

# MICRO-FINANCE PILOT FOR CREATIVE ENTERPRISES

**'GENERATE'**

## PROJECT REPORT



**AUGUST 2012**

Produced by the Enterprise Connect  
Creative Industries Innovation Centre  
*for*

The Commonwealth Department of Regional Australia, Local  
Government, Arts and Sport, Office for the Arts

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## ATTACHMENTS

1. GENERATE Finalists Bios
2. GENERATE benchmarking data form – July 2012
3. GENERATE Insights Paper
4. UTS Project Financial Report
5. AMIN Project Report

## PARTICIPANTS SAID.....

### Nick Wallberg – Tram Sessions

The funding will enable us to build a solid organisational foundation so we can become the Melbourne institution we want to be.

Thank you so much Kirsty, this is great news! Adam and Jemima, this will make a huge difference for us and we already have big plans for 2012! Stay tuned for some awesome musicians on trams in the future. Thank you for this initiative and all your great help!

Happy Commuting!

Nick & the tram sessions crew

### Jai Al-Attas – ZAPPP

Generate was awesome, apart from the obvious financial benefits, the workshops were really beneficial and we learnt how to create a proper business plan if we were to scale up and look at raising more money from investors.

*The Music Network, 30 July 2012*

### Glenn Dickie – The Aussie BBQ

Mary and I really are so appreciative of everyone who helped make this happen.

Before GENERATE we didn't real have a business. We had a thing we do. Even the initial application stages of GENERATE prompted me to ask questions of myself.

I have been challenged in ways I have not been challenged before. Actually being asked about the business instead of just patting me on the back for doing something nice.

To me GENERATE has been really valuable, and I will get a lot out of it apart from the cash component.

The key take away was learning to work on the business not in it!

It taught me you need to be able to step back and think about the business, take the emotion out of it. To be running a business you need to be running it with a business brain on, which is new as I am normally the creative person.

### **Jen Cloher - ManageMyMusic**

I have never pitched a business proposal before to a group of people. I was really nervous but it was great because the last two days [Stage 2 workshop] have really equipped me with everything I really needed to cover.

A great value of the program was talking to others in business, getting many different perspectives on how your business could be run. Getting these different perspectives helped clarify my vision.

### **Craig May – Create Control**

The funding side of this is always great. If the government sees value in what we're offering, the Australian artist community thinks that it's a viable business they want to be involved and invested in – we take pride from that, and hopefully they see value in what we do.

It was great working with the Mentors, to have some external parties looking at our business plan and business model, asking questions and trying to punch holes in it and find areas we might not have looked at or considered and highlight things we need to put more thought into. I can now go away and address those concerns, making it a better plan.

### **Stephen Green – SG Media**

It's been fantastic to have 2 days away from the office just to think about our business model.

## **FACILITATORS AND MENTORS SAID.....**

### **Anthony Merrilees, Enterprise Connect Creative Industries Innovation Centre**

It's been a fantastic experience. We were really surprised with the number of people who wanted to be involved with the program and the level of engagement and feedback we received. All of the participants have been able to refine and improve their business models, pitches and planning – it's a very pleasing outcome.

### **Jaddan Comerford, The Staple Group**

It was a great day of young entrepreneurs and experienced professionals coming together to share their ideas and learn from each other. The networking was really powerful and will carry on into the future.

**Jennifer Wilson, Project Factory**

I've now had a few of them throw their business plans at me and have gone back suggesting user journeys to explain what is happening, and questioned some assumptions on business cases

I did think the workshop seemed rushed for some of them. I wonder if spreading this over a few days would be better – if letting them get this settled in their minds and then come back for some targeted work a day or two (or week) later wouldn't be the best.

**Paul Bodlovich – (then) Western Australian Music**

I'm interested in doing this kind of work if there's ever other similar opportunities that come up.

**Shaun James , V Channel**

I've had a couple of the finalist touch base which has been very positive.

**Anna Rooke, Creative Enterprise Australia**

It was a valuable learning experience - thanks for the opportunity to be part of the program.

**Jules Munro, Simpsons Lawyers**

Thanks for giving us the opportunity to contribute!

**Jacqui Crouch, Money Penny**

The experience was extremely enjoyable, very practical and timely and would be of benefit to anyone in business, not only those in the music industry.

**DRAGONS SAID.....**

**Les Gock, Les Gock Sound Thinking (APRA Board member)**

Thank you for your appreciation. It was hard work, but for me it was very worthwhile and exciting to interact and to help in some small way with the next generation of young entrepreneurs.

Congratulations on all of your hard work and long may the program continue.

## GENERATE PILOT PROGRAM TEAM

### UTS & CIIC

Lisa Colley, Director CIIC	Project Sponsor (UTS)
Adam Blake	Project and Contract Director
Bea Harrison	Project Production
Jemima Dunlop	Project Coordination
Gemma Van den Akker	Project Communications
Anthony Merrillees	Project Business Model Workshop Facilitator and mentor
Tony Shannon	Stage 2 Workshop Dragon and Mentor
David Sharpe, Sonya Henderson-Edbrooke, Judith Bennett, David Schloeffel, Stuart Davis, Wendy Were	CIIC Business Advisers - Biztro and Workshop co-facilitators
Tamara Ogilvie	Project Research

### APRA

Brett Cottle , CEO	Project Sponsor
Dean Ormiston	Project Development and Public Relations
Sally Howland	Project Development and Management
Kirsty Rivers	APRA Project Manager and workshop co-facilitator
Narelle Butterworth	Project Coordination
Nick Buchan	Project Communications
Tim Levinson	APRA Ambassador and Project Champion

### AMIN

Denise Foley, Chair	Project Sponsor, AMIN Pilot Development, Communications and Management
Kirsty Brown	Project Development and Review
Mark Smith, Dane Hunnerup, Patrick Donovan, Daniel Randell, Claire Hodgson, Rebekah Duke	AMIN - Stage 1 Workshop Coordination,

### MENTORS / DRAGONS

Jaddan Comerford	The Staple Group
Anna Rooke	QUT Creative Enterprises Australia
Les Gock	Les Gock Sound Thinking

Damien Trotter	Sony Australia
Paul Bodlovich	(then) Western Australian Music
Jacqui Crouch	Money Penny
Jules Munro	Simpsons Lawyers
Shaun James	V Channel
Jennifer Wilson	The Project Factory

## COMMONWEALTH OFFICE FOR THE ARTS and MINISTERS OFFICE

Stephen Arnott, Assistant Secretary	Project Sponsor
Bryn Evans	Contract Manager
Stephen Cassidy	Project Review and Communication
Helen O'Neill, Minister's Advisor	Project Advocacy and Ministerial Liaison

## Acknowledgements

The UTS CIIC would like to acknowledge the formative contributions to the GENERATE Pilot program by the following individuals.

Adam Simpson and Paul Bodlovich have been national leaders in advocating and shaping such a program to develop and invest in the Australian music industry.

Stephen Arnott and Helen O'Neill have also played an important role in advocating for the program over some time and aligning it with the national policy objectives.

Jacqui Crouch was instrumental in connecting the CIIC and APRA to partner on the GENERATE Pilot.

## EXECUTIVE SUMMARY

In June 2011 the Enterprise Connect Creative Industries Innovation Centre (CIIC) received funding from the Commonwealth Government through the Office for the Arts for the development and delivery of a Pilot project, *Micro-Finance for Creative Enterprises*.

The Pilot (later named GENERATE) aimed to help Australian creative enterprises and entrepreneurs develop business capabilities, competitive business plans, new industry concepts and attract investment.

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The objectives of the Project were to:

A) Increase the business skills and capabilities of creative enterprises by:

- increasing their ability to plan strategically, consider new business models and build investment cases in order to develop their businesses into stable, sustainable and growing enterprises
- providing access to mentoring by leading national and international industry experts and business advisors;
- providing access to financial assistance to build their business careers; and
- encouraging private investment income streams for creative businesses; and

B) develop and trial a program model that may be used to increase the business skills and capabilities of creative enterprises in the broader creative industries in the future.

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GENERATE trialed an approach to supporting small enterprises within the Australian music industry, seeking to grow and attract investment. The Pilot provided participants with new business development knowledge and skills, expert mentoring support and access to seed investment to grow their business.

***“We need to develop new models and strategies which will promote sustainable growth of the creative economy,”*** Minister for the Arts, Australian Film, Television and Radio School 2011 Graduation Ceremony in Sydney, November 2011

In the development of the project it was agreed to target the Pilot to one industry, in this case Australian contemporary music. Sector specific targeting was advantageous to achieving results in a short time frame, quickly identifying active national



networks and industry bodies to partner with, to attract and partner with a single co-funder or investor, and to provide a contained environment for testing the model.

As a result of the focus on the music industry, CIIC established Pilot partnerships with the Australasian Performing Right Association (APRA) and the Australian Music Industry Network (AMIN). APRA was also a co-investor in the project.

The GENERATE Pilot program was implemented between November 2011, when the program was launched by the Minister and the application for Stage 1 workshops opened, through to the delivery of the finalists' business plans and execution of funding / investment agreements in June 2012.

Within this timeframe the GENERATE Pilot delivered new business skills and tools to 139 music practitioners and entrepreneurs participating in the six Stage 1 Business Model Generation workshops delivered around the country. In addition the program provided access to a two day intensive business planning and pitching master-class, around 100 hours of one on one expert industry and business mentoring, and investment of between \$15,000 and \$30,000 for each of the 15 selected finalists.

The program utilized the Business Model Canvas<sup>1</sup> as the cornerstone business tool for the whole program, which worked very well and validated its relevance for creative enterprise development. The staged program model was effective in enabling a wide reach in Stage 1 and a filter through which to find the best ideas and enterprises, and then drilling down to efficiently target the intensive support and investment to a smaller selected group at later stages.

It is recommended that the marriage between the business expertise of the CIIC and the industry knowledge and networks of industry associations was critical to program design, roll out and credibility. This industry specific approach is also a key ingredient for leveraging investment and support.

There are a some recommended modifications to program model, detailed later in the report, aimed at better and earlier tailoring of the support provided to suit the different streams of participants, and a more staggered approach for the provision of the intensive workshops, mentoring and pitching to enable more time for development between each step.

For the agencies and institutions funding and supporting creative enterprises GENERATE has demonstrated a new industry-led targeted program model through which to find, filter and support the best business ideas and enterprises. By leveraging the existing Commonwealth Government investment in the Creative Industries Innovation Centre such programs can benefit from expert creative

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<sup>1</sup> *Business Model Canvas* , 2011, Alexander Osterwalder and Yves Pigneur

industry business intelligence, and provide a platform for ongoing support and advice at no cost for creative enterprises and entrepreneurs.

Less than two months after final business proposals were submitted early signs of the program dividends include one finalist being nominated for an international industry award, one securing a further \$200,000 in investment and another receiving media attention and pitching for investment in the US.

## GENERATE PILOT ACTIVITIES

The *Generate* pilot program aimed to help Australian music entrepreneurs develop business capabilities, competitive business plans, and new industry concepts.

Generate, delivered in 2011-2012, was led by the Creative Industries Innovation Centre (CIIC) in partnership with the Australasian Performing Right Association (APRA) and supported by the Australian Music Industry Network (AMIN) and the Commonwealth Office for the Arts.

The pilot was delivered through four key stages:

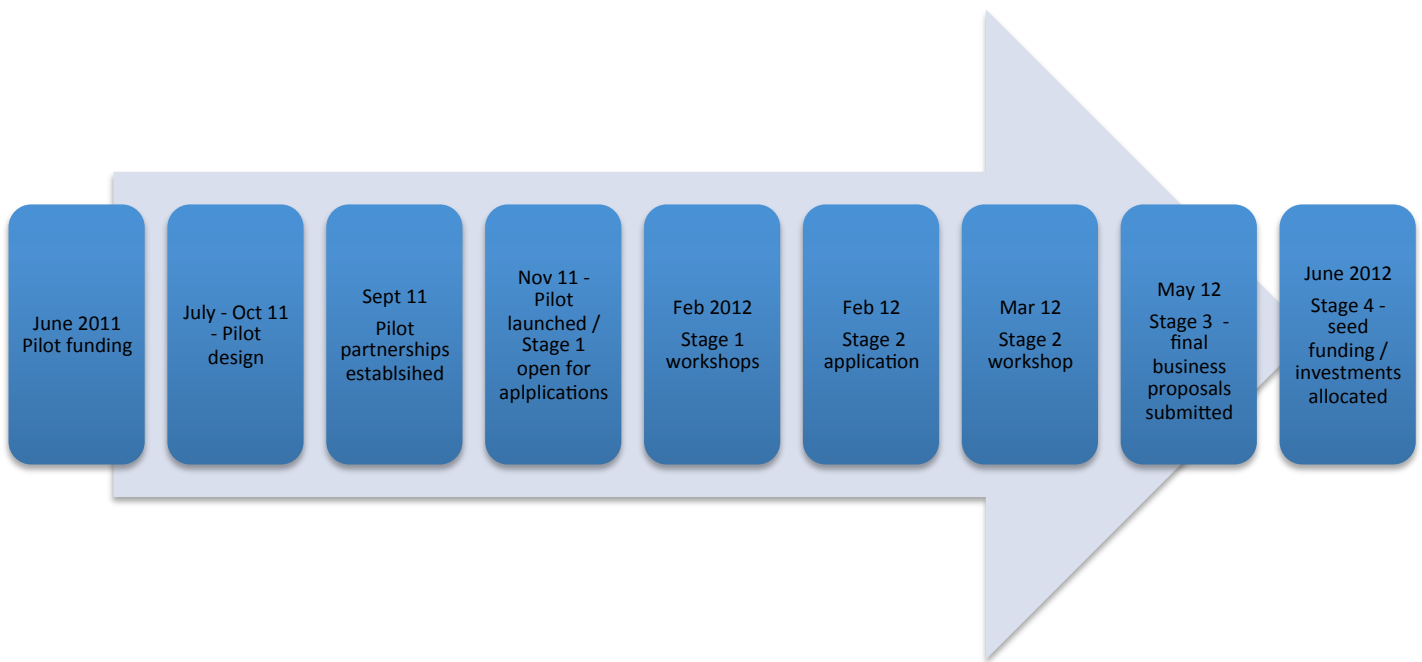
**Stage 1:** National Business Model Workshops

**Stage 2:** Two day Intensive Business strategy and pitching master-class

**Stage 3:** Further access to specialist mentors and submission of final Business Proposals

**Stage 4:** Allocation of seed investment funding and three year agreements

## PILOT TIMELINE



There were 253 applications to participate in Stage 1 of the program, from which 139 candidates were invited to attend a one-day business model generation workshop. The workshops were held between February 13- 24<sup>th</sup> 2012 in Brisbane,

Sydney, Melbourne, Adelaide, Perth and Darwin. The AMIN national network assessed all Stage 1 applications and selected the participants to attend and managed the coordination of the workshops.

109 of the Stage 1 workshop participants went on to apply to Stage 2 of the program, providing in-depth business proposals. 15 were then selected to participate in the Stage 2 two day intensive business strategy and pitching master-class in Sydney on March 29 and 30<sup>th</sup> which involved business and industry mentors, facilitators and pitching 'dragons'. APRA hosted the two-day intensive at their headquarters and coordinated the event. **(SEE ATTACHMENT 1 – Finalists Bios)**

All 15 finalists submitted final business proposals and on May 22 all were informed of the funding that had been allocated to their proposal. The funding was a combination of \$10,000 seed funds from CIIC, on behalf of OFTA, and between \$5,000 and \$20,000 as a no-interest loan from APRA payable over three years.

APRA and the CIIC will be collecting information from the 15 finalists at year one, two and three to track the success of their enterprises and therefore the return on investment for the GENERATE program. We have established the baseline benchmark data through a form being completed by all finalists when they received their funding. **(SEE ATTACHMENT 2)**

#### Final Stage 4 Investment (funding) Allocations

Generate	Assessors	AU Review	Bossy Music	Create Control	Fu Rock	IMMM	Impossible Odds	inFusion
Level	APRA	2	2	2	3	2	3	2
	CIIC	2	1	1	3	2	2	2
	AMIN	3	2	1	3	3	2	2
	Dragon 1	3	2	1	3	2	3	2
	BMC Facilitator	1	1	1	3	2	2	3
	Dragon 2	3	1	1	3	2	3	3
		14	9	7	18	13	15	14
Grant	\$150,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
APRA Loan	\$150,000	\$5,000	\$10,000	\$20,000	\$5,000	\$10,000	\$5,000	\$10,000
	Total	\$15,000	\$20,000	\$30,000	\$15,000	\$20,000	\$15,000	\$20,000

Generate	Total	Kiss FM	Rice Is Nice	SGC	Sounds Like Café	StageMothers	Synch My Track	Tram Sessions	Zappp
Level	APRA	2	2	2	2	1	2	2	1
	CIIC	2	3	1	2	2	3	2	1
	AMIN	3	2	1	3	3	3	3	1
	Dragon 1	1	3	1	1	1	2	3	2
	BMC Facilitator	2	3	1	2	3	3	2	1
	Dragon 2	3	2	1	3	2	3	3	2
		13	15	7	13	12	16	15	8
Grant	\$150,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
APRA Loan	\$150,000	\$5,000	\$5,000	\$20,000	\$10,000	\$15,000	\$5,000	\$5,000	\$20,000
	Total	\$15,000	\$15,000	\$30,000	\$20,000	\$25,000	\$15,000	\$15,000	\$30,000

## PARTICIPANT DEMOGRAPHICS

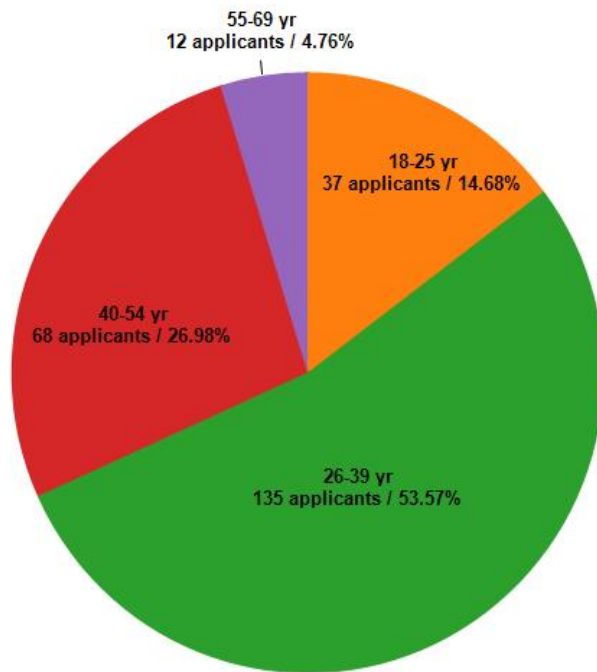
### Generate Stage 1

The typical Stage 1 *Generate* applicant was from generation X or Y; presented a current or proposed business traversing a wide range of service areas for the music industry; and was based in NSW.

### Age of applicants

Applicants from generation X or Y, aged 26-39yrs made up 53% of Stage 1 applicants; followed by the 40-54 yr segment at 27% of applicants; and the 18-25 yr segment constituted 15%. No applications were received from those less than 18 years of age.

Figure 1: Stage 1 applications by age of applicant

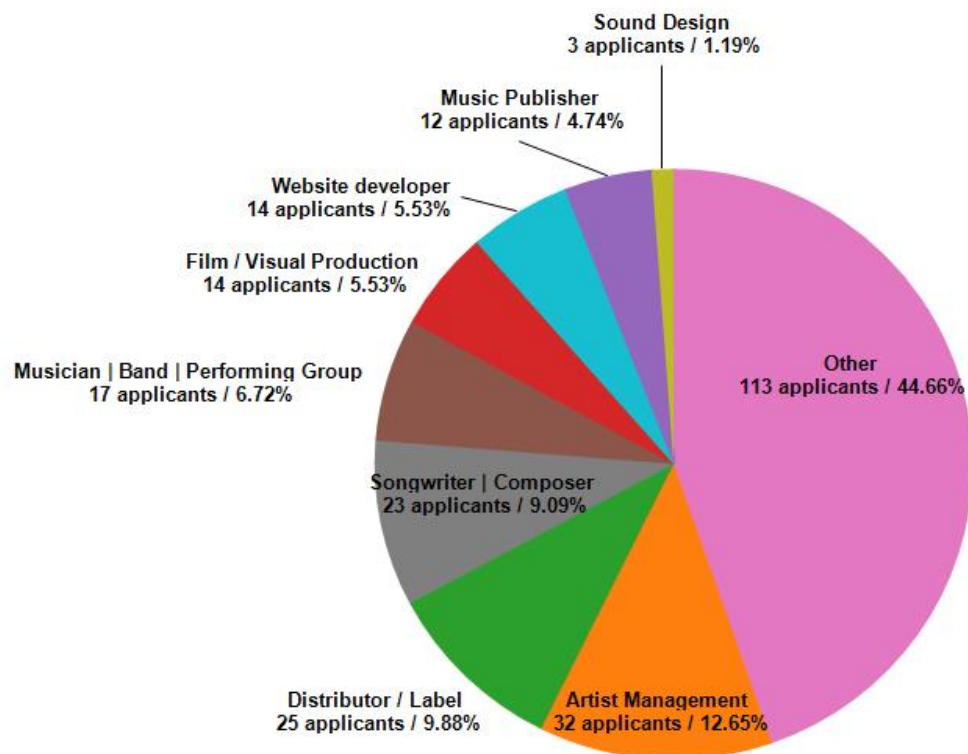


### Business type

Stage 1 proposals came from a broad cross section of the music industry. When asked to select a classification that best described their business, the majority of applicants felt their business didn't fit neatly into one of the eight types suggested (see Figure 2); 45% opting instead to self-describe their business under the 'Other' category. These applicants went on to describe a diverse range of music related businesses - live music venues; rehearsal spaces; products or services for events; event management; promotions; and education.

The next highest segments were Artist Management (13%); Distributor/Label (10%); Songwriter/Composer (9%); and Musician/Band/Performing Group (7%). The remaining segments consisted of film/visual production SME's, website developers, music publishers and sound designers.

Figure 2: Stage 1 applications by music industry area



## Business location

Applicants were based across all Australian states and territories, in both metropolitan and regional areas - with NSW accounting for 33% of applications, followed by QLD and VIC.

Figure 3: Stage 1 applications by postcode

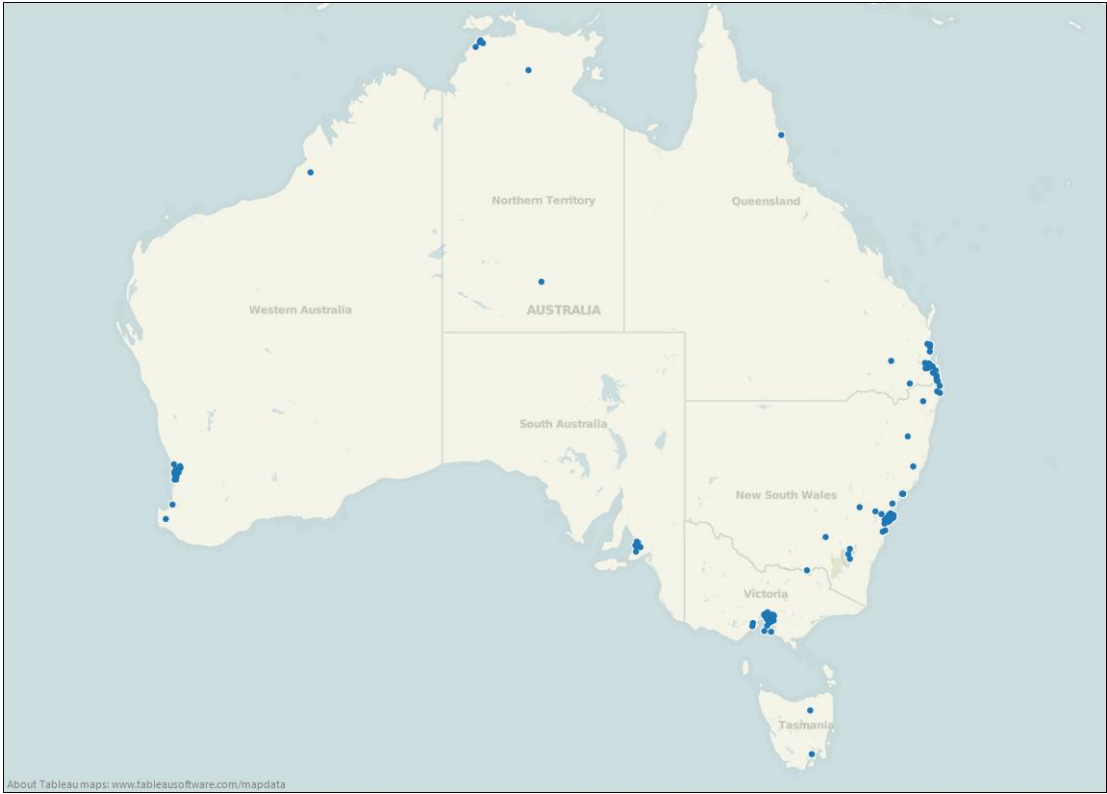
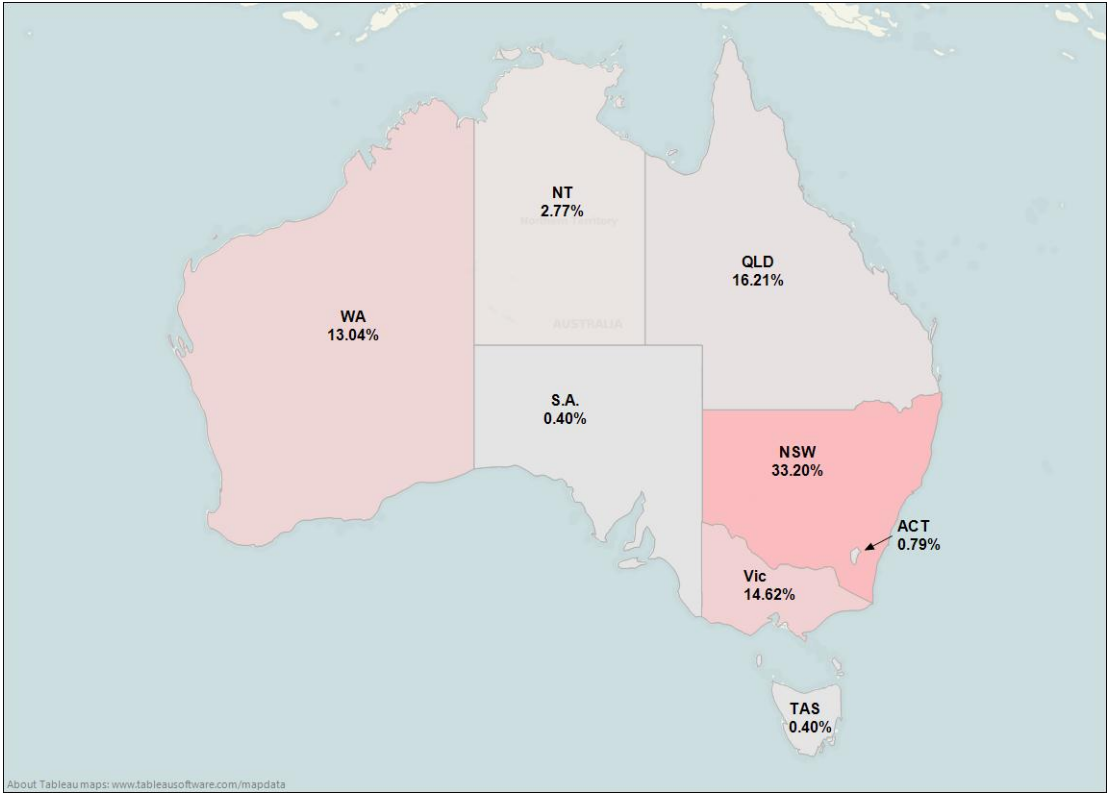


Figure 4: Stage 1 applications by State



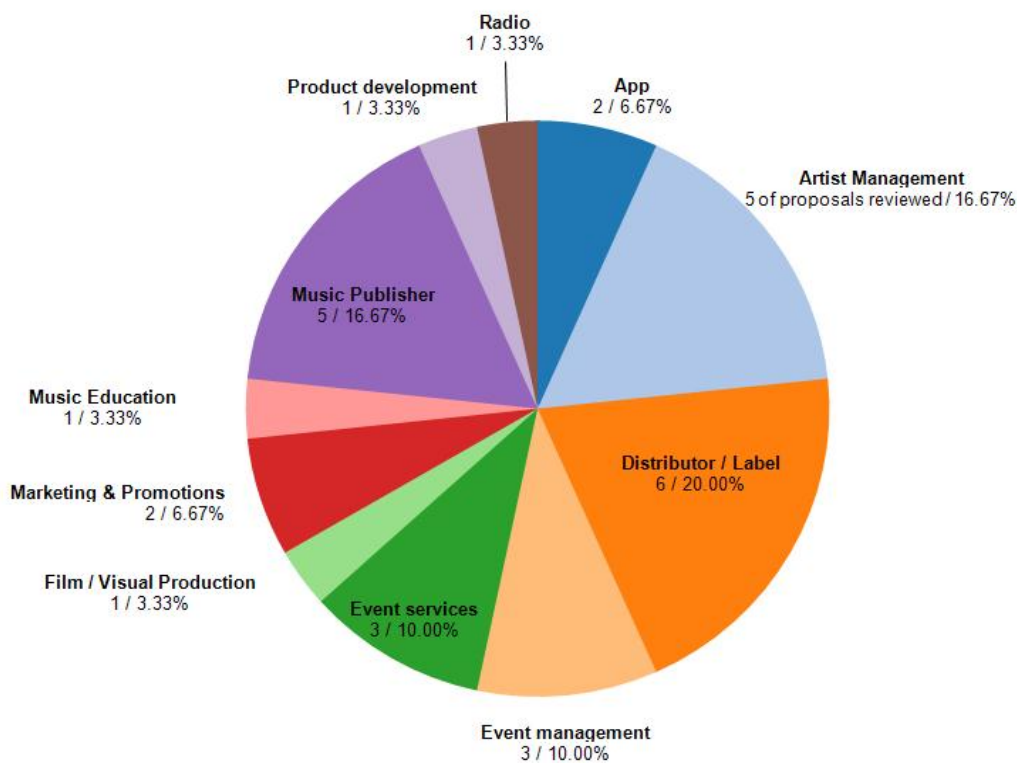


## Generate Stage 2

109 of the Stage 1 workshop participants went on to apply to Stage 2 of the program, providing in-depth business proposals. The current and proposed businesses included development of apps and online portals, marketing, management, events, and one-stop promotion solutions.

Many proposals aimed to provide two-sided benefits, helping emerging music acts be heard “above the noise” and conversely, help consumers more easily identify music relevant to their needs and tastes.

Figure 5: Stage 2 applications reviewed, by business area



Business proposals tended to focus on:

- technology solutions, frequently in the form of an app to address the Australian independent music industry issues
- product and service solutions, e.g. band promotion, recording, marketing, management and some social media, presented as a one-stop shop for emerging music acts or music consumers

- extending an existing product or service to proven niches such as offering music products to the educational market

Whilst the Stage 2 participants represented a broad-cross section of music-related businesses and at different stages of the business lifecycle, most were music entrepreneurs, looking to expand or develop new business ideas.

The typical participant had many years' experience in the music industry and proposed a new, micro business constituting 1-2 partners; in the start-up phase; or had operated for less than five years and turning over less than \$250,000 if already in operation; and had forecast revenue of up to <\$500,000 in the three years post *Generate* investment.

Many had already succeeded in establishing distinctive brands in live events, genres, products or services. Participants had also frequently cross-promoted products and services through digital media channels. Some had distributed products online, either cheaply or for free to generate interest, and generated revenue instead through live performances or add-on services. Some participants were exploiting niche markets, while others were leveraging the Australian music brand internationally.

## GENERATE PILOT RESULTS

The Pilot outcomes were:

**1. Targeted Outcome - *Delivery of business model training and mentoring to up to 50 high potential music (creative) enterprises nationally***

- 139 creative music business practitioners participated in 6 Business Model Generation workshops around the country
- around 35 participants have accessed mentoring and support through the CIIC Business Advisers and Biztro consultations
- the 15 finalists accessed over 16 hours each of specialist GENERATE industry and business mentoring

**2. Targeted Outcome - *Investment in around 15 of Australia's most promising and innovative music industry enterprises and/or new business ideas***

- 15 enterprises were selected and received between \$15,000 and \$30,000 each from a total \$300,000 in investment seed funds, comprising government funding and a no interest loan from APRA
- 50% of this investment funding was privately sourced through APRA

**3. Targeted Outcome - *Generation of contemporary creative industries business model and investment modules and mechanisms to be applied more broadly to creative enterprises in Australia through creative industries bodies and events***

- The GENERATE Pilot program successfully designed and trialed a business development approach for creative enterprises based around a core tool - the Business Model Canvas, with additional specialist knowledge and skill modules on IP, finance, customers and markets, digital and investment pitching

## DISCUSSION OF PILOT RESULTS

The GENERATE program trialed an industry targeted enterprise development program in a sector that is far more akin with seeking grants for projects than building investment ready business propositions. The results of this pilot demonstrate the approach is valuable and relevant for building sustainable enterprises across the broader creative and cultural industries.

For 139 participants, Stage 1 workshops provided **new accessible business knowledge and tools** through which they themselves could then question their own ideas in terms of viable business propositions. The Business Model Canvas utilized in these workshops is a highly regarded tool for building value and creating sustainable businesses. It has proven to be extremely relevant and accessible for creative enterprises; establishing a foundation for preparing a pitch for investment.

Stage 1 very efficiently delivered a range of outcomes. It:

- Delivered a widely promoted and accessible first stage for the program, leveraging industry partner networks and credibility
- **Encouraged new business ideas and entrepreneurs to come to the fore**
- **Ensured a large number and range of businesses across the country were skilled and armed with business basics** to set them up for future development.
- Introduced all participants to ongoing business development support through the CIIC Biztro consultation clinics

Stage 2 then allowed **targeting of the higher value, higher cost program intervention of specialist mentor support, intensive work-shopping and investment to a smaller number of participants**, 15, on a selective basis. GENERATE also proactively sought to include an indigenous business, a good ratio of male to female entrepreneurs and geographical coverage in the final 15. All were achieved.

The selection criteria applied to Stage 2 followed the building blocks of the Business Model Canvas assessing applicants ability to demonstrate: substantiated understanding of their customers and markets; a well reasoned and articulated value proposition; a sound business strategy; and, the internal capability to take the business forward.

The intensive Stage 2 – two day business strategy and investment workshop provided the selected participants with **access to senior industry and business mentors, people they would not usually have access to**, with extensive experience, knowledge and expertise in marketing, digital strategy, entrepreneurship, business strategy and planning, legal and IP, financial management, and investment pitching. The workshop culminated with a ‘Dragons Den’ providing **a real opportunity to practice pitching their business**. This deep dive hands on workshop tested many participants to detail and prove the value of their proposition. The final business proposals submitted one month later, having again had access to mentors and CIIC Business Advisers, paid testimony to the level of business acumen the program had provided.

CIIC and APRA have established the data domains and collection process to enable tracking of the growth of the GENERATE finalist businesses, to observe any changes of business model and strategy, and to collect industry insights over the next three

financial years. The final report will be provided to the Commonwealth Office for the Arts no later than December 2015.

## INDUSTRY INSIGHTS

The *Generate* program participants, across all stages of the program, are a sample of Australian SME music entrepreneurs, emerging professionals and businesses. Participants in the program presented largely untested, innovative, business ideas envisioned to be of benefit to, and indeed from, the broader Australian music industry.

Whilst the *Generate* participants and businesses may not necessarily be representative of the Australian music or independent music sector, they nevertheless have provided the CIIC with an opportunity to gain insights into the issues and opportunities facing the sector.

To this end, the CIIC commissioned an Insights paper to be produced utilising Stage 1 participant data followed by a deeper analysis of 30 of the Stage 2 applications (including the 15 finalists). A summary of industry statistics is also presented, providing context about the wider music industry in Australia – the backdrop against which the *Generate* business proposals were developed. **(SEE ATTACHMENT 3)**

A snapshot of the insights paper is presented here.

### Issues Facing the Average *Generate* Stage 2 Business

Based on the views and insights of the 30 proposals reviewed, current challenges facing the Australian independent music industry are symptomatic of a saturated and somewhat fragmented industry, significantly affected by changes in technology.

Businesses expressed concerns over:

- the difficulty, in a saturated market, for emerging Australian music acts to “be heard above the noise” especially over established international acts and their large marketing budgets
- monetising musicians’ intellectual property (IP) in the face of a pervasive, entrenched, piracy culture
- adapting to a fast-changing, and often confusing technology and publishing landscape

The resulting issues at the business level, as identified by *Generate* Stage 2 participants are indicative of the highly competitive and exposed state of the industry:

- competing in a heavily contested and/or cash-poor market segment

- differentiation – developing a compelling, unique selling point (USP)
- lack of access to capital
- lack of strategic planning expertise
- lack of formal business development and marketing resources
- vulnerability to changes to online platforms
- lack of expertise in critical IP management
- over-reliance upon a “first-mover” advantage
- retention of key staff

### **The Average *Generate* Stage 2 Businesses’ Strengths**

The *Generate* Stage 2 participants typically held extensive music industry experience, and demonstrated an enduring passion for their sector and innovation within it. Common strengths included:

- successes in establishing a distinctive and attractive brand and professional reputation
- experience in cross-promoting products and services
- demonstrated understanding of digital media
- awareness of opportunities to exploit niche markets such as educational services, World Music, children’s music, and “sync” tracks for other media e.g. radio, games, television and film
- capitalising upon the strong reputation of Australian music in overseas markets

Stage Mothers Pty Ltd, organisers of “The Aussie BBQ” at the South-by-South-West Festival (SXSW) in Austin, Texas, USA is an example of a *Generate* participant with these strengths.

Founders Glenn Dickie and Mary Mihelakos met at the SXSW festival 12 years ago, and both felt that Australian bands would benefit from assistance in promotion, tour logistics and services. The following year, Glenn and Mary pooled their resources with friends to create an event within the SXSW festival, called “The Aussie BBQ,” leveraging the reputation of Australian music in an overseas market.

### **The Average *Generate* Stage 2 Businesses’ Opportunities**

The following gives an overview of the opportunities and recommendations for music entrepreneurs to improve their business’ viability, productivity, efficiency and profitability.

Key opportunities and recommendations have been derived from the *Generate* Stage 2 proposals, conversations with assessors of the *Generate* applications, CIIC Business Advisers and insights from CIIC's work in other creative industries.

1. Responding to market demands:

- providing a product and/or service that allows emerging music acts to be heard above the “noise” of the saturated music marketplace
- providing consumers with an efficient means to find what they want
- servicing niche music markets
- tapping into international markets

2. Developing targeted and well-constructed business models and processes:

- leveraging technological change to an advantage
- developing a compelling USP
- creating a distinctive, niche segment, brand or event
- improving management, strategy and systems
- formalising business development to increase sales
- developing measures to retain key staff
- accessing legal services from the outset

## Summary

*“The digital economy is very noisy. To be heard above the noise, people need a sharper tool and investment in themselves can provide that.”*

Kirsty Rivers, National Manager, Writer Services, APRA-AMCOS

The *Generate* program has offered key insights into the environment in which music entrepreneurs or music service businesses are operating. A saturated music marketplace has given rise to a need for services that help music acts “be heard above the noise.” Critically, businesses seeking to offer these services must themselves develop compelling USPs.

Core business challenges for small music SME's appear to be:

- business proposal development and validation
- building a unique value proposition
- digital strategy
- human resource development
- business planning
- financial management

## GENERATE PILOT OBJECTIVES

The GENERATE Pilot model was successful in achieving all the objectives seeking to increase the business skills and capabilities of creative enterprises by:

- increasing their ability to plan strategically, consider new business models and build investment cases in order to develop their businesses into stable, sustainable and growing enterprises
- providing access to mentoring by leading national and international industry experts and business advisors;
- providing access to financial assistance to build their business careers; and
- encouraging private investment income streams for creative businesses.

### Key Success Factors for the Pilot

Targeting the program to one sector and working with key industry bodies, was critical to success in terms of leveraging industry knowledge, networks and credibility and focused investment. GENERATE provided the industry focus that encouraged APRA to co-invest in the program and the enterprises, in alignment with its own mission to promote the vitality and success of Australian music. AMIN provided the necessary ‘on the ground’ connections which enabled the program to be promoted and delivered quickly.

The CIIC could not have delivered the GENERATE program successfully without the support of APRA and AMIN. Likewise, APRA and AMIN could not deliver this program without the CIIC’s business expertise.

Another value in the industry specific approach is to be able to identify and model tailored business solutions to key challenges and aspirations vital to an industry’s sustainability. The music industry was ripe for a program that could assist businesses face the challenges and opportunities presented by rapidly changing market and consumer forces, technological advancements, and publishing and IP frameworks. Similar challenges and need are present now in a range of other content creating industries in Australia such as games, writing, visual and performing arts.

The staged program model applied in GENERATE was effective in delivering new business skills, knowledge and ongoing access to business advice to a large number of creative enterprises efficiently, serving many, while at the same time providing the required intensive support and investment to a smaller number who will



hopefully provide significant returns on investment. Less than two months after final business proposals were submitted early signs of the program dividends include one finalist being nominated for an international industry award, one securing a further \$200,000 in investment and another receiving media attention and pitching for investment in the US.

## Areas for Improvement

There are three key areas identified for improvement in delivering the program:

1. **Timing** – the GENERATE program was delivered, including development time, within one financial year. This presented a very tight timeline particularly on a pilot project that also had to be developed from scratch within this period. Whilst the speed of the project was a good feature for participants it created a large impost on the program partners and led to less testing and refinement of the model being able to be carried out throughout implementation.
2. **Assessment** – the AMIN network undertook the assessment of all applicants for Stage 1 which was deemed most appropriate given their on the ground knowledge of music businesses in their jurisdictions. Given the high level of interest in the program as soon as it was launched the assessment process and criteria were tested quickly, and as a result decisions may not have been as consistent nationally as they optimally could be. The criteria that presented most difficulty were: whether the applicant was presenting a new idea or industry concept which requires deep market knowledge; should not-for-profit ventures be included; should we support growth in existing enterprises that potentially have other avenues to seek funding; and how to assess the viability of applicants' capability to actually deliver. In Stage 2 a critical issue for assessment was the variability of the information provided, when there was no time allowed to seek further information, and inconsistency in the presentation of information making comparisons difficult.
3. **Sequencing intensive support**– whilst the value of the intensive workshopping and mentoring provided through Stage 2 is clear, it was for some too much too quickly. It is proposed that the workshop and mentoring could be sequenced to better allow development time between each step. It is also recommended that areas of knowledge and skill development that are critical to establishment of a viable business strategy, such as IP, digital and finance, deserve dedicated stand alone sessions to ensure these are built into the business proposals adequately.

## APPLICABILITY OF THE GENERATE PROGRAM MODEL

One of the aims of the Pilot was to assess the applicability of the program model to supporting creative industries more broadly.

In terms of broader applicability the CIIC, having now worked with over 700 creative businesses one-on-one, has identified the following common characteristics across the creative industries that will be addressed by such a program.

- The greatest business weakness and challenge presented by most creative business (60% of the CIIC clients) are focussed on strategic business management – strategic planning, business model, systems and finances
- Many other content creation industries, such as games development, performing and visual arts, and design, are like the music industry facing rapid, frequent and significant changes in consumer and market behaviour, technology, and IP and publishing regimes and platforms
- Many creative businesses are as a result requiring expert support to develop new business models and an understanding of how to expand into new markets
- Creative industry businesses across the board report barriers to securing investment. This is due to both poor understanding within creative industries of how to prepare and pitch a valuable and viable business proposition, rather than a project, and an underdeveloped knowledge within the Australian investor community of creative industry business models and global markets

All of the above common capability needs and market challenges are addressed through the GENERATE program model, utilising the business model canvas as the corner stone capability and tool for both business development and attracting investment.

In addition the CIIC has piloted another program also using the business model Canvas, *The Digital Marketplace*, which focussed specifically on assisting creative businesses develop business knowledge and skills to either attract and retain audiences or deliver valuable services to other industries within a hyper-connected, broadband enabled, global market place. In the context of the roll out of the NBN digital strategy is now a critical component of any successful creative enterprise.

In terms of attracting investment the industry targeted approach taken by GENERATE is critical to building ongoing bridges between the business and investor communities, as it delivers new prospects to investors who have not only capital but deep industry and market knowledge.

## RECOMMENDATIONS FOR FUTURE PROGRAMMING

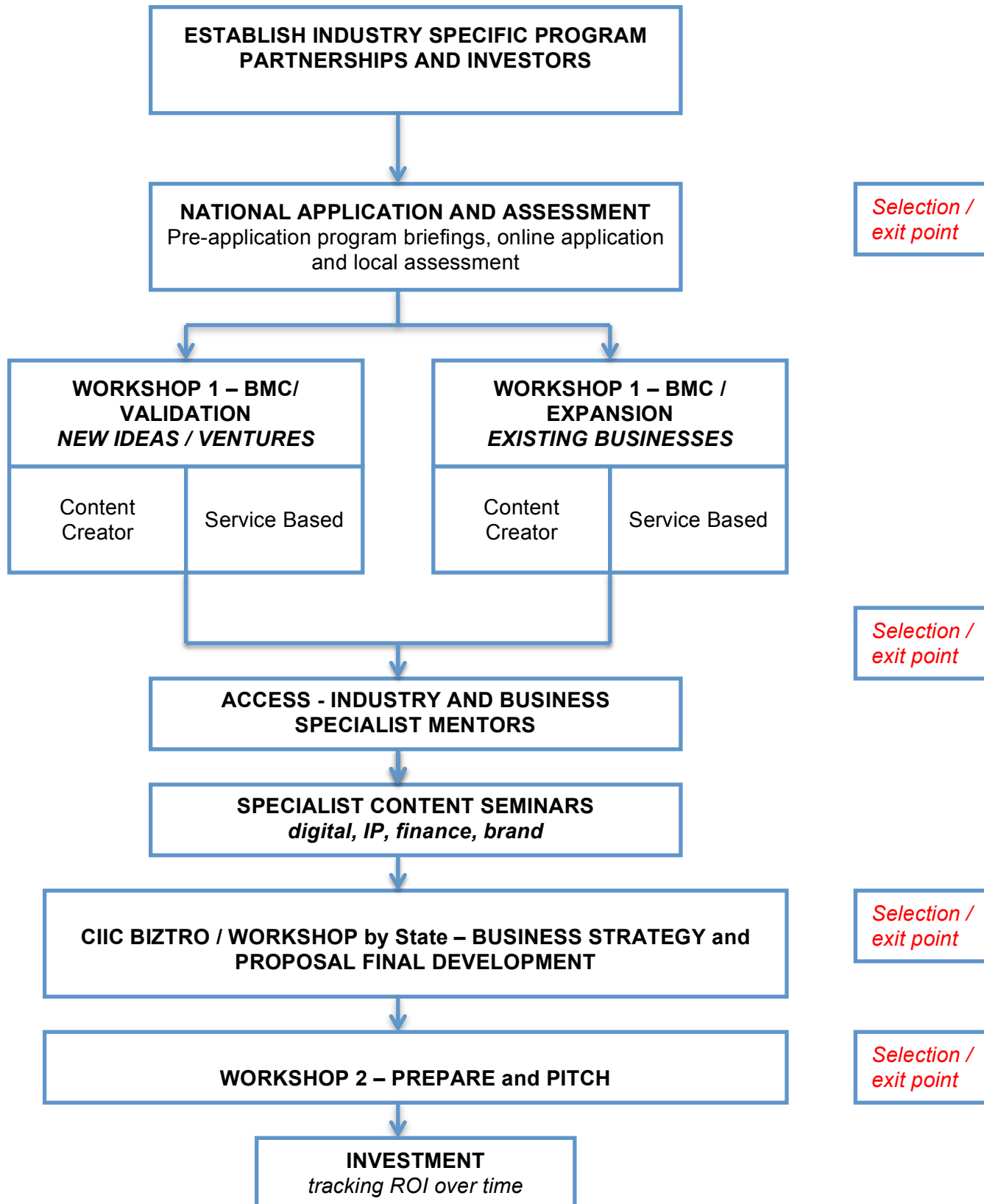
There are a range of strategies and improvements that the CIIC and its GENERATE program partners recommend will ensure the success of such a program.

- Program streaming – it is recommended that future programs would benefit from introducing two different program streams right from outset based on the different development stages and needs of new ventures (ideas / entrepreneurs) versus that of existing businesses seeking to grow
  - for start ups / new ideas the focus of the program would be market and customer validation, revenue modeling, and pitch preparation
  - for existing enterprises the program focus would be new business model, new markets, strategic partners, internal capability, operational implementation and pitch presentation
- Differentiation by Customer Types – it is also recommended that programs could be tailored for creative enterprises seeking audience (content creators) versus service based enterprises
- Core Subject Seminars – on the basis of the centrality to all propositions of digital strategy, IP and finance it is recommended that dedicated seminars between initial and final workshops be implemented on these subjects
- Investment - it is recommended that only a small number of program participants partake in a final workshop dedicated solely to investment pitching. This is applicable to both new idea and existing enterprise streams. Using this selective approach will encourage greater investor engagement with this cohort and target this support to tested and ready enterprises / propositions. It is recommended that working with targeted creative industries, or industry, specific investment funds or groups at this stage also maximizes chances of securing investment and access to vital global market knowledge
- Mentoring - the GENERATE program applied mentoring through a range of settings and mechanisms: industry and business mentors were engaged to contribute and participate throughout the Stage 2 workshop; following the workshop participants were provided access to the specialist mentors for one-on-one support to work on their business plans ; and all pilot participants had access to the CIIC Business Advisers as advisers and mentors through both GENERATE dedicated and open Biztro one hour consultation sessions every month. Whilst the content knowledge of the mentors added significantly to the Stage 2 workshop it is proposed that it would be more effective if access to the specialist mentors was positioned between the initial business model workshops and the final business plan and pitching

workshops so that greater validation and depth of proposals have been developed for last workshop.

- Utilization of, or access to, CIIC Business Services and Advisers is recommended as providing highly valuable input on three fronts.
  1. Creative industries specific business development expertise across the program, with all Advisers being trained and experienced in facilitating use of the Business Model Canvas
  2. Providing a direct route into core CIIC services and programs to provide businesses ongoing support
  3. Brokering connections into new networks, associations, investors and non creative market opportunities through the Enterprise Connect networks
- A funnel program model – the approach used by GENERATE enabled the delivery of new business skills and tools to some 140 creative enterprises, and connected them to ongoing support, before selectively targeting the high value mentoring and investment inputs to a smaller cohort. This is a similar model that the CIIC has employed since its establishment which addresses the need to ‘raise the tide’ across the whole industry as well as providing intensive support to high potential firms and propositions. This is also critical to providing a mechanism which remains open enough to identify new ideas and to efficiently targeting the more intensive and expensive support for the highest potential enterprises that will deliver the most significant returns on investment

## Recommended Program Model



## PROJECT BUDGET AND EXPENDITURE REPORT

ITEM	DETAIL	WHO	TOTAL ACTUAL BUDGET	TOTAL ACTUAL EXPEND.	CIIC CASH CONTRIB	CIIC IN KIND	APRA IN KIND	AMIN IN KIND
Seed investments	\$150,000 (+GST) from UTS CIIC	APRA	315,000	315,000				
	\$150,000 from APRA (no GST)	UTS						
Stage 1 workshops	Venue hire, catering, registration coordination (survey monkey), event coordination, participant enquiries (+ services to selection panel and advisory group); marketing and communications	AMIN	27,500	27,500				2000
Stage 1 workshops	CIIC travel and consultancy costs	UTS CIIC	4,950	\$3,854	5,000	24,000		
Stage 1 and 2 application and selection processing	Develop online application systems (stages 1 and 2), manage systems, collation of information for selection panel, distribution of information, preparation of data for evaluation + coordinating Stage 2 and final allocation panels and costs	APRA	5,500	\$5,500		3000	1000	1000
Stage 2 Workshop	Event design, planning and management; administration; venue provision; key and support staff attendance and assistance at event; managing event registration process; managing speakers/mentors arrangements	APRA	8,800	\$8,800				
Stage 2 workshop	Workshop oncosts	APRA	6,710	5,241				
Stage 2 workshop	Mentors (x9)	UTS	16,500	\$20,100		12000	3000	2000
Stage 2 workshop (travel)	Travel subsidy for participants and mentor	UTS	12,540	10,453	1000			
Contract and project administration and oncosts	UTS funding, contract, contractor, finance, reporting management	UTS	11,000	11,000				
	UTS marketing and communications services							

	UTS (CIIC) management services to project; supply of key staff to workshops and project					20000		
	UTS printing of workshop materials, post etc							
Project, contract and Funding management and administration	APRA administer all contracts and funding; monitor funding and loans; report on loan repayments at 3 year mark;	APRA	11,000	11,000				
	Management services to project; supply of key staff to workshops and project;						5000	
	Marketing and communications							
Contingencies / travel	Further unbudgeted travel and/or on costs, audit costs etc	UTS	2,750	\$3,376				
APRA travel – key staff	Travel, accommodation and on costs for key staff throughout project	APRA	2,750	2,750				
<b>TOTALS</b>			<b>425,000</b>	<b>424,574</b>	<b>6,000</b>	<b>59,000</b>	<b>9,000</b>	<b>5,000</b>

Please find attached at **ATTACHMENT 4** the UTS audited financial statement for the GENERATE (Micro Finance) activity account and at **ATTACHMENT 5** the AMIN Final GENERATE Project Report including budget allocation across the network.