The Changing Business Models of the Music Industry

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1.Overview

2. OLD BUSINESS MODEL –Through 2000

3. DOWNFALL of the RECORDING MUSIC INDUSTRY- AFTER 2000

4. NEW MODELS

- **DIGITAL MUSIC**
  - **DOWNLOADS vs STREAMING**
  - **SINGLES VS ALBUMS**
- **STREAMING SURPASSES DOWLOADS**
  - **MOBILE DEVICES**

5. CONCERTS

	2000	2013
MEDIUM- CDs	$13B, USA	$2B USA (?)
	MOSTLY ALBUMS -Some illegal	
DIGITAL (Downloads)		OVER $3B legal (USA) 90% illegal? Mostly SINGLES
DISTRIBUTORS	5 MAJORS, 85% of the market	CDs: 3 MAJORS
RETAILERS, CDs	Record Towers	closed
	The Wherehouse	closed
		Walmart, Best Buys

	2000	2013
ILERS	Digital Downloads	Apple (iTunes), … To: desktops laptops
UM - STREAMING	Radio- Broadcast	Radio-Broadcast Webcast Webcast-on-demand
ILERS - STREAMING		Pandorra Spotify Deezer Apple Google (YouTube) FaceBook To: Computers, **Mobiles**
ERTS	$1.9B	Little change

MODEL- Through 2000

ed Music

ostly CDs, mostly Albums

3.2 Billions revenues in the USA

majors: 85% of the market

etailers:

Specialty retailers: **Tower Records**, The Wherehouse, Blockbuster, Sam Goody

General retailers: Walmart, Bestbuys

ERTS- estimated revenues: $1.9 Billions

-Broadcasting Performers not paid

After 2000: Downfall of the RECORDING MUSIC INDUSTRY

74% revenues decline between 2000 and 2010 (USA)

Sharp drop continuing through 2013

CDs RETAILERS closed: Tower Records

The Wherehouse

Downfall of the RECORDING MUSIC INDUSTRY

<u>Technological causes</u>

- The mp3 compression format
- Broadband Internet
  - Illegal Downloading (file sharing)
  - Legal Downloading (Apple/iTunes)

Non-Technological causes

Albums vs Singles

Profitable for the Majors

Unhappy Customers

Majors do not adapt to new technology

Try to stop it

Fixated on fighting piracy

Many Legal Victories

Steve Knopper

APPETITE for SELF-DESTRUCTION
The Spectacular Crash of the Record Industry

MUSIC DOWNLOADS

usic Downloaded as an mp3 (or similar) file

Leader: Apple (iTunes/iPod)

2003 agreement with some majors

User pays

A subscription ($5 to $10 per month)

And/OR fee/download : $0.50 ~ $1.00

ost Downloads are "SINGLES" rather than "ALBUMS"

any Other Legal Digital Music Providers

roblems: 1) **revenues are too low for copyright holders, growing slowly**

2) **competition from illegal downloading, Estimated to comprise 90% of all downloads**

RM (Digital Rights management) eliminated

. MILESTONES in LEGAL DOWNLOADING

pple Signs Agreement with Majors

ple Reaches 1 billion downloads

pple Tops Walmart as Top Music Retailer

gital Music Sales = (almost) CD Sales (in $)

12 Increase of digital music sales compensates for decrease of physical sales

Slight Decrease in Downloads (caused by Streaming?)

REAMING

/ebcasting

Radio Stations broadcast over the Internet

Webcasters (Internet only)

0n-Demand streaming

g Actors

PANDORA

SPOTIFY - From Sweden to the USA

From Illegal to Legal

DEEZER – From France to the USA

GOOGLE-YouTube

APPLE

FACEBOOK

EAMING

TWO MODES

FREE

CUSTOMER MUST LISTEN/View Advertisement

Aims to bring Customer to Pay mode

PAY

Usually by subscription ($5 to $10 per month)

Less restrictions than free streaming

AMING SURPASSED LEGAL DOWNLOADING in 2012

MING ADVANTAGES

- FREE YET LEGAL
- SIMPLE for the CUSTOMER
- ADAPTED TO MOBILE DEVICES (Smartphones)
- MARKETING TOOL FOR MUSIC CREATORS
- SAMPLING
- DECREASES ILLEGAL DOWNLOADING

AMING DISADVANTAGES

LOW REVENUES FOR COPYRIGHT HOLDERS

In 2Q2010, France, DEEZER;

800,000 songs streamed

$2300 shared between Composer, labels, Performers

CANNIBALIZATION OF PAY DOWNLOADS?

2013 Downloads Down from 2012

CERTS

FARE MUCH BETTER THAN RECORD INDUSTRY

SOME SLIGHT LOSS OF REVENUES

Due to ticket price increase

Requested by performers to Compensate
For loss of CD Revenues

Concerts Promoters and Record Companies

Are now encroaching on their once separate industries

CONCLUSIONS

D INDUSTRY MORE OR LESS DESTROYED

RS: TECHNOLOGY COMPANIES:

APPLE, GOOGLE, …

CUSTOMERS?

VERY FEW MUSIC CREATORS

E: THINGS KEEP ON CHANGING ?

CHANGING TECHNOLOGY

STORAGE

MOBILE DEVICES

ROLE OF SOCIAL NETWORKS