

# Essential Characteristics And Market Of The Creative Industries' Product

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## SUMMARY

The paper explores the essence and the market of the creative industries' product. It brings out the product's specifics as a creative product through a detailed study of the characteristics of intellectual property objects as intangible assets and the necessity for their valuation for business purposes. The study clarifies the relationship between creative product and innovation product by putting the creative product in the place of the economic resources for the development of innovation activities in creative industries' enterprises. For this purpose, the economic aspects of the creative product and its types are derived. A comparative analysis is carried out in order to identify the main features and differences between the creative product and the innovation product of the creative industries. The role of the creative product as a classification criterion in the creative industries' system is revisited. The basic prerequisites for the formation, the characteristics and the principles of the creative products market functioning, as well as its types, are presented. The characteristics of the market realization of the creative product are systematized. By means of a comparative analysis with the traditional marketing mix, is studied the marketing model of the 4 'C', which is applicable to creative products, is studied.

**KEY WORDS:** knowledge economy, creative sector, creative industries, innovation industries, intellectual property, market, product

**JEL CLASSIFICATION:** A20, L1, L7, M3, O3

## 1. Introduction

The market of intellectual property is more important than is commonly thought in economics. Its importance was emphasised by Nobel price winning economist North (1973). Intellectual property management is becoming an increasingly important part of business relations in the creative sector. The essential characteristic of the intellectual property objects makes them a property of the enterprise as well as a competitive business asset providing a trade monopoly (Borisov, B., Borisova, VI., 2015). This specificity is a prerequisite for the formation of business relationships on the establishment, industrialization and commercialization of products with intellectual property rights, or products the production or distribution of which is related to the use of intellectual property. The business relations arising from the creation and use (production and trade) of such a product form the intellectual property business in the creative industries. The creative result takes the form of a creative product in business relations, at least because it is valued, i.e. it has a market price (Caves, R., 2000).

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In this regard, the purpose of the paper is to identify the characteristics and specifics of the product and, hence, the market's features and diversity. The main thesis is that the essential characteristics of the product of the creative industries are formed on the basis of the economic characteristics of intellectual property as a business asset. The methodology is interdisciplinary and follows the approach of analytical and comparative analysis and analysis of business practice. The methodology is based upon the WIPO methodology of creative industries where the intellectual property is the main factor for the measurement of the industrial activity at the creative sector (WIPO, 2003).

The research topic is topical not only in view of the specifics of the creative industries' product, but also because of the dynamic technological developments and the options given by its new platforms of creating and disseminating the products to the consumers. The questions related to the essential characteristics of the creative industries' product and its market are researched by the authors of the UNCTAD, 2008 paper, where their view is that the creativity of the product's creation defines its so called symbolic characteristics.

Other authors such (Pratt, A.C., 2004) and (Grefe, X, 2007) accept that the business models of the enterprise's behavior is what defines the characteristics of the creative industries' product and market.

In this regard, the contribution of the paper is the applied approach to analysing the essential characteristics of the creative industries' product and its market in terms of the economic aspects of intellectual property.

## 2. Creative enterprises' product

The creative products are the result of the so-called 'creative- state of art industries in the creative industries 'system' (Chalukov, I., Borissova, V.I., 2007). They can be created

independently by an individual artist, on the order of the business, or they can be the result of a serious research activity of the creative enterprise. Creative products:

- are the result of creativity<sup>1</sup>,
- have an intangible character,
- are expressed in any way in any objective form,
- are unique and new,
- have originality,
- are business assets of the enterprise,
- have a price.

A leading criterion whether the product is creative or not, is the existence of a creative process in the course of its creation. The creative process is the foundation of scientific enquiry, which provides the basis for the creation of intellectual property objects (inventions, utility models, industrial designs, new varieties of plants and animal breeds, know-how, different types of works of art).

Creative products are created by the creative-state of art industries and are intended for use by innovation industries or cultural industries. Creative products are not intended for mass consumption and therefore it is hard for them to independently create consumer demand (UNCTAD, 2008).

They are risky products because of the uncertainty about the degree of their economic potential to develop production to meet public needs. In particular, the risk with creative<sup>51</sup> products pertains to whether society will assess them as necessary or will reject them.

For example, a creative product of utmost social importance, revolutionizing the field of cardiology and medical science as a whole, is the sixth heart tone - scientific discovery made in 1971 by Prof. Dr. Ivan Mitev. The scientific discovery promotes a complete understanding of cardiac activity and the avoidance of diagnostic errors as well as the monitoring of the development of the healing

process in various diseases (see [www.nauchni.chudesas.com](http://www.nauchni.chudesas.com), 2015).

### **2.1. The product of creative enterprises as a classification criterion**

Due to its specific characteristics, the creative product is a classification criterion for the industries in the creative sector. It is in the basis of the creative industries system, which falls into three groups of industries:

- creative industries – those industries, busy priority with the creation of creative industries. Their product is called creative product and is the valued object of intellectual property
- innovation industries – these industries industrialized the creative product into an *innovation product*
- cultural industries - these industries created and industrialized the creative product in the culture sector into the so-called *cultural product*

If creative industries and innovation industries are analyzed in their functional interconnection, then the creative product can be seen as the so-called intermediate for the innovation industries that invest in it and use it to create an innovation product. In terms of content, the innovation product owns creative content which stems from industrialized intellectual property, as well as from all other characteristics of traditional products.

The main differences between creative and innovation products are presented in the table 1:

**Table 1:** Comparison between creative and innovative products

Creative product	Innovation product
uniqueness (world novelty and originality) of human intellect and innovation	industrial quantity
creative result	the result of industrial production
intangible character of the object	tangible character
not intended for mass production and consumption	intended for mass production and consumption

Source: own research

### **2.2. Economic aspects of the creative product**

The creative product has interesting economic aspects, determined by its specific parameters. Thus, the economic potential of the creative product is the possibility of return the investments in its creation as well as the possibility of generating profit. In this case, the economic potential is the set of economic utility - the uniqueness of creativity and intellect, knowledge, talent, and skills added by each participant in the process of creating the creative product.

With these characteristics, the creative product is fundamentally different from the products of traditional production. The difference is precisely in the economic resources involved - creativity, intellect, knowledge, talent and skills as well as the relation of the product with intellectual property. Thus, unlike traditional products, the creative product has the so-called creative content that gives it a specific utility as a market product that satisfies the public needs for creativity, science, technology, knowledge, culture, and so on.

Therefore, the added value of the creative product is not determined by the amount of work invested in its creation, but by consumers' subjective perception as to the extent to which its consumption will meet their personal needs. Therefore, as regards to the creative products created by creative enterprises, the option of the so-called 'value chain' is applicable, yet under the conditions of structural differences, distinguished by the features and characteristics of the creative product.

Intellectual property, as well as the new economic resources - creativity and intellect, as intangible business assets of creative enterprises cannot be primarily valued, so by adding them in the product creation process, it is utility, not value that is added to the final creative product. This is the reason why in the creative industries it is a priority to talk about a 'utility chain' rather than a "value chain".

An additional feature of the added value in the creative product is that it also possesses characteristics related to culture, science, technology and creativity in all its dimensions (Maskus, Keith E., 2000).

### **2.3.Types of creative products**

The type of creative products is determined by the type of intellectual property object that is transformed into innovation through the application of industrial methods. Creative products related to innovation in the material production sector are:

- inventions like devices; technologies and substances,
- utility models like devices and substances,
- new varieties of plants and animal breeds,
- know-how and trade secret,
- industrial design and
- copyright works of art.

These creative products are the result of creativity in the field of fundamental and applied sciences.

In the creative sector, products are all kinds of works of art, video recordings, sound recordings, including digital media and live performances, which are used for economic purposes, through the enforcing copyrights or related rights.

### **3. Market of creative industries' products**

#### **3.1. Characteristics of the creative product's market**

The market is a place where the supply of products by producers and retailers meet consumers demand for them. A creative market' characteristics are that they offer creative products. Their characteristics define the creative markets as a place of complex and multi-layered relations between many market participants on the creation, industrialization and trade of creative products. In this regard, the creative market is a market of intellectual property.

Albeit small in size and scope, the national intellectual property market operates relatively well.

For 2007-2012, it generated revenues worth 18.1 million euros, and its growth rates were faster by 14% (World Bank, 2015). For the same period, Bulgaria made 0.03% of all intellectual property revenues in the EU 28 and made 0.18% of all license payments, i.e. the country was a net payer on the intellectual property market. Bulgaria ranks 54th place in revenue from license fees (see: Global innovation index 2014).

In comparison, the global intellectual property market has generated revenues of more than 1.3 trillion euros, with growth rates for 2007-2012 over 48% (see: <https://data.worldbank.org/>, 2015). The highest implementation activity for the period

is realized for patent technologies from the fields of chemistry, nanotechnology, information and communication technologies, electricity, clean mechanics, environmental technologies and biotechnology.

The development of creative markets has a significant impact on the innovation activity of business representatives as there is a narrow functional correlation between science and innovation activity. In this regard, patent activity is increased by 24.3% in 2013 compared to 2007. Creative markets are characterized by the novelty and originality of creative products, refinement and rules in their offering, high professionalism and quality of service and consumption. The existence of the creative market is unconditional because it is socially necessary and the development of science and education only affects the size of the market and the quality of the creative products supply. A characteristic of the creative markets is the asymmetric competition between their participants, who have different industrial capacities, namely: the independent artists; creative enterprises - small and medium-sized businesses; conglomerates; business concentrations.

The main characteristics of the creative market are the following:

- insecurity in the demand for the creative product – consumers' reactions are not known before the product is marketed; difficult to identify and afterwards;
- creativity because of the creativity - leading in the creative process is the use of different technical and professional skills in the creation of an original, unique, harmonious, aesthetic creative product that sometimes determines the labor market for some creative activities and as comparatively low paid;
- project form - creative products require a variety of creativity and added utility. They can not be created without diversity in the

skills, experience, knowledge, talents of the employees in the creative enterprises;

- infinite variety of forms of presentation of the creative product - the products are horizontally positioned in quality and uniqueness; each product is a different combination of added utility, resulting in multiple options for its market presenting;
- professional skills are vertically divided - artists and researchers are differentiated according to their skills, knowledge, experience, originality and professionalism in the creative process. Small differences in creativity, skills and talent can lead to big differences in financial success, establishing 'hit markets' on a 'the winner takes all' principle;
- creative products have a long economic life during which they derive a permanent income for their owner.

### 3.2. Types of creative markets

Creative markets, depending on the structure of the creative industries, are formed by open or closed type of local, national and international ones.

The closed type of creative markets are relatively small for the collectors or high technologies. The collector type of creative market is typical for the so-called 'prestigious products' whose possession or consumption is associated with a particular social and cultural status.

Creative markets are characterized by the presence of labor sub-markets. The reason for this is the 'project form' of hiring highly qualified staff from the creative industries. The labor market is extremely specific and dynamic due to the requirements to the staff for high creative professionalism, experience and talent. A distinctive feature of the labor market is the involvement of so-called 'market keepers' that permit this staff access to big business. Dynamic labor markets are



avored by the creative industries because of the opportunity for choosing the most suitable staff in implementing the project form of work and the informal competitive communication that it generates.

Creative markets create specific local markets, the so-called 'hot spots' where creative products and highly qualified specialists are available. Such world-famous 'hotspots' are Hollywood, London, Paris.

The so-called 'hit market' is also a creative market. In these markets, creative businesses with minimal cost and serious economies of scale develop a creative product that they impose for consumption through strong marketing using hidden means of manipulating consumer demand. The aim of these actions is to make the creative product the so-called 'hit product'. Various information campaigns that turn the product into a hit are used - telecommunication industry, software industry, film industry and other creative industries are the most common creators of these markets. A particular characteristic of the hit market is that one product is making extra profits without offering its assortment variety, but only through the use of well-known trademarks, industrial designs and other means (UNCTAD, 2015).

Creative markets are also a market for creative products, as intermediary goods for consumption by innovation industries. These are sub-markets with narrow specialization, called 'mini-markets'. The mini markets are formed in the creation of the creative product, its industrialization and its dissemination. They are in vertical networking with the other types of creative markets formed in creating the creative product, its industrialization and its dissemination as an innovation product for mass consumption. These are sub-markets of creativity, intellect, knowledge,

skills, experience and talent used to create a creative product.

The participants in these markets are in a competitive relationship. The mini-market formed during the dissemination of the innovation product is characterized by the so-called 'market windows'. They form markets by expanding the distribution channels.

### **3.3. Prerequisites for the formation of the creative market**

There are several prerequisites for creating the creative market:

#### **3.3.1. The level and quality of public education**

A well-functioning education system in each country is a prerequisite for the formation of the creative market. This requirement is imposed due to the demand for well-educated, creative and highly professional qualified personnel for employment in creative enterprises.

#### **3.3.2. Costs for research and development**

Expenses incurred for research and development are often paid back many times when its results are marketed by industries engaged in certain business relationships with research and academic units (A. G. Kwashnin, 2014).

#### **3.3.3. Characteristics of the creative product**

In addition to all its characteristics, its relation to intellectual property is fundamental.

#### **3.3.4. Structure of the creative enterprises**

The structure of creative enterprises defines creative markets of the open or closed type, local, national and international.

### 3.3.5. Intellectual property business

The creative market is, in essence, a market of intellectual property business. Creative market participants are in business relations on the creation and use of intellectual property objects for which different business models apply, the most widespread of which is the licensing model.

### 3.4. Market realization of creative products

A special feature of the creative market is the trade with creative products. Trade with creative products is characterized by significant signs of trade with the so-called conventional products. Creative products are created to meet public needs related to the consumption of culture, science, creativity, technologies, innovations, and therefore their market realization is due to consumer confidence and consumer utility. Therefore, the market placement of creative products focuses on consumers' perceptions of the creative product, without giving priority to those of its producer or trader. This is because the resources of the creative industries are inexhaustible, competition is not at marginal cost and price, but in degree of satisfaction of consumer needs.

It is in this business environment that the management of the market realization of creative product forms the intersection of the business interest of the creative industries with the business interest of the innovation industries from the realization of the economic wealth of this creative product.

Managing the market realization of creative products is subject to the following principles:

- Creators and researchers - create for creativity itself (inexhaustible resource, but also hard-to-manage, independent staff).
- Thinker's work - includes all the elements of RIDER, this is thinking about using the idea, turning it into innovation and marketing it<sup>2</sup>.
- Creative entrepreneur - the person who makes things happen without doing the work himself. The creative entrepreneur uses innovation to establish a monopoly, i.e. taking advantage of risk and uncertainty. He provides the opportunity for creativity to be 'unlocked' in every individual engaged in the creative enterprise. Because of the specifics of his activities, creative entrepreneurs often have the following set of characteristics
  - » Vision - what to do with the idea and how to implement it,
  - » Focus - determination, tenacity and purposefulness,
  - » Financial insights - do not need to be financiers until they realize that their success is measured financially,
  - » Pride - the creative entrepreneur is often overconfident that his idea will work,
  - » Urgency - everything is done now and immediately for competitive advantage and because of obsession with the idea.

<sup>2</sup> An example of the real results of implementing the RIDER system is the commercial realization of the creative product of World Space Radio, developed by Mr. Noah Samara. In 1990, Noah Samara, after numerous trips to the distant corners of the globe, founded a company called World Space. He builds the world's first satellite infrastructure with it, which is designed to broadcast radio with international reach and digital quality. World Space Radio technology was introduced to the market in 2003, and World Space Radio provides XM Satellite Radio with nearly 10 percent of its original volume of programming, see <https://en.wikipedia.org/wiki/1worldspace>

- After hiring - not everyone wants to be an entrepreneur, but everyone enjoys pursuing their ideas and being independent in their work
- The right person at the right time - independent artists who sell ideas (not work), have specific skills and the ability to enter and leave a working group; to self-govern; they are flexible and responsible, can work for several companies simultaneously as managers or advisors.
- Temporary enterprise - ad hoc enterprise, focused on a certain aim (creating a creative product). In general, this type of enterprise exists for no more than a year, creating the social intellectual and management framework for managing the creative process. Everyone has clear obligations, costs are easily controlled because the enterprise is without ownership. The developed creative product is provided to another enterprise
- Network office and business cluster - network offices are a community of artists in a high-tech environment. They are not located on the spot. Network offices bring together artists, temporary companies, and so on from different industries to fulfill a goal that is set, and this forms a cluster in the digital space
- Teamwork - the dynamics of the successful team encourages different leaders at different times: apart from a leader, the team needs someone to report; to ask questions; to make proposals; to analyze; to reconsider; to close the meeting and organize the next one.
- Finance - financial system (budget, accounts, accounting and taxes). Issues related to the availability of finance and the opportunity to participate in the activities of the creative, innovation and cultural industries are:

<sup>3</sup> product; price; place and

- » how to start the business - confidence in abilities,
- » whether to create an enterprise-management and business relationship,
- » how to make the business profitable - risk management,
- » what happens when things get worse - no money and worse - no ideas,
- » negotiations and deals.

The stated principles in the management of the market realization of the creative product are formed by its intangible character. This allows the industries to produce identical products, which results in more production at less cost. This effect reduces the risk of rejection of the creative product, and its uniqueness becomes a prerequisite for its imposition as a hit product, which leads to the formation of an intellectual property business

### 3.5. Marketing of creative products

The marketing of creative products is related to the use of intellectual property objects, not for industrial purposes, but to the attribution of market distinctiveness of the creative products when they are marketed. Such objects are trademarks, designs and geographical indications (Lauterborn, R. and M. Sawhney, 2005). These objects have a certain value as intellectual property and have the ability to add it to the product for which they are used by increasing their value. This is particularly true when the consumer associations they create for the product are positive.

The specificities of the trade with creative products change the parameters of the classic marketing mix of the 4 'P'<sup>3</sup>. The reason for this is that enterprises in the creative sector turn to consumers rather than to the product, which replaces the four product marketing "P"<sup>3</sup> with the four marketing consumer - the 4 'C'. In the creative marketing mix, the trade



with products should aim at understanding, defining, realizing, communicating, and maintaining the usefulness of the creative product.

The four 'C' of the creative marketing mix are:

- customer value;
- customer costs;
- customer convenience;
- customer communication.

### 3.5.1. Consumer utility vs product utility

Consumer utility as an element of the creative marketing mix regarding the creative products is different for the different consumers. This is due to the different consumer perception of creativity, which is not related to the act of acquiring it, but to the completely new and different emotional sensation.

The degree of consumer education is important for the formation of consumer utility. It is based on the level of consumer knowledge, preference, experience, intelligence and other personal qualities that are difficult to predict. This creates a risk of rejecting the creative product. In order to minimize the risk of uncertainty of the consumer behavior, marketing specialists offer the creative product with the so-called 'added product'<sup>4</sup>.

Creative products have a lifecycle related to the intellectual property contained in them. Therefore, the marketing rule applicable to them when the lifecycle is on the rise, is to develop a new product range or new distribution channels; to improve the product and to develop and expand the market segment to longer keep the demand for the creative product.

When the lifecycle enters into maturity, users are encouraged by modifying the products' quality parameters. Creative enterprises then invest in increasing the added utility or in expanding the distribution channels. Modification should not affect the creative content of the creative product. Typical of creative products is that they are running out of the market quickly after maturity, but they may reappear with a new market perspective over time.

### 3.5.2. Consumer costs vs product cost

The creative marketing strategy should predict what the marginal utility of the creative product would be for consumers. This is the amount of costs they are willing to make in order to acquire the product. Considering the fact that consumer utility is different for everyone and that creativity is difficult to be valued, the formation of the price of the creative product is an extremely complex and delicate process that is mostly dependent on the peculiarities of the market environment.

### 3.5.3. Consumer convenience vs place of supply

Convenience in the consumption of creative products is important for good and timely consumer awareness. It is directly related to the sources and forms of distribution of products that are easily accessible and diverse, with the introduction of new digital technologies - such as the Internet. This element is easily developed by creative enterprises that use a 'network utility' for a model for business activity.

<sup>4</sup> This is an additional but independent part (designer packaging) of the creative product that should help its sale. For example, a CD with compilation of musical works by different authors is available as a creative product on the market. In order to guarantee its sale, an original art cover containing repertoire information is added to it - added product'.

### 3.5.4. Consumer communication vs product promotion

Communication between creative enterprises and consumers is essential for the reduction of the risk of rejecting the creative product. The business challenge to managing creative businesses is to find a model for consumer feedback and an analysis of their consumer behavior after launching the creative product on the market.

Business-oriented management enables creative enterprises to inform and educate consumers in a way that is conducive to the demand and consumption of the creative products they supply. Good communication allows modeling of consumer demand to continuity of new creative products. Well-designed consumer behavior is a prerequisite for reducing the risk of rejection of the creative product when it is realized on the market, due to mismatch in public needs and the creative decisions, presented by the industries.

## CONCLUSION

The importance of intellectual property for the economic growth and the sustainable development is building up. From the scientific research, intellectual property becomes the leading business active of the companies, engine of the economic development, classification criteria and strong competitive advantage. All those economic aspects of the intellectual property define the essential characteristics of the creative industries' product and its marketing specificity. They create new markets by posting new business relationship formed by the customer participation at the new dissemination and consumption of digital platforms.

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