

# *Vinyl Returns!*

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Art: Hannah Rosenblum

**T**HE **BILLBOARD** HEADLINE on May 11, 1991 screamed somewhat ominously “The LP’s Passage to Oblivion,” announcing that WEA and Sony Music were no longer accepting returns on vinyl albums, as was the case with Universal.

Oh, how times have changed. In early 1991, there were six major record companies (EMI, BMG and Polygram since consolidated), all of which were still riding the CD as the cash-cow music format of choice. The Internet, as a means of electronic distribution, was still a decade away from being a commercial option.

Ironically, the major labels making a decision not to accept LP returns at a time when the industry had put so many of its marbles on the CD, is considered one of the reasons why vinyl is currently on a healthy upswing. It now behooves retailers to order only LP titles that they know will sell because they can’t afford to make mistakes with records that will never sell, especially when their margins still only bring about \$5 to \$10 profit per sale.

Fast-forward a quarter century to 2016, and vinyl emerges the only physical media bright spot, as the CD’s slide continues its steep plummet of the past decade, while streaming and subscription services prove more popular with most music consumers. According to the Recording Industry Association of

RSD co-founder Michael Kurtz says he “never had an inkling” his effort would end up relaunching the business. Following Tower Records going out of business in 2007, he was charged with making independent record stores relevant again. A Maine retailer noted independent comic stores had a Free Comic Day. “I took the idea to a bunch of record store owners and record labels and we created our own version,” he adds.

Ironically, millennials are helping drive today’s vinyl market, as fashionista chains such as Urban Outfitters make the LP hip again, along with entry-level record player systems like the Crosley which sells for less than \$100 and make audiophiles cringe. Another strongly positive sign of vinyl’s return are catalogs like the one from Audio Advisor. The firm has sold high-end audio gear for some time, but the cover and first portion of a recent issue of their catalog prominently presented an expanding range of expensive turntable choices.

One ought not forget that the core of high-end purists never abandoned their pricey turntables, that old-school DJs still haul their record collections to get dance-floor movement, and that the robust collectors’ marketplace never really went away. All this underscores the success of Discogs.com in turning a 6.5 million album database generated by site users into an

## The LPs return picks up traction!

America (RIAA), vinyl revenue in 2015 jumped another 32 per cent to \$416 million, the format’s highest level since 1988. However, that number might not tell the real story, as you’ll read later.

What’s not in doubt, though, is that vinyl still is dwarfed by the rapidly fading CD, which declined another 11 per cent in the first six months of 2016 when compared to the same year-ago period, reported Nielsen. In contrast, vinyl grew 11.4 per cent.

A closer examination of the current vinyl marketplace by *The Audiophile Voice* reveals that vinyl’s increases reported by the media are most likely under-reporting the number of LP records actually being purchased today because the lion’s share of the 1,400 independent U.S. record stores and independent labels do not participate in the established reporting systems.

It was the indie labels which steered the majors, as their CD volumes and profits evaporated in the digital age, back into the LP business with Record Store Day (RSD), which will enjoy its tenth anniversary next April and is widely credited for helping reinvigorate consumer interest in vinyl.

**Vinyl growth reported by BuzzAngle is based on sales from fewer than 200 U.S. stores; over 1,000 sell new LPs.**

### ALBUM SALES

	Album Sales	Digital Sales	Physical Sales	CD Sales	Vinyl Sales *
<b>2016 YTD</b>	86,196,638	45,888,755	40,307,883	37,212,903	3,080,733
<b>2015 YTD</b>	100,195,051	55,760,578	44,434,473	41,790,454	2,627,435
<b>% Change</b>	-14.0%	-17.7%	-9.3%	-11.0%	17.3%

\* Note: BuzzAngle Music does not provide any weighting to account for non-reporting outlets. Multiply these numbers by 2.0 to account for non-reporting stores.

annual \$100 million enterprise (*TAV*, Vol. 17, No. 5). By the way, Discogs recently oversaw a sale of Prince’s ultra-rare LP of *The Black Album* for \$15,000 and David Bowie’s *The Man Who Sold the World* went for \$6,826.

Somewhat stunting the vinyl comeback is a manufacturing backlog that often takes several months for an LP order to get pressed, and the vinyl pressing plants are having a hard time meeting the demand even running operations 24/7.

Today, an LP’s typical list price is \$25 (double that for an audiophile version), a luxury item when compared with their \$5.98 and \$6.98 counterparts in the 1970s. The LP that has returned to its current glory is not the one that left by the early 1990s.

“It is remarkable that what effectively is a 100-year-old format has come back,” says Josh Friedlander, RIAA senior vice president of data analysis.

### Better-Sounding Records?

Since *TAV*’s mission is in part about chronicling advancements in audio quality, we checked with several recording professionals on whether today’s LPs are up to snuff or mere marketing ploys. The short answer,

**Classic LP reissues dominate the Top 10 Best-Selling New LPs of the first half of 2016, reports BuzzAngle.**

#### Top 10 Vinyl Album Sales

Rank	Title	Artist	Total Album Sales
1	Blackstar	David Bowie	33,720
2	25	Adele	21,981
3	Purple Rain	Prince & The New Power Generation	17,858
4	Back to Black	Amy Winehouse	17,271
5	Blurryface	Twenty one pilots	16,832
6	Legend	Bob Marley & The Wailers	12,899
7	Abbey Road	The Beatles	12,414
8	Kind Of Blue	Miles Davis	12,333
9	A Moon Shaped Pool	Radiohead	12,254
10	Guardians of the Galaxy: Awesome Mix Vol. 1	Various Artists	11,026



opines renowned mastering engineer Steve Hoffman, you'll receive what's advertised "if you pay extra for the issues by Audio Fidelity, Analogue Productions, ORG, Mobile Fidelity, etc. If you go outside of that arena, there are many chances that you're buying a reissue album on vinyl cut from a CD." But he's quick to add, "There are so many reissues on vinyl it's possible to get – with a little luck – a good sounding album that won't cost a fortune."

quantifiable difference between a 180-gram pressing and a standard weight pressing – other than weight – is that it's going to be less likely to warp and can be more at one with the platter."

The "audiophile" term is loosely thrown around, agrees Chad Kassem, the principal behind Analogue Productions, which acquired in 2010 the inventory of audiophile label, Classic Records, which began in 1994 with its RCA Living Stereo reissue series. "Just because a

## The return of the LP record is more than just a retro move to an old format; it's a certification of music and sound!

As with early CDs rushed into the marketplace without being properly mastered to fill the retail pipeline, Hoffman notes "rush jobs are everywhere, all the time, going back many years." But regarding the "little reissue labels that specialize in audiophile product and where, trust me, nothing is ever rushed," he says. "It might take a year to get the rights to reissue an album, and then great care is taken in all steps of production. When the big labels jump on any bandwagon, that's when it starts to get a bit shaky."

We then asked Jay Millar, creative director and catalog development for the reissue label Sundazed (lauded especially for its Bob Dylan catalog mono series) whether a "180-gram" sticker automatically qualifies as audiophile caliber?

"Not at all. In some cases it can even hold back the sound quality," says Millar, who previously worked at Nashville's United Record Pressing – the nation's largest vinyl plant – and major labels before coming to Sundazed, which has released more than 500 LPs and close to 200 seven-inch singles.

"There was once a myth that the grooves were deeper [in 180-gram] but that's false," explains Millar. "Coming from my background in pressing, I can tell you that it's more difficult to make a heavier record sound good. Many can and do sound amazing; it's just harder to do. Often thinner records are a result of the music requiring it. Sometimes things need to be squeezed a bit more in the press to eliminate non-fill. Really, the only

record is 180-grams or heavier doesn't necessarily mean it's been properly recorded or mastered," Kassem points out.

### Vinyl Under-Reported?

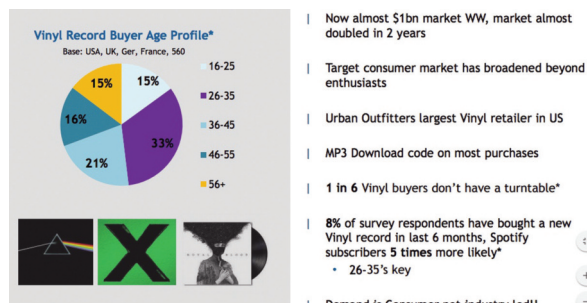
So when did vinyl sales become more than a blip? Well, after shrinking 30 per cent in 2005 and remaining flat in 2006, LP sales grew 15 per cent in 2007, according to Nielsen. For the first half of 2016, it reported vinyl sales grew 11.4 per cent, to 6.2 million units when compared to the first half of 2015. David Bowie's final record, *Blackstar*, sold nearly 57,000 LPs in the first six months of 2016, making it the year's best-selling new record so far.

Vinyl currently represents 21 per cent of the new physical music market, according to the RIAA, which collects sales data on a monthly, quarterly, semi-annual and annual basis from the major music companies Sony, Universal, and Warner (and their hundreds of sub labels), as well as indie labels. In 2014, it was only 14 per cent of the physical market.

The RIAA also collects data on CDs and cassettes, as well as streaming services, such as Spotify, Apple Music, and YouTube, and digital downloads, incorporating information from Nielsen's SoundScan and BuzzAngle.

"The size of the market is clearly underestimated" admits Border City Media CEO Jim Lidestri, whose BuzzAngle competes with SoundScan. "We would love to get [the missing] stores to report," he says, noting that fewer than 250 stores report to Buzzangle, about the-

**Today's vinyl buyers are from all age groups, but not surprisingly, 46 to 55 year olds are the largest segment, according to Music Watch.**



**Total hard-copy album sales by format in 2015 versus 2014, data from SoundScan.**

	2015	2014	% CHG.
<b>TOTAL UNITS</b>	<b>241.4</b>	<b>257.0</b>	<b>-6.1%</b>
<b>CD</b>	<b>125.6</b>	<b>140.8</b>	<b>-10.8%</b>
<b>DIGITAL</b>	<b>103.3</b>	<b>106.5</b>	<b>-2.9%</b>
<b>LP/VINYL</b>	<b>11.9</b>	<b>9.2</b>	<b>+29.8%</b>

same sample size as SoundScan's. Unlike SoundScan, BuzzAngle does not weight its numbers by as much as 10 times to estimate the entire market.

That being said, SoundScan says nearly 12 million LPs were sold in 2015, marking its 10th straight year of growth, and surpassing 2014 by 2.8 million units. It also admitted that more than 45 per cent of vinyl sales came

whose company has been making records since 1939. He estimates total U.S. production from all the domestic pressing plants last year around the country was around 32 million records. "Then you have European plants that ship into the U.S. and I believe that number is another 10 million, so my estimate is around 42 million [LPs] total in North America," Sheldon explains.

## What's selling on the LP ranges from Adele and Taylor Swift to The Beatles and Pink Floyd.

from independent record stores, most of which do not participate in SoundScan, whose numbers also do not include vinyl sales sold directly by bands to their fans at concerts and festivals.

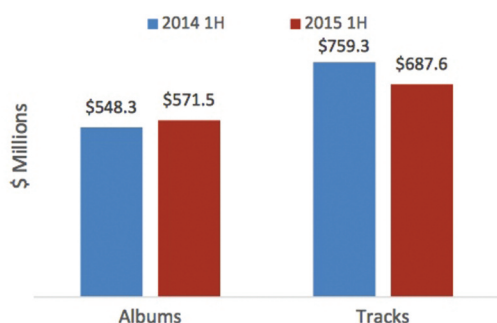
BuzzAngle's mid-2016 analysis reports vinyl sales 17 per cent higher so far this year (while CDs fell 11 per cent) versus the first six months of 2015. (The RIAA's mid-year numbers come out in September, and the year-end numbers the following March.)

The RIAA's Friedlander concedes that it might not be the most accurate method to make estimates for the indie market. "While the majors are big, we recognize they're not the entirety of the industry, so we use SoundScan and BuzzAngle to make up the difference," he adds.

"It's always possible there are errors in our estimates, but we think we're doing as good a job as possible of capturing what's going on in the market," Friedlander says. "I don't want to overstate it because while vinyl has certainly grown, it's a small but significant part of the [music] market," he adds.

Rainbo Records in Canoga Park, Calif., presses annually 7 million records, reports its owner Steve Sheldon,

**Overall album revenue (for all formats including streaming and digital downloads) increased in the first half of 2015 compared to the corresponding 2014 period, but individual track revenue declined, reported the RIAA.**



Total value of shipments in physical formats was \$748 million, down 17% versus 1H 2014. CDs made up 66% of total physical shipments by value. Vinyl was up 52% by value for the first half of the year, and accounted for 30% of physical shipments by value. Synchronization royalties were \$95 million for the first half of the year, up 4% versus 1H 2014.

Yet the RIAA reported only 9.2 million LPs were shipped in 2015.

### Who's Buying Vinyl?

According to MusicWatch founder Russ Crupnick, there are 5 million monthly used and 3.1 million vinyl buyers in the U.S., based on a sample of 4,800 online respondents.

The data, sourced by MusicWatch's audiocensus tracking service January to April 2016, found 11.5 per cent of the survey participants buy both new and used records while 32 per cent buy only new records, and 58 per cent buy only used records.

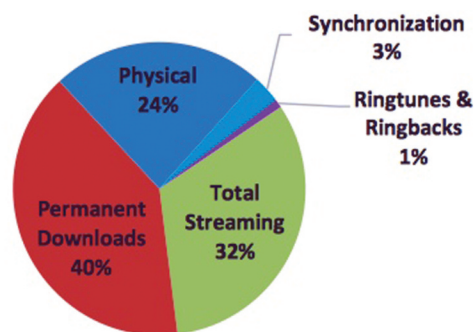
MusicWatch found one third of new vinyl buyers are aged 13-24, compared with 20 per cent for those older than 45. Two-thirds of the new-vinyl buyers are male. Over a quarter (26 per cent) of the baby-boomer segment, aged 55 and up, listen to vinyl, followed by these age segments 13-24 (24 per cent), 25-34 (20 per cent), 45-54 (17 per cent), and 35-44 (14 per cent).

"It's a really interesting mix of who's buying on vinyl pop hits and all-time classics," comments Friedlander "At the end of 2015, Adele and Taylor Swift were on the list of top-selling vinyl, but so were The Beatles and Pink Floyd. To me that shows vinyl is appealing to a very broad group of music fans, but they're certainly very big fans," who appreciate the tangible aspects of holding a record, look at the album art and liner notes.

### LP vs. CD Economics

Tom Silverman, founder of the groundbreaking rap label Tommy Boy Records and the periodic New Music

**U.S. music industry revenue shares by distribution format for the first half of 2015, per the RIAA.**



Seminar conference, also believes vinyl sales are under-reported and gaining on CDs.

"[LPs] will soon be 40 per cent of dollars," estimates Silverman, who doesn't believe the major labels' grand plan is to phase out the CD. "They'd be stupid to do that. The CD's rate of fall declined substantially last year and continues this year. People who buy CDs continue to buy CDs. Downloads are declining – 24 per cent last year – because the digital file is not that different to having off-line access from one of the streaming sites. It's unfortunate because that was a very profitable business," Silverman says.

Records change the equation significantly. "Instead of 10 or 12 bucks for a CD, the average retail price [of a new LP] last year was over \$26," he explains, adding that retailers can return CDs that don't sell, but not vinyl.

"Nobody is buying anything they can't sell. Everything sells," Silverman says, adding that is the reason why inexpensive cut-outs will not also make a return. "Cut-outs are a bad business; those days are over."

Since definitive data is not available, it's very possible that more vinyl is sold online than by brick-and-mortar retail. In fact, MusicWatch's respondents found Amazon to be their favorite place to buy their LPs, cited by 30 per cent of vinyl shoppers in the first quarter, MusicWatch reported. In 2014 a *Billboard* analysis also found Amazon to be the largest seller of LPs with about a 12.3 per cent market share, followed by Urban Outfitters with 8.1 per cent market share. (An Urban Outfitters executive two years ago claimed his chain, which operates 240 stores in the U.S., sold the most vinyl.)

Although distributors refuse to accept returns on unsold stock, Record Store Day's Kurtz thinks they make exceptions. "We've had [RSD-participating] stores receive new product from distributors with Urban

Outfitters stickers on them so there is some evidence that they do," he explains.

Back to Silverman's analysis, "Vinyl is automatically more profitable [than CD], and there's no discounting [with new LPs]. The price is the price. Vinyl is a real marketplace, much more profitable. The margin for the label is much higher on vinyl even with the high costs of manufacturing," he says, adding that the label ends up with \$5 profit for a CD and \$10 for a new LP record.

"Vinyl didn't come back because of the majors; it came back because of the indies," notes Silverman. "The independent stores and labels invested in vinyl. The majors wanted giant numbers, and saw this as a niche. Now they care about it because it's real money. But five years ago it wasn't real money."

Agrees Kurtz, whose biggest frustration is "watching major labels screw it up with short term thinking. I also cringe when I see them take all of the hard work we've put into relaunching vinyl and applying it now to major corporations. It's the same old, same old. It's not all bad though. These guys do some cool stuff too."

The major labels will continue to manufacture CDs in hopes of a blockbuster like Adele or the sustained thirst for baby-boomer favorites like Led Zeppelin and Pink Floyd. Meanwhile, mass-market retailers like Walmart will continue to give less shelf space for physical media. "They now carry what – 200 titles? They'll probably reduce that number to 10 [in the near future]," says Silverman, who believes vinyl's return is good for the industry, consumers and artists. But the fly in the ointment is demand exceeding pressing capacity.

"Four-month waits are definitely reducing the growth of vinyl," Silverman explains. "It's hard for me to pay upfront and wait 10 weeks because it holds the entire project back. You want simultaneous release of vinyl, CD and digital. Our business needs to move more quickly."

## Used Market Conundrum

The RIAA doesn't even attempt to estimate used record sales because of its unwieldy nature, admits Friedlander.

For example, how could flea-market and thrift-store sales of used records be quantified? It simply cannot be done.

When Record Store Day launched 10 years ago, "if a record store carried vinyl it was almost entirely used and the records sold mostly for \$3 or less," notes RSD's Kurtz. "Now, most stores's new product section is twice the size of their used but the used vinyl now sells for closer to \$8 to \$10 on average."

The aforementioned Discogs.com also doesn't track whether its online merchants are selling used or newly pressed, sealed records. Vinyl accounts for 77 per cent of its overall sales, while CDs make up 18 per cent from the about 60,000 different sellers that have shipped items in 2016, according to Ron Rich, Discogs director of marketing.

Genre-wise, rock still commands the lion's share of Discogs sales, with jazz accounting for 2.8 per cent and classical only 0.68 per cent of sales for 2016.

## Against the Grain

Chad Kassem's vinyl-focused, Salina, Kansas, vertically-integrated empire now includes not only his Analogue Productions reissue label, but also AcousticSounds.com, which sells new and used vinyl





and high-end audio gear, as well as Quality Record Pressings, a vinyl plant he started in 2011.

"I started in 1984 – the same year that CDs came out," notes Kassem. "I've been swimming against the grain all the time. Everybody was running away from LPs as fast as they could as soon as they thought they were going to lose a dime, and I was buying up as many as I could. As soon as they think they can make a dollar, they're jumping back in. It's kind of funny, you know? They're saying, 'I've been supporting vinyl the whole time'. Sure, you have, pal."

Kassem clarifies deadpan that he's not just talking about the majors: "Everybody."

Analogue Productions launched licensing classic jazz albums from Verve and Blue Note. Kassem says he is still able to license for audiophile release the likes of The Doors, Lynyrd Skynyrd, Creedence Clearwater Revival, Stevie Ray Vaughn, Pink Floyd and Roger Waters.

"[The majors] are doing more [vinyl] themselves, but there's so much good music out there. They can't do it all," Kassem says.

Kassem is still on the hunt for used records. "Three years ago we bought 46,000 classical records, and we just bought a 5,000-record audiophile collection to die for. Today we're buying 2,000 audiophile records."

## 2015 Mid-Year Industry Shipment and Revenue Statistics

202-775-0101

### United States Unit Shipments and Estimated Retail Dollar Value

(In Millions, net after returns)

#### Digital Permanent Download

	1H 2014	1H 2015	% CHANGE 2014-2015
(Units Shipped)			
Download Single	648.8	589.7	-12.2%
(Dollar Value)			
Download Album	54.7	57.5	5.0%
	\$548.3	\$571.5	4.2%
Kiosk <sup>1</sup>	0.8	0.8	-2.2%
	\$1.3	\$1.4	3.0%
Music Video	3.5	3.7	5.7%
	\$6.9	\$7.3	5.7%
Ringtones & Ringbacks <sup>2</sup>	14.4	11.2	-22.0%
	\$35.8	\$28.0	-22.0%

#### Digital Subscription & Streaming

SoundExchange Distributions <sup>3</sup>	\$323.4	\$387.2	19.7%
Paid Subscription <sup>4</sup>	7.9	8.1	2.9%
	\$382.7	\$477.9	24.9%
On-Demand Streaming (Ad-Supported) <sup>5</sup>	\$128.0	\$162.7	27.1%

#### TOTAL DIGITAL VALUE

\$2,185.7	\$2,323.6	6.3%
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Synchronization Royalties <sup>6</sup>	\$91.0	\$94.5	3.9%
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#### Physical

(Units Shipped)			
CD	56.8	41.1	-27.6%
(Dollar Value)			
CD Single	0.7	0.3	-63.0%
	\$3.4	\$0.6	-81.1%
LP/EP	6.5	9.2	42.8%
	\$145.8	\$221.8	52.1%
Vinyl Single	0.3	0.4	29.9%
	\$3.5	\$4.2	21.8%
Music Video	1.5	1.2	-19.2%
	\$29.4	\$23.7	-19.4%
DVD Audio	0.0	0.1	403.7%
	\$0.4	\$2.4	453.5%
SACD	0.0	0.0	-3.1%
	\$0.4	\$0.4	-11.9%
Total Physical Units	65.8	52.3	-20.6%
Total Physical Value	\$904.9	\$748.0	-17.3%

Total Retail Units	58.0	44.8	-22.9%
Total Retail Value	\$845.8	\$691.5	-18.2%

#### TOTAL DIGITAL AND PHYSICAL

Total Units <sup>7</sup>	788.0	695.1	-11.8%
Total Value	\$3,181.7	\$3,166.1	-0.5%

% of Shipments <sup>8</sup>	2014	2015
Physical	29%	24%
Digital	71%	76%

Regarding gear, Kassem notes that Acousticsounds.com has lots of competition, as more outlets are selling high-end turntables. "While the market has grown some in recent years, 'that doesn't mean they're buying it from us. The business is doing way

when you need portability, that's when they listen to digital services."

Steve Hoffman thinks "audiophiles are surprised and delighted that kids are now into retro vinyl." So TAV met 25-year-old Brandt Ranj, of Astoria, NY, at Record

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**A 25-year-old became addicted to vinyl and audiophile gear after inheriting his parents' small record collection. He prefers 1960s music.**

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better. We always sold a good number of turntables and vinyl before this new thing came around."

Acousticsounds.com also sells SACDs and hi-res downloads, he notes. Kassem also operates a recording studio in Salina that used to be a church, where they also produce concerts.

"We do everything, save print the album jackets (QRP does print the labels). I guess we could, but you have to stop somewhere. Making records is really hard."

### Widening the Market

Among music lovers, there's also a consensus that vinyl can coexist nicely in the digital age.

"Every vinyl buyer I know still has a Spotify account," Lidestri says, anecdotally. "Vinyl is sort of their premium listening when they're home and have more time. They put it on and relax. But when they're out and about, mowing the lawn, those kinds of things

Reserve in Kings Park, NY. After inheriting his parent's collection of about 20 to 30 records, he started buying LPs in 2004 until he had a few thousand.

Unlike many of his generation, he chooses sound quality over convenience. His system sports a \$599 PSHX500 turntable, although he had an \$895 Rega RP3 that he bought used. He's twice paid \$100 for original mono pressings — Bob Dylan's *Blonde On Blonde* and Simon & Garfunkel's *Bookends*.

"A majority of the records I buy are audiophile reissues of older stuff, although I have a 'holy grail' list of vintage vinyl I'm chipping away at," says Ranj, who listens to his music mostly through Bang & Olufsen Beoplay H6 headphones or Sony CAS-1 speakers. "If I really liked the album I'd probably opt for an audiophile pressing."

Now here's the kicker: 95 per cent of his listening is at work coming from AAC files he digitized.

Back to the future, indeed!

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