The West Midlands' Digital Media sector – a cluster approach

Executive Summary

This paper has been written on behalf of representatives from the West Midlands' Digital Media[†] Cluster Opportunity Group – an industry-led group that has met regularly since 2003.

The paper outlines the importance of this particular sector to the UK economy and in particular, how the West Midlands is successful at utilising a clustering approach. It includes recent data on the scale and scope of the sector and the continued growth shown in employment by companies based in the region.

Evidence suggests that this growth continues despite the recent economic downturn. Employment has grown in the audio-visual sector as has new firm creation. The value to the region's economy continues to outperform larger sectors.

In demonstrating the continued value of an independent industry specific advisory group the paper outlines how the Digital Media sector is playing an increasing important role in supporting innovation across both the public and private sector.

That role will only grow in scope and scale and companies wishing to exploit opportunities in this space would benefit from the overall strategic vision and industry intelligence that this group offers

In the current climate where business support policy is being reshaped and support mechanisms rethought, this paper strongly makes the case for those groups forming new partnerships to draw on the existing expertise of the West Midlands Digital Media Cluster Opportunity Group.

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1. Digital Media Cluster – Overview

- Digital Media is one of the region's dynamic clusters with strong growth opportunities in film and video, TV and games. As the convergence between audiovisual, interactive and communication technologies becomes more mainstream, the cluster has opportunities to develop new products and services for these markets.

- The Digital Media cluster is one of 11 within the West Midlands that have brought together important markets where the Midlands has strengths.

- Since 2003 an industry-led group has provided the cluster with overarching guidance and strategic direction to projects that make on-the-ground delivery programmes work.

- Current successful projects include:

  4iP Digital Media Fund - A partnership fund with Channel 4 for development of innovative digital content for use as public services. It is aimed at TV, Film, Animation, Games, Web development/social media and related industries. It is put out through the regional industry networks (Animation Forum, Game Central, Producers Forum, Social Media Cafe and Creative Republic.). Over 2000 companies are involved

  Serious Games Institute - Based at Coventry University, the Institute is focused on the use of interactive games technology to do more than merely entertain. The Institute concentrates on games research and usability testing. It supports growth in industry applications of this technology to reinforce UK market share across industries.

  Human Interface Technologies Lab (HIT Lab) - Currently under development as a joint proposal between EPSRC, TSB and HIT Lab. A centre that will specialise in commercialising cross-discipline human interface technologies, affiliated to an international network. It will work across a wide range of application areas, particularly Healthcare and Creative Industries.

- Overall the Digital Media cluster has delivered a successful programme of sectoral development, building links between pivotal businesses, with the knowledge base and other organisations, accelerating new product development, new market entry, and supply chain development.

2. Digital Media Cluster – Context

Since 1999 the West Midlands has had an industry group focused on supporting and developing media-related aspects of the Creative Industries.

This 'Business Growth Task Group' developed into a wider group working to a set agenda on developing a cluster approach to growing the region's media sector[‡]. The clustering model allows for firms to compete, as they would naturally, yet co-operate at a strategic level to ensure that when major opportunities come along they are able to respond.

Utilising the notion of clustering has been a key element of national economic policy since the late 1990s and has been successfully used within the West Midlands to both support declining sectors to diversify and to accelerate growth in emerging sectors, of which Digital Media is a key one.

Set up by the regional development agency they were responsible for agreeing strategic priorities, ordering studies, building on existing best practice projects, developing strategic action plans, considering bids for funding and reporting on progress. They matured into effective conduits of industry feedback and intelligence shaping and making the programmes which affected their sectors.

Since 2003 the cluster group has played a key role in shaping public sector intervention and helped direct spend and produce outputs indicated below:

- **£4.8 million** of Regional Development Agency funds, leveraging in **£2.8 million** of EU funding.
- **£14.7million** of outputs generated by projects funded by the Cluster Opportunity Group
- **226% return** on investment.
- **184** new jobs safeguarded
- **54** new businesses created or attracted to the region
- **832** businesses assisted to improve their performance
- **140** collaborations with the knowledge base

[‡] A 'Cluster', as conceptualised by economic theorist Michael Porter. is defined as a geographic concentration of interconnected companies, specialised suppliers, service providers, firms in related industries and associated institutions.

The cluster has produced two strategy documents to date. In 2004 (for 2005-2008) and in 2008 (for 2008-2011), both identifying target sub-sectors for support. Through these strategies the region has developed a particular expertise in Serious Games and in Digital Media.

These strategies provided the strategic template to allow for the diversification of those companies whose business models were under threat from new ways in which consumers interacted with digital media.

3. Digital Media and the Creative Industries - statistics

The role of the Creative Industries, of which Digital Media is a key element, is now widely recognised as being vital to the future economic growth of the UK economy. The last economic estimates for the creative sectors in the UK (published January 2010) puts them growing at 2% above the rest of the economy, accounting for 6.2% of Gross Value Added (GVA) and responsible for 4.5% of exports.

The relatively high GVA of the creative sectors means that despite their relatively modest size in terms of employment and number of firms (see tables in appendix) they are seen as 'punching above their weight' in economic terms.

In 2007 a report called 'Making The Business Case', funded by Birmingham City Council, commissioned by the Creative Birmingham board, articulated Birmingham's case for continuing to recognise the importance of the CIs: "Birmingham's creative industries are important to its economy. They generate real jobs and income and respectable amounts of GVA." They cited that the sector was worth £1bn or 8.7% of the city's GVA.

An updated report by Burns Owen Partnership was commissioned in 2009 and although it noted a slight decrease in many areas of the Creative Industries there was a rise of 10% in the number of firms in the audio-visual sector, the sector that falls within the remit of the cluster. There were about 20,000 workers in the creative sector in the city but national trends suggest the same number again work in creative occupations in 'non-creative' firms.

Looking wider to the West Midlands, an earlier report for the cluster by Burns Owen Partnership (2007) noted the continued rise of the Computer Games sector and its importance to the Warwick, Leamington and Coventry areas. In employment terms the mix of major (Codemasters and Blitz) and smaller firms that co-exist were responsible for 20% of all games employment in the UK.

Since that report Birmingham has started to have a more significant role in this sector with the move of Microsoft's Rare Games to the Fazeley studio complex in Digbeth. The report describes the cluster as being a:

> *"dynamic sector, exhibiting strong growth in business formation, a skilled and highly educated workforce, and high levels of innovation – particularly around the emergence of new, digital technologies."*

4. Working with the Knowledge Base

The cluster has a good track record in working closely with the region's universities. Birmingham City University (BCU) has run two successful projects for the cluster, Digital Central (2005 – 2008) delivered a wide range of sector support including networking events and showcasing. The Music For Media project utilised expertise within the university's world-class Conservatoire to upskill musicians in the latest software.

The New Technology Institute (NTI) at BCU has worked in partnership with Screen West Midlands to deliver 'Gamer Camp', supporting the skills development of the next generation of games designers.

Coventry University has played a key role in diversifying the games industry by creating the Serious Games Institute and incubating new digital firms. Along with BCU, Warwick and Birmingham Universities it worked on the Interactive Digital Media project which supported new developments in serious games and mobile digital content.

Collaborations between University of Birmingham and the region's major independent producer, Maverick Television, saw the development of an innovative internet TV channel to promote science, which

Maverick also worked with University of Warwick to secure a major contract with the regional health authority for a new health television service.

There is much evidence that local firms make full use of university facilities across the region. Motion capture technologies at Coventry, Staffordshire and Birmingham City Universities are all utilised by Digital Media firms that otherwise wouldn't be able to afford access to such facilities.

5. Regional Innovation

The cluster has been instrumental in placing Digital Media at the heart of the innovation agenda. Digital Media was a focus area within the region's Innovation Technology Council and is now part of the region's Science City agenda. A partnership of SMEs, the public sector and universities are developing ideas for Science City demonstrator projects utilising European funding.

Many universities represented by the cluster work on relevant European projects, not just those connected with developing new digital products and services but also policy projects aimed at ensuring Birmingham and the West Midlands' influence is felt across the EU area.

6. View from Industry

In June 2010 business leaders within the Digital Media Cluster Group responded to a questionnaire about how the challenges they faced going forward and how the cluster should respond to these. Below are their responses:

- For micro-companies, growth finance, market awareness, opportunity identification inwards and outwards are the key challenges going forward.
- Management skill for sustaining the growth of knowledge based small to medium sized companies.

- The challenge to small regional businesses is to produce cost effective content that is profitable on medium volume sales.
- Seeing the economic crisis as an opportunity rather than only a challenge requires companies to work together more than before to ensure a 'critical mass' of digital production in the region. It will also need brokers to marry content providers with appropriate technical providers.
- The split between creative and infrastructure is massive and requires very different expertise. I think there's a job to be done in making it clear what content people require from the infrastructure side of things.
- A focus on supporting other sectors is important as there is increasing crossover and opportunity for creative digital companies and the two way awareness is vital.
- Creative SMEs need a voice, so other sectors need to know they exist. The cluster needs to be involved in the wider digital agenda.
- Infrastructure is vital to the sector. Selling to other sectors is sensible. We need fast reliable symmetric bandwidth.
- The advantage that a strong digital cluster gives to other sectors is only just starting to emerge. That the Midlands is at the cutting edge could pivotally affect infrastructure. The focus should remain on representing creative digitals, but there should be an outward facing focus too that persuades others that we are part of the foundations of the region

7. Future Development

The case for there to be an economic focus on ‘digital’ is stronger than ever. Yet there is much still to do to ensure that progress made to date is further accelerated to support the shifting economic base of the region as a whole.

Birmingham in particular has good reason to continue with its focus on a digital sector. The success of Fazeley Studios in Digbeth is one example of the way in which small creative digital media firms can be attracted to the city.

The support of the regional screen agency, Screen West Midlands, has played a key role in investing in the sector and supporting networking amongst firms. Their investment, funded in part by Advantage West Midlands and strategically guided by the work of the cluster, has been vital in helping new digital products and services reach their markets.

Although some firms within this cluster have a key role to play as part of the city and region's cultural offer, it is vital that this sector - a vibrant industrial sector - does not get articulated as part of the subsidised Arts sector. In Birmingham the most significant contributor to Creative Industries value has been the Software and Computer Games sub-sector (35% of Gross Value Added).

It should be recognised that future work for local digital firms is as likely to come from them focusing on customers in the public sector as it is from commercial markets. Recent collaborations between Birmingham City Council's Library of Birmingham project and a range of local SMEs has demonstrated the value of digital firms broadening their customer base.

The cluster has a key role to play in this space, just as it has worked effectively in utilising funding for overseas promotion in collaboration with UKTI (UK Trade & Industry). Indeed those tasked with promoting the region overseas see having a vibrant Digital Media sector as a key regional asset.

8. Recommendations

This paper has outlined the way in which the Digital Media Cluster Opportunity Group has played a highly effective role in supporting and accelerating growth in this sector.

The cluster group would make the following recommendations in the light of the upcoming re-organisation of public sector support for business and enterprise:

- That the Digital Media sector is confirmed as a valuable high-growth part of the economy at city or region level.
- Continued strategic support is important for this sector if it is to continue that growth and is absolutely vital for economies that are looking to diversify away from low value added sectors.
- The experience within this Cluster Group would be invaluable to any new grouping. We would recommend that this expertise should be taken forward into any new organisation.
- New approaches to supporting this sector should recognise the value of brokering links between SMEs and the public and education sectors. There is much experience in this cluster group in working in that way.
- Clustering is now a firmly developed aspect of economic development policy. Any new group should consider incorporating clustering as a key model to ensure future growth and development.
- Our vibrant Digital Media sector has a role to play in promoting the region's knowledge economy to support inward investment. Recognising the calibre of incumbent Digital Media firms is important in attracting creative individuals and firms to the region.

The Digital Media Cluster Group is keen to work with groups forming Local Economic Partnerships. The Group recommends this document to them to inform their discussions coupled with our offer to work with them as they form their new groups.

Links:

Cluster page on the AWM website:
http://www.advantagewm.co.uk/working-with-us/business-clusters/screen-image-and-sound.aspx

Cluster Plan 2008 – 2011
http://www.advantagewm.co.uk/Images/SIS-CLUSTER-PLAN-1March08_tcm9-11989.pdf

Presentation on the Digital Media Cluster (2008):
http://www.slideshare.net/digitalyoyo/digital-cluster-sme-strategy

Making the Business Case (report on Birmingham's Creative Industries – 2007):
http://bit.ly/bhamcicase2007

Burns Owen Report for Screen, Image, Sound Cluster:
http://bit.ly/sisclusterreport

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September 2010

Appendix – economic data tables (from 2009 Burns Owen report for Creative Birmingham Board)

Creative industries' share of overall employment in Birmingham, 2003-07

	2003	2004	2005	2006	2007
Creative industry jobs	19,920	21,150	20,010	19,770	18,720
All jobs in Birmingham	488,262	492,107	496,150	482,178	479,821
% of total	4.1%	4.3%	4%	4.1%	3.9%

Numbers employed in micro (1-10 staff) businesses by domain, 2003-07

	2003	2004	2005	2006	2007	% change
Audio-Visual	2210	2110	2090	2400	2430	10%
Books & Press	1380	1420	1380	1200	1220	-12%
Performance	370	260	360	390	330	-11%
Visual Arts & Design	1670	1870	2060	2190	2340	40%
Total	5630	5660	5890	6180	6320	12%

Creative industry employment as a share of the total, Core Cities, 2007

	CI employment	all employment	% of total
Bristol	12,070	227,020	5.3%
Manchester	15,090	309,440	4.9%
Leeds	19,840	407,190	4.9%
Newcastle	7,520	174,900	4.3%
Birmingham	18,720	479,820	3.9%
Sheffield	8,810	248,430	3.5%
Liverpool	7,930	226,430	3.5%
Nottingham	6,330	184,720	3.4%

GVA figures for Birmingham's creative sector, 2003-07

	Creative Sector GVA
2003	£688.8m
2004	£853.1m
2005	£753.1m
2006	£631.3m
2007	£663.8m