

# **THE ECONOMIC IMPACT OF SEATTLE'S MUSIC INDUSTRY**

A Report for the City of Seattle's Office of Economic  
Development



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## Executive Summary

The City of Seattle's Office of Economic Development, as part of its effort to develop a unified, coordinated economic development strategy, commissioned a number of studies to assess the economic impact of select industries in which Seattle has a competitive advantage. This report provides an analytical assessment of Seattle's music cluster.

Seattle's music industry cluster is composed of both for-profit components, which dominate business activity in the cluster, and a host of non-profit organizations that also employ many people and play a key role in our local cultural scene. The industry has a strong cohort of proprietors, and is dominated by small businesses. At the core of this industry are musicians and composers, whose music is performed in venues that range from the Key Arena to over one hundred clubs to churches in every neighborhood of the city. This sector touches our lives every day through media such as radio, television, cable, street musicians, in recordings, and through live performances. There is a vast array of support services associated with the industry, and hundreds of retail stores distributing music-related products. The industry has a major education and training component present in the K-12 school and higher education system, as well as through private teaching and performing organizations.

The "core" of Seattle's music industry (core is defined as actively contributing to music production) generates nearly 8,700 direct jobs in over 2,600 businesses. These jobs provide an average annual wage of \$22,771, and contribute \$197.3 million in labor income. An additional 2,000 individuals are employed in 335 music-related businesses, with labor income of almost \$70 million. In combination, both the core and supporting industries support nearly 10,700 jobs in nearly 3,000 businesses contributing \$266 million in labor income. A key trend identified by interviewees was the increase in independent artists, and simultaneously the low wages paid to performers. As a result, many people working in the industry have multiple employers and sources of income. For example, many musicians work for the Seattle Symphony, the Seattle Opera, and Pacific Northwest Ballet. These musicians also engage in recording activity for films and games. Many people who provide instruction to music students also engage in performance, and may sell recordings on independent labels. The combined income from these multiple sources of work creates higher earnings than average wage figure of \$22,771.

Proprietors indicated that few of them anticipate their employment status to change, but businesses with employees have experienced and expect to experience continued growth in employment. The current local economic downturn was identified as a challenge, but most businesses were optimistic about recovery when the economy picks up.

Total sales by the core components of the Seattle music industry businesses approach \$650 million annually. Adding in the supporting industries, total sales rise to nearly \$1.3 billion. Royalty and recording income that is reported to the Internal Revenue Service is included with these estimates of sales and labor income.

These figures are likely conservative estimates of business activity in this industry, because of the complexities associated with measuring all of its constituent parts.

In addition to the direct economic impacts described above, the music industry has significant indirect effects on the local economy through multiplier relationships.

Many communities rely on cultural organizations and music as an anchor for economic development, and strong cultural offerings are often cited as a big factor in a city's quality of life. The notion of a cultural cluster, or a music-based cluster creating an identity for a region or a community, is a strategy used in a number of places to draw more visitors to the community for cultural or musical experiences and to provide a dynamic community for its residents. This quality of life element plays crucial role in a company being able to attract the best and brightest work force to a city and strongly influences corporations' choice in where to expand and relocate their businesses. As such, the Seattle music community may be one of the city's most important strategic assets.

A key asset of the city for the music industry is the well-educated population that likes to consume music. Many industry participants argued that Seattle has a position of competitive advantage in this industry related to a combination of technology, training, relatively low costs, the legacy of the grunge/Nirvana scene, and the strong level of support for music in the community. Live performance venues, recording venues, training and education, and equipment suppliers and repair services were all judged to be of high quality and very important to members of the industry.

A number of music industry leaders were interviewed for this study. Interview respondents highlighted the following challenges for Seattle music industry:

- The City's tax structure
- Seattle's perceived geographical isolation
- Traffic congestion
- An unstable local economy

Although interview respondents perceived these liabilities as difficult to overcome, they saw opportunities for the City to help further support the industry by:

- More pro-actively promoting the local music industry and providing greater publicity, visibility and exposure for smaller musical organizations
  - Networking with other cities
  - Increasing the visibility of music in Seattle at a national or international level
- Improving the amount of music education in the K-12 schools
- Improving community resources, including providing business-education and training for music industry people
- Reforming the tax structure (particularly to relieve the burden on small businesses)
- Reducing traffic congestion
- Proving additional performance spaces.

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## **1.0 Introduction**

**1.1 Study Purpose** This report provides a preliminary inventory of music as an industry in the city of Seattle. Music is an activity that enters our daily lives in many ways, surrounded as we are by music of various kinds in our homes, when we drive, when we work, when we shop, and when we recreate. Music is also an activity that creates jobs in many industries in our city. Unlike some industries--such as medical equipment manufacture—that are confined to narrowly defined industrial categories, the music-related business has a complex and multifaceted industrial structure. It is not confined to easily measured industrial classifications, and its participants range from very large businesses such as the Experience Music Project or the Seattle Opera to many small one-person businesses that are a part-time economic activity for an individual. Clearly, many of us engage in music as a hobby or recreational avocation, but do not try to earn a living from these endeavors. And as Seattle residents we cherish the wealth of opportunities in our city to partake in many opportunities for a musical experience.

**1.2 Approach** In approaching this study we have chosen to focus on parts of the industry that are measurable with commonly accepted sources of data. We recognize that this preliminary attempt at documenting the current state of the music industry in the city of Seattle has its shortcomings. We will not document all aspects of local economic activity associated with music. However, this report does provide a benchmark that can be extended through further research to better document the role of music as an economic activity in the city of Seattle.

**1.3 Report Organization** The report is organized in four sections. In Section 2, the components of economic activities in our city that are related to music are described. This section clearly identifies the multifaceted qualities of economic activity locally related to music. We are referring to this set of activities as a music industry “cluster,” in keeping with the notion of a set of related industries with significant local economic interdependencies that may give the region a position of comparative advantage with regard to this type of business activity. In Section 3 we present data on the size of employment, earnings, and business activity in the industries central to this music industry cluster. This section is based on several sources that are intended to “triangulate” the likely size of the music cluster in the city of Seattle. It also contains estimates of the economic impact of the music industry on the regional economy. Section 4 of the report focuses on the results from a set of interviews with 93 businesses in the music cluster with regard to the Seattle as a place to do business. This section conveys information from members of the cluster that can help inform public policy with regard to economic development programs for this segment of the city’s economy. Section 5 presents a brief discussion of research of a similar line undertaken in other communities that may be useful to Seattle policymakers.

**1.4 Study Limitations** It is recognized at the outset that economic activity in this part of the economy has many participants and components that are outside the regular market economy and normal government measurement systems. Informal, underground, barter, self-financed, and other non-market activities are openly recognized to be a part of

the music scene. We have made no attempt to document the magnitude of these activities—they are essentially unmeasurable through the lens of traditional measures of economic activity. This means that the report we have developed is a conservative picture of the totality of music-related business in the city of Seattle.

## **2.0 Components of the Music Industry**

The music industry is a multifaceted collection of manufacturing, retail and wholesale trade, communications, and service industries. Figure 1 provides an overview of our conceptualization of the music industry cluster in the city of Seattle. This is a complex diagram. This section provides brief descriptions of the various components of the industry, many of which will be measured in Section 3 of this report. Lines linking the components of this diagram represent both structural and financial linkages among elements of the music industry cluster. It was not possible to quantify the magnitude of these linkages in this study.

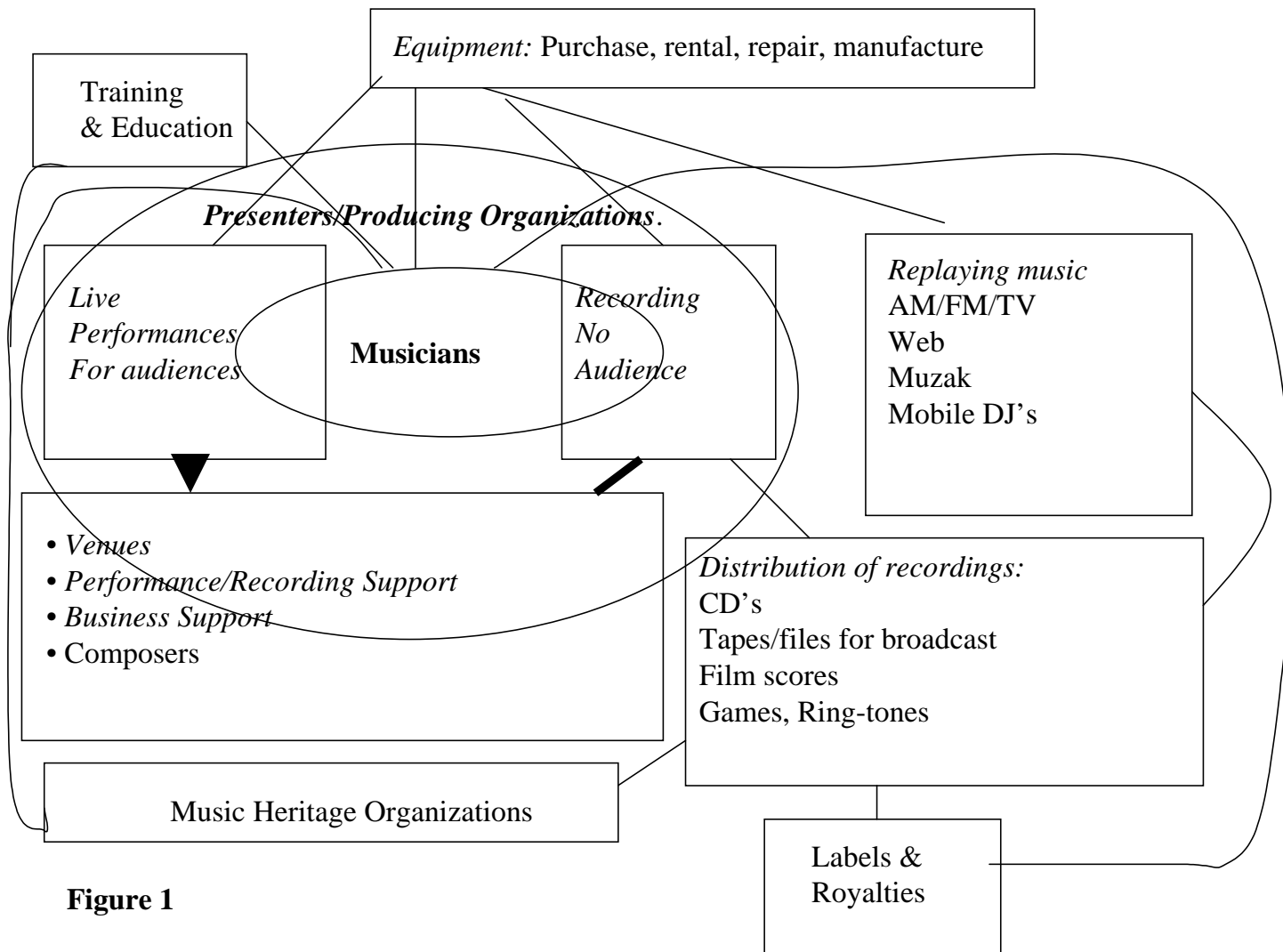
### ***2.1 Musicians and Composers***

At the heart of the local music industry are musicians; they are both local performers *and* people from across the planet whose music is broadcast locally or who come here to perform for local audiences. People working as musicians are employed in a variety of venues in the city of Seattle. They work as regular employees, counted as part of the labor force through agencies such as the Employment Security Department, but are often self-employed or employed on a contract basis. We have anecdotal evidence regarding the multiple-jobs held by many musicians within the musical community. For example, many players in the Seattle Symphony, Seattle Opera, and Pacific Northwest Ballet are employed by all three organizations. In addition, these players gain additional income through work such as film score recording, or teaching students. Musicians are linked with many of the lines of work included in Figure 1. They are employed in K-12 and higher education public and private schools, in the non-profit 501 c(3) organizations, in clubs and bars, at private functions, in churches, and beg for a living at the Pike Place Market. We are including with this group people who are working primarily as composers, arrangers, and songwriters.

### ***2.2 Venues***

Venues are the locations where musicians perform, and they are diverse in this city. Performances can be divided into those that are for a live audience, and those that are being recorded. Theatres and concert halls—such as Benaroya Hall, the Marion Oliver McCaw Opera House, the 5<sup>th</sup> Avenue Theatre, and Paramount Theatre host all genres of live performances. Many smaller theatres also exist, ranging in size from the tiny Jewel Box to mid-sized facilities such as Meany Hall. A wide range of clubs, taverns, bars, and other facilities provide nightly opportunities for live music and DJ-





**Figure 1**

hosted music. Outdoor festivals range from mega-presentations such as Bumbershoot and the Folklife Festival to community gatherings in many parts of the city. Churches have organists and choir directors leading music across the city. Major programs are presented at the Key Arena, Seahawks Stadium, and on Pier 66. Private functions range from weddings to birthdays to marriages that bring in live performers. Recording studios and recording venues also are numerous, supporting activities ranging from major labels cutting CD's to home-based musicians putting out their own CD's or labels.

### ***2.3 Performance & Recording Support***

There is a complex set of service activities associated with live performances and recording activity. Some of those employed in this activity are on the account of major presenting organizations, such as Seattle Opera's set design and costume production staff. But many people work in a variety of support activities, such as audio engineering, lighting services, and stage setup and takedown activities. Many independent businesses are also located in the city of Seattle providing specialized support services in relation to performances and recording activity. This category also includes promoters who play an important role in the popular music segment; they arrange the performance of particular bands or musicians in selected venues and organize all of the services necessary for their presentation (including insurance, security, set up and take down), and act as brokers for the payment of all costs associated with a performance. Industry support groups such as ASCAP and IATSE assist members of the music community get economic returns from their labor. A complex (and in this study unmeasured) aspect of this element is the activity associated with visiting musicians (and related professionals) in hotels, local restaurants, travel agencies, etc. In the conduct of this study we recognized that some of the very top-end performers coming to Seattle have their own staff (or their own RV's and staff) to assist with their logistics while performing here. We could not measure the magnitude of this activity in this study. A related component is the advertising undertaken by venues and presenters in local newspapers (and online) aimed at getting people to attend particular performances, and the music review functions in print and on radio after performances that help stimulate interest in particular performing artists or groups.

### ***2.4 Recording Activity***

Recording activity takes place in many venues and for many purposes. Radio stations such as KPLU-FM (partially a Seattle entity) broadcast jazz performances taped/recorded at local venues. Studios record for major and independent labels, and local musicians are hired on an ad-hoc basis to undertake recordings for Hollywood film scores. Some of this activity is done in venues with audiences, but it also is undertaken from live performances without audiences. In addition, content developers take pre-recorded music and repackage it for various consumers, including mobile-telephone users, office and retail store sound systems, and for broadcast through cable distribution systems.

### ***2.5 Labels and Royalties***

Labels are associated with particular bands, musicians, and musical organizations. Many of these are "indies," independent labels that may be sold by musicians in

performance venues, on the Internet, on the street, or in some record/CD stores. Major labels market some recorded content, and may or may not pay “residual” income to the performers. The performance of music on radio or through some streaming sources is also subject to payments of royalties on a per-performance basis. This activity is very complex from a monetary standpoint, and has been made much more difficult to measure with the advent of the Internet and digital methods of file sharing.

### ***2.6 Replaying Music***

Recorded music is distributed by Seattle businesses in a variety of industries. The most visible of these are the radio, television, and cable-broadcasting businesses located in the city. However, there are a number of other local business enterprises that are involved with developing content that is replayed. As noted above, we have businesses classified within the cable-broadcasting sector that are developing content for cable distribution. We have also found businesses engaged in producing musical sound for systems such as mobile telephones, and for games that are classified with broadcasting. This is an industry segment that needs to be further explored in terms of the functions of members of the industry.

### ***2.7 Distributing Music***

Music distribution is clearly dominated by stores that sell recorded music, which includes business establishments solely devoted to this job, as well as stores that are selling other products and well as recorded music. We have included stores that are primarily selling recorded music in this study, most of which is not recorded in Seattle. Stores that sell products such as CD’s along with other commodities are not included directly, although an estimate of this activity was made as a part of this study. People or businesses that are selling their privately produced or private label-CD’s are also not included explicitly in this study<sup>1</sup>. Sales of printed sheet music are included with the retailers included in this study (SIC 5736).

### ***2.8 Equipment – Industry members, households, businesses***

Equipment to play or perform music is made by manufacturers and sold by wholesalers and retailers in Seattle. The markets for this activity include people within the industry itself, households located in the city of Seattle, and businesses who broadcast music. Sales are of new and used equipment. There are also a number of service establishments that repair of existing equipment. Equipment retailers include radio, television and electronics stores, computer and software stores, and musical instrument and sheet music stores. In addition, we have businesses manufacturing equipment located in the city of Seattle, including those printing music, making household audio equipment, and manufacturing musical instruments. There are no businesses *primarily* engaged in the rental of musical equipment located in the city of Seattle (there are some located in suburban cities). Some Seattle businesses primarily engaged in selling musical equipment also engage in the rental of this equipment.

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<sup>1</sup> It is likely that some of these people are included in the employment estimates included in Table 3.1, but we were unable to identify them separately in this research project.

### ***2.9 Education & Training***

Musicians and people in trades related to musical activity must have training, and this is provided in the city of Seattle by a wide variety of educational organizations and individuals. Formal education comes from institutions such as the public and private K-12 schools; higher education institutions such as the UW, Seattle University, and Seattle Pacific University; dance studios and schools; and specialized music education schools. Individual musicians, who teach their instrument-specific trade to students in formal and informal educational environments, provide a large component of this activity.

### ***2.10 Support organizations*** (Unions, ArtsFund, Art Service Organizations)

Various advocacy groups also support musical activity. These include the unions that represent players and others associated with the industry, groups that help raise funds to cover expenses of non-profit organizations (such as ArtsFund), and arts service organizations that help raise funds to support activity within this segment of the local economy (such as the Mayor's Office of Arts and Cultural Affairs).

### ***2.11 Business Services***

Businesses within the music industry cluster need the services of producer service establishments in the management of their businesses, such as lawyers, accountants, consultants, and computer services. The survey reported in section 5 found almost no reliance on these establishments within small business organizations, but the services of the gamut of these establishments is a part of the support scene for the local music industry. Major players in the industry have a much greater need for the counsel of these experts to protect their financial interests, it would seem, than the small aspiring garage band. This observation is clearly a matter for further research.

## **3.0 Estimating Business Activity in the Seattle Music Industry**

This section presents estimates of business activity in the music industry in Seattle. The first section presents estimated employment within the industry, with a discussion of some of the computational issues surrounding the development of this employment estimate. Then estimated earnings are presented, followed by estimates of business revenue, tax payments, and estimates of economic impacts of the industry on the local economy.

### ***3.1 Employment Estimates***

The music industry components described in Section 2 do not fit neatly into industrial categories that are reported by statistical agencies in many cases. Instead, establishments within this industry are co-mingled with other categories of industry, making it difficult to measure the level of activity in music separately. In order to develop estimates of employment in this industry we relied on several sources of data that allowed us to overcome these obstacles to measurement. We accessed lists of individual business establishments within specified industrial categories from two sources. (1) Establishment level records from the Washington State Department of Employment Security (ESD) were accessed through a data sharing agreement. (2) A list of businesses

was purchased from Name Finders, a commercial vendor of contact information for businesses. We also made use of the 2000 Census 1% Public Use Microsample (PUMS) data, in which people identify their occupation. This second approach was thought to be a useful alternative to the establishment-based approach, given the complexities of classification just described.

Table 1 presents an estimate of employment in the music industry cluster in the city of Seattle. The table is divided into two segments: “core” industries are actively involved in music production in Seattle, and “secondary” industries producing music industry products and services that are less likely to originate in Seattle. The city’s core industries generated 8,665 jobs in 2002, and the cluster provided an additional 2,026 jobs in secondary industries. The industries included in this table were deemed to be music related, either by their name, or through an inspection of industry-definitions contained in the Standard Industrial Classification (SIC) Manual.<sup>2</sup> The estimates associated with the SIC codes included in this table were derived by analysis of data from the ESD and Name Finders data sources described above. Appendix I of this report describes analyses undertaken to estimate the magnitudes of the SIC-related levels of employment reported in this table. In approaching the estimate of business activity across the set of SIC codes, we first developed a list of industries which we thought could have music content (obtained by reading the descriptions in the SIC code manual). In most industries listed in Table 1 the ESD and Name Finders sources were sufficient to make estimates of employment. However, we estimated employment in educational industries through a combination of personal contacts, use of web-sources, and telephone calls. The SIC-related data in Table 1 cover people primarily working on a wage and salary basis. Many people in the music industry are employed on a contract basis or work as proprietors. The nonemployer estimate included in Table 1 is based on the U.S. Census Bureau’s report of income by self employed persons in King and Snohomish counties for the year 2000 who worked in music-related activities. These data are based on Form-C filings to the Internal Revenue Service, by individuals who indicated that their work was with performing arts companies; promoters of performing arts, sports, and similar events; agents and managers for artists, athletes, entertainers and other public figures; and independent artists, writers, and performers. The estimate of church musicians included in Table 1 is based on data supplied by the Seattle Guild of Organists.<sup>3</sup>

Two major businesses in the city of Seattle that are intimately involved with music are Real Networks and Amazon.com. Both have markets that are global, but also have significant local workforces related to their music-related business. We did not get a direct estimate of the local component of Amazon.com’s music related business activity, but through a personal contact at Real Networks we were able to estimate the level of business activity located in Seattle due to music. Real Networks is classified in computer services, and Amazon.com in Non-store retailing, two SIC codes outside of the list we utilized for this study. It is quite likely that other music-related businesses exist in the city of Seattle in these industrial categories. Another complication with regard to the

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<sup>2</sup> Executive Office of the President. (1987) Office of Management and Budget. Standard Industrial Classification Manual. 1987. Springfield VA, National Technical Information Service.

<sup>3</sup> Personal communication with Ms. Joanne Andenes.

Table 1 Estimated Employment in the Seattle Music Industry Cluster in 2002

<u>SIC</u>	<u>Industry Description</u>	<u>Estimated Employment</u>
	<i>Core Industries</i>	
2741	Music Book and sheet music publishing	8
3651	Household Audio and Video Equipment Mfg. (incl. CD duplication)	19
3931	Musical Instruments Manufacturing	49
5099	Musical Instrument Wholesaling	2
5736	Musical Instrument Retailers	345
5813	Clubs, Taverns and Lounges	1,822
7389	Services to music & broadcasting (incl. booking agents, record labels, recording studios)	441
7699	Musical Instrument Repair	53
7911	Dance studios, schools, & halls	453
7922	Theatrical Producers & Services (Symphony, opera)	1,047
7929	Entertainers & Entertainment Groups (bands)	672
8211	Elementary & Secondary Schools	132
8221	Colleges & universities	160
8299	Miscellaneous Schools	200
8412	Museums & art galleries	300
8631	Labor Organizations	6
8999	Song Writers	32
	Music-related self employed individuals <sup>4</sup>	1,553
	Church Musicians	450
	Computer Services & Nonstore Retailers	921
Subtotal	Core Industries	8,665
	<i>Secondary Industries</i>	
4832	Radio Broadcasting Stations	693
4833	Television Broadcasting Stations	50
5731	Radio, television & electronic retailers	674
5734	Computer & software retailers	290
5735	Record & CD Retailers	319
Subtotal	Secondary Industries	2,026
	<i>Total All Industries</i>	10,691

sale of recorded music is that only a fraction of it sold through retailers is primarily selling such media. General department stores and businesses such as the University Book Store have record departments. No breakouts are possible of the level of sales in these stores from public statistical agencies. We have estimated a possible level of business activity in these market segments, which we are including in Tables 1, 2, and 3.

<sup>4</sup> Based on the U.S. Census Nonemployers Statistics for NAICS 711 for the Seattle-Bellevue-Everett PMSA in the year 2000.

To account for the uncovered components of the computer services and sales of music media by retailers such as Amazon.com, we factored in these estimates. In the case of computer programming, we have included an estimate that is double the level of activity at Real Networks estimated to be related to music. This may be high or low. We doubled the estimated sales in SIC 5735 outside the narrowly defined music and record stores SIC, to account for stores such as Target, University Book Store, Easy Street and other retailers selling CD's as a part of their larger product lines, and then added an 18.3% allowance for sales of music and video in nonstore retailers based on the 2001 Annual Survey of Retailers estimates of U.S. Electronic Shopping and Mail-Order Houses sales (NAICS 454110) found online at the U.S. Census Bureau website. This estimate may also be high or low.

A second estimate of employment was derived from the PUMS (Public Use Micro Sample) from the 2000 Census. This approach yielded an estimate of employment quite similar to that reported in Table 1. Appendix I provides a detailed discussion of the development of the PUMS estimate of music industry employment.

There are many more Seattle residents engaged in musical activity than counted here. Many work in other occupations and engage in musical activity in commercial and noncommercial environments. One Reel reported having 1,400 applicants for one of their festivals, ranging from individual performers to bands with varying degrees of professional experience. Further research may provide better estimates of the number of people engaged in the music industry in Seattle.

### **3.2 Earnings Per Worker and Total Earnings**

The employment reported in Table 1 was used to estimate earnings in the music industry in Seattle. Table 2 contains these estimates, which are estimated to be about \$266 million in the year 2002, with average earnings of \$24,921. These estimates were derived as follows. ESD annual reports (for the year 2001) of statewide wage and salary payments, and number of covered employees were used to estimate average wage and salary payments per covered employee in SIC sectors. These wage and salary payments were multiplied by the estimated Seattle employment to obtain the estimated wage and salary income reported in Table 2. These estimates were extended to include estimated income from people covered in the nonemployer statistics program of the U.S. Census Bureau, church organists, and other establishments that we included in our analysis. The level of earnings per worker estimated in this table is likely to be lower than actual earnings due to multiple work locations for many people in this industry. It is not possible to separate the headcounts included in this table into full-time equivalent employees. Estimates for nonemployers, churches, and other are discussed in Appendix I.

The average earnings estimate contained in Table 2 understates total income per worker in the music industry. Many musicians have multiple employers, such as the musicians who play for the Seattle Symphony, Seattle Opera, and Pacific Northwest Ballet. Many people who perform music also have income from teaching music. Workers in clubs, taverns, and lounges earn significant income from tips, which is not

Table 2 Earnings and Work-Related Income in the Seattle Music Industry in 2002

<u>SIC</u>		<u>Number of Establishments</u>	<u>Estimated Employment</u>	<u>Earnings per Worker</u>	<u>Estimated Earnings \$ millions</u>
<i>Core Industries</i>					
2741	Music Book and sheet music publishing	5	8	\$42,565	\$.34
3651	Household Audio and Video Equipment	5	19	32,779	.62
3931	Musical Instruments	4	49	24,721	1.21
5099	Musical Instrument Wholesaling	1	2	43,032	.09
5736	Musical Instrument Retailers	46	345	21,860	7.54
5813	Clubs, Taverns and Lounges	131	1,822	12,115	22.08
7389	Services to music & broadcasting	85	441	21,534	9.50
7699	Musical Instrument Repair	18	53	31,721	1.68
7911	Dance studios, schools, & halls	75	453	8,959	4.06
7922	Theatrical Producers & Services	120	1,047	21,484	22.49
7929	Entertainers & Entertainment Groups	179	672	17,095	11.49
8211	Elementary & Secondary Schools	85	132	32,276	8.20
8221	Colleges & universities	7	160	29,084	6.27
8299	Miscellaneous Schools	50	200	26,607	5.32
8412	Museums & art galleries	1	300	26,176	7.85
8631	Labor Organizations	2	6	33,650	.20
8999	Song Writers	16	32	45,208	1.45
Nonemployers	Music-related Self-Employed <sup>5</sup>	1,553	1,553	18,566	28.83
Churches	Church Musicians	250	450	28,000	12.60
Other	Computer Services & Nonstore Retailers	?	921	48,988	45.12
Subtotal	Core Industries	2,633+	8,665	\$22,771	\$197.31

<sup>5</sup> Based on the U.S. Census Nonemployers Statistics for NAICS 711 for the Seattle-Bellevue-Everett PMSA in the year 2000.



<i>Secondary Industries</i>					
4832	Radio Broadcasting Stations	30	693	40,037	27.75
4833	Television Broadcasting Stations	13	50	55,401	2.77
	Radio, television & electronic				
5731	retailers	80	674	27,508	18.54
5734	Computer & software retailers	96	290	56,260	16.32
5735	Record & CD Retailers	<u>115</u>	<u>319</u>	11,734	<u>3.74</u>
Subtotal	Secondary Industries	334	2,026	\$34,114	\$69.12
<i>All Industries</i>	<i>Total All Industries</i>	2,967+	10,691	\$24,921	\$266.42

reported to ESD. An alternative earnings estimate from the PUMS shows average household income of \$84,000 for people classified in music-related occupations. Dividing this figure by the average household size for King County of 2.39, this yields per capita income of \$35,185.

### 3.3 Business Revenue

Table 3 presents estimates of business revenue by sector for the music industry in Seattle, which is estimated to be about \$1.3 billion. To estimate business revenue, the benchmark 1997 U.S. input-output accounts were accessed to identify national ratios of employee compensation to total output. Washington State Department of Revenue (DOR) reports of gross business income by industry were also accessed, and ratios were calculated of

Table 3 Estimated Revenue to Music Industry Cluster in Seattle in 2002 (\$ millions)

<u>SIC</u>	<u>Industry</u>	<u>Estimated Revenues/Income</u>
	<i><u>Core Industries</u></i>	
2741	Misc. Publishing - Music	\$1.80
3651	Household Audio Mfg.	4.12
3931	Musical Instrument Mfg.	3.68
5099	Musical Instrument Wholesaler	1.72
5736	Musical Instrument Stores	51.82
5813	Clubs, Taverns & Lounges	129.85
7389	Music & Broadcasting services	31.50
7699	Musical Instrument Repair	5.88
7911	Dance studios, schools, and halls	14.19
7922	Theatrical Producers & Services	76.60
7929	Entertainers & entertainment groups	26.20
8211	Elementary & secondary Schools	11.50
8221	Colleges & universities	6.64
8299	Misc. schools	16.16
8412	Museums & art galleries	68.07
8631	Labor Organizations	.58
8999	Song Writers	3.41
	Music-related Self Employed	28.83
	Churches	12.60
	Other	<u>153.77</u>
Subtotal		\$648.91
	<i><u>Secondary Industries</u></i>	
4832	Radio stations	100.25
4833	TV Stations	10.01
5731	Radio, television & electronic stores	193.18
5734	Computer & software stores	271.92
5735	Record & prerecorded tape stores	37.88
Subtotal		\$613.25
<i>All Industries</i>		<u>\$1,262.16</u>

ESD wage and salaries divided by total reported gross business income. The 1997 Economic Census Core Business Statistics series was also utilized; this source provides estimates of sales/receipts/revenues/shipments, and annual payroll for all industries covered in this study<sup>6</sup>. Ratios of sales to payroll from this source were also calculated. These ratios were compared to the U.S. input-output ratios, and in cases where the ESD and Washington Department of Revenue ratios were close to the national input-output table and the 1997 Economic Census Core Business Statistics, they were used to estimate total sales, as reported in Table 3. In cases where the Washington State Dept. of Revenue and ESD ratios were far from the national ratios, national ratios were used to estimate the sales reported in Table 3. Estimates for nonemployers, churches, and others are discussed in Appendix I.

### 3.4 Direct Tax Revenues

Tax revenues associated with the music industry are estimated to be \$11.9 million to the City of Seattle, and statewide to be in the \$83 million dollar range, as reported in Table 4. These estimates were derived by applying relevant tax rates to revenues of various components of the music industry documented in section 3.3 of this report. This is a conservative estimate of tax revenue impacts. It does not include impacts from visiting musicians or tourists that pay hotel-motel taxes or auto rental taxes, or other local taxes based on consumption expenditures. The largest proportion of tax revenues is clearly associated with the sales tax, which in turn has its largest magnitude with regard to sales of equipment to hear music sold in the city of Seattle.

Table 4 Estimated Direct Music Industry Tax Revenues in 2002 (\$ millions)

<u>Tax Category</u>	<u>Seattle</u>	<u>Other Local Taxing Districts</u>		<u>Total</u>
		<u>State</u>	<u>State</u>	
B&O	\$3.18		\$6.39	\$9.57
Sales Tax	6.47	15.88	48.47	70.82
Admissions Tax	<u>2.26</u>			<u>2.26</u>
<b>Total</b>	<b>\$11.91</b>	<b>\$15.88</b>	<b>\$54.86</b>	<b>\$82.65</b>

### 3.5 Economic Impact Estimates

The economic impacts of the expenditures and employment documented in sections 3.1 through 3.4 were estimated by using an input-output model developed for King County by Beyers<sup>7</sup>. This model takes the direct economic impacts reported in Tables 1-3, and calculates indirect and induced economic impacts on the regional economy. Summary impacts from the use of this model are presented in Tables 5 and 6. The results obtained through the use of this model increase direct sales impacts of the Seattle music industry in the local economy from \$1.3 billion to \$2.2 billion, employment estimates rise from 10,691 to 25,926, and labor income impacts increase from \$266 million to \$563 million. It should be noted that the boundaries of the City of

<sup>6</sup> U.S. Census Bureau, Core Business Statistics Series, Table 2, Industry Statistics on SIC Basis With Distribution Among 1997 NAICS-Based Industries, 1997.

<sup>7</sup> W. Beyers, The Economic Impact of Hospitals in Washington State in the Year 2001, Prepared for the Washington State Hospital Association, July 2003.

Seattle are an inappropriate regionalization for a model of the type used for this analysis because there is so much in-commuting and out-commuting that income flows and the types of interdependencies included in these models simply do not stop at the City limits. King County is a more reasonable region to use for such modeling, although the larger central Puget Sound region could be even a more robust regionalization. Resources available for this study did not allow a more thorough specification of an economic impact model. Most of the additional \$0.9 billion in sales (and related employment and labor income) is likely to be located within the city; these impacts are most strongly driven by the indirect effects associated with the expenditure of labor income on retail and consumer-oriented services located in the city.

These estimates should be regarded as provisional, as they are based on the utilization of direct requirements coefficients estimated for the industry sectors in which music industry employment and spending was recorded in Tables 1-3 as opposed to more refined expenditures distributions based on survey data for the industries included in this report. More refined estimates of expenditures could lead to higher or lower estimates of impact. The impacts on tax revenues to state and local governments are reported in Table 6. The sales tax impacts are in addition to those reported above in Table 4. They are based on the share of sales tax revenues as a proportion of labor income earned by people as a result of spending on music related economic activities. The B&O tax impacts are inclusive of state B&O taxes estimated in Table 4; indirect state B&O taxes are \$12.05 million. It was not possible to separate these tax impacts into City of Seattle versus other local governments for sales taxes because the economic impact model is calibrated

Table 5 King County Economic Impact Estimates in 2002

<b>Output</b> (\$ Millions)	\$2,248.40
Manufacturing	108.36
Nonmanufacturing	2,140.03
Wholesale and Retail Trade	997.98
Services	704.13
Other	437.93
<b>Employment</b>	25,926
Manufacturing	731
Nonmanufacturing	25,195
Wholesale and Retail Trade	7,550
Services	13,674
Other	3,971
<b>Labor Income</b> (\$ Millions)	\$563.20
Manufacturing	27.51
Nonmanufacturing	535.70
Wholesale and Retail Trade	96.86
Services	311.95
Other	126.89

against the King County economy, not just the city of Seattle. City revenues are included in the local government component of sales taxes, and likely city B&O tax collections are about half of the state estimate included in this table.

Table 6 Indirect Tax Impacts (\$ millions) in 2002

	<u>State</u>	<u>Local Governments</u>
Sales Taxes	\$26.84	\$6.98
B&O Tax	\$12.05	
Total	\$45.86	

#### **4.0 Economic Development Issues and the Music Industry**

A survey of music industry members was undertaken as a part of this study to determine some factual information about markets, labor use, and attitudes towards a number of dimensions involved in the set of cluster studies being undertaken by the city of Seattle. This survey was approached by using the list of names from Name Finders to draw a sample of establishments. Resources available for this study did not permit surveying all of the establishments in this list. Optional methods for contacting these establishments included personal interviews, mail questionnaires, internet-based surveys, and telephone surveys. Given the time and resources available for the study, it was determined that a telephone-survey approach was most likely to yield a good quantity of surveys.. Appendix V contains a copy of the questionnaire used for this survey.

##### ***4.1 Distribution of Sample***

We selected an array of businesses spanning the SIC codes in the Name Finders list, ranging from proprietorships to large businesses. A letter was sent to each business, indicating that they were being approached to participate in this study (see Appendix IV). About 240 letters were sent, and about 30 of these were undeliverable. A total of 93 interviews were completed, as documented in Table 7. Many people were not reachable, likely due to vacations during the time when the survey was conducted (late July to early September). About 10-15% of those contacted refused to participate. The distribution of respondents in this sample is different than the overall level of business establishments recorded in Table 2, but it broadly distributed across the SIC codes included in this study. Appendix VI lists the names of businesses included in the survey.

##### ***4.2 Employment Status of Sample***

Figure 2 reports that 41% of the sample of businesses we interviewed were proprietors, and 59% were establishments with employees. This sampling strategy clearly has a larger percentage of proprietors than they account for in overall employment (see Table 1), but a smaller share of proprietors than in the overall population of business establishments in the music industry. The businesses with employees included in this

Table 7 Survey Sample by Industry

<u>SIC</u>	<u>Industry</u>	<u>Number of Surveys</u>
2741	Music Printing & Publishing	1
3161	Musical Instrument Case Manufacturing	1
3652	Audio Recording	1
4832	Radio Stations	2
5099	Wholesaling Musical Instruments	1
5731	Radio, Television & Electronic Retailers	4
5734	Computer and Software Retailers	1
5735	Record & CD Retailers	5
5736	Musical Instrument Retailers	9
5813	Clubs, Taverns & Lounges	1
7389	Services to Music & Broadcasting	15
7699	Musical Instrument Repair	4
7911	Dance Studios, Schools & Halls	3
7922	Theatrical Producers & Services	7
7929	Entertainers & Entertainment Groups	25
8221	Colleges & Universities	1
8299	Miscellaneous Schools & Teachers	7
8611	Business Organizations	1
8999	Song Writers & Composers	4
Total		93

Figure 2 Employment Characteristics of Sample

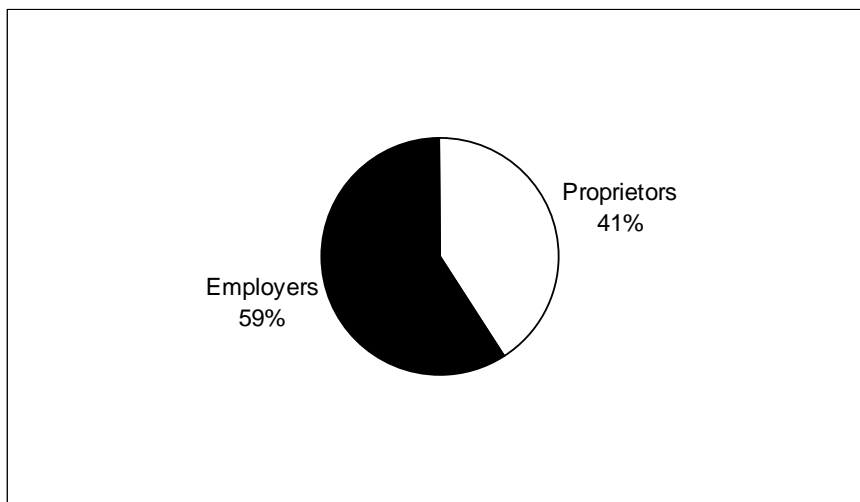
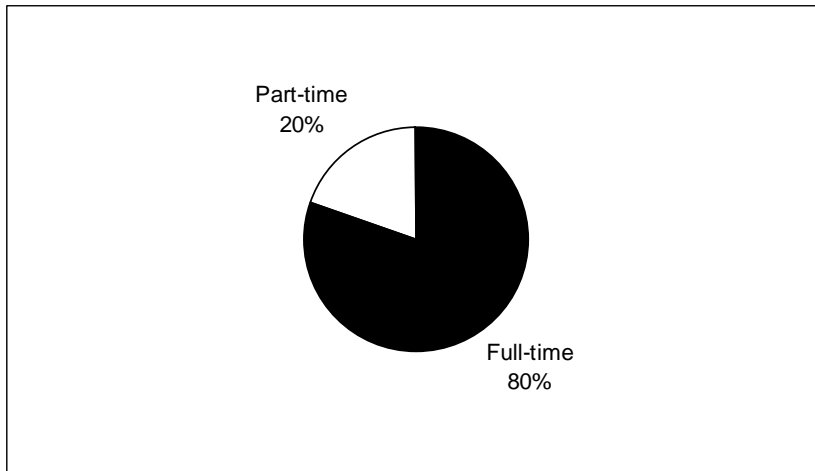


Figure 3 Employment Distribution of Those Interviewed With Employees



N=51

survey had about 1,650 employees, which is about 15% of the overall estimated level of non-prorietors employment reported in Table 1. Some 1,326 of these were full-time employees, while 325 were part time, as indicated in Figure 3<sup>8</sup>. While we asked for payroll and sales data, a relatively large share of respondents failed to provide this information. These data were not considered to be of sufficient quality to be included in this report, although reported income of the establishments responding exceeded \$0.25 billion.

#### 4.3 Markets of Sample

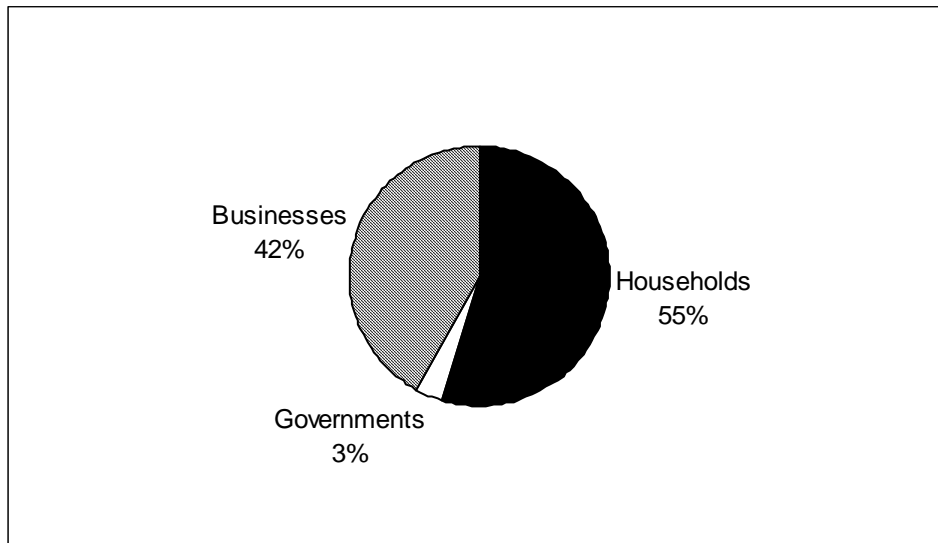
The establishments included in this sample had markets split strongly between local households and businesses. It should be noted that the sample was non-representative of the overall population of establishments, and is not weighted by business volume or the relative importance of industry components. Table 8 and Figure 4 indicate the market composition of people interviewed. Household markets appear strongly concentrated in Seattle. Business markets are more strongly related to non-local markets than indicated in Table 8 because some very large business organizations found in Seattle in the music industry have market sources located overwhelmingly outside the local area. Hard financial information on these establishments (in sectors such as digital media) were not covered in our interviews.

Table 8 Market Locations

	<u>Market Composition</u>	<u>Mean % of Sales in Seattle</u>
Households	54.59%	79.75%
Governments	3.48%	21.58%
Businesses	41.93%	42.77%
Total	100.00%	

<sup>8</sup> N=51, missing cases were 4.

Figure 4 Market % of Respondents, Not weighted by Sales



N=43

#### 4.4 Employment Trends

Respondents were asked to describe if their employment had changed over the past five years, and how they expected it to change over the next five years. Tables 9 and 10 report changes experienced and expected changes in employment. They are divided between the experiences of proprietors and businesses with employees. Those classified as proprietors reported very little change in recent years in their employment, and no expected change in employment. This is a fascinating finding, given the strong cohort of proprietors in the music industry. Clearly, many people working as proprietors in music-related businesses have not changed from this employment status, and do not intend to change from this status.

Table 9 Past Change in Employment

	Increased <u>Employment</u>	Decreased <u>Employment</u>	<u>No Change</u>	<u>Total</u>
Proprietors	0.0%	2.9%	97.1%	100%
Employers	32.7%	28.8%	38.5%	100%

N=86

In striking contrast to the proprietors reported in Table 9, businesses with employees have had a divergent set of experiences with regard to their employment. There is a rough split between those gaining, losing, and not changing their employment level.

**Past Increases in Employment** As to why there was an increase in employment, many respondents indicated an increase in demand for their goods and services, but supply-side considerations are also evident. Consider the following quotes that have this supply-side tone to them: “Company is growing, economy is getting a bit better.” “We



wanted to expand, our choir has grown.” “We recently added two employees: one specializing in event piano rentals and another working on institutional sales.” “This branch opened a café so we needed more employees. We have been open for 14 months.”

**Past Decreases in Employment** The establishments that had decreased employment identified lower demand or sales in most cases as the reason for reduced employment. Comments such as the following were provided: “Difficult economy post 9-11 harmed receipts.” “Significant decline in revenue forced cutbacks.” “Decline in the media and marketing industries.” However, there were also cases of businesses that had gotten overextended and needed to reduce employment: “Bookings have gone way down over the past two years, they added too many DJ’s.”

**Expected Change in Employment** A very different picture emerges with regard to expected changes in employment over the next five years, as reported in Table 10. None of the proprietors expects to change their status. However, almost none of the employers expects employment to decrease, while over half anticipate an increase in employment, and 44% expected employment to remain stable. The businesses expecting employment to grow described the basis for their growth primarily through expansion of demand, but also said it would be driven by recovery in the economy. Comments of this type were common: “Increased demand and potential new location.” “We are in a growth stage, expect increase in business.” “We expect to see more sales.” “Additional enrollment.” “This year receipts have grown, and fund raising has been strong.” “Expect bookings to pick back up.” “Better economy and recovery from Boeing downturn.” The one business that expected a decrease in enrollment currently had two full time and one part time employee. They indicated “We can probably make a go of it with only 2 employees.”

Table 10 Expected Change in Employment

	Expect Increase	Expect Decrease	Expect No Change	Total
Proprietors	0.0%	0.0%	100.0%	100.0%
Employers	53.8%	1.9%	44.2%	100.0%

N=85

#### **4.5 Challenges, Trends and Opportunities**

We asked our respondents to give us open-ended comments on their views about the challenges, trends, and opportunities that they saw in the Seattle music sector. The next section summarizes these comments.

### 4.5.1 Challenges

Challenges to the local music industry can be summarized as follows.

- The region is seen as isolated and distant from markets.
- The current economic downturn has hurt business.
- Internet music downloading is hurting business.
- Pay to play requirements have led to low income for musicians.
- A lack of small venues reduces performance opportunities.
- Lower cost equipment is hurting the business of small and medium sized recording studios.

#### *Detailed Discussion of Challenges*

Many of the responses to this survey question by manufacturers, wholesalers, or retailers were based on specific issues relevant to the specialized business activities of those interviewed. For instance, several participants mentioned difficulties with respect to *geographic location and distance from market*, while others cited hardship in relating business concepts and retail goods to potential consumers. Despite the disparate answers provided by some participants, there were several prevalent responses that many noted as challenges in the music sector. The most palpable and common challenge confronted by music manufacturers, wholesalers, and retailers is, without a doubt, the *current economic climate*. Beyond the down economy, another frequently mentioned problem is the issue of *Internet music downloading*. In spite of recent attempts to regulate this area of online technology, Internet downloading continues to be a problem for music retailers. Along similar lines, several participants remarked on the difficulties of competing with larger retail outlet chain stores selling music related items. As one retailer summed up, “[challenges in the music sector are] People downloading music, and Wal-Mart and Best Buy because they sell CDs for so much cheaper. Our main overhead is our staff, which we pay very competitively to prevent high turnover. It’s a challenge to keep our store as part of the community.”

Businesses outside manufacturing, wholesaling, and retailing in the music industry in Seattle have identified four primary issues that represent specific challenges. The first of these is a general concern about the overall *state of the local economy*. A concern echoed throughout the industry is that the overall economy has a significant impact on the health of the music industry. A second concern is the increased role of *pay-to-play* arrangements at small local venues. Pay-to-play is where musicians must pay an up-front fee and then rely on cover receipts in order to earn the difference. However, this arrangement, according to a number of firms penalizes smaller musical groups, making it even more difficult for them to earn a reasonable amount of money for performances. The third challenge was identified most with small to medium-sized recording studios and equipment suppliers. These firms identified the *lower cost of equipment* as a trend that has harmed their business. The fourth challenge is the relative *lack of small venues* for small performers and bands to play.

### ***4.5.2 Trends***

Trends in the Seattle music industry include the following:

- There is a strong and growing music community.
- Business has slowed due to the economic downturn.
- Income to those in the community has fallen, partly due to the economic downturn, and partly due to the rise of pay-to-play arrangements.
- Independent artists have increasingly been able to avoid dealing with large labels in getting their recordings to market.

#### ***Detailed Discussion of Trends***

Manufacturers, wholesalers, and retailers revealed two common perceptions of trends in the Seattle music sector in this particular survey question. Interestingly enough, one perspective has a positive slant and the other a negative one. The prevailing participant response in this category was the presence of a *strong and growing music community* in the Seattle area. The frequency of this response demonstrates that manufacturers, retailers, and wholesalers see the strength of the music scene as a continuing trend and business benefit. Conversely, another recurrent answer, though much less frequent than the former, was related to the existing *economic environment*, which has brought about a slower market in the music industry. Other notable answers include the economic base in Seattle – “(t)here are a lot of people in Seattle with a lot of money”- and the increase in number of musicians in the area resulting from the “Seattle Grunge” era.

Two important trends were identified by music performers, performing organizations, or those related to performance in the local music industry. The most prominent was the relatively *low wages* paid to performers, which is perhaps a function of the downturn in the economy and the rise of pay-to-play arrangements discussed above. Another trend identified by a number of proprietors is the *rise of the independent artists*. As there has been an increasing bifurcation between the large record labels and the independent artists, some of the independent artists have begun to organize, particularly for record distribution purposes, to avoid having to go through the expensive distribution channels provided by large labels.

### ***4.5.3 Opportunities***

Opportunities for the Seattle music industry were expressed as follows.

- Recovery of the economy will stimulate the music business.
- There is a large and growing market in Seattle for music and equipment related to music, related in part to the high income of people in the region.
- There is a solid base of talent locally and a strong music culture that can help stimulate the development of the industry.
- Seattle has the opportunity to further its reputation in the national and international music scene through promotion.

### ***Detailed Discussion of Opportunities***

The collective reply to the opportunities portion of this question by manufacturers, wholesalers, and retailers illustrates that, despite the frequently cited problem of a down economy, music manufacturers, wholesalers, and retailers are generally optimistic about the *future of the economy* and growth in the music market. The most common responses with respect to prospects in the music sector were related to the strong music community in Seattle. Several respondents also commented that as the economy grows, they expect to see business increases as well. Others observed the basic fact of Seattle being a metropolitan area with a *large population base* as an opportunity. A few participants also mentioned the particular willingness and income base that allows Seattle consumers to purchase high-end goods relating to music. Similar to answers concerning challenges in the music sector, many participant answers were most relevant to their distinct segment of the music market. In this respect, opportunities mentioned were related to strategic business efforts aimed at generating increases in consumer activity, such as in-store promotion and advertising.

Three specific opportunities were identified by survey participants as particularly encouraging. The first is the recognition of the local industry as having a *solid base, through core talent*, innovation, and a strong music culture in Seattle. Second, improvement in the overall *local economy* was mentioned by a wide array of participants. These participants recognized the need for overall economic recovery and growth for the industry to be successful. Third, many of these firms and proprietors also discussed Seattle's *role in the national music scene* as an area of opportunity. Suggestions were made that Seattle has these existing assets that could be better promoted on the national level. Medium and large sized organizations in particular mentioned the opportunity for Seattle to increase its visibility on the national scene through promotion and increased networking with other cities.

### ***4.6 Community Resources***

The most important community resources to the Seattle music industry are:

- Our live performance and recording venues.
- The local training and education system.
- Equipment repair and equipment suppliers.

The least important community resources at present are:

- Business services and recording distribution services.
- Local government.

Community resources that could be most improved are:

- Business services for the musical community, including educational opportunities for those in the industry to become better business-persons.
- Local government programs, including education, provision of performance facilities, and promotion of the industry.

### ***Detailed discussion of community resources***

We sought information on the importance of a variety of factors thought to be of importance to members of the music industry in Seattle. Tables 11 and 12 identify the

categories that we asked people to rate as to their importance. Respondents were asked to rank on a Likert scale the importance of each of these categories to their business. These two tables indicate the percentage distribution of responses across all participants in the survey, and indicate the number of participants who provided a ranked value for each question. We first asked about the current importance of each category included in Table 11, and then followed this question up with a question asking them about how these community resources could be improved, and as Appendix V indicates this question was divided into two components (questions 12 and 13). Early into the survey process we found that people did not extend the information content of the responses much with question 13, so we omitted this question, gathered the scaled values to question 12, and recorded open-ended responses to the question.

Responses recorded in Table 11 reveal a range of sensitivities to the categories of community support. *Live performance venues, recording venues, training and education, and equipment suppliers and repair* are very important to most businesses in the industry. Activities associated with recording and performance (much of this is activity in SIC 7389) garner a mix of responses ranging across the board. *Business services* and recording distribution businesses were not judged to be important by most respondents. *Local government* draws a bifurcated response, with some regarding it as quite important, and an equal number saying it was totally unimportant.

As to how these community resources could be improved, the answers contained in Table 12 show a pattern that comes down in the “very good” to “average” rating for most activities. Negative ratings that demand a major improvement in community resources are absent in almost all categories, but two do stand out as needing some help: *business services and local government*. These two are fascinating, as they were not regarded as important community resources, but in open-ended comments reported in the next section of this report, both are identified as places where help is needed. With regard to business services this comes out in the form of more education and training for music industry people in how to be a businessperson. And with regard to government, there are many suggestions; see below the discussion of competitive advantages and other factors associated with the competitive position of the music industry in Seattle. The responses reported in Table 12 are much “softer” than in Table 11, in the sense that there is much less urgency imparted to improving the quality of community resources than they are considered to be important to the music industry today. In general, this can be interpreted as a sense that these community resources are currently very important, and there is not a great deal that needs to be done to improve them. While the ratings reported in Table 12 indicate a slightly lower rating for most community resources than reported in Table 11, it should be noted that a substantial proportion of the respondents to this question did indicate that there is room for improvement. A somewhat smaller number of people interviewed chose to respond to the question reported in Table 11 than to the question reported in Table 12. We do not know if this difference in response rates would alter the relative importance of responses in these two tables.

Table 11 Importance of Community Resources

	Highly <u>Important</u>	Important	Neither Important or <u>Unimportant</u>	Not Very <u>Important</u>	Totally <u>Unimportant</u>	<u>Total</u>	<u>N</u>
Live Performance Venues	44.9%	22.5%	14.6%	6.7%	11.2%	100.0%	89
Recording Venues	27.8%	20.0%	16.7%	21.1%	14.4%	100.0%	90
Training & Education	37.1%	28.1%	11.2%	12.4%	11.2%	100.0%	89
Performance/Recording Support Activities	26.5%	13.3%	27.7%	19.3%	13.3%	100.0%	83
Equipment Suppliers and Repair	28.2%	21.2%	22.4%	17.6%	10.6%	100.0%	85
Business Services	7.7%	7.7%	19.2%	25.6%	39.7%	100.0%	78
Recording Distribution	18.1%	12.0%	10.8%	22.9%	36.1%	100.0%	83
Local Governments	17.2%	23.0%	14.9%	8.0%	36.8%	100.0%	87

Table 12 How Community Resources Need to be Improved.

	Excellent, Keep Things as <u>They are</u>	Very Good, but Could be <u>Better</u>	Average, but Much Room for <u>Improvement</u>	Below Average, Lots of Room for <u>Improvement</u>	Terrible. Massive Need for <u>Improvement</u>	<u>Total</u>	<u>N</u>
Live Performance Venues	11.1%	34.6%	44.4%	6.2%	3.7%	100.0%	81
Recording Venues	15.3%	33.3%	45.8%	4.2%	1.4%	100.0%	72
Training & Education	7.9%	43.4%	39.5%	7.9%	1.3%	100.0%	76
Performance/Recording Support Activities	6.5%	22.6%	61.3%	9.7%	0.0%	100.0%	62
Equipment Suppliers and Repair	4.3%	22.9%	55.7%	11.4%	5.7%	100.0%	70
Business Services	1.9%	15.4%	50.0%	30.8%	1.9%	100.0%	52
Recording Distribution	1.8%	21.4%	55.4%	12.5%	8.9%	100.0%	56
Local Governments	4.3%	24.6%	43.5%	11.6%	15.9%	100.0%	69

## ***4.7 Community Attributes***

A final section of our questionnaire was focused on a set of questions related to the cluster studies being undertaken by the city of Seattle. These questions focus on strengths, weaknesses, and attributes of the local community that are of importance to the music industry. Results from these interviews are presented in this section of the report.

### ***4.7.1 Assets***

Assets that made Seattle a good location for music business can be summarized as follows:

- We have a diversified economy that helps create demand for different segments of the industry, and has created a critical mass of elements of the industry in the community.
- The region enjoys a high quality of life, and a less hectic pace than in music centers such as Los Angeles or New York.
- For many the “grunge effect” is perceived as an asset.
- We have an educated populace that appreciates music.
- There is strong support for music in the community.

#### ***Detailed discussion of community assets***

Respondents were asked to indicate the assets that made Seattle a great place to be located for their business. Music industry manufacturers, retailers, and wholesalers in Seattle have identified three key areas that make Seattle an excellent location for them to do business. The first is the recognition that Seattle has a relatively *diversified economy*. Also critical was a broadly defined “*Quality of Life*” concept, which many participants described as Seattle being a place where musicians and performers want to live. Some more specific aspects of quality of life included the scenic beauty of the area and the climate. A third key asset is the intangible benefit of the “*grunge effect*”. Many survey respondents identified the grunge/alternative era of the early 1990s as critical in that it put Seattle on the map internationally as an area of musical innovation. Many participants viewed this as a potential resource for future marketing and/or tourism efforts.

Respondents who were performers or related to performing music were quite positive about the assets of Seattle as a place for their business. A few respondents did not think that the community had any assets that helped their business, but they were far outweighed by people who identified quality of life, the educated populace, the “techie” character of the population, the laid-back lifestyle and concentration of musicians, and the critical mass of organizations with substantial support for their businesses as community assets. *Quality of life* was expressed in many ways. Typical responses were “Wonderful place to live, would live here no matter what.” “Region is beautiful and large enough to support a vibrant arts scene, young and room for growth.” “I live here because I choose to live here, there is a very vibrant music scene which makes it possible.” Some people drew comparisons between New York, Los Angeles, and Seattle, making favorable comments about Seattle: “This is where I want to be, it’s not very competitive like LA or NYC.” Seattle is a “secondary market, (it is) overlooked, 14<sup>th</sup> in

radio, (there are) tax benefits from shipping in Seattle, taxes are lower than in LA or NYC.” The *educated populace* was described as an asset: “There are lots of educated people in the area that appreciate music.” “There are a lot of highly educated people who want kids to be more involved in arts and music.” The “techie” character of the community drew comments like: “There are a lot of liberal, younger, ‘dot-comer’ types living in Seattle that tend to support us.” “Music and technology go hand in hand here.”

The pace of life and the *critical mass* of musicians drew many comments like the following: “It’s a good place to get started as a musician. It’s not too fast paced and is a great music community.” “Easy location for access to studios and players, great music community, I like it here.” “Beautiful venue in Nordstrom recital Hall, loyal local audience, good core of first class musicians, spirit of cooperation among organizations.” “Lots of bands and companies.” “This area has been wonderful to us, and the facilities and *funding support* has been remarkable.” “There is a large music community, a very active flute society, and not a lot of competition.”

#### ***4.7.2 Regional Competitive Advantage and Market Niche***

Music industry businesses generally feel that the industry as a whole in the Seattle area enjoys a position of competitive advantage that revolves around the following:

- The large scale of the existing music industry in the community.
- The high-quality training programs found locally.
- Relatively low costs.
- The innovative and technically advanced nature of the local industry.
- The strong support for the industry in the community.

However, many cautionary notes were expressed about the strength of the advantages here when compared to other cities, including San Francisco, Los Angeles, and New York.

#### ***Detailed comments on competitive advantage***

Businesses in manufacturing, wholesaling and retailing were quite divided over whether the community or their business had a market niche or competitive advantage. Comments that were negative include the following. “No, it’s a good town for music but no competitive advantage. We’re not slick Seattle and it always rains.” “Grunge comes to mind, but it’s over. We don’t really draw big names anymore for recording.” In contrast, others thought we did have a position of competitive advantage. “Yes, there are a *huge number of bands and musicians* for a city of this size.” “Seattle has one of the strongest jazz scenes on the West Coast.” “Yes – there is a lot of competition in our area, but we fill a special spot.”

Among music performers, performing organizations, educators, and those involved with the support of the music scene there was also considerable disagreement over whether Seattle had a position of competitive advantage or whether the organization interviewed had a position of competitive advantage in the music industry. Most people interviewed felt that the community or their business did have a competitive advantage



and/or a market niche, built around factors such as *innovation and technology, training, relatively low cost, the legacy of the grunge/Nirvana scene, and the strong level of support for music in the community.*

Regarding *innovation*-related bases for competitive advantage, comments such as the following were typical: “We have a wonderful niche in this area, there is a constant stream of talented singers who have originated here and often return after spending time in other areas. This increases the creative capital locally.” “Grunge is over. Seattle is now better known for its avant guard jazz scene; now film works are really starting to take off.” “Yes, (we) provide services for woodwinds not many other places offer.” “Technology hub—and a lot of income but artistic people.” “Yes, we’re a really well known label for Northwest punk music. We have audiences all over the country and in Europe.”

The *strength of support* contributes to the city’s position of competitive advantage: “Seattle has a wonderful collection of excellent organizations that work together in fund raising and support. The *educational programs* that many have started cause an overall appreciation for the arts.” “Yes, people seem more willing to support small musicians than in other cities.” “A lot of people follow bands in Seattle.” Cautionary notes were also expressed on this score as well: “Seattle has typically been an appreciative city for community theatre, but has a long way to go to compete with other key cities (i.e. San Francisco) for support of the arts.” The *cost-advantage* was described this way: “Hollywood views the area as a reasonably priced place for film scores and music.” The *grunge legacy* came through in a number of comments, such as: “Nirvana remains.” “Yes, grunge and one of the few areas not overtaken by large labels.” “Yes, it has in the past especially with grunge.” But cautionary notes were also expressed on this dimension: “Not as much as people think. Grunge made people think that there was a big scene in Seattle, but I don’t think it’s the Mecca it has been hyped up to be.”

A small proportion of those interviewed did not think that the region or their business enjoyed any position of competitive advantage or had a strong market niche. Comments included: “No, people aren’t as open to other kinds of music here.” “No, not with the music we play.” “Not in classical music—will always struggle except for the opera.”

### **4.7.3 Liabilities**

Liabilities associated with a location in Seattle can be summarized as follows:

- The tax system is viewed as unfair to small businesses, especially the B&O tax.
- Traffic makes it difficult to conduct business efficiently in Seattle.
- Seattle is perceived as geographically isolated and having a relatively small market.
- Low pay.
- The unstable local economy makes revenues undependable.

- Local government support has deteriorated (such as music in the schools and public arts support), and programs to support the industry are weak.

***Detailed comments on liabilities are as follows.***

There were four key liabilities identified for Seattle by manufacturers, wholesalers, and retailers. Not surprisingly, *taxes* were a chief concern of this group of respondents. Also mentioned frequently was the relatively *small size of the local market*. *Geographic isolation* from other key music industry cities was also mentioned as a liability of being located in Seattle. *Traffic* was also mentioned frequently as a liability.

Musical organizations, musicians, and related businesses had a wide range of opinions about the liabilities of their business being located in Seattle. A number of respondents did not think there were any liabilities. However, most did cite some problem or problems, scattered across a wide variety of concerns, ranging *from traffic, taxes, the unstable local economy, Seattle’s geographic isolation, low pay, to a lack of support*. The most common liability revolved around *taxes*. Comments such as “High taxes, for instance. I have to pay taxes to the City on income I earn abroad, where as with the state, I only have to pay on income I earn in Washington. It’s difficult to comply with all of the tax codes.” “Taxes, especially B&O, are too high for small musicians.” “Increasingly hard to pay property taxes.”

*Traffic*-related problems were also frequent: “Traffic-difficult to get there on time.” “Traffic – people have a hard time getting to people.” “Traffic; I used to have more kids from outlying areas but that number has dropped greatly because of transportation issues related to traffic.” Many comments were made about Seattle’s perceived *geographic isolation*, or our *small size* relative to some other market areas. “Isolated and less networked.” “Distance from the rest of the United States—especially the East coast.” “Many don’t realize that there is good jazz outside of New York City and we get overlooked.” “We are located in the Northwest corner of the county which isolates us from the country.” “Not a lot of other gigs for touring, Seattle is far away from everything.”

*Low pay* within the industry was also frequently cited: “Pay to Play is a concern.” “Tough to make a living in music, I’m one of the best at what I do and it’s still hard.” “Low pay; there are business risks for people starting up.” “Not being able to make a decent wage.” The *lack of support* for various aspects of the industry also was evident in a number of comments: “Total lack of support of the industry, companies heading to Vancouver for production work.” “The public schools in the area need all of the support they can get—there have been music program cutbacks that should not be the first area cut.” “City/state/county have been inconsistent in their support of the arts. The funding has been ratcheted down.” The *instability in the local economy* was also cited by a number of respondents: “The downturn in the economy has really harmed our business, and unionization pressures almost caused us to go under about five years ago.” “When times get tight, people often quit doing ‘extras’ like music lessons.” “Perhaps the inconsistency in the local economy is the only apparent liability.” *Other* items were also

cited, like earthquakes, rain, topography making it difficult to broadcast radio signals, market saturation, and noise.

#### ***4.7.4 Overcoming Liabilities***

While many people interviewed did not think that some liabilities could be overcome, many others indicated ways in which they could be overcome. These include:

- Better networking to make the Seattle music industry better known around the country and internationally.
- Reforming the tax structure to give more favorable treatment to small businesses.
- Take actions to improve the traffic situation.
- More support for small businesses to help improve income levels.
- More support for music in the schools and from city government to promote the industry.

#### ***Detailed comments on overcoming liabilities.***

Although *taxes, the size of the market, and geographic isolation* were the principal liabilities mentioned by manufacturers, wholesalers, and retailers, few respondents had specific insight on how those liabilities could be overcome. Other than broad suggestions for increasing the effectiveness of transportation planning efforts and changing the *tax* code, there were few substantive suggestions for overcoming the above-mentioned liabilities.

Many businesses that performed music or were related to performance that described some liability did not think that anything could be done about the issue, but many others described types of responses that would remedy the problem. Those that said that Seattle was *isolated* called for better *networking and promotion* to provide linkages: “Increase networking among cities in the music industry.” “Increased networking and touring.” “Technology might help better connect people in Seattle with the rest of the country.” “ArtsFund is excellent, need to increase donors for smaller organizations...they don’t get funding from Gates/Allen etc.”

Those that cited *traffic* problems tended to suggest public sector actions to remedy the problem: “More public transportation.” “Better public transportation.” “Better traffic planning.” Those concerned with *income* cited various ways to improve the situation: “Genre has to take care of its own—upgrade location, radios don’t give locals enough play.” “Ensure that there are places for bands to play that they don’t have to pay for.” “There has to be a better way to support small artists and businesses in the industry.” There was optimism about a turnaround in the economy: “If the economy recovers, the situation will improve for all arts organizations.” Complaints about *taxes* generally were followed up by comments about reducing or changing them: “Lower taxes.” “Taxes should burden larger companies and benefit smaller ones.” *Lack of support* was seen to be remedied in a variety of ways: “More encouragement and support for live music.” “Continued support of music in schools.” “Increase the exposure of our musicians, especially the urban ones.”

#### 4.7.5 City Role

There is much that the City of Seattle should do according to people in the local music industry, including the following:

- Altering the tax system to provide tax relief for small businesses.
- Engage in a strong program of promotion and marketing aimed at stimulating business for the industry in Seattle.
- Helping to lower costs in areas besides taxes, such as through the provision of low-cost performance venues for small organizations.
- Improve traffic so business can be conducted more efficiently.
- Increase funding to educational institutions and for public arts programs.

##### *Detailed comments on the city role.*

There was considerable mention of ideas for the role of the City of Seattle expressed by manufacturers, wholesalers, and retailers. One suggestion emblematic of these firms was to reevaluate the *tax* system and the associated effects on small business. An extremely common theme was the role of the City in providing for musical *education* in schools, an area that many firms have identified as having faced severe cuts in recent years. Music industry manufacturing, retail, and wholesale firms also identified *promotion and marketing* as key to increasing economic development in the local music industry. They identified a role for the city in coordinating planning to organize existing assets and key institutions locally through a comprehensive national promotion and marketing effort.

Businesses related to music performance, musicians, and those in services related to music production and education had a wide-ranging set of comments with regard to the role of the City of Seattle. Some did not think that the City had a role, but they were a small minority. Broadly speaking those with comments can be grouped around themes related to the *public schools, promotion of the industry, lowering costs of business, enhancing the visibility of small musical arts groups and individual musicians, improving traffic, changing the tax system, and increasing public funding for musical activity*. *Enhanced funding* (frequently to the schools) was the most common type of comment: “We need more money for arts and education.” “More funding to schools and the arts, more encouragement for kids to get involved in the arts and more teacher training.” “The City’s support of the industry is horrible and under-funded compared to efforts for film. Need subtle marketing campaigns to better position the industry.” “The City has to take up the slack for the State because the State has not done what it said it would do.”

There were many comments about the need for the City to have some involvement in the *promotion* of the industry. “Seattle could be a Venice of music because of talented people, the city should do more to encourage artists.” “Need to encourage film scores, some of which has gone to Vancouver, which does a better job of supporting the industry.” “Bring attention to the arts and arts in general. Many groups cannot afford advertising, so help with promotion would be nice.” “More promotion and advertisements for arts related activities.”

Related to the promotion of the industry, was the need to give greater *support to smaller organizations*. “Encourage ...and find ways for small artists to get played.” “The City should put funds towards indigenous artists.” “Make sure small studios are supported.” “More venues for smaller artists, community music centers, especially in the inner city.” *Lowered costs* were a related concern, often linked to lowered taxes. “Tax larger companies and benefit smaller musicians.” “The City should find alternatives to high property taxes and should also increase support for the music industry.” Regulations were also cited as an issue needing re-examination: “Give equal opportunity for musicians to compete. There are a lot of bad promoters in this town. More regulation of venues so that musicians aren’t taken advantage of.” “Look at noise ordinances and consider their economic impact and business perspectives.” *Transportation*-related concerns were also expressed: “More support for small business; better public transit.” “Making it easier for DJ’s to do their job by fixing traffic.” “Ensure support of small businesses in the industry, pay for construction impacts to small businesses when the City is tearing up the streets.”

#### ***4.8 Other Issues Related to the Economic Position of the Music Industry***

Issues that were considered to be important beyond those already discussed include the following:

- Greater support for the pursuit of music as an occupation.
- The development of innovative new training opportunities that would bring even more visibility to the industry in Seattle.
- A greater number of kids programs to draw more young people into the field of music.
- An increase in the number of small sized venues accessible to a wide variety of types of musicians, including outside clubs and bars.
- More support for independent artists, including support for the recording and distribution of their music outside of the major labels.

#### ***Detailed comments on other issues***

In considering other areas that are important but not covered by the city, survey participants who were manufacturers, wholesalers, and retailers identified support of small businesses the most important role of the city. Further suggestions included the continued and expanded promotion of live music. Technology, and an exploration of the ways that technology could be used to increase the profile of the local music industry, was also an area that many respondents felt was important.

Musical organizations, musicians, and related businesses identified a number of additional issues that were of concern to them. The impacts of touring musicians were identified: “Explore (the) impact of pass-through musicians and the indirect benefits on shipping, hotels, transportation, etc.” More coordinated *promotion* was suggested: “Known for Earshot Jazz, Bumbershoot, Folklife, opera, symphony, Hendrix, grunge, EMP; these should be brought together in a promotional package.” Greater emphasis on music as an *occupation* was suggested: “Very few people can pursue music as a

vocation. The City does a great job with visual art but needs to increase support of musical arts, especially recorded music which has been less supported.” *New organizations* were called for: “It would be great if there were a guitar institute like in LA to attract more music and make more public music. It would stimulate the industry.” More public support for *kids arts* programs was called for: “I would like to see the City support arts for kids the way that recreational sports are supported.” Press coverage was also commented upon: “I see the major issue as being the local newspapers. They don’t pay any attention to local musicians and tend to promote ‘outsiders’ more. Radio stations in the area are part of this problem as well.”

Several additional comments reinforce some of the themes that were discussed earlier in this section. Some of these may be areas where City policy could have an impact. These comments include: “Control by the record companies limits what the City can do. The large record companies buy up the *small, local, innovative* ones.” “Funding is out of whack, there is so much money that goes to huge organizations that the neighborhood musicians in the inner city go unnoticed.” “Make it more feasible to have music in public places other than *clubs/bars*.” “I’d like to see more access to all age performance venues.”

## **5.0 Review of Other Community Studies**

Increasingly, the benefits of vibrant arts and music communities and their correlation to economic development have been acknowledged. The research documenting the significance of these communities within local economies extends well beyond those metropolitan areas typically considered to be the vanguards of artistic activity. Thriving arts communities have become crucial elements in economic development planning, particularly as technology has enabled firms to select business location on a host of factors.

Consequently, a growing number of communities have developed and carried out similar studies on local music and art industries in relation to economic development and fiscal impacts. A sampling of these studies was undertaken, with the intention of becoming more versed in research trends, methods, and applications used in these studies. Studies from Austin TX, King County, Tucson AZ, and Louisiana were focused upon, and selected work in a related vein with a national focus is also reviewed. These studies, among others, provide useful background information and valuable insights into issues pertaining to music industry research that could be developed here in Seattle.

In their recent study on the role of music in the local economy, the City of Austin recognized the importance of the city’s live music culture in firm recruitment and retention<sup>9</sup>. Additional themes in this economic impact study include measurement of the economic and fiscal effect of the music community, the evaluation of factors impacting the industry, and the consideration of policy options to better enhance and promote local music. In order to evaluate the economic impact of the industry, researchers employed an input-output model to gauge direct and indirect economic impact. This analysis was

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<sup>9</sup> City of Austin (2001), [Texas Perspectives: The Role of Music in the Austin Economy](#).

supplemented by interviews with economic development representatives in other entertainment and technology communities, as well as interviews with "local stakeholders," or those directly associated with the music industry, such as musicians, directors, and composers. There are aspects of the current study that parallel the Austin study, but we have not explored the role that the industry plays in Seattle recruitment and retention efforts.

The University of Arizona's Office of Economic Development also pioneered an economic impact study aimed more generally at the arts community in Tucson.<sup>10</sup> In this case, the investigation focused on eight major arts organizations – the Arizona Opera, the Arizona Theatre Company, the Tucson Museum of Art, the Tucson Symphony Orchestra, *UApresents*, the University of Arizona's College of Fine Arts, the University of Arizona Museum of Art, and the Center for Creative Photography. The study also includes an analysis of arts participation and spending in the community through audience surveys. In this capacity, the study was able to assess of the total value of arts in the economy in response to questions regarding governmental support of community arts organizations. This study used a regional input-output model similar to that employed in this study, and parallels the economic impact studies previously conducted by the Corporate Council for the Arts (now ArtsFund) in this region.

In a slightly different approach, but with the similar goal of promoting the music industry, the Louisiana Music Commission has been active in the generation of industry reports.<sup>11</sup> These reports provide an evaluation of local music activities, including reviews of music venues, radio and television developments, business and marketing initiatives, music education, and historical preservation in the state of Louisiana pertaining to music. In their recognition of the music community's contributions to the state's economy, the Commission promotes a campaign to support and stimulate the retail segment of the industry with its Buy Louisiana Music.com ([buylouisianamusic.com](http://buylouisianamusic.com)) initiative.<sup>12</sup> Thus, the reports serve as a vehicle for support of the local music community, as well as a reference to the music industry for local governments and potentially interested individuals and firms. These Louisiana studies could be evaluated by the City of Seattle for relevance in developing a promotion program for the music industry in Seattle, a theme that came out in the survey results reported in section 4 of this report.

Here in King County the Corporate Council for the Arts (now ArtsFund) has sponsored several economic impact studies of arts and cultural organizations.<sup>13</sup> The most recent of these studies was benchmarked against the year 1997. This study was used by its sponsors to help raise awareness about the economic importance of arts and cultural organizations in the local economy. It served as a tool for the sponsors to help raise funds for the non-profit arts organizations that are their beneficiaries, and who typically

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<sup>10</sup> Pavlakovich-Kochi, Vera and Alberta Charney (2000) Arts in Tucson's Economy: An Economic and Tax Revenue Impact Study of Major Arts Organizations in Metropolitan Tucson 1999-2000. Tucson AZ, The University of Arizona.

<sup>11</sup> Louisiana Music Commission (March 2002). Louisiana Music Commission Report. <http://www.louisianamusic.org>.

<sup>12</sup> ibid.

<sup>13</sup> GMA Research Corporation and William B. Beyers (1999) An Economic Impact Study of Arts and Cultural Organizations in King County: 1997. Bellevue WA, GMA Research Corporation.

must raise large proportions of their budgets through contributed income. Based on surveys of both patrons and non-profit arts and cultural organizations, this study provided detailed information on organization budgets, occupational structure, patron spending and patron participation. This study has provided considerable quantitative information on local arts organizations that has also been useful for local arts service organizations in promoting local artistic activity.

Beyond the recognition of music and cultural industries as beneficial to business recruitment and a superior quality of life, in *The Artistic Dividend: The Art's Hidden Contributions to Regional Development*, Ann Markusen and David King advocate the conceptualization of these communities as primary aspects of regional economies, rather than as secondary or supplementary.<sup>14</sup> As an alternative to assessing the major arts organizations in an economic impact analysis, their research employs an occupational approach that allows for a closer examination of the activities that comprise the industry. Markusen and King utilize Census population data to assess numbers of people working in the arts community in several US cities, in addition to surveys of individuals working in the industry. While the other studies reviewed in this section are primarily policy oriented, this research is more exploratory and open-ended, with strategies suggested not only for governments, but also for artists and patrons of the arts. This strategy is similar to that utilized in this study with the PUMS data, and when more detailed PUMS data become available they could be used by the city to better document the music industry in Seattle.

With an argument related to that of Markusen and King, Richard Florida has recently made a case for the growing importance of the “creative class” in the process of regional development.<sup>15</sup> Florida observes the growth in occupations associated with creative lines of work, including music, and argues that regions with strong concentrations of people working in these rapidly growing creative sectors have experienced relatively rapid rates of growth. He argues that people working in creative sectors such as music gravitate to places where there are kindred spirits, and he urges policy-makers to create environments within which such creativity can thrive. While Florida’s arguments have not been subject to rigid empirical tests, the popular reception of his arguments nationally would suggest that we should examine our own local community through this lens.

An explicit argument for a culturally focused cluster has also been made recently for Tucson/Pima AZ.<sup>16</sup> Leaning very much on the work of Michael Porter and the embrace by the National Governors Association of the cluster approach to economic development, this study makes a case for cultural economic clusters. It notes the complexity of the issue, due to the scattered location of segments of the industry across the SIC or NAICS codes, a topic addressed in section II of this report. It reviews case studies of cultural clusters in New England, Louisiana, Toronto, New Haven CT, and

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<sup>14</sup> Markusen, Ann & David King (2003) *The Artistic Dividend: The Arts' Hidden Contributions to Regional Economies*. Minneapolis MN, Hubert Humphrey School, University of Minnesota.

<sup>15</sup> Florida, Richard (2002) *The Rise of the Creative Class*. New York, Basic Books.

<sup>16</sup> Radich, Anthony (undated), *The Case for Cultural Economic Clusters: Organizing a Cultural Economic Cluster in Tucson/Pima*.



Humboldt County, CA. Then this paper turns to Tucson, referencing the study cited above as providing a benchmark measure of the significance of some key organizations in the cultural cluster in Tucson. A conceptual grid is offered that brings together elements of the cluster, anchored in four broad dimensions: culture & education, arts, preservation, and related businesses. Figure 5 indicates the contents visualized for the elements of this cluster. Clearly, this conception could be narrowed to just the music-related elements. Seattle could try to examine a series of industries in our own community from this integrative perspective to ascertain whether it provide a basis for an economic development strategy for a cultural economic cluster.

The common theme showcased in the research reviewed here is the significance of arts within local economies and in relation to economic development; Table 13 summarizes some of the key attributes of these studies. In addition, the studies suggest that the contribution of cultural industries to the economic base of communities is of a much greater magnitude than perhaps once considered. As aptly noted by Markusen and King, “Every region would do well to train its sights on attracting and holding artists through amenities and artistic development and organizational support.<sup>17</sup>” As Seattle pursues economic development strategies for the music industry, it may be that some of these approaches will have relevance here.

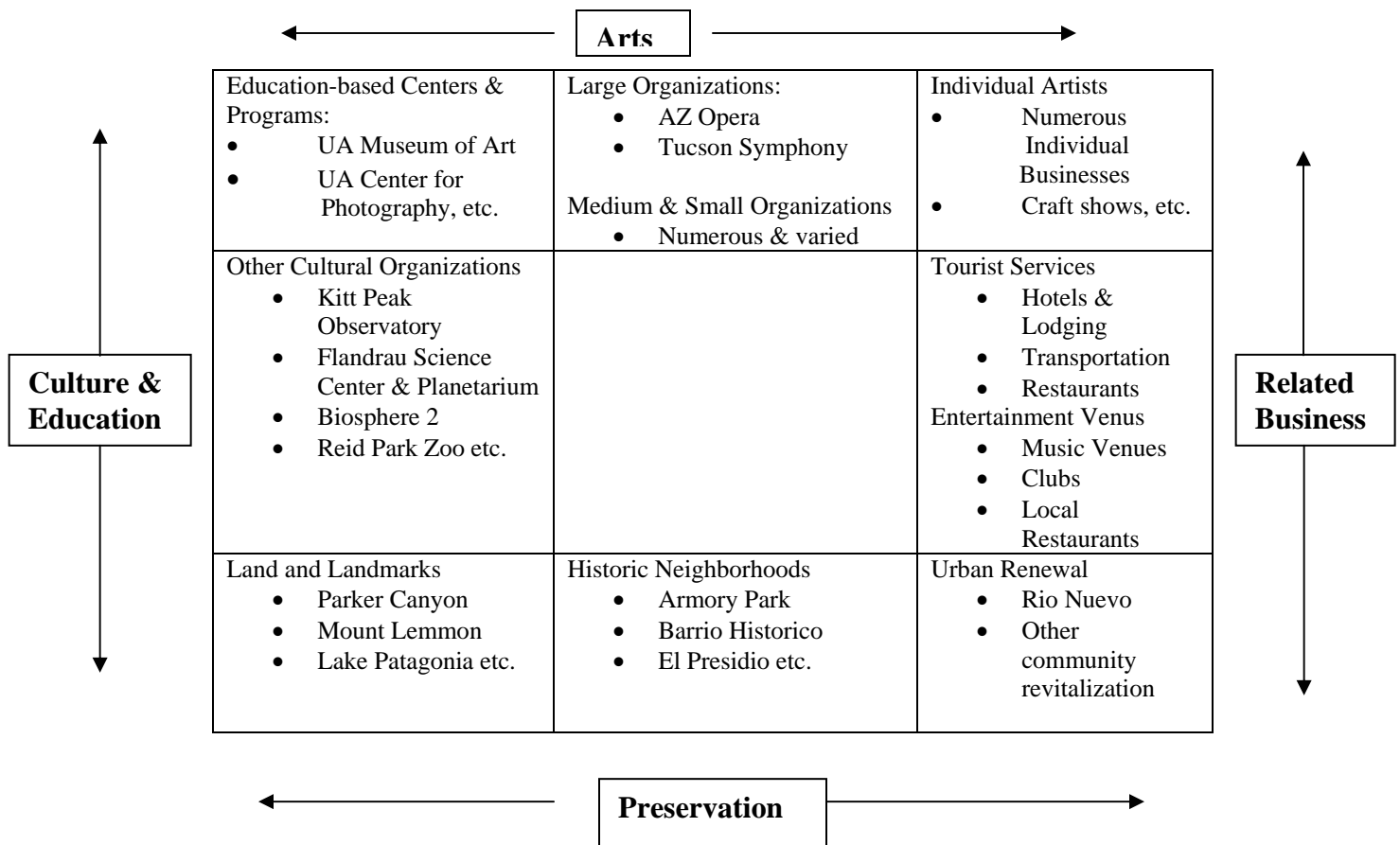
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<sup>17</sup> Markusen and King, page 22.

Table 13 An Overview of Selected Studies

Study	Research Goals	Methodology
<i>Texas Perspectives: The Role of Music in the Austin Economy</i> (City of Austin, 2001).	Policy oriented: Research undertaken to contribute to local development planning.	Economic Impact Analysis/ Interviews: Input-Output model; Interviews with other economic development agencies; Interviews with "local stakeholders".
<i>An Economic Impact Study of the Arts and Cultural Organizations in King County: 1997</i> (Beyers and GMA Research Corporation, 1999).	Policy Oriented: Aimed to assess the economic impact of arts and cultural organizations in local economy.	Economic impact analysis: Study of major arts/cultural organizations in King county and their economic contributions.
<i>Arts In Tucson's Economy: An Economic and Tax Revenue Impact Study of Major Arts Organizations in Metropolitan Tucson 1999-2000</i> (Pavlakovich-Kochi and Charney, 2000).	Policy oriented: Developed in response to questions regarding the arts and community economic development.	Economic Impact Analysis: Study of eight major arts organizations. Data sources: Arts Organizations' records, audience surveys.
Louisiana Music Commission Reports	LMC' s mission is to "promote and develop popular commercial music and its related industries" (LMC, 2002).	Evaluation of local music activities/ Dialogue for strategies and goals to better support the music community.
<i>The Artistic Dividend: The Arts' Hidden Contribution to Regional Development</i> (Markusen and King, 2003)	This study illustrates the importance of the arts industry within regional economies.	Occupational Approach: Examines the occupations that comprise the industry. Data utilized: Census population data and surveys.

Figure 5 Illustrative Grid of Cultural Activity in Tucson/Pima



Source: Radich, A., The Case for Cultural Economic Clusters, Organizing a Cultural Economic Cluster in Tucson/Pima, p. 13.

## 6.0 Concluding Comments

This report provides an initial analysis of the music industry cluster in the city of Seattle. We have attempted to define the components of the cluster, and have tried to measure some aspects of the level of business activity in the cluster in the city of Seattle. Given the fragmented nature of the industry, this assessment is likely a conservative portrait of the industry. Additional research is needed to better measure the level of business activity within this cluster, and develop an understanding of the linkages between members of the cluster and the larger economy. The lines linking elements of the cluster contained in Figure 1, and interdependencies within components of the cluster, and with markets need to be better understood, both in functional and in financial terms.

Seattle is certainly a center of musical activity, with large and small businesses spanning a wide array of industrial activity in both the non-profit and for-profit segments of the industry. The interviews undertaken in this project have identified aspects of the strength of the industry locally, and provide some direction for how City policy could

evolve to more strongly support this cluster of economic activity. The interviews point towards the continued growth of the industry locally, but also identify competition from other regions that could divert growth from Seattle. It is clear that music-related businesses are quite concerned about basic civic functions, such as education and transportation. They are also interested in developing new programs to raise the visibility of the music cluster, in the hopes of generating more economic activity. It is hoped that this initial exploration of assets, liabilities, challenges, trends, opportunities, and location advantage will be followed by more in-depth research on this vibrant cluster in our city economy.

## **Appendix I Details on Estimating Music Industry Employment in Seattle**

Section 3.1 of this report contains summary information related to estimating employment in the music industry in Seattle. The data contained in this section of the report was based on a careful consideration of various data sources, which are discussed in more detail in this appendix. Section I.1 describes estimates based on establishment employment counts, while Section I.2 describes development of employment estimates from the PUMS.

### **I.1 Employment Estimates from ESD and Name Finders**

This section details the process used to estimate music industry employment from ESD and Name Finders data sources.

We purchased from Name Finders (a vendor of data on individual businesses) a list of establishments located in zip codes that were entirely or partially within the city of Seattle in SIC codes thought to be music-related. Table I-1 provides a tally of the establishments that were included in this list, which included a size code for the employment of most establishments. This request turned up 2,540 businesses that could be in the music business. In some instances we were able to use Name Finders classification of businesses within four digit SIC codes to purchase names of businesses only in music-related activity. For example, SIC 2741, Miscellaneous Publishing, included a subcategory in the Name Finders list, SIC 2741-04, Music Book and Sheet Music Publishing. In other sectors, such as SIC 5932, Used Merchandise Stores, there were no obvious music-related subcategories. In these cases we asked for the list of all names in the four digit SIC classification, and studied the names of businesses included in the file to identify those that were music-related. It is recognized that this process was somewhat arbitrary. Only by telephoning or by some other means of contact could we verify that each establishment was either engaged in or not engaged in music business activity, and we did not have the resources to undertake such an inventory. Also, businesses outside the selected SIC codes could be associated with the music industry.

In some sectors we did not find any organizations that appeared to be primarily engaged in music related business. For example, within SIC 3161 we did not find any businesses with a name suggesting that they made musical instrument cases. In other cases we had to rely on other sources to determine if businesses appeared to be music-related. In the very large category of drinking places (SIC 5813), we resorted to using the list of music related drinking places published by The Stranger to identify those that clearly needed to be included with this study.

It should be noted that the Name Finders list included many very small businesses, as 60% of the establishments in this list had 1-4 persons estimated to be employed in the business. Through interviews reported in section 5 of this report, we found that many of these businesses were sole proprietorships, businesses that are not covered by the Employment Security Department. Thus, an advantage of the Name Finders list was the ability to include many music-related small businesses.

Table I-1 Name Finders Seattle Establishments in Selected SIC Codes by Size of Employment

SIC	Industry	1000+	500-999	100-499	50-99	20-49	10 to 19	5 to 9	1 to 4	Unknown	Total
2741	Music Book and sheet music publishing								4	1	5
3161	Luggage			1		3		2	2		8
3651	Household Audio and Video Equipment						1	2	6		9
3931	Musical Instruments							2	10		12
4832	Radio Broadcasting Stations			3	2	7	2	4	13	10	41
4833	Television Broadcasting Stations		1	2	2			3	4	9	21
4841	Cable Services			2	1			1	5	6	15
5099	Musical Instrument Wholesaling								1		1
5192	Book & Periodical Wholesaling						4	2	13	1	20
5731	Radio, television & electronic retailers			2		6	5	15	51	1	80
5734	Computer & software retailers				1	10	10	13	62		96
5735	Record & CD Retailers		1		1	8	6	21	74	4	115
5736	Musical Instrument Retailers					2	4	10	29	1	46
5813	Clubs, taverns, & lounges	1	1	14	21	67	56	54	95	7	316
5932	Used Goods			1		4	15	29	230	3	282
6794	Patent owners & lessors					2		3	1	2	8
7389	Services to music & broadcasting			1		1	1	2	79	1	85
7699	Musical Instrument Repair						1	1	16		18
7911	Dance studios, schools, & halls			1			5	4	65		75
7922	Theatrical Producers & Services			1	3	8	8	12	88		120
7929	Entertainers & Entertainment Groups				2	2	6	10	159		179
7941	Sports clubs, managers & promoters	1		1	3		3	2	19	1	30
8211	Elementary & Secondary Schools		1	14	51	99	22	15	39	35	276
8221	Colleges & universities	1	1	6	3	8	9	5	2	7	42
8231	Libraries			1		4	9	3	19	17	53
	Table I-1, continued										

<u>SIC</u>	<u>Industry</u>	<u>1000+</u>	<u>500-999</u>	<u>100-499</u>	<u>50-99</u>	<u>20-49</u>	<u>10 to 19</u>	<u>5 to 9</u>	<u>1 to 4</u>	<u>Unknown</u>	<u>Total</u>
8299	Miscellaneous Schools			1	7	14	19	23	191	4	259
8412	Museums & art galleries			4	1	6	4	5	54		74
8611	Business Associations				3	6	9	15	104	3	140
8631	Labor Organizations				1	11	9	15	59	3	98
8999	Song Writers								16		16
	Total	3	5	55	102	268	208	273	1,510	116	2,540

An establishment level “covered employment” file was also obtained from the Washington Employment Security Department (ESD) under a confidential data sharing agreement. “Covered employment” means that the employees reported in the file may be eligible for unemployment compensation should they be laid off at some point by their employer. Use of this confidential file allowed customized tabulations of data in forms not customarily published by ESD. Estimates of the number of establishments and their employment in the city of Seattle are reported in this section; ESD does not publish data at any level of aggregation below an entire county. However, the federal confidentiality rules must be respected in any material published from such customized tabulations. Any reported data must represent an aggregation of at least 4 establishments, and no single establishment can represent more than 80 percent of the reported total.

This file contains data on individual establishments, including the name and address of the firm, its industry classification according to the Standard Industrial Classification (SIC) system, and the count of employment for each establishment for each of the first three months of 2002. In order to be included in the database, an establishment must have reported at least one employee to ESD in the first quarter of 2002, or in a prior quarter, resulting in the creation of a record for the firm even though no employees were reported in the first quarter of 2002. For example, of 110 establishments reporting zero employees in March 2002, 11 had at least one employee in either January or February of 2002. The remaining 99 zero-employee establishments must have reported at least one employee sometime in 2001.

The entire statewide database was filtered to select only those businesses with an address in Seattle. Then, using a list of music-related SICs, the music related establishments were selected, removing all non-music related establishments from the database. These procedures resulted in a database with 32 music-related industry categories having a total of 2,472 establishments and 41,594 employees in March 2002. Table I-2 shows the total number of establishments and employees for March 2002 for each of the 32 industries with music-related establishments in Seattle.

Establishments are coded in the ESD database at a 4-digit level. At that level of aggregation, some industries consist entirely of music-related establishments while others mix music-related and non-music related establishments. For example, SIC 3931 is Musical Instruments Manufacturing; all establishments in this category are music-related. On the other hand, SIC 5099, Wholesaling of Miscellaneous Durable Goods, contains an eclectic mix of wholesalers including a few that sell music-related goods and many selling other kinds of goods. Consequently, the entire database of Seattle establishments in music-related SIC categories had to be screened to remove non-music related establishments. Only a crude screening was possible, using the name of the establishment as the only indicator. Establishments with obviously music-related names were retained and all others were removed in those SIC categories such as Miscellaneous Durable Goods Wholesaling that contained a mix of music-related and other establishments. This screening procedure resulted in the removal of all establishments in several industry categories since no establishments had obviously music-related names; 13 industry categories were removed entirely, leaving 19 industries. These 19 music-



related industries had 536 establishments with a total of 8,059 employees. The screening procedures may have removed some music-related establishments whose name did not

Table I-2 ESD Establishments and Covered Employment by SIC code in Seattle

<u>SIC</u>	<u>Industry</u>	<u>Number of Total Covered</u>	
		<u>Establishments</u>	<u>Employment</u>
2741	Miscellaneous Publishing	48	397
3161	Luggage	9	165
	Household Audio and Video		
3651	Equipment	5	19
3931	Musical Instruments	4	49
4832	Radio Broadcasting Stations	51	2,331
4833	Television Broadcasting Stations	13	1,311
4841	Cable Services	19	2,550
	Wholesaling Durable Goods, Not		
5099	elsewhere classified	126	359
5192	Book & Periodical Wholesaling	76	293
	Radio, television & electronic		
5731	retailers	50	624
5734	Computer & software retailers	32	228
5735	Record & CD Retailers	33	241
5736	Musical Instrument Retailers	26	320
5813	Clubs, taverns & lounges	164	1,399
5932	Used Goods	113	514
6794	Patent owners & lessors	15	88
7359	Rental of Equipment	54	774
	Business Services, Not Elsewhere		
7389	Classified	545	4,121
	Repair Shops and Related Services		
7699	Not Elsewhere Classified	182	987
7911	Dance studios, schools, & halls	15	104
7922	Theatrical Producers & Services	107	2,120
	Entertainers & Entertainment		
7929	Groups	59	433
	Sports clubs, managers &		
7941	promoters	26	573
8211	Elementary & Secondary Schools	67	13,672
8221	Colleges & universities	20	2,572
8231	Libraries	13	786
8299	Miscellaneous Schools	262	1,636
8412	Museums & art galleries	20	899
8611	Business Associations	80	487
8631	Labor Organizations	101	976
866	Religious Organizations		
8999	Services, Not Elsewhere Classified	137	566
	Total	2,472	41,594

clearly indicate the true nature of the business. Hence the estimate of 536 establishments and 8,059 employees is a very conservative estimate of the size of the industry cluster in Seattle. However, even this conservative estimate includes some establishments and employees whose connection to the music industry is rather tenuous. All drinking places were included, for example, because we had no information in the ESD files on how many of these bars and taverns actually have live music for their patrons. Table I-3 shows the number of establishments and level of employment for this definition of Seattle music-related establishments by industry, and aggregate establishments and employment across all 19 industrial categories.

These two sources of data provide a considerable range of likely employment in the music industry in Seattle. Clearly, the sub-categories in some industries in the Name Finders list give us a basis for determining an establishment and employment count that is more reasonable than the ESD counts. However, it should again be noted again that the ESD list excludes proprietors, some of which are included in the Name Finders list. Thus, it is not possible to compare precisely these two sources. Judgment was used

Table I-3 Narrow Estimate of Establishments and Employment from ESD List

<u>SIC</u>	<u>Industry</u>	<u>Number of Establishments</u>	<u>Total Employment</u>
3931	Musical Instruments	3	49
4832	Radio Broadcasting Stations	30	693
4833	Television Broadcasting Stations	2	1
4841	Cable Services	15	2,342
5099	Wholesaling Durable Goods, Not elsewhere classified	38	27
5192	Book & Periodical Wholesaling	9	4
5731	Radio, television & electronic retailers	7	101
5735	Computer & software retailers	31	241
5736	Record & CD Retailers	26	320
5813	Musical Instrument Retailers	164	1,399
5932	Clubs, taverns & lounges	3	7
7359	Rental of Equipment	15	190
7389	Business Services, Not Elsewhere Classified	12	22
7911	Dance studios, schools, & halls	15	104
7922	Theatrical Producers & Services	104	2,120
7929	Entertainers & Entertainment Groups	59	433
7941	Sports clubs, managers & promoters	1	0
8631	Labor Organizations	1	6
8999	Services, Not Elsewhere Classified	<u>1</u>	<u>0</u>
	<b>Total</b>	<b>536</b>	<b>8,059</b>

Table I-4 Estimates of Establishments and Employment

SIC	Estimated Name		ESD All Establishments	ESD All Jobs	ESD Reduced Establishments	ESD Reduced Employment	Estimated	
	Name Finders Establishments	Finders Jobs					Establishments	Estimated Employment
2741	5	8	48	397	0	0	5	8
3161	8	333	9	165	0	0	0	0
3651	9	40	5	19	0	0	5	19
3931	12	34	4	49	3	49	4	49
4832	41	1,107	51	2,331	30	693	30	693
4833	21	1,319	13	1,311	2	1	13	50
4841	15	537	19	2,550	15	2,342	0	0
5099	1	2	126	359	38	27	1	2
5192	20	96	76	293	9	4	0	0
5731	80	907	50	624	7	101	80	674
5734	96	725	32	228	0	0	96	290
5735	115	1,389	33	241	31	241	115	319
5736	46	244	26	320	26	320	46	345
5813	316	10,082	164	1,399	164	1,399	131	1,822
5932	282	1,218	113	514	3	7	0	0
6794	8	83	15	88	0	0	0	0
7389	85	441	545	4,121	12	22	85	441
7699	18	53	182	987	0	0	18	53
7911	75	453	15	104	15	104	75	453
7922	120	1,047	107	2,120	104	2,120	120	1,047
7929	179	672	59	433	59	433	179	672
7941	30	1,929	26	573	1	0	0	0
8211	276	10,881	67	13,672	0	0	85	1,320
8221	42	4,065	20	2,572	0	0	7	160
8231	53	530	13	786	1	6	0	0
8299	259	1,944	262	1,636	0	0	50	200
8412	74	1,349	20	899	0	0	1	300
8611	140	829	80	487	0	0	0	0
8631	98	749	101	976	1	6	2	6
8999	<u>16</u>	<u>32</u>	<u>137</u>	<u>566</u>	<u>1</u>	<u>0</u>	<u>16</u>	<u>32</u>
Total	2,540	43,098	2,418	40,820	522	7,875	1,183	7,767

sector by sector to arrive at an estimate of the number of establishments and their employment for use in this study. Table I-4 contains this estimate, which was developed as follows. In sectors where Name Finders provided greater detail of music related business, their establishment estimates were utilized, and a size estimate of employment within these categories was made based on the size ranges of employment reported by Name Finders in Table I-1. In some cases, such as in SIC 3161, Luggage manufacture, none of the establishments appeared to be music-related, and so none of this employment was included. Cable services were not included because it was felt that there was little Seattle-produced music content in these services, and it was not possible to identify the Seattle-produced music component from the overall services of businesses in this sector.

A special analysis of drinking places (SIC 5813) was undertaken, by utilizing the list of businesses contained in The Stranger's online directory. This analysis turned up 131 drinking establishments with music activity. The size codes contained in the Name Finders list was used to estimate employment in these drinking establishments. This estimate of employment does not include the bands and performing artists who come to these establishments to perform. In television broadcasting a small fraction of total employment was estimated to be associated with music activity. In various retail sectors the baseline employment in the ESD file was supplemented by an estimate of proprietors from the Name Finders list. Estimated employment in educational institutions was derived as follows. The Seattle School District provided some information on the level of activity in music education in schools in the district<sup>18</sup>. An estimate was made of additional K-12 music related educational activity, based on employment statistics for public and private primary and secondary school employment drawn from ESD data files. College and university statistics were developed through accessing on-line data for the UW School of Music, through interviews with Seattle University, Seattle Pacific University, and Cornish College, and by estimating activity at local community colleges.

### ***Other work***

The tally of jobs and business activity in Table I-4 is largely wage and salary work, with some proprietors captured in the Name Finders lists. However, it is clear that there are many other sources of income to people in the music industry. Some of this income comes from work in local venues, some from travel and work elsewhere. Some of it is earned by selling CD's in venues while performing in Seattle or on the road. Some of it is earned from royalties from recordings by performing arts businesses located in Seattle. Some of it is earned as supplemental income from work by people who also work for organizations such as the Seattle Symphony or Seattle Opera, undertaking work such as recordings for film scores, video games, and attractions. Some of this income is "under the table," and likely not reported as income to the Internal Revenue Service. Some of it is probably sheltered from current income tax liabilities. There is no way that we can tightly estimate the magnitude of this income.

We learned through personal interviews that commercial recording activity in venues such as Benaroya Hall or local churches by musicians who primarily perform classical music is a multimillion-dollar a year business in Seattle. This work also brings

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<sup>18</sup> Personal communication from Martha Olsen.

to the city high-spending professionals related to the recording activity, who stay for a few days in luxury hotels and eat at the city’s finest restaurants. We were provided confidential information from ArtsFund on the budgets of organizations that have applied for their support, and have used this with the 1997 economic impact study prepared for the Corporate Council for the Arts (now ArtsFund) to estimate that 1,100 people were paid on contract by music-related organizations in the year 2002.<sup>19</sup> It should be noted that many of these people are paid by more than one organization in the city, such that the headcount of people receiving this type of income is larger than the number of individuals needing to report this income to the Internal Revenue Service. As noted above, many musicians for the Seattle Opera, Seattle Symphony, and Pacific Northwest Ballet work for each of these organizations on a contract basis. Table I-5 summarizes statistics for the not-for-profit music organizations in the city of Seattle, and it is estimated that 28% of the contract income paid by these organizations was to performers and professionals coming from outside the Puget Sound region. Thus, some 800 local individuals (headcount across the organizations employing these people) received non-wage and salary income from these organizations in 2002.

Table I-5 Selected Statistics for Non-Profit Seattle Music Organizations, 2002

Estimated attendance	2,833,132
Estimated budget	\$134,419,950
Estimated Employment	1,368
Estimated Contract Employment	1,098
Estimated nonlocal contract employees	298
Estimated nonlocal earnings	\$2,807,803

Source: Developed from data provided by ArtsFund<sup>20</sup>.

The two sources of income just discussed are clearly only a part of the earnings of this type in the city of Seattle. There was no way to estimate from City business tax records or State of Washington information likely levels of such activity. However, one approach to this can be taken through the use of the Nonemployer Statistics reported by the U.S. Census Bureau. This series is based on Form-C filings made by taxpayers to the U.S. Internal Revenue Service. Table I-6 reports statistics from this source for the Seattle-Bellevue-Everett PMSA for the year 2000. These are the most recent statistical estimates available, and at a geographic level of resolution as close as possible to the boundaries of the city of Seattle. The NAICS categories here correspond fairly closely to SIC’s 7911, 7921, and 7929. People earning income from labels, bands, and other music-related activity living in this region were estimated to be 7,765 persons with income of \$144 million. These are data based on place of residence listed in filing IRS Form C. The data previously presented in this report are based on place of work. An estimate of a likely magnitude of city of Seattle activity in this kind of work was derived as follows. Seattle accounted for 24% of the population in the Seattle-Bellevue-Everett PMSA in the year 2000, while it accounted for 37% of the total covered jobs. Employment in these

<sup>19</sup> GMA Research Corporation and William B. Beyers (1999) An Economic Impact Study of Arts and Cultural Organizations in King County: 1997. Bellevue WA, GMA Research Corporation. Private communication from ArtsFund.

<sup>20</sup> Appendix III lists the organizations included in this category.

categories is likely to be even more concentrated in Seattle than overall employment, so it was estimated that 40% of the total activity reported in Table I-6 was in the city of Seattle. An analysis of the Corporate Council for the Arts 1997 economic impact study indicates that about half of the contract employment in the various artistic disciplines was in music. Given this split, it is estimated that were 1,553 people reporting income in these categories related to music in Seattle, with a reported business income of \$28.8 million. It should be noted that this income figure is net income from proprietorships, inclusive of filings that indicated losses as well as profits subject to federal income tax. How reasonable of an estimate is this of the number of people reporting income in Seattle from work not covered by ESD activity? One simple measure can be estimated by comparing the percentage of proprietors implied by this analysis within the music industry with an overall measure of proprietors reported for the same geographic region. The 1,553 IRS returns estimated in Table I-6 to be music-related are 13.4% of total implied jobs (Table I-4 total plus 1,553), while the U.S. Bureau of Economic Analysis indicates that 14.9% of total jobs in the Seattle-Bellevue-Everett PMSA are proprietor filings. Thus, this estimate is well within the range that we might expect, and could in fact be somewhat conservative. There are undoubtedly nonemployer businesses in other NAICS codes that are related to music; unfortunately this study could not estimate their magnitude for the city of Seattle.

Table I-6 Nonemployer Statistics, Seattle-Bellevue-Everett PMSA, year 2000.

NAICS Code	Title	Number of Establishments	Receipts \$ Millions
7111	Performing arts companies	196	\$4.23
7113	Promoters of performing arts, sports, and similar events	259	\$8.13
7114	Agents and managers for artists, athletes, entertainers and other public figures	246	\$7.40
7115	Independent artists, writers, and performers	<u>7,064</u>	<u>\$124.41</u>
	Total	7,765	\$144.17
	Seattle Nonemployers at 40% of Total	3,106	\$57.67
	Music Nonemployers at 50% of Seattle Total	1,553	\$28.83

Source: U.S. Census Bureau, Nonemployer Statistics, 2000, and derived by authors.

Two major businesses in the city of Seattle that are intimately involved with music are Real Networks and Amazon.com. Both have markets that are global, but also have significant local workforces related to their music-related business. We did not get a direct estimate of the local component of Amazon.com's music related business activity, but through a personal contact at Real Networks we were able to estimate the level of business activity located in Seattle due to music. Real Networks is classified in computer services, and Amazon.com in Non-store retailing, two SIC codes outside of the list we utilized for this study. It is quite likely that other music-related businesses exist in the city of Seattle in these industrial categories. Another complication with regard to the sale of recorded music is that only a fraction of it sold through retailers is through stores

primarily selling such media. General department stores and businesses such as the University Book Store have record departments. No breakouts are possible of the level of sales in these stores from public statistical agencies. We have estimated a possible level of business activity in these market segments, which we are including in Table I-7. In the case of computer programming, we have included an estimate that is double the level of activity at Real Networks estimated to be related to music. This may be high or low. We doubled the estimated sales in SIC 5736, and then added an 18.3% allowance for sales of music and video in non-store retailers based on the 2003 Annual Survey of Retailers and U.S. Electronic Shopping and Mail-Order Houses sales (NAICS 454110) found online at the U.S. Census Bureau website. This estimate may also be high or low.

Churches in the city of Seattle number over 300, and many of these have organists, choir directors, and other musicians on their staff. It is not clear exactly what the employment relationship is in these entities. The ESD only counted only 142 religious organizations statewide that were subject to the employment security program in the year 2001, so it is clear that most churches are exempt from the ESD unemployment compensation program. However, that does not mean that their music-related staff are not “employees.” Not all churches have music, but an examination of the Seattle telephone directory, and a conversation with the local representative of the American Guild of Organists, suggests that most do have such staff<sup>21</sup>. Somewhat fewer churches apparently have choir directors than organists. For purposes of this analysis, we will assume that 250 churches have organists, and that 200 have choir directors. We will also assume that choir directors and organists are compensated at a similar level. The American Guild of Organists website suggests a considerable salary range, based on level of training and the approximate size of position (number of hours per week). A median figure here is for someone with a half-time position and a Bachelors degree in Organ or Sacred Music and Choir Master Certification from the American Guild of Organists, or Colleague of the American Guild of Organists certification. This figure would be \$23,788 to \$35,370 per annum. We have used a midpoint figure of \$28,000, which would mean 450 church musicians with income of \$12.6 million, which we will presume to be salaried income but not subject to the ESD unemployment compensation program (e.g. it does not become nonemployer income).

We combined the estimates of wage and salary based employment in Table I-4 with the nonemployer statistics estimates, church employment, and other establishments in Table I-6 to obtain an overall estimate of music related business activity in the city of Seattle. This estimate is presented in Table I-7. Gross sales were likely greater than the net income figures reported by nonemployers, but there are no sources for the magnitude of this level of business activity. This should probably be regarded as a conservative estimate of the number of businesses, jobs, labor income, and gross revenue related to music in the city of Seattle economy.

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<sup>21</sup> Personal communication with Ms. Joanne Andenes.

Table I-7 Extended Estimate of Music Industry in Seattle

	<u>Establishments</u>	<u>Employment</u>	<u>Labor Income (\$ millions)</u>	<u>Sales (\$ millions)</u>
Primarily Wage & Salary Based	1,164	7,767	\$179.88	\$1,066.95
Nonemployer Statistics Based	1,553	1,553	28.83	\$28.83
Church Musicians	250	450	\$12.60	\$12.60
Other Establishments	?	921	45.12	\$153.77
<b>Total</b>	<b>2,986</b>	<b>10,691</b>	<b>266.43</b>	<b>\$1,262.16</b>

**Summary**

This appendix has used data from two key sources to develop an estimate of employment, income, and business activity in the music industry in the city of Seattle. ESD data and establishment lists from Name Finders provided the foundation for this compilation. Careful analyses of records in both of these sources were supplemented with information from other federal and state statistical sources, as well as from other sources, to develop the estimates of business activity presented in this part of this report. These are likely to be conservative estimates, given the methodology used to develop them. Much more research could be undertaken to sharpen up these estimates.

**1.2 PUMS Employment Estimates**

Within each Census of Population in the United States a sample is selected to answer a much longer form that includes greater detail about the household of the respondents than is the case with the short form completed by most people. The Census Bureau tabulates the results of these long-form responses into aggregations that are referred to as the Public Use Microsample, or PUMS, and releases individual responses by people located in a particular geographic region, referred to as a PUMA. Among other information contained within the PUMS is the industry and occupation of respondents. Currently data from the 1% PUMS sample for the year 2000 Census has been released; greater detail will be forthcoming when the 5% PUMS samples are released by the Census Bureau. Given the complexities of identifying people working in the music industry described above using employer statistics, it was thought that the PUMS would be a good alternative way of estimating the number of music-related workers in Seattle. It should be noted that there are three PUMA's in King County in the 1% PUMS sample. As described below, the PUMS approach yields an estimate of about 14,500 Seattle residents working in Seattle in music related activity, an estimate somewhat above that reported in Table 1.

Table I-8 presents a sample of entries in the Seattle PUMS file. The Census Bureau classifies people's industry of work through the North American Industry Classification System (NAICS), which was adopted by the Census Bureau in 1997 as a replacement for the SIC system. The adoption of NAICS has confounded research on



industrial trends because the definitions of NAICS industries in many cases are quite different than the SIC system, and frequently the two systems are not commensurable. The Census Bureau also classifies the occupation of respondents into a set of Standard Occupational Codes (SOC). The first four entries contained in Table I-8 describe people in industries and occupations that are clearly music related. However, the next entry could or could not be in a music-related establishment. We carefully searched the NAICS and SOC descriptions found in the Seattle PUMA for people likely working in the music sector. Appendix II contains a detailed list of the types of work considered possibly music-

Table I-8 A Sample of Entries in the Seattle PUMS File

Household Income	NAICS Industry	SOC Occupation	SIC
\$71,804	Performing Arts, Spectator Sports, and Related Industries	Musicians, Singers, and Related Workers	792
\$29,900	Performing Arts, Spectator Sports, and Related Industries	Musicians, Singers, and Related Workers	792
\$63,400	Performing Arts, Spectator Sports, and Related Industries	Musicians, Singers, and Related Workers	792
\$70,000	Sound Recording Industries	Musicians, Singers, and Related Workers	792
\$100,000	Museums, Historical Sites, and Other Institutions	Announcers	841
\$25,000	Drinking Places (Alcoholic Beverages)	Announcers	581
\$40,000	Performing Arts, Spectator Sports, and Related Industries	Writers and Authors	792
\$49,000	Performing Arts, Spectator Sports, and Related Industries	Writers and Authors	792

related as a result of this analysis. If all of these entries were counted, they imply 18,800 people in music-related work, but some of these would be people working outside of the Seattle PUMA.

A tighter approach was taken to trying to use the PUMS data. We selected data for NAICS code 711 (Performing Arts, Spectator Sports, and Related Industries) from the King County PUMAs. Table I-9 contains data from this approach, which finds 6,100 people in King County employed in NAICS 711, some 2,700 of these surely in Seattle. This estimate would increase to about 3,300 people if the non-responses to work locations were allocated to Seattle. The music-related employees in NAICS 711 are also within SIC 791 and 792. In Table 1 we estimated 2,172 people in employed the SIC 791

and 792 groups, and there were an estimated 1,553 filings of music-related proprietors in NAICS code 711, resulting in a total of 3,725 persons. This estimate is remarkably similar to the 3,300 persons estimated from the PUMS data. It should be noted that the PUMS data we used did not cover Snohomish, Pierce, or Kitsap counties, where some music-related workers no doubt live and commute to Seattle. In Table I-9 some 77% of the Seattle residents also worked in Seattle. If this percentage was applied to the 18,800 persons estimated above to be likely engaged in music-related work, it would yield an estimate of 14,500 persons. It is likely that by this approach several thousand more people would report working in Seattle but living in other PUMA's. The PUMA analysis produces an estimate of employment that is of the same order of magnitude as reported in Table 1. It could be that this estimate could be refined when the Census Bureau releases more detailed PUMA statistics.

Table I-9 Estimate of NAICS 711 Employment

	<u>Total</u>	Work in <u>Seattle</u>	<u>No Response to Work Location</u>
Seattle	3,100	2,400	500
Greater Seattle	1,900	300	900
Other King	<u>1,100</u>	<u>0</u>	<u>100</u>
Total	6,100	2,700	1,500

**Appendix II Music Industry SIC/NAICS/SOC Codes**

Industry Segment	SIC Codes	SIC Description	NAICS Codes	NAICS Description	Occupations Corresponding to Industry Segments	
					SOC Code	SOC Description
Reviewers (newspaper)	2711; 7383	Newspapers: Publishing, or Reporting and Printing; Reporters, independent (freelance)	511110; 711510	Publishers, Newspaper combined with printing; Independent Artists, Writers, and Performers	27-3043	Writers and Authors
Manufacturer - Printing Scores	2731; 2732; 2741; 2754; 2759	Music books printing, or printing or binding; Music books - also publishing; Sheet music publishing and printing; sheet music publishing	512230; 323117	Music Publishers; Book Printing	51-5023; 51-5099	Printing Machine Operators; Printing Workers, All Others
CD Recording Production	3652	Prerecorded Audio tapes and discs	512220	Integrated Record Production/Distribution (includes musical recording, releasing, promoting and distributing)	27-4011	Audio and Video Equipment Specialists
Manufacturers - Musical Instruments	393; 3931; 3161	Musical Instruments Mfg; Includes Music Stands; Musical Instrument cases (part of luggage mfg- leather or other materials)	339992; 316991	Musical Instrument Mfg; Luggage Mfg (includes instrument case mfg)	41-4012	Sales Reps, Wholesale Manufacturing
Manufacturers Related Equipment	3999	All other miscellaneous manufacturing	339999	All other miscellaneous manufacturing	41-4012	Sales Reps, Wholesale Manufacturing
AM/FM Radio	4832	Radio Broadcasting Stations	515112 (2002); 513112 (1997)	Radio Broadcasting	27-3010	Announcers
TV Broadcasting	4833	Television broadcasting stations	51312	Television Broadcasting	27-3010	Announcers

Game Music/Ring tones Cable systems	4841?		517510 (2002); 513220 (1997)	Cable and other program distribution	41-2022	Telecommunication Equipment Install/Repair, except Line Installers
Web-Casting (Real Networks)	484 or 737		517510 (2002); 513220 (1997)	Cable and other program distribution	15-1032 (?)	Computer Software Engineers, Systems software
Wholesalers of Equipment	5099	Durable goods, n.e.c.	425120 (2002) 42M (1997)	Other miscellaneous durable goods merchant wholesalers	13-1022	Retail and Wholesale Buyers, except farm equipment
Wholesalers of printed music	5192	Wholesalers of books, periodicals, and music	424990 (2002) 422990 (1997)	Music, sheet, merchant wholesalers - part of Other miscellaneous Nondurable goods merchant wholesalers	13-1022	Retail and Wholesale Buyers, except farm equipment
Retail Related Equipment	5736; 5731; 5734	Musical Instrument Stores; Radio, Television, and Consumer Electronics; Computer and computer software.	45114; 443112; 44312	Musical Instruments and Supplies Stores; Radio, Television and other Electronics stores; Computer and Software stores	41-2031	Retail Salespersons
CD Sales Retailers	5735	Record and Prerecorded tape stores	45122	Prerecorded Tape, Compact Disc, and Record Stores	41-2031	Retail Salespersons
Retail - Musical Instruments (new and used)	5736; 5932	Musical Instrument Stores; Musical instrument stores - Used instruments (part of used merchandise stores)	45114	Musical Instruments and Supplies Stores	41-2031	Retail Salespersons
Retail Music Stores	5736	Musical Instrument Stores	45114; 451220	Musical Instruments and Supplies Stores; Prerecorded Tape, compact disc and record stores.	41-2031	Retail Salespersons
Clubs	5813	Drinking places	7224410; 713210	Drinking places; casinos (except casino hotels)	35-3011	Bartenders

Financial Services - banks and security brokerages	61; 62; 63	Financial Services - banks and security brokerages	522294; 523910; 524128	Secondary market financing; Miscellaneous intermediation; Bank deposit insurance carriers	13-2099	Financial Specialists, All other
Insurance (bonding)	64	Insurance agents	52421	Agencies, insurance	41-3021	Insurance Sales Agents
Royalties and Licensing	6794	Patent owners and Lessors	53311	Lessors of Nonfinancial Intangible Assets	13-1041(?)	Licensing Examiners and inspectors
Sales Agents/Advertising	7311; 7313	Advertising Agencies; Radio, Television, and publisher's advertising representatives	541810; 541840	Advertising Agencies; Media Representative	11 2011	Advertising and Promotions Managers
Rental of Instruments	7359	Equipment rental and leasing, n.e.c	532299	All other consumer goods rental	41-9099	Sales and Related Workers, All Others
Rental of Equipment	7359	part of Equipment rental or leasing, n.e.c.	532299	All other consumer goods rental	41-9099	Sales and Related Workers, All Others
Lighting Services	7389 (?)	Same comment as audio engineers	711510	Lighting technicians, theatrical, independent	17-2199	Engineers, All other
Muzak	7389	Music distribution systems except coin operated (business services n.e.c.)	511290	Other sound recording industries	27-2014	Sound Engineering Technicians
Recording Studios	7389	Audio recording	512290	Audio Recording	27-4011	Audio and Video Equipment Specialists
Repair of Instruments	7699	Musical instrument repair shops (part of Repair shops n.e.c)	811219	Other Electronic and Precision Equipment repair	49-9063	Musical Instrument Repairers and Tuners
Repair of Equipment	Probably 7699	Repair services, n.e.c.	811490	Other personal and household goods repair and maintenance	49-9063	Musical Instrument Repairers and Tuners
Music Video Production and Distribution	7812	Motion picture and video production	512110	Motion picture and video production	27-4032	Film and Video Editors

Theatres and concert halls	791; 792; 7922; 7929	Dance studios, schools, and halls; Theatrical producers, bands orchestras, and Entertainers subdivided into 7922 and 7929	711110	Theatre companies and dinner theatres	27-2041	Music Arrangers and Orchestras
Booking Agents	7922; 7929		711310	Promoters of performing arts (?)	13-1011	Agents/Business Managers of Artists/Performers
Staging/Stage Constructions	7922	Theatrical producers (except motion pictures) and Miscellaneous Theatrical Services	512290	Other recording industries	27-1099	Art and Design workers, all others
Musicians	pt. 7929	Bands, Orchestras, Actors and Other Entertainment Groups	71113; 71112	Musical groups and Artists; Dance Companies	27-2042; 27-2031	Musicians and Singers; Dancers
Presenters or Producers	pt. 7929	Bands, Orchestras, Actors and Other Entertainment Groups	71131; 71132	Promoters with facilities; Promoters w/out facilities	27-2012	Producers and Directors
Stadiums and arenas	7941	Includes stadiums	711310	Promoters of performing arts, sports and similar events w/facilities		
Open-air facilities, including festivals	7999	Amusement and Recreation n.e.c.	711190	Other performing arts companies	39-3031 (?)	Ticket takers, ushers, and lobby attendants
Attorneys	81	Legal Services	541110	Offices of Lawyers	23-1011	Lawyers
Music Archives	8231	Archives	519120 (2002); 514120 (1997)	Libraries and Archives	25-4010	Museum Technicians, Archivists, and Curators

Education - Schools	821; 822; 8299	Elementary and Secondary schools; Colleges, Universities and Professional schools; Schools and educational services n.e.c (includes music schools)	6111; 6112; 6113; 61161	Elementary and Secondary schools; Junior colleges; Colleges, Universities and Secondary schools; Fine arts schools	25-1121; 25-3999; 21-2021	Music, Art, and Drama Teachers, post-secondary; Teachers, Primary, Secondary, Adult and All other; Education, and Religious Activities Directors
Musical Organizations, Music Heritage Organizations	841	Museums and Art Galleries	71211; 71399	Museums and Historical Sites; Other Amusement and Recreation Industries	25-4010	Museum Technicians, Archivists, and Curators
Industry Organizations	8611	Business Organizations	813910	Business Organizations		
Music Unions	8631	Labor Unions	813930	Labor Unions and Similar Organizations		
Churches	8661	Religious organizations	813110	Religious organizations	21-2011; 27-2041	Clergy; Composers and Music Directors
Audio Engineers	8711(?)	Engineering Services (Could be in 7299)	541330	Engineering Services	27-4011	Audio and Video Equipment Specialists
Rental of Scores	8999	Services, n.e.c	512230	Music copyrights, buying, and licensing (?)	41-9099	Sales and Related Workers, All Others
Composers and Music Arrangers	8999	Services, n.e.c	711510	Independent artists, writers, and performers.	27-4041	Composers and Music Directors
Mobile DJs	8999	Services, n.e.c	711510	DJs, Independent, pt of services n.e.c	27-3012	Public Address System or Other Announcers (including independent disc jockeys)

### **Appendix III. List of 501 c 3 Organizations Included in this Study**

33 Fainting Spells  
Chinese Arts and Music Association  
Civic Light Opera  
Columbia Choirs Association  
Cranky Destroyers  
Early Music Guild of Seattle  
Earshot Jazz Society of Seattle  
Evergreen City Ballet, The  
Experience Music Project  
Gallery Concerts  
Gamelan Pacifica  
Lake Union Civic Orchestra  
LeGendre Performance  
Lingo Dancetheater  
Maureen Whiting Company  
Max Aronoff Viola Institute, The  
Meany Hall (UW World Series at Meany Hall for the Performing Arts)  
Music of Remembrance  
Northwest Chamber Chorus  
Northwest Chamber Orchestra  
Northwest Choirs, The (NW Boychoir & Vocalpoint! Seattle)  
Northwest Girlchoir  
Northwest Symphony Orchestra  
On the Boards  
Orchestra Seattle / Seattle Chamber Singers  
Pacific Northwest Ballet  
Pat Graney Company  
Prabha Rustagi Memorial Trust  
Rainier Chamber Winds  
Seattle Baroque  
Seattle Baroque Orchestra  
Seattle Chamber Music Society  
Seattle Chamber Players  
Seattle Choral Company  
Seattle Classic Guitar Society  
Seattle Conservatory of Music  
Seattle Jazz Orchestra  
Seattle Men's Chorus  
Seattle Opera  
Seattle Philharmonic Orchestra  
Seattle Pro Musica  
Seattle Symphony  
Seattle Youth Symphony Orchestra  
Spectrum Dance Theater  
The Esoterics  
Town Hall Association (A portion is music)  
Tudor Choir, The  
TURF!  
Unidentified Moving Objects, Inc.  
Velocity Dance Studio



## Appendix IV: Sample of Survey Letter

### UNIVERSITY OF WASHINGTON

Box 353550

SEATTLE, WASHINGTON 98195-3550

#### *Department of Geography*

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August 10, 2003

«FullName»

«Business\_name»

«Address»

«City»,«State» «Zip»

Dear «Salutation» «LastName»:

We are currently engaged in a study of the music industry in the city of Seattle, and are seeking your assistance with this project. The Mayor's Office of Film and Music, and the Office of Economic Development are sponsoring this project, which is aimed at gaining a comprehensive understanding of the role of the music industry in the local economy. The project is part of a series of "cluster" studies being undertaken by the City. Your participation could potentially lead the city to increase economic development funding for the music industry.

The music industry has many segments, ranging from large organizations such as the Seattle Symphony to one-person businesses engaged in teaching music, providing professional services in relation to musical performances or recordings, and engaged in the playing or reproduction of music. This complex set of activities has not been documented, and the only way that an understanding of the different industry segments can be obtained is through survey research. We need your help in this regard.

We are undertaking some brief telephone interviews to obtain badly needed information for our project. This information will be regarded as confidential; responses of individual establishments will be combined in aggregate statistics so that information will not be revealed about an individual business establishment. My research assistants, Ann Bonds and Andy Wenzl, will contact you shortly to seek your assistance. Our interview will not take more than a few minutes of your time.

I want to thank you in advance for your assistance with this project. If you have any questions, please do not hesitate to call or e-mail me.

Sincerely,

William B. Beyers  
Professor

**Appendix V: Seattle Music Industry Cluster Study Questionnaire**

*The answers to this questionnaire are considered confidential. They will be combined with responses from other businesses and individuals, so that no information about a particular business or individual will be made public.*

- 1. Interviewer \_\_\_\_\_
- 2. Establishments/Individual Name \_\_\_\_\_
- 3. Description of Activity \_\_\_\_\_  
SIC \_\_\_\_\_ NAICS \_\_\_\_\_
- 4. Number of employees \_\_\_\_\_ Full-time  
\_\_\_\_\_ Part-time
- 5. Annual Payroll \$ \_\_\_\_\_
- 6. Annual Total Revenue (last fiscal year) \$ \_\_\_\_\_
- 7. Revenue Sources: \_\_\_\_\_% Households % in Seattle area \_\_\_\_\_  
\_\_\_\_\_% Governments % in Seattle area \_\_\_\_\_  
\_\_\_\_\_ Other businesses % in Seattle area \_\_\_\_\_  
Identify business clients \_\_\_\_\_  
\_\_\_\_\_
- 8. How has your employment changed over the past five years?  
 Increased How many jobs? \_\_\_\_\_ Why the change? \_\_\_\_\_  
 Decreased How many jobs? \_\_\_\_\_ Why the change? \_\_\_\_\_  
 No change
- 9. What do you think your employment will be five years from now?  
 Increased How many jobs? \_\_\_\_\_ Why the change? \_\_\_\_\_  
 Decreased How many jobs? \_\_\_\_\_ Why the change? \_\_\_\_\_  
 No change
- 10. What are the major challenges, trends, and opportunities that you see in the Seattle music sector?  
Challenges \_\_\_\_\_  
Trends \_\_\_\_\_  
Opportunities \_\_\_\_\_

11. How important at the current time are the following community resources in the support of your business? (Rate on a 5-point scale, with 5 being extremely important, and 1 being totally unimportant.

	Highly Important (5)	Important (4)	Neither Important or Unimportant (3)	Not Very Important (2)	Totally Unimportant (1)
Live Performance Venues					
Recording Venues					
Training & Education					
Performance/Recording Support Activities					
Equipment Suppliers and Repair					
Business Services					
Recording Distribution					
Local Governments					
Other (Identify) _____					

12. Considering these same community resources, evaluate the quality of these services in the community at present

	Excellent, Keep things as they are (5)	Very Good, but Could be Better (4)	Average, but much room for Improvement (3)	Below Average, Lost of Room for Improvement (2)	Terrible. Massive Need For Improvement (1)
Live Performance Venues					
Recording Venues					
Training & Education					
Performance/Recording Support Activities					
Equipment Suppliers and Repair					
Business Services					
Recording Distribution					
Local Governments					
Other (Identify) _____					

13. For those categories that you thought community resources could be improved, please indicate how you think they should be improved.

	Describe ways to improve community resources.
Live Performance Venues	
Recording Venues	
Training & Education	
Performance/Recording Support Activities	
Equipment Suppliers and Repair	
Business Services	
Recording Distribution	
Local Governments	
Other (Identify)	

14. Now consider Seattle as a location for your music or music-related business, in comparison to other places you could be located.

(a) What are key assets that make Seattle a great location for your business?

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(b) Do you have or do you think that the music industry has a market niche in Seattle that gives the region a competitive advantage in the industry? If yes, describe it.

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(c) What are liabilities of being in Seattle? (If none, skip to 15).

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(d) How could these liabilities be overcome?

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(e) What should be the role of the City of Seattle?

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15. What else should we consider in assessing the economic position of the music industry in Seattle?

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*Thank you for participating in our survey!*

## Appendix VI Names of Businesses Interviewed

Garrett Fisher	Seattle Symphony	Anonymous
		Olympic Productions, formerly The Drum Exchange
Seattle Grip & Lighting	Pacific Northwest Ballet	Bud' Jazz
Jazz Moon Music	On The Boards	Bopcop Productions
Lion Dog Music	Civic Light Opera	Pacifica Children's Chorus
Music Makers	Anonymous	Seattle Chamber Players
Seattle Youth Symphony	Seattle Mens Chorus	Sherman Clay
Secret Studio Records	Spectrums Music Masters	Fluteworks
Sam Goody	Sam Inc.	American Dance Institute
DMX Music	Mobile 1 Disc Jockey	Petosa Recording
Lightning Content & Distribution	Rockin Rodney's Mobile DJ	Anonymous
Crazy Pinoy Promotions	Anonymous	Little Bird Record Studio
Robert Marts	Gift Of Music Piano Studio	Raven Music
Richard Weeks Piano Service	Anonymous	
		Musafia North America, Inc.
Satellite News Network	N-Time-Mus Productions	Bichofberger Violins
Keith Bowen	Anonymous	Hawthorne Stereo
Cornish College of the Arts	Big Sound Productions	Easy Street Records
Seattle Flute Society	KNDD 1077 FM	Precision Audio and Video Svc
		Joan Sandler
Muzak	Laurie Terry	KING FM
Northwest Chamber Orchestra	Arlene Fujita-Wiggins	Doug Zangar
Ironwood Studios	Trading Musicians Inc.	Dirtnap Records
New Eden Music Academy	Guitar Emporium/ Robb Eagle	Anonymous
Debbie Holman/Epic Records	Sound Guitar Repair	Tickle Toon Typhoon
Northwest Winds	American Music	Stan Wentzel Productions
Sonic Boom Records	Emedia Corporation	Lois Pearson
AGT Recording	Guitar Center, Inc.	Harper Tasche
Eternity Karaoke	African Roots Band	Makeshift Productions
Savage Fruitarian Productions	Humble Entertainment	Silver Platters
Avernus Productions	Peal Django, Inc.	Tractor Tavern
Anonymous	Summit Guitar Pack	Lamar Lofton
Sonojack Records	Susan Pascal	
Magnolia HiFi	Charla's Creative Dance	
Note: Eight businesses interviews wished to remain anonymous.		