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FILE-SHARING AND CD BURNING REMAIN STEADY IN 2002: IPSOS

An estimated 26 million Americans have burned rather than bought music

Quarterly Digital Music Study, *TEMPO: Keeping Pace with Digital Music Behavior*,
Reveals Growth Among Teens

NEW YORK, February 20, 2003 — Americans continued their file-sharing and CD burning activities last year, and teens continued to download music from file-sharing networks in record numbers, according to Ipsos, the global marketing research firm. Despite ongoing efforts to curb unauthorized peer-to-peer (P2P) file-sharing and further declines in the sales of pre-recorded CDs, half of all teens and one-fifth of all Americans age 12 and older report having downloaded a music or MP3 file from a file-sharing service.

Total File-sharing Remains Constant, with Teens Driving Adoption

New findings from TEMPO, the company's quarterly study of digital music behaviors, show that nearly one-fifth (19%) of the American population aged 12 and over report having downloaded a music or MP3 file from a file-sharing network (such as Morpheus or KaZaa) at the end of 2002, with nearly one in ten (9%) report doing so in the past 30 days. This translates into over 40 million file-sharers within the current U.S. population (according to 2000 U.S. Census figures), and nearly 20 million who have done so in the past 30 days.

These measures are consistent with earlier 2002 findings from *TEMPO* (April 2002), and suggest that despite the continued litigation and elimination of some file-sharing networks by the U.S. music industry, American file-sharing persists.

This is especially true among teens, with over half (52%) of 12-to-17 year olds reporting they have downloaded music or MP3 files from a file-sharing network, and one third (32%) doing so in the past 30 days. These measures mark a gradual increase from April 2002, when 41% of 12-17 year olds had taken part in this activity (23% in the past 30 days).

In addition, American males are significantly more likely than their female counterparts to have engaged in online file-sharing nationwide, as just over one-quarter (26%) of U.S. men over the age of 12 report having done this activity, compared to only 12% of American women.

"While some of the older demographic groups have leveled off in their file-sharing activities, music and tech-savvy teenagers continue to embrace the file-sharing phenomenon, and show no signs of changing their behaviors," said Matt Kleinschmit, a Director with Ipsos and the *TEMPO* research program. "What's particularly interesting is that teenagers have also indicated a greater willingness to pay for online music, more so than older downloaders."



CD Burning Also Persists, With Some Americans Burning Rather than Buying

The Ipsos TEMPO study shows that one-quarter (25%) of Americans ages 12 and older currently own a PC-based Compact Disc Recorder/ Burner. This proportion more than doubles when asking U.S. file-sharers, as 59% of Americans aged 12 and older who have downloaded a music or MP3 file from an online file-sharing service report owning this increasingly common PC peripheral. It has been frequently reported that in the past year sales of blank CD-Rs surpassed that of pre-recorded CDs for the first time. Consumer ownership of PC-based CD-Burners reflect this trend.

Further, there is now evidence that suggests these CD-Burners are indeed being used by their owners to burn copies of CDs rather than buying. Just over one in ten Americans (12%) report they have burned (or copied) a pre-recorded music CD owned by someone else rather than actually purchasing that particular CD. Again, this proportion jumps dramatically when examining file-sharers, with 42% of U.S. file-sharers aged 12 and older reporting having done this activity.

"As Americans become more familiar with the inherent music capabilities included in today's off-the-shelf PC product bundles, they are also experimenting with PC-based music acquisition and management, as well as mixing and burning CDs," continued Kleinschmit. "We continue to see evidence that American music enthusiasts are becoming more apt to venture beyond the traditional channels of music distribution as a part of their overall audio behavior."

Methodology

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

Data for this release was collected between December 12 and 16th, 2002, via a nationally representative U.S. sample of 1,112 respondents aged 12 and over. With a total sample size of 1,112, 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-na.com/tempo.cfm

In addition, past contextual data was pulled from TEMPO data collected between April 25 and May 1, 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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