



## Closing the gap between investors and the creative industry

The creative industry has a hard time attracting investors because most investors see the creative businesses as too risky investments. But they have not gotten the right idea about the industry and its potential: The FAME<sup>1</sup> workshops held in Copenhagen and Heidelberg have raised awareness of several challenges such as a lack of allocated funds for the Creative Industries or a lack of business skills among creative entrepreneurs based on first-hand experiences.

Despite the financial crisis raging across Europe, musicians, designers, game developers and many others in the creative industry have been able to create economic growth and maintain a good level of jobs<sup>2</sup>. Thus, the creative industry is full of potential, but still have great difficulties attracting investors.

“The problem is that most investors simply don’t know the creative industry very well and have a lot of prejudices against the sector. It is not that they do not see the potential in the sector. It’s more that they feel out of depth,” says Allan Rasmussen, Investment Manager at CAPNOVA A/S.

### Difficult to value

It is not a problem that it can be difficult to value an investment in a creative business. It is just a question of adapting the investment model to accommodate a number of challenges. Indeed, when CAPNOVA started to invest in computer games in 2006, the investment model used was the one utilize in the health or the cleantech sectors. After a few years of experience, this investment model has been adapted to the specificities of the gaming industry.

Today, this investment model got the seal of approval thanks to the FAME coaching workshop organized in Heidelberg, when Allan Rasmussen had the opportunity to present it to prestigious international investors such as Laura Kilcrease founder and Managing Director of Triton Ventures in USA.

### Investors must be empathic

However, it is not only the investment model that needs a lift when investing in the creative industry, investors need to take on a more empathetic role with the entrepreneurs.

The creative industry has a reputation for being a hit or miss market and the entrepreneurs have a reputation for being unstructured and difficult to work with. This alone can scare investors off. To some degree, the sector’s reputation is true. Some of the entrepreneurs are unstructured and don’t quantify their businesses, but that does not mean it is not worth investing in them. You just have to change your approach as an investor. “Let the entrepreneurs be unstructured to maintain a constructive working relationship and your credibility as an investor,” says Allan Rasmussen.

### Quantification : A new and different approach

The FAME proposition paper is stressing that on one hand it is important for the Creative Industries to quantify their businesses and on the other hand it is important for the investors to educate themselves about the emerging industries.

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<sup>1</sup> FAME is an EU initiative funded by the EC, DG Enterprise and Industry. Its aim is to facilitate access and mobilise European finance for growth of creative industries. The partners are FILAS, CKO, CAPNOVA and BWCON

<sup>2</sup> States Allan Rasmussen, Investment Manager in CAPNOVA

In general, policymakers have been focusing on defining creative industries by their sub-sectors. However, when estimating the 'investability' of a Creative Industry company, it is much more relevant to define its capital needs, business models and preconditions rather than its sub-sector.

Thus, 'investability' does not necessarily fall in line with sub-sector characteristics.

## Conclusions

FAME workshops have created awareness of several challenges based on first-hand experience as well as many ideas to how to solve some of these challenges.

In order to attract investors and financing to the Creative Industries it is crucial to understand that the CIs are very different from each other with different business models and that investors typically are interested in one sub-sector of CI. Furthermore, even within these sub-sectors, the level of a company's 'investability' may vary quite a lot due to differences in capital needs, business models and other preconditions.

The participants of the workshops have highlighted the importance of creating a community for investors and CI stakeholders where knowledge exchange and further specialization could take place. In order to increase the access to finance it could be useful to strengthen regional hubs focusing on specific subsectors and to connect them to each other on a cross-border level.

The final FAME conference will be held in Rome on the 2<sup>nd</sup> and 3<sup>rd</sup> October.

