

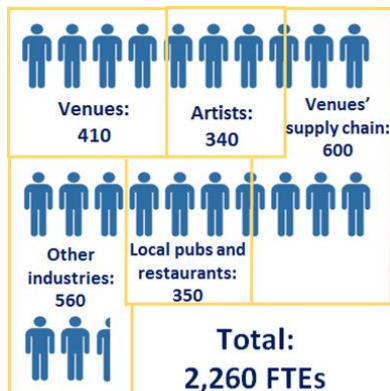
Grassroots Music Venues' contribution to the London economy

Preliminary report, December 2016

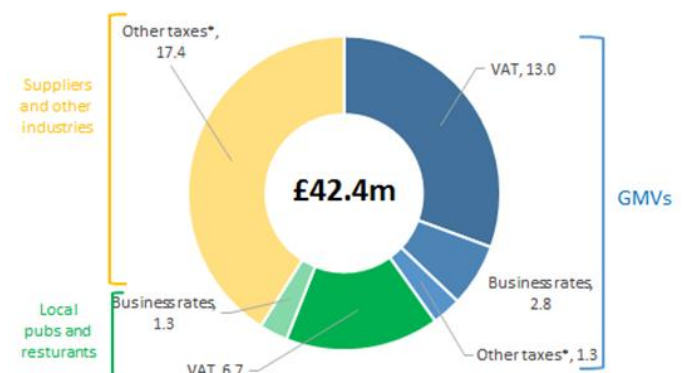
1. Headlines

- 94 Grassroots Music Venues (GMVs) overall contribute to London's economy:
 - £91.8 million in gross value added (GVA)
 - Over 2,200 full-time equivalent jobs (FTEs)
 - £42.4 million in tax revenue for all levels of government
 - including £4 million in business rates

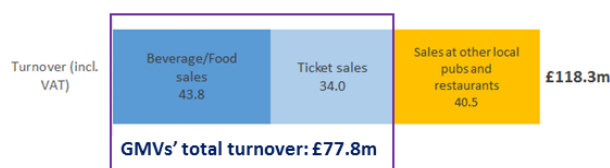
Employment



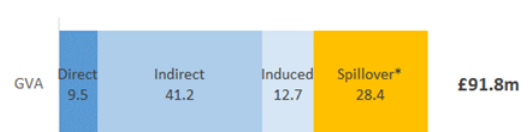
Taxes



Turnover



GVA



Source: Nordicity estimates based on data from MVT, BBPA, ONS and HMRC.

- GMVs sell an estimated £34 million in gig tickets
- GMVs invest £44 million in musicians and bands (cost of producing live gigs)
 - Including £11.3 million in payments to artists
- For every £10 spent on tickets to gigs:
 - £13 is also spent on beverages/food at GMVs, and
 - £12 is spent at local businesses immediately before or after gigs

2. Methodology

- GMVs' total ticket turnover was provided by the Music Venues Trusts (MVT). GMVs' beverage/food revenue was estimated based on data collected by MVT through its national audience survey and consultations with MVT.
- Total turnover and operating expenditure data were converted to estimates of employment, labour income and GVA using Nordicity's *MyEIA Model*. The *MyEIA Model* utilises the input-output tables and location quotients published by the Office for National Statistics (ONS) to estimate economic impacts on a UK-wide and regional basis.
- GMVs' total turnover was allocated to various expenditure categories based on a combination of data sources.
 - Revenue from beverage/food sales was allocated on the basis of operating cost data published by the British Beer and Pub Association (BBPA) for town centre pubs / bars.¹
 - Ticket revenue was allocated on the basis of the gig-production costings provided by two GMVs.
- These economic contribution estimates include:
 - the employment and economic activity generated directly within GMVs (i.e. "**direct economic impact**");
 - the economic activity generated at London-based companies that supply goods and services to GMVs and the artists that perform at GMVs (i.e. "**indirect economic impact**"); and,
 - the economic activity that occurs when artists and workers employed at GMVs and supplier companies re-spend their wages within London's economy (i.e. "**induced economic impact**").
- In addition, there is an estimation of the economic contribution associated with GMVs' audiences' spending on food and beverage outside of GMVs immediately before or after a gig (i.e. "**spillover economic impact**").
- The sum of the direct, indirect, induced and spillover impacts provides an estimation of the overall economic impact of GMVs on London's economy.

¹ British Beer and Pub Association (2016), "Running a pub: A guide to costs for tied tenants and lessees 2016", <http://s3.amazonaws.com/bbpa-prod/attachments/documents/resources/21191/original/Cost%20guide%20for%20tenants%2016%20FINAL.pdf?1465209266> p. 12.

3. Gig Economics

- Data from the MVT's national audience survey and consultations with MVT indicate that for every £10 spent by GMVs' audiences on gig tickets, approximately £13 is spent on beverage/food within the venue.
- This research also indicates that GMVs' audiences spend a comparable amount (£12) on beverage/food outside of GMVs immediately before or after gigs. This includes spending at pubs, restaurants, take-aways, shops and off-licences.

4. GMV Income and Expenditures

- MVT estimates an annual income of £34m for London GMVs tickets sales.
The gig economics suggest an additional £43.8m income from beverage/food.
Therefore, GMVs earned a total income of £77.8m (incl. VAT).
- Data collected by MVT suggests that this total turnover (£77.8m) is distributed as summarised in Table 1.

Table 1: Distribution of GMVs' total income

	Amount (£m)
Venue income	£50.8m
Payments to artists	£11.3m
VAT	£13.0m
Business rates	£2.8m
Total	£77.8m

Source: Nordicity estimates based on data from MVT

- The distribution is based on the following key assumptions.
 - Based on the gig costings data, artists are assumed **to capture 40% of net ticket revenue** (i.e. excluding VAT);² GMVs' incremental costs of gig production are also assumed to be 40% of net ticket revenue (i.e. excluding VAT).
 - VAT is calculated as 20% of total turnover (ticket sales + beverage/food sales).
 - Business rates are estimated based on data from MVT's GMV mapping research.
 - Venue income is assumed to be equal to residual income leftover after these three categories of payments have been deducted.
- Out of the venue income of £50.8m, GMVs must pay their rent, business rates, employees and suppliers, as well as the incremental costs of hosting live gigs. To host live gigs, GMVs must pay

² The figure of 40% is based on a comparison of the total artist payment (including minimum guarantee and any share of net ticket revenue) to the total revenue generated for a 51% sellout. The 51% sellout rate is average sellout rate reported by MVT for GMVs.

for security, sound/lighting engineers, advertising, tour support and PRS licences (to name just some examples).

- Summary cost data supplied by MVT as well as data published by BBPA implies that the venue income (£50.8m) is distributed in the following manner (Table 2).
- Out of total venue income of £50.8m, £48.8m is spent on purchases of beverages/food for resale and operating expenditures leaving just under £2m in operating surplus or less than 4% of for the owners of GMVs.

Table 2: Breakdown of venue expenditures

	Amount (£m)	Share of total turnover (%)
Operating expenses		
Cost of beverages/food for resale	16.3	32.2%
Rent	8.2	16.1%
Employee wages	7.6	15.0%
Marketing/Promotion	5.0	9.9%
Utilities	1.7	3.3%
Rider	1.6	3.2%
Tour support	1.4	2.7%
Security	1.3	2.5%
PRS	0.9	1.8%
Engineers (front of house /lighting)	0.9	1.7%
Promoter rep	0.9	1.7%
Repairs	0.5	1.1%
Professional fees	0.3	0.7%
Consumables	0.3	0.7%
Waste disposal/cleaning	0.3	0.6%
Insurance	0.3	0.5%
Telecommunications	0.3	0.5%
Bank charges	0.2	0.4%
Ticketing printing	0.2	0.3%
Interest	0.2	0.3%
Equipment hire	0.1	0.2%
Other operating expenses	0.4	0.8%
Total operating expenses	48.8	96.2%
Operating surplus *	1.9	3.8%
Total	50.8	100.0%

Source: Nordicity estimates based on data from MVT, BBPA and ONS.

* Operating surplus includes income available to owners of GMVs and is analogous to operating profit.

5. GMVs' Contribution to London's Economy

- Using the total income earned by GMVs from sales of gig tickets and beverage/food, and expenditure of that income on artists, venue employees, venue owners, venue suppliers, central government and local councils, we estimate the direct, indirect and induced economic impacts of GMVs to contribute to London's economy in the following manner.

Table 3: Summary of contribution of GMVs to London economy

	Direct	Indirect	Induced	Total
Employment (FTEs)	410	940	250	1,600
Labour income (£)	7,596,143	20,602,412	7,099,518	35,298,074
GVA (£)	9,542,659	41,168,187	12,677,711	63,388,557
Tax revenue (£)	17,025,487	10,361,866	3,190,929	30,578,281

Source: Nordicity estimates based on data from MVT, BBPA, ONS and HMRC.

- GMVs generate 1,600 FTEs within the London economy.
 - This includes 410 FTEs **directly** employed at venues. These 410 FTEs were equivalent to approximately 770 persons actually employed at GMVs across London.
 - GMVs generate 940 FTEs of **indirect** employment. This indirect employment includes employment at supplier companies located in London. It also includes 340 FTEs associated with the labour supplied by artists' performances at GMVs.
 - Induced** impact employment totalled 250 FTEs.
- GMVs also generate close to £35m in labour income for venue employees, artists and London-based workers in other industries.
 - This labour-income impact includes £7.6m in wages (i.e. **direct** impact) paid to venue employees.
 - The **indirect** impact labour income (£20.6m) includes wages earned by employees at supplier companies as well as the net earnings of artists performing at GMVs (after deducting a portion for their music-business costs).
- GMVs generate £63.4m in GVA for the London economy. This includes the labour income earned by venue employees and artists' net earnings (i.e. payments for performances after deducting music-business costs).
- GMVs generate £30.6m in tax revenue for all levels of government.
 - The direct impact tax revenue of £17m includes £5.7m in VAT on ticket sales, £7.3m in VAT on beverage/food sales, **£2.8m in business rates** and £1.3m in other taxes (i.e. Income Tax + National Insurance + VAT [on venue employees' spending] + Council Taxes + Corporation Taxes).

Table 4: Direct impact taxes

Amount (£)	
VAT on ticket sales	5,666,667
VAT on food/beverage	7,308,201
GMV business rates	2,755,854
Other taxes*	1,294,765
Total	17,025,487

Source: Nordicity estimates based on data from MVT, BBPA, ONS and HMRC.

* Includes estimates of Income Tax, National Insurance Contributions, Corporation Tax and Council Tax.

6. Spillover Impact: Audience Spending outside Venues

- As noted in the methodology, in addition to the direct, indirect and induced economic impacts of the GMVs, there is a spillover impact resulting from audiences' spending outside of venues both prior to and after a gig.
- As noted above, for every £10 that audiences spend on tickets for GMV gigs, they spend an additional £12 on beverage/food outside venues either immediately before or after the gig.
- Based on ticket sales of £34m, this spillover spending amounts to an estimated £40.5m and generates 660 FTEs of employment within the London economy as well as £15.5m in labour income and £28.4m in GVA.
- This spillover spending also yields £11.9m in tax revenue for all levels of government.

Table 5: Summary of spillover impact of GMVs in London

	Direct	Indirect	Induced	Total
Employment (FTEs)	350	200	110	660
Labour income (£)	6,504,132	5,860,047	3,183,855	15,548,035
GVA (£)	9,379,229	13,362,595	5,685,456	28,427,279
Tax revenue (£)	9,269,259	1,813,061	771,413	11,853,732

Source: Nordicity estimates based on data from MVT, BBPA, ONS and HMRC.

7. Overall Contribution of GMVs to London's Economy

- To calculate the overall economic contribution of GMVs and their impact on other bars, pubs, and restaurants, the direct, indirect and induced impacts of both the venues and the spillover effect can be summed to arrive at an estimate of the **overall contribution** of GMVs to London's economy.
- On an overall basis, GMVs generate over 2,200 FTEs of employment, £50.8m in labour income and £91.8m in GVA for London's economy.

Table 6: Summary of overall contribution of GMVs in London

	Direct	Indirect	Induced	Total
Employment (FTEs)	760	1,140	360	2,260
Labour income (£)	14,100,276	26,462,459	10,283,374	50,846,108
GVA (£)	18,921,887	54,530,782	18,363,167	91,815,836
Tax revenue (£)	26,294,745	12,174,926	3,962,341	42,432,013

Source: Nordicity estimates based on data from MVT, BBPA, ONS and HMRC.

- This overall economic contribution also yields £42.4m in tax revenue for all levels of government. It includes £26.3m in direct-impact tax revenue, which consists of £5.7m in VAT on ticket sales, £14.1m in VAT on beverage/food sales, **£4m in business rates** and £2.7m in other taxes.

Table 7: Overall direct impact taxes

	Amount (£)
VAT on ticket sales	5,666,667
VAT on food/beverage	14,054,233
Business rates	4,006,490
Other taxes*	2,567,355
Total	26,294,745

Source: Nordicity estimates based on data from MVT, BBPA, ONS and HMRC.

* Includes estimates of Income Tax, National Insurance Contributions, Corporation Tax and Council Tax.