Music Europe Dialogues

European Commission

The European Music Ecosystem

A conceptual framework Definition of the European music ecosystem to understand and drive its diversity, creativity and solidarity to make it competitive, resilient, and attractive

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Navigating Trends, Challenges, and Policy Imperatives for a Vibrant Future

The European music sector has a storied history that traverses technological revolutions, cultural shifts, and socio-economic dynamics. From the invention of the Gramophone to the rise of digital streaming platforms, the music landscape has constantly evolved. However, as we stand in the year 2023, it is evident that the conventional idea of a music sector does not align with the realities of the contemporary music landscape.

The concept of a music ecosystem offers a more comprehensive and nuanced framework to understand the increasing complexity of the ever-changing sector. This document describes the current state of the European ecosystem, and its challenges and policy imperatives for a sustainable & resilient future. The paper also briefly introduces the concept of the music sector as an ecosystem, the opportunities this approach has for political and policy action, and a call for policy measures to sustain and strengthen the European music ecosystem.

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A short history, the current state and recent trends of the European music sector

The annals of the European music sector are adorned with milestones of innovation and adaptation. The 1887 invention of the Gramophone revolutionized the way music was captured and played back, setting the tone for subsequent transformations.

The era from 1995 to 2022 saw seismic shifts across the three main traditional business segments - Recorded, Live, and Publishing. Innovations such as the digital audio format MP3 and the emergence of digital music services like iTunes and Spotify spurred the industry forward. Europe was a crucible of experimentation, with initiatives like the Neuer Markt in Frankfurt and the AIM in London providing platforms for music companies to raise capital.

These innovations laid the groundwork for the sector's resilience and innovation in the face of dynamic market forces. This results in value creation in three interlinked domains: the cultural, economic and social domain. At the time of this writing (August / September 2023), the following (non-exhaustive) list of trends exemplifies the current state of the ecosystem.

CULTURAL TRENDS

Europe, in all its cultural history and diversity, has a richness of music genres that is unparalleled in the world. Currently, there is a re-appreciation of these genres going on by a new generation of musicians. New, accessible and easy to use production tools allow traditional genres like Fado, Balkan music, chansons or flamenco to be rejuvenated and re-interpreted. Big artists like Rosalia and Stromae are world renowned and lead this movement.

The emergence of AI technology in music production, distribution and consumption is expected to have a profound effect on the sector, however, where and how this effect will take place is hard to predict. The emergence of AI goes hand in hand with new ways of artist – fan interactions that a new generation of music consumers (Gen-Z and younger) are currently experiencing. Direct interactions without intermediaries, on new digital platforms have a profound effect on music consumption and media usage.

Lastly, a shift in musical preferences is observed. Electronic music and hip-hop are getting more and more mainstream, and claims a bigger place in the line-ups of European music festivals. Often at the cost of more conventional, guitar driven pop- and rock bands.

ECONOMIC TRENDS

The European music sector is globally one of the most profitable markets for recorded music, accounting with 54,9 percent the highest proportion of global performance rights revenues, with Germany and France ranking place 4 and 6 respectively (IFPI 2023).

With the Stockholm-based streaming service Spotify, Europe provides one of the companies central to the current value creation of the global recorded music economy. The conversion within the market segment of recorded music towards live music triggered the increase of ticket prices for concerts and live events, accelerated by inflation and increased cost of production. This results in higher revenues for concert promotors. Market leader Live Nation (US – with 120 EU subsidiaries) reported an unprecedented $16.7B turnover in 2022.

Increased influx of capital from (non-EU) financial markets stimulated the growths of concert and festival conglomerates, e.g. the UK based company Superstruct acquired in recent years more than 80 festival brands, amongst others well known European brands like Sonar (ES), Sziget (HU) and Wacken (DE). The 150 largest European festivals are owned by four companies (Anschütz (US), Live Nation (US), CTS Eventim (DE)).

The insight that music rights can act as a reliable asset class with predictable returns led to a surge in acquisition of music catalogues by (mainly non-European) investment funds. This changed the landscape of music publishing entirely, although its long-term effects yet remain unclear. The accumulated investment volume in 2021 is estimated to be $5 bn (Music Business Worldwide).

SOCIAL TRENDS

Music, and especially pop music, has a low threshold to consume it, or to participate in it. However, due to gatekeeping mechanisms, access to the sector is still unevenly divided over gender and cultural background.

A strong emancipatory movement has started in the sector a few years ago to make it more representative, and the first results are positive. However, there is a long way to go.

On the social side of things, the generational shift and its different needs and demands is also visible. A younger generation wants (or even demands) its music to contribute to a better world and a brighter future. Social and environmental topics are addressed through music, or the music sector is addressed about them, with a demand to improve. Often, it is artists that spearhead these movements, for example French act Chris(tine) & the Queens, who is very activistic with regards to gender and sexual equality.

The sector itself more and more starts to expect better working conditions for its musicians and professionals. (Mental) health and socio-economic precarity are increasingly important topics that need improvement.

Often, these topics go hand in hand with an overarching demand for a sustainable sector; both socio-economically as environmentally.

CHALLENGES - part 1

Next to the positive trends, the music sector faces a number of specific challenges. These challenges often cut through, or have an effect on all three (cultural, economic, social) domains, therefore they are not categorized as such. As all lists in this paper, these challenges are a mere selection, and not an exhaustive list.

The dominance of Anglo-Saxon (and recently Asian) artists & repertoire in recorded and live music;

"Blockbuster-fication" and market concentration that feeds the "winner takes all" model;

Hyper-financialization and its negative impact on the small-scale and decentralized nature of the European music sector;

The increasingly difficult position of independent labels, festivals, distributors and venues, threatening their quintessential role in fostering diversity and artistic development.

CHALLENGES - part 2

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Decreased accessibility of concerts and festivals because of high prices, caused by the aforementioned consolidation & market power, in combination with inflation;

Digitization and the uneven distribution of capacity with actors to properly deal with it;

The environmental impact of the sector and its obligation to become more sustainable;

Inequality in all its forms, shapes and sizes (gender, race, sexuality, geography, age, skin color, etc.) and its impact on the resilience of the sector.

Potential of the European music sector

As the current state and challenges of the European music sector indicates, Europe has a highly competitive sector that creates value in numerous ways, but also has specific challenges that prevent it from reaching is full potential. To unlock this cultural, economic and social potential, to strengthen its competitiveness, and to increase its sustainability, continuous investment, political and policy action is needed on an EU level. The reasons to do this are plentiful (and once again, a non-exhaustive list). The music sector is:

A FORERUNNER OF INNOVATION IN THE CULTURAL SECTOR. IT IS OFTEN THE SECTOR THAT ADOPTS NEW DIGITAL MEDIA AND TECHNOLOGY FASTEST, AND CAN SERVE AS AN EXAMPLE TO OTHER SECTORS;

A JOB CREATOR FOR ESPECIALLY YOUNGER

A CATALYZER FOR SOCIAL COHESION

A SECTOR WITH HIGH SPILL-OVER EFFECTS TO

However, current ideas for investment, policy and governance are often based on archaic models of the music sector. If Europe wants its music sector to be on the global forefront in the 21st century, new and innovative models for policy and governance need to be developed. Models that reinforce the current strengths of the sector, help tackle its specific challenges, and amplify its impact. Conceptualizing and managing the music sector as an ecosystem can provide such a way forward.

The European music sector as an ecosystem

The European music sector, in all its variety, diversity and richness, is in a state of perpetual change, and experiences an ever-growing complexity. It once was a more conventional sector which was dominated by a single, linear value chain of cultural production and consumption. However, the last two decades, mainly driven by digital developments and globalization, the structure of the sector has been transformed from a siloed reality into a networked one. The emergence of global streaming platforms, the diversification of music markets, and the cross-cultural amalgamation of musical genres have given birth to a dynamic and interdependent music ecosystem with a wide variety of idiosyncratic and continuously changing value chains. This new reality calls for a new framework to analyze, manage and govern the sector, since old models not accurately represent its complexity, context and performance.Existing models and methods are often top down, policy led framings that fail to recognize the “messy” realities of the sector, and the diversity of ways in which culture and creativity are a part of society. As the lines blur between artists, record labels, distributors, venues, festivals, policymakers, and audiences blur, a framework is needed that can capture the interactions, interdependencies, vitality and interconnectivity of the system. Ecology and the ecosystem can provide the framework for this. A framework that can not only provide a lens but also a model for new ways of governance, policy development, management and action on all scales of the system, thereby unlocking the ecosystem’s full potential regarding competitiveness and value creation on a cultural, economic and social level. The ecosystem concept, often drawn from ecological science, provides a holistic lens to understand the relationships and dynamics of the European music domain. In an ecosystem, diverse elements coexist, interconnected by symbiotic relationships that have a purpose of sustaining these elements within the system.

Similarly, the European music ecosystem can be defined as a dynamic and interconnected web of interactions, relationships, and dependencies that encompass a diverse range of entities, including artists, music companies, live music venues, streaming platforms, festivals, policymakers, and audiences, that creates value for all its entities.

This ecosystem thrives on collaboration, innovation, and synergy between these entities, all of which contribute to the creation, distribution, and consumption of music within the European continent. It transcends traditional industry silos, reflecting the ever-changing nature of the music landscape in the 21st century.

Embracing the ecosystem as a new framework for examining, managing and governing the music sector has a number of advantages. First, it better acknowledges the complexity, interconnectivity and interdependencies of actors which have previously been approached independently. Second, it acknowledges the connections between a wide variety of (previously often disregarded) socio-economic and other factors outside of the music sector, thereby embedding the music sector in a wider societal and environmental context, including the physical, social, cultural, political and economic factors that shape its development and impact. Thirdly, the framework challenges the linear model on which governance and management of the music sector have typically been based. Fourthly, it provides stable governance opportunities for a rapidly changing system via its system properties like diversity, niches, subsidiarity and circularity. Lastly, and not to be underestimated, it provides opportunities to develop a common language that can be used by all ecosystem stakeholders, music- and non-music sector, to discuss, share knowledge, and move the sector forward. Ultimately, the ecosystem approach connects holistically the cultural, economic and social domain where the music sector creates value.

Political and policy action for the European music ecosystem

So what does this mean? How can we use the ecosystem as a way to structure political and policy action for the European music ecosystem? First, we have to acknowledge that policymakers and regulatory bodies, including the European Commission and national governments, shape the music ecosystem's contours.

They craft legislation to protect artists' rights, regulate copyright and licensing, and foster an environment conducive to creative expression. Several political initiatives and policy actions have been designed to increase the competitiveness and sustainability of the European music sector.

The specific actions under the moniker of Music Moves Europe (as part of the Creative Europe program deserve special attention. These actions, including a continuous dialogue between the music sector and the EU, follow six priorities (see highlight) that align with a number of the aforementioned current challenges of the ecosystem. The program has been designed to provide support not only for specific actors in the ecosystem, but also for ecosystem wide themes such as diversity, sustainability and digitization. Hereby, the MME program provides great potential for the development of ecosystem based policy and support instruments.

Policy developments in other domains that impact the music ecosystem, such as the Copyright Directive, the DMA & DSA, and most recent it is the report on the OMC working group of Member States' experts (03 July 2023) on the status and working conditions of artists and cultural and creative professionals.

Notably, the Council's recent conclusions on "Reinforcing intercultural exchanges through the mobility of artists and cultural and creative professionals, and through multilingualism in the digital era." provide opportunity for the music sector, and the Councils decision to building a "European Strategy for the Cultural and Creative Industries Ecosystem" gives a strong signal to conceptualize the music sector as an ecosystem.

However, rebranding an existing sector as an ecosystem, does not mean its politics, policy and governance automatically align with the strategies needed to manage an ecosystem. For this, a deeper understanding of ecosystem properties and governance is necessary. The request of the Commission for a coherent definition of a music ecosystem and the accompanying dialogues with the sector provide a good starting point for this new way of thinking. But developing true ecosystem policy requires a new mindset, and a step away from traditional instruments towards new ways of policy development, funding and political action.

The traditional, subs-sectoral and value chain-based approach must be replaced by a new network-based approach that is based on cross-cutting themes that contribute to the health (sustainability & resilience) of the ecosystem. Themes like e.g. diversity, circularity, innovation & experimentation and sustainability are relevant for all actors in the system, whether it is the industry, the institutions or the individual, and are relevant in both the cultural, economic and social domain. They should be leading in the development of political and policy action.

Conclusions and policy recommendations

What conclusions can we now draw from this new ecosystem perspective on the music sector? If we reconstruct all of the above, we acknowledge that the music sector creates cultural, economic and social value, and has it's specific strengths, challenges and opportunities.

The sector got more complex over the years and a new perspective for policy development and political action is needed that better aligns with the current and future reality of the sector.

The ecosystem can provide this perspective, both as a lens and as a model. The timing to coherently introduce such a new perspective is on point, with the Council's call to introduce the CCI ecosystem (and with that the music sector) into the EU's industrial strategy.

However, this new approach needs new policy instruments, not based on the conventional value chain model of the music sector, but on the characteristics and properties of the music ecosystem. Here we introduce some first recommendations on how to do this:

Acknowledge that innovation and development often start on a small scale, by small actors with specific support needs. The ecosystem is driven by artists and (tech-) innovators: policy should create conditions and infrastructure for them to do their work;

Develop a common and consistent language when addressing the music sector as an ecosystem;

Base policy and support on ecosystem characteristics and properties that cross-cut through the sub-sectors;

Acknowledge the existence of more than one type of value chain;

Define value holistically in both the cultural, economic and social domain;

Mainstream music policy with other policy domains such as healthcare, wellbeing, social cohesion, innovation, urban & rural development, etc.;

Embrace the complexity and interconnectedness of the ecosystem;

Education on every level is an integral part of a healthy ecosystem and should be fostered;

Embrace locality and support local creative communities in cities and rural areas as hubs of creativity to unlock their potential in job creation, tourism, development, etc. Ensure a geographical balance in the distribution of support.

Evaluate the MME program, its impact and best practices, and use these as a starting point for further policy. Evaluation should be done not only quantitively but also through qualitative metrics.

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