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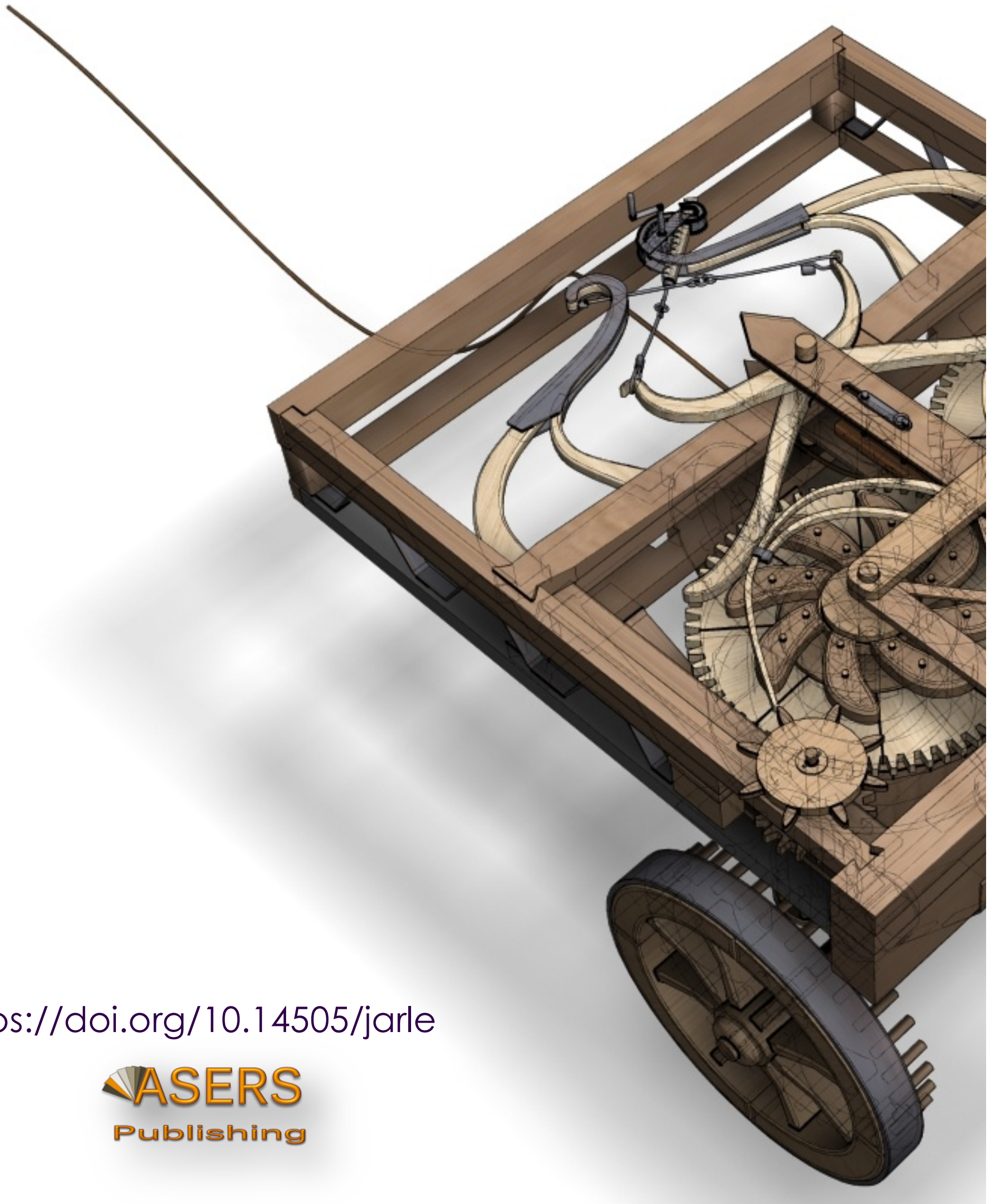

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Journal of Advanced Research in Law and Economics

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Creative Industries Development in Russia: Tendencies and Perspectives

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Abstract:

Development of creative industries in Russia shall be reviewed as one of possible options for shifting from economy with raw materials dependence and raising the competitiveness of the national economy. So in relation to this, the significance is granted to the analysis of the main pre-conditions and conditions for development of creative industries, for evaluation of the potential of creative industries development in Russian and preparation of set of actions to be taken to develop creative industries. The article provides the analysis of the contemporary state and tendencies of developing creative industries in Russia; there were factors revealed, which suspended creative industries development in Russia, and the proposals were made for actions and mechanisms, required for sustainable development of creative industries in Russia. Additionally, within the frames of the research a sociological interview was arranged, which demonstrated the level of creative industries development in general and specifically for its types.

Keywords: creative economy; creative industries; creative potential; creative sector.

JEL Classification: F29; Q32.

Introduction

At the moment the world theory and practice are facing a rise of principally new conception of public development, based on understanding of creativeness as a leading factor for post-industrial economy development. Creative industries development ensure significant competitive benefits for the economy, open new capabilities of economic growth, assist in innovation development, help to improve the life level, formation of cultural identity and tolerance atmosphere. Additionally, the researches implemented by Giovanni, Curry and Santarelli (2012) demonstrate that increase of number of firms, operating in creative industries, has a positive effect upon the growth of employment and added value in the regions.

High scores in terms of financial results the sixth year in a row are gained by the world manufacturer of media content The Walt Disney Company. Company income in 2016 financial year grew for 6% up to $55.6 billion. The highest growth was demonstrated by the segment 'Movies shooting and distribution' (+28.2%), the revenue from which was $9.4 billion (Financial One 2017).

Table 1. Key Indicators of the Walt Disney Company, mln Us Dollars

Indicators	2015	2016	Variation, %
Revenue, incl.	52,465	55,632	6.0%
Media	23,264	23,689	1.8%
Parks and resorts	16,162	16,974	5.0%
Movies shooting and distribution	7,366	9,441	28.2%
Consumers goods	5,673	5,528	-2.6%
Operation expenses	-39,241	-41,274	5.2%
Profit before taxation	13,868	14,868	7.2%
Net revenue	8,382	9,391	12.0%

Source: compiled by authors based on data (Financial One 2017).

If we compare indicators of this creative company, just as an example, with revenue from mineral-raw resources export of separate world countries, then it is possible to track the drastic changes in the world GDP structure in revenues of separate economy industries.

Russia keeps second place in the world with oil and gas extraction after the USA. During long time the raw sector was serving as basic growth sources for Russian economy, assuring significant share of GDP production and generating the major part of federal budget incomes and export revenue. However at the background of the structure deteriorating, there is a tendency of Russia oil-and-gas incomes reduction. So as per results of the year 2016 the share of oil-and-gas incomes in the overall volume of federal budget incomes was equal to only 37.4%. This is the lowest indicator, starting with the year 2009 (Rus Business Consulting 2017).

As per the opinion of Belousov and Penuhin (2010), in the nearest future the raw sector will not be able to be the basic ‘engine’ of economy. Sustaining the high tempos of economy growth within the frames export-raw development model will require significant investments and technological innovations.

For Russia, possessing the huge human potential, the perspective is the capability of formation and development, so called creative technologies, leading to appearance of qualitatively new goods and services, capable in defined limits of replacing the traditional product and drastic change the country’s GDP structure.

1. Scientific Disputes

In a process of world economic system transformation genesis, one of the perspective trends of post-industrial society development are considered to be digital, hyper-competitive electronic neural network economy, e-neural network economy, creative economy.

In the scientific literature to identify the economy development state there are different criteria proposed to classify the national economics to creative. To define the criteria of economy readiness level for transfer to the phase of creative development, different factors shall be considered (Patlasov and Zharov 2016). So that this approach means the possible transfer of all countries on the way of post-industrial development to the creative economy or parallel development branch.

The agenda of the day had a list of issues raised:

(1) What are the features of industries and spheres creativeness, can economy traditional industries transform into creative or as a principle there is no such task at all?

(2) What are the genetic connections of creative economy categories, creative industry, creative fields, creative clusters and incubators, creative environment, creative products, creative class, creative entrepreneur, person?

In the economic science the above-mentioned issues get many discussions, have their supporters and critics. As per the opinion of the famous scientist John Hockings the peculiarity of the creative economy comes out in a system of specific socio-economic relations between the economy itself and creative approach to its development and improving. Such explanation is fare only within the known limits. At that, as per our opinion, limitation of creative economy only with this definition is not sufficient.

Another explanation into the term 'creative economy' is given by Richard Florida. As the basis of revealing the creative economy peculiarity he proposed to put the feature of profession, workers employment type in the creative industry.

Australian scientist, specialist for creative economy and cultural development D. Throsby argues, that the products of creative industry have such characteristics as authentic value (esthetic characteristics: beauty, harmony); social value; historical value; symbolic value; original value.

An interesting viewpoint is expressed by the German scientist P. Lindner, who thinks that the creative sector is successfully formed at effective collaboration of culture and economy spheres. His opinion states that the arts is beneficial for business not because it brings profit directly, but because it creates atmosphere necessary for creativeness (Siginevich 2008).

Japanese scientist Kazuko Goto (2017) proposed classification of creative industries with the aim of setting tax preferences for industry. Firstly, the creative industries keep the cultural and economic aspects, related to the aims of cultural politics, cultural diversification and access to culture, and also for economic politics aim. Secondly, the creative industries – these are the arts emerging, in the narrow meaning and commersion: combination of exact shapes of creation, creation of cultural content, and its delivery. Thirdly, the creative industries include both non-commerical and commercial organizations.

Other features of creative economy as defined by other authors are justified as creative thinking, creative engineering, having practical targeting (Patlasov and Zharov 2016).

So, the conception of creative economy gathered multiple ideas and approaches into itself, however the consensus regarding the unified criteria and features of creative development is not reached yet.

2. Analysis of Creative Industries Development in Russia

Russia possesses huge, and yet insufficiently implemented potential of creative economics development. At the moment the input from creative industries in country's GDP is equal to less than 1%, while in average around the world the value is equal to 6.6%, and in developed countries it is equal to 8-12%. Additionally, the structure of the trading balance of creative products has negative balance value, meaning that the country imports the creative goods more than exports. At that, the volume of creative goods import into the country grows in a stable way, whereas in the export dynamics there is no evident tendency for growth of Russian creative products presence in the external markets. In average the import exceeds the exports 3 times (UNCTAD STAT 2016).

The tendency witnessed is caused by a number of problems and deficits, which suspend further promotion of creative industries in the country. Mainly it is related to insufficient understanding of the importance of creative industries for country economy development, to missing institutional, legal, financial and taxation mechanisms, supporting creative industries, to resources oriented native economy and absence in the governmental level of priorities, related to supporting the creative economy.

To evaluate the potential of economics creative sector development in Russia, and also to define its perspective directions and trouble some areas we shall review the current state of creative industry.

In accordance with UNCTAD (United Nations Conference on Trade and Development) the sector of creative industries includes: decorative and applied arts, audio & visual products, designing, music, graphic arts, cinema, performance arts, publishing, advertising, information technologies, marketing researches, engineering, different researches and developments.

From all the groups of creative products stronger positions in Russia are in production of printed products and design mastering products, huge exporting potential is with jewelry industry.

Russia possesses serious potential in development of production in area of decorative-applied arts and folk crafts. However due to absence of required governmental support Russian craftsmen enterprises undergo certain difficulties in creating the effective commercial activities in the internal market and fails in competition with products from Iran, Turkey, China, Italy and etc.

As the world practice shows, to develop handicrafts the active governmental participation is required in all levels, starting with opening of schools, academies and courses and ending with introduction of preferential taxation for all craftsmen. For Russia with its multinational population and rich cultural traditions the handicrafts can become the pole for development of small entrepreneurships.

The perspective handicrafts businesses in Russia can include wood engraving and painting, manufacturing the subjects of orthodox church arts, production of textile and porcelain goods, products made of leather and fur, carpet making, needlework and lacemaking, paintings and stone crafting processing.

In last decade some significant actions were taken in the country to support the handicrafts sector. As an example, in some regions of the country the craftsmen chambers, craft unions were created, handicrafts development conceptions and programs were accepted. The stage of active discussion is with the law-in-draft 'For handicrafts businesses and handicrafts unions in the Russian Federation', which is targeted at creation of legislation background for development of handicrafts activities kinds and contemporary handicrafts education kinds (Vodjanova 2010). Good development perspectives are with Russian cinematography. The box office results from native movies annually increases due to construction of multiple contemporary cinemas and growth of movies attraction in 3D-format (see table 2). Among Russian feature films the highest ranking in terms of box office results was found to be 'Stalingrad' movie that collected US $68.1 million worldwide. Such famous movie directors as Alexandr Sakurov, Andrey Zvyagintsev and Timur Bekmambetov became 'brands' of worldwide scale.

Financially successful projects of Russian animation studios are 'Masha and Bear' and 'Smeshariki'. So, the entitlement for demonstration of 'Masha and Bear' was purchased by almost 100 countries, and total revenue for selling the license for brand application in manufacturing of different goods is equal to around $225 million.

Table 2. Russian movie industry

Year	Box office results, mln. rub.	Russia movies results, mln.rub.	Visited by, mln.people	Number of cinemas	Number of movie halls
2007	11,845	2,960	87	661	1,599
2009	22,710	4,499	132	778	2,101
2011	33,447	5,134	159.9	914	2,704
2013	41,558	6,778	176.4	1,101	3,479
2015	46,189	6,853	173.9	1,204	4,020

Source: compiled by authors based on data (Tatarnikov 2016; Proficinema 2016).

Active development in Russia is with event-industry, which becomes more and more popular, required and profit-making. Based on marketing researches made by Inter Media department the number of concert organizations and promoters as of today in Russia is around 4900, annually 580 000 events are arranged, where around 4700 groups and solo performers make their performances, and total number of sites is approximately around 4210 (InterMedia 2015). The table 2 includes the data for events, arranged with preliminary advertising (announces) of solo performers' names or shows' designations and collection of entrance fees from audience, and also unadvertised events and receipts from clients. When calculating the dotation of events the receipts from budgets of all levels, from private and public organizations were considered.

Table 3. Financial indicators of event-industry

Segment	Receipts, mln.rub
Entertaining advertised events (concerts, performances and other shows performed alive) out of them:	70,700
▪ receipts from tickets selling;	68,000
dotation from different sources.	2,700
Events unadvertised (private, corporate, events)	19,000

Source: Compiled by authors based on data (InterMedia 2015).

High revenue is demonstrated by the sphere of distributing the audio and video recordings both on physical and digital carriers. At the moment there is a process undergoing – transfer of music and movie recordings application from physical carriers to network – downloading (saving records in consumers' devices) and streaming (watching and listening records from other servers). CD and DVD sales reduced sharply within last 10 years (CD – 25 times from 487 billion rub. in 2004), major part of specialized networks of retail businesses became extinct, this market segment stopped playing any significance in the industry. Simultaneously music and movie application through digital networks grew thousand times.

Table 4. Audio and video products distribution on physical carriers

Indicators	2013	2014
DVD, mln. copies	10.7	5.8
DVD, sales, mln.rub.	1,900	1,100
CD, mln. copies	6,200	3,230
CD, sales, mln.rub.	1,215	843

Source: Compiled by authors based on data (InterMedia 2015).

The table contains the data of *InterMedia* and *Cisco* companies about share in revenue of internet-providers in Russia, received by them exactly for music and movie access.

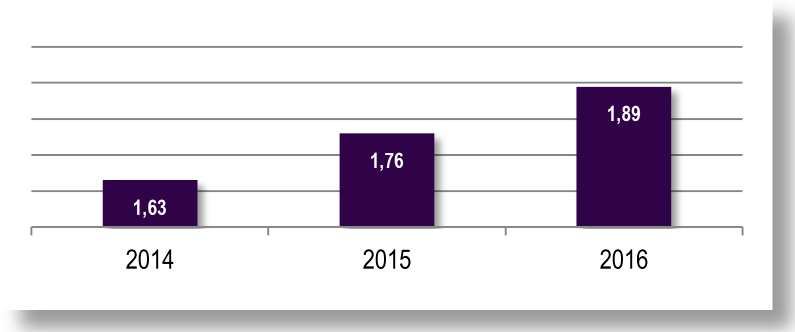
Table 5. Revenue of Internet providers for audio and video content access

Type of content	Share, %	Revenue, mln. rub.
Video	69.5	204,140
Music	9.5	27,680
P2P (music and movie)	21	62,280
TOTAL	*100*	*294,100*

Source: Compiled by authors based on data (InterMedia 2015).

A rapidly developing segment of creative economy worldwide is games market, which annually generates multibillion profits and attracts huge audiences. The volume of game market came over the movie industry and reaches the sports market, and profits of some game companies are accounted in billion dollars.

As per calculation of analytics company J'son & Partners Consulting, in Russia the market of video games volume in 2016 was equal to 1.98 billion dollars and could be compared with the volume of television advertising market. At that, the most rapidly developing segment of games market is represented by mobile games, which grow on 23% in average annually thanks to growth of 3G and 4G (LTE) networks coverage.



Source: J'son & Partners Consulting.

Figure 1. Russia games market 2014 – 2016

Main game market trends in Russia are as follows: growth of mobile games and multiusers online games segment, stagnation of PC and consoles market, development of cyber-sport and growth of browser and social games segment. All pre-conditions for sustainable growth are with Russia media market, particularly television. At the moment, among Russian TV-channels the most profitable are TNT, NTV, STS, REN TV. Other channels share is capable of demonstrating pure operation profitability.

Development of Internet network, distribution of different electronic devices, growth of social networks and video-services increase the competition in media market. But even in such terms television still has wider auditory inclusion and demonstrates positive dynamics of its growth.

Table 6. Media consumption in Russia (Cities 100+), min

Media	2005	2009	2012	2015
TV	227	228	238	246
Internet	5	30	59	74
Radio	142	199	165	161
Press	18	15	15	12

Source: Compiled by authors based on data (Federal Agency for Press and Mass 2016).

At the moment more actual and wider development is in the area of designing, which keeps wide range of different services and works in the area of human activities, from internal designing to industrial or industry designing. In Russia at the current stage of development in the market the graphic designing is strongly required. Designing in architecture, construction and clothing is in the stage of formation.

One of the successful examples in designing sphere, which received high internal evaluation, is the clothing brand ‘Gosha Rubchinskiy’, potential capitalization of whom surpasses the total capitalization of all textile brands in Ivanovsk region. Widely acknowledged are such clothing brands as ‘F-22’, ‘Sputnik-1985’. At that there are many beginners – designers, who need support to enter the foreign markets. In spite of huge potential of this area development the share of Russian manufacturers is equal to 5% of Russia clothing market, balance 95% are imported by foreign manufacturers, Chinese mainly. During last ten years there was a tendency observed on growth of volume of services in the area of creativeness, arts and entertainments. There is growth in number of facilities, providing cultural services (see Table 7). The available statistics enables demonstration in general the development of this sector of creative industry.

Table 7. Dynamics of culture and arts sphere development

	2005	2009	2012	2015
Theaters, nos.	588	601	643	665
Number of spectators in theaters, mln. peop.	28	30.2	33.9	38.2
Circuses, nos.	67	66	67	67
Number of circus visitors, mln. people	6.8	6.3	10.8	4.2
Museum, nos.	2,285	2,539	2,687	2,758
Number of visits, mln. people	75.6	78.9	90.1	119.0
Culture-leisurefacilities, thous.	51.4	47.4	43.7	40.3
Cultural heritage facilities, thous.	87.8	142.5	175.9	171.1
Libraries,thous.	49.5	46.7	40.8	38.9
Library fund, mln. copies	977	934	864	839

Source: Compiled by authors based on data (Federal State Statistics Service, 2016; Institute for Strategic Analysis 2014).

The most visited cultural facilities in Russia are museums – 119 million of visits in 20015, less required are theaters – 38.2 million of visitors during the specified period, visiting circuses in 2016 reached 4.2 million of people. At that we have to highlight that the growth of theaters and museums visits during analyzed period was accompanied by growth of number of facilities, what can be omitted for circuses.

Less attractive for people became libraries, number and library funds of which during the decade smoothly reduced. Such reduction, firstly, is related to wide distribution of Internet network, which enables population to use more comfortable and less costly option for information receive.

Expansion of activities and gaining audiences in this area are related to provision of new quality of services, introduction of new technologies, including creation own web-resources, electronic reading halls, virtual museum tours and galleries. And such projects are gradually implemented in this sector.

Traditionally, art-market in Russia is developed, there are many talented painters, large regional auctions (SOVKOM, Vladey, AI Auction), arts expositions and there is sustainable investors' purchasing power saved. As an example, the prices for Russia paintings annually grow, and the volume of sold pieces of Russian art during last years in average is equal to around 500 million dollars.

Table 8. Auction market of Russian paintings

Indicator	2013	2014	2015
Sales in internal auctions, million dollars	21	14	4.6
Share of sold lots in internal market, %	39	41	35
Sales in world auctions, million dollars	525.1	677	572.6

Source: Compiled by authors based on data (Art investment 2016).

As per the data of Federation service of governmental statistics as of 2015 there are more than 18 thousand printing publishers registered, out of which 55% are represented by newspapers, and balance 45% include magazines and other periodic publishing.

Table 9. Dynamics of publishing business development

	2005	2009	2012	2015
Number of books and brochures (printed copies), thous.	96	128	117	112
Number of magazines and other periodic publishing	4,874	7,312	8,051	8,847
Number of newspapers (publishing)	7,535	9,563	10,681	10,504

Source: Compiled by authors based on data (Federal State Statistics Service 2016).

In spite of stable growth of number of newspapers and magazines the demand for their products in the last years gradually falls. This tendency is related to reduction of population paying abilities and growth of prices for publishing products. With this in the background there is a logic transfer of demand to the area of free and easily accessible online media world, which includes electronic books and periodic publishing, websites, blogs and etc.

Active development in Russia is with the market of creative services. As per the information of UNCTD the volume of creative services import is two times higher than the creative goods import, and export more than five times. The leading drivers of creative services market growth is advertising and marketing services. In accordance with data of Russia Communication Agencies Association Committee experts the total volume of advertisements in the means of their distribution as per results of 2016 is equal to 360 billion rub, what is 11% more than in 2015. The volume of marketing services segment is equal to 94.5 billion rub, what is 7% more than in 2015. Considering advertisements budgets, spent on creation of creative solutions, the production of advertisement products and payment for advertising agencies services in totaled volume of Russian market of marketing communication was equal to approximately 630-650 billion rub. The volume of promotion industry segment in 2016 in Russia was equal to 21 billion rub, what is 21% more than the year before.

Table 10. Volume of advertisement in means of its distribution, 2016

Segments	2016, bln.rub.	Growth dynamics
Total for advertisements segment in media, out of them:	360	11%
Television	*150.8*	*10%*
Radio	*15.1*	*6%*

Segments	2016, bln.rub.	Growth dynamics
Press	*19.7*	*-16%*
External advertising	*38.3*	*6%*
Internet	*136*	*21%*
Marketing industry	94.5	7%
Promotion industry	21	21%

Source: Compiled by authors based on data (Aka Russia 2016).

One of the most profitable segments of world economy is the market of engineering services, the volume of which as evaluated by international organization in 2020 will be equal to 1.4 trillion dollars. Unfortunately, Russia is practically not participating in such processes: large companies in engineering areas are missing, the share of world market of engineering services is hardly reaching 1%. Simultaneously, in terms of active governmental support during 5-10 years Russia is potentially keeping all the chances of introducing itself in the engineering services market (Knjaginin 2013)

A perspective direction of creative economy formation in Russia is development of information technologies industry. During last decade the number of exported from country highly technological programs and services increased more than five times and reached in 2015 the value of 6.7 billion dollars.

Successful Russian projects in this area, which have worldwide fame, are electronic applications ‘Prizma’ and ‘FaceApp’, reference system ‘2GIS’, electronic translator ‘ABBYY’, service for reading ‘Bookmate’, social network ‘VKontakte’, products of IT-company ‘Mail.Ru Group’, ‘Yandex’, ‘Kasperskiy laboratory’ and many other. In 2015 there were structural changes in the volume of sold product of native IT-companies. The largest amount of sales was fixed in the companies, performing the development of software and consultation in this area. Further on, as per the volume of implemented IT-services there are companies, whose activities are related to development and maintenance of information systems and networks, development of information means, web-design, system integration, consultation in this area. With that, in such segments as data processing and consultation on equipment of computing machines the share in the market is not high.

Table 11. Structure of information works and services, 2015

Types of services and works	mln. rub.	%
Total	*808*	*100*
Software development and consulting	379	47
Activities on creation and application of data bases and information resources	144	18
Data processing	60	7
Consulting on computing machines equipment	58	7
Development and maintenance of information systems and networks, development of information support, web-design, system integration, consulting in this area and other IT-services	167	21

Source: Compiled by authors based on data (High School of Economics 2016).

As the world practice shows, the prioritized attention when building the creative economy contours is granted to researches and developments sector.

Today this area in Russia is represented by more than 4000 organizations, where more than 700000 people are employed. Allowances for science from federal budget means were equal to 439 bln. rub. in 2015 compared with 219 bln. rub. in 2009. Internal expenses for researches and developments in Russia were equal to 914 bln. rub. (*16 bln. doll.*)in 2015 what is significantly lower than in most developed countries (*USA – 457 bln. doll., Japan – 166 bln. doll., Germany – 108 bln. doll.*)

As per the indicator of unit weight of expenses for science in GDP (1.13%) Russia significantly lags behind the leading world countries. The leaders are Korea (4.29%), Israel (4.11%), Japan (3.59%), Finland (3.17%) and Switzerland (3.16%)(Federal State Statistics Service, 2015).

Analysis of Russia patent activeness shows that from 2009 till 2015 there was a growth of number of applications, submitted for patent issue. Such growth tempo proves that scientific centers and business sector started to understand the importance of legal protection of intellectual property and of innovative activeness, supporting future country welfare.

3. Author's Sociological Research on Creativeness

For complex evaluation of creative industries' potential in Russia the authors within the period from August 14 till September 12, 2017 made an online sociological inquiry using the Survey Monkey service. The total respondents number was 207 people, there were representatives of business-society, scientific-pedagogic employees, governmental and municipal employees, representatives of creative professions, specialists and students.

Let us see some fragments of the research made, related to issues of creative industries development in Russia. The inquiry respondents were proposed to evaluate the level of creative industries development in Russia, by selecting the following evaluation options: 'weak development', 'average development, 'well developed' (see Figure 2).

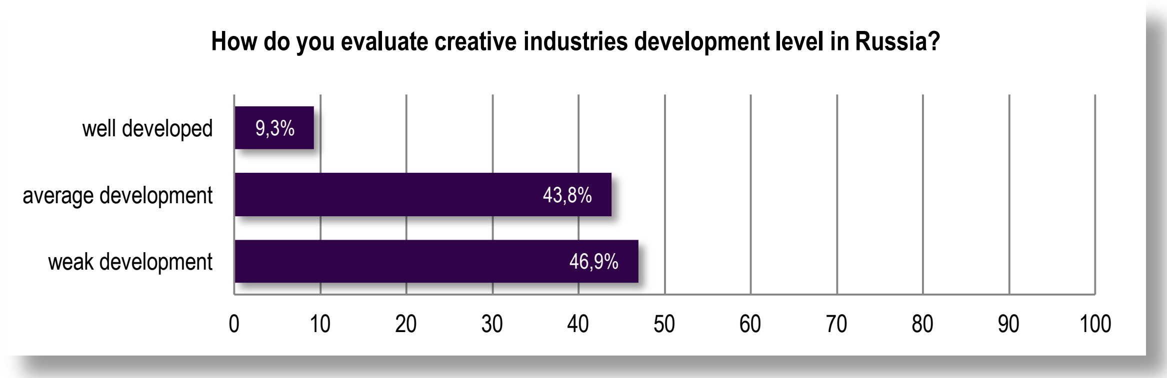


Figure 2. Evaluation of creative industries development level in Russia, %

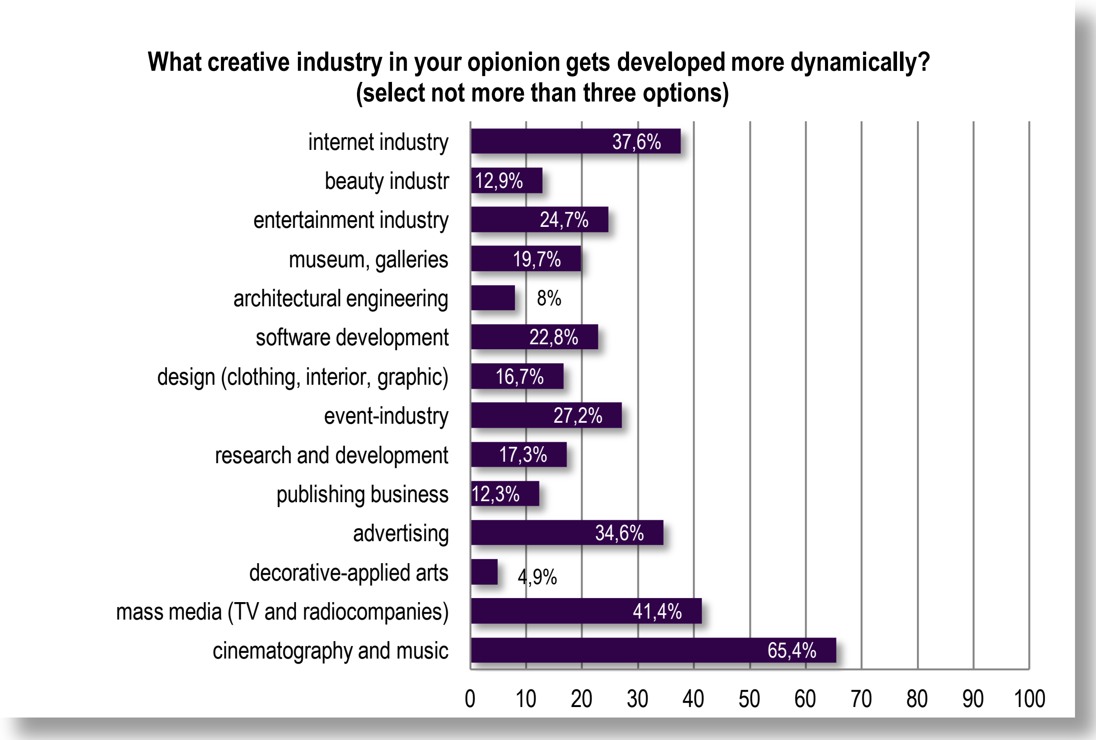


Figure 3. Evaluation of Level of Different Creative Industries Types Development in Russia, %

As per the opinion of 45.63% respondents the level of creative industries development in Russia is evaluated as weak, 44.66% of respondents considers, that creative sector in the country is developed averagely, and only 9.71% of respondents said that the creative industries development level is high.

Further respondents were proposed to evaluate the level of different creative industries types in Russia, by identifying in the proposed in the inquiry list of not more than 3 options (see Figure 3).

The more developed creative industry sectors in Russia as per the respondents are cinematography and music (65.47%), mass-media (43.5%), internet-industry (35.7%) and advertising industry (32.4%). Average development level is with event-industry (26.6%), entertainment industry (25.6%), software development (21.7%), research and development (19.3%), museums and galleries (18.4%). The lowest level of development is with design (17.8%), publishing business (12.6%) and beauty industry (13%). Weak development is with decorative-applied arts (9.7%) and architectural engineering (8.7%).

The results of sociological inquiry demonstrated that the level of creative industries development in Russia is in the insufficiently not high level, and that there are significant variations in the development between separate creative sector industries.

Conclusions

So, the research results received enabled to define the potential of creative industries development in Russia, and also to reveal the reasons, suspending the expedited transfer of Russian economy to the phase of creative development. The main factors, limiting smooth development of the whole industry, include weak institutional background of the industry and insufficient governmental support in part of preferential crediting and preferential taxation for enterprises in creative sector.

In the current conditions the effective mechanism for complex solution of the mentioned above problems is considered as acceptance of strategic program document, within the frames of which the government will implement the targeted activities on formation of creative sector of Russian economy. The best fitting for adaptation in Russia form of governmental support of creative entrepreneurship can be defined as follows: provision of preferential crediting and preferential taxation, creating of industrial and office premises for rent on a low charge; improving the authorship and adjoined rights protection system; government participation in the financing on a sharing principle, governmental-private partnerships and technological commercialization.

Additionally, the effective measure of governmental support of creative industries can be the creation of favorable conditions for creation of creative clusters. Creative clusters assist in joining the creative entrepreneurs in one place with the aim to improve the information exchange, creation of creative products and joined resources application.

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