

Economic Impact of the 2014 GRAMMY Awards On Los Angeles County

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Roy Weinstein and Kristina Stanford

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A SourceHOV Company

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Executive Summary

Micronomics was asked to quantify the economic impact of the 2014 GRAMMY Awards on Los Angeles County. Based on our analysis, we have concluded that these awards produced at least \$82 million in immediate, identifiable benefits to Los Angeles County, including \$26 million in incremental spending by out-of-town visitors, \$4 million from limousine rentals and wardrobe, \$15 million from production and staff, and \$37 million in multiplier effects, including \$2.7 million in state tax revenue and \$2.7 million in local tax revenue.

These estimates are conservative because we did not account for the local value of corporate sponsorships, spending associated with private GRAMMY parties, or the economic benefit to local designers whose clothing is showcased at the GRAMMY Awards and ancillary events.

In addition, if only one quarter of one percent (0.25 percent) of the 28.5 million viewers of the GRAMMYs telecast decide to visit Los Angeles for four days as a result of watching the awards show, the estimated economic impact using tourism statistics from the Los Angeles Convention and Visitors Bureau is an additional \$58 million

Based on this estimated incremental benefit, a secondary economic impact of \$48 million will result. This multiplier effect includes approximately \$7 million in incremental state and local tax revenue. In total, the estimated economic impact of one quarter of one percent of GRAMMY viewers visiting Los Angeles for four days is \$106 million. Accordingly, total benefit to Los Angeles County associated with the GRAMMY Awards could be close to \$200 million.

Background

The National Academy of Recording Arts and Sciences (the “Recording Academy”) was established in 1957 by major recording industry executives.¹ Paul Weston, a Columbia Record executive, was the first president of the organization.² Members of the Recording Academy include singers, songwriters, engineers, producers, and managers in the music industry.³ The Recording Academy has twelve chapters across the country.⁴ Each chapter develops, supports, and promotes its local music scene.

The Recording Academy hosts the annual GRAMMY Awards ceremony to honor various musical accomplishments in the previous year. The GRAMMY Award is the most prestigious award in music.⁵ Members of the Recording Academy first vote for the nominees in each

¹ Mosby, Aline, “Recording Stars Plan Eddie to Join Oscar, Emmy,” *The Deseret News*, August 9, 1957.

² Mosby, Aline, “Recording Stars Plan Eddie to Join Oscar, Emmy,” *The Deseret News*, August 9, 1957.

³ “About the Recording Academy,” GRAMMY 365 website.

⁴ “About the Recording Academy,” GRAMMY 365 website.

⁵ “The GRAMMY Awards,” GRAMMY.org website.

category and again for the final winners.⁶ The first GRAMMY Awards occurred on May 4, 1959 at the Beverly Hilton.⁷ The ceremony recognized 28 categories.⁸

The 56th GRAMMY Awards show was held on January 26, 2014 at the Staples Center in downtown Los Angeles. The three and half hour show aired live on CBS. Over 28 million people, the second largest audience since 1993, watched the telecast ceremony.⁹

GRAMMY Awards were given in 82 categories.¹⁰ Daft Punk won the “Record of the Year” GRAMMY for the song “Get Lucky” and the “Album of the Year” GRAMMY for “Random Access Memories.”¹¹ John Legend, Hunter Hayes, Lorde, Kendrick Lamar, Imagine Dragons, Katy Perry, Pink, Taylor Swift, Robin Thicke, and Keith Urban performed during the ceremony.¹²

The official GRAMMY after-party was held at the Los Angeles Convention Center immediately following the GRAMMY Awards telecast.¹³ The event was Roaring ‘20s themed and featured entertainers, dancers, and acrobats.¹⁴ Boyz II Men and Ciara performed during the event.¹⁵

GRAMMY Week is a weeklong series of events culminating with the telecasted GRAMMY Awards and official after-party. Events include the Entertainment Law Initiative luncheon, the Producers and Engineers Wing event, the Billboard Power 100 event, the MusiCares Person of the Year gala, the Special Merit Awards Ceremony, and the Pre-GRAMMY Gala, among others.

The MusiCares Person of the Year gala was held on January 24, 2014 at the Los Angeles Convention Center. The event paid tribute to Carole King and raised money for the MusiCares’ emergency financial assistance and addiction recovery programs. James Taylor, Carole King, Lady Gaga, Alicia Keys, Pink, Zac Brown, Sara Bareilles, Jason Mraz, Miguel, and Kacey Musgraves performed at the event.¹⁶

The Special Merit Awards Ceremony was held on January 25, 2014 at the Wilshire Ebell Theatre. The event honored artists, technical professionals, and executives for a variety of music-related contributions. Awards included the Lifetime Achievement Award, the Trustees Award,

⁶ “GRAMMY Awards Voting Process,” GRAMMY.org website.

⁷ “A Tradition is Born,” GRAMMY.com website.

⁸ Past Winners Search, GRAMMY.com website.

⁹ Stelter, Brian, “Grammy Awards attracted 28.5 million,” *CNN*, January 27, 2014.

¹⁰ “56th Annual GRAMMY Award Winners & Nominees,” GRAMMY.com website.

¹¹ “56th Annual GRAMMY Award Winners & Nominees,” GRAMMY.com website.

¹² “Your GRAMMY Performer Checklist,” GRAMMY.com website, January 25, 2014.

¹³ “Boyz II Men Among GRAMMY Celebration Performers,” GRAMMY.com website, January 7, 2014.

¹⁴ “Boyz II Men Among GRAMMY Celebration Performers,” GRAMMY.com website, January 7, 2014.

¹⁵ “Boyz II Men Among GRAMMY Celebration Performers,” GRAMMY.com website, January 7, 2014.

¹⁶ “Celebrating Our Friend, Carole King,” GRAMMY.com website, January 25, 2014.

and the Technical GRAMMY Award.¹⁷ Honorees included the Beatles, Clifton Chenier, and the Isley Brothers, among others.¹⁸

Following the Special Merit Awards Ceremony, the Recording Academy partnered with Clive Davis to host the Pre-GRAMMY Gala.¹⁹ The celebration was held at the Beverly Hilton Hotel and included a dinner and ceremony. The event honored Lucian Grainge, the chairman and CEO of Universal Music Group, and featured performances by Miley Cyrus, Macklemore and Ryan Lewis, Robin Thicke, Lorde, and Lionel Richie.²⁰

Collectively, the GRAMMY Awards telecast and ancillary events produced significant economic benefit to Los Angeles County.

Economic Impact of Hosting the 2014 GRAMMY Awards

Our analysis addresses four components of the immediate economic impact on Los Angeles associated with hosting the 2014 GRAMMY Awards. The first is direct spending by visitors to Los Angeles attracted by the GRAMMY Awards and related events. This includes expenditures on transportation, accommodations, food and beverage, entertainment, and shopping.

The second is direct spending by GRAMMY attendees on transportation and wardrobe, including the cost of limousine rentals for the ceremony and wardrobe costs for gowns, accessories, makeup, and stylists.

The third is direct spending by the Recording Academy on setup, production, and reception costs. These costs encompass venue rental for the Staples Center and smaller reception venues. Production expenditures, including equipment and staffing, also have been accounted for.

The fourth is the multiplier effect understood by economists to reflect the circulation of incremental spending within the local economy. The GRAMMY Awards provide increased income for taxi and airport shuttle operators, restaurant and club owners, hotel employees, etc. Recipients of this income use at least a portion to make purchases that they otherwise would not have made, thereby producing another round of beneficiaries. These multiplier effects are directly attributable to the GRAMMY Awards since they would not benefit Los Angeles if the event was held elsewhere.

¹⁷ “Special Merit Awards: Class of 2014,” GRAMMY.com website, December 12, 2013.

¹⁸ “2014 Special Merit Awards Ceremony Highlights,” GRAMMY.com website, January 25, 2014.

¹⁹ “The Recording Academy, Clive Davis Partner for Pre-GRAMMY Gala,” GRAMMY.com website, December 18, 2012.

²⁰ Fekadu, Mesfin, “Clive Davis’ 2014 Pre-Grammy Gala Brings Out Miley Cyrus,” *The Huffington Post*, January 26, 2014.

Methodology for Calculating Visitor Direct Spending

We used reported attendance figures provided by Recording Academy staff as the starting point for calculating direct spending by visitors for the GRAMMY Awards. We calculated the average number of visitor days spent in Los Angeles and then used tourism statistics (average spending per night for affluent travelers) compiled by the Los Angeles Tourism and Convention Board to determine the total amount of direct visitor spending associated with attending the GRAMMY Awards.²¹

We estimate that approximately 72 percent of the 12,268 attendees were from outside the Los Angeles area, representing 8,833 out-of-town attendees for the GRAMMY Awards.²² According to the Recording Academy, attendees spent an average of four nights in LA for the GRAMMY Awards. Using Los Angeles tourism statistics, we estimated that each out-of-town visitor spent an average of \$744 per night in Los Angeles.²³ This includes accommodations, food, entertainment, and shopping. Accordingly, direct visitor expenditures associated with the GRAMMY Awards were approximately \$26.3 million (see Figure 1).

Figure 1: Local Spending by GRAMMY Award Attendees Visiting from Outside of Los Angeles

Attendees from Outside of Local Area	Average Nights in Los Angeles	Spending by Attendee	
		per Night	Total Spending
(Dollars)			
(1)	(2)	(3)	(4)
			(1) x (2) x (3)
8,833	4	\$744	\$26,287,008

Direct Spending by Attendees on Transportation and Wardrobe

We utilized reported attendance figures provided by Recording Academy staff as the starting point for calculating direct spending by attendees on transportation and wardrobe.

We estimated that approximately ten percent of GRAMMY attendees rented limousines for the event. Based upon quotes from a local limousine company, the average cost of a limousine is \$110 per hour, and we assumed each limousine was rented for a minimum of eight hours.

Accordingly, direct spending associated with limousine rental for the GRAMMYs was approximately \$1 million (see Figure 2).

²¹ Information from Recording Academy staff.
Information from Los Angeles Tourism and Convention Board.

²² Information from Recording Academy staff.

²³ Information from Los Angeles Tourism and Convention Board.

Figure 2: Spending on Limousine Rentals for the GRAMMY Awards

<u>Limousines Rented</u>	<u>Average Cost</u>	<u>Total Spending</u>
(Dollars)		
(1)	(2)	(3) (1) x (2)
1,225	\$880	\$1,078,000

Spending on wardrobe by female attendees was estimated using average costs for each wardrobe component. According to the Recording Academy, 12,268 people attended the show, including 94 celebrities, and approximately 28 percent were from LA County. Assuming half of the attendees were female, we estimated 1,718 Los Angeles-based females attended the GRAMMY Awards, including 14 celebrities and 1,704 non-celebrities.²⁴

Wardrobe and related expenditures were broken down into the following categories: a) stylists; b) gowns; c) handbags; d) shoes; e) hair styling; and f) makeup. Local, female attendees were assumed to have made expenditures on all of these components, except for hiring a stylist which was included in the expenditure estimates for all celebrities and 5 percent of the non-celebrities. In addition, we assumed that half of the out-of-town, female non-celebrities and all of the out-of-town, female celebrities spent money on hair and makeup for the event. Based on estimates from a Los Angeles-based stylist, average prices were allocated to each component and total wardrobe expenditures were calculated.²⁵ This resulted in approximately \$2.7 million on incremental wardrobe expenditures.

Figure 3: Spending on Wardrobe and Accessories by Female Attendees

<u>Event</u>	<u>Female Attendees</u>	<u>Local Stylists Hired</u>	<u>Expenditures</u>						<u>Total</u>
			<u>Stylists</u>	<u>Gowns</u>	<u>Handbags</u>	<u>Shoes</u>	<u>Hair Styling</u>	<u>Makeup</u>	
(1)	(2)	(3)	(4) (3) x \$1,500	(5) (2) x \$500	(6) (2) x \$250	(7) (2) x \$250	(8) (2) x \$150	(9) (2) x \$50	(10) SUM (4)...(9)
<u>Local</u>									
1. Celebrities	14	14	\$21,000	\$7,000	\$3,500	\$3,500	\$2,100	\$700	\$37,800
2. Non-celebrities	1,704	85	127,500	852,000	426,000	426,000	255,600	85,200	2,172,300
<u>Out-of-town</u>									
3. Celebrities	33	-	-	-	-	-	4,950	1,650	6,600
4. Non-celebrities	2,191	-	-	-	-	-	328,650	109,550	438,200
5. TOTAL		99	\$148,500	\$859,000	\$429,500	\$429,500	\$591,300	\$197,100	\$2,654,900

This estimate is conservative given that only spending by female attendees was included. Men also wear expensive tuxedos and outfits; however, it is difficult to estimate costs on these items that were incurred solely for the event. Local designers whose clothing is featured at the event

²⁴ Information from Recording Academy staff.

²⁵ Information provided by local stylist.

Mallen, C., "The cost of attending an awards show," Bankrate.com, February 23, 2012.

also benefit. As a result, our wardrobe estimates understate the actual economic benefit of the GRAMMY Awards to the local economy.

In total, direct spending associated with wardrobe and transportation for the event is estimated at \$3.7 million.

Direct Spending by the Recording Academy

The GRAMMY Awards requires extensive setup and on-site staff to accommodate attendees. Costs include rental of the Staples Center, the Los Angeles Convention Center, and various GRAMMY ancillary event venues leading up to the main events. Local vendor spending on furniture, lighting, transportation, etc. also was included.

The high-profile television broadcast of the GRAMMY Awards was another component of expenditures. The three and a half hour event (including the Red Carpet) was broadcast live via CBS.²⁶ Filming and producing these events required special equipment, supplies, and security. Staffing for the telecast includes stage hands, technicians, audio crew, and stage managers. Based on information from Recording Academy staff, direct spending associated with production was approximately \$14.8 million.

Figure 4: Spending on Production of the GRAMMY Awards and Ancillary Events

Event	Budget
	(Dollars)
(1)	(2)
1. GRAMMY Show	\$8,056,307
2. GRAMMY Celebration	2,416,768
3. Pre-GRAMMY Gala	1,137,111
4. Special Merit Awards	380,344
5. MusiCares Person of the Year Event	1,419,600
6. Venue Rental	664,977
7. Security	536,693
8. Staffing	202,355
9. TOTAL	\$14,814,155

Altogether, direct spending associated with the GRAMMY Awards was approximately \$45 million.

²⁶ Moraski, Lauren, “2014 Grammy Awards a hit with viewers,” *CBS News*, January 27, 2014.

Figure 5: Direct Impact of GRAMMY Awards and Related Events on Los Angeles County

Category	Amount
	(Dollars)
(1)	(2)
1. Visiting Attendees	\$26,287,008
2. Production	14,814,155
3. Wardrobe and Accessories	2,654,900
4. Limousine Rentals	1,078,000
5. TOTAL	\$44,834,063

Multiplier Effect

Economic multiplier models are used to estimate the additional impact from circulation of direct spending through the local economy. These models reflect the relationship between inputs and resulting economic outputs, and recognize the impact that an increase or decrease in economic activity in one sector of the economy can have on economic activity in other sectors.

The Minnesota IMPLAN Group, Inc. compiles data that provide the framework for an economic multiplier model used to measure output gains resulting from increased spending in sectors such as transportation, accommodations, food and beverage, entertainment and shopping. Based on the estimated incremental spending noted above, total direct spending associated with the GRAMMY Awards would result in a secondary economic impact of \$37 million. Included in this estimate is approximately \$2.7 million in state tax revenue and \$2.7 million in local tax revenue. Altogether, the economic effect is estimated to be \$82 million.

Figure 6: Total Immediate Impact of the GRAMMY Awards and Related Events on Los Angeles County

Category of Impact	Amount
	(Dollars)
(1)	(2)
1. Direct	\$44,834,063
2. Indirect	15,561,600
3. Induced	21,174,080
4. TOTAL	\$81,569,743

Other Considerations

Aside from the direct and immediate economic impact, other factors contributed to the economic contribution of hosting the GRAMMY Awards. Since these benefits have not been fully quantified in this report, the true economic impact on Los Angeles County has been understated.

Visibility

The GRAMMY Awards features celebrities, unique musical performances, fashion, and the famous STAPLES Center at LA Live. Accordingly, the ceremony has important global reach. This provides valuable publicity for Los Angeles, which can translate into significant long-term benefits.

According to data compiled by Twitter, Facebook, and Tumblr, the GRAMMY Awards generated over 34 million social media interactions (see Figure 7).²⁷ On Twitter, GRAMMY related tweets peaked at 172,000 tweets per minute.²⁸ In addition, over six million people became followers or subscribers of the GRAMMYs through various social networks (see Figure 8) and over one million people used Shazam tags during the event.²⁹ GRAMMY Live, an official second-screen companion program featuring coverage from the GRAMMY Red Carpet, Pre-Telecast ceremony, and backstage, provided additional visibility and had approximately one million unique users.³⁰

Figure 7: Social Media Interactions Surrounding the GRAMMY Awards

Social Network	Interactions
	(Millions)
(1)	(2)
1. Facebook	13.5
2. Twitter	15.7
3. Tumblr	5.1
4. TOTAL	34.3

²⁷ “56th GRAMMY Awards Nets Record Social Media Interactions,” GRAMMY.org website, January 30, 2014 (<http://www.grammy.com/news/56th-grammy-awards-nets-record-social-media-interactions>).

²⁸ “56th GRAMMY Awards Nets Record Social Media Interactions,” GRAMMY.org website, January 30, 2014, (<http://www.grammy.com/news/56th-grammy-awards-nets-record-social-media-interactions>).

²⁹ Information from Recording Academy staff.

³⁰ Information from Recording Academy staff.

Figure 8: Social Media Followers of the GRAMMY Awards

Social Network	Followers
(1)	(2)
1. Facebook	2,092,415
2. Twitter	1,390,000
3. Google+	2,309,657
4. Tumblr	40,852
5. Instagram	198,103
6. Pinterest	8,305
7. YouTube	73,361
8. Vine	25,240
9. TOTAL	6,137,933

If only one quarter of one percent (0.25 percent) of the 28.5 million viewers of the GRAMMYs telecast decide to visit Los Angeles for four days as a result of watching the awards show, the estimated economic impact using tourism statistics from the Los Angeles Convention and Visitors Bureau is an additional \$58 million (see Figure 9).

Figure 9: Direct Benefit to Los Angeles if One Quarter Percent of Viewers of GRAMMYs Broadcast Visit Los Angeles for Four Days³¹

Number of Viewers	One Quarter Percent of Viewers	Nights in Los Angeles	Spending by Visitor per Night	Total Spending
(1)	(2)	(3)	(4)	(5)
				(2) x (3) x (4)
28.5 Million	71,250	4	\$203	\$57,855,000

Based on this estimated incremental benefit, a secondary economic impact of \$48 million will result. This multiplier effect includes approximately \$7 million in incremental state and local tax revenue. In total, the estimated economic impact of one quarter of one percent of GRAMMY television viewers visiting Los Angeles for four days is \$106 million (see Figure 10).

³¹ Stelter, Brian, “Grammy Awards attracted 28.5 million,” *CNN*, January 27, 2014.
 “LA Travel Stats,” LA Inc. Convention and Visitors Bureau, February 2008.
 U.S. Bureau of Labor Statistics website (www.bls.gov).

Figure 10: Total Impact if One Quarter Percent of Viewers of GRAMMYs Visit Los Angeles for Four Days

Category of Impact	Amount
	(Dollars)
(1)	(2)
1. Direct	\$57,855,000
2. Indirect	17,342,912
3. Induced	31,019,392
4. TOTAL	\$106,217,304

Private GRAMMY Parties

There were many private parties associated with the 2014 GRAMMY celebrations, including events hosted by Universal Music Group, Roc Nation, Republic Records, Pandora, Billboard, Red Light Management, and Young Money Cash Money Records.³² These parties were hosted at various well-known clubs and restaurants in Los Angeles and generated additional spending in the local economy.

Corporate Sponsorship

The GRAMMY Awards has attracted the participation of corporate sponsors. These sponsors include Degree Women, Delta Air Lines, Hilton Hotels & Resorts, Hyundai, MasterCard, *People*, Pepsi, and Procter & Gamble.³³ Not only do these companies advertise at the GRAMMYs telecast and ancillary events, but they also provide gift bags, donate products, and sponsor music-related charities.³⁴

These marketing opportunities, though difficult to quantify, clearly contribute to the local economy.

Conclusion

The GRAMMY Awards produces significant economic benefit to Los Angeles County. We have estimated an impact of at least \$82 million in identifiable benefits. This includes:

- Approximately \$26 million in expenditures associated with visiting attendees. Incremental expenditures on accommodations, transportation, food and beverage, entertainment and shopping are included.

³² “Grammy Parties 2014: Industry Bashes Before and After the Big Night,” *The Hollywood Reporter*, January 24, 2014.

³³ “The Recording Academy Announces 56th GRAMMY Sponsors,” GRAMMY website, December 17, 2013.

³⁴ “Harman at the 2013 GRAMMY Awards,” Harman website (<http://www.harman.com/EN-US/Pages/Grammy2013.aspx>).

- Approximately \$4 million spent on limousines and wardrobe for the GRAMMY Awards.
- Approximately \$15 million spent on production and staff for the GRAMMY events.
- Approximately \$37 million from multiplier effects flowing from direct spending associated with the GRAMMY Awards, including an additional \$5 million in state and local tax revenue.

These estimates are conservative since they do not include economic benefits to Los Angeles designers, spending associated with private GRAMMY parties, and local benefits associated with corporate sponsorships.

Contributors

Roy Weinstein is an economist and Managing Director at Micronomics. Mr. Weinstein has been engaged in economic research and consulting since 1969. Areas of expertise include industrial organization, antitrust economics, the valuation of intellectual property, wage and hour litigation, statistics, econometrics, and the calculation of economic damages. He has testified as an economic expert in numerous jurisdictions and has delivered presentations at Peking University, City College New York, the American Bar Association, the National Association of Attorneys General, the National Association of Business Economists, and the Los Angeles County Bar Association. Mr. Weinstein's articles have been published in the *Federal Circuit Bar Journal*, the *Journal of the Patent and Trademark Office Society*, *The Journal of Law and Technology*, and the *Antitrust Bulletin*. Mr. Weinstein received his Bachelor of Business Administration degree *cum laude* with honors in Economics from City College New York and his Master of Arts degree in Economics from the University of Chicago. He is a recent recipient of the Career Achievement Award from the Business and Economics Alumni Society of the Baruch School at City College.

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Acknowledgements

Micronomics is an economic research and consulting firm located in Los Angeles, California. Founded in 1988, it specializes in the collection, tabulation, and analysis of various types of economic, financial and statistical data. Areas of expertise include industrial organization, antitrust, intellectual property, the calculation of economic damages, and employment issues. Industries studied include banking and financial services, computer hardware and software, entertainment, healthcare, insurance, medical products and devices, motion pictures, oil and gas, pharmaceuticals, semiconductors, sports, supermarkets, telecommunications and tobacco. Clients include law firms, publicly and privately held businesses and government agencies.

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