Music Finland surveys 2b

Financial survey of the music industry in Finland 2011

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Music Finland

EVERYTHING YOU WANT TO KNOW ABOUT FINNISH MUSIC –

This report is an English summary of the original
“Musikkialan talous Suomessa 2011”, published as volume 2
of Music Finland’s Finnish language survey series “Tunnuslukuja ja tutkimuksia”.

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Elements Music is Finnish company concentrating on music publishing and
songwriter/producer management. In addition, they provide expert services
in different areas of music business.

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Summary

In spring 2012, Music Finland commissioned Elements Music Oy to investigate overall music industry revenues in Finland in 2011. The employment impact of the industry was also explored.

This report aims to present a more detailed analysis of revenue streams than in previous studies. Another aim is to create a model that may be used to update the figures for the industry on an annual basis and to make them internationally comparable.

The report considers the music industry as an economic cluster. The cluster may be given a narrow, broad or comprehensive definition, depending on the perspective chosen and the knock-on effects selected for inclusion. The cluster consists of sectors; the sectors considered in the report are live music, musical works and recordings. These constitute the narrow definition of the cluster, or the core of the industry. The present report takes into account music education, which lies outside of this core, because education has a considerable impact not only on the operations of the sectors of the music industry but also on its overall revenues.

The report is largely based on earlier reports published by umbrella organisations in the industry, augmented with expert interviews. Although data for the year 2011 are relatively well available, we were obliged to use older data in the absence of more recent information for instance regarding education.

The total revenues of the Finnish music industry in 2011 were estimated at EUR 817.7 million. This is made up of live music (EUR 414 million), copyright royalties (EUR 77.9 million), retail recording sales (EUR 66.5 million), music education (EUR 264.2 million) and grants (EUR 14.9 million).

It is estimated that some 30,000 people in all work in the music industry, most of them part-time musicians. Organisations in the industry, such as record companies, employ a total of about 1,400 people. Volunteer labour forms a considerable part of the music industry in addition to paid employees and entrepreneurs; music festivals alone employ some 10,000 volunteers every year.

No data were available on direct imports of recordings and on the new revenue sources of record companies; the former may be significant with a view to revenue from recording sales, while the latter may have an impact on the revenue logic of the music industry. It would thus be highly useful to investigate these areas in the future.

Introduction

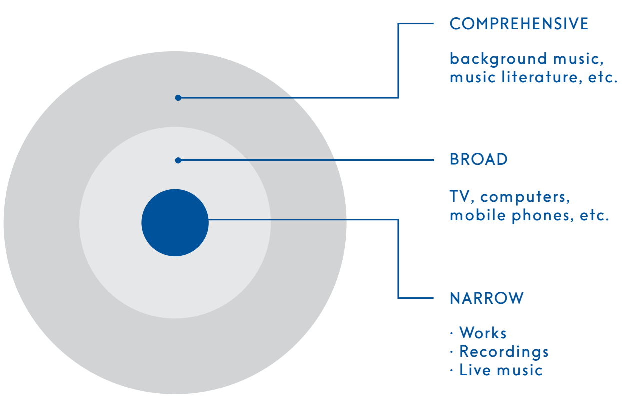
The purpose of the present report is to give an internationally comparable turnover-based estimate of music industry revenues in Finland and to describe the employment impact of the industry. Another aim is to explore the logic behind the figures, with specific reference to eliminating overlaps.

Music industry revenues in Finland may be re-evaluated in coming years using the methodology established in the present study, and the model given here is generally comparable with those used in similar studies in Sweden and the UK.[1]

WHAT EXACTLY IS THE MUSIC INDUSTRY?

The music industry may be seen as an economic cluster consisting of interlinked sectors. Aku Alanen[2] has given three possible definitions for this music industry cluster: the narrow, the broad and the comprehensive (Figure 1). The narrow cluster includes the core functions of the industry, where music plays the principal role. The broad cluster takes in areas where music is of indirect importance, and the comprehensive cluster includes areas which sometimes have only a tangential connection to music.

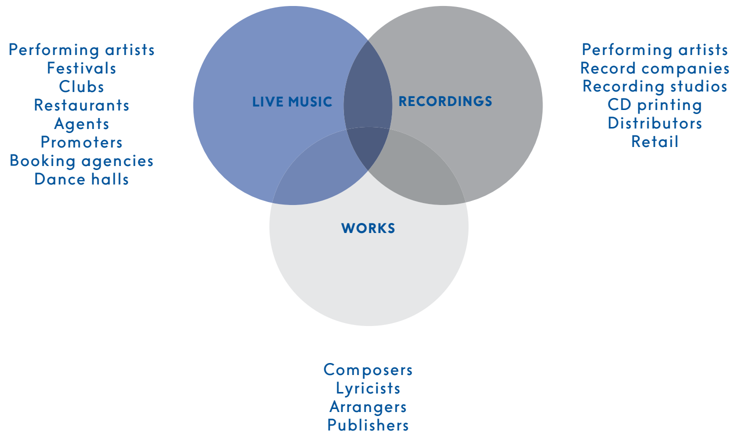
FIGURE 1. MUSIC INDUSTRY CLUSTERS



1. For UK, see Will Page & Chris Carey: Adding up the UK music industry for 2010. Economic Insight 23 (www.prsformusic.com/economics). See also years 2009 and 2008. For Sweden, see Linda Portnoff & Tobias Nielsén: Musikbranschen i siffror. Statistik för 2010. Tillväxtverket, Rapport 0118.
2. Aku Alanen: Miljardin klusteri. Tieto & Trendit 4-5/2009.

In the present report, we will focus on the core of the music industry, which we analyse into three principal sectors according to the types of companies in the industry and their business functions (Figure 2). There is an increasing tendency for merging functions from different sectors; an example of this would be a record company also operating as an artist management agency.

FIGURE 2. CORE OF THE MUSIC INDUSTRY



HOW ARE THE FIGURES CALCULATED?

The evaluation is based on revenue streams in the sectors that constitute the core of the music industry. Specifically, revenue streams are considered to consist of income from 'outside' the industry, i.e. the prices paid by consumers (recording sales, live music) and the fees paid by music users (royalties); public funding is also included in the analysis.

In most cases, the figures were compiled by sector-specific umbrella organisations, and the data are publicly available; this is important with a view to the repeatability of the analysis. Where existing datasets were not available, actors in the sector were interviewed.

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LIVE MUSIC: EUR 404 MILLION

Investigating revenue streams in the live music sector is a challenging task. The sector is highly fragmented, and there are countless actors involved. For the present report, the value of the live music private sector was estimated on the basis of copyright royalties collected by Teosto. In 2011, Teosto collected a total of EUR 5.2 million from the live music sector. According to Teosto, this constitutes about 3.5% of the ticket office income of live music events during the year, their total ticket sales thus being estimated at EUR 149 million. We further estimate that ticket sales constitute about 70% of the overall turnover of live music events, bringing their total revenue up to EUR 212.2 million. This figure is similar for instance to the findings of the VAKA project[3], which explored the structure of the field of freelance musicians.

As is common in Europe, the public sector plays a significant role in cultural activities in Finland. Classical music is a typically highly subsidised field, and in Finland symphony orchestras and the Finnish National Opera are major recipients of public funding. Finland's symphony orchestras had a combined budget total of EUR 74.1 million in 2011, while the budget of the Finnish National Opera was EUR 53.3 million. Public funding contributed EUR 57.2 million and EUR 41.8 million to these, respectively.

We have also included under live music an estimate of what the Evangelical-Lutheran Church of Finland and the Finnish Defence Forces spend on music (EUR 54 million and EUR 10.4 million, respectively). This brings the total estimated live music revenue in 2011 to EUR 414 million, which equals 49% of the total revenues of Finland's music industry (Figure 3). If we exclude the monetary value of education from the equation, the percentage of live music goes up to 72% (Figure 4).

3. See the report: Nyt on musiikin vapaan kentän vuoro! Valtakunnallisen klubi- ja aluekiertuehanke VAKAn loppuraportti. Helsinki: Suomen Muusikkojen Liitto ry 2011.

FIGURE 3. MUSIC INDUSTRY SECTORS (TOTAL EUR 817.7 MILLION)

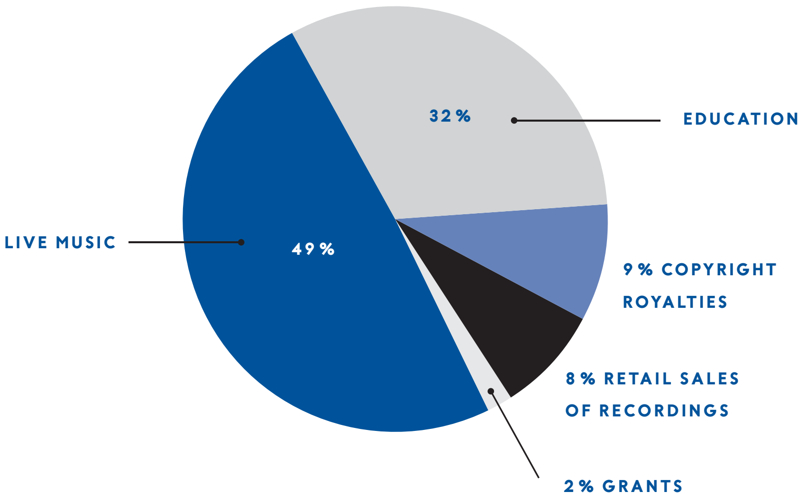
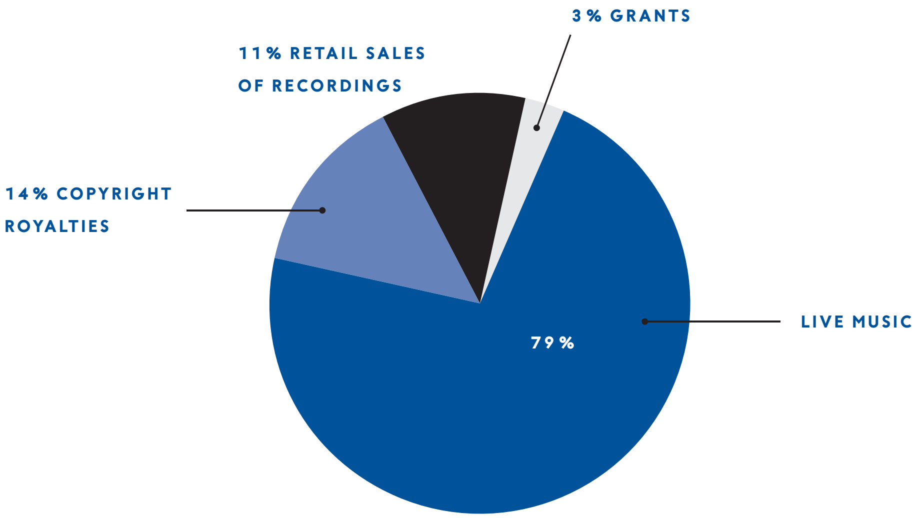


FIGURE 4. MUSIC INDUSTRY SECTORS WITHOUT EDUCATION (TOTAL EUR 553.5 MILLION)



FINNISH MUSIC INDUSTRY IN 2011 (EUROS, IN MILLIONS)

LIVE MUSIC	**404.0**
Private sector	212.2
Symphony orchestras	74.1
Finnish National Opera	53.3
Church	54.0
Military music	10.4*
RETAIL SALES OF RECORDINGS (IFPI)	**66.5**
COPYRIGHT ROYALTIES	**77.9**
Composers, lyricists, arrangers and publishers (Teosto)	54.6**
Producers, artists and musicians (Gramex)	19.2
Direct licensing by publishers (The Finnish Music Publishers Association)	4.1
GRANTS	**14.9**
Private foundations	5*
Central government grants	3.9
Promotion funds ESEK and LUSES	2
Municipal subsidies	4*
OVERALL REVENUES without education Copyright royalties within the industry, totalling EUR 9.8 million, is subtracted.**	**553.5**
EDUCATION	**264.2***
OVERALL REVENUES Copyright royalties within the industry, totalling EUR 9.8 million, is subtracted.**	**817.7**

*) An estimate based on several sources, not to be updated yearly.
**) Copyright royalty distribution within the industry, including mechanical reproduction rights royalties (EUR 4.6 million) and copyright royalties on performances of live music (EUR 5.2 million), have been subtracted from the overall music industry revenues.

RETAIL SALES OF RECORDINGS: EUR 66.5 MILLION

Statistics on recording sales are compiled by IFPI Finland, according to which its member companies account for about 95% of all recording sales in Finland.

IFPI statistics are based on wholesale figures for recording sales. IFPI estimates that revenue from retail sales amounts to 161% of the wholesale revenue, taking into account the retail overhead and VAT. The total revenue from recording sales in Finland in 2011 was EUR 66.5 million.

IFPI also compiles data on new revenue sources for record companies (e.g. direct licensing of recording masters for advertising and artist endorsement deals), but not enough information is available as yet for comprehensive evaluation.

Retail sales do not include direct imports, i.e. physical or digital recordings purchased by consumers directly from retail outlets abroad. Foreign resellers are not willing to publish their sales figures, but estimates indicate that the volume of direct imports is substantial.

COPYRIGHT ROYALTIES: EUR 78.2 MILLION

Finnish Composers' Copyright Society Teosto

Teosto collects royalties for public performances and recordings of music and distributes them to music authors and publishers. In 2011, Teosto collected EUR 45.3 million in royalties in Finland (Figure 5), an increase of 5.8% on the previous year.

Copyright royalty distribution within the industry must be taken into account in calculating overall revenues. Record companies pay a copyright royalty on every individual piece of music a recording of which is reproduced in physical or digital form. Mechanical reproduction rights royalties administered by the Nordic Copyright Bureau (NCB) amounted to EUR 4.6 million, and copyright royalties on performances of live music amounted to EUR 5.2 million. These royalties (totalling EUR 9.8 million) must be subtracted from the overall music industry revenues.

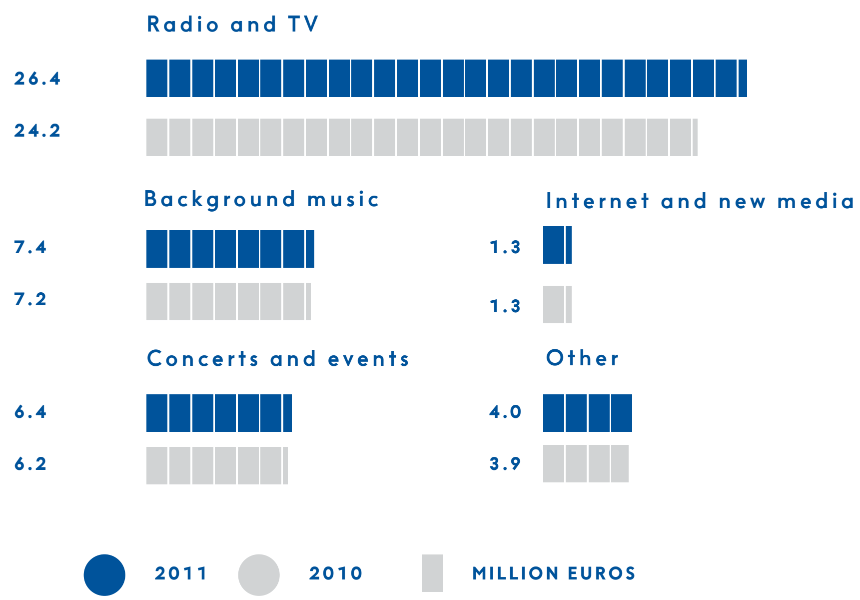
Gramex

Musicians and producers earn royalties for public performances of recordings, for instance on radio, on TV and at public events. In Finland, these royalties are collected by Gramex, which distributes them to the musicians appearing on the recordings and to the producers of the recordings, usually record companies. In 2011, Gramex distributed EUR 15.1 million in royalties (Figure 6): EUR 11.1 million to Finnish music and EUR 4.0 million to foreign music.

Direct licensing by publishers

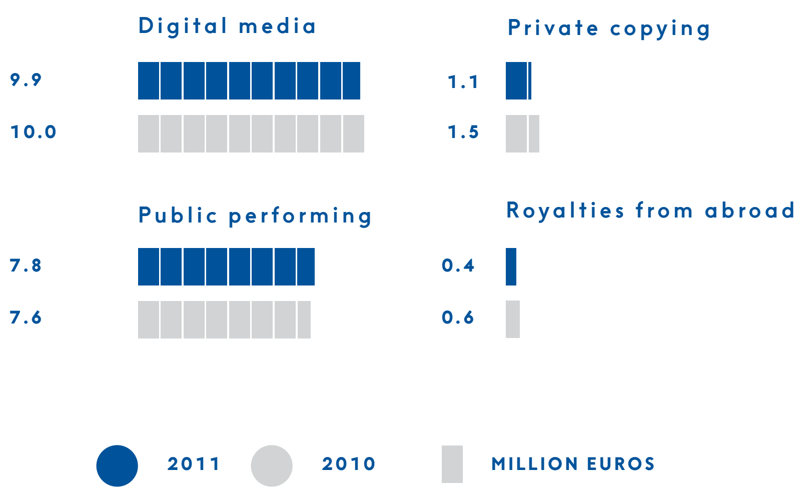
Music publishers own the rights to catalogues of music and by virtue of this receive a percentage of the copyright royalties due to composers and lyricists. Music authors also issue direct licenses for the use of their works on the Internet and for synchronisation, for instance. Direct licensing revenue amounted to EUR 4.1 million in 2010.

FIGURE 5. ROYALTIES COLLECTED BY TEOSTO IN 2011 AND 2010 (EUROS, IN MILLIONS).



Teosto ry.

FIGURE 6. ROYALTIES COLLECTED BY GRAMEX IN 2011 AND 2010 (EUROS, IN MILLIONS).



Gramex ry.

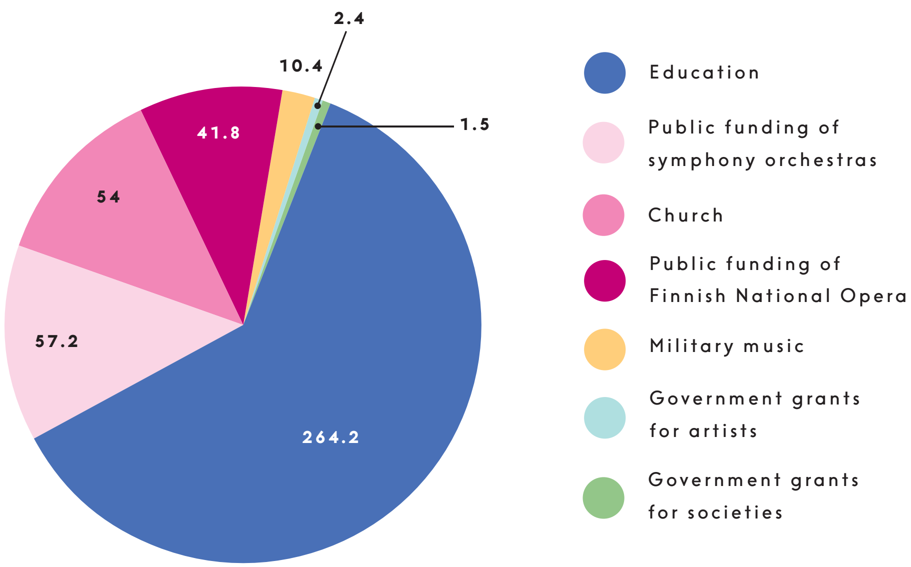
GRANTS: EUR 14.9 MILLION

Central government grants to the arts are awarded by the Arts Council of Finland, under which the National Council for Music is responsible for music-related grants. In 2011, the National Council for Music awarded EUR 3.9 million in grants. The combined value of grants and scholarships awarded by private foundations is estimated at EUR 5 million in the present report. Local authorities also support music. Its combined value is estimated at EUR 4 million.

EDUCATION: EUR 264.2 MILLION

Music education is largely provided by local authorities in Finland; music education is included in the comprehensive school curriculum, for instance. Music may be studied for instance at the Sibelius Academy, at conservatories, at music institutes, at universities of applied sciences, at courses organised by parishes and at music playschools. Figures are not available on an annual basis for all aspects of music education. Our estimate of EUR 264.2 million comes from a compilation prepared by Aku Alanen[4] in 2009.

FIGURE 7. PUBLIC FUNDING OF MUSIC 2011 (EUROS, IN MILLIONS)



Data collected from various sources.

4. Aku Alanen: Elävän musiikin markkinat käännekohdassa. Tieto & Trendit 3/2011.

The music industry as a provider of employment

The music industry provides full-time and part-time employment, but the employment it provides may also be sporadic in nature. The number of people working in the industry is not necessarily the same as the number of employment relationships.

It is estimated that some 30,000 people in all work in the music industry, most of them part-time musicians. Organisations in the industry, such as record companies, employ some 1,400 people in all. Volunteer labour forms a considerable part of the music industry in addition to paid employees and entrepreneurs; music festivals alone employ some 10,000 volunteers every year.

MUSIC MAKERS AND PERFORMERS

Artists and musicians

It is all but impossible to give any accurate indication of the numbers of artists and musicians in the music industry. Indicative data may be obtained from various organisations and reports. The Finnish Musicians' Union has about 3,400 members. Based on the repertoire notifications received by Teosto, the number of performers of live music may be as high as 26,000 in any given year. In 2011, Gramex royalties were distributed to 11,064 performers or musicians appearing on recordings; of these, 262 earned more than EUR 5,000 per year in royalties. According to a report compiled by the Foundation for Cultural Policy Research (Cupore), there are about 2,500 full-time freelance musicians, about 1,000 musicians employed in city orchestras and other public-sector posts, and a further 1,000 musicians in church posts. Also, there are about 250 military musicians.

The total number of professional musicians in Finland is thus estimated at between 26,000 and 30,000, of whom about 7,000 are full-time musicians. In terms of person-years, we may estimate that full-time musicians account for just over half of the total revenues of the live music sector.

Composers, lyricists, arrangers

In 2011, there were 9,702 Finnish rightholders who received royalty distributions from Teosto; more than 8,000 of these were music authors. About 600 of them were paid more than EUR 5,000 during the year.

PRODUCTION AND COMPANIES

Festivals: 200

In 2010, the festivals that are members of the Finland Festivals organisation had 7,007 paid employees, of whom 2% were in a permanent employment relationship. Adding other Finnish festivals to this, we may estimate that the total number of employees is about 10,000, of whom 200 are permanently employed.

Record companies and PR: 200

The Finnish units of large, multi-national record companies have about 150 employees in all, and independent record companies have about 50.

Recording studios: 450

At the end of 2010, there were 860 companies in the recording and publishing industry; 553 of these had an annual turnover of more than EUR 10,000. Statistics Finland estimates that there are between 400 and 500 actual recording studios.

Promoters and agents: 200

There are estimated to be about 200 promoters and agents in the sector; there are only a handful of full-time artist managers in Finland.

Music publishers: 40

The Finnish Music Publishers Association has 41 member companies employing one person on average.

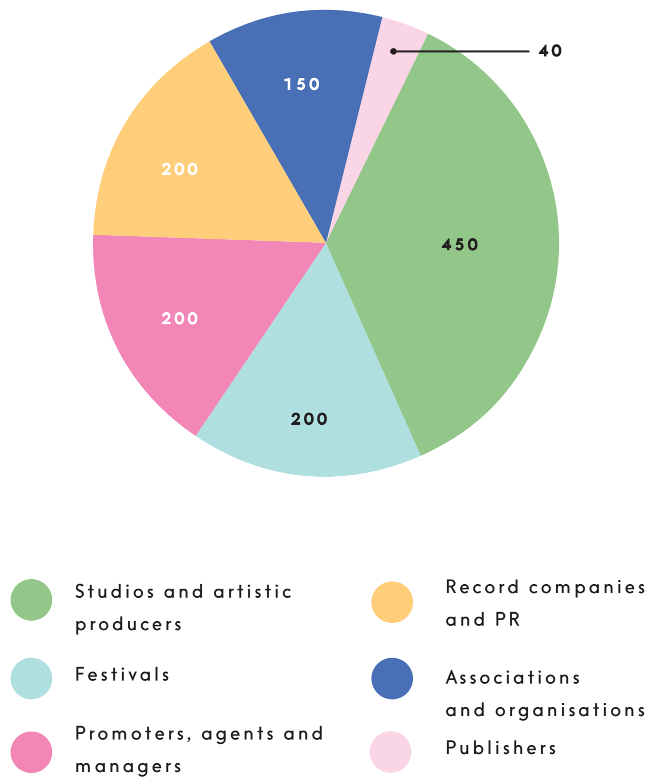
EDUCATION

The Finnish music teachers' association had 2,700 members as at the beginning of 2010. There are 90 music institutes in Finland, employing 3,500 teachers. No exact figures on teachers at conservatories or universities of applied sciences are available. The Sibelius Academy has about 230 salaried teachers and researchers, and 640 fee-paid teachers.

ASSOCIATIONS & ORGANISATIONS: 200

The largest organisation in the music industry is Teosto, with 89 employees. On average, organisations in the industry are small, employing 1 to 10 people. The total number of employees in organisations is about 150.

FIGURE 8.NUMBER OF PEOPLE WORKING IN COMPANIES AND ORGANISATIONS (TOTAL 1450)



Conclusion

We feel that our method would be suitable for re-evaluating music industry revenues in the future. The indicators used to calculate the revenues of the industry and the change on the previous year may be obtained from the relevant organisations relatively easily.

The data on education, military music, local government grants and private foundation grants cannot be updated every year. For these, figures may be given as estimates, with the actual situation being updated every three years, for instance. The employment impact of the industry is largely derived from estimates, and it is thus neither feasible nor necessary to update these numbers every year.

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