meiea®
MUSIC & ENTERTAINMENT INDUSTRY
EDUCATORS ASSOCIATION

Journal of the Music & Entertainment Industry Educators Association

Volume 7, Number 1
(2007)

Bruce Ronkin, Editor
Northeastern University

Published with Support
from
MIKE CURB COLLEGE *of*
ENTERTAINMENT *and* MUSIC BUSINESS
BELMONT
UNIVERSITY

Current Sales Data and What the "Long Tail" Might Be Doing

Stephen Marcone
The William Paterson University of New Jersey

One of the more interesting discussions going on today is the one about what effect Chris Anderson's "Long Tail" theory will have on the music business. Essentially the theory states that in a market of virtual shelf space (hence the digital world) slower moving product such as deep catalog titles, less popular genres, and indie releases can collectively equal or outsell the best-selling titles. Robbie Vann-Adibe, the CEO of Ecast, a digital jukebox company, whose restaurant players offer 150,000 tracks poses the question, "What percentage of the top ten thousand titles in any online media store (Netflix, iTunes) will rent or sell at least once a month?" The answer is ninety-nine percent. In fact, Vann-Adibe sees it in his own jukebox statistics as thousands of people put in their dollars to play songs that aren't listed on a traditional jukebox.

Anderson theorizes that, because of the long tail's sheer size, if you "combine enough non-hits on the long tail then you've got a market bigger than the hits." For example, "the average [brick and mortar store] Barnes & Noble carries 130,000 book titles [hits]. However, more than half of Amazon's book sales come from outside its top 130,000 titles [non-hits]." Consequently, the market for books not sold in large brick and mortar bookstores is greater than those that are.

Netflix has also taken advantage of the long tail. Blockbuster's brick and mortar stores carry fewer than 3,000 titles. "Yet a fifth of Netflix rentals are outside its top 3,000 titles." Another example is Rhapsody's online music service. More than fifty percent of Rhapsody's streams are beyond its top 10,000 titles.

Because of the sheer amount of inventory space necessary for a brick and mortar retailer to take advantage of the long tail theory, the new market lies outside the realm of the physical retailer. eBay is another example of the theory in action. Fast and slow moving merchandise consume the same amount of virtual "shelf" space. The space available is infinite. Before continuing with the long tail's relationship to sales, let's examine the Nielsen statistics for 2006.

https://doi.org/10.25101/7.6

New Title Total Sales = 220,322,379

	2006 (+25%)	2005 (+35.6%)	2004 (+16.2%)	2003
	75,774	60,331	44,476	38,269
Major Releases	11,230	11,070	9,404	
*Indie Releases	64,544 (85.2% of new rel.)	49,261 (81.6% of new rel.)	35,072	

Platinum	33	(23% of New Title Sales) (.04% of new releases)
Gold	54	(17% of New Title Sales) (.07% of new releases)
250K	93	(15% of New Title Sales) (.12% of new releases)
100K	184	(13% of New Title Sales) (.24% of new releases)

Major Releases (2006):

1. 84% of new title sales
2. Average of 16,453 units sold per title

Indie Releases (2006):

1. 16% of new title sales
2. Average of 551 units sold per title
3. Of the 364 titles that sold 100K or more, indies released 28

Other Facts:

1. 587,912,716 titles sold at least one copy in 2005 and 618,737,567 in 2006.
2. 58% of all new titles sold fewer than 100 copies in 2004; 67% in 2005; and 73% in 2006 (Long Tail effect?)
3. 81% of all new titles sold fewer than 1,000 copies in 2004; 86% in 2005; and 89% in 2006 (Long Tail effect?)
4. 80% of all new album sales came from 700 titles in 2004 and 2005; and 1,000 titles in 2006 (Long Tail effect?)

* Indie defined as all releases with independent distribution.

Figure 1. New title releases.

Digital sales data and physical product data are now combined rather than reported separately. As published in January 2007, Total Album Sales for 2006 were down 4.9% from 2005. However, when Track Equivalent Albums (TEA, 10 tracks equal one album) are included, sales were only down 1.2%. Digital Track Sales (not digital-only sales) were up 65% and Digital Album Sales were up 101%.

Concerning new title releases, figure 1 shows that almost 25% more titles were released in 2006 than in 2005, and releases in 2005 were up 36% from the previous year. However, the majors' new title releases did not rise significantly, remaining at about 15% of the total. The indies released 24% more titles in 2006 than in 2005, accounting for the remaining 85% of the new releases.

The majors sold an average of 16,453 units per title, compared to the indies' 551 units per title. A total of 364 titles sold over 100,000 copies and represented only 0.4% of new releases. Major and indie releases were in opposite proportion to one another as major releases represented 84% of new title sales and 16% of releases, while the indies represented 16% of new title sales and 84% of releases.

Now to the possible effects of the long tail. It must be noted that there are many circumstances that may be contributing to the changes in the sales data. For example, older consumers are buying more product than ever before.

In addition to several facts in figure 1 (in 2006, more titles sold fewer than 100 copies; more titles sold fewer than 1,000 copies; and more sales from more titles), what follows are some thought-provoking statistics that could significantly be attributed to the rise in popularity of the virtual marketplace:

- Top-ten hit sales were down almost 30% from 2005 (the industry as a whole was down only 1.2%) and new release sales dropped 9.4% last year
- The top-selling album, *High School Musical*, sold only 3.7 million copies, down 25% from Mariah's *Emancipation of Mimi*, top-selling album of 2005, and down 54% from Usher's 2004 *Confessions*
- Only five albums are listed on both the 2006 Top 10 Selling Albums and Top 10 Selling Digital Albums charts

- 22 digital songs exceeded one million sales in 2006, compared to only two in 2005
- From 2005, digital catalog album sales are up 109% and digital deep catalog sales are up 104%
- 73% of new album releases sold at least one copy (however, representing only 0.36% of new release sales) in 2006
- In 2006, 2.8 million different tracks were downloaded at least once
- In 2006, 30,824,851 more titles sold at least one copy than in 2005

Will pricing play an important role in the future of virtual world sales? Presently, in the brick and mortar marketing of product, the music business is different from many other businesses. New product is sold at sale prices and key older catalog (vintage Van Morrison, Bon Jovi) is usually more expensive. This pricing structure supposedly brings shoppers into the stores. However, are bathing suits sold this way in department stores? Why does the record business use this model for a product with a limited shelf life? (Industry veteran Russ Bach asked this same question fifteen years ago in the August 15, 1992 issue of *Billboard*, "Let's Take A Fresh Look At Retail Pricing.")

In the e-commerce world, music pricing has been more or less standardized by Apple's Steve Jobs at 99 cents. Record labels charge wholesalers about 65 cents per track so there isn't much room for creative pricing. However, would variable pricing be more productive? Should a song at the skinny end of the long tail be priced lower, say 25 cents? (Anderson suggests that music that has made its investment back to the labels, or has been written off, could "pull the consumers down the tail with lower prices.") If the same product is also available in the brick and mortar market, should it be offered at the same price? These are only some of the questions confronting the industry.

Whether the long tail will have a significant effect on the industry's sales remains to be seen. As consumers, we are "letting our fingers do the walking" over computer keyboards more than ever. In Japan, mobile commerce claims a bigger slice of the consumer pie, and with the sophistication of the latest phone technology, the U.S. stands to duplicate Japan's behavior. As the consumer becomes more comfortable with the virtual marketplace, the effect of the long tail theory on the music industry will be more clearly realized.

References

Anderson, C. "The Long Tail." *Wired* 12, no. 10 (October 2004): 32–37. (Electronic version).

Anderson, C. *The Long Tail*. New York: Hyperion, 2006.

Brandle, L. "Grabbing the Long Tail." *Billboard* (March 3, 2007): 5.

Christman, E. "2005 Sales Data: Long Tail is Wagging." *Billboard* (March 18, 2006): 9–10.

Christman, E. "Downturns and Downloads." *Billboard* (January 13, 2007): 3.

Christman, E. "New-Release Numbers." *Billboard* (May 12, 2007): 12–13.

Muratore, C. "Nielsen SoundScan State of the Industry: 2006 Research Presentation." *NARM Convention News Bits* (September 2006).

Muratore, C. "Nielsen SoundScan State of the Industry: 2007 Research Presentation." *NARM Convention News Bits* (March 2007).

Sisco, R. "All Albums 2005." *Nielsen SoundScan* (2007).

Sisco, R. "All Albums 2006." *Nielsen SoundScan* (2007).

Sisco, R. "New Releases 2006." *Nielsen SoundScan* (2007).

In the late 1960s, as a trumpet player in a rock group, **Stephen Marcone** recorded for Epic Records and toured the country taking an active role in the creative and managerial aspects of the ensemble. In 1973 he joined the faculty of the School of Music at Syracuse University and stayed until 1984. During that time, he was also Vice President of the Syracuse Musicians Association (Local 78). In 1984 he came to the William Paterson University of New Jersey where he was Chairperson of the Music Department for fifteen years, and is currently Interim Dean of the College of the Arts and Communication.

He has written articles for such publications as the *MEIEA Journal*, *Music Educators Journal*, *The Instrumentalist*, and *The IAJE Journal.* Marcone has lectured at the Hartt School of Music, New York University, MENC National and Regional Conferences, College Music Society annual meetings, National Association of Schools of Music annual meetings, New Jersey Music Educators Association, New Jersey Artist-Teacher Institute, and the Music and Entertainment Industry Educators Association. He is the author of *Managing Your Band*, in its fourth edition, and is a frequent lecturer for the New Jersey Council on the Humanities. Each summer Marcone conducts the university's Summer Jazz Ensemble. Professor Marcone holds the B.A., M.M., and Ed.D. from Syracuse University.

The *MEIEA Journal* is published annually by the Music & Entertainment Industry Educators Association (MEIEA) in order to increase public awareness of the music industry and to foster music business education.

The *MEIEA Journal* provides a scholarly analysis of technological, legal, historical, educational, and business trends within the music industry and is designed as a resource for anyone currently involved or interested in the music industry. Topics include issues that affect music industry education and the music industry such as curriculum design, pedagogy, technological innovation, intellectual property matters, industry-related legislation, arts administration, industry analysis, and historical perspectives. The *MEIEA Journal* is distributed to members of MEIEA, universities, libraries, and individuals concerned with the music industry and music business education.

Music & Entertainment Industry Educators Association
1900 Belmont Boulevard
Nashville, TN 37212 U.S.A.
office@meiea.org
www.meiea.org

The *MEIEA Journal* (ISSN: 1559-7334)