Sustainability Factors of Cultural and Creative Industries
- The Case Study of a Creative City, Budapest

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Regarding Cultural and Creative Industries (CCI) concept-related development, an important aspect has arisen and become inevitable in the last few years: sustainability. Although sustainability and creativity are closely linked, it is important to examine the sustainability factors of creative city development from a broader perspective. The present research aims to explore the environmental sustainability of the cultural and creative industry of a Central and Eastern European capital, Budapest, through a literature review and then two case studies of environmentally sustainable CCI companies. The aim of the paper is to show the gap in the literature regarding the environmental sustainability of the CCI sector, despite its significance, and present two case studies of how environmental sustainability can appear in two CCI companies, showing a best practice. The literature analysis has shown that the interpretation of CCIs’ sustainability and the comparability of the sector in the region under study are hampered by the wide variation in methodologies for measuring the sustainability of CCIs. In the case of Budapest, within the study’s 13 y reach, research has shown that Budapest plays a significant role in CCIs, although it also struggles with the issues of sustainability. The two case studies can show role models for environmentally sustainable CCIs by making sustainability the scope and basis of their operation.

1. Introduction

In the 21st century, the rise of digitalization and new technologies has brought fundamental changes in the development of cities, and they are increasingly making their mark on urban planning and policy as well (Benkő et al., 2021). So, for local and regional development identified two main groups of strategies: the “old” and “new” strategies. The “Old” group of strategies for the development of regions can be described as "industrial revitalization" and the “New” strategies aimed at developing regional innovation systems, integrating traditional, context-linked, regional knowledge and codified, worldwide available knowledge to stimulate regional endogenous potentials. The “new” strategies can be linked to the stimulation of regional cultural and creative industries (CCI). The creation of the social and economic environments necessary for the establishment of these industries is becoming increasingly important in the lives of cities as they compete for progressive resources (Černevičiūtė et al., 2019). In the last decades, an increasing number of cities have been using CCIs as a tool to develop their economy (Krstinič Nižić et al., 2019), and these cities that invest in CCIs can gain a significant advantage over their peers if some of the key factors for CCI development exist (Bilan et al., 2019). Medium-sized cities are able to gain even more cultural assets per inhabitant than larger cities (Montalto et al., 2019).

The link between sustainable economic development and the creative economy was highlighted by Shuaib et al. (2013). Egedy et al. (2017) also confirmed this in the case of the Budapest metropolitan region after 1990. McRobbie (2018) considers this part of the regional economy as essential for the development of long-term development strategies, as creative economies, although they do not have a high share in the local economy, generate multiplier effects in other parts of a local economic system (Pintiliî, et al., 2017). Although creativity, knowledge, and innovation have become increasingly important to the economic development of both cities and regions (Kézai and Rechnitzer, 2023), the cultural and creative industries (CCIs) have long been the subject of intense debate among scholars of regional sciences and creative economy.
research, and within the field of management (Jones et al., 2015) and innovation studies; (Innocenti and Lazzeretti, 2019). Although the CCIs constitute an important sector and are in the scope of many scientific fields, there is a gap in the literature on the environmental sustainability of the CCI sector.

For this reason, the starting point of the research, the CCIs were identified based on UNESCO (2020) and encompass the following cultural domains: audio-visual and interactive media, literature and press, performing, visual and crafts art, design, creative services, heritage, tourism activities and gastronomy UNESCO (2021). So, the paper is based on the 12 sectors (European Commission, 2018) recommended by KEA (2009), and the mapping was conducted between the creative industries and the Hungarian sectoral classifications (TEÁOR) and presented two case studies showing the environmentally sustainable side of two CCI companies in Hungary.

The study first examines the performance of the partnerships belonging to creative industrial branches between 2008 and 2020 and then the sustainability factors of the cultural and creative industry of the Hungarian capital, Budapest. The rest of the paper is structured as follows: Section 2 – Methodology; Section 3 – Results of the statistical analyses and the case studies, and Section 4 - Conclusion and future works.

2. Methodology

A two-stage approach was designed to achieve the objectives of the research. First, the paper examines the economic performance of enterprises belonging to creative industrial branches in Budapest between 2008 and 2020, analyses the economic potential of the creative economy in Budapest, identifies the tendencies that exist regarding temporal changes and professional branches in Budapest that defy the creative economy and the changes in their performance. The first stage involves statistical data analysis on the trends in the development of the CCIs in Budapest, which is not only the capital of Hungary but also the largest city in Hungary, with an area of 525.2 km² and a population of 1,706,851 inhabitants (HSO, 2022). The mapping for the qualitative statistical data analysis was conducted between the creative industries and the Hungarian sectoral classifications (TEÁOR) identified in the Borsi and Viszt (2010) analysis. In total, data for 36 Hungarian sectoral classifications (TEÁOR) codes were collected. The statistical analyses rely on the database of Dun & Bradstreet Hungary Information Services Ltd. The data was downloaded from the database on February 2, 2022, and was collected for companies operating on the last day of the year, based on the Hungarian sectoral classification (TEÁOR) codes in force and by indicated head office, guaranteeing full territorial coverage in Hungary. The analysis took place for the period 2008-2020. Secondly, in addition to analyzing statistical results, obtaining a complex overall picture required qualitative studies to be undertaken, so two case studies are presented from Budapest that are sustainable and related to CCI.

3. Results

3.1 Results of statistical analyses for (CCI) business enterprises in Hungary

Examining 2008 and 2020 (Figure 1), the weight of businesses in the CCI sector is analyzed in Hungary and in Budapest.

![Figure 1: The number of registered businesses and CCI-related enterprises in Hungary and Budapest (100 %–2008), source: Own compilation based on (Dun & Bradstreet, 2023)](image-url)
In terms of the evolution of the number of CCI firms in Hungary, the period under review was divided into three distinct periods (Figure 1,2). Between 2008 and 2012, the number of companies increased steadily and reached 601,256 companies. So did the companies from the CCI sector, 35,425 companies in Hungary, and 19,338 companies in Budapest. Between 2013 and 2017, there was a slight sink, then raising an average 7 % change. From 2018, this trend steadily decreased. Finally, one-fifth of the number of the CCI-related companies operating in Hungary, 24,889 companies related to the CCI session, and in Budapest, 13,653 companies related to the CCI session were operating in 2020. Only about 80 % of the CCI companies registered in 2008 were still in operation. Figure 2 shows the dynamics of CCI-related enterprises in Hungary and Budapest.

### 3.2 CCI-related sustainable enterprises in Budapest: Munch and Touch Me Not Clothing companies

Whether looking at the creative and cultural industries in a broader or narrower sense, sustainability is getting a more prominent focus in practice. The issue of sustainability within the cultural and creative industries is examined from more perspectives, mostly adapting the four pillars of it: economic, environmental, cultural, and social sustainability (Zemite et al., 2022). Environmental sustainability is only one of these, perhaps the most inescapable, but it is the subject of much debate and controversy due to the nature of CCI, and it is also a less explored area in the literature. Not only the four pillars of sustainability can be examined, but different levels can be interpreted as well; according to Zainudin et al. (2020), the definition of sustainability is different in the case of a country, city, company, or product. This current study concludes the two company case studies and concludes what can be the important findings on sustainability at the city and regional levels.

According to Kuok and Promentilla (2021), not only large businesses but also small and medium enterprises (SMEs) can develop innovative business models adapting the circular economy principles. Not all over the world is open at the same level regarding green thinking and sustainability, but greening SMEs can have a positive impact on one another (Yacob et al., 2018). And from the CCI perspective, the same can be stated. Besides the large (multinational) CCI-related companies, many small creative enterprises work as an engine within the cultural and creative industry.

Today, however, there are several SMEs in the creative and cultural industries that not only take environmental sustainability into account but make it the basis of their operations. In the last part of this study, two exemplary Hungarian sustainable CCI-related enterprises are presented. The first case is a food-waste-management platform with the social aim of avoiding contemporary food waste to a wider audience, making it more available and consumable. The second case is a slow fashion startup enterprise with the social aim of sustainable fashion. The conclusions of Zemite et al. (2022) regarding CCI-related SMEs are true for the two case companies as well; they are risk-takers and innovators in labor and production processes, they have a more significant impact beyond the little scope of their operation, community-oriented with business concerns and both contribute to environmental sustainability at their level.

**Munch**

Munch is a food-saving app that acts as a digital platform connecting all registered restaurants, bakeries, pastry shops, and grocery stores where the food they can't sell that day is now in the bin because it can't be sold to potential customers the next day. The business aims to prevent waste. The sustainability and food-saving business was founded in 2020 by four young students. They aim to ensure that where there is surplus food, it...
is not thrown in the bin but registered on the Munch platform to reduce waste (Annex 1). The company operates under the banner of sustainability in the creative sector and has managed to find a niche market for both user groups and business partners. It offers a solution for the financially efficient use of leftovers, while for end users, it offers food at a discounted price.

The partners can be classified into three categories based on their activities: hotels and restaurants, bakeries and confectionaries, and grocery shops. Their participation can be grouped into two categories; the first would like to minimize or decrease their loss by selling the remains, and the other group uses the application as a ‘free’ marketing platform and sells not only their food waste but their food menu. Based on their ‘contribution”, it can be classified into two other groups - which are strongly related to the type of operation- how much food waste they have; a café offers by the end of the day, while a restaurant offers a daily menu with many offers a day. Although originally the target group of the application was the younger generation, mainly university students, after 1.5 y of operation, it turned out that most of the regular users are 35-45-year-old mums and housewives.

Regarding their motivation, the users can be classified into three main categories: the members of the first group are seeking the best value-price daily offer, the second search in the app for food to be more environmentally conscious, and the last one those who already have their favorite places and just would like to grab their regular at a discounted price.

The company has experienced tremendous growth in the two and a half years it has been in existence, and it has had to deal with all the advantages and disadvantages of it. Now, they have about 1,000 partners in Hungary, tripled their number in a year, and started their activity in Romania. Among partners, they could win big retail chains such as Penny and Interspar. Among charity partners, Magyar Élelmiszerbank and Edenred can be found. The user application was downloaded more than 150,000 times, although there is no information on how many of them are frequent or occasional users.

The identified success factors of Munch are the following: finding a market niche, easy-to-use platforms for the partners and users, free joining for users and partners, retail and other store chains among partners, commission only after the sold items, environmentally sustainable form of operation, crisis and pandemic safe operation, not increasing but decreasing ecological footprint after buying in the app, CSR activity.

**Touch Me Not Clothing**

Touch Me Not Clothing is also a start-up creative SME in Hungary. Although they cannot show such rapid growth as Munch, but also working in the field of creative industries under the banner of environmental sustainability, their uniqueness comes from the transparency of the whole production process and their used materials, which all meet GOTS standards, and the repair of old garments for a fair price. Besides these, they manufacture locally from EU-made fabrics and use sustainable accessories. Applying these operation methods, transportation and carbon emissions can be reduced significantly. The ecological footprint is further reduced by avoiding overproduction and the lack of warehouses and seasonal deadstock. (Annex 2)

The company was founded by two industrial designers- and a product engineer, and at the beginning, they made all the garments, which activity is now outsourced to a local sewing office. Their selling platforms were art fairs at the beginning, and later, design shops and a webshop were added as selling points. Their customers were local designer fan buyers, and it was extended to environmentally conscious buyers and those for whom environmental sustainability or quality is important.

They are growing, but the macroenvironmental conditions are not favoring their activities. The costs are rising, the environmental consciousness gets less attention in our daily lives, and the discretionary income of average Hungarians is also dropping. But still, they could set up a webshop and buy the shop of their previous retail partner.

Compared to Munch, this SME is less Covid-, recession- or crisis-safe. Thus, they barely survived the pandemic years. Although they contribute no less to environmental sustainability and awareness-raising, the question is how financially and organizationally sustainable it is. Covering the emerging costs and competing with –much more harmful- and greenwashed fast fashion products and their overseas operation makes the daily operation extremely hard.

The identified success factors of Touch Me Not Clothing are the following: using sustainability as a leading principle, a high level of adaptivity to macroenvironmental changes, high-quality services, and no need for high/qualified workers. The hindering characteristics of the business model product availability only for customers with higher income, sensitivity to macroenvironmental factors, and higher manufacturing costs because of the business model.

**4. Conclusion**

After reviewing the literature regarding the relevance of CCI-related industries focusing on sustainability, it can be stated that it is not an overresearched topic and appears mainly together with or beside the other pillars and
perspectives of the studies. So, it would be relevant to focus more on this area, not only in practice and business operation but also in the field of research, although the CCI sector is in the scope of many research fields. Dunska and Marcinkevica (2017) also found the significance of creativity in the development of the economy and business as the driving force of economic growth. But as it can be seen in the study, even in a city where the significance of creative businesses is high (Budapest), it is very difficult to create and maintain the environmental sustainability of SMEs. The statistical analysis of the CCI sector in Budapest and Hungary showed its ongoing significance, not having much information on the sustainability factor. Analyzing the business model of the two above-mentioned SMEs, it can be concluded that environmental sustainability is appreciated by certain customer groups, but it can only be maintained if the business model is financially and organizationally sustainable and more or less crisis-proof. In financially difficult years, customers tend to choose cheaper or better price-value options. Thus, besides dealing with higher costs and their consequences, businesses have to deal with losing customers if the business model requires the customers to pay a higher price for environmental sustainability. Environmental sustainability is strongly related to the other pillars of sustainability, and it cannot be carried out without meeting the needs of other sustainability factors. Just as the example Touch Me Not Clothing showed, meeting the highest standards of being environmentally sustainable is not enough to survive critical years. Business adaptivity is inevitable to be economically and socially sustainable. The other subject of the case study, Munch, is in a better position because its business model does not expect customers to pay the price of being more environmentally sustainable. On the contrary, it offers discounts to be greener. Although the enterprise has to deal with the challenges of growing, this growth further accelerates the number of users because the usage of the service becomes easier.

General consequences cannot be drawn from separate, individual case studies, but they also support the idea of handling the question of environmental sustainability in CCI together with the other pillars, mainly with economic sustainability in the short run. It is better if the business model is based on the concept of environmental sustainability in a way that the customers are not charged for it. The business is adaptive and capable of handling the challenges of business growth. The significance of the paper is to start a discussion and common thinking of environmental sustainability of CCI-related companies and encourage researchers to put a focus and scope on this field.

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