Industry Income

Digital now accounts for more than a third of industry income

BPI's survey of industry income was previously known as the trade deliveries survey. This has been expanded and now includes much more detail on downloads, mobile, subscription and ad-supported income. This provides a much better understanding of how record company income streams are diversifying in the digital age.

ANNUAL SUMMARY

Record industry revenue is diversifying. The market for digital music has been generating meaningful revenues now for eight years and as the graph to the right shows, more than a third of income now comes from digital sources.

This revenue goes beyond 'purchase to own' downloads and as the table on the facing page shows there are eight income streams within the digital sector covered by BPI's survey.

The growth in digital revenues accelerated in 2011 but a small decrease in total industry income was recorded for the year as a whole. Overall, trade revenues totalled £795.4m in 2011, a decrease of 3.4%.

Digital revenues grew by almost 25% in 2011, reaching £282m, which compares to a rise of just less than 20% in 2010. This is highly encouraging for the long term development of the digital music market in the UK, as a higher proportion of physical losses are now being offset by rising digital revenues. In 2011, two thirds of the decrease in physical format income was taken up by digital compared to only 26% in 2010.

Digital albums demonstrated the largest increase in monetary terms, generating £117.8m, £35.5m more than in 2010, an increase of 43.2%. In doing so, digital albums almost caught single track revenue which currently stands at £120.5m.

Losses in the **physical format** sector were £84m in absolute terms, down by 14.1% in 2011. Despite this CD albums are still the industry's largest format sector and accounted for more than 60% of total industry turnover in 2011.

Music video performed the best of all physical formats in 2011. Over the year, revenues from music video were down by only 3.3% compared to 14.4% for albums and 33.1% for physical format singles, which have now dwindled to only £3.3m.

Subscription is growing in importance. The success of Spotify and other services in migrating users from free tier services into paid subscribers is producing meaningful results. This channel generated more than £23m in 2011, 8.3% of digital income. There have been several media stories in the past 12 months about the non-availability of some high profile releases on such services (and on free ad-supported versions too), but clearly consumer demand is still strong as revenue grew by 43%.

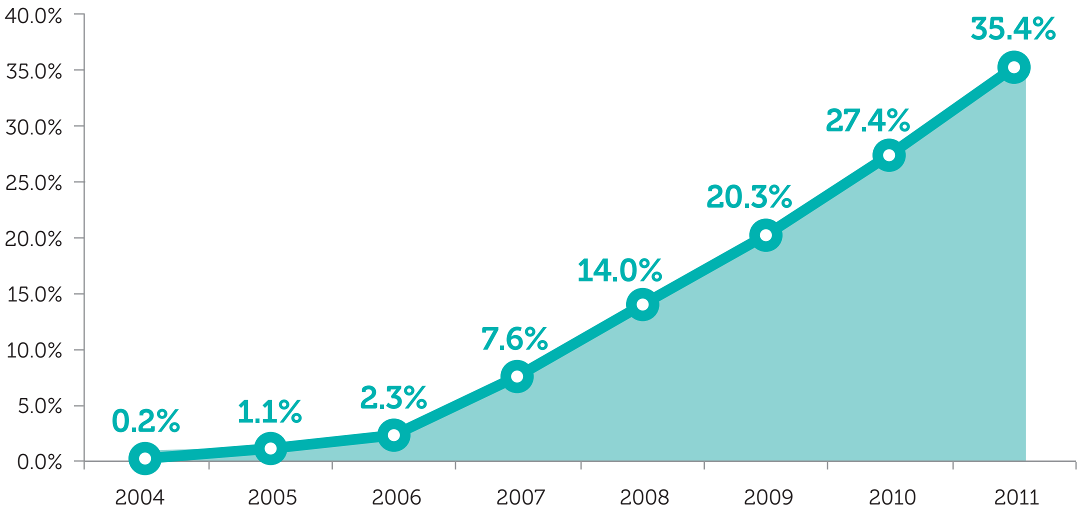
Ad-supported, or free streaming, services' contribution to industry revenue was relatively flat last year, increasing slightly to £11.4m. This revenue includes income from free streaming services such as YouTube as well as from the free tiers of services such as Spotify and we7.

Sales of music video downloads, master ringtones and ringback tunes have failed to match the growth of other digital sectors in recent years. Their combined revenue was worth slightly more than £5m in 2011.

	2008	2009	2010	2011
Physical Formats	86.0%	79.7%	72.6%	64.6%
Online	12.0%	17.5%	23.5%	30.3%
Subscriptions	0.9%	1.3%	2.0%	2.9%
Ad-supported	0.3%	0.9%	1.3%	1.4%
Mobile	0.7%	0.4%	0.4%	0.3%
Other Digital	0.1%	0.2%	0.2%	0.4%
Total	**100%**	**100%**	**100%**	**100%**

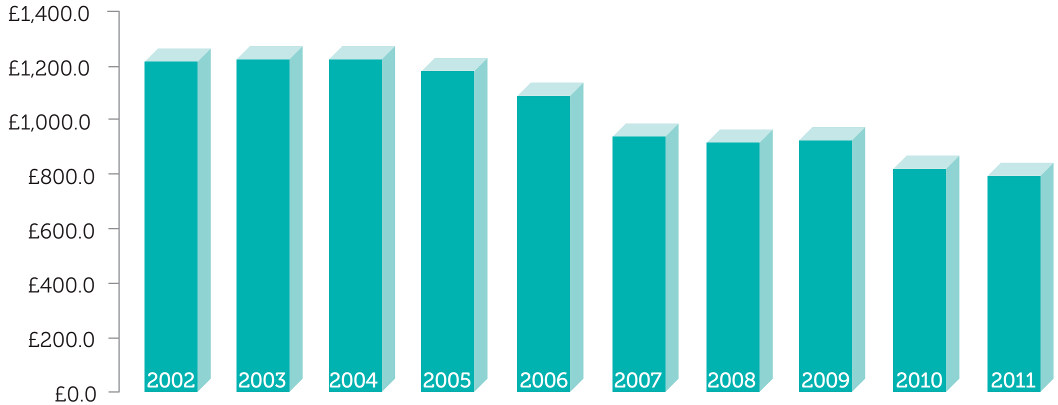
Source: BPI Surveys

Digital's Share of Industry Revenues



Source: BPI Surveys

Industry Income (£m)



Source: BPI Surveys

£282m

DIGITAL REVENUES IN 2011

Industry Income (£m)

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	% change
Physical Formats	Singles	£97.2	£64.5	£52.8	£43.1	£31.8	£19.0	£10.2	£7.6	£4.9	£3.3	-33.1%
	Albums	£1,089.0	£1,112.0	£1,102.2	£1,057.3	£982.9	£815.6	£749.1	£699.2	£566.4	£484.7	-14.4%
	Music Video	£23.5	£46.6	£62.7	£63.3	£49.1	£37.2	£28.5	£33.1	£26.7	£25.8	-3.3%
	Total	**£1,209.7**	**£1,223.1**	**£1,217.7**	**£1,163.7**	**£1,063.8**	**£871.8**	**£787.8**	**£740.0**	**£598.0**	**£513.8**	**-14.1%**
Online	Tracks	-	-	£2.7	£12.4	£25.2	£40.9	£62.5	£91.8	£108.3	£120.5	+11.3%
	Albums	-	-	-	-	-	£30.7	£43.7	£67.3	£82.2	£117.8	+43.2%
	Music video	-	-	-	-	-	-	£4.0	£3.4	£3.0	£2.8	-7.0%
	Total	**-**	**-**	**£2.7**	**£12.4**	**£25.2**	**£71.6**	**£110.1**	**£162.6**	**£193.5**	**£241.1**	**+24.6%**
Mobile	Master Ringtones	-	-	-	-	-	-	£5.3	£3.7	£3.3	£2.3	-32.0%
	Ringback Tunes	-	-	-	-	-	-	£0.8	£0.4	£0.3	£0.2	-14.4%
	Total	**-**	**-**	**-**	**-**	**-**	**-**	**£6.0**	**£4.1**	**£3.6**	**£2.5**	**-30.6%**
Subscriptions		**-**	**-**	**-**	**-**	**-**	**-**	**£8.6**	**£11.8**	**£16.3**	**£23.3**	**+43.2%**
Ad-supported		**-**	**-**	**-**	**-**	**-**	**-**	**£2.4**	**£8.2**	**£10.8**	**£11.4**	**+5.1%**
Other Digital Music Content		**-**	**-**	**-**	**-**	**-**	**-**	**£0.8**	**£2.1**	**£1.6**	**£3.4**	**+105.8%**
	Total	**£1,209.7**	**£1,223.1**	**£1,220.4**	**£1,176.1**	**£1,089.0**	**£943.4**	**£915.6**	**£928.8**	**£823.8**	**£795.4**	**-3.4%**

Source: BPI Surveys

Note: for the years 2004-2007 digital income was estimated on the basis of Official Charts Company retail volumes. Values are at wholesale, do not include VAT and are net of returns.