Research Digest

Recorded Music & Music Publishing Report

Enders Analysis *April 2008*

The latest music report in the Enders series runs to 50 pages and covers the record industry as well as music publishing. The report covers digital music, piracy, ISPs, mobile, forecasts and other current important industry themes in detail

- Enders are more pessimistic about the music industry than they were last year and **forecast** a decline of 11% in global revenues in 2008.
- Their forecast for the UK predicts that CDs will fall 14% in unit terms this year, with single track growth at 35% and digital albums by 50%.
- Physical and internet piracy will continue to drive the CD sales decline, along with substitution to downloads, and the decline of physical format retailers in the US and UK. The outlook for bricks and mortar **retailers** is pessimistic and Enders are sceptical that increased space for games and DVD is the solution – games are too cyclical and DVDs too mature
- The importance of the ongoing problem of **physical piracy** is stressed – US data shows that 'in home' piracy is more prevalent than file-sharing – Enders advocate higher blank media levies.
- As far as new digital music offerings are concerned, **subscription services** in their current form are not expected to make much of an impact beyond what they have already achieved
- It is too early to be sure about **Ad-funded models** and these are not factored in as revenues into the published forecasts
- One note of caution on digital music is that the market for **iPods/MP3 players** is flat and although sales remain high this is a cause for concern as player acquisition is a major driver of digital music purchasing
- The report is much more optimistic about the immediate future of **music publishing** – reduced royalty income is expected to be offset by rising royalties from the use of music in broadcast media, film, advertising and the internet.

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European Next-Generation Digital Music Services

Jupiter Research March 2008

Jupiter's report looks at three key areas

- The extent that legitimate digital music is competing with free and to what extent it is offsetting declining spending
- How digital music is changing and how these changes will affect consumer adoption
- What features do the next-generation music sevices need to deploy to encourage widespread consumer uptake?

Key findings include

P2P sharing is more than twice as widespread in Europe as digital music buying. In 2007 7.8% of internet users from leading European territories had paid to download music, but 17.6% were regular (monthly) filesharers

Sales of **physical** formats will continue to decline and losses will not be offset by digital sales until 2010.

Jupiter advocate a three-tiered approach to boost digital music adoption, based around DRM-free stores, DRM-subsidised subcriptions and DRM ad-supported downloads.

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Trust in Entertainment Companies

Edelman / StrategyOne

April 2008

The latest survey from PR agency Edelman, shows that entertainment is the third least trusted industry sector (technology is the first). The online survey was conducted among 18-34 year olds in Germany, UK and USA

The report identifies separate sectors within the entertainment industry and there are some music-specific findings:

- The perception of music products is most positive in the US, where over half of 18-34s think music companies provide value for money. In Germany however, less than half think that, and in the UK 44%.
- A quarter of 18-34s have downloaded entertainment content illegally at least once in the UK. Though the rates of admission are much lower in the US (19%) and Germany (12%).
- Respondents were asked whether lower prices would encourage a greater willingness to pay for content online. 60% of German participants indicated that they would compared to 56% in the UK and only 47% in the US

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Consumer Media - Digital Music

In-Stat April 2008

In-Stat's latest report forecasts that digital music will account for 40% of the global market by 2012, up from 10% in 2007.

Growth will be driven by the global expansion of broadband, continued demand for single-track downloads, greater online availability of music catalogues and rising demand for downloads to mobile in markets other than Japan, which currently is the primary market for this channel of digital music. Global income from mobile downloads is expected to top £4bn by 2012.

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Speakerbox Annual Study

The Leading Question/MusicAlly May 2008

The results of the survey are based on a survey of 800 face to face interviews with respondents aged 14-64 and a series of focus groups.

Key findings incude:

The percentage of music fans who regularly buy music downloads fell in 2007 to 14%, from 16% in 2006;

More than half of music fans' digital music collections come from their own CD collection;

Music fans buy an average of 3.3 tracks each month.

The report also has a detailed five point plan. The recommendations include bundling music with other products and entertainment content, advocating experimentation with new formats and pricing models, embracing ad-funded models and re-thinking charts.

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