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From Music Notes to Sound Recordings...

Nicole Charron, Project Manager, Sound Recording

The production of your favourite recording involves many players. The first key relationship is between a record company and an artist, group or the company representing the artist(s). The record company contracts with an artist, rents studio time and assumes all the costs associated with the production of a master recording of that artist's work. At that stage, a label company ensures that copies are manufactured from the master, negotiates a distribution agreement, and manages the marketing and release of the product.

Record and label companies may be independent or under the control of a single corporate entity as integrated branches of a company, subsidiaries or affiliates. In Canada, the level of integration is such that all these companies are usually referred to together as record/label companies for the Sound Recording Survey. This survey, which provides the data for this article, consists of an annual census of record and label companies that generate revenues or release recordings from masters which they produced or leased from another organization. Given the small size of the Canadian market, many record/label companies engage in other sound recording related activities such as licensing, distribution and artist management.

Licensing allows companies to generate revenue by either leasing their own masters or by selling recordings produced from masters leased from other companies in or outside Canada. Despite its importance, licensing itself generated revenues of only \$10 million in 1989-90 compared to \$340 million in sales of sound recordings.

Corporate revenues for record/label companies totalled \$636 million in 1989-90. Approximately half of their revenues (\$340 million) came from sales of records, tapes and compact discs and one-third (\$240 million) from distribution for other companies, sales of imports, concert booking and promotion, artist management and other industry-related activities. The most lucrative of these latter activities is distribution for other companies, at almost \$150 million in 1989-90.

Many different entities can be involved in the distribution of recordings: independent distributors, record/label companies or even artists themselves who may sell directly to their audiences or to specialized retail stores. Most record/label companies sell to distributors or sub-distributors such as "one-stops" or "rack-jobbers". (A "one-stop" services record stores, while a "rack-jobber" services record outlets in non-record stores). In

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1989-90, record/label companies reported revenues of \$340 million from sales of recordings, of which 56% was from distributors and 31% from rack-jobbers.

At the retail level, all recordings appear under a "label". The label belongs either to the record/label company or to the distributor, depending on the agreements between them on how a particular artist's work will be distributed. Among the different distribution agreements are the "buy and sell" agreement and the licensing agreement.

Under a buy and sell agreement, the distributor (or company performing the service) buys a number of finished recordings from an independent record/label company in order to sell them. The record/label company covers the costs of production and usually most of the costs involved in promotion and advertising.

Under a lease or license agreement, the recordings generally appear under

the distributor's label(s). Although these arrangements are used for Canadian artists, it is most often used for the Canadian distribution of foreign artists. Under the latter arrangement, the licensor provides the Canadian-located company with a master tape as well as the jacket artwork, music video(s), poster(s) and other promotional material relating to the artist. The Canadian-located company releasing the recording (either a distributor or a record/label company distributing for other companies) incurs manufacturing costs (i.e. tape duplicating, disc pressing) and some marketing expenses in addition to the licensing fees.

In 1989-90, approximately 80% of total sales of records, tapes and compact discs (\$275 million) were generated from recordings produced by masters licensed or leased from companies located outside Canada, 11% of sales were from recordings produced by masters leased from other Canadian-located record/label companies, and, over 6% of sales were from masters

they produced themselves. Results from 1987-88 and 1988-89 survey years followed the same pattern.

Canadian-controlled companies make over 70% of their sales (\$39 million) from masters either produced by themselves or leased from another record/label company in Canada. Foreign-controlled companies generate 90% of their sales from masters leased from record/label companies established in other countries. A similar trend appears when we look at the origin of albums released. Foreign-controlled companies release 96% of their albums from master(s) leased from record/label companies in other countries.

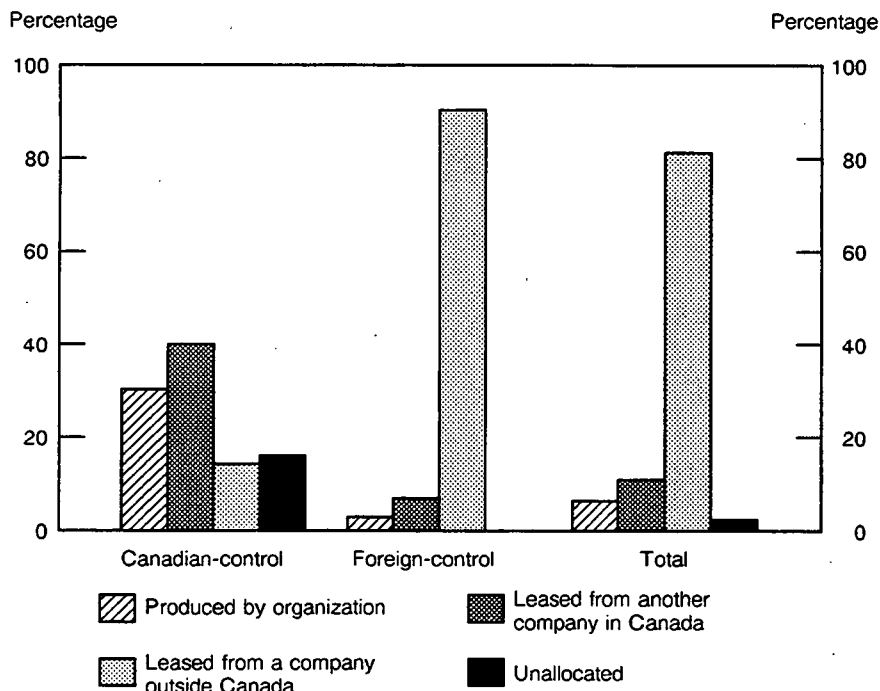
Marketing is an increasingly important factor in the distribution of recordings. In 1989-90, record/label companies spent \$80 million on marketing, an increase of 25% over the previous year. Although 70% of companies reported marketing expenses, the predominant expenditures are made by large¹ companies. 98% of the total marketing expenses were made by companies in the large category. Foreign-controlled companies spent more than half of their total operating expenses on marketing, compared to less than 30% for large Canadian-controlled companies. Marketing expenditures decrease with the size of the company, but even small and medium size companies allocate up to 14% of their operating budget to marketing.

With the advent of "Much Music" and "Musique Plus" channels on TV, the production of music videos has become an increasingly important part of promoting artists and their recordings. Music video promotion expenses doubled between the 1987-88 and 1989-90 survey years to reach \$1.6 million. In the fall of 1988, 5% of television viewers reported watching Much Music, and 2% Musique Plus. These viewers spent on average 2.0 hours per week watching Much Music and 2.3 hours watching Musique Plus.²

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Figure 1

Percentage of Sales of Records, Tapes and Compact Discs by Origin of Master Tape for Canadian and Foreign-controlled Companies, 1989-90



Radio airplay still remains the main dissemination tool for music.³ In order to promote Canadian artists, the CRTC requires that 30% of all musical selections played on AM radio stations in Canada have Canadian content. A musical selection must have at least 2 "MAPL" elements in order to qualify as Canadian. These elements are: Music, Artist, Production and Lyrics. With respect to the FM stations, the percentages vary according to the musical category (e.g. classical music has minimal requirements for Canadian content). A recent study of the programming of 33 FM radio stations indicated about 68% of their air time was music.⁴

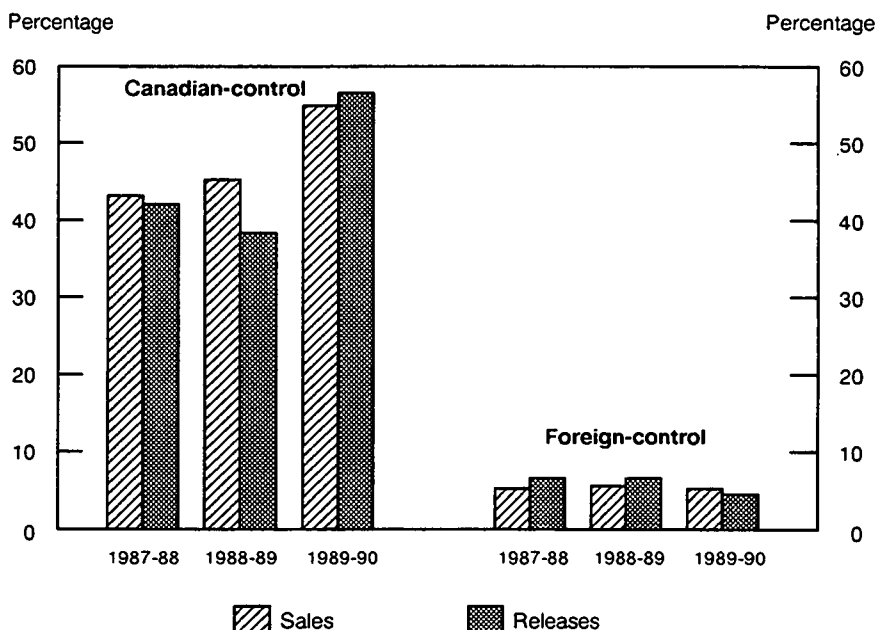
Releases and sales of recordings with Canadian content have remained stable around 15% of total releases and 11% of total sales in the past three years. Canadian-controlled companies generate approximately half of their total sales of records, tapes and compact discs from Canadian-content releases. Foreign-controlled companies obtained \$16 million in Canadian-content sales, slightly less than their Canadian counterparts (\$21 million). Overall, sales of Canadian content recordings account for approximately 5% of total sales by foreign-controlled companies.

From artist to producer to distributor to consumer, the sound recordings industry in Canada has a significant cultural impact with 4,289 albums released in 1989-90 and an economic impact of \$340 million in sales from recordings in 1989-90. □

1. *Size is based upon revenue from record industry related activities; large companies generate over \$1 million in revenues, while medium-sized companies have revenues between \$100,000 and \$1 million.*
2. *Television Viewing Data Bank, Statistics Canada.*
3. *Who listen to radio? Focus on Culture, Winter 1990*
4. *CRTC.*

Figure II

Canadian Content as a Percentage of New Releases, and Sales of Records, Tapes and Compact Disc, by Origin of Financial Control, 1987-88 to 1989-90



From Your Tables to Ours

At the Culture Statistics Program we build quality into all our products. The initial step is to gather accurate data that meet our clients' needs. That sounds straightforward, but ensuring that the results meet our criteria of accuracy and relevance has to be part of the process. This article explains the steps we go through in carrying out surveys that allow us to produce the information you obtain in *Focus on Culture*, our other publications, or even in your daily newspaper.

We are most frequently asked for information on cultural products and services produced in Canada, on their share of the Canadian market, on the employment they generate, and on the financial condition of the companies and institutions involved in the cultural sector. People want to know about trends, how the cultural sector has changed over time. To provide this information we must collect comparable data for a specific reference period each year.

Reference Period

To obtain relevant data the Culture Statistics Program conducts 12 annual surveys of companies and institutions in the cultural sector. We ask our respondents for financial, employment and product or service information for their most recent financial year ending during the reference period for the survey. In most cases the survey reference period covers twelve months ending on March 31st; in the case of one survey, however, to conform with the way these companies operate, the period ends on August 31st. This approach – basing the surveys on the respondents' financial year – was adopted at their request. Although this makes it easier for respondents to answer our questionnaires, it does mean that we must wait until after March 31st to begin collecting the data.

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Start-up

The surveys of the Culture Statistics Program have existed now for a number of years. Each year, however, we have to review our questionnaires in consultation with outside experts to make certain they are up-to-date and relevant. Normally this results in minor changes designed to help obtain better information for our clients. From time to time a new issue emerges that leads to substantial additions, as reported in the article on the Periodical survey in this issue of *Focus on Culture*. Occasionally we need to review a survey from top to bottom, looking not just at the content, but at the overall approach being taken.

In general the preparatory activities for a survey include:

- * planning and consultation, to ensure the surveys continue to meet user requirements
- * updating the mailing list to ensure accurate and complete coverage of the target group
- * questionnaire revision and design with special attention on making the questionnaire easier to complete
- * preparation of covering letters, information from the previous survey and other inserts designed to help the respondent answer all questions accurately
- * revising the collection and processing manuals and preparing edit specifications so our interviewers get the right answers from respondents

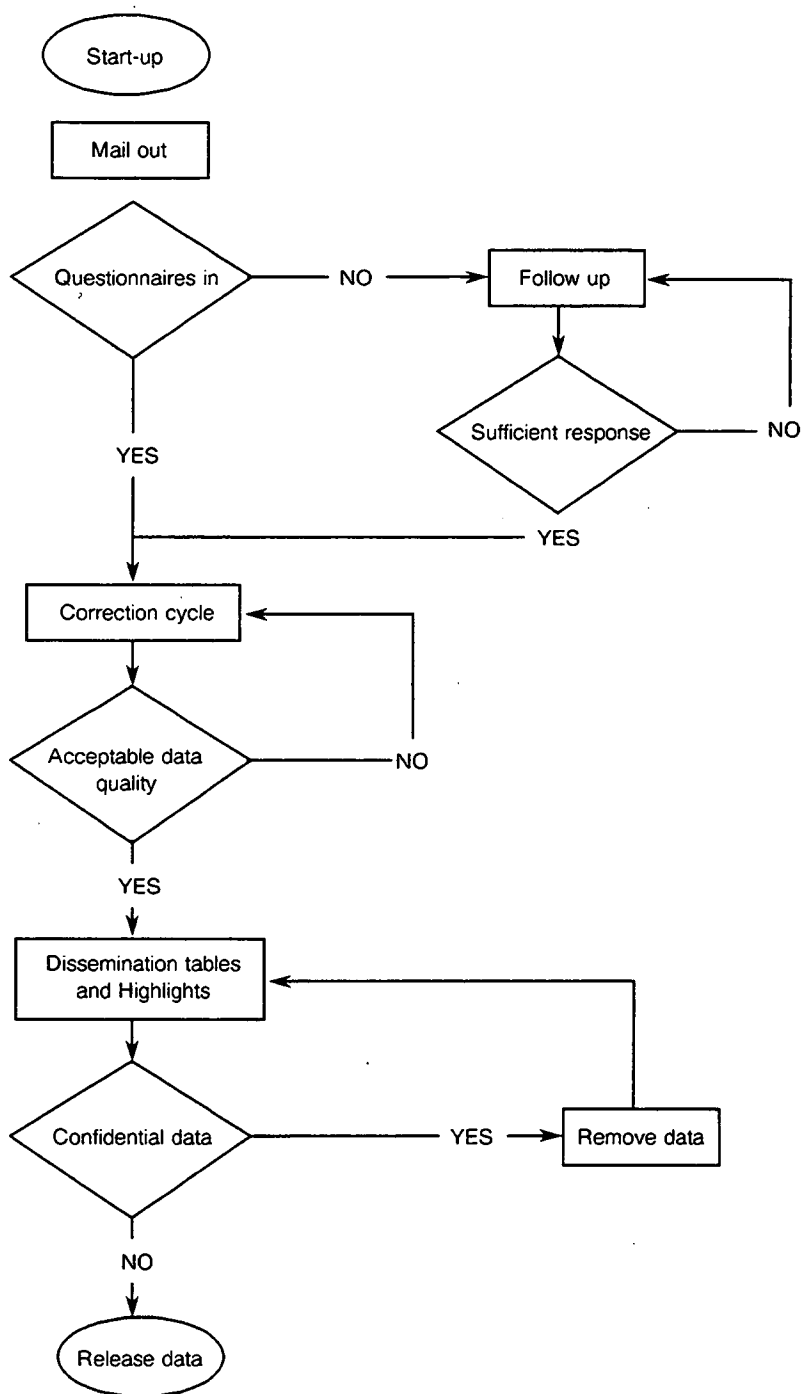
Mail Out

The surveys are mailed out shortly after the end of the reference period. Mail outs are staggered somewhat to accommodate the processing of the material by Statistics Canada regional office staff. By mailing at different times we can handle a greater number of questionnaires with the staff available.

Follow-up

Our policy is to request a reply within

Survey Process



21 days of the receipt of the questionnaire. All those who do not reply within a few weeks of the mail out are contacted by telephone. A special effort is made to obtain information from major companies and institutions. Their data affects annual totals significantly. Overall this effort is very successful; our surveys usually have a response rate greater than 90%.

Correction Cycle

Once collected the data are entered into the computer and checked for errors and inconsistencies. We go through a series of rigorous steps to ensure the accuracy of the data we report. These include:

- * data capture verification

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- comparisons with previously reported data
- checks of the internal consistency of reported data
- estimation of missing data
- a review by project managers based on their knowledge of the companies surveyed and structural changes in the sector

At times it is necessary to go back to the respondent to make certain that our interpretation of the information is correct. This also helps clarify any major changes revealed by the data.

The editing of the data begins as soon as questionnaires are received, and, as with the mail out, the correction cycle is staggered so that more questionnaires can be handled.

Dissemination of Results

When all these steps have been completed it is time to produce tables of the preliminary data from the survey. Although this has been automated, there is one final step we must go through. The tables must be checked manually to ensure that the confidentiality of each company or

institution is respected. This is a requirement of the Statistics Act.

Then the project managers analyse the data and produce highlights covering interesting trends revealed by the survey. At this point the data are released, and are available to everyone through summary tables and special requests, even though they have not yet made it through the official publication process.

The steps in conducting a survey, from start-up through publication, overlap from one survey year to the next. At any one time we may be dealing with work from three survey years simultaneously.

These stages in the life of a survey are designed to produce the best results possible now. They ensure the high quality data for which Statistics Canada is world-renowned. To keep them that way work on improvements is on-going. We want to be sure we can always say that the extensive data available from these unique surveys are the best available.

As the world moves on new approaches will be developed, but one thing will not change – our commitment to quality. ☐

What's New from the Periodical Publishing Survey

By Fidelis Ifedi, Project Manager, Newspaper and Periodical Publishing

These are challenging times for periodicals in Canada, and the Periodical Survey is adapting to changing conditions within the industry. Some innovative additions have been made to the Periodical Publishing Survey to respond to these changes.

Periodical Publishers are looking for ways to produce a more environmentally friendly magazine. At a recent professional development seminar on the greening of magazines organized by the Canadian Magazine Publishers Association, it was noted

that a number of publishers are changing the type of production materials and techniques used. For example some are switching from ultra-violet cured coatings (UV coatings) which gives magazine covers a high-gloss surface, to water-borne (aqueous) coatings.

Changing to ecologically cleaner magazines would affect the cost structure of periodical production and hence their profit margin. According to industry experts, recycled paper is

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New Publications

	Price in Canada
87-207 Heritage Institutions, 1988-89	\$30.00
87-001 Vol. 14 No. 4 Periodical Publishing, 1988-89 in a Historical Perspective	\$4.90

Still Available

	Price in Canada
87-202 Sound Recording, 1988-89	\$22.00
87-203 Periodical Publishing, 1988-89	\$17.00
87-204 Film and Video, 1988-89	\$22.00
87-205 Public Libraries, 1988-89	\$30.00
87-206 Government Expenditures on Culture, 1988-89	\$17.00
87-208 Television Viewing, 1989	\$26.00
87-210 Book Publishing, 1988-89	\$17.00
87-517 Government Expenditures on Culture in Canada, 1982-83 to 1986-87	\$35.00
87-001 Vol. 14, No. 1 Specialization: A Characteristic of Book Publishing	\$4.90
87-001 Vol. 14, No. 2 Government Expenditures on Culture, 1988-89	\$4.90
87-001 Vol. 14, No. 3 Performing Arts, 1988	\$4.90

To order publications call toll-free 1-800-267-6677.

Coming Soon

	Price in Canada
87-209 Performing Arts, 1988-89	\$30.00
87-210 Book Publishing, 1989-90	\$17.00

at least 10% costlier depending on the grade. With the encouragement and help of periodical industry and government experts, questions on the environment were added to the questionnaire for the 1990-91 survey of periodicals published in Canada. The questions are designed to collect information on the types of paper, packaging and ink used for periodicals, including the production techniques used for covers, binding and labels.

The mail-out date for the 1990-91 survey was moved forward to June from August for the previous survey. This will mean that the data are released by the end of June 1992, a full 2 months earlier than previously. The latest article on the Periodical Publishing Survey from the Culture Statistics Program's quarterly publication Focus on Culture was included in the mail-out package for the 1990-91 survey questionnaire so companies responding to our survey could see some of the analyses made possible by the data they provide.

The proposed changes to the 1991-92 questionnaire have been sent to all periodical publishing companies for their comments. The proposal calls for a modification of the expense section of the periodical publishing questionnaire to obtain information on salaries by function, as is currently done for other expenses. This would allow the calculation of certain performance ratios such as productions expenses to total revenue, advertising sales expenses to advertising revenue and publication distribution expenses to circulation revenue.

The latest service bulletin, "Periodical Publishing, 1988-89 in a Historical Perspective" was released recently. Here are some of the highlights of the publication:

- * The total revenue accruing to periodicals published in Canada has almost doubled since 1981-82. It reached \$867 million in 1988-89. In constant 1981 dollars, the growth averaged 5% annually,

compared to 4% for print publishing (which includes daily and non-daily newspapers, periodicals and books). In comparison, the Canadian economy as represented by the Gross Domestic Product registered an average annual growth rate of 3.6% during the period.

- * In recent years, an increasing amount of advertising revenue has found its way to the print media despite competition from the broadcast media. Between 1985-86 and 1988-89, advertising revenue (in constant dollars) for periodicals and daily newspapers grew an average of 5% annually and non-dailies recorded an average annual growth of 6%. In comparison, the average annual increase in advertising revenues for radio and television was 3% each.

- * In 1988-89, the total annual circulation of 1,534 Canadian periodicals rose 9% to 558 million copies from the previous year.

The results of the 1989-90 survey will be available by the time this article appears.

To learn more about periodical publishing order your copy of the publication, *Periodical Publishing, 1988-89 in a Historical Perspective* (Catalogue no. 87-001 Vol. 14, No. 4). You can phone or write: Publication Sales, Statistics Canada, Ottawa, Ontario, KIA OT6, (613) 951-7277, or use the national toll-free order line, 1-800-267-6672.

To find out more about the Periodical Publishing Survey, including the 1989-90 data, contact Fidelis Ifedi, Education, Culture and Tourism Division, Statistics Canada, Ottawa, Ontario, KIA OT6, (613) 951-1569. ☐

Focus on Data

Weekly television viewing, fall 1989:	23.4 hours per person
Weekly radio listening, fall 1989:	18.8 hours per person
Motion picture attendance, 1989-90:	82 million
Feature length productions completed, 1989-90:	616
Feature length productions distributed in the theatrical market, 1989-90:	1,612
New recordings released, 1989-90:	4,289
Books published, 1989-90:	8,249
Annual circulation of Canadian periodicals, 1989-90:	522 million copies
Performances by performing arts companies, 1988-89:	39,800
Attendance at heritage institutions, 1988-89:	55 million
Lending to public library users, 1988-89:	176 million items
Cultural spending by governments, 1989-90: (net intergovernmental transfers)	\$5.4 billion

* *Productions 75 minutes or longer (including sport programs, corporate video, variety, etc.)*