

## Section 1: Research Digest

### Funding

#### Banking on a Hit

##### The Funding Dilemma for Britain's Music Business [UK]

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Department for Culture, Media & Sport

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#### Objectives

The purpose of this study was to provide empirical evidence about the financial and development needs of small and medium-sized enterprises in the British music industry in order to assist government and the financial services sector in encouraging further growth of this area within the UK economy.

#### Methodology

The research included a review of existing literature, in-depth interviews with people in the music industry and financial services sector; a telephone survey of over 300 music businesses; case studies of seven music businesses; a postal questionnaire sent to over 400 UK bank branches; and a discussion group of industry experts.

#### Contents

Background - Key Findings - Recommendations  
[Recommendations on the Supply Side / Recommendations on the Demand Side] - Summary of Report's Findings [How do Small and Medium Sized Enterprises (SMEs) in the Music Industry Currently Access Finance to Fund Their Growth? - To What Extent do Music SMEs Encounter Problems in Accessing Finance? - Internal Perceptions of the Music Industry - External Perceptions of the Music Industry] - Structure of the Music Industry - Does Lack of Access to Finance Act as a Barrier to Growth for Music SMEs?

#### Summary

The research had four main aims: [i] to ascertain how small music industry businesses access finance to fund growth; [ii] to understand to what extent these businesses encountered problems in accessing finance and why; [iii] to discover to what extent this was a barrier to growth; and [iv] to make recommendations to government based on the findings.

The research found that there were strong similarities between small and medium music businesses and other similar sized businesses with regard to finance. However, the proportion of bank finance was appreciably lower than for other businesses. The use of grants and subsidised loans is higher for music businesses, however. Music businesses appear to be finding it harder to grow profitably than five or ten years ago but the industry has been slow to become involved in government-sponsored schemes for small businesses. Over three-quarters of music businesses used personal

savings and over half had been set up with less than £10,000. Nine out of ten music businesses required additional finance to develop after start-up and the most important source for this was retained profits. There was little use of venture capital. There was a sense within the music industry that music businesses were different from other small businesses. Externally, the business is seen to be risky.

The report's recommendations include a need to improve understanding between the music industry and finance providers, with better publicity for local authority, community finance and Enterprise Agency initiatives. Initiatives could be better adapted to music industry needs. There also needs to be greater encouragement of more developed entrepreneurialism within the industry, with awards for managerial flair. Best practice needs to be disseminated more widely across the industry.

#### Availability

Available from the Department for Culture, Media & Sport, 2-4 Cockspur Street, London SW1Y 5DH; tel: +44 (0) 20 7211 6200; website: [www.culture.gov.uk](http://www.culture.gov.uk) The full report is available from the DCMS website and from the Small Business Research Centre at Kingston University; tel: +44 (0) 20 8547 2000 extn 5506; website: [www.kingston.ac.uk/sbrc](http://www.kingston.ac.uk/sbrc)