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Improving the Seasonal Release Calendar for Recorded Music

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This paper extrapolates possible ways recorded music companies can improve the release schedule for their recordings. The goal is to increase profits through a more balanced quarterly flow of new product. Although the paper presents guidelines appropriate for industry professionals, each assumption requires empirical testing to ensure academic rigor.

Portions of the distribution channel for recorded music are concerned that the calendar fourth quarter accounts for too great a proportion of the total of annual new music releases. John Marmaduke (2006), chairman and CEO of multi-format entertainment retailer Hastings Entertainment, expressed his concerns about this matter in a *Billboard* editorial entitled "Seasonal Suicide." Marmaduke criticized the labels for flooding the market with too many new releases during the last three months of the year, while not releasing enough titles during the rest of the year. Several industry executives and academics formed an ad hoc committee to improve the dispersion of new music releases throughout the year.[1] This paper is an outcrop of the committee's findings.

The Impact of Seasonality on the Recorded Music Industry

The overall sales volume for recordings increases during the holiday season. This trend is similar to many consumer goods that benefit from the December holidays. Label executives and artists attempt to capitalize on this seasonal sales increase.

The sales data do not support the recorded music industry's perception that the fourth quarter is a hit maker. Muratore (2007) reported that the number one album in six out of the past seven years was released no later than May. In fact, Muratore noted, average sales for a new fourth-quarter release "decreased drastically [35%] over the past three [*sic*] years." This led him to estimate that shifting sixteen titles from the fourth quarter to the other three would increase CD sales by about 6.5 million units.

Some research suggests that a seasonal surge in new recordings around Christmas may not significantly increase annual music sales. Wendy Moe

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and Peter Fader (2001) found that the holiday season does not increase the size of the music market—the fourth quarter does not produce nearly as many incremental buyers as industry experts might think.[2]

Why Seasonality Does Not Expand the Music Market

There are several reasons why the holiday season does not expand the music market: among them are consumer incomes, rapidly changing tastes, and intense intra- and inter-category competition. These factors seem to be interrelated. Too many new products—music and competing forms of home entertainment—are released during the holiday season to consumers with incomes too limited to purchase more than a few of them.

Music used to be the dominant home entertainment product. Since 1997, competition in the category has intensified, reducing music's hegemony over the holiday season. Sony's PlayStation revived the video game industry. The launch of DVD became the most successful consumer product introduction because of the disc's features and the studios' decision to move up the sell-through window for movies.

Hollywood and the video game industry are potent competitors for top-of-mind awareness during the fourth quarter. Their peak selling season overlaps that of the music industry. According to one estimate (Marmaduke 2006), video game and DVD suppliers spend about $500 million in direct-to-consumer advertising during the fourth quarter. Video games and home video are competing aggressively for the market's attention and winning, limiting the record labels' abilities to market effectively.

Music's wallet share may also be shrinking during the holidays. The target market for many new releases is 15 to 24 year-olds: a market segment with limited disposable income. Every purchase of a $50 video game or an $18 DVD decreases the ability of a teenager or young adult to buy music. There is strong anecdotal evidence of the consumer's willingness over the last decade to reduce music purchases to buy more home video and games.

Not only do record labels face more intense competition from outside the industry, they are also rapidly increasing the number of fourth quarter new releases. This contradicts the logic that avoiding the competition is often a factor in a successful product launch. Robert Krider and Charles Weinberg (1998) found that the movie studios face a choice between maximizing seasonal sales and avoiding direct competition when selecting a release date for movies.[3] The authors equate this to a high stakes game of chicken. Krider and Weinberg suggested that the studios sense which projects will have a large initial box office. As a result, Hollywood tends to delay the launch of weaker products in order to avoid competing against releases expected to have a strong opening week.

The music industry cannot depend on the fourth quarter to offset three quarters of slow sales caused by an inadequate slate of releases. The hit nature of the industry (short product lifecycles) creates rapidly changing needs and wants: albums that music fans want today are usually not the same a month later. Customers are unlikely to time shift their purchases. It is doubtful that consumers will save money that they would have spent on music during the first nine months of the year (had there been more new releases) to make purchases during the final three months. It is also not likely that consumers will buy titles released during the fourth quarter in the following year, once the recording is no longer a hit.

The Costs of Seasonality

Seasonality is expensive; off-season losses are common within the distribution channel. A combination of maintaining excess inventory and production capacity during slower times is necessary to meet seasonal increases in demand. There are significant carrying costs for the excess production capacity and inventory; furthermore, there is an increased risk of inventory obsolescence and high returns of unsold product. These higher costs are borne by the entire music supply chain, from recording artists to the end consumer, as well as the labels, distributors and retailers.

Seasonality may also have direct consequences for artists and label executives because it reduces the time a title can stay on the charts. Seasonality accelerates sales while having little impact on the bottom line (Shugan, 1998). Seasonality may limit the job security, prestige, and compensation label executives garner, and the notoriety artists gain from a title remaining on the *Billboard* charts.

Deciding the Optimal Time for a New Music Release

Sonja Radas and Steven Shugan (1998) studied the timing of new product introductions and offered some guidelines. The authors suggested that three factors are important for determining an effective product launch date:

1) the shape of the product lifecycle;
2) the early growth rate; and
3) the length of the product's life.

Although Radas and Shugan relied on movie theatrical release data, their findings are appropriate for the recorded music industry.

Regarding the lifespan ("legs" in industry jargon) of a product, there is a simple maxim: "Generally, the longer the life, the shorter the optimal wait," according to Radas and Shugan (310). Labels should release titles that may have long legs immediately instead of waiting for the holiday season. A track or album with a long life will capture part of seasonal cycles. Interestingly, Radas and Shugan argue for an immediate release just past a seasonal peak for products anticipated to have a short life so it can still capture the end of the season. Products with an intermediate lifespan should wait to capture the next seasonal increase in demand.

For many entertainment products—movies and music—sales tend to start high and then decline. For these types of products, Radas and Shugan suggest that producers "should either launch immediately or wait until the high season" (310). Entertainment companies should launch products with more traditional lifecycles—early adoption, growth, maturity, and decline—before the start of a season. The timing should allow the product to reach maturity during the peak season.

The final factor for determining the best window for launching a new release is a product's early growth rate according to Radas and Shugan. An immediate release is ideal for products with rapid and slow growth. Products with intermediate growth rates would benefit from a peak season release.

Discussion

The recorded music industry—the entire distribution channel—would benefit from a more balanced release schedule. In particular, certain artists and genres may perform better with a release outside of the peak season for music.

Labels, artists, and their managers would benefit from matching the release window to their recordings' sales potential. Extrapolating on the findings of Radas and Shugan the record labels should release tracks and albums with hit potential immediately instead of holding them for the fourth quarter. Many hit albums and tracks tend to start strong and stay on the charts for a while—this is the type of product that should have an immediate release according to Radas and Shugan. A preseason launch is the optimal release for titles that need time to build a following, while recordings that are likely to have a short life on the charts are best launched late in the fourth quarter to capture the sales boost following Christmas. In short, the first two quarters may be the best time for superstar releases; the third quarter should be optimal for artists needing time to build a following; and the fourth quarter may be ideal for titles expected to spend a short time on the charts.

Record labels should avoid launch dates that coincide with major releases targeting the same customers. This includes DVDs and video games as well as other albums and tracks. NARM developed a music release schedule in order to minimize the competition from other recordings.[4] It is working on expanding this calendar to include DVD and video game release dates. The NARM database should make it easier for label executives to find less competitive street dates for new releases.

The recorded music business may need to reconsider some of its traditions, incentives, and perceptions. Several industry practices seem to be detrimental to optimizing the release schedule. A surge in titles tends to occur at the end of September, seemingly to meet the September 30th Grammy eligibility deadline. Many of the titles launched at the end of the third quarter would probably profit more from a release after the holiday season.

Another issue may be the way labels and artists compensate their managers. For example, Abraham Ravid (1999) suggested that movie executives sign superstars to their movie projects to protect their jobs should there be a disappointing box office. The studio officer can argue he or she did everything possible to avoid a flop by having a leading actor star in the movie. Similar logic may be behind the trend to more holiday music releases: if it fails to chart, label executives and artist managers can claim they did everything possible to ensure a hit by having launched during the peak selling season.

Empirical research is needed to test the methods and conclusions suggested in this paper. Many of the studies cited use data from the movie industry. Differences in the product and in industry practices may make approaches useful in film industry research ineffective or impractical in music industry research. We hope this paper helps focus the efforts of other researchers working to understand how modifying the timing of new releases might strengthen a struggling music industry.

Endnotes

[1] The committee members included Jim Donio, President, NARM; Susan L'Ecuyer, VP, Communications, NARM; Peter Fader, Frances and Pei-Yuan Chia Professor of Marketing, Wharton School of Business, University of Pennsylvania; John Marmaduke, Chairman, CEO and President, Hastings Entertainment Inc.; Geoff Mayfield Director of Charts, Billboard; Phil McConnell, VP of Product, Hastings Entertainment, Inc.; Chris Mower, Anderson Merchandisers, Inc.; Chris Muratore, VP, Retail Relations and Research Services, Nielsen Entertainment; and Barry Sosnick, President, Earful and Assistant Professor, Five Towns College.

[2] Moe and Fader (2001) found that other factors expand the market for music recordings, such as radio airplay.

[3] This differs from other industries that are more concerned about the trade-off between being first to market and the risk of delay, the threat of cannibalization, and the interplay between development costs and launch.

[4] The release calendar is available at www.narm.com/releases/.

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