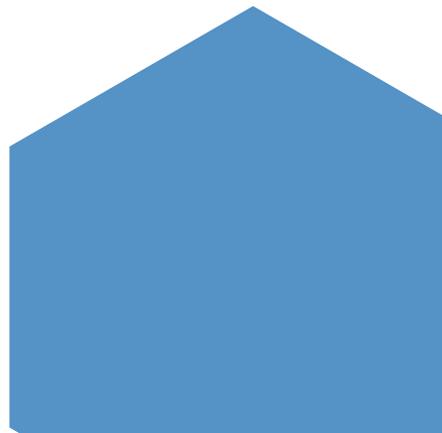
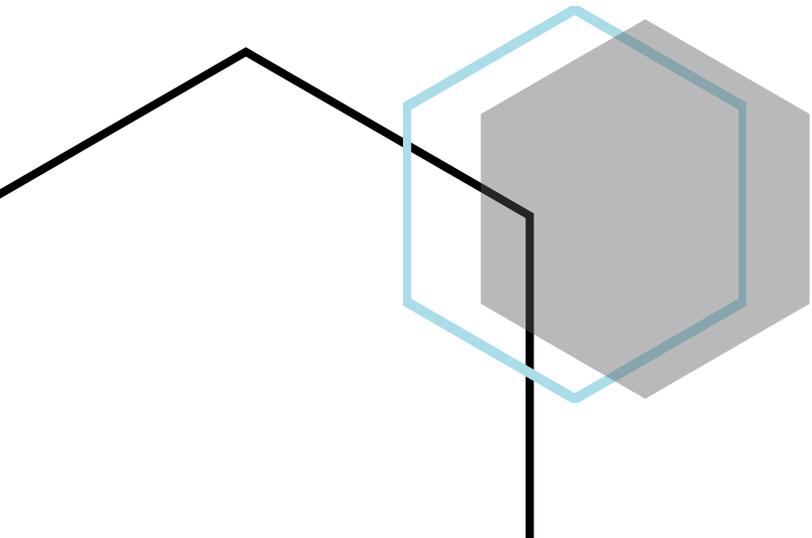




CULTURAL & CREATIVE INDUSTRIES AFTER COVID-19

**A Strategy White Paper for the Development of a
Better Startup Ecosystem
– DEEP ECOSYSTEM LEADERSHIP COMMUNITY**

In partnership with





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CULTURAL & CREATIVE INDUSTRIES AFTER COVID-19

A Strategy White Paper for the Development of a Better Startup Ecosystem

On the Authors

DEEP Ecosystems is a world-wide community of tech ecosystem builders who collaborate to build more transnational, inclusive, entrepreneur-driven and impactful innovation systems.

The main activities of DEEP are the [Startup Heatmap Europe](#), an unparalleled database on ecosystem development metrics, the [DEEP Ecosystem Conference](#), which brings together a community of more than 400 professional ecosystem leaders twice a year. Finally, DEEP organizes the [DEEP Startup Ecosystem Accelerator](#) which directly supports the growth of local ecosystems. DEEP regularly organizes peer-knowledge exchanges and educational formats for ecosystem builders ranging from Ecosystem Hacks, Data Trainings and Full-Scale Educational Programs.

On this Publication

The [DEEP Ecosystems Conference](#) on 15th April 2021 brought together 175 practitioners and experts from the startup scenes of more than 45 countries to have data-driven discussions on the most pressing challenges their ecosystems face.

The event evolved around 5 deep dive topics ranging from AgriTech and sustainable food production to diversity and female entrepreneurship. Each of the topics was prepared in-depth by a research team and the findings shared with all participants before the debate. Combining the knowledge and insights of the whole DEEP Ecosystem Leader community Strategic White Papers are formulated that aim to inspire everyone in the startup scene and open up a perspective of how we can build a more transnational, inclusive, entrepreneur-driven and impactful ecosystem.

The DEEP Dive on Cultural & Creative Ecosystems was co-hosted by C-Factor and Media Lab Bayern. Further expert contributions came from Rebels Valley from Poland and Creative Estonia.



Harald Eisenhauer,
Co-Founder DEEP Ecosystems

COVID-19 IS A GAME CHANGER IN DIGITAL TRANSFORMATION

Due to the pandemic, we can see a significant shift in the adoption of digital channels, online interaction, and culture consumption

“Without digital formats to consume cultural and creative content we would not have survived the lockdown!”

The ongoing Covid-19 crisis is impacting the Cultural and Creative Industries (CCI) sector on a big scale and revealed an immediate need for change and a new approach towards digitalization, adoption of new structures and online interactions. Museums, cultural institutions, and creative businesses face new challenges as they must replace old systems and introduce more innovative ways of dealing with their clients and reach new audiences.

Digitalization helps in getting access to creative content and drives economic growth.

Many European cultural heritage institutions like museums or libraries are doing whatever they can towards the digitalization of their collections, starting with new virtual options like 3D objects available to their audience (The British Museum) or tours with interactive guide (The Museo Nacional Thyssen-Bornemisza in Madrid). According to the latest data (Network of European Museum Organizations), 93% of museums in Europe have started or increased their online services to help them cope in these difficult times.

During the Covid-19 pandemic, we observed how some trends in the CCI

Top 5 Facts on Cultural and Creative Industries in Europe

- Investments in CCI related startups peaked with 5.61bn € in 2019.
- 93% of museums have started or increased online services (Network of European Museum Organizations 2021).
- 2020 saw a decline of -30% of total investment sums.
- Seed investments (500k – 2mn €) are declining since 2017.
- We see trends toward subscription OTT media streaming services. Innovations, such as blockchain, virtual reality, and AI.



David Fajolles
Co-Founder and Director of C-Factor

"Digital solutions became existential to institutions to maintain a link with their audiences, in a way that could be seen as game changer."

sector are starting to accelerate. According to our data and latest research, there are four top trends transforming the cultural and creative market, including digitalization of museums & cultural heritage, NFT-blockchain-based markets, as well as online art sales.

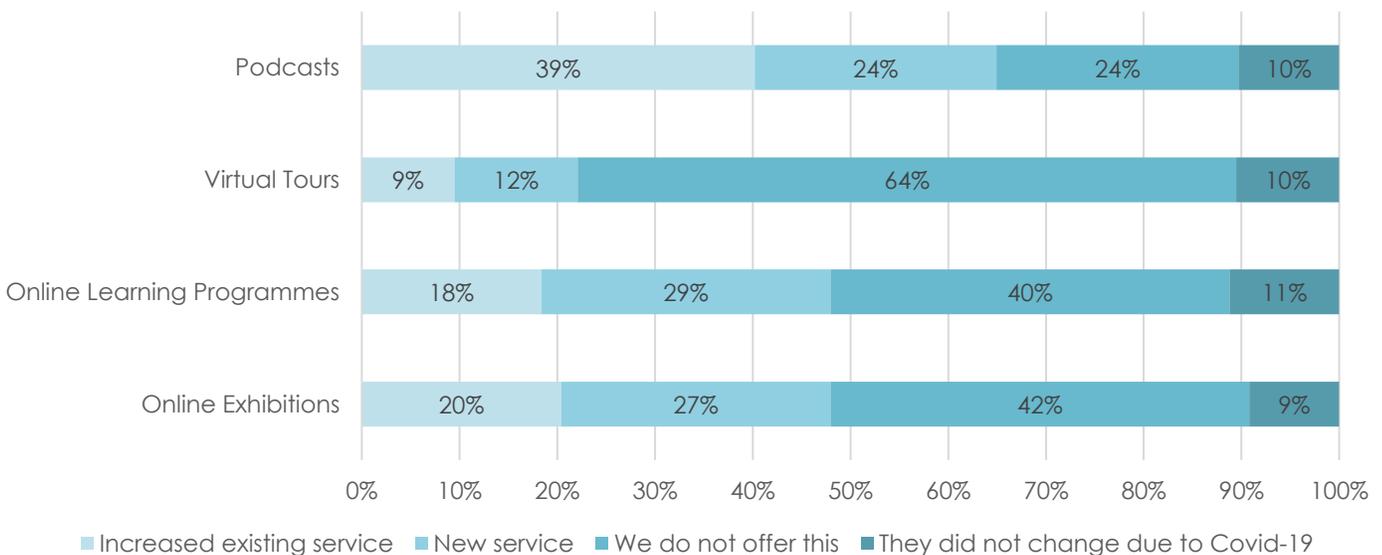
What are the main trends now?

One of the biggest trends is the digitalization of museums and cultural heritage. Museums across Europe have been heavily affected by COVID-19 at every possible level, revealing a lack of flexibility, knowledge, and existing gaps in skills, structures, and operations. The Covid-19 related closures of cultural institutions and consequential big drop in visitors led many traditional

cultural institutions to rethink their structures and business models. The latest research finds that 8 out of 10 museums say they need additional support with digital tools and transition and more than a third of museums have expanded their budget and resources for digital content and to implement solutions offered by technological startups (Network of European Museum Organizations – NEMO, 2021).

Virtual and Augmented Reality is one of the digital trends rapidly growing within the museum sector. Both startups and large companies could benefit as museums want to attract new audiences via VR and AR, onsite and remotely. Also, NFT blockchain-based markets are showing a significant growth, as

How Museums Changed Their Offerings Due To COVID-19



Source: [NEMO, 2021](#)



the pandemic was a 'catalyst' for them to speed up market adoption by years.

Among the most dynamic NFT platforms are Nifty Gateway and OpenSea. They are both exceedingly popular amongst their users who can buy, sell, and store digital art and collectables in the form of "nifties" or non-fungible tokens (NFTs).

New art technology companies have a huge impact on the traditional art world.

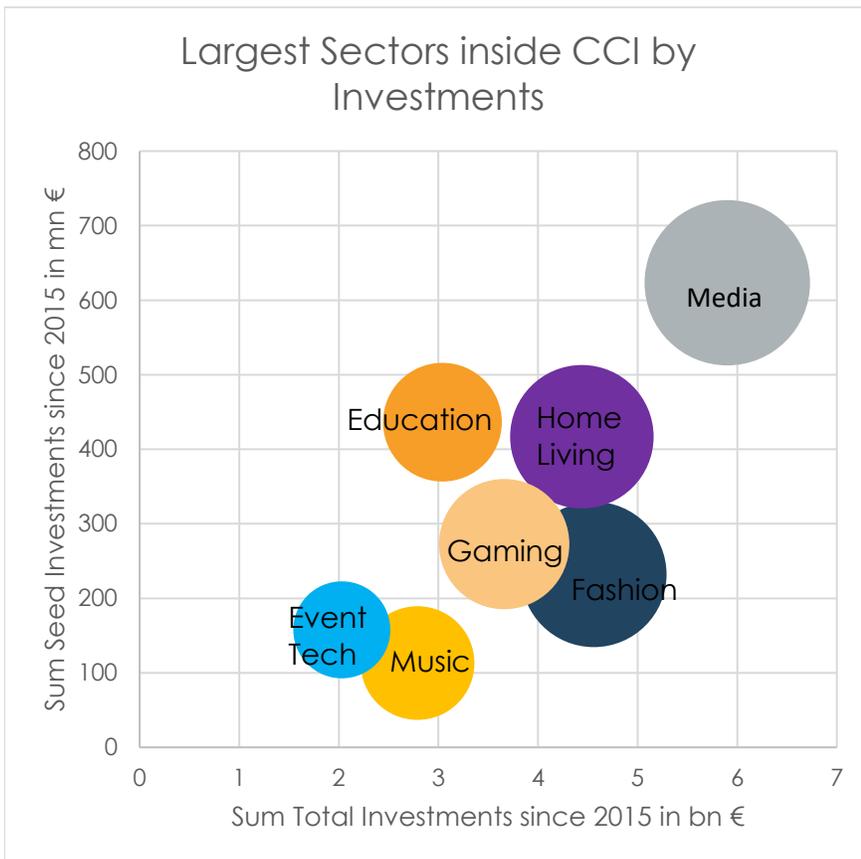
Since the beginning of the Covid-19 crisis, we observe that the visual arts market increasingly shifted to online sales and eCommerce. The rise of the internet and digital devices highly influenced the art e-commerce and auction market development, enabling consumers to buy their goods online and remotely.

A similar story applies to on-demand or immersive performing arts, where performing art organizations are increasingly turning to digital tools and cross-media productions like computer

generated graphics, 3D elements or holograms. Finally, and most importantly, there is a growth in cooperation between the up-and-coming art-tech companies and traditional performing venues in creating new digital channels and growing opportunities for theatre consumption and audience.

What are the main challenges?

Traditional CCI is a challenging field for innovation ecosystems. We can observe a resistance against innovation and new business models, leading to



Home Living became one of the main sectors in CCI with +30% investment growth in 2020

Source: Dealroom



Eva Leemet
Managing Director of Creative Estonia

"The pandemic has brought into focus the value of arts and culture, the need to find new ways of meeting audiences, new channels of product delivery, etc. Besides huge problems we have faced, we also do have some pros: huge learning curves on tools for online events; new skills and competencies in using new technologies; accelerated capacity building through digitization; increased visibility, etc."

deeper and further problems within the industry.

Cultural sectors and innovation ecosystems are not entirely compatible yet. The open dialogue between both is much needed to help develop new solutions and resolve some significant issues.

Another missing link is between business incubators, which often focus on media and advertisement, leaving other CCI areas behind. There is also not enough cooperation between research universities and businesses in traditional CCI sectors.

No business can afford to be stuck in the past

As many businesses or institutions from the CCI become globalized, they develop a greater variety of solutions to complex problems, fresh viewpoints, better communication in the workplace and training.

This combination can lead to a positive working environment and successful teams to lead different businesses or organizations in the future. However, the same benefits that diversity brings can also cause some challenges and problems.



What do you need to let media startups thrive?

Lina Timm, Media Lab Bayern



Six years ago, nobody knew what a “media startup” was. The term startup belonged to eCommerce or apps, but not so much in the media industry where people still printed papers.

Frankly, they still do – but nowadays Media Lab Bayern gets hundreds of applications per year for the Media Startup Fellowship program. Most of this success is based on excellent community building.

Here are the five main factors you need to let media startups thrive.

1. All startups need the same – and specific industry knowledge on top

Starting a media startup isn't so different from any other startup. You need a crazy committed team, an amazing product that solves a real user problem and a good marketing and sales strategy.

But you most likely won't succeed without knowing how the industry works. Media Lab Bayern provides coaching and mentoring in all of these topics. And the internal ecosystem of startup batches, alumni, and partners provides a great resource for industry specific knowledge.

2. Lure them with money, show them the worth of coaching

Almost all startups join the Media Lab because of the

40.000 Euro prototyping budget with no strings attached. Media Lab Bayern doesn't take any equity but splits the sum into parts which the startups need to apply for in pitch days every three months.

While in the program, founders get mandatory business coaching and mentoring hours on top – and all alumni value the worth of these coachings way higher than the “free” money.

3. Accelerators are the new universities

In the coachings, Media Lab Bayern teaches skills and knowledge that lasts way longer than any project specific funding. The coachings mainly focus on skills in product development methodology like Design Thinking and Lean Startup or business, marketing, and sales knowledge.



This way, Media Lab Bayern works as a university for founders, teaching them skills they can use for life.

4. Adapt expectations on business models and funding to the industry

Media currently has one main problem: Finding a sustainable business model for content. Much is tested, few things work.

Expecting the same scalability for media startups as for other industries would fail, so you have to adapt your expectations on business models, growth and funding. Because of missing

scalability for content startups, Venture Capital is rarely an option, so most teams bootstrap. In terms of business models, teams need to experiment a lot. For some teams, attaching an eCommerce business works, for others it's subscriptions.

5. Create a community of innovators

Media Lab Bayern transformed over the years from an incubator to an innovation hub serving talents in various stages.

Very early on we saw that supporting startups does only cover 20% of the innovation potential of the industry. So we built up a research and

development track to support ideas as well as programs for intrapreneurs that try to figure out what works best within the structures of an established company.

All of those efforts supplemented by various networking events lead to a huge community of innovative talent. Just recently we put the community of innovators online for people to search through their skills and find advice or a new colleague.

Innovation is all about people. You need inspiration and sparring to kick off your own ideas. So the main factor to support media startups is: Give them a community of other experts to learn from.



Tomasz Kowalczyk
Partner at Rebels Valley

“As digitization of the global economy is speeding up, I can see enormous potential for the projects combining culture and technology. From my point of view the future belongs to smaller, agile initiatives that can fully benefit from new tools like crowdfunding, asset tokenization and virtualization. If we can crowdfund independent documentaries, why can't we finance more entertaining content reaching mass audiences?”

OUR RECOMMENDATIONS

Based on the data collected and the exchange of experts during the DEEP Ecosystem Conference in April 2021, the DEEP Ecosystem Leaders formulate the following recommendations for a strategy towards a more innovative European CCI sector:

1) Being Innovative

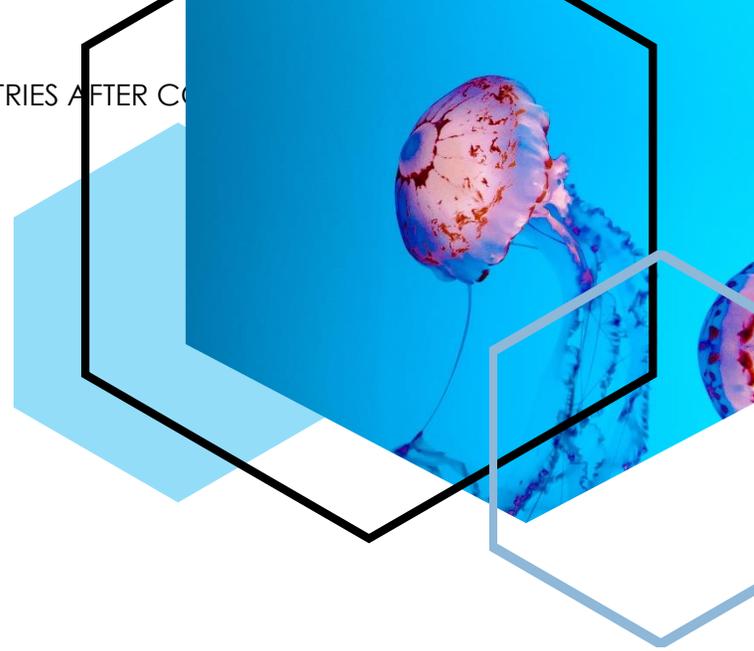
Evolving customer behaviors are causing rapid change to existing businesses and organizations. However, many of them still need to develop their digital competency and embrace that success is based on their ability to deliver more personalized experiences and think ahead about the future of customer experience. Ecosystems can help make traditional companies and organizations in the Cultural & Creative Sectors more innovation-friendly and make them aware that digital innovation will lead their way to engage modern customers.

2) European Funding

Lack of investments and investment readiness can be a big challenge, especially for traditional CCI. It is essential to know that funding opportunities and grants can be beneficial. Horizon Europe, for example, supports cultural and creative industries to preserve, and enhance cultural heritage with advanced digital technologies. Creative Europe helps test and design digital distribution of performing arts.

3) Cooperation & Partnership

We know that cultural institutions and innovation ecosystems are not compatible yet. The CCI sectors need to introduce digital solutions and methodology on modern product and innovation development to get positive results. They need to build up new networks and connections with stakeholders to accelerate new practices and mobilize for experiments.





4) Support in Transition

Training, coaching and peer-to-peer learning programs are necessary for traditional CCI businesses and institutions. They should cover the main topics: funding programs, developing digital revenue models, digital skills, innovation in arts and culture, connecting new stakeholders, to mention just a few. In addition, the CCI sectors need innovation to make the transition into a sustainable ecosystem.

5) Diversity

Diversity is often seen as one of the biggest challenges in the CCI sector relating to the industry's nature of work and working practices. Linguistic diversity can also be problematic in terms of exporting services or goods abroad. Our recommendation is a close collaboration of various organizations to bring cultural and creative experiences and products to their audience.