Napster And iTunes Remain Most Recognized Brands In Fee-based Downloading; MySpace Gains Significantly

3rd annual *TEMPO Digital Music Brandscape* study from Ipsos reveals emerging distinction & differentiation within the category

Sound quality, ease of use and search remain the most important features; extras and the ability to exchange ideas with others gain in importance

New York, NY, March 14, 2007 — Amid continued growth in portable MP3 player ownership and emerging speculation about the long-term sustainability of fee-based 'a la carte' music downloading, excerpts from Ipsos' *TEMPO Digital Music Brandscape* study released today show that Apple's iTunes continues to strengthen its position as the dominant fee-based digital music destination, while a host of other services are striving to grow consumer mindshare and establish clear points of differentiation. The study also reveals that the breakthrough of social networking website MySpace as a prominent destination for digital music may suggest underserved areas of the market are still untapped.

Napster and iTunes Remain Current Awareness Leaders; Yahoo! Music Sees Increase While MySpace Skyrockets
The third annual *TEMPO Digital Music Brandscape* study is an in-depth examination of fee-based online music brands, and is part of *TEMPO*, an Ipsos quarterly study of digital music behaviors.

Key findings from the *Brandscape* study include:

- For many brands, awareness remained consistent in 2006. For a handful of services, however, the year brought significant gains or losses.
  - Among American Downloaders aged 12 and older, iTunes gained significantly in both unaided and aided awareness over 2005 , moving from 57% to 66% for total awareness.
  - Meanwhile, Napster experienced some erosion in awareness, dropping from 79% to 68% total awareness.
  - Awareness of Yahoo! Music increased over the past year, with total awareness reaching 53% (up from 49% in 2005).
  - Perhaps the most significant development this year was the strong gain in awareness of MySpace, which jumped from 16% to 54% in just one year.
  - NOTE: The study was conducted prior to the launch of Microsoft's Zune Marketplace.

"While iTunes' awareness gains in 2006 have been salient, many industry watchers had anticipated them," states Matt Kleinschmit, Vice President of Ipsos Insight and author of the *TEMPO* study. "The real breaking stories in the category are the rampant growth of awareness for MySpace and the ongoing challenge for many other digital music services to maintain and grow their place in the consumer consideration set. While MySpace has effectively carved out a unique area of the market centered on social networking and direct-to-consumer recommendations, it remains to be seen if this model can be monetized and scaled while maintaining the copyright protections that content holders require. Despite this, the growth of MySpace is a strong example that there remain areas of opportunity in the still evolving digital music market. It will be increasingly important in 2007 for other services to develop and clearly communicate their own competitive differentiation, as the momentum of iTunes in this category may be too difficult to compete directly against with similarly positioned offers."

iTunes further solidifies 'Best' Positioning, While Social Networking Boasts Gains
As has been seen in past waves of TEMPO research, strong name recognition has not automatically lead to perceptions of leadership within the fee-based digital music community.

- While Napster continues to hold the No. 1 position in overall consumer awareness, American Downloaders are more likely to rate iTunes as the "best" fee-based digital music service, followed by Napster (41% vs. 11%, respectively).

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- The change in ‘best’ identification was significant for both brands, with iTunes’ increasing from 33% and Napster dropping from 22%.
- Social networking site MySpace made strong gains in ‘best’ mentions as well, jumping from just 2% in 2005 to 8% in 2006, making it the third ‘best’ brand after iTunes and Napster.
- ‘Best’ brand mentions decreased for LAUNCHcast, MusicMatch, AOL and RealPlayer, while mentions for other online digital music services and stores remained fairly consistent over the past year.

“iTunes’ steady gain as ‘best’ brand over the past two years continues to suggest that consumers increasingly view it as the pre-eminent online music brand,” continued Kleinschmit. “While this growth at a high level may seem to have come at the expense of Napster, it may in fact reflect a maturing digital music market in which consumers are increasingly familiar with the benefits and restrictions of both the available services and portable MP3 players. Despite the growing dominance of iTunes in consumer mindshare, the growth of MySpace as a destination for digital music may in many respects reveal service elements that some consumers feel have been lacking in traditional fee-based digital music destinations. This suggests that the best strategy for competing in this increasingly crowded and commoditized market will be to court those market segments that may be currently underserved, possibly by focusing on service enhancements that are currently not offered on the well-known websites. These efforts will not only help to differentiate new striving brands from iTunes’ current brand strength and appeal, but may also attract potentially more loyal segments of digital music users who are interested in more specialized niche features than just core functionality.”

A Broad Range of Attributes Such as Sound Quality, Ease of Use and Ease of Search Remain Important
In addition to brand awareness and affinity, the *TEMPO Digital Music Brandscape* found that U.S. Music Downloaders aged 12 and older continue to value a broad range of functional characteristics when selecting a digital music service. Good sound quality, ease of use, ease of search, a broad selection, low prices and good value were all reported to be important when choosing an online digital music service or store, while value-added features that had been less important last year showed the largest gains in importance this year, including extras like Podcasts or album artwork and the ability to exchange ideas or recommendations with other users. Another shift from previous studies has been the apparent increasing sophistication among consumers with regard to song use restrictions – as offering consumers the freedom to do whatever they want with the music they buy has become significantly more important. This may reflect a growing awareness and understanding of the inherent restrictions that exist in many of the current digital music services, and could also point to heightened concerns for this in the future.

“These findings support the notion that as consumers form increasingly developed perceptions of individual services and brands, they also develop a strong idea of the core baseline offering needed for further consideration,” 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 unique and compelling service attributes and brand positioning with those benefits most important to consumers is critical to staying in the game. Indeed, those services that can blend this expected core functionality with differentiated brand positioning and unique service enhancements serving distinct market segments could prove a successful alternative to the current dominate online music providers.”

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 in the US.

Data for this release were collected between August 21 and 30, 2006, via a web-based representative sample of 1,501 US Downloaders aged 12 and over. With a total sample size of 1,517, one can say with 95% certainty that the results are

accurate to within +/- 2.53%. To learn more about the methodology of TEMPO, please visit
http://www.ipsosinsight.com/knowledge/techcomm/products/Tempo.aspx

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