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DIPLOMACY

# Economic Impact Analysis

## Monroe Music Ecosystem

May 2023

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# Introduction

## Definition of the Music Ecosystem

As with biological systems, the music ecosystem comprises a set of actors, resources, and independent agents that carry out their activities in their environment, connecting with each other and with other ecosystems. Some actors occur as a result of the existence of others. Many of them exist because there is an adequate and sustainable environment that favors their survival.

In the case of music, there are indispensable roles to enable an industry to take place and develop in a region. These include live music venues, music recording studios, and record labels. There are other roles with typically less prominence, such as equipment and instrument suppliers, festival programmers, government organizations, and public relations agents, among others. Yet each agent's activity in the sector contributes to the development of the ecosystem.

## Economics of Music

The economics of music can be understood as a segment of the economics of culture (UNESCO, 2009), which seeks to explain the phenomena of the music sector using economic and statistical tools to provide knowledge for public policy and private decision-making. The economics of music is broader than understanding the transactions of goods and services in the market, it can also become a valuable tool for understanding the dynamics of non-monetary resources within the music ecosystem.

For the economic impact assessment, the definition of the music ecosystem is restricted to the set of agents grouped in one of the five links of the music value chain: Creation, Distribution, Exhibition, Production, and Transversal (see Table 1 & Figure 1). The economic contributions generated by agents indirectly related to the sector are incorporated into the measurement through the indirect impact of the sectoral value chain, detailed below.

Table 1: Links of the Music Ecosystem

Links of the Music Ecosystem Value Chain	Agents
Creation	Musicians, Artists, Composers, Bands, Orchestras and Choirs
Distribution	Radio Stations, Radio Networks and Record Stores.
Exhibition	Spaces and the support system for the presentation of live music. Included are Venues, Festivals, Booking & Promotion companies, Music Management, Artist Development businesses, as well as Faith-based Institutions with music.
Production	Recording and Publishing businesses, such as Recording Studios and Rehearsal Spaces, Record Labels, and Music Publishers.
Transversal	Instrument Manufacturers, Musical Instruments & Equipment Stores, Music Schools, Music Tutors, Conservatories/Universities & Colleges with music programs or music business programs, Music Publications & newspapers, Music PR & Marketers, Music Associations and Nonprofit.

Figure 1. Music Ecosystem Value Chain

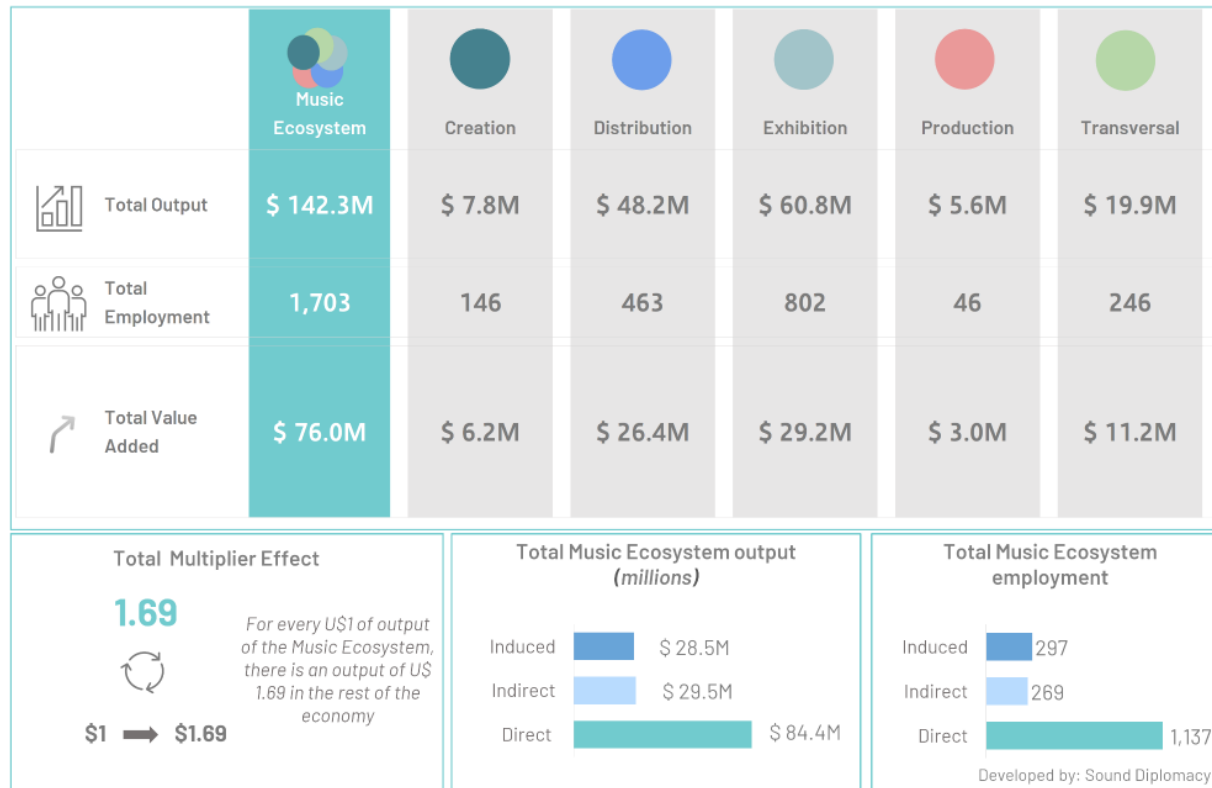


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## Economic Impact - Executive Summary

- In 2020, the music ecosystem in Ouachita Parish generated a total economic impact of \$142.32 million output and contributed a total of \$76.02 million GVA to the local economy. The total employment generated and supported by the music ecosystem in Ouachita Parish amounted to 1,703 jobs.
- The direct output associated with the music businesses in Ouachita Parish equaled \$84.42 million and \$42.16 million in GVA.
- The music ecosystem's direct employment in 2020 was 1,137, contributing 1.57% to the local workforce. Looking at the total employment (direct+indirect+induced), Ouachita Parish's music ecosystem generated and supported 2.35% of the local workforce, a contribution exceeding the national average of 1.66%.
- Looking at the Value Links of the local Ecosystem, the Exhibition Link is generating the greatest share of employment (47%) and output (45%).
- The multiplier effect of the music ecosystem is 1.69. This means that, for every \$1,000 of output generated by the music ecosystem there is an additional \$686 of output generated in the local economy.
- The music value added per capita in Ouachita Parish is \$380, which is below the national average of the music industry of \$541.

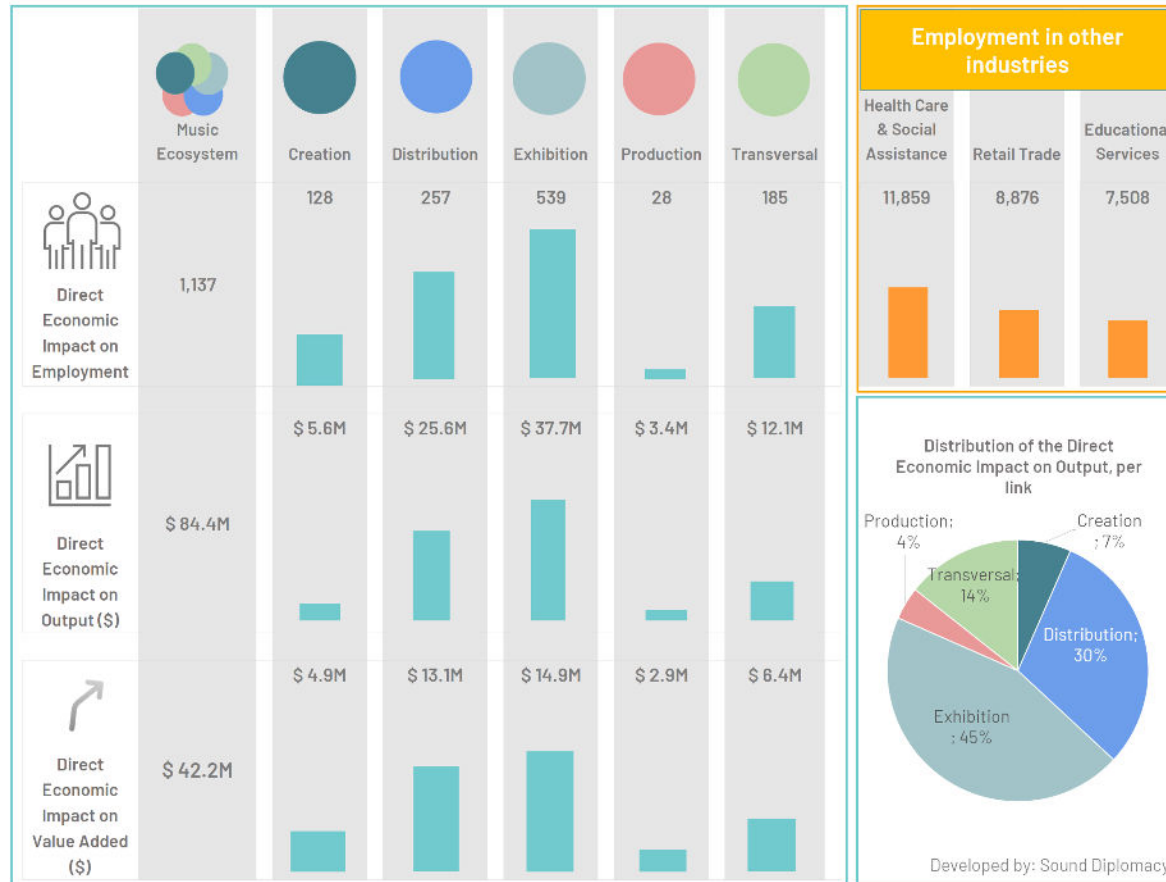
Figure 2. Key Findings: Ouachita Parish Music Ecosystem Economic Impact, 2020



Source: County Business Patterns 2020, BEA RIMS II, Sound Diplomacy Research



Figure 3. Key Findings: Ouachita Parish Music Ecosystem Economic Impact, 2020



Source: County Business Patterns 2020, BEA RIMS II, Sound Diplomacy Research

# Economic Impact Assessment

## Methodology

The economic impact analysis is based on official secondary sources and statistics, complemented by primary research conducted by Sound Diplomacy. It provides a reliable measure of the economic importance of the music ecosystem in Ouachita Parish LA on three different scales: direct, indirect, and induced impact.

The results in this report correspond with data from 2020. This is due to most official data sources having a three-year delay. During the research process, the most up-to-date data available from the County Business Patterns and RIMS II multipliers was from 2020.

Important note: Due to the availability of official data at the time of making this report, the results correspond to the year 2020 and may be affected by the effect of COVID-19.

Table 1. Economic Impact Dimensions

ECONOMIC IMPACT	DEFINITION
<b>Direct Economic Impact</b>	The direct impact is the economic value and employment directly generated by the economic activities belonging to the links of the music ecosystem in Ouachita Parish, LA.
<b>Indirect Economic Impact</b>	The indirect impact is the economic value and employment generated by the suppliers of the music ecosystem because of its demand. As such it is related to local businesses that provide goods and services to the local music ecosystem, such as advertising, legal affairs, food and beverage suppliers.
<b>Induced Economic Impact</b>	Induced impact is created when the workers of the direct and indirect music ecosystem spend their wages on food, transportation, entertainment, etc. in their daily life.

The variables evaluated as part of the Economic Impact Assessment are the music ecosystem’s output, employment and gross value added (GVA).

Table 2. Variables evaluated in the Economic Impact

VARIABLE	DEFINITION
<b>Output<sup>1</sup></b>	The economic value produced by the sales of goods and services of the music ecosystem. For example, concert ticket sales, recording studios services, etc.
<b>Employment<sup>2</sup></b>	The number of active jobs in the production of music ecosystem goods and services.
<b>Gross value added (GVA)<sup>3</sup></b>	The output minus intermediate consumption (the costs of all inputs – for example, food and beverage suppliers, legal services, transportation costs, equipment, etc).

### Classifications

To define and frame the music economy according to the official data available we use **The Classification of Economic Activities of the North American Industrial Code 2017 (NAICS)**, which is the standard used by federal statistical agencies in classifying business establishments to collect, analyze, and publish statistical data related to the U.S. business economy. We have used it to calculate the value of the economic activity in Ouachita Parish LA, that can be attributed to the music ecosystem (see Appendix 2).

### Geographical Scope

The geographic scope of this assessment includes Ouachita Parish, LA.

### Data Sources

Five main data sources have been used to conduct the economic impact analysis:

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<sup>1</sup> Bureau of Economic Analysis (2020)

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

Table 3. List of Data Sources

DATA SOURCE	DETAILS
<b>County Business Patterns: 2020</b>	This source allows the calculation of the number of establishments and employees of the music ecosystem
<b>Quarterly Census of Employment and Wages 2019, 2020</b>	This source allows a complementary source on the number of employees in the music ecosystem
<b>BEA Regional Economic Accounts GDP by State 2001 - 2020</b>	This source provides GDP data according to the big industries at state and metropolitan levels.
<b>Regional Input-Output Modeling System (RIMS II)<sup>4</sup></b>	RIMS II provides both Type I and Type II regional input-output multipliers to estimate the indirect and induced economic impact of the NAICS economic activities.  Type I multipliers account for the direct and indirect impacts based on the economic dynamics of the music ecosystem supply chain. Type II multipliers account for both indirect and induced impacts based on the purchases made by employees of the music ecosystem
<b>Mapping dataset</b>	This mapping dataset enables us to identify missing data points.

<sup>4</sup> See definitions in Appendix 1

# Ouachita Parish Economic Impact

Table 4 summarizes the economic impact (direct, indirect, and induced) of the music ecosystem in Ouachita Parish LA, for 2020. It generated and supported a total of 1,703 jobs (2.61% of the local employment). The total output generated was \$142.32 million and a total GVA of \$76.02 million.

Table 4. Ouachita Parish Music Ecosystem Economic Impact, Output, and Employment in 2020

TYPE OF IMPACT	EMPLOYMENT (NUMBER OF JOBS)	OUTPUT MILLION \$	GROSS VALUE ADDED MILLION \$
<b>Direct</b>	1,137	84.42	42.16
<b>Indirect</b>	269	29.45	16.91
<b>Induced</b>	297	28.45	16.95
<b>Total Impact</b>	1,703	142.32	76.02

Table 1. Direct, Indirect, Induced and Total Economic Impact

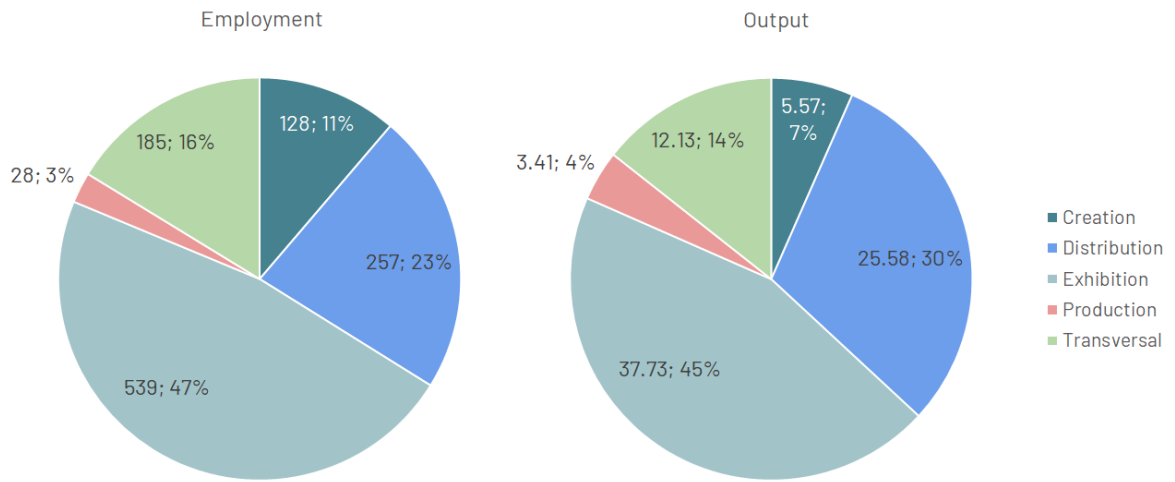
## Direct Impact

The direct impact reflects the economic value created directly by the activities of the music ecosystem. This impact resulted in an output of \$84.42 million, a GVA of \$42.16 million, and the creation of 1,137 jobs.

When considering employment within Ouachita Parish's music sector value chain, the Exhibition link accounts for the highest number of jobs with 539 (47%), followed by the Distribution link with 257 (23%), and the Transversal link with 185 (16%). The Creation link supports 128 jobs (11%), while the Production link supports 28 (3%). This information is illustrated in Figure 4.

Regarding output, the ranking of links remains consistent. The Exhibition link has the most significant contribution with \$37.73 million (45%), followed by Distribution with \$25.58 million (30%), and Transversal with \$12.13 million (14%). The Creation link contributes \$5.57 million (7%) to the direct output, while Production has a direct output of \$3.41 million (4%).

Figure 4. Employment and Output By Value Chain Link



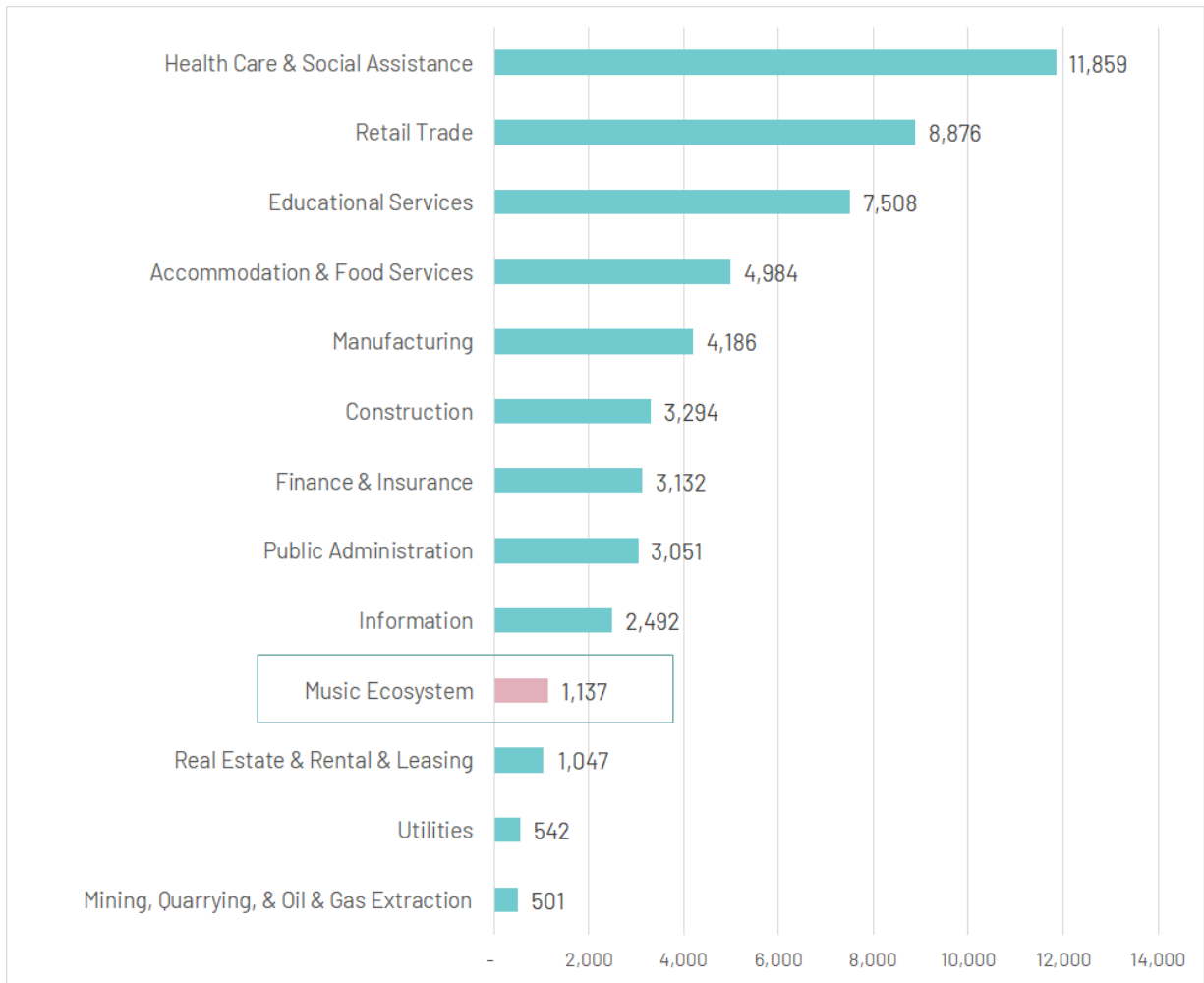
Source: County Business Patterns 2020, BEA RIMS II, Sound Diplomacy Research

The music ecosystem generated 1,137 direct jobs, which represented 1.74% of total employment in Ouachita Parish. When comparing the music ecosystem's employment to other industries in the Parish, "Real Estate & Rental & Leasing" with 1,047 jobs, "Utilities" with 542 jobs, and "Mining, Quarrying, & Oil & Gas Extraction" with 501 jobs contribute less to local employment<sup>5</sup>.

The most significant contributors to local employment are "Health Care & Social Assistance" with 11,859 jobs and "Retail Trade" with 8,876 jobs, as shown in Figure 5.

<sup>5</sup> Source: <https://datausa.io/profile/geo/ouachita-parish-la>

Figure 5. Direct Employment by Industry, Ouachita Parish



Source: ACS, County Business Patterns 2019, Sound Diplomacy Research

### Indirect Impact and Induced Impact

The calculation of the indirect economic impact involves examining changes in output and employment resulting from the suppliers of the music ecosystem, which include local businesses that provide goods and services to the music ecosystem in Ouachita Parish, LA. This estimation takes into account economic exchanges with suppliers outside of this sector, such as advertising, transportation, maintenance, legal services, and communication. The Type I Multipliers available in the BEA RIMS II model for 2020 are used to carry out this process.

In 2020, the indirect economic impact of the music ecosystem in the Parish generated an output of \$29.45 million and a GVA of \$16.91 million, while indirectly supporting 269 jobs. To provide context on the size of the indirect effect of these industries on the local economy, it is estimated that \$1,000 of output generated from them indirectly supports \$348.85 of output in other sectors in Ouachita LA. However, this local multiplier effect is smaller than the national average multiplier effect of the music industry, where the indirect output per \$1,000 is \$500. This suggests that a higher proportion of the suppliers of the local music ecosystem are not based in Ouachita Parish, LA, resulting in a higher proportion of imports into the Ouachita Parish's music ecosystem.

The induced economic impact is the value (output, employment and GVA) resulting from the spending of workers whose earnings are affected by changes in final demand. This impact is derived from the spending of workers whose wages are supported directly and indirectly by the sector studied. This includes money spent on services, food, entertainment, transportation, etc. The induced output of the music ecosystem in 2020 was \$28.45 million, with a GVA of \$16.95 million, and it supported 297 jobs. The data shows that \$1,000 of output generates an induced effect of \$337.01 on different industries in the economy.

When adding the indirect and induced effects on the output, the multiplier effect of the music ecosystem in Ouachita Parish, LA equals 1.685. This means that for every \$1,000 of output an additional \$685 of output is created locally in other industries.

## Ouachita Parish LA, Music Ecosystem in Comparison

### Contribution to Local Employment

A useful metric for comparing the development of the music ecosystem across different regions is the contribution of music employment to the local economy. Figure 6 displays this variable for U.S. cities and regions with available music economic impact reports.<sup>6</sup>

In the case of Ouachita Parish, the music sector generates and supports 2.35% of the local employment, which exceeds the national average contribution of music to national employment (1.66%)<sup>7</sup>. However, Ouachita Parish ranks lower than other areas with a strong music industry

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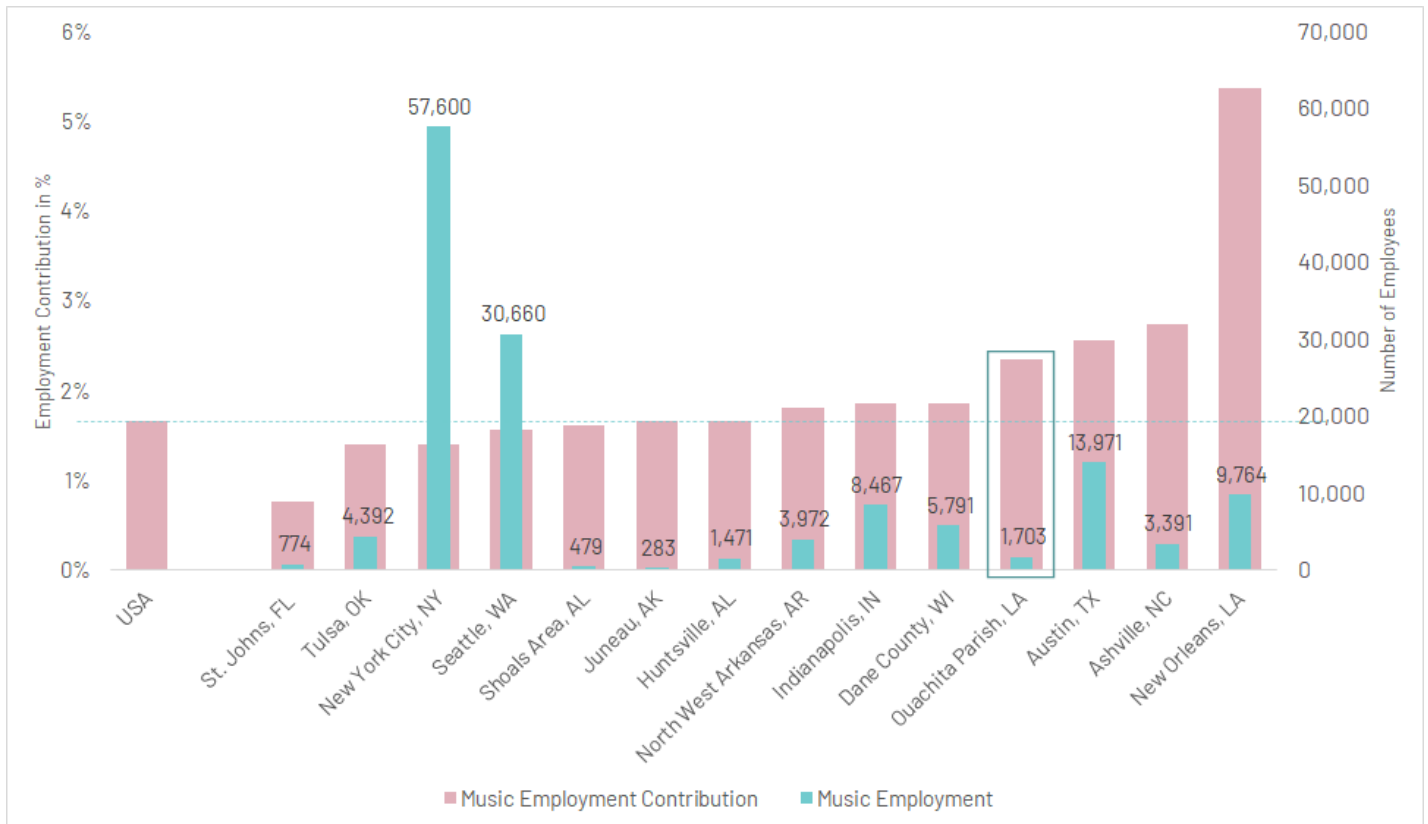
<sup>6</sup> The figures in the graph come from different sources with different methodologies and different years as reference. We use them to compare the dimension of the music sector in different locations. Sources: TXP, Inc. (2016); Asheville Area Chamber of Commerce (2016); The Boston Consulting Group, Inc. (2017); Musicians' Association of Seattle (2015); and Siwek, Stephen E. (2018).

<sup>7</sup> It is essential to point out that since in Ouachita Parish, faith-based organizations are of great importance for live music, this economic impact study includes music-related jobs of the NAICS Code "Religious Organization (813110)" as well as the indirect and induced jobs created by those jobs, which usually are not included in economic impact studies of the music ecosystem. This increases employment considerably by around 350 jobs. When excluding those jobs, the local contribution to employment equals 1.86%.



presence, such as Austin or New Orleans<sup>8</sup>, where the music sector supports 2.55% and 5.37% of the local employment, respectively.

Figure 6. Music Ecosystem Total Employment, US Cities



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### Music Value Added Per Capita

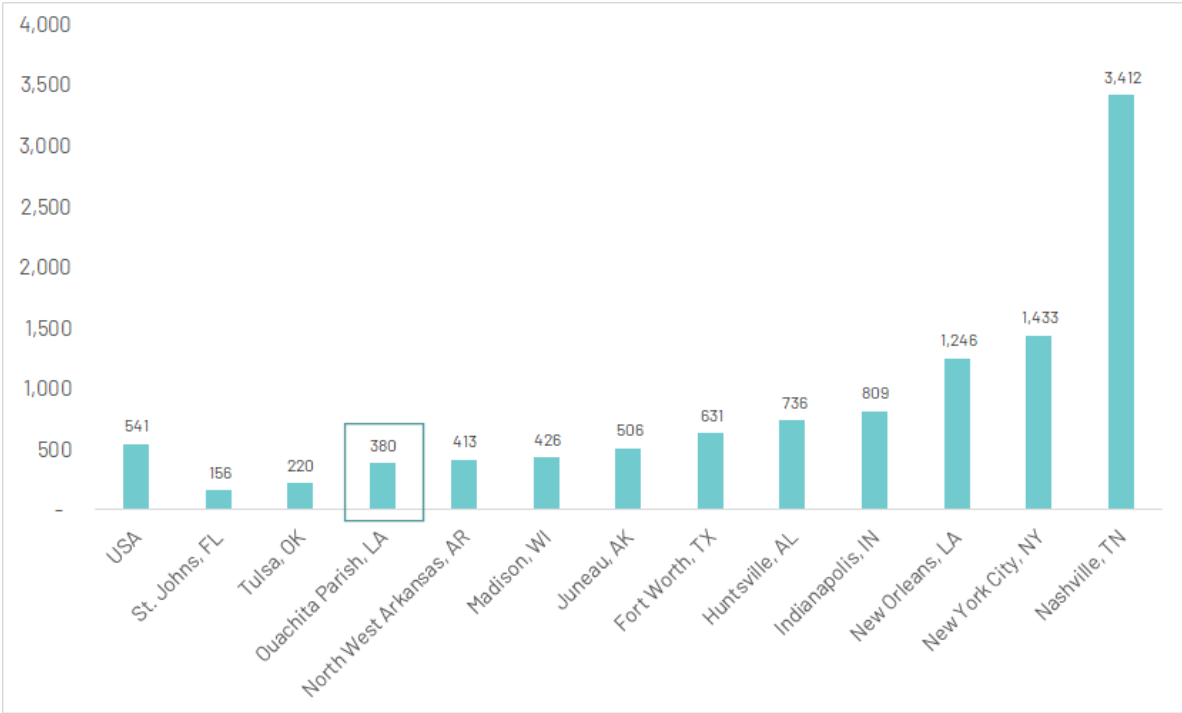
Another metric for comparing the level of industrial development of local music ecosystems is the music value added per capita. This metric represents the economic resources generated relative to the population size of a city, county, or region. To calculate this variable, the sum of direct and indirect GVA of the music sector is divided by the total number of residents in each location with available music economic impact reports.

In the United States, the music value added per capita is \$541. In Ouachita Parish, this figure is approximately \$380, indicating a lower level of development in the local music ecosystem. In

<sup>8</sup> While New Orleans and Austin are not necessarily comparable territories with the music ecosystem of Ouachita Parish, we have included these findings to provide an ambitious benchmark with highly developed music ecosystems.

cities such as New Orleans, New York, or Nashville, that have well-established music industries and attract high levels of music tourism, this metric reaches values such as \$1,246, \$1,433, and \$3,412, respectively (see Figure 7).

Figure 7. Music Ecosystem Value Added-Per Capita  
Comparator USD



Developed by: Sound Diplomacy

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# Appendices

## Appendix 1: RIMS II Multipliers definition

“RIMS II is based on a set of national input-output (I-O) accounts that show the goods and services produced by each industry and the use of these goods and services by industries and final users. Like most other regional I-O models, RIMS II adjusts these national relationships to account for regional supply conditions.”<sup>9</sup>

Type I Multipliers: “Multipliers that account for only the interindustry effects (direct and indirect) of a final-demand change.”<sup>10</sup>

Type II Multipliers: “Multipliers that account for both the interindustry effects (direct and indirect) and household-spending effects (induced) of a final-demand change”<sup>11</sup>

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<sup>9</sup> Ibid 21.

<sup>10</sup> Ibid, Page 62

<sup>11</sup> Ibid, Page 62

## Appendix 2: 2017 NAICS activities for the Music Ecosystem.

Sector	Music Sector
NAICS codes	339992 - Musical instrument manufacturing
	443142 - Electronics Stores
	451140 - Musical instrument and supplies stores
	511120 - Periodical Publishers
	512230 - Music publishers
	512240 - Sound recording studios
	512250 - Record Production and Distribution
	512290 - Other Sound Recording Industries
	515111 - Radio Networks
	515112 - Radio Stations
	611513 - Apprenticeship Training
	611610 - Fine arts schools
	711110 - Theater companies and dinner theaters
	711130 - Musical groups and artists
	711310 - Promoters of performing arts, sports, and similar events with facilities
	711320 - Promoters of performing arts, sports, and similar events without facilities
	711410 - Agents and managers for artists, athletes, entertainers, and other public figures
	711510 - Independent artists, writers, and performers
	722410 - Drinking places (alcoholic beverages)
	813910 - Business, professional, labor, political, and similar organizations
813110 - Religious Organizations	