

With *Denmark's Creative Potential, Culture and Business Policy Report* the Government is setting its sights on interaction between culture and industry. Two worlds traditionally separate but which are now beginning to converge.

This cultural and business policy report presents several recent studies of:

- Culture as business
- Creative interaction between the arts and commercial enterprises
- Culture's importance to regional development

The report suggests that closer interaction between culture and industry can trigger a new social dynamic, which will, at one and the same time, strengthen culture and the arts, offering new opportunities for development, and add impetus to industrial development marked by innovation, creativity and resourcefulness.

The report doubles as a cultural and business policy strategy and vision, embracing an ideas catalogue putting forward 13 concrete initiatives to help release the tremendous potential inherent in interaction between culture and industry.

Denmark's **Creative potential**



Denmark's **Creative** Potential

Culture and Business Policy Report 2000





Contents

Foreword	5
Summary	6

<p>Denmark's Creative Potential Culture and Business Policy Report 2000 Published June 2001 by:</p> <p>The Ministry of Trade and Industry Slotsholmsgade 10-12 DK-1216 Copenhagen K</p> <p>The Ministry of Culture Nybrogade 2 Post Box 2140 DK-1203 Copenhagen K</p> <p>Circulation: 1000 Price: 75,00 incl. moms Copies of this report are available from Statens Information (Government Information Office) Nørre Farimagsgade 65 Post Box 1103 DK-1009 Copenhagen K Tel. +45 33379228 ISBN: 87-988222-2-5 Electronic edition: ISBN: 87-988222-3-3</p> <p>Design and Production: Ravn Reklamebureau AS graphicdesign.dk</p> <p>Translation: Mary Graham Dj</p>	13	Section 1 Culture and Business, why? Chapter 1 Culture and business are converging Chapter 2 New economy, fresh opportunities	14 20
	33	Section 2 Culture as Business Chapter 3 The cultural industry in Denmark Chapter 4 The four focal points of the cultural industry	34 45
	75	Section 3 The Creative Alliance Chapter 5 Interaction between business and culture Chapter 6 New arenas for creative interaction	76 86
	95	Section 4 Creative Regions Chapter 7 The importance of culture to regional competition	96
	109	Section 5 The Ideas Catalogue Chapter 8 The ideas catalogue	110
		Appendix 1 Portrait of seven cultural industries Appendix 2 Outline of statistical data	125 133





Foreword

We are living in a time of change. New descriptions of society appear every day. The new economy, the dream society, the experience economy. All descriptions of an era in which knowledge and creativity have become key resources. A time when companies can no longer compete on price and technology alone. A time when the most successful companies are those which relate a narrative, appeal to our emotions, sell us a lifestyle or impart an experience.

However, it is also a period in which our culture itself is changing. The generation now growing up will be the wealthiest and most liberated in the history of Denmark. They have more power as employees and consumers than any generation before them. They can choose between hundreds of TV channels, buy a lifestyle from thousands of global brands and choose their communication channels from millions of Websites on the Internet. They live in a culture that refuses to be dictated to by the Church, the State or the boardroom. They live in a culture in which everything is in a constant state of flux, in which Disney films and Pokémon cards are as important as Danish cartoon characters and Lego. A culture increasingly dominated by the international entertainment industry. But still a culture that seeks identity and cohesion.

The new global culture presents a challenge to cultural and business policy, alike. We can no longer discuss ways of strengthening Danish culture without looking at how to create a commercial alternative to the international entertainment industry. We can no longer talk about competitiveness without taking creativity, experience and design on board, too.

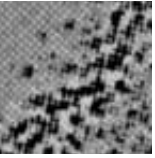
This report explores the borderland between culture and business. It is the most comprehensive study yet of the Danish cultural industry and interaction between the arts and the business community. It also includes an ideas catalogue outlining thirteen concrete proposals designed to develop Denmark's creative potential.

We hope that the report will provide readers with plenty of food for thought.

Elsebeth Gerner Nielsen
Minister for Culture

Pia Gjellerup
Minister for Trade and Industry





Summary

This report outlines a new, common agenda for Danish cultural and business policy. Two traditionally separate policy fields which will have a great deal more in common in the years ahead. The report suggests that closer interaction between culture and the business community offers great potential to Denmark. Closer interaction between the two fields can trigger a new social dynamic, which will, at one and the same time, strengthen culture and the arts, offering new opportunities for development, and add impetus to industrial development marked by innovation, creativity and resourcefulness.

Denmark's Creative Potential is but one outcome of closer cooperation between the Ministry of Culture and the Ministry of Trade and Industry. In it, the Government presents a cultural and business strategy, and a vision to help realise the potential that lies in interaction between the two sectors.

The reason why the time has come to regard business and cultural policy as closer entities is because business and the arts are rapidly drawing closer to each other. The report suggests that culture and business have acquired common interests in an increasing number of areas.

Firstly, the report suggests that the cultural sector itself has developed into an extremely important growth industry. This applies internationally. For example, culture and entertainment is now the USA's biggest export earner. International trade in culture and entertainment grew from \$95 billion in 1980 to \$387 billion in 1998. Culture and entertainment now represents one of the fastest growing global markets. The cultural industry in Denmark is broad ranged, as well. The report asserts that culture generates a turnover in Denmark of DKK 75 billion, employs almost 60,000 people, embraces 14,000 firms and exports DKK 15 billion. In addition, the cultural industry is exhibiting growth rates way above the average for Danish industry.

Secondly, the report suggests that some of the properties and competence of the cultural and arts world may well prove valuable resources for Danish business and industry. Such properties as resourcefulness, creativity and the ability to relate a narrative are fast becoming important competitive parameters for many companies. These are properties found in abundance within culture and the arts. It makes good sense therefore to build a bridge between culture and business, to explore new creative alliances and to experiment with culture and the arts as a new partner for the business community. There are already several examples of culture and business working together. For instance, when B&O creates a story lab, when Novo Nordisk works with the DaCapo drama group on management development, or when the IT firm Oracle joins forces with Zentropa Film on the development of a new TV channel on the Internet.

Thirdly, culture and the arts is becoming an increasingly important tool in regional competition to attract workers, tourists and investment. The report indicates, however, that the arts are of limited direct economic importance to

regional development, but that long-term, indirect gains may be considerable because culture helps to generate a vibrant environment, greater quality of life and superior experiences, giving regions and towns a stronger external profile.

The global wave of change

Closer interaction between culture and business is no passing phase or isolated phenomenon. The report suggests rather that a common cultural and business policy agenda is being pushed ahead by the vast changes now taking place in society. A wave of change which increasingly exposes our society to the impact of global developments and which is forcing companies to change and adapt at an accelerated pace. Advancing towards a scenario in which the Internet will turn our preconceived ideas about culture and business upside-down. This wave of change is prompting greater individual orientation in consumption patterns and lifestyles, reducing values and identity to commodities bought in the marketplace, and allowing the international entertainment industry, represented by global giants like Disney, AOL/Time Warner and Sony, to increasingly shape our picture of culture and the media.

This wave of change is having an impact on largely all western societies, and there is a risk that it will sweep something extremely valuable along before it. Namely, cultural diversity and the shared values and narratives that help bind society together.

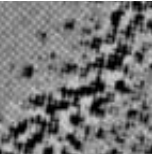
The report points out that although we cannot opt out of this changing world, we can take possession of it. We can, as a society, influence it and help to create our own version of it. It is precisely for this reason that there is a need for joint efforts in the field of cultural and business policy. Efforts which can help turn negative aspects to good advantage.

The Government's vision

The Government's cultural and business policy efforts have a clear visionary perspective. Namely, to develop Denmark as a creative region of Europe. A region where the arts succeed in competing on global market terms, and where large sections of business and industry are recognised for their creative resources, accomplished narratives and quality design.

This is important from a business policy point of view. But it is also important for cultural reasons. The report makes it clear that a cultural output capable of competing with global entertainment groups is essential if our society is to preserve and develop its values and narratives in the new global media reality. Danes must have an alternative to Disney and American soaps. The traditional cultural policy goal of focusing on quality remains important, of course, but it must be given an extra dimension.





This can be accomplished by:

- Developing framework conditions for the Danish cultural and entertainment industry, so that it can offer an alternative to the global entertainment industry
- Helping to create a new form of cooperation between commercial concerns, on the one hand, and the arts, on the other, with respect to marketing, design, product development, organisation changes, management and employee development. Danish companies must be afforded better conditions to benefit from the creative potential Denmark possesses.
- Strengthening the ability of Danish companies to compete in the experience economy by employing values and artistic competence specific to Denmark to bolster competitiveness.

Limits to interaction

Interaction between the arts and the business community has its limits. Precisely at a time when cultural and commercial interests are converging, it is more important than ever to be aware of their different roles and contributions to the development of society. This applies particularly to the role played by art.

The report establishes that the presence of a free and independent arts community is absolutely vital for society. Closer interaction between cultural and business policy must in no way lead to a reduction in public sector subsidies to independent cultural activities, or to the commercialisation of art's free space. Closer interaction between the arts and business will never act as an alternative to free artistic expression.

Similarly, an integrated cultural and business policy will be but a supplement to overall industrial policy. Industrial policy concerns itself with much more than cultural values and creativity. And will continue to do so.

The government's input, Ideas Catalogue

The report points to the kernel of a new dynamic between the arts and the commercial sector. However, it does suggest also that existing potential is far from exploited. In many areas there are both structural and mental barriers to developing synergy between the two sectors. The report suggests, for example, that there is no tradition within the arts of thinking along business lines and the business sector, for its part, far from exploits the creative resources at hand within the cultural sector. Putting it bluntly, the two worlds display a degree of reticence in coming together, and lack a common language and knowledge of each other.

In this report, the Government presents an ideas catalogue setting out initiatives aimed at improving the commercial framework conditions of the cultural industry, dismantling the solid barriers preventing interaction between the arts and business, and building a bridge between the two sectors.

The Government's cultural and business strategy is a framework, which must be enlarged upon as time goes on. The Government will follow up the ideas

catalogue in the months ahead and discuss its proposals with trade union and employer organisations, and the cultural and business sectors. Some of the initiatives outlined may need adjusting. Others will be implemented as suggested. These initiatives will be included as part of the Government's ordinary current account priorities when drawing up annual Budget proposals.

The ideas catalogue contains 13 proposed initiatives outlined briefly below.

1. Venture capital for the film and media industries

The Government will call on Vækstfonden (Business Development Finance) to establish a film investment fund together with private investors to provide venture capital for the Danish film and media industries. The initiative is intended to breathe new life into the private capital market for Danish films. Specifically, a far larger and more efficient market for venture capital must be generated that will ensure sufficient competence and capital to realise the immense development potential in both industries. Ideally, the fund will invest in a broad portfolio of film and media products, and in film and media companies. The fund will operate as a private investor in the film and media industries, demanding a return on its investments similar to other areas.

2. Examining regional film funds

Greater clarity surrounding the use of regional film funds is a Government ambition. A legal and economic study will be conducted of the advantages and drawbacks of establishing regional film funds in Denmark.

3. Music-producer training courses

The Government will look into the possibilities of establishing music-producer training courses, with a view to providing the music industry with competent music producers with a knowledge of business economics, copyright law, marketing, music and music production.

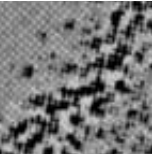
4. Improved correlation between artistic disciplines and business studies

The Government will examine the possibilities of adding business modules to arts courses. Other educational institutions, such as business schools, universities, and other institutes of higher education could embark on new forms of cooperation with arts colleges.

5. Innovation milieus for cultural entrepreneurs

The Government will establish an innovation milieu for cultural entrepreneurs. Such a milieu will function as a type of incubator for new firms, where cultural entrepreneurs with a good business concept can set up shop and be offered a combination of start capital, advisory services and assistance in starting a business.





Attractive lease conditions and liaison with leading educational institutes within the arts field is an essential aspect of such milieus.

6. Dialogue with the cultural sector on export drives

The Danish Trade Council and the foreign service, generally, already assist several companies exporting cultural products and services. The Danish Trade Council will hold talks with the music industry and other cultural industries to identify their special needs and export problems encountered.

The report suggests that large sections of the cultural industry possess vast, unexploited export potential and would benefit from more targeted marketing, and a stronger professional framework for establishing contacts abroad.

7. Export credits for Danish film

The Government will call on the Danish Export Credit Fund to develop a model for improved export financing of Danish films to bolster the film industry's access to finance for international projects.

8. A national event fund

The Government will look into the possibility of establishing a national event fund to assist Danish regions in arranging and attracting international cultural events. The report suggests that cultural events and experiences are becoming increasingly important as a means of raising the profile of regions/cities and the ability of regions/cities to attract tourists. The aim of the initiative is to provide a better framework for arranging and attracting regional events, and to encourage greater professionalism surrounding cultural events.

9. artnet.dk Visual arts portal

The Government will look into the possibility of establishing a commercial art gallery on the Internet. The aim here is to strengthen publicity surrounding and sales of Danish art.

10. European framework provisions for content production for new media

The Government will appoint an inter-ministerial working group to study European framework provisions (including copyright) for content production for new media. The working group will determine the best way to heighten Danish and European involvement in content production. The committee's findings will be published during the Danish EU Presidency in 2002.

11. R&D in the correlation between the arts and industry

The Government will examine the possibility of establishing an R&D consortium to conduct experiments and implement projects in the borderland between the cultural

and business sectors. The idea is to bring researchers from different fields together to cooperate with commercial concerns, artists, designers, educational and cultural institutes on development projects. The consortium could examine such subjects as the museum of the future or experiment with how artistic competence can be applied in the business world. Ideally this R&D consortium will come under the auspices of Learning Lab Denmark, a research institute conducting a wide range of experiments in new forms of learning, competence development, new technology, etc.

12. Cultural contracts. Partnership between the arts and business and industry

The Government will examine the possibility of setting up a scheme to co-fund innovative partnerships between the cultural sector and business and industry. The scheme could, for example, provide grants to cultural institutes, arts colleges and artists to cooperate with local businesses on concrete development projects, on product development, use of technology, new materials, developing joint cultural projects, etc. The commercial interests involved will cover their own expenses. The aim of the scheme is to dismantle some of the barriers preventing the formation of strategic partnerships between the cultural and business sectors.

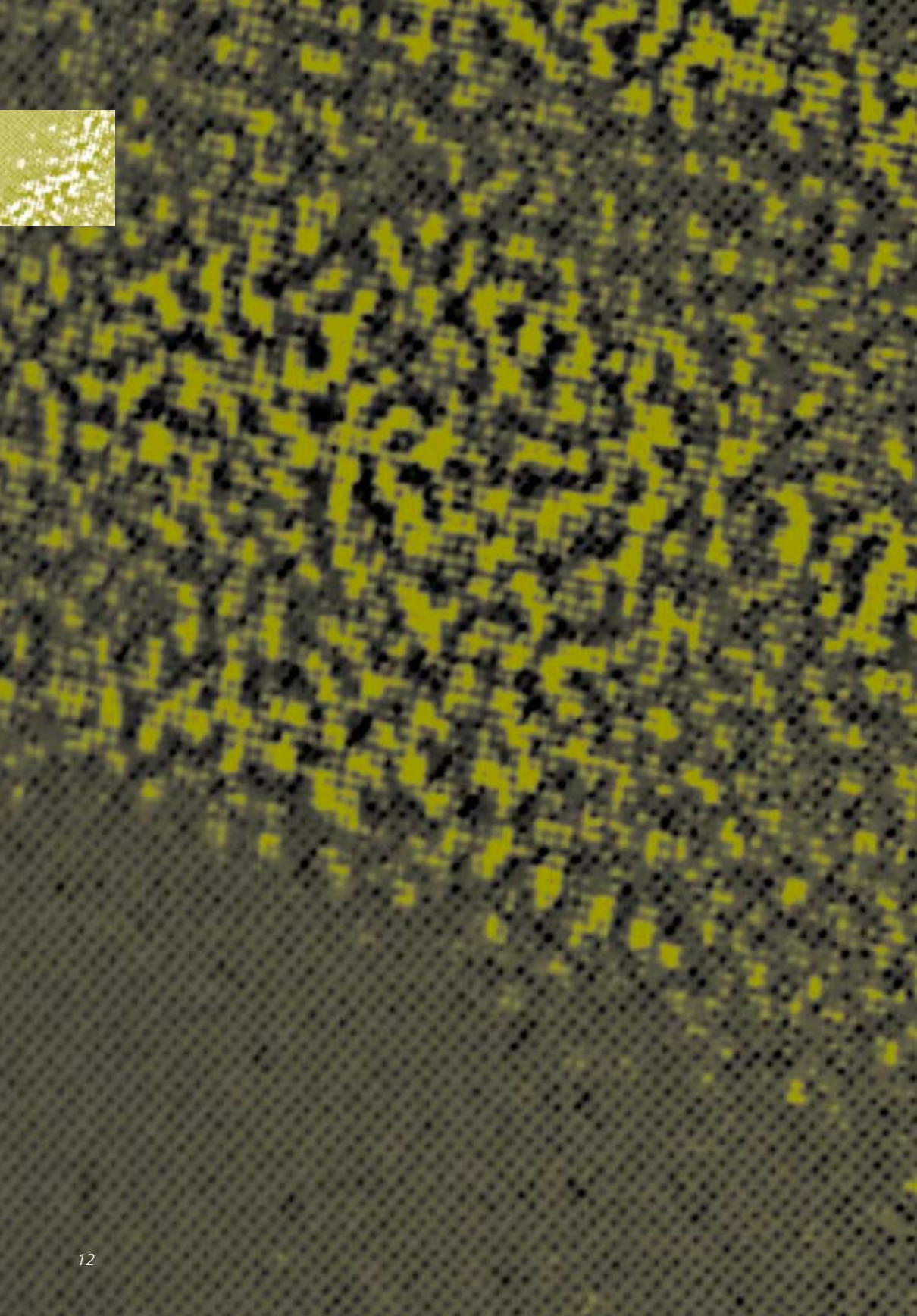
13. Contact network between leaders of industry and the arts

The Government will take the initiative to establish a new network between leaders of industry, cultural industries, cultural institutes and artists. The network will concentrate on a wide range of concrete activities aimed at building contacts between business and industry and the cultural sector, to include a sponsorship exchange, match-making activities, employee exchange schemes, etc. The Government will provide start-up capital to get the network up and going, after which it will function entirely on market terms and be financed by subscriptions, sponsorship, etc.

Structure of the report

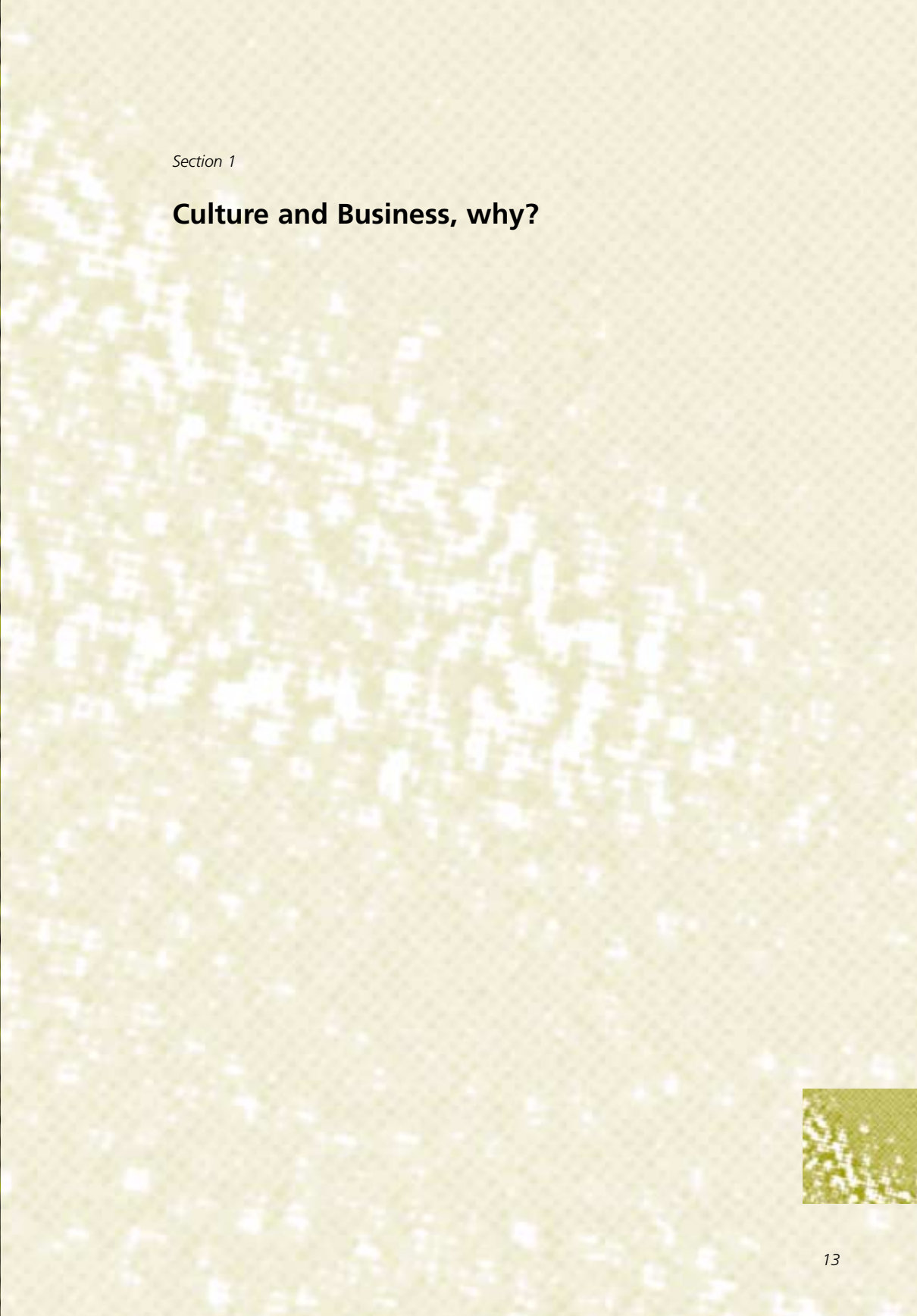
The first section of *Denmark's Creative Potential* sets out the basic concepts underpinning interaction between the arts and business. A picture is then drawn of the forces that necessitate greater interaction between the two fields. The second section maps art and culture as a commercial sector and market, with particular emphasis on the film industry, the music industry and content for new media, all three of which are among the fastest growing cultural industries. The third section takes a closer look at the creative partnerships emerging between culture and industry. The fourth section deals with the importance of culture to regional competitiveness, citing examples of how cities and regions can use art and culture as a magnet to attract events and create unique profiles. The fifth section is given over to the Government's cultural and business strategy, and puts forward concrete proposals to release Denmark's creative potential.





Section 1

Culture and Business, why?





Culture and business are converging

Culture and business are most often thought of as two quite distinct worlds. One world – the cultural– occupied with free artistic expression, aesthetics and reflection. The other, business and industry, with market shares, strategies and product development. In the world of culture we reserve the right to provoke, experiment, exceed and set limits. While in the world of business and industry we make a virtue of supplying precisely that which the consumer expects, and wants. Two worlds and two sets of values, which are not always well matched.

In spite of huge contrasts, we now see many examples of the two worlds converging.

For a start, the cultural sector in itself has become a commercial concern of some significance. In fact, the entertainment industry and culture, together, constitutes the USA's largest export commodity. Secondly, some of the qualities of the arts and culture, for instance, resourcefulness, creativity and narratives

are fast becoming one of the 21st century's most important competition parameters. We see clear examples of this when narrative companies tell about their products, with brands becoming more prized than the actual products themselves.

There are also many examples of culture and business working together in unison. Cases in point being when the Danish company B&O creates a new story lab, when the health care

company Novo Nordisk cooperates with the Da Capo drama group on leadership development, or when Zentropa Film joins forces with the IT company Oracle to develop a new TV channel on the Internet. Thirdly, culture has become an increasingly important tool in regional competition to attract people, tourists and investment. Increasingly, cities and regions are consciously using culture and the arts to generate a creative and vibrant environment, which can provide a stronger international profile.

In other words, culture and the arts has become one of the factors that can set companies, regions and countries apart in an era of global competition. This report suggests that what we are seeing here is a development which is only in its initial stages. There still remains a lot to discuss and understand.

This is why the Ministry of Trade and Industry and the Ministry of Culture have come together to compile this report. As culture and business become more closely related, a need has arisen for a greater degree of coordination between cultural and business policy. There is a need for a far better understanding of the dynamic existing between culture and business. And finally, there is a need to come up with a common vision that can contribute to releasing the immense potential for society inherent in closer interaction between culture and business.

"In 100 years culture and business will have merged"

Tor Nørretranders

1.1 What is culture?

In 1993 the then Minister for Culture Ms Jytte Hilden remarked in her first interview that culture is also a porcelain service design and a beer at lunchtime. Her remarks occasioned intense debate in the media on the meaning of the terms culture and cultural policy. This was not the first time the concept of culture had been taken up for discussion.

In fact, culture as a term and concept has been an issue of debate among scientists, politicians and artists for hundreds of years. In the 1960s 164 different definitions of the word "culture" could be enumerated. And in the 1990s a Swedish researcher added the word "culture" to the list of "perpetually disputed concepts" in line with such words as "democracy" and "justice", and of course "art"¹⁾. Most people are acquainted with the controversy surrounding the difference between art and culture. What is mass culture and what are the fine arts? Are Disney cartoons art or culture? Can something be described as good or bad culture? And who actually decides what is superior art and culture, and what is inferior?

This report will not give any firm answers to these questions. Rather, it takes its point of departure in the three most common definitions of the word "culture":

- Culture as values and norms, by which culture is used to describe certain values and norms, for example, company culture and youth culture. And which can also be used to describe society as a whole. A case in point, Danish culture.
- Culture as a sector, by which culture is used to describe that sector of society which produces art and culture, for instance, the film industry, music, theatre and architecture.
- Culture as art, by which a quality evaluation is made of what is and what is not art. For instance, not all films are an expression of cinematic art and not all pictures represent the visual arts.

This report deals with the cultural sector. That is, the agencies, companies, organisations and individuals that produce, publicise or preserve art and culture. This is why the report focuses on concrete interaction between business and culture, and not so much on abstract interaction between cultural and business developments in society, generally.

The cultural sector embraces both narrowly defined art and culture in its broader meaning. As such therefore, this report is not based on any quality evaluation of the differences existing between the fine arts and mass culture. No evaluation pronouncing one type of culture better or finer than another will be made. Figure 1 gives an outline of the cultural sector as it is treated in this report.





Figure 1: Definition of the Cultural Sector

Theatre Drama, ballet, dance, opera, etc.	Art Paintings, sculpture, architecture, design, arts and crafts	Music Pop, rock, classical, jazz, folk
Fusion Multimedia and other transverse aspects	THE CULTURAL SECTOR	Cultural Heritage Museums, archives, etc.
Media Radio, TV, newspapers, magazines	Film/Video Feature films, short and documentary films, music videos, etc.	Literature Fiction, non-fiction, periodicals, journals etc.

Source: Unesco

1.2 What is meant by business and industrial development?

This report focuses on business and industrial development. By this concept is meant changes in the structure and function of business and industry which lead to greater productivity and affluence. Similar to the concept of culture, views abound on what is good and bad business and industrial development. Some are of the opinion that industrial development should be measured in the number of available jobs. Others measure it in growth. And a third category believes in the need for a broader success criterion by which to measure industrial development, which takes on board considerations of social and environmental development.

This discussion is not just theoretical, it has political relevance, too. What type of development should this report underline? Is it solely growth or should other factors be taken into consideration, as well?

The Government's vision of industrial development is termed the *sustainable* society and was launched in the Government's industrial development policy paper *Strategy.dk21*. This is a vision of society in which success not only depends on continued material advancement or measured solely in the number of new cars on the road or the consumption of expensive kitchen equipment. But a society in which we measure our level of wealth in relation to human values, the state of the environment, social cohesion, ethical values, and so on. A prerequisite for this vision is adequately competitive business and industry, marked by innovation and renewal.

Taking its point of departure in this vision, interaction between culture and business can thus easily have a broader social perspective than a direct growth mechanism to contribute to economic development. Interaction that promotes innovation, productivity and renewal is, of course, an important aspect.

1.3 The new cultural and business communities

The importance of the cultural sector to industrial development has traditionally been described from a purely socioeconomic stance. Culture has been looked upon as a good investment for society, which generates foreign currency earnings, jobs and growth.

One quite often hears the argument that a cultural event, like for instance a theatre festival, is a good investment for society. Such a festival generates a higher turnover for hotels, taxi drivers and the retail trade.

This view of culture as a good socioeconomic investment very seldom holds good, however, when economists study the balance sheets in more detail. It often emerges that investment in culture is no better when compared with alternative ways of spending money ²⁾. Although a theatre festival may bring in DKK 20 million in turnover and create 500 jobs, it is by no way certain that this represents a sound investment. Perhaps it would have been more profitable to invest this money in a bridge, a kindergarten or something else. The point is, it rarely pays to invest in culture, looking at it from a purely economic standpoint. Rather, various analyses would suggest that culture must be evaluated from perspectives other than the purely socioeconomic. The importance of culture to creativity, quality of life and identity are particularly relevant.

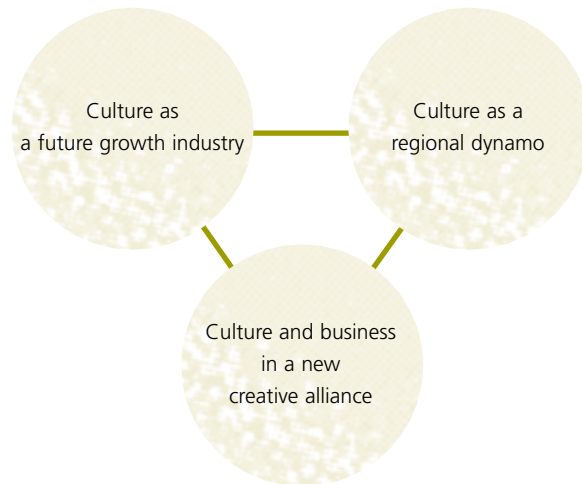
In fact, there is much to indicate that the importance of soft conditions like creativity and resourcefulness will be crucial in the years ahead. Not just from a cultural perspective but from the business standpoint, too. The creativity and resourcefulness that mark the cultural sector can, under the right conditions, rub off on innovation and competitiveness in business and industry. If generating better interaction between the cultural and the commercial succeeds, it will have several dynamic effects on industrial development. This is the thinking that lies behind the publication of this report.





The report focuses on three fields in which there is a need to think of culture and business as more closely interrelated entities, in the years ahead:

Figure 1.2: The report's three perspectives



- Culture as a commercial growth industry – culture is in itself an interesting growth industry that creates jobs, and generates exports and innovation. This is due in no mean way to the enormous demand worldwide for entertainment and products that can contribute to the individual's lifestyle and identity. In Denmark, however, it has never been customary to regard the cultural sector as a commercial enterprise on equal footing with, for example, the pharmaceutical industry. But it may transpire that this attitude is a serious impediment to developing future affluence in Denmark. There is a need therefore to view the cultural sector through the eyes of economics.
- Culture as a dynamo in regional development – global competition has provoked a furious race between regions and cities to attract companies, qualified workers and tourists. In recent years, culture has developed to one of the business fields regions are seriously concentrating on in competition. There is a need in Denmark, too, to think strategically about culture's role in regional competition.
- Culture as a source of innovation and creativity in business and industry – companies are increasingly competing on soft values like creativity, lifestyle and design. Closer interaction between companies and the field of culture can contribute to giving a new dynamic to Danish companies.

1.4 Limits to interaction

The purpose of drawing up a culture and business policy report is to formulate a new cultural and business policy strategy that can contribute to triggering Denmark's creative potential. The goal is, as mentioned above, to underpin the business community's long-term development ability and to give new scope for development within the cultural field.

Such new thinking with respect to the two fields easily runs the risk of over-interpretation or misunderstanding. Does the thinking behind the report mean that the value of the arts and culture must now be calculated in terms of growth and money? Is art now for sale to commercial interests?

In fact, history is awash with examples of how problems inevitably arise when intellectual life and money are combined. Right from the anecdote about the Austrian emperor who was of the opinion that Mozart's music "had too many notes", to the global media world of modern times, in which commercial interests are increasingly setting their imprint on both the world of sport and cultural events.

In a time when cultural and commercial interests intertwine, whether we like it or not, it is important to be extra attentive to the two distinct roles played by the two worlds and their contributions to social development. One of art's greatest values is that it is not commercial and that it moves entirely outside the logic of the market. It is important to preserve the value of an art that criticises and provokes contemporary society.

It should be underlined that this report is in no way aimed at curtailing artistic freedom or commercialising art's free space. Neither does it intend to alter cultural policy's appropriation system by removing grants or substituting public subsidies with private sponsorship.

Furthermore, the report is not a signal that business and industrial policy will now focus solely on creativity and soft values.

The sole purpose of this report is to underpin interaction between culture and the business community, to benefit both parties. To build a bridge between the cultural and the commercial, without destroying one or the other. To give an incentive to business and cultural development, which is already in full swing.





New economy, fresh opportunities

According to a recently published European consumer survey, the average consumer in Europe today recognises fewer than 10 wild flowers, but more than 1000 brand names. The same consumer has, before his or her 18th birthday, seen over 300,000 advertisements, will in all probability not be a member of a political party and seldom have been to church. Most will have changed jobs three times before reaching the age of 40. Most zap their way through a stream of media – TV channels, newspapers, magazines and the Internet. Do not read one particular newspaper as earlier generations did. Know all the Disney characters but only few Biblical ones. Spend twice as much money on the arts and entertainment than ten years ago. Go to the opera from time to time and in other circumstances, rave parties. One certainty is that an art exhibition is on the agenda at least three times a year. The computer is given six hours a day and over 5,000 different homepages have been clicked up onto the screen in the past six months. The wristwatch worn has more computer power than the first Apollo spacecraft ³⁾.

“Work is a Theatre and Every Business is a Stage”

*Pine & Gilmore
“The Experience Economy”*

The above picture of the modern consumer may sound unreal and terrifying to many. And it should be said that the image is a slightly exaggerated caricature of the modern consumer which scarcely fits with most people’s everyday reality. Nevertheless, these examples do indicate that our lives and society are about to change, and change significantly. The changes we observe in our daily lives are but symptoms of a far more fundamental change being sustained by society right now.

Changes so great that we need to find new concepts and terminology to be in a position to describe society at all. The knowledge society, the dream society, the digital economy, the experience society and the new economy are all qualified attempts.

Tallying up the many forces that with such intense velocity are changing our everyday lives can make one wish for a break. It almost takes your breath away. It must be possible to call a halt. Or as is often said, when problems get too much: “that which has been humanly created can be altered by human means.” However, the fact remains that hundreds of millions of people, more correctly billions, by their own free choice of material goods and content in their lives are the driving force behind this development. Their cravings to buy just that pair of jeans, view the TV channels that broadcast their favourite programmes, select the car that is furbished with the most indispensable fixtures and find the travel destination that fulfils their wildest dreams of freedom and the unfamiliar propels this development. We will not forego the opportunities offered. Neither will anybody else. Then, the future must be faced head on. As brutal and exacting as this might be. As full of opportunities and as fascinating as we are capable of making it. We cannot opt out, but it can be taken possession of and we can elicit from it what we want most.

Signs of globalisation

- In 1997 businesses invested over \$400 billion across national borders, which represents a sevenfold increase on 1970.
- International trade has risen by 1,500 per cent over the past 40 years, hitting a record in 1997, when trade represented \$7 trillion.
- In 1998 \$1.5 trillion was traded in foreign currency, compared with \$10-20 billion in 1970.
- 590 million people travelled to a foreign country in 1997. In 1980 the figure was 260 million.
- 70 billion minutes were spent on telephone calls abroad in 1997, a twofold increase in only five years.
- A few years ago about 200 million people outside OECD countries lived in market economy countries. Now the figure has risen to 3 billion.
- The world’s largest multinational companies, such as General Motors, Shell and Ford, each turnover a figure equivalent to that of Denmark’s GDP, every year.

Source: Human Development Report, UNDP, 1999

In the following chapters the five pivotal driving forces contributing to expanding and changing the worlds of both culture and business are outlined. Combined these forces contribute to new common ground where culture and the business community, in many respects, share mutual interests and are of great potential value to each other. Common ground which not alone demands that the boundaries between business and culture be broken, but which necessitates that business and cultural policy be framed in closer relation to each other.

2.1 Global competition places new demands on creative competence

One of the most significant forces behind closer ties between culture and business is globalisation of the world economy. We are moving towards a world in which information will be traded, invested and exchanged, from one part of the world to the other, without distinguishing between national borders. An increasing number of companies are choosing to set up production in all parts of the world and the inscription “Made in ...” will soon be of little consequence.

The result of growing globalisation is increasingly sharper competition and a fight for consumer favour. Everyone is competing with everyone else. And incessant stream of new brands and models are appearing on the market. Irrespective of whether the product is detergent, children’s toys, TV channels or fast food chains the choice is endless. And the selection seems to get wider by the day.



“People take technology for granted these days. What they want are warm friendly products – something to seduce them”

Designer Philippe Starck

In Sweden the number of beer labels has risen from 50 to 350 in ten years. In the USA 2,700 new food products were launched in 1981. By 1996 this figure had risen to 20,000. Seiko watches launched 5,000 new models in 1996. Global competition is confronting companies with desperate demands for change. A good product can be quickly copied. To keep up with the competition a company is compelled to constantly mobilise its creative resources. Companies are competing like never before on developing and marketing new products, new models, new designs and new narratives about their products. Today the fashion industry produces 7-8 collections a year, compared with 2 only a few short years ago. In the IT industry 90 per cent of turnover is constituted of products that did not exist two years ago. It is estimated that mobile phones will have a life span of 9 months in 3 years time ⁴⁾.

And as if this unrelenting battle at an increasingly quickened pace to develop new products were not enough, penetrating through to consumers has also become an arduous task. A huge increase in supply has also hit the media industry. We can choose between a mass of media channels. Consumers’ attention has become a threatened resource. Whereas heretofore we spoke in terms of market shares, now we speak of attention shares.

The enormous selection of products available, constant renewal of products and an over-communicating media society mean that a company has to be rather remarkable indeed to prevail on the global market. Producing products more cheaply is not enough. Technical refinement is not the answer either and the same applies to good logistics. More is required. A narrative, a story, a unique design, an emotion, a lifestyle. An increasing number of companies are recognising that they must differentiate on creative parameters to keep pace with the competition. For many, creativity is the key to finding new ways by which to communicate with the market. New methods by which to give products value. New ways of being a company.

2.2 Experience sells

Sharp global competition is setting a new agenda for modern market economies. An agenda in which a product’s physical peculiarities or the service that accompanies it no longer, in themselves, generate value. We are moving towards an economy in which greatest value will be generated by experience, and an increasing number of companies will reinvent themselves and begin to concentrate on appealing to our emotions, values and identity. Words like service management, quality control and knowledge management are in many areas being supplemented with such words as design management, story telling and branding.

In this new experience economy the value of the physical product inevitably constitutes a fraction of the price, cf. figure 2.1. A handful of coffee beans costs about 5 pence. Roasted and packaged the cost is 20 pence. As a cup of coffee

Figure 2.1 Value in the new economy



purchased at a café we must part with £2. And if you sit on Saint Mark’s Square in Venice the same cup will cost £10. But then again a symphony orchestra is included in the price. The same logic is applied to the charter holiday business, a hotel room, a pair of trainers, education, banking, the purchase of books, and much more. Everywhere. Association to the history of the product, the setting and the sensation given is primarily what is actually being paid for.

When one buys a pair of Nike, one is not just buying a pair of trainers. It is a life style with drive – *just do it* is the slogan, garnished with an aggressive design and ubiquitous marketing. This is also why Citroën has spent enormous sums of money on buying the rights to the word *Picasso*, when they launched their latest model. This is why Steven Spielberg’s film company is called DreamWorks. Why B&O prefers not to sell its products in just any shop. B&O must be presented in a certain way. There must be a certain experience involved in buying a B&O.

All examples of companies that increasingly need to mobilise their cultural and creative competence to survive the competition.

2.3 The liberated individual

The liberated individual is the heading given to the third major driving force which makes the field between culture and business more significant. Søren Mørch, a Danish historian, pointed out some years ago that the death of God was one of the finest outcomes of western civilisation. Such an assertion, although somewhat provocative, says something of the degree of freedom and liberty achieved by modern men and women. Sociologists and anthropologists, alike, speak in terms of the liberated individual as one of the greatest cultural challenges facing society. By the term ‘liberated individual’ is meant the development of a culture in which the individual has been freed from fixed traditions, value norms and authority ⁵⁾. A culture which has been brought into being by the modern world’s highly educated, aware and enlightened individual, in which the value norms and powers of authority that previously held sway over society are being challenged. In which,



in contrast to previously, there are but few fixed fundamental principles declaring how life should be lived. But in which the individual is compelled to find his or her identity. This liberated individual is therefore also an inquisitive individual.

“We are all potentially free to know, go, do and be whoever we want to be”

Ridderstråle & Nordström, authors of Funky Business

However, in recent years we have become liberated financially, as well. The average Dane is four times richer today than the average Dane fifty years ago. We can now afford a level of consumption undreamt off only twenty years ago. Our financial freedom is such that we can afford to participate in the global consumer society. And if affluence continues to develop at the same pace as in the last century, the average Dane's private consumption in one hundred years time will have topped DKK 1.1 million, in 1995 prices ⁹.

The financially liberated individual has completely different consumption patterns than a financially constrained person. He/she can afford to buy a lemon squeezer costing DKK 500, because it is aesthetic. A particular brand of coffee is also affordable, because it benefits third world coffee farmers. The richer we become, the more immaterial our consumption patterns become in the form of leisure activities, entertainment, culture and health. Consumers are increasingly searching for products that tell a story, give meaning or position in a new social community. One consequence of this trend is that consumption is increasingly becoming a cultural statement. A way by which to give expression to one's values.

But this newly achieved freedom is not confined solely to the cultural and financial domain. We have also been liberated as employees. The reason being that workers in the new economy own the most important capital, brainpower, or, to put it another way, brain capital. In an economy that is knowledge based companies cannot, as in the industrial economy, fully control the production apparatus. Knowledge simply cannot be capitalised. If a company loses its best employees the result can be catastrophic. An increasing number of companies are realising that they can no longer treat workers like machines. Competent employees are looking for employment which is at once challenging and developing. Work that gives meaning to life. Work that is fun to perform and provides an experience. Work that contributes to the realisation of self. If a company is not sufficiently attractive, its employees will just move to another. Whereas in the past the company selected its workforce, we are slowly moving towards a reality in which employees select the company.

For many, such a development is a terrifying prospect. Are we progressing towards a self-censuring consumer culture in which there is only space for the individual and in which everything will be expressed in terms of material consumption? Are we about to throw the old values of fellow feeling and solidarity over board?

The answer to these questions is not unequivocal. On the one hand, it is clear that society has become more individual and consumer oriented. Values are changing. On the other, there are apparent signs that the generation growing up now is certainly not without its set of values.

The answer may be found in a recent sociological study which followed the progress of 120 people, of all ages, over a period of ten years. The study concludes that the younger generation are more individually oriented than the older. But values like a sense of community and solidarity nonetheless flourish among the younger generation. The younger generation have just adopted a different way in which to express its values. The study suggests that the younger generation has a greater need than the older to see itself perpetually in a specific context. And, consequently, they are absorbed in constant efforts to reinvent themselves. It is the way in which we express our values that changes lie, not in the set of values itself ⁷.

This is also the conclusion emerging from several other studies and debate journals. Solidarity is alive and well. But the way in which it is being expressed has changed. The market has become a place where we express our values. We vote politically when we go shopping. And this puts pressure on the market to consider the consumer and show a sense of social responsibility. For whether it is green, social or cultural responsibility that is at issue, values have become part and parcel of the marketplace ⁸.

The liberated individual makes interaction between culture and business highly actual. It is now more important for companies to be aware of the cultural trends around them. This applies, too, in efforts to attract the right type of employee. It applies when selling lemon squeezers, mobile phones and hearing aids. And it also applies to producers of culture, whether public or private. If one is to win the liberated individual, it has become increasingly important to take up the fight on market terms.

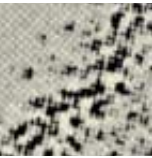
2.4 Growth in cultural consumption

The new logic of market economy – that experience generates the greatest value – is given expression in our consumption of culture. Never before in history have we had such opportunities to assimilate new expressions, express ourselves creatively and participate in the world of culture. The affluent society does not just apply to the market economy, it also applies to the sphere of culture and art.

“For many years, almost three and a half decades, prophets of culture have conjured up one spectre after the other which they said would pervade Europe and in the meantime, people have obstinately, meekly and persistently continued to gain in wisdom and unfold creatively, sharpening their inquisitiveness and familiarisation, practicing and testing their sensibilities.”

Carsten Jensen, author





On the Internet it takes mere seconds to click to whatever book we want. Almost all types of music can be downloaded. Virtual radio stations offer non-stop programmes, edited according to the tastes of the individual. If we prefer Beethoven in the morning and Metallica in the afternoon, we get it. We can make a virtual visit to the Louvre. Newsagents bulge with tempting magazines, catering for all tastes. Wind surfers have ten to choose between. Gourmets twelve. And if you are interested in antique glass, there is also a magazine for you.

Newspapers carry numerous advertisements everyday for plays, concerts and cultural events. Hundreds of TV stations compete for our attention.

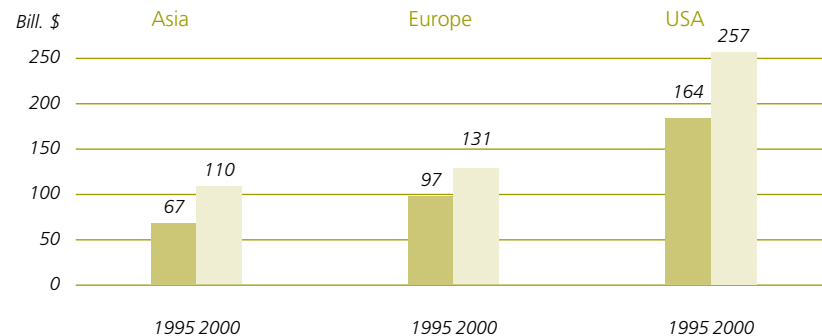
And everything would seem to suggest that Danes are seizing the opportunity. Studies conducted by the Danish Social Research Institute suggest that participation in almost all types of cultural activity outside the home has risen dramatically over the past thirty years, cf. figure 2.2. 500,000 more people attend classical music concerts now than in the mid-Sixties. Three times as many people avail of the library and go to the opera. Almost twice as many attend art exhibitions. And in spite of a profusion of debate programmes on TV, interest in attending public lectures has not faltered. Research would suggest that never before have there been so many active consumers of culture and the arts. There has never been so many demanding entertainment and involvement, wanting to discuss, experience and participate.

Figure 2.2: Participation in culture and the arts, and other leisure activities

Percentage of the adult population in Denmark who have participated in one or other activity within the past year/six months

	1975	1998
Ballet – last 6 months	2	3
Operetta/musical	2	9
Opera	2	6
Plays	13	16
Revue		13
Children's theatre	1	7
Amateur dramatics	-	8
Local/regional theatre	1	5
Art exhibitions/museums	21	29
Other types of museums – past year	24	32
Zoos	-	28
Amusement parks	-	38
Classical music concerts – past year	6	13
Folk music – past year	8	12
Jazz/Beat/Rock music – past year	10	22
Entertainment/pop music – past year	13	20
Cinema	32	34

Figure 2.3 The entertainment market. Sale of entertainment in billion \$



Source: The Economist, 1999

Culture in money terms

- Copyright earnings in the USA have grown over twice as fast as the US economy in the 1977-97 period
- US film production in 1998 generated a turnover of \$30 billion and employed 600,000 people
- In 1999 742 million videotapes were sold in the USA. And the average family in the US watches 7 hours and 24 minutes of TV, every day
- Sweden is the world's third largest music exporter
- The film Titanic was viewed by every fourth European and generated an income of \$1.8 billion, which is equivalent to the value of total Danish exports to France
- Americans spend three times as much money on culture and entertainment as on cars
- According to the Bureau of Labor Statistics the cultural sector is facing a job boom. Prognosis suggest that employment within design, music, TV and film will grow by 35 per cent by 2005

Source: MPA Worldwide Market Research US Economic Review, 1999. UNDP World Development Report, 1999. UNESCO Culture, Trade and Globalisation, 2000. Bureau of Labor Statistics Occupational Outlook, 2000.

2.5 Culture has become a global growth industry

Interaction between culture and the business community has become particularly tangible on one front: the cultural market. Culture has become a commodity, a business and a market. And, incidentally, one of the most lucrative. The enormous demand for entertainment and experience is demonstrated in record high growth rates for such industries as film, music, video production, publishing, theatre, TV, radio and many other types of public entertainment, cf. figure 2.3.

And if there is one field in which globalisation has become a reality, it is the global entertainment market.

International trade in culture and entertainment grew from \$95 billion in 1980 to no less than \$387 billion in 1998⁹⁾. Culture has become a global growth sector. So large, in fact, that today it constitutes the USA's largest export commodity. Culture has become a more important source of earnings than the aviation, automobile and food industries.

These high growth rates derive from, among other sources, the driving forces described earlier – globalisation, rising affluence, the liberated individual and growing demand for products with an experience value.

But such growth rates also spring from technological development. Developments

“Entertainment – not autos, not financial services – is fast becoming the driving wheel of the new economy”

Michael A. Wolf, partner, Booz-Allen & Hamilton Consultants



within IT, telecommunications and digital technology have significantly altered the media landscape. The channels by which to relay culture and entertainment are increasing. Growth in the number of TV channels is one example. The Internet's dramatic expansion is another. The Net is paving the way for an entire new generation of media and communications channels. Web-TV, virtual radio, on-line newspapers, digital books, on-line video rentals and virtual museums are some of the technologies inciting this development. And if one is to believe the analysts, the production of content (that is to say text, sound, images, design and illustration) will be one of the more lucrative fields in the years ahead ¹⁰.

Growth in the commercial market for culture and entertainment is far from evenly divided. The USA dominates the market. American films dominate in European cinemas. Only 30 per cent of box office sales derive from European films. In contrast, European film's market share in the USA is only three per cent ¹¹. Even the most popular European films seldom get further than art house cinemas in the USA. The same applies within TV. Here again, American produced programmes dominate over half the airtime in most western countries. Europe has a trade deficit of roughly \$6 billion on the audiovisual market alone.

The picture in the music industry is not so transparent. Although the USA is the largest producer here, as well, Britain comes in a good second. Seven out of the ten most sold albums in history are British ¹². And in some European countries local groups on average represent over fifty per cent of album sales ¹³.

American dominance in the entertainment industry tends to provoke strong feelings among European politicians. Not only because exports generate a trade deficit but in the wake of film, media and music exports comes the export of American culture and values. Detractors speak openly in terms of McWorld, when describing American cultural dominance.

American dominance presents a challenge for Europe. But the question is, is the problem as great as it's made out to be? In the first place, all studies would tend to suggest that the population has not become more dim-witted or less willing to consume culture in recent years, cf. section 2.4. Secondly, one can dispute how American global entertainment actually is. Quite a significant amount of Hollywood productions involve European directors, European actors and even European narratives. One of Hollywood's major assets has always been its ability to attract foreign talent, capital and creativity. And when it comes down to it, many American films and TV series are not so core American as many would have us believe. It is rather an expression of a new global mass culture, which does not belong anywhere else but on cable TV, in cinemas and shortly, too, on the Internet. In fact, conservative elements in the USA express strong opposition to Hollywood quoting contrary grounds than those expressed by Europeans – namely, that Hollywood represents a threat to American values and traditions ¹⁴. It would seem that Hollywood is being attacked on all sides. Perhaps they are just competent?

And perhaps the challenge in reality lies in generating a positive response to global culture. This is why in many European countries we speak in terms of how Europe's diversity of languages and rich and diverse cultural heritage can be turned to competitive advantage. Although the challenge in the first instance would seem to be cultural policy, it can in the second analysis also represent a challenge for European culture-producing companies and thereby, too, industrial policy.

Globalisation is also evident at company level. A few but large players dominate the entertainment business in both Europe and the USA. Five multinational companies dominate the music industry, with Warner, EMI, Universal Music, Sony Music and BMG Entertainment cornering three quarters of the market.

Concentration is not confined to individual markets, however. In recent years, several mergers and buy-outs have taken place cutting across the entertainment industry. Remaining are 9-10 large multinational concerns, which control a very large section of the market. Disney owns several hundred companies and is involved in many other areas besides cartoon production. It owns theme parks, a fleet of luxury cruisers, film companies, TV stations, Web bureaus, software companies, children's clothing companies, radio stations, congress centres, retail chains and even an entire town in the USA. The same pattern applies to Viacom, AOL/Time Warner, Bertelsmann, Vivendi, News Corp and the Kirch Group.

As a rule, major entertainment chains buy up other firms. But in 1999 a quite remarkable merger took place. The mere ten-year-old Internet company American OnLine bought one of the world's largest and oldest entertainment concerns, Time Warner. The merger caused a stir all over the world. Not just because a little fish suddenly bought a big fish. But because this merger augured a new era in the entertainment business. An era when large international entertainment companies and the IT industry would begin to merge. It was a portend of the beginning of the entertainment industry's digital age, in which more than likely, too, only a few groups will dominate.

AOL/Time Warner now owns an entire trading chain. They own the production companies that produce the film. They own the cinemas that screen the film. They own the newspapers and TV stations that review and market the film. They own shares in the retail chains that sell the merchandising. They own the video chains that rent the film. And now they control access to millions of potential customers on the Internet, as well. If our attention is a scarce and threatened resource, these large entertainment concerns are quite effective at capturing it, whether we like it or not.

Powerful concentration in the entertainment industry and the persistent advance of global culture constitute an enormous cultural challenge for Denmark.

On the one hand, there is a risk that growth in the global entertainment industry will threaten cultural diversity and lead to a cultural supply determined by the lowest common denominator with meaningless, mass-produced entertainment the result. The trivialisation of culture, if you like.





On the other hand, it must be admitted that products on the commercial entertainment market are playing an ever-increasing role in Danish identity and values. Our need for narratives, our need for new knowledge and reflection on life are increasingly satisfied by watching TV and films, by purchasing products with a certain story hidden within them and by shopping around on the cultural market.

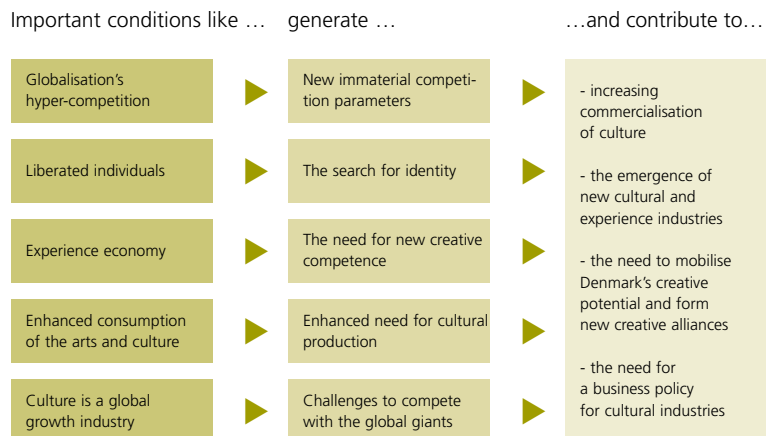
If society is to preserve and develop its own voice, its own identity and its own values, its cultural output must be capable of competing with global entertainment concerns. In other words, Danes must be given an alternative to Disney and American TV. This demands a new cultural policy vision, which approaches the commercial entertainment market as a supplement to cultural policy. The traditional cultural policy goal of concentrating on quality must be maintained, of course, but an extra dimension has to be added. In other words, frameworks must be established for greater breadth and quantity in Danish cultural production, which implies generating scope to develop a competitive Danish cultural sector.

It must be underlined, however, that greater focus on commercial cultural production in no way can or should substitute public subsidy to the arts and culture. If we jump exclusively on the global entertainment wagon, society will lose a wealth of essential cultural elements, values and identity-giving voices and narratives.

The challenge lies in giving the population and consumers a choice. There must be art and culture produced with the assistance of public subsidy, which, by its very nature, is independent of the logic of the market. Art and culture that dares to confront the powers that be. But Denmark must also produce art, culture and entertainment capable of competing on market conditions. Society should find its entertainment, its narratives, its knowledge and its identity both from marketdriven and publicly supported cultural production.

This makes a reality of the need for a common cultural and business policy, designed to create better frameworks for competitive Danish cultural output.

Figure 2.4: Impetus for closer interaction between culture and business



2.6 A common vision for cultural and business policy

The forces of change, which have been dealt with above, are pushing development ahead towards a place where culture and business will become increasingly intertwined. The figure below illustrates this point.

The above figure illustrates that an ever more global culture, the rise in demand for cultural products and the growing search for identity, together, contribute to the increased commercialisation of culture. This wave of change is a component of global development, which is largely affecting all western societies today. A development that is difficult to halt and which carries the risk of sweeping something very valuable before it, namely cultural diversity and the shared values and narratives which contribute to binding society together.

This need not necessarily be the case, however. A common business and cultural policy can contribute to turning the negative aspects of such developments to good advantage.

Global challenges represent not just a threat for Denmark but tremendous development potential, as well. B&O's quality designs, Danish architecture and Lars Von Trier's *Golden Palms* all illustrate that Danish culture and creativity can readily contribute to the international scene. Denmark, in spite of its size, is capable of making a good showing in the new experience economy.

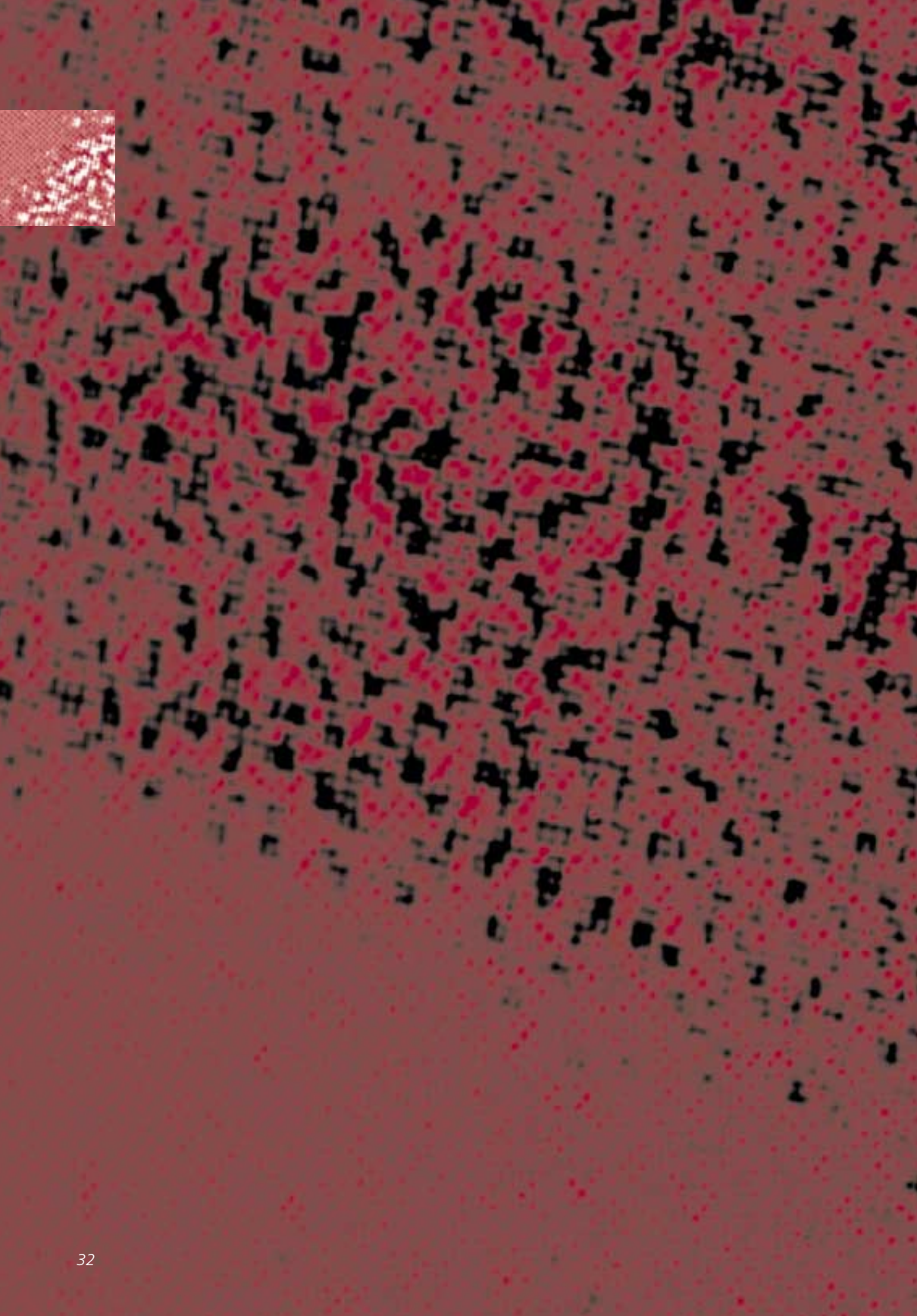
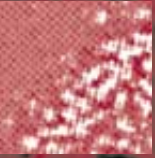
However, the triumphs of recent years could easily prove to be mere media flashes if we are not prepared to establish the fundamental frameworks for the ambitions and dynamic, and quality necessary to penetrate the global experience economy.

Consequently, the Government's vision is to develop Denmark as a creative region of Europe, where culture and the arts are capable of competing according to the conditions set by the global market, and where large sections of business and industry are recognised for their creative resources, narratives and unique designs.

The Government's ambition is to contribute to generating optimum frameworks for a new creative alliance between the business community and culture, to benefit both parties. In specific terms the Government proposes to:

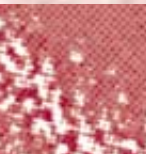
- Contribute to generating new common ground between commercial enterprises, on the one hand, and the cultural sector, on the other, in terms of marketing, design, product development, organisational changes, and management and human resources development. Danish companies must be better placed to derive benefit from the creative potential Denmark possesses.
- Strengthen the scope of Danish companies to compete on the experience market and to exploit Danish values and cultural competence to enhance competitiveness.
- Develop frameworks for the Danish cultural and entertainment industry, allowing it to respond to the multinational entertainment industry.

These ambitions are qualified and expanded upon in subsequent chapters.



Section 2

Culture as Business



The cultural industry in Denmark

As pointed out in the previous chapter, culture internationally has become a commercial growth area. The term cultural industry is a relatively new one in the Danish context. Neither in Denmark nor internationally is there any clear definition of which business lines the term in fact embraces.

The first step in this chapter therefore is to define the term “cultural industry”. The next will be to describe the magnitude of this industry, and its growth and future development potential.

Definition of the cultural industry

Denmark is not the only country in the world focusing on the cultural industry. In the UK, for instance, the Government centres on what it terms the creative industries. Finland, too, prefers the term cultural industries, as does the United Nations agency UNESCO.

In spite of growing international interest in culture as a growth industry, there is still no fixed definition of what the industry involves. In the UK it embraces a quite broad range of companies, all of which are involved in creativity in one way or another, from architects to advertising agencies. Other countries, such as Finland, apply a slightly narrower definition. But notwithstanding the different perceptions of what constitutes the cultural industry, the various definitions retain several common features ¹⁵.

- Close to the cultural sector. All studies focus on companies that produce, purchase and sell goods and services within fields that emanate from, or are closely related to, the arts and the cultural sector.
- The entire cultural value chain is included. International definitions take a broad view of the entire value chain and conceive the sector as both actual cultural output, coupled with service and support industries.
- Focus on private companies. Finally, a common feature is that the cultural industry is limited to companies which are either fully or partly in private hands. Meaning that the public cultural sector does not fall under the terms of the various definitions.

The cultural industry in this report is defined according to similar basic principles. The industry is confined to companies within or associated with the fields of music, theatre, book publishing, the visual arts, film and video, printed media, radio and TV, architecture, design and children's toys/amusement parks. Sport is not included. The fields embraced by the definition are outlined in Figure 3.1.

Commercial study of the cultural industry

The Danish Technological Institute in the April-October 2000 period conducted a commercial study of the four focus areas of the cultural industry: film, music, content production for new media and cultural entrepreneurs. This study is available in Danish only on www.kum.dk or www.em.dk

Figure 3.1 Fields embraced by statistics relating to the cultural industry

Sector	Primary producers	Associated businesses	Service businesses
Music	Music and CD producers	Manufacture of Musical Instruments	Record shops and dealers in musical instruments
Theatre	Theatre and concert promoters. Theatres and concert hall management		
Book publishing	Publishing companies	Book printers and binders	Book shops and stationers, antique book trade
Visual Arts			Galleries and art dealers
Film/Video	Film and video producers	Film/Video distribution Cinema equipment producers	Cinemas and video retailers
Printed Media	Publication of newspapers and magazines press agencies	Printing works	
Radio/TV	Radio/TV producers	Production of radio/TV and antennae equipment	Radio/TV dealers
Architecture/ Design	Architectural firms, design companies, arts and crafts		
Toys/ Amusement parks	Amusement parks, toys and games manufacturers		Retailing toys and games, incl computer and videogames

The nine business sectors together constitute the cultural industry and each on its own represents a cohesive system of producers, associated businesses and services. If we are to understand the book-publishing industry, for instance, looking at authors alone will not suffice. One has to focus on the entire value chain from author to publisher, printer and bookshop ¹⁶. Equally, no description of the film industry would be complete if the director were the sole focus. Script writers, production companies, film studios, cinemas and distribution companies all contribute to the value of a film, too. Companies within an individual business field are bound together by mutual trade and strong reciprocal impact. And equally, individual business fields, by virtue of strong interrelations, often share several common business framework conditions, as well, including business and cultural policy initiatives.

The Danish definition of the cultural industry likewise emphasises private enterprise. That is to say, companies run in their entirety or in part according to private market conditions. The cultural industry thus does not embrace publicly subsidised companies, which would include most museums, libraries, archives and education and training in the arts. In the statistical definition, the line between public and private is drawn quite sharply, as is the line between companies within

and outside the definition. But reality, as is so often the case, is not always so unambiguous. Several public institutions and companies play a very significant role in the cultural sector and are run in many respects along the same lines as those adopted by private companies. Cases in point here are Danmarks Radio, which finds itself in competition with Denmark's other TV stations; the Zoological Gardens in Copenhagen, whose job is to attract an increasing number of visitors; the Royal Theatre, which competes with several private theatres, and so on. The public sector (public institutes of culture) is at one and the same time an important framework for the cultural industry and an active actor in most of the cultural industry's market and competition picture.

The cultural industry in Denmark

According to figures provided by Statistics Denmark, in 1998 the cultural industry embraced roughly 14,000 companies, generating a total turnover of approximately DKK 75 billion, which is equivalent to 4 per cent of combined turnover within the private sector. 59,107 people are employed on a full-time basis within the industry, which is equivalent to 5 per cent of the number employed in the private sector, as a whole. Roughly 4 per cent of total exports stems from the cultural industry.

The cultural industry is thus a substantial contributor in the Danish business landscape. In recent years, various economic studies have concentrated on dividing Danish business and industry into what are termed resource fields, which is another

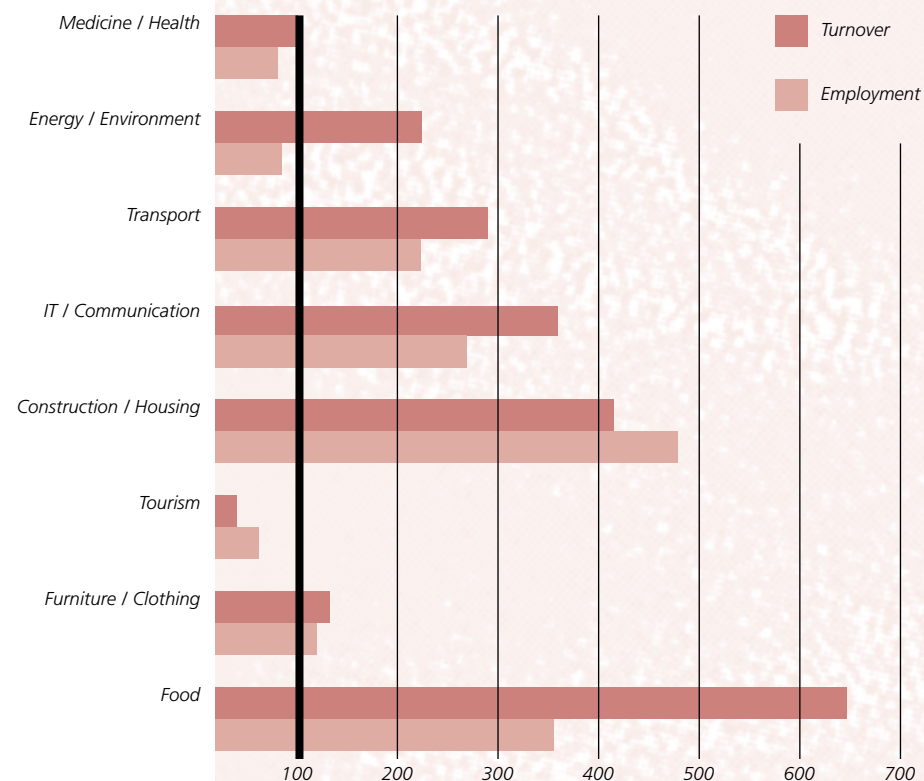
Table 3.1 The cultural industry in figures
Cultural industry statistics, 1998

	Turnover (year's prices, DKK million)	Export (year's prices, DKK million)	Full time employees	Number of firms	Number of new firms ¹⁾
Cultural industry	75,478	15,825	59,107	14,108	977
Private industry as a whole	1,879,318	447,369	1,134,247	323,298	15,964
The cultural industry as a percentage of all business lines	4	4	5	4	6
Book publishing	24,648	1,973	16,685	3,367	90
Printed media	15,179	3,874	15,254	727	56
Radio/TV	13,008	3,499	528	1,059	39
Music	5,261	500	1,695	858	79
Toys/Amusement parks	6,470	4,449	6,615	855	62
Film/Video	4,932	1,179	3,566	1,300	96
Architecture	3,916	133	4,499	2,811	141
Design	1,376	198	801	2,005	320
Theatre	463	6	363	590	82
Visual arts	225	14	101	536	32

Source: The Ministry of Culture and the Ministry of Trade and Industry.
Based on figures provided by Statistics Denmark

¹⁾ New companies are categorised as companies started within the past year. These are actual new firms in the sense that they have not been run by another owner, another form of ownership, under another name or by private interests already registered for VAT previously.

Figure 3.2: Employment index and turnover in Danish resource fields
Cultural industry = 100



As the cultural industry constitutes part of the other resource fields, the figures appear as an index. Source: Statistics Denmark

method of categorising companies than the more traditional division according to business concentration. This method is valuable showing as it does the spheres of connection within Danish business and industry. A case in point, all companies associated with the food industry are highlighted, whether they be involved in agriculture, food processing or the retail trade. In many respects, the cultural industry can be put on the same footing as a resource field. To obtain a picture of the extent of the cultural industry, it may be compared with eight other resource fields in Denmark. As is evident from Figure 3.2, the cultural industry is larger than both medicine/health and tourism, in terms of turnover and numbers employed, and the same size as furniture/clothing.



In spite of attempts to select a relatively broad set of businesses as part of the cultural industry, it is still difficult to measure its economic and employment importance. The figures above must therefore be taken only as indicators of the cultural industry's importance to the economy and employment, generally ¹⁷⁾. This can be attributed to a number of factors:

- Firstly, the index only embraces companies whose main activity lies within the selected sub-divisions. This means, for instance, that supermarket sales of books, CDs and toys are not included.
- Secondly, details of activities run by associations, funds and independent institutions are not included, ¹⁸⁾ which, for instance, excludes several activities in the grey area between public and private companies. The latter are particularly significant within music, literature and radio/TV. For instance, neither of the public service broadcasting companies (DR and TV2) are included in the above figures.
- Thirdly, the value chain within many cultural fields is not fully highlighted. As is evident from Figure 3.1, it is not possible to highlight the services and associated businesses connected with theatre, architecture and design, or primary producers and associated businesses within the visual arts. An outline of this nature would demand statistical data supplemented by comprehensive details from several difficult to identify companies. Such an analysis lies outside the competence of this report.
- Fourthly, the cultural industry interacts with the other sections of Danish business and industry, and assists the turnover of several sub-suppliers not included in the list of associated businesses and services. By way of example, cleaning companies, transport and the like. Parts of the cultural industry in addition play a central role within tourism, generally. The Tivoli Gardens in Copenhagen is a prime example of a company of some significance both to the cultural industry and the Copenhagen tourism industry.

It is an almost impossible task to compare the magnitude of the cultural industry in Denmark with that of other countries. Firstly because only a few countries have conducted any statistical analysis of the cultural industry, and the definition of sectors, as such, varies enormously from country to country. The UK, Finland and the German federal state of Nordrhein-Westfalen have, however, analysed their cultural industries, the results of which bear some resemblance to the Danish. These analyses indicate that the cultural industry's share of the Finnish and British economies is similar to the Danish. Employment within both the Finnish and British cultural industries constitutes 5 per cent of total employment. In Nordrhein-Westfalen the industry's turnover share of 4 per cent of the total economy is similar to that of Denmark. There are indications therefore that the cultural industry as a whole in Denmark is of a magnitude close to international level ¹⁹⁾.

The cultural industry, a complex sector

The cultural industry is composed of a chequered group of companies ranging from several of the biggest and best known to a broad undergrowth of smaller companies with few or no employees.

In the book trade, Gyldendal has been publishing books since 1770 and the trade ranks among the oldest cultural businesses in the country. Today we are witnessing a concentration tendency throughout the entire book trade, in which fewer companies are involved on the production side. There are 25 per cent fewer book and offset printers in Denmark now than six years ago, although total turnover has largely not declined. The same concentration tendency is evident in book retailing, with GAD, Busck and Bog og Idé now controlling 76 per cent of retail turnover. The book trade recently abolished bookshop monopoly on the sale of books and the debate is now expected to turn to the book trade's fixed price system.

Nordisk Film, which now forms part of the Egmont Group, has been producing films in Denmark for almost 100 years. The film industry consists of a admixture of big companies, like Egmont and Metronome, and several smaller film producers primarily concentrating on advertising and TV production.

The music industry consists mainly of the concert and CD markets. The market for recorded music is dominated by international companies like Sony Music, EMI-Medley, Virgin, CMC and Universal Music. In the field of live music, Denmark boasts several events, concert halls and concert promoters, with the Roskilde Festival and the Copenhagen Jazz Festival renowned events internationally.

Printed media is one of the largest and most dominating cultural industries in Denmark with such companies as Berlingske Officin, Morgenavisen Jyllands Posten, Politikens Hus, Allers, Egmont Magasiner and Ritzaus Bureau representing the main players. Broadsheet dailies have experienced a fall in sales in recent years, whereas the demand for magazines has risen slightly.

Within the field of radio and TV, the two public service broadcasting companies, DR and TV2, are among the major players on the national scene, although they are not covered by statistics provided here. The channels of the two stations attract up to one third of all viewers/listeners. TV3 and TV Danmark's share of viewers lies at about 15 per cent. On the radio and TV market, smaller producers have experienced substantial growth rates in recent years, which is reinforced by a tendency among public service broadcasters to outsource production to third companies.

In the theatre field, public companies like the Royal Theatre and the provincial theatres dominate, as the largest companies. This report's statistics and figures do not embrace these theatres. Public subsidy is granted to professional drama productions. The private sector is broader taking in musicals, cabarets, revues and stand-up comedy. The largest private theatres are Privatteatret and Det Ny Teater, which has recently staged a DKK 100 million production of *Phantom of the Opera*. The country's 17 largest congress and culture centres (taking in, for instance, Musikhuset Aarhus,





Aalborg Kongrescenter and Musikhuset in Vejle) are prime outlets for private theatre and entertainment.

Both public and private actors are involved in the field of visual arts. Visual artists are a business group that largely finds itself in the grey zone between the self-employed, wage earners and bursary recipients. Galleries and art museums form part of the visual arts value chain, although it is not possible to describe them all statistically. Thus, public museums are not included in the figures provided in this report.

The children's toys and amusement parks market in terms of this report is a cultural industry ranging from such diverse companies as Lego, Tivoli, the Zoological Gardens and Bon Bon Land. Amusement parks form part of the experience, leisure and entertainment industry, while at the same time being closely related to tourism promotion.

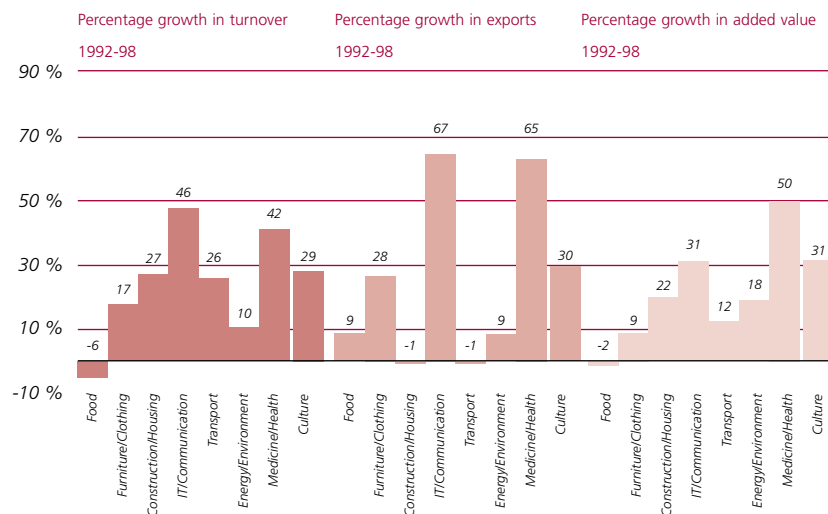
And, finally, design and architecture both of which are closely related to Danish industrial companies and the construction sector. The design field, in particular, witnessed considerable growth in the 1990s.

Appendix 1 gives a brief profile of the business fields embraced by the cultural industry.

The cultural industry, a growth industry

The cultural industry does not differ significantly from other industries in terms of its overall structure. The cultural industry embraces as many small companies as is average for business and industry generally in Denmark. And educational level and composition of its workforce also lie close to the average ²⁰).

Figure 3.3: Growth in selected Danish business lines



That which does set the cultural industry apart is the growth rates now being exhibited by some sections of the industry. Elements of the cultural industry are among the fastest growing businesses in Denmark. Figures provided by Statistics Denmark indicate that turnover in the 1992-98 period rose by 29 per cent, compared with total growth of 15 per cent in the remainder of private industry.

Figure 3.3 compares the cultural industry's turnover with that of several other industries. Unlike other major business lines, like food and construction/housing, the cultural industry experienced constant and significant growth from 1992 to 1998. Growth that lies near that which characterises the medicine/health and IT/communications industries. And, additionally, looked at from the volume perspective, the cultural industry is 12 per cent larger than medicine/health.

The ample rise in turnover experienced by the cultural industry from 1992 to 1998 must also be considered in the light of added value growth in the same period, which grew more rapidly than most other business fields ²¹). Growth is relatively evenly distributed throughout the sub-divisions of the cultural industry, although the tendency is for books and printed media to grow slightly faster than other businesses.

Another feature distinguishing the cultural industry is exports. The cultural industry has a smaller export share than is average for Danish business and industry. In 1998 the cultural industry's export share constituted 21 per cent of turnover, against an average for private industry as a whole of 24 per cent. In comparison, the medicine/health sector's export share is 48 per cent. The 21 per cent average conceals considerable variations between the individual sub-divisions within the cultural industry, with the largest export share held by leisure/amusement parks. This is largely due to Lego's impact.

Cultural industry exports are, on the other hand, growing significantly. As can be seen from Figure 3.3, cultural industry exports grew by over 30 per cent in the 1992-98 period.

Table 3.2: Cultural industry exports as a percentage of turnover

Business lines	%
Toys/Amusement parks	69
Radio/TV	27
Printed media	26
Film/Video	24
Design	14
Music	10
Book publishing	8
Visual arts	6
Architecture	3
Theatre	1

Source: Statistics Denmark



The cultural industry, challenges

A survey of the nine business lines covered by the cultural industry shows a rather chequered assortment of companies and businesses ²²⁾. Each business line has its own structure and composition, and each cultural business is facing challenges specific to itself.

Nonetheless, several common features and challenges cut across the cultural industry.

Firstly, all sections of the cultural industry are experiencing a significant rise in demand, both on the Danish market and internationally. Within film production, design and pop music, demand is growing by the day. Selling on the international market is proving particularly attractive.

Secondly, most sections of the cultural industry are experiencing sharper global competition. This serves as a double challenge for the cultural industry. On the one hand, it enjoys great market potential outside Denmark. And on the other, it must fight hard to ensure earnings on the Danish market. And, in parallel to this, in most cultural industries there is a marked concentration tendency on global markets. Within music, film and media a handful of large multinational firms dominate the world market. Firms that more often than not have strong roots in the US entertainment industry. The challenge facing Danish companies is therefore in the direction of cultivating niches in the international market and making these niches profitable markets in themselves.

Thirdly, most cultural businesses are feeling the unbridled power of change in the form of the Internet's headlong expansion. In the wake of what could be described as the Internet's explosive growth follows a massive and growing need for content. That is to say text, video, sound, images, design and illustration (partly as added spice, partly as illustration for the Net's millions of homepages). Simultaneously, the Internet paves the way for an unimaginable amount of media and communication channels in society. This development is reflected in the huge rise in commercial interest for content production and rights to such production. Here we only have to refer to the world's largest company merger, to date, between America On-Line (AOL) and Time Warner, which recently marked the culmination of this development. A tendency that without doubt will continue with unmitigated force in the years ahead. Developments within information technology are giving rise to a wealth of opportunities to develop new products and business models.

A new agenda in the media world AOL's takeover of TIME Warner

The purpose of America OnLine's take over of TIME Warner is to generate synergy between the two media giants' core competence. On the one hand, AOL's vast customer base of 20 million active consumers, an access portal which is used by 70 per cent of all America's Web users and interactive entertainment brands. On the other, TIME Warner's content production of entertainment and news, TV companies and cable TV. AOL provides the customers, TIME Warner the content. This logic will be normative for all major media companies in Europe and in Denmark

And finally, new digital technologies are challenging most businesses within the cultural industry. Experts speak now of so-called media convergence, which means that the different electronic apparatuses and media are showing an increasing tendency to fuse. One example is Wap telephones, which besides the mobile phone also uses the Internet, which to date has been confined to traditional computers. Another is growing amalgamation of radio, TV and computers, based on Internet technology. Media convergence means that many companies within the cultural sector are consciously launching their products in many different media simultaneously. Newspapers are now available both in paper form and on the Internet. Films are launched via daily newspapers, TV, and the Internet. TV programmes are followed up by debates on radio and the Internet. If a company owns the rights to a product, its job is to launch it and sell it by as many media means as possible. Although the way in which this technological fusion of media will transpire in the years ahead is highly unpredictable, it will quite obviously lead to both fresh opportunities and problems for existing media companies.

Report on media convergence

In June 2001 the Government issued a report on media convergence in the network society. The report is the work of a committee whose members were drawn from the Ministry of Research and IT, and the Ministry of Culture. The committee's brief was to evaluate the likely impact the merger of media and IT will have on cultural policy, media development and IT policy. The committee:

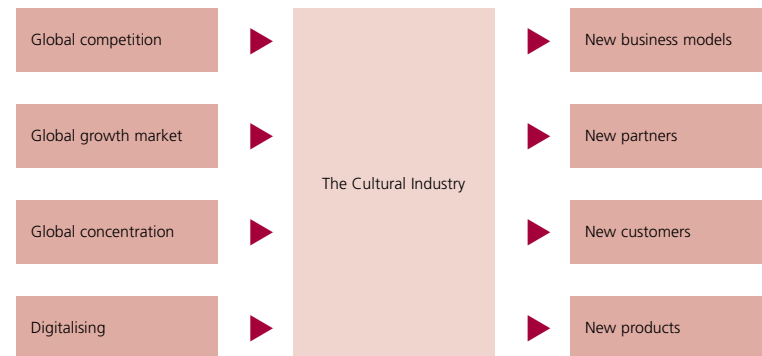
- Outlined the most important aspects of a growing tendency to merge media, information and communications technology
- Outlined various scenarios on where this development might lead
- Put forward concrete recommendations for future IT, telecommunications, media and cultural policy

The four focal points of the cultural industry

One of the most central issues is the question of how rights to digital products will be protected. Developments within the film and music industries clearly illustrate this dilemma. On the one hand, the Internet and information technology development opens up opportunities for effectual distribution and entertainment via the Net, and the development of entirely new products. On the other, such developments within the IT field makes it increasingly difficult for artists and companies to protect their products against illegal copying and thereby safeguard their earnings base.

The cultural industry is thus faced with several weighty challenges that place great demands on the industry's ability to transform and reinvent itself in pace with developments. The cultural industry must be prepared to constantly reinvent itself, its products, processes and organisation in order to survive.

Figure 3.4: The changing cultural industry



In compiling this report focus has centred on four cultural industry domains: the two central industries of film and music, the new growth field labelled content production for new media, and promoting entrepreneurship within the cultural industry.

4.1 The film industry ²³⁾

Danish film is known all over the world. From Dreyer (1889-1968), a film-maker who today enjoys cult status, especially among European film lovers, to Gabriel Axel's screen version of Blixen's *Babette's Feast* and Bille August's screen version of Martin Andersen Nexø's *Pelle the Conquerer*, to Lars von Trier.

The Danish film industry comprises much more than just feature films. Danish animated films, short films and TV productions are well received in Scandinavia, on the European market generally, and internationally, while Danish film-makers, technicians, animators and others within the industry are internationally recognised for their skill and expertise. Denmark also has a vibrant advertising film segment.

As an examination of the film industry will demonstrate, developments within Danish and European film-making are closely connected with available subsidies at both national and European level. Without subsidies the European film industry would not have attained its present status.

The Danish film industry in figures

The Danish film industry employs 3,566 people and turns over DKK 4,932 million. At least 25% of turnover derives from exports.

The film industry occupies under a half per cent of total Danish industry. From the latest up-to-date reports (1998) it would appear that the Danish film industry is not particularly significant when compared with Denmark's overall economic output.

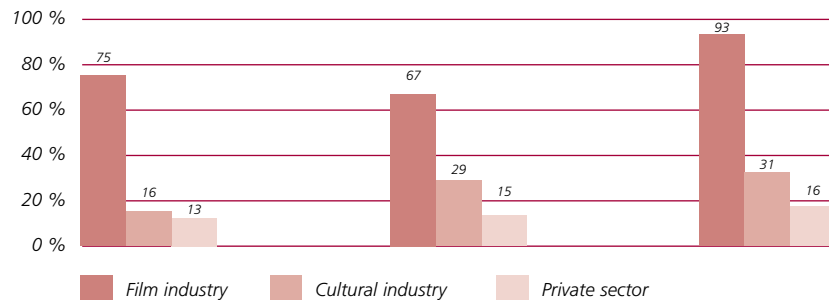
Table 4.1 Danish film industry key figures, 1998	Film industry	Share as percentage of cultural industries, generally
Companies	1,300	9%
Full-time employees	3,566	6%
Turnover (DKK mill)	4,932	6%
Exports (DKK mill)	1,179	7%

On the other hand, what makes the film industry interesting from the point of the view of the economy is the growth rates manifested in the 1992-1998 period. Growth, which is over average for the cultural industries generally and way above the growth rates attained within the Danish economy.



There is no guarantee, of course, that growth will continue at its present pace but a comprehensive study conducted by the Danish Technological Institute in 2000 suggests that over 50 per cent of companies within the film industry anticipate substantial increases in turnover and employment within the next two to three years. Only 10 per cent expect a decline. This would indicate that good growth rates are expected to endure within the Danish film industry.

Figure 4.1: Growth rates in the film industry. Percentage growth 1992-98
Full-time employees Turnover Exports



Source: Statistics Denmark

The film industry, structure and development

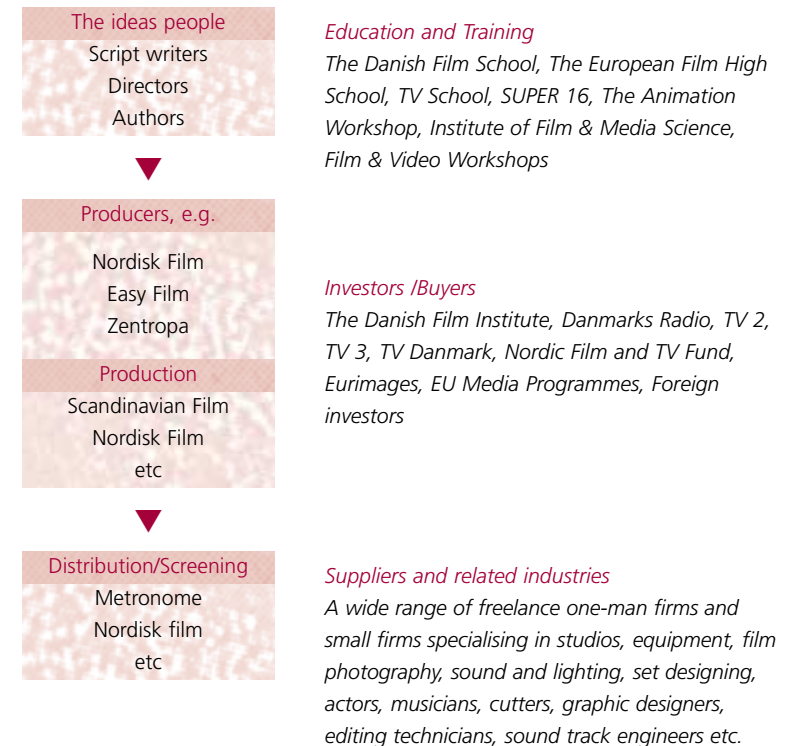
Film producers along with their celebrated film directors constitute the axle of the Danish film industry. Among Danish film producers who are members of the Association of Danish Film and TV Producers, a little over 50 per cent concentrate on only one product (e.g. advertising/publicity films), while the others produce one or more types of film, like TV productions, feature films and short and documentary films.

Behind these producers stand an array of companies engaged in one or other element of film production from concept inception and script, to production proper, and subsequent marketing and distribution.

Examples of companies engaged in the film industry

- Nordisk Film & TV
- A. Film
- Zentropa Productions
- Metronome Productions
- Easy Film
- Per Holst Film
- Nimbus Film
- Dansk Animation Film Production
- DR
- TV 2 Denmark

Figure 4.2: The Danish film industry



A characteristic of the film industry is that each production is quite often an entirely new project demanding new partners, suppliers, employees and so on.

Partnerships also extend beyond Denmark's borders. A study conducted by the Danish Technological Institute indicates that roughly 50 per cent of Danish film producers, from time to time, at least, cooperate with foreign partners and suppliers on co-productions, typically on occasions when film projects are jointly financed, cutting across national boundaries.

The dynamic in the industry is sizeable. This is illustrated by the fact that, inter alia, 50 per cent of film companies have changed hands within the past 2-3 years. 10 per cent of companies in the industry have bought out others, 10 per cent are the result of a merger between two or more companies, while 25 per cent have been cut off from another company ²⁴⁾.

The Danish film industry is dependent on public subsidy. The same applies in all other European countries. Pursuant to the Film Act, the objective of state subsidies to the Danish film industry is to *support the development of film as art and bolster*





Danish film and cinema culture. The Danish Film Institute is the body responsible for administering the greater part of public funding, which in 2000 constituted DKK 301 million. Subsidies to feature film production are granted by way of two schemes. One is the Consultant Scheme. Here subsidies are conditional on a film consultant's evaluation of the artistic merit of an individual project. The second is the 60-40 Scheme. Under its terms, the Film Institute grants funding of up to 60 per cent, without the prerequisite of prior consultant processing. Until 2002 film subsidies will be increased by a total of DKK 150 million per annum.

The policy on which this subsidy increase is based sets the goal of 25 film productions a year. The realisation of this goal, however, presupposes increased investment from other sources, including private investors, to match the rise in film subsidy. In 1997 the average public subsidy percentage for all films was 47.

A film talent mass is mandatory for the Danish film industry and its ability to achieve success. Denmark finds itself in a strong position in this respect and has a well-developed system of education and training focused on the film industry.

Besides the more formalised education schemes geared towards nurturing and promoting talent, several milieus and/or recurrent events exist to entice latent talent out in the open. One example of this is the short film competition *Close Up*, now in its third year. The aim of *Close Up* is to provide an opportunity for those with film-making ambitions to screen their own short film production. In 2000 220 short Danish films, each eight minutes in length, participated in the competition.

A potential body of talent also exists outside the film industry's own ranks, for instance, among students and producers of new media.

Generally speaking, the film industry experiences little difficulty in attracting manpower.

The American film industry totally dominates the world's film market. Although just as many films are produced in Europe as in the USA, the American film industry is far superior when it comes to 'blockbusters'. That is to say, films enjoying over-whelming box office success, globally. Even on the European home market American films dominate, with a market share of 70 per cent.

The American film industry totally dominates the world's film market. Although just as many films are produced in Europe as in the USA, the American film industry is far superior when it comes to 'blockbusters'. That is to say, films enjoying overwhelming box office success, globally.

Even on the European home market American films dominate, with a market share of 70 per cent.

Top 3 European films with greatest success in other European countries in 1999

Life is Beautiful by Roberto Benigni

The Celebration by Thomas Vinterberg

All About my Mother
by Pedro Almodovar

Success permits the investment of much more money per a produced American film than a European produced film. An average American film production has a budget roughly ten times higher than a European feature film. And on top of this comes the enormous sums spent on marketing, typically DKK 25-30 million per an average American feature film.

Within Europe differences exist between individual countries with respect to the proportion of the market covered by home produced films. In Italy and France home productions constitute a market share of 30 to 40 per cent. In the UK British films have a market share of about 25 per cent, while the home market share for home productions in the other Scandinavian countries is under 20 per cent. In Denmark home produced feature films have a market share of 27 per cent. ²⁹⁾

Another indicator of the relationship between Danish, European and American films is the Danish Film Institute's list of box office sales in Denmark. Among the top 20 in 1999 were 11 American, 3 European and 6 Danish films. To the surprise of many, Susanne Bier's *The One and Only* topped the list with 840,442 box office sales, beating *Star Wars the Prologue*, which had to make do with 542,174.

The market dominance of American films does not by any means mean that commercial opportunities are non-existent for others on the film market. Growth rates in the Danish film sector alone indicate that the Danish film industry has succeeded in finding a niche on the global market extensive enough to accommodate the ambitions of most Danish film producers and directors.

Danish film also finds itself in a relatively strong position outside the traditional realm of feature film. This applies not least in the field of animated film, in which Danish productions are among the European elite. For instance, *Cirkeline II*, premiered in February 2000, has been sold for distribution in Scandinavia, Spain, the Netherlands, Japan and soon France ²⁹⁾.


Challenges facing the film industry

Danish film is approaching a new era. For years the film industry has primarily focused on producing films for the Danish market. Budgets, in the international context, have been insignificant. Expenditure on marketing low. And public subsidy a sizeable source of finance.

This situation is now about to change, for sections of the industry in any event. Recent international successes with the *Dogme '95* concept and the *Golden Palm* award for *Dancer in the Dark* have generated tremendous international interest in Danish film. And the industry is leaving no stone unturned in exploiting the situation, either. Danish film projects with budgets in excess of DKK 100 million focused on an international film audience are becoming increasingly common.

This must be seen in the light of the fact that typically a Danish film project would have a budget of between DKK 12 and 13 million.





The Danish film industry is now faced with new challenges resulting from this inflated international and commercial ambition level. The industry finds itself at a crossroads, at a point where development is no longer interesting merely from the cultural and artistic perspective, but increasingly of commercial interest, as well. This poses the question: are the commercial frameworks in position for the Danish film industry to exploit this challenge?

As noted above all the indications are that both talent mass and resourcefulness are in place to develop Danish film into an attractive growth sector. Concentration in recent years on high level education and training has produced a new generation of directors, script writers, actors, animators and producers, who provide the industry with a solid basis on which to develop.

But a good international reputation and a wealth of talent and resourcefulness, on their own, are not sufficient to generate commercial success within the Danish film industry.

Solid financial frameworks are equally important. A commercial study of the film industry conducted by the Danish Technological Institute indicates that access to capital is a critical factor for large sections of the industry. An important observation made by this study is the difficulty experienced by the industry in attracting private investors ²⁶⁾.

Film financing is a quite complicated process. It demands mastering a mosaic of financing sources, the composition of which is as diverse as the film being produced. (cf. box)

The typical financing mosaic for Danish feature films

Financing film production is quite a complicated affair. In the case of the typical Danish film, the Danish Film Institute is the most important source of finance. On average the Institute puts up 45 per cent of the total budget. The remaining 55 per cent will more often than not be a combination of a range of sources, such as the producer's own investment, sale of TV rights and pre-sale on various markets. Film financing is particularly complicated because of the need for bridging loans. If a film is, for instance, sold to a German distributor a guarantee is usually procured securing the sale sum when the film is completed. However, the producer needs this money immediately to produce the film and so approaches a bank/finance institute for a loan. This institute, for its part, will demand insurance (a completion bond) to cover the risk of the film not being completed in time, or being scrapped entirely. However, this range of subsidy, bridging loans and producer investment is seldom adequate. And typically the final financing element (top financing) is the most difficult and expensive to raise.

Source: Danish Technological Institute and The Danish Film and TV Producers Association

In Denmark, as mentioned above, the industry is highly dependent on public subsidy, especially from the Film Institute.

However, in pace with higher ambition levels and budgets it has become increasingly important to find funding sources other than traditional film subsidies. There is naturally a limit to how many film projects in the DKK 100 million bracket that can be financed by the public purse. With this in mind, a plan of action was put forward parallel with a policy decision on film subsidy in 1999, which can only be realised if private financing of Danish film increases substantially.


This demands a new investor dynamic within the Danish film industry. A challenge that not only means attracting new funding for Danish film but also professionalising the entire investment environment surrounding the Danish film industry.

This is because there is little or no tradition of private investment in film in Denmark at present and the business culture characterising the film industry is in many respects quite unsuited to the culture of financial markets.

In the first place, it is particularly difficult to foresee a film's earnings potential. Film has an almost unforeseeable demand curve, which makes the individual film a highly risky investment, indeed. Figures issued by the Danish Film Institute indicate that only 13 out of the 63 subsidised films produced in the 1992 to 1997 period gave a positive result ²⁷⁾. Here the film industry is in many ways reminiscent of other highgrowth industries, like IT and biotechnology, in which only one in ten projects show a profit. But this risky profile is especially problematic for Danish film because spreading the investment risk, which is the practice in other branches of industry, is absent. Each film project is financed as a unit, instead of investing in a film portfolio.

Secondly, investment in film often demands a highly patient investor. Even a successful film seldom shows a profit at the box office, alone. Earnings often first come when the film has been released on video, transmitted on TV, re-released, or when the film's name and concept is used in connection with computer games and merchandising. A five-year mean (1992-1997) suggests that the average film ²⁸⁾ realises 44 per cent of its Danish net earnings in cinemas, 25 per cent from videos and 31 per cent from TV ²⁹⁾. On top of this, the method of financing employed means that many are queuing to receive the first pay off, including the banks and those holding the distribution rights. It can therefore take a very long time before net capital invested in a film pays off.

Thirdly, far from all types of Danish film productions have a chance of becoming commercial successes. It is particularly difficult to earn money on productions targeted primarily at the Danish market. The Danish language has limited geographic range and market potential. Consequently, primarily productions focused on the international scene are equipped to attract private capital. Alternatively, however, such productions place heavy demands on the film industry's marketing capabilities and its ability to build up an international network.





Fourthly, there is a shortage of qualified advisory services for private investors wishing to invest in Danish film. Film financing is now a complicated business demanding intense specialised knowledge and skill to evaluate a film as an investment opportunity. At present such competence is spread throughout the film industry and the systematic gathering of empirical evidence and know-how is wanting.

Overcoming the above-mentioned barriers demands new thinking with respect to the financial frameworks pertinent to the film industry. There is a need for an investment environment which at one and the same time is:

- Willing to take risks and geared to spread this risk over a number of film projects
- Patient and prepared to wait years before investment pays off
- Targeted at the commercially sustainable sections of the Danish film industry
- Competent and specialised to suit the particular structure of the film market

There is little likelihood that such an investment environment will come about of its own accord, based on pure market principles. Studies of and dialogue with the film industry and investors indicate that what is needed are specific industrial policy initiatives to generate better financial frameworks for the film industry. There is a need for a kick-start effect by, for instance, providing sufficient incentives to cover a private investor's risk when investing in the film industry. And there is a need to build up necessary competence within the financial system to evaluate a film project's commercial potential and prospects.

At the same time, however, various studies would suggest that such efforts at very best can only supplement existing film subsidies. In the years ahead, too, the need for public film subsidy will remain to sustain and develop Danish film production. Without public subsidy the Danish film milieu cannot continue at its present level.

4.2 The music industry ³⁰⁾

Aqua has immersed us in *Barbie Girl* and the Brothers Olsen won the European Song Contest 2000, with *Fly on the Wings of Love*. Niels Henning Ørsted Pedersen delights jazz lovers all over the world and Carl Nielsen's music packs concert halls at home and abroad. The Danish music industry has made itself felt on the international scene. Such achievements help to draw attention to Danish music and Danish musicians.

As any study of the music industry will show, both Danish and international music are dominated by a handful of big companies in the business of selling their products on the global market. But the industry also consists

The music industry embraces the following elements

- Release of sound recordings
- Reproduction of sound recordings
- Production of blank tapes
- Wholesale of CDs, albums etc.
- Record shops

of a dynamic undergrowth of small companies that in many ways constitute the embryo of the future music industry.

The music industry in figures

The global market for recorded music in 1999 amounted in total to USD 38.5 billion. The USA is the world's largest music market, followed by Japan, UK, Germany and France. 1999 witnessed global growth in the number of sold units of roughly 3 per cent, characterised by sizeable growth in North America, stagnation in Europe and considerable decline in Japan.

A vast proportion of global international music recordings occurs within the frameworks of media concerns.

The five giants Warner Music, EMI, Universal Music, Sony Music and BMG Entertainment, with hundreds of subsidiaries and labels, sit on 75 per cent of the world market. These concerns are of great significance to the Danish music industry, too.

It is quite difficult to precisely outline employment figures and the economic importance of the music industry in Denmark, because earnings

are diffused over goods, services and royalties³¹⁾. If we take Statistics Denmark as our source, the music industry employs 1,695 people on a full-time basis and generates an annual turnover of DKK 5,261 million. Based on these figures, the music industry would seem to occupy less than 0.5 per cent of the Danish economy. Besides Statistics Denmark export figures, the Danish Music Information Centre's³²⁾ reports state that exports in the same year amounted to DKK 734 million. The discrepancy in the two statements arises because Statistics Denmark does not include immaterial rights (KODA, GRAMEX and NCB) or concert tours in its export figures. Furthermore, Statistics Denmark's export figures are based on goods statistics, which do not embrace export earnings the music industry contributes through sale of licences.

If we leave aside the uncertainties regarding level, Statistics Denmark figures indicate that the industry in the 1992 to 1998 period experienced a significant level of growth. Growth in the music industry is the highest within the cultural industries and about five times over general economic growth levels. And here the outstanding successes of Aqua and the Brothers Olsen have not even been taken into account. Growth in the Danish music industry thus clearly transcends developments on the world market. A study conducted by the Danish Technological Institute suggests

Table 4.2:
Danish music industry key figures 1998

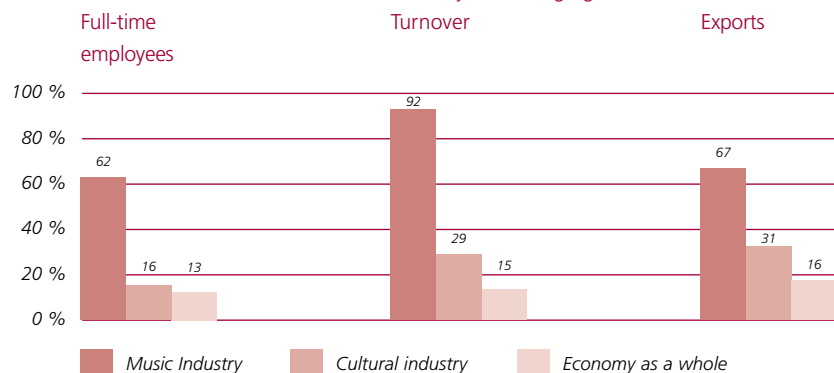
	The music industry	Share of cultural industries
Companies	858	6 %
Full-time employees	1,695	3 %
Turnover (mill DKK)	5,261	7 %
Exports (mill DKK)	500	3 %

Source: Statistics Denmark



that this positive development will continue. More than 50 per cent of companies operating within the industry anticipate a rise in turnover in the years ahead, while only 7 per cent foresee a decline. If developments continue, the music industry will consolidate its position as a leading growth segment of Danish industry.

Figure 4.3: Growth rates in the Danish music industry. Percentage growth 1992-98



Source: Statistics Denmark

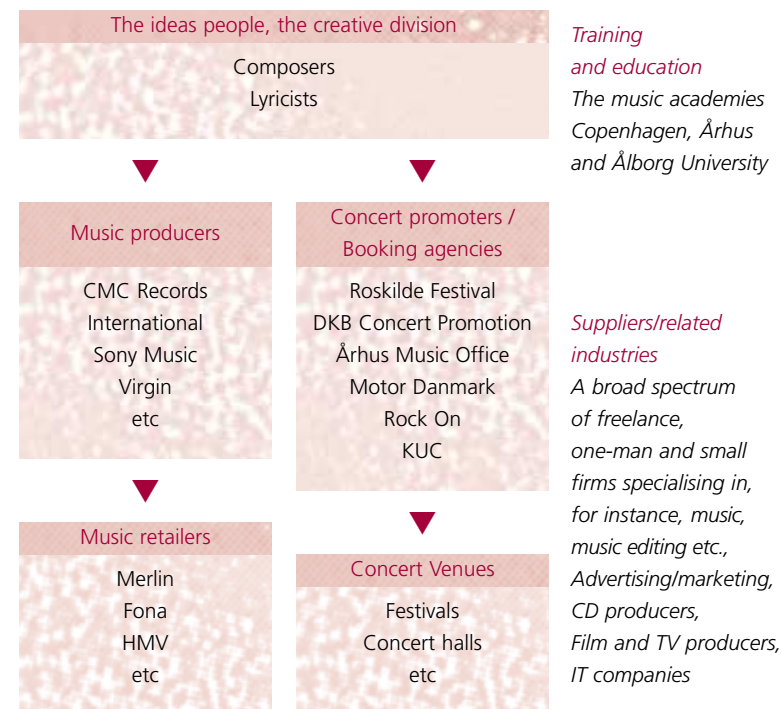
Growth on the market is not, however, evenly distributed between the various music categories within the industry. Foreign produced music has been mainly responsible for growth in Danish consumption, while Danish releases have not enjoyed the same growth rates. Music produced in the Danish language still constitutes the mainstay of Danish record label releases.

Because of the difficulties involved in precisely defining the importance of the music industry, few studies have been conducted allowing us to draw international comparisons. Sweden, however, has made an attempt and the conclusions arrived at throw up no surprises. The USA and UK are the two dominant producing countries. But if we take population figures into account, Sweden comes in at first place and Denmark, together with Ireland, UK and the USA, is among those countries with highest royalty earnings per head of population.

The music industry, structure and development

One mainly associates the music industry with musicians. Behind the scenes, however, stands an array of companies in the business of producing, distributing and performing music.


Figure 4.4: The Danish music industry
Examples of actors and companies



Two business activities can be identified within the music industry both of which function as an income base for musicians and managers, but which, from a purely business perspective, are relatively distinct. These are, respectively:

- Concerts and live performances dominated by small Danish companies focusing on the Danish home market
- Production and sale of CDs/albums, which are an admixture of a few strong international companies and a dynamic undergrowth of more niche-like smaller companies

As noted above, the Danish CD market (production and sales) is dominated by a handful of international companies, which totally dominate the world market, as well. These are Universal Music, Sony Music, EMI-Medley, CMC Records International and Virgin, all of which are subsidiaries of international concerns. Running parallel with the big record companies are several small niche companies



engaged in a variety of services related to the music industry. These are, for example, private sound studios, music video producers, lyricists, composers and several small record companies. The industry's own publication the *Danish Music Yearbook* lists thousands of companies, musicians, soloists, etc all of whom are attached to the music industry.

Globally the music industry's primary turnover stems from the sale of CDs, as the dominant media, corresponding to roughly two thirds of record companies' total turnover³⁴. Followed by earnings from royalties to record companies and musicians, followed in turn by earnings from performances at concerts abroad, TV appearances, and so on.

There has been a deal of debate on how significant the dominance of large companies is for the Danish market. On the one hand, it would appear that the big concerns provide Danish artists with an opportunity of worldwide exposure, through their many subsidiaries. This gives access to people with local market knowledge in individual countries and marketing channels. On the other hand, the same large companies are often accused of bias overly focusing on broadly popular music and relatively safe names, rather than encouraging new talent. And it would seem that these companies are more interested in promoting already established names than establishing new.

Whether an artist is attached to a global record company or a purely Danish one, it still remains difficult to earn money on Danish and especially Danish language releases. The costs involved in penetrating down to consumers and competing with foreign artists bears no comparison to the small home market for Danish soloists and Danish language releases. One of the reasons being that demands on marketing are becoming more acute. A marketing budget of DKK 1 million per release is not unusual. And on large markets like the USA and Britain, figures are much higher. With constant releases and rising marketing costs the financial frameworks for CD releases are deteriorating, and record company earnings are coming under pressure. A consequence of this trend is that only a few Danish record companies are showing a profit and are being forced to concentrate increasingly on English language releases, reserving Danish releases to well-established names.

Another tendency characteristic of the market and which indirectly affects the release of Danish music is rising internationalisation of Danish music consumption. Danish consumers are buying much more releases by international artists than earlier. The sale of foreign music releases is, with a market share of 60 per cent, substantially higher than the sale of Danish music releases. One explanation is that consumers on the Danish and on the global market, generally, are showing less preference for their own national artists. This development could be opportune for Danish artists, who, as long as they perform in English, have an opportunity to reach an enormous global music market. Aqua and Michael Learns to Rock are obvious examples.

Estimated turnover on the concert market in Denmark is DKK 300-400 million, which is a relatively limited share of the DKK 5.3 billion estimated annual turnover of the music industry as a whole³⁵. Festivals, held each year within largely all music genres in Denmark, are an important ingredient of the concert field. Festivals constitute roughly 50 per cent of total concert turnover. Generally speaking concerts are not arranged by commercial concerns but by a number of non-profit organisations or funds. Despite the fact that festivals are not strictly speaking commercially run events, they still constitute a central business outlet for musicians and booking agents, alike.


With effect from January 2000, 14 regional rhythmic music venues are in receipt of public subsidy, nationwide. The objective of this subsidy is to raise the quality of and develop professional live rhythmic music, to the advantage of musicians and their audiences. The Danish Music Council administers this subsidy and besides 14 designated venues support is granted to other live music venues via honoraria. In 2000 DKK 30 million was earmarked for live rhythmic music.

Public subsidy to music in 2000 constituted DKK 723 million, of which the state contributed DKK 298 million, county councils DKK 54 million and local authorities DKK 371 million. Funding is largely earmarked for training, including schools of music, and live performances, with symphony orchestras the largest recipients. Against this background, besides public engagement in music venues, training, symphony orchestras and broad-based efforts, the Danish music industry has developed without any significant level of public subsidy. The musicians, composers, lyricists, record companies, recording studios and others within the industry alone generate success.

Challenges facing the music industry

The music industry finds itself in a state of flux. At the end of the Nineties the Danish music industry had achieved several spectacular business successes, although overall the industry was characterised by a narrow income base. Nonetheless, a study conducted by the Danish Technological Institute points to what is termed the "Aqua" effect, which has had considerable impact and created a basis for new optimism and new international ambitions. Aqua's international chart successes have helped boost confidence in the ability of Danish musicians and Danish record companies to deliver the goods on a global market. This optimism must be exploited. However, the music industry is also facing several serious challenges likely to block such growth ambitions.

While Danish industry generally has survived globalisation by orienting itself increasingly towards export markets, large sections of the Danish music industry continue to produce music focused primarily on the Danish market. Of the top 100 releases in 1999, 35 were by Danish artists, the majority of which were Danish language releases and as such confined predominantly to the Danish market.





Thus, experience and knowledge of exporting Danish music remains limited. The industry is finding it difficult to establish an export market proper to supplement earnings from domestic sales.

The reasons why Danish music producers have been slow to penetrate export markets are manifold. A study by the Danish Technological Institute indicates that one of the most essential reasons is lack of awareness of the preferences and needs of foreign markets. Most major record companies in Denmark are subsidiaries of large multinational concerns. More often than not subsidiaries abroad take on the job of promoting and marketing Danish music releases in the event of export drives. Danish producers are thus indirectly excluded from building up expertise and experience of foreign markets. Therefore it is difficult for record companies to develop and produce music focused on the tastes and preferences of markets abroad. A much higher degree of competence must be developed within music export than is the case today. And for continued export success Danish record companies must begin to target their releases on foreign markets and not concentrate solely on the domestic Danish market.

There is general accord within the music industry that there is a favourable talent mass among performing artists and the inflow of new highly skilled musicians remains constant, among them musicians with international potential. Generally speaking the industry experiences little difficulty attracting manpower.

The Danish Technological Institute study suggests, however, a widespread lack of competence in the industry within the fields of production, sales, marketing and exports.

A comparison can be made with Sweden in this context. The Swedish model has concentrated for years on developing its role as producer, rather than focusing on individual musicians. We have previously seen the advisability of favouring producers and allowing them to become the driving force in industry. At this point in time, Denmark has no formal education courses to train students in the craft of running a music business, which would include building up knowledge of the industry, conflict resolution, mediation, budgeting, copyright, contracts and royalties. This suggests a need to establish such a training programme capable of professionalising the entire value chain from production to recording companies to publishing houses, concert promoters, booking agencies etc. Professionalisation of the industry is considered a prerequisite for developing a strong, Danish music milieu.

But perhaps the greatest challenge facing the Danish music industry today is developments within digital technology. The emergence of the compressed format MP3, copying on cheap CD labels and swift distribution via the Internet will certainly lead to major transformations within the music industry. Up to now the music industry's main anxiety has been losing earnings to pirate copying such advancements inevitably lead to. MP3, which is a file format used to compress music, is now the most widely used search tool on the Internet. It is estimated that in 1999 alone

roughly 17 million MP3 files a day were downloaded, worldwide. AC Nielsen AIM (a Danish research institute) estimates that about 40 per cent of young people in Denmark between the ages of 13 and 29 downloaded pirate copies of music recordings from the Internet in 1999. Lost earnings to the music industry in Denmark alone are estimated at approximately DKK 200 million ³⁶⁾. In the first six months of 2000 more than 4,500 Internet websites in the USA were given over to offers of illegal music copying and other digital products. ³⁷⁾.

Although the music industry does its utmost by means of litigation and campaigns to curtail this development, its hopes of success are far from guaranteed. Technological development may in time mean that record shops as we know them will become superfluous. Record companies will find it easier to distribute music directly to the consumer. In fact, it is expected that an increasing number of artists will take their lead from such stars as David Bowie, The The and Public Enemy and demand the right to sell their music via the Internet.

If pirate copying resolves the problem, the Internet as a distribution channel will in time be in a position to cut the costs of CD production, distribution and retail. At the same time, Internet companies will be given scope to enter into entirely new relations with their customers and provide several services denied to them previously. Consequently, many multinational record companies are busy developing new standards for digital music files, which cannot be copied. The most realistic goal for record companies must be to offer a product which is suitably inexpensive and difficult to copy, while at the same time offering extra services attractive enough for consumers to lose interest in wasting time making and finding pirate copies.

One possible outcome of developments is that consumers of the future will not own music (a record/CD collection) but rather pay each time they listen to music by a subscription or some other scheme. Although in all probability traditional record shops selling CDs will continue for many years yet, the biggest growth market in the future will be music sold on the Internet.

New sales, marketing and distribution models will undoubtedly also have several consequences for musicians. There are signs already that it is easier to release music to a potentially huge market. But, at the same time, it is difficult for musicians to safeguard their rights and thereby their earnings. It is not hard to imagine that smaller sound studios will attempt to circumvent existing record companies by selling and profiling themselves on the Internet, within several niches. When the issue of payment is finally settled, such initiatives will open up opportunities for musicians who were denied access to the big music companies.

Finally, the way in which music is created will change radically as a consequence of these new sales, marketing and distribution models. The possibility of composing albums according to individual taste is not beyond the imagination.

Although the Danish music industry is entirely dependent on international developments with respect to progress in standards and legislation on the rights



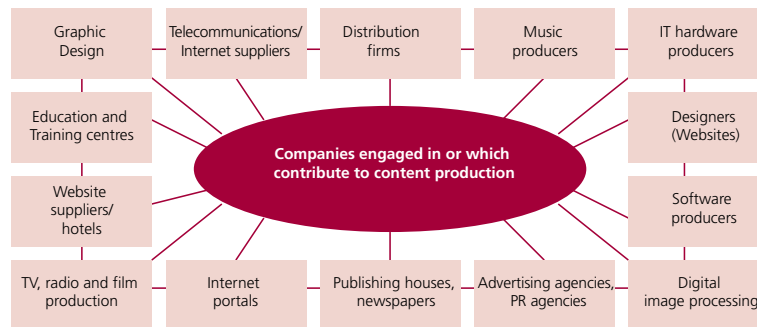


issue, it cannot content itself with lying back and waiting for developments to overtake it. It must be on board trying out the various opportunities technological developments embrace. One of the answers lies in closer interaction with other sections of the entertainment industry and in partnership developing content that could become a future product on the Internet. This subject is addressed in the next chapter.

4.3 Content production for new media

In contrast to the two previous focus areas, each of which relatively speaking is an easily recognisable industrial field, content production for new media is a thing apart. Something that can in fact be described as an emerging field, which at one fell swoop will impact on several former business models pertinent to the cultural industry and generate entirely new demand for the services of the cultural sector, generally. Content production for new media is having an impact on companies right across the board, the IT-Tele-Electronics industry, the film industry and radio and TV production, while simultaneously cutting right across the various arts genres: literature, music, visual arts, museums, and so on.

Figure 4.5: Examples of companies engaged in content production for new media



Content production is not a business field in itself, but hangs together by virtue of its partnership patterns and technological competence synthesis.

The term content production is new and no overall classification of the industry has been attempted hitherto. The analysis demarcations and juxtapositions here do not lean therefore towards established paradigms and similarly the data basis employed comes laden with considerable uncertainty. Nonetheless, an analysis of this type can contribute to an initial study of a new and dynamic business field, and act as a guide for industrial promotion activities, as well as further research in the field. In contrast to the music and film industries there is no aegis of figures from Statistics Denmark to assist in outlining this new industry.

The possibilities of the information technology revolution

The backdrop to this development is the information technology revolution and the undreamt of possibilities it presents for the use of digital information in many different media. A common feature of the Internet, digital TV, DVD, e-books and mobile phones is that the content of each is coded and transmitted digitally. And this digital content can relatively easily be reused and applied in many new electronic devices. In time, the TV and the PC will converge, giving TV an in-built link to the Internet, while the PC will transmit TV and reproduce sound in CD quality. With Internet technology we will be able to compose our own TV programmes.

Parallel with digitalisation, on-going expansion of transmission capacity in the telecommunications network is taking place, providing the means for live image transmission down the telecommunications network. Even now PCs, mobile phones etc with Internet links are becoming more widespread. 60 per cent of the Danish population linked on to the Internet this year alone, twice last year's figure. And, simultaneously, there has been a dramatic drop in prices for use of the Net. Broadband capacity now costs under DKK 400 per month for unlimited use and in time distribution costs will move towards nought. In fact, some experts are even suggesting that at some point they will pay us to use the Net!

The production of hardware and software goes hand in hand in a dynamic process in which each new technological breakthrough opens up new possibilities, availed of by content producers, in turn demanding further technological advancement.

Examples of new products

The electronic book The electronic book has been a permanent feature of science fiction since the Forties. Now it is about to become a reality.

The perspective is to develop a total concept for electronic books, by which readers can download texts via the Internet or record texts from CD Rom. The obvious advantage for book publishers is that they will be released from middleman supplies to book dealers, and printing and distribution costs.

e-newspapers In response to the fall-off in newspaper advertising and in an attempt to open up new sales channels most dailies have established websites, on which consumers can read excerpts from the daily newspaper, search article files and so on.

TTV on the mobile phone During the 2002 and 2006 World Cup, the mobile phone company Årisma will transmit video clips of highlights to subscribers with the appropriate mobile phone. Equally, work is afoot to enable pop groups and others to transmit sound and images to their fans via mobile phones.

Web TV TV on the Internet is expanding at an enormous rate. Denmark now has its first Internet-based TV station.





The market for digital apparatuses has exploded and new products are being launched by the minute. But, new apparatuses are not worth much without content. A DVD player void of music will hardly get our feet tapping. A Wap phone without the relevant services will not make life any easier. And an Internet portal without content is hardly worth a visit. The new media are hungry for content – content that the cultural industries can supply.

Examples of Danish content producers

In Denmark public service TV stations are among the most important exponents of content distribution via new media. DR's portal, DR-Online, is one example of a traditional media concern exploiting the Internet to offer its viewers and listeners a variety of value-added services in the form of panorama articles, debate fora and games, which relate to themes addressed by DR programmes.

TV2 has made digitalisation a cornerstone of its new strategy, designed to make the company a multi-pronged media concern rather than a mere TV station. TV2 will concentrate on developing new services focused on all digital apparatuses, whether they be a Wap phone, a TV, a PC or products not yet invented. The potential of digitalisation must be exploited ³⁸⁾.

Telecommunications companies also play a pivotal role in content advancement for new media. Partly as suppliers of the infrastructure necessary to facilitate the transmission of images, sound and data via the telephone network. Partly because some telecommunications companies have been active in attempts to develop Web portals containing several related services. On the Danish market, Tele Danmark is one company working to supply a high-speed network, partly via cable TV, partly via broadband on the ordinary telephone network, and partly via satellite. Tele Danmark has also tried to establish itself as a leading content supplier, over and above the customary programme packages, with, for instance, its own TV station, the now closed Sports Channel and the Oposia portal.

The Egmont concern occupies a special position in the cultural industry and as content supplier to new media. With an annual turnover of at least DKK 8 billion, Egmont is a leader in Scandinavia within animation, feature film, books, magazines, comics, radio and TV production, cinemas, film distribution, games and on-line services. The Egmont concern employs more than 4,000 people in 29 countries. Its core business is printed media. Today, it is Europe's foremost publisher of children's books and comics. It has expanded its strategy over the past decade to embrace film and multi media in its entertainment universe. In Egmont's own words it wants to become "A world class entertainment media house that creates quality entertainment for children and adults while they read, watch, listen and play". What started off as a lowly printing works in Egmont H. Petersen's kitchen is now a multimedia concern, with activities in largely all branches of the cultural industry.

The battle to become a prominent and widely used Internet portal has raged for years. Portals have developed within many different product areas and are targeted at many different consumer groups. Most of them, in fact, without any remarkable commercial success. However, examples of successes can be found and the Jubii portal is something of a *pièce de résistance*. Jubii was bought in the spring of 2000 by the Swedish-based Internet portal Spray, as part of its expansion agenda in Europe.

Another growth market attracting many content producers is games development, whether for the Internet, distribution on CD Rom or use on TV. Denmark has notched up a number of successes in this field. For instance, *Hugo* the TV troll, which has been sold worldwide as an interactive TV show, computer game, music cassette etc, since 1990. The company behind *Hugo*, Interactive Television Entertainment, is now a leading international producer of interactive TV entertainment with offices worldwide, an annual turnover of roughly DKK 100 million, and a staff of about 100.³⁹⁾

Developments do not only effect companies already active within IT and the entertainment industry. More traditional companies within such fields as graphic design can avail of the new opportunities presented to develop new products and services. The publishing company Teknisk Forlag, for instance, offers vocational teachers digital e-books, which can be compiled from a selection of 12,000 chapters, distributed over 850 textbooks.

No one knows where developments will end. Besides major and well-known companies, a dynamic and expanding undergrowth of smaller companies exists supplying content to new media. A Danish Technological Institute study of 145 companies within the field suggests that these companies are characterised by:

- Massive growth, outdoing the film and music industries. Most companies canvassed expect this level of growth to continue in the years ahead.
- Large-scale focus on the Danish market.
- Dynamic partnership relations, with frequent buy-outs, change of suppliers etc.
- High innovation ability manifested in frequent new product launches.





The significance of developments to the cultural industry

The growing market for content is having a highly dynamic and complex impact on the cultural industry. The potency of new opportunities affects the various fields within the industry quite differently.

There is no doubt that developments imply rising demand for elements of the cultural industry's competence. This applies particularly to competence within communication and publicity, visualisation and creativity. New media demands the production of a profusion of Websites, which require the employment of graphic artists capable of producing small-scale animation, who call on the services of animation film producers, who then produce the games to underpin the launch of specific products, and much, much more.

But development implies something more radical for the cultural sector, generally, as well. Developments are opening up potential for several completely new products and business models, which may be crucially significant for the cultural sector's own development. Developments represent a breeding ground for product innovation, for sliding within and restructuring of well-established value chains, and for overall growth within the content industry, as has been the case in recent years in Internet-related segments. Combined, this will have a significant impact on the cultural sector.

Developments result in business models that, on the one hand, fuse fields together, while making other elements of the value chain superfluous. Amazon.com is an example of how the book trade is being threatened by sales on the Internet.

Sliding occurs by the initiation of new partnerships or buy-outs, either horizontally between previously separate content producers, for instance, entertainment and newspapers, or vertically between previously separate elements of the overall value chain. For instance, telecommunications and transmission companies buy-up content producers thus securing "content" for the various new distribution platforms for themselves.

One striking example of strategic rearmament in digital media competition, which aims to exploit and create content for new media, is the film company Zentropa's alliances with computer companies Oracle and Hewlett Packard, with telecommunications companies Tele Danmark and Teleglobe, with the media marketing giant 24/7 Media and with Denmark's leading Internet portal, Jubii. These alliances are behind the establishment of the interactive film portals Tvropa, Elektropa Entertainment and the forthcoming Armybase.com. Here we have a clear example of strategic alliances by a content producer, Zentropa, with internationally strong partners within technology and marketing.

Another example of technologically determined sliding in business fields results from animation technology's gradual neutralisation of the boundary between film and computer games; successful films are subsequently followed by games, and vice versa. Computer designed animation sequences are more

frequently seen in feature films, just as image solubility in computer games is gradually approaching film quality.

The field of computer games is another dynamic growth area, with the potential of becoming bigger than the film industry's turnover at the box office. In the USA, computer games generate a turnover of USD 6 billion, annually, and the market is growing at a rate of 10 per cent a year in Europe. Artists and film companies are being taken on board in connection with games development. But it is not just film that is being transferred to games. The traffic goes in the opposite direction, as well. For instance, a screen version of the computer game *Mortal Combat* was produced (at a cost of \$100 million), with the role of game heroine Lara Croft from the *Tomb Raider* computer game played by Angelina Jolie.


Challenges facing content producers for new media

Content production for new media is a growth area. Many different companies are operating within this field, from the smallest to some of Denmark's largest companies. Content producers herald from many different business backgrounds and by far the majority look at content for new media as an expanding sideline to their more traditional operations. Developments would seem to indicate that content producers will increasingly attempt to free themselves of media, focusing rather on developing content for an entire assortment of new electronic apparatuses, like the mobile phone, the PC and TV. This demands taking on board a whole range of skills and will involve heightened interaction between previously separate fields like music, film, IT and the media world. The entertainment industry is merging in an attempt to generate a broad competence platform, equipping it to supply the many new services.

Although the future looks bright in many respects for those companies involved in content production for new media, several notable challenges persist destined in the years ahead to become crucial to the industry's development. A study conducted by the Danish Technological Institute points specifically to four challenges facing development within the industry.

Firstly, development within the industry is highly dependent on the quality of telecommunications infrastructure. The type of products and services developed by new media in the years ahead will place enormous demands on the telecommunications network. By way of illustration, consumers must be connected to a telecommunications network with huge capacity and speed to receive TV programmes on the Net. Present telecommunications services, used by most Danes today, according to the industry itself, limit the development of new content for the Internet. Without low-priced broadband, the transmission speed of the telecommunications network will be unable to broadcast many new products. Alternatively, the fact remains, Denmark's telecommunications infrastructure is highly developed in contrast to most other comparable countries, and use of the Internet and mobile phones is widespread.





Secondly, the industry is confronting huge technological challenges. Although new products and services are being developed by the day, most experts concur that we have only seen the tip of the iceberg in terms of the products and technology that will make up the media picture of the future. Competition is intense. Colossal sums are being invested all over the world in developing technology that will command the media of the future. A high level of innovation is demanded of Danish content producers if they are to keep pace with the accelerated rate of technological development, which in turn will demand much of competence development within the industry. Equally, the industry must be in a position to cooperate on research and development. One of the drawbacks for Danish content producers is that no Danish company is of a size large enough to be a global market leader. The result being essentially that the industry is being forced to react to technology and business models developed far away from Danish companies. This reinforces the need for Denmark to make extra efforts to keep pace with international developments.

Thirdly, the industry faces considerable challenges in connection with developing and digitalising cultural content for future media. Setting up a TV station on the Internet will no longer suffice. The programmes transmitted must be of a high standard. Neither is it sufficient to set up a gallery on the Net, if exhibitions are uninteresting. Denmark has but a few large companies capable of being the tractive force of development and generators of requisite quality. On the other hand, there is good scope to exploit the resources found in the public cultural sector to generate demand. This could, for instance, be an offensive campaign to present Danish cultural heritage by means of new media. Danish cultural institutes could play a significant role in this context.

Fourthly, media digitalisation raises several issues with respect to copyright, digital copying and regulating the digital market. As pointed out previously in this report, digital development opens up a wealth of new opportunities to distribute content such as music, film, books, radio, TV, etc, digitally. It presents new business opportunities for content producers. But makes it difficult at the same time for artists to protect their rights. Such a challenge cannot be resolved in Denmark alone. Guidelines and standards must be drawn up in international fora, like the EU and the WTO.

Many of the challenges confronting media content producers are closely tied to general IT developments within society and devising effective IT policy frameworks. In fact, IT policy is one of the Government's highest priority areas, at present. In recent years, it has considered a wide range of IT initiatives, which are also relevant for content producers. Examples of these initiatives are outlined in the box below:

IT initiatives of relevance to new media content producers

IT policy report

In December 1999 the Government presented a comprehensive IT Policy Report by way of follow-up to the Digital Denmark report. The report outlines 37 initiatives designed to promote Denmark's switchover to a network economy.

Dialogue with the IT industry on broadband networks

The Minister for Research and IT held several hearings in the winter of 2000 with Danish business and industry on the issue of access to broadband networks in Denmark. This dialogue took its point of departure in a comprehensive study of the quality of the broadband network in Denmark and comparisons with infrastructure in comparable countries.

Report on media convergence

The Government has set up a committee to outline the repercussions of what is termed media convergence. That is, the merger of media, IT and telecommunications technologies. The report will be followed up by proposals for future media and telecommunications policy.

IT workshops in Ørestad

The Government has earmarked funds for the establishment of IT workshops in Ørestad. These will consist of IT-high schools, an IT researcher and a Centre for Applied IT, which will build up and disseminate knowledge of multimedia, digital products, software and e-business. As part of these plans, DR will transfer to Ørestad

Subsidy schemes for artistic multimedia

The Ministry of Culture has established several minor subsidy schemes for artistic multimedia production

IT is high on the European agenda, as well. During the Portuguese presidency in spring 2000, EU state and Government leaders presented an ambitious plan of action entitled *eEurope, an information society for all*, the aim of which is to generate more and better European content on the global Net. The EU has also initiated several development programmes focused on content producers.

Although many IT initiatives both in Denmark and at European level are relevant to the content industry, it is hardly sufficient to ensure the development of an internationally competitive content industry in Denmark. The frameworks defined for content producers can be strengthened in many areas.

4.4 The cultural industry's entrepreneurs ⁴⁰⁾

The cultural industry's entrepreneurs are interesting in that they largely establish new companies that ensure long-term growth, dynamism and renewal within the cultural sector.

An entrepreneur, in the statistical sense of the word, is a person who establishes a new company. A number of studies suggest that the entrepreneur exhibits a strong craving for independence, rather than any basic desire to get rich. This also applies to entrepreneurs within the cultural industries.

The cultural industry's entrepreneurs in figures

Growth in the number of entrepreneurs from 1995 to 1997 confirms that something is afoot in the cultural industry. A far greater number of new companies are being established here than in many other sectors, with considerable growth rates experienced between 1995 and 1997.

Table 4.3 Newly established companies

	1992	1995	1997	Entrepreneur %
Music	19	76	62	7.2
Theatre	43	41	51	9.2
Literature	202	80	117	3.4
Visual arts	80	32	33	4.8
Film/Video	99	89	96	7.6
Media	102	95	113	6.5
Architecture/Design	154	292	491	10.8
Sport/Leisure	205	128	150	6.9
Cultural industry total	904	833	1,113	7.3
Other sectors	14,971	13,443	15,050	4.8
Total	15,875	14,276	16,163	

Source: Statistics Denmark

If we dig a little deeper into the cultural industry it emerges that:

- The highest entrepreneur percentage is found within architecture and design (10.8%) and theatre (9.2%)
- The number of entrepreneurs within architecture and design, as well as music, has risen quite significantly. Architecture/design now constitutes almost 50 per cent of cultural industry entrepreneurs
- The number of entrepreneurs within literature and the visual arts has fallen

Table 4.4: Turnover, exports and export percentage
Entrepreneurs within the cultural industry

	Turnover in DKK 1000	Exports in DKK 1000	Export percentage
Literature	71,900	1,008	1.4
Media	54,100	0,707	1.3
Music	6,700	0,007	0.1
Visual arts	6,600	0,085	1.3
Architecture/Design	89,000	6,485	7.3
Sport/Leisure	73,600	5,342	7.3
Film/Video	58,600	2,128	3.6
Theatre	14,700	0	0
Cultural industry total	375,200	15,620	4.2
Other sectors	7,329,000	540,376	7.2
Total	7,704,200	556,139	7.2

Source: Statistics Denmark

The contribution made by cultural industry entrepreneurs, in the start-up year, to Danish industry is 0.5 per cent of total turnover and 0.1 per cent of export revenue. These figures compare well with entrepreneur contributions in other industries. Cultural industry entrepreneurs' share of exports is 4.2 per cent of turnover. This is low when compared with entrepreneurs in other industries, in which the export share is 7.2 per cent of turnover.

In gender and age terms, entrepreneurs within the cultural industries differ little from other entrepreneurs. That is to say, entrepreneurs come heavily weighted on the male rather than the female side. The most significant difference emerges in the 25 to 29 age group, in which female entrepreneurs dominate in cultural industries, compared with other entrepreneurs.

The majority of both cultural and other entrepreneurs are aged between 25 and 34. There are no indications therefore that entrepreneurs in the cultural industries are younger than their counterparts in other industries.

With respect to education, however, a substantially higher number of cultural industry entrepreneurs have undergone medium to long-term education, compared with other entrepreneurs. This difference in level of education arises because several fields within the cultural sector, for instance architecture, design and sections of the film industry, as well, typically require comparatively lengthy periods of education.

Although entrepreneurs within the cultural industry are generally more highly educated they have, on the other hand, less business experience when setting up their own companies.

Table 4.5: Commercial experience since 1980*, percentage

Business experience	Other entrepreneurs	Cultural industry entrepreneurs	Workforce
Under 3 years	25.6	34.3	21.7
3-5 years	16.8	18.0	13.6
6-8 years	15.1	14.3	12.6
9 years and over	42.4	33.3	52.1

*Note: On-going accumulate of commercial experience since 1980. Source: Statistics Denmark

Entrepreneurs within the cultural industry generate renewal

The significance of entrepreneurs to the cultural industry can be considered from many angles. If we look at an entrepreneur's contribution to the economy as a whole the effect is, as mentioned, limited, in any event in the first years. There is, however, a more restrictive manner in which to illustrate the significance of entrepreneurs to the cultural industry. Entrepreneurs must also be measured in terms of their importance to innovation, renewal and new thinking.

The successful entrepreneur typically differs from existing companies by embarking on something new or alternative. These successes, in the form of new services, combinations of services or new methods of organisation, contribute to generating dynamism within the various fields.

Some entrepreneurs in the cultural industry turn into subcultures disassociated from more established milieus. This is a characteristic of large sections of the dance and theatre scene. Within IT and design, too, many activities take the form of subcultures, living a life apart, setting their own terms of reference.

Within IT and design setting up in joint office premises is a typical organisation form in entrepreneurial milieus. There is a tendency here for the configuration of companies and their cooperative relations to reflect growing media convergence and related progress within the field, generally. An example of such joint offices is Mejlgade 50, which embraces several entrepreneurial firms working within Internet solutions, multimedia and design, and consultant firms and training. However, the borderline between the focus of the various firms is highly fluid. This tendency is further reinforced by abrupt changes in cooperation and subsupplier relations. Besides the obvious synergy and efficiency effect more intangible factors such as given social relations and common cultural values often play a central role in such groupings. Such is also the case with Mejlgade 50, in which one has to identify with such values as "knowledge rather than paranoia" and "a desire for social community rather than merely being part of an office fellow-ship" ⁴¹⁾ to obtain a desk.

It is in such changeable and turbulent environments that entrepreneurs with a finger on the pulse and an ability to apprehend and expose the latest trends become the most essential contributors to development within the cultural industry.

Professional and cultural competence will remain key factors for the entrepreneurs of the future, notwithstanding that technology and formal competence will gain in significance for production development and service marketing. In other words, a film still has to have a good plot and storyline, even when marketed and screened on the Internet. Similarly, the design, craftsmanship and quality of a collection must be creative and of a high standard even though it is built upon latest trends.

Four archetypes among cultural industry entrepreneurs ⁴²⁾

	Practitioners / Performers	Exponents / producers
<i>Culturally oriented</i>	<p>Artists – dancers, musicians, visual artists, authors, etc. Artists are culturally oriented, practicing/performing entrepreneurs highly driven by the artistic goal. This type of entrepreneur burns for art and culture, and has strong, personal artistic ambitions and ideas. Artists are typically focused on culture in the public domain and the cultural policy system, and the possibilities offered by both. Commercialisation and marketing considerations are viewed as necessary evils in fulfilling one's artistic goals and ambitions.</p>	<p>Cultural promoters – film producers, galleries, museums, theatres, etc. Promoters or disseminators of culture are culturally oriented exponents and producers with strong artistic goals. Like artists, they too are focused on culture in the public domain and the cultural policy system. Their motivation relates to artistic expression and the exposition of what they believe to be high artistic quality. They are typically more market-driven than artists.</p>
<i>Market/ commercially oriented</i>	<p>Designers – architects, fashion designers, content producers etc Designers are practicing, market and commercially oriented entrepreneurs. Designers are driven by artistic goals, but remain part of a market and commercially driven value chain, and thus highly focused on industry. Market success is necessary to make a living from creative design. Preferably, designers would see their products selling to a broad market, earning money in the process.</p>	<p>Cultural brokers – record companies, media suppliers, event agencies, cinemas, etc. Cultural brokers are market and commercially oriented producers and exponents operating within a broad spectrum of the cultural industry. The cultural broker is the entrepreneur most focused on the market and therefore highly commercially driven. A good product is a good earner and this type of entrepreneur is thus a typical broker of cultural products.</p>



It must be presumed that the successful cultural entrepreneurs of the future will be those with an ability to combine high professional and cultural competence with technological and marketing insight, and to thereby create unique services. However, a highly relevant point in this context is that seldom will one and the same person come equipped with cultural, technological and marketing know-how. The solution lies in convincing different people with different skills to work together.

Not all entrepreneurs in the cultural industry have economic growth as their goal. Neither are particular quality norms, or a uniform view of art and culture, and its expression the driving force for all. For a broader cognisance of cultural entrepreneurs, the Danish Technological Institute has drawn a typology based on four archetypes, outlined in the box below ⁴²⁾.

The challenges facing entrepreneurs in the cultural industry

Cultural entrepreneurs are subject to several critical framework conditions, in terms of establishment and growth. The impact of these frameworks vary in extent and, as such, constitute the point of departure for policy initiatives focused on strengthening start-up, survival and growth among cultural industry entrepreneurs.

The typology of entrepreneurs suggests that although all cultural industry entrepreneurs work within the cultural field, in the broadest sense, they operate largely under different frameworks:

Artists and promoters, who work predominantly with artistic expression and who are profoundly interdependent, are thought to rely heavily on the frameworks defined by cultural policy.

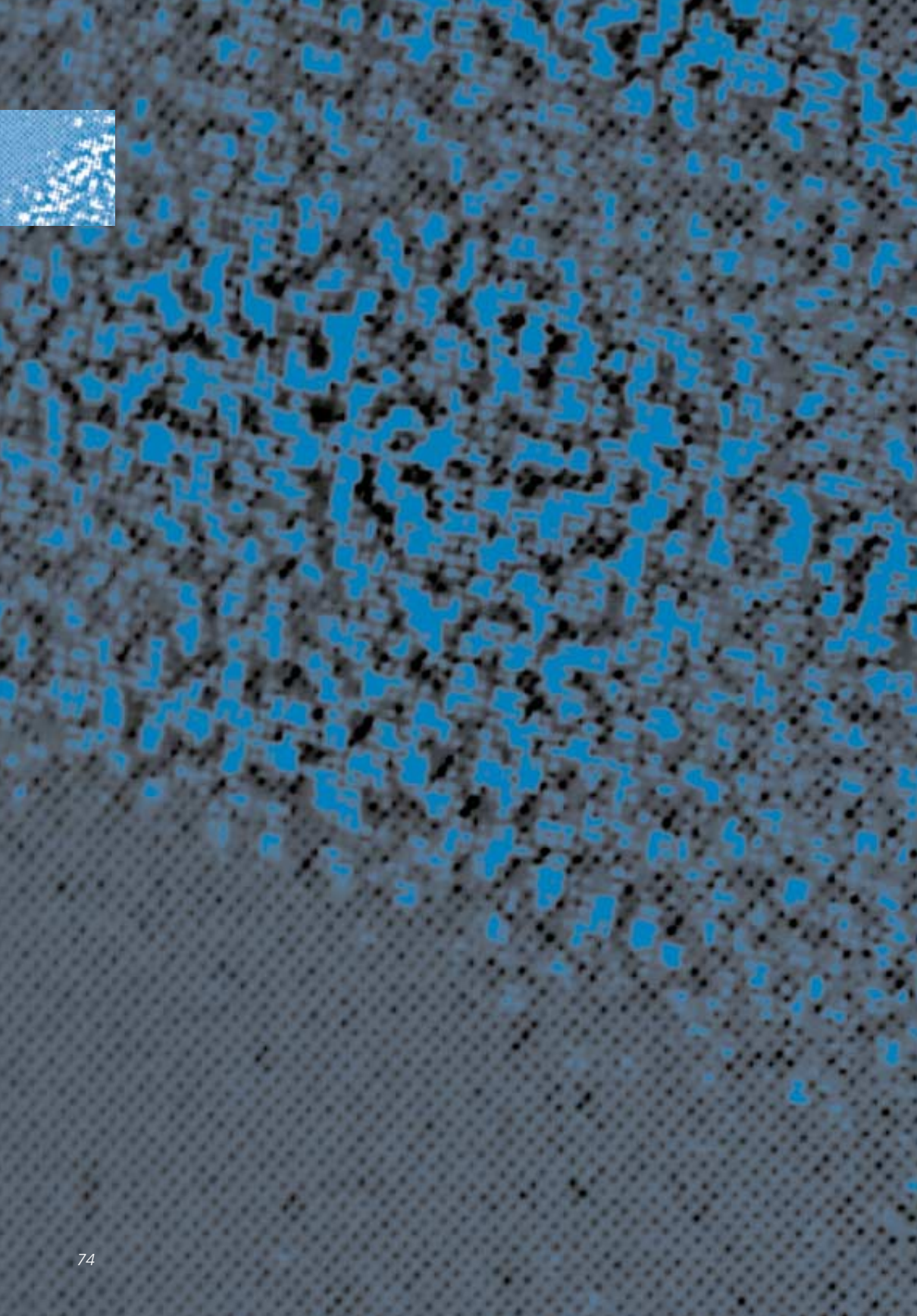
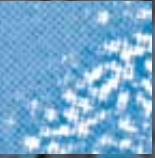
Designers and cultural brokers, who are predominantly market/commercially oriented entrepreneurs, work with a slightly different agenda and are more dependent on the frameworks defined by industrial policy.

The most critical frameworks for cultural industry entrepreneurs are:

- Talent and competence. Talent and competence is crucial. It is the raw material needed to create new entrepreneurial cultural companies. Combined, they represent the most basic and perhaps the most critical conditional framework. Considering the number of companies established (more than in other industries) and taking the comments of interviewees into consideration, Denmark would seem to possess a high level of talent and competence.

- Creative, network-based environments. Many entrepreneurs are produced and thrive in creative and network-based environments. Network organisations seem to suit designers and cultural brokers particularly well, as the trend veers away from the 'lonely cowboy' image. Creative, or access to creative network-based, environments is a critical precondition for cultural industry entrepreneurs.
- Exposition. Exposition is crucial for all entrepreneurs within the cultural industry. It is a requisite success parameter for artists and cultural promoters, in particular, and for designers to a lesser extent. Putting it another way, adequate scope to exhibit art, cultural products and events is a critical determining factor in the industry. This is of interest to industrial policy, when policy issues are being coordinated with earning money and generating growth. It applies only to a minority of artists and cultural promoters, but is much more relevant in the case of designers and cultural brokers. On the face of it therefore, it would seem that the two latter groups are best disposed to commercial growth.
- Access to capital. Entrepreneurs within the cultural industry would seem to experience particular difficulty raising capital. A critical framework condition for artists and cultural promoters operating within the public cultural field is access to and securing allocation of various categories of cultural subsidies. Access to private capital, including venture capital, is critical for designers and cultural brokers, especially as there are match barriers connected with access to established capital and venture capital milieus.
- Scope to err. Entrepreneurs across the board are convinced that failure in by far the majority of cases is a prerequisite for success, because one learns more from disasters than from achievements. Unfortunately, in the case of artists and designers the consequences of failure can be very hard indeed. If an artist's project proves a fiasco, scope of obtaining funding for the next project is decidedly minimised. If a designer goes bankrupt with his/her first company, it is all but impossible to raise start capital for the next. Many entrepreneurs therefore tend to keep to the safe side, the tried and tested, and as such do not contribute to regenerating or developing their respective lines to any significant extent. The right to arrive at success via failure must therefore be considered an unavoidable critical framework condition for entrepreneurs.





Section 3

The Creative Alliance



Interaction between business and culture

This section of the report looks at the interaction between the business and cultural communities.

As outlined in Chapter 2, business and culture are going through a turbulent state of development. Building new creative contacts between culture and business can be one element among many that will provide Danish business and industry, artists and cultural institutes, alike, with a springboard for renewed development, growth and earning potential.

We are witnessing increasing examples of creative cooperation between culture and the business community. One example is the Danish lighting company The Martin Group, which uses the Royal Theatre as an R&D laboratory for new products. In the USA MediaLab is working on a music listening computer and Opera of the Future, both of which are being sponsored by funds from such companies as Motorola, Mastercard and Lego. Examples which suggest that a marketplace for creativity and development, a creative alliance, is opening up.

This chapter will focus on the possibilities of a correlation between culture and business. First we will look at this partnership through the eyes of the business world, then from the cultural perspective. Although the examples chosen to highlight creative partnership command more traditional sponsorship agreements in today's market. This is dealt with at the end of the chapter. The next chapter turns its attention to the barriers and scope that lie in the way of boosted correlation between the two sectors.

5.1 Culture seen from the perspective of the business community

Donations from patrons of the arts represent the oldest of all contacts between culture and business. The founder of the Carlsberg Breweries J.C Jacobsen is one example that such patronage is part of the Danish past, as well. Mærsk McKinney Møller is a prime example that patrons of the arts are still alive and well today. Throughout the history of Danish industry patrons of the arts have established non-profit art and cultural foundations, of which the Augustinus Foundation and the New Carlsberg Foundation are among the largest.

The Creative Alliance

Advice Analyse conducted a survey from April-September 2000 on behalf of the Ministry of Trade and Industry and the Ministry of Culture on the interaction existing between business and the cultural community. This survey draws a true picture of contact between culture and business from sponsorship agreements to more far-reaching and committed cooperation. The data basis employed is comprehensive interviews and a telephone questionnaire of 400 respondents conducted by Gallup. This section of the report is built largely on the results of this survey.

The survey has been published in The Creative Alliance report, available on www.kum.dk or www.em.dk.

Case: Tele Danmark. Cultural sponsorship spawns stakeholder values

Sponsorship has been an intrinsic element of Tele Danmark's overall marketing strategy for years and the concern is by now a major sponsor of the arts in Denmark, and is the main sponsor of the Royal Theatre and the Århus Concert Hall. *"We look at the stakeholder value because it is the only way in which to influence shareholder value in the long term. It is important that the customer feels proud to be one of our customers, and that our employees take pride in their workplace. This is why we must also be active in developing Danish society. We like to look on ourselves as a pioneering company, naturally enough in the field of our personnel policy, but also when it comes to taking responsibility for the society in which we live."* says Henning Dyremose, Managing Director, Tele Danmark.

Source: The Creative Alliance, Advice Analyse, 2000

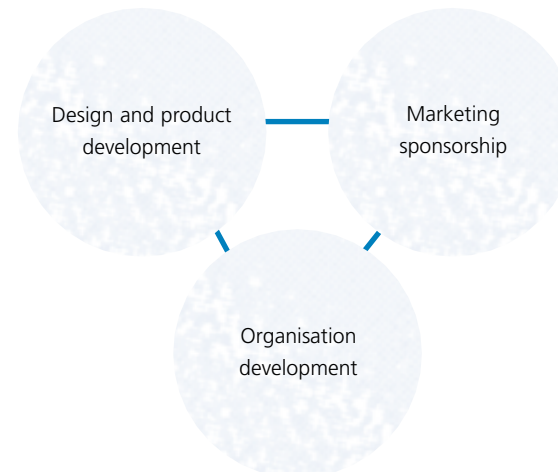
In recent years the reasons for the engagement of business and industry in art and culture has, however, taken other forms.

Since the beginning of the Nineties several commercial concerns have solicited contact with the arts field out of a desire to promote the interests of their various companies in the best way possible. Companies, for instance, get involved in cultural events organised locally. They organise cultural events for their employees and their families. They engage in the public arena by way of sponsorship, and so on. All based on the knowledge that a company's name or its products will be positively received when it demonstrates genuine responsibility for the local community, its employees and the arts and culture, generally. It is often this desire to promote a company's

best interests that motivates the engagement of business and industry in art and culture, today ⁴⁰.

More recently business has approached the world of art and culture in search of competence and knowledge. Companies are realising that an organisation's

Figure 5.1: Areas in which commercial concerns employ art and culture





creativity, new thinking, imagination and play must be constantly promoted, and that these factors will increasingly substitute the hierarchal division of labour, control systems, planning tools, etc. This means that the competences inherent in the arts and the cultural community now have renewed relevance and value in largely all company functions, as a generator, developing synergy between creativity and rationale.

Here we will take a look at those areas in the daily routines of business and industry where contacts with art and culture have meaning.

Commercial concerns use design and other forms of artistic expression in product development. One case in point is the Dyrup paint company, which developed its colour system in cooperation with Jens Jørgen Thorsen, a well-known Danish painter. Companies use art and culture in their marketing activities. For instance, the Norwegian brewery Ringenes sponsored an experimental art exhibition at the Stenersen Museum in Oslo. And companies use art and culture in organisation development, too. Here we can point to Novo Nordisk, which uses artistic competence and modes of expression in its innovation processes.

Design and product development

Design is fast becoming an important competition parameter in the global context ⁴⁵. The job of producing products that differ from those of the competition is becoming increasingly difficult. Design is one way in which to distinguish this difference and generate awareness of a product. As indicated in Chapter 2, products today must communicate in order to sell.

Communicate a message, a sensation, or a narrative. Design and aesthetics are methods to achieve this.

Design is therefore one of the more promising fields when we look at cooperation between business and culture. Design in itself spans widely different fields, with connections to arts and crafts, architecture, graphic design, visual communication, multi media, digital techniques, and so on.

Applying design in Danish companies can be an integrated element of a company's organisation and production process. But employing external design consultants has also proved a viable method.

That segment of the market in which a company's design application is brought into play by external design consultants is expanding at an enormous rate. The number of design companies increased from under 200 in 1992 to at least 2000 in 1998. By far the majority of these companies are quite small, with no employees ⁴⁶.

Government initiatives in the design field

- 1997: Government White Paper
- 1999: Design Conference
- 2000: Evaluation of design training and education
- 2001: Dialogue with competence cluster design
- 2001: Follow-up to initiatives outlined in the White Paper

Case: Paradise cider from Ringenes

When the Norwegian brewery Ringenes A/S was about to launch a new apple cider in Norway, management decided to tie up the launch with sponsorship of Oslo's Stenersen Museum. They paid a popular Norwegian painter Oddod Nedrum for a work in oil of The Mozell Apple. The picture hangs in the museum, and at the same time doubles as the bottle label motive.

The effect was staggering. The product achieved remarkable commercial success and a vehement art debate was provoked in Norway on the otherwise thirty year old theme of post modern art.* The campaign created quite a stir and more than 20 per cent of Norwegians today associate Mozell with art and culture, compared with only 4 per cent before the campaign. It should be noted that the Stenersen Museum doubled its number of visitors after the campaign.

* cf. Andy Warhol's reproduction of the Campbell's Soup Can as a comment on consumerism in our time.

Source: *The Creative Alliance, Advice Analyse, 2000*

A few examples illustrate how major trendsetting companies are embarking on new avenues in their design policy.

Levi's after an almost life threatening marketing crisis at the end of the Nineties are now well on their way again, revolutionising (if not totally scrapping) the old American gold mining saga, introducing a completely new and provocative jeans design. The new models are the work of anarchistic young artists who have freely painted and chiselled away at the old fit. The result capriciously lives up to the street design of our day.

Another example is Volvo which has in recent years massively restated its design parameters, while at the same time consciously playing on design's association with the art world. In Stockholm Volvo has opened a combined showroom and gallery, where the car company's design studios

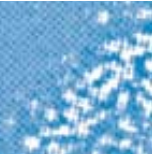
alongside old and new vehicles constitute the permanent exhibition, side by side with alternating art exhibitions. "To further reinforce good design, like our trademarks, we look on art as a subsidy and a supplement to the cars on display", says the showroom's manager, Kerstin Margren ⁴⁷.

There are also a number of examples of how correlation more immediately touches on new product development. The Danish lighting company the Martin Group gained quite an advantage from its partnership with the Royal Theatre, in which the company and the theatre together test and develop specially designed theatre lighting. Under the terms of the agreement, the Martin Group is given access to a professional R&D laboratory, while the Royal Theatre secures a sponsor for its performances.

Culture in marketing

Culture's role in marketing is one of the most tested arenas of interaction between culture and business, in which many cultural sponsorship agreements adopt the formula: money for exposure.





Art and culture offer the advertising world new barrier-breaking forms of expression in the struggle for the consumer's diminished attention. Art can also open a window of associations to dreams, sensations and experiences for what are otherwise anonymous products and labels on a market characterised by surplus. It is widely felt that the competence of the art and cultural world will be of utmost importance to the marketing discipline in the 21st century.

Market communication must find new formats and messages to have an impact in an overly communicative media society. Developments mean that companies, and their advertising agencies, must evolve new competence or embark on new creative alliances to have any appeal in the media picture. The world of art and culture already possesses the relevant competence. Some type of alliance would therefore seem the obvious course of action.

Being a threatened and scarce resource consumer attention is a source of worry for marketing people today. The fight is no longer focused on market shares but on shares of mind or shares of heart. And how does one capture people's attention? This is a question to which art and culture in some cases, at least, can provide the answer. Much activity within the arts field uses innovative and barrier-breaking communication, deliberately provoking and confronting the public to capture their attention and generate debate.

Another sign of this search for attention on the part of business and industry is growth in what is termed event marketing, which attempts to establish major cultural happenings around a company and its products. The market for cultural events is growing rapidly both in Denmark and internationally, and within the past three years several specialised agencies have been established in the field. Arte Event is one of them. The agency stage-managed the opening of the Storebælt Bridge and the Øresund Bridge, drawing on everything it takes to coordinate world famous artists, the royal family, the media and public infrastructure. The central point here is that an artistic framework is erected around an event that relates to the given occasion, the product and the company. Arte Event also persuaded the Danish rock group TV2 to compose the music for the LO Congress and Michala Petri to perform a piece composed especially for the World Congress of Gynaecologists. In all cases a new form of marketing was attempted ⁴⁸⁾.

Case: Organon. Identity through visual art

Two and a half years ago the pharmaceutical company Organon Danmark initiated a wide-ranging process when it decided to create an ideas base and identity for itself.

As part of this process all employees, under the direction of Jens Jørgen Thorsen, were given the task of producing a picture that in one way or another portrayed the company's personality and soul. "This was not just an event but the culmination of a long and comprehensive project, which is inevitable when a company attempts to create an ideas base for itself." says Henrik Secher, Marketing Manager.

Source: *The Creative Alliance, Advice Analyse*

Artistic events and works contribute to opening up new communication frequencies to the public. They are examples of how the processes and competence of the arts can contribute to building "a bridge of sensations" between the company, the product and the general public.

Organisation development

Organisation development is perhaps the broadest stage available for the display of artistic competence. Examples abound of how competence and energy, which play a role in creative and artistic processes, can contribute to strengthening an organisation's learning and innovative ability.

Several examples illustrate how art can offer an organisation a type of mirror for reflection and stage setting.

The Swedish-American pharmaceutical concern Upjohn-Pharmacia is one company whose experience of using the medium of theatre in its management development training has been quite favourable. Under the theme "Ethics for Managers" the company joined forces with the actor Per Waldvik. Waldvik and Co perform a piece entitled *Turbulence*. The plot revolves around a number of newly qualified doctors who, in the space of a very short time, must make a decision on several complex ethical questions. The piece is interactive and played out before a small group of managers, who cannot avoid getting wound up in the theme. According to the company's Training Manager Christer Ekström the theatrical format is its strength: "No one leaves untouched. Those who have seen the piece are deeply moved. It generates a highly passionate debate."

The strength of the arts as a medium for alternative and at times more emotionally charged communication is often seen in companies working with value-based management and communicating pictorial visions of a company's future. A case in point here is a group of female multi-artists working under the title "Art of Heart", who produce visual strategies for commercial enterprises. The group's website reads: "designing visual strategies is more often than not a management function... we come up with an idea which gives visual expression to a company's particular forte and strategy, which can provide a company's marketing efforts with new and interesting aspects ⁴⁹⁾.

5.2 The business community seen from the perspective of culture

As is evident from the above it is possible to outline several areas in which business and industry itself can see the advantage in cooperating with the cultural community. The answer to the opposite question is shorter. That is, what are the motives of and advantages for culture? Because, on the face of it, the only answer is money. However, based on a number of interviews with artists and others involved in the cultural field it would seem that the market contains many other possibilities, as well ⁵⁰⁾.





As Figure 5.2 illustrates there are five areas besides money in which culture can gain advantage from agreements with commercial concerns.

These areas are sketched below by several examples. The five areas must not be taken as an exhaustive explanation of cultural gains from the creative alliance. Rather, it is but a first attempt to set headings on what artists and others in the cultural field mean when largely all those polled answered that there is much to learn from contact with business and industry.

Some artists maintain that they gain access to a new and larger audience, partly in the form of exposure to leaders of industry and employees, partly by way of contact with international commercial networks.

Others state that they get the sensation of making a difference, contributing to changing the world for the better by giving others experiences “that impel and inspire”. In short there is scope for art to be reintegrated into everyday life.

Some acquire new professional values by which they learn “to capitalise on their talent”, as a head of a cultural institute puts it.

Others state that many in the front line of interaction are of the opinion that culture can learn a lot about management from private companies and this, paradoxically enough, does not necessarily have anything to do with money.

Others are fascinated by the idea of using a commercial concern as a canvas, business and industry as the medium.

Figure 5.2: Culture's gains in the creative alliance

<i>New Input</i>	<i>New output</i>
<i>New competence</i>	<i>New window to the public</i>
<i>Money</i>	<i>New screen, new stage</i>
<i>New professional values</i>	<i>Innovation mission (Make a difference)</i>

Advice Analyse A/S 2000

Case: Hotel Pro Forma. Art's hotel in Ørestaden

Hotel Pro Forma's Ørestad project is a cultural institute that largely plots the dynamic effects interaction between culture and business can occasion. The vision is to set up a body that finds itself at the crossroads between art, science and the business community. A cultural institute of the future that not alone challenges traditional houses of culture and theatres, but which also offers a fresh and novel milieu for business conferences and meetings. Here art is moving forward as an agent of change with respect to both established culture and business. To the question of whether such close ties with business and industry could hamper artistic content, the artistic director Kirsten Delholm answers: “I too work within some type of framework. I don't want to be so free. I function best by working subject to a set of conditions and these conditions in turn act as a challenge. Freedom does not necessarily create good art.”

Source: *The Creative Alliance, Advice Analyse 2000*

And finally some of those involved in art and culture in Denmark look to higher levels of funding from business and industry to provide them with greater freedom to negotiate, experiment and develop. Either by producing innovative art with new partners or producing bread-and-butter productions, which can then finance other non-commercial activities. At the same time, it proffers an opportunity of independence from public sector initiatives ⁵¹⁾.

The above sketch is naturally enough not exhaustive. But it does suggest that there is a dawning realisation among those involved in the art and cultural field that contact with business and industry can actually be valuable.

5.3 Interaction: the creative alliance is dawning

Above we outlined several examples of creative interaction between culture and business.

However, creative cooperation today is but a minor constituent of contact between culture and business.

The few companies consciously aspiring to this creative alliance are among Denmark's largest and most development oriented. They seek a growing and integrated partnership with artists and others involved in the cultural field to strengthen their internal development and learning processes. They look upon the competence of art and culture as an opportunity to strengthen and develop a company's identity, innovation and communication.

Business and industry generally, on the other hand, is thought to have more remote relations with art and culture. These companies at best treat art as an embellishment or part of a marketing strategy (typically cultural sponsorship). Taking in the larger picture therefore it must be said that relations between culture and the business community are quite limited ⁵²⁾.

This conclusion is underpinned by an outline of the extent of cultural sponsorship in Denmark ⁵³⁾. The study, which embraces responses from Denmark's 300 largest companies and 200 of our most significant cultural institutes, indicates that:

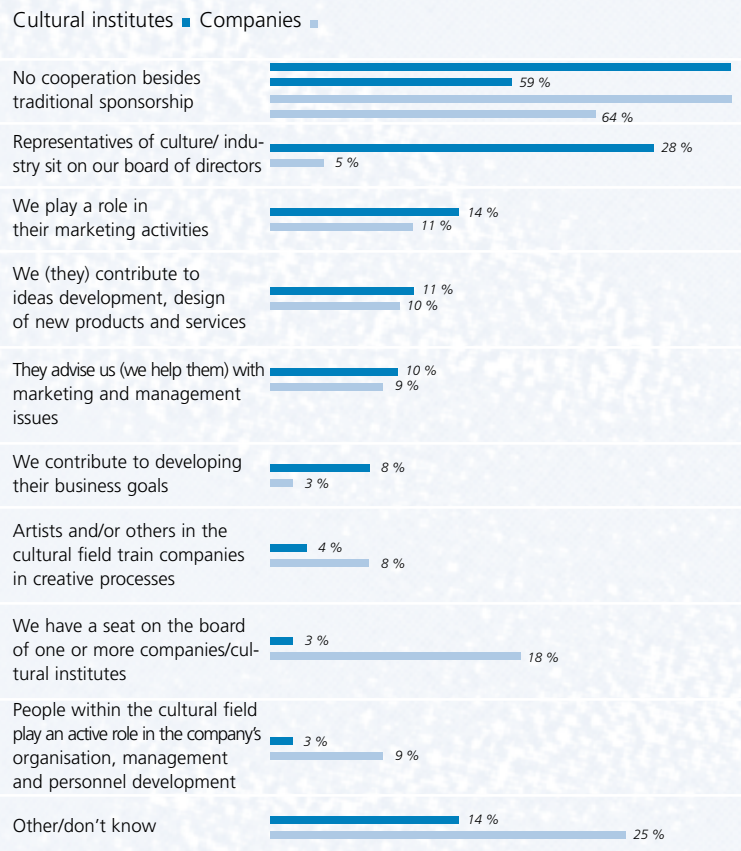
- Primary investment on the part of Danish business and industry in cultural sponsorship probably constituted between DKK 190 and 230 million in 1999 (contributions from funds and foundations excluded).
- The size of sponsorship contributions generally reflects the size of an institute's other funding (average 15 per cent. A little more for smaller and a little less for larger institutes). The nine largest institutes received 58 per cent of overall sponsorship funds.
- A majority of cultural institutes continue to work within a traditional paradigm, in which institutes first and foremost want money. On the other hand, it would seem that commercial concerns are undergoing a process of change: today social responsibility and care weighs heavier than heretofore, even though companies still demand (and this is central) visibility in return for sponsorship.



Figure 5.3 illustrates that about two out of three agreements signed between the cultural field and commercial interests take the form of pure sponsorship agreements.

Figure 5.3: Partnership relations besides sponsorship

“Does your company/cultural institute have other types of cooperative relations with businesses/institutions other than cultural sponsorship, in the strict sense. If so, what form do these relations take?”

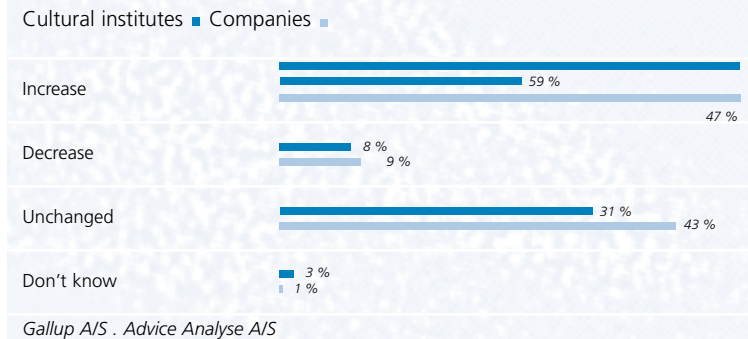


Source: The Creative Alliance

On the other hand, sponsorship in 3-11 per cent of cases involves one or other form of expanded cooperation. In other words, there is a budding tendency for sponsorship to move on towards more committed cooperation.

Figure 5.4: Expectations for the future

“What do you expect of sponsorship in the 2-3 years ahead? Do you think the company's sponsorship of the arts and culture will increase or decrease, compared with the past 2-3 years?”



On both sides, although most pronounced among cultural institutes, there is confidence that sponsorship will rise in the coming 2-3 years. Only 8-9 per cent believe sponsorship will diminish.

The results clearly indicate that this area is in the process of maturing. It is advancing because traditional marketing efforts are thought to have lost a lot of their impact. All in all the study suggests that Denmark does not to any significant extent exploit the potential of the creative alliance.



New arenas for creative interaction

This chapter suggests how interaction between culture and the business community may develop. Firstly, however, we will take a very intense look at the barriers which today act as a check on development.

We could pose the question, what have cultural and industrial policy to gain from boosting correlation between culture and industry? If culture receives more money from patrons of the arts the gains are positive. A rise in the number of sponsorship agreements using the formula 'money for exposure' would also be considered a step in the right direction. But the real challenge is a correlation between commercial concerns and the field of culture in which a high degree of knowledge and competence exchange exists, both from the cultural sector to the industrial sector, and vice versa.

Figure 6.1: From philanthropy to synergy

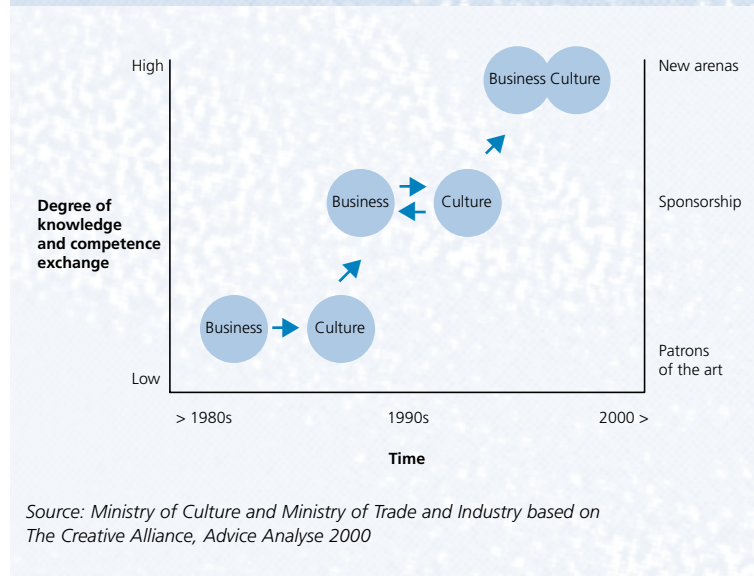


Figure 6.1 illustrates this development delineating three types of correlation. The first is familiar. Patrons of the arts donate money to art and culture. Clearly, this is the oldest form of contact, in which business and industry provides the arts with capital. The second form of contact is the most widespread. Sponsorship ministers to the interests of both industry and the arts – typically, money in return for exposure. The third form of contact embodies the highest level of knowledge and competence exchange. In Figure 6.1 this is positioned in the top right hand corner. It is here that new forward-looking correlation arenas will be developed.

Section 1 of this report outlines five incentives that make correlation between the industrial and cultural sectors more relevant. Section 2 argues that culture is also business. The two sections taken together suggest a need to consider the correlation between culture and industry in new ways.

6.2 Barriers to closer interaction

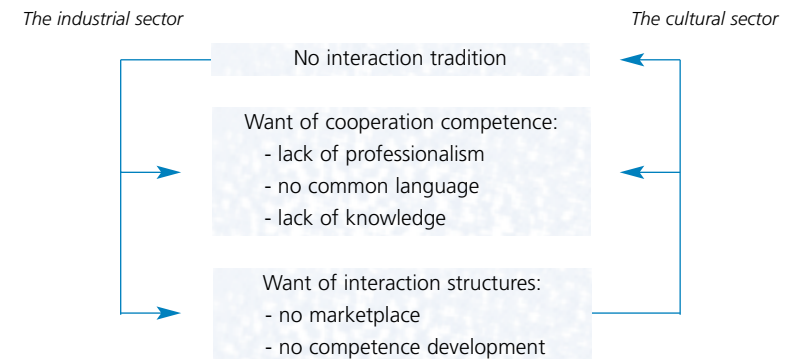
The most important reason why only a few large development-oriented companies have grasped the need for a creative interaction with culture lies in a lack of experience and awareness of each other. In the following we outline the barriers that would seem to check contact between the cultural and industrial sectors⁵⁴.

In parts of the cultural sector there is a clear inclination to allow business and culture to function separately. This is a point of view that for some, at least, is based on the notion that art and commercialism fundamentally are two incompatible entities. Others take a more ideological stand against "what is fundamentally an undemocratic industrial sector, the only aim of which is to expropriate society's intellectual life". A good measure of scepticism is thus evident among some artists against what is already being termed "correlation optimism". And although they far from constitute a majority of the study's interview subjects, they are not alone in thinking that a wide gulf separates the cultural and business sectors.

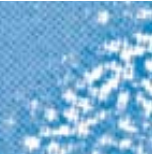
It is widely felt that the absence of a cooperative tradition has resulted in a conspicuous lack of cooperation competence on both sides. The absence of a common language, interests, confidence and awareness between the parties are additional factors. And, on the other side, the industrial sector's cultural insight is often just as finite.

The following figure outlines existing barriers.

Figure 6.2: Barriers to interaction



Source: *The Creative Alliance, Advice Analyse 2000*



Want of cooperation competence

Want of professionalism and the absence of a common language are broad reasons for limited contact between the industrial and cultural sectors. Lack of professionalism shows up when commercial companies display little or no confidence in and poor experience of agreements and contracts agreed upon with artists and others involved in the cultural field.

Young artist: "The importance of getting to grips with the rationale and agenda of the business world is now much more obvious. It is the basis for producing something worthwhile. We have to understand where they're at, and what they're trying to say."

Source: The Creative Alliance, Advice Analyse 2000

And, to boot, some business people do need to strengthen their understanding of the work of the artist and an artist's rationale. This is closely related to the absence of a common language. Artists and business people have quite different frames of reference and modes of expression in their day-to-day activities, and this is reflected in the partnership expectations of each.

A third significant impediment to interaction is lack of knowledge of each other. Some artists are quick to admit that they know little of the business world or the processes and conditions that characterise a company's everyday workings. Others interviewed in the poll suggest that young artists in particular are fascinated by industry and the scope expanded cooperation would seem to offer. For them cooperation is based on strong artistic motivation and they are beginning to recognise the importance of listening to business and getting immersed in the needs of commercial companies.

This lack of knowledge can also be a problem in business and industry. A company's choice of artists with whom to work is often a matter of chance or coincidence, or personal contacts. Many experience difficulty determining what an artist's ability actually is, also in terms of more advanced things like choice of materials, visual design, interior design, trend spotting and creative development.

Another problem is that although business people may recognise the need for artistic competence, they simply do not know where to look for it.

The conclusion is straightforward. Some artists are more willing than others to cooperate along commercial lines. In the last analysis therefore it is up to the individual artist to define his or her artistic ambitions, worth and integrity. It is the will and ambitions of the partners themselves which must give impetus to the creative alliance.

Source: The Creative Alliance, Advice Analyse 2000

Businessman: "Even when we do realise there is a need for art in the company, we simply have no idea who to contact."

Want of interaction structures

Want of interaction structures expresses itself on two counts. Firstly, there is no commercial market in Denmark at present for such correlation and interaction. Secondly, competence development in the field is notable by its absence⁵⁵⁾.

The commercial market in Denmark for correlation is insignificant. Very few organisations are in the business of promoting or selling artistic and commercial competence to business and industry. And when it comes to cultural sponsorship, the amount of money invested here is significantly less than in other countries. This is corroborated by the fact that only a few agencies and consultants in the country promote sponsorship between the business and cultural sectors, on a commercial basis. In countries we normally identify with sponsorship promotion and management and event marketing is a far more highly developed commercial field.

The cultural sector's perception of private industry as an unnecessary evil, which in turn forces out private engagement, provides one explanation. The consequence being that both parties now experience great difficulty in valuing cultural and artistic competence, meaning that both supply and demand will probably remain restricted.

Conversely, developments within the field of design would suggest that despite its limited range the market is growing at an enormous rate and many new companies have been established in recent years.

Case: 3M. The art is to come up with a good idea

3M's founder William McKnight put his money on innovation and backed up his words with action by introducing a company policy which allowed all his technicians and laboratory staff to spend 15% of their day working on new ideas. Its Danish development division introduced innovation seminars one year ago, according to Jesper Heiring 3M's Development Engineer. 3M in Denmark looks for creativity, wherever they can find it. Whether this comes from artists, the world of sport or other suppliers of inspiration is immaterial. "We look at the context. We take our point of departure in the needs we have and then we see who can best contribute in the specific area," says Charlotte Petersen, Information Manager of 3M in Denmark.

3M was founded in the USA in 1902 as the Minnesota Mining and Manufacturing Company. About 70,000 people are employed by 3M, worldwide.

Source: The Creative Alliance, Advice Analyse 2000





Want of competence development is sourced in the education system, at both ends of the creative alliance. In the case of business and industry, strictly speaking, there are no courses or subjects on the curriculum oriented towards encouraging an understanding of artistic and creative competence. And, if the studies referred to in the previous chapters hold true, this may be central to the development of business and industry in the years ahead. Education and training within the creative and artistic fields in its approach to the business and industrial domain are equally limited. With a few notable exceptions, short-term post-graduate courses designed to prepare students for self-employment is the only training available

6.3 The new arenas

As is suggested above, the two parties are in dire need of a common language, common experiences, knowledge and professionalism in their approach to reaching agreements.

It seems rather improbable that the market itself will be in a position to overcome these barriers. When the business community admits that it does not know where to go or who to approach to make contact with artists or the cultural sector, when many artists and others working in the cultural field overlook that fact that they are working on a market which necessitates putting a price tag or name on one's activities, much would seem to indicate the necessity of new directions.

There are two quite different roads to take. One would be to create scope for the two sectors, in every practical sense, to find each other. To develop competency on both sides on how to negotiate and agree sponsorship and creative partnerships. To arrive at a common language enabling both parties to communicate with ease. In brief, conditions that ordinarily characterise a marketplace.

The second focuses on generating experimental and research-based awareness of the advantages and perhaps the drawbacks of correlation. Better knowledge of the advantages to be gained will give grounds to the business and cultural sectors to seek each other out.

The two roads are outlined in brief below:

Developing a marketplace

It has been suggested that want of a common language between the cultural and business sectors constitutes a critical barrier, and that the parties experience difficulty finding each other.

A more developed market for contacts between the cultural sector and commercial companies presupposes:

- Meeting places for culture and business
- Greater partnership competence

Arenas in which commercial companies and the cultural sector can come together appear only sporadically.

In other countries commercial concerns and the cultural sector have come together to establish clubs and networks. In Sweden, for instance, the Culture and Local Community Association is a point of focus granting subsidies for contracts, sponsorship, and other arrangements.

In the UK the Government supports the A&B Association, which administers subsidy programmes related to private company sponsorship of cultural events. The organisation considers itself a private body, whose existence depends on substantial membership contributions from private business and industry. A&B was set up at the beginning of 1976 by a group of leading industrialists.

As noted above, it hardly seems likely that the market itself will build contacts between commercial interests and the cultural sector. However, networks, meeting places and exchange of contacts are ways by which to inject dynamism into the market. It is crucial that these activities aim for self-sufficiency in the long term.

We have stated that want of partnership competence presents a critical barrier to correlation and interaction. This want of partnership competence has its roots in a very small market on which it can be hard to obtain on-the-job training. But appropriate education and training provisions at both ends of the creative alliance naturally play a role, as well. The syllabi of artistic and business disciplines in our colleges pay little or no attention to the potential of correlation between commercial companies and the cultural sector. Students of the arts are afforded little insight into business subjects taking in marketing/market communication, design and product development, organisation psychology and job satisfaction. Technical college students, equally, could gain from a sense of narrative technique, creative development and design processes, use of film media, theatre techniques, etc. Supplying in the long term the creative alliance with requisite partnership competence.

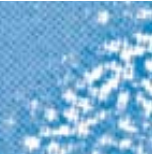
An important aspect here, of course, is that teachers and lecturers are appropriately qualified to undertake the job.

More research and experimentation

As was suggested in Section 2 of this report, the cultural sector has the potential to act as a locomotive in the development of new information technology media. Chapter 6 indicated that up to 11 per cent of Danish companies take culture on board as a source in organisational innovation. There are sporadic examples of studies examining:

- The role of culture as a locomotive of new technology and new products
- The role of culture as an agent of change in organisations, etc





Heightened awareness of culture's role as an agent of change can be arrived at by way of experimentation and research. What is the dynamic impact of art and culture? Advice Analyse identifies five features: "clear-sightedness, understanding frame of mind, improvisation and new fields of communication"⁵⁶. Another study, initiated by the Christian Dam Gallery in Copenhagen, focuses on outlining a company's cultural capital. This project in cooperation with commercial concerns will attempt to measure the positive effects a company derives from the active use of art⁵⁷. A common feature of these studies and research projects is their incorporation of various disciplines, from sociology to psychology, to art history, combined with experimentation and empiricism.

In the frame between technology, science, art and culture several outstanding barrier-breaking research and development agencies have emerged:

MediaLab in the USA has since its establishment in 1980 marketed itself as one of the leading sites for developing new information technology and has made a considerable contribution to the development of digital and multimedia, as we know it today. MediaLab is a laboratory well connected with the world's leading commercial concerns. In 1999 alone its sponsorship contributions exceeded \$20 million. MediaLab has embarked upon strategy partnerships with Lego and Motorola and has signed research agreements with such companies as British Airways, NEC and Ameritrade.

One of MediaLab's projects *The Opera of the Future* embraces roughly ten different research projects with such titles as *Future Music Blender*, *Toy Symphony* and *Brain Opera*. *Toy Symphony* is a three-year project that unites children, virtuoso soloists, composers and symphony orchestras from the USA, UK, Germany and Japan, with the objective of whetting children's appetite for music. The agents used are intelligent toys and advanced technology.

Finland has established an *Art and Design City* in Helsinki, where work has continued since the beginning of the 1990s on an innovative environment for education and business. Design, pop and jazz are taken on board and the Lume Media Centre, a research, education and production centre within the audiovisual field, has been established. It comes equipped with film and TV studios and production facilities for multi media, set design and post production.

There are scattered examples in Denmark as well of new partnership projects. The Danish National Opera is currently negotiating a partnership agreement with Nordisk Film and the Involve Learning software company. The vision of this project, *computer supported education on the Internet*, is to encourage an experience of music works via the medium of new technology. The goal is to establish a music e-learning site on an Internet portal, by intensive exploitation of multimedia technology.

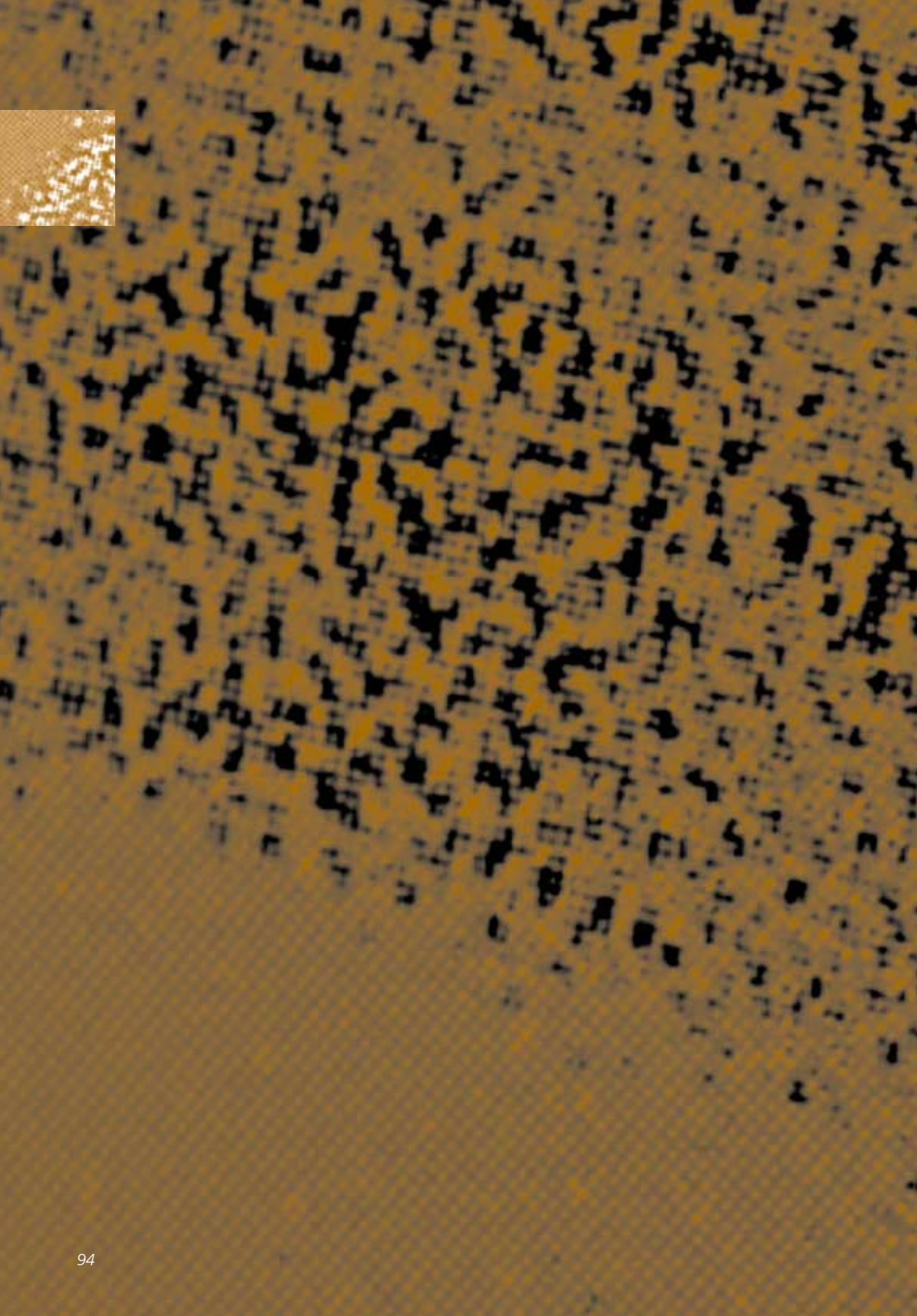
Examples abound. Research and development has commenced at a centre constructed without physical walls, as part of the Government's design policy. A communication laboratory has been set up in Kolding (Labcom) to promote an exchange of information between the commercial concerns, research institutes and cultural agencies involved.

Finally, a Learning Lab has just been established in Denmark to research and conduct experiments in the ways in which we absorb knowledge. The laboratory will develop cooperation between existing research milieus, institutes of education, private and public companies and agencies. Its barrier-breaking experimentation could be a model to be emulated.

All told, the challenges facing cultural and industrial policy efforts will:

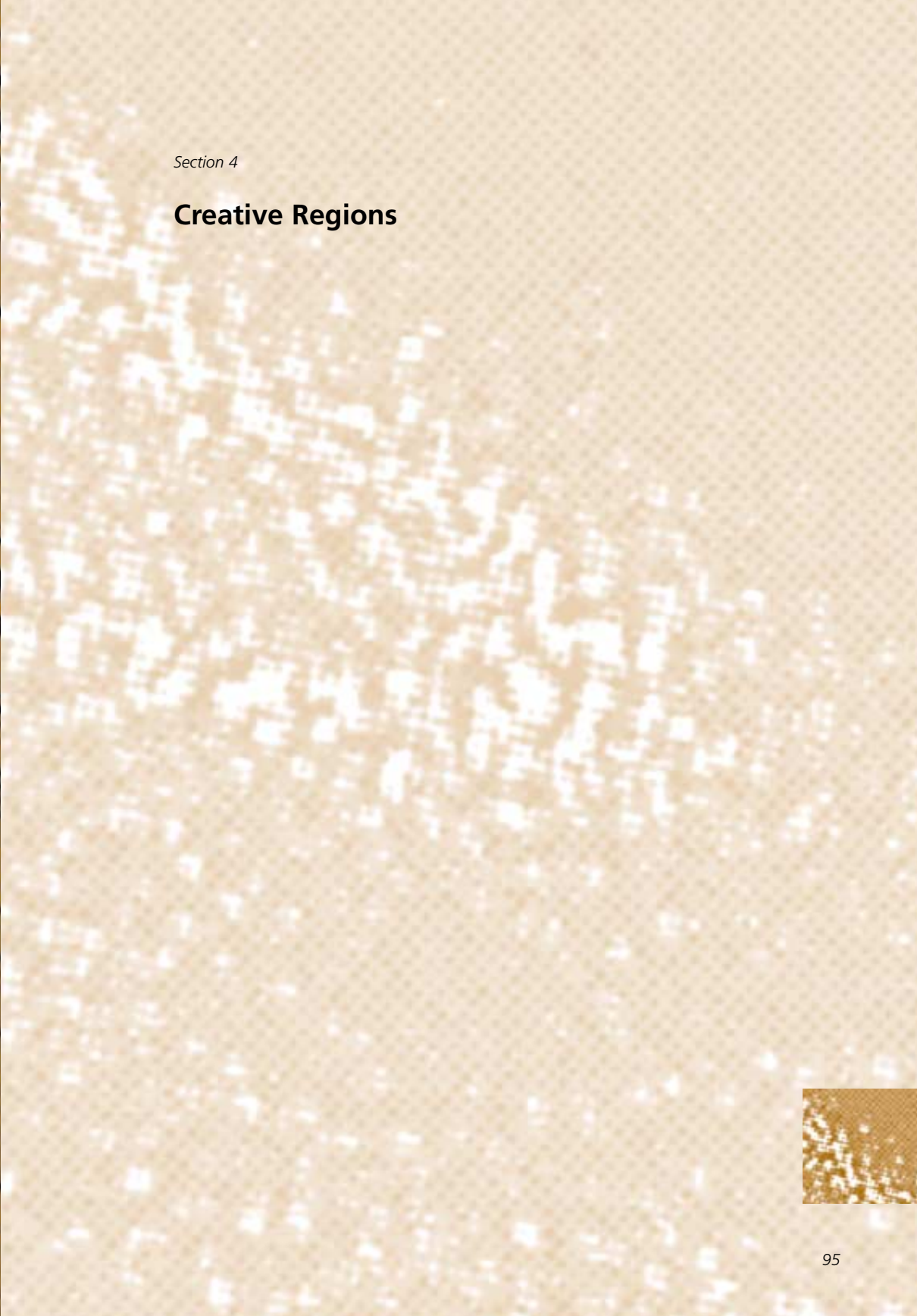
- Establish the frameworks for research and experimentation into the dynamic impact of culture and the arts
- Develop know-how and competence
- Promote a market for creative contacts





Section 4

Creative Regions



The importance of culture to regional competition

This chapter discusses the importance and weight of culture in a region's efforts to attract investment, manpower and tourists. Thus what we are dealing with here is a region's industrial and commercial development and the role art and culture plays in this connection. This is not a signal for regional culture to subordinate itself to industrial development. Quite the contrary, in fact, the chapter suggests that investment in culture is often most successful when prompted by a desire to promote cultural development, itself. This serves both culture and industry best.

There is good reason to take a closer look at the scope a region possesses to generate synergy between art and culture, on one hand, and industry, on the other. As outlined in the previous chapters, culture in itself is on the threshold of developing into an industry proper, while the business community and cultural sector are converging by means of improved sponsorship and creative alliances. And as was suggested in Chapter 2, overall global incentives furnish new and immediate relevance to the borderland between culture and industry.

At the same time, the challenges facing the cultural sector and the creative alliance have particular pertinence at regional level. This is because increasingly regions and not nations are competing on the global "localised market". To put it another way, the market for choice of workplace, on the part of workers and commercial enterprises, for investment placement and the tourist's choice of destination. In regional competition there is a tendency for experiences, quality of life and culture to gain in significance.

If a Danish clothing company wishes to set up shop in Italy, its choice of region between Milan and Sicily is not a matter of indifference. When a foreign specialist is choosing a job, choosing the town, too, (Stockholm versus Støvring) is highly relevant. And when the cultural tourist is looking around for his or her next port of call, whether the architecture in the destination decided upon is the 1970 variety, buildings from the Middle Ages or art nouveau is not a matter of no consequence.

Several determining factors deciding where the tourist, the specialist or the commercial enterprise chooses to go are connected with local and regional rather than national conditions. On the one hand, we are witnessing the competition stage expanding to the global level. On the other, regional and local level is often more important than the national. The regional level provides the framework for both industrial development and a vibrant culture.

Good global communications and improved and cheaper transport facilities have given enhanced mobility to the economy's actors. However, physical location and physical affinity still remains decisive. Correlation between companies, specialised technical and professional milieus and specialised labour markets are still connected to physical communities. There is therefore a great deal of common sense involved in generating creative regions, where specialised cultural milieus interact with commercial development within the cultural field.

Hitherto culture was not to any significant extent a factor in a company's choice of location. But just as on other markets, competition on the "location market" is intensifying and becoming more refined. Companies and competing regions have attached several new strings to their bows – image, experiences, lifestyle and quality of life. The demands being placed on regions that intend to retain or capture larger shares of this market are swelling. If a region means to attract foreign knowledge-intensive companies, pointing to its low income tax levels will not be sufficient. If a company wants to attract foreign specialists, offering a bulky pay packet will not be enough, either. Neither will it suffice for a tourist destination to harp on about the usual attractions.

It often happens that investment in culture turns out to be a shortcut to new growth within a region. However, economists are at pains to point out that it is a road one should tread with care. Such ventures are seldom a sound investment. Not because investment in culture cannot show a yield, but because we tend to forget that the cash could have been spent in other areas (from bridges to kindergartens) and that this type of investment can produce higher yields⁵⁸⁾. The conclusion to be drawn is that investment in culture alone is more often than not a bad idea, looked at from the narrow economic perspective. Culture must be evaluated from other than the purely socioeconomic perspective. This applies not least to the role culture plays in creativity, quality of life and identity, although it is difficult if not impossible to measure culture's significance in such contexts.

Art and culture can play a role in a region's commercial development when it involves:

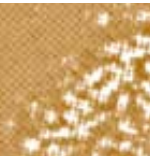
- Heightening familiarity with a region
- Giving a region a specific image or label
- Generating experiences and quality of life for a region's population (or visitors)
- Injecting creativity and dynamism into a region
- The cultural sector itself generating growth and new jobs

Below we outline the importance of culture in regional development, with respect to three areas:

- The role of culture in attracting investment
- The role of culture in attracting and holding onto a workforce
- The role of culture in attracting tourists

7.1 Culture as the balance of power between commercial enterprises and investors

Each year business and industry breaks new records with respect to the massive sums invested across national borders. Estimates indicate that in 2000 the \$1,000



billion mark was reached ⁵⁹. It is this growth in direct foreign investment which encourages regions and cities to look at new avenues and stake millions, even billions, on cultural investment to gain the advantage and notice of commercial enterprises in the keen contest for their favour.

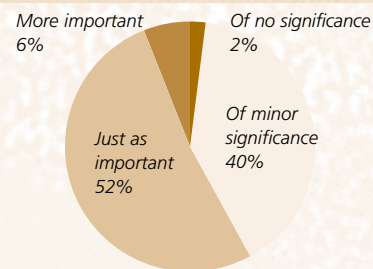
As mentioned, heretofore culture did not play any direct or major role when commercial concerns or investors were deciding where to locate their activities. But there is no doubt that this is about to change. The US magazine Area Development Online has been conducting surveys among its subscribers for fourteen years on their location decisions. The latest survey examined how conditions such as quality of life (including the arts and leisure facilities) are more or less significant in comparison with other factors. At least 50 per cent of those polled replied that these factors are at least just as important as other factors, while only two per cent felt they were of absolutely no significance. cf. figure 7.1.

In the same survey respondents furnished their opinion on 32 concrete location factors. The results appear in Table 7.1 of this report.

In this context it would seem that softer conditions lie somewhat lower down the scale. This also applies to such conditions as leisure and cultural facilities. Still over 50 per cent of those polled opined that these factors are very important or important.

Thus it is important to keep in mind that although there are location perspectives in cultural investment the position should not be overly exaggerated.

Figure 7.1: How does quality of life rank with other location factors?



Source: Area Development Online, November 1999

Table 7.1: Rank order of location factors. Ratio that answered "very important" or "important" (rank order and percentage)

1. Access to a qualified workforce	95.8
2. Access to motorways	94.6
3. Wage costs	93.8
4. State and local incentives	90.3
5. Rental and building costs	87.5
6. Taxation advantages	85.9
7. Energy source and costs	85.2
8. Telecommunications services	85.1
9. Access to premises	85.0
10. Cost of premises	80.9
11. Low crime levels	79.9
12. Low trade union profile	79.5
13. Environmental regulations	79.0
14. Access to an unskilled workforce	77.3
15. Proximity to major markets	75.6
16. Quality of public schools	72.4
17. Health facilities	70.4
18. Housing supply	70.1
19. Housing costs	69.1
20. Right-to-work (US)	67.7
21. Access to long-term financing	64.2
22. Further education programmes	63.7
23. Leisure facilities	59.7
24. Proximity to suppliers	59.3
25. Climate	58.8
26. Access to raw materials	58.7
27. Access to major airports	57.2
28. Cultural amenities	52.5
29. Tertiary education	52.4
30. Proximity to technical universities	31.1
31. Road service	31.0
32. Access to harbours and waterways	13.2

Note: Quality of life factors are in bold type.

Source: Area Development OnLine, November 1999

For smaller towns and regions the scope of cultural concentration lies primarily in putting the location on the decision-maker's map. Or distinguishing itself from its neighbours in competition on locally oriented company location.

For larger towns and regions the perspective furthermore is that a marked cultural profile and broad cultural supply can constitute a parameter, which is reflected in some investment.

All told, it is important to remember that culture alone is seldom the deciding factor in location decisions, but that it is taken on board along with many other parameters. An important exception is probably when the company in question operates within the cultural sector proper. Here regional cultural positions of strength are obviously decisive.

7.2 Growing mobility on the labour market sharpens regional competition

The labour market is becoming increasingly mobile. In Denmark we have built bridges to "shrink the country". And communications technology has facilitated flexibility in the workplace, also in the geographic sense. At the same time more – usually highly educated people – choose to move abroad for shorter or longer spells. In domestic and global competition to attract the best workforce, offering a favourable financial package is not the only issue. Employees will often be attracted to locations that can also offer a high quality of life, exciting things to do, and so on. Here softer conditions, including the arts, come to play a more enhanced role.

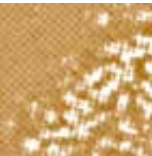
This is having a rub-off effect on the labour market. And workers in increasing numbers are dropping their national surroundings in search of personal and professional challenges, and financial gain. This can be by way of a posting to a global concern or international organisation, or looking for fresh scope in companies or institutions in other regions.

A lot would seem to indicate that a large group of specialised workers is emerging, with the world market as its homeland. These workers have been called "global nomads", among other designations ⁶⁰. It is estimated that seven to ten million people were on posted duties in 1996, worldwide. This figure does not include savants, and others, who move abroad voluntarily. The total number of employees in the EU has risen dramatically since the 1980s and in 1995 5.8 million EU citizens moved to another EU country.

But why are these global nomads of interest from a regional perspective? The reasons are manifold. Firstly, it would seem that the years ahead will witness a growing shortage of qualified workers – not just in Denmark, but in many other developed economies, as well. Secondly, foreign savants (for the simple reason that they are foreign) will often inject new know-how, values and impulses into the companies in which they work.

A comprehensive study of foreign savants' view of Denmark divides the factors that decide location choice into three groups. Culture is found within the soft





factors, which is often evaluated after several hard basic factors and advanced factors have been taken into account, including job content. cf. Figure 7.2.

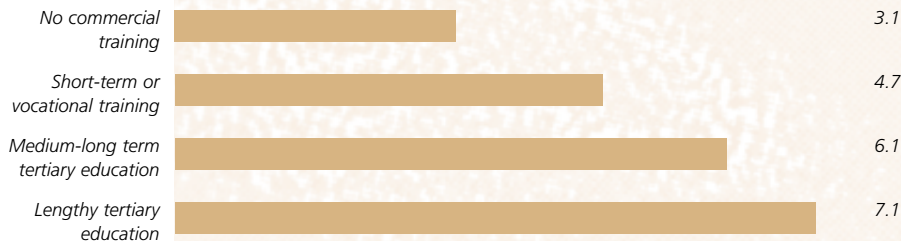
Figure 7.2: Factors of importance to workers' choice of country/region



Source: *The Expat Study*, Oxford Research, 1998

In an experience economy in which money, among the most sought after employees, is something one has and not something one dwells upon, a vibrant cultural scene, along with other considerations, will probably be the deciding factor when picking a work location. The study suggests a clear connection between education duration and cultural consumption. The longer a person remains in education the greater his/her cultural consumption. cf. Figure 7.3. This interconnection applies generally and thus also internally in Denmark, as well. Therefore there are solid grounds to assume that Danish regions offering an interesting and broad cultural range will find it easier to attract a qualified and highly-paid workforce.

Figure 7.3: Interconnection between participation in the arts/leisure activities and education



Note: Expresses how many activities individual groups on average have participated in within the past half year (individual activities have more frequent criteria).
Source: *Culture and Leisure Activities 1975-98*

There are clear parallels between the way in which commercial enterprises evaluate various factors, investment for instance, and the importance of art and culture in a workforce's choice of domicile. This is not merely a matter of coincidence. It stems from an increasingly competitive market for foreign investors and foreign experts. And for many concerns investing across national borders the availability of a highly qualified workforce is a critical factor. In the analysis of location factors determining foreign investment referred to earlier in this chapter, access to a qualified workforce was the foremost priority. It can be suggested therefore that advanced companies must follow qualified workers. Thus a worker's choice of domicile will be reflected in a company's choice of location.

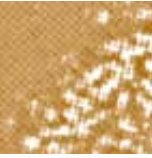
Several studies of location factors for workers and companies suggest, however, that culture and leisure facilities are of greatest importance when it comes to a region's ability to hold on to its workforce⁶¹. But if an increasing number of the fundamental commercial preconditions become uniform throughout the regions in the global knowledge economy, it can be expected that softer factors, for instance culture and lifestyle, will gain in importance, also in terms of choice of workplace.

7.3 Culture increases in importance in regional contest for tourists' favour

Tourism is a third field in which culture plays a pivotal role at regional level. Excess disposal income, which many can, and will, spend on entertainment, the arts and travel, has allowed for dramatic international growth in tourism. The interconnection between culture and tourism is becoming increasingly intensive and companies working within the tourism industry are highly dependent on art and culture when competing for the demanding, experience-seeking tourist. Art, culture and historical sights are already what foreign visitors to Copenhagen expect much of. Cultural events and historical sights are the most popular tourist attractions, surpassed only by eating out and sightseeing⁶². For Denmark as a whole, studies suggest that for roughly 25 per cent of visitors culture plays a role in its selection as a tourism destination.

And there are good reasons why regions often look to tourism when contemplating new growth strategies. International tourism and travel increased sixfold between 1950 and 1970, with an additional threefold increase from 1970 to 1990⁶³. The World Travel & Tourism Council estimates that international tourism and travel in 1999 generated 11.7 per cent of global gross national product and represented almost 200 million jobs. In 1999 657 million trips were registered compared with 25 million in 1950. Rising living standards and an increasingly elderly population, with more free time on their hands, suggest that this level of growth is likely to continue. Estimates indicate that growth in international tourism in the years ahead will register about 3 per cent per annum, although cultural tourism is growing at an even faster pace. Figures issued by the World Tourism Organisation indicate that 37 per cent of all travel abroad contains a cultural element, with cultural tourism growing at a rate of 10 per cent per annum⁶³.





But although tourism can be an attractive option, it has also become a harder market, taking on a far more global character in recent years. Improved and far cheaper transport and communications alternatives have made more countries accessible, resulting in sharper competition. Copenhagen no longer competes solely with Stockholm, Hamburg and other northern European cities, but now also with such far flung destinations as Sydney. And many “new” countries will secure a considerable share of growth in the years ahead. cf. Table 7.2

Competition has sharpened because tourists no longer return to the same destination year after year, as they used to. Prompted by their travel experience, attitudes and lifestyle, and the urge to experience the unique, today's tourists demand much more of a destination. Travel, whether short or long, holidays or business trips, has for many become an important element of a life-long personal learning process. The importance of where to go on holiday is subordinate to what can be done and under which conditions. In the hunt for fresh experiences, which correspond to and develop a tourist's own lifestyle and identity, the modern tourist has the entire world to choose from. One indication of this new trend is the desertion of summer houses on the Danish west coast in recent years by German tourists. The German family's annual summer-house holiday in west Jutland has been replaced by shorter breaks scattered throughout the year and then possibly a diving holiday in the Pacific or a cultural excursion to Hungary. cf. box.

Global competition in the tourism industry places new demands on visibility. If a region is to survive on the world tourism map, it must increasingly profile itself by cultural events or qualities that arouse an international response. The modern tourist is a highly quality conscious individual, who attaches high priority to experience. Thus the region must be in a better position than hitherto to focus on providing a level of experience that makes the destination a relevant framework for the tourist's development and sense of identity. Massive efforts may be needed to allure the modern tourist and maybe even convince him/her to come again.

Table 7.2 International market shares in tourism

	1950	1999
Europe and USA	97%	78%
East Asian and Pacific destinations	-	14 %
Africa, Middle East, southern Asia	-	7 %

Source: WTTC, 2000

- The modern tourist**
- Travels frequently throughout the year
 - Takes shorter trips, for instance, city breaks
 - Attaches importance to environment, ethics and quality
 - Is in search of a variety of experiences, including cultural

Even though art and culture can play a role in this context, culture alone is far from always the deciding factor in choice of destination. We can differentiate between four types of cultural tourism in which culture plays a variety of roles and in which the impact of regional cultural investment differs ⁶⁴.

- Cultural heritage tourism. The tourist's primary motive for coming is cultural heritage. Such a tourism form obviously cannot spring up overnight. But “forgotten” elements of cultural heritage can be brought to the fore and more intensely marketed.
- “Practicing” cultural tourism. The tourist's primary motive for coming is the performing arts. Musicals in London, for instance. Here decisive efforts can have an impact, although it demands the will to develop a niche to world class.
- City experience breaks. The tourist visits a city because of the range on offer: city life, nightlife, architecture, football internationals, and so on. Efforts here have to be massive, if they are to have any impact. The city must have an international landmark – this may be something cultural – and must be able to offer a huge variety within art and culture, and other fields.
- Event tourism. The tourist is attracted primarily by a specific event. For instance, the MidtFyn Festival or the Stockholm Water Festival. Ambitious efforts can be highly effective in this context and can be initiated within a relatively short period. Besides the obvious short-term benefits, a sufficiently highlighted event can be an asset for the city's image many years on.

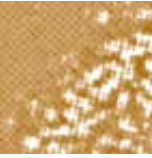
Here again, perhaps with the exception of event tourism, it is not advisable to invest in art and culture from the tourism perspective, alone. Such investment must be substantiated based on the needs and quality of life of a city's inhabitants.

7.4 Culturally based regional development strategies

Investment in culture should be made without any expectations of concrete financial gain. This is thought to be a basic important tenet to hold on to in the entire discussion on culturally based regional development strategies. All the same, there is a good rationale in thinking in terms of culture, if the aim is to strengthen industrial development. Or to think in commercial perspectives, when a more effective arts and cultural scene is the intent.

Many regions in latter years have drawn up ambitious strategies to arm them for new global competition. Some regions focus on developing particularly strong positions within business and industry, or on frameworks like education or technological infrastructure. Other regional development strategies focus on mobilising a region's experience capacity and strengthening what is termed its “cultural allure capacity”. Other regions again concentrate principally on pulling in a higher number of tourists. Finally, there are regions that embark willingly on a number of objectives at one and the same time, a feat which is not necessarily impossible.





Many Danish regions and cities have made concerted efforts within the cultural field, spurred on by different motives and arriving at different results. We are speaking here in purely general terms and below we give a random selection of examples to outline three properties common to culturally based development strategies.

A) The Flagship Strategy

The rationale behind the Flagship Strategy is to capture the attention of the entire international community by stage managing one or more events. This could, for example, involve the ceremonies surrounding a new building project, capable of arousing global attention. The flagship will function as a magnet for outside visitors and thereby generate earnings. Creating a new image for the region is perhaps just as important. An image which both profiles the city in international competition and contributes to strengthening identity and pride among the local population. (cf. box on Bilbao's Guggenheim). Other examples are mega events like the Olympic Games, the European City of Culture, EXPO, Barcelona's Forum of Cultures Project 2004.

"The Flagship" Guggenheim gives a new public image to Bilbao

Back in 1989 the city of Bilbao in northern Spain had a vision of building a new city – an "open, integrated, multicultural, modern, creative, social and cultural" city. Designing cultural infrastructure capable of placing Bilbao on the world map was one of the focus areas. A newly restored waterfront in the city centre was to become the highlight of new cultural attractions, to include the Guggenheim Museum and the Euskalduna Concert and Conference Centre. Both unique examples of world class architecture.

The Guggenheim Museum was opened in 1997 as a cooperative effort between the Guggenheim Foundation and the Basque region, which injected \$170 million into the project besides funding running costs. The museum functions as a branch of the Guggenheim in New York, focusing on American and European modern art of the 20th century. In its first year it attracted 1.37 million visitors from at home and abroad, and contributed \$200 million to tourism earnings and created 3,186 new jobs. The most important outcome, however, is that the Guggenheim is now a new symbol for Bilbao. A symbol of dynamism and modernity, helping to strengthen civic pride and the city's image.

Source: Web of the Association for the Revitalisation of Metropolitan Bilbao. www.bm30.es

B) The Specialisation Strategy

It could be argued that the Specialisation Strategy is a variant of the Flagship Strategy. Here the city/region focuses on profiling itself internationally by way of events or attractions within a defined field. This could, for instance, be within one genre of art, a sporting event or a business area. The aim of such a strategy is to generate a unique, focused profile (or brand label) for the region, typically in fields in which the region is already highly competent. Glasgow is one example of such a city. Availing of its European City of Culture status at the beginning of the Nineties, it first flew its flagship strategy and has since focused its efforts. (cf. box on Glasgow's more recent initiatives). Other examples of cities employing the specialisation strategy are Cannes (film), Edinburgh (theatre festivals) and New Orleans (jazz).

A Danish example would be Århus. Århus has adopted a new ambitious cultural development plan. Among its objectives is to heighten Århus's international visibility by generating correlation and interaction between culture, business and industry and tourism policy. The region also provides the framework for heightened efforts within the film industry. The former East Jutland Film Foundation was expanded in 2000 to cover the entire Jutland region. The foundation supports film production with cultural reference to the region.

Glasgow specialises

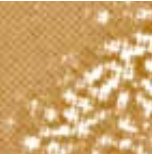
In the aftermath of broad cultural regeneration, including the erection of a new concert hall, in the Year of Culture 1990, the Burrel Collection Museum, city centre restoration, and other initiatives, Glasgow set its sights on design, architecture and promoting its film and media industry. Numerous locally based design events and exhibitions, the inauguration of a museum as a tribute to a local architect and urban renewal in five of Glasgow's residential areas culminated in 1999 with the nomination of Glasgow as *Britain's City of Architecture and Design*. On top of this, Glasgow recently took steps to become an attractive domicile for film and media companies. A regional film fund and a regional research centre for TV/film production have been established, and construction on new headquarters for BBC Scotland has commenced.

Source: Charles Leadbeater and Kate Oakley, *The Independents, Demos, 1999* and www.Glasgow1999.co.uk.

C) The Dynamo Strategy

This strategy, which is designed to strengthen the cultural dynamic from within, in its point of departure takes the opposite position to the Flagship Strategy. Whereas the Flagship Strategy typically finds its benchmark in one or a few major events or attractions, typically supplied from without, the Dynamo Strategy focuses





on exploiting and releasing the cultural energy already present in a region. The goal is to build a manifold and diverse cultural scene, with recurring activities that in the first instance make the region more attractive for the local population itself. In the longer term, the strategy could, of course, contribute to creating a dynamic and an activity level that would make the region attractive to an outside workforce, tourists and commercial interests, as well.

Typically this strategy would embrace incentives for local artistic groups and the establishment of a number of public arenas for cultural exchange and further education, which in several ways would strengthen the population's ability to develop and co-produce art and culture. Another aspect focuses on strengthening development within the cultural sector, taking in such fields as media and music, thereby enhancing the region's production base and competence within the cultural sector, or promoting greater correlation between art and culture and the business community. Many regions make concerted efforts to generate a new cultural dynamic by concentrating on individual elements of the strategy. Developing the cultural sector would be a case in point. Huddersfield, a somewhat smaller British city, is a prime example of a region that consciously acted on a broad strategy to release the city's creative energy. (cf. box on Huddersfield Creative Town Initiative).

A Danish example would be Holstebro, which by now has a long tradition of cultural ventures taking on commercial perspectives. The declared goal of the town is to work on its image as a flourishing cultural centre, making it an attractive location for workers and commercial interests, alike. The basis of this strategy was laid in 1965, when the municipality purchased the Giacometti sculpture *Woman*

Huddersfield Creative Town Initiative

In a joint partnership between commercial enterprises, universities and local and regional authorities in Huddersfield, in 1998 a plan was initiated embracing 16 different initiatives targeted at developing the creativity and improvisation ability of the population, generally, and the commercial sector. The initiatives were followed up by a high profile marketing campaign for the city with *Huddersfield: Strong Heart, Creative Mind* as its slogan. The most important concrete initiatives were:

- Further education in drama-based development, music, IT, and so on
- Mentor programmes and contact-building between universities, culture and industry
- More extensive advisory services for entrepreneurs in the field of media, setting up enterprise centres, etc.

Source: www.creativetwon.com and www.Glasgow1999.co.uk

on a cart. The municipality and commercial interests embarked on a new partnership in the 1990s, giving the strategy renewed impetus. This led to week-long Culture without Borders festivals, and a new cultural focal point for the town The Chaos Temple, a laser sculpture.

The experience economy generates fresh and intensive competition between the world's regions. It also has an impact on Danish regions. As this chapter has suggested, this new level of competition demands substantial visibility and international trenchancy, and assumes that leisure facilities and experiences are capable of producing the experience and development frameworks required by the modern tourist and worker.

Danish regions offer several examples of initiatives that strengthen visibility and culture's enticing power. Copenhagen European City of Culture, the Culture Bridge, the Øresund Bridge and an amount of new investment in institutes of culture contribute to strengthening Copenhagen's advance as an international hot spot in the experience economy. Aalborg's Millennium celebrations and alliances between commercial interests, organisations and public agencies, designed to attract and hold on to a qualified labour force in northern Jutland, is another example of a region concentrating on arming itself for these new competition parameters. In many regions in the country steps have been taken to establish new tourist attractions, cultural facilities and to generally strengthen tourism marketing.

Many cities and regions in Denmark and abroad evidence considerable perspectives in culturally based development strategies. Local and regional planners could to advantage take a hard look at the commercial perspectives that may lie in a cultural initiative. Conversely, if the motive is to strengthen business and industry there is good reason to look at some possible cultural initiatives that might play a role. This chapter suggests that there are benefits to be gained from thinking of cultural and industrial policy as an entity at regional level, taking on board tourism initiatives and investment promotion.

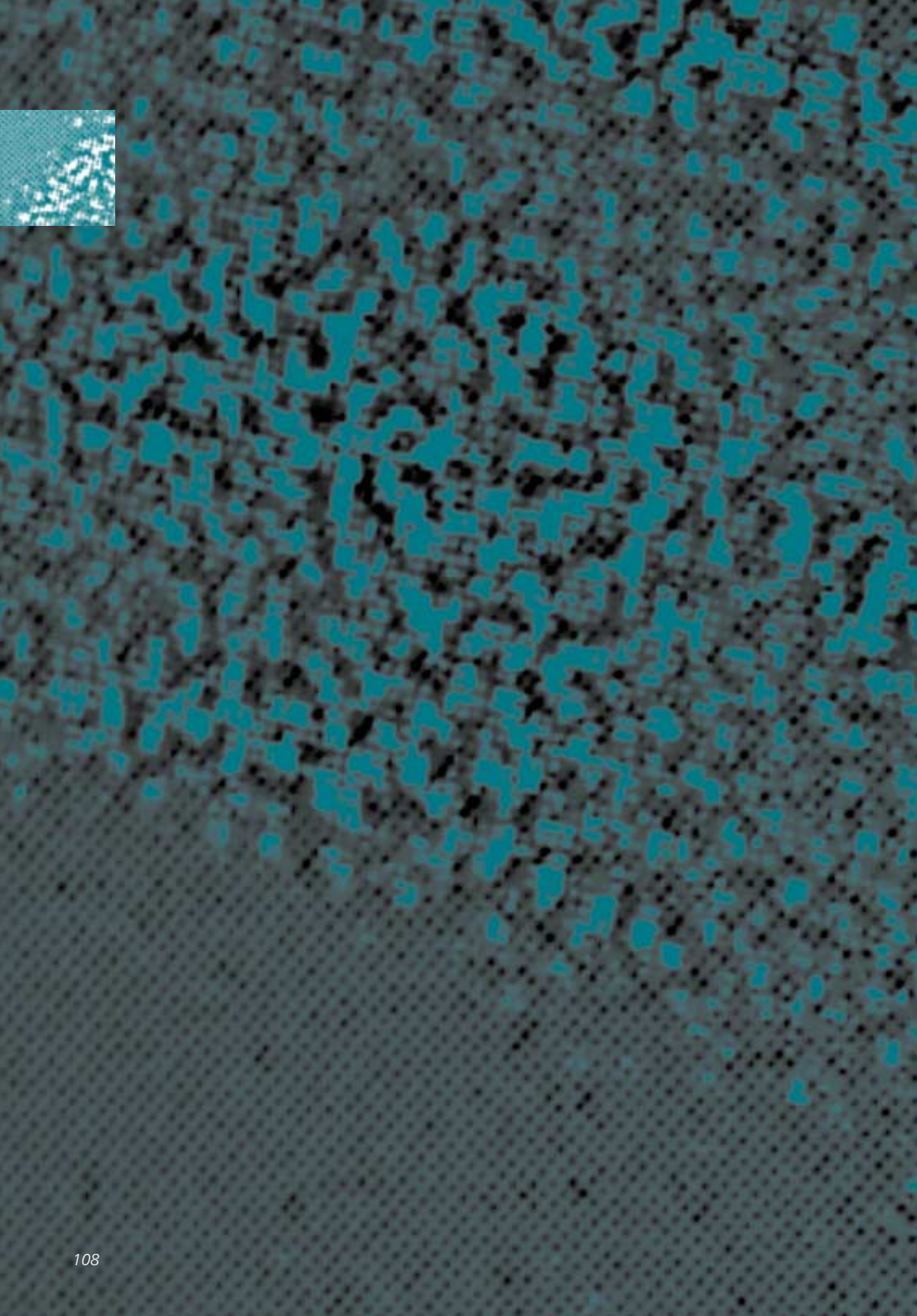
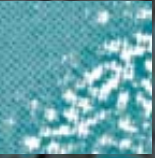
Several perspectives and issues have to be examined when considering culturally based regional development strategies. Many factors may decide whether the result is a success or fiasco.

Perhaps the most important key to success is resolution. If these efforts and concentration are to come to anything perseverance and endurance, and a spirit of sacrifice and engagement are required. With these in place development potential is considerable, both from the cultural and commercial perspective.

On the other hand, the most dangerous pitfall is to look on culture exclusively as a tool to promote industrial development. This approach seldom gives satisfactory results, financially or culturally.

Fruitful interaction between industrial and cultural policy at regional level presupposes not just setting our sights on perspectives in synergy but fundamental, mutual respect, as well.





Section 5

The Ideas Catalogue



The ideas catalogue

This report has drawn the contours of a common agenda for cultural and business policy. Closer correlation between the two fields can trigger a new social dynamic, to the advantage of both the arts and the economy. A dynamic that at one and the same time would bolster production within Danish art and culture, boost growth potential within the cultural sector, provide new development scope to the business community and, not least, give further impetus to industrial development marked by creativity, innovation and resourcefulness.

The report suggests that correlation and interaction between culture and industry has far from evolved in Denmark. Both structural and mental barriers persist in several areas hampering synergy between the two sectors. This is hardly surprising, considering that the two spheres traditionally have been thought of as quite distinct entities, and this applies at the overall policy level, as well. There is little tradition within the cultural field to hypothesise in business terms, while business and industry hesitates to exploit the creative resources inherent in the world of art and culture:

- In the first place, traditionally the cultural sector has not been thought of as an essential element of business and industry. This report suggests that this mindset is old fashioned. The cultural sector could be of huge commercial significance and constitute a future growth area, comparable with the pharmaceutical and IT industries. The report points to several areas in which cultural and industrial policy can contribute to improving the commercial frameworks of the cultural sector.
- Secondly, the report suggests that creative interaction between art and culture, on the one hand, and business and industry, on the other, is far from exhausted. The report points to the kernel of a new dynamic between the arts and the commercial sector, indicating that the two fields have increasingly more to say to each other. However, the report also suggests that both fields are indecisive and hesitant in their mutual approach, lacking a common language and knowledge of each other. The report points to a number of areas in which cultural and industrial policy could contribute to removing the dense barriers obstructing correlation and help thrust development forward.
- Thirdly, the report suggests that cultural and industrial policy can to advantage be looked upon as a more closely related entity at regional level. Culture is growing in importance as regards a region's ability to attract commercial interests, a qualified workforce and tourists. Not invariably because it has any direct impact, but rather because art and culture help to inject life and experience into a region.

The Government's cultural and industrial policy strategy focuses on five strategic points, to:

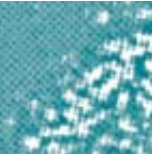
- Generate a more efficient market for venture and committed capital within the cultural sector
- Bolster access to knowledge and competence, both with respect to the cultural sector and the borderland between the arts, business and industry, and research
- Generate greater global vision within Danish cultural output and in regional cultural strategies
- Generate an efficient market for the cultural sector by means of more transparent market mechanisms and clearer regulation of the cultural market
- Establish new points of contact between the cultural and business communities capable of removing the mental and structural barriers inhibiting closer correlation.

The Government's cultural and industrial policy strategy constitutes a framework, which will come to fruition in the years ahead. The initiatives put forward are a list of ideas that can contribute to promoting the wealth of opportunities that lie in heightened correlation between art and culture, and the industrial sector.

The thirteen initiatives put forward will be discussed with the Congress of Trade Unions (LO), The Danish Employers' Confederation, the cultural sector and business and industry in the coming months to deepen and improve the strategy. Some proposals may be slightly adjusted and some will be implemented as outlined below. It should be kept in mind that these proposals are but the first step of a new development in which industrial and cultural policy will be more closely coordinated. Completely new initiatives and measures will be brought into play as time progresses.

The initiatives will form part of the Government's current account policy priorities when drawing up annual Budget proposals.

The five strategy focus areas and concrete proposals pertinent to each are outlined below:



Focus area 1: Better access to venture capital

- Venture capital for the film and media industries
- Examining regional film funds

Focus area 2: Improved competence and knowledge

- Music-producer training courses
- Improved correlation between arts subjects and business studies
- Innovation milieus for cultural entrepreneurs

Focus area 3: Globalisation

- Dialogue with the cultural sector on export drives
- Export credits for Danish film
- A national event fund

Focus area 4: Efficient markets

- Artnet. Visual arts portal
- European framework provisions for content production for new media

Focus area 5: Improved frameworks for correlation between industry and the arts

- R &D in the correlation between the arts and industry
- Cultural contracts. Partnership between the arts and business and industry
- Contact network between leaders of industry and the arts

Focus area 1. Better access to venture capital

The film and media industries are well poised to realise immense international growth potential. Both fields enjoy a wealth of talent and Danish film is especially well grounded internationally, resting on the successes of the past few years.

The report points to access to venture capital and amassing greater commercial experience of international distribution networks etc as the two central challenges facing the film and media sectors. The following initiative proposals will help strengthen the sector's access to venture capital and competence. The goal in the long term is to develop international positions of strength within film and media in Denmark.

• Venture capital for the film and media industries

The Government will direct the Business Development Finance to set up a Film Investment Fund to provide venture capital for the film and media industries. The Fund will invest capital in a broad portfolio of film and media output, and in film and media companies. The Fund will act as a private investor in film and media productions and demand a return on its investment applying the same criteria as

venture companies in the IT industry, for example. Besides capital, the Fund will supply film and media companies with commercial and financial competence. What is being proposed here is not a new type of film subsidy, but a midwife in developing a private market for venture capital within Danish film.

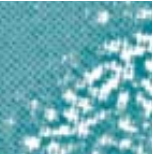
The pertinence of generating better access to private, venture capital for the Danish film and media industries is based on the enormous development potential perceived in both. The international market for film and media is currently experiencing almost explosive growth. The Danish film industry, in spite of its small size, has strong cards to play in competition on the international market. Danish film is strongly positioned to become a global player in such fields as animation and children's film. And the successes of recent years, including the Dogme concept, have generated far greater interest in Danish feature films than previously. Establishing completely different funding frameworks for the Danish film industry than those in vogue today is, however, a prerequisite for exploiting its massive growth potential. There is a need for a much larger and more efficient market for venture capital capable of guaranteeing adequate funding and competence to realise this major development potential.

However, the report suggests that the private venture capital market will hardly come about of itself without some form of public incentive or midwife assistance, for a period at least. This stems from the lack of necessary traditions, professionalism and structures to ensure that both the investor and film producer profit from the partnership. By way of illustration, it is customary in the Danish film industry to invest in one film at a time. Thus an investor's return depends on how successful the film is at the box office. To take another example, consultancy available to film investors is spread over a wide area. The existing capital market lacks insight into the specific conditions and commercial development potential of and structures to invest in the film and media industries.

A film finance fund would boost the market for private capital within the Danish film and media industries, and serve to remedy the many mental and structural barriers preventing the establishment of an efficient market for venture capital.

Dialogue with the film industry and private investors indicates a need, for a period at least, of special incentives to attract private investors in the form of deficit guarantees or an agreement allowing private investors to buy out Business Development Finance at favourable rates after a specified number of years. This could be stipulated in the range of a Film Finance Fund.





- **Examining regional film funds**

The Government is against establishing commercially supported regional schemes, which by means of unfair competition promote positive commercial development and job creation in individual local areas. Such schemes do not provide society with any overall advantage.

The exception would be specific regional development areas, including regions covered by the EU Structural Funds taking in the Regional Development Fund (objective 2 areas). The aim of the Regional Development Fund is to grant development support to “weak” areas within Europe. In Denmark Bornholm, Lolland, Falster, Møn, southern Fyn, and Langeland/Ærø, certain parts of northern and western Jutland are categorised as objective 2 areas.

Several of these regions have expressed a desire to establish regional film funds. Sections of the Danish film industry have also shown an interest in these schemes, which can ease the burden on financially strained film producers to quite a considerable extent. Even today, Danish film producers locate production in areas where local subsidy schemes exist. Large parts of *Dancer in the Dark* was filmed in Trolhättan, Sweden, with the support of regional subsidies. This region is a designated regional development zone, which focuses on attracting film production to promote jobs in its local businesses. A precondition for a regional film subsidy is that at least 1.5 times of the grant is re-injected into the regional economy in the form of jobs, overnighting, patronising local shopkeepers, etc.

The Government would like to see a greater degree of clarity in the application of regional film funds. In January 2001 therefore it commissioned a legal and economic study of the scope and economic advantages and disadvantages of instituting regional film funds in Denmark.

Focus area 2: Improved competence and knowledge

Developing a cultural sector in Denmark depends in the first analysis on our ability to develop and maintain a talent mass within art and culture. The report suggests that this precondition is in fact in place. Development within and particularly globalisation of the sector also presupposes sufficient professional competence – the ability to translate talent and ideas into commercial and competitive concepts or products. In pace with developments within art and culture, as a sector there is also a need for the education system to keep up, creating opportunities for job-orientated careers.

The following two ideas should help bolster opportunities of turning cultural output to account.

This commercial aspect in the education field should in no way substitute the focus of education and training in the arts on artistic talent. The proposals are designed to offer a commercially oriented supplement – for students and others who are so inclined.

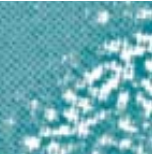
- **Music producer training courses**

The Government will examine the possibilities of introducing producer-training courses in the field of music. This subject is not part of any curriculum today, although Århus and Ålborg universities are working on it. Such courses could be by way of further education, diploma courses, or courses at tertiary level. The objective is to strengthen the music industry's commercial and international competence. The subjects selected must focus on the live-music and recorded music market.

The report highlights strengthened commercial and international competence as the central challenge facing the music industry's future development. Efforts must take their point of departure in existing plans: in Århus the Royal Academy of Music is cooperating with the Århus School of Business on the possibilities of further education courses within music management. These courses, which are being worked on in close cooperation with various organisations within the music industry, aim to give managers and middle management within the industry new and professional tools for running a commercial enterprise. A three-year course is envisaged. In Aalborg the Royal Academy of Music, Aalborg University and Danmarks Radio (DR) are examining the possibilities of a two-year music producer course, focusing on the recorded music market. This course would train students in all aspects of the production process from research and the idea concept, to the recording and editing phase, to working out strategies for presentation and distribution of the finished product. A three-year music management course, which may be reduced to two, has recently been introduced at the Högskolan in Kalmar, Sweden. The first years are primarily given over to basic training in business management. The legal aspects of the music industry are introduced in the second year, for instance, contracts and copyright. To guarantee close contact with the recipient market, 60 per cent of training in the first two years takes place under the auspices of Rockparty, a private music organisation in Hultsfred, which is considered an important music centre in Sweden.

The Ministry of Culture in cooperation with higher institutes of education and the music industry will draw up proposals for this type of training.





- **Improved correlation between arts subjects and business studies**

The Government will examine the possibilities of augmenting education courses within artistic disciplines with elements focused on business and industry. Other institutes of education, too, for instance, business schools, universities and colleges can form new partnerships with centres of arts education and training.

The objective here is to strengthen the emerging creative alliance between the arts and industry by upgrading education and competence at institutes of education. Devising new education elements applies to both sides of the creative alliance. Training and education in the arts can be supplemented by business studies, while business schools can turn their attention towards the development potential of the cultural sector, generally. This does not necessarily mean conferring specific degrees but rather adding subjects, courses and perhaps tertiary elements to top up existing degrees. This could be by way of joint courses or superimposed courses offering students joint lectures and projects that would give an insight into the disciplines, working methods and competence of each. Students of music, art, film and so on would be provided with an insight into business studies – marketing and market communication, design and product development, organisation psychology and job satisfaction. And, conversely, business school students would be introduced to narrative technique, creative development and design processes, using the medium of film, theatre, and so on. An adequately qualified teaching body, with respect to practical and theoretical cultural competence, is essential in this respect.

The Ministry of Culture will in cooperation with institutes of higher education and the professions formulate proposals for new education elements.

- **Innovation milieus for cultural entrepreneurs**

The Government will establish an innovation milieu for cultural entrepreneurs.

An innovation milieu is a type of incubator in which entrepreneurs with a good business concept can set up shop and acquire a unique combination of start capital, advisory services and assistance in developing his/her business. The binding agent in an innovation milieu is state preliminary project capital, which can be spent on examining the sustainability of a business idea. Such innovation milieus will be closely related to centres of technological know-how and draw suitably qualified personnel from institutes of education, the financial sector, consultants and innovative entrepreneurs closer together. Six innovation centres have already been established in Denmark, with the research-based entrepreneur as their primary target group. However, an evaluation of innovation milieus indicates that entrepreneurs from other than the research field can benefit enormously from the scheme.

The report suggests that the cultural sector has immense enterprise potential and that many cultural entrepreneurs thrive in particularly creative environments

in which entrepreneurs share premises and work closely together or in networks. The report indicates further that cultural entrepreneurs experience difficulty raising start capital to bring their business ideas to fruition.

In other countries for a number of years activities have concentrated on setting up incubators and entrepreneurial environments for cultural entrepreneurs, within such fields as music and design, and the creative industries generally. In Finland, for instance, such an innovation environment has been set up in an old factory, outside Helsinki, where entrepreneurs can establish a business and which simultaneously functions as an exhibition hall.

An innovation milieu for the creative industries in Denmark must be an attractive proposition, in terms of lease terms and access to advanced technological infrastructure, administration services, common meeting rooms and facilities like workshops, exhibition space, and so on. The Danish model must compare well with other innovation environments, contributing start capital to help bring a business idea to reality. And, finally, such initiatives must provide advisory services and contacts to potential investors and partners. An innovation milieu can advantageously locate in proximity to art colleges because business-oriented students and graduates will form part of the target group. Colleges, for their part, should be prepared to put premises, exhibition space and perhaps expertise, as well, at the disposal of entrepreneurs.

The Government will seek offers in 2001 with the intention of establishing an innovation milieu.

Focus Area 3. Globalisation

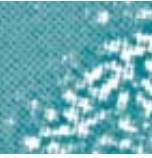
The report treats the opportunities open to the cultural sector on the international market and suggests that cultural industries increasingly operate within a global perspective. The all but explosive growth in the entertainment industry worldwide indicates that the cultural sector possesses huge growth potential. The goal now is to set up favourable frameworks for a Danish commercial response to the international entertainment industry.

Success at global level presupposes that Danish producers/actors have adequate access to make the right contacts with buyers, suppliers and other partners on the international market. This seems to constitute a barrier for many creative industries.

The report also studies the impact of growing global competition for workforces, tourists and companies on Danish regions.

The two following proposals are designed to strengthen the cultural sector's access to the global market, while building up the competitiveness of Danish regions in the experience economy.





- **Dialogue with the cultural sector on export drives**

Numerous firms exporting cultural goods and services are, generally speaking, already embraced by the Danish Trade Council and foreign service. The Danish Trade Council intends to expand dialogue with the music industry and cultural industries, generally, to pin down the specific needs and difficulties facing exports in the cultural field.

The aim here is to identify special needs in individual cases, tailor export credits, and possibly develop targeted export campaigns abroad.

Denmark and Scandinavia, generally, is a small area in terms of language and this was once considered an unsurmountable barrier obstructing the export of Danish literature, music, theatre and film. In recent years, however, in many domains of the cultural sector there has been a marked build up of activities targeted at the international market. The Danish music industry is a prime example. But the book trade, film, theatre, musicals and the visual arts have unexploited export potential which would greatly benefit from more targeted marketing and strengthened professional frameworks for building up contacts abroad.

There are several specific circumstances tied to cultural sector exports, which until now have complicated the implementation of export campaigns proper and other export drives. A case in point here is the deal of emphasis placed on participation at fairs and expositions, the need for consistent efforts over a number of years and network building, before efforts result in the sale of an actual product or rights to a product. And this is confounded by little or no possibility of co-financing from commercial enterprises operating within the cultural industry involved. Besides the foreign service, building international contacts within the cultural sector is largely undertaken by institutes operating under the auspices of the Ministry of Culture, for instance, the Danish Literature Centre, the Danish Music Information Centre and the Danish Contemporary Art Foundation.

- **Export credits for Danish film**

The Government will call on the Danish Export Credit Fund to recommend a model for improved export financing of Danish film. The Danish Export Credit Fund is the Government's industrial policy instrument employed to cover extraordinary export risks. That is to say, risks that cannot be fully covered by the market. Danish film export comes under this category because in its present form it is relatively new and unknown among international investors.

The objective of this type of scheme is to strengthen the film industry's access to finance in connection with international ventures. As mentioned in Chapter 4, a film production is most often financed by loans from specialised banks, which in turn are given a guarantee from the distributor who has bought screening rights for agreed markets in advance. This usually covers up to 80 per cent of a film's budget. The remaining 20 per cent is financed by screening rights payments in addition to agreed markets.

This 20 per cent is what causes the problem. The risk involved depends largely on a distributor's ability to evaluate sale potential on a slightly more chancy market. This is where Danish film is handicapped as we do not have any experience worth talking about in this field and thus little potential to document our ability to sell films.

The Danish Export Credit Fund is an insurance company and as such used to taking risks, in return for a premium, that is. As long as it is possible to find serious partners well versed in the industry, the Danish Export Credit Fund will come up with the required funding. As more Danish films are sold abroad, the Danish Export Credit Fund will be able to spread the risk and thereby reduce uncertainty. In this way, the fund will help to remove some of the financial barriers confronting the film industry today.

- **A national event fund**

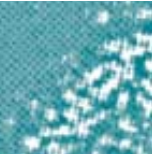
The Government will examine the need for and possibility of establishing a national event fund to assist Danish regions in their attempts to arrange and attract international events. This fund will extend competence and finance to generate a better basis for long-term, focused and ambitious programmes within Danish regions in developing an experience profile.

The aim of this initiative is to provide improved frameworks for arranging and attracting regional events, and generate a higher level of professionalism around cultural events.

Cultural events and the experience factor are becoming increasingly important agents in tourism promotion and in giving cities and regions an outward profile. However, attracting and arranging appropriate events demand strategic planning. Short-sighted, sporadic initiatives will not generate a satisfactory profile. There are far too many examples of cultural events being arranged without the requisite level of professionalism. Moreover, staging cultural events increasingly demands close cooperation with business and industry within the region. And, finally, regions must grasp the necessity of inter-regional cooperation in arranging events to achieve a critical mass.

In January 2001 the Government set up a working group drawing in representatives from the county councils, selected municipalities, commercial concerns, regional cultural institutes, the Ministry of Trade and Industry and the Danish Tourist Board to put forward a proposal for a national event fund.





Focus area 4. Efficient markets

This focus area embodies two proposals targeted at strengthening the visibility of art and culture among prospective consumers.

- **www.artnet.dk Visual arts portal**

The Government will examine the possibility of establishing an art gallery on the Internet for the sale of visual arts. Besides trading in art the gallery will carry artist presentations, chat, debate fora, subscription functions, current exhibition details, links to galleries and museums, and news. A visual arts portal.

The aim here is to enhance communication and bolster the sale of Danish visual arts.

Following studies conducted by and discussions within the Ministry of Culture the Danish Contemporary Art Foundation (BKF), the Danish Artists' Union (DBF) and the Danish Gallery Association (DGS) have come together to set up an agency, which as an independent body will administer a dynamic visual arts portal, artnet.dk. The portal will be open to all Danish artists who are members of BKF, DBF, DGS and art college graduates from Copenhagen, Århus and Odense. The Ministry of Culture will finance Artnet's start-up and running costs for one year, after which it should be in a position to finance itself by subscription fees from participating artists and galleries, and commission on sales. The practical details will be agreed between the parties.

- **European framework provisions for content production for new media**

The Government will set up a working group composed of representatives from the Ministry of Trade and Industry, the Ministry of Information Technology and Research and the Ministry of Culture to examine European framework provisions (including rights) for content production for new media. The working group will examine how broader cultural and industrial policy needs for greater Danish and European content production can be promoted. The working group adds this report with a media convergence report on page 43.

Based on this evaluation the Ministry of Culture will encourage cultural ministers throughout Europe to discuss and table a common agenda for European framework provisions covering the production of eContent, which can contribute to greater cultural and linguistic diversity. The working group will finish its study during Denmark's EU Presidency in autumn 2002.

Focus area 5. Improved frameworks for correlation between industry and the arts

The report draws an image of the opportunities inherent in closer collaboration between the arts world and industry. Scope for renewal and a new dynamic, enthusiasm and satisfaction, greater trenchancy in a global market and a higher level of artistic output. Several companies and artists already exploit each other in narratives, storytelling, to communicate experiences, to suggest new concepts or just to turn everything on its head.

Cooperation between art and culture and the industrial sector in Denmark is, however, not very highly evolved. A lack of any cooperative tradition has resulted in a degree of distrust, prejudice and at times feelings of an unequal division of power prevailing between the two sectors. In a word, no common language. This limits scope for development which otherwise rests in expanded correlation and interaction between the cultural and industrial sector.

- **R & D in the correlation between the arts and industry**

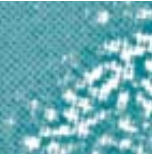
The Government will examine how an R&D consortium focusing on the correlation between the cultural and industrial sector can be established. Such a research and development consortium will conduct experiments and implement projects in the borderland separating both sectors, in which research, cultural and educational institutes, and the private sector will be taken on board.

A development project could, for example, focus on the digital museum of the future, conducting experiments on the museum experience with the help of new technology. Experiments in the narrative techniques of film and theatre useful to organisation transformation and learning processes in commercial enterprises is another possible area.

The idea is to bring researchers from different disciplines (computer scientists, organisation researchers, music researchers, linguistic researchers and psychologists) together to collaborate with companies, artists, designers and institutes of culture on concrete development projects.

Ideally this R&D consortium should be organised under the auspices of Learning Lab Denmark as a research and development centre charged with conducting experiments in new forms of learning, competence development, new technology, and so on. Learning Lab is currently accumulating tremendous experience on how to conduct research and experiments cutting across traditional disciplines and methods, and has entered into partnership with the internationally recognised MIT Media Laboratory in the USA. A leader in research and experimentation in the borderland separating the cultural and industrial sectors. One of Media Lab's projects is *Opera of the Future*, which is examining the concepts and techniques of music composition, delivery, learning and expression. Learning Lab is also a participant in a group set up by MIT to study modern museums. Research and





development consortiums will encourage exploratory, interdisciplinary environments drawing in researchers, cultural and educational institutes, and commercial enterprises.

The Government, in cooperation with Learning Lab Denmark, will set up a working group involving cultural institutes, researchers and business people to put forward proposals for research and development consortiums by mid 2001. The group will draw on the experiences of other countries, outline focus areas, financing and organisation methods.

● **Cultural contracts. Partnership between the arts and business and industry**

The Government will examine the possibilities of implementing a scheme to co-finance innovative partnerships between the arts world and the business community. This scheme could, for example, grant subsidies to cultural institutes, art colleges and artists to encourage alliances with local businesses on concrete development projects. If a design school, for instance, wants to enter into partnership with ten local companies and a museum on an exhibition project displaying how design students and artists jointly can transform a company's products, the scheme could fund the participation of the design school and artists. The companies involved will cover their own expenses and will not be eligible for funding under the scheme.

Development projects can transform product and process development, experiment with the use of new technology, set up joint cultural projects, education and training, organisation development, and so on. A criterion for subsidy could be that the project must actively involve commercial concerns and aim to bolster a company's transformation and development ability. Thus contracts within the cultural field will not be confined solely to definitive cultural sponsorship projects. The ability to boost competence within the cultural institute(s) participating would be another criterion.

In concrete terms the involved parties will draw up what is termed a cultural contract to target partnership. One possible model is for the business community to commit one third of the contract sum to ensure sufficient engagement on the part of participating companies, with the remainder would be financed by the state and regional authorities.

The goal is to dismantle the barriers that so obviously obstruct heightened cooperation between the arts and industry.

The report suggests that further examples will come to the fore of how art and culture, artists and companies at regional level can join forces on joint projects which simultaneously exploit the artist's creative competence and the commercial competence of business and industry. Such partnerships will enrich the business world, artists and cultural institutes, and promote a regional dynamic. But several

barriers persist hampering the creation of such a regional creative alliance. There is little or no tradition for interaction and points of convergence at which culture and the business community can meet.

The Government will present a proposal in 2001 on how the cultural contracts scheme can be implemented.

● **Contact network between leaders of industry and the arts**

The Government will take the initiative to establish a network bringing together leaders of industry, the cultural sector, cultural institutes and artists.

The idea behind this network is to remove several of the obstinate barriers hampering the promotion of dialogue and correlation between the arts and the business community. The network will function as a permanent point of contact stimulating inspiration for concrete cooperation between the cultural sector and the business community, and act as a framework for the following activities:

- Establishing a sponsor exchange on the Internet to heighten the visibility of cultural sponsorship on the market
- Organising matching events at which commercial enterprises and the cultural sector can present potential joint venture projects
- Organising employee exchange. Leaders of industry and artists place their capabilities at each other's disposal
- Gathering empirical evidence in the form of events and conferences

The network will develop along market lines with the imposition of membership fees and raise sponsorship. But a need does exist to provide start-up capital to develop the concept, set up the network and guarantee necessary backing in the cultural and industrial sector.

The network will be set up following public tender. Overall concept, sustainability, finance and future plans will be the parameters deciding which offer is selected.



Appendix 1

Seven portraits of cultural industries

Radio and TV

Lines embraced by the industry		Key Figures	
		1998	Growth 92-98
Radio and TV programme producers	Full time employees	9,528	20%
Radio and television set manufacture	Turnover	13,008	47%
Antennae, satellite dish etc manufacture	Exports	3,499	59%
Radio and TV retail outlets	Value added	4,134	44%
	Number of firms	1,059	-35%
Examples of companies involved in the industry		Comments on key figures	
Danmarks Radio (DR) TV2 TV Danmark TV3 B&O FONA Merlin Programme producers	Radio and TV is the largest industry within the cultural field. Turnover is on the rise within all four lines, although programme producers experienced a massive growth rate of 145 per cent from 1992 to 1998 and a rising export share of 518 per cent. The largest secondary line, measured in turnover, is radio and TV retailing, which accounts for at least 50 per cent of total turnover within the radio and TV industry. Antennae and satellite dish manufacturers have also experienced a huge growth in turnover.		
Structure and tendencies within the industry			

The four lines embraced by the radio and TV industry, although completely different, share several basic factors. This applies, for instance, to media technology development and the frameworks of media policy.

The industry embraces a few large and numerous small firms. Of 724 radio/TV outlets, only 16 employ more than 20 people. Of 244 programme producers, only 10 employ more than 20 people. Among programme producers, the 10 largest companies generate a little over one third of turnover.

Deregulation on the TV market and outsourcing by public service broadcasting companies over the past 10 years are the essential factors explaining growth among programme producers. According to TV2, the number of broadcasting hours given to the transmission of programmes by independent producers rose threefold between 1993-98. (Public Service Report 1999). Public service broadcasters play therefore a very central role in creating a market for Danish produced TV programmes.

Largely all consumers demand the products and services of radio and TV. Today 99 per cent of Danish households own a TV set and the share of the population which never watch TV is disappearing (Cultural and Leisure Activities 1975-1998, Social Research Institute 2000). Among the many channels available, Danish language channels command the highest demand. The public broadcasting stations DR and TV2 account for two thirds of demand.

The Danish and European TV and radio market is highly receptive to technological developments which are opening up new avenues for the production and distribution of entertainment, and news at a far faster pace and cheaper than before. The all but explosive growth of the Internet and mergers within electronic media are effecting the industry's development potential.

Printed Media

Lines embraced by the industry		Key Figures	
		1998	Growth 92-98
Newspapers	Full time employees	15,254	9%
Magazines	Turnover	15,179	32%
District and advertising magazines	Exports	3,874	2%
Newspaper printers	Value added	9,192	45%
Press agencies	Number of firms	727	120%
Examples of companies involved in the industry		Comments on key figures	
Berlingske Officin Morgenavisen Jyllands Posten Politikens Hus Aller Press Egmont Magasiner Ritzaus Bureau	Daily newspapers constitute the largest section of the industry, with an annual turnover of approximately DKK 8 billion, employing roughly 10,000 people. 31 newspapers, 58 magazines and 290 district magazines are published in Denmark. The high number of other companies involved in the industry include one-man press agencies.		
Structure and tendencies within the industry			

Printed media is the largest and most dominant cultural industry in Denmark. Besides being a huge industry in itself, printed media occupies central place in the media landscape and is of immense importance to media diversity.

Printed media (the dailies in particular) will face several substantial challenges in the years ahead. Most importantly, Danish media habits are changing significantly and the industry is facing growing competition from electronic and new media. Whereas over 90 per cent of the population read a daily newspaper in the Sixties, the figure has now dropped to 68 per cent. The younger generation in particular have replaced the newspaper with TV, magazines, the Internet etc. This is evidenced in a sharp drop in circulation over the past 20 years. A report published by the Danish Audit Bureau of Circulation indicates that newspaper circulation in the first half year 2000 dropped by 3 per cent, compared with 1999. Nine out of ten dailies have experienced a fall off in circulation. Magazines have not fared so badly and during the 1990s demand rose slightly.

Declining circulation and increasing competition from new media has had tremendous financial consequences. Ten dailies and over sixty regional newspapers closed down in the 1990s, and the majority of newspapers are experiencing severe financial difficulties. A study conducted by the Danish Newspapers Association indicates that newspapers generally encountered a deficit of DKK 218 million in 1999. This figure would be much higher if state subsidies were subtracted. Newspapers are exempt from VAT and are awarded a postal subsidy of almost DKK 200 million.

Besides falling circulation figures and financial difficulties the industry now faces immense strategic challenges from new digital media. Use of the Internet is spreading and attracting more advertising revenue. This applies particularly to column advertising which is being replaced on the Net by job portals, estate agency portals, electronic second-hand markets, and so on. To date, however, advertising on the Internet has only attracted a little over one per cent of total advertising revenue. But many analysts predict that this market share will rise.

The Internet is destined to become a major competitor media for newspapers. Because of the challenge from the Net, many publishing houses are turning their attention to on-line editions of their papers and new electronic services. It is assumed therefore that newspapers will fast become content producers for new media. And, furthermore, it has become more difficult to distinguish between printed and electronic media, in that one supplements the other. Time alone will tell the extent to which printed media will be capable of surviving competition from digital media consumers.

Books

Lines embraced by the industry	Key Figures		
		1998	Growth 92-98
Authors	Full time employees	16,685	0%
Publishers	Turnover	24,648	8%
Printers and Bookbinders	Exports	1,973	30%
Book shops	Value added	10,089	12%
	Number of firms	3,367	-20%

Examples of companies involved in the industry	Comments on key figures
Gyldendal J.H. Schultz Grafisk GAD Bog og Idé	The book trade has experienced a slight rise in turnover and value added. The number of firms active in the book trade is on the decline. But although the number of publishers and bookshops is decreasing, employment remains stable.

Structure and tendencies within the industry

The number of published titles rose from 11,761 in 1992 to 13,450 in 1997, largely non-fiction, with roughly 80 per cent of titles. A balance was maintained between fiction and non-fiction in the 1992 to 1997 period. Conversely, sales to the general public, schools and libraries declined between 1985 and 1998. From 1985 to date the number of sold titles has fallen sharply. From 1992 to 1997 the number of sold titles fell from about 18 million to 17 million, per annum. Book sales share of total private consumption has, however, remained constant at between 0.30 and 0.35 per cent. As the price of books has increased beyond the consumer price index, the buyer obtains relatively fewer books for his/her money. (Competition Report 2000). From an overall perspective, Danish publishers exclude book sales measured in financial terms, a rising tendency in the 1992-1997 period.

At the same time, those sections of the population who often read books remain stable. In the longer perspective from 1964 to 1998 this share in fact grew from 27 to 45 per cent. Non-fiction has experienced the greatest rise in readership. Fiction is showing a declining tendency (Cultural and Leisure Activities 1975-1998, Social Research Institute 2000).

The book trade competes with many new media and leisure activities. Relative costs (including marketing costs) have risen. This may seem something of a paradox considering that technical production costs are going in the opposite direction. But it does suggest that sharpened competition with other media demands much of quality, with respect to editing and marketing. This probably explains the tendency within the industry towards concentration on the lines of publishing and book shops. The big book shop chains control a very large section of the book retailing trade.

In Denmark the price of books is fixed. The Competition Council recently decided to maintain the fixed price system. Compared with earlier, fixed pricing is now an option publishers have. Previously it was mandatory. On the distribution side, the surrender of bookshop exclusivity is expected to change existing sales structures. Other retail outlets will begin to trade in books, as well. In any event, the number of bookshops is likely to fall as a consequence of the new scheme. A development which can only be intensified by e-trade in books.

Theatre and Stage Performance

Lines embraced by the industry	Key Figures		
		1998	Growth 92-98
Theatre and concert companies	Full time employees	363	94%
Theatres and concert halls	Turnover	463	67%
	Exports	6	-82%
	Value added	-	-
	Number of firms	590	7%

Examples of companies involved in the industry	Comments on key figures
Private Teatret Det Ny Teater Musikhuset i Aarhus Aalborg Kongrecenter	It is not possible to give an overall picture of theatre as an industry by referring to Statistics Denmark. Figures published by Statistics Denmark embrace some, but not all, private theatres and other stage shows, and several private theatre producers.

Structure and tendencies within the industry

The largest private theatres in Denmark are Privatteatre and Det Ny Teater. The latter has just staged a DKK 100 million production of *Phantom of the Opera*. The country's 16 congress and cultural centres, for instance Musikhuset in Århus, the Aalborg Kongrecenter and Musikhuset in Vejle, are prominent venues for the private theatre market. Comprehensive statistics on the private section of the industry are not available. Figures available from Statistics Denmark, although covering only part of the private market, as mentioned above, do indicate quite a significant growth in turnover and the number of full time employees in the field.

Public production subsidies are spread throughout the theatre field embracing widely different target groups, repertoire and size – from the Royal Theatre (Denmark's national theatre) to small touring companies. Public subsidies within the theatre field amounted to DKK 971 million (2000), of which the state contributed DKK 651 million, county councils DKK 185 million and municipalities DKK 135 million. The Royal Theatre receives DKK 310 million in state funding, while provincial theatres and the Theatre Cooperation of Greater Copenhagen together receive DKK 200 million of state and county council theatre funding.

There is tremendous demand for theatre in Denmark. In the 1998-99 season the audience for publicly supported theatre performances numbered 2.3 million, 25 per cent of which were at performances with children and young people as the primary target group. Since the mid-Eighties, audience numbers at children's theatre has dropped by 10 per cent. In the same period the large, publicly supported Copenhagen theatres have either disappeared or opted for the private sector (Det Ny Teater). Private theatre ticket sales figures are not available.

The Visual Arts

Lines embraced by the industry		Key Figures 1996	
Creative artists	Numbers	1500 visual artists and 306 galleries	
Publicists, exhibitors and associated services (mainly art galleries)	Turnover	DKK 200-255 million	
	Exports	DKK 108 million (1996 figures)	
Examples of companies involved in the industry		Comments on key figures	
		It is impossible to outline the visual arts as an industry based on figures available from Statistics Denmark. The outline here is based on figures issued by AKF (Institute of Local Government Studies Denmark) (1998), which represent the most comprehensive outline of the visual arts market in Denmark. Turnover is based exclusively on first time sales of works by living Danish artists. Figures issued by Statistics Denmark estimate that exports in 1996 amounted to DKK 108 million. This relatively high export figure is attributed to the inclusion of re-sale of foreign artists' work. Sales of older works are thought to constitute a major proportion of export sales, too.	

Structure and tendencies within the industry

Visual artists are a commercial grouping that largely find themselves in the borderland between the self-employed, wage earners and bursary recipients. A study of the employment conditions pertinent to graduates from the School of Visual Arts reveals that almost one quarter are self-employed, one third are wage earners and about 20 per cent are unemployed. The majority combine sources of income (82 per cent of wages earners run a business on the side, while 61 per cent of self-employed artists supplement their income with a fulltime job.) The study also reveals that the vast majority of artists are dissatisfied with their start earnings, which either in financial terms or time consumed are considered to impede artistic activity. Finally, it is estimated that among artistic groups visual artists have the lowest income. A general estimate based on a Ministry of Culture study conducted in 1997 indicates that the average wage of a visual artist is no more than DKK 100,000 gross per annum.

There are three important determinants for visual art's development as an industry:

- Public sector demand and cultural policy. As the public sector's art purchases and mural commissions constitute a substantial proportion of a visual artist's turnover, the public sector is a direct determinant for development on the market. Stimulating turnover for visual art is therefore central to the Government's legislative initiatives in the visual arts field.
- Company demand and write-off regulations. Private sector demand for visual art derives from art associations, private funds, commercial enterprises, foreign buyers and to a lesser degree private individuals. Sales to companies is an important, although not determined, element of private demand. Current deductions against tax and write-off regulations are thought to greatly influence the size of the private art market. Changing these regulations forms part of Government initiatives in the field of the visual arts. A proposal has been put forward to allow for write-off of mural commissions.
- Framework for publicity and communication. Finally, infrastructure and perhaps incentives with respect to exhibitions and publicising the visual arts. An important actor in publicising Danish art internationally is the Danish Contemporary Art Foundation.

Children's Toys / Amusement Parks

Lines embraced by the industry		Key Figures 1998		Growth 92-98
Toys and games manufacturing	Full time employees	6,615	19%	
Toys and games retailing	Turnover	6,470	11%	
Amusement parks (including sport centres)	Exports	4,449	35%	
	Value added	3,276	8%	
	Number of firms	855	9%	
Examples of companies involved in the industry		Comments on key figures		
Parken Sport and entertainment (FCK) Lego Tivoli Legoland Top Toy		The industry is quite difficult to isolate because a number of companies concentrate only part of their activities in this field. For instance, Dansk Supermarked and FDB sell a considerable number of toys, but these sales do not appear in the above figures. The figures must be taken as a minimum indicator. In terms of exports, a relatively small group of companies are involved (roughly 12 per cent of total companies).		
Structure and tendencies within the industry				

Beneath the surface the industry is characterised by significant dynamism and development. Legoland and Tivoli are leading players in the amusement park field. The twelve largest private amusement parks, which together account for the bulk of Danish amusement park turnover, register a total turnover of roughly DKK 1.5 billion, with an annual visitor figure of about 10 million. To this must be added the derivative effects on other sections of the economy (hotels, transport, restaurants etc). The market is characterised by deepening polarisation, with the large amusement parks seizing the bulk of the market at the expense of smaller parks. The majority of amusement parks attract both Danish and foreign visitors. Tivoli estimates that at high season foreign tourists account for roughly 35 per cent of visitors. The leisure industry is thus very clearly related to the entire tourism industry.

Development in the leisure and amusements field is propelled by changes in the consumer patterns of the population, which in turn are influenced by improved transport and communications facilities, and rising standards of living. It is difficult to put a price tag on the market. Estimated consumption of leisure activities in the USA (sport, travel and entertainment) constitutes roughly 10 per cent of GNP.

A relatively new phenomenon is a new boundary, which developed in the Nineties, between commercial sports clubs and the leisure and amusement park field. FC Copenhagen is an obvious example of how the world of sport and the entertainment industry are converging.

Lego, as one of Denmark's major commercial concerns, is involved in several activities within toy production and amusement parks. As a toy producer, Lego occupies pride of place as Denmark's largest. Its other commercial interests are rather minor in comparison. In toy retailing the market is split between FDB and Dansk Supermarket (40%); Top Toy, which owns BR and Toy's 'R Us in Scandinavia (50%), while the remainder is divided between a range of minor chains and single outlets. Concentration and merger mark the retailing side of the industry. Some specialised shops are now threatened by growing brand label sales of leisure and sports products, and toys by large department stores. And the impact e-shopping will have on the retail trade remains an open question.

Design and Architecture

Lines embraced by the industry	Key Figures		
		1998	Growth 92-98
Architect firms	Full time employees	5,300	50%
Garden and landscape architects	Turnover	5,291	73%
Design, including industrial design	Exports	330	25%
Interior designers	Value added	3,437	61%
	Number of firms	4,816	51%
Examples of companies involved in the industry	Comments on key figures		
	The most obvious departure from general developments within the economy is found within the design field, which has experienced what only can be described as an explosive growth in turnover of 188 per cent from 1992 to 1998. Company mass within the field has risen from a little over 200 in 1992 to 2000 in 1998. The design industry is about to become an important growth sector in the Danish economy.		
Structure and tendencies within the industry	<p>Architecture and design supply services to several other industries, positioned far away from the cultural industry. Demand for architecture is closely related to the construction and housing industry, while demand for design is closely related to industrial product development and the launch of new products in the borderland between industrial production and arts and crafts.</p> <p>Marked growth in the design industry must be seen in the light of a tendency for companies to outsource their design projects, and that design is becoming increasingly important to a product's value on the market.</p> <p>Many small and new firms characterise the design and architecture field. In 1998 461 newly started firms were working within design and architecture, which is equivalent to about 10 per cent of companies working in the industry. This imparts a high level of dynamism and competition to the field.</p> <p>Design and architecture differ from other cultural industries when it comes to education and training. Both spheres, relatively speaking, have many highly educated people among their number, many of whom have undergone prolonged tertiary education. Over 60 per cent of those employed within design and architecture in 1998 were graduates. This must be compared with the average share of employees who have undergone prolonged tertiary education within the private sector as a whole, which lies at about 40 per cent.</p> <p>One of the primary challenges facing the design industry in the years ahead will be transformation from traditional design to communications design. As an increasing number of companies demand a "digital image", new projects will emerge within the design market.</p> <p>As architecture, like the construction industry, is highly sensitive to fluctuations on the market the challenges facing the industry are closely related to overall economic development.</p>		

Appendix 2

Outline of statistical data

This cultural and industrial policy report is primarily based on data provided by Statistics Denmark (the Danish Statistics Office), including data in Section 2 on the make-up of the cultural industry in Denmark.

Statistics only embrace private companies registered for VAT. For this reason, activities undertaken under the auspices of the state, municipalities, private organisations and funds, as well as self-governing institutes are not included. Restriction to VAT-registered companies excludes the activities of banks/financial institutions and insurance firms, public transportation, libraries, museums and self-employed artists.

The cultural industry's composition in statistical data:

Music	Secondary lines	DB93 Codes
	Recorded music releases	221400
	Reproduction of sound recordings	223100
	Manufacture of blank tapes	246500
	Manufacture of musical instruments	363000
	Wholesale of albums/CD and recorded and blank video tapes	514300
	Record shops	524530
	Musical instrument dealers	524540
Theatre	Secondary lines	DB 93 Codes
	Theatre and concert companies	923100
	Theatre and concert hall management	923200
Books	Secondary lines	DB 93 Codes
	Book, brochure etc publishing (own printing works)	221110
	Book, brochure etc publishing (outside printing works)	221120
	Book printers and Offset printers	222210
	Book printers and Offset printers	222220
	Book binders	222300
	Wholesale books, paper and stationary	514745
	Book shops and stationers	524700
	Second hand bookshops	525010

Music	Secondary lines	DB93 Codes
	Recorded music releases	221400
	Reproduction of sound recordings	223100
	Manufacture of blank tapes	246500
	Manufacture of musical instruments	363000
	Wholesale of albums/CD and recorded and blank video tapes	514300
	Record shops	524530
	Musical instrument dealers	524540
Art dealers	Secondary lines	DB 93 Codes
	Art dealers and art galleries	524835
Film/Video	Secondary lines	DB 93 Codes
	Reproduction of video recordings	223200
	Manufacture of photographic and cinematographic equipment	334090
	Video tape rentals	814010
	Film and video production	921100
	Film and video publicity	921200
	Cinemas	921300
Printed media	Secondary lines	DB 93 Codes
	Newspaper publishing (own printing works)	221210
	Newspaper publishing (outside printing works)	221220
	Magazine publishing (own printing works)	221300
	Magazine publishing (outside printing works)	221320
	District and advertising magazine publishing (own printing works)	221330
	District and advertising magazine publishing (outside printing works)	231340
	Newspaper printers	222100
	Press agencies	924000
Radio/TV	Secondary lines	DB 93 Codes
	Radio, TV, etc manufacture	323010
	Antennae, satellite dish manufacture	323030
	Radio and TV retailers	524520
	Radio and TV companies	912000
Architecture	Secondary lines	DB 93 Codes
	Architectural firms	742040
	Garden and landscape architects	742050
Design	Secondary lines	DB 93 Codes
	Interior designers	748410
	Design, including industrial design	748420
Toys/Amusement parks	Secondary lines	DB 93 Codes
	Toy and game manufacture	365000
	Toy and game retailing	524850
	Amusement parks	923300
	Other leisure-based companies	923400
	Botanical gardens and Zoos	925300

Notes

- Sven Nilson, Kulturens Vægar, Skåne 1999.
- "Kulturens økonomiske betydning", by Trine Bille Hansen, AKF, 1993. Kunst økonomisk set, by Michael Møkker and Niels Chr. Nielsen, 1999.
- The above examples are based on "Funky Business", Ridderstråle & Nordström, 2000. "Kultur og fritidsaktiviteter 1975-1998", Torben Fridberg. "Managing Careers", Institute of Employment Studies 2000. And "Den Digitale Købmand", M. Lindholm, 1999.
- "Funky Business", Ridderstråle og Nordström, 1999.
- "The Consequences of Modernity", Anthony Giddens, 1999 "Risikosamfundet", Ulrich Beck, 1977.
- Calculations made by the Institute of Future Research, based on "Denmark's Historical Statistics", Statistics Denmark.
- Marianne Hosdal: Vilje og Vilkår. Identitet, læring og demokrati, Borgen, 2000.
- Hans Lassen, Samvittighed på dagsordenen, Aschehoug, 2000.
- "Culture, trade and globalisation", UNESCO, 2000.
- The Economist, "Technology and Entertainment", special edition September 1998.
- "Pop Culture is America's biggest export", article from National Center for Policy Studies.
- "The All Time Top 1000 Albums", Virgin 1999.
- The Economist "Culture Wars", 12. September 1998.
- The Economist "Culture Wars", 12. September 1998.
- Cultural Statistics, Finland 1999. Creative Industries. Mapping Document, UK, 1998. Culture, trade and globalisation, UNESCO 2000.
- In the cultural policy debate it is often discussed which derivative economic effects art has. For instance, a common topic for discussion is what an invested Krone in a theatre festival gives in turnover in other sectors, for instance the hotel and restaurant business. This report does not look at derivative economic effects of investment in culture but, instead, at the direct importance of the cultural sector.
- Table 1 indicates that theatre and the visual arts are apparently minor fields of business, with a turnover of DKK 463 million and 225 million, respectively. These figures indicate, however, but part of the two fields' financial status. Figures for the visual arts exclusively embrace turnover from the sale of visual arts. Figures for theatre are misleading as several theatres run by associations and foundations are not included.
- More detailed statistics are available in Appendix 2.
- No additional international comparisons will be made here, as reports are too sporadic and the level is very general.
- Erhvervsbeskæftigelsen 1998.
- Added value growth is calculated here as a company's net turnover minus goods consumption. Net turnover describes income from a company's primary business, sale of products and services. By goods consumption is meant the company's consumption of raw materials and auxiliary materials, trade goods and sub-contractors, and so on.
- Appendix 2 gives a profile of the seven business areas and the most important challenges facing these businesses.
- Description of the Danish film industry based on a more comprehensive study conducted by the Danish Technological Institute for the Ministry of Culture and the Ministry of Trade and Industry during the summer of 2000.
- The cultural sector, Danish Technological Institute.
- According to Jannik Hastrup, producer of Cirkeline.
- A Commercial Analysis of the Four Focus areas in the Cultural Sector, Danish technological Institute 2000.
- Danish Film Institute.
- An average film is the expression given to the average for all Danish films subsidised in the period either by the fifty-fifty or Consultant scheme.
- "Tørre Tal", Danish Film Institute.
- A description of the Danish music industry based on a report compiled by the Danish Technological Institute "A Commercial Analysis of the four Focus Fields in the Cultural Sector", in 2000.
- "Att ta sig ton, on Swedish music export 1974-1999", Kim Forss, ESO 2000.
- Music Exports 1998, the Danish Music Information Centre, 1999.
- A commercial analysis of the four focus areas of the cultural sector, Danish Technological Institute, 2000.

- 34 Source: International Federation of the Phonographic Industry.
- 35 A commercial analysis of the four focus areas of the cultural sector, Danish Technological Institute, 2000.
- 36 Mediawatch 18-02 2000.
- 37 Børsen, 21 September 2000.
- 38 Børsen, 4 October 2000.
- 39 Børsen Informatik, 12 January 1999.
- 40 This chapter is based on a study conducted by the Danish Technological Institute.
- 41 *ibid* (29-08-2000).
- 42 A commercial study of the four focus areas within the cultural sector. Danish Technological Institute, 2000.
- 43 *Ibid*.
- 44 The Creative Alliance, Advice Analyse 2000.
- 45 The Government White Paper on Design, Ministry of Trade and Industry, 1997.
- 46 cf. Appendix 1.
- 47 The Creative Alliance, Advice Analyse, 2000.
- 48 The Creative Alliance, Advice Analyse 2000.
- 49 The Creative Alliance, Advice Analyse 2000.
- 50 The Creative Alliance, Advice Analyse 2000.
- 51 The Creative Alliance, Advice Analyse 2000.
- 52 The Creative Alliance, Advice Analyse 2000.
- 53 Not including sponsorship of sport.
- 54 The Creative Alliance, Advice Analyse.
- 55 Advice Analyse notes a third: the absence of cultural and industrial policy frameworks. We take this theme up in Chapter 7.
- 56 The Creative Alliance, Advice Analyse 2000.
- 57 Developing a company's cultural capital. Paper from the Dam Gallery.
- 58 "Kulturens økonomiske betydning", by Trine Bille Hansen AKF, 1993. "Kunst økonomisk set", by Michael Møller and Niels Chr. Nielsen, 1999.
- 59 "World Investment Report 2000", UNTAD, October 2000.
- 60 The Oxford Research 1998.
- 61 cf. John Myerscough, "The Economic Importance of the Arts in Britain", Policy Studies Institute, London 1988; Trine Bille Hansen, "Kulturens økonomiske betydning", AKF 1993 and "The Expat Study", Oxford Research 1998.
- 62 Wonderful Copenhagen, survey of foreign visitors to Copenhagen, 1996.
- 63 World Travel & Tourism Council and World Tourism Organisation data, and the Danish tourism industry's input in September 2000 to the Government's Tourism Policy Report.
- 64 WTO figures appearing on Nova Scotia Cultural Networks website (www.culture.ns.ca).
- 65 Inspired by "Culture and Business", Brinkmann Communication A/S, 1997.

