

# Creative Economy

## Creative Economy



### DeKalb County Indicators

Employment (2015) = **513**  
 Employment Trend (2009–2015) = **-18.3%**  
 Location Quotient (2015) = **1.0**  
 Average Annual Earnings per Job (2015) = **\$35,272**

### DeKalb County Region Indicators

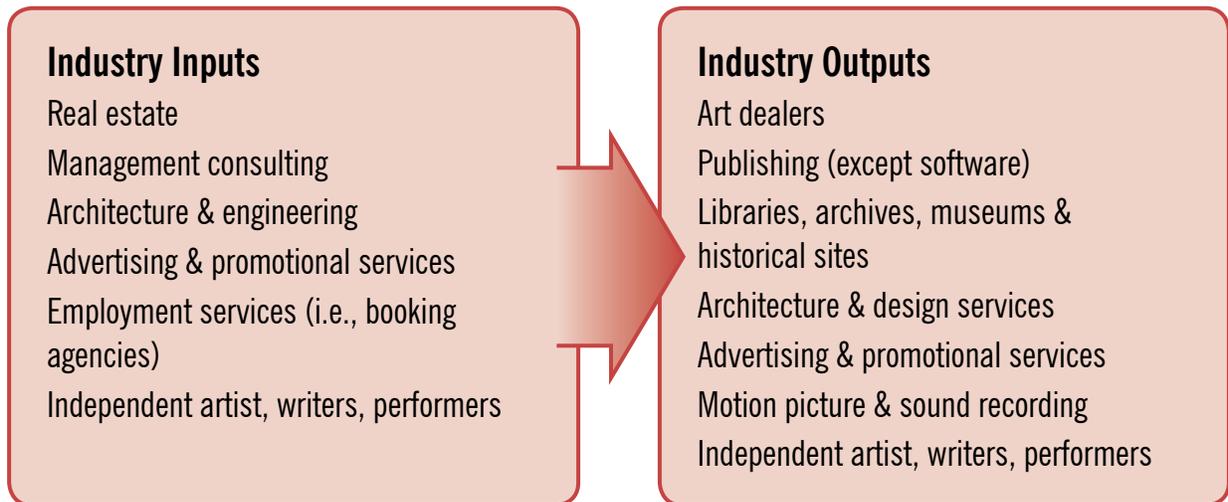
Employment (2015) = **7,101**  
 Employment Trend (2009–2015) = **+5.2%**  
 Location Quotient (2015) = **0.8**  
 Average Annual Earnings per Job (2015) = **\$43,861**

## CLUSTER SUMMARY

The creative economy cluster includes businesses involving the application of individual creativity to deliver new products and services or that contribute to improved quality of life. This includes a broad array of products and services that range from architecture and design services to motion picture and sound recording, among others (Figure 1).

Related to the creative economy are several supplier industries which provide products and services necessary for production in DeKalb County. According to IMPLAN data, 9.1% of production costs are in real estate or property expenses. An additional 6.0% of input costs are management consulting services and 8.5% is in advertising and promotional services. Advertising appears as both an input and an output in the creative economy because successful advertising campaigns require creativity and many forms of art require active marketing so that the works remain financially sustainable for the artists. Independent artists, writers, and performers also appear on the input and output sides because they sometimes work for other sectors in the creative economy, i.e., freelance writers contributing articles for newspapers.

**Figure 1:** Creative Economy Input and Output Examples



Source: Adapted from 2015 IMPLAN data and U.S. Bureau of Labor Statistics, *Industries at a Glance*, 2017.

## REGIONAL OVERVIEW

The creative economy in the DeKalb County region, which includes DeKalb and adjoining counties, had 941 establishments in 2015 and employed 7,101 people at an average wage of \$43,861 (Figure 2). The cluster has a concentration of business activity and employment consistent with the national average.

**Location Quotients (LQs)** are used to evaluate local business development opportunities. LQs are the ratio of the employment percentage represented by a given industry in the county to the percentage that industry represents in the nation. A ratio greater than 1.0 = higher local concentration and a likelihood of exports from the county; a ratio less than 1.0 may suggest goods or services are imported into the region.

**Figure 2:** Summary Characteristics of the Creative Economy

Indicator	DeKalb County	Reference Region
Number of Firms (2015)	50	941
Firm Change (2009-2015)	-9.1%	2.8%
Firm Location Quotient (2015)	0.9	1.0
Employment (2015)	513	7,101
Employment Change (2009-2015)	-18.3%	5.2%
Employment Location Quotient (2015)	1.0	0.8
Average Annual Earnings* per Job (2015)	\$35,272	\$43,861

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2015.

\*Note: Although the words “wages” and “earnings” are often used interchangeably, they are different. Wages refers to compensation paid by an employer on an hourly, weekly or monthly basis. Earnings can include wages paid by an employer but also other sources such as interest, dividends, and contractor or business income.

Employment in the creative economy declined 18.3% in DeKalb County while the employment location quotient remained constant since 2009, suggesting that declines in the region were consistent with national trends. Sub-sectors in the creative economy represented in DeKalb County include motion picture and sound recording, book and newspaper publishing, and support activities for video production such as advertising agencies and suppliers of stage lighting (Figure 3).

**Figure 3:** Creative Economy Sub-Sectors Based on Employment Concentration

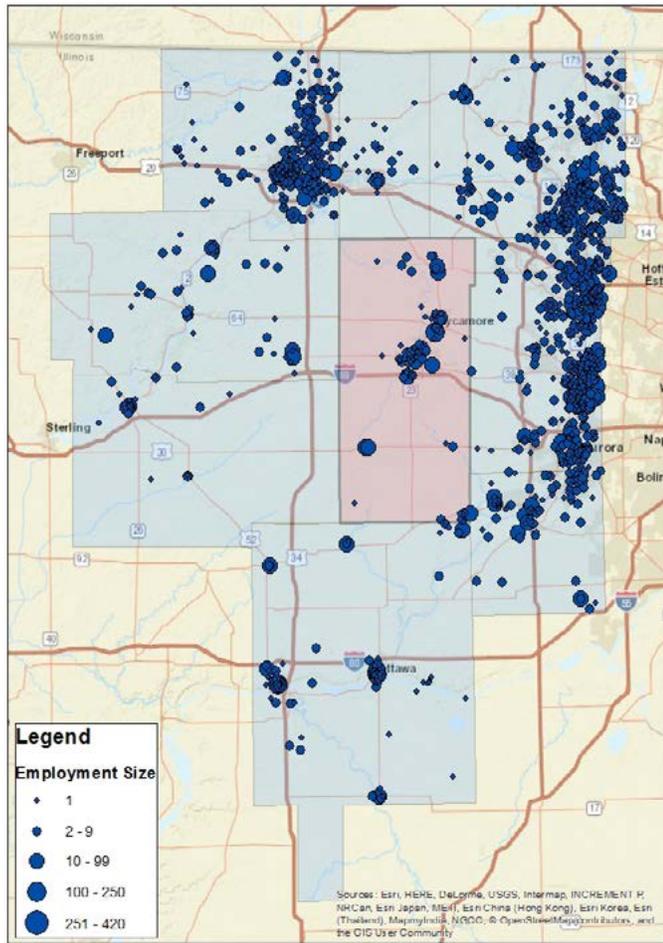
Sub-sector Description	Establishments LQ	Employment LQ
Industry Cluster Total	0.9	1.0
Libraries & archives (includes local government)	9.6	Disclosure
Museums & historical sites (Public Sector)	5.9	Disclosure
Other professional equipment & supplies; Merchant wholesalers (incl. stage lighting equipment)	1.4	Disclosure
Art dealers	0.8	Disclosure
Book & Newspaper Publishing	1.4	2.3
Motion Picture, Video Production, & Sound Recording	1.0	0.9
Architectural Services	0.4	Disclosure
Interior Design Services	1.0	Disclosure
Graphic Design Services	1.0	Disclosure
Advertising Agencies	0.7	0.5
Photographic Services	0.9	Disclosure
Fine Arts Schools	0.7	Disclosure
Performing Arts	0.2	Disclosure
Museums & Historical Sites (Private Sector)	1.4	Disclosure

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment & Wages, 2015.

Data for employment in some sub-sectors of the creative economy is suppressed due to having a small number of firms, but the two largest sub-sectors with published employment data in DeKalb County are publishing, libraries/archives, and motion picture/sound recording. Of the 513 creative jobs in DeKalb County, 245 jobs (47.0%) are in publishing, 138 (26.9%) are in libraries, and 101 jobs (19.7%) are in motion picture and sound recording.

The creative economy in DeKalb County and the region is represented by several mid-size employers, with the largest company employing 420 (Figure 4). Creative companies are densely concentrated in many parts of the region including Rockford, Geneva, Crystal Lake, LaSalle, Ottawa, and Aurora. In DeKalb County, most of the creative companies are located within DeKalb, Sycamore, and Genoa.

**Figure 4.** Creative Economy: Firms by Employment Size, DeKalb County and Reference Region



Source: Decisiondata.net, 2017.

The largest firm in the regional creative economy is Rockford Newspapers Inc. publisher of *The Rockford Register Star* with 420 employees. Another major player in the creative economy is the Kane County Cougars minor league baseball team. The Cougars employ 300 people, including catering and event staff at Northwestern Medicine Field in Geneva. Another major employer is textbook publisher Houghton Mifflin Harcourt, which employs 250 people in its Geneva facility.

DeKalb County has several mid-sized cultural businesses (Figure 5). American Marketing & Publishing, LLC, employs 330 in the production of *HomePages*-branded community telephone directories. Upstaging Inc. in Sycamore employs 168 and offers a range of preparation services for performances, such as stage lighting and designing/installing stage scenery. Upstaging has provided services for events ranging from Taylor Swift concerts to World Wrestling Entertainment shows. Sycamore Speedway has 50 employees and hosts stock car races. Another company in the motion picture industry is Solotech of Quebec, Canada, which recently established operations in DeKalb employing 20 workers with plans to expand to serve the live performance video, lighting, sound and staging industry.

**Figure 5:** Major Employers in the Creative Economy Cluster in DeKalb County

Business Name	Employees	City	Industry Description
American Marketing & Publishing LLC	330	DeKalb	Directory & Mailing List Publishers
Upstaging Inc.	168	Sycamore	Other Specialized Design Services
Sycamore Speedway Inc.	50	Sycamore	Racetracks
Energym Gymnastics Inc.	27	Genoa	Nature Parks & Other Similar Institutions
AMC Cinemas Inc.	22	DeKalb	Motion Picture Theaters (except Drive-Ins)
Solotech of Quebec	20	DeKalb	Live Performance Video, Lighting, Sound and Staging
MorningStar Media	15	Sycamore	Full Service Marketing and Advertising Firm Offering Web Development, Graphic Design and Video Production
Nunnally Enterprises Inc. dba Vertigo	13	Cortland	Agents & Managers for Artists, Athletes, Entertainers, & Other Public Figures and Specializing in Theatrical Flight

Source: The DeKalb County Economic Development Corporation, Illinois Services Directory, 2018, and Dun & Bradstreet Inc., 2017.

## INDUSTRY TRENDS- NATIONAL MOTION PICTURE AND SOUND RECORDING INDUSTRY<sup>1</sup>

The motion picture industry faces high costs with minimal guarantees of success. Larger studios make significant expenditures in market research to determine financial feasibility of various productions, but they cannot predict public acceptance of individual films. Disappointing sales at theaters can also result in lower secondary sales such as digital rentals or home video purchases, and many motion pictures are not financially successful. Motion picture producers frequently explore new ways to manage costs, such as crowdfunding via online platforms such as Kickstarter and Indiegogo, simplifying production, or filming in lower-cost locations.

Another trend affecting the production and consumption is movement of consumers from cable and satellite TV to online streaming services such as Netflix and Hulu. Video content creators are increasingly marketing their works toward a small number of online streaming services rather than TV networks. The average amount of time Americans spend watching TV has remained stable over the past decade, but the share of that viewing time spent on cable is decreasing.

An ongoing concern for all digital media companies is piracy. By some estimates, the U.S. economy loses up to \$58 billion annually due to illegal consumption of video productions and music. Larger music and video companies are pressuring electronics manufacturers to design tablets, smart TVs, and other media-viewing devices with features that prevent them from playing media obtained illegally. Media companies have also lobbied for federal intervention to prevent piracy, although enforcement of such laws has its own challenges.

Several opportunities exist within the motion picture and sound recording sector. As more consumers shift from cable TV to streaming services, companies such as Netflix and Hulu have developed original feature films and series to compete for viewers. Smaller film studios may have an opportunity to reach wider audiences by producing content for these companies.

Crowdfunding provides opportunities for smaller music and video creators to initiate products with less reliance on conventional funding methods. Through online platforms such as Kickstarter, content creators can post proof of concept videos online and collect pledges from individuals interested in seeing the production completed. Crowdfunding platforms typically allow funding seekers to offer various rewards for pledging specific amounts, i.e., delivering signed actor photographs to those who pledge more than \$100 and arranging private lunches between the director and individuals who pledged more than \$10,000 for the project.

Special effects companies and other providers of post-production video editing services can expand their business by offering services for advertising agencies and video game companies. As consumers show a stronger preference for visual effects-intensive media in the sci-fi and fantasy genres, other companies are also using visual effects to create eye-catching products. Some forecasters predict that digital advertising revenue will have grown up to 16.0% by 2018 while the electronic games market could reach \$100 billion.

Driven by headset technology such as the Oculus Rift, some video producers are designing motion pictures intended for virtual reality (VR). VR devices can offer a more immersive viewing experience than conventional display screens. Although sophisticated VR devices remain prohibitively expensive for most consumers to date, lower-cost options such as Google Cardboard are emerging, and VR films may become more widespread. VR videos require extensive post-production editing compared to conventional media, offering expanded business opportunities for visual effects companies.

## SUPPLY CHAIN

This analysis examines three aspects of supply chain: the value of supply chain inputs; the amount of inputs being produced outside DeKalb County for the industry segments studied (represented in most cases by the gap between total input purchases and inputs purchased within the region); and stages along the supply chain that are areas of competitive advantage or that provide an opportunity to attract businesses.

### Supply Chain

An essential component for an industry sector is the local supply chain. While not all inputs (goods or services) that an industry sector needs can be produced in the local economy, it is desirable to meet as many of the sector's needs locally as possible. This analysis reveals the source and amount of purchases among the unique niches within an industry. Identifying total industry economic outputs and areas outside the region from which goods and services are being purchased helps determine which areas of the industry supply chains are strongest. It also assists in identifying the best growth opportunities for DeKalb County.

<sup>1</sup> Summarized from industry reports by Hoovers' Inc., a Dun & Bradstreet Company. Reports are not specific to the DeKalb region.

## Regional Inputs

The dollar value of production inputs that are purchased from businesses within the DeKalb County region.

## Gross Inputs

Total dollar amount of inputs used by the industry within each sector.

## Regional Supply Gap

Difference between gross and county inputs: a sizeable gap value indicates that a large amount of inputs are imported into the region, rather than produced within.

along the supply chain that are underperforming also offer opportunities for business attraction and/or entrepreneurship. It is important when reviewing data relating to industry inputs to compare both the supply gap as well as the total value of inputs, as certain services or components that maintain a high percentage may be of low value to the regional economy. Similarly, certain inputs, regardless of the total value purchased outside the region, may be of high strategic importance to the region in efforts to build a stronger industry cluster.

The supply chain information provided shows the flows of trade both within DeKalb County and from outside the region that support creative industries. The key sectors that may be appropriate targets for expansion appear as imports (gaps) from outside the county, but still within the industry cluster (Figure 6). These gaps are analyzed in terms of strengths and potential areas for targeting and support, and are placed into a supply chain framework for DeKalb County. To fully develop the creative economy, economic developers in DeKalb County might consider focusing on those sectors without a strong regional presence currently, but with significant development potential.

Areas with large gaps in the creative economy supply chain represent opportunities for DeKalb County to capture the most value from a specific stage in the production or delivery of products and services. This may inform strategy by indicating where along the value chain an investment will have the highest impact on the regional economy and may indicate opportunities for business retention or expansion. Conversely, stages

**Figure 6:** DeKalb County Key Supply Chain Gaps, Creative Economy (\$ Millions)

Industry Description	Regional Supply Gap	Regional Inputs	Gross Inputs	Percent Purchased Outside of County
Motion pictures and videos	-\$19.9	\$7.6	\$27.5	72.3%
Management consulting services	-18.9	21.2	40.1	47.2
Architectural, engineering, & related services	-18.4	20.4	38.8	47.4
Advertising, public relations, & related services	-14.8	17.2	32.0	46.1
Insurance	-13.8	4.9	18.7	74.0
Promotional services for performing arts & sports & public figures	-13.4	11.1	24.5	54.6
Management of companies & enterprises	-12.5	2.0	\$4.5	86.3
Independent artists, writers, & performers	-11.7	11.0	22.7	51.5
Printed materials	-9.0	0.7	9.7	92.7
Marketing research & all other miscellaneous professional, scientific, & technical services	-8.0	6.9	14.9	53.7

Source: IMPLAN, 2015.

Note: The input and supply-chain gap figures are in millions of dollars.

As indicated in Figure 6, the creative economy in DeKalb County requires \$27.5 million in inputs (i.e., the products or services required to create a finished product) from motion pictures and video footage. However, nearly three-quarters (72.3%) of this material is purchased outside the region. Another supply gap in the region exists in management consulting services, such as marketing consulting. The creative economy requires \$40.1 million in consultation inputs, of which only \$21.2 million was provided by firms in the DeKalb County region. These suggest opportunities for an existing firm or new business to satisfy regional demand.

## Marketing Consulting Services (NAICS Sector 541613)

This industry comprises establishments engaged primarily in advising businesses and organizations on marketing issues. Related services include customer relations management, sales forecasting and management, and new product development consulting.

## WORKFORCE REQUIREMENT, SUPPLY AND DEMAND

Retaining a skilled local workforce has been an ongoing issue for businesses in general. The challenge of hiring and retaining a skilled workforce has gained urgency from the impending retirement of experienced workers in the Baby Boom generation. Even as industry employment has experienced a net decline over the past decades, the succeeding generations of potential workers are comparatively small in absolute numbers.

The largest employee age group in the creative economy is prime working age adults, ages 25-44 years, at 42.1% (Figure 7). This age group includes Millennials beginning their careers after postsecondary education. An estimated 5.5% of cultural employees are currently of retirement age, and 30.3% are in the pre-retirement age group of 45-64 years. Lower wages in the under 25 age group likely reflect part time, seasonal jobs for youth.

**Figure 7:** Creative Economy Employment and Wages by Age Group, DeKalb County

Age Group	Percent of Total Employment	Average Annual Earnings
Under 25 Years	22.2%	\$10,659
25-44 Years	42.1	37,211
45-64 Years	30.3	43,572
65 Years and Older	5.5	26,697

Source: U.S. Census Bureau, Quarterly Workforce Indicators, 2015.

Approximately 40.6% of employment in the motion picture/sound recording sector is in arts/design/entertainment occupations (Figure 8). DeKalb County offers jobs in those occupations that are on average 27.0% higher than comparable jobs throughout the region, suggesting that local employers have a comparative advantage. The next largest two employment categories make up 27.1% of occupations related to this cluster, but are in relatively low wage, low skill jobs. Ensuring that appropriately skilled arts/entertainment workers are available at competitive compensation rates will be critical to maintaining the creative economy in the region. Given the intense competition for skilled workers, companies will need to monitor compensation trends to recruit and retain qualified employees.

**Figure 8:** National Motion Picture and Sound Recording Staffing Patterns

Occupation Type	Percent of Cluster Employment	County Median Wage All Industries	Regional Median Wage
Arts, design, entertainment, sports, & media occupations	40.6	\$38,525	\$30,326
Personal care & service occupations	14.9	20,706	21,660
Food preparation & serving related occupations	12.2	20,017	19,835
Office & administrative support occupations	9.1	31,712	32,235
Sales & related occupations	7.5	23,246	23,692
Management occupations	3.7	81,756	81,279
Business & financial operations occupations	3.1	51,504	55,661
Construction & extraction occupations	1.6	61,541	59,224
Computer & mathematical occupations	1.4	56,701	67,658
All other industries	2.5	50,807	49,682

Source: U.S. Bureau of Labor Statistics and Illinois Department of Employment Security, Occupational Employment Statistics, 2016.

A challenge for employers is the demand for replacement workers as older workers retire. The Illinois Department of Employment Security projects that 148 openings for arts and entertainment workers will become available per year between 2012 and 2022 for the three-county region comprising DeKalb, Kane, and Kendall counties. A majority of these job openings are projected to be replacement positions (Figure 9).

## INDUSTRY CLUSTER PROFILE

**Figure 9:** Occupational Employment, Projected Demand by Selected Worker Classification, Workforce Investment Board Region 5\*

Occupation Type	Employment		Employment Change 2012-2022		Average Annual Job Openings		
	2012	2022	Number	Percent	Growth	Replacements	Total
<b>Total, All Occupations</b>	<b>282,136</b>	<b>333,489</b>	<b>51,353</b>	<b>18.2%</b>	<b>5,215</b>	<b>6,645</b>	<b>11,860</b>
Office & Administrative Support	38,831	44,430	5,599	14.4	585	876	1,461
Sales & Related	29,095	34,025	4,930	16.9	494	896	1,390
Production	27,431	31,295	3,864	14.1	417	543	960
Food Preparation & Serving	20,427	25,189	4,762	23.3	476	753	1,229
Management	18,935	21,456	2,521	13.3	271	380	651
Construction & Extraction	11,778	15,169	3,391	28.8	339	205	544
Business & Financial Operations	10,482	12,916	2,434	23.2	244	203	447
Personal Care & Service	9,296	11,064	1,768	19.0	178	217	395
Computer & Mathematical	5,015	6,450	1,435	28.6	144	83	227
Architecture & Engineering	3,983	4,644	661	16.6	66	93	159
Arts/Design/Entertainment, Sports/ Media	3,806	4,358	552	14.5	56	92	148

Source: Illinois Department of Employment Security, 2012-2022 Employment Projections.

\*Workforce Investment Area 5 includes the counties of DeKalb, Kane, and Kendall. Items do not sum to total because not all occupations are listed.

### ECONOMIC IMPACT

For every 100 jobs created in the creative economy cluster in DeKalb County, an additional 25 jobs are supported or created in other industry sectors. This also results in the generation of another \$4.3 million in value-added, as well as an additional \$1.8 million in employee compensation (Figure 10).

For every 100 jobs created in the creative economy cluster in Reference Region, an additional 40 jobs are supported or created in other industry sectors. This also results in the generation of another \$6.0 million in value-added, as well as an additional \$3.6 million in employee compensation.

**Figure 10.** Economic Impact Summary of 100 New Jobs Created in the Creative Economy Cluster, DeKalb County and Reference Region

Indicator	Direct Effect	Indirect Effect	Induced Effect	Total Effect	Multiplier
Employment (DeKalb County only)	100	15	10	125	1.25
Value-Added (DeKalb County only)	\$2,954,165	\$737,259	\$618,853	\$4,310,278	1.46
Employee Compensation (DeKalb County only)	\$1,214,742	\$351,836	\$280,485	\$1,847,063	1.52
Employment (Reference Region)	100	22	18	140	1.40
Value-Added (Reference Region)	\$3,490,978	\$1,199,161	\$1,339,559	\$6,029,697	1.73
Employee Compensation (Reference Region)	\$2,282,597	\$661,447	\$615,239	\$3,559,284	1.56

Source: IMPLAN, 2015.

The industries most affected by job creation in the creative economy cluster in DeKalb County include employment services, real estate and limited service restaurants (Figure 11). These job impacts are the result of business-to-business purchases by companies within the cluster, as well as by the household spending of their employees.

## INDUSTRY CLUSTER PROFILE

**Figure 11.** Employment Impacts of 100 New Jobs Created in the Creative Economy Cluster on Other Industries, DeKalb County

Industry Impacted in DeKalb County	Jobs Impacted
<b>Total, All Affected Industries</b>	715
Retail - Sporting goods, hobby, musical instrument & book stores	163
Architectural, engineering, & related services	110
Motion picture & video industries	64
Specialized design services	64
Sound recording industries	52
Independent artists, writers, & performers	26
Employment services	25
Newspaper publishers	20
All other industries	191

Source: IMPLAN, 2015.

Similar impacts can be measured in the Reference Region where the industries most affected by job creation in the creative economy cluster also include employment services, real estate and restaurants though the number of jobs created or supported differs somewhat (Figure 12).

**Figure 12.** Employment Impacts of 100 New Jobs Created in the Creative Economy Cluster on Other Industries, Reference Region

Industry Impacted in Reference Region	Job Impacted
<b>Total, All Affected Industries</b>	40
Creative economy cluster	7
Employment services	4
Real estate	2
Full-service restaurants	2
Limited-service restaurants	1
Hospitals	1
Wholesale trade	1
Marketing research and all other miscellaneous professional, scientific, and technical services	1
Retail - General merchandise stores	1
All other industries	20

Source: IMPLAN, 2015.

## KEY TAKEAWAYS

- » The creative economy cluster in DeKalb County and the surrounding region has an employment concentration consistent with the national average. Employment in the creative economy cluster has decreased significantly in DeKalb County since 2009, although it grew in surrounding counties.
- » Most of the creative economy employment in DeKalb County is in publishing, libraries/archives, and motion picture/sound recording.
- » The creative economy in DeKalb County has the potential for further development based on supply chain relationships with other industries in the region and the surrounding metro areas, especially in the management consulting sector, due to the need to market creative works such as music and video content.
- » Opportunities likely exist for providers of marketing consulting services to work with motion picture companies to develop new locally-sourced products. However, more work will be necessary to identify and develop those opportunities.
- » The emergence of crowdfunding and the transition by consumers from cable TV to online streaming services provide opportunities for smaller motion picture companies to secure funding and reach broader audiences.
- » The expected wave of retiring Baby Boomers will create most of the demand for new workers. Since other industries will experience the same challenges, competition for skilled workers will be brisk given the relatively limited number of available younger workers.
- » The creative economy cluster in DeKalb County supports 513 jobs and contributes for \$43.2 million to the county's economy. In the Reference Region, the cluster supports 7,101 jobs and contributes for \$1.1 billion to the regional economy.



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