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## **U.S. MUSIC DOWNLOADERS PREFER A PAY-PER-DOWNLOAD TRANSACTION OVER CURRENT SUBSCRIPTION-BASED OFFERINGS**

Ipsos-Reid's Quarterly Digital Music Study, *TEMPO: Keeping Pace with Online Music Distribution*, Reveals Fee-based Services Could Flourish Upon Elimination of Peer-to-Peer Network

**Minneapolis, September 25, 2002** – While the music industry deals with further declines in global sales, and as it works on making paid-for online music appealing to downloaders accustomed to getting it for free, new findings from international research firm Ipsos-Reid suggest that a “pay-per-download” model is more appealing to downloaders than are current subscription-based offerings.

### **One-Quarter of U.S. Downloaders Would Pay for Fee-Based Online Music**

Ipsos-Reid's *TEMPO* research presented a representative sample of U.S. music downloaders with a simulated music market environment consisting of various options for obtaining music. These options included a traditional retail channel, an online peer-to-peer (P2P) file-sharing network, recently launched online subscription-based services, and a hypothetical pay-per-download service.

***In this market scenario, over one-quarter (27%) of current downloaders indicated a preference for obtaining music through a fee-based online offering (19% preferring pay-per-download; 8% preferring a subscription service).***

Interestingly, when no pay-per-download acquisition option was offered in the market scenario, the proportion of downloaders who would pay for online music dropped to 12%. This demonstrates the appeal of a pay-per-download option among those most accustomed to online music distribution, the study suggested.

“With all of the recent media attention surrounding the market viability of recently launched fee-based online music services, these findings indicate that many downloaders will indeed pay for online music, but prefer a transactional payment structure over one that is subscription-based,” said Matt Kleinschmit, senior research manager for Ipsos-Reid and the *TEMPO* research program. “Perhaps a pay-per-download service best represents the ownership and portability they are accustomed to in current peer-to-peer offerings, and a subscription-based service is too radical of a paradigm shift in the way these individuals think about acquiring music.”

### **Switch the Market Environment: What If Peer-to-Peer Weren't Available?**

With peer-to-peer options removed from the simulated market environment, findings suggest that Downloaders would shift their music acquisition behaviors back not only to traditional retail channels, but also to online fee-based services, especially if a pay-per-download option were available. In fact, 38% of current Downloaders would choose to obtain music through a pay-per-download service in such a market scenario, compared to only 14% through subscription-based online offerings such as the services currently available.



“This clearly demonstrates that while fee-based online music services (and pay-per-download models in particular) can certainly lure some downloaders into paying in the current market context, these services could truly flourish if the presence of peer-to-peer websites were eliminated or greatly diminished in the market,” continued Kleinschmit. “And a low-cost pay-per-download service that offers a robust music catalog and file ownership will be well positioned for this market scenario.”

### **Ipsos-Reid's Polls Find File-Sharing Is Widespread**

Research published earlier this year by Ipsos-Reid showed that an estimated one-fifth (19%) of the American population aged 12 and over have downloaded music or MP3 files from an online file-sharing service (such as Morpheus, Napster, or Audio Galaxy). This translates to over 40 million file-sharers within the current U.S. population (according to 2000 U.S. Census figures).

This number is nearly equal to the proportion of Americans who indicated they had downloaded a music or MP3 file from any website in December of 2001 (23% of Americans aged 12 and over), according to new data from the company's quarterly study, *TEMPO: Keeping Pace with Online Music Distribution*.

Not surprisingly, young Americans are leading the file-sharing phenomenon, as approximately two-fifths of 12–24-year-olds have downloaded music or MP3 files from an online file-sharing service (41% of 12–17 year-olds, and 45% in the 18–24 age group). And contrary to the widely held belief that file-sharing is an activity primarily undertaken by cash-strapped high-school and college students, post-collegiate adults also report sampling this often technologically cumbersome activity. Twenty-six percent of those between the ages of 25–34 and 14% of those aged 35-to-54 reported having downloaded music or MP3 files from an online file-sharing service.

In addition, American males are significantly more likely than their female counterparts to have engaged in online file-sharing nationwide, as one-quarter (25%) of U.S. men over the age of 12 reported having engaged in this activity, compared to only 14% of American women.

Related data can be found at Ipsos-Reid's [Digital Music](#) page.

### **Methodology**

Data on music downloading behaviors was gathered from *TEMPO 2002: Keeping Pace with Online Music Distribution*, a quarterly Ipsos-Reid shared-cost research study examining the ongoing influence and effects of digital music around the world.

Data for this release was collected between July 19 and August 2, 2002, via a representative U.S. sample of 690 downloaders aged 12 and over. With a total sample size of 690 one can say with 95% certainty that the results are accurate to within +/- 3.73. To learn more about the methodology of TEMPO 2002, please visit <http://www.ipsos-reid.com/tempo.cfm>

In addition, past contextual data was pulled from TEMPO data collected between April 25 and May 1, 2002, via a nationally representative U.S. sample of 1,113 respondents aged 12 and over. With a total sample size of 1,113, one can say with 95% certainty that the results are accurate to within +/- 2.94.



## About Ipsos-Reid

Ipsos-Reid has been tracking public opinion and consumer behavior 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* civic and consumer trends 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 third among survey-based research groups in the world.

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