

# GLOBAL MUSIC PIRACY AND ITS EFFECT ON US RECORDED MUSIC SALES



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## Executive Summary

As the value of recorded music continues its most dramatic decline since Thomas Edison made his first recording in 1877, the entire global music industry is struggling to identify the causes of the recent decline and their potential solutions. As a result, the US music industry is experiencing a major decrease in global sales, especially for its most popular format, the compact disc. But the biggest issue the industry is facing besides the massive loss in sales is the declining perceived value of recorded music over the past several years. This decline has sparked an ongoing debate regarding the role that online music piracy has played in this downturn. Because of the nature of the theft, the damage is difficult to calculate but not hard to envision. On the surface, it may appear as though the debates and technological changes are strictly between the RIAA/Major record labels and those who use/provide P2P technology. Beneath the surface, however, the debates and technological changes affect everyone in the entire music industry all over the world. Those against file-sharing technology contend that online music piracy via peer to peer networks [P2P] and MP3 file-sharing are largely and significantly responsible for the decline in recorded music sales. Meanwhile, on the other side of the fence, proponents of file-sharing argue that MP3 file-sharing has not adversely affected sales, but rather has served as a promotional tool for the industry and has thus helped increase sales. Beyond that highly publicized argument, it is practical to consider the possibility that other market factors beyond file-sharing may be contributing to the downward trend in CD sales. Unfortunately, the decline has affected the ability of many people in the entertainment and recording industry including: record label executives, entertainment attorneys, music publishers, publicists, managers, recording engineers, retailers, songwriters and the musicians to earn an honest decent living. As a result of the music industry's Herculean resistance to change and its unwillingness to modify its' out dated business model, the entire industry is desperately struggling to try and restore the value of recorded music.

This analysis will try to determine if online music piracy is a significant factor in the music industry's declining Music Product sales by presenting a multi-variate regression model that attempts to relate US global Music Product sales to software piracy and three other market factors to see if there are significant relationships which would reasonably explain the sales decline.

*It should be noted that currently there is a lack of reliable, published data with regard to online music piracy through illegal downloads via file-sharing technology. Therefore, this analysis has broadened the scope of the primary independent variable to include related statistics on software piracy in the US. Data in that regard is widely available and offers a means to a quantitative conclusion for this analysis. The lack of empirical evidence on online music piracy is a reflection of the relative newness of the phenomenon and of the difficulties in measuring the effects of music piracy in any context. Due to these and other factors, the potential relationships discussed here warrant further research and analysis as more data becomes widely available and if given a better measure the results could end up different.*

**The Complete Report can be purchased for \$195**

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### For Further Reading:

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