

INTERNATIONAL MUSIC SUMMIT  
**IMS IBIZA**  
MAY 25-27, 2016  
HARD ROCK HOTEL IBIZA

# **IMS Business Report 2016**

## An annual study of the Electronic Music industry

by Kevin Watson

# IMS Business Report 2016 covers all aspects of the industry, and results of the IMS Survey

## 1 Music

Sales of tracks, albums and streaming by country

## 2 DJs & Live Acts

Profiles of leading artists, including earnings and social media

## 3 Clubs & Festivals

Popularity of festivals and clubs around the World

## 4 Companies & Brands

Key players in industry, recent M&A activity and partnerships

## 5 IMS Survey

Exclusive results from survey of key industry players

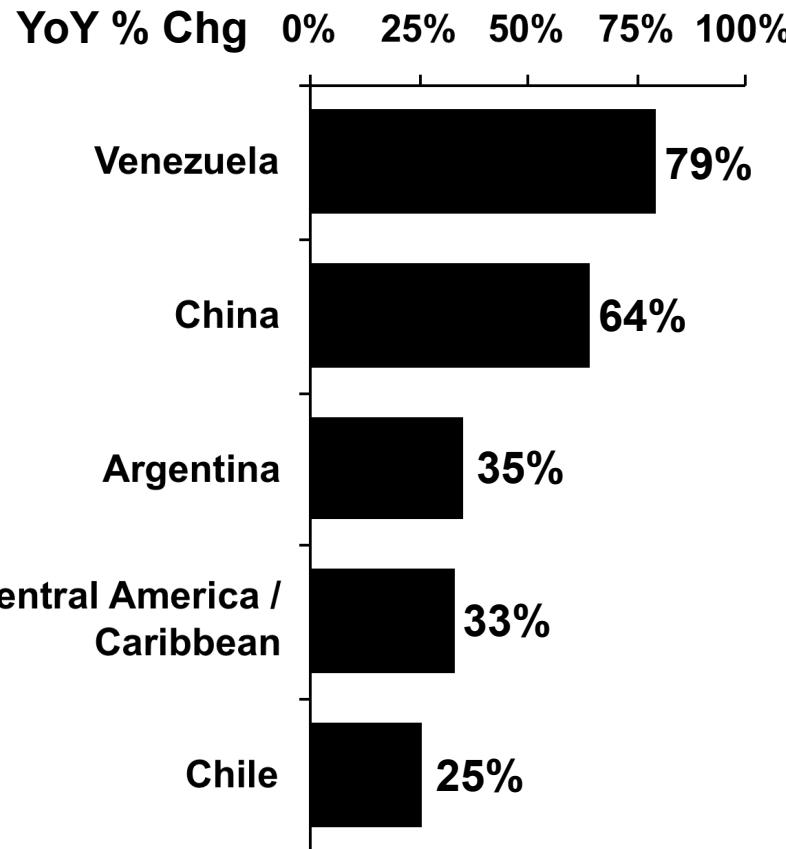
## 6 Industry Overall

Updated estimate of value growth of Electronic Music globally



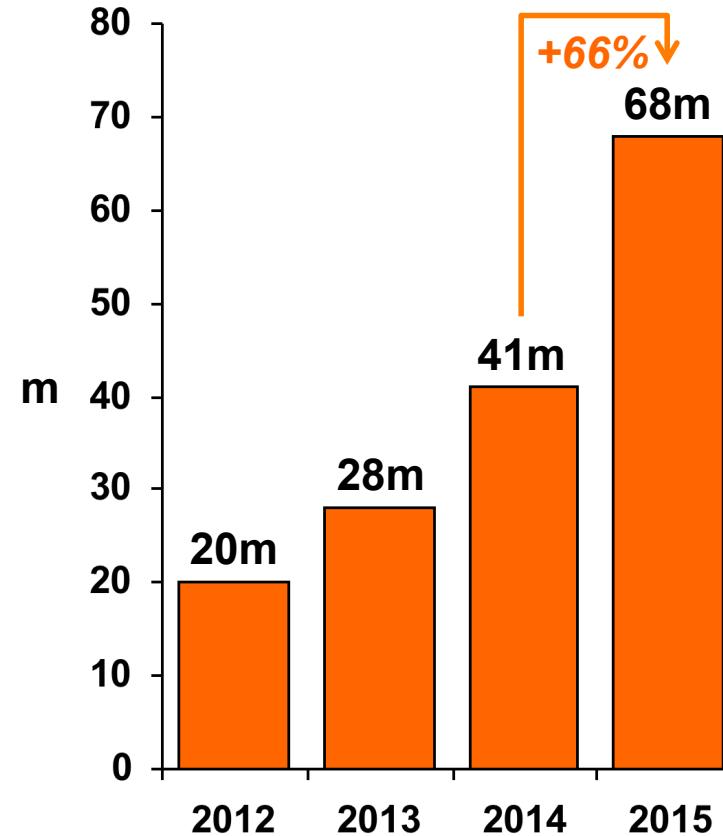
# Global music industry growth is being fuelled by South America, China and streaming services

**Music Revenue Growth by Country / Region: Top 5 (YoY 2014-2015)**



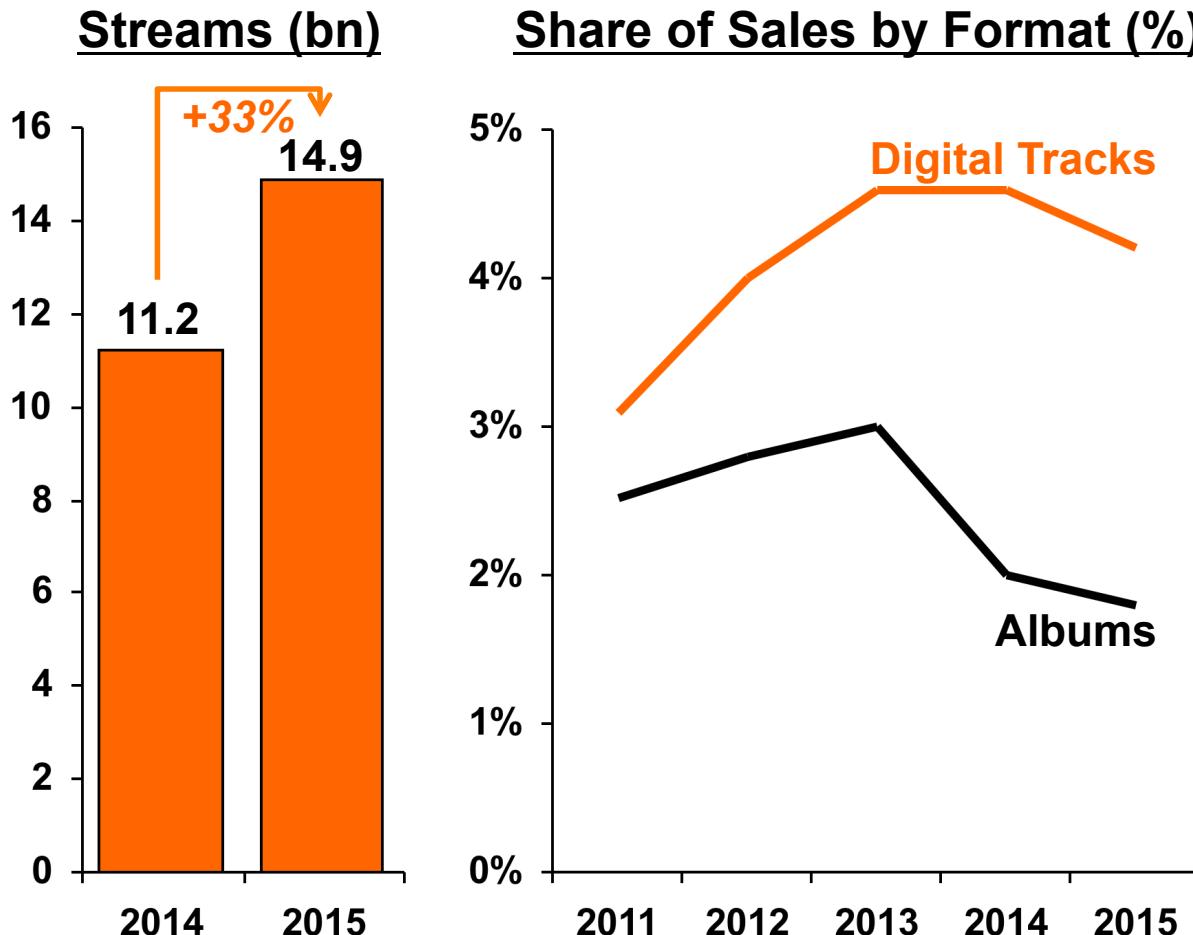
Source: IFPI, Billboard

**Paid Subscribers to Music Streaming Services (2012-2015)**



# Dance volume of streams in USA up 33% YoY to 15bn, although share of all formats fell in 2015

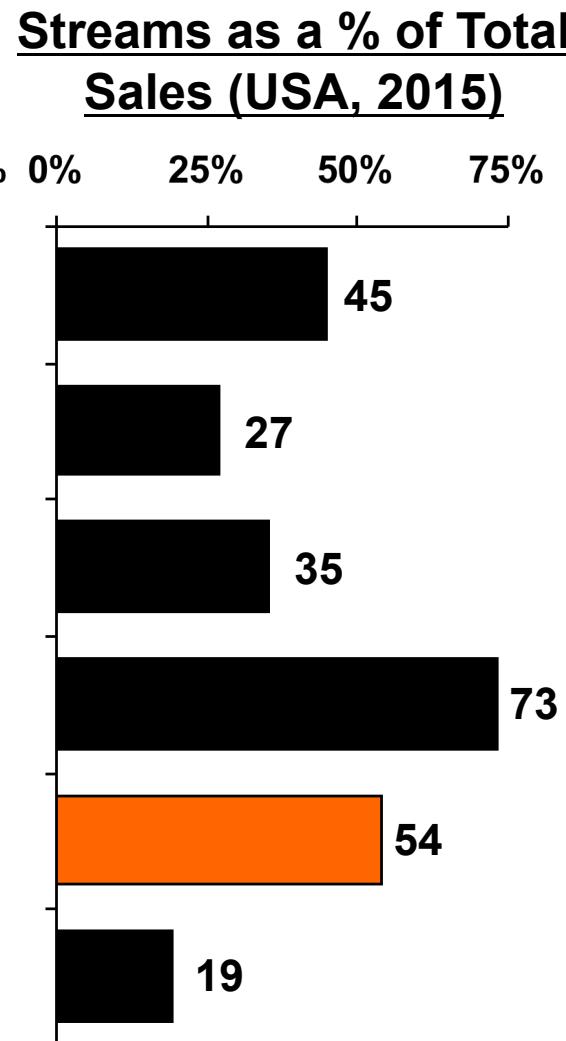
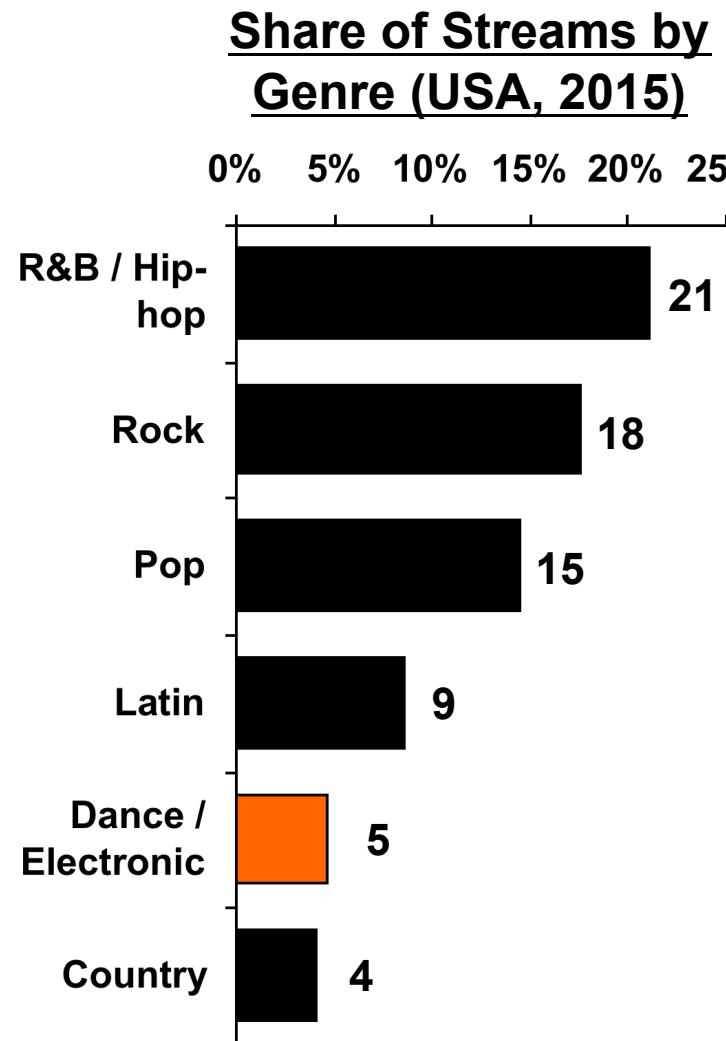
Electronic / Dance Music by Format (USA)



Source: Nielsen Music U.S. report

- Dance's share of digital track sales (4.2%) still remains higher than the level it was at in 2012
- Album share trending to lower level following significant decline in 2014
- In terms of streams, Dance share fell significantly, but overall volume increased 33% YoY from 11bn to 15bn

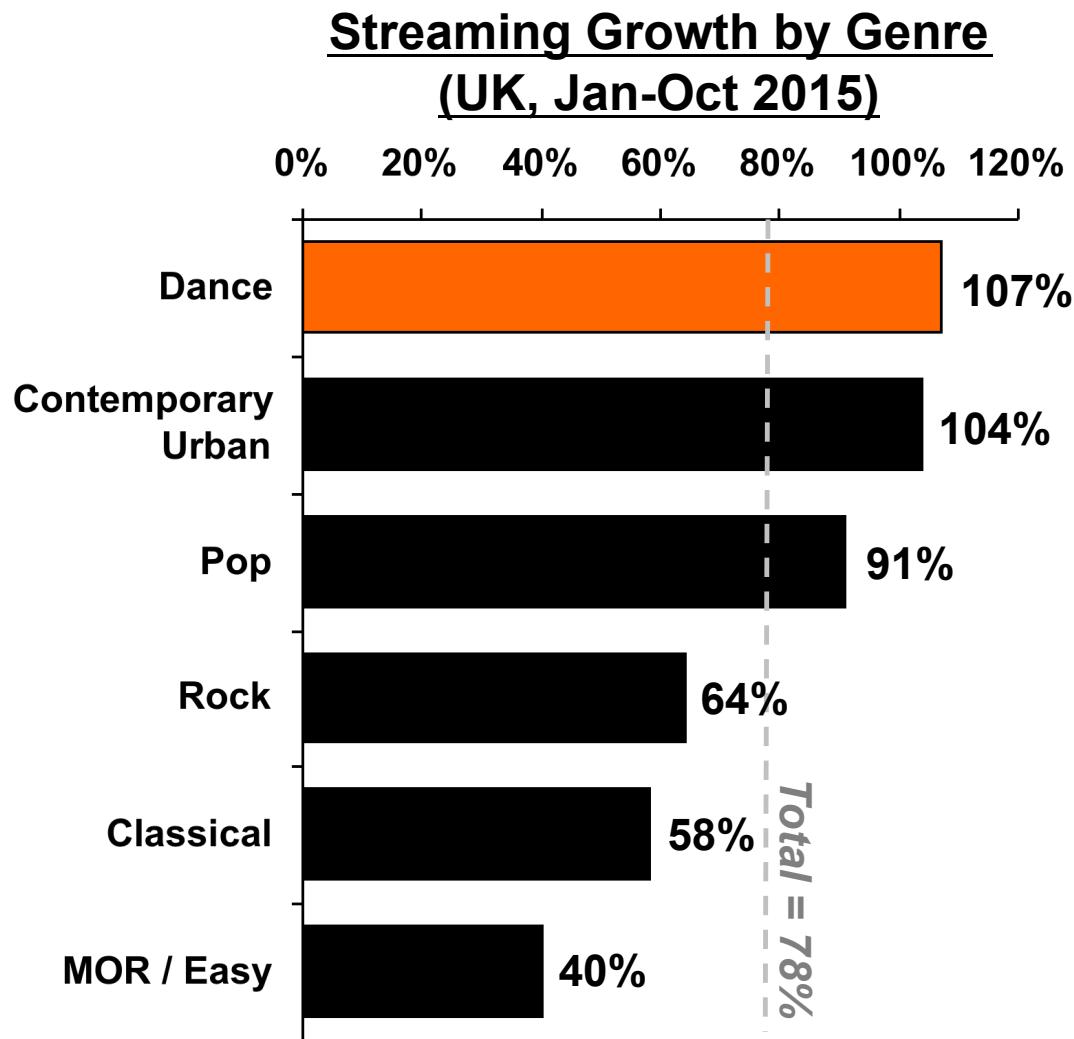
# In the USA, 54% of all Dance sales are streams, making it the 5<sup>th</sup> most popular streaming genre



- Over half of Dance sales came from streaming in 2015
- In the USA, total streaming across all genres grew by 93% YoY, in comparison to album and track sales declined 6% and 12% respectively
- Consumers listened to an estimated 15 billion Dance / Electronic streams in 2015

Source: Nielsen Music U.S. Report 2015

# In the UK, streaming of Dance music grew at a faster rate than any other genre in 2015 (Jan-Oct)

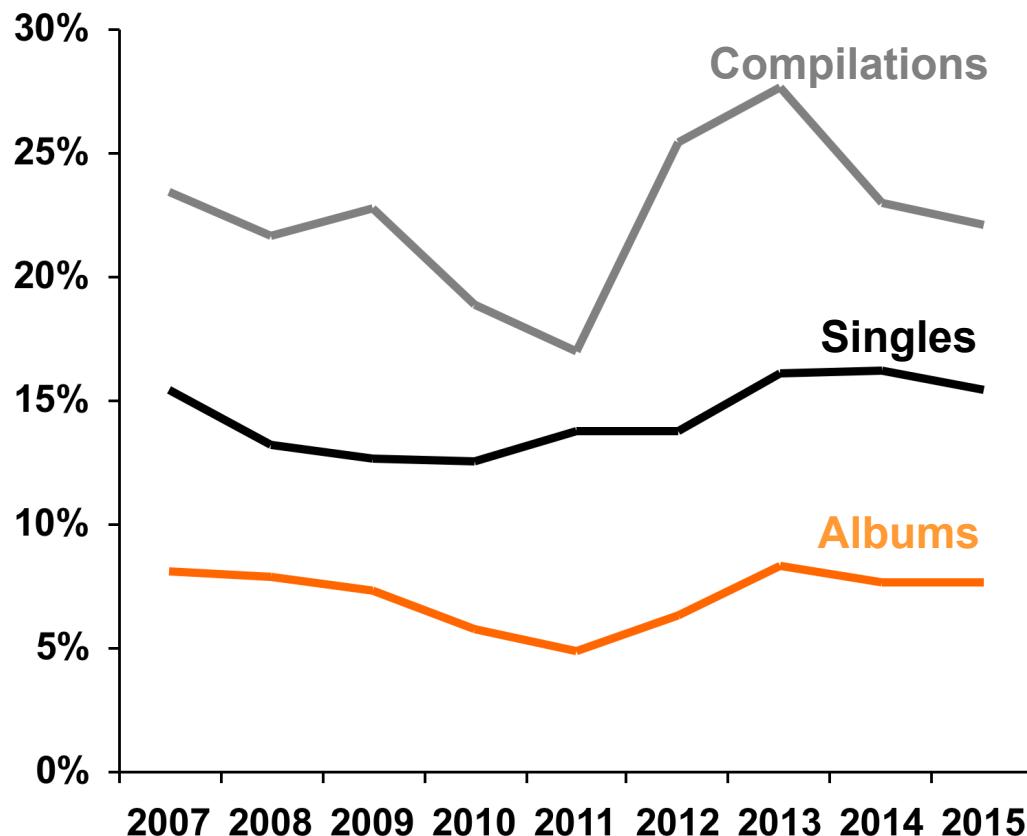


Source: Official Charts Company / BPI

- In terms of Album Equivalent Sales (AES), Dance grew 3.2% YoY Vs 1.4% market average
- Dance buyers twice as likely to subscribe to music streaming service than other genre fans
- House and Garage are most popular Dance sub-genres in terms of single sales, accounting for 48% of singles

# In terms of sales, Dance remained in the top three genres across all formats in the UK in 2015

**Dance Music Share of Sales by Format (UK)**



- Dance music maintained 7.7% share of album sales in 2015, placing third behind rock and pop
- Share of Compilations and Singles dropped slightly YoY, but the genre maintained position of 2<sup>nd</sup> and 3<sup>rd</sup> most popular, respectively
- Over 20% of spend on Dance by 13-19 year olds – highest of any genre – equivalent to 11% of total spend by that age group

Source: Official Charts Company / BPI

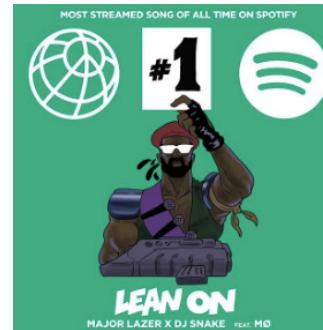
1

Music

# Electronic artists dominated Spotify in 2015 – ‘Lean On’ is now most streamed song of all time

Most  
Streamed  
Song of  
2015

*Lean On (ft.  
MØ and DJ  
Snake) by  
Major Lazer*



540m  
streams

*Now the most streamed song  
of all time on Spotify*

Breakout  
Artist of  
2015

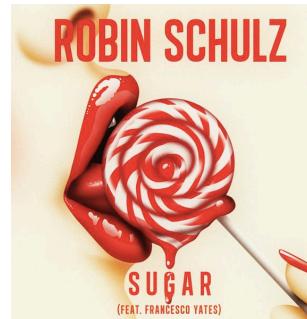
Kygo



*Fastest artist to reach  
1 billion  
streams  
In just one year*

Most Viral  
Track of  
2015

*Sugar (ft.  
Francesco  
Yates) by  
Robin Schulz*



55  
appearances  
*on Spotify Global Viral 50 chart*

Source: Spotify, Billboard

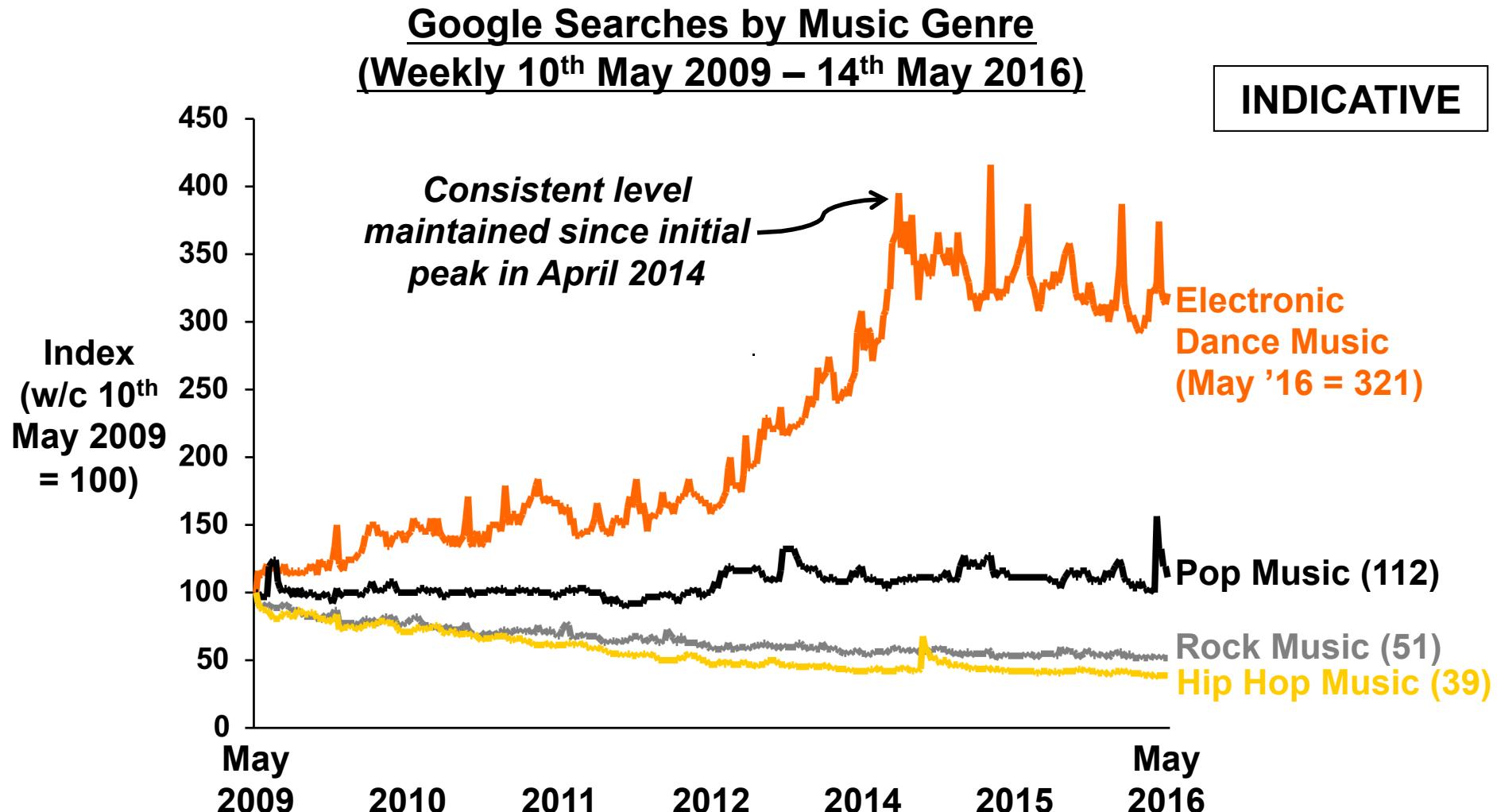
IMS Business Report 2016 by KevinWatson.net





Music

# Electronic Music is the only genre to have shown significant growth in Google searches since 2009



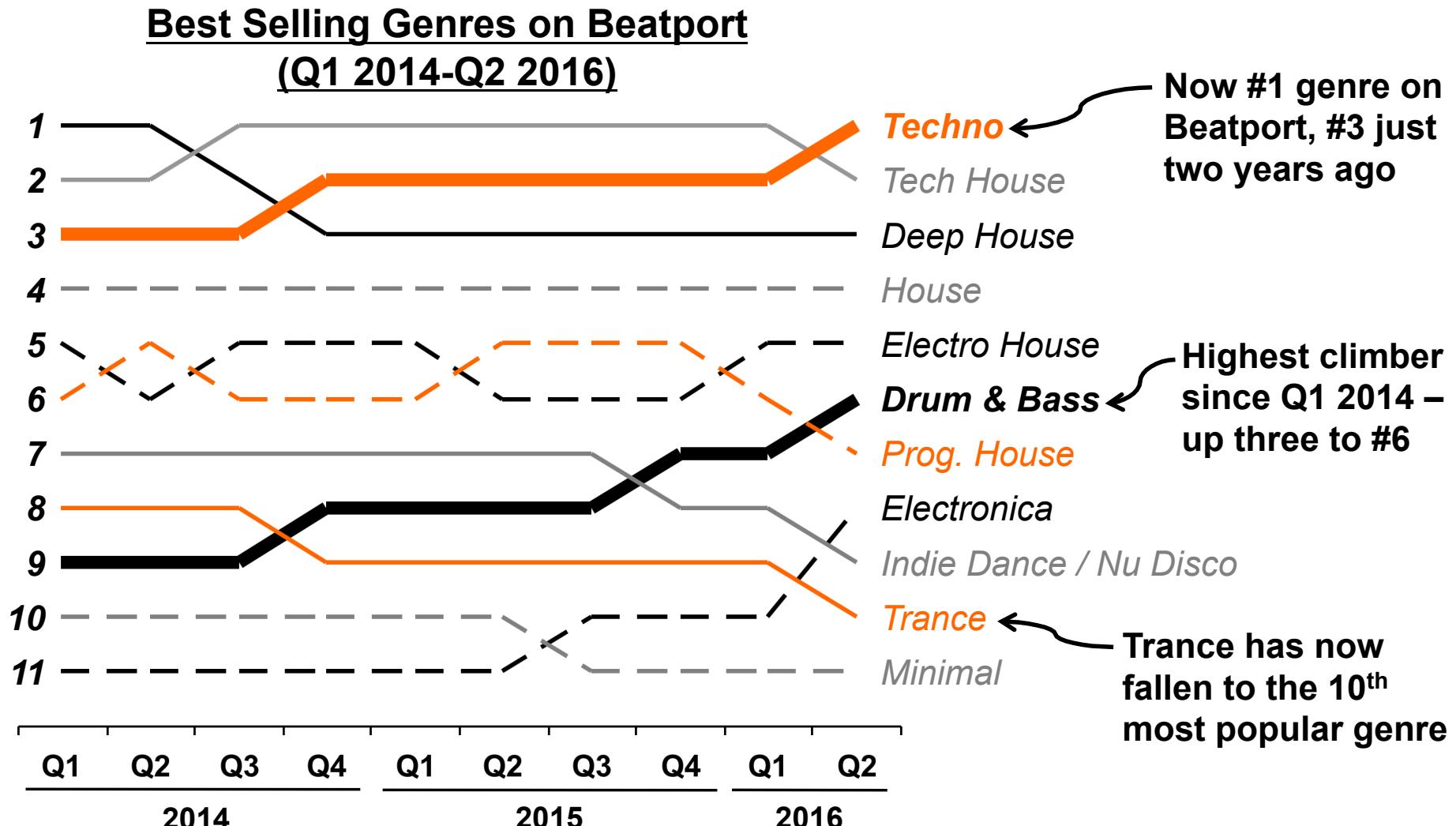
Source: Google Trends, Digital Music News





Music

# Techno is now the best selling genre on Beatport, overtaking Tech House in Q2 2016



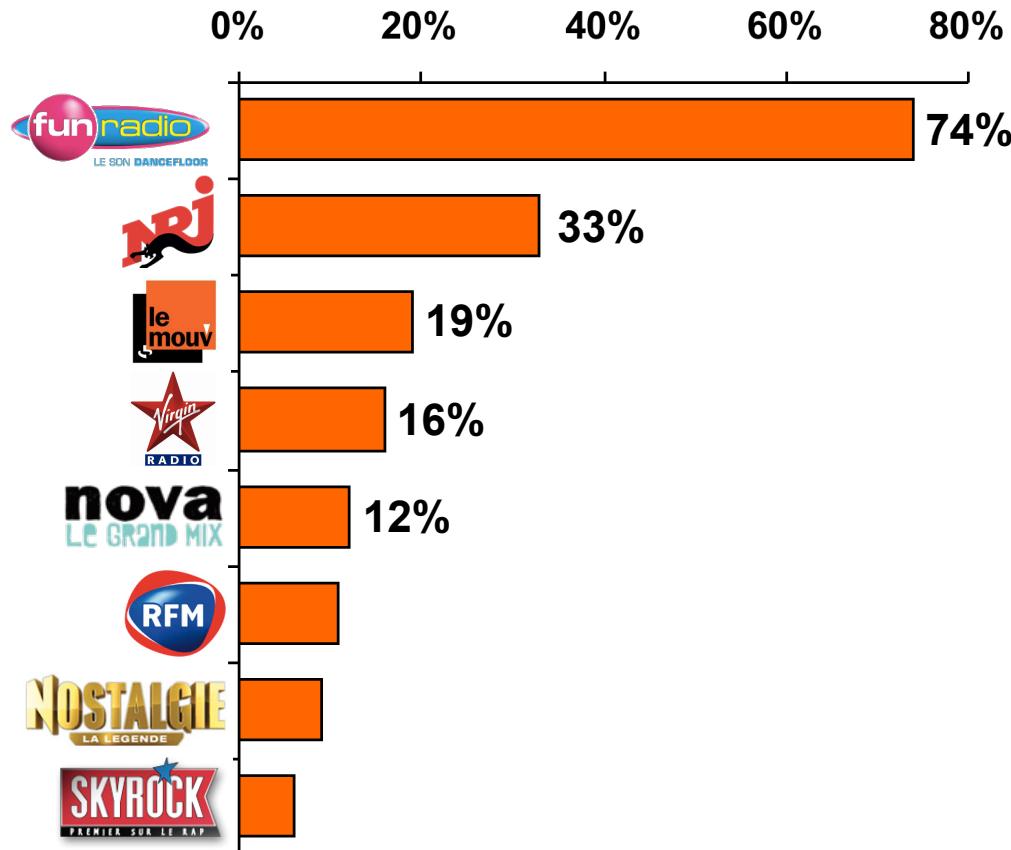
Source: Beatport

beatport

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# In France, one third of radio stations dedicated >10% of their output to Dance tracks in Q1 2015

Radio Stations in France: Dance Share  
of Tracks Played (Jan – Mar 2015)\*

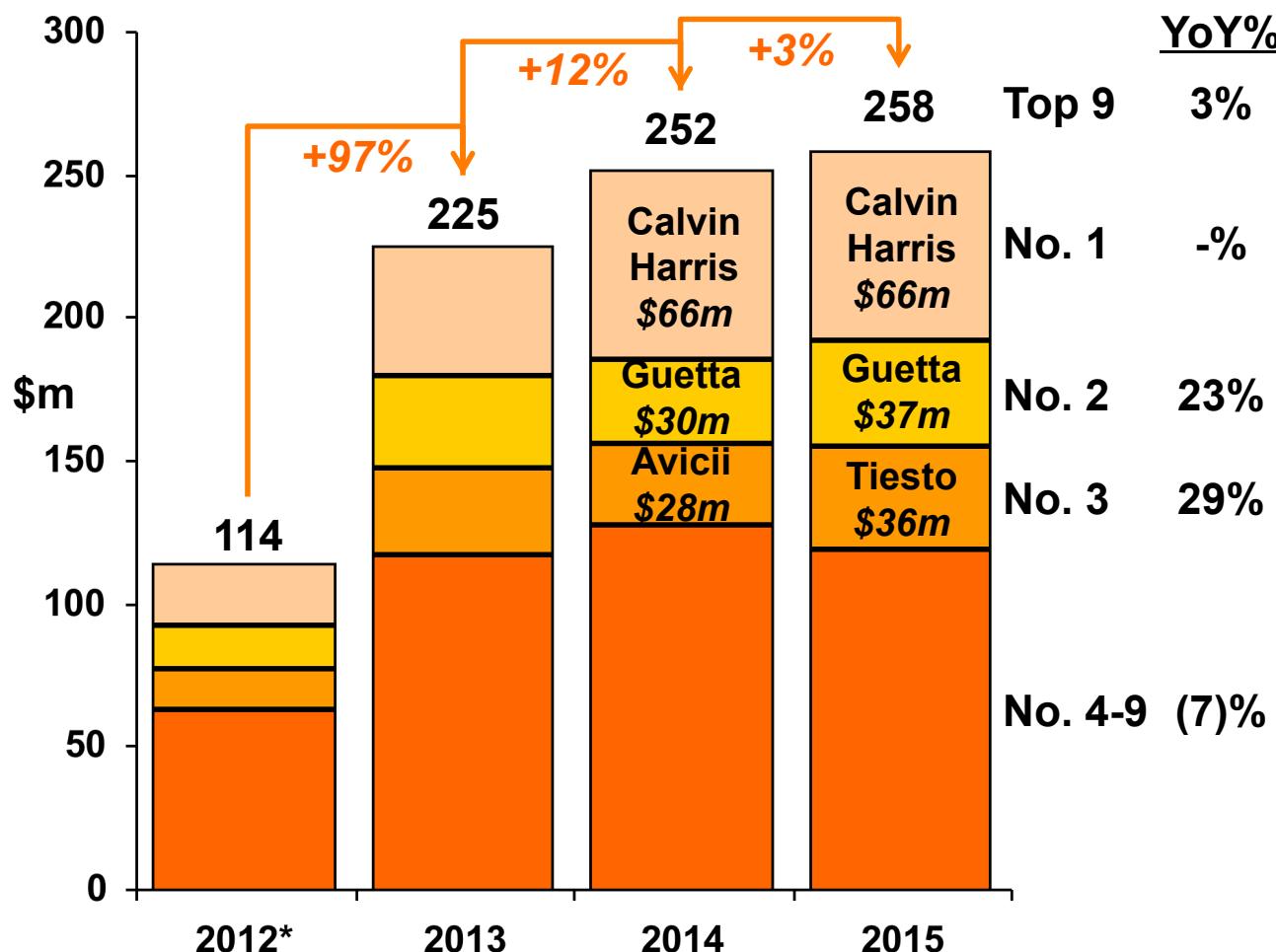


- Six radio stations in France played Dance tracks over 10% of the time in 2015
- Avicii was the most widely circulated artist on French radio in 2014, with his 25 titles featuring in 48k broadcasts, resulting in 2.5 billion listens
- In terms of music sales in France, in 2014 Dance (labelled 'Techno–Jungle–House') accounted for 2%

Note: \* Eight stations with highest Dance share shown; Data collected Monday-Friday, 05:00-24:00  
Source: GFK, SNEP

# Forbes' Electronic Cash Kings suggests DJ earnings inflation slowed to just 3% in 2015

Forbes Electronic Cash Kings (2012-15)



Note: \* Excludes DJ Pauly D  
Source: Forbes

Forbes 12

# DJs have on average grown their Soundcloud followers by over 35% in the last 12 months

**Social Media Fanbases of Topdeejays Highest Ranked DJs**  
(YoY % Change May 2015 to May 2016)



1	David Guetta	(6)%	26%	60%	58%
2	Skrillex	2%	30%	22%	39%
3	Calvin Harris	23%	48%	36%	93%
4	Avicii	4%	27%	26%	42%
5	Tiesto	(0)%	32%	39%	26%
6	Daft Punk	(5)%	11%		12%
7	Steve Aoki	11%	97%	15%	27%
8	Hardwell	12%	54%	28%	56%
9	Martin Garrix	51%	110%	64%	203%
10	Zedd	24%	76%	15%	117%
55	Flume	79%	68%	91%	105%
66	Kygo	259%	737%	111%	1574%
106	Richie Hawtin	5%	10%	31%	31%
<b>Avg Top 1000</b>		<b>20%</b>	<b>34%</b>	<b>36%</b>	<b>68%</b>

David Guetta: fan base on Facebook falling; Soundcloud followers up 60%

Calvin Harris: up one place in rankings; YoY YouTube subscribers have almost doubled

Martin Garrix: >50% increase in fan base on all four platforms

Flume: average YoY fan base growth of c.90%

Top 1000: average fan base growth of 29% across four platforms

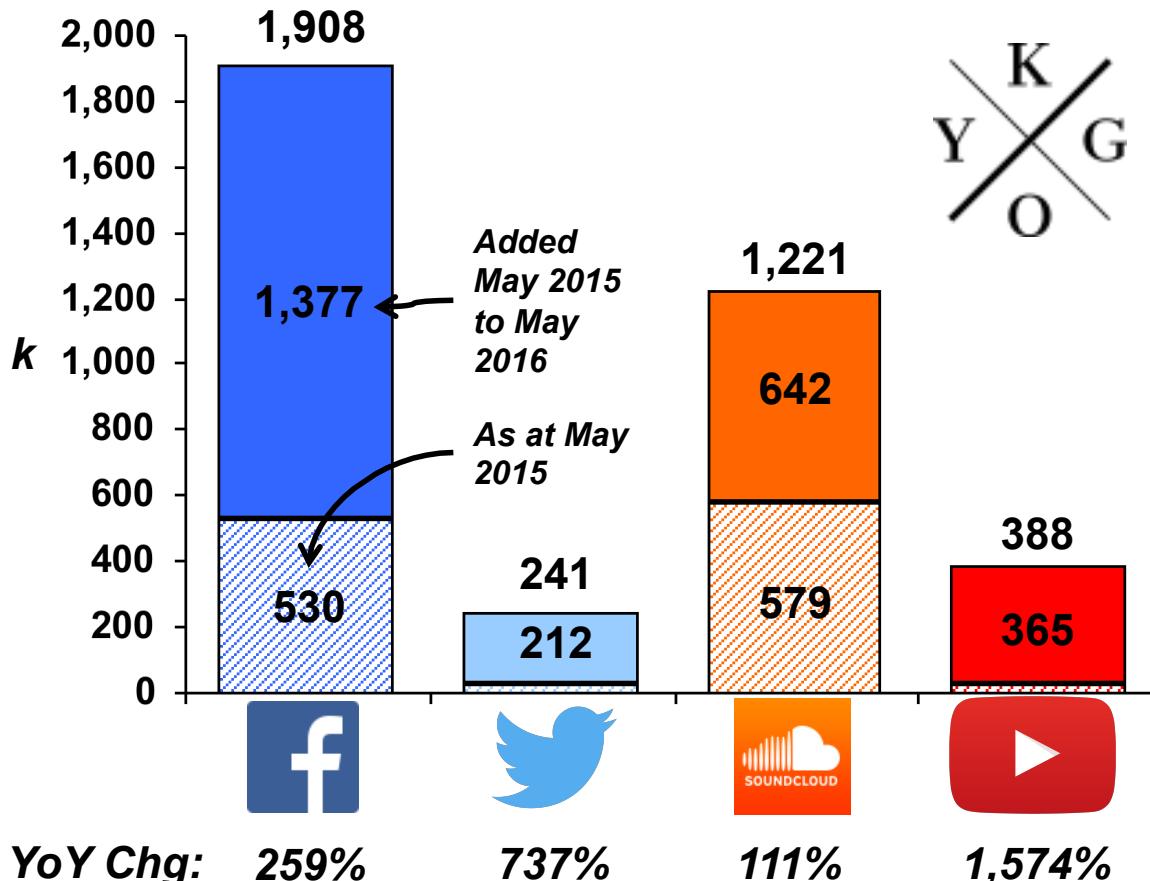
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Source: Topdeejays.com, Facebook, Twitter, Soundcloud, YouTube

**Kygo has added 7,000 social media fans per day in the last year, more than trebling his fanbase**

**Kygo Social Media Fanbase by Platform  
(May 2015 to May 2016)**



Source: Topdeejays.com, Facebook, Twitter, Soundcloud, YouTube

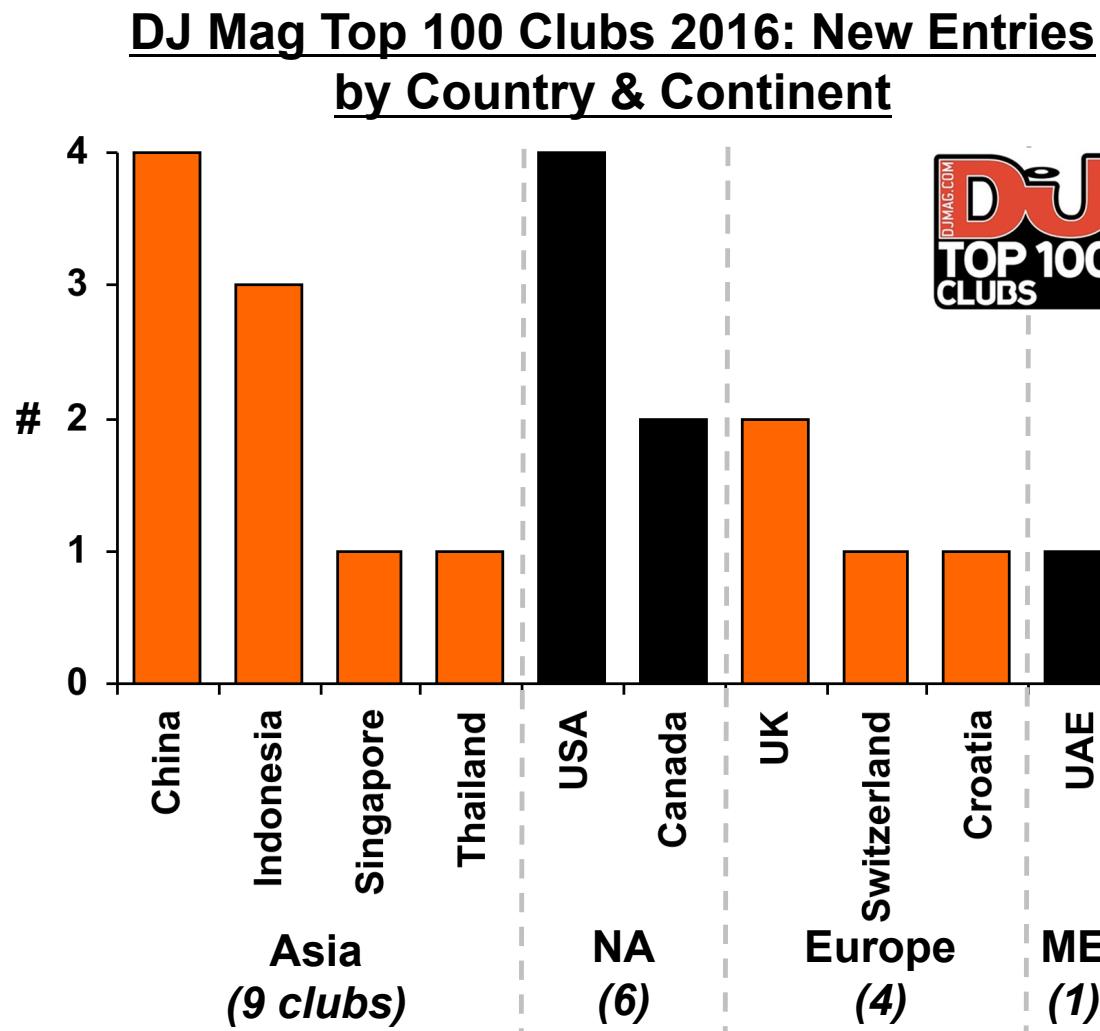
- Kygo has added 2.6 million fans in the 12 months to May 2016 across four platforms
- His YouTube subscribers are now 15x the level in May 2015, adding 1,000 per day
- Total YouTube views have risen to 126 million
- Facebook likes have increased by 1.4 million to nearly 2 million, with over 180k people talking about his page

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## Clubs & Festivals

# Asian clubs dominate new entries in the 2016 DJ Mag Top 100 – four clubs (out of 20) from China

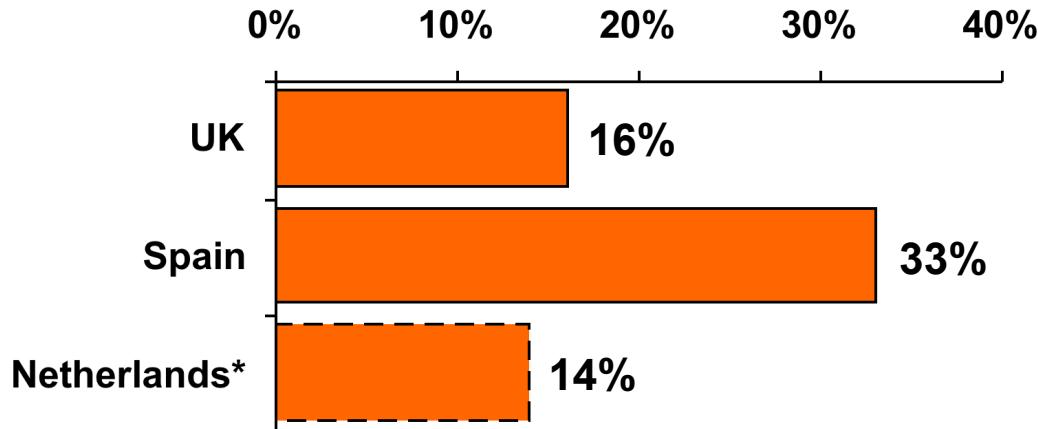


Source: DJ Mag Top 100 Clubs 2016

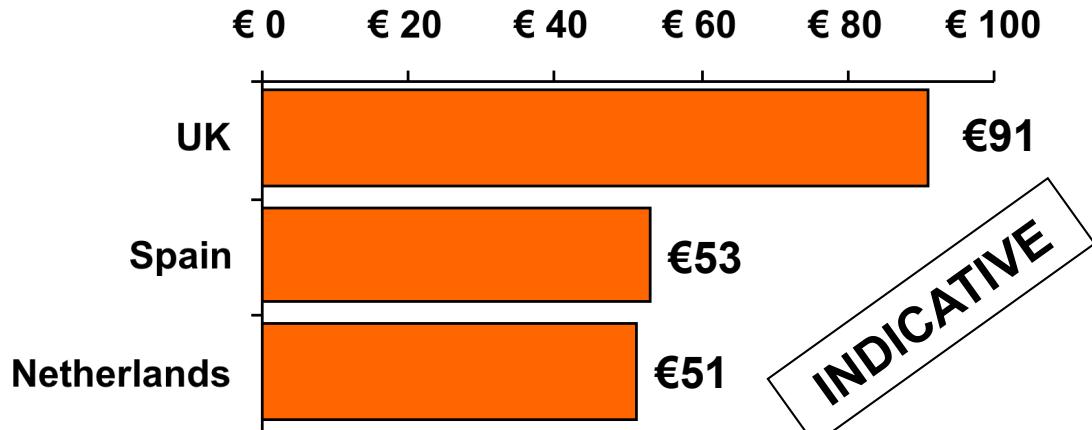
- Nine of 20 New Entries in 2016 from Asia
- Three new clubs from Jakarta enter the list – Colosseum Club (#64), Dragonfly (#78) and X2 (#97)
- China added four new clubs, including Elements in Beijing (#65) and Club Cubic in Macau (#81)
- Highest New Entry in 2016 was Omnia in Las Vegas, which opened in March 2016
- First club from UAE entered the list at #49 (White Club, Dubai)

## Across Europe at least 1 in 7 people have recently attended a Dance Music event

Proportion of Population That Have Attended  
A Dance Music Event in Past Three Years



Average Spend on Dance Festival Ticket



Note: \* Proportion in past one year, not three years

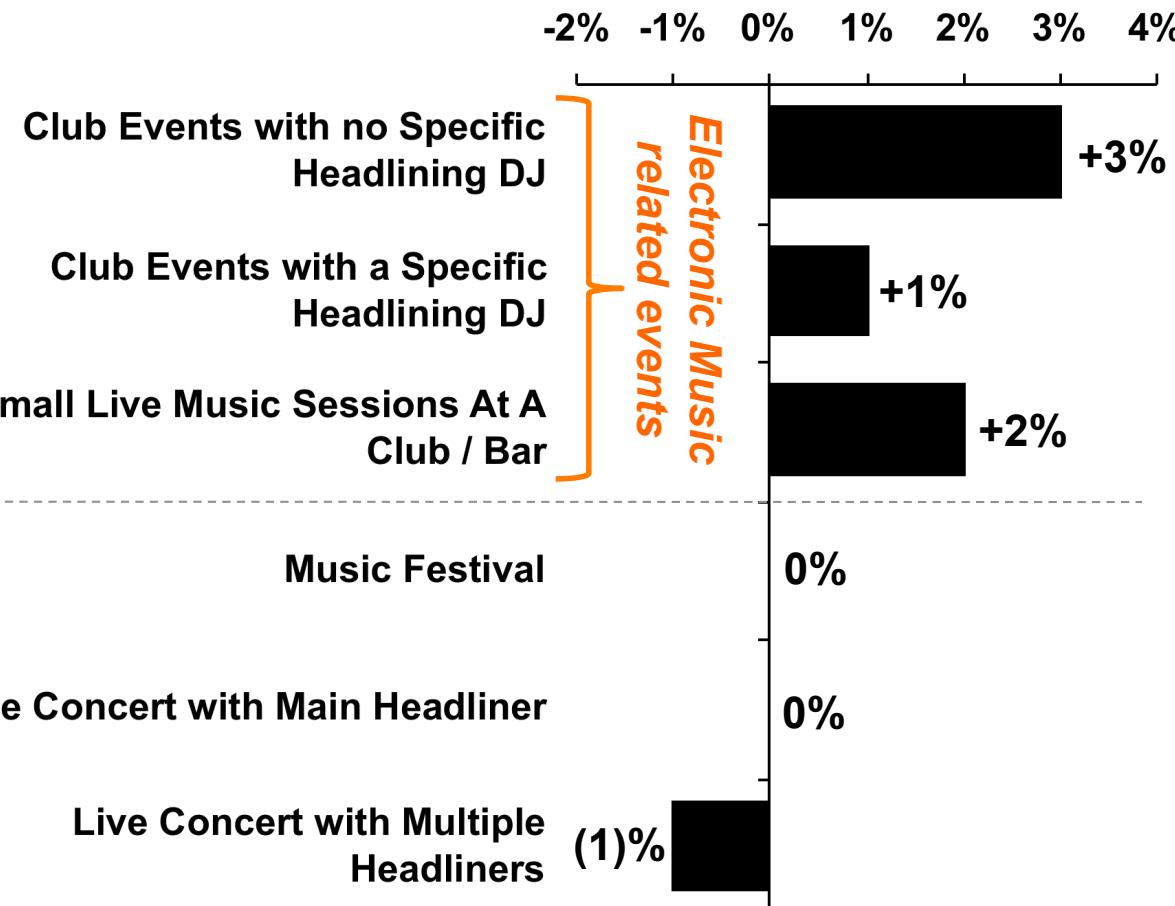
Source: Ticketmaster State of Play: Dance Music report 2015; ING Dance Music Survey 2015

- Ticketmaster's 2015 report showed 1 in 6 people in the UK had attended a dance music event in the past three years, rising to 1 in 3 in Spain
- A similar survey by ING in the Netherlands found 1 in 7 people had been to a dance music event in the past year alone
- Attendees at Dance music festivals pay on average around €50 per ticket in Spain and the Netherlands, rising to £70 in the UK

# Electronic Music related events in the US are the only ones showing a YoY increase in attendance

## Stated Attendance at US Live Music Events by Type

(YoY Change 2014-15)\*

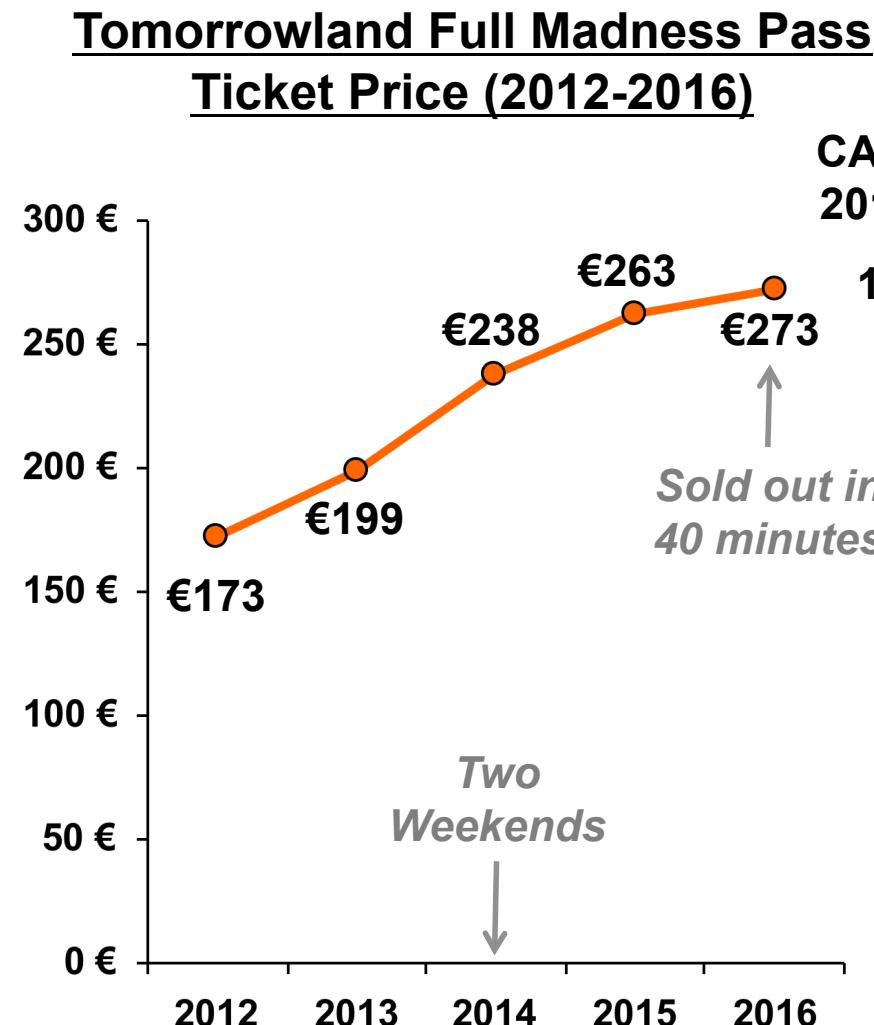


- In 2015 51% of Americans stated they had attended a live music event, up from 44% in 2014
- Club events with no specific headlining DJ showed the biggest YoY change, up 3%
- Other Electronic Music related types of events were also up YoY, whereas live concerts and music festivals showed no increase

Note: \*Question: About how many of the following types of live events, if any, do you attend per year?

Source: Nielsen Music 360 Report 2015

# Tomorrowland ticket prices have risen 12% pa since 2012; 2016 edition sold out in just 40 mins



Source: Industry Press, Tomorrowland, Social Networks

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- Tomorrowland festival is expected to welcome c.180k fans in July 2016
- Tickets for the weekend are priced at €273, c.60% more than in 2012
- Total social media fanbase has now reached nearly 18m, with c.700m YouTube views



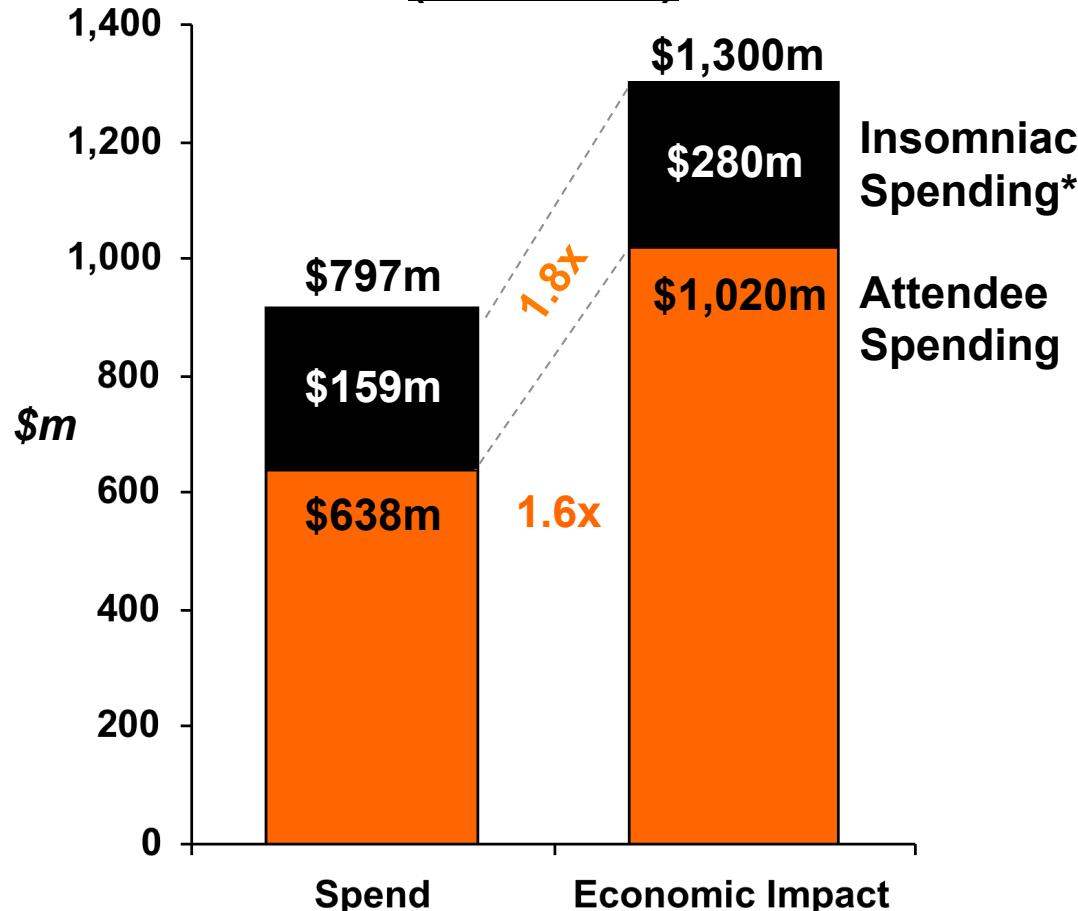
TOMORROWLAND

# EDC Vegas is estimated to have contributed \$1.3bn to the economy over the past five years

## EDC Vegas Spending & Economic Impact

(2011-2015)

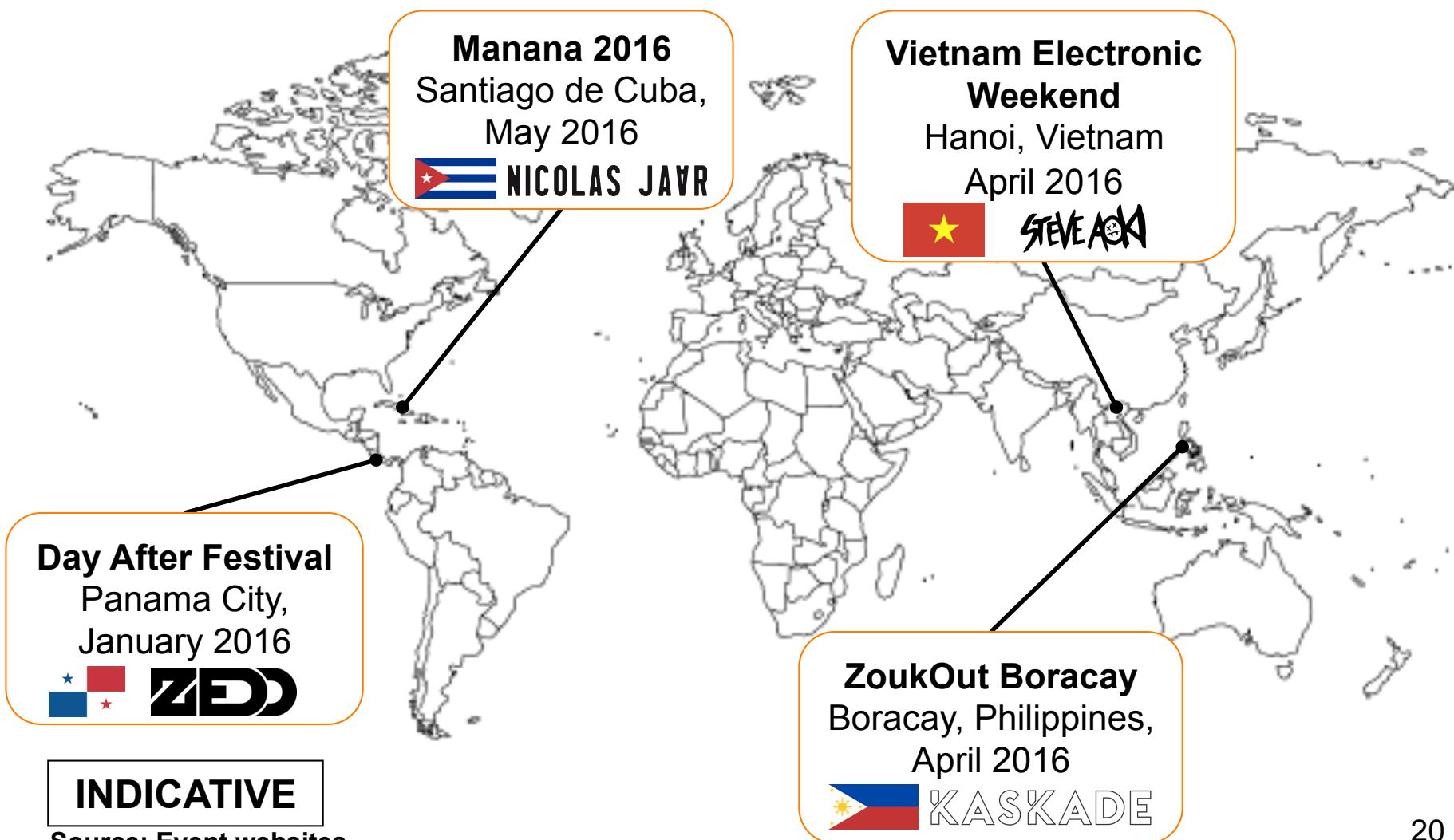
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- A recent study estimated the economic impact of the past five EDC Vegas events was \$1.3 billion
- The 1.7m attendees spent c. \$640m over that time on various things, including transport (\$94m) and food and beverage (\$189m)
- Insomniac spent c. \$160m, generating impact of \$280m
- Spending has also generated an estimated \$81m in state and local taxes



# Already in 2016, there have been dance festivals in Cuba, Vietnam, the Philippines & Panama



# Live Nation continues focus on Electronic Music with recent Warehouse Project share purchase

<u>Company</u>	<u>Date</u>	<u>Description</u>
Warehouse Project*	April 2016	<ul style="list-style-type: none"> <li>Bought shares in WHP and Parklife Festival based in Manchester, UK</li> <li>Partnership to enhance future growth</li> </ul>
Union Events	February 2016	<ul style="list-style-type: none"> <li>Acquired festival portfolio of Canadian promoter</li> <li>Includes Chasing Summer in Calgary</li> </ul>
MAMA Group*	August 2015	<ul style="list-style-type: none"> <li>Takeover of UK festival and venues operator</li> <li>Organises Lovebox festival in London</li> </ul>
Founder's Entertainment	May 2016	<ul style="list-style-type: none"> <li>Parent company of NYC based multi-genre festival The Governors Ball</li> <li>Same location as AEG's Panorama</li> </ul>

'We continue to see great success in our European festivals such as ... electronic events including Electric Daisy Carnival and Creamfields' *Live Nation Annual Report 2015*

Note: \* Acquired by LN-Gaiety Holdings Ltd  
 Source: Live Nation, Industry Press

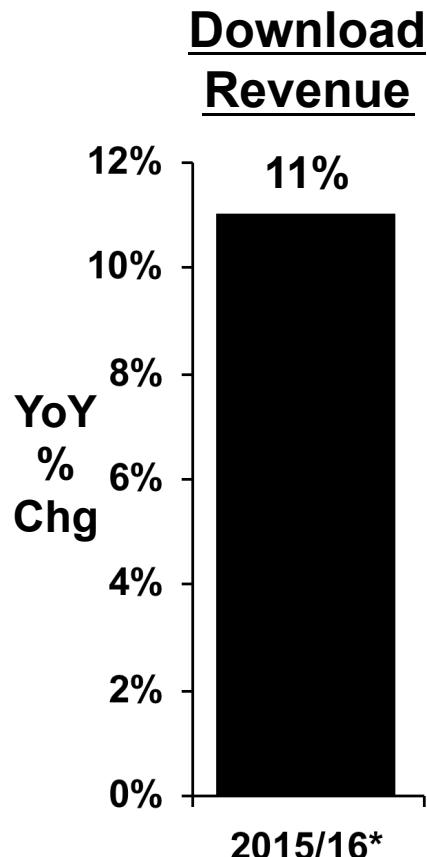
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# Two major Electronic Music sellers have both driven 11% YoY growth in key revenue streams

## Electronic Music Seller



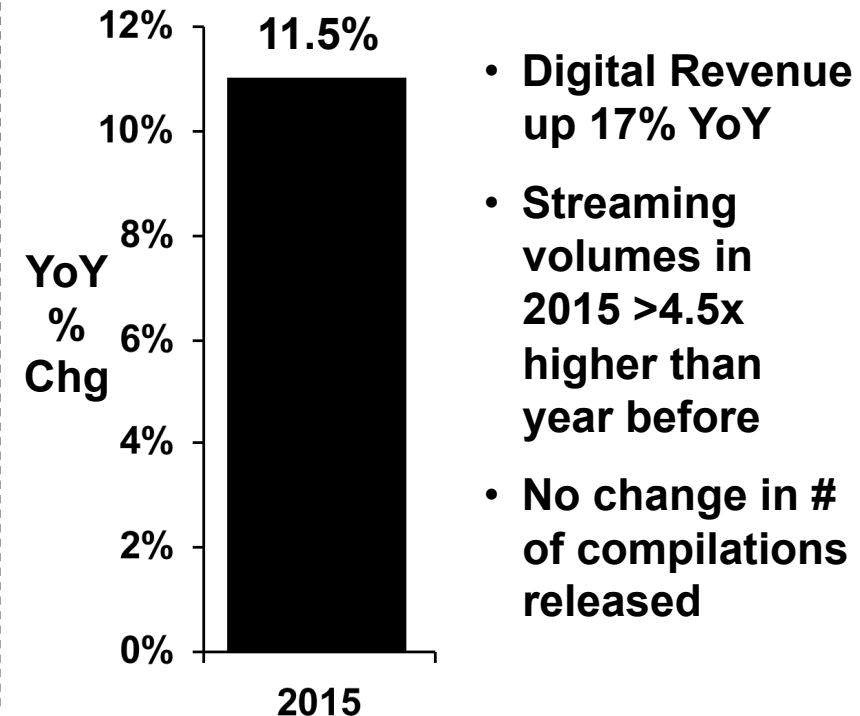
Note: \* 12 months to May 2016

Source: Industry Organisations



## Ministry of Sound

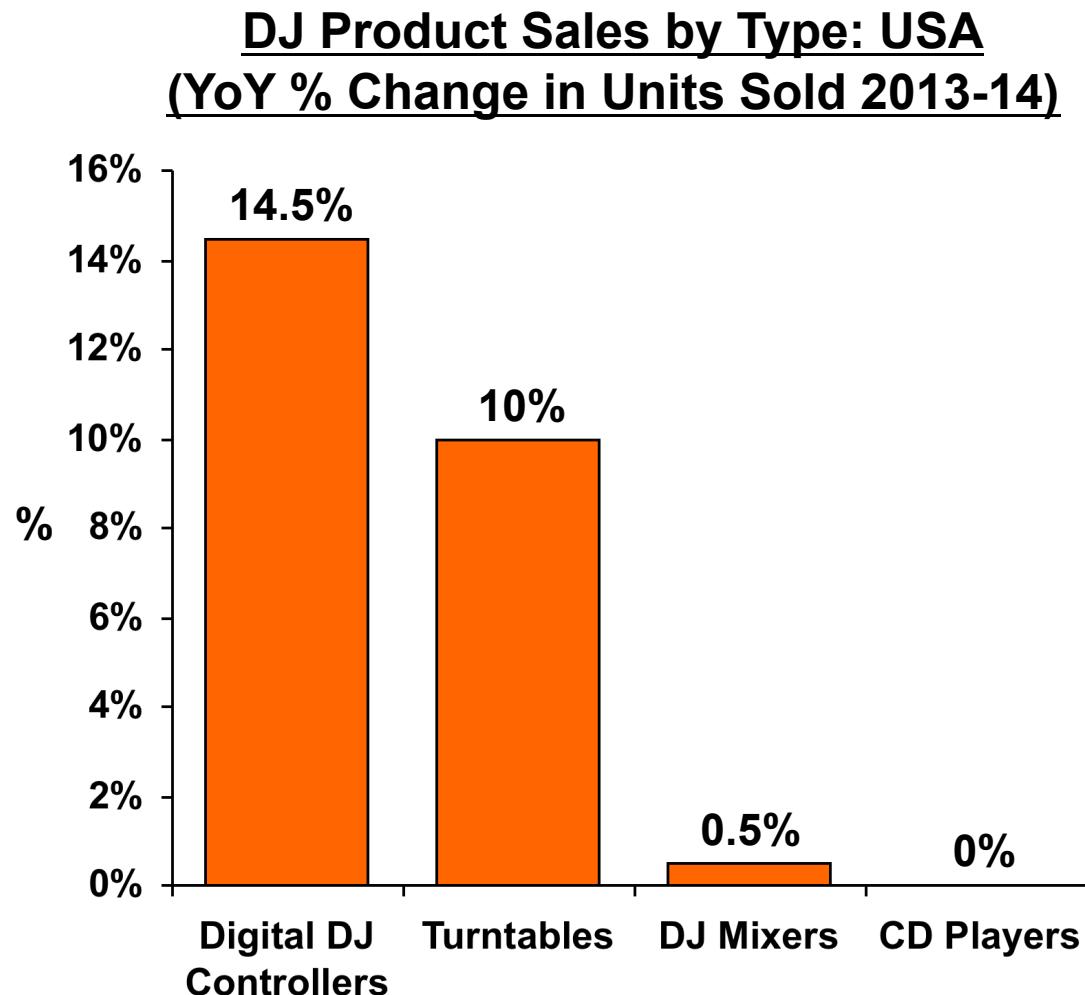
### Compilation Revenue



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# DJ Product sales worth \$141m+ in USA; Digital DJ Controllers fastest growing product segment



- In the USA the DJ Product market grew 1.7% to \$141m in 2014, the most recent year of data available
- Digital DJ controllers were the fastest growing segment, with unit sales up c.15% and retail value up 6.25% YoY
- In total, they accounted for one third of retail value
- Turntables also saw strong growth, with volume of sales increasing 10% YoY

Source: The 2015 NAMM Global Report (July 2015)

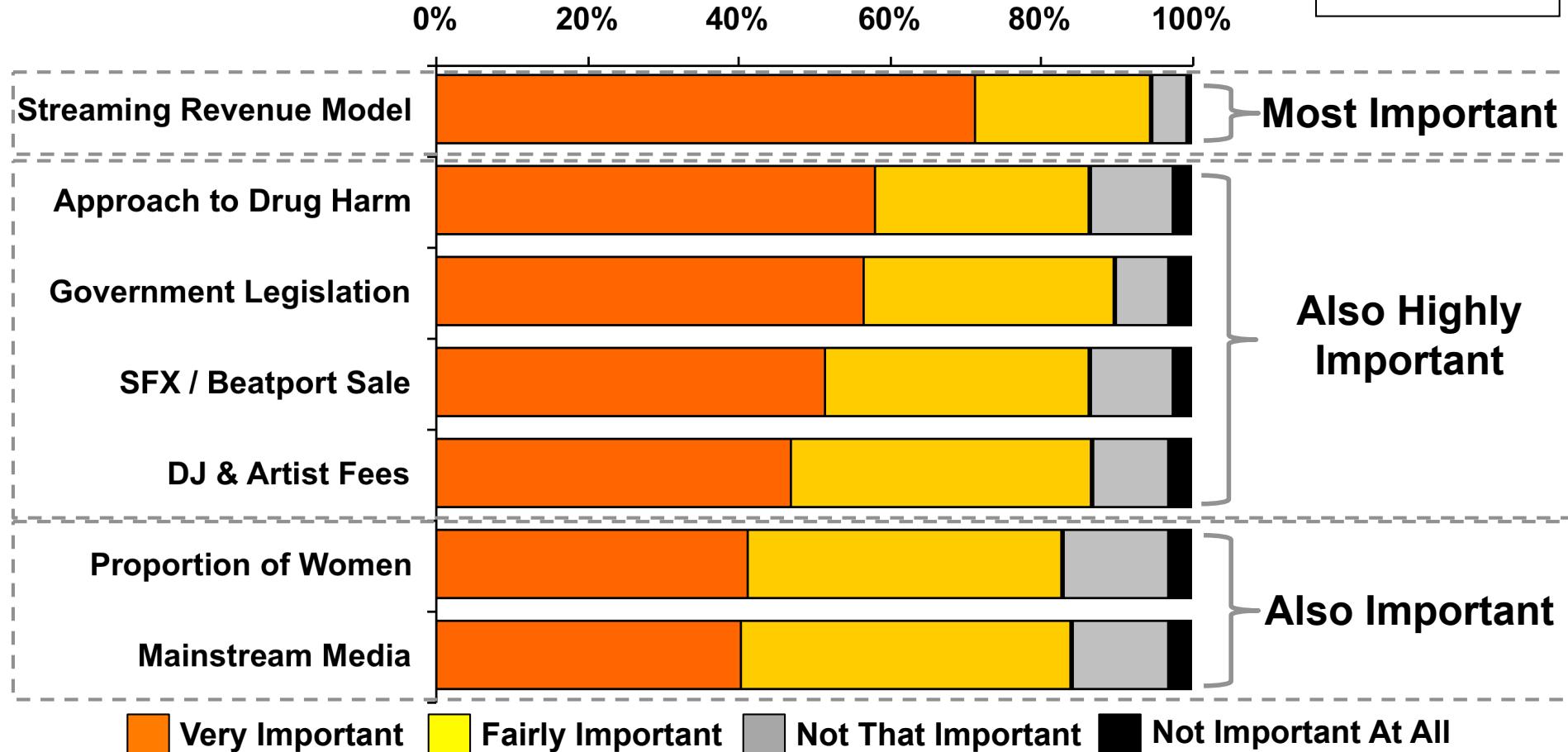
# Respondents asked to rate the importance of seven drivers of future success for the industry

- A **SFX / Beatport Sale**  
The successful sale of SFX assets such as Beatport to organisations who understand the Electronic Music industry
- B **Streaming Revenue Model**  
Soundcloud and other streaming platforms introducing fair revenue share mechanisms for artists and labels
- C **Government Legislation**  
Governments working with promoters and the wider industry to develop appropriate legislation and regulation for Electronic Music venues
- D **Proportion of Women**  
A higher proportion of women in key roles within the Electronic Music industry, including DJs, artists, and promoters
- E **Approach to Drug Harm**  
A joined-up approach to reducing harm from drugs, involving key industry players and governments
- F **Mainstream Media**  
Further acceptance, respect and promotion of Electronic Music in mainstream media
- G **DJ & Artist Fees**  
More transparency and lower inflation in DJ and artist fees

# Most important driver of future industry success is fair revenue share mechanisms for streaming

Importance of Drivers for Future Success of Industry

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Question asked: Please answer how important you think each of the following drivers are for the future success of the Electronic Music Industry

Source: IMS Survey 2016 (n=163)

# Female respondents ranked 'a higher proportion of women' as second most important driver

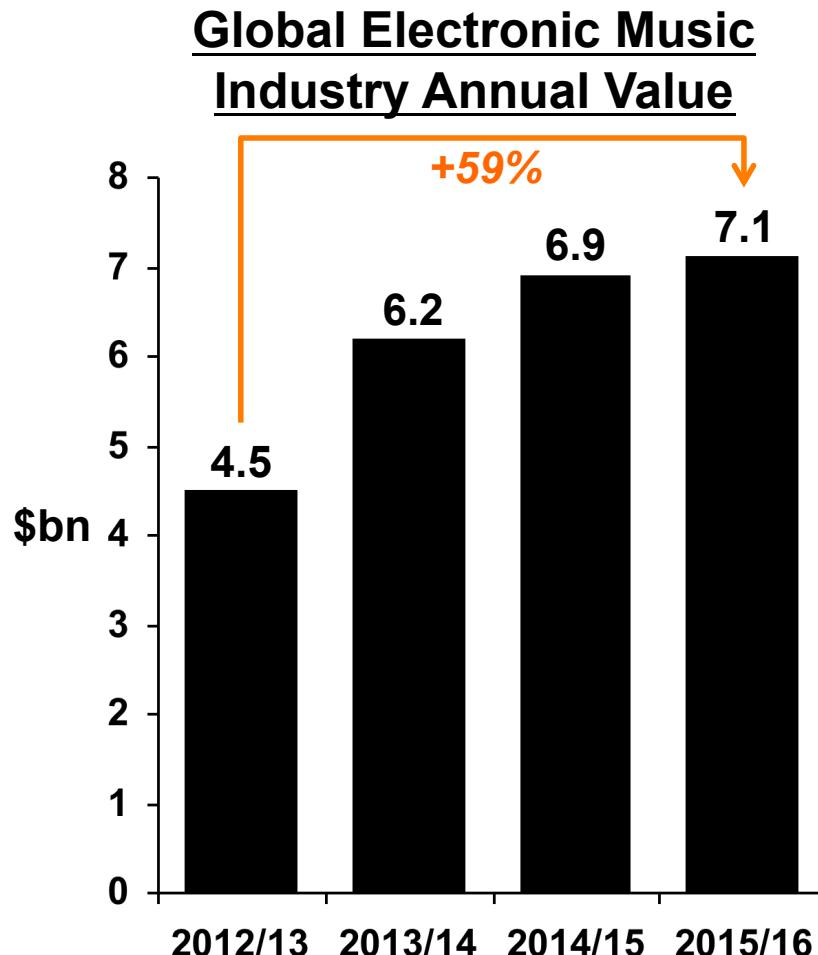
<u>Importance of Drivers for Future Success of Industry</u>			INDICATIVE
All Respondents		Female Respondents	
Rank	Driver of Future Success	Rank	Driver of Future Success
1	Streaming Revenue Model	1	Streaming Revenue Model -
2	Approach to Drug Harm	2	Proportion of Women +4
3	Government Legislation	3	Approach to Drug Harm -1
4	SFX / Beatport Sale	4	DJ & Artist Fees +1
5	DJ & Artist Fees	5	Government Legislation -2
6	Proportion of Women	6	SFX / Beatport Sale -2
7	Mainstream Media	7	Mainstream Media -



Question asked: Please answer how important you think each of the following drivers are for the future success of the Electronic Music Industry

Source: IMS Survey 2016 (n=163 all respondents, n=32 female respondents)

# Global Electronic Music industry now worth \$7.1 billion – 60% more than three years ago



**INDICATIVE**

- Industry growth slowed significantly in the past year, to 3.5%
- Outlook is still positive, driven by several key factors, including:
  1. **Streaming growth** – fastest growing music ‘format’ globally; Electronic Music well positioned due to demographic bias
  2. **New regions / markets** – Electronic Music festivals and clubs launching in many high-growth developing markets, such as South America and China
  3. **USA market maturity** – evidence that recent explosive growth is translating into sustainable wide-scale appeal

Source: Wikipedia, RIAJ, BPI, Nielsen, Billboard, IFPI, Google, Forbes, Economist, Official Charts Company / BPI, PWC, EVAR Advisory Services, UK Music, FT, Pioneer, SFX, CIA World Factbook, electronic-festivals.com, NAMM, MI Salestrak, Reuters, topdeejays.com, YouTube, Soundcloud, industry press, IMS Analysis

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