



Co-funded by the
Erasmus+ Programme
of the European Union



Financing. Opportunities and Risks

Theme 2.6



The European Commission's support for the production of this publication does not constitute an endorsement of the contents, which reflect the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

Contents

- I. Specifics of the CCIs regarding economic value and value generation
- II. Value-creation cycle and relations to other industries (cross-sectoral monetization)
- III. Sources of funding
- IV. Budgeting and pricing
- V. Financial sustainability
- VI. Opportunities and risks
- VII. Suggested readings



Specifics of the CCI regarding economic value and value generation

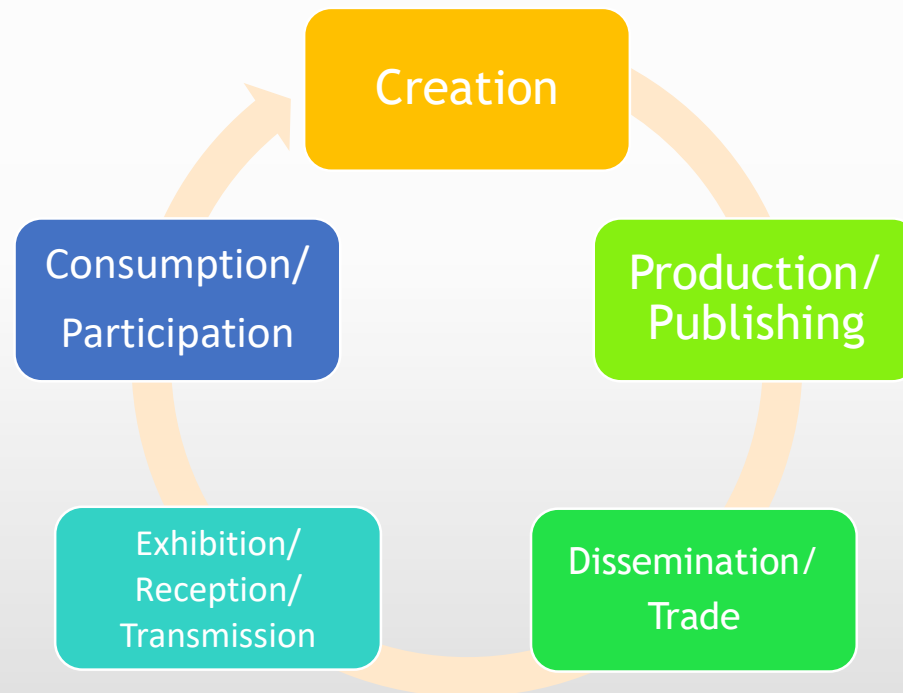
- 💡 Until 2020, the CCI were **comparable** to the sectors of Information and Communications Technology (ICT) and Accommodation and Food Services (A&F)
- 💡 **Survival rates** of CCI enterprises after 1, 3 and 5 years of existence are **similar to** the ones in the ICT and A&F (even higher for the 3- and 5-year term than in A&F)

- !! **2,7 employees on the average** before 2019, versus 5,73 in the ICT and 5,86 in the A&F
- !! **Segmented structure**, much space for networking and hubs, susceptible to macroeconomic shocks





Specifics of the CCI regarding economic value and value generation



Source: (United Nations Educational Scientific and Cultural Organisation, 2009)



Value-creation cycle and relations to other industries (cross-sectoral monetization)

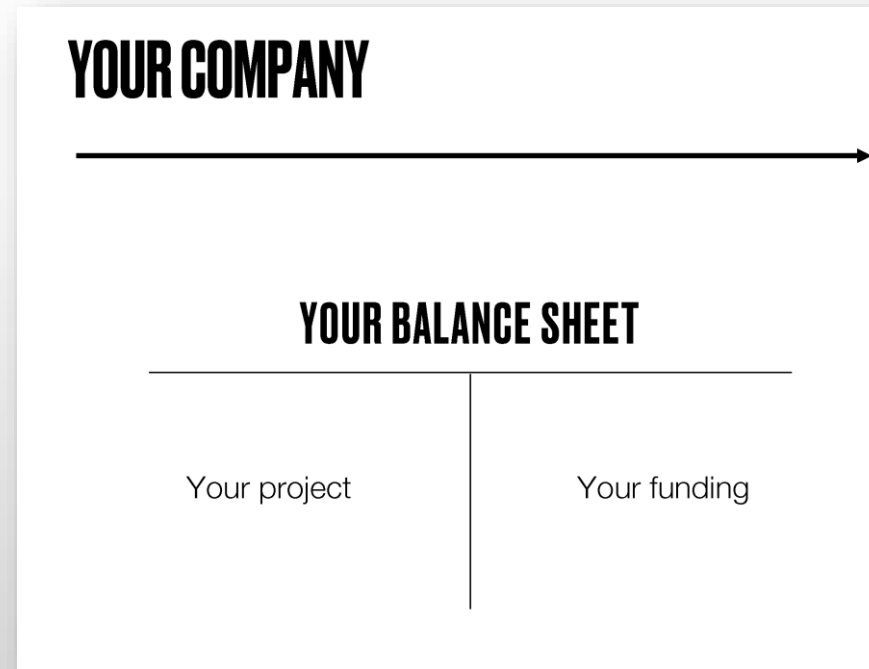
-  **Interdisciplinarity** - the value of the integrated product is higher than the value of the elements.
-  **Experience economy** – networking, communication and sharing
-  **Digital orientation, innovation and entrepreneurial mindset** - the spill-over is higher in more diversified communities





Sources of funding

Profit vs. non-for-profit



Source: (European Investment Fund, 2019)





Sources of funding

Public Funding/State Support

Project-based funding/grants

Philanthropy and angel investors

Business incubators/accelerators

Crowd-funding

Loans and credits

Earned income

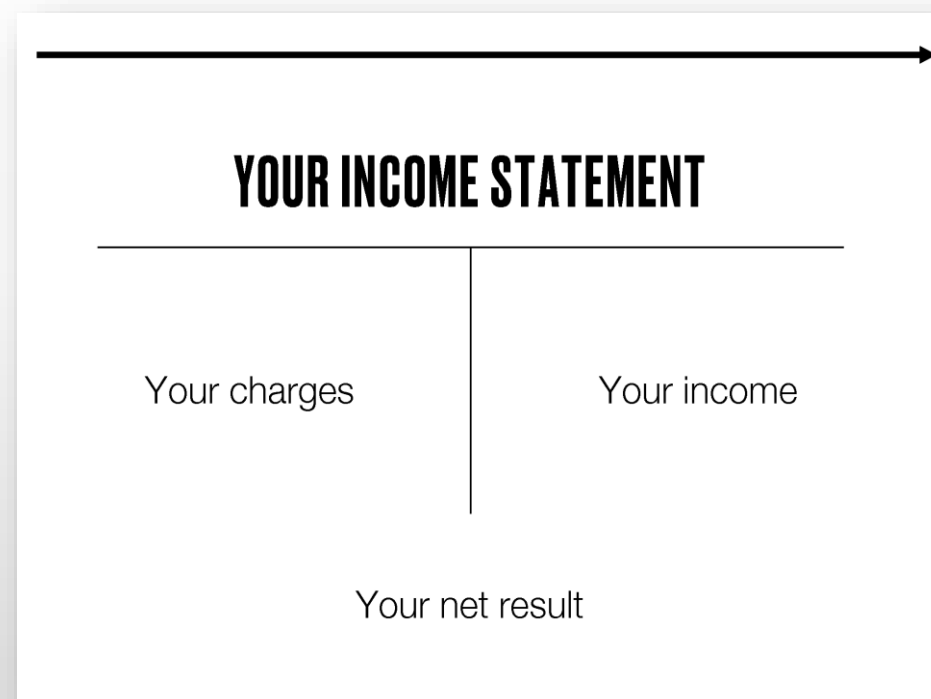
Equity/Shares

Self-financing





Budgeting and pricing



Source: (European Investment Fund, 2019)





Budgeting and pricing



Business entities – brings profit to the owners/shareholders, i.e. the mission of the enterprise it to increase the financial resources => Business activities



Non-for-profit entities - create a product or service for the profit of society and not economic profit => Non-for-profit activities





Budgeting and pricing

The break-even point is

- ✓ where income is equal to charges
- ✓ the dividing critical point between profit and loss.

$$(A \times P) + I - C \geq 0$$

A = those attending who buy tickets (in other words, the number of tickets sold)

P = average ticket price

A x P = ticket sales income

I = other income besides ticket sales (e.g. grants, donations for the performance, state support etc.)

C = charges or expenditure

The prices of an emprise's product or service should be calculated in such a way so that the break-event point is ≥ 0 !





Financial sustainability

- 💡 **Financial sustainability** is achieved when an enterprise is selling a product or service at a price that **not only covers the expenses but also generates a profit.**
- 💡 The **profits** allow the enterprise to enlarge **particularly** when part of it invested back into larger productions, better facilities, more performers and co-creators and so on.
- 💡 In the **non-for-profit entities**, the surplus which remains at the end of a project or a period is **reinvested back in total in order to allow the organisation to stay independent from external funding** (donations, sponsorship, loans, etc.) and develop initiatives at its own discretion or free for the audience.





Some opportunities and risks

- 💡 All CCI sectors grew over a 6-year period with up to 4% before 2020 - with video-games, advertising, architecture and music being the leaders
- 💡 The strongest growth was experienced in Eastern and Central Europe
- 💡 Over 80% of internet users in the EU used the Internet for music, videos and games (and not so much for shopping or social networking)
- 💡 The innovative potential of the CCIs has been extremely high
- 💡 It is common of the CCI enterprises to perform for-profit and socially benevolent activities – and access public funds

- !! CCI market is highly fragmented market and depends on the culture and languages of different peoples and generations
- !! The fast-runners in central and Eastern Europe were hit and lost most
- !! Social distancing measures lead to increased consumption of digital content but decreased consumption of paid digital content
- !! Increase in on-line subscriptions but a decrease in on-line advertising
- !! Lack of uniform statistics and qualitative analyses for all EU Member States





Suggested readings

- ✓ **The CulturEU Funding Guide: EU Funding Opportunities for the Cultural and Creative Sectors 2021-2027** (2021), European Commission
- ✓ **Rebuilding Europe – The Cultural and Creative Economy Before and After the COVID-19 Crisis** (2021), EY Consulting, European Grouping of Societies of Authors and Composers (GESAC)
- ✓ **Be Creative - Call the Bank: Cultural and Creative Sectors Guarantee Facility** (2019), European Investment Fund
- ✓ **Capacity-building in the Cultural and Creative Sectors Guarantee Facility: A guide to assessing loan applications from CCS SMEs** (2019), European Investment Fund





Co-funded by the
Erasmus+ Programme
of the European Union



FENICE: Fostering Entrepreneurship and Innovation in Cultural and Creative Industries through Interdisciplinary Education is co-funded by the Erasmus+ Programme of the European Union.

The project is an initiative of 5 academic and research institutions:



www.fenice-project.eu

The European Commission's support for the production of this publication does not constitute an endorsement of the contents, which reflect the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.