

Innovative Sector Exchange Project

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The Creative Industry

The European Parliament defines the creative sector as 'those industries that are based on cultural values, cultural diversity, individual and/or collective creativity, skills and talent with the potential to generate innovation, wealth and jobs through the creation of social and economic value, in particular from intellectual property'. In practice, the sector covers a huge range of businesses and activities from digital services, product design and content creation to film-making and music.





The role of the creative sector as a driver of innovation and catalyst for economic transformation has become increasingly important in European regional policy, as underlined in the European Commission's Research and Innovation Strategies for Smart Specialisation (RIS3).

According to a 2014 report by EU, the creative industries contribute over

€500 billion

to the EU economy and employ over

7 million
people

New Ways of Doing Business

In traditional businesses, most of the value lies in land, buildings and equipment. In contrast, a creative business's main asset is its people and their ideas, so require different structures and ways of operating. The skills and work methods of creative entrepreneurs in fields from software design and graphic visualisation to 'gamification' and the motivation and management of project teams all have growing resonance and relevance in other parts of the economy.

Changing the rules

It's important for SMEs working in, or collaborating with, the creative sector to recognise its more fluid, informal nature.

Much of the creative economy is based on partnerships between agencies, freelancers and other specialists who come together to work on specific projects: once it's complete, they go their separate ways. The creative sector is also much more comfortable with failure than more conventional industries: indeed, it's often essential to long-term success. Where technology and consumer behaviour are constantly changing, the development of products or services is naturally iterative; in this context, what would usually be called failure is simply 'work in progress'.

This reflects a wider move away from 20th Century ideas of mass production of standardised goods and services towards a more niche, personalised approach targeting specific users or markets. Creative businesses are way ahead of the game when it comes to developing products and services in partnership with their clients and, increasingly, with the end-user or customer too. In the age of social media, the free exchange of opinions with different

perspectives has come to be seen as more reliable than professional expertise. Allowing customers and prospects to add value to a product or service encourages businesses to see them as individuals rather than an undifferentiated mass.

Shared ideas

Some creative businesses take this openness even further, by collaborating with potential competitors. In the UK, Wired Sussex runs a business incubator programme, Fusebox24, in which young entrepreneurs share their ideas with others and accept criticism and comment. The project has shown the value of cross-disciplinary thinking in innovation, and that a shared curiosity is more important than a common sector. A study at Harvard Business School in 2008 reported that 'the greater the distance between the problem solver's field of expertise and the problem, the more likely they were to solve it'. And as Albert Einstein observed: 'We cannot solve problems by using the same kind of thinking we used when we created them.'



Virtual and Augmented Reality

Virtual reality (VR) and augmented reality (AR) are seen as THE big technological advance for the future, with potentially huge benefits for businesses and consumers. Goldman Sachs expects the software market to be driven by sectors ranging from videogames, live events and real estate to retail, education and engineering: it predicts the three biggest markets in 2025 will be entertainment, healthcare and engineering.

However, VR and AR are not yet the game-changers their proponents have suggested, owing to technological, interface and user issues. Some commentators have compared VR and AR today to the Internet in its early days: the



Some Dutch companies at the forefront of VR and AR development are:

- ◆ www.vrmaster.co
- ◆ www.unit040.nl (Smart Visualisations)
- ◆ www.nuformer.com (video and 3D projection mapping)
- ◆ www.dutchrosemedia.com (augmented reality)

infrastructure is still too expensive, and the audience too limited to make a strong business case for developing new content - and there are no tools and platforms for users to do it themselves.

That said, there are signs that VR/AR is evolving beyond hype and moving towards serious business. In the Netherlands, the Brabant Development Agency (BOM) is convinced that within five to 10 years, the technology will be intertwined with our everyday lives just like the Internet and the smartphone are today. Its 2017 market survey revealed more active users, increased use of the technology in operations, more realistic budget expectations and a growing interest among respondents in experimenting with VR/AR.

Real-world financing

Financing is a potential barrier to the industry's development. Almost 80% of VR/AR developers in the BOM survey who had already attracted funding will require further investment: half said their future needs exceeded €1 million. The problem is that, as Facebook's Mark Zuckerberg noted in 2017, VR/AR is 'not going to be really profitable for quite a while'. Based on its experience as an investor, BOM believes developers should

outline realistic strategies to build a significant market position or become a leader in a specific market segment in order to attract backers.

In at the start

The BOM survey shows that, as well as funding, developers and users see 'unfamiliarity with the possibilities' and an 'insufficient business case' as important obstacles to adoption. The technology is still held back by what the Canadian media theorist Marshall McLuhan called the 'horseless carriage syndrome': human beings insist on looking at the new world as though it was the same as the old. This presents opportunities to first movers. Since they already experiment with new technologies, they can more quickly understand the potential for new products and services, giving them an edge in the market.



To view the BOM report in PDF format, click here



3D printing is being used to visualise ideas and examine the look and feel of future products



3D Printing

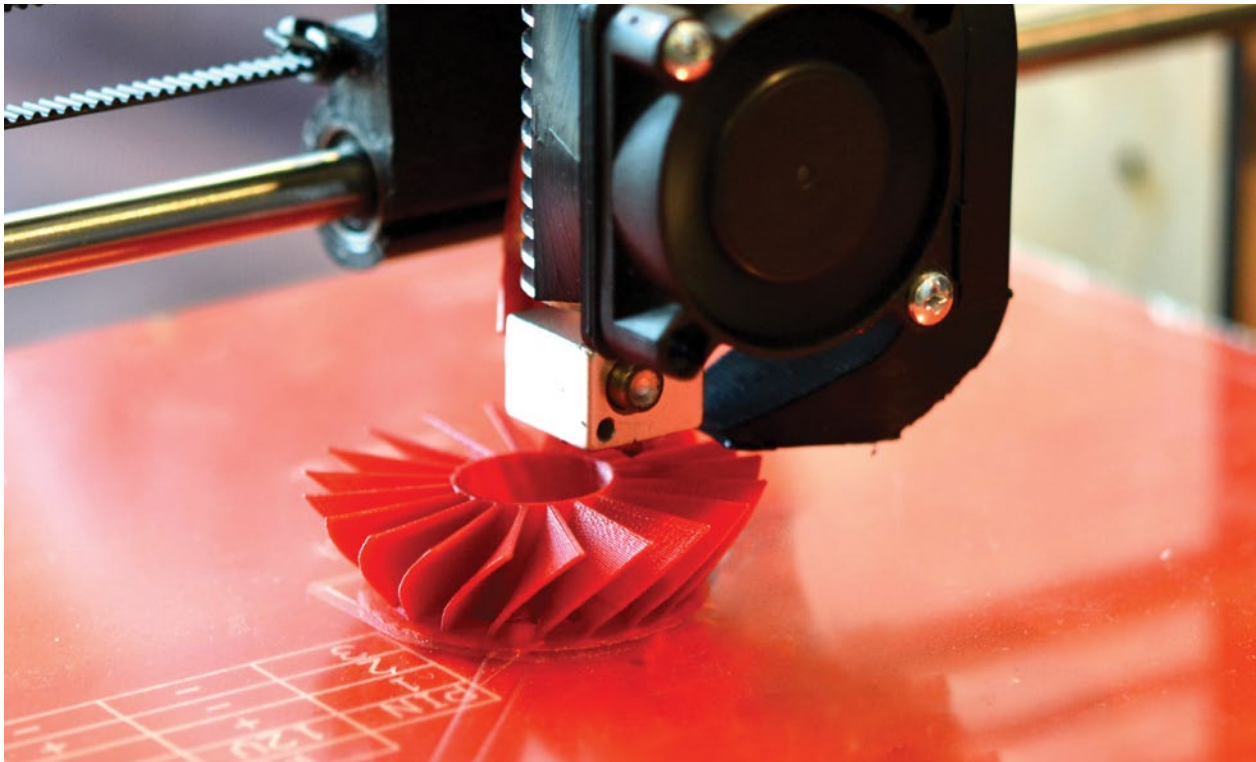
As well as the more obviously 'artistic' segments like digital design, video and film-making, fashion and music, the creative sector includes companies that make physical products. A key innovation for these companies has been the advent of 3D printing. Compared to technologies like VR and AR, 3D printing is well-established, with a track record going back

more than a decade. Yet even this relatively mature technology is still evolving rapidly, with new applications constantly emerging and set to continue doing so for the foreseeable future.

In the creative sector, 3D printing is being used to visualise ideas and examine the look and feel of future products. In conjunction with computer-aided design (CAD) 3D scanners or digital photography, it can create highly complex shapes, giving designers new levels of creative freedom and scope for product personalisation. The accuracy of 3D printing enhances the functionality of printed parts and also minimises wastage for improved environmental sustainability.

New production models

3D printing frees creative companies from the constraints of conventional materials, methods and equipment requirements, giving them the flexibility to explore new models of production. For example, 3D printing offers fantastic opportunities for small companies to shift production from large overseas plants to smaller, more local facilities - or even stop outsourcing altogether and move production back in-house. As well as bringing small companies closer to their local market, this allows them to produce short runs and individual items, in line with the move towards greater personalisation and customer involvement in product design.



Success Factors for International Digitalisation

The creative sector is built on technology and people's skills and imagination. Companies do not require large-scale capital equipment or premises and can achieve economies of scale through connectivity and collaboration. Consequently, the sector is dominated by SMEs, micro-businesses and sole operators, who may not feel that internationalisation – effectively becoming exporters – is a practical option.



Based on experience from Sweden, the ISE project has identified five key success factors for companies looking to expand internationally through digital channels.

1 Do your digital homework

Conduct a full audit and inventory of your organisation's existing digital resources across all departments and functions, and what you need to develop to succeed internationally. Then consider the digital maturity and infrastructure of your target market. As well as technology, examine the wider digital landscape: what characterises the market in terms of culture, language and consumer preferences? What triggers buying behaviour in the market? What are your digital competitors doing? What local regulations and conditions apply to sales, payment and delivery terms, and to the use and storage of personal data? The EU has recently introduced its General Data Protection Regulations (GDPR) but in some markets, digitalisation legislation has not kept up with developments in technology.



Digital tools can give you a global reach without having to develop completely new processes

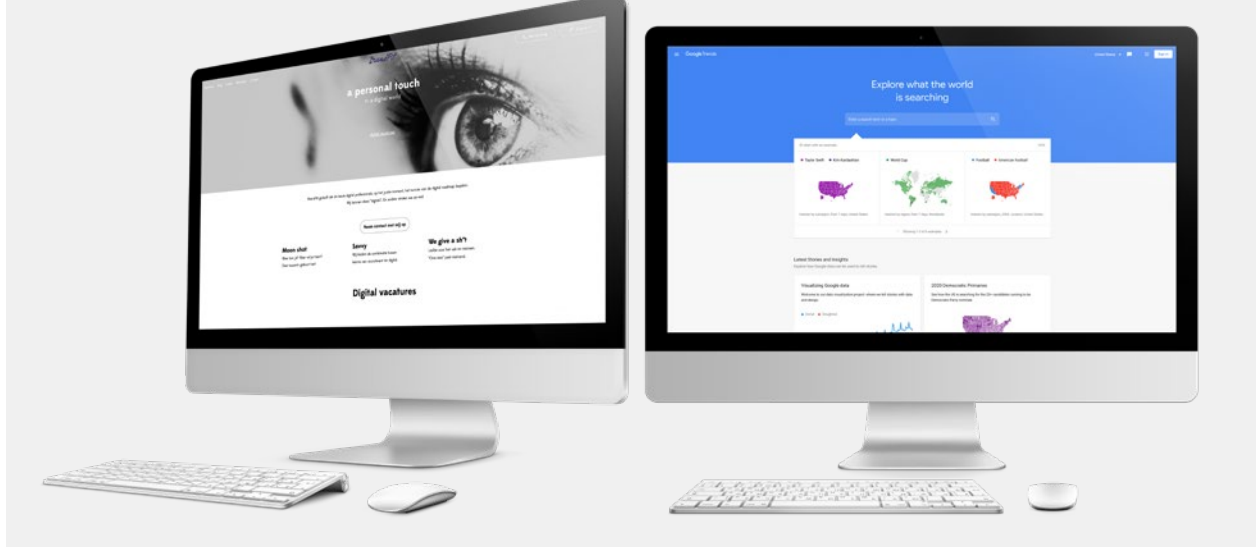


2 Develop your international business model digitally

Challenge your existing business model and identify how digital innovation could help you reach customers and segments that were not accessible through direct sales, agents or distributors. Using digital tools can give you a global reach without having to develop completely new business processes. Important considerations for your digital international business model are:

- ◆ Decide what digital tools you need to maintain contact with clients, handle support cases and manage resellers. Small companies can be perceived as big in the digital world, and interact with clients in the same, professional way.
- ◆ Ensure that digitalisation makes your organisation more agile and responsive and doesn't simply create additional administration.
- ◆ Technology and your market do not stand still for long, so keep your digitalisation plan constantly under review and up to date.
- ◆ Assess your business on an item-by-item level and see how you could scale it up; identify and address any blockages or bottlenecks that may prevent or restrict scalability.
- ◆ Collect data and information to support your sales network, especially in markets where customers may be hidden behind a local distributor.





- ◆ Establish your current key performance indicators (KPIs) and set targets for your international operation. Keep these under review as the digitalisation process advances, both to secure that you are on track, and to motivate your organisation to keep changing.
- ◆ Involve your suppliers and customers. They will provide important input and guidance and are more likely to stay connected to you if you include them early. Creating global sales online could threaten your existing conventional sales channels and agreements, such as local sales agents or distributor contracts, so these need to be mapped and managed carefully.
- ◆ Adapt your online presence depending on market characteristics and customer preferences. Make the customer feel at

home and adapt your payment methods depending on the local payment culture. A Product Information Management (PIM) system can not only help you store product information, it can also translate it into other languages for you.

- ◆ Don't neglect fundamentals like cash flow as your online business grows.

3 Leverage big data

Big Data is not just for big business. There are numerous analytical tools that can give small companies important insights into your international target groups. You can also gather your own data by giving every customer interaction a unique ID that traces its path from initial enquiry to signed order via your digital systems. This means you will be able to see what kind of interaction leads to what kind of result,

and you will be able to see how sales is connected to interest and different activities. Tools such as Brand Pit will reveal how your products appear in images on social media, while Google Global Market Finder and Google Trends can give you insights into what consumers are looking for. Use dashboards to illustrate your KPIs and make it easy for people to understand and draw conclusions from data.

4 Apply the multi-channel approach

A multi-channel approach where digital and analogue channels interact seamlessly to create the best customer experience facilitates and strengthens relationship-building. Before entering a new channel, see how other similar companies are using it, and learn how the channel owner may monetise your content: remember, there's no such thing as a free lunch.

Also bear in mind that you never fully control what happens to your content, so you need to develop a strong story and actively track and shape what is being said. Build a community that supports you and be prepared for negative comments on social media.

5 Strive for digital symbiosis

Digital should not be separate from your ordinary operations, but seamlessly integrated with them, so they become greater than the sum of their parts.

Next Steps for Creative Businesses

For SMEs in the creative sector, technology can bring you more clients, shorten lead times and allow you to trade and compete globally, minimising or removing the barriers of size, scale, location and finance that might otherwise have kept you out of these markets. To make it work effectively, however, all parts of the company should be involved in the journey. Technology can be disruptive and threatening, so you need to focus on the benefits rather than the risks for individual employees and teams. Where SMEs have a real advantage is in their naturally flexible, responsive structures and unconventional ways of thinking and working, including a more relaxed attitude to failure and risk.



Some practical things to consider as a creative business:

- ◆ **Evaluate your current processes critically, objectively and honestly.** Where are you losing time and money, or not delivering the speed, quality and consistency your customers need? Are you doing things or using certain methods just because 'that's what we've always done'? How and where could new technology and/or thinking improve your efficiency and performance? And are there other things you could be doing, other markets you could be exploring, with your existing technology and capabilities?
- ◆ **Examine your own thinking and attitudes.** Are you missing out on the opportunities presented by 3D printing, Big Data or VR and AR, because you believe it's too difficult, complex, arcane or just 'not for you', or that your business is too small or otherwise 'unsuitable'? Look at what's going on with an open mind and be prepared to be inspired and excited, even if the technology itself is unfamiliar.
- ◆ **Look at what your competitors are doing.** Is digitalisation giving them a competitive advantage over you and the rest of your market? Or can you see a weakness in their operation that you could exploit by changing your own methods and approach?
- ◆ **Think wider and further than your own market.** What innovations and developments are happening in other sectors and industries that could have applications in your business? The nature of disruptors is that they make waves that spread far beyond their original starting point: can you see potential in a new technology that its creators - and your competitors - have never even thought of?



- ◆ **Think long-term.** Technology is changing constantly, and lifecycles are shortening. Working with partners in industrial and academic research will help you keep up to date with developments and decide how future-proof an innovation will be for your business.

How creative businesses can benefit from working together with other creative companies:

- ◆ Think about the skills gaps and needs within your organisation, and how these could be met by working with another creative company. For example, if you're producing video, could collaboration with an aerial photographer specialising in drone footage add a new dimension to your work and what you can offer your clients? The range of niche skills and capabilities out there is growing all the time.



Creative work can - indeed, should – produce surprises and unexpected results, so be open to possibilities, and ready to change your original plan if a new, different or better option emerges from the process.

- ◆ See other creative specialists as an extension of your own team, not just suppliers. A good partner will want to spend time getting to know you and your business. The more integrated they are, and the deeper their knowledge and understanding of your business, the quicker and more effective the creative process will be.
- ◆ Creative work is subject to the old computing maxim GIGO – Garbage In: Garbage Out – so a tight, solid, comprehensive brief is essential. Investing in preparation will save huge amounts of time, cost and heartache later on. Creativity is an iterative process, so feedback is also extremely important; but be clear, objective and focused so you can move the project forward, rather than simply saying what you don't like!
- ◆ Involve your creative partner as early in the project as possible; as natural 'ideas people' they will often have useful knowledge, experience and insights in areas outside their speciality.
- ◆ Accept and embrace the fact that all creative businesses tend to approach things in their own unique way. You may have to deal with unconventional people, processes and philosophies – and remember, a partner may find your methods equally unfamiliar!
- ◆ Let your partners' creativity and flexibility influence and inform your own operations and approach; equally, they will want to learn from you.
- ◆ Spread the word. Paradoxically, many creative people find marketing and promoting themselves quite difficult, and small companies need all their time and resources for clients' projects, so they tend to rely heavily on recommendations and referrals.





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