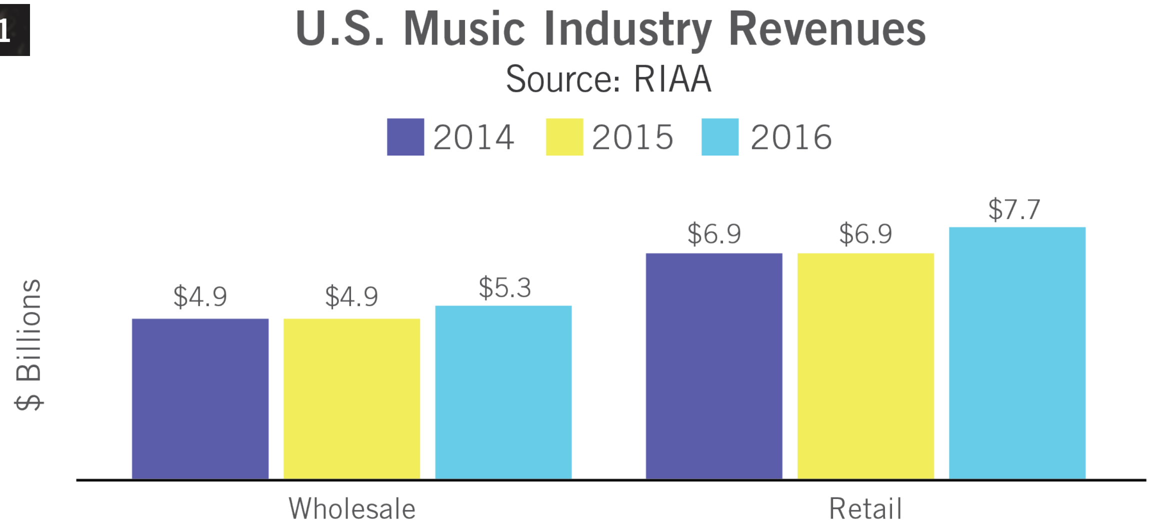
News and Notes on 2016 RIAA Shipment and Revenue Statistics

Joshua P. Friedlander | Senior Vice President, Strategic Data Analysis, RIAA

Estimated retail revenues from recorded music in the United States grew 11.4% in 2016 to $7.7 billion. The primary driver of that growth was a doubling of paid streaming music subscriptions which helped the American music business experience its biggest gain since 1998. At wholesale values, the industry was up 9.3% to $5.3 billion. Although our 2016 revenue report catalogues substantial overall improvement for the industry, revenues are still only about half what they were in 1999, and revenues from more traditional unit-based sales (physical products and digital downloads) continued to decline significantly.

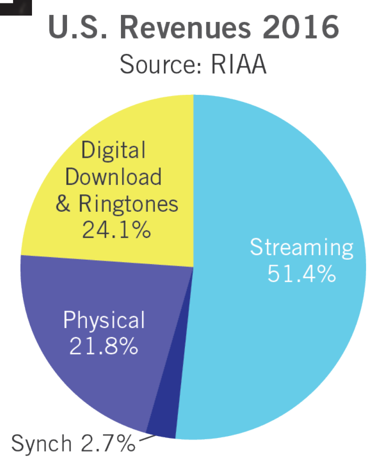
Figure 1



STREAMING

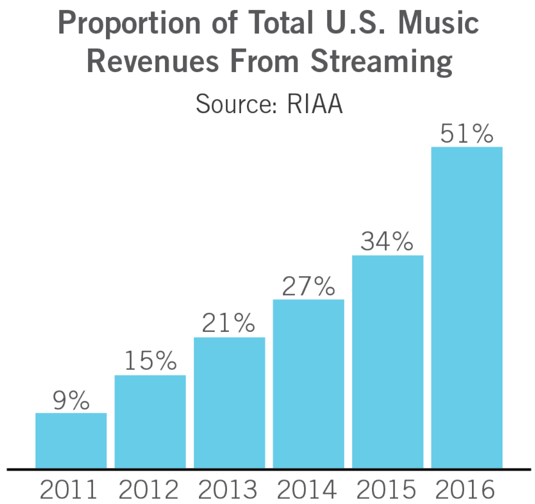
In 2016, for the first time ever, streaming music platforms generated the majority of the U.S. music industry's revenues. The streaming category includes revenues from subscription services (such as paid versions of Spotify, TIDAL, and Apple Music, among others), streaming radio services including those revenues distributed by SoundExchange (like Pandora, SiriusXM, and other Internet radio), and ad-supported on-demand streaming services (such as YouTube, Vevo, and ad-supported Spotify).

Figure 2



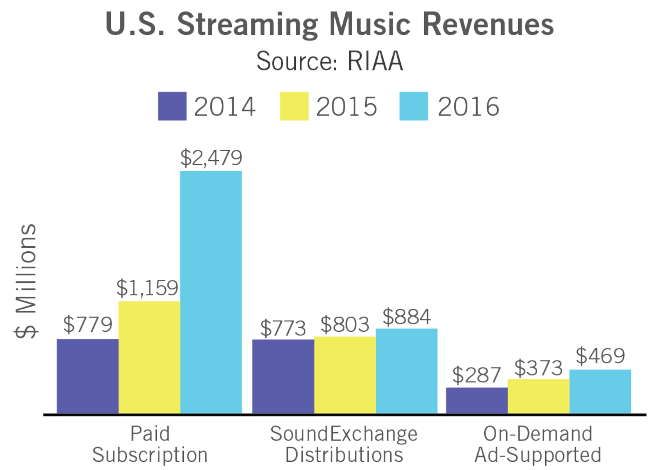
Total revenues from streaming platforms were up 68% to $3.9 billion. Streaming grew from just 9% of the market in 2011 to 51% of total industry revenues in 2016.

Figure 3



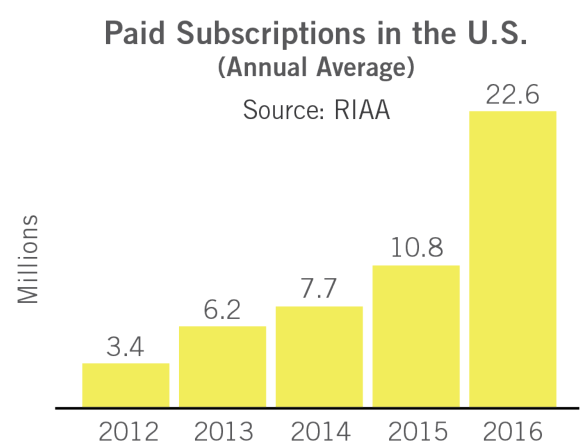
Revenues grew across all the categories of streaming (paid subscriptions, SoundExchange distributions, and on-demand ad-supported streams).

Figure 4



On both a dollar and percentage basis, no format category grew as much as paid subscriptions. In 2016, revenues from paid subscription services in the United States more than doubled, up 114% to $2.5 billion. Paid subscriptions alone accounted for about 1/3 of total U.S. recorded music industry revenue in 2016. Growth was driven by very strong new user adoption, as the number of paid subscriptions to full on-demand services grew 109% to average 22.6 million for the year, compared with 10.8 million in 2015. Adoption was driven by growth from both new and existing services, as it was the first full year of results for Apple Music, and other leading services like Spotify Premium grew as well.

Figure 5



As the subscription market has evolved with a greater variety of service offerings and features, we are now differentiating revenues between full-service paid subscriptions and some "limited tier" services. This new category includes paid subscriptions for services limited by factors such as mobile access, catalog availability, on-demand limitations, or device restrictions. Services like Amazon Prime, Pandora Plus, and other subscriptions are included in this category. In 2016, of the $2.5 billion subscription total, $220 million falls into this category. The number of subscriptions does not include these types of services.

Revenues from on-demand streaming services supported by advertising grew 26% to $469 million in 2016. Reports from industry tracking services like the Nielsen Company and Border City Media estimate these services streamed more than 200 billion songs to fans in the United States in 2016.

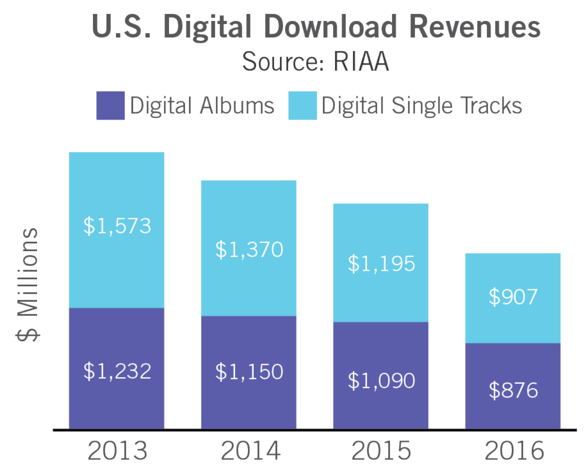
SoundExchange distributions totaled $884 million in 2016, up 10% year-over-year.

For the first time, we are also reporting an "other ad-supported streaming" category that reflects revenues from direct payments from ad-supported digital streaming services that are not distributed by SoundExchange and not included in the on-demand category. This category contributed $101 million in 2016.

DIGITAL DOWNLOADS

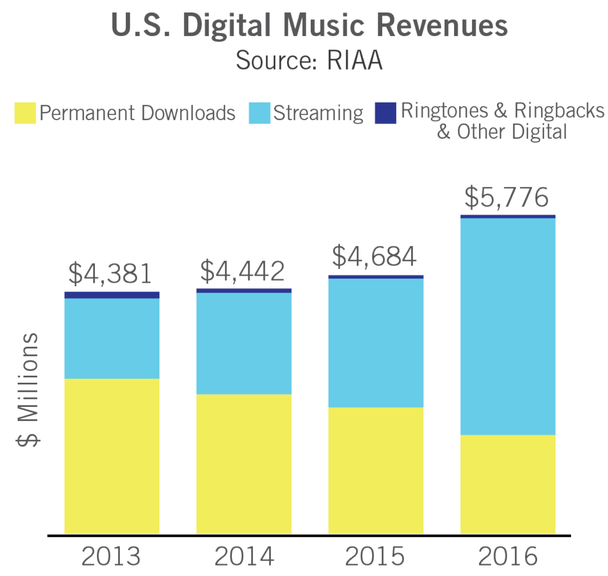
In 2016, revenues from sales of digital tracks and albums declined faster than in any previous year. Overall digital download revenues were $1.8 billion, down 22% versus 2015. Individual track sales revenue was down 24%, and digital album revenue was down 20% compared with the previous year. Revenues from sales of digital albums were 49% of the download total, their highest share ever.

Figure 6



The total value of digitally distributed formats in 2016 was $5.8 billion, up 23% from the prior year, and contributed 78% of total industry value (note this calculation excludes Synchronization revenues).

Figure 7



PHYSICAL PRODUCTS

The total value of shipments of physical products decreased 16% to $1.7 billion. The share of the market from physical music products fell to just 22%, down from 29% in 2015. Physical products had been more than half the market (by value) as recently as 2010. Revenues from CD shipments were down 21% at estimated retail value, and made up 70% of the physical market in 2016. Shipments of vinyl albums were up 4% to $430 million, and comprised 26% of total physical shipments at retail value – their highest share since 1985.

OVERALL

Driven primarily by growth in paid subscriptions, these results build on the 2016 midyear data. The industry showed another increase, albeit from levels that remain well below their peak in the late 1990's. The growth of streaming music and prevalence of digital platforms show that music consumption is higher than ever – which is great for fans. But challenges remain significant as physical shipments and digital downloads, two of the industry's three major revenue sources, continued to decline in 2016. RIAA CEO Cary Sherman offers more commentary on the state of the business here.

Note – Data for previous years has been updated.

The timing of revenue recognition for "Other Ad-Supported Streaming" category resulted in a one-time increase for 2016 revenue totals.

RIAA presents the most up-to-date information available in its industry revenue reports and online statistics database: https://www.riaa.com/u-s-sales-database

For news media inquiries, please contact:
Jonathan Lamy
Cara Duckworth Weiblinger
Liz Kennedy
202-775-0101

2016 Year-End Industry Shipment and Revenue Statistics

202-775-0101

For a list of authorized services see www.whymusicmatters.com

United States Unit Shipments and Estimated Retail Dollar Value (In Millions, net after returns)

DIGITAL SUBSCRIPTION & STREAMING

		2015	2016	% CHANGE 2015-2016
(Units Shipped) (Dollar Value)	**SoundExchange Distributions[1]**	$802.6	$883.9	10.1%
	Paid Subscription[2]	10.8 $1,158.9	22.6 $2,258.3	108.7% 94.9%
	Limited Tier Paid Subscription[3]	-	$220.3	-
	On-Demand Streaming (Ad-Supported)[4]	$372.7	$469.0	25.8%
	Other Ad-Supported Streaming[5]	-	$101.2	-
	Total Streaming Revenues	**$2,334.1**	**$3,932.7**	**68.5%**

DIGITAL PERMANENT DOWNLOAD

		2015	2016	% CHANGE 2015-2016
(Units Shipped) (Dollar Value)	**Download Single**	994.5 $1,195.1	751.2 $906.8	-24.5% -24.1%
	Download Album	109.3 $1,090.0	86.0 $875.8	-21.3% -19.6%
	Ringtones & Ringbacks	21.9 $54.6	16.1 $40.1	-26.5% -26.5%
	Other Digital[6]	$10.1	$20.5	103.1%
	Total Digital Download Revenues	**$2,349.8**	**$1,843.2**	**-21.6%**

TOTAL DIGITAL VALUE

	2015	2016	% CHANGE 2015-2016
TOTAL DIGITAL VALUE	$4,683.9	$5,775.9	23.3%
Synchronization Royalties[7]	$202.9	$204.3	0.7%

PHYSICAL

		2015	2016	% CHANGE 2015-2016
(Units Shipped) (Dollar Value)	**CD**	119.9 $1,482.5	99.4 $1,172.5	-17.1% -20.9%
	LP/EP	16.9 $414.5	17.2 $429.7	1.8% 3.7%
	Music Video	3.2 $71.2	2.5 $58.4	-21.6% -18.0%
	Other Physical[8]	1.2 $13.8	0.7 $9.7	-39.2% -29.5%
	Total Physical Units **Total Physical Value**	**141.1** **$1,982.0**	**119.8** **$1,670.3**	**-15.1%** **-15.7%**

TOTAL DIGITAL AND PHYSICAL

	2015	2016	% CHANGE 2015-2016
Total Units[9] **Total Value**	**1,272.3** **$6,868.8**	**977.2** **$7,650.5**	**-23.2%** **11.4%**
% of Shipments[10] Physical Digital	**2015** 30% 70%	**2016** 22% 78%	

Retail Value is the value of shipments at recommended or estimated list price
Formats with no retail value equivalent included at wholesale value

Note: Historical data updated for 2015

1 Estimated payments in dollars to performers and copyright holders for digital radio services under statutory licenses
2 Streaming, tethered, and other paid subscription services not operating under statutory licenses
Subscription volume is annual average number of subscriptions, excludes limited tier
3 Paid streaming services with interactivity limitations by availability, device restriction, catalog limitations, on demand access, or other factors
4 Ad-supported audio and music video services not operating under statutory licenses
5 Revenues from services paid directly that are not distributed by SoundExchange and not included in other streaming categories
6 Includes Kiosks, music video downloads, and starting in 2016 other digital music licensing
7 Includes fees and royalties from synchronization of sound recordings with other media
8 Includes CD Singles, Cassettes, Vinyl Singles, DVD Audio, SACD
9 Units total includes both albums and singles, and does not include subscriptions or royalties
10 Synchronization Royalties excluded from calculation