



Impact through creativity

Investing in a new economic force for Australia

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Creativity can fundamentally impact people, shape public discourse, and be a catalyst for change.

Many in the creative industries and wider community see COVID-19 as a burning platform for sector change. However, the pandemic has only further compounded challenges that were clear.

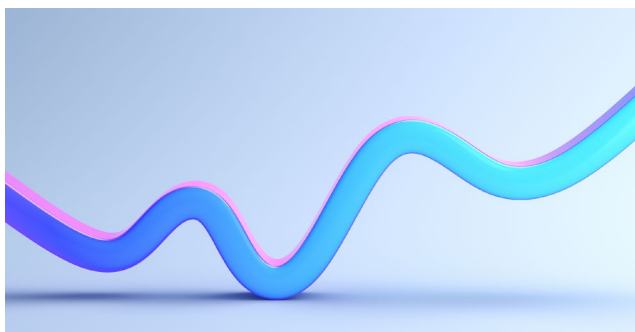
Reflecting on hopefully the worst of the pandemic, it is time for a fundamentally different approach to investing in Australia's creative economy.

Creativity needs to be a key ingredient with technology and process change for communities, businesses, not-for-profits, and government to solve our most important challenges and opportunities.

Finding new ways to tap into and harness our creativity for good will be fundamental to making our world brighter and more prosperous, diverse, sustainable, and just.

Creativity will drive prosperity and economic growth

Our 2020 paper, Unleashing Creativity, outlined a vision to elevate creativity as a fundamental driver of economic prosperity and social fabric. This vision is as relevant as ever.



Prior to COVID-19, creativity was a major economic driver, contributing an estimated

Much of the sector conversation and funding support to-date in the context of COVID-19 has focused on ensuring survival.

There is also the opportunity for an equally-important conversation around how the creative industries can redefine and reposition itself, build resilience, and respond to evolving audience and workforce expectations.

The starting point to deliver this vision needs to be amplifying investment.

\$111.7 billion

(or 6.5% of GDP) and

over 800,000

jobs to the economy in 2016-17.¹

Increased and diversified investment, built on the foundation of existing government and philanthropic support, is the key to rebuilding and transforming Australia's creative economy.

Turning this vision into reality

As industries navigate the economic recovery, the creative industries need to consider short and long term economic opportunities, investment needs, and the broader outlook in considering how to maximise contribution and impact.

We need to evolve the conversation and approach to investment from being a 'zero sum game' to one about opportunity. This means greater participation in capital markets, transforming the way industry invests in creative skillsets, enabling creative people as entrepreneurs, and increasing collaboration between creative sectors and industry.

International experience continues to show that increased and diversified investment in creative economies can be a significant driver of sector impact and economic value.²

KPMG is contributing five bold ideas to help turn our vision into reality.

These ideas are based on our experience supporting a wide range of efforts in the creative industries, economic revitalisation, regional and community development, skills and education, ESG³, pandemic management and recovery, and other issues in Australia and abroad.

They build on the significant investment, resource creation and coordination already in place between governments, peak and representative bodies, industry and the sector to transition into a new investment approach in Australia's creative economy.



KPMG is contributing five bold ideas:

01

Leverage the **A\$1 trillion** in global impact- and SDG-linked investment funds to **increase Australia's pool of creative economy capital**.

02

Accelerate the formation of **creative industries start-ups** and **fuel innovation and dynamism** in the creative economy.

03

Devise and **fund a specific creative economy investment attraction strategy**.

04

Invest in pathways to drive and **match creative skillsets** to meet **future industry needs**.

05

Reset creative sector **operating conditions** to support increased and **sustained development**.

The collective impact of these ideas is to:

01

Redefine

the boundaries of creative thinking, skill sets and activities in driving social and economic transformation.

05

Enable

young people to develop creative and critical skills, adaptability, and entrepreneurial mindsets.

02

Accelerate

Australia's economic revitalisation.

06

Contribute

to increased opportunity in related sectors such as tourism, night time economy, hospitality and major events.

03

Boost

Australia's international competitiveness and attractiveness as an investment destination.

07

Foster

a critical mass of creative entrepreneurs and enterprise to establish Australia as a global hub of culture, creativity and innovation.

04

Improve

the livability of our places and regions.

01

Leverage the A\$1 trillion in global impact and SDG-linked investment funds to increase Australia's pool of creative economy capital

Actions

- Government, creative sector peak bodies, industry, and key investors should collaborate to design and facilitate the seeding of a **Creative Industries Impact Investment Fund**.
- **Increase strategic representation and engagement** from senior creative economy leaders with investor representatives and investment houses, wider cross-industry forums and peak bodies, and global agencies (e.g. World Bank, United Nations).
- Establish a **Creative Industries Impact Centre**, embedded within an existing creative industries precinct, to establish industry and capital investment networks, drive strategic development, build sector capacity and investment readiness.
- **Seek expressions of interest and unsolicited proposals for creative economy projects** with demonstrated links to the UN Sustainable Development Goals and proactively facilitate engagement through appropriate forums to link these ideas to investors and organisations.
- Use **procurement and funding approaches** to incentivise the use of creative industries and the application of creative skills in solving challenges and responding to opportunities.

The call to action

Many areas of our creative economy are built on government funding, philanthropy and self-generated revenues.

In 2017-18, Australia's federal, state and territory, and local governments committed over \$6.9 billion (or about one per cent of combined total government expenditure) to arts and culture.⁵

Further, the top 50 philanthropists who expressed a commitment to arts and culture contributed approximately \$180 million across all causes.⁶

This is supplemented by self generated revenues primarily consisting of ticketing and program fees, small scale e-commerce and other commercial activities.

Across Australia, in addition to pandemic emergency and recovery funding, significant new investment has been targeted towards new and upgraded cultural infrastructure, digitisation, placemaking and regional revitalisation, and other related programs.

Sustaining and continuing to grow these sources of funding will be a critical enabler of the continued recovery and the revitalisation of the sector over the short and long term.

However, an ever-present and increasing challenge for the sector is how to sustainability build capacity in programming, content and operations for the long term. These pressures have grown, and will continue to become more complex in the context of increased uncertainty, disruption, and opportunity.

Part of the solution to this challenge is the opportunity for the creative industries to more fully recognise and participate in the broader capital market ecosystem.

Growing impact and purpose-driven investment

Impact investment and purpose-driven capital has boomed into a AUD \$1 trillion global industry⁷ and is driving fundamental social and economic change in issues such as gender equality, decarbonisation, addressing disadvantage, improving conditions in developing countries, and more.

This type of ESG-driven investment is relatively nascent in the creative industries. However, a review of the Global Impact Investing Network's Annual Investor Survey 2018 by Upstart Co-Lab, based in the United States, identified over 100 impact investors with approximately US\$60 billion in assets under management that are investing in the creative economy.⁸

Maximising impact through Government investment

In addition to injecting new capital and ways of thinking into the sector, private impact investment it can also increase the impact, value and outcome of the Government's ongoing and necessary investment in the sector. Investment in a sector-wide assessment of economic and social value of the creative industries, alongside a measurement and evaluation framework would be a game-changer in repositioning the sector and establishing a holistic and coordinated approach.

With impact investment experiencing strong growth in both the environmental and social domains, there is a timely opportunity to aggressively accelerate impact investment in this sector to become a dynamic and thriving source of capital.

02

Devise and fund a dedicated creative economy investment attraction strategy

Actions

- Develop a **Creative Economies Investment Attraction Strategy**, confirming the value and potential of the creative industries as a source of economic and financial return.
- **Mapping the sector supply chain to understand key challenges and weaknesses**, and areas where further investment and input is required, to strengthen the sector holistically and ensure a talent pipeline.
- Leverage the existing Commonwealth and State network of trade agencies, consulates, commissioners to **increase international engagement, promotion and exchange with key emerging and repositioned creative sectors**.
- **Develop offset, rebate and tax incentive programs** (in addition to those currently offered for film and gaming) to support both international live performance productions being developed and presented in Australia, and to support the production of locally developed, staffed and presented productions, major events and artists.

The call to action

Across industries, there is a national focus on targeted investment attraction to rebuild, grow, transform existing and emerging industries. Australia provides a highly attractive environment for investment with political stability, a relatively COVID-safe environment, local infrastructure and talent. Advanced manufacturing, agriculture and defense are just a few industries competing for global investment, and we are seeing success. International trade is strong in most sectors and the economy is 3.4% larger than it was prior to the pandemic.⁹

The recent boom in “Aussiewood” reflects unprecedented international interest in Australia as a destination for the production of film and television – there were more than 90 screen projects in pre-production, production or post-production in Australia in July 2021.¹⁰ This level of interest – even though it has been somewhat circumstantial – shows potential that can be extended to other sectors.

Strengthen international investment and cultural exports

Gaming – The global digital games industry was valued at USD \$166 billion in 2020 and expected to grow at nearly 10 percent to 2026¹¹ driven by the proliferation of smartphones, innovations in the ways games are played (e.g. Massively Multiplayer Online and eSports genres) and, in recent times, a lack of alternative things to do. Australia’s gaming industry has grown significantly in recent times but is still diminutive when compared to our peers.

The NSW Government’s recent investment in the Digital Games Development Rebate will support local companies to grow their businesses and provide a platform to attract international investment in NSW.¹²

The potential in this industry is significant and the natural growth we have already seen can be accelerated through targeted investment.

Festivals and major events – Australia already has a strong annual festival and cultural events program which can be bolstered through targeted investment in promoting off-season (for the northern hemisphere) cultural tourism, showcasing Australian talent and productions. Major events, 24 hour economy and cultural experiences are key pillars of cultural tourism and related industries. Repositioning Australia as the most competitive location for major events and the centre for trade and industry events within the Asia Pacific region.

Musical and blockbuster theatre – Local demand for global content has seen large productions come to Australia’s shores from Broadway and the West End and Australia has the infrastructure, talent and capacity to support the creation of this scale of production. This opportunity is increasingly recognised by a range of international producers with major productions being staged and or announced in Australia including *Phantom of the Opera* on Sydney Harbour, *Joseph and the Amazing Technicolor Dreamcoat* to be staged in Melbourne for the first time outside of the UK, and an arena production of *Evita*.

As traditional global centres for theatre and culture are recovering from decreased international tourism and reorientate programming for local and regional audiences, we can position ourselves to become a regional focal point for the industry.

Making the most of investment when it comes

If Australia is able to secure large-scale investment in the growth of the creative industries, it will ensure that local talent is fostered and retained, strengthen the creative supply chain to build and sustain long-term economic momentum and maximise social impact, and build Australia’s creative brand and audiences for Australian-produced content.

03

Accelerate the formation of creative industries start-ups and fuel innovation and dynamism in the creative economy

Actions

- Establish dedicated **Creative Industries Accelerators**, providing a physical and virtual spaces that supports the development of small scale creative start ups and cultural entrepreneurs through enhanced networks in the sector, industry, government and investors.
- Establish a Government angel investment **seed fund** specifically for **creative industries start ups and entrepreneurs**, and leverage the investment to generate sustained private investment.
- Invest in a series of pilot collaborative projects, to better **connect the ‘traditional’ parts of the cultural sector with industry and creative entrepreneurs**, to embrace new ways of working, new technology and engagement.
- **Embrace technology-led solutions through investment programs**, for example applying blockchain as a mechanism to support authentication of art works from First Nations artists, revolutionising member and subscriber based benefits programs and ticketing.
- Work with industry to develop the commercial opportunities with and for the cultural sector, including **new channels to market, scaling and commercialising cultural content and enhancing related sectors** including tourism and night time economy.

The call to action

Encouraging investment in innovation and entrepreneurship requires an attitudinal shift across the sector and a repositioning of its value to industry government and investors.

The traditional defining boundaries of the cultural and creative industries have evolved over the last decade. 'Culture' encompasses anything and everything, from the design of public space¹³ and NFTs to more traditional museum and theatre experiences. Driven by shifts in both creative practice and audience expectations of cultural participation and experience, participatory digital technologies are blurring the line between 'artist' and 'audience'.¹⁴

This presents a significant opportunity to reinvent 'traditional' cultural offerings by embracing new ideas and ways of working, to more effectively engage with contemporary audiences in new and innovative ways.

Fostering an entrepreneurial mindset and 'creative start up' ecosystem would create opportunities for innovation in traditional parts of the sector, while creating boundless opportunities for new creative enterprise, industry and the sector holistically.

A creative industries innovation ecosystem

Like the Tech Start-Up sector before them, fostering a critical mass of cultural entrepreneurs to 'start-up' and 'scale-up' requires a spectrum of investment approaches from 'bootstrapping', accelerators, equity and bank loans, to venture capital. A broad investment approach fosters an environment more comfortable with risk while seeking to unearth the creative industries 'unicorn' start ups and entrepreneurs.

The scale of success for recent tech start ups like Canva¹⁵ or Immutable¹⁶ – who both touch on creative practice – can lift and reposition the entire sector if positioned correctly.

Their extraordinary success also demonstrates the requirement of broad investment to ensure that the high failure rate can be afforded.

Scaling-up our success

The scale of success and innovation that can be achieved by start-ups and entrepreneurs also serves to disrupt a variety of related industries and creates transformation opportunities for more traditional parts of the sector – particularly in technology enablement, tourism, the night time economy and audience engagement.

Fostering the connection between entrepreneurs and more traditional parts of the sector as a holistic innovation ecosystem will support a more integrated and sustainable approach to innovation, risk and investment.

04

Invest in pathways to drive and match creative skillsets to meet future industry needs

Actions

- Leverage existing and emerging data and analysis to understand and build awareness of the impact and opportunities for the creative industries in **future workforce pathways and skills, automation resilience and credentialing**.
- Drive collaboration across sectors where **skills adjacencies are being actively explored, augmenting and creating new pathways into emerging roles across the workforce**.
- Catalyse innovative partnerships with the private sector and investors to **develop a talent pipeline with universities and vocational education and training institutions**.
- Increase private investment in education and training, to **pioneer innovative education approaches** to sharing knowledge, stories, cultural traditions and creative practice.
- Develop **scalable creative solutions for public and private sector application**, partnering with industry to commercialise solutions and drive cross sector innovation.
- Invest in **understanding and addressing teacher and trainer shortages** related to creative economy skills and education pathways.
- Engage industry experts to help **drive and embed a greater focus on creative skill development**.
- Embed creative thinking and programs in primary and secondary settings to **ensure young people develop creative and critical skills, adaptability, and entrepreneurial mindsets**.

The call to action

Creativity and ingenuity have driven some of the most disruptive innovation in recent times. Creative skills have been integral to fast-growing industries over the past decade and the creative industries are uniquely placed to bring together industry and government to reimagine solutions to some of our greatest challenges.

However, Australia is not keeping up in global innovation rankings including our economic complexity, expenditure on research and development as a portion of GDP. Importantly, whilst we rank highly in some areas of the Global Innovation Index in 2019, we fell short in creating outputs, knowledge and technology outputs. Our reduced performance reflects the current under-investment in creative skills development.¹⁷

The COVID-19 impacts on the sector have only exacerbated the already existing gaps and challenges, pushing the need for a greater focus on prioritising the creative economy as a current and emerging workforce priority area.

Skills for the future

As the trend to automation and related job losses in highly automated sectors continues, so does the likelihood that expanding industries will rely on creative skills. Creative skills, requiring original thought and innovation, are particularly resistant to automation¹⁸ and creative skills are increasingly being applied in non-creative sectors.¹⁹ Around one-quarter of those employed in information, media and telecommunications, and one-fifth of those employed in professional, scientific and technical services hold a formal qualification in a creative skill.²⁰

Moreover, of the top five most innovation-active industries, between 10 and 28 per cent of employees hold a creative qualification.¹⁹

Since 2016, the World Economic Forum has tracked cross functional skills increasing in demand. These consistently include critical thinking, creative problem solving and self-management.²¹ Industry leaders are calling for more arts and humanities graduates in their workforce, given their training in abstract, critical methods of inquiry and capability to more flexibly shift and adjust to varying role requirements.²²

Now more than ever we need to acknowledge the vital role of creative skillsets in equipping our young people with the training and resilience to thrive and adapt in the future. Government investment across the sector to date has had a 'survive' focus, rather than investment that enables the sector to sustainably 'thrive'. It is critical to stimulate investment in developing these skills through education and training pathways that ensure in-demand future skills development to respond to current and evolving industry and community needs.

Harnessing creative thinking and skills

Embedding creativity into our children's education supports the development of creative experiences that empower a pathway for a more successful and fulfilling future.²³

Creative, knowledge and innovation economies are key to fostering prosperity into the future, supporting and enabling the creative sector to leverage private sector tools, attracting and retaining highly skilled creative workers and harnessing creativity in industry development are key to realising this prosperity.

05

Reset creative sector operating conditions to support increased and sustained development

Actions

- Streamline programs, planning and information between government, operators and peak sector bodies to **reduce barriers, funding and regulatory timeframes and support risk management and build sector resilience.**
- Live event **insurance under-writing** to restore confidence in business conditions, including through **loan guarantees and pooling risk.**
- **Fast track digital enablement** across the sector by targeting investment in **new creative experiences** that reach a broader range of audiences (physically and virtually) and **scaling affordable front, middle and back of house solutions to make operations easier.**
- Establish a fund to **enable business planning, financial and resource modelling** and through business advice and resources for the small-to-medium parts of the sector **to improve business acumen.**
- **Business strategy and assessment for ‘at risk’ parts of the sector**, including through scenario planning and risk mitigation.

The call to action

Heavily reliant on crowds and travel, live entertainment and cultural attractions were among the first and hardest hit by the pandemic, exposing a fundamental risk to the industries enduring business model of relying on physical presence and a physical audience.

Whilst the last two years has seen major cultural producers burn through their reserves just to survive, there is now an opportunity to consider how to increase operating resilience and increase the capacity of the sector to withstand future disruption and uncertainty.

Global repositioning of 'regional' cultural hubs

These risks are being felt around the world and will have short and long term impacts as cities known for culture reposition and vie for market share, creating opportunities, including for Australia, to reposition itself regionally and internationally as a hub of major cultural events, live music and theatre.

New York's Broadway has seen a significant change in audiences, with sharp drops in traditional international tourist markets and unpredictable closures²⁴ necessitating programing tailored for local audiences.

It is anticipated that the shift in the nature of audiences and their expectations of content will be sustained and result in the growth in regional cultural hubs, including in Australia.

With uncertainty the norm, it is essential that sector confidence is restored. A multi-layered coordinated approach, requiring the sector, industry and Government working together to provide clear information and guidance, mitigate risk and harness innovation in customer engagement and experience, will help to support planning and investment.

Reaffirming commitment and priority

Re-thinking and investing in innovative customer experiences – both digital and physical - across the traditional parts of the sector will contribute to the diversification of cultural offerings, minimise continuity risks to the sector and capitalise on the opportunity to innovate.

A joint commitment from government, in partnership with industry, to reaffirm the importance and priority of the creative industries to our economic and community revitalisation will ensure sector investment and achievements are celebrated and promoted.

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