

The Swedish Music Industry in Graphs

Economic Development Report 2000 – 2008

Daniel Johansson & Markus Larsson

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The music industry has experienced revolutionary changes since 2001 as a result of digital technologies for storing, distributing and sharing music. Revenues for recorded music have plummeted at the same time as total revenues for live performances have increased. Discussions regarding the negative effects for the recording industry as a result of decentralized music distribution through P2P networks have been intense and polarized.

The purpose of this report is to create an extended overview of the economic development for the Swedish music industry as a whole by combining revenue data from different music industry organizations and individual music firms. The study shows that total revenues for the Swedish music industry have stayed basically the same since 2000, that artist's revenues have increased and that collecting activities have become crucially important for the whole industry.

The music industry system could be described as divided into three parts: 1) Recorded music and publishing, 2) Live music, 3) Collecting societies and other industry associations. These three parts of the industry are complementing each other in providing the necessary economic prerequisites for professional song writers, musicians and artists. Traditionally the recording sector has been the largest part of the industry and the most important for production of music, finding new artists, recording activities, marketing new releases and promoting it to radio and TV as well as being responsible for the overall development of an artist's career.

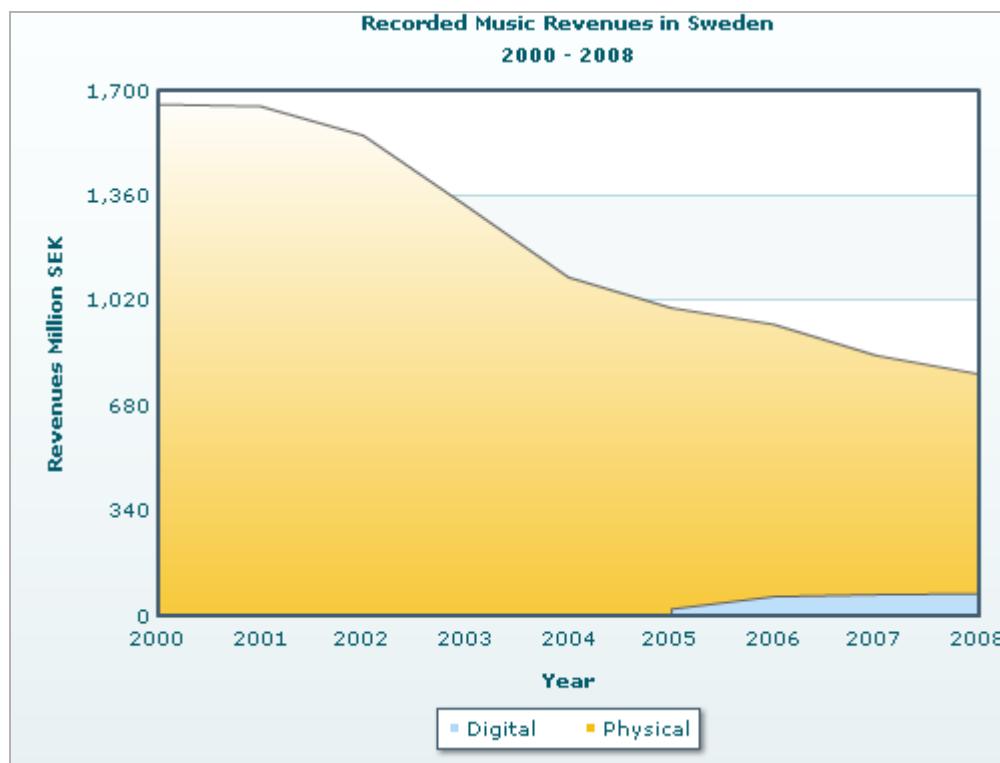
But, since the year 2001, Swedish record labels have seen a dramatic drop in revenues emanating from recorded music, from 1654.5 million SEK (app. 165 Million Euro) in the year 2000 to 781.9 million SEK (app. 78 Million Euro) in 2008, including revenues for digital distribution.

Daniel Johansson is the CEO of TrendMaze, a music industry analysis firm working with over 300 artists. He is also a music industry researcher at the Royal Institute of Technology.

Contact:
daniel@trendmaze.com
www.trendmaze.com
+46 70 399 05 00

Markus Larsson has an MSc Degree in Media Technology and is currently reviewing the Swedish music industry revenues for 2009.

Contact:
markusla@kth.se
www.kth.se
+46 73 617 77 33



Disclaimer

All the figures in this report are based on economic data presented by IFPI (International Federation of the Phonographic Industry), STIM (Swedish Performance Rights Society), SAMI (Swedish Artists and Musicians Interest Organization), Copyswede (Collecting Society for Certain Copyright Areas) and yearly reports from individual companies in the music industry. Since many of the economic reports from these organizations overlap each other, we have adjusted the data to prevent double accounting at certain copyright areas.

The drop in revenues has resulted in large lay offs and cutbacks at the record labels, and the Swedish recording industry has in this sense been one of the most heavily affected in the world. Both major and independent labels have been forced to change their business models to comply with the weakening market of the CD format, and revenues from digital distribution have not been able to compensate for the drastic decline.

But, in 2009, the trend changed for the first time since 2001. During the first nine months total revenues increased with 18% compared to the same time period in 2008 and digital revenues were up by a remarkable 80%. This increase is probably a result of several factors:

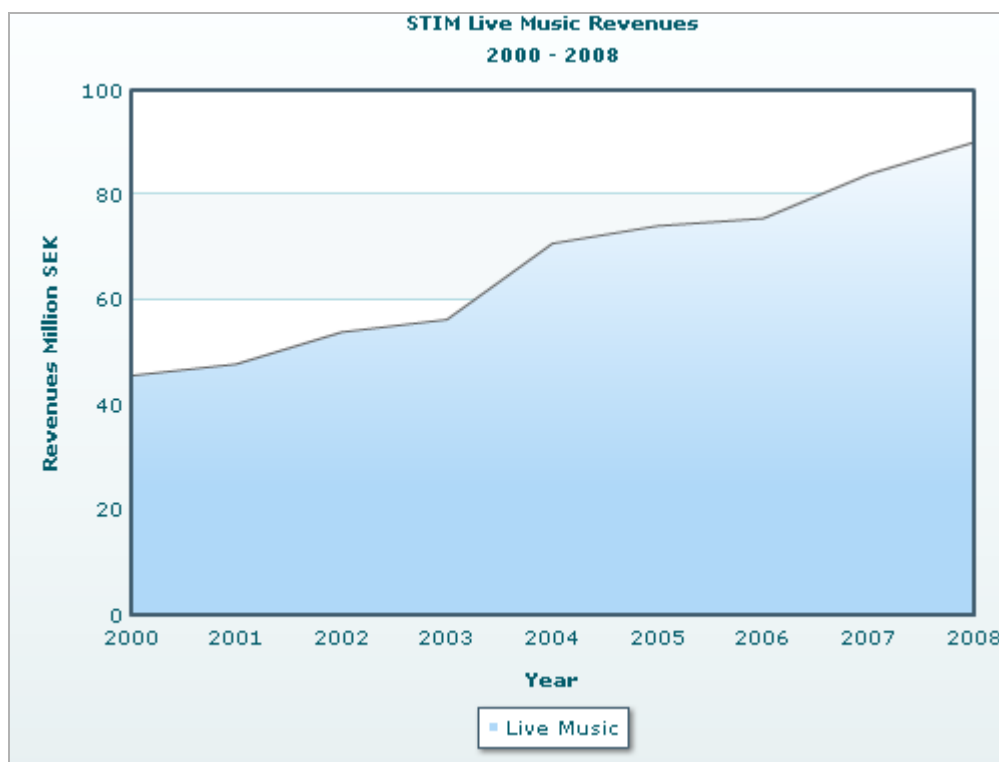
- a) The implementation of the EU Intellectual Property Rights Enforcement Directive in Swedish law April 1, 2009,
- b) The success of the streaming on demand music service Spotify during the year,
- c) Several music services bundled with mobile handsets have been released (Nokia Comes With Music, Telia Play and Sony Play Now Plus).

Whether this is the beginning of a new trend, or just a single positive year, remains to be seen.

The increase of live revenues

A publicly common notion in Sweden is that revenues for live performances have increased during the same time period. But, so far, no one has been able to actually provide relevant economic data proving that notion to be true. It is somewhat difficult to get exact econometric data from the largest live promoters, and there is no industry association in Sweden focusing on summarizing and presenting the overall economic development for that part of the music industry.

STIM, the Swedish Performance Rights Society, collects copyright revenues from ticket sales at concerts and festivals, and their figures are the best available for getting an overview of the increase in live revenues. STIM has been receiving roughly 5.5% of box office receipts during the period under study. These revenues are then distributed to song-writers and publishers assigned to STIM.

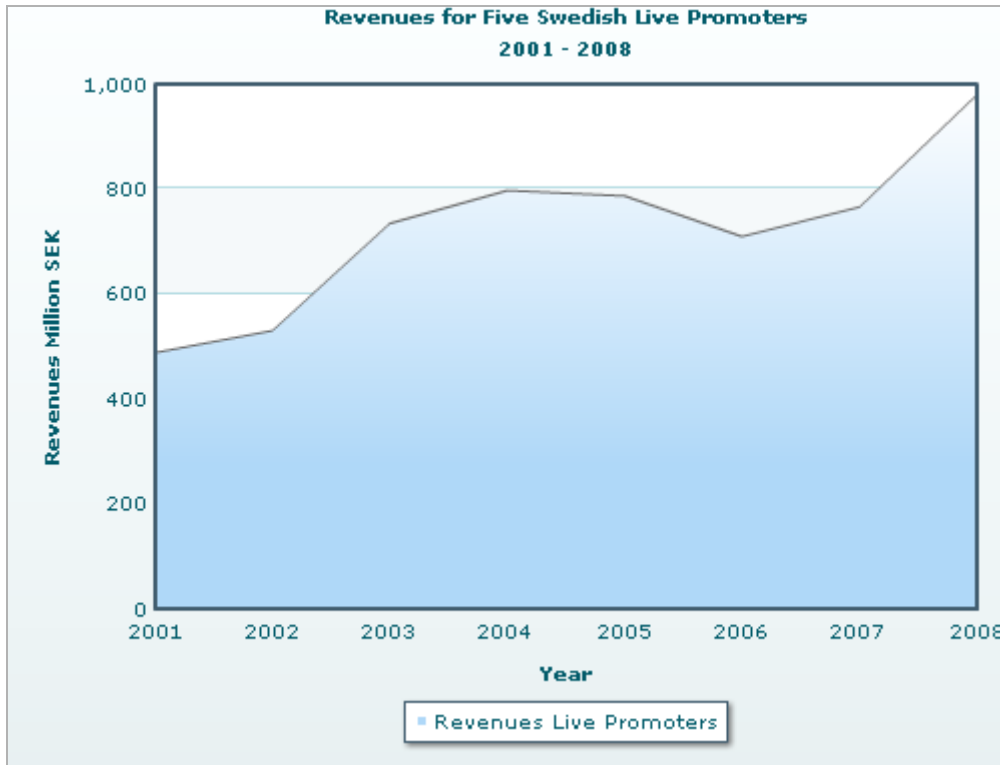


The Private Copying Levy (PKE) is collected from manufacturers of recordable medias like CD-R, DVD-R and cassettes. The function of the levy is to compensate song writers, musicians and record labels for private copying. The levy is also collected for mp3 players, HD boxes and other music enabled media players. A discussion about whether mobile phones should be included in the levy is discussed in different parts of the Swedish music industry. The organization collecting and distributing the levy is Copyswede. www.copyswede.se

In 2009, revenues for digital distribution increased by 80% in Sweden. Digital revenues now represents 16 % of total revenues for recorded music, as reported by the record labels through GLF and IFPI. www.ifpi.se

STIM apply different tariffs and licensing deals depending on different categories of live events. In 2004 a smaller change was made to the live category as a whole. The ratio of 5.5% collected on ticket sales is an average on the total amount of money collected.

The increase of collected licenses from live venues is mainly the result of an increase in ticket sales and ticket prices. Some of the increase can also be the result of optimized methods by STIM to identify and collect rights holders money from concerts and festivals. But, a comparison with revenues from five of the largest live promoters in Sweden proves it to be a clearly legible trend.



* Live Nation Sweden AB (EMA Telstar), Lugerinc AB, Moondog Entertainment AB, United Stage Artist AB, Sweden Rock Festival AB.

Although there was a notable decline in live revenues during 2005 and 2006 for these specific companies, the over all trend correlates well with the STIM figures. The live business is a highly volatile business and these particular companies, when combined, clearly had a decline in revenues during those years. What is important though, is that the overall trend is in compliance with the STIM figures.

This does not necessarily mean that all artists, big and those starting a career, have received more money for their live performances in the latest years. The Internet and the World Wide Web has created new ways for musicians and artists to promote and distribute their music, services like MySpace, YouTube, Last.fm and Facebook have made it possible for artists to gather an audience early in their carrier, but, it is still very difficult for small artists to make a living on live performances.

The increase in live revenues has probably benefited mainly artists that already have a successful carrier as well as a substantial back catalogue of recorded music. One could argue that record labels have invested large amounts of money in creating these artist brands during many years, brands that live promoters now have the possibility to use when the end consumer tends to pay more for live performances than recorded music.

The collecting society SAMI, Swedish Artists and Musicians Interest Organization, and IFPI Sweden collects money when recorded music from their

The music festival **Peace & Love** in Borlänge was the largest music festival in Sweden 2009. They set a new record for Swedish festivals by selling almost 42 000 tickets. At the same time, other festivals are having a hard time surviving, for example the legendary Hultsfred festival.

www.peaceandlove.se
www.hultsfredsfestivalen.se

The digital music service **Spotify** has changed the music listening landscape in Sweden during 2009. Still though, the largest portion of users is not paying for the service. Since ad revenues for the free version of the service are still fairly low, the amounts being divided to different rights holders are also low. This has lead to a public debate concerning the long term durability of the business model in the music industry.

www.spotify.com

Besides the collecting societies, there are a number of other music industry associations representing different rights holders and businesses in Sweden.

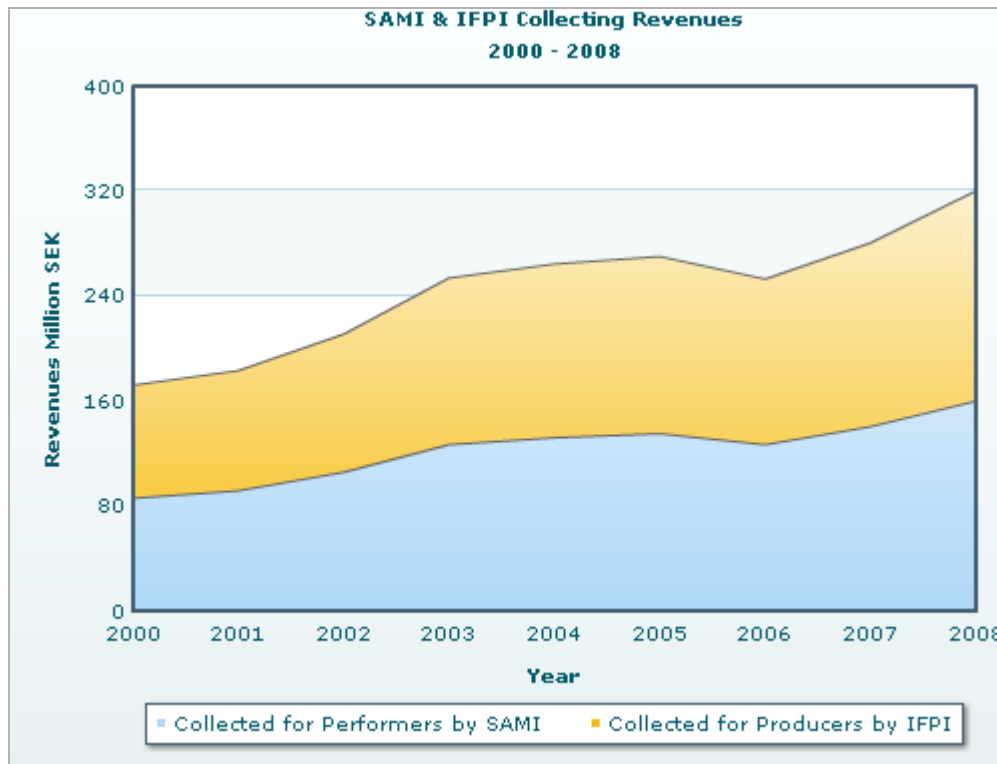
The Swedish Music Publishers Association
www.smff.se

The Musicians Association
www.musikerforbundet.se

The Swedish Society of Popular Music Composers
www.skap.se

Swedish Independent Music Producers
www.som.a.se

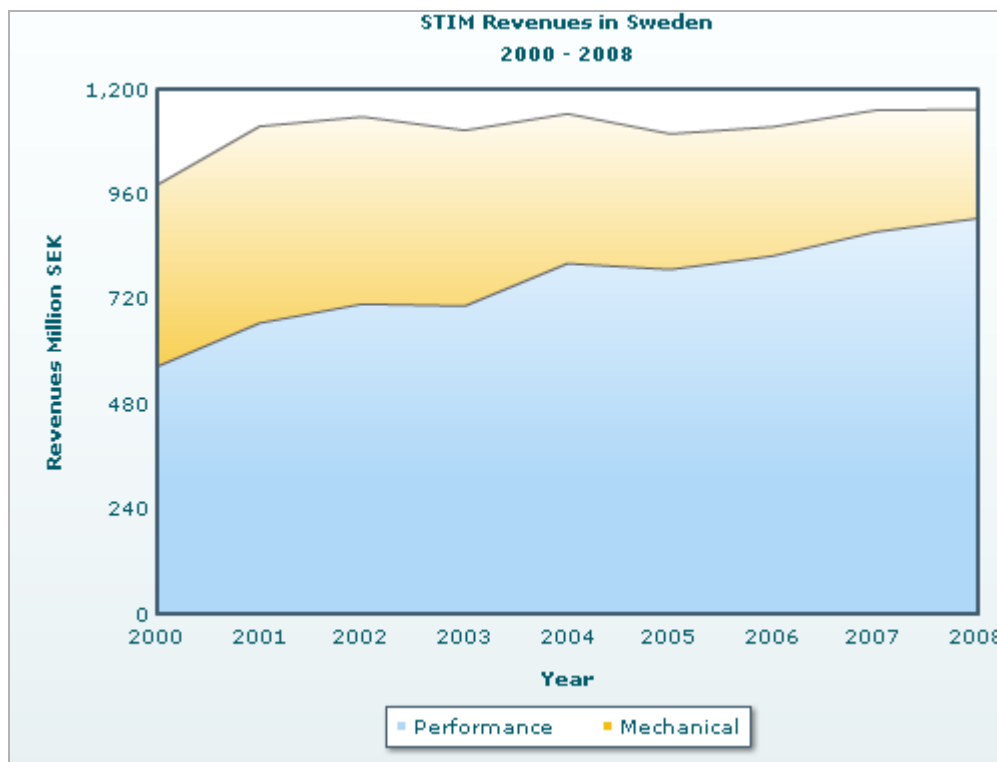
members is being used. IFPI Sweden is collecting for the producers and SAMI for the performers. IFPI is collecting from Radio and TV while SAMI is collecting from public performance. Revenues are split 50/50 between the two societies, and IFPI distributes revenues to labels while SAMI distributes revenues to performers.



A study done by **TrendMaze** shows that when the Intellectual Property Rights Enforcement Directive was implemented in Swedish Copyright law, up to 70 % of file sharers stopped seeding music from certain Swedish artists through **The Pirate Bay** trackers. Internet traffic in Sweden, which showed an equally dramatic drop shortly after the IPRED implementation, was back to earlier levels and still increasing by November 2009.

X5 Music is a new music label in Sweden focused on digital distribution. The label has had several Nr 1 hits on the Amazon MP3 sales chart, for example the Swedish artist Carola's album "Christmas in Betlehem".
www.x5music.com

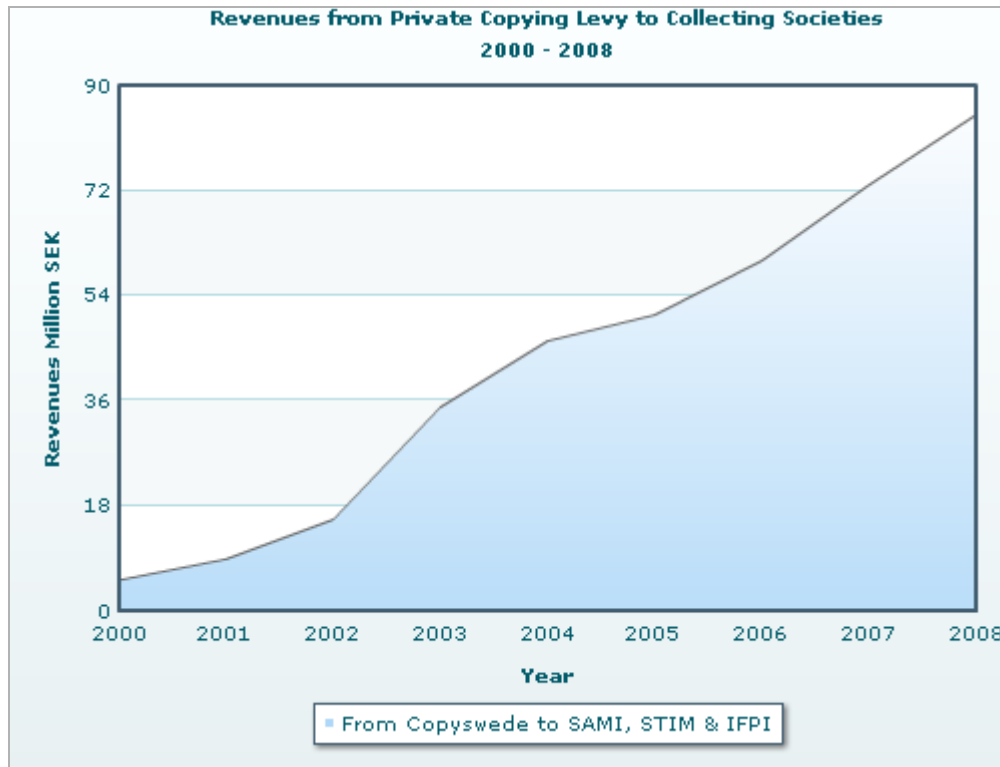
SAMI and IFPI does not collect and distribute revenues for live performances, the societies are solely focused on recorded music. Hence, revenues for the *usage* of recorded music from Sweden have increased while the revenues for unit sales have declined. The trend is also obvious when dividing mechanical and performance revenues for STIM.



Export Music Sweden (ExMS) is an organization formed with the aim of initiating, assisting and facilitating the promotion and marketing of Swedish popular music worldwide. ExMS is participating in international trade fairs, seminars, festivals and other activities for the promotion of Swedish music. The organization is also publishing economic data on the Swedish music export.
www.exms.com

Private Copying Levy

The private copying levy is collected by Copyswede from manufacturers of recordable products like CD-R and DVD-R as well as digital media players like mp3 players and HD-boxes. Copyswede has had a dramatic increase for the private copying levy since 2000, from 55.1 Million SEK to 160.2 Million SEK in 2008, with a record year of 203 Million SEK in 2007. The decline in 2008 compared to 2007 emanates from a revised tariff for digital media players. Revenues are divided amongst and forwarded to the other collecting societies who then divide the revenues to their separate rights holders. There is a more or less three way split between composers (STIM), artists (SAMI) and the record industry trade body IFPI.



Bonnier Amigo Music Group and Playground Music Scandinavia are two of the largest independent labels in Sweden.

Bonnier Amigo was founded in 1999 and has signed and marketed artists like Amy Diamond, Anna Maria Espinosa, BWO, Madcon, Molotov Jive, Pauline, Refreshments and Renegade Five. The company also represents international labels for the Swedish market with artists like Dream Theater, Fleet Foxes, Nickelback, Oasis, Prodigy, Slipknot, Travis and Tom Waits.
www.bonnieramigo.se

Playground Music has offices in Sweden, Finland, Norway and Denmark, and the label is working with artists like The Rasmus, Ace of Base, Timbuktu, Frida Hyvönen, Snook, Ayesha, The Concretes, Advance Patrol, Lisa Nilsson, Titiyo, Koop, Mauro Scocco and Blacknuss.
www.playgroundmusic.com

Summary and Conclusions

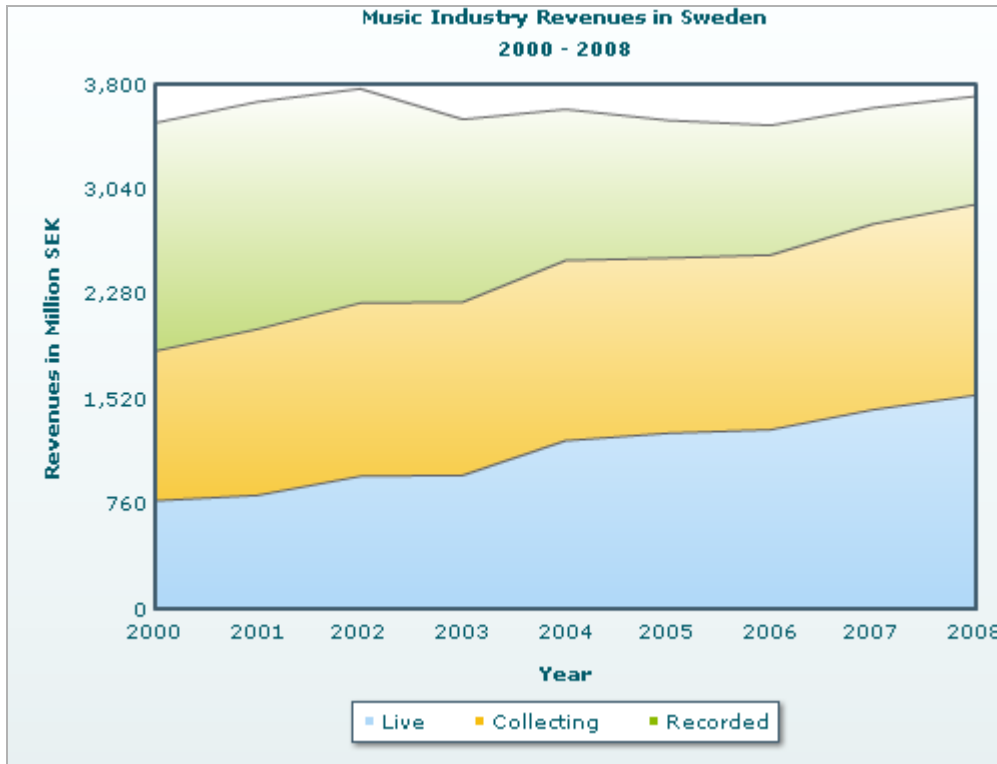
When combining all data from the collecting societies, record labels and live promoters, adjusting it for overlaps between the different organizations, it is possible to see the overall picture of growth or contraction in the Swedish music industry during the time period 2000 - 2008.

In 2000 these three parts of the music industry had a total revenue of 3 521 Million SEK (app. 350 Million Euro), compared to 2008 when total revenues were 3 712 Million SEK (app. 370 Million Euro). The highest year 2002 and the lowest year 2007 are within a 9.3% marginal.

Total revenues declined somewhat during the years 2003 and 2005, mainly as a result of a large decline in recording revenues and a flat live revenue year in 2003 compared to the year before, but the total trend is steady. In nine years, total revenues for the Swedish music industry have stayed basically the same.

Live revenues have been adjusted with Collecting revenues to compensate for double accounting. Collecting revenues have been adjusted with Private Copying Levy to compensate for double accounting. Recorded revenues have been adjusted with Collecting revenues to compensate for double accounting.

The Swedish Arts Council supports small record labels in Sweden every year with the so called "phonographic support" (Fonogramstödet). In 2008 a total of 5.6 million SEK were given to Swedish record labels.
www.kulturradet.se



The Swedish Grammy Awards, "Grammis", is held in Münchenbryggeriet in Stockholm January 15, 2010. Among the nominated are Erik Hassle, Kent, Jenny Wilson, Lars Winnerbäck, Dead By April, Amanda Jenssen, Takida, A Camp, Agnes, Mando Diao, Thåström, Candlemass, Hammerfall, Måns Zelmerlöw, Fibes, Oh Fibes!, Peter Bjorn and John, Melody Club and Europe. In total, 20 Swedish artists will receive a "Grammis" in 20 categories. www.grammis.se

Although the music industry system as a whole is generating basically the same amount of total revenues as earlier, the downturn in recording revenues can still have severe long term effects for the music industry, since record labels have been important investors and financers of new and creative music releases. This could change if business models change radically, with new actors taking over roles previously carried out by the traditional record companies.

The figures provided by the industry associations do not specify which kind of song writers, artists or labels that are experiencing increased or decreased revenues from their creativity. Over a long period of time, record labels have invested in music production, and used successful releases to finance other music projects that might not have had a commercial potential. When revenues are moving from traditional unit sales to live performance and collecting for the usage of the recording, it is therefore essential that the music industry in Sweden finds new ways of enhancing a musically creative climate.

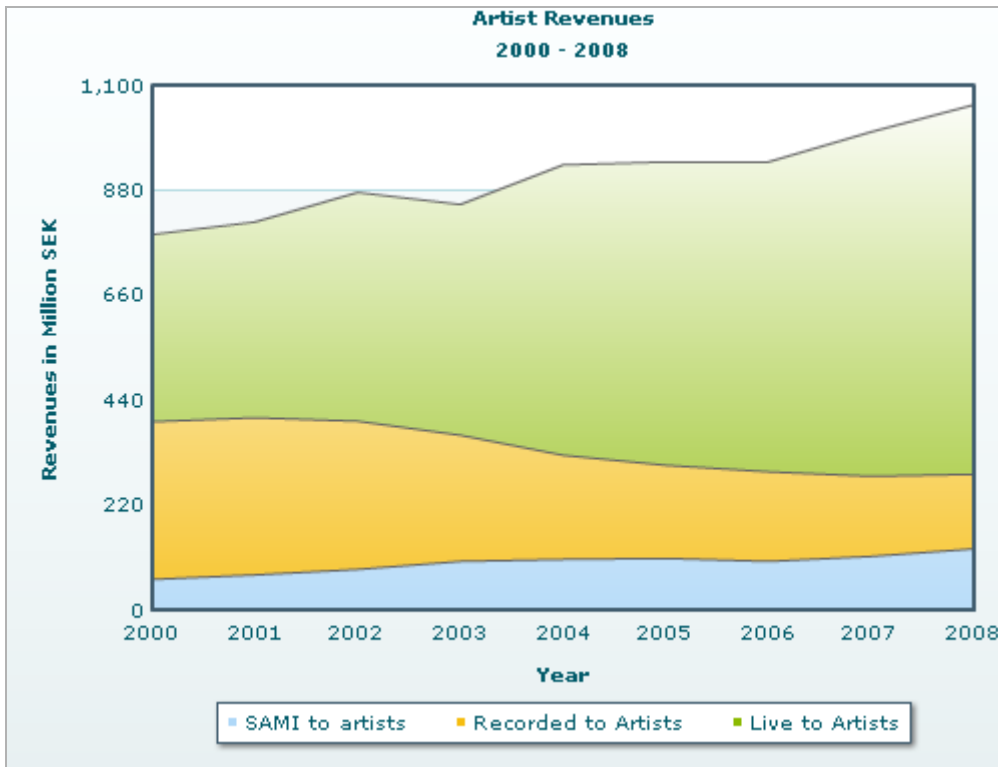
Based on these figures it is also possible to estimate how much artists themselves are earning today compared to before. Our calculation shows that total artist revenues have increased in Sweden by 34.6% since 2000. The model gives 50% of Total (T) Live Revenues (L) to artists after venues and promoters have taken their share, 20% of Recorded Revenues (R) to artists and 80% of SAMI (A) revenues, after administration costs:

$$L \left(T - \frac{1}{2}\right) + R \left(T - \frac{4}{5}\right) + A \left(T - \frac{1}{5}\right)$$

The reason why we have chosen a higher artist ratio on Recorded Revenues than f.e. Times Online Lab's estimation based on PRS figures (the UK equivalent to STIM and SAMI) in the article "Do music artists fare better in a world with illegal file-sharing", is the fact that record deals are different and labels often pay advances to artists, advances that are not reported anywhere. The scope of these advances is usually confidential, but is still an essential part of the artist revenues and can be even larger than the actual income from future music sales. Also, many artists are releasing albums by themselves on their own labels or in other ways. In these cases a much larger share of the recording revenues goes to the artist.

The Swedish music industry is mainly situated in the Stockholm region, all large record labels and collecting societies are having their offices there. But in Malmö and Gothenburg, as well as in Örebro and Sundsvall, there has also been an exciting music scene for several years. Many of the largest music festivals are held in smaller cities, for example **Sweden Rock** in Karlskrona.

Although there are significant differences in individual deals, both in the recording and live sector, the model used makes it possible to present a fair enough estimation on how revenues for artists, as a group, have changed during the time period. A larger share of Recording Revenues, as well as a smaller share of Live Revenues might be the case in individual deals, hence, the graph for the economic development of Artist Revenues should be viewed with caution. Also, the development does not reflect the development for all artists in general, but simply for this particular music industry sector as a whole and revenues does not necessarily represent only Swedish artists but also revenues for international artists performing in Sweden. The graph for Artist Revenues should be seen as an estimate for the development over time, rather than exact economic accounting.



The Swedish music sales chart is called **Sverigetopplistan** and is presented every Friday morning at 9.00 AM. In November 2009 the album "Röd" with the Swedish band **Kent** had three executive weeks at the Number 1 position. www.hitlistan.se

Graphs produced with **FusionCharts**. www.fusioncharts.com

Although it is somewhat difficult to provide exact detailed empirical economic data for every business and firm in the Swedish music industry, including recording, collecting and live companies, these estimations based on the industry's own economic reports shows that during 2000 – 2008:

- The Swedish music industry as a whole, has basically had the same amount of total revenues although changes have occurred in revenue shares,
- Record labels and artists have seen a huge decline in total revenues for recorded music during the time period,
- The live sector have seen a steady growth leading to larger revenues for live promoters, venues and artists,
- Artists, as a group considered, have seen a steady growth of total revenues as a result of increasing live revenues, as well as increased revenues from the collecting society SAMI,
- In total, collecting societies have become increasingly important for the overall economics of the music industry in Sweden.

But, as revenue streams have shifted there is still a need for concern regarding cultural creativity and new production. Traditionally, the live sector has not invested in building new talents by producing, recording and marketing the music. The radical decline in the recording sector has probably affected new releases and new artists in a negative way. Whether this will be handled by the major players in the new economic reality remains to be seen.

Detailed figures and more in depth analysis of the economic data are available in the Masters Thesis "The relationship between revenues from physical and digital albums, performance rights and concerts" (2009) by Markus Larsson at the Royal Institute of Technology, supervised by Roger Wallis.

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