Examining COVID-19's Impact on Britain's Live and Recorded Music Industries

By Will Page
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An image of Queen Elizabeth II and quotes from her broadcast to the nation in relation to the coronavirus epidemic are displayed on screens in Piccadilly Circus on April 09, 2020 in London, England.
The stability of subscription streaming, the instability of live concerts and the relationship between.

Consumers used to spend lots of money on live music tickets. But now that there are virtually no concerts to see, where is that money going?

That's the multibillion pound question tormenting artists, promoters, agents and record labels -- and the answer requires understanding the complicated relationship between fan spending on live music and recorded music. It also helps to know what consumers were spending on music before the crisis struck -- and while it's easy enough to track their spending on streaming services, vinyl and CDs, it's been far more challenging to know what they were spending on concerts each year because there's no central trade body monitoring it.

So to figure it out, I worked with the British performing right organization PRS for Music (the equivalent of ASCAP and BMI), which licenses publishing rights to live events so that its songwriter members can collect performance royalties when their songs are played at concerts and festivals. Its data on the British market, combined with data on recorded-music spending published yearly by the U.K.'s Entertainment Retailers Association, offers a window into how consumers around the world make their music investments and whether they consider concerts and recorded music substitute or complementary goods.

In 2019, British gig-goers spent £1.7 billion on concert tickets, according to my analysis of PRS's collection data -- a fifth more than the £1.4 billion consumers spent on recorded music last year. This spend captures only the primary ticketing market -- what's commonly known as the 'face value' -- along with value-added tax (VAT) and booking fees that make up the final price. Combined, British music fans spent a total of £3.1 billion on music in 2019.

On top of the face value is the secondary market activity, which can be extrapolated using public data from eBay's 2019 filings on StubHub prior to the company being sold to Viagogo earlier this year. They stated that 5% of their turnover was from the U.K., while Britain's Competition and Markets Authority (CMA) reckons the company makes up 40% of all U.K. secondary ticketing. Multiply that through, you have...
a prudent estimate of £136 million in additional spend on secondary ticketing. (FanFair Alliance put forward a total secondary market value of £1 billion, suggesting music's share could be much higher).

On top of primary and secondary ticketing, consumer spend on "ancillary revenues" (from sales of merch and drinks, etc.) can flow through to the music industry, as the bar can often help pay for the band. These are harder to estimate, but Mintel, a research consultancy, reckons for every pound that was spent on the ticket, a further £0.36 would flow through to the industry through ancillary spend. This would take the total spend on live music to almost £2.5 billion.

The journey that live and recorded music have been on since the millennium is akin to two ships passing each other in the night. For the first decade after the millennium, live music exploded as recorded music imploded: consumers went to see more concerts (at ever higher ticket prices) perhaps because they were downloading music for free.

But then in 2014, both ships began sailing in the same direction: up!

Just as paid streaming took off in the U.K., so too did live music (again) -- entering a second wave of growth. By 2019, spend on recorded music, driven by paid streaming, had grown by 40% from 2014 -- only to be outpaced by live music which had ballooned by 50%.
The good news doesn't end there.

We can stack both components of the British music industry on top of one another and measure total spend as a share of disposable income (the turquoise line plotted on the right hand scale). Since both sectors took off in 2014, gross disposable income (the size of our wallet) has increased by 20% whereas music's share of wallet has increased by 25%.

Consumers have more money to spend and are spending more of it on music.
This revelation leads to temptation: to explore the causes and consequences of the cross pollination between paid streamers and concert goers. Did the scale of Spotify’s success in the U.K. result in more discovery of new bands, and therefore more concert goers?

That’s where we need to press pause and curb our enthusiasm. The impact of the COVID-19 is likely to send both ships in different directions again.

The ship that is recorded music is relatively insulated and stable. As recently as week 23, the absolute number of audio streams in the U.K. reported an all time record high of 2.714 billion [BPI, Official Charts Company], adding weight to the view that streaming is a "stay at home" stock.

Live music, by contrast, has all but imploded. Tours and festivals have been canceled and the prospect of stockpiling looms large as the sector tries to plot a way out of its crisis. The live music recession will be compounded by the contagion in the "gig economy" that supports it. That recovery may be disrupted by social distancing, which means fewer new events, of smaller capacities with increased costs for an extended period.
We can model out the potential impact of COVID-19 on an artist's income by using a simplified 80/20 rule. For live music, we strip out fees and taxes from the face value of the ticket and give the artist 80% of what's remaining. For recorded music we take the label's own wholesale value of music and give the artist 20%.

Now, if we assume that recorded music suffers a setback of 20%, capturing the temporary closure of brick-and-mortar stores being partially off-set by the robustness of paid streaming, and then factor in a 80% collapse of live music revenues (allowing for some concerts at the start and end of the year), we can sketch out what this might mean for U.K. artist income: a collapse of 70%.
So, now that consumers have less money but no concerts to spend it on, where does that surplus go? Are consumers saving it up in anticipation of their favorite acts returning to the stage? Or are some spending instead on subscription streaming, if they haven't already signed up? Or are they spending it on basics that have nothing to do with music as the crisis persists?

A clue can be found in the way that concerts and festivals have been stockpiled -- as they've been delayed, not canceled, meaning there's no reason to refund the ticket. From a cash flow perspective, that makes all existing ticketing revenues for this year largely unchanged, but no "on the night" spend to draw from; whereas next year will struggle to sell new tickets but win back the customers' night-of spend. Expect bar prices to be increased next year.

While there's no such thing as an average artist, an average pay cut of 70% raises questions of survival for many acts and their teams. Live music income was bigger and distributed among the few, while recorded music income was smaller and distributed amongst the many. As streaming has many more mouths to feed, and there's nothing else to feed them with, expect more attention on the model's "trickle down" economics.

To quote the soul singer William DeVaughn, “Just be thankful for what you got.” Live music may have been all but erased due to the virus, but recorded music has shown to be resilient thanks to subscription streaming, which makes up almost three quarters of all recorded-music spend.

Had this crisis hit when we went shopping for records at stores like Tower Records, one shudders to think if there would be anything left.

Will Page is a visiting fellow at the London School of Economics, who previously was the chief economist at both Spotify and PRS for Music. His book, Tarzan Economics, will be published by Little Brown and Company in the United States in January 2021. He would like to thank PRS for Music, Entertainment Retailers Association, British Phonographic Industry, Office of National Statistics, Tim Chambers (TJChambers Consultancy) and Liz Martins (HSBC Economics) for their helpful comments.

All charts constructed using info from Entertainment Retail Association (UK Spend on Recorded Music), PRS for Music (UK Spend on Live Music), Office of National Statistics (UK Music Spend as a Share of...
Wallet), authors own calculation and estimates (Trickle Down Model).

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