Location Study Report

The Audiovisual Industry in the Baltic Sea Region

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1 Introduction and Methodology

The Location Study Report – The Audiovisual Industry in the Baltic Sea Region is the compilation of the results of the locally conducted *Location Study* in the following regions and by the following five Cross Motion partners: Central and North Denmark Region (Filmby Aarhus), Hamburg and Schleswig-Holstein, Germany (Filmförderung Hamburg Schleswig-Holstein), Southern Sweden (Media Evolution), Lithuania (Nebula Cluster) and Latvia (TechHub Riga). The study serves to better know the needs of the av-industries in the above mentioned Baltic Sea Regions. It will also serve to gain knowledge about the type of networks that need to be built or fostered and to design the business skills workshops for young professionals to make the Baltic Sea Region as competitive as possible for people working or aiming to work in the av- and gaming industries in the Baltic Sea Region.

Depending of the origin and location of the respective CROSS MOTION-partner, the partners have conducted the research either exclusively in the region they are based in (Filmförderung Hamburg Schleswig-Holstein, Filmby Aarhus, Media Evolution) or in the whole country (Nebula Cluster and TechHub Riga).

The main focus of each partners' study was the recording of the companies and their economic figures, areas of businesses, business models and financing structures as well as the identification of the status quo and the need for networking activities and further training opportunities in the sector.

The sectors surveyed include the following NACE codes: 5911*, 5912*, 5913*, 5821*, 6020*, 7311*.[1] They differ from country to country since they are not (yet) harmonised. Basically these include all companies from the fields of TV and cinema production, animation, cartoons, production services / VFX / post production, documentary and advertising film production, online video, 360° video, Virtual Reality, Augmented Reality, games, film distribution/rental as well as TV events and TV stations. The data were – in some cases – supplemented by individual expert interviews.

[1] For more information about NACE codes: http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Statistical_classification_of_economic_activities_in_the_European_Community_(NACE)

2 Economic Figures

2.1 Number of Companies in the audio-visual industry

<table>
<tr><th>Industry</th><th>Central and North Denmark</th><th>Hamburg & Schleswig-Holstein</th><th>Latvia</th><th>Lithuania</th><th>Southern Sweden</th></tr>
<tr><td>TV Productions</td><td></td><td rowspan="3">558</td><td rowspan="2">330</td><td rowspan="2">591</td><td rowspan="2">382</td></tr>
<tr><td>Film Productions</td><td></td></tr>
<tr><td>Animation Production Companies</td><td></td><td>10</td><td></td><td></td></tr>
<tr><td>Advertising agencies (motion pic.)</td><td></td><td>200</td><td>1716</td><td>731</td><td>1040</td></tr>
<tr><td>Game studios</td><td></td><td>190</td><td>47</td><td></td><td>422</td></tr>
<tr><td>Film service provider</td><td></td><td>121</td><td>36</td><td>582</td><td>14</td></tr>
<tr><td>Online Video producers</td><td></td><td>60</td><td></td><td></td><td></td></tr>
<tr><td>VR/AR/360° video companies</td><td></td><td>50</td><td>6</td><td></td><td></td></tr>
<tr><td>Sales/Rentals</td><td></td><td>21</td><td>18</td><td></td><td>14</td></tr>
<tr><td>Private TV-Operators</td><td></td><td>12</td><td>76</td><td></td><td></td></tr>
<tr><td>Public service TV-Operators</td><td></td><td>2</td><td>1</td><td>602</td><td></td></tr>
<tr><td>Others</td><td></td><td>39</td><td></td><td></td><td>2184</td></tr>
<tr><td>Summary of motion pictures companies (+ if no separate numbers)</td><td>225[2]</td><td>1253</td><td>524[3]</td><td>2506</td><td>4056</td></tr>
</table>

Table 1: Number of companies

[2] Since Denmark has a different coding system of classification of companies, no repartition was possible (also table2 and table3).
[3] Because of no available numbers of advertising companies working in the motion picture industry, this branch is excluded (also table2 and table3).

2.2 Number of employees in the audio-visual industry

<table>
<tr><th>Industry</th><th>Central and North Denmark</th><th>Hamburg & Schleswig-Holstein</th><th>Latvia</th><th>Lithuania</th><th>Southern Sweden</th></tr>
<tr><td>TV Productions</td><td></td><td rowspan="3">3500</td><td rowspan="2">786</td><td rowspan="2">700</td><td rowspan="2"></td></tr>
<tr><td>Film Productions</td><td></td></tr>
<tr><td>Animation Production Companies</td><td></td><td>39</td><td></td><td></td></tr>
<tr><td>Advertising agencies (motion pic.)</td><td></td><td>2000</td><td>4702</td><td>6800</td><td></td></tr>
<tr><td>Game studios</td><td></td><td>4300</td><td>187</td><td></td><td></td></tr>
<tr><td>Film service provider</td><td></td><td>850</td><td>72</td><td>200</td><td></td></tr>
<tr><td>Online Video producers</td><td></td><td>180</td><td></td><td></td><td></td></tr>
<tr><td>VR/AR/360° video companies</td><td></td><td>150</td><td>13</td><td></td><td></td></tr>
<tr><td>Sales/Rentals</td><td></td><td>220</td><td>27</td><td></td><td></td></tr>
<tr><td>Private TV-Operators</td><td></td><td>506</td><td>582</td><td></td><td></td></tr>
<tr><td>Public service TV-Operators</td><td></td><td>2625</td><td>500</td><td>900</td><td></td></tr>
<tr><td>Others</td><td></td><td>120</td><td></td><td></td><td></td></tr>
<tr><td>Summary of motion pictures companies (+ if no separate numbers)</td><td>3.733</td><td>14.451</td><td>2.206[2]</td><td>8.600</td><td>N/A</td></tr>
</table>

Table 2: Number of employees

2.3 Branch turnover for companies in the audio-visual industry

<table>
<tr><th>Industry</th><th>Central and North Denmark</th><th>Hamburg & Schleswig-Holstein</th><th>Latvia</th><th>Lithuania</th><th>Southern Sweden</th></tr>
<tr><td>TV Productions</td><td></td><td rowspan="3">870 m</td><td rowspan="2">41 m</td><td rowspan="2">68 m</td><td rowspan="2">58,5 m</td></tr>
<tr><td>Film Productions</td><td></td></tr>
<tr><td>Animation Production Companies</td><td></td><td>683.122</td><td></td><td></td></tr>
<tr><td>Advertising agencies (motion pic.)</td><td></td><td>300 m</td><td>293 m</td><td>351 m</td><td>105.700</td></tr>
<tr><td>Game studios</td><td></td><td>400 m</td><td>10 m</td><td></td><td>40,1 m</td></tr>
<tr><td>Film service provider</td><td></td><td>54 m</td><td>2 m</td><td>17 m</td><td>1,9 m</td></tr>
<tr><td>Online Video producers</td><td></td><td>15 m</td><td></td><td></td><td></td></tr>
<tr><td>VR/AR/360° video companies</td><td></td><td>12 m</td><td>258.273</td><td></td><td></td></tr>
<tr><td>Sales/Rentals</td><td></td><td>240 m</td><td>5 m</td><td></td><td>5,7 m</td></tr>
<tr><td>Private TV-Operators</td><td></td><td>61 m</td><td>36 m</td><td></td><td></td></tr>
<tr><td>Public service TV-Operators</td><td></td><td>1184 m</td><td>17 m</td><td>65 m</td><td></td></tr>
<tr><td>Others</td><td></td><td>20 m</td><td></td><td></td><td>206,3 m</td></tr>
<tr><td>Summary of motion pictures companies (+ if no separate numbers)</td><td>3 bn</td><td>3,1 bn</td><td>405 m</td><td>501m</td><td>312,6 m</td></tr>
</table>

Table 3: Branch turnover, m stands for million, bn stands for billion, currency EURO

3 Economic situation of motion picture companies

All participants had to give a self-report and outlook about their company.

3.1 The current economic situation of the companies – a self-reflection

Central and North Denmark

The companies are spread out geographically and across industries in four different areas and geographies, which are:

- Animation in Viborg (Central Denmark Region)
- Incubation of companies working with game development and/or game programming in Grenaa (Central Denmark Region)
- Film/TV in Aarhus (Central Denmark Region)
- Games and gamification in Aalborg (North Denmark Region)

The mapping of the four Centres of Excellence in Central Denmark shows that in the last 20 years a strong position in the digital visual industries has been developed in the Central Denmark Region. Over the years, the region's companies have developed a special craft that enables them to communicate and tell stories across media and platforms. The craftsmanship is the focus, it is the craftsmanship that companies are proud of and it is the craftsmanship that gives them a special position of strength internally and externally.

Viborg, Aarhus and Grenaa have in recent years worked hard to strengthen growth layer and built incubators with the aim of developing talent that can work as well regionally, nationally and internationally. In both Grenaa and Viborg film is integrated early in the educational system in order to influence, support and develop talent at an early stage. Also, within each of the four Centres Of Excellence, we see a political support for the visual digital industries which are part of several strategies and growth plans in the respective municipalities.

Although the potential is big, the access to assignments in the industry at large forms is a great challenge to many of the companies, making it ideal for Filmby Aarhus to support businesses in working more actively on this.

Hamburg and Schleswig-Holstein, Germany

With a total turnover of € 3.2 billion and 14,500 jobs, the audiovisual industry is a significant economic factor in the region. Around 1,250 companies are working in the fields of film production, game studios or advertising agencies in Hamburg and Schleswig-Holstein. For decades Hamburg has played a key role in the film and advertising market in Germany. Thus, most companies located in Hamburg consider their economic situation as generally good or very well (37%). In Schleswig-Holstein only 26% of the companies estimate their current situation as good and very good. The biggest sectors, TV- and film productions, have a very moderate meaning about their current situation. At the time, the biggest problem for the companies is to get access to different types of financing like venture capital or private investors. They would also like to intensify cooperation with different countries.[4]

Latvia

After conducting in-depth interviews with representatives of the audiovisual industry in Latvia, most of the respondents assessed the current economic situation of their company as 'good' (71%), but the rest (30%) as 'so-so' and 'bad'. We could draw a correlation of the existing networks within the industry and the assessment of the economic situation - those companies receiving public funding and collaborating with the state institution were feeling more positive than the smaller scale cultural institutions that rely only on their private investment.

Lithuania

It must be noted that analyses have been conducted not only for the motion picture companies. However they do constitute a significant part of the survey respondents.

The majority of representatives indicates that their main business area will become more important to their business structure suggesting that their focus is expanding their principle activities. This indicates that questioned companies in general see positive outlook of the industry area they are in.

Southern Sweden

Southern Sweden is in an economic boom right now: companies working in advertising and marketing are doing well. The game development studios are doing excellent, companies offering digital development and visualisation as well. The companies' biggest problem right now is to find people to hire with the right competence.

[4] Read the full Location Study "Motion Picture Sector in Hamburg and Schleswig-Holstein" here: http://www.crossmotion.org/Location%20Study%20HH_SH%20English.pdf

3.2 Business development until 2020

Central and North Denmark

The business will increase. Through interviews, companies and other stakeholders have been asked how they experience the industry and where it is headed. The qualitative interviews support the CVR mapping[5] and show an emerging industry and a continuous development of new enterprises in the four geographies and industries. Based on the findings of our report "The Interactive Denmark in figures[6]" the turnover has grown moderately over the last few years.

Hamburg and Schleswig-Holstein, Germany

Especially TV and film production have a very positive look into the future. Almost 70% of the interviewed companies estimate that their turnover will increase. There are just a small number of companies who expect their turnover to decrease but not to bust.

Latvia

All the businesses' representatives were positive about the future broadcasts and all but three predicted that their sales will 'increase significantly'; two - 'increase slightly' and one 'stay the same'. Regarding the overall development of the economic situation of the screen industries in Latvia by the year 2020, all respondents leaned towards the positive side of the scale - 40% expect it to be 'more positive', 10% - 'very positive' and 40% - 'stable/stay the same'. Several people did flag the situation of the period 2016-2020 as dangerous and are expecting a heavy drop of turnover shortly after the year 2020. Firstly due to the heavy investment and subsidies being 'pumped' in the industry leading to the 100th anniversary of Latvia's independence (2018) and several European-wide funding programmes (not exclusively in the culture field) ending after the year 2020. Parallels were drawn to the industry crisis after 2014 when Riga was the capital of culture of Europe and a similar amount of funding was available thus artificially boosting the industry to an unnatural level. But overall people are very positive about their business' future prospects and an

[5] CVR = Det Centrale Virksomhedsregister: the Danish Central Business Register

[6] http://interactivedenmark.dk/article/interactive-denmark-figures

interesting opinion to note was that “it (the business) will either skyrocket the next year or flop completely. We are expecting the first option”.

Lithuania

Over 50% of the answers indicated that the prognosis are generally good, almost 30% find them average, smaller proportion see them as very good. None of the respondents indicated bad or very bad financial prognosis which shows that confidence levels are relatively high in Lithuania’s audio-visual industry, especially concerning the future as more than 60% respondents find their financial situation at present time only average.

Southern Sweden

Overall the businesses in Sweden will remain stable.

3.3 Future number of employees

Central and North Denmark

We estimate that the number of employees will increase, because the digital visual industry is expanding into other sectors. Based on our report “The Interactive Denmark in figures”, there has been a positive development in the employment in the industry up until now, and especially the interactive sector has grown in regards to employees.

Hamburg and Schleswig-Holstein, Germany

The results show that the audiovisual industry is expecting economic growth in the coming years. Accordingly, only 7% of the companies expect job cuts while almost 40% are planning on hiring more employees in the future. More than half of the companies expect their number of employees to remain stable.

Latvia

Most of the interviewed companies (80%) have increased the amount of employees in comparison to the previous year, although only one of them increased significantly.

The other 20% have kept the same amount of employees as in the previous year (2016).

Lithuania

Audiovisual industry companies in Lithuania usually are small regarding the number of employees indicating that the productivity levels are usually higher than the average of other industries in Lithuania. As shown in the Statistical Department of Lithuania material, the total revenue compared with the number of employees in all analyzed audiovisual industry segments is relatively very high. Besides productivity, the other main reason for that is that the companies have a relatively high number of freelancers working for them, people employed on part time basis and volunteers. This can be indicated by a question of the poll concerning the employment numbers and their structure among different companies. Results of the poll are provided below.

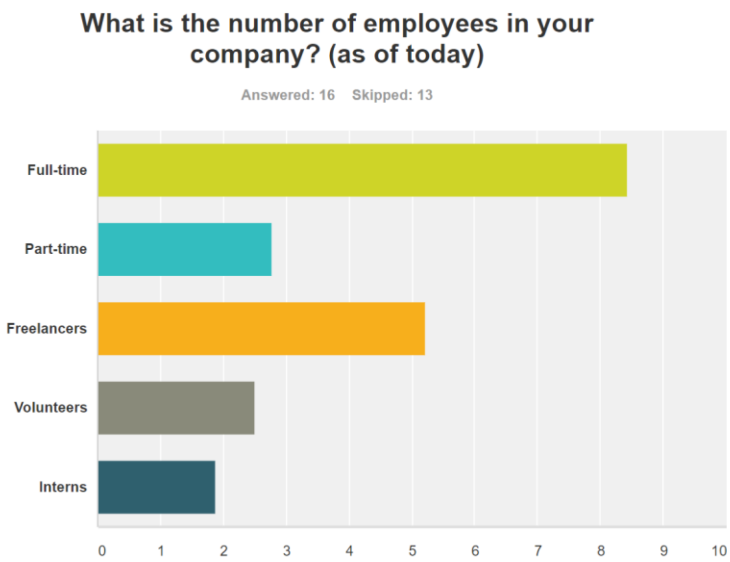

Figure 1: The average number of employees, Lithuania

As shown in the Figure 1 above, the average numbers of employees in the companies analyzed don't exceed 10. A big portion of work is conducted by freelancers. As detailed in the figure below, most companies expect slight increase in the workforce in the foreseeable future. Over 30% of the companies expect the number of employees to remain the same. And only over 10% of the respondents expect significant increase. It is important to note, that none of the companies questioned expect the decrease of their workforce. The availability of required personnel is another important issue in the industry. Less than 45% of the companies indicate that they find the situation of the labor market in their company very good or good. The rest find it average, rather bad or very bad. It means that **finding qualified trainees, right personnel to conduct given task is rather difficult**, at least for some of the companies. These figures correspond well with the general assessment of the labor market in the audiovisual industry in Lithuania. Assumptions could be made that situation of the industry's labor market directly influences the situation of the personnel in the companies which asks for better educated, prepared to work manpower which could help to sustain the growth of the audiovisual industry's companies.

Southern Sweden

Overall the number of employees will increase.

4 Business areas until 2020

All companies were asked how the importance of the different business areas in av-industries will develop until 2020. They had to choose between "will remain stable" (↔), "will lose importance" (↓) and "will gain importance" (↑).

Industry	Central & North Denmark	Hamburg & Schleswig-Holstein	Latvia	Lithuania	Southern Sweden
TV Productions	↑	↔	↑	↓	↑
Film Productions	↑	↔	↑	↑	↑
Animation Production	↑	↔	↔	↑	↑
Advertising agencies (motion pic.)	↔	↔	↔	↔	↔
Game Studios	↑	↑	↑	↑	↑
Film service provider	↑	↔	↑	↑	↔
Online Video producers	↑	↑	↑	↑	↔
VR/AR/360° video companies	↑	↑	↑	↑	↑

Sales/Rentals	↔	↔	↑	↔	↓
Private TV-Operators	↔	N/A	↔	↓	↔
Public service TV-Operators	↑	N/A	↔	↓	↔

Table 4: The importance of different business areas

As table 4 shows, all five countries/regions estimate that game studios and VR/AR/360-video companies will gain importance. Advertising agencies are the only industry that will remain stable according to the calculation of the five countries. Noticeable low is the assessment of the TV industry in Lithuania (TV productions, private TV-Operators and public service TV-operators).

4.1 Possible business areas for TV and film producers until 2020

Central and North Denmark

Production companies in our region are engaging more and more with other areas than the traditional TV/film business area. The connection with the digital field is growing – for example to the fields of games/animation/digital experiences/VR/AR/360°. In several places in the region there are initiatives and political strategies, which look at the digital visual industry not only as a niche in film and games in the strict sense, but on the contrary, something that is in political focus in many areas of the municipality's strategy. We are successfully seeing the digital visual industry in a broad context in terms of supporting the areas of health, business, culture, public administration, education, tourism and pedagogy.

Hamburg and Schleswig-Holstein, Germany

In addition to TV and film production, the sector of online video will gain more importance in the future for film producers.

Latvia

Some of the companies indicated that they are looking to expand their services to animation, online video production, full production services and 360/VR/AR content creation. Mostly though they mentioned that all additional areas have been explored and they have already added new business areas in the recent years.

Lithuania

There are indications that TV and film producers are looking for ways to expand their production and service spectra, including solutions for mixed reality, gaming, etc. However, these plans are at the very early stage and only valid for some of the companies.

Southern Sweden

In Sweden producers indicated that they want to engage with VR and the 360° sector.

5 Location factors

The companies had to assess the characteristics of the location factors in the table below. The scale ranges from very bad to very good. Unfortunately Denmark has no valid data about these characteristics.

Characteristics	Hamburg & Schleswig-Holstein	Latvia	Lithuania	Southern Sweden
General infrastructure, e.g. transport connections	good	very good	good	good
Access to necessary equipment	good	good	good	good
Availability of mobile internet	good	very good	very good	very good
Availability of broadband service	good	very good	very good	good
Networking with companies from own industry	good	bad	good	good
Availability of qualified personnel	good	bad	bad	very bad
Events (meetups, festivals etc.)	good	good	good	very good
Training possibilities	good	bad	bad	bad
Networking with university scene	bad	good	bad	bad
Cost of living	bad	good	good	good
Networking with companies from other industries	bad	good	good	good
Access to financial support	bad	bad	good	bad
Access to private sponsors (venture capital)	bad	bad	bad	very bad
Rental rates	bad	good	good	bad
Possibility of industrial cooperation	bad	bad	bad	good
Support for access to third-party sponsors/banks	very bad	bad	very good	bad

Table 5: location factors

As table 5 shows, the access to private sponsors seems to be a problem in all the surveyed countries/regions.

6 The importance of networking and cross-innovation

6.1 Network of AV-Industry

Generally, the AV-Industry in all five countries/regions is networked. Hamburg and Schleswig-Holstein, Central and North Denmark as well as Lithuania reported that the AV-industry has a good up to a very good connection to other industries. Only Latvia and Southern Sweden indicate a lack of networking and wish to have better connections, being aware of the necessity to increase collaboration and networks for long-term co-operations. “Even though respondents mostly expressed the opinion that networking possibilities within the industry are ´rather good´, the actual possibilities of industry co-operation were deemed ´rather bad´ (Lithuania). All researched countries/regions would also like to have more possibilities for networking. This could be new and even existing network events. “An example of a well-received networking event across the four centres is our “Date night”, where we invited the four centres (the cities of Viborg, Aarhus, Aalborg and Grenaa) for a joint networking event in Aarhus: Everyone could make a short presentation of themselves and tell the audience what they could offer in terms of work skills, and what skills they were looking for to complete and refine their current projects. This immediately made new work constellations possible and solved a number of burning questions for several start-ups from the four centres of excellence.” (Denmark).

The following figure shows to which industry the AV-Industry in the researched regions / countries would like to have better connections:

Figure 2: Connection favourites

Furthermore, the surveyed companies have been asked to indicate their level of international co-operation with companies based in Baltic Sea Region countries. The answers have shown that the companies from all surveyed countries/regions have co-operations but in different levels of intensity. While companies from Germany, Sweden and Denmark only have some co-operations, companies from Latvia and Lithuania have the highest rate of co-operation within the Baltic Sea Region (approx. 80% and 40%). Beyond the Baltic States, the USA and Denmark are the most attractive countries for co-operation (each has two votes). The av-companies from Southern Sweden and Hamburg / Schleswig-Holstein have the most diverse suggestions regarding co-operation quoting three to four countries. Hamburg and Schleswig-Holstein based companies from the av-sector like to co-operate with companies from the USA, Central-Western-Europe, UK and Scandinavia, whereas their counterparts from Southern Sweden like to co-operate with companies from Denmark, Germany and Estonia. However, Latvia's top one international co-operation partners are based the USA while Denmark's top one country is its neighbour Sweden.

When it comes to the question what kind of network events the media industry would like to have, the figure shows the following:

Figure 3: Favourite network events

7 Cross innovation

The media industry was asked if cross-innovation and networking are already happening with the sectors healthcare, education and tourism. All countries indicate that some of the companies have connections to these sectors, especially to the educational sector. The most interesting ones are healthcare and education. But a lot of media companies don’t have any cross-innovation activities. In Central and North Denmark, Hamburg and Schleswig-Holstein and Lithuania, approximately 50% have first connections that are likely to grow even more in the following years. Latvia has amongst the researched regions and countries the highest rate for the willingness for cross-innovation and connection.

8 Conclusion

The report shows: as different as the here compared countries and regions might be in some aspects - such as size, economic wealth or location aspects, they all share the same three challenges:

1) the need for networks
2) the need for skilled personnel
3) the need for access to money other than state funding

Whereas the need for access to money cannot be solved by CROSS MOTION itself, the partners of the project can and will align their focus on networking activities and the set-up of the business skills workshops according to their findings. One of the goals of the project is to provide skills to young professionals in order to help them to successfully set up their business, to show them new ways of catering their business and to keep and/or attract them in/to the region/country.

We have learned that the value of a network event is higher than those of a single panel discussion that only provides superficial information and only touches the tip of the iceberg. Also in times of a very high offer of input and information always and everywhere, collaborators from the AV-industry **are keen to invest time for in-depth knowledge and contacts**.

Times are favourable for intensifying cross-sector collaboration not only for broaden one's horizon but also to exploit new business areas and sources of revenue.

The study shows how important it is to reach out for new areas and to work in a cross-sectorial field rather than to stay focused on the original field of activity. **Diversity is key; cross-sector networks almost a duty**.

Also, the fact that most of the questioned companies have indicated to turn their activities to 360°/VR/AR shows, that this is a topic to be highlighted and proposed to the companies in the Baltic Sea Region. Only by giving the companies the tools they need to act successfully in this new field and the network they need to foster cross-sector collaboration, the BSR can be a strong competitor in this arising and fascinating field.

To initiate and / or foster cross-sector collaboration, there is a strong need to connect the AV-industry to other sectors by inviting them to participate in networking events such as conferences that bring together different sectors e.g. including tracks dealing with healthcare, education or tourism to conferences / events focused on classical AV-related topics or especially tailored cross-sector network events that will facilitate encounters between AV-collaborators of different classical and the emerging sectors such as augmented reality / virtual reality, 360°.

Let's make the Baltic Sea Region to a strong player in cross-sectorial collaboration by giving its actors the tools and the networks they need!