

# Digital revolution shaking up music world

## Some retailers learning to adjust to upswing in downloading

By James Bow  
Business Edge

Mark Logan intends to tough this battle out. His enemy: The MP3 player.

Logan owns Encore Records in downtown Kitchener, a record store specializing in new and used CDs and vinyl records. "I came onboard in 1985 when the original owner passed away. Records are something I feel passionate about; I can't think of anything else I'd rather do."

But in recent years, business has gotten tougher, thanks to online music stores such as Apple's iTunes and Amazon selling music in the form of electronic MP3 files.

"It's difficult to get a sense of how many people are downloading, legally or not, but for us it accounts for 30-per-cent less sales than five years ago," says Logan. "This is probably the worst time that I've had; even Napster was a bit of a blip by comparison."

Downloaded music has been the talk of the industry, with much attention given to music shared between users on peer-to-peer networks using BitTorrent.

Industry Canada surprised many when it released the results of a study on downloads this past summer, concluding: "Analysis of the entire Canadian population does not uncover either a positive or negative relationship between the number of files downloaded from P2P networks and CDs purchased."

The influence of online music stores, however, selling songs for as little as \$0.99, has pulled customers from the brick and mortar stores.

In April 2007, the Canadian Recording Industry Association noted that sales of music CDs fell by 35 per cent compared to the same period a year before.

Online music sales have been on the rise, tripling between 2004 and 2005 and now accounting for 10 per cent of the worldwide music market.

"There are fewer younger people in our store," says Logan. "We peaked in 2000 and it's been a gradual decrease since. For young people, if they want to buy the tracks they want on their iPods, they can get away with spending two or

three dollars for just the tracks, and not the whole CD."

For Sherwood Seabrook, the MP3 represents a changing of the guard. The manager of Boomtown Records in downtown Vancouver is closing his store at the end of the year.

"We had a good run. We had two shops, one in Victoria from 1993, and one here, since 1999," says Seabrook. "But it was getting harder to support a retail store based on music alone. Some of the other stores that are still around are diversifying, but we didn't want to do that. I never really wanted to turn it into a clothing store or any other kind of store."

Boomtown Records specializes in vinyl. And although the store survived the rise of

the CD, the MP3 has proven to be a tougher competitor. Toby Dyce, who works at the store, says many customers are now transferring their vinyl records into electronic format.

"Everybody now buys a Serato," says Dyce. "It plays records and hooks up to a computer to mix the records into MP3s. You can play it just like vinyl, and that really killed vinyl sales in general."

Seabrook and Dyce aren't just vinyl enthusiasts, they are disc jockeys. Seabrook, also known as DJ Wood, says he hasn't bought a vinyl album in more than a year.

"I DJ for corporate gigs, weddings, the lot, and music files make a lot more sense for travel and stuff," says Seabrook. "I just have a laptop along with all the speakers, and I don't have to cart around a huge crate of records."

But Arthur Fafard, owner of Blackbyrd Myoozik in Edmonton, does not see the Internet as a threat.

"The original idea in our store was to provide an outlet for product that was being underserved in the marketplace — that is to say, not Top 40 music," says Fafard. "My partner at the time and I already had years of experience in the music retail market and we felt there was a demand for a more specialized and knowledgeable staffed store."

"The biggest challenge of the 1990s was the big-box retailers," he adds. "They treated CDs as loss leaders and tried to dominate the market by carry-

ing a much larger range of genres, competing directly with smaller stores who historically carried a more diversified range of product."



Jack Dagley, Business Edge

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### QUOTE . . .

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To Fafard, the rise of the MP3 wasn't as much of a problem as the corporate music industry's response.

"These corporations should have seen the potential in marketing via this new format," says Fafard. "You can see that the selling of downloads is a viable market, but the fatcats in the record industry did not want to change the business model, which had served them so well for so long."

"More modest wholesale prices for CDs at that time could have slowed the consumers' acceptance of downloads, especially illegal ones."

Downloading has helped, not hurt, his business, says Fafard. The first people to download music are not necessarily big buyers of music, he adds.

"The hard-core music fans who represent 10 to 20 per cent of my customers represent 80-90 per cent of my sales," he notes. "Large chains are either closing or restricting their inventory, allowing the smaller stores to again cater to a more select niche market."

"The flood of information and accessibility of music via the Internet means that people are much more informed of what is available and know beforehand what they would like to purchase," Fafard adds. "Knowledge and customer service are key in surviving."

Logan agrees that customer service is key. "That's the advantage we have on the big stores. If you're asking for something that's not Top 40, we have people who know what you were talking about."

"We'll stick this out," he adds. "At this point it's more stubbornness than the idea that I can retire on the revenues of

this store, but I think people still like to physically browse and we try to make the experience as interesting as possible for them."

"There's so much music out there that the big stores don't touch. It's a matter of reaching the music fans, which we do."

Seabrook is also not giving up on music. His store may be closing, but Boomtown Records will live on, online.

"We're setting up boomtownrecords.com, but currently, my online sales are on a site called Discogs.com," says Seabrook. "That's a user-maintained site of everything music."

In the last few years, they've set it up as a marketplace where the small stores can reach customers worldwide. It's great for special orders."

The future of the retail music industry will forever be changed by the digital revolution and the record companies have finally begun to react, says Fafard.

"The success of iTunes shows that people are willing to pay for product," he says.

"I believe there will be a place for music stores with knowledgeable staff and quality product. However, no doubt the number will be greatly diminished as the quality of downloads increase and the cost of storage decreases."

### Web Watch:

boomtownrecords.com  
www.encorerecords.ca  
www.blackbyrd.ca  
www.discogs.com

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