

MP3 DOWNLOADING BY CANADIANS ON THE DECREASE

Fear of Legal Actions Curbing Download Enthusiasm



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Fear of Legal Actions Curbing Download Enthusiasm

Calgary, Alberta – The incidence of downloading digital music or MP3 files by Canadian adults is at its lowest point since March of 2000, according to a new study from Ipsos-Reid, Canada's leading public opinion and marketing research company. Currently 32% of Canadian adults with an Internet connection have downloaded at least one music file, which is down from a high of 47% in June 2002. Among the various online activities tracked by Ipsos-Reid's *Canadian Inter@ctive Reid Report*, downloading of digital music files is the only activity that has experienced a major drop in incidence.

Despite the decrease, Canadian adults with Internet access are still more likely to have downloaded a digital music file than American adults (32% vs. 24%¹).

"Downloading music continues to be a prevalent Internet activity in Canada, but its popularity has certainly decreased. With high-speed Internet access being more widespread here than in the U.S., it is logical that downloading music files is more popular in Canada. However, with Americans having access to a number of different fee-based and legal music download services, and with Americans finally hopping on the bandwidth bandwagon, it will be interesting to see if it continues to be more popular in Canada than the U.S.," said Chris Ferneyhough, Vice President at Ipsos-Reid's Calgary office.

The hard-line approach being taken by the Recording Industry Association of America (RIAA) towards illegal downloaders in the U.S. is impacting Canadian downloaders. Among those who have indicated that they have stopped downloading music files, 21% say on an unaided basis that they stopped because of legal ramifications. This is almost twice the percentage that cite moral concerns (12%), no longer interested in downloading (11%), too busy (11%), too much hassle (10%), prefer a physical compact disc (10%), or frustrated with downloading files of poor quality (10%).

¹ See methodology at bottom of release.

On an aided basis, 41% of Canadian downloaders agree that the recent lawsuits in the United States targeting those who share music files online has caused them to download less often than they used to, and 43% agree that warnings by the Canadian Recording Industry Association earlier this year that they were going to launch lawsuits against individual music uploaders has caused them to download less often than they used to.

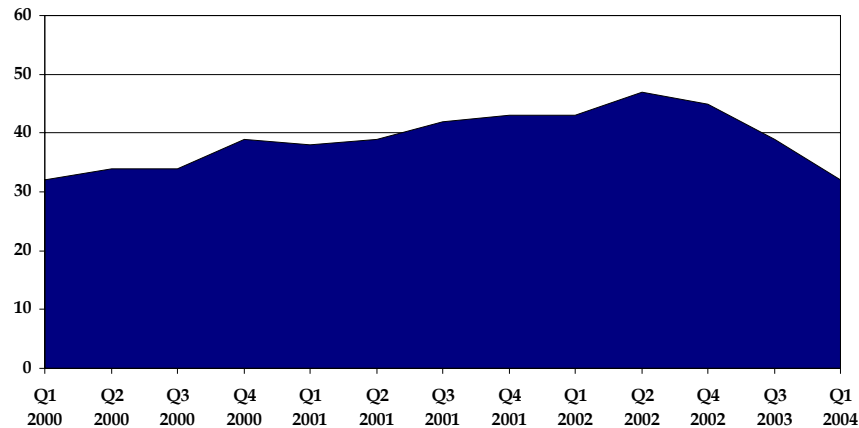
The decrease in downloading from peer-to-peer services bodes well for pay-per-download services looking to commence operations in Canada. In fact, among those who have downloaded digital music files, 15% say that they have already downloaded from a pay-per-download service, such as Puretracks. This is equivalent to 4% of all Canadian adults. Additionally, millions of Canadians state a preference for legal downloading over compact disc purchasing as 56% of downloaders agree that they would prefer to download music from a legitimate online music downloading service than purchase a CD from a record store.

“Given the popularity of downloading music files thus far in Canada, the widespread adoption of high-speed Internet in Canada, and the strong start by Puretracks, it appears that there is a big opportunity for music download services in this country,” said Ferneyhough.

The high level of interest in legal music download services appears to be driven by the frustrations that many peer-to-peer users are having with music files that they have downloaded. For example, about two-in-three say they are frustrated with both the downloading of files of poor quality (69%), and the downloading of incorrectly labeled files (66%).

“You simply don’t know what you are going to get when you download a file from a stranger, but if you use a legal service you know you are going to get the song you are after and it is going to be a high-quality file. The best message to communicate is the peace of mind of paying 99 cents for a file, rather than trying to play the ‘woe is the recording industry’ card,” said Ferneyhough.

Incidence of Digital Music Downloading Among Canadian Adults with Internet Access



The “**Canadian Inter@ctive Reid Report**” is the largest, most comprehensive and authoritative source of its kind about quarterly Internet trends in Canada. The results are based on two separate data collection instruments. In the first, 1,000 web users from Ipsos-Reid’s Canadian Internet Panel are surveyed online. Panelists are chosen through random telephone surveys conducted on an ongoing basis across Canada. Results are complemented by a further 1,000 interviews via telephone with Canadian adults in order to verify results of the panel, and track issues among non-Internet users. Telephone interviews for this release were conducted between March 23 and 30, 2004 while the online data was collected between April 7 and 14, 2004. These data are statistically weighted to reflect the population proportions of regular online users by online expertise and regional distribution. Our panelists represent approximately 14.4 million Canadian adult Internet users who are online for one hour a week or more (there are a total of 17.9 million adults who have Internet access).

With a national sample of 1,000 (for each component), one can say with 95% certainty that the overall results are within a maximum of ± 3.1 percentage points of what they would have been had the entire population of Canada’s regular online users been surveyed. The margin of error will be larger for sub-groupings of the survey population.

American 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 12 and 15, 2003, via a nationally representative U.S. 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 $\pm 2.94\%$ points. Data for the in-depth examination were collected between December 22, 2003 and January 7, 2004 via a representative U.S. sample of 700 downloaders aged 12 and over. With a total sample size of 700 downloaders, one can say with 95% certainty that the results are accurate to within $\pm 3.70\%$ points. To learn more about the methodology of TEMPO, please visit www.ipsos-insight.com/tempo.cfm

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