

The background of the entire page is a photograph of a musician performing on stage. The musician is wearing a dark suit jacket over a light blue shirt and a white tie. They are playing a dark-colored electric guitar. The lighting is dramatic, with a strong blue hue on the left and right sides, and a warmer, yellowish light in the center. The musician's face is partially visible in profile, looking towards the right. The overall atmosphere is that of a live music performance.

BANKING ON A HIT

The Funding Dilemma for Britain's Music Businesses

BANKING ON A HIT



The Funding Dilemma for Britain's Music Business – Executive Summary

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Copies of the full report and supporting material are available free of charge from both DCMS and Kingston University's Small Business Research Centre, on the relevant web-sites and in hard copy format on request. See contact details on the last page.



BACKGROUND

The Importance of the British Music Industry

The music industry is one of Britain's biggest and most culturally significant industries, and lies at the heart of British popular culture.

It is also a great economic success story. For four decades now, Britain's music companies have been world leaders. The industry's growth has been astonishingly rapid, and now generates over 130,000 jobs, contributes £3.2 bn to the value of the UK economy and earns around £1.3 bn through exports.

The Government understands the importance of the industry, and is committed to helping the industry realise its potential for continued growth and prosperity.

The Music Industry Forum

The Music Industry Forum (MIF) was set up by DCMS in 1997, to act as a high level channel of communication between the industry and Government where key issues affecting the industry could be discussed.

The Forum has helped to identify a number of strategic priority areas where the industry and Government should work closely together. Of central importance are the issues facing small businesses (SMEs) in the music business.

SMEs in the Music Industry

Over 90% of music businesses are SMEs.

They face distinct problems which hinder their ability to grow.

Following discussion at the MIF, a specialist group was set up to look at this issue, with members drawn from across the music industry as well as from relevant government departments. The main concern of the group was the problem many SMEs face in accessing finance to fund start-ups or to fund second stage growth. The group identified problems on both the demand side and the supply side, but felt more work was needed to identify the precise nature of the problems and suggest ways in which they can be overcome.

Despite the wealth of anecdotal evidence in this area, there has been little or no published research available to date.

The anecdotal evidence suggested that music companies were not aware of the range of funding opportunities available, and possibly lacked the necessary business skills to access these funds successfully, and that the banking community has insufficient understanding of the music business and other creative industries for whom royalty income is critically important. In particular there was a concern that banks might find it difficult to reconcile their desire for a guaranteed rate of return, with a perception of the music business as being inherently high risk.

There was also a concern within the music industry that Government funded support for SMEs had been largely designed with manufacturing business in mind.

To try to address the lack of empirical evidence, the group decided to commission a project, funded by DCMS, to map finance opportunities available. Terms of reference were set by the group, and the tender for carrying out the research was awarded to the Small Business Research Centre at Kingston University.

Methodology

The research team from the Small Business Research Centre consisted of Nicholas Wilson, David Stokes and Robert Blackburn.

The research had four key areas of enquiry:

- to examine how small businesses in the music industry access finance to fund their growth;
- to examine to what extent such businesses encountered problems in accessing finance, and to explore the reasons for this;
- to estimate the extent to which this is proving to be a barrier to growth; and,
- to make recommendations to industry and Government on measures that might help overcome these problems.

Within the context of this research, the ‘music industry’ was taken to include six sectors: record production; music publishing; artist management; concert promotion; recording services; and, online music services. The aims described above required both quantitative and qualitative research methods, to measure both the range of finance options available and investigate attitudes and perceptions to them.

The research consisted of six key stages:

- a review of existing literature;
- in-depth interviews with 28 key players from both the music industry and the financial services sector;
- a telephone survey of 310 music businesses;
- case studies of seven music businesses;
- a postal questionnaire sent to 410 UK bank branches; and,
- a discussion group consisting of industry experts.