

The Economic Impact of the Music Industry on the Local City Economy: A Case of Nashville, TN Metropolitan Statistical Area

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INTRODUCTION

To some people, Nashville remains synonymous with *Hee Haw*. Today, the truth is that Nashville's music and entertainment industry is a vibrant and profitable partner in the city's rapidly expanding economic base. The Nashville MSA is home to over 80 record labels, 130 music publishers, more than 180 recording studios, 40 national producers of ad jingles, 27 entertainment publications, and some 5,000 working union musicians.

The Nashville MSA with a population of just over 1.2 million is a relatively small metropolitan area with the feel of both a rural Southern town and a growing metropolis. This latter fact is exemplified by Nashville's selection by *Expansion Management* magazine as the *number one* city on its 2005 list of America's 50 Hottest Cities for business expansions and relocations, based on business climate, workforce quality, and government incentives.

Nashville's message to entrepreneurs and small businesses is a loud and clear, "Y'all c'mon down, hear?" Partnership 2010, a pooling of resources among Nashville and nine regional counties, has resulted in more than 350 companies relocating to Nashville and a spate of high-skill, high-wage manufacturing opportunities. In 2003-04, 31 companies relocated accounting for nearly 2,500 jobs and \$500 million in investment, and net job growth topped 11,000 in nonagricultural employment. Meantime, various

city- and state-run incentive programs have been encouraging minorities and women to start their own businesses.

Country music, long Nashville's bread and butter, is more popular than ever before. Kenny Chesney, Shania Twain and Toby Keith each had one of the top-grossing tours of 2004. Artists such as Gretchen Wilson, Alan Jackson and Tim McGraw helped country music sell over 77 million records in 2004, a 12 percent increase over the year before. After the Country music scene was firmly planted in Nashville, the growing Contemporary Christian music industry was jump-started, when, in 1976, native Nashvillian Amy Grant became the genre's first breakout artist. Today, the Christian music industry enjoys a growing status in the music scene in Nashville and beyond.

In addition to Country and Contemporary Christian, in 2006, classical music will have a luxurious new home in Music City. The Schermerhorn Symphony Center will be one of the world's premier venues, as well as the home of the Grammy-nominated Nashville Symphony. The Nashville Symphony has sold more CDs than almost any other American orchestra. This synergy influenced Naxos of America, one of the best-selling classical labels in the world, to recently choose Nashville for its North American headquarters.

Nashville continues to draw inspiration from all genres of music. Duets pairing Hank Williams, Jr. and Kid Rock, Alan Jackson and Jimmy Buffett, Tim McGraw and Nelly, and Loretta Lynn and Jack White are increasingly being recorded in Nashville and exuberantly accepted in the marketplace. Nashville has a vibrant urban, R&B and hip-hop music scene, boasting such stars as Young Buck and Haystak. And local rock groups such as Kings of Leon, The Features, Be Your Own Pet, The Pink Spiders and De Novo Dahl continue to garner international attention for Nashville's rapidly growing alternative rock scene.

Purpose of the Study

The study estimates the economic impact of the music industry in the Nashville-Davidson-Murfreesboro MSA. Using 21st century data mining techniques and standard

modeling procedures the study will provide the income and employment effects from direct and indirect spending both in the music industry and by patrons and visitors to music events and attractions.

Specifically, the report will demonstrate the economic value that the music industry generates for the middle Tennessee economy. Four different types of economic impacts generated by the music industry will be estimated based on 2003 information. These impacts include: (1) output impacts; (2) employment impacts; (3) employee compensation impacts; and (4) fiscal impacts. These impacts will be estimated for the entire Nashville Metropolitan Statistical Area (MSA). Also, the report will contain estimates for the value of entertainer/promoter "goodwill" from the direct and imputed value of benefit events.

- **Music is Vital in measurable terms to the quality of life and Economy of Nashville**

The music industry in Nashville, Tennessee shapes the culture of our community and enhances the quality of life we enjoy. Additionally, the music industry has a significant economic impact on the Nashville MSA. This economic impact can be measured through a careful examination of the activities of music industry firms and organizations. Organization and associations included in this study are:

- Major musical genres (e.g., Country, Christian, Gospel, Classical, Jazz, Bluegrass and Americana).
- Professional organizations (e.g., CMA, GMA).
- Record Labels and Performance Rights Groups (major and independent labels)
- Venues (e.g. The Ryman, Gaylord Entertainment Center, live music clubs)
- Media (print publications, radio, TV, video and web based)
- Travel and Hospitality Industry (accommodations and food)
- Artist Management & Booking (agents, publicists and managers)
- Associated Businesses (legal and accounting services)

An accurate and comprehensive analysis of the economic impact of the music industry is of interest to business leaders, policymakers, developers, citizens and music

industry professionals. The new dollars generated or retained in Nashville by music businesses, organizations and individuals provide employment and income for many people in the area. This includes those who work directly in the music industry as well as employees at other businesses who benefit from the spending of music industry workers. Further, local governments benefit from tax revenues that are generated through performances, events and attractions. Tax revenues are crucial for additional support from local government in the form of municipal services and infrastructure that benefit the music industry. This study will, therefore, demonstrate the economic value of the music industry through the income generated, the jobs created and the taxes provided for local governments.

We expect organizations within the industry to be able to leverage the study in significant ways such as 1) demonstrating to the corporate business community that the music industry (production, management, promotion) has an *important economic return* beyond the cultural impact of being "music city", 2) increasingly *engaging community business partners* in practical, collaborative efforts related to significant music endeavors and events like the CMA Awards and the annual Music Festival. 3) *Develop strategies* to promote musicians/venues/artists, and 4) *encouraging the development* of the urban core & historic areas.

The Background and Support for an Economic Impact Study of the Music Industry

November 2003. Mike Neal, President and CEO of the Nashville Area Chamber of Commerce, and Tony Conway, Vice Chair of the Chamber's Arts, Entertainment & Music Committee and President of Buddy Lee Attractions, invited the leaders of several Nashville Music Associations to join them for a discussion of the benefits of working together to help create stronger working relationships with the Nashville business community.

Thus, the Music Association Task Force was established in November 2003 and has met regularly since the first meeting date. The Task Force has added more association leaders, communicated and shared information regularly, and has increased its focus

on strengthening the partnership with the Nashville business community. In 2004, the Task Force requested that Belmont University lead in conducting an Economic Impact Study that would demonstrate in clear economic terms the impact of the music industry on the larger Nashville community (MSA).

The Music Association Task Force agreed in the summer of 2004 that a broader and even stronger coalition of people would be needed to support an economic impact study and the overall goal of significantly enhancing the partnership between the music industry and the larger community. Thus, what has become known as the Music City Partnership emerged and included some of the leaders from the Music Association Task Force, the Nashville Area Chamber of Commerce, the Convention and Visitors Bureau, and other community and music leaders. This partnership readily endorsed the Economic Impact Study and saw the study as critical to further enhancing Nashville's brand as *Music City*.

Methodology of the Study

The methodology used for this study replicates methods used by institutions in other metropolitan areas to estimate the impact of entertainment, music business and sporting events in their respective markets. Generally, one of three approaches is employed. A unique feature of this study is that a synthesis of approaches was developed to estimate and validate the findings.

In most cases surveys are developed for firms in the defined industry to request information on earnings, employment, wages and taxes. Once the survey participant's responses are collected and aggregated (assuming a statistically reliable sample size), the results are run through multiplier models to determine the induced or "ripple effects" from the firms' initial spending. Finally, the direct and induced values are added to produce the total economic impact of an industry.

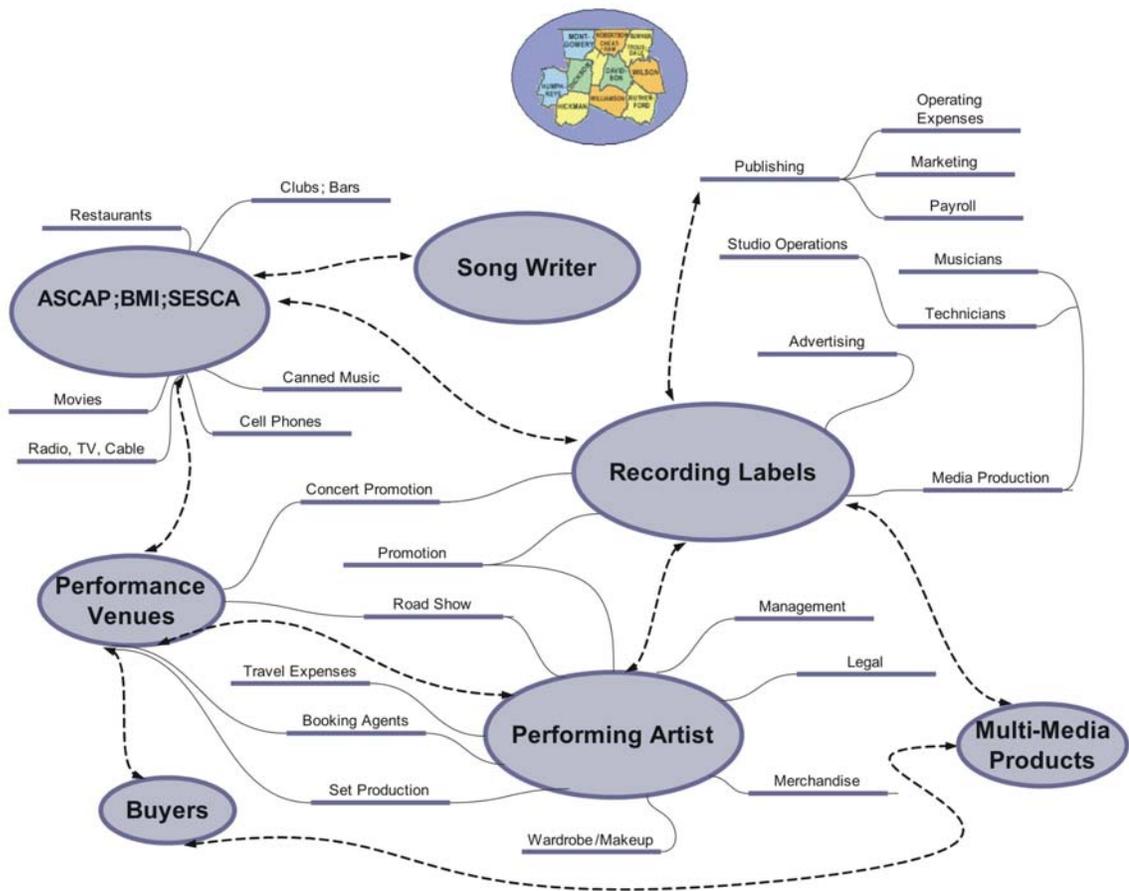
In order to determine the economic impact of an industry like the music industry that consists of a myriad of independent (freelance) artists, large music industry corporations, international organizations and local support businesses and venues,

specialized sources of for revenue and sales data are required. Financial data for this study was mined from the U.S Census Bureau and purchased from Reference USA, a commercial vendor of firms' financial data. Once the relevant businesses' financial information was collected total impacts were calculated by inputting the data through the Regional Economic Models, Inc. (REMI) input-output analysis.

Finally, financial modeling of sectors within an industry is used to determine values that aren't included in government or proprietary data sets. This approach enhances the accuracy of forecasts for the total impact of an industry. This approach was employed in this study to capture the impact of artist touring, due to the difficulty of extracting sales and revenues for touring businesses specific to the music industry.

To summarize, a list of 335 "decision makers" in the music industry were identified from lists provided by the Nashville Music Association Task Force. The data collected from the surveys was cross-referenced with the financial records from Reference USA and Census Bureau data (County Business Patterns, 2002). Estimates of sales of business supporting artist tours were included from the touring artist model. The comparison of the data sets minimized double counting and ensured that a larger percentage of relevant businesses were included in the study.

Surveys were also taken at the Country Music Association Festival on June 6-8, 2005. Results from the surveys were compared with similar surveys conducted during the CMA festival by the Nashville Convention and Visitors Bureau. The data ascertained from these surveys were used as part of the analysis for estimating music related tourism in Nashville. Also, the surveys provided insight into extent to which the music scene is a factor in tourists' decision to visit the Nashville area.



Comparison of Music Industry Economic Impacts (Georgia; Austin, TX; Seattle; Memphis)

The table shows the direct annual economic impact, the induced economic impact and the total number of jobs created in the music industries for the State of Georgia, Austin, Seattle, and Memphis. The largest estimated direct economic impact, initial spending by all firms in the industry, was for Seattle in the amount of \$1.3 billion, .Georgia, Austin and Memphis followed Seattle. Although the regional multiplier effects differ, the induced effects (Gross Sales) are directly related and consistent with the initial sales figure. Significant effects of tourism estimated by Memphis caused the city's level of induced spending to exceed Austin.

Each dollar spent in the music industry has an impact on employment. Regional input-output analysis was used to estimate the number of jobs created in each region. The table shows significant variation e.g. in Georgia \$ 110,889 is required to create one job while only \$ 57,280 in sale will create a job in Memphis. Differences in sales,

Impact Studies	Direct Annual Economic Impact (\$\$\$)	Gross Sales (\$\$\$)	Total Jobs Created	Tax Revenue (\$\$\$)
State of Georgia	989.9 million	1.9 billion	8,943	94.7 million
Austin (city)	616 million	969 million	11,200	11.2 million
Seattle	1.3 billion	2.2 billion	10,700	45.8 million
Memphis	238 million	1.65 billion	4,155	5.8 million
Totals	3.14 billion	6.79 billion	N/A	N/A

profit and income taxes make comparisons of tax revenue difficult, if not irrelevant.

The Economic Impact of Music-related Tourism

Studies of the economic impacts of music and arts performances and exhibits throughout the country have found that the spending of persons attending these events make a significant contribution to the economic impact of these industries. Frequently, the off-site spending of entertainment seeking tourists is *the largest economic component* of the industry being studied. Nashville visitors bring new revenue into the MSA through their spending at music related events and through spending at nearby restaurants, hotels and retail outlets. The circulation of this

spending throughout the Nashville MSA increases the disposable income of residents and raises the level of local spending, thus, creating more jobs, income and taxes.

Interviews with the Nashville Convention and Visitors Bureau support the estimate that at least thirty-five percent 35% of the 10.5 million Nashville visitors travel to Nashville for music related leisure and entertainment. While Nashville's brand as *Music City USA* plays a significant role in attracting business travelers and conventions, several annual events are directly related to the music industry. For example in 2004, Nashville hosted over 23,000 members for the annual meeting of the National Association of Music and 5,600 attendees to the International Convention of the Percussive Arts Society.

Nashville is home to Country Music's biggest party: the CMA Music Festival "fanfare" a four-day festival that brings people from all over the world. The average stay for fans that attended the 2005 CMA Fest was 5.31 days and their average total expenditure was \$1544. The attendance for the 2005 CMA Music Festival held June 9-12 in Downtown Nashville was estimated to be a record attendance of 145,355 people. Attendance has grown from 124,000 in 2003, to 132,000 in 2004 to more than 145,000 in 2005.

The Grand Ole Opry presents more talent-- per-minute (and music-per-dollar) than any other musical venue, and it has been doing it nonstop for more than 75 years. Each year the Opry consistently attracts 600,000 customers to performances by new stars, superstars and the legends of country music.

Famous music clubs and cafes cluster near the Ryman Auditorium, the grande dame of all music halls. Last year, 425,000 visitors toured the Ryman, which is a designated National Historic Landmark. Close by, on Broadway, live music is played constantly at Tootsie's Orchid Lounge, where Willie Nelson and Kris Kristofferson used to hang out and write songs; Legends Corner (across from the former Nashville Arena, now called the Gaylord Entertainment Center); or Robert's Western World, where you can buy a pair of cowboy boots while you listen to the band in the picture window (only in Nashville.).

The \$37 million Country Music Hall of Fame and Museum is open year round to Nashville visitors. In 2004, over 288,000 visitors viewed the world's largest repository of country music artifacts.

Surveys conducted by the Nashville Convention and Visitors Bureau (CVB) and by Belmont University indicate that the Nashville music scene is an end-destination tourist attraction for visitors from in state and out-of-state, and, increasingly, from around the world. Due to the brand recognition of Nashville as Music City, it is impossible to separate tourism from the Nashville music scene. Seventy-three percent (73%) of respondents indicated music attractions to be "somewhat to extremely important" to their decision to visit Nashville. And, the most frequently visited tourist sites included the Grand Ole Opry (most frequent), Gaylord Opryland Hotel (third most frequent), the Country Music Hall of Fame (fourth most frequent) and the Ryman Auditorium (fifth most frequent).

If only 35% of the total spending of the 10.5 million Nashville visitors is attributable to music related tourism, then a direct spending impact of \$1.12 billion dollars is a reasonable estimate of music related tourism.

Estimating Business Activity in the Nashville, TN MSA

This section presents estimates for business activity related to the music industry within the Nashville Metropolitan Statistical Area (MSA). The first section presents the descriptive findings taken from the 2002 U.S. County Business Patterns and U.S. Census Nonemployer Statistics database. We begin with a description of the employment found within the Nashville MSA that is music related. Second we present the sales generated from industries that are music related. The third section compares the relationship of the number of establishments, employment and earnings that each music related industry sector earned within the 2002 period of the County Business Patterns database. The fourth section will present the economic impact of the music industry on the Nashville economy through presentation of the results from

the REMI multiplier model. The fifth section presents the economic impact of the tourism industry that is influenced by Nashville's popular music industry. The last section will present the fiscal impact of the Nashville music industry by generating the music industries impact on sales and residential property tax collection.

Data

The authors captured Nashville's music related employment, revenue, establishments and earnings through analyzing various sources of data. They developed an accurate picture of the music industry through various industry sectors within the economy. The U.S Census County Business Patterns database and Nonemployer Statistics database were the primary sources for the findings. Relevant music related industries were defined based upon Standard Industry Classification (SIC) codes. The 2002 County Business Patterns contain the North American Industry Classification System (NAICS) while the REMI simulation model is based upon Standard Industry Classification (SIC) system. All relevant NAICS codes were converted into SIC codes using the Census bridging program. After converting NAICS codes to SIC codes, the authors derived employment, establishment, annual payroll data and sales revenue data from County Business Patterns and Nonemployer Statistics database.

In order to enhance the reliability of the data mined from the U.S. Census databases, the authors crosschecked their findings utilizing three different sources of data. The first source was the Reference USA database. ReferenceUSA is an Internet-based reference service from the library division of *infoUSA*. The ReferenceUSA database contains, in module format, detailed information on more than 12 million U.S. businesses; 102 million U.S. residents; and 683,000 U.S. health care providers. Information is compiled from the following public sources: more than 5,600 Yellow Page and Business White Page telephone directories; annual reports, 10-Ks and other SEC information; federal, state, provincial and municipal government data; Chamber of Commerce information; leading business magazines, trade publications, newsletters, and major newspapers. 250 employees make telephone calls to verify the information on each business and health care provider in the database. 17 million

phone calls are made each year, and businesses with 100 or more employees are phone-verified at least twice a year.

The second source of data the authors utilized was from surveys distributed to 325 music industry leaders during the fall of 2005. The list was compiled from membership and client lists from music business associations and from *Music Row* magazine's annual "In Charge" edition. The survey requested information on firm's annual sales, employment, expenses and taxes (see Appendix A). The response rate was consistent for mail surveys distributed in other impact study analysis (12% to 20%). The financial data was useful for estimating data for firms in comparable industries and confirming Census data.

The third source of data came from an accounting model that helped to capture the expenses and revenues from touring artists that launched tours or travel to performances from Nashville. Estimates of tour income flowing into the Nashville MSA as well as merchandise sales were important income estimates for the study. Once the three sources of data were cross checked with the findings from the U.S. Census the authors were confident that the numbers presented within the following sections captured the universe of music related industries within the Nashville MSA.

Estimating Employment

Table 1 displays the employment that is music related within the Nashville MSA. The authors compiled the number of employees for each music related industry through weighted percentages and/or deriving the median between a small category ranges. For example: SIC category 5932 representing Music Stores had a category range of 500 to 999 employees. The authors took the median between the 500 to 999 ranges to derive 750 employees for this particular music industry.

Table 1 shows that 19,437 jobs within the Nashville MSA are music related. The largest music related category is music related self-employed individuals, which has 5,361 employees related to this category. The music related self-employed category encompasses independent artist, writers and performers that are self-employed and

generating an income through the music industry. Musical groups and artists and promoters with facilities in category 7929 placed second with two thousand employees within this industry. Agents and managers of artists and musical theaters followed third with 1,874 music related jobs within the Nashville, MSA. Radio and television broadcasting was the next largest employer with 1,750 employees. The category labeled "Business Trade Associations" included such industries as the American Society of Composers, National Academy of recording Arts and Sciences, and the artists' rights groups located in Nashville. Within this business association's category, the authors found 927 employees were related to the music industry.

Business Revenue

The total music related business revenue for the Nashville MSA is over 3.4 billion dollars. Table 2 presents estimates for business revenue by sector for each music industry in the Nashville, MSA. The integrated record production and music publishing generated the largest sales revenue estimated around 627 million dollars. Radio and Television broadcasting industries also contributed to Nashville's music related sales revenue by collecting 341.6 million dollars in revenue. Music-related self employed individuals (\$290.7 million in revenue), agents and managers (\$281.3 million in revenue) and musical groups and artist (\$278.2 million in sales) followed having a significant impact on what makes Nashville known as "Music City".

Earnings per worker and Total Earnings

Table 3 contains the number of establishments within the music industry by sector, along with estimated earnings. The Nashville music industry has over two thousand business establishments. The largest number of music related business establishments is SIC category 7929, musical groups and artist with 593 establishments in the Nashville MSA. Industry category 8999, record production and/ or artist writer and performers came in second with 211 establishments.

Estimated employment from Table 1 is included in Table 3 because the earnings per work are calculated by dividing estimated earnings into estimated employment. The

estimated earning for Nashville music related industry is the annual payroll data from the U.S. Census, which is based on music related industry sectors. The authors found that the Nashville music industry generated 722 million dollars in wages and salary. The Musical related self-employed category generated the largest earnings among music related sectors with an estimated 40 thousand dollars per worker. The music groups and artist category also estimated total earnings of 99.4 million dollars.

Table 1

Estimated Employment in The Nashville Music Industry

SIC	Industry Sub-Category	Estimated Employment
	Music books printing or printing and binding without publishing	12
2732	publishing	12
2752	Music, sheet, lithographic (offset) printing without publishing	64
2754	Music, sheet, gravure printing without publishing	29
2759	Music, sheet printing without publishing	62
3651	Audio & video equipment mfg	175
3652	Music publishers and/or distribution	700
3931	Musical instrument mfg	225
4832	Radio & television broadcasting	1,750
5099	Prerecorded tape, CD & record stores	350
5736	Musical instrument & supplies stores	175
5813	Clubs, Taverns and Lodges	922
5932	Music stores (e.g., cassette, instrument, record, tape), used	750
7359	Music Instrument Rental	343
7389	Sound recording studios	502
	Musical instrument repair shops without retailing new musical instruments	175
7699	instruments	175
7819	Music video production	750
7922	Agents, managers for artists & other public figures	1,874
7929	Musical groups & artists	2,124
8049	Music therapists' offices (e.g., centers, clinics)	417
8221	Colleges and Universities	200
8299	Music instruction (e.g., guitar, piano)	227
8611	Business Trade Associations	927
8743	Public Relations	225
	Record production and or Independent artists, writers & performers	1,099
8999	performers	1,099
	Music-related self employed individuals	5,361
Total Number of Music Related Establishments		19,437

Source: 2002 County Business Patterns and US Census Nonemployer Statistics

Table 2

Estimated Revenue in the Nashville Music Industry		
SIC	Industry Sub-Category	Estimated Revenue (millions)
2732	Music books printing or printing and binding without publishing	\$ 1.70
2752	Music, sheet, lithographic (offset) printing without publishing	8.68
2754	Music, sheet, gravure printing without publishing	6.51
2759	Music, sheet printing without publishing	8.45
3651	Audio & video equipment mfg	98.55
3652	Record production, distribution & Music publishing	627.94
3931	Musical instrument mfg	19.50
4832	Radio & television broadcasting	341.56
5099	Prerecorded tape, CD & record stores	58.09
5736	Musical instrument & supplies stores	37.89
5813	Clubs, Taverns and Lodges	47.81
5932	Music stores (e.g., cassette, instrument, record, tape), used	52.46
7359	Music Instrument Rental	37.65
7389	Sound recording studios	27.30
7699	Musical instrument repair shops without retailing new musical instruments	12.21
7819	Music video production	65.06
7922	Agents, managers for artists & other public figures	281.26
7929	Musical groups & artists	278.16
8049	Music therapists' offices (e.g., centers, clinics)	67.64
8221	Colleges and Universities	9.85
8299	Music instruction (e.g., guitar, piano)	4.76
8611	Business Trade Associations	52.12
8743	Public Relations	24.52
8999	Record production and or Independent artists, writers & performers	184.28
	Music-related self employed individuals	290.69
Total Number of Music Related Revenue		\$ 2,644.65

Source: 2002 County Business Patterns and US Census Nonemployer Statistics

Economic Impact Estimates - Employment

The economic impact of Nashville Music industry employment from Table 1 was calculated using the REMI multiplier model. The authors inputted the employment data into the REMI multiplier input-output program to determine the economic impact of music related employment on the Nashville economy. Table 4 displays that the 19,437 jobs from music related industries generated a total of 39,263 jobs to Nashville, TN and surrounding area in all sectors of the economy including agriculture, manufacturing and transportation. The Nashville music industry employment had a multiplier of 2.02, which implies that for every one employee employed by the music industry, this employee's economic activity such as consumption of other industry goods and services will create an additional two jobs for the Nashville Middle Tennessee area. The music related self-employed individuals that generated the largest number of additional jobs through indirect and induced expenditure were the Music stores industry creating 944 additional jobs. The clubs, taverns and lodges (SIC category 5813) also generated twice the jobs within this category to the Nashville economy.

Economic Impact Estimates - Sales Revenue

In order to determine to determine the economic impact of music related sales revenue on the Nashville Middle Tennessee area, the sales revenue data from Table 2, were inputted through the REMI multiplier input-output program. The results in table 5 indicate that the \$2.6 billions in sales revenue directly related to the music industry generated a total of \$3.97 billions in revenue for the entire Nashville Middle TN area. This implies that the Nashville Music industry generated \$1.3 billion dollars in sales revenue either indirect or induced economic expenditure. The output multiplier is approximately 1.50, which means that for every \$1 of output sales revenue by the music industry has a \$1.50 impact on the Nashville economy. Music related self-employed individuals had one of the largest multiplier effects, generating an additional \$139.9 million dollars on sales either from indirect or induced expenditure to the Nashville economy. Clubs, taverns and lounges also played a large role in generating sales revenue to the Nashville economy causing a total increase in sales revenue to exceed \$114.6 million dollars.

Table 3

Earnings and Work-Related Income in the Nashville Music Industry 2002					
SIC	Industry Sub-Category	Total Establishments	Estimated Employment	Earning per worker	Estimated Earning (millions)
	Music books printing or printing and binding without publishing	D	12	\$ 39,700	\$.47
	Music, sheet, lithographic (offset) printing without publishing	94	64	39,350.2	2.52
	Music, sheet, gravure printing without publishing	D	29	39,350.1	1.14
	Music, sheet printing without publishing	53	62	39,991.0	2.48
	Audio & video equipment mfg	D	175	39,575.1	6.92
	Music publishers and/or distribution	120	700	42,490.5	29.74
	Musical instrument mfg	11	225	39,560.0	8.90
	Radio & television broadcasting	60	1,750	42,539.1	74.44
	Prerecorded tape, CD & record stores	49	350	14,831.8	5.19
	Musical instrument & supplies stores	33	175	14,810.6	2.59
	Clubs, Taverns and Lodges	86	922	12,175.7	11.23
	Music stores (e.g., cassette, instrument, record, tape), used	114	750	19,111.6	14.33
	Music Instrument Rental	38	343	21,034.3	7.21
	Sound recording studios	188	502	42,370.0	21.27
	Musical instrument repair shops without retailing new musical instruments	42	175	21,918.8	3.84
	Music video production	73	750	42,551.2	31.89
	Agents, managers for artists & other public figures	170	1,874	46,797.2	87.67
	Musical groups & artists	593	2,124	46,784.5	99.37
	Music therapists' offices (e.g., centers, clinics)	82	417	8,756.5	3.65
	Colleges and Universities	24	200	49,250.0	9.85
	Music instruction (e.g., guitar, piano)	40	227	-	-
	Business Trade Associations	14	927	21,981.6	20.38
	Public Relations	30	225	39,773.3	8.95
	Record production and or Independent artists, writers & performers	211	1,099	45,446.9	49.95
	Music-related self employed individuals		5,361	\$ 40,668	218.02
Total Number		2,140	19,437		\$ 722.02

Source: 2002 County Business Patterns and Us Census

D = Withheld to avoid disclosing data of individual companies

Table 4

Economic Impact of the Nashville Music Industry (Employment)			
SIC Industry Sub-Category	Direct	Induced / Indirect	Total
2732 Music books printing or printing and binding without publishing	12	18	30
2752 Music, sheet, lithographic (offset) printing without publishing	64	97	161
2754 Music, sheet, gravure printing without publishing	29	44	73
2759 Music, sheet, screen and flexographic printing without publishing	62	94	156
3651 Audio & video equipment mfg	175	97	1,847
3652 Integrated record production, distribution / Music Publishers	700	39	739
3931 Musical instrument mfg	225	69	819
4832 Radio & television broadcasting	1,750	214	1,964
5099 Prerecorded tape, CD & record stores	350	738	1,088
5736 Musical instrument & supplies stores	175	16	191
5813 Clubs, Tavern and Lodges	922	940	1,862
5932 Music stores (e.g., cassette, instrument, record, tape), used	750	765	1,515
7359 Sound recording studios	343	350	693
7389 Other sound recording industries	502	512	1,014
7699 Musical instrument repair shops without retailing new musical instruments	175	179	354
7819 Music video production	750	388	1,138
7922 Theater companies & dinner theaters	1,874	271	2,144
7929 Musical groups & artists	2,124	307	2,431
8049 Music therapists' offices (e.g., centers, clinics)	417	325	742
8221 Colleges and Universities Music-related faculty	200	33	233
8299 Music instruction (e.g., guitar, piano)	227	37	264
8611 Business Associations	927	155	1,082
8743 Public Relations	225	39	264
8999 Record production	1,099	194	1,293
Music-related self employed individuals	5,361	944	6,305
Estimated Employment from the Music Industry	19,437	Economic Impact on Nashville Economy	Multiplier
		39,263	2.02

Table 5

Economic Impact of the Nashville Industry Estimated Revenue				
SIC	Industry Sub-Category	Direct (millions)	Indirect / Induced (millions)	Total (millions)
2732	Music books printing or printing and binding without publishing	\$ 1.70	\$ 2.89	\$ 4.60
2752	Music, sheet, lithographic (offset) printing without publishing	8.68	14.71	23.39
2754	Music, sheet, gravure printing without publishing	6.51	11.05	17.56
2759	Music, sheet printing without publishing	8.44	14.32	22.77
3651	Audio & video equipment mfg	98.54	36.99	135.54
3652	Music publishers and/or distribution	627.93	36.15	664.09
3931	Musical instrument mfg	19.50	11.67	31.17
4832	Radio & television broadcasting	341.56	61.56	403.12
5099	Prerecorded tape, CD & record stores	58.09	59.25	117.35
5736	Musical instrument & supplies stores	37.89	3.17	41.07
5813	Clubs, Taverns and Lodges	47.81	66.75	114.56
5932	Music stores (e.g., cassette, instrument, record, tape), used	52.46	53.51	105.97
7359	Music Instrument Rental	37.65	38.40	76.05
7389	Sound recording studios	27.30	27.84	55.14
7699	Musical instrument repair shops without retailing new musical instruments	12.21	12.46	24.67
7819	Music video production	65.05	46.77	147.83
7922	Agents, managers for artists & other public figures	281.26	30.70	311.96
7929	Musical groups & artists	278.15	30.36	308.52
8049	Music therapists' offices (e.g., centers, clinics)	67.64	28.12	95.76
8221	Colleges and Universities	9.85	10.25	20.11109
8299	Music instruction (e.g., guitar, piano)	4.76	4.96	9.71
8611	Business Trade Associations	52.12	24.07	76.19
8743	Public Relations	24.52	9.76	34.28
8999	Record production and or Independent artists, writers & performers	184.28	86.19	270.47
	Music-related self employed individuals	290.69	135.95	426.64
Estimated Revenue from the Music Industry		Economic Impact on Nashville Economy		Multiplier
\$ 2,644.65		\$ 3,966.98		1.50

Source: 2002 County Business Patterns and US Census Nonemployer Statistics

Music Related Tourism -Sales

To further understand Nashville's role as "Music City USA" the authors also inputted \$1.12 billion dollars in sales revenue from tourism that is music related into the REMI model. Table 6 shows that music related tourism impacts the total Nashville economy by \$2.4 billion dollars in output. Music related tourism created an even larger sales revenue multiplier of 2.16, which implies that for \$1 in music related tourism sales it creates an additional \$2.16 to the entire Nashville Economy. Table 6 also displays that the largest impact from music related tourism comes from the retail industry with induced and indirect expenditures over \$265 million. To combine the sales revenue generated from Table 5 with the sales revenue generated from the music related tourism, the results indicate that the music industry created a total of \$6.4 billion of sales output to the Nashville economy.

Table 6

Nashville Music Related Tourism Sales			
	Direct (millions)	Indirect/Induced (millions)	Total (millions)
Transportation/Utilities	\$ 145.60	\$ 26.90	\$ 172.50
Retail	633.22	265.39	898.61
Hotel and lodging	184.33	34.17	218.50
Amusement and Recreation	157.02	53.66	210.68
	Revenue from Nashville Music Related Tourism	Economic Impact on Nashville Economy	Multiplier
	\$ 1,120	\$ 2,421.90	2.16

Music Related Tourism - Employment

Table 7 presents the economic impact of music related tourism employment on the Nashville economy. The Nashville music tourism industry created over 4,995 jobs either through indirect or induced expenditure, this created a total of 14,995 jobs being attributed to the Nashville music tourism industry. The results from music related industries impact on the Nashville economy in Table 4 combined with the music tourism employment results conclude that the total Nashville music industry including tourism generated over 54 thousand jobs to the Nashville economy.

Table 7

Nashville Music Related Tourism Employment			
	Direct	Indirect / Induced	Total
Transportation Services	1,300	18	1,318
Eating and Drinking	5,654	451	6,105
Hotel and lodging	1,646	14	1,660
Amusement and Recreation	1,402	238	1,640
	Employment from Nashville Music Related Tourism	Economic Impact on Nashville Economy	Multiplier
	10,000	14,995	1.5

Fiscal Impact of the Music Industry - Sales Tax

Sales Tax revenue associated with the music industry (not including the music tourism industry) was estimated to be \$24 million to the Nashville economy. As reported in Table 8. Sound recording studios generated the largest sales tax revenue totaling over \$6.1 million dollars. Music repair shops came in second with sales tax revenue of approximately \$6 million.

Table 8

Fiscal Impact of Music Industry (Nashville, MSA)	
SIC Industry Sub-Category	Sales Tax
2752 Music, sheet, lithographic (offset) printing without publishing	\$ 602,420
2759 Music, sheet, flexographic printing without publishing	317,950
5736 Musical instrument & supplies stores	1,537,836
5932 Music stores (e.g., cassette, instrument, record, tape), used	5,289,091
7359 Music Instrument Rental	3,554,430
7389 Sound recording studios	6,159,525
7699 Musical instrument repair shops without retailing new musical instruments	6,032,312
7819 Music video production	55,206
7922 Theater companies & dinner theaters	303,873
7929 Musical groups & artists	83,310
8049 Music therapists' offices (e.g., centers, clinics)	34,745
All Others	70,641
Total	\$ 24,041,343
<i>Source: Nashville Controllers Office</i>	

Fiscal Impact of the Music Industry - Residential Property Tax

Tables 9 and 10 display the fiscal impact of the music industry on residential property taxes. The model to derive Nashville's residential property tax was based on the number of employees generated from the music industry through direct, indirect and induced economic activity. Table 9 displays the impact of residential property taxes on the music related industries' employment presented in Table 4. Table 10 combines the music industry employment total with the music tourism employment total. Once the number of music industry employees is inputted, the fiscal impact model is then multiplied by 75 percent, which represents the number of homeowners

within the Nashville MSA.¹ The authors derive the mean home value for the Nashville MSA by averaging the median home value of each county within the Nashville MSA. The mean home value was then multiplied by the 25 percent cap that is placed on housing assessment within the Nashville MSA to obtain a mean tax assessed house value of \$31,647. The mean tax assessed house value was then multiplied by the \$3.50 per hundred property tax rate, which then was multiplied by the number of music industry employees that are homeowners to derive the fiscal impact of the music industry on residential property taxes. Table 9 presents that the fiscal impact of the music industry is \$32.6 million dollars. After including the music tourism industry in Table 10 the property tax revenue increased to \$40.1 million.

Table 9

Fiscal Impact Residential Property Tax	
Nashville MSA	
REMI Multiplier Number of Employees ¹	39,263
Percent Homeownership	75%
Number of Employees that are Homeowners ²	29,447
25 percent Cap of House assessment	25%
Nashville MSA Mean Home Value	126,588
Property Tax Rate	\$ 3.50 per hundred
Assessed Property Value	\$ 31,647.00
Fiscal Impact of the Music Industry of Residential Property Taxes	
\$ 32.62 million	

¹Total Number of Jobs Impacted from the Nashville Music Industry

²Source U.S. Census Quickfacts

¹ This figure is also taken from U.S. Census Quick facts

Table 10

Fiscal Impact Residential Property Tax (Including Music Tourism)	
REMI Multiplier Number of Employees ¹	54,258
Percent Homeownership	75%
Number of Employees that are Homeowners ²	40,694
25 percent Cap of House assessment	25%
Nashville MSA Mean Home Value	\$ 126,588
Property Tax Rate	\$ 3.50 per hundred
Assessed Property Value	\$ 31,647.00
Fiscal Impact of the Music Industry on Residential Property Taxes	
\$ 45.07 million	

¹Total Number of Jobs Impacted from the Nashville Music Industry

²Source U.S. Census Quickfacts

Conclusion

This authors proved that the music industry in the Nashville, TN MSA is a major source of economic growth and revenue for the local city government. The role of Nashville marketing itself as “Music City USA” has help to add additional economic growth. The authors wish to conclude with the overall benefits of this study.

Benefits to the Study

- The report demonstrates to policymakers, citizens, business people, developers and entertainers the *economic value* of the music industry, *rather* than merely the assuming the entertainment value of the industry.
- Decisions by companies to locate in a region depend on the relationships available for collaborations, support and resources. In order to further *promote economic development* in the region and to counter threats from other regions seeking to capitalize on the economic benefits of the music industry, it is important that policymakers, business leaders and citizens understand the importance of the existing music industry in Nashville - both in terms of economic output as well as the number of jobs provided by industries related to music business. Prospective local employers and employees will be increasingly sensitive to the local support in the Nashville community in making their hiring and location decisions.
- There is no question that music is a defining element in the Nashville culture. However, when the findings of this study are compared to other metropolitan areas that have significant music industries, Nashville can confidently *assert itself as "Music City"*. Despite the evidence that music is crucial to Nashville's image, the nature and scope of its role in the local economy has not been explicitly calculated.
- Quality of life considerations are increasingly important in the decision to locate corporate headquarters and individual relocation decisions. The arts, music and cultural amenities are increasingly important to *recruiting and retaining firms* to the Nashville MSA.
- Music events and attractions have become *a major element for tourism spending* in the Nashville MSA. Off-site spending of attendees to music events and attractions brings millions of dollars directly into the area and creates additional economic impacts resulting from multiplier effects. This study will identify direct and indirect economic effects of visitor spending on music

events and attractions.

References

Will be provided in addition to this paper

Appendix A
Survey Questionnaires
Visitor Survey for Music Event Participants

(Please Circle the Response that is Most Accurate for YOU)

1. Do you live in *Middle Tennessee*?

Yes

No

2. How far did you travel to attend the musical event you are attending?

Less than 100 miles More than 100 miles Outside the U.S.

3. If you live in the U.S., what is your *Zip Code* _____?

4. *Have you or anyone in your household attended concerts, music attractions, night clubs or other music activities or events in MiddleTennessee in the last 12 months?*

Yes

No

5. *Approximately, how many times in the last 12 months did you or your household attend the music events mentioned in the previous question in Middle Tennessee?*

1-2 2-4 5-9 10 or more

6. *What is the approximate amount your household spent in*

the last 12 months to attend musical events in Middle Tennessee such as concerts, dances, music festivals, opera, musical theater, multi-discipline events, jazz performances, music attractions or other events that featured musical presentations.

\$_____

7. *Please rank (1 being most frequent-5 being least attended) the types of musical events or attractions that you attended in the last 12 months?*

Music Festivals _____
Concerts _____
Museums _____
Nightclubs _____
Benefits _____

8. *When attending a musical performance or attraction, how many nights during the last year did you or someone in your household spend the night at a hotel in order to attend of the event or attraction?*

0 1 2 3 4 5 6 7 8 9 10

9. *How much on average does your household spend per night for accommodations during the trip?*

\$50-100 \$100-150 \$150-200 \$200-250 \$250-300

10. *When attending a musical performance or attraction, how often do you or someone in your household eat a meal and/or have drinks near the site of the performance?*

0 1 2 3 4 5 6 7 8 9 10

11. *How much on average does your household spend for meals and drinks during the trip?*

\$10-25 \$25-50 \$50-100 \$100-150 \$200-250 \$250-300

12. *How much did you or your household spend on souvenieers during your trip to attend a musical event or attraction?*

\$ 0 \$10-25 \$25-50 \$50-100 \$100-200 More than \$200

Nashville, Tennessee Music Industry Economic Impact Project

The Nashville Chamber of Commerce, in conjunction with the Music City Partnership and Belmont University, is conducting an economic impact study of the music industry in Nashville, Tennessee. This survey questionnaire is part of that study. The information received on this questionnaire will be held in strict confidence and no specific firm information will be released or published. In addition, all questionnaires and firm-specific information will be destroyed once the study is completed. If you have any questions, please contact Dr. Patrick Raines of Belmont University at 615-460-6175. Please return this survey by October 24, 2005. A stamped envelope is enclosed for your convenience.

Company Name

Contact Person

Telephone # _____

Fax # _____

Please specify primary nature of business

	Past Fiscal Yr.	Estimated Current Fiscal Yr.
Labor		
Total Number of Full-time Employees (Nashville, MSA ²)	_____	_____
Total Number of Part-time Employees (Nashville, MSA)	_____	_____
Annual Employee Wages and Salaries	_____	_____
Professional/ Business Services, contract and additional labor	_____	_____
Operations		
Total Operating Expenditures ³	_____	_____
Capital Improvements		
Total Capital Expenditures	_____	_____
Projected 3-Year Capital Expenditures	_____	_____
Taxes		
State Taxes	_____	_____

² Metropolitan Statistical Area: Cheatham, Davidson, Dickson, Robertson, Rutherford, Sumner, Williamson and Wilson counties

³ Examples: rent, mortgage, office/maintenance supplies and materials, entertainment, events & catering, marketing and advertising, travel expenses

Local Taxes

Total Nashville Sales Revenues⁴

_____	_____
_____	_____

Appendix B The Relationship of Payroll and Business Sales

In review of the literature, many economic impact studies of the music industry included the multiplier effects of not only employment but also business sales revenue. Because of the data constraints the most recent database utilized for the Nashville study is the 2002 Census Nashville MSA County Business Patterns. The 2002 Nashville MSA Economic Census is not scheduled for release until next year.

While the Nashville MSA County Business Patterns Data, does include categories such as employment, number of establishments, and annual payroll of each industry, it does not include industry level business sales revenue. Understanding the local multiplier effects of business sales revenue is essential to the economic viability of any industry within a local MSA.

In the Settle study, Beyers, Bonds, and Wenzel (2004) derived a formula for calculating business sales based upon local area payroll data and national business and payroll results. This ratio is feasible for our analysis considering the National Economic Census for 2002 is currently available for use.

Therefore to estimate music industry business sales revenue for Nashville, TN, a ratio of the national level sales to payroll will be applied to Nashville's annual payroll data from the 2002 County Business patterns. The equation is listed below:

Nashville MSA Sales = N_sales

Nashville MSA Payroll⁵ = N_pay

US Sales⁶ = US_sales

US Payroll⁷ = US_pay

Equation:

$$N_sales = (US_sales / US_pay) * N_pay$$

⁴ Total revenue is gross receipts from the sales of goods and services produced by firms/divisions located in the Nashville MSA

⁵ Information taken from 2002 Census Nashville MSA County Business Patterns.

⁶ Information taken from 2002 National Economic Census

⁷ Data taken from 2002 National County Business Patterns