



Ad-supported Models Capture Important Piece of Digital Music Market

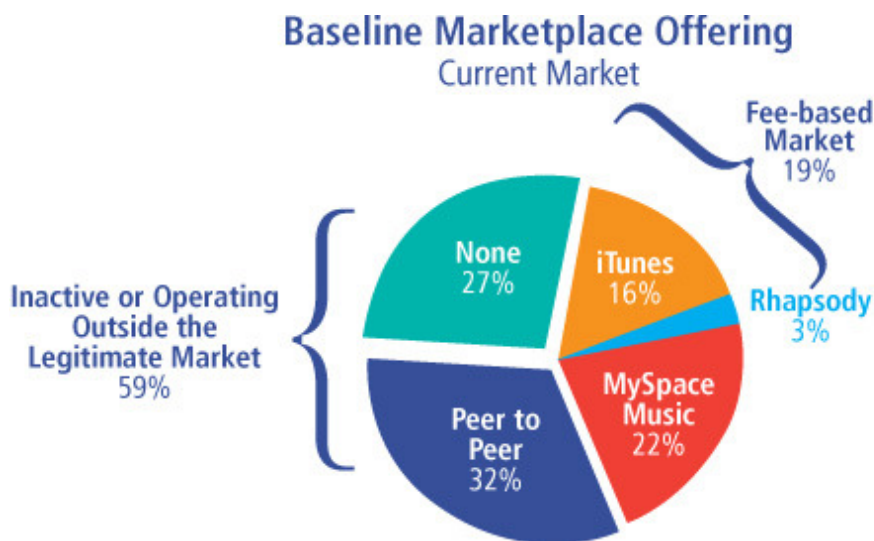
TEMPO Digital Music Discovery & Purchase Process Study from Ipsos Reveals Emerging Changes within the Category
Signs Continue to Point to a Maturing Fee-Based Market

New York, NY, June 29, 2009 — Excerpts from Ipsos' *TEMPO Digital Music Discovery & Purchase Process* study show that ad-supported models provide an important channel of legitimacy for many US Downloaders, are already helping to stave off filesharing, and have the potential to do so even more in the future.

Those still outside the fee-based market unwilling to pay, but not necessarily lost causes

A majority of downloaders and streamers currently operating outside of the fee-based market may simply be unwilling to pay for music. However, given the choice, many fee-averse consumers prefer to avoid filesharing as well. These consumers value music, but, in the absence of legitimate free offerings, the desire not to pay super-cedes the desire not to fileshare.

The annual *Digital Music Discovery & Purchase Process* study – part of TEMPO, an Ipsos bi-annual study of digital music behaviors – is an in-depth examination of how US Downloaders and Streamers discover and acquire or purchase digital music. Findings from the study indicate that ad-supported downloading is a key channel the music industry should embrace in conjunction with the efforts currently being undertaken to combat filesharing if it is to reach the largest consumer audience possible with valued music offerings.



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Assumes 100% Awareness, Availability, Distribution
Base: All respondents (n=1,392)

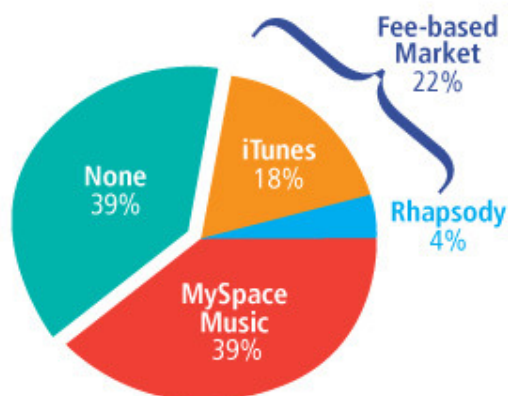


"If it were somehow possible to eliminate peer-to-peer services altogether, the fee-based market would grow slightly, but the real winners would be other free, albeit legitimate, ad-supported services," says Karl Joyce, lead author of the TEMPO study. "The fee-based digital music market has likely reached a state of maturity in terms of who is paying to download and stream. The goal, now, will be to expand recurring revenue streams and to attempt to increase the volume of content that is purchased among those already making digital music purchases. Meanwhile, the ad-supported models are proving to be an effective means of expanding the broader, legitimate market beyond just the fee-based realm."

Baseline Marketplace Offering ...in a world without filesharing

What happens to the Filesharers?

17% switch to
ad-supported
12% become inactive
3% switch to fee-based



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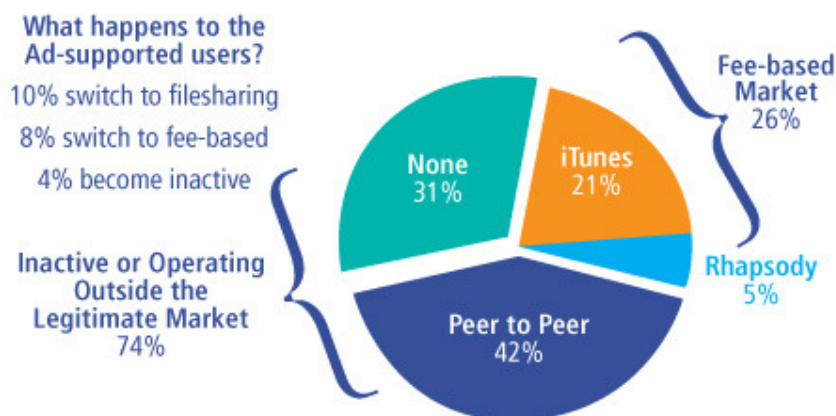
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Key findings from the TEMPO *Purchase Process* study include:

- Currently, ad-supported and fee-based approaches to music have roughly equal appeal.
- If forced to choose something other than ad-supported, a little over a third of those users would enter the fee-based market. The rest are unwilling to pay and either take up filesharing or become inactive.
- If forced to choose something other than filesharing, about two-thirds of those currently involved in it would enter the legitimate market – almost entirely on the free ad-supported side. Only about a third of current filesharers are truly lost causes from a music industry perspective.



Baseline Marketplace Offering ...without ad-supported streaming



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“Ad-supported, as it exists today, should not be seen as the enemy of fee-based distribution,” adds Joyce. “At the very least, ad-supported options force consumers to consider the value music has to them. And, without ad-supported services, many consumers would be lost from the legitimate music market altogether. A key evolution for fee-based distributors will be how they choose to cooperate with and, ideally, leverage ad-supported models to try and encourage and reinforce paid downloading and subscriptions among those consumers who are not fee-averse. It remains our firm belief that free music models will continue to play an important part in digital music in the foreseeable future. Moreover, the industry will play a key role in determining the degree of legitimacy these free streaming – and possibly even downloading – models attain.”

Additional Findings

In addition to examining device compatibility and various distribution channels, the study also looked at price sensitivity and revenue potential. Other findings from the study include how fee-based stores and services can optimize their offerings, the degree to which brand impacts the purchase decision, what consumer expectations for selection/label support are, which added website features have the biggest impact and the degree to which consumers are receptive to various specific advertising techniques such as 10- or 30-second ads during download or between a similar number of songs streamed.

Methodology

Data for this TEMPO *Purchase Process* study were collected using conjoint analysis. Conjoint analysis resembles real-world shopping behavior, where services are chosen based on their overall composition rather than on individual components. Conjoint exercises are designed by creating hypothetical service configurations with varying feature sets that respondents choose between. Rather than evaluating the features independently, conjoint forces the respondent to evaluate service configurations that represent an offering in its entirety, closer to actual buying scenarios.

Data for this release were collected between December 12 and December 23, 2008, via a web-based representative sample of 1,392 US downloaders and streamers aged 12 and over. With a total sample size of 1,392, one can say with 95% certainty that the results are accurate to within +/- 2.63%. To learn more about the methodology of TEMPO, please visit http://www.ipsosmediact.com/products/tempo_overview.aspx.



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