

The Music Business Boom 1983-2000

Tuesday, November 15, 11

Conventional wisdom. one great contributor was Baby boomers replacing their aging albums and 8 track tapes with “superior CDs”. This is likely true but i’ve never seen definitive study.

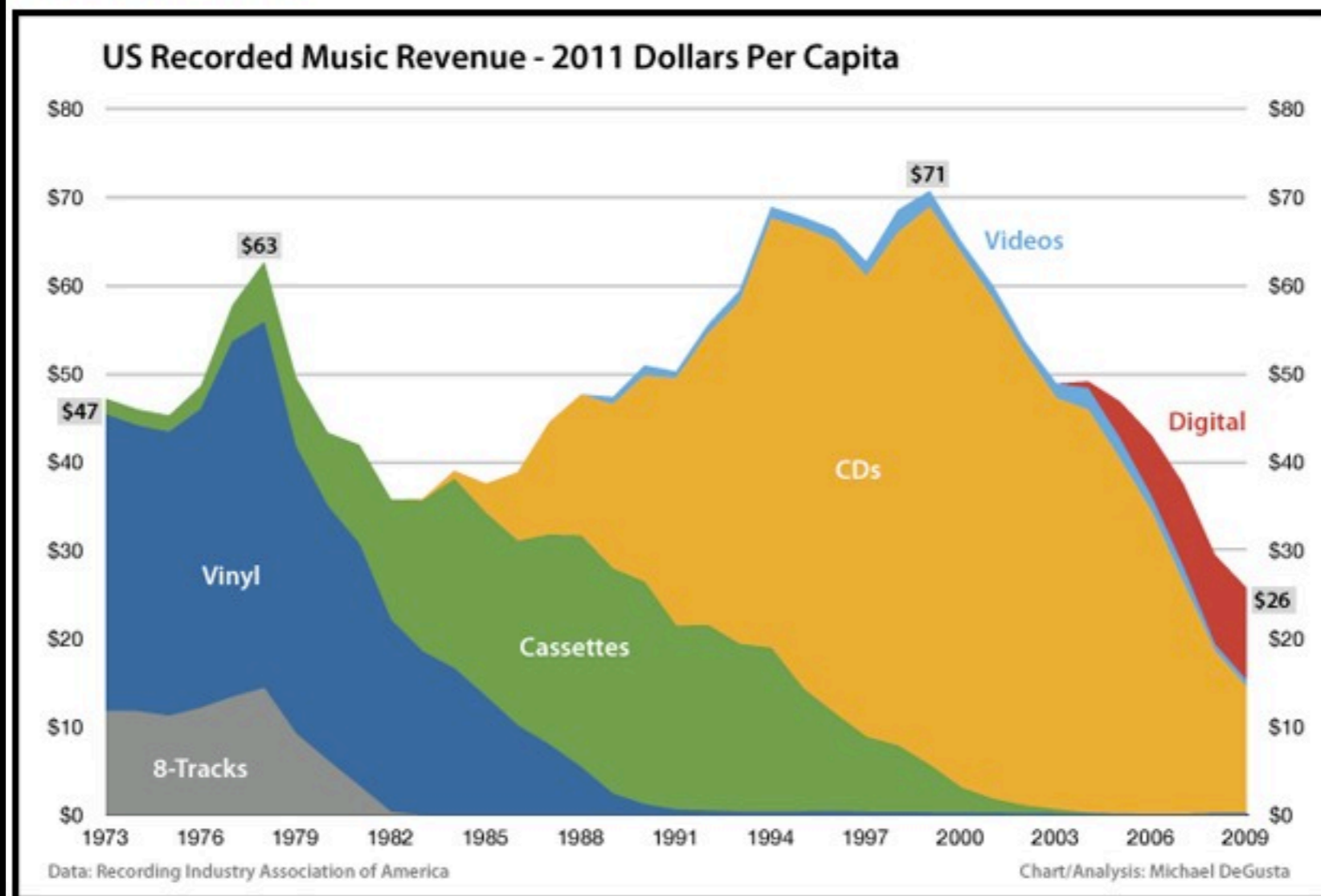
Read the Mixerman Diaries

<http://www.mixerman.net/diaries1.php>

Week one and two only

Making records during the boom.

The Right Chart



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1977-1978 peak.

Led Zeppelin Pink Floyd.

note the economy was terrible 1979-1983

1979-1983 new wave

1983-1990 metal goes from being underground to being pop form
think Def Leppard Pour some sugar on me.

1990 hip hop begins it's 2 decade domination of "urban radio"

1991-1996 grunge

1994- 1999 classic rock strikes back: hootie

The death of the recorded music industry

What killed it?

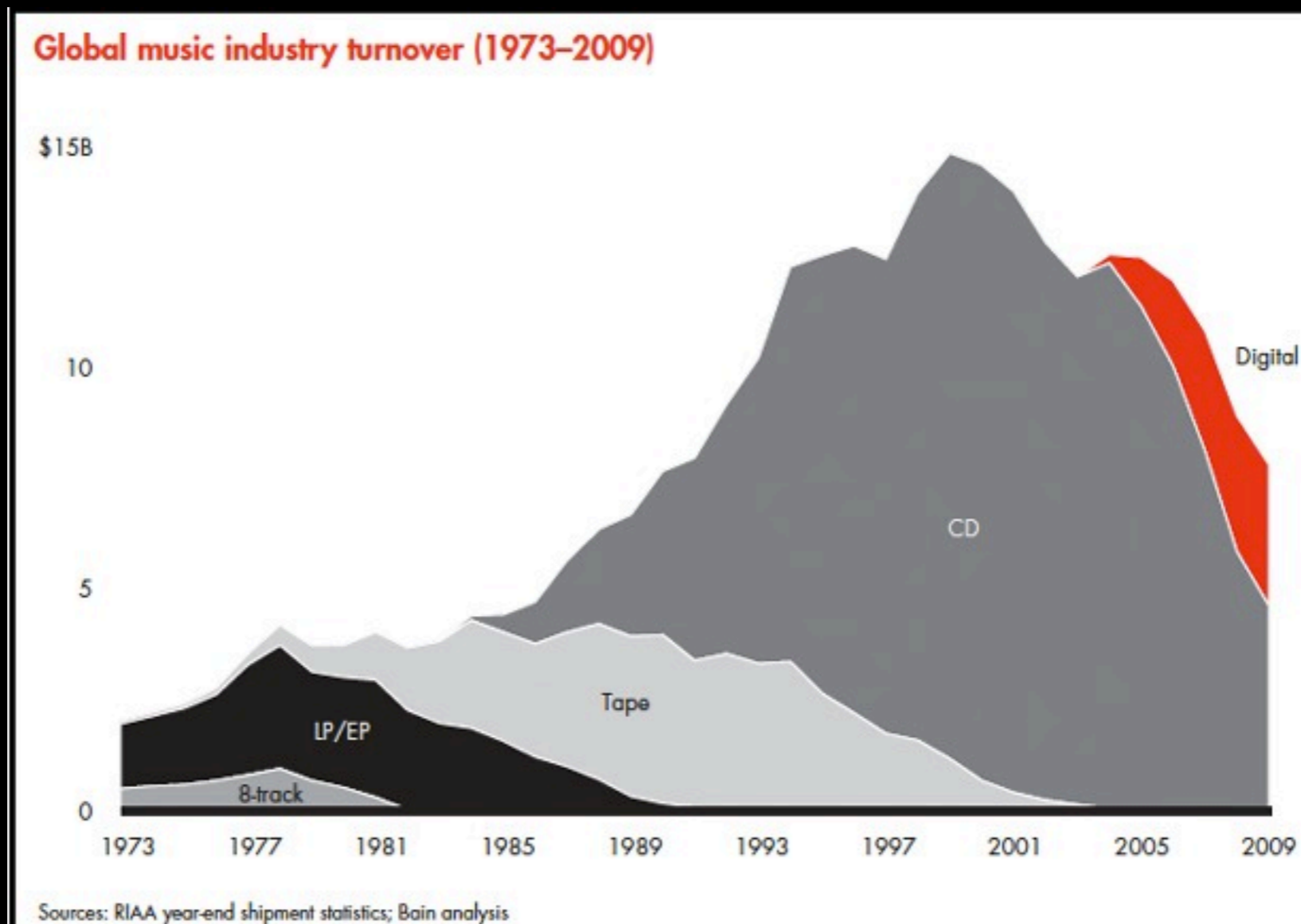
A. Bad Music

B. Mp3s and digital piracy

C. The single

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the degusta article and explanation in depth.



Analysis by M Degusta- Business Insider

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In January, Bain & Company produced the following chart as part of their report on "[Publishing in the Digital Age](#)" (PDF):

Image: Bain Analysis

Then on Tuesday, someone [posted it on Flickr](#). Subsequently, Peter Kafka of Wall Street Journal's [MediaMemo](#) noticed it and passed it along to Jay Yarow, who made it Business Insider's [Chart of the Day](#) on Wednesday, citing Kafka and the Flickr post. On Thursday, the excellent John Gruber at Daring Fireball [linked to it](#) and between those two postings the chart garnered a fair bit of attention, including from the likes of apparent digital music expert [Bob Lefsetz](#) ("[First in Music Analysis](#)"). No one seems to have [tracked it back to the original source](#) nor noticed what happened to catch my eye straight away:

This chart sucks.

Read more: <http://www.businessinsider.com/these-charts-explain-the-real-death-of-the-music-industry-2011-2#ixzz1ZudbPmHJ>

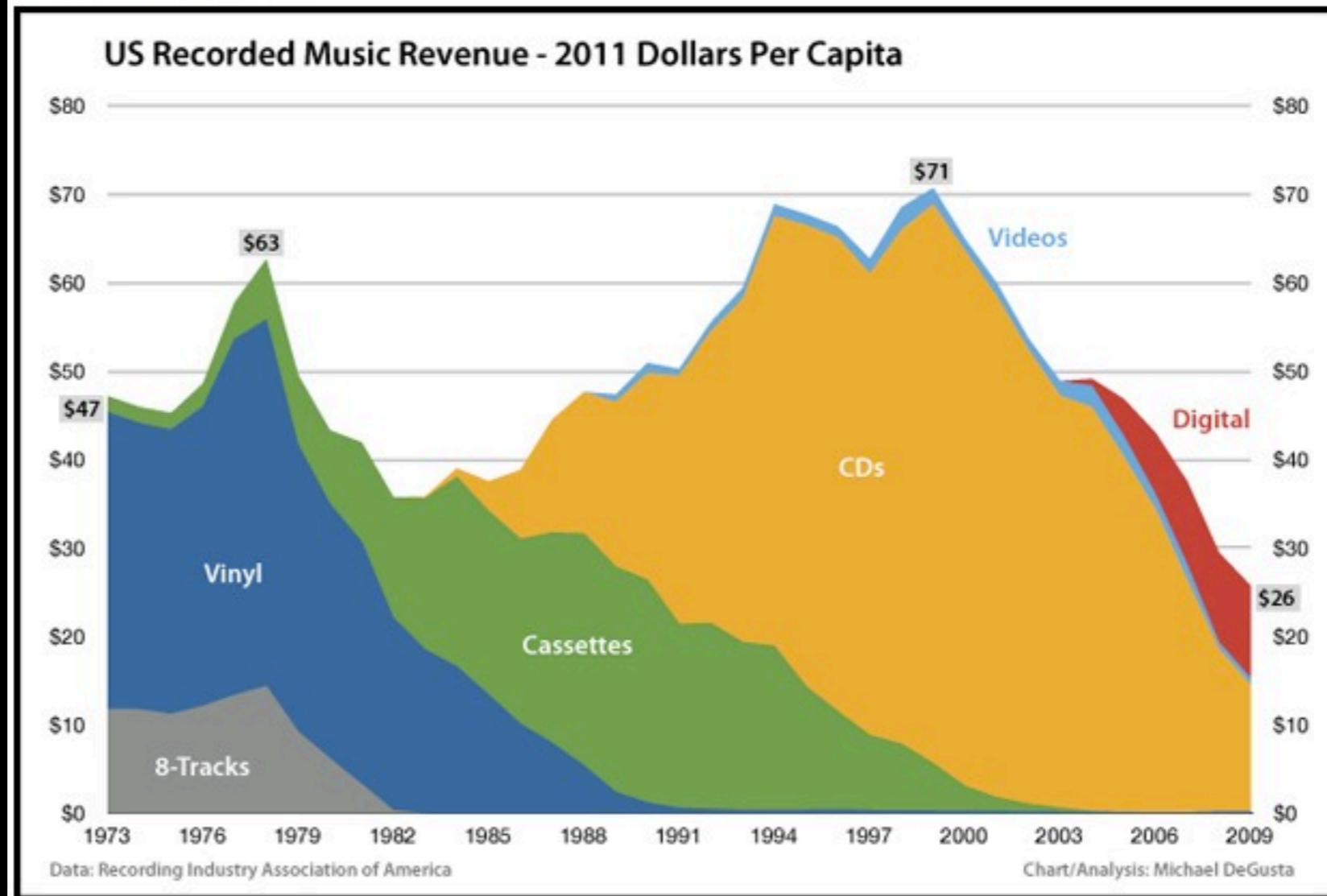
What's Wrong With It

Oh, Bain – I hope no one has hired you for your expert “analysis” in this field:

- The chart uses raw revenue numbers, not adjusted for inflation or population.
- The chart is labeled “Global Music Turnover” but the data is actually US only. 1
- The chart says “Bain Analysis” but it’s very unclear that they did any analysis, since anyone paying the RIAA \$25 can login and immediately see virtually the same chart, albeit formatted slightly differently.
- They fail to clarify how & if they distribute the RIAA's 16 sometimes vague categories amongst the 4 they use.

Read more: <http://www.businessinsider.com/these-charts-explain-the-real-death-of-the-music-industry-2011-2#ixzz1ZueQuWE2>

The Right Chart



All discussion herein is for US recorded music as covered by the RIAA. The above chart is adjusted for inflation & population – for full details, see below.

So let's correct the inaccurate conclusions one might reasonably draw from the misleading Bain chart:

Wrong: The music industry is down around 40% from its peak in 1999

Correct: The music industry is down 64% from its peak.

Wrong: At least the music industry is almost 4 times better off than in 1973.

Correct: The music industry is actually down 45% from where it was in 1973.

Wrong: The CD era was the aberration. (Mr. Gruber's reasonable take)

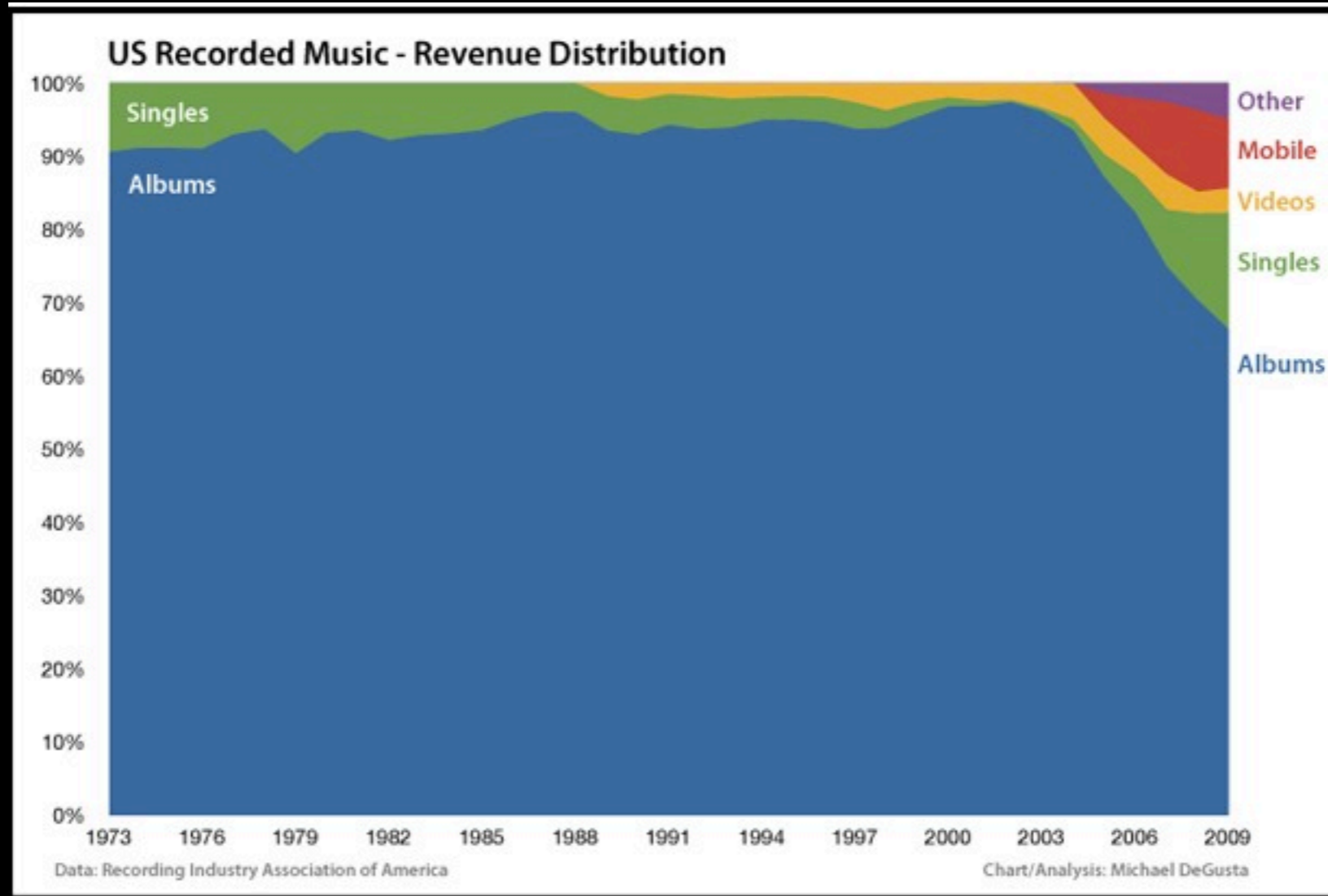
Correct: The CD peak was only 13% better than the vinyl peak, not over 250% better as the Bain chart implies.

The overall conclusion is that the music industry is actually doing much worse than the Bain chart implies:

10 years ago the average American spent almost 3 times as much on recorded music products as they do today.

26 years ago they spent almost twice as much as they do today.

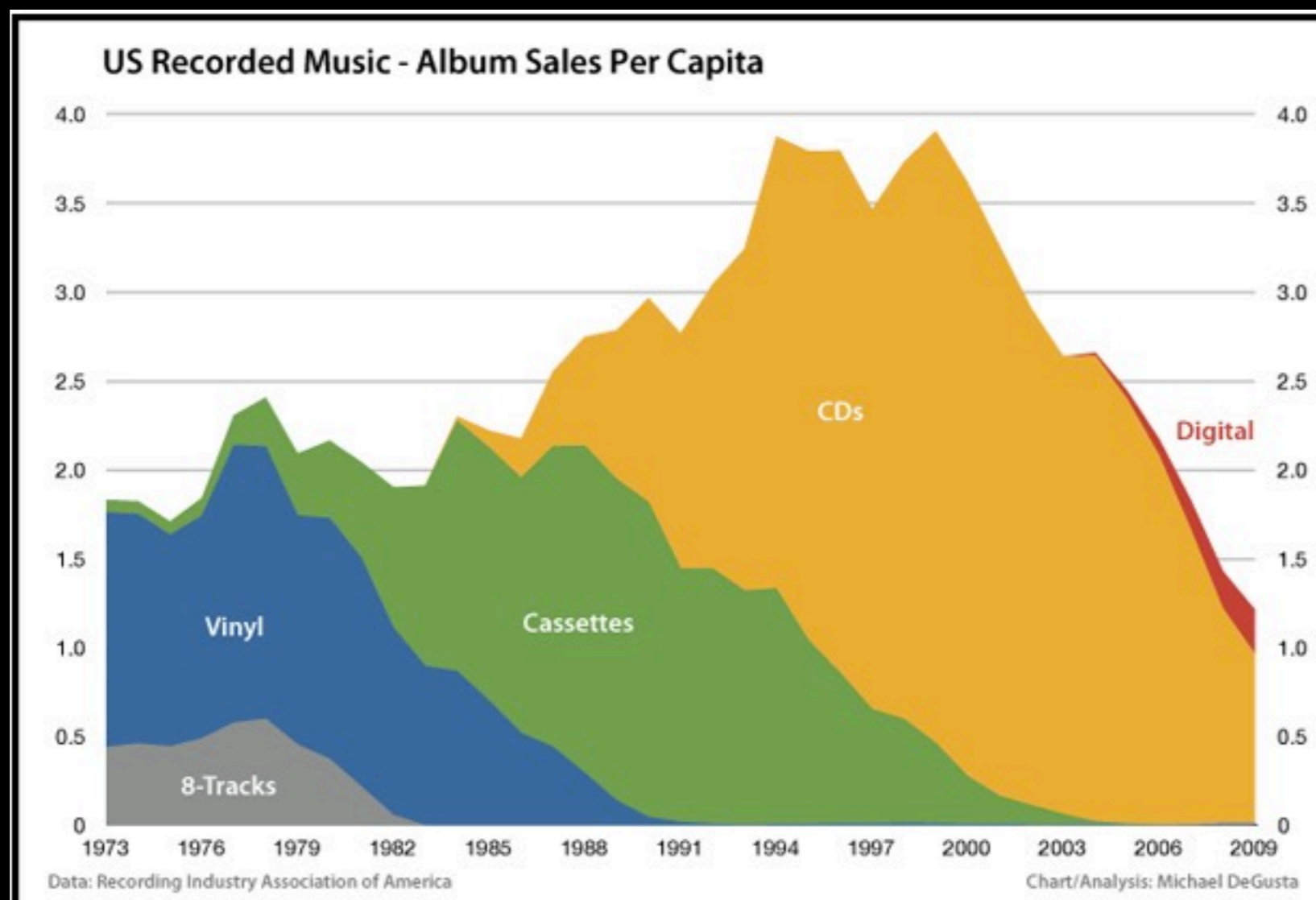
Read more: <http://www.businessinsider.com/these-charts-explain-the-real-death-of-the-music-industry-2011-2#ixzz1Zuf4xM6i>



What Happened?

Turns out that, somewhat unsurprisingly, the recording industry makes almost all their money from full-length albums:

Read more: <http://www.businessinsider.com/these-charts-explain-the-real-death-of-the-music-industry-2011-2#ixzz1ZufgoBLC>



No one is buying albums anymore.
 "The Single is killing the album"
 Just over 1 album a year per capita CDs
 .25 downloaded albums per year

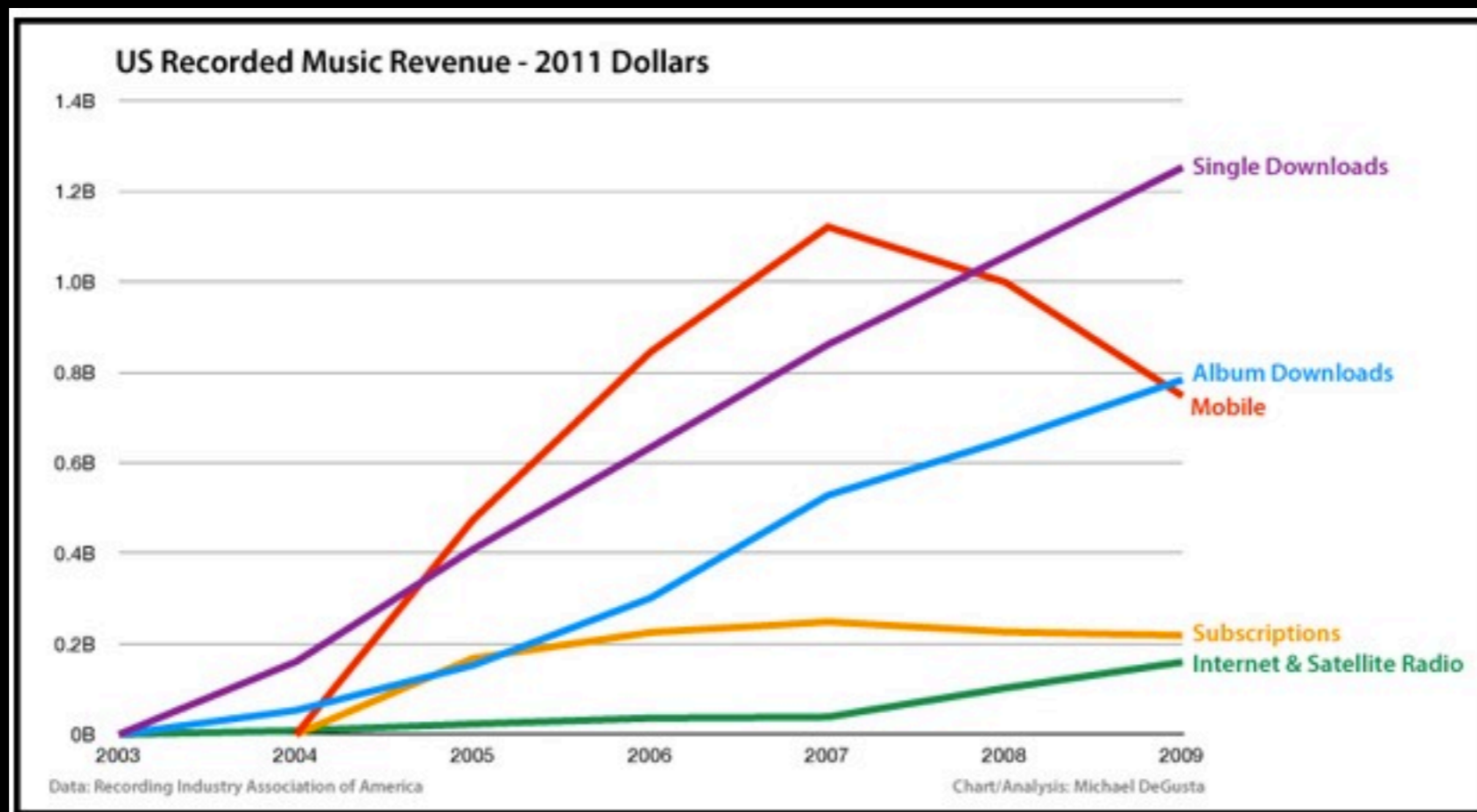
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Equally unsurprising, no one is buying full albums any more:

Image: Recording Industry Association of America

That's just over 1 album per person per year now, and only 0.25 downloaded albums per year. Here Mr. Gruber's guess is more on target, though current numbers are still substantially below pre-CD numbers. In addition to piracy and the general lack of interest in buying albums vs singles (see below), it's also possible that consumers' ability to convert CD to digital versus having to rebuy vinyl albums on CD accounts for some of the disparity as well.

Read more: <http://www.businessinsider.com/these-charts-explain-the-real-death-of-the-music-industry-2011-2#ixzz1ZugTlvJ>



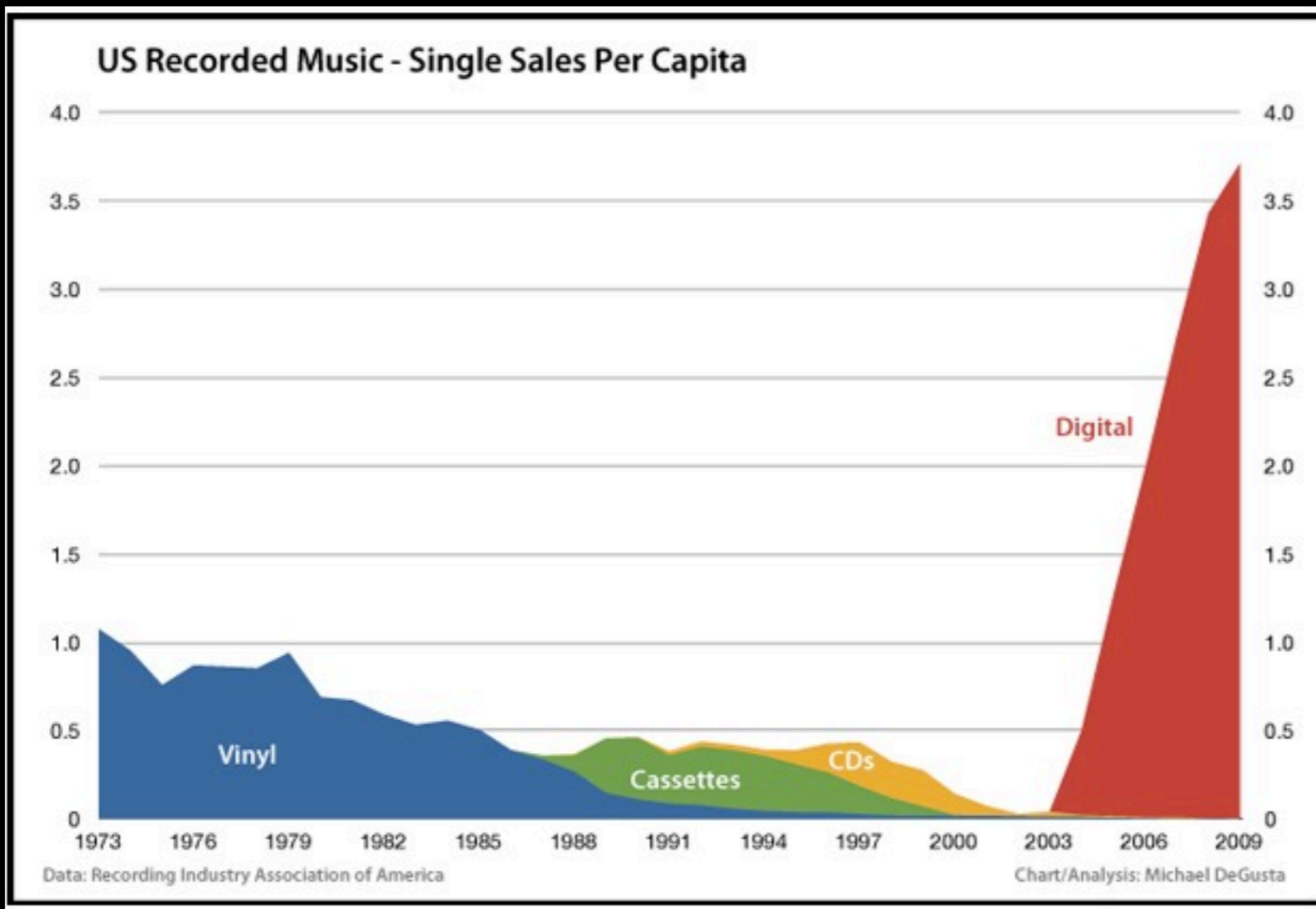
Two key elements of the “digital” strategy are not working
mobile and subscription based models.

At least not yet. If apple goes to a subscription model that may change.

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Downloaded albums & singles have grown nicely, but we’ve already established that is not nearly enough to offset the loss of the physical equivalents. Mobile, which includes “Master Ringtones, Ringbacks, Music Videos, Full Length Downloads, and Other Mobile”, hit its peak in 2007 and has actually been in decline the past 2 years. Looks like the death of the ringtone - and possibly the birth of the iPhone? Subscriptions – presumably Rhapsody, Zune Pass, and the like — have also drifted downward the past 2 years. To reiterate what I was very surprised to find: two of the big new areas, mobile and subscriptions, appear to both already be in decline. That only leaves internet & satellite radio – Pandora, etc — and others that pay via [SoundExchange](#). It had a good uptick since 2007, but that’s when they [negotiated royalty rates](#) for online broadcasters. Even if they maintain some solid growth, it still adds up to a pittance. Looks like the smaller and shrinking recorded music industry is here to stay.

Read more: <http://www.businessinsider.com/these-charts-explain-the-real-death-of-the-music-industry-2011-2#ixzz1ZuiOpg1E>



No speculation. Digital brought about the era of the single

Recorded music sales down 64% from peak

EMI employees 1999 about 11,000
EMI employees now 2,000
down 81%

Why does this suggest good news?

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Totally unscientific. but it suggests that the music business got a lot more efficient. This should make the business more profitable. And there is circumstantial evidence that a larger percentage of the remaining sales is going to artists, managers and the other independents in the business.

1. The music business is becoming more efficient and eventually more profitable.
2. There is great opportunity as the business restructures.

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looks like big investors are starting to recognize that the big labels have become more efficient.

A good sign:
EMI/Capitol finally sold.
Split in two: Publishing and Recordings
Recordings to UMG
Publishing to Sony.
Almost 4 billion dollars.

Unsolicited advice.

Be a “disrupter” not a “disruptee”

Start a new kind of business

or

Do one of the old jobs in new way.

if you can't do that find the disrupters and go work for them.

Disrupters

Apple
Amazon
eMusic
Pandora
MOG
Spotify
Rhapsody

CD Baby
Tunecore
Topspin
BandCamp
TuniPops
Music Today

Frontgate Tickets
StubHub
Pitchfork
Daytrotter
Aquarium Drunkard
Large Hearted Boy
My Old Kentucky Blog

Reverbnation
Bandzoogle
NextBigSound
Big Champagne
etc

Despite what you may read on the internet and from various experts, you can't replace recorded music revenues with revenues from touring.

(One is Scalable economic activity the other is non-scalable. One is long volatility one is short volatility, one has unlimited upside one has limited upside.)

Except for the top tier touring has always been unprofitable

Fall 2011

“Tourpocalypse”

Too many artists on the road.

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You can listen to music during virtually any activity. at work, at lunch , in your car etc.

concerts are events. you can't go out to a concert everynight.

although i sit in the side booths at the 40 watt or balcony of the buckhead theatre and grade homework and write lectures most people don't have this luxury.

what happens when too much supply? ticket prices fall. but they haven't yet.

Touring Revenue Bubble?

More supply should eventually lead to lower prices.
In the short term it has led to lower average attendance.

Downward pressure on artist performance fees.

Still live show activity should continue to rise.

Smaller artist touring crews but more venue staff.

Overall employment should rise.

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no don't think it is a bubble. it is actually a tectonic shift.