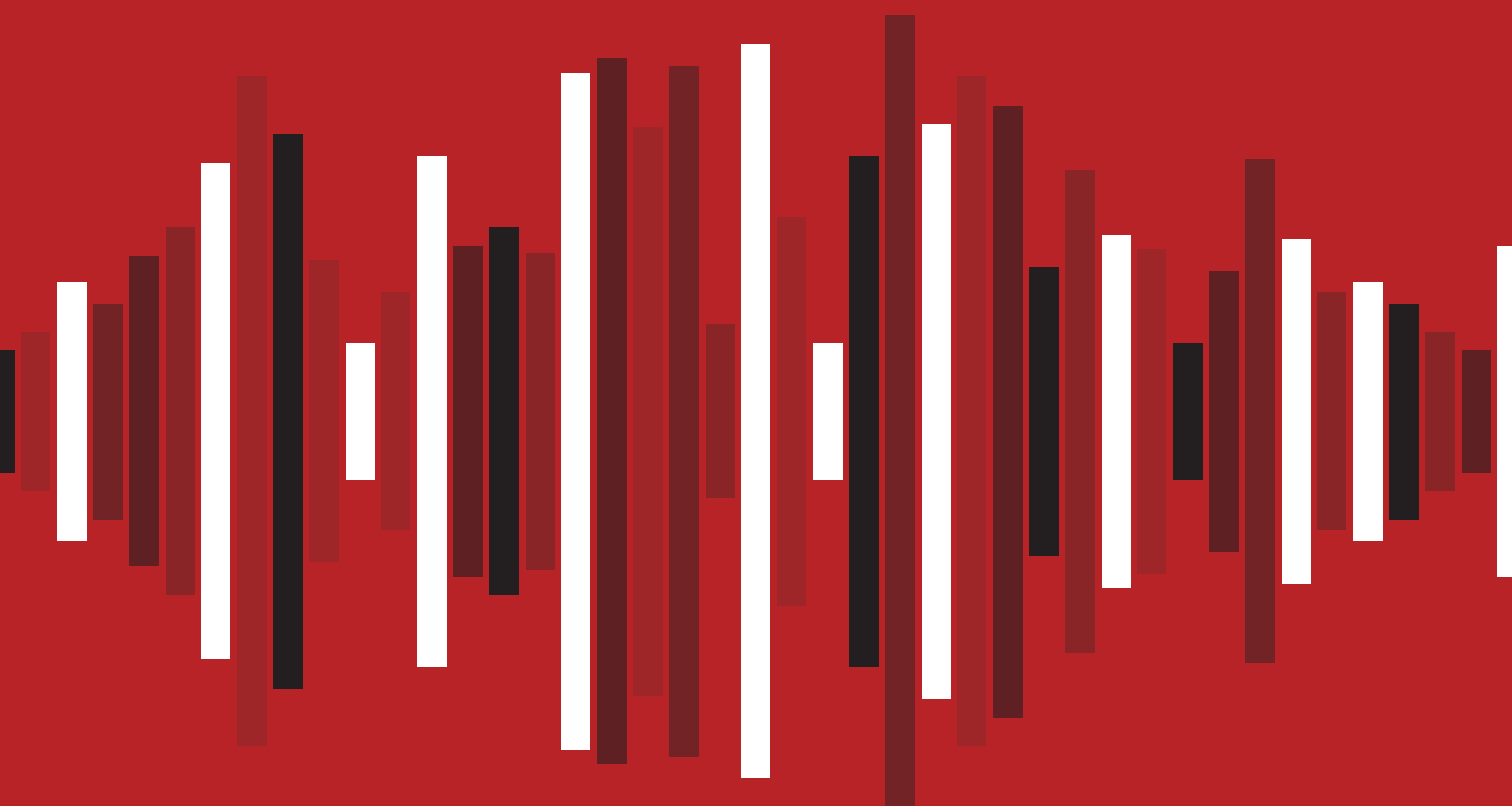


MEASURING MUSIC

2016 REPORT





ACKNOWLEDGEMENTS

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

This is the fourth edition of the report which was first published in 2013.

The evidence base underpinning the report has been consistently expanded.

This year over 1,400 musicians completed the Measuring Music survey, the largest number ever.

UK Music collaborated with Music Venue Trust to survey 5,000 attendees at grassroots music venues, the first time such intelligence has been incorporated into our report.

We are grateful to Apple Music and 7digital for sharing their insights into how the digital landscape is changing. Information from the Entertainment Retail Association (ERA) and Audiencenet has greatly assisted our analysis of music retail and streaming markets which is included in this year's Measuring Music for the first time.

This research would not be possible without the enthusiastic participation and vital data inputs from all of UK Music's members.

We are grateful for the collaboration from every part of the music industry to support this research.

Each member of UK Music has given us access to their data and permission to survey their own memberships directly. In addition, accountants to some of the UK's leading music acts have provided unprecedented insight into their clients' earning structures.

We are pleased to continue to work collaboratively with the Intellectual Property Office (IPO), the Department of 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 (VML) which has enabled us to apply a bespoke methodology for the calculation of the music industry's GVA.

Our thanks to Jonathan Todd, Chief Economist at BOP Consulting for leading this research and to Oxford Economics for peer reviewing it.

A full methodological statement can be found on the UK Music website.

For all media enquiries contact:

James Murtagh-Hopkins

Director of Communications, UK Music

james.murtagh-hopkins@ukmusic.org

0203 713 8452

For all policy enquires contact:

Tom Kiehl

Director of Government & Public Affairs, UK Music

tom.kiehl@ukmusic.org

0203 713 8454

This report is designed by:

Beatriz Ribeiro

Business & Design Officer, UK Music

beatriz.ribeiro@ukmusic.org

0203 713 8457

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UK Music

4th Floor

49 Whitehall

London SW1A 2BX

T: 020 3713 8444

Twitter: @UK_Music

Email: info@ukmusic.org

Website: www.ukmusic.org

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 UK Live Music Group

The UK Live Music Group is made up of members of the 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 and BPI.

To find out more about UK Music's pan-industry policy work to support economic and sector research, equality and diversity, copyright protection, music venues from redevelopment, education and skills training and music apprenticeships and career paths go to:

www.ukmusic.org



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WELCOME



Rt Hon Karen Bradley MP
Secretary of State for Culture,
Media and Sport



Department
for Culture
Media & Sport

BY CULTURE SECRETARY, RT HON KAREN BRADLEY MP

Now in its fourth year, Measuring Music provides a vital insight into the economic contribution of the UK industry. I am very grateful to UK Music and all those who worked on the report, not least the musicians who gave their time.

The headline figures are encouraging: £4.1 billion in GVA, exports up to 2.2 billion, and 119,020 jobs. Music is a major industry - and to say that the UK punches above its weight is a massive understatement. This country is extraordinarily talented.

Extraordinary talent is not enough, however. Magic may be a part of the creative process but careers in music don't happen by magic. This Government will do all it can to help – through investment; ongoing consideration of tax laws; and working closely with UK Music, schools, orchestras, conservatoires, Lottery distribution bodies, and everyone else who wants to see British music flourish.

Above all, I am determined that every child should be exposed to music and invited to make it part of their life, no matter what their background. Young people from poorer backgrounds are less likely to play an instrument and are underrepresented at conservatoires. My colleague Justine Greening, the Education Secretary, and I are going to tackle this.

The Office for Civil Society, which now sits in my department, has a wide range of projects to increase opportunity, most of which can involve music.

Meanwhile, Arts Council England now monitors how well the organisations it funds reflect the communities they serve.

Music has a unique ability to touch people and do wonders for confidence, educational attainment, long-term health and happiness. No responsible Government would shirk the responsibility of being its champion.

UK MUSIC CHIEF EXECUTIVE JO DIPPLE

Measuring Music 2016 reports on four years of strong and sustained economic output from recorded, published and live music. British music is a central part of the creative economy and a solid and growing part of the UK economy. The challenge, right now, is to ensure optimum conditions for our robust future. During this current political epoch there lies an opportunity to establish policies that could underpin British music's growth, domestically and globally, for the next ten years or more.

Government must play to its strongest economic hand. The proof that music is part of that hand is in every report UK Music produces. Wish You Were Here shows the regional impact of music, with concerts and festivals throughout the country attracting millions of domestic and international tourists. The soft power created by British music is a global force. Our export profile is way above average. Music is intrinsic to the creative sector, one that is growing at 8.9% making it the second fastest expanding industrial sector. The UK's digital economy, of which music is a part, accounts for a bigger slice of the economy than in any other G20 country.

Government must devise an industrial strategy for the creative industries. Policies must be worked out that guarantee our freedom to trade and give us new incentives to trade. The legal and regulatory

framework through which we trade must be right. Copyright law, within and outside the EU, must allow UK-made IP content to flourish in global markets. Additionally, new policies must be agreed to encourage regionalisation of trade. The fact that music's regional economic footprint is so substantial gives our sector an established advantage to offer policy makers considering a visionary new creative industrial strategy.

On the music economy ladder, there must be accessible rungs at the bottom, a strong frame throughout and a gainful view at the top. The dip in Measuring Music's live stats comes from a drop in concert revenue from grassroots music venues. Grassroots music venues need investment now. Music Venue Trust argues that a 10% increase in attendance at grassroots venues would generate an additional £13m in ticket revenue. This cannot happen whilst grassroots music venues are forced to close, if they lack the investment to modernise, or if new ones aren't built.

Investment in music infrastructure is an easy place to start. Consider the impact the SSE Hydro has had on Glasgow. Built in 2013, the Hydro now supports a music tourism economy worth £105m and contributes to an overall £300m music tourism spend in Scotland. Manchester Arena and Manchester International Music Festival sustain a music tourism economy worth £140m. UK Music seeks policies that will result in more



Jo Dipple
UK Music, Chief Executive

investment in music infrastructure, supporting jobs and growth in every nation and region of the UK.

It sounds obvious, but we need musicians to play in these venues and the composers and songwriters to make the music they play. Starting from the bottom, young people need access to music lessons. They need to have music in schools. Creativity must be placed at the heart of the new English Baccalaureate and music must be treated as a serious career option.

Music attracts a young and diverse workforce. New employment practices in our sector, such as the

UK Music apprenticeship scheme, are giving young people exciting new routes into jobs. UK Music's diversity taskforce is setting in train policies to support progression for BAME executives at the top. We serve a diverse music audience. Our music is diverse. Grime was born in East London, but now Skepta is outselling US acts in North America. Workforce diversity is not a choice, it is a commercial imperative.

If we get all this right, now, the future of British music will continue to burn brightly. Get it wrong and Measuring Music will be reflecting those lost opportunities in its 2025 report.

UK MUSIC CHAIRMAN ANDY HEATH MBE

Last year, I said the impact of streaming on the economics of the music industry has surpassed expectations. One year on and Measuring Music shows how true that sentiment is. Subscription streaming has taken the recorded music market to renewed overall revenue growth in 2015, with the GVA drop in 2015 only a marginal 1%. The rest of the industry has grown over the last four years, on average by 17%, with the live sector especially thriving over that period. And while the recorded sector is still in slight decline, the continuing resilience of the physical market is remarkable. A 3.9% drop in CD sales volume was the smallest since 2005. The ongoing vinyl resurgence shows no signs of letting up with sales up by more than 60% in each of the past three years. The vinyl market alone could

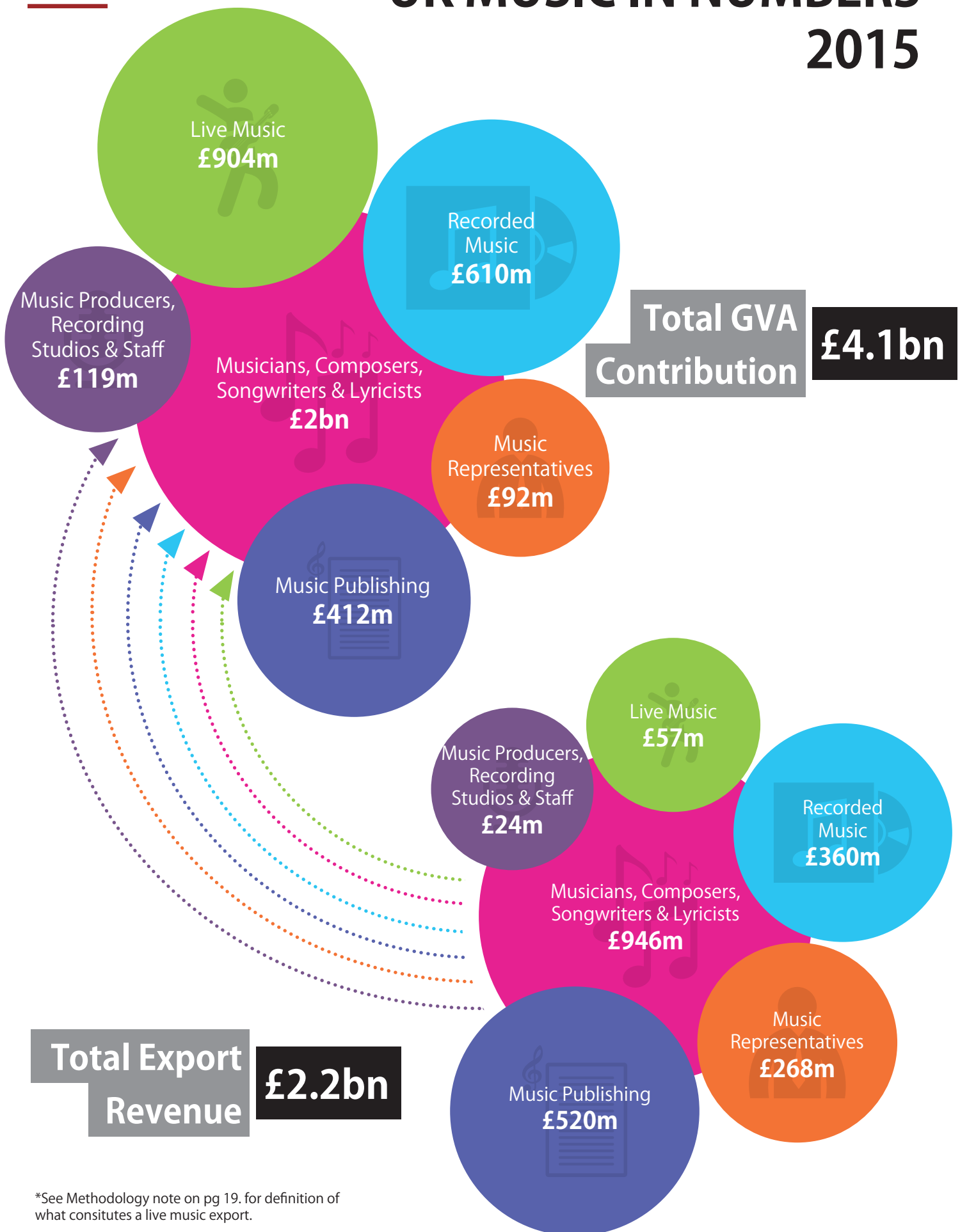
be worth around £65m by the end of the year. All in all, there is every sign that the recorded sector will return to growth in 2016.

Where there is a mismatch is with the demand for British music, astronomical as ever, and the revenues from certain ad-funded digital services which effectively devalue our music behind protectionist and out dated legislation. By contrast, services such as Apple, Spotify and Tidal have raced to the top, where the true fan lives. Their subscription services offer value-added curation and care. Apple, Spotify and Tidal are the music industry's sunlit uplands and they have gained the trust of our industry and the trust of the music fan. The challenge is to convince all services to properly value the brilliantly gifted music we make available.



Andy Heath MBE
UK Music, Chairman

UK MUSIC IN NUMBERS 2015



*See Methodology note on pg 19. for definition of what constitutes a live music export.

Employment

119,020

Musicians, Composers,
Songwriters & Lyricists

70,700

Recorded Music

8,600

Music Representatives

2,320

Music Producers,
Recording Studios & Staff

11,100

Music Publishing

1,150

Live Music

25,150

% Change from 2014

Musicians, Composers,
Songwriters & Lyricists

Live Music

Music Producers,
Recording Studios & Staff

Recorded Music

Music Publishing

Music Representatives

GVA

Exports

Employment

+2%

-1%

-2%

0

+4%

+3%

+2%

+8%

+35%

+3%

0

+2%

+1%

0

-4%

+1%

+2%



UK MUSIC 2015

2015 WAS A YEAR OF HUGE SUCCESS FOR BRITISH MUSIC

£4.1 BILLION

Total GVA contribution generated by the UK music industry in 2015.

119,020

Total UK employment sustained by music in 2015.

£2.2 BILLION

Total Export revenue generated by British music in 2015.

27.7 MILLION

Total live music audience in the UK in 2015. 24 million total concert attendance and 3.7 million total festival attendance.

20 MILLION

Copies of Adele's 25 album sold globally since it was released on November 20 2015. The album is now certified 10 x Platinum in the UK.

35%

Export growth in the Live music sector between 2014-2015

10.4 MILLION

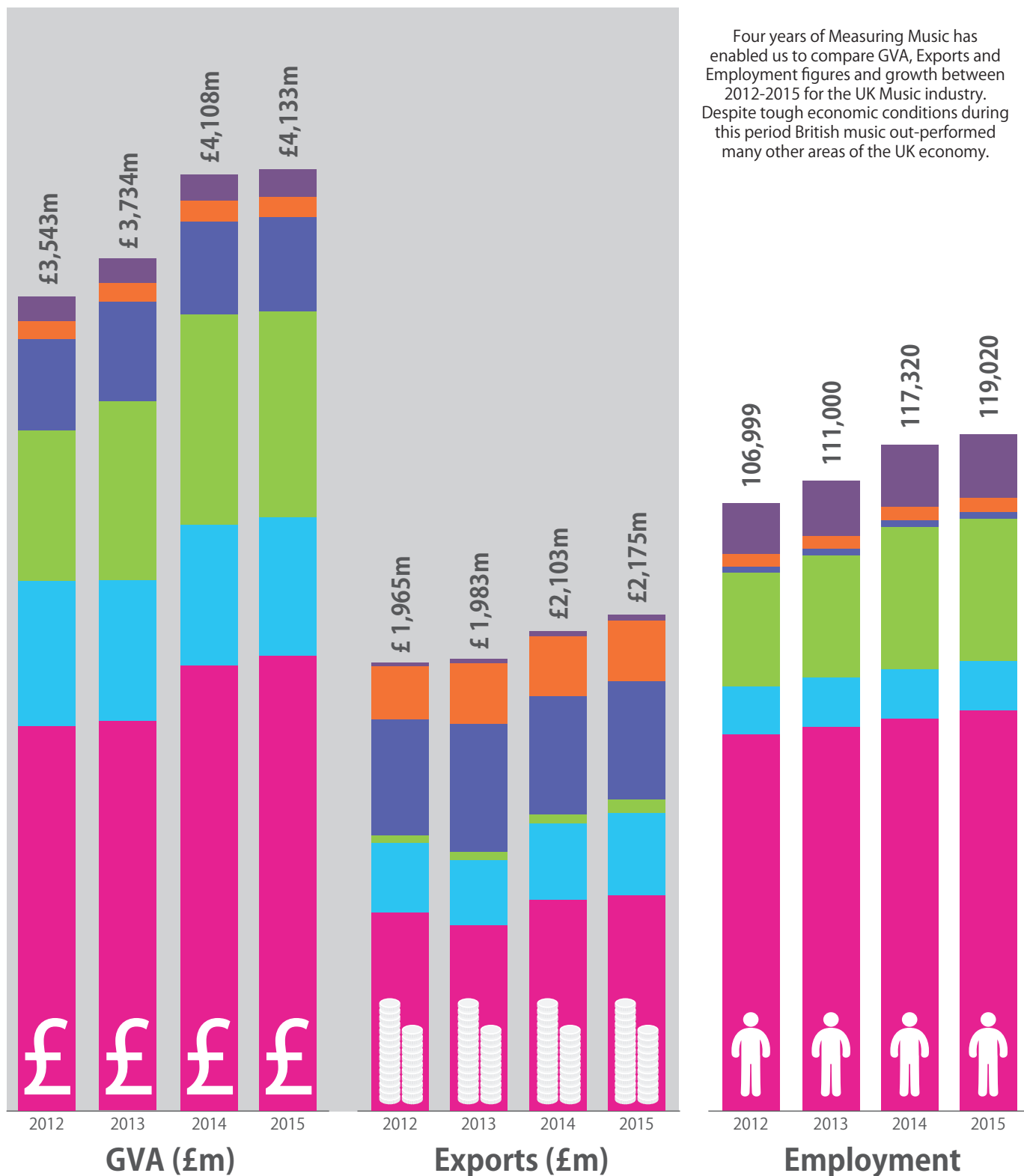
Number of music tourists attending music events the UK in 2015, including 767,000 overseas visitors generating £3.7bn in spend.

50%

Five of the top 10 selling global artists in 2015 were British (Adele, Ed Sheeran, Coldplay, One Direction and Sam Smith)

FOUR YEAR COMPARISON: 2012 - 2015

Four years of Measuring Music has enabled us to compare GVA, Exports and Employment figures and growth between 2012-2015 for the UK Music industry. Despite tough economic conditions during this period British music out-performed many other areas of the UK economy.



 Musicians, Composers, Songwriters & Lyricists

 Live Music

 Music Producers, Recording Studios & Staff

 Recorded Music

 Music Publishing

 Music Representatives

SECTOR BY SECTOR ANALYSIS



Musicians, Composers, Songwriters & Lyricists

	GVA (£m)	Exports (£m)	Employment
2015	1,996	946	70,700
2014	1,954	926	69,300
2013	1,709	814	67,900
2012	1,688	870	66,542



Recorded Music

	GVA (£m)	Exports (£m)	Employment
2015	610	360	8,600
2014	615	332	8,520
2013	618	283	8,510
2012	634	305	8,465



Live Music

	GVA (£m)	Exports (£m)	Employment
2015	904	57	25,150
2014	924	42	25,100
2013	789	37	21,600
2012	662	30	19,960



Music Publishing

	GVA (£m)	Exports (£m)	Employment
2015	412	520	1,150
2014	410	519	1,200
2013	436	562	1,200
2012	402	509	990



Music Representatives

	GVA (£m)	Exports (£m)	Employment
2015	92	268	2,320
2014	89	260	2,300
2013	80	266	2,190
2012	77	235	2,127



Music Producers, Recording Studios & Staff

	GVA (£m)	Exports (£m)	Employment
2015	119	24	11,100
2014	116	24	10,900
2013	113	21	9,600
2012	110	16	8,915

Four years of Measuring Music has enabled us to compare GVA, Exports and Employment figures and growth between 2012-2015 for each of the core sectors within the UK Music industry.

PERCENTAGE CHANGE 2012 - 2015

	GVA	Exports	Employment
Musicians	+ 18%	+ 9%	+ 6%
Recorded	- 4%	+ 18%	+ 2%
Live	+ 37%	+ 90%	+ 26%
Publishing	+ 2%	+ 2%	+ 16%
Representatives	+ 19%	+ 14%	+ 9%
Production	+ 8%	+ 50%	+ 25%
Total	+ 17%	+ 11%	+ 11%

The above chart shows the growth between 2012 and 2015 for each area of the UK music sector.

Measuring Music gives UK Music the ability to map the growth and scale of British music. In the four years since it was first undertaken, the industry has shown itself to be both resilient and robust, growing consistently through difficult economic circumstances and recession. During this period GVA contribution was up 17%, with Exports and Employment both up 11% outgrowing many areas of the economy. This strong growth in employment shows that music is an expanding industry.

The live sector has played an important part in this growth, particularly around exports which have grown by 90% during the past four years. In 2015 a total audience of 27.7 million attended music events in the UK in 2015. This year live showed a slight dip in GVA, attributed to a decline in grassroots music venues and we must ensure that challenges facing this vital part of the music-ecosystem

are addressed in order to secure continued growth and investment in live music.

British music continues to dominate charts all over the world: five of the top 10 selling artists in the world last year were British, and 1 in 6 albums bought globally were by British talent. Strong growth in recorded music exports, coupled with an increase in the revenue delivered by subscription streaming services show great signs of positivity for the future. Music publishers, collecting societies and producers have been amongst those who have helped consistently drive export revenue, as have our many musicians, composers, songwriters and lyricists. In order for the sector to continue to grow we must find ways to maintain our export power, especially now in our post-Brexit world. Most important of all is that the industry continues to nurture and help develop the growing number of creators within our ranks and secure adequate incomes for all.

RETAIL VALUE OF MUSIC IN THE UK

5

	2013	2014	2015
Singles			
Physical	3	3	3
Digital	168	139	118
Total (Singles)	168	142	124
Albums			
Physical	541	514	512
Digital	233	199	175
Total (Albums)	774	713	687
Subscription Streaming	106	168	251
Total (Overall)	1048	1023	1059

These figures show revenue figures from music retailers in 2015.
Source: Entertainment Retail Association (ERA)

The music industry and retail have had a long and symbiotic relationship. Revenue from retail sales are included as part of Measuring Music within earnings and profits for musicians and labels, and other business areas. It is important to recognise the significant contribution that the music retail sector makes to both the overall success of British music but also the wider UK economy. In 2015 it supported 9,000 jobs within the UK whilst contributing an additional £222m in GVA. *

Over the past two years we have seen a solidifying of the physical albums market, huge growth in resurgent vinyl album sales with major supermarkets Sainsbury's and Tesco both returning to the format having abandoned it years ago. Record Store Day and the Indie Label Market events

have skyrocketed in popularity as we enter a new boom time for physical music. Elsewhere consumption patterns have changed considerably. Digital download sales have slowed as consumers switch to streaming as their format du-jour. This slowdown has been off-set by the impact of increased subscription streaming showing huge year-on-year growth. This growth looks set to continue for years to come.

*This employment figure comes from Entertainment Retail Association (ERA), whilst the GVA figure is based on UK Music analysis of ERA and ONS data.

As the preceding Measuring Music and Retail statistics show, the British music industry has been adapting to a changing commercial market and music fans are showing evolving consumption patterns. Over the past four years we have seen a massive shift from ownership to streaming. Paid subscription streaming services like Apple Music, Spotify and Tidal are now providing a significant boost to the digital music economy and to some extent off-set declines elsewhere in the market. Subscription streaming is a key to the continued growth of the industry. The value of these paid services jumped from £168m in 2014 to £251m in 2015.

However, realising the potential growth of subscription streaming is dependent upon a market which operates effectively and fairly. The wider debate on the remuneration of rights holders from services streaming user uploaded content has never been more important. A recent study undertaken by Audiencenet (see chart opposite) found that more than 30% of the 3,415 sample were

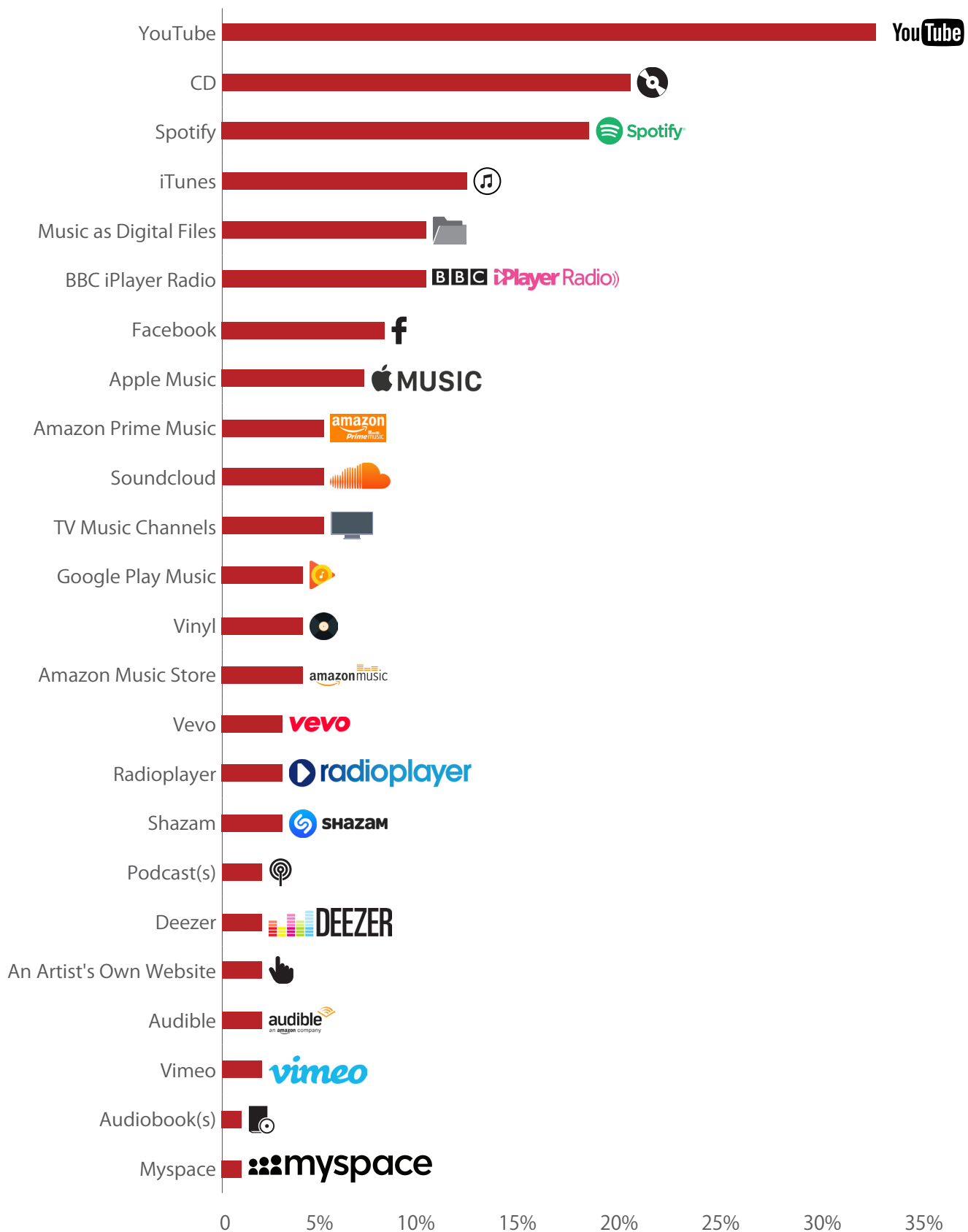
weekly users of YouTube making it by far the most popular method of music consumption within the UK.

The YouTube model, despite its reach, is yet to deliver fair financial returns for rights owners and creators, artists, composers, songwriters and publishers. In terms of audience penetration, YouTube is the most widely used global streaming platform, with music representing *30% of its total views. In 2015 it paid out *\$740m in music rights payments, up only a modest 11% from 2014 despite total views growing 132% to 751 billion streams. Per-stream rates fell from \$0.0020 to \$0.0010.

What is clear is that whilst YouTube and other similar ad-funded services remain a vital way for the music industry to reach music fans, the value gap between creators, rights owners and parts of the tech industry that rely on ad-revenues over subscription and licensed income is too wide and needs to be addressed immediately.

* Source: YouTube consumption and remuneration statistics taken from Midia Research 'State Of The YouTube Economy' Report published July 2016. www.midiaresearch.com

UK WEEKLY REACH BY PLATFORM



Survey 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 past seven days?

Source: UK survey of 3415 respondents by Audiencenet – A statistically and demographically representative sample of the 15+ year old UK population. All respondents had online access. The survey took place between 28th May-June 10th 2016.

METHODOLOGY NOTE



We have been consistent in the methodological approach of Measuring Music over the last four years, seeking only to improve the accuracy of our data collection and the breadth of data we collect. In respect of data inputs, we have significantly improved the number of respondents to our survey of musicians (now over 1,400). This year we have included around 5,000 responses to a new survey of gig-goers at grassroots music venues which UK Music ran in partnership with Music Venue Trust. We also extended our analysis and included a stand-alone section on music retail and streaming.

Our analysis of streaming draws upon a demographically representative survey of 3,415 UK consumers undertaken by Audiencenet between 28 May 2016 and 10 June 2016. This new data provides the report with an up-to-date insight into the current streaming landscape.

The consideration of music retail and streaming offers additional insight to our existing Measuring Music report. The core Measuring Music report uses a definition of the music industry that is narrower, and doesn't include music retail and streaming.

In respect of the core, narrower definition, we generate results in terms of GVA, exports and employment, the same metrics that are consistently reported by 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.

We would like to add a note of clarification on exports: UK Music uses the 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”*. As an 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. In respect of most of the exports covered in Measuring Music, however, money moves across international borders – the non-resident consumers or businesses are making purchases outside the UK, which, through a wide range of channels, transfer back across international borders to businesses resident in the UK.

Jonathan Todd, Chief Economist at BOP Consulting

Notes

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

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.



