Creative Industries Council

ACCESS TO FINANCE

ACKNOWLEDGEMENTS

This report was commissioned by the Creative Industries Council and the research undertaken by BDRC.

The Creative Industries Council is a joint forum between the creative industries and government. Established as a voice for creative industries, the council focuses on areas where there are barriers to growth facing the sector, such as access to finance, skills, export markets, regulation, intellectual property (IP) and infrastructure.

Council members are leading figures drawn from across the creative and digital industries including TV and film, computer games, fashion, music, arts, crafts, design, architecture, advertising and publishing.

The council is co-chaired by The Rt Hon Matt Hancock MP, Secretary of State for Digital, Culture, Media and Sport, The Rt Hon Greg Clark MP, Secretary of State for Business, Energy and Industrial Strategy and Tim Davie CBE, Chief Executive at BBC Studios.

BDRC Continental is a market research firm who also compile the quarterly report SME Finance Monitor used by government and private and public sector bodies to better understand the SME market.

This report would not have been possible without the help and support of Creative Industry Council members and in particular the active group of finance professionals and creative industry sector representatives who all gave significant time, attention and energy. We are grateful to each and every one for their support. In particular we would like to thank the following:

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CONTENTS

FOREWORD

THIS RESEARCH MAKES AN IMPORTANT CONTRIBUTION TO THE CREATIVE INDUSTRIES GROWTH AGENDA. IT SHOWS WE ARE A SECTOR DOMINATED BY AMBITIOUS, INNOVATIVE, INTERNATIONAL BUSINESSES WITH THE POTENTIAL TO DELIVER EVEN GREATER VALUE FOR THE UK.

It also demonstrates the value of the Creative Industries Council. By combining resource and networks from across our members we've created an evidence base few organisations on their own could deliver, but which is vitally important for the sector and for policy makers, both nationally and locally.

But this research also shows that to achieve their ambitions, these businesses need easier access to the right type of finance and to specialist help and advice so that they can create jobs, develop new products and increase exports.

As we work to implement the Creative Industries Sector Deal, industry, government and the finance community must continue to work in partnership to make sure barriers to investment are removed so creative businesses and entrepreneurs across the country can reach their full potential.

Tim Davie CBE
Industry Co-Chair of the Creative Industries Council
Chief Executive of BBC Studios

THIS REPORT CONFIRMS WHAT EXPERIENCE HAS TAUGHT THOSE OF US WORKING DAY TO DAY IN SUPPORT OF CREATIVE BUSINESS ACROSS THE COUNTRY – THAT BUSINESSES IN OUR SECTOR ARE UNDERCAPITALISED.

BUT IT ALSO POINTS TO MUCH MORE.

It shows us that because of that difficulty in accessing mainstream finance, our creative entrepreneurs are relying heavily on informal finance – on their own money or that of family and friends. How many great ideas aren't realised because the people who imagined them don't have the personal networks to back them?

It also shows us that creative businesses sometimes struggle to meld that great creative idea with sound business practice. They need, and want, help and advice on financial planning, but they turn first to specialist support who get them and their business model.

It suggests that public sector funding makes an important contribution to the creative industries investment ecosystem. A vital source of research and development, enabling experimentation and creative innovation.

Perhaps most powerfully, it demonstrates that creative businesses have something the majority of SMEs lack and no amount of support services can seek to instil – ambition. So many of them are hungry to take on finance and eager to grow.

But experience has also shown us that this undercapitalisation is a far from intractable problem. As many members of the Creative Industries Council have shown, working with businesses from craft to video games, with the right finance and the right specialist support these creative businesses can make extremely sound investment propositions.

Industry, government and the financial sector need to work together better to make sure those ambitious businesses have the right skills to attract the right investment to support their ambitions for growth and in doing so the UK's ambitions for growth in creative clusters up and down the UK.

Caroline Norbury MBE
Chair of the Finance for Growth Group, Creative Industries Council
Chief Executive, Creative England

This report demonstrates the ambition, innovation and huge potential of creative industries businesses for high growth, whilst highlighting the ongoing challenge for these businesses in attracting the finance they need to achieve successful scale-up. It also reinforces our perception at UKBAA of the low level of access to equity investment by CI businesses. We are keen to now use this evidence to get behind the Creative Industries Sector Deal, and work with our investment community and all key players across the UK, to build a more connected and accessible finance ecosystem for creative industries businesses going forward.

JENNY TOOTH OBE, CHIEF EXECUTIVE, UK BUSINESS ANGELS ASSOCIATION

Creative firms present an optimistic vision of the future for the UK's business base. Diverse, ambitious to innovate and grow, international in outlook and willing to seek advice and collaborate. They use a wide range of funding options and most are successful in getting financed but the evidence suggests that they are less confident in their prospects than their success rate warrants. UK Finance are committed to enhancing the information available to firms in the sector to help them in seeking finance and build stronger links between firms and their finance partners. This insight provides a baseline to help us track progress in realising an opportunity for partnership in the interests of prosperity for us all.

STEPHEN PEGGE, MANAGING DIRECTOR, COMMERCIAL FINANCE, UK FINANCE

ICAEW warmly welcomes this unique research. The UK's creative sector includes many young, dynamic and ambitious businesses that are at the heart of the country's most exciting new developments. This report reflects that dynamism – but also how it's not always easy for high-growth ventures to access appropriate finance on practicable terms. Given that many of ICAEW's 147,000 members are heavily involved in the creative industries – as advisers, investors, and working within companies, the arts and cultural organisations – we enthusiastically support initiatives by the Creative Industries Council to boost public funding, private investment and financial expertise.

SHAUN BEANEY, CORPORATE FINANCE FACULTY, ICAEW

EXECUTIVE SUMMARY

THIS REPORT EXPLORES THE EXPERIENCES OF CREATIVE BUSINESSES AS THEY LOOK TO GROW AND DEVELOP THEIR BUSINESS AND SPECIFICALLY THEIR EXPERIENCES OF ACCESSING FINANCE TO SUPPORT THEIR AMBITIONS. ONLINE RESEARCH WAS CONDUCTED WITH 575 CREATIVE BUSINESSES ACROSS A RANGE OF SIZES AND SECTORS AND THE RESULTS WERE WEIGHTED TO BE REPRESENTATIVE OF CREATIVE BUSINESSES OVERALL BY SIZE, SECTOR AND REGION.

All nine creative industries sectors are represented. They are:

- Advertising and marketing
- Architecture
- Crafts
- Product design, graphic design and fashion design
- Film, TV, video, radio and photography
- IT, software, video games and computer services
- Publishing and translation
- Museums, galleries and libraries
- Music, performing arts, visual arts and cultural education.

Where possible, results from this survey have been compared to those of the SME population more broadly by drawing on the results from the SME Finance Monitor. This is the largest independent study of its kind in the UK, with 18,000 SMEs interviewed each year about access to finance related issues. The SME Finance Monitor figures quoted are for SMEs with employees (as most creative businesses have employees) and referred to in this report as "SMEFM" for ease.

THE MAIN FINDINGS FROM THE STUDY ARE AS FOLLOWS:

1. Creative businesses are typically small and young with 65% trading for 5 years or less. But they are also ambitious with 75% planning to grow in the next 12 months, compared to half of SMEs overall.

2. They are innovative businesses, many of whom trade internationally. 80% had been innovative in the last 3 years, with 75% of them developing a new product or service. This compares to 46% of SMEs who report that they are innovating.

3. Half of those owning or running a creative business are aged under 45, with 29% of them run by women. Many were run by experienced business people who had experience of running or investing in other businesses.

4. Creative businesses are heavier users of finance than SMEs generally, with almost 22% using 3 or more different types of funding. However, there was a significant reliance on informal sources of funding from friends and family with 27% of businesses using this source as opposed to 9% of businesses generally.

5. Whilst creative businesses are heavier users of finance, 72% report that they did not have enough finance. These findings also suggest that they are not asking for enough finance with 52% surveyed asking for less than £25,000.

6. Creative businesses are more enthusiastic seekers of finance than SMEs generally, with 61% happy to use external finance to fuel business growth and development. However, the majority were unhappy with the way the business was currently financed. 67% believed that financiers found their sector hard to understand and only 15% felt that they had always been able to access the funding they needed. 62% agreed that their growth had been restricted by a lack of funding.

7. Creative businesses are less likely to plan than SMEs generally – only 38% had a business plan - but are keen to access advice and support. 67% of creative SMEs would welcome more information about preparing to attract external finance and 55% knew they needed to develop their management and financial skills in order to grow their business.

ABOUT CREATIVE BUSINESSES

CREATIVE BUSINESSES ARE TYPICALLY YOUNG AND SMALL BUT THEY ARE ALSO AMBITIOUS, WITH THREE QUARTERS PLANNING TO GROW COMPARED TO HALF OF SMES OVERALL

Creative businesses are more likely than SMEs generally to have any employees (76% v 25% of SMEs on SMEFM), but most are fairly small businesses with 65% having 2-5 employees. For this reason, comparisons to the SME population more generally have been made to SMEs with employees.

Creative businesses are likely to be young businesses: 65% had been trading for 5 years or less, including 19% who were Starts (set up in the past 2 years). Just 14% of creative businesses had been trading for more than 15 years, compared to 46% of SMEs on SMEFM.

Small creative businesses are more likely than their peers to be growing and ambitious. 56% had grown in the previous year, including 28% who had grown by more than 20%. This compares to SMEFM figures which show that of the 45% of SMEs who had grown, 10% had grown by 20% or more. Looking forward, even more creative businesses expect to grow in the next year (73% compared to 53% on SMEFM).

THESE ARE VERY INNOVATIVE BUSINESSES, MANY OF WHOM TRADE INTERNATIONALLY.

Almost all creative businesses (80%) had been innovative in the last 3 years – 72% had developed a new product or service while 58% had significantly improved an aspect of the business. This compares to 46% of SMEs being innovative on SMEFM.

Two thirds of creative businesses (63%) traded internationally – 57% exported and 36% imported. Again this was higher than for SMEs on SMEFM (20%).

HALF OF THOSE OWNING OR RUNNING A CREATIVE BUSINESS WERE AGED UNDER 45 AND JUST OVER A QUARTER WERE WOMEN. THEY WERE ALSO EXPERIENCED BUSINESS PEOPLE, WITH MANY HAVING EXPERIENCE OF RUNNING AND INVESTING IN OTHER BUSINESSES.

- 9 in 10 respondents to the survey were either the owner (72%) or the MD/CEO (20%) of the business.
- 52% of them were aged under 45 and two thirds were men (66%). Creative businesses are slightly more likely than SMEs generally to be run by a woman (29% v 21% on SMEFM).
- These owners and MDs have a lot of experience of running businesses, but also investing in them:
  - Half (55%) had run a business in the past and a quarter (26%) were running another business as well as this one.
  - 6 in 10 (60%) had invested in the business they were running and a quarter (23%) had invested in another business.
  - Just 19% had not done any of these things. On SMEFM, 13% or less of owners/MDs had done each of these.

80%

OF BUSINESSES HAD BEEN INNOVATIVE, 72% HAD DEVELOPED A NEW PRODUCT OR SERVICE AND TWO THIRDS HAD TRADED INTERNATIONALLY

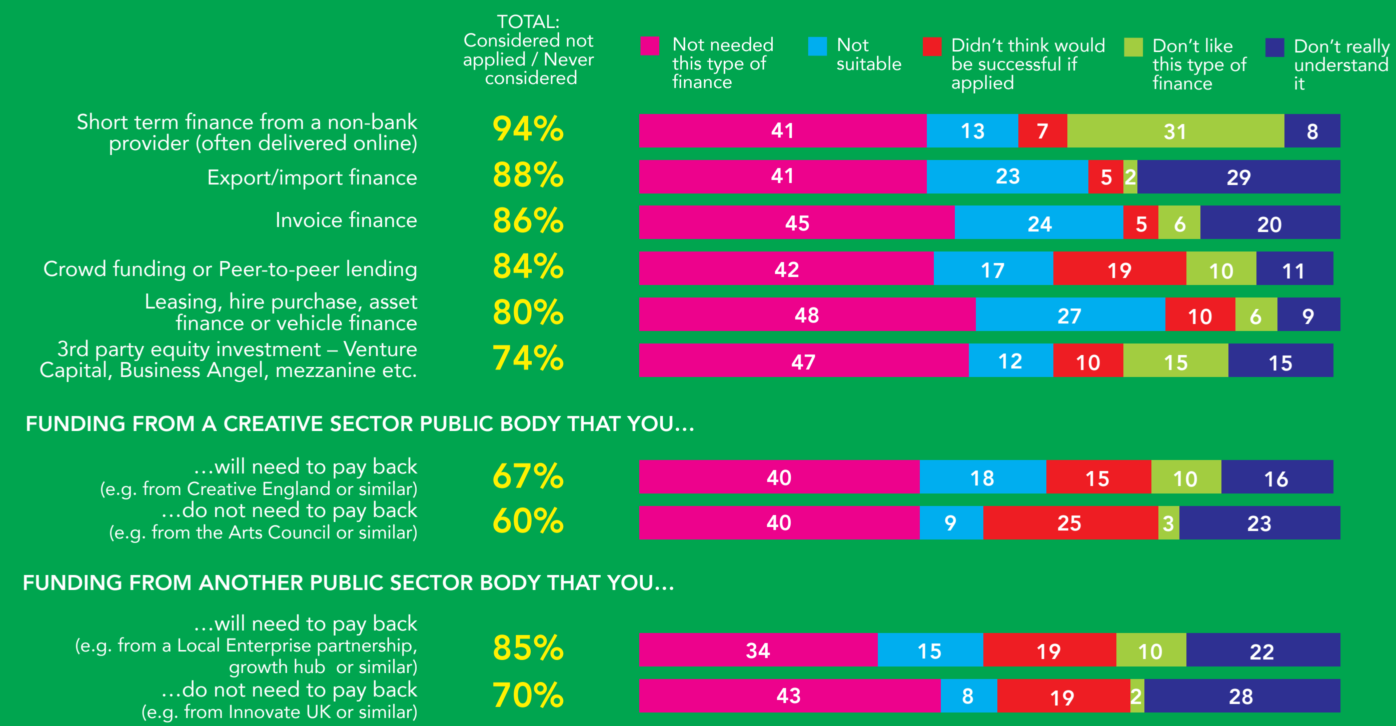
USE OF FINANCE

CREATIVE BUSINESSES ARE HEAVIER USERS OF FINANCE THAN SMES GENERALLY WITH ALMOST A QUARTER (22%) USING 3 OR MORE DIFFERENT TYPES OF FUNDING. THERE IS A SIGNIFICANTLY HEAVIER RELIANCE IN THIS SECTOR ON 'INFORMAL' FUNDING FROM FRIENDS AND FAMILY. THERE IS ALSO A HEAVIER RELIANCE ON PUBLIC FUNDS.

60% of firms were using one or more forms of finance, as recorded on the SME finance monitor.

- 44% were using one or more of the "core" forms of finance (loans, overdrafts and credit cards), in line with the 40% using them on SMEFM.
- 33% were using one of the other forms of finance detailed on SMEFM, compared to 25% of SMEs on SMEFM. The higher use amongst creative businesses was due to more of them receiving loans/equity from friends and family (27% v 9% on SMEFM).
- As well as being more likely to have funding through friends and family, creative businesses were also more likely to have had an injection of personal funds from the owner/ directors in the past year. 58% had received such an injection compared to 22% on SMEFM.
- Public funding has been a key part of the ecosystem for creative businesses. 14% of creative businesses were currently using funds from a public sector body, predominantly from a creative sector public body (8% where funds had to be paid back and 8% where they didn't). Longer term though, 42% of creative SMEs had accessed public funds at some point in the past and these bodies were also seen as both a key source of information about sources and types of finance and a potential source of future funding.

PRODUCTS NOT CONSIDERED OR APPLIED FOR (%)



CREATIVE BUSINESSES RECEIVED MORE LOANS/EQUITY FROM FRIENDS AND FAMILY

Amongst creative businesses that were **not** currently using the various forms of finance, the most common reason was having no need for it (around 4 in 10 for each product), but in some instances there was a lack of confidence that an application would be successful:

- Those not using public funds were more likely to say that they did not think they would be successful: A quarter (25%) of those who had not used funding from a creative sector public body (that did not need to be repaid), and 15-19% of non-users of other public sector funds said they did not think they would be successful if they applied. These non-users were also more likely to say that they did not really understand these types of finance (16-28%).

WHILST CREATIVE BUSINESS ARE HEAVIER USERS OF FINANCE, THREE QUARTERS REPORTED THAT THEY DID NOT HAVE ENOUGH FINANCE TO MEET THEIR NEEDS.

HALF OF CREATIVE BUSINESSES WERE USING LESS THAN £25,000 OF EXTERNAL FUNDING. INVESTMENT HAS BEEN USED TO INNOVATE THROUGH DEVELOPING AND PROMOTING NEW PRODUCTS AND SERVICES, AS WELL AS TO EASE CASH FLOW.

- 72% of all creative SMEs using funding (including almost all those accessing between £50,000 and £250,000) said that they did not have enough finance.
- 65% said that the funding was used to develop new products or services, 40% for marketing and business development and 37% to take on new staff.
- As with SMEs generally, those creative businesses that were using finance were also likely to say that it was to help cash flow (62%).
- 53% of creative businesses that used any funding said they were using less than £25,000 in total (28% were using less than £5000 and 25% between £5000 and £25,000). Less than 10% were accessing more than £250,000 of funding.

CREATIVE BUSINESSES ARE SLIGHTLY LESS LIKELY THAN SMES OVERALL TO HAVE ACCESS TO OTHER FUNDING OPTIONS, SUCH AS TRADE CREDIT OR HOLDING CREDIT BALANCES. A QUARTER HAVE BENEFITED FROM CREATIVE INDUSTRY TAX RELIEFS.

- A third of creative businesses (39%) receive trade credit from suppliers, compared to half of SMEs on SMEFM (48%).
- Credit balances are an important source of funding for many SMEs. 27% of creative SMEs agreed that they regularly hold more than £10,000 in credit balances, somewhat less than the 46% of SMEs on SMEFM.
- 24% of creative businesses had benefitted from creative industry tax reliefs and this was more likely to be the case for those in the IT and film sectors.

72% OF CREATIVE SMES USING FUNDING SAID THAT THEY DID NOT HAVE ENOUGH FINANCE

PUBLIC FUNDING HAS BEEN A KEY PART OF THE ECOSYSTEM FOR CREATIVE BUSINESSES

APPLICATIONS FOR FINANCE

OUTCOME OF APPLICATION

NEW MONEY

27% of creative businesses applied for new funding (loan, overdraft, invoice finance etc.)

51% ended the process with a facility

12% took other funding

37% ended the process with no funding

This is slightly lower than for SMEFM (not directly comparable) where

71% ended the process with a facility

7% took other funding

22% ended the process with no facility

RENEWALS

8% of creative businesses applied for a renewed facility (loan, overdraft, invoice finance etc.)

62% ended the process with a facility

7% took other funding

31% ended the process with no funding

This is notably lower than for SMEFM (not directly comparable) where

96% ended the process with a facility

2% took other funding

2% ended the process with no facility

CREATIVE BUSINESSES ARE SOMEWHAT HEAVIER USERS OF FINANCE THAN SMES GENERALLY AND SO WERE MORE LIKELY TO HAVE HAD A BORROWING 'EVENT' THAN THEIR PEERS.

HOWEVER, THEY WERE ALSO MORE LIKELY TO HAVE BEEN A 'WOULD BE SEEKER' OF FINANCE, WHERE A NEED FOR FINANCE WAS NOT ACTED ON.

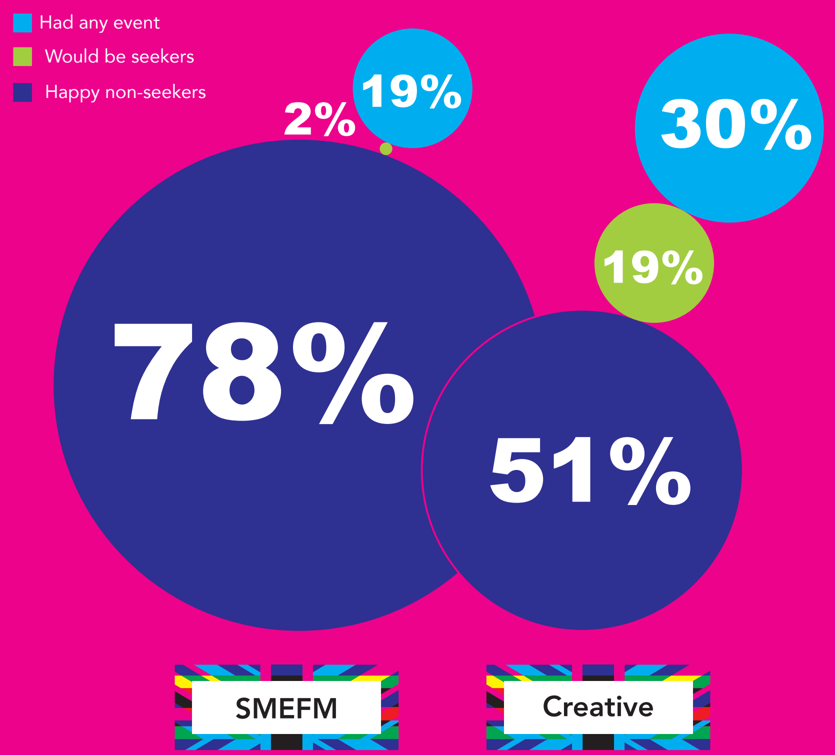
- All SMEs can be placed in one of 3 categories depending on their finance activity in the previous 12 months – those who had a borrowing event, the 'would be seekers' who wanted to apply but something stopped them and the 'happy non-seekers' who did not need any (more) finance.
- Creative businesses were more likely to have had a borrowing event than SMEs on SMEFM (30% v 19%).
- They were also more likely to have wanted to apply but something stopped them – 19% were 'would-be seekers' compared to 2% on SMEFM.
- As a result they were less likely to have been 'happy non-seekers' of finance, albeit this was still the largest group (51% v 78% on SMEFM).

CREATIVE INDUSTRY BUSINESSES WERE MORE LIKELY TO HAVE WANTED TO APPLY FOR FINANCE BUT SOMETHING STOPPED THEM. 19% WERE 'WOULD BE SEEKERS' COMPARED TO 2% OF SMES IN GENERAL

AROUND TWO THIRDS OF CREATIVE BUSINESSES WERE SUCCESSFUL WITH THEIR APPLICATION.

- 30% of creative businesses reported a borrowing 'event' in the previous 12 months. Most of these (27%) involved an application for new finance, whilst 8% had sought to renew an existing facility.
  - 63% of applicants for **new funding** ended the process with some funding, including 33% who were offered what they wanted and took it (11% were offered less than they wanted but took it, 7% took funding with terms and conditions they didn't like and 12% took another form of funding from the one they applied for).
  - 37% of applicants for **new funding** ended the process with no funding, including 19% who were declined by the organisation they applied to (12% were offered less than they wanted so did not proceed, 5% didn't like the terms and conditions).
  - Whilst not directly comparable, the 51% who were successful with the facility they applied for was somewhat lower than the 71% success rate for new money applicants on SMEFM.
- On a limited base, 69% of **renewals** were successful with some funding, and most of those who were not successful (29%) were declined by the organisation they applied to.
- Again, this is not directly comparable to SMEFM, but on that survey 96% of renewals were successful.
- Base sizes are too small to be able to identify what may be causing the differences.

RECENT APPLICATIONS: DID ANYTHING STOP BUSINESS/ORGANISATION APPLYING FOR ANY FINANCE IN PAST 12 MONTHS? (%)



ATTITUDES TO FINANCE

WHILST KEEN TO USE FINANCE, CREATIVE BUSINESSES STRUGGLE TO ACCESS WHAT THEY NEED AND FEEL THEIR SECTOR IS NOT UNDERSTOOD BY LENDERS.

- 61% of creative businesses agreed that they were happy to use external finance to help the business grow and develop (compared to 51% on SMEFM) but 67% thought that lenders find their sector hard to understand and 61% that their sector struggles more than others to get funding.
- Just 34% were happy with the way the business was currently funded and 27% agreed that external funding had made them the successful business they were today (with 44% disagreeing).
- 15% agreed that they have always been able to access the funding they have needed in the past, increasing to 26% agreeing that they would be able to access finance in the future when needed. Perhaps as result, 62% agreed that their growth had been restricted in the past due to a lack of funding.

THEY ARE ALSO THOUGH WARY OF THE LOSS OF CONTROL, THE TERMS AND CONDITIONS AND THE COST OF FINANCE, WHICH TEMPERS THE USE OF FINANCE FOR SOME.

- 54% agreed that they were wary of using external finance due to the perceived loss of control and 56% felt that funding comes with too many terms and conditions. 38% felt that external finance was too expensive for them.
- 60% agreed that they would rather grow more slowly than borrow to grow more quickly (compared to 67% on SMEFM).

67% THOUGHT THAT LENDERS FIND THEIR SECTOR HARD TO UNDERSTAND AND 61% THAT THEIR SECTOR STRUGGLES MORE THAN OTHERS TO GET FUNDING

ATTITUDES TOWARDS FINANCE? (%)

	Total Agree	Total Disagree	Strongly agree	Agree	Neither/nor	Disagree	Strongly disagree
We are happy to use external finance to help the business grow and develop	61%	17%	24	37	23	14	2
We are very happy with the way the business/organisation is currently funded	34%	38%	5	29	28	28	10
The business/organisation regularly holds more than £10,000 of credit balances	27%	49%	10	18	23	28	21
External funding has made us the successful business/organisation we are today	27%	44%	6	21	29	22	21
We are confident that we can access the external finance the business/organisation when it needs it	26%	39%	3	23	35	23	16
We have always been able to access the external finance the business/organisation has needed	15%	50%	<1	14	35	33	17

62%

AGREED THAT THEIR GROWTH HAD BEEN RESTRICTED IN THE PAST DUE TO A LACK OF FUNDING

67% OF CREATIVE SMES WOULD WELCOME MORE INFORMATION ABOUT PREPARING TO ATTRACT EXTERNAL FINANCE

WHILST THEY ARE SOMEWHAT LESS LIKELY TO PLAN, A NUMBER OF THEM TAKE ADVICE.

Creative businesses were twice as likely to take advice from a business mentor (31% v 16% of SMEs on SMEFM). A similar proportion (33%) had sought professional advice before seeking finance.

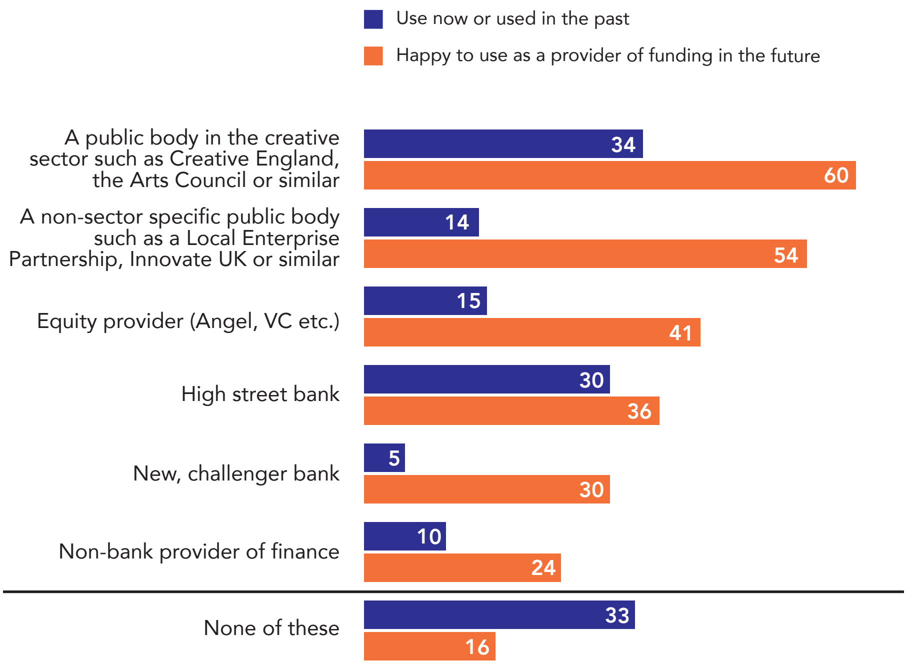
But creative businesses were somewhat less likely to plan (54% v 72% of SMEs on SMEFM) – 40% produced regular management accounts and 38% had a business plan.

CREATIVE BUSINESSES ARE KEEN TO KNOW MORE ABOUT THE RANGE OF FINANCE AVAILABLE TO THEM.

- Almost all creative SMEs (83%) had accessed information in the past about finance. A wide range of sources had been used, headed by arts and creative organisations (58%) and trade/professional associations (46%).
- Public sector bodies also topped the list of consideration of future providers of finance (60% for arts bodies and 54% for other public bodies) but there was also stronger future appetite for equity providers (41%) and challenger banks (30%).
- Overall, 67% of creative SMEs would welcome more information about preparing to attract external finance, increasing to 71% of those already using finance and 86% for Starts.

CREATIVE BUSINESSES WERE TWICE AS LIKELY TO TAKE ADVICE FROM A BUSINESS MENTOR

FINANCE PROVIDERS USED BY BUSINESS/ORGANISATION FOR FUNDING VS. THOSE HAPPY TO USE IN THE FUTURE (%)



LOOKING TO THE FUTURE

LOOKING FORWARD, CREATIVE SMES ARE AMBITIOUS FOR FUTURE GROWTH, THROUGH INNOVATION AND INTERNATIONAL TRADE. THIS IS SLIGHTLY TEMPERED BY THE NEED TO ENSURE THE BUSINESS IS ON A STABLE FOOTING.

- 73% of creative SMEs expected to grow in the next 12 months compared to 53% on SMEFM. This includes 41% that expected to grow by 20% or more. Just 13% felt that they were at a good size now and didn't need to chase further growth, compared to 51% with a long term plan to grow the size of the business considerably from its current position.
- 60% were looking to develop their planning and management skills to move the business forward, 54% of creative businesses expected to take on more staff in the next year and 31% were looking for a mentor. This may be to address a skills gap; with 55% acknowledging that they didn't currently have the management and financial skills to grow into a bigger business.
- Most creative SMEs (83%) had ambitions to innovate: 63% to develop a new product or service and 60% to significantly improve an aspect of the business.
- 68% had international ambitions, predominantly to export more (67%). Half of creative SMEs (53%) agreed that being able to export more was key to their future growth and India and China were identified as key potential markets.
- There are some concerns too. 67% said that an ambition for the next year was to get the business on a more stable footing and 50% agreed that growing the business took them away too much from the creative side of the business.

73% OF CREATIVE SMES EXPECTED TO GROW IN THE NEXT 12 MONTHS 83% PLANNED TO INNOVATE AND 68% HAD INTERNATIONAL AMBITIONS

EXTERNAL FINANCE IS A SEEN AS KEY PART OF THIS GROWTH, WITH 7 IN 10 SAYING THEY WILL NEED MORE EXTERNAL FINANCE TO DEVELOP NEW PRODUCTS AND SERVICES AND TAKE ON STAFF. HOWEVER, ONLY A MINORITY ARE CONFIDENT THEY WILL BE SUCCESSFUL AND FAILURE WOULD HAVE A SIGNIFICANT IMPACT ON THEIR PLANS.

- 83% of creative businesses were either already using finance or expected to have a need for finance in the next year (which most planned to apply for).
- The 69% that expected to need more external finance in the next 12 months was considerably higher than the 10% on SMEFM (where low demand for finance has become a key theme). As with past use of finance, innovation was a key reason for needing future funding: 76% wanted funding to develop new products and services, 62% for business development and 65% to take on more staff. Meanwhile 57% wanted funding to help with cash flow.
- Half of creative businesses were currently using less than £25,000 of external funding, but just 22% expected to need that amount of funding going forward with 58% aiming for £25,000 to £250,000. Very few were looking for more than £1 million (7%).
- Although appetite for finance was higher than on SMEFM, confidence of being successful with an application was lower (30% v 50%) with 64% saying they were 'not very' or 'not at all' confident of success.
- 88% of future applicants said that if they were unsuccessful this would be a problem for the business (rising to 97% of those who were not confident of being successful).

7 IN 10

SAY THEY WILL NEED MORE EXTERNAL FINANCE

SUMMARY AND NEXT STEPS

THE AIM OF THIS RESEARCH WAS TO IMPROVE THE EVIDENCE BASE ON THE EXPERIENCE AND ATTITUDES OF CREATIVE INDUSTRY BUSINESSES TOWARDS ACCESSING FINANCE. THE FINDINGS SHOW THAT WHILST TYPICALLY SMALL, CREATIVE BUSINESSES ARE AMBITIOUS, HIGHLY INNOVATIVE, INTERNATIONAL AND OFTEN HIGH GROWTH, THEY STRUGGLE TO ACCESS THE CRUCIAL FINANCE THEY NEED TO MAINTAIN THAT PERFORMANCE, REACH THEIR AMBITIONS, SUSTAIN GROWTH AND SCALE-UP.

Creative entrepreneurs struggle to access finance and believe their business growth has been restricted by a lack of investment. Many have had to rely more heavily on informal sources of funding, such as family and friends, raising important questions around the opportunities that are available for individuals without personal wealth or the contacts willing to lend or invest funds. When creative businesses do succeed in accessing finance, they either do not receive enough or undervalue the amounts required to achieve their growth ambitions. They believe that financiers fail to understand the nature of their business fully. However, many do not have a business plan in place nor do they believe they have all the management skills required to further develop and grow their business. This suggests a need for more support to address the information asymmetry between creative firms and the finance and investment sector.

The report has given an important snapshot of the experiences, ambitions and attitudes towards finance and investment specific to creative businesses. It is the first time that the finance needs of creative SMEs have been contextualised and benchmarked within the wider SME community, via the SME Finance Monitor. It has raised a number of compelling questions which need to be explored in future research, including further analysis of creative businesses' relationships with VCs and angel investors; the structures creative SMEs have in place to work internationally; and the productivity profile of creative businesses compared to SMEs more generally.

Creative Industries Council