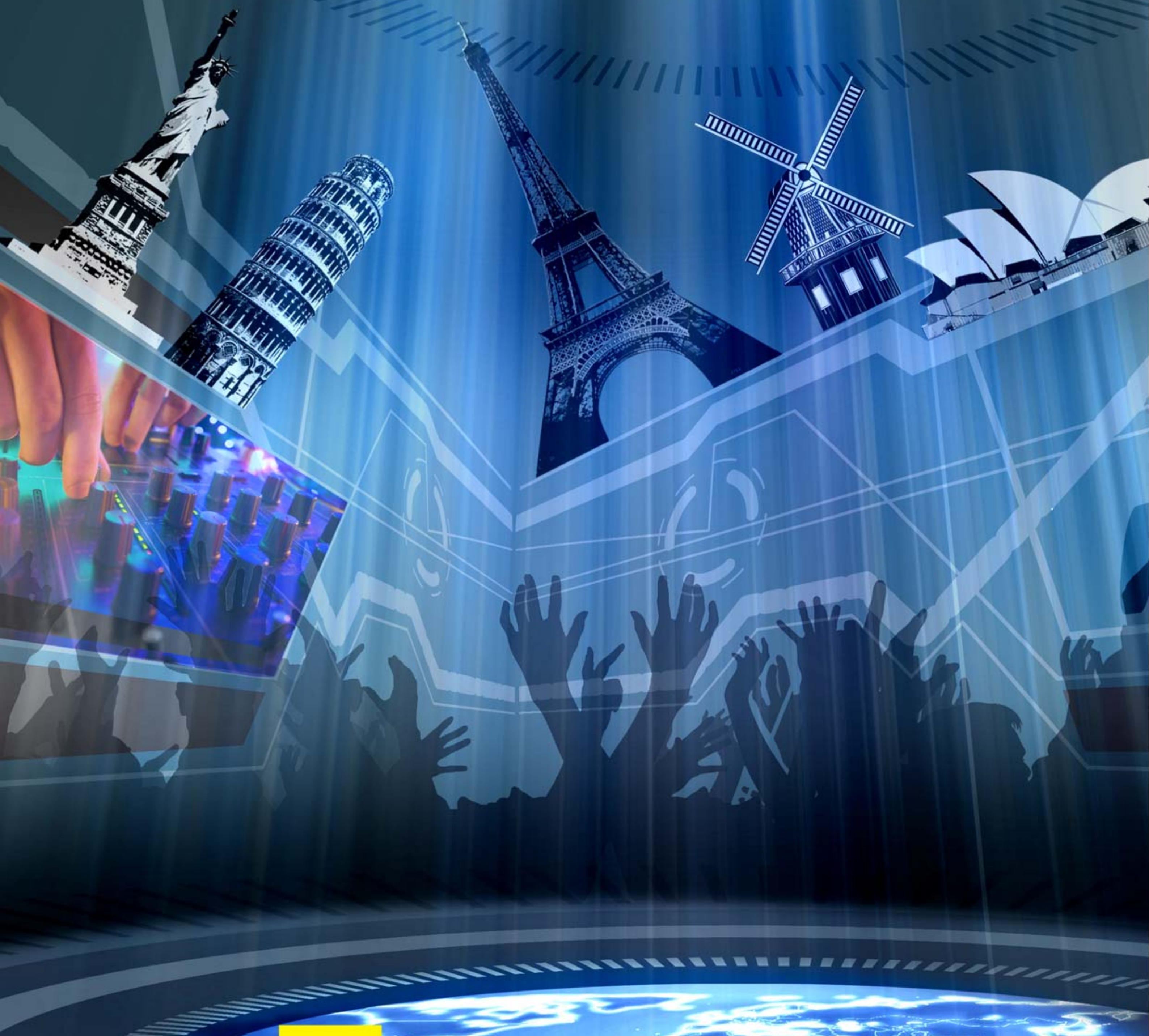
EVAR *Advisory Services*

Dance-onomics

The economic significance of EDM for the Netherlands



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Summary

This report looks at the economic significance of Electronic Dance Music (EDM) for the Netherlands. It presents an overview of the direct financial flows associated with Dutch EDM. The results are the outcome of an update and extension of the accounting model that EVAR constructed in 2007. The accounting model was derived from the first-ever survey of the economic significance of dance in the Netherlands, conducted by KPMG in 2002.

In general, the first decade of the 21st century witnessed a great many musical changes, innovations and revolutions in the dance world, but as a whole the scene simply continued to grow. Dance music became to some extent synonymous for pop music, appealing to the taste of millions. Perhaps the most striking change was that, since the turn of the century, the Netherlands has continued to provide an almost uninterrupted flow of DJs and producers who developed into major international stars.

A comparison between 2002 and 2012 of the direct financial flows associated with EDM shows that especially the category “Large-scale festivals & events” and the category “DJs, VJs, producers and agencies” have benefited from the increased popularity of EDM. “Recorded music” and “Clubs, discos, music venues and auditoria” are the categories that – compared to the 2002 results – have lost market share in terms of the direct financial flows that these activities generate. In terms of employment, we estimate that a total of approximately 7,000 FTE are currently linked with the EDM industry in the Netherlands.

The direct financial flows associated with EDM in the Netherlands are as summarised below.

Direct financial flows 2002-2012.

€ millions			
Activity	2002	2012	% change
EDM festivals & events in the Netherlands (>3.000 visitors)	81,9	137,4	67,8%
EDM festivals & events in foreign markets (>3.000 visitors)	-	35,0	-
Tourism related to EDM festivals & events (inbound/outbound)	-	9,6	-
Clubs/music venues/auditoria/EDM festivals & events (<3.000 visitors)	220,5	147,6	-33,1%
DJs/VJs/producers/agencies in the Netherlands	146,9	191,8	30,6%
Dutch DJs/producers in foreign markets	-	53,3	-
Recorded music sales	38,9	12,2	-68,6%
Total	488,2	586,9	20,2%

Sources: KPMG (2002) and EVAR accounting model (2012).

Dutch EDM “going global” has its clear impact on the economic significance of EDM for the Netherlands. The direct financial flows related with Dutch EDM exports are substantial and increasing rapidly. The potential size of the global EDM events market, which is estimated at approximately €2.7 billion, strongly suggests that the international position of Dutch EDM can be strengthened further.

Dance-onomics

The economic significance of EDM for the Netherlands

EVAR Advisory Services
Hoofddorp - The Netherlands
October 2012

Contents

1 Introduction

Electronic dance music (EDM) has transformed itself dramatically during the past few years. In 2002, the first-ever survey of the economic significance of dance in the Netherlands conducted by KPMG already outlined the huge economic exposure of the Dutch EDM industry. This first survey received lots of attention from a broad audience. It demonstrated with facts and figures that EDM could not be dismissed as a form of hobby that had gotten out of hand. Now, ten years later, a new comprehensive survey of the direct financial flows involved sheds some new light on the economic significance of EDM. This new comprehensive survey is initiated by ID&T and Amsterdam Dance Event and supported by BUMA, which supports and promotes Dutch music copyright in both the Netherlands and key export markets for Dutch music.

The results that we present in this report are the outcome of an update and extension of the accounting model that EVAR constructed in 2007, derived from the original 2002 survey. The research activities which were necessary to renew the accounting model were mainly conducted during the summer of 2012. These included desk research, interviews with some of the key stakeholders as well as in-depth analyses of the EDM sector's business model. The update, extension and use of an accounting model are not an exact science. Therefore, the use of assumptions and estimates is inevitable. The accounting model used for "measuring" the direct financial flows of EDM does not differ in this perspective from any other accounting model. It uses assumptions concerning, amongst others, preferences and behaviour of visitors of EDM events, DJ fees and the economic spinoff effects of EDM. And depending on the availability of information, sometimes estimates had to be made based on the input and feedback of some of the key stakeholders in the Dutch EDM industry. Altogether, similar to the 2002 survey, the results give a good indication of the key direct financial flows involved with EDM and thus the economic significance of EDM for the Netherlands. Furthermore, the survey results of 2002 and 2012 can be compared with each other, thus resulting in two unique "snap shots" of the Dutch EDM industry.

The direct financial flows of EDM only tell one side of the story, namely the *output* of the Dutch EDM industry; the *input* matters of course as well. Therefore, chapter 2 of this report shortly describes the musical evolution of EDM since the beginning of the 21st century and the way it affected the industry. Chapter 3 looks with a bird's eye view on the most important changes that the EDM industry has been facing since 2002. The output of the accounting model, giving an insight in the economic significance of EDM for the Netherlands, is being addressed in chapter 4. Chapter 5 addresses the future of EDM from an economic point of view. Finally, chapter 6 presents some concluding remarks.

2 Musical evolution 2000-2012

Though this report focuses on the economic significance of EDM, one cannot fully neglect the essence of the music itself. The different music styles, their own communities and community members' preferences are at the heart of the success of the EDM industry. The 2002 survey already outlined the fact that dance is "also a way of life that is synonymous with nightlife, pleasure and a certain style and manner of behaviour. It distinguishes itself essentially from other music and cultures on a number of points, which makes it rather unique in our contemporary society." Therefore, the musical evolution matters: it iterates with the economics of EDM ("what is hot, what is not", for whom and where) and thus has its own unique effect on the economic performance of the EDM industry and its industry structure.

In general, the first decade of the 21st century witnessed a great many musical changes, innovations and revolutions in the dance world, but as a whole the scene simply continued to grow. Dance music became to some extent synonymous for pop music, appealing to the taste of millions. Perhaps the most striking change was that, since the turn of the century, the Netherlands has continued to provide an almost uninterrupted flow of DJs and producers who developed into major international stars. Consequently, foreign markets opened up for Dutch EDM exports thus laying a solid foundation for further international expansion (see chapter 5).

2.1 Trance and progressive

Around the turn of the century, the ***trance*** style of Tiësto, Armin van Buuren, Ferry Corsten and others took over the role of dominant dance style that had previously been enjoyed by hardcore ("gabber") during the 1990s.

A relative of trance is its abstract counterpart, ***progressive***, popularised in the Netherlands by various DJs and producers such as Sander Kleinenberg and Junkie XL.

In the years after 2005, Trance evolved into a new style, ***big room***, intended - as suggested by the name - for big venues. Although it depended less on the characteristic trance melodies, it was just as big and compelling as its predecessor, and it also produced several Dutch DJs who became internationally famous such as Afrojack, Hardwell and Laidback Luke.

Internationally, trance continued to be a popular style during the next decade but in the Netherlands, from 2005 onwards, the genre was increasingly overshadowed by a whole range of new styles that soon developed. This was particularly the case in large cities such as Amsterdam.

2.2 Urban styles

The most popular music in the big cities had always been mellow and/or ***clubhouse***, and that continued to be the case after the turn of the century. Major stars from the 1990s, such as Dimitri and Marcello, made way for new heroes such as Victor Coral and Roog and Erick E, who for years, individually and as a duo (Housequake), had been the standard bearer of the successful Sneakerz organisation.

Another major urban style which surfaced around the turn of the century was ***lounge/chill out***, relaxed living room music for chilling out after a wild night at the club, which was popularised by artists such as the Amsterdam-Belgian Monte LaRue and via the compilations of the Supperclub.

During this same period, ***electro*** also became popular, an angular, pure style based on the style with the same name that had been popular in the 80s. It enjoyed commercial success via the electro-house style derived from it. Fedde Le Grand became world-famous with it with his “Put Your Hands Up for Detroit”.

Around 2005, a new style appeared which was just as electronic and which more or less developed from the drum and bass style of the 90s: ***dubstep***. Although it didn't become a huge hit in the Netherlands as a whole, it did become very popular at various locations in the Randstad.

2.3 Hardcore and hardstyle

The demise of the ***hardcore*** (“gabber”) scene at the end of the 90s didn't mean that the hard styles disappeared. The core element of the scene, the real diehards, simply went deeper underground. Although hardcore is no longer visible for the public as a whole, it still exists as of 2012, as does the Thunderdome name.

However, the focus of the hard styles largely shifted to a new style introduced by Dutch event organiser Q-dance, namely ***hardstyle***. Less radical than hardcore but still very heavy, it has been one of the most popular styles in the Dutch EDM scene over the last decade, with stars such as Dana, Pavo and Headhunterz, a whole string of events at major locations, its own outdoor area at Mysteryland, and its own festival, DefQon.

2.4 Multiculturalism

Although multiculturalism in the Netherlands had never played a major role in the Dutch EDM scene, that changed from the moment that Dutch event organiser ID&T established an ***urban*** section in 2003. In the following years, urban (an eclectic mix of styles ranging from R&B and hip-hop to house and techno) evolved into the style that became known as ***Dutch house*** and was made famous thanks to the large-scale Dirty Dutch parties and stars such as Chuckie, Ryan Marciano and Sunnery James, each of whom also broke through on the international scene.

2.5 Minimal

The biggest musical revolution in the first decade of the new millennium was caused by a new style which, although it didn't enjoy the same large-scale commercial success as the new styles mentioned above, had such a huge impact that the entire music landscape changed unrecognisably: ***minimal***.

Minimal surfaced in Germany which, thanks to Berlin, replaced England in the 21st century as the country which determined the musical direction taken by the international house scene. This new style developed as a reaction to the flashy excesses and quick frenetic tempo of styles such as trance and marked a return, in terms of substance and style, to the pure simplicity of the original house style of the late 1980s.

The impact of minimal was felt even in the furthest reaches of the international dance scene. Over time, the much lower tempo of minimal, between 120 and 125 bpm, which was the tempo of the original house style, also caused other styles such as trance and techno to slow down their tempo. To many people dancing to music in 2012, dance music from the 1990s sounds unnaturally hyped up and speedy.

In the following years, the minimal revolution - which coincided with the appearance of a completely new and young generation of dance enthusiasts with their own parties, clubs, festivals and record labels - resulted in a great many new names, especially in the Amsterdam scene, referred to as the 'New Amsterdam School.' These names included 2000 and One, Shinedoe, Bart Skils, Lauhaus, Boris Werner, Julien Chaptal, Daniel Sanchez and many more.

In the years following the minimal revolution, the style splintered and evolved in the direction of four different styles that had existed since the beginning of the dance scene but which now received a major new boost: ***techno***, ***tech-house***, ***house*** and ***deep house***.

The biggest international name produced by the Netherlands was tech-house and techno-DJ and producer Joris Voorn, who established his own internationally successful Rejected label and is a typical representative of the new generation.

3 The Dutch EDM industry 2000-2012: a bird's eye view

In the first 12 years of the new millennium, the Dutch dance scene managed to completely reinvent itself. This process of renewal was evident in a great many different ways. In part, it was the result of international social and cultural changes, and in part it was the result of the internal dynamics and renewal of the music scene itself. This chapter addresses some important changes that the Dutch EDM industry has been facing since 2002.

3.1 The rise and growth of the Internet

Although the Internet was already present in the 1990s, it didn't really become a major force until the new millennium began and it came to dominate communication in the music world via social media. The Dutch dance community site Partyflock grew exponentially and counted over 1 million members in its glory days. Between 2004 and 2009, Myspace was an important PR tool for artists but has since been overshadowed by Facebook, which - as of 2012 - plays a key role when it comes to communication in relation to club parties, events, festivals and artists.

The rise of the Internet, smart phones, fast Internet connections, and cheaper and faster laptops led to a veritable revolution in terms of the music played by dance enthusiasts, as they were now able to download music via legal as well as illegal download sites. As it turned out, the music industry was completely unprepared for the exponential growth of illegal music downloading activities during the first years of the new millennium. Since then, the sales of records and CDs have decreased by tens of percents, and the revenues generated from such sales have drastically declined (see chapter 4).

The most important response from the music world was the launch of portals for paid music downloads. Internationally, the iTunes Store is the key player here; in the dance world, Beatport is the most important portal. DanceTunes, established by ID&T, lost the competitive battle with Beatport and was sold in 2011. It should be noted that the sales of digital downloads did not even come close to making up for the decrease in revenues from the sales of physical music media in the new millennium (see chapter 4).

The above changes had a major impact on the incomes earned by DJs and producers. It became practically impossible to generate earnings from sales of records, and it should come as no surprise that a great many record stores have disappeared in the last decade. New releases are now primarily seen as a promotion tool. A hit, regardless of how few hard copies of the music are sold, is still the best way to shine the spotlight on an artist and generate bookings. In addition, many artists perform sets for free on sites such as Soundcloud or Dutch public broadcaster VPRO's "3 voor 12" programme. Most DJs and producers now earn almost all their income from DJ gigs. Over the last decade, DJ fees have risen by many tens of percents (see chapter 4).

Another side effect of the digital revolution is the way in which DJs play their music. Vinyl and turntables can now be seen only in deep underground venues and certain clubs and DJs no longer need to carry around heavy suitcases full of records. Nowadays, DJs work with CDs and a laptop (i.e. equipped with the software programme Traktor) as well as digital music tracks. Often, even a laptop is no longer needed, as the newest CD players have a USB port so that the only baggage carried by a DJ can consist of two USB sticks loaded with music.

3.2 Entrepreneurship

A pattern that had always been characteristic of the dance scene has become even more evident over the last decade. The scene is not dominated by a few large corporations but consists of thousands of small companies, often one-man businesses, which are able to make a living from EDM.

Recent years have witnessed a phenomenal growth in all categories, ranging from DJs and producers to agencies, event organisers and record labels as well as designers, photographers and filmmakers. Independent record labels with a significant international presence include Armada (Armin van Buuren), Spinnin, Revealed (Hardwell), Doorn Records (Sander van Doorn), Dirty Dutch Music (Chuckie), Gem (Secret Cinema), Rejected (Joris Voorn), 100% Pure, Remote Area and Intacto (Dylan Hermelijn), Bla Bla (Daniel Sanchez), Bangbang (Sandy Huner), Soweso (Lauhaus & Kabale), Hey (Michel de Hey) and Wolfskuil (Darko Esser). Whereas the Dutch dance scene in the 1990s was still dominated by only a few well-known DJs, the number of DJs who now have a significant presence extends to tens or even hundreds of well-known names.

The fact that hundreds of Dutch DJs and producers can now make a living from EDM is at least in part due to the ongoing globalisation of society in general and the dance scene in particular. Communication lines have become much shorter thanks to the Internet and social networks, and air travel has also become much cheaper. Tens of Dutch DJs are now working gigs outside the Netherlands every week, and the number of international DJs working gigs in Amsterdam each weekend exceeds the number that performed in an entire quarter in the 90s.

3.3 EDM events

In contrast to the greatly reduced sales of recorded music media, the number of EDM events over the last decade witnessed explosive growth. The most striking illustration of this is the rise in the number of outdoor dance festivals. Whereas 10 years ago there were only three major festivals in the Netherlands (Mysteryland, Dance Valley, Extrema), there are now dozens of such festivals, including Defqon, Awakenings, Free Your Mind, Rockit, Voltt, Welcome to the Future, Solar, Indian Summer, Open Air, A Day At The Park, Solar, Loveland, Soenda, etc. In the last two years, tens of smaller festivals have also been added which focus on specific target groups.

There was also a striking increase in the number of large-scale beach parties. In summer, regardless of the weather, the beach of Bloemendaal – in the proximity of the city of Haarlem - attracts thousands of dance enthusiasts each weekend to the six large beach pavilions, with Bloomingdale and Woodstock as the two biggest draws. The beach at Scheveningen, The Hague, also hosts parties each week in the summer.

The popularity of summer festivals and beach parties seems to have had a negative impact in particular on the discos located in smaller towns and villages. In the 90s, these clubs were still quite profitable but have seen their revenues decrease or have even been forced to close their doors in recent years (see chapter 4).

3.4 Clubs in the Dutch conurbation “Randstad”

During the first years of the new millennium, Rotterdam was the place to be in clubland, thanks in part to locations such as Now&Wow, but in recent years Amsterdam has again dominated the scene. Around the turn of the century, the large Amsterdam clubs that dominated the 90s, such as Roxy, iT, and Mazzo, closed their doors and made way for a new generation of clubs such as 11 (now called Trouw), Sugarfactory, Studio 80, Air, Home, Chicago Social Club, Undercurrent and Westerunie. Awakenings also regularly organises various events in the Gashouder. Large-scale events are held at various locations including the RAI, the Heineken Music Hall and the newly opened Ziggo Dome.

The Amsterdam clubs also attract large numbers of international dance tourists, especially in summer, many of whom visit clubs such as the Panoramabar and Berghain when they're in Berlin. In Amsterdam, they visit clubs such as Studio 80 and Trouw.

The Amsterdam club scene is enjoying an unprecedented revival, as witnessed also by the annual Amsterdam Dance Event, which has grown to become one of the most important Dance Seminars of the international EDM community over the last decade.

4 The economic significance of EDM for the Netherlands

4.1 Background

Prior to the 2002 survey, the economic significance of EDM had been subjected to little or no analysis, and any statements in that regard were primarily based on anecdotal evidence such as the large numbers of participants in dance events. The conceptual analysis used to estimate the economic value created by dance was also not well grounded and thought out. Nevertheless, in view of the obvious commercial successes enjoyed by EDM, the impression existed that EDM did have a relatively large economic footprint. The outcomes of the 2002 survey proved right and set the stage for further development of the Dutch EDM industry.

Based on the accounting model that EVAR derived in 2007 from the original survey, this chapter explores the economic significance of dance and how economic value is created in today's EDM scene. We have updated and expanded the accounting model by gathering information and data via desk research, interviews with some of the key stakeholders as well as in-depth analyses of the EDM sector's business model.

Our analysis of the economic significance of EDM is limited to quantifying the direct financial flows that can be identified in the EDM industry. Indirect economic spinoff effects have not been quantified in this regard but have been identified as best as possible in a qualitative sense whenever possible. The actual overall economic significance of the industry will therefore be greater than that which is described in this report.

4.2 Identifying and analysing the economic significance of the EDM industry

The value creation process for EDM as an experience makes it clear that "providers" of EDM are faced with the challenge of creating material as well as immaterial value. The creation of material value takes place as a result of primarily financial transactions in the economic marketplace, each of which is associated with a price. Examples of such transactions include sales of recorded music, sponsoring, merchandising, sales of tickets for events and club evenings, and sales of food and drinks during such events. In contrast, the creation of immaterial value takes place as the result of a personal interaction between the consumer of the EDM product and the product or service being provided. Every such interaction is linked with an emotion which determines how the consumer finally experiences the product or service being offered.

In view of the above, it is difficult to completely identify the economic significance of EDM *ex ante* as well as *ex post*. After all, it's not that simple to obtain an estimate of the value of the experience of an individual resulting from the interaction of that individual with a product or service that falls in the category of EDM. In contrast, the direct financial flows linked to EDM can provide a basis for estimating the economic significance of EDM for the Dutch economy. Accordingly, in the remainder of this chapter we will focus on consumer spending and the financial flows linked to EDM events, recorded music and mutual dependencies with other economic activities.

EDM Events

The Netherlands is home to a large number of EDM events which attract a large public following, making it clear that dance is also a popular and active leisure activity. In 2011, more than 1.5 million visitors participated in large-scale - more than 3,000 visitors - EDM events held in the Netherlands. These include 123 events with on average about 13,000 participants. The number of events and visitors has seen a substantial increase compared to 2001 when approximately 1.2 million people visited 89 events.

Top 5 large-scale EDM events 2011	
1. Mysteryland	60,000 visitors
2. City of Dance	55,000 visitors
3. Defqon 1 Festival	45,000 visitors
4. Decibel Outdoor	45,000 visitors
5. Sensation	40,000 visitors

With an average entrance price of about €30 the participants in large-scale *dance* events generate nowadays a turnover of approximately €46 million (excluding food and beverages). If we also include the financial flows involved in merchandising, rental of locations, hiring external parties to provide services in the areas of security, first-aid and emergency assistance, food and drinks, lighting, sound, decors, and transport as well as services provided by various public institutions such as the police, fire-fighting and ambulance services, municipal health services, and public transport services, it becomes clear that these EDM events involve large-scale financial flows and investments. The amounts spent on such events benefit the organisers themselves, the government institutions involved due to various taxes such as turnover tax, and various other organisations.

Various providers of products and services sponsor *dance* events or organise their own EDM events with the aim of improving their brand recognition, brand loyalty and ultimately their turnover within the target group of youngsters and young adults between the ages of 15 and 35. If we take stock of the size of the sponsor market for large-scale EDM events in the Netherlands, it becomes clear that sponsoring activities for such events take place on quite a significant scale. The gross amount spent in 2011, i.e. the total sum of the amounts paid by sponsors to the organisers of such events, is estimated at almost €3.7 million. This estimate does not include contributions made by media partners or the additional amounts paid by the so-called 'hybrid' sponsors. Examples of this are extra contributions by beer and soft drink brands for the privilege of offering their products at the event in question. The gross amounts spent therefore depend upon the total number of sponsors, the method of sponsoring, and the fee associated with the sponsoring method.

To sum up, the total size of the financial flows associated with large scale EDM events in the Netherlands is estimated at €137.4 million.

Recorded music sales

In general, the market for recorded music has decreased significantly over the last several years; that’s not unique for the Netherlands or Europe. Worldwide recorded music sales fell “only” 2.4% in 2011 compared with decreases averaging more than 8% annually in prior years. Recorded music comprises spending on physical formats (albums, single sound recordings, and music videos) as well as digital distribution. Digital distribution consists of music downloaded from the Internet through licensed services or app stores and music distributed to mobile devices: streaming. New streaming services are expected to fuel growth in digital distribution, helped by the sharp growth in broadband, smartphone, and tablet penetration. Furthermore, digital distribution will benefit from social media activity. Social media, like Facebook and Twitter, stimulates interest in acts, thus contributing to growth in downloads and streaming subscriptions. Therefore, it is expected that growth in digital spending will offset the ongoing decline in physical spending very soon, consequently leading to a rebound in overall spending on recorded music.

EDM is most probably one of the first music genres to benefit from the "digital revolution", since its target audience of youngsters and young adults can be characterized as early adapters to new technology. Table 1 gives an overview of the global recorded music market, including a forecast until 2016.

Table 1. Global recorded music market 2007-2016.

€ millions										
Component	2007	2008	2009	2010	2011p	2012	2013	2014	2015	2016
Recorded music										
Physical distribution	20950	17711	15412	13243	12322	11273	10421	9724	9161	8725
% Change	-13,6	-15,5	-13,0	-14,1	-7,0	-8,5	-7,6	-6,7	-5,8	-4,8
Digital distribution	3991	4787	5246	5489	5965	6839	7765	8739	9746	10776
% Change	42,0	19,9	9,6	4,6	8,7	14,7	13,5	12,6	11,5	10,6
Total recorded music	24941	22498	20658	18732	18287	18113	18186	18464	18907	19501
% Change	-7,8	-9,8	-8,2	-9,3	-2,4	-1,0	0,4	1,5	2,4	3,1

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates. Edited by EVAR.

The total sales of recorded music in 2011 in the Netherlands were €210.5 million of which €177.1 million physically distributed and €33.4 million digitally distributed. Based on information on the sales of physically distributed EDM, we estimate that €8.9 million is being spent on physically distributed EDM. Digital distribution of EDM is estimated to be €3.3 million in 2011, implying that the total sales of recorded EDM were €12.2 million in 2011.

DJs – VJs - producers - agencies

The most important economic stakeholders in the EDM industry are DJs, VJs, producers and (management) agencies. DJs and VJS are the key players in the successful events and the commercially successful market for recorded EDM. Hundreds of DJs are active in the Netherlands and a growing number of them are also well-known internationally. During the period behind us, in which dance has been associated with the development of a powerful music genre for a broad and often young public, the role of the DJ as a provider of music, as a DJ as well as producer, has become increasingly important. Accordingly, the fees paid to well known and superstar DJs for a gig have increased exponentially over the past period. Most DJs and producers now earn almost all their income from DJ gigs. The total amount spent on bookings for Dutch DJs has also increased sharply. VJ fees are generally lower; they profile themselves successfully as artists, exhibiting their art on the Internet as well as in galleries.

The international success of Dutch EDM has contributed to the increase in fees and revenues. Since the turn of the century, the Netherlands has continued to provide an almost uninterrupted flow of DJs and producers who developed into major international stars. Consequently, foreign markets opened up for Dutch EDM exports.

Dutch DJs on DJ Mag's Top 100 DJ list, 2011

2 - Armin van Buuren	20 - Laidback Luke
3 - Tiësto	24 - Hardwell
7 - Afrojack	32 - Chuckie
14 - Fedde Le Grand	59 - Richard Durand
16 - Sander van Doorn	92 - Sidney Samson
17 - Headhunterz	95 - Marcel Woods
18 - Ferry Corsten	99 - Leon Bolier

The total size of the financial flows associated with DJs, VJs, producers and (management) agencies is estimated at €245.1 million. Approximately 22% (€53.3 million) origins from EDM exports: these include authors' rights and revenues from gigs outside the Netherlands.

Clubs – music venues/auditoria – small-scale EDM festivals & events

Successful exploitation of clubs and discos has been challenged by a substantial drop in visitor numbers (2007-2012: -57.4%) as well as a sharp decrease of the average spending (2007-2012: -10.9%). Therefore, it comes as no surprise that the Dutch landscape of clubs and discos has changed dramatically. Since 2002, 168 clubs and/or discos have disappeared from the map. Compared with 2002, this development leads to a sharp decrease in the direct financial flows of clubs and discos, as well as the small-scale EDM festivals & events (less than 3,000 visitors) that are often being organised in clubs and discos. We estimate that the direct financial flow associated with clubs, discos and small-scale EDM festivals & events is €120.6 million. More or less comparable in the scale of operations are the music venues ("poppodia") and auditoria ("concertzalen"). EDM, compared with 2002, still is an important ingredient of the yearly activities scheme of music venues and auditoria. In 2011, 37% of the visitors of the 53 music venues and 82 auditoria in the Netherlands were attending an EDM event, resulting in a direct financial flow of approximately €27 million.

Thus, the direct financial flows of this category are estimated to be €147.6 million annually, which is a one third decrease compared with 2002.

Mutual dependencies with other economic activities

It is undoubtedly true that EDM, as an economic activity, has a great many interrelationships with other economic activities. Dance in all its various outward forms is not limited to the organisers and producers of events and their direct suppliers. Accordingly, in order to obtain as complete a picture as possible of the economic significance of EDM, the so-called economic spinoff effects must also be taken into account. The degree and frequency with which these interrelationships are actually taken advantage of will of course determine the added economic value resulting from these mutual dependencies. It is in any case evident that, in particular due to large-scale EDM events, these spinoff effects can be quite significant. However, the exact size of these effects is difficult to determine for various reasons:

- *The nature of the product or service*: EDM has a variety of outward manifestations in which it generates financial flows and therefore has an economic impact. This heterogeneity makes it difficult to map out the various economic activities associated with EDM and it is therefore not possible to provide an exact evaluation of its economic significance.
- *The large number of different markets and market segments*: due to the heterogeneity and social scope and reach of EDM, it is offered as a product or service in a variety of (geographical) markets and the final price agreed upon is a result of the negotiations and room for negotiations between various market parties in a specific market or market segment. In other words, there is no such thing as "the market for EDM". In combination with the heterogeneity mentioned above, this means that it is difficult to identify the financial flow and the size of the flow associated with a specific element of EDM.

In any case, the economic spinoff from EDM includes the following economic activities:

- *Traditional media*: a number of radio and TV programmes in the Netherlands focus on EDM and also provide coverage of large-scale EDM events fairly regularly. Such a focus on dance is attractive for advertisers, as it allows them to reach an interesting target group of potential consumers with a relatively high degree of purchasing power fairly easily.

- *Logistics*: adequate transport facilities for individuals and goods are an important precondition for a successful event. In a more general sense, logistics is an important supporting facility that enables EDM to have an economic impact *at all*. It's growing in importance because of the increasing international popularity of EDM: more youngsters and young adults want to attend a festival or event, more DJs travel and they travel further and more often.
- *Telecommunications, ICT and social media*: the EDM scene functions as a trendsetter when it comes to benefiting from new technological developments in the area of telecommunications and ICT. This is also due to the fact that EDM is an integral part of the information driven society, and the newest designs and developments in areas such as telecommunications increasingly determine the commercial success of such products. During large-scale events, participants also make intensive use of smartphones to communicate with each other and/or share their experiences on social media. Obviously it has its own unique impact on the way the EDM industry operates. In terms of direct financial flows it is hard to assess its impact on the economic significance of EDM. However, it is expected to be substantial.
- *Fashion/clothing*: fashion is an important element of the EDM scene. The various dress codes at parties and events also strengthen the feeling of "belonging" and focus attention on appearance, style and fashion. Dance is a trendsetter in this respect and is also very quick to pick up new developments when it comes to fashion. For many youngsters and young adults, the pleasure and experience associated with clubbing or attending a large-scale EDM event actually starts with the purchase of appropriate clothing and accessories.

Although the exact size of the economic spinoff effects from EDM cannot be effectively determined, it would be safe to assume that the economic spinoff is substantial, thus adding to the total economic footprint of EDM in the Netherlands.

4.3 Conclusion

Financial flows

If we sum up the various financial flows directly associated with EDM, it becomes clear that EDM is an important economic activity, especially if we also take into account the economic spinoff from such activities. Although the exact size of the economic spinoff effects cannot be effectively determined, it is clear that they are very significant.

The direct financial flows associated with EDM in the Netherlands are as summarised below in table 2.

Table 2. Direct financial flows 2002-2012.

€ millions			
Activity	2002	2012	% change
EDM festivals & events in the Netherlands (>3.000 visitors)	81,9	137,4	67,8%
EDM festivals & events in foreign markets (>3.000 visitors)	-	35,0	-
Tourism related to EDM festivals & events (inbound/outbound)	-	9,6	-
Clubs/music venues/auditoria/EDM festivals & events (<3.000 visitors)	220,5	147,6	-33,1%
DJs/VJs/producers/agencies in the Netherlands	146,9	191,8	30,6%
Dutch DJs/producers in foreign markets	-	53,3	-
Recorded music sales	38,9	12,2	-68,6%
Total	488,2	586,9	20,2%

Sources: KPMG (2002) and EVAR accounting model (2012).

The net growth of 20.2% between 2002 and 2012 does not disclose anything about the underlying dynamics, being influenced by amongst others the general economic climate (affecting consumer expenditures) and any shifts in consumer preferences (i.e. concerning recorded music). It also implies that during the timeframe 2002-2012, the Dutch EDM scene has possibly been bigger or smaller than now in terms of direct financial flows.

Employment

It is difficult to estimate the employment associated with EDM. The industry information is fragmented, often (partly) not consistent or simply not available. Furthermore, EDM itself has a variety of outward manifestations in terms of economic spinoff. However, based on additional research and extrapolations, we estimate that a total of approximately 7,000 FTE are currently associated with the EDM industry in the Netherlands. It is therefore clear that this form of economic activity has managed to become a significant factor in the Dutch economy.

It should be noted that the 2002 employment estimate was a relatively conservative one in terms of the labour productivity reference levels that were being used to calculate the EDM employment. With today's knowledge and information, we would estimate a total of approximately 8,000 FTE associated with EDM in 2002. This leads to the conclusion that in the time frame of ten years the employment associated with the Dutch EDM industry has decreased with approximately 12.5%. However, job creation and job destruction are dynamic economic processes. The decrease of approximately 12.5% is the net result of both; it says, amongst others, nothing about the "quality" or composition of the labour force in terms of knowledge and expertise areas (i.e. concerning social media).

The EDM scene as creative industry
The added value of the *Dutch creative industries* is approximately €7.1 billion, 1.2% of the total Gross Domestic Product of the Netherlands. Annual exports account for approximately €5.4 billion, which equals with 1.7% of the total Dutch exports. The Dutch creative industries generate roughly 100,000 jobs, approximately 1% of the total employment in the Netherlands.
The added value of the *Dutch EDM scene* is estimated at an amount equal to approximately 7% of the total added value of the Dutch creative industries. In terms of employment, the Dutch EDM scene's number of jobs is estimated at a level that equals roughly 10% of the total Dutch creative industries' employment.

5 The economic outlook for EDM

5.1 Global music market

The global music market is expected to grow strongly the coming years. The recorded music market seems to some extent to recover finally, with a shift from physical distribution to digital distribution (see also chapter 4.2). Live music (concerts and music festivals) is expected to grow as well. Generally, growth in so-called “360 deals” with labels will enhance the market, as labels will be actively promoting tours as they share in performance revenues. Social media also are playing an important role here; social media activity from artists and/or labels generates interest in concerts and music festivals. A generally improving economy should also contribute to the volume of the global music market. Clearly, EDM as an industry will benefit from these developments as well.

Table 3 presents an overview of the global music market for the period 2007-2016, including both recorded music and live music.

Table 3. Global music market 2007-2016.

€ millions										
Component	2007	2008	2009	2010	2011p	2012	2013	2014	2015	2016
Recorded music										
Physical distribution	20950	17711	15412	13243	12322	11273	10421	9724	9161	8725
% Change	-13,6	-15,5	-13,0	-14,1	-7,0	-8,5	-7,6	-6,7	-5,8	-4,8
Digital distribution	3991	4787	5246	5489	5965	6839	7765	8739	9746	10776
% Change	42,0	19,9	9,6	4,6	8,7	14,7	13,5	12,6	11,5	10,6
Total recorded music	24941	22498	20658	18732	18287	18113	18186	18464	18907	19501
% Change	-7,8	-9,8	-8,2	-9,3	-2,4	-1,0	0,4	1,5	2,4	3,1
Concerts and festivals	18880	19339	20356	19285	20205	21335	22532	23828	25183	26595
% Change	4,5	2,4	5,3	-5,3	4,8	5,6	5,6	5,7	5,7	5,6
Total	43821	41837	41014	38017	38492	39447	40718	42291	44090	46096
% Change	-2,9	-4,5	-2,0	-7,3	1,3	2,5	3,2	3,9	4,3	4,6

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates. Edited by EVAR.

The estimated growth figures imply that, in general terms, the economic prospects for artists, labels, event organisers and related industries look good. However, there are key unknowns that can alter the economic prospects, logically affecting the prospects for EDM as well.

5.2 Economic outlook EDM

During the past years, EDM has developed itself rapidly from an artistic as well as an economic point of view. The EDM market is currently facing a revolutionary and unique phase in its existence worldwide: EDM and its representatives (DJs, producers, event organisers) have a strong influence on the musical taste and life style of a large population of young people worldwide. Dutch EDM artists and Dutch event organisers’ festivals and events are internationally well known, unlocking the potential of foreign markets for the Dutch EDM industry as a whole and setting the stage for its further international expansion.

An estimate of the current potential size of the global EDM events market can shed some light on the economic potential of Dutch EDM worldwide. EVAR has identified 27 countries, representing all continents, which have significant commercial potential or represent strategic value for the Dutch EDM industry. The country list is based on both objective indicators concerning social and cultural character, economic strength and global appeal as well as additional research of EDM's potential (i.e. based on DJ bookings, popularity of EDM events, sales of recorded music). Table 4 presents these 27 countries, ranked on market volume.

Table 4. EDM market volume 2012.

	Age groups	20-34		
	Gender	Total males+females		
	Status of population	All population, persons / EDM population based		
Country	Population	% EDM[1]	EDM population[1]	EDM market (in € millions)[2]
United States	63.955.000	22,5	14.389.875	1007,3
Brazil	31.369.950	10,0	3.136.995	219,6
United Kingdom	12.324.000	25,0	3.081.000	215,7
Germany	14.615.417	20,0	2.923.083	204,6
Canada	7.060.809	25,0	1.765.202	123,6
France	11.730.241	15,0	1.759.536	123,2
Italy	10.930.157	15,0	1.639.524	114,8
Japan	23.006.000	5,0	1.150.300	80,5
Spain	9.863.864	10,0	986.386	69,0
Australia	4.849.000	20,0	969.800	67,9
Russia (St. Petersburg & Moscow)	4.059.225	20,0	811.845	56,8
Netherlands	3.004.537	25,0	751.134	52,6
Mexico	27.385.647	2,5	684.641	47,9
India	247.187.881	0,3	617.970	43,3
Korea	10.817.682	5,0	540.884	37,9
Belgium	2.040.679	25,0	510.170	35,7
Czech Republic	2.360.550	20,0	472.110	33,0
Sweden	1.777.000	25,0	444.250	31,1
China (Hong Kong & Shanghai)	7.918.160	5,0	395.908	27,7
Chile (Santiago de Chile)	1.543.837	20,0	308.767	21,6
Turkey (Istanbul)	3.402.401	7,5	255.180	17,9
Denmark	990.874	25,0	247.719	17,3
Norway	941.689	25,0	235.422	16,5
New Zealand	872.000	25,0	218.000	15,3
Argentina (BA)	658.551	25,0	164.638	11,5
UAE (Dubai)	883.918	7,5	66.294	4,6
South Africa (Cape Town)	874.274	7,5	65.571	4,6
Total	506.423.343	7,6	38.592.204	2.701,5

[1] Estimate of persons (domestic) able and willing to visit EDM events
[2] Excluding multiple attendance of EDM events, based on average maximum ticket price of €70 (excl. sponsorhips, F&B etc.)

Sources: OECD, EIU. Estimates and calculations by EVAR.

The extent to which the actual size of the EDM events market comes close to the potential size - conservatively estimated - is not in all cases that obvious. For the Netherlands, it seems however that there still are good opportunities in the EDM events & festivals market. The increase of the number of festivals and events during the past decade (see chapter 4.2) illustrates that market saturation has not yet been a big issue.

The United Sates are currently by far the most commercially attractive market for EDM. The music and cultural preferences of youngsters and young adults as well as the size of the population favour EDM to the full. Furthermore, the country has an impressive track record and dominant position in the global media and entertainment industry, thus affecting the preferences and revenue potential in many geographical markets worldwide. Not surprisingly representatives of the EDM industry put lots of effort in business and market development of this specific geographical market.

More in general, the country list shows that North and South America are potential “high growth” markets for (Dutch) EDM. Europe can be characterised as a “medium growth” market and the Asia-Pacific region as an upcoming, developing market.

6 Concluding remarks

Substantial growth both domestically and abroad

The output of the EVAR accounting model clearly suggests that the economic significance of EDM for the Netherlands has grown substantially during the last decade, both domestically and abroad. The direct financial flows associated with EDM (estimated €586,9 million) reconfirm the observation that EDM cannot be dismissed as a form of hobby that has gotten out of hand. The industry currently gives employment to approximately 7,000 FTE in the Netherlands, which underlines its important position as a creative industry.

DJs and EDM events are the most important drivers of the observed growth

Especially the category “Large-scale festivals & events” and the category “DJs, VJs, producers and agencies” have benefited from the increased popularity of EDM during the past decade. “Recorded music” and “Clubs, discos, music venues and auditoria” are the categories that – compared to the 2002 survey results – have lost market share in terms of the direct financial flows that these activities generate. However, the position of recorded music is expected to improve. More in particular, digital distribution - benefiting from social media activity - will have a positive effect on the total sales numbers.

Economic outlook good - further growth of Dutch EDM export market very likely

The economic significance of Dutch EDM has increased partly because of the rapidly increasing revenues from foreign markets. Estimates of the global EDM events market strongly suggest that the international position of Dutch EDM can be strengthened further. North and South America are potential “high growth” markets for (Dutch) EDM, with the United States as the most promising one. Europe seems to be a “medium growth” market and the Asia-Pacific region has the character of an upcoming, developing market.

The fact that EDM is to some extent also “global by definition” – the use of social media and sharing experiences and music is nowadays in its DNA – lays a solid foundation for further international expansion. For this and other reasons, EDM distinguishes itself essentially from other (music) industries and music cultures, which (still) makes it rather unique in our contemporary society.

Appendices

Appendix I – Relevant literature/sources of information

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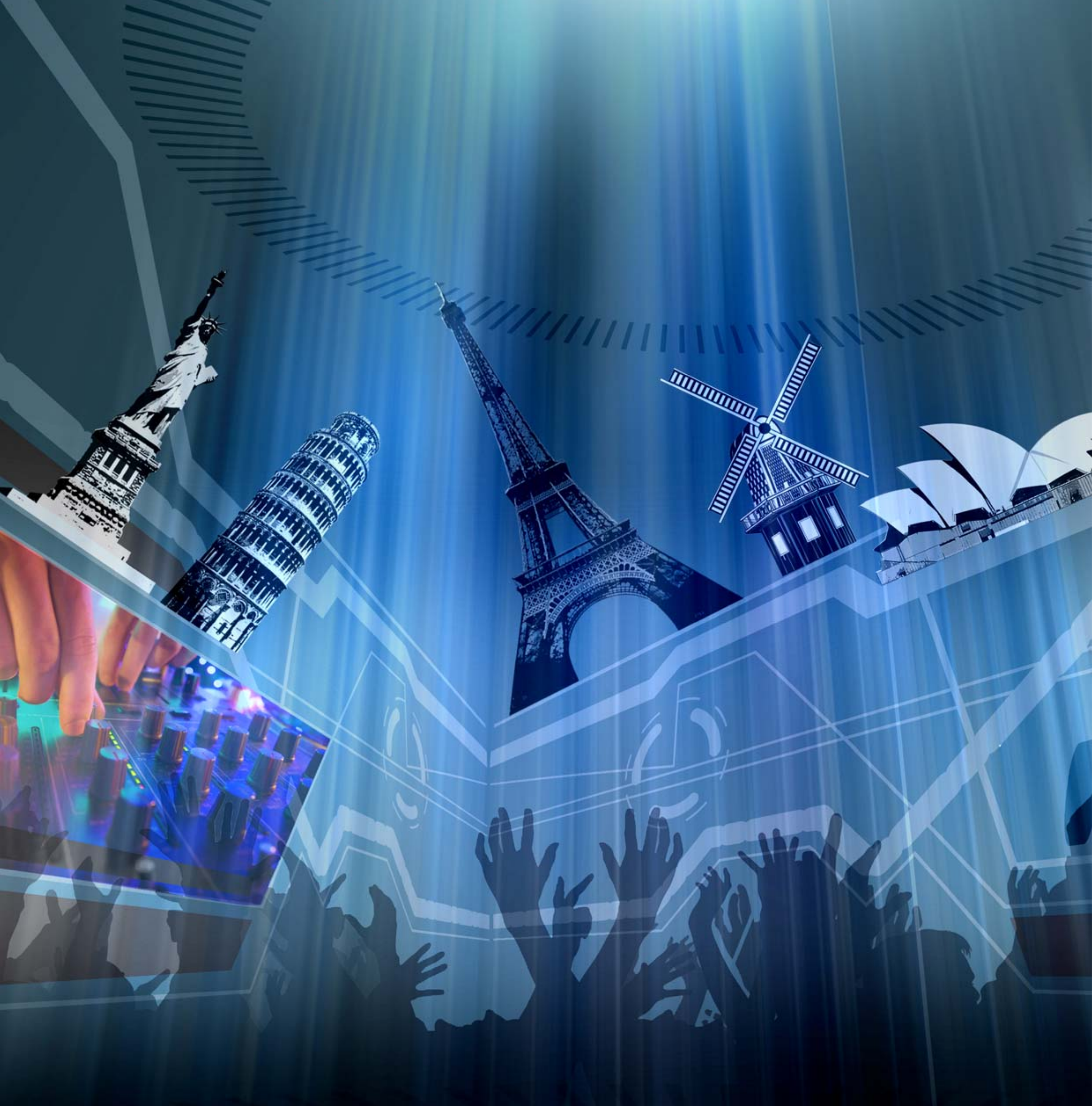
Appendix II – Acknowledgements

In order to be able to update and to extend the EVAR accounting model, we relied on the input of many people and organisations. We depended on their input concerning, amongst others, the musical evolution of EDM, the Dutch EDM festivals & events market, the development of the international EDM scene and the growing role of social media. Without their valuable input and feedback, this report would not have seen the light.

More in particular, we would like to thank the following persons for their efforts and their valuable contribution (in alphabetical order):

- Denis Doeland, *managing director DDMCA.*
- Bas Engels, *founder/managing director Nachtlab*.
- Irfan van Ewijk, *manager international business ID&T.*
- Michiel Groeneveld, *artist manager 3D Management*.
- Sander Groet, *founder/owner Club Air*.
- Lex Kruijver, *director Respons Evenementen Monitor*.
- Kjell Massen, *senior project manager Ruigrok | Netpanel*.
- Bas Meijer, *managing director Mysteryland*.
- Marcel Mingers, *CEO Minghold group and owner Extrema Network.*
- Erix Santman, *senior artist manager Platinum Agency*.
- Gert van Veen, *journalist and creative director Studio80.*
- Richard Zijlma, *general manager Amsterdam Dance Event.*

EVAR *Advisory Services*



EVAR Advisory Services B.V.
Siriusdreef 17-27
2132 WT Hoofddorp
The Netherlands

Phone: +31-(0)23-5689240
Fax: +31-(0)23-5689111
E-mail: info@evaradvisory.com
www.evaradvisory.com

@EVARNL

EVAR *Advisory Services*