

MUSIC IN TRANSITION

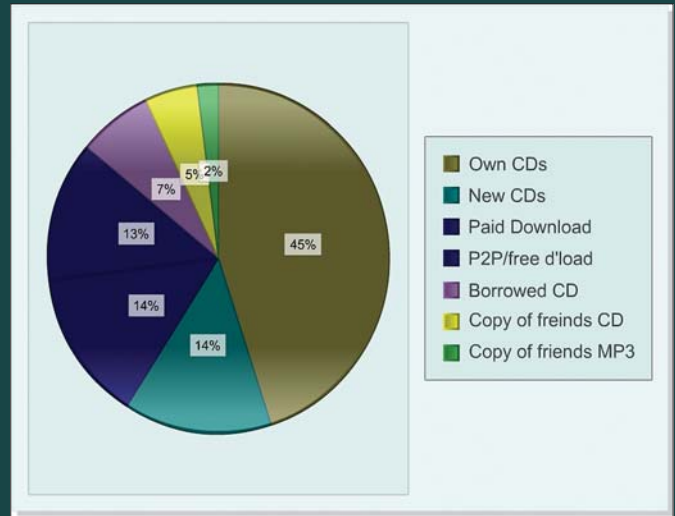
THE MUSIC INDUSTRY CONTINUES to be the hardest hit of physical media, with digital sales growing as expected by the experts, but disc consumption declining faster than had been anticipated, according to research by the IFPI.

Overall trade revenues from recorded music totalled \$19.6 billion, with digital sales accounting for 11% of that figure. While that is up 2% from 2004, showing the rapid growth in digital sales, there is still another 89% of the recorded music pie for physical media. In 2004, global digital sales accounted for \$1,131 million, while physical sales amounted to \$19,578 million. Last year that shifted to \$2,089 million in digital sales and \$17,498 – a decline but still a large market.

CD sales are down, the IFPI figures show, but it is still a popular format. The ability to collect music and attributes such as compatibility, high audio quality and price remain important to consumers. CDs remain a popular present, topping the Christmas gift list for the second year running in the UK – beating competition from movies on DVD. Record companies continue to develop their deluxe and special edition packages, adding value to the CD.

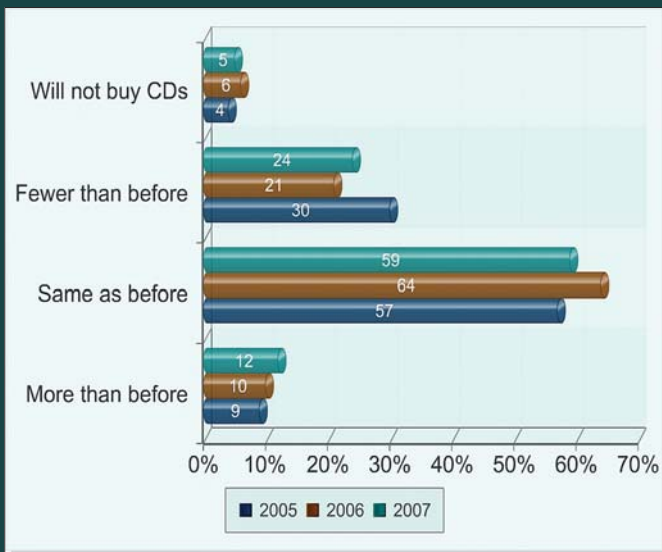
This is, says John Kennedy, chairman and CEO of IFPI, “an industry in transition. The recording industry has reinvented itself, moving from a one product business to a multi-product, multi-channel digital business.” ●

THE UK MUSIC PIE



Source: IFPI

TO BUY OR NOT TO BUY



Source: Entertainment Media Research Group

STILL BUYING CDS

A REPORT FROM THE ENTERTAINMENT MEDIA RESEARCH GROUP, from a summer 2007 survey on digital music, shows that consumers are planning to continue to buy CDs, but at a slower rate, given the increase in use of MP3 players.

The researchers have been questioning consumers on their music consumption habits and views for three years and show that there is a distinct increase in the numbers reporting that they are expecting to buy fewer discs in the future.

From the Group's research, 2006 had seen a resurgence in optimism about CD purchasing plans with nearly two-thirds saying they would buy about the same number of CDs in the near future and only 21% say-

ing that they were going to buy fewer. But compared to 2005 and 2007, this seems more of a blip of optimism and using 2005 as the base line we see a distinct shift downwards in CD purchasing expectations.

In 2005, nearly a quarter (24%) said that they were expecting to buy fewer CDs, and that has increased now to 30%. The numbers saying that they are going to buy about the same number of CDs dropped 2% compared to 2005, and the number saying they are going to buy more CDs dropped by 3%.

On the positive side of things the view that consumers will stop buying CDs altogether is not supported. The number who say that they will no longer buy CDs has dropped to 4% from 2005's reported 5%. ●