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FEE-BASED ONLINE MUSIC FACES UPHILL BATTLE

Fewer Than 1 In 10 Have Ever Paid To Download

Online music activities do influence offline behaviors – Ipsos-Reid survey

Minneapolis, February 25, 2002 – New findings from international research firm Ipsos-Reid show that fewer than 1 in 10 (8%) Americans over the age of 12 who have ever downloaded or streamed music off of the Internet have actually paid for this material. This translates into roughly only 4 million Americans within the current U.S. population (according to 2000 U.S. census figures).

In addition, over four-fifths (84%) of those who have downloaded music without paying report they would not be likely to pay for streaming or downloading music off of the Internet, even if there was no free music available, Ipsos-Reid found in its latest syndicated study, *TEMPO: Keeping Pace with Online Music Distribution*.



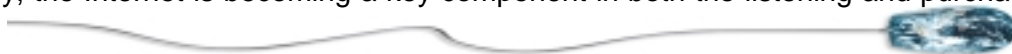
“This suggests there may be resistance among current downloaders to the initial legitimate fee-based online music services recently launched by the major recording companies,” said Matt Kleinschmit, Senior Research Manager for Ipsos-Reid. “There currently appears to be a segment of the downloader population that has a fundamental objection to the idea of paying for music downloads or streams obtained from the Internet.”

Despite this apparent desire for free (and often illegally posted) music, however, evidence shows that downloaders do not stop buying prerecorded compact discs when they discover downloading. In fact, 81% of downloaders report their CD purchases have stayed the same or even increased since they initially began downloading music from the Internet.

In addition, downloaders appear to have a voracious appetite for online music-related information, as over eight in ten (84%) report also using the Internet for more than just downloading, such as listening to song clips, reading about lyrics and tour information, and researching bands prior to actually purchasing their CD. And nearly half (47%) of these individuals indicate that they have subsequently purchased a particular CD from a band or artist *solely* because of something they first read or listened to on the Internet.

Further, nearly one-third (29%) of American downloaders indicate that their typically preferred genre of music has changed since the inception of their downloading behaviors, and one-fifth (21%) of downloaders ages 12 and over report that their radio listening activities have also changed since they began downloading (see accompanying charts). This suggests that current music downloaders can be influenced by their online music activities, and may subsequently adjust offline listening and purchase behaviors as a result.

“Clearly, the Internet is becoming a key component in both the listening and purchase activities



of some music enthusiasts,” added Kleinschmit. “They are taking advantage of the World Wide Web as a resource for both obtaining and researching music, and then often putting this newfound knowledge to use in offline venues. Many of these individuals appear to be looking to the Internet as a way to discover new bands and sample different types music prior to making a traditional retail purchase.”

Methodology

Data on digital music listening and purchase behaviors was gathered from *TEMPO: Keeping Pace with Online Music Distribution*, an Ipsos-Reid syndicated research study examining the influence and effects of online music distribution around the world.

A two-stage research approach was used to collect the data for this wave of TEMPO last November and December. For the first stage, a nationally representative U.S. sample of 1,112 respondents aged 12 and over was used to gather prevalence data on Music Downloaders. With a total sample size of 1112, one can say with 95% certainty that the results are accurate to within +/- 2.94%.

The second, more in-depth survey stage targeted a sample of 834 Music Downloaders ages 12 and over across the U.S. via the Ipsos-Reid I-Say U.S. Internet. A thorough post-survey weighting process assured that the data for these Downloaders was firmly grounded within the larger context of the general U.S. population surveyed in the representative prevalence stage of the research. With a total sample size of 834, one can say with 95% certainty that the results are accurate to within +/- 3.39%. It is from this data that this release was written.

About Ipsos-Reid

Ipsos-Reid has been tracking public opinion around the world for more than 20 years and has become a leading provider of global public opinion and market research to private, public and not for profit organizations in over 50 countries. With more than 1,300 staff in 11 cities, Ipsos-Reid offers clients a full line of custom, syndicated, omnibus and online research products and services. It is best known for its line of *Express* opinion polls, the *World Monitor* public affairs journal, and *The Face of the Web*, the most comprehensive study of global Internet usage and trends. It is a member of Paris-based Ipsos Group, ranked among the top ten research groups in the world.



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