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ECONOMIC ANALYSIS OF MUSIC FESTIVALS IN SPAIN,

they came to stay

TREBALL DE FI DE GRAU

Doble titulació de Grau d'Administració i Direcció d'Empreses i Dret

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Reus

Curs 2019-2020

ECONOMIC ANALYSIS OF MUSIC FESTIVALS IN SPAIN

The current study analyses the economic importance of the music festivals' sector. To achieve that, it is necessary to emphasize the historic evolution of this type of events until the present times, taking into account the influence of the international context, required to open the doors of this sector in our country. Next, an analysis of the current positive situation of the festivals' industry in Spain and its attractiveness is shown (unstoppable rises of the number of events, attendance level and net revenue, once economic crisis of 2008 and increase in cultural VAT were over). Finally, an econometric model is presented in order to determine the factors that have caused this rise of the sector's net income during the last three years and their differences in a regional level. Between the most relevant conclusions of our empiric analysis, we can highlight the attractiveness of the sector, in addition to the young population rate and the income per capita as key factors that determine the net income. According to the econometric forecast, an increase in the net income is expected in a long term. However, a slow drop is predicted until 2024, which can be strengthened owing to the Coronavirus crisis.

Key words: culture economy, music festivals, net revenue

ANÀLISI ECONÒMICA DELS FESTIVALS DE MÚSICA A ESPANYA

El present estudi analitza la importància econòmica del sector dels festivals de música. Per aconseguir-ho, és necessari emfatitzar l'evolució històrica d'aquest tipus d'esdeveniments fins a l'actualitat, tenint en compte la influència del context internacional, necessari per tal d'obrir les portes d'aquest sector en el nostre país. A continuació, es mostra una anàlisi de la positiva situació actual de la indústria dels festivals a Espanya i de l'atractiu del sector (imparables creixements del nombre d'esdeveniments, nivell d'assistència i facturació, una vegada superades la crisi econòmica del 2008 i l'increment de l'IVA cultural). Finalment, es presenta un model economètric per tal de determinar els factors que han causat l'increment de la facturació del sector durant els últims tres anys i les diferències a nivell regional. Entre les conclusions més rellevants de la nostra anàlisi empírica, cal destacar l'atractiu del sector, a més de la taxa de població jove i la renda per càpita com a factors clau determinants de la facturació. D'acord amb el pronòstic economètric realitzat, s'espera un increment de la facturació a llarg termini, tot i que es preveu un breu decreixement fins a l'any 2024, que pot ser potenciat a causa de la crisi del Coronavirus.

Paraules clau: economia de la cultura, festivals de música, facturació

ANÁLISIS ECONÓMICO DE LOS FESTIVALES DE MÚSICA EN ESPAÑA

El presente estudio analiza la importancia económica del sector de los festivales de música. Para conseguirlo, es necesario enfatizar la evolución histórica de este tipo de eventos hasta la actualidad, teniendo en cuenta la influencia del contexto internacional, necesario para abrir las puertas de este sector en nuestro país. A continuación, se muestra un análisis de la positiva situación actual de la industria de los festivales en España y del atractivo del sector (imparables crecimientos del nombre de eventos, nivel de asistencia y facturación, una vez superadas la crisis económica del 2008 y el incremento del IVA cultural). Finalmente, se presenta un modelo econométrico para determinar los factores que han causado este incremento de la facturación del sector durante los últimos tres años y las diferencias a nivel regional. Entre las conclusiones más relevantes de nuestro análisis empírico, es necesario destacar el atractivo del sector, además de la tasa de población joven y la renta per cápita como factores clave determinantes de la facturación. De acuerdo con el pronóstico econométrico realizado, se espera un incremento de la facturación a largo plazo, aunque se prevé una breve disminución hasta el año 2024, que puede ser potenciado debido a la crisis del Coronavirus.

Palabras clave: economía de la cultura, festivales de música, facturación

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PRESENTATION

Finally, it was time to decide what my dissertation was about. As a very hard-working person, I wanted my final project to be useful and to have an impact. But also, I wanted to enjoy while doing my research. This is the reason why, once I had to choose, I closed my eyes and I thought: what do I really like in this life?

At that moment, I remembered: music has always been part of my life. Not only in a professional level (I play the piano since I have memory), but also in my leisure time. I imagine it is because of my dad. He can listen to any type of music and he always enjoys it. Due to his passion, I started to know lots of artists that play very different genres.

I remember my first concert in Barcelona: Madonna was playing in Palau Sant Jordi and I went to see her with both of my parents. After that one, my dad and I kept attending in very different locations in Barcelona where very variated artists played (Simple Plan, We The Kings, The Rolling Stones, etc.).

When I grew up, although I changed some tastes and I preferred some types of music rather than other ones, I kept (and keep) attending to concerts. I do not care to go by myself because, even though I am a quite reserved person, I always make friends, people that come from anywhere to enjoy the same thing as me: an artist, the music.

After concerts, festivals are my second favourite “place” in the world. To attend in a festival is always an experience: a way to find out new music groups, new people; make friends; share some “special” moments; sing and dance until your voice and your legs cannot avoid stopping…

All these facts, all these feelings that are shared not only by me, but by a full community, which has developed a powerful cultural sector in Spain. And this cultural sector has a big impact in the current economy. Since hippy movements in the United States of America, followed by Europe (and specially the United Kingdom), influencing Spain mainly since the Democracy’s introduction, festivals have become more popular with the years. In fact, music industry generated in Spain half point of GDP in 2019 (OBS Business School, 2019).

So, my decision was clear. I wanted my dissertation to be about festivals. I wanted to prove that, behind this atmosphere, the development of this type of events has been very important for the Spanish economy. How is this industry development going? Is it successful nowadays? How had it reacted after the economic crisis? Some other questions that crossed my mind were: why are there more festivals in a region than in another one? Is it related with other cultural factors? Does it depend on the demographic factors of its specific region?

As a business-and-administration-management student, I had some tools that would help me to solve these questions. From more analytical tools learnt in the subjects of Maths and Statistics to more economic instruments such as graphs, models, etc. developed in Macroeconomics, Strategic Management, Principles of Applied Economics, …

Regarding the developed competences during the degree that linked with my dissertation, we can talk about three types:

- In relation to the *specific competences*, the ones that have been used in this project are the following ones: to analyse and interpret quantity and quality information in an economic and social level (A2); and to know about not a specific company or a public institution, but a whole sector (the live music industry), understanding its competitive location and finding out its structural problems (A4 and A7).
- Regarding the *transversal competences*, I applied my critical, logic and creative thought (B3); I tried to solve complex problems in an effective way (B2); I worked in an autonomous way, with responsibility and initiative (B4); and, finally, my aim was to communicate the information in a clear way and make easy to understand the problems and advantages in this sector (B6).
- Finally, in relation to the *nuclear competences*, I preferred to develop my project in the English language (C1), I used the technologies of communication and information to get the needed data in relation to the cultural, economic and demographic factors (C2) and I managed this information and knowledge in order to find out what I needed to develop my project, to do all my calculations and to create an econometrical model (C3).

To sum up, this dissertation pretends to transmit the importance of the cultural sector (specifically, the live music and festival industry) for the Spanish society. The attractiveness of this sector has not stopped increasing since the recovery after the economic crisis of 2008: higher number of this type of events, higher revenues and higher level of attendees. I invite you to immerse yourself in the next pages if you want to find out how these events succeeded in our society and which demographical factors determinate their net revenue.

INTRODUCTION

Economic analysis of music festivals in Spain attempts to show the importance of these events in the current national economy and to consolidate the fact that *they came to stay*. We may initially think that, according to data, cultural sector does not have a big impact in the Spanish economy. In fact, its contribution to the Spanish GDP was “only” 3.2% in 2018, according to the last Yearbook of Cultural Statistics that has been published by the Spanish Government (2019). However, this percentage implies 27,728 million of euros; 690,300 jobs and 122,673 companies whose main activity is culture.

Part of these numbers is achieved due to the music festivals, which also contribute to the phenomenon called “cultural tourism”. In instance, in 2018, the total expenditure related to trips owing to a cultural reason was 7,726.4 million of euros for Spanish residents and 13,341.1 million of euros for international tourists.

Nevertheless, festivals are more than just an economic engine. Every year a higher number of (national and foreign) people attend to Spanish festivals and one of the three main reasons to go is the “experience” (Navas, 2015). The currently “music festival culture”, in which festivals are considered an experience, began to form in 1967, with the Monterey Pop Festival, in the United States. The influence of this country was the key for the following development of these cultural events in Europe and, also, in Spain, where the phenomenon called “festivalisation” (OBS Business School, 2019) consolidated in the beginning of the current century.

Even though the number of Spanish festivals, in addition to the number of attendees and the net revenue, has been increasing in the last years (specifically, since the end of the Great Recession), it is important to specify the fact that this development was not balanced in the whole country. Hence, there were – and there are – some regions where festival sector has a higher importance. For example, from the total net revenue of live music sector in 2018 (€333,897,107.42), more than a quarter belongs to Catalonia (26.167%), followed by Madrid (22.752%). This means the level of net revenue in only two regions is almost half of the total, leaving the other 50% for the remaining fifteen regions and two autonomous cities.

Taking into account the facts that have been exposed, the main aims of this dissertation can be briefly summarised in the following ones:

- To analyse the festivals’ development in an international and national level.
- To evaluate the impact of the Spanish economic crisis that started in 2008 in the festival music industry.
- To study the attractiveness of the sector in the present times.

- To determinate the impact of the demographic and cultural factors on the net revenue of the Spanish music festivals' industry and their different distribution through Spanish regions.

In order to achieve these objectives, the dissertation has been divided in two chapters. In the first place, we will develop the theoretical framework that will help us to study the development of the festivals industry, from its origins (including the initial development in the United States and its influence for Europe and Spain) to the current times, where the role that rock genre had in the initial times has been substituted by the importance of the indie genre and the increase in commercialization. The main tool that has been used in this first chapter was the research in different articles and books. It is important to reference the studies of *A (Brief) 1,000 Year History of Music Festivals* by Patrick Chamberlain in an international level and a group of eight articles written by Xisco García, journalist and musical critic specialized in Spanish rock, that have been published by the Musical Promotors Association (APM), the main representative of the live music industry in Spain.

In the second place, the practical analysis is divided in two parts. The first part corresponds to the analysis of the present situation of Spanish festival industry, the proliferation of festivals, the impact of the economic crisis and the evolution of the cultural VAT. In order to be able to determine the current state of the sector, the data that have been used was obtained from the Yearbooks of APM (2010-2019) and the Yearbooks of Cultural Statistics by Spanish Government (2005-2019). With this information, we generated some graphics and analysed them in a macroeconomic level. In addition to that, we used the Model of 5 forces of Porter, in order to study the attractiveness of the sector in Spain.

Regarding the second part of the practical chapter, we created an econometric model, based in a Cobb-Douglas production function, with the objective to determinate which factors contribute the most to the net revenue of the sector, helping us to reason why the festival industry is more important for the economy of some regions than for other ones. We used monthly data for a period of three years in a regional level. This data was obtained from the same institutions that have been referred previously, in addition to the Spanish National Institute of Statistics (INE).

To provide a better understanding of the practical results, we included, as a final step, an autoregressive model (AR) and an econometric forecast to estimate the future net revenue. The data that has been used, obtained from the previous institutions, was in a national and annual level for a period between 2004 and 2018. All the results have been achieved through the statistical software called *Stata*.

Once the dissertation was almost finished, the Coronavirus crisis impacted in the whole world. In addition to the problems that it supposed in a health and safety level, the Spanish economy was clearly weakened. This negative impact was also reflected in the festival, live music and, in general, cultural sector. It is important to know that all the analysis in the dissertation took in consideration the data until 2018. Therefore, the obtained results are highly favourable in terms of festival development and its prediction for the following years. However, Coronavirus crisis wrecked these positive results.

With the unstable situation, the lack of reliable data and the close period to the presentation date, it was not possible to provide real and certain results and a properly developed analysis with the new data. Consequently, the project does not take into account the scenario of COVID-19 Crisis.

CHAPTER 1. THEORETICAL FRAMEWORK

1. Conceptualization

Andrew Dubber, professor of music industry innovation at Birmingham City University and director at Music Tech Fest (also known as "the festival of music ideas") said: "music is about human beings communicating with other human beings". As he indicated, live music has existed as long as humans have been communicating, that is, since the ancient times.

In this way, 100,000 years ago the first prehistoric performances took place, using mimicking sounds in nature, animal calls or meteorological phenomena (Panagiotopoulos, 2015). However, it is not until the 17th century that "concerts" developed the form in which they are known nowadays. According to the Encyclopaedia Britannica (2020), concert is a "social institution for the public performance of music outside of a religious or dramatic context".

After exposing briefly some general ideas of live music and concerts, the main emphasis of this conceptualization part is focused on the term "festivals", because their study is the final aim of this dissertation. Although an initial idea could be that the term can be easily defined (aggrupation of more than one concert), the fact is that today there is no commonly accepted and precise definition of a festival (Hunyadi, Inkei and Zoltán, 2006), assembling more meanings than not only "music" festivals.

In general terms, the word "festival" showed up for the first time in English language in the middle of the 16th century. It comes from the Latin word *festum* (Falassi, 1987) – which means feast day – and, since the 1980s, there have appeared many detailed definitions, formulated in different scientific disciplines.

Waldemar Cudny (2014) provides a deep analysis of the "festival" concept, concluding the main six elements:

- Social features, such as the fact that festivals consolidate – local and regional – communities;
- Combination of fun (or occurring outside the everyday routine);
- Human culture: "understood here as a complex whole which includes power, beliefs, art, morality, laws, customs and skills, and habits acquired by the members of society";
- Help to build social capital;
- Reinforcement of interpersonal relations;
- Finally, inclusion of some organizational events: "they are one-off or regular events, often organized in public spaces around a certain dominating theme, and they may also contain competitive elements – though not necessarily".

With these characteristics, the author provides his own definition: “a festival is an organized socio-spatial phenomenon that is taking place at a designated time – outside the everyday routine – increasing the overall volume of social capital and celebrating selected elements of tangible and intangible culture”.

Regarding music festivals, Encyclopaedia Britannica (2020) provides the following definition: “usually a series of performances at a particular place and inspired by a unifying theme, such as national music, modern music, or the promotion of a prominent composer’s works. It may also take the form of a competition for performers or composers”.

In 1957, the European Association of Music Festivals defined festival as “a set of artistic manifestations of a higher level than usual programs, which achieves the character of an exceptional ceremony, held in a predetermined place, and which is presented in the intense outbreak that can only last for a short time”. According to this association, this character is achieved due to the high quality of the presented works and their execution, and due to the adaptation of these works to the ambience of the places where they are interpreted. In this way, a special atmosphere is created, in which “the landscape, the spirit of a city, the collective interest of its inhabitants and the cultural tradition contribute”. However, as Grup Enclciopèdia (2020) indicates, nowadays the celebrated festivals do not take into account these criteria.

Bonet (2011) provide the main characteristics of a music festival. According to him, there must be a representation of – at least – six different concerts and the minimal duration is twelve hours non-stop or two days. In addition, it must have held at least three editions. It must not be part of the stable program of the place where it is developed nor be included in the local celebrations. Finally, the events in which it is just possible to assist through an invitation are excluded of the “music festival” concept.

In a similar way, Everfest (2020) has created a tool (“Fest test”) to be able to know whether an event is merely that or whether it is something greater, that is, a festival. The Everfest Fest Test rules are the following ones:

1. Festivals have an ethos of discovery and are about having fun.
2. Festivals are multi-dimensional; they encourage participation and also offer various types of activities and stimuli.
3. Festivals can include anyone with the means to attend. They may charge for admission but should not discriminate by race, age, gender, religion, or otherwise be private clubs.
4. Festivals physically occur in the real world. They remind us that there is a human social network where we meet old and new friends.

5. Festivals should be celebrations worthy of the test of time. They should recur or intend to recur.

With these tips, we can briefly notice an evolution through the different definitions and notes that have been exposed. Thus, there have been an evolution of music festivals in order to achieve the meaning they have nowadays for the current developed society. This evolution and its history are commented in the next section.

2. <u>Evolution of music festivals</u>

2.1 Origins of music festivals

According to Frazer (2009), festivals were typical of the most ancient cultures, from South America through India, Egypt, China to ancient Greece and Rome.

Festivals started as a way to honour gods in Egypt with dance and music. However, it is said that the birth of music festivals was in Ancient Greece, in the 6th Century B.C. Pythian Games were held in honour of Apollo (the god of music) and hosted competitions of musical ability (*mousikos agon*). Nevertheless, nowadays these games are just remembered for the usual athletics and shows of strength[1]. These competitions included live music, which featured different musicians playing flutes and Kithara (an ancient Greek string instrument) and being accompanied by singing.

In the same way, during the Middle Ages music festivals were frequently held as competitions, which were sponsored by guilds. The main examples are the cultural fairs from the year 1000 of Celtic and Gaelic cultures, known as “Mods” in Scotland and “Feis” in Ireland.

2.2 Influence of the United States in the music festival culture[2]

Before festivals were developed as we know them nowadays, they born as events of religion and classical music. During the Second Great Awakening[3], evangelists travelled to musical retreats known as “camp meetings” to camp out, pray and sing hymns.

The 19th century was the period of industrial development, which resulted in higher incomes, more leisure time, the emergence of the middle class and mass migrations to cities. Those factors explained a higher interest in culture and the development of tourism. An important part of the tourist traffic was associated with events, including festivals (Cudny, 2014).

The inception of the history of festival culture of United States – also the most historically significant Jazz festival – is the **Newport Jazz Festival**, founded in New Port, Rhode Island in 1954. Thirteen thousand people attended to the festival to listen to jazz, gospel and blues performances by singers such as Billie Holiday, Ella Fitzgerald and Dizzy Gillespie.

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[1] They were the precursor of the Olympic Games (Chamberlain, 2017).
[2] This section is based in the online article by Patrick Chamberlain (September 14th, 2017), called *A (Brief) 1,000 Year History of Music Festivals*. However, other bibliography that has been checked will be indicated.
[3] Protestant religious revival during the early 19th century.

A sibling festival, the **Newport Folk Festival**, was launched in 1959. The festival ran until 1971, but it was revived again in 1985. Although it does not have the same history as the Newport Jazz Festival, it also counts on significant music-historical moments, such as the appearance of Bob Dylan in July 25, 1965. When he chose to go electric, he created a controversy because it resulted in a loud chorus of boos and a backlash from folk purists who felt that he sold out. That moment marked a change in pop culture and introduced the rock and roll revolution to folk audiences.

However, it was not until 1967 when the currently known “music festival culture” began to form. The **Monterey Pop Festival** (“Summer of Love”) was a three-day music festival that took place on June 16-18, 1967, in California. This was considered the first festival in the United States that was conscious about the experience outside of the music – celebrating peace, love, counterculture and an escape from rigid conventionalism – and one of the first major rock festivals, that served as a template for future rock festivals (for example, Woodstock). In this festival, one of the most celebrated cultural moments in rock history took place, when Jimi Hendrix set his guitar aflame during his performance of “Wild Thing”.

Two years later, on August 15-18, 1969, in Bethel Woods, New York, festival and counterculture were announced on a global scale through **Woodstock Festival**, known as “three days of love and peace" and “an Aquarian exposition”[4]. It featured 32 acts including The Grateful Dead, Canned Heat, The Who, Jimi Hendrix and Janis Joplin.

For the first time in Woodstock Festival, corporate interests realized that festival culture could imply a high financial gain and that supposed the beginning of the hippie movement’s dissolution. However, these interests were not achieved in Woodstock, where organizers were forced to remove the fence and turn it into a free festival after 500,000 people showed up (with only 200,000 sold tickets).

The spirit of the 1960s carried on through the next two decades, funnelling its energy into different subgenres of rock, from punk to metal. In the 1970s, the popularity of music festivals spread throughout the world and these massive soundful gatherings began to pop up everywhere, from South America to Africa.

In the 1980s, rock festivals were spread worldwide, following the “rock festival” model – of Monterey and Woodstock – turned up from United States (and Europe) to as far as Colombia, Yugoslavia and Zaire. In 1985, the initial **Rock in Rio** in Brazil drew 1.5 million fans in a

[4] “Age of Aquarius (1940) is an astrological epoch that is supposed to have begun in the 1960s, embodying the traits of this sign and characterized by world peace and human brotherhood. The term and the concept probably got a boost in popular culture due it’s use in this festival” (Miotti, 2017).

complex called “the City of Rock”, with a capacity of 250,000 people. The headline was formed by Queen and AC/DC.

As the same way that happened in Europe[5], even though the “boom” of festivals in the mid-20th Century, festivals in the 60s, 70s and even 80s were still relatively small in size and few in number. However, in 1990s, these characteristics disappeared, and many of the current notable festival brands were launched (Big Day Out in Australia, Fuji Rock Festival in Japan...).

In the United States, in 1990, **Burning Man** was founded as “a free-form expression of community and creativity manifested through music, art, installations, social experiments and good old fashioned revelry” (Miotti, 2017). The main characteristic of Burning Man festival was that music was not the centrepiece, but the society and people themselves. In the same decade, **Vans Warped Tour** popularized the notion of the traveling festival, when festivals like **SXSW**, in Austin, introduced the possibility of festivals in more than an only location in the same city.

Meanwhile, in the mainstream, many of the festivals we know today are formed, like **Lollapalooza**. The first edition in 1991 was conceived as the final concert of the tour of Jane’s Addiction, featuring mostly alternative rock and non-musical art, political, and environmental vendors. **Coachella Music Festival** also was launched in the 1990s, in the Coachella Valley, in California. For its first edition in 1999, 10,000 people came out to see Beck, Jurassic 5 and Rage Against the Machine. Today the festival sees around 75,000 attendees. In this festival, it is possible to see the importance of tourism for the nowadays-musical (and festival) industry and the presence of media. Coachella turned the festival culture into an industry that reflects the mainstream society as a whole.

Although the birth of the rave culture in the late 1980s and early 1990s (through the influences of House from Chicago and New York, and techno from Detroit), by this point, commercialization became a legitimate concern for festival culture. The proliferation of festivals presented a complete negation of the countercultural values that were the main belief of the festival mentality.

As a response, principles gathered from Burning man and leftist culture began to permeate music-based festivals. In this way, “transformative festivals” born as spaces in which revellers are encouraged to learn about nature, spirituality and themselves. During the years, they have become increasingly popular, as it is evidenced by the success of **Symbiosis** (2005, first held

[5] See Chapter 1. Section 2.3: “Development of music festivals in Europe”.

at Cutter Scout Camp near the Santa Cruz mountains), **Lighting in a bottle** (2006, Central Valley, California) and **Lucidity** (2012, Santa Barbara, California).

2.3 Development of music festivals in Europe

In the same way as in the United States, the presence of religion and classical events was the beginning of festival culture. In the 18th Century, Three Choirs Festival brought throngs of Rossini, Mozart and Beethoven fans to cathedrals in England.

In 1810, the German Oktoberfest – one of the largest festive events in the world – was organized for the first time. Another historic moment was the establishing of the Bayreuth Festival, one of the oldest and still functioning festivals, which first began in 1876, founded by the composer Richard Wagner as a way to exhibit his work. The festival received money from the crown and was attended by the king (Ludwig II of Bavaria), as well as Kaiser Wilhlem I and Dom Pedro III of Brazil, in its debut year (PAAM, 2007).

However, music festivals as we currently know them, focused on non-secular music, linked with music and pop cultural moments, did not born in Europe until the 20th Century, especially during the 1950s and 60s, with the influence of the US ancestors (Newport Jazz and Folk Festivals).

In this way, after the Second World War, Europe – and other continents – experienced a true festival boom (Segal and Giorgi, 2009), owing to the following factors (Cudny, 2014): civilization progress and new sociopsychological factors; economic factors and festival management improvement; rapid development of tourism, including festival tourism; political changes in the former communist countries; and intensive technological progress (high-tech sector and the development of pro-ecological attitudes).

In this way, the oldest popular music festival still in existence is the **Reading Festival** (1961), surfaced as the National Jazz and Blues Festival. The event adopted the decidedly hippie vibes of the time, offering tickets for as little as £2.00. The festival was originally held at Richmond Athletic Ground, but changed its name and location several times before finally settling down in Richmond Avenue in 1971. Its popularity increased rapidly, eventually forcing organizers to open a sister site at Temple Newsam in Leeds, in 1999, later moving to Bramham Park in 2002. Today, the Reading & Leeds Festivals take place simultaneously over the August bank holiday weekend.

In 1968, the **Isle of Wight Festival** took place in the island of the same name located in the south of the United Kingdom. It attracted 10,000 people to Ford Fam in Godshill with headline acts such as Jefferson Airplane, Pretty Things and Arthur Brown. It originally took place during 1968-1970, but it was revived in 2002 until nowadays. It is still considered one of the largest music festivals that ever took place, due to the unexpected capacity of 600,000 in 1970 (more than Woodstock)[6].

On September 19, 1970, Andrew Kerr – who attended in the Isle of Wight Festival – and a farmer called Michael Eavis launched **Glastonbury Festival** (after called the Pilton Festival). The event took place almost every year during the 1970s, growing in size each time, often owing to the large amount of gate-crashes. Nowadays it is the centrepiece of the festival season in the United Kingdom and it has launched charities and political movements, being influenced by free love and free-music hippie ethics.

However, the longest continuously running music festival in the world still in existence[7] is **Pinkpop** (Landgraaf, Netherlands), founded in 1970. Unlike the American festival (non-profit, charitable transformative festival), it is a corporate festival that dissolves the hippie culture. The festival was traditionally held on the religious holiday Pentecost Monday, and the initial edition advertised a pig roast and free apples for attendees.

In the 1985, the initiation of the European Capital of Culture Program was an important event for the development of festivals. It was conceived by Melina Mercouri and implemented by the authorities of the European Economic Community (Cudny, 2014). In the same year, the first edition of **Rock am Ring** took place at the Nürburgring racetrack. Followed by many successful years and achieving more than 80,000 attendees and its first sell-out in advance sell in 2007, two editions of the festival in the years 2015 and 2016 no longer took place. After two years of absence, the festival returned in 2017.

Towards the latter end of the 1980s, the fall of the Berlin wall opened up the world to the rigid electronicism of techno, while acid house and rave were concurrently popping up in the United Kingdom. The rave culture styles of music, underground and illegally, originally from the United States, was turned in Europe into social movements.

The incorporation of electronic and rave music into festival culture was a long progression that started in the early 1990s decade and did not collide until 2000s. However, a notable exception is **Loveparade** (Berlin, 1989), when hundred and fifty individuals took to the streets in the name of political activism with the slogan of "Peace, Joy, Pancakes"[8]. The result brought

[6] That title, however, belongs to Milwaukee's Summerfest (North America), conceived for the first time in 1968, but drawing a total of one million people over 11 days in 1999.
[7] In addition to The Oregon Country Fair, United States, 1969.
[8] By 2010, Loveparade grew to 800,000 people. A spin-off festival, named Fuckparade, was launched in 1997 in response to the increasing commercialization of Loveparade.

environmental aspects of the rave scene (such as laser lights, artificial fog and costumes) to traditional festival culture.

In the same way that happened in the United States, the highest increase in the number of festivals was recorded in the 1990s and after 2000 (Hunyadi et al., 2006). Only in the United Kingdom, in the 1990s, the following festivals were born[9]: **T in the Park** (from 1994 to 2016); **The Big Chill Festival** (it first began with a series of parties at Union Chapel in London in 1995, before moving to Wales, Wiltshire, Norfolk and, finally, Eastnor Castle, Herefordshire in 2002); **V Festival** (1996, sponsored by Virgin Media); **Creamfields** (1998, first held in Winchester, moved to Liverpool airport, before taking place into its current location in Cheshire); among other ones.

This continuous creation of new festivals was kept in the 2000s decade, with the launch of **Download Festival** (2003), initially called Monster of Rock, and the family festival **Wireless** (2005). Since then, a whole host of music festivals with different themes and genres has emerged.

2.4 Music festivals in Spain[10]

2.4.1 During the first period of the Francoist dictatorship

The first Spanish music festivals were originated in several different contexts, ranging from religious ceremonies and the federation of summer concerts to the creation of original festivals. The Francoist dictatorship supported proposals by those friendly to the regime to launch festivals of high artistic quality. This was the case for the **Quincena Musical of San Sebastián**, a festival created in 1939, at the end of the Spanish Civil War, and still active today. Other examples are the International Music and Dance Festival of Granada and The International Festival of Santander, both established in 1952 (Négrier, Bonet and Guérin, 2013).

2.4.2 "Festival de la canción"

However, it is not until the 1950s when festivals as they are known nowadays appeared in Spain, thanks to the entrance in the second period of the Francoist dictatorship, characterized

[9] In the 1990s, Getz (2005) listed over 12,000 festivals in the US and about 1,000 organized in Europe.
[10] This section is based in a group of eight articles by Xisco García, journalist and musical critic specialized in rock, published in the APM webpage. Other sources will be indicated during the explanation.

by the end of the international isolation, the progressive liberalization of the economy and the transfer of population and interest in tourism.

With the influence of the success of San Remo Festival (1958, Italy), the first “Festivales de la canción” were born in the country, in order to help artists and authors to become known in competitions in which a jury selected the best ones of each event.

In this way, in 1959, the **Benidorm Festival** was organized for the first time in Manila Park, Alicante, by the “Red de Emisoras del Movimiento” (REM). In this first period, the radio was the main transmitter of the songs that were played in festivals and, thus, it was a useful tool to increase the popularity of the record industry. The Benidorm Festival was the trampoline that raised important artists to fame and worldwide recognition, such as Raphael or Julio Iglesias.

Benidorm hosted the festival for thirty-nine editions, interrupted twice (1979 and 1984). In 1970s, the festival was going through a crisis, which brought the festival to its end in 1985. It resurfaced in 1993 until its total closure in 2006.

Benidorm Festival was the most important showcase of Spanish sung music and a model for all the festivals of “light music”[11] from Spain and South America (Melodía Costa Verde, Viña del Mar Festival in Chile, Hispano-Portuguese Festival of Aranda de Duero, Certamen de la Canción of Madrid, etc.).

Two months after the first Benidorm Festival, **Mediterranean Song Festival** was celebrated in Barcelona in the official city holiday, La Mercè. It was sponsored by the Spanish National Radio (RNE) and the Spanish Television (TVE) and, unlike Benidorm Festival, it had a marked international character and lots of foreign artists won the first awards. Its last edition was celebrated in 1967, due to two reasons. In the first place, because it could not shade the Benidorm Festival. In the second place, due to the withdrawal of support from the TVE, which, at that time, was more interested in the organization of Eurovision.

The last remarkable “Festival de la canción” supposed the establishment of competition-festivals (“festivales concurso”). This type is a hybrid between a festival and a platform to promote bands and artists. Thanks to this tool, many bands have become very popular nowadays. **Festival de la Canción de Alhama** was established in Granada in 1966, closer to the style of Benidorm Festival, but with a regional projection that was expanded through all the Andalusia territory. During 1980s, it abandoned the “canción protesta” of the old editions

[11] The term "light music" refers to those genres of popular music that are characterized by its melodic and feasible character, with simple harmonization and soft instruments (Harrison, 1984).

and started to include bands of renown such as Sergio Dalma or Joaquín Sabina, becoming more successful every time. Nowadays, it is one of the oldest festivals in Spain.

2.4.3 Outdoor festivals

In the 1970s, "Festivales de la canción" started to decline, because of its lack of reality and the excess of control of the institutions (such as the record industry). In addition to that, the music was part of social changes of that period: nationally, the end of the Francoist dictatorship and the celebration of the first elections since more than forty years before; internationally, the Beatles, rock, hippy movement, sexual freedom, drug use and live music were slowly introduced into the Spanish conservative society thanks to the influence of the social media and the vigour of a youth that claimed a better world.

Following the model of Woodstock and Isle of Wight Festival, the **International Progressive Rock Festival** was launched in Granollers, in 1971, as the first outdoors festival (Mora and Viñuela, 2013). More than twenty-five groups played during twenty uninterrupted hours in live. That supposed an important explosion in a musical level, but also in social terms. The media branded the event as a "hippy invasion" and, for example, the "Por Qué" magazine suggested that 15% of the 3.500 attendees took LSD and the remainder smoke weed. As a consequence to this social pressure, no more International Progressive Rock Festivals were celebrated. However, that brave incursion completely transformed the entire Spanish music scene.

Four years later, two festivals that supposed a change in the outdoor festivals were celebrated. In the first place, at the beginning of the summer in 1975, **Cochambre Festival** was launched in Burgos. It did not have an economic or attendance success, but it supposed a radical change and a proof of the musical regeneration that the country would live in the following years. Again, the press had a very important role, calling the attendees "la cochambre", name that has been kept by them and even reclaimed.

In the second place, in the same summer, **Canet Rock Festival** was celebrated in the city of Canet de Mar, although it was forbidden by the authorities (because it was proclaimed the "counterculture festival"). It was the more multitudinous festival until that moment: forty thousand people went to enjoy an only journey of "12 hours of music and craziness"[12].

[12] Briefly, it is important to mention that these last two festivals supposed a proliferation of the rock-genre festivals, especially during the eighties. **Rock Villa de Madrid** (called in its first edition "I Premio Villa de Madrid de música de rock") and **Lagarto Rock** adopted the structure of "festivales concurso". Taking place in the years 1978 and 1987, respectively, the first one is still being celebrated nowadays, but Lagarto Rock had its last edition in 2010.
The evolution of rock festivals from its origins with International Rock Festival, Cochambre Festival and Canet Rock, going through Rock Villa de Madrid and Lagarto Rock, resulted in two different types of rock festivals. One of them was the appearance of the first festivals with big capacity. In this sense, there are two remarkable rock festivals: **Festimad** (celebrated for the first time in 1994

2.4.4 Spanish democracy period

With the entrance of democracy, the difficulties in offering live music disappeared, which helped to diversify the offer and to improve the organization of the festivals (Négrier et al., 2013).

Thanks to the plan for national Spanish festivals implemented in 1957 by the Ministry for Information and Tourism, the number of festivals grew to approximately 160 festivals in the early 1970s. Most of them took place during the summer season or coincided with the local festivities each town traditionally held.

During the transition toward democracy in the latter half of the 1970s, the new Ministry of Culture modified drastically the organization of "Festivals of Spain" reducing the role of the central government. From this point onward, the overwhelming majority of financial support for festivals came from local and 183 regional government, often taking over ownership of festivals or providing funding when they were non-profit initiatives. In addition to that, the Spanish Constitution (1978) established a system of broad political devolution that allowed a spectacular increase in the public funding of the cultural sector (that will last until the economic crisis of 2008[13]).

2.4.5 Big or "massive" festivals

In the 1990s, the foreign phenomenon of rock/pop festivals burst forth in Spain (Hidalgo, 2008) and for-profit organizations emerged to promote festivals like the FIB, the Sonar, the Primavera Sound or the Bilbao BBK Live. These festivals derived from the pioneering ones (International Progressive Rock Festival, Canet Rock, etc.) that supposed an innovative way to enjoy the live music, being the symbol of the change and of the new musical tastes of the effervescent youth. However, these pioneering festivals belonged to a limited territorial context and to a local reclaimed time frame. This is the reason why they were far away from the concept of "massive festival" that defines the big and contemporary festivals.

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in Madrid, it is one of the most long-lasting festivals and the first one in which hard rock and metal bands played) and **Viña Rock** (self-described as "festival of Native Art", located in Villarrobledo, Albacete, it was born in 1996 and in the last five years has achieved the maximum number of attendees, more than 200,000).
The other result of the rock tradition – closer in time to the present – has been the establishment in this genre of the "boutique festivals". This type of festivals is defined as small events that specialise in offering a unique experience to a reduced number of attendees. This experience is more than just music and counts on other components such as painting or sculpture (Mellado, 2017). In this scope, we can mention **Rock Fest BCN** and **Be Prog! My Friend**, both started for the first time in 2014. However, the subgenre is different: the bands that play in the first one are from the heavy side of the rock, while the sounds happening in the second festival are more progressive and experimental ones. Be Prog! My friend celebrated its last edition in 2018.

[13] See Chapter 2. Section 2. "The present situation of Spanish festivals: analysis of the proliferation of festivals, economic crisis and evolution of the cultural VAT".

The first “massive festival” was **Iberpop 84** (or “First sample of the new scenes”). It pretended to be a festival dedicated to the main Spanish pop and rock idols. Its doors were opened in a different vision of the music with high parallelisms with the current festivals, counting on a program with diverse conferences and activities.

Nevertheless, the first Spanish festival that can be tagged as “massive festival” was the **Espárrago Rock**, which was said to be up to international festivals such as Reading or Glastonbury. The Andalusian festival started in 1989 as a rock night linked to local parties of the little village called Huétor Tájar (Granada). As a consequence of its success, in 1995 it had to move to the city of Granada and, afterwards, in the Jerez Racing Circuit. However, in 2000, it was cancelled owing to the bad weather and, from this period, it moved to the first location under the name Espárrago Verde Party.

Although its loss of success, it created an influx and, thanks to it, other festivals started to be launched in all the Peninsula. Between 1994 and 1997, Doctor Music Festival, Sonar and FIB are celebrated for the first time and they supposed a before and an after in the map of festivals in Spain.

Sonar is a referent festival in a national and international level (there have been editions in more than twenty different countries), with an innovative, vanguard and ground-breaking focus. The first edition was in 1994 and nowadays it has celebrated twenty-five non-interrupted editions, being one of the ten festivals with more attendees of the country: 7th position in 2012, 2014, 2015 and 2016, with 98, 110, 120 and 115.5 thousands of attendees respectively; 6th position in 2016, with 122,000 people; and 10th position in 2017 and 2018, with 123 and 126 thousand attendees, respectively (APM, 2010-2019).

Sonar has been characterized over the years as the ideal and meeting place for professionals in the music industry and as a showcase for new artistic and technological trends that emerge worldwide. In 2010, under the Sonar Pro, a group of non-musical activities started to be launched. These activities included: a record and a technological fair (since 1994), expanded with other sections such as SonarMatica (digital art), SonarCinema (cinema, documentaries, shorts, etc.) and Sonorama (sound and audiovisual creation), in addition to conferences by artists and professionals (Sonar+D).

The first festival that achieved a status as international festival was **International Festival of Benicassim (FIB)**. First called Independent Festival of Benicassim, it was born in 1995 thanks to the impulse and musical activity of “Sala Maravillas” in Madrid (also called “indie scene”). Nowadays it is common to see “festival and beach” offers, but in that moment, it was an innovation. From the beginning, FIB has been characterized due to the specific “musical tourism" it has attracted. Although Benicassim had a population of 10,000 citizens, at the time of the festival it increased by 100,000.

Currently, there have been twenty-four editions and it is still working although it almost disappears in 2013 because of some economic problems. It is a massive festival, a hallmark of excellence and success and a symbol of independent music[14].

Doctor Music Festival (or "Woodstock of the Pyrenees") achieved the category of "massive festival" in its first edition in 1996, with an unimaginable poster for a south-European festival (David Bowie, Iggy Pop, Patti Smith, etc.). Due to some organizational problems, only four editions were launched. Thanks to the first one, the festival is remembered as a legend and a model for the next big festivals that have appeared, owing to its taste for the musical eclecticism (from the classic rock to techno) and the variety of activities in an enormous enclosure.

Another festival that has achieved the status of "massive festival" is **Primavera Sound**, located in Barcelona, with its first edition in 2001. In 2018, there were 295 actuations and more than 200,000 people attended, coming from 128 different countries (Esteve, 2019).

Finally, **Bilbao BBK Live** was celebrated for the first time in 2006. It is one of the most unique spaces in Bilbao and the best valued, with already thirteen editions. From its beginning, it has opted for an eclecticism of genres and bands that translates into a unique personality and detached from the "indie" ideology, which makes itself different from the rest of the Peninsula's festivals.

Its two sell-outs in the editions of 2014 and 2015 – with records in attendance (120,000 people in both years, standing in the 5th and 6th position of the festivals with the highest attendance) – declined because of the launch in 2016 of **Mad Cool Festival** (Madrid), happening on the same dates (APM, 2015-2016).

To summarize visually the key festivals that have been commented in this theoretical framework, we provide the follow diagram:

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[14] At this point, a reference to the indie genre is required. This genre has been increasing since the nineties, due to the FIB, and nowadays, it can be found in the most part of the 895 festivals happening in Spain (data of the year 2018). One year after the first edition of the FIB, the **Contemporanea Festival** is celebrated, known as the main indie festival and self-called "Festival of the Indie Scene". Another indie festival that is remarkable is the **Low Festival Benidorm** (called in its first edition in 2008 "Low Cost Festival"). Due to the low prices and its sustainability, it achieved the last positions of the first ten festivals with higher attendance until 2015.
Finally, the "king" of the indie festivals is the **Arenal Sound**. Located in Burriana (specifically, in the Arenal Beach), the first edition was celebrated in 2010. Since the year 2012, it is the festival with the highest number of attendees, due to the low prices compared to the other festival offers and the number of days that takes place: six days since 2014 (APM, 2015-2019).

Diagram 1. Remarkable festivals in the evolution of the sector

	United States	Europe	Spain
1954	Newport Jazz Festival		
1959	Newport Folk Festival		Benidorm Festival + Mediterranean Song Festival
1961		Reading Festival	
1966			Festival de la Canción Alhama
1967	Monterey Pop Festival		
1968	Milwaukee's Summerfest	Isle of Wight Festival	
1969	Woodstock Festival + The Oregon Country Fair		
1970		Glastonbury Festival + Pinkpop	
1971			International Progressive Rock Festival
1975			Cochambre Festival + Canet Rock
1978			Rock Villa de Madrid
1984	Rock in Rio		Iberpop 84
1985	SXSW	Rock am Ring	
1987		Loveparade	Lagarto Rock
1989	Burning Man		Espárrago Rock
1990	Lollapalooza		
1991		T in the park	Sonar + Festimad
1994	Vans Warped Tour	The Big Chill Festival	FIB
1995			Viñarock + Contemporanea Festival
1996		V Festival	Doctor Music Festival
1997		Fuckparade	
1998	Coachella	Creamfields	
1999			
2001			Primavera Sound
2003		Download	
2005	Symbiosis	Wireless	Low Festival Benidorm
2006	Lighting in a Bottle		Bilbao BBK Live + Arenal Sound
2012	Lucidity		
2014			Rock Fest BCN + Be Prog!
2016			Mad Cool

Own source.

CHAPTER 2. PRACTICAL ANALYSIS

1. Methodology

Once we have seen the evolution of the festival sector from its beginnings, we present the practical part, which is divided in two sections. In the first section, we will analyse the current situation of the festival sector. As it will be exposed, it is characterised by the unstoppable increase in revenue, in number of festivals and in attendance (advertising, in this way, a bubble in the sector). It is important to realize the key paper of the process to democracy, which, accompanied by a rise of possibilities for the population (not only in an economic but also in a cultural level), has been necessary for the sector's development and success.

We obtained the data to analyse the present situation of the Spanish festival sector from the Yearbooks of APM and from the Spanish National Institute of Statistics (INE). In order to complement our analysis, we did not only generate some graphics with the obtained data and analyse it in a macroeconomic point of view, but also we developed a matrix that classifies the typology of the festivals. In addition to that, to concrete in the sector, we used the Model of 5 forces of Porter, learnt in the subject "Strategic Management".

The aim of the second section is to analyse other determinants that contributed to generate an increase in the net revenue of the sector and its differences between the Spanish regions. To achieve this objective, we used an econometric model, based in a lineal analysis and a Cobb-Douglas production function. From that function, we calculated four econometrical estimations through the method of ordinary least squares (OLS). This model is circumscribed in a Spanish regional level for a three-year period, using monthly data from 2016 to 2018. We used two different types of data at this point: directly related data with the sector, obtained from Yearbooks of APM and Yearbooks of Cultural Statistics by Spanish Government, and other demographic data that supposed the base of our hypothesis (obtained from INE). The results have been achieved through the statistical software called *Stata*.

Finally, to provide a better understanding of these results, we also used an autoregressive model (AR) and an econometric forecast to estimate the future net revenue. This forecast takes into account the annual data of the sector's net revenue in a national level between the years 2004 and 2018. This data has been obtained from the Yearbooks of APM.

In the end, it is important to add that the Coronavirus crisis was a shock and an unexpected situation for the festival industry (in addition to the whole society). It has not been possible to include its impact because of the situation of uncertainty, the lack of reliable data and the close period to the presentation date of the already finished dissertation. Consequently, readers must take into account that the dissertation does not consider this scenario.

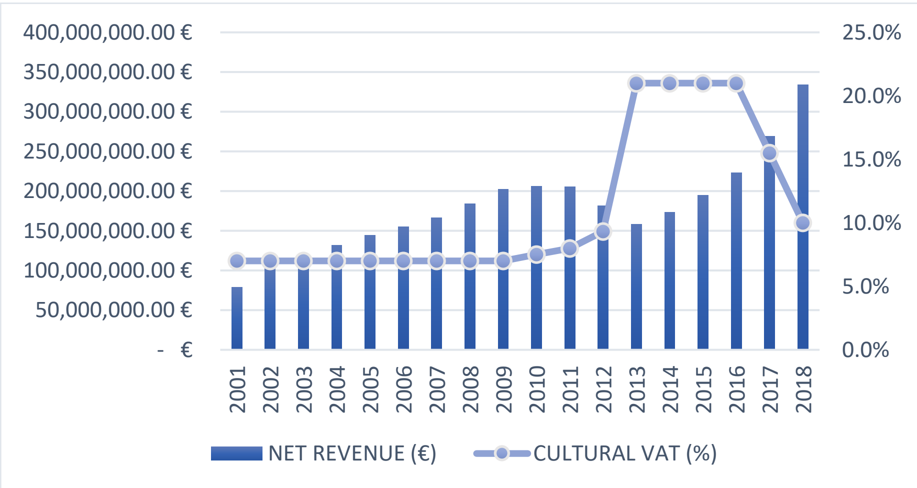
2. The present situation of Spanish festivals: analysis of the proliferation of festivals, economic crisis and evolution of the cultural VAT

In the three geographical territories (United States, Europe and Spain) that have been described in the Chapter 1, we can remark two main similarities. In the first place, the most important genre required for the evolution of festivals was, unquestionably, rock. In the second place, there has clearly been a huge proliferation of these events.

However, this increase in the number of festivals and in the generated income must be explained. The last data that we have been able to get shows that in 2018 the number of festivals celebrated in Spain were 895 and €333,900,102 was the amount of live music net revenue (which supposed almost one quarter more than the previous year). Plus, just taking into account the most concurred festivals, a total number of 2,069,000 people attended in those ones (APM, 2010-2019; División de Estadística y Estudios by Spanish Government, 2005-2019). Nevertheless, before achieving these results (that predict a bubble in the sector[15]), Spain went through an economic crisis that, added to the increase in cultural VAT, fully affected the festival (and, in general, live music) sector. This fact will be developed through the following analysis. The data that had been used will be shown in different graphs.

2.1 Net revenue of live music sector

Graph 1. Net revenue of live music (euros) and cultural VAT (%) in Spain (2001-2018)



Own source based on data from APM and BOE (Laws that have been modifying the Spanish VAT)

[15] As it is proved in different articles, such as: "La burbuja se cierne sobre el 'boom' de los festivales de música" (El País, 17-06-2017); "La música en directo recauda más que nunca en España" (El País, 27-09-2018); and "La burbuja de los Festivales: desorganización, cancelaciones, dinero público y mucho postureo en la nueva Movida descentralizada" (ExtraConfidencial, 05-12-2018).

The impact of the economic crisis in the net revenue that was achieved by the live music sector in Spain started to be affected in the year 2010. Although the revenue was still higher than the year before (€202,600,600 in 2009 and €205,800,000 in 2010), the rise was lower in relative terms than the rise in the previous years. In fact, before 2010, the net revenue was increasing by 9.788% average every year[16]. However, in 2010, there was a 1.579% rise compared to 2009.

It is in the year 2011 when the revenue started to decrease until 2014. Every year, the revenue was lower than the previous one: €205,383,189 in 2011 (0.203% less than the previous year); €181,509,777 in 2012 (decrease of 11.624%) and €158,114,865 in 2013 (decrease of 12.889%).

As it is shown in the graph, in addition to the economic crisis, we must talk about the Government decision of increasing the VAT[17] in some of the cultural-industry activities: tickets for the cinema, theatre, dance and, also, the live music sector. This measure came into force on September 1st, 2012 and in the mentioned activities this tax started to be 21%, which implied an increase of 13%.

This political and fiscal decision situated Spain as the third European country with the highest VAT for the cultural sector, just after Hungary (27%) and Denmark (25%). As it is visible in the Graph 1., there is clearly a correlation between the establishment of the new VAT in the cultural sector and the decrease in the net revenue, because the first year that the new percentage of the tax was totally applied – 2013 – coincided with the year that the sector achieved the lowest revenue (€158,114,865).

In addition to that, although since 2013 the net revenue started to increase again, the highest rise is achieved in the year that the cultural VAT is decreased to a new reduced percentage (10%). The new VAT came into force one day after the new General Budgets of the State of 2017 (PGE in Spanish) were approved (June 30th)[18]. In that year, the rise in the net revenue was 20.616% compared to the previous year. This percentage is relatively higher than the increase in the years before (average of 12.189% between 2014 and 2016).

Finally, we must add that, in both cases – the increase in the cultural VAT and its decrease – the impact was automatic. In this way, in the same month and in the following ones, there was an immediate drop and rise, respectively, of the net income (with few exceptions). This fact can be proved in the following tables:

[16] Own data. Average percentage obtained from the data between 2002 and 2009.
[17] Acronym of Value Added Tax. In Spain, this fee is called "Impuesto sobre el Valor Añadido" (IVA), also known during those days as "ivazo", due to the big impact that supposed for the sector.
[18] However, in the cinema sector the VAT was not reduced until July 2018 (Rodríguez, 2018).

Table 1. Net revenue of live music sector between 2011 and 2013

	2011	2012	DIFFERENCE 2011-12		2013	DIFFERENCE 2012-13	
	€	€	€	%	€	€	%
JANUARY	11,548,606	13,396,183	1,847,577	15.998	12,144,704	- 1,251,479	-9.342
FEBRUARY	10,541,615	8,662,942	- 1,878,673	-17.821	7,438,260	- 1,224,682	-14.137
MARCH	12,328,654	15,993,534	3,664,880	29.727	9,245,903	- 6,747,631	-42.190
APRIL	14,635,822	9,434,360	- 5,201,462	-35.539	9,581,722	147,362	1.562
MAY	11,971,181	13,510,937	1,539,756	12.862	8,183,353	- 5,327,584	-39.432
JUNE	21,300,667	15,006,380	- 6,294,287	-29.550	5,530,355	- 9,476,025	-63.147
JULY	17,383,893	16,846,523	- 537,370	-3.091	20,708,124	3,861,601	22.922
AUGUST	19,152,972	27,159,662	8,006,690	41.804	13,104,684	- 14,054,978	-51.749
SEPTEMBER	25,393,089	8,403,899	- 16,989,190	-66.905	18,016,451	9,612,552	114.382
OCTOBER	23,396,754	25,625,541	2,228,787	9.526	26,579,600	954,059	3.723
NOVEMBER	16,871,419	14,721,639	- 2,149,780	-12.742	12,996,316	- 1,725,323	-11.720
DICEMBER	20,860,499	12,748,178	- 8,112,321	-38.888	14,615,395	1,867,217	14.647
TOTAL	**205,385,171**	**181,509,778**	**- 23,875,393**	**-7.885**	**158,144,867**	**- 23,364,911**	**-6.207**

Differences between years (€ and %). The red square indicates the first month that the new VAT (21%) was applied and the orange ones remark the negative variations that happened from that month (September 2012). Own source based on data from APM Yearbooks.

Table 2. Net revenue of live music sector between 2016 and 2018

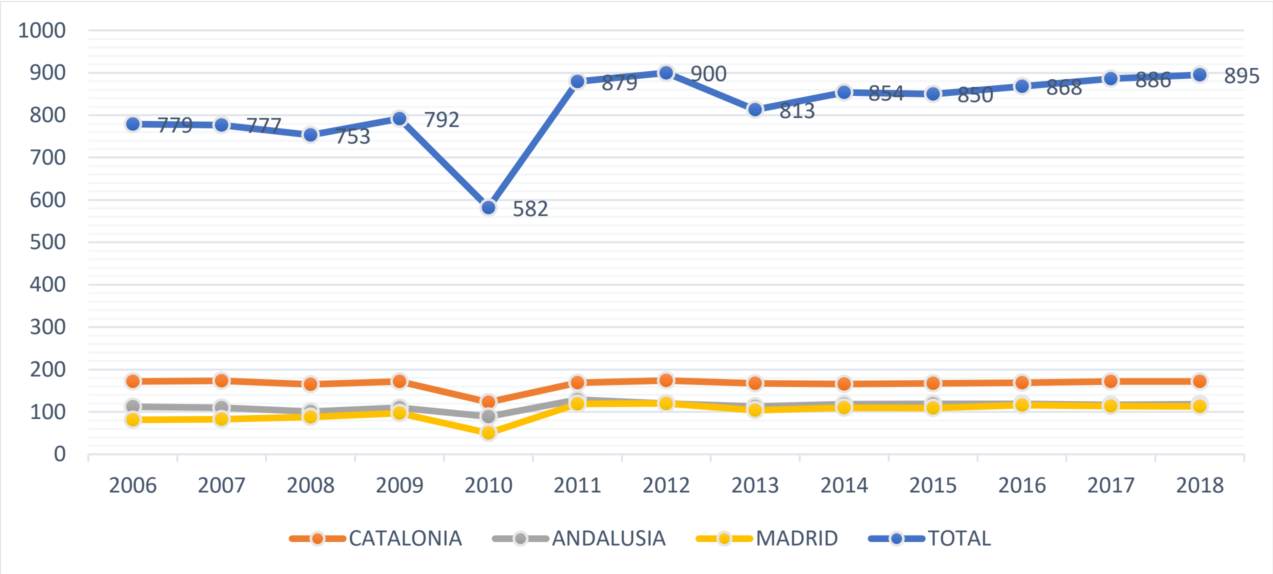
	2016	2017	DIFFERENCE 2016-17		2018	DIFFERENCE 2017-18	
	€	€	€	%	€	€	%
JANUARY	6,853,930	10,098,665	3,244,735	47.341	16,083,193	5,984,528	59.261
FEBRUARY	12,172,530	17,701,440	5,528,910	45.421	14,760,326	- 2,941,114	-16.615
MARCH	13,578,973	13,420,841	- 158,132	-1.165	29,814,337	16,393,496	122.150
APRIL	12,866,433	15,663,826	2,797,393	21.742	15,989,687	325,861	2.080
MAY	13,427,127	16,412,112	2,984,985	22.231	28,995,797	12,583,685	76.673
JUNE	30,651,700	28,433,769	- 2,217,931	-7.236	25,981,606	- 2,452,163	-8.624
JULY	21,378,722	24,727,004	3,348,282	15.662	51,066,625	26,339,621	106.522
AUGUST	18,340,783	18,914,360	573,577	3.127	16,871,962	- 2,042,398	-10.798
SEPTEMBER	19,487,595	27,325,967	7,838,372	40.222	17,993,450	- 9,332,517	-34.153
OCTOBER	28,065,235	40,703,758	12,638,523	45.033	50,689,206	9,985,448	24.532
NOVEMBER	26,028,102	28,010,417	1,982,315	7.616	36,756,695	8,746,278	31.225
DICEMBER	20,310,685	27,756,565	7,445,880	36.660	28,897,218	1,140,653	4.109
TOTAL	223,161,815	269,168,724	46,006,909	23.055	333,900,102	64,731,378	29.697

Differences between years (€ and %). The green square indicates the first month that the new VAT (10%) was applied and the blue ones remark the positive variations that happened from that month (July 2017). Own source based on data from APM Yearbooks.

2.2 Number of Spanish festivals

In the same way that the economic crisis and the high increase in the cultural VAT[19] generated a drop in the net income of the live music sector, the amount of cultural events was also affected. Specifically, we will only take into account the number of festivals, represented in the next graph:

Graph 2. Number of festivals in Spain and in the three regions with the higher amount: Catalonia, Andalusia and Madrid (2006-2018)



Own source based on data from Yearbooks of Cultural Statistics by Spanish Government (2007-2019)

As it is shown in the graph, the number of festivals happening in Spain went through two big drops. The first one was in the year 2010, when, owing to the economic crisis, the number of festivals decreased by 26.515%. In the previous years, the number of festivals was quite stable: it was moving in a percentage lower than 6% (between 2006 and 2008 in a negative way, but in the next year in a positive way). However, the crisis plenty affected the sector in 2010, not only in a State level but also in the Spanish regions in which there was a higher number of festivals. In fact, just three of the nineteen regions that divide Spain (seventeen autonomous communities and two autonomous cities) had a higher number of festivals in that year (Balear Islands, Castilla-La Mancha and Galicia). However, this rise was not as important as all the decreases (11.111%, 14.286% and 4.167%, respectively)[20].

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[19] According to Lluís Bonet, professor of University of Barcelona, as both events happened during the same period of time, it has not been possible to prove which one had a higher impact on the music sector: the economic crisis or the "ivazo" (Mirón, 2015).

[20] In order to compare, the lowest negative percentage of festival drops was of 18.17 in the Canary Islands and the maximum was 144.444% in Cantabria.

The following two years after 2010 supposed a recovery of the sector. Actually, as it can be seen in the graph, the total number of festivals was higher compared to the year before of the negative impact of the crisis (879 festivals in 2011 compared to 792 in 2009). In the same way it is visible in all the regions, except three of them: Navarra (that kept the same number of festivals in both years – fourteen –); Cantabria (the number of festivals decreased by 4.76% in 2011 compared to 2009); and, as it can be appreciated in the graph, Catalonia (172 festivals in 2009 and 169 in 2011).

However, the prosperity in the sector was not totally stable, because in 2013 it suffered, again, a decrease. Nevertheless, the drop of the number of events was not as resounding as the one in 2010 (from 901 festivals in 2012 – the maximum number achieved for the current moment – to 814 festivals in 2013). Clearly, this decrease was owing to the rise of the cultural VAT commented in the previous section. In a regional level, all the communities suffered also a drop in the number of festivals (except Castilla-La Mancha and Asturias, that kept the same amount of festivals than in the previous year – 32 and 29, respectively –, and Cantabria, where the number raised by 4.545%). The lowest and highest drops supposed a decrease in the quantity of festivals of 4.192% (in Catalonia) and 33.333% (in Murcia), respectively. As it can be noticed, the impact of the increase in VAT did not affect the number of festivals as much as the economic crisis did.

Once again, one year after the second drop (2014), the number of festivals suffered a recovery and, although the amount was lower than the quantity in 2012 (855 compared to 901 in 2012), this fact indicated that the festival industry was still prosperous. Since 2014, the total number of festivals has been increasing slowly (with only a small decrease in 2015 – from 855 festivals in the year before to 851), in an average of 1.665%, achieving an amount of 895 festivals in 2018.

Finally, it is important to add that, taking into account the data of the year 2018, the three regions that appear in the graph suppose almost the half of the total festivals happening in Spain (19.218% in Catalonia, 13.184% in Andalusia and 16.626% in Madrid). This fact has been true even in the two "dark periods", obtaining a higher percentage higher than the one they had nowadays (44.863% in 2010 and 47.174% in 2013).

With all these analysed data until the moment, we can conclude that the festival sector is very appealing because of the high net revenue (which is increasing every year since 2013). In addition to that, we can easily see that the number of festivals that disappeared in the "worst" two moments is very similar to the number of festivals that have appeared one year after them (Carreño, 2014). This fact can be reasoned through a brief analysis using the Model of 5 Forces of Porter, developed in the following section.

2.3 Application of the Model of 5 Forces of Porter to the music festivals' sector

The following analysis attempts to evaluate the attractiveness of the music festivals' industry using the Model of Five Forces, created by the economist Michael Porter. This model is an industry analysis and business strategy development tool which allows marketers to create a shareholder value through business operations (Porter, 1980). Porter defends in his book *Competitive Strategy* (1980) that the intensity of the industry – inversely related to the attractiveness of the sector – depends on the next five competitive forces:

- Intensity of competitive rivalry (rivalry among existing firms)
- Threat of new entrants
- Threat of substitute products or services
- Bargaining power of suppliers
- Bargaining power of buyers (customers)

In the next paragraphs, we will develop how these forces behave in the industry of music festivals.

2.3.1 Intensity of competitive rivalry (rivalry among existing firms)

We will start analysing the intensity of competition or rivalry among the existing firms in the music festivals' sector, assuming that each festival is a different company. According to Porter, higher the intensity of competition, lower possibilities to achieve a higher income and lower attractiveness of the industry. From all the structural factors that delimit the competitive structure of the musical festivals' industry, we will mention the ones with the most important role.

As we saw in the previous sections, the number of Spanish festivals (this is, the number of competitors) is very high and since 2015 it is increasing every year. Following the model, since more companies are participating in the same industry, the global benefits will have to be divided between a higher number. As a result, there will be a higher rivalry and the industry will be less attractive.

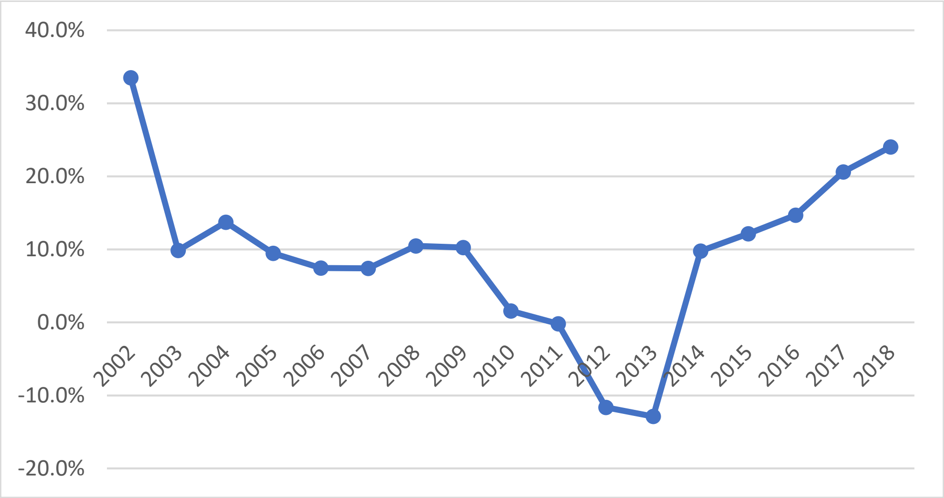
Another important point regarding the number of competitors is their concentration level. To study this factor (also called "equilibrium between competitors") we took into account the relation between two variables: the number of regions with the highest number of festivals[21] and the festivals with the highest number of attendees[22]. As a result, we can conclude that the music festivals' sector is concentrated (opposed to fragmented), because the regions with

[21] See "Chapter 2. Section 2.2: Number of Spanish festivals".
[22] See "Chapter 2. Section 2.4: Attendance in Spanish festivals and Matrix of the typology of festivals."

the highest number of festivals (Catalonia, Andalusia, Madrid and Community of Valencia) are also the regions where there are the most concurred festivals[23]. If the industry is concentrated, there are few companies achieving a high market quote. According to that, the intensity of rivalry goes down (and the attractiveness rises).

It is also important to talk about the growth rate of the industry. The next graph shows this rate, calculated using the net revenue of live music sector.

Graph 3. Growth rate of live music sector (taking into account the net revenue between 2002 and 2018)



Own source based on APM Yearbooks.

As we can see, the growth rate is positive (and rising every year) since 2014. According to the theory of the model, the demand will increase every year and more "customers" will attend to the festivals. As a result, the rivalry in the industry will decrease and the attractiveness will rise.

Another important factor regarding the intensity of competitive rivalry is the existence of exit barriers, which hinder the withdrawal of the companies in the industry. In the festival sector, there is not a high number of exit barriers. For example, regarding the fixed costs to leave the market, they are low (for instance, the contracts are normally temporary, which allows the festivals to leave the industry once the contracts are finished without needing to indemnify the

[23] In this way, the first ten festivals with the highest number of attendees are taking place in: Community of Valencia (four of them), the fourth region with the highest number of festivals; Catalonia and Andalusia (two), the first and the third regions, respectively; and, finally, Madrid and Castilla y León (one festival), the second and fifth regions, respectively.

workers). Due to the low number of exit barriers, companies in the industry do not have to fight in order to survive and, as a result, the intensity of the competition in the sector decreases.

It is interesting to consider the structure of costs of the companies in the industry. In a festival sector, the main costs are variable, depending on the number of tickets that have been sold, this is, the number of people that attend (Mejía, 2017). If a higher number of attendees is expected, there will be a need to provide a bigger amount of artists, space, merchandising, food, drinks, etc. Therefore, assuming well-organized festivals, per each sold ticket, the cost will be recovered, companies will achieve easily their objectives without needing to intensively fight. As a consequence, the rivalry will decrease and the attractiveness will rise.

One of the main critics to the festival sector is that nowadays the majority of festivals "sound the same" (Cordobés, 2014). This fact is related to the differentiation of products and services of the industry. It is very difficult for the festivals to create a customers' loyalty because of the big number of festivals and low differentiation between them: same length (normally, between four or five days[24]), same main genre (one of every three groups that plays is classified as "indie"); same typology (big or massive festivals), etc. In this way, attendees will have to decide in which festival they are going taking into account not what the festivals can offer, but other variables (such as the prices, the geographical distance, etc.). We can conclude that, as there is not a high differentiation between festivals, the intensity of competition increases (in order to get customers) and the attractiveness drops. This last point is related to the inexistency of "costs of change of provider" and, if there is no differentiation, the attendees are able to easily change their decision of what festival they are attending (which confirms the rise in the rivalry).

As a conclusion, although we could think that competition or rivalry among the existing firms in the festival industry is high owing to the big number of festivals (which increases every year), the low differentiation between them and the inexistency of costs of change for the customers, all the other four analysed factors in this force imply a low level of rivalry. According to the concentration level, the growth rate, the low number of exit barriers and the structure of costs, festival sector is very attractive.

[24] The average length was 4.5 days (calculated using the Top 10 festivals with the highest number of attendees in the year 2018).

2.3.2 Threat of new entrants

Another of the five developed forces by Porter is the threat of potential competitors in the industry (also called “new entrants”). According to the American economist, whether the number of the companies that wants to enter in the industry is high, the number of competitors increases and the rivalry to capture clients also rises. As a result, the industry is less attractive and its capacity to generate benefits decreases.

In order to find out the intensity of this force in the festival sector, we must take into account the facility or difficulty for the companies to enter to this sector. Therefore, we need to study the barriers of entry and the reaction of the established competitors.

Regarding the barriers of entry, part of them coincide with some of the factors that have been already developed in the previous force (intensity of the competitive rivalry). This is the case for the low level of differentiation of services that a festival provides and the level of facility that customers have to decide in which festival they want or they do not want to go. These two factors suppose that the established companies do not have a mass of loyal customers, which implies the easy access to establish a new festival in the market.

However, an important barrier appears in a legal level. Companies that organize a festival must take in consideration the regulation of author rights, image and promotions, rights of the attendees, rights of the workers[25], ticket resales, etc. Nevertheless, probably in order to compensate all these requirements, public aid is well-known in this ambit, especially in the regions with the highest number of festivals[26]. In this way, subsidies are provided not only by regional Governments but also by the Spanish Government[27].

The main barrier of entry is the necessity of capital: licences for the space, contracts (artists, workers, providers of food, drinks, merchandising), promotion, etc. However, the need of capital is also the reason why the Governments provide subsidies. In addition to that, although there is effectively a necessity of capital, we believe it can be easily recovered by the tickets that have been sold (assuming a well-organized company). The justification can be found in the following argument: people that will attend in a new festival will be probably lower than the attendees in an established festival in the market. According to that, not only the number of services that requires to be provided (food, drinks, etc.) will be lower, but also the number of

[25] See in “Chapter 2. Section 2.4: “Attendance in Spanish festivals and Matrix of the typology of festivals” some troubles regarding festival workers.

[26] According to the Inform of OBS Business School (2019): “In Spain, the phenomenon of ‘festivalisation’ has been possible […] thanks to public helps or subsidies in the first place […].”

[27] As an example, in the following website, there can be found some aids and subsidies for the scenic arts and music: <http://www.culturaydeporte.gob.es/cultura/artesescenicas/sc/becas-ayudas-subvenciones.html>.

performances. Moreover, probably a new festival will not have the same (expensive) headliners that play in the well-known festivals and, finally, it will have a shorter duration.

Finally, we must add two important points regarding the barriers of entry. In the first place, there is not a high level of difficulty to access to the existent distribution channels (the main instrument to get the festival known is the social media, in which everyone has access). Thus, although the level of experience of a new festival may be lower than the one of the established festivals, there are new festivals that easily achieved the same level of popularity without needing a very big effort[28].

In the second place, the most well-known barrier of entry is the economies of scale. As all the barriers that have been explained, there is an inexistency of economies of scale in the sector of music festivals. This is, unitary costs do not decrease when the volume of production increases. Festivals just need to provide their services when they are taking place. Unitary costs will not decrease whether festivals last longer or they contract more artists or they serve more drinks. The new entrants do not need to have a higher "volume of production" than the already existing festivals.

According to all this analysed information, we can conclude that the level of barriers of entry is very low (the main one is in relation to the necessity of capital, but we have to remember that it can be easily got back through the ticket price and the expenditure of people during the festivals[29]). As a consequence, new competitors can easily enter in the market. Thus, due to the inexistence barriers of entry, there is a high number of potential competitors and the attractiveness of the sector decreases.

Regarding the reaction of the established competitors, it is also null. Some of the factors that prove this fact are the following ones: customers will not decide not to go to a festival because it is located in a region different where they are from; festivals do not have a high level of fixed costs (which could imply a high motivation to start a prices war); the net revenue of the sector is high (and increasing every year), which suppose a positive growth in relation to the sales; etc.

According to these facts, new companies can easily enter to the sector and create new festivals, without troubling. Thus, unlike the first force, as there are lots of enterprises that want to be part of the market, the number of competitors increases and, therefore, there will be a higher rivalry. As a result, the attractive of industry and the capacity to obtain benefits fall.

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[28] See "Chapter 2. Section 2.4: Attendance in Spanish festivals and Matrix of the typology of festivals." In the matrix of festivals, we will be able to check that new festivals can success or fail, in the same way than old festivals.
[29] The average consume per person in a festival is 26.32€ (IDAFEST, 2019).

2.3.3 Threat of substitute products or services

Porter considers that a substitute product is the one that comes from a different industry but satisfies the same needs for the customers. According to Getz (2002), “events are usually highly substitute, which means that other events or other opportunities of leisure can easily attract the audience if the festival is excessively expensive or loses its attractiveness”. However, we do not share this opinion. We could consider that customers can easily change between festivals, but it is not that easy to find out a “product” or “service” that supplies the same functions that are provided by a festival. There are lots of different types of events, lots of ways to listen to music and lots of ways to spend one’s leisure time. However, we do not believe that other companies from different sectors will limit the benefits of the companies that conform the festival sector. Attendees of a festival will not be as satisfied as when they go to the festival whether, instead, they listen to music through CDs, online platforms, etc. or they go to another type of events.

A study of Ticketea (Navas, 2015) indicates that the main three reasons of why Spanish people go to festival is because of the poster (89.8%), their friends (80.8%) and the experience (77%). As there is not another “event” or “product” able to have the same three impacts for the customers, we consider festivals do not have a substitute product or service. As a result, we can conclude, one more time, that the industry is attractive.

2.3.4 Bargaining power of suppliers and buyers

To analyse these two forces, we need to take in consideration who is taking the roles of suppliers and buyers. With this aim, this section is divided in two parts. In the first place, we will consider that “buyers” are the attendees in the festivals and “suppliers” are the festivals by themselves (they offer the experience to the customers). In the second place, when we consider the festivals are the buyers, the providers of these events become the suppliers (artists, companies that offer food, drinks, provide the space and other actives, and promoters).

According to Porter, a higher power of customers (attendees) or suppliers (providers of the festivals) implies a lower attractiveness of the industry and, therefore, companies (festivals) will depend more in their exigencies and will have a lower capacity to obtain benefits.

a) Bargaining power of buyers (attendees)[30]

Some of the factors that we already exposed can be applied in this category. This is the case for the no differentiation between products and the low cost of change of festivals (which give

[30] In this case, suppliers are the festivals by themselves.

power to customers in front of the companies, because the first ones can choose in which festivals they attend without any trouble); and the inexistency of substitute products (that favours the festivals' power, because, at the end, if customers want to experience this type of events they do not have other options rather to go to a festival).

Regarding the concentration of providers (festivals) or customers, the festival industry is not affected, because in both cases there is not a high concentration level. This means that there are lots of festivals in the market and lots of people that want to attend in these events. On the one hand, the fact that a person does not go to a festival anymore is not relevant for the final revenue of the festival, because there are other customers (and new ones) that will attend. However, on the other hand, as there is a big amount of festivals happening in Spain (and increasing every year), customers can easily change their option.

The fact that the purchase is in a small volume (normally customers buy the ticket for themselves) benefits the power of festivals, because, again, if there is a customer that does not buy the ticket for an edition, the loss of the seller is not as big as if the purchase was in a greater volume. Thus, in this case, customers do not have the power.

Regarding the price sensitivity, customers must accept the high price of festivals, because it has been increasing for the last years[31]. However, as there are lots of these events taking place, the attendees can easily change from a festival to another one whether they consider its price is very high[32]. According to this fact, we can conclude that customers are sensitive to prices (and have the power in front of sellers, whose prices must give in).

Finally, we must emphasise that the experience that festivals offer is non-storable. Thus, customers have more power rather than festivals, because companies, knowing that they will not sell the totally amount of tickets before the event takes place, will need to decrease the price if they want to achieve the maximum capacity.

b) Bargaining power of suppliers (providers of the festivals)[33]

In relation to the bargaining power of suppliers, we need to take into account that, as a consequence of the increase in the number of festivals, in the market there is also a higher number of companies available that provide services to these events (Zarzuela, El Hammi, and Zobel, 2019). As a result, there is, also in this case, no impact of the concentration of

[31] In lots of cases, although the drop of the VAT, the price kept the same and, in the last years, it has even increased (Estévez, 2017).
[32] Or other reasons that will be developed in "Chapter 2. Section 2.4: Attendance in Spanish festivals and Matrix of the typology of festivals".
[33] In this case, the buyers are the festivals by themselves.

suppliers nor customers (festivals). According to that, for a festival, the price of change of the provider is low.

At this point, it is important to mention the three types of providers (Getz, 2002): equipment, services and organisms that offer resources (subventions and sponsorship). In the first two cases, according to Getz, this type of suppliers would have a higher bargaining power if the phenomenon of volunteering and the capacity of offering a high variety of inputs had a lower importance that they had nowadays. Regarding the last type, its power increases when festivals are not enough independent to generate their own resources (Carreño, 2014).

In addition to this classification, we must refer to the artistic personal, this is, music groups. Regarding this type of suppliers, there are other intangible elements that can affect their bargaining power, such as: their prestige or fame, the acknowledgment of the festival; the network of contacts of the event manager or director; the establishment of agreements between associations or festival networks; etc. (Carreño, 2014). With all these elements, we can conclude that to be available to talk about the bargaining power of suppliers is very important to consider the experience of the festival. To sum up, festivals with a low number of editions may not have as many resources and intangible elements as a festival that is already consolidated in the market (Vergoñós, 2016).

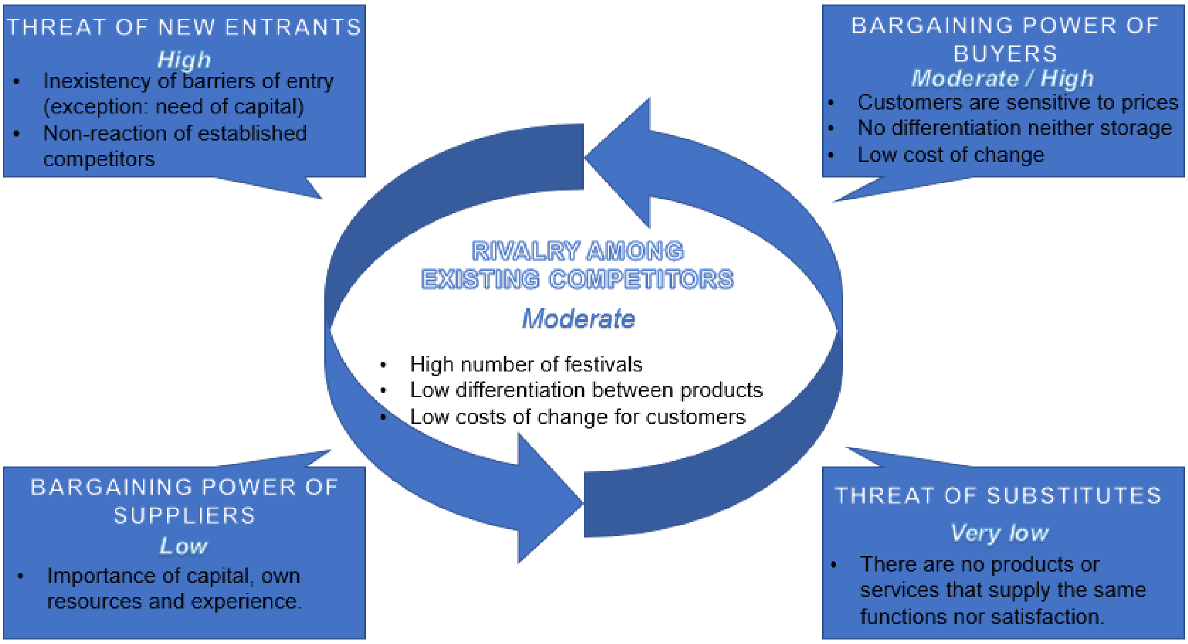
Another characteristic in relation to this force is the high purchase price that these companies demand to festival organizations. As a result, festivals (in the same way as their customers) are sensitive to prices and they can threaten suppliers to change them.

To conclude, bargaining power of customers is higher than bargaining power of sellers. Due to the non-differentiation between festivals, the customers' low cost of change, their price sensitivity and the fact that festivals are non-storable, customers (attendees) have the availability to bargain in front of festivals. However, suppliers cannot do the same. Thanks to the high number of available suppliers, the inexistency of cost of change and, also, the price sensitivity of festivals, organizations (festivals) have a higher power than their suppliers. To sum up, bargaining power of customers can make the attractiveness of festival sector decrease, but the low bargaining power of sellers – it is not inexistent because we must consider the importance of having the enough capital and resources – makes it increase.

2.3.5 Summary and Diagram of the Five Porter's Forces applied in the Festival sector

Through all the analysed forces, we can conclude that the festival sector is very appealing, because the main part of the forces does not have enough power to achieve a drop in the attractiveness of the festival industry. However, we must take in consideration that customers have a moderate power and, as a result of the attractiveness of the industry, there are companies that want to be part of this market. Thus, as there are not barriers of entry, the attractiveness of the sector decreases mainly on account of the threat of new entrants. In the next Diagram, we mention the main factors that give power to each force:

Diagram 2. Application of the Model of Porter's Five forces music festivals' sector



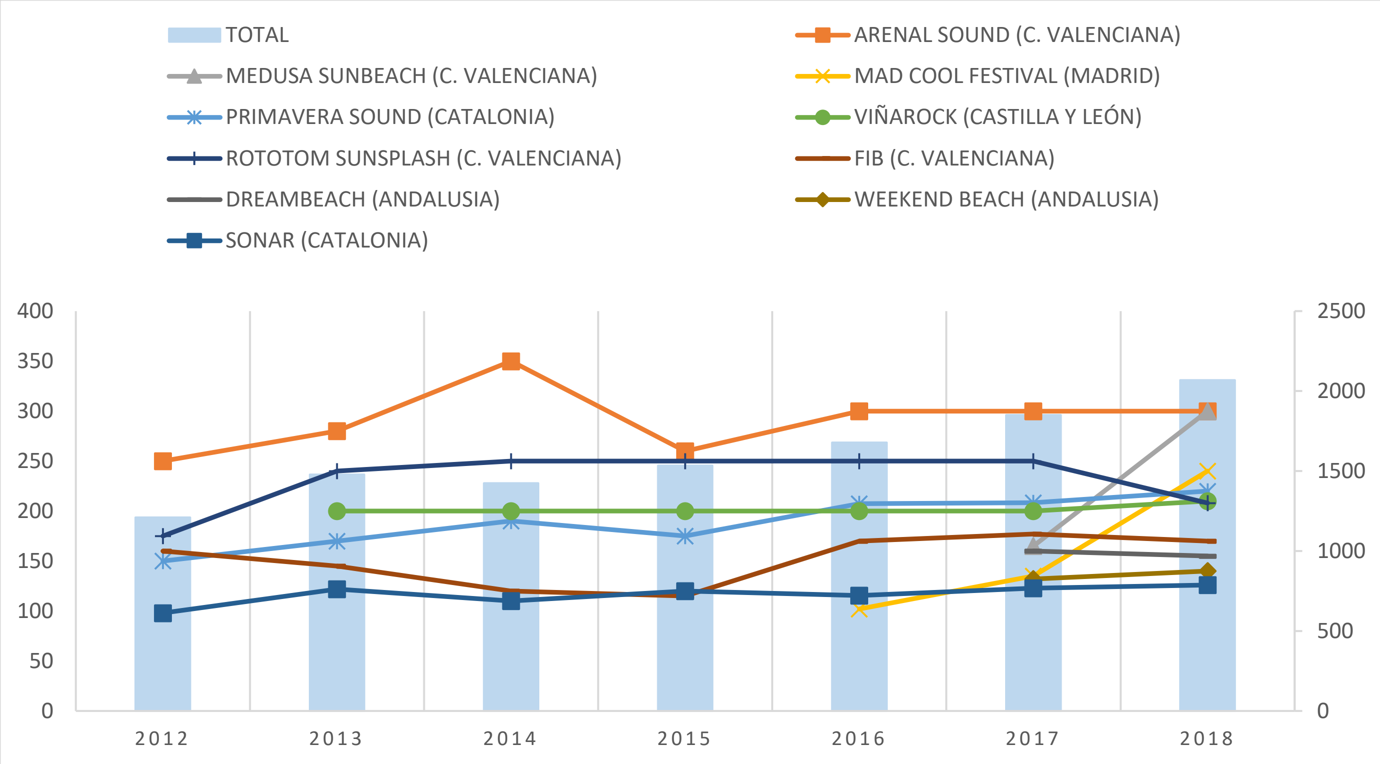
The main factors of each force are described. Own source.

2.4 Attendance in Spanish festivals and Matrix of the typology of festivals

As we have been able to observe, during the last years, the price of festivals has been increasing (Ordóñez, 2017 and Promoción Musical, 2018), but also the number of these events, allowing the attendees to easily change from a festival to another one if they consider its price is very high (as a consequence of the customer's force, that, as we said, decreases the attractiveness of the sector). At the same time, the number of attendees in the festivals has been rising.

It has not been possible to achieve the total number of attendees in the Spanish festivals. However, we can take into account the number of attendance in the ten festivals with the highest level of attendance. Since 2012, the quantity of people that goes to music festivals has been increasing (except in 2014, fact that could be explained, again, for the rise in the VAT), as it can be checked in the next graph.

Graph 4. Evolution of the attendance (units in thousands) in the tenth Spanish festivals that got the highest number in 2018 (2012-2018)



Own source based on APM Yearbooks.[34]

The aim of this graph is to show the variability of the sector. In this way, we created the following matrix in which is possible to differentiate four types of festivals. The classification depends on two variables: age (old and new) and change in attendance (high and low). In this way, the attendance is the factor of survival.

Table 3. Matrix of the typology of festivals according their age and attendance levels

	HIGH ATTENDANCE	**LOW ATTENDANCE**
OLD FESTIVALS	High standing, well-known festivals	Classical-"boring" festivals
NEW FESTIVALS	High-successfully young festivals	Crash festivals

Own source.

In the first place, in the group of "high standing" or "well-known" festivals, we are referring to those ones that, although they have been offered in the market for a while, they still have high rates of attendance (even increasing every year). This means that they have been achieving

[34] The 10 festivals that appear in the graph are the ones with the highest attendance level in the year 2018.

the highest attendance rates in the last years, this is, these festivals appear in the whole period of the previous graph. These festivals normally coincide with the "big" or "massive" festivals we have previously developed[35]. In this way, the main examples are Arenal Sound (the festival with the highest attendance rates since 2012), Primavera Sound, Viñarock, Rototom Sunsplash and Sonar. In this group, we can mention also FIB (one of the developers of this type of festivals). However, its number of attendees has not increased as much as the other festivals, on account of some drops between 2013 and 2015. In the last year with available data, it occupies the seventh position, but FIB achieved the third one in 2012.

In the second place, this success in the attendance can be also achieved by recent festivals in the market. This is the case in the "high-successfully young festivals". They can also be localised in the graph, not from the first year but occupying one of the ten positions during the last years. This has been the case for Medusa Sunbeach (celebrated for the first time in 2014, in its fourth edition it was already in the ranking and in the fifth one it achieved the same number of attendees as the first festival of the list, Arenal Sound); Mad Cool (it has been in this ranking since its first edition in 2016); Dreambeach (started in 2013, it got into the list in the years 2017 and 2018, with an attendance of 160,000 and 150,000 people, respectively); and Weekend Beach (appearing in the list from its fourth edition in 2017).

However, all this success (in terms of attendance) is not shared by all the market. There are also cases of "old" and "young" festivals in which people that used to attend started to decrease, implying a fall in revenues or even a need to cancel them. Regarding old festivals, they did not achieve the label of "high standing", but "boring". They tried to win the competition, but it was not possible. Some of the well-known festivals that are not anymore in the list of the ten festivals with the highest attendance are: Heineken Jazzaldia, SOS 4.8[36], Low Festival and Bilbao BBK Live[37]. It is also remarkable (for the role they had in the history of festivals) the recent cancellations of Doctor Music Festival (La Vanguardia, 2019) and Download Festival (Fuente, 2019), both in 2019.

Finally, this problem is also happening in some of the recent festivals and it may be one of the consequences of the sector's "bubble". Many projects start; however, they did not consider the high costs or sell enough tickets (problems that happened to the Weekend City Festival, that could not celebrate its first edition in 2019) (Mondo Sonoro, 2019).

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[35] See "Chapter 1. Section 2.4.5: "Big or 'massive' festivals".
[36] SOS 4.8 even had to cancel its edition in the year 2017 (Navarro, 2016).
[37] The success of Mad Cool supposed a decrease in the number of attendees to Bilbao BBK Festival, because both festivals were happening at the same weekend, as the data also proved (Del Moral, 2018).

The importance of the Porter's force of customers in the festival sector can be rapidly identified when, although some of the festivals are still achieving high number of attendees, they are being criticised for other reasons such as human rights or environment responsibility. Some of the remarkable cases are Mad Cool and Arenal Sound, respectively, showing how a recent and an old festival can be affected by this Porter's force[38].

On the one hand, regarding Mad Cool, in its first edition, the acrobat Pedro Aunión Monroy died after falling from thirty meters of height due to a security mistake. Some days later, workers of the festival met to protest, claiming that "he died as any of us could" (Lenore, 2017). On the other hand, talking about Arenal Sound, in 2016 it almost was cancelled owing to an inform of the Technic Committee of the local Government where it is celebrated (Burriana). The main reason, added to the lack of provided information (El Periòdic, 2016), was on account of the high level of acoustic contamination[39].

Finally, as we have previous analysed, the economic crisis and the increase in VAT was also a reason of some of the cancellations. Between these cancellations, we must take in consideration the rock festival Lagarto Rock, that celebrated its last edition in 2009. In 2014 (related to the rise in the cultural VAT), a lot of new festivals in the market had to close. Some of them are Jiwapop (Vallespín, 2014), Motorsound, ElectroBeach, Sferic Festival and Trash And Ready Reggae Festival (Linés, 2014).

To sum up, although nowadays we can see a stability in the number of festivals in Spain, the net revenue and the attendance is every time higher, despite the rising criticisms owing to bad working and environmental conditions. However, this apparent stability, in fact, is the result of the annual creation of some festivals while, at the same time, other ones are disappearing. This variation is caused due to the attractiveness of the festival sector, as it has been proved through the Model of 5 Forces of Porter – nevertheless, we cannot forget that due to the power of some forces, some festivals do not survive in the market –. This problem is not in a national level but in the whole world, where other festivals that we have previous mentioned on account of its importance for the success of the industry have also been cancelled recently (Loveparade in 2010, Glastonbury in 2011 and Woodstock in 2019).

[38] These are just some examples. Every time more criticises are being expressed by the workers and the attendees: criticisms of conditions of Viñarock, strikes of assemblers in Sonar, protests of Bilbao BBK workers, etc. (Muñoz, 2019).
[39] Superior Tribunal of Justice of Valencia (TSJV) sentenced the Festival to pay €18,000 to the neighbours that were complaining about the noises (STSJ Valencia May 31st, 2016).

3. <u>Model of the Festivals' Net Revenue (FNR): determinants of the increase in the net revenue</u>

3.1 Production function model of festivals in the Spanish regions

In this section, we present an econometric model whose aim is to estimate how some demographical and cultural factors (directly and not directly related to the music sector) can explain the rise of the number of the festivals and, specifically, their net revenue. Hence, once we identify which factors determinate the net revenue, we will expect the regions with the highest levels of these factors to present also the biggest amount of net revenue.

The Model of the Festivals' Net Revenue (FNR Model, from this point forward) is based in the following Cobb-Douglas production function (that will be progressively developed in this section, adding different variables):

$$y_{i,t} = \alpha_0 + \beta_n \cdot X_{i,t} + \varepsilon_{i,t}$$

where $y_{i,t}$ is the net revenue of Spanish festivals[40] in the period t (from 2016 to 2018); α_0 is a constant value; β_n represents the parameter of each explanatory variables (X_{it}); and, finally, $\varepsilon_{i,t}$ is a random error term.

In this econometric analysis, in order to estimate the unknown parameters, we used the method of ordinary least squares (OLS), and we obtained the following four equations.

$$y_{i,t} = \alpha_0 + \beta_1 \text{festivals}_{i,t} + \beta_2 \text{population}_{i,t} + \beta_3 \text{young population}_{i,t} + \varepsilon_{i,t} \quad [1]$$

$$y_{i,t} = \alpha_0 + \beta_1 \text{festivals}_{i,t} + \beta_2 \text{population}_{i,t} + \beta_3 \text{young population}_{i,t} + \beta_4 \text{income}_{i,t} + \varepsilon_{it} \quad [2]$$

$$y_{i,t} = \alpha_0 + \beta_1 \text{festivals}_{i,t} + \beta_2 \text{population}_{i,t} + \beta_3 \text{young population}_{i,t} + \beta_4 \text{income}_{i,t} + \beta_5 \text{books}_{i,t} + \varepsilon_{it} \quad [3]$$

$$y_{i,t} = \alpha_0 + \beta_1 \text{festivals}_{i,t} + \beta_2 \text{population}_{i,t} + \beta_3 \text{young population}_{i,t} + \beta_4 \text{income}_{i,t} + \beta_5 \text{books}_{i,t} + \beta_6 \text{libraries}_{i,t} + \varepsilon_{it} \quad [4]$$

[40] In this model, we presume the net revenue of the live music sector is the net revenue of the Spanish festivals. There are no data specifically of the net revenue of the festivals, so we decided to do this presumption taking into account that the behaviour of the festivals has been very similar to the one of live music in general (increasing in the last decades, in exception in both cases during the economic crisis, as we have been able to check in the section before).

3.2 Presentation of the data

As we previously introduced, the objective of this section is to know which factors have influenced the rise of the net revenue in the last years, being able to compare its different distribution through Spanish regions. Precisely, our model is based in a three-year period (between 2016 and 2018) and, as we indicated, the geographical level that we chose is formed by the Spanish regions[41].

Next, we show two tables. In the first table, there is a presentation of the variables in which we based our hypothesis[42]. It includes the name of the variable, the source and a brief description. The second table is a descriptive analysis composed by the arithmetic average of every variable and its maximum and minimum values.

Table 4. Description of the variables

Name	**Description**	**Source**
DEPENDENT VARIABLE:		
Revenue*	Net revenue of music festivals' sector	Own source based on APM Yearbooks (2010-2019)
INDEPENDENT VARIABLES:		
Festivals*	Number of festivals	Yearbooks of Cultural Statistics (2007-2019)
Population*	Quantity of resident people	INE
Young rate	Percentage of the quantity of resident people in the ages between 15 and 34 years old in relation to the quantity of resident people (population).	INE
Income*	Annual income per capita	INE
Books	Number of published books	INE
Libraries	Number of libraries	INE

*Own source. *Variables in log.*

[41] In this way, we are taking into account 17 autonomous communities plus the autonomous cities, Ceuta in Melilla, as another region.
[42] See "Chapter 2. Section 3.3: Hypothesis".

Table 5. Descriptive analysis of the variables

Name	Arithmetic average	Minimum	Maximum
Revenue (euros)*	15,300,512	384,760	87,370,635
Festivals (units)*	49	0	172
Population (units)*	2,589,854	170,545	8,388,107
Young rate (percentage)	21.181	16.543	26.913
Income (euros)*	11,112	8,250	14,722
Books (units)	363	19	988
Libraries (units)	3369	14	21,240

*Own source. *Variables in log.*

3.3 Hypothesis

In this section there can be found which results we expect from the model, this is, the way we think the variables above will interact.

Hypothesis 1. *Revenue of music festivals is related with the number of events, despite the important differences between regions.*

We expect a directly influence between the increase in number of festivals and the increase in revenue. This has been proved with the previous analysis[43]. During the last years, there has been a rise in the number of festivals in a state level (since 2015) and in the net revenue (since 2014). Thus, despite of some exceptions, the majority of regions must show also the same characteristics: a rise in both variables (festivals and, therefore, net revenue).

Hypothesis 2. *Population supposes a direct influence for the net revenue.*

There can be two possible assumptions. In the first place, as more people living in a region, more festivals there will be, therefore (according to the H1), higher revenue will be achieved. In the second place, as more people living in a region, more people will attend in the festivals occurring there, therefore, higher revenue will be achieved.

Hypothesis 3. *Net revenue is positively affected by the population, but, specially, by the young population.*

The last published studies regarding the average age of the attendees in the Spanish festivals show that 57.8% of people that attend are between 16 and 29 years old,

[43] See "Chapter 2. Section 2.2: Number of Spanish festivals".

followed by 28.7% between 30 and 39 years old (Navas, 2015). Also, the average age is 29 years old. According to that, we expect a positive explanation of the variable "net income" through the variable "young population" (between 15 and 35 years old), which implies approximately 86.5% of the total attendance in the festivals.

Hypothesis 4. *The annual income per capita explains the net revenue achieved by the music festivals' sector.*

Higher the income per capita in a region, higher purchasing power of people that live in that region. This statement has two consequences. In the first place, residents can allow themselves to attend in a higher number of festivals (rather than residents of a region with lower income per capita levels). In the second place, these people will be able to spend more money in the festivals they go. As a result in both cases, higher revenue is achieved by the festivals' sector.

Hypothesis 5. *The effect of the number of published books in the region and the number of libraries in that community in relation to the net revenue is* not *clear.*

Regarding the last two variables (number of published books and libraries), they are an example of cultural factors and not as clear as the previous ones.

On the one hand, we could expect that, as a result of a higher number of books published in *x* region and also higher number of libraries (than in *y* regions), people that live in *x* are more interested in culture (rather than in *y*, regions with a smaller number of both variables). Following this assumption, as culture englobes live music, a region that provides higher number of libraries and publishes a higher number of books will also provide a higher number of festivals, because more people will want to attend in *x* rather than in *y*, with a lower number of people interested in culture. So that, a higher revenue will be achieved in *x* region rather than in *y* region[44].

On the other hand, even though live music is part of culture in the same way as literature or cinema, they are very different branches. Thus, people that like to read may not like to go to a festival or, in general, to listen to music. According to this assumption, these variables will not have any effect in the net revenue of festivals' sector. It would be even possible that the number of published books and the number of libraries effect negatively our dependent variable, because if the regional

[44] In addition to this analysis, we can consider these two variables as a consequence of the variable "population". Thus, H5 could be another step due to H2, this is: a higher number of people living in a region not only suppose that a higher number of people will attend to a festival but also it implies that a higher number of libraries will be built and a higher number of books will be published in that region.

government realizes that a lot of people that live there are interested in reading probably will develop this sector rather than another one (that could be live music).

3.4 Results of the model

The obtained results in the FNR model will be developed progressively through each equation and they can be proved by Table 6, attached at the end of this section.

Regarding the first equation (which includes, as it has been indicated, the independent variables of festivals, population and young population), the results confirm that the net revenue is positively explained by all these three variables. The model provides a high level of adjustment (only 7.95% of the model is not explained by the mentioned variables). Although the results indicate the positive correlation between the three variables and the net revenue, we must remark the impact of the rate of young population. According to the results, if the rate increases by one percent, the net revenue will rise by four percent. Regarding the number of festivals and the population, the impact, as we said, is also positive but in a lower intensity (if both increases by one percent, the net revenue will rise by 0.496% and 0.596%, respectively).

In a temporary level, both years show positive results, this is, in all the years these variables are directly correlated with the net revenue. Specifically, not only the results confirm that every year the correlation is higher, but also the standard error and the p value decrease. So, we can expect a growing tendency in the net revenue of the festivals due to these three variables.

Moving to the second equation (which incorporates the variable “income”), we can affirm that all the four variables show, again, a directly correlation with the net revenue of festivals. In addition to that, the last variable that we included has the second highest positive influence in the net revenue (after young population rate). In this equation, on the one hand, we must remark that variables of population and the rate present a higher effect than before. On the other hand, the influence of the number of festival drops (for every increase of one percent in the number of festivals, the net revenue will just change positively by 0.192%).

Regarding the period of time, the results show a higher correlation in 2018 compared to 2017. This means that the expected increase in the revenue (owing to the explanatory variables) for the next years in the first equation is confirmed.

In the third equation, the new variable that we incorporated is the number of published books. We achieved the same conclusion as the previous equations. We can see that the five variables explain (positively) the net revenue of the sector. In this way, the variable “books” has also a positive impact. However, it is the one that affects in a lower way the dependent variable (even less than the number of festivals, which, in this equation is the only variable that increases its impact). Young population rate and income are also the variables with the highest positive coefficient, even though their values have decreased compared to the previous equations (probably on account of the impact of adding the variable “books”). Once again, the last year shows higher results than the previous ones, this is, we can expect that the correlation will keep increasing for the next periods.

Finally, the last equation incorporates the second variable related to the generic culture sector (“libraries”). For the first time in the model, this variable shows a negative correlation. Thus, the festivals’ net revenue in a specific region is not explained by the number of libraries that there are in the same zone. Using the partial elasticity, we can conclude that every time the number of libraries increases by one percent, the net income of festivals will decrease by 0.237%. This fact disrupts the other variables and the consequence is a relative decrease in the positive impact of the other explanatory variables (except in the variables books and festivals, which are the ones with a minor positive impact). However, the results related to the temporary level are higher every year, which means that the explanatory variables have (and will have) a bigger impact in the net revenue in the following periods.

It is important to add that in every equation (which incorporates an additional variable), the coefficient of determination has a higher result. This is, in every estimation, the model provides a higher proportion of the explained variance.

In order to conclude, our hypothesis headed toward a correct way. We expected a positive impact regarding the number of festivals, the population, the younger population and the annual income per capita. In addition to that, we already assumed that, owing to the differences between regions, the number of festivals could not be the main explanatory variable. The main independent variable has been the young population rate, followed by the net income per capita.

As a consequence of this fact, we can assume that the regions with the highest young population rate and net income per capita will also be the regions in which the music festival sector achieves the highest net revenue. In instance, Catalonia – the region with the highest value of net revenue – achieved in 2018 the second highest value of the young population rate and the third one in relation to the net income per capita (in addition to be the region with the highest number of festivals); Madrid – the following region in terms of the net revenue values – had the second highest rate of young population and the fourth value of net income per capita; finally, Andalusia (the third region with the highest net revenue) is the Spanish region with the highest rate of young population.

Finally, we already discussed the difficulties to stablish a hypothesis in relation to the cultural variables. Books affect positively the festivals' net revenue (but in a lower impact than the other variables) and the variable "libraries" is the only one with a negative impact. Thus, festival sector is more linked to the demographical factors than to other cultural branches.

Table 6. Factors that explain the net revenue of festivals sector

		Equation 1	Equation 2	Equation 3	Equation 4
Festivals*		0.4964***	0.1922*	0.2197**	0.2314**
		(0.1485)	(0.0978)	(0.0956)	(0.0982)
Population*		0.5959***	0.9339***	0.8636***	0.8421***
		(0.1591)	(0.1052)	(0.1076)	(0.1142)
Young rate		0.0404*	0.0639***	0.0593***	0.0569***
		(0.0262)	(0.0164)	(0.2733)	(0.0166)
Income*		-	1.8949***	1.5357***	1.4588***
		-	(0.2149)	(0.2733)	(0.3038)
Books		-	-	0.1199**	0.1265**
		-	-	(0.0592)	(0.0606)
Libraries		-	-	-	-0.2366
		-	-	-	(0.3951)
FIXED EFFECTS	**2017**	0.2383**	0.2058***	0.2101***	0.2102***
		(0.1175)	(0.0725)	(0.0702)	(0.0707)
	2018	0.3789***	0.3198***	0.3273***	0.3286***
		(0.1201)	(0.0743)	(0.0721)	(0.0726)
CONSTANT		4.5738	-17.3184	-25.4129	-15.9997
R^2		92.05	97.04	97.29	97.31
Number observations		53	53	53	53

Standard errors are in parenthesis:

$* p < 0.1$; $** p < 0.05$; $*** p < 0.01$

Variables in log

3.5 Autoregressive model (AR) and econometric forecast

To provide a better understanding of the archived results by the FNR Model, we developed an autoregressive model (AR) followed by an econometric forecast to estimate the future evolution of the musical festivals sector's net revenue (until the year 2031). This forecast takes into account the annual data in a national level – obtained from the Yearbooks of APM – between the years 2004 and 2018. Results can be found in Graph 5, at the end of this section.

As we could already predict through the results of the FNR model, the forecast estimates a growth of the festival sector's net revenue. However, this growth is not immediate or sustained. According to the results, a drop in the net revenue is expected until 2024. Nevertheless, from

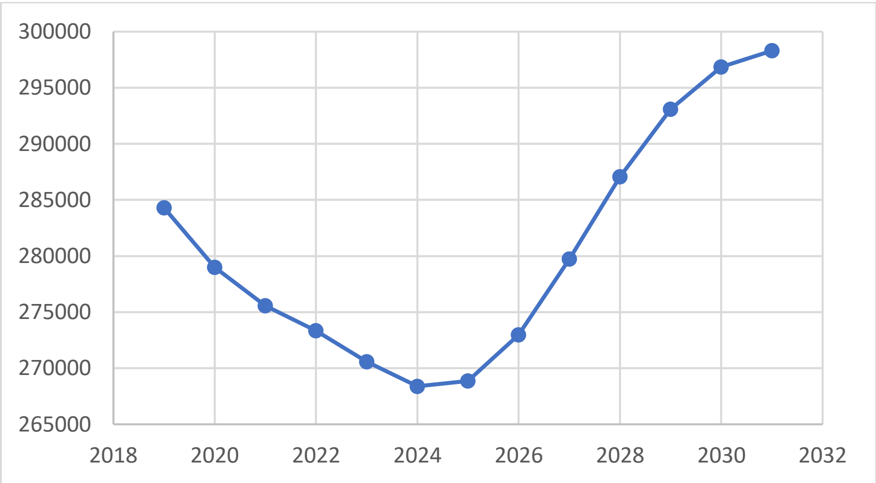
2025, the model predicts a recovery of the sector, achieving higher net revenues than the ones in the current times (specifically, from 2028).

We can explain this fall in the net revenue due to two main reasons:

- ❖ In the first place, a possible justification can be the importance of the predominant independent variable that affects the net revenue according to the FNR Model, this is, the young population. Thus, a decrease in the young population affects negatively the net revenue[45]. It is important to remember the found results in the FNR Model, which indicated that if the rate decreases by one percent, the net revenue will decrease by a higher percentage, at least *four percent*.
- ❖ In the second place, another reason for this drop can be found in the population variable. The evolution of the total population in Spain is basically constant. For example, between 2008 and 2019, according to INE, the total quantity moves between 46,157,822 and 47,026,208 people. Thus, a moderate rise affects in a negative way the festival sector's net revenue.

To sum up, without taking into account the Coronavirus effects, the econometric forecast predicts a decrease in the net revenue between 2019 and 2024, due to the young population and, also, due to the total population in Spain. However, these predictions will probably have to adjust due to the appearance of the Coronavirus. This extraordinary situation may also affect to the positive results and the expected increase between 2025 and 2031.

Graph 5. Econometric forecast of the music festivals sector's net revenue



Prediction of the net revenue of music festivals' sector (in thousands of euro) between 2019 and 2031. Own source based on data from APM Yearbooks.

[45] According to INE, between 1999 and 2019, people between 20 and 40 years old who were born in Spain dropped by 29%.

CONCLUSIONS

One of the main aims of this dissertation was to present the importance of the music festivals for the Spanish society. Music festivals do not move only money, but also people, tastes, experiences and, in general, culture. This may be the reason why the concept of "festival" is not clearly defined, but it presents an evolution. However, there are some characteristics that we must emphasize, such as the fact that music is not the only element that is part of these events, but conferences, meetings, etc. In this way, festivals are more than just music.

In order to provide the conclusions, we will follow the objectives that were exposed at the beginning of the dissertation. In the first place, regarding the *festivals' development in an international and national level*, we have been able to see that their expansion in Spain was previously required their development in Europe, which was due to the initial proliferation in the United States. The evolution of festivals from their beginnings to how they are known nowadays in our country is delayed compared to other parts of the world owing to the late entrance of democracy. In this way, it is not until the nineties when "massive" festivals are developed in Spain. However, festivals with these characteristics appear in the United States and some parts of Europe (specially, the United Kingdom) already between 1960 and 1970, such as Monterey Pop Festival, Woodstock Festival, Reading, Isle of Wight Festival and Glastonbury Festival.

Nowadays, talking in world level terms, there is an immensely high variety of types of festivals. However, we can find some common characteristics. For example, the genre more relevant in the current music festivals is indie and what people look for a festival is not only to listen to music, but also to share an experience. Hence, festivals do not offer anymore only concerts. In addition to that, we must indicate that the commercialization (and some movements that are against it) has been increasing since the eighties.

In the second place, specifying in the national level and considering *the impact of the Spanish economic crisis in the festival music industry*, the Great Recession that started in 2008 had a very high (and negative) impact regarding the net revenue of the festival sector (especially after 2010). As a result, there was a big decrease in the net revenue, which was potentiated on account of the increase in the cultural VAT. Once this period is finished, the sector recovers and not only the net revenue but also the number of festivals starts to increase in 2014.

In the third place, in relation to *the attractiveness of the sector in the current times*, through the help of the Porter's Model of 5 Forces, we can conclude that music festival industry is attractive, mainly owing to the moderate intensity of competitive rivalry, the low bargaining power of providers and, finally, the very low threat of substitute products and services.

However, this attractiveness is slightly reduced due to the other two forces. In the first place, because of the rise, during the last years, of the bargaining power of attendees, mainly on account of the no differentiation between festivals, the low cost of change for the customers and their price sensitivity. In addition to that, organizations have noticed the attractiveness of the sector, the increasing number of attendees and the rise in the net revenue of the industry. Consequently, the second reason of the decrease in the attractiveness is owing to the high threat of new entrants. Due to the low number of barriers of entry and the no reaction of the established competitors, lots of new festivals are launched in the market every year.

Nevertheless, part of these new festivals (in addition to some of the old ones) do not success and may have to cancel. This false stability of the market is one of the reasons of the "bubble" of the sector. From the descriptive analysis of the industry in a national level, although the risk that this bubble could suppose, the results were positive. In fact, in 2018 – the last year with available data while doing the research –, the net revenue of the live music sector achieved its maximum value, and the rise in the number of customers and the quantity of these events indicated that in the following years the results would keep being positive (and higher). However, with the Coronavirus crisis, the bubble of festivals collided before than anyone could have thought.

Finally, regarding the *factors that explain the net revenue of music festivals*, through the Model of the Festivals' Net Revenue (FNR) we concluded that the main ones are, in the first place, the rate of young population and, in the second place, the net income per capita. Other factors on which net revenue depends (but with a lower intensity) are the number of festivals and the number of published books. However, the last one has a very low impact and the other cultural factor that we used as a variable (number of libraries) explains the net revenue in a negative way. Hence, festival sector is more linked to demographical factors rather than to cultural ones. The importance of the young population rate and the net income per capita helps to understand the regions with the highest values of music festivals' net revenue (such as, Catalonia, Andalusia and Madrid).

In order to conclude, according to the FNR model, the relation through the variables was positive and increasing every year. This fact proves that in 2018 the net revenue in the music festival sector achieved its maximum value. Thus, in addition to the fact that the number of festivals and attendees has been increasing for the last years (since 2015 and 2014, respectively), we expected that the success of the sector and its attractiveness would be kept (and even risen).

However, this rise may not occur since 2025. In this way, we developed an econometric forecast that predicts a decrease in the net revenue for the following years until 2024. This fact can be explained owing to the drop of young population in our country, in addition to the slow growth of the total population. Furthermore, Coronavirus crisis will affect in a high probability all these results. This health pandemic devastated the shining future for the music festival industry, not only in a national, but also in an international level.

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