

# BE CREATIVE CALL THE BANK

A guide for SMEs in the cultural and creative sectors on how to obtain financing



European  
Investment Fund

**INVEST EU**  
ADVISORY HUB

# **IN THIS GUIDE**

- 1. INTRODUCTION**
- 2. OVERVIEW OF KEY FINANCIAL INSTRUMENTS**
- 3. HELPING YOU CHOOSE THE RIGHT FINANCING OPTION**
- 4. PRESENTING YOUR FINANCING REQUEST — TIPS AND TRICKS**
- 5. GLOSSARY & OTHER USEFUL INFORMATION**

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## AUDIO-VISUAL & MULTIMEDIA

- Motion picture, video and television programme (post-)production and distribution activities
- Motion picture projection activities
- Reproduction of recorded media
- Publishing of computer games
- Sound recording and music publishing activities
- Retail sale of music and video recordings in specialised stores
- Manufacture of musical instruments
- Restoring of organs and other historical musical instruments
- Radio broadcasting
- Television programming and broadcasting activities
- Retail sale of computers, peripheral units and software in specialised stores
- Computer programming activities
- Data processing, hosting and related activities

## HERITAGE, ARCHIVES & LIBRARIES

- Library and archives activities
- Museums activities
- Operation of historical sites and buildings and similar visitor attractions

## BOOKS & PRESS

- Pre-press and pre-media services
- Book publishing
- Publishing of newspapers
- Publishing of journals and periodicals
- News agency activities
- Retail sale of books in specialised stores
- Retail sale of newspapers and stationery in specialised stores
- Printing of newspapers
- Other printing
- Binding and related services
- Translation and interpretation activities

## PERFORMING ARTS

- Production of live theatrical presentations, concerts and opera or dance productions and other stage productions
- Activities of casting agencies and bureaus, such as theatrical casting agencies
- Operation of arts facilities
- Performing arts and support activities

## CCS EDUCATION & MEMBERSHIPS

- Cultural Education
- Performing arts schools providing tertiary education
- Trade associations for the CCS
- CCS Activities of associations and membership organisations for CCS

## ARCHITECTURE

- Architectural consulting activities (building design and drafting town and city planning and landscape architecture)

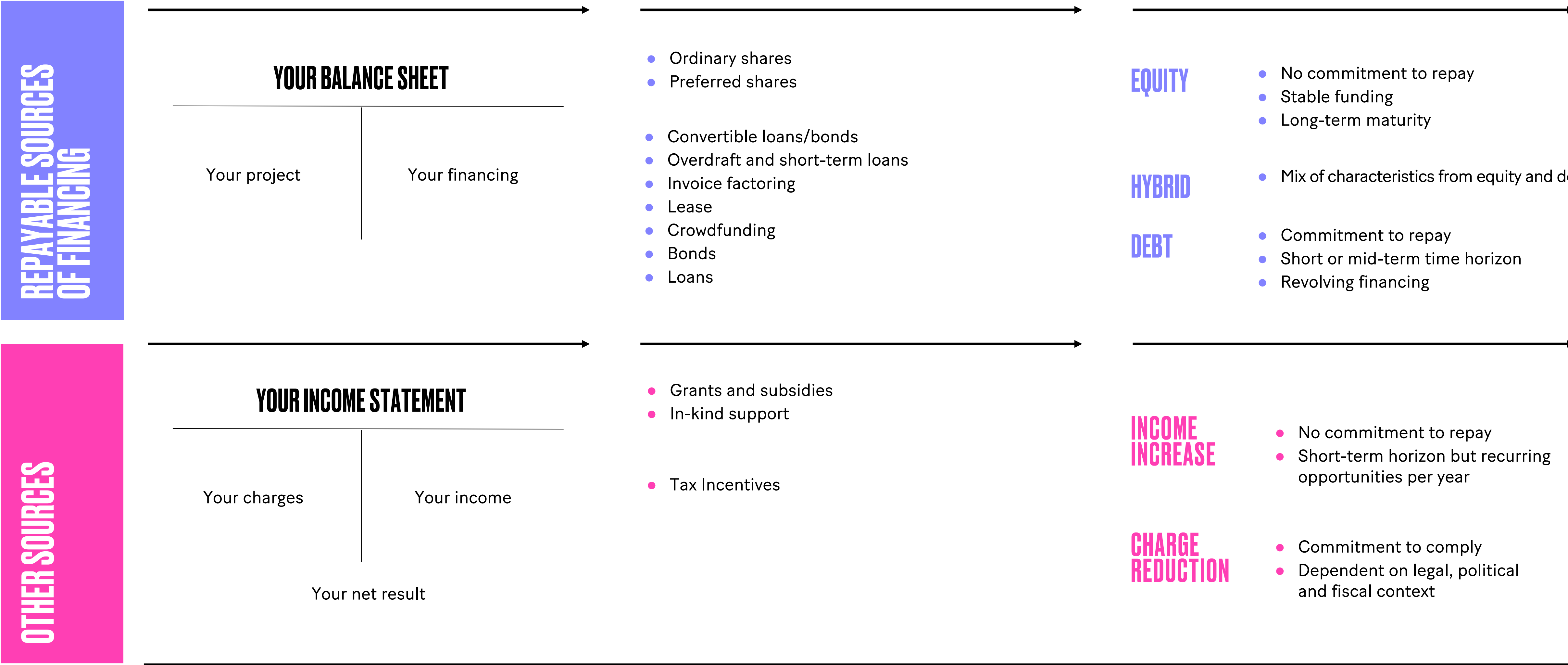
## VISUAL ARTS

- Artistic creation
- Photographic Activities
- Specialised design activities
- Other retail sale of new goods in specialised stores
- Other publishing activities

## OTHER CCS ACTIVITIES

- Wholesale and retail of cultural/creative goods
- Renting and leasing of cultural/creative goods
- Repair of cultural/creative goods

- 
- 1.** Helps you understand and choose between loans, grants, and other financial instruments
  - 2.** Explains what bankers may need to know about your business or project to grant you a loan
  - 3.** Tells you which financial instrument is relevant depending on your stage of business development
  - 4.** Explains the different types of financing
  - 5** Prepares you for pitching and for filing an actual loan application and supports you in ensuring you're ready to apply for financing
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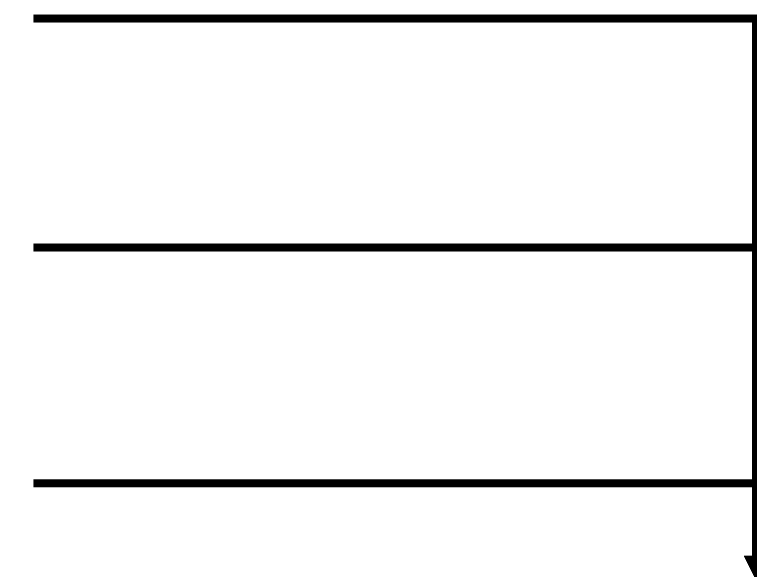


# OVERVIEW

## — AVAILABLE INSTRUMENTS FOR YOUR BUSINESS DEVELOPMENT

### FINANCING SOURCES

- Equity & quasi-equity
- Debt financing
- Crowdfunding



**YOUR COMPANY**

### OTHER RELEVANT INSTRUMENTS

- Grants & subsidies
- Tax incentives





## Description

**Debt instruments** are usually a sizable amount of financing that do not dilute the control over a company and thus allow owners to retain full decision-making power (contrary to Equity Financing). They are typically used for financing your investments (both tangible and intangible) or working capital and stock financing/business transfers. In the CCS, debt instruments (also called loans) are mainly available for short term and project-related financing. Additionally, mezzanine financing is a specific form of debt financing commonly used to support specific growth projects or acquisitions. This type of debt instrument is riskier for the lender and more expensive for the borrower, but allows to raise more financing than the other forms of loans mentioned above. In case of bankruptcy, it is repaid after other forms of debt.

Loans provide financing with a wide variety of drawdown options but in any case consist of a commitment to repay the lender. Debt instruments typically cover all types of maturities and are remunerated via interest rates that usually increase according to maturity. They may require the borrower to provide guarantees/collateral to cover for potential default and to regularly report on the borrowing company's financial performance towards its creditor/bank. External guarantees, such as the InvestEU Cultural and Creative Sectors Portfolio Guarantee Product provided by EIF, allow to reduce the credit risk for the lender and thus incentivize lenders to lend to companies in the CCS.

Debt instruments may also come with certain conditions (covenants) that forbid the borrower to take certain actions or breach certain indicators (negative covenants), or comply with some conditions on financial ratios (positive covenant).

Furthermore, interest costs incurred from debt instruments are usually eligible for tax savings (Tax deductible).

## Typical sources of debt financing

**Given the average size** of CCS entrepreneurs, loans are typically provided by banks or specialised credit.

Debt financing for CCS will usually be below €1 million. In the audiovisual sector, projects typically require larger financing amounts and loans can go up to €3-5 million.

## Example

**Loan financing for CCS** ventures typically ranges from standard bank loans (long or short-term), gap financing, microcredit, invoice factoring to overdrafts. More information on these types of loans can be found in the section "Loans for the CCS – What's available?"

The InvestEU Cultural and Creative Portfolio Guarantee Product aims to ease and widen access to financing for CCS SMEs. The CCS GF can support loans up to a maximum amount of €7.5 million over a minimum maturity of 12 months. Eligibility criteria include among others that (i) your company's activity falls within the domain of the CCS GF NACE codes or (ii) that you have received financing from Creative Europe or filed any kind of Intellectual Property rights. Alongside five other guarantee products, the Cultural and Creative Portfolio Guarantee Product is expected to create more than €10 billion of new loans and other financial products for European SMEs. You can find more information on the Cultural and Creative Portfolio Guarantee Product in [the website of the European Investment Fund](#).

# FOCUS — EQUITY & QUASI-EQUITY FINANCING

## Description

**Equity instruments** are a financing source where an investor will acquire a stake in a company: under this financing set up, the owners of the company gives up part of the control but at the same time they can benefit from financial and business support and advice (e.g. technical or managerial expertise) offered by investors.

Investors will have the right to future earnings. For equity investors, the Total Return of the Investment can take the form of either (i) dividends (most of the time discretionary, which gives some flexibility in terms of cash management at the company level) or (ii) an increase in the Net Asset Value of your company (for instance if earnings are reinvested in new creative projects or tangible assets).

Equity instruments provide stable financing, no commitment to repay the investor and are typically of a long-term maturity.

**Quasi-Equity is a type of financing** that ranks between equity and debt, having a higher risk than traditional loans and a lower risk than common equity for the investors. Quasi-equity investments can be structured as debt, in some cases convertible into equity. They can also take the form of convertible bonds combining elements of both equity and debt. These convertible bonds are debt securities that can be converted into the company's equity shares at certain times during the bond's life, usually at the discretion of the investor. An illustrative reason for issuing convertible bonds is that this gives more security to investors during difficult times for your business but allows them to participate in your company's success.

## Typical sources Of equity/quasi-Equity financing:

**There are different** sources of equity finance in the CCS area: (i) individuals (also called Business Angels), (ii) other companies for strategic reasons (most of the time already active in the CCS field), (iii) Investment Funds (of which Venture Capital Funds for early stage and Private Equity Funds for later stage in a company's development). Equity funds usually make available between €250,000 and up to €5 million to each company they invest in, while at later stages the amounts invested can be significantly higher.

## Example

**A few equity funds** are specializing in the CCS and provide more targeted advice. For instance, in Germany, the Investitionsbank Berlin (business development bank of Berlin for SMEs, and start-ups) [IBB Ventures](#) has a €40 million fund dedicated to the CCS, investing between €300,000 and €4 million per company. In 2023, it has 22 CCS SMEs in its portfolio.

Under [InvestEU's equity products](#), one of the thematic area is the Digital & Cultural and Creative Sectors, with MediaInvest. MediaInvest is a dedicated equity investment instrument designed to foster European audiovisual productions and distribution businesses. The purpose of this instrument is to foster investments that contribute to the strengthening of the EU's competitiveness, digital independence and strategic autonomy, with a focus on data, communications technologies, services and products that facilitate the digital transition and address societal challenges.

For more information on MediaInvest, please check the [factsheet](#) of the equity instrument.

## Description

**Crowdfunding is a method** of raising capital through the collective effort of friends, family, customers, and individual investors.

This approach taps into the collective efforts of a large pool of individuals—primarily online via social media and crowdfunding platforms—and leverages their networks for greater reach and exposure. Crowdfunding allows you to launch fundraising campaigns online and gather financial support from a large number of people, akin to practices of (offline) fundraising.

CCS SMEs can use crowdfunding to raise money online for any idea or project and simultaneously build up communities and improve visibility.

## Typical sources of crowdfunding

There are different crowdfunding models and types of platforms:

### Donations

Donating small amounts while receiving no financial or material return.

### Rewards

Donating small amounts in exchange for a non-financial reward or product in return.

### Peer-to-Peer lending

Where each person lends a (small) amount through an online platform.

### Equity based

Invest in a business via an online crowdfunding platform in return for a share in the business.

## Example

**Important European platforms** specialised in the CCS include [Kiss Kiss Bank Bank](#) (France and Benelux) or [voordekunst](#) (NL).

There are many different platforms and you can access a selection of platforms per country, investment type and business sector [here](#). A list of platforms specialised in the CCS is also available [here](#).

Pay attention to the type of platform and amount of fees they charge per online campaign.



## Description

Tax incentives are public support schemes designed to encourage the production of cultural content and are extensively used for audiovisual production.

They typically refund a percentage of costs (tax rebates) or exempt part of the costs incurred from the application of taxes (tax exemptions).

Tax incentives often cover up to 30% of the costs eligible under the scheme (mostly production costs). They, however, often have a ceiling per company and a maximum budget available per year.

## Typical sources of tax incentives

Tax incentive schemes are normally managed by Ministries of Finance, but the fastest way to access information on CCS-specific ones is to contact the Ministries of Culture or relevant agencies (e.g. arts councils or film agencies).

The [Olffi database](#) provides a comprehensive list of the existing tax incentive schemes for the audiovisual sector in Europe and beyond.

## Example

For other CCS, some examples worth mentioning include:

- In France, a [tax rebate for video games](#) covers 30% of production expenses, for up to €6 million per beneficiary company.
- In Belgium, a [tax shelter for performing arts](#) has been set up, based on the existing audiovisual tax shelter scheme. Up to 70% of the costs can be claimed as fiscal reductions. A [video games tax shelter](#) was also launched in 2022.

# FOCUS — GRANTS & SUBSIDIES

## Description

Grants typically support one-off projects and costs related to developing those projects, with a specific objective (artistic, cultural, social).

They can cover specific activities, such as residencies, production of artistic and cultural works, launch of your company, or training and skills development.

Subsidies may also cover operating expenses and provide a yearly sum to cover your day-to-day costs (wages and salaries, office-related costs). However, not all subsidies support SMEs so you need to carefully examine the extent of coverage offered.

## Typical sources of tax incentives

Grants and subsidies exist in many forms at European, national and local levels. You can find a comprehensive financing guide for arts and culture [here](#). It includes lots of relevant schemes and it gives you an overview of the main public and private grants available for CCS across Europe. [The EU culture funding tool](#) also provides a direct access to all European funding programmes accessible to the CCS.

## Example

The creative industries fund in the Netherlands has a [grant programme](#) for design, architecture and music, supporting SME projects of up to €50,000. Germany has set up a [video games strategy](#) with up to €50 million funding per year for video games developers.

# LOANS FOR THE CCS — WHAT'S AVAILABLE?

## BANK LOANS

Description	Mid-to Long-term Loans are good for	Typical Interest Rate
<p><b>Loans are debt instruments</b> offered by financial institutions. They are based on a bilateral contract that defines the terms for (i) cash withdrawals (drawdown window, fees), for (ii) nominal repayment (term, amortization schedule, prepayment or revolving options) as well as for (iii) the interest formula (floating or fixed rate).</p> <p>A strong collateral may be required for higher loan amounts and will tend to decrease the interest rate expected by the bank.</p>	<p><b>Mature CCS SMEs</b> with well-defined CCS projects and good profit potential, or to finance corporate activities (e.g. management, investments in tangible assets, purchase of Intellectual Property Rights (IPR)).</p> <p><b>Short-term loans are good for</b></p> <p><b>CCS SMEs with average credit</b> reputation who need short-term financing. These loans have easy online applications and looser eligibility requirements. You may get approved and receive funds the same day you apply. However, they can be quite costly, with an interest rate much higher than that of a traditional bank loan.</p>	<p><b>Interest rates will vary</b> according to maturity and riskiness of your project but will be higher for short-term loans.</p> <p><b>Where to obtain Loan financing</b></p> <p>Banks and specialised credit institutions.</p>

# LOANS FOR THE CCS — WHAT'S AVAILABLE?

## INVOICE FACTORING

### Description

**The company** sells its outstanding invoices to a lender, who might pay the company for example 70% to 85% up front of the value of the invoices. Once the acquired invoices are fully paid, the lender remits the remaining of the invoiced amount to the company (i.e.15% to 30%). The company is usually charged by the lender with interest and/or fees for this service.

### Good for

**Resolving cash flow problems** stemming from unpaid invoices. A good reputation of repaying credit is needed here.

### Where to obtain Factoring financing

Banks and specialised credit institutions.

### Typical Fees

Fees typically depend on a number of factors:

- the industry the company is operating in
- the volume of invoices factored
- the quality and creditworthiness of the customer base
- the specific terms of the factoring agreement
- the days outstanding of open invoices

Fees usually range between 2-3% for the first 30 days and traditionally increase with an additional 0.5-1% for every ten days there after.

## MICRO CREDIT

### Description

**Microcredit** refers to small loans granted to finance micro-entrepreneurial activity. These are often backed by government agencies or business support organisations ([example from Ireland](#)). The analysis of the borrower's creditworthiness focuses mainly on qualitative factors.

### Good for

Young artists and independent small CCS firms not able to access the traditional banking market.

### Where to obtain Factoring financing

Banks and specialised microfinance institutions.

### Typical interest rate

Interest rates are higher than those offered for classical bank loans to account for the lack of collateral/guarantees.



# LOANS FOR THE CCS — WHAT'S AVAILABLE?

## OVERDRAFT

### Description

**Overdrafts** allow you to continue withdrawing money even if your bank account has no funds in it or not enough to cover the withdrawal. It practically means that the bank allows you to borrow a certain amount of money (without signing a dedicated contract as is the case for a Loan). This may not be very costly in terms of interest rates provided that you make up for the overdraft quickly thereafter. However, additional fees may be charged (often at a floored amount) which inflates the relative cost for lower amounts of overdraft.

### Good for

CCS SMEs looking for “last resort” financing to cover unforeseen additional costs. However, the maximum amount is low and must be repaid quickly.

### Where to obtain Overdraft financing

Your bank or credit institution.

### Typical interest rate

Interest rates on overdrafts are higher in order to incentivize the borrower to ensure a timely repayment.

## GAP FINANCING

### Description

These loans provide the missing financial resources needed for the completion of your project counting on future revenues deriving from future contracts. Financial intermediaries lend amounts primarily based on the sales estimates of your project (e.g. exploitation rights of films).

### Good for

Interim financing for (large) content productions, to allow you to develop your film/music album/video games and start securing commercialisation contracts.

### Where to obtain Gap financing

Banks and specialised credit institutions.

### Typical interest rate

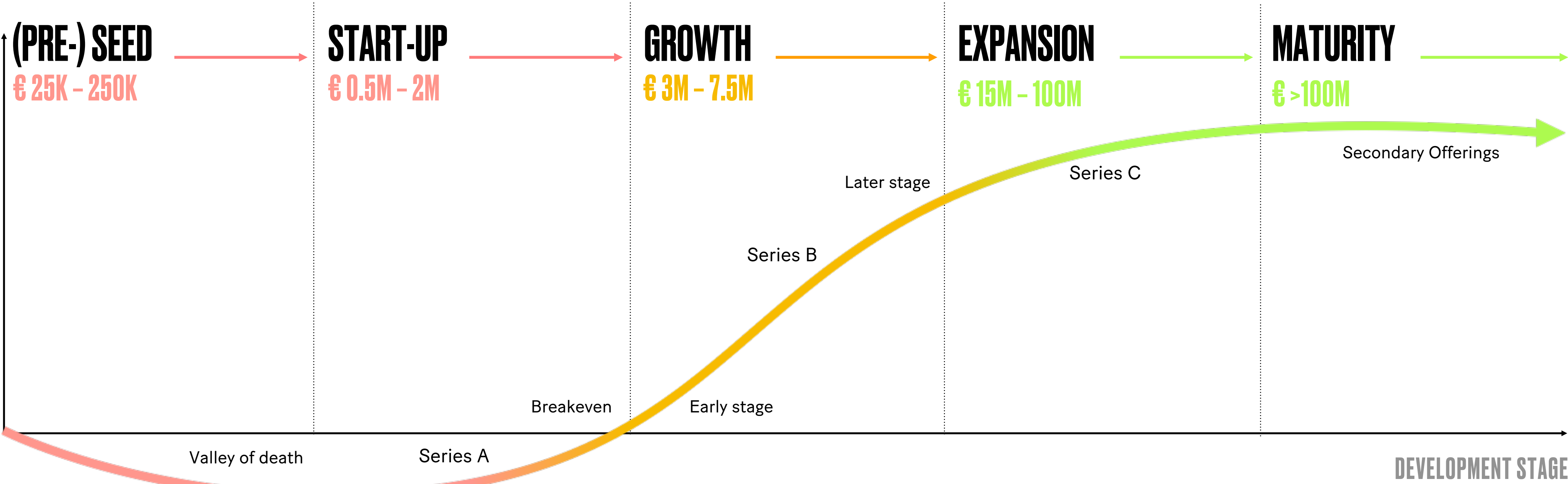
Interest rates are typically higher than those of standard bank loans due to the induced riskiness of future sales estimates.

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# THE MATURITY CYCLE & FINANCING POSSIBILITIES

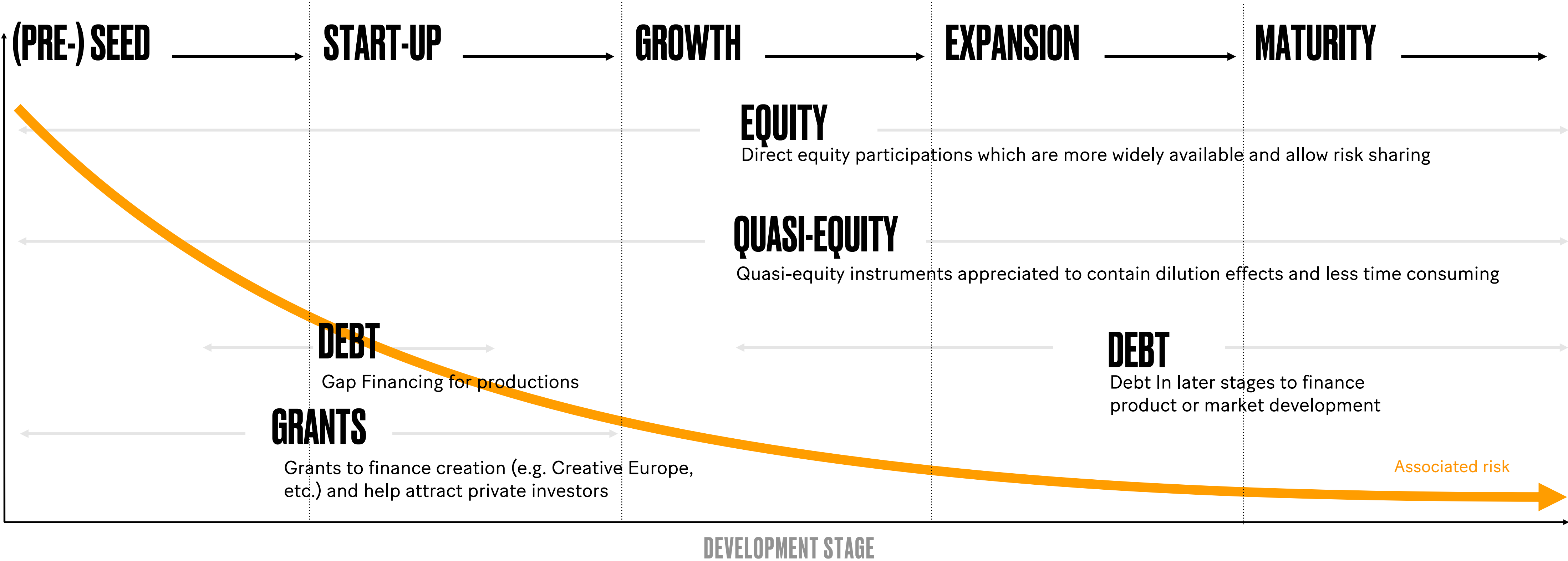
HELPING YOU CHOOSE THE RIGHT FINANCING OPTION



- USE OF FUNDS**
- R&D and proof-of-concept
  - Market research
  - Product design
  - Product market fit
  - Business model
  - First productions for some sectors (design, fashion, music)
  - Marketing campaigns
  - Talent recruitment
  - Productions for most CCS
  - Catalogue of rights
  - Market/product development
  - Staff
  - Internationalisation
  - Catalogue of rights/slate of productions
  - For audio-visual and video games: larger productions;
  - Talent recruitment
  - Product improvement
  - Go international / new distribution channels
  - Large catalogue of rights/slate of productions
  - Meet local regulation requirements
  - Enter new markets
  - Talent recruitment
  - Scale-up / Go international
  - International productions
  - Going public
  - Transition
  - Exit
  - Growth push (new investors)
  - Acquisition

# FINANCIAL INSTRUMENTS PER DEVELOPMENT STAGE

HELPING YOU CHOOSE THE  
RIGHT FINANCING OPTION



## PRODUCTS PER TYPICALLY OBSERVED INSTRUMENT

- DEBT**

  - Loans
  - Bonds
  - Factoring
- QUASI-EQUITY**

  - Subordinated loans
  - Convertible bonds
  - Warrants
- EQUITY**

  - Preferred stocks
  - Common shares

## GRANTS, GUARANTEE AND OTHER SIMILAR PRODUCTS

Presented information is context dependent and should not be considered as mutually exclusive among development phases

## DEBT

## QUASI-EQUITY

## EQUITY

PROS

- Conservation of decision-making powers
- Tax savings
- Can be structured to address specific business needs e.g. invoice and/or gap financing

- Limits dilution of existing shareholders (early investors)
- Lower investor governance requirements in comparison to equity – more decision-making powers

- Provides long-term focus to the company
- Alignment of interests between management and investors
- Avoids cash management considerations (debt servicing, repayment)
- Reinforces the credibility of the business and the management team (investors trust)
- Obtain access to expertise (shareholders), networking and other means of scaling up your company

CONS

- Requires payment of principal (initial amount borrowed) and interests
- Increases default risk
- Need of periodical financial reporting towards creditors

- Requires payment of principal (initial amount borrowed) and interests, or preferred dividends
- Increases default risk and may cause conversion risk
- Potential misalignment of incentives when instrument maturity or conversion period is approaching

- Ownership dilution – less decision-making powers
- May require governance of the shareholders through board seats (depending on the percentage invested)



# COMPARISON — DEBT FINANCING VS. GRANTS & SUBSIDIES

## DEBT

### PROS

- Conservation of decision-making powers
- Tax savings
- Can be structured to address specific business needs e.g. invoice and/or gap financing
- Wide offer of loans and different debt financing products
- No intermediaries involved: The financing goes directly to your SME for the purpose of financing a business activity or a specific project with income-generating potential

### CONS

- Requires payment of principal (initial amount borrowed) and interests
- Need to demonstrate your company's financial health and ability to repay
- Requires a sound business model and a clear vision on revenue streams, market position and monetization
- Need of a periodical financial reporting towards creditors

## GRANTS & SUBSIDIES

- No need to repay
- Accessible at early stages
- Your company's financial accounts only need to meet admin requirements
- Conservation of decision-making powers
- Artistic quality, cultural and social impacts are valued

- Limited grant amount per project
- Support often goes to artists and not-for-profit organisations, or commercial intermediary organisations (incubators, clusters, hubs) rather than directly to SMEs
- Very limited financing availability (budgetary issues), with high competition for financing
- Time to grant may be long and applications may only be accepted at specific time windows
- Grants and subsidies are often (partly) paid ex-post, once the project is finished

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# WHAT DO FINANCIAL INTERMEDIARIES EXPECT FROM YOU?

- 1.** A description of your business model
- 2.** Clear business case and explanation on where your revenues will come from
- 3.** Un business plan e le sue ipotesi sottostanti (preparare diversi scenari)
- 4.** A presentation of your historical financials (explanation of your balance sheets; and trends in your profits and losses)
- 5.** A convincing explanation of your team's track record and references of previous work

- 6.** A collateral: how do you prove you can pay back your loan
- 7.** If you apply to a bank working under the eif investeu cultural and creative sectors portfolio guarantee product, the process should go more smoothly!
- 8.** Clear explanations on the challenges faced by your company: who your competitors / customers are, what your sources of revenue are (and will they still be there in the future)
- 9.** Ways to address the risks of your project: prepare for the worst case scenarios and propose clear solutions to deal with them

# LOANS

## — FROM PREPARATION TO NEGOTIATION

### BUSINESS PLAN PREPARATION

Prepare a business plan related to project / development of your company, where you should:

- Identify main value drivers
- Estimate & review of main value driver hypotheses
- Determine related cost structure
- Forecast capital expenditures
- Working capital assumptions

#### Objective

Ensure integrity & robustness of your business model – get ready for the investor’s scrutiny

Perform high-level financial due diligence of the company:

- Assess company’s historical performance:
  - Your balance sheet: capital structure, working capital, off-balance sheet items, etc.
  - Main profits and loss trends (volume & pricing, gross margin, staff expenses, EBITDA margin, etc.)
- Assess company’s forecasted figures

#### Objective

Assessment of the objective performance of your business

### PREPARE FINANCING FILE / INVESTOR PRESENTATION

#### Complement Business Plan:

- Demonstrate financial viability of envisaged project (e.g. debt repayment capacity)
- Realize stress tests of main commercial & financial business plan assumptions & assess related debt repayment implications

#### Non-financial aspects:

- Present investment rationale & proposition
- Business overview, development plan & overall strategy
- Clarify specificities of your sub-sector that will help the investor understand your business plan
- Management overview (track record, qualifications, etc.)
- Frequently asked questions

#### Objective

Highlight key selling points & provide comfort in terms of debt repayment capacity

### NEGOTIATION PROCESS

- Present financing file to credit institution (see guidance in the next pages)
- Negotiation of key loan terms (interest rate, amount, duration, etc.)
- Assistance in the negotiation of auxiliary items (e.g. warranty, early loan repayment, etc.)
- Contract review (legal)

#### Objective

Obtain financing which is in line with your project’s characteristics (duration, cash flow generation, etc.)

# THE BUSINESS MODEL CANVAS

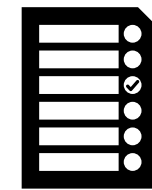
## — A SIMPLE TOOL TO GIVE LIFE TO YOUR BUSINESS MODEL

25

PRESENTING YOUR FINANCING  
REQUEST — TIPS AND TRICKS



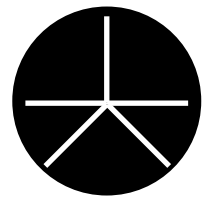
KEY PARTNERS



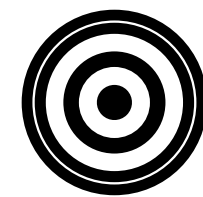
KEY RESOURCES



KEY ACTIVITIES



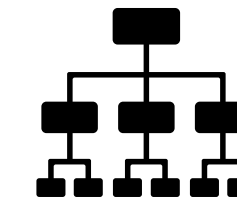
CUSTOMER  
SEGMENTS



VALUE  
PROPOSITION



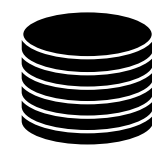
CUSTOMER  
RELATIONSHIP



CHANNELS



COST  
STRUCTURE



REVENUE  
STREAMS

# PAINTING THE BUSINESS MODEL CANVAS — PROPOSED PROCESS



## KEY PARTNERS

### **Your idea sits in a value chain.**

There is a good chance you do not do everything by yourself, someone sits before or after you to enable you to do your business.

### **Partners are great.**

A good partnership can transform your sales, by increasing your traffic, or doing something better than you could do yourself.

### **Partners are all about specialisation.**

You need to channel your energy towards your strengths and outsource your weaknesses to others who specialise in those non-core activities.

These arrangements allow you to **swap fixed costs** for variable costs – buying only a finished product, rather than paying for all the research, development, machinery, etc.

**Eliminate dependencies.** They are dangerous because they present significant risk. If you have a key partner who could sink your business with a decision, then you need to find a backup.

### **What partnership would be valuable in the future?**

Create opportunities for your business by exploring the 'What if?' questions.



## KEY RESOURCES

### **What does your business depend on?**

#### **What can-you not afford to lose?**

It could be a person, a building, equipment or machinery, intellectual property, a brand, etc. Key resources are expensive to own, but they can be worthwhile.

### **Do you have a plan for defending/retaining them?**

By listing them here, you can find ways to protect them, back them up and ensure your business' longevity.

### **Are there opportunities to move something off to a partner?**

It's worth toying with the idea of outsourcing the less important functions/resources to a Key Partner, an expert in the field. This will allow you focus on the core business.

### **Are there opportunities to in-source something that is currently owned by a partner?**

Vice-versa, it can be worthwhile to pull a feature in-house (e.g. how Netflix produces its own content).



## KEY ACTIVITIES

### **What needs to be regularly done to keep the model running?**

There are a lot of things to be done and not a lot of space in the Key Activities box.

### **Strategy is sacrifice:**

Your job as entrepreneur is to decide which activities not to do in order to maximise the ones that are most important. The things to list are the activities that must be done to a 5-star standard in order to deliver your Value Proposition.

### **What activities could be outsourced to a partner?**

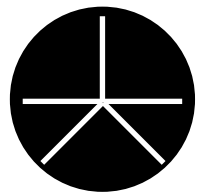
For example, every company does some accounting, but accounting isn't generally a key activity (unless you are an accounting firm) - > it can be outsourced.

### **What activities could be moved in-house?**

Again, focus on those activities that could maximise your Value Proposition.



# PAINTING THE BUSINESS MODEL CANVAS — PROPOSED PROCESS



## CUSTOMER SEGMENTS

### Who is your customer?

Without this piece of info, reflecting on all the other parts of the canvas is impossible.

3 types of roles:

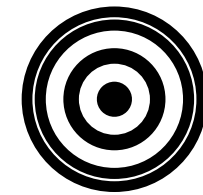
- Customer – who makes the decision and pays the money
- End user – who ends up experiencing the product/service
- Beneficiary – who is better off because of the product/service

Each of these three roles may be served by the same or different entities.

### Painting the picture... Once the customers are identified, how do you describe them?

- Demographics – descriptors like age, gender, height, race, location, wealth, occupation
- Psychographics – attitudes, worldviews, beliefs

Categorising your customers by these descriptors gives you the **customer segments**. You shouldn't have more than 5-6 segments.



## VALUE PROPOSITION

### What is your customer really looking for?

How will your product/service make their life better, to the point that they will happily pay for the value proposition?

### Create a unique Value Proposition for each of your identified customer segments.

People can buy the same product at the same time for completely different reasons and you need to understand each of them.

- **Why?**  
What drives the customers' behaviour?
- **What drives you?**  
Look at your own decision making process. Why do you create your product/service?

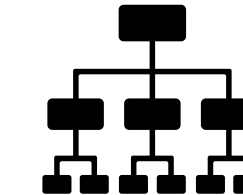


## CUSTOMER RELATIONSHIP

### Match your Customers and Value Proposition.

Not every business engages with its customers in the same way. You need to be clear on the type of relationship your business intends to have with your customers.

1. **Is this a short-term or a long-term relationship?** For many businesses the aim is to turn short-term relationships into long-term ones. You need to understand your customers in order to incentivise them to come back.
2. **Is this a personal or automated relationship?** Some customers need a personal interaction (to answer their questions, to help them into a purchase), others need an automated buying process (e.g. Amazon). What level of personal interaction best delivers your Value Proposition?
3. **Are you focused on acquiring customers or retaining them?** There are Acquisition Focused businesses (e.g. banks) as they operate in a less dynamic sector. There are Retention Focused businesses, who run schemes with reward cards and cheap offers (they are active in very dynamic sectors – e.g. supermarkets).



## CHANNELS

### A channel is your method of bringing happiness to your customer.

It describes the way you deliver your Value Proposition to each customer segment.

- You do not always have to invent a new channel, you just have to use the most appropriate existing one, given the various needs and desires.
  - Sometimes a channel adds to your Value Proposition (e.g. an audiobook: the book together with the channel it is delivered on create the Value).
1. **Your acquisition channel** – how you first encounter and entice your customers
  2. **Your delivery channel** – how you provide the benefits to your customers
- These are not often the same
  - A business needs to be an expert at both of these channels
  - **A channel should fit naturally with your customer segment**
  - **A channel should fit naturally with your Value Proposition**

# PAINTING THE BUSINESS MODEL CANVAS — PROPOSED PROCESS



## COST STRUCTURE

It tells you the total amount you are due to spend and the format in which you spend it.

For instance, there are one-off costs versus ongoing costs, fixed costs versus variable costs.

### One-off costs

Costs to start a business are an initial hurdle – items and services that you need to begin your business but last for many years. If you are a start-up it may be better to rent what you need, as this lowers the risk.

### Ongoing costs

Most costs are continuous (such as raw materials, staff time, annual licences, maintenance, etc.) It is important to know your average monthly figure for these services.

### Fixed costs

These are the costs incurred on items that are not directly used in serving a customer and remain constant irrespective of the volume of your sales e.g. rent, heating & electricity. These items are not directly consumed by your customers.

- Fixed costs are generally more economical than variable costs.

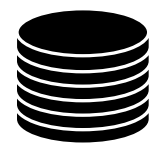
### Variable costs

These are the costs incurred on items that are directly used in serving a customer and which vary based on your number of sales. E.g. if you double your sales you will have twice the shipping costs, ingredients costs, etc.

- Variable costs reduce your breakeven point.

HOW CAN YOU CHANGE YOUR  
COST STRUCTURE TO IMPROVE  
YOUR CHANCES FOR SUCCESS?

# PAINTING THE BUSINESS MODEL CANVAS — PROPOSED PROCESS



## REVENUE STREAMS

Price is the test of your Value Proposition.  
Does it confirm the value proposition?

### What does each customer segment buy?

This helps you understand who is responsible for each type of sale, so you can decide which segments deserve more attention.

### How much does each customer spend per transaction?

You want to understand what triggers each type of purchase and the price sensitivity for each transaction. This also tells you how easy it is to up-sell or cross-sell to your customer.

### How many purchases does each customer make?

How often does a happy customer come back? By understanding how customers use your product, you can predict their spending patterns and forecast revenue.

### Design your price strategy

There are 3 approaches:

#### 1. Cost-plus pricing

Where the wholesale cost is augmented by a margin, which sets the price for customer (e.g. like in supermarkets). A multiplication factor can also be applied to calculate the margin (e.g. in the fashion industry).

#### 2. Market-based pricing

The nearest competitors are examined and the pricing is based on theirs within an 'acceptable range' below which you will attract customers and above which you will lose them.

#### 3. Value-based pricing

Determine how much the item or service is worth to the customer then set the price accordingly (e.g. drinks at festivals are more expensive, as they are perceived as part of the experience).

## WHAT IS THE GAP BETWEEN YOUR CURRENT COSTS, FINANCING RESOURCES AND CURRENT REVENUES?



# PRACTICAL GUIDANCE ON PITCHING TO THE BANK — PITCH DECK

A concise, easy-to-understand, and highly visual presentation of a business idea that's usually created using PowerPoint-like software and delivered electronically to investors prior to a face-to-face meeting.

## INTRODUCTION

### Keep it short and sweet

A one or two sentence answer to the question 'Why does your company exist?' It informs your investors why they should pay attention to you. It must genuinely captivate your audience as quickly as possible.

## PROBLEM

### What problem do you wish to solve?

Your project must solve a problem people want to rid themselves of. You can think of it as adding something (happiness, excitement, human connection, etc.) or taking something away (e.g. anxiety, loneliness, self-doubt).

## SOLUTION

### How are you going to solve the problem?

This part outlines your Unique Value proposition for your business model. It should clearly distinguish you from the competition and match your identified customer segments.

## MARKET SIZE

### What is your target market?

This is a straightforward description of:

- The size of the market you are addressing
- The growth of the market / your niche in the past few years
- The number of people you expect to be able to reach through your marketing activities
- The number of people most likely to purchase your product

## PRODUCT

### How does your product work? Provide examples.

This indicates a clear overview of the details of your product in terms of functionality, architecture, design and development. It should also mention the current stage of development and when you plan to release it to the public.

## TEAM

### Show the people behind the idea

A concise, relevant overview of the members of your team, their qualifications and experiences and how they know each other. Remember that investors invest in people!

## BUSINESS MODEL

### How will you monetize your product and build a scalable business?

Use the Business Model Canvas you developed in the previous step!

## INVESTING

### What is your planned budget? What kind of money are you looking for?

## FOLLOW-UP

Leave your contact details and let people know how to reach you quickly.

# PRACTICAL GUIDANCE ON PITCHING TO THE BANK — LIVE PRESENTATION

Investors are looking for more information than what's presented in your pitch; they also want a chance to interact with you face-to-face to get a sense of your personality in "real life".

## HOOK YOUR AUDIENCE

Use interesting facts, unique personal stories. Avoid cliché statements, promises about billion euro markets.

## DESCRIBE THE PROBLEM

Make the investors 'feel' the customer pain you intend to solve. A bigger problem means greater success for a company that can solve it.

## STRESS YOUR UNIQUE VALUE PROPOSITION

Clearly demonstrate how your proposed solution differs from all others currently available. Be very specific.

## DEMONSTRATE TRACTION

Traction is the proof that your company is gaining customers, generating buzz. It is very important when it comes to securing investment. If you haven't yet collected enough data to make your traction evident, then show investors that your operations are solid.

## BET ON YOUR TEAM

At the end of the day, investors invest in the real-life people who reside behind 'sexy' ideas and earnings. Convince them your startup team is solid, with intelligent, qualified, experienced and dedicated people.

## EMPHASISE MARKET DYNAMICS

Convince investors that your market niche can support your business. Prove that your domain is vast and has potential to quickly expand.

## CLOSE THE DEAL, SET UP THE NEXT STEPS

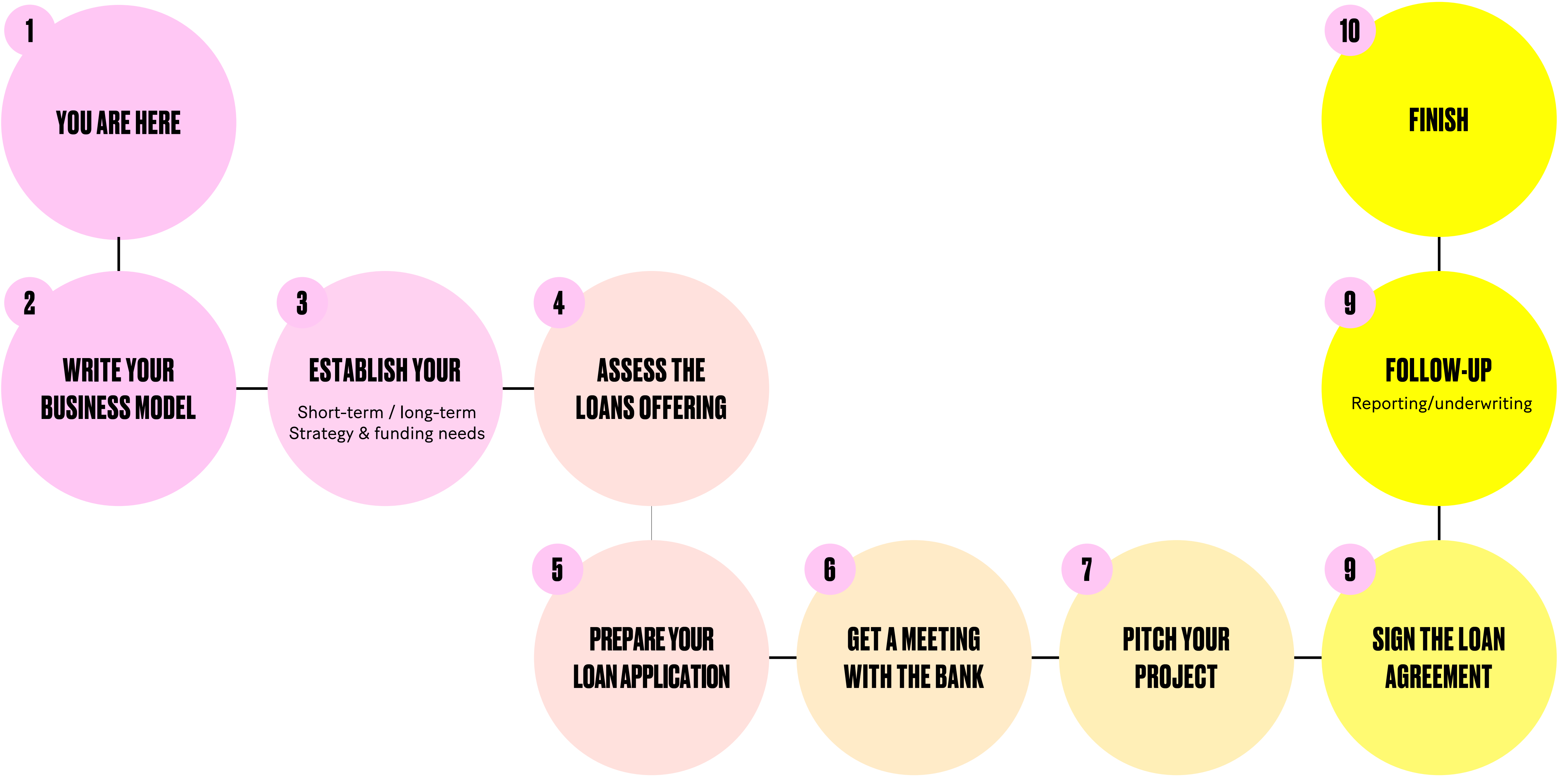
Once you complete your live pitch, move closer to deal: exchange business cards, try and arrange a date for the next meeting, or schedule a follow-up phone call. Manage the 'pipeline' and keep the momentum going.

**Never leave a meeting without having the next point of contact confirmed in advance.**

# CHECKLIST

✓ Here is all the process. Mark with a tick the circles to see your progress.

## PRESENTING YOUR FINANCING REQUEST – TIPS AND TRICKS



# IN THIS GUIDE

1. INTRODUCTION
2. OVERVIEW OF KEY FINANCIAL INSTRUMENTS
3. HELPING YOU CHOOSE THE RIGHT FINANCING OPTION
4. PRESENTING YOUR FINANCING REQUEST — TIPS AND TRICKS
5. GLOSSARY & OTHER USEFUL INFORMATION



# LEARN THE LINGO

The main terms you will probably come across or hear about while interacting with financing institutions.

## ASSETS

- **Intangible:** The long-term resources of an entity which have no physical existence. They derive their value from intellectual or legal rights, and from the value they add to the other assets.
- **Tangible:** Cash, equipment, machinery, plant, property anything that has long-term physical existence or is acquired for use in the operations of the business and not for sale to customers.

## BUSINESS MODEL

The means and methods you will use to earn the revenue needed to achieve your goals. It can be described in a business plan, a written document describing in detail how you are going to achieve your goals taking into account marketing, financial and operational aspects.

## COLLATERAL

Specific asset pledged as a secondary security by a borrower or guarantor to guarantee the repayment of a loan. The principal security is usually the borrower's personal guarantee or properties, business assets, or the cash flow of a business. Lending institutions will demand collateral if the primary and principal security is not considered to be reliable or sufficient enough to recover the loan in case of a default. In some cases this collateral can be provided (partly or in full) by a third-party, which agrees to be directly or collaterally responsible for the obligation (contract fulfilment, loan) of the borrower.

## CREDENTIALS

The proof that you qualify for a specific procedure and fulfil the defined requirements.

## CREDIT RATING

Evaluation of your ability to repay your loan in time on the basis of (1) your credit history, (2) your present financial position, and (3) your likely future income.

## DEBT FINANCING

Raising capital by borrowing money from a lender or a bank. The amount of the loan (the principal) must be paid back at the agreed date(s) in the future, according to a repayment schedule.

## EQUITY FINANCING

The process of raising capital for business purposes through the sale of shares in an enterprise. The ownership stake in the company gives the shareholder a claim on future earnings, but it does not need to be paid back. Equity can be calculated as the residual value of assets (the amount that a company expects to receive for an asset at the end of its service life less any anticipated disposal costs) minus any liabilities (debt or obligations).

## MEZZANINE FINANCING

Mezzanine financing is a combination of lending and provision of equity by the borrower. Mezzanine loans often give the lender a chance to convert to equity if the agreed amount of the loan is not paid back within the stipulated me period or terms. It is a hybrid product with debt and equity characteristics, with a higher price (and risk) than debt financing.

## REVENUE STREAM

Source of revenues of your company or organisation. It is generally made up of either recurring revenue, transaction-based revenue, project revenue, or service revenue.

## RISK MITIGATOR

Ways to alleviate the risks of business failure. This can include, in particular, reliable financing sources (such as public funding), your team track record, and strong credit ratings.

## INTRODUCTION TO CULTURAL & CREATIVE BUSINESSES

- [To sell or not to sell?](#) An introduction to business models (innovation) for arts and cultural organisations.
- [New and Changing Dynamics: How the Global Creative Economy is Evolving](#), shows how the global creative economy is changing and has sections about financing, finding your audience etc.
- [Risky experiments, mixed returns: recent research on business model innovation in UK performing arts organisations](#)
- [Business model profiling of cultural centres and performing arts organisations](#)
- [So you need money? A guide for creative entrepreneurs on financing](#)
- [Philea's mapping of philanthropic funding for the CCS](#)

## BUSINESS MODELS IN PRACTICE

- [The creative enterprise toolkit](#), a framework to develop a business plan by exploring your idea and creating a business model that suits your hopes and motivations ([EN](#), [ES](#), [PT](#)).
- [David Parrish, Creative Industry Business Guide](#), developed in the context of the West-Midlands with take away lessons for any creative entrepreneur.
- [David Parrish, 'T-Shirts and Suits: A Guide to the Business of Creativity'](#)
- [Creative project canvas](#), a useful tool to elaborate, clarify, evaluate and reflect on past, present and future projects, products and services.
- [CreativeEntrepreneurs.co](#), a tool collecting and organising links to all the resources you need to start and grow your creative business.
- [Bridging the gap](#): new mentoring methods for young creative entrepreneurs in Europe
- [Resources on Entrepreneurship and Resources on Organisational Capacity](#) by Work in Culture.
- [Handbook for creative industries: how to approach internationalization](#) by Architects Council of Europe, a guide to working internationally, to search for new markets and new clients in Europe, and how to sell your products/services

## ORGANISATIONS

### European Investment Fund

- [InvestEU Cultural and Creative Portfolio Guarantee Product](#)
- EIF's tutorial video:
- To apply to the guarantee products: [InvestEU Portfolio Guarantees - How to apply? – YouTube](#)
- For CCS organisations: <https://www.youtube.com/watch?v=Ve7YB8i18Ww>
- [Creative Europe Desks](#)
- [b.creative, the global network for cultural and creative entrepreneurship](#)
- [European Creative Hubs Network](#)
- [European Creative Business Network](#)
- [Creative Business Cup](#)
- Many of the above-mentioned organisations' members organise practical training and skills development sessions. For example Estonia has developed a comprehensive [incubation scheme for creative industries](#).

## GROUPS

- [GLOBAL FEMART](#) – network supporting female artists and creatives to globalise their business.
- [Forum "entreprendre dans la culture"](#) (FR)

## CROWDFUNDING

- [How to crowdfund successfully for start-ups and SMEs](#)
- [Practical tips for your cultural crowdfunding campaign](#)
- [Study Reshaping the crowd's engagement in culture](#)
- [A list of platforms specialised in the CCS](#)

## TAXATION

- [The Ultimate Cookbook for Cultural Managers: VAT for artists in an international context](#)
- [The Ultimate Cookbook for Cultural Managers — Taxation of Artists in International Context](#)

## BUSINESS MODELS & PITCHING

- [https://www.skipr.nl/wosmedia/10309/business\\_model\\_generation\\_summary.pdf](https://www.skipr.nl/wosmedia/10309/business_model_generation_summary.pdf)
- <https://www.culturepartnership.eu/en/publishing/public-speaking-course>
- [How to ask for financing for creative businesses](#) (IT)

# THANKS



European  
Investment Fund

**INVEST**EU  
ADVISORY HUB