



Measuring Music Consumption



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“The Changing Consumption of Music”

- Music Consumption Overview
- Where Consumer's Are Buying Music
 - Shifting from Physical to Digital
- Album Configuration Trends – New & Old
 - Impact of Television on Consumer Purchasing
- Q & A

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Consumption of Music: All-time High

- Consumers are listening, purchasing and touching music in more ways than ever.
- Consumers continue to make more “decisions” each of the last 3 years to purchase music (album, track, LP, video, single, ringtone).

2006: 1.3 billion

2007: 1.5 billion

2008: 1.7 billion

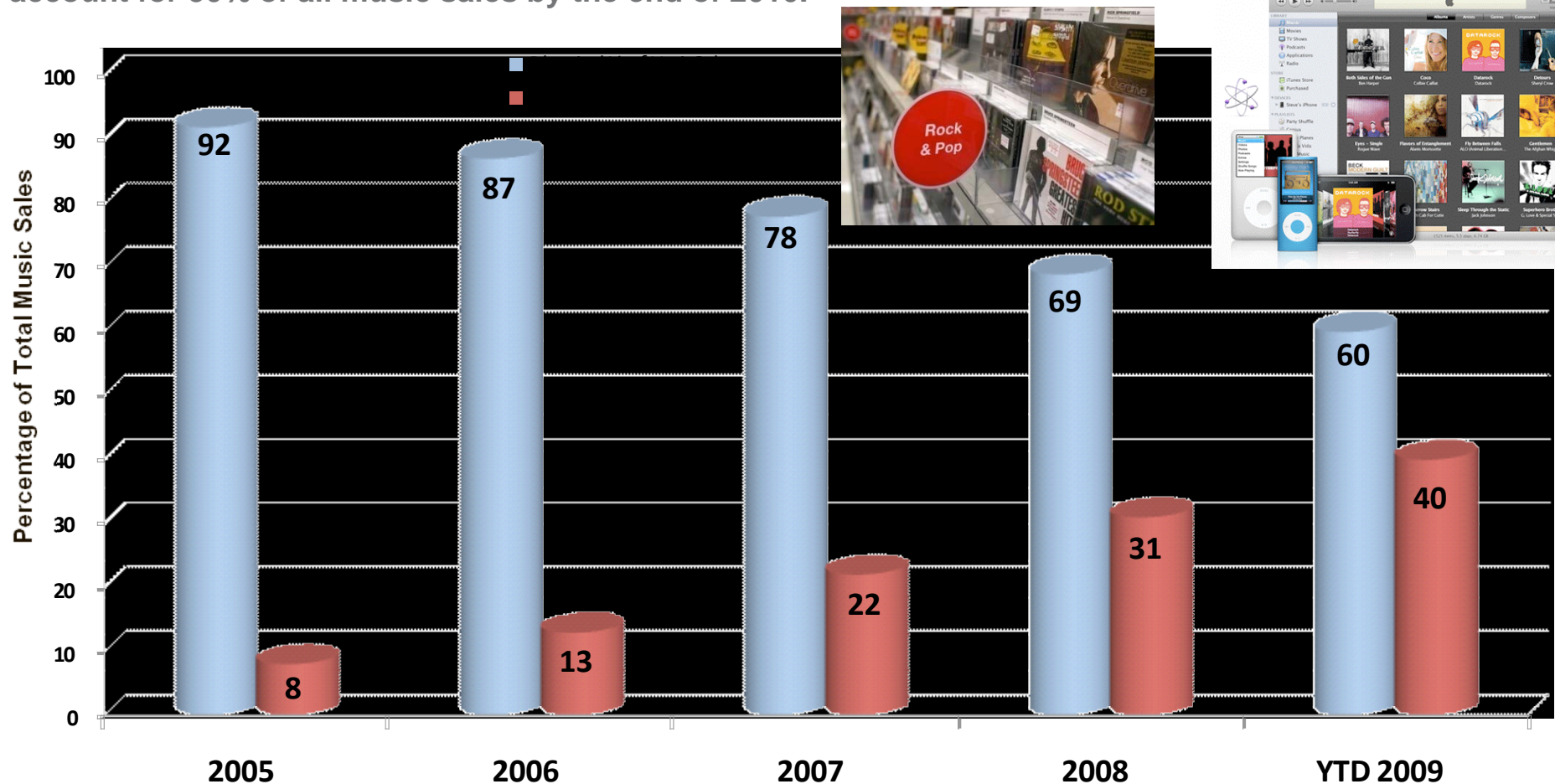
- Most digital tracks purchased in a year – 1 Billion+
- 5 Billion + audio streams for Top 5,000 songs.
- Music is available to Consumers 24/7
 - Home: CD Players/Turntables/MP3 Players, Internet, Radio
 - Work: Hardware players, Radio & Internet
 - Car: CD & MP3 Players, Terrestrial and satellite radio
 - On the Go: MP3 players, Mobile (radio, streaming, downloading)



How is Music purchasing changing?

Shifting of Music Purchases to Digital

- In just over 5 years, digital business has grown to account for 40% of total music sales (units).
- At the current rate of change occurring between physical and digital sales; overall digital sales will account for 50% of all music sales by the end of 2010.

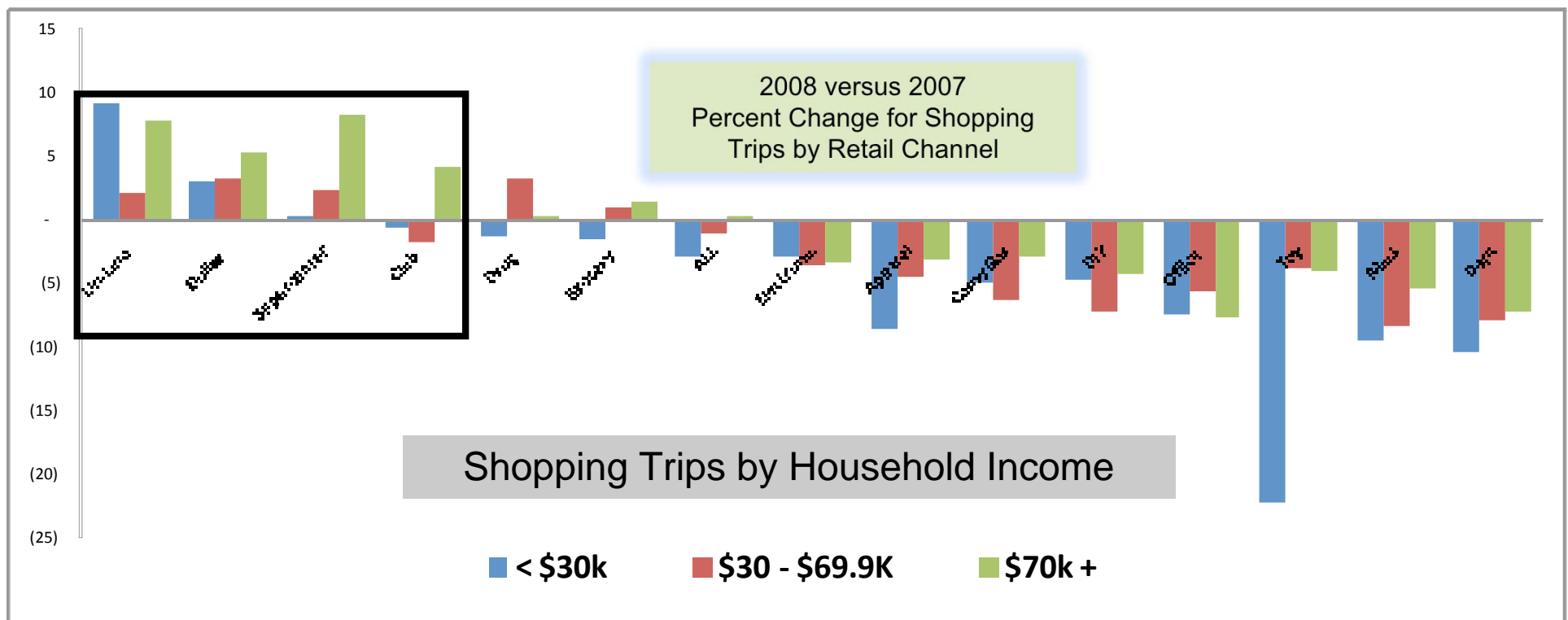


Where are Consumers Buying music?



Where Consumers Are Shopping

- Shopping trips in core music retail channels like Mass and Chain/Electronic are down. Higher income households have shifted trips to more value oriented outlets like Dollar, Supercenters and Club outlets, as well as online.



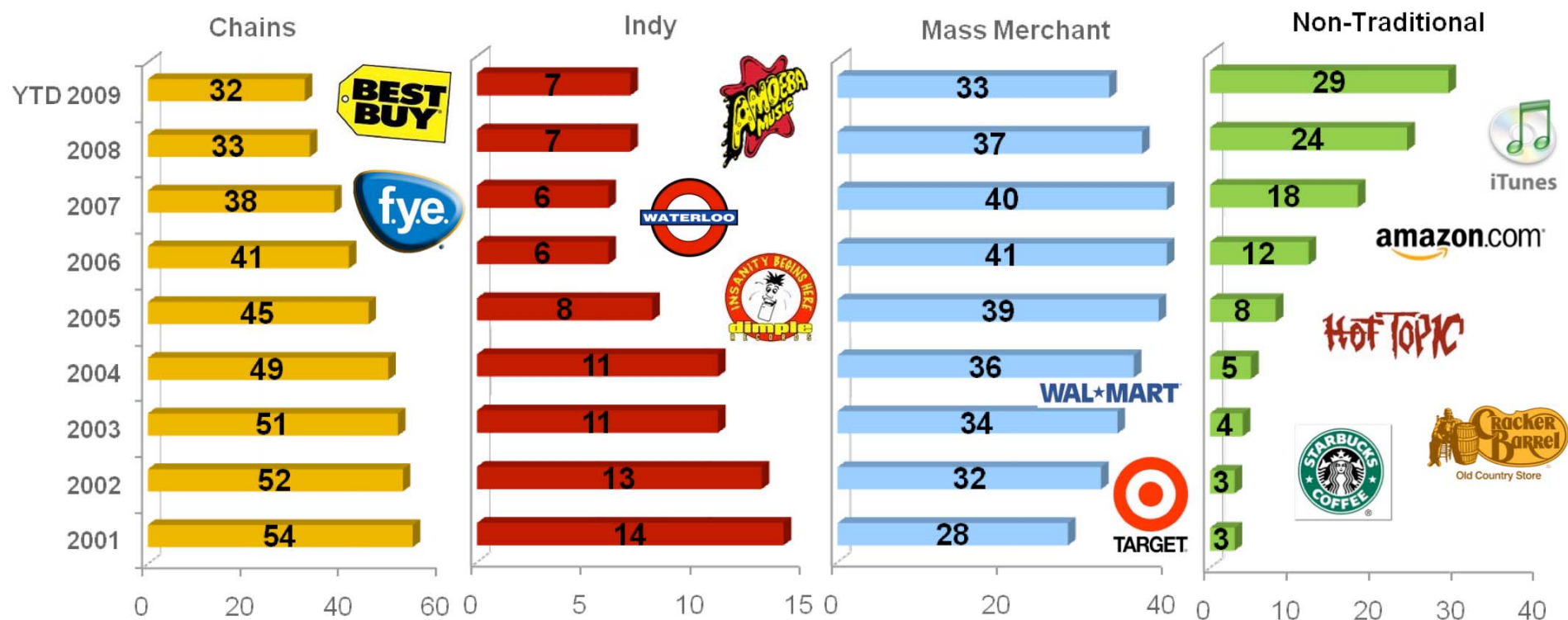
Source: Homescan®, a service of The Nielsen Company, 125,000 US Households

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Consumer Preference Growing towards Non-Traditional Outlets

- Since 2001 the composition of where consumers are buying music has been shifting from traditional music stores to non-traditional outlets (digital, internet, etc).
- In 2001, 68% of all albums purchased in Traditional music store.... 2009: 39%.
- Nearly **1 out of every 3** album purchases in the U.S. currently are through a digital service, Internet retailer, mail-order, at a “non-traditional retail store” or at a concert.
- 21% of all album sales in '09 YTD are Digital album sales (30 million) which is up from 15% at year-end '08.



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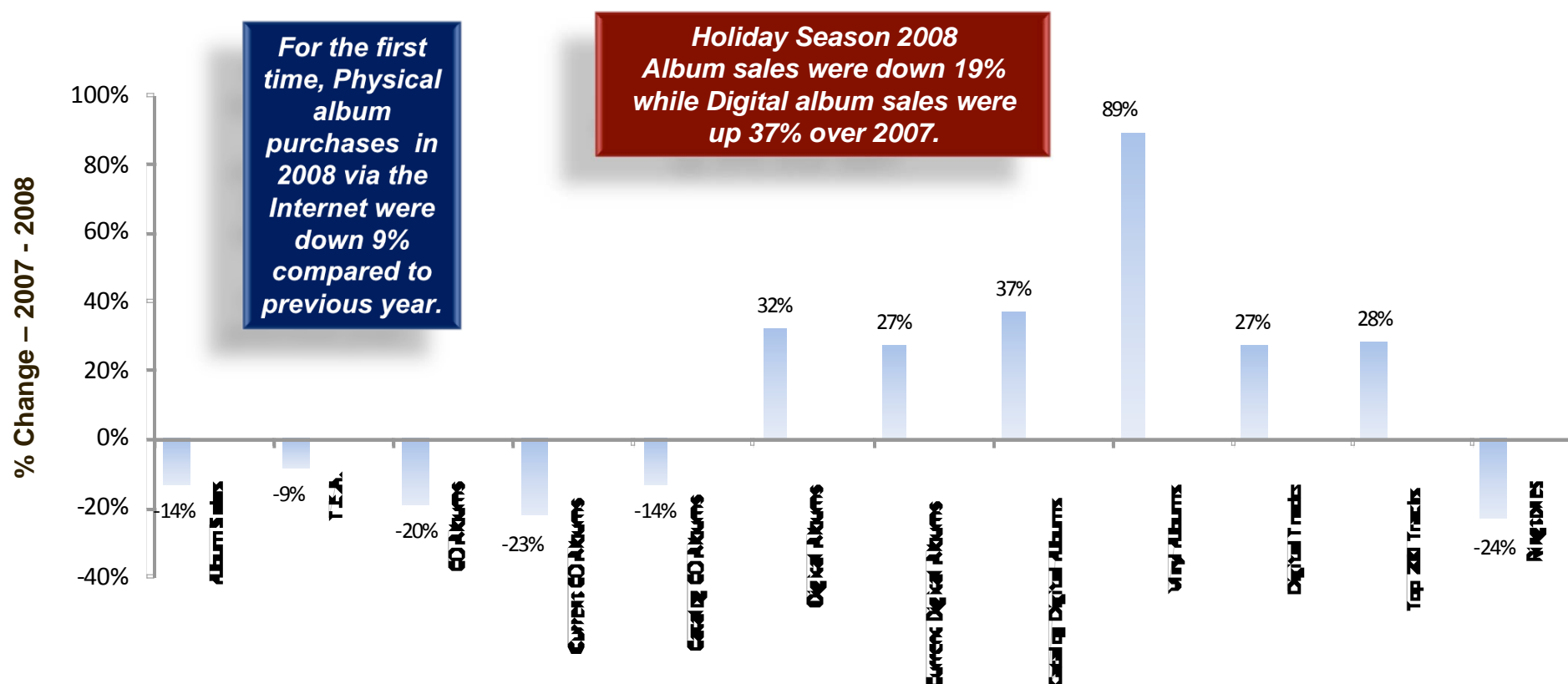
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What Consumers are Buying Today?



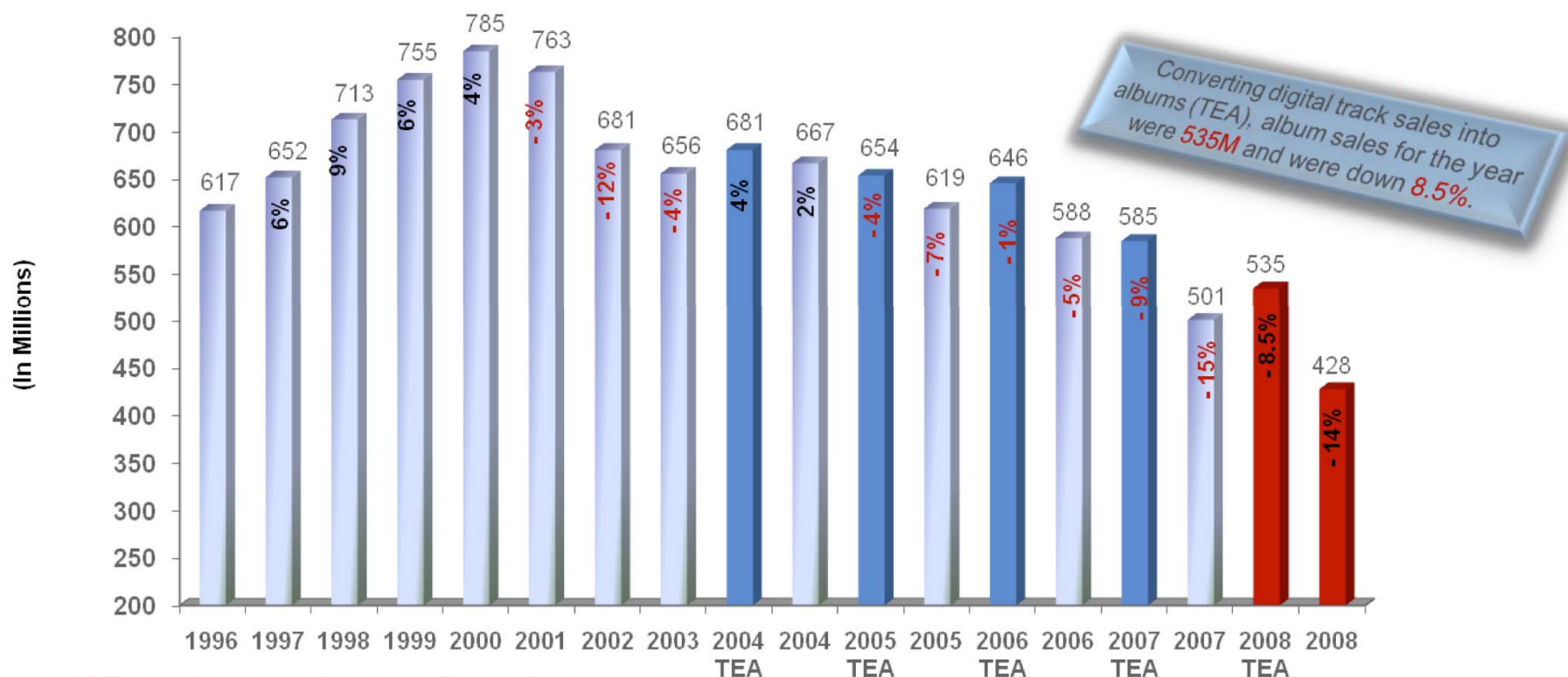
Consumer Purchasing in 2008

- Overall albums, which includes Track Equivalent Albums (T.E.A.), were down **8.5%** in 2008 compared to 2007.
- Album sales were down **14%** compared to last year with Current album sales down **19%** compared Catalog only down **8%**.
- CD album sales were down **20%** over 2007; with Current CD album sales down **23%** and Catalog CD album sales down **14%**.
- Digital sales continue to grow ; digital albums were up **32%** & accounted for **15%** of all album sales.



Year End Album Sales Trend:

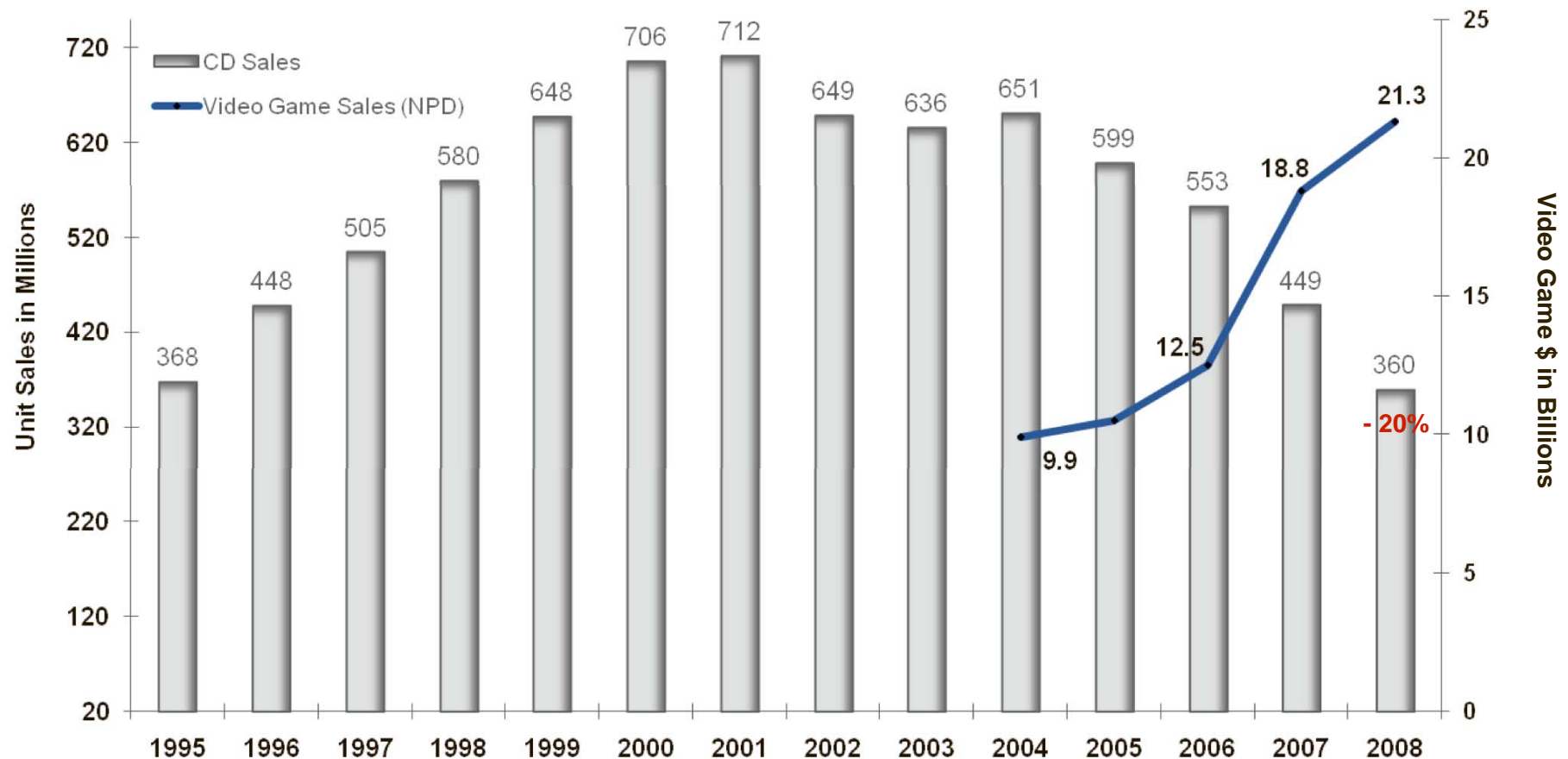
- CD albums accounted for 84% of all album sales in 2008; down from 89% in 2007 and 94% in 2006.
- Digital album sales accounted for 15% of all album sales in 2008; up from 10% in 2007 and 5% in 2006.
- Of the 671,000 albums that sold at least 1 copy in 2008, albums that sold 50,000 copies or more (1,200 albums) accounted for **50%** of all album sales and 10,000 albums accounted for 80% of all album sales in 2008.
- **35%** of all album sales (149 million) were from albums released in 2008 (lowest total of new release sales since the very beginning of SoundScan)
 - **Note:** In 2007: 37% or 189 million album sales from new releases.
- Albums Sales were down **14%** compared to being down **15%** in 2007 (album sales were last up in 2004: 1.6%).



Year End CD Sales Trend

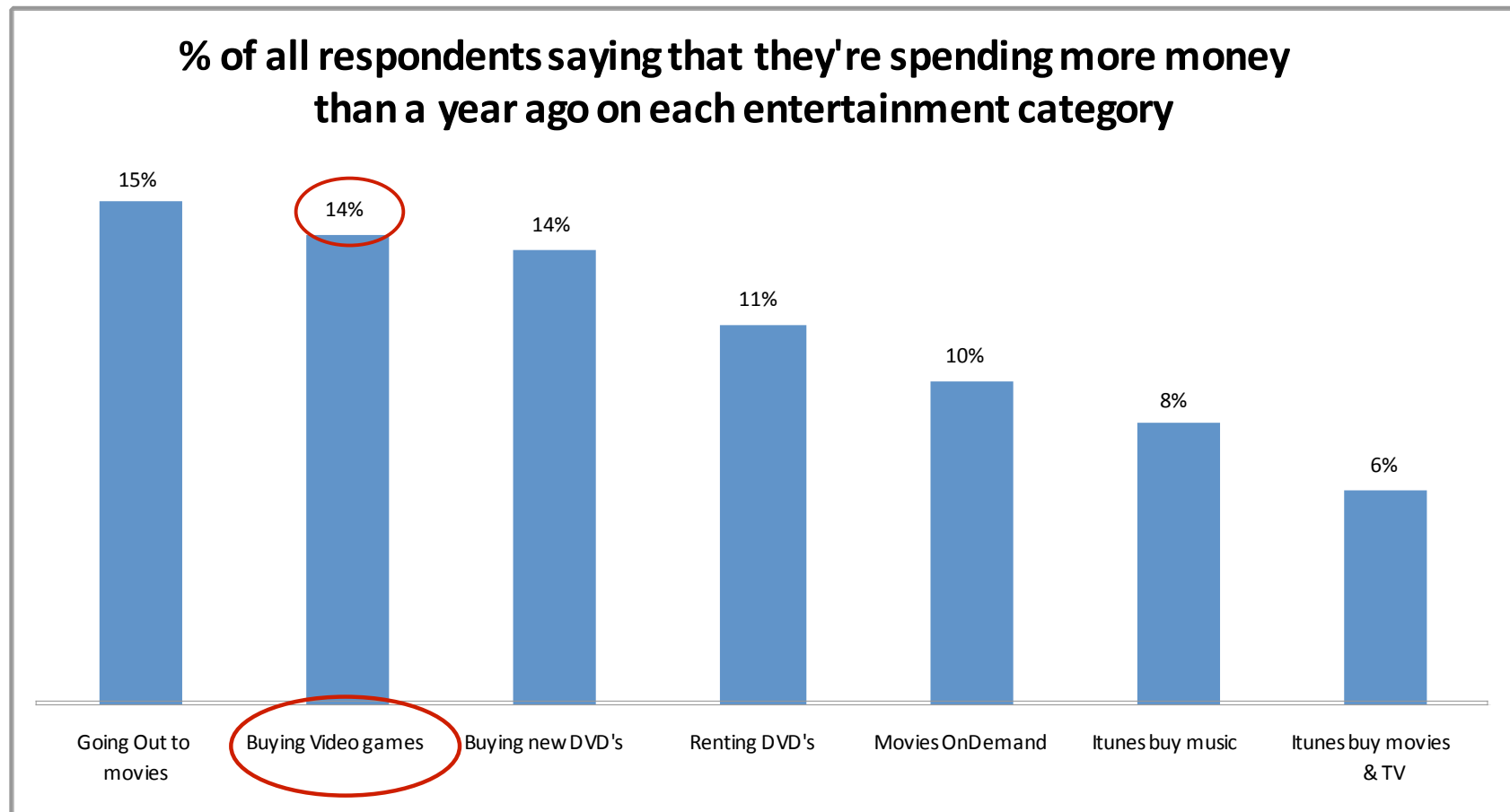
- From 1995 – 2001 CD album sales grew nearly 90%+, with 2000 & 2001 being exceptional years.
- Since 2004 CD sales have been declining; down 45% over that time and now back to 1995 sales totals.
- **Known Facts :** - Digital music downloads emerged and experienced tremendous growth; 490%.

- Video game industry is up 115% during this same time period with 4 consecutive record-breaking years.



Entertainment Spending

- Great majority of consumers are not spending more money on entertainment compared to a year ago.

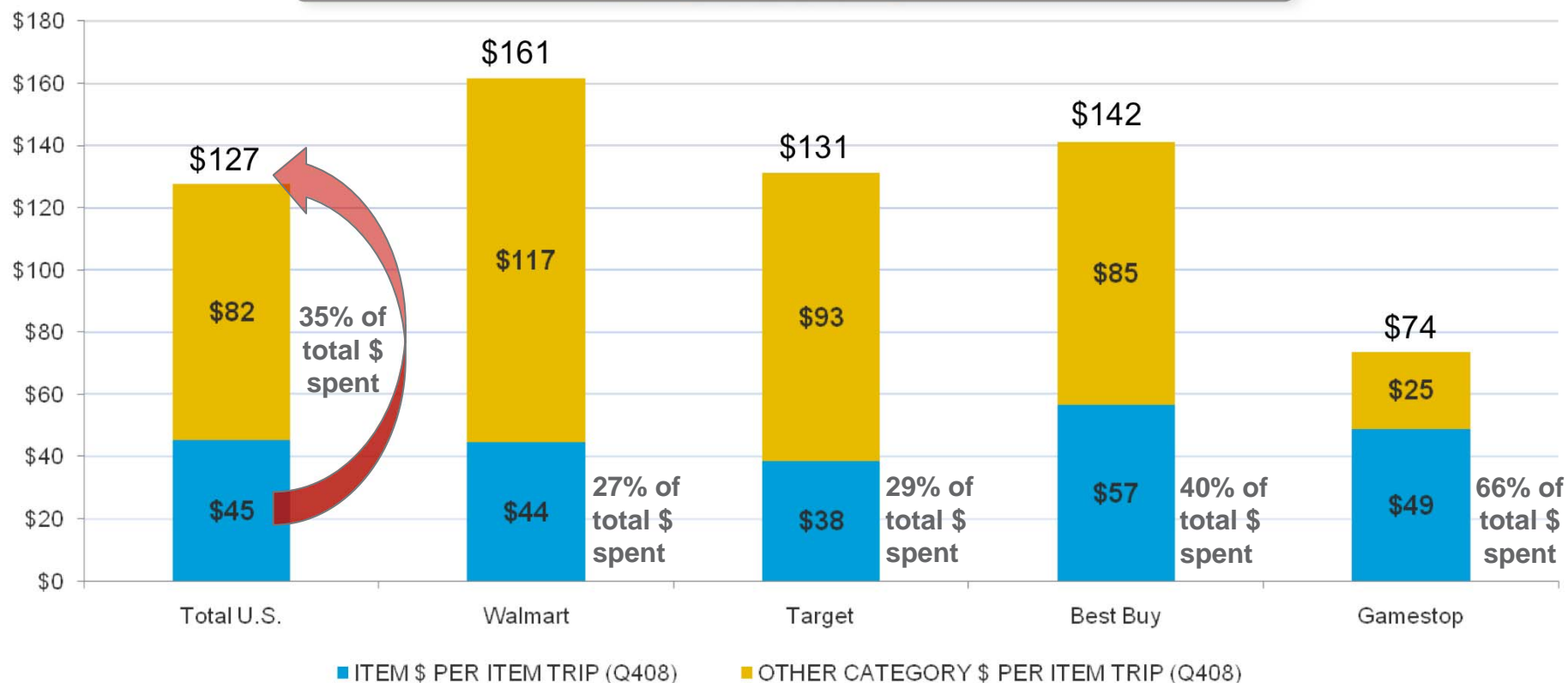


- Source: Nielsen HE Tracking Internal Tack-on run 3/2/09 – 3/15/09 sample of 2090 respondents age 13 -54

How much do Video Game households spend on Video Game and non-Video Game items per trip?

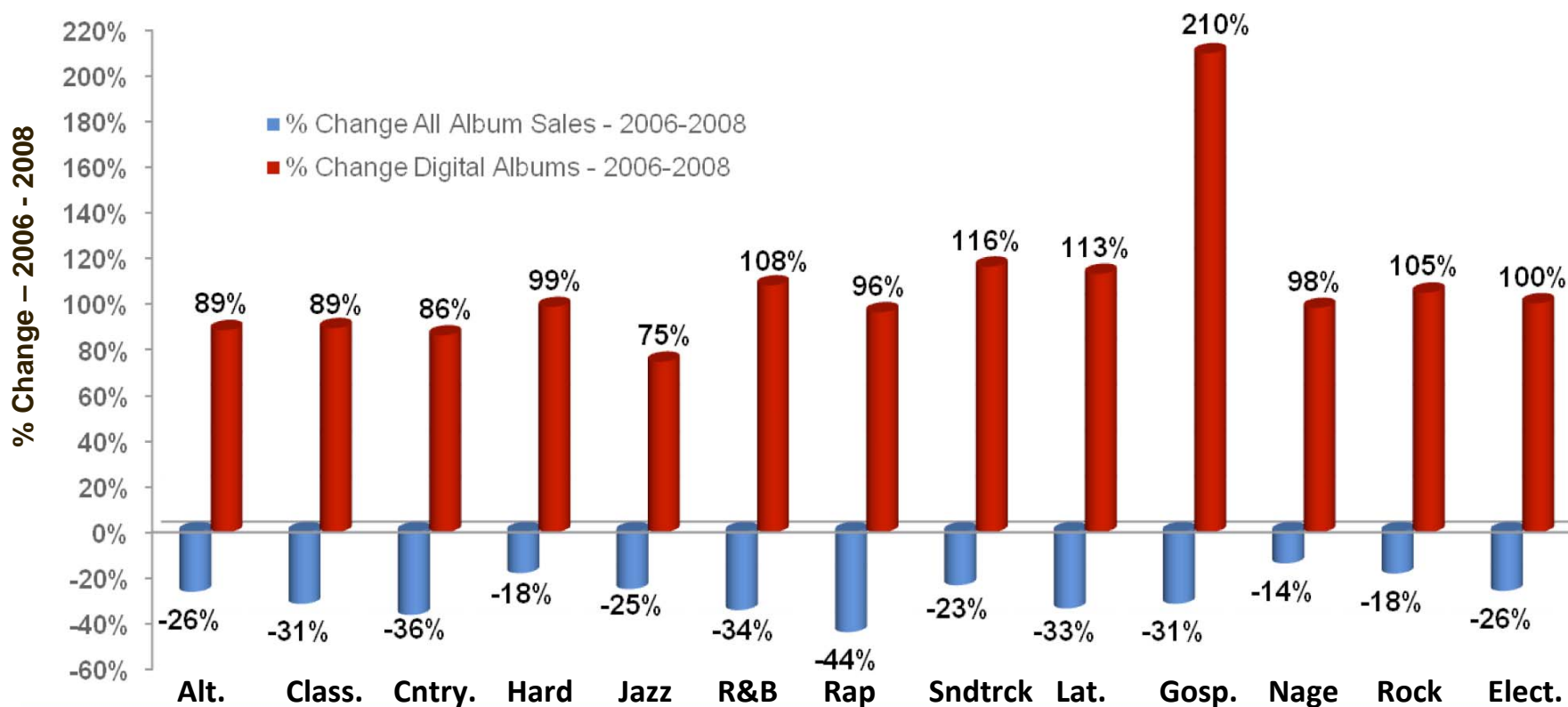
- During the 4th quarter of 2008 the average dollars spent during an average trip that included a video game purchase was \$127.
- ✓ 35% of the total dollars spent on those trip was on video games; that increases to 40% when looking at total dollars spent during an average Best Buy shopping trip.

Average Transaction Size per Video Game Trip (\$)
(WE 52 Q4-2008)



Genre Sales Trend 2006 - 2008

- For album sales from 2006 – 2008, all genre's experienced a decline with the average sales decline across all genre's being **-27%**.
 - Note: Rap, Country, R&B, Classical and Latin album sales declined at a higher percentage than the average decline.
- For digital album sales from 2006 – 2008, all genre's had enormous growth. Average growth across all genre's was **106%**.
 - Note: Jazz digital album sales have grown at a slower pace than the average: 75% - going from 1.1 million to 1.8 million sales in '08.
- Overall digital album sales have exploded during this same time period; going from 32 million in 2006 to over 65 million sales 2008 (100%+).



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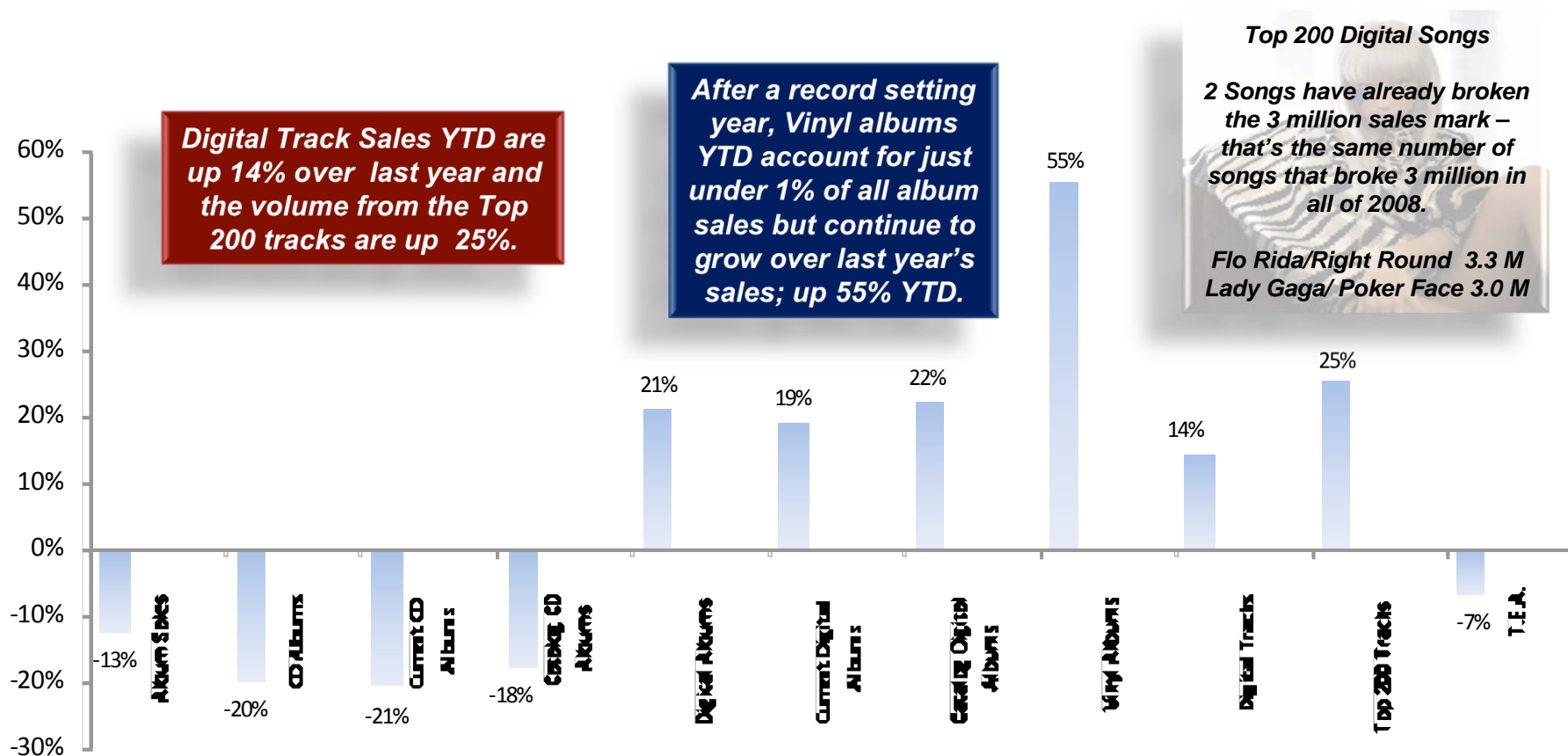
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Page 15

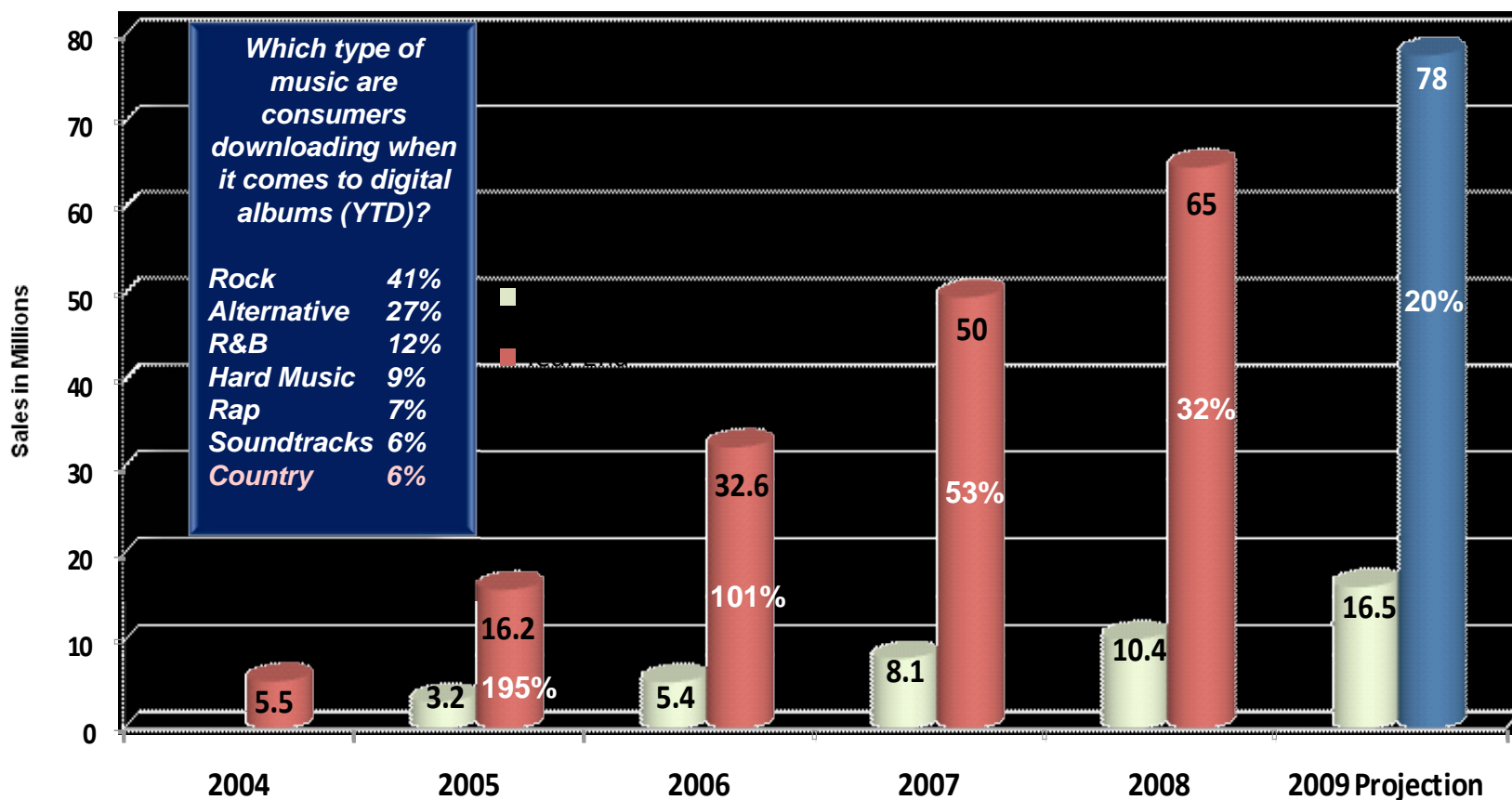
Consumer Purchasing thru May 2009

- Overall albums, which includes Track Equivalent Albums (T.E.A.), are down **7%** compared to 2008 through the first 5 months of the year.
- Album sales are down **13%** compared to last year and with Current album sales down 15% and Catalog down **11%**.
- CD album sales which account for **77%** of all album sales are down **20%** while with Current catalog albums down **21%** and Catalog down **18%**.
- Digital sales continue to grow ; digital albums are up **21%** & account for 21% of all album sales.



Digital Album Sales Trend

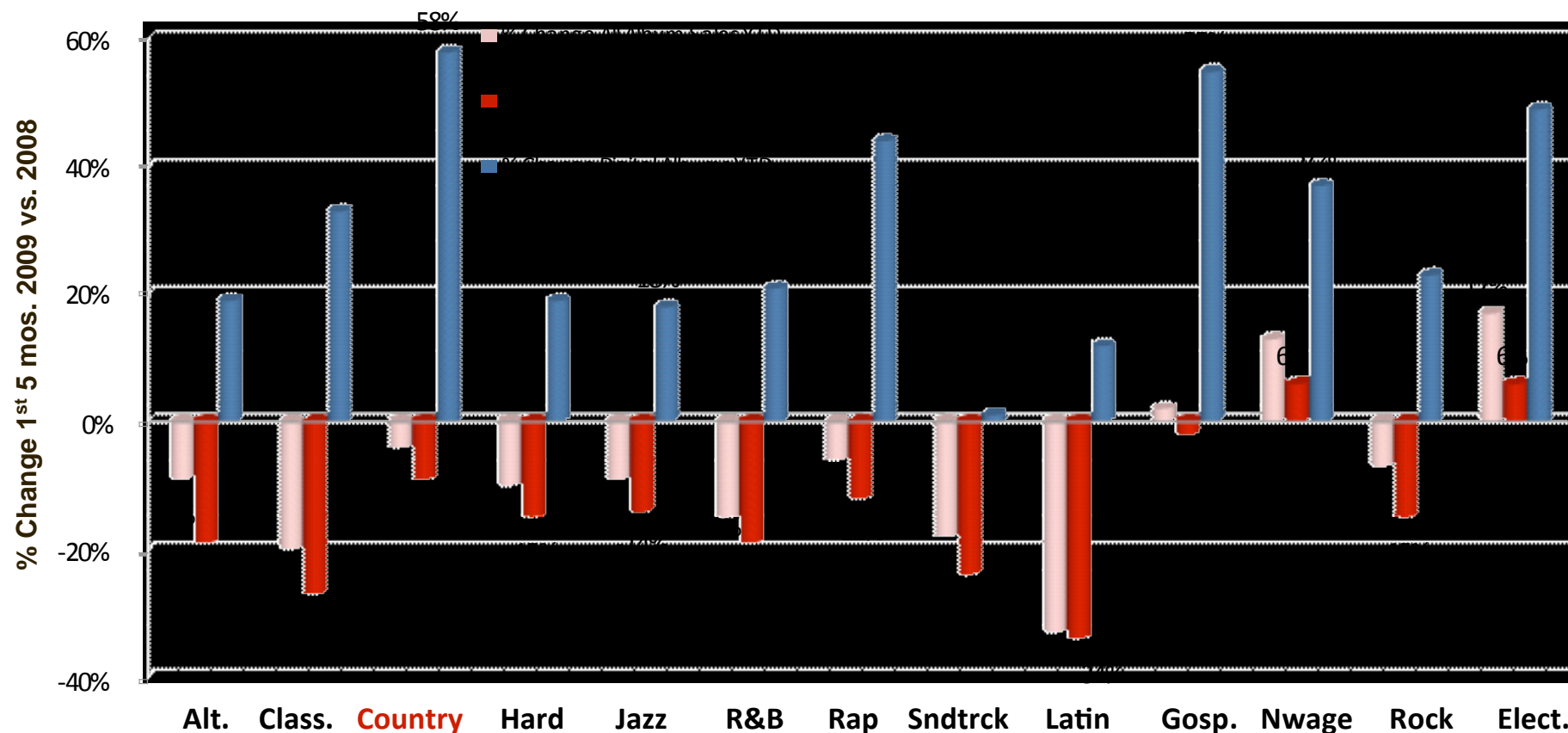
- In 2008 digital album sales reached 65 million; up 32% over digital album sales in 2007.
- In 2008, Coldplay's album "Vida La Viva" was downloaded **288,000** in the first week of release in June '08 and went on to sell 616,000 album downloads during 2008.
- The top 100 digital albums in 2008 accounted for 16% of all digital album sales (10.4 million); which is the same percentage as 2007.
- **Record:** Digital album sales broke the 2 million sales mark for one week during the last week of the year (2.4M).



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Genre Sales CD vs. Digital YTD 2009

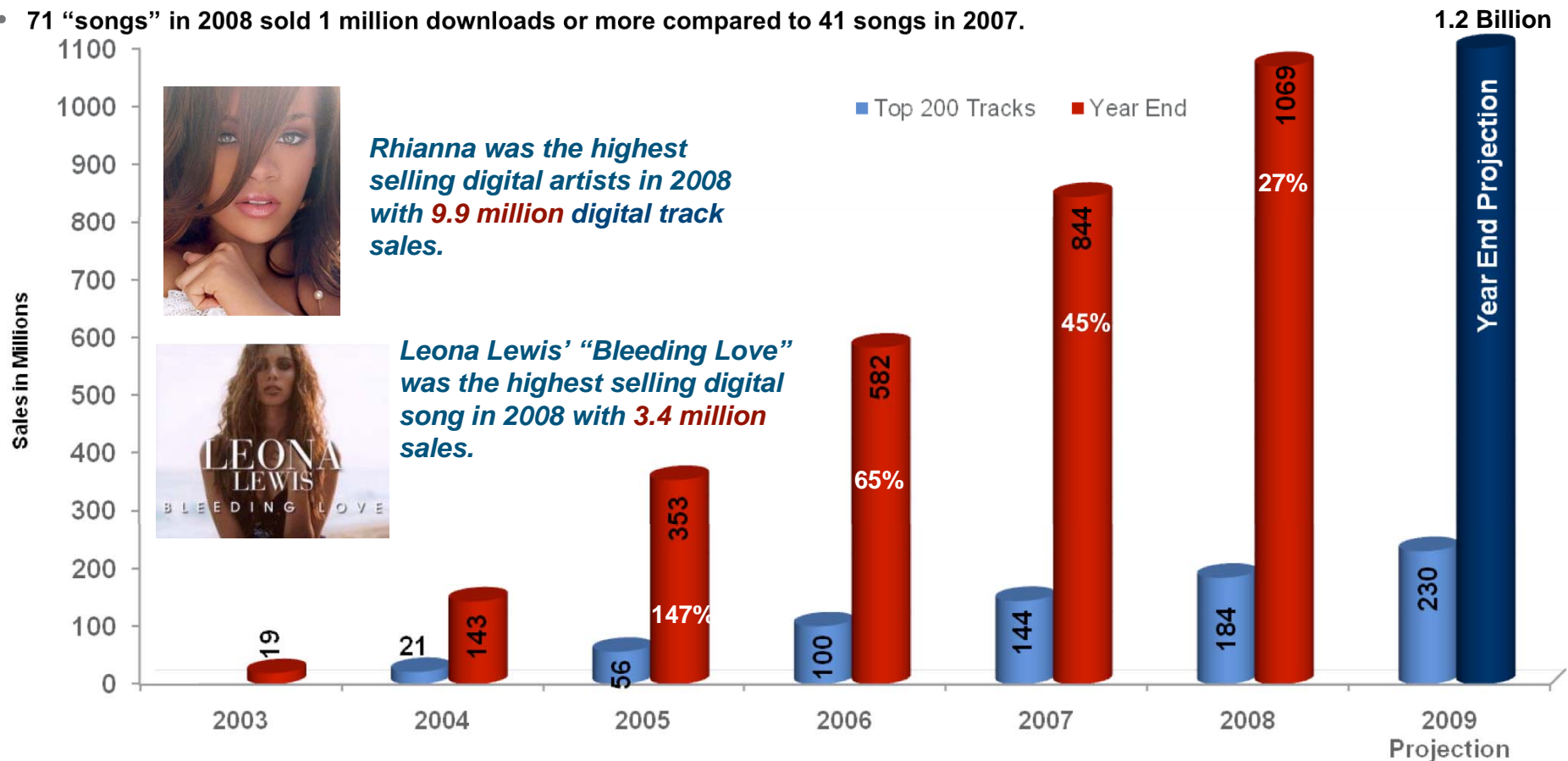
- Through the first 5 months, Country album sales are experiencing the smallest decline of all the major music genre's; down **4%**.
- Rock, Alternative, R&B, Country, Hard Music and Rap are your larger selling genre's. All these genre's except for Country are experiencing CD sales decline's of 12% and greater.
- With Country music leading in growth for digital album sales; all genre's are up 10%+ except for Soundtracks (1%).



Full-Track Digital Download Sales

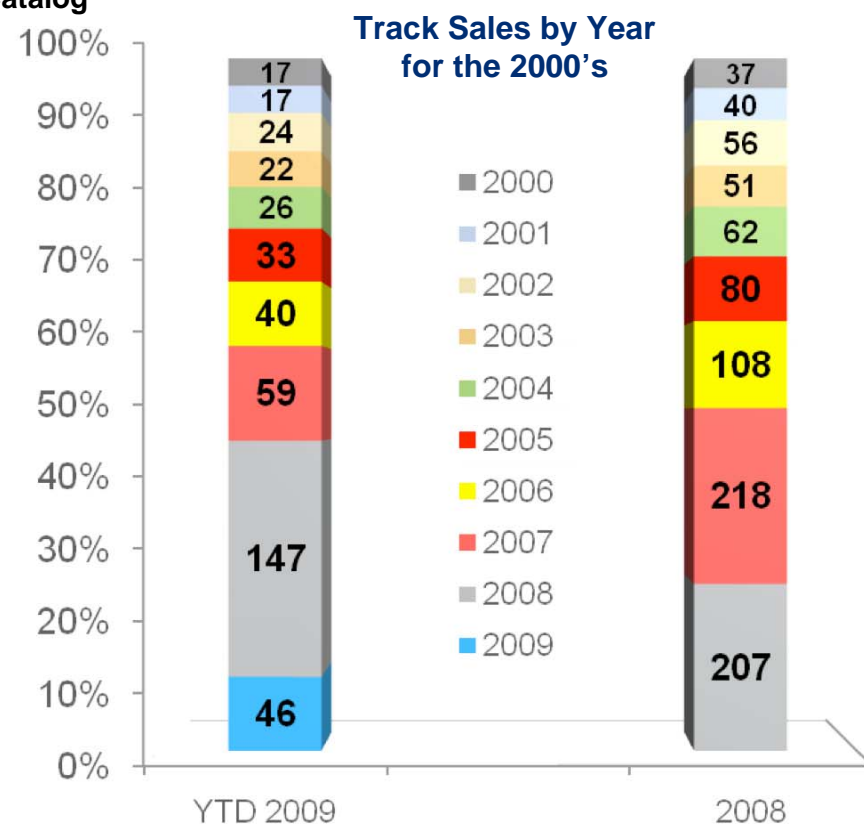
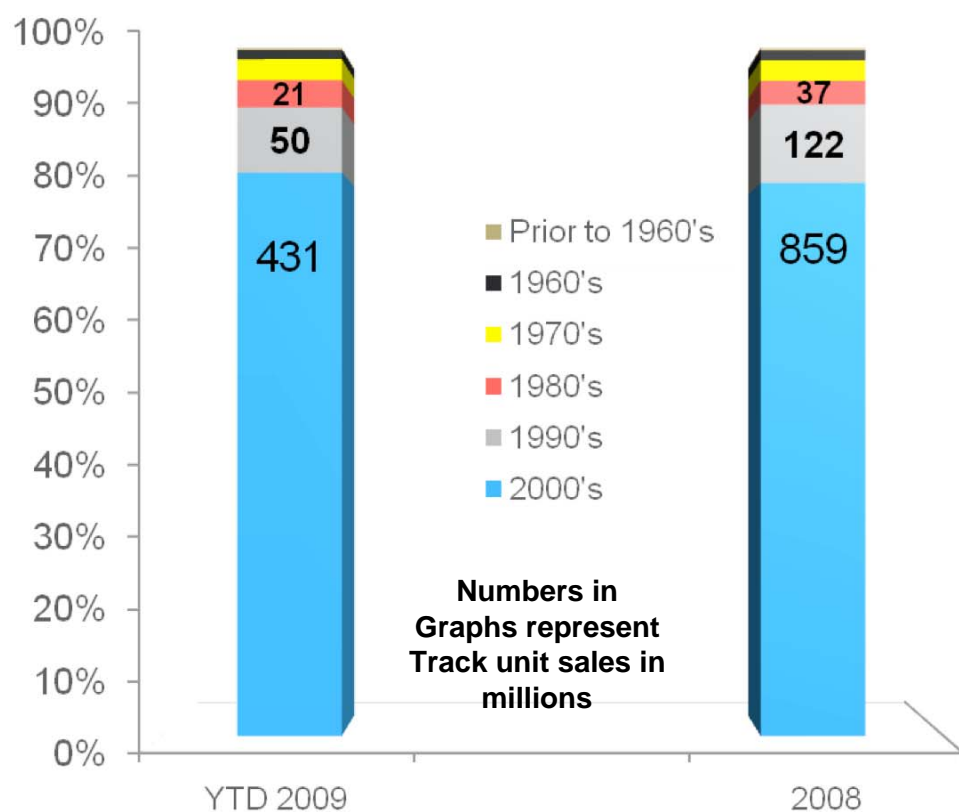
- Digital track sales broke the **1 Billion** sales mark in 2008 and were up 27% over 2007's digital track sales.
- The Top 200 digital tracks in 2008 account for 17% of all track sales; which equaled 184 million sales.
- 80% of all digital track sales in 2008 came from tracks released from 2000 – 2008.
- In 2008, there were 19 “songs” that sold more than 2 million digital downloads compared to 9 in 2007.
- 71 “songs” in 2008 sold 1 million downloads or more compared to 41 songs in 2007.

*Flo Rida's song
“Right Round”
630,000 downloads
w.e. 11/15/09*



Track Digital Download Sales by Decade

- In 2008 and YTD 2009, 80% of all track sales are coming from tracks that were released during the current decade.
- In 2008, 11% of all track sales came from songs released during the 90's, 3% from the 80's and the remaining 6% prior to the 80's.
- During the first 5 months of 2009, nearly 50% of all tracks sales have come from songs released from 2007 – 2009.
 - **Note:** 9% of tracks sales have come from songs released this year, 28% from songs from 2008, 11% from 2007.
- During 2008, 40% of all track sales came from songs released in 2007 and 2008.
 - **Note:** 60% of all track sales in 2008 were considered Catalog



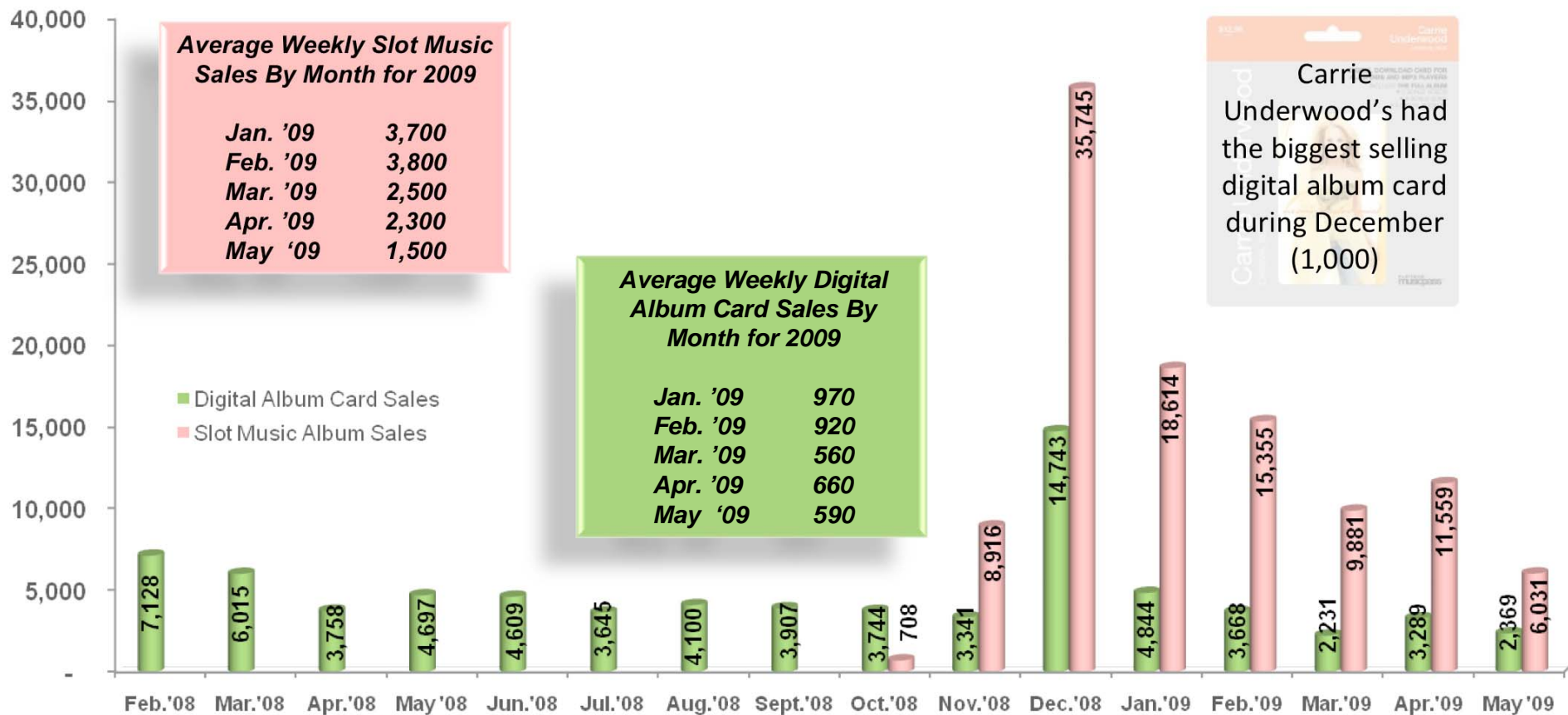
New Configuration Update



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- Over the past year and half there have been 76,000 digital album card purchases with the month of December being the biggest month (15,000).
- Over the past 7+ months there have been 105,000 Slot Music albums sold through Best Buy & Wal-Mart.
- Since the beginning of the year, the average weekly sales by month for SlotMusic and digital album cards have been declining.
- Since January, monthly sales for SlotMusic albums are down 65% and Digital album cards are down 50%.



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Page 21

Best Selling Digital Album Cards & SD Albums

- Over the past year we have tracked 90+ different digital album cards and 50+ SlotMusic album titles that have sold at least 1 unit.
- The top 5 titles SD albums have accounted for 34,000 sales – roughly 33% of all SD album sales October 2008.
- The top 5 Digital album cards account for 21,000 sales - roughly 28% of all Digital album card sales since February 2008.

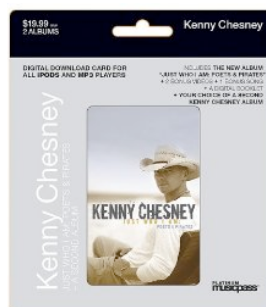
Digital Album Cards: Feb. 2008 – May 2009



#1: 5,675



#2: 5,538



#3: 3,893



#4: 3,769

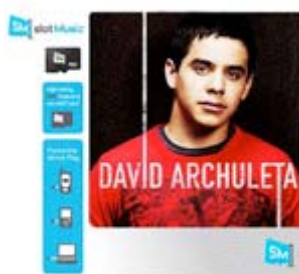


#5: 2,922

SlotMusic Albums: Oct. 2008 – May 2009



#1: 8,236



#2: 7,264



#3: 6,307



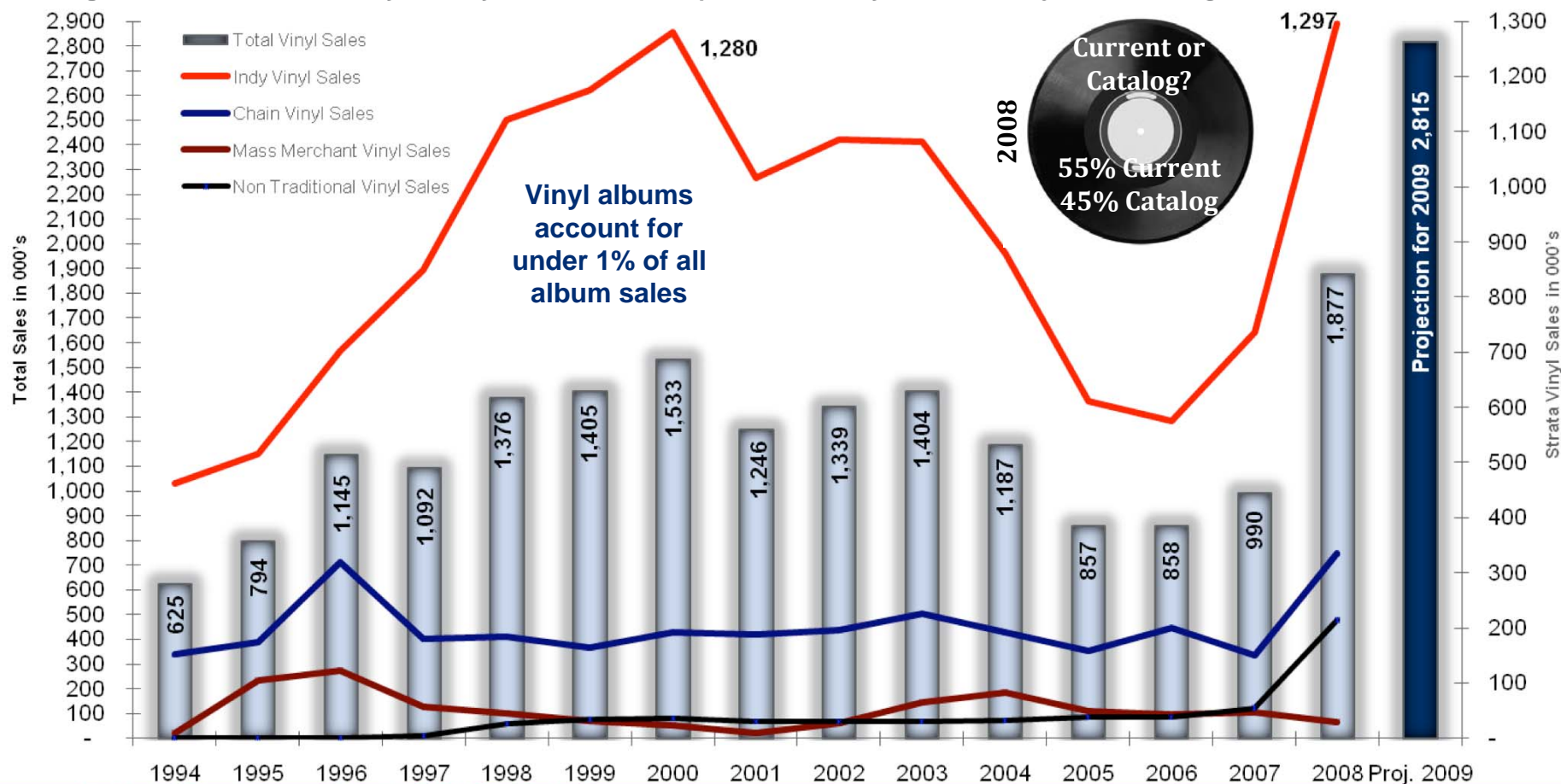
#4: 6,285



#5: 6,037

The Vinyl Sales Momentum Continues...

- In 2008, Vinyl album sales reached an all-time SoundScan high with 1.9 million sales.
- Based on the first 5 months of sales and at a growth rate of 50%, vinyl album sales will reach a new sales record of around 2.8 million sales in 2009.
- Since the inception of SoundScan Independent music stores have accounted for the majority of Vinyl album sales – in 2008 70%. – YTD '09= 67%
- Through the first 5 months of the year, Vinyl album sales are up 55% over last year. **Note:** Vinyl album sales grew 90% in 2008 over 2007.

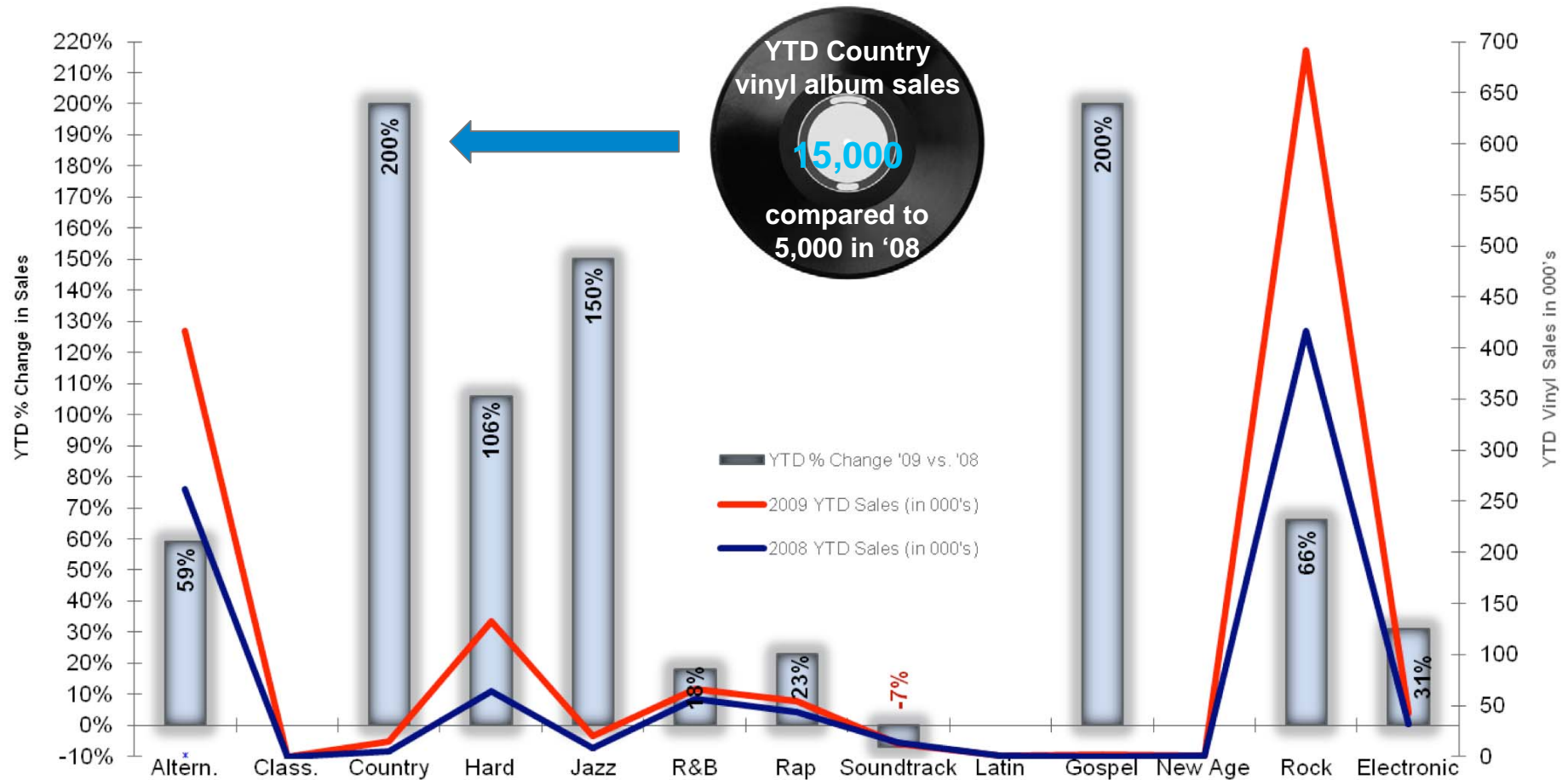


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Vinyl Sales by Genre

- Through the first 5 months of the year, Rock and Alternative are the two genre's that have the highest vinyl sales (692,000 vs. 417,000).
- Other genre's are experiencing significant growth even through they have a small sales base.
- Rock vinyl albums account for 70% of all vinyl sales YTD.

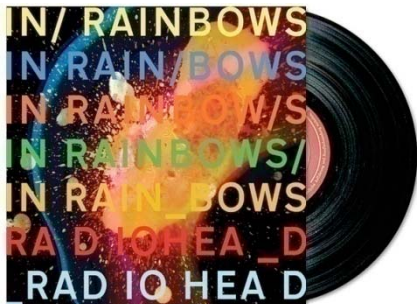


Vinyl Top Sellers – 2008 **UPDATE**

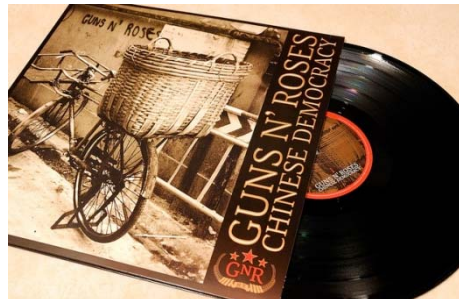
- During 2008 there were just under 13,000 different LP albums that sold at least 1 unit.
- There were nearly 400 LP's that sold 1,000 or more copies and accounted for 50% of all vinyl sales in 2008.
- The top 10 artists based on LP sales sold 225,000 vinyl albums in 2008 – 13% of all LP sales for the year.

1. Radiohead: 61,200 2. Metallica: 39,500 3. Beatles: 20,400 4. Elliott Smith: 17,800 5. Bob Dylan: 15,200

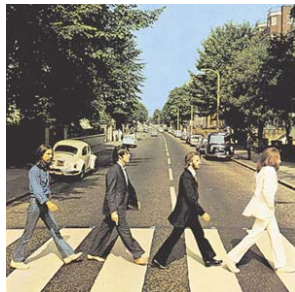
6. Portishead: 15,100 7. Ryan Adams: 14,000 8. Coldplay: 13,900 9. Guns N Roses: 13,600 10. Neutral Milk Hotel: 13,200



#1: 25,800



#3: 13,600



#2: 16,500



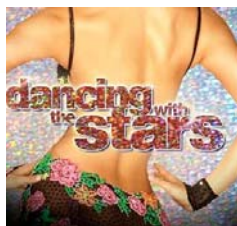
#4: 12,800



#5: 12,300

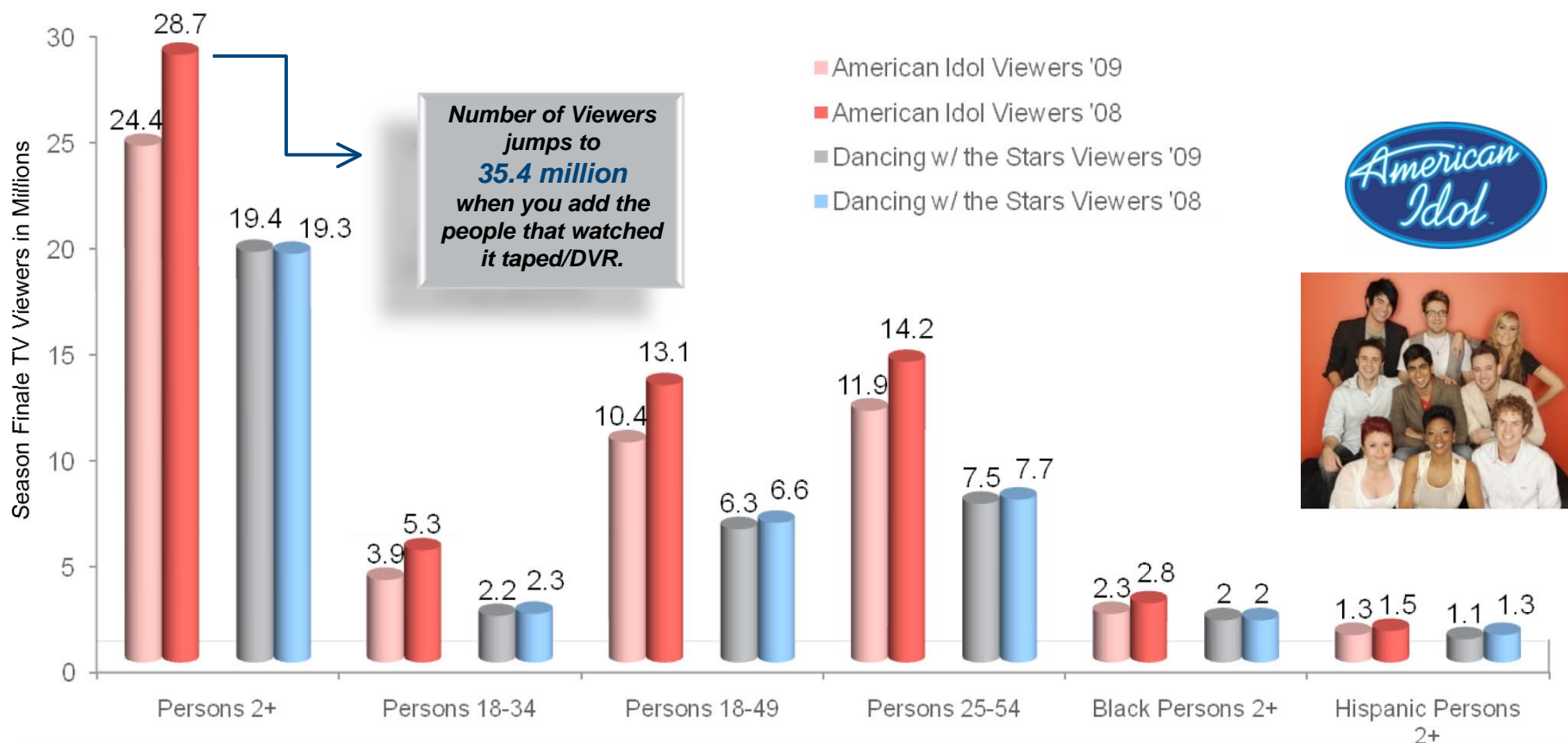


The Impact of Television on Music Consumption



Television Ratings & Viewers for American Idol & Dancing with the Stars

- American Idol was the most watched show every single week it aired for the past three years.
 - 24.4 million people watched the American Idol season finale Live down from 28.7 million in 2008 (decline of 14%).
- The season finale had a audience rating of 8.4 down from 10.3 in 2008.
- 80%+ of those that watched the American Idol season finale were 35 +.

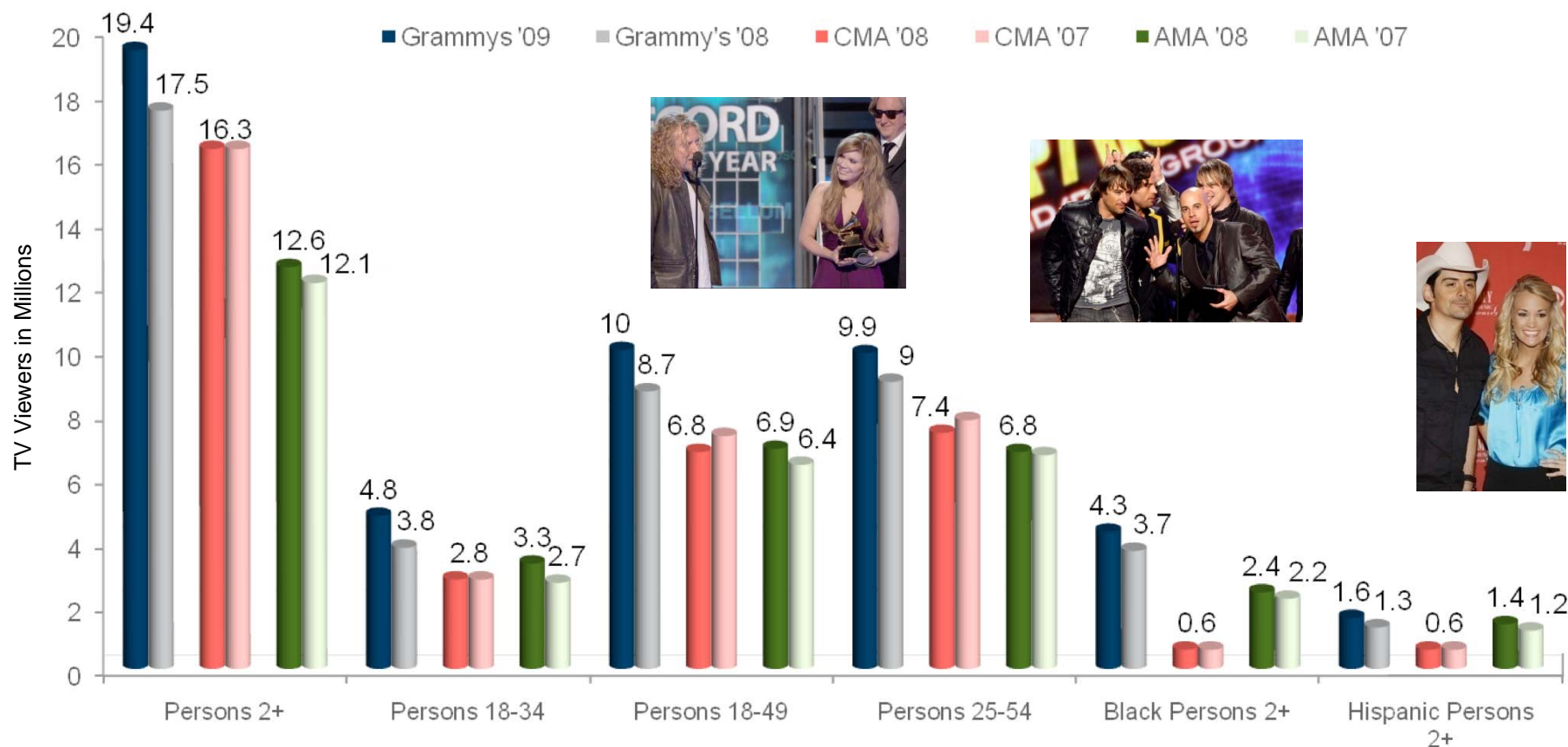


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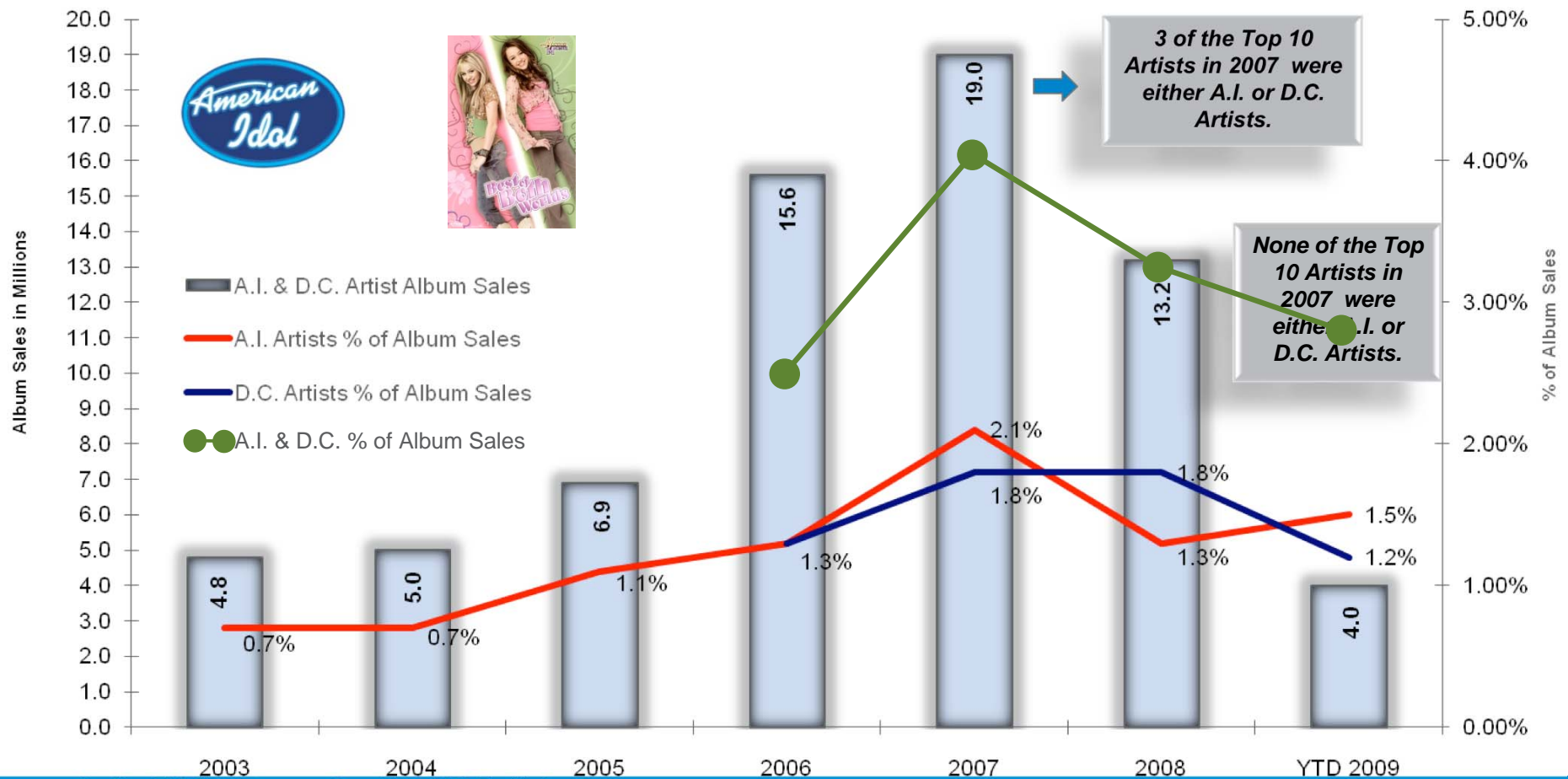
Television Ratings for Music Awards

- Out of these three awards shows, the Grammy's grabs the largest audience. 19.4 million viewers tuned into the 2009 show up from 17.5 million viewers in 2008.
- The number of viewers that tuned into the CMA's remained flat over the past couple of years with 16.3 million viewers.
- People 18-34 accounted for 17% of all those that tuned into the CMA's this past November.



American Idol & Disney Channel Artist Sales

- Since 2003, American Idol contestants and Disney Channel artists have generated more than 70 million album sales.
- Over the past 6+ years American Idol contestants have sold 42 million albums; with 2 contestants accounting for 19 million sales..
- Since 2003 American Idol has doubled it's impact on overall album sales: 0.7% in 2003 → 2.1% in 2007 → to 1.3% in 2008.
- American Idol and Disney Channel album sales reached a high of 4% of all album sales in 2007.



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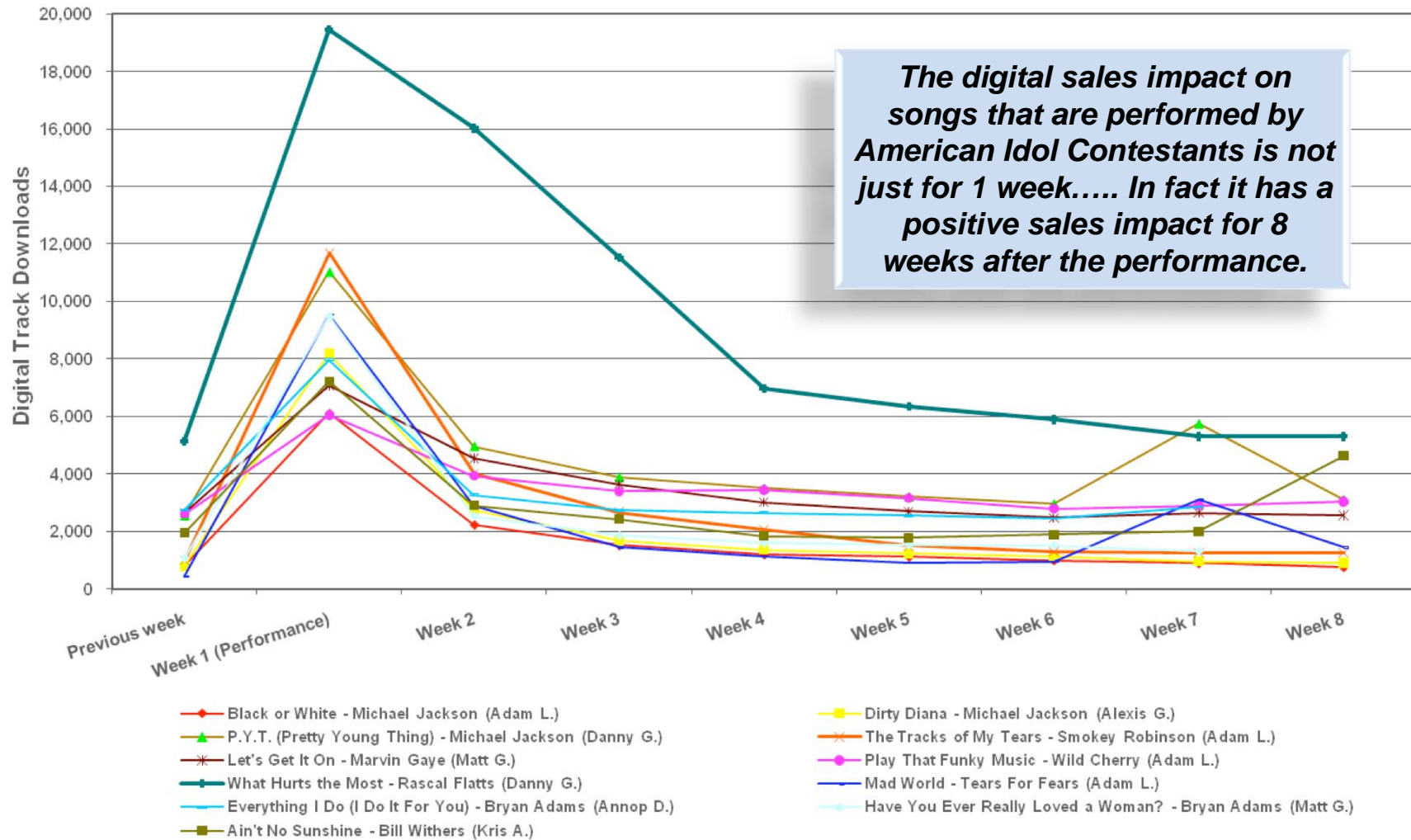
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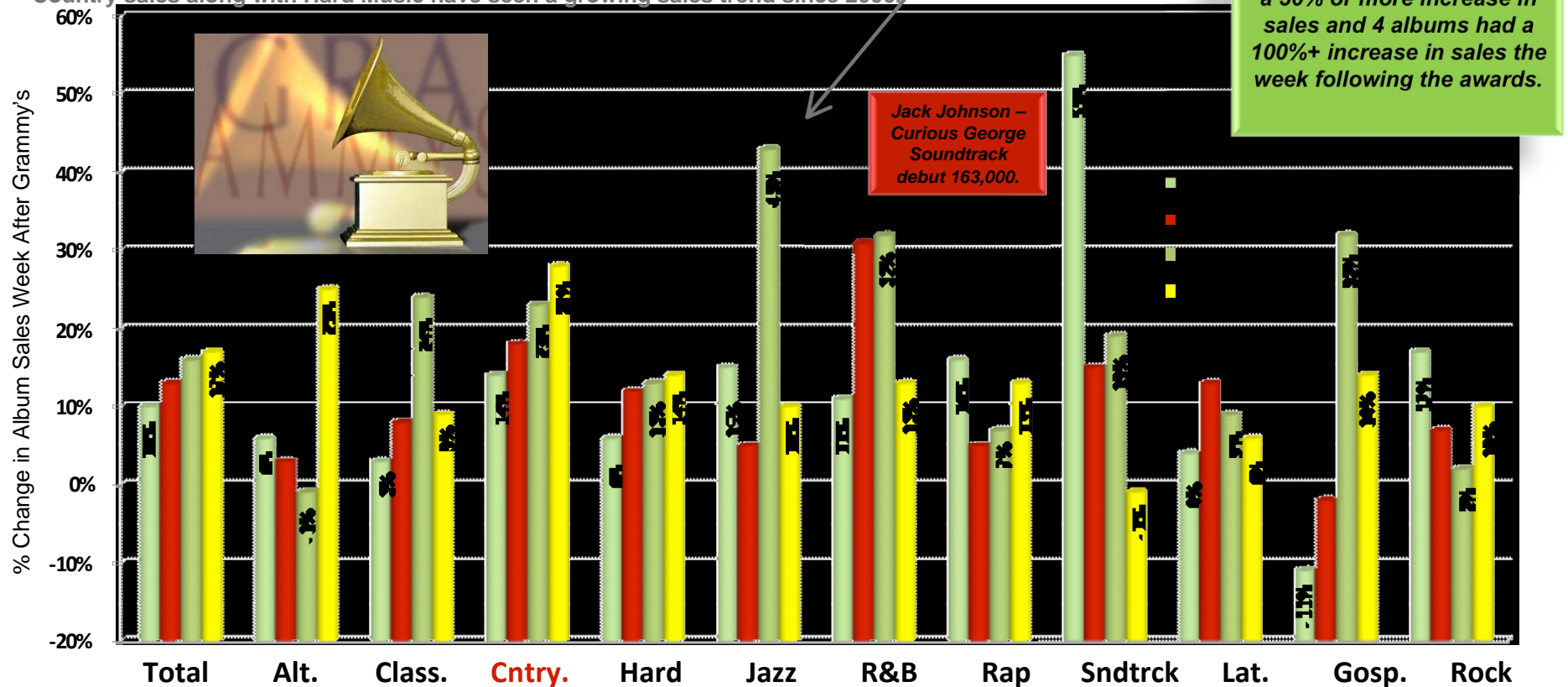
Page 29

Original Songs Performed by American Idol Contestants (Season 8)



The Grammy Impact

- Over the past few years, the impact of the Grammy Awards on music sales has been increasing. Week over week % increases on overall album sales has grown from 10% to 17% over the past 4 years.
- The impact has been fairly consistent across most musical genre's except for Alternative and Rock album sales.
 - Note: Alternative & Rock album week over week % increases has declined since 2006 until this year.
- Jazz was experiencing a similar decline as Alternative & Rock until Herbie Hancock's "River: The Joni Letters" won album of the year in 2008. Sales on the album increased nearly 1,000% from 5,000 – 54,000 sales.
- Country sales along with Hard Music have seen a growing sales trend since 2006.

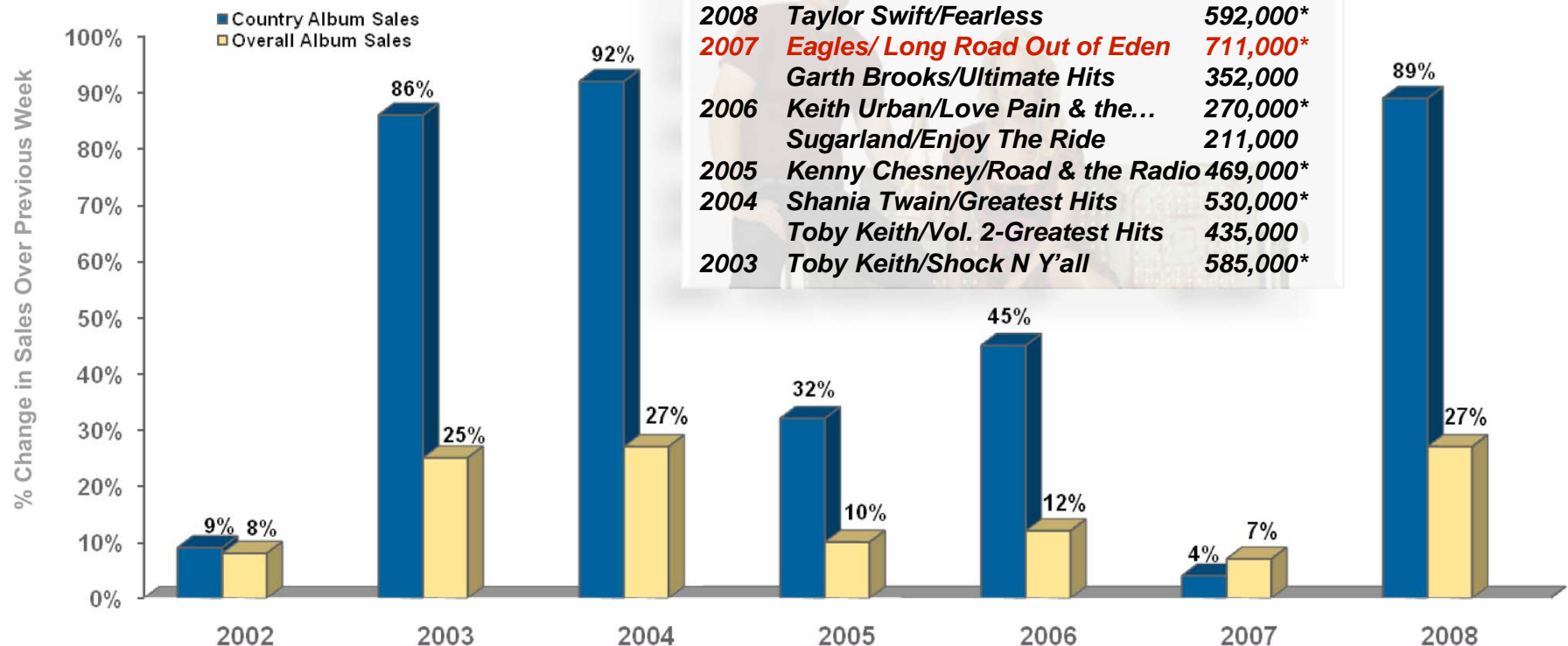


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CMA Award Show

- The CMA Award Show not only has a direct affect on Country music sales but also on overall album sales.
- Three out of the last 7 years, Country music sales have seen a weekly increase in sales greater than 85% the week after the CMA Award Show aired.
 - Note: Each time Country sales were up 80%+, Overall album sales were up 25% or more for the week.
- Twice in the past 7 years, Country album sales were up less than 10% the week following the CMA Award show.
- In 2007 Country album sales were up only 4% the week following the Award show due to a major release the week prior to the show – **Eagles 710,000 sales**



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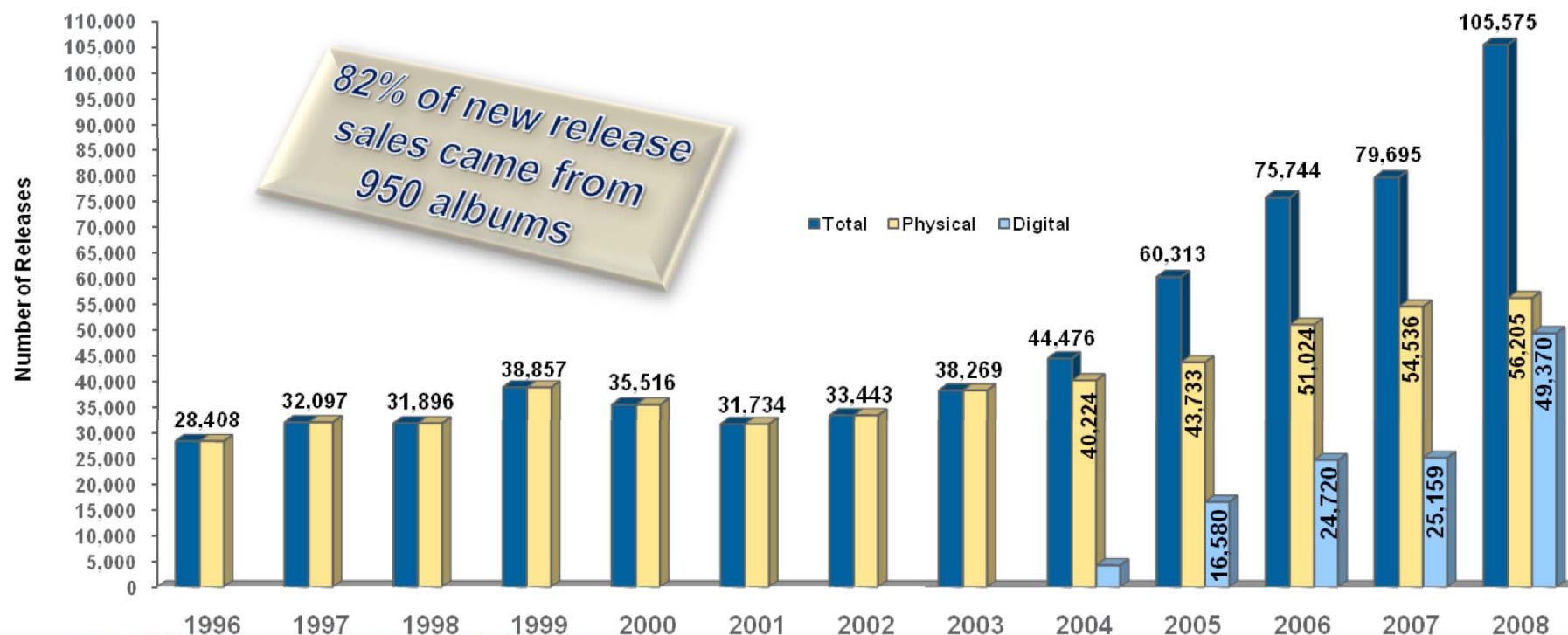
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Page 32

New Album Releases

New Album Releases by Year

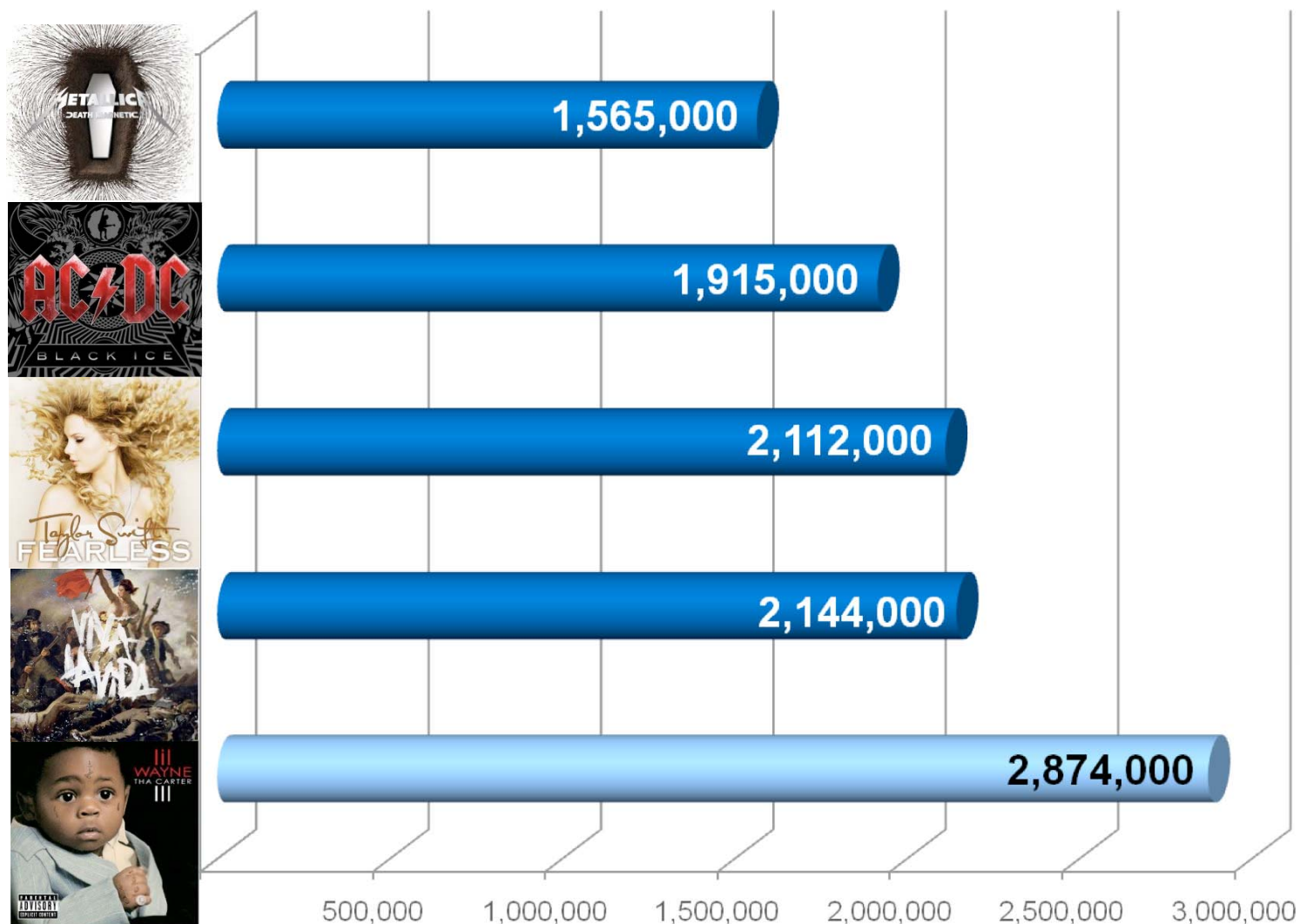
- In 2008 there was a huge jump in the number of new releases; going from 80,000 releases in 2007, 105,000 in 2008.
 - The number of “physical” album releases were up slightly; 3%.
- Album sales from new releases equaled 149 million in 2008 (down 18% over '07), 150 million fewer sales generated by new releases in 2001.
- New releases that sold 25,000 copies or more (950) accounted for 153 million sales or 82% of all new release sales.
- In 2007, the number of digital only releases were flat but increased **50%** in 2008 to nearly 50,000 digital album releases.
- 50,000 digital only album releases accounted for 1.8% of all new release album sales in 2008 (2.8M); up from (1.5M-'07).



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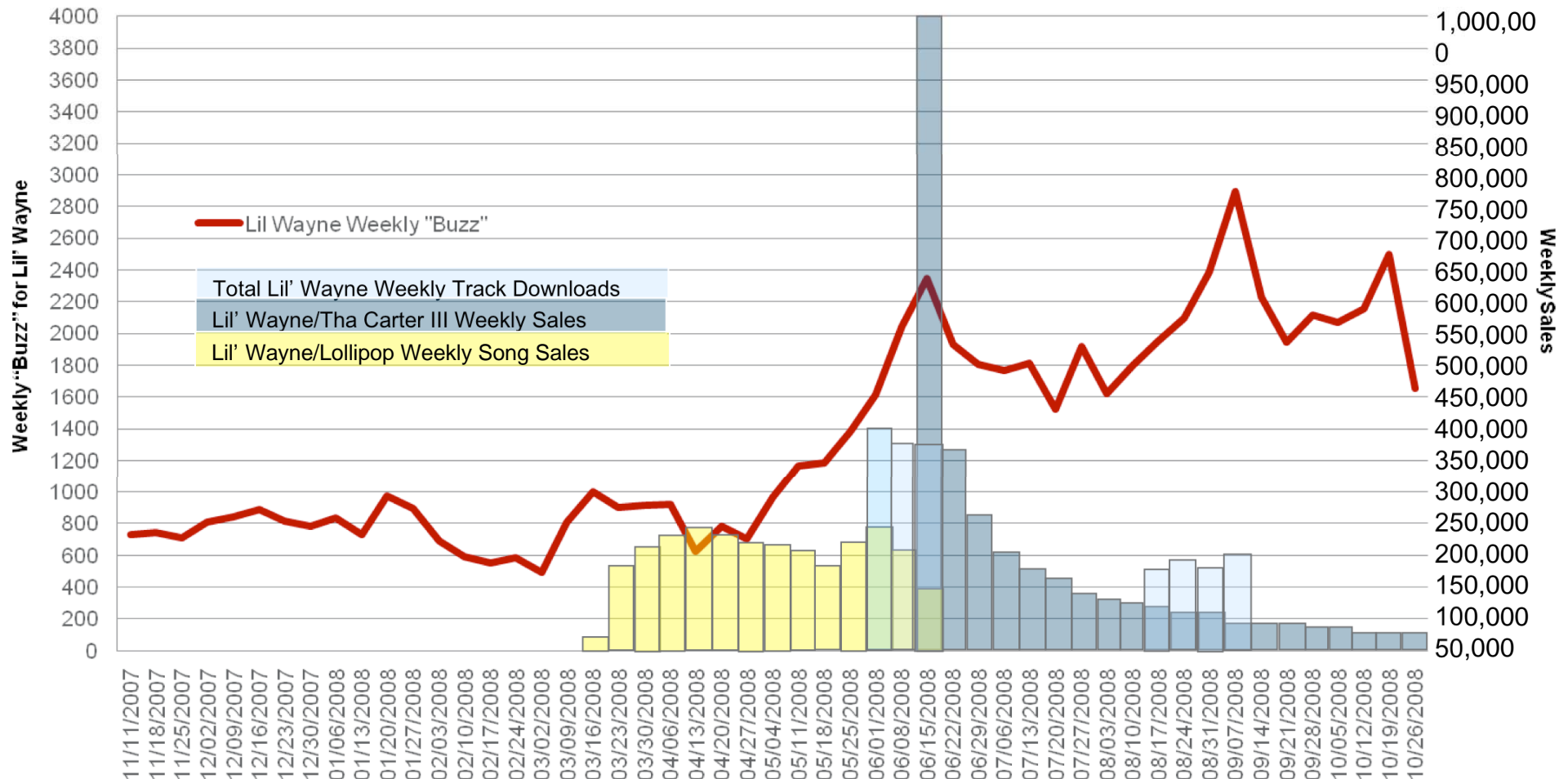
Top New Album Releases 2008



These 5 releases from 2008 totaled 10.6 million sales or 2% of all album sales for the year.

Consumer “Buzz” & Sales for Lil’ Wayne

- The “Buzz” for Lil’ Wayne remained steady from Nov. thru beginning of April then increased steadily up to the release of the album.
- Post release (1million sales) the “Buzz” was still consistently high for the next four months



New Release Analysis 2008:

- The trend below shows that total album sales clearly depends on the strength of New releases from major record companies.
- Since 2004, sales from New Releases distributed by major record companies has declined 46% - from 228M in 2004 to 122M in 2007.
- Up until 2008, the sales from New Releases distributed by Indy's had been consistent (37 million) even though the number of releases has increased drastically. In 2008, sales from Indy new releases dropped 27% to 27 million sales.





QUESTIONS?

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