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Digital Tipping Point: Record Companies To Benefit

Written by **Martin Kovacs** 29/10/2015 | 14:25 | Category: **NEWS**

Record companies are set to be the biggest winners in the new world digital music order, with digital sales set to overtake physical sales this year, according to Ovum research.



Ovum has found that digital sales will go on to make up almost three quarters of all sales within the next six years, however there will be little variation in spending in the years to 2020.



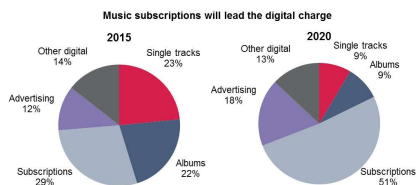
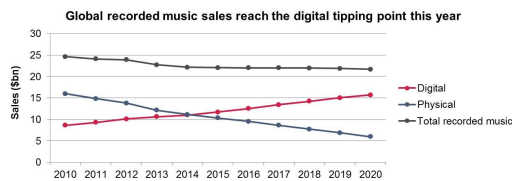
Ovum expects that the retail value of all recorded music sales will contract this year and next before edging up 0.1 per cent in 2017, after which spending will fall in each of the three years to 2020.

"2015 is a big year for the music industry, with global retail sales of recorded music crossing the digital tipping point," Ovum music practice leader Simon Dyson commented.

"For the first time, digital spending will top physical sales, amounting to US\$11.7 billion this year (compared with US\$10.3 billion for physical) and reach US\$15.7 billion in 2020."

With music subscriptions leading way, poised to dominate retail spending for the foreseeable future, record companies are set to benefit given the lower costs involved, with Ovum stating they are expected to register increased earnings annually.

While estimated recorded music spending is forecast to be US\$3 billion less in 2020 than in 2010, Dyson noted "the shift from ownership to access has meant manufacturing and distribution costs have been reduced and, with consumers steadily spending more on access services and less on downloads, costs are going to continue to shrink".



Record companies are expected to make gross income from physical format sales this year of around US\$5.2 billion, falling to just under US\$3 billion in 2020, with EBITDA also forecast to decrease from US\$520 million to US\$300 million.

Comparatively, for downloads, gross record company income is estimated at US\$2.6 billion in 2015 and US\$1.4 billion in 2020, with EBITDA of US\$790 million and US\$420 million, respectively.

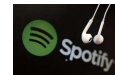
Gross record company receipts from subscriptions/streaming are estimated at US\$2.4 billion this year, rising to US\$5.4 billion in 2020, with EBITDA from subscriptions/streaming forecast to grow from US\$820 million to US\$1.9 billion.

Breaking News



Samsung Galaxy S8 Leaks Ahead Of Launch

The first images of the Samsung Galaxy S8 have leaked, featuring a curved display and reduced bezels due to the lack of a home button.



Spotify Moves On Hi-Fi Streaming

Tidal may not have bragging rights as the only big music streaming service to offer higher-resolution audio content for much longer, with rumors that Spotify is finally ready to unveil its own premium offering.



New iPhone To Sport Curved Screen

Apple has decided to adopt a flexible display for one of its new iPhones, set to be released this year, and has ordered sufficient components to enable mass production, according to US reports.



Nokia Classic Phone Not For Oz

Nokia's about-to-be-re-released non-smart phone, dubbed the 3310 - which received rave treatment when shown off at this week's Mobile World Congress in Barcelona - is unlikely to be released in Australia, it seems.



Wi-Fi Calling Spreads To More Android Phones - But Not To iOS

Telstra says it has spread its Wi-Fi Calling service, which allows users to make calls anywhere there's an accessible Wi-Fi service, to several more Android devices.



OZ To Get LG G6 Smartphone Ahead Of US + Europe

Unlike the past, LG is moving heaven and earth to be at the head of the queue with the launch of the LG G6 set to happen on March 28th right after the Korean launch.



Google Celebrates 10M Cardboard VR Shipments

Google has announced in a blog post today that the company's low-cost Google Cardboard VR has shipped to more than 10 million customers worldwide.

In total, gross receipts for record companies from the combined sales of physical, downloads and income from access services are forecast to decline from US\$10.2 billion this year to US\$9.8 billion in 2020, with EBITDA to grow, as consumer spending on subscriptions rises, from US\$2.1 billion to US\$2.6 billion.

Ovum states "the streaming sector will be hard pushed to make up for the forecast declines in the buy-to-own formats".

"Assuming consumers don't make a sudden rush to access services, no decline in total sales in the coming years may well be the best result the recorded music industry can hope for," Dyson commented.



Google Giving Up On Chromebooks To Focus On Pixel

While companies like Acer and Samsung look to be making steady progress with cementing Chromebooks in the education market, Google themselves might be ready to throw in the towel.



Control4 Acquires Speaker Brand

Control4 has forked out US\$9.6M in cash to buy the Triad speaker brand.



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Several Australian retailers whose operations run on the giant Amazon web servers are today facing possible outages after the global cloud service operators servers crashed.

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