

For the preservation of the cultural heritage and economy of musical instruments in Europe

Amsterdam, Barcelona, Berlin, Brussels, Milan, Paris, Vienna – in October 2020

Introduction

The diverse music culture that sustains identity in Europe is in a dramatic situation in view of the Corona pandemic and faces an uncertain future. Because the public life has come to a standstill, among other things, musical events (trade fairs, concerts, club visits, etc.) are unimaginable now and in the near future. The music industry¹, which is characterised by sole proprietorships and small businesses – as a partner to the artists in the spotlight – sees its very existence threatened by the measures caused by the pandemic.

Since the music industry as an industry is fragmented and very closely interwoven through exploitation chains, economic problems in one sector shift quickly and in waves of time to the other partners across all national borders throughout Europe. What all actors in this heterogeneous industry have in common is that they are mutually dependent on the solvency of the respective partners in the exploitation and utilisation of the work. It is therefore necessary to act across Europe in order to mitigate the negative effects on the value chain. In addition to rapid, non-repayable emergency national aid to compensate for the damage incurred, **legislative changes are now urgently necessary** in order to keep the industries and their single sectors alive in the short-, medium- and long term.

From the point of view of the European musical instruments and musical equipment industry (MI), the goal should not only be to compensate for the damage that has already occurred, but the sustainable competitiveness of the industry and the safeguarding of the musical instrument as a cultural heritage.

¹ The music industry includes very different industries that are linked to one another by exploitation chains. It is therefore essential to consider all single sectors with their specific problems caused by the crisis in order to prevent chain effects – including: artists, composers, lyricists, organisers, event centres, labels, publishers, artist managers, artist agents, club operators, recording studios, press plants, distributors, merchandise and collecting societies as well as the production and trade of musical instruments, -soundequipment incl. ProAudio and sheet music.

The present appeal deals with the sector of the musical instrument and music equipment industry (MI industry). This sector, regardless of the necessary emergency aid and funding programs, can be given far-reaching and sustainable aid with the help of a few regulatory changes caused by the crisis, in order to position the music instrument industry in a stimulating, competitive and future-oriented manner. We refer to the European resolution (2020/2708 (RSP)) for all considerations and measures for the cultural recovery in Europe and the Next Generation EU plan for an enhanced quality of life in this regard.

Initial situation and appeal

Musical instruments, musical equipment and sheet music, like books and music, are among the products that are highly relevant for people in everyday life. Musical instruments have a special and high cultural value in society. Musical instruments create identity and meaning. Musical instruments, musical equipment and sheet music are part of the basic intellectual provision of society. They promote a creative life and enable high-class education and cultural participation.

Music retailers, as cultural mediators and ambassadors, hence make an important and essential contribution to musical (training) and cultural diversity in Europe. Without the cultural institutions of music trade (speciality shop) and its advisory services, the support of artists/musicians and laypeople, its function as a cultural meeting place for all people interested in music, the cornerstone of musical life in any form will be removed. And they also make an important contribution to enhancing the quality of life in city centers and downtown. If the music shops are gone, an important element of culture is missing.

The digital change, globalisation, price transparency and new sales channels make it necessary in Europe to reflect on **sustainable security measures** of the classical (stationary) music trade as lively cultural centres with numerous jobs. **However, the numbers of music retailers is dramatically declining:** According to the monitoring report of the cultural- and creative industries in 2019 by the Federal Ministry for Economic Affairs and Energy (BMWi), the number of specialist music retailers in Germany is shrinking dramatically: While there were 2,235 companies in 2009, **their number has since fallen by almost 30 percent** to just 1,612 who traded musical instruments in 2018. A similar picture emerges in other related markets in Europe. In the same period from 2009 to 2018, specialty retailers in Spain likewise fell by 30%. Also in Italy (26%), France (28%), Austria (20%) and BeNeLux (26%), specialist retailers closed their doors forever due to the change.

Based on this alarming initial situation and on the thesis that musical instruments and musical equipment are not only commodities but cultural products bearing high value heritage worthy of protection, the European industry participants in the musical instrument- and musical equipment industry appeal to the EU to introduce an exception to the rule within the restrictions of competition so that

- **either price fixing for commercial products similar to book price fixing is rendered possible,**
- **a block exemption for cultural assets in the case of the revision of the VBER is bindingly introduced**
- **or the introduction of an advertising price requirement for competitive marketplaces, which is valid for Europe, is accepted.**

Indeed, the fixed price for books has been discussed again and again in the last few decades. In the end, however, it was recognised that removing price fixing would not benefit anyone; because the same consequences of such a measure are always to be observed: market concentration accelerates, the number and variety of products decrease, and the prices rise. In analogy to these statements, it is obvious to demand the same for musical instruments and musical equipment that are worthy of protection. Musical Instruments are not only commodities, they are cultural products, with small sales, very specialized offer, and often complex treatment and customization.

Price competition due to global transparency, the increasing comparability of price structures on the Internet and saturation in many markets continues to increase. This leads to falling margins, unsustainable local business and even higher market concentration. Online trading in musical instruments now dominates the market. Online growth has slowed down in recent years but remains high in absolute terms and has currently received a powerful boost as a result of the Corona pandemic. The market development in Germany can be cited as an example: While the value of the online market development at retail prices was 28.7% in 2011, it will be 68.2% in 2019. The clear loser in the current developments in retail is the small business specialist retailer (-4.7% growth rate). It is also clearly noticeable in the market for musical instruments that there are clear effects of evident structural change in retail, where local business, cultural relationships, jobs for musicians, and specialized services are disappearing.

(Source: IFH Cologne, BIS Industry Information System, EuroStat "Sector Report Music Instruments – A market analysis in six acts")

This appeal is of great importance for the musical instrument market throughout Europe and the political and possibly legislative changes have far-reaching existential consequences for an entire industry, for the musical instrument as a cultural heritage and thus for the cultural and social development of an entire continent.

Economic significance of the MI industry in Europe

With a total turnover of around 6 billion euros, the musical instrument industry (MI) is an important part of the cultural- and creative industries in Europe. It essentially consists of three areas: production of musical instruments and musical equipment, distribution of musical instruments and musical equipment, and trading in musical instruments and musical equipment. All areas interact intensively with one

another. At its core, the musical instrument industry generates a turnover of 5.4 billion euros from the sale of musical instruments and musical equipment as well as ProAudio (90%). According to an IFH study on industry focus for musical instruments (German market), stationary trade (67%) - currently - is by far the most important sales channel in the market for musical instruments (music retailers 62%; other specialist retailers 5%).

A sub-sector of the MI industry consists predominantly of small- and medium-sized companies (musical instrument manufacturers and distributors). More than half of these generate an annual turnover of 100,000 euros; only a fraction of the companies achieve sales of ten million euros and more. The sale of musical instruments and accessories to buyers is largely made through specialist music dealerships with musical instruments and music supplies. In the MI industry (music retailers), almost 20 specialist retailers in Europe have turnovers of ten million euros and more.

Manufacturers and specialist retailers in the musical instrument and musical equipment industry represent around a quarter of the turnover of the entire music industry in Europe. The most important sales- and turnover market within Europe is Germany with 24.1% of the total market turnover of 5.8 billion euros; followed by France (17.3%), Great Britain (15.5%), Italy (10,5%), Spain (7.4%), and others 25,2%.

The above-average export and import integration and the high degree of specialisation of the internationally operating manufacturers is the particular characteristic of the musical instrument industry. In 2018, the member states of the European Union (EU) exported musical instruments worth over 1.9 billion euros (including parts and accessories for these articles). Almost two thirds of this (1.2 billion euros) were traded within the EU.

(Source: eurostat; <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/EDN-20190621-1> (Access: 11, March 2020))

Importance of the MI industry within the cultural- and creative industries

The musical instrument industry and its products are at the origin of the value chain for music as a cultural heritage. It bears a special task: without musical instruments and musical equipment, no music. From making music and “creating” music to processing, storing and making it available – without the products of the music instrument industry, the music as product, not just as we perceive and consume it today, would not be possible at all.

The musical instrument industry in Europe is characterised by a complex, mutual purposive relationship among its market participants. Manufacturers, wholesalers (sales representatives, distributors), specialist retailers and the associated publishers (specialist media and sheet music) are linked to one another on various levels in terms of the value chain, i.e. all sub-divisions of the musical instrument and musical equipment market and ProAudio are directly dependent on each other and form the musical instrument industry in the interlacing.

European Musical Instrument Alliance (EMIA)

The European Musical Instruments Alliance (EMIA) is an amalgamation of major European trade and manufacture associations in the musical instrument industry from Austria, Germany (SOMM – Society of Music Merchants e. V.), France (CFSI) , Spain (COMUSICA) and Italy (DISMAMUSICA). It sees itself as a forum and discourse space for significant national and international associations and organisations with the aim of identifying, discussing, shaping, optimising and addressing the economic and legal framework conditions for all areas of the musical instrument industry and addressing them with regard to policy.

EMIA stands up nationally and Europe-wide for the cultural and economic interests of the musical instrument and musical equipment industry, with the aim of strengthening the competitiveness of the industry in all market areas, helping to shape the political and legal framework in accordance with the requirements of the industry, providing contemporary musical training and intensifying active music-making and musical competence in the society.

EMIA embodies the interests of companies from the areas of manufacturing, distribution, trade and media in the musical instrument industry, which make up over 50% of the European sales and turnover market.

Contact:

SOMM – Society Of Music Merchants e. V.

c/o EMIA – European Musical Instrument Alliance

Daniel Knöll, Spokesman of EMIA

Hardenbergstraße 9a

10623 Berlin

d.knoell@somm.eu

European Musical Instrument Alliance (EMIA) – In alphabetical order

	<p>Chambre Syndicale de la Facture Instrumentale (CSFI)</p> <p>French Musical Instrument Organisation (La Chambre Syndicale de la Facture Instrumentale, CSFI) was founded in 1890 in Paris. It gathers companies and craftsmen who make, distribute and export musical instruments and their accessories. The CSFI also welcomes resellers and instrument makers associations (violin, guitar, piano). Its main objectives are the protection of its members and of the musical instrument making as a whole and the development of the instrumental practice for everybody. www.csfi-musique.fr</p>
	<p>COMUSICA</p> <p>National Association of Manufacturers, Importers and Distributors of Musical Instruments. It has national scope and was created in the year 1978. Gathers groups of companies dedicated to trade musical instruments in all its facets, from manufacturing to retail, as well as trade in sheet music, books and musical methodology. The fundamental functions of COMÚSICA are developed in two areas, on the one hand promoting musical practice in Spain and secondly supporting the development of the management of its members. www.comusica.com</p>
	<p>Dismamusica (DISMA)</p> <p>Dismamusica, the Italian Association of the musical instrument and musical publishing industry, was founded in 1982. It represents the entire sector, gathering producers, importers, distributors, dealers, craftsmen and publishers. The Association aims at strengthening the industry and giving voice to its requirements towards Institutions and political bodies. Moreover Dismamusica is active in cultural, social and educational activities in order to promote and develop musical practice. www.dismamusica.it</p>
	<p>Society of Music Merchants e. V. (SOMM)</p> <p>SOMM is the leading association of the musical instrument- and musical equipment industry and represents the interests of around 60 enterprises involved in production, sales, trade and media from the musical instrument industry, which represent around two thirds of the German musical instrument market. The association stands up nationally and Europe-wide for the cultural and economic interests of the musical instrument and musical equipment industry, with the aim of strengthening the competitiveness of the industry in all market areas, helping to shape the political and legal framework in accordance with the requirements of the industry, defining market standards and providing services for members, providing contemporary musical training and intensifying active music-making and musical competence in the society. The association coordinates internal and external industry issues and maintains close contacts with political bodies, authorities, institutions and other business associations and market partners. In addition, the association brings the various interests of its members together and puts them in focus across all sectors towards internal and external groups of people and institutions. www.somm.eu</p>
	<p>Wirtschaftskammer Österreich</p> <p>The Federal Association of Music-Instruments-Dealers is a part of the Austrian Association of Electronic-and-Electrical-Goods-Dealers and Home-and-Office-Furnishing-Dealers in Austria as a part of the Austrian Economic Chamber. We represent about 200 music-instruments-dealers in Austria with an annual turnover of about 110 Mio EUR (excl. VAT). The whole association has about 14,000 members. Our goal is to represent the interests of our members mainly with the government, officials and on the other hand, we try to support our members in any way. www.wko.at</p>