

## For 1st time since 1999, music revenues inch up (Update)

February 26 2013, by Raphael Satter

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A photo illustration shows a digital music player held in London, Tuesday, Feb. 26, 2013. More than a decade after online file swapping tipped the music industry into turmoil, record executives may finally be getting a sliver of good news. Industry revenue is up. A measly 0.3 percent, but it's still up. (AP Photo/Kirsty Wigglesworth)

More than a decade after online file swapping tipped the music industry into turmoil, record executives may finally be getting a sliver of good news.

Industry revenue is up. A measly 0.3 percent, but it's still up.

"We're on the path to recovery," said Frances Moore, whose International Federation of the Phonographic Industry put together the figures released in a report Tuesday. "There's a palpable buzz in the air."

In her forward to the IFPI report, Moore said the return to growth was a tribute to the transformation of the music industry, saying it had "adapted to the Internet world."

That change has been a long time coming. Online song sharing popularized by services such as Napster at the turn of the millennium seriously destabilized the industry, which reacted with a barrage of lawsuits and lobbying. But the war on piracy failed to stem the tide of free music, and by the time executives finally began making legal music available through download services such as Apple Inc.'s iTunes, the industry was in a free fall.

Since its 1999 peak, the global music industry's revenues have crashed more than 40 percent. Tuesday's figures, which show a rise in global revenue from \$16.4 billion in 2011 to \$16.5 billion in 2012, are the first hint of growth in more than a decade.

Mark Mulligan, of U.K.-based MIDiA consulting, warned that Tuesday's figures did not mean the industry had put its misery years behind it.

"We're probably near the bottom," he said, "but it's so marginal we could easily have another year or two where it could get worse."

The physical music market—everything from vinyl records to DVDs—continues to contract, losing another \$500 million in revenue between 2011 and 2012, according to Tuesday's IFPI figures. The industry group has placed its bets on downloads, streaming, and

subscription services to make up for lost ground, but there's still a long way to go.

Downloads and streaming audio now account for most of the music sold in the United States and Scandinavia, but physical music still accounts for the majority of industry revenue worldwide.

Illegal music downloads remain a problem worldwide, particularly in potentially huge markets such as Russia, India, and China. Moore urged governments to follow the example of the international enforcement action against Megaupload founder Kim Dotcom, accused by American prosecutors of facilitating millions of illegal downloads. Dotcom, who is fighting an attempt to extradite him from New Zealand to the United States, denies the allegations.

The report hailed the action against Megaupload and sites like The Pirate Bay—which has been blocked by several European countries—but it estimated that 32 percent of all Internet users still regularly downloaded pirated music.

"What other industry has to cope with a third of its customers being able to get copies of its products from illegal services?" Moore said.

With growth uneven across various countries and piracy still a stubborn problem, it could take years for the industry to return to its previous health. If it ever does.

Mulligan said he believes some of the lost revenue may never be recovered, with many casual users who used to buy the odd CD turning to free services such as YouTube, television music channels, or Internet radio instead.

"This is a case of managed decline," he said, predicting "a sustainable

but smaller market built around more engaged music fans."

**More information:** The IFPI's report: [www.ifpi.org/content/section\\_r...sources/dmr2013.html](http://www.ifpi.org/content/section_r...sources/dmr2013.html)

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