

Declining Music Sales Threaten the Future of the Music Industry

Ethan Smith

Ethan Smith is a staff reporter for the Wall Street Journal.

Since 2000, music sales have been in a sharp decline, leading to the dissolution of specialty music retailers, including the music retailer giant Tower Records. Although the sales of digital downloads—especially of individual songs on iTunes—have risen more than 50 percent between 2006 and 2007, it has not been enough to compensate for the dramatically dropping sale of compact discs. Retailers and industry insiders allege that record companies are not producing blockbuster albums, and sales of what are considered hit albums today do not come close to reaching numbers they have in the past. Some believe that illegal downloads, which have reached a billion songs a month, are clearly linked to these dwindling figures.

In a dramatic acceleration of the seven-year sales decline [since 2000] that has battered the music industry, compact-disc sales for the first three months of this year [2007] plunged 20% from a year earlier, the latest sign of the seismic shift in the way consumers acquire music.

The sharp slide in sales of CDs, which still account for more than 85% of music sold, has far eclipsed the growth in sales of digital downloads, which were supposed to have been the industry's salvation.

Ethan Smith, "Sales of Music, Long in Decline, Plunge Sharply" *Wall Street Journal*, March 21, 2007. Republished with permission of *The Wall Street Journal*, conveyed through Copyright Clearance Center, Inc.

The slide stems from the confluence of long-simmering factors that are now feeding off each other, including the demise of specialty music retailers like longtime music mecca Tower Records. About 800 music stores, including Tower's 89 locations, closed in 2006 alone.

Apple Inc.'s sale of around 100 million iPods shows that music remains a powerful force in the lives of consumers. But because of the Internet, those consumers have more ways to obtain music now than they did a decade ago, when walking into a store and buying it was the only option.

Today, popular songs and albums—and countless lesser-known works—can be easily found online, in either legal or pirated forms. While the music industry hopes that those songs will be purchased through legal services like Apple's iTunes Store, consumers can often listen to them on MySpace pages or download them free from other sources, such as so-called MP3 blogs.

Little More Than Advertisements

Jeff Rabhan, who manages artists and music producers including Jermaine Dupri, Kelis and Elliott Yamin, says CDs have become little more than advertisements for more-lucrative goods like concert tickets and T-shirts. "Sales are so down and so off that, as a manager, I look at a CD as part of the marketing of an artist, more than as an income stream," says Mr. Rabhan. "It's the vehicle that drives the tour, the merchandise, building the brand, and that's it. There's no money."

The music industry has found itself almost powerless in the face of this shift. Its struggles are hardly unique in the media world. The film, TV and publishing industries are also finding it hard to adapt to the digital age. Though consumers are exposed to more media in more ways than ever before, the challenge for media companies is finding a way to make money from all that exposure. Newspaper publishers, for ex-