

The Day the Music Died

By Paul Gibson



Will stores like FNAC continue to tempt us with music CDs? If the year 2008 is any indication, 20015 would mark the estimated time of death of the recorded-music industry.

In modern times, and especially with the advent of the internet and subsequent advances, the recorded music industry is undergoing a makeover which promises to change the face of the music business as we know it today.

Long gone are the days of the RCA dog listening to the wind-up version of the music record player. But who would of thought that the days of music CDs were even numbered? Throughout the years, however, musicians, record labels and recording studios alike have faced similar challenges and answered the call to duty.

When the first CDs came out, they were rather expensive, but the quality of the sound of music surpassed even the best tape recordings, much like tapes in their

day unparalleled the 8-track. But nowadays the situation is a horse of a different colour. CDs cost next to nothing, and anyone who has access to the internet, can download most of the music they want for free.

Recording studios around the world find themselves in quite the financial bind. Take EMI, the fourth largest recording studio, for instance. In 2006, sales of music CDs accounted for 80% of global revenue. But the year 2007 was a complete disaster. Not only did sales not increase, but they declined by almost 19%. The statistics do not lie: for the first half of 2007, sales of music on CD and other physical formats fell by 6% in Britain, by 9% in Japan, France and Spain, by 12% in Italy, 14% in Australia and 21% in Canada.¹

The trend seems likely to continue. The two biggest music recording studios - Universal and Sony BGM, a joint venture between Sony and Bertelsmann, seem to have an out, since they are backed by their parent companies. In fact, there are already rumours that Bertelsmann is willing to sell out next year to Sony.

But all things come in threes. First of all, the industry seems to barely keep itself afloat. Not only are sales declining, but big retailers like Walmart or other better known music stores (like FNAC in Spain) are dedicating less

¹ *The Economist, Online Version*
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shelf space to CDs. As sales continue to fall, however, music recording studios should not panic, in my opinion.

Illegal downloading of music may seem to play an important role in falling sales figures, but an ever-changing business panorama presents itself. Since electronic gadgets such as MP3s, iPods and iPhones replace the normal CD player, record labels need to find the way to distribute their music elsewhere.

Secondly, the music giants of the past may never be the same. After cutting costs and reducing marketing expenses, there is little money left over to promote artists. Finally, to make matters worse, even the big companies find it hard to raise the private capital necessary to enter into more profitable areas of music production, such as touring and merchandising.

As a result, the music industry has turned into a kind of subsidy offered to consumers for free in turn for other services being offered by companies. As music becomes more of a promotional tool for business, artists may find some compensation, but it will certainly not be the boom they experienced with the sale of CDs.

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