Impact of Piracy on Cultural Diversity of European Music
Music diversity in Europe

Much has been written about the economic impact of piracy in Europe, with studies showing that high levels of online infringement have led to dwindling revenues and job losses across the creative sector. Just as important, however, is the effect this is having on the cultural diversity of Europe’s music sector, and the threat that it poses to a vibrant future for musical offerings representing different cultures and languages and appealing to niche markets.

Markets in most EU Member States have been devastated by falling sales and the consequent reduced investment in new music and artists. In 2000, for example, artists of 15 different nationalities sold more than one million copies of their albums across Europe. By 2010, this figure had almost halved to eight.

Today a huge variety of music is still released throughout Europe and the rest of the world, ranging across numerous genres and originating in many different countries. Local repertoire remains extremely important to consumers in virtually all markets. For the record industry, domestic repertoire in 2010 accounted for more than half of physical format sales in France (58%), Denmark (57%), Greece (53%), Italy (52%), Czech Republic (51%) and Finland (51%), as well as a significant proportion in Sweden (49%), Hungary (38%), the UK (38%), Spain (37%), Portugal (35%) and Germany (32%).

Yet this diversity is being undermined by digital piracy — the easy availability of unlicensed free digital copies. Businesses have less money available to invest and are less willing to take risks on music with a narrow potential audience. English language repertoire has the broadest potential market and is therefore increasingly comparatively attractive to investors in a world where many local markets are devastated by piracy. Just three albums in the global Top 50 of 2010 contained non-English language repertoire and no non-English titles featured in the Top 30.

Artists and authors: Upfront investment required

Most artists require a lot of upfront support and investment to build a scalable career in the music industry. They require financial support in the form of an advance payment, so that they can concentrate on writing, rehearsing and performing their music. They also require assistance to make sound recordings, music videos and stage live shows. Industry figures estimate it often takes US$1 million to break an artist to the top of the charts in a major market.

This support for artists can only continue if investors have a fair chance to make a return on their outlay. The music industry is highly risky, with only an estimated one in five artists making a commercial return on the money invested in them. Declining revenues from both record sales and live performances in 2010 raise the prospect of fewer artists securing upfront investment in the future.
Financial investment in songwriting and composing talent by music publishers is also very substantial — UK publishers alone invested more than £100 million in 2010. In addition to A&R costs, and the advances paid to sign new writers and composers, publishers provide financial support in a variety of other areas — the promotion of live showcases, studio time, the production of recordings, and the manufacture of performance materials (scores and parts). As regards the traditional business of music publishing — the publication and distribution of sheet music — publishers have been making printed music (including tablature) available online since the mid-1990s, but again this business has great difficulty competing with the piratical free. The substantial investments by authors’ societies in promoting local culture throughout the EU are also put at risk.

Spain: A Warning

Spain is a music market that has been particularly devastated by digital piracy. Research by Nielsen (2010) reveals that 45 per cent of active internet users in Spain regularly use services that distribute unlicensed music, compared to an average of 23 per cent across the top five markets in the EU. Music sales in the country fell by 55 per cent between 2005 and 2010, well above the global average. In 2010 alone, the market declined by 21 per cent.

Local artists, in particular new acts, have been the principal victims of the crisis. The strength of Spanish repertoire in the past made Julio Iglesias, Alejandro Sanz, Enrique Iglesias, Miguel Bosé, Mónica Naranjo, La Oreja De Van Gogh, Estopa, Jarabe de Palo and David Bisbal international stars. Until 2004, at least one Spanish act would sell more than one million album copies across Europe every year. In 2007, Alex Ubago reached that mark, but no other Spanish act has reached it since then. In the past two years, not a single new Spanish artist has even featured in the country’s Top 50 chart, compared with 10 in 2003. Sales of local artists have suffered more than those of international acts. The proportion of the market accounted for by local artist sales has shrunk to around 40 per cent, nearly half the estimated share in 2004.

Over the past five years, Spain has lost a number of wholesalers and specialty music shops, including well-known names such as Madrid Rock, Discoplay, Castello and others. These businesses combined accounted for around 20 per cent of the retail sector in Spain. Today, the Spanish physical retail sector is dominated by supermarkets and chains, such as Carrefour and El Corte Inglés, which are able to rely on a diversified income stream and tend to offer the most popular mainstream products. Specialty shops for music have all but disappeared.

Retail space declining

The decline in music sales has impacted on the health of all genres, but it is the smaller, niche genres that have suffered the most. For sound recordings, the reduction in physical retail space across Europe has led to a significant reduction in sales of niche genres.
Independent music stores used to be the main sources of specialised recordings, but recent years have seen the mass closure of independent and specialty music shops. In some markets they have all but disappeared.

Larger stores, under pressure given tighter margins, have shifted to stocking products such as games and DVDs in place of music content. Only major chart releases make it onto stores’ shelves. The significant reduction in retail shelf space for niche products has greatly impacted the ability for this type of music to reach the public.

Figures from *Music & Copyright* reveal that sales of classical music recordings declined by 42 per cent globally between 2000 and 2009, compared with a fall of just 22 per cent in the sales of rock music. Jazz sales declined by 41 per cent in value over the same period.

Research by Nielsen has shown that the number of record stores in Italy fell from 1,430 in 1999 to just 540 by 2009, a reduction of 62 per cent. This figure was closely matched by a 68 per cent fall in physical format sales. In the UK, the number of specialist music stores fell by 63 per cent between 2003 and 2009 (Millward Brown).

**Tight margins see orchestras and opera companies going out of business**

The impact on niche genres is nowhere more evident than in the classical sector, where orchestras and opera companies are struggling to survive. While touring is an important source of revenue, session recording fees and commercial recordings also contribute to the health of the sector.

Ross Pople, creative director of the London Festival Orchestra, told the *Daily Telegraph* in April 2010: “Orchestras go out of business quite easily because their margins are very, very tight – particularly the smaller orchestras. Europe has a number of chamber orchestras, which is what we are, and they have incredibly tight margins. There is not much money but it is a very serious and dedicated group of musicians who keep it alive. So keeping them alive is also a responsibility.”

Examples of orchestras and opera companies around the world struggling to make ends meet abound. The US is a leading indicator of the sector as orchestras and opera companies are more commercial than in Europe, with less state support—and figures there show that many are closing, facing bankruptcy, or adopting drastic cuts. However, as EU countries hit budget issues, similar effects are bound to occur in Europe. Already the Scottish Opera, one of the jewels in the crown of Scottish culture, is struggling as its musicians start looking for part-time jobs such as cleaning and waitressing to supplement their income.
Evidence that action on piracy can restart investment in local music

It is obviously more difficult for artists and songwriters to attract investment in a market that is saturated by high levels of piracy. There are signs, however, that if action is taken to curb online piracy then a virtuous cycle of investment can be restarted.

In South Korea, where the government adopted strong legislation to curb the unlicensed distribution of music, rising sales have led to renewed investment in local talent, ranging from K-Pop stars to Myung-Whun Chung, the principal conductor of the Seoul Philharmonic Orchestra. The number of new acts signed has increased, offering consumers more choice of local music and giving these artists a platform to build their careers not just in South Korea, but across Asia.

By taking action to ensure the rule of law is respected on the internet, the South Korean government created an environment in which investment in music was stimulated, resulting in an expansion of consumer choice and more artists enjoying the opportunity to pursue a career in music.
ICMP
ICMP is the world trade association representing the interests of the music publishing community internationally. ICMP members are music publisher associations from Europe, North and South America, the Middle East, Africa and Asia-Pacific.
www.icmp-ciem.org

IFPI
IFPI is the trade association representing the recording industry worldwide, with a membership comprising some 1400 record companies in 65 countries and affiliated industry associations in 46 countries.
www.ifpi.org

GESAC
The European Grouping of Societies of Authors and Composers (GESAC) represents 34 of the main copyright collective management societies (authors' societies) in the European Union, Norway and Switzerland, administering the rights and remuneration of almost 700,000 authors, composers and writers in a variety of sectors (music, audiovisual, literary, visual and graphic arts) as well as music publishers.
www.gesac.org

Published January 2012