A Study of How Concerts Can Be Used to Promote Economic Growth

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Abstract. With The Era’s Tour becoming more and more popular, it seems that concerts are being paid more and more attention than ever. However, their economic potentials are extremely under-discovered. This article will discuss how powerful and effective concerts are for economic growth. This article will discuss the topic from the different economical aspects a concert possesses, including how profitable they are, how the profitability will affect economic growth, and how the government can make good use of the profitability. The article finds out that concerts can be very helpful when it comes to economic growth because they can increase consumer spending. Concerts can also promote growth in other industries like tourism because for some people, they may have the need to travel for a concert. The government should make good use of concerts to promote economic growth by inviting and helping artists touring and supervising all aspects of touring, especially the pricing of the tickets and the security.

1 Introduction

Music is an important part of people’s life, and they can be surprising helpers to economic growth as well. For example, the success of Korean pop (KPOP) music boosted South Korea’s economy by a lot [1].

Table 1. Percentage increase in the number of people in areas regarding South Korea [1]

<table>
<thead>
<tr>
<th>Visiting South Korea</th>
<th>China</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience Culture</td>
<td>65.50%</td>
<td>29.60%</td>
</tr>
<tr>
<td>Learn Korean</td>
<td>53.30%</td>
<td>21%</td>
</tr>
<tr>
<td>Learn Taekwondo</td>
<td>51.70%</td>
<td>8.60%</td>
</tr>
</tbody>
</table>

Table 1 above shows the large percentage increase in the number of people getting to know South Korea from its two biggest neighbours, especially China. This dramatic increase can be largely attributed to KPOP because the majority of the people who visit South Korea is to attend concerts and experience live performances with their idols [1]. Live music and concerts have become the new way for artists to make money, replacing the traditional way of album sales [2]. Artists are more willing to go on tour and perform in front of hundreds of thousands of fans [2]. Concerts are becoming more popular because participants can gain happiness, authenticity, and a better understanding of the music from the artist’s performance.

About one year ago, arguably one of the biggest popstars ever appeared in history, Taylor Swift, started her tour, The Eras Tour, marked the end of her 5-year time of no touring. Starting in Glendale, Arizona, Taylor Swift toured throughout United States, visiting 15 states, and continued to tour overseas. She finished all the tours in North and South America in 2023. As 2024 started, she began the rest of her tour. She has finished touring in Japan, Australia, and is currently touring in Singapore.

The tour is really a phenomena. It has a huge effect on people throughout the world. Her tickets were sold out in seconds. So many people tried to buy the tickets that it left multiple ticketing websites paralyzed. Additionally, the tour also made her more popular than she already is. Some of her old songs regained popularity, re-entered all kinds of charts, and made Taylor’s legacy seem even greater. The best example of this is Cruel Summer from her 2020 album Lover, which even topped Billboard Top 100 charts after 3 years from publication. However, the impact of her tour is far beyond just these. It also has an enormous impact on the economy. The Eras Tour is expected to generate consumer spending of around 5 billion dollars in just America. Every 100 dollar spent on live performances by Taylor Swift is estimated to generate 300 dollars in local spending like hotels and transportation. The economic growth produced by Taylor Swift and the Eras Tour would be more powerful than some countries’ GDP. However, this is still just a tip of the iceberg of the economic impact brought by Taylor Swift and The Eras Tour.

Indeed, not just The Eras Tour, concerts from different artists actually have a big impact on the economy. They all promote the economy from different aspects, and this is what this article will be discussing about. This article is going to talk about the effect of concerts will have on the economy and how concerts can cause economic growth. This article will discuss this problem by analyzing how
different aspects of touring can affect the economy. This article will discover this topic from three different points of view. The first is about concert itself, how it is composed of and how artists make money from it. 

The second is how concerts can promote economic growth from different aspects of an economy. The last is how government, or the entertainment industry, should make use of concerts to promote economic growth and recover the entertainment industry that has been declining mainly due to COVID-19.

2 The economic aspects of a concert

To understand how concerts can affect the economy, first, the economic side of concerts need to be understood. It is not just a means of making money for the artists and bringing joy to the fans. They contain a lot of different aspects that shows economics and provide different ways for money to flow.

The most crystal-clear economic side of a concert is the ticket sale. People buy tickets to attend the concert, and the ticket sales will be distributed with pre-agreed terms between a lot of different parties including the artist himself, the artist’s team, the ticketing websites and so on. The amount of ticket sales is really something that is depended on consumers. In the end, they are the ones that are paying for the tickets and spending the money. Prior studies have already explored the trend on the pricing strategy for concert tickets [2]. They found out that higher prices can offset the decline in revenue caused by the dropping album sales [2].

Another economic side of concerts is their merchandise sales. They are often used to attract the superfans to consume because they are more likely to cheer and make a closer connection with the artist. Merchandises play a very important role for an artist in terms of sales revenue and that superfan is in front of their fans [3]. By buying or wearing the merchandise, those superfans will feel like that they are supporting their idols, pulling them closer to their idols, and having a better and more-involved concert experience. By saying this, it means that merchandises like hoodies and T-shirts are popular than CDs and vinyl because the superfans can actually wear the hoodies or T-shirts while they cannot really do anything with CDs and vinyl. Physical albums only take up about 3% of sales. They have turned from the king of music sales to mere merchandises, which really are not very important [3].

A third economic aspect of concerts are the sponsors. They are extremely important because they are the ones make sure that the artists would not have to spend a lot of money themselves and can still let the concerts run smoothly. They provide money or other supports to the artist and in return, they will get attention and popularity, which in turn may turn into more consumers for themselves because those audiences who attend concerts may find their products good, reliable and attractive, and may come to buy their products for their own usage. Thus, in essence, cooperation with a sponsor is something that is really mutually beneficial. However, even with this being said, sponsorships is not a thing that is fully understood. There is an abundant amount of studies that focus on marketing based on sponsorship-linking but the amount of studies that focus on marketing management of the sponsorship process is lacking [4].

The last economic aspect of concerts are the royalty fees. This is a bit different from the previous aspects because it is not about the artist himself or herself making money from his or her own concert; it is about the artist making money from others throwing their own concerts. If other artists want to cover an artist’s song, they have to pay that artist a certain amount of money. Without this fee, the original artist may accuse the other artist for piracy, which may lead to court cases, allegations, and fines, which really is not something very nice and not a lot of people want this to happen.

3 The impact on specific economic aspects

After the economic side of concerts are understood, it is a lot easier to understand how concerts make money and promote economic growth. They do not just simply become income for artists and a lot of other people related. It also connects to other industries and businesses. This would promote their growth as well. In all, concerts really promotes the economy as a whole and from all aspects.

One of the clearest way of concerts promoting economic growth is that it stimulates consumption. In essence, concerts are consumables. People cannot spend the money for concerts for once and keep going to different concerts. They have to pay for every single time they go to a concert. Thus, for those who really love music or really love to go to attend concerts, they are actually paying a large amount of money to go to concerts, no matter whether it is for the same artist or different artists, no matter whether it is for once or a lot of times. Additionally, there are many people who attend concerts but they also spend money on other things as well, such as foods, drinks, merchandise and so on. Again, if people attend more concerts, they may buy more merchandise and other things. The consumption for all kinds of goods will increase very quickly. Additionally, the money the fans spent goes to the local business and local people and then keeps circulating within the local communities. This increases the purchasing power of a lot of people and businesses in the communities. Along with the multiplier effect, consumer spending increases by even more. This will increase a country’s GDP in a fast, efficient, and ferocious fashion. For example, as mentioned before that The Eras Tour is estimated to generate 5 billion dollars in consumer spending, which is powerful fuel for GDP growth. This number is very shocking and proves how successful The Eras Tour is.

A second industry that can be promoted by concerts is tourism. When an artist tours, he or she cannot promise to visit every single city in a state or a country. Thus, for those people who normally live in cities that are not on the tour, they have a choice to make: whether to follow their idols to a different city and enjoy a concert but or stay in their own city and miss out on a concert. If they choose the prior, then they would have to spend a lot of money. That money does not just contain the ticket fees, it also contains
travelling fee, like hotel, plane and transportation fee. This can boost the growth of tourism by a large amount. If the artist is super famous and has a lot of fans, tourism can be boosted even more because more people will be spending that a lot of money on travelling. The Eras Tour in Cincinnati, Ohio is a great example of this. After two-nights’ performance in Cincinnati, the region’s travel and tourism board reported that the concerts brought 90 million dollars of revenue to the greater Cincinnati area. Each concert had 60,000 attendants. Many of them travelled to Cincinnati for the concert. The hotels had a recording-breaking of almost full occupancy. The visitor’s bureau estimated that the two concerts were responsible for the 7.9 million added hotel revenue. A study published in 2022 discussed the impact concerts had on Latvia’s economy. The following tables showed the impact per non-resident could have on tourism.

Table 2. Average spendings excluding ticket for a non-resident to attend a concert [5]

<table>
<thead>
<tr>
<th>Venue</th>
<th>Average Spending in Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cesis</td>
<td>13.9</td>
</tr>
<tr>
<td>Rezepikne</td>
<td>13.15</td>
</tr>
<tr>
<td>Liepaja</td>
<td>15.25</td>
</tr>
</tbody>
</table>

Table 3. Average spending for each type of expense for a non-resident to attend a concert in Euros [5]

<table>
<thead>
<tr>
<th>Expense Type</th>
<th>Cesis</th>
<th>Rezekne</th>
<th>Liepaja</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td>3.07</td>
<td>5.29</td>
<td>4.25</td>
</tr>
<tr>
<td>Lodging</td>
<td>0.32</td>
<td>1.27</td>
<td>2.95</td>
</tr>
<tr>
<td>Café</td>
<td>8.47</td>
<td>5.69</td>
<td>6.34</td>
</tr>
<tr>
<td>Other Spendings</td>
<td>2.04</td>
<td>1.09</td>
<td>1.71</td>
</tr>
</tbody>
</table>

In the tables showed above, Table 2 shows the average amount of money a non-resident has to spend to attend the concert, while Table 3 shows the details for each of the category that makes up the average spending. From these two tables, we can see that food and transportation take up most of the expenses. They also shows how powerful concerts will be for tourism growth, since per concert has an average attendee of over 5000 and there are multiple concerts. The study, in the end, concluded that regional tourism to local concerts in Latvia had generated around 1 million euros in revenue for the country [5]. If there are fans who are foreigners and are still willing to attend concerts that can boost tourism furthermore because international plane tickets tend to be a lot more expensive than domestic ones.

4 Take advantage of these concerts and opportunities

Since the profitability of concerts is understood, it now can be discussed about how governments can make good use of concerts to promote economic growth and recover both the entertainment industry and the country’s economy. The power of concerts on economic growth is very big and powerful. However, if the government does not make good use of it, or does not even pay enough attention on them, the government is actually wasting good and easy-to-obtain resources that can promote economic growth.

The first way government can make use of concerts is to open the concert market and attract artists to start touring. Due to social distancing and other restrictions brought by COVID-19, for a long time, it was dead silent for the concert market. Artists refrained from touring. Even if they had chosen to tour, the government probably would not have agreed due to COVID policies. This really hit the live music industry heavily in ways nobody expected [6]. Granted, this brought huge popularity and success to virtue concerts [7]. However, as time passes, the impact of COVID has decreased exponentially. The regulations for COVID do not really apply to the world now. It is safe now to throw big concerts with thousands of people staying together. There are almost no risk of COVID spreading. Additionally, the sudden interruption of concerts caused by COVID-19 made people appreciate and love live music even more than before [8]. Thus, artists should not be afraid to throw concerts, and so should not the government. The government should encourage artists to start touring in cities. They can do this by providing subsidies to the artists and their team, providing the artists with the resources they need for throwing a concert, helping the artist to find sponsors and so on. The government should take active role and show their enthusiasm and courtesy on inviting artists to tour in their city.

Secondly, the government can participate in the supervision of the concert. Concerts are very big events. Without supervision, they cannot run smoothly. They are going to encounter problems, which stops the concert from being thrown without a lot of obstacles. Those problems not only makes the artists not happy, which will make them not wanting to tour in that city again, it also makes the
audience not happy as well. The audiences may go online and start to express their anger on the concert, which is something that is definitely better not to happen. There are many aspects of supervision the government can take part in. The first is the ticket price. If an artist sets the price to be too high, it will make it less attractive for people to buy, which will in turn decrease the total amount of consumer spending. Additionally, if the ticket price is too high, consumers can only to go to one concert instead of multiple concerts, which still decreases the consumer spending. This will decrease the total amount of consumer spending as well. If the government wants to promote economic growth, they have to increase GDP. To accomplish which, increase consumer spending is the easiest and most effective way of doing so. Thus, if government wants to promote economic growth, they must supervise the price setting of the tickets. They must demand the artist to drop the price if the price is too high. Additionally, apart from the first-hand ticket price set by the artist himself or herself, the government can also regulate the price of resale tickets. Resale tickets are actually quite popular because first-hand tickets are so hard to get since there are probably millions of people fighting for them. However, some resale ticket agency may increase the price of resale tickets by a lot for excess profit-making. A 2016 report studied six ticket brokers and found out that they raised the price of the tickets by almost half of its price on average, ranging from 15% to almost 120% [9]. This action is not only selfish of the resale ticketing agency, it also breaks the market balance between the price and sales of first-hand and second-hand tickets. Government should pay attention to this because second-hand ticket sales are still a part of the consumer spending, which is very important for GDP growth. Another aspect of supervision that the government can take part in is security. Obviously concerts cannot work out safely without very strict safety being implemented because both the artists and the audience might get very energetic and their actions may become more and more uncontrolled. Under this circumstance, accidents may appear. Accidents might even get bigger if more people are involved within it. Thus, securities are absolutely necessary. Without securities, there might be accidents and dangerous events happen and cause a lot of damage. The best example of this is the 2021 Astroworld Festival. At least eight people died with more injuries happened due to a crowd surge. Panic immediately broke out. Even people were taken to hospital due to cardiac arrest. The youngest person who died was only 10 years old. This tragedy happened because of the lack of security to stop the crowd from rushing the stage. This really shows how important securities are for concerts. In turn, the government can take part in this by providing governmental securities for the concert or help hiring dependable securities for the artist. In this way, the security problem will be solved. However, sadly, there are some countries in the world right now has a very vague idea on how to do such supervision. In those countries, modern civil law has failed to study the level and legal characteristics of concert supervision [10]. Those countries should focus on fixing this question [10].

5 Conclusion

This articles discovers the extreme close and exploitable relationship between concerts and economic growth. The ticket sales of a concert is a large part how the economical concerts are because it takes up a big part of consumer spending from the revenue made from the concert. The merchandise sale is also a big part of the concert economy as well, since fans will look at merchandises as a way of supporting the artist and a mean of attending the concert more involvedly. Sponsorships make sure that artists can throw concerts without having to spend too much, and artists will earn money by royalty fees from other artists covering their songs for reasons regarding copyright. There are several ways that concerts can promote economic growth. One of them is that it can stimulate consumption, since people need to buy tickets, merchandises and so on for the concert. The other is that it helps to promote tourism as well because some people need to travel to attend concert. Finally, the government can make good use of concerts to promote the economy by opening the market and attracting attrists to start touring. They can accomplish this by providing subsidies and resources and helping artist prepare for the tour. They also need to take an active role in all kinds of supervision work, especially for the ticket price and for security, for the concert. Supervising ticket prices makes sure the market balance and that people can actually buy the tickets, which will lead to an increase in consumer spending. Supervising security can make sure that accidents do not happen, and even if they happen, it will not lead to very serious consequences. This study is meant for everyone related to the music and entertainment industry to realize the huge economic potential concerts possesses. This study is supposed to serve as a reference to encourage artists to start touring and the government officials in related industries to start pay more attention to concerts. However, this study is limited by the amount of data from different artists’ concerts and related businesses that can be used for analysis. Future studies should effectively utilize the data from future concerts by many different artists and analyze this problem with more depth and data.

References

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