



# Prospects for Creative Growth

A Research Report for Hull and East Yorkshire Local Enterprise  
Partnership (HEY LEP) September 2022



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## MANAGEMENT SUMMARY

Hull and East Yorkshire (HEY) has a thriving creative digital economy, a lively TV, film, and communications sector and a broad range of digital technology companies. The relatively low cost of living combined with its strong digital infrastructure and assets makes the HEY area an attractive location for high-productivity creative businesses with scale-up potential. This report examines the scale-up and growth potential of the sector. Commissioned by HEY LEP, it is based on research findings undertaken with stakeholders and businesses in the sector in August 2022.

The study explores barriers to growth and examines business support and investment requirements for creative industries (CI). It will inform future provision of support for the sector, including the work of the HEY LEP growth hub, which offers free and impartial information, advice, guidance and signposting for all businesses in the HEY region.

The report notes the assets and infrastructure of the area, such as the Centre for Digital Innovation (C4DI) and the £40m state-of-the-art Bonus arena. Combined with a pipeline of talent and ultrafast broadband, this makes a compelling proposition. The many large global companies and corporates in the area, as well as Hull's 2017 City of Culture programme, have challenged the city's previous image and secured unprecedented coverage for the city and its arts, culture and heritage offer.

In terms of the creative experience ecosystem, the HEY area also has Hull Truck Theatre and a range of high-profile distinctive events and festivals. Furthermore, its rich and diverse range of museums, galleries and libraries celebrate HEY's art and maritime heritage. Visit Hull & East Yorkshire (VHEY) manage numerous experiential events throughout the region during the year and commission regional creative firms as part of this programme.

Digital & Creative has been identified as an emerging key sector in the HEY LEP Economic Growth & Workforce Well-being Strategy 2021-26. Hull's Economic Strategy 2021-2026 notes that Hull is a forward-thinking maritime city, looking outward to the world and connecting both people and businesses with opportunities to achieve prosperity. The first priority of East Riding's economic strategy is business growth, with particular emphasis on the creative and digital sector. The key creative priorities for both areas are discussed in chapter one, which also notes that creative clusters can play a critical role in supporting the Government's Levelling Up objectives by driving economic growth and boosting productivity, pay, jobs and living standards across regions.

Official statistics list 1,050 cultural industries and businesses in HEY, employing some 4,500 people. This does not include the many companies operating across various sectors or whose operations contain a creative component.

Most firms identified through the official statistics operate in the creative services sector. This field as a whole is growing as a whole, with creative content firms increasing by 20%, creative experiences by 4.8% and creative services by 3.5% since 2015. There is a concentration of companies in publishing, gaming and cultural education, while employment is concentrated in broadcasting.

The area is highly experienced in film and media production, and there is also a cluster of creative and digital services companies that partners would like to support. Several SMEs are linked to the area's rich and diverse range of museums, galleries and libraries. Partners would like to help them successfully position, monetise and promote their work across the UK and internationally.

The analysis in the report demonstrates that the area has a strong ecosystem and local assets but low overall concentrations of CI industries. However, employment and the number of businesses are steadily rising, and there are pockets of excellence on which partners would like to build.

Forty-five per cent of the companies surveyed for this research study predict rapid growth of 20%+ over the next two years. Forty-four per cent of the firms have seen annual turnover growth of at least 10% over the last two to three years. New or significantly improved products, services or processes have been introduced by 54% of the companies, 53% have invested in innovation areas, and one in five creatives have digital adoption plans.

In terms of barriers to growth, 72% of the firms feel it is hard to plan for growth and emphasise responding to opportunities, while 59% of creatives feel that little support is available for their business. The lack of growth opportunities in new or existing markets or competition, collectively, was highlighted as the major barrier to growth (43%). Poor availability of finance and funding was cited as a significant issue, with 55% of businesses not having used external funding in the last three years. A lack of awareness was a contributing factor.

In relation to equality, diversity and inclusion (EDI), 53% of firms felt there were or might be issues with attracting diverse talent within the sector. Seventy-two per cent of firms felt diversity and inclusion were taken seriously at all levels of their organisation and that they supported employees to feel comfortable being themselves. However, only 34% of respondents felt their workforce was representative of the whole community and 42% felt they were transparent about gender pay gaps and/or actively sought to address pay inequalities. It was claimed that 39% of women and people from diverse minority groups were well represented at all levels of their organisation.

Stakeholders wanted to develop talent pipeline and attraction strategies alongside any future investment or scale-up programmes. Creative challenges vary between those operating in creative industries and those in the digital sector, and tailored approaches are needed for scale-up and investment programmes.

Stakeholders noted that the area should build on its strong international connections (by identifying new markets, for instance).

### KEY MESSAGES

The creative sector is strong and growing, with supporting assets and infrastructure that could be utilised. The challenges faced by firms illustrate a lack of tailored support and the different needs of cultural and digital creative firms. Various EDI strengths and challenges were highlighted through the research, revealing a common theme: the challenges and how to approach them are not fully understood.

The research with businesses and stakeholders has identified several potential activities that would support and stimulate investment in the sector:

- **Improving investment readiness** in creative industries, for instance, through proposition development, business planning, as well as market, technology and talent development. This could be achieved through a creative investment gateway.
- Boosting the **profile of and opportunities for the film, production and games sector**, where latent opportunities have been identified.
- Using technology to develop **products and services and access new markets**, which could include audience development and extending the reach of the experience sector.
- Supporting CI with **new market development**, such as exploiting international trade opportunities (a Consortium Steering Group priority) and exploring the potential of digital technologies to 'reduce the drag of distance'.
- Developing the knowledge of the investment process and scale-up approaches amongst the **leaders and managers** of CI firms.
- **Demystifying investment opportunities** for the sector, as well as offering impartial funding advice and 'money with active management'.
- Brokering **introductions to investors**, peers and high-calibre creative sector mentors, as well as leading on and demonstrating investments in diverse companies and those that embrace diversity.
- **Showcasing local strengths** in creative and digital technologies which, combined with high-quality broadband, provide an attractive proposition for investment, relocation and exploiting global opportunities and new markets.
- Supporting creative and digital **supply chain** opportunities with the major companies headquartered in the region. These include supply chain opportunities in renewable energy and manufacturing corporates, as well as cross-estuary activity involving clean growth, ports and manufacturing.
- Identifying opportunities for digital technologies to help achieve the ambitious local **Net-Zero aspirations**.
- Helping the sector to **overcome EDI challenges** by being proactive at attracting and retaining diverse talent including increasing the number of disabled people in the creative industries. This might also include raising awareness in the business/investor community, and offering good practice advice and awareness raising.

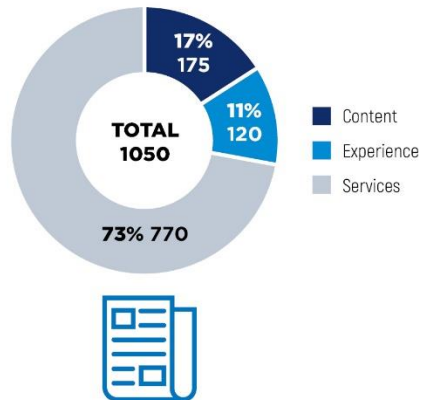
Partners would also like to link with investors whose investment experience includes:

- The fast-growing post-COVID-19 Experience Economy, including audience and technology development (for example, immersive experience).

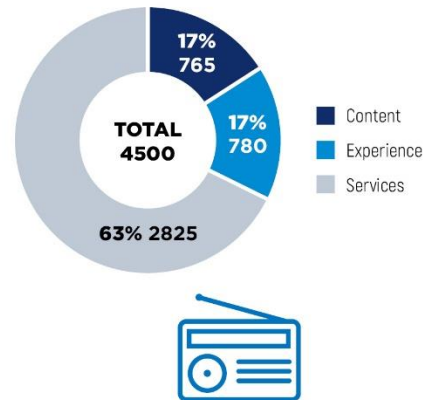
- Creative content, including film and TV (the region has some exciting untold stories that reflect our unique history and heritage). As mentioned in the business workshops, local firms require specialist advice on subjects such as tax, equipment, music rights and licensing, software IP, bidding for commissioning opportunities, as well as market development and monetisation.
- Creative services, including software development, computer programming, visual media and metaverse development (including immersive games).
- Creative companies that are strong on EDI.

## Hull and East Riding Creative Industries in Numbers

### Creative Enterprise Numbers (HEY, 2021)



### Creative Employment Numbers (HEY, 2020)



### Top 3 Enterprise LQ's\*

- Publishing of newspapers (1.72)
- Publishing of computer games (1.63)
- Cultural education (1.12)



### Top 3 business growth activities

- Introduction of new/significantly improved products, services or processes (54%)
- Investment in innovation activity (53%)
- Creation of a revenue generating product (51%)



**45% of surveyed firms predict rapid growth (20%+)**

### Top 3 Employment LQ's\*

- Radio broadcasting (1.32)
- Library and archive activities (1.32)
- Publishing of newspapers (1.03)



### Top 4 Barriers to growth

- Lack of growth opportunities (43%)
- External factors (41%)
- Lack of finance/investment for R&D (37%)
- Access to talent/recruitment/staffing (33%)



### Top 4 Scale-Up needs

- Funding and investment (59%)
- Support for introductions to investors (55%)
- High calibre sector mentors (53%)
- Peer-to-peer networks/learning (53%)



**The most referenced EDI\*\* Challenge: Attracting Diverse Talent (53%)**

\*Measure of industrial/employment concentration; \*\* Equality, Diversity and Inclusion .

## 1. INTRODUCTION AND PROJECT CONTEXT

This chapter introduces the research and provides an overview of the creative sector within the Hull and East Riding (HEY) LEP. It describes the creative ecosystem and key niches, and an economic analysis of the creative sector is provided. The research was commissioned by HEY LEP, who worked closely with a Creative Growth Consortium Steering Group during the study.

The Steering Group was formed to improve local understanding and to inform and initiate support for the sector. The Consortium Steering Group comprises the following organisations:

- The University of Hull
- The Goodwin Development Trust
- Hull City Council
- C4DI
- East Riding of Yorkshire Council
- Freedom Festival Arts Trust
- Wykeland Group
- Hull Truck Theatre

The study sought to understand the scale-up potential of the sector, the barriers to growth and the business support and investment requirements. It will inform the work of the HEY LEP growth hub, which offers free and impartial information, advice, guidance and signposting to all businesses in the Hull and East Yorkshire region.

### 1.1 REPORT STRUCTURE AND CONTENT

This chapter describes the composition of the creative economy in Hull and East Riding, including the wider infrastructure and assets supporting the sector. It establishes the local and national strategic backdrop, examines the existing support and highlights the key findings from various economic analyses of the sector, which were based on official statistics. The numbers of businesses and employees are considered, while the concentrations or clusters of activity are highlighted. Chapter two presents the results of a business survey of the sector and workshops conducted with stakeholders and local firms. It focuses on creative growth aspirations, highlighting recent growth trends and aspirations. The chapter also discusses barriers to growth and equality, as well as diversity and inclusion (EDI) challenges.

### 1.2 HEY LEP CREATIVE SECTOR OVERVIEW

#### THE CREATIVE SECTOR IN HULL AND EAST YORKSHIRE

Hull and East Yorkshire (HEY) has a thriving creative digital economy, a lively TV, film and communications sector and a broad range of digital technologies companies. At a workshop on the 19th of August 2022, the Creative Growth Consortium Steering Group, comprising key representatives of the sector, noted that the low cost of living, combined with its strong digital infrastructure and assets, made the HEY area an attractive location for high-productivity creative businesses with scale-up potential. The



HEY area has well-established important infrastructure and assets that support the creative industries' sector, including:

- The Centre for Digital Innovation (C4DI) in Hull's Fruit Market. C4DI anchors a growing community of businesses whose growth has supported the immediate area's regeneration. C4DI has recently expanded to accommodate more businesses and it is home to Eagle Labs, which offers tech businesses access to mentoring and investor networks.
- Ultrafast broadband connectivity via KCOM, with 'Fibre to The Premises' rolling out throughout Hull and the East Riding, while other urban areas also have good connectivity. One stakeholder at the Consortium Steering Group Workshop (August 2022) noted: "We have this amazing infrastructure which benefits creative industries. A third of the UK's fibre-to-the-premises is under the streets of Hull and that is like rocket fuel for [the] businesses ... based here. This gives us a competitive advantage".
- The £40m Bonus Arena is a new flexible space and a City of Culture legacy project. The venue offers a state-of-the-art music and events complex with a capacity of up to 3,500. It attracts corporate conferences, exhibitions, trade tours, major touring concerts, stand-up comedy, family shows and sporting events.
- A strong pipeline of local talent alongside leading expertise from the University of Hull's Computing Department, which has close industry links and produces skilled graduates. The University of Hull's BA in Drama and Theatre Practice team work closely with the close-knit drama community, which is based in a working theatre in a Grade II-listed building. Hull College's School of Art & Design offers courses in fine art, graphic design, and fashion and textiles. Digital is one of the key themes of the Yorkshire and Humber Institute of Technology, which is developing new talent in the region by offering qualifications at level four and above.
- Large global companies and corporates with extensive supply chains, including Croda, Smith & Nephew, Nippon Gohsei and KCOM. Siemens Gamesa chose Green Port Hull as the location for its world-class offshore wind turbine blade manufacturing, assembly and servicing facilities.
- Hull's 2017 City of Culture programme boosted the local economy and "challenged the worst images of the city, with unprecedented levels of coverage for the city and its arts, culture and heritage offer", claimed the University of Hull's Culture, Place and Policy Institute Director Professor Franco Bianchini.

In terms of the creative experience ecosystem, the HEY area also has:

- Hull Truck Theatre, a pioneering organisation with a unique northern voice that is locally rooted and global in outlook.
- Middle Child, a Hull-based company creating gig theatre, which brings people together for a good night out with big ideas.
- A high-profile range of distinctive events and festivals, such as the region's biggest LGBT+ festival and Humber Street Sesh, which features over 200 bands. Furthermore, the Freedom Festival has a weekend dedicated to art, music and theatre, as well as a full programme working with creatives, arts and festival professionals, and artists.
- East Riding's rolling hills, tree-heavy woodlands and a rugged coastline. The region hosts a number of countryside and coastal events, in addition to year-round markets.

- A rich and diverse range of museums, galleries and libraries that celebrate the art and maritime heritage of Hull and East Yorkshire.
- Visit Hull & East Yorkshire (VHEY) are the region's Destination Management Organisation (DMO), which was formed as a partnership of both HEY local authorities. VHEY manage several experiential events across the region and throughout the year, commissioning a number of regional creative firms as part of this programme.

These assets, combined with low operating costs and a high standard of living, help to explain why the region is considered an attractive destination for digital tech and creative start-ups that will provide key new opportunities in the post-COVID economy.

### 1.3 STRATEGIC CONTEXT

#### HEY LEP

Priority 1: A Productive & Innovative Economy, part of the HEY LEP Economic Growth & Workforce Well-being Strategy 2021-26, aims to "stimulate business growth [and] increase productivity and employment by developing the ideal conditions in the region for business to start up, innovate, invest, grow and trade". In addition to trade and enterprise, a key objective under this Priority is identifying and supporting the growth of key sectors, one of which is Digital & Creative. The strategy notes that the sector has been "growing in both reputation and its contribution to the region's economy in both jobs and GVA over the past 10 years" (p34). The sector, it claims, will be crucial to supporting the adoption of new technology that can lead to productivity improvements in the wider HEY economy whilst making a significant contribution to the net-zero agenda.

HEY LEP has plans for growing and developing the creative sectors that closely match the ambitions of the two HEY local authorities.

#### HULL

Hull's Economic Strategy 2021-2026 notes that Hull is a forward-thinking maritime city, looking outward to the world and connecting people and businesses with opportunities to achieve prosperity. The city is "accelerating existing work and support for the creative, leisure, tourism and hospitality sectors. [which] will be a prime focus in the short term to make sure all parts of the economy recover at pace" (p4). It cites investments in the New Theatre and Hull's Venue, a £36 million state-of-the-art 3,500-seat music and events complex, which is attracting the best UK and international acts. Alongside this are the existing Hull Truck Theatre and City Hall, which have made Hull a "cultural hot-spot attracting international events [while working alongside and] supporting local artistic groups and talent". The strategy noted that a "growing cultural sector of nationally recognised talent has taken their creative excellence to a receptive audience" (p5).

The strategy is built on three interlinking themes: people, place and productivity. Firstly, rebuilding the city's wider cultural, arts and heritage offer will be a key contributor to its economic recovery, enhancing local communities and the lives of those within them. In terms of place, the City of Culture legacy has led to significant investments from both the public and private sectors. It has promoted the city centre as a world-class visitor destination by changing its focus to become an 'experience destination', bringing together the unique and historic old town and waterfront to create a thriving cultural and economic hub. Key activities include:

- Investing in Hull's Tech Corridor, Heartlands Knowledge Zone and Heritage Action Zone to support the growing digital, research, development and innovation sectors.
- Developing a city cultural plan and delivery strategy as a key driver of economic growth and community development.
- Ensuring strategic leadership across the cultural, heritage, tourism and arts sectors to deliver economic gain.
- Promoting and delivering cultural, visitor and sports events that boost the area's profile, health and quality of life.
- Maintaining the quality of public realm and open spaces, along with ensuring that these are child-, disability- and age-friendly spaces that encourage healthy physical activity.
- Actively supporting the ongoing delivery of Hull's Cultural Strategy.
- Supporting and encouraging unique and independent cultural, economic and arts sectors, rebuilding where necessary in the city centre and beyond.
- Under the productivity theme, committing to support sectors with emerging innovation and growth potential, such as the knowledge and digital economy and the creative industries (p18).

Hull won the City of Culture title in 2017, which brought profound but short-term and fragile changes to the city's economy, community and cultural sector. It demonstrated what could be achieved but cultural-sector job creation fell when the City of Culture year ended. There is now a desire within the city to boost the resilience and scale-up potential of creative industries that are or could be 'investment-ready'.

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### EAST RIDING OF YORKSHIRE COUNCIL

Like the city of Hull, business growth is the first priority of the East Riding Economic Strategy, which has plans for growth sectors such as creative and digital. The strategy notes that the increasing demand for software, data collection and analysis products from a range of industries is contributing to growth in this locally underrepresented sector (p7). Nevertheless, computer programming clusters in Pocklington, Beverley and Haltemprice were highlighted, as was the Press Association in Howden. The strategy adds that "continued broadband rollout, added demand for digital services and links to the growing cultural and tourism offer present [and future] opportunities to maximise [the] economic contribution [of the digital and creative sector]". (p7)

A January 2021 mid-term review of the Economic Strategy reiterated the desire to continue, under Priority 1, facilitating sector growth by creating high-quality employment opportunities, strengthening local supply chains, encouraging innovation and raising productivity (p12).

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### NATIONAL GOVERNMENT

Digital and creative has been identified in the Government's 'Build Back Better Plan for Growth' (March 2021) as a priority sector for driving the post-pandemic recovery. The plan notes that the digital and creative field is a major UK success story and a critical driver of innovation and growth. It added that the Government "will work to ensure that these sectors can flourish by nurturing a safe, fair and open digital economy, growing more creative businesses around the country and building on our advantages in foundational technologies like AI, quantum computing and digital twins, including through the National Data Strategy and upcoming Digital Strategy".

Creative clusters can play a critical role in supporting the Government's Levelling Up objectives by driving economic growth and boosting productivity, pay, jobs and living standards across regions. "The creative

industries – from film production to video game design – have a critical role to play in levelling up. Not only are they sources of local pride and improved quality of life, but they are also drivers of growth and productivity” (p167).

Despite the sector’s potential, the Department for Digital, Culture, Media and Sport (DCMS) rightly noted that outside London, distinct market and information failures often prevent creative businesses from scaling up and accessing finance. The creative sector is dominated by SMEs who often lack the capacity and access to business planning expertise, sound finance advice (intangible IP can be a barrier) or wider support programmes. Additionally, the guidance notes that "information failures mean private investors can struggle to understand the sector and... measure investment risk”.

### 1.4 EXISTING SUPPORT

Whilst there are currently no discrete support offers for creative firms in HEY, various agnostic support offers in other sectors could be linked with any bespoke support that develops following this research.

Firstly, the HEY Growth Hub’s #GrowMySME Programme (see website [here](#)) provides comprehensive information, advice, guidance and funding to assist the growth of SMEs across various sectors. Launched in 2018, the programme has three key strands of support: to overcome growth barriers (Business Growth Scheme), to explore and adopt digital technology (ICT for Growth), and to become investment-ready (Finance for Growth). Since its launch, the programme has supported over 2,183 firms in Hull & East Yorkshire, including 171 SMEs from the creative industry and sub-sectors. More specifically, the Finance for Growth scheme has supported several creative industry firms to become investment-ready in that time. Therefore, the Hub has a pre-existing pool of clients to which any new support in HE can be marketed and referred. However, as an ERDF-funded programme, it is important to note that #GrowMySME will close on 30 June 2023. It remains unknown what will replace the business support provision under the UK Shared Prosperity Fund or other levelling up monies.

Secondly, the Hull-based Centre for Digital Innovation (C4Di – see website [here](#)) is a business incubator that helps tech businesses to grow and traditional businesses to innovate. The centre provides wrap-around business support for tenant businesses, which includes mentoring, access to new markets and “meet the buyer”-style events. C4Di is also home to the Barclay’s Eagle Labs Programme (see website [here](#)), an initiative that supports tech start-ups to grow via mentoring, peer development and access to investor networks. Digital creative firms within C4Di - including those that have progressed from the start-up stage via Eagle Labs - would be a natural target audience for future support as businesses now looking to scale up and achieve high growth. Indeed, C4Di have already been engaged as part of the research and consultation work to support this full application.

Thirdly, Hull, Beverley, Bridlington and Goole all host Business and Intellectual Property Centres (BIPC), part of the British Library’s National Network of Business and IP Centres (see website [here](#)). Whilst the service is sector-agnostic and primarily aimed at start-ups, notable IP-related resources are available through the BIPC. Therefore, future support could leverage, where appropriate, BIPC expertise and resources. Furthermore, creative firms that have previously accessed IP support from the region’s BIPC branches would now be in a position to access future support in HEY. CI companies have reported that Software IP is an area they would like to develop through future support.

Furthermore, the wide range of key creative and cultural stakeholder organisations in the HEY region produce strong talent pipelines and generate development in the creative sector. Anchor institutions such as Absolutely Cultured, Hull Truck Theatre, Hull College School of Art & Design and the University

of Hull all help to stimulate a thriving community of performers, producers, composers, designers, storytellers, filmmakers and writers. Many of these institutions have been consulted as part of the research and consultation activity in support of this application, and they are willing to provide key insights and perspectives into the future needs of creative firms.

In relation to future support offers, a number of upcoming schemes and initiatives will augment any future support aimed at the sector.

Firstly, Hull City Council are currently developing “The Matrix” project, which will provide new facilities to maximise entrepreneurship and cultural activity in the city centre. Working with educational and cultural partners, the facility will stimulate and coordinate the growth of local cultural organisations by serving as a conduit for their progression into large city-centre commercial premises. Funded by the Levelling Up Fund and launching in Spring 2024, the Matrix could act as a feeder project for any future creative support offered in the HEY area.

Secondly, Hull City Council are soon to award Department For Education Skills Bootcamp funding for the delivery of IT User qualifications, the aim being to address the region’s prevalent IT skills shortage. Given that CI firms in the region urgently need the ability to recruit staff to fill skills gaps (primarily in digital skills), this will enable creative firms to upskill staff whose IT skills require improvement.

Finally, the University of Hull has just been awarded £450,000 through the UKRI impact acceleration accounts (IAAs) programme, which offers strategic awards to research organisations so they can respond to impact opportunities more flexibly, responsively and creatively.

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### INVESTOR NETWORKS

Investor networks in Hull and East Yorkshire are not as prevalent and accessible as those in other areas of the UK, especially London & the South East, as well as the West Midlands, Greater Manchester and West Yorkshire conurbations. Nevertheless, the area has some local angels and can draw on wider support from across the North.

The local authorities have several finance business support experts helping businesses to identify and progress their access to finance. These experts cooperate with other intermediaries and have experienced some success with equity finance. In August 2022, the Consortium Steering Group claimed that this area was always exceedingly difficult to address, stating that more expertise was required on the very specific requirements of creative and digital businesses, such as IP, licensing, monetisation, as well as market and audience development.

There is a desire to deepen and develop links with local investors through angel networks, whose mission is to match angel investors to ambitious high-growth SMEs across all sectors. Angel networks introduce investor-ready businesses to a pool of angel members by organising pitching events before any due diligence. The Barclay’s Eagle Lab in Hull offers some investor engagement activity for tech firms, but there is a gap for tailored creative industry investment support. As mentioned above, C4Di are home to Eagle Labs, who offer tech businesses access to mentoring and investor networks.

In addition, the Northern Powerhouse Investment Fund provides commercially focused finance through microfinance, debt and equity finance funds to identify opportunities to support local CIs.

## 1.5 HEY CREATIVE ECONOMIC ANALYSIS

ONS BRES data for the HEY area lists an estimated 1,050 firms in the cultural industries, employing an approximately 4,500 people. Of these businesses, 72.3% are in creative services sub-sectors (such as advertising, design, architecture, IT and software), 16.4% are in creative content (publishing, film, TV, video, radio and photography, for instance) and 11.3% are in the creative experience sector (such as museums, galleries, libraries, music and the performing and visual arts).

Location quotients illustrate the density of employment and enterprise for specific sectors in comparison to the national average. At a glance, the headline CI sectors of content, experience and services have no significant concentrations within HEY in terms of employment or the number of businesses. Indeed, stakeholders strongly desire to grow the concentration of businesses in the HEY area as the current levels are considerably below where stakeholders want them to be.

Creative Classification	Enterprises						
	HEY LEP Region			England			HEY LQ
	No. of Enterprises (2021)	% of Creatives	Growth Rate 2015-2021	England	% of Creatives	Growth Rate 2015-2021	
Content	175	16.4%	20.0%	45,175	17.1%	14.8%	<b>0.46</b>
Experience	120	11.3%	4.8%	34,130	12.9%	8.0%	<b>0.42</b>
Services	770	72.3%	3.5%	185,490	70.1%	11.0%	<b>0.49</b>
<b>Total</b>	<b>1050*</b>			<b>264,790*</b>			

Source: ONS UK Business Counts, 2021

Creative Classification	Employment 2020						
	HEY LEP Region			England			HEY LQ
	Employment No.	% of Creatives	Growth Rate 2015-2020	Employment No.	% of Creatives	Growth Rate 2015-2020	
Content	765	17.5%	20.47%	270,250	21.6%	-2.26%	<b>0.30</b>
Experience	780	17.8%	6.85%	150,000	12.0%	-1.32%	<b>0.55</b>
Services	2825	64.6%	-5.83%	829,500	66.4%	12.02%	<b>0.40</b>
<b>Total</b>	<b>4500*</b>			<b>1,247,000*</b>			

Source: ONS Business Register and Employment Survey, 2020 \*Rounded by ONS

However, BRES data indicates that since 2015, the number of enterprises operating in the creative content sector has increased by a fifth, with the experience sector growing by 4.8% and creative services by 3.5%. Employment has risen in creative content by 20.5% and in creative experience by 6.9%. The CI stakeholders would like to build on this momentum.

Of the 31 SIC codes that comprise the DCMS 'creative industries' classification, 19 (61%) experienced increased employment in the HEY region between 2015 and 2020. In the same period and region, only one of these 31 SIC codes saw a drop in the number of enterprises operating within it. In terms of enterprise, the HEY region had a significantly larger concentration of newspaper publishing, computer games publishers and enterprises working in cultural education than the average for England in 2021.

SIC Code Classification	HEY LEP Enterprise LQ (2021)
5813: Publishing of newspapers	1.72
5821: Publishing of computer games	1.63
8552: Cultural education	1.12

Source: ONS Business Register and Employment Survey, 2021

HEY also had above-average concentrations of employment in radio broadcasting, library and archive activities and publishing.

SIC Code Classification	HEY LEP Employment LQ (2020)
6010: Radio broadcasting	1.32
9101: Library and archive activities	1.32
5813: Publishing of newspapers	1.03

Source: ONS Business Register and Employment Survey, 2020

The sub-sectors identified through research and discussions include:

- **The content sector.** The area is highly experienced in film and media production. Hull's historic backdrop, streets and buildings make it an ideal location to film scenes set in the Victorian era. This has landed the city with major film and TV projects from Netflix, BBC, ITV and Film 4. Hull is the perfect on-screen double for period London and the region boasts talented crew, regional content funding, a growing studio infrastructure and film-friendly credentials. However, far more could be achieved with the right investment and support. Local TV, video and production firms include indies and SMEs such as Northern Films, Emmerson Films, Northern Visuals, Blank Video, Nova, Squideo, Newland Studios, Sky Visuals, Storyboard, Astor and Vision Films. GSP Studios near Bubwith also specialises in film production and visual effects. There is also a visual media sector and AI/VR companies like VISR (a Mixed Reality firm), with whom stakeholders would like to work. Other firms to be targeted include EON Visual Media, who are involved in app development, animation, design, video and website design and build.
- There is also a cluster of **creative and digital services companies** that partners would like to support. Graphic design and marketing studios include Clay10 Creative, TH3 Design, INIT Creative, Blustorm, Fred, Sowden & Sowden and Strawberry. A number of architectural design companies are working across the Hull, Beverley and East Yorkshire region and further afield, including the award-winning CK Architectural Hull and Sewell Group. There are computer programming clusters in Pocklington, Beverley and Haltemprice, in addition to the Press Association in Howden (as noted earlier, publishing location quotients are high for the area).
- **The experience sector.** Hull Truck Theatre (a pioneering theatre with a unique northern voice, locally rooted and global in outlook) has the potential to grow globally, while the Freedom Festival could boost the networking and growth potential of creatives, arts and festival professionals and artists. There are SMEs linked to the area's rich and diverse range of museums, galleries and libraries that celebrate Hull and East Riding, including its art and maritime heritage. Partners would like to help them successfully position, monetise and promote their work both nationally and internationally.

In summary, the area has a strong ecosystem and local assets but low overall concentrations of CI industries. However, employment and the number of businesses are steadily rising, while there are pockets of excellence on which partners would like to build.



## 2. CREATIVE GROWTH ASPIRATIONS

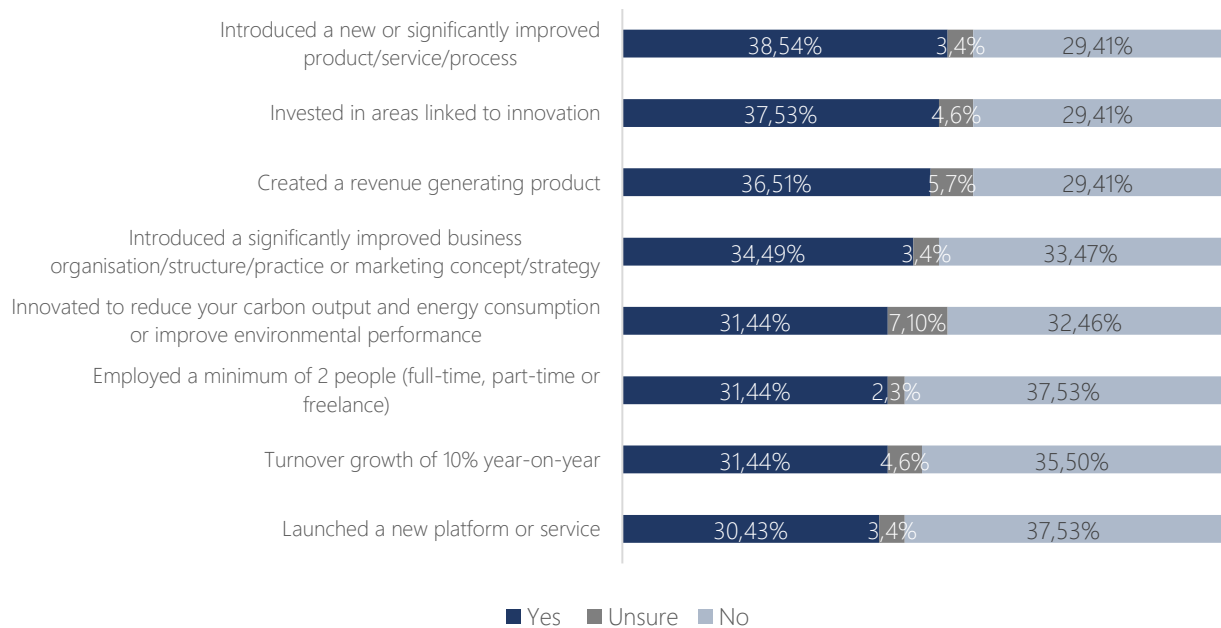
This chapter focuses on the feedback and insights provided from an online survey completed by firms operating within the creative sector in HEY and workshops held with stakeholders and companies.

Around 71 firms responded to the survey, although it should be noted that not all the surveys were fully completed. The survey mirrored the statistics, with the majority of firms being micro businesses (1-9 employees) or having no employees. The reliance on freelancers was also minimal, with around 56% of the respondents reporting that less than 10% of their turnover was delivered by sub-contractors/freelancers.

In terms of the maturity/growth trajectory, the survey showed that 7% of firms were at the start-up stage, 17% claimed to be scale-up firms or rapid growers and 76% were already established. Extrapolated to the sector overall, this would equate to 74 start-ups, 179 rapid growers and 798 firms, respectively, based on the ONS estimation of 1,050 firms.

### BUSINESS GROWTH

#### Business Growth (past 2-3 years)



Source: Kada Business Survey, August 2022 (n=70)

The independent survey of creative industries (Kada Research, August 2022) asked a number of questions to assess 'high growth' potential. Interestingly, as the previous chart shows, 44% of firms had seen turnover growth of 10% year-on-year and 44% employed a minimum of two people. The research demonstrates that a considerable number of local CI firms had been involved in growth-related activities in the previous two to three years, including:

- The introduction of a new or significantly improved product/service/process (54%)



- Investment in areas linked to innovation (53%)
- The creation of a revenue-generating product (51%)
- The introduction of a significantly improved business organisation, structure or practice or marketing concept or strategy (49%).

These findings should assure partners of the good pool of local creative industries with sufficient 'absorptive capacity' to realise their growth ambitions.

One in five businesses had plans for digital tech adoption, as the following excerpts demonstrate:

*"We have a digital programme producer who works with our client groups to develop skills and creative digital material".*

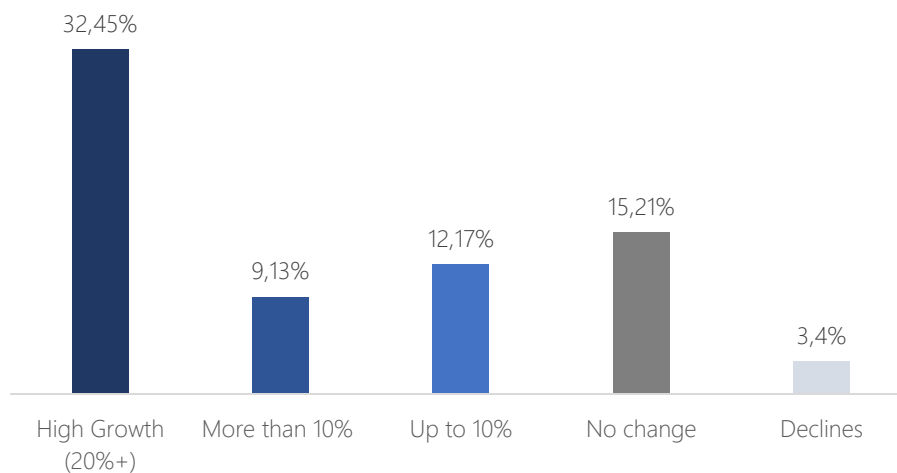
*"We are developing more work on an online platform and on-demand broadcaster audio and visual work, so there is a lot of work development in that area. We are also looking to innovate systems in-house in a more organisation-efficient and smart way of working with technology".*

*"Going forward, in terms of cinema, we are committed to getting everything in digital format. We do not get the big films delivered by courier so that is cutting our carbon footprint".*

*"We are a tech company working in the metaverse, [so] tech adoption is critical".*

### GROWTH ASPIRATIONS

Turnover expectations over the next two years

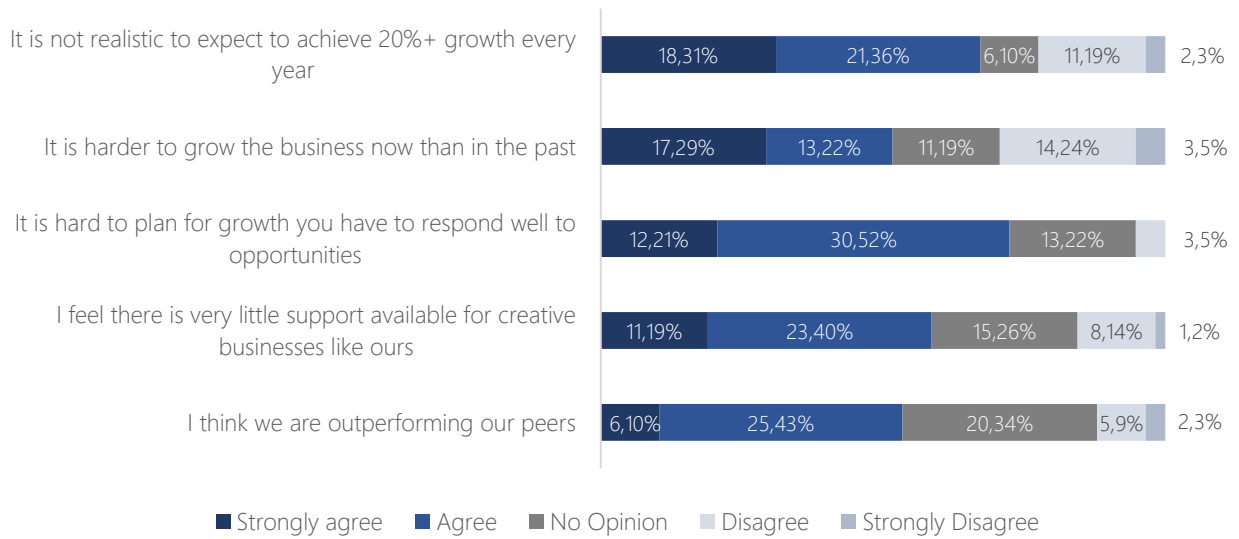


Source: Kada Business Survey, August 2022 (n=71)

The survey showed that local firms were largely optimistic about the future. Of the businesses surveyed, 24%, 14% and 7% aimed to grow rapidly by 20%, 50% or over 100% over the next two years, respectively. In other words, 45% of the creative-sector businesses in HEY predict rapid growth. Of these rapid-growth firms, the sub-sectors represented most were design (19%), advertising and marketing (16%) and film, TV, video, radio and photography (13%).

BARRIERS TO GROWTH

Attitudes to Growth



Source: Kada Business Survey, August 2022 (n=58)

The chart above illustrates the most common attitudes to growth among the creative firms in HEY, which were expressed through the following statements:

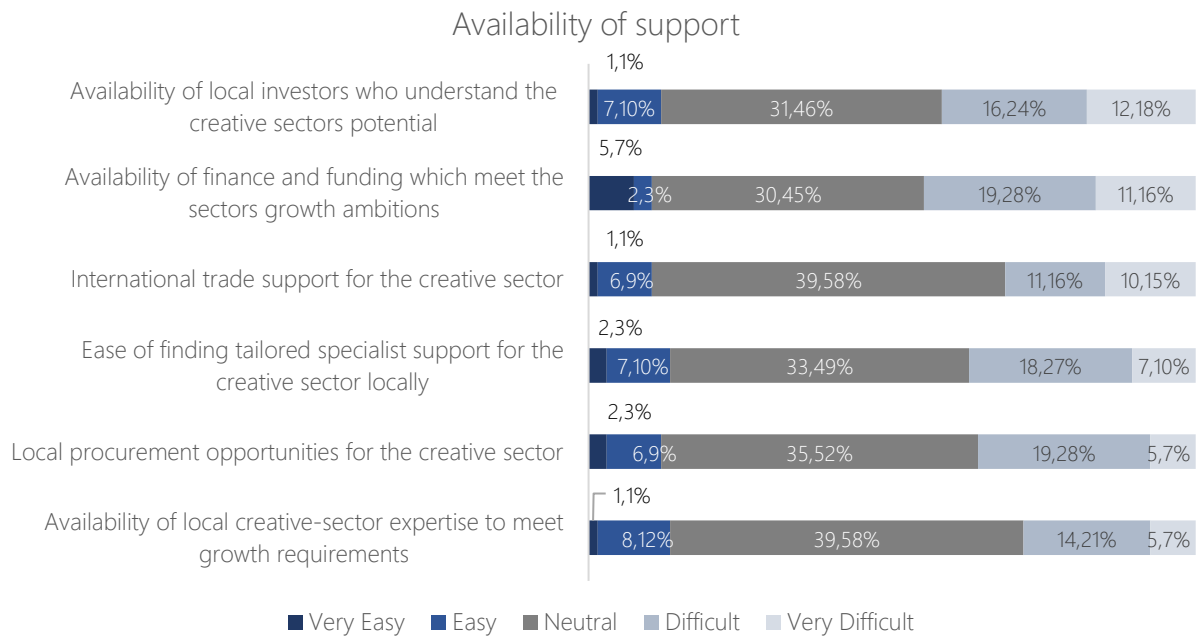
- “It is hard to plan for growth - you have to respond well to opportunities” (72% agreed or strongly agreed).
- “It is not realistic to expect to achieve 20%+ growth every year” (67% agreed or strongly agreed).
- “I feel there is very little support available for creative businesses like ours” (59% agreed or strongly agreed).

The following chart indicates that there are some key barriers to growth. The four major barriers were:

- A lack of growth opportunities in new or existing markets or competition (43%)
- External factors, such as the cost of living (41%)
- Lack of finance and investment, including funding for R&D and innovation (37%)
- Access to talent, recruitment and staffing (33%).

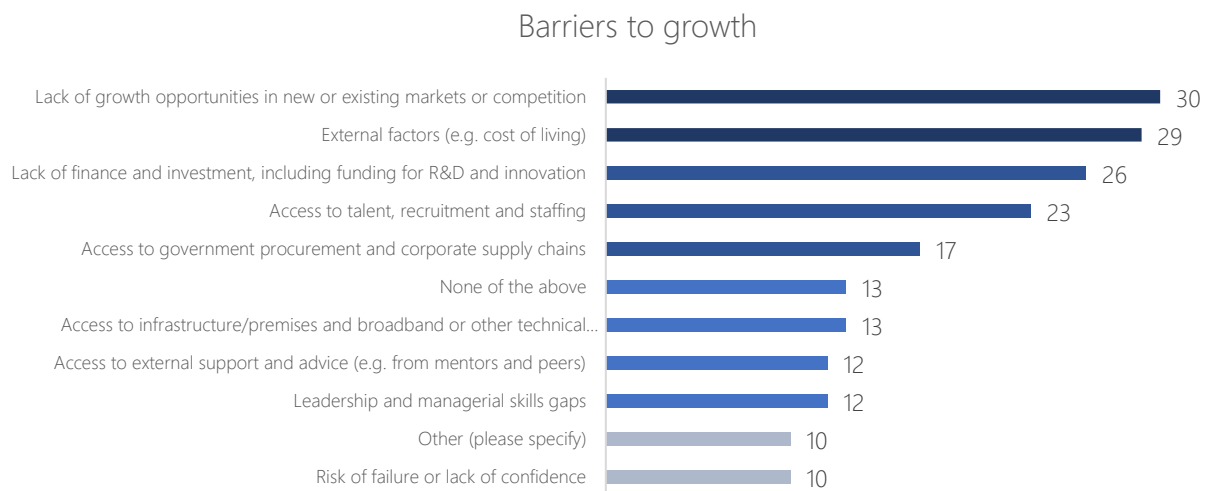
The beneficiaries of support rated the current access to elements of support across the region; their responses are detailed in the chart below.

## Prospects for Creative Growth



Source: Kada Business Survey, August 2022 (n=67)

Support was not generally considered easily accessible throughout the HEY region, with an average of 36% of respondents finding it difficult or very difficult to obtain. The availability of finance and funding was highlighted as the hardest source of aid to access.



Source: Kada Business Survey, August 2022 (n=70)

*Note: the percentages do not total 100% as businesses could cite multiple barriers. As such, the percentages reflect the proportion of respondents who felt that each specific barrier was present.*

The survey explored the forms of scale-up and investment support that were in demand. In order of preference:

- **59%** of HEY firms were extremely (10%), very (24%) or moderately (24%) interested in funding and investment. This is an encouraging finding, given the programme's emphasis.

- 55% of businesses were extremely (10%), very (19%) or moderately (26%) interested in introductions to support from government/universities/professionals/corporations.
- 53% of businesses were extremely (12%), very (21%) or moderately (21%) interested in high-calibre creative-sector mentors.
- 53% of businesses were extremely (7%), very (26%) or moderately (21%) interested in peer-to-peer networks and/or peer learning.
- 52% of firms were extremely (7%), very (21%) or moderately (24%) interested in online workshops with high-quality tailored content.
- 52% of firms were extremely (3%), very (17%) or moderately (31%) interested in financial advice.
- 52% of businesses were extremely (2%), very (19%) or moderately (31%) interested in advice on new market development, including international trade.
- 50% of firms were extremely (10%), very (14%) or moderately (26%) interested in virtual workshops with high-quality tailored content.

Of the respondents, 55.17% had not used external funding in the previous three years. There was no consensus on the reasons for this, and various responses were provided. Many cited a lack of clarity on who to approach and the type of funding to seek. A lack of time, capacity, security and collateral were also mentioned frequently.

The Consortium Steering Group (August 2022) were keen that talent pipeline and attraction strategies were developed as part of any investment programme.

*"I see more people staying in the city now and more of the younger generation, and they might start up a different kind of SME or creative industry. Once they are here, they fall in love with the place and they stay. So that is good. But when we go out to employ new roles within our team, which we have done recently, we find it hard to attract great talent".*

*Consortium Steering Group (August 2022)*

For large firms who had invested or grown in the area, a vibrant cultural sector was found to be important for staff attraction and retention. There was also a desire to attract regional audiences from outside Hull and from other cities such as Leeds and York.

A business workshop (August 2022) noted the specific challenges of different sectors. For instance, one respondent working in film noted the challenges of engaging with an extensive supply chain (and indeed the potential opportunities locally).

*"It spins off into web design, marketing, recruitment and computer-generated imagery, special effects, set design and construction... there are tonnes of companies!"*

Stakeholders attending the Steering Group workshop on the 19th of August 2022 noted that the challenges faced by cultural and digital businesses were very different. Rather than a universal offer, they would like to ensure that support is tailored to sub-sectoral requirements. As one workshop attendee noted, targeting and designing a scale-up programme requires due care.

*"Rightly or wrongly, creatives do not always see themselves as businesses, particularly cultural creatives and artistic creatives. I totally understand that. But nevertheless, if you have an ambition to develop and grow your business, you have got to approach it along certain business principles. I think any support we deliver through this programme, if we are successful, has to speak their language and that is really important. It is not a sector where you can offer a generic business support intervention [because] there*

*[are] some extremely specific needs of the sector. It has to be credible and relevant support, whether it is aimed at cultural and artistic creatives or digital creatives".*

One of the Consortium Steering Group offered some insights from the experience sector:

*"We are really proud that the theatre has a name across the country, which is really important for the city... We have toured previously but do less now because of the risk. With more investment, we could take our work across other theatres, though we have managed to grow through other income streams, like being a ticket agent for other theatres. So helping us look at new opportunities would be good... We have struggled with [the] recruitment... [of] permanent or freelance members of staff. We have recently had a lot of conference requests that we have not been able to fulfil because we just have not got the staff. Before COVID, we had delivered a big programme of skills training workshops to train up the staff as technicians etc., but this has dwindled after the pandemic. I think as well as growth support, investment in employment and skilling people up across the city would actually allow us to grow as businesses".*

*Consortium Steering Group (August 2022)*

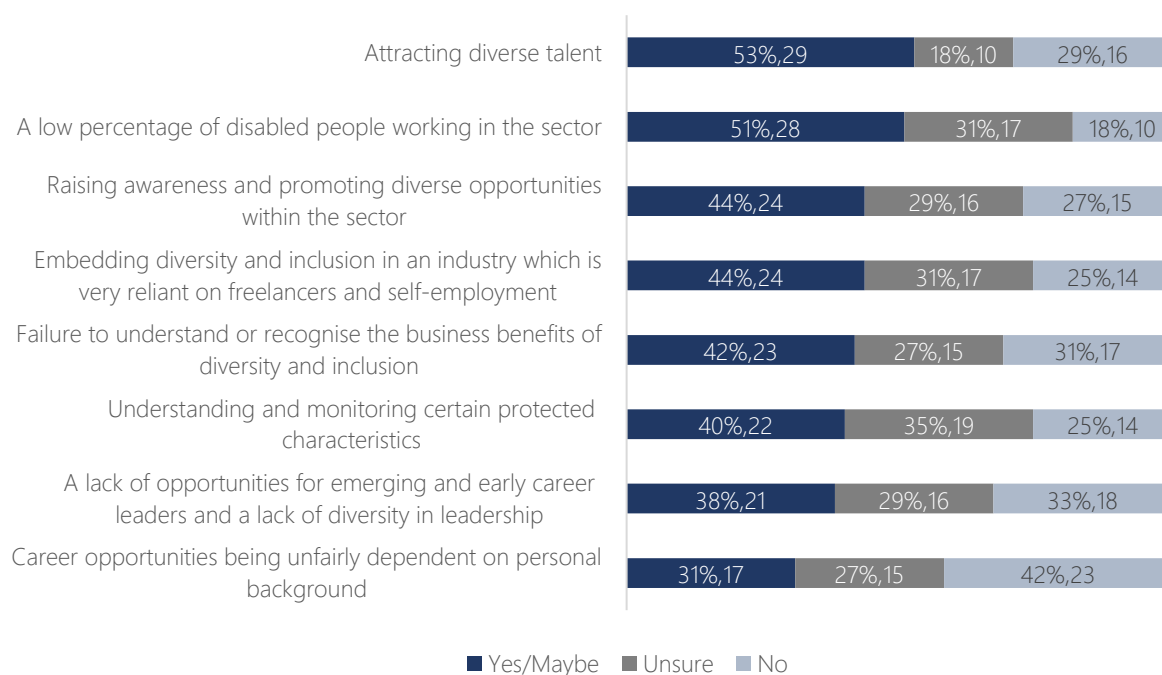
Another member felt the city could utilise its strong international connections far more.

*"The international dimension of this region is massive and it feels like that is not understood. We are incredibly lucky as an organisation that is one of only two Arts Festival producing partners [and] part of a European-wide network of 19 different festivals, [but] not just festivals, [also] production houses, theatres etc., across the whole of Europe. People do not understand how linked this city and region is internationally and we really need to exploit that in the most positive sense".*

*Consortium Steering Group (August 2022)*

EQUALITY, DIVERSITY AND INCLUSION (EDI) CHALLENGES FACING LOCAL CREATIVE BUSINESSES

EDI Challenges in the Creative Sector



## Prospects for Creative Growth

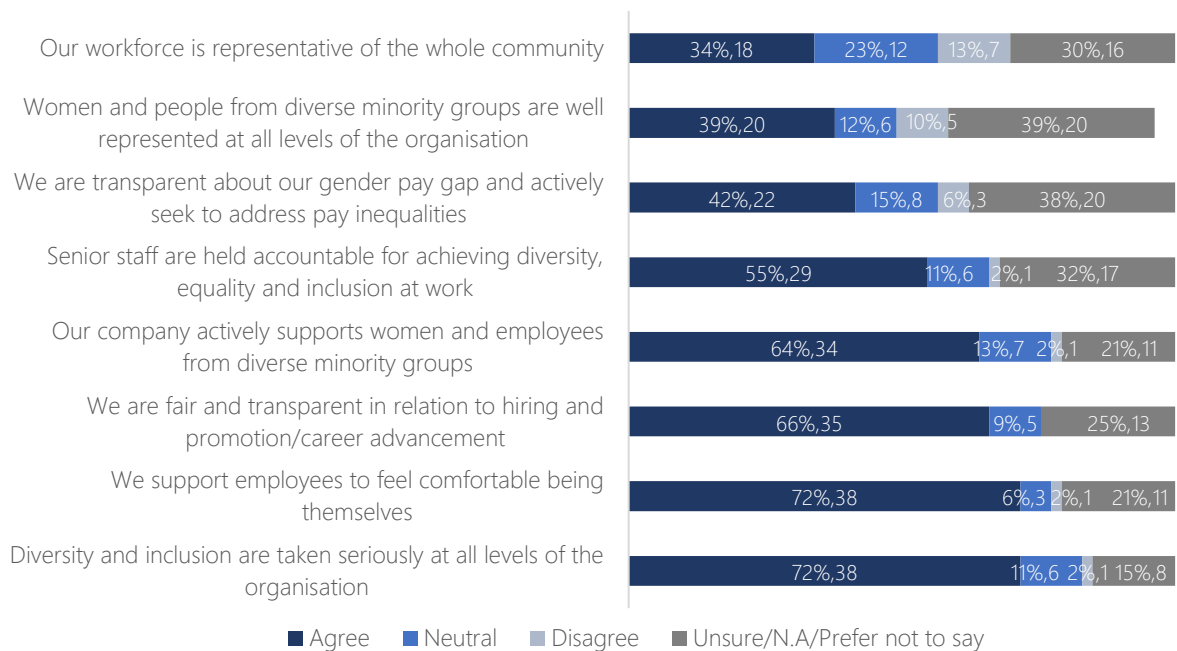
Source: Kada Business Survey, August 2022 (n=55)

The survey reveals useful insights on EDI in the local creative sector. Businesses were asked to state the extent to which they faced specific EDI challenges relating to protected characteristics. The following chart demonstrates that:

- 53% of respondents thought there were (33%) or might be (20%) issues around attracting diverse talent within the sector.
- 51% of respondents felt there was (38%) or might be (13%) a low percentage of disabled people working in the sector.
- 44% thought it was (25%) or might be (18%) difficult to raise awareness and promote diverse opportunities within the sector.

As the chart shows, one interesting point is that the 'unsure' category received relatively high responses, suggesting the opportunity to improve understanding and awareness. Partners want to take proactive measures to address the concerns raised.

### Business EDI Approaches



Source: Kada Business Survey, August 2022 (n=55)

When asked about their own businesses and organisations, the local creative industry respondents were more optimistic (see the previous chart). Although there is room for improvement, the following positive points can be identified:

- 72% felt diversity and inclusion were taken seriously at all levels of their organisation.
- 72% felt they supported employees to feel comfortable being themselves.
- 66% felt they were fair and transparent in relation to hiring and promotion/career advancement.

Despite the good practice in evidence, the results also highlight certain concerns:

- Only 34% of respondents felt their workforce was representative of the whole community.
- Only 39% of women and people from diverse minority groups were well represented at all levels

of their organisation.

- Only 42% were transparent about gender pay gaps and/or actively sought to address pay inequalities.

One of the challenges raised within the survey was recruiting diverse local talent.

*"There is a question about diversity within the local sector and even actually a lack of organisations employing local people for new opportunities. Quite often, local creative industries are bringing people from other areas in and not looking for, or developing, local talent".*

One Consortium Steering Group member noted that the two local councils had supported a number of creative businesses through COVID-19 but they tended to be smaller. Indeed, they remarked that they had enjoyed more success working with digital businesses through the Barclay's Eagle Lab.

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### SUPPORTING GROWTH ASPIRATIONS AND STIMULATING INVESTMENT

The research with businesses and stakeholders identified several potential activities that would support and stimulate investment in the sector:

- **Improving investment readiness** in creative industries, for instance, through proposition development, business planning, as well as market, technology and talent development. This could be achieved through a creative investment gateway.
- Boosting the **profile of and opportunities for the film, production and games sector**, where latent opportunities have been identified.
- Using technology to develop **products and services and access new markets**, which could include audience development and extending the reach of the experience sector. Local firm VISR developed and sold over two million Google headsets. Partners would like future support to help other CIs to develop their own transformational and disruptive ideas.
- Supporting CI with **new market development**, such as exploiting international trade opportunities (a Consortium Steering Group priority) and exploring the potential of digital technologies to 'reduce the drag of distance'.
- Developing the knowledge of the investment process and scale-up approaches amongst the **leaders and managers** of CI firms.
- **Demystifying investment opportunities** for the sector, as well as offering impartial funding advice and 'money with active management'.
- Brokering **introductions to investors**, peers and high-calibre creative-sector mentors; leading on and demonstrating EDI investments.
- **Showcasing local strengths** in creative and digital technologies which, combined with high-quality broadband, provide an attractive proposition for investment, relocation and exploiting global opportunities and new markets.
- Supporting creative and digital **supply chain** opportunities with the major companies headquartered in the region, including supply chain opportunities in renewable energy and manufacturing corporates, as well as cross-estuary activity on clean growth, ports and manufacturing.
- Identifying opportunities for digital technologies to help achieve the ambitious local **Net-Zero aspirations**.

In addition, partners would like to link with investors whose investment experience includes:

- The fast-growing post-COVID-19 Experience Economy, including audience development and technology development (such as immersive experience).
- Creative content, including film and TV (the region has some exciting untold stories that reflect

its unique history and heritage). As mentioned in the business workshops, local firms require specialist advice on subjects such as tax, equipment, music rights and licensing, software IP, bidding for commissioning opportunities, as well as market development and monetisation.

- Creative services, including software development, computer programming, visual media and metaverse development (including immersive games).
- Creative companies that are strong on EDI.



### 3. CONCLUSION

This research demonstrates that the region has a vibrant creative economy and a broad range of digital technology companies. There are businesses with scale-up potential, but partners feel the concentrations of creative industries in the sector could be higher. The area has the strong digital infrastructure, assets and ecosystem needed to support the growth of creative industries, but several barriers to growth would first to be addressed through highly tailored business support and investment solutions. These could be commissioned via the growth hub under the auspices of the Creative Consortium Steering Group. More could be done to link into dynamic local larger companies, improve investor understanding of the sector and build on the recent investments and the momentum gained from the Capital of Culture and other more recent and planned investments. The area's art and maritime heritage could be emphasised more strongly, while the region's outward-facing connections could be better capitalised on to successfully position, monetise and promote the sector across the UK and internationally. Support for the sector correlates well with the economic strategies and priorities of HEY LEP, Levelling Up and the local authorities.

With some 1,050 firms in the cultural industries, the appropriate scale and focus of any future business support must be considered. Targeting up to 10% of the sector is logical, as is focusing on the growth areas and niche companies like publishing, gaming, cultural education, as well as film and media production. There appear to be sufficient growth aspirant companies but various factors are holding them back, such as the lack of (a) knowledgeable investors, (b) growth opportunities in new or existing markets and (c) tailored finance and funding solutions. More diverse talent needs to be attracted within the sector, while talent pipeline and attraction strategies must be supported alongside any future investment or scale-up programmes. Creative challenges vary between those operating in the creative industries and the digital sector, so tailored approaches are needed for scale-up and investment programmes.

**KADA Research**  
10 South Street  
Park Hill, Sheffield  
S2 5QY. UK.

T: + 44 (0) 114 350 3303  
M: + 44 (0) 7714 136463  
E: [karl.dagleish@kadaresearch.co.uk](mailto:karl.dagleish@kadaresearch.co.uk)  
W: [www.kadaresearch.co.uk](http://www.kadaresearch.co.uk)

