Media Clusters and Regional Development:

Reflections on the Significance of Location in Media Production

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Introduction

There is a growing interest in media clusters on the part of ministries of trade, industry, and culture as well as regional development authorities worldwide. In the past two decades significant investments have been made to develop media agglomerations, especially in European nations where European and national policies are encouraging the creation of an entrepreneurial media sector and increased domestic content production.

It is well recognized that agglomeration provides advantages in terms of access to skilled labor, natural resources, transportation, financing, and branding in manufacturing and production industries. These types of advantages were also responsible for the historic and spontaneous development of media clusters in locations such as Hollywood, New York, London, Berlin, Bollywood, and Tokyo – clusters that have long histories as media clusters.

The contemporary trend towards policy-directed clusters planned and promoted by development authorities results from desires to obtain benefits found in the previous well-established media clusters as well as to achieve new benefits that emanate from digitalization of media and the availability of enhanced information and communication services. At least a dozen large-scale clusters planned by development authorities have been created and another 4 to 5 dozen smaller clusters are extant today.

Media clusters are a specialized form of agglomeration designed to produce mediated content, such as motion pictures, television programs/videos, broadcasts, audio recordings, books, newspapers, magazines, games, photography and designs, websites, and mobile content. They may have significant relations with other industries and clusters such as cultural industries (music and theatrical performance, museums and heritage sites, festivals), sports and entertainment activities (professional sports teams and venues and amusement parks), information and communication technologies (computers, software, telecommunications), and hardware manufactures (television and radio receivers, set-top boxes, game consoles, DVD players, etc). The question for development authorities is whether it makes sense to invest, or continue to invest, time, effort, and money to create media clusters. Unfortunately, we are unable to answer that question effectively today.

For scholars, there are a myriad of questions created by media agglomeration. Media clusters present fascinating conceptualization and analysis issues because they focus on non-physical production and, increasingly, distribution and because they have a variety of characteristics not found in other agglomerations. Not the least of these is the development of virtual networked clusters that call into question the role played by local agglomeration (Picard, 2008).

The Lord of the Rings motion picture and subsequent sequels illustrate this issue clearly. The films were produced in Hollywood and obtained most of their financing in New York. They were filmed in New Zealand and had their post production done in London. Their primary promotional and marketing activities were carried out in Hollywood, New York, London, and Cannes. Materials for the production moved back and forth across the globe using special high capacity and high speed telecommunication network resources enabling production personnel to carry out their parts wherever they were located. Thus, no one locale can be said responsible for the resources and labor needed to create the motion pictures. The typical advantages of locating in a single agglomeration are not as clearly applicable to such production.

Yet despite the widespread use of the contemporary digital resources and Internet systems in maintaining personal networks and providing virtual services in media production, physically located media clusters continue to be created and promoted by development authorities.

This raises questions about what roles these clusters play and why development authorities support their creation. What is the point of agglomerating when success can come in other ways?

The context of media clusters

Digitalization is creating a new type of society based on electronic networks, altering the roles and potential of individuals, work, companies, and nations (Castells, 2000). The transition is changing the economic bases of nations and creating new type of global capitalism based on information and knowledge. Media companies are significantly affected by these changes which have led to both exits and entrances of players and the development significant new types of media products. Many governments have responded to the change by developing information society policies designed to help their nations benefit from the changes to develop infrastructures, to help companies change, to develop new companies, and to help prepare future employees through educational activities.

Conceptually the idea of clusters contradicts the underlying purposes of and transformations created by contemporary information technologies, particularly the idea that it reduces the importance of place (Cairncross, 1994). Easy communications and commerce using the Internet and related information and communication technologies are reducing costs and time required for communication and reducing advantages of co-location. This is particularly true in the case of media clusters whose players have made significant use of digital technologies for many years and can thus be expected to employ them in a broader variety of ways than the average industry. They are caught in between what Giovannetti, Neuhoff and Spagnolo (2007) have cast as the centripetal forces of agglomeration and the centrifugal forces of ICT.

Concurrently, policy makers' concerns over preserving and benefiting economically from domestic cultural products such as books, film, television, and games have led to increased emphasis on supporting and exploiting these types of activities. some nations—notably the UK—quickly jumped on the idea of including performing arts and other cultural industries into this mix under the rubric of creative industries. It thus has come to include not-for-profit oriented enterprises and those dependent upon the public purse but rather merely those operated by private parties and oriented toward the market. In focusing on these industries, policy makers set out to promote economic contributions of the various industries as a means of achieving economic growth and promoting domestic culture. Media clusters (sometimes called cultural or creative industry clusters depending upon the variety of industries represented by the enterprises involved) have become a central part in many national and regional policies.

The rationale for media clusters was borrowed from traditional national and regional economic development policies and often focused on the idea that agglomeration of firms in a specific locale would bring wide benefits. In the 1990s and 2000s promotion of media clusters followed policy patterns set with other industries such as biotechnology and information technologies.

One needs to be cautious in using the media cluster concept, however, because it encompasses a wide range of activities with widely differing business dynamics prevalent in media industries, which tend to have extremely high risks of failure, uncertain demand, and large oversupply, driving many sources of capital away from them (Picard, 2005). These problems are compounded if clusters embrace media and performance industries, and content producers, distributors and aggregators. Although some resources are shared, some production uses similar technology, some distribution uses shared mechanisms, and some consumers are shared in common despite the separate branches have stark differences and tend to maintain separate identities and cultures. Nevertheless, the term media cluster is sometime used to designate film and television, multimedia, software, and graphic and performing arts agglomerations either alone or in a variety of combinations.

It should also be noted that there are significant differences between enterprises in media and high technology clusters. Media firms are not primarily oriented toward research or innovating technology, but are primarily operational clusters in which there are a few dominant players and a high number of microenterprises and a large number of freelance laborers. Human capital in media is less linked to advanced education and research than in other non-industrial sectors. It typically involves more applied skills and techniques, often obtained without higher education, that are developed through technical education or apprenticeships. Media firms engage in little research and development activities, typically leaving those aspects to technology providers. Consequently, media—and copyright oriented industries as a whole—tend to contribute more to employment than to gross domestic product.

In terms of organization and operation, media clusters are somewhere between traditional industrial clusters and high tech clusters, but leaning toward the high tech. Firms in media clusters tend to have more limited facility, equipment, personnel needs compared to those in both industrial and high tech clusters and high tech and they tend to rely more on services than goods in their production processes.

Benefits of agglomeration

Clusters are typically explained by and designed to promote production efficiency and innovation. Within media clusters, four types of innovation can be observed: technique innovation, 2) artistic innovation, 3) business innovation, and 4) technology innovation and product development. Most new knowledge created in media clusters, however, appears to primarily be the result of technique and artistic innovation. These are difficult to monetize or to produce with intellectual property rights.

Previous research on clusters in general has established a variety of benefits from agglomeration but that success is made possible by availability of financing, effective organization of incentives for cluster participants and personnel, and the availability of qualified staff (Casper, 2007). Combining new economy firms and old economy ones in complementary ways and cooperating with other clusters are among other reasons leading to success (Bresnahan & Gambardella, 2004). The effectiveness of clusters is dependent upon them creating atmospheres in which innovation and entrepreneurship are promoted and facilitated (Koepp, 2002).

A number of media studies have shown that clusters benefit from locations with sources of medium- and high-risk capital (or harmed by their absence (Smith, McCarthy, & Petrusevich, 2004; Zook, 2005), entrepreneurial personnel with appropriate incentives to operate firms, the capability for personal from participates to connect and learn from other participants in the cluster (Perrons, 2004). Also beneficial is a labor pool available on a project basis (Britton & Legare, 2005)), and in being located in a market where there is demand for their products (Knell & Oakley, 2007).

Limitations and challenges

Despite the benefits, success does not come easily and research is beginning to show constraints on the abilities of media clusters to achieve stated goals.

Merely creating a cluster is not enough. It must be constructed on a reasonable base of pre-existing firms and personnel that are leveraged to attract new players and create an effective cluster. The popularity of creating audio-visual clusters and the establishment of "Greenfield" clusters in locations where production had not previously been strong has led to questions about their sustainability. O'Regan and Ward (2009) are critical of such ventures because many, in their opinion, lack creative infrastructure and personnel and merely offer media friendly locations for temporary and transient low cost productions. The lack of an established music industry in Ireland led researchers there to recommend against using policy to create an Irish music industry cluster—despite domestic and foreign appreciation of its artists—because of the absence of strong domestic recording companies and weaknesses in support services such as music legal services, management, marketing, and production firms (Clancy & Twomey, 1997).

To become successful media clusters, the organizers' purpose must actually be intent on creating such clusters. Researchers have found that the rationale for policy-planned media or creative industry clusters may actually not be formed out of concern for those industries, but as a mechanism to solve other public challenges. Mommaas, for example, shows that Dutch developments have been more about urban regeneration than media. "Former warehouses, monasteries, factories, steel works and coal mines, prisons and hospitals…are brought back on the real-estate market and turned into apartment buildings ('loft living'), office spaces, halls of events and entertainment and/or places of cultural production and presentation ('cultural incubators')" (Mommaas, 2004, p. 522). Similarly, Dublin's failed Digital Hub project was seen to overemphasize development of property rather than its digital purposes (Bayless, 2007).

Planned clusters also face challenges because of significant internal and external cultural conflicts. Bringing together disparate elements of the cultural industries creates challenges because of differences in levels of entrepreneurship, forms of innovation, financial and customer bases, and types of employees involved (Knell & Oakley, 2007). These differences in cultures can create difficulties integrating cluster members in cases where art communities, media producers, and other segments of cultural industries are brought together. Divergent interests of sectors in cultural industries—theatre, visual arts, music, new media—also make it difficult to create sustainable clusters because weak and hesitant participants and tensions between interests of the cultural community and economic development agencies create conflicts (Mommaas, 2004).

Media clusters face difficulties if they primarily produce internal connections and linkages between firms and personnel. Links to major firms and players external to clusters have been shown to be critical because they are needed for specialized services, may contract for services of the cluster company, or may purchase completed projects (Coe, 2001; Turok, 2003; Bathelt, 2005; Vang & Chaminade, 2007; Kaiser & Liecke, 2007; Bathelt & Graef, 2008; Cole, 2008). Consequently insufficient linkages and networks outside clusters make it difficult for firms to grow and prosper. In clusters supported by development authorities, such linkages often run counter to the purposes of the organizers.

It is recognized that effectively managed clusters can support entrepreneurship and innovation by challenging existing companies and facilitating entrants (Koepp, 2002). However, it has been observed that a number of media clusters lack effective organization that can help them achieve stated goals (Britton, 2007; Knell & Oakley, 2007; Kaiser & Liecke, 2007). If creation of media clusters is deliberate, policy makers and other cluster promoters cannot merely agglomerate media firms and hope for the best. They need to facilitate interaction and coordination among firms, and access to production financing and product distribution mechanisms well. However, achieving proper cluster organization and direction is difficult because "clusters of innovative activity do not respond well to being directed, organized, or jump started, entrepreneurship being a quirky thing" (Bresnahan & Gambardella, 2004, p. 355). This problem is compounded in media industries where artistic temperaments and sensibilities abound.

Some clusters are created around a major player, granting it access to skilled personnel as well as allowing it to pursue additional projects through other firms in the cluster. Regional audiovisual development strategies in the UK began shifting in the 1980s away from promotion of small local firms toward attracting larger outside producers, and from focusing on production to including broader functions such as finance and distribution because they provide more economic and employment stability (Cornfield & Robins, 1992).

This strategy, however, is a two-edged sword. Dublin, for example, agglomerated information technology and content firms, personnel, and venture capital in a desirable location through a variety of helpful public policies and institutional support. Nevertheless, its Digital Hub project failed after losing its central player (The Media Lab) and because its firms were somewhat dependent upon its inspiration and had insufficient external focus and overly ambitious goals (Bayless, 2007).

Spontaneously generated clusters, such as London, can be seen as an accidental success (Knell & Oakley, 2007) linked to the location's overall economic development. Such success can be problematic because that general development may produce challenges of high facility and housing costs, congestion, and oversupply of qualified personnel (a staffing problem that is not the experience of most clusters). In fact, such issues-along with political pressures to distribute public resources across the country-are leading the BBC to shift a significant portion of its production and employment to the Midlands and spurring the creation of an expanded cluster there.

Media clusters have difficulties producing economic benefits achieved by other types of clusters for their localities because the ways they innovate differ significantly. For the most part, companies in media clusters do not pursue the kinds of innovation found in biotechnology and information technology sectors. Although governments are optimistic (often overly so) about abilities of policy to shape innovation generally (Casper, 2007), developing media clusters is even more likely to produce disappointment. In biotech, ICT and other high tech clusters, new players try to destroy established ones and their products through innovation. In media clusters, however, most firms are trying not to overcome or surpass the established firms but to become part of their supply chains.

Part of this difference occurs because content creators tend to be artistically oriented, poorly trained in business, and in-adept at managing firms. They can only become highly successful if they are offered and willing to receive significant entrepreneurship, innovation, and business training, assistance, and advice, but few media clusters appear to integrate such skills, development and services.

Conclusions

We can now turn back to the underlying questions of this discussion: Is location significant in media production and can regions benefit from promoting the development of business clusters.

Unfortunately, we are not yet in a position to clearly answer those questions because the effects of clustering in the media industry are relatively unknown. A great deal more research needs to be done. Some contributions in that regard are being made here at the Uddevalla Symposium in the session theme "Clustering in a Non-Industrial Sector: Physical and Networked Agglomeration in the Media Sector".

Nevertheless, I would like to reflect upon those questions.
In terms of location it would appear that agglomeration offers some benefits, but that location alone is not all that is necessary for success because of the importance of personnel professional networks—that are often enabled and facilitated by virtual networks—and because of the ability to exchange and collaborate on media production through digital telecommunication networks. It would appear that it is not a dichotomous choice between agglomerating or not.

The issue of whether media clusters are appropriate and effective as regional development efforts remains more open. It appears that many assumptions made in the creation and development of such clusters are based on supposition and boundless optimism. Little research and knowledge supports the effectiveness of planned clusters and those suppositions. Among the most frequent suppositions appear to be

- that effects of creating media clusters will produce similar beneficial results to the community as agglomerating players in other industries
- that agglomeration will produce similar beneficial effects for media firms as those found in other industries
- that agglomeration will help increase output of media firms and bring domestic cultural benefits

- that agglomeration of media firms will support redevelopment efforts by changing the images of former industrial towns

I believe the reasons that clear success and high performance have been elusive may result from several factors.

First, media company locale and business activity take place in separate locations. The most successful media products are not domestic but international and the most successful media firms are active globally. Similarly, the most successful domestic media products are not local but national and the most successful media firms are active nationally. Thus success is less likely to be achieved by isolating a firm to a single locale.

Second, media are non-physical products whose production methods are highly digitalized and not affected by distance because of contemporary information and communication technologies. This has denied them some of the cost effectiveness benefits associated with agglomeration.

Third, innovation tends to be limited to content creation in media clusters. Part of this may be because their relations with universities and research institutes tend to be limited to using them to obtain trained personnel rather than engaging in the types of research and development activities that are more often seen in high tech industries.

Fourth, it appears that many clusters exist in name only. Some are artificial creations or groupings in which there is little or no commonality among the products/services of the firm and their business logics; some have little or no real economic interaction among firms; and many have little or no coordination of the cluster.

So what are the benefits of media clusters to locations? It appears that the best economic and employment effects occur where large media institutions are involved in the cluster (public service broadcasters and major commercial channels with large production facilities), rather than merely small enterprises. Smaller media firms tend to have very few employees, limited assets, and short survival rates. The majority exist to provide service to a few large firms—companies that may or may not be part of the agglomeration. Thus, the Hollywood media cluster was built upon the base of major film and television studios, the Hilversum cluster on the foundation of the Dutch national broadcaster, and the Sydney film cluster with Fox Studios as its center.

The degree of dependency that such clustering creates and whether the benefits are short or long term for firms or the locale is still unclear.

There is much for us to learn and much work for us to do in understanding the nature and performance of media clusters. I think it is an interesting field of inquiry not only for its practical application but for the intriguing opportunities it presents for developing theory and knowledge.

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Research reports 2009:02
University West

Uddevalla Symposium 2009

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Iréne Bernhard (ed.)

Revised papers presented at the 12th Uddevalla Symposium, 11–13 June 2009, Bari, Italy

12th Uddevalla Symposium 2009:
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11–13 June, 2009, Bari, Italy.
Editor: Iréne Bernhard, University West, Trollhättan, Sweden

Distributed by: University West,
Department of Economics and IT
SE-461 86 Trollhättan, Sweden
+46 520 22 36 78

ISSN 1653-7831
ISBN 978-91-633-5571-4

URL: http://www.symposium.hv.se
Printed by: Livréna AB, Göteborg 2009

The twelfth Uddevalla Symposium 2009 was hosted by Politecnico di Bari, Italy and organised by University West, Sweden in co-operation with Politecnico di Bari, Italy, Jönköping International Business School, Centre of Excellence and Innovation Studies (CESIS) Royal Institute of Technology, Stockholm, Sweden and The School of Public Policy at George Mason University, Fairfax, VA, USA.