common denominator of looking for the isolated hit single, which has no long-term market potential. Canada attached to it," Teller says. This reminiscent of the latter end of the disco era. The industry is ultimately react to any form of artistic changes. We cannot point our finger at the recession or radio or TV.

In contrast to these criticisms of the industry's current state, PolyGram's VP of marketing Mike Azoff thinks the current level of label acquisitions in the last few years also helped set up the current slump. "The high costs of doing business were caused by all the acquisitions as well as the startup-labels," he says. "Once you've rationalized spending several thousands of millions to buy a label, it's hard to rationalize an expanding artist roster, high-salaried executives, and aggressive marketing of each and every piece of product.

Label layoffs

Just how bad was this year's recession? In most of the major consolidations, Atlantic merged its Ato imprint with start- ups; MCA merged its Polygram in about 25 layoffs, while Island merged most of its operations into

PolyGram (Billboard, Oct. 26).

The 119 drop in overall domestic shipments is a figure that tells only part of the story. The industry's most popular formats, were off 20% and recorded only 62% in the first six months of the year. In fact, the industry estimates that America says revenues remained static, due to the popularity of the compact disc.

MCA's Teller says, "I don't believe those numbers tell the whole story. For one thing, these are retail priums, which we don't account for. Everybody's numbers were hurting in the first nine months of the year. In fact, there was a time when you would have thought revenues across the board would be down by 10% from last year."

Though Teller is riding on a record of $118 million month for September, he says all companies, including his, had identifiable problems earlier in the year:

"Industry-wise, I would say new release production was down even more. We're hitting a wall. We're not getting anywhere. You didn't see big-time multiple-platinum certifications, which is the lifeblood of the business. We've already seen the number of good successes. There has been a turnaround," he says.

"In the nature of the business is we're a hit business," says Jay Ber- man, president of the RIAA. "We're not going to go in cycles. We're just in a bad cycle right now."

"I would say business overall is down," says Al Dobbis, head of CEMA. "We can account the CD substitution effect [consumer replacement of vinyl records with CDs]."

"Mail traffic was terrible, which is a way to go down 10 million to 12 million sellers.

"Whether a few hits will cure all the problems is still a question"

where a lot of record stores are nowadays. Cassette sales were off substantially, and that's the scarri- est indicator. The most telltale sign of the economy is that we've got hits but no megahits. It's been a time long- to-10 million sellers.

No technological fix

As for the technology, the industry cannot plan on another technological advance like the compact disc to power it through the present hard times. "There are no other industries in the industry in good financial shape all through the 80s but it is winding down. And, while new formats like recordable mini discs and digital compact cassettes have a great deal of promise, there is no guarantee they will not go the way of the 8- track tape."

"We don't rely on another technolog- ical saving us," CAFARO says. "We have to confront the reality of an uncertain future."

For the future, problems will need to be fixed before the industry can recover for good. "There seems to be a good deal of optimism right now, as there are meaningful new releases drawing people into stores. But that's not always enough," he says.

"If they don't have much money in their pockets, they will buy one record and leave. We haven't been given the multiple purchase theory that we all need. Whether a few hits will cure all the problems is still a question. I would think that the balance of the year will see better sales numbers on a broader variety of ti- tles.

On the other hand, Dobbis points out, "The economy has not im- proved. To run a healthy business in today's reality, you should deal with the recession as it is for the foreseeable future, regardless of whether Guns N' Roses and U2 are together in the studio. There is no instant solution."

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