



Popularity of Fee-based Music Downloading Takes Off **Nearly Half of American Teen and Adult Digital Music Downloaders Have Paid** Quarterly digital music study, *TEMPO: Keeping Pace with Digital Music Behavior*, reveals first-time intersection of fee-based downloading and file-sharing behaviors

February 10, 2005, New York, NY — On the eve of the Grammy Awards and amid strong holiday season sales of portable MP3 players, heightened advertising of fee-based music services, and the recent launch of a new generation of portable digital music subscription payment methods, American consumers continue to experiment with fee-based online digital music services and download stores in record numbers, according to new research from global marketing research firm Ipsos-Insight.

Nearly Half of Downloaders Have Paid

New findings from TEMPO, the Ipsos-Insight quarterly study of digital music behaviors, reveal that, in December of 2004, nearly half (47%) of American downloaders aged 12 and older had paid a fee to download music or MP3 files off of the Internet. This represents a leap in activity roughly double the 22% witnessed in December 2003, and over five times the activity in December 2002. This most recent figure translates into roughly 24 million people within the current U.S. population.

"Over the past year, the online music market has proved that it is growing into a formidable music distribution channel marked by rapid growth and increasingly dynamic usage levels," said Matt Kleinschmit, a Vice President with Ipsos-Insight and author of the TEMPO research. "While fiercely competitive online music services and download stores undertake high-profile efforts to attract consumers to their respective sites and business models, it is clear from these data that consumers are increasingly experimenting with legitimate online methods of music acquisition."

Recent TEMPO research also revealed some interesting demographics about fee-based downloaders:

- Adult downloaders aged 25 to 54 are the most likely to have paid to download digital music (50% among 25 to 34 year olds, 53% among 35 to 54 year olds). And while younger downloaders have typically been less likely to report having paid for digital music, in the most recent findings, over half of downloaders aged 12 to 17 report that they have paid for digital music (52%), suggesting that recent efforts to promote pre-payment methods to teens are proving successful.
- Nearly equal proportions of male and female downloaders have paid to download digital music files off of the Internet: 49% of U.S. male downloaders aged 12 or older report having engaged in this activity compared to 45% of American females. American female downloaders are continuing to narrow this gender gap, as women's current fee-based downloading experience levels have nearly tripled compared to one year ago (16% in December 2003), whereas men's have nearly doubled (24% in December 2003).

"These data reinforce how unpredictable this emerging market is. Who would have thought two years ago that the initial growth of fee-based digital music would be driven by Americans ages 25—54?" said Kleinschmit. "What's even more encouraging is that we now see signs that teens are beginning to experiment with fee-based services as well, which shadows recent reports of strong sales of pre-paid cards for high-profile online music download stores."

Fee-based and File-sharing Intersect for the First Time

The study also found that for the first time an equal proportion of the U.S. population engaged in fee-based downloading and file-sharing (11% of general U.S. population aged 12 and older). This was driven both by the increase in fee-based downloading (as noted above) and by gradual declines in file-sharing among the U.S. population over the past 24 months (13% in December 2003 and 19% in December 2002; self-reported).



“This marks a potential turning point in the evolution of digital music, as the proportion of Americans using file-sharing services and fee-based services has intersected for the first time,” said Kleinschmit. “This is significant both functionally and symbolically, as operators of fee-based digital music websites are finally seeing American downloaders embrace their services, and the broader industry can now see empirical evidence that fee-based online content can survive and even flourish while non-licensed content remains available. This was thought to be impossible only a few years ago—before convenient, flexible and content-laden consumer-focused online music services, a growing population of portable device owners, and continuing enforcement efforts nurtured this nascent marketplace.”

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 December 9 and 12, 2004, via a nationally representative US 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-insight.com/tempo.cfm

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