

## RETAIL TRACK: FORMATTED FOR SUCCESS

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New Physical Products Hold New Opportunities  
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Although the music industry just left behind a tough year, we all know we are facing an even more challenging one ahead. That's because digital sales are still not offsetting the decline in physical volume. It seems that the labels are paying plenty of attention to building digital sales, but for all their lip service are still not doing enough to prop up physical formats.

Besides those customers choosing digital over physical, the other things hurting CD sales are price, exclusives and the oncoming format obsolescence. Let's tackle these things one at a time.

Sure, it's been said a million times that consumers will pay and pay well for a hit title they really want. But the label folks who say that seem to forget that for every album that is an automatic purchase, there are many other potential album purchases that are internally debated by consumers, with price being one of many factors under consideration.

There are many reasons why CD prices need to come down, but I have done that column many times before, so I won't repeat myself here, except to reiterate just one of them. A price reduction will help the account base remain healthy. When stores are healthy, they don't have to close. It's that simple. The rapid decline of CD sales owes just as much to the shuttering of stores carrying music and the reduction of music space in ongoing stores as it does to any other factor.

Let's move on to exclusives, a practice that merely shifts sales—not grow them—usually from multiple accounts to nowadays a few big-box accounts. Forget that it drives the shut-out retailers crazy, but four versions of James Blunt's "All the Lost Souls," each available at different big-box accounts, also confuse and piss off consumers, according to Newbury Comics CEO Mike Dreese (Billboard, Dec. 22, 2007).

Exclusives are also a factor in why music specialty stores close. Isn't it amazing that the U.S. industry's overall sales keep falling, even though big boxes like Target, Wal-Mart and Best Buy keep opening more stores? Could it not be more clear that having dedicated music stores remain open might be in the label's best interest long term?

Finally, let's do something about the CD. The movie industry is already at work on setting up its second physical digital format—Blu-ray and HD—and the music industry is just now taking tentative steps to its second. What's with that?

Last issue, Billboard highlighted four discs—DVDplus, MVI (music video interactive), CDVU+ and DFS (digital future solution)—all vying for attention as the CD replacement. Most of these discs have been around since last March, and yet so far all we have seen in the States are maybe eight titles issued on MVI. Why are we taking our time on this? Isn't the industry sinking fast enough to prompt a slightly quicker response?

Sure, I know that surround sound failed to catch the imagination of consumers before, just like quadraphonic albums failed in the '70s, but the numbers that the DVDplus people are touting make for a convincing argument. Forty-three million households now have surround sound, and 60 million will have it by 2009. Seems like a great base of consumers who might want to buy, say, the 373 albums that have each sold more than 5 million units, to play in surround sound.

I hate it when the industry tries to trick customers into rebuying albums by coming out with limited edition versions well after street date, instead of having them both out day-and-date. But who could complain about being offered the opportunity to buy a superstar platinum album in a new, high-quality version now, when most consumers didn't have surround sound opportunities when most of those albums were initially released?

And don't forget, if you don't want to adopt DVDplus, MVI comes out on a DVD and is fully capable of containing surround sound too.

CDVU+ is also worth taking a look at, as long as you keep at least a basic CD booklet with the package, something that so far Hollywood is not doing. Finally, what I like about DFS—which can be married with DVDplus and visa versa—is that it seems to offer a solution to the exclusives issue.

We all know exclusives are bad for the industry, but the labels are going to keep doing them because they like using other companies' money to market their records. But with DFS, after an exclusive window, you could allow all customers the opportunity to buy all the exclusive tracks that were spread out to all the various big boxes and iTunes to the updatable area of the DFS disc, thus making the album complete for everyone.

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