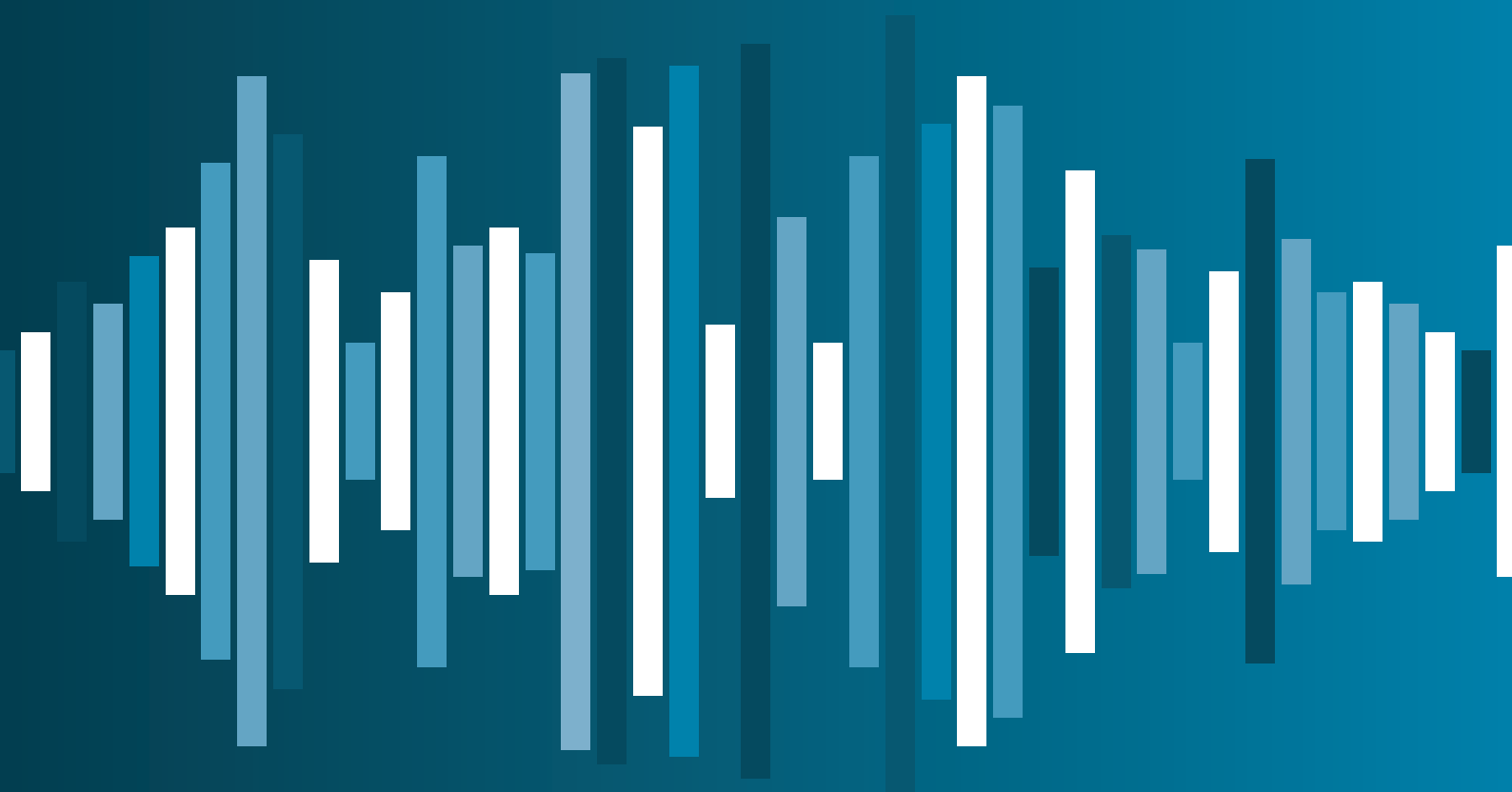


MEASURING MUSIC

2017 REPORT





WELCOME



RT HON KAREN BRADLEY MP
Secretary of State for Digital,
Culture, Media and Sport



Department for
Digital, Culture
Media & Sport

Measuring Music provides a fantastic insight into the huge contribution the UK music industry makes to our economy.

Now in its fifth year, this study maps the scale of a fast-changing global success story.

Despite the challenges that technological and other changes present, the industry continues to grow.

In 2016, music contributed £4.4 billion in GVA (gross value added) – up 6 per cent on the previous 12 months.

Exports across the whole sector were up 13 per cent to £2.5 billion and the number of jobs grew to 142,208.

Those positive figures are down to the hard work of an army of professionals. Not just the musicians and artists that are the envy of the world, but also the sound engineers, producers, publishers, managers and others who work together to deliver such great results – and who are also the envy of the world.

We want to maintain and build on this success by continuing to work with UK Music and others to nurture British talent.

For the Government, that means working with schools, orchestras and organisations that fund music, such as the Lottery distribution bodies. We want to help artists do business across the world and make it easier for them to tour and export their music.

We are also keen to ensure the industry reflects the people who enjoy the music it produces. Whatever their background, everyone should have the chance of a career in any part of the industry. Music is one of life's great pleasures.

I hope you find this report, which has cemented itself as a fixture in the music industry calendar, as informative and interesting as I did.

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Photo Credit | The 1975 performing at the Brit Awards 2017 | © JM International, Courtesy BRIT Awards Limited/BPI

INTRODUCTIONS



MICHAEL DUGHER
CEO, UK Music

The headline figures in this year's Measuring Music report are undoubtedly excellent news. Virtually all sectors of our industry grew in 2016, particularly live music which soared by 14 per cent to make up £1 billion of the £4.4 billion the music business generated for the UK economy in 2016.

The number of new jobs created in the UK rose at a faster pace than the rest of the employment market and our export figures shot up across the board. The outlook for the music business is better than it has been in years. But behind the positive top line figures there are some clear challenges that could threaten our efforts to cement the foundations for continued growth.

Live music did have another great year as millions of people poured into festivals, stadiums and venues to see and hear their favourite acts. And live music is a fantastic driver for growth. But future talent will never get the chance to shine if we continue to see cuts in music in schools and closures in venues where artists need to learn their craft in the first place. To reach the big stage you need to have a hit record and you need to be able to pay the bills. That means that those who create music and invest in it must be properly rewarded.

That's why we must urgently address the 'value gap', particularly on the new and exciting platforms that many people now use to listen to music. As Measuring Music shows, young people in particular are turning to YouTube and Facebook in increasing numbers for their music. However, unlike the subscription services, those platforms often offer little adequate reward to the investors and creators of the "content" - i.e. the music - that drives so much of their traffic.

In the Sixties we had 'free love'; today some people think you can have 'free music'. And there is still too often a culture of denial from the big tech firms. The platforms may be changing, as Measuring Music shows, but certain fundamental responsibilities must continue. It's time for the free ride to come to an end.

We know that the music industry itself needs to continue to innovate, to adapt and to change. The music industry has shown that it can embrace new ideas and is collaborating with those outside the industry when it comes to digital innovations. Importantly, we are also pushing ahead with the UK Music apprenticeship scheme and our efforts to increase diversity in the industry through our Diversity Taskforce to make sure we better reflect our communities and respond to our customers.

And looking to the future, Brexit continues to cast a cloud of uncertainty for the music industry. We will continue to press the UK Government to get the best possible deal to protect our 142,208 jobs, to grow our exports and to remove any barriers to trade, especially for touring artists. We are a vital part of any industrial strategy. The foundations of our industry must not be negotiated away at this critical time.

Overall, Measuring Music shows once again that we have much to shout about in the UK about our music industry. So let's do just that. But let's also make sure we act now to protect that growth and nurture that success - so we can be even more successful in the decades ahead.

The music industry has been no stranger recently to some tough years, so it's great to see another set of good figures across the industry.

This year's Measuring Music shows GVA growth across the whole sector up a healthy 6%, with exports up 13% in 2016, ahead of what will prove to be a critical few years when it comes to overseas trade.

Live music continues to thrive with a 14% rise on the previous 12 months, and as I predicted last year, the recorded sector has turned around with a 5% growth rise in 2016. This is the first year that the recorded sector has grown since we started analysing the industry for Measuring Music five years ago. I'm very confident it will be the start of a trend.

The number of jobs grew across the sector, with the biggest increase (13%) in the live music sector, our Measuring Music report reveals.

According to data from the Entertainment Retailers Association, the huge growth in streaming saw the retail value of that sector shoot up by an astonishing 65% on the 2015 total to £418.5 million. Although physical formats have declined, they are still demonstrating remarkable resilience. The surge in the popularity of vinyl continues to gather pace, but the physical sector fell by a modest 7.3%* and digital downloads dropped by 27.2%*.

However, this drop is more than compensated by the enormous popularity of streaming which is the consumption format of choice for an ever increasing army of music buyers. Millions of music lovers are now finding methods of paid for consumption that suits all their individual tastes and demands. You only need to look at the

growth of paid for subscriptions to see where the true music fans are heading and placing their trust.

It is significant that the number of people listening to music via Facebook has grown and is now greater than those who listen via iTunes. Facebook has risen to become the fourth most accessed audio platform behind YouTube, Spotify and CDs. That surge in popularity is likely to present some challenges in the months ahead when it comes to ensuring creators and investors get a just reward for their intellectual property.

This broadly positive data does not mean that everything is rosy when it comes to our industry. We face some crucial battles in the coming months. We have a fight on our hands when it comes to closing the value gap between what some organisations currently pay for music and what represents a fair deal for our work and creativity. The behaviour of some platforms and distributors in hiding from their responsibilities by taking advantage of the ever more anachronistic "safe harbour" has no place in a modern economy. The pace of change is rapid and we need to respond just as rapidly. We need to make a strong and persuasive case to convince everyone to value fairly the huge range of music we create. We must ensure that we do all we can to continue driving that growth across all sectors of our brilliant business, which continues to provide the world's best and most successful music.



ANDY HEATH MBE
Chairman, UK Music

*Data provided by ERA report published April 2017



UK MUSIC TOPLINE FIGURES 2016

£4.4 BILLION

Total Gross Value Added (GVA) contribution generated by the UK music industry 2016



£2.5 BILLION

Total Export revenue generated by the UK music industry in 2016



142,208

Total UK employment sustained by music in 2016



30.9 MILLION*

Total live music audience in the UK in 2016
27 Million total concert attendance and 3.8 million total festival attendance



5%

GVA growth for recorded music 2015 - 2016

25%

Export growth of publishing 2015 - 2016

CASE STUDIES 2017

Since 2010, PRS for Music's membership has nearly doubled from 65,000 to 125,000 in 2017

93% INCREASE

STORMZY

20 MILLION

cumulative track streams in week one release of Gang Signs and Prayer. Stormzy is the first grime artist to reach number 1 in the UK Album Charts.

The size of PPL's repertoire database has increased from 5.5 million in 2011 to just over

11 MILLION IN 2017

GLASS ANIMALS

3 SHOWS A WEEK

on average by developing Brit band, Glass Animals, that's 77 live performances in the first half of 2017.

*Source: UK Music 2017 Wish You Where Here report - The contribution of live music to the UK economy

UK MUSIC IN NUMBERS 2016

We have used the same definition for the core music industry in this report as we did in our first assessment of its economic contribution.

The table below displays the relationship between what UK Music has identified as Sectors (Thematic Groups) and Sub Sectors (Elements of the Core) within the music industry.

The infographic opposite shows the music industry's contribution in goods and services, known as Gross Value Added (GVA), to the UK's national income or Gross Domestic Product (GDP). Exports are the part of this contribution generated by revenues outside the UK.

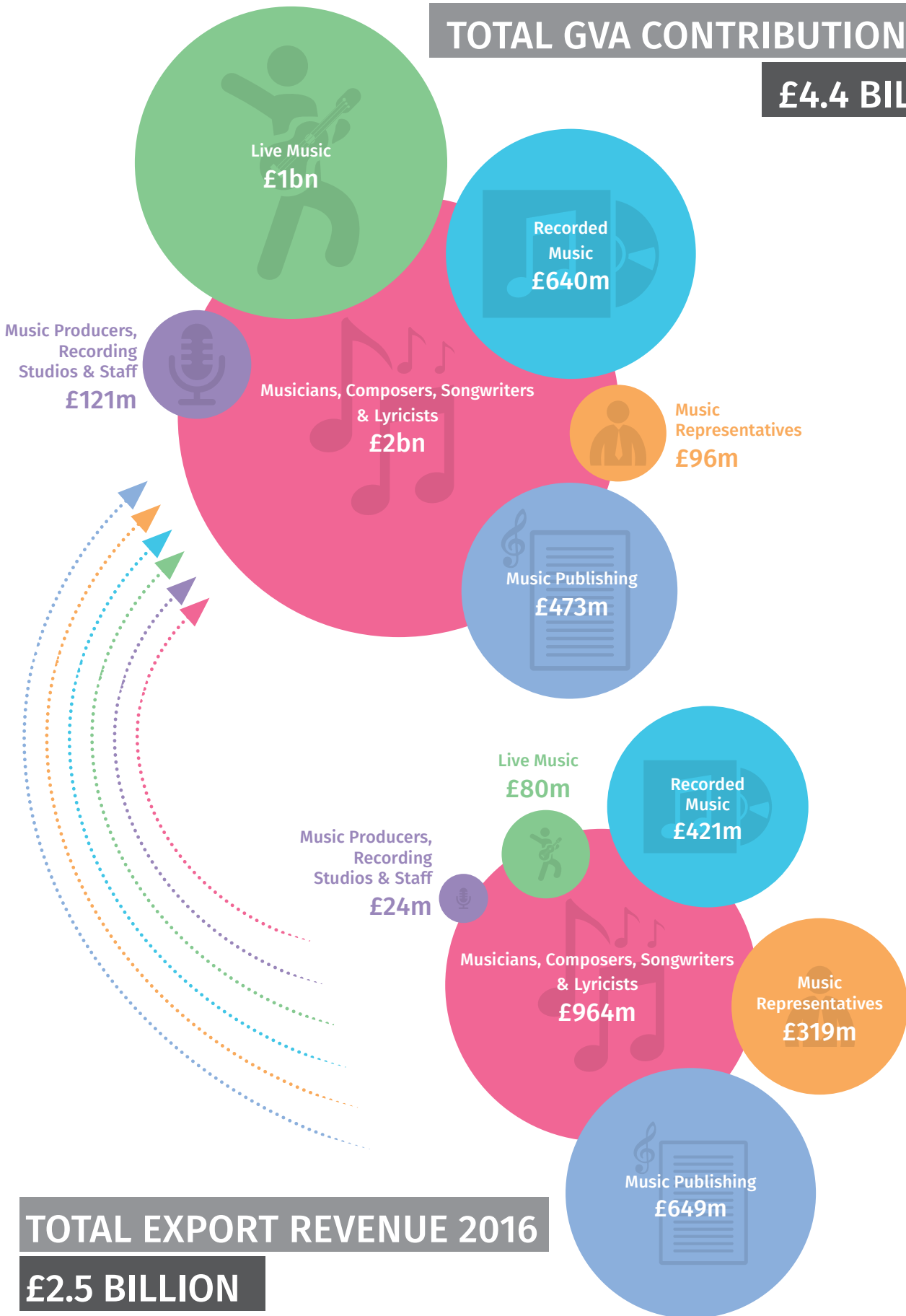
This is followed by a graphic on page 12 which shows the number of jobs sustained in 2016.

While musicians, composers, songwriters and lyricists contributed £2 billion in Gross Value Added (GVA) to the UK economy last year, and producers, recording studios and their staff contributed £121m, it is vital to understand that these figures do not reflect the level of their earnings. A small proportion of those in the industry do earn well. But there are also many in the music business who earn an average or below average salary.

SECTORS	SUB SECTORS
Musicians, Composers, Songwriters & Lyricists	Musicians, singers
	Composers, songwriters, lyricists
Recorded Music	Record labels
	Online music distributors
	Design and manufacture of physical product and packaging
Live Music	Music festival organisers, music promoters, music agents
	Production services for live music
	Ticketing agents – the proportion of their activities involved with live music
	Concert venues and arenas – the proportion of their activities involved with live music
Music Publishing	Music publishing
Music Representatives	Collecting societies
	Music managers
	Music trade bodies
Music Producers, Recording Studios and Staff	Music producers
	Recording studios and staff

TOTAL GVA CONTRIBUTION 2016

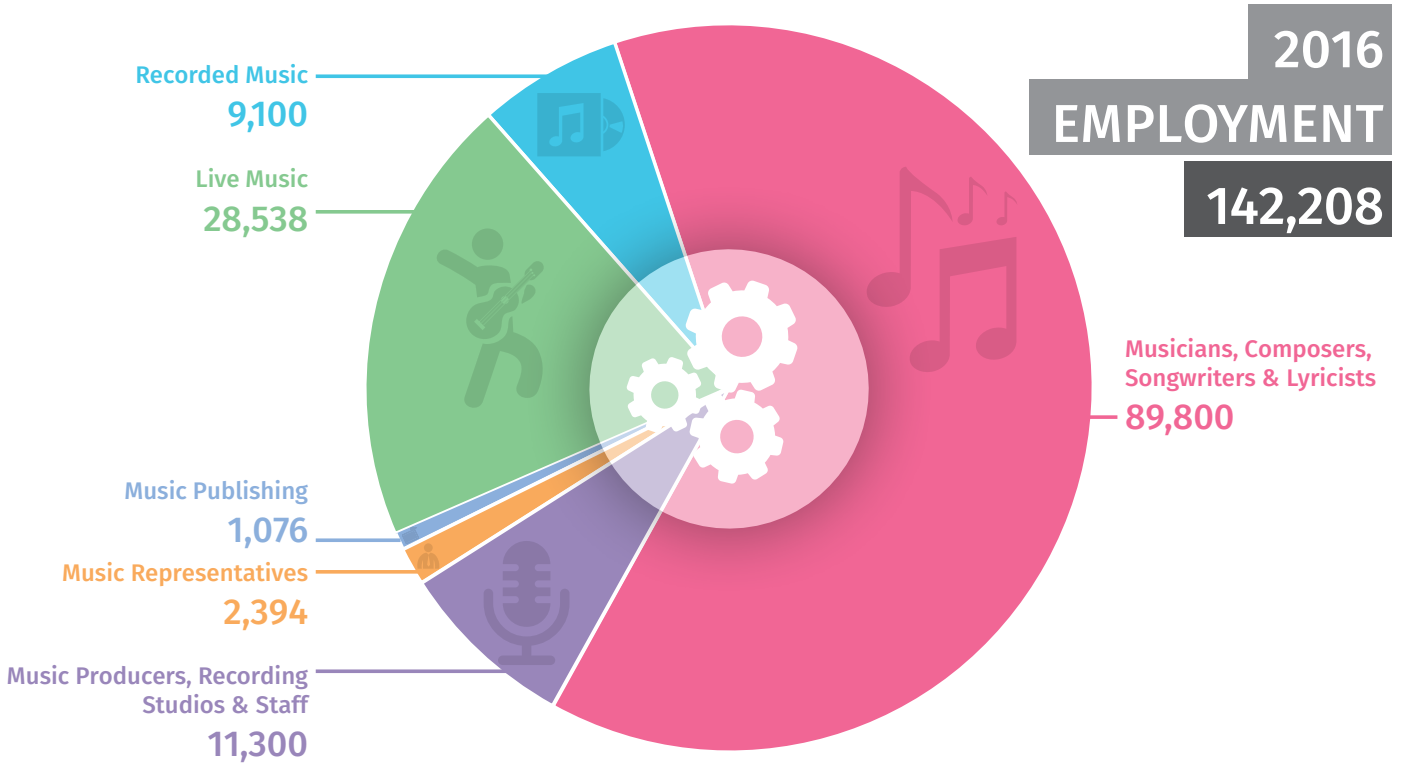
£4.4 BILLION



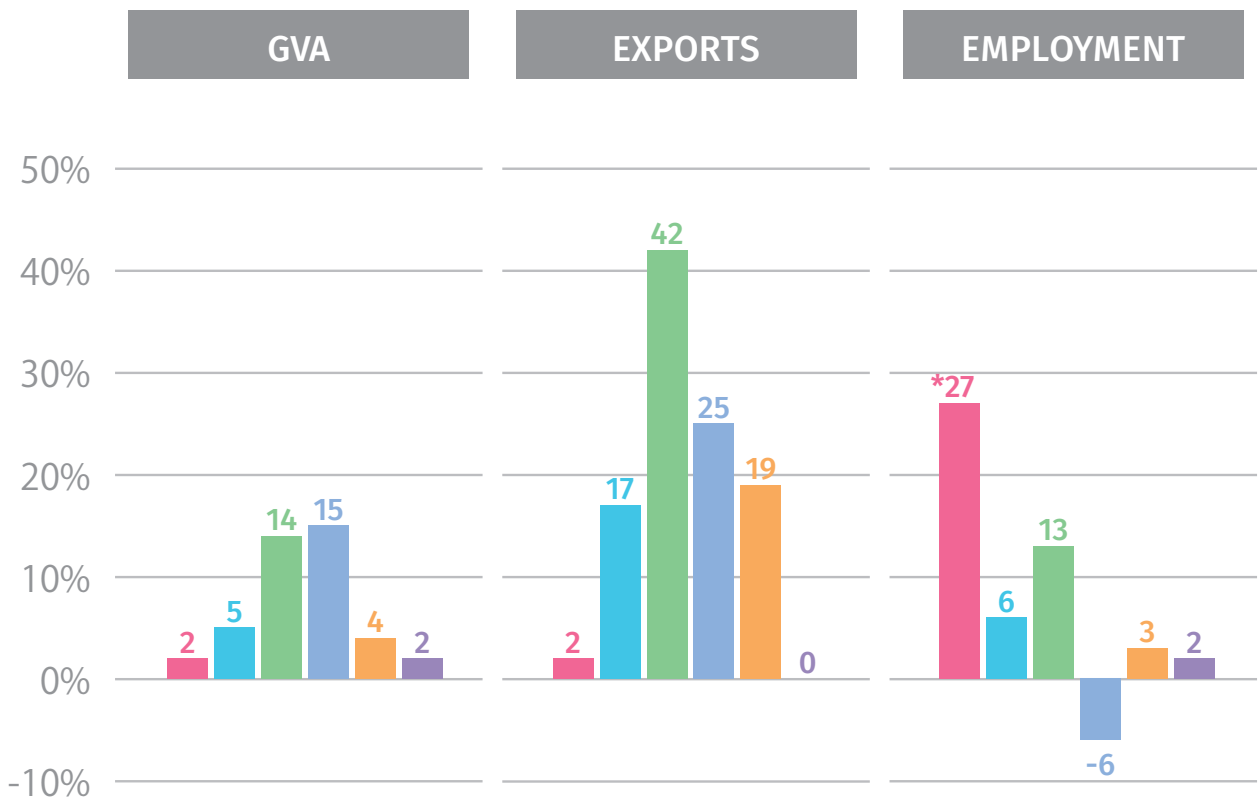
TOTAL EXPORT REVENUE 2016

£2.5 BILLION

*See Methodology note on page 17 for definition of what constitutes a live music export.



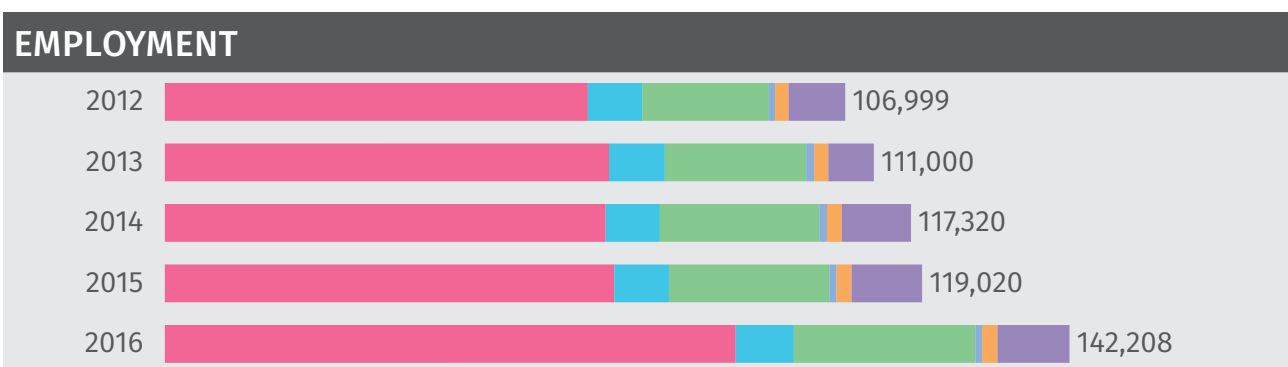
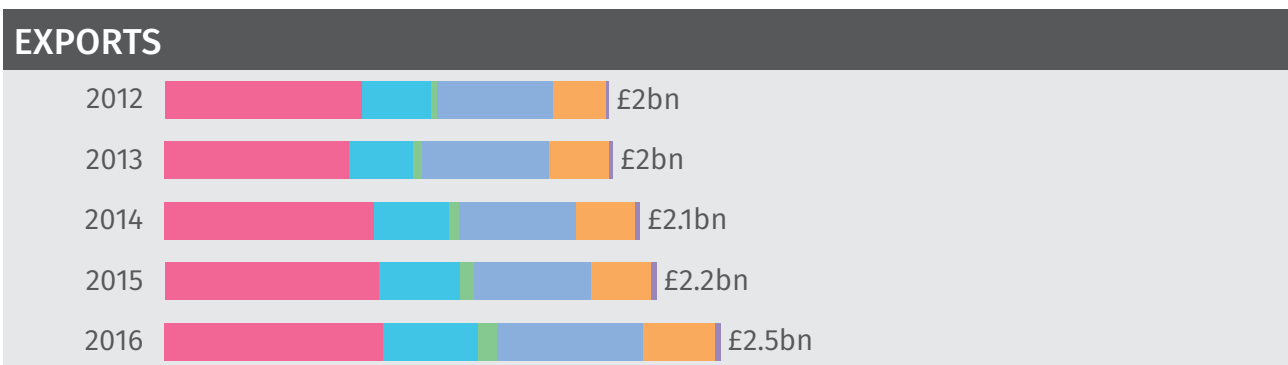
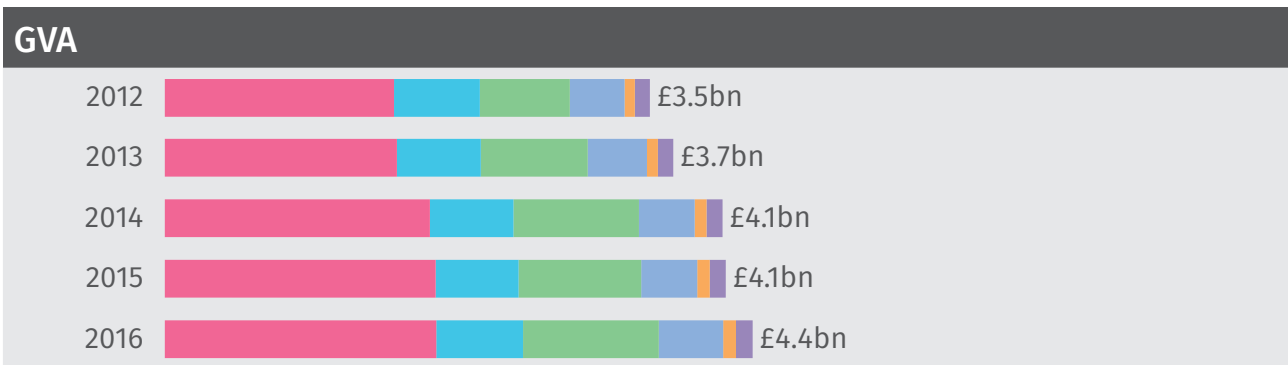
% CHANGE FROM 2015



*This may be attributed to an increase in the identification of composers and writers receiving royalties. See methodology on page 17 for details.

FIVE YEAR COMPARISON

Five years of measuring music has enabled us to compare GVA, exports, and employment figures and growth between 2012-2016 for the music industry. Despite tough economic conditions during this period UK music out-performed many other areas in the economy.





MUSIC CONSUMPTION

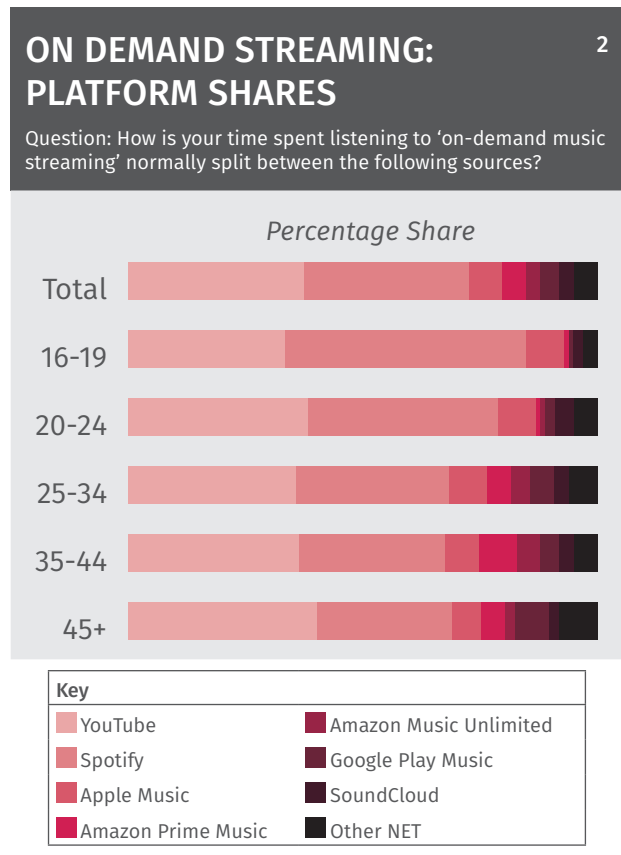
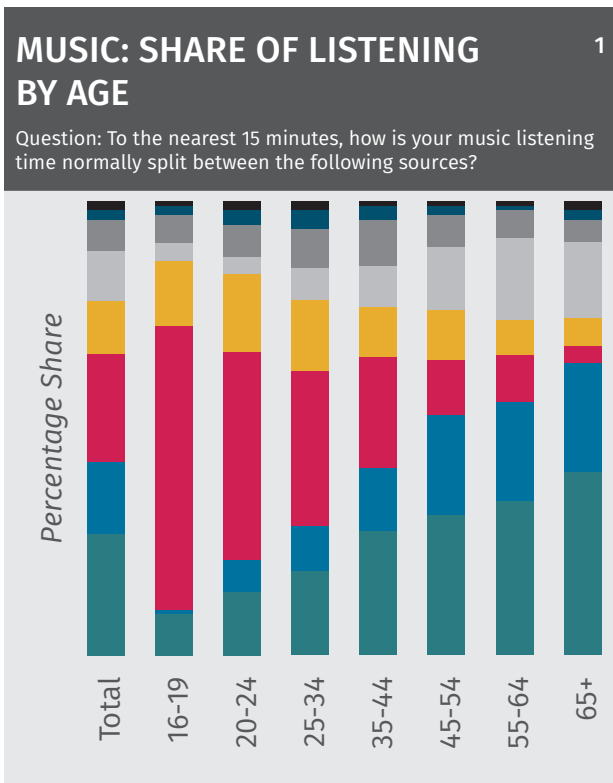
The way the UK is listening to music is changing.

Music often bridges the age gap. But AudienceNet’s survey of in June 2017 revealed a big divide in the way different generations listen to music. On a typical day, Radio accounted for just a tenth of 16-19 year old listening time, while on-demand streaming accounted for 62% of their total listening time 2017 (Chart 1).

The contrast with the over-65s is stark, with 65% of their time spent tuning into the radio and just 4% using streaming for their music fix. (Chart 1).

survey. But there was another revealing inter-generational split with 59% of 16 to 19-year-olds opting for Spotify or Apple Music against 33% who used YouTube for on-demand music (Chart 2).

Just 34% of the over-45s are listening to the two most popular subscription services (Spotify and Apple Music) compared to 39% who get their music from YouTube (Chart 2).



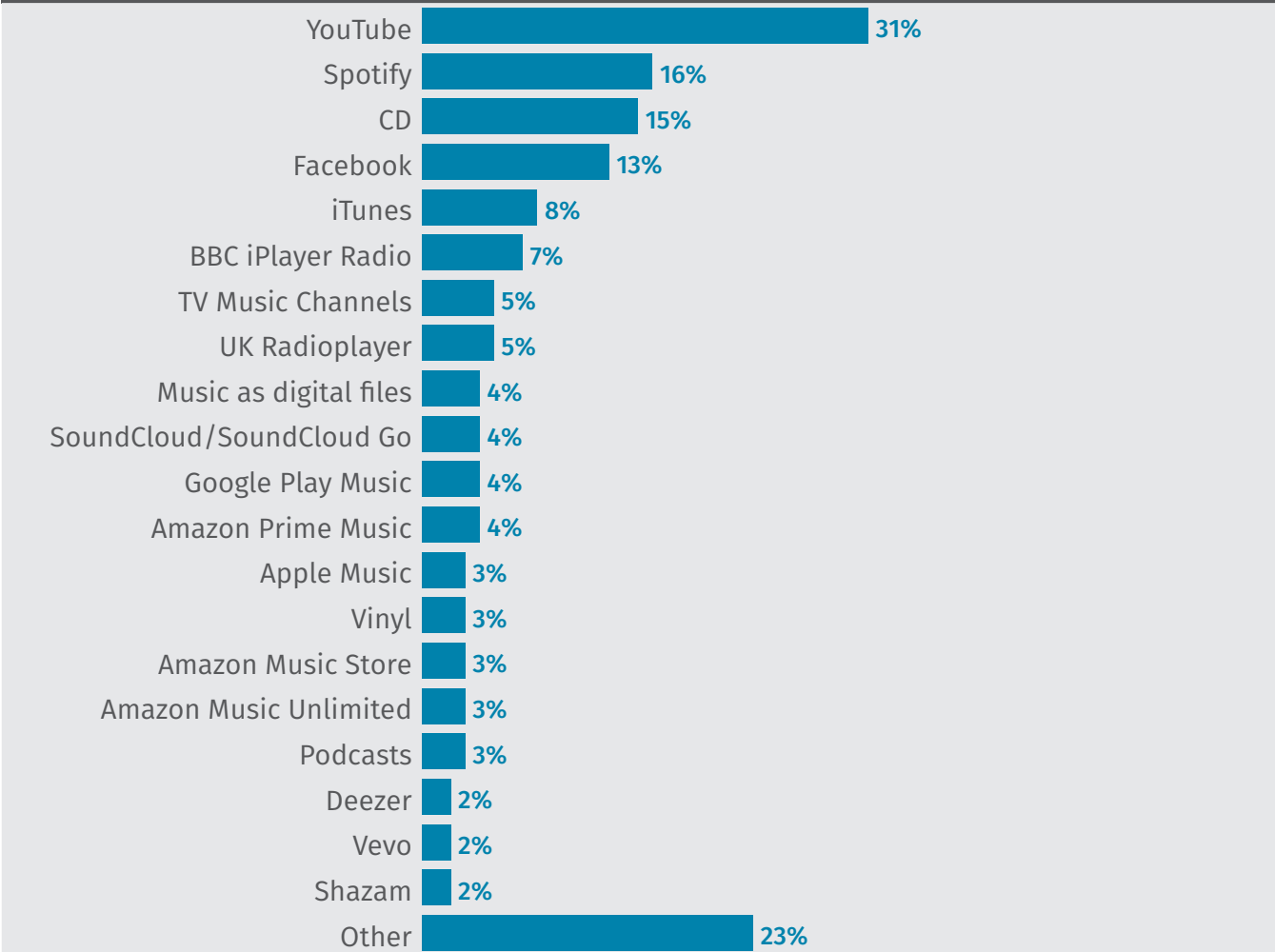
YouTube, Spotify, Apple Music and the combination of Amazon Prime Music and Amazon Music Unlimited account for 87% of the streaming market, according to AudienceNet

When it came to the weekly reach of the different streaming options in 2017, YouTube remained top. For the first time, CDs fell below Spotify which moved up to become the second most popular platform, marking a milestone in changing consumption habits among consumers. However, the most significant change in 2017 was the surge in the number of people now listening to audio content via Facebook. A boost in usage for the US tech giant saw Facebook rise from 7th spot in 2016

WEEKLY REACH BY PLATFORM

3

Question: Which, if any, of the following have you used in order to listen to audio content (music or speech) for five minutes or more at any one time during the last seven days?



to become the fourth most popular platform, pushing iTunes down into fifth place in 2017. The survey also showed that twice as many 16-24 year olds accessed YouTube than a paid for streaming service in a weekly period (Chart 3).

Among that 16-24 year old group almost half without a paid subscription said the reason they had not purchased one was the expense. UK Music plans to work with our members to help tackle that and maximise the full potential of music subscription services by making sure

the market operates fairly and transparently. But we also need to ensure those who currently enjoy their music for free on platforms like YouTube and Facebook understand the importance of fairly rewarding creators and investors in music. That is among the greatest challenges facing the industry. While YouTube and Facebook offer huge audiences, it is vital those models deliver decent financial returns for all those who work so hard to deliver the music enjoyed by millions in the UK and across the world.

BREXIT

A significant proportion of the UK music industry workforce are from other European Union countries.

Our 2016 UK Music Diversity Survey found that 10% of the music industry workforce hold a passport for an EU country other than the UK. This is greater than the estimated 7% total UK workforce who are from other EU nations.

This year we included a question in our Measuring Music survey to test the views of the music industry about Brexit.

Musicians, composers, songwriters, lyricists, producers and artist managers were asked how leaving the European Union would impact on their ability to work in the music business.

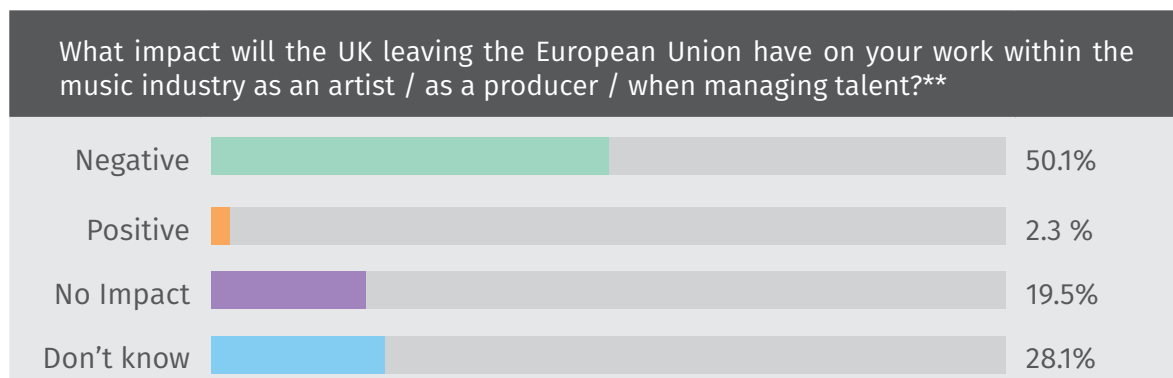
2% thought Brexit would have a positive impact on their chances of work whereas 50% feared leaving the EU would have a negative impact. One in five believed Brexit would have no impact. 28% responded that they don't know.

As outlined in our UK Music Manifesto 2017* there are a number of key issues which need to be prioritised to get the best possible deal for the music industry.

Leaving the EU could open the door for new opportunities, such as renegotiating existing terms of trade. This will enable the industry to grow and develop international markets.

But Brexit may also make touring more difficult and expensive for musicians and crews to move freely across Europe. Increased red tape will make it harder to promote music overseas, damaging our export markets. Developing new markets may present risks in unproven countries where there is not a track record for UK content.

UK Music will work with members to press the Government to help musicians work overseas free of extra burdens and added costs. We will be pushing for copyright and its enforcement to be included in new trade agreements. The EU currently provides a high level of protection for copyright and Brexit must not be used to diminish this. We will campaign to protect the rights of EU nationals currently working in the music industry in the UK.



*The UK Music Manifesto 2017 - www.ukmusic.org/policy/uk-music-manifesto

** Source: UK Music Measuring Music survey 2017 | Base: 1,198 respondents | Survey took place between March 2017 - June 2017

METHODOLOGY

Over the last five years we have been consistent in the methodological approach of Measuring Music. In future years we are aiming to improve the accuracy of our data collection and capture data that has not previously been collated. In respect of data inputs, the number of musician survey respondents this year was over 1000. We have continued to extend our analysis and have included data from our 2016 Diversity survey (approx. 3,000 respondents) for the section on Brexit, and added a section on streaming which is based on data from AudienceNet.

Our section on music consumption offers additional insight to our existing Measuring Music report. The report traditionally uses a definition of the music industry that is narrower, which does not include music retail and streaming.

For a second year we have included an analysis of streaming data which draws upon a demographically representative survey of 3,010 consumers undertaken by AudienceNet in June 2017, from sample of the 15+ year old population. All respondents had online access. This new data provides the report with a more up to date insight into the current streaming landscape.

In respect of what UK Music traditionally defines as the music industry we generate results in terms of GVA (Gross Value Added), exports and employment – which are the same metrics that are consistently reported by the Department for Digital, Culture, Media and Sport (DCMS). While limitations in the Standard Industrial Classification (SIC) codes apply to these metrics when reported by DCMS, these limitations do not apply to the results that we report here in Measuring Music.

We would like to add a note of clarification on exports: UK Music uses the Organisation for Economic Co-operation and Development (OECD) definition of exports, which is recognised internationally by governments and other agencies. This states: “Exports of goods and services consist of sales, barter, or gifts or grants, of goods and services from residents to non-residents”. For example, when non-residents of the UK spend money on tickets for music concerts or festivals in the UK, they are contributing to exports, as they are non-residents spending on the services of residents. But, in respect of most of the exports covered in Measuring Music, money moves across international borders. I.e. The non-resident consumers and/or businesses are making purchases outside the UK which, through a wide range of channels, transfer back across international borders to UK-based businesses.

Natalie Williams
Head of Research UK Music

Notes

*<https://stats.oecd.org/glossary/detail.asp?ID=918>

From page 11. GVA is the grand total of all revenues, from final sales and (net) subsidies, which are incomes into businesses. Those incomes are then used to cover expenses (wages & salaries, dividends), savings (profits, depreciation), and (indirect) taxes. Total Export revenue equals the total receipts generated from music within all sectors from outside the UK.

Employment

From page 12. The number of PRS Royalty payments to music creators for 2016 experienced a 33% increase on the previous year. This meant that employment numbers increased for composers and writers as more were identified.

Measuring Music is created on behalf of UK Music and its members to highlight the economic contribution of the music industry to the UK economy.

2017 is the fifth edition of the report, which was first published in 2013.

UK Music is the umbrella organisation which represents the collective interests of the UK's commercial music industry - from artists, musicians, songwriters and composers, to record labels, music managers, music publishers, studio producers, music licensing organisations and the live music industry. The members of UK Music are: AIM, BASCA, BPI, FAC, MMF,

MPA, MPG, MU, PPL, PRS for Music and the Live Music Group

The UK Live Music Group is made up of members of the Association for Electronic Music (AFEM), Association of Independent Festivals (AIF), Association of Festival Organisers (AFO), Concert Promoters Association (CPA), Agents Association (AAGB), International Live Music Conference (ILMC), National Arenas Association (NAA), Production Services Association (PSA) and Music Venue Trust (MVT) with contributions from PRS for Music Foundation, MU, MMF, FAC and BPI.



ACKNOWLEDGEMENTS

Throughout this project we have received support from all parts of the music industry with this research. Without their collaboration and enthusiasm this report would not be possible.

Each member of UK Music has granted us access to their data and permission to survey their own membership directly. In addition, accountants of some of the UK's leading music acts have provided valuable information to allow us to compile these statistics.

We are grateful for the information from the Entertainment Retail Association (ERA) and to AudienceNet for their analysis of music consumption.

We are pleased to continue working with the Intellectual Property Office (IPO), The Department for Digital, Culture, Media and Sport (DCMS) and the Office for National Statistics (ONS) on this project.

We are especially grateful to the ONS for allowing us access to the Virtual Microdata Lab (VWL) which has enabled us to apply a bespoke methodology for the calculation of the music industry's GVA.

The project is managed by **Natalie Williams**, Head of Research at UK Music. A full methodological statement can be found on the UK Music website.

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