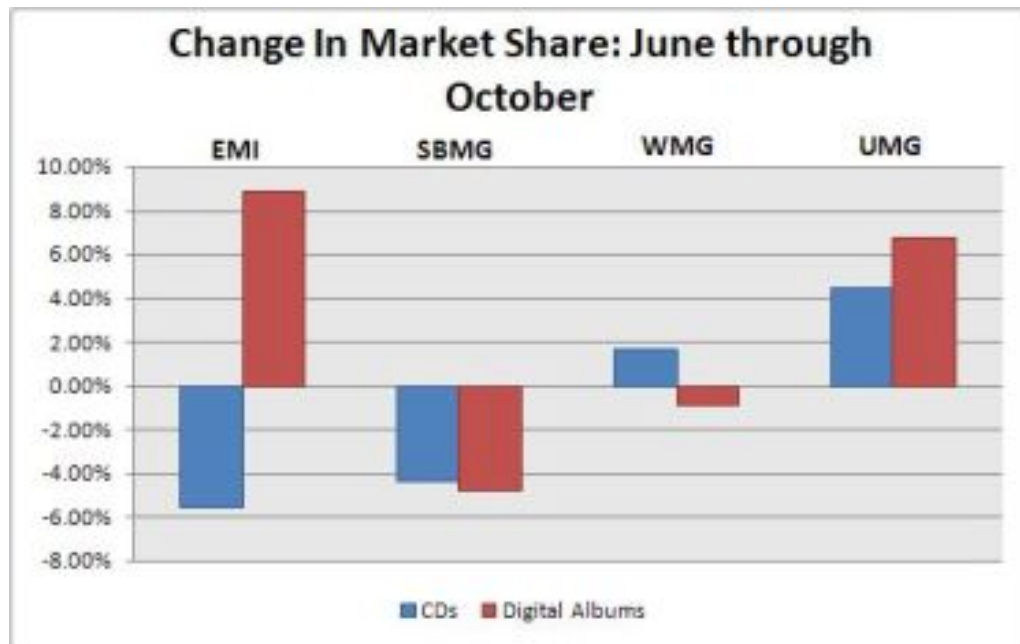


Update: EMI Digital Album Market Share Up Again



Over the last few months I've covered EMI's market share to measure the impact of its digital strategy. It has been five months since EMI dropped DRM on its downloads. In that time, its release schedule has been relatively weak and the overall recorded music market has experienced a slowdown.

Since EMI dropped DRM in late May and got a big launch day boost from iTunes, its digital album market share is up 8.9%. The other three majors have mixed results. Sony BMG has lost market share for both configurations, Warner Music is mixed but fairly even and Universal Music Group is up markedly for both configurations.

EMI's digital share currently stands at 10.1% (though October 28). It was 10% at the end of September, 9.9% at the end of August and 9.7% at the end of July. At the end of May, when iTunes started selling DRM-free EMI tracks, the market share was 9.3%. Those small increments add up -- one tenth of one percent of digital album market share equals almost 40,000 units. Eight percentage points equals about 320,000 units.

The problem here is that EMI's CD market share has dropped 5.5% since late May is even worse for the bottom line. Each tenth of a percent of CD market share equals 330,000 units. A drop in CD market share to 9.3% from 9.8% is a loss of 1.65 million units.

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The telling aspect about the above graph is how EMI's CD and digital album market shares have moved in the opposite directions. The company's CD share has dropped while its digital album share has risen. When both move in the same direction, as is the case with two of its three competitors, it indicates the relative popularity (or lack of) of a company's release schedule. But when the two move in opposite directions, it is a sign that other factors are at play. In the case of EMI, the company has improved its competitive position at digital stores. EMI has had a relatively weak release schedule since late May and has seen its CD market share drop since Norah Jones' album was released in late January.

Without the presence of something to jump start its digital position -- dropping DRM, getting prime attention at iTunes -- EMI's change in digital share would be similar to its negative change in CD share. A good estimate is a 15-point difference in digital album share. That equals about a 600,000-unit swing.