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PRESS RELEASE

‘INVESTING IN MUSIC’ REPORT SHOWS RECORD LABELS INVEST US\$4.3 BILLION IN A&R AND MARKETING

- Record companies’ total investment in A&R and marketing tops US\$4.3 billion annually and more than US\$20 billion over five years, according to IFPI’s *Investing in Music* report
- Labels’ investment in A&R and marketing up from 26 to 27 per cent of industry revenues over the last two years
- Report unveiled at ‘Friends of Music’ evening for MEPs in Strasbourg hosted by IFPI chairman Plácido Domingo

London, 25th November 2014 – Record companies remain the engine room of the global music industry, investing US\$4.3 billion annually in artists and repertoire (A&R) and marketing, according to a new report from IFPI on the changing face of the music business.

Labels remain the primary investors in artists, investing 27 per cent of their revenue in A&R and marketing, up from 26 per cent in 2011. Over the last five years it is estimated that record companies worldwide have invested more than US\$20 billion in A&R and marketing.

More than 7,500 artists were signed to major labels’ rosters in 2013, with tens of thousands more on independent labels. One in five artists on labels’ rosters is a new signing, highlighting the role of fresh talent as the lifeblood of the industry.

Record companies invest a greater proportion of their global revenues in A&R than most other sectors do in research and development (R&D). Comparisons show music industry investment in A&R (16%) exceeding the R&D investment of industries including software and computing (9.9%) and the pharmaceutical and biology sector (14.4%)^[1].

Investing in Music is published today by IFPI, representing the recording industry worldwide, in association with WIN, representing independent labels internationally. It is being launched at a ‘Friends of Music’ event for MEPs in Strasbourg hosted by IFPI and its chairman Plácido Domingo.

With fresh data and several case studies, the report outlines the evolving and enduring partnership between labels and artists in the digital world.

Frances Moore, chief executive of IFPI, says: “*Investing in Music* highlights the multi-billion dollar investment in artists made every year by major and independent record labels. It is estimated that the

^[1] The comparisons are based on the European Commission’s 2013 EU *Industrial R&D Investment Scoreboard*.

investment in A&R and marketing over the last five years has totalled more than US\$20 billion. That is an impressive measure of the qualities that define the music industry, and which give it its unique value.”

Alison Wenham, chair of WIN, says: “Most artists who want to make a career from their music still seek a recording deal. They want to be introduced to the best producers, sound engineers and session musicians in the business. They need financial support and professional help to develop marketing and promotional campaigns.”

The report features data from record companies and case studies from around the world, including studies on Ed Sheeran, 5 Seconds of Summer, Lorde, MKTO, Negramaro, Nico & Vinz, Pharrell Williams and Wei Li-An.

Other highlights of the report include:

- **The costs of breaking an artist in a major market remain substantial at between US\$500,000 and US\$2 million.** The cost typically breaks down as payment of an advance (US\$50,000-350,000), recording costs (US\$150,000-500,000), video production costs (US\$50,000-300,000), tour support (US\$50,000-US\$150,000) and marketing and promotional costs (US\$200,000-700,000).
- **Record companies invest in local talent and break them to a global audience.** The recording industry is global in scale and exports artists internationally; but it heavily invests in local repertoire. In 12 of its leading markets, local repertoire accounts for more than 70 per cent of the sales of the top 10 albums.
- **Live performance has not replaced recordings as the driver of the music industry.** While record companies invest US\$2.5 billion in A&R, there is little evidence of such substantial investment in new music coming from any other source. All of the five top grossing live tours of 2013 were by artists who first released albums nine or more years previously, with one group having recordings going back 50 years. Few artists can achieve a scalable, sustainable music career without producing recorded music.
- **Unsigned artists want a record deal.** Research conducted with the *Unsigned Guide* in the UK found 70 per cent of unsigned acts wanted a recording contract. The top drivers for wanting a recording contract are marketing and promotional support (76%), tour support (58%) and getting upfront financial support in the form of an advance (45%).
- **Brand partnerships and synch deals have grown in importance.** A recording deal unlocks a range of different revenue streams for artists and labels. These include a new generation of brand partnership and synchronisation deals, involving the use of recordings in TV, film, games and adverts.

- Ends -

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Notes to editors:

About IFPI

IFPI is the organisation that promotes the interests of the international recording industry worldwide. Its membership comprises some 1,300 major and independent companies in 66 countries. It also has affiliated industry national groups in 57 countries. IFPI's mission is to promote the value of recorded music, campaign for record producer rights and expand the commercial uses of recorded music in all markets where its members operate.

Global A&R and Marketing Investment:

2013	
A&R	US\$2.5bn
A&R as % of revenues	15.6%
Marketing	US\$1.8bn
Marketing as % of revenues	11.4%
Total investment (A&R + marketing)	US\$4.3bn
Total investment as % of revenues	27.0%
Total industry revenues	US\$16.1bn

Source: IFPI. A&R spend includes advances, recording and origination, video costs, tour support and staff overheads. Marketing spend includes TV advertising, co-op marketing and online marketing/promotion.

Investing in local repertoire

Country	% of local acts in the national top 10 albums of 2013	Country	% of local acts in the national top 10 albums of 2013
Japan	100%	Netherlands	80%
Italy	90%	Denmark	78%
Sweden	90%	France	75%
US	90%	UK	71%
Brazil	90%	Germany	70%
Spain	86%	Norway	56%

Source: IFPI National groups/local chart companies. Excludes multi-artist compilations. Japan: Physical sales only