

Digital music sales triple

October 4 2005

If the recording industry had any doubts about the power of online music, they were put to rest Monday with a report from the London-based IFPI that digital sales of music tripled over last year.

According to the International Federation of the Phonographic Industry, "The booming demand for music on the Internet and mobile phones" help to offset the decline in sales of physical formats, which fell by 6.3 percent in retail value to \$12.4 billion, and by 6.6 percent in units, compared to the same period of 2004.

For this same period, digital sales increased to \$790 million, up from \$220 million in the first half of 2004. The IFPI said that's the equivalent of 6 percent of total record-industry sales.

The IFPI said this jump in digital-music sales has been driven by a dramatic increase in broadband Internet access and increasing penetration of 3G mobile phones and portable music players. The report also noted that the successful launch of a number of new online music services in different countries over the past year.

"The digital music boom is continuing and it is growing at an exciting pace for the music industry, for online retailers and for consumers," said IFPI Chairman and CEO John Kennedy. "More and more people in a growing number of countries are turning to the new legal ways of downloading music on the Internet or via mobile phones."

The majority of the digital music service is being driven in the world's

top five music markets -- the United States, Japan, the United Kingdom, Germany and France -- "but is expected to spread rapidly and will benefit many other markets in the coming months."

Kennedy said, "Meanwhile, there has been other good news in 2005: our actions to contain Internet piracy, whether by education or by litigation, are working. And the legal environment is improving, with a series of recent decisions against unauthorised file-swapping services such as Kazaa helping to shift the balance in favour of the legitimate business."

He added, "There is a long way to go -- digital and physical piracy remain a big threat to our business in many markets. Our industry's priorities are to further grow this emerging digital music business while stepping up our efforts to protect it from copyright theft."

The Recording Industry of America hailed the IFPI report noting in a news release that the "growth and potential of the emerging digital marketplace" was reflected in recent RIAA surveys and analysis.

According to an RIAA survey released in June, twice as many adults ages 18-54 have paid to download music as compared to a similar survey last year. The RIAA report said 13 percent of those surveyed said they had paid for music downloads vs. 6 percent in June 2004.

The survey also reported that the percentage of adults who have paid to download music legally is now higher than the number of adults who have downloaded music from an illegal peer-to-peer network -- 13 percent have paid to download while 12 percent say they have downloaded illegally from a peer-to-peer site.

"Even as we continue to transform ourselves and transition to the digital marketplace, the music community is still suffering enormously from the impact of various forms of music theft," said Mitch Bainwol, chairman

and CEO of the RIAA, in response to the IFPI report. "One of the stories we need to repeatedly tell in the coming months is that illegal downloading and burning continue to compromise the industry's ability to invest in the new bands of tomorrow."

He added, "We are encouraged by the growth of the digital music marketplace. Music labels are working closely with their technology partners to offer fans an incredible, high-quality experience -- from download to subscription to legal peer-to-peer sites."

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