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AMERICANS CONTINUE TO EMBRACE POTENTIAL OF DIGITAL MUSIC

Ipsos-Reid's Quarterly Digital Music Study, *TEMPO: Keeping Pace with Online Music Distribution*, Finds Americans' Digital Music Appetite Remains Strong Throughout 2002

Over 100 million Americans Have Listened to a Pre-recorded CD's on Their Computer, and Roughly 60 million Have Downloaded

Minneapolis, MN, December 5, 2002 — Amid ongoing efforts by the music industry to curb unauthorized peer-to-peer (P2P) file-sharing and PC manufacturers' press to expand the perceived functionality of their PC offerings through audio-centric product bundles, U.S. music enthusiasts are continuing to embrace a wide range of digital music activities, and show signs of an increase in both their appetite and willingness to pay.

Digital Music Behaviors Remain Strong, and Hint at Future Increases

New findings from international research firm Ipsos-Reid show that over one-quarter (28%) of the American population aged 12 and over have now downloaded a music or MP3 file off of the Internet. This translates into over 60 million downloaders within the current U.S. population (according to 2000 U.S. Census figures).

This measure marks a gradual increase from previous installments of *TEMPO* (26% in June, and 24% in April) and suggests that this online activity will continue to trend upward.

In addition, many Americans are using other inherent music capabilities of their personal computer as well. Roughly half (50%) of the U.S. population aged 12 and over report they have listened to a pre-recorded music CD that was playing in the CD-ROM drive of their PC. This translates into over 100 million Americans within the current U.S. population. Further, nearly one-third of Americans report having listened to digital music files that were stored on their PC's hard drive (32%).

"These numbers reinforce the notion that digital music activities, including both those more passive in nature such as listening to a CD in your PC's CD-Rom drive, as well as more interactive behaviors such as downloading and file-sharing, are not dwindling, and in fact, are gradually becoming more prevalent among the general U.S. population," said Matt Kleinschmit, Director for Ipsos-Reid and the *TEMPO* research program. "This is noteworthy because while 2002 has been a very volatile year for digital music in general, from ongoing file-sharing litigation and talk of prosecuting individuals for copyright violations to controversy surrounding copy-protected CD's, American music enthusiasts clearly intend to continue integrating the inherent flexibility and convenience of digital music into their traditional music listening behaviors."



Increased Willingness to Pay?

In addition to the steady increase in consumer digital music behaviors, there is also evidence that suggests more online music devotees are warming to (or at least begrudgingly accepting) the idea of paying for online music. In June of 2002, just over one-quarter (27%) of American Downloaders reported having paid for any of the music they have downloaded. In late-September, this proportion had increased to 31%, and will be watched very closely in upcoming waves of TEMPO.

“This may indicate that Downloaders are becoming more realistic in their approach to online music acquisition, and perhaps realizing that access to online music is a valuable service, and as such, is worth paying for,” continued Kleinschmit. “In addition, in the past several months online music has undergone two important changes: increased vigilance in both litigating and subsequently marginalizing many of the popular file-sharing networks, and significant positive refinements in current legitimate fee-based online music services. We are now finally seeing an online music landscape in which many legitimate online music services offer the robust music catalog, portability, and file ownership that consumers have indicated they seek.”

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 September 26th and 30th, 2002, via a nationally representative U.S. sample of 1,113 respondents aged 12 and over. With a total sample size of 1113, one can say with 95% certainty that the results are accurate to within +/- 2.94%. To learn more about the methodology of TEMPO, please visit www.ipsos-reid.com/tempo.cfm

In addition, past contextual data was pulled from TEMPO data collected between April 25 and May 1, 2002, and June 27th and July 3rd, 2002, via a similar nationally representative sample.

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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