was built on informal distribution networks, and its success is encouraging their extension throughout Africa.

In the absence of formal venues, the informal economy also helps finance the work of performers, including actors and musicians. In Africa and Asia-Pacific, informal contracts between artists and private sponsors are often the primary source of income for creators.

> "The informal sector is everywhere whereas 80% of legal musical shows are in Abidjan."

Director of Abidjan's Palais de la Culture

Cultural and creative industries in five global regions

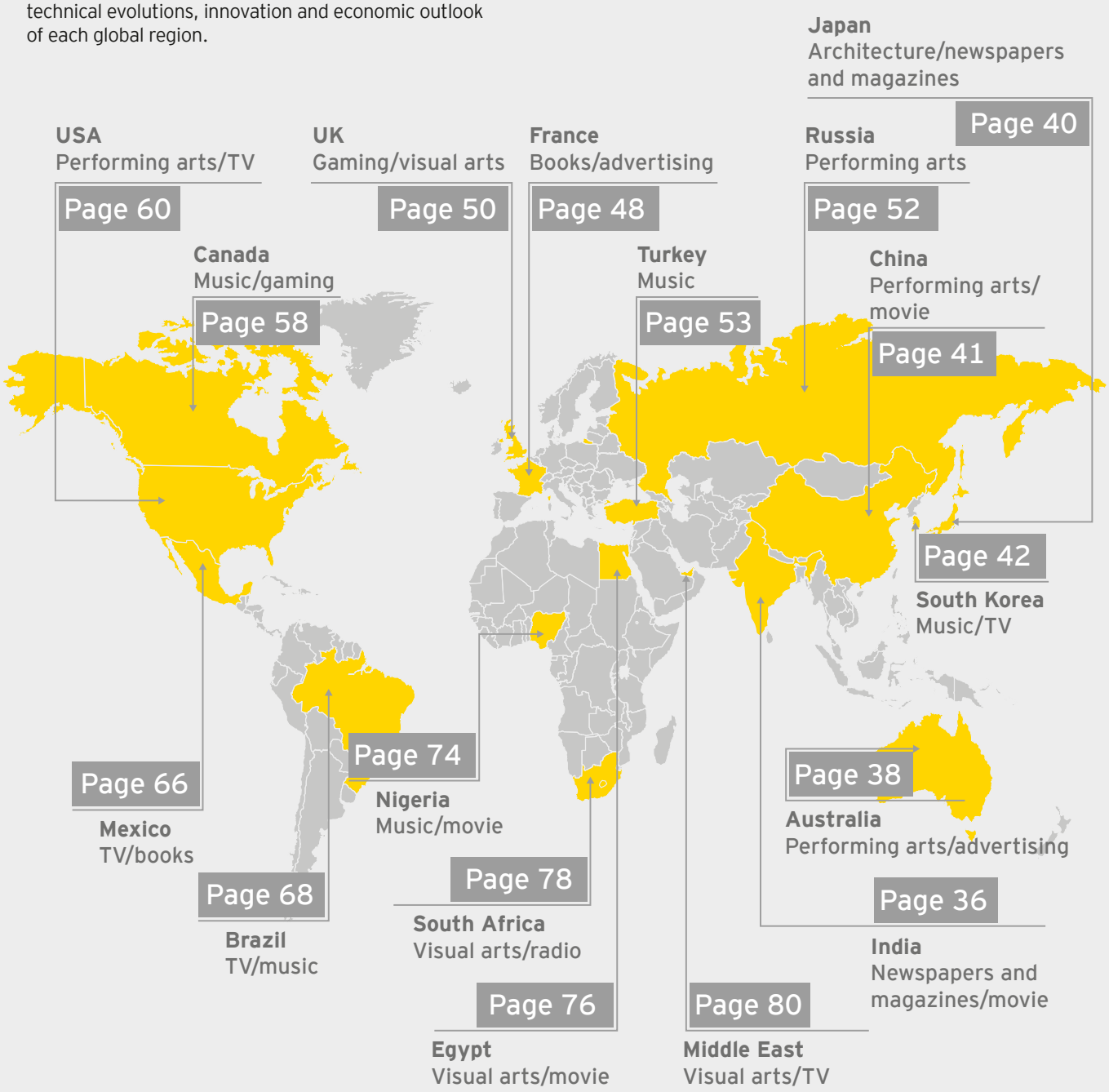
This section highlights the weight, drivers and challenges of cultural and creative industries in five global regions: Asia-Pacific, Europe, North America, Latin America and the Caribbean and Africa and the Middle East.

For each region, we propose:

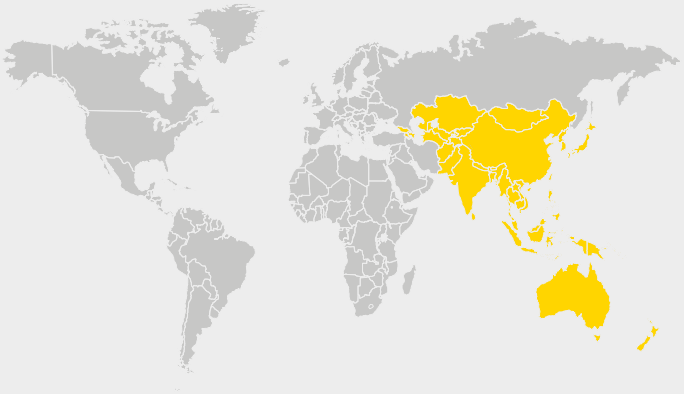
- A panorama of CCI in each global regions, highlighting their specific trends, strengths and drivers in the regions;
- A preview, providing a forward-looking analysis of the main challenges to develop CCI, according to local technical evolutions, innovation and economic outlook of each global region.

This section also includes 17 country focuses to illustrate specific and selected CCI trends and challenges in different local markets.

Selected countries, selected sectors and corresponding page numbers are as follows:



Asia-Pacific

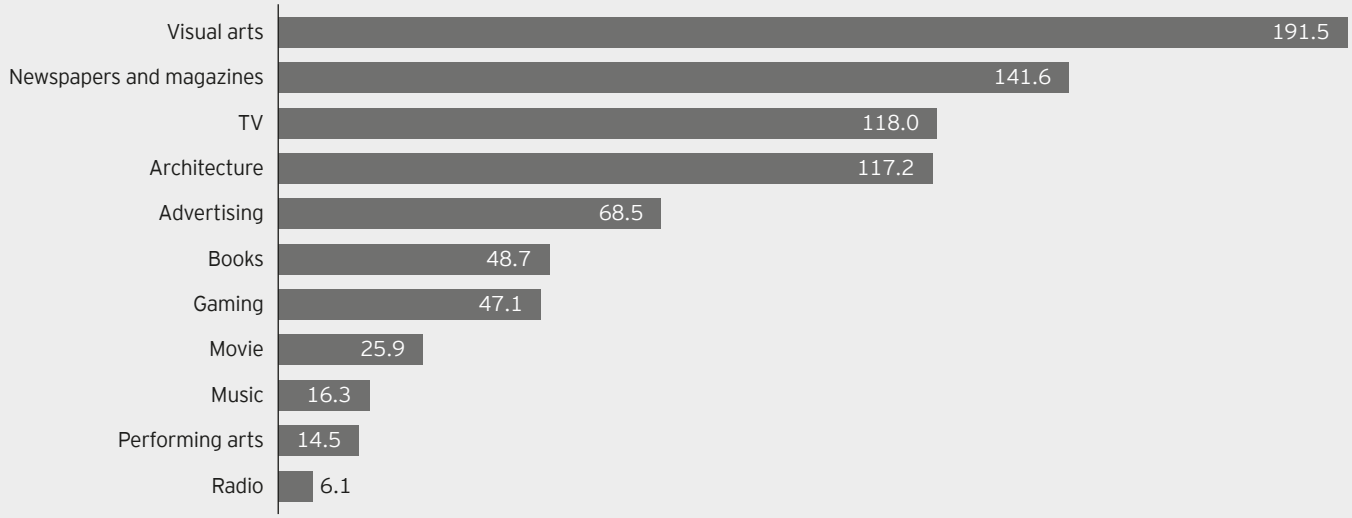


Snapshot

US$743b
CCI revenues

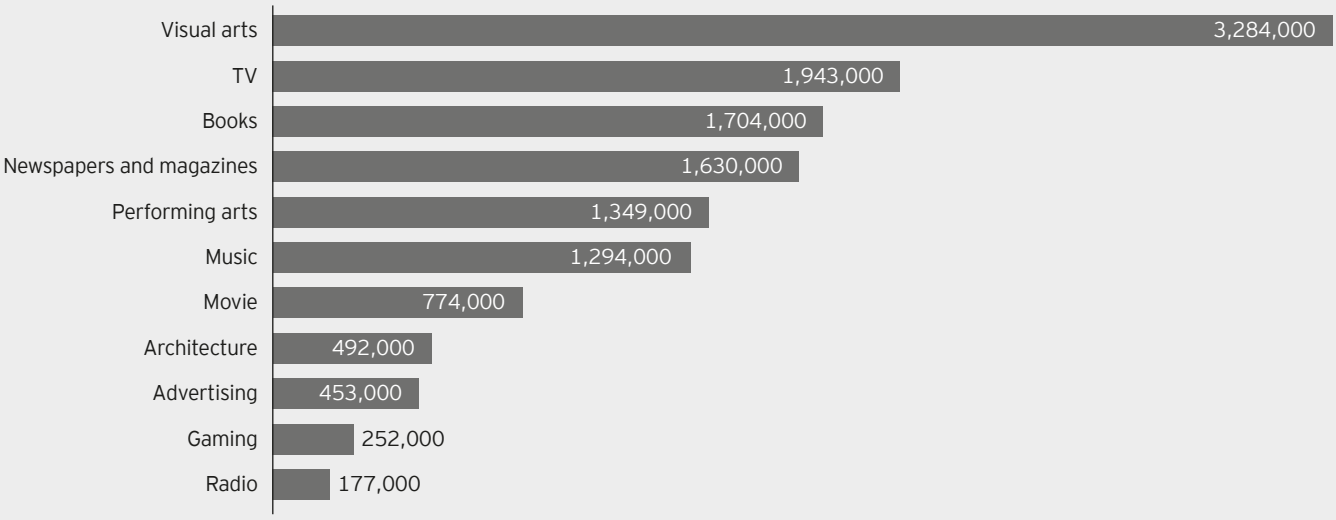
12.7m
CCI employment

CCI revenues in Asia-Pacific (US$b) in 2013



Source: EY analysis of cultural and creative markets, 2015

CCI jobs in Asia-Pacific in 2013



Source: EY analysis of cultural and creative markets, 2015

Total for jobs and revenues have been estimated after removal of double-counting. The sum of each sector exceeds the consolidated total as some cultural activities are counted in two sectors (for instance, live music is included in "Music" and in "Performing arts").

Panorama

Demographic and economic changes boost architecture and mass media

The rapid emergence of Asia's middle class is transforming the region into a powerhouse of economic growth. The progressive integration of Asian countries into the global trading system over recent decades and related governance improvements have given people the wealth and leisure to become cultural consumers. Rising prosperity and literacy are enabling a cultural resurgence, notably in China, but also in populous emerging economies such as Indonesia and the Philippines. Elements of Japanese art and culture have long been widely admired, though population decline, economic stagnation and a series of stumbles by technology companies have prevented Japan's cultural industries from living up to expectations. Japan struggles with change. That two of its newspapers, **Yomiuri Shimbun** and **Asahi Shimbun**, are the world's bestsellers could reflect its aging population, difficulty in adapting to a new era, and rigid economy.

Elsewhere in Asia-Pacific, however, many economies are growing fast. This is boosting the construction market and providing a field day for architects as they vie to build homes, offices and leisure facilities. Architecture, an activity that marks time in mature economies, continues to achieve double-digit growth in Asia-Pacific (13% in 2013).

Digital is a significant competitive advantage

For perhaps two decades, Japan and South Korea (now joined by China) have been at the forefront of the digital hardware revolution, giving them a significant competitive advantage in the gaming industry. This helps explain the strength of Asia-Pacific companies such as Konami, Square Enix, Capcom and Sony Computer Entertainment. Asia-Pacific is a champion in global gaming (revenues of US$47.1b, 47.5% of the global market) and contributed 82% to the growth of the global games market in 2014, benefiting from the rise of online gaming.

With 1.25 billion people connected to the internet, Asia-Pacific is home to 47% of the global online population. China alone has more than half a billion internet users and the world's second-largest population of online shoppers (145 million people).

Smartphone penetration in Asia-Pacific has boomed in recent years. In Hong Kong and Singapore, 87% of adults now have a smartphone. Asia-Pacific countries are among the most connected in the world. South Korea has the world's fastest broadband and the internet reaches almost every family, facilitating the purchase and delivery of cultural content. Sales of e-books have been rising steadily to reach US$178m in 2012 and more than US$228m in 2013. The South Korean e-book market is among the world's largest.

Asia has created its own digital world with successful social platforms in China, spurred by proactive government intervention. In China, Youku dominates video uploads, RenRen social networking and Weibo leads micro-blogging. Youku and Tudou, the two biggest video platforms in China, have 900m users and exert a significant influence over the Chinese internet advertising market, which has jumped from US$2.8b in 2009 to US$13.4b in 2013.

National markets and growth vary widely

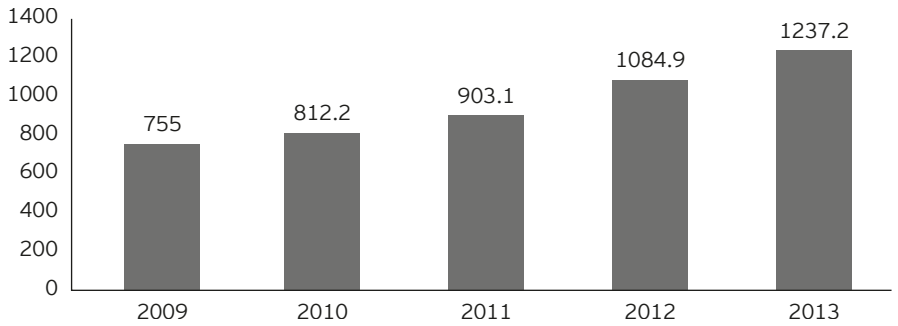
Asia is a vast and varied region, marked by a strong and diverse cultural heritage. The levels of prosperity and economic development vary from Singapore, Korea and Japan at one end of the spectrum, to Myanmar and Cambodia at the other. Two huge emerging powers, China and India, have extraordinarily ancient, diverse and rich cultures, cross-fertilized by global diasporas.

The region's cultural and creative industries reflect this multiplicity. Though a few markets are relatively mature, many are still growing rapidly. The gaming industry scarcely exists in the least-developed Asian countries, but is relatively mature in Japan and Korea, and in China it grew 35.1% between 2011 and 2012.

Architecture, too, is growing strongly in China, surging 20% between 2012 and 2013 as the country built increasingly sophisticated homes, shops, offices and other venues for its people. In Australia, however, where the construction market is less dynamic, the architectural profession is marking time.

Some cultural industries have yet to gain momentum in Asia. The region is especially underweight in the performing arts, accounting for just 11% of the global market, and in the music industry (23%).

Asia-Pacific civil engineering sector value (US$b)



Source: MarketLine, 2014

Preview

Free for all

Poor copyright protection ceases to be an advantage. The Global Intellectual Property Center (GIPC) IP Index suggests that India, China and other southeast Asian countries need much stronger, better enforced protection of intellectual property. India scores just 6.24/25 and China 9.13/25, compared with a score of 22.5/25 for the UK. Ignoring copyright, while morally wrong, makes it cheaper to access cultural goods from elsewhere, but can impede the development of domestic cultural industries.

The informal economy remains dominant in the region, accounting for US$25.2b of sales and 670,600 jobs in 2013. Piracy rates are especially high in the music, TV, movie and gaming industries: 90% of DVD sales and 95% of recorded music sales in Asia are estimated to involve unlawful copies. Regulations and institutions are weak: the informal economy may generate half of all GDP and provide a large majority of jobs.

Media freedom and freedom of expression are very limited in many Asian economies, a factor that impedes the development of CCI. According to Reporters Without Borders, nearly half of the 20 economies with the most restricted press are in Asia-Pacific, notably North Korea, Iran, Mainland China, Vietnam, Laos, Uzbekistan, Sri Lanka and Kazakhstan. Even democratic states in northeast Asia often score poorly. In the latest survey, South Korea fell six places to finish 50th, and Taiwan slid two places to 47th.

> "India is the world's second largest market for YouTube music videos, with close to 100 million individual viewers per month."
>
> **Achille Forler**
> MD at Universal Music Publishing

From heritage to industry

Many economies in Asia-Pacific have identified CCI as a high-potential strategic sector and are striving to promote their development and enhance their competitiveness. Creative hubs and clusters have mushroomed under the impetus of policy makers. Among the best known are Hong Kong's Jockey Club Creative Arts Centre (JCCAC), West Kowloon Cultural District, and Beijing's 798 Daishanzi Art District. For instance, JCCAC serves dual roles: as an arts village, it helps support the arts community's needs from art studio to operation space, and as an art center, it showcases artworks and welcomes visitors. In 2014, it provided 136 studio units and attracted an estimated 300,000 visitors during the year.

The slow but steady development of the ASEAN Economic Community should also facilitate the development of a cross-border creative economy in parts of the Asia-Pacific region.

The combination of rising leisure time, communication and education is enhancing international awareness of the region's creative potential. Major cultural events have helped highlight progress, notably universal expositions at Aichi (Japan) in 2005, Shanghai (China) in 2010 and Yeosu (South Korea) in 2012. The region is also home to some of the world's best-known traditional festivals: Cherry Blossom (Japan), Songkran (Thailand), Diwali (India) and the Lantern Festival (China).

Exporting cultural models

New Asian cultural industry models are beginning to emerge, aiding regional exports.

Japan is striving to become a cultural superpower, but more than a decade after its inception, the Government's **Cool Japan** campaign remains lackluster. However, Japanese anime, video games and manga comics, which appeal to many urban and young people in both Asia and the West, are still thriving.

South Korean culture has gradually gained international markets, especially among the youth, since the 1990s. The Korean Wave, also known as Hallyu, reached China via K-pop and TV soaps. It also reached a broader youth audience via social media platforms including Facebook and YouTube, where it captured the attention of tech-savvy and culturally curious audiences in North America and Western Europe. In 2011, K-pop was a global phenomenon, with nearly 2.3 billion YouTube views. Cultural exports have helped shift perceptions of Korea: a survey by the Korea International Trade Association found that 80% of respondents from Japan, Mainland China, Taiwan and Vietnam believed that Hallyu had positively influenced the purchase of South Korean products. In 2011, South Korean cultural exports, including films, music and TV shows, hit a record US$4.2b. South Korea is now a role model for Asian countries that are seeking to reduce their reliance on imported entertainment and provide jobs for artists, writers, producers, set and costume designers, and others involved in film and television production.

India's film industry is now the world's largest in terms of annual production numbers, turning out 3,000 movies a year in more than 20 languages. Once centered largely upon musical films, some Indian movies increasingly resemble international offerings, and thanks to the country's large diaspora, gain a niche entry to non-Indian communities around the world, especially in the Middle East and South Asia.

Cultural re-conquest

In 2009, a meeting of China's State Council declared culture a strategic industry that should generate at least 5% of the country's GDP. China's "cultural strategy" aims both to satisfy a growing domestic demand for culture, as well as enhance China's heft around the world and better enable Chinese cities to compete with rivals, such as New York, London and Paris. Huge public and private investment has flowed into the creative and cultural sector as a result.

Chinese collectors have become hugely influential in global visual arts markets and Chinese investors are rapidly expanding into cinema, gaming and TV. Chinese collectors have become prolific buyers in global fine art markets, acquiring both Chinese and Western art for display in private collections or in the country's rapidly-expanding network of museums and galleries. Fine art sales of US$12.5b in 2013 made China the world's second-largest market, after the US. Museums are also an integral part of the country's cultural renaissance strategy: their number doubled to 4,000 in the decade to 2013.

As audiences increase rapidly, China has also begun to stamp its authority on the film industry. The rapid opening of new cinemas has led to soaring audiences. Chinese box office receipts now ranks second worldwide (behind the United States). Mainland China's movie industry is thriving; aided by the international reputation and skills of Hong Kong movie makers, it achieved year-on-year growth of 27% and 36% in the past two years. Domestic and collaborative international productions are gaining art-house audiences, while popular films, such as the Detective Dee series, now win showings worldwide.

Focus from ...

India

Beyond Bollywood: the diversity and richness of Indian cinema

Cinema in India: a long-standing and thriving cultural cornerstone

Seen as a "cement of society" by former Prime Minister Jawaharlal Nehru, cinema in India has a formidable tradition and has long been nourished by supportive government policies. Cinema remains a popular activity every Indian can afford: open air and indoor cinemas are found across the sub-continent, from traveling cinemas to single-screen cinemas (for up to 900 people) and technologically-advanced multiplexes in big cities.

Though there are no restrictions on imports, locally made films dominate the market.

Between 90% and 95% of films released are Indian. Offerings range from the masterful art-house work of Satyajit Ray to modern-day comedies such as **Delhi Belly**. But most Indians adore the country's musicals, a peculiarly Indian genre paced over three hours centered upon music, dance and a love story.

India is the third-largest cinema market in Asia after China and Japan, and sixth-largest globally, with annual box office revenues of US$1.7b. And it is still growing, aided by the opening of 150 new movie theaters every year.

"Bollywood," "Kollywood," "Tollywood": cinema is plural

Though Bollywood has become a byword for Indian cinema, there is more to the country's film industry than the effervescent Hindi-language production center in Mumbai. Kollywood films shot in Chennai in the Tamil language are nearly as numerous, as are Tollywood films from the Tollygunge studios at Kolkata, mainly scripted in Bengali. Each center produces 200 to 300 films a year, generating an output that makes the Indian film industry the world's largest by production numbers, ahead of Nollywood and Hollywood.

Bollywood films are, however, the most exportable. They are very popular in Asia-Pacific countries, including Sri Lanka, Bangladesh, Nepal and Pakistan, in many Arab countries, as well as among India's extensive global diaspora. More recently, independent directors including Manjeet Singh and Anurag Kashyap have produced more works depicting everyday life, which have won acclaim at international movie festivals.

Key figures

US$3.6b
direct revenues;
184,000
direct jobs

Top 10 box office markets in 2014 (US$b)

US/Canada	10.4
China	4.8
Japan	2.0
France	1.8
UK	1.7
India	1.7
South Korea	1.6

Source: MPAA (2015)

> "In India, music and cinema are inseparable. Indians discover music through films."

Achille Forler
MD at Universal Music Publishing

Newspapers: a booming industry for a rising middle class

At a time when some renowned Western newspapers have downsized or shifted to online editions, the Indian newspaper industry is booming.

The world's biggest newspaper market

The Indian newspaper industry is divided into two markets: regional newspapers (mainly in Hindi, such as *Dainik Bhaskar* and *Dainik Jagran*), and English newspapers, including *The Times of India*, the world's largest circulation English language newspaper, and the *Hindustan Times*. Democratic India has had a long history of print news; the first newspaper was founded more than 230 years ago. Today, there are more than 82,000 newspapers. India is already the world's biggest market with 110 million copies sold daily. Readership is even greater, as each copy is often shared by several readers.

A recent study from the FICCI suggested that the value of the Indian newspaper industry has grown by two-thirds in the past six years. In 2005, the total industry was worth US$2.64b. This rose to US$4.37b in 2010.

A promising future

Regional language newspapers are expected to achieve double-digit growth in the next 10 years as millions of newly literate citizens in mid-sized towns choose newspapers as their primary source of information. Among the top local-language dailies (excluding Hindi and English), *Manorama* in Kerala is read in Malayalam and the *Daily Thanthi* in Tamil, while *Lokmat* gathers a Marathi audience in the Mumbai hinterland in the state of Maharashtra.

Since internet penetration remains poor in India – 80% of the population still lacks internet access – Indian newspapers, which can be delivered for less than US$2 a month, are much more accessible for a fast-growing middle class.

This is encouraging advertisers to spend more on print. They have discovered the vast diversity of vernacular print media and its ability to reach consumers in thriving medium-sized cities. Classified advertisements in local papers have largely replaced traditional matchmakers in finding marriage partners for young men and women.

Newspapers play an important social and educational role in India; buying a paper is often seen as helpful in educating children.

Top countries by newspaper sales

1. India
2. China
3. Japan
4. United States
5. Germany

Source: World Association of Newspapers and News Publishers

Australia

Pioneer of the advertising industry

Australia is becoming a global advertising industry benchmark

Australia has a small, but sophisticated, advertising market. In terms of ad spend per person, Australia ranked third worldwide in 2014, with spending per head of US$504, behind only the US (US$565) and Norway (US$538).

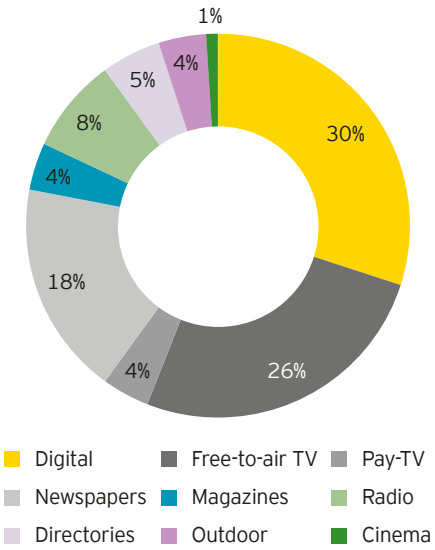
Australian advertising executives are renowned for their creativity. An international evaluation of advertising industry creative award winners, **The Gunn Report**, put Australia fourth in its 2014 ranking.

Australia was one of the first countries to go digital

Australian advertising has rapidly gone digital. Revenues from online advertising more than doubled between 2010 and 2014, outpacing growth in the US. They are expected to carry on growing by 10.2% a year between 2014 and 2019.

Digital advertising became the dominant medium in Australia in 2013, securing 30% of the market, compared with 27% in the US and 25% on average worldwide. Total online advertising was US$3.98b compared with US$3.87b for advertising on broadcast TV.

Australian advertising spend in 2013 – breakdown by medium



Source: CEASA, 2014

Key figures

US$12.3b
of advertising revenue notched up by media companies in 2013;

180,000
people employed in advertising and marketing in Australia in 2011

Performing arts in Australia: a thriving sector

Within the creative industries, music and performing arts have shown one of the strongest performances over the past five years. Ticket sales in 2013 generated total revenue of US$1.48b, up 22.7% on 2012.

A vibrant live music scene

Australia has long hosted a lively music scene, benefiting from connections with English-language audiences and performers worldwide. Australian contemporary music performers, including Kylie Minogue, Xavier Rudd, Olivia Newton John, and INXS, are international stars. With a mix of major touring acts and a burgeoning local music scene filling stages, Melbourne has become Australia's live music capital, and is home to festivals, including: Soundwave, which spans rock, metal and punk; Laneway (indie music); and Sugar Mountain, which mixes contemporary music, visual arts and new media.

A whirlwind of creativity

The Sydney Opera House is today one of the busiest performing arts centers in the world, staging up to 2,500 performances and events every year, and attracting an estimated four million visitors.

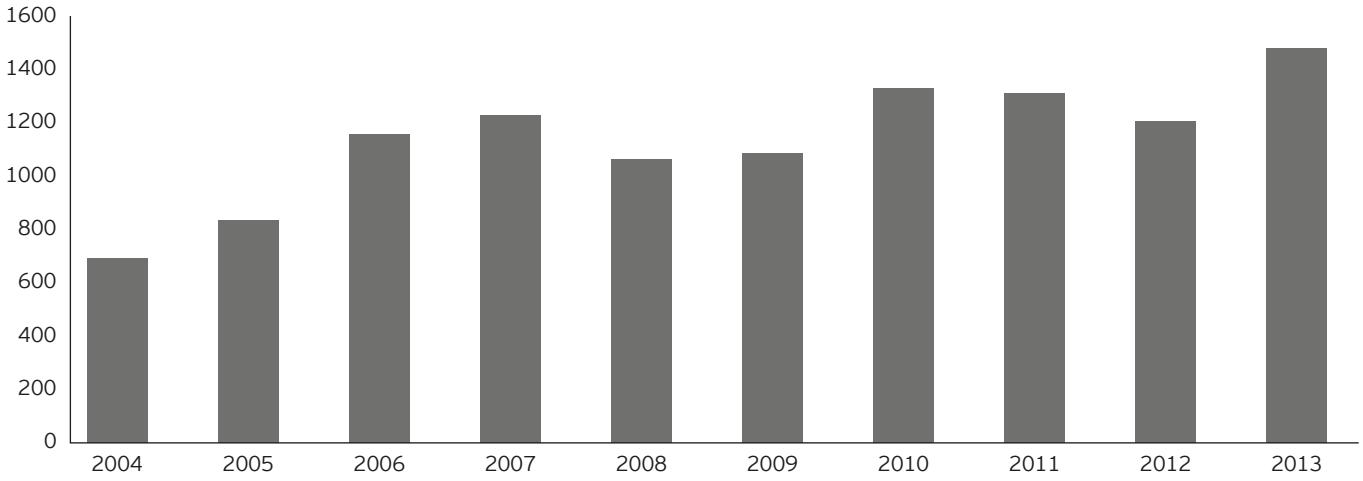
In Australia, there are a large number of performing arts organizations, particularly because of an enquiry held in 1999, which led to significant measures in government support through the Australian Council. In fact, the performing arts sector is supported by the state through the Australian Performing Arts Centres Association. Australia's international visibility is reinforced by the Australian Performing Arts Market (APAM), an international industry event for contemporary performing arts. APAM showcases Australian acts, and promotes collaboration and exchange with foreign industry counterparts to bolster the export of Australian performing arts.

Key figures

US$1.48b
ticket sales;

34,277
people working in music and the performing arts

Total revenues from live performances in Australia, 2004–2013 (US$m)



Source: Live Performance Industry in Australia, EY, 2014

Japan

Architecture is driven by home-building

87% of Japan's home sales are new construction

Demand is driven by a distinctive cultural phenomenon: the average home is demolished and replaced every 38 years; and 87% of homes bought by Japanese buyers are new, compared with only 11% to 34% in Western countries. This means that Japan builds as many homes each year as the US, though it has only a third as many people. Homes are not renewed because they are dilapidated; houses in Japan rapidly depreciate like consumer durable goods (cars, fridges, golf clubs, etc.). Thus, houses have little value in Japan: after 15 years, a home typically loses all value and is demolished on average just 38 years after being built. The enthusiasm for renewal has been encouraged by natural disasters (earthquakes, tsunamis and fires) and war-time destruction.

Japan, internationally recognized

Japan is an architect's paradise. It has four times more architects per capita than the US and they enjoy an impressive international reputation. Japanese architect Toyo Ito won the 2013 Pritzker Architecture Prize – the world's most prestigious architecture award – in 2013. He has designed dozens of structures, from homes to libraries, around the world. In 2014, Shigeru Ban won the same prize for his work with recyclable materials to craft structures in disaster zones. It is also two Japanese architects – Kasuyo Sejima and Ryue Nishizawa – who designed the Louvre Lens in France. Thus, the global changes taking place in the architectural world are crystallizing right now in Japan, with the past five years being considered one of the most innovative periods in current Japanese design history.

Read all about it

One of the highest levels of newspaper and magazine readership

Newspaper readers accounted for nearly 83.6% of the total population in 2013. Despite a digitally adept population, Japan has some of the world's bestselling newspapers. The *Yomiuri Shimbun*, one of five national newspapers in Japan, has the largest circulation in the world, according to the World Association of Newspapers and News Publishers. Founded in 1874, the newspaper prints more than 10 million copies for its morning editions, reaching more than 26 million readers, and another 4.3 million copies of its evening editions. The paper's circulation has been stable for the past two decades and more than 30% of readers have subscribed for over 20 years. It has 29 printing plants and 8,501 distributors throughout Japan.

Regardless of whether readers live in urban or rural areas, they have options to choose from among four to seven general newspapers, securing the diversity of Japanese newspapers. It also means Japanese newspapers are in a competitive environment and active sale promotions are conducted.

Japan's magazine industry is distinguished by the publishing of many manga comics, and a weekly comic strip anthology, *Shonen Jump*, still sells three million copies. The comics on which *Shonen Jump* is based are sold in about 30 countries around the world, and the magazine is now available online. The annual market for weekly comic magazines and comic books is estimated to total US$3.2b.

A looming decline

Print media are losing their appeal for younger people, who increasingly read online. Newspaper set* sales have fallen 18% since 2000.

Moreover, the consumption tax rate is currently expected to be raised again in Japan. Associations have argued against taxation and called for the application of a reduced tax rate to newspapers.

> "Thanks to the high literacy rate of Japanese people, the spread of writing culture as well as well-established house delivery system, Japan has a higher level of newspaper penetration. Newspaper readers accounted for nearly 83.6% of the total population in 2013."

According to the Japan Newspaper Publishers & Editors Association

*A set paper is a subscription to both morning and evening editions of the same paper.

China

Film industry under the spotlight

Attendances break records

Cinema box office receipts in Mainland China surged 34% to US$4.8b in 2014, making it the first market outside North America to exceed US$4b in revenues.

By 2020, China is expected to become the world's biggest film market. It is already the most important market for many US-made movies, and *Transformers: Age of Extinction* was the best box-office performer in China in 2014.

This growth is mainly driven by the emergence of a middle class and the rapidly growing number of screens: the Chinese cinema industry has added 20,000 screens in the past decade and is opening new cinemas at the rate of 18 screens a week.

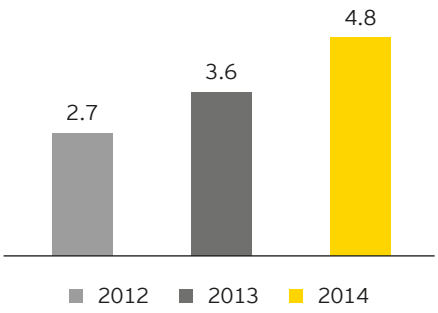
The Chinese film industry is still very local

Strict import quotas and historic emphasis upon the importance of Chinese productions to vehicle national values ensure that the Chinese industry produces most of the films shown in-country. Yet, despite its scale, Chinese cinema has often been confined to domestic themes and been slow to win audiences abroad. The two most popular genres in China are comedies and romantic comedies, often deeply embedded in Chinese culture and finding little resonance abroad. To develop, the industry needs to make movies with wider appeal, especially if they are to showcase Chinese culture as the Government wishes. Co-production is currently seen as the best way to achieve this goal. One example is *Wolf Totem* – directed by Frenchman Jean-Jacques Annaud – a China-France co-production that earned more than US$100m at the box office.

Key figure

US$4.8b
of box office receipts in 2014

Blossoming box office receipts in China (US$b)



Source: MPAA, 2015

Reinventing ancient performing arts traditions

A broad set of competencies

There has been a long tradition of performing arts (especially Chinese opera) throughout China's long cultural history. Early forms of Chinese drama were simple, but over time, they included music, song and dance, martial arts and acrobatics, and literary art forms to become what we now call Chinese opera.

Today, the performing arts in China are a mixture of traditional performances and more modern shows, accompanied by the emergence of performing arts brands and centers.

With the commercialization of performing arts in China, a fast-growing middle class, and the multiplication of new projects and performance space construction, sales of tickets for performing arts nationwide have been growing steadily since 2008.

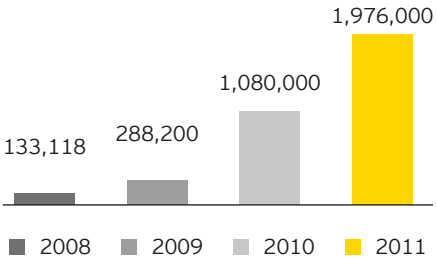
One of the biggest projects recently was the construction of the Han Show Theatre in Wuhan, a city of 10 million people. This state-of-the-art theater with 2,000 seats has been purpose-built to house the brand new theatrical, acrobatic water spectacle, *The Han Show*, by Belgian theater director Franco Dragone. The project has been developed by Chinese real estate conglomerate Wanda Group, which invested US$409m in building the theater as it diversifies into the entertainment business.

Wanda has included theaters, cinemas, amusement parks, hotels and Wanda Plaza shopping malls in its plans for developing its cultural tourism business.

Key figure

US$3.2b
of performing arts box office revenues in 2011

National performing arts box office in China (CNY1,000)



Source: Dao Strategy Centre for Cultural Research

South Korea

Music industry set to hit a high note

Global music recording industry revenues fall, but Korea is bucking the trend

One lesson from South Korea's music market is that sound laws, combined with a rich and diversified repertoire, can still underpin growth. Since 2005, when it was the world's 33rd market by revenues, South Korea has grown to become the world's 10th-largest recorded music market. In 2013, revenues continued to surge, growing 9.7% and making South Korea the second-largest recorded music market in Asia-Pacific after Japan (which experienced a fall of 16.7% in recorded music revenues). South Korea is one of the world's largest subscription markets, with subscription services accounting for 85% of digital music and 43% of all music revenues.

Local artists and audiences underwrite international growth

The Korean music industry has become a formidable machine for developing artists on an industrial scale. It now dominates the Asian scene and challenges American musical influence there. Potential artists are identified while they are very young and follow 5 to10 years of intensive training to prepare them for pre-targeted markets, ensuring they master the language and culture. However, the industry is careful to ensure it continues to service its national market too, as this still accounts for more than 80% of music sales. Korean popular music (K-pop) draws upon electronic music, hip-hop, pop, rock and R&B music. Developed over 20 years, it has been adopted by teenagers and young adults throughout Asia, causing them to mimic the fashions and styles of idolized Korean groups and singers. The global success of Psy's **Gangnam Style** has been emulated by groups such as **Super Junior** and **2NE1**, who have sold millions of CDs and concert tickets elsewhere in Asia.

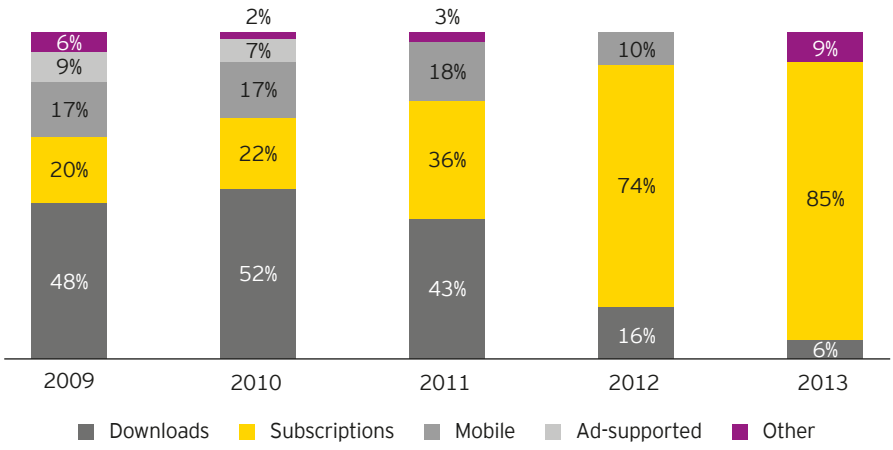
A reservoir of musical talent

South Korea is also a powerhouse in classical music. South Korean musicians do well in international music contests and are regular winners of the Queen Elisabeth Music Competition awards. Audiences for classical music are often younger than in other developed countries. South Korea also has strong jazz, hip-hop and electronic artists, but they are largely overshadowed by the success of K-pop.

Key figures

US$211m
of recorded music revenues;
US$409m
of live music sales

Sign here: subscriptions conquer digital music sales



Source: IFPI, 2014

Television is at the center of South Korea's cultural export strategy

A successful TV industry

Previously held back by government repression and strict censorship, South Korea's television industry has blossomed since 1987, aided by the launch of satellite broadcasting in 2002. Yet, South Korea's TV market remains dominated by three large networks: Korean Broadcasting System (KBS), Munhwa Broadcasting Corporation (MBC) and Seoul Broadcasting System (SBS). With rivals in China, Singapore and Malaysia still more or less subject to the heavy hand of censorship, South Korea has been comparatively successful in developing its programs to appeal to a global population.

South Korea's place at the leading edge of the digital revolution makes it a market to watch. More than 41 million South Koreans were online by the end of 2013, and the country is a pioneer of TV via mobile devices and the internet (IPTV). More than 8 million Koreans subscribed to IPTV offers in 2013.

K-dramas conquer Asia-Pacific audiences

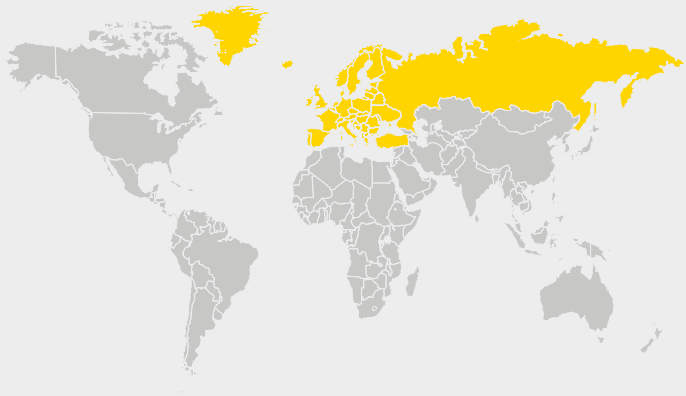
South Korea started to broadcast television series in the 1960s. Like the country's music and movies, Korean dramas have been exported across Asia during the past decade, part of a phenomenon called the "Korean Wave" or in China, Hallyu. These dramas are typically centered on a love story, with strong emphasis on family ties and relationships. In 2013, K-dramas constituted 82% of South Korea's cultural exports, earning US$167 million, up four-fold in a decade. KBS's **Love Rain**, starring Jang Geun-suk and Yoona, was sold to a Japanese broadcaster before it had aired in Korea. Costing US$400,000 per episode, it has since been sold to broadcasters in 12 countries in Europe and Asia, including China, Singapore and Malaysia, notching up US$106m in overseas sales.

Key figure

US$167m

of revenues from sales of K-dramas abroad

Europe

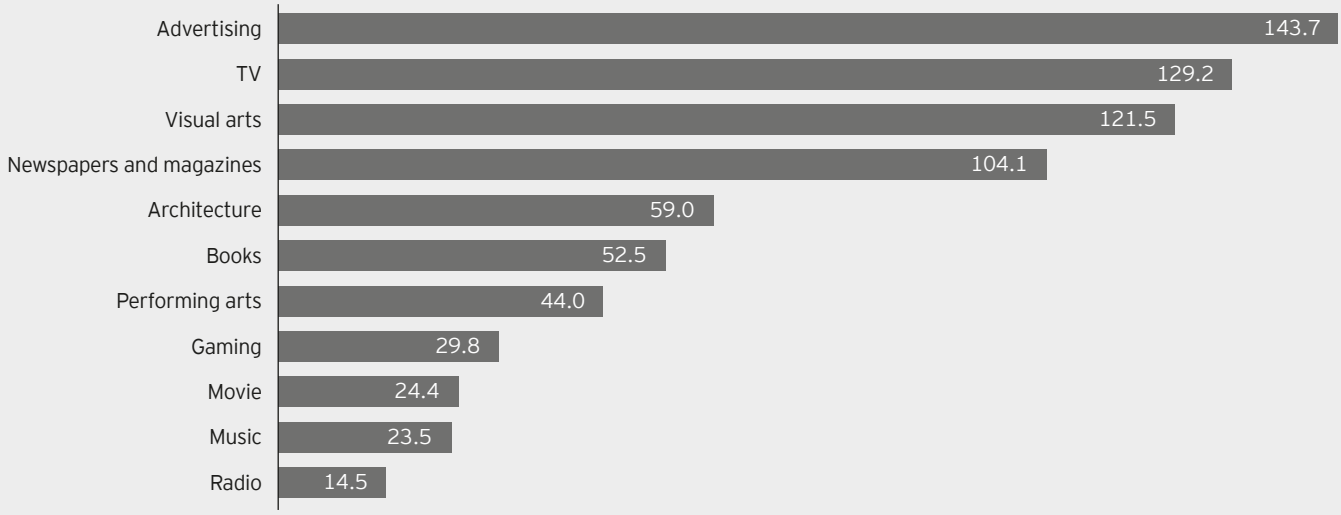


Snapshot

US$709b
CCI revenues

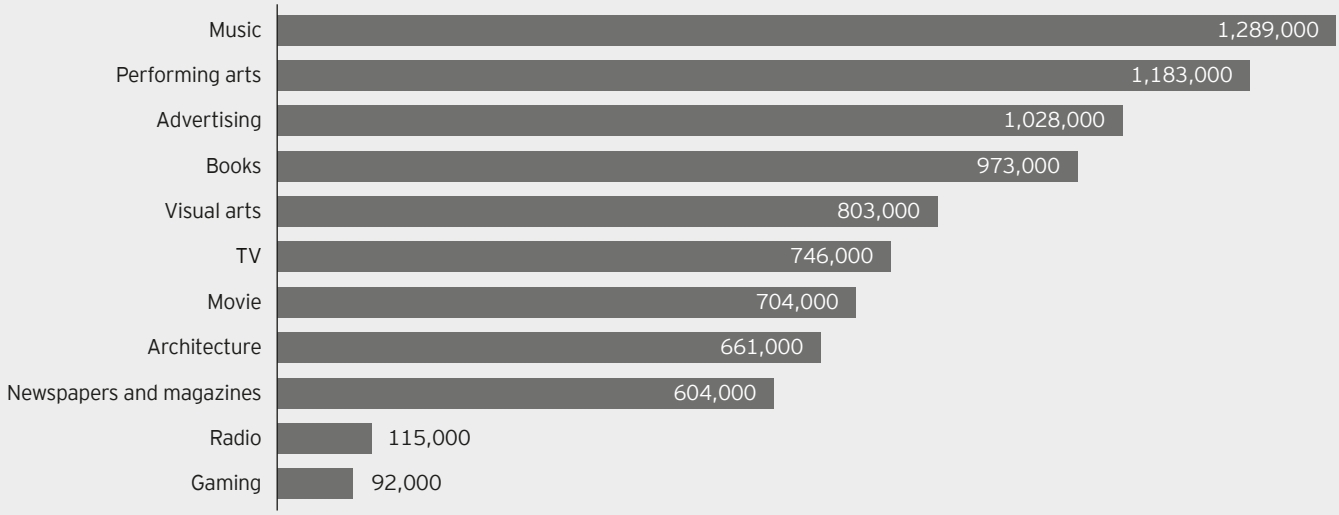
7.7m
CCI employment

CCI revenues in Europe (US$b) in 2013



Source: EY analysis of cultural and creative markets, 2015

CCI jobs in Europe in 2013 (US$b)



Source: EY analysis of cultural and creative markets, 2015

Total for jobs and revenues have been estimated after removal of double-counting. The sum of each sector exceeds the consolidated total as some cultural activities are counted in two sectors (for instance, live music is included in "Music" and in "Performing arts").

Panorama

Diminishing state support leaves some creators struggling

The creative economy in Europe is underpinned by strong public support – with variable intensity from one country to another – through purchases, financial and fiscal incentives, subsidies and public employment. In 2013, governments in the EU28 devoted nearly US$68.6b of spending to cultural services.

This broad-ranging public support is now threatened by public spending cuts, as European governments pare spending in an effort to reduce deficits and re-launch growth. Before the 2008 financial crisis, public spending on cultural services was growing by 5% a year; since then, it has fallen by 1% annually on average. Though it accounts for only 1% of public spending (compared with 2.9% for defense and 10.7% for education), government support has a vital pump-priming effect. It often triggers private support and anchors the economic vitality of CCI across European countries, in particular for the performing and visual arts.

A cultural economy rooted in history

The strength of European CCI is a unique concentration of heritage and arts institutions with an old, rich and diversified history. Seven of the 10 most-visited museums in the world are in Europe (three in Paris, two in London), and 30 of UNESCO's 69 "Creative Cities" are European – making Europe a world-class cultural destination attracting 52% of international tourists in 2013.

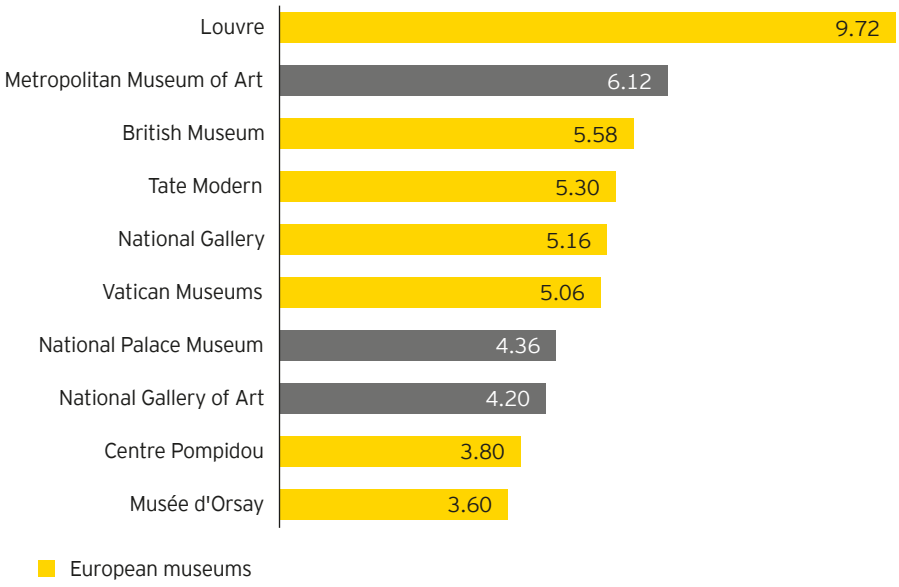
A highly talented cultural workforce

With a dense and educated population, a strong market for culture, and a world-class heritage, Europe is renowned for its corporate leaders in the creative industries. Whether international, mid-sized or successful start-ups, many European businesses are pioneers. Universal Music Group leads the music industry, while Endemol leads in TV. Europe's publishing industry leaders include Pearson and Hachette Book Group. Ubisoft and Supercell outperform in video games, and Publicis and WPP are leaders in advertising. Europe is also an innovation hotspot, creating and developing new business models such as those of Sweden's Spotify and France's Deezer in online music streaming services.

The European creative and cultural economy is built upon two learning routes: a strong concentration of creators (authors, writers, composers, etc.), and a dense network of art and culture schools. Europe's cultural workforce includes more than 500,000 writers, and a million music composers and lyricists. Europe is home to more creators than any other global region.

Art centers and cultural training institutions boost the European cultural economy. Europe has a unique concentration of schools and universities teaching cultural and creative industry skills. There are more than 5,500 universities, undergraduate and post-graduate schools in Europe. Its dedicated art and cultural schools include some of the world's best, contributing to the worldwide renown of the European cultural industry and enhancing its attractiveness for creative professionals worldwide. The region hosts some of the world's most prestigious schools of architecture (London Architectural Association, Technical University of Delft, ETH Zurich), performing arts (Bolshoi Ballet Academy in Moscow, Paris Opera School of Dance, Vienna's State Opera Ballet Academy), film (Ecole Louis Lumière and FEMIS in France, Filmakademie of Baden-Württemberg), fine arts (The Royal Danish Academy of Fine Arts, London's Royal College of Arts – the only school in the world with art and design post-graduate programs) and design (Design Aalto University in Helsinki).

Top 10 international museums (millions of visits, 2012)



Source: The Art Newspaper

Preview

The rise of a new Europe

In a mature market with weak growth in private consumption (0.6%), European CCI need to find new ways to grow. Some content producers are expanding abroad to reach bigger audiences. Some have begun to revitalize historic ties with neighboring regions. Africa has become a target market for some: newspaper group Le Monde, TV company Canal+ and entertainment group Vivendi are expanding in French-speaking African countries. European TV champions including the BBC and Endemol have long enjoyed export success. Recently, Scandinavian TV shows including *The Killing and Bron* have won widespread acclaim abroad, allowing cultural industries in even very small countries to secure global audiences and revenues. Europe's cultural breadth and richness helps win global audiences for its cultural industries.

To retain their leading role, European cultural players must join hands with emerging creative industries in other parts of Europe. Emerging gaming industries in Central Europe (Croatia, Serbia and Slovenia), TV and music in Turkey, and film in Russia offer opportunities for Europe to increase its clout in global cultural industries.

Building a fairer legal environment

Competition from newcomers such as GAFA (Google, Apple, Facebook and Amazon) and Netflix have put historic revenue streams at risk. This competition also enables innovative revenue models such as apps, streaming. To maintain Europe's creative and cultural strength, the EU's framework of copyright protection as well as that of e-commerce must be adapted to the threats posed by new digital players. This includes the ability of digital platforms to secure a bigger part of revenue. It must also adapt to support emerging creative businesses held back because their content cannot secure a fair share of value created.

The current debate on the harmonization of copyright and authors' protection in the EU leaves the future of existing copyright laws in doubt.

Authors' rights must be at the heart of the debate, laying the foundations for a fairer framework under which the full potential of the European CCIs in terms of growth and jobs can be unlocked. Some tax optimization practices need to be halted. The value generated by creative work must be shared equitably with authors.

Supporting creative businesses to nurture cultural leaders

Europe suffers from a lack of mid-sized companies in its creative sectors. The smallest companies lack the money to expand. The European Commission estimated in a 2013 study the financing gap for European CCI businesses at US$8.7b-US$14.5b and called for new financial instruments to support the industry's growth and leverage the development of its small businesses. New financing schemes must be invented to support creative businesses with new ways of accessing finance (including crowdfunding, targeted public funding and cultural leaders' investment) because many banks have hitherto struggled to value the business models of creators. German publishing group Axel Springer (through its American division) has successfully invested in several digital and creative start-ups (including Pocket and Blendle), thereby adapting to changes in the newspaper industry.

However, Europe has been slow to develop new digital champions (with the notable exception of music streaming platforms). To remain a pioneer in the disruptive cultural and digital revolution, Europe needs to learn how to create digital champions.

> "We need to build a cultural community of exchange of knowledge and experience at the European level, to support the creators and to share methodologies. We all face the same problem when we are going abroad."

Lovro Nola
Director of Machina Gaming School, Croatia

Focus from ...

France

Book production in France is performing well

The book market in France is performing well

About 87% of French people declare that reading is one of their daily activities, and 69% of French people over 15 years old have read at least one entire book in 2014. Readers' loyalty can be explained by the Loi Lang (Lang Law), which imposes a fixed price for books, but foremost by the wide variety of the editorial offering, which continues to grow year after year, in number of titles, with a 6.2% in 2013.

Moreover, French titles are gaining in popularity, both at home and throughout the world: the number of translations from French has risen steadily since 2009 and accounted for 17.3% of titles produced in 2012 (2011: 15.9%). Besides, the French book industry is strongly represented globally with Hachette Livre, the world's sixth-largest publishing group, present in 25 countries, with 12,000 titles annually.

The comics industry is a real driving engine for the book market in France

More than 36 million comic strips were sold in 2013, highlighting the real interest of French people in this industry. In 2013, the bestseller in the whole book industry was a comic strip: *Astérix chez les Pictes*, with more of 1.6 million copies sold.

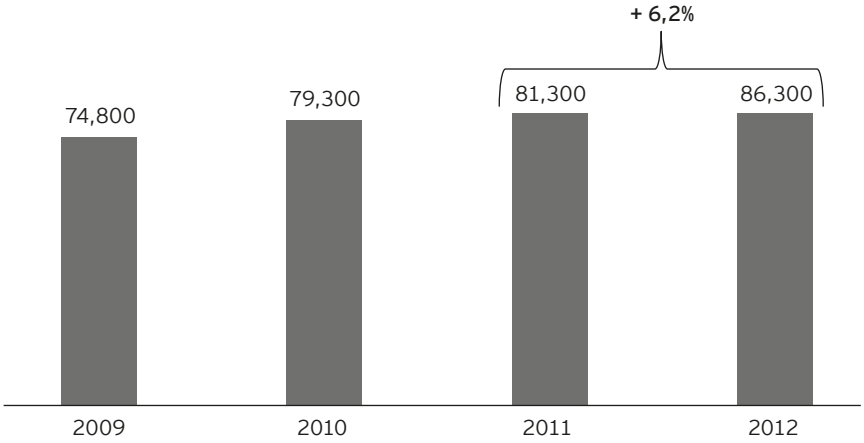
Despite a dynamic editorial offering, the book industry suffers from a general decline

From 2003 to 2011, book sales in France increased by 6.5%.

The French book industry has witnessed a drop of 4.1% between 2011 and 2013.

Digital books have increased more than 29% in 2013, representing €105 million and a 40% increase in two years. The rate of digital reading has tripled from 5% to more than 15%, following this growth trend. However, digital sales are not enough to compensate for physical losses. In the short term, the digital revolution does not seem to be the miracle solution for the book industry, and more than 85% of French people admit to prefer reading on paper.

Book production increase in 2012 (in number of titles)



Source: Syndicat national de l'édition (SNE), 2013

A leader in advertising

In 2013, France was one of the European leaders in the advertising industry with the UK

France hosts leading international companies, such as Publicis with an annual turnover of €8.5b, and Havas one of the top 10 global advertising companies. It also has a myriad of small and medium companies, which represent the majority of employment in France: 90% of people in advertising are employed by a company with less than five employees.

France has also become a digital pioneer, and has given birth to digital success stories such as Criteo, an advertising targeting start-up, quoted on the NASDAQ stock market since 2013 with a US$2.5b capitalization. Another striking example is Teads, a start-up that proposes video solutions to maximize advertising spots online, expected to be listed in 2015.

Mobile spends for advertising in France set to hit €1b in 2016

The main driver for growth in the digital advertising market in France is the impressive increase in advertising on mobile devices, which rose by 80% in 2014 alone. Expenditure on mobile advertising reached US$448m in 2014, and is expected to exceed the €1 billion mark by 2016. Logically, this means that mobile is likely to account for an increasing proportion of the digital ad spend over the coming years. The percentage figure currently stands at 14.7%, and is predicted to rise to 22.2% in 2015 and surpass 50% in 2018.

France annual advertising revenue forecast

Year	2012	2013	2014	2015	2016	2017
Total internet (US$million)	2,791	2,966	3,187	3,448	3,784	4,172
Annual growth (%)	5.5	6.3	7.5	8.2	9.8	10.3
Share of total media (%)	25.9	28.0	30.0	32.0	34.4	37

Source: Magna Global Advertising Growth Forecasts, 2015

UK

Video game industry breaks world records

Games sold more than video or music in 2014

The UK has a long history of making world-class video games. According to Entertainment Retailers Association (ERA), in 2014, the games market grew by 7.5% to reach US$4b, while video decreased by 1.4% to reach US$3.4b and music by 1.6% to reach US$1.5b. The digital sales of games (US$2.3b) are bigger than the combined digital sales of video and music (US$2b). The industry's biggest consumer market revenue streams in 2014 were digital console and PC (US$1.5m, +18%), consoles hardware (US$1.424b, +46%, due to strong PS4 and Xbox One sales), and mobile gaming (US$853m, +21%).

There are 1,902 video game companies in the UK. Between 2011 and 2013, the number of games companies grew by 22% per annum. The majority (95%) of UK video games companies are micro or small businesses. The mean number of employees is 120 and the median 49.

Many major video game franchises are developed in the UK

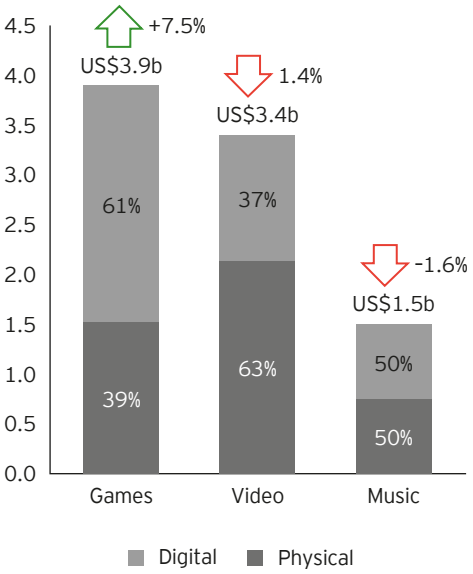
Grand Theft Auto 5 is the most successful worldwide entertainment product of all time, including movies. In fact, it broke six different sales world records including: the fastest selling video game of all time by making US$815.7m in sales worldwide during the first 24 hours (grossing US$1b worldwide in just three days); the highest revenue generated by an entertainment product in 24 hours; and the most viewed trailer for an action adventure video game.

London-based Mind Candy launched **Moshi Monsters** as a website in 2008. The game allowed children to adopt a pet monster, solve educational puzzles and socialize with other children. By 2013, a staggering 80 million were playing the game worldwide. Moshi Monsters were featured in a wide range of merchandise, from books to bath soap, and even had their own feature film.

Up to US$12.5m pledged to the UK video game industry

To boost the British games industry, and indicating its importance to the economy, the Government launched a new US$6.2m Prototype Fund to help start-ups in the video games sector. The Government also announced an additional US$6.2m over the next two years to support the Skills Investment Fund: this provides funding for training for the video games industry and other creative sectors.

2014 UK entertainment sales and % evolution vs. 2013



Source: Entertainment Retailers Association, 2015

Roaring times for the visual arts industry

Visual arts are flourishing

The annual art market in London has been estimated at US$13.2b (second after New York). New art fairs in London, such as Frieze and Zoo, have attracted a large number of visitors. Consequently, contemporary art has never been as popular or as high profile as it is today in England. Major venues and festivals all over the country have transformed the sector in the past two decades, and several visual arts ecosystems have emerged in places outside London. Increasing numbers of people are buying art for the first time.

Also, there are more than 50 million visits to the UK's galleries and museums a year, including more than 7 million by overseas tourists.

The visual arts contribute US$3b gross value added to the UK economy each year, and employ more than 37,000 people

In fact, the sector has strong links with other creative industries such as architecture, design, advertising and the computer games business. To take a concrete example: in 2013, the 500,000 visitors to the Hepworth Wakefield Art Gallery (located in Yorkshire) during its first year contributed an estimated US$15.6m to the local economy in Wakefield. An economic impact study of the Yorkshire Sculpture Park estimated its annual contribution to the local economy to be US$7.8m, according to the Local Government Association.

The challenge of securing a future for visual arts

However, over the last three years, 71% of artists exhibiting in publicly funded galleries received no fee for their work. In fact, 59% did not even receive payment for their expenses, leaving them not only unpaid but out-of-pocket when presenting exhibitions for the public to enjoy. Fifty-seven percent of artists generate less than a quarter of their income through their art. The result is a loss of art: 63% of artists have had to turn down requests from galleries to exhibit their work because they cannot afford to do so without pay.

Russia

The Renaissance of the performing arts industry

Glorious past: a Russian idea of the performing arts industry

Russia's reputation for the performing arts was established a long time ago by its exceptional classical music, theater and dance schools. The Soviet period, undoubtedly, had a radical impact on performances in the country, increasing the population's access to performing arts. "The Soviet Union was the only country in the world where amateur dancing groups performing folk dances, small self-assembled orchestras playing traditional instruments, and similar grass-roots initiatives received state financing," acknowledges Elvira Kunina, the head of the Russian Committee on Preservation of Cultural Heritage under UNESCO. However, these traditions suffered a heavy blow with the collapse of the Soviet Union, when state sponsorship for the arts dropped off the agenda.

A promising future: signs of rebirth appear

It is not all doom and gloom. The Bolshoi Theatre reopened in 2011 with new productions by young and talented directors. The classical music field is getting a boost with Valery Gergiev taking over the Tchaikovsky Competition. More surprisingly, Russia's festival culture is blooming, notably thanks to the rapid growth of the country's rock festivals. "Rock on the Volga," held in mid-June, is the largest one-day music festival in Europe. Every year, the festival makes all the possible attendance records: in 2011, it gathered 260,000 people, in 2012, 307,000 and in 2013, the number of visitors has more than doubled to reach more than 691,000, according to official statistics of the Ministry of Interior Affairs (GUMVD). In the meantime, Russia's festival scene in music genres besides rock – from reggae to jazz to folk – is also growing.

The Russian festival culture is also flourishing in theater. For example, the revival of the Moscow "Golden Mask" festival exhibits the best of Russian theater from the past year to critics as well as producers from overseas. Every year, it improves public attendance and pays tribute to Russia's rich theater culture.

Even folk performances show some signs of rebirth. Some folk choruses and dancing groups have become truly commercially successful. The acclaimed Alexandrov Chorus, which specializes in Russian military songs, tours all over Europe, China and the US.

Turkey

Betting on digital to develop the music industry

The music industry in Turkey is characterized as a dynamic industry open to development. It is expected to reach US$318m in annual revenues in 2017, whereas it represented only US$267m in 2012 and US$262m in 2008. There is a shift mainly toward digital, in parallel with the recent worldwide technological advances in the music industry.

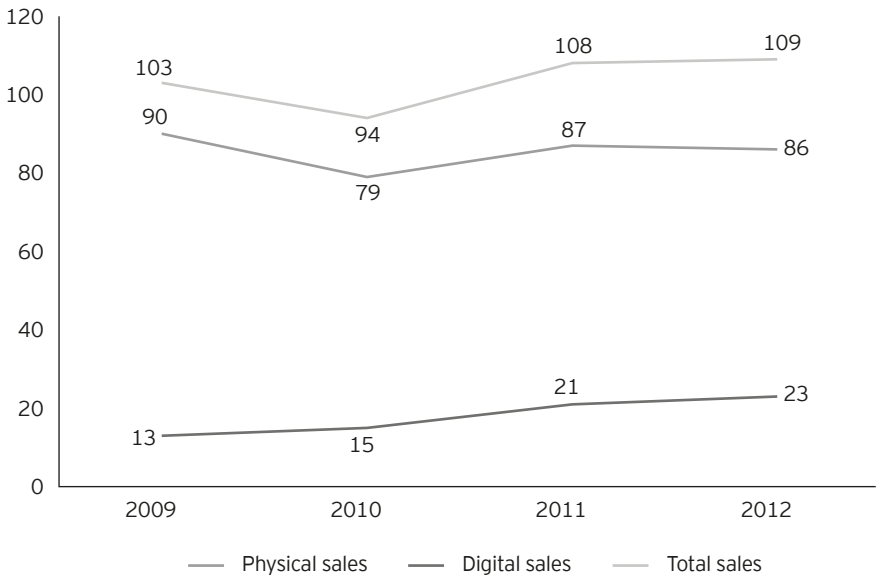
Turkey has been influenced by developments in the digital domain

The Turkish digital market has been reshaped by the copyright collective management societies through digitizing music and establishing the infrastructure for digital music. Digital sales revenues grew and increased substantially every year, and accounted for 21% of the sector's income in 2012. In 2012, several global digital music companies took steps to enter the Turkish market and signed agreements to this end.

At the end of 2013, there were around 34 million broadband internet subscribers and around 13 million mobile broadband subscribers in Turkey. Furthermore, music producers can claim around US$270m in royalties, only for the exploitation of music in public spaces. Thus, Turkey is well-positioned to climb up the global ranking in the coming years.

For example, the most viewed YouTube channel in 2011 was Turkish music site Mu-Yap, which attracted more than 46 million views, beating both the Miley Cyrus and One Direction VEVO channels. The channel has close to two million subscribers.

Sales in the recorded music market (US$m)



Source: WIPO, 2014

Fighting digital piracy

Mu-Yap also acts as Turkey's phonographic industry collective management society, which battles online piracy to ensure unity in the music industry and help with digital licensing. In fact, Turkey is planning to align itself with current developments in the European creative markets and the importance attributed to creative industries. It plans to introduce new regulations for launching incentives and support mechanisms to improve the creative industries by fostering cultural diversity and creativity.

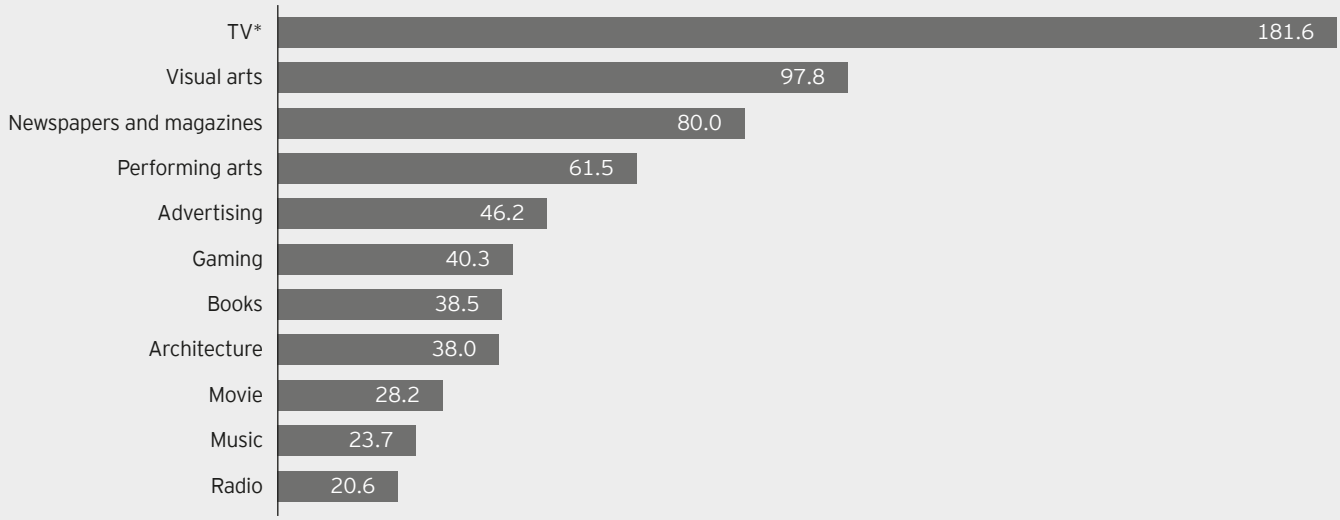
North America

Snapshot

US$620b
CCI revenues

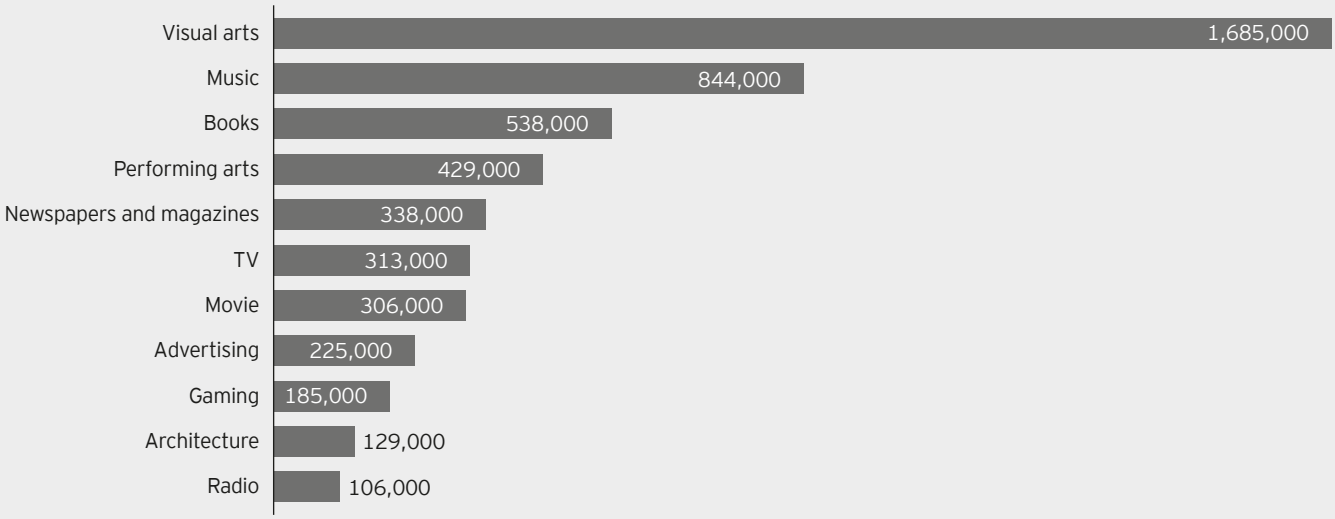
4.7m
CCI employment

CCI revenues in North America (US$b) in 2013



Source: EY analysis of cultural and creative markets, 2015

CCI jobs in North America in 2013



Source: EY analysis of cultural and creative markets, 2015

*Including TV shows and cable

Total for jobs and revenues have been estimated after removal of double-counting. The sum of each sector exceeds the consolidated total as some cultural activities are counted in two sectors (for instance, live music is included in "Music" and in "Performing arts").

Panorama

Mixing creative and marketing talent to win global audiences

American popular music conquered the world in the 20th century and the cultural influence of the country's creative industries has more recently been reinforced by movies. Many global entertainment leaders are North American, having gained critical mass in a market that afforded economies of scale amid rising prosperity and enthusiasm to develop a new national identity at a time of mass immigration. US consumer demand underpinned the first movie studio in history, Black Maria, and subsequently, the Hollywood film industry with its six big studios. The first video games were born in the US through arcade offerings, such as *SpaceWar* and *Pong*. The Warner Music Group became one of the three major global record companies.

North America's CCI strength stems from mixing large pools of creative and marketing talent. Script writers schools clearly constitute a competitive advantage for the Hollywood industry. The US is a net cultural exporter in most sectors. Sales of US copyright-based cultural products, including films, TV, video, recorded music, newspapers, books, magazines and software in overseas markets totaled US$156.3b in 2013. They topped the foreign sales of many other major US industries including chemicals (US$147.8b), aerospace products and parts (US$128.3b), agriculture (US$68.9b), and pharmaceuticals (US$51.6b).

American culture exerts strong influence worldwide, and conveys soft power. American movies are widely broadcast around the world and often achieve global box office success, which movies from other regions struggle to emulate. The US-made film *Avatar* earned box office revenues of almost US$2b.

US motion picture industry exports were

6 times

greater than imports in 2012

Entertainment is the name of the game

CCI in North America are driven by a strong cultural appetite. North America is the audiovisual industry's biggest market by sales for TV content (US$182b), movies (US$28b) and radio (US$20b). It is also a heavyweight in the gaming and music industries: its music industry sector (live and recorded) has annual sales of US$23.7b, 36% of the global total.

North America is also the leader in the performing arts (US$61.5b) with a pronounced craving for musical shows. This is illustrated by the success of the Superbowl mid-game show (and its unique and expensive TV commercials) and the dynamic live music industry in Ontario, Canada, which has been growing 6.5% a year since 2010. In 2013, 3 of the 10 biggest music festivals were in the US: Ultra (Miami), Coachella (California) and Summerfest (Wisconsin).

Growth of cultural and creative output remains strong in North America. Value added by arts and cultural production industries increased 3.8% between 2012 and 2013. The gaming industry is expected to grow 6.1% a year during 2013-2018, and the filmed entertainment industry by 4.4% a year. US advertising agencies hired 30,000 people in 2013 as the industry recovered from a slump. The American motion picture and television production industries, comprising 108,000 businesses, remain highly competitive worldwide. North American audiences provide 39% of world revenues from film production and distribution, compared with 23% for their European cousins.

> "CBC is adopting a mobile-first strategy, which doesn't mean abandoning legacy platforms like TV, but rather acknowledging that there is stiff competition from other emerging platforms in the increasingly disparate broadcast marketplace."

Canadian TV expert

Driving the digital transformation

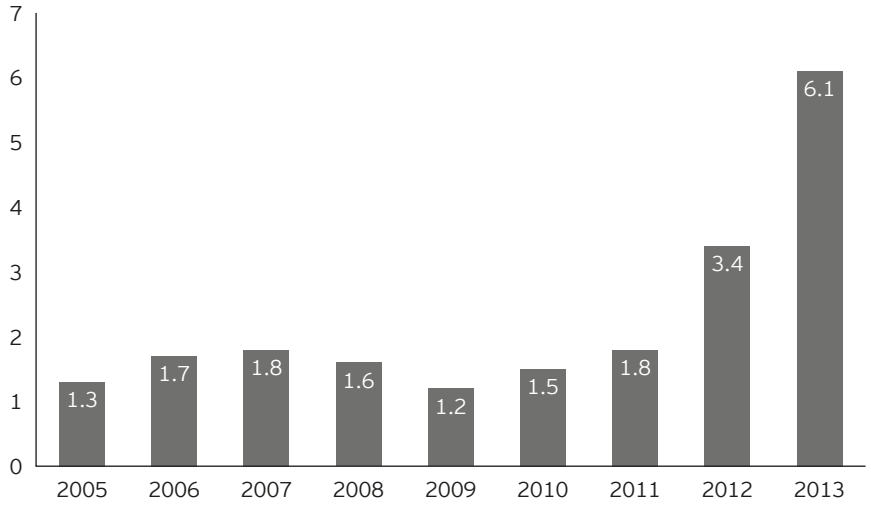
The development of the internet and mobile access has enabled new patterns of cultural consumption. Consumers have innumerable media options: hundreds of TV channels, billions of YouTube videos, social media platforms, video-on-demand and personalized music services are creating increasingly fragmented audiences, who are connecting via a plethora of devices.

Cultural content is spread across many media channels. It is now possible to reach individuals with targeted advertising, but this is a game of cat and mouse, as viewers and players flit between devices and online destinations. North Americans like digital delivery, and are the biggest consumers of digital cultural content, which accounts for 47% of digital distribution and revenues of US$30b, ahead of Asia (25%) and Europe (24%).

But traditional CCI is hard-hit by the digital revolution. With the online share of advertising revenues expected to grow from 27% in 2013 to 41% in 2019, traditional advertising-based businesses, such as TV and newspapers, will likely see their long-established income continue to fall. The two bestselling cultural industries in North America (TV, US$183b; and newspapers and magazines, US$83b) must rely less on advertising revenues and more on subscription-based models. Between 2002 and 2013, advertising revenues slumped 60%, and TV's share of global advertising spend is expected to fall from 40% in 2013 to 37% in 2019. Newspapers' share of advertising spend is set to almost halve to 6% over the same period. Newspapers and magazines, and books have experienced sharp declines in sales of physical products as readers switch to digital editions.

The recording industry's collapse since the first decade of the 21st century shows how hard the digital transition can hit CCI. Since people started downloading single tracks instead of buying CD albums, the value of recorded music sales has slumped 59% from 2000 levels – though live music has gained ground. Many high street and shopping mall music retail jobs have been lost.

Growth in online music subscriptions in the US (millions of subscribers)



Source: IFPI, 2014

Preview

North America's media and entertainment lead worldwide

North America has dominated the international media and especially the entertainment scene for several generations. Today, its supremacy faces strong challenges. Around the world, cultural content is being democratized, and companies and policy makers in other powerful economies including those of Europe, Japan and China see culture as a strategic sector. With CCI revenues totaling US$620b, North America now lags behind Europe and Asia-Pacific and is losing its leadership in some sectors.

North America's punch in cultural and creative markets has weakened a little. In the film industry, global box office figures show that although North America's share of value is unchanged, North American movies secured 28% of global box office receipts in 2014, down from 34% in 2010. In gaming, Asia-Pacific leads the global market with a 47% share (US$47.1b sales in 2013) compared with 41% for North America.

Technology and digital champions

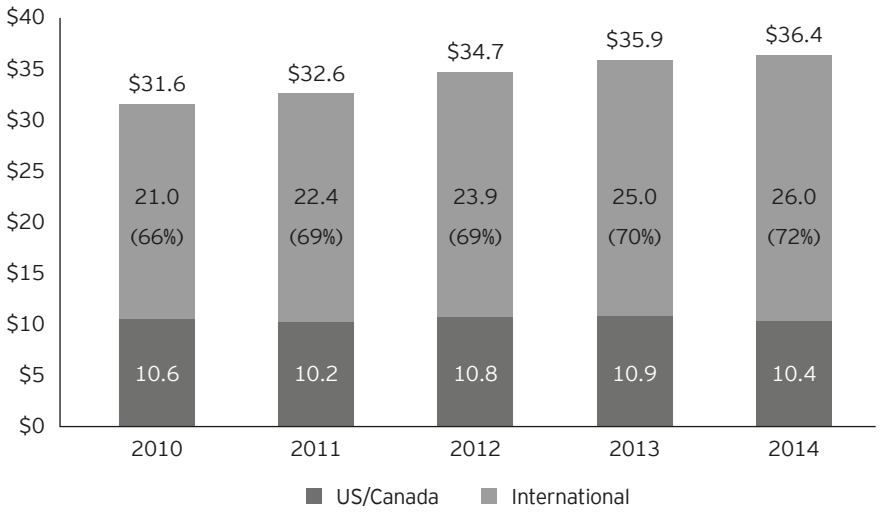
North America has long been among the front runners in new technologies. Today, Silicon Valley is home to many of the world's largest high-tech corporations (Apple, Google, Facebook), as well as thousands of technology start-ups. The region is also a leading hub for high-tech innovation and digital applications in the cultural arena. North American ingenuity and resources make it a laboratory for new business models that will meet the entertainment whims of consumers, new and old.

The Silicon Valley's champions benefit from network effects: their global reach and large shares in key markets make it easier for them to shape market trends and innovation in the sales of digital culture and entertainment. With massive cash piles, they also have the firepower to fund broad research programs to explore new technology applications, and to snap up emerging challengers. They are also able to gather massive volumes of data that provide insights into consumer behavior and desires, funded by the advertising revenues these audiences attract.

This creative laboratory is supported by targeted and strategic public policies. Canada has long backed its CCI with tax incentives (a tax credit for film and video production) and special regimes for the gaming industry. The country is continuing to add new support, such as the Ontario Music Fund. This fund, dedicated to live and recorded music with a three-year US$45m program, provides grants to the music industry to address investment gaps and support groundbreaking projects.

Meanwhile, increasing effort is being made to develop a legal framework that is more effective in halting cultural piracy and protecting IP. In 2014, Canada ratified internet treaties drawn up by the Geneva-based WIPO. It is regarded as a "priority country" in the fight against piracy launched by the International Federation of the Phonographic Industry (IFPI).

Global box office growth 2010-2014 (US$b)



Source: MPAA, 2015

Focus from ...

Canada

Music, a strong asset making Canada more attractive

Digital provides half of recorded music revenues

Physical music sales are falling fast, down 15.1% in 2013, but the slide is only a little faster than the 11.7% global average.

Soaring digital sales underpin a flat recorded music market. Canada has one of the fastest rates of digital music revenue growth in the world, with receipts up 10.4% in 2013, more than double the global 4.3% average.

Digital now provides half of the revenues and is mainly driven by downloads (86% of total digital revenues). Streaming has been slow to take off.

Vibrant live music market, and strong international presence

Canada has a long-standing tradition of music festivals, with events such as the Festival de Jazz, Francofolies, and Osheaga in Montreal, and North by Northeast and Canadian Music Week in Toronto. As festivals mature, organizers are working hard to create a premium social experience.

To take advantage of this dynamic fabric of venues, the Ontario Arts Council and the Ontario Tourism Marketing Partnership have developed a strategy to boost live-music-related tourism, and to position both Ontario and Canada as high-level destinations for live music.

Revenues from live music in Canada are growing and are directly benefiting creators. In 2014, SOCAN (Society of Composers, Authors and Music Publishers of Canada) revenues from concerts and live entertainment totaled US$16.6m, up 18.3% from 2011. Composers and creative artists increasingly rely on live performances for their income. Montreal, Toronto and Vancouver are the top locations for live music.

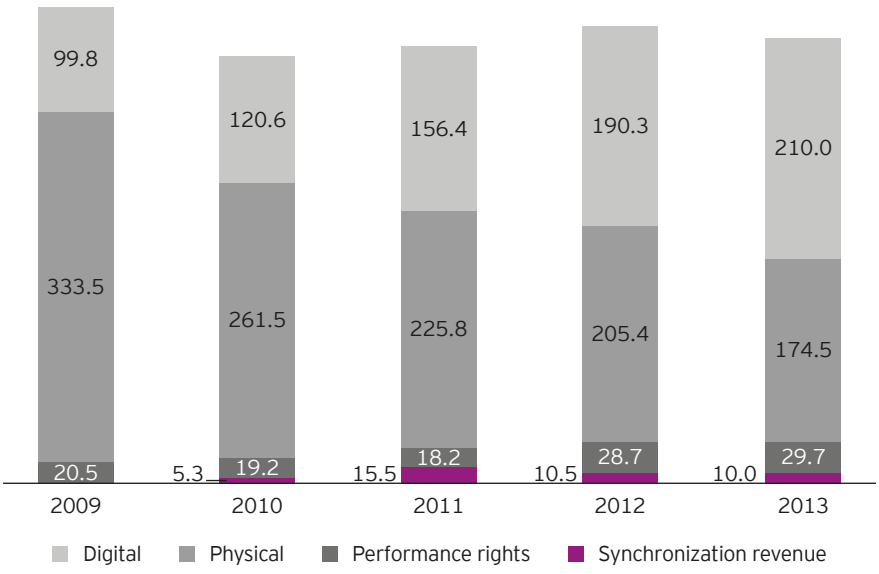
Canadian music is also showing great success in international markets. International revenues from Canadian-created music reached US$51.3m in 2014, from US$47.7m in 2013 and US$43.9m in 2012.

Key figures

US$424m
of recorded music revenues;

US$826m
of live music revenues

Evolution of recorded music markets revenues in Canada (US$m)



Source: IFPI (2014)

Gaming, a globally renowned industry with active public support

Canada becomes the benchmark for game development

Canada is home to some world-renowned game developers and studios, such as BioWare Edmonton, Behaviour Interactive, BattleGoat Studios, and Beenox. Today, Canada has the world's third-largest gaming development industry, after those of the US and Japan. A global heavyweight, it has more than 320 gaming companies employing more than 16,500 people and generating more than US$2.3b in GDP in 2013. Companies enjoy substantial government support through tax credits, especially in Ontario, and get help in attracting technical and creative talent.

The Canadian gaming industry is also driven by a strong entrepreneurial and start-up culture: 53% of professionals in the gaming industry self-identify as independent developers.

The gaming market is still growing as mobile gains ground

Two in every five Canadian gaming companies are predicting at least 25% growth in 2014.

With mobile and social gaming taking the world by storm, Canada's gaming industry enjoys scale advantages that attract talent from around the world to a deep employment pool. Employee numbers grew 5% between 2011 and 2013.

The large majority (84%) of Canadian video game studios are now working on games for mobile devices, though 48% of studios still devote some resources to console games.

The trend is toward cheaper games that are quicker to develop and require fewer staff: companies report that the average console game costs US$8.7m to develop, requires 65 developers and takes a year and a half (583 days) to complete. A typical mobile game, however, costs US$300,000 to make, takes only seven people, and can be completed in less than six months (156 days).

Key figures

US$2.3b
contribution to Canada's GDP in 2013;

16,500
people directly employed by the Canadian video game industry

Canadian industry output snapshot

Console games vs. mobile games

48% working on titles for consoles	**84%** developing games for mobile
16% total completed project	**43%** total completed project
88.6% overall industry budgets dedicated to creation of console games	**2.3%** overall industry budgets dedicated to mobile games
66.5% overall industry revenues	**11%** overall industry revenues
US$8,728,125 average development budget for console	**US$303,500** average development budget for mobile
65 average team size for console project	**7** average team size for mobile project
583 days average time for console project development	**156** days average time for mobile project development

US

The performing arts industry a showcase of US cultural influence

The performing arts industry is booming

In the US, the performing arts industry in 2008 included about 3,000 theater companies; 200 dinner theaters; 200 opera and 600 dance companies; 4,600 musical groups and artists, including 850 symphonies and chamber music organizations; and 60 circuses. Major companies include The Metropolitan Opera, The Public Theater, The Boston Symphony Orchestra and The San Francisco Ballet.

The number of organizations offering live performances continues to grow, and the number of Americans attending live performances and purchasing recorded ones has been growing consistently. According to Reuters, in 2008, the US performing arts industry included about 9,000 companies with combined annual revenues of US$11b; in 2015, it is estimated to be US$16b.

Broadway plays and live performances are attracting record audiences

The revenues of Broadway shows have been growing since 2009. The 2014-15 season saw a record-breaking 13.10m admissions in Broadway theaters – the best year in terms of attendance. Tourists account for 70% of all ticket sales, highlighting the recognized quality of American plays around the world. Some shows retain world records in number of performances, such as *The Phantom of the Opera* with 11,367 performances since its creation.

Performing arts in Broadway – A booming industry, 2009-2015

Season	Gross (in US$ billion)	Attendance (in million)	Playing weeks	New productions
2014-15	1.365	13.10	1,626	37
2013-14	1.269	12.21	1,496	44
2012-13	1.139	11.57	1,430	46
2011-12	1.139	12.33	1,522	41
2010-11	1.081	12.53	1,588	42
2009-10	1.020	11.89	1,464	39

Source: Broadway League, 2015

According to the Broadway League, during the 2012 to 2013 season, the Broadway industry contributed US$11.9b to the economy of New York City and supported 87,000 jobs.

Broadway's economic impact, 2012-13

Broadway spending	Direct spending (US$m)	Total impact (US$m)
Spending by Broadway tourists	$6,464	$9,641.1
Show expenses	$979.3	$2,219.7
Theater capital expenses	$11.5	$17
Total	$7,454.8	$11,877.8

Source: Broadway League, 2015

However, the performing arts industry is fragmented

The 50 largest companies account for less than 30% of revenues. Two-thirds of year-round performing arts companies have annual revenues less than US$500,000. According to RAND, on average, performing artists earn considerably less, work fewer weeks per year, and face higher unemployment than other professionals with comparable education levels.

TV industry is "global"

The US continues to export a far greater number of TV shows than other countries

According to a WTO 2010 study, the US accounts for nearly half of the world's total audiovisual trade. In 2011, the US exported film and TV shows worth US$14.3b to other countries, as the box office in countries such as China and Brazil expanded.

According to the European Audiovisual Observatory, in 2000, major European TV networks scheduled 214,000 hours of American TV shows; in 2006, this number grew to more than 266,000 hours. In 2008, the world's three most popular TV shows in 60 countries were US exports: *Dr House* (81.8 million viewers), *Desperate Housewives* (56.3 million viewers) and *The Bold and the Beautiful* (24.5 million viewers).

The industry is facing systemic challenges

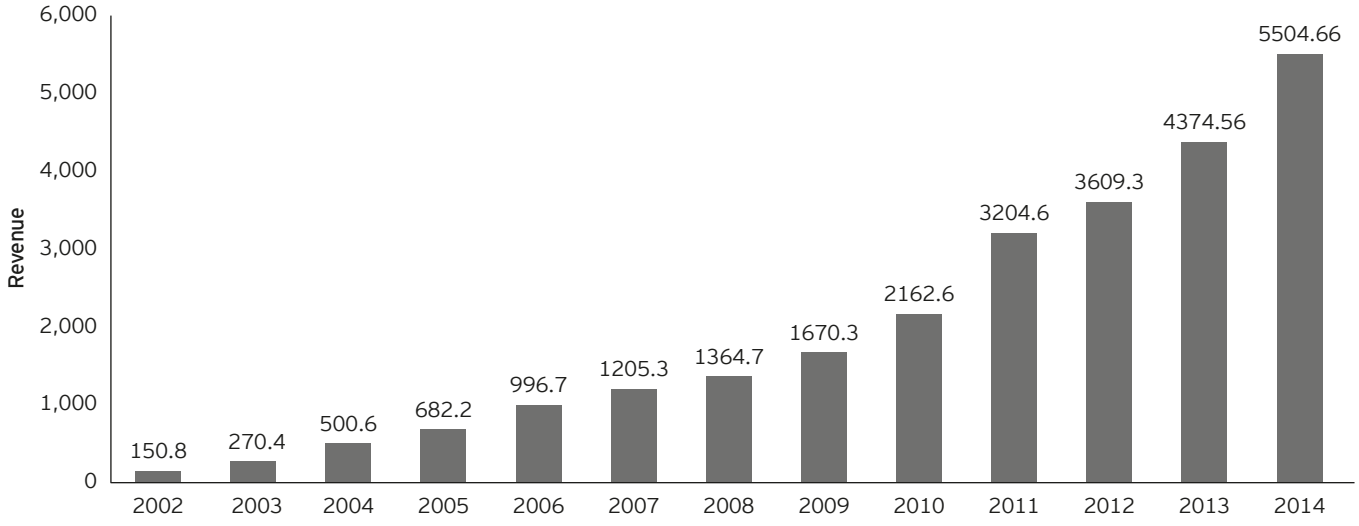
In an age of proliferating choices, television remains the most popular medium in the US. Americans spend more time watching TV than ever before; however, many new media forms (mainly online media) continues to put pressure on TV's most profitable broadcasters. The industry is facing steep declines in viewership and the gradual movement of ad dollars to digital platforms. According to Magna Global, advertising spend is expected to fall 10% for broadcast networks and 5% for cable networks in 2016. According to Todd Juenger, a Bernstein Research analyst, the US television industry is entering a period of prolonged structural decline, caused by a migration of viewers from ad-supported platforms to non-ad-supported or less-ad-supported platforms. Indeed, the Cabletelevision Advertising Bureau estimates that 40% of the TV ratings declines suffered in the second half of 2014 were due to viewers migrating from traditional television to subscription streaming services, such as Netflix.

TV's shift to the internet presents new growth opportunities for traditional producers

According to a report by Comscore, in 2014, 4 out of 10 online users subscribe to a service, such as Netflix or Amazon Instant Video. Netflix, which streamed 10 billion hours of video in 2013, now represents close to 6% of total TV viewing in the US. Netflix is clearly now an international player, with 36.5 billion hours of streaming per year in 2015.

This is why HBO will launch a streaming video service in 2015 that does not require consumers to have a cable or satellite subscription with an online streaming service. In 2013 HBO is taking a page out of Netflix's book and is now competing head-to-head with the rival streaming service. HBO has 30 million subscribers in the US; Netflix has about 37 million. As of 30 September 2015, the number of US subscribers is over 43 million plus 26 million international subscribers The company made US$5.5b in revenues in 2014: the future of watching television is clearly online.

Netflix annual revenue from 2002 to 2014 (in US$ million)



Source: Statistica, 2015

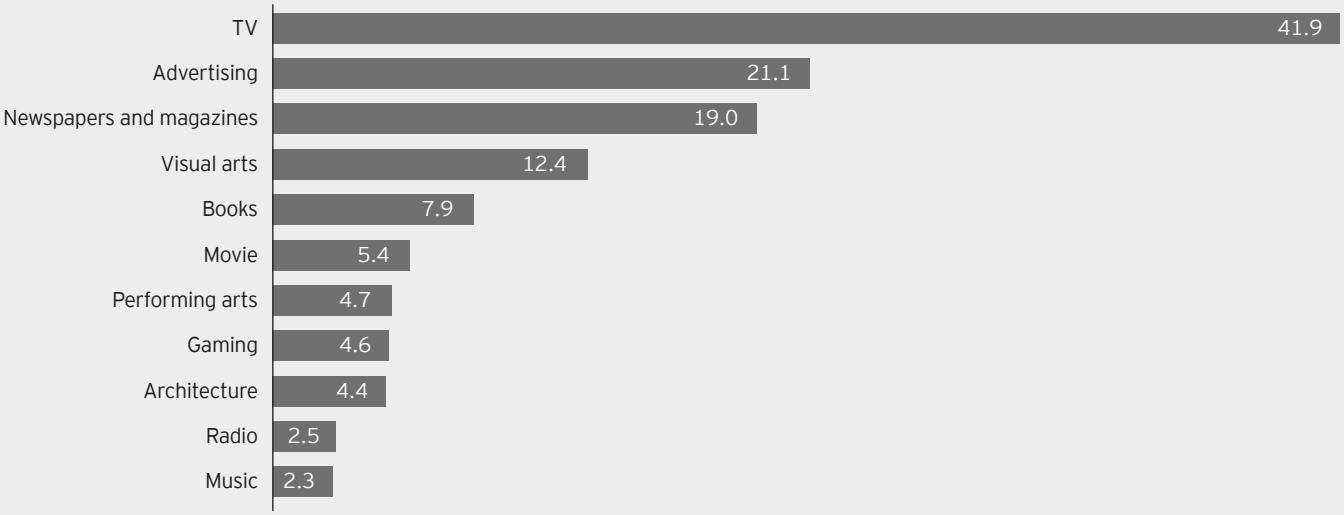
Latin America and the Caribbean

Snapshot

US$124b
CCI revenues

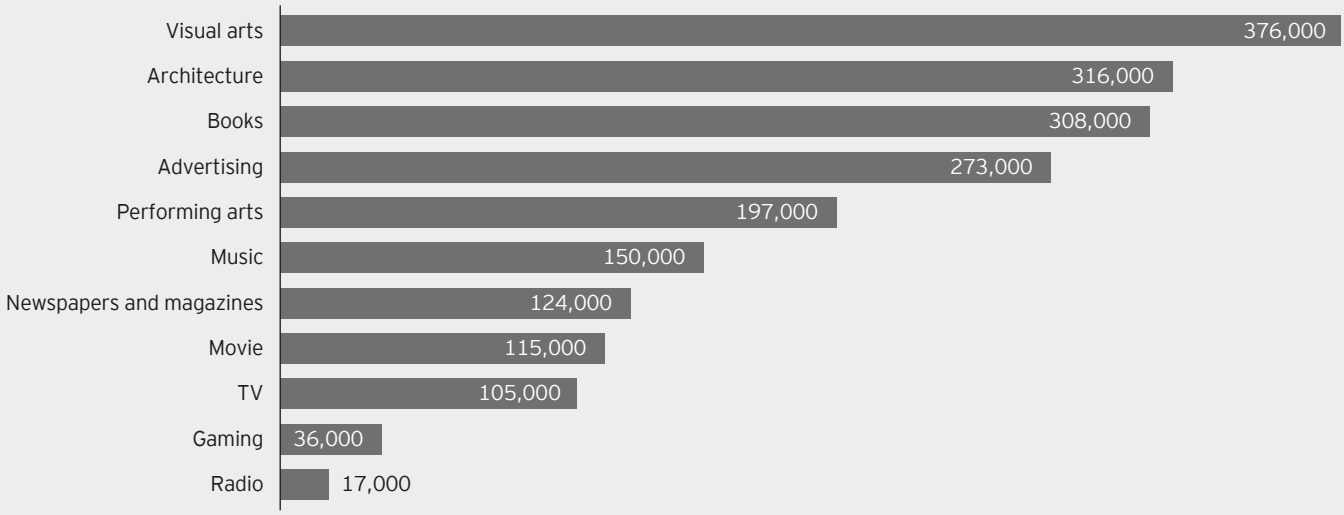
1.9m
CCI employment

CCI revenues in Latin America (US$b) in 2013



Source: EY analysis of cultural and creative markets, 2015

CCI jobs in Latin America in 2013



Source: EY analysis of cultural and creative markets, 2015

Total for jobs and revenues have been estimated after removal of double-counting. The sum of each sector exceeds the consolidated total as some cultural activities are counted in two sectors (for instance, live music is included in "Music" and in "Performing arts").

Panorama

Television is king

TV is, by far, the most dynamic CCI in Latin America, accounting for US$42b in revenues, nearly a third of the total.

Latin Americans revel in audiovisual content. On average, they spend more than five hours a day watching TV, and 90% of Brazilians say TV is their preferred news source. Pay-TV penetration is among the highest in the world, topping 46% of households across Latin America in February 2012.

The TV industry is driven by multi-media conglomerates. Grupo Globo in Brazil, Grupo Televisa in Mexico and Grupo Clarin in Argentina are major companies with a spread of TV, radio and press interests, capturing large audiences and producing distinctive TV programs.

Business and production skills honed in TV have driven significant growth in film production, creating many jobs. Though the industry is starting from a modest base, employment has almost doubled over the past 15 years. Output has been particularly dynamic in Argentina, Brazil and Mexico, the three largest markets, which together produced 400 films in 2013.

Brazilian adults spend
5 hours 17 minutes
a day watching TV

A long tradition of exporting cultural content

Latin American music and dance styles have become one of the region's great cultural exports. Traditional music and dances such as tango, salsa, samba and Cuban musical fusions have won global audiences. Celebrity singers include Gilberto Gil (more than 50 albums released over four decades) and Shakira, the highest-selling Colombian artist of all time (more than 100 million albums sold around the world).

The AV industry is gaining traction as an exporter. Rede Globo is the biggest producer of **Telenovelas**, a form of Latin American soap opera and one of the most popular forms of entertainment in the region, with distinctive styles in different countries. TV shows and movies are increasingly export-oriented, especially in Argentina: for every 15,000 hours of programming, 2,000 are exported to international markets, where they are increasingly winning audiences. Argentina and Colombia rank among the top five exporters of formats and scripts worldwide, along with the UK, the US and Spain. Latin American formats find favor in France, Russia and North America.

Latin America has also produced many writers who have achieved global acclaim and commercial success, including Gabriel García Márquez, Jorge Luis Borges and, more recently, Paulo Coelho from Brazil. Collective life is often shaped by traditional festivals that span several CCI, including Rio de Janeiro's Carnival, the Festival of the Virgen de la Candelaria in Bolivia, and the Inti Raymi Festival in Cusco, Peru.

Creative and cultural tourism in Latin America

The Latin America and Caribbean region possesses a rich cultural and natural heritage. Built upon ancient civilizations, this heritage is a cultural melting-pot enriched by immigration, as well as common languages stemming from the colonial era. Across the continent, 131 sites are inscribed on the World Heritage List, of which 91 are "cultural" locations. All 33 countries of the region have ratified UNESCO's Convention concerning the Protection of World Cultural and Natural Heritage. Well-protected World Heritage sites contribute to social and economic development by attracting tourists keen to discover the Inca, Maya or Aztec heritage, but also life in Latin America's cities and on its ranches.

Preview

Gaining traction in global markets

Latin America's cultural industries used to be small and concentrated in a handful of capital cities. This is still true of TV and film production, which is centered upon the major cities of Argentina, Mexico, Brazil, Colombia and Venezuela.

But as quality improves, strong newcomers are emerging. They are breaking free of domestic markets to reach international audiences with films and TV shows that appeal worldwide. Colombia is increasingly renowned for its cinema industry, which is advancing rapidly as the country opens 100 cinemas each year. Colombia now produces around 50 movies a year.

Colombian artists are also winning international acclaim and exporting to North America and Europe. Colombia will be the "guest country" at the next edition of ARCOmadrid, a leading European contemporary art fair.

Chile, too, has an increasingly robust independent film scene. In a region where foreign finance is often crucial to film production, Chile has recently become a favorite among international funds. Chile's movie industry is aiming to rival those of Brazil, Argentina and Mexico. Created three years ago, the CinemaChile agency has made progress in bringing film industry stars together to promote Chilean cinema internationally.

Latin America, as a whole, is increasingly exporting cultural content. China has become a popular destination for Latin American cultural exports. Mexico's Grupo Televisa, which is quoted on the New York Stock Exchange, has partnered with Chinese production companies to produce local versions of some of its popular telenovelas, often based on formats that have already proven their merit in international markets. The most striking example is *Yo soy Betty, la fea*, which began life as a Colombian telenovela, became a surprise hit in the US as *Ugly Betty*, and subsequently attracted 11 million viewers in its Chinese incarnation, *Ugly Wudi*.

> "Today, we see a unique growth period of every CCI in South America, in rich countries but also in smaller countries"
>
> French cultural representative in Colombia

Mexico has been a leader in international modern art markets in recent years, encouraging collectors to prospect more widely for talent across Latin America. Strengthening demand for art works from Brazil, Chile, Venezuela, Colombia and Cuba shows growing acceptance and understanding of art production in the region.

Toward more regional integration

The success of Latin America's cultural leaders is prompting neighboring countries to seek similar routes to economic growth. Argentina, Brazil, Chile, Colombia and Cuba now have policy frameworks designed to promote the development of cultural industries. Noting their success, Mexico, Peru and Uruguay are beginning to recognize the potential of the sector, and following suit.

City-level initiatives have been particularly effective. Buenos Aires has become a global benchmark for its creative industries strategy. The city's Observatory of Creative Industries produces statistics and studies to help inform decision-making by executives and policy makers. Meantime, Medellín in Colombia, once considered among the most dangerous cities in the world, has helped engineer economic revival from the era of drug gangs by developing a thriving industrial and cultural economy. The focus on education and culture to drive regeneration has been crucial. In seven years, 135 schools were renovated and eight libraries created.

A growing understanding that creative industries foster both social and economic development is enabling and encouraging cross-border cooperation. The MERCOSUR trade bloc, comprising Argentina, Brazil, Paraguay, Uruguay and Venezuela, has set up MERCOSUR Cultural. This regional network of about 400 individuals and institutions aims to work on strengthening cultural information systems in member countries. The objective is to create a single market in cultural goods and services by improving knowledge of members' cultural industries and sharing best practices.

A shared use of the Spanish or Portuguese languages and Latin cultural elements acquired during centuries of colonization helps facilitate cross-border cultural exchanges in much of Latin America. Today, the biggest export market for Mexican telenovelas is not Asia, but neighboring countries in Latin America. Many cultural artefacts also find their way back to Spain, such as the Argentine comic strip **Mafalda**, popular in Spain for half a century.

Digitalization might be an answer to piracy

A large proportion of Latin American cultural spending is on pirated goods. The informal economy generated an estimated US$3.9b of cultural revenues and 160,000 jobs in Latin America in 2013. In Buenos Aires alone, pirated

> "There is a growing national awareness about the economic importance of CCI in Argentina, as shown by various public policies to finance small cultural projects. A significant part of CCIs, in some case up to 80% of cultural industries, are supported by national as well as regional and local governments."

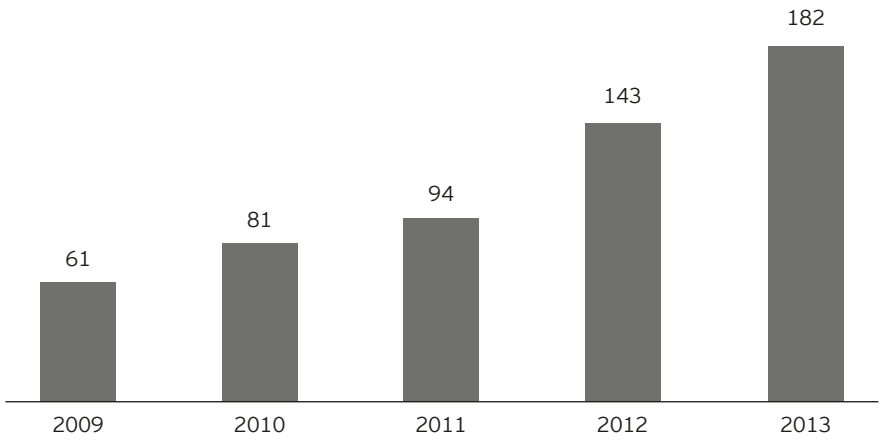
Hector Shargorodsky
Cultural Observatory, Faculty of Economics, University of Buenos Aires

goods are estimated to generate sales of US$10m a day, while a total of US$500m a year of pirated DVDs are sold in Brazil and Mexico.

The biggest challenge for home entertainment companies in Latin America is to substitute paid digital sales for pirated DVDs. Digital tools and platforms will play an important role. The middle class is expanding – one Latin American family in three is reckoned to have achieved middle class status – and increasing buying power should facilitate more spending on legitimate videos. A shift online should be aided by increasing internet penetration, with online visits up 12% to more than 147 million unique visitors in 2013. Grupo Televisa, now considering developing exclusive programming for video-streaming service like Netflix, is increasingly active in the fight against content piracy.

Digital also means marketing opportunities. The music industry in Latin America was once regarded as an entertainment industry backwater, not least because original recordings were quickly pirated, undermining the revenues of artists and those who backed them. However, improvements in technology, infrastructure and standards of living are now prompting a music "gold rush" across Brazil and the rest of Latin America. It is much easier to charge for live performances, and big entertainment companies are beginning to take a close interest in the region's stars.

Digital recorded music revenue growth in Latin America (US$m)



Source: IFPI, 2014

Focus from ...

Mexico

Building the book industry from the ground up

Starting from scratch

Mexican publishing is a small trade community attempting to build a large and globally competitive industry – and consumer base – from scratch. The country's GDP growth of 5.5% in 2012, and status as one of the fastest-growing providers of skilled technological jobs in the world, all add up to unprecedented amounts of disposable income. More importantly, between 1990 and 2000, Mexico's literacy rates for people aged between 10 and 15 years went from around 12% to more than 90%. As this generation has reached adulthood, millions more literate people than ever before are wielding unprecedented spending power.

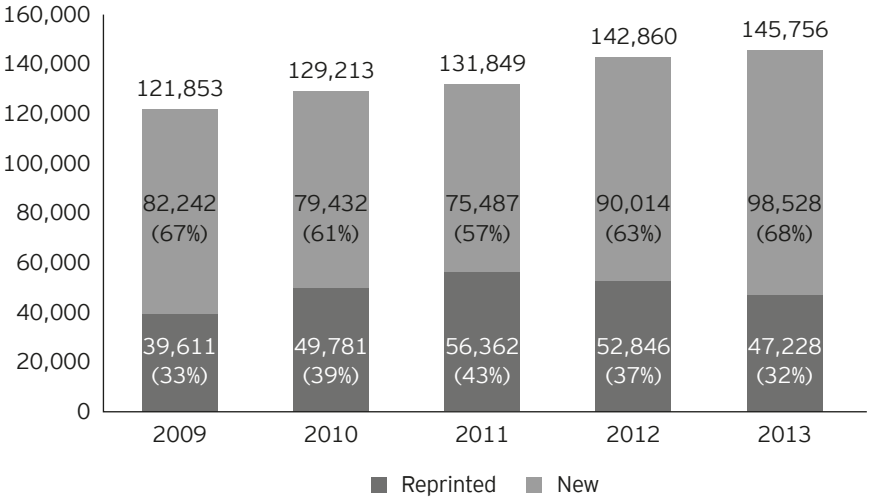
Publishers cite "distribution" as the biggest challenge for the book business in Mexico today. In fact, the lack of options exists at every point of the supply chain, not just the end point. The scarcity of specialized book distributors and wholesalers within Mexico cramps the flexibility of business between publishers and booksellers. For instance, it is significant that the largest book fair for the Spanish-speaking market takes place in Guadalajara, Mexico, and not where the largest publishing houses exist. There are also more bookstores in Barcelona (Spain) than in all of Mexico.

Going international and digital: two engines of growth

Mexico is starting to increase its international visibility. It is home to the Guadalajara International Book Festival, which, since its launch in 1987, has become the biggest book fair in the Spanish-speaking world and is second only to the Frankfurt Buchmesse worldwide. Mexico will be in the limelight at the London Book Fair in 2015, capitalizing upon the success of authors, such as Carlos Fuentes and Juan Rulfo.

Efforts are also being made to develop the e-book market. In 2014, Mexico's National Council for Culture and Arts launched Librosmexico.mx, an online platform with a large catalogue of Mexican titles. It aims to make it easier to find and buy Mexican books, as well as make historical documents available for free in digital form. Book publishing in Mexico is expected to grow by 4% a year during 2013-2018.

Number of copies produced



Source: Caniem, 2014

TV: an export machine

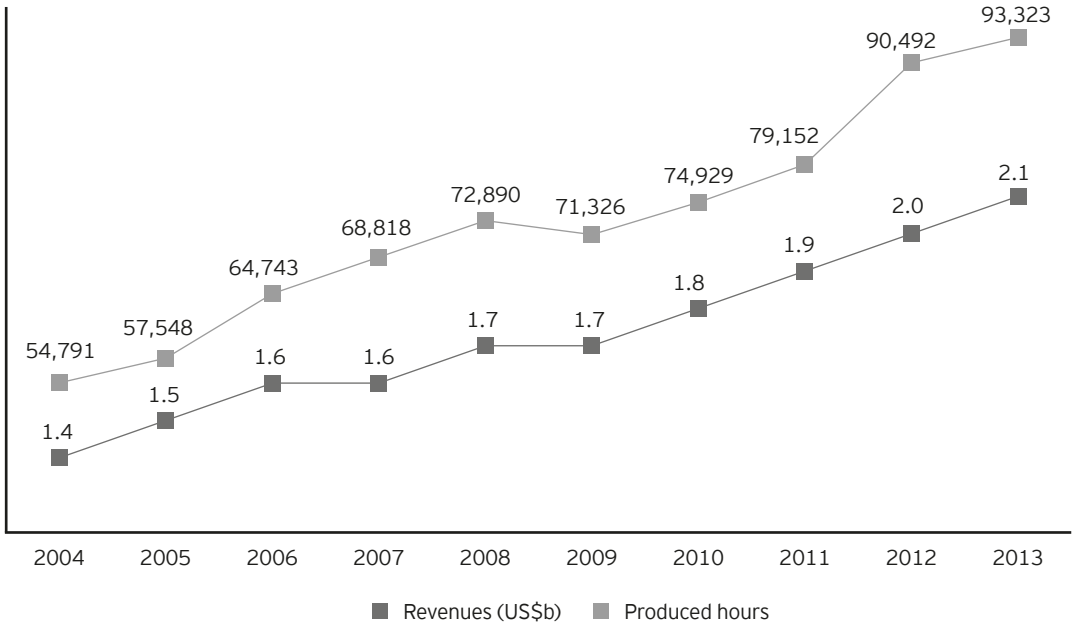
Television is greatly popular, with mass entertainment playing an important role in creating a national culture unifying Mexico

Entertainment is Mexico's fifth-biggest export, generating annual cross-border sales of US$27b. TV programs dominate these exports, especially Mexico's popular telenovelas, for which broadcast and production company Grupo Televisa has acquired an international reputation. Soaps such as *Rebelde and El equipo*, produced by Grupo Televisa, have also done well in Europe and the Balkans. The large and increasingly influential Hispanic community in the US has become a big market for Mexican TV. Televisa exports its programs and formats to the US through Univision Communications – an American media company serving Hispanic America – and to networks in more than 50 countries. Last year, Mexican shows were seen by more than a billion TV viewers.

Grupo Televisa: a powerhouse throughout the Spanish-speaking world

Grupo Televisa has extended its interests across TV, publishing, cable, telecommunications and radio. It has four broadcast channels in Mexico City, and produces 24 pay-TV brands for distribution in Mexico and the rest of the world. In 2013, Grupo Televisa produced more than 93,000 hours (more than 10 years of viewing time) of content for free-to-air and pay-TV.

Televisa production hours from 2004 to 2013



Source: Grupo Televisa annual report, 2014

Brazil

Digital and local music

Brazil is Latin America's digital pioneer

Brazil is the ninth-largest recorded music market in the world and the biggest in Latin America, with annual music revenues of US$199.7.

With CD sales falling sharply since 2011, online sales have rapidly become a major distribution channel for music. Digital sales surged 22.3% during 2013, turbocharged by the arrival of iTunes in 2012. Downloads earned US$25.6m in 2013, up 71%. Take-off has been aided by the arrival of music streaming service Deezer in 2013 and rising smartphone penetration – there are 200 million smartphones in use in Brazil today. Mobile networks in Brazil have seized on music to help sell their data services. In 2013, Brazil's second-largest mobile carrier TIM partnered with Muve Music to launch a service offering unlimited music streaming for US$50 cents a day.

A dynamic live music scene driven by local artists and festivals

Although digital services offer music from around the world, the demand for local repertoire remains very strong in Brazil. Brazilian output is reckoned to constitute 65% of the music heard in Brazil (including radio, concerts, etc.). In 2013, 9 out of 10 bestselling albums in Brazil were by local artists including Padre Marcelo Rossi (a songster priest), Roberto Carlos and Paula Fernandes.

The Brazilian live music scene is driven by local and renowned festivals such as Rio's, and by a rich national music culture. This ranges from Música sertaneja, Brazil's most popular music style typified by Sérgio Reis, and Música Popular Brasileira (MPB), with artists including Ana Carolina and Vanessa da Mata, to Tropicália, which merges Brazilian and African rhythms with rock and roll and is exemplified by Gilberto Gil and Maria Bethânia. There is also the Mangue Beat cultural movement founded by Chico Science. Longstanding export styles such as Bossa Nova and Samba have more recently been joined in international success by artists such as Lenine (MPB music) and Michel Teló (Sertanejo universitário music).

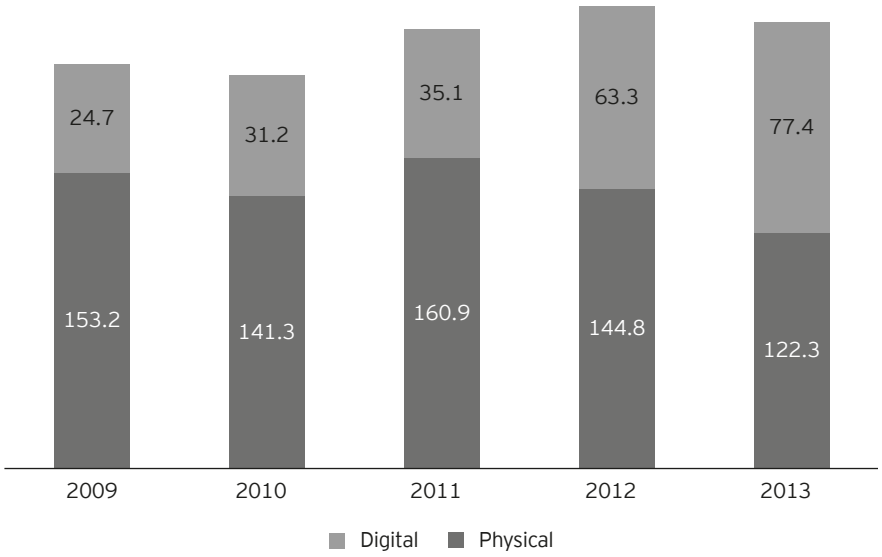
Musical exports are also seen at the festival level: "Rock in Rio," one of the largest music festivals in the world, originated in Rio de Janeiro and was then exported to Lisbon, Madrid and Las Vegas.

Key figures

US$199.7m
of recorded music revenues in 2013;

US$215m
of live music revenues in 2013

Music market revenues in Brazil (US$m)



Source: IFPI, 2014

TV: the most popular medium in Brazil

A national institution about to change

Brazilians love TV: 98% of Brazilian homes have a TV, and owning a TV implies social inclusion. According to IBOPE, in 2011, Brazilians spent more than five hours per day watching TV, well ahead of the global average. This popularity could be explained by the history of TV development in Brazil. In fact, TV was introduced for the 1950 World Cup hosted by the country. At that time, Brazil was the fourth country after the US, the UK and France to have a TV station with daily broadcasts.

Favorite programs include TV news, sports, reality shows and novelas, a Brazilian phenomenon that transcends class, and is equally popular with city and rural dwellers. In 2012, 38 million people watched the 9:00 p.m. *novela Avenida Brasil* every day.

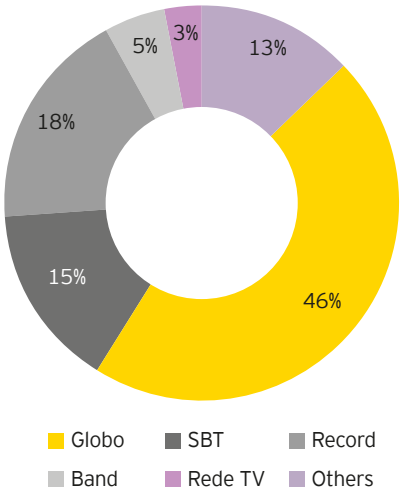
Brazil's audiovisual leader is Rede Globo, with channels that are watched by more than 150 million people around the world every day. It is the fourth largest channel in the world in terms of audience size. Other popular terrestrial TV channels include, among others, SBT and Band.

Pay-TV penetration is booming, with more and more Brazilians getting access to cable television: projected pay-TV penetration is 46% by 2018, with 28.8 million residences with pay-TV, and 31.4 million in 2019.

In April 2014, Brazilians spent around 12.5 hours a week on online social networks from their desktop computers, more than double the global average, according to research firm comScore.

Netflix has entered Brazil in 2011 and shows significant ambition. Traditional actors argue that Brazilians prefer telenovelas to foreign fare. In TV, as in football, they are likely to keep rooting for the home team; however, the competition will be fierce.

Brazilian TV audiences in March 2012

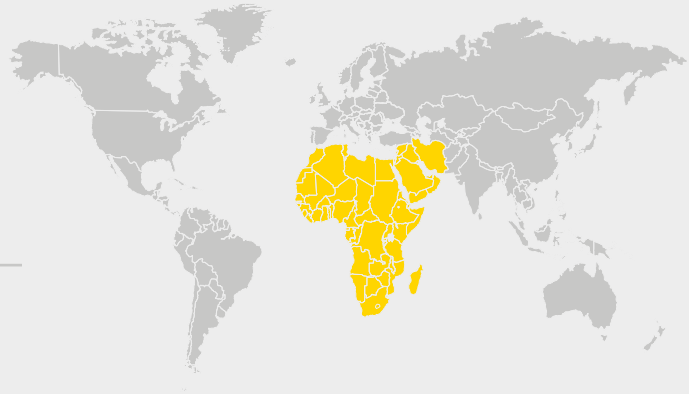


Source: UbiFrance

Key figure

US$13.7b
in TV revenues in 2013

Africa and the Middle East[3]

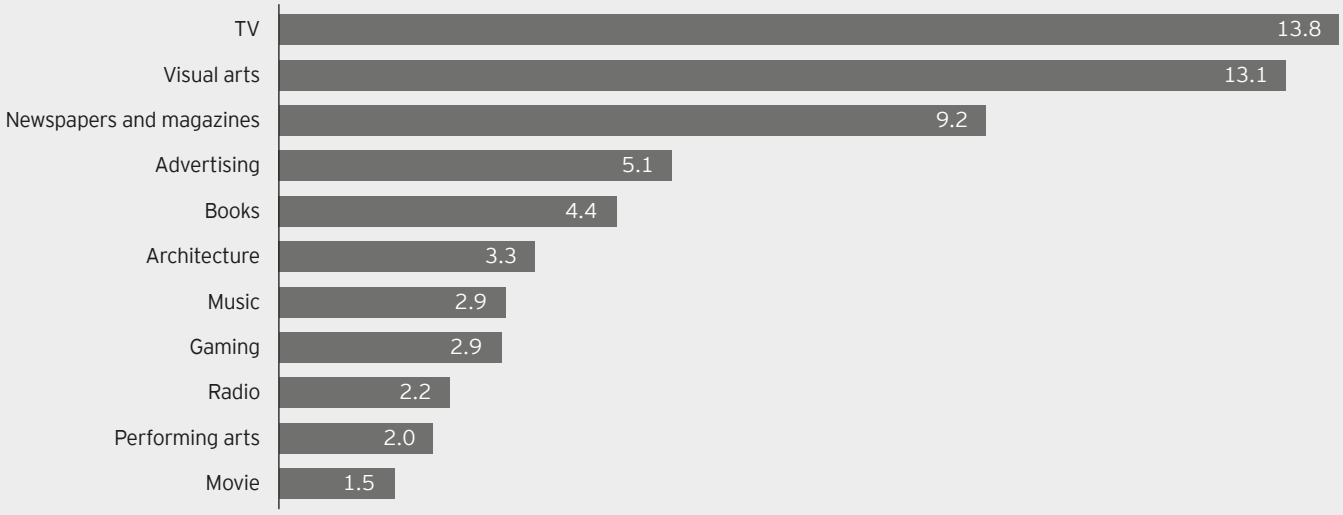


Snapshot

US$58b
CCI revenues

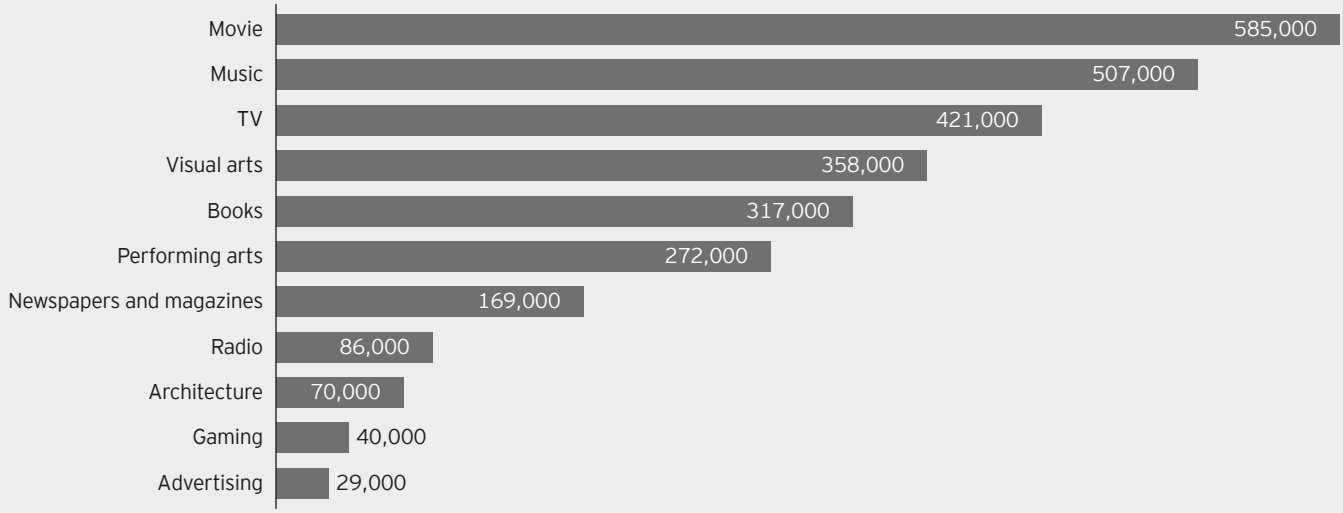
2.4m
CCI employment

CCI revenues in Africa and the Middle East (US$b) in 2013



Source: EY analysis of cultural and creative markets, 2015

CCI jobs in Africa and the Middle-East in 2013



Source: EY analysis of cultural and creative markets, 2015

[3] The Middle East refers to countries including: Algeria, Bahrain, Egypt, Jordan, Kuwait, Iran, Iraq, Israel, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia and the UAE

Total for jobs and revenues have been estimated after removal of double-counting. The sum of each sector exceeds the consolidated total as some cultural activities are counted in two sectors (for instance, live music is included in "Music" and in "Performing arts").

Panorama

Culture is multifaceted and everywhere

Though often materially poor, many African societies contain cultural riches that are bubbling up to embrace the opportunities offered by new technologies and commercial markets. Music that has evolved in North and South Africa won export success worldwide. In recent decades, choral singers from Southern and West Africa and the Rai singers of North Africa have woven links with peers elsewhere on the continent, and recording studios in London and Paris, to develop new memes of traditional music that appeal to both African and European consumers.

Spurred by linguistic diversity and poor communications, culture is everywhere, and often centers upon live performances of music, worship and storytelling. Craftsmen and women serve local markets, and dance groups, musicians and singers perform at gatherings, weddings and festivals.

The richness of traditional African art, sculpture and music are celebrated in both Africa and Europe. Music festivals in Africa, including MASA in Abidjan, Côte d'Ivoire and FESPAM in Brazzaville, attract large audiences, while European concerts and festivals, including "L'Afrique dans tous les sens" in Paris also celebrate African musical diversity.

> "We need to bring back the authenticity of African culture by supporting artists' education in Africa. We were influenced too much by the West, especially by American artists."
>
> **Ejemen Ojeabulu**
> Founder, AUCA

There is also a vibrant literary scene, especially in Nigeria. The Association of Nigerian Authors (ANA) has been at the forefront in promoting Nigerian literature and the interests of Nigerian writers. These include Chinua Achebe and his book *Things Fall Apart*, one of the first African novels in English to receive global critical acclaim, and Wole Soyinka, who became the first African to be awarded the Nobel Prize in Literature in 1986.

The informal economy: no risk for citizens, no reward for authors

The informal economy, a system of trade or economic exchange that circumvents state-controlled or even money-based transactions, is an integral part of the cultural scene in Africa and the Middle East. Cultural goods and services are largely provided though the informal economy, which is estimated to employ around 350,000 people and generate US$4.2b revenues in 2013.

The way people understand culture in Africa and the Middle East reinforces informal distribution channels. The notion of "culture" is often disconnected from the economic dimension: in Francophone Africa, people are used to attending festivals and performances and practicing theatre for free. Artists rely upon other financial revenues, such as sponsorship, to finance their lifestyle. This African attitude to culture fosters free – and illegal – reproduction of music, video recordings and other art, and IP rights are widely ignored.

Poor access to cultural life also fuels the informal cultural economy. A low level of equipment (internet penetration in Sub-Saharan Africa is at 16.9%, among the lowest levels in the world), a lack of cultural infrastructure (most African cinemas closed more than two decades ago) as well as poor legal distribution networks (there are hardly any legal music stores in Africa) leave Africans who are keen to acquire cultural goods with little choice but to do so informally or illegally.

Avid audiences crave information

Radio is the most accessible way to share information and culture with urban and rural audiences across Africa and the Middle East. People everywhere listen to broadcasts in local languages. African countries typically have 100-150 radio stations, and community radio stations are especially common. Small, local and deeply rooted in their communities, they help strengthen and develop the African cultural mosaic.

Television also exerts huge influence in Africa and the Middle East, often reaching 90% of its potential audience across Southern Africa. TV is the fastest growing medium in Africa and the Middle East. This has been made possible at last by the extension and reinforcement of electricity supplies, and the rollout of digital terrestrial TV in 2015, which has opened up the audiovisual landscape. Pay-TV is gaining ground, especially in South Africa. The continent's first pay-TV market is expected to grow by 7.4% a year between 2013 and 2018, reflecting the gradual emergence of an African middle class.

Newspapers and magazines are published widely in Africa and the Middle East. They often serve very local audiences with short print runs, and in West Africa at least benefit from state subsidies. But the appetite for information is strong and reading habits deeply ingrained: on average, each copy is read by 8 to 10 people.

In addition, African countries are leapfrogging to mobile-first technology, offering many opportunities for CCI in the video, gaming and music industry.

A fast-growing film industry

Film production and viewing have grown rapidly over the past 10 years, and are driving employment growth in the CCI. A decade ago, telenovelas from Latin America were common TV fodder. But African viewers have increasingly been demanding local content, inspiring the development of local series production.

Today, Francophone African countries such as Côte d'Ivoire and Senegal typically have about 25 production companies each. But the big stories in African film are the rise of Nollywood in Anglophone Nigeria, which is now reckoned to directly employ 300,000 people (see focus on Nigeria), and the emergence of a dynamic film industry in South Africa. Favored by good infrastructure and a dry climate, Cape Town has become a preferred location for shooting commercials and movies, and has acquired a reputation for sound technical skills, funding and equipment.

Yet, the employment potential of the cultural sector remains largely untapped. Africa has plentiful entrepreneurial energy and talent, but needs to overcome the handicaps of poor infrastructure, relatively small and impoverished markets, and the lack of training and technical facilities. However, as broadcasting and the internet develop, the advertising industry rides on their coattails.

Preview

Unequaled appetite for cultural goods and services

Africans are increasingly consuming culture, be it ultra-local, national, foreign or digital. Liberalization of the audiovisual sector in many Middle Eastern and African countries in the early 2010s — enabling the introduction of privately-owned radio stations and TV channels — and the arrival of video and music digital platforms have aided more broadcasting of local and foreign cultural content across the region. Telecoms infrastructure, the cornerstone of the digital transition, is also improving fast. Though internet availability is poor in much of Africa and unaffordable for many, submarine cables and phone relays are, at last, providing the communications backbone to link Africa to the internet. This development will surely prove transformational for CCI across the continent.

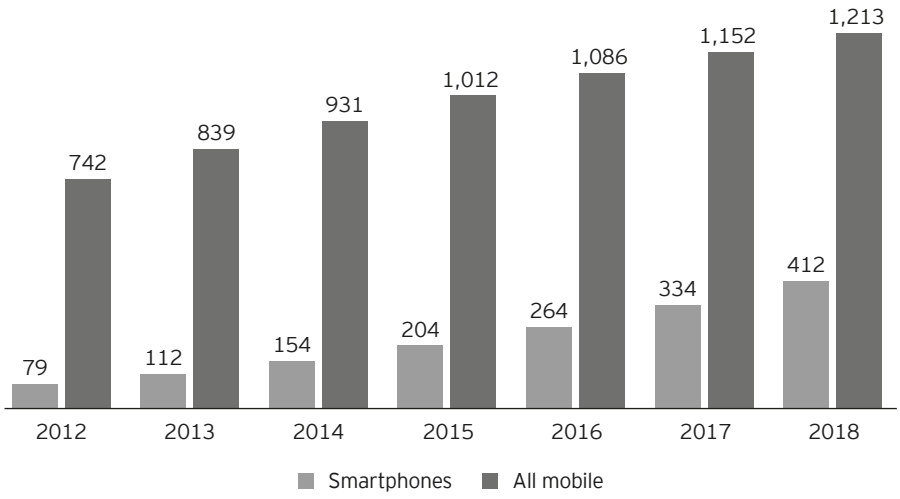
The appetite for culture will strengthen fast as a young population acquires budget smartphones and tablets. The total population, about 1.1 billion today, is expected to grow by 400 million over the next two decades, providing an army of keen cultural consumers.

Low costs and shared values drive cross-border economies

Cultural content is increasingly being sold across African frontiers. African TV, movie and music producers realize that to offset production costs in a price-sensitive market, their best strategy is to maximize audiences by catering to pan-African tastes and selling across borders. Nigerian films and soap operas, with either original or modified content, are viewed avidly in East and Central Africa. Meanwhile, they have become so popular in Francophone West Africa that the Nollywood TV channel now commands the region's biggest audience.

African cultural content is also increasingly being exported internationally thanks to both local and global players. Local TV channels are starting to think global. RTI, the main TV channel in Côte d'Ivoire, has set up

Dial-up: number of smartphones connections in Africa (in millions)



Source: Informa telecoms & media

production and distribution arms with a view to producing, distributing and promoting better quality drama abroad. International media groups are also seeking to increase the visibility and exports of African culture. In 2014, France's Canal+ launched a 100% African TV channel, A+, now broadcast in more than 20 African countries, while Lagardère Active Radio International has launched the Vibe radio station in Senegal.

> "With the Arab Spring, TV regained an essential role of communication and information in North Africa. We also saw the emergence of various pirate channels with more freedom of speech."

Abbas Azzouzi
Director of Medi1TV, Morocco

Africa starts a creative industrial revolution

African governments earlier paid little attention to CCI, either due to lack of understanding of their economic impact or because governance and economies were too weak to support them. **However, they are increasingly recognizing the value of cultural development.** Nigeria's Government now supports its film industry, recognizing its ability to create jobs, export earnings and tax revenues. The National Film and Video Censors Board is proactive in industry development, and has expanded its role from content regulation to industry advocacy.

There is still a lot to do. The challenge is to make CCI more structured and formal to increase international visibility and exports of African cultural content. Despite government support, Nollywood has no official institutional presence outside Nigeria, and is missed by many surveys of international cinema production. According to UNESCO in its 2013 Creative Economy report, because Nigeria's film industry is not plugged into the international festival and sales circuit, its products remain difficult to acquire outside Africa, though some can now be found online.

> "A majority of governments used to consider culture as hobbies; they are now rethinking it as an industry that can have significant impacts on their economy."

Cultural policies expert, Mozambique

To thrive, however, African creative industries will have to shift from the free-to-audience model and find ways to reward creators. This will require the development of new business models, new attitudes to intellectual property, and effective copyright protection.

Focus from ...

Nigeria

Nollywood: a thriving movie production industry

"Nollywood," an important force in Nigeria's economic growth

The film production industry in Nigeria, commonly known as "Nollywood," is a vital contributor to the Nigerian economy:

- It is the second-largest employer in Nigeria (after agriculture), with 300,000 direct employees.
- It generates an estimated US$500m-US$800m annually.
- It accounts for 2% of Nigeria's GDP.

With roughly 40 films made every week, Nollywood has become the second-largest movie industry in the world after that of India (see graph).

National and regional appetite for movies

For more than 20 years, largely ignored by the movie industry elsewhere, Nollywood has fuelled an insatiable appetite in Africa's most populous country for films made by Nigerians about Nigerians, according to WIPO. The market is expanding as the popularity of the films spreads across Africa, fulfilling demand from African TV stations and audiences for relevant, low-cost entertainment. Nigerian film production serves an audience thirsty for love, drama, intrigue, action, redemption and sorcery.

Because of its informal structure, Nollywood enables films to be made rapidly and with low-budgets (average cost is US$40,000 each). Most Nigerian films are made for distribution on DVDs.

"Netflix of Africa" takes Nollywood to a wider audience

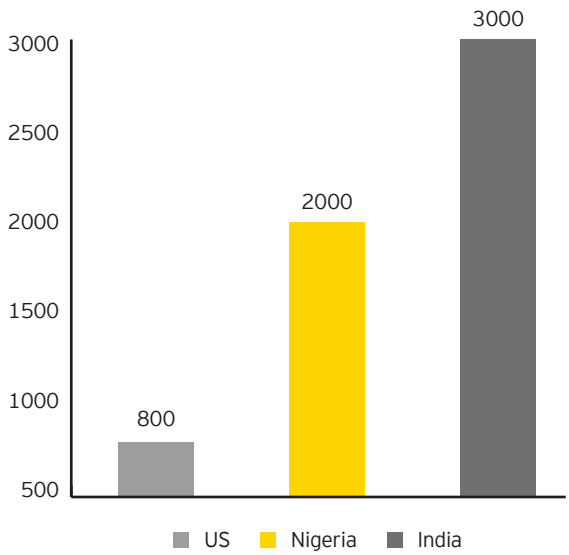
Founded in 2012, iROKOtv.com is the world's largest online distributor of Nollywood films, making a library of more than 5,000 African movies available to fans worldwide. In less than six months, it signed up 500,000 users.

Key figures

2%
contributed to Nigeria's GDP;

300,000
direct jobs in the Nigerian film industry

Annual film production per country, 2013



Source: iROKOtv.com, 2015

Nigeria's music industry: the most mature in Africa

Nigerian music climaxing

Over the last 5 and10 years, there has been incredible growth in the output of "Naija" music, made in Nigeria. The industry produces over 550 albums annually, and record sales have more than tripled in the past five years. Some expect that the country's entertainment industry will achieve sales of US$1b a year by 2016.

Nigeria also has one of the most dynamic live music scenes in Africa. Global annual Nigerian live performance revenues exceed US$100m, reinforced by a growing live music scene – especially via the Music Lagos Festival.

Nigerian music clearly dominates Africa. In 2015, Nigerian artists maintained their superiority at the MTV Africa Music Awards, notably with Davido's emergence as the Best Male Artist and Yemi Alade as Best Female Artist.

Nigerian music industry set to hit a high note

Beyond a thriving and diverse local music scene, advances in mobile technology mean that digital and international recorded music companies can now effectively reach a huge swathe of consumers across Nigeria. Nigeria already has a domestic digital music business, with strong partnerships with leading regional and national telecommunications operators (such as MTN Nigeria). International services such as Deezer, iTunes, Shazam, Simfy and YouTube are now operating in Nigeria. The **Kleek**, a streaming service developed by Universal Music and Samsung, was launched in Angola, Ghana, Kenya, Nigeria and South Africa in early 2013. There are also local services such as Spinlet and iRoking.

Key figure

US$150m
of live music revenues

> "Ten years ago, we did not have any (music) industry; we did not have any support. We did not even have any record labels. And because we believed in ourselves and we believed in what we had, we continued. And now the music industry is the biggest export from Africa after oil and gas."

Nigerian singer and songwriter

Egypt

Films in Egypt: a traditional industry in transition

"The Hollywood of the Orient," a past golden age

From the 1940s to the 1960s, Egypt enjoyed a thriving cinema industry. Internationally successful films of the 1950s, including musicals and comedies, became classics, their stars screen legends and their producers (such as Youssef Chahine) internationally acclaimed. Some Egyptian films of the 1960s, such as *El Hara' or Shay men el Khauf'* remain widely revered.

Egypt went on to become the filmmaking center for the Arab world, producing about 40 films a year and commanding an 85% share in its domestic market in 2008. More than 75% of the 4,000 short and feature-length films made in Arabic-speaking countries since 1980 are Egyptian.

Egypt's flourishing film industry is based in Cairo, which hosts a world-class annual International Film Festival – the oldest in the Middle East – launched in 1976. Some films have successfully achieved both critical acclaim and popular appeal, such as Sahar el **Layali** (Sleepless Nights) in 2003 and **Imarat Yacoubian** (The Yacoubian Building) in 2006.

With 25 movies produced in 2013, Egypt remains the largest film producing country in Africa and the Middle East after Nigeria. Yet, the number of productions has been declining since 2010.

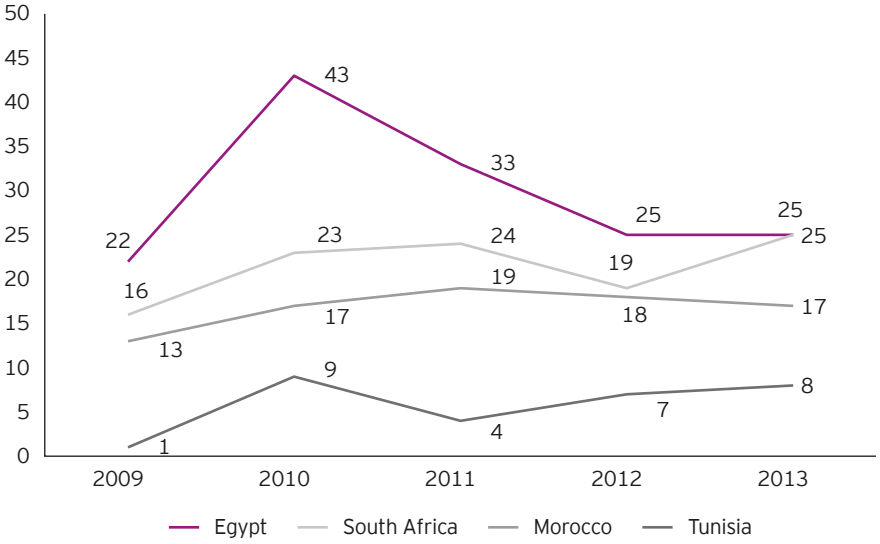
Egyptian cinema in crisis

Egyptian film output has been adversely affected by changing political and economic upheavals in the Arab world.

Revenues fell after the revolution on 25 January 2011, compounded by reduced demand for Egyptian films abroad as US and Indian films found more favor with audiences. Egyptian films often struggle to cover their costs from box office receipts, pushing producers toward low-budget films that appeal to a mass audience.

The Egyptian movie industry's problems include piracy by satellite channels and film websites, and the state's lack of support for the industry. In this climate, cinema has become dependent on the efforts of investors, who have succeeded in producing high-budget films such as Hani Khalifa's *Sahar al-Layali* (2003).

Local heroes: number of feature films produced by selected African countries (2009-13)



Source: European Audiovisual Observatory

Visual arts: a cultural heritage to preserve

Africa's visual arts champion struggles to sustain momentum amid political upheaval

Egypt is home to a world-renowned and diverse cultural heritage. It has five big museums: the Cairo Museum, which exhibits over 100,000 artifacts from ancient Egypt; the Museum of Islamic Art; the Alexandria National Museum; the Luxor Museum; and the Nubia Museum. It also has a remarkable 150 museums of modern art. Combined with a noteworthy heritage of monuments, the country has a big pull for tourists: in 2010, the Nubia Museum alone attracted a record one million visitors.

In 2008, Egypt was among the top 10 exporters of art and crafts among developing economies, generating US$326m revenues. Three years earlier, UNESCO had designated the city of Aswan its first City of Crafts and Folk Art. Known as "Swno" (the market) by the Pharaohs, Aswan has preserved a unique heritage in folk art, while evolving into a contemporary hub of exquisite craftwork, arts education, creative exchange and civil engagement. Standing at the junction of the northern and southern parts of the Nile Valley, Aswan combines their influences into a unique tradition of Nubian art that melds Egyptian and Sudanese cultures.

Inviting artists from all over the world, Aswan hosts an International Symposium for Sculpture to sustain a sculptural tradition dating back to nearly 5,000 years. By emphasizing its past and working to improve its present, the town uses its public art institutions to promote an ancient art form and encourage museums. This is aimed at helping local people achieve sustainable development, mutual understanding, and fight poverty and illiteracy.

Crisis and political instability induces a downward trend

Since the Egyptian uprising in 2011, visitor numbers have fallen sharply: the Nubia Museum had only 250,000 visitors in 2014. The International Council of Museums (ICOM) has been following events in Egypt closely. In 2011, ICOM published an Emergency Red List of Egyptian Cultural Objects at Risk to raise public awareness about the illicit trafficking of cultural objects.

South Africa

Visual arts: toward democratization

Growing support for the visual arts

There is strong willingness to support the arts in South Africa. There are spaces for artists to exhibit their works, as well as several non-governmental organizations (NGOs) and institutions supporting and funding the arts, including the Visual Arts Network of South Africa, the South African National Association for the Visual Arts, and the Arts & Culture Trust. South Africa's Government supports the arts through its National Arts Council. The council is responsible for developing South Africa's creative industry by awarding grants to individuals and organizations in the arts, though demand exceeds the available budgets.

Events intended to make visual arts available to all include First Thursdays, launched in Cape Town in 2012 and extended to Johannesburg. The event provides a free cultural experience in which art galleries and other cultural attractions stay open late on the first Thursday of every month, luring younger audiences.

An appealing art market

Contemporary art from South Africa is gaining growing attention in the international contemporary art market. The FNB JoburgArtFair in Johannesburg, which the continent's leading African and diaspora contemporary art fair, and the more recently-launched Cape Town art event, That Art Fair, which seeks to nurture and invest in emerging talent, are increasingly gaining worldwide renown.

Key figures

US$16.5m
annual turnover generated by visual arts in 2010;

7,700
people worked in the visual arts sector in 2010

The enthroned radio industry

Radio in South Africa has grown tremendously: revenues rose 50% between 2009 and 2013. Whether public, commercial, or community-run, radio stations are listened to everywhere and anytime, capturing a large audience: 87% of South Africans listen to radio. According to the South African Research Foundation, South Africans spent an average of 3.5 hours a day listening to radio in 2014.

Radio is the most accessed form of media in South Africa, reaching beyond urban centers

Blending entertainment and information, radio stations encourage dialogue, debate, popular participation and involvement in decision-making, even in the poorest and most remote rural areas.

Community stations are especially popular. Small, local and community-driven, they help develop cultural diversity. About 240 community stations operate in South Africa, broadcasting news, interviews or children's programs, and producing content that may be picked up by other media.

Zulu is the most used language on South African radio stations, attracting more than seven million listeners, followed by Afrikaans and Xhosa, with more than four million listeners each. Broadcasts are made in each of South Africa's 11 official languages.

The spread of smartphones has encouraged, not undermined, radio listening: 28% of South Africans listen to radio on their phones. That crossover, combined with the popularity of community stations, has helped revenue growth from radio advertising outpace rates at other media.

> "It will take a long time before radio gets any close competitors."
>
> **Johannes Dire,**
> National Secretary at National Community Radio Forum, South Africa

Middle East

TV market is ready to expand

The Middle East TV market, with more than 400 million inhabitants, is particularly large and attractive for broadcasters and advertisers

The strong population increase and continued economic development provide potent growth perspectives. According to an IHS report, the demand for and consumption of TV broadcasting is significantly stronger than in most developed countries. To respond to this enticing consumer TV demand, the Middle East TV sector has been literally burgeoning, as shown by the growth in advertising spend in the Arab region (almost 4.5% between 2012 and 2015).

The pay-TV market has quadrupled in just 10 years

In 2013, the pay-TV market grew 11.2% in terms of market share and 14.1% in terms of subscriber numbers. Over the last decade (2004 to 2013), the number of primary pay-TV subscribers almost quadrupled from 1.33 million in 2004 to 4.35 million in 2013, increasing at an annual average rate of 14.64%. The Gulf States (Saudi Arabia, the UAE, Kuwait, Qatar, Oman and Bahrain) account for two out of three pay-TV households (66% of the total). However, there are significant disparities in the uptake of pay-TV services across the region: UAE has the highest penetration rate at 85% and Egypt the lowest at just 2.4%.

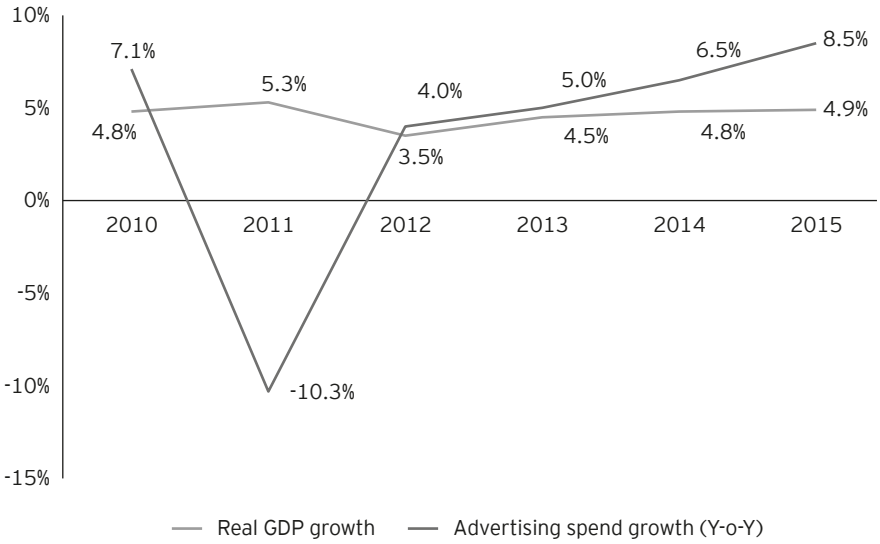
HD channels offered in the Middle East and North Africa experienced explosive growth

HD channels offered in the region grew from just two in 2009 to 158 in 2014; 71 of these, around 45% of the total offer, are being provided for free. The free HD offering in MENA is higher than the total HD offering in countries such as Italy, Spain, Russia, Australia and South Africa. BeIN Sports Arabia (formerly known as Al Jazeera Sports) and OSN are forming a virtual duopoly in MENA's satellite pay-TV market. The two companies have managed to attract the vast bulk of satellite subscribers. Since 2009, their combined market share has fluctuated between 82% and 85%.

Al Jazeera conquering the world

Initially launched as an Arabic news and current affairs satellite TV channel, Al Jazeera has since expanded into a network with more than one string to their bow, including the internet and specialty TV channels in multiple languages. Al Jazeera exemplifies the growing attention the Middle East TV industry is receiving today. In 2015, Al Jazeera is reaching more than 270 million households in more than 140 countries across the globe.

Growth in advertising spend and real GDP growth in Arab region (2010-15)



Source: Arab Media Outlook 2011-2015

New center of gravity for the visual arts

In the Middle East, the exhibition industry continues to grow

In a survey by UFI, the Global Association of the Exhibition Industry, 80% of organizations in the region remain optimistic about the exhibition industry's promising future, despite the global economic downturn in 2008 and the instability of the Arab spring in 2011. According to the UFI, since 2006, there has been a 14% increase in the number of trade fairs organized and a 21% increase in available exhibition space.

The UAE now provides the largest indoor exhibition space, representing 31% of the regional total. Dubai remains the regional hub, with the greatest number of events hosted in one city (104) and the largest indoor exhibition space: 17% of the regional total. Iran hosts the largest number of events in one country, welcoming 219 events in six cities. Iraq has shown a reasonable comeback, and Kuwait and Saudi Arabia have also witnessed good growth. As business centers, Abu Dhabi and Doha have increased their exhibition numbers by 230% since 2006.

In an attempt to become a worldwide tourist destination, the Middle East is heavily investing in large museums

The Louvre Abu Dhabi is undoubtedly the best example. Designed by Jean Nouvel and born of an intergovernmental agreement between the UAE and France, the museum will open in 2016. The Louvre Abu Dhabi will be one of the most emblematic museums in the Arab world. Thus, although the greatest museum — Le Louvre — is in Paris today, the future cultural dynamic force of the contemporary world is located in the Middle East.

Moreover, Dubai plans to invest US$136 million in the "Museum of the Future," a technological museum that will produce futuristic inventions with advanced 3D printing construction techniques, set to open for the public in 2017. According to Sheikh Mohammed, vice president and ruler of Dubai, the museum "will be an incubator for ideas and real designs" and will contribute to UAE's mission to be a global innovation center.

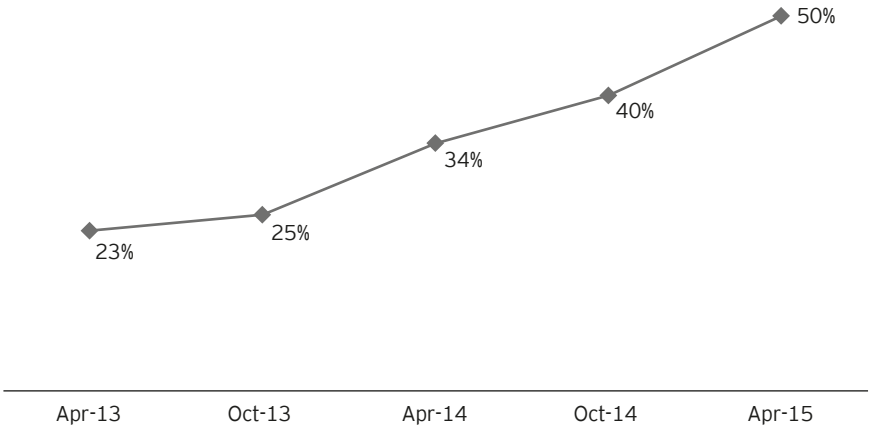
Outlook: challenges of a more creative world

The challenge of growth

Cultural and creative industries are often extremely fragmented, though they may be dominated by a few large players. As companies chase the scale needed to exploit their best content ideas across global markets, consolidation is back in vogue.

EY's 2015 Media & Entertainment Capital Confidence Barometer shows that CCI companies' appetite for M&A has risen to a four-year high in this sector: 50% of executives expect to pursue acquisitions in the next 12 months. This is being driven partly by efforts to renew growth against a background of weak global economic growth and disruption of business models by digital technologies. However, competition for assets, combined with relatively high valuations, makes it hard to close deals.

Do you expect your company to actively pursue acquisitions in the next 12 months?



Source: *Media & Entertainment Capital Confidence Barometer*, EY, May 2015

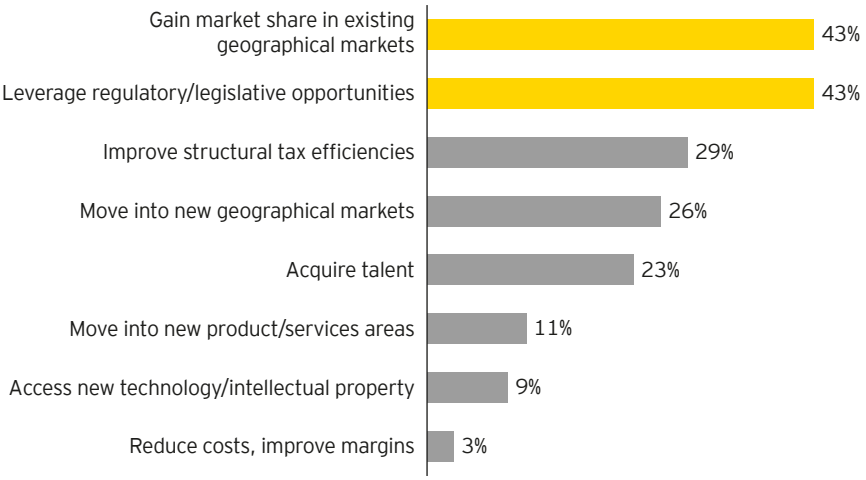
> "Fertile ecosystems must be created to help CCI flourish; in particular, by coordinating both public and private actors."

Astrid Audibert
Team leader – Technical assistance at ACP Cultures+ Programme

Gaining market share and protecting revenues are seen as the biggest drivers of expansion moves by CCI companies. Faced with intensifying competition and digital disruption, they need to gain scale and operational leverage.

At the other end of the spectrum, growth in small cultural and creative companies should be boosted by new financing tools. Crowdfunding creates a market for financing ideas, and is increasingly used by budget filmmakers, artists and authors to finance projects that might struggle to secure bank loans. Those seeking to finance movies and other cross-border creative projects are also turning to co-production. Recruiting foreign partners not only helps share costs, but also to secure larger markets for creative works. It is proving a particularly effective tool for sharing risk and enhancing revenues in the film and TV industries.

What are the main drivers impacting your M&A strategy over the next 12 months?



Source: *Media & Entertainment Capital Confidence Barometer*, EY, May 2015

The challenge of globalization

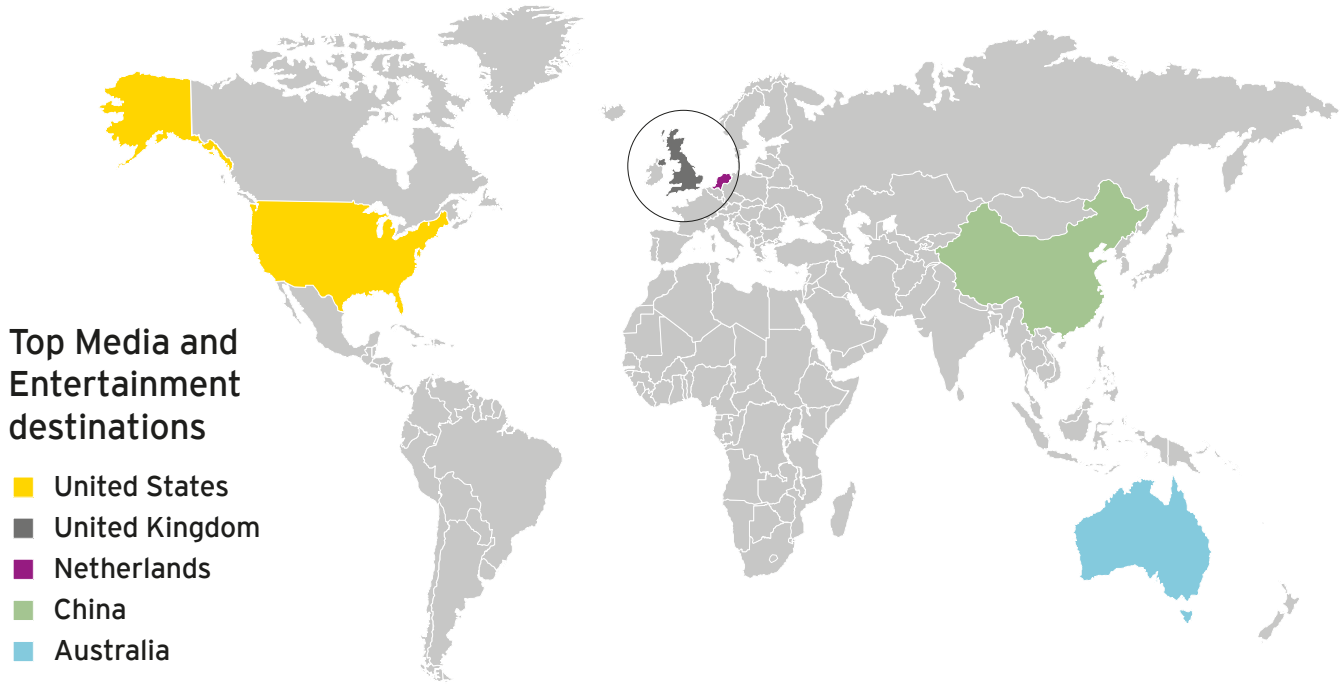
Investment destinations span developed markets and top-tier emerging markets. When choosing where to invest, creative and cultural companies need to both anticipate the rewards and appreciate the risks. Understanding which markets to focus on, when to enter and how to enter is essential for success.

To help cultural services companies with their international and emerging market growth strategies, EY has developed the Digital Media Attractiveness Index, or DiMAx – a proprietary tool that ranks countries on their relative potential to generate earnings from digital media. The tool is structured as a cost-benefit analysis and scores countries from zero to five, with five being the most attractive.

We learned from DiMAx that mature markets remain the most attractive for investment, and that in terms of capital deployed, the US, UK, the Netherlands and Australia look set to lead developed market growth in 2015. This view was confirmed by respondents to our M&E survey.

Nonetheless, China and India remain emerging markets of choice for many executives, drawn primarily by strong growth and massive long-term potential. However, the costs of entering and developing these markets, which often lack distribution infrastructure, can be significant. China's restrictive caps on foreign participation, and India's low prices and fledgling digital consumption, limit their attractiveness and growth possibilities in the near term. These difficulties are compounded by basic handicaps ranging from bureaucracy to unreliable power supplies and shortages of skilled talent. As a result, cross-border capital commitments by creative and cultural investors into emerging markets are likely to remain cautious and modest in scale over the next 12 months.

Which are the top five destinations your company is most likely to invest in the next 12 months?



Source: *Media & Entertainment Capital Confidence Barometer*, EY, May 2015

The challenge of online monetization

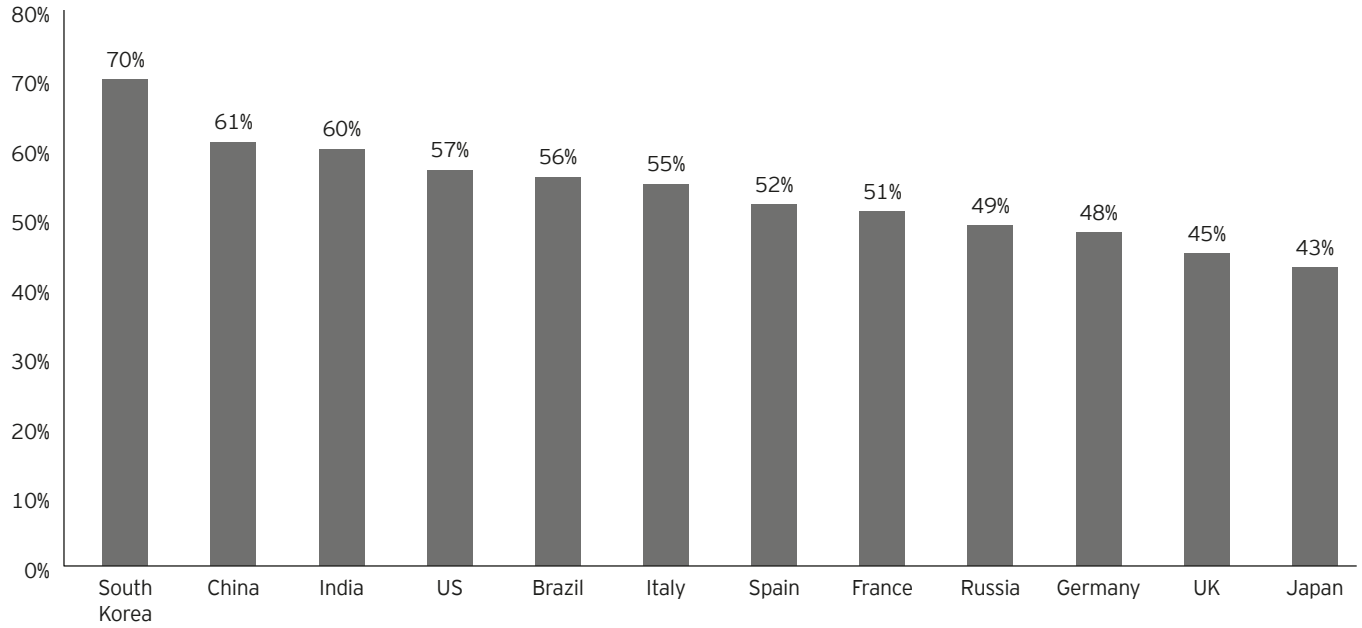
When digital content first migrated online, many creative companies made the strategic decision to make much, if not all, of their content free to consumers. Many now face the difficulty of trying to persuade consumers to pay for something they have hitherto been accessing for free. Consumer resistance is strong. Newspapers and radio often offered free online content, wrongly believing that advertising revenue would become sufficient to cover news-gathering costs. Similarly, music sites often made recordings available for free, in a move designed to take the wind out of pirates' sails. But other content providers, including moviemakers, have vigorously fought to ensure viewers continue to pay for their creative works.

Providing high-quality, value-added content will be critical to persuading online viewers to pay for what they watch or listen to. Creative and cultural companies need to better understand the factors that determine consumers' willingness – or reluctance – to pay for online content.

EY has studied the online and offline media habits of consumers in 12 countries around the world to better predict where paid content strategies are more likely to succeed and where they are not.

The research shows noticeable disparity between free and transactional online behaviors. Of course, in most countries, people like free online content. The graph below shows the average penetration levels of free online activities – such as reading news, gaming, watching videos, accessing social networks and blogging – in each of the countries studied. Penetration levels varied from 70% in South Korea to 43% in Japan. The US had an average penetration rate of 57% and was the only non-emerging country among the top five.

Average penetration free online activities



Source: *Monetizing digital media*, EY, 2010

In a recent Nielsen survey, 85% of internet users said that online content that is currently free should remain free. But, unsurprisingly, the survey found online consumers may be more willing to pay for certain categories of cultural content, including movies, games, TV shows and music, and less likely to pay for news, blogs and user-created videos.

The challenge of nurturing talent

Talent is the lifeblood of the CCI. Achieving artistic excellence often takes extraordinary dedication, prolonged hard work and intelligence. But it can also require a great deal of learning, and the ability to cross-fertilize ideas from the past with new techniques, technologies and memes.

In a 2006 paper, *The University and the Creative Economy*, Richard Florida, Gary Gates, Brian Knudsen and Kevin Stolarick suggested that universities act as engines of innovation, but that their role is really rather wider. They argued that universities often act as creative hubs for the economic, social and cultural development of their home cities and regions. The authors focused on the role of universities in stimulating a "spillover" of technology, talent and tolerance, thereby aiding the development of CCI.

According to the prominent professor E. Glaeser, Richard Florida's *Rise of the Creative Class*[4] resumes the importance of cities attracting human capital: "the urban lesson of Florida's book is that cities that want to succeed must aim at attracting the creative types who are the wave of the future." Florida's work is built around its "3 Ts theory" (technology, talent and tolerance), the three driving forces of regional and local economic development.

- **Technology:** Because universities receive public and private funding for research, and are often sources of innovation and spin-off companies, universities are often pioneers in technological innovation.
- **Talent:** Universities have an important role in attracting, developing and retaining talent. For themselves, they seek to attract the best students and post-graduate researchers. By collaborating with companies, they can help add value and attract creative industries. But they also play a more subtle role, helping build audiences of a sufficient size to support artists and groups pursuing creative endeavors.
- **Tolerance:** Though this quality appears increasingly under threat from the minorities determined to impose their views on others, universities continue to help spread new ideas to neighboring regions. By attracting students from diverse backgrounds, they bring in new ideas and promote their exchange, while seeking to cultivate freedom of expression. Norms and values such as these help create an environment that appeals to talented, creative people, thereby attracting individuals who are innovative and entrepreneurial, and who will contribute to economic growth.

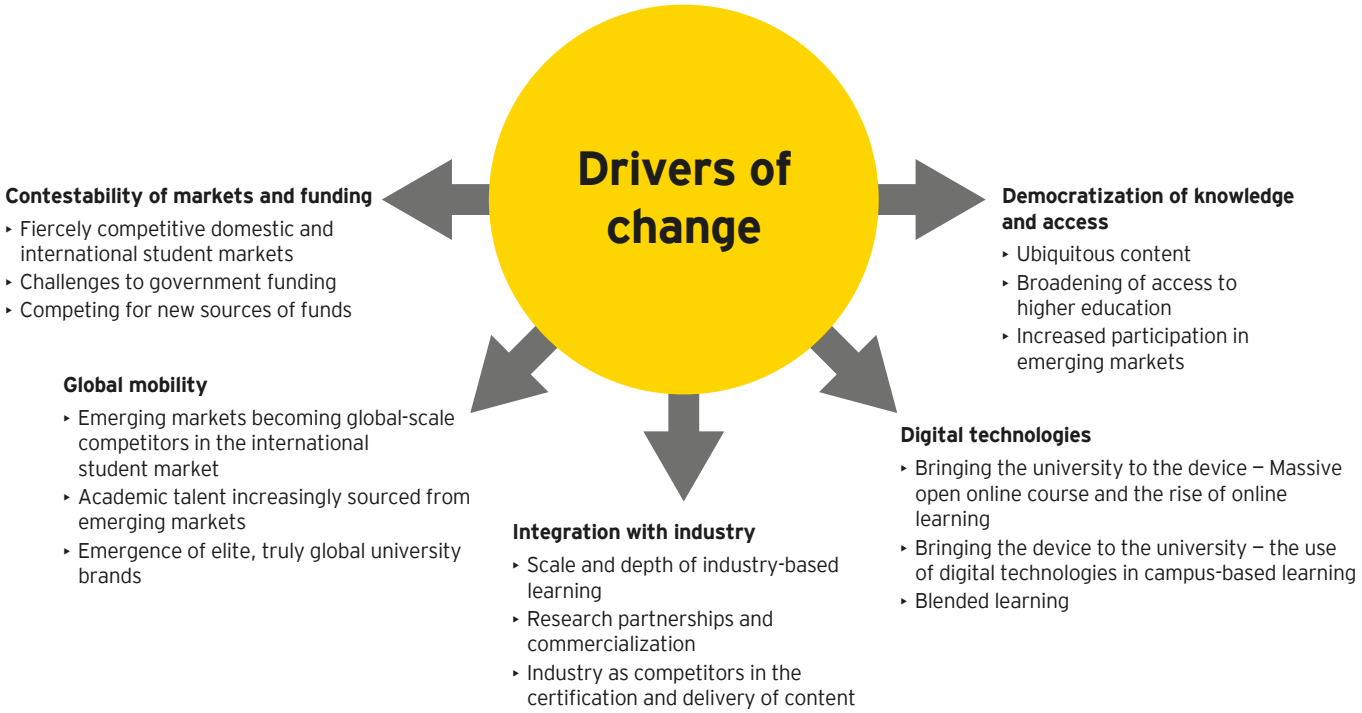
However, to have the desired effect, universities and other higher education institutions must be well-integrated into their host regions: they are an important ingredient of creative growth.

> "Today, the focal point of the gaming industries is the right of independent developers to create and commercialize new games. In fact, with the democratization of technology, everyone can develop a video game. It can be perceived as a threat for traditional actors but it is also an opportunity to boost innovation."

Kate Edwards,
Executive Director of the International Gaming Developers Association

[4] *The Rise of the creative class*, Richard Florida, 2002

Educating for creative growth



Source: *University of the future*, EY 2012

The challenge of author's right protection and support

The creative industries make a unique contribution to the economic and cultural well-being of nations and individuals. At the heart of these industries – which generate US$2,250b of revenues and create 29 million jobs – are the creators.

As content increasingly moves online, the notion of "free access" is spreading, promoted by those who benefit commercially from providing free access. But for authors and creators to continue creating culture and promoting cultural diversity, they must be compensated fairly for the use of their works. Otherwise, creating will again become a leisure activity restricted to those who already have the means to house and feed their families.

"Fair use" is not fair to the creators if they are not getting paid for this use. "Fair" means that creators should be paid – fairly – for their work. Creators depend on being paid in order to make a living. When other people go to work, creators go to the colors and canvas; to the pen and paper; to the recording studio; to the film set or to yet another demanding, exhausting, and even painful rehearsal in search of performance perfection. If they cannot get paid for doing what they do, they will have to do something else instead of creating – and all of society will lose.

If artists stop creating, what will be the worth of free content? Anyone can see the difference between quality journalism by trained and rigorous minds, and the freely aired virulence of countless bloggers. Those who want free access and those who make money from providing free access are free-riders on the effort of those whose content they access or give away. Today, we have reached a critical situation. Unless it is put right, creativity itself is in danger.

Two of China's most prominent creative and cultural entrepreneurs, Jack Ma, the billionaire founder of Alibaba, and Pony Ma, the owner of Tencent, which operates social networks and web portals, last year pleaded for stronger protection for intellectual property in China. This was essential, said the duo, "if the nation wants to create more of its own online content." They added: "Improving copyright protection will help Chinese companies develop a mature business model for videos, music and animation."

What is true for China is true for the rest of the world, too. Proper protection for creative content is needed everywhere. Collective management of rights is a system that allows creators to devote time to creation, with the guarantee that even the most modest use of their work will be tracked and fairly remunerated.

On top of this general recommendation, it is clear that several specific initiatives are needed to better protect authors' rights. In the music field, the Fair Trade Music initiative is looking at bringing many digital services to the table, to identify and agree "fair trade" conditions for creators. The visual arts sector is building a coalition of creators around the world to support the artist resale right and lobby for an international treaty. For audiovisual, a project that looks at the inalienable right of remuneration has just been launched, which would have major repercussions for creators in the field, especially in countries where no such right is recognized.

The "Universal Declaration of Human Rights," adopted by the United Nations' General Assembly in 1948, states that "Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author." Today, that is far from being the case. The failure to achieve it is limiting revenues of the CCI, and therefore holding back their growth and ability to hire.

> "It will be a long uphill struggle to ensure the regulation of cultural goods and the help of the public sector to support new talents locally."

Artist, Ivory Coast

The challenge of new business models

Hybridization of economic models

Today, in a period of rapid change, the CCI are facing a phenomenon of "economic models' hybridization," which entails the multiplicity of funding and revenue sources. Within a specific cultural sector, the more diversified economic models are, the more varied are the revenue sources. Some CCI sectors are really hybrid – it means diversified – such as gaming with six economic models functioning in parallel (physical or digital payment, subscription, free-to-play including Paymium, advertising and micropayment).
On the contrary, the book industry presents, with an index of 23, a very low hybridization. In fact, traditional payment is still predominant, contributing almost 97% of total revenues.

Moreover, hybridization is undoubtedly linked to digitalization: if a sector is digitized, then it is also hybrid, as shown below. However, the music industry is an exception.

	Video games	Music	Movies	Books
Digitalization rate	72%	50%	30%	15%
Hybridization index	80	41	56	23

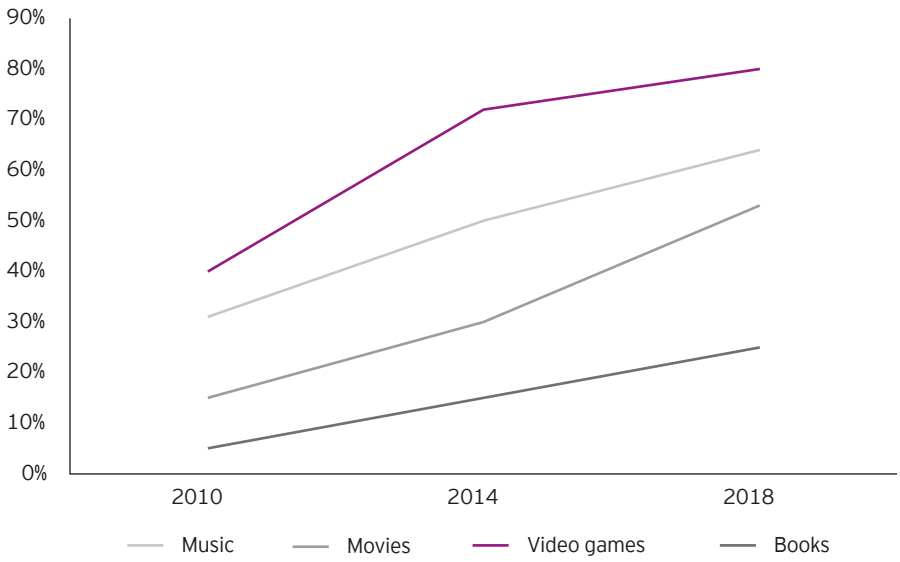
Source: Kurt Salmon, 2015

There is no doubt that every cultural industry is impacted by digitalization. For instance, the movie industry, with a 15% digitalization rate in 2010, will experience digitalization at 53% in 2018.

Also, there is no argument about the importance of digitalization for cultural activities. One way of identifying the effects of digitalization is to keep in mind that it radically changes distribution costs and, by reducing them, makes it possible to reach a substantially larger number of potential consumers. On the content delivery side, the contribution of computers and telecommunications industries, together with the spread of digital technologies, has enabled new economies of scope and integration that change the economics of content distribution.

To conclude, once it is coupled with digitalized sectors, the hybridization mechanism is positive and creates value.

Evolution of the digitalization rate between 2010 and 2018



Source: *University of the future*, EY 2012

New economy, new rules

Coupled with hybridization, new strategies emerge with the triumph of Google, Apple, Facebook and Amazon. In fact, the future of every company seems to follow the way these four evolve. Fundamental strategic steps have led them to make decisions with no apparent economic sense, but which have contributed to developing their position as the world's largest value providers. These include:

1. **The "free customer": no difference between a paying and a non-paying one**
   Everyone is a customer, even without money; in fact, the customer base is essential for all growth.
2. **The "utility value model:" thinking in terms of customer commitment rather than financials**
   Delivering sustainable customer value prevails over short-term profitability.
3. **The "pirate management": redefining execution**
   Creating an innovation-friendly environment to supercharge performance and pioneer the future, ensuring freedom of thought, creation and action

Cultural and creative industries at a glance

	Sales (US$b)	Jobs (million)	Key trends
TV	477	3.5	**Leaders – revenues: North America (38%); jobs: Asia (55%)** ‣ TV is the most lucrative sector and will continue to be so: the global broadcasting and cable TV market is forecast to grow 24.3% between 2013 and 2018. ‣ In emerging countries, digital terrestrial TV and pay-TV subscriptions are booming, e.g., DirecTV Latin America saw a 15% increase in satellite subscribers between 2012 and 2013. ‣ In mature countries, web TV and digital TV content are increasingly popular; new pay-TV business models are emerging.
Visual arts	391	6.7	**Leaders – revenues: Asia (49%); jobs: Asia (49%)** ‣ The visual arts – including varied activities – are the first employers in the CCI globally. ‣ The global art market is booming: it reached a total of just over €51 billion in 2014, an increase of 7% year-on-year and its highest-ever recorded level. The distribution of sales by value in the global art market is dominated by the US (39%), China (22%) and the UK (22%). ‣ Simultaneously, museums are mushrooming, especially in emerging countries, creating new consumer experiences and enabling new ways to create fine arts.
Newspapers and magazines	354	2.9	**Leaders – revenues: Asia (40%); jobs: Asia (57%)** ‣ In mature countries, the sector is experiencing structural decline, and a shift to online editions, e.g., *The New York Times* reported an average weekday print circulation of less than 650,000 in September 2014, but its website and associated apps attracted nearly 54 million unique visitors in January 2015. However, the digital revenues do not compensate for the losses of print today. ‣ In emerging countries, print newspapers is booming. China and India combined will account for an astonishing 57.3% of global average daily unit print circulation in 2019, up from 49.7% in 2014. ‣ Total magazines revenues will remain on an upward curve to 2019, driven by a 1.5% growth in trade magazine revenue.
Advertising	285	2.0	**Leaders – revenues: EU (50%); jobs: EU (50%)** ‣ Advertising is especially important; it is feeding the other CCI (newspapers and magazines, radio, TV, etc.), and global advertising revenues will increase US$300 million between 2010 and 2019. ‣ Print ads have fallen off and ad spending is moving to digital. Digital advertising will become the largest advertising segment in 2019. The rapid growth (23.1%) of mobile internet advertising revenues means that it will overtake display by the end of the forecast period. ‣ In emerging countries, advertising in general is booming, e.g., Latin America holds the same number of advertising jobs as North America. The rising markets are forecast to contribute 62% of additional ad expenditures between 2012 and 2015, increasing their share of the global market to 37%.

	Sales (US$b)	Jobs (million)	Key trends
Architecture	222	1.7	**Leaders – revenues: Asia (53%); jobs: EU (39%)** ▸ In emerging countries, the demand for architecture is rising. China, India and Brazil offer the best growth potential for architectural services. ▸ Driven by the demographic boom, China remains the world's largest construction market since 2010. The Asia-Pacific market is expected to be the largest by 2020, with a projected value of US$4.6 trillion. ▸ Although the demand is clearly located in emerging countries, Western architects continue to dominate the market: the three largest architecture firms are all North American: Aecom (US), Gensler (US) and IB Group (Canada).
Books	143	3.7	**Leaders – revenues: EU (37%); jobs: Asia (46%)** ▸ Print is alive and well: in 2015, print will represent 80% of all book sales worldwide, and even higher in developing countries. ▸ Total global books revenue is set to rise to US$128b in 2019, from US$120b in 2014. Growth will be driven by India, which became the 10th-largest book market in 2014 and will see the fastest growth globally in total books revenue. ▸ The growth of educational books will outpace consumer and professional books revenues: between 2014 and 2019, total global educational books revenue will grow 2%, exceeding the 0.8% for consumer books revenue and 1.6% for professional books revenue.
Performing arts	127	3.5	**Leaders – revenues: US (49%); jobs: Asia (38%)** ▸ The performing arts market is still dominated by western countries, mainly the US and Europe. ▸ The global box office is growing, notably with the marketization of the performing arts in some emerging countries. However, the sector is clearly dominated by the informal economy in some regions, notably in Africa. ▸ Festivals are an increasing asset for cultural tourism worldwide.
Gaming	99	0.6	**Leaders – revenues: Asia (47%); jobs: Asia (42%)** ▸ Online and mobile video games will constitute 86% of the consumer video games market in 2018. In fact, global smartphone connections are forecast to nearly double to 3.85b by 2019. ▸ The emergence of a new class of independent developers is renewing the video game industry. ▸ Cloud gaming will become an increasingly applicable proposition: the next five years will see vast increases in device connectivity.

	Sales (US$b)	Jobs (million)	Key trends
Movies	77	2.5	**Leaders – revenues: US (37%); jobs: EU, Asia (31%)** ‣ The global box office grew 1% in 2013, driven primarily by Asia (12%). Cinema screens increased by 6% worldwide in 2014. ‣ Competition is intensifying between western and emerging countries. Particularly strong growth of filmed entertainment revenues will be seen between 2014 and 2019: 14.5% in China, 6% in Brazil and 11% in Argentina. The global leader – the US – with 33% of the total market in 2014, will see above-average growth of 5%. ‣ New digital distribution models are appearing around the world, such as Netflix in the US and iROKOtv.com in Africa.
Music	65	4.0	**Leaders – revenues: US (36%); jobs: Asia (33%)** ‣ In terms of employment, the music sector is the second CCI after visual arts. Music is still a large part of millennials' budget: US$125 in 2015 in North America. ‣ Globally, live music is thriving: 80% of millennials in North America will attend a live event in 2015. ‣ Music has become digital and mobile (streaming, downloads, etc.) At the end of 2014, the number of countries in which total digital recorded music exceeded physical recorded music revenue stood at 22; in 2019, that figure will have risen to 40. Globally, consumer spending on digital formats and services will overtake physical in 2015. This situation raises the issues of digital revenues' monetization, as well as the control of piracy and illegal sales.
Radio	46	0.5	**Leaders – revenues: US (45%); jobs: Asia (35%)** ‣ Globally a popular medium, radio is here to stay. Radio advertising revenues will extend its share of total global radio revenue from 75.3% in 2014 to 75.8% in 2019. ‣ The US dominates the global radio market, with 46% of all revenue. However, growth is now occurring more quickly in other markets. ‣ In emerging countries, non-traditional models such as community radios prosper, especially in Africa, e.g., about 240 community stations operate in South Africa. Small, local and community-driven, they help develop cultural diversity, broadcast news, spread music and produce content.

Voices from the cultural and creative industries community

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The music industry adds value to the Nigerian economy

Niniola Allan Azeezat, songwriter and performer, Nigeria

This is a great time for Nigerian music, which is finding a global audience. This reflects the creative drive of our country, especially from the youth. Almost everywhere you turn there's an upcoming artist. Almost every family in Nigeria, especially in the cities, have an artist in their folds.

What this has done is giving the youths hope. Regardless of the woes of the country, they have hope of a brighter day through creativity.

The other aspect is that it provides jobs to young people in the creative sector.

Alongside leading artists, there are jobs for backup singers, instrumentalists, dancers, choreographers, publicists, stylists, event decorators ...

The music industry is creating serious employment opportunities, servicing different industries. In short, the Nigerian music industry has added greater value to the Nigerian economy.

In future, sale of music on CDs will no longer exist. All music will be sold through mobile phones, websites and other digital means. Digital technologies have both positively and negatively influenced our art.

Positively, because we can easily record our voices and forward to a producer through emails and other platforms. A producer can also send beat/instruction through email, and so on.

Negatively, as our music is being easily pirated and sold online. This deprives creators from their rightful remuneration and would require swift action from governments to enforce our rights.

Culture is not only for entertainment

Carlinhos Brown, musician, singer, songwriter, Brazil

© Imas Pereiras

To be an artist is part of myself. I'm a server of the art and the preservation of the legacy of our ancestors. It was through the "timbau"[3] that I have discovered the world, and it was the "timbau" that thought me the real value of the environment where I come from. I have always had the dream of overcoming the depreciatory image of the "favela" and I made it. I've struggled; I've gone after partnerships and together with the community of Candeal Pequeno, in Salvador, where I was born, I've managed to reach on of the best Index of Human Development in Bahia. We have created music schools and regular schools; we've offered housing and basic sanitation to the inhabitants of the community. From there great musicians came out and they are playing with great artists all over the world. I'm very proud of this achievement! Music for me is a very powerful agent of social and cultural transformation.

A human being needs to drive himself towards learning; a human being needs to develop new technologies. But he needs also to learn from the past because without this foundation we will find ourselves lost. A tablet can't replace the plow. I believe it is necessary to reconcile, the best way possible, the digital world with the analogic world. This is the great challenge in front of us! Internet helps a lot the creator to bring its work to any continent, to be acknowledged and recognized and, above all, to be able to research and to learn about what has been produced all over the world. But I do value the oral tradition, the face-to-face contact with my masters and with people that admire my work. We all have a lot to learn and we should do it through the most different sources possible.

We shall work to bring awareness that culture is not only for entertainment, for partying, but it is also preserving our roots. We have a lot to learn with the cultural diversity that constitutes the legacy given to us.

[3] Timbau is a percussion instrument, the main instrument used by Carlinhos Brown. Out from his timbau he created the famous group"Timbalada".

Technology has become part of cultural content

Daniel Burman, film director, Argentina

© Daniel Burman

We are facing a moment of a profound paradigm shift. We creators are getting closer to consumers; revenues are losing their value along the chain. Artistic content is what helps make a difference between this confusing maze of display windows.

Technology is no longer "nice to have" but has become part of the content.

Media tend to be confused with the artistic content it displays. Creators must stop seeing technology as a challenge: we have to start incorporating technology in our creative processes. Technology needs to stop being a mere platform or a means to an end. Technology is not a result but a process.

It is about good stories

Giora Chamizer, TV creator, Israel

I have worked as a TV creator since 1993. Over the last 10 years, I have been the creator and show-runner of four TV series for kids, in a genre that I basically invented: it is a daily drama which combines a telenovela-like structure, infused with high doses of suspense. The four shows were all very successful in Israel, reaching hundreds of thousands of young people.

The shows have shown a surprising staying power on Video on demand, and every year new generation of viewers binge-watch them and keep them "alive." Between seasons, the viewers keep the engagement on social media outlets like Instagram with thousands of fan pages. For me it provides a perfect way to communicate with my audience on a daily basis, get a sense of what they like, what they miss the most, what moves them, and what they expect to see.

At the same time, after a decade of experience in this genre, I can say that what drives kids to my shows is their hunger for a good story. As much as they love the stars, for example, they are far more concerned with which direction the plot may take. And the story itself is the one constant element that, in my view, is immune to change.

Supporting creators in the digital era

Vince Degiorgio, songwriter, Canada

© Denise Grant.

As the curator of the Songworks writer camp program and Chair of the events committee for the Songwriters Association of Canada (SAC), the creative activity taking place at this moment is incredibly vital to the future of Canadian songwriters. Our events and programs have become a hub of activity nationally for our members and project participants, giving them a launchpad for emerging, established and even legacy level creators in our industry. As an organization, we are rising beyond the negative norms of the digital age.

The SAC is using digital technologies to create a platform that will provide mentoring, communication and global delivery of work from our members, using everything from one-on-one video mentoring to song delivery and help with copyright protection techniques that support creators.

Our philosophy is not to fear the digital era, but to drive a parallel road beside its constant state of change. The ways in which our messages will be delivered in the future are forever changing. But all start with a song.

A proper remuneration for authors and artists is crucial

Klaus Doldinger, composer, Germany

© Florian Jaennicke

If we gaze back over the history of mankind and wonder which values actually survived the ups and downs of that history, we will inevitably notice that they are the values of art created by individuals using words, music and images. Inventions like printing, recording, film, and more, came about because people were intent on preserving and expanding these values. This, in turn, attracted more people to new professions associated with the world of the arts. The inventors, the musicians, the artists always remained a minority compared with the host of individuals who stood by them and offered crucial support. The development of copyright, as the core element of the preservation of rights, ultimately led to commensurate compensation for the use of intellectual property. Furthermore, this ensured the survival and independence of those creating art and their descendants, and by extension of the arts themselves. The emergence of the digital world also brought great benefits to the arts in many areas, but there are major disadvantages as well.

The main challenge for the future will be the need to harmonize international regulations. Authors and artists depend on proper remuneration from the internet and from streaming in particular. Maintaining our culture through our museums, theatres and symphony orchestras is crucial for our society. By the same token, preserving our values, like copyright and support for coming generations, is just as important.

Luckily, music, and jazz especially, is so much fun during its performance already.

Culture needs public and private investment

Nguizani Domingos, choreographer, Angola

Art defines the cultural identity of a country. Choreography used to be at the avant-garde of my country's culture, especially during the first decade that followed the independence. Like for other art forms, there was a vibrant scene, but the lack of public policies to support the art was detrimental to many cultural endeavors in Angola, and many artists in all disciplines chose to leave the country to be able to continue to work in the creative sector.

Today, young artists are obviously the first to endorse new digital technologies and adapt them to our reality. These technologies can also have the source of acculturation and can damage or denature our cultural fabric.

Our first challenge is to defend our cultural identity and support creators. Artists need support, be it through public policies, cultural patronage or legislation. We need public and private investment in education, cultural centers, and concert venues, and we need new ways to produce and distribute cultural content and to export our culture and our artists. Creative industries can play a major role in the development of our country, contributing to the creation of TV programs, movies, videos and radio shows to serve national needs but also to be exported.

Last, creators in all artistic fields, through our authors' society UNSC-SA (National Union of Artists and Composers-Society of Authors) should be able to reap the rewards for the use of our works. We now have many reciprocal agreements in place with sister societies around the world, and we have joined CISAC, for the benefit of visual artists, choreographers, musicians, filmmakers and all the creators from Angola.

Continuous improvement in licensing and collective management of rights

Achille Forler, Managing Director at Universal Music Publishing, India

© Chantal Forler

About you: could you describe yourself (your job/position) and your company/organization?

I am the founder of Deep Emotions Publishing (DEP), India's first music publishing company, founded in 1995. The company was acquired by Universal Music Publishing (UMP) in December 2012, and I am now the MD of both DEP and UMP.

What are the particular aspects of your industry (music) in your country?

Most of the music in India is produced by film producers, who then sell the bundled "music rights" to record labels (who were the traditional gate-keepers to the market in the age of physical products).

India adopted its first Copyright Act in 1957, modeled on the British Copyright Act, 1956. Until the early 1970s, HMV (now Saregama) had a monopoly over disc manufacturing, hence the practice of "bundled rights."

Back in the early seventies, India's Supreme Court ruled that when authors worked for a film, their status was that of "hired workers." The producer was, therefore, the first owner of literary and musical works. In 2012, copyright law in India took a new turn when both Houses of Parliament passed the Amendments in a landmark vote of unanimity. It contained three important clauses for authors: authors gained an unwaivable right to royalties equivalent to 50% of all publishing income; collective licensing of literary and musical works could be done only through a society; and all registered societies had to re-apply for a license within a year.

How has your industry changed over the last few years?

India is a unique market, remarkable in many ways. It ranks among the handful of countries that possess a powerful entertainment industry with crossover reach: its cultural products are purchased by consumers from other cultures.

The Indian entertainment industry is so massively dominated by Bollywood and, to a limited extent, South Indian films that any music strategy that ignores or discounts film music cannot be serious and is destined to remain niche. The market share for international repertoire is in the single digit only.

Bollywood is the key to the Indian entertainment industry. And music is the key to Bollywood. The music industry is massively dominated by a single company whose market share equals the combined share of the next four labels. Such unbalance is the sign of an immature market and therefore a promise of high potential for determined challengers.

Television has become a €2 billion industry, with over 850 channels catering to the Hindi and English speakers as well as to the numerous regional languages.

How important is digital technology in your activity? Do you see any related challenges and issues in particular?

The country will become next year the second largest smart phone market, ahead of the US. It is the second largest user of Google Search. Online shopping is expected to exceed US$100b by 2019 and online advertising will cross US$2b (source: eMarketer). It also has a young population (63% are below 25).

Fuelled by this explosive growth of mobile internet, India is witnessing the churning of communications, entertainment, marketing and technology on a stupendous scale.

In your opinion, what would be the key future trends in your region/country?

For over a decade, collective management organizations (CMOs) have had a steep learning curve to be on par with the quality standards and efficiencies of CMOS in other parts of the world. Recent developments give me hope that collective licensing will start to look up in 2016. I believe that an authors society in India has the potential to be among the top 10 earners globally in the next decade.

In your opinion, what is the future of employment in your industry and region/country?

I believe that the current size of the music industry is grossly undervalued. The figures published in various reports are restricted to the turnover of the record labels; they do not take into account the value of music in films, radio, television, games, etc. Some of the value attributed to these industries – which are not paying royalties, or very little, to collective rights organizations – actually should actually be accounted under "music." The sooner we bring global standards to the music industry, the faster this industry will grow and music assets attributed today to other industries will be accounted as "music."

Digital technology is a tool

Christian Furr, visual artist, United Kingdom

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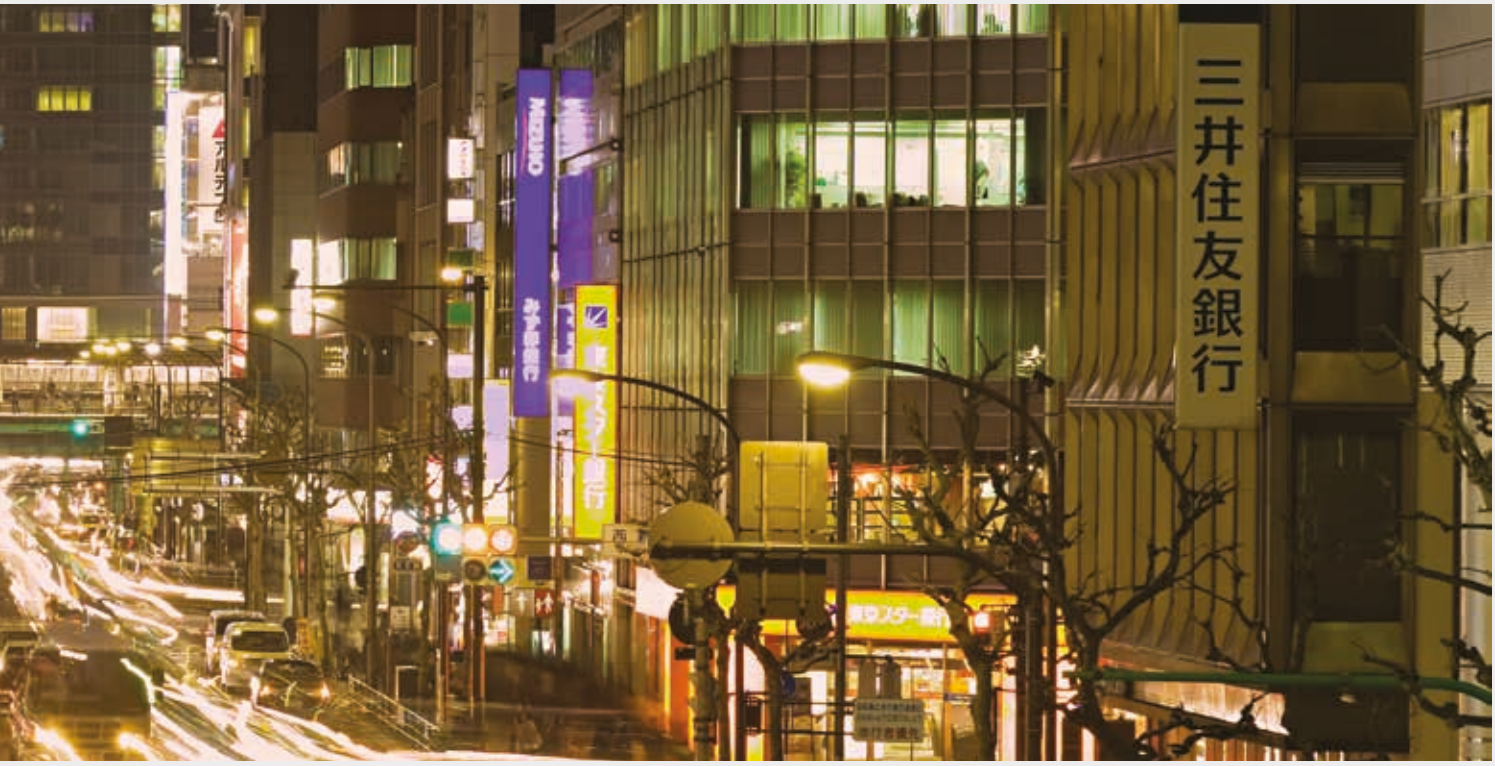
Art can be used to change entrenched mind-sets. If more corporations employed resident artists and allowed them freedom to create I think the results for all concerned would be spectacular. Artists are trendsetters. What they create gets copied/appropriated and filtered down into the culture around us often in a homogenized form. Art is pure from the source.

Digital technology is a tool. Artists have always used whatever they can lay their hands on as a means to an end to make their jobs easier. Nowadays there is even more on offer to use. For any digital technology to work well you need a strong vision at the beginning of how it should be used and for what purpose.

I don't think there are any clear movements in visual art right now. I think influences and styles are more disparate and eclectic now than ever. I don't know whether this is to do with the internet or media saturation. It's not necessarily a bad thing, as a true artist will take what they want from it anyway. The artists are the ones that lead the way. They are the filterers.

One future trend might be the dismissal of binary? If digital technology is used it will be to help create a tangible object. People are buying vinyl again. Neon is a valid art medium. Paintings are valued more. One thing I have picked up on is a return to appreciation of craftsmanship whether someone spends a lot of love and time on something or creates something instantly using their own wealth of experience it means more.



Digital distribution represents a remarkable opportunity for creators and listeners if the value is fairly shared

Peter Gabriel, musician, singer-songwriter, label owner, festival promoter and OD2 co- founder, United Kingdom

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I believe that creators should play an active role in the distribution of their work and should have the right to participate in the value that is so clearly derived from the use of their works. The way the digital world has redrawn the map around media, musicians and writers have lost many of the rights and much of the revenue share that had taken many years to achieve. Deals have been done between the distributors and the record companies (such as stock options) that deliberately exclude or reduce the involvement of the creators on whose work the deals have been based.

In 1999 I co-founded OD2 (two years ahead of iTunes) with Charles Grimsdale and John Grinham. We were convinced that digital channels were going to be the main means of distributing music in the future and the original purpose of OD2 was to provide distribution, infrastructure and rights management for unsigned musicians who would not otherwise benefit from this opportunity.

Our intuition was proved right. Since then, digital channels have not only become the primary means of distributing music, but music around the world is helping to drive the development and the reach of digital services. Streaming has overtaken downloading, and during July 2015 the number of UK audio streams in one week passed 500 million, double the number of streams for the same period in 2014.

This growth represents a remarkable opportunity for creators and listeners alike but one that we will only be able to realize fully if those who create the content are allowed to share in the value that their work is generating. The creative and cultural industries need to speak with a single voice, and work together to persuade legislators to strike the right balance between encouraging creativity and access to content, while safeguarding the rights of the creators, especially young and minority interest artists, to ensure they have access to enough opportunity to make a living and to secure a viable economic future for these industries and all their future creators.

The music industry has integrated the inner workings of the digital economy into its DNA

Prof. Dieter Gorny, Executive Board Chairman of the German Federal Music Industry Association (BVMI), professor at Düsseldorf University of Applied Sciences, Director of the European Centre for Creative Economy (ECCE), and German Federal Ministry of Economic Affairs' Commissioner for the Creative and Digital Economy

© Markus Nass

Never before has music been consumed to the extent it is today. It not only is a universal, global language, but also plays a key role in shaping a region's identity in a cultural sense. Given the huge socio-cultural significance of its "product," the revenues of the global music industry – income generated from the sale of digital and physical recordings – should perhaps be even higher than it is (US$15b in 2014). But you cannot put a price tag on the sector's economic contribution, for the music industry was the first to have to address the challenges posed (and opportunities offered) by the digital transformation, and it did so successfully. The internet really put the industry's existing business model to the test, and the "internet copy shop" ultimately led to sales between 1997 and 2012 being halved.

But in 2015, we can now say that we've done our homework: there has been a slight upward trend in Germany over the past two years, with a small increase in sales in 2013 and 2014, and a 4.4% rise for the first six months of 2015. Streaming – has been the driving force behind this development. The music industry has integrated the inner workings of the digital economy into its DNA, and tailored its business model accordingly. With its diversification strategy, the music industry has, along with other sectors within the creative economy, been setting economic, cultural, and social trends that resonate far beyond the boundaries of the industry.

The issues that all sectors of the creative economy are currently facing can only be addressed together. These include the compulsory legal deposit of works, making amendments to the German Telemedia Act (TMG), and revising copyright contract law. It is also important that we recognize that contracting parties will only be able to meet each other on equal terms once certain platforms are required to purchase licenses.

A new era for creators of content

Bouzaglo Haim, director, writer and producer, Israel

I wrote and directed 12 feature films, eight TV series and one documentary and I also produced 16 of them, seven of which in coproduction with France, Spain and the US. Some of my films are part of programs in film schools and universities where my special way of directing is discussed.

I shot all my first movies in 16 and 35 mm but the development of digital equipment made life easier and brought down the cost of filming. It changed the discipline: we have more freedom in shooting, we can shoot more scenes with more takes. I think digital is one of the reasons of the success of Israeli films and TV programs in the world, because it allowed for more talents to express themselves.

We are approaching an era where what is new and original will win directly the attention of the viewers. TV will remain the main conduit for big events with massive ratings, but the individuals will develop their own libraries of films and series based on their personal tastes. Each spectator will be a programmer. Creators will deliver the content for these libraries and the choice will be left to each individual. And original content will be the most important ingredient in the new world of cinema and television.

National public policies of encouraging literary creation are needed

Ansomwin Ignace Hien, novelist, poet and book publisher, Burkina Faso

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As an author, I have written some 20 books in genres as diverse as novels, novellas, poetry and tales for young readers. I have also been a publisher, a profession which led me to chair the Association of publishers from Burkina Faso (ASSEDIF) until 2010. I was involved in helping define the public policies in the books' publishing sector in Burkina Faso but also in Niger, Togo or Djibouti.

Contributing to CISAC's work in Africa, most notably as an expert in authors' and neighboring rights, I have measured the need for action in Africa in the field of rights. To address the issue of low collections of royalties in most African countries, CISAC has established very useful programs to strengthen collective management organizations in the continent, especially through training schemes.

In Burkina Faso, we are lucky to have a very dynamic collective management organization with the Bureau burkinabé du droit d'auteur/Burkinabé Copyright Office (BBDA), but a lot of work needs to be done to significantly raise the level of royalty collection and organize an effective fight against counterfeiting networks to weaken, if not eliminate them.

Piracy, which until now was mostly concentrated on music, has now invaded the literature field. This has a devastating effect on authors and publishers, undermining what is already an embryonic industry here. In addition, the publishing sector lacks investment and needs access to financing. To address these issues, a national public policy of encouraging literary creation should be able to galvanize creators. And we also need an more efforts to incite young people to read from a very early age.

We need to nurture the next generation of readers by producing and giving them access to a wide range of books. This strategy will create an audience for books who will read literary works in digital or traditional format. And since it is usually through the passion for reading that people start writing, let's hope that it will also trigger the creative muse among youngsters and bring to the fore a new generation of creators.

Improved collective management is key for developing creation

David Hirschfelder, musician, film score composer, Australia

© Tim Jones Photography 2014

In the 35 years, David has been involved in the music industry both in Australia and abroad. Copyright and royalty have had a direct impact on his income streams.

Early in his career, David's role as the musical director and composer for the 1996 film *Shine*, based on the life of pianist David Helfgott, was simultaneously a critical and commercial success and a copyright battleground, both from heirs to the Rachmaninov estate through a moral rights action and David's own litigation to secure royalty payments for soundtrack units sold.

David believes over-simplification of copyright law could mean all artistic creations would be treated alike, which they are not.

For example, David firmly believes the authorship of film, because of the collaborative nature of film-making, should be duly shared among a larger range of collaborators — the performers, the cinematographers, the script writers, the directors, the designers as well as music composers. His passion for composing music as well as imbuing his signature on other pieces of work, as seen in *Shine*, underlies this belief.

His recent work on Russell Crowe's *The Water Diviner*, with additional music credited to Ludovico Einaudi, Richard Tognetti and Lisa Gerrard, shows the need for collaboration and shared authorship.

The advent of digital technologies has been significant for film composition and production. Like most composers, David brings the new technology to his work through a digital composing suite yet he retains his passion for all things classical, especially the use of orchestral instruments, as well as his beloved Bösendorfer grand piano. The digital age has also brought its share of challenges. David laments the democratization of music and film and the anonymity given to consumers who support piracy sites. He says, like any free market, the less expensive a product becomes (to the point it is free), the more higher skilled artisans will gravitate away from that market and the quality of product will rapidly decline.

Because of the relatively small population, David believes Australian copyright industries, which generate income of US$4.8b a year, should be a cause célèbre for the nation's economic health. He supports the important role collecting societies, like APRA AMCOS in his home country, play in protecting the rights of authors.

Creative sector isn't just a market

Willem Jeths, music composer, Netherlands

© Friso Keuris

The most beautiful sounds in the world do not consist of merely one simple tone, an odd single sound or an isolated chord. The most beautiful sounds are the ones that have not been composed by a musician. The most beautiful sounds do not have copyright; a kiss, a footstep on the pavement of your loved one coming home, the rustling of leaves in the trees, the roar of the surf.

Composing is something completely different. It is the shaping, the creating of sound with the purpose of telling a story: then, the musical craftsman will get to work. He will turn sound into music, by polishing, improving, slaving away and listening to it again and again. After that, it can be heard by anyone, and everyone can, and will, think something of it. But there are only few that actually make money on it, or try to.

Creators need freedom of culture, freedom of speech and freedom of creation. They also need strong copyright laws that provide the creative community with the necessary and sustainable foundations to protect their rights and earn fair remuneration from their works. Copyright enables them to generate income which makes it possible for them, and future generations, to professionally contribute to an active, continuously evolving culture and increased employment.

Policy-makers should encourage the development of culture. Not only because it ensures enrichment, change, relaxation and movement, but also because it creates jobs. Close to 30 million people in the world work in the creative sector. We expect policy-makers to realize that the creative sector isn't just a market but deserves investment and needs to be protected. By doing so, they will keep culture alive, serve the public interest and guarantee that creators can continue to mold sounds, words or images.

Supporting creators in the digital era

Cécile Kayirebwa, singer and songwriter, Rwanda

© Roger Sangwa

Today's climate is full of hope and innovation. Artists are organizing themselves, developers create platforms for online sales/distribution, streaming and applications, and big telecom companies are collaborating with artists.

There is an awakening of Rwanda's music scene. This involves businesses, corporations, government agencies, young entrepreneurs, and media, and all of this causes excitement, a buzz. We can even observe a physical manifestation on the net through various articles and ads on social media.

The question now is whether this is a true digital revolution that is taking place in Rwanda or if we are still at the stage of "wishful-thinking." Does the music produced in Rwanda have the necessary level to compete in the global market? Does that "pop sound" favored by young people bear a unique and original Rwandan identity?

Rwanda sorely lacks labels, digital distribution networks, people with real knowledge and experience, competent creators and businesspersons who understand the real issues in order to center all this energy in the right direction.

Digital helps move contents to consumers faster

Calvin Kirimba, TV producer and hip-hop artist, Kenya

Music and entertainment have a huge importance in Kenya. The creative industries account for a substantial percentage of the country's economy. Music is also used to bridge cultural and tribal differences that exist in Kenya.

From a social point of view, music has been used effectively to push agendas ranging from cancer awareness campaigns and political stands. As a TV producer, the concepts and shows that we come up with help entertain and educate the youth among our community.

The digital revolution has allowed both music and TV shows to move to the consumers faster. There is more music available and more platforms to access it in. Digital technology has reduced the number of processes needed to create a song, a TV concept and even helped further in the distribution process which was largely nonexistent.

Creating a global database of world's songs to address digital challenges

Hartwig Masuch, CEO at BMG

© Ben Wolf

Digital technology has been like a breath of fresh air for the music industry, re-energizing the business, but most importantly empowering songwriters and artists as never before. For the first time in history not only can artists create a worldwide hit wherever and whenever they are, they can reach a worldwide audience too thanks to the power of social media. Understandably the possibilities of technology have made them more demanding. They demand fairness and transparency and service.

We accept that for many in the music business the transition from an analogue to a digital world is not easy. BMG is fortunate to be a new player in the market. For us the business has always been digital.

There is no doubt that digital poses challenges — not least in the form of piracy and the casual disregard for the value of music of some technology companies. But the greatest challenges for the music industry are first to create a truly global, clean database of the world's songs and recordings, a move which I believe in itself will be the catalyst for growth in the business. Second, we must ensure we never forget that we are ultimately a service business, there to serve the songwriters and artists who create the music.

Notwithstanding social and economic turbulences in Ukraine, drama creators keep on contributing to their cultural sector

Vasyl Nevolov, writer, playwright, Ukraine

Credit: Vasyl Nevolov

Ukrainian drama authors are currently facing significant problems. Tough economic environment in Ukraine inevitably impacts an ability of target audience to pay forcing the theatres to keep the cost of the tickets for theatrical performances at minuscule level. For this very reason, Ukrainian theatres are not able to increase box-office receipts depriving right holders of dramatic rights of their fair remuneration. The situation is worsened by insufficient state funding of the cultural sector. As a result, most of the state theatres often do not have funds to make timely royalty payments.

The main problem also remains weak legislative framework leading to financial instability of the creators. Unauthorized use of our works by theatres, internet piracy and other IP issues shall be urgently addressed by the government. When the state ignores the creative industry, it results in frustration and vulnerability of the authors which is detrimental to creativity. At the same time, I strongly believe that overall level of cultivation plays an important role in social and economic well-being of the country as the authors raise spirits and direct public mood to positive vector. Protecting the conditions that will allow us to create is the key to sustainable economic, social and cultural development.

Notwithstanding social and economic turbulence in Ukraine, drama creators keep on developing and contributing to their cultural sector. I see more and more Ukrainian playwrights and directors making international career as national boundaries erase. The information is being spread instantly, allowing Ukrainian creators to be up to date on the world's latest trends in drama sector and promote Ukrainian culture abroad. We are also very happy to see growing number of international theatrical festivals taking place in Ukraine as well as increasing number of works of Ukrainian drama authors staged at the theatres all over the world.

Digital revolution is forcing companies to adapt their organizations and disrupt their business model

Carmine Perna, managing director, Mondadori France

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For several years, the magazine sector has been facing a constant revenue drop. As for many other sectors, digital revolution disrupted habits of magazines and newspapers readers.

Media access has drastically changed: people want to access information anywhere, anytime, on several devices while paying as little as possible.

An actual revolution forcing media players to rapidly turn their companies around, adapt their organizations, disrupt their business model and finally become a multimedia company.

That's why we started our digital transformation some years ago, significantly developing our websites and mobile applications. We progressively implemented a wholly integrated editorial workflow and new technological platforms in order to change the way we produce and sell our contents. Meanwhile, an intense training program has been launched in order to develop our editorial teams' digital skills.

Finally, a huge reorganization of our staff has been achieved. A new way to practice journalism appeared, based on new skills, ability to use new tools or devices and managing an intense presence on the net and social networks. A new professional environment where young, digital native and specifically educated journalists have a key role to play.

Author's rights are the return on creative investment

Laurent Petitgirard, music composer and conductor, France

© J. B. Millot

As a composer, my professional life relies on a favorable environment for creation. Authors and composers, like me, are in a position that can be and often is precarious: the return on investment on the time spent creating is uncertain and at best middle term, especially in the contemporary music world. To collect the fruit of our labor we have to rely on many actors in the creative chain – first of all, our publishers, but also record producers and artistic programmers – so that our creation will be shown to audiences and will maybe encounter success, depending on the public's favors. We even often need to become our own producer.

Author's rights and collective management give us some stability. Our collective management societies are here to insure that when our works are broadcast, be it on the radio, on the internet, on television or in a concert hall, our author's rights are collected and duly redistributed. Sacem, for instance, redistributes 80% of rights "work by work," on the basis of reports made by broadcasters. This precision ensures fairness and sustains repertoires that are more fragile, less exposed. As creators, we are strongly attached to this collective model for two main reasons: first, because it gives us – individual creators – "strength in number" in order to get proper remuneration for our works; and second because we are the decision-makers in our CMOs. At Sacem for instance, the Board – made up of creators and publishers – convenes 50 times per year to manage our society.

Of course, author's rights are not usually the only source of revenue of many creators, and most of us hold other jobs. But this is by no means new: Bach was a mathematics teacher, Liszt and Mendelssohn were virtuoso pianists and conductors, Fauré was director of the Paris Conservatory ... However, this does not mean that our author's rights are not crucial for us: they are a significant part of our revenues, and they are the return on our creative investment. That is why creators are always vigilant about the evolution of the legal environment of intellectual property rights.

Building a legal framework to guarantee fair rewards for creators

Jan Sardi, screenwriter, Australia

© Jan Sardi

Australia's cultural and creative industries contribute US$86b annually (7%) to the national economy, and writers simply need to have the right to share in the returns of the intellectual property they create. Australian writers have long been disadvantaged by a contract-by-contract treatment of copyright and secondary royalties, one which often demands all rights assignments.

With the rapid expansion of platforms in the digital age, we are determined to see Australian copyright laws brought into the 21st century and in harmony with international best practice. Furthermore, the business models digital technologies require mean that collective management of equitable remuneration for creators is the only option, to ensure they are rewarded for the ongoing exploitation of their work.

From "free for all" to "pay to listen"?

Soro Solo, cultural journalist and radio producer, Paris, France

African culture has had a great influence on music all over the world, influencing music genres such as Blues, Jazz, Bossa Nova, Rumba and many others. As Martin Scorsese successfully showed in his movie *Feel Like Going Home* (2004), blues is related to traditional music from Mali and Niger. American Gospel and rap music rhythm are other examples of African music influence.

Music in Africa outreaches simple entertainment: it has a social and political function. Music is played during funerals and weddings; it either describes daily difficulties like Mamadou Doumbia's songs or serves political commitments like Alpha Blondy's songs.

For a long time, music was not considered as a commercial commodity in Africa. It is still true today, as radio is a major music distribution channel: people listen to music on the radio all the time and everywhere, and get it for free. Music, and more widely culture, has become a commercial commodity only recently, with the development of official sales networks and distribution channels, explaining the importance of informal economy. But there have been historical precedents: in the 1900s, "High life," an emerging musical genre in Ghana, implemented the concept of lucrative live performances. If music still has a social and political function, it is now consumed via audiotapes, CDs, concerts ...

Today, the music market in Africa needs to be restructured, to offset the weight of informal economy in the sector. Organized creation and distribution societies are needed to reshape business models and content creation processes, while strong copyright collective management societies must be supported to cut the informal distribution channels and protect authors' rights. This restructuration has to be led through ambitious cultural policies and the commitment of African governments.

Let us change this atmosphere

Isao Tomita, creator and musician, Japan

Photo by Yasuhiro Ohara

I started creating music simply because of my affection for music.

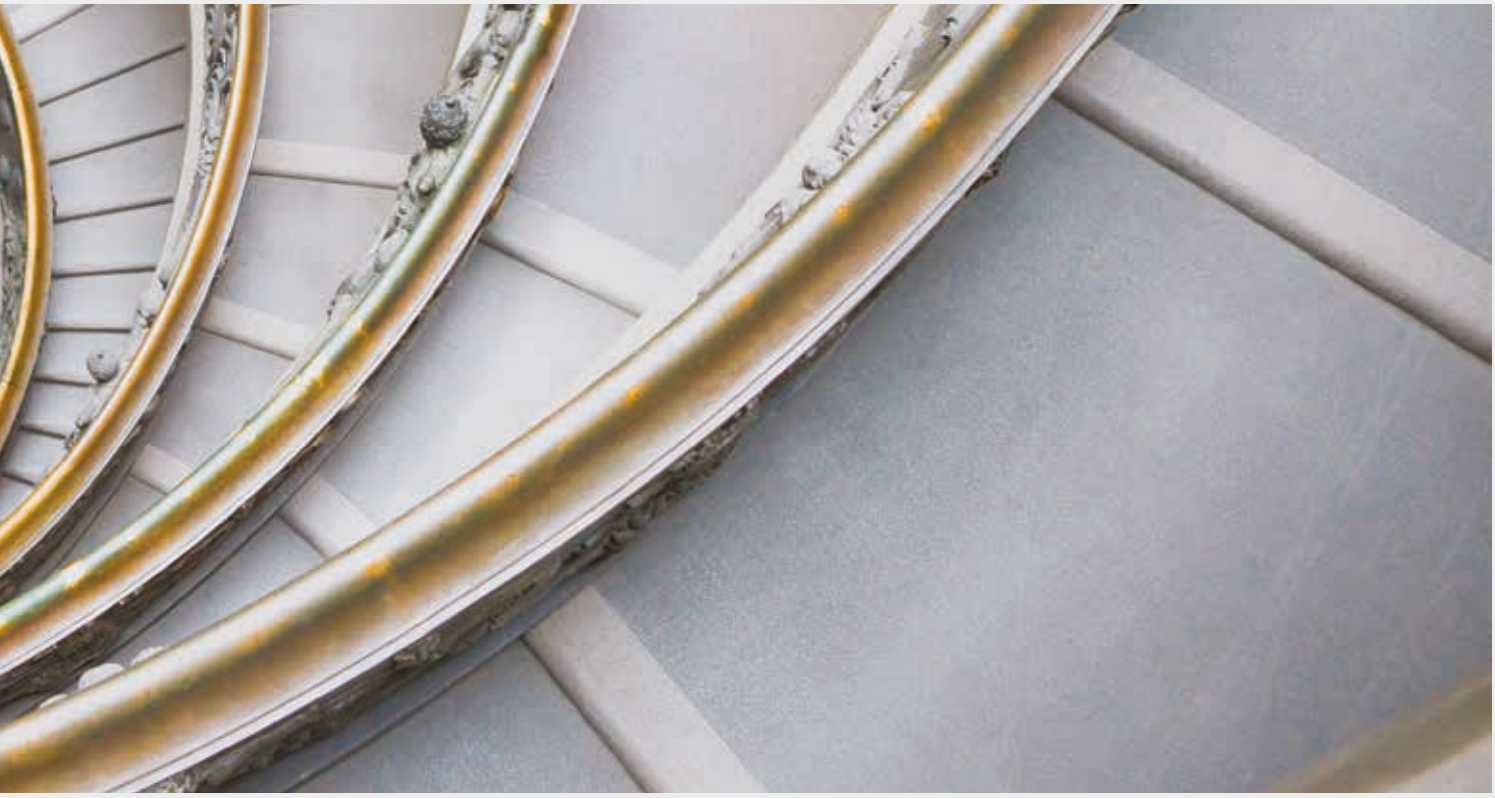
I spared no pains to create the music that I love.

When I felt the creative energy welling up inside me, I would completely immerse myself in the creative process, even if it meant declining more lucrative projects. And the music I created with such an effort had certain persuasiveness. It seems there are fewer passionate music-loving young people and less persuasive musical works out there. And this atmosphere that we have in our society, that slights this important cultural component that is music, has definitely had an adverse effect.

The advancement of technology drives the mass consumption of musical works through large-scale music streaming services and others, but on the other hand, this atmosphere has undoubtedly decreased the remuneration creators received. Music creators support their lives with the remuneration they receive for their creations. But the effects of being remunerated go much farther than that. The remuneration I received was an integral part of my being able to release new sound recordings, and to hold live events called "Sound Cloud" all around the world. Through these activities, my music reached more ears, and I feel like I was given the opportunity to try to enrich the souls of those who listened.

To continue to benefit from such opportunities, we must maintain an environment in which creators can devote themselves to the act of creation, and where newly created works can be delivered to listeners without any fear; in short, an environment that nurtures the culture of music. To this end, all creators who love music from the bottom of their hearts must make their voices heard to gain support from the general public.

The culture of music enriches our souls, and nobody wants to see it decline. The culture of music is precious for the entire human race, and it is our responsibility to pass it on to the next generation.



The defense of authors' right is the foundation on which to build a Europe of culture

Fernando Trueba, film director, Spain

Authors' rights are a legacy of the men who made Europe the center of the intellectual world, men like John Locke and Thomas Paine, Beaumarchais and Condorcet, Voltaire and Diderot, Kant and Hegel.

Europe is the continent of authors' rights, the inalienable moral rights of artists and creators.

In Europe, culture brings more wealth – including economic wealth – than any other industry. Art, culture, the ability to debate are Europe's main assets, althought our politicians sometimes forget it. In times like today, when it is more urgent than ever to relaunch the idea of Europe, we take this opportunity to start—this time—with the foundations.

The defense of authors' rights is the foundation on which to build a Europe of culture. If we fail to protect authors, if we fail to defend their intellectual, moral and economic rights, we will lose the independence of our ideas and our freedom of thought.

2014, an exceptional year for Polish cinema

Andrzej Wajda, film director, Poland

Polish cinema has been gaining an increasing interest, both internationally and locally. Last year was exceptionally successful – Pawel Pawlikowski's *Ida* won the Oscar for the Best Foreign Language Film and Malgorzata Szumowska's *Body* was awarded the Silver Bear for the best direction at the Berlin International Film Festival.

We've been also observing a significant growth of Polish bow office with more than 11 million tickets sold in 2014 for Polish films (in marked contrast to the 700,000 tickets 10 years ago). As a result national market share attained nearly 30%.

Although the online distribution is in its early stage of development it is expected to grow rapidly. Unfortunately Polish copyright law does not secure online exploitation royalties for filmmakers, which is the case for theatrical and TV exploitation.

Another serious problem is piracy. A 2014 study "Analysis of the impact of piracy of video content on the economy in Poland" estimated that piracy cost Polish economy about PLN700m (€160m). If legislative changes are not made in the coming years, the loss can exceed PLN6b (€1.4b).

Detailed methodology and sources

Objectives

The main objective of this study – the first of its kind – is to produce a quantitative and qualitative estimate of the economic role of cultural and creative industries in the world.

This reports aims to consolidate and put in perspective the set of existing national and global studies in a single, accessible and striking report, based on an innovative and robust methodology.

What do we measure?

Definition

CCI comprise industries producing or distributing cultural and creative goods and services, defined in 2005 by UNESCO as "activities, goods and services which (...) embody or convey cultural expressions, irrespective of the commercial value they may have."[3]

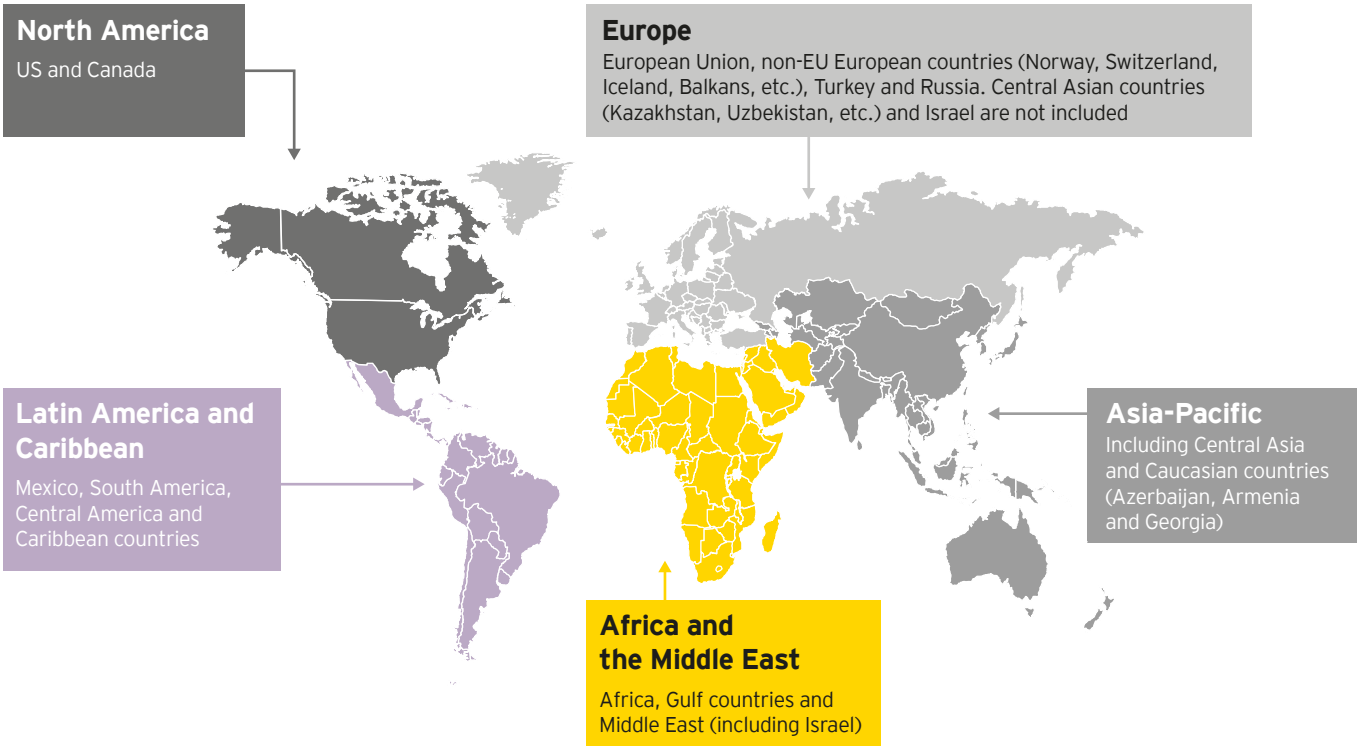
Sectorial scope

Beyond this broad definition, we have adopted a sector-based approach in order to consider the specifics of each industry. Our report covers 11 sectors to provide an overview of the growth drivers and key challenges to each: Advertising, Architecture, Visual Arts, Performing Arts, TV, Radio, Music, Books, Gaming, Movies, and Newspapers and Magazines[4].

Advertising	Advertising agencies	**Music**	Sound recording and music publishing industry, live music	**Radio**	Radio broadcasting activities
Architecture	Architectural firms	**Movie**	Motion picture production, post-production and distribution	**TV**	TV programming, production and broadcasting
Books	Physical and digital books sales (including scientific, technical and medical books)	**Newspapers and magazines**	Newspapers & Magazine publishing industry (B2C and B2B, news agencies	**Visual arts**	Visual arts creation, museums, photographic and design activities
Gaming	Video game publishers, developers and retailers; equipment sales	**Performing Arts**	Performing arts activities: dance, theatre, live music, opera, ballet, etc.		

Geographical scope

This study provides a comprehensive economic assessment of the 11 CCI worldwide. CCI jobs and markets are estimated at a regional level, before being consolidated at a global level.



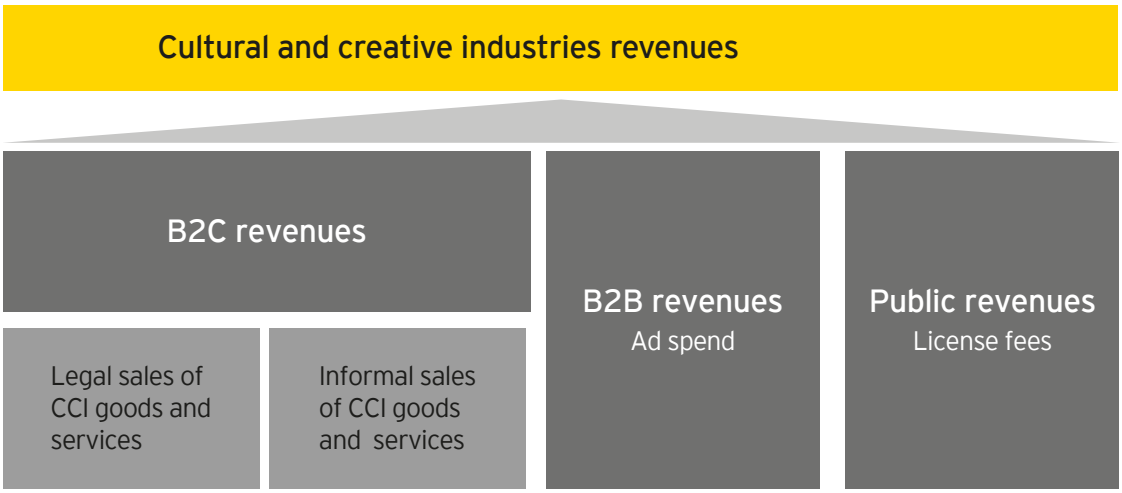
[3] Convention on the Protection and Promotion of the Diversity of Cultural Expressions, UNESCO, 2005
[4] Advertising is understood as advertising agencies revenues

Indicators

This study quantifies CCI's economic contribution to the global economy, both in terms of revenues and employment, in 2013.

- CCI revenues: The study adopted an approach based on final consumer markets, primarily taken at retail prices (without indirect taxes).
  - We considered revenues at the end of the value chain, rather than adding up revenue from all stakeholders involved in individual parts of the value chain. As an illustration, for the book industry revenues estimate, we considered the final sales of physical and digital books: by definition, all intermediate revenues are included.
  - Informal sales of cultural goods and services have been included in our estimates (see below).
  - Devices sales have been excluded.
  - Given the lack of data, public subsidies have not been included in each sector (except audiovisual public license fees that can be tracked worldwide). An estimate of public funding has been calculated separately for all CCI combined.
- CCI employment: We estimated employment in number of jobs (not in full-time equivalents). We used the ILO's definition of employment: "Persons in employment comprise all persons above a specified age who, during a specified brief period, either one week or one day, were in the following categories: paid employment and self-employment." By doing so, we were able to consider every person working in a CCI (including non-permanent jobs; creators, authors and performers).
  - Informal employment has also been included.
  - Public employment has been included for each sector, except the performing arts, where no reliable data was available to make robust assumptions.

Revenues: what do we measure?



Informal economy

The informal economy refers to the underground economy, defined as "market-based production of goods and services, whether legal or illegal, that escapes detection in the official estimates of GDP" (P. Smith, 1994).

We considered only the production and distribution of cultural goods and services traded in informal marketplaces in developing countries, usually at a lower price, without any authors' rights collection.

- Only Africa, Asia-Pacific and Latin America have been included in our informal economy estimates, as the informal cultural marketplaces in Europe and North America are not significant.
- Loss of profit due to piracy, illegal downloading or streaming have been excluded.
- The informal economy has been included in our regional sales and employment figures.

Informal sales and employment are estimated through illegal cultural goods sales ratios estimated in a sample of representative countries (with IFPI, national anti-piracy institutes and market reports figures), and with data on the weight of the informal economy (OECD, ILO).

Digital economy

Digital players (online retailers, streaming platforms, etc.) are fuelled by CCI content. As this report aims to highlight the impact of CCI on other branches of the economy, we assessed the revenues generated by cultural content for digital players, defined as companies providing:

- Physical goods sold on the internet (books, music and video)
- Digital cultural content (streaming subscriptions, mobile gaming, e-books, etc.)
- Online media advertising (for online media and free streaming services)
- Digital advertising creation

CCI's economic contribution to the digital economy is the sum of cultural-content-generated revenues.

Data collection and analysis

Because reliable aggregated statistical data was unavailable, we adopted a "bottom-up" approach in this study. Our methodology and assumptions have been discussed and validated by Oxford Economics experts.

We based our estimates for each region on:

- National statistics
- Market research analysis
- Existing CCI studies (such as WIPO's)
- Industry reports
- Technical interviews

Where regional data was not available, we estimated employment and revenues through tailor-made assumptions:

- We scaled up available data from the main markets in each region with a representative sample (for instance, Brazil, Mexico, Argentina and Colombia for Latin America)
- We used world data and applied a market share scaling-down factor.
- When absolutely no data was available for any country in a region, we used a ratio based on data collected in other regions, adjusted by indicators to take into account the structural specificities of each region (productivity ratios, literacy rates, GDP per capita, etc.)

Our estimates and methodological assumptions have been validated with key industry players, such as federations and associations, and internationally renowned economists from Oxford Economics. We also conducted 150 interviews during the study to construct our key hypothesis and market assumptions.

Totals for jobs and markets have been arrived at after removal of double counting:

- For markets, the sum of regional figures exceeded the global total, as we logically do not consider exports in the consolidated figure.
- The sum of sectorial figures (employment and jobs) also exceeds the consolidated figure in each region, as some activities can be counted in two CCI. For instance, live music revenues and employment are counted in both the music and performing arts sectors. To consolidate our regional figure, we deducted every activity that is double counted.

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