

EXECUTIVE SUMMARY

**THE CARIBBEAN MUSIC INDUSTRY:
ENHANCING EXPORT CAPABILITIES
AND
INDUSTRIAL DEEPENING**

Prepared by:

**Dr. Keith Nurse
Tel: (868) 633 1902; Fax: 663-9685
Email: keith@cablenett.net**

Prepared for:

**Caribbean Export Development Agency
Christ Church
Barbados**

July 2001

THE CARIBBEAN MUSIC INDUSTRY: ENHANCING EXPORT CAPABILITIES AND INDUSTRIAL DEEPENING

EXECUTIVE SUMMARY

GOALS AND OBJECTIVES

The study examines the current state of the Caribbean music industry and assesses its forays into the export market. In particular, the respective strengths and weaknesses of the regional music industry are evaluated with a view to identifying the key areas for intervention. The goal is to produce recommendations on the policies and infrastructure needed for furthering the industrial and export development of the sector.

Research was carried out in Barbados, the Dominican Republic, Jamaica, Trinidad & Tobago and the OECS territories. The industrial and export capabilities of the regional music industry are highly differentiated. Some countries have a more developed home environment and have had longer exposure to export markets with varying levels of success. In other territories, the industry is in its embryonic stage with a limited business and legal framework.

RATIONALE

It is observed that the Caribbean has a window of opportunity in the new global economy, where copyright, cultural and media industries are among the fastest growth sectors. In this regard, the Caribbean music industry is viewed as a prime target for private investment and institutional support in the regional diversification initiative.

The economic contribution of the Caribbean music industry is not fully captured in existing national and regional statistics nor is it a part of national or regional industrial development or trade policy. This is in spite of the fact that the industry has been proven to have tremendous export capabilities and great demand-pull for the tourism sector in several countries.

Throughout the region there is little appreciation and knowledge of the economic, business and legal aspects of the music industry as well as the emerging opportunities offered by the new digital technologies (e.g. in production, marketing and distribution) and the expansive growth of an intellectual property and services economy.

THE GLOBAL MUSIC INDUSTRY

The music industry is a complex of activities with various income streams. The music business encompasses the production and distribution of sound recordings (e.g. records, tapes, CDs, MP3s), the manufacture of instruments and audio equipment, music education, live performance (e.g. concerts, tours, festivals), professional and technical services (sound engineering, legal and accounting), music publishing and the administration of authors' and other related rights.

The structure and workings of the global music industry is such that:

- The top ten sales territories (US, EU countries, Japan, Brazil and Canada) account for over 80% of the world market.
- The industry is highly concentrated with five large firms (Warner, Universal, BMG, Sony, EMI) accounting for 80% of the world market.
- Sound recording sales in the top territories is dominated by musical genres like pop, rock, R&B, gospel, Latin. World music, the category within which most Caribbean music is placed, is a rising share of the market.
- Soundcarrier sales are dominated by CDs in the top sales territories with the decline of vinyl records and audiocassettes and slow growth in Internet music sales.
- The music business is shifting away from the sale of 'things' to the exploitation of 'rights' and lifestyle merchandising.
- The music business, which is prone to piracy and other forms of copyright infringement, has been severely impacted by the growth of CD-R and Internet piracy.
- The harmonization and globalization of copyright regulation under the WTO TRIPs agreement has allowed for stronger enforcement mechanisms.
- The business model of the music industry has experienced rapid techno-economic change with the growth of the digital and Internet economy (e.g. Napster, MP3, ecommerce, online subscription).

THE CARIBBEAN MUSIC INDUSTRY

The Caribbean enjoys a competitive capability in musical production. The region's contribution to the global cultural economy, particularly popular music, has been very significant. This is reflected in the expanding international demand for

reggae, zouk, meringue, salsa, calypso, soca and dancehall. It is noted that the region's impact on the world music scene has been large relative to its size. What is also notable but not fully documented is the economic impact that the industry has on the export sector, the wider economy and in specific sectors like tourism.

The economic potential of the Caribbean music industry is under-developed. However, where the data is available it is evident that the industry makes a significant contribution to the various national economies in terms of export of merchandise and services (e.g. overseas performances), copyright royalty earnings and visitor expenditures from festival tourism.

The following brief examples give an appreciation of the region's contribution to the global music industry.

- **Jamaica** is the primary source for musical innovation in reggae and its derivative, dancehall, in spite of the fact that the production of these genres have spread to many parts of the globe. Reggae is now recognized as one of the major genres of music and has gained recognition from international music awards such as the Grammys. The Jamaican music industry is estimated to employ 15,000 people and control 15 – 20% of the US\$300 million in reggae music sales. In addition, reggae is one of the main elements in Jamaica's destination image and has created a strong demand-pull for tourism through music festivals like Reggae Sunsplash and Reggae Sunfest.
- **Trinidad and Tobago** has produced a wide range of musical genres – calyso, soca, pan, chutney, rapso, parang – that are primarily driven by the national carnival festival, which is the largest festival in the region in terms of visitors and tourist expenditures. The music has been exported with the proliferation of Trinidad- styled carnivals, which can be found throughout the anglophone Caribbean and in many cities in the North Atlantic where there are large diasporic populations. The music industry accounts for approximately 50% of the foreign exchange earnings of the entertainment sector (US\$50 million (1998)) which ranks in the top ten export earning sectors.
- Merengue and bachata from the **Dominican Republic** are among the key sub-genres that have contributed to the recent explosion in Latin music on the world music scene. It is estimated that merengue accounts for 8% of the Latin music market in the United States, which is valued at US\$626 million (1999). The Dominican Republic is not the only producer of this genre but it has a dominant share of the market. The Dominican Republic has a large domestic market with over a hundred radio stations and five hundred hotels, most of which play a high percentage of Dominican music.

- The music industry in **Barbados**, which is estimated to earn US\$ 15 million, is driven largely by overseas performances by soca artists and music bands, performance fees in the hospitality sector and earnings from festival tourism, namely the Barbados Cropover and the Barbados Jazz festival. The recording industry has grown with the overseas success of soca artists and has attracted many artists from the southern Caribbean to record there.
- The music industry in the **Eastern Caribbean** is largely driven by festival tourism, which accounts for over US\$20 million. The St. Lucia Jazz festival alone contributes US\$14 million in visitor expenditures. The Dominica World Creole Music festival and the St. Kitts Music festival are festivals with strong media value and add to destination appeal. The recording industry, though embryonic, has begun to contribute to the regional and international calypso and soca circuit.

The home and overseas markets for Caribbean music are subject to high levels of piracy and other forms of copyright infringement as well as low levels of airplay in the electronic media. These problems are compounded by weak governmental support in terms of industrial, trade, intellectual property and educational policies relative to other sectors in the economy.

The industry suffers from weak institutional capacity and has limited advocacy capabilities. The sector includes a diverse and disparate grouping of recording artists, composers, musicians, promoters, publishers and record producers, whose interests are generally absent in government policy.

The Caribbean music industry requires institutional support to upgrade the nascent creative and entrepreneurial capabilities, to facilitate balanced growth in the home market, to maximize on the trade potential of diasporic markets and to make further inroads into global music markets.

The study identifies a critical role for regional and national organizations involved in enterprise development, business financing, export facilitation and professional training in terms of the implementation of an industrial development plan.

There is a clear need to improve local value-added and regional control of the production, marketing and distribution process. Such a strategy calls for a wide range of expertise backed up by an industrial infrastructure, which is not presently in place. This report recommends nine key objectives and attendant strategies:

INDUSTRIAL POLICY FOR THE CARIBBEAN MUSIC INDUSTRY

A NINE POINT PLAN

<p>1. BUSINESS SUPPORT & DEVELOPMENT</p> <ul style="list-style-type: none"> ▪ Provide financial support for record producers and labels. ▪ Upgrade and update record manufacturing. ▪ Expand earnings from overseas tours. ▪ Strengthen record publishing. ▪ Upgrade merchandising ▪ Introduce Internet based sales techniques. 	<p>2. FACILITATE EXPORT MARKETING</p> <ul style="list-style-type: none"> ▪ Increase participation in trade fairs. ▪ Strengthen distribution channels. ▪ Broaden mass media access. ▪ Widen circuit of concert tours and festival engagements. ▪ Develop a joint marketing strategy with tourism sector ▪ Introduce Internet-based technologies and business practices.
<p>3. INVEST IN HUMAN RESOURCE DEVELOPMENT</p> <ul style="list-style-type: none"> ▪ Artist development ▪ Enterprise development ▪ Technical skills development ▪ Professional skills development ▪ Attract investment into arts and cultural enterprise training. 	<p>4. ENABLE INSTITUTIONAL CAPACITY BUILDING</p> <ul style="list-style-type: none"> ▪ Establish a regional organization ▪ Establish and upgrade national industry associations ▪ Offer business support services ▪ Develop an economic research capability ▪ Develop a market intelligence capability
<p>5. COPYRIGHT PROTECTION AND COLLECTIVE ADMINISTRATION</p> <ul style="list-style-type: none"> ▪ Establish viable national copyright societies ▪ Strengthen existing national copyright societies ▪ Implement regional data and rights management centre ▪ Enhance bargaining leverage with foreign copyright societies 	<p>6. IMPLEMENT ANTI-PIRACY CAMPAIGN</p> <ul style="list-style-type: none"> ▪ Implement 'banderole' system ▪ Strengthen enforcement capability of the police, customs and magistracy. ▪ Introduce private recording levy on blank tape and CD-R imports ▪ Develop anti-piracy public awareness campaign
<p>7. UPGRADE THE HOME MARKET</p> <ul style="list-style-type: none"> ▪ Improve government-industry relations ▪ Increase awareness of the economic contribution of the music industry (i.e. research & publications). ▪ Increase local/regional content on the airwaves (radio, TV, videos). ▪ Establish musicians unions ▪ Improve access to credit 	<p>8. DEVELOP INTERNET-READINESS</p> <ul style="list-style-type: none"> ▪ Develop market profile of the potential Internet music audience ▪ Develop a regional Internet marketing and distribution programme ▪ Conduct training programme for music industry firms ▪ New product development

9. ALIGN AND HARMONIZE GOVERNMENT POLICY FRAMEWORK

- Establish industrial policy
- Establish trade policy
- Establish intellectual property policy
- Establish media policy
- Establish cultural policy
- Establish educational policy