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NATIONAL MUSIC COUNCIL

A Sound Performance

The economic value of music to the United Kingdom

A Sound Performance: A Commentary

This publication provides a commentary on the research report, *A Sound Performance: the economic value of music to the United Kingdom.*

A Sound Performance summarises the statistical dimensions of the UK music industry with particular reference to expenditure, turnover, 'value added' and overseas earnings. It updates much of the information contained in two previous reports: *Overseas Earnings of the UK Music Industry* (British Invisibles, 1995); and *The Value of Music* (National Music Council/University of Westminster, 1996).

This commentary and *A Sound Performance: the economic value of music to the United Kingdom* (ISBN 0 9529743 1 2) were commissioned under the auspices of the National Music Council (NMC). KPMG, one of the leading accountants and consultants in the music business, have been pleased to support the NMC on this project. The research was undertaken by Cliff Dane (Media Research Publishing Limited), Kate Manton (freelance researcher) and Andy Feist (Senior Research Fellow, City University, London).

Additional copies of this commentary and *A Sound Performance* are available from the National Music Council at the address below.

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Contents

The economic value of the UK music business, 1997/98

	Estimated employment (a)	Total value added (£m)	Overseas earnings (£m)	Overseas payments (£m)	Net overseas earnings (£m)
Composition of musical works and music publishing	3,688 (b)	122	358	187	171
Musical instruments: production, retailing and distribution	9,600	344	88	149	(61)
Managers, agents, promoters	1,126	159	6	..	6
Live performance	54,351 (c)	571	139	70	69
Recording companies	11,538	521	728	392	336
Retailing and distribution of recordings	18,668	365	na	na	na
Education and training	31,353	211	13	..	13
Artists' earnings not elsewhere identified	na	930	na	na	na
Balancing item (payments unaccounted for)	na	na	na	15	(15)
Total	**130,324**	**3,223**	**1,332**	**813**	**519**

(a) Full-time equivalents (FTEs)

(b) Of which 1,500 are composers and songwriters

(c) Of which 40,453 are performers

APPLIES TO ALL TABLES

.. – not available

na – not applicable

Some total figures may not sum exactly, due to rounding.

Composition of musical works and music publishing

Writers and composers generally operate by contracting with publishers who promote, exploit, protect and administer copyright musical works and publish them in printed editions.

There are five principal sources of revenue from copyright musical works:

- Performance royalties are due whenever a copyright work is broadcast on radio or television, or performed in public. These royalties are collected by national collection societies such as the UK's Performing Right Society (PRS);
- Mechanical royalties are payable principally on the production or sale of sound-carriers incorporating copyright musical works, and are collected by national collection societies such as the UK's Mechanical-Copyright Protection Society (MCPS);
- Synchronisation fees are payable when copyright musical works are put into an audio-visual context such as into a film soundtrack, a commercial or a multimedia product;
- Grand right fees are derived from the performance and broadcast of dramatico-musical works such as opera, ballet and musical theatre; and
- The sale and hire of printed music.

The importance of the different sources of income has varied over time, and there is a current expectation that, in the near future, the use of musical works in on-line environments, and particularly on the Internet, will be a significant additional source of revenue. The data below have been collected from a variety of sources, including a survey of Music Publishers Association (MPA) members, MCPS, PRS and The British Academy of Composers and Songwriters.

	Employment (nos)	**Value added (£m)**	**Consumer spending (£m)**	**Overseas earnings (£m)**	**Overseas payments (£m)**
Music publishers	1,275	96.0	41.9 (a)	250.7	94.6
Collection societies	913	26.1	na	107.1	92.2
Composers	1,500	..(b)	na	..(c)	..(c)
Total	**3,688**	**122.1**	**41.9**	**357.8**	**186.8**

(a) Represents the value of retail sales of printed music in the UK only

(b) The estimate for value added attributable to composers/writers is included elsewhere in the report

(c) Included under 'Music publishers' and 'Collection societies'

Production, retailing and distribution of musical instruments

The supply of musical instruments to both professional and amateur musicians is a significant core element of the music business.

The sector is represented by the Music Industries Association (MIA) which collates data on the value of retail sales of new musical instruments within the UK, and on imports and exports.

Total sales of instruments were £378.4m in 1997. Portable keyboards were the most popular instrument in terms of value, with sales of £71.7m. The most popular instrument in terms of units sold was the recorder. Over a quarter of a million acoustic guitars were sold in 1997, which exceeded the number of electric guitars sold.

According to MIA estimates, total consumer expenditure on new musical instruments and associated products such as music software and electronic hardware (but excluding sheet music) was £449.9m. This figure does not take into account the second-hand market which is estimated by MIA to be worth around £300m.

	Employment (nos)	Value added (£m)	Consumer spending (£m)	Overseas earnings (£m)	Overseas payments (£m)
New musical instruments	3,600	60.0	449.9 (a)	87.5 (b)	148.6 (b)
Second-hand instruments	..	..	300.0	..	..
Retailing	4,000	184.0	na	na	na
Distribution	2,000	100.0	na	na	na
Total	**9,600**	**344.0**	**749.9**	**87.5**	**148.6**

(a) Includes music software and electronic hardware

(b) Includes estimated figures for guitar amplifiers

Promotion, management and agency-related activity

Concert agencies and promoters play an important part in both the classical and popular music sectors.

They are responsible for the planning, organisation and marketing of concerts and other live performances. Agents and promoters have several professional bodies including the Agents Association of Great Britain, the International Artist Managers' Association (IAMA) and the Concert Promoters Association (CPA).

Rock and pop promoters

Members of CPA are responsible for almost all large rock and pop events. There is, however, little direct employment in the sector and even the larger promoters often have fewer than ten employees.

Rock artist managers

The International Managers Forum (IMF) currently has around 200 core UK members, which it considers to be full-time managers, amongst a total membership of 800 (including worldwide affiliates).

Classical artist managements

Unlike the rock and pop sector, in the classical sector the function of manager and agent is combined. Most major classical artist managements are in membership of IAMA. IAMA members based in the UK are responsible for representing the majority of UK resident classical artists at home and overseas. They are also responsible for representing a high proportion of non-UK resident classical artists (and ensembles) in the UK. Furthermore, some are involved in worldwide representation for a number of non-UK resident artists and, as a result, a significant part of their total income is derived from overseas. Total employment in the sector amounts to approximately 326 full-time equivalents.

	Employment (nos)	Value added (£m)	Overseas earnings (£m)	Overseas payments (£m)
Promoters	100	18.0	..	..
Rock/pop managements	700	130.0	..	..
Classical managements	326	11.0	5.5	..
Total	**1,126**	**159.0**	**5.5**	**..**

Live performance

This sector of the UK music business encompasses many different types of performance, musical genre and venues ranging from the largest stadia to the back rooms of public houses.

In contrast to music publishing or recorded music, there is no single source of data and information has been drawn from many sources. It has been analysed under four main headings: pop, rock, folk, jazz and other musics; classical music; musical theatre; and opera.

- Estimates of musician employment in the live pop, rock, etc sector is calculated to be the full-time equivalent of 35,000, with the equivalent of a further 11,000 working in other capacities at venues and at concerts. Estimates based partly on PRS data suggest total musicians' earnings (and therefore their value added) in the region of £266m. Gross earnings from overseas touring are estimated to be in the region of £108m;
- Information on professional classical performance comes from a variety of sources including the Association of British Orchestras (ABO), the BBC, and the Musicians' Union. Information about the contribution of amateur performance to economic activity comes from the National Federation of Music Societies (NFMS) and local authorities. Classical music accounts for around a quarter of the total value added from all live performance;
- Accounting for approximately 2,100 full-time equivalents and a value added of nearly £70m, musical theatre makes a substantial contribution; and
- It is estimated that professional opera companies employ around 650 full-time equivalents and generate consumer spending of £30m.

	Employment musicians (nos)	Employment other (nos)	Value added (£m)	Consumer spending (£m)	Overseas earnings (£m)	Overseas payments (£m)
Pop/rock/country etc	35,000	11,000	350.0 (a)	303.3	108.0	31.8
Classical music:						
Chamber music/solo artists	1,500	na	20.0	(b)	22.0	36.4
Orchestras	1,432	427	59.6	52.0	6.5	1.6
Film sessions	(b)	na	3.4	na	3.0	..
Amateur music	(b)	na	11.0	8.0	na	na
Classical venues	na	568	9.6	na	na	na
Military bands	1,666	na	22.3	na	.. (c)	.. (c)
Opera	(b)	653	21.0	30.0	.. (c)	.. (c)
Amateur opera	(b)	na	5.0	25.0	na	na
Musical theatre	855	1,250	69.4	186.0	.. (d)	.. (d)
Total	**40,453**	**13,898**	**571.3**	**604.3**	**139.4**	**69.8**

(a) Total represents £266m for pop/rock, etc. performers' earnings from performance plus £84m for venues' value added

(b) Not identified separately

(c) Earnings and payments in these areas are not considered to be substantial

(d) Figures relate to performers' earnings and payments only

Recording

Record industry directories list some 1,500 entities engaged in the release of sound carriers, but although the majority of these are not full-time operations, there are still several hundred record companies in the UK, of which over 200 are currently full members of the British Phonographic Industry (BPI), the industry's lead trade organisation.

Record companies operating in this country range in size from the 'majors', representing the main multi-national companies in the world music business, through to the smaller 'independent' labels. The majors account for slightly more than two-thirds of album unit sales in this country with the balance being taken up by the independents which vary considerably in size and scope of activity, and by a significant number of medium-sized companies which often specialise in a particular genre, such as classical, religious or military music.

The turnover of UK record companies currently comprises:

- Sales of records in the UK market incorporating music they have either recorded or licensed from other companies;
- Other royalties, including sums collected for public performances through Phonographic Performance Limited (PPL) and income from the use of recordings in films, advertisements or elsewhere;
- Sales of records as physical exports; and
- Royalties from the licensing of recordings to overseas affiliates and other companies.

It is anticipated that, with the growth of digital delivery systems, record companies will derive significant income from the digital downloading of recordings in the near future. However revenues from this source were not significant in the UK market in 1998.

The summary data table below draws upon statistics from other sectors of the broad recording industry, including the Association of Professional Recording Services (APRS) and estimates from the Producer Managers Group (PMG). There are approximately 300 recording studios in this country.

	Employment (nos)	**Value added (£m)**	**Overseas earnings (£m)**	**Overseas payments (£m)**
Record companies	7,128	405.0	724.0	392.3
Studios	660	14.9	3.7	na
Producers	750	14.0	.. (a)	.. (a)
Manufacturers	3,000	87.0	.. (b)	.. (b)
Total	**11,538**	**520.9**	**727.7**	**392.3**

(a) No estimates included as amounts are too small

(b) Included under 'Record companies'

Retailing and distribution of recordings

The UK recorded music retail market comprises nearly 6,000 over-the-counter retail outlets, plus the second-hand/ collectors sector and a significant mail order market augmented by Internet-based sales companies.

Estimates suggest that the specialist chains represent around 41% of the market by value and multiple retailers account for 23%. A significant trend in the retail market in recent years has been the increasing presence of supermarkets, which now represent over 10% of sales value.

Outside the high street retailers, the mail order market currently represents around 10-12% of the recorded music market. The growth of Internet retailing, by US-based groups like *Amazon* and *CD Now/N2K*, UK- based retailers such as *IMVS* and *CD Paradise*, and independent record labels, have begun to make an impact on the market (though one which is still difficult to quantify).

	Employment (nos)	Value added (£m)	Consumer spending (£m)
Retailers	14,990	253.5	1,792.6 (a)
Distributors	2,578	86.4	na
Second-hand retailers	1,100	25.0	75.0
Total	**18,668**	**364.9**	**1,867.6**

(a) Includes music videos

The number of people employed in music retailing (equivalent to about 15,000 full-time jobs) has been calculated using published accounts information augmented by estimates from industry organisations.

It is estimated that there are some 2,578 employees working in the music distribution sector, which has a value added of £86.4m.

Education and training

Education and training in music covers a wide range of statutory and voluntary services.

Broadly, it may be divided into the following categories:

- Pre-school music;
- Music teaching in maintained and independent schools, undertaken within a classroom setting;
- Instrumental music teaching and other services (eg, choirs and orchestras) for children of school age, taking place at school or elsewhere, but not as part of the statutory curriculum;
- Private instrumental teaching and external music examinations, mostly involving children but also mature students;
- Specialist music training for young musicians aspiring to careers in music;
- Conservatoire training for musicians;
- Other degree-level courses in music;
- Postgraduate courses in music and research degrees; and
- Music for those with learning or physical disabilities and music therapy.

All these sectors are mainly concerned with activities within the UK. However, there are some areas in which overseas earnings become relevant.

The figures set out in the table are drawn from a variety of sources including the 1998 PRS survey of primary and secondary schools in England and Wales and a survey undertaken by The Associated Board of the Royal Schools of Music in 1997.

	Employment (nos)	Value added (£m)	Consumer spending (£m)	Overseas earnings (£m)	Overseas payments (£m)
Secondary schools	7,553	na	na	na	na
Private tuition	23,200	185.6	94.8	na	na
Higher Education	600	18.6	na	5.0	..
Examination boards	na	7.0	9.0	8.2	.. (a)
Total	**31,353**	**211.2**	**103.8**	**13.2**	**..**

(a) No estimate included as amount is too small

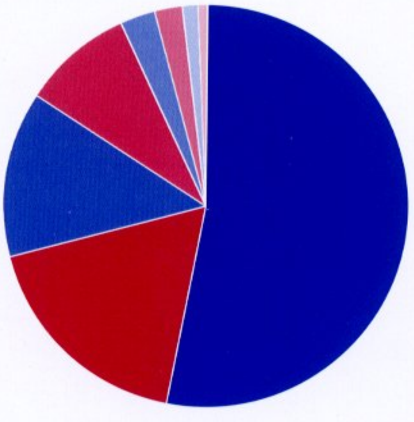
Spending on music

Consumer expenditure

In 1997/1998 consumers spent £3,368m (including VAT) on music, including recordings, concerts, instruments, sheet music and education.

Consumer expenditure on music, 1997/98

	£m
Sound recordings (new)	1,793
Total admissions	604
New musical instruments	450
Second-hand musical instruments	300
Education: tuition	95
Sound recordings (second-hand)	75
Printed music	42
Education: examinations	9
Total	**3,368**



Public corporations' expenditure on music

The BBC is the only major public corporation which incurs significant expenditure on music. It is estimated that in 1997/98 the BBC spent in the order of £100m on music through a mixture of copyright payments, orchestras, artists and origination costs.

Private corporations' expenditure on music

This includes independent radio and television companies' expenditure on the origination of music and copyright payments; the film industry; advertising; and the hotel and catering sector's spending on music. In total this was estimated at £160.3m in 1997/98. Data from the Association for Business Sponsorship of the Arts (now Arts & Business) indicated that general cash sponsorship, corporate membership income and corporate donations to music projects totalled £16.7m in 1996/97.

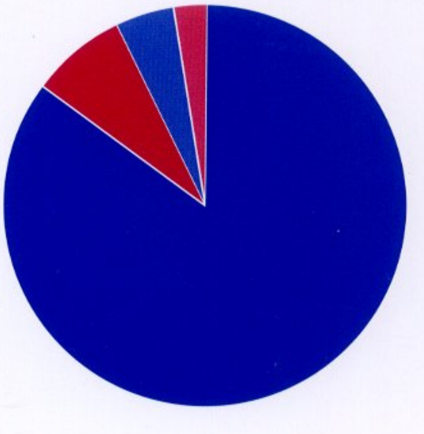
Public sector spending

Total public spending, principally via Arts Councils, local authorities, Regional Arts Boards and support for instrumental teaching totalled £287.2m in 1997/98. This excludes Lottery funding.

Domestic expenditure on music, 1997/98

	£m
Consumer spending	3,181 (a)
Public sector spending	287
Private corporations	177
Public corporations	100
Total	**3,745**

(a) The figure of £3,368m in the preceding chart has been adjusted to include only the dealers' margin for second-hand musical instruments and sound recordings to give a figure of £3,181m



Appendix

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KPMG
Musicians' Union
Music Industries Association
Theatrical Management Association

National Music Council

Chairman:	Russell Jones
Administrator:	Jennifer Goodwin

The National Music Council seeks to celebrate and promote the value and enjoyment of music which contributes, in all its forms, to the cultural, spiritual, educational, social and economic well-being of the United Kingdom. It embraces all sectors of the music industry.

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KPMG is one of the leading global business advisers and its music practice is part of the Information, Communications & Entertainment (ICE) practice. Services to the music industry include statutory and royalty audits, due diligence, corporate finance, consulting and forensic accounting.

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