

Explaining the decline in music sales due to file-sharing

Home > Insights into arts and culture > Consumer behaviour in arts and culture

This research was conducted by **Stan J. Liebowitz** at the **University of Texas-Dallas, USA**

Summary

This paper brings together about a dozen studies that have charted the effect of file-sharing on sales of recorded music (and the revenue derived from those sales). It finds that prior to the dawn of streaming and subscription platforms in the early 2000s all of the decline in recorded music sales can be ascribed to file-sharing. And since the mid-2000s file-sharing is the cause of the majority of revenue loss from recorded music. The declines in sales and revenues are precipitous.

The decline in unit sales as well as revenue is consistent with a rise in piracy

Another observation is that the unbundling of products (singles, albums, or bespoke combinations of either) that is enabled by the new digital platforms might increase profits. The overall decline in revenues that is simultaneous with these unbundling platforms is therefore all the more surprising.

File-sharing may have affected the sales, revenues and profits of superstars differently from less well-known artists

The paper uses a common metric across all the studies to find a 54 per cent decline in unit sales in the US between 2000 and 2013, a 70 per cent decline in revenue in the US over the same period (and a 62 per cent decline in non-US revenue).

The majority of the data used in the study comes from before 2005

The findings derived from the two studies that looked at post-2005 data need further care and consideration. The arrival of services like iTunes have naturally made a huge difference to music sales, whether through sales, subscriptions or streaming. The effect of the 2008 recession is also not to be underestimated.

Keywords

music **USA** **streaming** **sales** **downloading** **revenue**

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Author email	liebowit@utdallas.edu

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