

# BILLBOARD

## U.S. Music Industry Sees First Double Digit Growth in Almost 20 Years as Streaming Takes Over

3/30/2017 by [Ed Christman](#)



### **Streaming overtakes sales for the first time as the leading driver of revenue for the U.S. recorded music business.**

It looks like happy days are here again: U.S. recorded music sales were up 11.4 percent in 2016. The industry brought in \$7.65 billion in revenue, according to the RIAA, up from \$6.87 million in 2015. Although the music business showed signs of a recovery at the half-year mark, the 2016 year-end results show more significant growth, led by streaming revenue.

This is the first time since 1998 that the U.S. industry has experienced a double digit increase in overall revenue. Back then, the industry enjoyed revenue of \$13.7 billion.

Unsurprisingly, streaming is pulling the business back to health, as revenue grew 68.5 percent to \$3.93 billion, up from \$2.33 billion in 2015. In fact, streaming grew so much last year, that it now accounts for more revenue than downloads, CDs and vinyl combined. Together, these

formats brought in \$3.51 billion. Paid music subscriptions doubled in the U.S., according to the RIAA -- up to 22.6 million, from 10.8 million in 2015.

Even with this robust growth, recorded music brings in just over half the \$14.6 billion it generated at its 1999 peak.



## **U.S. Recording Industry Sees Slight Uptick in Revenue Last Year, Streaming Dominates Digital**

There is more good news, though. When you subtract out the year's \$883.9 in royalties collected by SoundExchange, and divide revenue by the 431.74 billion streams counted by Nielsen Music, the average per-stream rate is \$0.0072. Last year, that number, which includes video and audio on-demand streams, was \$0.00517. In 2014, it was \$0.00666.

However, 2016's number is somewhat misleading, as YouTube no longer reports all of its streams to Nielsen Music. Sometime last year, it began only reports streaming data on artists whose music stream over 1,000 views a day. Consequently some undetermined amount of on-demand streams go unreported, and if they were included, it would result in a lower per-stream rate.

So even though on-demand, ad-supported revenue, like that from Spotify's free tier and YouTube, grew 25.9 percent to \$469 million, payments from paid subscription services are growing three times as fast. Paid subscriptions generated \$2.26 billion for the industry industry, up 94.9 percent from \$1.16 billion in 2015.

On the sales side, digital downloads accounted for \$1.84 billion while physical sales totaled \$1.67 billion. In revenue, the decline was measured at 24.1% to \$9.06.8 \$906.8 million, down from \$1.195 billion.

Digital album sales declined 21.3 percent to 86 million units from 109.3 million units in 2015; they generated nearly \$876 million, a decline of 19.6 percent from \$1.09 billion in 2015.

On a per unit basis, the average list price for downloaded songs increased slightly to \$1.21 from \$1.20, while the average list price of albums also increased slightly, to \$10.18 from \$9.97 in 2015.

Physical sales remain important to the industry, accounting for 21.8 percent of revenue, though they generated 15.7 percent less revenue in 2016. And since unit sales were only down by 15.7 percent, average prices are falling as well.

CD sales fell 20.9 percent to \$1.17 billion. The average list price of CDs was \$11.80, down from \$12.36 in 2015.

The vinyl revival is losing some steam, although the format remains a bright spot. Unit sales grew 1.8 percent to 17.2 million, while revenue rose 3.5 percent, to nearly \$430 million. (This year, revenue from ad-supported streaming surpassed that of vinyl -- it rose to \$469 million.) Since vinyl growth averaged 38 percent a year from 2012 through 2015, according to Nielsen Music numbers, some wonder if the format's resurgence has peaked.

Revenue from synchronization licensing -- \$204.3 million -- was essentially flat, while revenue from ringtones and ring-backs fell 26.5 percent to \$40.1 million.

For the first time, the RIAA broke out revenue generated by limited-tier subscriptions -- those that restrict the availability of songs, the devices they can be heard on, or other features. That category brought in \$220.3 million in revenue. In another first, the RIAA reported \$101.2 million in revenue from ad-supported streaming services that operate without a statutory license (and license music directly from labels).