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The Impact of the COVID-19 Pandemic on Musicians and the Music Industry

Justin Giordano
State University of New York - Empire State College

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Abstract

This article explores the effect of the COVID-19 pandemic on musicians and the music industry. It also describes the possible changes and evolution in the industry as the world emerges from the pandemic's devastating implications.

Keywords: COVID-19 pandemic, coronavirus, music industry, music artists, live performance, music concerts, streaming services, ticket sales, live bands, concert halls, Apple Music, Spotify, Universal Music Group, Live Nation Entertainment, Sony Music, Warner Music, music promotion, music producers, music streaming, music downloads

Introduction

The emergence of COVID-19 has had a significant effect on the worldwide economy. While the pharmaceutical and cloud security businesses, for example, have gained from the epidemic, others have lost significantly. Travel and aviation companies and resorts fall within this category. This unexpected crisis in the creative economy, notably for live shows and so many other modes of distribution and consumption, was caused by government limitations throughout the globe. Live music events, and digital and physical music marketplaces, are examined in this paper, based on the impact of the COVID-19 epidemic. In addition, this paper focuses on consumer purchasing and music consumption patterns in the aftermath of the pandemic outbreak.

The Business Model of the Music Industry

There are two key sources of revenue in the worldwide music industry, namely licensing and streaming. Over half of all income is generated by selling tickets to live concerts, which are the primary source of live music's first revenue stream. Both online downloads, streaming, and hardcopy purchases are included in the second kind of income, recorded music earnings. As a result of the increasing use of streaming platforms by music companies and customers, recorded music is now near to its pre-piracy high. Presently, more than half of the revenue produced from the sale of recorded music is derived through streaming.

The Impact of the Pandemic

The music business was caught off guard by the pandemic's first effect. Singing opera on a tiny Italian terrace is only interesting for so long, so broadcast stats were certain to skyrocket while everyone was stuck indoors. In spite of this, Spotify streaming of the greatest singles was down 11 percent by April 2020, more than six weeks after worldwide lockdown restrictions went into effect.

Live Performances

Live performance income has been the music industry's largest loss due to the coronavirus outbreak. There were several temporary closures of concert halls throughout the globe due to the COVID-19 outbreak and the ensuing severe lockdowns that numerous nations adopted. Artists in niche genres who rely heavily on live performance earnings stand to lose the most in such a circumstance, especially impacting financial stability. Even if it didn't immediately affect the economy, removing the option of physically present/live music concerts undoubtedly affected how performers and audiences related to music, our overall cultural experience, and music's role in the entertainment sphere and society as a whole. It is also important to note that the demise of live entertainment harmed not only musicians but the hundreds of individuals who work around and with them, including road crews, music producers, security staff, transportation firms, vendors, and the list goes on, not to mention the secondary and ancillary earnings derived by restaurants, bars, etc. operating within the proximity of performing venues.

One can easily argue that the confinement situation of 2020 impacted not only our experience inside the confines of the lockdown, but also our perspective of what live concerts represent in all its dimensions, social, financial, and all other aspects. Since the vast majority of traveling bands make their living by performing live, this had a direct effects on their financial well-being as well as their emotional well-being. A new audience-performer connection was possible, but certain features of that interaction had been overlooked in the new medium of live streaming music. For example, approximately 30 million people tuned in to see a Fortnite rap performance live. Since streaming rose from 9 percent to 47 percent of total income in only six years, the turmoil was expected to exacerbate structural tendencies in the music business.

Regardless of the genre or content of the show, the coronavirus pandemic wreaked havoc on concert halls around the country. As a result of the cancellation of music concerts, the U.S. entertainment industry's $26 billion in sponsored pledges for 2020 were effectively frozen. Since almost no one would profit from this "endorsement ambiguity," it was a massive waste of money. It was estimated that if all major events were to be halted for six months, the industry would lose $10 billion in revenue. This projected loss was expected to rise if additional tours were postponed in the autumn and winter months, based on the then early trend of the pandemic in the United States. In other words, if the $10 billion had been put to better use by sponsoring firms instead of sitting in empty stadiums, there would have been an enormous opportunity cost.

Sales and Streaming

With retail outlets closing throughout the United States, it was hardly unexpected that physical sales would drop by a third since the outset of the outbreak into the duration of 2020, while internet sales would drop by roughly 10 percent. This statistic was in line with the overall decline in personal spending. There is additional evidence to suggest that, as a result of coronavirus, individuals also altered their listening habits. Also, in the first quarter of 2020, Spotify highlighted a shift in consumer patterns, indicating that people were more likely to listen to music on the weekends and that tranquil music categories became and are becoming more popular.

Preliminary statistics showed a 7 to 9 percent decrease in streaming in some nations, but this precipitous decline appears to have bounced back since then. In addition, the pandemic brought an upsurge in on-demand music video streaming. The underlying causes had to do with a shift in habits. For instance, typically individuals listen to music on their drive to and from their workplace, while working out at the gym, or while engaging in such activities and in related places. Nevertheless, many if not most of these sites were shut down during the epidemic, and individuals redirected their attention to video streaming services. In other words, the pandemic impacted people's listening habits, particularly when they were listening to the news as well as when they were not.

Spending on Advertisement

Advertising budgets throughout the globe were being slashed, which also affects the music business. According to a poll by the Interactive Advertising Bureau, nearly one-quarter of media consumers and businesses had suspended all marketing for the first half of 2020. In essence, this, coupled with an estimated one-third decline in digital advertising investment, impacted the overall industry income for creators and personal income overall. In addition, due to a reduction in Spotify's advertising expenditure, the company stated that it had failed its first-quarter advertising objectives.

Distribution

An increasing number of musicians postponed the release of their albums in the year on the utility side. As already demonstrated, live music, in particular, had been severely harmed, partly because tours could not be used to advertise new albums. Live performance income was eventually deemed nearly nonexistent, reducing the industry's overall income by half as long as restrictions on mass gatherings remained in place. Over $10 billion in endorsements were predicted to be lost in the initial six-month closure, and lengthier delays were expected to be much more disastrous. Live music's growth expectations were also projected to be drastically altered due to the post-pandemic prognosis. It was believed that it would be tough to restore customer trust in the industry. Fewer than half of U.S. customers said they would return to live events, movies, sporting events, and recreational places once a vaccine had been developed. Musicians, who rely on live performances for around three-quarters of their income, were particularly hard hit given that overall the richest or most successful one percent of musicians rake in the overwhelming share of the money generated by the industry.

Furthermore, as a consequence of the pandemic, there was a decrease in the amount of music being produced and released. As a result, consumers' overall consumption and expenditure risked being substantially lowered given that music enthusiasts prioritize listening to newer releases as opposed to older ones.

The coronavirus pandemic affected even the schedules of music producers and musicians. Less important is the creation of the music itself, since much of it is now created in smaller and personal studios. Marketing is the problem in both production and releases. To succeed in the online era of music, musicians need to promote themselves, particularly those without a large fan base on traditional social media. Among the primary methods to promote their new album, touring was and still is a major component of the launch schedule for many musicians. Nevertheless, as discussed previously herein, artists were forced to postpone their tour dates, for what then seemed indefinitely, making it difficult for record companies to plan their release promotional strategies.

When promoting an artist, the problem becomes much more fundamental. Consider late-night television, particularly. As per Nielsen ratings, media appearances by musicians are most effective in the initial eight to twelve weeks after a single or album is released. Most artists, however, choose to do it sooner. Artists who want to get exposure via television are not the only ones affected by the difficulties that were brought on by the pandemic. Even pop-up product shops are a typical way for bands to promote themselves outside traditional media outlets. Artists and acts that don't have a large online audience, and musicians who get the most of their money from selling physical copies, are particularly vulnerable when these live and other venues vanish. Advertising and marketing are also part of a promotional campaign. Many media companies decided to suspend their advertising campaigns for the first six months of the pandemic, with an additional 46 percent substantially downsizing their ad budgets. However, COVID-19's impact on the release dates of aspiring musicians who rely heavily on social media were less impacted by the above.

Public-Private Assistance Programs for Artists and Their Teams

The business sector banded together to help those whose earnings had been most adversely impacted by the epidemic. Live Nation Entertainment, Universal Music Group, and streaming corporations like Apple Music, Amazon Music, Spotify, YouTube Music, TIDAL, and numerous others contributed to this effort. In addition, numerous operators established methods that let customers make direct contributions to charities of their choosing; additional examples were interest-free loans on royalties for situations of hardship arising from interruptions in album and live events production.

The public administration, too, took action. It's estimated that governments throughout the globe spent billions of dollars on relief plans for sectors and people impacted by the turmoil. There were no specific incentives for the music business in these stimulus packages. However, most of them did include some funding for the media, the arts, and the employees impacted by the recession.

Innovative Methods to Connect with Fans

The music industry, however, retaliated with novel strategies and new methods to commercialize music consumption. Numerous venues allowed live broadcasting of shows and artists to become more efficient at communicating with their fan base. Individualized contact with fans, which had already been underway prior to the pandemic, accelerated. Therefore it's no longer uncommon for musicians to communicate directly with their followers through sites such as Instagram, Twitch, etc. However, the pandemic did increase public accessibility, and record companies are continuing to encourage this by supplying musicians with live broadcasting technology. Additionally, new monetization tactics, such as subscriptions to artist platforms that offer early or individualized access to material and also online meetups and paid-commenting functionalities, have been made possible by streaming services.

On top of that, when looking at the big picture, all artists began redeeming previously acquired show tickets for the rescheduled dates and issuing refund policies for individuals who couldn't make it to those rescheduled events. During the quarantine period, the music business devised innovative ways to keep fans interested and involved. Virtual concerts became more popular as ticket providers and live facilities teamed together with an increasing number of musicians.

These new interaction methods between artists, companies, venues, and fans have proven effective in building long-term relationships with said fans. Moreover, these initiatives were and are fully backed and supported by the industry as a whole. So while an organization like Vivendi doesn't generate any revenue directly from music it nonetheless still does so tangentially via royalty payments and endorsements from performers using it in their performances, in interacting with fans, and in distributing the material. Verizon and Live Nation Entertainment also organized online performances and video series related to music from which they derived revenues.

Long-term Consequences

As a result of the pandemic, there is a lot of discussion about how the business has evolved and the long-term effects on the industry. Regardless of how you look at it, the environment is and has changed substantially, and these changes will and have led to a new wave of invention and creativity, as other innovations have done in the past. Artists are now more conscious than ever of the worth of their creative work. Due to the absence of revenue from live performances, musicians migrated to more artist-friendly streaming services like Spotify and Apple Music. New approaches and systems have and continue to develop that are more beneficial to artists, but entering into a discussion as to the merits of those aforementioned sites should be left for another more in-depth analysis. The thinking is that the companies that provided more equitable yields thrived as broadcasting became more prevalent in the absence of live-generated income brought about by the advent of covid, and the trend will continue even when full pre-covid normality is achieved.

The music industry's primary value structure is expected to stay substantially intact in the long run. Professional musicians either distribute their music through one of the three major record companies—Sony Music, Warner Music, or UMG—or via alternative publishing companies. This business model accounts for 97 percent of recorded music sales, and although there may be variations, major changes are improbable. It seems unlikely that the way composers, songwriters, and post-production technicians are integrated into music creation will alter, even if more labor is done from a distance. Online streaming services, venue owners, and event planners will continue to play an important role in music distribution for labels and artists.

As the number of people utilizing premium streaming sites has risen, record companies have recently seen a boost in their values, and some are now ready to go mainstream. Consumption has led to a shift in people's spending patterns. Subscriptions are more popular with certain users, while others are cutting down due to rising costs. For as long as it takes for the economy to grow, businesses that use a twofold business strategy may keep their customers while transitioning to a free-to-use, advertising-funded model. Device- and platform-agnostic solutions were capable of following consumers when consumption habits changed throughout the covid-created economic crisis.

Ensuring flexible commercialization tactics could lead to new collaborations between the industry and other industries. For instance, in video games and television, compositions, songs, and musical compositions are integrated into the material. Nevertheless, only 2 percent of commercial music income is generated via synchronization. A lack of established economic structures for synchronization arrangements means there is room for expansion, even if it will take some time before it can fully compete with streaming, in terms of revenues.

In an age when music is consumed more and more digitally, third-party channels play an increasingly important role in determining how music is distributed, discovered, and used by consumers. For example, during the outbreak, Fortnite's virtual rap event demonstrated the prospect of cross-industry collaborations to engage players and showcase musicians in a novel manner. Similar practices are expected to continue by rights holders and marketers.

In addition, it shows that the industry is considering alternatives to broadcast and live concerts to achieve this goal. Live broadcasting is a great way to get their content in front of an audience, but it makes content owners more dependent on third-party channels. However, a peculiarity in the broadcast business strategy shows how the partnership with these suppliers could shift in the future. Generally, platforms compensate content owners with a minimum share of subscriber income and extra payments depending on the number of streams.

This approach has two ramifications for the sector. Firstly, it actively encourages broadcasting providers to shift usage towards non-licensed audio formats, like podcasts. Data shows the change has begun. Since 2014, music as a percentage of audio access has declined roughly 5 percent, while spoken-word use has climbed throughout every age category. If the share of music streaming drops, it gives space for sites to restructure their arrangements with record companies. The second possibility pertains to the substance itself. Research has indicated that songs are increasingly shorter and crisper, mostly due to the desire to increase the number of actual listens.

Most large social transformations or global events lead to new ideas and innovations. For example, the covid-generated economic crisis spawned the creation or growth of firms like Uber, which provide an alternative, low-cost mode of transportation. Or consider the 1920s, for instance, when the first surge of interconnected houses appeared. Due to this epidemic, there will be a new era of inventions and innovations in the music industry. For the music business, this could be a chance to find new approaches to bring performers nearer to listeners, without really getting them geographically nearer, and fresh ways to build enthusiasm for music and ensure that the live performance experience endures, but in modified ways. It will not necessarily be a simple matter for the music industry to take advantage of the opportunity(ies) that the covid crisis inadvertently brought about, but the music industry has always been resilient and has made the most of a bad situation through the use of emerging technologies and methodologies. The objective was and is to not only survive, but as much as feasible, thrive during the pandemic and come out on the other end more resilient and enduring as an industry.

There was a real fear, founded on what seemed Covid's unpredictable circumstances, that there would be less engagement between artists and fans and less discretionary cash in the near future. Therefore performers and the businesses of music in general, it was believed by many, would have to deliver more to the customer as a concrete payoff for customer loyalty and their expenditures on music products. Diversification and investments in technology that will permit the industry to grow and thrive requires a good deal of effort. Perhaps music will become a more immersive art form altogether. Nothing is more rewarding than seeing the industry come together in solidarity during the epidemic. Artists could instill a sense of optimism in their fans via social media campaigns and combined live streaming events.

Conclusion

Even during a disastrous situation, or perhaps even more so in such circumstances, many people turn to music for a sliver of comfort and escapism. Even though online music consumption had been widely predicted to rise when concert venues were shut down, and tangible commodities were no longer available, the compiled data actually reveals that online music consumption decreased in most, if not all, of the months in 2020 compared to equivalent months in 2019. This is not to minimize the role that streaming played during covid and continues to increasingly play. In fact the use of streaming services is increasing significantly as well as the sale of vinyl records, a nostalgic format that is making a big comeback, as well as the growth in the consumption of on-demand music products.

As a consequence of the covid pandemic, no business across the globe was unaffected in one way or another. The music business was of course no exception. The music business had been steadily increasing its revenues until the coronavirus struck. Still, when streaming numbers dropped and live performance income dwindled due to social isolation and quarantines that ensued, the music industry initially took a significant financial blow. A new reality had emerged where standing shoulder-to-shoulder at a live show was no longer feasible, and fans became less interested in the trendiest artist than making sure they had the financial means to make their purchases of food, staples, and other essentials. However as other industries did, the music industry quickly explored how to operate and generate profitability in the time of the covid-imposed reality. However that crisis is now almost totally in the rearview mirror and the music industry is still standing, and in many respects sturdier and equipped with a better set of tools than prior to the pandemic, and these new tools, techniques, and approaches bode well for the industry to keep growing, expanding, and innovating in ways that may not be obvious today, but are undoubtedly forthcoming.

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Justin Giordano is a tenured Professor of Business & Law at the State University of New York - Empire State College. He holds a Juris Doctor degree and an MBA in Finance and is a licensed attorney in the states of New York, New Jersey, and Connecticut. He is admitted to the United States Supreme Court, The Court of the Armed Forces, United States Court of Federal Claims, and the United States Court of Appeals for the Federal Circuit. He is a member of many professional legal and business organizations including the New York State Bar Association, NYSBA's Entertainment, Arts & Sports Section, Suffolk County Association, and

regularly serves as a judge for the ABA's [American Bar Association] Appellate Moot Court National Competition and various other Regional Moot Court Competitions.

Professor Giordano teaches at the undergraduate and graduate level (MBA program) and his expertise covers a number of interrelated fields, but principally focuses on constitutional law, business law, and music and entertainment law and business, as well as other business areas such as entrepreneurship and small business management, including music entrepreneurship and the music and entertainment Industry. Professor Giordano has been regularly published, over 160 articles, in scholarly, professional, and general interest publications. Among them the *Review of Business Research* and the *Journal of International Business & Economics*, both published by the International Academy of Business & Economics; the *North Carolina Central University Law Review*, the *Journal of the Suffolk Academy Law*, the *Queens Bar Bulletin*, and the *Connecticut Bar Association Federal Practice* law magazine. Professor Giordano's background also encompasses songwriting, music production and performance, having produced and independently released five CD albums of original material. His music is available on all major platforms as well as his website justinag.com.

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