

News and Notes on 2017 Mid-Year RIAA Revenue Statistics

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In the first half of 2017, growth in revenues from music subscription streaming services continued to offset declines in traditional unit based sales. Estimated retail revenues from recorded music in the United States grew 17% in the first half of 2017 to \$4.0 billion. At wholesale value, the industry was up 14.6% to \$2.7 billion. This growth reflects a continuation of the trends from 2016, but overall market revenues are still significantly below the levels they were in 1999.

Figure 1

U.S. Music Industry Mid-Year Revenues

Source: RIAA



STREAMING

Revenues from streaming music services accounted for 62% of the total market for the first half of 2017. Total revenues from streaming platforms were up 48% to \$2.5 billion. The streaming category includes revenues from subscription services (such as paid versions of Spotify, TIDAL, and Apple Music, among others), digital and customized 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).

Across all the categories of streaming (paid subscriptions, digital and customized radio, and on-demand ad-supported streams) record high revenue levels were reached.

Figure 3

U.S. Streaming Music Revenues

Source: RIAA

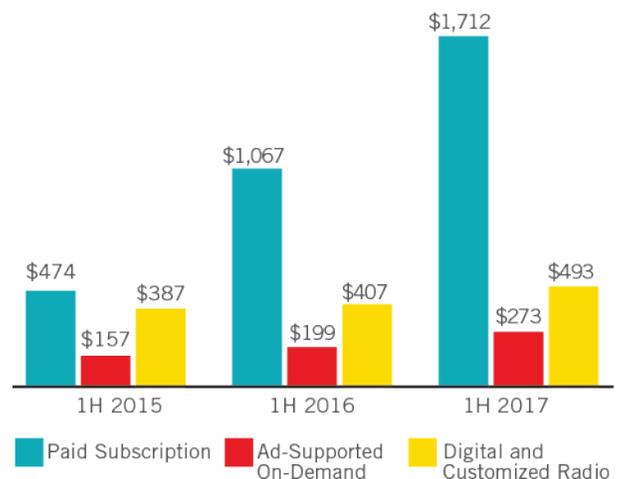
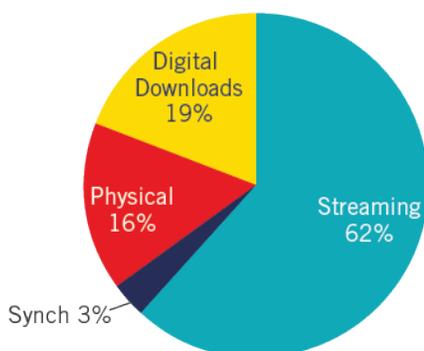


Figure 2

U.S. Music Industry Revenues 1H 2017

Source: RIAA

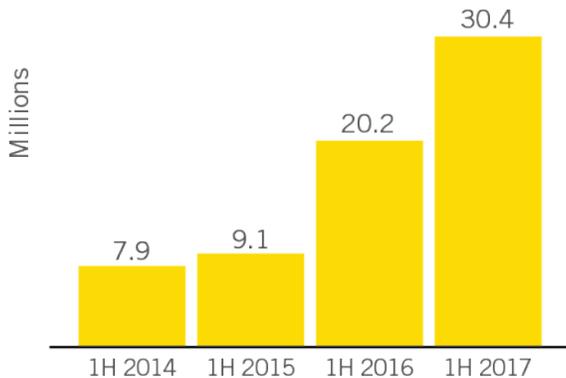


Paid subscriptions were the biggest driver of growth in the first half of 2017. Revenues from paid subscription services grew 61% to \$1.7 billion at estimated retail value, and were the largest format in the United States accounting for 43% of total revenue. This growth was driven by continued strong user increases. The number of paid subscriptions reached a record high 30 million averaged for the first half of the year. This represents growth of nearly 1 million new subscriptions per month as compared to the prior year.

Figure 4

U.S. Paid Music Subscriptions (1H Average)

Source: RIAA



Starting in 2016, to reflect the development of the music subscription market 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 the first half of 2017, of the \$1.7 billion subscription total, \$225 million falls into this category. The number of subscriptions does not include these types of services.

For the first half of 2017, revenues from on-demand streaming services supported by advertising grew 37% to \$273 million. Reports from industry tracking services like the Nielsen Company and Border City

Media estimate these services streamed more than 140 billion songs to fans in the United States in 1H 2017, but that figure is understated due to unreported streams on YouTube, the most widely used music service. This category contributed only 7% of total industry revenues.

Although SoundExchange distributions decreased 16% in the first half of the year, when direct payments from digital radio services are included, total revenues from digital radio services was up 21% to \$493 million.

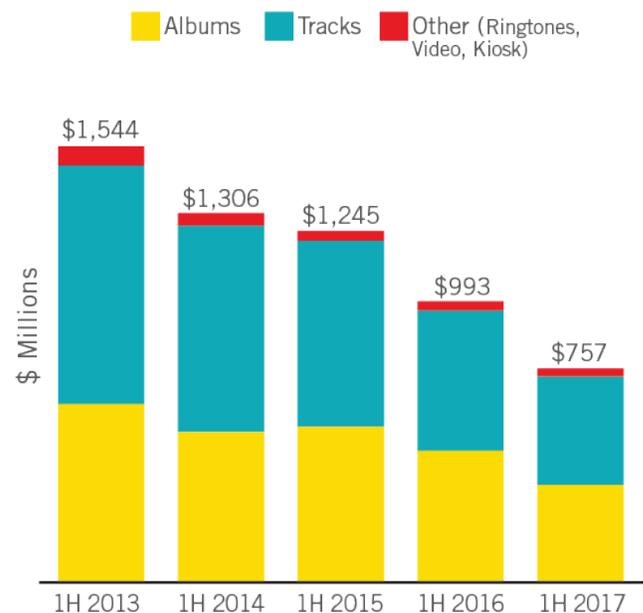
DIGITAL DOWNLOADS

Revenues from sales of digital tracks and albums continued to decline in the first half of 2017. Overall digital download revenues were \$757 million, down 24% versus 1H 2016. Individual track sales revenue was down 23%, and digital album revenue was down 26% compared with the previous year. Digital downloads only accounted for 19% of total industry revenues. They had been the largest format until as recently as 2015.

Figure 5

U.S. Digital Download Revenues

Source: RIAA



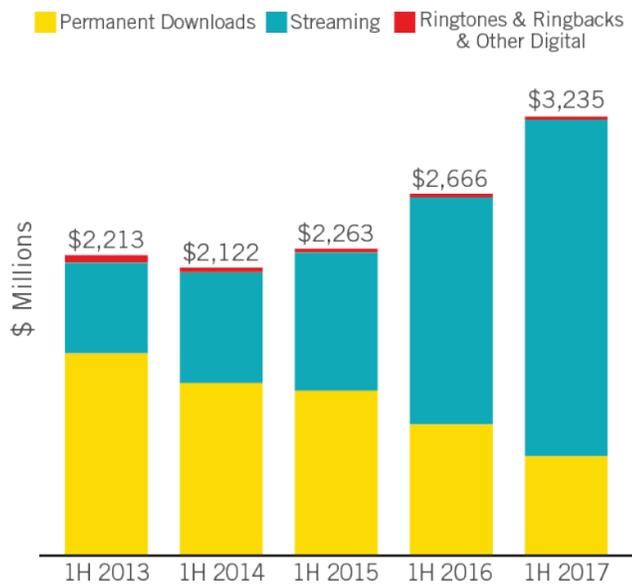


The total value of digitally distributed formats in 1H 2017 was \$3.2 billion, up 21% from the prior year, and contributed 84% of total industry value (note this calculation excludes Synchronization revenues).

Figure 6

U.S. Digital Music Revenues

Source: RIAA



PHYSICAL PRODUCTS

The total value of shipments of physical products decreased just 1% to \$632 million, a much lower rate of decrease than recent historical trends. The rate of returns of physical goods to record labels decreased in the first half of the year, helping bolster the revenue figures. Revenues from shipments of CDs were down 3% to \$431 million, while vinyl albums were up 3% to \$182 million. Vinyl albums comprised 29% of total physical shipments at retail value – their highest share since the mid 1980’s.

OVERALL

Primarily owing to growth in paid subscriptions, the industry continued to recover, though at levels still far below the peak of the late 1990’s. These results show a continuation of the trends that were taking shape when we reported 2016 year-end data. Revenues from streaming formats grew rapidly, while sales of both digital and physical unit based products continued to decline. RIAA CEO Cary Sherman offers more commentary on the state of the business [here](#).

Note – Data for previous years has been updated.

Please note that the 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>

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2017 Mid-Year Industry Revenue Statistics

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

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

DIGITAL SUBSCRIPTION & STREAMING		2016	2017	% CHANGE 2016-2017
(Units)	Paid Subscription¹	20.2	30.4	50.6%
(Dollar Value)		\$994.9	\$1,487.7	49.5%
	Limited Tier Paid Subscription²	\$71.7	\$224.7	213.4%
	On-Demand Streaming (Ad-Supported)³	\$199.3	\$273.2	37.1%
	SoundExchange Distributions⁴	\$403.4	\$339.5	-15.8%
	Other Ad-Supported Streaming⁵	\$3.7	\$153.1	4021.2%
	Total Streaming Revenues	\$1,673.0	\$2,478.1	48.1%

DIGITAL PERMANENT DOWNLOAD

(Units)	Download Single	412.5	316.2	-23.4%
(Dollar Value)		\$496.6	\$384.6	-22.6%
	Download Album	44.9	34.2	-23.8%
		\$464.6	\$344.1	-25.9%
	Ringtones & Ringbacks	8.6	6.7	-22.0%
		\$21.4	\$16.7	-22.0%
	Other Digital⁶	2.2	1.6	-27.3%
		\$10.9	\$11.7	7.3%
	Total Digital Download Revenues	\$993.5	\$757.0	-23.8%

TOTAL DIGITAL VALUE

	\$2,666.5	\$3,235.1	21.3%
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	Synchronization Royalties⁷	\$100.4	\$118.7	18.2%
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PHYSICAL

(Units Shipped)	CD	38.6	35.2	-8.6%
(Dollar Value)		\$443.5	\$430.6	-2.9%
	LP/EP	7.2	7.2	0.9%
		\$176.1	\$181.7	3.2%
	Music Video	0.8	0.7	-15.9%
		\$16.4	\$14.5	-11.3%
	Other Physical⁸	0.3	0.3	2.5%
		\$4.9	\$5.3	10.0%
	Total Physical Units	46.8	43.5	-7.2%
	Total Physical Value	\$640.8	\$632.2	-1.3%

TOTAL DIGITAL AND PHYSICAL

	Total Units⁹	515.1	402.2	-21.9%
	Total Value	\$3,407.7	\$3,986.0	17.0%
	% of Shipments¹⁰	2016	2017	
	Physical	19%	16%	
	Digital	81%	84%	

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 2016

¹ Streaming, tethered, and other paid subscription services not operating under statutory licenses.
Subscription volume is average number of subscriptions, excludes limited tier

² Paid streaming services with interactivity limitations by availability, device restriction, catalog limitations, on demand access, or other factors

³ Ad-supported audio and music video services not operating under statutory licenses

⁴ Estimated payments to performers and copyright holders for digital and customized radio services 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

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