THE ECONOMIC IMPACT OF THE PHILADELPHIA REGION'S FOR-PROFIT TECHNOLOGY-DRIVEN CREATIVE ECONOMY
PHASE II: QUALITITATIVE FINDINGS

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EXECUTIVE SUMMARY

In January 2008, Econsult Corporation completed Phase I of an economic impact analysis of the for-profit technology-driven Creative Economy industries in the Philadelphia region. That quantitative report described the economic and fiscal impact by county and industry, and compared the region's progress with other peer regions. This Phase II qualitative report builds upon lessons learned to inform Innovation Philadelphia's Creative Economy strategy.

Where our Phase I analysis answered the more straightforward questions of "what" is happening in the region, "where" it is taking place, and "when" those trends occurred, this Phase II report addresses the more open-ended and complex questions of "why" we are seeing what we are, "how" we can make additional gains going forward, and "who" are the key players and institutions that must be involved in that process. Accordingly, our research efforts included a review of the Philadelphia region, a survey of nearly 160 Creative Economy professionals, interviews with a range of industry leaders, and comparative best practices research of peer regions.

What Do We Know About the Creative Economy?

We first consider the following five defining characteristics of the Creative Economy:

- *Size and impact.* In the US, Creative Economy industries directly employ nearly one out of every ten American workers. Furthermore, Creative Economy functions cut across nearly every aspect of business, making the impact of the Creative Economy even more extensive and significant.

- *Design and innovation.* Design, an important element to all Creative Economy industries, is rising in prominence in the economy as a whole, as a way to differentiate one's products and services. Innovation is also at the core of Creative Economy work, and increasingly at the core of healthy economies, to the extent that industries and regions need to invent and reinvent over time to stay competitive. In both cases, Creative Economy work tends to translate into high-margin functions, high-paying jobs, and high-impact activity.

- *Mobility and clusters.* Creative Economy work and Creative Economy workers tend to be more fluid, less fettered by geographic or political boundaries. On the other hand, Creative Economy workers, more so than others, tend to thrive in highly concentrated and highly collaborative environments.

- *Public intervention.* The Creative Economy can be characterized as one for which public intervention makes sense, because of its potential impact, the pervasiveness of its influence across industries, and the exponential payoff from clustering the work. Furthermore, the fluidity of the Creative Economy argues for greater public/public and public/private collaboration.

What Do We Know About the Philadelphia Region?

Second, we turn our attention to the following five characteristics of the region that can serve as assets to the growth of the Creative Economy:

- *Size and impact.* As demonstrated in our Phase I report, the Creative Economy is a large and growing part of the region's economy. It has a higher raw number of Creative Economy students and employees than most peer regions, and has produced some notable innovative companies like 160over90, Electronic Ink, and Nelson.

- *Diversification.* The Creative Economy may represent a smaller percentage of jobs in the Philadelphia region than in peer regions, but our diversification of industries is a good thing, because of the way the Creative Economy benefits from all kinds of firms for business, workers, and ideas; this diversification also buffets the region from extended downturns that dry up business opportunities for Creative Economy firms.

- *The design community.* Design is alive and well in the Philadelphia region, from the innovative work being done at the Navy Yard to the efforts of the Design Advocacy Group and others on the built environment.

- *Regional amenities.* The Philadelphia region contains many of the types of amenities that attract Creative Economy workers, from a multimodal transit system and a walkable downtown to numerous cultural, entertainment, and recreational assets.

- *Waterfront space.* Philadelphia has had to make a long and painful transition from a place of prominence in the industrial age to a place of competitiveness in the modern economy. It has largely made that transition, and an apt metaphor of that transition and of that success is its waterfront space, which is being reinvented as an aesthetically pleasing place for recreation and entertainment. This progress reflects a region that is, despite its Old Economy reputation, quite relevant and attractive to the New Economy.

What, Then, Are the Key Themes That Should Drive Our Regional Response to the Creative Economy?

Finally, we consider strategies that make the most of the Creative Economy in the Philadelphia region, and consider in particular initiatives in the following three categories:

- *Collaboration.* Peer region research plus information gleaned from interviews and surveys verified the importance of fostering public/public, public/private, and private/private partnerships towards growing the Creative Economy in the region. The Commonwealth of Massachusetts, as an example, established a Creative Economy liaison in 2007 as an advocate to Creative Economy firms.

- *Promotion and branding.* The region can and should more aggressively market itself as a Creative Economy hub, since our Phase I findings indicated that we compare favorably to regions like Austin and Denver that are more outspoken about their attractiveness to Creative Economy workers. Large-scale events like ESPN's X Games, MTV's Real World, and Live 8 have helped brand the region more persuasively.

- *Resources.* As a bloc of industries, the Creative Economy can and should be targeted with the following eight types of resources, which are necessary for business formation, growth, and capacity:

    - Financing
    - Zoning
    - Mentorships/internships
    - Education
    - Real estate
    - Tax incentives
    - Benefits
    - Liaising to public sector resources

Key Findings and Recommendations

We believe the following five recommendations merit additional attention and action:

- *Implement a running series of symposia to get public and private sector leaders together to discuss real strategies to collaborate.* None of the ensuing recommendations can happen without the will to work together. Accordingly, intentional gatherings on the subject can create forums for agreeing on mutual goals and determining administrative ways to work across political boundaries and institutional agendas.

- *Launch an aggressive marketing effort to sell what we already have, and to position it specifically for the Creative Economy in terms of social amenities and professional opportunities*. Large corporations, local and state governments, and regionally focused non-profits such as Select Greater Philadelphia can use existing initiatives as a platform for collaborating on and broadcasting a message customized to the needs of the Creative Economy.

- *A 24-hour district is a physical place where networking can happen and resources can be concentrated.* The unique needs of Creative Economy professionals, and their great desire to interact with one another in formal and informal ways, lends itself to distinct spaces customized to their way of living and working. Characteristics of such space would be a mixing of uses, flexibility in leasing and zoning, specialized services and educational offerings, and multiple venues for networking socially and professionally.

- *Work with local chambers of commerce to secure health care benefits and retirement savings vehicles for Creative Economy workers.* The ability to continue to be mobile in project work, but

resourced in terms of health insurance and retirement savings, would be a huge selling point for the Philadelphia region in terms of Creative Economy professionals. Inherently, insurance is a tool for managing risk, making easy on-ramps to access insurance thus provides Creative Economy individuals with a way to manage their lives more effectively, focusing more of their creative energy towards their work and thus giving them more freedom to innovate and experiment.

- *Leverage education density by building partnerships with local art / design schools to attract more artists, connect them to jobs, and support their entrepreneurial ventures.* The Philadelphia region's many universities, particularly those focused on arts and design, can be more effectively brought into the ongoing conversation and plans around the Creative Economy. Universities can be assisted in their efforts to help their students start new ventures and produce new innovations; and corporations and universities can work together to make a more seamless transition between walking across the stage to receive a diploma and walking into the office on the first day on the job. These institutions can continue to work closely with government and non-profit organizations towards a region that is better branded as an attractive place for Creative Economy workers and Creative Economy work.

It is an exciting time in our global economy and in our region, a time that presents great opportunity and great challenge. The for-profit, technology-driven Creative Economy industries represent a vitally important driver of innovation, vibrancy, and economic growth. Intentional, collaborative, and innovative efforts to marshal this bloc of industries are destined to distinguish the thriving regions from the rest.

It is incumbent upon the decision-makers in the Philadelphia region to embrace this challenge and, understanding the unique characteristics of the Creative Economy and of the region, to develop initiatives that make the region an attractive one for Creative Economy workers and Creative Economy work. Accordingly, the region should proceed from the position of strength that it boasts, thanks to a large and diversified economy, and yet with the sort of hunger that defines the Creative Economy individuals and ventures it seeks to attract.

1.0 INTRODUCTION

In January 2008, Econsult Corporation completed Phase I of an economic impact analysis of the for-profit technology-driven Creative Economy industries in the Philadelphia region. That quantitative report described the economic and fiscal impact by county and industry, and compared the region's progress with other peer regions. The report ultimately served as the backbone of Innovation Philadelphia's own Creative Footprint publication, which was also released in January 2008.

However, that quantitative report was only Phase I of the analysis. This Phase II qualitative report builds upon lessons learned from our Phase I quantitative analysis to complete the foundational research that will help to inform Innovation Philadelphia's strategy as it relates to the for-profit, technology-driven Creative Economy industries in the Philadelphia region.

1.1 Report Overview

As was the case in our Phase I report, the present analysis continues to focus on *for-profit, technology-driven* industries and occupations "that produce goods and provide business-to-business creative services that generate technical innovation, drive design, and cultivate change."[1] These include 16 sectors identified and targeted by Innovation Philadelphia (see Figure 1.1).[2]

The findings included herein, along with those from our earlier quantitative analysis, serve as a foundation and guide to the attraction and growth of Creative Economy entrepreneurs and businesses within the Philadelphia region. These findings can ultimately be communicated to a wide range of government, public, and private sector stakeholders, and can be key not only in demonstrating the value and potential of the Creative Economy to the region, but also in developing and implementing specific strategies for the Creative Economy, as a whole, and for specific industries contained within it.

In short, where data produced through our Phase I analysis was able to answer the more straightforward questions of "what" is happening in the region, "where" it is taking place, and "when" those trends occurred, evidence gained through this current analysis has been critical in explaining the more open-ended and complex questions of "why" we are seeing what we are, "how" we can make additional gains going forward, and "who" are the key players and institutions that must be involved in that process.

[1] Kelly Lee, Innovation Philadelphia.

[2] Ongoing use of the term, "Creative Economy," shall refer to the 16 for-profit technology-driven Creative Economy industries identified here.

Figure 1.1 – For-Profit Technology Driven Creative Economy Industries, as Defined by Innovation Philadelphia

- Architecture
- Communications
- Design and Merchandising
- Digital Media
- Engineering
- Fashion Design
- Graphic Arts
- Information Technology
- Interior and Industrial Design
- Marketing
- Music, Film, and Video Production
- Multimedia Design
- Photography
- Planning
- Product Design
- Software Development

Source: Innovation Philadelphia (2007)

1.2 Key Findings from Phase I Report

The analysis carried out through Econsult's Phase I study provided a multi-dimensional quantitative view of the for-profit technology-driven Creative Economy in the Philadelphia region. In particular, it demonstrated the extent to which the Creative Economy contributes to the region's overall economy, in terms of both the activity within Creative Economy industries, as well as employment in Creative Economy occupations across all industries in the region.

From our findings, we were able to identify the following characteristics of the Creative Economy in the Philadelphia region:

- It is a key contributor of high-paying, high value jobs, with average annual wages for Creative Economy industries of $55,600 (25 percent higher than non-Creative Economy industries) and average annual wages for Creative Economy occupations of $61,000 (45 percent higher than the average for all occupations).

- It is experiencing clear growth, particularly in terms of individual Creative Economy occupations, where there was a 12 percent increase in jobs and a 19 percent increase in earnings between 2003 and 2005.

- It is a significant generator of economic activity and tax revenue for the Philadelphia region, to the tune of almost $60 billion in total annual economic impact, or 20 percent of the region's Gross Metropolitan Product for 2005, as well as over $1.2 billion in local and state annual tax revenue generation.

- It is a major source of entrepreneurial activity for the region, with 36,500 self-employed individuals falling within for-profit Creative Economy industry sectors.

- It is at a competitive advantage compared to the nation as a whole, with a location quotient of 1.04 (i.e. 4 percent higher employment within Creative Economy industries relative to overall employment than the nation as a whole).

- It is surpassing or on pace with peer regions also engaged in Creative Economy-related economic development programming, with the highest growth in Creative Economy occupation earnings (19 percent) and the second highest growth in Creative Economy occupational employment (12 percent) among all peer cities examined, as well as the second highest average wages among Creative Economy industries ($55,600) among all peer regions.

In addition, one of the more compelling outcomes of our initial stage of research was the finding that Creative Economy occupations intersected virtually all sectors of the Philadelphia region's economy. To illustrate, even as there is a separate and substantial Information Technology *industry* within the Philadelphia region, we also see individuals in IT *occupations* throughout both Creative Economy industries and other industries.

The wide range of products and services provided by the for-profit Creative Economy industries has become increasingly vital to the growth and productivity of businesses across all industries. For example, a company's ability to effectively market itself may ultimately enable it to stand out in a crowded marketplace, while effective workspace design and network access can enhance internal productivity. According to one owner of a Creative Economy consulting firm, services like these had previously been considered luxuries that could be shed during lean times, but are now perceived as necessary investments that all firms must regularly make to stay competitive.

The impressive impacts outlined above have occurred thus far *despite* a relative lack of direct regional investment as compared to other blocs of industries, such as life sciences, education and research, and arts and culture. This pervasiveness of impact is not in evidence to the same degree by other blocs of industries, such as the ones mentioned above, which, relative to the Creative Economy, have enjoyed some measure of public subsidy and other forms of attention and publicity.

Based on our initial quantitative findings, we infer that future measurement and analysis will likely reveal continued growth for, and an even greater regional economic impact from, the Creative Economy. Accordingly, Innovation Philadelphia has taken up the cause to marshal attention and resources on its behalf. The potential payoff is enormous: since Creative Economy industries serve all other industries, and Creative Economy occupations can be found in all types of firms, accelerated growth of the Creative Economy in the Philadelphia region has the potential to have a dramatic, uplifting effect on the region, as a whole.

1.3 Approach to Phase II Report

The current Phase II analysis serves to expand upon the aforementioned quantitative findings and recommendations regarding the Creative Economy and offer a strategic framework for moving forward with policies and initiatives aimed at growing this bloc of industries. Where the previous endeavor was largely a data-driven exercise, this analysis involves a more qualitative, primarily research-driven approach aimed at understanding the Creative Economy beyond the numbers.

Having previously established that Creative Economy industries and occupations are significant economic drivers for the Philadelphia region, our present analysis is focused on understanding how to build upon our existing strengths and at the same time address critical weaknesses that threaten to undermine the future success of the Creative Economy. In this regard, interviews with key Creative Economy business owners and economic development leaders in the region, along with surveys of Creative Economy practitioners and entrepreneurs, have offered key insights into the professional needs and business objectives of these groups; and, together with other primary and secondary research activities, have provided a useful complement to our Phase I research.

Altogether, research efforts employed to inform this report have consisted of the following:

- A review of the Philadelphia region's assets, resources, strengths, and challenges;
- Interviews with a range of industry leaders, economic development professionals, and regional entities impacting the Creative Economy;[3]
- A survey of nearly 160 for-profit Creative Economy business owners and entrepreneurs;[4] and
- Comparative best practices research and follow-up consultations targeting peer regions analyzed through the Phase I analysis.

Through these various mechanisms, we have gained extensive knowledge of the Philadelphia region's core strengths and weaknesses in regards to the Creative Economy, as well as a clear understanding of the needs and concerns of Creative Economy businesses and professionals throughout the region. Moreover, through our additional analysis of, and consultations with, other peer regions, we have gained an important comparative perspective, which has in turn presented an opportunity to learn from the successes and failures of these other regions and to identify approaches and practices that may ultimately benefit the Philadelphia region as well.

In many cases, our qualitative research in the form of surveys, interviews, and best practices served to validate and clarify the results of our prior research on the Creative Economy in the region. For example, one key finding of our Phase I analysis was the considerable presence in the region of more than 36,000 self-employed individuals throughout the for-profit Creative Economy industries. Many of our survey

[3] See Appendix B for a list of organizations interviewed.

[4] See Appendix C for summary tabulations of our survey responses.

respondents and interview subjects verified the importance of this bloc of entrepreneurs and the importance of providing programs to support and connect them..

In order to synthesize these and other findings into a meaningful dialogue that can help to guide future efforts aimed at growing the Creative Economy in the Philadelphia region, our Phase II analysis addresses the following set of key questions:

- What do we know about the Creative Economy? (Section 2)
- What do we know about the Philadelphia region? (Section 3)
- What, then, are the key themes that should drive our regional response to the Creative Economy? (Section 4)

We can then synthesize these findings into a concluding chapter (Section 5), in which we summarize our key recommendations and next steps. We do so with the aim to move public and private sector leaders into action on behalf of the Creative Economy and on behalf of the overall health of the Philadelphia region.

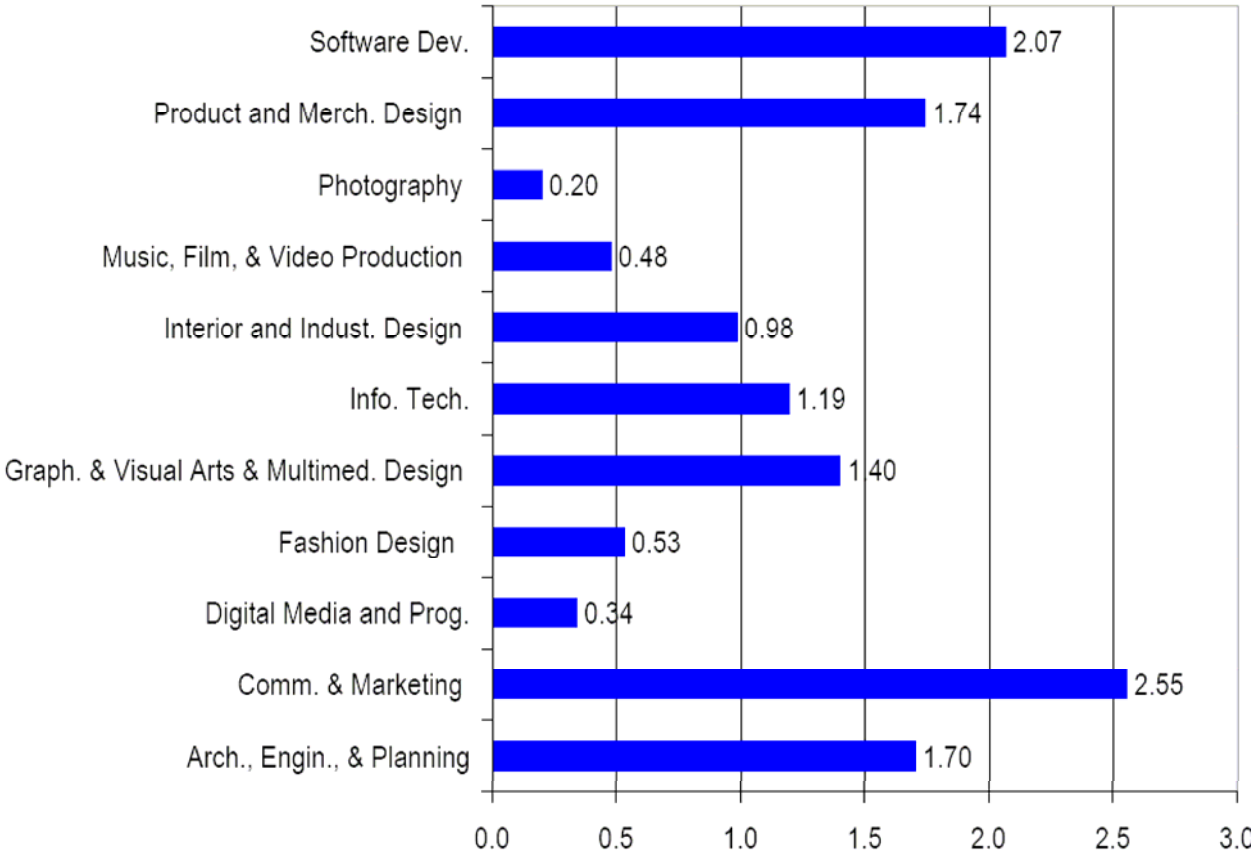
2.0 CHARACTERISTICS OF THE CREATIVE ECONOMY

Our exploration into how to best support and grow the Creative Economy in the Philadelphia region must necessarily begin with a look at the Creative Economy as a bloc of industries, and particularly at what makes them important and unique. Specifically, we consider first the sheer size and impact of this bloc of industries. Then, we discuss the growing importance of design and innovation to our modern economy. Next, we look at the relative mobility of Creative Economy work and Creative Economy workers, as well as the exponential gains in productivity and innovation when the work and workers can cluster within a particular region. Finally, we make a case for active local and regional public intervention in supporting and growing the Creative Economy.

2.1 Size and Impact

In order to examine the impact of the technology-driven for-profit Creative Economy in the Philadelphia region, it is necessary to first consider these Creative Economy industries on a national scale. In the US, Creative Economy industries directly employ over 13 million people, which is nearly one out of every ten American workers (see Figure 2.1).

Figure 2.1 – Creative Economy Employment in the US, by Industry (in Millions)[5]



Source: Econsult Corporation (2007)

In addition to those directly employed in the Creative Economy, the nature of the Creative Economy is such that unlike other, more traditional industries that exist in isolated spheres, Creative Economy functions cut across nearly every aspect of business. It has become the norm for innovation, technology, and design concepts to be utilized in the daily operations of even the most traditional industry sectors. While the sheer number of those employed directly in Creative Economy sectors is considerable, the impact of the Creative Economy throughout the entire economy is therefore even more extensive and significant.

In determining how to define the Creative Economy for our Phase I analysis, it was a challenge to decide how to account for those employed in Creative Economy industries compared to those with Creative Economy occupations that could be employed in any industry. This challenge ultimately exemplifies the

[5] In conducting our Phase I analysis, we combined the sixteen Creative Economy sectors defined by Innovation Philadelphia into eleven Creative Economy industries, which more easily and accurately corresponded to available economic data. Architecture, Engineering, and Planning were combined into one industry, as were Communications and Marketing. Graphic Arts and Multimedia Design were combined and supplemented by an additional industry sector, Visual Arts. Product Design and Merchandising was used in place of the Product Design sector.

nature of the Creative Economy: the direct industries represent firms that employ almost ten percent of the American workforce, but additional Creative Economy work takes place in almost all of the firms that employ the other 90 percent.

2.2 The Importance of Design and Innovation

The power of the Creative Economy is further underscored by the growing importance of design and innovation in our modern, post-industrial economy. Notably, five of the 16 sectors that make up the for-profit, technology-driven Creative Economy have "design" in their titles; but in this section, we are speaking even more broadly about design as *a way to differentiate oneself and one's products and services, a concept that is creative and innovative at its core, and that is central to all 16 of the Creative Economy industries*. Success at the individual, corporate, and regional levels is increasingly defined by the presence of design in this sense, which means that regions that are successful in attracting and growing their Creative Economy industries will have a leg up.

In a world in which breathtaking advances in technology and mobility have led to the rapid commoditization of even the most complex products and services, a growing number of companies in a variety of industries are turning to *design to distinguish themselves and earn higher margins*. Apple is perhaps the best example and a pioneer of this approach, with its iconic iMac, iPod, and iPhone lines enabling it to charge premium prices relative to their competitors. The rising prominence of design has led to innovative new curricula melding business and design, such as at Stanford University and the Rotman School.

To demonstrate the pervasiveness of design in our modern economy, we note that even corporations that once espoused low-cost, no-frills principles, like Dell, GE, and Walmart are now incorporating design into their product strategies and business models. Organizations such as these and countless others recognize that effective design can also lead to enhanced efficiency and productivity, as processes are streamlined, as well as made more employee-friendly and customer-centric. This shift towards design-focused innovation is perhaps no better illustrated than through recent changes at consumer-products giant Procter & Gamble. In response to stagnating volume growth, P&G turned to design as a new way of operating, establishing a new executive level position of Vice President for Design, Innovation, and Strategy, quadrupling its design staff, and injecting designers into its R&D programs. Furthermore, P&G established what it called an "innovation gym" as a means for training managers in the new way of "design thinking," as well as an independent "Design Board" to offer an outside perspective to internal operations. In short, P&G has almost completely repositioned itself from Old Economy producer to New Economy designer.[6]

The importance of design is not limited to producers of commercial goods. Rather, design process is gaining increasing value for service industries as well, which now comprise close to 70 percent of the national economy. For companies in the service sector, designers can help organizations to understand what is happening and what could happen, and to model what they can become. In fact, Creative Economy professionals who once served as designers for major material goods corporations are now

[6] "Get Creative," Business *Week* (August 1, 2005).

finding a niche as designers of management systems that are vital to the operations of for-profit businesses. For example, one of the Creative Economy entrepreneurs interviewed for this report spoke of a recent hire who was formerly employed as a product designer for a major multinational athletic apparel company, and who was able to translate his previous design experience towards developing a risk management model to assist in anticipating what types of issues could arise and what options there were in responding to such problems.

As for innovation, for-profit Creative Economy activity is inherently about *invention and reinvention*, and thus can provide just the spark needed by the Philadelphia region to maintain its competitiveness rather than clinging to dying industries and functions. In fact, innovation is an essential catalyst to the *"creative destruction"* necessary to reinvent regions over time. Coined by Austrian economist Joseph Schumpeter, "creative destruction" is a term that refers to the importance of innovation in transforming industries and regions over time, without which there can be no meaningful long-term economic growth. As economist Thomas Sowell puts it, "Jobs are always disappearing. The big question is why they are not being replaced by new jobs."[7] Successful regions rely on their competitive advantage in innovation to stay one step ahead of obsolescence.

In short, both design and innovation, two hallmarks of the Creative Economy, translate into *high-margin functions, high-paying jobs, and high-impact activity*, which are exactly what regions crave for their economic and fiscal impact. To add to the challenge, Creative Economy work and Creative Economy workers are increasingly mobile, which means that a region can benefit only to the extent that it can offer a long-term value proposition and not just a short-term, one-time excuse to relocate. Not surprisingly, every peer region studied for this report had formulated some sort of regional, inter-governmental, and public/private initiative designed to attract, retain, and grow Creative Economy activity.

2.3 The Mobility of Creative Economy Work and Creative Economy Workers

Another distinguishing feature of the Creative Economy is that of mobility, both in terms of individual professionals, as well as the work produced by such individuals and the firms and organizations they represent. In his seminal book, "The Rise of the Creative Class," Richard Florida identifies this bloc of workers as younger and more mobile than professionals in other sectors of the economy. Florida describes these individuals as seeking places that match up to their creative interests and proclivities, and as ready and willing to relocate if necessary to find such environments.

Similarly, *work produced by Creative Economy firms is not limited by geographic and political boundaries*, as evidenced by the fact that many firms located in the Philadelphia region contract out Creative Economy functions to vendors outside the region. Also, many Creative Economy firms located in the region have clients very far from the region. According to one Creative Economy entrepreneur interviewed for this study, nearly 75 percent of his business stems from clients outside the immediate local area. Other survey

[7] "Rescuing the Rust Belt," Thomas Sowell (March 4, 2008).

respondents and interviewees who represent Creative Economy firms noted the far-flung connections that now define their day-to-day business operations, whether the connection is to clients, staff, or vendors.

The fluid nature of Creative Economy work and workers has profound consequences for efforts to grow the Creative Economy in this region. For one, branding efforts to attract and retain Creative Economy professionals must recognize that the Philadelphia region is not competing with itself as much as it is competing with other regions across the country and around the world for Creative Economy workers. Secondly, an important way to grow Creative Economy firms in the region is to connect them to clients and other contacts outside the region.

2.4 Creative Economy Clusters

Unequivocally, the findings of our Phase I analysis show that there already exists a strong and growing Creative Economy in the region. Sadly, a majority of the individuals surveyed for this analysis felt the region was doing a "fair" or "poor" job of promoting both their specific industries, and the Creative Economy sectors as a whole.

Many interviewees noted that the larger companies in the Philadelphia region that consume Creative Economy services frequently look outside of Philadelphia to neighboring cities such as New York, Washington DC, and Boston when it comes to hiring Creative Economy service firms, as they are unaware of the vast pool of local resources in their own back yards. Sustained promotion of the Philadelphia region's Creative Economy, as a bloc of industries, may be an important factor in helping to reverse and overcome this challenge. Thus, despite a strong regional presence, there remains a distinct need to position the region as a destination and hub for the Creative Economy, as a distinct bloc of activity.

The cluster approach to economic development has gained considerable momentum throughout the US in recent years, representing a key shift from past economic development policies that primarily focused on allocation of resources to individual businesses and organizations. With an emphasis on systems of industries that contain multiple interrelated sectors, the result is a vastly more efficient use of scarce economic development resources, as the successes of one sector within the cluster beget increased activity and successes upon neighboring sectors.

This idea is mirrored in the views of various regional Creative Economy business executives we interviewed for this study, who noted that clusters can serve as a powerful means of building a critical mass of ideas and idea generators, which ultimately leads to a more vibrant Creative Economy community in a region as *more and better collaboration ensues from more and better interactions* between Creative Economy professionals. This in turn leads to increased networking and interconnectedness among Creative Economy professionals and firms, which facilitates greater outreach and helps to promote increased activity and accompanying growth of Creative Economy industries.

Therefore, increased promotion of a Creative Economy cluster in the Philadelphia region can help to bring new business to the region's existing Creative Economy professionals and firms, even as there may be little or no direct allocation of funding or other traditional economic development resources. Moreover, this enhanced promotion of the Creative Economy can also serve as a powerful recruiting tool to attract new Creative Economy professionals and enterprises to the region, a factor which is critical to the ongoing success and growth of the region's Creative Economy.

As we discuss the development and promotion of a regional Creative Economy industry cluster, it is also critical to note that clusters of Creative Economy enterprises need "much more than the standard vision of a business park next to a technology campus," according to the UK-based Creative Clusters, Ltd. In this sense, while certain other industry sectors, such as biotechnology or pharmaceuticals, may be more able to thrive in more remote and traditional office park locations, because their work tends to be more specialized and self-contained, *the most successful Creative Economy clusters tend to be places where Creative Economy professionals can live, work, and play, since this work and these workers tend to benefit from such agglomerations*.

In fact, Innovation Philadelphia has taken the lead in fulfilling this important advocacy role towards the development of a vibrant Creative Economy cluster in the region. It speaks to this important characteristic of the Creative Economy, that the potential of a large multiplier effect from agglomerating Creative Economy work and workers justifies a coordinated effort to brand the region and attract Creative Economy activity accordingly.

2.5 Creative Economy and Public Intervention

The Creative Economy is a large and fast-growing segment of the overall economy whose influence extends to every corner. It has, at its core, the principles of design and innovation, two increasingly important components of successful regions. Its workers and its work do not abide by geographic or political boundaries, and yet the greatest payoff comes from clustering those workers and that work. Having described the Creative Economy in this way, it is clear that one can make a compelling case for *some form of public intervention to marshal resources in support of growing the Creative Economy*.

This is particularly true now that cities, regions, and states are much more comfortable competing against one another via public subsidies for various generators of economic growth, whether stadiums, convention centers, or manufacturing plants. The Creative Economy as a bloc of industries is far larger than other blocs, and importantly is more integrated with other industries and, therefore, has the opportunity to create more impact on a region's economy. In this sense, *one important and final characteristic of the Creative Economy is that it is one in which public participation is justified*, and for which the effectiveness of that participation will go a long way in differentiating regions in the competitive landscape.

Because Creative Economy work is not confined to geographic or political boundaries, it is important to *consider the appropriate public-public collaborations*. Municipalities and even states can and should seek ways to work together across lines to coordinate initiatives and to present a united face in their mutual effort

to attract, retain, and grow Creative Economy activity. In this effort, there need not be an attitude of "either-or," but rather "both-and" – regions can simultaneously employ very local strategies (say, to develop niche markets in targeted industries), as well as geographically broader strategies (say, to brand the diverse recreational amenities that can be found across the region). This is the challenge, and the opportunity, for the Philadelphia region.

3.0 THE PHILADELPHIA REGION AND THE CREATIVE ECONOMY

Having described the Creative Economy, we can now turn our attention to the Philadelphia region, to consider how such a bloc of industries is doing here and how various characteristics of this region can serve as an asset or a deterrent to growth and vitality. We consider first the sheer size and impact of the Creative Economy in the region, as determined from our Phase I report. We then touch on local amenities that make the region attractive to Creative Economy workers, the growing vibrancy of the local design community, and the asset and challenge that Philadelphia waterfront space can be for the region.

3.1 Size and Impact

Similar to national trends, the Creative Economy is a large and significant portion of the Philadelphia region's economy. There are over 306,000 people employed directly in Creative Economy industries in the region, including over 36,500 self-employed individuals.[8] Employment in the Creative Economy accounts for slightly over ten percent of the workforce in the region. Among its peer regions, the Philadelphia region has the second-highest number of people employed in the Creative Economy and the second-highest number of self-employed people in the Creative Economy, second only to Boston in both categories.

In addition, we know from our Phase I research that Creative Economy occupations have experienced strong growth in recent years, with a 12 percent increase in jobs and a 19 percent increase in earnings between 2003 and 2005. This growth is further backed by survey responses collected during the current phase of analysis, where a vast majority of respondents reported moderate or strong growth in either their organization or industry sector over the past five years.

Finally and importantly, the Philadelphia region is home to over 80 colleges and universities and therefore enjoys a large concentration of students. In fact, over 55,000 degrees were awarded in the region in 2006-2007, of which almost 21 percent were in majors related to Creative Economy occupations.

As has been previously discussed, the nature of the Creative Economy is such that the more such workers there are in a region, the more attractive that region becomes and the more productive those workers will be, as ideas, projects, and people accumulate in the region. Thus, while other peer regions may have higher proportions of their employment bases represented by Creative Economy industries, *the Philadelphia region has a higher raw number of employees than most other peer regions*, making it an attractive hub for Creative Economy work and Creative Economy workers.

In addition to the sheer size of the Creative Economy in the Philadelphia region, there is great quality in the Creative Economy firms in the Philadelphia region. Illustrative examples include:

[8] For a more detailed industry-by-industry analysis of peer region Creative Economy employment, see Appendix A.

- 160over90 - 160over90 is a marketing communications firm that is the largest employer of graphic designers in the region. 160over90's clients include high profile national companies, such as American Eagle Outfitters and the Discovery Channel and local companies, such as Starr Restaurants.

- Electronic Ink - Electronic Ink is a software development and technology firm that is one of the ten largest software development firms in the region. Electronic Ink's clients include a wide spectrum of firms such as Bank of America, Travelocity, and the BBC.

- Nelson - Nelson is an international architecture, interior design, planning, and engineering firm with its headquarters in Philadelphia. Nelson is the largest employer of interior designers in Philadelphia, and generated the fifth highest amount of interior design fees in the US in 2007. Nelson's clients include SUBARU of America, Wachovia, and PepsiCo.

In summary, the Philadelphia region has a decided advantage over other peer regions in terms of the Creative Economy because of its sheer size, relative to those other regions. The proof that there is strength in numbers is not just in healthy growth, which the region has enjoyed according to our Phase I report, but also in the ability to attract and retain such innovative and cutting edge companies as 160over90, Electronic Ink, and Nelson.

3.2 Diversification and the Creative Economy

The Philadelphia region's for-profit technology-driven Creative Economy industries may not garner as much attention as those in other regions whose employment base is more heavily concentrated in such industries. The fact that the Creative Economy accounts for over 15 percent of jobs in Austin and Seattle and only 10 percent in Philadelphia makes it easier for Austin and Seattle to be deemed more "creative" – although, as stated above, the raw number of jobs and activity is just as, if not more, important than the proportion, in terms of impact on the regional economy.

Indeed, like many older cities in the US, Philadelphia has had to make a more painful transition than most its peer regions, from a manufacturing-based economy to a service-based economy. Fortunately, it has not suffered as much as other places like Detroit, Buffalo, and Cleveland, and as a result has largely completed this transition.

In fact, from the standpoint of the Creative Economy's future potential in the region, *our more diversified economy is a strength and not a weakness*. Creative Economy firms, after all, depend not just on other Creative Economy firms, but also on all firms for business, workers, and ideas. The best places for the Creative Economy to flourish are those in which there are not only a lot of other Creative Economy professionals, but also a lot of professionals in other industries. *The local design community, in particular, has benefited from the region's diversity of industries*, from which it draws a wide range of clients, as well as innovative approaches and new ways of thinking. Witness the incredibly rich relationships between

fashion designers at Urban Outfitters, manufacturing technicians affiliated with the Delaware Valley Industrial Resource Center (DVIRC), and industrial engineers at the US Navy, all located at the Navy Yard. Some of these interactions occur as a result of formal efforts like those of DVIRC and of the Philadelphia Industrial Development Corporation, and some happen purely because of proximity and shared interests.

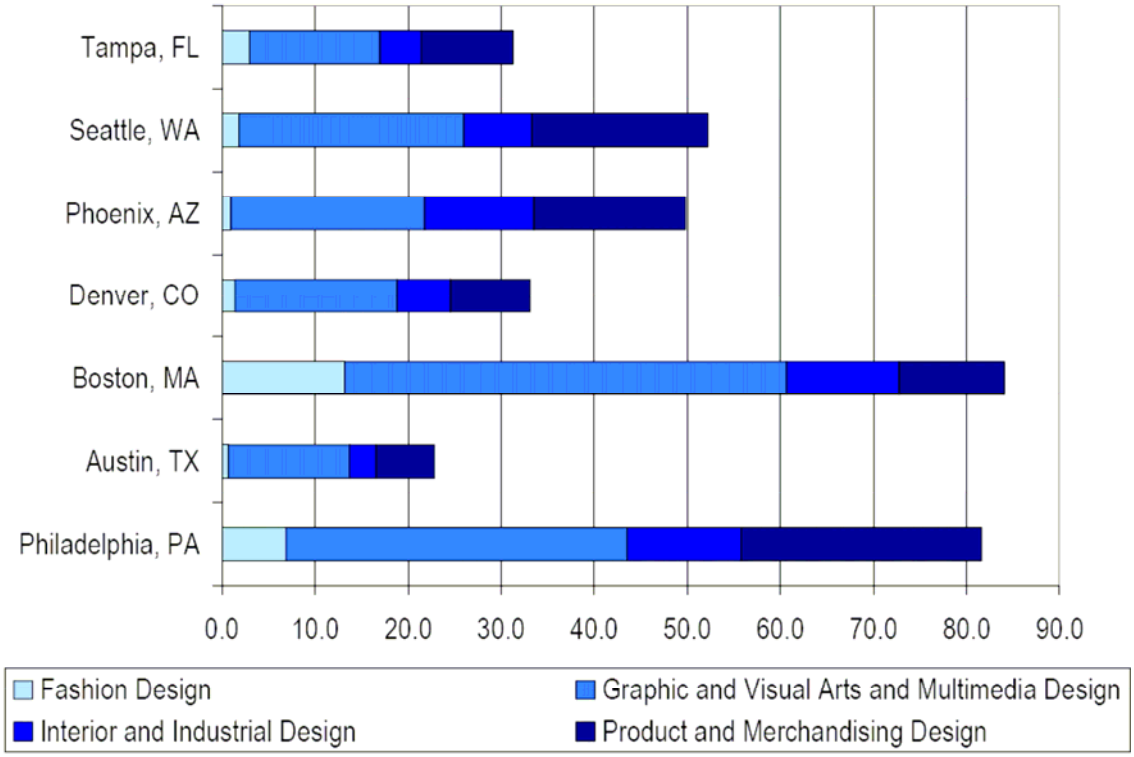
A diversified economy is also a more stable economy, according to urban icon Jane Jacobs, who argued that an over-reliance on one or two industries made for more painful corrections when those sectors cycled downward. The Philadelphia region, on the other hand, has a healthy mix of activity, from financial services to medical research, from to higher education to heavy manufacturing; all of which contribute to a well-balanced economy, and all of which can be of use to the region's Creative Economy businesses and which can represent employment and business opportunities for Creative Economy individuals. The region, therefore, is more buffeted from extended downturns that dry up business opportunities for Creative Economy firms and entrepreneurs.

3.3 The Design Community

Design, a key aspect of the Creative Economy, is alive and well in the Philadelphia region. The various Creative Economy industries that have design at their core employ in aggregate over 80,000 workers, in such categories as fashion design, interior and industrial design, graphic and visual art, multimedia design, and product merchandising and design. This places Philadelphia a close second to Boston and far ahead of other peer regions (see Figure 3.1).

[9] "Center City Market Facts," Center City District (2007).

Figure 3.1 – Creative Economy Employment in the Philadelphia Region, Compared to Other Peer Regions (in Thousands) – Fashion Design + Interior and Industrial Design + Graphic and Visual Art and Multimedia Design + Product Merchandising and Design



Source: Econsult Corporation (2007)

Apart from these impressive employment statistics, one must also recognize the extent to which *design has become engrained in the public discourse of the Philadelphia region* and, not coincidentally, integrated into the region's approach to planning and economic development. For example, the Design Advocacy Group serves as an arena in which to discuss the intersection of sound design principles with various economic development initiatives taking place in the region. Its stated mission is to "provide an independent and informed public voice for design quality in the architecture and physical planning of the Philadelphia region," and it has successfully engaged both the local design community, as well as key public and private sector leaders through monthly gatherings, policy papers, and other advocacy efforts.

Local efforts to reclaim and transition waterfront space have also mobilized significant design efforts. PennPraxis, part of the University of Pennsylvania's School of Design, recently led an ambitious effort to re-envision the Central Delaware waterfront Their final presentation was attended by over 1500 people, demonstrating the great interest in design's relevance to public space and public policy.

Recognizing both the strength of the design sectors as economic generators and the contributions of the broader design community from an economic development perspective, design industries as a whole

represent a key regional asset that are thankfully being addressed in future efforts to expand the Creative Economy in the Philadelphia region. For example, the Philadelphia Industrial Development Corporation has begun to explore the potential of this through ongoing research into a "Design at the Navy Yard" cluster that builds upon the Navy Yard's unique environment development potential. In particular, assets such as a round-the-clock environment, identifiable districts, central regional location, access to mass transit, pedestrian routes, waterfront access, attention to environmental sustainability, workforce development potential, and historical buildings and landscapes all provide the type of environment noted by Richard Florida as a critical factor in determining where Creative Economy types choose to hang their hats. Furthermore, the sheer size and ongoing nature of the Navy Yard Master Plan development offers a blank canvas in which to establish a Creative Economy hub for the region, be it within the design sectors or another Creative Economy sector entirely. The critical takeaway in this case is that, while this is within the early conceptual stages, projects such as "Design at the Navy Yard" are the types of industry agglomeration and clustering strategies that can stimulate creativity and innovation.

Importantly, it is this attention to sound design practice that will help the Philadelphia region to become more attractive to Creative Economy professionals and businesses. As has been discussed previously throughout this report, these individuals and entities seek out the types of environments in which one can live, work, and play along with other like-minded individuals and entities. Through effective design that seamlessly incorporates the residential, leisure, and professional amenities desired by Creative Economy workers, the region can offer a setting that attracts new Creative Economy businesses and talent.

3.4 Regional Amenities

In addition to its diversified economy, the Philadelphia region contains many of the types of amenities and assets that attract Creative Economy workers. In our recent survey of Creative Economy leaders, respondents overwhelmingly cited a number of key competitive strengths of the region: its concentration of Creative Economy talent, its proximity to other major metropolitan areas, its relatively low cost of living, and its wide range of recreational and cultural outlets.

Indeed, many cities and regions are spending billions of dollars and exerting a considerable marketing and branding effort to make available the kinds of assets our region already enjoys, assets that are so engrained into life in the Philadelphia region that they are easily taken for granted.

For example, the region boasts such an effective public transportation system that 70 percent of those working in downtown Philadelphia use it to get to work.[10] The denseness and walkability of Philadelphia is another amenity that was highlighted in 2008, when the city was named the 15th most walkable city in the US. As a result, Center City Philadelphia boasts 88,000 residents, making it the third largest downtown population in the US.

[10] "Center City Market Facts," Center City District (2007).

In addition to infrastructure amenities, residents and visitors alike enjoy a vibrant nightlife, numerous restaurants of all cuisines and budgets, and over 1,800 retail stores of all varieties. Philadelphia is also home to world-class medical, educational, and cultural institutions, and Philadelphia neighborhoods such as Northern Liberties and Fairmount have become enclaves of Creative Economy communities which help to support the over 250 arts organizations located throughout Center City. The City is also home to teams in all four major professional sports leagues.

For those for whom outdoor activities are of interest, the region as a whole includes an extensive network of outdoor parks, including Fairmount Park and Valley Forge, and a vast array of hiking and biking trails, in addition to the over 275 acres of parks and playgrounds contained within Center City itself. The Greater Philadelphia Tourism and Marketing Corporation is careful to describe the region to prospective tourists and visitors as "Philadelphia and the Countryside," thus distinguishing the region as having both urban and rustic features to explore.

Overall, *the Philadelphia region possesses every type of amenity that Creative Economy workers seek*, a fact that was verified time and again in both our survey work as well as during various interviews conducted in support of this report. On the campaign stump, Mayor Nutter singled out parks, arts and culture, and libraries among the quality of life amenities that are appealing to Creative Economy professionals, and that must therefore be more aggressively expanding and promoted to attract them and the firms that hire them. These quality of life features will only improve over time, as entities such as the Delaware Valley Regional Planning Commission, waterfront organizations, and municipal administrations plan for and implement additional amenities for the benefit of the region and its residents, workers, and visitors.

3.5 Re-envisioning the Waterfront

As alluded to earlier, the Philadelphia region has had to make a long and painful transition from a place of prominence in the industrial age to a place of competitiveness in the modern economy. An instructive metaphor for this transition is that of Philadelphia's waterfront space. It is a metaphor of particular relevance in describing the emergence of the Creative Economy in the region, and the approach by which the region can make itself more attractive to Creative Economy work and Creative Economy workers.

Philadelphia was no different from other waterfront cities 50, 100, and 150 years ago, in that the main advantage of proximity to water was to derive energy and to move heavy items. The classic model of production stated that a plant would be located in such a way as to minimize the cost of moving materials and products around: if materials were costly to move, plants would be near the materials, and if products were costly to move, plants would be near customers. Thus, waterfronts were dotted with heavily industrial uses.

The transition to a post-industrial economy has meant a transition, both in terms of land use as well as zoning, from that line of thinking to what now makes sense for making the most of waterfronts today. The Creative Economy is part of a broader segment of the population that seeks to locate itself in amenity-rich areas, and well-designed waterfronts are now part of that equation. Therefore, most cities with

waterfronts are now repositioning such locations as attractive for aesthetic reasons: trails connect users to the water's edge, and uses capitalize on the views that users can enjoy. The payoff for these public investments, which in many cases are quite costly and take many years and decades to implement, is a physical location that creates inertia for increasingly mobile people to stay and invest.

Despite its negative publicity, Philadelphia has by and large actually done a very good job in the transition of its waterfronts. Aesthetically, it is doing what it can to marry the old and the new – neither abandoning efforts to refresh its waterfronts nor turning its back on the unique structures that its past era left behind. In both form and function, planners on the waterfront are seeking to pay homage to those past uses and to the historical nature of the space. The Navy Yard is, again, a good example of this *marrying of old and new, the respectful repackaging of a hallowed site for new uses*, with important implications for the attractiveness of the region as a whole to Creative Economy work and Creative Economy workers.

4.0 A REGIONAL CREATIVE ECONOMY STRATEGY

Having characterized both the Creative Economy and the Philadelphia region, we can now consider strategies that bring them together for maximum impact. To be sure, a myriad of small initiatives and principles can and do work together towards progress in terms of the growth of the Creative Economy in the region; however, it is useful and instructive to consider broad categories of strategies, around which public and private sector leaders can come together. Accordingly, we begin with the importance of collaboration – public/public, public/private, and private/private – and move from there to initiatives that marshal promotion and branding, networking, and resources on behalf of Creative Economy industries.

4.1 Collaboration

The growth and ascension of the Creative Economy in the Philadelphia region will ultimately hinge on the degree to which there is *successful collaboration among a wide range of regional stakeholders and leaders*, both in the public and private sectors. Importantly, this collaboration must take place across a variety of fronts and must effectively mitigate the competitiveness and territorialism that so often stand in the way of successful economic development initiatives where scarce resources are in play. In particular, the collaborative strategy should involve three distinct areas:

- Regional and statewide collaboration, such that individual economic development entities, local and state government agencies, and advocacy organizations throughout the Philadelphia region and Pennsylvania come to view the promotion and success of regional interests as central to local success;

- Inter-sector collaboration, whereby local, regional, and state government, non-profit, and private sector players work together to determine the most effective, efficient, and innovative approaches to growing the Creative Economy; and

- Inter-industry collaboration, such that individual Creative Economy industry and occupation sectors recognize their role as part of a larger bloc of industries with common goals, interests, and needs within the marketplace.

In looking to understand how these various collaborations can take shape and operate effectively, it is of particular importance to examine the experiences of other peer regions also engaged in Creative Economy agendas. Interestingly, through interviews with entities in these regions, we have found that the Philadelphia region's very conception of the Creative Economy stands out among all other regions, in that few, if any, others have recognized the critical connection between creativity and technology that is at the heart of Innovation Philadelphia's definition of the Creative Economy. Rather, in most cases, regions have taken to viewing the Creative Economy as largely steeped in cultural industries, while the more purely

technology driven industries, such as engineering, information technology, and software development are seen as separate and distinct.

Collaboration of the scale and complexity we recommend must be preceded by a clear delineation of what is meant by the Creative Economy, allowing disparate parties to come to easy agreement as to what it is they are collaborating towards, in terms of industries and outcomes. This proved to be an essential and not neglected facet of successful strategies in other peer regions.

In Philadelphia, we have witnessed considerable growth and recognition of the life sciences sector, driven in large part by extensive collaboration between the academic, non-profit, private, and government sectors. However, in head to head comparisons, the combined contributions of the region's for-profit Creative Economy industries clearly outweigh those of the life sciences, even given the fact that far more investment and focus has been targeted toward the life sciences industries. Thus, given an equal degree of attention and exposure, we can be confident the Creative Economy industries will benefit and respond in many of the same ways as have the life sciences sectors.

Keeping in mind the distinct nature of Philadelphia's approach to the Creative Economy, and our previous discussion of the qualities that are unique to Creative Economy industry clusters as opposed to other sectors, there is still much to be gained by looking at the successful endeavors such as in the case of life sciences, as well as individual policies, structures, and tactics employed by other regions. We first consider efforts currently under way in Boston and the Commonwealth of Massachusetts to promote and grow the Creative Economy. Notably, Boston and Philadelphia share many of the same challenges, as they are older, previously industrial cities. However, Boston has had considerable success in gaining outside recognition as a leader in Creative Economy industries, despite the fact that it remains on par with, or only slightly above, the Philadelphia region on a variety of economic indicators. As such, an examination of their policies and practices is clearly of value.

To begin, the Commonwealth of Massachusetts named a Creative Economy liaison in 2007 within the Executive Office of Housing and Economic Development, whose primary role is to serve as the point of contact between members of the Commonwealth's Creative Economy industries and organizations. The Creative Economy liaison works directly with businesses and artists and offers funding, tax incentives, and develops spaces for artists.

Also at the state level and under the auspices of the Creative Economy liaison, the Massachusetts Cultural Council is a state agency established to promote excellence, access, education, and diversity in the arts, humanities, and interpretive sciences. It does this through various grants programs, a free creative jobs website, a network linking schools with arts professionals, a database of performing artists information, and a website linking artists with art spaces.

These initiatives are a response to research indicating that the Creative Economy in Massachusetts supports over 80,000 jobs and has brought over $4 billion into the Commonwealth's economy. The Commonwealth has embraced Creative Economy economic development because it understands that industry-specific policies, strategies, and investments are needed to support a thriving Creative Economy. Clearly, Innovation Philadelphia has been tireless in making this very case here in Pennsylvania.

We have seen in our own quantitative study that the Creative Economy industries and occupations are tightly integrated into the broader economic landscape of the Philadelphia region. Since many of the goods and services produced through the Creative Economy sectors can have direct impacts on the efficiency and productivity of their consumers, an expanded role for Creative Economy industries will not only produce its own economic and fiscal impacts on the region, but will help to contribute to the growth and success of all sectors of the regional economy.

Keeping these factors in mind, we can say with confidence that increased involvement and a commitment to collaboration on the part of regional public, private, and government sector stakeholders is a clearly warranted and justified next step forward. Nevertheless, *intentional action is required to facilitate that collaboration*, particularly given the oftentimes competing agendas and distrustful attitudes of public and private entities to each other, whether because of jurisdictional disputes or philosophical differences. *Symposia, liaisons, and advocacy groups are three ways to break through these natural barriers and get entities to reach across geographic, political, and institutional boundaries towards collaboration*.

4.2 Promotion and Branding

In seeking to establish the Philadelphia region as a hub for the Creative Economy, it will be necessary to take a two-part approach involving both promotion and branding of the region's Creative Economy assets and amenities. In particular, the region must not only engage in a more broadly based branding campaign to establish itself as a Creative Economy destination, it must also pursue more targeted marketing and promotional efforts in order to highlight the specific Creative Economy industries and occupations in which it holds the greatest strengths compared to its competing peer regions.

Highlighting this need are findings from Econsult's survey of Creative Economy professionals and business owners. When asked to evaluate the Philadelphia region's efforts at promoting the Creative Economy and at targeting their own industry sectors through recruitment of similar businesses, funding, and work opportunities, a majority of respondents ranked these efforts as "Fair" or "Poor." Such pessimism was also noted in several information interviews with key Creative Economy thought leaders. This clearly indicates the need for enhanced and improved efforts on this front.

Ultimately, the benefits of these types of activities will be both diverse and far-reaching. Several interviewees cited the need for increased promotion and branding of the Philadelphia region as a Creative Economy hub, in order to attract new clients, as well as new talent to the region. Given the extent to which Creative Economy professionals seek out environments with a critical mass of employers, amenities, and other Creative Economy professionals, it is thus pivotal to make the Philadelphia region synonymous with creativity, culture, and diversity.

However, in pursuing any such approach, it is important to keep in mind two key truths of marketing – 1) when you have a good product, it is far easier to market than when you have a bad product, but 2) even with a good product, sometimes you have to build some buzz in order to generate momentum and

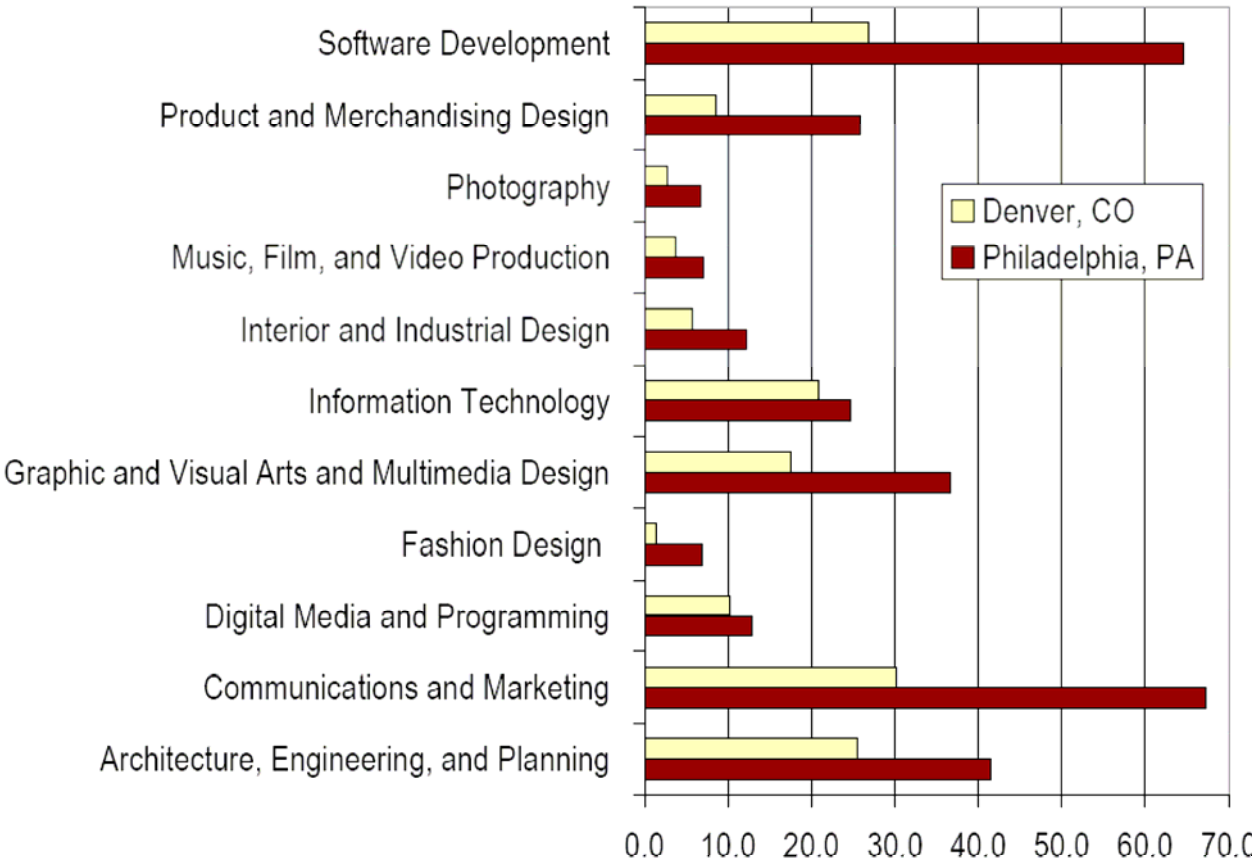
progress. In the case of the Philadelphia region, there are clearly many solid product features already in place, as demonstrated in Phase I of our report.

Thus far, organizations such as Innovation Philadelphia have aggressively promoted the region as a key Creative Economy hub, and making considerable gains in this effort. Yet, there remains an ongoing need for an additional push surrounding the region's Creative Economy. We know from our surveying that the Philadelphia region benefits from its close proximity to other major cities, its relatively low cost of living compared to other major cities, and its access to talent. Now it is necessary to bring these messages to the national stage, to tell others who are "shopping" for a new location what those who are already here know – that the Philadelphia region can be a very good place for Creative Economy workers and for Creative Economy work.

In this effort, *the Philadelphia region can operate from a position of strength*. For example, the City of Denver has aggressively marketed itself as the "Creative Capital of the West," and it has put public funds behind that effort, sinking billions of taxpayer dollars towards such urban amenities as mass transit, redeveloped mixed-use space downtown, and cultural anchors like the Denver Art Museum. Denver has also hosted a series of arts forums on innovation in Creative Economy industries as a way to enhance its image, while groups like the Colorado Business Committee for the Arts work toward linking the culture and arts sector with business, encouraging economic development.

It is a commendable effort, from which the Philadelphia region admittedly has much to learn and copy. However, as stated above, in competing with Denver for mindshare and for talent, we are in a position of relative competitive advantage. Note, for example, that in every single Creative Economy industry category, the Philadelphia region boasts more employees than the Denver region (see Figure 4.1).

Figure 4.1 – Creative Economy Employment by Industry, Philadelphia Region vs. Denver Region (in Thousands)



Source: Econsult Corporation (2007)

Furthermore, *Center City Philadelphia has physical and intellectual infrastructure* that Denver's leaders would love to have and that they are spending billions of dollars to replicate, most notably public transit lines, walkable streets, hundreds of sidewalk cafes, and public park spaces. Again, the point is not to say that there is nothing that the Philadelphia region can learn or borrow from Denver's efforts; far from it. Nevertheless, in comparing "products," the Philadelphia region has many selling points to lay claim to, and should promote itself accordingly as it brands itself and as it competes for specific Creative Economy firms and individuals.

To give a narrower example, consider the City of Austin's effort to be known as "the Live Music Capital of the World." This, too, is an instructive case study from which much can be learned in the application of marketing principles for creating a self-replicating cluster within a single Creative Economy industry.

Austin's efforts have translated into higher scores in various city-to-city rankings, a huge boost in tourism, and a culture that is friendly to the kind of mobile young Creative Economy professionals that every region

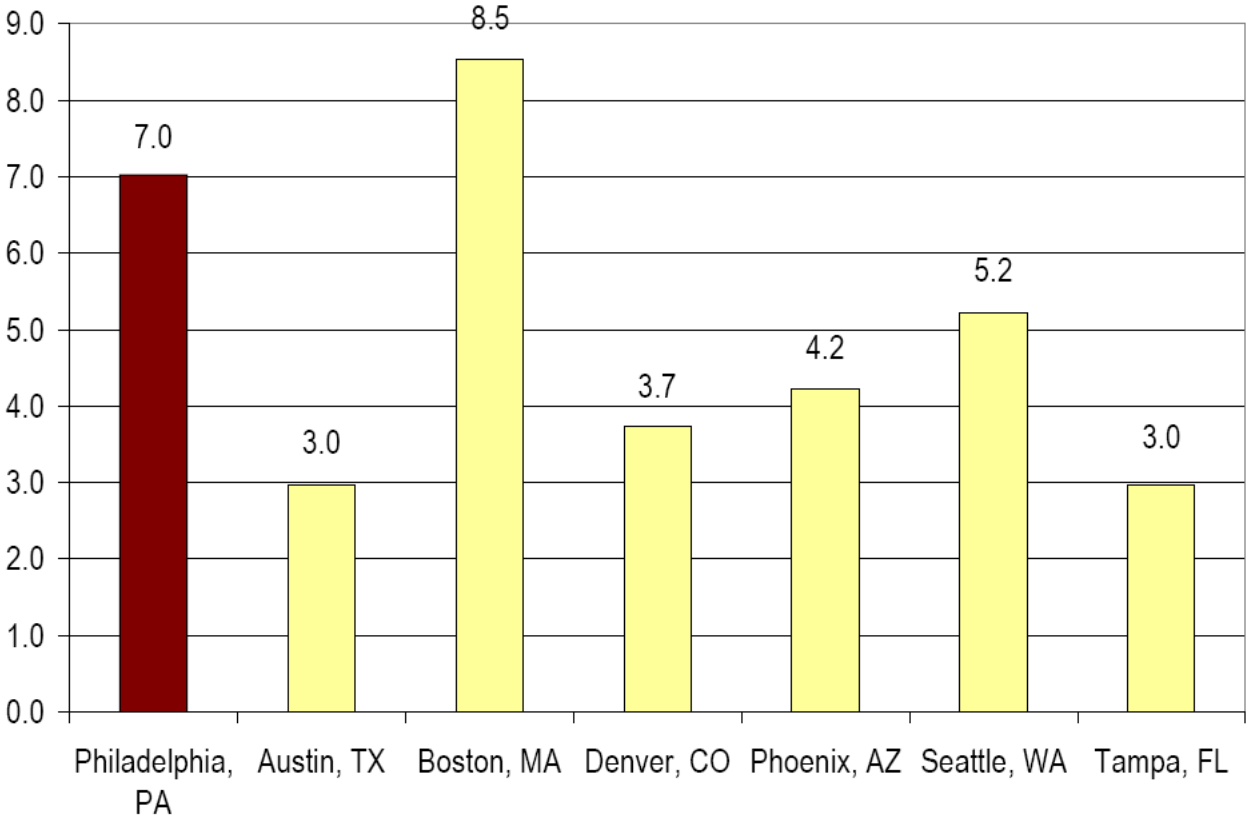
craves. According to an economic impact study of the role of music in Austin's economy that was published in 2001, that industry accounted for over 11,000 jobs, over $11 million in local tax revenue, and over $600 million in economic activity. The city has implemented a number of initiatives to strengthen its image, including "Live from the Plaza, which features local musicians performing live on City Hall's Plaza every Friday afternoon; "Music On Hold", which incorporates local music on the City's telephone system; the Austin Music Channel, which was established to showcase local musical talent; and the use of Austin-Bergstrom International Airport as a venue for live music.

Complementing these public sector initiatives are private ventures, such as Austin's Music Entertainment Television, which was launched in 2005 by Austin Music Partners Inc. as a 24-hour regional network featuring local and regional artists. METV includes venue schedules, artist information, and local live music shows. The City of Austin, with 3650 annual ad spots, receives $50,000 in production services for 30-second commercials promoting the arts and music in Austin. Time Warner Cable Inc., a distribution partner, is also a 15 percent equity partner, having contributed $1 million towards startup costs.

Finally, South By Southwest (SXSW) was established in 1987 and is a private company dedicated to building and delivering conference and festival events for entertainment and related media industry professionals. Originally targeted towards the music industry, in 1993 SXSW expanded its focus to include film as well as interactive media. The SXSW Festival now consists of three unique events: 1) SXSW Music and Media Conference, which showcases musicians from around the world on over 50 stages; 2) SXSW Interactive Festival, which consists of panels and a three- day trade show on new media technologies; and 3) SXSW Film Conference, which focuses on art and independent filmmaking, particularly among emerging artists. Since its inception, the SXSW event has grown from 700 to over 10,000 attendees, and leaves a huge impression on young Creative Economy types.

However, *the Philadelphia region also has the capability to compete with Austin, even in the industry in which Austin is strongest*. Philadelphia is host to a number of internationally renowned cultural and film festivals, most notably the International Film Festival and the Fringe Festival. Also, the region's sheer size means it physically contains more professionals in the music, film, and video production industry: more than any other peer region save Boston and over twice as many as Austin (see Figure 4.2). As with Denver, Philadelphia can compete against Austin from a position of strength, in branding itself as a place of creativity and innovation, simply by better promoting existing assets.

Figure 4.2 – Music, Film, and Video Production Employment in the Philadelphia Region, Compared to Other Peer Regions (in Thousands)

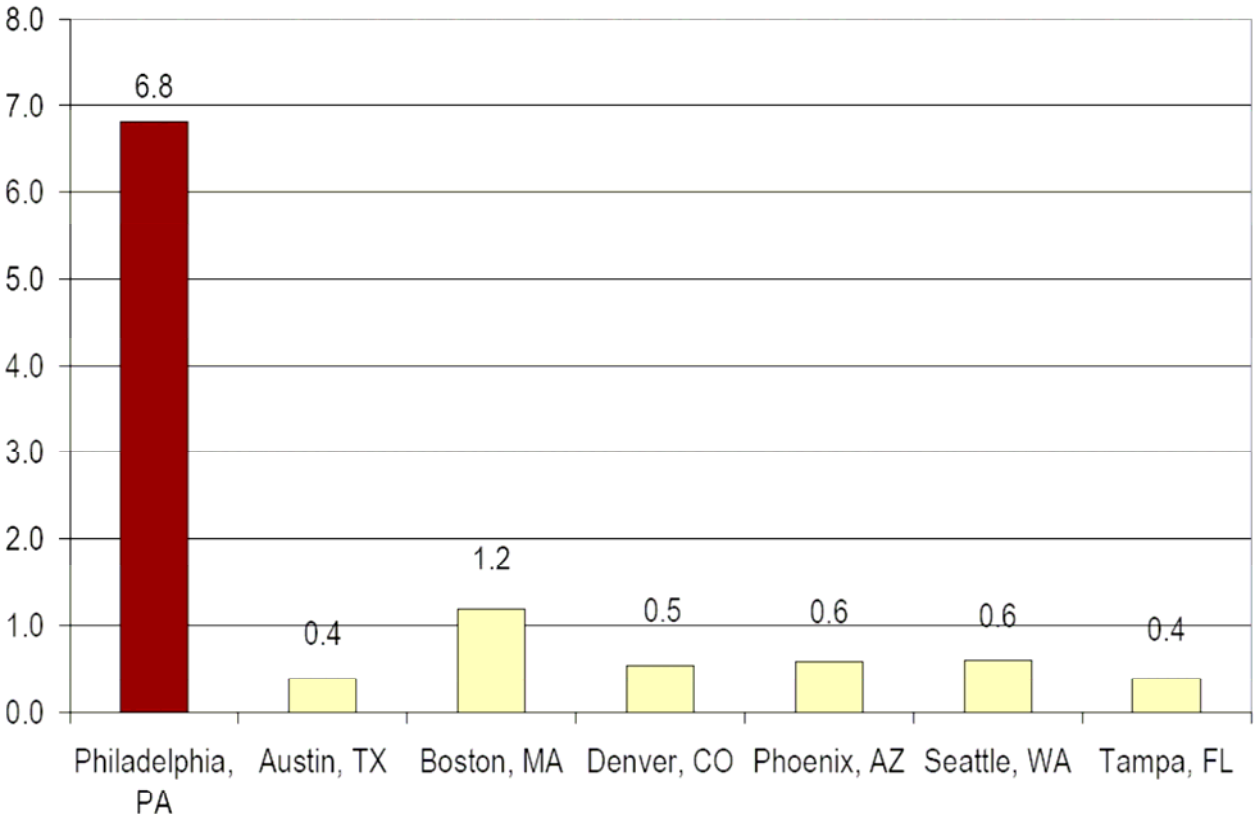


Source: Econsult Corporation (2007)

Promotion and branding can also be used to signal attractiveness and relevance to specific populations. The Philadelphia region has hosted three major events that have done wonders for its image: ESPN's X Games, MTV's Real World, and Live 8. Broadcast globally and attracting visitors from all over the world, each of these events associated the Philadelphia region with youthful trendiness.

Surprisingly, the Philadelphia region is home to a relatively large number of self-employed software development professionals. Austin, Seattle, and Boston are known internationally as tech havens, and yet the Philadelphia region's raw employment numbers dwarf these three cities when it comes to software development entrepreneurs – *more than three times the workers than the other three cities combined* (see Figure 4.3). It is possible that an innovative marketing approach to rebranding the region as strong in this area could strengthen this bloc of entrepreneurs even more. Perhaps the Philadelphia region should aggressively court a large event that is of interest to this universe of entrepreneurs – a video game tournament, for example, or a new technology product convention.

Figure 4.3 – Software Development Self-Employment in the Philadelphia Region, Compared to Other Peer Regions (in Thousands)



Source: Econsult Corporation (2007)

4.3 Resources

As a bloc of industries, the Creative Economy can, and should, be targeted with specific resources that are necessary for business formation, growth, and capacity. We have identified eight key categories of resources; and we offer specific ideas, formed as a result of primary research in the form of surveys, interviews, and peer region consultations, that can be applicable to and effective for the Philadelphia region:

- Financing
- Zoning
- Mentorships / Internships
- Education
- Real estate
- Tax incentives
- Benefits
- Liaising to public sector resources

Financing

Creative Economy firms are particularly susceptible to the problem of under-capitalization because the heavily knowledge-oriented nature of their work means that *a high proportion of their assets are in the form of intellectual capital*, which is not as easily guaranteed using traditional forms of financing, such as bank loans. Indeed, many Creative Economy professionals surveyed during our research indicated a need for workshops to help them find alternative funding sources.

Appropriately, advocates of the for-profit, technology-driven Creative Economy industries have sought alternative mechanisms to seed start-up Creative Economy initiatives, as well as to provide capacity-building dollars for more established Creative Economy firms.

For example, Create Boston was launched in May 2005 and is under the programmatic management of the Boston Redevelopment Authority (BRA). The Create Boston initiative is designed to provide a range of business services to facilitate the development of enterprises within certain Creative Economy industry sectors. These sectors include film, music, media, design, crafts/visual arts, and performance. Create Boston is intended to be a one-stop shop for companies that need to navigate local and state agencies, as well as providing real estate assistance to businesses.

Importantly, Create Boston plays a crucial role in providing financing assistance. Recognizing that access to capital is one of the greatest obstacles to the sustainability of small- and medium-sized enterprises, Create Boston provides a gateway to capital and financing. Resources include a business loan program that connects local entrepreneurs to financing through the Boston Local Development Corporation (BLDC), with loans ranging from $15,000-$150,000 and access to bond financing. Companies are also linked, via the Boston Development Financing Authority (BIDFA), for access to working capital and construction financing.

Here in the Philadelphia region, Innovation Philadelphia has created the Creative Economy Investment Fund (CEIF) to support the growth of the Region's for-profit Creative Economy businesses by providing pre-seed and early-stage investments that range from $25,000 to $150,000. Innovation Philadelphia also works with applicants to identify other investment funds for those Creative Economy businesses that qualify for the CEIF and are seeking larger investments. Based on this initial framework and its initial successes, additional efforts should be made to expand the scope of this fund, and in doing so, to make more capital available to Creative Economy firms in a number of industries and at various stages of development.

In conjunction with this effort, an advisory committee should be formed that could avail itself throughout the initial rounds of financing as an advocate for Creative Economy entrepreneurs. Such a sounding board could serve as a useful resource in helping these entrepreneurs as they finance and expand their ventures; and the existence of this body, and the formal and informal relationships that can be made available through it, could make the region an attractive one for Creative Economy pioneers.

Real Estate

The fluid nature of much Creative Economy work can be difficult to reconcile with *the relatively fixed nature of how working space is rented or purchased*. Recognizing these challenges, many loan programs, such as Austin's Creative Industries Guarantee Loan Program (CIL), include real estate costs within their guidelines for funding eligibility. Creative Economy work, after all, is likely to require more thoughtful consideration in terms of creating and maintaining working areas.

Accordingly, many regions provide resources to help Creative Economy firms locate and customize their workspaces. Boston's Creative Economy initiatives are also helping to develop industry standards with programs like the Artist Space Initiative. Developed by the Boston Redevelopment Authority, the program has established minimum guidelines for artist space needs, including square footage requirements. Create Boston assists firms in identifying potential business sites.

In Seattle, the Northwest Film Forum (NWFF), which was founded in 1995 as a filmmaker's collective, is a non-profit that provides the valuable space needed for film production. NWFF's 8,000 square foot facility includes: a 120 seat cinema and main stage, a 49 seat cinema and theater, film production and post production facilities, a dedicated animation studio, education workshop space, filmmaker offices, and a film library.

Using these best practices, Philadelphia's institutional drivers have the opportunity to encourage Creative Economy industries by providing resources for organizing, tracking, and matching real estate to Creative Economy professionals in need of space. For example, the Boston Redevelopment Authority's space guidelines can be applied to better catalog these spaces.

Currently, there are efforts in Philadelphia to provide live and work space for artists. The Coral Street Art House in the New Kensington section of Philadelphia was developed by the New Kensington Development Corporation to provide affordable live and work space for artists, from painters to graphic designers. The housing space is a converted mill, acquired in 1999, and rehabilitated for $7.5 million. The project was done according to historic guidelines to retain the character of the building, which was added to the National Register of Historic Places in 2004. Coral Street received the prestigious Grand Jury Award from the Preservation Alliance in 2006.

Such efforts encourage Creative Economy workers to settle in the Philadelphia region and by giving them space to do their work, drive the Creative Economy in the region. More efforts should be made using the New Kensington Development Corporation model, and these initiatives should be publicized at the national level, so that mobile Creative Economy professionals are aware of the space-related resources available in the region.

Zoning

Creative Economy workers, particularly artists, require affordable space in which they can live and work. This desired *blurring of functions* can be a problem in many cities that seek to segregate uses and that

make it administratively cumbersome to identify and develop mixed-use spaces. Often, municipal zoning codes prevent industrial spaces from being used for residences, and the rising cost of housing in cities makes other large spaces inaccessible to burgeoning artists.

Many cities, in an attempt to both nurture Creative Economy industries and redevelop industrial neighborhoods, have aggressively altered their zoning code to allow residents who will use industrial spaces for living and working. Affordable housing incentives for developers are often coupled with these zoning changes to encourage the development of affordable, permanent live and work spaces for artists.

The City of Boston is a pioneer in this area, having developed the first artist live and work housing in the United States in the early 1900s, according to the 2005 Boston Indicators Project study by the Boston Foundation. Under Boston's zoning code, artists are the only occupational group permitted to live in industrially zoned areas of the city. As a result, between 2002 and 2004, 132 permanent artist units were added to the housing stock, and there are 50 more permanent artist units in development on City-owned land.

Philadelphia has a history of industrial manufacturing and processing, the remnants of which are present all over the city in the form of vacant land and large buildings. However, the City's zoning code has not caught up to the post-industrial changes in its economic landscape. Zoning reform that allows for live and work development would utilize the former industrial sites throughout the city and create affordable housing for Creative Economy professionals.

This important change would attract innovative businesses in need of large, open spaces, as well as artists who need live and work space. It is a much needed reform, from the perspective of local Creative Economy professionals, most of whom did not consider "environment supportive of Creative Economy businesses" as a current selling point for the region.

Tax Incentives

Recognizing that the need for economic development often crosses city boundaries and that many tax incentives must be implemented through state legislation, *many of the interesting tax incentive programs targeting Creative Economy industries have been discussed and implemented at the state level*. Film production is of particular interest to states, because of the revenue and publicity gains associated with such activities taking place within their jurisdiction. Also, tax incentives to encourage such activities often must come from state level legislation. Temporary activities can be sited almost anywhere, so the majority of tax incentive programs focus on this opportunity; but states and regions also have an incentive to attract the more permanent effects associated with ongoing production work.[11]

[11] The State of Washington has developed an aggressive incentive package that includes:

- A 20 percent return on qualified in-state expenditures for commercials, television, and feature films shooting in the state

In Pennsylvania, the state's Film Office has kept up with this trend, by offering a 25 percent tax credit on films that spend at least 60 percent of their total budget in the state of Pennsylvania. Also, the Commonwealth offers free use of state-owned property. These incentives are important because they generate jobs and revenue for Pennsylvania businesses, as well as helping to promote the Commonwealth as a location for Creative Economy professionals.

Additional, targeted incentive programs at the local level can achieve similar results, and should be discussed and pursued accordingly. Importantly, such measures must also work with, and not against, general business tax reform efforts. For example, to the extent that Creative Economy work is high-wage in nature, and Creative Economy firms' expenditures are mostly for personnel and other human capital categories, a more competitive wage tax rate can have a dramatic effect on the attractiveness of Philadelphia and the region to the Creative Economy.

Mentorships / Internships

Heretofore, we have tended to focus our recruitment efforts on rebranding the Philadelphia region as having many of the social and cultural amenities Creative Economy professionals seek. However, such selling points cannot overcome a perception that a region does not have interesting jobs or easy resources available for finding them.

Accordingly, Campus Philly has worked hard to connect Philadelphia students to internship opportunities, understanding that an initial work experience in the Philadelphia region will greatly increase the chances

- Sales and use tax exemption on rental equipment;
- Local, state, and special use taxes off rental vehicles "used in production";
- No lodging tax on hotel rooms for production companies after 30 consecutive days; and
- Discounts off below-the-line costs from participating vendors for "indie films" (defined as those with budgets between $500,000 and $3 million).

In Florida, the incentive initiatives to attract film production are driven by the Governor's Office of Film and Entertainment. These incentives include:

- The Florida Entertainment Sales Tax Exemption, which is a sales and use tax exemption that applies to the purchase or lease of items that are integral to the production process;
- A cash reimbursement of up to 15 percent on the total Florida budget of a filmed entertainment program that spends at least $850,000 in qualified expenditures (maximum reimbursement of $2 million);
- A rebate of up to 5 percent of annual gross revenues for companies engaged in digital media production;
- A rebate of 5 percent of annual gross revenues (not to exceed $100,000) for qualified digital media effects companies that provide digital material to filmed entertainment; and
- A rebate of 5 percent of the first 12 months of gross revenues (not to exceed $200,000) in Florida for qualified relocation projects.

that a student will decide to stay in the region upon graduation. Specifically, Campus Philly keeps a database of internship opportunities designed to connect college students in the Philadelphia area with internship opportunities. This is part of a greater movement aimed at keeping Philadelphia's college students in the area after graduation. The retention of young and educated workers is important to maintaining a strong workforce and a vibrant economy.

The ability to connect to internships and mentorships is of particular interest in any strategy that seeks to make a region more "sticky" for young Creative Economy professionals. After all, much of what makes up this group's personal and professional life is relatively portable, but the opportunity to intern under and/or be mentored by an older, more experienced professional creates very real ties to a particular geographic area, as those internships and mentorships lead to specific work engagements and working relationships.

Thus far, efforts such as those described above have offered the Philadelphia region relative success in finding Creative Economy talent. Through our survey of Creative Economy professionals, we found that almost half of all respondents felt there was a "good" match between employment needs in their respective industries and the availability of workers to fill those needs. Interestingly, while only a third of respondents reported access to college graduates as an advantage to locating in the region, a much larger proportion rated "access to Creative Economy talent" in general as an advantage. We interpret this to mean that while general entry-level recruitment efforts are effective, a special focus on enhancing internship and mentorship opportunities for recent Creative Economy graduates should be in order.

In Austin, the focus for the future workforce is on preparing young people to be a part of the Creative Economy, particularly for the technology industry. Under the auspices of Skillpoint Alliance, a non-profit entity focused on workforce development, the Digital Media Council (DMC) supports collaborative initiatives to advance the growth of digital media and technology and design industries, linking students from middle school through college with industry players. DMC partners include video game developers, interactive marketing studios, filmmakers, audio producers, universities, and school districts. Ongoing DMC initiatives include the Game Development Institute, which is an annual professional development workshop for middle and high school educators to raise awareness of math, science, and technology for curriculum development; the Digital Filmmaking Institute for middle and high school educators, designed to raise awareness of art, technology, and digital filmmaking; and the Multi-Media Exchange, which is an annual showcase of high school student digital art and technology projects for industry review and advice.

In short, the retention of young and educated workers is important to maintaining a strong workforce and a vibrant economy. Regions that aggressively connect programs together towards a regional strategy that achieves this end will have an advantage in the competition for future talent. In this effort, Innovation Philadelphia's hosts various internship fairs, including innovative events in which it is the Creative Economy individuals that secure exhibit space and regional employers that circulate through in search of talent. These sorts of initiatives represent a proactive approach to connecting young talent to employment opportunities and veteran mentors, two resources that more firmly anchor Creative Economy professionals to a particular region.

Benefits

Many Creative Economy workers are self-employed, earning their income on a project-by-project basis. This is an important subset of the Creative Economy workforce that regions ought to support and recruit. Notably, *the work setup of these workers does not often enable health care benefits to be easily or affordably secured*.

Regions that value this universe of talent have organizations that respond to this particular need. Usually, this organization is a chamber of commerce or some other non-profit entity, which uses its purchasing power to offer affordable healthcare plans to members. In the State of Washington, for example, the Washington Artists Health Insurance Project, a project of the Artist Trust, is working to insure artists in the state and to be a model for other healthcare programs for artists.

In Philadelphia, LINC Philadelphia, one of ten branches of Leveraging Investments In Creativity, is working with leaders in healthcare reform and arts service organizations to explore healthcare coverage opportunities for artists within the "RX for PA" initiative. In addition, the Greater Philadelphia Chamber of Commerce offers competitive health care benefits packages to its members. The plans include discounts on various business needs, such as shipping services and office supplies.

An active outreach effort to this segment of the Creative Economy would thus include innovative programs that connect such entrepreneurs to health care and retirement benefits resources, safeguarding their financial and health concerns while still enabling them to maintain their fluid work patterns. Perhaps financial services firms and insurance companies that provide such products can be enlisted in the effort to produce programs customized to the Creative Economy. Such efforts can result in more choices for Creative Economy workers and more customers for those service providers.

Education

One of the Philadelphia region's great strengths is *the aggregate impact of its many educational institutions*. Notably, many of these institutions focus on Creative Economy industries and occupations. Unfortunately, despite the vibrancy that these institutions and their students and teachers bring to the Philadelphia region, more can be done to connect the educational world with employment and entrepreneurship opportunities, in ways that will be of mutual benefit to universities, employers, and the regional economy. For example, just a third of Creative Economy professionals surveyed for this study identified "access to college graduates" as an attractive characteristic of this region. With more than 80 colleges and universities throughout the region, this is a surprisingly low figure, and one that clearly indicates a need for additional collaboration between educational institutions and Creative Economy industries.

Regions that seek to encourage Creative Economy industries recognize the importance of their local universities as a resource for the workforce and as a source of programs and initiatives that can drive Creative Economy entrepreneurship. In Austin, the University of Texas leads the Digital Media

Collaboratory (DMC), which is focused primarily on research and development in digital and interactive media. Current projects include Get There Texas (GTTX), an interactive website that links students, employers, and educators towards careers in emerging technology industries.

In Philadelphia, the University of the Arts (UArts) instituted the Miguel Angel Corzo Center for the Creative Economy (CCE), which seeks to define, research, and promote the creative process as a transformative force for society. In this effort, UArts has clearly delineated its contribution to the global economy by producing graduates whose creativity and innovation adds value to a wide variety of industries and functions.

UArts places its students in a variety of industries to play a variety of roles, like photographers at local firms and ad agencies or animators at educational program content developers. To be sure, UArts produces its share of musicians, actors, and dancers, but graduates have also gone on to start businesses, launch ad campaigns, and participate in organizational and process design efforts.

No matter what the industry or occupation its graduates end up in, UArts has provided an education that translates into success in the real world, and that helps brand the Philadelphia region as a place where Creative Economy talent can be nurtured and mobilized. As noted by one notable alumna, Ana Ortiz, an actress on the hit television series, "Ugly Betty": "It's important that the UArts was in a city that really caters to interesting, thought-provoking art."

It would be useful to aggressively expand UArts' work from a local standpoint, so that key public and private sector leaders can make the connection between UArts' curriculum and the important skills needed in today's economy, and so that UArts graduates can make the connection between those skills that they possess and the many interesting opportunities to utilize those skills that the immediate region affords. In the same way that many universities in the region have collaborated in the recent past on general student recruitment and internship efforts, we recommend an inter-university effort to brand Philadelphia as a destination location for Creative Economy students to come, study, and contribute. For example, during his mayoral campaign, Michael Nutter suggested the establishment of an Office of College and University Development, as a way to more effectively mobilize the vast creativity, innovation, and industry that is being produced from within the many academic institutions in the region.

Navigating Public Sector Resources

Our Phase I work was characterized in part by the difficulty faced in categorizing Creative Economy work into government-established industry classifications. This was to be expected, as Creative Economy work defies easy categorizations. Similarly, resources and programs offered by various state and local entities *sometimes do not easily translate to the Creative Economy firms and individuals that could use them*.

Accordingly, many peer cities have created conduit organizations to help entrepreneurs navigate government resources and requirements. Previously, we had discussed the Commonwealth of Massachusetts' liaison to Creative Economy industries. In addition, Denver's Business Assistance Center

(BAC) is a one-stop information resource that assists small- and medium-sized enterprises in navigating licensing, permitting, real estate, and other issues. Denver's model is unique in that, should an enterprise encounter challenges in the process, a personal concierge is assigned to resolve the matter. This customer-centric focus is a hallmark of Denver's commitment to enterprise, and serves as a guide for this region to orient itself towards the Creative Economy in terms of expedient and coordinated public services.

Businesses should be able to navigate public sector resources in a way that does not adversely affect their operations. Innovation Philadelphia publishes the Greater Philadelphia Entrepreneurs' Resource Guide, which is an information guide for businesses and entrepreneurs interested in pursuing business and professional development. The Guide provides outlets for making contacts, securing funding, and promoting their businesses and products to a wide array of consumers. Many of the resources included in the Resource Guide are unique to the Creative Economy, but it also includes general regional, national, and international entrepreneurial resources, which provide support to all entrepreneurs and businesses.

This guide is illustrative of Innovation Philadelphia's role as a liaison between the City's resources and members of the Creative Economy. The link being made by Innovation Philadelphia is crucial to improving the business environment for Creative Economy industries and particularly for Creative Economy entrepreneurs, as it improves efficiency and encourages Creative Economy businesses by giving them specialized attention. Hence, even the most aggressive state and local governments, in terms of programming for Creative Economy professionals and firms, would do well to designate "concierge" roles to more effectively make the connection between those resources and the individuals and businesses for which they are designed.

4.4 Networking

The importance of connectivity for the Creative Economy cannot be overstated. Creative Economy work and Creative Economy workers require networking opportunities, both in the more traditional sense of individual event-based programs, as well as in the broader sense of creating work environments conducive to information sharing, and collaboration. The irony of the information age is that as technology has made collaboration from a distance possible, this has actually rendered place more important, rather than irrelevant. This need for clustering applies both to very large Creative Economy firms, as well as the self-employed.

An economic development concept that has been around for at least three decades that may be useful to apply towards the fostering of the Creative Economy in this region is that of incubators. The National Business Incubation Association's annual international conference regularly attracts 600+ members from 40+ nations, spanning a wide range of industries and types.

What these, and most, incubators have in common is the benefit they provide in bringing together similar entities that can support one another and that the incubator can marshal resources towards as a bloc. To be sure, incubators and other co-location attempts tend to capitalize on the opportunity to offer technical assistance, real estate, and other tangible resources to their clients. However, more often than not, tenants

and users insist that, as useful as those resources are, the biggest added value is the informal and intangible camaraderie that results from being near other like-minded individuals and firms.

Given that Creative Economy work and workers thrive on innovation, inspiration, and improvisation, the best outcomes can result from providing venues for networking and collaboration, not unlike musicians or athletes gravitating to certain places where they will find others that can inspire and challenge them. In fact, IBM called a recent computer programming collaboration platform Jazz, and noted in its research that software developers spend only 30 percent of their time coding and the other 70 percent dialoguing with other team members.

Among the peer regions surveyed in this study, Austin Technology Incubator and Washington Technology Center are two prominent examples:

- The Austin Technology Incubator (ATI) is a nonprofit organization that harnesses local business, government, and academic resources to provide strategic counsel, operational guidance, and infrastructure support to its member companies to help them transition from early stage ventures to successful technology businesses. ATI's members are linked with a network of technology industry leaders, allowing them to compete in the global marketplace.

- Recognizing that a strong entrepreneurial environment is critical to Washington State's economic development, the Washington Technology Center (WTC) is composed of leaders from high-tech businesses, non-profits, and research institutions. Established in 1983 to assist in the commercialization of technology products and services, as a statewide agency, WTC serves as a gateway to technology companies by providing access to capital and funding support; facilitating research collaboration (e.g., providing up to 80 percent of the cost to work with leading researchers in the state) and brokering industry-university partnerships; providing access to laboratory facilities; and investing in emerging industries, such as microelectronic mechanical systems technology, energy, and nanotechnology. Among its programs and initiatives, one of the most prominent is the Alliance of Angels (AoA), a regional group of 100 accredited private investors, specifically interested in early stage companies in the Pacific Northwest. Established in 1997, AoA's objective is to "support the development of new high growth companies by providing in-depth coaching and facilitating more efficient access to capital."

However, incubation of Creative Economy work and workers need not require a physical facility. Virtual incubators and other non-place-based initiatives can similarly provide the benefit of formal and informal networking opportunities. In a sense, chambers of commerce, business associations, and related entities are forms of incubators, in that they can connect their members to resources and to each other in ways that they would not as effectively do if they were only helping firms at an individual level.

A region that wants to strengthen its Creative Economy must necessarily, then, *aggressively seek ways to network its Creative Economy work and workers*. As described above, the Navy Yard is a good example of the intentional effort required to bring people together, and the fascinating synergies that result from that mixing: representatives from both heavy industry and high fashion reported how pleasantly surprised they were at first to benefit from dialoguing with one another on issues of design and aesthetics. A 24-hour

district, with both work and play space for Creative Economy work and workers, would achieve a similar result, both in terms of formal collaborations, as well as serendipitous and social encounters, and is something Mayor Nutter proposed as a way to attract Creative Economy activity and stimulate neighborhood economic development.

In New Mexico, legislation was passed in 2007 to designate Arts and Culture Districts in communities throughout the state. This initiative is an effort to create "place-based" economic development. Coordinated by the New Mexico Main Street Program, and authorized by the New Mexico Arts Commission, the collaborative partnership brings state incentives, resources, and technical assistance to the selected downtowns in partnership with municipal and local resources. In addition to the concentration of resources, the concentration of activity is, in and of itself, a resource to Creative Economy firms, since it greatly facilitates the sort of networking that such work requires.

We therefore recommend aggressive pursuit of a similar district or districts, in various parts of the Philadelphia region and around various industries and sectors. For example, the relatively large bloc of self-employed software developers can be assembled together, so as to offer common space and support resources to encourage further innovation and collaboration. Initiatives with local universities, like one being piloted by The Enterprise Center with local arts schools around fashion and business, should also be pursued.

On that note, minorities and women face special challenges, to the extent that Creative Economy work requires networks to break in. The Enterprise Center, a minority business accelerator, is a particularly useful regional resource in this regard, connecting minority entrepreneurs to various business assistance resources, to each other and to other key public and private sector leaders in the Philadelphia region. The non-profit has pioneered a commendable university purchasing initiative, whereby it links minority vendors with local universities seeking to improve minority participation in their sourcing of various products and services. It has also hosted symposia on topics of particular interest to the Creative Economy, such as raising capital, starting a food business, and securing government contracts. In short, it is a tremendous resource in the region for minority Creative Economy entrepreneurs to get connected to each other and to business opportunities, a resource that needs to be further utilized for the benefit of the Creative Economy and the regional economy as a whole.

5.0 CONCLUSION

While many findings and recommendations have surfaced from this Phase II study and the primary and secondary research that was conducted for it, five deserve additional attention and action:

Implement a running series of symposia to get public and private sector leaders together to discuss real strategies to collaborate.

None of the ensuing recommendations can happen *without the will to work together*. Most public and private sector leaders understand the pervasiveness of the for-profit, technology-driven Creative Economy industries and their importance to the Philadelphia region, but true progress can only happen when barriers to cooperation are brought down and true collaboration takes place. Accordingly, intentional gatherings on the subject can create forums for agreeing on mutual goals and determining administrative ways to work across political boundaries and institutional agendas.

Launch an aggressive marketing effort to sell what we already have, and to position it specifically for the Creative Economy in terms of social amenities and professional opportunities.

There are a number of entities in both the public and private sector that play a role in defining the Philadelphia region for Creative Economy professionals and businesses:

- Large corporations have the scale to make an effort to attract and retain knowledge workers, and to partner with regional advocates to sell the region to those workers.

- Local and state governments certainly have a stake in selling the merits of their jurisdictions to those who are employed in high-end, high-wage jobs, and the decision-makers who determine where those jobs will be located.

- Non-profits such as Select Greater Philadelphia, the Delaware Valley Regional Planning Commission, the Greater Philadelphia Tourism and Marketing Corporation, and the Philadelphia Convention and Visitors Bureau work with both of these categories of entities to market the region and to coordinate initiatives that benefit the region.

Working together, *existing organizations and efforts can be modified to specifically assist the Creative Economy*. Professionally, the sheer number of workers in various Creative Economy industries, when compared to that of other peer regions, should be prominently circulated, via press releases and rankings, so that Creative Economy professionals, when considering if and where to move for their next job, understand the breadth and depth of opportunities contained within the Philadelphia region. Socially, this

audience needs to understand and appreciate the diversity of amenities that the region has to offer, relative to other, competing peer regions.

A 24-hour district is a physical place where networking can happen and resources can be concentrated.

The unique needs of Creative Economy professionals, and their great desire to interact with one another in formal and informal ways, lends itself *to a distinct space or spaces customized to their way of living and working*. Characteristics of such space would be a mixing of uses, flexibility in leasing and zoning, specialized services and educational offerings, and multiple venues for networking socially and professionally.

Work with local chambers of commerce to secure health care benefits and retirement savings vehicles for Creative Economy workers.

The ability to continue to be mobile in project work, but resourced in terms of health insurance and retirement savings, would be a huge selling point for the Philadelphia region in terms of Creative Economy professionals. Inherently, insurance is a tool for managing risk, making easy on-ramps to access insurance thus provides Creative Economy individuals with a way to manage their lives more effectively, *focusing more of their creative energy towards their work and thus giving them more freedom to innovate and experiment*.

Leverage education density by building partnerships with local art / design schools to attract more artists, connect them to jobs, and support their entrepreneurial ventures.

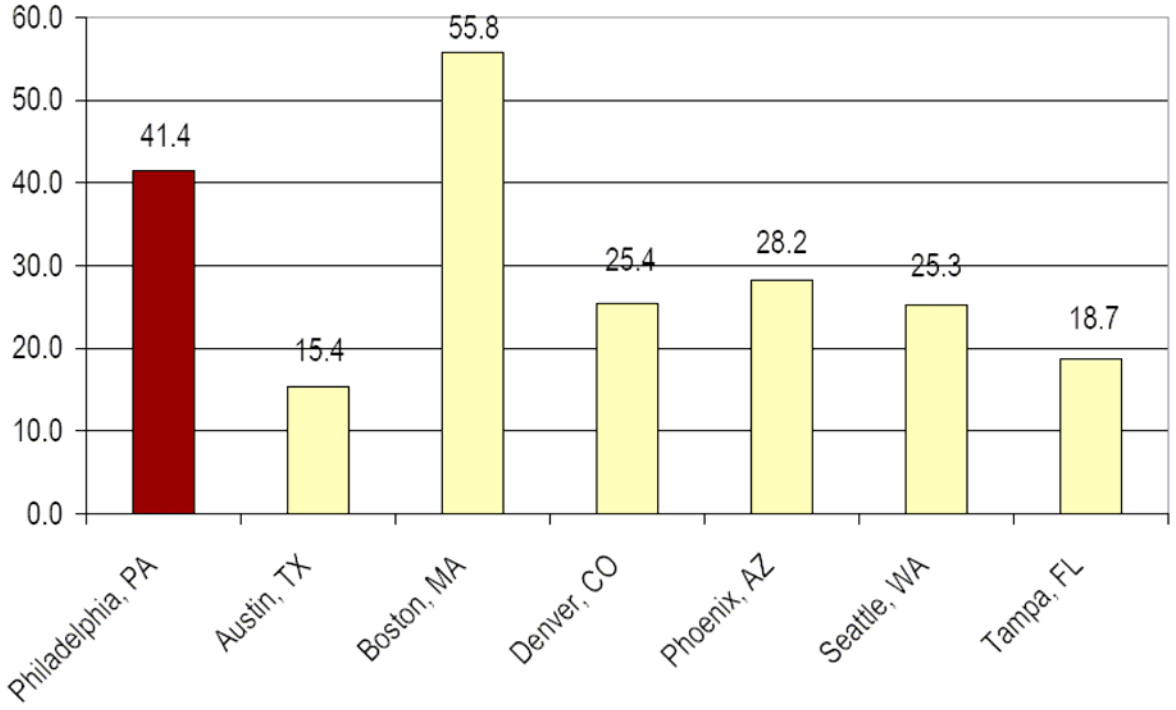
The Philadelphia region's many universities, particularly those focused on arts and design, can be more effectively brought into the ongoing conversation and plans around the Creative Economy. Universities can be assisted in their efforts to help their students start new ventures and produce new innovations. Corporations and universities can work together to make a more seamless transition between walking across the stage to receive a diploma and walking into the office on the first day on the job. These institutions can continue to *work closely with government and non-profit organizations towards a region that is better branded as an attractive place for Creative Economy workers and Creative Economy work*.

It is an exciting time in our global economy and in our region, a time that presents great opportunity and great challenge. The for-profit, technology-driven Creative Economy industries represent a vitally important driver of innovation, vibrancy, and economic growth. Intentional, collaborative, and innovative efforts to marshal this bloc of industries are destined to distinguish the thriving regions from the rest.

It is incumbent upon the decision-makers in the Philadelphia region to embrace this challenge, and, understanding the unique characteristics of the Creative Economy and of the region, to develop initiatives that make the region an attractive one for Creative Economy workers and Creative Economy work. Both the Phase I and Phase II reports demonstrate that the region has a lot to be proud of, as well as a lot to work on. Accordingly, the region should proceed from the position of strength that it boasts, *thanks to a large and diversified economy, and yet with the sort of hunger that defines the Creative Economy individuals and ventures it seeks to attract*.

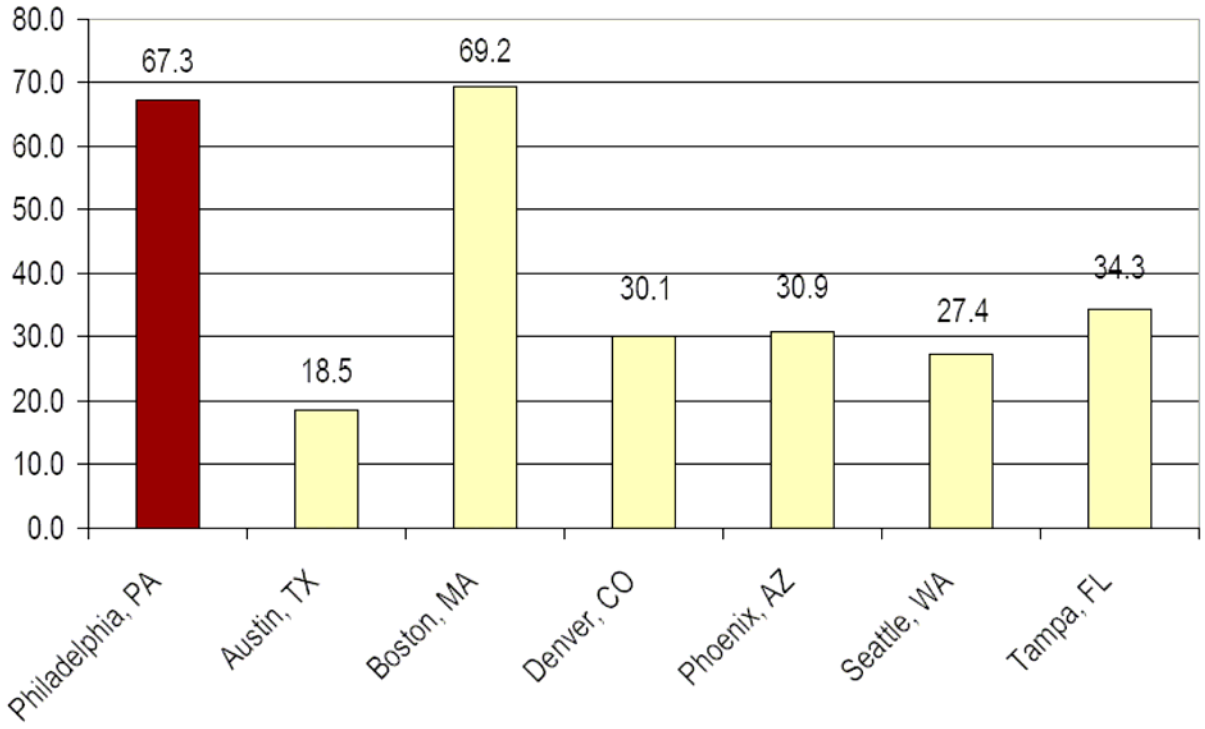
APPENDIX A – CREATIVE ECONOMY EMPLOYMENT – PEER REGION COMPARISON

Figure A.1 – Architecture, Engineering, and Planning Employment in the Philadelphia Region, Compared to Other Peer Regions (in Thousands)



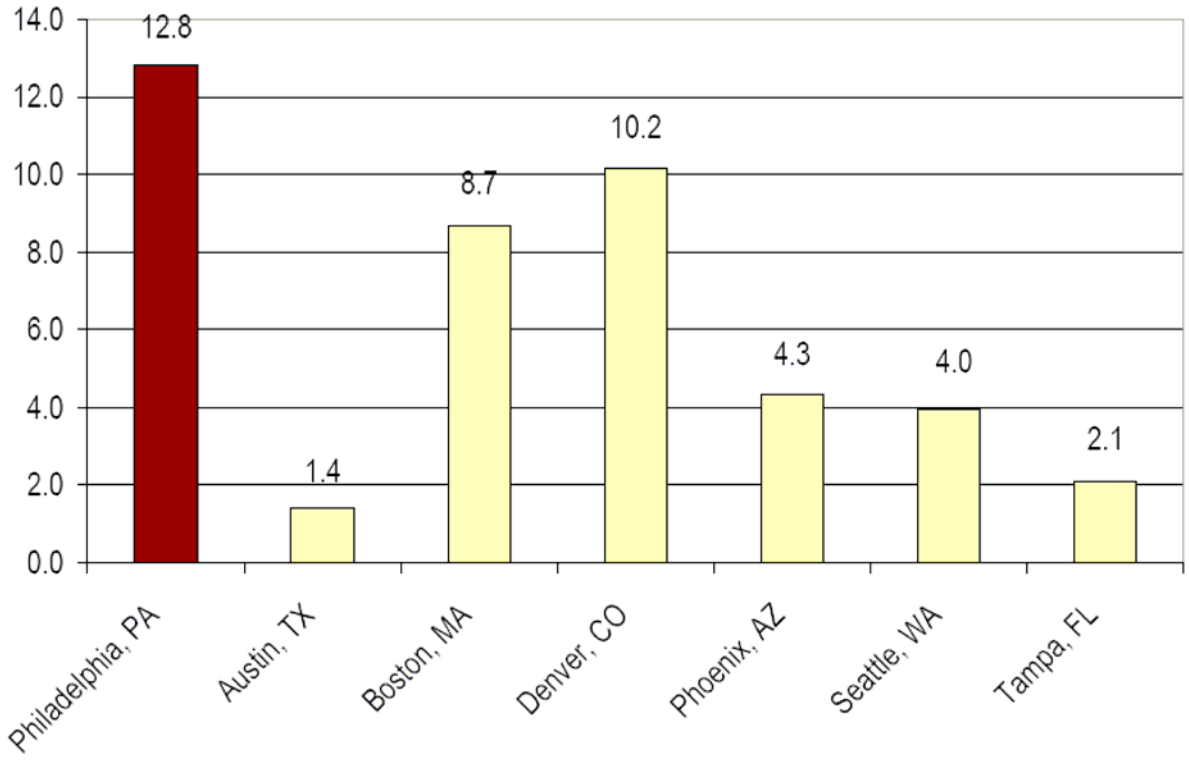
Source: Econsult Corporation (2007)

Figure A.2 – Communications and Marketing Employment in the Philadelphia Region, Compared to Other Peer Regions (in Thousands)



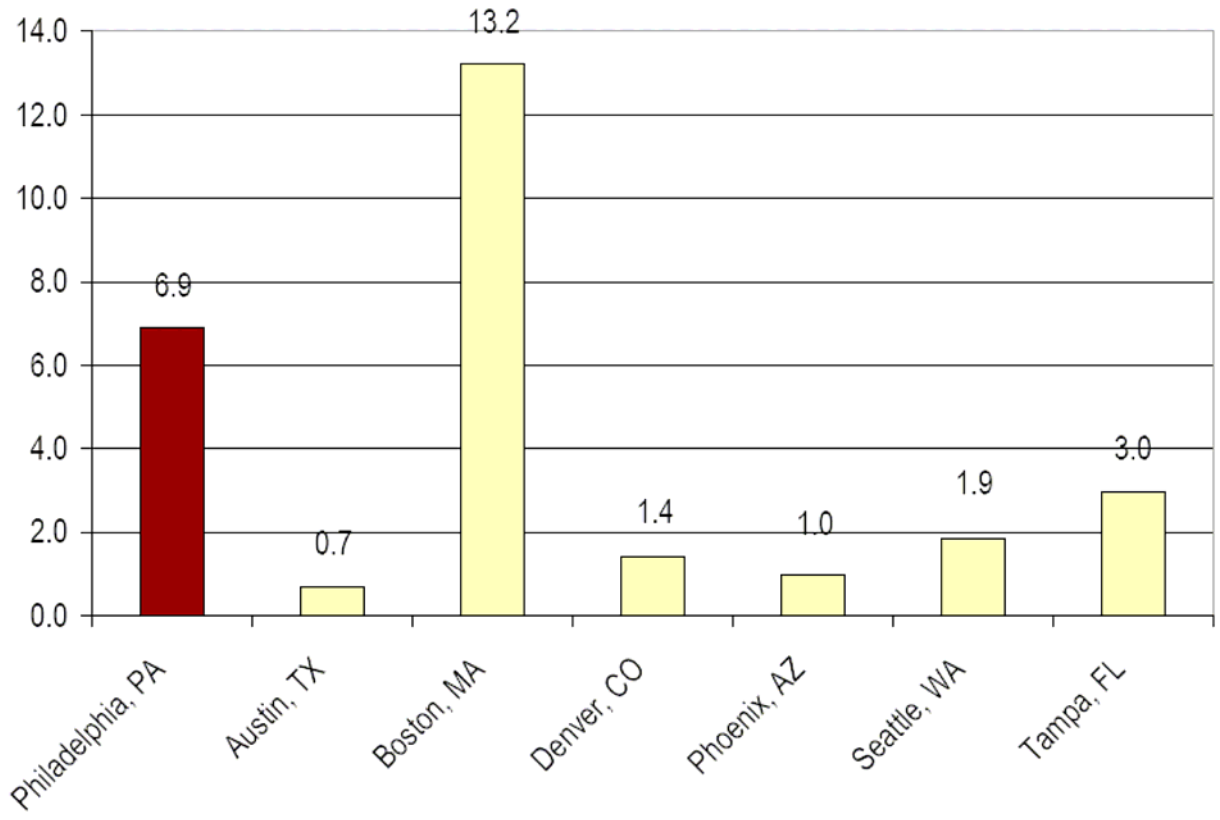
Source: Econsult Corporation (2007)

Figure A.3 – Digital Media and Programming Employment in the Philadelphia Region, Compared to Other Peer Regions (in Thousands)



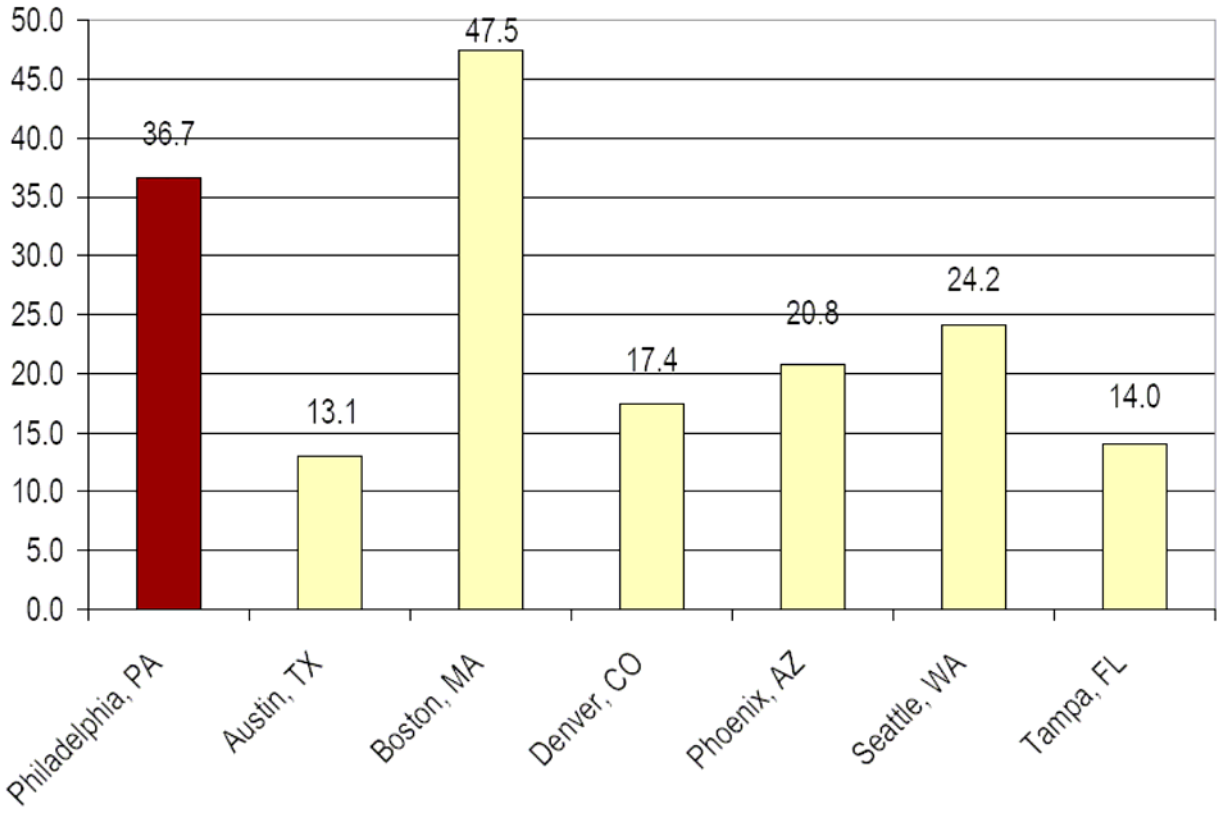
Source: Econsult Corporation (2007)

Figure A.4 – Fashion Design Employment in the Philadelphia Region, Compared to Other Peer Regions (in Thousands)



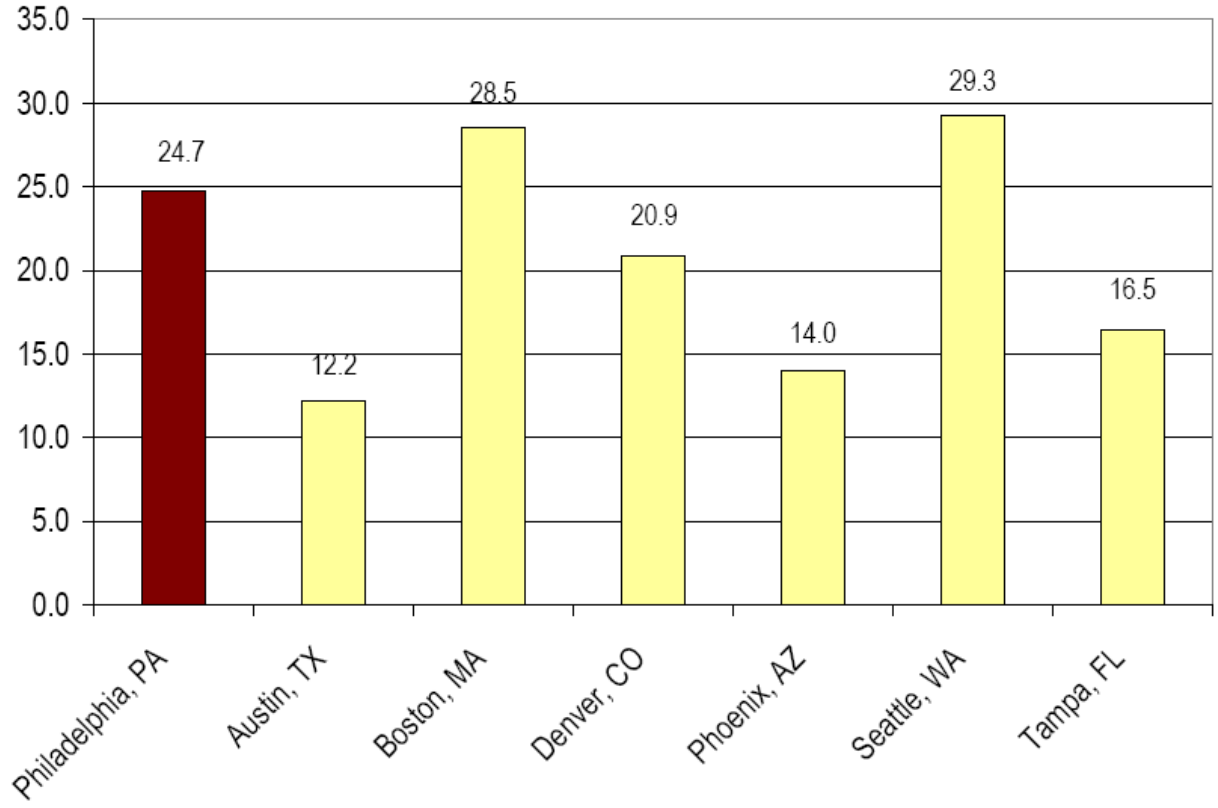
Source: Econsult Corporation (2007)

Figure A.5 – Graphic and Visual Arts and Multimedia Design Employment in the Philadelphia Region, Compared to Other Peer Regions (in Thousands)



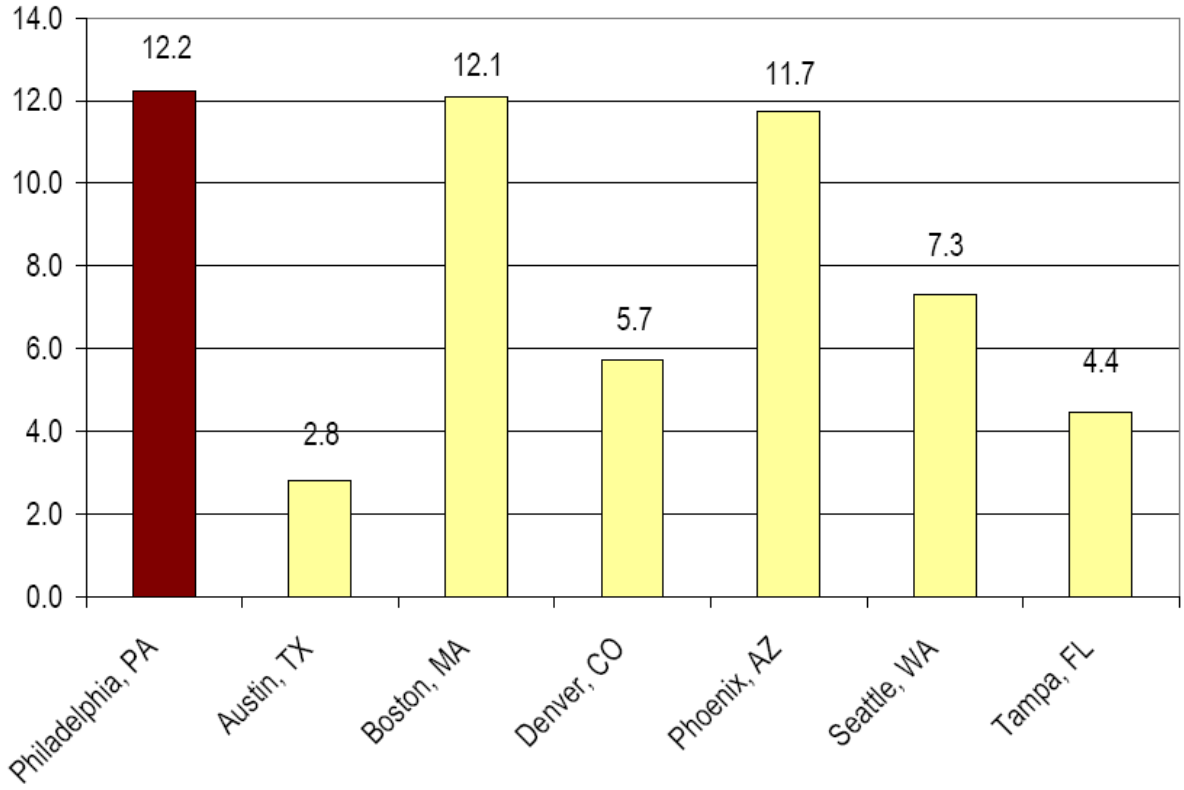
Source: Econsult Corporation (2007)

Figure A.6 – Information Technology Employment in the Philadelphia Region, Compared to Other Peer Regions (in Thousands)



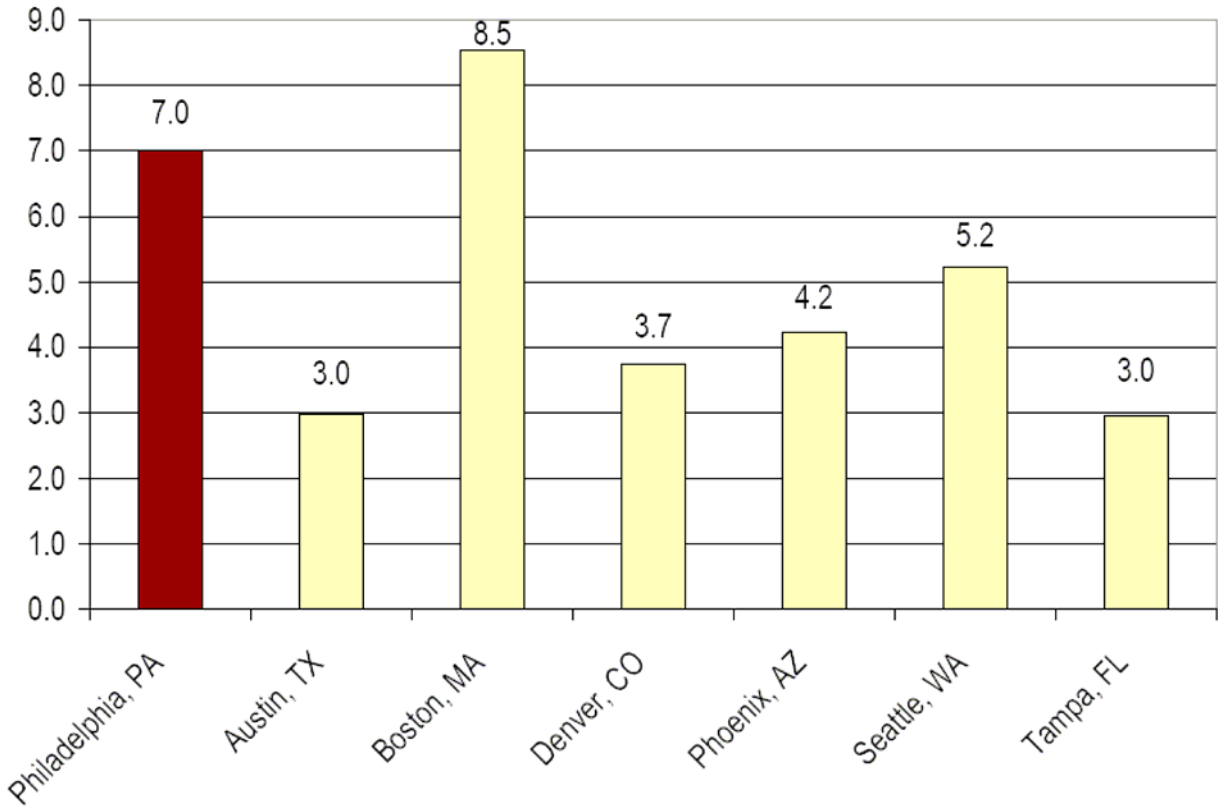
Source: Econsult Corporation (2007)

Figure A.7 –Interior and Industrial Design Employment in the Philadelphia Region, Compared to Other Peer Regions (in Thousands)



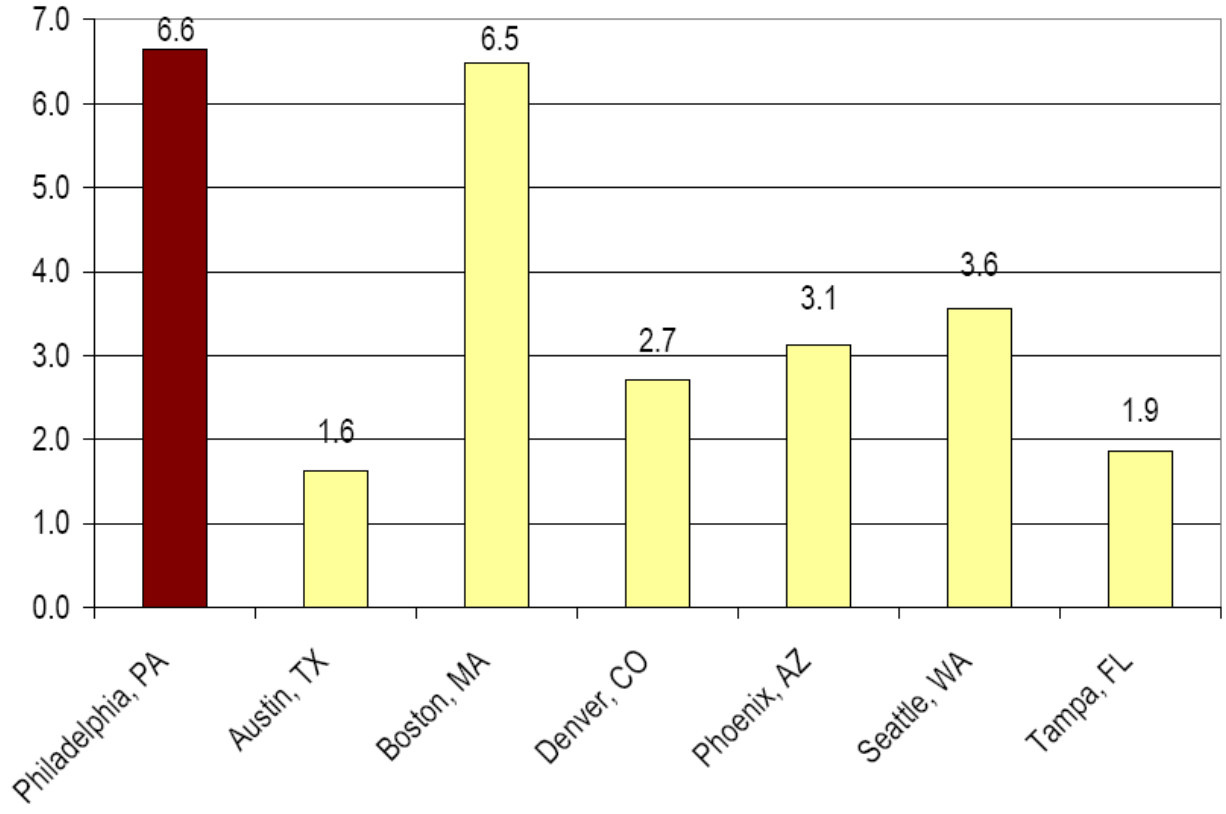
Source: Econsult Corporation (2007)

Figure A.8 –Music, Film, and Video Production Employment in the Philadelphia Region, Compared to Other Peer Regions (in Thousands)



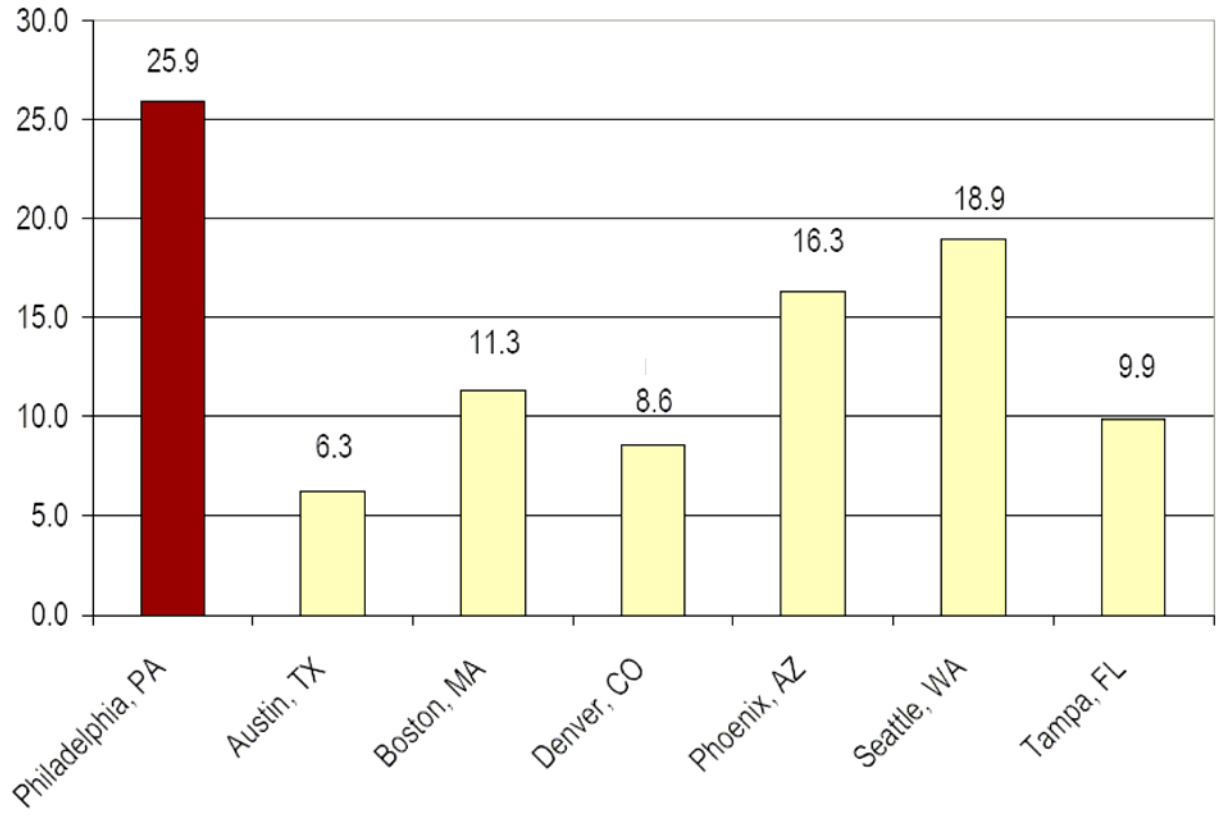
Source: Econsult Corporation (2007)

Figure A.9- Photography Employment in the Philadelphia Region, Compared to Other Peer Regions (in Thousands)



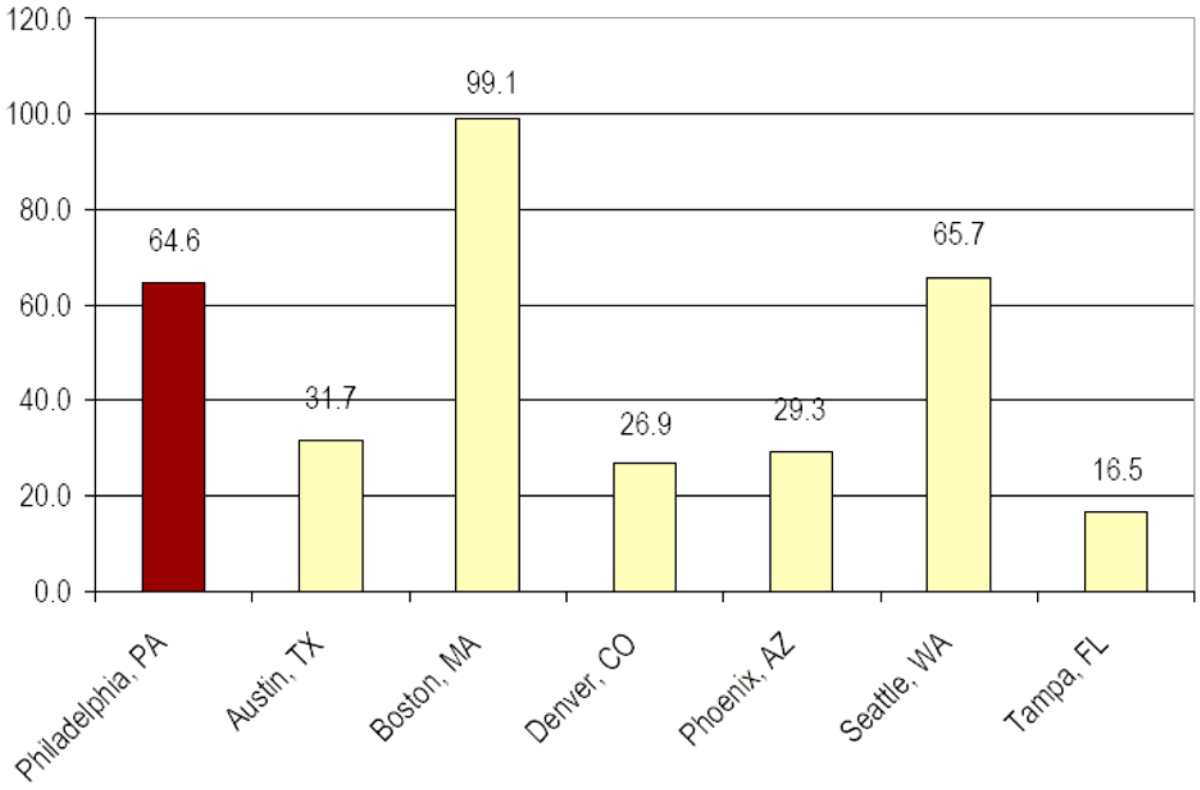
Source: Econsult Corporation (2007)

Figure A.10- Product and Merchandising Design Employment in the Philadelphia Region, Compared to Other Peer Regions (in Thousands)



Source: Econsult Corporation (2007)

Figure A.11- Software Development Employment in the Philadelphia Region, Compared to Other Peer Regions (in Thousands)



Source: Econsult Corporation (2007)

APPENDIX B – INTERVIEW LIST

The following entities were interviewed as part of our primary research for this study:

- African American Chamber of Commerce of Philadelphia
- Anthillz
- City of Boston - Office of Arts, Tourism, and Special Events
- City of Phoenix - Maricopa Partnership for Arts and Culture
- City of Tampa - Office of Arts and Culture
- Drexel University
- Electronic Ink
- Greater Philadelphia Hispanic Chamber of Commerce
- InLiquid
- i-site
- National Association of Asian American Professionals
- Philadelphia Film Office
- Philadelphia Industrial Development Corporation
- Star Group
- The Enterprise Center
- University of the Arts
- American Institute of Architects Philadelphia
- City of Austin - Economic Growth and Redevelopment Services Office
- City of Denver – Office of Cultural Affairs
- City of Seattle - Mayor's Office of Arts & Cultural Affairs
- Delaware Valley Industrial Resource Center
- Eastern Technology Council
- Greater Philadelphia Chamber of Commerce
- Independents' Hall
- Innovation Philadelphia
- MakePhilly
- Pennsylvania Minority Business Enterprise Center
- Philly Startup Leaders
- Select Greater Philadelphia
- Temple University
- University of Pennsylvania

APPENDIX C – AGGREGATE SURVEY RESULTS

See attached.