16th Deloitte Private Art & Finance Conference, 22 October 2024

Caroline Norbury OBE: Opening Address

Good morning, everyone.

Thank you so much to Deloitte for inviting me to speak today and asking me to share with you some of the challenges and opportunities I believe are inherent within the cultural and creative industries.

I'm going to start with some good news - which is that as someone who has operated at the cutting edge of creativity and technology for the last twenty years - I have found the most effective form of communication is already attached to us – two ears and one mouth!

So, I'm, sure you'll be relieved to hear that I have no ppt slides, or videos or other pyrotechnics!

It's wonderful to be with you here in Luxembourg – the heart of Europe's investment ecosystem, talking to you about art, culture and the creative industries.

The poet and writer, Oscar Wilde, once commented that when bankers dine together, they discuss art, and when artists dine together, they discuss money! So I'm going to try to discuss both before today's conference gets underway.

My own personal background is in film and TV.

Many moons ago I was an independent filmmaker and producer, but for most of my career I have grown a not-for-profit business from a small regional organisation to an internationally ambitious advocacy body ...

... and now Creative UK is also a specialist investment business for the UK's cultural and creative industries.

We are first and foremost a convenor, bringing together players across the UK government and the public sector with heavyweight industry, private businesses, arts and cultural organisations and investors.

We are not a government body, but we are a very close partner to government and use our members insights to influence policy, align missions and build coalitions for growth.

Unusually, alongside this, we also invest our own funds into profit-making creative businesses. We then use the returns to invest back into the creative sector to develop the next generation of creative talent.

We're a mission-led not-for profit <u>AND</u> a venture capitalist – I bet you haven't met many of those!

And we are doing well, despite the myth still present in the investment community that creativity is too risky to support.

In the last few years Creative UK has invested over £50m into scaling creative businesses and talent.

We've leveraged about £4 of investment from other parties for every £1 we've made. In addition We have a small slate of equity businesses averaging about 3 x return and have seen 25 exits from companies we've invested in over the last 7-8 years.

We've seen the likes of Dimension Studio – an early recipient of our landmark debt fund - grow from a two-person operation to one that employs 300 people and then receive a recent multi-million pound investment from US equity, facilitating our own exit from the business.

What I'm trying to convey is…we know what we're talking about.

Context

My keynote is a provocation – about the need for a new approach to driving investment into the cultural and creative industries – I call this the need for "Banks" of Creativity.

I'll explain a bit more about this concept shortly.

But firstly my aim is to explain why YOU should you care about this as deeply as I do.

Let's start with some numbers.

The creative industries globally generate 4 trillion dollars and employs over 50 million people[1] - about 144 Luxembourgs.

But the sector does much more than that. It is "multi-dimensional" – improving well-being and happiness, making places more pleasant to live in, increasing harmony and social cohesion.

Many of these contribute to global Sustainable Development Goals – generating jobs and economic growth, while reducing disparities, and combatting loneliness and isolation.

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[1] **UNESCO**

It's clear from Deloitte's Art and Finance Report that this kind of social impact investment is increasingly important to younger generations. The Purpose Motive is reaching parity with the Profit Motive. And the cultural and creative industries are a major engine for sustainable socioeconomic rebirth and regeneration.

The digital upbringing of those preparing to lead our future has resulted in Millennials overwhelmingly identifying as citizens of the world. And a world where creative expression and cultural experiences are as important as traditional assets.

Things like connecting with others, the music we listen to, the art we make, the fashion we wear, the films we watch, the games we play and the theatre we consume … the things that create our sense of place and belonging.

Improving productivity and expanding prosperity will also increasingly depend on the fusion of creative and technological innovation. Product design, service design, human-centred design, design engineering. These are the skills taught in art schools, not business schools.

From Jonny Ive who designed every Apple product from the iMac through to the Apple Watch, inventor James Dyson and filmmaker Ridley Scott. All have studied at the best art school in the world, the Royal College of Art in the UK.

So, why should you invest in the cultural and creative industries?

Powerful families have shaped the world of investment since the establishment of the early banks in the Fourteenth Century … at the same time, they have been at the heart of the development of art and culture.

Problem/Opportunity

And today, we have two key challenges:

The first is that the world of finance and the cultural and creative industries do not speak the same language. Which in turn means that the funding that should be in place, and should be making a return, is not.

Some new research we are publishing soon suggests about 1 in 3 creative sector businesses don't know somewhere they can get finance, or are unsure of how to get investment.

The most egregious example of this disconnect is the undercapitalisation of creative intellectual property. Take for instance, some of the most successful global franchises of the day – let's say Harry Potter or Marvel.

The initial ideas behind these blockbusters were undervalued by traditional investors, many of whom passed on the opportunity to invest early on in their development - and to benefit from their vast and multifaceted revenue streams.

But this lost opportunity isn't just in media.

It's true of Games Workshop (recently valued at $5bn) in games. Hamilton in musical theatre. Countless other incredible global blockbusters who initially struggled to access traditional finance at inception at who could have given up.

I'm sure there are many others that did give up and that could have been even bigger successes!

Let me absolutely clear: this disconnect isn't just leaving money on the table – it's actively stifling innovation.

Take Covatic, a CreaTech company that spun out of Oxford University but which struggled to gain early confidence from investors. We invested in them several times, helping to accelerate their growth. The market's confidence in them is now such that last year they raised $5m in a Series A funding round.

As a specialist in the creative sector, Creative UK provided the early capital when mainstream investors could not see the opportunity.

The second big challenge is that long-term public funding, which has historically underwritten experimentation and innovation - the most exciting aspect of the global creative ecosystem – is declining across the board. Governments, for the most part, have taken a piecemeal and short-term approach.

In the U.S., the federal government has essentially exited investing in culture and creativity. In the U.K. public funding has been decimated since the global financial crisis, a scenario we see happening increasingly now across other parts of Europe too.

Both challenges mean that as an asset class the cultural and creative industries are not taken seriously as an investment opportunity.

To give you two examples - there is intellectual property originated in our theatres, that could grow into international feature films, games, merchandise and theme parks – with some access to finance.

As an example – British Animation Company, Aardman began their life through a 1 minute commission for a children's TV show and a short commercial for an energy company 50 years ago. Their portfolio now encompasses TV series, games, Oscar winning feature films, exhibitions and several branded theme parks in Asia and beyond.

Another example are prototypes of cutting edge textiles that need finance to scale: clothes which grow as children grow.

Yes, you heard me right – clothes that grow with children, out of the UK's very own world leading Royal College of Art (working with Imperial College)[2].

Or game engine technology that is now being repurposed to help pilots fly and cities plan their flood defences and emergency responses.

What these examples show is the potential of investing in creativity to drive not only returns in the entertainment sector but across other industrial sectors too.

So why are we struggling for investment?

Partly, because there are few good data sets that provide a clear picture of the funding and finance landscape as it currently is. Despite some good work done by different governments to map the sector, a complete picture of the landscape is difficult to obtain. Definitions vary and there's a prevailing sense that cultural and creative industries businesses are generally a bit fluffy and not run by serious, business-minded people who generate hard impact.

Fluffy?

Can I remind everyone again of that $4 trillion dollar number.

[2] https://www.jamesdysonaward.org/2017/project/petit-pli-clothes-grow-child

In the UK the cultural and creative industries have grown faster than the economy as a whole for nearly two decades by a factor of 3 and more!

We really need taxonomies – and vision - to catch up with the realities of our industry!

There is a huge growth opportunity to be had backing the cultural and creative industries, and in doing so not just making a return on investment, but also to make a difference to people's lives and circumstances.

Driving drive social change.

Unlike many industries, the cultural and creative industries are geographically diverse.

At the heart of our sector is talent and talent is everywhere – it just needs the right conditions and opportunities to flourish.

Our research and development is also complex.

Because in addition to cutting-edge technology and innovation, we are inherently grassroots - so investing in this sector means investing in social capital. This too is what builds sustainability, prosperity and inclusive growth.

Sure, we need more roads, railways and windmills, but if we also invest in developing our imagination, and our creativity, then we have more chance of seeding the world's next great innovation.

And yet not a single one of the current 17 ESG measures are directly oriented to culture and creativity.

This is a totally missed opportunity to make use of the way culture drives development.

We need to develop and deliver an investment strategy that aligns with the some of the sweeping megatrends of our time.

We know that:

1. Longer lives mean people are diving into culture earlier and staying engaged much longer.

2. Shared experiences are a powerful antidote to isolation and the growing loneliness epidemic.

This means the next generations nipping at our heels have shifted priorities – they crave experiences that feel unique and genuine.

They want more than mere financial transactions; they demand radical authenticity – in their investments *and* in their creative expression – and in their consumption patterns.

So, investment decisions need to reflect these trends.

Simultaneously, mega-artists like Taylor Swift and Doja Cat cutting out the middlemen ... and investment approaches must evolve to keep pace. This includes how family offices think and act.

The ripple effects are undeniable.

The Solution:

The Case for Creativity Banks

Here’s the crux of my case for Creativity Banks:

What I am proposing today is more than making new institutions.

It’s about reshaping the entire investment ecosystem of the creative economy.

I’ve called this a “Bank” of Creativity which would tap into the power of long-term patient capital.

To be clear though - I am not calling for the establishment of an actual financial institution, rather the development of a banking interface that operates nationally and internationally.

A “single front door” if you like to the right sort of money for the cultural and creative industries. Similar to that which already exists in some other sectors such as climate finance where family offices already function so effectively.

But here – we are building something tailor-made for the unique cash flows and innovation cycles of creative organisations. Something which recognises the risk profile, and doesn’t punish visionaries and for the ambition and creativity that is inherent to their existence.

This is about bridging the gap between impact-driven investors and cultural and creative innovators and entrepreneurs who are redefining society.

It’s not just capital; it’s transformation.

Family offices, pension funds and other institutional investors could be powerful partners in supporting the Creativity Bank’s mission, while reaping solid returns.

That's not to say we let government off the hook. They too must play their part in providing ongoing funding, catalysing investment, just as they do in many other sectors.

And there is growing evidence that government are beginning to understand the cultural and creative industries for what they truly are: proven engines of growth.
Indeed the new UK government has already intervened to unblock the planning stranglehold on a major new studio development and last week, published their new Industrial Strategy, outlining the CI as one of their priority economic sectors.

Imagine an intermediary specifically designed to understand the needs of creative enterprise, that could connect creative entrepreneurs to mentors and resources to make sure they are investment ready.

This is not a niche opportunity; the evidence is clear that we're a dynamic sector that fuels economic expansion and transforms society.

We have seen similar models to what I'm proposing, which have catalysed growth and solid returns - look at the Creative Investment Fund in Canada. It's shown how strategic investment can foster a rich cultural landscape, alongside a healthy yield.

Another example is BPI France, the French public sector investment bank, which offers both equity and quasi-equity investments for SMEs within the cultural and creative industries. This includes unsecured loans, all of which are approved alongside a private bank loan. The results speak for themselves, with BPI France managing around 275m euros of assets across the cultural and creative industries, generating 1.1bn euros in turnover by supporting over 50 companies to date.

The role of family offices in shaping the future

Family offices have a unique role to play, should you share our vision.

You are at the forefront of innovative investment strategies and well-versed in the value of combining financial returns with impact objectives.

You operate over long time periods meaning you can be both innovative and patient. You understand the need for a blended approach. Imagine if you were able to ring-fence a small percentage of your portfolio for something which might feel inherently risky, but which I could show you through my own case studies has actually performed better than many “safe” asset classes. Not only has performance been solid, but these investments are also generating a raft of social and cultural benefits.

The time has come to embrace a new model of investment that values creativity as both a cultural and financial asset.

You have the capacity to take risks that traditional investors cannot.

You can – and already do – engage with efforts that promise financial returns AND enhance social capital.

A Bank of Creativity would provide a structured approach to channel your investments. By building a platform to connect with cultural institutions and creative entrepreneurs, together, with your support, we can facilitate an exchange of ideas, resources and funding that benefits both parties.

A call to action: building a future together
As we stand on the brink of this transformative moment, I urge you to consider the potential of a new model of investment.

Imagine a world where every creative project with growth potential can secure the investment it needs to flourish.

This is not just an economic proposition; it's a social one, and a moral one too.

Investing in the creative industries is investing in stories.

Voices. Ideas.

Narratives that shape our society and ensure our landscape reflects the diversity and richness of our communities. That define who we are in the world – and importantly, what we can be.

Investing in the cultural and creative industries is investing in innovation. In cutting edge applications of creative thinking.

To build this we need collaboration and commitment.

We need insights and buy-in from investors, cultural leaders and policymakers alike.

In a world where 90 per cent of investors believe art and collective wealth should be part of a wealth management offering, embracing creativity is essential …

… not just for cultural enrichment but for long-term financial resilience.[3]

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[3] Extracted from Deloitte report: page 119 https://www.deloitte.com/content/dam/assets-zone2/lu/en/docs/services/financial-advisory/2023/art-finance-report-2023.pdf

So let’s reshape the future of creative investment, so that creativity and capital grow hand-in-hand.

Let’s empower creatives and offer investors real, tangible returns.

Let’s move past the outmoded and incoherent opinion that the cultural and creative industries are something nice and fluffy, ... and instead affirm their central position as a reliable driver of socioeconomic growth: – as the place where innovation improves society.

This is about crafting a new economic narrative where creativity is at the heart of prosperity – a place where passion, purpose and profitability align.

Together, let’s invest in a future where creativity leads and the returns follow. Thank you.