



Berlin, 25 March 2020

## Report of the associations of the German music industry on the economic impact of the corona pandemic

### Introduction

The music culture in Germany, which is so diverse and identity-forming, is in a dramatic situation due to the corona pandemic and faces an uncertain future. The current shutdown of public life is threatening the existence of the sector, which is characterised by individual and micro-enterprises - which are partners of the performers at the focus of attention. As a result, central cash flows to the performers and their share of the economic success will dry up and, as a consequence, financial problems will become more acute.

On 23 March 2020, the Federal Government adopted an emergency aid package consisting of additional measures with emergency aid of up to 50 billion euros for small companies, solopreneurs, self-employed people and members of the freelance professions.

**Finance Minister, Mr. Scholz** said on 23 March 2020: "We are going full steam ahead to help even the smallest companies and solopreneurs. They need our special support; they are being hit hard by this crisis. This is why the federal government is now providing emergency aid quickly and unbureaucratically. That's important to me: We give a grant, it's not about a loan. So, nothing has to be paid back. This is how we reach those who urgently need our support now."

**Economics Minister, Mr. Altmaier** emphasised: "We leave no one alone. There must not and will not be a solidarity gap here. That is why we are putting together an additional comprehensive package of up to EUR 50 billion for solo self-employed persons/solopreneurs and micro-enterprises, including direct grants that do not have to be repaid. In addition, we are providing concrete support with the Economic Stabilisation Fund to the real economy and preventing the sell-off of German economic and industrial interests. There must be no taboos. Temporary and time-limited state aid, including equity investments and takeovers, must be possible."

On the same day, the **Minister of State for Culture, Mrs. Grütters**, also pointed out: "We know the hardships, we know the despair. The cultural sector in particular is characterised by a high proportion of self-employed people who now have existential problems. Therefore, I am pleased that I can say: Help is coming - as quickly and as unbureaucratically as possible! (...) The Federal Government as a whole is aware of the unique significance of our cultural, creative and media landscape. (...) Our democratic society needs its unique and diverse cultural and media landscape in this historical situation, which was unimaginable until recently!"

We, the **central associations of the music industry** and the two major **collecting societies**, are pleased to take note of these immediate aids and measures and welcome the underlying appreciation of the cultural and creative industries in general and our industry in particular!

For the numerous solopreneurs/self-employed persons in our industry, the announced aid measures are a great relief. For many companies in the music industry, however, they are out of the question. Unfortunately, the flexibilization of short-time work allowance as well as tax relief are only suitable in exceptional cases for music creators and the music industry to compensate for the losses incurred. Even comparable emergency aid programmes - such as those created for solopreneurs, self-employed persons and micro-enterprises - are nowhere near enough to compensate the vast majority of music companies for the considerable damage that has already been and will be caused.

Nor can the shortfall caused by health policy decisions be meaningfully absorbed by more flexible lending and comparable offers alone. On the one hand, small and micro-entrepreneurs rarely have the necessary collaterals, and on the other hand, these defaults can usually not simply be made up in order to service the loans.

**What is urgently needed, therefore, is a swift emergency government aid, for example for rent payments and wage costs. These should be made available unbureaucratically and quickly and should not depend on restrictive conditions such as direct involvement in health policy measures.**

In the following, we explain the effects of health policy measures on the individual sub-sectors of the music industry and outline the currently expected losses in turnover for a period of six months.

Furthermore, all signatories are willing to assist with the immediate implementation. Because one thing is clear: If there is no appropriate help for the music industry, there will be no new sound recordings, sheet music, instruments or concert tickets under the Christmas tree at Christmas 2020. By then, a branch of industry that stands for cultural diversity like no other would have disappeared.

## 1. About the music industry - overview

The music industry market as a whole and its sub-sectors was first assessed in 2015 in the **study "Music Industry in Germany"**. Principals of the study was a cooperation of the most important associations of the music industry, and sponsors were the city of Hamburg and the BMWi [Federal Ministry of Economics and Technology]. According to the study, the industry had a total turnover of 11 billion euros in 2014, 127,000 self-employed persons and employees and a gross value added of around 3.9 billion euros. Within the seven sub-sectors of the music industry, "music events" (27%) and "music recordings" (22 %) had the highest gross value added, followed by "musical instruments" (19 %), "creative professionals" (15 %), "music education" (10 %), "music publishers" (5 %) and "collecting societies" (2 %). A new edition of the study is planned for 2020, which will illustrate the status of the industry in 2019.

**Musicians** of all genres **form the core of the music industry**. Their live performances (clubs, concerts, festivals, business events and performances at trade fairs, congresses, parties, galas) are all currently being cancelled; this means that the most important source of income for the performers is disappearing. But also, side jobs such as instrumental teachers, studio musicians, producers, renters and many more are largely drop out these days. It is a fact that musicians have hardly any sources of income at the moment. With the long-term failure, both in big cities as well as in the country, not only the artistic development and the new generation of musicians are in danger, but the entire industry cannot exist without performers.

For more than **50,000 musicians** alone, with a duration of the measures of six months - with an **average annual income of only 13,000 euros** as published by the performers' social security fund - the expected direct loss of turnover amounts to approximately **325 million euros** according to current estimates.

The existence-threatening cutbacks of the health policy measures first became visible in the live area and directly affect performers and organisers. Closures of all venues, clubs and other places where music is played are paralysing the sources of income of all companies in the music industry as well as the throttling (e.g. Amazon) and partial suspension (e.g. record stores, electronics retailers) of the music trade.

The creative achievements of performers can therefore currently neither be placed on the market via the live sector nor via physical sales.

The music industry includes very different sectors that are linked by exploitation chains. It is therefore essential to consider all sub-sectors with their specific problems caused by the crisis in order to avoid chain effects - including: Performers, composers, lyricists, event organisers, event centres, labels, publishers, artist managers, artist agents, club operators, recording studios, pressing plants, distributors, merchandise and collecting societies as well as the production and trade of musical instruments, equipment and sheet music.

## 2. Live sector represented by BDKV, LiveKomm and BV Pop

The necessary health policy measures to contain the corona pandemic will first cause considerable economic damage in the live sector, which will threaten the existence of artists, clubs and solopreneurs/self-employed people, organisers and agents in the event industry. Above all, freelance performers and their agents, as well as private music venues, which generally manage without public financial support, are hardly able to survive without the necessary income and proceeds, and their cost and revenue structure is in the marginal cost range.

According to an initial empirical study by the German Association of the concert and event industry, around **80,000 events** will have to be cancelled by the end of May 2020. A flash survey by LiveKomm (running from 10 to 12 March 2020) shows that already at the beginning of March, since the first news about Covid-19 diseases in Germany appeared, there was a significant loss of income due to a drop in visitors of about 25% due to the population feeling unsettled and insecure. Even before the official event bans, the clubs therefore had to postpone 20% of their concerts to a later date. **The musicians' income from fees thus collapsed, as did the income of their agents, clubs, festivals, solopreneurs/self-employed people and other small service providers from the event industry.** The existential plight of artists, clubs and solo freelancers as well as small businesses from the event industry is becoming increasingly clear.

### a) Clubs and small music stages

The **lack of income** has a particular impact on **small music stages** and **clubs**, whose continued existence is acutely threatened by a ban on events lasting several weeks. With the lack of these stages, whether in the metropolises or in rural areas, not only is the entire **next generation of musicians and thus cultural diversity in danger**. If there are no events taking place and, as a result of currently closed venues, it will not even be possible to book them in the future, the numerous, mostly "one-man/one-woman" artists' agencies, without whose work no artists can reach the stages at home and abroad, will have no income. As a result, the performing artists will have no future orders long after the current crisis has hopefully come to an end. Due to a lack of income and profits, the cultural workers concerned are unable to repay the loans offered - and are therefore dependent on financial support without repayment and immediate measures.

A projection by LiveKomm, based on the qualified weighting of the results of the Berlin and Cologne club study, assumes 1,160 clubs in which all planned concerts have had to be cancelled since March 15. The conservative extrapolation from the above-mentioned studies determined an average of 15,321 shows per month. **Over a period of six months, this corresponds to a loss of revenue of approximately EUR 206 million.** This figure includes about 25 % of the fees cancelled by the club shows.

### b) Concert and tour organisers and artist agents

With every concert cancelled as a result of the event bans, both the organisers and the artist agents involved suffer not only considerable loss of income, but also, for lack of any income, are left with considerable costs for event preparations, most of which have already been paid for. As a result, mountains of debt accumulate, which ultimately have to be paid at some point. In addition, ticket sales for concerts in the future have almost come to a complete standstill, as no music or theatre lover can currently judge when the current

crisis will be over. And even event relocations are often not possible at present, as event halls refuse bookings.

From already cancelled shows, as well as the extrapolated loss of revenue due to the no longer made current ticket sales, there will be (according to an extrapolation of CTS eventim) a **loss of turnover of 3,652.5 million euros** in the next **6 months**. These are subdivided into:

	Cancelled shows	Expected revenue shortfall from the current ticket sales
Pop/ rock	664.3 m euros	1,088.1 m euros
Classical/opera	441.8 m euros	723.7 m euros
Musicals	278.5 m euros	456.1 m euros

### c) Small and medium-sized festivals

For small and medium-sized festivals, which normally bring together thousands of people in the summer season, mostly in rural communities, the situation is threatening their very existence. These festivals (up to 10,000 visitors per day) are organised in the federal network of the "Festival Combine" of LiveKomm according to a quick poll by MusicBase e.V. (part of the LAG Soziokultur - ImPuls Brandenburg, 13-17 March 2020) are confronted with losses in the three-digit million range - without being able to compensate for them. The festival platform HÖME currently records 685 such festivals (up to 10,000 visitors per day) throughout Germany, of which an estimated 80 %, i.e. about 550 festivals, are acutely affected. Many of the responsible bodies are even clubs that are completely unprepared for this type of damage.

Extrapolated by the association, this results in **cancellation costs of 232.6 million euros for 550 festivals**.

### d) Major festivals

For organisers of the big music festivals, which often have 80,000 or more visitors and which are often one of the biggest revenue generators and temporary local employers in many places, the prognosis is just as dramatic. Festivals like Rock am Ring, Southside, Hurricane, Wacken as well as classical or jazz festivals are threatened by massive cancellations and cancellations. Many of these festivals - such as the Elbjazz Festival - start as early as the beginning of June. Therefore, their organisers often have to assume that the festival is no longer feasible, since essential preparations have come to a standstill and can hardly be completed on time.

CTS eventim's projection puts the **loss of sales in the next 6 months at 451.4 m euros**.

### 3. Publishing business represented by DMV and VUT

Music publishers and their associated authors are massively affected by the stagnation of cultural public life. The vast majority of German music publishers are small and medium-sized enterprises, many of which have already introduced measures such as the introduction of short-time work compensation. Measures that the partners and authors associated with them cannot take, as they are solopreneurs/ self-employed persons who fear for their existence.

The aim must be to help as many players as possible in this important area of the music industry to survive the corona crisis. Music publishers have a long tradition in Germany - not least their professional association has existed since 1829, making it the oldest professional association in Germany alongside the Börsenverein des deutschen Buchhandels. Without music publishers, the majority of authors - GEMA alone has 65,000 of them - would not be able to pursue their creative work.

The expected damage if the crisis persists until the middle of the year can be quantified as follows due to the loss of income via the collecting society GEMA:

In the **music events** category, we expect a decline of 60%, while income from radio and TV **broadcasting** will decline by 25% due to the absence of important events such as the European Football Championship or the Olympic Games. We expect a loss of 20% for the remuneration from the **sound recording sector** due to the ordered closures of shops and even a halving of the income from the **reproduction of music** in clubs, restaurants, pubs, etc. It should be noted here that the major part of the losses will not really hit authors and publishers until 2021, as GEMA will not distribute the revenues - the corresponding estimates will be reduced - from 2020 to the rightsholders until next year.

The loss of revenue from forms of exploitation that are not carried out by the collecting societies is also serious. Here, the consequences are particularly noticeable in the so-called paper business, i.e. the production and distribution of sheet music. This sector is particularly dependent on theatres, orchestras, music schools and retailers - areas that have been closed down due to health policy measures. These publishers (and their authors), - among them many music publishers that have existed for over 100, 200 years - have had no income since the performance, school and commercial operations were discontinued. Here we expect a 50% decline in income compared to the previous year.

The effects of the global recession are also expected in the area of licensing of so-called **sync rights**, i.e. the licensing of musical works for cinema and TV productions, among others. Since no new productions are being created in the current situation, a minus of currently 25% is assumed in this area.

Using GEMA income and income from subsidiary rights from 2018 as a basis, the following figures are obtained:

**Projection of the turnover losses due to Covid-19  
Music authors and publishers**

Income source	2018	Cause	Expected losses	Authors	Publishers
Music events*	133,136	Concert and festival cancellations	-60%	-53,254	-26,627
Radio and TV*	245,090	Reduced advertising income (Euro 2020, Olympics etc.)	-25%	-40,848	-20,424
Clubs, restaurants, bars etc.*	148,242	Closures and insolvencies	-50%	-49,414	-24,707
Sound recordings*	53,745	Closures of stationary trade, loss of releases	-20%	-7,166	-3,583
International Income**	336,372	see domestic income	-25%	-42,047	-42,047
Issuing of licences (Sync)**	25,000	Reduced advertising income	-25%	-3,125	-3,125
Print business**	67,000	Loss of performances, suspension of stationary trade	-50%	-11,167	-22,333
Other consequences of cancellations and suspensions**		late invoicing, staff shortages, etc.		-3,000	-10,000
<b>Total</b>				<b>-210,021</b>	<b>-152,846</b>

<b>Music authors and publishers in total: Euros</b>	<b>-362,867,100</b>
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\* per GEMA annual report 2018 in '000s Euros

\*\* Estimate

#### 4. Labels (producers of sound recordings) represented by BVMI and VUT

Even if the immediate impact on concert and festival organisers is currently more incisive and the immediate impact is more visible, it must not be forgotten what far-reaching and largely unpredictable effects the health policy measures required as a result of the pandemic will have on record producers. It is true that the proportion of music listened to and paid for online has also increased significantly in Germany over the last few years. However, the physical market still accounted for around 36% last year (cf. report of the German Music Industry Association dated 27 February 2019). This income from the sale of CDs, vinyl and DVDs - which amounted to almost 577 million euros in 2019 - will be massively affected by the closure of retailers, the disruption of supply chains, the closure of warehouses and the prioritisation of other products in the online retail sector.

In current estimates, industry market researchers assume that if the corona crisis persists over a period of **six months, a decline of around 100-150 million euros** is to be expected in 2020 compared with **the expected sales of physical audio and video recordings**, depending on the severity of the negative influencing factors such as closures in stationary trading and delivery difficulties to e-commerce retailers.

In addition, the industry is affected to an extent that cannot yet be estimated at present by the lack of revenue in the area of public reproduction (discotheques, clubs, dance schools, etc.), which is collected by GEMA and distributed by the GVL to performers and labels. A further cut in the income of the companies is to be expected due to the lack of sales of fan articles, the so-called merchandising. Products that have already been partly pre-produced for specific tours and that should be sold to fans in the environment of the events cannot be sold.

The situation also affects recording studios. Planned productions cannot be recorded here due to health policy regulations and will not be available on the music market at all or only after a considerable delay.

Produced and pre-financed productions cannot be published or cannot be published within the announced framework. In some cases, corresponding promotional measures have been initiated, implemented and already paid for.

Pressing plants have drastic order losses, as both product planning and retail demand are massively affected.

Accordingly, companies specialising in the distribution of physical sound recordings are also particularly affected. They are currently de facto unable to sell their products via stationary trade. In online trade, there are sometimes restrictions, as other goods have to be given preference in the movement of goods.

GVL, which as a collecting society of performers, phonogram producers and, in some cases, of broadcasters, collects and distributes licence income from the fields of broadcasting, public performance and private copying, currently assumes the following scenario with regard to the previous planning assumptions for the current financial year totalling 203.7 million euros:

It expects a **drop in income** of at least 50% or around **100 million euros**, of which around 45 million euros would go to the phonogram producers and 55 million euros to the performers.

## 5. Musical instruments, represented by SOMM

With a total turnover of around 1 billion euros and approximately 12,000 people working in the core labour force, the musical instrument industry (MI) is one of the supporting pillars of the music industry and an important part of the cultural and creative industries as a whole. It essentially consists of three areas: Manufacture of musical instruments and musical equipment, distribution of musical instruments and musical equipment and trade in musical instruments and musical equipment. All areas interact intensively with one another.

The sector is affected to a different extent than the sub-sectors of music recording, music events or music publishing. The focus is clearly on trade. Sales are mainly made through specialised retailers (stationary and online), which usually also have music supplies (sheet music), music books, songbooks and DVDs in their assortment.

In essence, the MI sector generates its turnover from the sale of musical instruments and equipment as well as pro-audio (90%). According to a recent IFH study *Branchenfokus Musikinstrumente [study focussing on the musical instrument sector]*, stationary trade (67 %) is by far the most important distribution channel in the market for musical instruments (music retail 62 %; other specialised trade 5 %). Based on the assumption that the stationary specialist trade with the order to close shops practically ceases to generate revenue overnight, this means a lost turnover of **50.3 million euros per month** since the shops were closed. **Based on a period of 6 months, the total loss amounts to approximately EUR 300 million.**

There are more than 1,200 mainly small and medium-sized enterprises (musical instrument manufacturers and distributors) in the MI sector. More than half of them generate an annual turnover of 100,000 euros, only a fraction of the companies achieves sales of ten million euros and more. Sales to purchasers of musical instruments and accessories are largely made through specialist music retailers of musical instruments and music supplies. In this sub-sector of the MI industry, only 8 of 1,900 specialist retailers have sales of ten million euros or more.

The largest cost block within the MI sector, at 40%, is staff costs for permanent employees, as the area of musical instruments and musical equipment is still particularly consultancy-intensive. Accordingly, the share of wages and salaries in the MI sector is high, albeit at a low level.

Because of the many small, highly specialised manufacturers and many small specialist dealers, the MI industry employs over 2,250 self-employed people who are not counted among the 12,000 permanent employees listed above. The share of all employees in the music industry is 20%.

## 6. Conclusion

Since the music industry is a small-scale industry and very closely interwoven by exploitation chains, the economic problems of one sector are quickly shifted to the other partners in waves over time. What all the players in this heterogeneous sector have in common is that they are mutually dependent on the solvency of the respective partners in the exploitation and use of the works. It is therefore necessary to act across the board to mitigate the negative effects on value chains.

As mentioned at the beginning, **swift governmental, non-repayable emergency aid** is now needed to **compensate for the damage caused**. These should be made available unbureaucratically and quickly and should not depend on restrictive conditions such as direct involvement in health policy measures.

From the point of view of the industry, it is necessary to think about the downstream effects and to want to counteract these in the longer term.

According to our current estimates, the rounded total amount of the sales losses expected if the measures were to last 6 months is

Clubs and small music stages	206 m euros
Concert and tour organisers and artist agents	3,653 m euros
Small and medium-sized festivals	233 m euros
Major festivals	451 m euros
Music publishers/copyright holders/GEMA	363 m euros
Record producers/artists*/GVL	250 m euros
Musical instruments	300 m euros
<b>Total</b>	<b>5,456 m euros</b>

This document is a damage report of various sectors of the music industry. It is based on estimates of damage incurred and to be incurred, assuming a total duration of the necessary health policy measures of six months. These calculations partly include remuneration for artists (e.g. fees or royalty income) and costs that are not incurred in full or not at all due to cancellations.

The parties involved would be happy to explain the details of the letter to you in more detail and to talk to you about tailor-made rescue programmes.

BDKV – Bundesverband der Konzert- und Veranstaltungswirtschaft e.V.

BVMI – Bundesverband der Musikindustrie e.V.

BV POP – Bundesverband Populärmusik e.V.

DMV – Deutscher Musikverleger-Verband e.V.

EVVC – Europäischer Verband der Veranstaltungs-Centren e.V.

GVL – Gesellschaft zur Verwertung von Leistungsschutzrechten

GEMA – Gesellschaft für musikalische Aufführungs- und mechanische Vervielfältigungsrechte

LIVEKOMM – Verband der Musikspielstätten in Deutschland e.V.

SOMM – Society Of Music Merchants e. V.

VUT – Verband unabhängiger Musikunternehmer\*innen e.V.

[BDKV - Federal Association of the Concert and Event Industry

BVMI - Federal Association of the Music Industry e.V.

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BV POP - German Popular Music Association  
DMV - German Music Publishers Association e.V.  
EVVC - European Association of Event Centres e.V.  
GVL - Society for the management of neighbouring rights  
GEMA - Society for musical performing and mechanical reproduction rights  
LIVEKOMM - Verband der Musikspielstätten in Deutschland e.V.  
SOMM - Society of Music Merchants e. V.  
VUT - Association of independent music entrepreneurs e.V.]