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Adding up the UK music industry for 2009

In the summer of last year we published the 'Adding up the Music Industry for 2008' to explain how much the entire UK music industry was worth, and more importantly how it all hangs together. Our hope is that this work will become a valuable reference document for the industry and all of its stakeholders to understanding and appreciate all of the rights, relationships and revenue streams that UK music generates.

This year we have revisited the same 'adding up' exercise with more evidence, improved analysis and a better understanding thanks to constructive and collaborative feedback from across the media sector. The principle motive for this work remains the same: the better we understand the true makeup of this complex industry, the better it will perform overall. Encouraging signals of market stabilisation in 2009 mean that armchair critics ought now to take note of how the industry has adapted to change.

In addition, this year's report goes beyond what these achievements mean in the domestic setting, and enables the reader to

appreciate the international context and recognise the value of music to UK plc on the world stage. To do this, we've offered three new areas of analysis: (i) the role of UK songwriters and publishers as net exporters of repertoire (ii) the divergence between the signs of stabilisation in the UK and pessimism being expressed in the US and (iii) the role of music in driving tourism in the current economic climate.

Whilst the overall picture is one of stabilisation, any talk of green shoots should be tempered by stressing caution over complacency. To quote the late Thomas Edison, "we shall have no better conditions in the future if we are satisfied with all those which we have at present". Some of the challenges currently facing the UK music industry stem from regulation, recession and technology, especially as fast paced developments in cloud computing look set to take online music consumption 'off line'. Regardless of what threats and opportunities face the UK music industry; this report will help the reader understand what areas will be affected and how best to react.

UK music industry bucks the trend in 2009

So, here's how the big numbers shape up: the size of the pie came to £3.9 billion, up 5% on 2008. This year, the pie not only grew again but, most notably, UK recorded music revenues bucked a global downward trend and flattened out. These tentative signs of market stabilisation are striking as UK retail spending on DVDs and computer games displayed double digit declines in 2009. It is interesting to consider differences between old and new media, as both cinemas and live music were up in 2009, (whilst DVDs and Physical CDs were down) suggesting that events based entertainment is where the market for 'media' is moving towards.

The big numbers for 2009

£3.9 billion, up 5%

- UK music bucking downward trends at home and abroad
- International licensing revenues underpin the success
- Recorded revenues stabilising, live continued to grow

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This report highlights that both consumer and business revenues displayed growth, the latter maintaining its share of an increasing pie at 25%. In addition, in this year's report we'll present several deep dives into the data to share new insights on what's driving the live music industry. For example, we'll carve the live market up by geography, to show where in the UK the growth was taking place. Before getting started, though, it is important to acknowledge that this increasingly complex and cross border industry is proving harder to add up.

With all the 'macro' analysis presented in this year's report we encourage the reader to treat our work as a view of the music industry from 30,000 feet and read beneath the top line to work out what all of these trends

mean, and for whom. Whilst one could argue that if Susan Boyle and Michael Jackson had not produced the unexpected sales that they did then aggregate recorded music revenues would have continued on a southward trend. Add to that, if Take That had not sold record numbers of tickets that live would have grown more slowly. The reality, nevertheless, is that 2009 was simply not that bad a year for the UK music industry, especially when you consider it took place during the deepest economic downturn of a generation. For those looking for *Schadenfreude*, look elsewhere.

So, we'll begin by populating the table and offering some clarity on the caveats within this year's report to ensure the reader understands the moving parts of this increasingly complex business.

Adding up the estimated value of the music industry in 2009			
(£ million)	Adjustments	Value	% Change
BPI retail value of recorded music industry		£1,356	0.0%
Estimated value of the live music industry		£1,537	9.4%
Business-to-Consumer Total for 2009		£2,892	4.8%
PRS for Music gross collections	£623		
Adjustment-for-double-counting mechanical	-£89.0		
Adjustment-for-double counting live revenues	-£22.8		
		£511	4.1%
PPL and VPL gross collections	£141		
Adjustment-for-double-counting BPI revenues	-£72		
		£69	3.0%
BPI record company licensing revenues		£194	6.6%
Estimated publisher direct revenues		£103	6.1%
Advertising and sponsorship		£90	0.9%
Business-to-Business Total for 2009		£967	4.4%
Aggregated total B2B and B2C Value		£3,859	4.7%

Clarity on caveats

One of the achievements of last year's 'Adding Up' report was that it offered a long overdue awareness about what makes up the whole UK music industry. This encouraged questions and feedback from its stakeholders which have further strengthened this edition and mean that this work can continue to help the industry succeed in these uncertain times. Much of the constructive feedback has allowed us to build upon the work. However, listed below are three of the challenges the authors still face, which continue to raise more questions than answers.

- Is B2B and B2C still the right way to carve up revenues?
- Which revenues are channelled back into UK music?
- Where to draw the line in defining the UK?

Firstly, the original purpose of carving up the UK music industry into B2B and B2C revenues stems back to a timely 2007 paper titled *Recession and Royalties*, as it allowed the reader to better understand how an economic downturn might affect consumers and businesses differently. Think: if the economy is showing tentative signs of recovery, but lots of public sector workers are about to lose their jobs, its plausible to argue that B2C revenues are more exposed to the cuts in public spending than B2B over the medium term.

Secondly, an even bigger challenge was working out how to define ancillary live music revenues that are channelled back into the music industry. Our live market valuations are based on ticketed events, but everyone knows of instances where the gig might be free to access, with the band taking a share of the bar – which limits the explanatory power of our data. Additionally, sponsorship of tours and venues has become more complex (and more valuable) than first

estimated. Put bluntly, the value of live music is much broader than the face value of a ticket and this year we've worked with industry experts to estimate the value of 'on the night spend' for 2009 and 2008, whilst furthering our understanding of B2B live music revenues from the advertising and sponsorship pool.

Thirdly, advances, equity and cross border licensing make year-by-year and country-by-country statistics harder to interpret. This leads to a problem of where to draw the geographic line when defining what UK music revenues should and shouldn't consist of. There is simply no industry rule for this, but the principle we've applied here is to focus on published numbers where possible as they are both recognisable to the reader and verifiable to the researcher. Examples of discrepancies occur when you consider the omission of international touring revenues of UK acts which may significantly understate the true value, whilst not adjusting for royalties sent overseas could be argued as inflating the picture.

Recorded music: where flat is the new up

There is really only one question which the surprisingly resilient performance of the recorded music sector last year gives rise to, which is this: will it last? It's a tough call, and as always so much hinges on the critical fourth quarter release schedule, but so far we remain positive that revenues will continue to show signs of stabilisation in 2010. But before that, let's get into the detail of what happened last year. Firstly, the consumer spent broadly the same on recorded music in 2009 as they did in 2008 – which is startling considering they spent over 10% less on DVDs and 11% less on Computer Games. That achievement not only bucks a five year downward trend, it beats clear signs of contraction elsewhere in the media sector.

There is one big caveat to last year's performance which is critical in determining how 2010 compares, which is the 53 week year – as 2009 benefitted from enveloping the first few days of January into its calendar. Nevertheless, unit sales of artist albums held up remarkably well, as did retail prices which are now showing signs of stabilising at around £7.99, although there are outliers at both ends of the spectrum, with online physical retailers like Play.com experimenting with price points that are north of £10, whilst Amazon put out frontline digital albums at £2.99. The role of HMV in this relative success story cannot be ignored. They have helped off-set the loss of Woolworths and Zavvi, have posted stable turnover and operating profit numbers and are expanding their temporary pop-up stores. As will be explained shortly, the US market simply does not have this supply side effect.

Digital revenues have yet to show signs of cooling, and are definitely showing signs of diversifying. That makes tracking and interpreting trends harder than ever, and on this note the BPI should be applauded for their latest reporting on trade values which allows for unprecedented market analysis – few other countries allow for such detailed assessment. One trend is that we appear to be moving away from a one-in-five rule to describe digital's share in record label trade revenues and towards a one-in-four ratio, where online and mobile make up a quarter of a record labels' revenue base. Given that physical has displayed remarkable resilience, this ratio is especially noteworthy.

The digital albums market is perhaps the most intriguing, especially as downloads are now accounting for one in six albums sold in the UK after increasing their sales over the most recent 12 months to May 2010 by 35.4%. To date, just 12 albums have sold more than 100,000 digitally, but both Kings of Leon and Lady Gaga are exhibiting 'tipping point' style traction in digital album sales that

has never seen before, with the former breaking the quarter of a million watermark online.

The upward trend in digital albums poses an interesting question as to where the demand is coming from: is it consumers switching from physical to digital format, up selling from digital singles to digital albums, or from P2P to legal? Regardless, the fact that digital albums contribute the same value as digital track downloads means that armchair critics need to reappraise their analysis when claiming the online market is 'all about singles'.

Is the US the golden child, or problem child?

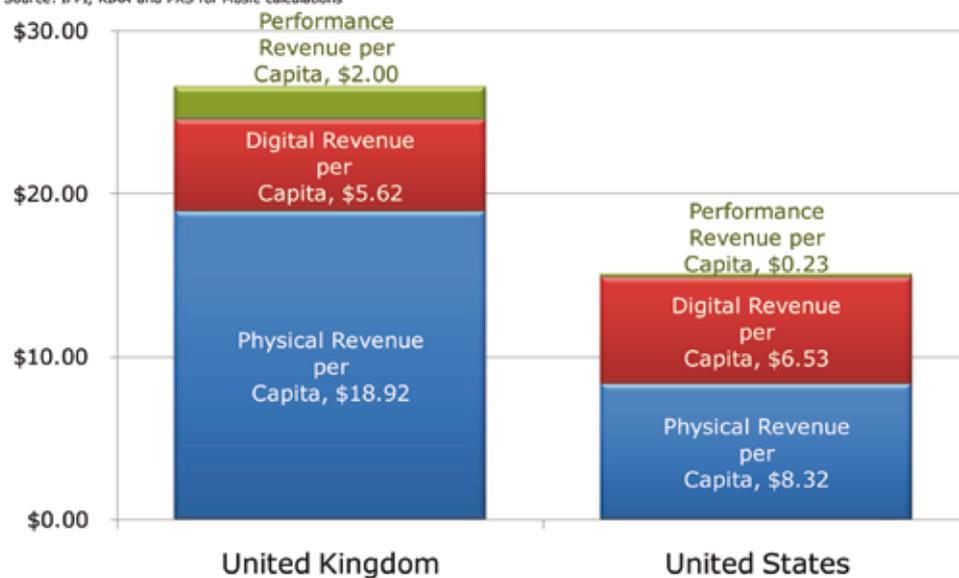
The US has grabbed more digital music headlines than any other country, ever since online exploitation started back in the summer of 1999. Those headlines reflect not only the corporate headquarters and personalities of the leading innovators such as Napster's Shawn Fanning and Apple's Steve Jobs, but also the hub for new innovations like the controversial lockers debate and infamous legal actions against file sharers. Another justification for American dominance is simply the 'absolute' size of the US digital market, now valued at over \$2 billion, which towers over any other country. This has led to an impression that the US is a leader in adapting its music industry to a digital era, and many stakeholders have concluded that the UK and the rest of Europe are trailing behind.

A much touted ratio states that an impressive one-in-five albums sold in America last year were digital. The temptation here is to assume that the ratios in other countries lag behind. However, the purpose of this case study is to show you that the one-in-five ratio tells you more about the collapse in the physical market (the five), than the outperformance in digital (the one). Put more bluntly, the US digital market is the biggest in absolute terms (then again it is the biggest music market so you would expect that) but when viewed relatively, evidence of outperformance in digital is actually overshadowed by the sheer collapse in physical value.

The chart below helps compare the UK and US recorded music markets relatively, by dividing three sources of revenue by the respective countries population. The first source of revenue is performance (or neighbouring) rights, which are collected mainly by the fledgling Sound Exchange in the US and the more established PPL in the UK. Here, US performance revenue per capita is a mere \$0.23, whereas the UK success story PPL collected an impressive \$2.00 per capita. On digital, the US revenue per capita was an unquestionably impressive \$6.53, whereas the UK revenue per capita of \$5.62 (which has been adjusted to include mechanicals to make it directly comparable with the US), is shown to be 86% of its relative size. However, this relative strength is put into context when you view the blue bars of physical, where the UK's per capita revenue of \$18.92 is more than twice the size of the US which now stands at only \$8.32!

IFPI 2010: Adjusted UK vs. US trade value per capita

Source: IFPI, RIAA and PRS for Music calculations



As with any productivity analysis, you might be tempted to ask what this per capita comparison actually means. Keeping that age old adage of 'giving up analogue dollars for digital dimes' firmly in mind, it means that the UK should be especially grateful to HMV and other remaining high street retailers for helping hold those analogue dollars up. In the US, the RIAA reported that not only is high street presence eroding, with Best Buy, Wal-Mart and Target dominating what choice is available, but that 'churn' (or stock turnover) is also increasing. This presents a double whammy effect in that there is less chance of supplying your recorded product to the high street and, should it be stocked, it will be there for a shorter time.

The bottom line is this: there's very little supply on the US high street, with many towns and cities now without a high street recorded music retailer, and hence very little evidence of demand. In contrast, the UK seems to be balancing a resilient analogue dollars market with a robust digital dimes business. Digital revenues in the UK are around twice that of Germany and France in absolute terms, both of which have larger populations! Stepping back from this analysis, what these stark differences across two of the global industry's most important markets really emphasise is the need to be wary of generalisations when discussing 'global' trends.

When trying to gauge an outlook for both the US and UK markets, one plausible line of thought is that the late adoption of digital music in the UK will lead to an element of 'catch up' growth, whilst today's near non-existence of chain music stores in the US makes you wonder (and worry) what this chart will look like in five years' time. The term 'catch up' refers to the fact that the US was a first mover in broadband adoption (platform), iPhone penetration (device) and the launch of iTunes (service), which suggests that the UK market could be running at a lag with the US.

However, more worrying is the prospect that encouragement displayed by the UK physical market will wear off and follow the perilous path of the US, where the lack of supply has permanently dented demand. Ultimately, the retailer will have the final word, and profitability will have a big say. In researching this area, a US retailer

told us that a cheap pair of sunglasses generates more profit than a CD, and that has to cast a cloud over the outlook of the physical product market. Sunglasses may not be required.

Live music industry: masters of scarcity

The live music industry exhibited a productivity gain in 2009 by generating more money through fewer events. This anomaly sits well with a casual observation that whilst some festivals 'got their fingers burned' last year and had to cancel due to poor advance ticket sales, the majority of events sold out and did so with higher ticket prices. The way the numbers stack up this year suggests that the sector has mastered pricing their scarcity during a recession, with primary ticket revenues up 5.8% to £957 million, whereas secondary ticketing revenues were up 15% to £172 million. On the night spend was re-estimated using a more detailed methodology this year, and grew by 16% to £408 million, leaving the value of consumer spend on live music at a record breaking £1.5 billion, all achieved during the deepest economic downturn in a generation.

It is important to be clear on methodology, definitions and data sources. For the value of primary tickets (those tickets sold from the box office and official sources) we used tariff receipts declared to PRS for Music, factored in VAT and added a prudent booking fee of 10%. Secondary ticketing values were provided by TixDaq, who collect data from the main online secondary platforms such as eBay, Seatwave and Viagogo. Finally, we have improved our methodology for estimating what we now term 'on the night spend'. Since not all venues are the same, and the people spend different amounts at a festival compared to a stadium, we segmented venues by capacity, capturing the number of events taking place and the royalties generated. Taking existing survey data from festivals and adding a bespoke survey of industry experts, comparing this with company accounts and Mintel estimates, we determined an industry representative average spend per person, per venue. Multiplying this by the number of attendees across different venues we calculated a total on the night spend. Following this change in approach, we need to revise our valuation for 2008 (which increases to £352m) in order to provide a meaningful trend and show consistency.

Unsurprisingly, festivals have the highest spend per person, whilst arenas accounted for the lion's share of total revenue.

Stepping back from *PRS for Music* analysis, there are questions on the sustainability of the live music industry's growth trajectory to date. Firstly, as reported last year, the gap between the grass roots acts and superstars is widening, both in touring and at events where the big names are needed to attract fans. This gap is also reflected in the fees demanded by many top acts (AC/DC at Download this year was a prime example). Down in the tail, the closure of pubs (49 a week, according to *The Publican*) puts more pressure on the low end of the market, which makes it increasingly difficult for emerging talent to find an audience. Secondly, there is increased consolidation across the live music industry, and while many are still waiting to feel the effect of the Live Nation Ticketmaster merger, other firms are also tying knots. HMV completed its purchase of promoter/venue chain Mama Group and both AEG and Academy Music Group are continuing to expand their venue inventory. Thirdly, and most worryingly, Pollstar recently reported a 17% year-on-year drop in revenues from the top 100 US tours for the first half of 2010, suggesting that the bubble (over there) may well have truly burst. Transposing that indicator to the European festival circuit, and *IQ Magazine* reported that the average attendance based on capacity was down by 3% to 86% in 2009, with a 4% reduction in sell outs from 42% to 38%.

This could, of course, be down to scarcity – more capacity or fewer people. That said, it is impossible to ignore the innovation taking place in this space, be it ongoing renovations and improvements in venues, better production facilities and food & beverage offerings, VIP suites and upgrade packages, sophisticated data management, or the close forging of fan relationships, all of which combine to increase the concert going population and hence demand.

In addition, we also need to appreciate the positive impact of services like Songkick which are akin to Facebook for live music fans with the end result being more awareness, more recommendations, and consequently more fans going to more shows. The Songkick business model looks to improve on a very simple observation from Sean Moriarty, former CEO of Ticketmaster, who said: "Nearly 35% of [ticket] inventory goes unsold and if you ask fans why they didn't go to shows, one of the more popular reasons is 'I didn't know about it'."

Hence, a balanced view for the outlook of this sector is to accept that live music revenues may well be moving onto a lower growth trajectory than during the boom years – but please acknowledge that (i) it's still growth and (ii) that the sector is innovating in ways that are arguably just as impressive as those in the digital music sector.

Collecting societies: succeeding overseas

PPL and VPL increased their licence fee revenues to £141m, up from £140m in 2008. £72.1m of these revenues were paid through to record companies. Broadcast and Online revenue was broadly similar to 2008 with small growth in both the volume of licensees and the revenue generated. Revenue growth in 2009 for Public performance would have been around 6% were it not for the adverse effect of The Copyright Tribunal decision. As a result, as an exceptional item, the company accounted for refunds totaling £18.1m relating to the period 2006 to 2009. International revenue grew by 40% to £21.6m, leading to an incredible 250% growth over the last three years. PPL are anticipating growth for 2010, with the domestic collections growing slightly and international revenues

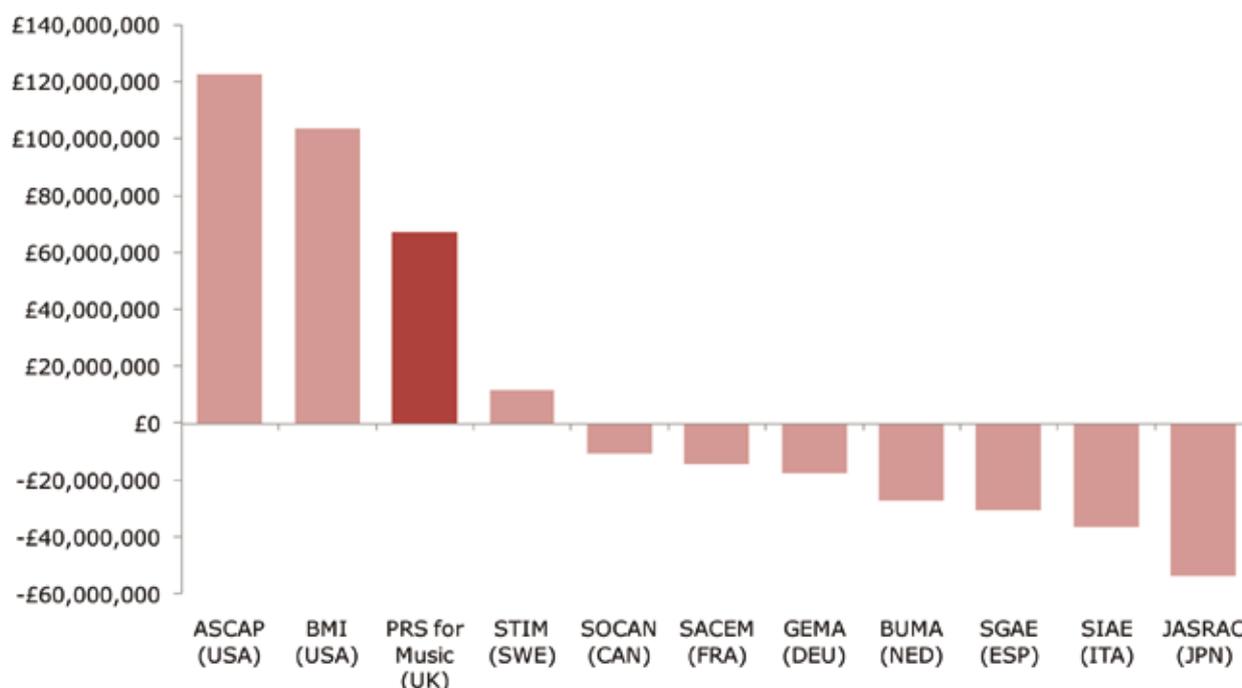
expected to grow further.

PRS for Music reported record collections again this year, rising by 2.6%; however beneath the top line there were declines in two of the four main revenue streams, with growth coming from Public Performance Sales (PPS) and International. MCPS, which collects for physical product, saw revenues decline at a broadly consistent rate of 9.3%, with the driver of decline being reduced volume. Broadcast and Online saw revenues peak in 2008 and a decline of 1.5% in 2009 which resulted mainly from the reduced collections in the troubled commercial radio sector. Reported Online revenues grew 72.7% to £30.4m, reflecting the increased number of legal licensed digital music services available in the UK and across Europe. However, this makes any 'holy grail' analysis between declining physical and growing digital revenues awkward as you are comparing last year's pan-European apples (incorporating revenues from joint ventures such as CELAS) with domestic pears. Public Performance Sales has seen stable year-on-year growth of around 5% to 6% until last year, when the recession adversely affected the licensing base and slowed the growth rate to 2.3%. International was the most notable success story from the four revenue streams with *PRS for Music's* international income totalling £166.6m in 2009, an increase of 19.4% on the previous year.

International exploitation is becoming an increasingly valuable part of the UK music industry and Britain continues to be one of only three countries in the world who are net exporters of music (see updated chart overleaf). *PRS for Music's* strong-performing repertoire has resulted in a £100m increase in overseas royalties in the last decade, where as PPL has gone from zero to nudging £20m in less than a decade. The most significant demand comes from the US, France, Germany Japan and Holland, although there is a growing appetite from emerging markets, including Central and Eastern Europe and South America. One of the key forms of exploitation is music used in broadcast is the key sector, with TV and radio generating over £85m. The live music market also boosted income in 2009 bringing in £18m, up from under £14m in 2008.

Net Export position: Songwriting royalties for the top ten music markets

Source: CISAC 2008 accounts



Publisher direct revenues, a proactive success story

Publisher direct revenues are the hardest of all the numbers in this year's report to calculate, as there are no official industry statistics available and the players involved are simply too diverse to generalise. Given the vacuum of knowledge about publisher direct revenues, the primary goal was to move the analysis beyond the standard rule of thumb of 40:40:20 (mechanicals: performance: sync) which is often used to summarise a music publisher's business model. This year, we've built upon a bottom up approach of working with specific publishers and adopted a more top down company accounts analysis which allowed for thirty major UK publisher entities to be studied. We also now refer specifically to UK income as group turnover because it is income received from foreign affiliates from the sales and performance activity overseas of UK signed writers. As with *PRS for Music*, PPL and BPI licensing revenues, we do not net off revenues collected here and (then) sent overseas – a caveat worth noting.

Our calculated estimate is that publisher direct revenues grew by an impressive 6.1%, surpassing £100m for the first time, reaching £103m. Whilst this is only an evidence based estimate, what is clear is that publisher direct revenues performed relatively well in 2009. For the four major publishers, group income increased on the year with growth rates ranging from 4% to 15%. Domestic UK turnover also increased, although by less than group income, suggesting a similar theme that international revenues (which flow through sub-publishing networks) are playing an increasing role in the overall performance of UK music. In nearly all situations turnover has increased by more than *PRS for Music* distributions. One could draw many conclusions from this observation. One plausible argument is that publishers are becoming even more proactive in the area of sync licensing, and that helps create and grow the market. Another take could be to acknowledge the role of other collecting societies. As already mentioned,

the growth in overseas income for *PRS for Music* may also have a positive spillover impact on publishers' group income through overseas collecting societies driving publisher revenues through their sub-publishing network for UK signed writers.

One final observation to come out of this work is that major publishers are increasing their share of direct revenues, whilst seeing their share of collective revenues fall. This fits with a broader theme coming out of our long tail work, in that the market grows but the spoils of that growth are skewed towards major players in the head. By contrast, markets that are licensed collectively can expect a more democratic distribution, with distributions to majors up but not as much as the mean. However, whilst the sector is a star performer of this year's report, two important challenges lie ahead. Firstly, sectors like the computer games industry (which is worth more than the entire recorded music industry in the UK) are still fledgling in their relationship with music publishers, with limited coordination across the sector at present. Secondly, the ability to gauge the health of the UK publishing sector is becoming increasingly complex with multi-territorial licensing more prevalent, as well as service based publisher models like Kobalt changing the definition of what a publisher actually is. This only goes to reiterate the need to correct the deficit in data which the sector makes available to stakeholders who wish to understand it better.

Recorded industry licensing income: continued growth

Another success story for record companies in 2009 is the continued growth of secondary revenue (such as synchronisation and merchandising), up 6.5% to £193.5m. It is important to note that for 2009, this figure does not include revenue from consumer facing advertising funded services such as We7 and Spotify, which is instead captured in the B2C values. As with other changes in methodology, a backward adjustment has been made in order to keep the methodology consistent and offer a meaningful growth trend.

Therefore, this valuation of £193.5m captures synchronisation licensing from the use of sound recording in film, TV and games; multiple rights income from '360 degree' deals; from direct sales and licensing of recorded music copyrights; and payments from PPL and VPL which is captured in the double accounting adjustment. Secondary revenues have been steadily increasing for four years and now make up over 20% of total record company revenue. Key contributions to growth came from artist-related income and music used in computer games.

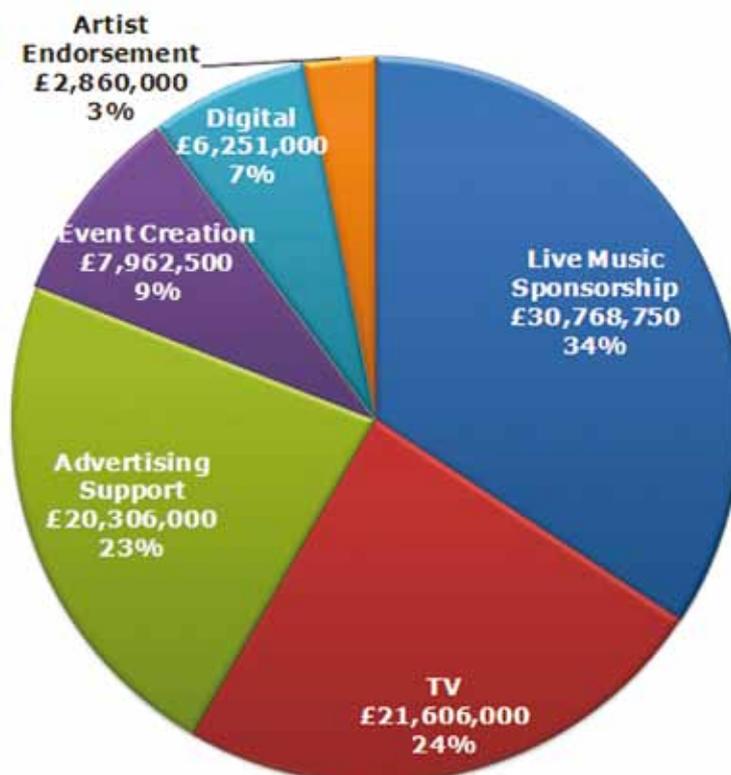
As mentioned under the recorded music section earlier in this paper, trade income has experienced a change in fortunes with a small increase of £13.2m taking trade income from £915.6 to £928.8m, reversing the trend of recent years. This means that the combined (trade and secondary revenue) picture is relatively healthy, with total domestic revenue up a modest 2.3% from last year.

Advertising and sponsorship: resilient and reactionary

As with last year, we have worked with FRUKT to construct an evidence based value on this unsung sector. In 2009 we saw marginal growth of 1% with revenues totalling £89.8 m. Notably, this value has been consistent at around £90m for the last three years, suggesting that we might have

established the 'size of the overall pie' which investors are willing to spend in this area. These signs of stabilisation are in contrast to the UK advertising market as a whole; where the IAB has reported a 12.6% overall drop in spending. This would hint towards two things; (i) that many brands are committed to keeping their music platforms (e.g. O2, Orange and Tuborg) and (ii) that as the economy picks up, music sponsorship can expect to benefit.

Live Music Sponsorship and Digital were the key growth sectors, although this could be considered 'rearranging the deckchairs' rather than new money. Of the two, Live Music Sponsorship is the healthiest channel of investment, growing 29.4% and now accounting for a third of music expenditure. Significant investment came from brands such as O2 in venue naming and there has been an increase in festival activity by a number of brands such as Tuborg and Barclaycard. In contrast, Event Creation by brands fell by 5% although much of this expenditure has shifted into traditional live music sponsorship. Investment through Digital channels such as Vodafone and XBOX showed the highest growth in 2009 with an increase of 37% compared to 2008, contributing £6.2m. This reflects wider market indicators of a move away from TV and 'above the line' towards online advertising. TV Investment dropped by 13.5% to £21.6m, with fewer ad-funded programmes present. Investment in core TV properties such as X Factor remains strong and there are signs of recovery for 2010. Artist Endorsement stayed relatively stable at £2.8m. In terms of deals done, there was growth in lower level endorsements rather than the high profile campaigns of 2008. However there were a few high profile campaigns including Duffy and Diet Coke, Girls Aloud and Microsoft and Pixie Lott with Nokia. Advertising Support predictably, given the economic context, has been cut by 16.7%. Although it is expected to bounce back in 2010. The following pie chart shows where the money is found for 2009, but what is most interesting is that money is moving towards live.



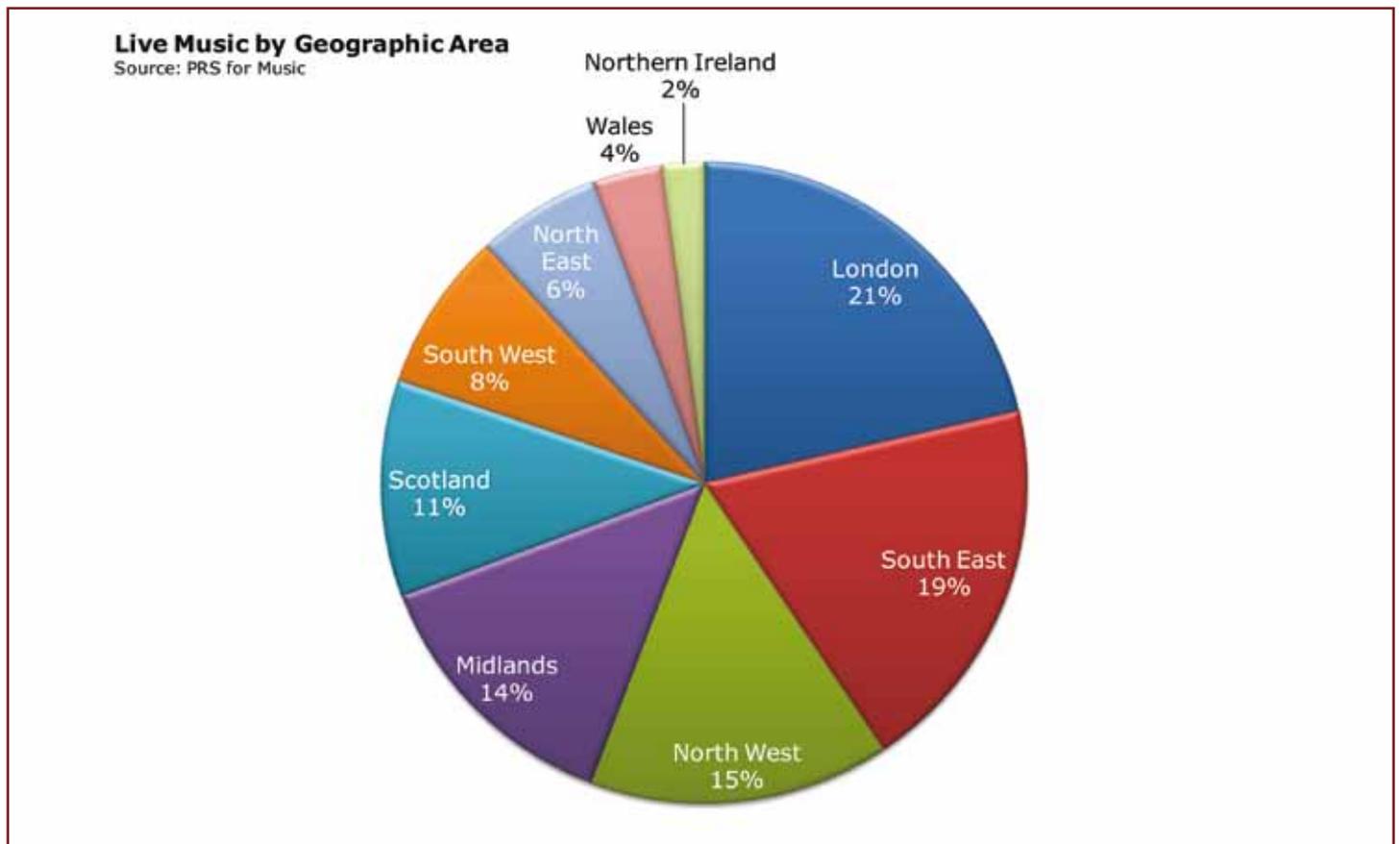
The outlook for 2010 looks positive for investment in music by brands. Initial indicators show the scaling up of activity by certain brands, including Pepsi and Vodafone, and the entrance of a number of smaller investments such as Impulse, River Island and SEAT across sectors. Moving forward, more brands are looking to create an enduring impact with consumers will want to do more than sponsor a festival or give away downloads and will begin investing across multiple channels. These brands will look to create multi-channel platforms, diversifying their media presence, which will lead to more interest in music and in turn benefit more creators. Perhaps Iggy Pop really is more than just a 'passenger' in today's music industry.

Tourism, music and the economic recovery

There are two obvious ways a debt ridden UK economy can get out of its current mess: (i) devaluation with a mind to exporting its way back to recovery or (ii) importing wealth from overseas. The latter can be supported by tourism and, whilst tricky to measure in government accounts, is one of the trusted levers in economic development

worldwide. When you consider the economic prospects for the UK, where the past decade of growth and jobs has come predominately from the same public sector spending which is about to get the deepest cuts in a generation, you can appreciate how tourism has a role to play in sustaining revenues.

If the economic activity generated by tourism is needed more now than ever before, it's worth revisiting the role music plays in driving tourism, visiting heritage sites, such as the Cavern in Liverpool or live music through ticket sales, on the night spend and hotels, to name but a few. To add to this debate we have offered an insight into the *PRS for Music* live data whereby we were able to segment the live market by postcode. This geographic breakdown offers a different perspective, separating venues and revenue by postcode before bundling back up to meaningful geographic blocks, as shown in the pie chart below. This offers not only a snapshot of the geographic make up of the UK live music industry, but introduces a better evidence base upon which the live sector, policy makers and tourism industries can base decisions.



The dynamics behind this snapshot are interesting. Whilst London's live music revenues are growing, their relative share of the growing live music pie has been shrinking over time, as out of town festivals drive growth away from the big smoke and towards the green grass. That statement might feel like common sense made complicated, but it offers an insight into what live music and tourism stakeholders can do together with this newly created data. Putting London's performance aside, consider the regional highlights; Scotland has just over 8% of the UK population and produces 11% of live music revenues, suggesting that it punches above its weight. Not only that, it has grown its live music industry by 37% since 2006 – second to the South West of England which has almost doubled over the same period!

This outperformance of Scotland's live music sector could be plausibly

carried across to its impressive performance in tourism, with events like RockNess, T in the Park and the Edinburgh Fringe Festival selling music whilst promoting tourism. What this data encourages policy makers and stakeholders to do is to encourage an evidence based link between data and decisions. For far too long, people have have offered a token gestures to music's role in tourism by pointing at tourists crossing Abbey Road in London. Given the very real contribution a festival can make to a local economy or a band can make to a city's image, such gestures do a disservice to the very real contribution that music makes to economic activity. Music has and always will be one of the UK's best tourist attractions, and our challenge is to provide the industry with better research and better data that allows a more robust assessment of music's value to be made, with greater clarity.

Music's role in the economic recovery

Feargal Sharkey, CEO UK Music

It is no secret that the UK economy is in need of a little help at the moment and I am convinced that the creative industries have a valuable role to play.

As we know, music is a national asset and we are one of three countries that export more music overseas than we bring in. More than that, our heritage is second to none and we host a number of iconic landmarks – for instance Carnaby Street, Salford Lads Club and, of course, the Abbey Road zebra crossing. These are the places where music fanatics make a pilgrimage, as they would to Graceland, the Grand Ole Opry or the Rock and Roll Hall Of Fame.

But heritage is one thing; the living breathing music economy is another. As we've already seen, consumer spend on live music is now breaking the £1.5bn mark, encompassing everything from performances in the back rooms of pubs, to arenas, stadiums and our increasingly diverse festival season – a season that stretches from the Shetland Folk Festival to the Eden Session in Cornwall with an ever-growing number of events in between.

With Government looking to stimulate spending and employment outside of the South East, live music represents a major opportunity. According to Association of Independent Festivals research, more than two thirds of music fans attending their member's events spend 3 days of more in the surrounding local area. Fans not only spend money in a venue or onsite, they also boost spending in the local economy - and this is over and above the jobs created whilst setting up an event, on site and clearing up after. Visitors to the Belladrum festival near Inverness spend an average

of £63 per head on non-music purchases in the Beaulieu area. In 2008, Glastonbury raised approximately £36m for people of the Mendips and created around 1,000 jobs.

Such highlights are illuminating but there is still more to be done in order to fulfil the potential of live music. Lifting the bureaucratic licensing restrictions that are stifling music performances in smaller venues offers one straight forward example, but there is surely scope for a more comprehensive and joined-up strategy. Recognising the very real contribution a festival can make to a local economy, or the impact an artist's success can have on a city, a proper music tourism strategy, that understands the value of music and appreciates the importance of allocating funds for maximum impact, is long, long overdue.

In turn, this locks music into an even bigger economic agenda. As the values of market commodities are eroded, the value of service industries must increase to keep the UK growing. In this context, our creative industries clearly have a role to play. UK music, film, television, computer games and books are all a recognised success on the world stage. However, there needs to be an appetite to support such creative ventures, and – especially post credit crunch – this is not coming from the conventional banking sector, with its preference for the familiarities of low risk.

This must change, and I believe we have a clear case for policy-makers. Music has and always will be one of the UK's best tourist magnets and can offer a very high return on minimal investment. Our challenge going forward is to provide the comprehensive data, analysis and support that can help them allocate funds more effectively.

Acknowledgements: This paper would not have been possible had it not been for the willingness for many analysts across the music industry to pool their data and collaborate. Hence we would like to go beyond thanking the following people, but rather share the credit with them as this simply would not have been possible without everyone throwing their data into the collective ring. From PRS for Music, we would like to thank: Robert Ashcroft, Jeremy Fabinyi, Phil Trzcinski, Bruce Dickinson, Stewart McKie and Chris Haynes. The authors are heavily indebted to the analysis and comments from Chris Green, Adam Liversage and Rob Crutchley from the BPI and Gabi Lopes from the IFPI. Steve Redmond provided excellent advice on interpreting the Entertainment Retailers Association analysis. For the transatlantic comparison we are grateful for the feedback from Josh Friedlander of the RIAA and consultancy work of NYU graduate student Robby Towns. Jonathan Morrish provided valuable assistance with interpreting PPL's revenues. Various players in the live music industry collaborated on various levels, and particular thanks to Greg Parmley from IQ magazine, George Prior from Tixdaq and Jessica Koravos from AEG Live Europe. On the publishing side, Chris Helm and Hank Forsyth from EMIP and Will Downs from Sony ATV provided essential support in understanding group income, Steven Navin and Will Lines of the MPA provided useful insights and Cliff Dane produced valuable company accounts analysis from across the music industry. Dom Hodge and his excellent team at FRUKT calculated the market for advertising and sponsorship, once again shedding light on a sector that is often overlooked. We would like to thank Feargal Sharkey, Nicola Slade and Adam Webb of UK Music, along with Olaf Furniss of Born to be Wide in Edinburgh, for illustrating the significant role of music in driving tourism. Finally, we would like to thank Steve Cole at PRS for Music for his skill in producing this report.