

# UpFront



## Retail Track

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### New Life For CDs?

Study Says There Is Room For Physical Product Sales To Grow

Even as consumers switch to digital music and physical sales decline, a study finds that physical product is still important to shoppers. The study shows that even teenagers increased their purchases of physical music by 5%.

The study, conducted by the NPD Group for NARM, discovered that while practices like CD burning, peer-to-peer file-sharing and legitimate downloading have an impact on physical sales, "there is still opportunity" for the CD, NARM president Jim Donio says. "There are still pockets of heavy buyers out there that embrace the physical product, and the industry needs to market to them and provide them with a better in-store experience to boost sales," he says.

from 15% in 2002 and up from 16% last year. In total, the average respondent in that group spent \$57 last year on music, a number that also reflects digital sales.

On the other hand, the older demographics—people 36-50 and 50-plus—showed a drop in total physical sales. The 36-50 group went from accounting for 27% of physical sales in 2002 down to 25% in 2005, while the over-50 group accounted for 17% of physical album sales, down from 18% in 2004.

The study also broke out music sales by dollars for various age groups. Respondents older than 55 averaged \$46 in purchases, while the 44-54 age group averaged \$70. Those 35 to 44 years old averaged \$76 annually, while

demographic skews younger. Less than half, or 44%, of the 25-34 age group buy CDs, and only 19% of 18- to 24-year-olds purchase CDs. Curiously, a greater percentage, 27%, of the 13-17 group bought CDs. Almost two-thirds of 13- to 24-year-olds said they are likely to acquire music through burning a friend's CD, while 38% said they are likely to get music through unauthorized file-sharing.

The survey also broke out respondents by how much they spend on music. Slightly more than half of respondents were light buyers (spending up to \$30 per year on music), who, on average, spend \$18.45 and buy music 2.4 times per year, averaging 1.3 items on each trip. Those buyers generally shop at a discount department

**'There are still pockets of heavy buyers out there that embrace the physical product.'**

—JIM DONIO, NARM



The study shows that the physical-goods world could still grow slightly over the next year or two, if merchants take the right steps, which include better display organization and improved shopping experiences for consumers.

As for the labels, the study found that traditional radio is on the downswing as a motivator to buy music, but "TV is really powerful" in driving sales. That finding was not quantified in the study, but was conveyed anecdotally, Donio says. Other tactics to increase sales include packaging music soundtracks with movies or videogames, he says.

The study—which had 3,700 respondents, 2,600 of whom bought physical music—found that the 13-17 age group accounted for 18% of all physical music sales last year; that is up

those 25-34 spent the most on music in 2005, averaging \$79. As for the 18- to 24-year-old group, the people most likely to get their music through unauthorized file-sharing, they also spent a healthy average of \$67 on CDs last year.

In looking at music acquisition in 2005, 43% of respondents said they bought CDs, 29% said they ripped CDs, 22% said they acquired music through P2P file-sharing and 6% said they bought legal downloads. In other words, 51% did not pay for music—a number that has risen from 2004, when 51% said they acquired music by buying CDs.

Breaking that out by age group, the study found that 81% of the over-55 group got music by buying CDs, a percentage that drops as the de-

store, but also shop for music at consumer electronics stores and online.

The survey said 39% of respondents are medium-level buyers (between \$31 and \$100), spending an average of \$62.77 per year on physical music. Those respondents make music purchases on almost five occasions (4.6), and average 1.8 units per occasion. Like the light buyers, they also tend to shop in mass merchants' music departments, but will also go to consumer electronics chains and online stores.

Finally, the heavy buyer (more than \$100) comprised 10% of respondents, spending \$234 annually on music, buying it seven times per year. On each occasion, they spend 22 minutes in the music section. Their preferred destination is the con- continued on >>p12

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sumer electronics chain, but they also buy everywhere, including local independent record stores.

Breaking out respondents by where they prefer to shop, less than one-third chose mass merchants, while record and consumer electronics stores each mustered just under a 20% share. About 15% of respondents chose online shopping, 7.1% said bookstores and 1.7% said record clubs.

While consumers frequently

complain about music prices, 54% of respondents said music is a good value, versus 48% for DVDs. Yet, when asked what would encourage them to go to the store specifically to buy music, more than two-thirds of respondents—the No. 1 answer by an overwhelming margin—said a sale. Meanwhile, 27% said a good selection helps, while 22% said a live performance or an in-store signing helps.

But when asked what would encourage them to

spend more money, movies bundled with music soundtracks got the highest ratings, with about 40% of buyers citing the idea. The DualDisc and custom CDs from kiosks were also touted by about one-third of respondents.

The survey also broke out shoppers in such categories as “impulse,” those who see something and buy it; “wanderer,” or browsers; and “determined,” those who go to a store for a specific album. The “determined” category spent

an average of \$51 per year and accounted for about 19% of U.S. sales last year. If those shoppers were to buy one more unit on just one occasion, U.S. music sales would grow by 6%, the study reported.

“It takes a little bump to move the needle and have a huge impact on physical sales,” says **Russ Crupnick**, VP/senior industry analyst for the NPD Group. “There is daylight here. If stores did a little better merchandising, there is plenty of reasonable upside.” ....