Value Chains in Arts: Case Study of the Bratislava Region

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Abstract

Even though factors and impacts of creative economy are not new relations in history, current economic, social and societal conditions stress their application in the society. Creative inputs often "produced" in the centre of creative industries – in cultural industries, serve as a base or input for innovations in other industries. Organisation of arts is in the centre of interest of this article. Useful tool for analytical purposes are considered to be the theory of value chains.

A rise of interest in value chain and value system has been noticed recently as a consequence of changes in financial and distributional matters caused mainly by the internet. Particularities of art value chains encompass linkages with their social and economic networks and a mixture of creative inputs with traditional humdrum inputs. Industries have identical role-players in a value chain. Using firm level micro datasets from the Statistical office, qualitative research consisting of semi-structured interviews in the Bratislava region was conducted in order to compare firms from music, visual and performing arts. The Bratislava region was chosen as it has had a strongest concentration of creative industries among all Slovak regions.

Analyses demonstrate that: 1) individual subsectors of arts (music, visual, performing arts) have similar elementary actors of value chain comprising of content creators, content developers, facilitators and distribution and placement actors. Even though these actors have defined their roles, in many cases their functions overlapping each other (content creators could be at the same time a content developer); this should be seen as a consequence of being the part of creative value chain. 2) Supporting environment strongly influences the arts value chain. Even though it consists of similar parts in every researched art, there are differences how it influences different actors in different art. 3) Creative value and power differ from financial value. An important actor in this aspect is a consumer especially in the case when an art piece is created on his special order. Limitations of value chain approach are partially diminished by looking at the theory of contracts and their influence on distribution of financial value and creative value and power.

Key words: creative industries, arts, value chain, Bratislava region

JEL Classification: Z10, Z11, L23, R10

1 Introduction

Cultural and creative industries' concept has been a part of endogenous economic development theory for more than fifteen years now. Historically, economic development through creative economy was developed as a reaction to post-fordist crises together with theoretical concepts of innovation, clusters and networks. Within research trajectories of regional cultural and creative economy, two approaches have been observed – one focused on places attracting creative workforce and the other on industries.

At the end of 1980s there has been a change in solving problems of the old deindustrializing mainly central city parts by visions and plans of new cultural spaces and activities in order to revitalize cities in a dramatically changing world. New concept called "the creative city" by British planner Ch. Landry was invented at 1990s (Landry, Bianchini, Eber, Gnad & Kunzman, 1996) but fully developed in his book The Creative City: A Toolkit for Urban Innovators in 2000 (and more elaborated in 2003 and 2006). "American initiatives for creative cities and regions followed"(e.g., Center for an Urban Future, 2005; Mt. Auburn Associates, 2000, 2005; In Markusen et al. 2008). Novel way of applying this concept obtaining huge attention is R. Florida's „the creative class" (2002, 2004) with human creativity serving as engines of local development.

While the creative city concept attracted attention of city planners, policy makers and scholars, "cultural industries" as a set of sectors cutting across manufacturing and service industries were promoted by British & American sociologists, economists and geographers oriented on national and regional economic development (Hesmondhalgh, 2002; Power and Scott, 2004; Pratt, 2004, 2007; Hesmondhalgh and Pratt 2005, Vogel, 2001; Flew, Cunningham, 2010; Hirsch 2010).

Some researchers proposed that both occupational and industrial approach should be used simultaneously (Markusen & King, 2003; Markusen &Schrock, 2006). Above mentioned approaches give a central role to creativity in generation of economic wealth (Flew& Cunningham, 2010) and definitely go beyond a focus on the non-profit arts (e.g., Gray and Heilbrun, 2000; Heilbrun and Gray, 1993 In Markusen et al. 2008).

The paper focuses on creative industries; some scholars and policymakers speak about cultural industries or/either cultural and creative industries. However, when looking at basic models appearing in KEA and UNCTAD studies (UK DCMS model, symbolic texts, WIPO copyright and concentric circles model), in the centre or "wider core" there are cultural industries in all of them. The UNCTAD 2008 report proposes: "[…] a sensible way to proceed is to begin by defining the goods and services that these industries produce." In this text the term "cultural and creative industries" (CCIs) or "art based industries" are used as equivalents.

The main research question of the paper is "who are the actors of the value chain and how creative power is distributed?" In order to answer it the paper starts with reasoning of why we picked up the value chain in art based industries. The next part deals with Bratislava region and its position in creative industries in Slovakia followed by identified actors in arts firms. Then the value chain in music with creative power distribution are introduced. Finally, some limitations of this approach as well as further research possibilities are presented.

2 Value Chain in Arts

2.1 Theoretical background
Value chain approach gained a lot of attention through the pioneering work of Michael Porter in the early 1980s, where the value and its contestation over space were in the centre of global production network. In 2001 Porter summed up the value chain as follows: *"When a company competes in any industry, it performs a number of discrete but interconnected value-creating activities, such as operating a sales force, fabricating a component, or delivering products, and these activities have*

points of connection with the activities of suppliers, channels, and customers. The value chain is a framework for identifying all these activities and analyzing how they affect both a company's costs and the value delivered to buyers." (Porter 2001, p.74). In the same year 2001 Kaplinsky and Morris in their research on value chain produced for International Development Research Centre value chain as a series of activities necessary to bring a product or service from design and product development through production themselves via marketing tools and channels into consumption/recycling. As they state, in the real world value chains are much more complex as every part of the chain consists of various range of activities depending on the nature of product and on industry.

Simply there is a purpose to create value through the transformation of material and non-material inputs into demanded goods and services through chain structures. Its individual stages are also involved in the supply chain analysis. This approach mirrored in global commodity chains (GCC, Gereffi 1994) and in global value chains (GVC Gereffi, Humphrey &Kaplinsky 2002, Gereffi, Humphrey &Sturgeon 2005, Bair 2008, Gibbon and Ponte, 2008). Some authors (Henderson et al. 2002, Smith et al. 2002 In Coe et al. 2008) realized that focusing on linear/ vertical dimension could be problematic, as a production chain is embedded in a set of non-linear/horizontal relationships; the idea was put forward by Lazzarini et al. (2000) as a concept of netchain.

Application of value chain is possible to find in some studies dealing with cultural and creative industries. Lot of them is connected to music (e.g. EKOS study 2011 on Northern Ireland, Gauteng Music Strategic Framework 2009) and film (e.g. Eliashberg et al. 2006, Lampel et al. 2006, Aris and Bughin 2006, Vogel 2007, Vickery and Hawkins 2008 and Küng 2008) probably because of big value these industries encompass and their impact on the economy at all levels. Heng et al (2003, adapted in CAJ 2007, In Joffe, Newton 2010) speak about upstream or basic industries that are traditional art forms such as performing, literary and visual arts that may have commercial value in themselves and downstream art activities such as advertising, design, publishing deriving their commercial value principally from their applications on other economic activities.

Higgs and Cunningham (2008) identified stages of value chain in cultural and creative industries as content creation, content development, distribution and placement and finally consumption. However, big role was played by supporting environment. This general scheme was applied in our research. This classical scheme has been recently challenged by various forces changing its traditional structure. Main such a force has been the development of ICTs and distribution of information via internet. In music industry, e.g. in Gauteng music strategy framework document this influence is described as close cooperation of the stakeholders within different value chain stages and overlapping of their individual tasks and activities. In general, ICTs has been influencing mainly distribution to the customer, where in the case of revenues from music in Slovakia digital sale rose from 20% in 2012 share to 32% share only within the single year (IFIP, National branch in the Czech Republic, 2014).

2.2 Methodology of the paper
Methodology used in this paper was chosen in order to reach research aim stated in the research project Creative economy – national and regional conditions and stimuli (acronym KRENAR), that is to analyse chosen creative industry – in this case music, visual and performing arts

(MVPA) in Bratislava region. Additionally to the main research aim partial research aims were identified; one of them was to analyse value chain in the chosen creative industry.

Cultural and creative industries respond to social and economic changes in the national economy. The same also applies to the music, visual and performing arts as an integral part of the creative industries. Blahovec and Hudec identified decline in the number of employed in performing arts and the rise of the employed in the music industry (according to the DCMS classification valid in 2010). However, in 2014 (using database of the Statistical office of the SR) the overall rise of 2.9 % in the category - music, visual and performing arts was observed. The reason to choose the Bratislava region from all Slovak regions is the presence of large cluster of music, visual and performing arts as the research of Blahovec, Hudec (2011) and Chovanec and Rehák (2012) showed.

As range of knowledge about this sector in Slovakia and especially in the Bratislava region is very limited, we have chosen research method of case study focusing on the phenomenon in depth.

In order to obtain answers to the main and partial research aims we have used primary research on qualitative aspects through semi-structured interviews with 27 firm representatives within the industry from the Bratislava region, but mainly from the capital Bratislava. Firm based micro data statistics from the Statistical office of the Slovak Republic were used to identify key stakeholders that were contacted. Interviews were made mainly in person; only small part of interviews were made via electronic devices (emails or social networks, mainly because of full work schedule of persons or their stay abroad. During interviews we found out that data in the registry of the statistical office are not up-to-date (many firms e.g. have existed only in a bookkeeping) or many firms have not been in the Registry at all or if so, then in other category of economic activity. In this case the way of chosen the sample is called "snowball sampling" (used in practice). It means that those interviewed gave us a contact to other relevant stakeholders (e.g. representatives of the branch or heads of associations etc.) until we reach critical mass of respondents in order to get the most realistic picture about the situation in the industry. In the firm selection we focused on having equal representatives from three groups – each from music, visual and performing arts.

Semi structured interviews were used mainly to obtain deep information about location decisions of the actors (personal and business location) as well as those related to identify barriers in the sector and financial sources for the business. Last but not least information about suppliers and buyers were obtained in order to find out as much as possible about how the sector is organized and how it operates as this is the most important for the value chain analyses.
Information obtained from the primary research were complemented by secondary research, that is an analysis of existing data from the statistical office or economic weekly papers or by study of relevant scientific literature.

Pickles (2014) suggested to follow this structure in value chain research: a) Identify the sector b) Determine the limit of the chain – what can be measured? c) Map the participants /elements in the chain – decide how to represent them d) Outline enabling institutions, regulations, laws e) Trace out connections (inputs, buyers …) f) Who finances? g) Who shapes? Who has power?

The paper follows these steps starting with the sector identification as art based industries in the Bratislava region.

2.3 Analysis of the Bratislava region in cultural and creative industries
Firms in cultural and creative industries tend to cluster. As research of Chovanec and Rehák (2012) showed, the largest cluster in a sense of concentration (not a Porter cluster) is in the Bratislava region, others are in Banská Bystrica and in Košice; these clusters are much smaller and less concentrated than the Bratislava cluster. Level of concentration is different among individual industries (NACE classes): the largest cluster is the one of fashion design, second place took the cluster of video, film and photography and the third largest cluster is the cluster of music, visual and performing arts. Localisation of creative firms also confirm graphs on share of creative firms in the Slovak regions and on share of all firms in the regions:
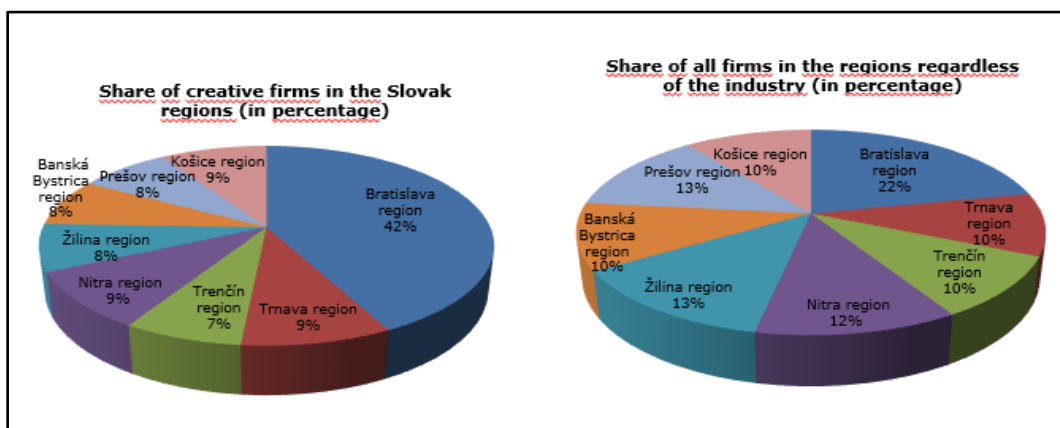
Graph 1 Share of creative firms in the Slovak regions (in percentage) versus share of all firms regadles of the industry (in percentage)
Source: own calculations based on the Registry of economic entities of the SR, 28 th February 2014

Both graphs clearly indicates that both firms in general and also firms in CCIs are more than in other regions concentrated in the Bratislava region; definitely stronger concentration is in the case of CCIs firms (almost double the number) than in all firms regardless of the industry.

In the following table 1 we look at the development of cultural and creative industries in time, namely in two different years – 2010 and 2014:

Tab. 1 Number of creative firms in Slovakia: comparison of the years 2010 and 2014

	2010 (in total)	2010 Share (in %)	2014 (in total)	2014 Share (in %)
1. Advertising and publishing	7332	36,3	8 264	35,33
2. Architecture	1 847	9,2	2 591	11,08
3. Design and fashion design	536	2,7	538	2,30
4. Radio and TV and photography	2 534	12,6	2 976	12,73
5. Digital media and entertaining	3 416	16,9	3 839	16,41
6. Publishing	3 432	17,0	3 255	13,92
7. Music, visual and performing arts	1 074	**5,3**	1 925	**8,23**
Sound recording and music publishing activities	281	1,4	225	0,96
Arts education	177	0,9	490	2,10

Performing arts	47	0,2	180	0,77
Support activities to performing arts	215	1,1	326	1,39
Artistic creation	170	0,8	197	0,84
Operation of arts facilities	184	0,9	507	2,17
Total	**20 171**	**100,0**	**23 388**	**100,00**

Source: Registry of economic entities February 2014 and publication Possibilities of creative industries development, Balog et al. 2014
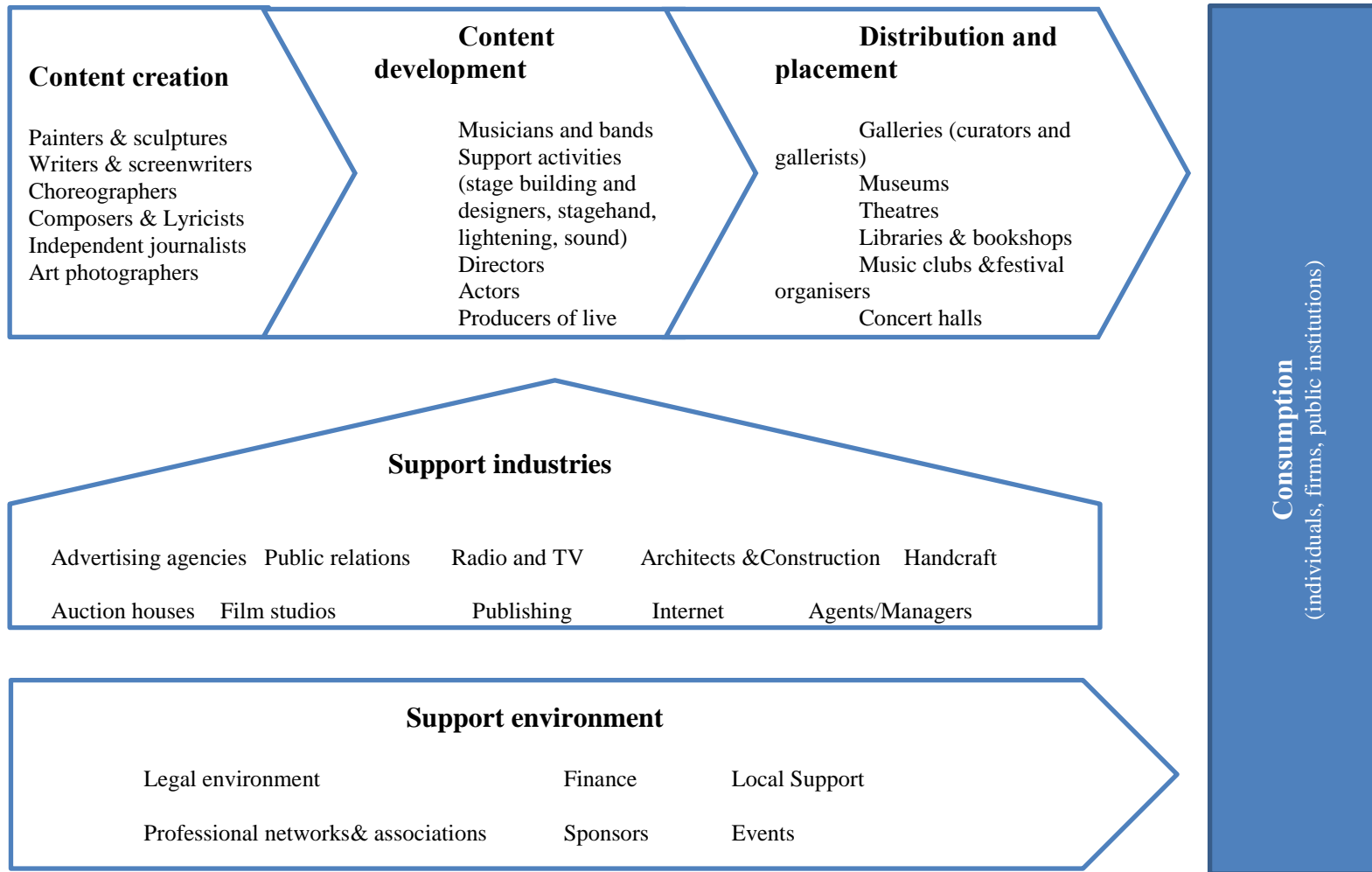
Share of the music, performing and visual arts, which is in the center of our interest, has risen from 5, 3 % to 8, 23 %; that is almost 900 firms in total. Within the industry it was operation of art facilities with the largest rise from 184 firms in the year 2010 into 507 companies in 2014.

2.4 Value chain analysis itself – stakeholders, institutions, connections
The other step in value chain analysis is identification of stakeholders, institutions and regulations (support environment) as well as connections among them.

Idea or a thought is a basis element. It is created by **content creators** such as painters & sculptures, writers & screenwriters, choreographers, art photographers. In order to deliver an idea to the final consumer it is necessary to transform it, to change it. This is a role of **content developers**; they are e.g. musicians and bands interpreting composers' music and text of a song, master recording studios and music publishing houses transforming music into music devices (CD, DVD) that are available for the final customers; stage builders and designers, lightening technics. The third part of the chain is **distribution and placement**. As Caves (2003) pointed out, symphonic orchestra needs a concert hall and someone to sell tickets. Each artist needs a place for its production placement in order to reach (potential) consumer, being it either an individual or a body of private or public sector (or both). **Support environment** creates a wider framework for value chain actors' activities and affect them in a positive or negative way. It is influenced by supply side policies. Example is legal environment that is important for business as such. It is very specific in case of artists as many of them are not self-employers but freelancers and their status is not satisfactory adapted in the Slovak legislation; thus legal environment often influences artists in negative ways. **Support industries** entities are part of value chain of music, visual and performing arts; they participate on the final product but do not belong directly to the analysed industries (e.g. architects participate on the final shape and location of a sculpture in a building, but they are not its creators, this is a task of sculptors).

Scheme 1 Actors and their role in music, visual and performing arts

Content creation

Painters & sculptures
Writers & screenwriters
Choreographers
Composers & Lyricists
Independent journalists
Art photographers

Content development

Musicians and bands
Support activities
(stage building and
designers, stagehand,
lightening, sound)
Directors
Actors
Producers of live

Distribution and placement

Galleries (curators and
gallerists)
Museums
Theatres
Libraries & bookshops
Music clubs &festival
organisers
Concert halls

Support industries

Advertising agencies   Public relations   Radio and TV   Architects &Construction   Handcraft

Auction houses   Film studios   Publishing   Internet   Agents/Managers

Support environment

Legal environment   Finance   Local Support

Professional networks& associations   Sponsors   Events

Consumption (individuals, firms, public institutions)

Source: own elaboration based on interviews with selected firms

2.5 Music value chain
The music industry that secures production, distribution and selling of music in its various forms, is comprised of a very widespread and diverse network of businesses that are all connected by the selling the same product. The key players in the industry coordinate their efforts in order to sell the product to the consumer either using physical/digital sells or life music/concert business (Lynch –Tatum – Glosowitz, 2009).

Value chain shows a place of stakeholders in the music industry according to the activity that contributes to the final product creation. Stakeholders were divided into the same three groups as in "general" arts'value chain: content creation, content development and distribution and placement. The most valuable stakeholders are placed by the X axis while the importance of the actors above is declining. Creative power of the stakeholders is strongest by the Y axis and is declining in the direction to the customers. From the point of view of creative power, the highest number of stakeholders is located in the phase of creation and development of the content (composers, artists, DJs). The relationship among individual actors of the industry is also shown here. There is a possibility that not all relations are captured as depending on accessible information.

Lyricists and music composers offer their music product to the (performing music) artists that present them either via live music in music clubs and other spaces or they use music recording and publishing studios for CD production. CDs are further distributed to music shops or distributors are used. Artists have a possibility to use managers/agents that represent their interests in live performances or in securing suitable conditions during music recording. There are also DJs and they need music clubs for their work and they can cooperate with other artists.

The final customers also influence individual stakeholders in the phase of creation, development and distribution and placement of the music product (red arrows in the scheme 2). Examples are when a private company orders life performance of a musician or when music shops order a music product that is demanded.

In order to show how the financial power is distributed we interviewed two managers and organisers of the music summer festivals in Bratislava; it could be considered as a support activity/environment. Organising of summer music festival could be divided into securing of the artists/music part, technical support, securing human resources (such as hostesses, presenters), advertisement and festival promotion, lobbing mainly in order to obtain financial sources for organisation of the event. Each festival is specific and devote different attention and financial sources to every part of activities. These activities could be find in a festival value chain scheme 3. Content development (securing artistic part of the programme) in case of the festival of Viva musica! represents about 50 % of the budget, whereas in case of guitar festival J. K. Mertz it is as much as 85 % of the budget. Festival organiser of the Viva musica! gives approximately 17% of the budget to the advertisement and promotion to external professional agencies, whereas guitar festival secures promotion from internal sources free of charge and this activity was new in 2014. These are the main differences in financial organisation of the festivals.

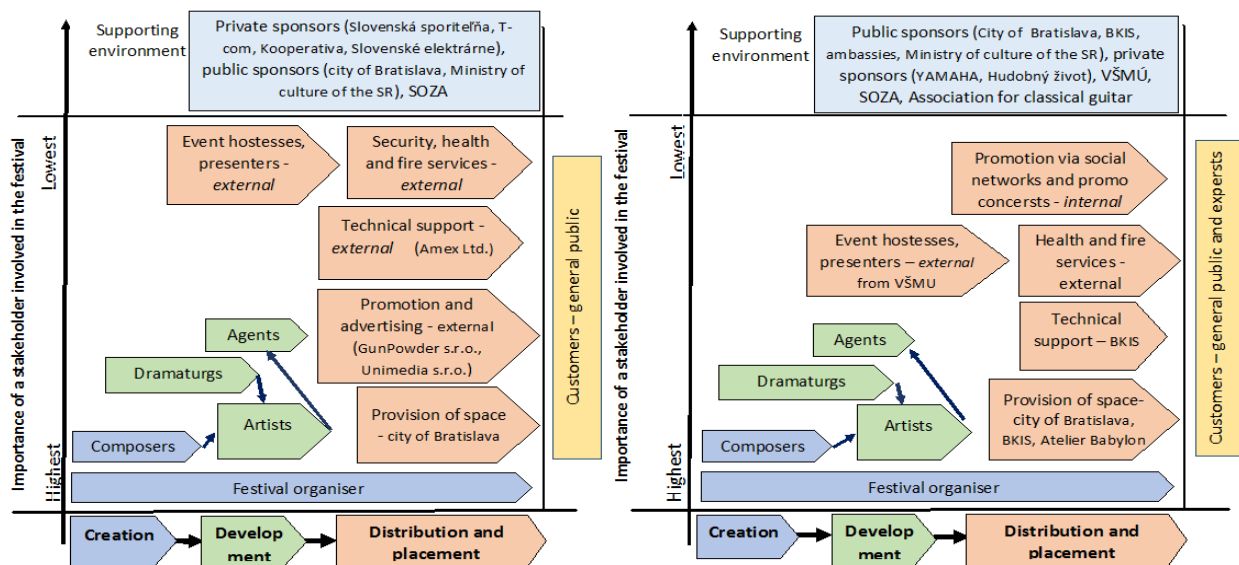**Scheme 2 Value chain in the music industry**
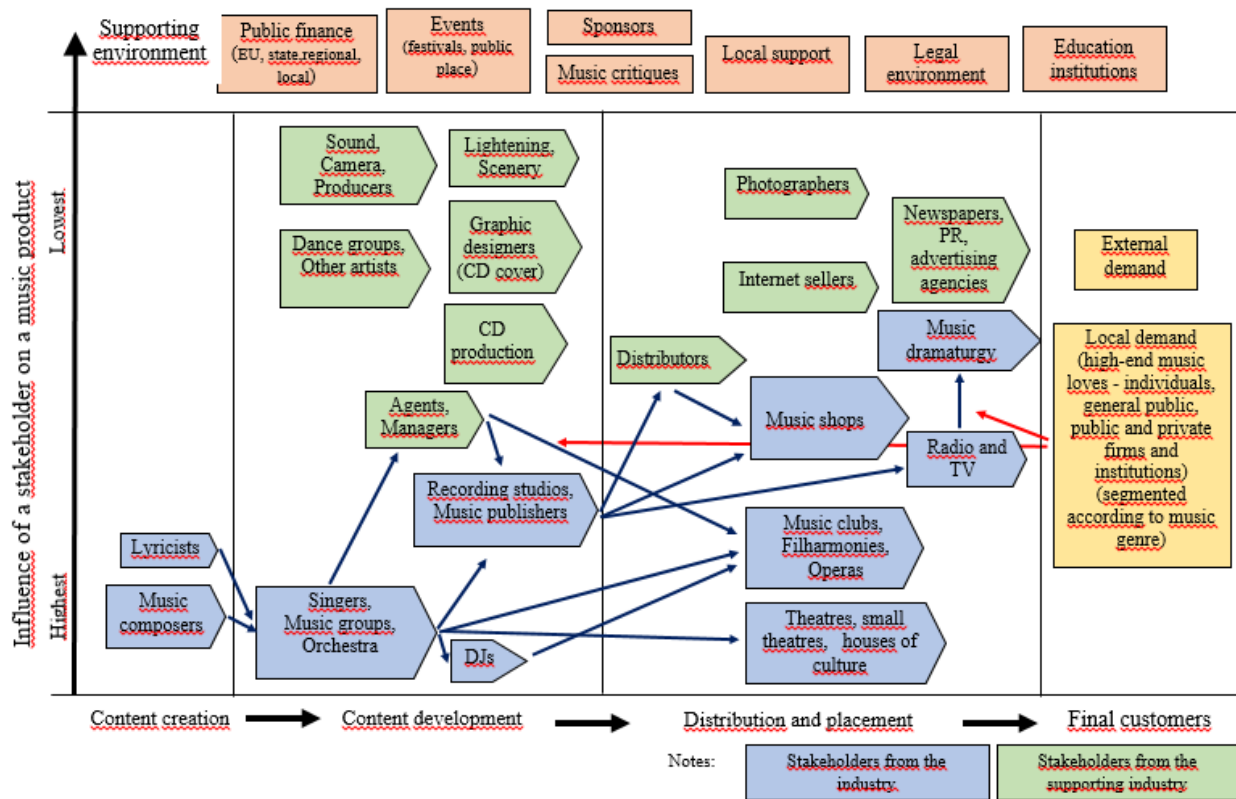
Source: own elaboration based on secondary sources and interview, 2014

Scheme 3 Music value chain – music summer festivals

Source: own elaboration based on interviews (Lešková, Belvončíková, 2014)

3 Conclusion

This research has outlined value chain actors in the art based industries in the Bratislava region with closer look at stakeholders' relations in music. The line of value chain research was followed: firstly art based industries as a sector to be analysed was identified and some descriptive statistics was used to describe situation in the Bratislava region. Than content creators, developers and placement and distribution were identified in music, visual and performing art together with enabling institutions, laws and regulations influencing actors involved and tracing connections among them. Influence of internet mainly in case of placement and distribution, in some case even in the phase of creation was also mentioned here. These steps were followed by identification of actors with more or less creative power and influence, as well as some financial matters of the music summer festivals were presented.

However, any value chain model possesses several limitations. These include inability to properly include importance of reputation and personal relations as well as timescale. In order to better understand financial and creative power distribution, more research needs to be done. Caves (2003) suggest 80-20% split in case of music between recording company and the composer because of high ratio of losing money recordings suggest interesting differences in the Slovak case, especially the Bratislava region.

Acknowledgements

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