

Fiscal Research Program

THE COMMERCIAL MUSIC INDUSTRY IN ATLANTA AND THE STATE OF GEORGIA AN ECONOMIC IMPACT STUDY

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The Commercial Music Industry in Atlanta and the State of Georgia: An Economic Impact Study

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The Commercial Music Industry in Atlanta and the State of Georgia: An Economic Impact Study

Executive Summary

This study was prepared to ascertain the magnitude of the commercial music industry's economic impact on Atlanta and its surrounding areas. The report was funded by a grant from the Georgia Film, Video and Music Office.

During the last decade, Atlanta witnessed a substantial growth in the number of music recording establishments, record labels and other professional services connected with the commercial music industry. Companies such as LaFace Records, So So Def Recordings, Hitco Music Publishing, Dallas Austin Recording Projects and Sony Music ATV established home offices in Atlanta during the 1990's.

The State of Georgia has a long and celebrated history of commercial music production and culture. Georgia has a rich lineage of Rhythm & Blues, Country, Rock n' Roll and Rap artists that have forged an undeniable impression on the national music psyche. Through the years, Georgia has been the birthplace and home to many icons of the music industry including: Ray Charles, Johnny Mercer, Otis Redding, Ray Stevens, James Brown, Gladys Knight, Ronnie Milsap, Lena Horne, Curtis Mayfield, Isaac Hayes, Trisha Yearwood, Alan Jackson, Chet Atkins and Travis Tritt, to name a few.

Atlanta serves as the southeastern hub for the commercial music industry. The five major pre-recorded music distributors in the country service the entire southeast region from their Atlanta branches. Priorities for which products will be sold throughout the region (with exceptions for indigenous music in Florida, Tennessee and Louisiana) are based in part on sales trends and music consumers' tastes in Atlanta.

Atlanta dominates regional radio, setting the agenda for what music is played and consequently consumed throughout the region. Atlanta's radio market ranks 11th nationally with an estimated population of 3,617,400 listeners. Radio programmers throughout the region review play lists of Atlanta broadcast stations to determine which songs should be added to their own rotations.

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Atlanta is home to an astonishingly diverse and talented bevy of recording stars. Major recording artists and producers that make Atlanta their home include: Jermaine Dupri, R.E.M., Elton John, Peabo Bryson, members of TLC, Usher Raymond, 112, the B-52's, Dallas Austin, Jagged Edge, Montel Jordan, Kelly Price, Monica Arnold, Daryl Simmons, L.A. Reid, Lil' Bow Wow, Too Short, Babbie Mason, Luther Barnes, Indigo Girls, Shawn Mullins, John Mayer, Arrested Development and Ludacris.

The music industry in the State of Georgia includes some 1,074 establishments, of which a significant number are recording studios. In total, recording studios provide employment for an estimated 1,193 Georgians and generate an estimated \$107.5 million in sales.

There are over 300 recording facilities to support the artists and labels that record in Atlanta. There are several nationally-renowned, first class studios that regularly record projects for major labels. Several Atlanta studios have been awarded Grammys, American Music Awards, Emmys and Oscars for their contributions to stellar music and film recordings.

Atlanta has several premier venues for showcasing live talent. From the historically significant Fox Theater to the newest clubs along Peachtree Road, Atlanta presents artists with a variety of performance locations. Several major concert and conference events are held annually in Atlanta. Perhaps the most noted is the Music Midtown festival. Music Midtown boasts to host more than 300,000 concertgoers and 120 performing acts including both signed and unsigned bands during the three-day event.

We estimate the total net annual economic impact of the music industry in the State of Georgia to be \$989.5 million, with approximately \$1.9 billion in gross sales, 8,943 jobs created and \$94.7 million in tax revenues generated.

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1. Introduction

1.1 Objectives of the Study

This study was prepared to ascertain the magnitude of the commercial music industry's economic impact on the State of Georgia. The report was funded by a grant from the Film, Video and Music Office of the Georgia Department of Industry, Trade, and Tourism.

During the last decade, Georgia has seen a tremendous growth in entertainment-related businesses and events. During the 1990's several key events helped to position Atlanta as an international center for art, tourism and commerce, including events such as the 1994 and 1999 Super Bowls, several major league baseball playoffs and World Series and the 1996 Olympic Games. During the same period, Atlanta also witnesses a substantial growth in the number of music recording establishments, record labels and other professional services connected with the commercial music industry. Companies such as LaFace Records, So So Def Recordings, Hitco Music Publishing, Dallas Austin Recording Projects, Silent Partner Productions and Sony Music ATV established home offices in Atlanta during the 1990's.

The report demonstrates the commercial music industry's significance to the state and local economy and explains how the industry has affected the growth of Georgia's music culture. We explore what we perceive to be the strengths and weaknesses of Georgia's music industry and identify opportunities for expansion of the indigenous industry and attraction of foreign industry to locate offices in Atlanta.

1.2 Outline of the Study

We first highlight historical and recent achievements by Georgians and the local music scene. There is a proud lineage of artists and businesses that have lived or operated in Georgia, and several recent events have catapulted Atlanta into the stratosphere of musically and culturally elite cities. The presence of several major record labels, many recording artists, and entertainment producers has created a

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strong infrastructure to support the local commercial music industry. Using Standard Industrial Classification codes (SIC), we then ascertain the current size of Georgia's commercial music industry. We report the size of the industry in terms of number of commercial music establishments, number of jobs created, payroll, gross receipts and growth since 1990. The methodology section explains the data collection process and sources and gives our rationale for how we chose classifications to include in the study. Based on these findings we then report the estimated impact the commercial music industry has on Georgia's economy in terms of output, employment, income and tax revenues. We find the total net annual economic impact of the music industry in the State of Georgia to be \$989.5 million, with approximately \$1.9 billion in gross sales, 8,943 jobs created and \$94.7 million in tax revenues generated.

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2. Highlights of Atlanta's Commercial Music Industry

The state of Georgia has a long and celebrated history of commercial music production and culture. Georgia has a rich lineage of Rhythm & Blues, Country, Rock n' Roll and Rap artists that have forged an undeniable impression on the national music psyche. Through the years, Georgia has been the birthplace and home to many icons of the music industry including: Ray Charles, Johnny Mercer, Otis Redding, Ray Stevens, James Brown, Gladys Knight, Ronnie Milsap, Lena Horne, Curtis Mayfield, Isaac Hayes, Trisha Yearwood, Alan Jackson, Chet Atkins and Travis Tritt, to name a few.¹

In addition to a formidable who's who list of rock and rap stars, Georgia also maintains a substantial support industry for the production of commercial music. The majority of this industry is focused in and around the metropolitan area of Atlanta. There are more than 300 recording facilities that produce commercial music and broadcast elements located in Atlanta (Figure 1).

Georgia has several premier venues for showcasing and performing live music, major pre-recorded music distributors, a few commercial music education programs, and a plethora of professional services such as music publishing, entertainment lawyers, artist managers and musical equipment manufacturing, leasing and repair.

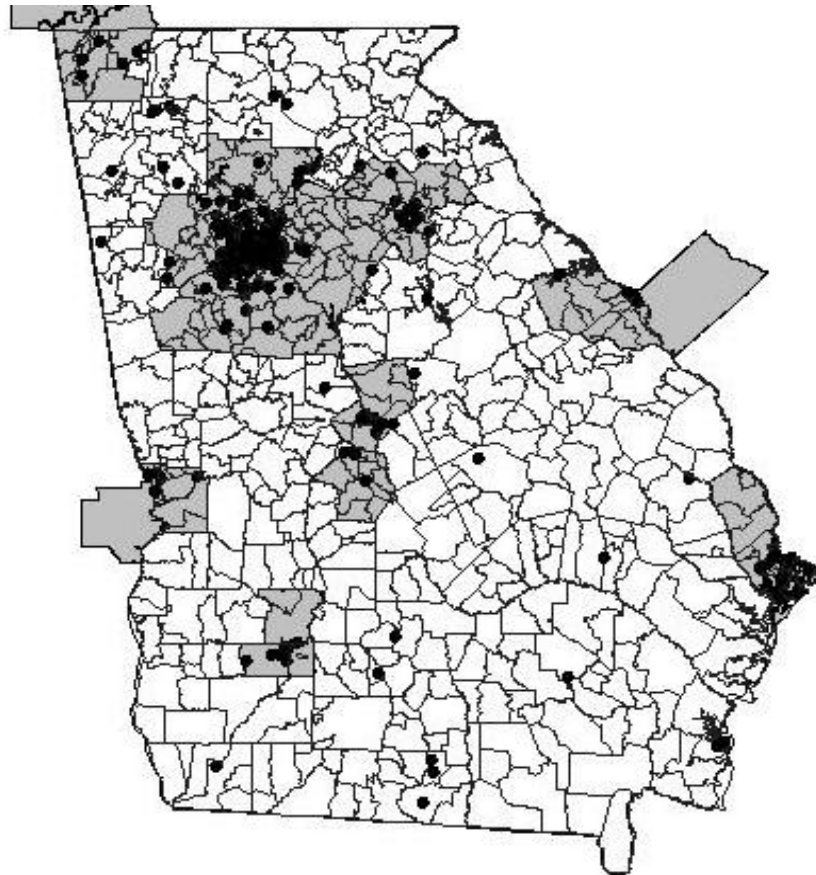
Because Georgia is home to so many producers of commercial music, the City of Atlanta harbors regional offices of the United States' two major performing rights societies, The American Society of Authors, Composers and Publishers (ASCAP) and Broadcast Music, Inc. (BMI). The city also serves as home to the Atlanta Chapter of the National Academy of the Recording Arts and Sciences (NARAS).²

¹ Georgia Music Hall of Fame, accessed at <http://www.gamusichall.com/>.

²ASCAP and BMI license the public performance of songs and compositions on behalf of members/affiliates. They also collect and disburse royalty payments in connection with such performances featured in radio, television, jukeboxes, restaurants, arenas, etc. NARAS is best known for presenting the annual Grammy awards.

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FIGURE 1. SPATIAL DISTRIBUTION OF GEORGIA RECORDING STUDIOS



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2.1 The Regional Significance of Georgia's Commercial Music Industry

Atlanta serves as the southeastern hub for the commercial music industry. The city is very accessible due to its geographic location, major ground transportation arteries and Hartsfield International Airport. The five major pre-recorded music distributors in the country service the entire southeast region from their Atlanta branches.³ At least one of the major distributors defines the southeast as a nine-state region including North Carolina, South Carolina, Georgia, Tennessee, Alabama, Florida, Mississippi, Kentucky and Louisiana.⁴ Priorities for which products will be sold throughout the region (with exceptions for indigenous music in Florida, Tennessee and Louisiana) are based in part on sales trends and music consumers' tastes in Atlanta.

Atlanta dominates regional radio, setting the agenda for what music is played and consequently consumed throughout the region. Atlanta's radio market ranks 11th nationally with an estimated population of 3,617,400 listeners. Of this total, 1,027,700 are African-American.⁵ At 28.4 percent of the city's total listening population, Atlanta's urban radio scene is one of the strongest in the nation. Atlanta ranks fourth behind New York, Chicago and Washington D.C. in the number of African-Americans in the total listening population. Radio programmers throughout the region review play lists of Atlanta broadcast stations to determine which songs should be added to their own rotations.

Due to its Atlanta's importance to regional distribution and radio exposure, most recording artists include Atlanta as a major tour stop and many entertainment-related businesses have made Atlanta their home.

³ At the time of this report, the five major distributors are WEA, Sony, BMG, Universal and EMD.

⁴ Personal interview with Colin Morrison, Urban Product Development Coordinator, BMG (July 2002).

⁵ Arbitron Radio Ratings and Media Research Information, accessed at <http://www.arbitron.com>.

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2.2 Major Talent

Georgia is home to an astonishingly diverse and talented bevy of recording stars. From the high-profile club district Buckhead to Midtown, Decatur and Stone Mountain major recording artists from genres as diverse as rap, rock, rhythm and blues, jazz and pop can be found working in coffee houses, clubs, theatres and studios.

Grammy-Award-winning producer and record mogul Jermaine Dupri is an Atlanta native. Dupri is responsible for writing and producing hit records for acts including Mariah Carey, Monica, Usher, TLC, Aretha Franklin, Alicia Keys, Da Brat and Jagged Edge. Dupri started his music industry career at the age of 12 as a backup dancer for the then rap group Whodini and at the age of 19, Sony Music gave him 3 million dollars to start his own record label, So So Def Recordings.⁶

Seven-time Grammy nominee India Arie calls Georgia's Stone Mountain home. Arie, a Motown recording artist, developed a strong fan base in and around Atlanta by appearing regularly at clubs and performing her unique brand of mellow acoustic soul. She worked with a local record label/management company Groovement/Earthseed to create awareness of her music. After touring with the all-female musical show Lilith Fair, she was discovered and signed to a major recording contract.⁷

Multi-platinum⁸ recording artist R.E.M has been based in Athens, Georgia since the 1980's and they continue to be a driving force behind the college town's bustling live music scene. The local scene provides a haven for alternative pop/rock bands looking to develop live presentations of their works and a substantial fan base.

⁶ Murray, Sonya, "Instructions On life As A Music Mogul (From One Who Would Know)," *Atlanta Constitution* Oct. 30, 2001.

⁷ Murray, Sonya, "India Rising: Atlanta Singer Leaps From Obscurity To Grammy Glory," *Atlanta Journal and Constitution*, Feb. 24, 2002.

⁸ The Recording Industry Association of America is the representative organization of most major recording labels in the United States and certifies sales of albums in terms of "Gold" or "Platinum" status. Gold status refers to sales of 500,000 units or more up to 1,000,00 at which time platinum status is conferred.

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Another Georgia-based artist familiar with Grammy Awards and multi-platinum album sales is the hip hop duo Outkast. The duo has created a signature blend of hip hop and soul that has heavily influenced many other rap artists and spurred a sub-category of rap music coined “Dirty South” rap. The Arista Records recording duo also operate a record label and recording facility called Stankonia.

Other major recording artists and producers that make Georgia their home include: Elton John, Peabo Bryson, members of the group TLC, Usher Raymond, 112, the B-52’s, Dallas Austin, Jagged Edge, Montel Jordan, Kelly Price, Monica Arnold, Daryl Simmons, L.A. Reid, Lil’ Bow Wow, Too Short, Babbie Mason, Luther Barnes, Indigo Girls, Shawn Mullins, John Mayer, Arrested Development, Atlanta Symphony Orchestra and Ludacris.

2.3 Major Record Labels

In 1989, then Arista Records president, Clive Davis signed a joint-venture agreement with Antonio “L.A.” Reid and Kenny “Babyface” Edmonds to form LaFace Records. Immediately, LaFace went to work creating a signature sound that characterized urban music throughout the 1990’s. The label was responsible for producing and promoting the artistic talents of Toni Braxton, TLC, Usher, Outkast, Goodie Mob, Az Yet, Shanice Wilson, Tony Rich, Sam Salter, Donell Jones and Pink. LaFace was also instrumental in mentoring and highlighting the production skills of music producers such as Jermaine Dupri, Dallas Austin, Organized Noise, the Dungeon Family, Shekspere, and Red Zone Entertainment. The label also helped to foster several smaller labels such as Bystorm Entertainment and Ghetto-Vision. Reid, along with a handful of other record executives is largely responsible for placing Atlanta at the forefront of the national urban music scene.

During its stay in Georgia, LaFace Records was a driving force behind the explosion of entertainment-related businesses that located to the state, and in particular, the City of Atlanta. Upon LaFace’s arrival, ancillary businesses such as photographers, recording studios, production companies, music publishers, artist managers, tour support companies, event planners, promoters, live venues,

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entertainment attorneys and accountants flourished. The success of the label attracted many aspiring talents who wanted major label access without the expense and competition associated with New York and Los Angeles. Although LaFace Records sold its interests to its parent company in early 2000 and left Georgia for New York, it left behind a very capable infrastructure now in need of a major outlet.

Jermaine Dupri's So So Def Recordings recently celebrated its 10th anniversary. In one decade the label has launched the careers of Kris Kross, Da Brat, Jagged Edge, Lil' Bow Wow, Xscape and Fundisha. The success of Dupri's label, powered by his savvy marketing techniques and ability to identify and deliver what the public wants, has kept the dream of having a major record label in Georgia alive in the wake of LaFace's departure.

Other major labels that have operated from Georgia include Def Jam South, Dallas Austin's Freeworld Entertainment, and Melisma Records. In February, 2002, a privately held German company, International Development Fund was to provide 11 million dollars to Anthony "Cheapo" Kirkland to form Kirkland Media, LLC.⁹ Kirkland's plans are to open the largest recording studio in the southeast, a record label, management company and distribution company. The reported deal makes Kirkland Media, LLC the third largest record label in Georgia behind So So Def and Def Jam South. Several large independent labels have also operated from Georgia including: Capricorn Records (now Velocette Records), Ichiban Records and Evander Holyfields's Real Deal Records.

2.4 Recording Studios and Record Distribution

There are over 300 recording facilities to support the artists and labels that record in Georgia. Many of these are smaller production studios have reasonable rates that an upstart independent artist can afford. There are also several nationally-renowned, first class studios that regularly record projects for major labels. Some of these facilities include: Doppler Studios, Tree Sound Studios, Crawford Communications, DARP Studios, Silent Sound Studios, Southern Tracks, and

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Southern Living At Its Finest Studios. Several Georgia studios have been awarded Grammys, American Music Awards, Emmys and Oscars for their contributions to music and film recordings. As shown in Figure 1, Georgia's recording studios are concentrated largely in and around the Atlanta metropolitan area.

Although it varies from year to year, major labels represented by the Recording Industry Association of America (RIAA) account for 80-90 of music releases sold in the United States.¹⁰ Currently, there are five distributors that handle all of the major record labels: Sony, BMG, Universal, EMI and WEA. The distributors are largely responsible for marketing and promoting records at the retail level and assisting the record labels with radio and street level promotion. Each of the five major distributors operates a branch office in Atlanta that is typically responsible for territories throughout the southeast. The branch offices are a direct link between their representative labels, which are usually in New York or Los Angeles, and consumers throughout the region. The branch distributors expose consumers in their regions to new records and artists by coordinating advertising campaigns, promotional appearances and live shows.¹¹

2.5 Venues and Events

Georgia has several premier venues for showcasing live talent, all of which are located in Atlanta. From the historically significant Fox Theater to the newest clubs along Peachtree Road, Atlanta presents artists with a variety of performance locations. Venues large enough to host major artists such as Whitney Houston or Michael Jackson are limited to Atlanta's Philips Arena or Turner Field. However, there are many venues suitable for concerts by mid-level and new artists such as the brand new 13,000 seat Gwinnett Center, The Tabernacle (formerly House of Blues), The Fox Theatre, the Atlanta Civic Center, Hi Fi Buys Amphitheater, Chastain Park, Centennial Olympic Park and the Roxy Theater. Atlanta also features dozens of

⁹ Lovel, Jim, "Hip-hop Incorporated" *Atlanta Business Chronicle*, Feb. 22-28, 2002.

¹⁰ RIAA. Accessed at <http://www.riaa.com/>.

¹¹ Hall, Charles and Frederick Taylor, *Marketing In The Music Industry*, 3rd Edition (Boston, MA: Pearson Custom Publishing).

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clubs and martini bars where new underground artists are spotlighted such as the Velvet Room, Apache Café, World Bar, the Show Bar, the Cotton Club, 1150, Red Light Café, Smith's Olde Bar, Eddie's Attic, Masquerade and Celebrity Rock Café.

Several major concert and conference events are held annually in Atlanta. Perhaps the most noted is the Music Midtown concert festival held each spring. Music Midtown hosts more than 300,000 concert-goers and 120 performing acts including both signed and unsigned bands during the three-day event.¹² Other major concert festivals in Atlanta include: the Atlanta Jazz Festival, the Sweet Auburn Festival and the Montreaux Jazz Festival. The Atlantis Music Conference is a combination of concerts and educational conferences held summer. During the three-day conference, registrants attend informative panel discussions and workshops held by industry professional from around the world. Record executives and conference attendees (attendance reached an estimated 2,000 people summer 2002)¹³ also saw more than 200 artists perform in more than one dozen area nightclubs. Atlantis features performances by artists representing all genres of music including rock, rap, pop, rhythm and blues, Americana and Gospel.

2.6 Commercial Music Education

The Atlanta Chapter of the Recording Academy is the eighth largest chapter in the country with a current total membership of 730. The chapter sponsors several educational events annually, including Grammy in the Schools, which brings 500-800 high school students to meet with industry professionals for a day-long conference that explores career and education options in the record industry.

Those who are interested in a more formal education in the commercial music industry may choose to attend one of several area colleges and universities that offer degree programs or courses in music business and sound recording. Georgia State University's School of Music has one of the nation's longest standing commercial music programs. Established in the 1970's, the Music Technology and Management

¹² Music Midtown. Accessed at <http://www.musicmidtown.com/>.

¹³ Atlantis Music. Accessed at <http://www.atlantismusic.com/>.

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program offers students a choice of either a Bachelor of Science in Music Management or a Bachelor of Music in Sound Recording. The program educates future commercial music professionals in the areas of marketing, promotion, copyright, publishing, artist management, midi production, sound recording and editing.¹⁴ Other Georgia schools that currently offer courses in commercial music business include Morris Brown College and The Music Business Institute of Atlanta.

¹⁴ Ware, Tony, "Get Schooled, URB's College Special: The Top 10 U.S. Schools and Scenes" Sept. 2002.

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3. Economic Impact of Georgia's Music Industry

This section of the report provides information on the size of the music industry in Georgia (its direct economic impact) and presents results from the input-output analysis. Section 3.1 describes the music industry as we have defined it for this study. Section 3.2 presents results from the economic impact analysis. A description of data sources and methodology is presented in the Appendix of this report.

3.1 The Music Industry Defined

We identified relevant industries by Standard Industrial Classification (SIC) code (1987 revision).¹⁵ These industries include not only commercial music production, but also manufacturing enterprises, wholesalers and retailers, repair shops, and schools that serve a music-related clientele. Only the subcategories (6-digit SIC) that are specifically related to the music industry were considered. For example, we included only three of the 100 industries aggregated into SIC code 7389, Business Services, NEC (not elsewhere classified). Excluded from this list are retail establishments that sell pre-recorded music, although we do include manufacturers and wholesalers of pre-recorded music.

3.2 Economic Impact of the Commercial Music Production Industry

As shown in Table 1, the music industry in the State of Georgia includes some 1,074 establishments, which generate roughly \$1.9 billion in gross sales annually. Most noteworthy is that Georgia has 309 recording studios (SIC 7389-47), most of which are relatively small, employing between one and nine people and generating less than \$1,000,000 in sales every year. By our estimates, the average of these establishments employs 3.86 employees (including the owner-manager) and

¹⁵ The SIC was developed in order to classify establishments by type of economic activity in which they are engaged and for promoting uniformity and comparability in the presentation of statistical data collected by numerous agencies. The North American Industry Classification System (NAICS) is an alternative system produced jointly by Canada, Mexico, and the United States.

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TABLE 1. SIZE OF THE MUSIC INDUSTRY IN GEORGIA

Primary SIC Code	Industry	Establishments	Employees	Sales /a/
2741	Miscellaneous Publishing	30	149	38.5
2741-04	Music Publishers	30	149	38.5
2741-13	Music – Printers and Engravers	0	0	0
2741-20	Music – Sheet – Manufacturers	0	0	0
2759	Commercial Printing, NEC	0	0	0
2759-20	Music – Manuscript Reprod – Mfrs	0	0	0
3651	HH Aud & Vid Equip Rec – Sound/Video	8	107	39.5
3651-01	Equipment/Supplies – Manufacturers	0	0	0
3651-02	Loud Speakers – Manufacturers	0	0	0
3651-03	Sound Systems and Equip – Mfrs	8	107	39.5
3651-15	Amplifiers – Manufacturers	0	0	0
3652	Pre-Recorded Music	7	220	46.0
3652-01	Records – Phonograph – Manufacturers	0	0	0
3652-03	Video Tapes & Discs – Manufacturers	1	7	1.8
3652-04	Recs Tapes Discs – Equip/Sup – Mfrs	4	23	5.5
3652-05	Publishers – Audio	0	0	0
3652-06	Compact Discs – Manufacturers	0	0	0
3652-98	Phonograph Record / Prerec Tape – Mfrs	2	190	38.8
3931	Musical Instruments	6	192	39.3
3931-01	Musical Instr – Sup & Access – Mfrs	1	3	0.3
3931-02	Musical Instruments – Manufacturers	4	187	38.8
3931-03	Organs – Manufacturers	1	3	0.3
3931-04	Pianos – Manufacturers	0	0	0
3931-05	Violin Makers	0	0	0
3931-98	Musical Instruments – Manufacturers	0	0	0
5065	Electronic Parts & Equipment	12	80	85.3 /a/
5065-03	Rec Stud Equip – Sound/Video – Whol	8	25	27.8
5065-07	Sound Sys & Equip – Wholesale	0	0	0
5065-08	Tapes – Wholesale	4	55	57.5
5065-33	Recs – Phon – Mfrs Equip/Sup – Whol	0	0	0
5065-49	Tapes – Sound & Vid – Unrec – Whol	0	0	0
5099	Durable Goods, NEC	14	418	661.3 /a/
5099-09	Records Tapes & CDs – Wholesale	12	400	650.0
5099-10	Musical Instruments – Wholesale	1	3	3.8
5099-14	Piano Supplies & Parts – Wholesale	0	0	0
5099-18	Instrument Cases – Wholesale	0	0	0
5099-27	Musical Instr – Sup & Access – Whol	1	15	7.5
5099-28	Pianos – Wholesale	0	0	0
5112	Stationery and Office Supplies	0	0	0 /a/
5112-30	Music Writers Supplies – Wholesale	0	0	0
5734	Comp and Comp Hardware Stores	0	0	0 /a/
5734-10	Computer Music Products	0	0	0
5736	Musical Instrument Stores	328	1,666	265.8 /a/
5736-01	Pianos – Used	0	0	0
5736-02	Pianos	37	167	26.3
5736-03	Organs	10	54	7.0
5736-04	Violins	1	7	1.8
5736-05	Amplifiers	0	0	0
5736-06	Accordians	0	0	0

Table 1 continues next page...

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TABLE 1 (CONTINUED). SIZE OF THE MUSIC INDUSTRY IN GEORGIA

Primary SIC Code	Industry	Establishments	Employees	Sales /a/
5736	Musical Instrument Stores (cont.)			
5736-07	Musical Instr – Supplies & Accessories	9	32	5.3
5736-08	Musical Instruments – Dealers	189	1,179	186.5
5736-09	Music Dealers	82	249	39.0
5736-10	Microphones	0	0	0
5736-11	Guitars	0	0	0
5736-12	Megaphones	0	0	0
5736-13	Organs – Supplies & Parts	0	0	0
5736-14	Music Rolls	0	0	0
5932	Used Merchandise Stores	0	0	0 /a/
5932-12	Music Instruments – Used	0	0	0
7359	Equipment Rental and Leasing, NEC	3	8	1.3
7359-36	Musical Instruments – Rental	3	8	1.3
7359-87	Music – Rental	0	0	0
7922	Theatrical Producers (Exc Motion Pic)	7	50	5.3
7922-02	Opera Companies	2	38	4.0
7922-13	Concert Bureaus	5	13	1.3
7922-21	Music Composers' Agents	0	0	0
7929	Bands, Orchestras, and Actors	90	463	78.3
7929-01	Orchestras and Bands	20	229	43.0
7929-02	Singing Telegrams	1	3	0.3
7929-03	Entertainers – Music	31	99	14.8
7929-06	Musicians	38	132	20.3
7929-09	Music Shows	0	0	0
7929-11	Music – Dance – Pre-recorded	0	0	0
7929-16	Drum Corps	0	0	0
8299	Schools and Educational Services, NEC	113	478	43.3
8299-15	Music Instruction – Vocal	11	28	2.8
8299-18	Music Instruction – Instrumental	102	451	40.5
8299-36	Music Colleges & Music Teachers	0	0	0
8299-38	Music Workshops	0	0	0
8699	Membership Organizations, NEC	0	0	0
8699-22	Music Societies	0	0	0
8999	Miscellaneous Services, NEC	12	72	8.5
8999-21	Music Arrangers and Composers	12	72	8.5
8999-27	Music Copyists	0	0	0
8999-52	Music – Foreground	0	0	0
Total		1,074	5,568	1,464.6

/a/ In measuring the economic impact, we do not use sales figures for wholesale and retail industries because they are not reflective of industry "output." Instead we estimate output based on the number of employees.

NOTE: Columns may not sum to totals due to rounding.

generates \$347,896 in annual sales. In total, recording studios provide employment for an estimated 1,193 Georgians and generate an estimated \$107.5 million in sales.

After recording studios, the next largest category in terms of *commercial music production* is Orchestras and Bands (SIC 7929-01), which employs an estimated 229 people in the state and generates roughly \$43.0 million in sales.

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Establishments providing musicians and music entertainment generate a combined \$35.1 million in sales and employ roughly 231 Georgians.

The bulk of sales come from wholesale and retail establishments, for which sales are not a good indicator of “production” because the value of manufactured products is embodied in the sale. For example, a musical instrument manufacturer (SIC 3931) may sell a trumpet to a retailer for \$750 (SIC5736), who then sells the same trumpet to a consumer for \$1,000. We want to avoid the kind of output inflation this entails.¹⁶ The total amount of sales for music-related wholesale and retail establishments in Georgia is over \$1 billion.

To estimate production, or output, for music-related wholesale and retail establishments we look at the number of employees. Based on aggregate data from the trade industry, wholesale establishments create \$113,975 for every employee, on average, while retail establishments generate \$42,528 in output per employee. Estimates of output for wholesale and retail industries are provided in Table 2. We estimate that \$1,012.4 million in sales generates \$127.6 million in output, or that every dollar in sales yields \$0.126 in output. Total output for the music industry in Georgia is \$580.9 million, and is summarized in Table 3.

¹⁶ Theoretically, we could do this for all firms by subtracting out the value of intermediate goods, leaving us with a measure of “value-added.” We use output instead in keeping in line with standard approaches in impact analysis. Moreover data considerations would make this kind of exercise nearly impossible. We believe that sales are a reasonable measure of output for non-wholesale, non-retail firms.

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TABLE 2. ESTIMATES OF INDUSTRY OUTPUT MUSIC WHOLESALE AND RETAIL ESTABLISHMENTS

Primary SIC Code	Industry	Sales	Employees	Output (Est.)
5065	Electronic Parts & Equipment	85.3	80	9,118,000
5065-03	Rec Stud Equip – Sound/Video – Whol	27.8	25	2,849,375
5065-07	Sound Sys & Equip – Wholesale	0	0	0
5065-08	Tapes – Wholesale	57.5	55	6,268,625
5065-33	Recs – Phon – Mfrs Equip/Sup – Whol	0	0	0
5065-49	Tapes – Sound & Vid – Unrec – Whol	0	0	0
5099	Durable Goods, NEC	661.3	418	47,641,550
5099-09	Records Tapes & CDs – Wholesale	650.0	400	45,590,000
5099-10	Musical Instruments – Wholesale	3.8	3	341,925
5099-14	Piano Supplies & Parts – Wholesale	0	0	0
5099-18	Instrument Cases – Wholesale	0	0	0
5099-27	Musical Instr – Sup & Access – Whol	7.5	15	1,709,625
5099-28	Pianos – Wholesale	0	0	0
5112	Stationery and Office Supplies	0	0	0
5112-30	Music Writers Supplies – Wholesale	0	0	0
5734	Comp and Comp Hardware Stores	0	0	0
5734-10	Computer Music Products	0	0	0
5736	Musical Instrument Stores	265.8	1,666	70,851,648
5736-01	Pianos – Used	0	0	0
3736-02	Pianos	26.3	167	7,102,176
5736-03	Organs	7.0	54	2,296,512
5736-04	Violins	1.8	7	297,696
5736-05	Amplifiers	0	0	0
5736-06	Accordians	0	0	0
5736-07	Musical Instr – Supplies & Accessories	5.3	32	1,360,896
5736-08	Musical Instruments – Dealers	186.5	1,179	50,140,512
5736-09	Music Dealers	39.0	249	10,589,472
5736-10	Microphones	0	0	0
5736-11	Guitars	0	0	0
5736-12	Megaphones	0	0	0
5736-13	Organs – Supplies & Parts	0	0	0
5736-14	Music Rolls	0	0	0
5932	Used Merchandise Stores	0	0	0
5932-12	Music Instruments – Used	0	0	0
Total		1,012.4	2,164	127,611,198

/a/ We do not use sales figures for wholesales and retail industries because they are not reflective of industry “output.” Instead we estimate output based on the number of employees.

NOTE: Columns may not sum to totals due to rounding.

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TABLE 3. DIRECT IMPACT OF GEORGIA’S MUSIC INDUSTRY

Primary SIC Code	Industry	Establishments	Employees	Output
2741	Miscellaneous Publishing	30	149	38.5
2759	Commercial Printing, NEC	0	0	0
3651	HH Aud & Vid Equip Rec – Sound/Video	8	107	39.5
3652	Pre-Recorded Music	7	220	46.0
3931	Musical Instruments	6	192	39.3
5065	Electronic Parts & Equipment	12	80	9.1
5099	Durable Goods, NEC	14	418	47.6
5112	Stationery and Office Supplies	0	0	0
5734	Comp and Comp Hardware Stores	0	0	0
5736	Musical Instrument Stores	328	1,666	70.9
5932	Used Merchandise Store	0	0	0
7359	Equipment Rental and Leasing, NEC	3	8	1.3
7389	Business Services, NEC	318	1,333	120.0
7699	Repair Shops and Related Services, NEC	126	332	33.5
7819	Services Allied to Motion Pictures	0	0	0
7922	Theatrical Producers (Exc Motion Pic)	7	50	5.3
7929	Bands, Orchestras, and Actors	90	463	78.3
8299	Schools and Educational Services, NEC	113	478	43.3
8699	Membership Organizations, NEC	0	0	0
8999	Miscellaneous Services, NEC	12	72	8.5
Total		1,074	5,568	580.9

NOTE: Columns may not sum to totals due to rounding.

In addition to the direct effect of the music industry in Georgia, there are considerable indirect and induced economic effects. We calculate these secondary effects by using multipliers, as described in the Appendix, which are provided by a computer input-output program called IMPLAN. Before doing this, we must convert 4-digit SIC sectors into 3-digit IMPLAN sectors. The SIC sectors and IMPLAN sectors correspond very well, as shown in Table 4.

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TABLE 4. SIC TO IMPLAN BRIDGE

SIC Code	Industry by SIC Classification	IMPLAN Code	Industry by IMPLAN Classification
2741	Miscellaneous Publishing	178	Miscellaneous Publishing
2759	Commercial Printing, NEC	179	Commercial Printing
3651	Household Audio & Video Equipment	370	Radio and TV Reception Sets
3652	Pre-Recorded Music	371	Phonograph Records and Tapes
3931	Musical Instruments	418	Musical Instruments
5065	Electronic Parts & Equipment	447	Wholesale Trade
5099	Durable Goods, NEC	447	Wholesale Trade
5112	Stationery and Office Supplies	447	Wholesale Trade
5734	Computer and Computer Hardware Stores	453	Furniture & Home Furnishings Stores
5736	Musical Instrument Stores	453	Furniture & Home Furnishings Stores
5932	Used Merchandise Stores	455	Furniture & Home Furnishings Stores
7359	Equipment Rental and Leasing, NEC	473	Equipment Rental and Leasing
7389	Business Services, NEC	470	Other Business Services
7819	Services Allied to Motion Pictures	483	Motion Pictures
7699	Repair Shops and Related Services, NEC	482	Miscellaneous Repair Shops
7922	Theatrical Producers (Excl. Motion Pic)	484	Theatrical Producers, Bands, Etc.
7929	Bands, Orchestras, and Actors	484	Theatrical Producers, Bands, Etc.
8299	Schools and Educational Services, NEC	497	Other Educational Services
8699	Membership Organizations, NEC	502	Other Nonprofit Organizations
8999	Miscellaneous Services, NEC	507	Acctng, Auditing, and Bookkeeping

SOURCE: Authors; IMPLAN Professional V2.0 Data Guide (1999).

In total, the \$580.9 million in direct economic activity generates an additional \$199.2 million in indirect expenditure and an additional \$209.4 million in induced expenditure (Table 5). Thus, the grand total net economic impact of the music industry in the state is \$989,494,984. The implicit output multiplier is approximately 1.70, which means that every \$1 of output by the music production industry has a \$1.70 impact on the Georgia economy.

To estimate the employment generated by the music industry (direct, indirect, and induced), we re-run the impact analysis using the employment numbers we estimated from the *ReferenceUSA* data (as shown in Table 3). By these estimates, which are reported in Table 6, the direct employment of 5,568 people in the music industry generates an additional 1,515 jobs *via* indirect expenditure and an additional 1,860 jobs through induced expenditure. The total net employment impact of Georgia's music industry is estimated to be 8,943.

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TABLE 5. OUTPUT IMPACT

SIC Code	IMPLAN Code /a/	Direct	Indirect	Induced	Total
2741	178	38,500,000	720,396	166,640	39,387,040
2759	179	0	2,955,036	379,285	3,334,322
3651	370	39,500,000	1,601,696	306,097	41,407,790
3652	371	46,000,000	2,499,520	83,651	48,583,170
3931	418	39,250,000	3,408	276	39,253,680
5065,99/5112	447	56,759,550	19,529,830	12,564,150	88,853,540
5734/5736	453	70,851,648	151,592	2,198,846	73,202,090
5932	455	0	361,128	5,236,767	5,597,894
7359	473	1,250,000	1,454,404	365,810	3,070,214
7389	470	120,000,000	6,206,296	1,568,052	127,774,400
7699	482	33,500,000	985,760	300,662	34,786,420
7819	483	0	1,908,089	1,088,435	2,996,524
7922/7929	484	83,500,000	20,863,640	505,873	104,869,500
8299	497	43,250,000	5,188	576,813	43,832,000
8699	502	0	55,912	726,339	782,251
8999	507	8,500,000	12,295,750	1,211,548	22,007,300
All Others		0	127,617,850	182,139,044	309,756,894
Total /b/		580,861,200	199,215,494	209,418,288	989,494,984

/a/ Note that only the direct numbers refer specifically to the music-related subcategories within the SIC codes listed. The indirect and induced effects reflect impacts on entire SIC categories, which are much broader. Moreover, IMPLAN categories often contain multiple SIC categories.

/b/ Rows and Columns may not sum to totals due to rounding.

TABLE 6. EMPLOYMENT IMPACT

SIC Code	IMPLAN Code /a/	Direct	Indirect	Induced	Total
2741	178	149	2	1	152
2759	179	0	17	2	19
3651	370	107	4	1	112
3652	371	220	11	1	232
3931	418	192	0	0	192
5065,99/5112	447	498	69	43	610
5734/5736	453	1,666	2	20	1,688
5932	455	0	5	69	74
7389	470	1,333	31	6	1,370
7359	473	8	4	2	14
7699	482	332	5	2	339
7819	483	0	4	4	8
7922/7929	484	513	127	1	641
8299	497	478	0	5	483
8699	502	0	1	5	6
8999	507	72	131	6	209
All Others		0	1,102	1,692	2,794
Total /b/		5,568	1,515	1,860	8,943

/a/ Note that only the direct numbers refer specifically to the music-related subcategories within the SIC codes listed. The indirect and induced effects reflect impacts on entire SIC categories, which are much broader. Moreover, IMPLAN categories often contain multiple SIC categories.

/b/ Rows and Columns may not sum to totals due to rounding.

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As a final effort we estimate the state and local tax impact of Georgia’s music industry using what is known as a social accounting matrix (SAM). This matrix is similar to the input-output matrix outlined in the Appendix (in fact the input-output matrix serves as part of the SAM), but accounts for interinstitutional transfers like tax payments, household – household transfers, payments of public assistance, interest payments, and so on. The SAM makes it possible to calculate the share of each dollar of output that is paid out in various types of taxes, fines, and fees. Using these multiplier-like figures, we can calculate state and local tax impacts, which are presented in Table 7. The state and local total tax impact of Georgia’s music industry, including indirect and induced expenditure, is roughly \$94.7 million.¹⁷

TABLE 7. TAX IMPACT COMMERCIAL MUSIC PRODUCTION INDUSTRY

	Receipts
Corporate Income Tax	1,316,021
Property Taxes	14,323,565
Sales Tax /a/	62,392,464
Personal Income Tax	8,500,473
Other Revenues	8,198,380
Total	94,730,903

/a/ Gross sales figures (\$1.9 billion) are used to calculate the sales tax impact.

¹⁷ The federal tax impact is \$107.4 million.

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4. Conclusion

Given its long and celebrated music history, its status as the home of music legends and up-and-coming stars, and its position as the music capital of the Southeast, the State of Georgia, lead by the City of Atlanta, increasingly has become an important magnet for the commercial music industry. Georgia boasts over 300 recording studios, hundreds of artists (some of whom have international fame), premier venues for performing live music, and a substantial commercial music production infrastructure. The music industry generates \$989.5 million in output annually, creating roughly 9,000 jobs and generating over \$94.7 million in tax revenues (Table 8). In addition to its substantial contribution to the state's economy, the music industry also makes Georgia a better place to work and live, which has innumerable impacts on the state's economic development strategy.

TABLE 8. NET ECONOMIC IMPACT OF GEORGIA'S MUSIC INDUSTRY

Output (\$mil)	989.5
Employment	8,943
Tax Revenues (\$mil)	94.7
Exhibit: Gross Sales (\$mil)	1,464.6
Gross Sales, including multiplier effects (\$mil)	1,873.2
Total Establishments	1,074

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Appendix

Data and Methodology

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5.1 Data Collection Process and Sources

Utilizing the *ReferenceUSA* business directory, a service of the federal government's *infoUSA* databases, we were able to collect a wealth of information on each establishment in Georgia that is included in the music industry as we define it, including company name, full address, telephone number, a range for the number of employees, and a range for the amount of sales.¹⁹

The *ReferenceUSA* business directory is a near exhaustive source for business information in that it covers so many primary sources. U.S. – wide, the database covers more than 5,600 yellow and white page telephone directories; annual reports, 10-Ks and other SEC information; federal, state, and municipal government data; chambers of commerce information; leading business magazines; trade publications; newsletters; major newspapers; industry and specialty directories; and postal service information, including change of address updates.²⁰ The information on each business in the database is telephone-verified each year, and firms with greater than 100 employees are telephone-verified at least two times per year. Given the comprehensive coverage of primary sources and telephone-verification, and that the State of Georgia currently does not have a reliable music business directory,²¹ we feel confident that the *ReferenceUSA* business directory is the best source for information on music-related establishments in Georgia.

We are able to extract much more reliable data from the *ReferenceUSA* database than we could from Census surveys, the typical resource used for data in impact studies. In doing economic impact studies, one typically is forced to roughly estimate the number of establishments, employment, and receipts from four-digit SIC data. There are a couple of problems with this. First, many establishments and data

¹⁹ The database also includes names of company officers with contact information and various other data.

²⁰ See the *ReferenceUSA* web site's FAQ page, which can be accessed at <http://www.referenceusa.com/au/au.asp>.

²¹ We did acquire the latest version (1999) of the Atlanta Music Directory; however, we were able to identify a larger number of firms in the Atlanta area using *ReferenceUSA* than were contained in the Atlanta Music Directory, which suggests that many establishments were missed in that publication.

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are not reported in government statistical data because they are sufficiently small that they either are not required to report information or are missed. Second, because the information on establishments, employment, and payroll are derived from a census taken only once every five years, the data is almost always out of date. In our case, because 2002 is a census year and the data have not been released, we would have been forced to utilize the 1997 census, and five years in Georgia's music industry is a long time. Finally, because the data is reported at the four-digit SIC code level, one would have to make an educated guess as to the proportion of the industry class that is made up of music-related businesses, and then use average values for the industry class to estimate employment and receipts. Even with a comprehensive music directory, one would still be required to estimate employment and receipts using data for the average firm in the relevant industry category (which is likely to include mostly firms that are not music-related at all). With the *ReferenceUSA* database, we are able to acquire information that is comprehensive, complete, and up-to-date.

Our only problem with the data is that it provided a range for the number of employees and amount of sales, rather than the exact figures. For example, employment categories were 1 – 4, 5 – 9, 10 – 19, and so on, while sales were < \$500,000, \$500,000 – 1,000,000, *etc.* To estimate the amount of sales, we simply took the mid-point of the range. For example, if an industry included three establishments, each with sales less than \$500,000 and 1 – 4 employees, our estimate for the industry would be \$750,000 in sales and 8 employees (rounding).

5.2 Input-Output Analysis

In calculating the economic impact of the music industry in Georgia, we make use of input-output analysis. By including in our impact calculation the indirect and induced effects of production in the music industry, the input-output analysis gives a total (and accurate) picture of the output, employment, and income generated by the music industry in the state.

To illustrate the procedure, consider a world with three industries: A, B, and C. In producing its final output, each industry utilizes some of A, B, and C as an

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intermediate input. The matrix below shows, for each one dollar of output in each industry, the amount in dollars required of all three industries as an intermediate input (in columns):

	<i>A</i>	<i>B</i>	<i>C</i>
<i>A</i>	0.1	0.2	0.4
<i>B</i>	0.2	0.3	0.1
<i>C</i>	0.4	0.2	0.3

Thus, industry A requires \$0.10 of its own output, \$0.20 of industry B output, and \$0.40 of industry C output to produce \$1.00 of final industry A output. The remaining \$0.30 is made up of capital and labor expenses. This means that every \$1.00 of demand for industry A's output generates \$1.10 in A output (the \$1 expenditure plus the \$0.10 of A required as an intermediate input), \$0.20 in B output, and \$0.40 in C output. The total economic impact of a \$1 expenditure on commodity A is thus \$1.70, not \$1.00. We would say, then, that industry A has a (type I) multiplier of 1.7: every \$100 of direct expenditure yields a \$170 impact on the economy.

It is clear that any production in industry A generates output, employment, and income in all three industries. The impact does not stop there, however, as the income earned (the remaining \$0.30 of expenditure by A spent on labor and capital) will be spent on retail goods and services, housing, *etc.*, which will generate more output, employment, and income, in those industries. In calculating the economic impact of the music industry in Georgia, we consider not only the direct effect (the \$1.00 of A), but also the indirect effects (the additional \$0.70 of inputs) and the induced effects (from expended income). A type-SAM (social accounting matrix) multiplier represents the sum of these effects, along with an accounting for inter-institutional transfers, and is used in this study to calculate the total economic impact of the music industry in Georgia.

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