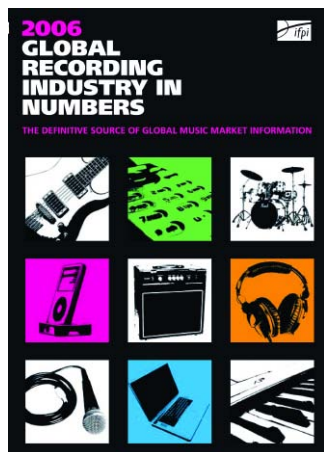


Analyse this: Keith Jopling

Director of Market Research, IFPI



Music Ally invited the IFPI's Keith Jopling to explain the factors he thinks are driving some of the key trends from this year's global industry statistics.

Q: What factors underlie the continued adherence to the CD album format and how do you see the CD album's future?

A: There is no doubt about the value of the CD to music fans. We in the business often underrate the CD even where music fans don't. After all we still sell two billion albums a year. We are in a strong position if we make the right moves on this. For nearly twenty years we were tied to a one format (CD album) business. Now we are fortunate in that consumers are telling us how they want to buy - how some of them value the physical product for all kinds of reasons: collection, tactile qualities and - a clear signal here - compatibility!

Some consumers are going digital for different reasons - immediacy, convenience, price (or singles buying) etc. This is great for us provided we respond positively to give consumers what they want. My long-term forecast would be for physical formats being at the very least a large niche, but that assumes CDs will continue to evolve. The biggest concern is with physical retailing. It needs innovative and counterintuitive business models to offer clear alternatives to digital. Albums are not an issue: albums are a lasting format even as they lose some dominance. The album concept will get stronger as artists will be more demanding of themselves. That's my theory anyway.

Q: Do you see the trend whereby digital consumers tend to buy more back catalogue digital music continuing even as digital becomes more mainstream?

A: Absolutely. We should not become complacent about the fact that there are three million digital tracks available but that figure needs to be ten million. Having said that, specialist digital stores that focus on particular repertoire like eMusic, classical stores (and world music store Calabash, which I hope survives) should thrive and lend themselves well to catalogue marketing.

Q: In the IFPI Global Recording Industry Numbers report you highlight the lack of a compelling alternative to the iPod as one of the main reasons behind the lack of growth in subscription services, but isn't the problem also about consumers' unwillingness to embrace a "rented" model for music?

A: The rented model is a great value solution to the enormous supply and variety of music and has so many other great advantages. However, as a marketing concept it is starting to look ahead of its time, since consumers simply want to own their music be it digital or physical. Rental models need some other big pull factor like the ability to buy outright at a lower price point, something to get beyond consumers anxiety about paying to rent. Music is not like film or TV. You don't want to just rent it, because music gets better the more you listen. So the natural motivation is to own your

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Keith Jopling, Director of Market Research, IFPI

favourite stuff. Having said that, rental models work great for wealthy adults with wired flats and houses so they may make a big comeback at some point. Sonos and Rhapsody is a dream for that segment, if they could pull off a deal that makes sense.

Q: Do you think the trend for some markets to be dominated by online or mobile will continue even as both technologies mature?

A: Again like digital and physical, online and mobile can offer very different things to different consumers. Mobile is such a great platform for music but probably better for pushing music to particular target users, whereas online is about consumers discovering music for themselves from wide catalogue, using various filters. If you assume this on the demand side, the supply side will sort itself out and in every market we will see a more even split. There will be exceptions where mobile has already got way ahead, like Japan.

THE BOTTOM LINE

Jopling emphasises that with two billion CDs being sold a year, the traditional record business is not in any danger. But physical retailing needs to evolve and the number of tracks available on digital stores needs to increase.