Creative people solve problems. Increasingly, they are doing it beyond the studio, the theater and the concert hall. Creative people are harnessing the power of business and the marketplace to scale and sustain their ideas.

Many of the businesses that artists, designers and other creatives start balance financial profitability with concern for the planet, their workers, and their community. These socially-focused companies seek capital from impact investors who understand the power of art, design, culture, heritage and creativity to drive positive environmental and social impact. Together, investors and entrepreneurs can grow the creative economy to become more inclusive, equitable and sustainable.

In an effort to demystify the creative economy for impact investors, impact fund managers and other stakeholders, this report dives deep into three large and growing consumer industries within the creative economy: fashion, food and media. These industries share the capacity to intrigue, engage, educate and activate more mindful consumers so that the benefits of ethical and sustainable supply chains and the full power of media to drive positive change can be realized.

**Creative Economy Defined**

The “creative economy” was defined by John Howkins in 2001 as a new way of thinking and doing that revitalizes manufacturing, services, retailing, and entertainment industries with
a focus on individual talent or skill, and art, culture, design, and innovation.

Today, creative economy definitions are typically tied to efforts to measure economic activity in a specific geography. A relevant set of art, culture, design, and innovation industries is determined, and the economic contribution of those industries is assessed within a region. A unique set of industries defines each local creative economy reflecting the culture, traditions and heritage of that place.

Based on industry research,¹ Upstart Co-Lab identified a set of industries comprising the creative economy using the North American Industry Classification System (NAICS). These NAICS codes describe businesses engaged in the inputs, production, and distribution of creative products, services, experiences, and platforms and can be summarized in five categories: Ethical Fashion, Sustainable Food, Social Impact Media, Other Creative Businesses and Creative Places.²

Please refer to page 5 for the definitions of these categories.

¹ Including research by the Creative Economy Coalition (CEC), a working group of the National Creativity Network; the National Endowment for the Arts and the Bureau of Economic Analysis; Americans for the Arts; the U.K. Department for Culture, Media and Sports; Nesta, a UK-based innovation foundation; and the United Nations Educational, Scientific and Cultural Organization (UNESCO).
² www.upstartco-lab.org/creativity_lens/naics-codes-creative-businesses

The Opportunity

Concern by consumers about how their food, clothes and entertainment are produced has grown significantly in recent years. Human well-being and planetary health may have been niche issues in the past, but have evolved into mainstream trends. Consumers are demanding sustainable and ethical business practices from the companies they patronize and are voting with their wallets. Social media-driven transparency makes it more difficult for companies to hide unfair treatment of workers, perpetuate gender and racial bias, or mistreat the environment.

But it’s not only about sustainability and ethics. Consumers are also demanding more engaging, more authentic and a wider variety of products, experiences, and entertainment. Changing demographics in the U.S. require companies to diversify their offerings to appeal to many more distinct audiences. Technology has redefined the marketplace and made it possible to profitably cater to a range of consumer preferences and offer customized products — with a compelling back-story to boot. Cross-cultural sharing spanning diverse traditions is recognized as a market opportunity.

By definition, Ethical Fashion, Sustainable Food and Social Impact Media businesses intentionally address the significant environmental challenges of their respective industries. They also offer safe and healthy economic opportunities for workers across
socioeconomic strata — from food workers to fashion designers, seamstresses to game developers, production crew to 4-star chefs. But unlike other social and sustainable companies, these businesses also delight consumers with beauty, deliciousness, and entertainment, connecting them to heritage, culture and community.

The Challenges

While enjoying significant market tailwinds, Ethical Fashion, Sustainable Food, and Social Impact Media also face similar challenges:

- The lack of agreed-upon standards, multiple conflicting standards, voluntary accountability, and marketing labels that sound like true environmental, health and impact standards can confuse consumers and generate skepticism.

- Transparency and accountability require effort and in complex industries can be difficult to ensure. (But are crucial to avoid customer critique of greenwashing or even worse — actual bad practices.)

- Consumer demand for rapid home delivery of unique products from around the globe raises environmental and sustainability questions in the food and fashion sectors.

- New products and services — especially in the media sector — raise questions of profitability and investor risk.

The Role of Impact Investing

The Ethical Fashion, Sustainable Food and Social Impact Media sectors are growing opportunities for impact investors. Dedicated incubators and accelerators are helping creative entrepreneurs develop and scale responsible and sustainable businesses. The expanding and improving universe of impact standards help investors to target and measure their environmental and social results. Nonprofit coalitions, industry groups and membership networks are building the ecosystem for impact-driven companies in these sectors. A growing body of academic studies, industry reports, and press coverage provide the fact base and stories to validate what’s happening. So, it should not be surprising that more than 50 socially responsible and impact funds invested in food, fashion and media over the past 5 years.

Impact investors are attracted to the creative economy by its scale: global problems, big market opportunities, large consumer demand. Early impact investors in Ethical Fashion are trying to reinvent the global supply chain around sustainability and improved livelihoods. Sustainable Food investors are betting that new, delicious and exciting products and experiences will translate to healthy people and a healthy planet. Early movers in Social Impact Media see the power of stories from previously under-represented voices to shape opinions and drive action, while simultaneously creating quality jobs and economic opportunity.
Conclusion

Beyond direct financial, environmental and social benefits, the creative economy has its own unique capacity to drive even greater impact. Fashion enables creative expression and allows each of us to convey our individual identity. Food is a way we can share and blend our heritage and traditions. Film & TV and the new medium of video games help us tell stories that both reflect our history and shape the way we see our future.

Investing in Ethical Fashion, Sustainable Food and Social Impact Media allows impact investors to support the growth of companies that generate deep environmental and social impact — while joyfully inspiring us. It’s time for impact investors to dive deep into the creative economy.

Upstart Co-Lab is connecting impact investing to the $804 billion, 10 million-job U.S. creative economy. A key part of our field-building work is research on investment opportunities in the creative economy. Please visit the Research section of the Upstart Co-Lab website (www.upstartco-lab.org) to find our recent reports including:

HIDING IN PLAIN SIGHT: Impact Investing in the Creative Economy looks at more than 100 funds with $60 billion of aggregate assets that have been investing in the creative economy over the past 5 years.

Creative Places and Businesses: Catalyzing Growth in Communities reviews investable opportunities in the Creative Economy with the potential to stabilize threatened communities and benefit regions looking to attract and develop quality jobs.

The Community Reinvestment Act and the Creative Economy: Investing in Creative Places and Businesses as Part of Comprehensive Community Development highlights the range of creative places and business activities which have benefited from CRA funding over the past 10 years.
THE CREATIVE ECONOMY DEFINED

ETHICAL FASHION
Companies producing clothes, shoes, jewelry and accessories that proactively address industry challenges related to labor, environmental impact, governance, and/or preservation of cultural heritage. (e.g. fashion companies addressing job quality, working conditions and safety; fashion companies addressing resource conservation or toxin reduction; fashion companies facilitating local community engagement or cultural preservation)

SUSTAINABLE FOOD
Producers and providers of food and beverage products and experiences that proactively address and raise consumer awareness of resource conservation, preservation of cultural heritage, and/or access to healthy food. (e.g. artisan and sustainable food & beverage producers and brands; restaurants, caterers, and other hospitality companies focused on these issues; any of these companies prioritizing quality jobs)

SOCIAL IMPACT MEDIA
Companies that leverage the power of communication, storytelling and technology to drive positive social outcomes at scale, give a platform to under-represented voices and/or build a diverse workforce. (e.g. film and television, video games, apps, new and old media that build awareness, skills, or knowledge; create community or give voice to underrepresented and marginalized groups; preserve cultural heritage; offer quality jobs)

OTHER CREATIVE BUSINESSES
Other facility, input, production, and distribution businesses in arts, design, culture, and heritage industries that are run sustainably, provide quality jobs and have a social impact. (e.g. artisan handicraft businesses; sustainable tourism businesses engaged in cultural preservation and exchange; design-build firms offering quality jobs)

CREATIVE PLACES
Real estate projects that are affordable, target creatives or businesses in the creative economy, and benefit their neighbors. (e.g. mixed-use developments anchored in the arts; affordable housing or workspace for artists and creatives; offices for arts organizations and creative businesses; incubators and accelerators for creative economy businesses; fabrication and light manufacturing space; arts-based senior housing; or cultural venues)