

(The following text is the summary and background analysis of the plan for growth. The full version of the plan is available in Danish at www.evm.dk)

DENMARK AT WORK PLAN FOR GROWTH IN THE CREATIVE INDUSTRIES · DESIGN

The Danish Government
February 2013

SUMMARY

Denmark's creative industries are strong. Danish design and architecture is world renowned, and in recent years the Danish fashion & clothing sector has seen significantly increasing revenue and internationalisation. Furthermore, Danish films and TV programmes have won numerous international awards, which has helped attract tourists and talent to the country as well as strengthening Denmark's international brand as a creative nation.

The creative industries make up a significant share of the Danish economy. In 2010 they employed approx. 85,000 persons in service as well as manufacturing, and had revenue of about DKK 200 billion. The creative industries thus represent 6-7 per cent of total revenue and employment in Danish business and industry. This trend has been particularly strong in parts of the fashion & clothing sector, where productivity is also higher than the average for Danish business and industry as a whole.

In addition, the creative industries contribute to innovation and growth in the rest of the business sector. In increasingly intense international competition, businesses are increasing their use of creative competencies to develop, design and market their products and services. For example, Danish businesses use designers to develop aesthetic and user-friendly solutions which differentiate them from competing businesses and which customers are willing to pay a higher price for, while advertising agencies and developers of digital content supply communication and marketing solutions to businesses.

The creative industries in Denmark span a wide range of areas, comprising a total of 11 sectors: *architecture, books & press, design, film & video, digital content production & computers, arts & crafts, music, fashion & clothing, furniture & interior design, radio & TV and advertising*. The sectors vary greatly and include manufacturing companies, knowledge service companies and companies that create artistic content.

Internationally, the creative industries have seen strong growth in the past decade, reflecting factors such as increased global prosperity and new information and communication technologies. This trend is expected to continue in future years, keeping pace with the growing middle class in the emerging economies. This is a potential source of increased growth for the creative industries, resulting especially from greater demand for lifestyle and design products. One example is the increasing Danish export of fur to the Asian market. Furthermore, the spread of smartphones, tablets and PCs etc. is expected to increase the demand for computer games, learning games, apps and other creative digital content.

At the same time, there is increasing focus in Denmark and the rest of the world on how creative industries, such as architecture and design, can contribute to the green transition, e.g. by developing environmentally and climate friendly buildings and urban environments or through products and packaging that are produced from biodegradable or recyclable materials. The vast majority of a product's environmental footprint is defined during the early design phase, and many environmental issues can therefore be solved by focusing early in the product development process on reducing the environmental impact. Finally green transition and sustainable production are also gaining ground in the fashion & clothing industry, which is currently one of the most polluting industries in the world.

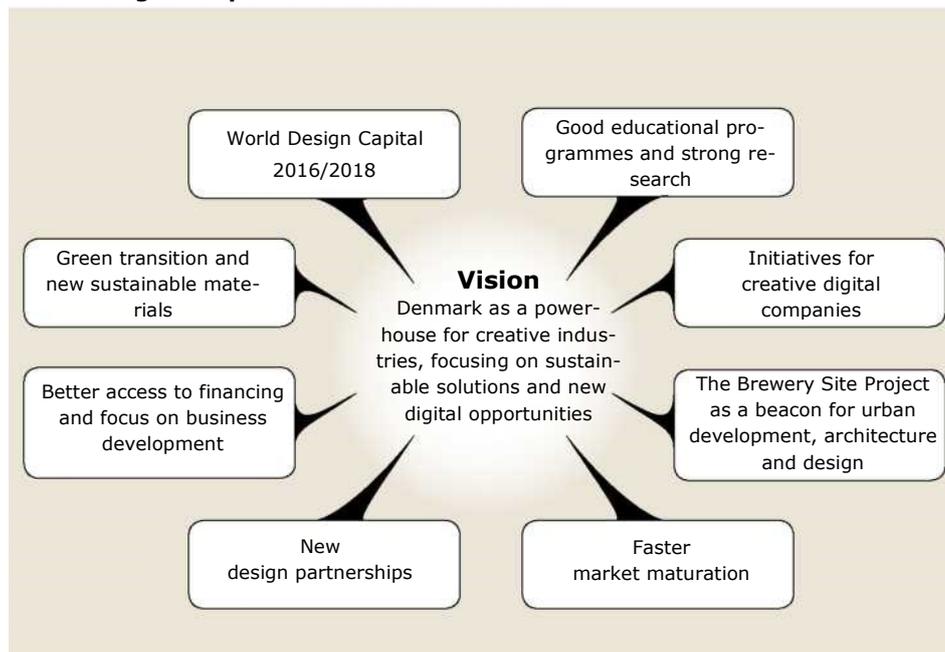
With strong and internationally recognised skills within design, architecture and fashion, Denmark has a sound basis for obtaining a share of the increasing market for creative products and solutions. In recent years, these industries have also experienced significant growth, while other sectors, including the furniture and interior design sector, have done less well – in these areas there is a need for change and for developing new business models.

Finally, a number of the leading Danish manufacturing companies are leading the way in the use of design and user-driven innovation as part of the development and differentiation of their products.

With this growth plan, the government, in cooperation with businesses and organisations within the creative industries, aims to develop the Danish positions of strength and, especially, boost growth and employment in the areas where global demand is opening up new opportunities for Danish businesses.

The government’s plan for growth in creative industries · design has been drawn up on the basis of recommendations made by the Growth Team for Creative Industries · Design and with contributions from a wide circle of stakeholders from the creative industries.

Vision for growth plan and selected initiatives:



Focus areas in plan for growth in the creative industries · design:

- Improve business skills and access to financing
- Speed up market maturation of new creative products and design solutions
- Promote growth in the creative industries with good educational programmes and strong research
- Denmark as an international growth centre for architecture, fashion and design

1. IMPROVE BUSINESS SKILLS AND ACCESS TO FINANCING

The creative industries comprise many micro enterprises and few large companies. A high rate of start-up companies is positive and contributes to a dynamic entrepreneurial environment. However, to improve growth and employment in the creative industries, there is a need for more companies to enter into long-term growth processes. This requires a targeted effort that addresses the specific barriers to growth for creative businesses.

Studies show that creative businesses are more likely than other businesses to have difficulties obtaining financing and that strategy development and business development is a permanent challenge for creative businesses. Because many creative businesses are internationally oriented, they also have a special need for advice on export and internationalisation.

Furthermore, developments in information and communication technology (ICT) are of crucial importance for many creative sectors. While the producers of computer games, learning games and other content for PCs, smartphones and tablets are seeing huge opportunities for growth, for instance the film industry's traditional business models are challenged by digitalisation.

A number of initiatives will therefore be launched with the aim of improving the conditions for growth for businesses across the creative industries, targeting sectors with special challenges and potential as a result of developments within ICT.

Initiatives will be taken in the following areas:

1. Better access to financing for businesses in the creative industries
2. Making creative businesses more investment ready via proof-of-business and accelerator courses
3. Spreading knowledge of business development to the creative entrepreneurs in the growth layer
4. Cooperation with business development centres and the regional growth forums on good conditions for growth in the creative industries throughout Denmark
5. Freeing up resources for growth in creative businesses via a new business model pilot project
6. Improving growth in the creative digital sector
7. Investigating the consequences of digital progress for the film industry's business models
8. Campaigning for EU financing for the creative industries
9. Improving advice on export and internationalisation targeting the creative industries

2. SPEED UP MARKET DEVELOPMENT OF NEW CREATIVE PRODUCTS AND DESIGN SOLUTIONS

The public sector in Denmark spends nearly DKK 300 billion a year on procurements, of which a smaller part is spent in the creative industries. Creative businesses can bring new skills to the development of better solutions in the public sector, for example within sustainable and energy-efficient building design, development of new digital learning games for grade school and well-designed solutions for the elderly and care sector. The public sector's demand for innovative solutions contributes to the sector's development as well as giving businesses a platform for developing more products and solutions that can be sold in international markets.

Furthermore, knowledge of copyright law and intellectual property rights is of special importance for the creative businesses because their products and services are often based on unique designs and solutions. It must therefore be ensured that businesses in the creative industries have optimum knowledge of the possibilities for protecting their products in Denmark and internationally, just as the development of commercially sustainable services and business models for creative content on the Internet must be strengthened.

Initiatives will be taken in the following areas:

10. Getting new creative products and solutions faster to market , e.g. via The Market Development Fund, and the public sector should support procurement of innovative solutions
11. Increase demand in the Danish primary and lower secondary school system for digital educational products that can be disseminated and exported
12. Better protection and commercial exploitation of IPR
13. Initiatives to strengthen the supply of legal creative content on the Internet

3. PROMOTING GROWTH IN THE CREATIVE INDUSTRIES WITH GOOD EDUCATIONAL PROGRAMMES AND STRONG RESEARCH

It is vital for the competitiveness and growth of businesses that they have access to qualified labour and new knowledge that can be translated into new products and solutions. This also applies to businesses in the creative industries.

The strong creative traditions in Denmark and the potential for further growth in the creative industries build on access to qualified and talented workers with creative, mercantile and technical competencies. Under the auspices of the government's innovation strategy, a number of initiatives have been launched to strengthen innovation as a basic element in all educational programmes from primary school to graduate school, including the artistic and creative programmes. To boost the creative industries, these educational and research efforts must be developed and strengthened.

Initiatives will be taken in the following areas:

14. Strengthening the international position of the education institutions within the Fine Arts
15. Establishing networks between international architect students and Danish businesses
16. Improving the graduates' labour market readiness and value for the creative industries
17. Initiatives that strengthen students' interdisciplinary innovation skills
18. Increasing dialogue on the future of the labour market within design
19. Strengthening research and innovation

4. DENMARK AS AN INTERNATIONAL GROWTH CENTRE FOR ARCHITECTURE, FASHION AND DESIGN

Denmark has internationally recognised skills within architecture, fashion and design, and these should be utilised as a point of departure for further growth and employment. However, international competition is increasing, and Denmark needs to further improve the competencies and its international profile. One way to do this is by Danish businesses strengthening their focus on resource efficiency and green transition.

At the same time, international awareness of Denmark and Danish skills must be strengthened by establishing an international beacon for Danish urban development, architecture and design and by hosting major international events. This must take place in partnership with foundations, businesses and institutions that already make an effort to develop and market Danish architecture and design.

In addition, an effort must be made to strengthen the competitiveness of Danish businesses by increasing the use of design and user-driven innovation. This must take place in partnership with Denmark's leading companies and the creative design agencies. The aim of this partnership is to increase businesses' use of design and to promote the development of a strong and internationally competitive design industry in Denmark. This will also help attract more international companies and talent to Denmark.

Initiatives will be taken in the following areas:

20. Establishing a partnership between leading Danish companies and the creative design agencies
21. Strengthening sustainable architecture, fashion and design through the new green transition fund
22. International beacon for Danish urban development, architecture and design at the Brewery Site in Copenhagen
23. New national architecture policy, focusing on sustainability, internationalisation and growth
24. Design must be included as part of societal partnerships on innovation
25. Marketing of Denmark as a leading architecture, fashion and design nation, including Denmark as a possible host of World Design Capital
26. Attracting more international companies and investment in the area of design
27. Strengthening development and innovation in the Danish furniture industry with a new think tank



POTENTIALS AND CHALLENGES
FOR GROWTH IN THE CREATIVE
INDUSTRIES

Studies from the UN show that in the past decade, the creative industries have seen significant international growth, and that this growth was greater than in business and industry as a whole.¹ Global economic and societal developments point towards further growth in this area in the coming years, as international demand for products and services from the creative industries increases.

One of the driving forces behind the growth in the creative industries is the increasing global prosperity, which means that consumer demand for lifestyle-, high-end- and designer products will increase. In particular, the economic development in the BRIC countries and other emerging markets are creating a larger middle class with stronger purchasing power that can afford to buy designer and high-end products. At the same time, the spread of digitalisation brings with it increasing demand from both consumers and businesses for creative digital content that can be used on smartphones and tablets as well as being incorporated into computer games, educational games etc.

Furthermore, along with this increase in global prosperity comes growing pressure on nature's resources and upward pressure on commodity prices. This creates a need for a green transition to which the creative industries can contribute. For example, the rise of more megacities with many millions of inhabitants is creating a need for sustainable urban environments and energy efficient building design. This represents a huge potential for the architecture sector. In addition, design companies can contribute to improving the use of sustainable materials in industrial design as well as more resource-efficient production which, early in the design process, takes a cradle-to-cradle approach, focusing on how to minimise a product's overall environmental footprint. On top of that there is huge potential in the fashion & clothing industry for developing more sustainable and socially responsible production methods in the textile industry, which is one of the most polluting industries in the world.

The vast majority of exports by Danish businesses go to our neighbouring markets in Scandinavia and to markets in the rest of Europe and North America. The traditional markets and partners in Europe and the USA will continue to play a dominant role for Danish companies; however the rapidly growing economies, such as Asia and South America, will become increasingly important in terms of providing growth opportunities for Danish companies. This also applies to businesses in the creative industries.

The creative industries comprise a number of different sectors

The creative industries comprise a total of 11 sectors: *architecture, books & press, design, film & video, content production & computers, arts & crafts, music, fashion & clothing, furniture & interior design, radio & TV and advertising.*

These different sectors, which vary greatly in terms of revenue, employment, exports etc., can be grouped into three categories: *manufacturing & wholesale trade, knowledge services and content*, cf. Box 1.

¹ *Creative Economy Report*, 2010, UNCTAD. According to the most recent figures from the UN, global exports of creative goods and services more than doubled in the period 2002-2008, corresponding to an average annual increase of 14.2 per cent. However, it should be noted that the report is based on data from before the international financial crisis. Newer figures are not immediately available.

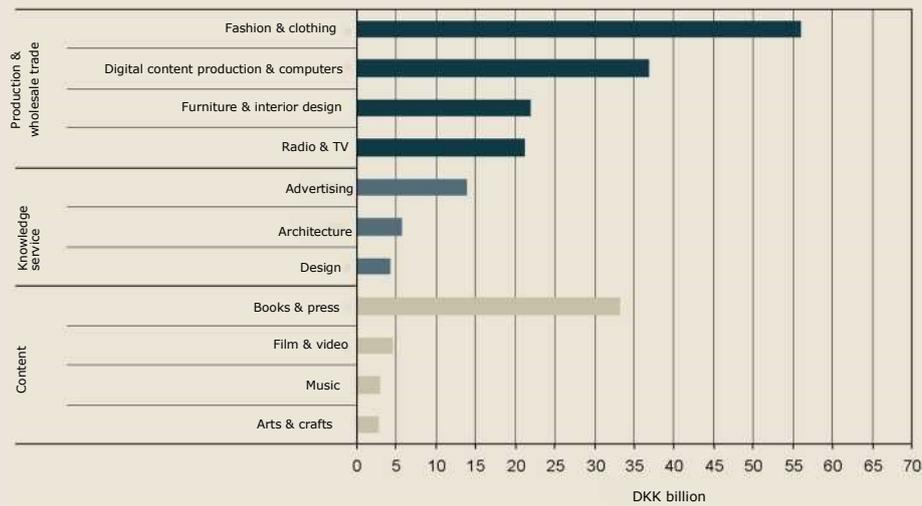
Box 1. Overview of the creative industries

Manufacturing & wholesale trade	
Fashion & clothing:	Businesses that manufacture clothing, clothings and related products, e.g. footwear, handbags, watches and jewellery.
Digital content production & computers:	Most of this category covers businesses that manufacture computers and businesses involved in wholesale trade in computers and software. Businesses that develop and produce computer games and other digital content production represent a relatively small share of this category.
Furniture & interior design:	Furniture manufacturers and producers of e.g. textiles, carpets, lamps, glassware, vases and other ceramics. The furniture industry comprises manufacturers of furniture for private consumers as well as business and industry.
Radio & TV:	Includes manufacturers and wholesale traders of televisions, music systems, speakers and other hi-fi equipment. This category also covers producers of programming for television and other media platforms as well as radio and TV stations.
Knowledge services	
Architecture:	This sector comprises independent architects who e.g. design single family dwellings and similar, as well as firms of architects and design studios that design and plan large-scale private and public-sector building projects in Denmark and abroad.
Design:	
Advertising:	
	Businesses that sell services to other businesses and organisations, e.g. relating to product design, industrial design, graphic design and interior design.
	Advertising agencies and similar businesses within, e.g., communication and branding. These businesses sell services to other businesses and organisations.
Content	
Books & press:	Publishers of books, newspapers, weekly magazines and periodicals as well as businesses that deal in wholesale trade of books etc. In addition, businesses that work with the layout of publications and printed matter as well as actual printing works. This category also includes press agencies and photographers.
Film & video:	Film producers and other businesses involved in film production and distribution, to both cinemas and the video market.
Music:	The recording and release of music, e.g. music labels, including wholesale trade in music and DVDs as well as manufacturing of musical instruments.
Arts & crafts:	E.g. theatre and concert activities as well as operation of theatres and concert venues, cultural centres etc. This category also includes freelance artists.

In 2010, the creative industries in Denmark employed approx. 85,000 people and had a turnover of about DKK 200 billion. The creative industries thus represent 6-7 per cent of the total revenue and employment in Danish business and industry.

The lion's share of the revenue in the creative industries is found in the sectors within *manufacturing & wholesale trade*, including fashion & clothing, which is by far the largest sector in the creative industries with revenue of approx. DKK 56 billion in 2010, cf. Figure 1.

Figure 1. Revenue in the creative industries in Denmark in 2010



Source: Calculations by the Danish Ministry of Business and Growth based on data from Statistics Denmark.

Architecture, design and film are areas where Denmark has internationally recognised competencies. Yet the revenue from these sectors represents only a minor share of the total revenue of the creative industries. It should be noted, however, that the in-house design departments of large Danish companies are not included in the figures for the design sector, and the fact that design contributes to the revenue of these companies is not reflected in the sector-specific figures. A similar situation applies to the advertising sector since large companies have in-house marketing resources; and likewise, architectural projects carried out by consulting engineer firms are not included as these activities are placed in the building industry category.

Not only do the creative industries represent a significant share of the Danish economy, they also contribute to growth and employment in the rest of the business sector in Denmark. The design and advertising sectors provide knowledge and consulting, which supports the product and business development carried out by other businesses.

Growth in some creative sectors, but decline in others

Despite global growth in the creative business area, revenue growth in the creative industries in Denmark has for several years been lower than growth in Danish business and industry as a whole.

Figure 2 shows the respective revenue trends in the creative industries and Danish business and industry as a whole. In 2010, total revenue in the creative industries was at more or less the same level as in 2003, while revenue for Danish business and industry as a whole had increased by approx. 30 per cent. During this same period, employment saw a much greater relative decline in the creative industries than in the business sector in general, cf. Figure 3.

Figure 2.
Revenue trends for 2003-2010
(index 2003=100)

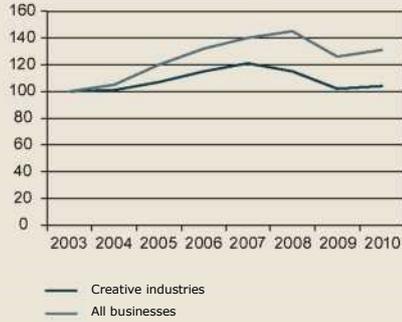
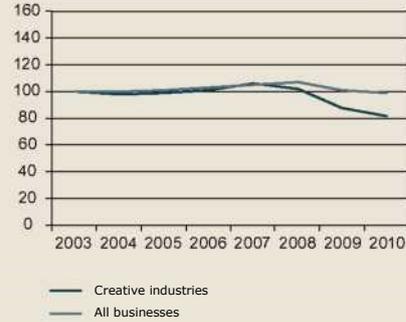


Figure 3.
Man year trends for 2003-
2010 (index 2003=100)

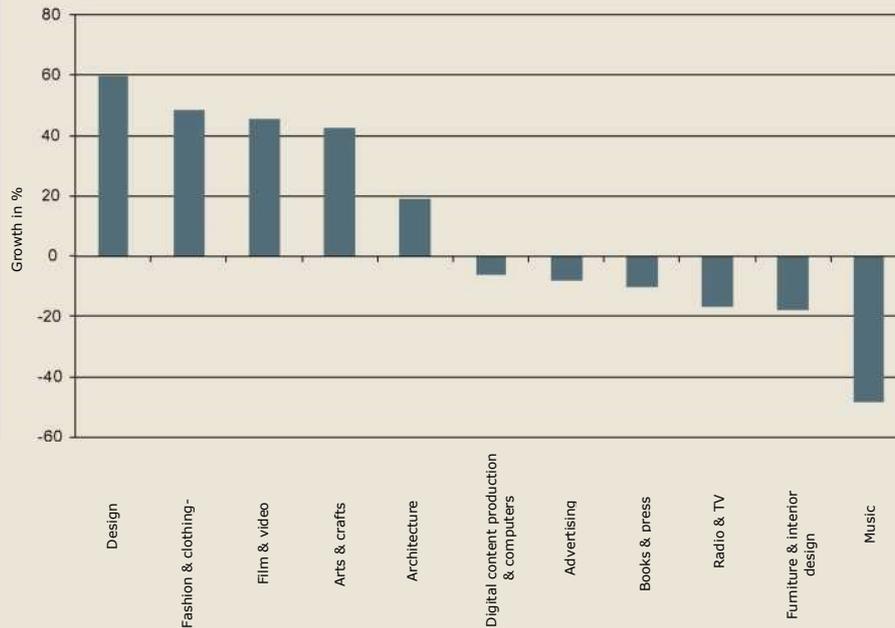


Note: The digital content production & computers sector is not included as a creative industry in the above figures because changes made to the sector code nomenclature in 2007 have rendered it impossible to show a time series for the period 2003-2010.

Source: Calculations by the Danish Ministry of Business and Growth based on data from Statistics Denmark.

The revenue and employment trends in the creative industries differ from sector to sector. Some sectors have seen significant growth in revenue throughout the period, while others have experienced declining revenue. Figure 4 shows revenue growth trends in the creative industries in the period 2003-2010.

Figure 4. Growth in revenue in the creative industries for 2003-2010, per cent



Note: Due to changes in the sector code nomenclature in 2007, the growth figures given for *digital content production & computers* are only for 2007-2010.
 Source: Calculations by the Danish Ministry of Business and Growth based on data from Statistics Denmark.

The design, fashion & clothing, film & video, arts & crafts and architecture sectors have all seen strong growth in revenue throughout the period. Revenue in the fashion & clothing sector increased from approx. DKK 37 billion in 2003 to approx. DKK 56 billion in 2010 and thus represents more than 25 per cent of total revenue in the creative industries.

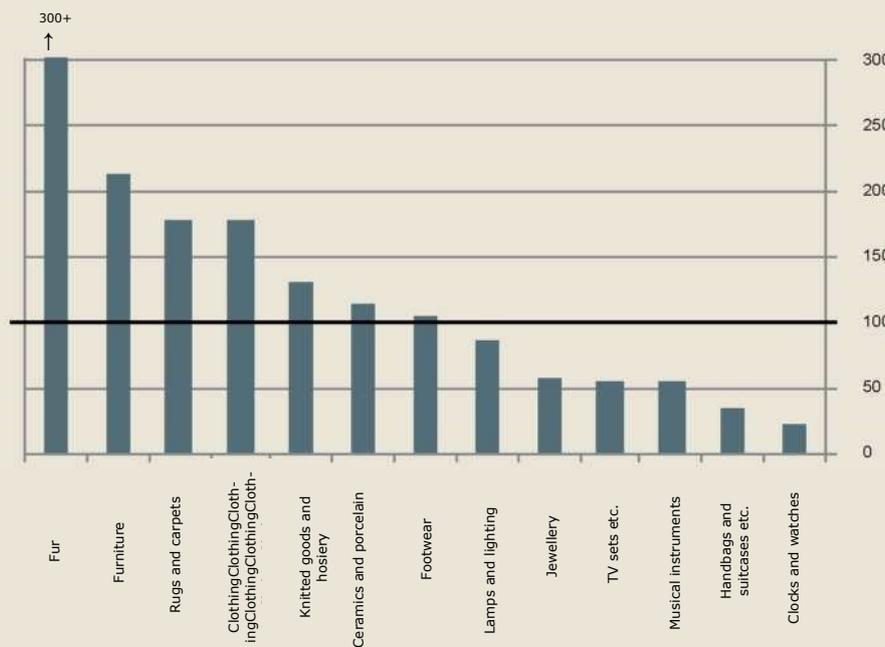
The remaining sectors have all seen declining revenue, including furniture & interior design, radio & TV and books & press, all sectors with relatively high revenue and high employment levels.

Denmark holds commercial strengths within fashion and furniture

The Danish domestic market is a good starting point for creative entrepreneurs; however it is relatively small and therefore setting a natural limit to growth. On this background, the growth potential in the creative industries in Denmark depends to a great extent on Danish businesses’ exports and competitiveness in the international markets.

In an international perspective, Denmark holds a strong position within areas such as fashion & clothing and furniture & interior design. Figure 5 shows Denmark’s export specialisation within selected product groups in the creative industries. A high degree of export specialisation indicates that Danish businesses have a relative strength compared with international businesses (it should be noted that knowledge services is not included here).

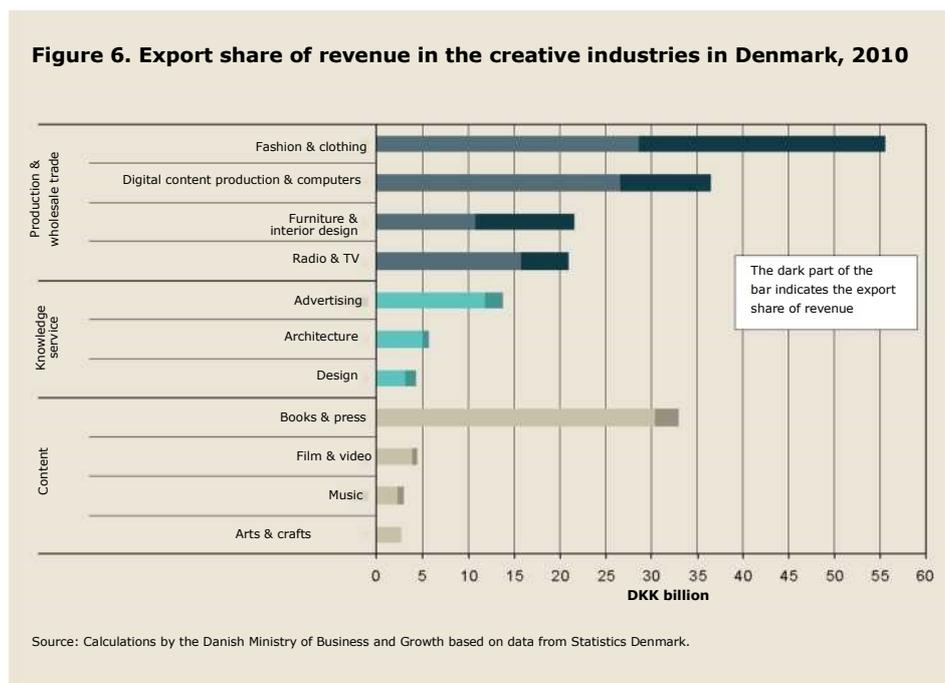
Figure 5. Export specialisation for selected product groups, 2010



Note: Export specialisations indicate the ratio between Danish exports of a product seen in relation to overall Danish exports and exports of the same product throughout the OECD and BRICS in relation to the overall product exports in OECD+BRICS. If the export ratio for a product is the same in Denmark and OECD+BRICS, the value is 100. A value of more than 100 indicates a position of strength.

Source: Calculations by the Danish Ministry of Business and Growth based on data from UN Comtrade and UN Statistics Division correspondence tables.

The furniture industry and fashion & clothing sector are also the sectors in the creative industries with the highest export share. Figure 6 shows that exports in each of these two sectors represent approx. half of the total sector revenue.



Despite the export specialisation of Danish furniture and a large export share within furniture & interior design, this sector has seen a significant decline in revenue in recent years. This could mean that the Danish furniture sector does not exploit its current international position of strength to increase revenue and growth. The situation looks different for the Danish fashion & clothing sector, which is also strong internationally while seeing significant growth in recent years.

Sectors within *knowledge services* and *content* all have significantly lower export shares than sectors within *manufacturing & wholesale trade*. However, it should be noted that many businesses within knowledge service provide services for other export businesses in Denmark, including the big manufacturing companies. This contribution to Danish exports is not reflected in the above figures.

It should also be noted that creative businesses which produce books, newspapers, magazines or music in Danish or for a Danish context have a large share of their revenue in Denmark, which means that these sectors have a limited export potential.

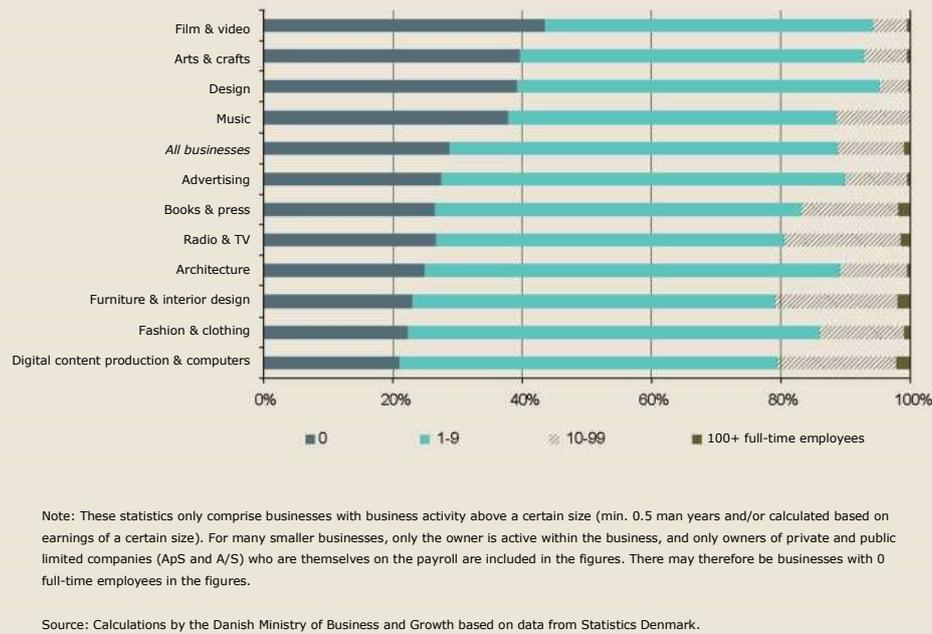
Many small and new businesses in the creative industries

The industry structure in Denmark is generally characterised by many small and medium-sized enterprises and few large businesses. This also applies to the creative industries, although there are significant differences among the different sectors, cf. Figure 7.

An industry structure comprising both big and small businesses contributes to a dynamic business community, and a growth layer of entrepreneurs and small enterprises makes an important contribution to innovation and new thinking. However, in general, larger and internationally oriented businesses are more productive and play a significant role as drivers of growth in Danish business and industry.²

² *Vækst og produktivitet i danske virksomheder* (Growth and productivity in Danish businesses), Growth Policy Theme no. 1, 2012, Danish Ministry of Business and Growth.

Figure 7. Businesses in the creative industries broken down by size, 2010



With regard to the sectors within *manufacturing & wholesale trade* – i.e. furniture & interior design, digital content production & computers, radio & TV and fashion & clothing – there is a relatively high share of medium-sized enterprises as well as several very large companies. The same applies within books & press.

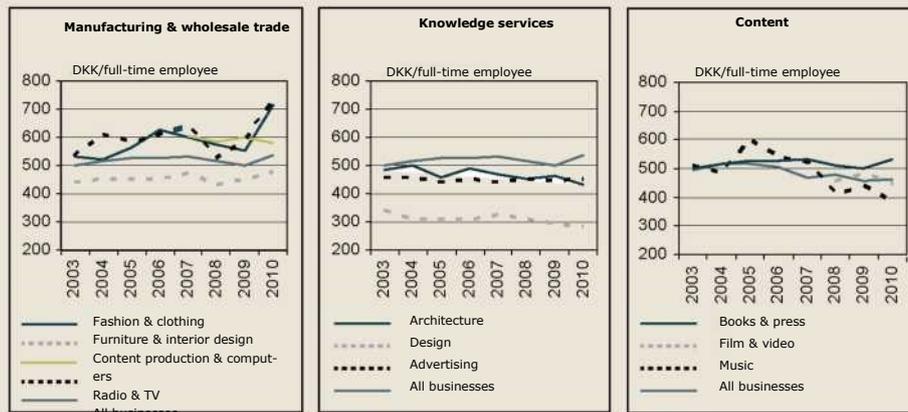
The sectors within *knowledge services* and *content* generally have few larger businesses, and the design sector, in particular, has many micro enterprises. This can be a challenge to growth through export and internationalisation, because small businesses can have difficulty prioritising resources for a large-scale export drive and internationalisation of the company.

High productivity is key to international competitiveness

High productivity can contribute to more efficient utilisation of resources and stronger competitiveness on international markets. Several factors can affect productivity in a sector, including capital intensity, level of education, typical business size and degree of internationalisation.

The productivity level varies greatly across the individual sectors in the creative industries. The highest productivity is found in businesses within *manufacturing & wholesale trade*, while the productivity level of businesses within both *knowledge services* and *content* is much lower, cf. Figure 8.

Figure 8. Productivity trends in the creative industries, 2003-2010



Note: (Work) productivity is calculated as value added per full-time employee. The added value is deflated. Employment includes independent business owners (owners of one-man businesses etc.). Businesses without employment have been eliminated. Statistics Denmark's sector nomenclature changed in 2003 and 2007, and a number of sectors are not included in the statistics until 2008. This means that it is not possible to show time series for all creative industries for the period 2003-2010.

Source: Calculations by the Danish Ministry of Business and Growth based on data from Statistics Denmark.

Productivity in the creative industries within *manufacturing & wholesale trade* is generally higher than productivity in Danish business and industry as a whole. However, the furniture & interior design sector has shown a productivity lag in relation to the other creative industries within *manufacturing & wholesale trade* and in relation to Danish business and industry as a whole.

For the sectors within *knowledge services*, productivity is below the average for Danish business and industry as a whole, and growth in productivity has been relatively weak throughout the period. This applies especially to the design sector, where the high number of micro enterprises may be one explanation for the low productivity level.

The sectors within *content* also show lower productivity than Danish business and industry as a whole and when seen over the entire period have not managed to improve productivity measurably.

Potential for and challenges to growth in the creative industries in Denmark

The creative industries make up a significant share of the Danish economy and employ a large number of people in both service and production.

On a global scale, increasing demand is expected in a number of areas within the creative industries. The government's plan for growth in creative industries · design will support Danish businesses seize the opportunities for growth that come with the increasing international demand. The initiatives in the plan thus address a number of challenges associated with boosting growth and internationalisation in the creative industries.

Several of the sectors in the creative industries comprise a very large share of micro enterprises and only a few larger businesses. If more businesses in the creative industries are to be able to compete in international markets, there is a need for more businesses to grow. To do this, they need good access to financing and advice that can underpin their growth and internationalisation as well as strengthening their business competencies.

There is also a need to focus on developing new business models and ways to cooperate that can enhance growth in the many small enterprises in the creative industries, which, due to limited resources, have difficulties achieving growth and internationalisation.

Furthermore, the Danish public sector, by virtue of its role as a procurer of goods and services from creative businesses, can contribute to the development and growth of the creative industries.

A prerequisite for growth in the creative industries is high productivity, which improves the competitiveness of Danish businesses on a global scale. Productivity is quite high in fashion & clothing and other creative sectors within manufacturing & wholesale trade, while there are sectors within knowledge services and content that need reinforcement to boost their productivity levels in order to exploit growth opportunities.

Businesses within knowledge services, such as design, architecture and advertising, are less capital intensive than manufacturing companies within, for instance, the clothing industry and furniture sector. Within these sectors, and within the creative digital sectors, it is therefore vital to focus on other factors which can improve productivity. This may include access to a highly educated workforce or strengthening innovation through closer cooperation with leading research environments.

Global demand for creative industries' output is expected to increase, especially in areas such as fashion & clothing, architecture, design and creative digital solutions. Furthermore, an increased focus can be expected on sustainability and green transition. These are all areas where Denmark holds strong competencies.

Revenue and employment within fashion & clothing and design have in fact increased significantly in recent years, and Danish exports of fur products to Asian markets have also shown strong growth. The initiatives in the present growth plan underpin this development so businesses within the creative industries can quickly seize the opportunities presented by the increasing international demand.