

## Analysis of market trends and gaps in funding needs for the music sector

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The primary objective of this study is to identify **future market trends** and **funding needs** for the music sector in Europe: what is currently being addressed sufficiently by the Creative Europe programme and what is not.

The study seeks to **encompass the diversity of the music sector** (professional and amateur musical practice, recorded and live subsector, different genres, etc) with an industry chiefly composed of MSMEs as well as a few giant companies acting at different levels of the value chain (majors, large streaming platforms, and world-leading tech companies), from small concert venues to large stadiums active in different entertainment activities and small non-profit organisations.

**It understands support schemes in a broad sense**, including financial as well as non- financial support provided by the State or any other public organisation.

### Key trends in the music sector (recorded music industry, streaming and piracy, consumption & audiences)

- The **European recorded music market has returned to growth thanks to streaming**, but is less dynamic in comparison to the global market, which results in a smaller share of the European recorded market on the global scale.
- **Streaming also made a large contribution to lowering piracy**, which is nevertheless still persisting, mainly in the form of stream ripping.
- The concentration of the recorded music market has not disappeared with the digital shift. Even if streaming opened up new distribution channels for independent labels and made a huge amount of music accessible online, **the remuneration model and the concentration effect of algorithm-based curation benefit more to the major record companies**.
- The live music sector is also undergoing a concentration phenomenon due to the **massive investment of multinational companies in the European live music sector**, resulting in higher fees for headliners to the **disadvantage of emerging artists** and the diversity of festivals and major concert venues' lines-up.
- The new strategies adopted by the key players of the music industry results in the development of proper media strategies. Major record companies slowly turn into music-based entertainment companies and labels are investing into the live sector in order to maximise their revenues.
- **Audiences tend to engage more and more with music** thanks to the widespread and infinite listening possibilities on very diverse devices.
- Live concerts are exponentially live-streamed on social medias trying to secure their place in the era of the attention economy.

## Prospective analysis: Where is the music sector heading to?

The music sector is still subject to ongoing digital developments that continuously reshape the value chain of the music sector. The study identified the following key foreseeable impacts:

- Forecast 1: **Self-releases will become more and more important** but the majority of artists will still be signed by labels, which are able to navigate the **complex monetisation environment** and provide financial security in a precarious environment.
- Forecast 2: **New services will emerge for music discovery** and diverse content curation, potentially powered by broadcasters.
- Forecast 3: **Live music regulation** will be an essential pillar of future music policy to ensure **cultural diversity** and a more sustainable live music market (vibrancy of local venues, addressing secondary ticketing).
- Forecast 4: **New remuneration models will be developed by streaming platforms** to increase engagement between consumers and artists. Similarly, some direct-to-fans business models will emerge online and allow for fairer remuneration to artists.
- Forecast 5: **New digital services will emerge** to cater to the needs of genres which are underserved in the current digital distribution landscape.
- Forecast 6: The market may **tilt towards an increased availability and consumption of culturally-diverse music**, provided that proper policies are designed to encourage more diverse curation models.
- Forecast 7: **The new copyright framework will help the music sector to develop additional revenues (p. 36).**
- Forecast 8: **Environmental-friendly approaches will become the norm** in the music industry, and especially in the live sector, but the costs entailed will be challenging for smaller music venues and festivals. Music artists will be vocal supporters to tackle the environmental challenges.
- Forecast 9: **awareness** and actions to address the lack of **gender equality** will grow, and **public authorities will explore funding options to tackle the issue of gender inequality in opportunity, representation and remuneration.**

The following policy implications are resulting from the prospective analysis:

- **The ongoing policy work, building on the copyright directive to ensure fair and effective distribution of remuneration, is strongly needed;**
- Need to develop improved intelligence around digital developments and support mechanisms for innovative European business models;
- Support for better co-ordination and more ambitious development of the music sector's responses to the environmental crisis.

## Funding needs: Key takeaways of the gap analysis

Funding needs resulting from **digitalisation**:

- **Funding need 1:** Funding for **training** and capacity building of the professionals of the entire music sector to better navigate the digital environment.
- **Funding need 2:** Funding for support mechanisms to promote **music diversity online**
- **Funding need 3:** Funding for a **diverse musical production**
- **Funding need 4:** Funding for music **education** and **awareness-raising** of the reality of music production for young audiences

Funding needs on **concentration and diversity in the live music sector**:

- **Funding need 5:** Funding to promote **diversity** in the **live music sector**
- **Funding need 6:** Information on **touring** and **mobility**

Funding needs to **grow awareness and concern about the sustainability of the music sector**:

- **Funding need 7:** Funding to help the music sector to address **societal challenges**
- **Funding need 8:** Need for more **long-term and sustainable perspectives** in the music support ecosystem

The gap analysis showed that the identified funding needs are generally not sufficiently covered at the **European level**. Creative Europe is the only European programme that covers most of the funding needs but the support remains limited as the projects are either on hold or punctual.

Overview of the Gap analysis in funding needs at the European level (p.96):

Funding needs	1	2	3	4	5	6	7	8
Creative Europe - <b>Networks</b>								
Creative Europe - <b>Platforms</b>								
Creative Europe - <b>Projects</b>								
Creative Europe - <b>GF*</b>								
Preparatory Action on music (2018-2020)								
Erasmus +								
H2020								
Cosme								

Legend:

	Not sufficiently covered but good practices identified
	Some funding schemes available but topic not sufficiently covered or hard to assess
	No projects / funding schemes

At the **national level** that there is a wide range of funding architecture in Europe that can be classified in four broad categories. **All the funding needs tend to be partially answered but often only by a few countries with more advanced support ecosystems.** The gap analysis at the national level shows that:

1. The European music ecosystem, and especially the European music market is strongly globalised and **cannot rely only on national policies in order to fill the funding gaps identified.**
2. The **degree of support can vary greatly within the European member states**, and the 8 identified funding needs are relatively well-addressed only in a limited number of countries (e.g. Denmark, Belgium, France, Germany, the UK).
3. For countries with a lower level of support, all funding needs identified are not well- addressed.

## 16 key policy recommendations (p. 99)

### Ensure tailor-made actions for music under the Creative Europe funding programme (p. 100)

The mapping of funding schemes at European level has underlined that **Creative Europe is the main EU funding source for the music sector, but that several issues still need to be addressed.** The programme is currently difficult to access for the music industry, and does not take into account the latest trends and developments across the sector.

It is hence necessary to **design the new sectorial action of Creative Europe for music** (also taking into account its limited budget) in a **more tailored way**, following up on the targeted approach of Music Moves Europe.

This will allow allow:

- **better access of the European music sector to EU funding,**
- **policy makers to develop differentiated actions** for different types of stakeholders of the European music sector.

## Promote the awareness of music sector organisations of funding opportunities by other EU programmes (p. 102)

The study shows **a lack of awareness of music sector organisations** in relation to EU funding opportunities beyond Creative Europe, even though the objectives of these programmes are sometimes in line with music sector priorities. The study also shows **the crucial importance of complementarity in terms of governance level** (from the local to the European scale). Erasmus + and other EU programmes have a key role to play in the exchange of good practices of music policies and music training schemes.

In case a **European Music Observatory** is launched in the future, one of its missions could be to serve as a **funding information platform** (in cooperation with the Creative Europe Desks) to take advantage of these funding opportunities (especially the regional and structural funds) to strengthen local music ecosystems.

## Regulatory and policy perspective (p. 103)

**Transparency requirements** are relevant to **better monitor the cross-border circulation of repertoire** but also allow music professional gain a finer and more granular understanding on how the digital music environment affects their business practice. This will allow them to adapt their practice and have significant gain in terms of competitiveness, and also level the playing field and create a fairer European music sector.

Example: **Enhanced transparency for streaming platforms** in order to be able to gather and analyse data relevant for the EU objectives of cultural diversity. This could be the result of a broader regulatory endeavour for example concerning **the use of algorithms and artificial intelligence** or the use and sharing of data. This could in fact help to identify more precisely how music circulates, where promotion is most relevant, and where EU or national actions are required. Alternatively, an analysis of the results of the 2018 calls for proposals of Music Moves Europe (especially on online and offline distribution) could help to identify the most relevant vehicles for action in this field.