

Experience Industry bounces back from the COVID-19 pandemic and reaches a new record-high revenue of 26.5 billion euros in 2023

Mika Naumanen VTT

How is the Experience Industry currently doing?

We surpass conventional industry classification boundaries and explore the business activity within the Experience Industry

Technological innovations are estimated to generate a revenue of €2.3 billion and added value of €1 billion in the industry

Metaverse meets the Experience Industry

Our objective is to gain insights into the business activities within the Experience Industry by utilizing language models to analyze keywords across 12 specific categories. At the core of our investigation lies the evaluation of language models' reliability in characterizing company activities within this industry, as well as the exploration of uncertainties introduced by these models.

Experiences have become an essential part of modern consumption. The Experience industry – an umbrella term under which falls tourism, events, hospitality, arts and culture, and movies and gaming – has seen extensive growth during the past decades. However, the COVID-19 pandemic dealt a severe blow to the experience industry, significantly impacting its operations and revenue.

In our research, we have uncovered the resilience of the experience industry. Despite facing significant disruptions, the industry rebounded to achieve a record-high revenue of approximately €26.5 billion in 2023. Events and Cultural Services emerged as the leading revenue drivers, contributing over 40% of the total revenue and employing approximately 64,000 individuals. Additionally, Creative Content and Creative Services played substantial roles in bolstering the industry's performance, collectively contributing €6.3 billion in added value.

The industry encompasses approximately 23,500 businesses with revenues exceeding 50,000 euros. These enterprises collectively employ over 115,000 person-years, equivalent to more than 145,000 individuals earning above 10,000 euros annually. Notably, this marks an increase of 10,000 persons compared to pre-COVID levels in 2019.

Our analysis further reveals the intricate distribution of internal functions within the industry, highlighting the significant impact of sectors such as technological innovations, which notably include software companies generating €2.3 billion in revenue. This exposition underscores the resilience and adaptability of the experience industry, reaffirming its pivotal role in modern consumption patterns.

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More information: Mika Naumanen, mika.naumanen@vtt.fi, + 358 40 536 0868.

Introduction

Industry classification systems are pivotal taxonomies for categorizing companies based on their business activities, aiding in the comprehension of activity concentration. The Standard Industrial Classification (SIC) holds significance not only in compiling statistics but also in facilitating international comparisons and governing various national systems such as taxation and legislation. However, the evolving nature of companies, innovations in business models, and shifting industry boundaries present challenges to traditional classification systems.

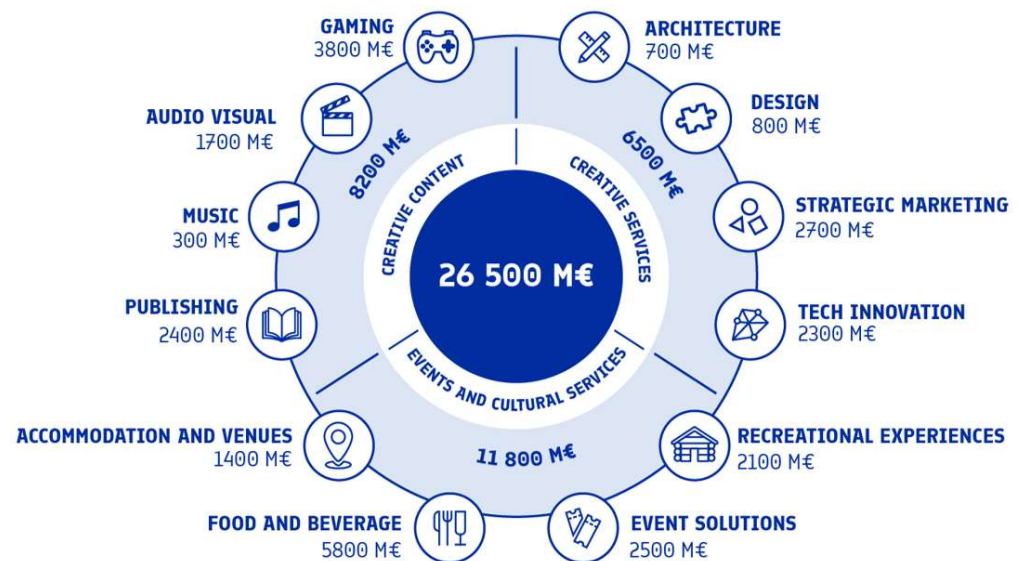
Objective

Recognizing the complexity of companies operating across multiple sectors, our objective is to explore the business activity within the experience industry. We aim to assess the effectiveness of large language models in articulating activities spanning diverse sectors, surpassing conventional classification boundaries. Our approach involves leveraging language models to analyze keywords and generate comprehensive profiles linking specific terms to industry-related activities. Focusing on 12 distinct sectors, we aim to enhance our understanding of the multifaceted dynamics within the experience industry.

Key findings

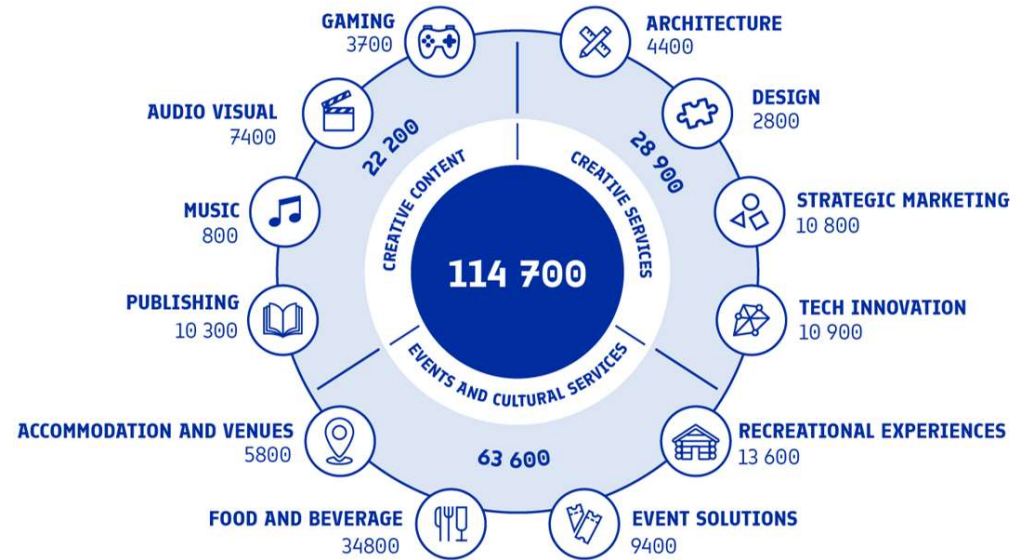
The experience industry has demonstrated resilience despite the challenges posed by the COVID-19 pandemic, rebounding to reach a record-high revenue of approximately €26.5 billion. This is an increase of over €2 billion. Events and Cultural Services emerged as the primary revenue driver, constituting over 40% of the total revenue. Creative Content, representing reproducible products, also played a substantial role, accounting for about one-third of total revenue and contributing nearly €4 billion in added value. Conversely, Creative Services, comprising about one-fourth of the revenue, added almost €3 billion in value.

Figure 1. Estimated revenue across the 12 categories of the experience industry, 2023.



Despite the considerable value added by reproducible products, they employ only around 18% of the workforce, while Events and Cultural Services employ over half, highlighting the sector's significant role in employment generation.

Figure 2. Estimated number of person-years, 2023.



Approach

Our analysis aims to comprehensively explore the nuances of language models, focusing on their responses and the reservations they express when interpreting company information. In this endeavor, we evaluate the proficiency of three leading language models, ChatGPT-3, ChatGPT-4, and Google BARD (now Genesis), within the framework established by the United Nations Conference on Trade and Development (UNCTAD) Creative Economy Network. This framework, utilized in various Finnish contexts since 2012, delineates three primary classes of activities: Creative Content, Creative Services, and Events and Cultural Services. These classes encompass distinct sectors contributing to the landscape of the experience industry

Methodology

Our methodology entails the identification of key players within the experience industry framework, drawn from insights gleaned from industry codes and prior studies across European countries. We begin by examining specific industries to construct 12 distinct categories and incorporate relevant companies. Our selection criteria for initial sample inclusion encompass companies with at least one creative employee or those operating in creative or event industries, with a minimum annual revenue of 50,000 euros over the past three years. We encompass diverse legal entities, including natural persons, partnerships, limited companies, cooperative societies, and voluntary associations.

To characterize the business activities of the identified 44,000 candidate companies, we employed three language models, ChatGPT-3, ChatGPT-4, and Google BARD, extracting 10 keywords per company. This effort yielded a comprehensive pool of approximately 63,000 keywords, subsequently categorized into corresponding experience industry categories. Keywords deemed overly broad were designated as

"general," while those lacking alignment with any category descriptions were labeled as "not applicable."

For industries considered central to the experience industry, we anticipated that their economic endeavors would exclusively pertain to this domain. Subsequently, these activities were categorized into relevant experience industry segments based on corresponding keywords.

Conversely, businesses operating within broader industry sectors, such as "Other professional, scientific, and technical activities," may encompass activities not entirely aligned with the experience industry. Nevertheless, certain aspects of their operations might intersect with the experience industry. In such scenarios, only the pertinent portion of their economic activities was incorporated within the experience industry framework. This determination was guided by keywords identified through language models and web scraping techniques.

Throughout our exploration, we uncovered additional industries housing companies with activities pertinent to specific experience industry categories. For instance, entities in Agriculture, Forestry, and Fishing industries may offer recreational services like organizing outdoor adventures or nature-based experiences, aligning with experience industry criteria. In total, we identified 20 such industry categories encompassing relevant activities.

Our analyses, conducted using different language models, revealed inherent variability and uncertainty in categorizing business activities within the experience industry. Despite this variability, the overall assessment of the industry remained consistent in magnitude. The most significant uncertainty surfaced within the music business category (3), where challenges persist in delineating activities such as music recording (category 3), event organization and ticket sales (category 11), and actual music performance (category 12).

Results

In our investigation, we can illuminate the robustness exhibited by the experience industry amidst COVID-19 disruption. The rebound culminates in an estimated revenue surpassing €26.5 billion in the fiscal year 2023.

While the number of employees did not exhibit a significant decline due to COVID-19 pandemic, the pandemic noticeably affected the industry's capacity to deliver added value. Nevertheless, the industry has since rebounded in its capacity to deliver added value. From the figure below, the Food and Beverage sector appears as an exception, experiencing a decrease in employment. However, upon closer examination of individuals earning an annual income surpassing €10,000 within this sector, a more positive trend emerges. Specifically, the number of individuals in this income bracket declined from 38,000 in 2019 to 34,000 in 2020, only to surge to a record-high of 45,000 by 2023.

Figure 3. Revenue estimates, employment figures, added value, and the added value/revenue ratio across the 12 experience industry categories in 2019 - 2023.



Challenges for innovation policy

Innovation policy plays a pivotal role in shaping the trajectory of industries, particularly within the dynamic landscape of the experience industry. As businesses evolve and adapt to changing consumer preferences and technological advancements, policymakers face a multitude of challenges in crafting effective strategies to foster innovation and drive economic growth. Two challenges facing innovation policy in this domain are as follows:

- **Accurate classification of business activities:** Despite efforts to enhance data analysis techniques, challenges persist in accurately classifying business activities within the experience industry. The complexity of cross-industry activities and variability in categorization methodologies pose significant hurdles in ensuring precise classification.
- **Provision of targeted support:** Although identifying activities within the experience industry represents progress, there may still be shortcomings in providing tailored support to these sectors. Limited allocation of resources and funding could impede innovation policy's effectiveness in fostering the growth of emerging business ventures within the experience sector.

Proposals for action

Our primary contribution lies in elucidating how companies distribute their internal functions across various categories within the experience industry, providing an estimated breakdown of this allocation. This approach yields an internal input-output matrix akin to conventional matrices used in economics. For example, the category of technological innovations (category 8), initially lacking a direct industry classification, can be claimed to generate revenue of €2.3 billion within the experience industry. This highlights the considerable influence of software companies.

Our analysis underscores the intricate interplay of internal functions across diverse categories within the experience industry. This leads us to give two proposals for action:

- **Explore advanced data analysis techniques:** Investigate the latest advancements in data analysis, including machine learning and large language models. These methodologies may offer promising avenues for gaining nuanced insights into business activities within the targeted industries. By harnessing these techniques, policymakers can unlock a deeper understanding of industry dynamics and emerging trends, empowering them to make more informed decisions.
- **Utilize advanced data analysis techniques to pinpoint emerging ventures within diverse industry landscapes, spanning beyond traditional boundaries:** For instance, the discovered 20 industry categories within the experience sector can reveal hidden opportunities and potential areas for growth. This proactive approach can lay a foundation for directing targeted support and investment towards sectors poised for expansion and innovation.