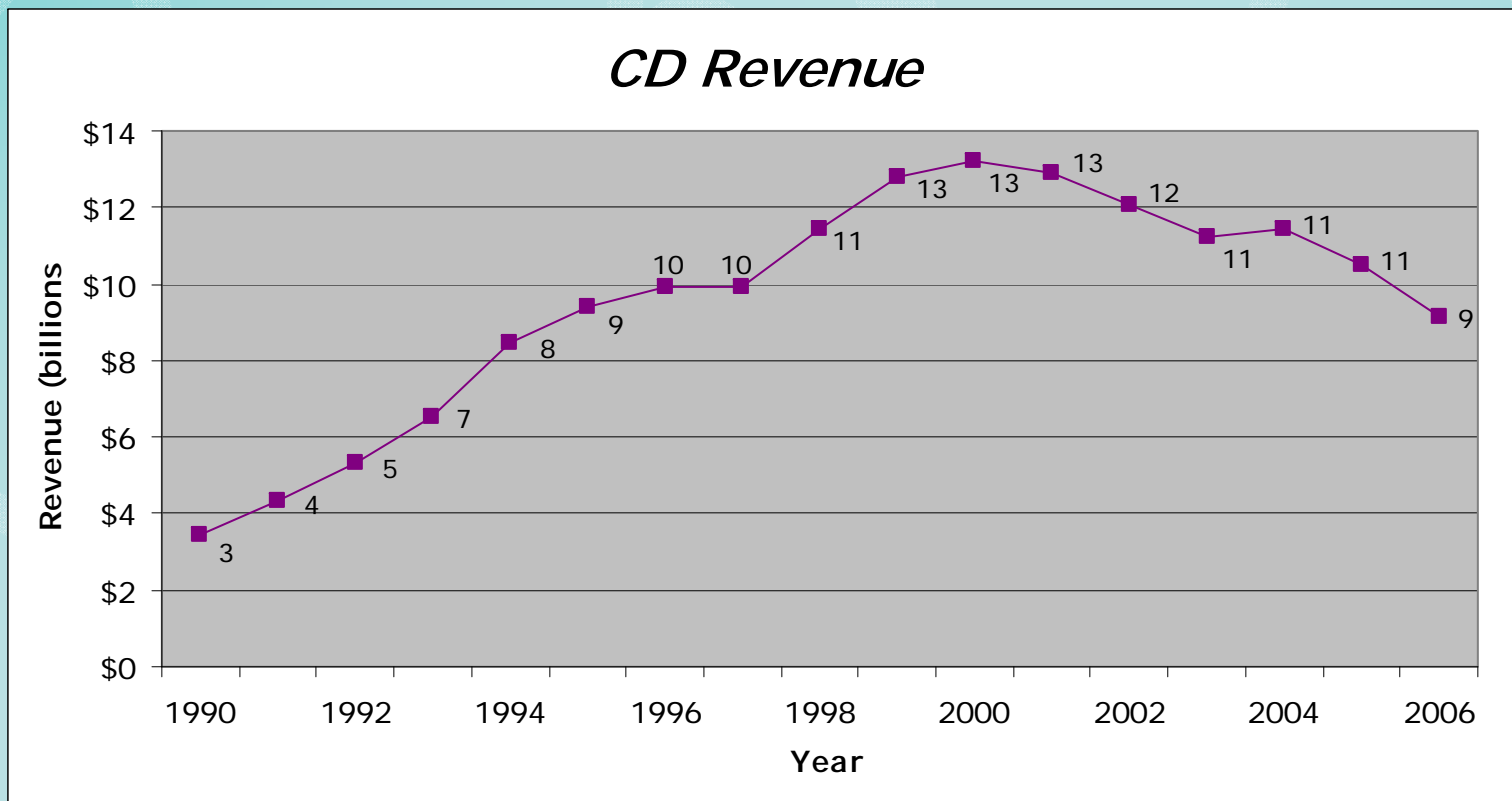


Record Sales

CD Revenue by Year

- CD revenue peaked in 2000.



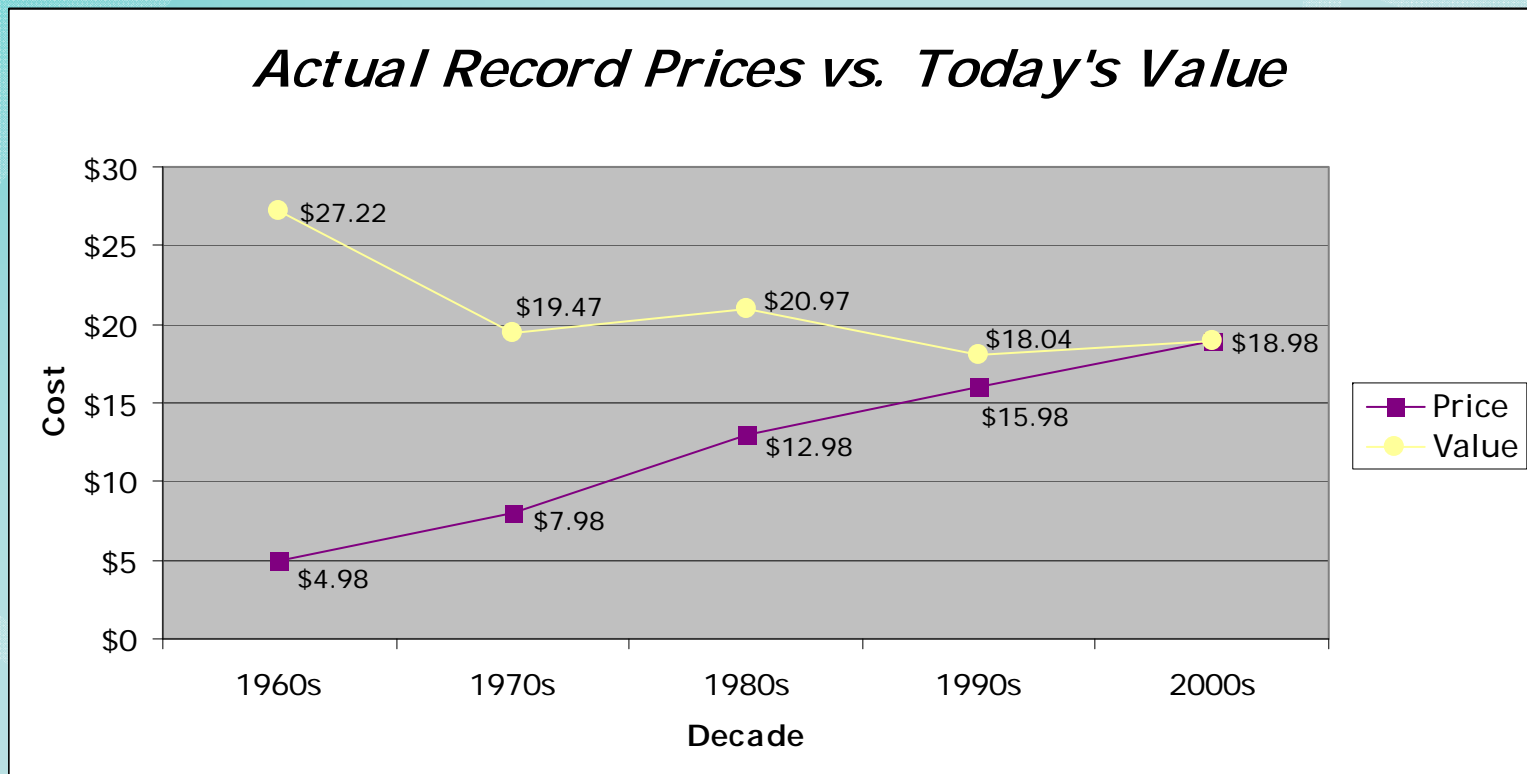
Source: Recording Industry Association of America, 1990-2006



Record Sales

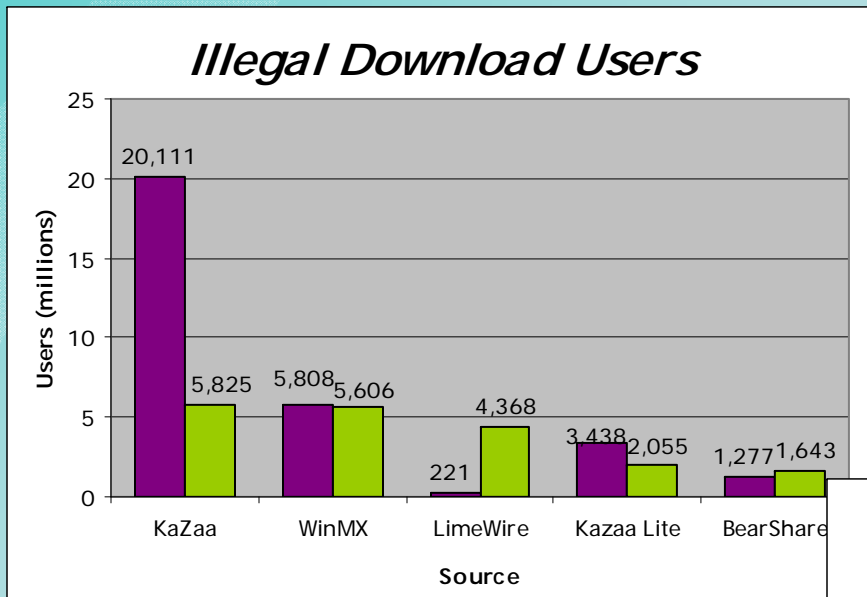
Why have record sales declined?

Rising Prices



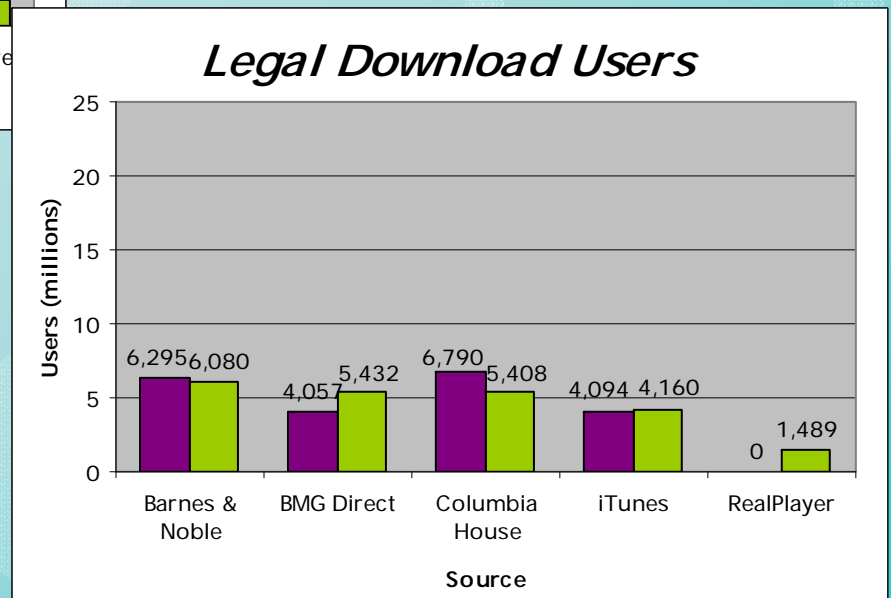
- In today's value, prices have actually decreased.

Illegal Downloads



- **February 2004**
30 million unique users
- **February 2005**
19 million unique users

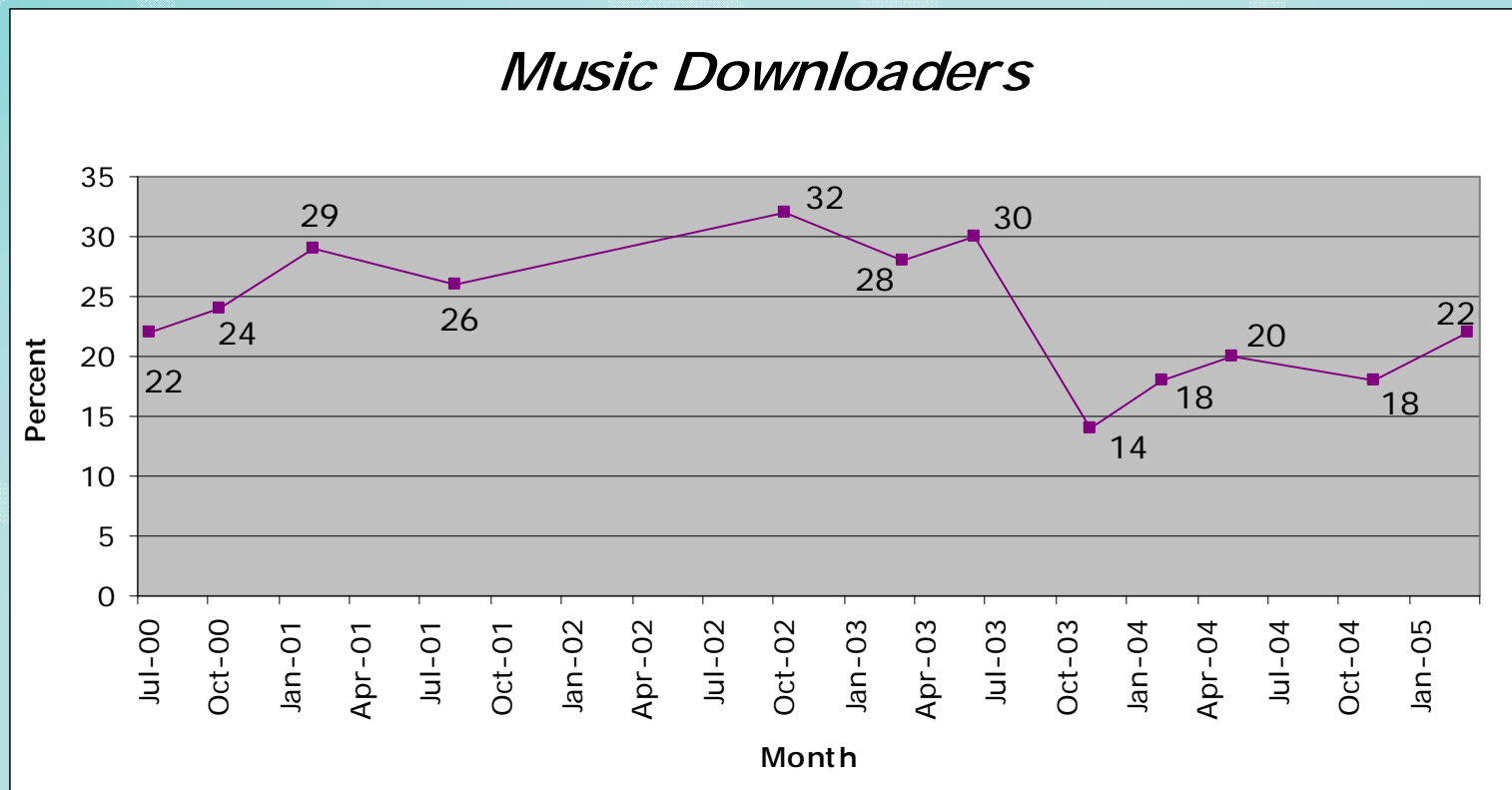
- **February 2004**
21 million unique users
- **February 2005**
22 million unique users



Source: comScore Media Metrix, 2004/2005

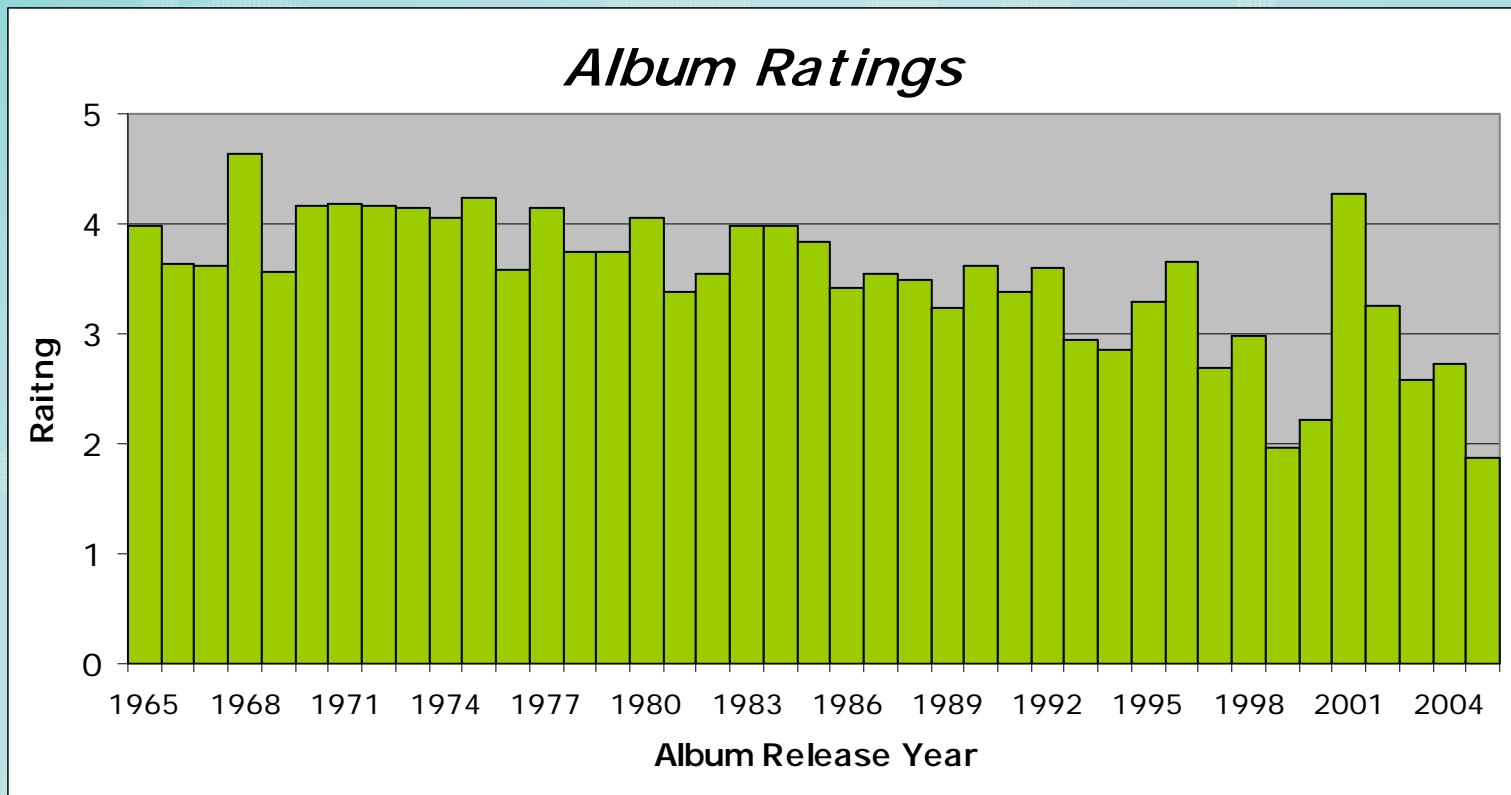
Illegal Downloads

- People answering “yes” to downloading.



Declining Quality

- Average rating from 1965-1985: 3.95
- Average rating from 1985-2005: 3.12

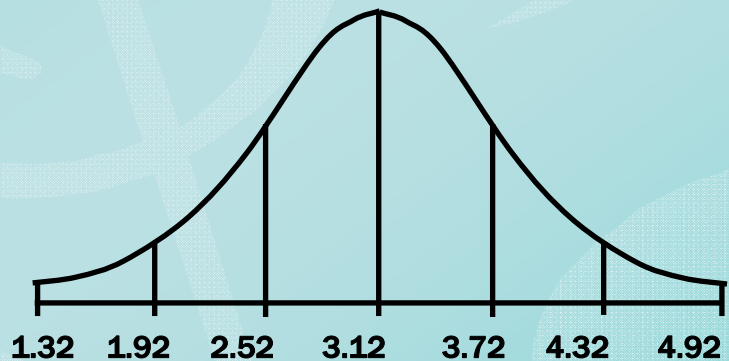


Source: Billboard, 1965-2005 & Rate Your Music, 2007

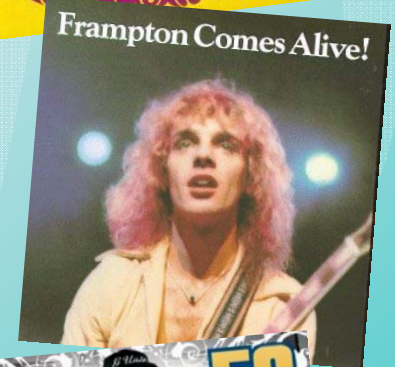
Declining Quality



- Standard deviation from 1965-1985: 0.313



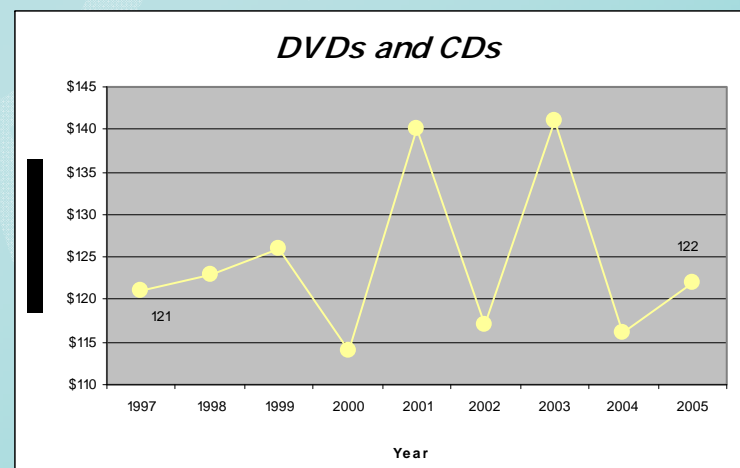
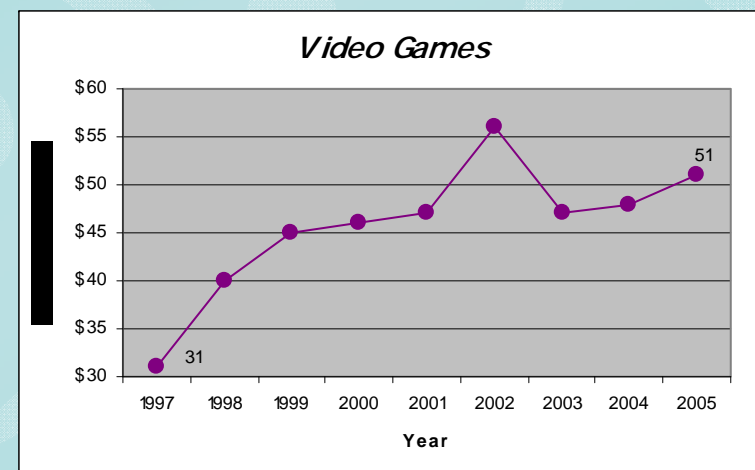
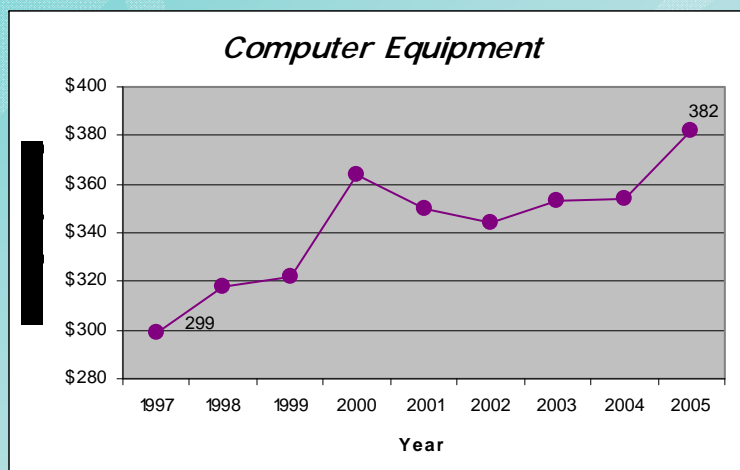
- Standard deviation from 1985-2005: 0.600



Source: Billboard, 1965-2005 & Rate Your Music, 2007

Spending More Money

- People are spending more on computers and games



Source: Statistics Canada, 1997-2005

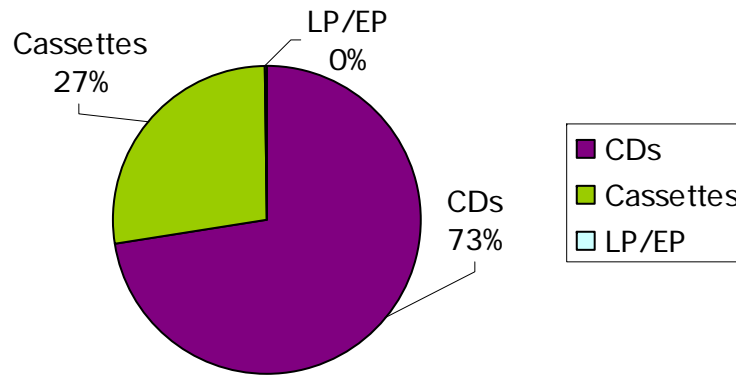


Record Sales

**How do record companies compensate
for the loss in revenue?**

Changing Formats

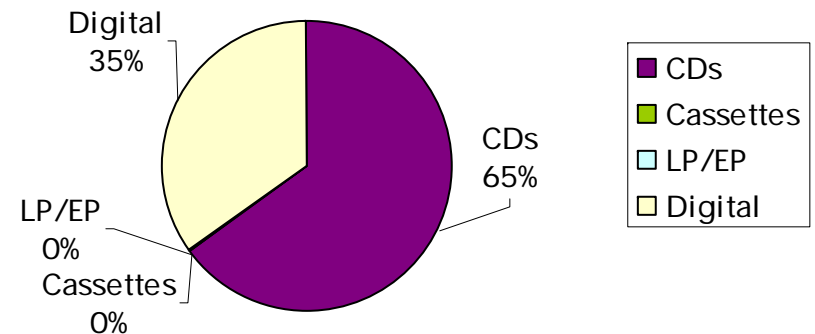
Units by Format (1995)



- **CDs**
73% of units
- **Cassettes**
27% of units

- **CDs**
65% of units
- **Digital Downloads**
35% of units in 2005

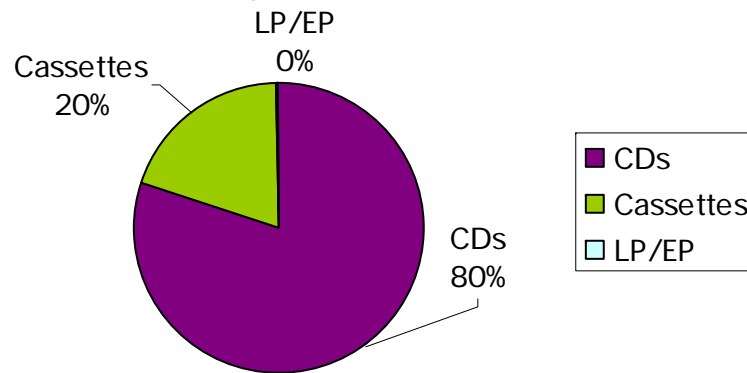
Units by Format (2005)



Source: Recording Industry Association of America, 1995/2005

Changing Formats

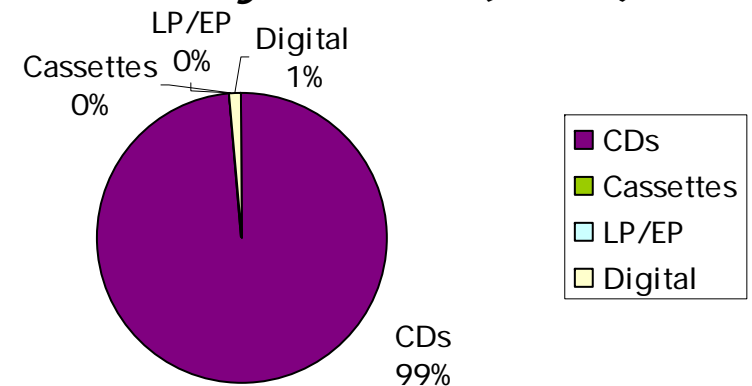
Revenue by Format (1995)



- **CDs**
80% of revenue
- **Cassettes**
20% of revenue

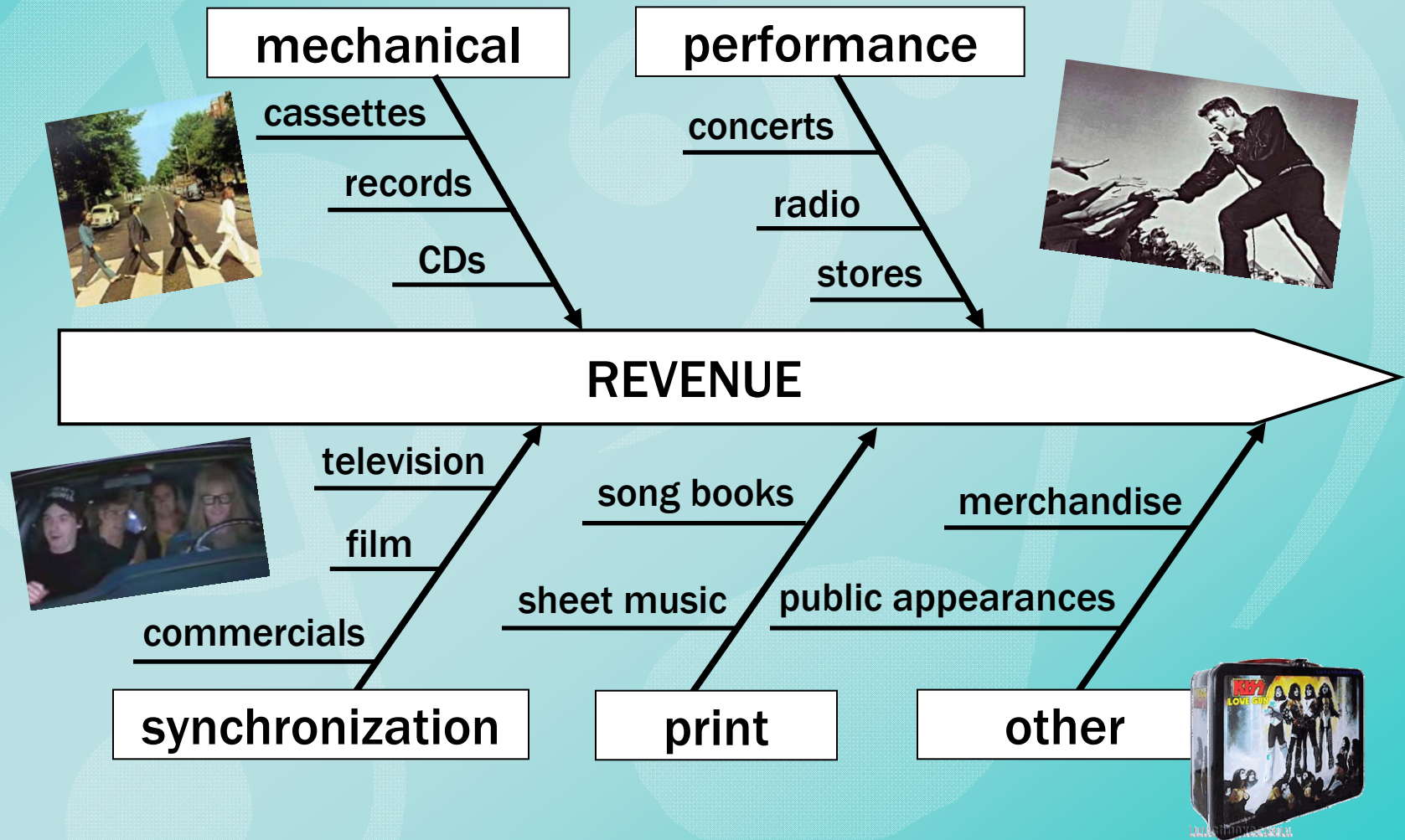
- **CDs**
99% of revenue
- **Digital Downloads**
1% of revenue

Revenue by Format (2005)



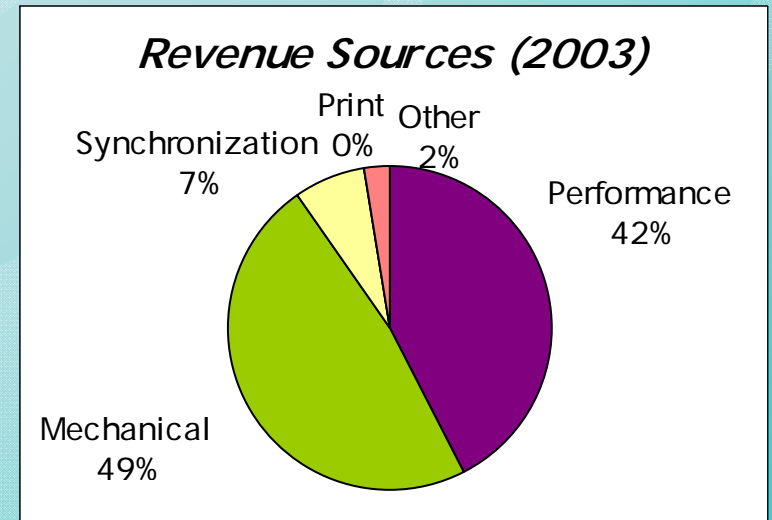
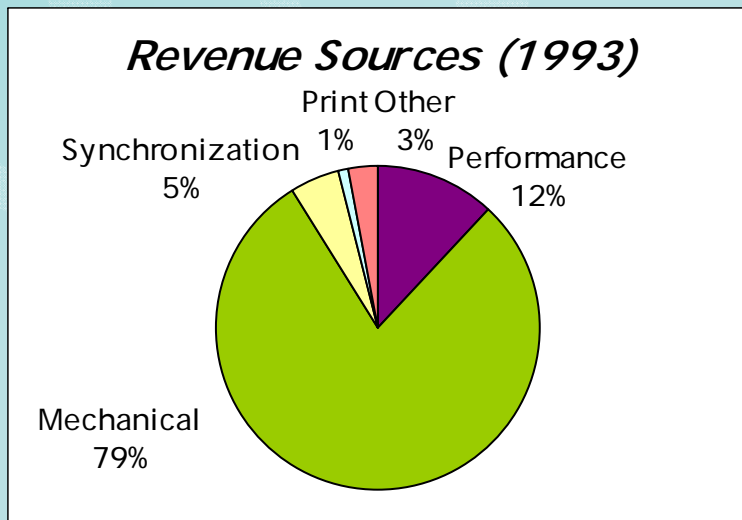
Source: Recording Industry Association of America, 1995/2005

Revenue Sources



Revenue Sources

- **performance** – up 30%
- **print** – down 1%
- **mechanical** – down 30%
- **other** – down 1%
- **synchronization** – up 2%



Revenue Sources

mechanical revenue = \$10.87 billion other revenue = \$12.89 billion

mec.	$\left[\begin{array}{c} 100\% \\ 82\% \\ 14\% \\ 0\% \\ 4\% \end{array} \right] \times \left[\begin{array}{ccccc} \$10.87 & \$12.89 & \$12.89 & \$12.89 & \$12.89 \end{array} \right]$	
per.		
syn.		
pri.		
oth.		(in billions)

=	$\left[\begin{array}{c} \$10,870,000,000 \\ \$10,569,800,000 \\ \$1,804,600,000 \\ \$0 \\ \$51,560,000 \end{array} \right]$	= mechanical revenue
		= performance revenue
		= synchronization revenue
		= print revenue
		= other revenue

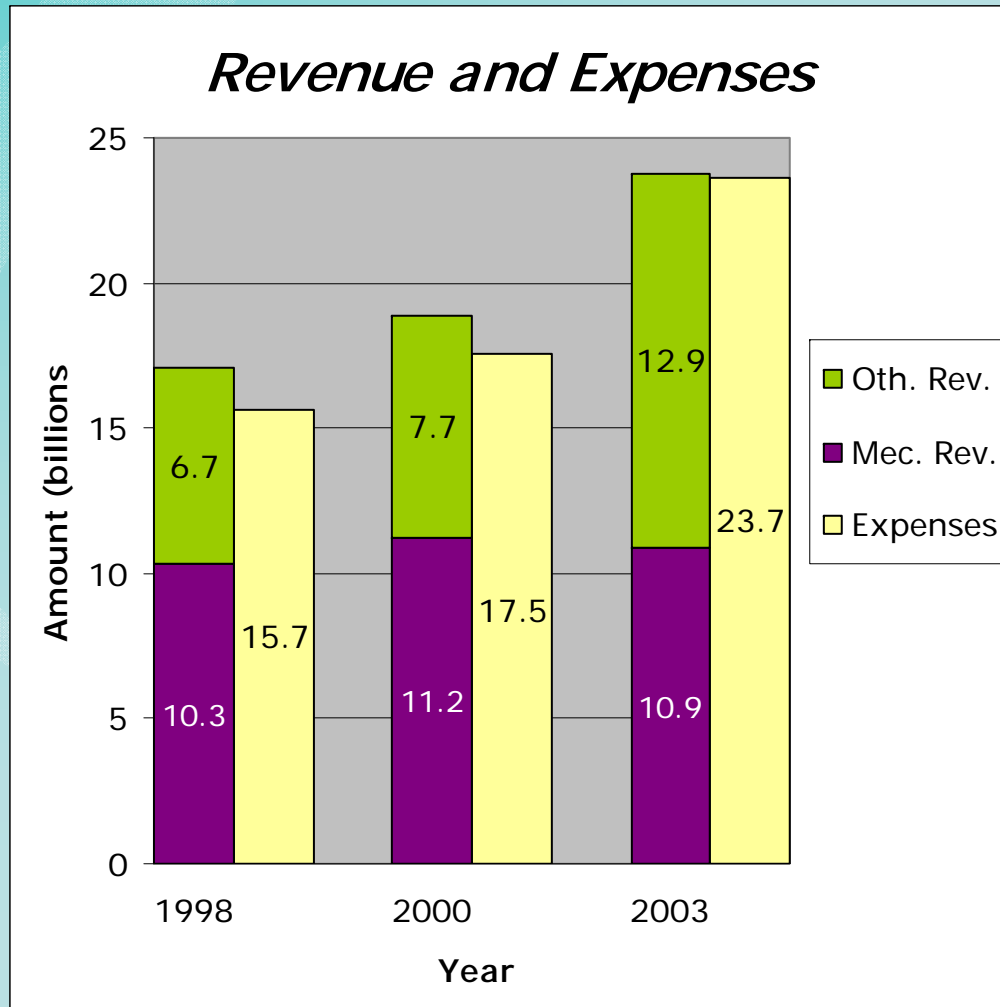
Source: Canadian Music Publishers Association, 2003 & Statistics Canada, 2003



Record Sales

**How much has the
overall profit been affected?**

Revenue, Expenses, Profit



Changes

- Total revenue up
- Expenses up
- Profit down

Profits

- '98 profit: 1.4b
- '00 profit: 1.4b
- '03 profit: 100m



Record Sales

Conclusion

Conclusion

Why are sales declining?

- Illegal downloads not as popular, more legal downloads
- Declining quality may be a factor
- People are spending money on different things

Where does revenue come from?

- Legal downloads are not a big revenue source
- Synchronization revenue slightly increased
- Concert revenue increased by 30%

How has the profit been affected?

- Revenue up, profit down

The End