The Economic Impact of Generative AI on the Danish Music Industry

Memorandum prepared by HBS Economics for Koda and IFPI Denmark

SEPTEMBER 2025

Introduction and Summary

The Danish music industry is undergoing a period of transformation, where technological advances - particularly in generative artificial intelligence (AI) - have the potential to reshape the economic and creative structures that currently define the sector. This development is already well underway, and generative AI has rapidly gained traction within the music industry. For instance, in September 2025, AI-generated music accounted for 28% of new releases on the French music platform Deezer, compared to 10% in January.

The Danish music sector is accustomed to new technologies, and many professionals already use AI to support and inspire their creative processes, such as songwriting. Generative AI also holds broader potential for the industry, as it may help reduce production costs, enable new business models, and increase overall productivity.

However, the rapid adoption of AI is not without challenges. Rights and copyright play a central role in the music industry's economic ecosystem, and AI raises new questions - such as who owns the rights to music that is entirely AI-generated? To ensure responsible development and use of AI in the music industry, it is essential to distinguish between fully AI-generated music and AI-assisted music, where artists use AI as a creative tool. Additionally, AI services often rely on copyrighted material as training data, typically without permission or compensation.

This memorandum focuses exclusively on the effects of fully AI-generated music. We assess how the increasing prevalence of such music is expected to impact the Danish music industry economically through 2030. Our estimates are based on projections of recorded music revenue in Denmark through 2030, as well as findings from existing studies on the impact of fully AI-generated music in various countries.[1] These estimates are subject to uncertainty.

Existing studies suggest that the market for fully AI-generated music will multiply in the coming years, as AI tools evolve into autonomous composition and production systems. This creates a distorted and unequal competitive landscape between music created by humas and fully AI-generated music. The music industry is therefore facing a significant loss of revenue due to the rise of fully AI-generated music. Studies indicate that music industries in various countries may experience revenue losses of between 23% and 27% by 2028.

The Danish music industry could lose 28% of its revenue to AI by 2030
We estimate that, in the absence of political or market intervention, fully AI-generated music could reduce revenue in the Danish music industry by approximately EUR 921 million (2025 prices) between 2025 and 2030. As AI adoption grows, so does the revenue loss. In 2030 alone, fully AI-generated music is expected to result in an annual revenue loss of around EUR 271 million - equivalent to a 28% decline compared to a scenario where fully AI-generated music remains at 2024 levels.

The Danish music industry may be more exposed to generative AI than industries in many other countries. This is because revenue from digital channels - particularly streaming - constitutes a larger share of total music revenue in Denmark, and AI-generated music is especially well-suited to replace music distributed via digital platforms.

The following sections provide a detailed account of our calculations and findings.

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1 PMP Strategy for CISAC (2024): Study on the Economic Impact of Generative AI in the Music and Audiovisual Industries, and Goldmedia for both SACEM and GEMA (2024), and APRA AMCOS (2024): AI and Music.
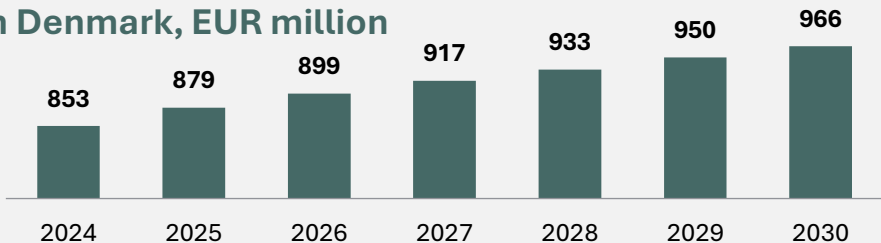
Development of Recorded Music

In 2024, Danish music creators generated EUR 853 million (2025 prices) in revenue from recorded music. We have projected the revenue from recorded music through 2030 based on trends over the past ten years for each subcomponent of recorded music. These projections are described in more detail in the methodology annex. Based on this projection, revenue from recorded music is expected to grow to EUR 966 million by 2030 (2025 prices).

Recorded music is particularly vulnerable to being replaced by AI-generated music. AI has already gained widespread adoption in recent years, and it is therefore assessed that fully AI-generated music has already led to revenue losses in the music industry. Our calculations focus solely on the change in the prevalence of fully AI-generated music from 2024 to 2030, as we only have data on the consequences of AI from 2024 and onwards. As such, we do not capture the revenue loss that has already occurred and will continue through 2030. This means we are likely underestimating the total economic impact on the Danish music industry.

Our calculations are based on so-called *cannibalization rates*. A cannibalization rate refers to the proportion of revenue expected to be lost when traditionally produced music is replaced by fully AI-generated music.

Projected Revenue Development from Recorded Music in Denmark, EUR million

Year	Value
2024	853
2025	879
2026	899
2027	917
2028	933
2029	950
2030	966

Cannibalization rates have been calculated for the music industry in several countries, and they are relatively consistent across markets. It is therefore considered reasonable to apply these rates to the Danish context, albeit with some uncertainty.

Specifically, we base our analysis on PMP Strategy's 2024 report for CISAC, which calculates cannibalization rates across four categories: Digital, TV & Radio, Background, and CD & Video. We have divided the revenue from Danish recorded music into the same four categories. Digital includes streaming and downloads. TV & Radio includes rights income, synchronization, and commissioned works. Background music refers to music played in public spaces, such as restaurants and retail stores. CD & Video includes income from physical sales of music, films, and games. Revenue from digital channels currently accounts for most of the recorded music revenue and is expected to grow from 72% in 2024 to 76% in 2030. Conversely, TV & Radio and background music are expected to make up a smaller share of total music revenue for recorded music.

	Share of Revenue in 2024	Projected Share of Revenue in 2030
Digital	72%	76%
TV & Radio	18%	15%
Background	8%	6%
CD & Video	3%	3%

Note: Revenue figures are stated in 2025 prices and adjusted for expected inflation through 2030. Figures are rounded to the nearest EUR 1 million. Figures have been converted from DKK to EUR. Up until 2024 by the annual average exchange rate (Statistics Denmark). From 2025 and onwards by the Danish fixed exchange rate.
Source: Own calculations based on data from PMP Strategy, KODA, IFPI, Gramex, MPO, The Denmark Music Publishers Association, and the Ministry of Finance.

Losses Due to Fully AI-Generated Music

We estimate that the Danish music industry, in the absence of political and market intervention, risks losing an additional EUR 271 million (2025 prices) in 2030 due to the increased prevalence of fully AI-generated music. This corresponds to 28% of the expected revenue from recorded music in 2030.

The revenue loss occurs when human-created music is replaced by fully AI-generated music.

Losses are particularly concentrated in digital channels, which currently account for most of the revenue from recorded music in Denmark - and are also expected to grow the most by 2030. This is precisely where the cannibalization rate is highest.

This is partly because generative AI can produce music for so-called mood playlists or for content on social media, thereby replacing music created through traditional means. There is thus significant potential for substitution.

Given that revenue from digital channels constitutes a larger share of total music revenue in Denmark than in many other countries, the Danish music industry is likely to be more exposed to generative AI.

This is also reflected in the overall cannibalization rate of 28% in Denmark. By comparison, several international studies find that the typical cannibalization rate ranges between 23% and 27% in other countries.

	Revenue in 2030	Applied Cannibalization Rate in 2030	Revenue loss in 2030
Digital	737 million EUR	30%	221 million EUR
Radio & TV	148 million EUR	22%	32 million EUR
Background	57 million EUR	21%	12 million EUR
CD & video	24 million EUR	21%	5 million EUR
Total	**966 million EUR**	**28%**	**271 million EUR**

Note: Revenue figures are stated in 2025 prices and adjusted for expected inflation through 2030. Figures are rounded to the nearest EUR 1 million. Figures have been converted from DKK to EUR. Up until 2024 by the annual average exchange rate (Statistics Denmark). From 2025 and onwards by the Danish fixed exchange rat.
Source: Own calculations based on data from PMP Strategy, KODA, IFPI, Gramex, MPO, The Danish Music Publishers Association, and the Ministry of Finance.

Risk of Revenue Loss of EUR 921 Million by 2030

The figure to the right illustrates how increased use of fully AI-generated music over time is expected to affect revenue in the Danish music industry.

Our projection shows that in a scenario without increased prevalence of fully AI-generated music, revenue from recorded music would grow from EUR 853 million in 2024 to EUR 966 million (2025 prices) in 2030.
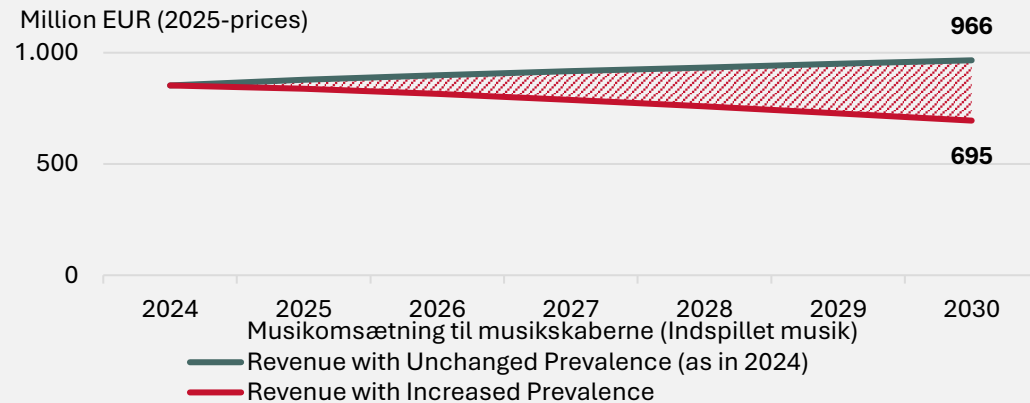
Conversely, if the prevalence of fully AI-generated music increases as expected, revenue from recorded music is projected to fall to approximately EUR 695 million (2025 prices) in 2030.

Danish music creators thus face a potential loss of 28% of revenue from recorded music in 2030 due to fully AI-generated music. This corresponds to EUR 271 million (2025 prices).

Looking at the entire period from 2024 to 2030, increased use of fully AI-generated music is expected to result in an accumulated revenue loss of EUR 921 million (2025 prices).
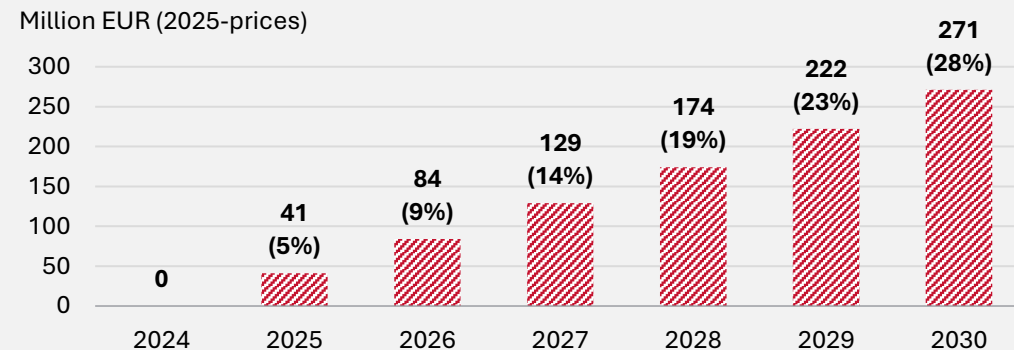
In the absence of political and market intervention, the Danish music industry is therefore facing a significant challenge in the coming years.

Development in revenue from recorded music, with increased use of fully AI-generated music, compared to unchanged prevalence

Million EUR (2025-prices)

EUR 921 million in accumulated revenue loss (2024–2030)

Musikomsætning til musikskaberne (Indspillet musik)
— Revenue with Unchanged Prevalence (as in 2024)
— Revenue with Increased Prevalence

Revenue Loss from Increased Use of Fully AI-Generated Music

Million EUR (2025-prices)

Note: Revenue figures are stated in 2025 prices and adjusted for expected inflation through 2030. Figures are rounded to the nearest EUR 1 million. Figures have been converted from DKK to EUR. Up until 2024 by the annual average exchange rate (Statistics Denmark). From 2025 and onwards by the Danish fixed exchange rate. Music creators are considered to include all traditional stakeholders earning income from recorded music.
Source: Own calculations based on data from PMP Strategy, KODA, IFPI, Gramex, MPO, The Danish Music Publishers Association, and the Ministry of Finance.

Methodological Annex

In our calculations, we examine how changes in the prevalence of fully AI-generated music from 2024 to 2030 are expected to affect revenue in the Danish music industry through 2030.

We first determine the so-called *cannibalization rates* and then identify the portion of Danish music revenue that is wholly or partially at risk of being replaced by fully AI-generated music.

CANNIBALIZATION RATES

A cannibalization rate here refers to the proportion of revenue expected to be lost when human-created music is replaced by fully AI-generated music.

The applied cannibalization rates are based on PMP Strategy's 2024 report for CISAC. These figures have been validated against other international literature, particularly findings for the German and French markets (Goldmedia for SACEM and GEMA (2024): AI and Music).

Cannibalization rates are calculated across four main categories:
- **Digital (30%):** Music played on, for example, mood playlists on streaming services or on social media.
- **TV & Radio (22%):** Music used as background, underscore, or intro music for TV, film, and radio, including VOD.
- **Background (21%):** Music played in public spaces (e.g., shopping centers, restaurants, and retail stores).
- **CD & Video (21%):** Music produced for, for example, video games.

The rates are calculated up to 2028. In this memorandum, they are applied as the cannibalization rates for Denmark in 2030. Since the use of fully AI-generated music is expected to evolve rapidly in the coming years, the rates for 2028 are likely a conservative estimate of the actual cannibalization rates in Denmark by 2030.

DANISH MUSIC REVENUE

Based on data from KODA, IFPI, Gramex, MPO (Music producers' Management organization), and the Danish Music Publishers Association, we have estimated revenue from recorded music in Denmark. Based on this estimation, we have identified the areas that may (partially) be replaced by fully AI-generated music. Revenue is then divided into the same four main categories as in PMP Strategy's report.

The most recent figures for Danish music revenue are primarily from 2024. In some cases, the latest available data is from between 2020 and 2023. Revenue has been projected to 2030 based on developments from 2015 to 2024 for each individual subcomponent. For subcomponents where 2024 data is unavailable, projections are based on shorter time periods.

The subcomponents are then aggregated into the four main categories. Revenue figures are adjusted to 2025 price levels based on expected consumer price developments in the Ministry of Finance's medium-term projection (Ministry of Finance (February 2025): *Opdateret mellemfristet forløb*).

REVENUE LOSS DUE TO FULLY AI-GENERATED MUSIC

The expected revenue loss due to the spread of fully AI-generated music is thus calculated based on the relevant music revenue contributions and the cannibalization rates. The precise breakdown of the four categories in PMP Strategy's study is not disclosed. Therefore, Danish music revenue has been adapted to these four categories based on the descriptions in PMP Strategy's study. There is no universal categorization of subcomponents, and a judgment has therefore been made as to how revenue is best aligned. For example, "Digital" only covers standalone music, while digital video elements are included in the "TV & Radio" category (e.g., video on demand (VOD)).

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