

Scottish Music Industry Coronavirus Crisis Impact Business Feedback Report July 2020

While it has impacted on every aspect of the music industry, commercial operators — especially the live sector; music venues, promoters, music managers, booking agents and event production companies — have been hit especially hard. Previously prosperous, financially resilient businesses have been devastated through no fault of their own. This report features feedback requested and compiled by Dougal Perman, executive chair of the Scottish Music Industry Association in advance of the special Creative Industries Advisory Group meeting with the First Minister on 6 July 2020.

Recommendations

Based upon the evidence gathered in this report, conversations with SMIA members, discussions with other industry bodies and our own additional research, we make the following recommendations for consideration by the Scottish Government.

- A fund should be created to which music businesses can apply that provides essential financial support necessary to sustain them until live events can return.
- A conditional date for resumption of music events with no social distancing.
- Financial needs are likely to be at least £25,000–250,000+ per business.
- The fund should be uncomplicated and easy to access. It should be open to businesses of all kinds including private limited companies, partnerships, sole traders and self employed freelance contractors.
- While non-commercial organisations are an important part of the ecosystem, it seems that they have benefited more from financial support initiatives so far. Commercial operators need support urgently. They are major employers and consumers of services and their activities benefit the Scottish economy considerably. Their loss would be catastrophic to Scottish economy and culture.
- Press the UK Government for VAT exemption on music products (ticketing, digital and physical products like albums and singles, merchandise, etc.).

Industry Overview

The music industry is facing significant challenges. Experiences differ across the industry. There are some positive points which are encouraging but they do not counter the negative ones, which are severe. This overview elaborates on the account presented to the First Minister by Dougal during the CIAG meeting.

With help, support and investment the music industry can recover, innovate and develop. However, in order to innovate, music businesses need financial resources to relieve immediate concerns and afford them the breathing space to explore new revenue models.

Digital music distribution is relatively buoyant as releases have increased and music consumption is up. Record labels are benefiting from increased interest in recorded music. But many of them rely on live event revenue in their business models and thus have suffered due to events not taking place since lockdown began. Music publishing has suffered decline in film and TV synchronisation licensing deals due to the halt in production from film studios and TV networks. Games and advertising revenue is up, however, and some publishers are exploring new international opportunities for their writers and rights holders. Labels and publishers will experience reduced revenues in 6+ months' time because royalties usually earned from performance of live and recorded works in public establishments will be next to non-existent for the lockdown period.

Recording studios are closed and face similar problems to those facing music venues, outlined below. Some of them are able to do some remote work such as mixing and mastering and others are experimenting with innovative ways of utilising remote recording technologies, but while these are resourceful, enterprising and even inspiring measures, they do not make up for the shortfall in revenue due to being closed.

Independent record shops can trade online, and have been, but home-working and the difficulties it presents (particularly in regard to childcare) impact on productivity and morale. Record shops provide more than just retail points for recorded music, instruments and music technology, they are community hubs; often championing marginalised groups, promoting equality and celebrating diversity. Reduced custom and compromised workforce issues have taken a toll on their ability to trade effectively. Their loss would be a serious blow to grassroots music.

Music venues have been devastated. Grassroots venues — large and small, for gigs and clubs — are very close to collapse. Some have been able to access bits of support but many have not qualified for various support schemes or have been denied funding, including furlough, due to technicalities. Even those who have been successful accessing some funding are depleting whatever case reserves they had and are very close to going out of business. The situation for music venues is dire. Many will soon — if they have not had to already — lay off all their staff, stop paying suppliers and will not be able to pay their overheads. If music venues go out of business then their salaried staff become unemployed, contractors have less work, suppliers lose valuable clients and the GVA contribution to the local economy is significantly diminished. Even if music venues could stay afloat — which is impossible without meaningful financial support to sustain them while they are closed — the uncertainty over when they can open makes planning extremely difficult. Music venues need help immediately.

Promoters are in a similar position to music venues. Most events have rescheduled for next year and are having to deal with increased administration but have reduced human resources. All possible staff are furloughed but again some are having trouble accessing financial support which plunges them into escalating debt and causes grave cash flow problems. Paying suppliers and issuing ticket refunds to customers make matters worse. Like many private businesses in the music industry, promoters need financial support to cover their costs, sustain their businesses to see them through the period when they cannot run commercial events.

Event production suppliers (PA, lighting, staging, etc.) are also in a very difficult situation. They are experiencing the same issues with accessing financial support schemes as other businesses. Their overheads are considerable as they make significant investment in the specialist technical event production equipment necessary to operate their businesses. Often equipment is bought on hire purchase. Payments still need to be made while they are unable to trade. “Debt holiday” negotiations are helpful but need to be renegotiated regularly and incur additional fees. Freelance technical professionals are out of work. Most of the technical production workforce — at events, in music venues, recording studios — is freelance. Some have been able to access self-employment support but even for those who have, that support is limited and temporary. Some freelancers are represented by the technical creative union BECTU, but like artists represented by the MU, SMIA does engage with them through our development programme as business people. Event production suppliers and freelance contractors are in a similar position to music venues and promoters. They need financial support to sustain their outgoings, safeguard jobs and ensure they can stay in business while they are unable to trade.

Artists are being creative, innovative and resourceful. For many the situation is taking a toll on their mental health; which is true of everyone we have spoken to, across the whole industry. Without music, there is no music industry. Artists are facing significant challenges to their livelihood because live performance is a large part of their income. With music “sync” licensing compromised (as referenced in publishing, above) they also need financial support. Some have been able to access government and third-sector funding, but their situation is still very difficult. Artists’ career and creative development is also compromised due to lack of performance opportunity. Concerts and festivals are being rescheduled for next year, most of them with the same line-up as this year which reduces the amount of live performance opportunities, especially for emerging artists.

Music managers and artist booking agents are working hard on behalf of their clients, while struggling to keep themselves in business. They are looking for opportunities for their clients and trying to keep their spirits up and protect their mental health. But as both managers and agents rely on artists for all of their income, their situation is very precarious. Tour managers are in the same position. No tours means no work. They all need financial support to provide some stability to afford them the time and headspace required to plan for the future and find new opportunities.

Music media is very reliant on advertising revenue from live events. Because no events are happening, revenues have plummeted and media outfits, especially independent publications, are struggling to adapt; facing mounting costs and decreased income while trying to continue operations. The majority of work for PR and marketing services is from live events and thus all of their revenue has disappeared. Digital media providers such as videographers, photographers and online broadcasters that supply music activities like events, showcases and marketing campaigns, have lost their live event-based work but are in a position to pivot towards digital-first and digital-only alternatives. However, like everyone working in the music industry, the necessity to fire-fight and find new business to replace what has been lost leaves little capacity for innovation.

The music industry is vital to Scotland’s culture and economy. It can bounce back but it needs financial support to sustain it and investment to facilitate innovation. There is a desire from many parts of the industry to recognise, support and champion grassroots artists and businesses (from labels and studios to record shops or media), properly value lynchpin services in the ecosystem (such as agents, managers, event production suppliers and freelance crew). Scotland’s music industry must be saved. It is vital to Scotland’s economy and cultural identity. The industry needs financial and moral support. As it is rebuilt, we have an opportunity to ensure that principles such as equality, diversity, inclusivity, accessibility and environmental responsibility are embedded.

Case Study Evidence

We compiled a compendium of case studies which were been supplied to us by industry practitioners, at our request, in late June and early July 2020. We obtained submissions on the understanding that they were confidential, for the First Minister, Cabinet Secretary Fiona Hyslop, her team and relevant senior civil servants only. Evidence was obtained from:

- DF Concerts (Geoff Ellis, Director & Aarti Joshi Marketing Manager)
- Active Events (Lisa Whytock, Booking Agent)
- Ironworks (Caroline Campbell, Director)
- Sub Club (Mike Grieve, Director)
- Sneaky Pete's Music Venue (Nick Stewart, Manager)
- Doune The Rabbit Hole Festival (Jamie Murray, Project Manager)
- Knockengoroch Festival (Katch Holmes, promoter)
- Cumnock Tryst Festival (Jennifer Martin, CEO & James MacMillan, Director and Composer)
- Slam Events (Dave Clarke, Director)
- Riverside Festival, Electric Frog, Melting Pot (Mark Mackechnie, Promoter)
- S.M. Lighting (Scott Munro, Director)
- 23rd Precinct (Susan Montgomery, Music Publisher)
- Lost Map Records & The Pictish Trail (Johnny Lynch, Label Manager and Musician)
- Soma Records (Glenn Gibbons)
- Numbers (Neil Morton, Partner)
- Black Bay Studios (Peter Fletcher)
- 667 Media Management (Denise Allan, Music Manager)
- A Modern Way (Michael Lambert, Music Manager)
- Forji (Mobo Agoro, Independent Promoter)
- EmuBands Music Distribution (Ally Gray, Director)
- Birnam CD (Karen MacMillan, Director & Martin Hadden, Director)
- Rubadub Record Shop and Distribution (Richard Chater, Manager)
- The Skinny (Rosamund West, Editor in Chief & Sandy Park, Commercial Director)
- Abnormal PR (Alan Miller, PR Agent)
- Inner Ear (Dougal Perman, Director)
- SAY Award (Robert Kilpatrick, SMIA General Manager and Creative Director of the SAY Award)