

ARIA Sales Figures:

An Analysis -1993 to 2012

by Ben O'Hara



Abstract

In early February 2013 ARIA published their annual sales figures, including their figures for 2012. To view those figures and press release visit www.aria.com.au.

There has been an almost hysterical reaction. The IFPI excitedly reported that we had seen an upward trend for the 1st time since 2009. Most of the press have reported this good news story. But it is important to put these figures into context. This is not a return to the profits that we saw in 2009, not even close. These figures show that in just one area we have seen a halt in the decline of the record industry – for the 1st time since 2009. It's all about talking a long view at the context in which this figures sit.

In the early to mid 90's ARIA used to include a bunch of wonderful graphs that showed the ever increasing sales and soaring profits of the Australian Record Industry. When the profits and sales started to decrease they stopped publishing the graphs. They still release the figures and each year but now they try to put a positive spin on at least one of the stats that they gather. ARIA'S claims are always true, but the graphs really drive home, in a visual way – just how dire things have become, especially for the physical formats that the industry has been relying on for so long. Now, it's true that in 2012 some of the sales figures started showing an upward trend. That is a lot for ARIA to celebrate, but when you look at the graphs in context, there is a lot more to worry about than there is to celebrate if you are a major label right now.

I have been gathering this data since 1993, and can now present these graphs (that ARIA stopped publishing long ago) These graphs are all based on information reported by ARIA annually and can be found on their website (good luck finding data back to 1993 however, they only have data from about 2002 at best.)

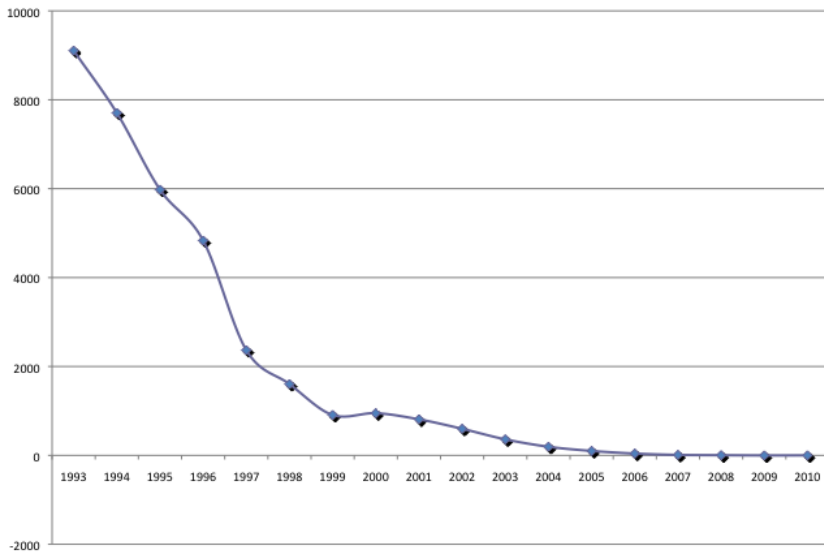
The data for Digital sales starts in 2006, and fair enough as we didn't really have much by the way of digital sales before that.

So...the graphs are below with a little bit of analysis for each one. You can also draw your own conclusions. There are of course many more graphs that could be made from the data – this is just aimed to give a snap shot in a nice and easy to read visual format. The numbers have been rounded off so that don't give an exact to the unit sales figure and the (x 000) should be applied where listed.

Cassettes

Lets start with Cassettes - however I won't be presenting this data ever again as this format is clearly dead. In fact what the graph doesn't show clearly is the fact that at one point Cassettes actually dipped below zero with more

Cassette Album Sales 1993 -2010 (no data for 2011 on)



From 2011 onwards Cassettes are being counted as “other physical” sales.

I include this graph because it is important to be comfortable with the idea that formats come and go. If the record industry had only ever relied on cassettes – if these figures are anything to go by, the industry would not exist today at all .

Consumers move on and they embrace new formats. Historically, the good news for the labels has been that new formats means increased sales as consumers replace their cassette with vinyl or vinyl on CD. The bad news... since the arrival of the CD that's no longer the case. Digital is digital, you don't need to re-buy something just to get a digital copy.

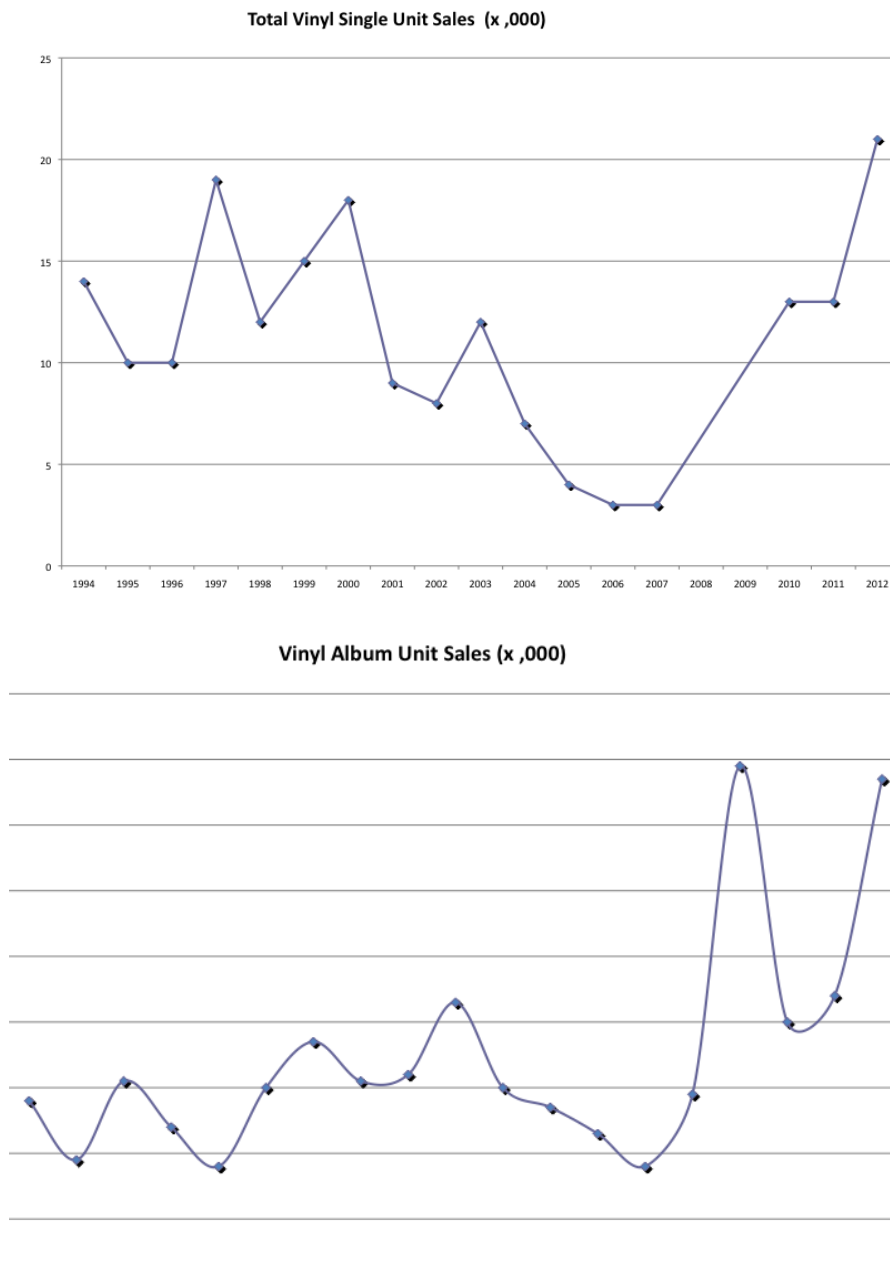
That said, all those crunched MP3's that you have on your iPod have been crunched to save storage space. I hope you didn't throw out your CD's once you digitised them. If you did you might find that you have to buy them all again and rip them at a lossless (compression) rate along with all those iTunes crunched files you bought. If you want to hear them properly you will have to buy them again. Not everybody will do that – but some will. The record companies are counting on it. It's been their business model for the past 40 odd years

Vinyl

Vinyl is another format that has probably seen its day. The graphs show a bit of a roller coaster in terms of units sold. It is a bit deceptive however as the total units sold and value are actually very small. We are talking about only 76,000 odd album units sold in 2012. That's only one platinum selling album – and that's for every ARIA reported sale of vinyl for the year. The whole format gets a platinum album...well done vinyl.

The sales of this format are boutique at best. Yes DJ's buy them, yes collectors buy them, yes bands sell them as a marketing ploy and no... – sales of second hand vinyl do not count. Despite the sudden jump in 2009 in album sales - those who tell you that vinyl is back are clearly wrong.

The graph below shows that singles saw a serious spike in 2012, but it's coming off a low base. 21,000 units is not worth getting too excited about

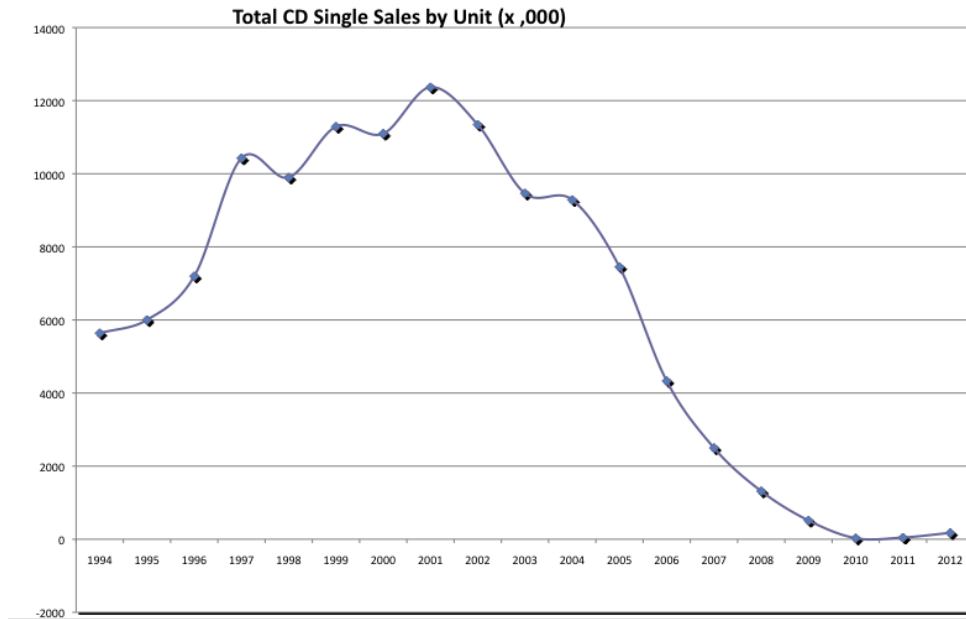


Nobody is getting rich from the sale of vinyl right now except for the couple of plants that are still pressing vinyl – but lets hope they are getting paid on units pressed – not sold.

CD's

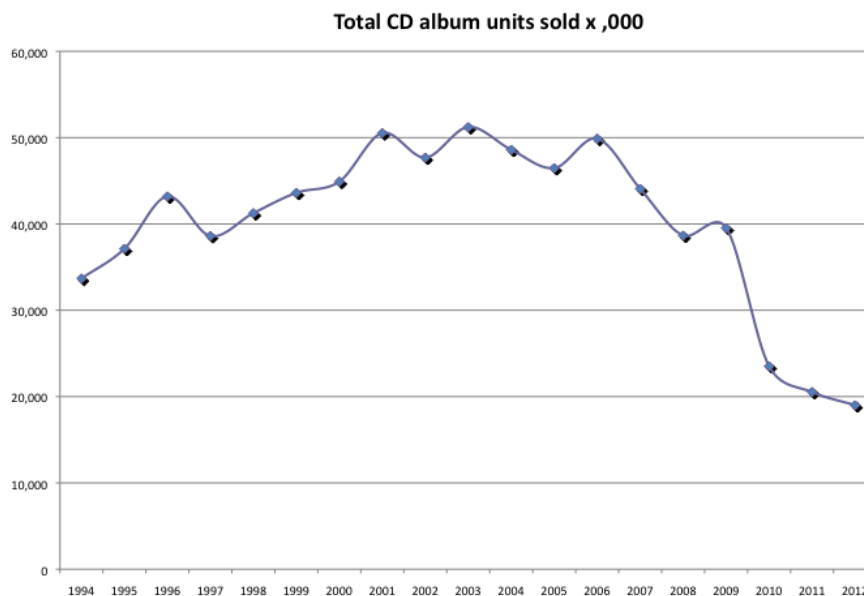
CD singles are also a dead format. Again, the graph below doesn't quite show the fact that CD singles dipped below zero at some points in the last couple of years. Makes you wonder how they calculate the number one single each week – right?

Well the good news is that ARIA has been counting digital sales in the singles charts since about 2007, so what we see now is a combination of both. Still I wonder how many singles the lowest ever selling number one would have been. My bet is not very much at all. The CD single is another dead format.



CD albums – so, the first few graphs contain no real surprises. These are all formats that have seen better days. But what about the humble CD, I hear you ask?

Things are not looking much better for the main format of the past 20+ years.

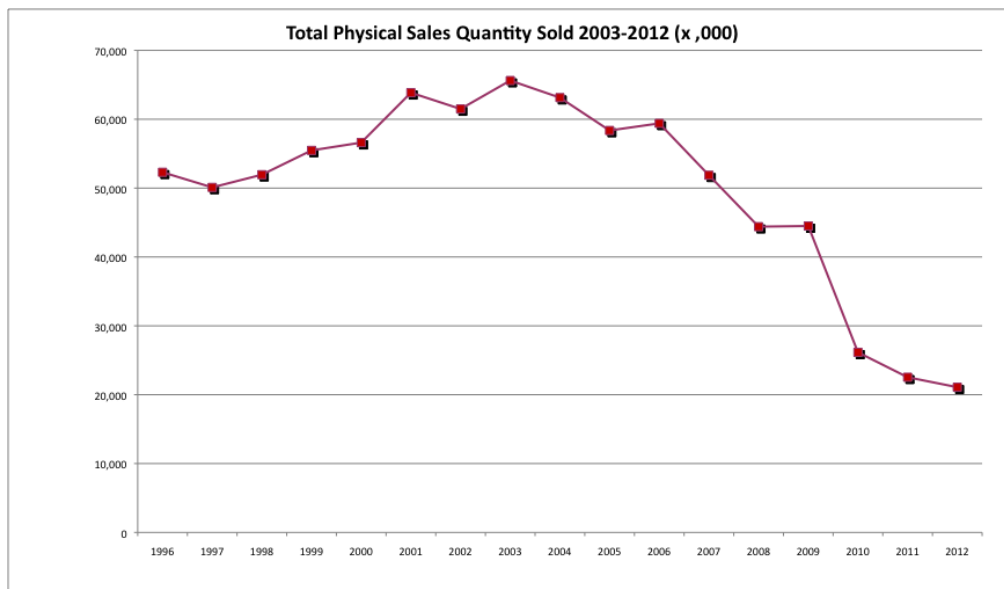


Today's figure is less than 50% percent of what it was in 1996. The amount of money generated is even worse for the same period. Compact Discs clearly resisted the "Napster generation" for a while and. Australia bucked worldwide trends in the early 2000's posting annual improvements (thanks to Delta Goodrem and those Australian idol kids,) but as soon as iTunes hit in 2006, CD's began a free fall.

At least in part, iTunes was designed to compete with free downloaders and to compete with the likes of Napster by providing a much lower price than physical with a much user-friendly interface. In the end the impact that iTunes has had on illegal is questionable, but there is no doubt that iTunes killed the CD. The CD is dead folks; unless you are a "collector" you are not buying CD's anymore. The good news for the format is that there are still lots of collectors out there who continue to buy the items that they view as collectable, the rest they just download.

Total Physical Sales

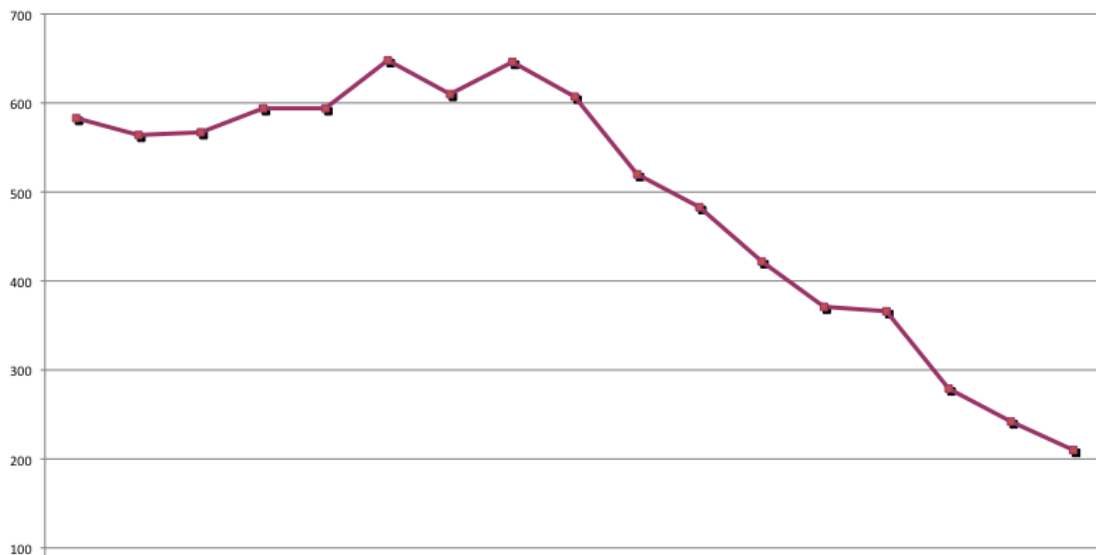
So, what does it look like when you put it all together? Not good. Well not good for physical formats at least. No wonder it's impossible to find a record store these days. Physical sales are in freefall and have been for quite sometime. Physical is still worth more than 50% of total sales when digital and physical are combined. In the next year or two we will see physical sales drop to below 50% of total sales that will be the real nail in the coffin of the CD.



This follows the basic trend and shape of the physical CD album sales.

The news in actual dollar values is even worse!

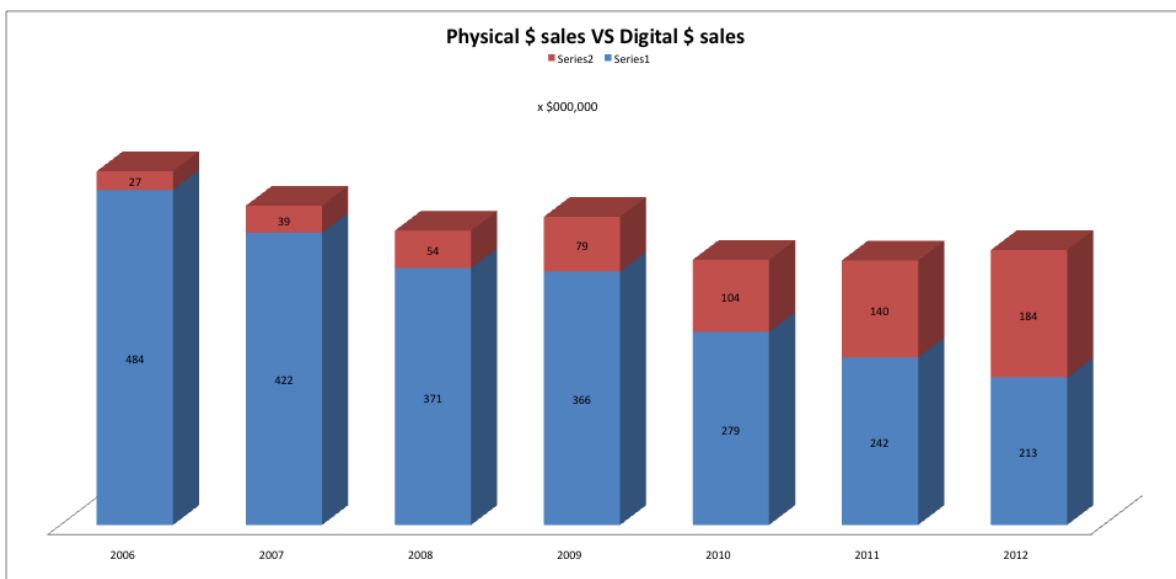
Total Physical Sales in Dollar Value x \$,000



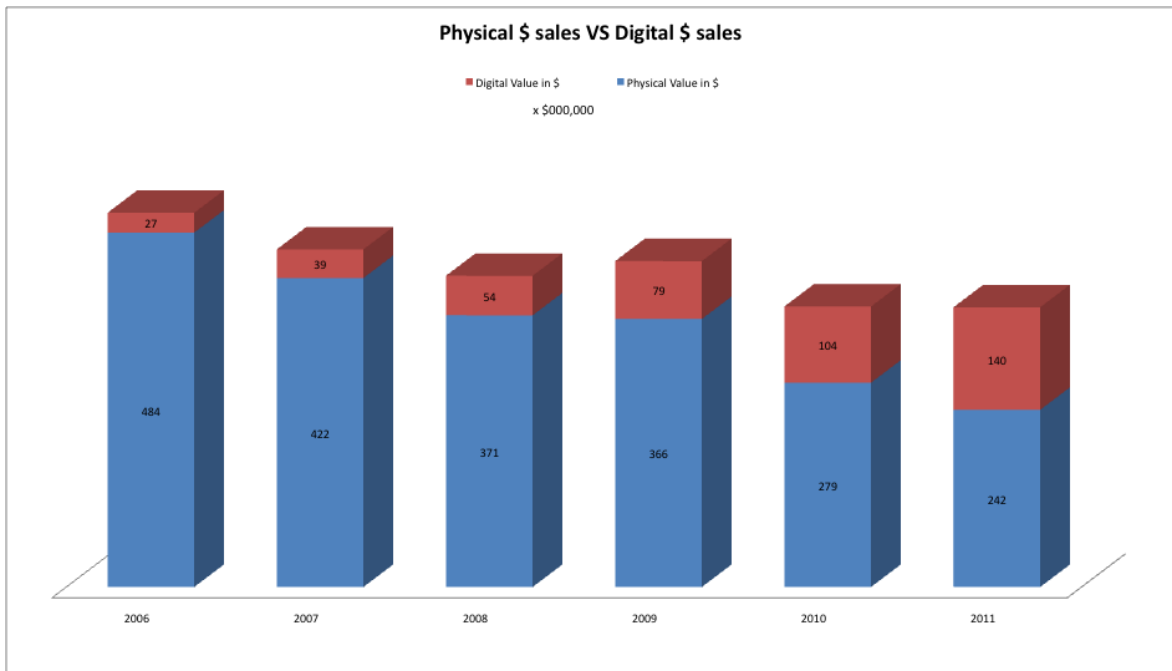
This is in serious free fall. So, while the total units sold may be a bit up and down (mostly down) the actual dollar values of physical sales are plummeting (apart from a little blip in 2007, which corrected itself the following year). They are selling fewer units and the units that they are selling are selling for a lower price. Price discounting is a common desperate move when sales are not going well. The ARIA statistics show that price discounting of physical products is doing nothing to arrest the slide in sales.

Digital Formats

I could have shown the easy graph listing the rise and rise of digital from 2006 to today. It's a straight line going straight up. It looks really good for the music industry, but it doesn't tell the whole story. The graph below shows the growing dominance of digital over physical. It's a quick rise and certainly makes the total units sold look like there is an upward trend. In fact in the last 12 months the story is great...right? It looks like digital has really taken off and physical is mostly holding steady.



...but the dollar value tells a different story.



The increase in digital is far from making up the decreases in physical in terms of actual dollar values. In 2012 we see a significant upward trend, let's see if this increases in the next few years. (This was the good news story that ARIA sold in their press release in 2011 and again in 2012.) Remember that this data only kicks in at 2006, the column on the far left was already well below where it was in 2003 anyway.

ARIA has found the one point where they can actually see an upward trend as an angle for their publicity, but this is a bit sneaky and doesn't tell the whole story. The IFPI recently chose to do the same thing focusing their Australian report on this one data point that shows improvement.

Next year we should see digital over take physical in terms actual dollar value. It's hard to tell if we will see a third consecutive rise in the overall dollar value of the recorded music industry

Summary

What's the moral of the story here? The Australian record industry is stuffed? Probably.

ARIA doesn't want you to see their data represented in an easy to follow format? Definitely.

A peak body for any industry exists as an advocate for that industry and thus to report to both to its members (and the interested public) on how their industry is fairing. ARIA is acting not unlike many industries when they paint a rosier picture than is actually happening. They present the figures, highlight a couple that seem to tell a positive story and hope that we all buy it for another year. Hopefully presenting their data in these graphs (they way ARIA used to present them) will make ARIA come clean when they put forward their data in the future.

It's all there in the data, but why only push the positive story? I have no idea...hopefully a few of you can ask ARIA and we will all find out.

About the author

Ben O'Hara has taught music industry business at a number of institutions across Australia including the Sydney Institute of TAFE Ultimo, EORA College, and JMC Academy in Sydney and Melbourne. He is currently the senior educator in Music Business at Box Hill Institute in Melbourne.

Ben has a broad range of experience in the music industry, having worked in music publishing and licensing as well as event and artist management. He has also been a performer for over 15 years, and runs his own booking agency, Flower Pot Entertainment Productions, specialising in children's and family entertainment. Ben holds a Bachelor Arts in contemporary music (Honors) from Southern Cross University and a Masters of Business in Arts and Cultural Management from The University of South Australia.