

edison media research

**The National Record
Buyers Study II**



So many issues facing the music industry...

...we're going to concentrate on two:

1. Quantifying Downloading and Burning
2. Analyzing the Moral/Ethical Issues relating to Technology and the Cost of Music

Particular emphasis on the 12-24 demographic



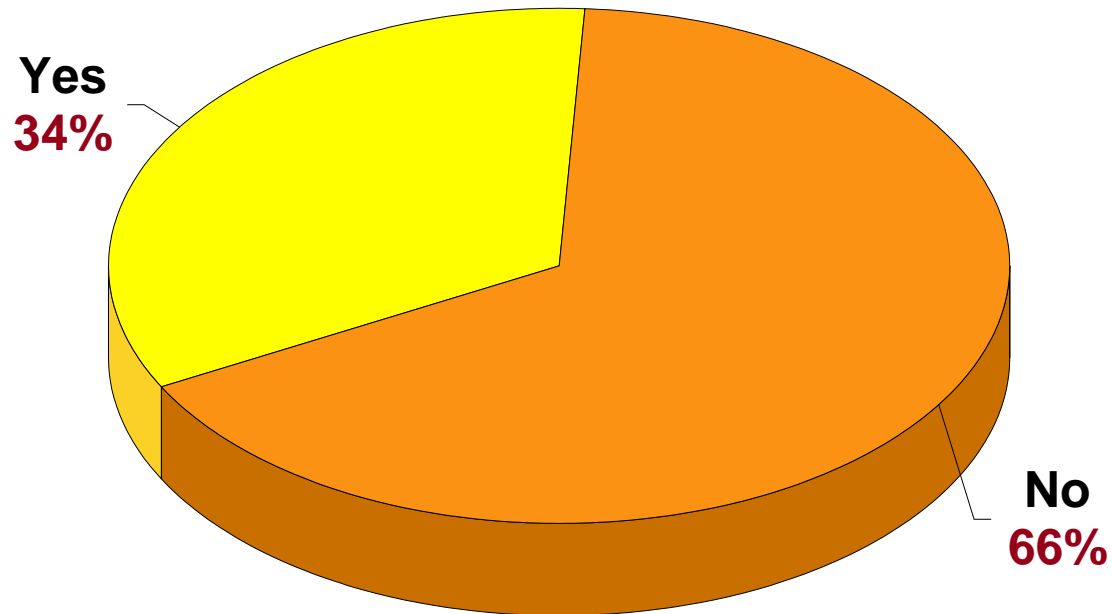
How the survey was conducted:

- 942 Total Interviews
- Ages 12-44
- Telephone Interviews Conducted Nationwide 5/7 - 5/20, 2002
- Tracking from R&R Record Buyers Survey I May 2001 (base 16-40)

#1

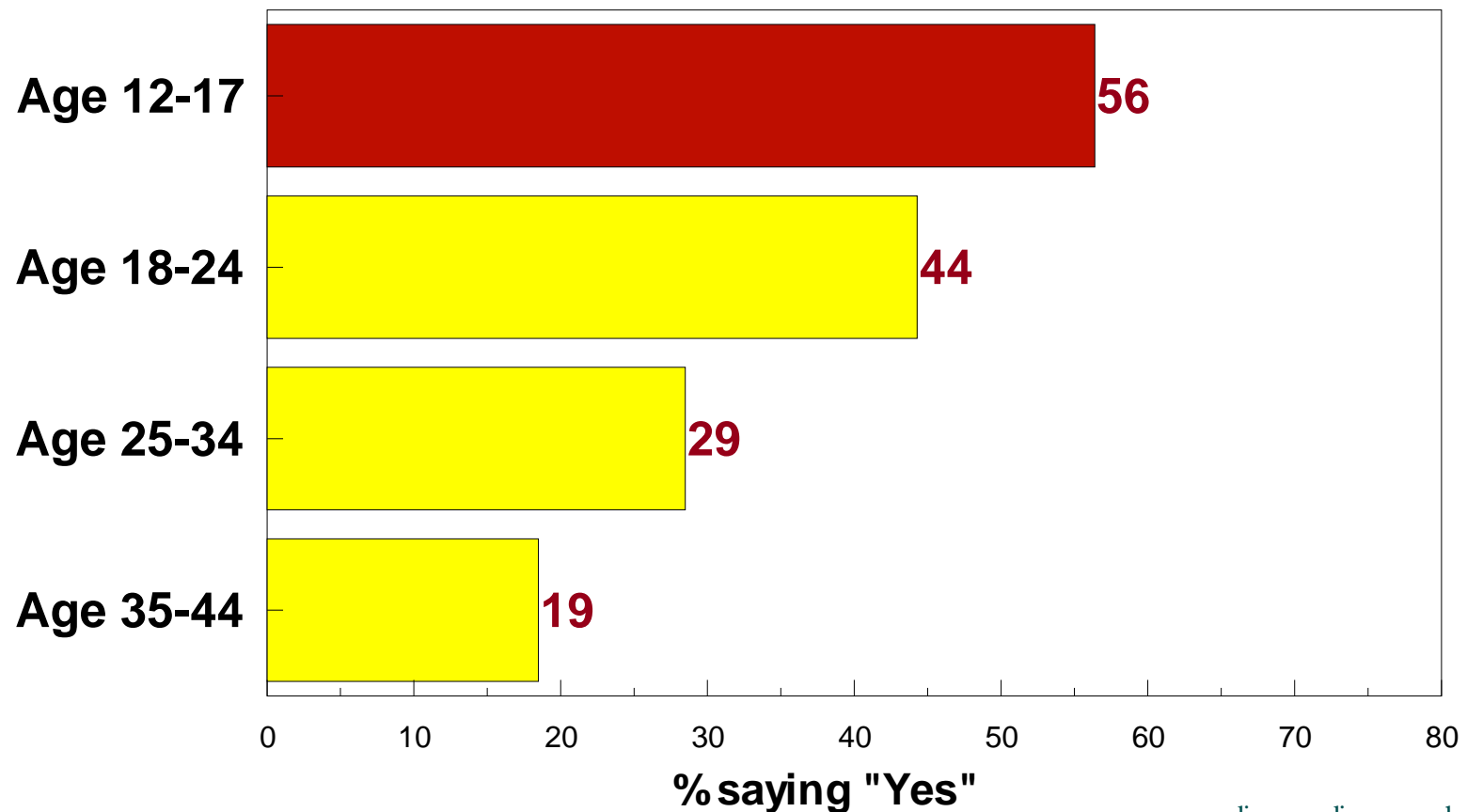
The Technological Challenge

Have you downloaded music files from the Internet for playback at another time?



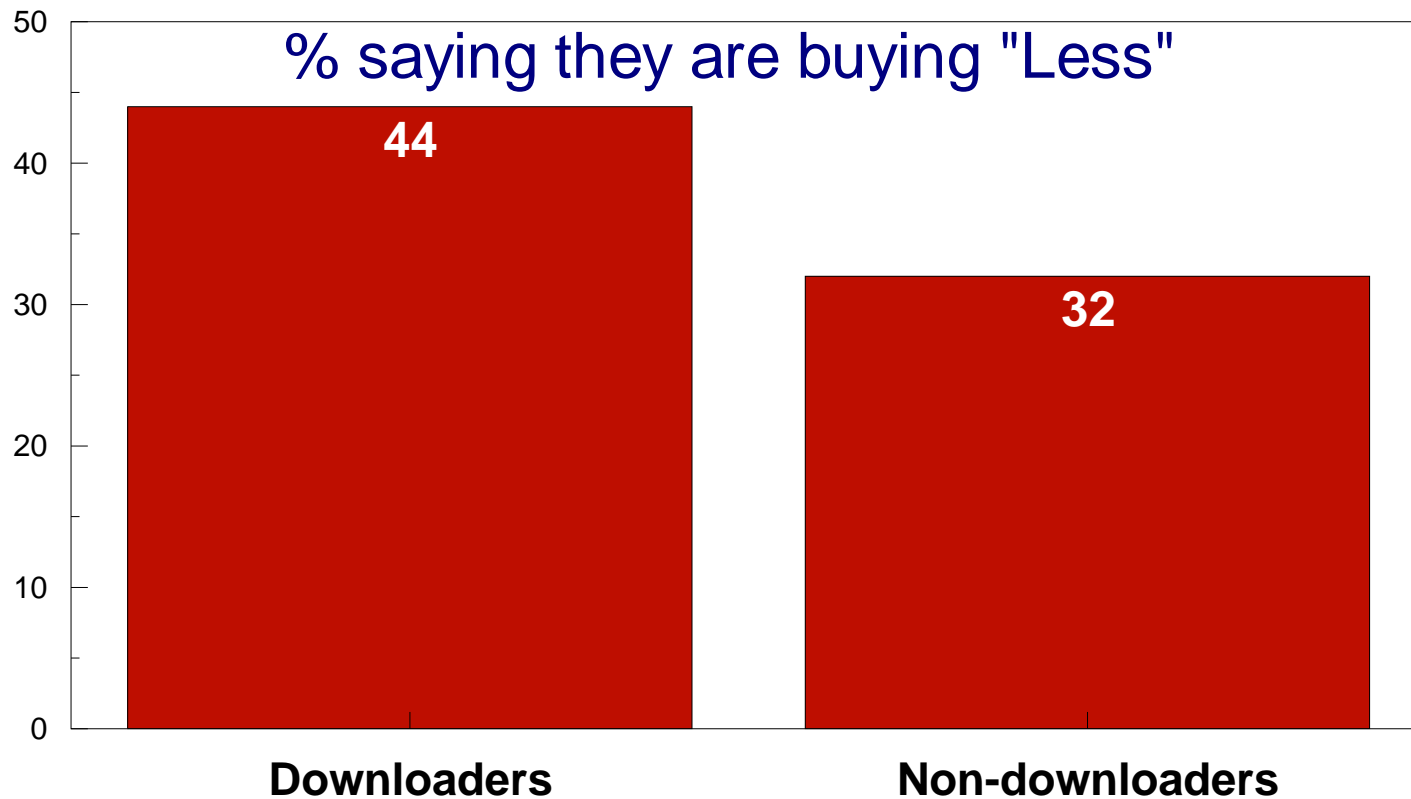
Base: Total Sample

Have you downloaded music files from the Internet for playback at another time?



A huge number of downloaders tell us they are buying less music

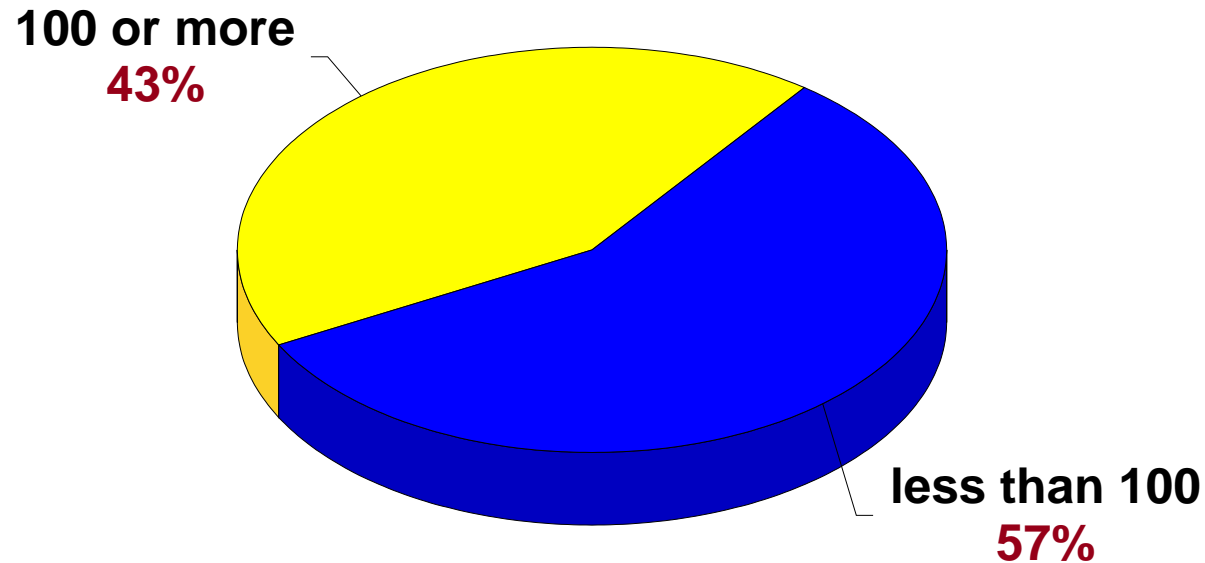
"Is the amount of music you bought in the last 12 months more, less, or the same than what you purchased in the previous 12 months?"



Base: Have Purchased Music in last 12 Months



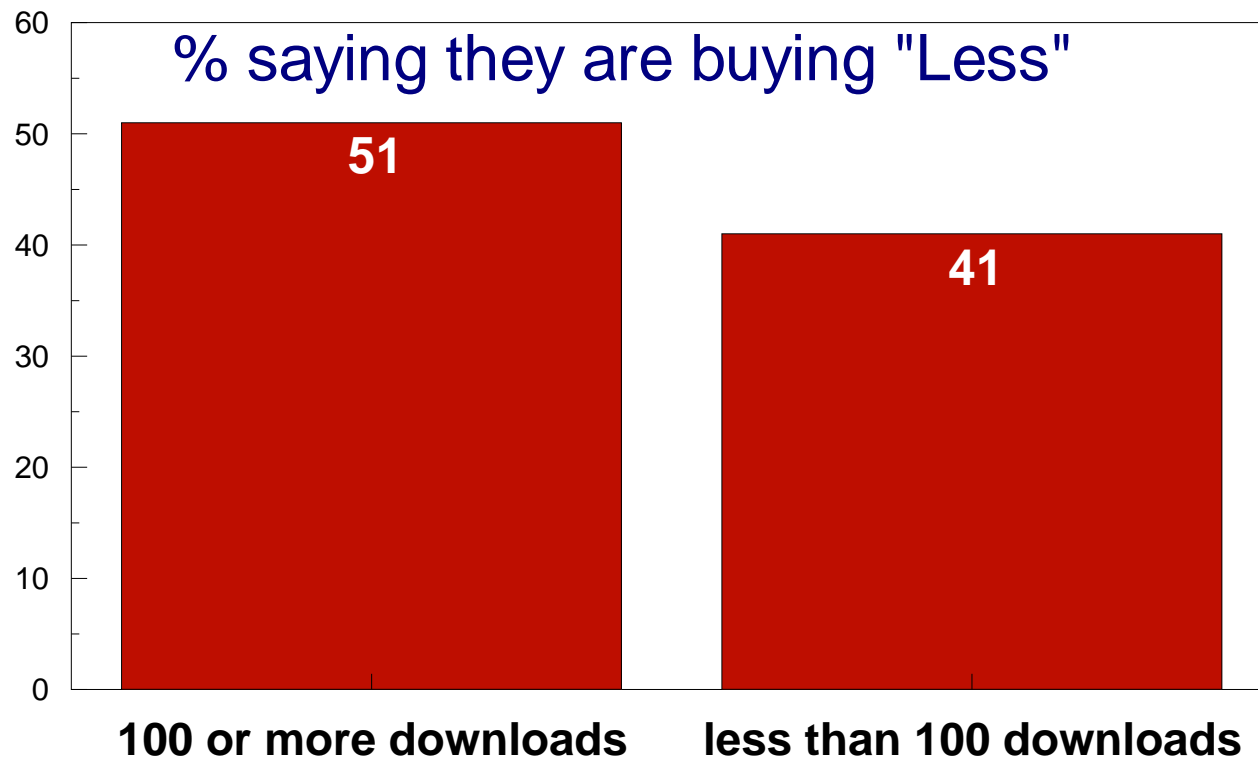
About how many music files have you downloaded from the Internet?



Base: Have downloaded music files

Heavy downloaders are *much* more likely to be buying less music

"Is the amount of music you bought in the last 12 months more, less, or the same than what you purchased in the previous 12 months?"



Why are downloaders buying less music?

	<u># of mentions</u>
■ It's free/don't need to spend money	35
■ Can choose only songs I like/want	15
■ Don't need to leave home/easier than buying	8
■ Can evaluate/listen before buying	3

Downloading/Purchasing "Quadrants"

Drop-outs

**Downloading/
Not Purchasing**

Non-consumers

**Not Downloading/
Not Purchasing**

**Downloading/
Purchasing**

**Not Downloading/
are Purchasing**

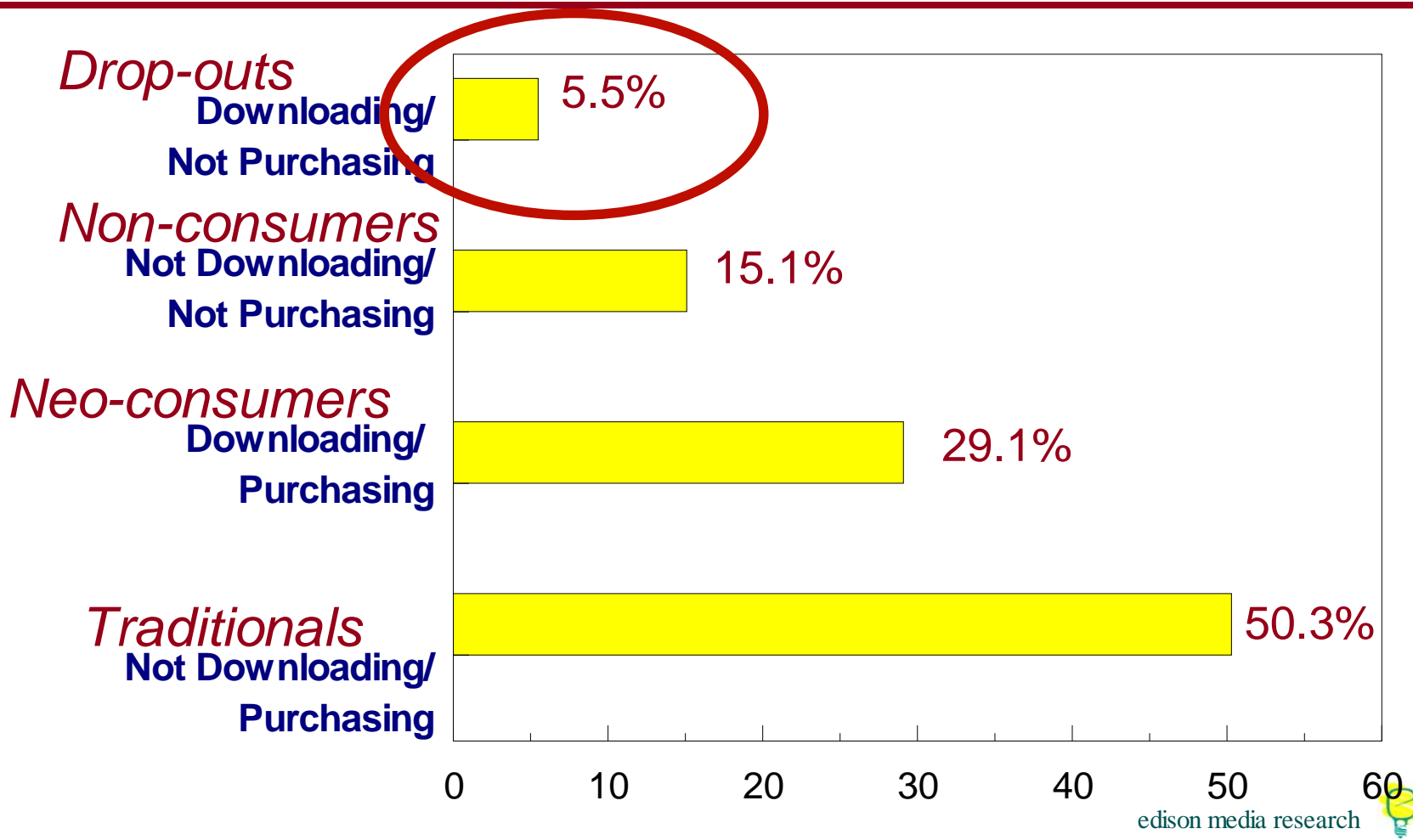
Neo-consumers

Traditionals



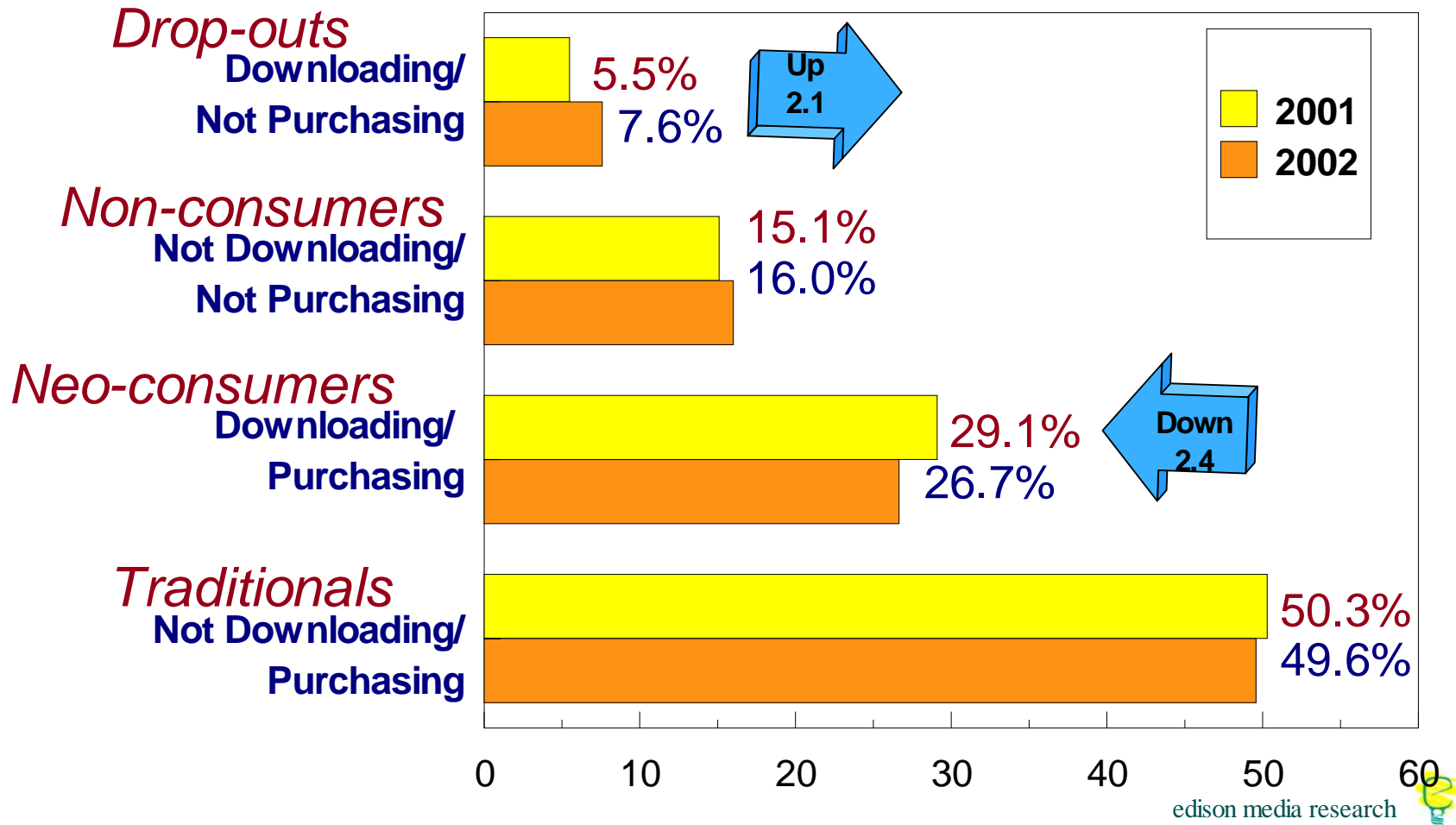
2001:

5.5% of 16-40 year olds were actively downloading *but not buying* music

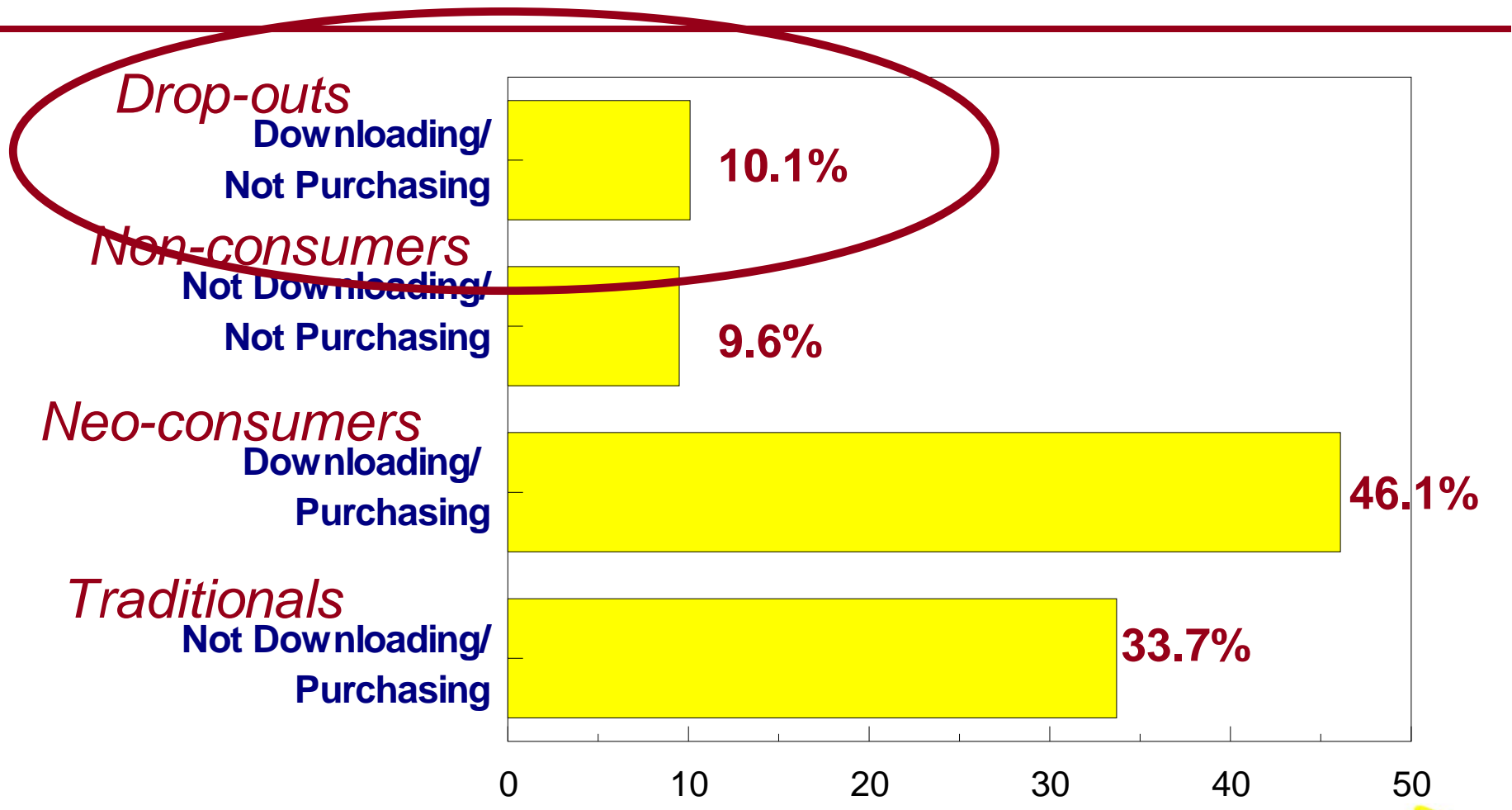


2002:

"Dropouts" from music purchasing increases 38% to 7.6% of 16-40 year olds



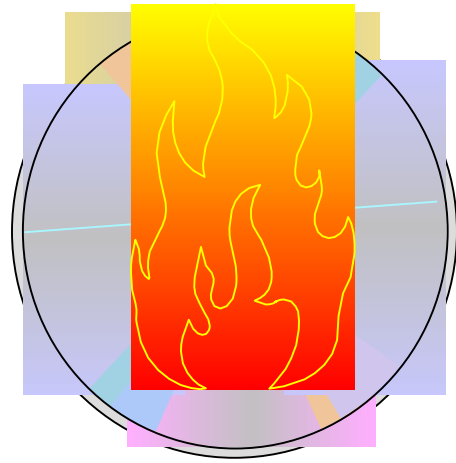
2002: 10.1% of 12-17 year olds have "Dropped-out"



"Drop-outs"

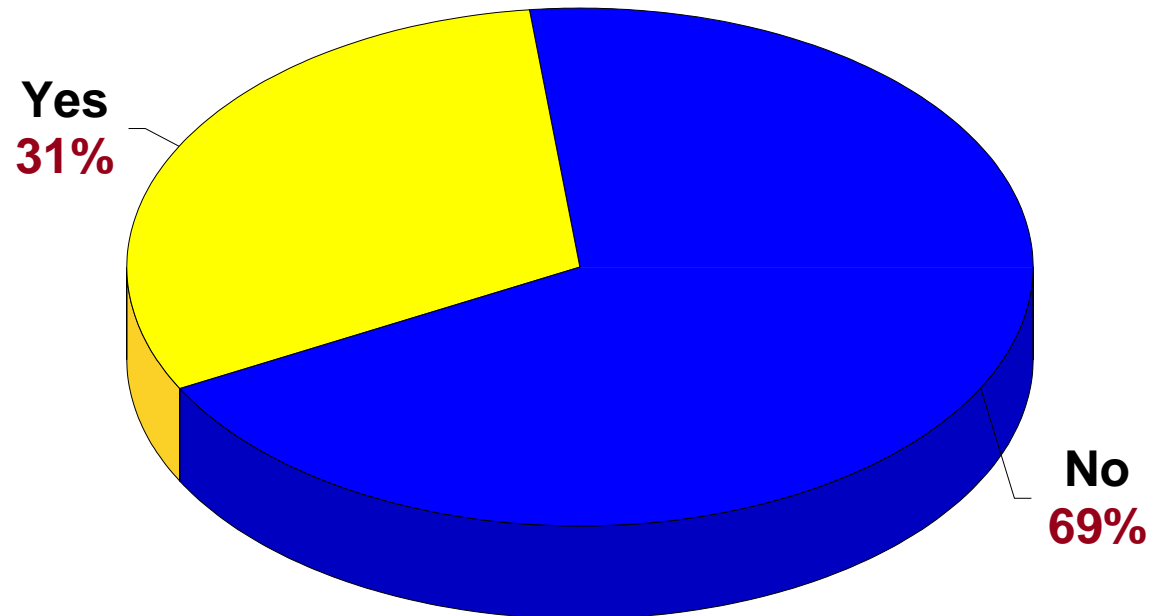
- According to our study, 7.3% of all 12-44s are "Drop-outs"
 - They are downloading but haven't purchased *any* music in the last 12 months
- Multiplied against the US 12-44 population, that computes to an estimated *10 million consumers* in this age group who have left the ranks of music purchasers





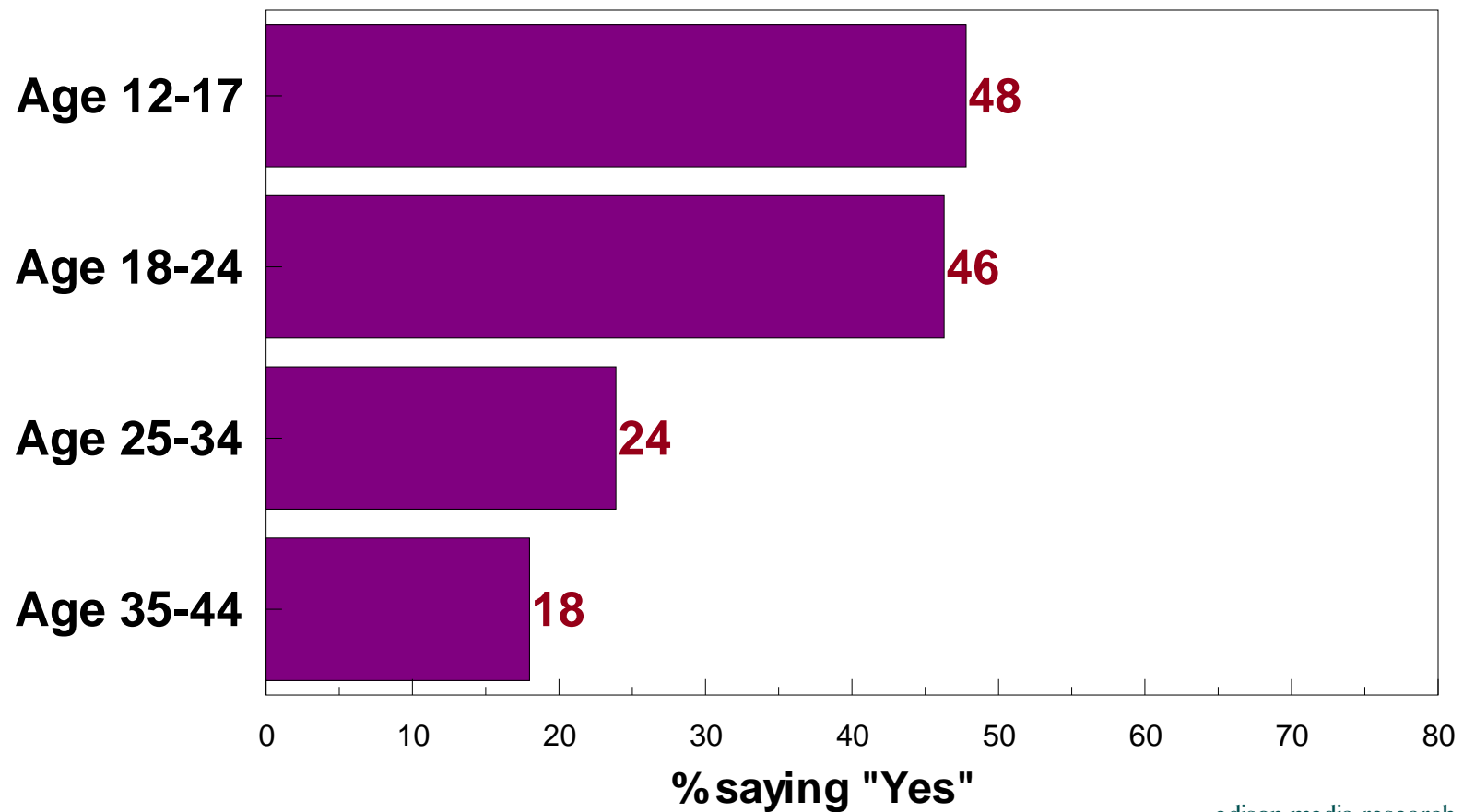
Burning

"Have you ever used your computer to make or 'burn' your own CD where you selected the songs that went on the CD?"

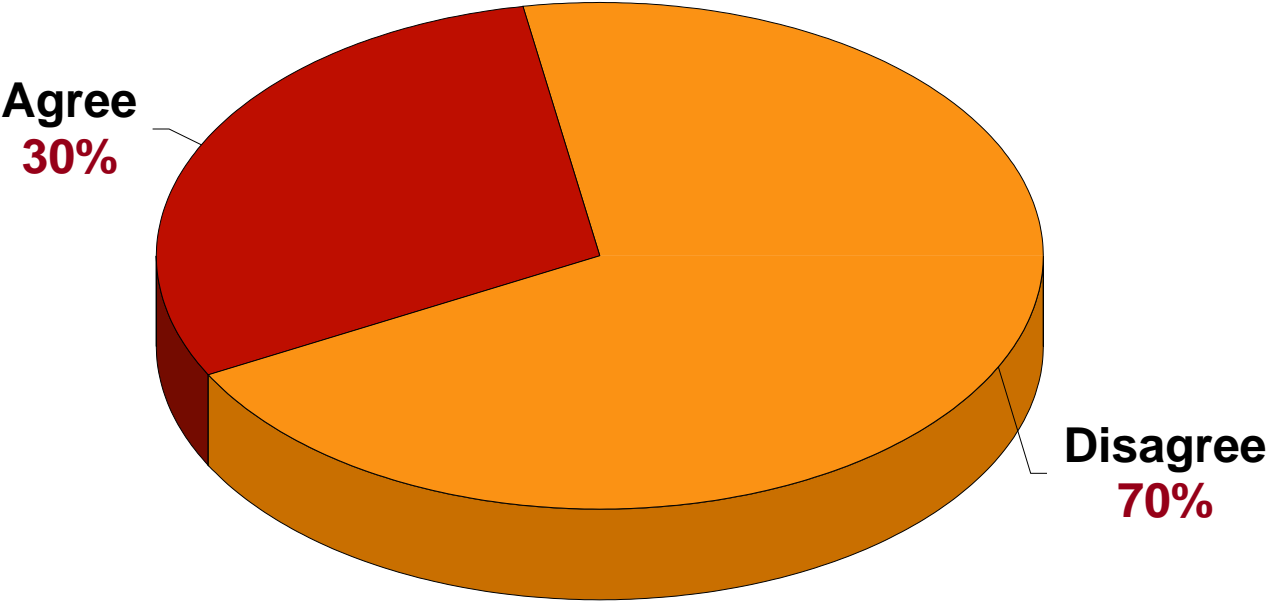


Base: Total Sample

"Have you ever used your computer to make or 'burn' your own CD where you selected the songs that went on the CD?"

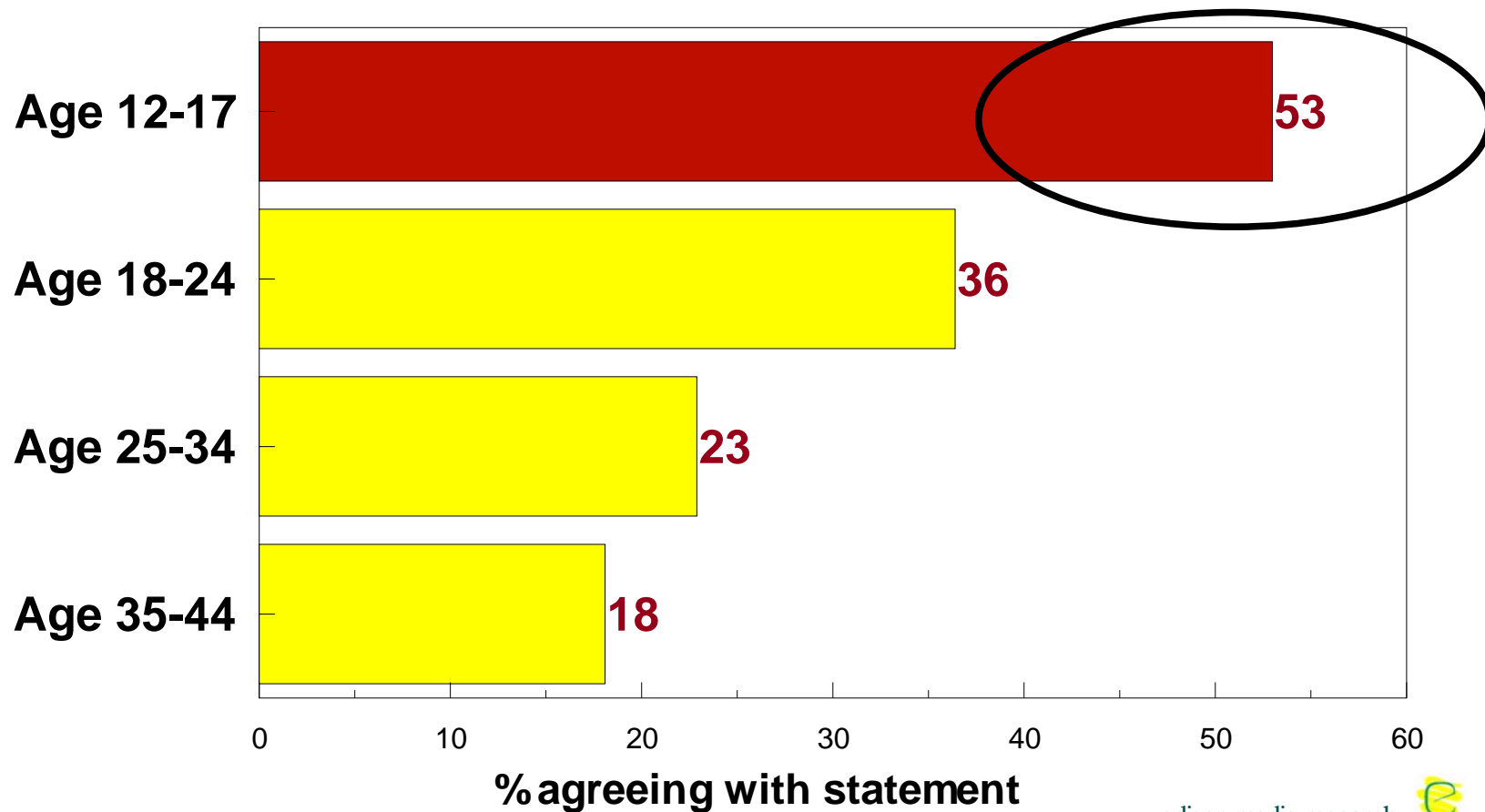


"Instead of buying a CD you have burnt someone else's copy of the CD."



Base: Total Sample

"Instead of buying a CD you have burnt someone else's copy of the CD."



CD Burning

How the labels are trying to stop you

Fans protest as the record labels experiment with copy-protecting music

BY WARREN COHEN

EVER SINCE COMPUTERS BECAME DE FACTO stereo systems, the record business has taken more and more unpopular stances against consumers in an effort to combat music piracy. The cat-and-mouse battle is ramping up with the industry's latest scheme: copy-protected CDs.

Each of the five major labels is now experimenting with anti-piracy technology that prevents computer CD-ROM drives from playing or ripping music in the popular MP3 format. The labels hope to thwart consumers from swapping tunes over the Internet or burning recordable CDs.

So far, only four protected CDs have been officially released in the U.S.: The *More Fast and Furious* soundtrack

and the debut record from hip-hop artist Pretty Willie, both on Universal, and country releases from

cause early reports about the plan have pissed off an array of home tapers, electronics and computer companies, and even some members of Congress. But protection for major releases may be just around the corner: There was much discussion between Eminem and Interscope Records about whether to copy-protect his upcoming disc, *The Eminem Show*, though the rapper, his label and his manager decided

in the end not to take that step.

The labels say CD burning has contributed to a \$1 billion in lost

They Won't Be Burned

Only four copy-protected CDs have been released in the United States so far.



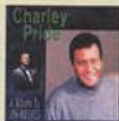
Len Doolin, *Once in a Lifetime*



Soundtrack, *More Fast and Furious*



Pretty Willie, *Enter the Life of Suella*



Charley Pride, *A Tribute to Jim Reeves*



Rolling Stone, June 20, 2002

#2

**The Moral/Ethical
Problem**

The Music Industry is suffering from devastating PR

- Many consumers have come to believe that the "natural" price of a CD is nothing more than raw material costs (what they would pay for a blank CD-R)
- Consumers, particularly young consumers, have lost the connection between music and monetary value
- You can't stop technology, but you have to work with it and at the same time work to change attitudes

We MUST change this kind of thinking:

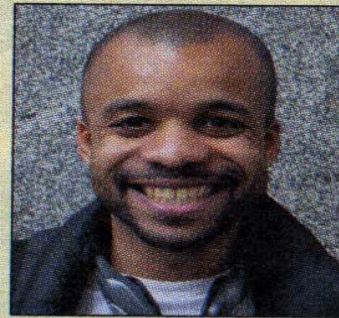
"What is your opinion about CD burning?"



Erica Ross, 19
Student, Manhattan

LAST CD BOUGHT

Lo-Fidelity Allstars
"The record companies are already assholes for charging an arm and a leg to buy CDs. That's what drives people to burn them."



Carmine Kalil, 23
Student, Bronx

LAST CD BOUGHT

Aaliyah, Aaliyah
"The reason people copy CDs is because they're so overpriced. Everybody knows that it doesn't cost that much to make a CD."

And instead foster this type of thinking:



Patrick Boyd, 27
*Computer-operations technician,
Brooklyn*

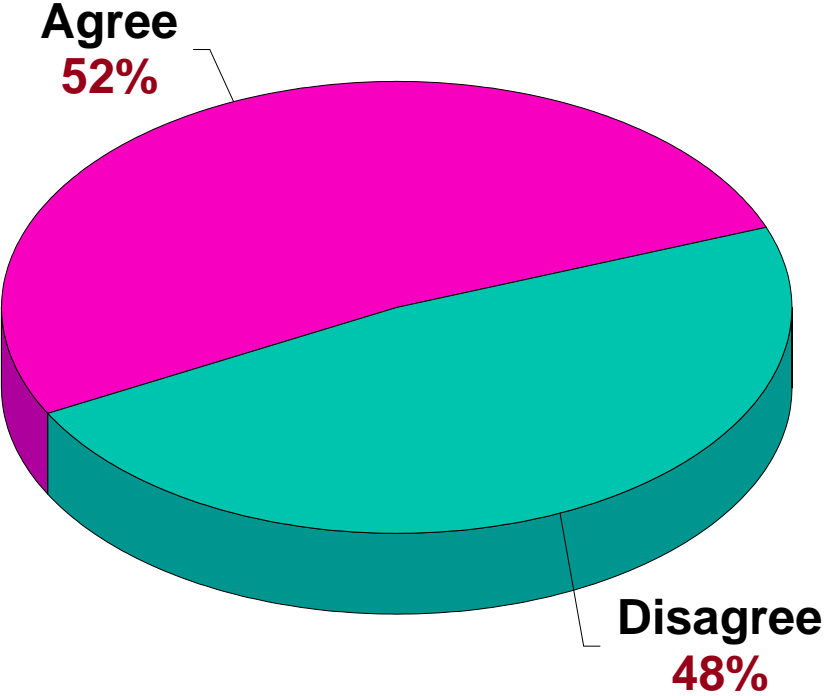
LAST CD BOUGHT

Alice in Chains,
Facelift

"I don't burn CDs.
It's rotten and it's
wrong. It's taking
away from the
artist."

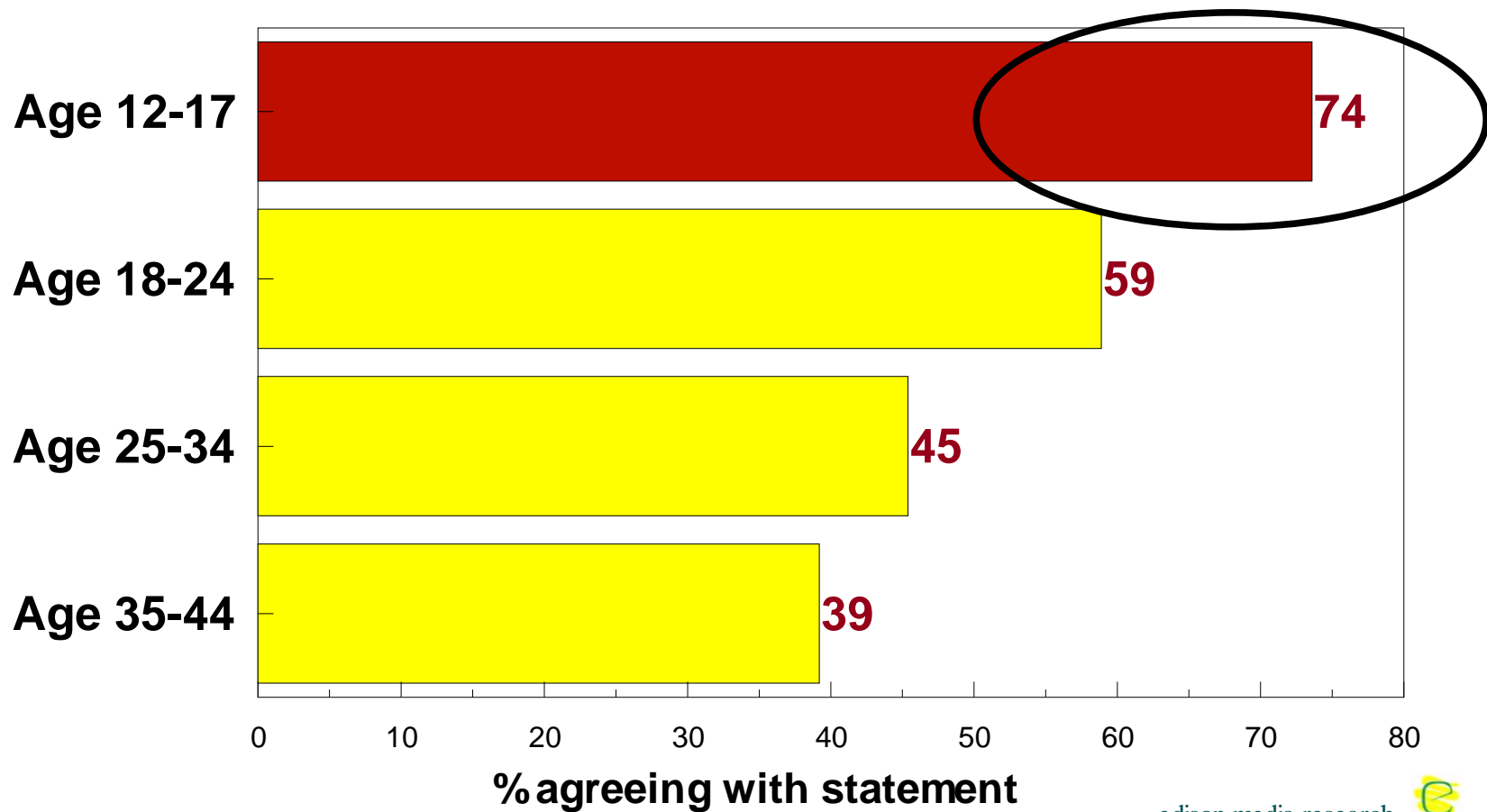
Rolling Stone, June 20, 2002

"There is nothing morally wrong about downloading music for free from the Internet."

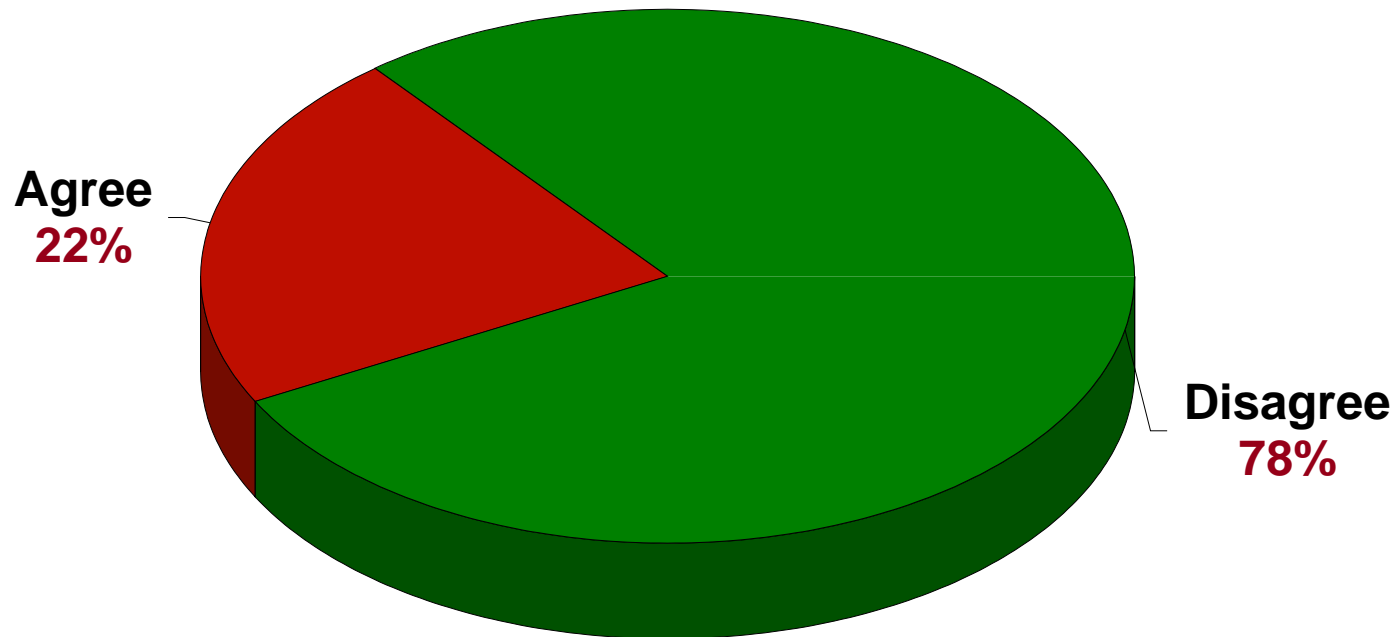


Base: Total Sample

"There is nothing morally wrong about downloading music for free from the Internet."

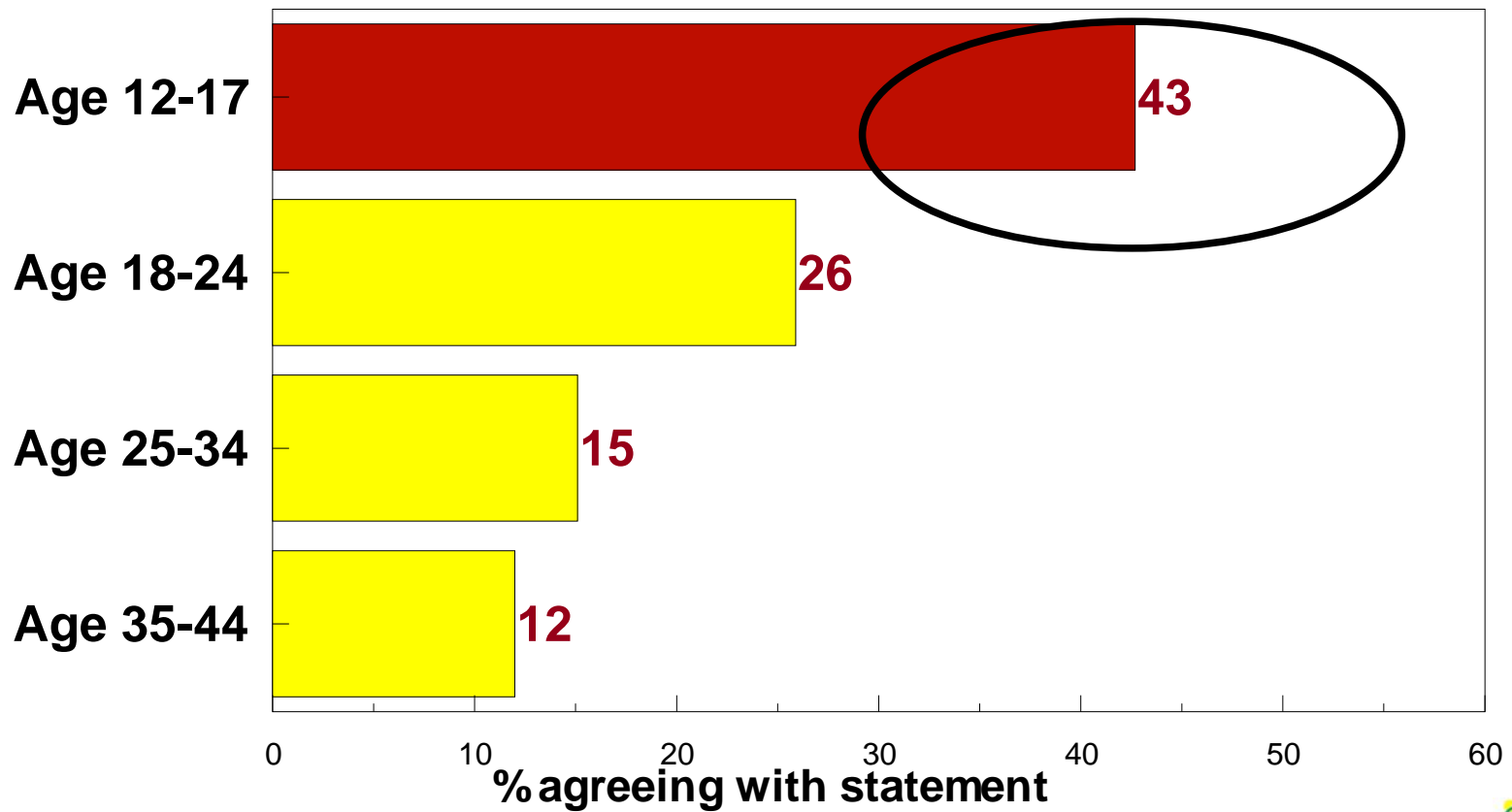


**"You no longer have to buy CDs
as you can download the music
for free from the Internet."**



Base: Total Sample

"You no longer have to buy CDs as you can download the music for free from the Internet."

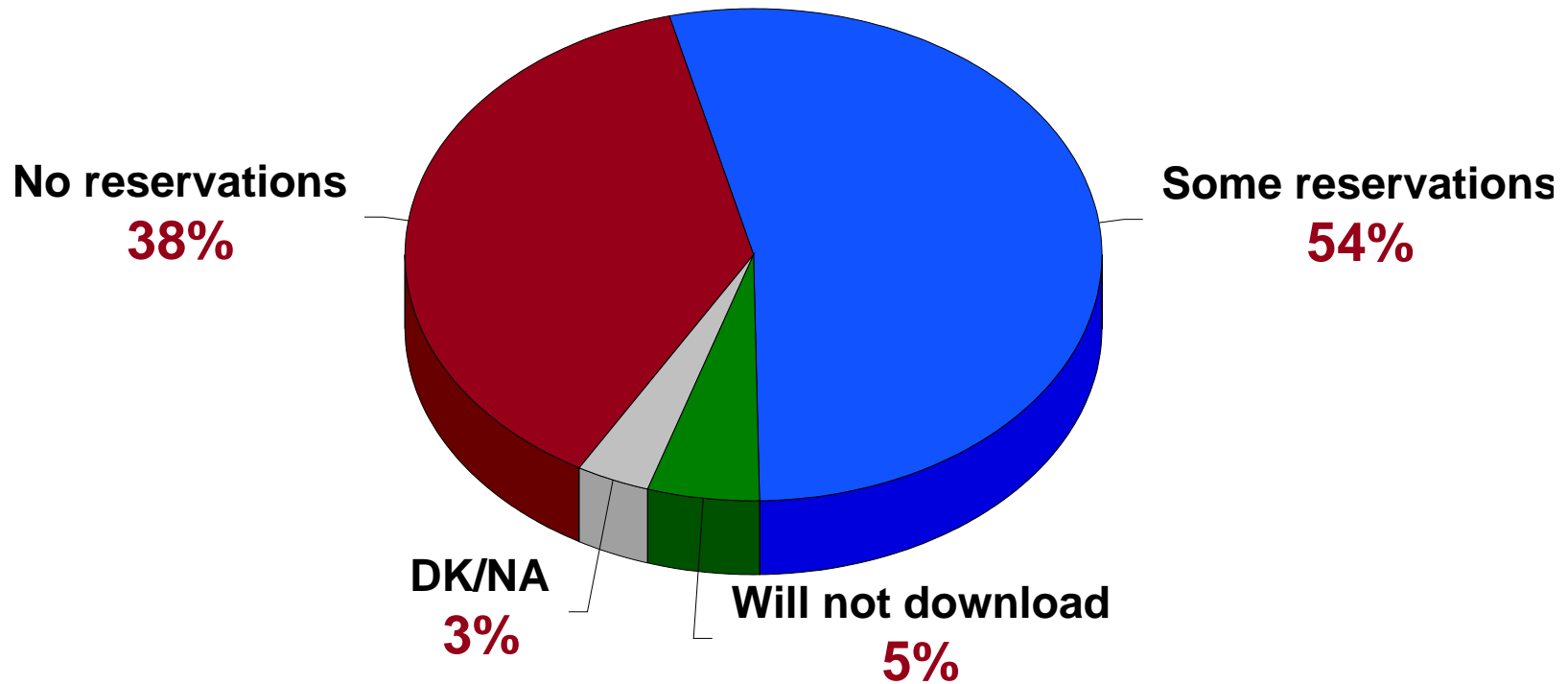


Which of the following three statements best reflects your view about downloading files for free from the Internet?

- Since music is available for free from the Internet, you have no reservations about downloading music without paying for it.
- You have some reservations about the artists and record labels not being compensated for their work, but you download music for free anyway.
- You will not download music for free because you feel the artists and record labels should be compensated for their work.

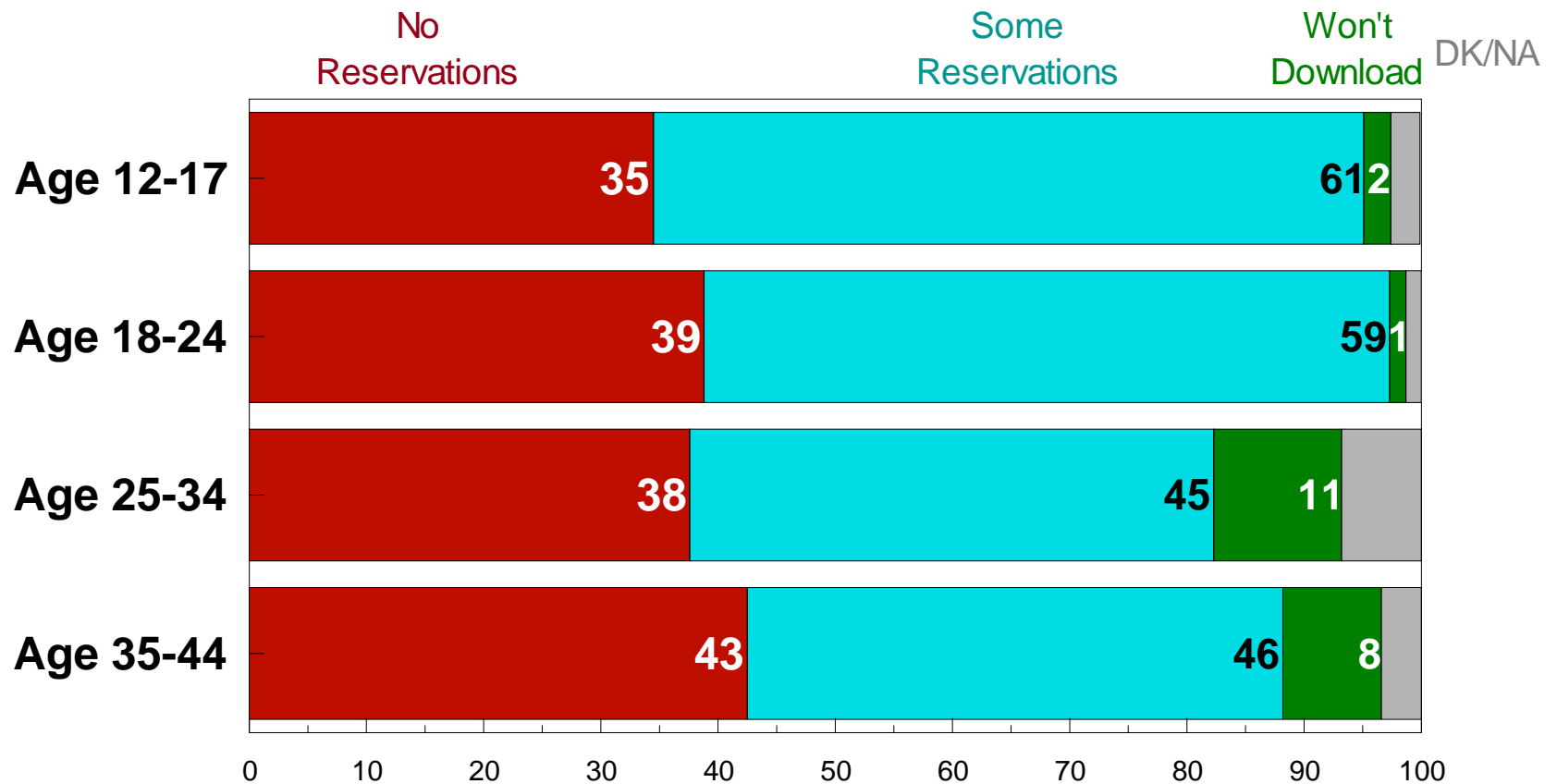


Which of the following three statements best reflects your view about downloading files for free from the Internet?



Base: Have downloaded music files

Which of the following three statements best reflects your view about downloading files for free from the Internet?



Base: Have downloaded music files

"Which statement about downloading music from the Internet comes closer to your view?"

Music download sites should be allowed to operate **FREE OF CHARGE**

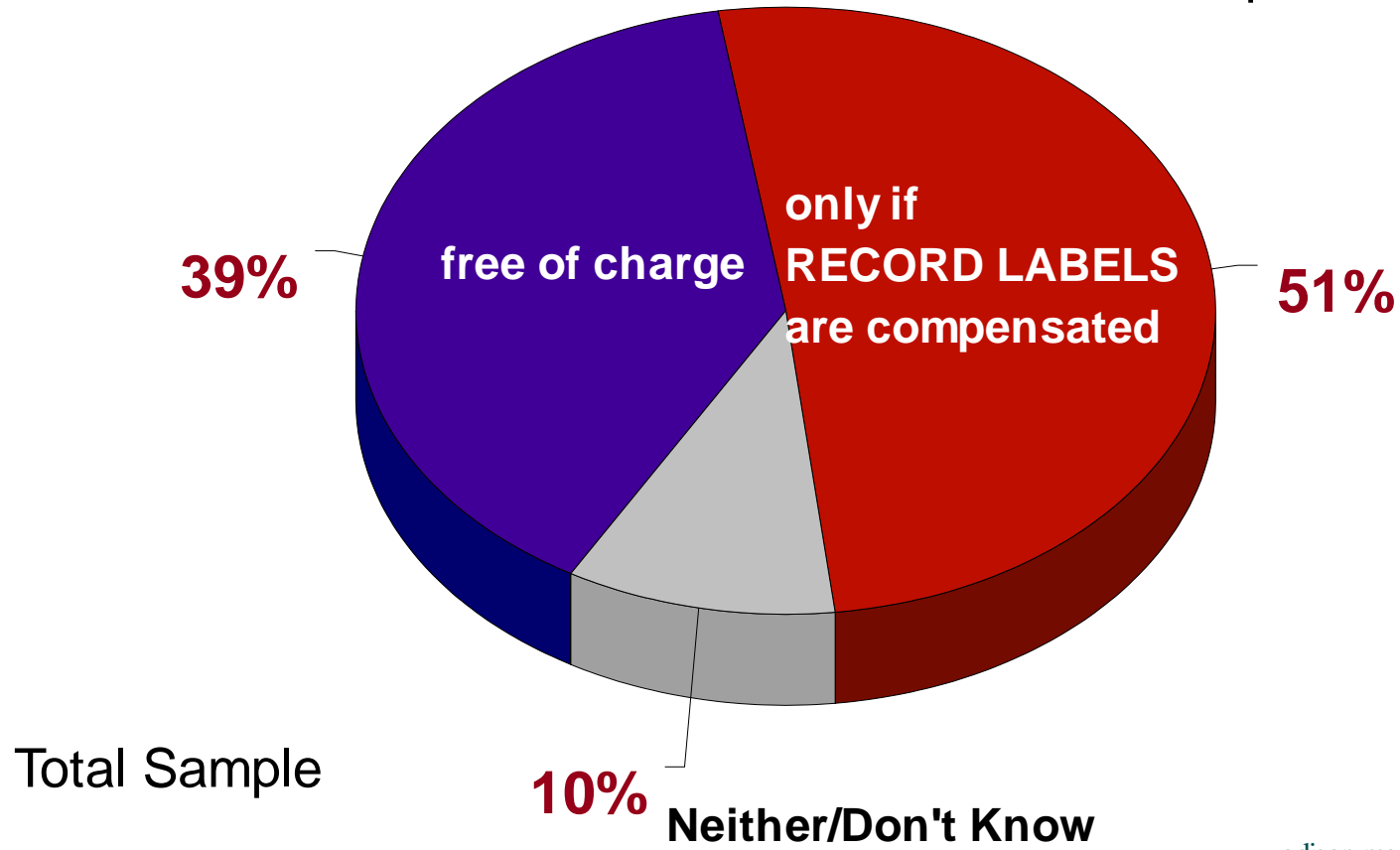
OR

Music download sites should not be allowed to operate unless **RECORD LABELS** are compensated



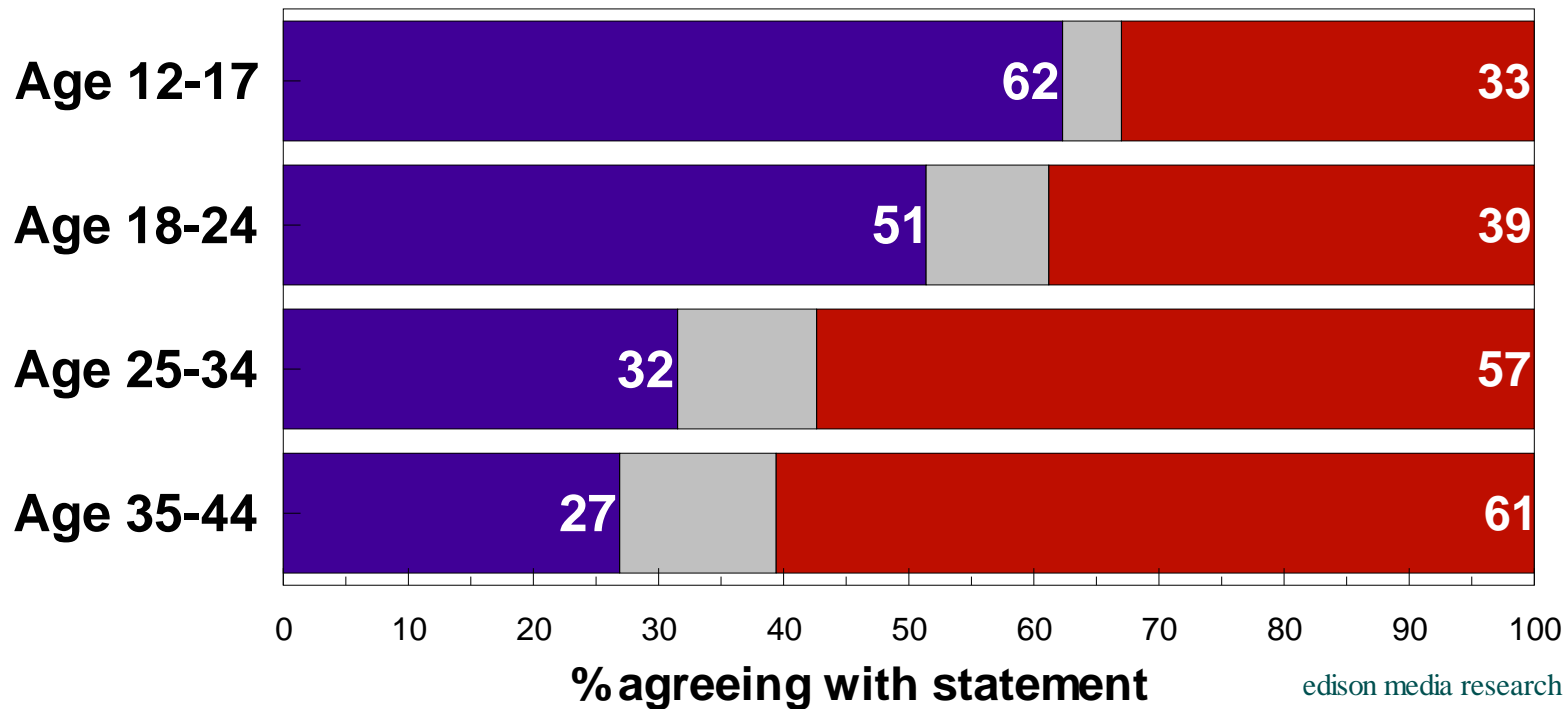
"Which statement about downloading music from the Internet comes closer to your view?"

Music download sites should be allowed to operate:



Teens and Young Adults care the *least* about Record Label Compensation

"Download sites should be allowed to operate:"



"Which statement about downloading music from the Internet comes closer to your view?"

Music download sites should be allowed to operate **FREE OF CHARGE**

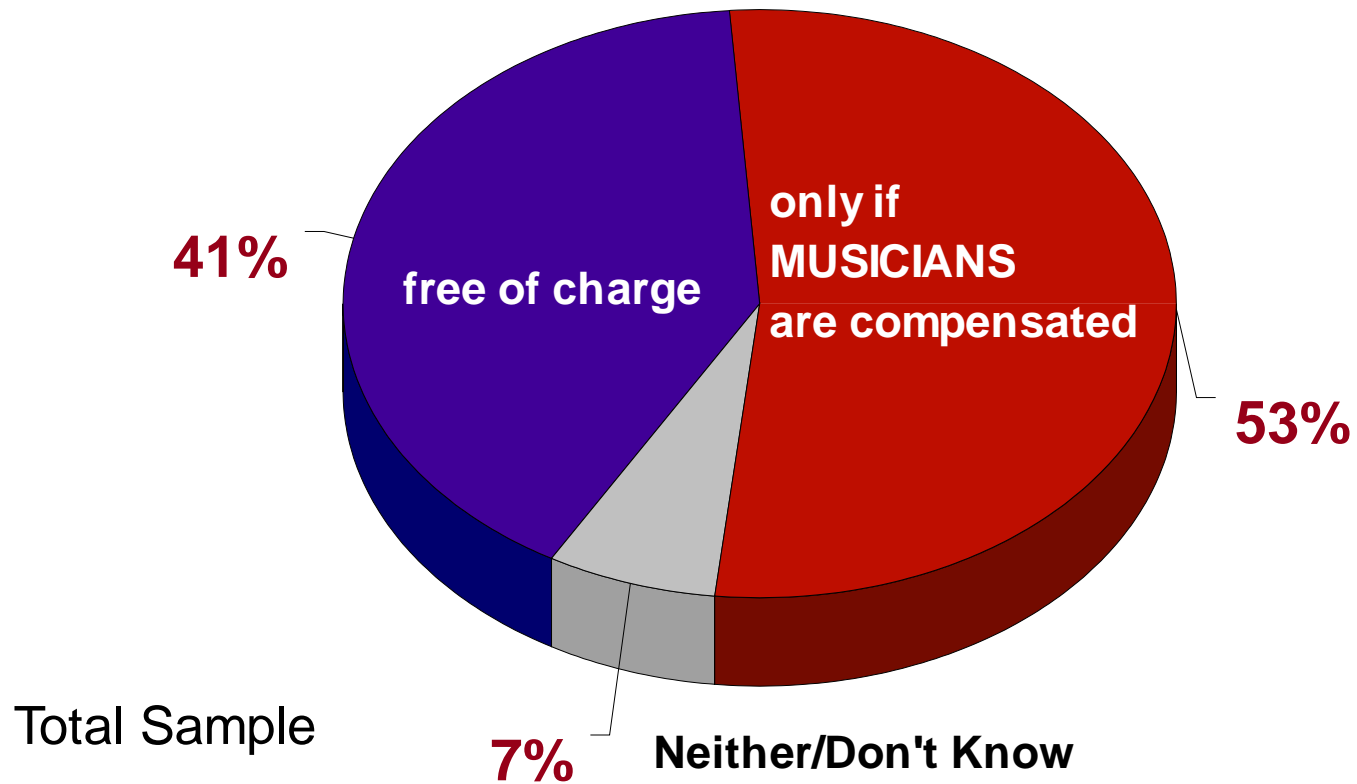
OR

Music download sites should not be allowed to operate unless **MUSICIANS** are compensated



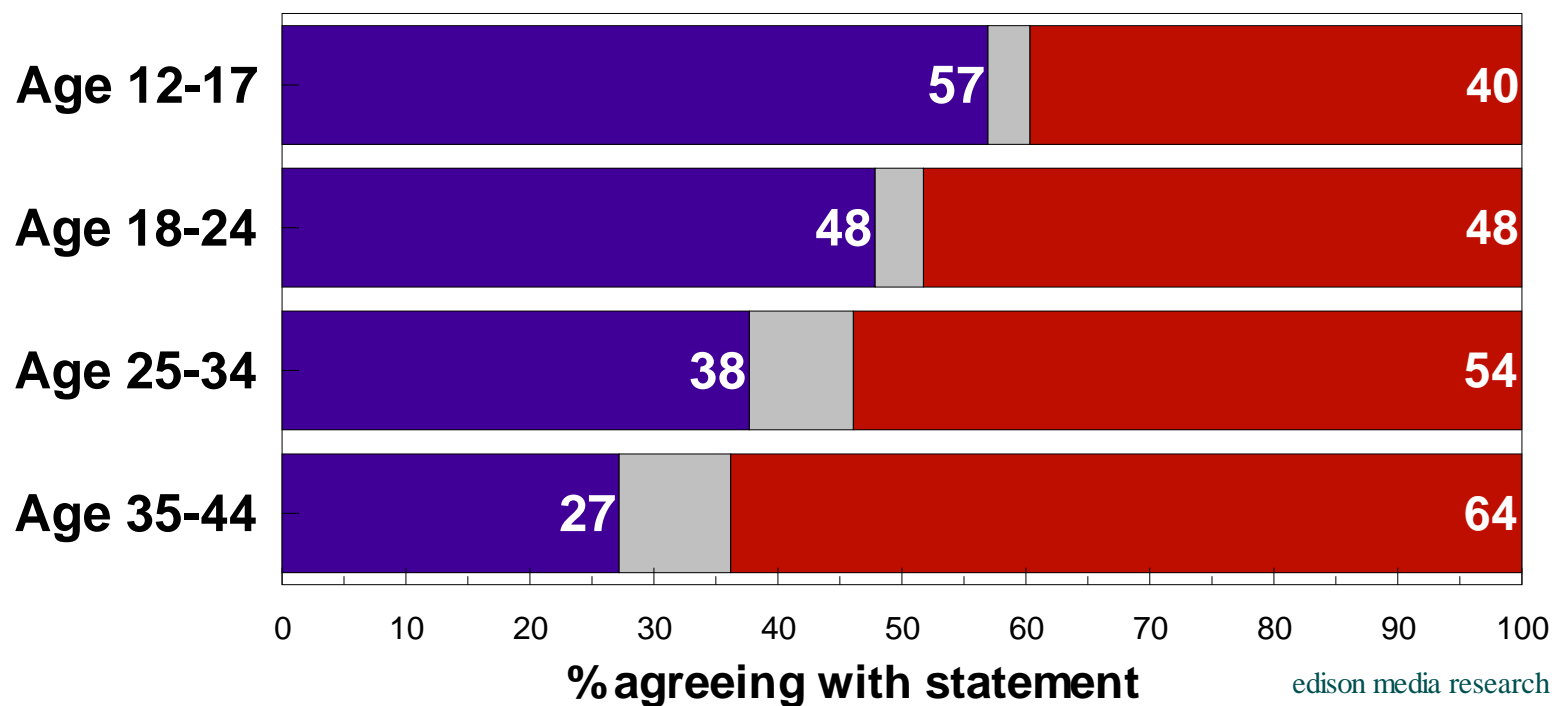
"Which statement about downloading music from the Internet comes closer to your view?"

Music download sites should be allowed to operate:



Teens and Young Adults care *a bit* more about Musicians than the Record Labels

"Download sites should be allowed to operate:"



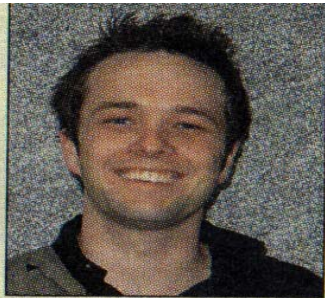
Conclusions

- The music industry is dangerously close to losing 12-24s, many of whom feel that music is and should be free
- However, when the issue is framed in terms of artists and labels deserving compensation for their work, attitudes begin to change
- This implies that with a concerted education process you can change "hearts and minds" about where the money fits in

Copy Protected CDs

"Many record labels will be releasing CDs that you can't copy or listen to on a computer. Does not being able to copy or listen to a CD on a computer have any influence on your decision to purchase that CD?"

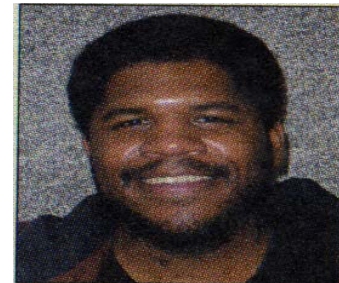
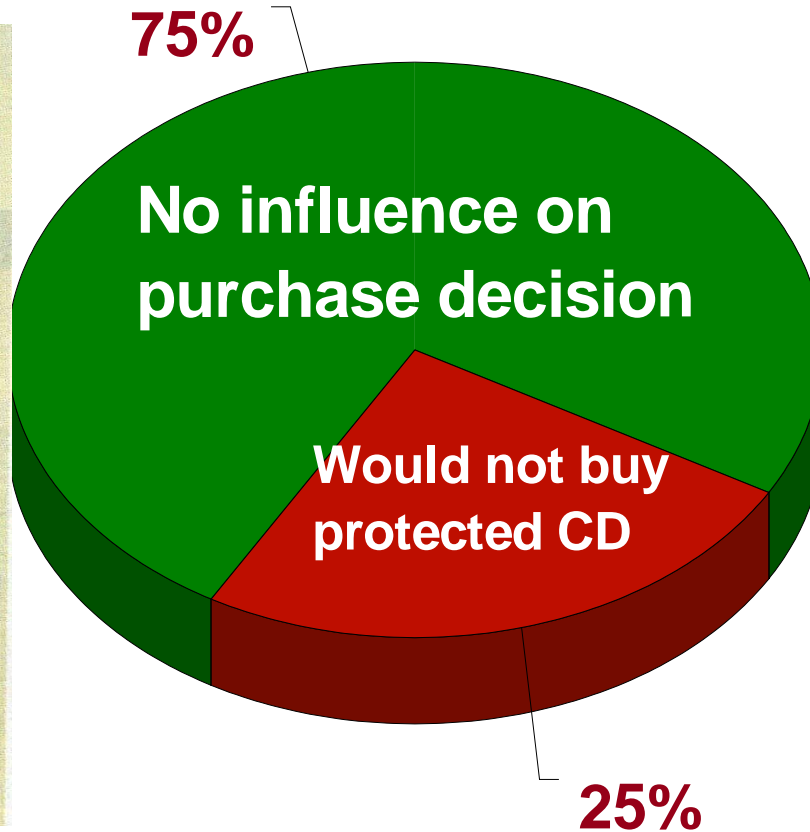
"Would Copy Protection influence whether you would purchase a CD?"



James Ryan, 23
*Actor-bartender,
New York*

LAST CD BOUGHT

Michael Jackson,
Off the Wall
"If there was a CD
that I wanted that
was copyproof, I
would probably
buy it anyway. I'd
be pissed, though."



Derek Williams, 38
*Office worker,
Manhattan*

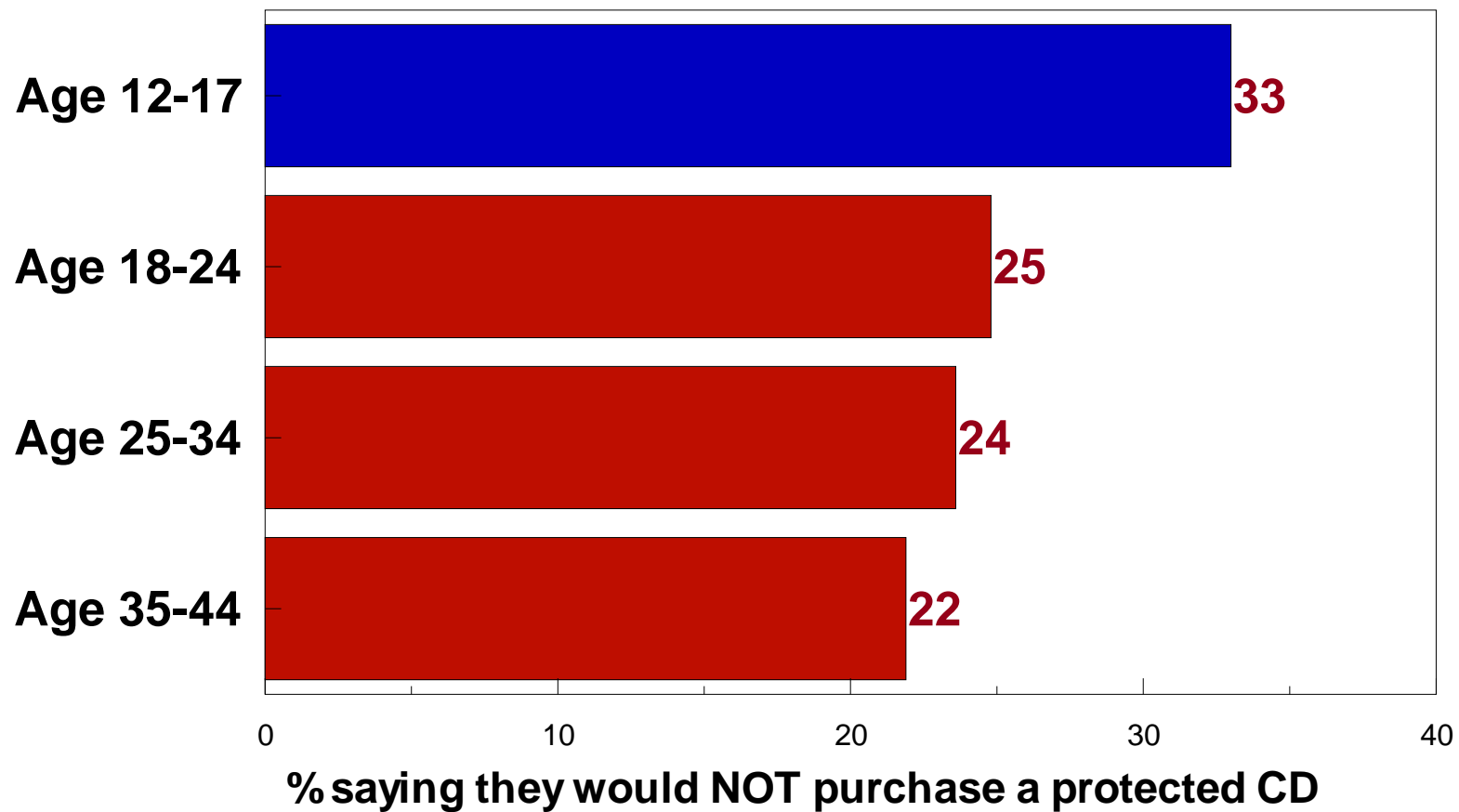
LAST CD BOUGHT

The Crow Soundtrack
"The record compa-
nies have a right to
protect their prod-
uct. I would buy a
copyproof CD if I
liked the music
enough."

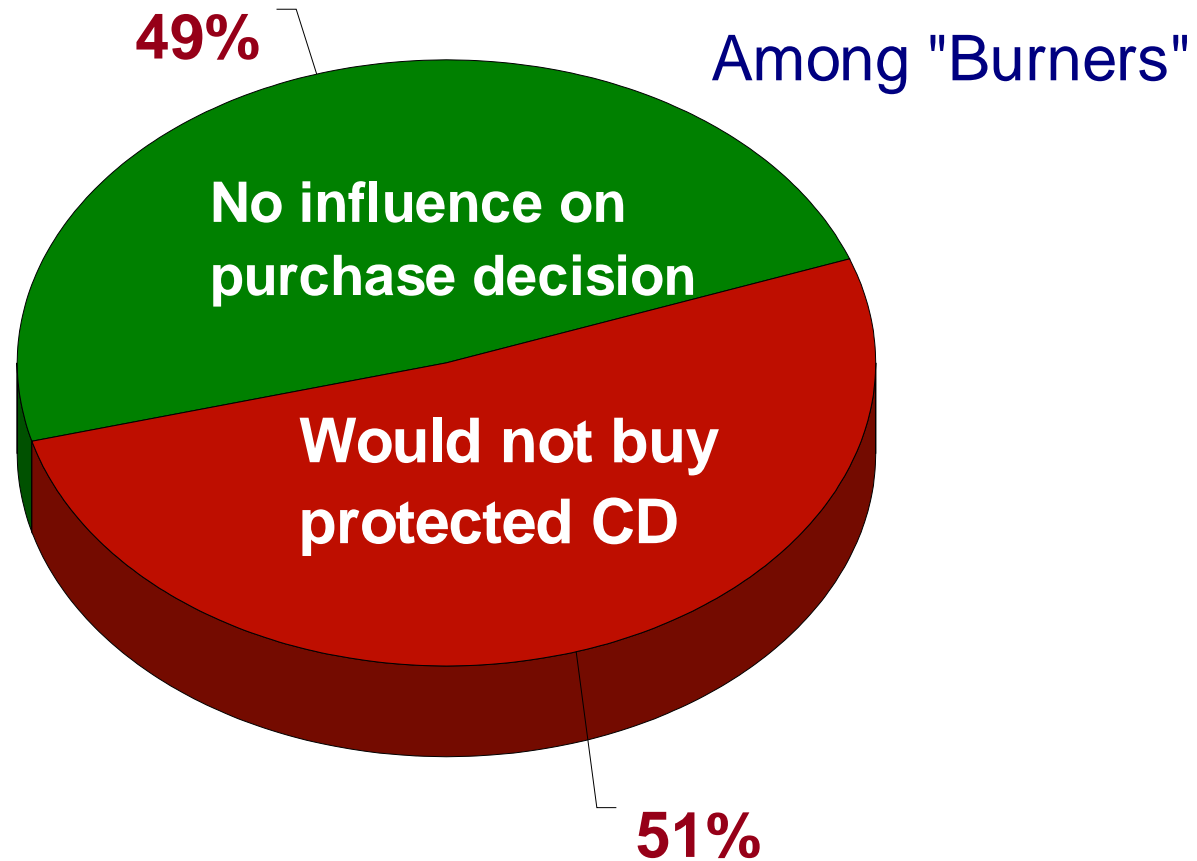
Total Sample



Teens are most bothered by Copy Protection



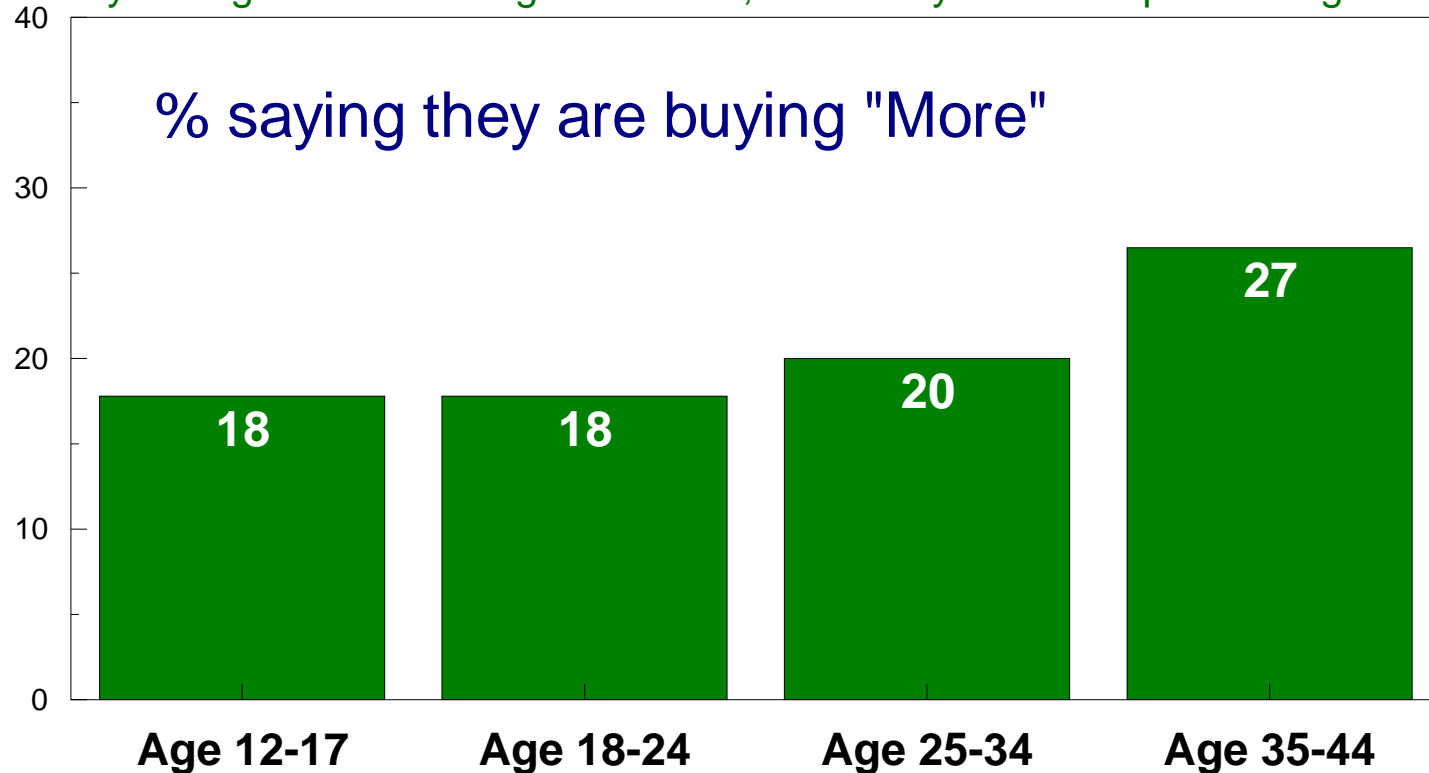
"Does not being able to copy or listen to a CD on a computer have any influence on your decision to purchase that CD?"



Base: Ever used a computer to make or "burn" CDs n=292

Some Good News about downloading:

"Since you began downloading music files, how has your music purchasing changed?"



Base: Have downloaded music files

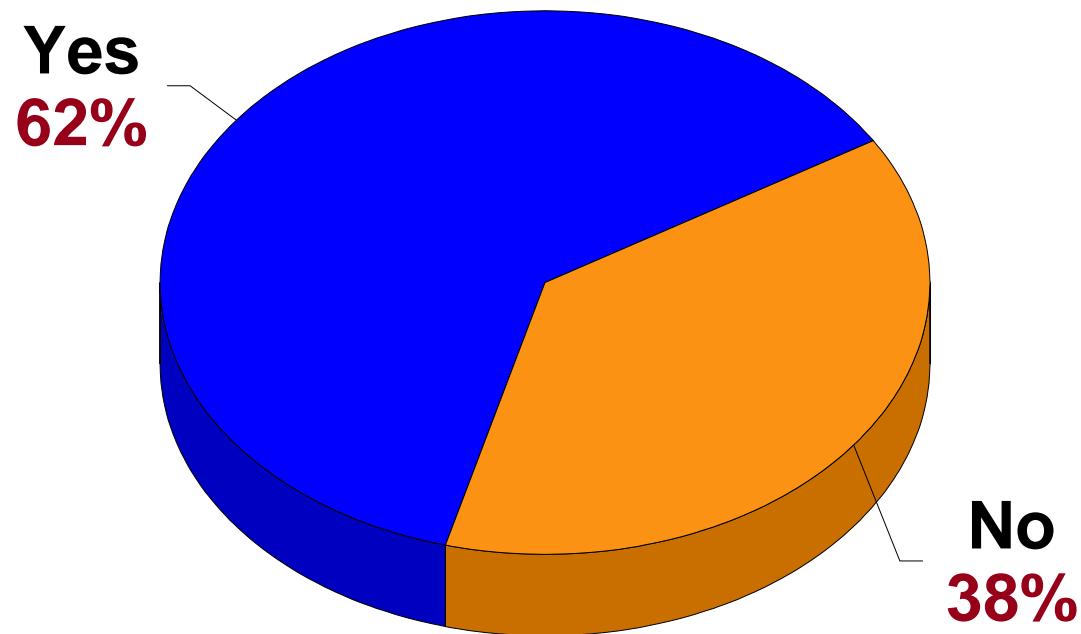
Since you began downloading music files, how has your music purchasing changed?

Why are they buying MORE?

	<u># of mentions</u>
■ Can evaluate/listen before buying	31
■ Introduces broader range of music	22
■ Don't want to rip off artists	2

More **Good News** about downloading:

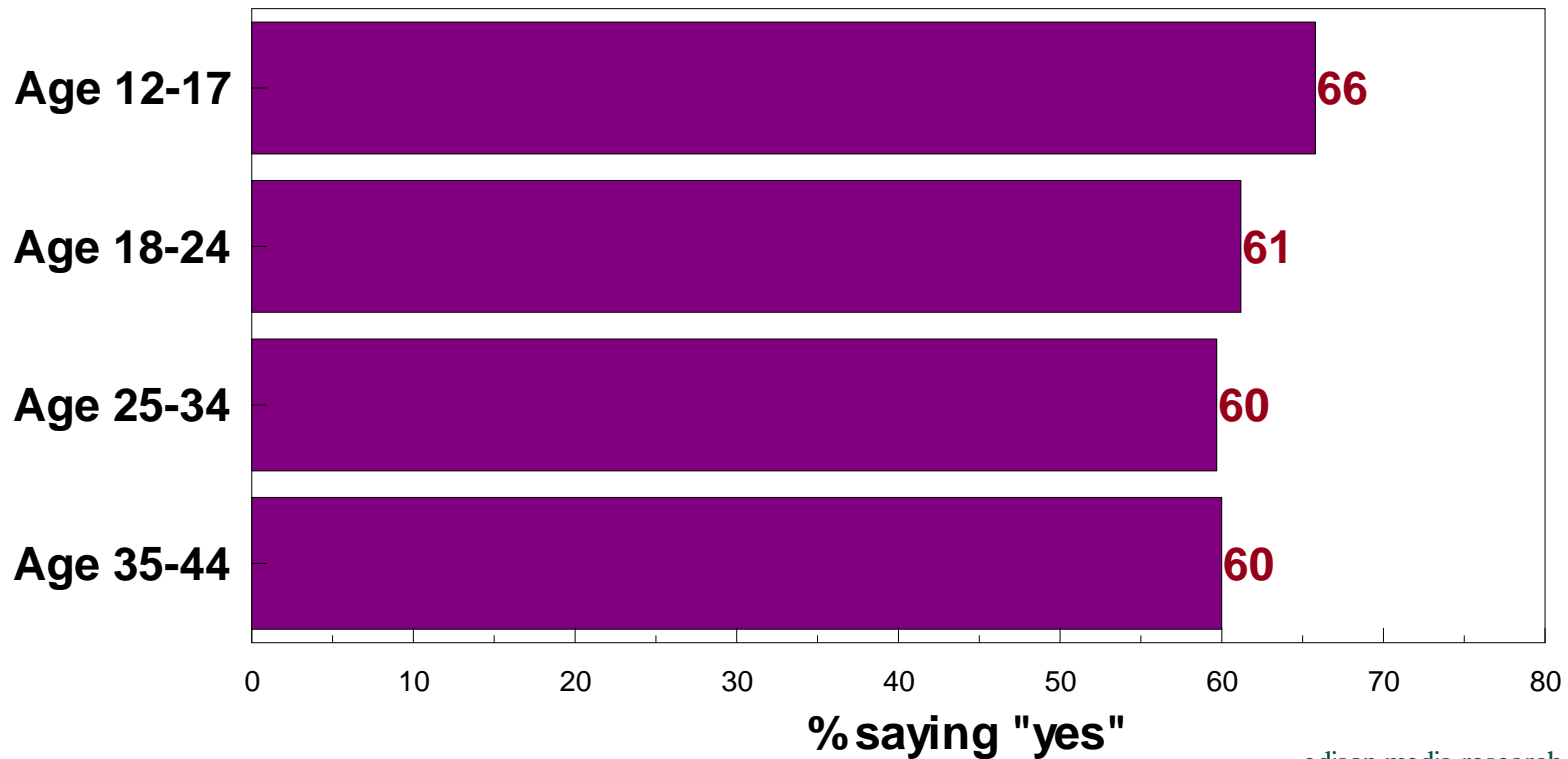
"Have you ever gone on to buy
artist's CD after first downloading
a track for free from the Internet?"



Base: Have downloaded music files

Teens are as likely older people to go on to purchase a CD after downloading a track

"Have you ever gone on to buy artist's CD after first downloading a track for free from the Internet?"



Base: Have downloaded music files

*Most anticipated
releases include...*

What three artists' next CD or cassette are you most likely to purchase? **Unaided**

Total Sample

1. Eminem
2. Creed
3. Ja Rule
4. Nelly
5. Linkin Park
6. Celine Dion
7. Dave Matthews Band
8. Metallica
9. Ashanti
10. Garth Brooks (*tie*)
10. Jennifer Lopez (*tie*)
10. Usher (*tie*)



What three artists' next CD or cassette are you most likely to purchase? **Unaided**

Age 12-17

1. Nelly
2. Ashanti
3. Ja Rule
4. Eminem
5. Ludacris (tie)
5. Linkin Park (tie)

Age 18-24

1. Eminem
2. Jagged Edge
3. Ja Rule
4. Linkin Park
5. Usher

What three artists' next CD or cassette are you most likely to purchase? **Unaided**

Age 25-34

1. Celine Dion
2. NOW Compilation
3. Dave Matthews Band
4. Creed
5. Michael W. Smith

Age 35-44

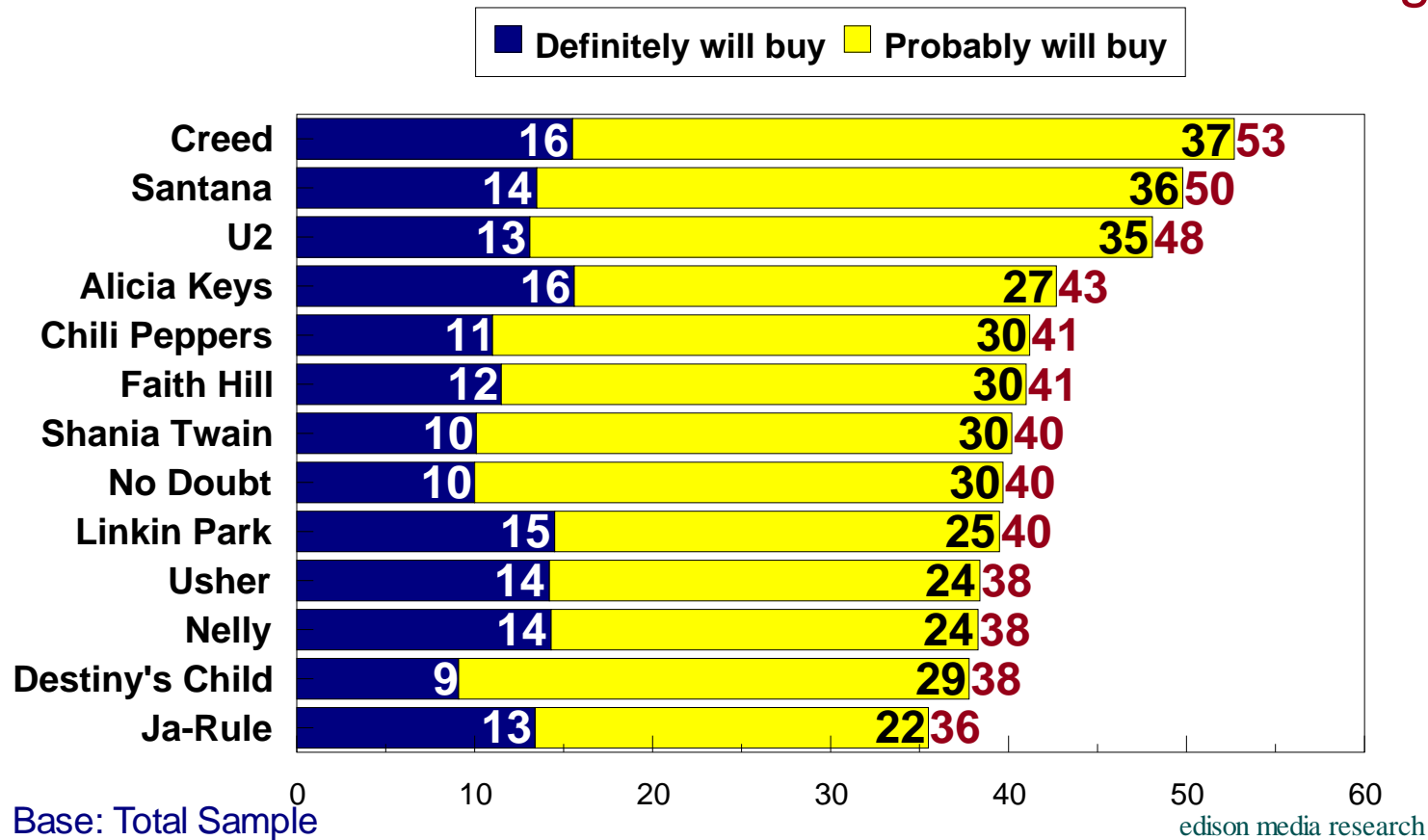
1. Creed
2. Celine Dion
3. Faith Hill
4. Sting
5. Yolanda Adams



Creed, Santana have broadest "intent to buy"

How likely are you to buy an album by:

Page 1

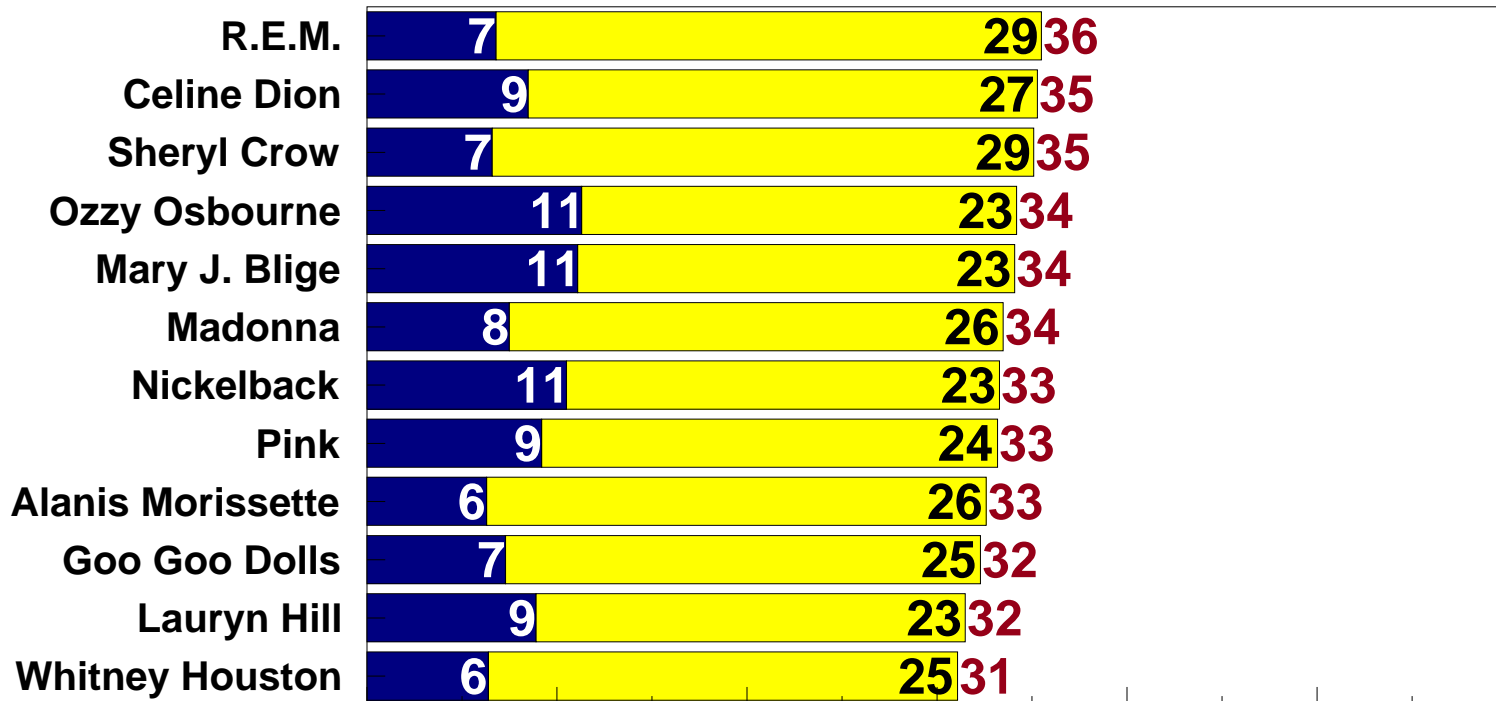


Lots of Passion for Ozzy

How likely are you to buy an album by:

Page 2

■ Definitely will buy ■ Probably will buy



Base: Total Sample

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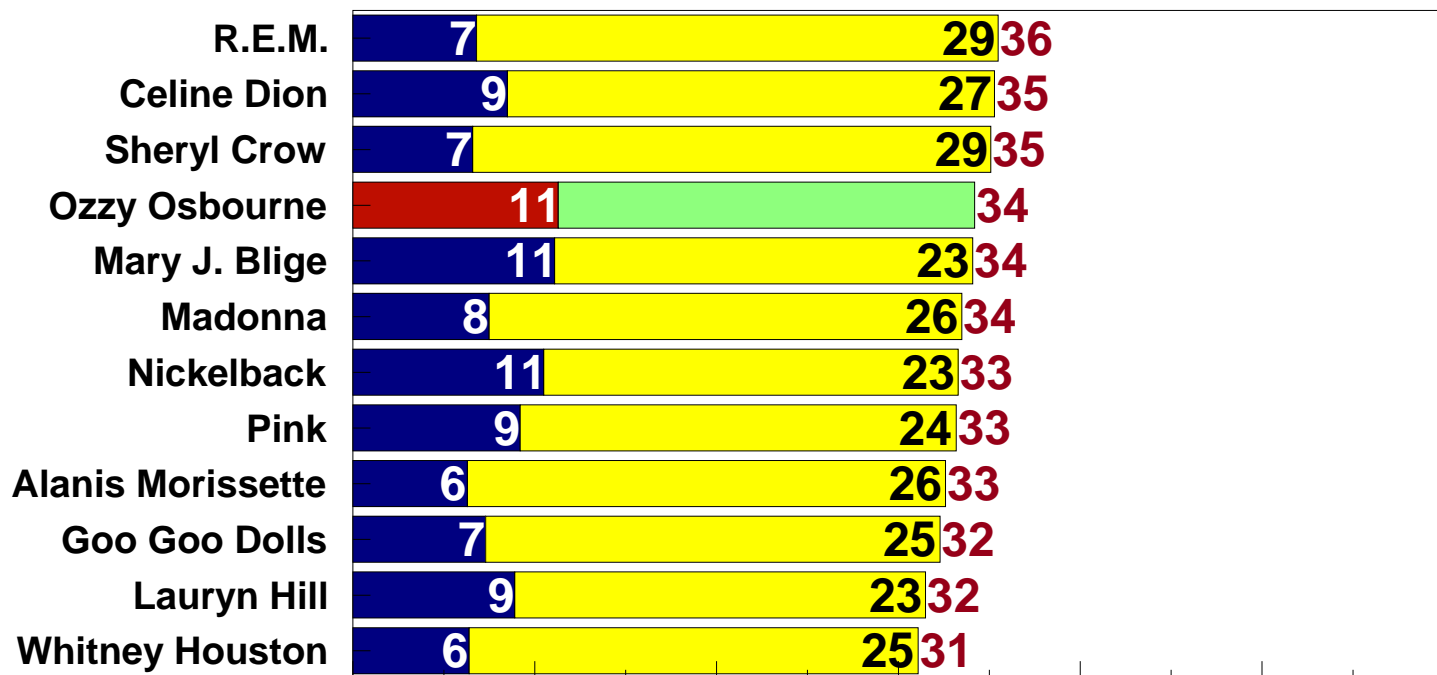


Lots of Passion for Ozzy

How likely are you to buy an album by:

Page 2

■ Definitely will buy ■ Probably will buy



Base: Total Sample

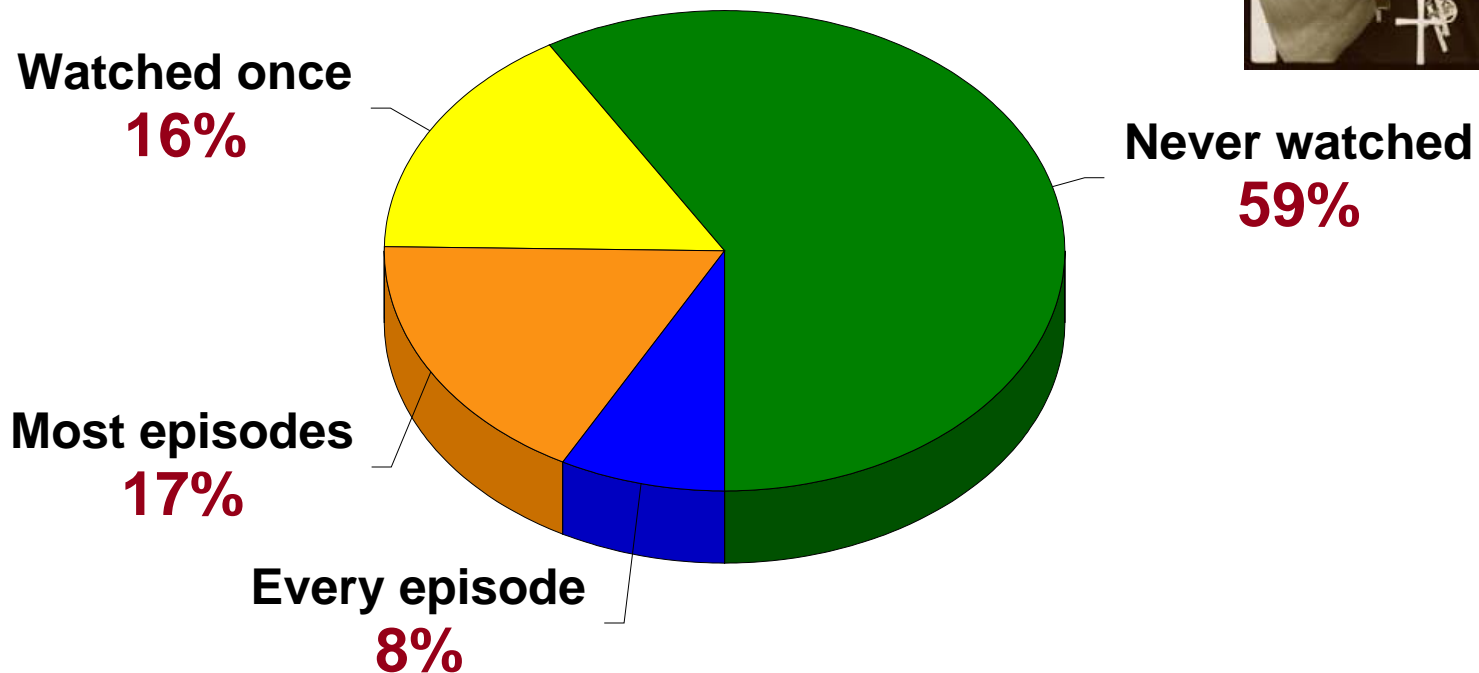
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Watching Ozzy



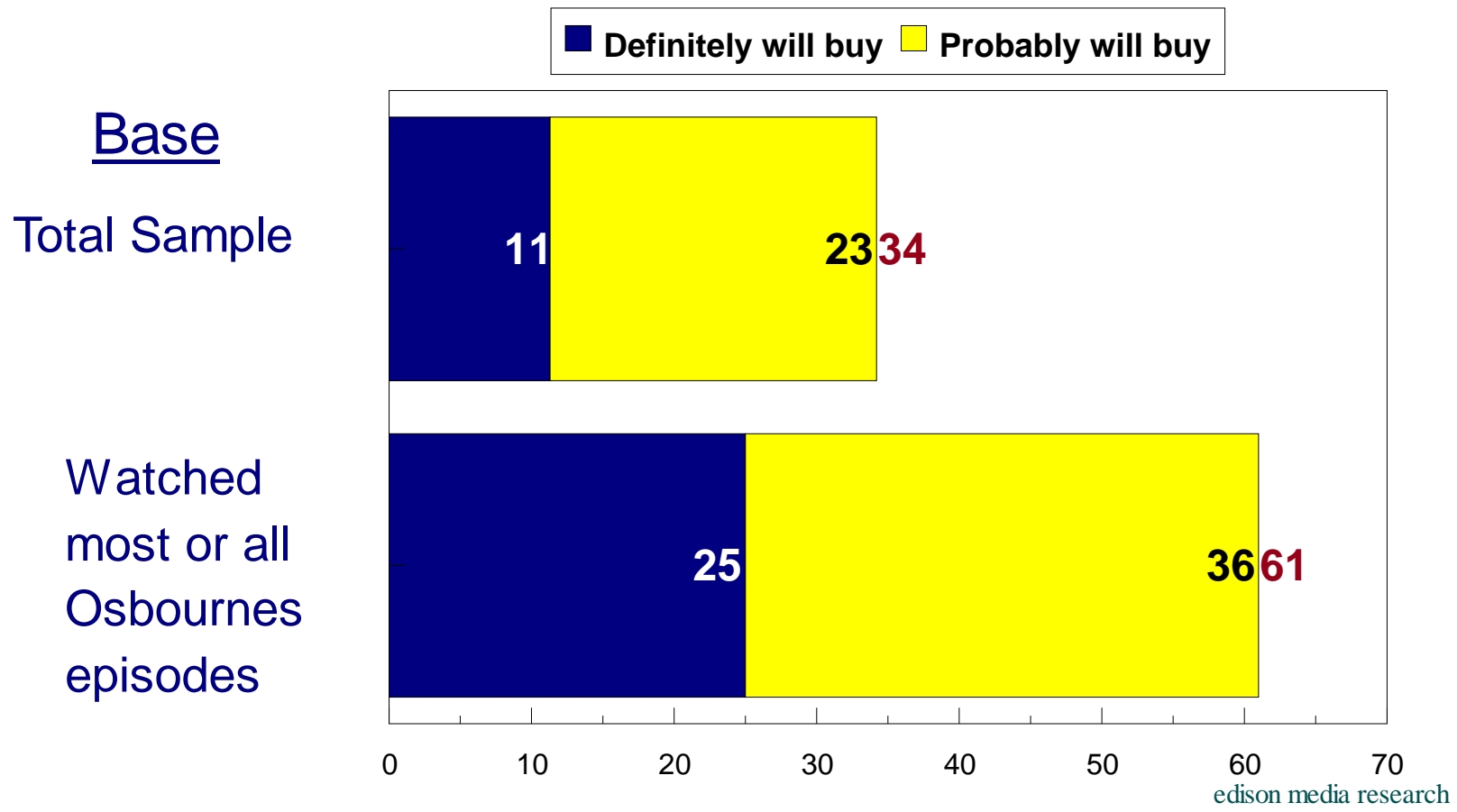
"How frequently do you watch the Osbournes on MTV?"



Base: Total Sample

Lots of Passion for Ozzy

How likely are you to buy an album by Ozzy Osbourne?

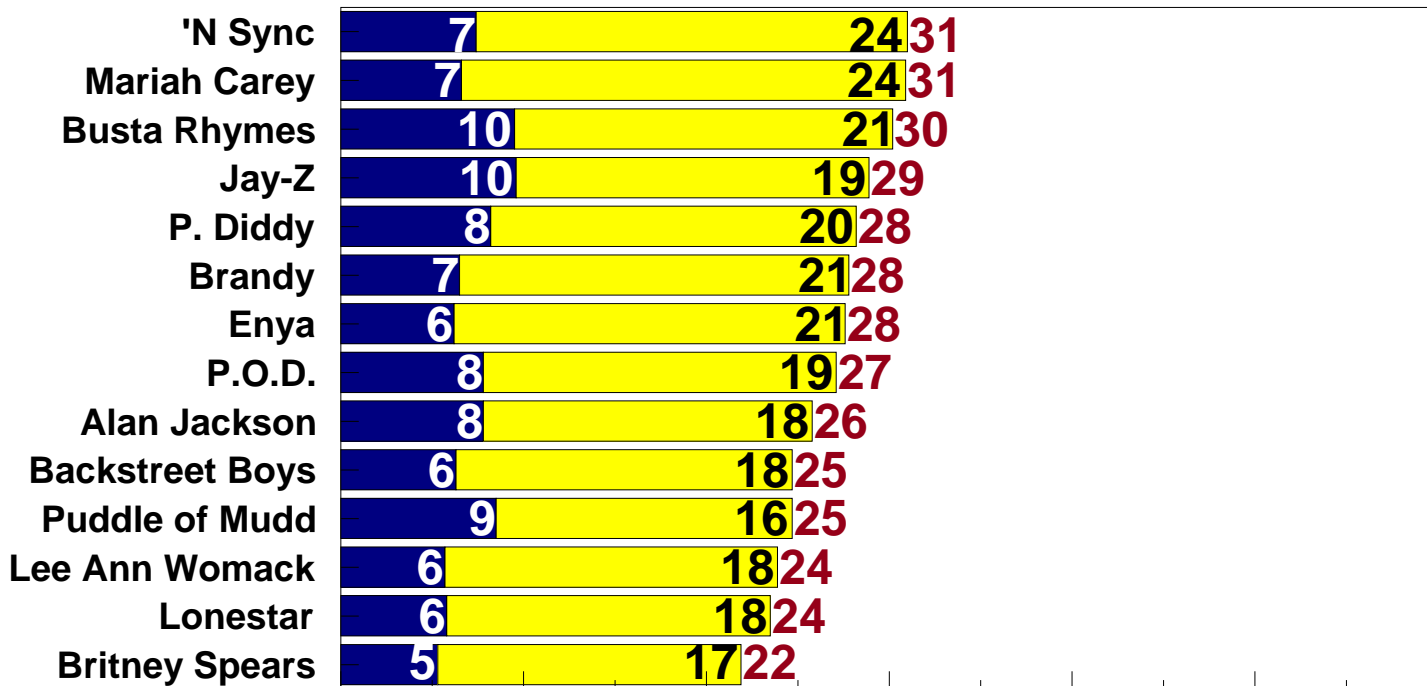


Has the Teen Pop bubble burst?

How likely are you to buy an album by:

Page 3

■ Definitely will buy ■ Probably will buy



Base: Total Sample

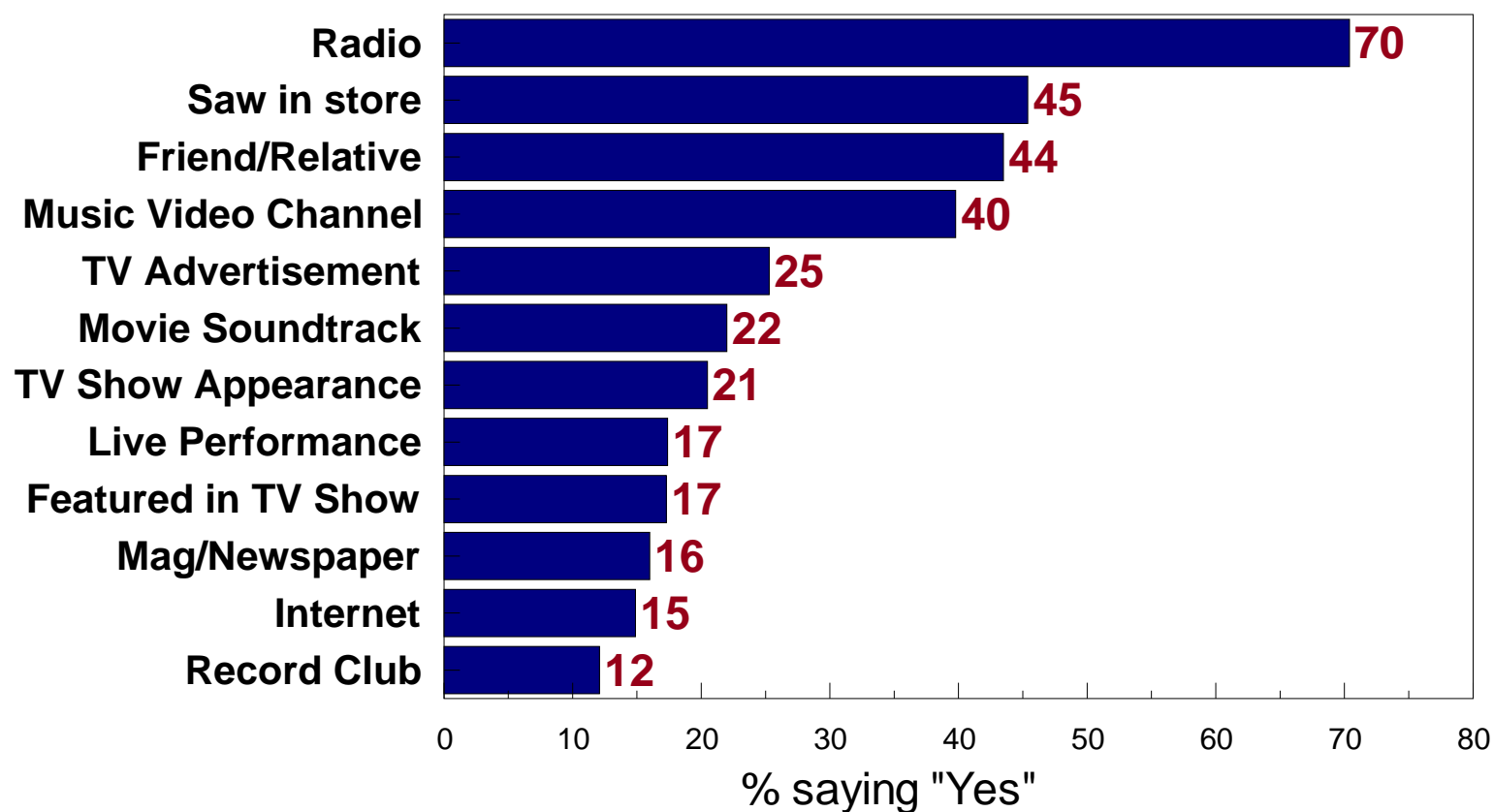
10 20 30 40 50 60

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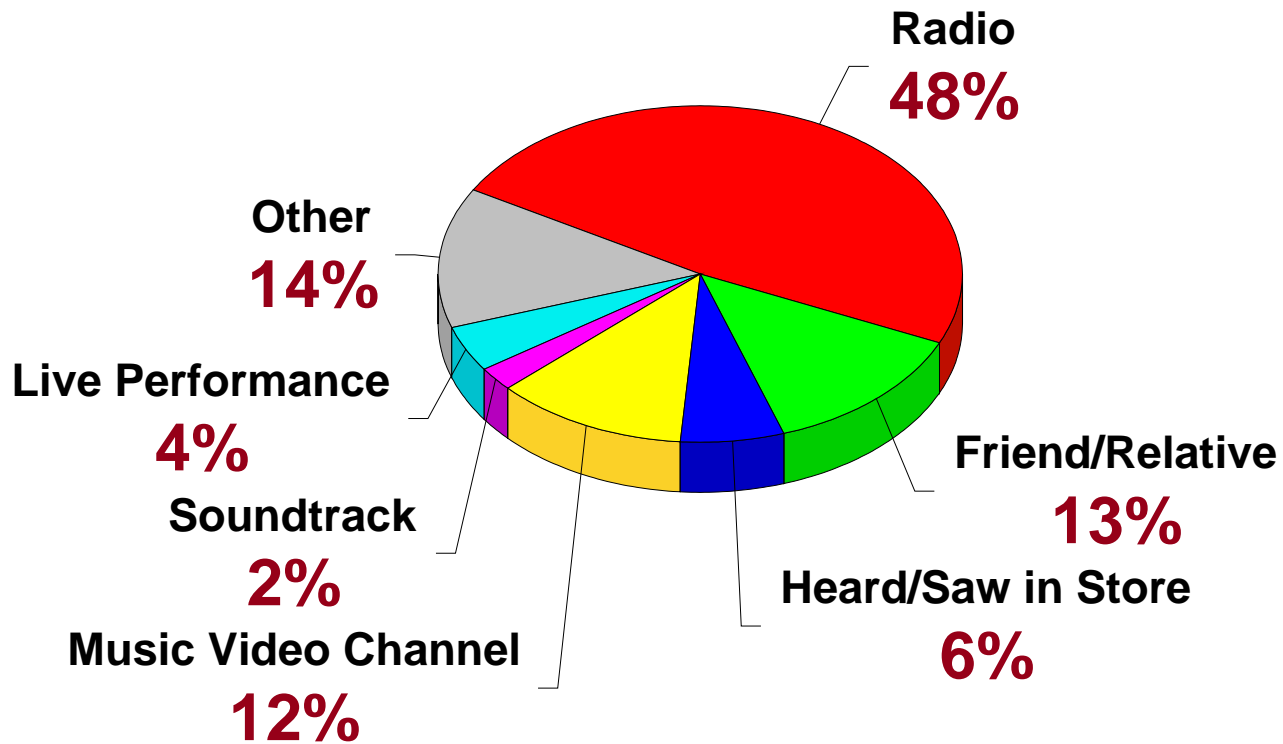
***What Influences
Purchase Behavior?***

Which of the following items had any influence on your decision to purchase the last CD you bought for yourself?



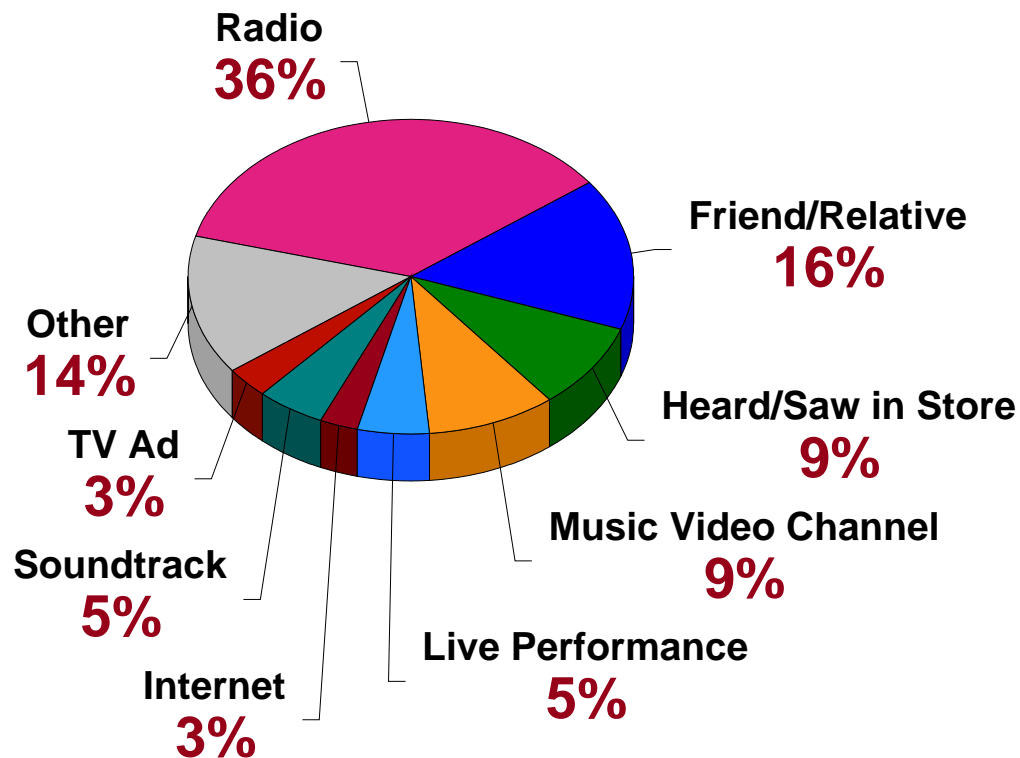
Base: Purchased music CDs or cassettes in the past 12 months

Item that *most* influences your music purchasing *in general*:



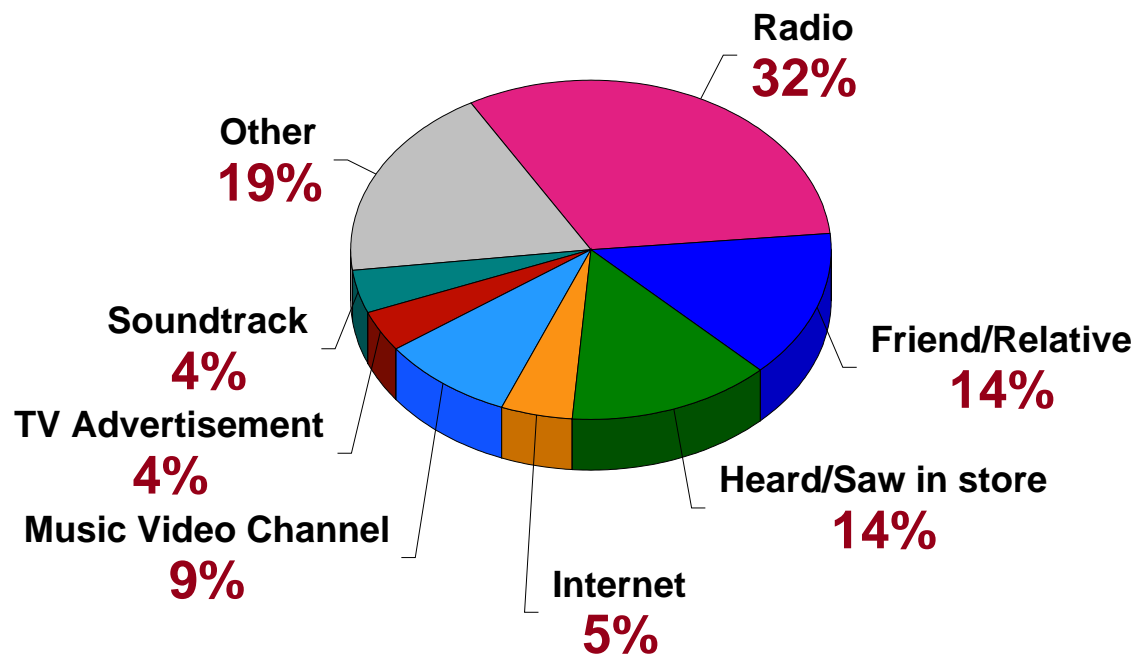
Base: Purchased music CD or cassette in last 12 months

Item that *most* influenced decision to buy **last CD** for yourself:



Base: Purchased music CDs or cassettes in last 12 months

How did you *first* find out the last CD you bought was available?



Base: Purchased music CDs or cassettes in last 12 months

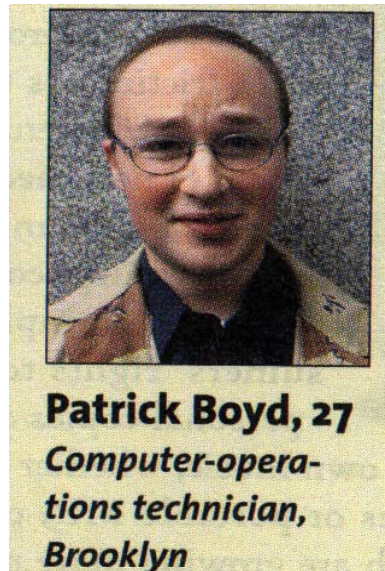
Goals for next year:

- Must act to increase number of people who think downloading without paying is "morally wrong"
- Increase portion who say they have "reservations" about downloading without compensation to artists and/or labels
- Increase number of people who use downloading as a stepping stone to purchase, whether it is purchase of traditional CDs or further downloads
- Stem the growth of "drop-outs" and look to see "Neo-Consumerism" grow instead



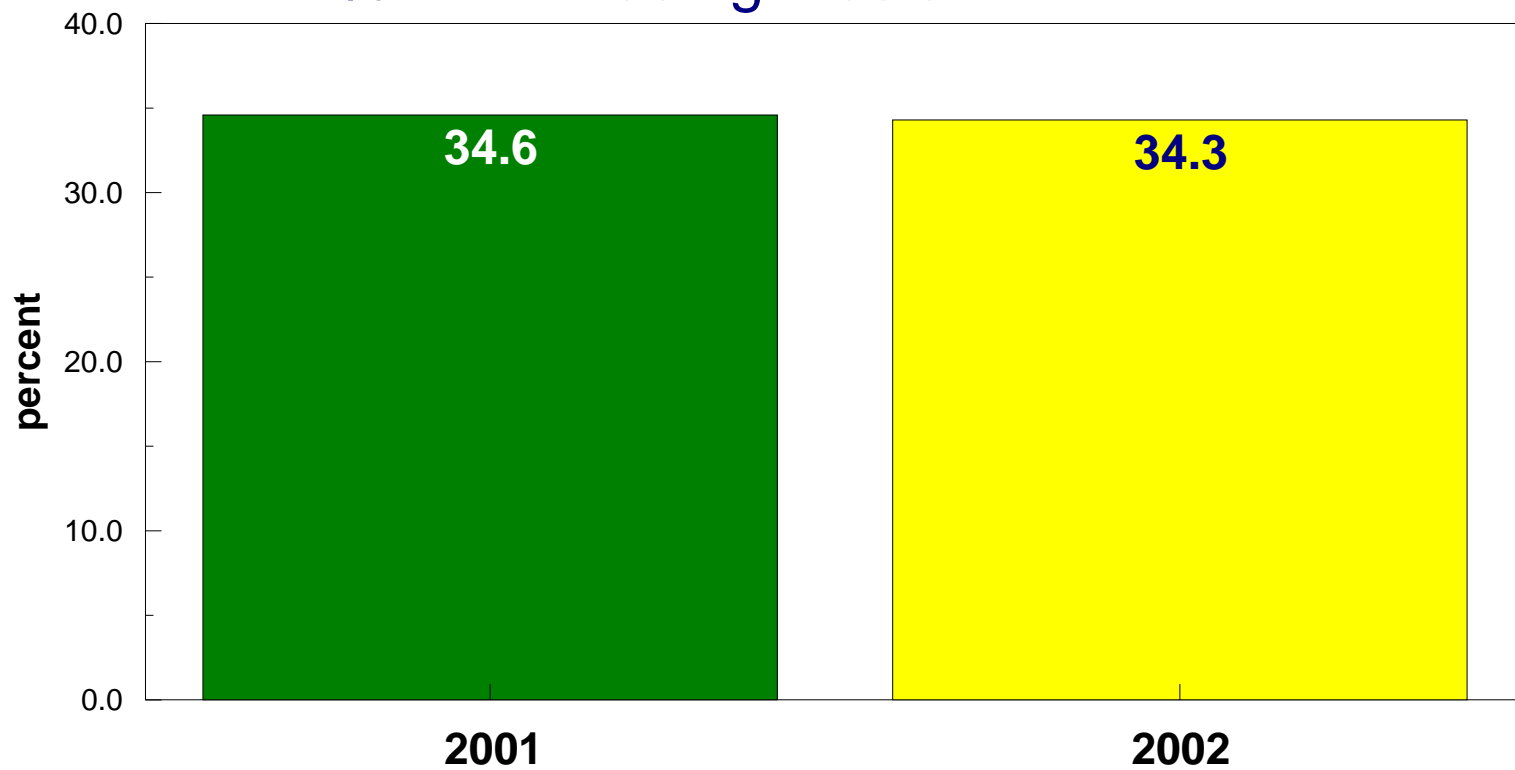
Goals for next year: *(continued)*

- Get your artists out in front of these issues -- they are the most potent force to convey your message
- Have more cool guys like Patrick understanding your issues



One last point:

% Downloading Music



Base: 16-40 Year Olds both years

Much more data to come



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www.edisonresearch.com