SOUND CHECK

AN ECONOMIC IMPACT ANALYSIS OF MANITOBA'S MUSIC INDUSTRY

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An Economic Impact Analysis of Manitoba's Music Industry

Final Report

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Prepared by:

Nordicity

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Nordicity (nordicity.com) is a powerful analytical engine with expertise in strategy and business, evaluation and economics, policy and regulation for the arts, cultural and creative industries. Because of Nordicity's international presence, it has become widely recognized for its ability to translate developments and best practices between markets for the private, public and third sectors.

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Executive Summary

Manitoba Music commissioned *SoundCheck: An Economic Impact Analysis of Manitoba's Music Industry,* to determine the most up-to-date trends, data and economic impact of the music industry in Manitoba. *SoundCheck* is available to the public, music industry stakeholders and government as a valuable resource to support effective decision-making through timely and dependable information.

A series of primary and secondary research methods were used to collect timely, reliable data, including a literature review, online survey and stakeholder interviews. The survey response analysis comprised 142 music businesses (of 368 potential music business respondents) and 283 artist entrepreneurs (of 1,071 potential artist entrepreneur respondents). Accordingly, the margin of error is +/- 6.4% (19 times of 20) for music businesses, and +/- 5% (19 times of 20) for artist entrepreneurs.

The final report comprises four sections: (1) Manitoba's Music Industry Profile, (2) Music Industry Trends, (3) Economic Impact Analysis and (4) Industry Outlook.

Manitoba's Music Industry Profile

- Manitoba is home to an estimated 368 music businesses and 4,066 artist entrepreneurs.
- The Manitoba music industry generated **$93 million in revenues** in 2011, and had expenditures of $78.3 million.
- The Manitoba music industry contributed an estimated **25% of the national *independent* music industry revenues outside of Quebec**.
- Music businesses in Manitoba generated $65 million in music-related income in 2011, and artist entrepreneurs generated $28.2 million.
- Music businesses spent $60 million on music-related expenditures in 2011, and artist entrepreneurs spent $18.4 million.

Music Industry Trends

- Artist entrepreneurs have taken on a greater role in the music industry functions, and increased their share of industry revenues against music businesses.
- A severe decline in recorded music sales has not been offset by the modest growth in digital sales.
- Music production is becoming displaced as a primary revenue source by multiple, smaller revenue streams.
- Live performance and touring continues to be a critical and major revenue source.
- Historically smaller revenue streams such as merchandizing, repurposed content and exclusive offerings have become more significant sources of revenue contributions.

Economic Impact Analysis

- The music industry in Manitoba had a total **GDP impact of $71.3 million** in 2011.
- The music industry in Manitoba had a total **household income impact of $35.7 million** in 2011.

- The Manitoba music industry contributed 23.5% of the total $303 million economic impact of the Canadian independent music industry outside of Quebec in 2011.
- The Manitoba music industry had a total **employment impact of 4,363 Full-Time Equivalents (FTEs)** in 2011.
- The Manitoba music industry **generated $25 million in taxes** in 2011 ($12.4 million in provincial taxes and $12.6 million in federal taxes).
- Artist entrepreneurs as a single group contribute the most towards personal income tax ($0.8 million), corporate income tax ($0.2 million), other direct taxes ($1.4 million), indirect taxes ($0.5 million) and local taxes ($0.8 million).
- Artist entrepreneurs as a single entity contribute the most towards federal government taxes ($3.7 million), followed by recording labels ($1.9 million).
- For every $10 million in industry output, the music industry in Manitoba **generates 468 jobs**.
- On a 'net' basis, the music industry returned approximately $8.3 million 2011 in direct and indirect tax revenue to the Province. In other words, for every $1.00 invested in the music industry by the Province of Manitoba, the industry returned $3.03 to the provincial coffers.

Industry Outlook: Growth and Barriers

- Manitoba music businesses are optimistic for the future. Approx. 78% of music businesses expect positive growth over the next two years, while only 13% expect no change at all.
- The three greatest barriers to growth for Manitoba music businesses include:
    - Access to affordable capital for expansion/operation
    - Changing business and/or revenue models
    - Access to foreign markets
- Manitoba artist entrepreneurs are optimistic for the future. Approx. 85% of artist entrepreneurs expect positive growth over the next two years, while only 11% expect no change at all.
- The four greatest barriers to growth for Manitoba artist entrepreneurs include:
    - Access to affordable capital for expansion/operation
    - Availability of venues/promoters
    - Availability of touring/showcase support
    - Access to foreign markets

SoundCheck is the third economic impact analysis undertaken by Manitoba Music since 2005. With consideration of the evolving music industry and impact of digital technologies on the sector, SoundCheck features a revised taxonomy and analysis of music industry sub-sector roles and functions based on both industry activity and revenues.

1. Background

The rationale for this report is to determine the most up-to-date trends, data and economic impact analysis of Manitoba's music industry in order to support and inform important decision-making for industry, stakeholders, policymakers and government.

Manitoba Music has commissioned *SoundCheck* as a means of providing relevant and timely data and analysis of the economic impact of the music industry in Manitoba. As with all major industries, including agriculture, manufacturing, services and transport, reliable and up-to-date economic indicators are needed for sound decision-making by industry, stakeholders, policymakers and government.

SoundCheck is the third economic impact analysis undertaken by Manitoba Music, and leverages new findings and developments from each preceding report. The first study, *'Music Is Working: An Economic Impact Analysis of Manitoba's Music Industry'*, was published in 2005, followed by the second study, *'Economic Impact Analysis of Manitoba's Music Industry'*, published in 2008.

> *"Considering its size, Manitoba has one of the best-organized music industries, and Manitoba Music delivers some of the most comprehensive programs available to grass roots musicians in Canada."*
>
> **Duncan McKie, FACTOR**

2. Methodology

Nordicity deployed a series of primary and secondary research methods to collect timely, reliable data, including a literature review, online survey and stakeholder interviews.

2.1 Literature Review

The literature review formed a fundamental source of information on industry trends and issues needed to develop an effective and reliable online survey questionnaire and interview guide. The literature review also provided valuable information required for the data synthesis and analysis, including providing context for the development of the industry profile, economic impact analysis, case studies and recommendations.

Nordicity, with input from Manitoba Music, identified a selection of local, regional, national and international secondary research sources to review, commencing at the outset of the project through to completion.

A list of reviewed sources can be found in Appendix B.2.

2.2 Online Survey and Data Analysis

The online survey formed the most vital source of data collection, fundamental to developing the industry profile and economic analysis. Hosted on the Canadian-based fluidsurveys.com, the survey was open from May to June 2012. The online survey was strongly promoted through Manitoba Music and leading creative industry bodies, and supported by individual email and telephone follow-ups.

A total of 505 survey responses were collected from Manitoba, of which a total of 425 were identified as reliable, and fully analyzed (of an estimated total of 1,439 potential respondents). The survey response analysis comprised 142 music businesses (of 368) and 283 artist entrepreneurs (of 1,071 potential respondents). Accordingly, the margin of error is +/- 6.4% (19 times of 20) for music businesses, and +/- 5% (19 times of 20) for artists.

> *"There's an opportunity for people to live and work and have sustainable music careers in Manitoba. There's also the opportunity for them to export to the world."*
>
> **Rick Fenton, BreakOut West / Western Canadian Music Alliance**

Based on these response rates, Nordicity was required to extend the sample of data received by the survey to represent the total universe of music companies and artists operating in Manitoba. To do so, Nordicity first assumed that the lists of companies and artists developed during this study by Manitoba Music (in addition to those survey respondents not present on any list) formed the two universes being examined. Then, Nordicity created two "gross-up factors" to multiply any absolute figures (*e.g.,* amount of revenue generated). In the case of music companies, this factor was 2.59, while it was 3.78 for artist entrepreneurs. These multipliers should be viewed as conservative as they assume that there are no companies and/or artists operating in Manitoba that have not been counted (and verified) on the above-mentioned list.

2.3 Interviews

The interviews formed an integral source of industry intelligence and context for analysis of the online survey data. The interviews helped to inform and validate the industry profile, economic impact analysis, case studies and recommendations. Nordicity worked closely with Manitoba Music to identify a diverse and representative sample of artists and music businesses. The interviews were conducted both in-person and by telephone, and occurred between June and July 2012.

A total of 9 interviews were conducted, in addition to ongoing consultation with Manitoba Music. The majority of those interviewed worked in both the roles of artist and a music business, of which 8 were artists and 7 were music businesses.

A list of the interviewees and a copy of the interview guide can be found in Appendix B.1.

3. Manitoba Music Industry Profile

This section of the report presents a profile of the music industry in Manitoba. In so doing, it describes the music industry, based on the results of the online survey and interviews conducted for this study.

3.1 The Role of the Music Industry in Manitoba

> *"The arts and music scene in Winnipeg is incredibly edgy. I always enjoy touring Winnipeg, it's one of the best cities to visit."*
>
> **Patrick Watson, Singer-songwriter**

The music industry is part of a broad and diverse set of creative industries in Manitoba. Generally speaking, these creative industries are characterized by a plethora of independent artist entrepreneurs and businesses. In turn, most businesses in Manitoba are micro-enterprises and small businesses. That said, Manitoba has experienced a cluster effect as a result of the success of its creative industries. Knowledge spillovers across the creative industries, such as film and television, interactive digital media, video games, theatre, dance and performance art, as well as print and broadcast (radio) media. These spillovers have been enabled by robust public (and quasi-public) support, for example by the Winnipeg Chamber of Commerce campaign for ManitobaBOLD.[1] [2] Indeed, Manitoba is looked to as a leader in the policy and economic development of the creative industries by other provinces. Saskatchewan and Ontario both regularly look to Manitoba.[3]

In terms of the music industry, interviews with artists and music businesses from across Canada revealed that Manitoba Music is highly regarded by industry from outside of Manitoba. Stakeholders in provinces such as British Columbia, Saskatchewan, Ontario and Nova Scotia deem Manitoba Music as the most innovative and effective provincial music industry association in the country, and praise its success visible at national and international music markets and conferences. In fact, one industry member from outside the province noted that Manitoba Music has become the benchmark for Canada's provincial music industry associations.

3.2 Overall Music Industry: Revenue

Revenues are a key indicator for determining the health and status of any industry.

The Manitoba music industry generated $93.0 million in revenues in 2011. Industry revenues decreased 27.3% from $127.9 million in 2007, and increased 5.9% from the $87.8 million generated in

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[1] *Canada's Creative Capital*. Manitoba Bold. Website retrieved 05 September 2012. http://www.manitobabold.com/canadas-creative-capital-details

[2] Coligan, Neil. *Creative Options*. CBC.ca. 23 September 2011. Retrieved 20 August 2012. http://www.cbc.ca/news/canada/manitobavotes2011/blog/2011/09/creative-options.html

[3] *Requirements to Support Commercialization Objectives of Saskatchewan's Creative Industries*. HJ Linnen Associates. Ltd. 31 March 2011.

2004 (Figure 1). The Manitoba music industry contributed an estimated 25% towards the national $372.6 million of revenue generated by the Canadian independent music industry in 2011.[4]

The share of revenues generated by artist entrepreneurs has increased significantly since 2007 and 2004, from 12% to 30% (Figure 1), suggesting a shift in the Manitoba music industry. Interviews revealed that industry members are diversifying to take on a wider range of roles, such as artists self-publishing or labels providing artist management support, the lines between artist entrepreneur and music business are blurring.

Figure 1 - Total Industry Revenue

Category	2004		2007		2011	
	Total Revenues	Percent	Total Revenues	Percent	Total Revenues	Percent
Music Businesses	$77,657,911	88%	$112,644,888	88%	$65,026,548	70%
Artist Entrepreneurs	$10,760,653	12%	$15,233,919	12%	$28,241,475	30%
Total	**$87,760,653**	**100%**	**$127,878,808**	**100%**	**$93,031,488**	**100%**

Sources: An Economic Impact Analysis of Manitoba's Music Industry, 2005, 2008 & 2012.

The key revenue trends revealed in interviews throughout the Canadian music industry include:

- Artist entrepreneurs have taken on a greater role in the music industry functions, reflected by a greater share of total industry revenues between 2007 and 2011.
- A severe decline in total recorded music sales, dropping by 28.5% over the past five years.[5]
- A modest growth in digital sales has not offset the significant contraction of physical sales.
- Streaming and piracy is criticized for accelerating the severe decline in sales.
- Music production is becoming displaced as a primary revenue source by multiple, smaller revenue streams.
- Live performance and touring continues to be a major revenue source.
- Revenue streams that were once 'ancillary', such as merchandizing (*e.g.,* T-shirts), repurposed content (*e.g.,* compilation albums) and exclusive offerings (*e.g.,* VIP/premium access or limited edition merchandizing), have become more significant sources of revenue contributions.
- Licensing has become a customary revenue stream for many artist

> *"With Manitoba Music support Novillero traveled to South by Southwest, resulting in a $50k licensing deal and developed relationships with music supervisors resulting in multiple licensing deals."*
>
> **Jack Jonasson, The Lo Pub**

[4] *Feedback: An economic Impact Analysis of the Canadian Independent Music Industry*. CIMA. 2012. Readers should be aware that the report conducted for CIMA represents the *independent* music industry outside of Quebec, and so not account for all music industry activity in Canada.

[5] *Recording industry in numbers*. IFPI. 2011.

entrepreneurs and music businesses.

- Streaming revenues for Manitoba artist entrepreneurs and music businesses remain very low (and indeed lower than the national level).
- Advertising and branding remain small and nascent revenue sources for Manitoba artist entrepreneurs and music businesses.

3.3 Overall Music Industry: Expenditures

Expenditures are another essential indicator for determining the health and status of an industry.

The Manitoba music industry had expenditures of $78.3 million in 2011. With total industry expenditures down 11.7% from $88.7 million in 2007 and 11.7% from $90 million in 2004, the decrease has not been consistent, as expenditures for artist entrepreneurs increased to $18.4 million in 2011, up 7.7% from $10.7 million in 2004 and 3.6% from $14.8 million in 2007 (Figure 2).

Expenditures for music businesses have decreased to $59.9 million in 2011, down 18.9% from $73.9 million in 2007 and 24.5% from $79.3 million in 2004. However, in this time the share of total music industry expenditures in Manitoba has nearly doubled for artist entrepreneurs. The growing proportion of expenditures by artist entrepreneurs is mirrored by the increase in the proportion of revenues by artist entrepreneurs (as noted in Figure 1 above), which may reflect a democratization of the music industry and a rise in the artist entrepreneur. Generally, the artist entrepreneur's role and impact has increased over time.

> *"Attending trade shows and traveling has been key to the continual operations of the label."*
>
> **Adam Hannibal, Balanced Records**

Figure 2 - Total Industry Expenditures

Category	2004		2007		2011	
	Total Expenditures	Percent	Total Expenditures	Percent	Total Expenditures	Percent
Music Businesses	$79,305,464	88.1%	$73,928,201	83.3%	$59,915,245	77.5%
Artist Entrepreneurs	$10,746,941	11.9%	$14,797,951	16.7%	$18,373,516	23.5%
Total	**$90,052,404**	**100%**	**$88,726,152**	**100%**	**$78,288,761**	**100%**

Sources: An Economic Impact Analysis of Manitoba's Music Industry, 2005, 2008 & 2012.

The key expenditure trends revealed in interviews throughout the Canadian music industry include:

- Artist entrepreneurs have taken on a greater role in the music industry functions, reflected by a greater share of total industry expenditures between 2004 and 2011.
- Physical albums are increasingly viewed as a necessary, but break-even or loss leader proposition.
- Physical album costs are increasingly viewed as marketing or merchandizing expenditures (as opposed to sales expenditures).

- Live performance and touring, which is essential for artist entrepreneur and music business growth, costs have increased.
- Establishing licensing deals requires greater investment levels by artist entrepreneurs and music businesses than before.
- Marketing and promotional costs have increased significantly (and now include more platforms such as new and traditional media, as well as live performance and touring costs).
- Artists and Repertoire (A&R) costs and associated risks (the music industry's term for Research & Development), have increased significantly for artist entrepreneurs and music businesses (to invest in artist entrepreneurs to become 'market-ready').

3.4 Music Businesses: Overarching Industry Trends

The Manitoba music industry, and indeed the Canadian industry, has experienced a series of major trends impacting every activity along the music industry value chain. This section explores the general themes of these major industry trends.

- **The traditional roles of artist entrepreneurs and music businesses are blurring, as industry players take on a wider and more universal range of company activities.** Historically, the music industry value chain was very clear, with well-defined roles for various players in the sector. Today, however, the roles have blurred, as companies are diversifying their industry activities. For example, today, many artist managers have taken on recording label and/or publisher activities, and vice versa. This trend is evidenced by the share of music business activities, industry revenues and industry activity portrayed throughout this section of the report.

  Due to this observed trend interviews revealed that the industry requires more general, transferrable skills, and that there is a case for continued industry-training initiatives (such as those currently led by Manitoba Music).

- **Small and medium-sized music businesses are taking on a greater role within the music industry value chain**. A gap in the market has been left by the retrenchment of the major labels, to be filled in varying degrees by the micro-, small- and medium-sized music businesses. In Manitoba, however, this trend appears to have been much less prominent, as the Manitoba market has traditionally been led by local, independent music businesses. As such, the impact and reach of the major labels within Manitoba has generally been more muted, in terms of both the benefits and costs associated with some music activities such as live performance and

> "Significant change in the music industry has resulted in a shift in prominence from music businesses directly into the hands of the artists themselves. Manitoba Music has been instrumental in helping (local) artist (entrepreneurs) develop the skill sets required of them to navigate this shifting terrain. The resources and skill development offered by Manitoba Music provides Manitoba artists a significant advantage over their out of province peers."
>
> **Lindsey Collins,**
>
> **Flying Fox and the Hunter Gatherers**

touring, licensing, advertising, streaming and repurposed content.

- **The music industry in Manitoba has fragmented slightly, with a greater number and wider diversity of artist entrepreneurs and music business types, albeit at a smaller rate than on the national level**. The barriers to entry in the music industry have lowered significantly, due in large part to the impact of digital technology. Some of the contributing factors for the fragmentation of the music industry revealed by interviews include:
  - the pervasiveness of affordable sound recording technologies;
  - an increasingly technology savvy youth culture;
  - the ubiquity of new distribution platforms; and,
  - the democratization of marketing and promotional channels though digital and social media.

> *"Manitoba musicians don't follow trends, we promote uniqueness."*
>
> **Murray Pulver, Doc Walker**

These factors suggest a potential need for increased business affairs support for Manitoba's music industry.

- **The music industry in Manitoba, and indeed Canada, has experienced a major diversification of revenue streams.**
  - Today, revenues are no longer coming from one or two primary sources, but rather a mix of various sources.
  - Generating revenues from international and out-of-province markets is a priority for many music industry stakeholders across Canada.

> *"A major barrier to growth is the difficulty in creating sustainable revenue streams in an industry where such streams are constantly being redefined (or are) disappearing."*
>
> **Michel Durand-Wood, Durand Musique Management**

  - Reduces risk by providing greater revenue stability, but also reduces the potential for radical growth.
  - Requires more business resources to extract revenues from more streams than ever before.
  - Presents opportunity to reach untapped and emerging markets.
  - Across Canada, many music businesses are constantly seeking new and innovative means of generating revenues. This trend in Manitoba, however, remains more nascent, as music businesses in the province are often forced to focus more on short-term planning, such as current revenue streams, in order to safeguard sufficient cash flow.
  - In Manitoba, the entrepreneurial nature of many artist entrepreneurs and music businesses has meant that they have operated as full-service or multi-purpose

entities (in other words 'jack of all trades'). Meanwhile, throughout the larger Canadian markets of Ontario, Quebec and British Columbia, a prevalence of full service deals (or 360 deals) by hybrid companies has become nearly essential for many labels, managers and publishers to derive sufficient revenues.

- **International markets, and indeed out-of-province markets, are critical for the sustainability and growth of many music businesses and artist entrepreneurs.**
    - While the Canadian market has sustained some local artist entrepreneurs and music businesses, the diversification of revenue streams to international markets is widely viewed as the most significant priority for many Canadian music industry stakeholders.

> "With government support artists can compete in the marketplace by attending showcases and touring, which are expensive endeavors but necessary to shape a career."
>
> **Keri Latimer, Nathan**

3.5 Music Businesses: Industry Structure

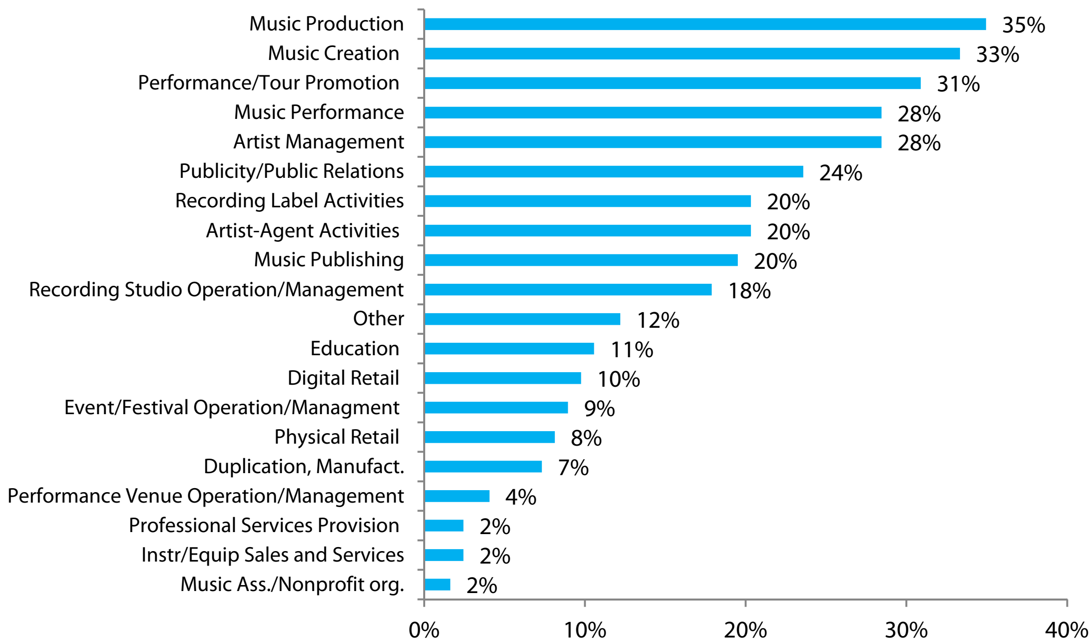
Manitoba is home to an estimated 368 music businesses. These music businesses are engaged in a diverse range of business activities. As the music industry evolves, music businesses have been diversifying their activities away from traditional models. Accordingly, this study does not try to place music businesses in discrete categories (such as labels, and publishers), but rather describes the industry's activity keeping in mind that a given music business may be active in several music activities.

For this study, music industry business activities were segmented into the following 20 (non-mutually exclusive) categories:

- Music Creation
- Music Performance
- Recording Label Activities
- Music Production
- Music Publishing Activities
- Artist Management Activities
- Artist Agent Activities
- Performance/Tour Promotion
- Recording Studio Operation/Management
- Publicity/PR
- Performance Venue Operation/Management
- Event/Festival Operation/Management
- Professional Services Provision
- Music association/Non-profit Organization
- Physical Retail
- Digital Retail
- Education
- Instrument/Equipment Sales and Services
- CD Duplication, Manufacturing and/or Duplication Services
- Other

The percentage of all music businesses that engage in the above-stated activities is displayed in Figure 3 below. In Manitoba, approximately one third of music businesses engage in Music Production, Music Creation and Performance/Tour Promotion activities. Approximately one quarter of music businesses engage in Music Performance, Artist Management and Publicity/Public Relations activities. Approximately one out of five engage in Recording Label, Music Publishing, Artist Agent and Recording Studio Operation/Management activities. Approximately one out of ten engage in Education, Digital Retail, Event/Festival Operation/Management, Physical Retail and "Other" activities. In comparison with the national industry, fewer music businesses in Manitoba engage in multiple business activities.

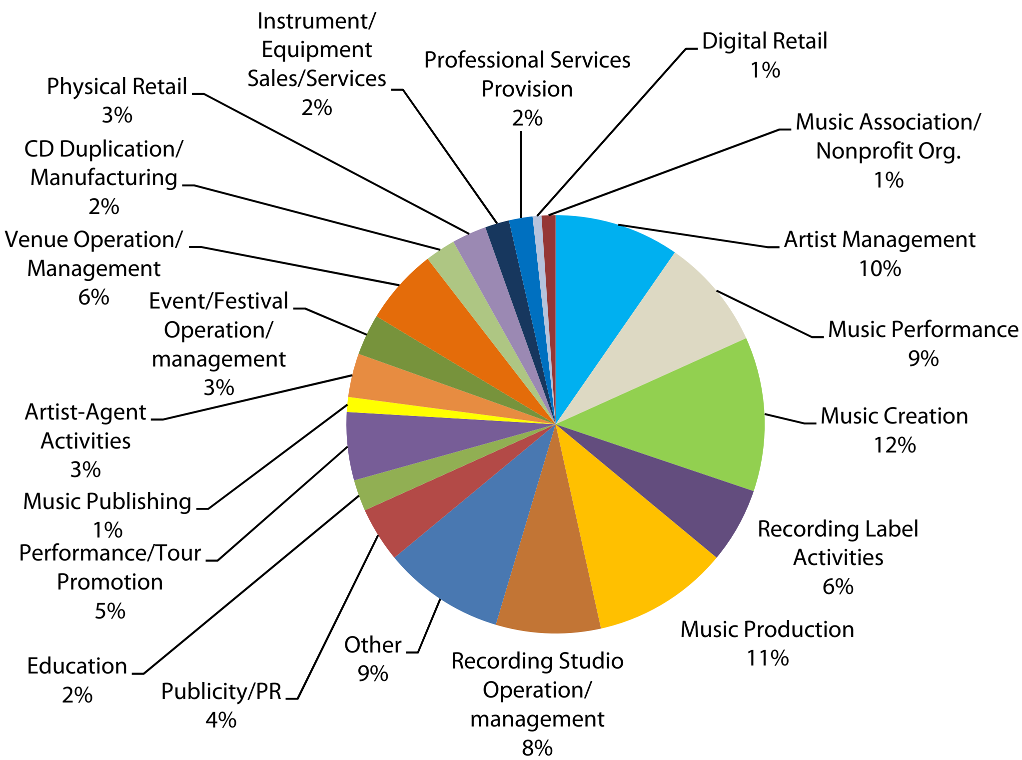
Figure 3 - Business Activity (% of All Music Businesses)



The amount of time music businesses spent on these industry activities in 2011 was relatively balanced, as represented in Figure 4 below, ranging from a high of 12% on Music Creation to a low of 1% spent on Digital Retail, Music Association/Nonprofit Organization and Music Publishing activities. Other activities comprising a larger portion of music businesses time spent include Music Production (11%), Artist Management (10%) and Music Performance and "Other" music business activities (9%). The following chart demonstrates that there is no single dominant business activity.

> *"Winnipeg is a great place to start a music business… We first started our label in Winnipeg because the local artists were of the same caliber as Toronto, Montreal and Vancouver but weren't getting the same (deserved) recognition.*
>
> **Blair Purda, Endearing Records / Endearing Publishing**

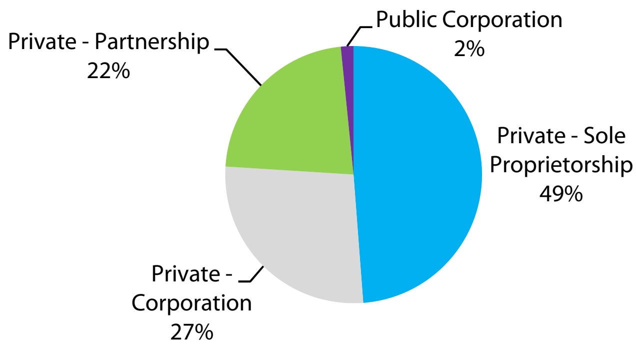
Figure 4 - Business Activity (% of time music businesses spent)



The music industry in Manitoba consists primarily of private sector businesses, as conveyed in Figure 5 below, which account for 98% of music business ownership, while only 2% are public corporations. Most music businesses in Manitoba, roughly half, are Private-Sole Proprietorships, while around one-quarter are either Private-Corporations (27%) or Private-Partnerships (22%). In comparison with the national industry, the share of Private-Sole Proprietorships and Private-Partnerships are more prevalent in Manitoba music businesses, while Public Corporations are equal.[6]

[6] *Feedback: An economic Impact Analysis of the Canadian Independent Music Industry*. CIMA. 2012.

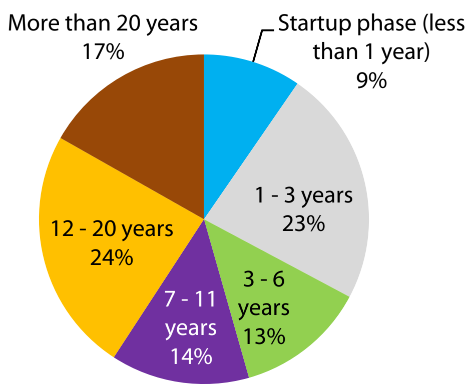
Figure 5 - Business Ownership (2011)



Manitoba's music industry is comprised of a diverse mix of start-up, emerging and established music businesses, as represented in Figure 6 below. While almost one out of four (24%) music businesses in Manitoba are established entities of 12-20 years old, roughly the same number (23%) are emerging entities of 1-3 years old. Manitoba has a strong number of music businesses in the startup phase (less than one year old), which account for 9% of the music businesses. In general, Manitoba music businesses are marginally younger than the national average, but equate roughly to the national figures.[7]

> *"Today our revenues come from royalties, management fees, live performance and touring, merch and licensing."*
>
> **Stephen Carroll, The Weakerthans & Empirical Artist Services**

Figure 6 - Age of Businesses

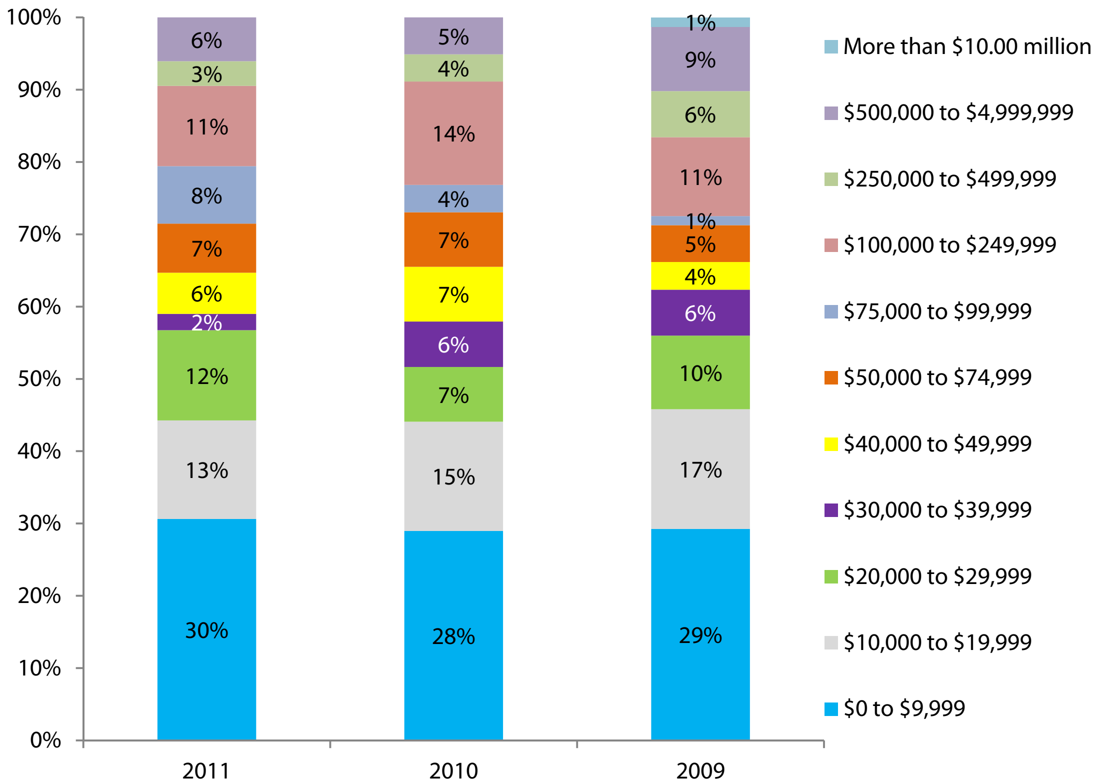


3.6 Music Businesses: Revenue

The following Figure 7 shows that the majority (roughly 65%) of music companies operating in Manitoba generate less than $100,000 per year in revenues.

[7] *Feedback: An economic Impact Analysis of the Canadian Independent Music Industry*. CIMA. 2012.

Figure 7 - Company Size by Revenue (2009-2011)[8]



Revenue streams for Manitoba music businesses are relatively diversified, generating revenues from a wide variety of sources (Figure 8). While no single revenue stream appears to dominate, Live Performance is the prominent revenue generating activity in Manitoba, accounting for 31% of industry revenues. The next major revenue sources for Manitoba music businesses are Professional Fees (13%), and Teaching and Educational Fees (7%).

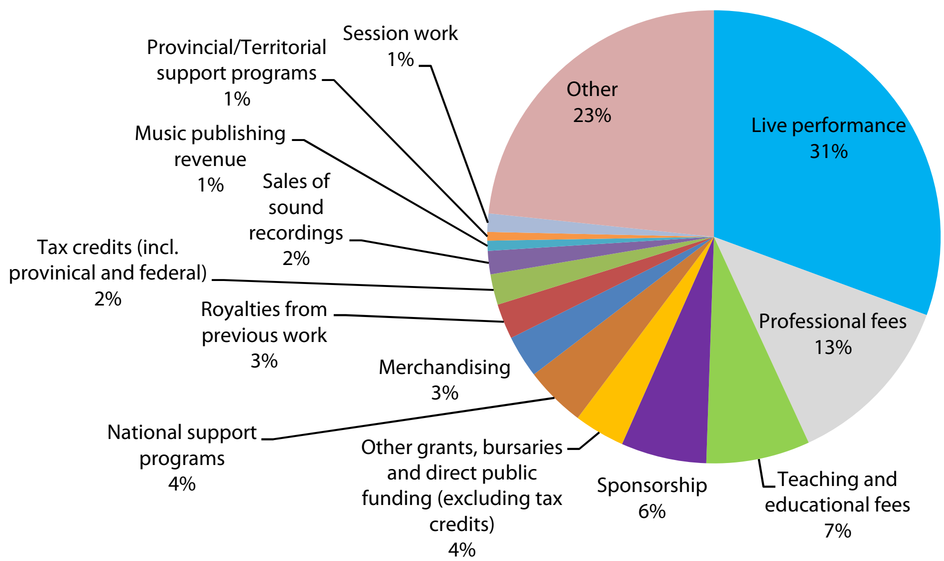
Compared to the national revenue-generating activities, Professional Fees, Sound Recording and Session Work comprise major sources of industry revenue. Manitoba music businesses generate only 2% of revenue from Sales of Sound Recordings, unlike the national profile where Sales of Sound Recordings account for 25%, suggesting that artists in Manitoba regularly look out of province to create sound recordings. As a whole, Manitoba music businesses derive slightly fewer revenues from public supports (10%) than the national estimate of 11%.[9]

> *"A lot of the education of the music industry is done through word-of-mouth and hands-on experience, so while [formal] courses are helpful, working in the music community is the best way to learn the business."*
>
> **Stephen Carroll, The Weakerthans & Empirical Artist Services**

[8] No companies surveyed reported annual revenue of between $5million and $9.99 million.

While the sale of recorded music still accounts for a significant revenue source, between 2007 and 2011 revenues from the sale of recorded music in Canada have decreased by 28.5%.[10] Declining every year from $532 million in 2007 to $413 million in 2010, revenues inched up to $414 million in 2011.[11]

Figure 8 – Music Business Revenue per Activity (2011)



The vast majority of music revenues in Manitoba are derived from Canadian music, as demonstrated in

Figure 9 below. While Canadian independent music comprises 85% of Manitoba's music industry revenues, Non-Canadian music accounts for 11%. A low level of major label activity in Manitoba is evidenced by the very small share of revenues (4%) derived from Canadian Non-Independent music.

As a whole, Manitoba's music industry revenues are predominantly (85%) independent in nature, , compared to a national average of 64% of revenues derived from Canadian independent

I have traveled around in my 12 years as a touring musician and I've never discovered a music scene quite like the one in Manitoba. I spent two years living in Montreal and eventually came back to Winnipeg as it allowed me to grow as a musician, and a songwriter, within a very creative and supportive community. There are resources for me to learn how to better manage my career on the business side of things, and there are mentors and artists I respect very much who are willing to sit with me and work on the creative side. Manitoba Music offers a world of support in connecting me to the people and answers I need to get ahead.

Andrina Turenne, Chic Gamine

---

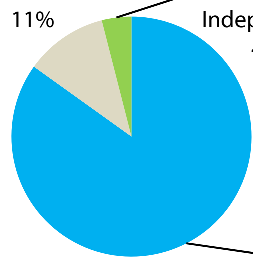
9 *Feedback: An economic Impact Analysis of the Canadian Independent Music Industry*. CIMA. 2012.

10 *Recording industry in numbers*. IFPI. 2011.

11 *Recording industry in numbers*. IFPI. 2011.

music. Likewise, the share of Canadian Non-Independent music as a revenue source for Canada is nearly three times greater than that for Manitoba.[12]

Figure 9 - Revenue by Origin of Music (2011)



The majority of music revenues for Manitoba music businesses are domestic, as represented in Figure 10 below, with 91% originating in Canada and 9% originating from exports. Of the export revenues, the United States is by far the most significant foreign market, accounting for 6% of Manitoba music business revenues. Interviews revealed that the United States is generally considered the single priority market for many Manitoba, and indeed Canadian, artist entrepreneurs and music businesses. The United Kingdom generated approximately 1% of Manitoba revenues and the "Rest of the World" 2%.

> *"We've had people come from Montreal and Toronto, California and Asia and elsewhere to work for us in Winnipeg."*
>
> **Gilles Paquin, Paquin Entertainment**

Compared to the national share, Manitoba relies more heavily on domestic revenues than the Canadian average of 73%.[13] While Manitoba shares the same priority markets as Canada (US and UK) Canada generates higher revenues from the US (19%), UK (3%) and the "Rest of the World" (5%).[14]

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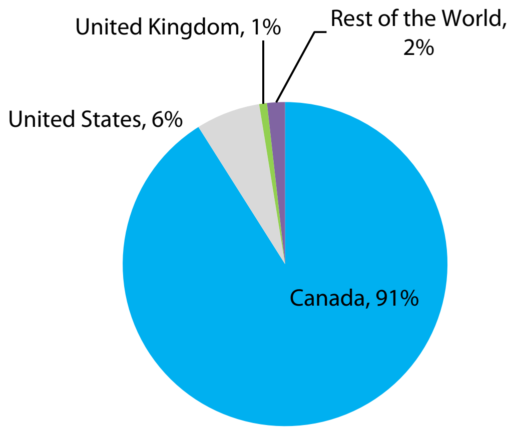
[12] *Feedback: An economic Impact Analysis of the Canadian Independent Music Industry*. CIMA. 2012.

[13] *Feedback: An economic Impact Analysis of the Canadian Independent Music Industry*. CIMA. 2012.

[14] *Feedback: An economic Impact Analysis of the Canadian Independent Music Industry*. CIMA. 2012.

Figure 10 - Revenue by Jurisdiction (2011)



3.7 Music Businesses: Industry Expenditures

Employment, or labour costs, formed the largest music industry expenditure in Manitoba, constituting 40% of all industry spending, as demonstrated in Figure 11 below. Of this total, Employee Wages (and employment related expenses) accounted for the industry's most significant business expenditure (27%), with Non-employee Labour Costs accounting for 13% of business expenditures. Labour costs were followed by Agency and management fees (12%) and Overhead and office costs (9%) as key costs centres for music businesses operating in Manitoba.

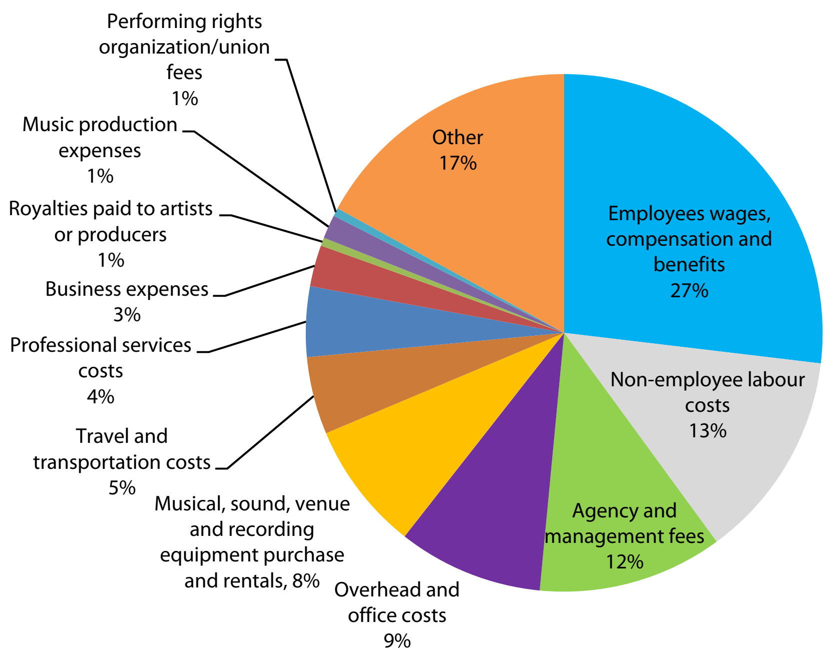
Interviews revealed that Travel and Transportation is essential to the success of many Manitoba music businesses and artist entrepreneurs. In order to develop talent, cultivate a sustainable or a growing fan base (consumers) and to generate revenues, some Manitoba artist entrepreneurs and music businesses devote a significant amount of resources to travel and transportation.[15] Compared to other Canadian and international jurisdictions, interviewees observed that travel costs were relatively high, and given the great distances between Manitoba and export music markets, frequent travel is a requisite for conducting business effectively.

As Figure 11 below indicates, the largest portion of music companies expenditures in 2011 were on payments to individuals, with 27% of expenditures directed to employees and 13% to non-employee labour.

> *"Live performances in Manitoba aren't enough to keep the business going, you've got to tour outside the province."*
>
> **Murray Pulver, Doc Walker**

[15] Figure 13, however, presents the overall expenditure pattern for the music industry in Manitoba as a whole, including many firms that do not rely as heavily on travel and transportation (*e.g.,* local venue operators and promoters).

Figure 11 – Music Business Expenditures by Type (2011)



3.8 Music Businesses: Music Industry Activity

Manitoba music businesses are involved in a mix of various activities along the music industry value chain. This section outlines the value chain activities undertaken by these Manitoba music businesses including Recording Label, Publishing, Management, and Touring and Promotion Activities. The value chain activities undertaken by Manitoba artist entrepreneurs are outlined in Section 3.10.

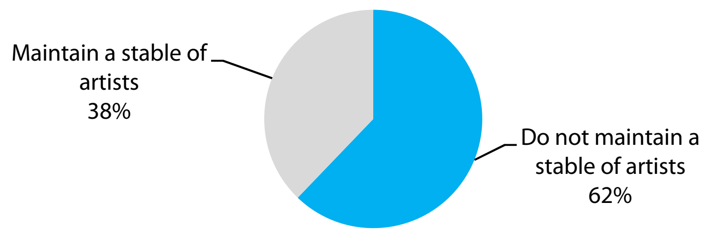
3.8.1 Management Activities

Management activities constitute a smaller but visible component of the Manitoba music industry value chain. Approximately 38% of Manitoba music businesses maintained a stable of artists in 2011, as seen in Figure 12 below, compared to a national average of 47%.[16]

> *"If we agree that most of the music industry flows from the music itself, then Manitoba's creativity lends it a distinct advantage. All of the business offshoots, ranging from licensing to managing to publishing flow out of this major pool of musical talent."*
>
> **Rick Fenton, BreakOut West / Western Canadian Music Alliance**

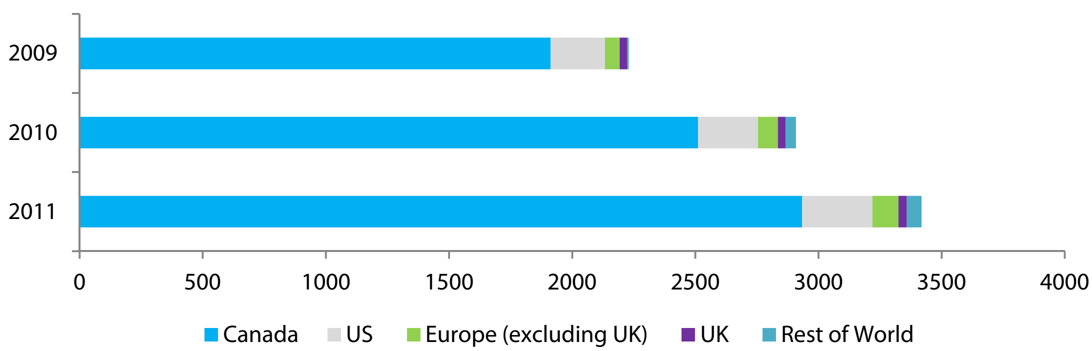
[16] *Feedback: An economic Impact Analysis of the Canadian Independent Music Industry*. CIMA. 2012.

Figure 12 - Businesses that Maintain a Stable of Artists (2011)



For each year between 2009 and 2011, Manitoba music businesses experienced an increase in live performance management activities, due largely to Canadian performances (Figure 13). The steady growth in live performance management activities is reflected in both Manitoba and Canada.[17]

Figure 13 - Live Performances by Managed Artists (2009-2011)



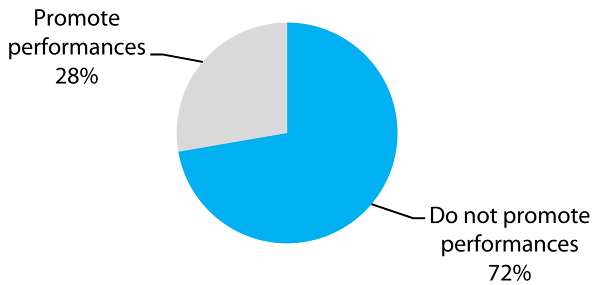
3.8.2 Touring and Promotion

Touring and promotion forms a sizeable component to the Manitoba music industry value chain. Approximately 28% of Manitoba music businesses promoted live performances in 2011, as seen in Figure 14 below. With a national average of 24%, touring and promotion activities in Manitoba are similar to those across Canada.

> *"Winnipeg's geographic isolation is a breeding ground for talent, enabling greater creativity and avoiding getting swept up in trends."*
>
> **Chris Burke-Gaffney, CBG Artist Development**

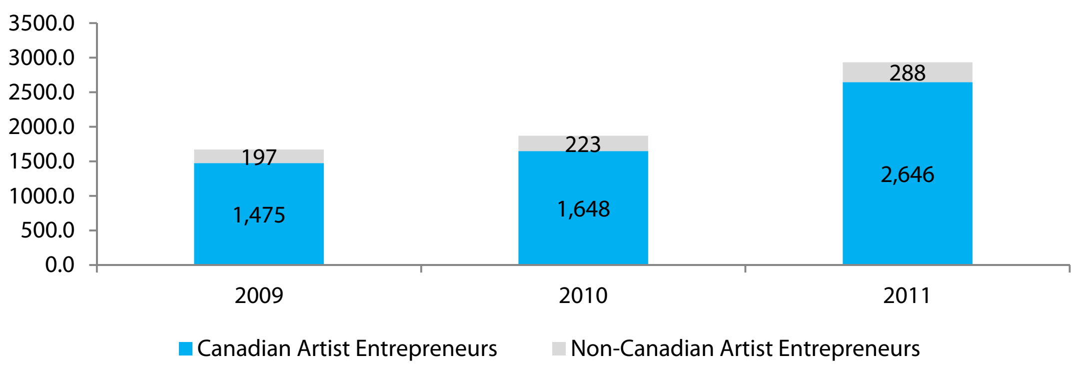
[17] *Feedback: An economic Impact Analysis of the Canadian Independent Music Industry*. CIMA. 2012.

Figure 14 - Companies that Promote Live Performances (2011)



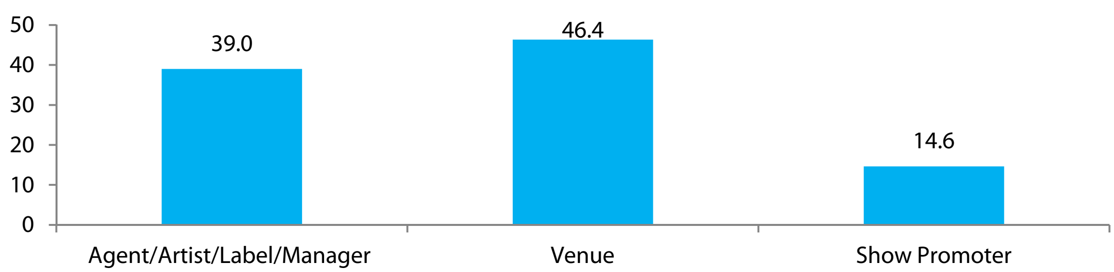
The vast majority of performances promoted between 2009 and 2011 were for Canadian artist entrepreneurs, as depicted in Figure 15 below.

Figure 15 - Events/Live Performances Promoted (2009-2011)



A greater share of live performance revenues in 2011 went to venues (46.4%), leaving agents, artist entrepreneurs, labels and managers with a combined 39%, and show promoters 14.6% of revenues (Figure 16).

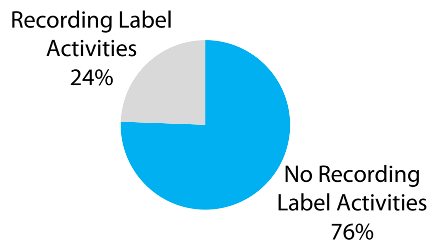
Figure 16 - Live Performance Revenue Breakdown (2011)



3.8.3 Recording Label Activities

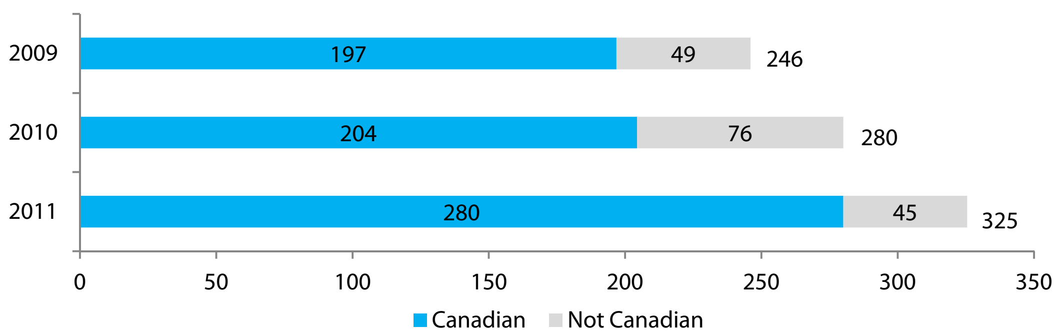
Approximately one in four (24%) of Manitoba music businesses undertake recording label activities, as depicted in Figure 17 below. Manitoba has a lower rate of music businesses undertaking recording label activities than the national average of 38%.[18]

Figure 17 - Businesses with Recording Label Activities (2011)



Of the 25% of music businesses undertaking recording label activities in Manitoba, Figure 18 below shows that the majority of new releases per year are from Canadian artists. Manitoba's level of new releases by Canadian artists is much higher than the national average, which is roughly half.[19]

Figure 18 - New Releases of Music per Year (2009-2011)



In terms of the number of releases by Manitoba-based music businesses, data provided by Manitoba Music suggests that 219 physical albums were released in the 2011 calendar year. Of these 66 (or 30%) were released by recording labels. No data was available for singles and/or digital releases for 2011.

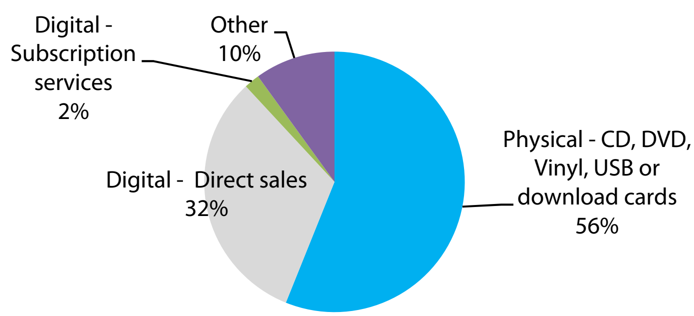
Physical sales still formed the most significant source of sound recording sales for Manitoba music businesses despite their global decline, as shown in Figure 19 below. Manitoba music businesses relied more heavily on physical sales

> *"Opportunity-wise, merchandising is more important now than ever, and diversifying your spread as you gain popularity can bring in all kinds of new revenues. We sell more clothing than we do music on the road. Maybe we'll expand into selling capes, coffee mugs and dog sweaters."*
>
> **Jesse Matthewson, KEN mode**

[18] *Feedback: An economic Impact Analysis of the Canadian Independent Music Industry*. CIMA. 2012.
[19] *Feedback: An economic Impact Analysis of the Canadian Independent Music Industry*. CIMA. 2012.

revenues when compared to the national average of 49.6%.[20] Digital direct sales, however, were less significant for Manitoba in 2011, accounting for 32% of sales revenue compared to the national average of 45.1%. Digital Subscription Services remained very low for both Manitoba (2%) and Canada (1.8%).

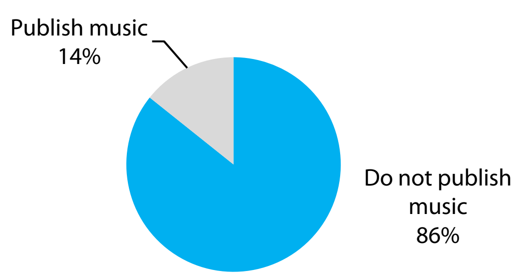
Figure 19 - Sound Recording Revenue by Sales Channel (2011)



3.8.4 Music Publisher Activities

Publishing comprises a relatively small but important part of the Manitoba music industry value chain, as Figure 20 below shows only 14% of music businesses undertook publisher activities in 2011. The percentage of music businesses undertaking publishing activities in Manitoba is roughly half of the national average of 29%.[21]

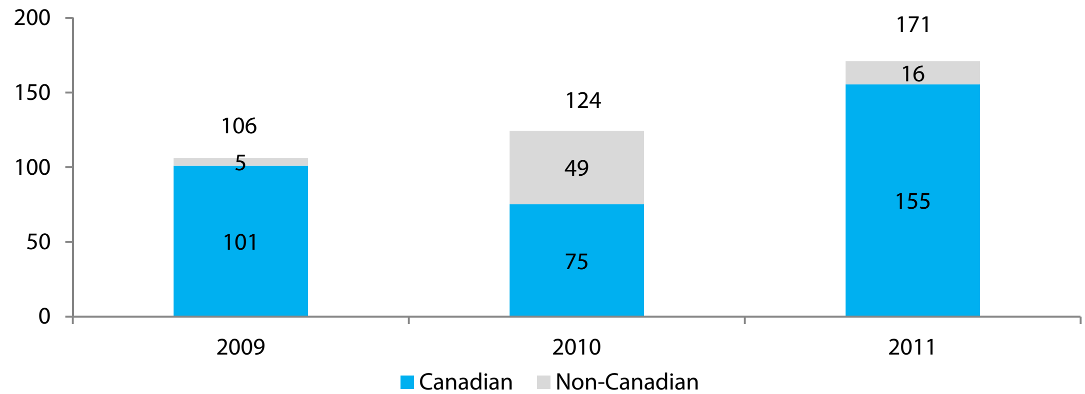
Figure 20 - Businesses with Publishing Activities (2011)



Manitoba music businesses have seen a steady increase in the number of musical works or songs signed to publishing deals in the three years between 2009 and 2011, as shown in Figure 21 below. In 2010, Manitoba experienced a decline in the number of Canadian publishing deals, which was more than offset by a spike in Non-Canadian publishing deals.

[20] *Feedback: An economic Impact Analysis of the Canadian Independent Music Industry*. CIMA. 2012.
[21] *Feedback: An economic Impact Analysis of the Canadian Independent Music Industry*. CIMA. 2012.

Figure 21 - Number of Musical Works or Songs Signed to Publishing Deals (2009-2011)



3.9 Music Businesses: Growth and Barriers

The future of Manitoba's music industry appears positive as demonstrated in Figure 22 below, with 78% of music businesses projecting positive growth over the next two years. Meanwhile, only 9% of the industry in Manitoba expects economic contraction in the next two years, while 13% expect no change at all.

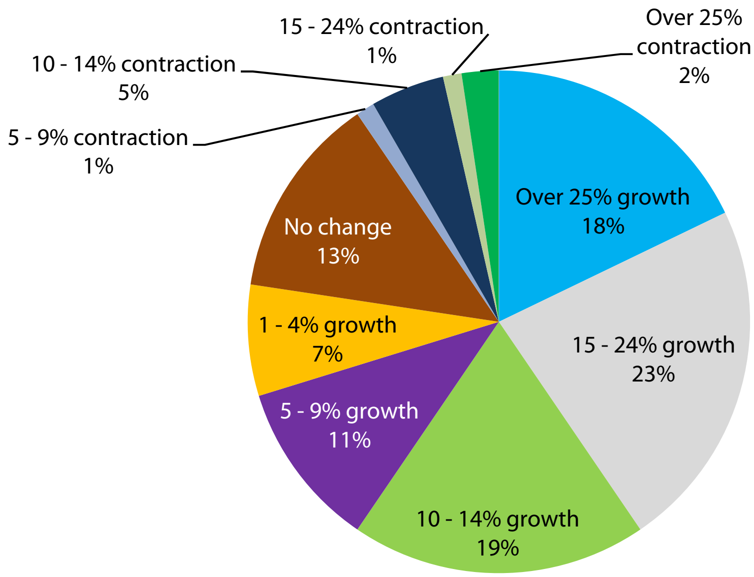
Compared to the national projection, the Manitoba music industry remains even more optimistic than the Canadian industry as a whole. Approximately 60% of Manitoba artist entrepreneurs and music businesses expect growth of 10% or more in the next two years, compared to 53% for Canada.[22]

"The Manitoba music industry clearly contributes to the recognizable international creative brand that sets our province apart. It is not only our talented songwriters, producers and performers, but the high level of the industry leadership that emanates from our community across Canada and globally. We are recognized leaders and trendsetters – a testament to how high the bar is set for our creative sector."

Thomas Sparling, ACI Manitoba

[22] *Feedback: An economic Impact Analysis of the Canadian Independent Music Industry*. CIMA. 2012.

Figure 22 – Music Business Growth Projection (Two Years)

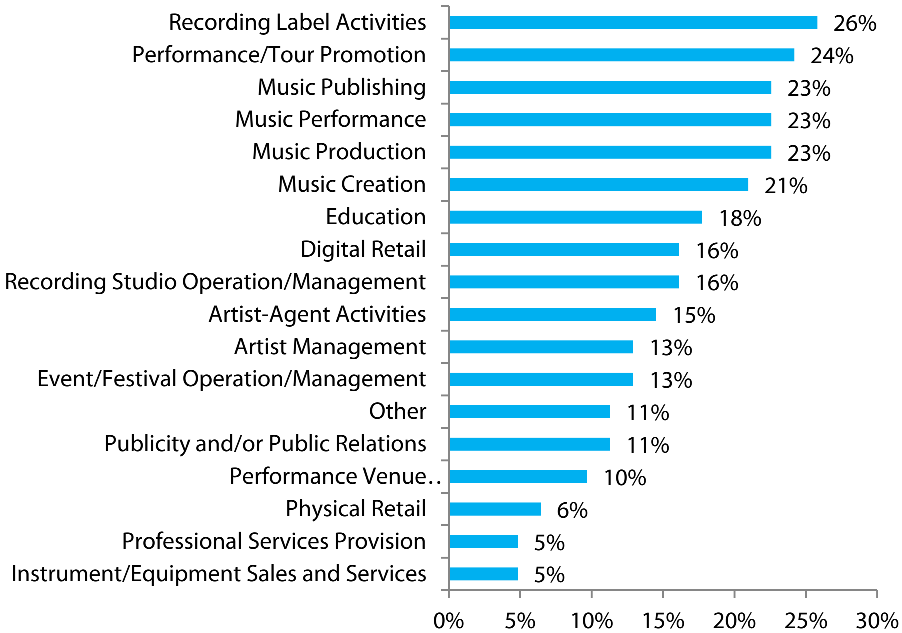


Music businesses in Manitoba plan to enter into myriad new activities over the next two years, as shown in Figure 23 below. The prominent new roles Manitoba music businesses plan to engage in are Recording Label (26%), Live Performance and Touring (24%) and Publishing (23%) activities. Physical Retail (6%), Professional Services Provision (5%), and Instrument/Equipment Sales and Services (5%) trail as the new activities pursued by a smaller number of Manitoba music businesses.

> *"There's a high value of the arts in Manitoba."*
>
> **Adam Hannibal, Balanced Records**

The tendency Manitoba music businesses have towards diversifying into additional music business activities parallels the national trend of music industry fragmentation: increasingly, industry players are taking on a wider and more universal range of activities, a greater role within the music industry ecosystem, and diversifying their revenue streams.

Figure 23 - Music Segment for Growth (% of Businesses)

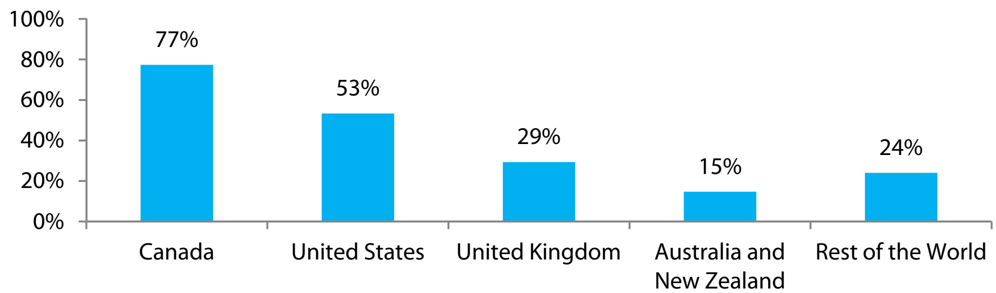


Manitoba music businesses recognize the need to export, and as Figure 24 (below) demonstrates, derive essential revenues from international markets to sustain growth. Mirroring the national revenue stream projections, the majority of Manitoba music businesses expect to see continued growth in Canada (77%), while the United States remains the primary export market (53%), followed by the United Kingdom (29%) and Australia and New Zealand (15%). Meanwhile, 24% of Manitoba music businesses expect growth from the "Rest of the World".

> *"The US and UK markets are extremely hard to crack but are integral to international success."*
>
> **Michael P. Falk, Head in the Sand**

Compared to the national expectation for growth, Manitoba music businesses expect more of their growth to come from Canadian markets. Meanwhile, Manitoba music businesses expect more growth to come from the United States than do Canadian music businesses as a whole.

Figure 24 - Growth Jurisdictions (% of Businesses)



Manitoba music businesses share many of the same barriers to growth as the Canadian music industry as a whole. Like the national figures, Figure 25 below shows that the primary barrier to growth cited by 49% of Manitoba music businesses is a lack of access to affordable capital. Changing business and/or revenue models is cited as a barrier to growth by 46%. Access to foreign markets is cited as a barrier to growth by 41%, and interviews suggested that without current industry travel and export supports available through Manitoba Music and Manitoba Film & Music, there would be a drastically greater barrier to growth.

"Without the Manitoba support, we couldn't afford to commit as much of our time to our craft and careers. We would have to commit that time to a day job."

Nicky Mehta, The Wailin' Jennys

Conversely, the value of the Canadian dollar appears to be the least significant barrier to growth, deemed as not very limiting, not at all limiting or not applicable by 54% of Manitoba music businesses. Similarly, tax credits or grants in other jurisdictions appear not to impede Manitoba music business growth, suggesting a competitive environment within Manitoba. Moreover, interviews revealed that the competitive and responsive industry support regime in Manitoba is one of the province's critical success factors, effectively addressing market challenges inherent in the Prairie Provinces.

Figure 25 - Barriers to Business Growth[23]

3.10 Artist Entrepreneurs

The Manitoba music industry is comprised of a very high proportion of artists to music businesses. There was an estimated 4,066 individual artist entrepreneurs in Manitoba in 2011. In 2011, these artists generated approximately $28.2 million in music-related income, while spending roughly $18.4 million on music-related expenditures.

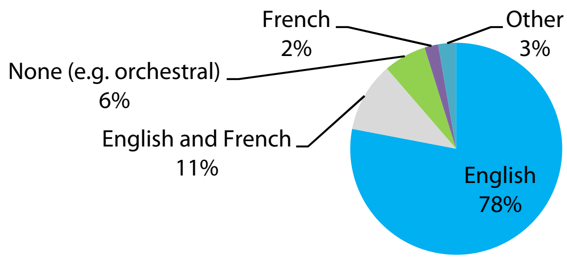
3.10.1 Demographics

On average, artist entrepreneurs in Manitoba are 38.9 years old compared to a national average of 39.5. Approximately 76% of artist entrepreneurs in Manitoba are male (and only 24% are female), compared to the national rate of 73% male (and 27% female). The vast majority (78%) of Manitoba artist entrepreneurs perform in the English language, as represented in Figure 26 below, while 11% perform in English and French and 2% perform exclusively in French. The average Manitoba artist entrepreneur spends approximately 26.5 hours per week working on their music, compared to a national average of 29 hours per week.

> *"It's exciting to think what could happen as our industry continues to develop. With key supports in place, Manitoba songwriters can compete with the best in the world."*
>
> **Jaylene Johnson, Singer/songwriter**

[23] Based on a weighted scoring of responses.

Figure 26 - Language of Music (% of Artists)



3.10.2 Artist Entrepreneur Activity

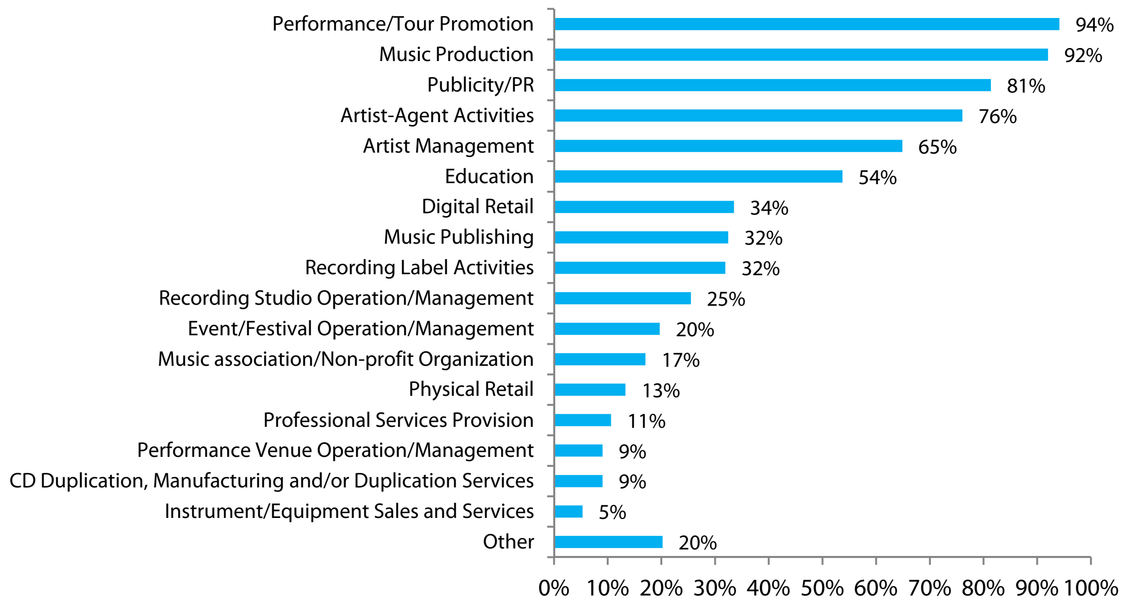
> *"Technology makes the world small – in the morning I can do a recording at my home studio in Winnipeg and in the afternoon send it off to the studio in Nashville."*
>
> **Murray Pulver, Doc Walker**

It is understood throughout the Manitoba music industry that artist entrepreneurs typically spend a significant amount of their time on music creation activities. The average annual music-related earnings for artist entrepreneurs in 2011 were approximately $6,946. That said, these artist entrepreneurs only worked an average of 26.5 hours per week, suggesting that many artist entrepreneurs maintain other sources of income. Respondents also indicated that 16% of artist entrepreneurs did not generate any income from music related endeavors in 2011, which decreases the overall average artist earnings. Among those individual artists that did generate some income from music-related activities in 2011, the mean average earnings were approximately $11,746.

In addition to music creation activities (in which all artist entrepreneurs were assumed to be engaged), the majority of Manitoba artist entrepreneurs spend their time performing (Performance/Tour Promotion 95%) and making music (Music Production 92%), as represented in Figure 27. Other significant activities undertaken by Manitoba artist entrepreneurs include Publicity/PR (81%), Artist-Agent Activities (76%) and Artist Management (65%).

While nationally, Music Production (60%) and Performance/Tour Promotion (59%) both topped the list of Canadian artist entrepreneur activities outside of music creation, they were markedly more prevalent activities in Manitoba.

Figure 27 - Other Artist Activity (% of Artists)



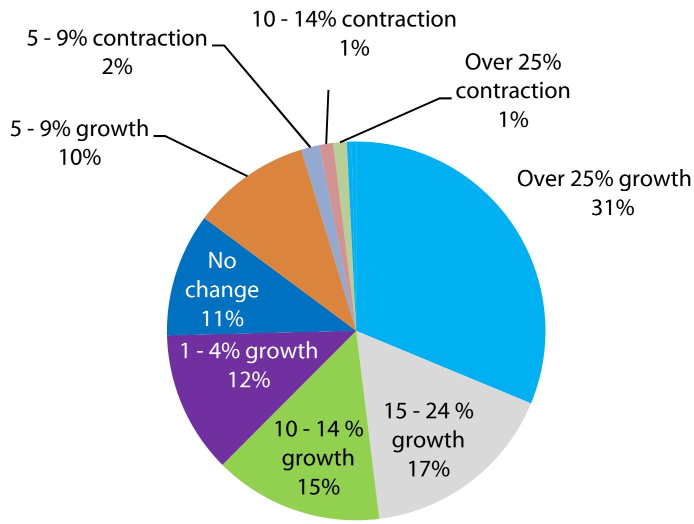
Note: The above chart assumes that 100% of artist entrepreneurs are engaged in music creation activities

3.10.3 Growth

Manitoba artist entrepreneurs appear to be optimistic for the future. As shown in Figure 28 below, the vast majority of Manitoba artist entrepreneurs (85%) expect positive growth over the next two years, while 11% expect no change and only 4% expect a contraction.

> *"Everywhere we tour, people know about Manitoba. It's known as an unexpected hotbed of culture that produces all of these great and unique artists like The Weakerthans and Guy Maddin".*
>
> **Nicky Mehta, The Wailin' Jennys**

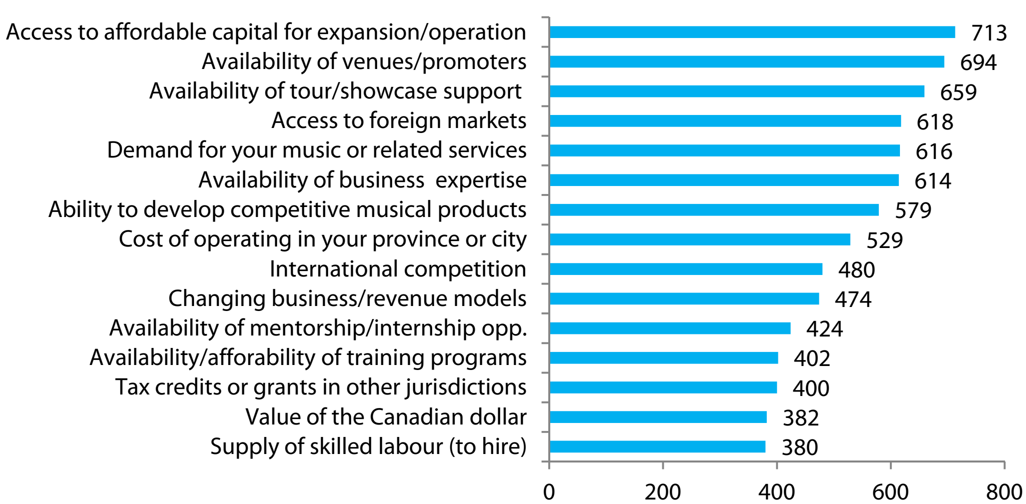
Figure 28 - Artist Growth Projection (% of Artists)



Manitoba artist entrepreneurs, like their music business counterparts, identified the greatest barrier to growth as access to affordable capital (Figure 29). Not surprisingly, availability of tour/showcase support and availability of venues/promoters were also identified as major barriers to growth.

> *"Artists spend lots of money on touring and travel, and industry trends have now pushed PR costs towards artists, too."*
>
> **Stephen Carroll, The Weakerthans & Empirical Artist Services**

Figure 29 - Barriers to Artist Growth



4. Economic Impact Analysis

The three main determinants in an economic impact analysis for any industry are:

1. GDP Impacts (contribution towards the general economy)
2. Employment Impacts (contribution of jobs to the economy)
3. Fiscal Impacts (contribution towards government taxes)

Each of these impacts is described in detail throughout this section, and include "absolute figures" and the "intensity ratios" (demonstrating the impact on a per $10 million basis for comparing with other sectors of the economy).

Impacts Defined

The **direct** impact refers to the increase in GDP and employment within the Manitoba music industry.

The **indirect** impact refers to the increase in GDP and employment in the industries that supply inputs to the Manitoba music industry. The advertising industry and its supply of marketing and promotional services would be one example of an industry that supplies a key input to the Manitoba music industry.

The **induced** impact refers to the additional economic activity due to the re-spending of incremental household income in the Manitoba economy.

4.1 Economic Impact Highlights

- The music industry in Manitoba had a total GDP impact of $71.3 million in 2011.
- The music industry in Manitoba had a total household income impact of $35.7 million in 2011.
- The Manitoba music industry contributed 23.5% of the total $303 million economic impact of the Canadian independent music industry outside of Quebec in 2011.[24]
- The Manitoba music industry had a total employment impact of 4,363 Full-Time Equivalents (FTEs) in 2011.
- The Manitoba music industry generated $25 million in taxes in 2011.
- For every $10 million in industry output, the music industry in Manitoba generates 468 jobs.

[24] Canadian independent music, largely outside of Quebec.

4.2 GDP Impact

The Manitoba music industry is a diverse contributor to the Manitoba economy, as demonstrated in Figure 30 below. The following sub-section describes these impacts in detail.

The music industry in Manitoba had a total GDP impact of $71.3 million in 2011. In other words, Manitoba's economy would have been $71.3 million smaller without the music industry. This figure represents an increase of 28.5% from $55.5 million in 2007 and 17% from $60.8 million in 2004 (see Figure 30). The increase is due primarily to artist entrepreneurs, whose share of the GDP impact has more than doubled from 14.1% ($7.8 million) in 2007 to 29.6% ($21.0 million) in 2011.

The shift towards GDP contributions from artist entrepreneurs may be attributed to the changing roles of artist entrepreneurs and music businesses, which are taking on a wider and more universal range of activities as outlined in Section 3.2. These increases, signifying the rise of the artist entrepreneur, may also be indicative of the democratization of the music business, including lowered barriers to entry and enhanced business practices.

Figure 30 – GDP Impact ($M)

Category		2004			2007			2011		
		Music Businesses	Artist Entrepreneurs	Total	Music Businesses	Artist Entrepreneurs	Total	Music Businesses	Artist Entrepreneurs	Total
Direct:	Employee Wages							24.1	11.6	35.7
	Operating Surplus							4.8	--	4.8
Total direct		39.0	4.4	43.4	33.8	5.7	39.5	**28.9**	**11.6**	**40.5**
Indirect								16.8	7.3	24.1
Induced		15.9	1.7	17.6	13.9	2.1	16.0	4.6	2.2	6.8
Total		**54.9**	**6.0**	**60.8**	**47.7**	**7.8**	**55.5**	**50.3**	**21.0**	**71.3**

Sources: An Economic Impact Analysis of Manitoba's Music Industry, 2005, 2008 & 2012.

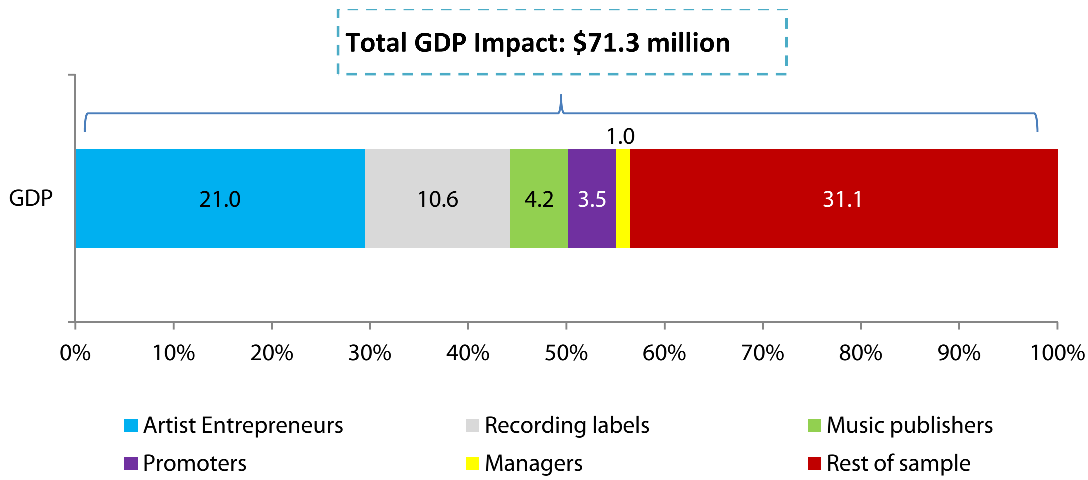
As outlined in Figure 31 below, artist entrepreneurs are the largest single economic contributor, accounting for $21.0 million, followed by recording labels ($10.6 million), companies engaged in performance/tour promotions[25] ($3.5 million), music publishers ($4.2 million) and artist managers ($1.0 million). The most significant combined contributors to the economy were all other music businesses (Rest of sample $31.1 million), representing those 'difficult to define' industry players that are becoming more prevalent through the ongoing flux of industry roles.

The Manitoba music industry contributes 23.5% of the total $303 million GDP impact of the Canadian independent music industry outside of Quebec.[26]

[25] To save space in the charts that follow, companies engaged in Performance/Tour Promotion have been abbreviated to "Promoters."

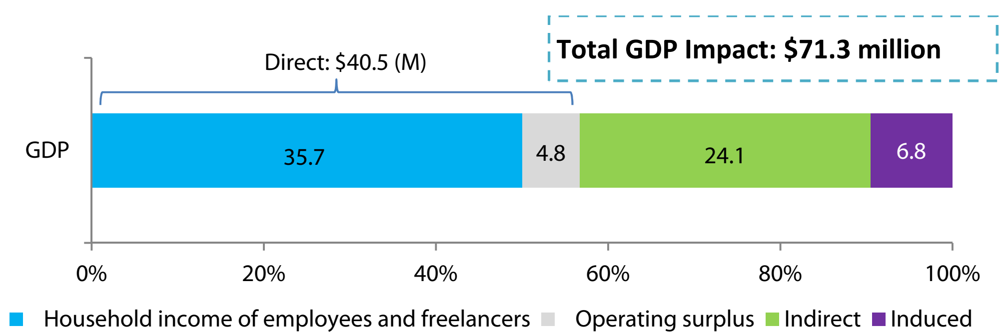
[26] *Feedback: An economic Impact Analysis of the Canadian Independent Music Industry*. CIMA. 2012.

Figure 31 – GDP Impact by Industry Segment (2011) ($M)



Of the total $71.3 million GDP impact, Figure 32 below shows that $40.5 million are direct impacts, comprising $35.7 million of household income of employees and freelancers and $4.8 million of operating surplus. A further $24.1 million are indirect impacts and another $6.8 million are induced impacts. The Manitoba music industry contributes approx. 23.5% of the $303 million national Canadian independent music industry total GDP impact.[27]

Figure 32 - GDP Impact by Type of Impact (2011) ($M)



The application of intensity ratios to these impacts enables the Manitoba music industry to be measured in relation to other sectors. In this instance, we are comparing the ability of various parts of the music industry to generate GDP. As Figure 33 below demonstrates, for every $10 million of industry revenue, the music industry in Manitoba generated $7.4 million in GDP impact. It also appears that recording labels and music publishers have the highest relative GDP impact, followed by managers.

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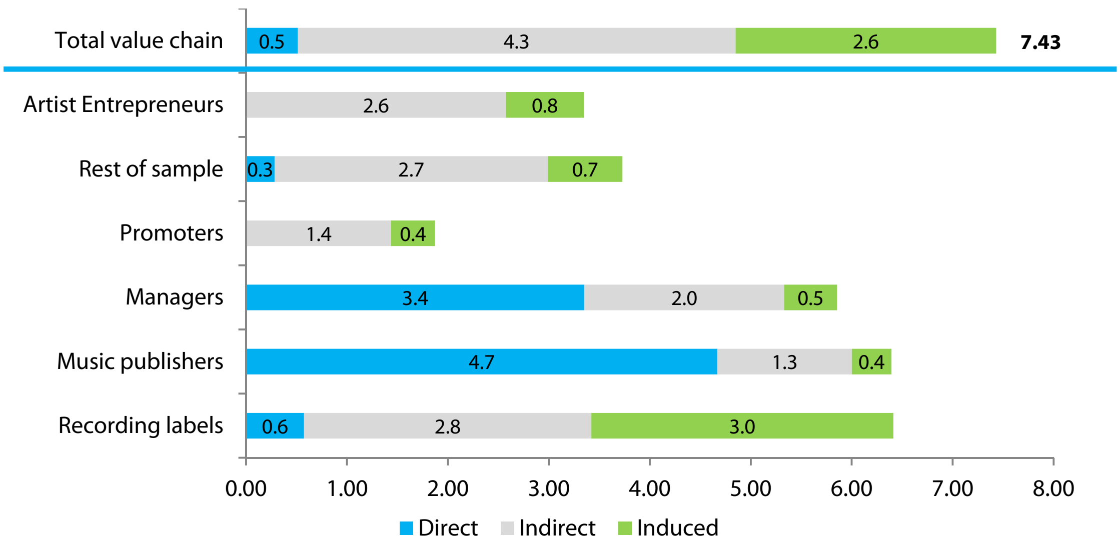
[27] *Feedback: An economic Impact Analysis of the Canadian Independent Music Industry*. CIMA. 2012.

Figure 33 - GDP Impact Intensity by Segment (2011) (Millions of GDP per $10M of Revenue)



4.3 Employment Impact

The Manitoba music industry had a total employment impact of approximately 4,363 Full-Time Equivalents (FTEs) in 2011. In terms of an industry headcount, the industry totals an estimated 4066 individual artist entrepreneurs and approximately 1072 people directly employed by music companies. As such, the total industry head count can be said to be an estimated 5138 individuals.

The following Figure 34 provides an overview of the employment impact of Manitoba's music industry. The Manitoba music industry contributes approx. 32.4% of the total 13,459 Canadian independent music industry FTEs (outside of Quebec).[28]

Figure 34 – Employment Impact (Jobs)

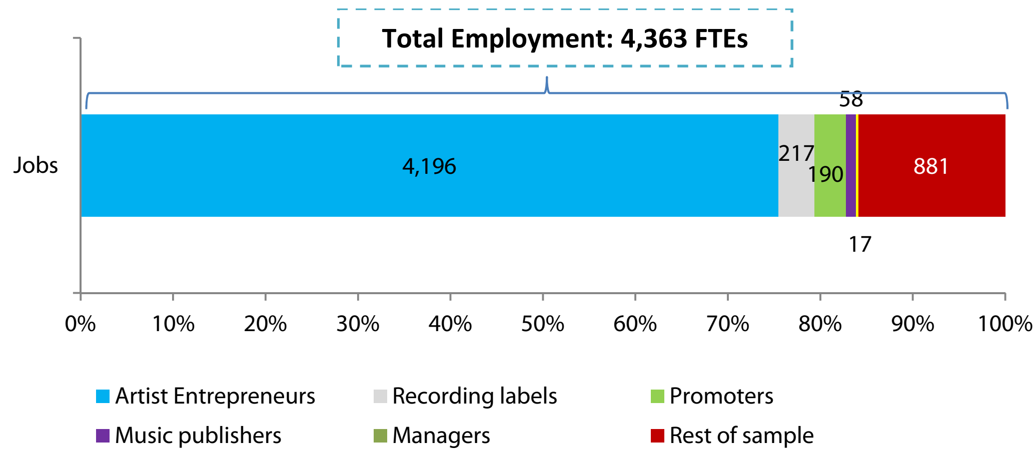
Category		2004			2007			2011		
		Music Businesses	Artist Entrepreneurs	Total	Music Businesses	Artist Entrepreneurs	Total	Music Businesses	Artist Entrepreneurs	Total
Direct:	Employees							650	0	650
	Freelancers							422	2,870	3,292
Total direct		1,059	315	1,374	795	285	1,080	1072	2,870	3,942
Indirect								241	100	341
Induced								50	30	80
Total		**1,571**	**396**	**1,967**	**1,296**	**386**	**1,682**	**1,363**	**3,000**	**4,363**

Sources: An Economic Impact Analysis of Manitoba's Music Industry, 2005, 2008 & 2012.

Artist entrepreneurs comprise the majority of Manitoba's music industry FTEs, accounting for 3,000 FTEs in 2011, as presented in Figure 35 below. Recording labels accounted for 217 FTEs and promoters accounted for 190 FTEs in Manitoba.

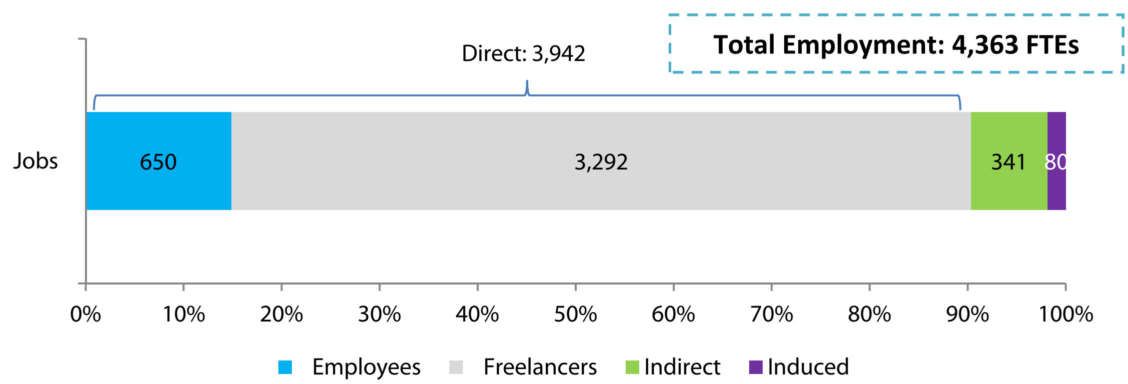
[28] *Feedback: An economic Impact Analysis of the Canadian Independent Music Industry*. CIMA. 2012.

Figure 35 - Jobs by Segment (2011) (FTEs)



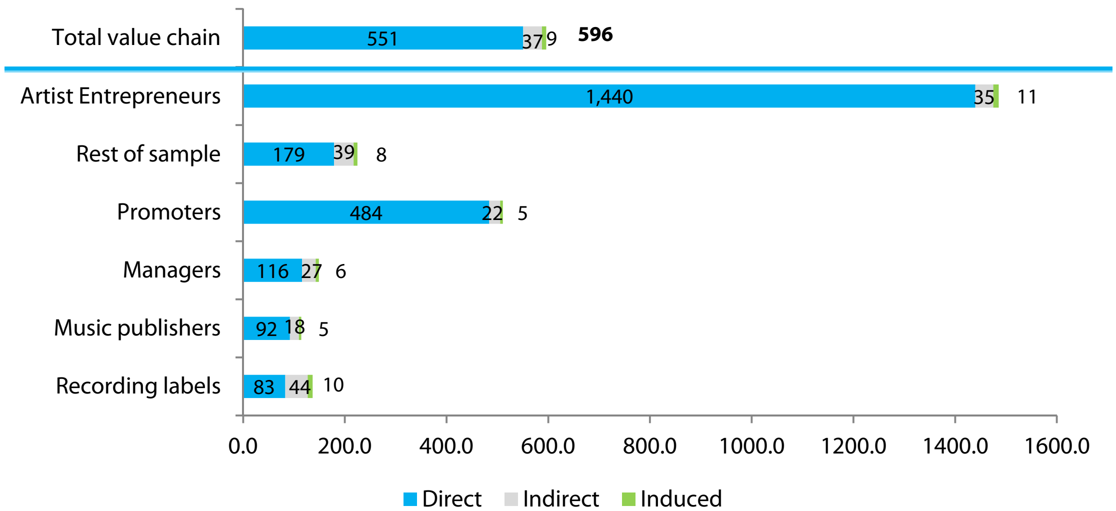
Of the total 4,363 FTEs in 2011, Figure 36 below shows the vast majority (3,942) were Direct FTEs, comprising 650 employees and 3,292 freelancers (most of which are artist entrepreneurs). An estimated 341 FTEs were Indirect, and 80 were Induced.

Figure 36 - Employment by Type of Impact (2011) (FTEs)



Viewed as an intensity ratio, Figure 37 below shows for every $10 million in industry output, the music industry in Manitoba generates 468 jobs. Of these estimates, Artist Entrepreneurs and Promoters are the largest job creators on a per $10 million basis.

Figure 37 - Employment Intensity by Industry Segment (2011) ($M)



4.4 Fiscal Impact

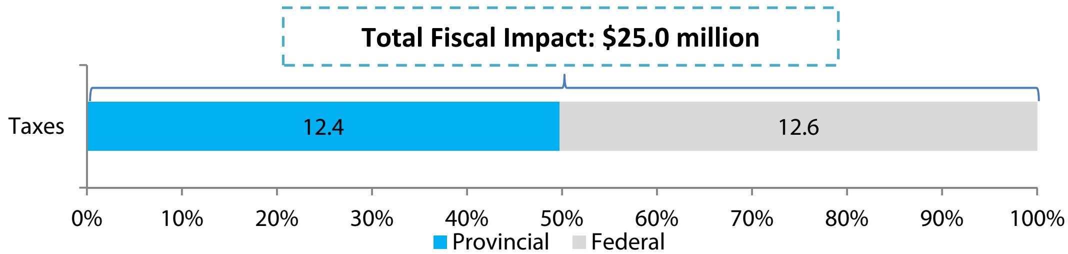
The Manitoba music industry value chain generated an estimated $25 million in total provincial and federal taxes in 2011, comprising $12.4 million in provincial taxes and $12.6 million in federal taxes. The following Figure 38 provides an overview of the fiscal impact of Manitoba's music industry.

Figure 38 - Fiscal Impact ($M)

Category	Recording labels	Music publishers	Managers	Promoters	Other Music Businesses	Artist Entrepreneur Income	Total Value Chain
Provincial Taxes (based on MBS rates)							
Personal income tax	0.3	0.1	0.0	0.1	1.1	0.8	**2.4**
Corp. income tax	0.1	0.0	0.0	0.0	0.3	0.2	**0.7**
Other direct taxes	0.7	0.3	0.1	0.2	2.1	1.4	**4.7**
Indirect taxes	0.3	0.1	0.0	0.1	0.7	0.5	**1.7**
Local taxes	0.4	0.2	0.0	0.1	1.2	0.8	**2.9**
Total provincial taxes	**1.8**	**0.7**	**0.2**	**0.6**	**5.5**	**3.7**	**12.4**
Federal Taxes							
Total federal taxes	1.9	0.7	0.2	0.6	5.5	3.7	**12.6**
Total taxes	**3.7**	**1.4**	**0.3**	**1.2**	**10.9**	**7.4**	**25.0**

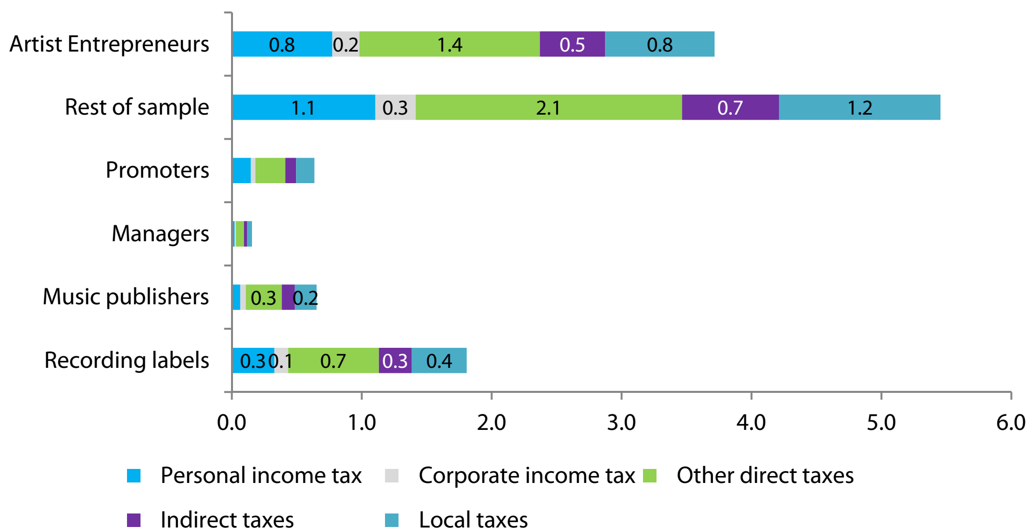
Sources: An Economic Impact Analysis of Manitoba's Music Industry, 2005, 2008 & 2012.
Note: Figures may not sum due to rounding.

Figure 39 - Fiscal Impact Overview (2011) ($M)



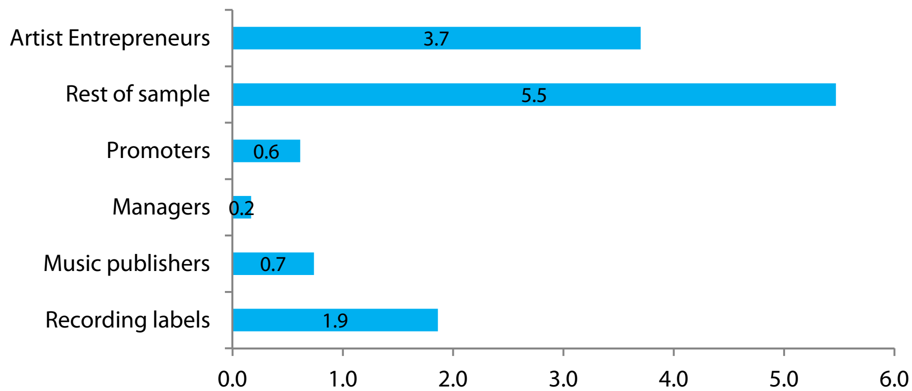
Each segment of the Manitoba music industry contributes towards provincial government taxes in different ways. As presented in Figure 40 below, artist entrepreneurs as a single group contribute the most towards personal income tax ($0.8 million), corporate income tax ($0.2 million), other direct taxes ($1.4 million), indirect taxes ($0.5 million) and local taxes ($0.8 million).

Figure 40 - Provincial Tax Impact by Type of Tax and Industry Segment (2011) ($M)



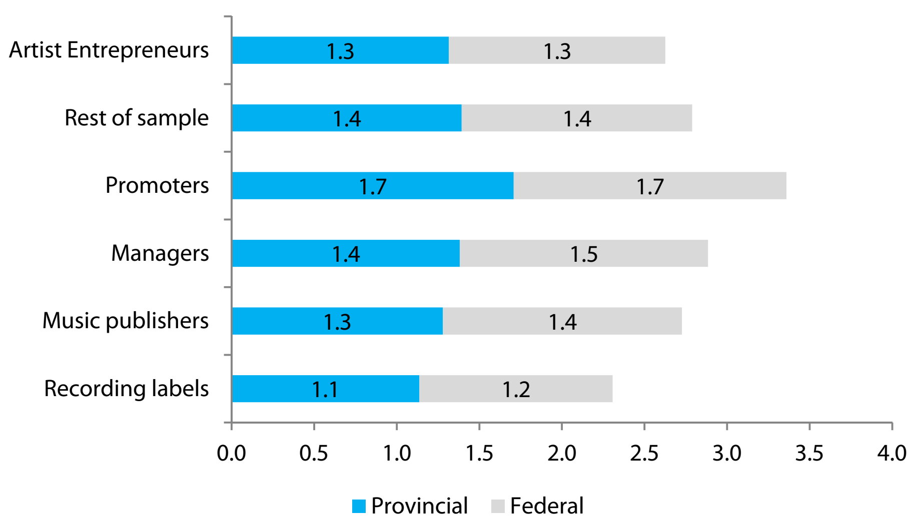
Artist entrepreneurs as a single entity contribute the most towards federal government taxes ($3.7 million), as presented in Figure 41 below, followed by recording labels ($1.9 million). Other types of music businesses contributed the majority of federal government taxes (Rest of Sample, $5.5 million).

Figure 41 - Federal Taxes by Industry Segment (2011) ($M)



Viewed as an intensity ratio, Figure 42 below shows that when one combines provincial and federal taxes, for every $10 million in industry output, promoters contributed $3.4 million in tax revenue in 2011, followed by managers ($2.9 million). Following the same intensity ratio, artist entrepreneurs were middle of the pack, contributing $2.6 million and other music businesses (Rest of Sample) contributing $2.8.

Figure 42 - Fiscal Impact Intensity by Industry Segment (2011) ($M)



While the fiscal impact is a good indicator of the value of the music industry in Manitoba to the provincial economy, one must also consider the investments made by the Province in the industry. To that end, the following table indicates those public support programs that provide direct support to the music industry in Manitoba. Please note that this analysis does not include municipal support for the music industry (*e.g.,* from the Winnipeg Arts Council) – and is based on the most recent, publically-available information.

Figure 43 - Provincial Spending on Music in Manitoba (for 2010-2011)

Organization	Program	Funding
Manitoba Film & Music	Music Programs	$526,803
Manitoba Music	Government Funding for Operations	$101,500
Manitoba Music	Government Contribution to Programs	$437,287
Manitoba Arts Council	To Music Organizations	$1,299,000
Manitoba Arts Council	Support to Individuals*	$1,087,066
Manitoba Arts Council	Other Grants*	$645,457
	TOTAL	**$4,097,113**

* Includes funding of this type and is not limited to music companies and/or artist entrepreneurs.

As such, when considered on a 'net' basis, the music industry returned approximately $8.3 million 2011 in direct and indirect tax revenue to the Province. Put another way, for every $1.00 in music industry support offered by the Province of Manitoba to the music industry, the industry returned **$3.03** to the provincial coffers.

5. Observations

Manitoba is home to a diverse and thriving music industry, long celebrated for its unique capacity to foster creativity and establish new talent such as Imaginary Cities, Del Barber and Royal Canoe, and its enviable legacy of world-class successes such as The Guess Who, Chantal Kreviazuk and The Weakerthans.

The music industry in Manitoba is a major economic contributor to the province, in terms of impact from GDP, household income, employment and fiscal (or government taxes). The estimated 4,066 artist entrepreneurs and 368 music businesses working in the Manitoba music industry, and the countless members of the highly successful diaspora, are amongst the most effective ambassadors for the whole of Manitoba – its history, culture and industry.

While *SoundCheck* provides a reliable economic impact analysis of the music industry in Manitoba, a plethora of equally important social impacts must be considered. In addition to the telling quantitative figures demonstrating the numerous tangible benefits presented by the music industry, the value demonstrated through qualitative impacts can sometimes even surpass those – the Social Return on Investment (SROI).

While an evaluation of the SROI was beyond the scope of this study, it is important to note the general observed social impacts when considering the economic impacts. Through the course of the literature review, online survey data analysis and in key informant interviews, a number of important social impacts were identified:

- Increased pride of place and citizenship for Manitobans
- Increase in the desirability to live in Manitoba (enhancing the retention and attraction of skilled labour)
- Enhanced perception and branding of Manitoba private business sector
- Improved 'soft power' for the local, regional and provincial representatives within Manitoba
- Improved cohesion and inclusion of people from minority groups and socially excluded or disadvantaged backgrounds

Manitoba's enviable position as a pioneer and respected player in the Canadian music industry affords the province a number opportunities (see Appendix A). Similarly, and like other sectors, the Manitoba music industry has a number of unique threats and weaknesses it must face. By building upon the momentum of past successes, the future of the Manitoba music industry is positive. With continued strategic investment, Manitoba's music industry, and indeed its leadership, appears to be on track for continued growth and success.

> *"Measuring the economic impact the music industry has on our province is difficult, and shows an incomplete picture. It's hard to measure the intrinsic social and cultural impact of fostering the creation and dissemination of art in our communities. But here is a certainty: when you encounter a thriving community, you will find a thriving, diverse arts and cultural community within it."*
>
> **Christine Fellows, Singer/Songwriter**

A Appendix A – Strengths and Weaknesses

Manitoba is home to an accessible, diverse and thriving music industry, with a unique series of strengths and weaknesses. Drawing primarily upon interviews, and supported through the online survey and literature review, Figure 44 below outlines the perceived strengths and weaknesses of the Manitoba music industry.

Figure 44 - Strengths and Weaknesses

Strengths		Weaknesses	
Finding	**Source**	**Finding**	**Source**
Responsiveness of industry due to its small size and independent, nimble nature	Interviews, Online Survey	Shortage of medium and large music businesses	Interviews, Online Survey
Cohesiveness of industry due to an active community of highly collaborative industry members	Interviews	Brain drain (to other provinces or countries)/retention of talent	Interviews (Manitoba & Canada)
Strong industry voice, vision and leadership (championed by Manitoba Music)	Interviews, Literature Review	Geographic isolation from Canadian and international music markets	Interviews, Literature Review
Geographic segregation fosters artistic creativity and innovation	Interviews	Shortage of cutting-edge learning opportunities (forward-looking educational programs, mentorships)	Interviews
Celebrated history and tradition of music industry excellence on a national and international level	Interviews, Literature Review	Lack of adequate international recognition for Manitoba (and Winnipeg)	Interviews (Manitoba & Canada), Literature Review
Favourable environment (city and province) for artist entrepreneurs and music businesses	Interviews (Manitoba & Canada)	Increasing competition from other jurisdictions (*e.g.,* provinces such as Saskatchewan and Ontario look to Manitoba for best practices to improve their competitiveness)	Interviews (Manitoba & Canada), Literature Review
Strong understanding by government for the value of the music industry	Interviews, Literature Review	Shortage of access to finance	Interviews
Innovative industry support mechanisms (*e.g.,* training, business support and grant schemes)	Interviews (Manitoba & Canada)	High cost of travel	Interviews, Online Survey
Manitoba Music acts as a 'mini record label' for artist entrepreneurs and music businesses	Interviews	Shortage of nearby markets (satellite cities for new and emerging talent)	Interviews
Fiercely "independent" music industry	Interviews, Online Survey, Literature Review	Shortage of technical and sound engineering capacity	Interviews
Vibrant centre for Aboriginal and Metis culture	Interviews (Manitoba & Canada), Literature Review	Shortage of opportunities for hands-on learning (outside of educational institutions) as found in major music clusters such as Toronto or Nashville.	Interviews
Vibrant centre for francophone culture	Interviews	Music venues tend to operate under a	Interviews

Strengths		Weaknesses	
Finding	**Source**	**Finding**	**Source**
	(Manitoba & Canada), Literature Review	'fee-for-hire' model, with limited incentive to promote events	
Strong arts and cultural cluster effect (including the arts, film and television and new media sectors)	Interviews (Manitoba & Canada), Online Survey, Literature Review	Manitoba lacks a voice as strong as comparable secondary music markets on the international stage	Interviews
Ability to attract non-Manitobans and former Manitobans alike to move to the province	Interviews	There are fewer opportunities for employment with medium and large-sized music businesses	Interviews
Strong connections with the greater music industry outside of Manitoba (diaspora, immigrants, work experience)	Interviews	Difficult border crossing impinges upon international business (Customs)	Interviews
Significant national and international experience	Interviews	Distance from industry influencers, tastemakers and buyers	Interviews
Strong Manitoba presence at key national and international industry events	Interviews (Manitoba & Canada), Literature Review	Distance from national support bodies (such as FACTOR, Canadian Heritage and Radio Starmaker)	Interviews
Home to key industry body (BreakOut West/Western Canadian Music Alliance)	Interviews		
Highly collaborative and cross-sectoral community (music, arts, film and television and new media)	Interviews		
A family-oriented place, welcoming of artist entrepreneurs and music businesses	Interviews (Manitoba & Canada)		
Central location, creating an important triangle between the east and west coasts.	Interviews (Manitoba)		
Employment in the music industry is deemed a viable career	Interviews		
Affordable location with a relatively low cost of living	Interviews		
Manitoba's brand and image is steadily growing across Canada (and to some extent internationally)	Interviews		

B Appendix C – Research Materials

B.1 Interviewees

Nordicity would like to express our deepest gratitude to the following interviewees for their valuable contribution, and without whom this study would not have been possible.

Organization	Name
Balanced Records	Adam Hannibal
CBG Artist Development	Chris Burke-Gaffney
Doc Walker	Murray Pulver
Don Amero	Don Amero
Head In The Sand	Michael P. Falk
Paquin Entertainment	Gilles Paquin
The Lo Pub	Jack Jonasson
The Wailin' Jennys	Nicky Mehta
The Weakerthans, Empirical Artist Services	Stephen Carroll

B.2 Works Visited

Title	Source	Year
A Study on the Canadian Independent Music Industry (underway)	CIMA and Nordicity	2012
Recording Industry in Numbers	IFPI	2011
StatsCan Sound Recording and Music Publishing	Statistics Canada	2009 (released 2011)
A Strategic Study for the Music Industry in Ontario	OMDC and Nordicity	2008
Aboriginal Music Summit Report 2007	Manitoba Music	2007
Manitoba Music Annual Reports	Manitoba Music	2006/07 - 2010/11
Manitoba Music Economic Impact Analyses	Manitoba Music	2005, 2007
Manitoba Music Industry Highlights	Manitoba Music	2004 - 2011

B.3 Interview Guide

Note – interview questions will be varied somewhat for respondents with a specific business focus as labels, publishers, or artist management firms.

1. Interviewee - Company

Organization, Name, Type

2. History / Bio

What part of the music industry are you best known for?

Where did you start? How did you get to where you are today?

Are there any key or momentous events that changed the course of your career?

- How did they come to pass?

Did you gain your skills through education?

Did you gain your skills outside of Manitoba? Outside of Canada?

- How were these facilitated?

3. Revenues

How do you make your money? What are the revenue streams you're currently engaged in or actively pursuing?

- What is the difference between today and five years ago?
- What do you anticipate your revenue streams will be in five years?

4. Government Support

Do you access any government support? Which ones?

- How have they helped your career?
- What would have happened had you not received that support?
- Where would you be today if there were no government support programs?
- Which support mechanisms have worked well for you? Why?
- Which support mechanisms have not worked well? Why?

5. Expenditures

Where do you spend your money? What are your biggest expenses today?

- How have they changed over the last five years?
- How will they change in the next five years?

6. Collaboration

What kinds of collaborations are you involved in?

- Who have you collaborated with? How has it impacted your career? Your earnings?
- What are the non-monetary benefits of collaboration?

7. SWOT (Strengths, weaknesses, opportunities, and threats)

What is the state of the music industry today as opposed to 3-5 years ago?

What are the **strengths** of the music industry in Manitoba?

- What will you do to capitalize on these strengths?
- What can Manitoba Music and others do to help capitalize on these strengths?

What are the **weaknesses** of the music industry in Manitoba?

- What will you do to offset these weaknesses?
- What can Manitoba Music and others do to help mitigate these weaknesses?

What are the **opportunities** for the music industry in Manitoba?

What are the **threats** facing the music industry in Manitoba?

8. Exporting and experiences outside of Manitoba and Canada

Do you work or tour outside of Manitoba? In Canada or farther afield?

How do you export your music?

How do you finance your exporting initiatives? How does government support play into your exports?

Are there examples of support in other jurisdictions Manitoba should consider?

9. Attribution

Would you be interested in being profiled as a case study?

Would you be interested in providing a quote?

Have you completed your online survey?

10.Questions/Comments

Do you have any other comments, or questions for us?

C Appendix D – Glossary

Term	Definition
Artist Entrepreneur	Solo artists, composers, songwriters and music groups.
Music Business	Those businesses, entrepreneurs and/or freelancers that are involved in the music industry value chain (*e.g.,* those that create music, music products or music services).
Gross Domestic Product (GDP)	The market value of all officially recognized final goods and services added within a jurisdiction in a given period of time.
Direct Impact	The increase in GDP and employment within the Manitoba music industry.
Indirect Impact	The increase in GDP and employment in the industries that supply inputs to the Manitoba music industry.
Induced Impact	The additional economic activity due to the re-spending of incremental household income in the Manitoba economy.
Gross-up	The process of extending a sample (*e.g.,* of survey responses) to reflect the overall universe.
Intensity Ratio	The amount of a given output (*e.g.,* GDP) per unit of activity (*e.g.,* $1 million of revenue).
Direct Jobs	Those jobs within companies that create music, music products or music services.
Spin-off Jobs	Those jobs in other industries that are sustained by the music industry's expenditures
Fiscal Impact	The net result of a calculation of provincial revenue and expenditure
Music Industry Value Chain	The series of activities (or processes) that comprise all aspects of the music industry, from concept through creation to distribution and consumption, often undertaken by a complex network of artists and music businesses.
Household Income	The combined sum of all incomes of all adult members of a household.
Gross Output	The sum of production expenditures, capital expenditures and revenues.
Cluster Effect	The attraction of artists and businesses, inward investment and skilled labour.
Knowledge Spillovers	The development of human capital and informal networks resulting from a cluster effect.
Artists and Repertoire (A&R)	A form of R&D for the music industry, where investment is made by music businesses to find talent and oversee the artistic development of artists.

Nordicity

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Nordicity (www.nordicity.com) is a leading international consulting firm providing private and public sector clients with solutions for Strategy and Business, Economic Analysis and Evaluation, Policy and Regulation across the arts, cultural, creative, technology and innovation sectors.

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