



The Impact of COVID-19 on the Music Industry Revenue: Live Concerts and Music Records

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ABSTRACT

The widespread COVID-19 pandemic has negatively impacted various industries to some extent. Many have speculated that the music industry is no exception, and the revenue of this industry will see a dramatic fall. However, this conjecture only holds in the live section of music. When the paper examines another mainstream segment of the music industry, recorded music, the results are in stark contrast. In order to analyze the change in revenue of the two sections of the music industry, this article collected data of the revenue of recorded music and live concerts from four representative countries – the U.S, Spain, Japan and Norway. Conspicuous drops in revenue in the live music industry are observed, whereas no unambiguous evidence shows the pandemic impacts recorded music negatively. Empirical analysis of the collected data showed that the pandemic led to a great recession in the live music industry. However, it provoked a growth in the recorded music industry. The analysis of fluctuations of music industry revenue during this period may have implications for the business model of the music industry during and post COVID-19.

Keywords: Music Industry, Live Concert, COVID-19.

1. INTRODUCTION

1.1 Research Background and Motivation

The business model in the music industry relies on the sale of live concerts and recorded music of all types. The global music industry is currently worth over \$50 billion, with these two major income streams. The first is live music, which accounts for more than half of overall revenue and is mostly obtained from ticket sales to live concerts, according to the World Economic Forum. The second is recorded music which includes revenue from streaming, digital downloads, physical sales and synchronization revenues (licensing of music for movies, games, TV and advertising).

The live concert was in high demand as it was among the most commonly booked event tickets and there were almost a fifth of U.S. adults booked tickets to music events in 2019 and the first half of 2020. In 2019, one of the biggest music event promoter company Live Nation promoted over 40,000 concerts and festivals worldwide – almost double the amount promoted ten years earlier. As mentioned in the International Live Music

Conference, the live music business is an important transnational business, using many thousands of individuals worldwide and calculable to be price quite €25 billion annually (source: IFPI). The livelihood of artists and musicians in this sector hugely relies on the revenue they make through live concerts for the mainstay of their income. Aside from musicians, there are many more professionals involved in aiding musicians to achieve success in live concerts and performances, such as music agents and promoters, venue operators, ticketing firms, and a slew of other suppliers and contractors.

However, the ongoing global pandemic of COVID-19 started in November 2019 and soon spread across the globe in early 2020. Governments and states took a variety of measures to reduce the spread of the epidemic, including preventive measures such as social distancing and restriction policies like lockdowns. Other restrictions on travel and social gatherings prevented artists from touring and music events from taking place in-person, limiting music organizers to drive-in concerts or venues where strict distancing measures could be adhered to. According to the Global Music Report 2022 released by IFPI, as a result of preventive policies against the

pandemic, the live concert cancellation cascade started in early March 2020. Unlike the drastic decrease in the number of live concerts revenue, recorded music revenues grew in every region around the world in 2021 and the global recorded music market grew by 18.5% in 2021, driven by a 21.9% increase in paid subscription streaming, and supported by a 16.1% gain in physical formats and a 4% gain in performance rights revenue

Vibrant entertainment forms that before the digital revolution are easily ignored under the digital frenzy that pervades discussions of contemporary popular culture [1,2]. The paper focuses on the noticeable sharp decrease in the revenue generated from live concerts and the surprising increase in the revenue of recorded music that is even higher than the pre-pandemic record internationally. By identifying this notable comparison of the revenue of two music formats, the paper analyzes and presumes the potential consumer behavior change in music industry during the COVID-19 pandemic.

In this paper, the analysis of the above-mentioned possible changed relationship and consumer behavior in the Covid-19 pandemic showcases people's persistent yet variable need for music services, provides practical evidence of the dynamics of music industry in special economic times and offers empirical bases for adjustments in music services structure and business model of the music industry during and post COVID-19.

1.2 Literature Review

Early literature on the study of the impact of music on human beings demonstrates the significance of music, where Harman (2020) surveyed the level of dependence upon music during the pandemic, Svard Lois (2022) carried out the research upon the relations between music and neurochemical system of human beings, and Wolfgang Mastnak proposed music therapy can be applied for the treatment of mental health problems aroused by the COVID-19 pandemic. Both account for the stable demand for music during the pandemic. Kalyuzhnova and Belitski (2022) studied the influence of COVID-19 on the creative industries, where the impact of the pandemic on the music industry was articulated. Catherine Strong and Fabian Cannizzo (2020) surveyed the negative impacts of the pandemic on the music industry. Music has a strong emotional influence on people. In a June 2020 survey of 2,000 U.S. adults, 81.5% said music helped them overcome their emotional self-isolation during the COVID-19 pandemic, according to a survey released by Harman, an audio and infotainment company, in association with OnePoll. In addition, 64.2 per cent of respondents said watching virtual music performances helped them feel connected to others during the lockdown in 2020. Musical instruments and musical genres have always interacted—a series of instruments, from snake horns to saxophones, and styles, from chant to grand opera. [3]. As COVID-19

brought about a chain of lockdowns, people who are physically isolated tend to turn to music to make them mentally connected with people. And also, music helps the human body reach a balance in a group of neurochemical systems, including: 1) cortisol and stress release/arousal; 2) dopamine and the reward system, and 3) oxytocin and social bonding [4]. In Svard's research, he points out that music helps lower the level of cortisol in the brain, helping reduce the stress level. In the meantime, music increases the release of the neurotransmitter dopamine, which is a type of chemical that makes people feel pleasant and tend to hear the music again. What is more, music increases the level of neuropeptide oxytocin, which plays a significant role in helping people build social relationships. In another research carried out by Wolfgang Mastnak in 2020, he finds there is medical evidence showing that music has a positive influence on the immune system, which can be applied in the treatment in some psychological problems, including pseudo-adjustment and self-abandonment [5]. In short, music plays a significant role in balancing the mood of people during the pandemic, when physical isolation occurs frequently [5,6].

The natural dependence upon music can account for the stable demand for music during the pandemic. However, the pandemic still has an enormous impact on the music industry. Over the recent years, creative industries have played a significant role in the global economy. It has become common sense that creative industries contribute a great deal to the growth of the modern economy [7]. Music, as part of the creative industries, has been impacted by the COVID-19 in several ways. A 2020 study about the impact of COVID-19 on the music industry carried out by Catherine Strong and Fabian Cannizzo from RMIT points out that 80% of respondents said their involvement in the industry would be different compared with the pre-COVID-19 period, 74% of respondents said they had decreased income, 57% of respondents were worried about paying for basics like rent and food, 44% of respondents lost all their music-related work during the pandemic (those in full-time employment dropped from 34% to 7%). Strong and Cannizzo report that 96% of the cultural events they surveyed were cancelled, reducing 88% of their revenue. As a result, more than 79000 jobs related to live entertainment have been lost in Australia [8].

2. METHODOLOGY

This paper compares and analyzes the impact of COVID-19 on two general formats of music, recorded music and live concert in different countries including the US, Spain, Norway, and Japan by comparing the revenue of these two music formats before and after the COVID-19 pandemic.

2.1 Data Source

The data source in this paper for recorded music revenues are the Year-end revenue statistics provided by The Recording Industry Association of America (RIAA); Music Industry in the U.S; Music Industry in Spain; Music Industry in Japan and Music Industry in Norway provided by Statista. The data source in this paper for live music concerts are the Traditional music market revenue and users worldwide 2017-2025, by segment, the Live music industry revenue in the United States from 2012 to 2021, the Music industry in Japan: Concert ticket sales revenue in Japan 2011-2020, the Revenues from music concerts in Norway from 2012 to 2020, and the Revenues from live music concerts in Spain between 2008 and 2020, provided by Statista.

2.2 Data Analysis

From 2005 to 2014, the total value of the global recorded music industry had been shrinking. 2014 was a watershed for the recorded music industry, due to the boom of the market of music streaming, the market of recorded music had been expanding since then. The most traditional type of music record, the physical copies, has been descending consistently. The market of downloaded music reached its peak in 2012 and started to wane since then. Performance rights, although not holding a large market, rose steadily until recent years. In 2009, the last type of music record – synchronization emerged, taking a small part of the total market.

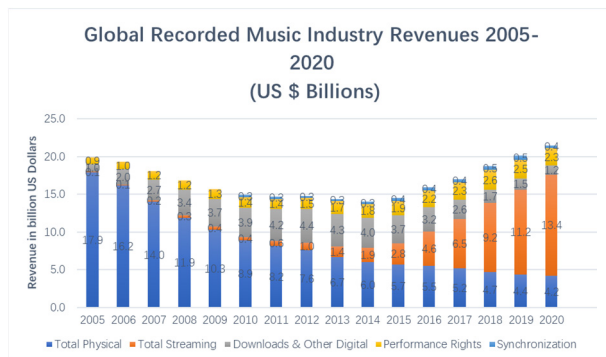


Figure 1 Global Recorded Music Industry Revenues 2006-2020

In the U.S, recorded music maintained a stable level of around 4.7 billion dollars per year from 2009 to 2015. In 2016, the revenue saw a leap, and since then, the revenue grew at a rapid rate of around 10 percent each year. Regardless of the negative effects of the pandemic on the economy, the growth of revenue from recorded music seemed to be unaffected.

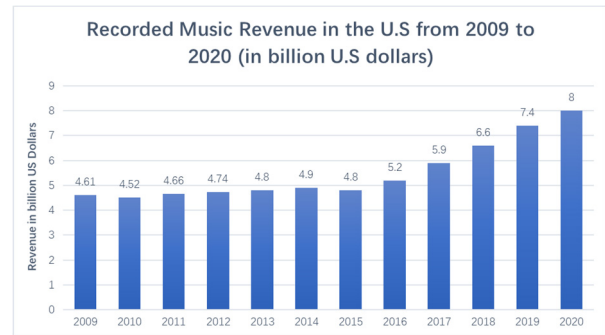


Figure 2 Recorded Music Revenue in the U.S from 2009 to 2020

Figure 3 shows that the share of physical records of music in Spain fell continuously from 2012 to 2020, from 65.8% to 17.6%.

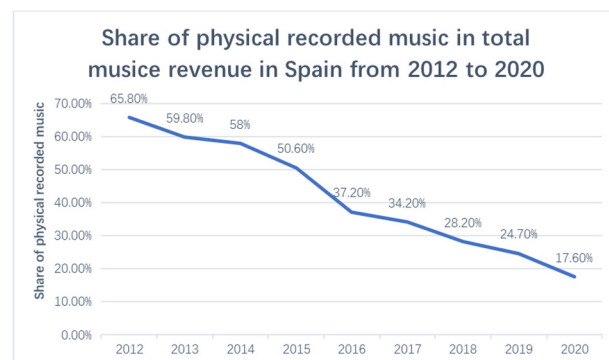


Figure 3 Share of Physical Recorded Music in Total Music Revenue in Spain from 2012 to 2020

Figure 4 shows the revenue of digital music has seen a boom since 2016 and is expected to grow in the future, which indicates that digital music is taking over the dominant position of physical recorded music in the Spain music industry. Among the three types of digital music, streaming is evidently taking over most of the market share and downloaded music has been a shrinking share. The third type, mobile music, occupying a small part of the market share, has seen a decline in its revenue since 2017.

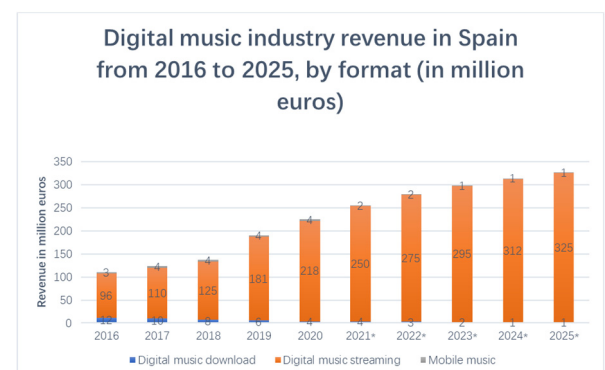


Figure 4 Digital Industry Revenue in Spain from 2016 to 2025, by format

Figure 5 compares the sales value of physical music and digital sales in Spain. The volume of the physical music market has been waning, with a trivial increase in

2014. And since 2016, the market share of digital music exceeded that of physical music.

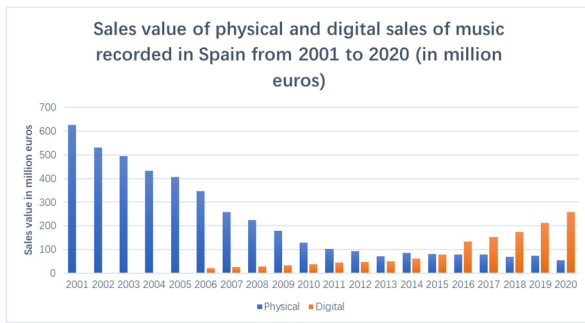


Figure 5 Sales Value of Physical and Digital Sales of Music Recorded in Spain from 2001 to 2020

Not aligned with the growing trend of recorded music in other parts of the world, the production value of recorded music was declining in general. The value dropped from 310.8 billion Japanese Yen in 2012 to 194.4 billion Japanese Yen in 2020, and only in 2018, there was an insignificant growth. In 2020, when the pandemic hit the economy, the revenue of recorded music fell sharply by 15.3%, from 229.1 billion Japanese Yen to 194.4 billion Japanese Yen.

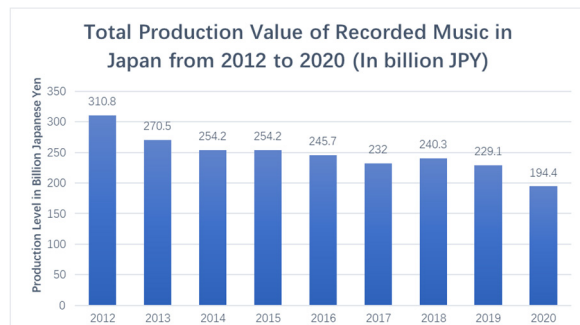


Figure 6 Total Production Value of Recorded Music in Japan from 2012 to 2020

However, the sales value of digital music in Japan still saw an increasing trend. After a sharp fall in 2012, the sales value continued growing since 2013. Even during 2020, when the total production of recorded music fell sharply, the digital music market still rose more than 10%, from 70.6 billion Japanese Yen to 78.3 billion Japanese Yen.

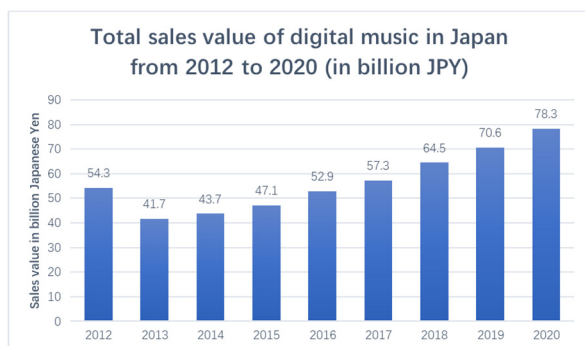


Figure 7 Total Sales Value of Digital Music in Japan from 2012 to 2020

In 2020, due to the pandemic, there was a great recession in the total revenue of the music industry in Norway, but there was still a tiny growth in the recorded music industry, as people had to turn to recorded music to temporarily replace the role of live music.

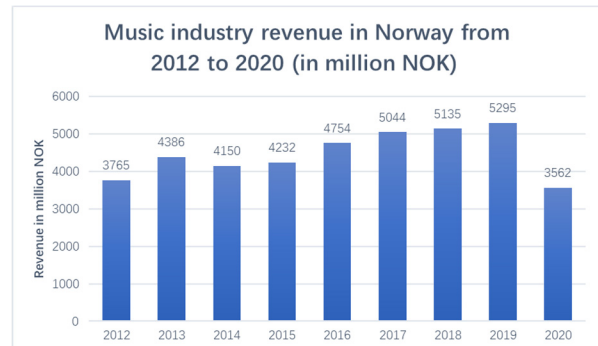


Figure 8 Music Industry Revenue in Norway from 2012 to 2020

In Norway, the recorded music industry grew with fluctuations. Typically, the market value of recorded music has a strong positive correlation with the broad music industry. In 2014, the revenue fell from 928 to 873 million Norway Kroners, with a slump in revenue of the general music industry in Norway. And it can be observed that in 2018, the revenue saw a tiny decrease.

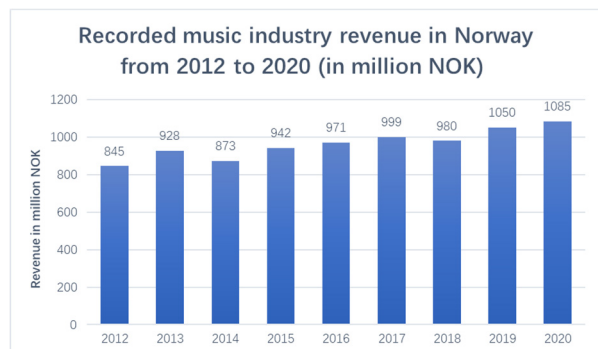


Figure 9 Recorded Music Industry Revenue in Norway from 2012 to 2020

The live music industry grew substantially throughout the 2010s. Demand among concert-goers remained high, thanks in part to a generation more willing to pay for experiences. More events and festivals were taking place than ever before, and local policymakers valued the impact of so-called music tourism. Concerts were in high demand before the coronavirus outbreak. Live music ticket sales fell by 84 percent to just under four billion U.S dollars in 2020 but were still expected to return to pre-pandemic growth trends over the next five years.

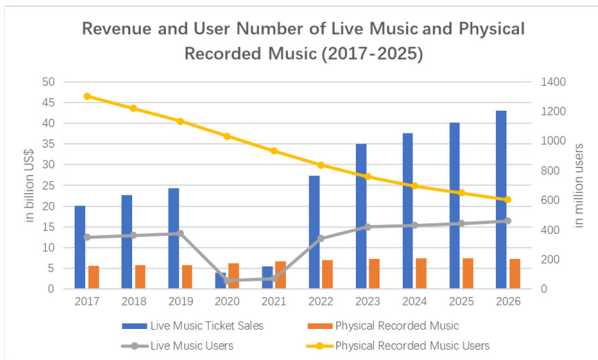


Figure 10 Revenue and User Number of Live Music and Physical Recorded Music from 2017 to 2025

It was therefore devastating for the industry when, at its peak, the coronavirus pandemic prevented mass gatherings and forced concert venues to close their doors to the public. Many festivals and tours scheduled for 2020 were able to secure ticket sales before being forced to postpone. However, promoters still faced uncertainty about when events could fully resume.

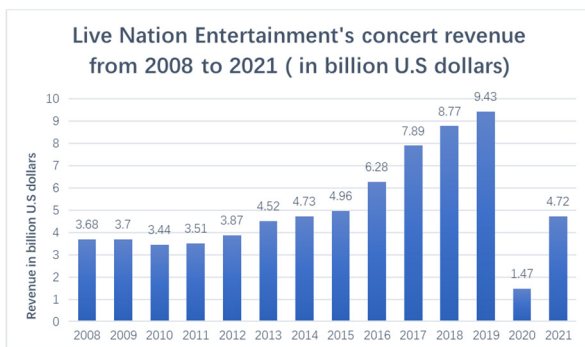


Figure 11 Live Nation Entertainment's Concert Revenue from 2008 to 2021

According to Live Nation, an international entertainment company based in the United States, concert revenue has increased gradually from 2008 to 2019. While the company's revenues had been steadily increasing over the previous decade, the coronavirus outbreak in early March 2020 had a significant impact on the events industry, as governments and corporations were forced to close venues and cancel events in an effort to protect the public and prevent the disease from spreading further. The value of Live Nation's stock has taken a significant knock, but only time will tell how severely the company has been impacted by the pandemic. The following parts of Live Nation's activities generate revenue: support and advertising, 'Artist Nation' (artist management services), ticketing, and concerts. Operational music venues and promotion of live music events are both part of the concert business. Live Nation amusement managed to boost its 2009 concert revenues in 2012, after two years of comparatively poor results, spurring a significant amount of growth for the company. The live event promoter has been organising a growing number of concerts and festivals around the world to boost revenue. The company marketed approximately

forty thousand events at its peak. However, due to constraints imposed by the coronavirus outbreak, only about 8,000 events are expected to take place in 2020. Live Nation's revenue increased to 4.72 billion dollars in 2021, up from 1.47 billion the previous year.

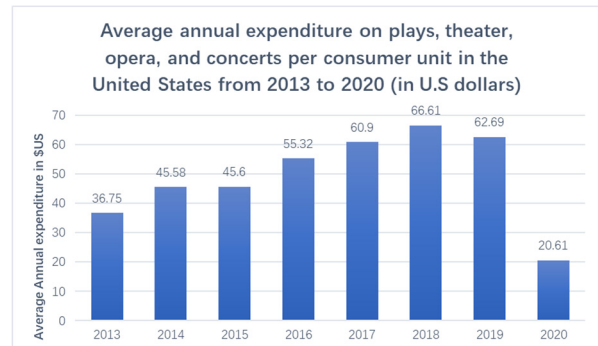


Figure 12 Average Annual Expenditure on Plays, Theater, Opera, and Concerts per Consumer Unit in the United States from 2013 to 2020

The statistics of average annual expenditure in the live industry including plays, theater, opera, and concerts per consumer unit in the US from 2013 to 2020. The graph shows that there has been a gradual rise in the average annual expenditure in the live industry from 2013 to 2018 and a slight decline in 2019. However, it can be seen clearly that the average expenditure in the live industry per consumer unit in the US fell to a low point of \$20.61 in 2020.

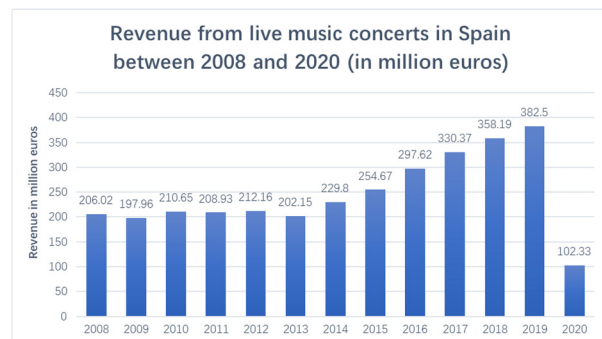


Figure 13 Revenue from Live Music Concerts in Spain between 2008 and 2020

The figure 13 reveals that there has been a gradual growth in the revenue generated from live music concerts in Spain from 2008 to 2019 as it increases from 206.02 million euros to 382.5 million euros. It was projected to reach 400 million euros at the end of 2020. However, in 2020, caused by the outbreak of the coronavirus and country-wide lockdowns, the revenue generated by music festivals in Spain barely amounted to 102.33 million euros. Compared to the previous year figure 13 represents a steep drop of more than 280 million euros, and the number is even lower than 10 years ago.

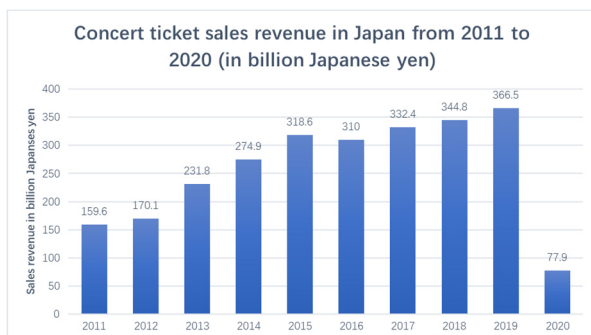


Figure 14 Concert Ticket Sales Revenue in Japan from 2011 to 2020

The figure 14 represents clearly that the sales revenue of concert tickets increased considerably during the 2010s, from 159.6 billion yen in 2011 to 366.5 billion yen in 2019. However, the advent of the coronavirus pandemic in 2020 led to the cancelation of many live events, which resulted in lower ticket sales. What stands out in figure 14 is that the concert ticket sales revenue in Japan amounted to less than 80 billion Japanese yen in 2020, which represented a stark decrease compared to the previous year.

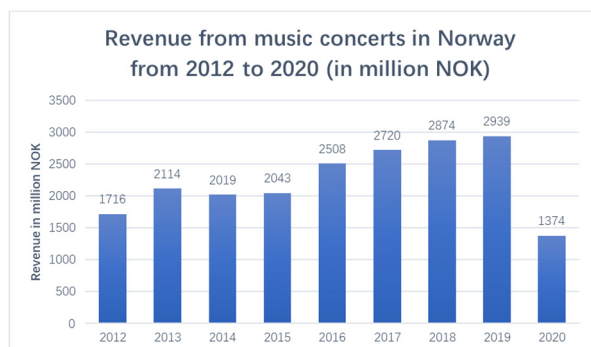


Figure 15 Revenue from Music Concert in Norway from 2012 to 2020

The figure 15 reveals that from 2012 to 2019, the money generated by music concerts in Norway has steadily increased. What can be observed clearly is that revenue from music events in Norway climbed by almost one billion Norwegian kroner from 2014 to 2019. Companies in this industry generated more than three billion kroner in revenue in 2019. However, due to the outbreak of the coronavirus pandemic and the related cancellation of most concerts and music events, this number decreased significantly in 2020. The revenue from music concerts is expected to recover post-pandemic.

3. RESULTS AND DISCUSSION

The empirical analysis of the data discussed in the paper clearly demonstrated that the COVID-19 pandemic has affected the global music industry and brought challenges to the live music industry in particular. Two aspects were analyzed in the paper: firstly, the recorded music industry revenue including economic revenue

from digital and physical record sales, performance rights and synchronization. With regard to the immediate impact of the COVID-19, this paper identified the growth of total recorded music revenue in the US, Spain, and Norway with the exception of a decline of that in Japan. However, there is a universal growth in digital music sales and revenue in all five countries including Japan. The growth in the digital music category is mainly due to the proportion of a large increase in digital music streaming revenues. Secondly, the live music industry revenues from the live concerts tickets sales. Our empirical analysis demonstrated a sharp decline in the live music industry revenue in 2020 during the pandemic globally. Four countries including the US, Spain, Norway, and Japan all exhibited a drastic shrink after the emergence of the pandemic.

The results demonstrate that despite the hit of a pandemic on the music industry, the total revenue of recorded music is still growing steadily in the digital era. The reason behind this is the increase in revenue of online recorded streaming and digital music which are based on the idea of listening to music anywhere and anytime. This form of music is accessible even during strict social distancing and long-term lockdown. On the other side, the drastic drop in the revenue of live music concerts illustrates the impact of epidemic prevention measures on live performances. Since the restrictions on travel and social gatherings prevented artists from itinerant shows and events from going down in-person, limiting organizers to facility concerts or venues wherever strict distancing measures may well be adhered to [9,10].

4. CONCLUSION

COVID-19, which started its worldwide spread in March of 2020, has influenced the lifestyle of people in a variety of ways. Different countries imposed various policies in order to control the spread of the pandemic, including lockdowns and quarantines, which caused stagnation of economic growth. Music, as an important part of the entertainment industry, plays a vital role in the everyday life of human beings. We aim at analyzing the impact of COVID-19 on the music industry. This article has respectively discussed the influence of the pandemic on the recorded music industry and the live music industry by analyzing the changes in the revenue of the two types of music industries in the global market and four representative countries (the U.S, Spain, Japan, and Norway). Specifically, the pandemic brought about a chain of negative impacts on the live music industry, including a myriad of cancellation of live concerts and music festivals, which led to a dramatic recession in the live entertainment industry in 2020. However, on the other hand, the pandemic serves as an incentive for recorded music, stimulating the growth of recorded music. The growth of recorded music during the

pandemic can be attributed to that people were forced to switch to recorded music in the absence of its live alternative. Moreover, the total revenue of the recorded music industry has a rising trend because the boom of streaming outshines the wane of traditional physical music recordings. The synergistic effect of the COVID-19 and the trend accounts for the surge in the revenue of recorded music since 2020. Perhaps the most important question which is unanswered by the present paper concerns with the quantitative relations between the two sections of the music industry during this specific period. However, a general conclusion on the relation between recorded music and live music is yet to be done, as recorded music includes more than merely online streaming.

AUTHORS' CONTRIBUTIONS

These authors are contributed equally.

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