



itunes Widens Lead In Music Services Market, While Social Networking Site Myspace Loses Ground

4th Annual *TEMPO Digital Music Brandscape* Study From Ipsos Reveals Emerging Changes Within The Category

Discount Multi-Track Bundles Present Untapped Opportunity

April 4, 2008, New York, NY — In a year showcased by Radiohead's honor system digital album release and the Apple iPhone, excerpts from Ipsos' *TEMPO Digital Music Brandscape* study show that Apple's iTunes continues to strengthen its position as the dominant fee-based digital music destination, widening its lead over other services. Other key findings include the decline of social networking site MySpace and further decline in past six month CD purchasing.

iTunes Expands Its Lead As Current Awareness Leader, While Perceptions of MySpace Decline

The fourth 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:

- Total awareness increased across the board in 2007, with 82% of all US Downloaders – both fee-based users and filesharers – now aware of iTunes and 76% aware of Napster.
 - iTunes, in particular, gained in both aided and unaided awareness, with well over one-third (38%) of Downloaders now thinking of the brand on a top-of-mind basis.
 - Awareness increased significantly for most brands, but, for many, usage did not. Past 30 day usage decreased for Walmart.com and Rhapsody, and remained stagnant for most music services. The clear winner in 2007 was iTunes, whose recent usage increased significantly (24% past 30 day usage among total US Downloaders, up from 18% in 2006).
 - Perhaps the most significant development this year, however, was the decline of MySpace.com. Contrary to last year's encouraging developments, 2007 saw MySpace's perception ratings decline across a number of attributes as awareness increased. Moreover, the service is no longer as closely associated with allowing users to exchange ideas and recommendations.

"It has become clear that iTunes' saliency has now reached beyond that of being 'just' the top brand presence to being the pre-eminent brand in digital music," states Karl Joyce, Senior Research Manager Ipsos Insight and author of the *TEMPO* study. "Even more telling than awareness and usage, iTunes favorability clearly demonstrates the value of the brand. While perhaps distressing to some, iTunes' dominance simply cannot be denied."

'Best Brand' Position Solidified

As has been seen in past waves of *TEMPO* research, strong name recognition has not automatically led to perceptions of leadership within the fee-based digital music community.

- An emerging majority (50% of Downloaders aware of more than one site) consider iTunes the best fee-based digital music service (up from 41% in 2006 and 33% in 2005). For comparison, second place Napster is rated "best" by 10% of the Downloader market, a figure that did not change versus 2006, and has yet to eclipse the previous high of 22% in 2005.
- iTunes' 2007 ascendance as 'best brand' generally came at the expense of the other top brands, each of which experienced directional declines

"iTunes' steady gain as 'best' brand over the past three years does denote a threat to other digital music services, particularly due to the persistent lack of inter-operability," continues Joyce, "While iTunes' growth in 2006 may have come at the expense of Napster, other brands have begun to feel its impact as well, including other top competitors such as



Rhapsody and Yahoo! Music. Moreover, social networking's hope of overtaking the lead in mainstream digital music acquisition appears to have fallen short."

Bundled Service Offerings Represent Untapped, Potential Market

In 2007, TEMPO investigated receptivity to music bundles among fee-based Downloaders, and found that multiple-track offerings are the clear winner with nearly two-thirds (64%) of these Downloaders interested in discounted multi-track offerings. Although there is niche appeal for combinations that couple tracks with other content such as ringtones, these offerings are not as well received in market. Beyond multiple track offerings, higher quality tracks without usage restrictions (i.e., Digital Rights Management, or DRM, software) are popular as well. Despite significant interest, very few Downloaders have ever purchased a bundle.

"These findings support the persistence of untapped market opportunities in the digital music space, specifically in that of price-competitive offerings such as discounted bundles," says Joyce. "Despite iTunes' dominance, the market continues to offer potential growth and inlets for competing brands. Consumer expectations of digital music services have not changed all that much over the past several years, and one of the attributes that resonates time and again is price. Given the strong interest in discounted bundles, the critical question is not whether they should be offered, but what types of bundled discounts would encourage increased spending by would-be single-track Downloaders without cannibalizing digital album purchase by others."

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 September 10 and 17, 2007, via a web-based representative sample of 1,826 US Downloaders aged 12 and over. With a total sample size of 1,826, one can say with 95% certainty that the results are accurate to within +/- 2.29%. To learn more about the methodology of TEMPO, please visit www.ipsosinsight.com/knowledge/techcomm/products/Tempo.aspx.

For more information, please contact:

[Karl Joyce](mailto:karl.joyce@ipsos-na.com)

Senior Research Manager

312.665.0600

karl.joyce@ipsos-na.com

Ipsos MediaCT

Ipsos MediaCT is the division of Ipsos specialized in researching the converging Media, Content, Telecoms & Technology Industries. We provide branded, customized and syndicated solutions for clients in these sectors. These include audience research, consumer insight, market assessment, sales forecasting and new product development work. Our industry experts combine the science of marketing research with a clear business focus to assist companies in maximizing their return on investment.

To learn more, please visit <http://www.ipsosinsight.com/knowledge/techcomm/>



About Ipsos

Ipsos is a leading global survey-based market research company, owned and managed by research professionals. Ipsos helps interpret, simulate, and anticipate the needs and responses of consumers, customers, and citizens around the world.

Member companies assess market potential and interpret market trends. They develop and build brands. They help clients build long-term relationships with their customers. They test advertising and study audience responses to various media. They measure public opinion around the globe.

Ipsos member companies offer expertise in advertising, customer loyalty, marketing, media, and public affairs research, as well as forecasting, modeling, and consulting. Ipsos has a full line of custom, syndicated, omnibus, panel, and online research products and services, guided by industry experts and bolstered by advanced analytics and methodologies. The company was founded in 1975 and has been publicly traded since 1999.

In 2007, Ipsos generated global revenues of €927.2 million (\$1.27 billion U.S.). Visit www.ipsos.com to learn more about Ipsos' offerings and capabilities.

Ipsos is listed on the Euronext Paris Premier Marché, and is part of the SBF 120 and Next Prime Indices as well as eligible to the Deferred Settlement System (SRD). Euroclear code 7329, Reuters ISOS.LN, Bloomberg IPS FP