Napster and iTunes Most Recognized Brands in Fee-based Downloading in 2004

Quarterly digital music study, *TEMPO: Keeping Pace with Digital Music Behavior*, reveals only nuanced music brand differentiation among American downloaders

December 7, 2004, New York, NY — Despite the ongoing influx of new and refined online music offerings, Apple's iTunes and Napster 2.0 continue to capture the American fee-based digital music mind space, according to recently released research from global marketing research firm Ipsos-Insight.

iTunes and Napster 2.0 Current Leaders
New findings from TEMPO, the company's quarterly study of digital music behaviors, reveal that in summer 2004, American downloaders aged 12 and older were equally as likely to be aware of Napster 2.0 and Apple's iTunes on a top-of-mind basis (20% each). However, when prompted with brand names, roughly four out of five (79%) downloaders recognize the Napster 2.0 brand, while nearly half (46%) are aware of iTunes.

Though no other online services or download stores boast substantial top-of-mind awareness, RealPlayer Music Store (41%), MusicMatch (36%), RealOne RadioPass (31%), MTV.com (31%) and Walmart.com (30%) all enjoy strong aided name recognition among American downloaders.

"Over the course of the past year, we've witnessed the high profile introductions of numerous legitimate online music services. These data indicate that while consumers may be cognizant of many of these services, iTunes and Napster 2.0 have emerged as top-of-mind brand leaders. It's particularly interesting to note that Apple's iTunes MusicStore, although introduced only 18 months ago, demonstrates consumer top-of-mind awareness equal to that of the Napster brand, which was established in the late '90s. What this suggests is that brand maturity is not a prime indicator of category ownership in the still youthful digital music market," said Matt Kleinschmit, Vice President for Ipsos-Insight, and author of the TEMPO research.

But for several widely known brands, strong name recognition has not automatically translated into perceptions of leadership within the fee-based digital music community. While Napster 2.0 currently holds a premium competitive position in terms of overall consumer awareness, downloaders experienced with using fee-based services were more likely to rate iTunes as the "best" fee-based digital music service, followed by Napster 2.0 (31% versus 23%, respectively). In addition, brands with notable total name recognition levels such as RealPlayer Music Store, MusicMatch and Walmart.com received only moderate "best" ratings within the fee-based downloader community (8%, 7%, and 6%, respectively).

Similar to consumer leadership perceptions, iTunes and Napster 2.0 also boast the highest reported usage levels among American fee-based downloaders. iTunes again edges Napster 2.0 for the number one position, as roughly one-third (32%) of fee-based downloaders indicate using iTunes, while one-quarter (26%) report past Napster 2.0 usage. Following these services are Music Match (12%), Walmart.com (12%), and RealPlayer Music Store (10%).

"While iTunes and Napster 2.0 hold unique and distinct advantages in terms of awareness and usage, there are still opportunities for competitors to emerge in the digital music market. In order for competing services to establish and maintain a stable user audience in this increasingly crowded and commoditized market, it will be critical to clearly define individual service benefits and brand strengths from competitors," said Kleinschmit. "Our research thus far has shown only nuanced differentiation in consumer perceptions between the fee-based digital music services."

Consumers Value Sound Quality, Price, and Music Selection Most
In addition to specific digital music service brand affinities, Ipsos-Insight's TEMPO study also found that those who have downloaded music are most likely to place importance on good sound quality, low prices, a broad music selection, and

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perceptions of a good value as specific traits of a digital music service. In contrast, less importance is placed on perceptions of a hip or cool site or the ability to exchange ideas or recommendations with other service users.

"These findings support the notion that while consumers may not have fully developed perceptions of individual services and brands, experienced downloaders clearly know what they want in terms of functionality," said Kleinschmit. "In late 2002, *TEMPO* revealed that downloaders identified five core digital music service attributes–value, selection, flexibility, portability, and ease of use. Despite dramatic fee-based digital music marketplace shifts in the past two years, these critical attributes have remained relatively constant. As digital music services are forced to compete in not only an increasingly crowded music market, but an expanding digital entertainment market as well, the ability to match service attributes and associated brand imagery with consumer desires and clearly define these benefits is critical to staying in the game."

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

Data for this release were collected between August 3rd and 18th, 2004, via a representative online U.S. sample of 703 downloaders aged 12 and over. With a total sample size of 703, one can say with 95% certainty that the results are accurate to within +/- 3.70%.

To learn more about the methodology of TEMPO, please visit www.ipsos-insight.com/tempo.cfm

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