

Retail Music Industry Battles Extinction

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CHICAGO (March 27, 2006)- In a period of lackluster sales, illegal downloading isn't the only factor affecting the depressed music industry. Disgruntled consumers have contributed significantly to the decline in retail music sales. Retail music sales, valued at \$12.5 billion in 2005, are predicted to fall to \$10.5 billion by 2010, according to a recent Mintel report. The major labels have been quick to blame consumers, but slow to listen to their needs.

"The growing distance between the music industry and its consumer is due to a number of factors," said Justin De Santis, analyst for Mintel. "These include lawsuits against individual consumers, payola practices, and, most recently, restrictive use of digital rights management."

Music labels have a negative stigma to overcome, brought on by battles against illegal downloaders, radio "pay-for-play" scandals and homogeneous artist offerings on radio stations. The introduction of iTunes and similar sites has slowed the decay of music retail sales, but it has not stopped it. Even though technology is starting to work for the industry rather than against it, labels still face the challenge of meeting the demands of a diverse consumer marketplace.

In an effort to keep up with the digital marketplace, industry leaders have marketed artists to sell single songs rather than complete albums. This new marketing strategy has contributed to the lack of strong up-and-coming musical talent in the marketplace that exhibit "staying power," such as legendary iconic artists like Prince, the Beatles, or U2.

While illegal downloading has hurt the industry, big labels have relied on obsolete strategies for over a decade and have been late in exploiting emerging technologies. As a result, the bond between independent artists and their fans have become stronger. Although the music industry is just starting to use digital distribution to its advantage, overall sales will continue to decline unless companies learn to adapt more quickly to changing technologies.

According to De Santis, "The current renaissance of underground media has further driven the consumer away from the major labels and has contributed to the downturn in their sales."

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