

culture études

ÉCONOMIE DE LA CULTURE ET DE LA COMMUNICATION

Cultural Diversity in the French Recorded Music Industry (2003-2008)

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La diversité culturelle dans l'industrie de la musique enregistrée en France (2003-2008)

Foreword

Cultural diversity is now a central aim of public cultural policies, particularly since adoption of the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions, effective as of 18 March 2007 after its ratification by France and the European Union. Numerous cultural policy measures refer back to it, particularly within the cultural industries sectors. A largely political concern, there are nevertheless economic aspects of cultural diversity: it relates to important issues such as competition, industrial concentration, market power and economic efficiency, which are once again being brought to the fore in the present climate by economic globalisation and the effects of the digital revolution.

Aware of the public policy issues raised by the question of diversity, the General Secretariat has for the last few years included the issue in its research programme¹. In 2008 it launched a call for research proposals on "the assessment and processes of modifying diversity within the cultural industry". Aiming to build upon all the results of socioeconomic analysis on the subject, the call for proposals invited researchers to address the issue of assessing the various aspects of cultural diversity (definitions and measures) and identifying the processes by which the diversity of cultural products supplied, distributed and consumed has changed.

Whilst the French music industry is in crisis, with record sales falling dramatically throughout the 2000s, this study of the evolution of diversity during this period attempts to address the reality of the "long tail" theory within the market in question.

Jean-François CHAINTREAU

The music recording market is famously concentrated in the hands of just a few; in point of fact, the 'big four' account for three quarters of sales, whilst several hundred independent labels divide up the remaining market share. Moreover, the recorded music industry is set up along publishing house lines. Due to low fixed production costs combined with the uncertainty as to any work's future commercial success, the level of variety in production is extremely high, with the few commercial successes subsidising the cost of the industry's many failures. After the boom years of the 1990s, from 2003 onwards the recorded music industry began to collapse. Without looking here to identify either the extent or even the existence of any causality between the two phenomena, the drop in recorded music sales occurred in tandem with an advanced digitisation process within the industry. In terms of diversity, the recorded music industry therefore offers a unique insight: how does cultural diversity evolve in an industry in crisis? How do online sales affect diversity? Does the contribution to recorded music sales of the very considerable combined weight of the large grocery chains and large specialist cultural product outlets have an impact on diversity? By analysing the GfK database on recorded music sales in France from 2003-2008² (see "The Data", p.14) we are able to address various aspects of the cultural diversity issue by examining it on the basis of variety, balance and disparity (see "Aspects of Methodology", p.14).

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1. See Tristan MATTELART, *Enjeux intellectuels de la diversité culturelle. Eléments de déconstruction théorique*, Paris, Ministère de la Culture et de la Communication, DEPS, "Culture prospective" collection, 2009-2, July 2009. Moreover, this cultural diversity study also includes a section on promoting intercultural dialogue, see Hélène HATZFELD, Vincent BILLEREY, *Repères pour un dialogue interculturel*, Ministère de la Culture et de la Communication, Secrétariat général (SCPCI/DREST), 2010, available online at www.culture.gouv.fr/ under the "Politiques ministérielles" section.

2. This analysis only covers sales of music products in hard copy (albums in CD format) and excludes the music DVD market, and also excludes the digital market either online or via mobile technology (e.g. individual track sales, subscriptions, streaming, ringtones, etc.). However, for the period in question, these two markets were insignificant. In 2008, According to GfK, the music DVD market only represented 7.5% of the market for physical copies of recorded music, and the digital market only accounted for 5.9% of the value of recorded music sales in France

See: www.disqueenfrance.com

BACKGROUND

The recorded music industry is undergoing a genuine crisis. The global turnover for CD sales has collapsed: between 2002 and 2010 it fell by over 50%. For the 2003-2008 period alone, retail sales turnover for recorded music saw a 52% drop in value, and a 46% drop in volume. This background information is crucial, as it has a bearing on diversity within the sector, particularly for diversity of production. One might suppose that a drop in sales, by weakening the financial position of record companies, leads to a drop in music production. Has this fall in sales similarly affected the various different sales channels and the diversity of music genres?

In 2008, the majority of records were sold through specialist superstores (SSS) such as Fnac, Virgin, etc. By the end of 2008, these stores represented half of the market share; one third of album purchases were made in grocery superstores (GSS), with remaining sales distributed more or less equally between online sites such as amazon.com, fnac.com, etc. and other channels such as independent record stores (Figure 1). However, this distribution pattern changed over the period, as the fall in recorded music sales did not affect all the distribution channels in the same way.

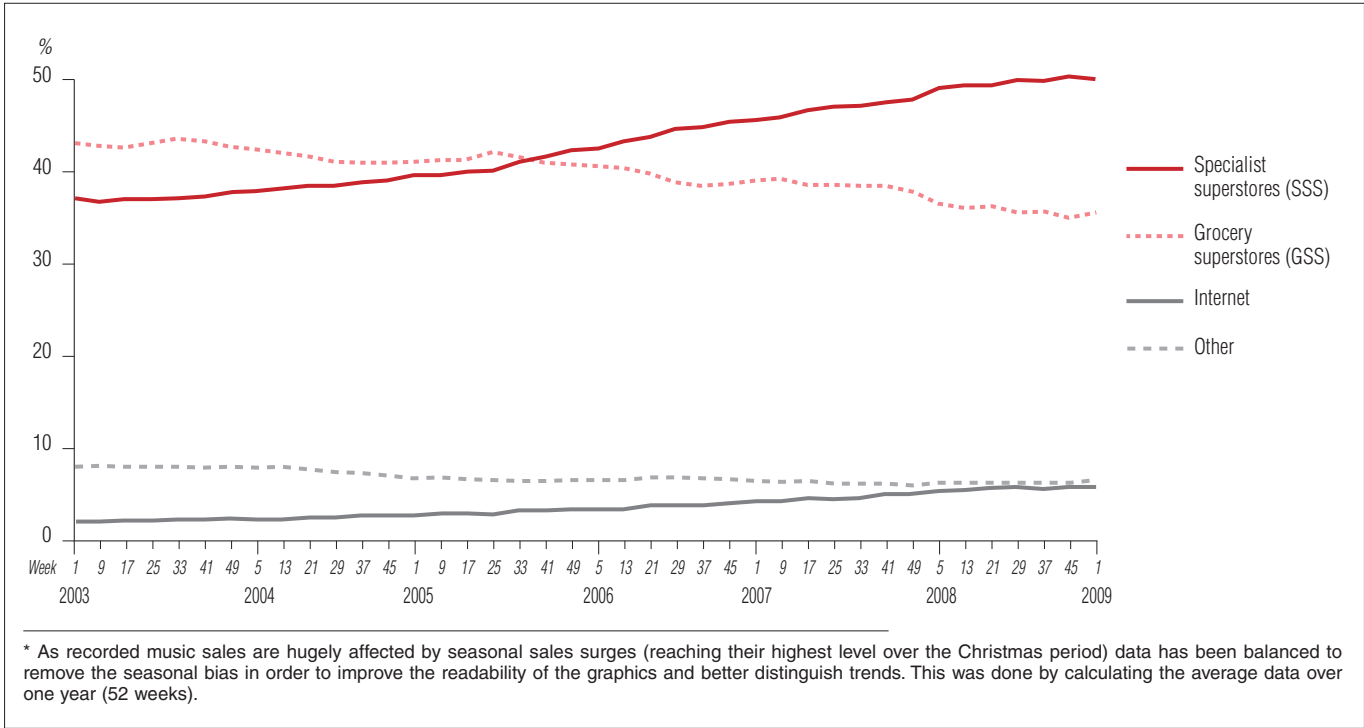
Sales in grocery superstores saw the most significant fall, with average weekly sales of 400,000 albums in 2008, as compared with 800,000 in 2003, whilst in specialist superstores the much slower fall in sales only began to be noticeable in 2006. There are a number of reasons of the drop in GSS sales: impulse purchases probably dominate this distribution channel, which come up against fierce

competition from the opportunities to consume music for free (piracy, streaming, etc.) as well as from online purchases made at home. Conversely, advice and the ability to listen before purchase contribute to diminished impulse purchases in SSS, thus limiting the fall in sales seen in GSS. On the supply side, reducing the space allocated to recorded music in GSS automatically led to a quantitative fall in sales. The tendency to reduce the space allocated to recorded music in favour of other cultural goods such as books, films and video games etc. is now also prevalent in SSS. The closing of Fnac Bastille in 2009, the chain's flagship store dedicated purely to music, is further evidence of this form of retreat by the SSS. Outside of the SSS, which maintain a certain stability, only online sales continue to grow, albeit in relatively modest terms in relation to the growth of online business for cultural and technological product market, which saw a fourfold increase between 2004 and 2008. Against a background of deep recession, this increase boosts the market share for online business significantly in relation to other distribution channels for the 2003-2008 period (Figure 1).

GfK divides the market into seven musical genres: French popular music, international popular music, jazz/blues, classical music, world music, compilations and finally "other" which includes original film soundtracks, children's music, ambient music, etc. The two main genres, French and international popular music, account for over two-thirds of the market by volume.

In 2008, the average market share for French popular music was around 36%, as compared with 32% for international popular music. Although all genres experienced

Figure 1 – Changes to Market Share per Distribution Channel (by volume), 2003-2008



Source: DEPS, Ministry of Culture and Communication, 2011.

falling sales volumes (with the notable exception of classical music), French popular music saw a more marked fall than international popular music, which in fact saw its market share increase by 5 points over the period (from 27% in 2003 to 32% in 2008). World music and jazz blues maintained their market share position (around 5% each), with recorded classical music even seeing a slight increase, going from an average weekly market share of 5% in 2003, to 7% in 2008.

HOW HAS THE CULTURAL DIVERSITY OF RECORDED MUSIC IN FRANCE CHANGED BETWEEN 2003 AND 2008?

Variety

A Fall in the Variety Produced

With sales falling and the record companies struggling, the variety produced, i.e. the number of new items released onto the market each week, fell by around 30% across this period. However, the situation for the majors and the independents seems very different (Figure 2). Releases for sale by the former (barely a fifth within musical creation) dropped by 70% between 2003 and 2008, as compared

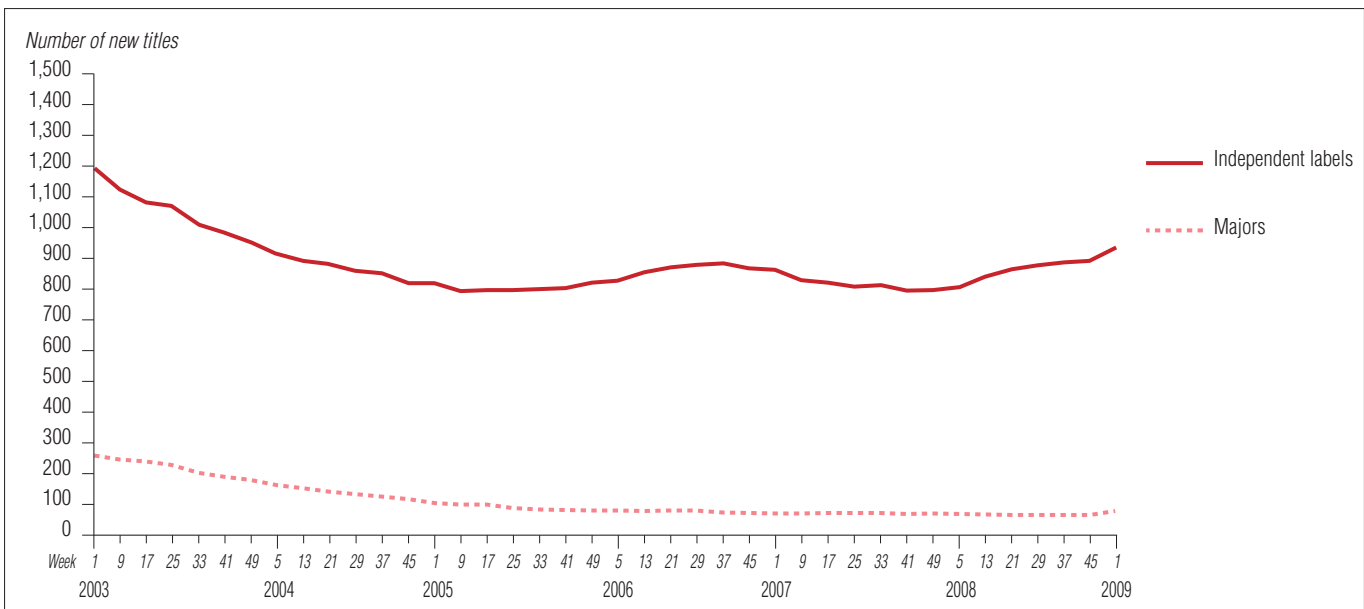
with “only” 25% for the independents. Moreover, whilst the majors’ production dwindled gradually over the period as a whole, the independents’ decline was only temporary and, as of 2006, and 2008 in particular, the trend seems to indicate a slight overall increase.

It seems as though the economic crisis and the emergence of digitisation has called into question not so much musical creation itself, but the majors’ business model. Although the practice of putting out albums amidst a blaze of marketing publicity has not disappeared, it is certainly increasingly less common, whilst the musical creation of smaller independents seems to be much less affected³. The comparative advantage of the independents resides not in controlling the market’s promotional and distribution networks, as is the case for the majors, but rather in their knowledge of the market and their ability to spot and support new talent.

A Less Significant Fall for Variety Consumed

Variety consumed can be measured on the basis of the number of different titles sold each week⁴. Taking into account the extent of the global drop in sales, a reduction in the number of different titles sold is no surprise. In a market whose sales are being cut in half, it is only logical that for a large number of titles no sales at all are recorded during certain weeks. However, there is little evidence of

Figure 2 – New Albums Produced per Week (majors vs independents)

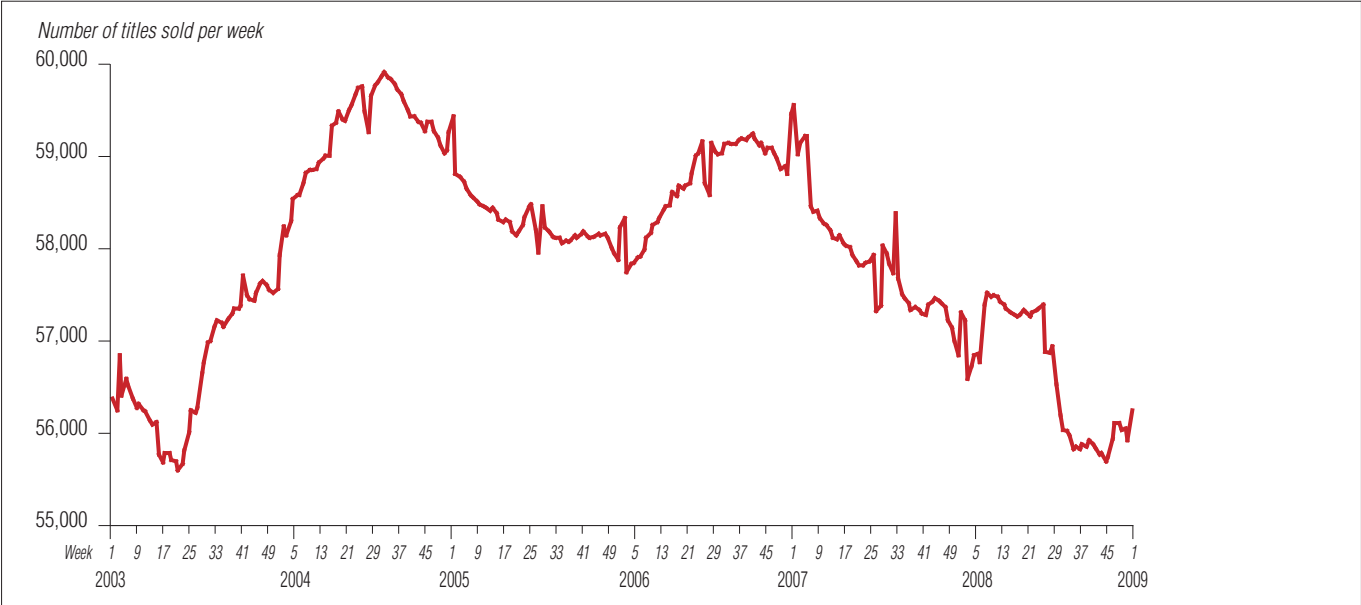


Source: DEPS, Ministry of Culture and Communication, 2011.

3. This theory needs qualifying however: it certainly seems that some artistic directors, released from the majors, produce the same artists with the independents, reproducing the same model (size of promotional budgets, etc).

4. It is clear that there is a limit to the evaluation of variety consumed. A drop in the number of titles sold by at least one copy could be due to a reduction in supply –with demand unchanged– or to a drop in demand –with no change to supply. In other words, when a title does not sell one week, the data does specify whether this title was available for sale or not.

Figure 3 – Number of Different Titles Sold per Week



Source: DEPS, Ministry of Culture and Communication, 2011.

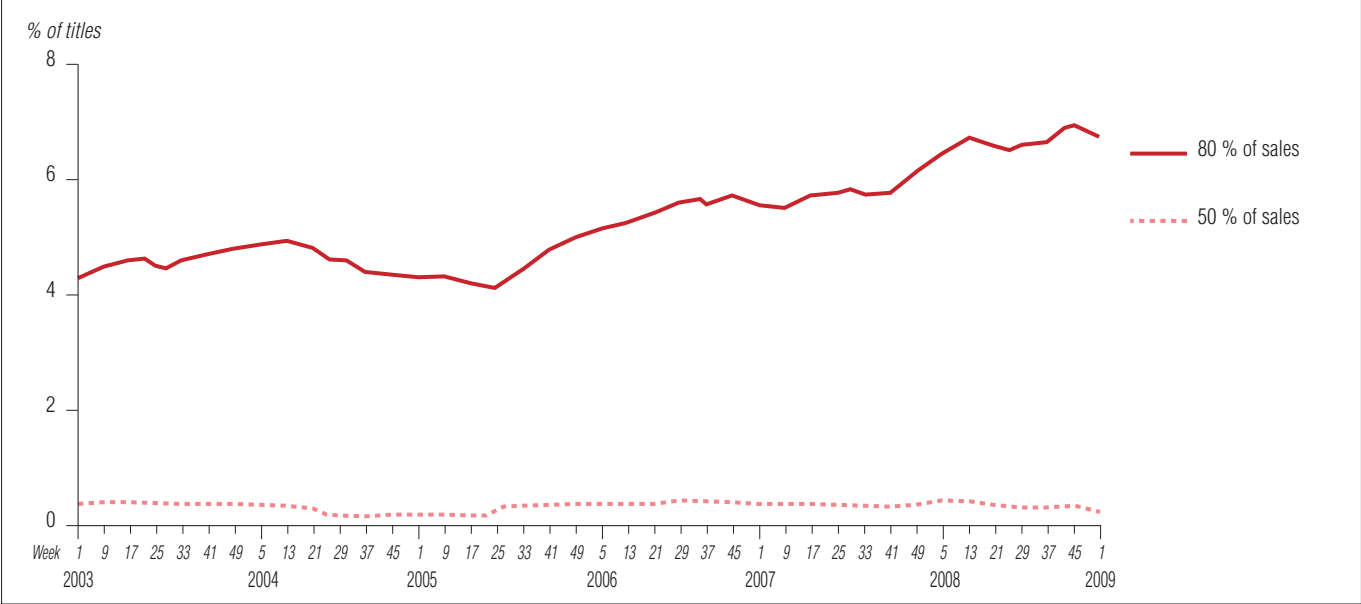
this trend. Having followed an upward trajectory until 2004, variety consumed only dropped by 7% thereafter: in 2004, between 59,000 and 60,000 titles were sold each week, as compared with 56,000 and 57,000 in 2008. The continuing strength of variety consumed combined with a drop in variety produced suggests that sales are tending towards little-known titles, often part of a collection.

Do these conditions imply a deconcentration of sales? A reduction in variety produced might thus lead to a drop in the volume of best sellers in favour of lesser-known titles. The various indicators relating to the balance of the distribution of sales give rise to differing views on this issue.

Balance

As for all cultural product sectors within which the ‘star system’ prevails, sales of recorded music in France are highly concentrated. On average, for each week of the year 2008, 0.35% of titles were responsible for half of CD sales, and 6.7% of them were responsible for 80% of sales (see Figure 4). Did this concentration diminish over the period? Several signs seem to indicate this was the case.

Figure 4 – Concentration of Sales (% of titles accounting for 50% and 80% of sales)



Source: DEPS, Ministry of Culture and Communication, 2011.

An Increasingly Differentiated Sales Distribution

At the start of 2008, almost 7% of titles accounted for 80% of sales, representing a 3 point increase on the start of 2003. On the other hand, the percentage of titles which accounted for half of sales tended to stagnate or even drop slightly by the end of this period. Although the share of titles accounting for 80% of sales increased whilst that for titles accounting for half of sales remains stable, the deconcentration trend affects the top-sellers less (the 0.35% of titles which account for half of all sales) than those immediately beneath them.

At the start of 2003, the top 200 best-selling titles accounted for half of all sales, as compared with 180 in 2008. Conversely, 2,400 titles accounted for 80% of all sales at the start of 2003, as compared with 3,800 titles in 2008. Therefore, although a relatively stable number of different titles always accounts for half of all sales, on the other hand a higher number of titles are needed to account for 80% of sales.

Top 10 Share Increases Whilst Top 100 and Top 1,000 Share Decreases

Taking all genres and all sales channels as a whole, the top 100 accounts for around 40% of the market, and the top 1,000 represents around 60% to 70% of sales across the whole of the period in question (see Figure 5). Between the start of 2003 and the end of 2008, the weighting for both charts changed in a similar fashion, initially increasing until mid-2005, then dropping until by the end of 2008 it had sunk below its initial 2003 level. The top 1,000's share of total sales therefore went from 70% at the start of 2003, to 71% in mid-2005, before dropping to 64% by the end of 2008. The top 100 went from a 40% market share

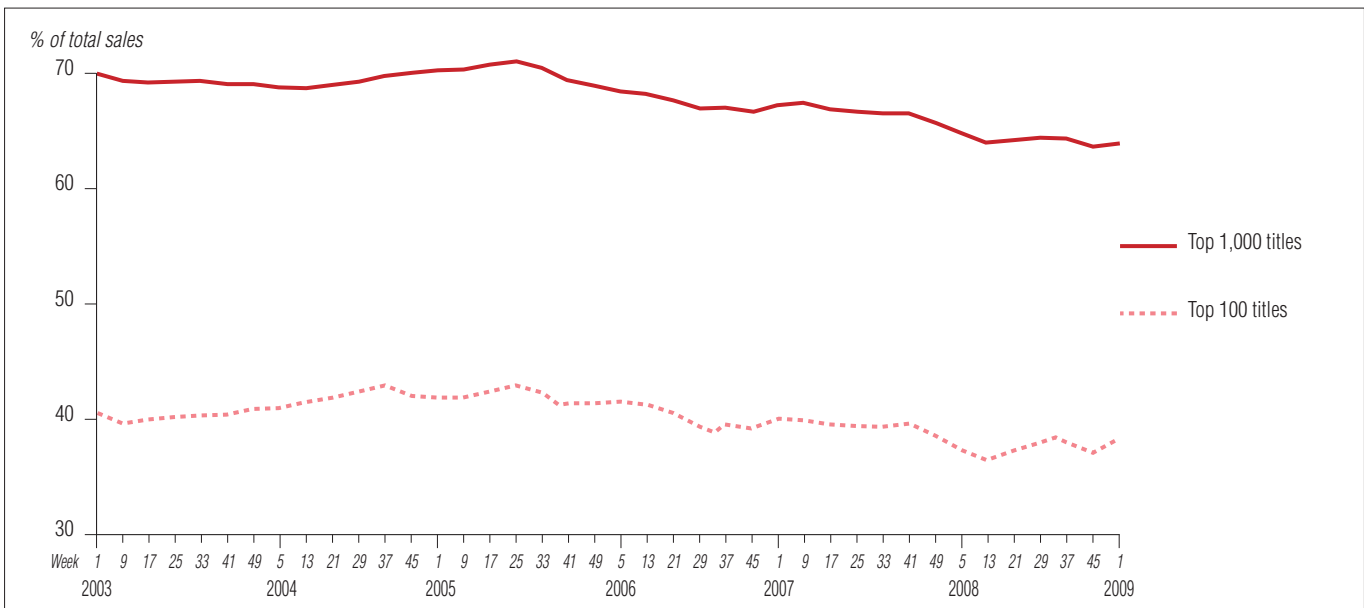
at the start of 2003, increasing to 43% in mid-2005 before finally settling at 38% at the end of 2008.

Therefore, although the top 100's decreasing market share over the period indicates a certain depreciation for hits, the decrease for the top 1,000 was more dramatic, a sign that hits are more resistant to market deconcentration. Although the market share for the top 100 best-selling titles fell by 2 points over the period, that for the following 900 top-sellers dropped by 4 points (from 30% at the start of 2003, to 26% at the end of 2008). The superior resistance of the hits is confirmed through analysis of top 10's share of the top 100. Between 2005 and 2008, the top ten's share of the top 100 titles increased by 6 points, to end at 38%. However, over the period as a whole, this averages out at a 2 point increase. Therefore, sales of recorded music in France between 2003 and 2008 show a trend towards deconcentration, which affects the best-selling titles less (the top 100) and leaves the superstars unscathed (the top 10) to the detriment of those titles experiencing average success.

Disparity

At a given level of balance and variety, diversity can increase if the disparity of works consumed grows. Working from exhaustive sales data, it is of course impossible to measure disparity within the content of different titles. Moreover, disparity is examined from three different points of view: the turnover rate in the top-sellers charts, and their level of similarity between channels. An analysis of the title turnover rate reveals whether the same titles monopolise the charts for long periods or whether, on the contrary, the content of the charts changes frequently; also an examination of changes in the population of artists and the distribution of sales between them. We can assume that, all other

Figure 5 – Market Share for the Top 100 and Top 1,000 Titles



Source: DEPS, Ministry of Culture and Communication, 2011.

things being equal, that if a growing number of artists are involved in titles sold, disparity is increasing; changes in the respective power of the majors and the independents, in distinguishing for the latter between the “big” artists (ranked 5 to 10 by sales volume) and the “smaller” (ranked beyond 10). It is common to typify (perhaps rather too broadly) independent label production as targeting niche markets, whilst the majors’ output is designed more for the mass market. An increasing role of the independents would therefore be generally seen as favouring diversity.

Low Chart Turnover Rate

Overall, the turnover rate for titles in the charts is relatively low. Thus, at the end of 2008, only 16 new titles were entering the top 100 chart each week, with around 150 entering the top 1,000. Overall, there has been an observable increase in the chart turnover rate since 2004. Thus, whilst at this time around 14 new titles were entering the top 100 every week, this rate had increased by three points by the end of 2007, finally falling again throughout 2008. Over the period as a whole, the top 100 turnover rate increased by an average two points. The top 1,000 evolved in a very similar way, albeit slightly less dramatically. This additional indication of a certain depreciation in hits should however be qualified with an analysis of the various channels.

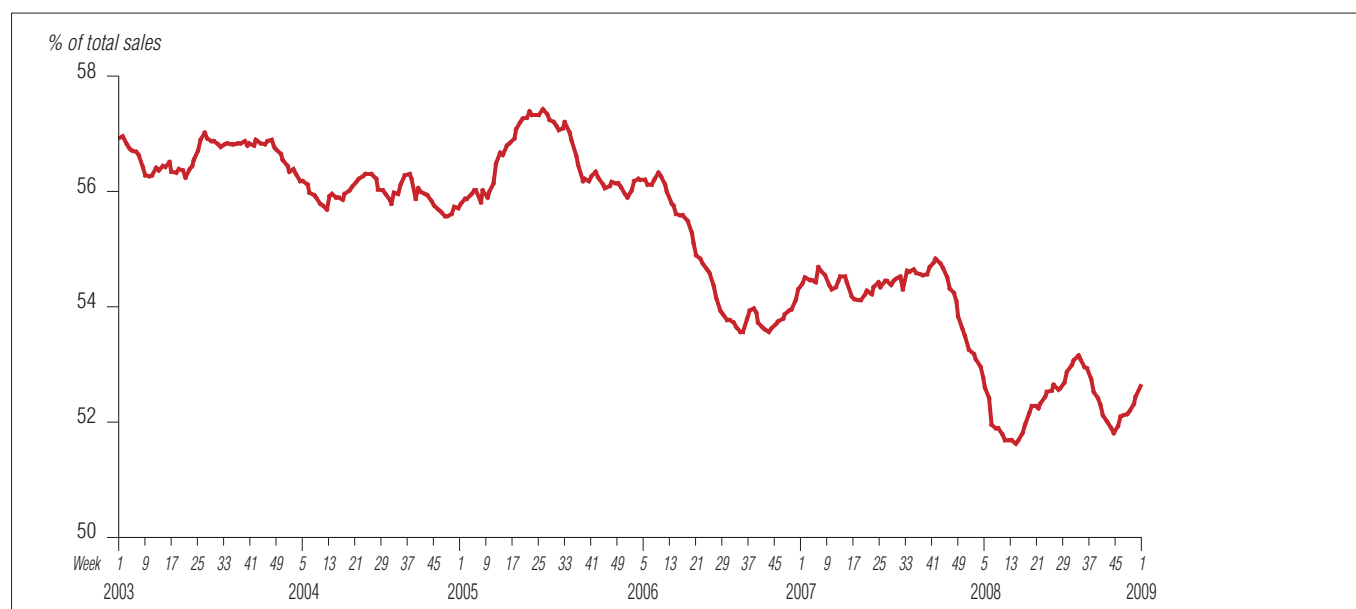
In the grocery superstores (GSS) and in “other” sales outlets, turnover rates increased for both the top 100 and top 1,000. However, it is likely that this increase follows the forces of supply rather than demand. The turnover rate in these channels does not improve because customers demand more new stock, but because stock rotation rates are increasing. Conversely, in specialist superstores (SSS) although they operate a similar stock rotation policy, it is undoubtedly less focussed on best-sellers, which stay available for long enough to complete their life cycle. Through this channel, we actually see a trend towards lower turnover

rates for the best-sellers, especially those within the top 100. By the end of 2008, there were on average 27 new entries each week to the top 100, as compared with 31 at the start of 2003. However this trend does not continue into the top 1,000: in fact, although the top 1,000 turnover rate fell over the period in question, it began to climb again from mid-2006. However, this result is hard to interpret. Is it linked to the fact that in SSS the top 100 is less affected by falling sales than the top 1,000, meaning that demand is becoming more diversified, (leaving aside those hits heavily-promoted in the traditional media)? Or is it in fact accounted for by the destocking of titles which affects only the top 1,000 (it is worth noting that on average, at the end of 2008, the top 1,000th title barely sold more than 100 CDs per week, across all channels)?

Falling Stars

Although the disparity of titles has not changed significantly, that of artists and distributors has. In fact disparity increases where titles consumed are interpreted by a growing number of artists. Now, between the start of 2003 and the end of 2008, the number of artists selling at least one CD per week has risen significantly (up 5%), even reaching 10% at the start of 2007, although that figure has since dropped. This increase is essentially due to the boom in online sales. Although at the end of 2008 the number of artists selling at least one unit per week online was half that for SSS, online sales have increased constantly, the reverse of the trend observed for all other channels at the end of 2004. This change is correlated to an increasing market share by non-‘star’ artists. Whilst the top 100 artists accounted for 57% of all sales at the start of the period in question, their market share had dropped by about 4 points by the end of 2008 (see Figure 6). The top 10 artists’ share of the top 100 on the other hand, having fallen from 49% to 42% between the start of 2003 and mid-2004, nevertheless bounced back to 45%.

Figure 6 - The Top 100 Artists’ Share of Total Sales



Source: DEPS, Ministry of Culture and Communication, 2011.

Falling Influence of the Majors Benefits Big Players and Small Independents Alike

Independent labels are generally seen as producing more diverse music, working innovatively and investing in niche markets, while the majors specialise in products for the mass market. This being so, the growth of the independents can be seen as a source of greater disparity within music consumed. There is certainly strong evidence of deconcentration of sales at distributor level. Looking at all channels and genres as a whole, if one applies the usual criteria employed by the European competition authorities (i.e. the Herfindhal-Hirschmann index), the recorded music industry shows average concentration. When applied to de-seasonalised data, this index has never exceeded 1,600 points over the whole of the period in question and even showed a drop of 200 points between the start of 2003 and the end of 2008⁵ (see Figure 7). However, this fall in concentration for the aggregated figures is also partly a result of structural factors. Effectively, if for each of the SSS and GSS channels which together account for 85% of album sales, the Herfindhal-Hirschmann index (HHI) is very low, in the GSS sales are far more concentrated on titles from the majors, resulting in an appreciably higher HHI index. Moreover, the falling proportion of sales made through GSS to the benefit of the SSS also goes some way to explaining the falling concentration index for aggregated sales of recorded music. As an analysis of concentration ratios reveals, this fall results from the majors' declining market share to the benefit of the independents. CR₄ and CR₁₀ measure the aggregated market share of the top four

and the top ten distributors respectively. These two indicators, and the comparison of them, allows us to identify the market share for the four market leaders, which for recorded music corresponds to the four majors⁶, that for the next six companies, i.e. the largest independents (Wagram, Naïve, Harmonia Mundi, etc.) and finally for the other distributors, the smaller independents. Looking at all genres and channels as a whole, we can see that the market share for the four majors has diminished appreciably over the period in question. At the start of 2003, this was approaching 71%; five years later it had dropped by 4 percentage points. At the same time, the aggregated market share for the top ten companies had dropped by 2 percentage points from 90% to 88%. Thus, those distributors below the top ten, despite still being minor players in terms of turnover, saw their market share increase by 2 percentage points from 10% to 12%, as did the six largest independents (from 19% to 21%).

However, the independents' growth does not seem to be able to break the hit record barrier. The problem that independent labels have in rivalling the majors for hit records shows what a competitive edge the majors have with their control of the distribution and promotion networks, and how crucial this is for breaking into the top of the charts. Indeed, whilst the independents' average market share increased by four percentage points between 2003 and 2008, during this same period their average market share of the top 1,000 remained relatively static, despite some fairly wild swings (averaging 24% in 2003, compared with 25% in 2008).

Figure 7 – The Herfindhal-Hirschmann Index (HHI) for Distributors

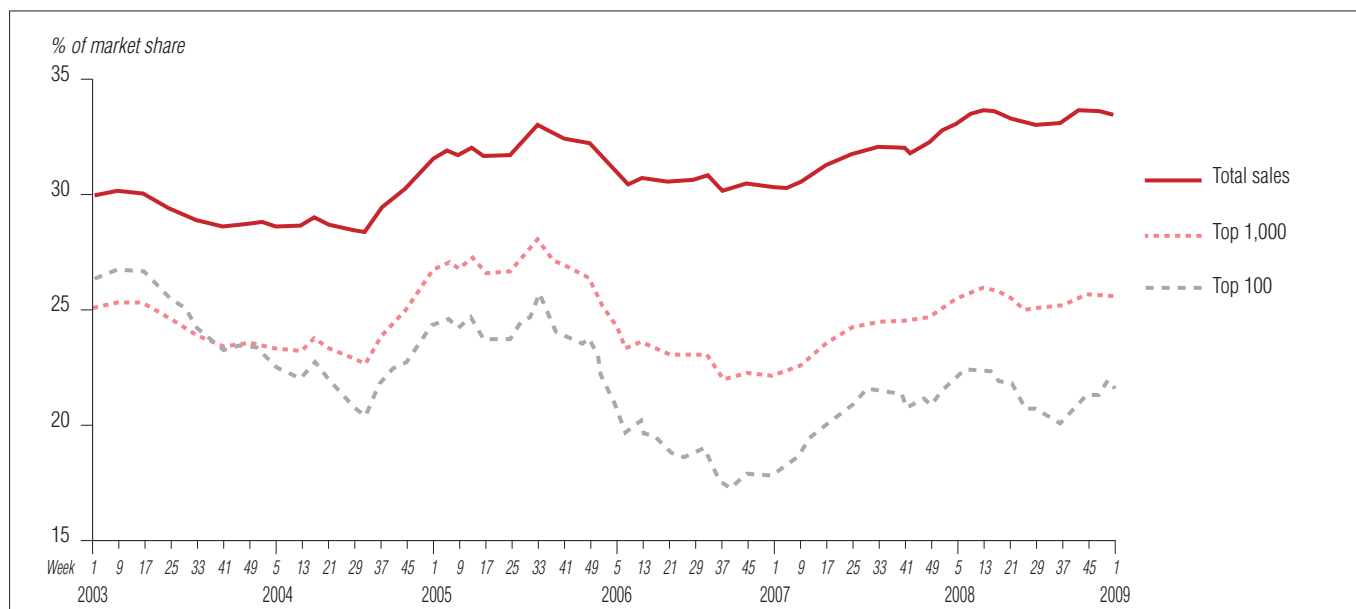


Source: DEPS, Ministry of Culture and Communication, 2011.

5. A sector with a score of over 2000 on the HHI is considered very concentrated, those between 1,000 and 2,000 averagely concentrated, and those below 1,000 to have a low concentration.

6. For the purposes of consistency, Sony Music and BMG were counted as a single entity for the period 2003-2008.

Figure 8 – The Independent Labels’ Market Share of the Top 100 and Top 1,000



Source: DEPS, Ministry of Culture and Communication, 2011.

On the other hand, the independent labels’ market share of the top 100 dropped by almost four percentage points. In 2003, this reached 25%; five years later it had dropped to 21%. Thus, as Elberse⁷ noted in the US, it is increasingly difficult for independent labels to break into the charts. It looks very much as though the majors are concentrating their efforts on promoting a smaller number of titles which then seem to be monopolising an even larger part of the hit record market. The fact that the top 10’s share of the top 100 is on the increase (see above) supports this theory (Figure 8).

Summary

In an industry which has been hit by a severe loss of sales, cultural diversity has evolved erratically. The appreciable drop in variety produced has only translated into a moderate fall in variety consumed, and is linked to a deconcentration in sales affecting the lesser-known artists and titles in the top 1,000 more than the hit records and the stars, with chart-toppers and megastars being less affected, if at all, as they see their share of the best-sellers increase. Similarly, if overall the majors are losing some of their share of recorded music sales to the smaller and larger independents, they are still managing to maintain if not improve their dominance at the top of the charts.

SOME KEY ISSUES

The Reality of the Long Tail Theory

An examination of the results of this study allows us to add to the debate about the reality of the long tail theory. According to Chris Anderson⁸, the digitisation of the cultural industries and the recorded music industry in particular is bound to result in a changed sales distribution pattern (Figure 9).

The tail should lengthen with the increased production of new works. It should also broaden, as easier distribution boosts the sale of lesser-known titles. Accordingly, the development of online recommendation tools should theoretically gradually reduce the dominance of the mass media’s promotional powers, thus shifting the balance of hit record sales more towards lesser-known artists, which traditional promotional systems ignore. However, this line of reasoning has not so far been borne out by empirical evidence.

A Longer Tail?

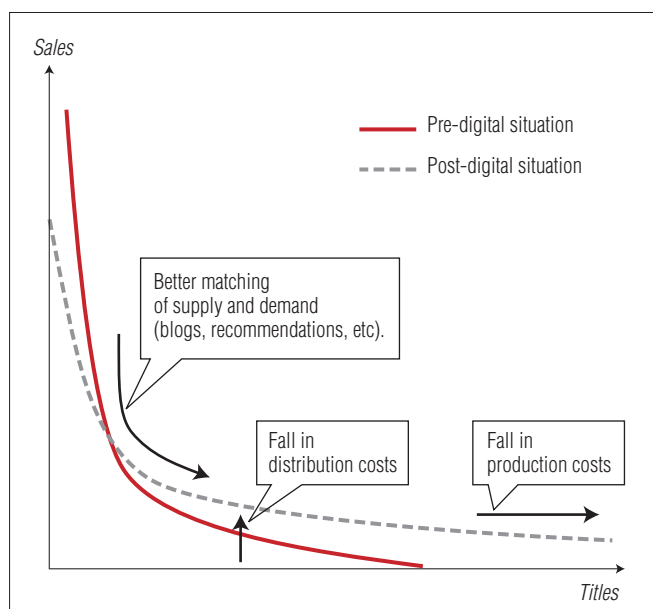
Overall, there is no evidence of a longer tail. The number of releases achieving at least one recorded sale remained stable throughout the whole of the period, and has even fallen by 7% since 2004. However, this does not signify that the number of releases made has not increased, especially online⁹. Two indices are moving towards a lengthening of the tail. On the one hand, since 2006 the production of new releases has shown an upward trend,

7. A. ELBERSE, “Should You Invest in the Long Tail?”, *Harvard Business Review*, 2008, 86(7/8): 88-96.

8. C. ANDERSON, “The Long Tail”, *Wired*, October, 2004; *id.*, *The Long Tail*, London, Random House, 2006.

9. The GfK database only lists releases which have achieved at least one sale, which makes it inherently flawed when addressing this issue.

Figure 9 – The Long Tail Effect



Source: DEPS, Ministry of Culture and Communication, 2011.

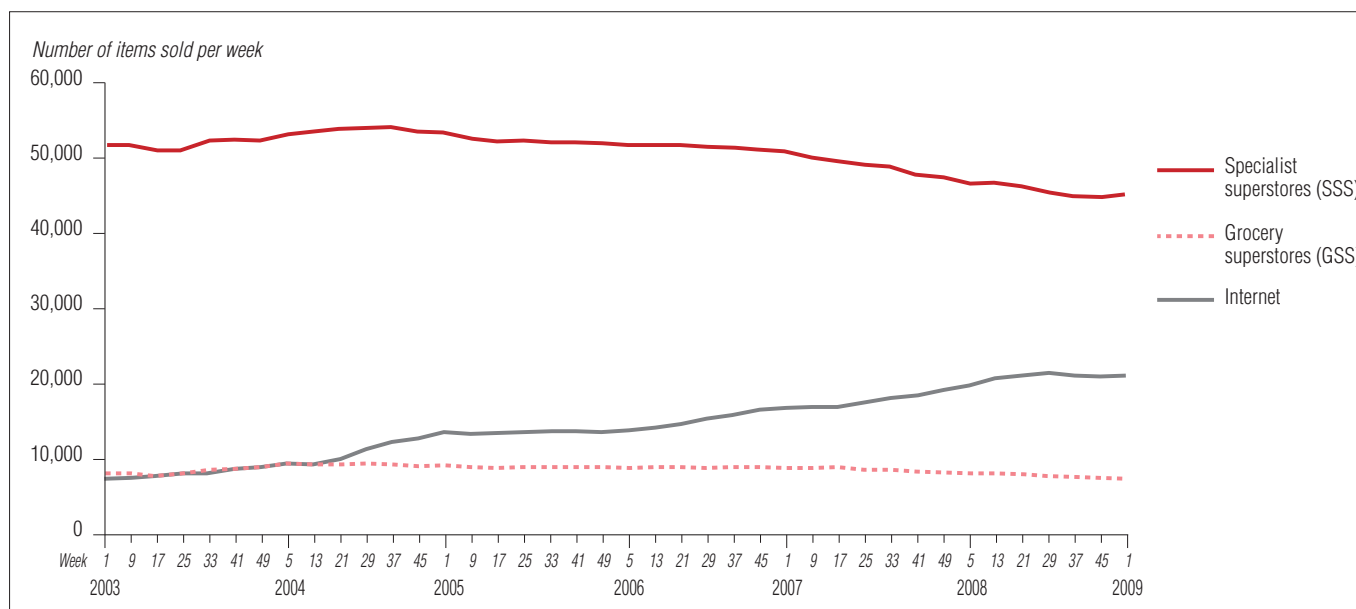
except by the majors. On the other hand, the number of different titles sold online rose sharply during this period. Freed largely of the constraining requirement for physical display space which limits traditional retail outlets, online stores saw the number of different titles sold per week increase hugely over this period, corresponding exactly to the long tail theory. Totalling around 7,500 at the start of 2003, this figure exceeded 20,000 by 2008 (see Figure 10).

The fact that part of this increase might partially be explained by the inclusion of new online sales brands in the GfK panel does not affect the analysis. Clearly, online the variety of titles consumed increased sharply over the period in question¹⁰.

Finally the comparative evolution in items sold for the SSS, GSS and online suggests that the fall observed in aggregated sales relates more to supply than to demand. How do we otherwise explain the continued upward trend of internet sales?

Are those titles sold on line different to those sold through other channels such as the SSS, or not? To answer this question, it is useful to compare changes in the number of different titles sold each week thorough all channels taken a whole against the individual figures for the SSS and internet channels: if the titles sold online were merely a subset of those titles sold in SSS, the growth of this indicator for the internet channel would only have a limited impact on changes to the indicator for all channels combined, and the observed drop in the SSS and all channels combined would be of the same magnitude. On the other hand, if the drop in the number of different titles sold each week in the SSS is more sustained than the drop for all channels combined, this indicates that the titles sold online are partially different to those sold in the SSS. When we look at all channels as a whole, the number of different titles sold each week fell by around 4,000 between mid-2004 and end 2008 (see Figure 3). In fact for the same period there was a fall of around 9,000 for the SSS: 54,000 different titles were sold in mid-2004 as compared with 45,000 at the end of 2008 (see Figure 10). This difference

Figure 10 – Average Number of Different Titles Sold per Week, per Distribution Channel



Source: DEPS, Ministry of Culture and Communication, 2011.

10. Two observations can be made about the relatively low number of different titles sold on line as compared with those through SSS (at the end of 2008, the ratio was roughly 1:2). On the one hand, the internet channel's lower market share automatically means an increase in the number of titles for which no sales are made some weeks, despite their availability. On the other hand, the number of different titles sold via SSS is not that of the average shop, but that of the entire network for the territory. These two factors therefore explain why we do not see the classic result whereby a higher number of items are offered online than in a typical specialist superstore.

could be explained in two ways: the internet allows people to buy titles which are no longer available through SSS (due to increasing de-stocking), or perhaps the internet offers titles which have never been sold through SSS (e.g. imports, lesser-known foreign titles, etc.).

A Broader Tail

The broadening of the tail is more obvious. Whilst 4% of titles were responsible for 80% of sales in 2003, 7% achieved this proportion of sales by the end of 2008, meaning that 93% of titles were responsible for 20% of sales in 2008, as compared with 96% in 2003. Another indicator of the same phenomenon is that the proportion of total sales of titles which do not make the top 100 or top 1,000 has grown: the former by 2 points, and the latter by 6. This broadening of the long tail is even more distinct on the internet. In 2008, 80% of online sales were made by 25% of titles. Similarly, the preponderance of the top 100 and top 1,000 is significantly lower online than it is for all channels: 18% compared with 38% for the top 100 and 38% compared with 64% for the top 1,000. This low preponderance of top-sellers amongst internet sales has diminished further since 2006 by almost 10 points for the top 1,000, although less markedly for the top 100. Another sign of this increasing trend towards deconcentration in online sales is provided by the Herfindhal-Hirschman index, which, calculated on a per-title basis is lower for online sales, whereas for all other channels it is higher.

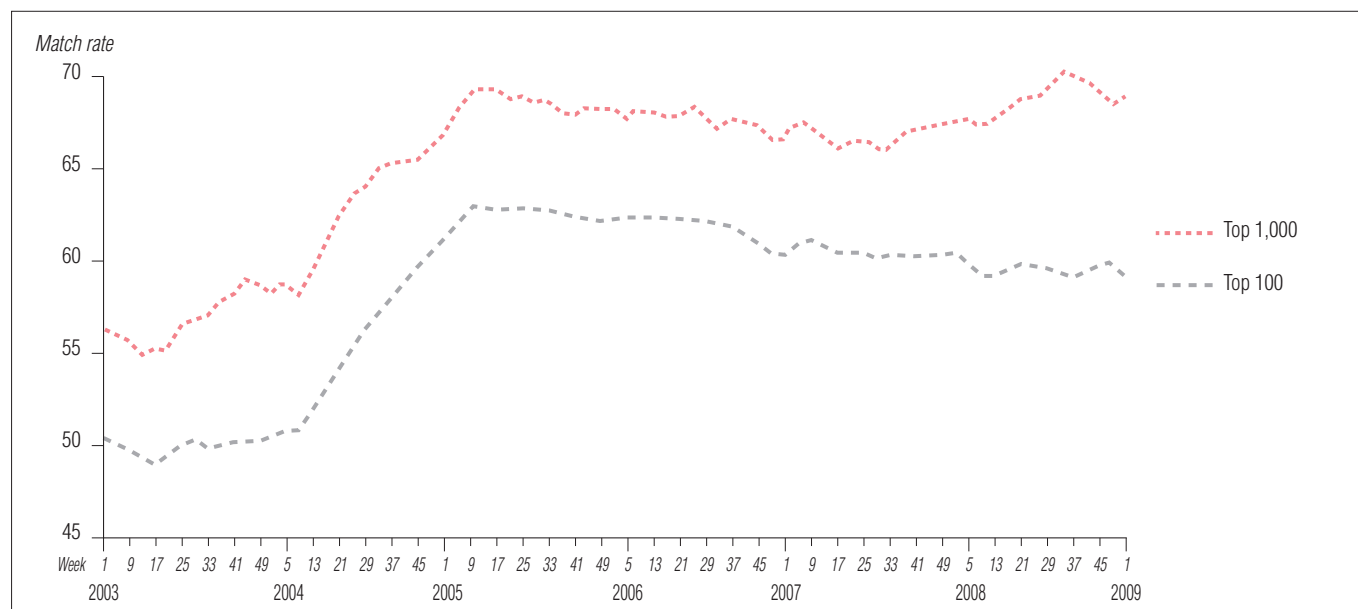
Different Titles, Fewer Stars and more Independent Labels Online

Ultimately, online sales are not only less concentrated, but they also seem to be qualitatively different to sales made through other channels. Thus, since 2005 the match

rate between the SSS's top 100 and that for the internet shows a declining trend (Figure 11). Titles purchased via these two channels are therefore increasingly disparate, indicating the unique nature of titles purchased online. Moreover, when viewing the figures for all channels combined, 80% of sales were made by the top 700 artists, whilst for online sales 1,600 artists were required to account for the same percentage (see Figure 12). Ultimately, although the top 100 artists' share of total sales is by far the highest via SSS (around 75% for the whole of the period in question) it is lowest online (scarcely above 30%). Comparing the SSS and internet channels is also revelatory: in the cultural superstores, the share of the top 100 and top 1,000 artists is on the increase, reflecting the combined phenomenon of the rise of the star on the one hand and the fall of little-known artists on the other. Conversely, online neither of these trends is apparent. Overall, for the whole of the period in question, the top 100 and top 1,000 artists' share of online sales remained relatively stable, and also some 10 points lower than the other channels.

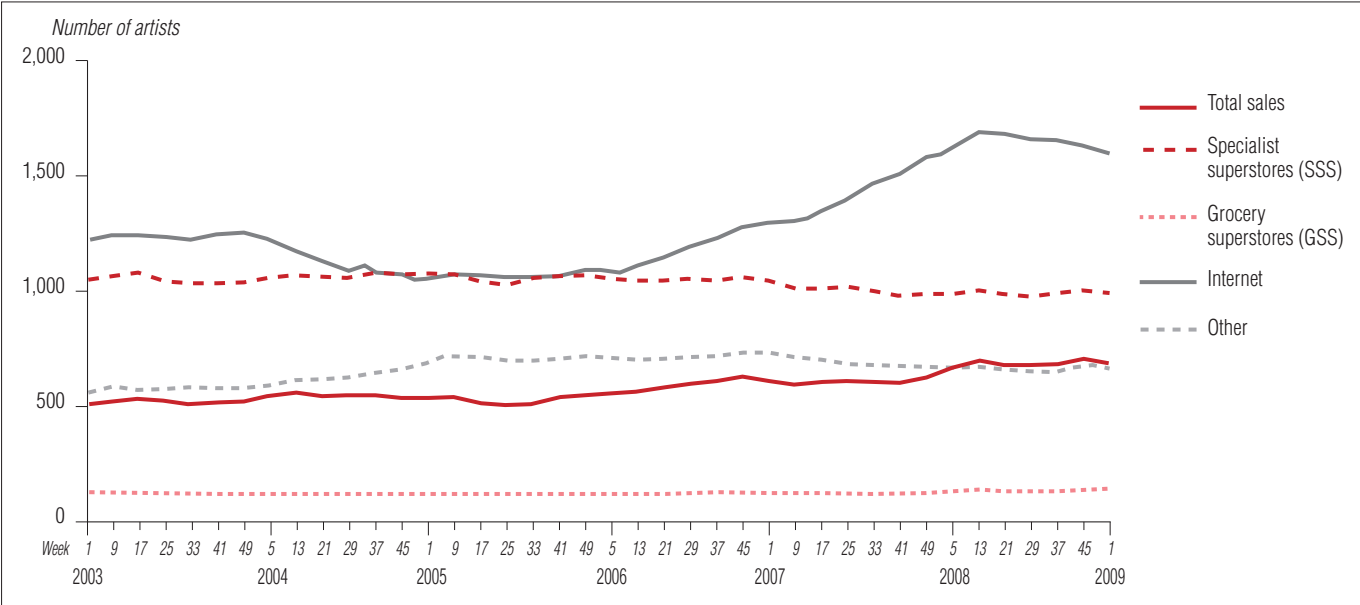
Finally, as of 2008, the internet has had a greater preponderance of large independent labels than the SSS and a similar preponderance of smaller independents and therefore, logically, a lower proportion of the majors (Table 1). It would therefore seem that online sales attract consumers with more varied tastes which manifest themselves as more diversified purchases than are made at SSS and GSS. This broadening of the tail for internet sales also seems to go hand-in-hand with an increase in sales of obscure titles, and these titles generally only sell a few copies each week or even each month, across the entire territory. Therefore the median market share is lower for the internet than the SSS.

Figure 11 – Match Rate for the Top Sellers in the Specialist Superstores and Online



Source: DEPS, Ministry of Culture and Communication, 2011.

Figure 12 – Number of Artists Accounting for 80% of Sales



Source: DEPS, Ministry of Culture and Communication, 2011.

The Resilience of the Superstars

Though we may well see a broadening of the tail, it seems that its source is less the demise of the hit than the fall in titles which are wrongly classified in the charts. Effectively, although overall the top 100 dropped two percentage points on total sales between 2003 and 2008, the top 10's share of the top 100 has tended to increase, whilst the share of the top 1,000 has actually dropped by six percentage points. So it is the lesser-known titles and artists who have benefited more from the deconcentration of sales, whilst those titles whose sales rank between the top 100 and top 1,000 that are seeing their share of the collective market fall. Similarly it is noticeable that independent labels' increasing market share is not seen at the top of the chain, as the independents' share in the top 100 charts fell

during the period in question. This analysis is entirely consistent with the independents' increasing difficulty in breaking into the top 100.

Statistically speaking, the long tail effect has certainly not yet had a significant economic impact, with online sales figures to date remaining very low. Nevertheless, it is worth underlining that, albeit less markedly, the long tail effect is manifesting itself for physical sales. Therefore, although online recommendations certainly seem to play a role in deconcentrating online sales, they could also have an impact on physical sales.

Table 1 – Breakdown of the Market Share for the Majors and the Large and Small Independents per Channel (annual average compiled from weekly data)

		2003	2004	2005	2006	2007	2008
SSS	Majors	67.3	66.1	64.4	64.6	64.0	62.6
	Following 6 largest	19.0	19.7	21.0	21.1	21.2	22.3
	The rest	13.7	14.2	14.6	14.3	14.8	15.1
GSS	Majors	77.7	78.6	75.9	77.0	76.3	75.1
	Following 6 largest	18.4	17.9	19.7	18.3	18.7	19.5
	The rest	3.9	3.5	4.4	4.7	5.0	5.4
Autres	Majors	74.2	72.1	68.9	67.7	66.3	63.6
	Following 6 largest	16.5	19.6	21.6	21.4	21.4	23.8
	The rest	9.3	8.3	9.5	10.9	12.3	12.6
Internet	Majors	65.3	66.6	67.2	65.5	63.2	61.1
	Following 6 largest	23.4	22.0	20.8	22.7	23.0	23.8
	The rest	11.3	11.4	12.0	11.8	13.8	15.1

Source: DEPS, Ministry of Culture and Communication, 2011.

The Changing Diversity in the Specialist Superstores?

Over the last few years, superstores which specialise in cultural goods have supplanted grocery superstores as the main channel for recorded music sales. Currently, half of all CDs sold in France are bought in a SSS. This change initially appears to be good news for cultural diversity, as it is so commonly assumed that the GSS are only interested in promoting sales by superstars whilst the cultural superstores, since the quasi-disappearance of the independent record store, constitute a crucial outlet for lesser-known artists and independent labels. However, although the SSS remains an important medium for cultural diversity, several indicators seem to suggest that it may be less so in the future. The increasingly intensive destocking of slow-selling titles or small labels, standardisation of supply, and store closures have long been cited as threats to cultural diversity¹¹.

Certainly, analysis by distribution channel indicates a good breadth of supply for recorded music in SSS, compared with other channels: by the end of 2008, 45,000 different items had been sold each week via SSS, as compared with 7,500 in GSS, and just over 20,000 through online stores (Figure 10). The low variety consumed in GSS compared with the preponderance of the channel within all sales (35% at the end of 2008) is a good illustration of the GSS's policy of concentrating on successful titles. "Market performance is often linked to the GSS' available display space. Closer examination confirms that the surge in unit sales in all musical categories, including classical, is largely down to marketing negotiated with the GSSs¹²." Both the SSS and GSS channels showed a downward trend over the period in question. Although in GSS supply is focused mainly around titles with strong sales potential, the number of titles which have sold at least one copy dropped by 20% between mid-2004 and end 2008. SSS operate a policy which aims to maximise stock rotation and reduce the amount of space dedicated to recorded music, as a result of which the number of titles is reduced as is the time they spend on the shelves. These two factors are likely responsible for the reduction in the total number of different titles sold in one week. Between mid-2004, when around 54,000 different items were sold in GSS, and the end of 2008, there was a drop of 17%.

This fall in variety consumed is coupled with an opposing change in balance. The deconcentration trend over total sales is less prevalent in the SSS than other channels. Looking at the average for 2008, less than 7% of the titles sold in GSS were responsible for 80% of sales, as compared with 12% in the SSS, and 25% in the "other" points of sale and 40% for online sales. For all channels combined, the number of titles responsible for 80% of sales rose by 3 percentage points between the start of 2003 and end 2008,

whilst the SSS saw only a 1 percentage point rise during this period.

Moreover analysing changes in the preponderance of top-sellers in SSS sales indicates an escalating concentration: whilst the share of the top 1,000 has remained relatively steady at around 55%, the share for the top 100 increased by over 4 percentage points between 2003 and 2008 (from 25% to 29%).

The increasing preponderance of top-sellers is accompanied by a trend towards diminishing disparity in the SSS. The turnover rate for hits is declining, particularly for the top 100, reflecting the fact that some titles are increasingly spending longer at the top of the charts¹³. The SSS are also the only channel in which the number of artists required to account for 80% of sales is declining, with a drop of around 7% for the period (although it still remains relatively high at around 1,000). Thus, in the cultural superstores, the share of the top 100 and 1,000 artists is increasing, reflecting both the rise of the star and the diminishing presence of the lesser-known artist. Between the start of 2003 and the end of 2008, in the SSS the top 100 artists went from accounting for 40% of sales to around 42%, whilst for all channels combined, the overall figure fell from 57% to 53% over the same period. On the other hand, cultural superstores are an increasingly important outlet for the independents, as there the majors' market share dropped by 5 percentage points between 2003 and 2008 (Table 1). Nevertheless, although the SSS and the internet offer the same market share for small independents (averaging 15% throughout 2008), the larger independents saw a higher online market share (24% compared with 22%).

The Changing Diversity of French Popular Music

Although French popular music only represents a minor aspect of musical creation (barely 5% of new releases), it remains the main market for recorded music in France (35% of total sales). Now it is French popular music which, amongst all genres, has shown the largest drop in the number of new releases (down 34% between 2003 and 2008), whilst, conversely, consumption of popular music has increased appreciably (up 18%), showing the largest increase for all genres studied. Nevertheless, the "balance" indicators for cultural diversity do not seem to point towards any growth here. The HHI index for French popular music is not only higher than for other genres, but it has also increased over the period. French popular music is also the only genre which shows a reduction in the proportion of titles which collectively account for half of total sales (0.8% in 2003 as compared with 0.7% in 2008). Similarly, an analysis of the top-sellers shows a trend towards increasing concentration. The proportion of the top 100 is stable, just

11. See the Observatoire de la musique's annual reports on the recorded music market.

12. Observatoire de la musique, *les Marchés de la musique enregistrée*, Annual Report 2008, p. 13.

13. It is worthy of note that for total sales, the trend was reversed.

shy of 60%, and that for the top 10 has even increased over the period (up 6 percentage points). As for the top 1,000, it dropped 4 percentage points whilst nevertheless hovering around 90%¹⁴. It seems as though in the face of dropping sales, the record companies, and almost exclusively the majors if we look at the weekly top ten, are focusing all their resources on promoting a few francophone stars.

At the other end of the celebrity spectrum, certain artists seem to be profiting from the way the music industry is evolving, particularly from its digitisation. The increase in the number of different releases sold is coupled with a massive drop in average weekly sales per title (down 44%), which far outstrips the fall in average sales for international popular music, for example. This might indicate an overall fall in sales of French popular music, as well as a partial move away from sales of star-led titles towards those by lesser-known artists, as the changing preponderance of the top-selling charts seems to show. Effectively, the overall market share of those 90 titles behind the top ten within the top 100 has dropped by 8.5 percentage points between 2003 and 2008.

Finally, although there is a clearly observable deconcentration at distributor level, French popular music remains a highly concentrated segment from the point of view of the European competition authorities' criteria. It is distinguished by the majors' hegemonic position, who despite a 5 percentage point drop over the period had an average market share of 84% in 2008 (Table 2). This drop

benefited the smaller independents (up one percentage point to 4%), and particularly the larger independents which, with an average 12% market share in 2008, increased their share by 4 percentage points. The different ways in which the sectors of international popular music¹⁵ and French popular music evolved is quite astonishing. Certainly, the decline of the larger independents within international popular might be explained by music buyouts of independents by the majors, or the signing of distribution deals during this period which may have led a label which was previously distributed by an independent network to be distributed by a major, but the scale on which this has happened makes this an inadequate explanation.

CONCLUSION

It seems as though falling sales throughout the recorded music industry, digitisation and cultural diversity relate to each other in complex ways. The fall in sales is very often blamed on digitisation. It does seem to have a direct negative effect on diversity (a fall in variety produced, potential consolidation of hits, etc.). On the other hand, the direct effect of digitisation on diversity is probably positive (the long tail effect). This study could be extended with further research into distinguishing and measuring the relative importance of these two opposing effects. ■

Table 2 – Breakdown by Genre of the Market Share of the Larger and Smaller Independents
(annual average calculated from weekly data)

		as a %)					
		2003	2004	2005	2006	2007	2008
International popular music	Majors	63.8	66.2	68.5	68.6	66.4	64.8
	Next 6 largest	27.9	24.9	22.2	20.6	22.4	23.0
	The rest	8.3	8.9	9.3	10.8	11.2	12.2
French popular music	Majors	89.4	88.6	87.8	87.4	84.4	84.0
	Next 6 largest	8.0	8.4	8.4	9.5	12.1	12.0
	The rest	2.6	3.0	3.8	3.1	3.5	4.0
Classical	Majors	71.8	73.1	69.6	70.4	70.7	68.8
	Next 6 largest	21.6	21.3	24.7	23.8	24.2	25.7
	The rest	6.6	5.6	5.7	5.8	5.1	5.5
Jazz/blues	Majors	68.6	67.9	60.1	58.5	60.9	58.3
	Next 6 largest	20.7	21.0	25.6	24.0	24.4	26.9
	The rest	10.7	11.1	14.3	17.5	14.7	14.8
World music	Majors	53.3	52.2	52.4	47.9	44.6	43.5
	Next 6 largest	23.2	23.6	23.9	25.6	28.3	28.0
	The rest	23.5	24.2	23.7	26.5	27.1	28.5

Source: DEPS, Ministry of Culture and Communication, 2011.

14. For the purposes of comparison, during the same period, the top 1,000 for all channels combined went from 70% to 64% of total sales and the top 100 from 40% to 38%.

15. International popular music initially went through a phase of consolidating the majors' position, until some point in 2006, then began to decline. Such that, ultimately, the majors still saw their average market share increase by one percentage point over the period (65% in 2008) whilst that for the smaller independents rose by four percentage points (12%). On the other hand, the larger independents saw their market share plummet by five points (23%)!

The Data

The GfK database collects weekly data on physical sales of recorded music in France, for several distribution channels. The data used here covers the period from January 2003 to December 2008. Physical sales are listed in the GfK database under four headings according to sales network:

- the SSS (specialist superstores), e.g. cultural stores, department stores and large bookshops;
- the GSS (grocery superstores), such as hypermarkets and supermarkets with a surface area of over 1200m²;
- the “other” category includes independent record shops, mail order stores, discount stores and clubs;
- the “internet” category includes sales of physical records online (e.g. Amazon.fr, Alapage.com, Fnac.com, Cdiscount.com, Abeille Musique, Club Dial, France Loisirs).

Sales data comes from a representative panel of retail businesses in France, covering some 1800 sales outlets. Data is collected through EAN details, through sales recorded on cash registers. These are exhaustive for around 75% of companies (100% of sales at Carrefour, Fnac, Virgin and Harmonia Mundi for example) and estimated for the rest using regional turnover figures (e.g. for shops such as Starter and Leclerc supermarkets). In total, according to GfK, the estimated panel represents 95% of physical sales in France and 5000 sales outlets. The remaining 5% covers sales through hard discounters such as Lidl, plus newspaper kiosks.

Between 2003-2008, 629,465 different EAN products were sold (selling at least one copy of each), 95% of which were albums, with the remainder either EPs or singles. To simplify this analysis, only albums (LPs) were included within the scope of this study, and solely those in CD format (other physical formats such as SACDs only represent 0.5% of total sales volume). For each week and each product reference sold during this week, 21 variables are given as follows: week extracted from database; week of first sale; EAN (international article number, one of which is allocated to every product, although a single song title can have several related EANs if released as different versions/products); artist; title; distributor; publisher; medium; format; genre; sub-genre; quantity sold and combined turnover for all channels; quantity sold and turnover for each of the four channels (SSS, GSS, other, internet).

From the point of view of studying diversity of consumption within recorded music, the GfK database is somewhat limited. Firstly, it only lists physical sales of records: sales of digital files (via iTunes, fnacmusic.com, etc.) are not included. Thus the coverage of recorded music sales remains incomplete. This is only a minor problem inasmuch as digital sales still only represent a small proportion of actual recorded music sales (8% of value, in the first half of 2009, according to the Observatoire de la musique¹). Secondly, consumption per title, which accounts for a high number of digital sales, cannot be measured; it is therefore possible that we are underestimating the increase in diversity consumed.

A second limit related to the way the GfK database is designed. The database provides data based on products stocked and sold: each entry has its own individual EAN code. Consequently, an artist can be listed in the database under different names (surname only, first name + surname, etc.). GfK carries out manual checks on database items which sell over 50 units per week, but items in the 95th percentile sell an average of 48 units a week (which means that 95% of items listed sell less than 48 copies per week). Finally, there are also data entry problems which affect not only the artists but also album titles: a single album can appear in the database as multiple entries, each with its own EAN number, either because they are imports, or slightly different versions (part of a versioning strategy which can include limited editions, different packaging, etc.).

Generally speaking, these entry and duplication problems with artists and EANs could lead to an overestimation of diversity supplied and consumed, and distort the analysis of the best-sellers. This is why automatic data processing has been carried out to group together similar entries (regrouping by artist and aggregating EAN duplicates). By deduplicating artist names, the number of artists was cut by one third²: prior to data adjustment, 161,000 artists were listed for the period 2003-2008, reducing down to 106,000 after adjustment. For albums, the reduction was a less dramatic 15%.

1. Source: “Les marchés de la musique enregistrée – 1er semestre 2009”, L’Observatoire de la musique, 2009.

2. When calculating the artist diversity indices, an empty artist category (in 16% of cases, no artist name is supplied), and artists whose title was listed as “COMPI LATION” (around 5% of cases) were excluded. Otherwise these would have caused a false prevalence of very popular artists (artists listed as “ ” and “compilation”).

Aspects of Methodology*

The three aspects of diversity can be interpreted as follows: variety corresponds to the total number of different items listed, balance is calculated by dividing the total number of CD copies over these different items, and disparity studies the nature and the degree of differentiation between these items¹. Diversity increases with these three aspects. The higher the variety, balance and disparity, the higher the diversity; however, each aspect is a necessary but individually insufficient condition for evaluating the level of diversity (see Diagram 1). For the first aspect, variety, diversity increases with the number of product lines produced and consumed. For the second aspect, balance, diversity increases with as the distribution of sales figures for different products becomes more uniform. For the third aspect, disparity, diversity increases the more the product lines show unique qualities differentiating them from each other. The concept of disparity seems the hardest to demonstrate and evidence of a pragmatic approach is clearly needed. To evaluate the disparity

Table 1 – Diversity Indicators Used

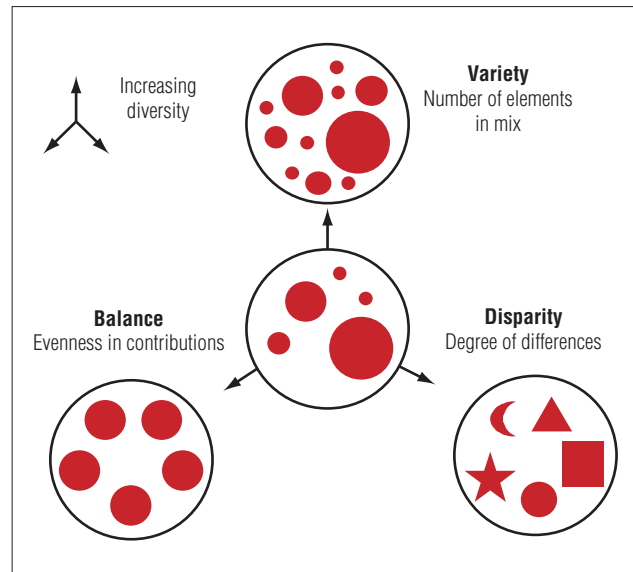
Aspect	Indicator
Variety	<ul style="list-style-type: none"> – number of different titles sold – number of different titles produced (released for sale for the first time during the period in question)
Balance	<ul style="list-style-type: none"> – Herfindhal-Hirschman Index* (HHI) on the distribution of titles – proportion of titles representing x% of total sales (Pareto distribution) – number and proportion of titles reaching x sales over a given period – market share which the different centiles represent – proportion of top-selling titles in total sales
Disparity	<p>Of titles :</p> <ul style="list-style-type: none"> – chart turnover rate – chart match rate between sales channels – number of direct entries in the charts <p>Of authors/artists :</p> <ul style="list-style-type: none"> – number of different artists/authors achieving at least one sale – HHI on artist/author distribution – proportion of authors/artists representing x% of total sales (Pareto distribution) – proportion of top-selling artists/authors in total sales – chart turnover rate – chart match rate between sales channels <p>Of publishers/distributors :</p> <ul style="list-style-type: none"> – number of active publishers – HHI, CR₄ and CR₁₀** of sales by publisher/producer

* The Herfindhal-Hirschman Index (HHI) is calculated by squaring market shares, and then adding together the resulting numbers. It is given a value between 0 (situation in which no title has a significant market share) and 10,000 (situation in which a single title monopolises the entire market).

** CR₄ and CR₁₀ are calculated as the combined market share of the top four and the top ten publishers/producers respectively. The higher these values, the more concentrated the market is considered to be.

Source: DEPS, Ministry of Culture and Communication, 2011.

Figure 1 – Stirling's Three Aspects of Diversity (1999, 2007)



Source: DEPS, Ministry of Culture and Communication, 2011.

between works, an analysis of their content can appear highly subjective, and equally, or especially, extremely difficult to apply to a significant sample group. However it is possible to approach the issue of disparity between works by suggesting that the number of different artists (i.e. composers, authors, etc.) is an indicator of this aspect of diversity. The more often individuals buy works by different authors, the greater the disparity between them, and vice versa. Similarly, distinguishing between works by prominent and lesser-known publishers can also help reveal a certain disparity within the genres studied (the latter being more likely to position themselves in niche markets), as well as within the thematic content.

In terms of cultural demand, both sides of the market, supply and demand, have their own unique features. It is therefore useful to distinguish between diversity supplied and diversity consumed, and to analyse the extent to which diversity supplied corresponds to that consumed by economic agents. This distinction raises the crucial question of whether an increase in the diversity of supply has a positive impact on the diversity of consumption. In other words, to what extent do diversity of supply and diversity of consumption affect each other? However, as outlined above, as the GfK data is sales data, analysis will necessarily put the focus more closely on diversity of consumption. Diversity of supply can only be dealt with in a piecemeal fashion, through diversity produced (the number of new releases on the market each week).

Finally, the main criteria used, with each criterion being (where possible and relevant) analysed per segment (genre) and per distribution channel, are listed below. The results for every single indicator are not necessarily reproduced here.

* This section on methodology is identical to that which appears in the document on cultural diversity in the French recorded music industry, as the two sectors were studied as part of the same study (see Marc BOURREAU, François MOREAU, Pierre SENELLART, *Diversité culturelle dans l'industrie de la musique enregistrée en France (2003-2008)*, Paris, Ministère de la Culture et de la Communication, DEPS, "Culture études" collection, 2011-5 and M. BOURREAU, M. GEN-SOLLEN, F. MOREAU, S. PELTIER and P. SENELLART, *L'Appréciation et les processus de modification de la diversité dans les filières des industries culturelles*, Report for the Ministry of Culture and Communication, DEPS, 2009, 242 p.).

1. See A. STIRLING, *On the Economics and Analysis of Diversity*, mimeo, SPRU Electronic, Working Paper, 1999, no 28 ; id., "A General Framework for Analysing Diversity in Science, Technology and Society", *Journal of the Royal Society Interface*, 2007, 4(15), p. 707-719.



CE-2011-4
**Cultural Diversity
in the French
Book Publishing
Industry
(2003-2007)**
October 2011, 16 p.

Although there has been a marked increase in French publishing output throughout the 2000s, in terms both of annual print runs and titles released, how are we to assess

whether this growth is also accompanied by increasingly diverse consumption? Based on Andrew Stirling's three-pronged approach, cultural diversity within three different publishing areas (the youth market, graphic novels and literature) is analysed on three levels: variety produced and consumed, the balance of sales between different titles and the disparity between works and authors read. This analysis provides some responses to the question of how effective fixed book pricing legislation has been in terms of cultural diversity and the leveraging effect of online sales (the long tail theory).



CM-2011-1
**An Evaluation
of the Diversity
of the Film Market
for Cinema and
Video Recordings
in France
and in Europe.**
October 2011, 16 p.

The issue of cultural diversity is examined from the point of view of the diversity of the

market for films shown in cinemas and films released as video recordings in the 2000s, based on a new sample of 5,600 films shown in cinemas, and 6,500 video film recordings. For both markets, the method used consisted of measuring diversity based on the criteria of variety, balance and disparity. The issues of increased supply (films), distribution (copies) and demand (number of tickets or video recordings sold) are covered for 6 European countries, namely: France, Denmark, Spain, Poland, the UK and Sweden. The video film market is covered for France only. The method used tends to indicate that France has the most diverse cinema film market, whilst its video film market is considerably less diverse. It confirms differences in diversity according to marketing channels whilst new research shows a higher level of diversity within the internet video film market.

ABSTRACT

The French music industry has been in crisis since the mid 2000s. As content digitisation increased, sales dropped. How are we to assess the impact of the production and consumption of an industry in crisis on cultural diversity? Following Andrew Stirling's approach, cultural diversity is measured according to three criteria: the variety produced and consumed, the balance of sales across different titles, and the range of albums and artists listened to. Analysis shows that the majors have lost out to both small and large independents. It also provides some insights into the leveraging effect of online sales (the long tail theory) and into the increasing diversity of those sales made by specialist large-scale retailers.

RÉSUMÉ

L'industrie musicale française est en crise depuis le milieu des années 2000. Les ventes ont chuté alors même que le processus de numérisation des contenus se développait. Comment apprécier l'incidence sur la diversité culturelle de la production et de la consommation d'une filière en crise ? Fondée sur l'approche d'Andrew Stirling, la mesure de la diversité culturelle est analysée selon trois dimensions : la variété produite et consommée, l'équilibre des ventes entre les différents titres et la disparité des albums et des artistes écoutés. L'analyse révèle la baisse du poids des majors au profit des petits et gros producteurs indépendants, elle apporte des éléments de réponse sur l'effet de levier des ventes en ligne (hypothèse de la longue traîne) et sur l'appréciation de la diversité dans la part des ventes réalisées en grandes surfaces spécialisées.

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