Manitoba Audio Recording Industry Association
Music is Working: an Economic Impact Analysis of Manitoba's Music Industry for the Year 2004

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Introduction

What follows this page are numbers and findings about the Manitoba music industry that no one in Canada has seen before. They are surprising, they are accurate, and they are as current as they can be – but they will not stay that way for long.

We knew this project would break new ground when we promised a group of artists and industry providers that we would talk to hundreds of people in the Manitoba music industry and that they would tell us all we wanted to know. Some were skeptical of our proposed methodology. Still, MARIA supported our bid to use this "novel" way of collecting the dry information that is the dollars. *What did you make (and how?), and what did you spend (and where?)*. Telephone call after telephone call, we cajoled and convinced artists, business owners and craftspersons to gather their receipts, jog their memories, pull out their tax returns – and tell us. Somehow, we had to follow the money, so we called whenever *they* could talk: after the gig, before the session, between students. We knew that this study would be different when one of our first contacts left an after-hours message expressing his willingness to do the survey – in full-throated song.

In some previous economic impact studies, musicians were asked to report their financial lives by mail. Most of the surveys sent out (to a conjectural population sample) for self-reporting remained uncompleted for a variety of reasons, leaving a meager sample size. Other studies relied on a handful of appointed music experts to give their opinions on dollars made and spent – resulting in "best guesses" far short of the industry's economic reality.

Our method entailed querying music-related activities so that we could assign everyone to a cohort – talent buyer, record producer, composer, or instrument dealer, to name a few – and making sure we surveyed enough from each to ensure real representation. Even those we never spoke to were counted, every time, once we confirmed their existence. That way, when it was time to calculate the numbers, we could be confident of the population size: a feat that makes this study unique in the industry as well as invaluable. Combining expertise in economic impact analyses with telephone survey methodology means this study avoids the shortcomings of past research, establishes a benchmark for future economic analyses of the music industry in Manitoba, and sets a standard for similar studies all across Canada.

What follows is a report that proves what Manitobans have always known: this is a place where great music happens, and where it still thrives. Reading these pages you will learn, as we have, that Manitoba needs and supports musicians of all ages and stripes; that generation after generation of teachers in their basements, their studios or their garages, pass on the wisdom of that chord, refrain, or vibrato; and that entrepreneurs with vision and energy continue to step up and take risks so that dreams can take flight in this wintry, warm-hearted province.

What this research does not, and cannot, tell us, is how much more vibrant things are now than they were. That Manitoba has a vibrant and diverse music industry is undeniable, but we do not yet have the data to know which way the trend is going. The Economic Impact Analysis of Manitoba's Music Industry is necessarily a snapshot of a moving target. The next step is to build on this study as the research template not just for Manitoba's music industry, but for Canada's music industry also. We invite you to read on – and, in every sense of the words, stay tuned.

Katherine Devine
for the **kisquared** research team,

Summary report

Background and methodology

- In December 2004, the Manitoba Audio Recording Industry Association engaged **kisquared** to conduct an economic impact study of Manitoba's music industry. Support for the study has been received from the Department of Canadian Heritage and the Manitoba Music and Motion Pictures Development Project, managed by Western Economic Diversification for the Province of Manitoba and the Government of Canada.
- Previous economic impact studies of the Manitoba music industry have fallen short, because they relied on mail-out surveys (notorious for low response rates, missing data, and unrepresentative respondent profiles), or interviews with *selected* industry informants (also unrepresentative). Furthermore, no provincial study undertaken to date has directly measured the population of participants in the music industry. Such studies' findings have significantly understated the actual economic impact of the music industry.
- **kisquared** developed the music industry contact lists for this study in consultation with MARIA and the steering committee, based on existing industry databases, organizational and guild membership lists, contact directories, and secondary research. In addition, "snowball" sampling was used throughout interviewing to elicit additional contacts, thereby increasing the total sample to achieve an accurate population count.
- **kisquared**, in consultation with MARIA and the steering committee, designed a comprehensive telephone questionnaire, which was subsequently validated through consultation sessions with artists and service providers.
- **kisquared** collected 446 complete surveys, comprising 127 artists (of an estimated population of 305), 111 music groups (of 207), and 208 service providers (of 570). The overall margin of error for the study is ±2.73% at the 95% confidence level (±3.40% for artists and ±4.32% for service providers).

Terminology

- Some terms used in this summary may be unfamiliar to readers. Definitions (adapted from Manitoba Bureau of Statistics, *Manitoba Economic Multipliers*, 2004), are as follows:
  - **Labour income** means the sum of wages and salaries, supplementary labour income, and net income of unincorporated businesses.
  - **Direct leakage** means the portion of music industry expenditure that is spent *outside* of Manitoba.
  - **Indirect leakage** means the proportion of Manitoba-based purchases that flows to non-Manitoba suppliers. For example, although a mixing console may be purchased *in* Manitoba, a portion of the value of that mixing console flows *out* of Manitoba to its original equipment manufacturer.
  - **Direct effects** means the impact on firms that expand or reduce production in *direct* response to a change in demand.
  - **Indirect effects** means the ripple or "spin-off" effect of directly affected firms placing increased or decreased demands on their suppliers.

- **Induced effects** are the result of consumer spending in the economy, which is a function of available labour income.

Size of the Manitoba music industry

- For the purposes of this study, the Manitoba music industry has been divided into two broad categories – artist and service provider. The counts provided in Figure 1 show the number of artists and service providers active in the Manitoba music industry today. They do **not** directly indicate **persons** employed within each industry category, but rather, numbers of **entities** (individuals, businesses or organizations) associated with each category.
- The category of "artists" includes solo artists, composers, and groups active in a range of music genres. "Service providers" include, among others, booking agencies and management; music instructors; record companies, distributors, and record producers; venues; talent buyers; and dealers in gear/instruments or P.A. and lighting equipment (sales and rentals).
- The number of people economically active in the Manitoba music industry is estimated at 3,235 full-time equivalent employees (FTEs). This has been calculated using employment data, group membership size, and industry counts.
- At 3,235 FTEs, the Manitoba music industry accounts for approximately .5% of the province's total labour force.

Figure 1 MANITOBA MUSIC INDUSTRY – COUNTS BY CATEGORY

Category	Sub-category	Count
Artists	Solo Artists	284
	Songwriters/Composers	21
	Groups	207
Service providers	Booking agencies and management	18
	Gear/Instruments/P.A./Lighting – sales and rentals	29
	Gear/Instruments – service	20
	Graphic artists	12
	Manufacturers	8
	Music instruction	227
	Music organizations	12
	Photographers	8
	Production companies	6
	Record companies and distributors	22
	Record producers	23
	Recording studios	26
	Talent buyers	57
	Venues	77
	Other service providers	26

Economic impact

Figure 2, shown below, presents a summary of the key economic indicators that are discussed throughout this *Executive Summary*.

Figure 2 MANITOBA MUSIC INDUSTRY: KEY ECONOMIC INDICATORS

Category		Artists	Service providers	Total
Size[1]	Units in industry	512	570	1,082
Revenues/ expenditures	Total revenues	$17,192,902	$90,615,144	$107,880,046
	Total expenditures	$15,179,817	$125,829,331	$141,009,148
	Total expenditures in Manitoba	$13,272,788	$94,351,295	$107,624,083
	Direct salaries and wages	$5,290,919	$60,836,553	$66,127,472
	On-payroll employment (FTEs)	386	2,313	2,699
Economic impact[2]	GDP at market prices	$12,175,262	$112,948,283	$125,123,545
	Government net revenues	$858,091	$5,932,068	$6,790,159
	Manitoba labour income	$9,382,425	$90,679,233	$100,061,659
	Employment (person-years)	512	3,216	3,727
Tax revenue estimates	GST, net remittances	$12,981	$2,311,860	$2,323,948
	RST, based on reported revenues	$92,127	$1,143,866	$1,235,993

Note: [1]For artists, this refers to the number of groups operating in Manitoba; for service providers, this is the number of businesses. [2]Economic impact figures are Closed/Type II impacts, meaning that figures are the sum of direct, indirect and induced effects.

Overall

- Music industry expenditure totals $141 million.
- $108 million (76%) was spent in Manitoba, of which $92.6 million stayed within the province, directly benefiting Manitoba suppliers.
- Artists tend to spend a larger proportion of their expenditures in Manitoba (87%, or $13.3 million of $15.2 million)
- Service providers spend a smaller proportion in-province (75%, or $94.4 million out of $125.8 million).

Impact on Manitoba GDP

- Spending in Manitoba produces both *direct* and *indirect* ("spin-off") effects that benefit the Manitoba economy. The sum of these effects constituted $87.2 million of the province's $40.2 billion GDP in 2004.
- With "induced effects" included, the total impact on GDP amounted to $125.1 million of Manitoba's GDP in 2004.

Impact on labour income and employment

- The Manitoba music industry directly generated just over $66 million in wages and salaries in 2004:
  - Service providers accounted for $60.8 million
  - Artists accounted for $5.3 million.
  - The largest generators of wages and salaries in the Manitoba music industry are venues, at $25 million, or 38% of industry employment.
- *Direct* and *indirect* effects of music industry spending produce $78.1 million in Manitoba labour income. When *induced* effects are included, the impact is $100.1 million, representing 80% of the industry's positive impact on GDP.

Impact of one dollar of spending by the Manitoba music industry

- Each $1 expenditure by the Manitoba music industry increases Manitoba's GDP by 89¢, when all economic effects are considered.
- The benefit of that $1 expenditure in Manitoba labour income is 71¢. The number of jobs created by the industry is 26.4 person-years per $1 million expenditure.
- On average, about 66¢ of every $1 spent by the industry stays in Manitoba, the rest flowing out of the province through either direct or indirect leakage.

Tax revenue generated

- Slightly more than $2.3 million in Goods and Services Tax (GST) revenue was generated this past year by the Manitoba music industry.
- Revenues from tax-eligible sales reported by artists and service providers suggest that approximately $1.2 million in Retail Sales Tax (RST) was generated.
- Estimates of the amount of GST and RST generated will be conservative given that taxes on retail CD sales are not included. Additionally, music industry economic spin-offs, which are not factored into these tax calculations, will have generated additional tax income.

Industry revenues and expenditures

- Revenues received in 2004 by Manitoba artists and service providers were slightly more than $107.8 million:
  - Service providers received $90.6 million, or approximately 84% of total industry revenue.
  - Artists received $17.2 million, or approximately 16% of total revenue.

- The largest share of music industry expenditures in Manitoba goes to salary and wages, at $66.1 million; followed by industry-related outsourced professional services ($37.6 million) and office and other business expenditures ($27 million).
- Much smaller amounts were spent on equipment ($6 million), and travel and transportation ($4.3 million).

Artist revenue and expenditure: details

- Artist revenue from sales/performances and from music industry services constitutes $11.3 million out of the $17.2 million artists received in 2004, with industry funding (grants and government support) and loans/credit making up the remainder.
- For artists, the largest source of revenue by far is live performance fees (more than $8.3 million). The next largest source of artist revenue is selling and distributing CDs/tapes/recordings, but at $1.1 million, this is a fraction of live performance revenue.
- Artists also received more than $468,000 in revenue from providing various services to other artists. Examples of these include: teaching music; engineering, producing, manufacturing, or distribution of sound recordings; and managing, booking and promoting another artist.
- Salaries/wages are the area of greatest expenditure for artists ($5.3 million).
- Other artist expenditures (excluding salaries/wages) were allocated as follows:
  - $3.6 million on outsourced professional services
  - $2.2 million on office and other business expenditures
  - $2.1 million on travel and transportation
  - $2.0 million on equipment

Service provider revenue and expenditure: details

- Revenue *and* expenditure figures for service providers are higher than for artists across all categories. Service providers received over $90.6 million in revenue in 2004.
- Manufacturing, renting, selling, repairing or servicing music instruments/accessories accounts for one-half of 2004's total service provider revenues ($41.2 million).
- Service providers' expenditures on salaries and wages in 2004 were $60.8 million (based on payroll data).
- Service providers report the following in other total expenditures:
  - $33.9 million on outsourced professional services
  - $19.5 million on office and other business expenses
  - $3.9 million on equipment
  - $2.9 million on expenditures that apply to venues only

  - $2.3 million on travel and transportation

- Contrary to the pattern evident elsewhere in both artist and service provider expenditures, 75% of service providers' spending on outsourced professional services went outside Manitoba, while 25% stayed in the province.

Sources of financing

- **Grants / government funding** – Manitoba artists and service providers benefit as a result of funds provided by a number of agencies. The Canadian Council for the Arts and the Manitoba Arts Council each provide about $1.4 million, while the Winnipeg Arts Council, FACTOR, and Manitoba Film and Sound each provide about $0.5 million. A number of other agencies, including VideoFact and PromoFact, Musicaction, and MARIA, are also important funders.

- Some 20% of artists received funding from grants or government sources and about 22% of service providers received such funding.

- **Loans / credit** – The music industry in Manitoba received nearly $3.5 million overall in loans and credit in 2004. Unlike many of the findings reported elsewhere in this study, artists received a higher proportion (56%) of this financing than did service providers.

- Only 13% of artists surveyed reported receiving loans or credit. Most of those who did so obtained their funding from family, friends, or other private sources, who contributed 92% of the nearly $2 million received.

- 11% of service providers surveyed reported receiving loans or credit in 2004. Again, the largest source of loans and credit (73%, or $1.1 million) was family, friends, and other private sources.