

2021 AND COVID-19: IMPACT ANALYSIS

HOW HAS THE PANDEMIC IMPACTED THE COLLECTIONS OUTLOOK IN 2021/2022?

Eighteen months after it first struck, the COVID-19 crisis is by no means over for the creative sector. It is now clear that the impact of COVID-19 will be felt long into 2022, possibly even until 2023.

The anti-COVID social distancing restrictions put in place in most countries have had long-term impacts on the live sector. They have also encouraged new practices in the digital space which have spread widely and will outlast the pandemic.

This report studies the main income sources of creators, how they have continued being impacted in 2021 and when they are expected to recover from the pandemic.

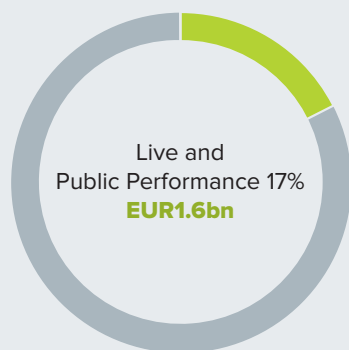
This market study is led by data and input from CISAC member societies. It cannot reflect the true impact of COVID-19 on millions of individual creators. The majority of these are low earners dependent on live and public performance income, who have suffered worse than any generalized market data will indicate.

LIVE AND PUBLIC PERFORMANCE

Live and public performance, representing 17% of all income in 2020, have felt the worst of the pandemic worldwide. These revenue streams saw their value plummet 45.4%, from EUR2.9bn to EUR1.6bn, in 2020.

Live and Public Performance

value and % of global collections
(2020)



After a year choked by lockdown, theatres and music venues have slowly started to reopen from the second quarter of 2021. But the deconfinement has often come under drastic conditions including capacity or density restrictions, track-and-trace protocols, testing regimes and COVID vaccine certification passes.

For as long as the pandemic continues, organisers will have to offer COVID-19-compliant event formats with extensive hygiene and distancing rules. This is problematic, as the model of holding limited-capacity shows is not financially viable for venues, producers and artists alike. Venues therefore depend on timely delivery of government support plans such as tax benefits, legislation and debt relief to survive.

Performers have remained severely affected by travel restrictions during 2020 and 2021. Large-scale performances, which are the main source of live music royalties for songwriters, have completely disappeared until at least the third quarter of 2021.

No quick fix for concerts and festival organisers

The hoped-for recovery in the crucial 2021 concert and festival season has largely not happened. Most big festivals were postponed for the second year running. There has been widespread ongoing uncertainty regarding the possible extension of COVID restrictions, with cancellation insurance largely unavailable for event promoters.

All aspects of cultural performance and exhibition have been affected. Most stage performances have also had to cancel rehearsals, and theatre spaces have been closed. Live-streamed events sometimes replaced them, but royalties are marginal compared to collections on live ticket sales.

Brighter prospects for live in 2022

On the positive side, surveys in 2021 indicate that the public is eager to return to live entertainment and cultural events. A surge of demand is expected in 2022, exceeding pre-pandemic levels.

A June 2021 MarketCast survey in the US reported that about half of all music fans say they are more willing to attend live music events than they were before the pandemic. The PWC Global Entertainment and Media Outlook of September 2020 forecast that the global concert industry's revenue will be USD300m higher in 2022 than in 2019.

In an address to shareholders in May 2021, the global live entertainment company Live Nation Entertainment said signs of a pent-up demand for 2022 are already visible, with shows selling out “faster than ever before”.

This worldwide catch-up of events creates its own challenges, leading to scheduling jams as artists compete to perform on the same dates in a limited supply of venues. Some tours are being planned as far as 2024.

Live streaming: consumption beats income

Live streaming of events existed before the pandemic, but addressing only a niche audience. During lockdown in 2020 and 2021, virtual events quickly replaced cancelled physical ones. Most have been home-made, with little production infrastructure, offered for free.

Many societies have supported such initiatives by providing a platform to members, or boosting distribution of royalties for live streamed acts to encourage artists. Live streaming of events is expected to continue to attract audiences even after the loosening of restrictions to physical events. New players entered the market in 2020 alongside bigger names like Twitch, Tik Tok and YouTube, as well as social media. These have opened new doors for live streaming, with many platforms offering ticketed experiences that are complementary to live events, and not replacing them.

New relationships, new audiences

Music streaming has become a regular addition to live shows. It offers a direct and personalized relationship with audiences worldwide and increases event audiences potentially without limit.

Royalties to creators from live-streamed events do not yet significantly impact on global collections by CMOs. They are in no way capable of compensating for the losses for the live sector. Live streaming tickets are usually offered at a price lower than physical live shows, and only a few major international shows have so far attracted meaningful attendances. The potential, however, is seen as substantial.

Public performance: hesitant recovery

As business premises and hospitality venues have progressively reopened through 2021, CMOs have been able to secure revenue for their members. Public performance income will only fully recover once all business premises and locations have reopened at full capacity. Tariffs are often proportional to the number of visitors or the size of the venue. The reopening with limited capacity therefore restricts full collections.

Many countries suffered a second lockdown in late 2020 and early 2021. This sudden closure of venues, after initial re-opening, brought fresh disruption to societies' invoicing and collection processes. For as long as the uncertainty over sanitary measures remains, collections from public performance will be jeopardized.

In the longer term, a more serious threat is the permanent shutdown of some businesses, and the delay before new business owners can reoccupy the venues. The impact

here is still not clear because most potential bankruptcies have so far been avoided thanks to government support. When that ends, a wave of bankruptcies is expected, with cafés and restaurants hit harder than other sectors.

Tourism decline hits hard

In many countries dependent on tourism, facilities such as hotels and restaurants represent the biggest source of public performance income. Restrictions on travel, with flight cancellations and extra border requirements, all contributed to the decline. According to a study by the European Commission¹, cultural tourism accounts for 40% of tourism in the EU.

In 2021 recovery has come slowly, but many countries were still totally or partially closed into the third quarter. International tourism is still clouded by uncertainty over potential response measures.

Cinema recovers, competes with online

During the pandemic production companies have taken widely to releasing films via OTT platforms only. Blockbuster films that traditionally attract the most viewers have seen their launch delayed to times when cinemas can be fully open again. The resulting drop in collections from cinemas could be sustained if this trend continues. Shootings and productions have managed to keep to schedule, and this resulted in an expected excess of films for release in 2021-2022. In this context, OTT platforms have ended up being a good alternative for distributors when partly or fully dormant cinemas still cannot absorb the high supply of new films. ■

¹ Special Eurobarometer 466 “Cultural Heritage”
- October 2017

BEHIND THE STATS

French singer/songwriter Barcella gives his testimony

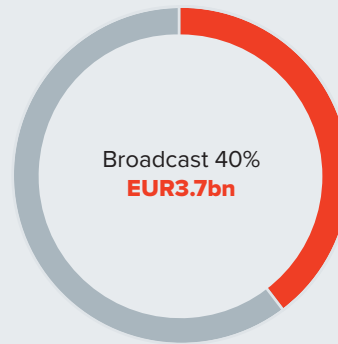


“How can you summarise the impact of this pandemic on people whose career is to create and perform for the public? COVID-19 took away our audience, cancelled our income and filled our lives with hardship and uncertainty. It struck so quickly and so completely that even the most entrepreneurial of us had to depend on support from our authors society and the government. This is not a momentary crisis – it has carried on for nearly two years, and the journey to recovery for most is not quick and easy. Venues face an uncertain future and many are unsure if they can survive. For the experienced artists, mid-career, it is bad; but for the young artist starting out, deprived of an audience, it is far, far worse.” © Charabia

BROADCAST ADAPTS TO A CHANGING LANDSCAPE

Broadcast remains the largest single source of global royalty collections, accounting for 40% of collections in 2020. Collections from TV and radio fell 4.3% from EUR3.9bn to EUR3.7bn in 2020.

Broadcast
value and % of global collections
(2020)



The pandemic has accelerated the transformation of the TV and radio sector, as broadcasters become hybrid services accessible on multiple channels (linear TV, connected TV, web, mobile app, etc).

This has stepped up the shift to digital, with broadcaster offering packages including on-demand over-the-top (OTT) content, online or in-app replay of broadcasters' content, exclusive additional content on social media, etc.

Radio hit more than TV broadcast

Radio stations have been more affected by the pandemic than TV channels. In 2020 CISAC members declared an average 7% decline in collections from radio while TV sunk only 2%. Goldman Sachs "Music in the Air 2020" report estimates that before lockdowns, 40% of music listening took place at work or in the car. But the demand for information and entertainment is robust, and advertising revenue is returning in 2021. Radio consumption has also shifted online with podcasts, filmed shows available on YouTube, and exclusive content.

Advertising more resilient than expected

Private ad-supported TV channels generate most of their revenue by the sale of advertising slots. At the start of the outbreak, there were fears of a lasting decline in advertising caused by a sustained economic crisis. In general, however, advertising has been more resilient than expected. After a 5% decline in the global TV advertising market in 2020, The Business Research Company² predicts a full recovery by 2023.

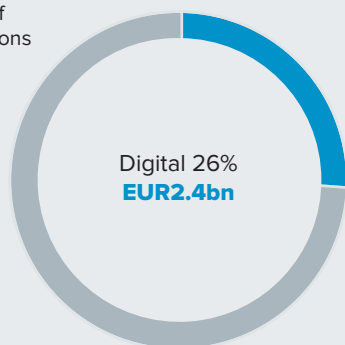
The rescheduling in 2021 of major events such as the European Football Championship, the Eurovision Song Contest, and the Olympic Games saw advertisers come back to TV. This, however, will not prevent the expected long-term year-on-year decrease in societies' collections from broadcasters. COVID-19 will likely exacerbate this existing long-term trend, while societies' digital revenues increase. ■

² The Business Research Company "TV Advertising Global Market Report 2021: COVID-19 Impact and Recovery to 2030" – May 2021

DIGITAL

2020 saw digital collections reach EUR2.4bn, rising to over a quarter of all collections. This share is likely to decrease as collections from live recover in 2022.

Digital
value and % of
global collections
(2020)



From its outbreak in early 2020, the surge in digital consumption of creative works has been one of the pandemic's biggest impacts. This has been led by video-on-demand and audio streaming.

The growth in digital does not benefit all creators equally. Societies in some markets report that digital skews in favour of international rather than local creators while, traditionally, TV and live acts feature substantial national and local content. Digital platforms, and especially the major SVOD platforms, generally feature a disproportionately high share of Anglo-American than local language repertoire. In 2019, the European Audiovisual Observatory counted an average 51% of US content on SVOD platforms in Europe, compared to 22% for national content.

Audio streaming

Music streaming is continuing its long-running upwards trend. At the end of the second quarter of 2021, Spotify reported a 20% growth of its Premium subscriber base year-on-year. But the market is approaching saturation in most developed economies. Until now, music streaming services have only focused on growing their subscriber base. In April 2021 Spotify raised its tariffs for the special plans in Europe, and other platforms are expected to follow.

Video-on-demand

Subscription video-on-demand (SVOD) services have seen exceptional growth during the pandemic. Future-source reports a 34% rise in SVOD subscriptions in 2020, but these are set to tail off to a smaller 18% growth in 2021. Growth is expected to slow down in the coming years. (See analysis, page 38)

Royalty distributions

Trends in royalty collections across all uses affect distributions in the following year.

Most societies do not expect to recover their 2019 collections level before 2022 at best. This means that creators will suffer income declines until at least 2023. To try and reduce uncertainty for creators, many CMOs have shortened the delay between collection and distribution, thus enabling more frequent distributions in a year.

The creative landscape is extraordinarily diverse, and creators are not equally exposed to the effects of the pandemic. The increased online uses of their works benefits a relatively small minority, while the majority of

creators rely on live performance and therefore have lost most of their income.

Illustrating this, French society SACEM reported that, in its July 2021 distribution, more than 50% of its members earning EUR3,000 or more saw revenues 55% below the level of one year earlier. Furthermore, digital distributions tend to decline per rightsholder as monies are distributed among an ever-growing base of rightsholders. ■

CONCLUSION

After a disastrous year for many creators in 2020, COVID-19 has continued to negatively impact incomes in 2021. Increased digital collections have partly cushioned the decline. However, within the overall trend, a disproportionately large majority of creators rely on the local uses of their works, on stage and broadcast on air. These creators have felt little or no compensation from increased digital revenues.

The reopening of cultural spaces will offer a breath of fresh air to the public and creators alike. But two years of struggle have left wounds which will take many years to heal.