

## **The CD: A Better Value Than Ever**

**An RIAA Report Prepared By the  
Communications and Strategic Analysis Department  
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Positioned within an increasingly competitive entertainment marketplace, the CD has become a better value than ever before, according to a newly updated comparative analysis by the Recording Industry Association of America. While many forms of entertainment have increased in price in both nominal and real costs, the cost of a CD has actually decreased in real terms, and is on an inflation-adjusted basis less expensive today than it has ever been.

## CDs: A Better Value Than Ever

Forty years ago, fans could walk into their local record store and buy an album for about \$3.75. That certainly sounds like a bargain, but adjust for the buying power of a dollar in 1967 versus a dollar now, and that album would cost nearly \$22 in today's currency!

A myriad of new technologies and developments have begun to transform the way people enjoy music every day. From digital downloads to ringtones to Internet radio, there are more ways than ever to enjoy your favorite bands and discover new ones. While artists and labels have continued to adopt new technologies and business models that allow fans to enjoy music in many different forms, the CD still represented more than 80 percent of the music sold in the U.S. in 2006 (RIAA 2006 Year-End Shipment Statistics report).

When CDs were first introduced in 1983, the average suggested list price was \$21.50. After coming down significantly during the next few years, prices stayed relatively flat in nominal terms (the actual dollar amount at the time), but continued steadily decreasing in real dollars (adjusted for the changing purchasing power of money due to the effects of inflation). Figure 1 below shows annual changes to the average suggested list price of a CD in both nominal and real terms. Looking at just the last ten years when the CD was the primary distribution media for recorded music, the real price fell nine percent.

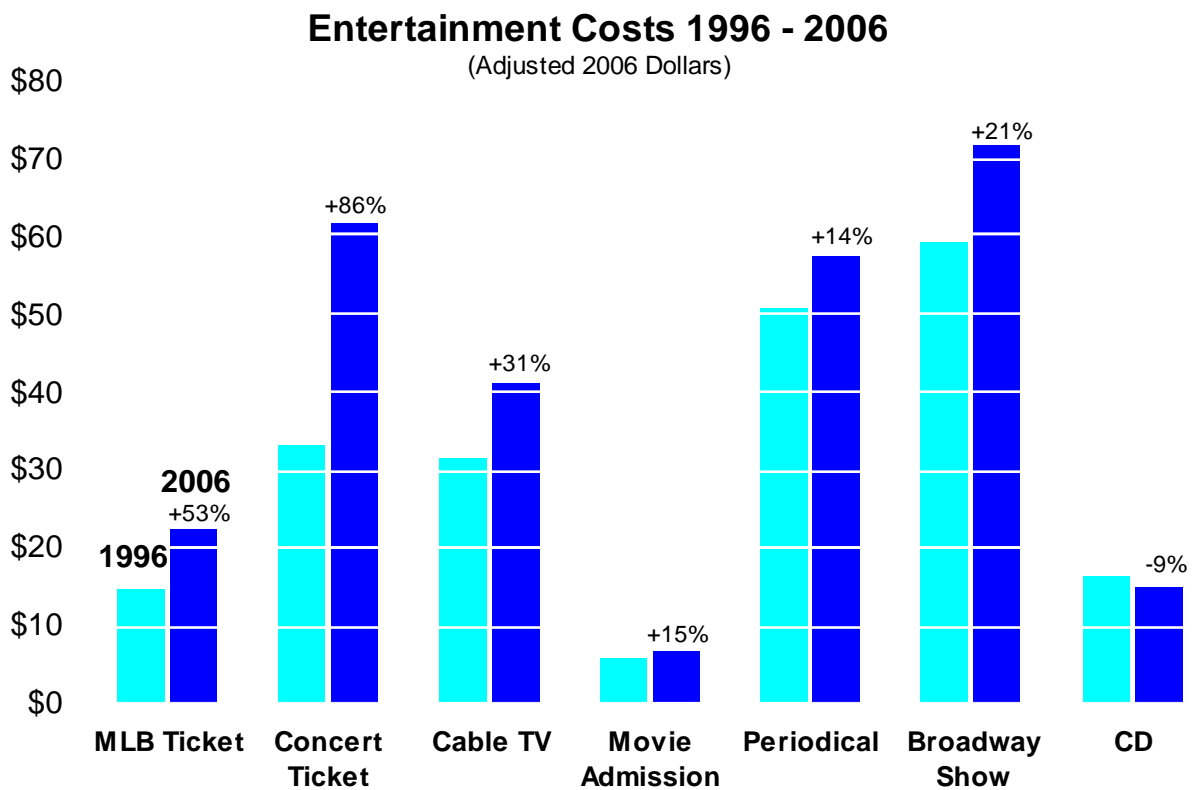
**Figure 1.**

	<u>Avg Suggested List Price of CD</u>	<u>% Change in Price of CD</u>	<u>% Change in CPI</u>	<u>% Change in Price of CD Adjusted for Inflation</u>
1983	\$21.50			
1984	\$18.67	-13.2%	4.3%	-16.8%
1985	\$17.23	-7.7%	3.6%	-10.9%
1986	\$17.55	1.8%	1.9%	0.0%
1987	\$15.61	-11.1%	3.6%	-14.2%
1988	\$13.96	-10.6%	4.1%	-14.1%
1989	\$12.49	-10.5%	4.8%	-14.7%
1990	\$12.05	-3.5%	5.4%	-8.5%
1991	\$13.01	8.0%	4.2%	3.7%
1992	\$13.07	0.4%	3.0%	-2.5%
1993	\$13.14	0.6%	3.0%	-2.4%
1994	\$12.78	-2.7%	2.6%	-5.2%
1995	\$12.97	1.5%	2.8%	-1.3%
1996	\$12.75	-1.7%	3.0%	-4.5%
1997	\$13.17	3.2%	2.3%	0.9%
1998	\$13.48	2.4%	1.6%	0.8%
1999	\$13.65	1.3%	2.2%	-0.9%
2000	\$14.02	2.7%	3.4%	-0.6%
2001	\$14.64	4.4%	2.8%	1.5%
2002	\$14.99	2.4%	1.6%	0.8%
2003	\$15.06	0.4%	2.3%	-1.8%
2004	\$14.92	-0.9%	2.7%	-3.5%
2005	\$14.91	-0.1%	3.4%	-3.4%
2006	\$14.90	-0.1%	3.2%	-3.2%

While CDs come down in price, other forms of entertainment have become more expensive. Figure 2 below shows that while prices soared for many other popular entertainment products over the last decade, the CD actually declined in price and is a better value than ever.

While many forms of entertainment are only one-time experiences, a CD can be enjoyed repeatedly and will last through many years of use. And although it is difficult to precisely quantify, many of today's CDs offer value in ways that was not possible years ago. For example many CDs come bundled with bonus content that can be accessed online using a special code or the disc itself as a digital key.

**Figure 2**



The conclusion is clear: While many forms of entertainment have increased in price in both nominal and real terms, the price of a CD has actually decreased in real terms, and when adjusted for inflation, CDs are less expensive today than ever before.

Sources: American Library Association, The Bureau of Labor Statistics (CPI), The League of American Theaters and Producers, The Marketing Report, The Motion Picture Association of America, National Cable & Telecommunications Association, Pollstar, The Recording Industry Association of America.

Note: In all cases, most comparable year-to-year data available was utilized