

# Service bulletin

## Sound Recording and Music Publishing



2008

### Highlights

Combined operating revenues for the Canadian Sound Recording Industry totalled \$887.3 million in 2008. The largest industry group, record production and integrated record production and distribution, accounted for about 70% of the total, followed by music publishing at 16%, recording studios at 13% and finally, all other sound recording industries at 1%.

#### Record production and integrated record production and distribution

- Despite a decline in revenues, profitability for the record production and integrated record production and distribution industry grew for the second consecutive year. Operating revenue fell from \$673.7 million in 2007 to \$619.4 million in 2008. However, businesses managed to reduce their operating expenses by 9.7% to \$538.2 million. This helped push the operating profit margin to 13.1% in 2008, up from 11.4% the previous year.
- Ontario firms accounted for 81% of national operating revenues, followed by Quebec firms at 16%.
- Cost of goods sold accounted for the largest industry operating expense at 32%, followed by royalties, rights and licensing fees at 27% and salaries, wages and benefits at 14%.
- Foreign controlled firms continued to generate the bulk of industry operating revenues (71%) and expenditures (68%) in 2008. Operating revenues for foreign controlled firms fell by roughly 11% from 2007 to \$427.3 million. Canadian controlled firms generated \$177 million in operating revenues, which was relatively unchanged from the previous year.

#### Music publishing

- Profit margins declined in the music publishing industry even though revenues increased. Operating revenue increased from \$122.9 million in 2007 to \$141.7 million in 2008, while operating expenditures rose from \$109.2 million in 2007 to \$131.4 million in 2008. As a result, the industry operating profit margin dropped from 11.1% in 2007 to 7.3% in 2008.
- Royalties, rights and licensing fees accounted for about half of total industry operating expenses, followed by salaries, wages and benefits at 18%.

#### Sound recording studios

- Sound recording studios generated \$118.3 million in operating revenues, a 12.8% increase from the previous year. However, industry operating expenditures rose even further (up 15%) to \$102.3 million in 2008, resulting in a slight decrease in the profit margin, at 13.6% in 2008, down from 15.2% in 2007.
- Salaries, wages and benefits accounted for the largest portion of total industry operating expenses at 33%, followed by cost of goods sold at 11%.

## Statistical tables

Table 1

Summary statistics for the record production and integrated record production and distribution industry, by province and region, 2006 to 2008<sup>4</sup>

	Operating revenue	Salaries, wages and benefits	Operating expenses	Operating profit margin	Statistical establishments
	thousands of dollars			percent	number
<b>2008 P</b>					
Atlantic provinces <sup>1</sup>	934	122	817	12.6	16
Quebec	97,398	11,083	90,681	6.9	182
Ontario	499,391	60,210	425,596	14.8	152
Prairie provinces <sup>2</sup>	4,819	1,498	4,745	1.5	28
British Columbia and Territories <sup>3</sup>	16,901	2,021	16,338	3.3	47
<b>Canada</b>	<b>619,444</b>	<b>74,934</b>	<b>538,177</b>	<b>13.1</b>	<b>425</b>
<b>2007 r</b>					
Atlantic provinces <sup>1</sup>	1,984	222	1,843	7.1	20
Quebec	110,925	13,009	103,623	6.6	171
Ontario	533,544	68,510	460,334	13.7	136
Prairie provinces <sup>2</sup>	6,042	1,511	5,431	10.1	26
British Columbia and Territories <sup>3</sup>	21,154	3,125	25,389	-20.0	46
<b>Canada</b>	<b>673,651</b>	<b>86,377</b>	<b>596,621</b>	<b>11.4</b>	<b>399</b>
<b>2006 r</b>					
Atlantic provinces <sup>1</sup>	878	180	912	-3.9	11
Quebec	88,494	10,115	80,515	9.0	152
Ontario	572,622	80,776	535,434	6.5	100
Prairie provinces <sup>2</sup>	4,392	1,637	4,550	-3.6	13
British Columbia and Territories <sup>3</sup>	44,330	1,990	21,349	51.8	44
<b>Canada</b>	<b>710,715</b>	<b>94,698</b>	<b>642,761</b>	<b>9.6</b>	<b>320</b>

1. Atlantic provinces include: Newfoundland and Labrador, Prince Edward Island, Nova Scotia, and New Brunswick.

2. Prairie provinces include: Manitoba, Saskatchewan and Alberta.

3. Territories include: Yukon, Northwest Territories and Nunavut.

4. Starting with the 2006 annual data release, the methodology used to generate provincial data estimates was modified to enhance the quality of these estimates. As a result, provincial data for 2006 and subsequent years, are not comparable to provincial data released prior to 2006.

**Note(s):** Due to rounding, components may not add to total. Based on the North American Industry Classification System (NAICS) and includes all establishments classified under 512210 record production and 512220 integrated record production and distribution.

Table 2

Summary statistics for the music publishing industry, Canada, 2006 to 2008

	Operating revenue	Salaries, wages and benefits	Operating expenses	Operating profit margin	Statistical establishments
	thousands of dollars			percent	number
2008 P	141,742	21,964	131,444	7.3	414
2007 r	122,903	22,015	109,214	11.1	339
2006	124,288	20,311	111,782	10.1	230

**Note(s):** Due to rounding, components may not add to total. Based on the North American Industry Classification System (NAICS) and includes all establishments classified under 512230, music publishers.

**Table 3**  
**Summary statistics for the sound recording studio industry, by province and region 2006 to 2008**

	Operating revenue	Salaries, wages and benefits	Operating expenses	Operating profit margin	Statistical establishments
	thousands of dollars			percent	number
<b>2008 p</b>					
Atlantic provinces <sup>1</sup>	1,943	344	1,659	14.6	29
Quebec	31,380	5,172	25,719	18.0	213
Ontario	48,170	9,918	43,107	10.5	325
Prairie provinces <sup>2</sup>	7,683	1,895	6,519	15.1	76
British Columbia and Territories <sup>3</sup>	29,137	6,737	25,247	13.4	130
<b>Canada</b>	<b>118,313</b>	<b>24,065</b>	<b>102,251</b>	<b>13.6</b>	<b>773</b>
<b>2007</b>					
Atlantic provinces <sup>1</sup>	3,205	427	2,861	10.7	30
Quebec	22,744	4,313	19,418	14.6	176
Ontario	42,120	8,374	34,537	18.0	300
Prairie provinces <sup>2</sup>	6,217	1,133	5,230	15.9	75
British Columbia and Territories <sup>3</sup>	30,616	5,844	26,896	12.2	110
<b>Canada</b>	<b>104,902</b>	<b>20,092</b>	<b>88,942</b>	<b>15.2</b>	<b>691</b>
<b>2006</b>					
Atlantic provinces <sup>1</sup>	2,281	676	2,011	11.8	26
Quebec	21,199	5,076	18,355	13.4	161
Ontario	34,487	7,293	29,557	14.3	236
Prairie provinces <sup>2</sup>	5,729	1,450	5,188	9.4	64
British Columbia and Territories <sup>3</sup>	19,231	4,406	17,461	9.2	100
<b>Canada</b>	<b>82,927</b>	<b>18,901</b>	<b>72,572</b>	<b>12.5</b>	<b>587</b>

1. Atlantic provinces include: Newfoundland and Labrador, Prince Edward Island, Nova Scotia, and New Brunswick.

2. Prairie provinces include: Manitoba, Saskatchewan and Alberta

3. Territories include: Yukon, Northwest Territories and Nunavut.

**Note(s):** Due to rounding, components may not add to total. Based on the North American Industry Classification System (NAICS) and includes all establishments classified under 512240 sound recording studios.

**Table 4**  
**Summary statistics for other sound recording industries, Canada 2006 to 2008**

	Operating revenue	Salaries, wages and benefits	Operating expenses	Operating profit margin	Statistical establishments
	thousands of dollars			percent	number
2008	7,801	2,492	6,645	14.8	61
2007	6,100	1,524	4,463	26.8	53
2006	4,595	1,424	3,729	18.9	49

**Note(s):** Due to rounding, components may not add to total. Based on the North American Industry Classification System (NAICS) and includes all establishments classified under 512290 other sound recording industries.

**Table 5**  
**Operating expenses for the record production and integrated record production and distribution industry,**  
**Canada, 2007 and 2008**

	2008 <sup>P</sup>	2007 <sup>r</sup>
	percent	
<b>Industry expenditures</b>		
Salaries, wages and benefits	14.0	14.5
Commissions paid to non-employees	0.4	0.4
Professional and business services fees	2.8	2.2
Subcontract expenses	0.8	2.1
Charges for services provided by Head Office	x	x
Cost of goods sold	32.4	27.0
Office supplies	0.5	0.6
Rental and leasing	1.6	1.3
Repair and maintenance	0.6	0.4
Insurance	0.2	0.2
Advertising, marketing and promotions	8.3	8.7
Travel, meals and entertainment	1.4	1.5
Utilities and telecommunications expenses	0.8	0.6
Property and business taxes, licences and permits	0.3	0.3
Royalties, rights, licensing and franchise fees	27.0	30.6
Delivery, warehousing, postage and courier	2.7	2.7
Financial services fees	x	x
Amortization and depreciation of tangible and intangible assets	1.2	1.1
Bad debts	0.6	0.5
All other expenses	2.5	3.2
<b>Total operating expenses <sup>1</sup></b>	<b>100.0</b>	<b>100.0</b>

1. Total operating expenses exclude write-offs, capital losses, extraordinary losses, interest on borrowing, and other non-recurring items.

**Note(s):** Due to rounding, components may not add to total. Based on the North American Industry Classification System (NAICS) and includes all establishments classified under 512210 record production and 512220 integrated record production and distribution. The smallest firms, in terms of revenues earned, are not included in these estimates. These firms account for a relatively small portion of total industry revenues.

**Table 6**  
**Operating expenses for the music publishing industry, Canada, 2007 and 2008**

	2008 <sup>p</sup>	2007 <sup>r</sup>
	percent	
<b>Industry expenditures</b>		
Salaries, wages and benefits	18.2	20.1
Commissions paid to non-employees	2.3	3.1
Professional and business services fees	7.0	3.7
Subcontract expenses	x	4.9
Charges for services provided by Head Office	x	x
Cost of goods sold	x	x
Office supplies	0.9	1.0
Rental and leasing	1.2	1.9
Repair and maintenance	1.5	0.6
Insurance	x	x
Advertising, marketing and promotions	x	x
Travel, meals and entertainment	2.2	3.1
Utilities and telecommunications expenses	0.4	0.3
Property and business taxes, licences and permits	x	x
Royalties, rights, licensing and franchise fees	49.6	47.7
Delivery, warehousing, postage and courier	x	x
Financial services fees	x	x
Amortization and depreciation of tangible and intangible assets	4.3	5.2
Bad debts	x	x
All other expenses	5.8	3.9
<b>Total operating expenses <sup>1</sup></b>	<b>100.0</b>	<b>100.0</b>

1. Total operating expenses exclude write-offs, capital losses, extraordinary losses, interest on borrowing, and other non-recurring items.

**Note(s):** Due to rounding, components may not add to total. Based on the North American Industry Classification System (NAICS) and includes all establishments classified under 512230, music publishers. The smallest firms, in terms of revenues earned, are not included in these estimates. These firms account for a relatively small portion of total industry revenues.

**Table 7**  
**Operating expenses for the sound recording studio industry, Canada, 2007 and 2008**

	2008 <sup>p</sup>	2007 <sup>r</sup>
	percent	
<b>Industry expenditures</b>		
Salaries, wages and benefits	32.9	25.4
Commissions paid to non-employees	x	x
Professional and business services fees	5.2	2.7
Subcontract expenses	10.2	13.8
Charges for services provided by Head Office	x	x
Cost of goods sold	11.4	17.1
Office supplies	3.0	2.6
Rental and leasing	8.8	11.1
Repair and maintenance	3.2	2.2
Insurance	1.1	1.2
Advertising, marketing and promotions	1.9	2.6
Travel, meals and entertainment	3.1	2.5
Utilities and telecommunications expenses	2.2	2.4
Property and business taxes, licences and permits	0.9	1.0
Royalties, rights, licensing and franchise fees	x	x
Delivery, warehousing, postage and courier	x	x
Financial services fees	x	x
Amortization and depreciation of tangible and intangible assets	8.3	6.9
Bad debts	x	x
All other expenses	4.8	4.8
<b>Total operating expenses <sup>1</sup></b>	<b>100.0</b>	<b>100.0</b>

1. Total operating expenses exclude write-offs, capital losses, extraordinary losses, interest on borrowing, and other non-recurring items.

**Note(s):** Due to rounding, components may not add to total. Based on the North American Industry Classification System (NAICS) and includes all establishments classified under 512240. The smallest firms, in terms of revenues earned, are not included in these estimates. These firms account for a relatively small portion of total industry revenues.

**Table 8**  
**Operating expenses for other sound recording industries, Canada, 2007 and 2008**

	2008 <sup>p</sup>	2007 <sup>r</sup>
	percent	
<b>Industry expenditures</b>		
Salaries, wages and benefits	41.4	39.7
Commissions paid to non-employees	x	x
Professional and business services fees	4.6	3.0
Subcontract expenses	x	7.9
Charges for services provided by Head Office	0.0	0.0
Cost of goods sold	x	x
Office supplies	2.4	2.4
Rental and leasing	7.9	6.4
Repair and maintenance	2.9	1.6
Insurance	x	x
Advertising, marketing and promotions	x	x
Travel, meals and entertainment	3.1	3.1
Utilities and telecommunications expenses	1.8	2.3
Property and business taxes, licences and permits	x	x
Royalties, rights, licensing and franchise fees	x	x
Delivery, warehousing, postage and courier	0.8	0.8
Financial services fees	0.7	0.3
Amortization and depreciation of tangible and intangible assets	7.2	5.8
Bad debts	x	x
All other expenses	14.2	18.8
<b>Total operating expenses <sup>1</sup></b>	<b>100.0</b>	<b>100.0</b>

1. Total operating expenses exclude write-offs, capital losses, extraordinary losses, interest on borrowing, and other non-recurring items.

**Note(s):** Due to rounding, components may not add to total. Based on the North American Industry Classification System (NAICS) and includes all establishments classified under 512290. The smallest firms, in terms of revenues earned, are not included in these estimates. These firms account for a relatively small portion of total industry revenues.

Table 9

**Profile of the Canadian-controlled and foreign-controlled record production and integrated record production and distribution industry, Canada, 2006 to 2008**

	Canadian-controlled			Foreign-controlled		
	2008 <sup>p</sup>	2007 <sup>r</sup>	2006 <sup>r</sup>	2008 <sup>p</sup>	2007 <sup>r</sup>	2006 <sup>r</sup>
	number					
<b>Statistical establishments</b>	121	111	64	5	7	6
<b>Number of new releases</b>						
Recordings by Canadian artists	..	464	..	..	104	..
Recordings by non-Canadian artists	..	355	..	..	3,558	..
<b>Total</b>	..	<b>819</b>	..	..	<b>3,662</b>	..
	thousands of dollars					
<b>Operating Revenue</b>						
Sales of recordings by Canadian artists	..	68,017	..	..	40,317	..
Sales of recordings by non-Canadian artists	..	63,642	..	..	317,294	..
Revenue from royalties and rights	..	10,424	x	..	29,772	x
All other operating revenue	..	35,652	..	..	93,705	..
<b>Total operating revenue</b>	<b>177,150</b>	<b>177,735</b>	<b>143,234</b>	<b>427,303</b>	<b>481,088</b>	<b>545,807</b>
<b>Operating Expenses</b>						
Cost of goods sold	56,987	54,130	x	112,810	102,763	x
Royalties, rights, licensing and franchise fees	21,210	22,416	x	120,494	155,849	x
Salaries, benefits and freelance fees	25,425	25,649	19,335	47,958	58,573	71,416
All other operating expenses	63,253	66,362	x	76,277	96,314	x
<b>Total operating expenses</b>	<b>166,875</b>	<b>168,557</b>	<b>137,080</b>	<b>357,539</b>	<b>413,499</b>	<b>484,419</b>
<b>Operating profit</b>	<b>10,275</b>	<b>9,179</b>	<b>6,154</b>	<b>69,764</b>	<b>67,589</b>	<b>61,388</b>
	percent					
<b>Operating profit margin</b>	<b>5.8</b>	<b>5.2</b>	<b>4.3</b>	<b>16.3</b>	<b>14.0</b>	<b>11.2</b>

**Note(s):** Due to rounding, components may not add to total. Based on the North American Industry Classification System (NAICS) and includes all establishments classified under 512210 record production and 512220 integrated record production and distribution. The smallest firms, in terms of revenues earned, are not included in these estimates. These firms account for a relatively small portion of total industry revenues.

## Data sources, definitions and methodology

This survey collects the financial and operating data needed to produce statistics on the Sound Recording and Music Publishing Industry in Canada.

### Description

This annual sample survey collects data required to produce economic statistics for the Sound Recording and Music Publishing Industry in Canada.

Data collected from businesses are aggregated with information from other sources to produce official estimates of national and provincial economic production for this industry.

Survey estimates are made available to businesses, governments, investors, associations, and the public. The data are used to monitor industry growth, measure performance, and make comparisons to other data sources to better understand this industry.



## Target population

The target population consists of all statistical establishments (sometimes referred to as firms or units) classified to the Sound Recording Industries (5122) according to the North American Industry Classification System (NAICS) during the reference year.

## Definitions

**Operating revenue** excludes investment income, capital gains, extraordinary gains and other non-recurring items.

**Operating expenses** exclude write-offs, capital losses, extraordinary losses, interest on borrowing, and other non-recurring items.

**Operating profit margin** is derived as follows: operating revenue minus operating expenses, expressed as a percentage of operating revenue. The derived figure excludes corporation income tax paid by incorporated businesses and individual income tax paid by unincorporated businesses. For unincorporated businesses, operating profit margin includes unpaid remuneration to partners and proprietors, which is not recorded as salaries, wages and benefits. Therefore the profit estimate will be higher in industries where unincorporated proprietorships and partnerships are significant contributors.

**Salaries, wages and benefits** include vacation pay and commissions for all employees for whom a T4 slip was completed. This category also includes the employer portion of employee benefits for items such as Canada/Quebec Pension Plan or Employment Insurance premiums. Salaries and wages do not include working owners' dividends nor do they include the remuneration of owners of unincorporated business. Therefore the relative level of salaries, wages and benefits will be lower in industries where unincorporated businesses are significant contributors.

An active **statistical establishment** is one production entity or the smallest grouping of production entities which produces as homogeneous a set of goods and/or services as possible; which does not cross provincial boundaries; and for which records provide data on the value of output together with the cost of principal intermediate inputs used and cost and quantity of labour resources used to produce the output.

## Sampling

This is a sample survey with a cross-sectional design.

The survey design was based on probability sampling and only covered the portion of the frame subject to direct data collection.

The basic objective of the survey is to produce estimates for the whole industry for incorporated and unincorporated businesses. The data come from two different sources: a sample of all businesses with revenue above or equal to a certain threshold and administrative data for businesses with revenue below the threshold, which are excluded from sampling. The excluded portion represents a substantial proportion of the industry in terms of number of establishments, but its contribution to the overall industry revenue is only about 5%. It should be noted that for this excluded portion, only certain financial information is obtained from administrative sources; e.g., total revenue, expenses such as depreciation and salaries, wages and benefits. (Note: the threshold varies between industries and between provinces in the same survey.) For this reference year, only revenue and expense variables are being produced. Questionnaires are only being sent to a subset of businesses with complex operational structures. The remaining businesses will be estimated using administrative data only.

The frame is the list of establishments from which the portion eligible for sampling is determined and the sample is taken. The frame provides basic information about each firm including: address, industry classification and other administrative information. The frame is referred to as the Business Register and is updated regularly using administrative data.

Prior to the selection of a random sample, establishments are classified into homogeneous groups (i.e., groups with the same industry, same geography (province/territory)). Quality requirements are targeted, and then each group is divided into sub-groups called strata: take-all, must-take, and take-some.

The take-all stratum represents the largest firms in terms of performance (based on revenue). The must-take stratum is comprised of units selected on the basis of complex structure characteristics (multi-establishment, multi-legal, multi-NAICS, or multi-province enterprises). All take-all and must-take firms are selected to the sample. Units in the take-some strata are subject to simple random sampling.

The sample size for the 2008 Sound Recording and Music Publishing survey was 413 collection entities.

### **Quality evaluation**

Prior to dissemination, combined survey results are analyzed for comparability. In general, this includes a detailed review of individual responses (especially for the largest companies), general economic conditions, historic trends, and comparisons with other data sources.

### **Disclosure control**

Statistics Canada is prohibited by law from releasing any data that would divulge information obtained under the Statistics Act that relates to any identifiable person, business or organization without the prior knowledge or the consent in writing of that person, business or organization. Various confidentiality rules are applied to all data that are released or published to prevent the publication or disclosure of any information deemed confidential. If necessary, data are suppressed to prevent direct or residual disclosure of identifiable data.

### **Data accuracy**

Of the units contributing to the estimate, the weighted response rate was 82.2%. CVs were calculated for each estimate and are available upon request.

### **Related products**

#### **CANSIM**

Available on CANSIM: table 361-0005 - Sound recording and music publishing, summary statistics, by North American Industry Classification System (NAICS), annual

#### **Survey(s)**

Definitions, data sources and methods: survey number 3115 - Annual Survey of Service Industries: Sound Recording and Music Publishing

#### **Publications**

Service Industries Newsletter, Catalogue no. 63-018-X.

Analytical paper series - Service Industries Division, Catalogue no. 63F0002X.

Release date: March 2010

### Symbols

The following standard symbols are used in Statistics Canada publications:

.	not available for any reference period
..	not available for a specific reference period
...	not applicable
0	true zero or a value rounded to zero
0 <sup>s</sup>	value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
P	preliminary
r	revised
x	suppressed to meet the confidentiality requirements of the <i>Statistics Act</i>
E	use with caution
F	too unreliable to be published

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