

Taking   
**digital**  
further...

The growth strategy for  
the Digital Media Sector in  
Northern Ireland, 2013-2015.

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**Strategy Document.**

# Contents

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<b>01</b>	<b>Introduction</b>	<b>11</b>	<b>Taking digital further – The strategy 2013 - 2015</b>
<b>02</b>	<b>Terms of reference and methodology</b>	<b>12</b>	<b>Vision and targets</b>
<b>03</b>	<b>Overview of markets</b>	<b>13</b>	<b>Action plan</b>
<b>04</b>	<b>Northern Ireland digital media industry</b>	<b>14</b>	<b>Recommendations</b>
<b>05</b>	<b>Market failure</b>	<b>15</b>	<b>Summary of the strategy</b>
<b>06</b>	<b>Industry SWOT analysis</b>	<b>16</b>	<b>Appendices</b>
<b>07</b>	<b>Positioning of a digital media strategy</b>	1	Northern Ireland digital media companies 2007-2011
<b>08</b>	<b>Policy context (EU, UK, NI)</b>	2	Northern Ireland digital media companies 2015 and 2020 targets
<b>09</b>	<b>Government support mechanisms</b>	3	Policy context
<b>10</b>	<b>Case studies</b>	4	Support mechanisms
		5	Benchmarking
		6	Research reports
		7	Stakeholders and companies invited to contribute

# 01 Introduction

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**Invest NI commissioned KPMG to provide support for a strategy in relation to the Northern Ireland Digital Media Industry. Invest NI sought support to deliver a forward looking sector strategy and action plan (with key milestones) for the development of the Digital Media industry in Northern Ireland over the next three years (2013-2015), with the final document to be used by Invest NI, industry and other stakeholders to drive economic growth in the Digital Media sector in Northern Ireland.**

# Defining digital media

Digital media comes in many forms and refers to any content that is published or distributed in a digital form, including text, data, sound recordings, photographs and images, motion pictures, and software. It ranges from text and audio and videos files, to graphics, animations, and images. Digital media includes digital animation and post production, mobile and web content, e-learning/serious gaming and console gaming as well as film, TV and music.

Typically, digital media refers to information available for download or distribution on electronic media such as an e-book or iTunes song, but many in the industry argue that digital media is anything that can be published. Following this line of thinking, it is safe to say that if you are on the internet, most likely you are looking at, watching, or listening to a piece of digital content. Digital media is also commonly known as digital content.

It is necessary to highlight that limited data exists for the digital media industry. This is due, in part, to the absence of appropriate Standard Industrial Classification (SIC) codes, and in part, due to challenges in collecting data from micro businesses which proliferate in this sector.

This means that, for example, the Department of Culture, Arts and Leisure's (DCAL) Creative Industries Economic Estimates for Northern Ireland - Experimental Statistics 2011\* carry the status of 'experimental statistics' as they are still in the development phase. As such, DCAL states that they should be treated with caution. Furthermore, DCAL states that these statistics represent a snapshot of the Creative Industries using the most recent data available and should not be compared with previous estimates due to changes in SIC codes used.

Similar caveats are contained in the Sector Skills Assessment for the Creative Media Industries in Northern Ireland, 2011\*\* which highlights that key elements of the Creative Media Industries (CMI) sit in broad classifications that include activity outside of Creative Media (CM), and that official data sources generally exclude freelance labour pool.

# A Northern Ireland digital media strategy – a broad focus

In terms of Northern Ireland, a digital media strategy needs to have a broad focus moving forward and effectively it needs to include all companies that contribute to development, distribution and publishing of creative media content (in the form of text, graphics, audio, and video) via digital channels and platforms.

This means that a future strategy needs to encompass the following sub-sectors:

- All elements of the value chain for film and TV production (pre-production; production and post production, including VFX)
- Gaming and Animation (including VFX)
- E-learning
- Mobile and web content
- Software
- Music.

# Digital media industry

The digital media industry refers to those companies that develop and deliver highvalue digital products and services for diverse markets including mobile and web content, software, digital animation and post-production, e-learning, digital publishing, games, film and television content and music. The industry is perceived to be one of the most important areas of growth within the global creative and knowledge based economy.

\*[http://www.dcalni.gov.uk/creative\\_industries\\_economic\\_estimates\\_2011.pdf](http://www.dcalni.gov.uk/creative_industries_economic_estimates_2011.pdf)

\*\* [http://www.creativeskillset.org/uploads/pdf/asset\\_16299.pdf?3](http://www.creativeskillset.org/uploads/pdf/asset_16299.pdf?3)

**“Building the Foundations”** highlighted a number of SMART targets in relation to increased investment, innovation, exports and levels of skilled employment. Supported by an Advisory Panel and formation of the Digital Circle Steering Group.

**(Previous strategy)**

## Previous strategy – “Building the Foundations”

In January 2008 Invest NI launched “The Northern Ireland Digital Content Strategy – Building the Foundations”. This strategy identified five key barriers to growing the digital content sector in Northern Ireland and highlighted a number of SMART targets in relation to increased investment, innovation, exports and levels of skilled employment. Advisory Panel and Digital Circle Steering Group - The achievement of these objectives was supported by the provision of a facilitator and the establishment of an Advisory Panel. Funding was secured under Invest NI’s Collaborative Network programme and in August 2008 a programme facilitator was appointed under the “Digital Content Collaborative Network programme” and the Digital Circle Steering Group was formed.

Over the three year period of the project (2008 to 2011) Digital Circle engaged with 140 digital content businesses; helped establish 6 key collaborative networks including Bloc54 (gaming), X cake (mobile content), Mobile Monday and Code for Pizza (Open Data); and delivered 90 workshops to these networks focused on the five key issues of:

- **Leadership**
- **Investment**
- **Skills and Training**
- **R&D&I**
- **Internationalisation.**

A review by PA Consulting in March 2011 concluded that the Digital Circle project had delivered positive outputs for the companies participating, particularly during a period of economic downturn, and that the future 3-5 years would likely realise the full benefit of the Digital Circle work. They summarised the outcomes of the Digital Content Collaborative Network Programme as follows:

- **Greater collaboration within the membership**
- **Skills development and networking through events such as developer days**
- **Promotion of the sector locally and internationally (e.g. ITLG)**
- **Signposting to Funding**
- **Engagement with FE and HE on future skills needs.**

Specific outcomes are discussed in more detail on page 13.

## A 2020 vision and future strategy– “Taking digital further...”

A forward looking sector strategy aims to help Northern Ireland companies compete in global markets through supporting companies at different stages of development. This will entail a focus on companies at different stages of their development, namely:

- **Tier 1 - those with globally recognised brands**
- **Tier 2 – export aware companies already selling into markets outside Northern Ireland but with potential to achieve growth in these markets**
- **Tier 3 - predominantly small Northern Ireland focused, price driven companies.**

Invest NI recognises the achievements of the digital media industry to date in Northern Ireland, both in terms of the number of business, numbers working in the sector and sales growth and turnover. It also recognises that, similar to other regions, the sector remains small and embryonic and has yet to make significant advances into global markets or to secure significant foreign direct investment (FDI). Research reports suggest that access to finance and skills gaps and shortages are some of the barriers to growth.

## Vision Statement

**“By 2020 Northern Ireland will be an internationally acclaimed hub of technological and creative excellence in digital media – developing and distributing innovative digital media and technologies to global markets”**

## 2020 vision statement

Hence, the long-term vision is that “by 2020, Northern Ireland will be an internationally acclaimed hub of technological and creative excellence in digital media - developing and distributing innovative digital media and technologies to global markets”.

2013--2015 Future Strategy

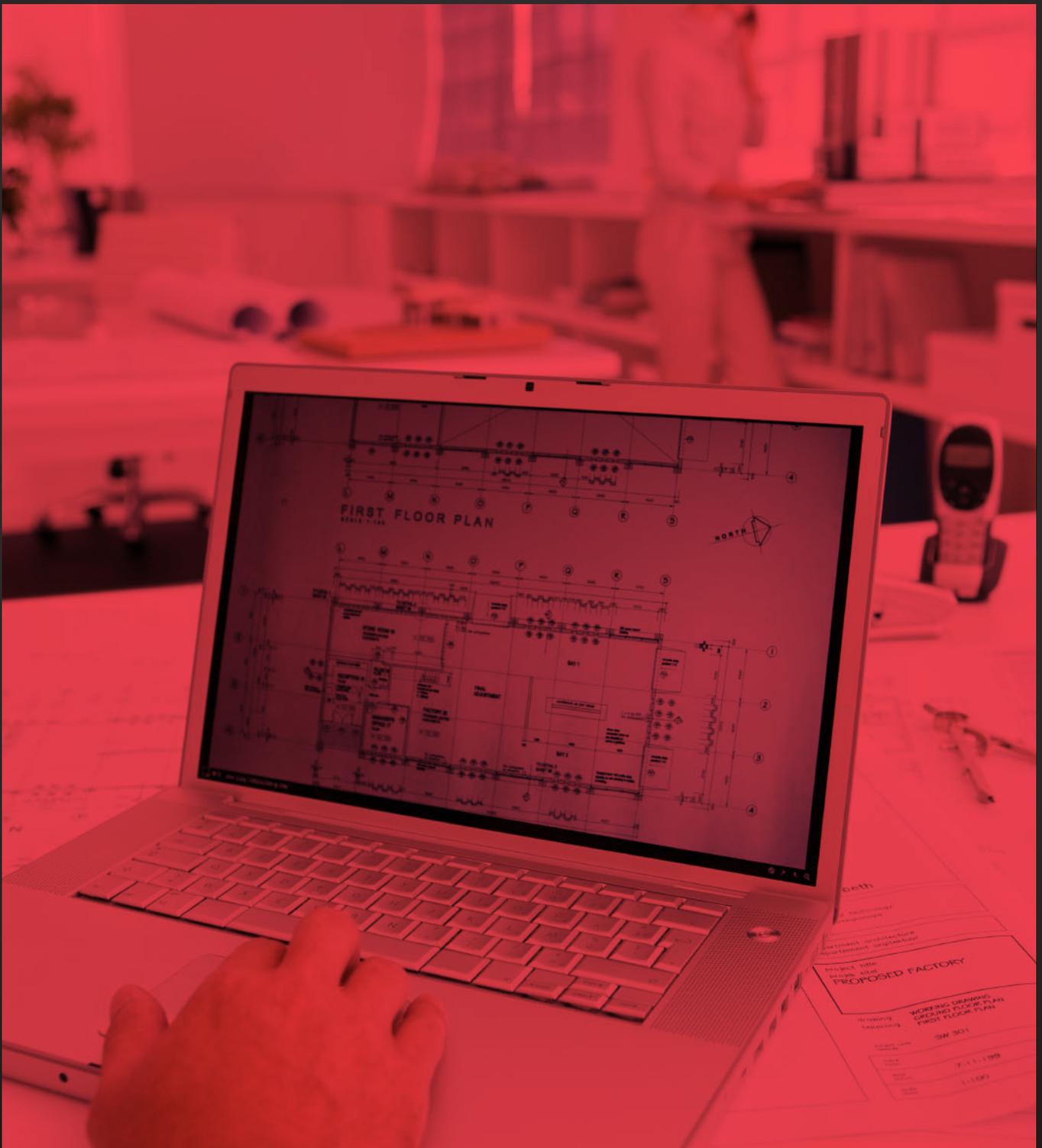
In the meantime, for the period 2013-15, and in recognition of the growth opportunities presented, coupled with the ongoing challenges and market failure to date, Invest NI has sought a second strategy, “Taking Digital Further...” in relation to the Northern Ireland digital media industry, which builds on the achievements of “Building the Foundations”.

Following extensive consultation with industry, stakeholders groups and international benchmarking in 2012, it is proposed to develop a programme of work across the following six themes (further details are available in Section 12).

- **Active collaboration**
- **Value through innovation**
- **Internationalisation**
- **World class talent**
- **Enabling infrastructure**
- **Smart investment.**

During the consultation it was clear that regular engagement between industry, government and academia was needed to ensure that industry needs were being met and that any emerging gaps in support could be addressed as part of the implementation of the action plan. Therefore it is proposed that a Stakeholder Forum is established which will be made up of representatives of government, academia and industry. This is the first recommendation to be actioned.

# 02 Terms of reference and methodology



# Terms of reference

## Specific Aims:

- Review information available to date and assess the market opportunities presented, challenging any assumptions.
- Review Northern Ireland policy and wider strategic context and document what is happening from a wider UK and international perspective in terms of supporting development of the digital economy.
- Identify gaps and what changes need to be made to the existing support mechanisms in Northern Ireland (currently disparate) to ensure maximum benefits are realised for the digital economy and to ensure that the region is able to continue to 'punch above its weight' in this increasingly important business sector.
- Benchmark the activities of other UK organisations, External Delivery Organisations, etc. in relation to support towards growth of the digital sector.
- Development of a practical strategy for the growth of the indigenous digital media industry over the next three year period including an Executive Summary and detailed action plan with key milestones.

# Methodology

## Project Initiation

KPMG held a Project Initiation Meeting with the Project Steering Group to discuss the scope and detail of the assignment, discuss key issues and deliverables. Following the Project Initiation Meeting, KPMG developed a detailed Project Initiation Document (PID).

## Strategic Review

KPMG undertook a desktop review of a range of pertinent strategic documents and other relevant policy documents to help gain a properly informed understanding of what is happening from a wider UK and international perspective in terms of supporting the development of the digital economy. This desktop review also helped to identify key issues to be addressed as part of any proposed strategy.

## Review of support mechanisms

KPMG undertook a desktop review of the existing support mechanisms in Northern Ireland to determine the range, type and levels of intervention and support currently available to the digital media industry and to help identify clear gaps in the types of support mechanisms needed to help the sector to grow and flourish. This included a desk-based exercise to review support mechanisms available from Invest NI as well as local councils and other development and support agencies.

## Workshops & interviews

KPMG consulted with a range of stakeholders via a combination of means including interviews and workshops. Details of organisations invited to contribute are contained in the Appendices.

## Analysis

All information gathered was analysed in order to set out the strategic and policy context, identify existing support mechanisms and perceived gaps and changes required, comparison with other jurisdictions and development of a practical strategy.

## Reporting

This report summarises the output from all stages of the assignment.

# Outputs



Strategy

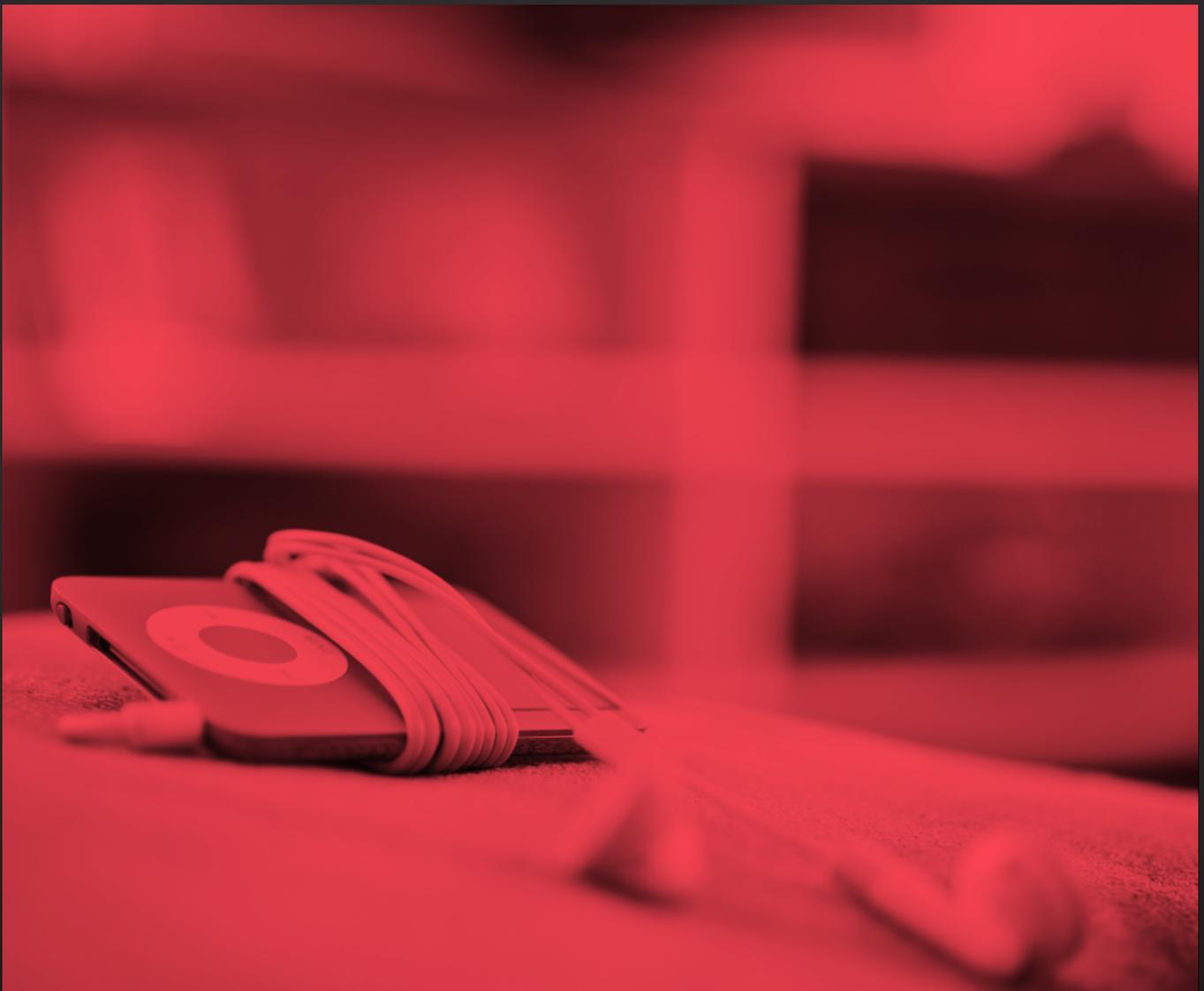
Targets

Action plan

# 03 Overview of markets

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**The global digital media sector has grown faster than the rest of the economy and digital media is seen as an increasingly important part of growing the economy.**



# Globally

In 2006, PWC reported that, on a global scale, the entertainments and media (E&M) sector (which includes digital media) was estimated at £725 billion and was expected to grow to £940 billion in 2010, at an average annual rise of 6.6%. While this was positive, it contrasted with emerging markets e.g. Latin America and Asia which had average annual percentage rises of 9%.

In 2011, PWC reported that the global E&M sector was estimated at \$1.4 trillion and was projected to grow to over \$1.8 trillion by 2015.

In 2012, PWC reported that global spending on E&M rose 4.9% in 2011, a little faster than the 4.5% increase in 2010. Furthermore, PWC reported that, during the next five years, to 2016, E&M is projected to grow at a 5.7% compound annual rate to \$2.1 trillion.

**Notable developments include the following:**

- **Total global spending on video games will expand to \$83.0 billion in 2016, growing at a 7.2% compound annual rate.**
- **Spending on electronic books is surging—rising by 64.9% in 2011. Global spending on electronic books will grow at a compound annual rate of 30.3% to \$20.8 billion in 2016, taking electronic books' share of total global book spending from 4.9% in 2011 to 17.9% in 2016.**

- **Global spending on filmed entertainment will rise at a 3.1% compound annual rate over the five-year forecast period, reaching \$99.7 billion in 2016. Notably, global home video spending is shifting from physical to digital, with digital spending nearly doubling during the next five years, while physical spending will fall by nearly 20%.**
- **Global spending on music rose 1.3% in 2011, the first increase in several years as growth in concerts/music festivals offset a modest decline in recorded music. New streaming services will fuel growth in digital distribution, helped by broadband, smartphone, and tablet penetration growth. The digital market will also benefit from social media activity which stimulates interest in acts, contributing to the growth in downloads.**

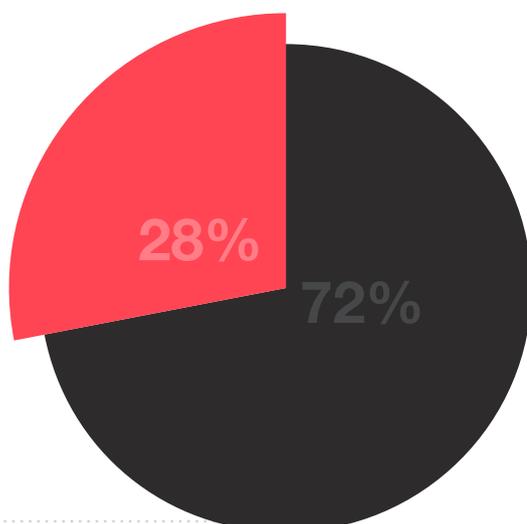
The table below demonstrates that digital spending is projected to account for almost two-fifths of spending by 2016.

In addition, PWC reports that many major E&M companies are adopting a sophisticated, embedding approach to expansion by partnering with local content and distribution companies, building local studios, and tapping local talent. There is recognition that, while the rewards presented by the exploding consumer sectors in these emerging giants are greater, the risks are commensurate.

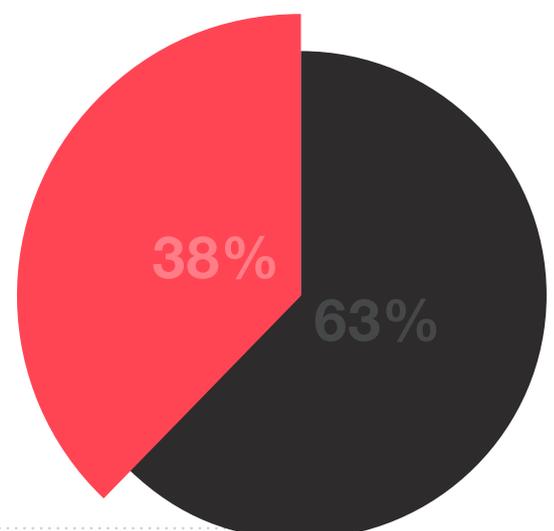
■ Non-digital spending

■ Digital spending

## 2011



## 2016



# EU market – Europe 2009 – 2012

In 2009, the European Union (EU) suggested that the cultural and creative industries (CCIs) were contributing around 2.6% to the EU GDP, with a high growth potential, and providing quality jobs to around five million people across the EU.

In 2012, the EU indicated that CCIs accounted for 3.3% of GDP and employed 6.7 million people (3% of total employment) in the EU indicating this growth potential. It also indicated that, between 2008 and 2011, employment in the cultural and creative sectors proved more resilient than in the EU economy as a whole.

However, the EU also highlighted that other countries, such as China, South Korea or India, are making massive investments to boost their economic potential and 'soft power' and are entering into a global competition for creative talents. For example, in China, public investment in culture has grown by 23% annually since 2007, and China plans are to raise the sectors' share of GDP from 2.5% to 5-6% by 2015.

# Key market drivers

Key market drivers, driving this growth and expansion opportunities are:

- **Growth of mobile/ wireless, internet advertising, video games.**
- **Changes in business and consumer behaviour – digital is the new 'norm'.**
- **Convergence of digital technologies and platforms e.g. digital TV, games consoles, apps, iphone, iPad etc – now mass market propositions – “any content, anytime, anywhere” consumer and business expectation and choice.**
- **'Traditional' print and broadcast media seriously challenged.**
- **The digital sector is highly diverse – small lifestyle businesses can have as much impact as large multi-national companies – with the right product offering and know how. Scale is not a prerequisite to success.**
- **Barriers to market entry such as cost of development and distribution have been fundamentally reduced with the advent of the app market and cloud distribution.**
- **Emerging markets also have similar opportunities to developed economies – competition is global. Countries such as Estonia and Chile have shown that a developed, large scale economy and population is not a prerequisite for creating a globally competitive digital economy.**
- **The way digital technology is being used has changed e.g. gaming technology in military use, 3D technology in healthcare.**

# 04 The Northern Ireland digital media industry

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## Overview

The creative industries represents 4.2% of Northern Ireland's GVA and 4.1% of Northern Ireland's workforce. Therefore, it offers significant potential to assist the Northern Ireland Executive's plans to rebuild and rebalance the economy, especially given the scope for higher added value and productivity that ICT and creative content production businesses can bring.

**Before setting out an overview of the Northern Ireland digital media sector, it is necessary to reiterate, as highlighted in the Introduction, that limited data exists for the digital media industry. This means there is no one single source of official data for the digital media sector and is an aspect which should be addressed in order to develop a robust set of data for the sector and help inform decision making.**

## 2007

In 2007, it was estimated that there was just under 200 companies involved in wider digital media production in Northern Ireland. The sector was characterised by predominantly Tier 3 companies (circa 160 companies) while the remaining fifth were Tier 2 companies. At this time there were no Tier 1 companies with globally recognised brands.

Of these circa 200 companies involved in wider digital media production, approximately half of these were involved in web design or web tools and products. Around a sixth were involved in design and branding while decreasing numbers were involved in post production, mobile and web content, e-learning, animation and games.

At this time Invest NI had 26 Tier 2 digital media business clients which had received targeted support to grow sales in export markets. Further details are contained in the adjacent tables\*.

## 2008 “Building the Foundations Strategy” 2008-2011

In 2008, Invest NI published its first Northern Ireland Digital Media Strategy “Building the Foundations” 2008-2011. This Strategy set out details on the digital media industry in Northern Ireland, identified the key issues impacting on the sector as well as associated actions, targets and a road map.

A series of what was seen to be ambitious targets was set, to take account that the industry was starting from a relatively low base and that there was a need for rapid development for the sector to realise its global potential.

A review of this Strategy indicates that, over the period 2008-2011, there was a 60% increase in turnover of local Tier 2 digital media companies (which was substantially greater than the target of 15 per cent per annum), and a 60% increase in export sales for local Tier 2 companies. In addition, a total of 78 digital media companies accessed Invest NI support for the first time and there were 30 new digital media start-ups in the key areas of digital animation, mobile & web content, and e-learning/serious gaming. This suggests the 2008-2011 strategy was successful and had a positive impact on the digital media sector. Current data from Invest indicates that its digital media clients now stand at approximately 300 businesses.

The development and growth of the sector is demonstrated in the tables below, illustrating the growth in the number of Tier 2 export ready/exporting companies and the growth in total turnover\*. (Additional details are contained in Appendix 1).

Tier	2007	2009	2011
Tier 1 - Market Leading	0	0	0
Tier 2 - Export aware	26	64	76
Tier 3 - Northern Ireland focused	160+	200+	300+

	Number of INI tier 2 components	Average turnover	Average number employed (FT)	Total turnover	External sales
2007	26	£1,064,645	13	£27.7m	61%
2009	64	£545,806	8	£34.9m	77%
2011	76	£769,317	9	£58.5m	63%

This growth has been a positive and welcome development, but comparison with elsewhere suggests some countries have witnessed even greater growth and suggests that Northern Ireland’s digital media sector remains small and relatively embryonic in comparison. This supports the case for targeted government intervention in this sector.

*\* Some data may have changed from previously published data as a result of a realignment with new SIC codes for the Creative Industries and to reflect active exporters only.*

# Market opportunity and challenges

There is a broad range of technology challenges and opportunities facing the Digital Media sector in Northern Ireland. The Technology Strategy Board's "Creative Industries Strategy 2009-2012"\* sets out the technology related landscape of opportunities and challenges for the sector. A summary is provided below for information purposes and can be accessed via the TSB website.

## Opportunities

### Concept, design & creation

3D design & visualisation

Co-creation tools

Integrated design & production

Application of new materials

Narrative frameworks for multiplatform

### Production

Management of distributed projects

Customisation & personalisation

Increased efficiency/ lower cost

Quality improvement

### Distribution

Multiplatform integration

(technology, data, standards/ protocols)

Trust, security & privacy

Service quality & continuity

Service optimisation

Asset tracking & management

### Consumption

Display/communication interfaces

Content discovery & filtering

Digital inclusivity

Pervasive engagement

Interactivity

Battery life

## Challenges

### Data management & exploitation

Planning, capture (behaviour & data flow analysis), analysis, management, storage/ archive, preservation

### Skills & knowledge

Multi-disciplinary and business/academia collaboration, cross sector knowledge exchange, foresight market & technology developments

### Economic sustainability

Monetisation of ideas, new business models, new value/supply chains, revenue tracking & collection, fraud detection, licensing management, broader application of design thinking, access to investment, public procurement, service/ product innovation

### Environmental sustainability

Sustainable computing, energy harvesting, design thinking for sustainability, physical to virtual assets/ experiences, impact assessment

\*[http://www.innovateuk.org/\\_assets/pdf/Corporate-Publications/Creative%20Industries%20Strategy.pdf](http://www.innovateuk.org/_assets/pdf/Corporate-Publications/Creative%20Industries%20Strategy.pdf)

# 05 Market failure

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# Market failure

It is evident from the preceding information that Northern Ireland has made progress in terms of the development of its digital media sector, increasing the number of businesses and their turnover and this can be attributed to the impact of the “Building the Foundations” strategy 2008-2011.

However, comparisons with other countries and stakeholder consultation indicate that Northern Ireland, despite a number of significant strengths such as its digital infrastructure, educated workforce and local creative talent, has not yet made the inroads or matched the achievements attained by other comparable countries. Notable, the research indicates that Scotland and Ireland, its nearest neighbours, have achieved considerably more success as measured by indicators such as the number of people employed and the number of companies operating in the sector.

At the same time, global predictions indicate that the digital media sector will continue to grow at an average of almost 6% per annum, and, furthermore, this sector is more resilient than the economy as a whole. However, competition is global, with other countries investing in specific strategies, interventions and investment.

Northern Ireland has considerable advantages but has not yet achieved the level of growth demonstrated in comparable regions. Therefore, this suggests there is a need for targeted support and/or specific interventions to enable Northern Ireland not only to keep up with projected global growth but to fulfil its potential as a region of comparable advantage in this sector.

This strategy and action plan seeks to address these barriers which are inhibiting the potential of the industry namely access to new markets, skills, finance, and innovation. It stresses the importance of collaboration and appropriate infrastructure to enable NI businesses to compete internationally.

The following salient factors are also worth considering:

- **The pace of change in the global digital industry is staggering. For example, in 2008 when the last strategy was published, the first iPhone had just been released and the iPad and other smart technology did not exist. The first platform for private cloud based computing, Eucalyptus, emerged in 2008 – technology platforms and distribution channels which are now all pervasive.**
- **While this presents challenges, it also presents opportunities for a region like Northern Ireland to compete on the global stage. New technologies and distribution channels such as app stores and cloud distribution networks mean that it is now easier for companies, however small or geographically isolated, to access these global markets.**
- **The recent successes of the Northern Ireland Screen Industry prove that, with the right strategy and focussed effort, it is possible to rapidly grow the digital economy in Northern Ireland.**
- **A key step change from the previous strategy which is key to the achievement of success, as evidenced from digital media strategies in other regions, is the development of a shared identity for the sector - which encompasses all of the aspects of the sector outlined in this strategy including music and screen.**

# 06 Northern Ireland SWOT analysis

## Helpful

### Internal

- Success of NI Screen to secure major global film and TV productions
- Availability of creative and technical talent to collaborate
- Links with Universities and Colleges for research and talent development
- World class Broadband infrastructure

### External

- Digital markets have come of age and are truly global in nature
- Creative industries in Northern Ireland have significant headroom to grow and can offer significant value add and productivity gains
- Digital 2020 / Digital Platform Enhancement will create the infrastructure for Northern Ireland global connectivity
- App and cloud delivery means global markets can be reached from a peripheral location like NI
- New tax breaks (April 2013)
- Gaming and VFX industry becoming more closely aligned with screen and predicted to grow to \$31.6Bn globally by 2016
- Growing demand for digital technology in emerging and developed markets
- Invest NI live FDI opportunities
- Lower development costs of mobile game development – ease of market entry
- Cloud computing and Social Media – opportunities for FDI and indigenous growth in NI
- Open Data development
- Opportunities for links to Northern Ireland digital diaspora

## Harmful

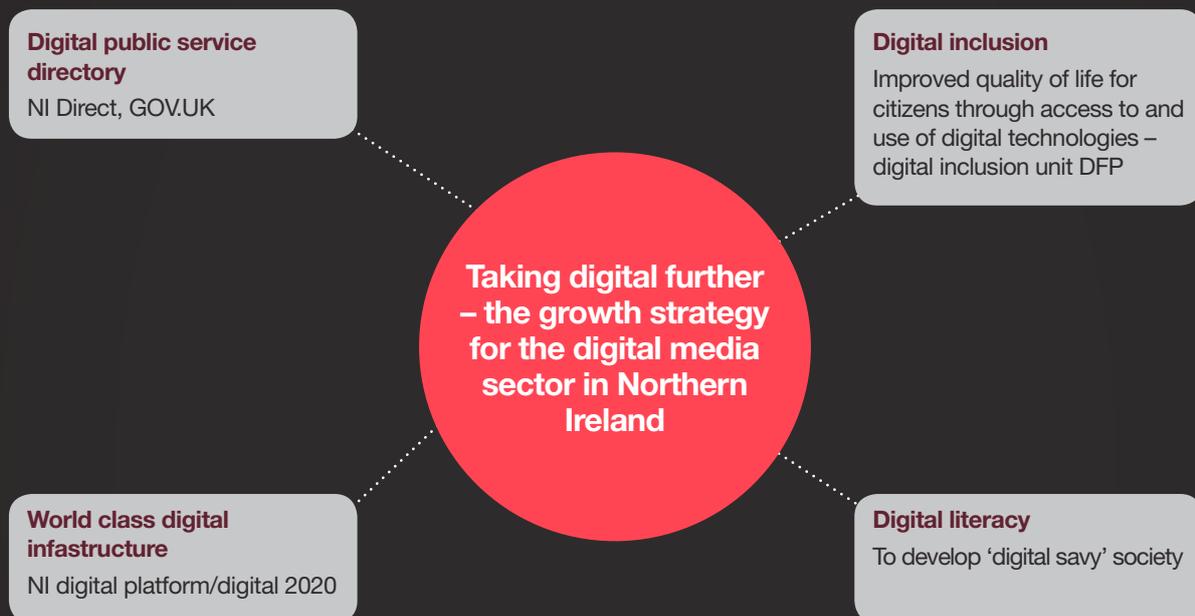
### Internal

- Scale of creative industry in Northern Ireland is relatively small (4.2% of GVA compared to 5.6% UK average)
- Northern Ireland population relatively small/ critical mass of companies and supply of quality propositions/ deafflow limited
- Lack of company scale
- Low levels of export
- Limited investor market/ access to finance difficult/ slow
- Not as many digital FDI's in Northern Ireland compared to neighbouring regions such as Rol
- Low growth ambitions in some companies (lifestyle businesses?)
- Insufficient cross industry collaboration (separate strategies for screen, music and digital media to date).
- Despite the existence of HE/FE animation/ FX, Gaming and App courses there is a sense in the industry that much more needs to be done to develop skills, both technical and business skills

### External

- Competitive global market with other regions having a 'head start' and investing extensively in the digital sector as an integrated concept
- Access to finance
- Long funding rounds hamper growth
- Supply of skills (post production, animation, VFX)
- Supply of skills do not keep pace with demand for skills
- Accessibility of broadband infrastructure in some areas
- Global competition for talent
- Pace of technology change

# 07 Positioning of a digital media strategy



- A strategy to support companies in the digital media sector needs to sit in the wider context of a vision for a digital society and digital economy in Northern Ireland.
- The benchmarking research – notably that of Estonia (see Appendix 5) – shows how an all pervading strategy for a digital nation – spanning digital public service provision and early intervention on a skills strategy to create digital ‘savvy’ citizens, is key to creating the environment and backdrop to stimulate exponential growth and a world class reputation, for digital media companies. Estonia is encouraging as a case study for Northern Ireland as it shows how a small nation, comparative in population terms to Northern Ireland at 1.3m, can become a global player in the digital media sector.
- Therefore, in a Northern Ireland context, the actions to support companies in the digital media sector, captured through this strategy, sit in the context of initiatives to develop a world class digital infrastructure; digital literacy; digital inclusion, and digital public services.
- This positioning is illustrated in the adjoining diagram with key reference points to show existing initiatives underway in Northern Ireland.

# 08 Policy context

The publication of this strategy is happening against a background of several significant Government initiatives around the creative and digital economy. A detailed summary of the following documents is provided in Appendix 3.

Europe	2011	Unlocking the potential of cultural and creative industries	EU
	2012	Promoting cultural and creative sectors for growth and jobs in the EU	EU
	2014 – 2020	Creative Europe Programme (€1.8billion)	EU
UK	2009	Digital Britain	UK (DCMS/BIS)
	2009 – 2012	Creative Industries Technology Strategy	UK(TSB)
Northern Ireland	2010 – 2013	Digital NI 2020	Invest NI
	2010 – 2014	Driving Global Growth	NI Screen
	2012 – 2015	NI Programme for Government	NI Executive
	2012 – 2015	NI Economic Strategy	NI Executive
	2012 – 2015	Invest NI Corporate Plan	Invest NI
	2012 – 2015	Northern Ireland Music Strategy	Invest NI/DCAL
	2013	Innovation Strategy (In Development)	DETI

This strategy aims to build on the achievements of the “Building the Foundations” recognising both the Government and Industry drivers as outlined in the above documents.

# 09 Support mechanisms

## Introduction

There currently exists a range of support mechanisms to help businesses in Northern Ireland. These include the following departments and organisations. (Details on specific support programmes are contained in Appendix 4).

It is important to note that this support is available across each of the three Tiers of companies:

**Tier 1** – Market Leading companies who wish to set up in Northern Ireland should contact Invest NI’s International Investment Division for further advice.

**Tier 2** – Support is available to both first time exporters and well established businesses who wish to achieve scale

**Tier 3** - Locally focused start up businesses should seek advice from Business Advisors in local Enterprise Agency or directly through local councils.

Government	Agencies
DCAL	Arts Council NI Screen
DETI	Invest NI Northern Ireland Science Park
Department for Employment and Learning (DEL)	Further Education Higher Education Sector Skills Bodies
Department of the Environment (DOE)	Local Councils
Office of the First & Deputy First Minister (OFMDFM)	Strategic Investment Board (SIB)

## Invest NI

Invest NI is Northern Ireland’s business development agency and its aim is to help support new and existing business to grow and compete internationally and to attract new inward investment into Northern Ireland.

Invest provides information and advice directly and via its information website nibusinessinfo.co.uk, provides support to people wanting to set up a business, helps new and existing businesses to grow and move into new markets and can provide tailored support.

Invest also offers a range of targeted programmes which include the following:

- **Propel** - for high calibre entrepreneurs, with an innovative idea that has export potential
- **Halo** – a business angel network
- **Collaborative Network Programme** - which supports the facilitation of collaborative networks to achieve competitive advantage of the SMEs engaged.

Invest also collaborates with a range of partners to provide investment funds.

## DCAL

DCAL, as the government lead on the creative industries, funds the Creative Industries Innovation Fund (CIIF) with an associated PfG target to support 200 creative industries.

## Arts Council

The Arts Council administers the CIIF which provides funding to the creative and digital sectors.

## Northern Ireland Screen

Northern Ireland Screen funds script development, slate development, feature film production, short film production, television production (all genres), digital media and film completion; film education, film archive, cultural cinema and film festivals; business and skills development.

## Councils

Councils can provide a range of small scale support to creative industries. For example, Belfast City Council, via its Economic Development Unit, has provided a range of small scale support to creative industries in Belfast. Its focus has primarily been on micro-businesses in the sector.

# Analysis

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The range of government departments and agencies involved in support mechanisms suggests that current support mechanisms are disparate in terms of the level and type of support available, are fragmented across a number of funding/support bodies and none are specifically targeted at digital media businesses.

Most support mechanisms are focused on a single support component, such as, for example, advice, funding or information which is targeted at businesses across all sectors.

The CIIF is an example of an applicable programme fund although this is targeted at the creative industries per se, of which digital media is a sub-sector.

Of note, the film and music industry, which each have specific strategies, have specific support and funding mechanisms available to help these sub-sectors, albeit these support mechanisms are not explicitly targeted at digital music or digital film content. Nevertheless, they remain support mechanisms which are specific to sub-sectors which may embrace digital media.

Given that Northern Ireland's digital media sector remains small in terms of number of companies and employees, there is a need to develop specific funding streams and support mechanisms which are complimentary to existing support.

# 10 Case studies

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**Examples of success – companies which have grown with Northern Ireland government support**



## Dog Ears

Established in 2011, Dog Ears is a new children's media company based in the North West.

**The company achieved critical success early on:**

- **Launched the Miss Rosie Red interactive smartphone app which made it to number 1 in the iTunes 'What's Hot' section**
- **Won the Fast Forward Award for Business Potential 2011 and the Derry City Chamber of Commerce Innovation award 2012**

In November 2012, a partnership with global publishing giant, Penguin, was announced that will see Dog Ears and ROI-based Cartoon Saloon co-produce Puffins Rock as an animated series.

Dog Ears is also in pre-production on Miss Rosie Red's first cartoon series which it will produce alongside King Rollo Films.

## Front

**Set up in 2000, Front was a Belfast based design agency specialising in:**

- **Web Strategy**
- **Customer Research**
- **Project Scoping**

The company founders made the strategic decision to explore product development opportunities.

Supported by Invest NI Grant for R&D, Front developed 'Typecast' – a browser-based app for creating consistent designs based on typography.

In October 2012, the public beta of Typecast was launched. One week later the company was acquired by NASDAQ-listed company, Monotype Inc for \$5m.

## Sixteen South

Sixteen South are listed as one of the UK's top independent producers by TELEVISUAL. Formed in 2007 with a passion to create shows that children could relate to, laugh and sing along with.

**Winner of over 12 international awards including:**

- **BAFTA for Best Children's Programme, 2011**
- **Cine Golden Eagle 2010 & 2011**
- **Deloitte Fast 50 Rising Star Award 2011 and 2012**

Pajanimals, their new puppet show in partnership with The Jim Henson Company airs in over 300 million homes across the world Driftwood Bay, their first wholly-owned IP is in

production and has already been sold to 20 major territories across the world with a publishing, digital media, licensing and merchandising roll-out taking place. It airs globally in 2014.

# 11 The strategy – key development themes

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Consultation and research has identified the following development themes:



These themes are interrelated and the actions proposed may “cross cut” different themes. For example, internationalisation and export development requires the world class talent to achieve this goal. Each theme is described in more detail overleaf, along with proposed actions required over a three year time frame.

# Active collaboration Value through innovation

The Digital Media sector comprises all companies that contribute to development, distribution and publishing of creative media content (in the form of text, graphics, audio, and video) via digital channels and platforms. The convergence of technologies on different platforms and with easier, global distribution through Cloud, App Store and other channels means that there must be a 'step change' in that the Digital Media sector in Northern Ireland must collaborate across all of these areas if it is to compete globally and effectively.

## 3 year action plan

- **Growth through a shared identity** – A strong and cohesive Digital Media marketing and communications plan should be developed which covers all aspects of the sector including music and screen. This needs to encompass a brand development initiative to put Northern Ireland “on the map” globally – based on the breadth of the sectors outlined previously. Such an identity will be important from an international marketing perspective.
- **A Web presence for the Digital Media sector** – A web presence should be developed for the sector that facilitates communication right across the sub-sectors in Digital Media, promotes the value of the sector to the economy both within and outside NI, including the international investor community.
- **Networks and Clustering** – Through measures such as the development of business led networks and the development of an Accelerator in NI, there should be more opportunities for business networking to share and create new ideas and focussed on target markets, to act as a catalyst for growth. The mobile gaming and app development markets should be specific targets.
- **Cross industry events calendar** – There should be a compelling programme of cross industry events developed which encourages cross industry collaboration and has global showcase events including attracting at least one major, globally recognised showcase event to Northern Ireland within the three years of the action plan and supplemented by other events.

Rapid innovation must be at the heart of the Digital Media sector. The pace of change of technology is such that continual innovation within the sector is a prerequisite to achieving a step change in the performance of the sector in NI. Meaningful investment in R&D is central to having a realistic plan to maintain and grow innovation in Northern Ireland Digital Media companies and to grow the sector. However, the Northern Ireland Economic Strategy recognises that levels of R&D, including the Digital Media sector in NI, are lower than other regions due to barriers such as access to R&D funding, despite the efforts and successes of measures such as the Creative Industries Innovation Fund.

## 3 year action plan

- **Identify and overcome the barriers to innovation** – The barriers to innovation in the Digital Media sector in Northern Ireland need to be confirmed in consultation with companies and plans put in place to overcome these barriers. Access (and speed of access) to R&D funding is a factor which needs to be addressed including the accessibility of R&D&I and R&D Tax Credits to Digital Media companies.
- **Promote collaboration and R&D** – A programme of events should be established to explain to Digital Media companies the opportunities that exist from ‘cross media’ service, content and technology innovation. The use of Innovation Vouchers, Knowledge Transfer Partnerships and related programmes should form part of this action.
- **Promote awareness and support IP and DRM protection for Northern Ireland companies** – Training, advice and guidance should be provided to Northern Ireland Digital Media companies in these areas to support the industry and help it to commercialise and protect good business ideas.
- **Create more opportunities for co-location of companies** - to provide a physical place to encourage sharing of ideas e.g. within the proposed accelerator and/or open creative spaces.
- **Support innovation in ‘business to business’ services, as well as app and gaming target markets** – There are significant global opportunities in the business as well as consumer markets for digital media and technology. A specific focus group should be established to target and drive innovation in this market with Northern Ireland companies.

# Internationalisation

The scale of the global market opportunity is immense. Emerging markets are now driving demand for digital media and technology as well as developed international markets. As a consequence, Northern Ireland companies must be attractive to these markets and Northern Ireland must also be attractive to FDI to deliver long term sustainable growth. Collaboration is also increasingly international and needs to be exploited. Considerable work has been done already by Invest NI, in partnership with the sector, to help companies in the digital sector develop and grow their exports in global markets e.g. via marketing and trade mission support including visits to key international conferences and events such as the Apple World Wide Developer Conference, SxSW and others.

In addition, preparing for and reaching an external market is expensive hence internationalisation is dependent on Smart Investment.

## 3 Year Action Plan

- **Develop export skills and knowledge** – Accessing global markets requires market intelligence, skill and knowledge and the desire to export. Invest NI, in partnership with sector bodies, should continue to encourage the development of an export culture and promote exports through the delivery of workshops, market intelligence and training to digital companies.
- **Develop a formalised trade programme** – this should include internationally significant events such as Siigraph; Mipcom; etc – supported by a structured and targeted approach to exploiting these events.
- **Develop and implement a clear strategy and targets to attract FDI** – International companies should be encouraged by Invest NI and others to locate to Northern Ireland to help promote the growth of the sector through new collaboration opportunities, helping create ‘critical mass’ within the sector and by encouraging dealflow through mergers and acquisitions. This should target particularly under-represented sectors to date such as gaming, animation and VFX.
- **Develop an Northern Ireland Digital Media Diaspora Programme** – Northern Ireland is well known for the creativity of its people and many international companies have personnel with ties to NI. A Diaspora Programme, utilising social media, should be developed to encourage and develop links with these diaspora to help build new opportunities for collaboration and investment.
- **Consider an Northern Ireland Digital Media ‘Brand’** – Such a measure, incorporating the best digital media companies Northern Ireland has to offer, could be used to market Northern Ireland globally and to help establish Northern Ireland as a hub for digital media development.

- **Develop and market initiatives to put Northern Ireland ‘on the map’ in global markets.**
- **Develop an International Beachhead Programme** which will engage best-in-class mentors across the world and place them as non-executive directors with local businesses.

# World class talent

The digital media sector is fundamentally built on the talent of the people working in the sector including their creativity, expertise and reputation. Developing, attracting and retaining key talent is essential to the growth of the sector in Northern Ireland and creating high value employment. To achieve this, close collaboration is required between all of the bodies involved in growing and supporting talent in NI, at both a vocational and academic level. In addition the market for talent in the digital sector is global and so any strategy for talent development must encompass realistic actions to attract international talent to NI.

## 3 Year Action Plan

- **Establish a Digital Media Education Group** - (HE/FE/Skillset/ E-Skills/ Creative and Cultural Skills) who would collaborate on ways to improve the supply of talent to the industry.
- **Undertake a sector skills needs analysis** – in order to identify specific skills areas which require development in the sector. This should recommend specific skills development initiatives and targets which should be tracked to establish progress over the duration of the strategy. This should include business skills development, tailored to the companies’ needs.
- **Increase the provision of digital skills** - expand the number of people who have advanced digital skills as practitioners rather than just consumers and subsequently support work opportunities. This will help re-build our culture around digital skills for the knowledge economy.
- **Develop a talent strategy** - developed in partnership with the sector, to agree specific initiatives to attract talent from outside Northern Ireland into Northern Ireland and integrated with initiatives to attract FDI to Northern Ireland where possible.
- **Establish digital apprenticeships** – to help build the vocational skill base in NI. The model of Hyper Island developed in Sweden but with bases in London, Manchester, New York and other places has been recommended by the industry in Northern Ireland as an excellent model for digital apprenticeships.
- **Promote Northern Ireland to international digital media talent** - where skill gaps exist in Northern Ireland (i.e. software developers in mobile, tablet and gaming)

# Enabling infrastructure

In order to achieve a step change in the growth of the digital sector in NI, it is essential that the physical and support infrastructure/ environment is in place to nurture that growth and to attract FDI companies to NI. The physical and support infrastructure comprises a wide range of factors including:

- **physical infrastructure in terms of telecoms and the provision of accelerators;**
- **skills and education infrastructure to grow, attract and retain the best talent;**

and

- **the right business collaborative and supportive business networks to encourage innovation, entrepreneurship and encourage new product and service development.**

The focus of the action plan below is on physical infrastructure with skills and education infrastructure addressed in the World Class Talent theme and business networks dealt with through the Active Collaboration theme. It is worth highlighting that all these structures and supports need to be joined up and coherent hence recommendations are made (section 14) for a Lead Body for each theme with an overarching Stakeholder Forum

## 3 Year Action Plan

- **Develop the accelerator proposal** - to provide a physical focal point for the best of Northern Ireland digital company talent for them to be able to creatively collaborate, and which can then be marketed internationally.
- **Encourage the development** of more digital media physical communities, building on examples such as the Blick Studios creative hub, perhaps in areas with low rental levels and where the area is attractive to new digital start ups.
- **Lobby/support developments** with broadband and other key technology initiatives to enhance commercialisation and investment opportunities- by ensuring that suitable telecoms infrastructure is accessible to digital media companies or that a strategy is in place to extend accessibility during the course of the strategy.

# Smart investment

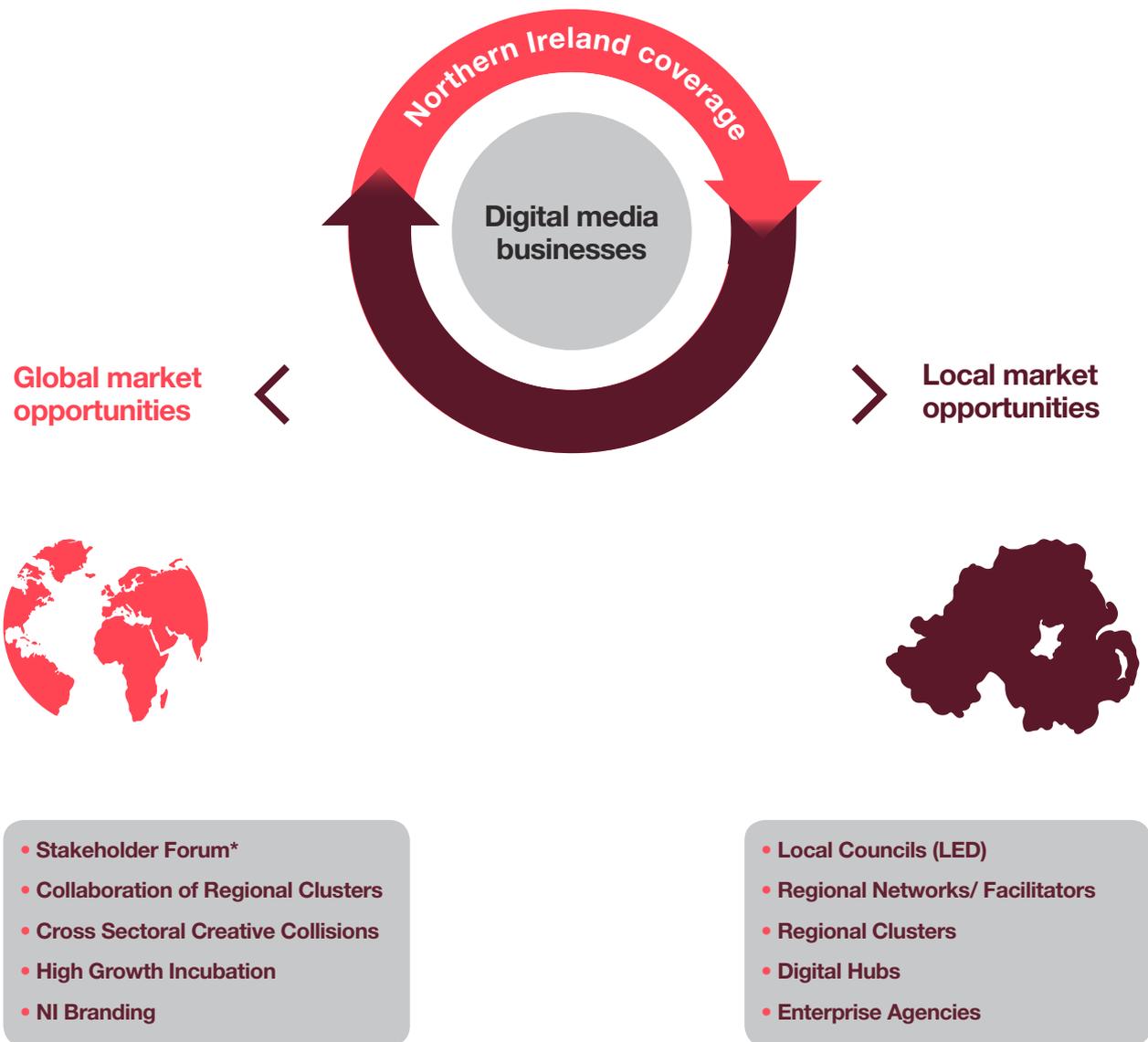
While progress has been made in recent years with the Creative Industries Innovation Fund and other sources of investment, Northern Ireland digital companies are often undercapitalised which hinders their ability to rapidly go to market. Typically these companies are too small to avail of EU funding support and there are inherent difficulties in achieving private investment with investors not always knowledgeable about digital propositions and, in some cases, lack of readiness for investment/ naivety on the part of the entrepreneur. Investment is key to the growth and competitiveness of the sector going forward. Financial incentives have also been effectively deployed in other regions to promote investment.

## 3 Year Action Plan

- **Diversify the range of additional Digital Specific Funding Streams** - Thus far CIIF and NI Screen Digital Media Fund are the main creative/digital specific funding streams and it is recommended that additional funds are developed, complementary to CIIF and the Digital Media Fund, that are accessible to digital sector companies in NI. The importance of pre-seed investment has been highlighted in the research thus far.
- **Improve prospects for achieving investment** – As set out in the World Class Talent theme, an action plan to develop business skills within the management team of companies in the sector should be developed - to encourage entrepreneurship and enable companies to determine their readiness for investment and improve their prospects for investment. Training should also be considered for investors to help develop more understanding of the industry where appropriate and the potential returns that can accrue.
- **Mergers and acquisitions** – The level of mergers and acquisitions within the digital sector in Northern Ireland is low. There is therefore a need to develop investment support vehicles to enable this to change and encourage a more acquisitive culture in NI.
- **Promote tax incentives** – Help companies understand and access R&D tax credits\* and new tax breaks due in April 2013.

\* New tax credits for high end TV, animation and video games with effect from April 2013

# New support model to grow the Northern Ireland digital media sector



\* Stakeholder Forum to include Industry Representatives; Regional Facilitators; Government Bodies (INI, DCAL, DEL, NI Screen); Academia (HE and FE)

# 12 Visions & targets

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## Targets for growing the Northern Ireland digital media sector 2013-2015

**“By 2020 Northern Ireland will be an internationally acclaimed hub of technological and creative excellence in digital media - developing and distributing innovative digital media and technologies to global markets”**

## Targets by 2015

- To increase the number of digital media businesses accessing Invest NI support programmes for the first time by 90 (30 per annum)
- Tier 3 businesses: To increase the number of new digital media business start-ups by 180 (60 per annum)
- Tier 2 businesses: To increase the number of Northern Ireland digital media businesses with external sales including exports by 45 businesses (15 per annum), from 76 to 121
- Tier 2 businesses: To increase turnover of local Tier 2 companies by 20% per annum
- Tier 2 businesses: Increase export sales of existing Tier 2 companies to 80% of revenue
- To increase the number of people employed / working in the digital media sector by at least 1,050
- Tier 1 businesses: Secure at least three high quality digital media FDI projects creating 100 new jobs

## Contribution/ impact over 3 years

- 90 businesses accessing support programmes for the first time
- 180 new start-up businesses
- 45 new businesses with external sales
- Anticipated additional turnover of £13,500,000
- Average turnover to increase to £1,329,380
- Anticipated turnover of £255,388,626
- Average external sales to increase to £1,063,504
- Anticipated external sales of £204,310,910
- 1,050 new jobs (minimum)
- Anticipated salary contributions of £42,000,000 (based on average salary of £20k)
- 3 FDIs (minimum)
- 100 new jobs
- Anticipated salary contributions of £2,000,000

# 13 Action plan

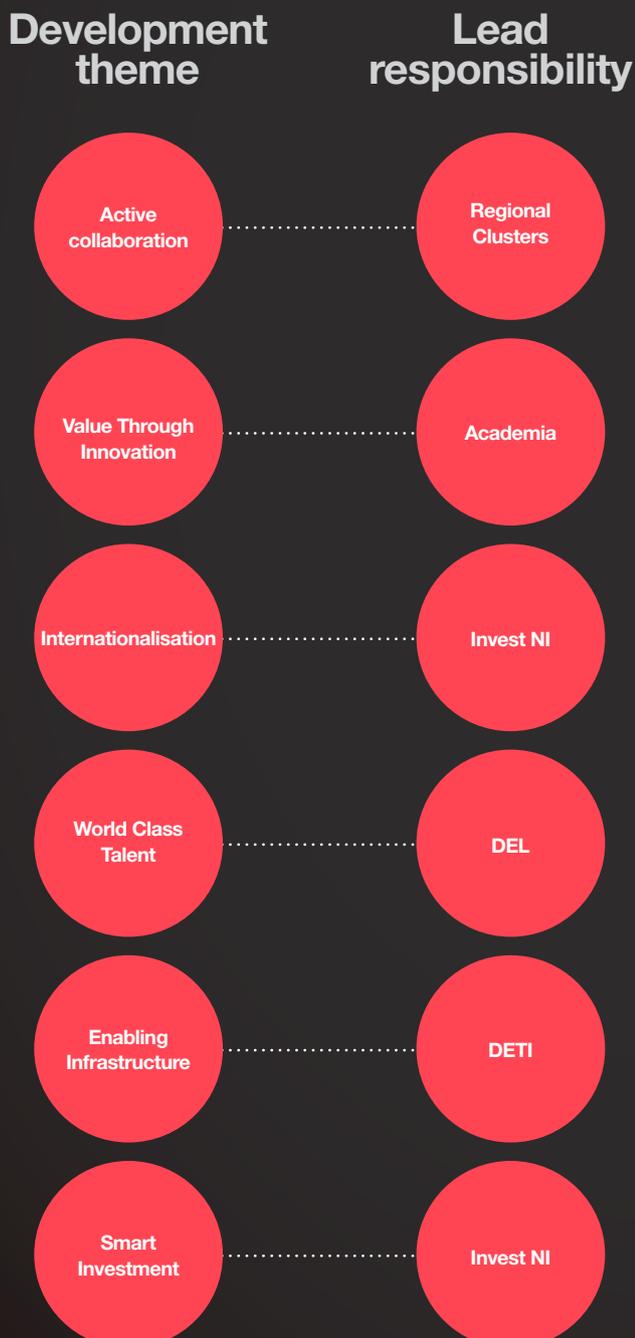
	2013/2014				Support	Start-ups	Jobs	Turn-over	Export	FDI
	Apr - June	July - Sept	Oct - Dec	Jan - Feb						
<b>Active Collaboration</b> - Growth through a shared identity										
<b>Value Through Innovation</b> - Identify and overcome the barriers to innovation										
<b>Value Through Innovation</b> - Support innovation in 'business to business' services										
<b>Internationalisation</b> - Develop export skills and knowledge										
<b>Internationalisation</b> - Develop and implement a clear strategy and targets to attract FDI										
<b>World Class Talent</b> - Establish a Digital Media Education Group										
<b>Enabling Infrastructure</b> - Lobby/support developments with broadband and other key technology initiatives to enhance commercialisation and investment opportunities										
<b>Active Collaboration</b> - A Web presence for the Digital Media sector										
<b>Active Collaboration</b> - Cross industry events calendar										
<b>Value Through Innovation</b> - Promote collaboration and R&D										
<b>Value Through Innovation</b> - Promote awareness and support IP and DRM protection										
<b>Internationalisation</b> - Develop a formalised trade programme										
<b>Internationalisation</b> - Develop an Northern Ireland Digital Media Diaspora Programme										
<b>Internationalisation</b> - Consider an Northern Ireland Digital Media 'Brand'										
<b>World Class Talent</b> - Undertake a sector skills needs analysis										
<b>World Class Talent</b> - Develop a talent strategy										
<b>Enabling Infrastructure</b> - Develop the accelerator proposal										
<b>Smart Investment</b> - Diversify the range of additional Digital Specific Funding Streams										
<b>Smart Investment</b> - Promote tax incentives										
<b>Internationalisation</b> - Develop and market initiatives										
<b>Smart Investment</b> - Improve prospects for achieving investment										
<b>Smart Investment</b> - Mergers and acquisitions										
<b>World Class Talent</b> - Increase the provision of digital skills										
<b>Active Collaboration</b> - Networks and Clustering										
<b>Value Through Innovation</b> - Create more opportunities for co-location of companies										
<b>World Class Talent</b> - Establish Digital Apprenticeships										
<b>World Class Talent</b> - Promote Northern Ireland to international digital media talent										
<b>Enabling Infrastructure</b> - Encourage the development of more digital media physical communities										
<b>Internationalisation</b> - Develop an international Beachhead programme										

# 14 Recommendations

## Recommendation 1

Invest NI should co-host a meeting with stakeholders to agree lead responsibility against each development theme early in 2013.

The following is presented for discussion purposes:



## Recommendation 2

Each Lead Body should develop a detailed implementation plan for each theme by 1st June 2013.

## Recommendation 3

Each Lead Body should feed back their implementation plan to the Stakeholder Forum in June 2013.

## Recommendation 4

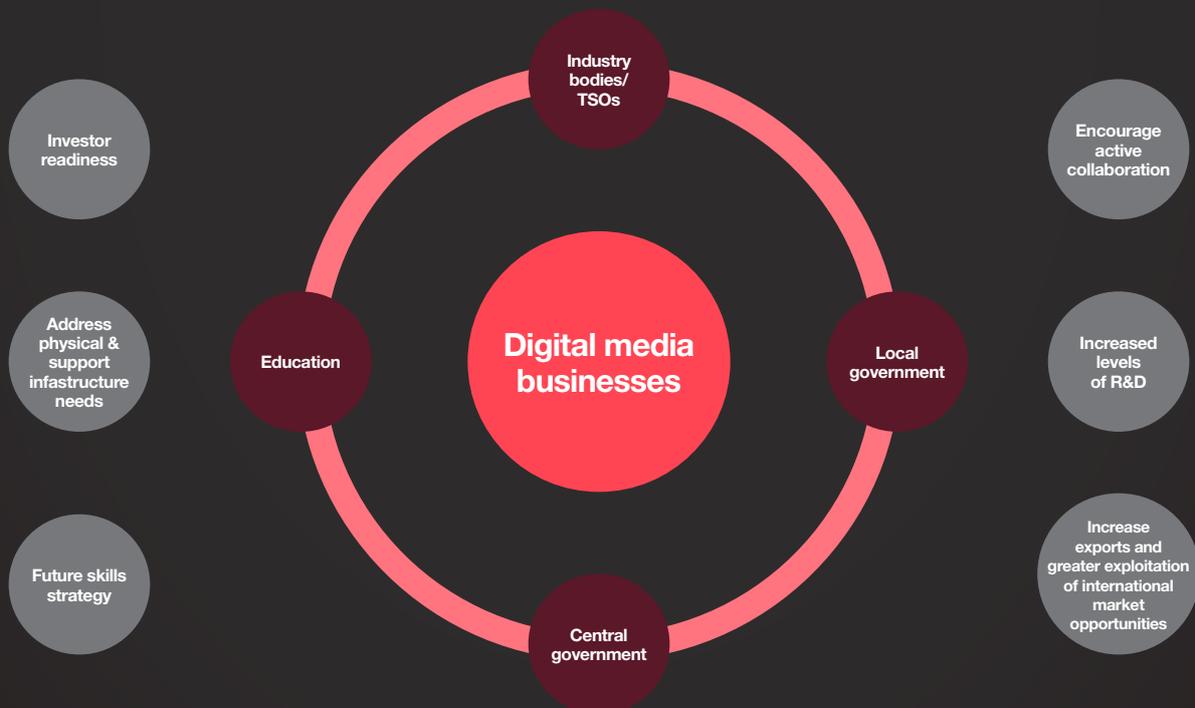
Invest NI should keep under review progress on the strategy, reporting initially in December 2013.

## Recommendation 5

Invest NI should co-host an annual review event with the Stakeholder Forum to assess progress.

# 13 Summary of strategy

Collaborative commitment and investment will be required from the industry and all the categories of stakeholders as, in the development themes set out in this strategy, to work towards a 2020 vision and 2013-2015 targets.



- 90 business accessing support programmes
- 180 new Tier 3 startups
- Tier 2 – External sales of 80% revenue

- 45 new tier 2 exporting businesses
- At least 3 Tier 1 FDIs
- Tier 2 - 20% increase in turnover
- At least 1,050 more people employed

# 14 Appendix 1

## Profile of Northern Ireland digital media companies 2007-2011

The following table sets out in detail the number of Tier 2 Invest NI exporting companies, details on turnover exports and total employed illustrating the growth of the sector over a three year timeframe.

*\* Some data may have changed from previously published data as a result of a realignment with new SIC codes for the Creative Industries and to reflect active exporters only.*

	Tier 2 companies	No. of companies*	Total turnover*	Average turnover*	Total £ external sales (inc. export sales)*	Total employment	Average employment FT*	
Breakdown of digital content companies by turnover bands	Turnover	2007	4	£304,549	£76,137	£225,985	8	2
	<£100k	2009	17	£839,421	£49,378	£600,569	41	2
		2011	14	£750,762	£53,626	£180,852	24	2
	Turnover	2007	8	£3,062,372	£382,797	£1,269,954	63	8
	£100k - £500k	2009	22	£5,551,085	£252,322	£4,566,489	104	5
		2011	30	£7,753,736	£258,458	£3,722,733	146	5
	Turnover	2007	6	£4,650,535	£775,059	£2,405,357	76	13
	£500k - £1m	2009	14	£9,655,723	£689,695	£6,832,134	167	12
		2011	17	£12,019,839	£707,049	£7,944,759	196	12
	Turnover	2007	8	£19,663,501	£2,457,938	£12,972,788	187	23
	£1m +	2009	11	£18,885,364	£1,716,851	£14,734,783	228	21
		2011	15	£37,943,725	£2,529,582	£24,773,322	325	22
Total by all bands	All bands	2007	26	£27,680,775	£1,064,645	£16,874,084	334	13
		2009	64	£34,931,593	£545,806	£26,733,975	540	8
		2011	79	£58,468,062	£769,317	£36,621,665	691	9

# 14 Appendix 2

## Growth of Northern Ireland digital media companies 2015 & 2020 targets

The following table illustrates the growth of the sector over a three year timeframe, and provides a rationale for targets set for the period 2013-2015. It also suggests that there is potential for the digital media sector to grow to 250 Tier 2 businesses, with turnover in excess of £1m, 80% external sales including exports and for the sector to employ over 4,000 people by 2020.

*\* Some data may have changed from previously published data as a result of a realignment with new SIC codes for the Creative Industries and to reflect active exporters only*

	Tier 2 companies	No. of companies*	Total turnover*	Average turnover*	Total £ external sales (inc. export sales)*	Tier	Total employment
Actual	2007	26	£27,680,775	£1,064,645	£16,874,084	Tier 2 only	334
Actual	2009	64	£34,931,593	£545,806	£26,733,975	Tier 2 only	540
Actual	2011	76	£58,468,062	£769,317	£36,621,665	Tier 2 only	691
Target	2015	121	£107,782,863	£890,767	£86,226,290	Tiers 1 - 3	1,841
Target	2020	250	£287,548,254	£1,150,193	£230,038,603	Tiers 1 - 3	4,000

# 14 Appendix 3

## Policy context

### Europe – European Commission

#### Green Paper – Unlocking the potential of cultural and creative industries, 2011

This Green paper states that if Europe wants to remain competitive in this changing global environment, it needs to put in place the right conditions for creativity and innovation to flourish in a new entrepreneurial culture.

It highlights that the cultural and creative industries (CCIs) represent highly innovative companies with a great economic potential and are one of Europe's most dynamic sectors, contributing around 2.6 % to the EU GDP, with a high growth potential, and providing quality jobs to around 5 million people across EU.

Cultural diversity, globalization and digitization are identified as the key drivers for the further development of CCIs and the challenges include:

- **Putting the right enablers in place by increasing the capacity to experiment, innovate and succeed as entrepreneurs, and providing easier access to funding and the right mix of skills**
- **Helping CCIs develop in their local and regional environment as a launch pad for a stronger global presence**
- **Moving towards a creative economy by catalyzing the spillover effects of CCIs on a wide range of economic and social contexts.**

#### Green Paper - Promoting cultural and creative sectors for growth and jobs in the EU, 2012

This 2012 paper highlights that CCIs account for 3.3% of GDP and employ 6.7 million people (3 % of total employment) in the EU and that between 2008 and 2011, employment in the cultural and creative sectors proved more resilient than in the EU economy as a whole.

This Paper highlights that Europe's international partners already invest a lot in the cultural and creative sectors. For example, the US has been investing in them for decades both as strategic economic sectors and a tool to affirm their presence globally. Others, such as China, South Korea or India, are also making massive investments to boost their economic potential and 'soft power'. To do so, they enter into a global competition for creative talents. For example, in China, public investment in culture has grown by 23% annually since 2007, and plans are to raise the sectors' share of GDP from 2.5% to 5-6% by 2015.

The Paper reinforces key messages from the 2010 Paper and highlights that concerted action is needed in particular in the following key areas.

- **Addressing changing skills needs**
- **Improving access to finance**
- **Enlarging the marketplace: new partnerships and business models**
- **Expanding international reach**
- **Reinforcing cross-sectoral fertilisation**
- **Promoting the right regulatory environment**
- **Facilitating the exchange of good practices and peer-learning.**

# 14 Appendix 3 cont.

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## Policy context

## Europe – European Commission cont.

### Cultural and creative industries

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The EU recognises that there is a need for stronger partnership and planning to help Europe's cultural and creative industries become more competitive, boosting jobs and growth. Notably, the EU recognises that switch to the digital technologies, globalisation and evolving consumer behaviour are among the challenges facing the industry today. For example, creative businesses find it difficult to attract the investment needed to embrace digital technologies – key to lowering production costs and accessing new markets. The European Commission is proposing a range of measures to help, both nationally and at EU level, including promoting skills development and providing investment.

The Commission is calling on EU countries to focus on improving skills and access to finance, boosting competitiveness, expanding exports, and reinforcing links with other industries. At EU level the Commission is proposing to strategically use the

- **1.8 billion earmarked for the next Creative Europe programme (2014-2020) and other existing funds. Plans include:**
- **fostering entrepreneurship by reducing red tape for small businesses, which make up a large segment of the cultural and creative sector**
- **integrating the EU's digital market, for example through a common approach to protecting intellectual property rights and reducing the quantity of counterfeit goods sold via the Internet**
- **promoting networking and the sharing of good business practice across Europe**
- **guaranteeing bank loans to make access to finance easier for creative businesses and organisations**
- **supporting measures to help build audiences, test business models and increase international exports**
- **providing funds for education and training**
- **using a range of existing funds to increase the contribution culture makes to regional and local development, both in urban and rural areas.**

# 14 Appendix 3

## Policy context – United Kingdom

### Department of Culture, Media and Sport's Business Plan 2013 - 2015

The Department of Culture, Media and Sport's (DCMS) Business Plan 2013-2015 sets out the Coalition government's priorities and structural reform programme. In relation to ICT and digital media, the Plan includes the following two key priorities:

Priority 3 Create the conditions for growth: Facilitate sustainable growth in the tourism, media, leisure, creative, communications and cultural industries, including by reforming the media regulatory regime

Priority 5 Facilitate the delivery of universal broadband and improved mobile coverage: Stimulate private sector investment to deliver the best superfast broadband network in Europe and provide for improved mobile coverage by 2015.

Specifically, in relation to digital media, the Plan sets out the following specific actions:

- **Promote the competitiveness of digital media industries.**

Also:

- **The Government's Intellectual Property Office (IPO) will improve the range of products and services available to support UK businesses, particularly SMEs, on issues relating to IP**
- **Publish a guide to public sector IP procurement policy, so that industry exploits opportunities for IP to remain with the private sector provider for reuse**
- **Improve the stock of skills in the digital and creative industries.**

### Digital Britain, 2009

Digital Britain was a jointly commissioned report by DCMS and BIS which sought to position the UK as a long-term leader in communications technology, creating an industrial framework which will fully harness digital technology.

This report aims to be a guide path for how Britain can sustain its position as a leading digital economy and society.

Specifically, in relation to the creative industries, the report suggests that Britain should aim to be a global centre (akin to its status as a financial services capital of the world).

The report highlighted that Britain remains a source of innovation in content and applications disproportionate to the relative global size of its overall economy and that the UK market, rights and regulatory frameworks maintain Britain's place as one of the most attractive destinations for mobile investment in content, applications and services.

Furthermore, government's objective is to see the creation of an effective online download and streaming market of scale, providing content that is highly affordable, easily and conveniently accessible to consumers.

It specifically recognises the need for legislative change regarding IP protection by introducing measures on copyright licensing to tackle illegal file sharing aimed at deterring online copyright infringement.

### Technology Strategy Board

The Technology Strategy Board is an executive non-departmental public body (NDPB), established by the UK Government in 2007 and sponsored by the Department for Business, Innovation and Skills (BIS).

The activities of the Technology Strategy Board are jointly supported and funded by BIS and other government departments, the devolved administrations, regional development agencies and research councils.

The Board's remit is to advise Government on how to remove barriers to innovation and accelerate the exploitation of new technologies. It also works in areas where there is a clear potential business benefit, helping today's emerging technologies become the growth sectors of tomorrow.

# 14 Appendix 3

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## Policy context – United Kingdom cont.

### Creative Industries Technology Strategy 2009- 2012

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This Strategy highlights that the Creative Industries sector contributes over 6.4% of UK Gross Value Added and is growing at a faster rate than the economy as a whole. In 2007, total Creative Industries revenues amounted to some £67.5bn.

Key areas of focus for this Strategy are to:

- **Enable content data and metadata infrastructure development**
- **Improve interoperability and increasing convergence cross-platform**
- **Promote knowledge sharing and multidisciplinary collaboration**
- **Work with others**
- **Exploit emergent opportunities.**

### Creative Industries Council

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The Creative Industries Council is a joint forum between the creative industries and government and was set up in September 2011 to be a voice for creative industries. As such, the Council focuses on areas where there are barriers to growth facing the sector such as access to finance, skills, export markets, regulation, intellectual property (IP) and infrastructure.

It is anticipated that members will instigate industry led approaches to boosting the growth and competitiveness of the creative industries with Government facilitating and removing barriers where appropriate. Action will be taken forward in these areas through the work of a small number of 'task and finish' working groups.

As the policy areas under consideration are largely devolved, the Council confines its remit to England only, working closely with the Devolved Administrations where appropriate.

# 14 Appendix 3

## Policy context – Northern Ireland

### Programme for Government 2013-15

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The Northern Ireland Executive's top priority is to rebuild and rebalance the economy. The Programme for Government (PfG) 2013-15 sets out a Vision for:

“An economy characterised by a sustainable and growing private sector, where a greater number of firms compete in global markets and there is growing employment and prosperity.”

A key priority identified therein to help rebalance the economy is stimulating innovation, R&D and creativity.

The creative industries, at 4.2% of Northern Ireland's GVA and 4.1% of its workforce, offer significant potential to help achieve this rebalance within the economy – with the scope for higher added value and productivity that ICT and creative content production businesses can bring.

Specifically, PfG recognises the potential for growth in the creative industries and specific commitments are:

- **To support 200 projects through the**

Creative Industries Innovation Fund

- **Development of a creative industries hub at Ebrington barracks as part of the actions to ensure the success of the Derry/Londonderry City of Culture 2013.**

### Department of Enterprise Trade and Investment (Corporate Plan 2011 - 2015)

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The strategic aim in DETI's Corporate plan (2011-2015) is wealth and employment creation by promoting the growth of a competitive and export-led economy. Specifically relevant are the rebalancing themes, which include:

- **Stimulating innovation and creativity**
- **Improving employability and the level, relevance and use of skills**
- **Competing in the global economy**
- **Encouraging business growth**
- **Developing economic infrastructure.**

### Department of Enterprise, Trade and Investment - Regional Innovation Strategy (2008-2011)

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The Department of Enterprise, Trade and Investment's (DETI) current Regional Innovation Strategy highlights the importance of innovation as a driver of economic growth and global competitiveness. The imperatives of the strategy include:

- **establishing Northern Ireland as an outwardfocussed and competitive region in the global knowledge economy - with an international reputation for innovation excellence.**
- **encouraging Northern Ireland's businesses to become more innovative and creative in order to compete in the global market**
- **encouraging Northern Ireland Government and the wider Northern Ireland Public Sector to lead by example in championing and exploiting Innovation and R&D**
- **ensuring that the Northern Ireland education system adopts an enhanced role in developing a culture of innovation and creativity and enables people to recognise opportunities in the knowledge economy.**

DETI is currently developing a new Innovation Strategy and the development and growth of the digital media sector in Northern Ireland is likely to be at the heart of this strategy. The themes and actions within this strategy are consistent with the aims of the current strategy and seek to contribute towards improving the levels of innovation and R&D, competitiveness and in ensuring that the educational landscape exists to support growth.

# 14 Appendix 3

## Policy context – Northern Ireland cont.

### Department of Enterprise, Trade and Investment- Northern Ireland Executive Economic Strategy (Priorities for sustainable growth and prosperity) - March 2013- 2015

The overarching goal of this strategy is to improve the economic competitiveness of the Northern Ireland economy. In order to achieve the longer term priority of the strategy, five strategic rebalancing themes were developed. These themes are:

- **Theme 1: Stimulating innovation, R&D and creativity**
- **Theme 2: Improving employability and the level, relevance and use of skills;**
- **Theme 3: Competing in the global economy**
- **Theme 4: Encouraging business growth**
- **Theme 5: Developing our economic infrastructure.**

Additionally, as the recession has had a significant impact on the Northern Ireland economy, in particular on the local labour market, the economic strategy also includes the following short to medium term labour market rebuilding themes:

- **Theme 1: Improving employment opportunities and employability; and**
- **Theme 2: Promoting employment.**
- **Long-term actions**
- **Provide 6,300 jobs in locally owned companies, with 50% paying salaries above the Northern Ireland private sector median**
- **Support £330m of investment in locally owned businesses.**

#### Short-medium term actions

- **Promote 6,300 jobs, 4,000 to be created by March 2014**
- **Move 114,000 working age benefit clients into employment by March 2015.**

### Invest NI's Corporate Plan (2011 – 2015)

Invest NI's Corporate Plan (2011 – 2015) focuses on the key drivers of economic growth:

- **Stimulating Innovation and Creativity**
- **Improving Employability and the relevance of the use of skills**
- **Competing in the global economy**
- **Encouraging business growth**
- **Developing our economic infrastructure**
- **Promoting employment and employability.**

The strategy for the digital media sector outlined in this document reaches into all of the above economic drivers and seeks to contribute to the achievement of the Corporate Plan targets in terms of job creation, productivity growth, export growth and investment. Ultimately the plan seeks to:

- **increase exports**
- **create 25,000 jobs**
- **create £1billion of investment in the local economy.**

### Northern Ireland Executive Draft Investment Strategy for Northern Ireland, 2011-2021

At the request of the Office of the First Minister and the deputy First Minister (OFMDFM), on behalf of the Northern Ireland Executive, the

Strategic Investment Board drafted the Investment Strategy for Northern Ireland 2011–21, which was published in October 2012. The Strategy reflects the Executive's priorities, namely

- **Growing a sustainable economy and investing in the future**
- **Creating opportunities, tackling disadvantage and improving health and wellbeing**
- **Protecting our people, the environment and creating safer communities**
- **Building a strong and shared community**
- **Delivering high quality and efficient public services.**

# 14 Appendix 3

## Policy context – Northern Ireland cont.

In terms of economic support, the Strategy highlights that its next phase of capital investment will target the costs of doing business in Northern Ireland and help to make Northern Ireland more productive and more competitive when compared to other regions. It recognises that good transport and telecoms links, reliable and affordable energy and a schools/college system producing a well educated workforce are essential ‘must haves’ to encourage investment and to help local businesses to grow and compete in an increasingly global marketplace. It highlights that the Executive has delivered investment in cutting edge telecoms connectivity meaning that Northern Ireland now has faster and more reliable access to the global internet than many other competitor regions which is paying real dividends in terms of new jobs.

The Strategy acknowledges the creative economy, highlighting, for example, the decision of major film producers to consider our potential as a production location reflects the very high speed connections from here to post-production facilities on the west coast, USA.

It highlights that supporting investment in Northern Ireland’s telecoms network will ensure that the region keeps pace with developments, allowing local businesses to remain competitive and attracting inward investment.

It also highlights:

- **Investment in the Further and Higher Education estates will help to ensure that the infrastructure exists to deliver high quality courses to create a skill-pool and the research capabilities that are essential to support the expansion of home-grown businesses and also to attract inward investment.**
- **Further ICT developments, including new systems for patient care such as allergy and current prescription information, electronic prescribing in hospitals, GP to GP electronic transfer of records etc.**

### Department of Culture, Arts and Leisure

DCAL is the Northern Ireland government lead on the creative industries encompassing sub-sectors such as: Advertising; Architecture; Arts and Antiques; Computer Games; Crafts; Design; Designer Fashion; Film; TV and Radio; Music; Performing Arts; Publishing; Software/Digital Media.

In 2008 DCAL launched the Strategic Action Plan for the Creative Industries which outlined the main issues and opportunities for the growth of the creative industries in the region. This Action Plan guided the priorities for action of the Creative Industries Innovation Fund (CIIF) which, through the Arts Council, provided funding over 2008-2011 to creative enterprises and sectoral development bodies. CIIF 2 was launched in July 2011 and will provide support over 2011-2015 for innovative development of commercially viable content, products, services and experiences capable of competing in global markets.

In November 2011, DCAL and Invest NI published a Music Industry Strategy for Northern Ireland which outlines the key priority areas to encourage the growth of a vibrant and sustainable music industry. It highlights the importance of building capacity in the local music industry and reinforces the vital role of talent development, innovation, entrepreneurship and the opportunities offered by diverse digital platforms.

Specific DCAL action:

- **To support 200 projects through the Creative Industries Innovation Fund.**

# 14 Appendix 3

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## Policy context – Northern Ireland cont.

### Digital Northern Ireland 2020

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The Digital Northern Ireland 2020 (DNI2020) Advisory Board was set up in 2010 supported by Invest NI and co-exists with DETI, Matrix, WHISPLE and the Digital Network as part of INI's collaborative network programme.

Its vision is to fully exploit the benefits of a digital platform for the Northern Ireland economy to, among others, maximise economic growth and that, by the end of this decade, Northern Ireland will be the world's preferred destination for knowledge economy investment.

Its Study Report, Digital Northern Ireland 2020, has put forward a top level plan for the rapid progression of the Digital Northern Ireland Initiative. This Report highlighted a series of opportunities including business opportunities, community and social opportunities, key strategic projects and opportunities for FDI by significant players. The report also highlights that there are a number of aspects, rather than any single one, which gives Northern Ireland a "pole position" in the race to achieve economic success. These aspects include fibre coverage and availability of high speed broadband, high quality mobile network, dual links to North America from the island of Ireland, high quality university and research centres and lifestyle potential all of which offer potential for, for example, Cloud Computing technology centres.

At the same time, this Report highlights that other nations are investing to achieve similar competitive advantage therefore it is important that Northern Ireland takes a coordinated approach to the exploitation of the full potential available.

The Report also identifies additional investment like infrastructure including fibre extensions and very high speed local access capability which are likely to be implemented using private capital although there is a role for central and local government in supporting progress as well as, in the case of developing capability which provides a competitive advantage, providing financial support.

# 14 Appendix 4

## Support mechanisms

Promoter	Programme	Target audience	Focus/remit
Arts Council NI	Creative Industries Innovation Fund	<ul style="list-style-type: none"> <li>• Sectoral development bodies</li> <li>• SMEs in creative industry</li> </ul>	Aims to stimulate R&D, innovation and creativity in the economy
Northern Ireland Screen	Script Development Grant	Northern Ireland writers and writing teams	Development of feature films and television drama script Funding ranges from £2,250 for individuals developing scripts, to £40,000 for script development companies
Northern Ireland Screen	Slate Development	Northern Ireland based production companies and European companies with staff in Northern Ireland	Funding is available to companies for two or more projects of all genres including pilots and digital content Fund excludes development support for local television output
Northern Ireland Screen	Production Funding	All companies who fulfil criteria	Fund assists to complement the budget and acts as a recoupable loan Applicants will be required to spend a proportion of the total production budget in Northern Ireland – normally 5:1
Northern Ireland Screen	Short Film Fund	<ul style="list-style-type: none"> <li>• Individuals</li> <li>• SMEs</li> </ul>	Designed to assist emerging film makers
Northern Ireland Screen	Skills Fund	Northern Ireland resident individuals	Financial support for those participating in training or screen development courses Funding may be awarded for up to 75% of the applicants total budget, or £2,000 – whichever is lesser
Invest NI	Propel	SMEs	Companies with high growth and export potential Support is based around training, mentoring, networking and salary support grants
Invest NI	Design Clinics	All businesses	Monthly clinics at Invest NI's 5 regional offices One hour advice appointments with design experts
Invest NI	Halo	SMEs at a developed stage of business	Business angel network where SMEs are matched with high-net worth individuals who may wish to invest Companies pitch at Halo meetings and on the private Halo video website
Invest NI	Collaborative Network Programme	SMEs	Launched in May 2012 the Programme is open to all SMEs in Northern Ireland to seek grant funding for advisory services and support services . £2.4m will be used to support SMEs over a three year period
Invest NI	Co- Fund NI	Firms from any sector, excluding coal, steel, shipbuilding	£16m fund delivered by Clarendon Fund Managers Can provide co-investment in deals between £250k - £450k, at a ratio of up to 45%

# 14 Appendix 4

## Support mechanisms cont.

Promoter	Programme	Target audience	Focus/remit
Invest NI	Growth Acceleration Programme	SMEs	Support is based around market research, market development and development of business plans
Invest NI	Skills	All businesses which intend to sell outside NI	Focuses on advisory support and the improvement of management skills Financial support is also available
Invest NI	Research and Development	SMEs	Provision of advice and financial support to help companies with R&D, by means of funding for research and the preparation of a business plan. Links to colleges and universities are also available
Invest NI	IP Protection	SMEs	Provision of advisory and some financial support to help businesses protect their IP
Invest NI/DCAL	Music Industry Support Fund	SMEs Individuals	Proposal to provide mentoring, market development, seminars and events and talent development
Invest NI & NILGOSC	Growth Loan Fund	SMEs with scalable growth potential	Delivered by Whiterock Capital Partners, a growth loan fund providing £5m per annum over the next five years Loans will typically be between £50k- £500k to Northern Ireland applicants
NISPO programmes managed by e-synergy			
Invest NI	Proof of Concept	High tech spin outs from the higher and further education sector	£3m fund running over five years Enables individuals, start-ups and SMEs to establish the commercial potential of a concept
Invest NI	Queen's University Belfast Innovation Fund	SMEs with scalable growth potential	£1m venture capital fund to fund pre-commercialisation spin-out companies Will make a number of investments over a four year period up to March 2014
Invest NI	University of Ulster Innovation Fund	SMEs with scalable growth potential	£1m venture capital fund to fund pre-commercialisation spin-out companies Will make a number of investments over a four year period up to March 2014
Invest NI	Investment Readiness Programme	SMEs Specifically high	Provides participants with the understanding of the investment process, how to prepare for investment and subsequently utilise investment funds to best effect
Invest NI	Invest Growth Fund	SMEs with compelling, high growth business proposals	£5m venture capital fund provided by Invest NI Fund will make numerous seed and early stage investments over a five year period up to March 2014

# 14 Appendix 5

## Overview of salient points from benchmarking

 <b>Republic of Ireland</b>	<p>c. 4,500 people employed in the Digital Media Industry in 2005 – a highly attractive workforce</p> <p>100 companies located in a Digital Hub in Dublin</p> <p>Attractive Government incentives</p>
 <b>Scotland</b>	<p>Employed 42,000 people and estimated revenues of £3.16bn in 2006</p> <p>Robust growth</p>
 <b>Vancouver, British Columbia</b>	<p>1,500 companies in the Digital Media sector</p> <p>Sector employs c.16,500 people and generates \$3bn a year (2010)</p> <p>Large talent pool</p>
 <b>Australia</b>	<p>Estimated worth \$21bn – 9.5% of Australia's GDP</p> <p>Australia has a 1.2% share of the global market</p>
 <b>Estonia</b>	<p>Strong digital culture</p> <p>Developed Skype</p>
 <b>Republic of Korea</b>	<p>Digital media equalled \$4.8bn in 2005 and was estimated to equal \$15.6bn by 2010</p> <p>Readily available finance to fund digital media</p>
 <b>New Zealand</b>	<p>Niche markets in interactive gaming software, film and internet animation and digital publishing.</p>

# 14 Appendix 5 cont.

## Republic of Ireland



### Characteristics of the Sector

Limited evidence on the size of the Digital Media Industry although it is estimated that in 2005, there were 4,000-4,500 people employed in the Digital Media Industry in the Republic of Ireland, with more than half employed in foreign owned companies.

Vision for the Digital Media Industry (2002) was to “develop a world-class Digital Media industry based on the targeted development of a number of ‘clusters’ at the ‘intellectual property’ end of the market, namely enabling technology and high-value media and applications”.

A Digital Hub (a physical building in Dublin) has resident digital media and technology businesses, which avail of infrastructure and support, as well as opportunities for collaboration, networking and knowledge-sharing.

There are circa one hundred companies located in the Digital Hub, directly employing 870 people and approximately 330 contractors, bringing the total number employed by the Hub to 1,200.

### Advantages

**Highly educated workforce.**

**Attractive Government Incentives.**

**Strong ICT culture.**

**Linkage between education and the Digital Media Industry.**

**Building on the above strengths, in 2002, five potential growth sectors were identified:**

- Games
- Digital Libraries
- eLearning
- Business and Consumer Telematics/WirelessServices
- Non-media Applications

### Challenges

**Education, training and skills development required.**

**Access to finance and funding.**

**Infrastructure development.**

**Co-ordinated and targeted development support from development agencies and Government.**

**The need for a Digital Media Steering Group, comprising Government and Industry.**

### Prominent achievements

**Evidence of a growing digital media sector is evident with the following companies operating within this market.**



# 14 Appendix 5 cont.

## Scotland



### Characteristics of the Sector

'Digital Inspiration', a Strategy for Scotland's Digital Media Industry states that "Scotland accounts for approximately 7% of the UK creative industries, and that digital media accounts for approximately 65% of the Scottish Creative Industries".

Growth projected below:

The digital media sector employed 42,000 people in 2006 with estimated revenues of £3.16bn. Scottish games companies, many of them based in Dundee, provide more than 700 high quality jobs and turnover of more than £20m a year.

Growth in the sector has been robust, with employment and turnover increasing by 6% and 35% respectively between 2000 and 2006.

### Advantages

'Digital Inspiration', a Strategy for Scotland's Digital Media Industry states that the strengths of Scotland are:

Good company base with leading business segments.

Research strength in games, infomatics and digital design.

Strategic Focus.

Industry leadership.

Reputation for creative excellence.

### Challenges

Scotland's digital media sector is dominated by very small companies and whilst this can have valuable competitive advantages, the lack of larger businesses is a strategic issue for the sector as a whole.

Linkages between the the company base and research and technology expertise, particularly in the academic sector, are poor, and the uptake of traditional innovation support schemes is relatively low.

There is a need for more project-based finance to meet the needs of start-up and early stage production companies.

Linkages between academia, government and industry have targeted five critical areas:

- Innovation
- Interactive Distribution Platforms
- Internalisation
- Investment
- Infrastructure

### Prominent Achievements

Evidence of a growing digital media sector is evident with the following companies operating within this market.



# 14 Appendix 5 cont.

## Vancouver, British Columbia



### Characteristics of the Sector

British Columbia has over 1,500 companies in the Digital Media Sector, which employ circa 16,500 people and generates revenues of \$3bn a year (Digital Media and Wireless Survey 2010).

In spite of large, prominent players, on average, digital media businesses have fewer than 10 employees.

Sector includes:

- Mobile and Wireless
- Video Games
- Animation and Visual Effects
- Web 2.0 and Social Media
- Interactive Marketing
- eLearning

No formal Strategy in place although the Digital Media Industry in British Columbia (DigiBC) produced a Strategic Paper for Digital Media (2010) to stimulate dialogue with the Government to strengthen and enhance the possibilities for the sector.

### Advantages

Large Talent Pool

Deep domain expertise

Strong sense of digital media community

Strong ties to the film industry

Access to the US market and lifestyle

Strong Entrepreneurial culture

Favourable Tax credits, for example:

- a 30% non-refundable income tax credit for venture capital corporations investing in eligible digital media businesses.
- Early-stage ventures are also eligible for support from a \$90m Renaissance Capital Fund.
- 33% non-refundable tax credit to film or television production companies that incur eligible labour costs in British Columbia (labour costs for digital animation, visual effects and video game development receive 17.5%).

### Challenges

The need to support content creation and the commercialisation of ideas.

Encouragement of FDI.

Access to finance and funding (there is a current lack of venture capital).

Retain and enhance the talent pool (particularly senior management and sales talent with global connections).

Collaboration between SMEs, particularly in terms of accessing government procurement projects.

Improve linkages between academia and industry to develop new talent.

### Prominent Achievements

Evidence of a growing digital media sector is evident with the following companies operating within this market.



# 14 Appendix 5 cont.

## Australia



### Characteristics of the Sector

In 2005, the digital media industry in Australia was estimated at \$21bn, which was almost 3.5% of Australia's GDP and was estimated to employ 300,000 people. It was estimated that Australia had a 1.2% share of the global market and a \$2bn annual trade deficit in the sector.

The average turnover for a business in the Digital Media Industry is just under \$3m per annum and 61% of businesses have a turnover lower than \$5m. While there are a small number of large companies, the industry largely consists of micro firms employing fewer than 15 staff.

### Advantages

Development of an Investment Scoping Forum to bring together industry bodies and firms with investors and other investment groups.

Ongoing work to improve linkages between industry, education providers and government.

### Challenges

Attracting investment and access to finance.

Export performance and international engagement limited due to fragmentation in the sector.

Skills and Training challenges.

Creativity.

Commercialisation of R&D.

### Prominent Achievements

Evidence of a growing digital media sector is evident with the following companies operating within this market



# 14 Appendix 5 cont.

## Estonia



### Characteristics of the Sector

“e-Estonia” is a term commonly used to describe Estonia’s emergence as one of the most advanced e-societies in the world through the successful partnership between a forward-thinking government, a pro-active ICT sector and a tech-savvy population.

### Advantages

Some of the key features of Estonia’s digital culture include:

Wi-fi is available everywhere and has been for a decade;

By 1997, 97% of Estonian schools had access to the internet;

42 Estonian services are now managed mainly through the internet;

In 2011, 94% of tax returns were made online;

Legal documents are enabled to be signed on smartphones;

Estonia has the highest broadband penetration rate of all Eastern European countries; and

The Economic Intelligence Unit Q1 2011 ranked Estonia 5th globally in the government broadband index after only

Sweden and Finland within Europe.

### Prominent Achievements

Evidence of a growing digital media sector is evident with the following companies operating within this market .

Computer and internet access -

Information society infrastructure.

ICT and internet use – in homes and in enterprises.

Competitiveness of the Estonian ICT sector.



# 14 Appendix 5 cont.

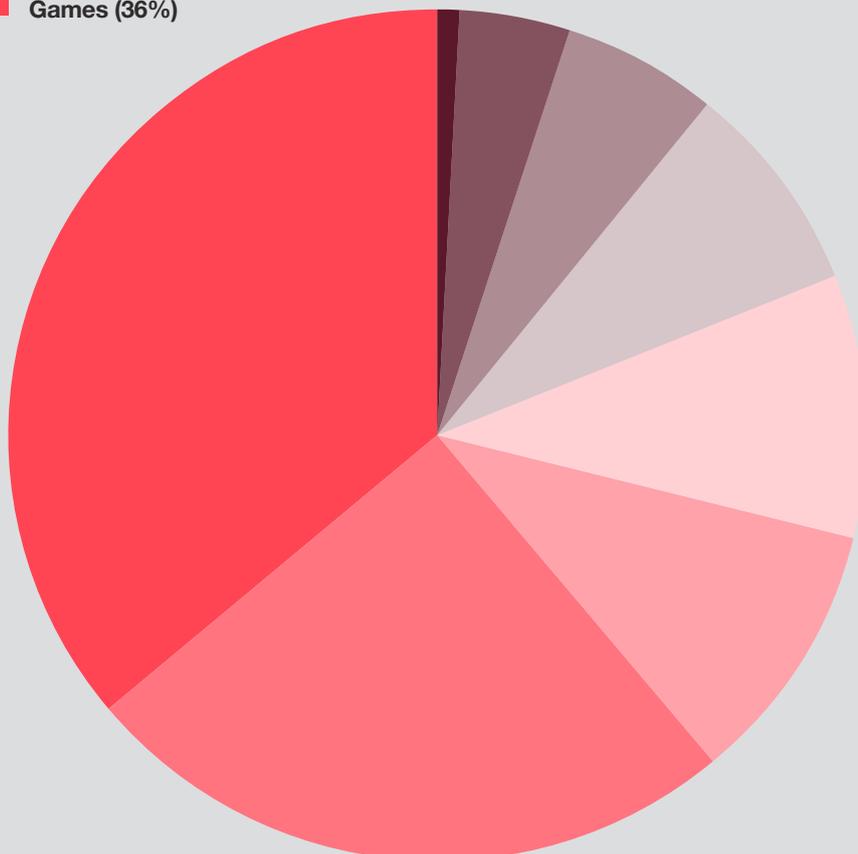
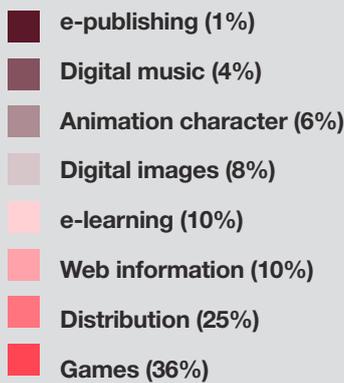
## Republic of Korea



### Characteristics of the Sector

The Digital Media market equalled \$4.8bn in 2005 and was estimated to rise to \$15.6bn by 2010.

The revenue in 2005 (\$8.4bn) was split as follows:



### Advantages

Access to finance, for example:

Support for the production of excellent game content – investment of \$26.2m.

Support for the production and development of cartoons – investment of \$28.3m.

Start-ups in design content, fashion/ design and other new growth engine businesses – investment of \$33.4m.

Appropriate Infrastructure, for example the development of a Film Producer's Zone (i.e. stable film creation pr production space), film centre, game incubating centre and animation centre.

Favourable Tax reductions/ incentives for a range of sub sectors.

# 14 Appendix 5 cont.

## New Zealand



### Characteristics of the Sector

Niche markets in interactive gaming software, film and internet animation, postproduction and special effects, television commercial production and digital publishing.

The screen and digital media sector is highlighted as a growth sector in the New Zealand Government's Economic Growth Agenda and contributed almost \$3bn of gross revenue in 2011.

The strategy also highlights that the sector is ill-defined and narrow and does not include high-value technology areas such as gaming, digital media and software development.

### Advantages

Digital Strategy 2.0 – Smarter through Digital (2008) aimed to undertake the following:

Responding to the infrastructure, security and regulatory implications of Web 2.0;

Facilitating a step-change in broadband performance;

Harnessing digital technologies to transform the economy, through supporting digital research, innovation and commercialisation and through working with SMEs to increase ICT uptake and smart use;

Bringing everyone on a digital journey, through a nationwide network of digital hubs, digital literacy for all and a continued focus on supporting community initiatives; and

Transforming government, by making the back office and frontline services (in particular health and education) more effective, responsive and productive while protecting the privacy and security of personal information.

### Challenges

Facilitate cross sector collaboration

The need to develop and commercialise leading edge technologies, production and management processes

Increase sector infrastructure and improve capability and capacity

The need to ensure a sustainable quality of supply of talent to meet demand

Implement a robust sales and marketing approach for the sector

### Prominent Achievements

Evidence of a growing digital media sector is evident with the following companies operating within this market



# 14 Appendix 6

## Research reports

### Access to Finance for Creative Industry Businesses

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BIS and DCMS commissioned research to analyse the extent to which businesses in the creative industries (CIs) found it harder to raise finance, before and after the credit crisis, compared to otherwise similar businesses in other sectors of the economy.

The research reported that creative industries businesses (CIBs) in Software and Other Creative Media sectors (consisting of Publishing; Video, Film and Photography; and Radio and TV) are more likely to have their finance applications rejected by finance providers than non-CIBs with similar risk profiles. In contrast, CIBs in Music/Visual Performing Arts (Creative Media sectors) and those in Creative Service sectors (Advertising and Architecture) experienced rejection probabilities similar to those of comparable non-CIBs.

The report indicated that “The evidence therefore points to market failures being more acute in the supply of finance to Software and Other Creative Media sectors”.

The research also indicated that owners of CIBs in Other Creative Media sectors are more likely to feel discouraged than owners of non-CIBs with similar risk profiles in applying for finance in the first place because they believe they will be rejected.

The report made a series of recommendations for consideration by Government:

- **Government should consider whether there is more that could be done to encourage better access to finance for CIBs, in particular addressing the issues facing CIBs in Software and Other Creative Media sectors as their problems are greater than those affecting other comparable businesses.**
- **The priority for policy makers should therefore be to facilitate good access to overdrafts, leasing and hire-purchase agreements and term loans.**
- **Policy options that make lending to these CIBs a more attractive proposition to finance providers could be considered to overcome finance providers’ greater risk aversion towards Software and Other Creative Media sectors.**

- **Government should work with investors and businesses to ensure funding opportunities are visible and accessible, including business angels who will also help to play a part in the provision of finance to CIBs.**
- **There is a need to increase the number of investors with CI sector specific knowledge.**
- **Mentoring from business angels (i.e. experienced mentors from the creative sectors) and independent financial advice may help CIB owners seeking equity finance with writing business plans and improve their pitching skills.**
- **Government should improve the way in which funding sources are profiled and promoted to CIBs, and should consider whether an on-line specialist funding guide may help.**

### Sector Skills Assessment for the Creative Media Industries in Northern Ireland, 2011

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The Sector Skills Assessment for the Creative Media Industries (CMI) in Northern Ireland highlights that the CMIs are a major contributor to NI’s economy and that creative media employers remain confident that they will grow at a faster rate than the wider economy in the next years, especially for export focused activities.

The report indicates the number of people working in the CMI has increased substantially since 2006 and now stands at approximately 10,900 people. Furthermore, there are an estimated 700 CM companies in NI, of which approximately 200 are digital media type companies.

In terms of digital media businesses, the Assessment report indicates that most of these businesses are small and that this stops economies of scale being created which means that development opportunities are scarce and insufficient development is therefore conducted. In addition, the global opportunities presented are beyond the scope and scale of most single companies therefore alliances and partnerships will be required.

It also highlights that many digital media businesses have been set up by young highly educated entrepreneurs who often lack business experience and have little knowledge of sales, marketing, accountancy and other business skills.

The report highlights the following skills gaps and shortages:

- **Technical Skills e.g. Programming Languages, Design Skills for animation and web, Infrastructure Management, skills relating to building Games, User Interface Design, and programming. Other skills gaps include: sales and marketing skills (68% of employers), creative talent (60%), using software packages such as Photoshop, Avid and Final Cut Pro (57%), leadership and management (56%) and multi-skilling (52%).**
- **Multi-skilling: an understanding of different technology platforms and their impact on content development and digital work flow, and new approaches to working in cross-functional creative / technical teams within and across companies.**
- **Multiplatform skills: the creative and technical skills to produce content for distribution across all potential platforms, and the ability to understand and exploit technological advances.**
- **Management, leadership, commercial acumen and entrepreneurial skills: project management for multi-platform development; the hybrid skills combining effective leadership with innovation, creativity and understanding of technology, and the analytical skills to understand audience interests and translate it into business intelligence.**
- **IP and monetisation of multiplatform content: understanding of intellectual property legislation to protect from piracy, and exploiting intellectual property internationally to take full advantage of emerging markets - with particular focus on the ability to deal with the problem of illegal downloading and copyright infringement.**
- **Archiving: archiving of digital content being an area which is attracting increased attention as a challenging issue for the future.**
- **Sales and marketing: being particularly important in digital media sectors.**
- **Diagonal thinking: the ability to tell great stories, then know how to monetise those stories to the best effect utilising media that cross platforms and territories well. There also needs to be particular recognition of the needs of the freelancers upon whom so much of the Creative Media Industries depend. The report also indicates that there are challenges in building and retaining skills in Northern Ireland as too many courses are too far behind industry and so not teaching relevant material. Furthermore, a mismatch between applicants' skills to the needs of the job means that employers tend to prioritise experience in work over academic qualifications. There are some caveats or restrictions on this data, namely that key elements of the CMI sit in broad classifications that include activity outside of CM, and that official data sources generally exclude freelance labour pool.**

# 14 Appendix 7

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## Stakeholders and companies invited to contribute to the development of the strategy

### Organisations

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360 Productions	Green Inc
AirPOS	InLifeSize
Arts Council for Northern Ireland	ION
Aurion Limited	Jampot
Banbridge District Council / SEED Region	Learningpool
BBC NI	Mammoth
Being Communications	Mediasmiths
Belfast City Council	Momentum
Black Market Games	Net Cohesion
Belfast Metropolitan College	NI Screen
Colleges NI	NORIBIC
Crafty Devil	Repknight
Creative and Cultural Skills	Rumble Labs
Creative Skillset	Sixteen South
DCAL	West College
DEL	Straandlooper
DENI QUB	Troll Inc
Derry City Council	University of Ulster
Digital Derry	UTV Media PLC
Design by Front	Waddell
Design Zoo	Yellow Branding Limited
Smalltown America	Yellowmoon Post Production
DETI South	
DETI	
Digital Circle	
DigitalNI 2020	
Dog Ears	
Doubleband	
DSD	
Ecliptic Labs	
Fast Forward	
Fleming Steele	
Flickerpix	
FordeCampbell	
GCD Technology	

# 14 Appendix 7 cont.

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## Stakeholders and companies invited to contribute to the development of the strategy

### Workshop attendees (26th September 2012)

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Brendan Mcgoran	Belfast City Council
Jonathan Hegarty	BMC / Head of School Electrical, Electronic and Computing Technologies
Stephen McGowan	DCAL
Ciaran McGarrity	DETI - Innovation
Matt Johnston	Digital Circle
Ross Graham	Fast Forward
Ian Graham	Momentum
Barney Toal	NORIBIC
Carol Viney	South West College
Derek O'Hara	Sectoral Branch, DEL
Conann Fitzpartick	InLifeSize
John Farren	360 Productions
Martin Neill	AirPOS
Maureen Murphy	Aurion Limited
Barry Kelly	Aurion Limited
Charlie Brown	BBC NI
Lee Fallon	Black Market Games
Eric Reinhart	Black Market Games
Paul McKeever	Design by Front
Paul McIlvaney	Learningpool
Niall Duffy	Mediasmiths
Colin Williams	Sixteen South
Alastair McIlwain	Straandlooper
Darragh Lydon	Troll Inc
Mark Quinn	Troll Inc
Brendan Mallon	UTV Media PLC
Matt Johnston	Digital Circle
Rory Campbell	FordeCampbell

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