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**National Record Buyers
Study 3**



How the survey was conducted:

- 1003 Total Interviews
- Ages 12-44
- Telephone Interviews Conducted Nationwide
May 5 through May 15, 2003
- Tracking from:
 - R&R Record Buyers Survey II
May 2002
 - R&R Record Buyers Survey I
May 2001 (*base ages 16-40*)

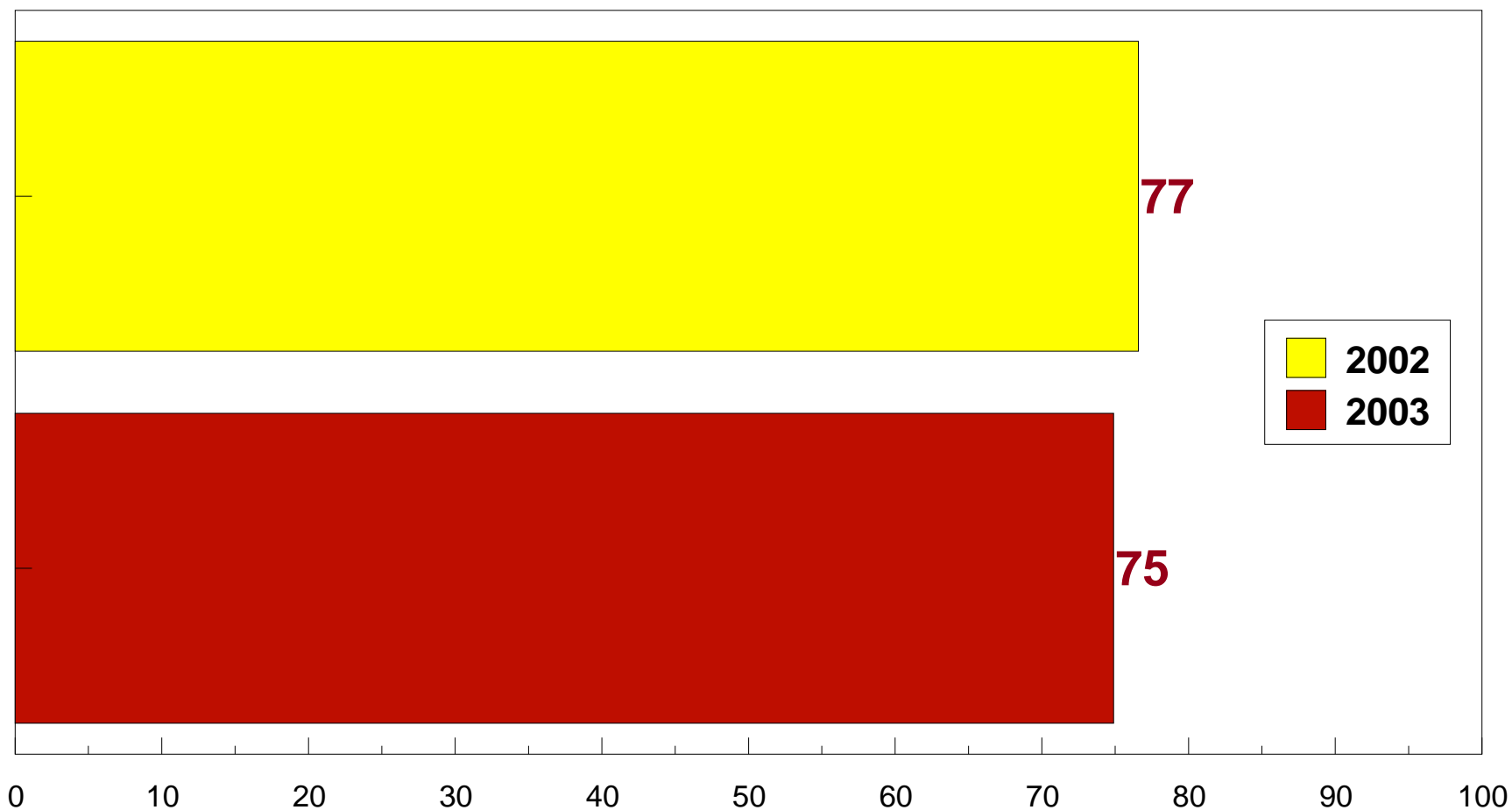


What we will cover today:

- Behaviors
- Attitudes
- Hot Topics



There was a slight drop in the number of music consumers between 2002 and 2003

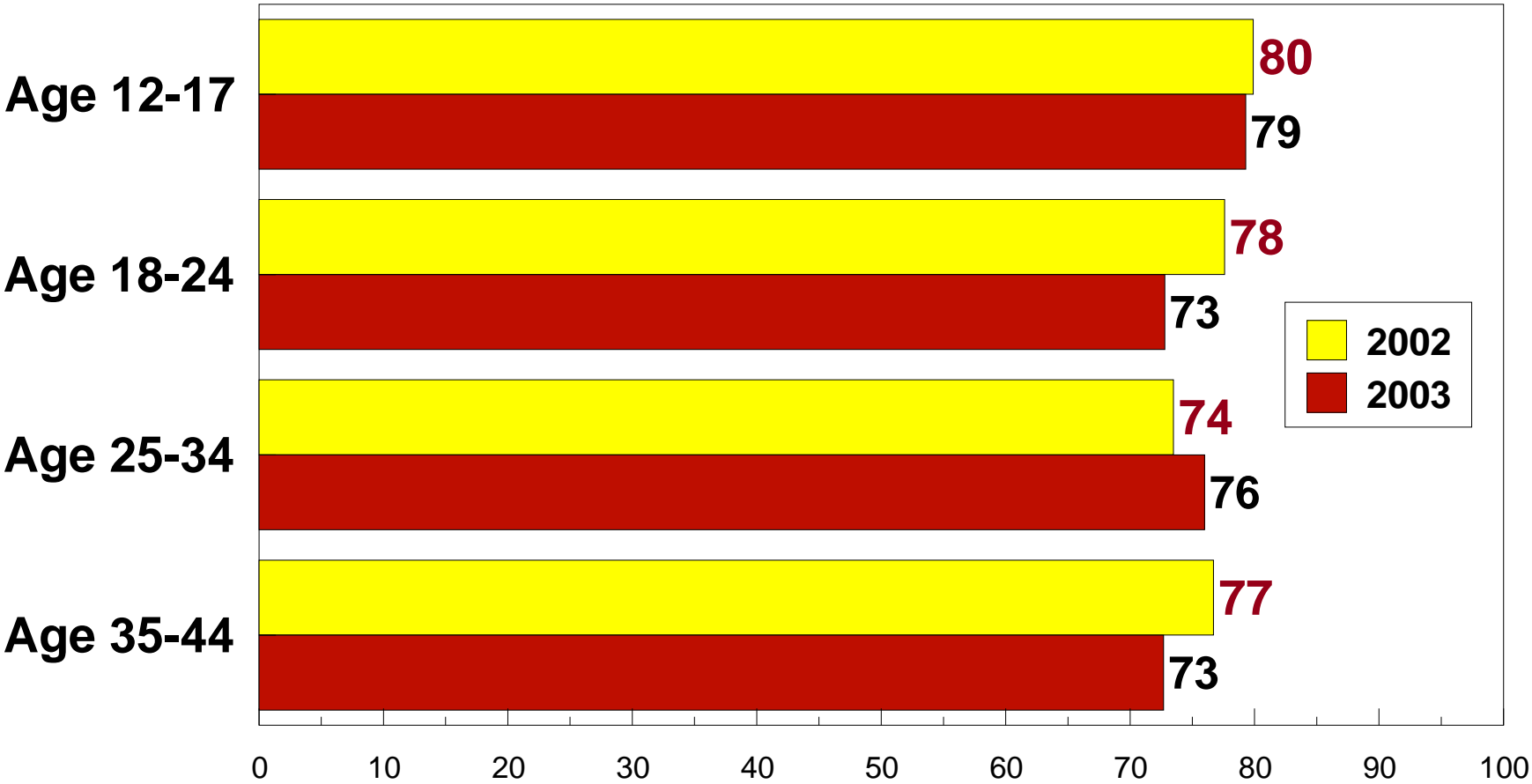


% who have purchased a music CD in past 12 months

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There was a slight drop in the number of music consumers between 2002 and 2003



% who have purchased a music CD in past 12 months

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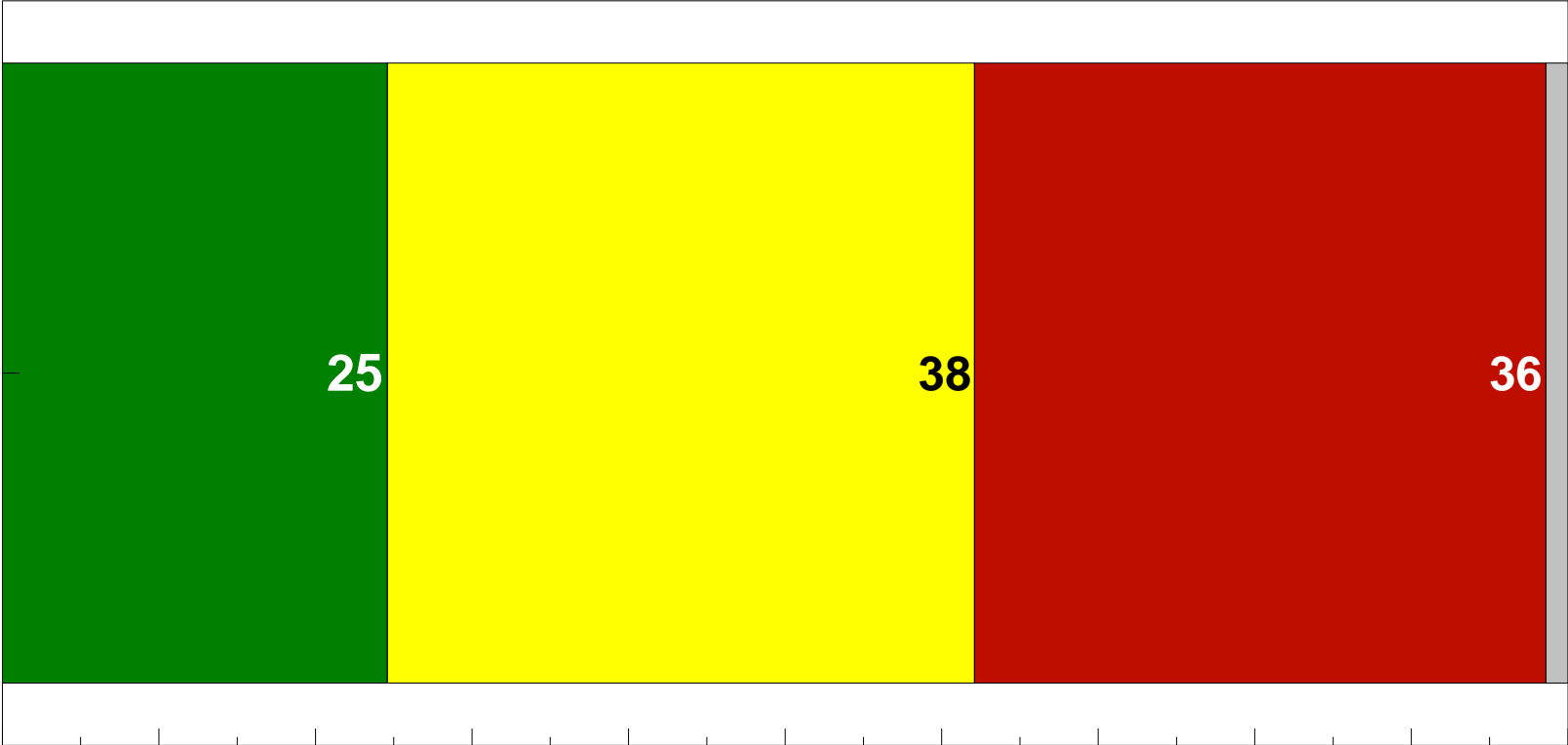
However, while the number of music consumers remains relatively stable, many music consumers report purchasing less in the previous 12 months

"Is the number of music CDs you bought in the last 12 months MORE or LESS than what you had purchased in the previous 12 months?"

More

Same (volunteered)

Less

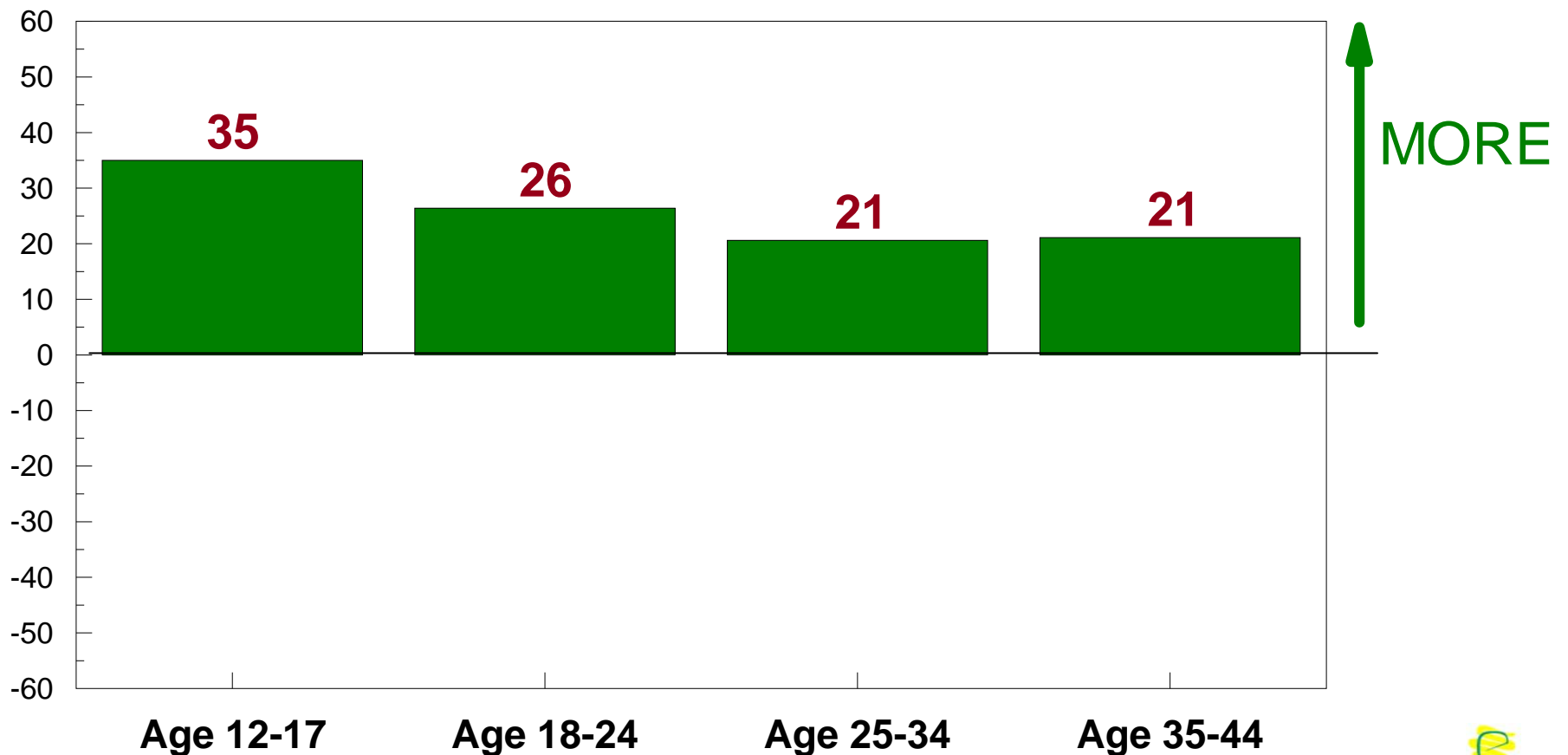


0 10 20 30 40 50 60 70 80 90 100



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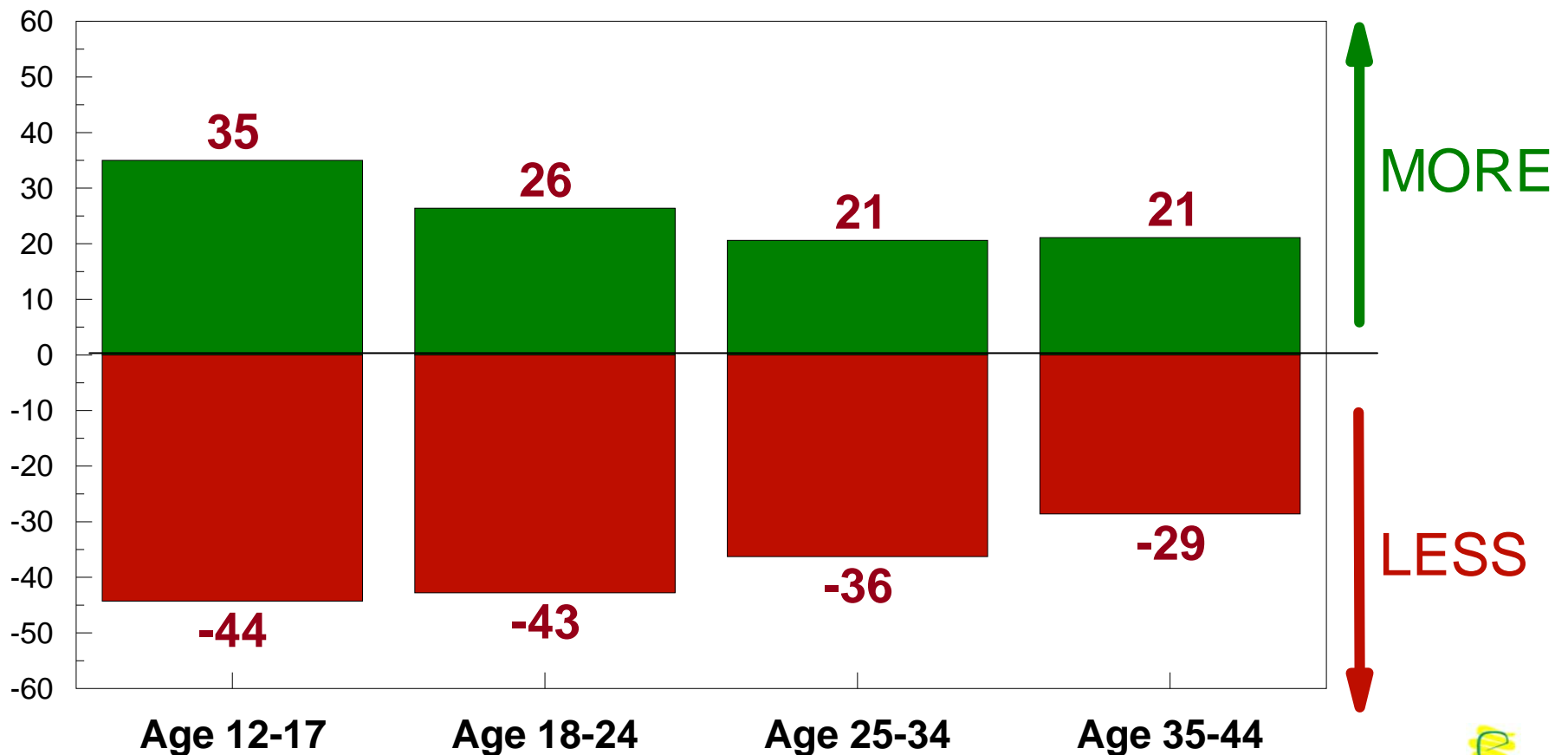


Base: Total Respondents



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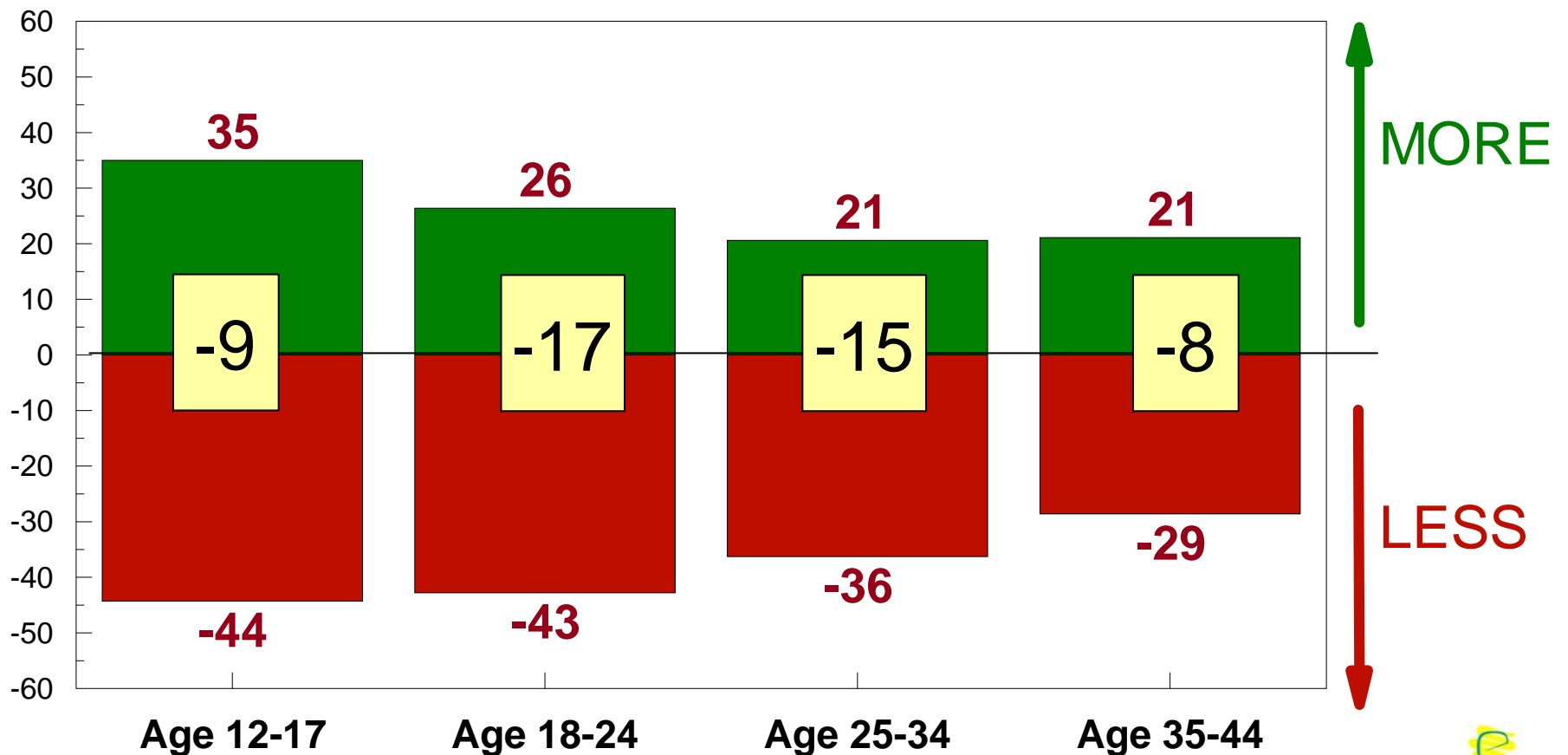
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"Is the number of music CDs you bought in the last 12 months MORE or LESS than what you had purchased in the previous 12 months?"



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How much less?

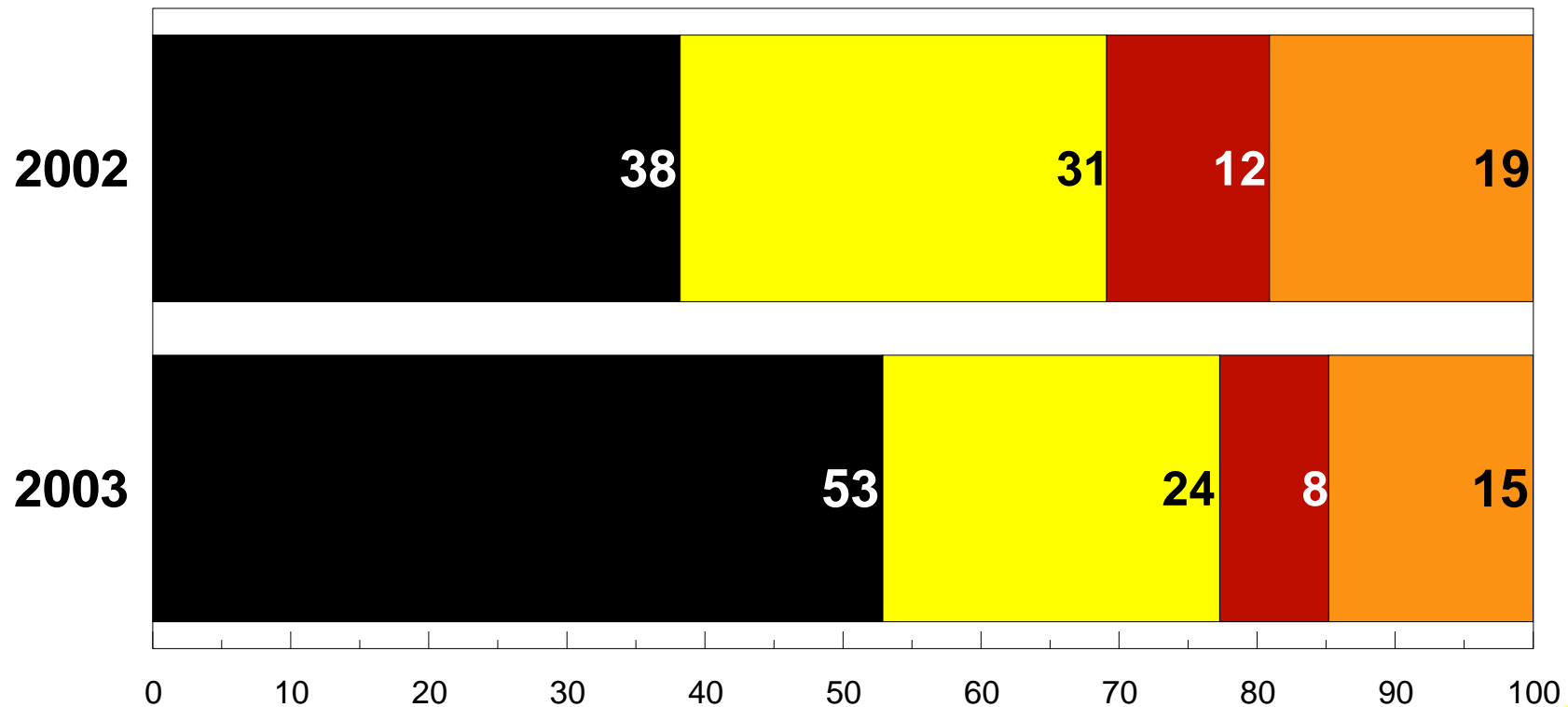


Ages 12 to 17

Today teens are much more likely to be "light" music consumers compared to only one year ago

"How many music CDs have you purchased in the last 12 months?"

■ 1 to 5 ■ 6 to 10 ■ 11-15 ■ 16 or more



Base: Purchased CDs in last 12 months

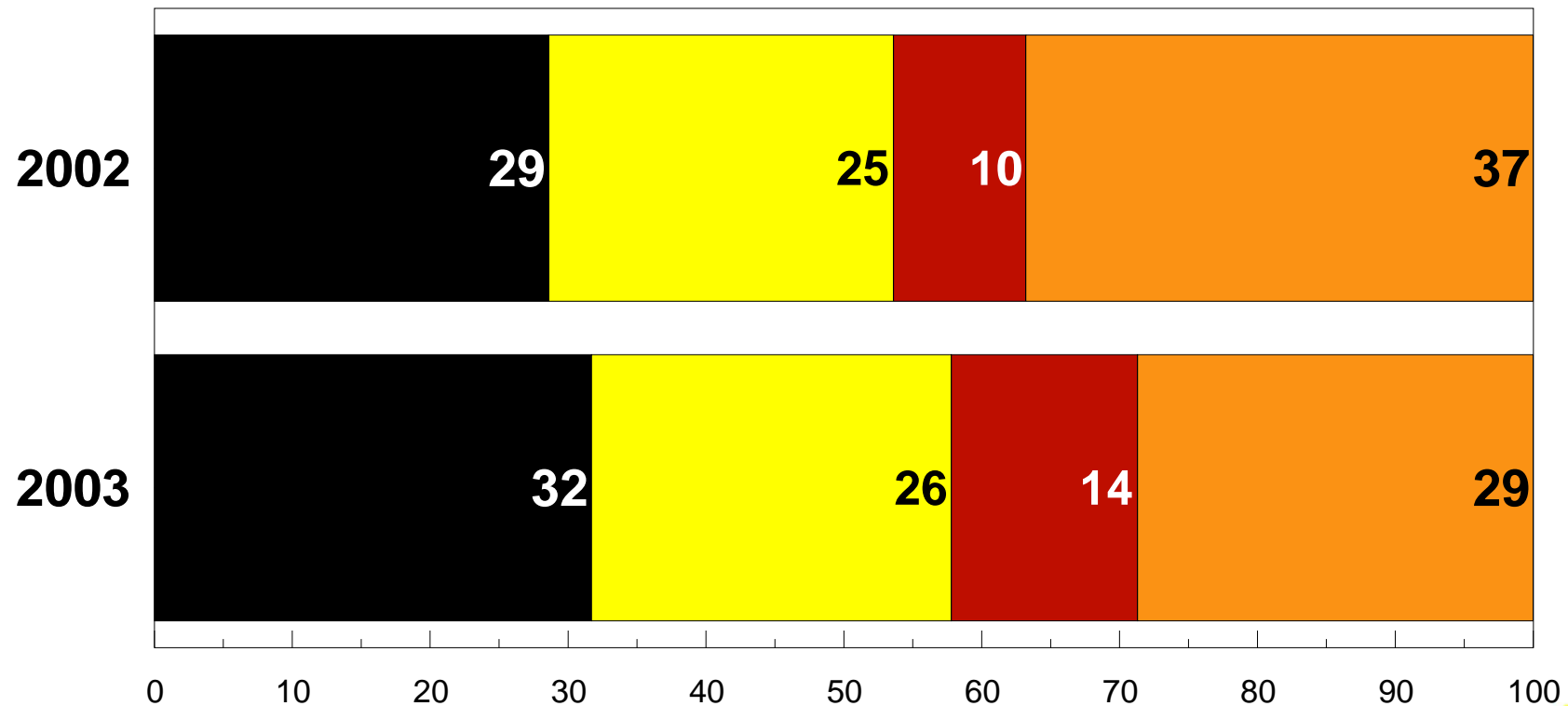
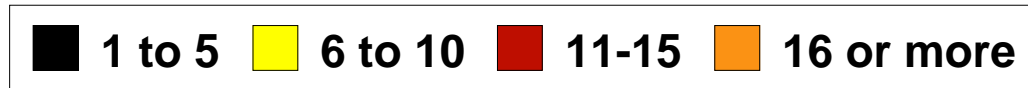
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Ages 18 to 24

There was a 22% drop in the number of "heavy" music consumers in one short year

"How many music CDs have you purchased in the last 12 months?"



Base: Purchased CDs in last 12 months

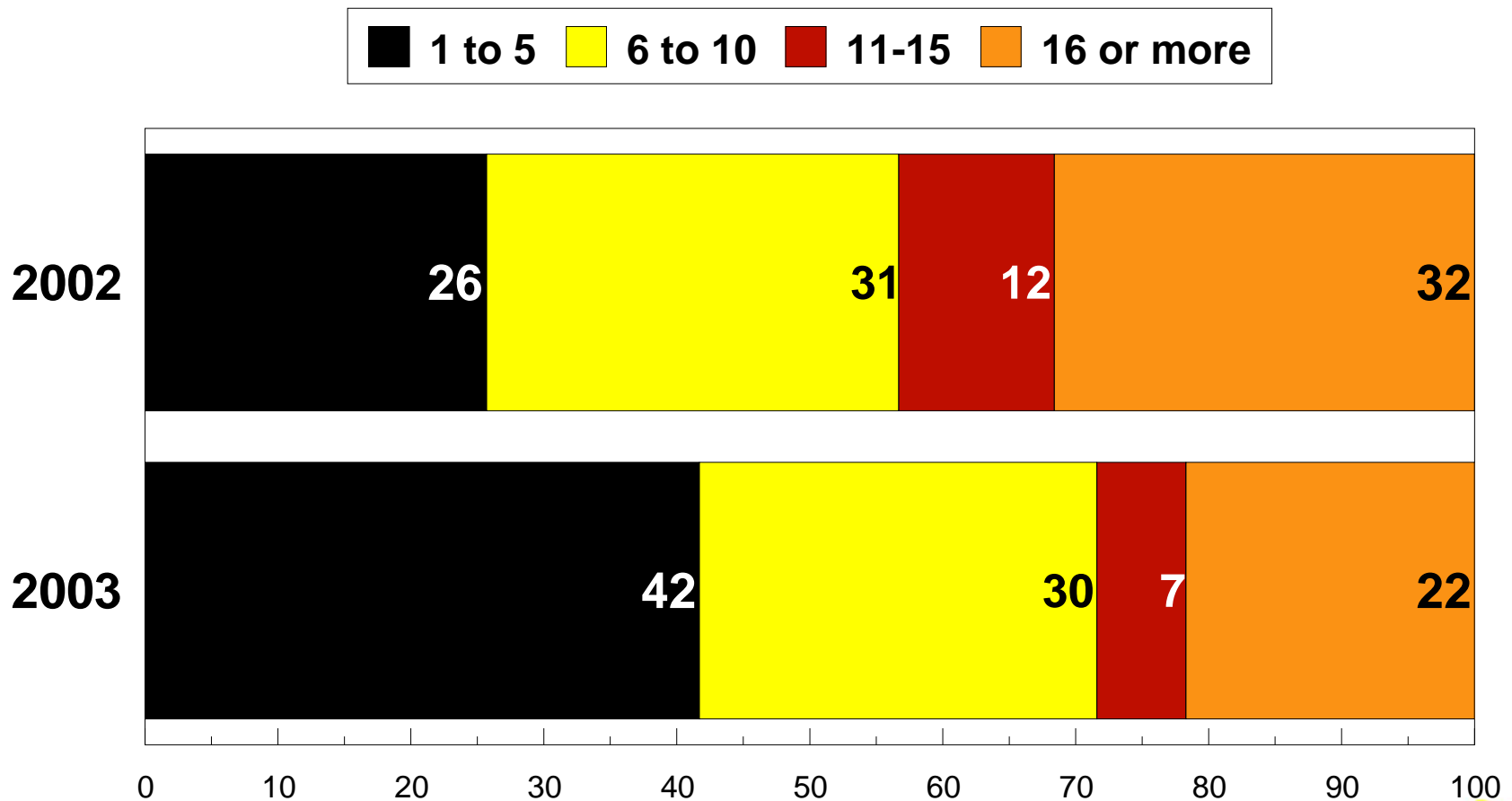
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Ages 25 to 34

There was a 62% increase in the number of "light" consumers between 2002 and 2003

"How many music CDs have you purchased in the last 12 months?"



Base: Purchased CDs in last 12 months

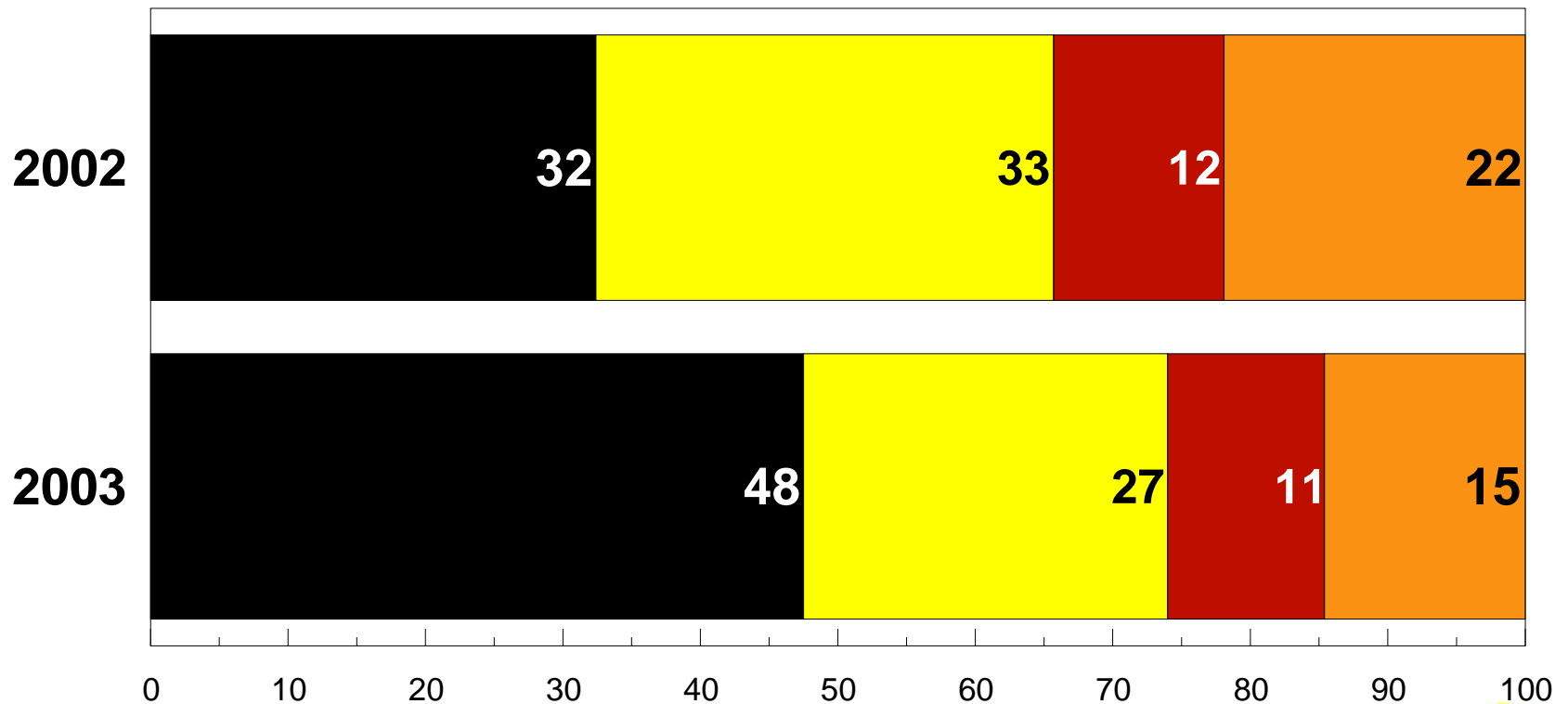
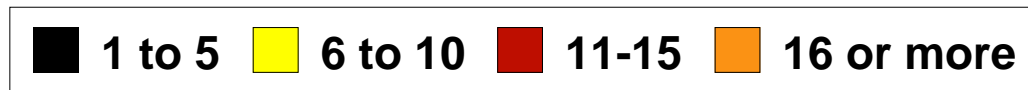
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Age 35 to 44

The number of "light" consumers grew 50% between 2002 and 2003

"How many music CDs have you purchased in the last 12 months?"



Base: Purchased CDs in last 12 months

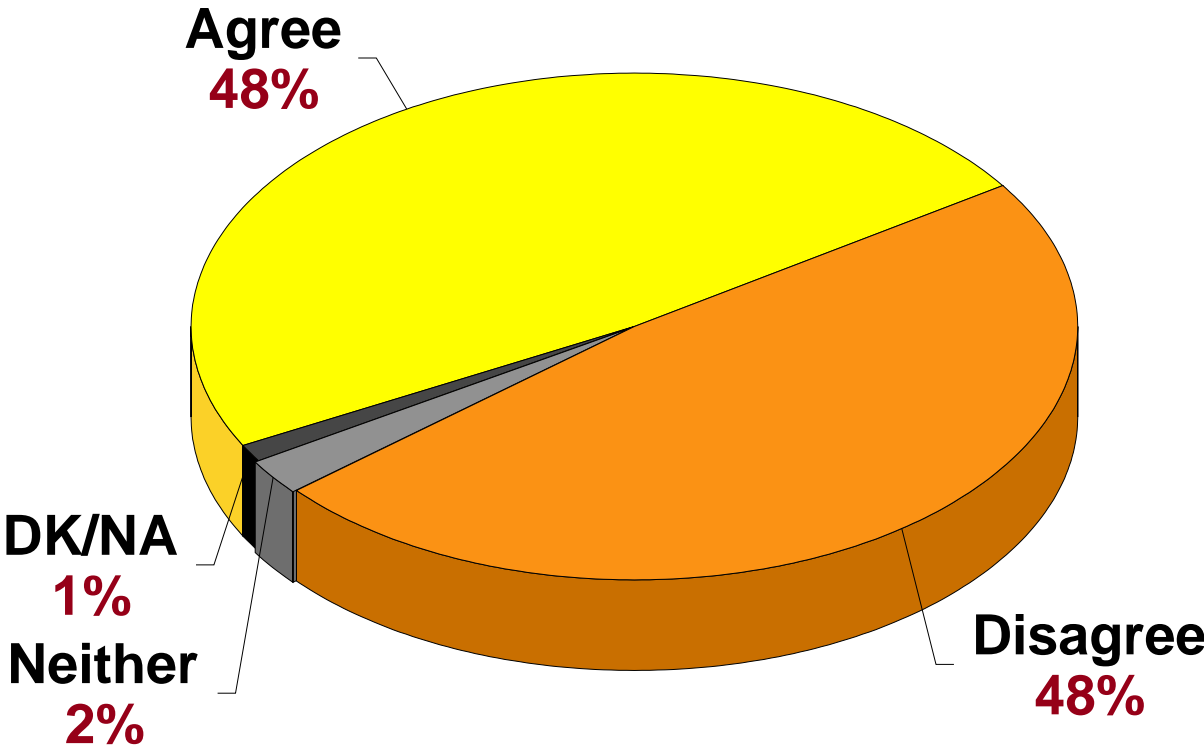
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Is it the *quality* of
releases?



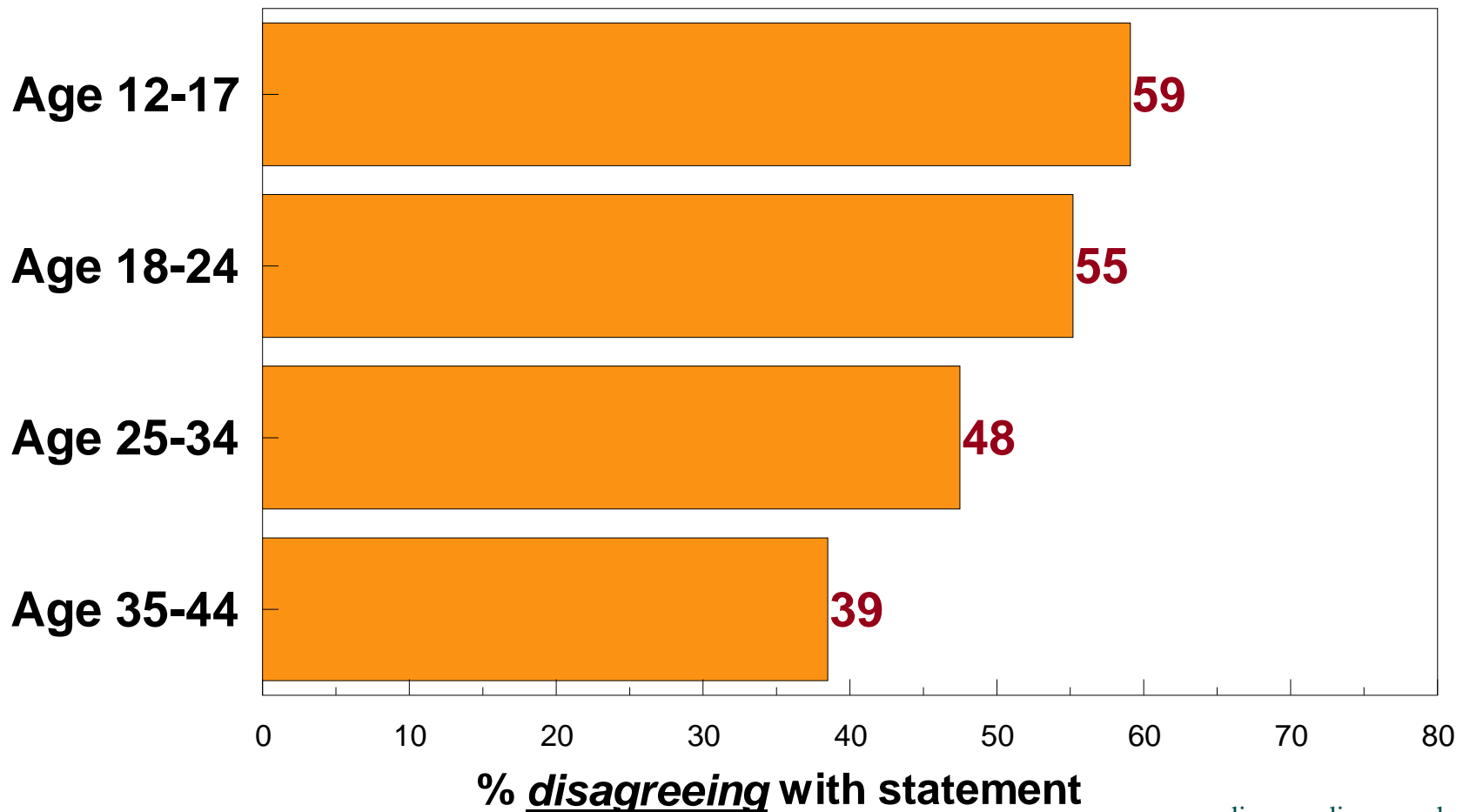
"The new music released by the record industry is not as good as it used to be."



Base: Total Sample

Consumers in the demos the record industry traditionally relies on for the bulk of new music sales still believe the industry is producing quality product

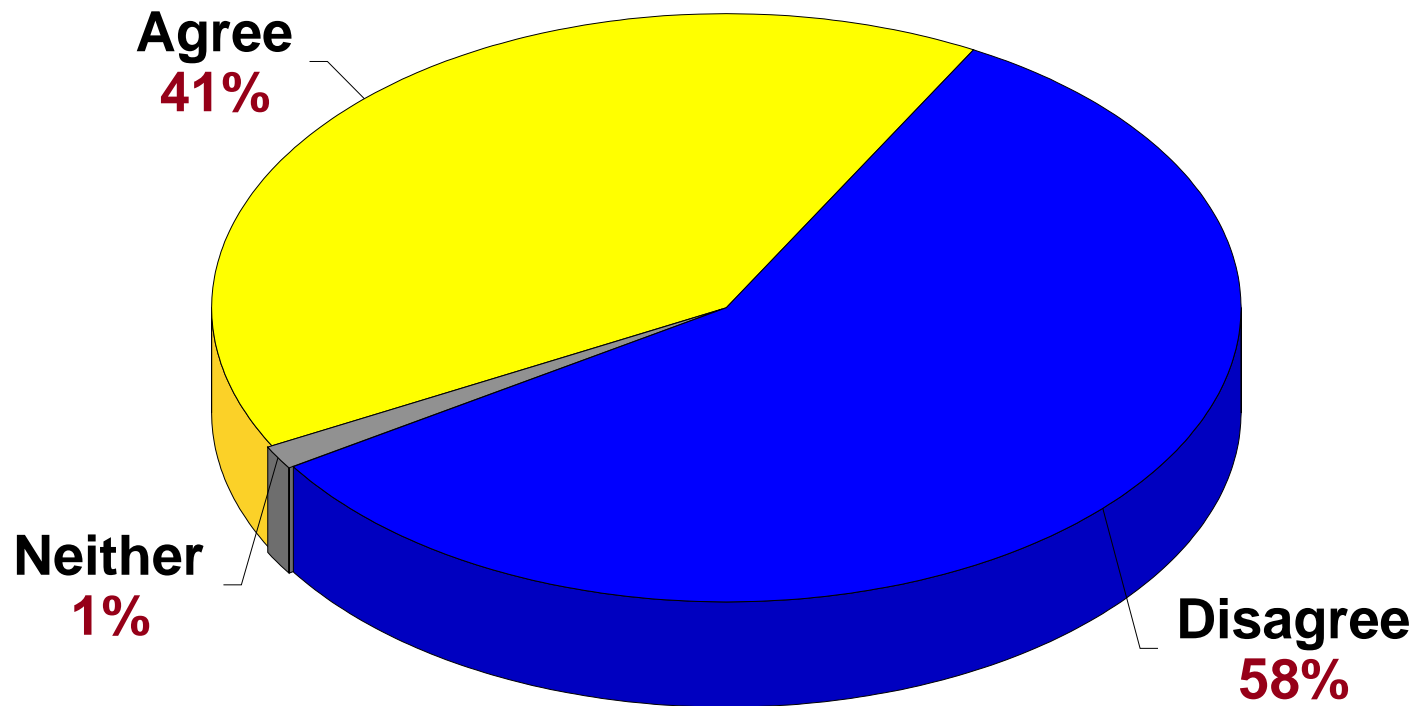
"The new music released by the record industry is not as good as it used to be."



Are consumers just
less interested in music
these days?



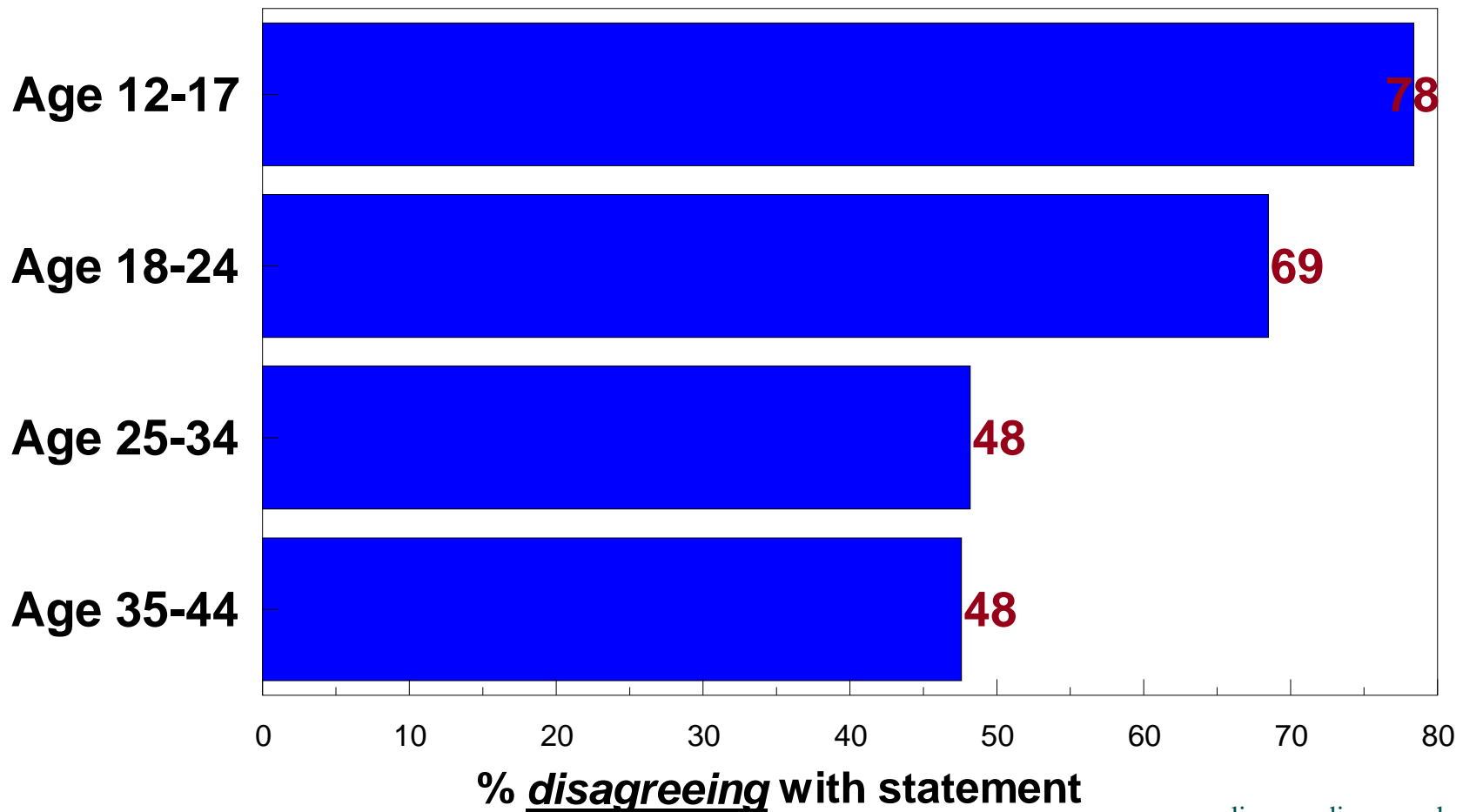
"You are less passionate about music these days than you used to be."



Base: Total Sample

Vast majority of 12 to 24s are as passionate about music as ever

"You are less passionate about music these days than you used to be."



So why did consumers say they purchased *less* music in the last 12 months than in the previous 12 months?

Unaided Response

1. Downloading/burning instead
2. Don't like what's out
3. Don't have the money
4. Too expensive
5. No Time
6. Rather spend money on other things
7. Not enough good songs on a CD

Base: Respondents who say they purchased less music in the past 12 months

of mentions in response to open-end question

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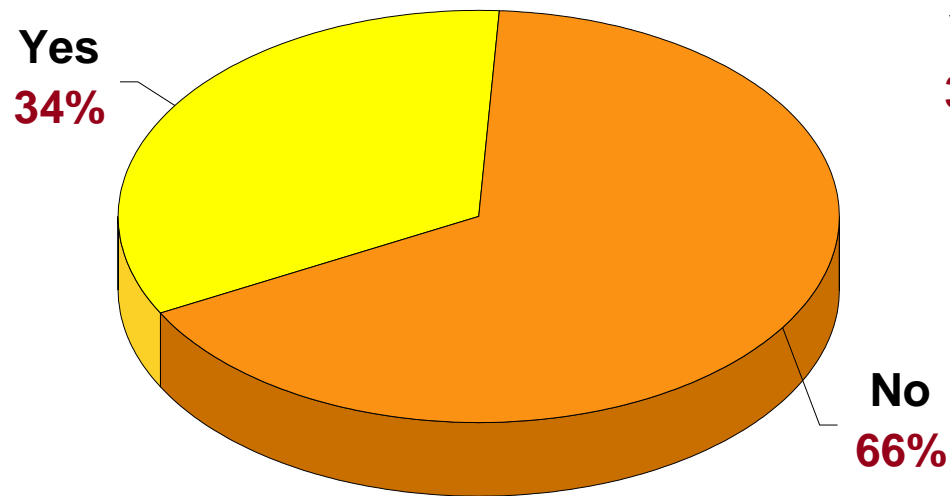


Role of Downloading

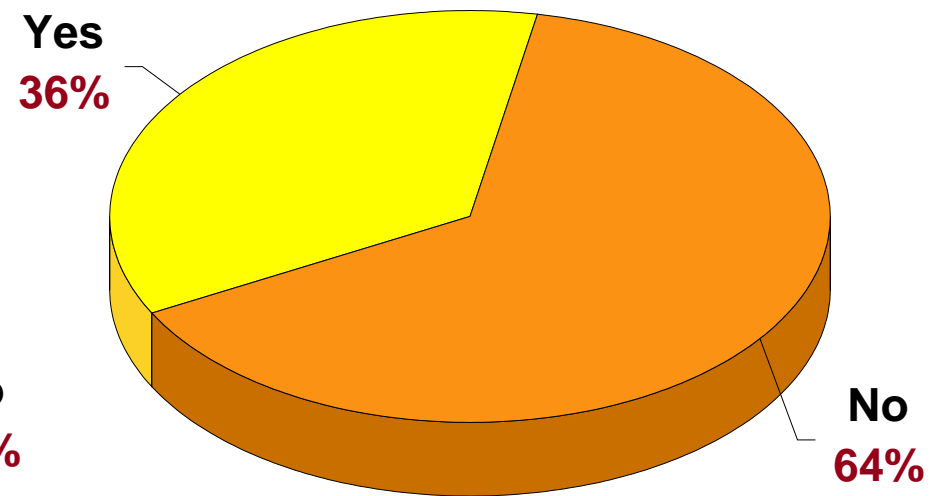


Have you downloaded music files from the Internet for playback at another time?

2002

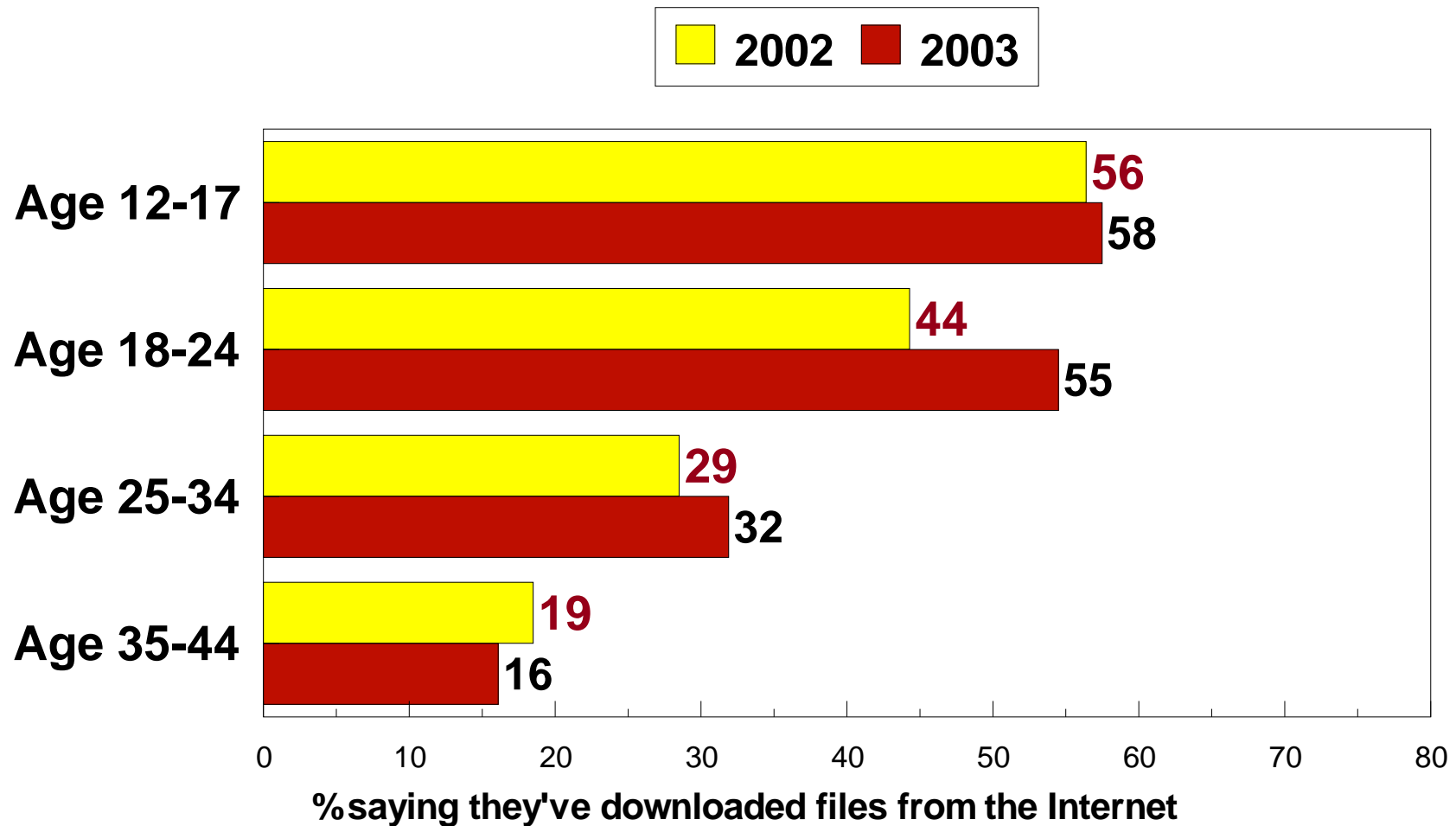


2003



Base: Total Sample

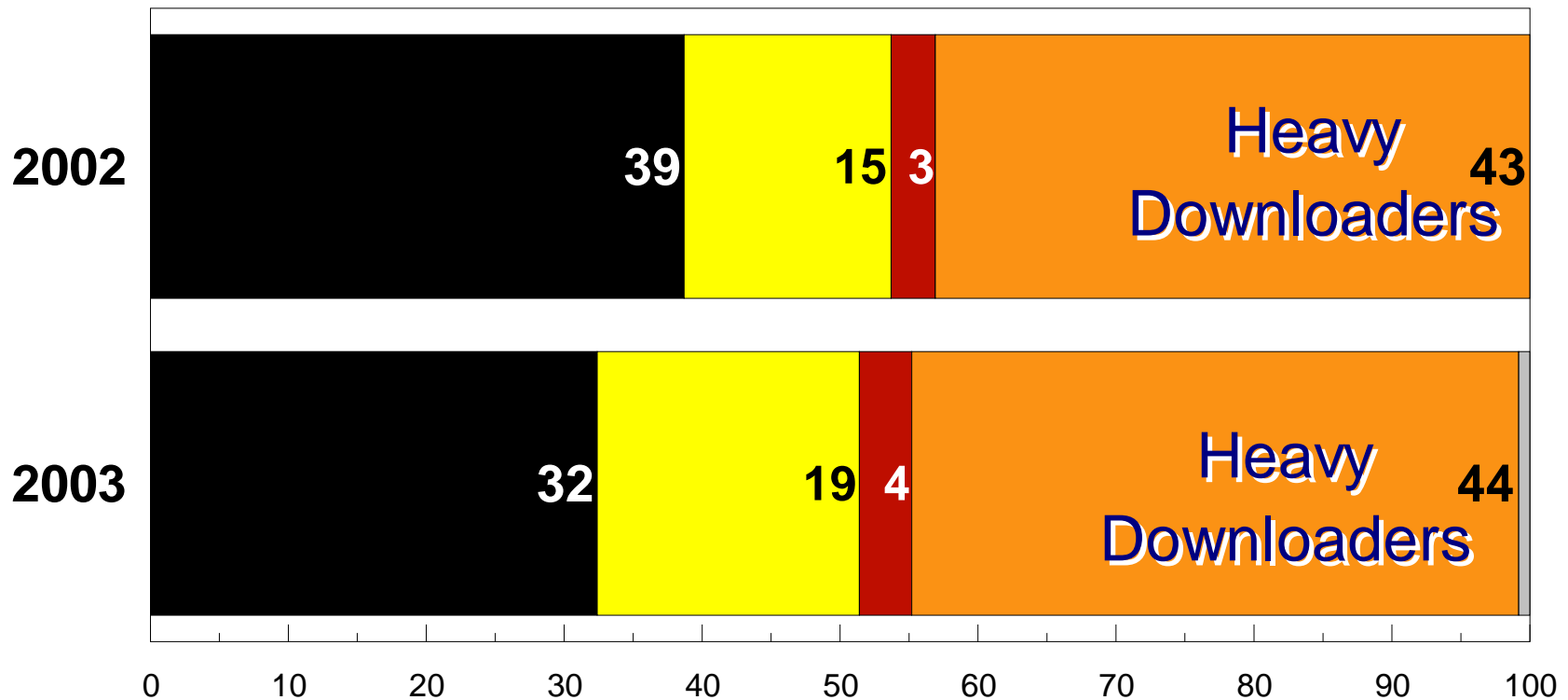
While the number of downloaders hasn't increased substantially overall, the number of 18 to 24s who download is skyrocketing



Overall, the average number of files downloaded between 2002 and 2003 has increased slightly

"About how many songs have you downloaded from the Internet?"

■ 20 or fewer ■ 21 to 50 ■ 51 to 99 ■ 100 or more



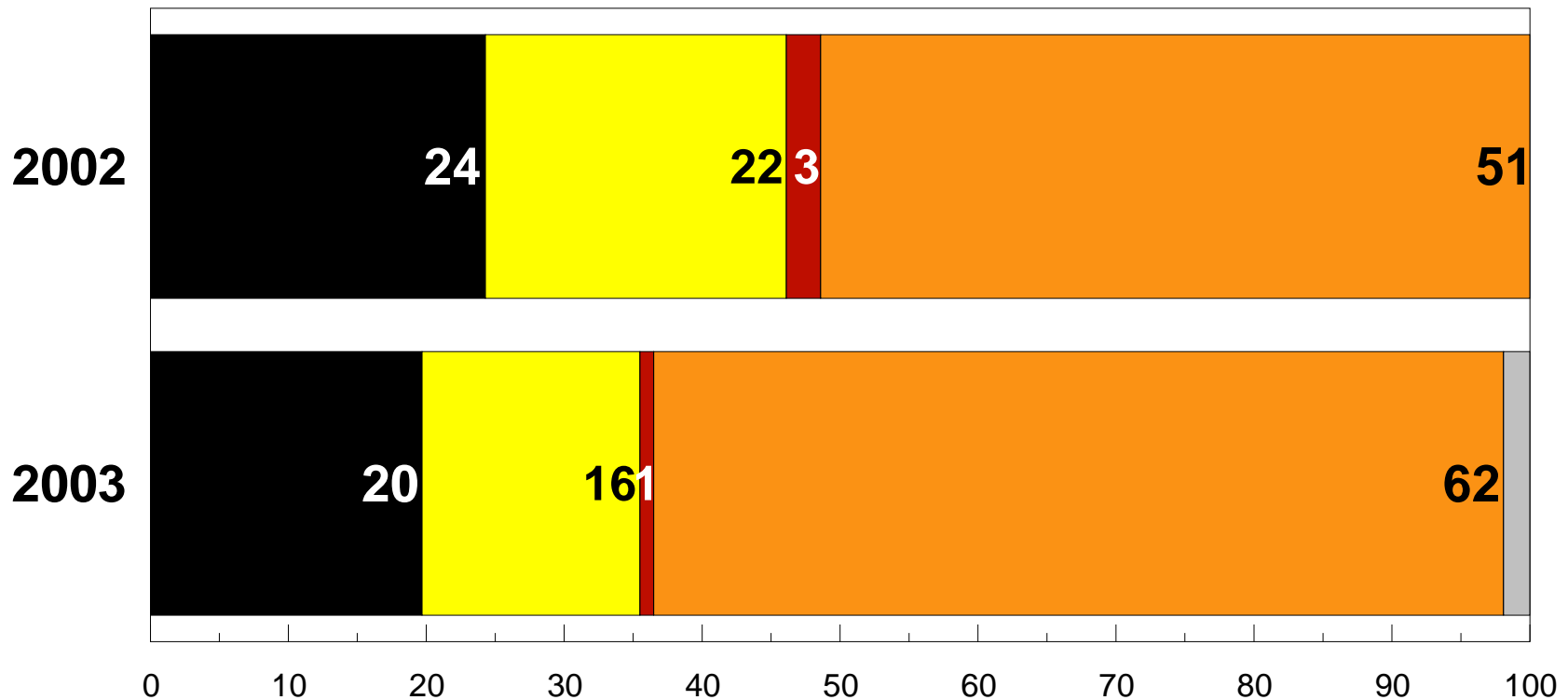
Base: Have downloaded music files

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But the number of files downloaded by 18 to 24s is rapidly increasing

"About how many songs have you downloaded from the Internet?"



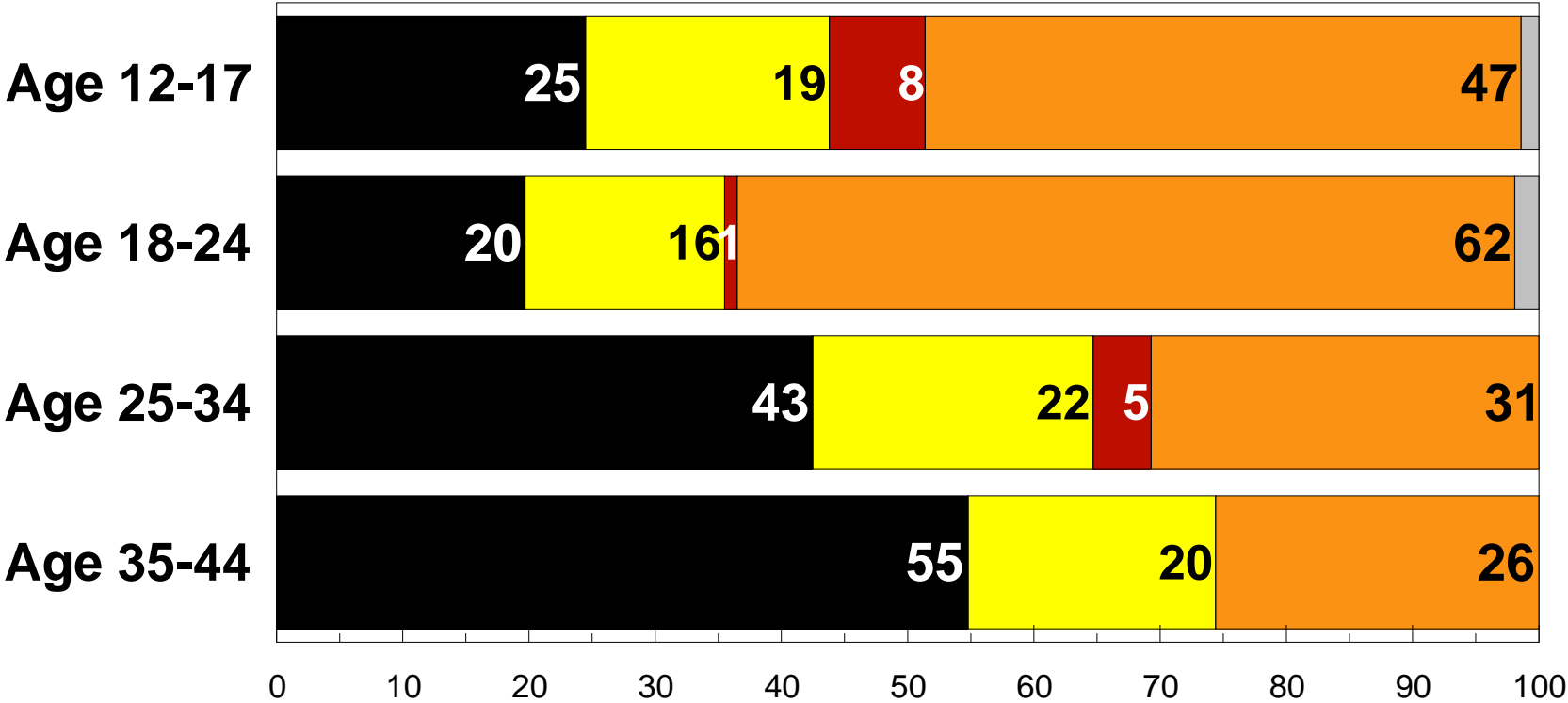
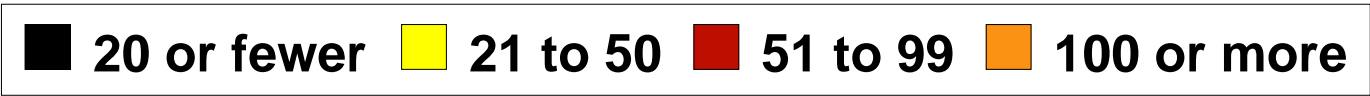
Base: Have downloaded music files, age 18 to 24

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Over half of downloaders between the ages of 18 and 24 are "heavy" downloaders

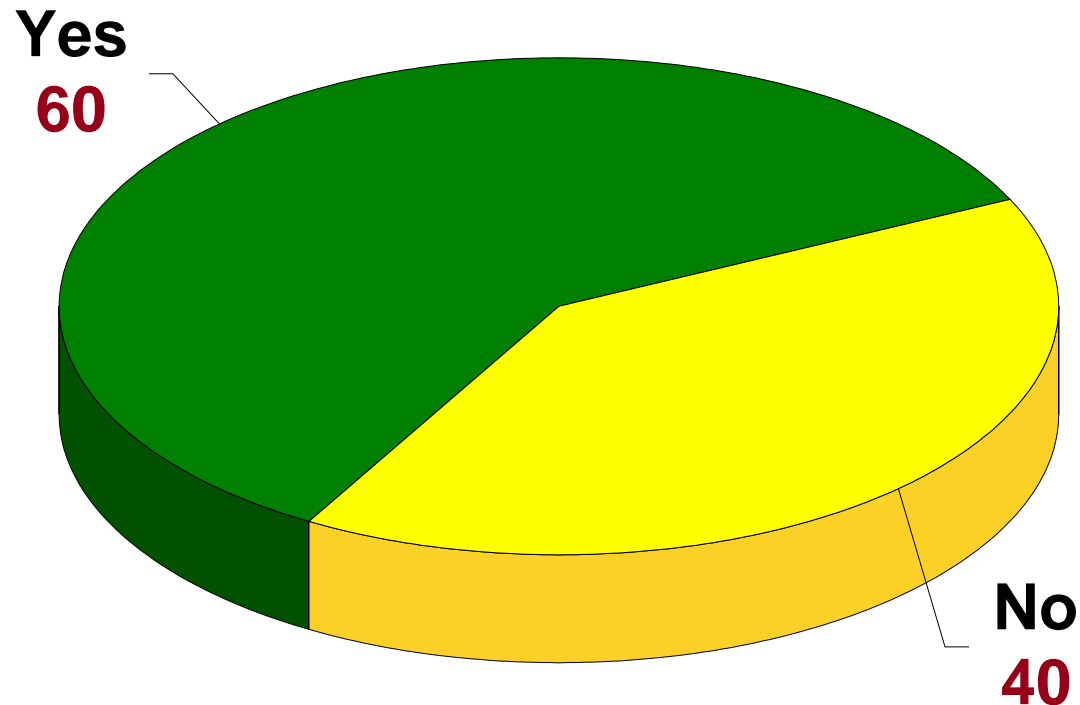
"About how many songs have you downloaded from the Internet?"



Base: Have downloaded music files

What about the
people who say
downloading leads to
record sales?

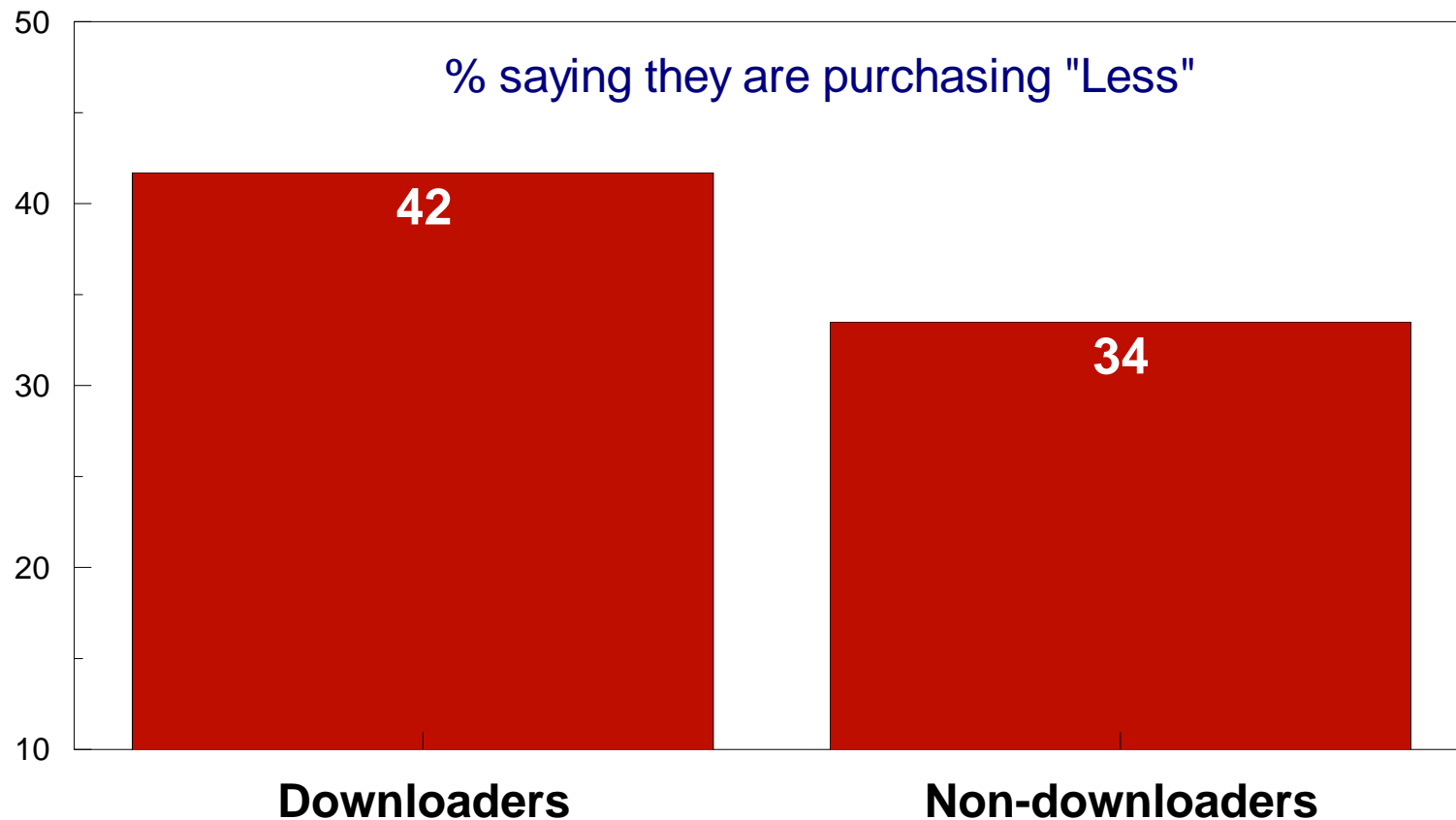
Have you ever gone on to buy an artist's CD after first downloading a track for free from the Internet?



Base: Have downloaded music files

Downloaders are more likely to report purchasing 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?"



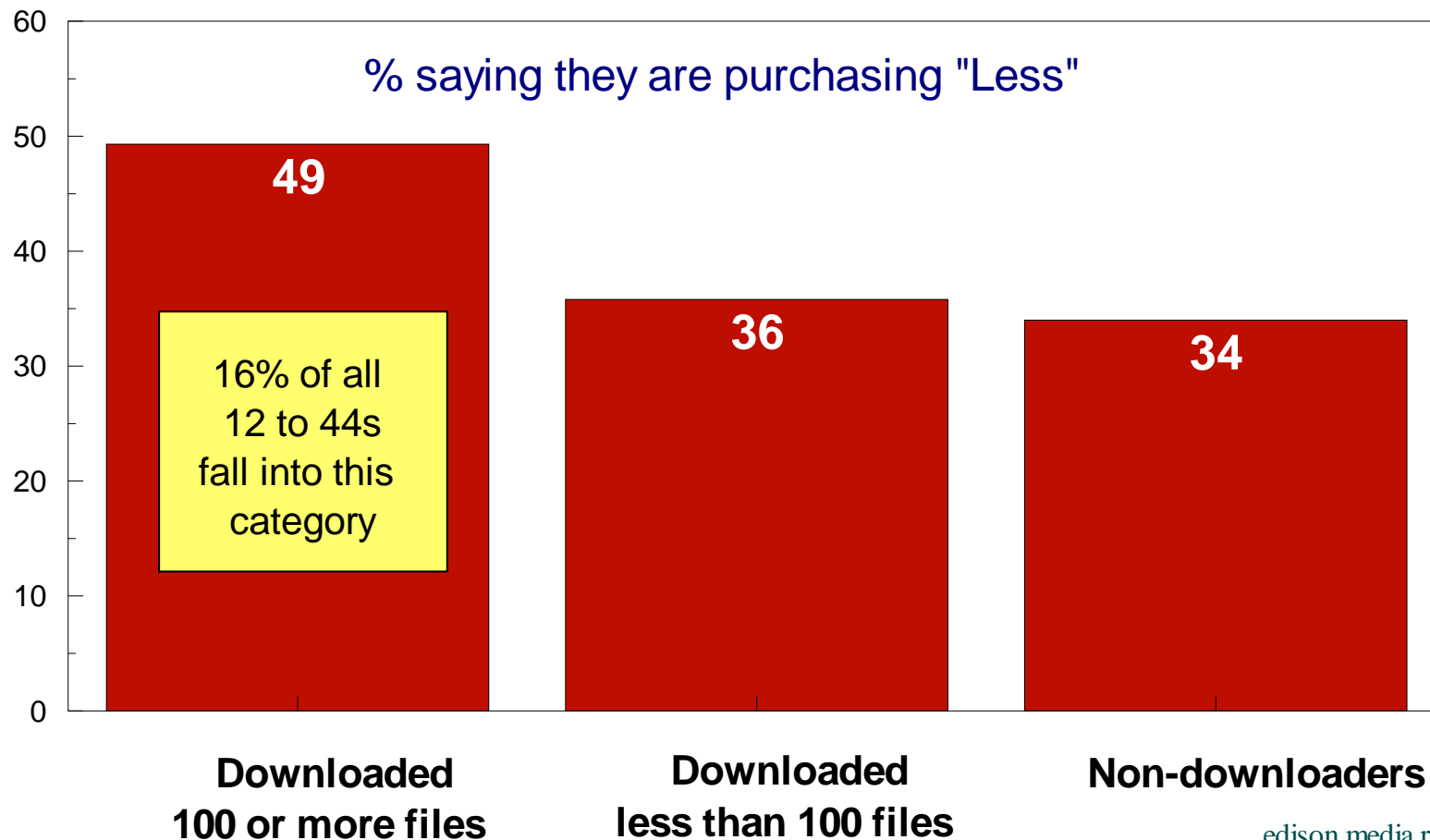
Base: Have Purchased Music in last 12 Months

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Heavy downloaders are *much* more likely to be purchasing 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 purchasing less music since they began downloading?

Unaided Response

1. Downloading's free
2. CD has songs I don't like
3. Only wanted a few songs
4. No need to buy when can download it
5. Convenience/faster/easier
6. Different music than CDs

Base: Downloaders who say they purchased less music in the past 12 months

of mentions in response to open-end question

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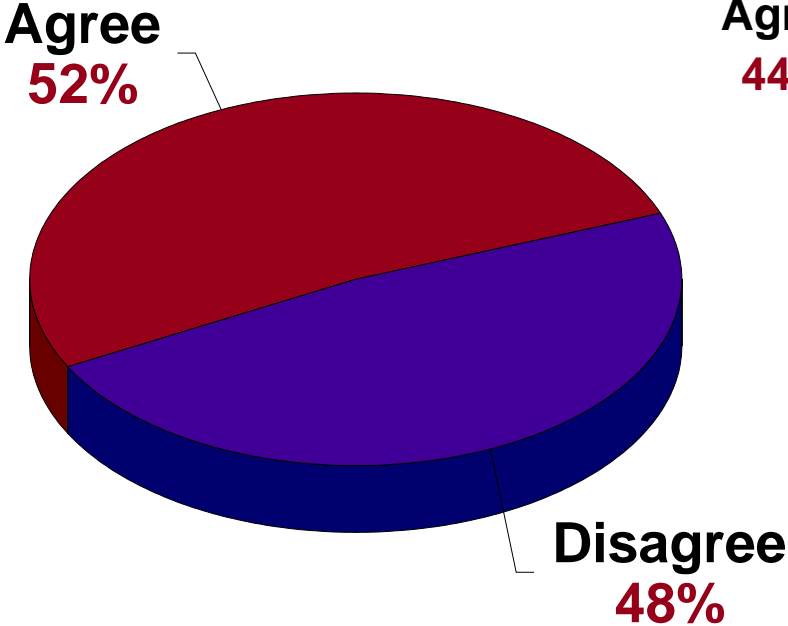


Attitudes

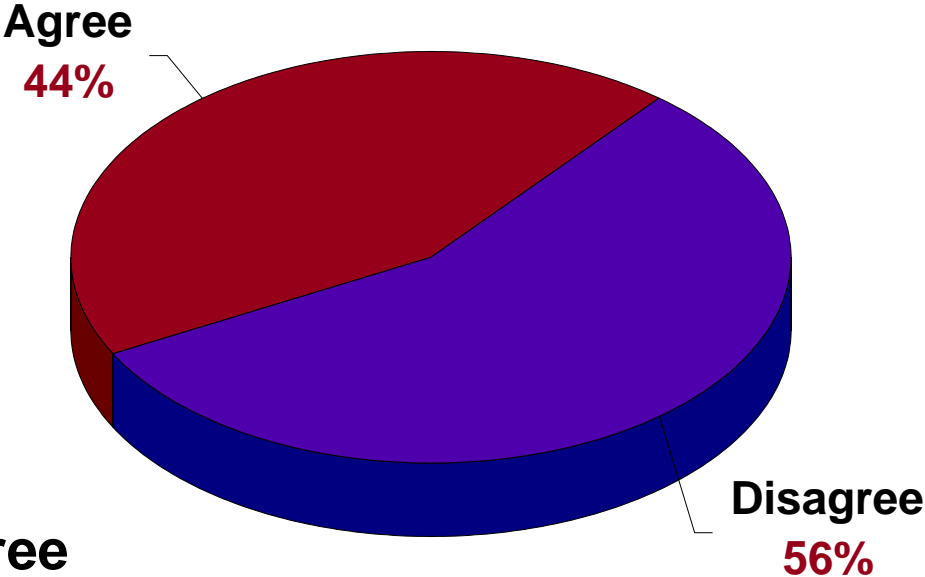


"There is nothing morally wrong about downloading music for free from the Internet."

2002

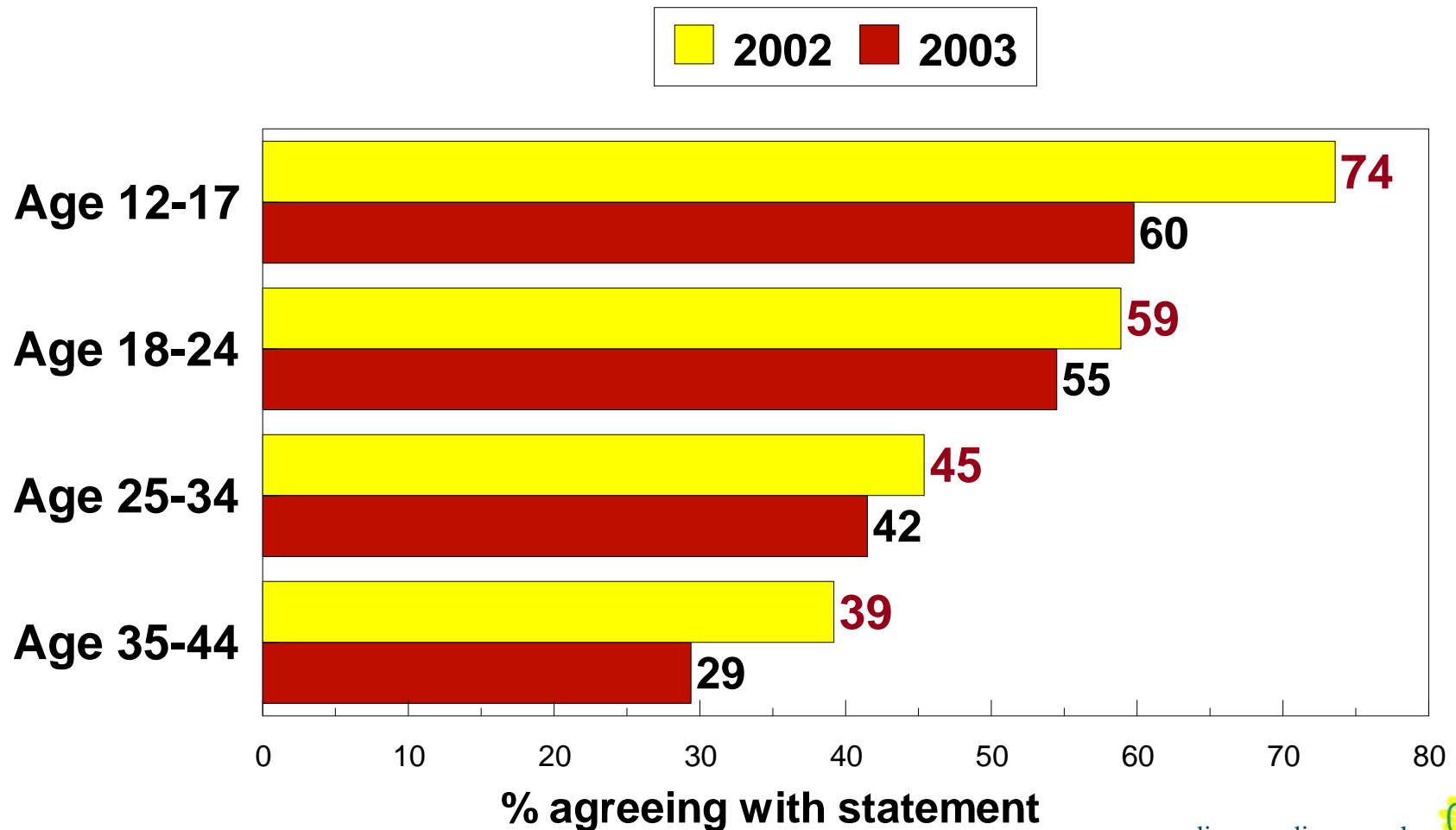


2003



Base: Purchased music CD in past 12 months

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



Base: Purchased music CD in past 12 months

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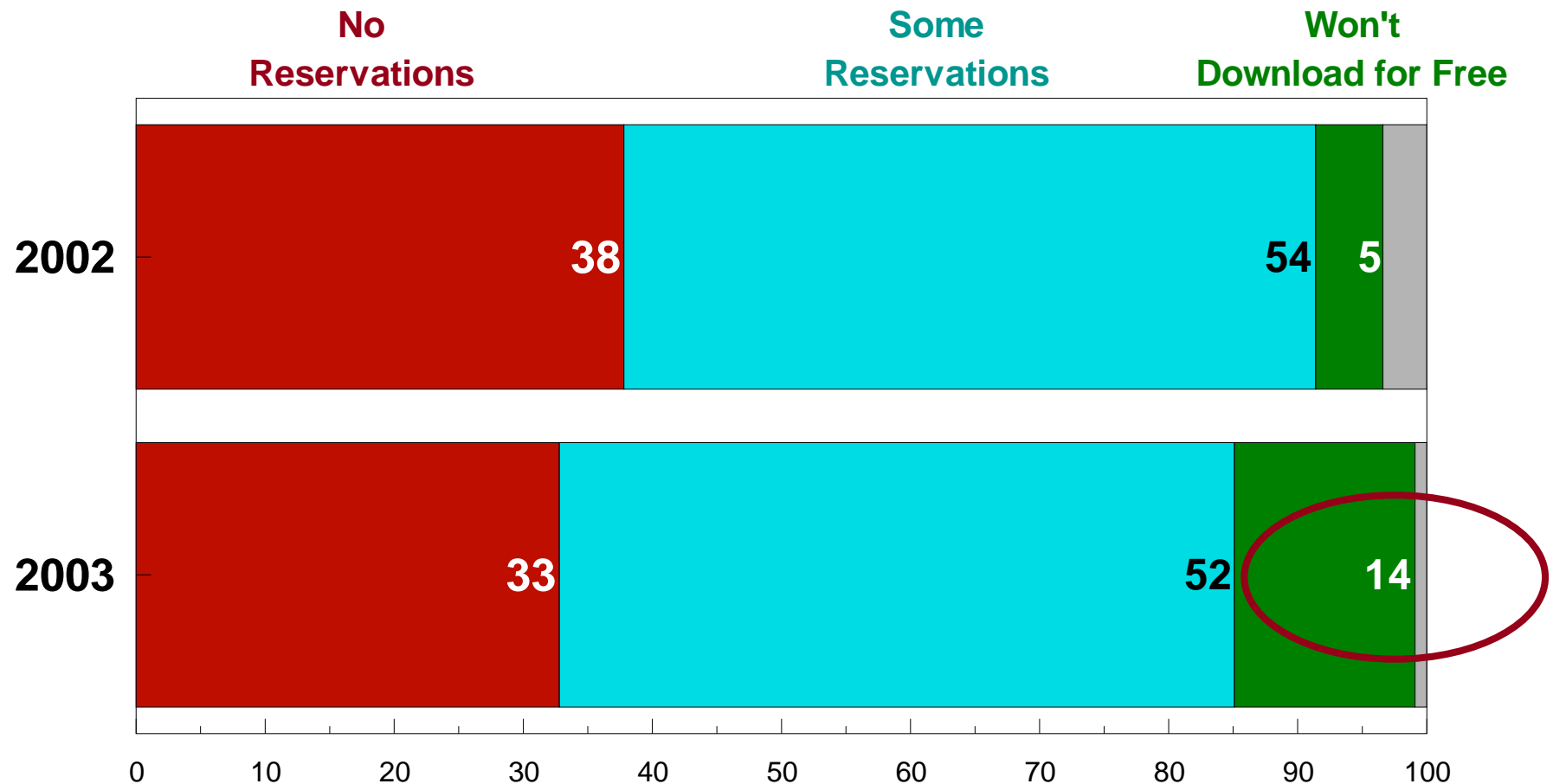


Which of the following three statements best reflects your view about downloading files for free from the Internet?

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

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

OR

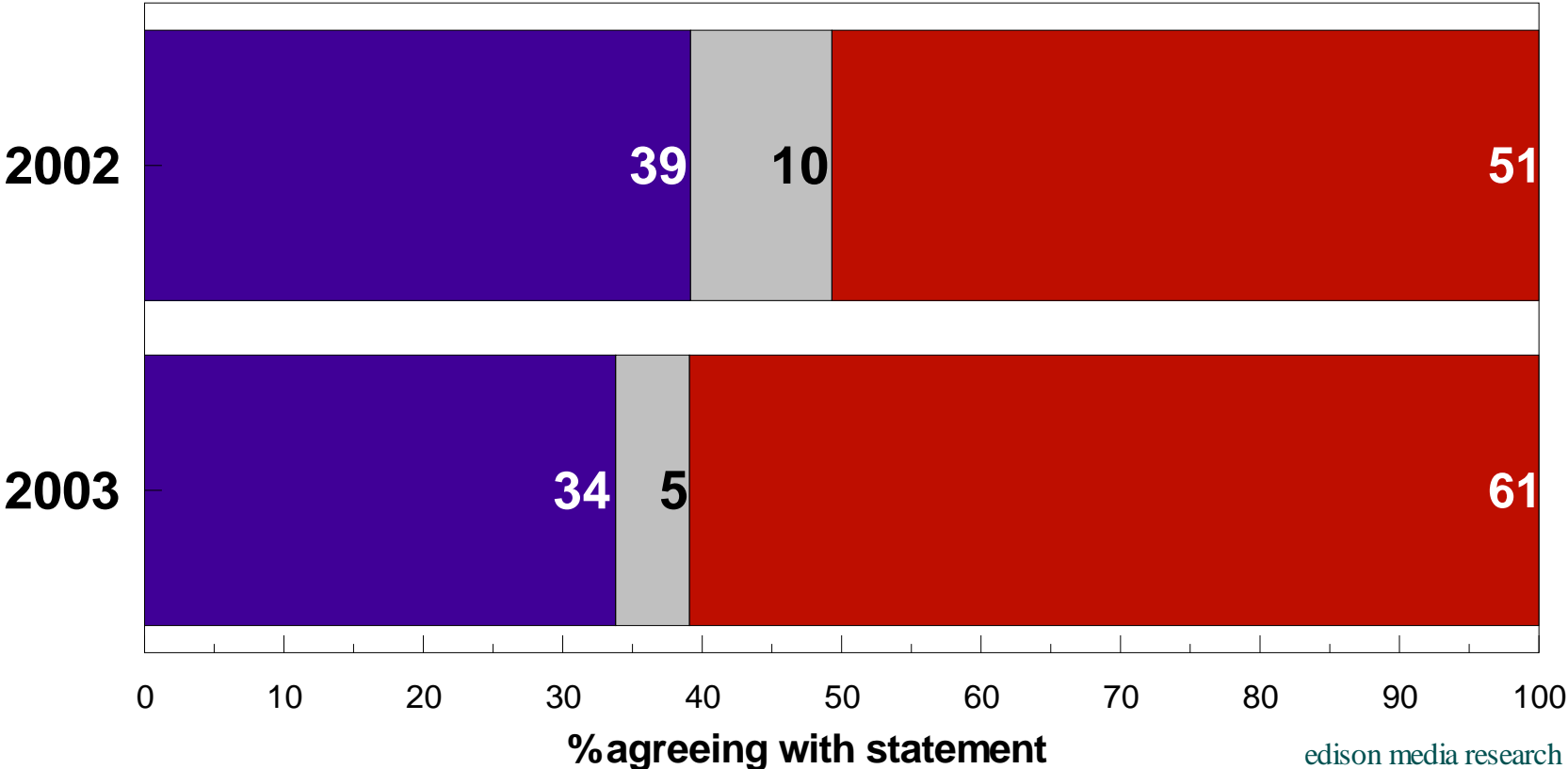
Music download sites should not be allowed to operate unless **RECORD LABELS** are compensated



More people have an opinion on this topic and more believe in label compensation

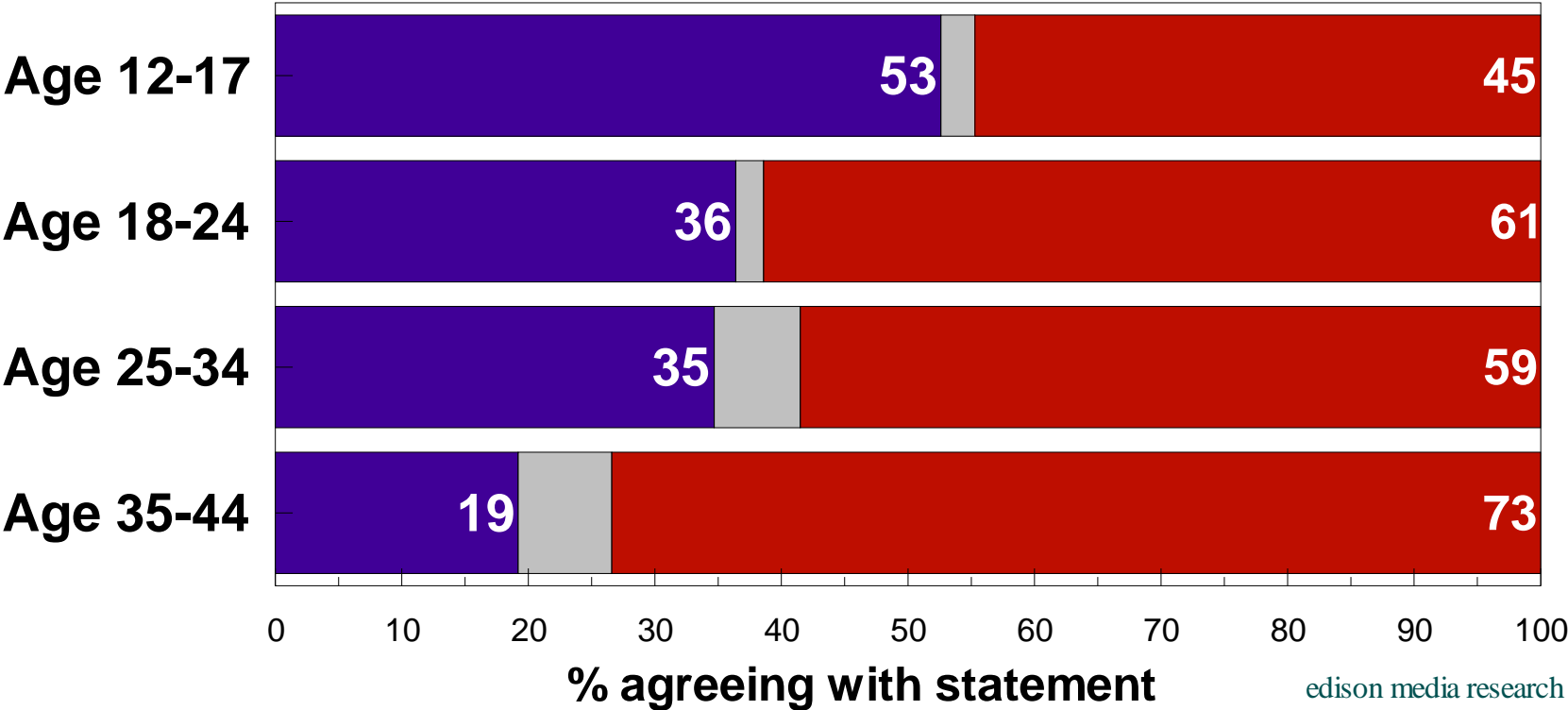
"Download sites should be allowed to operate..."

Free of Charge Don't Know Only if Labels are compensated

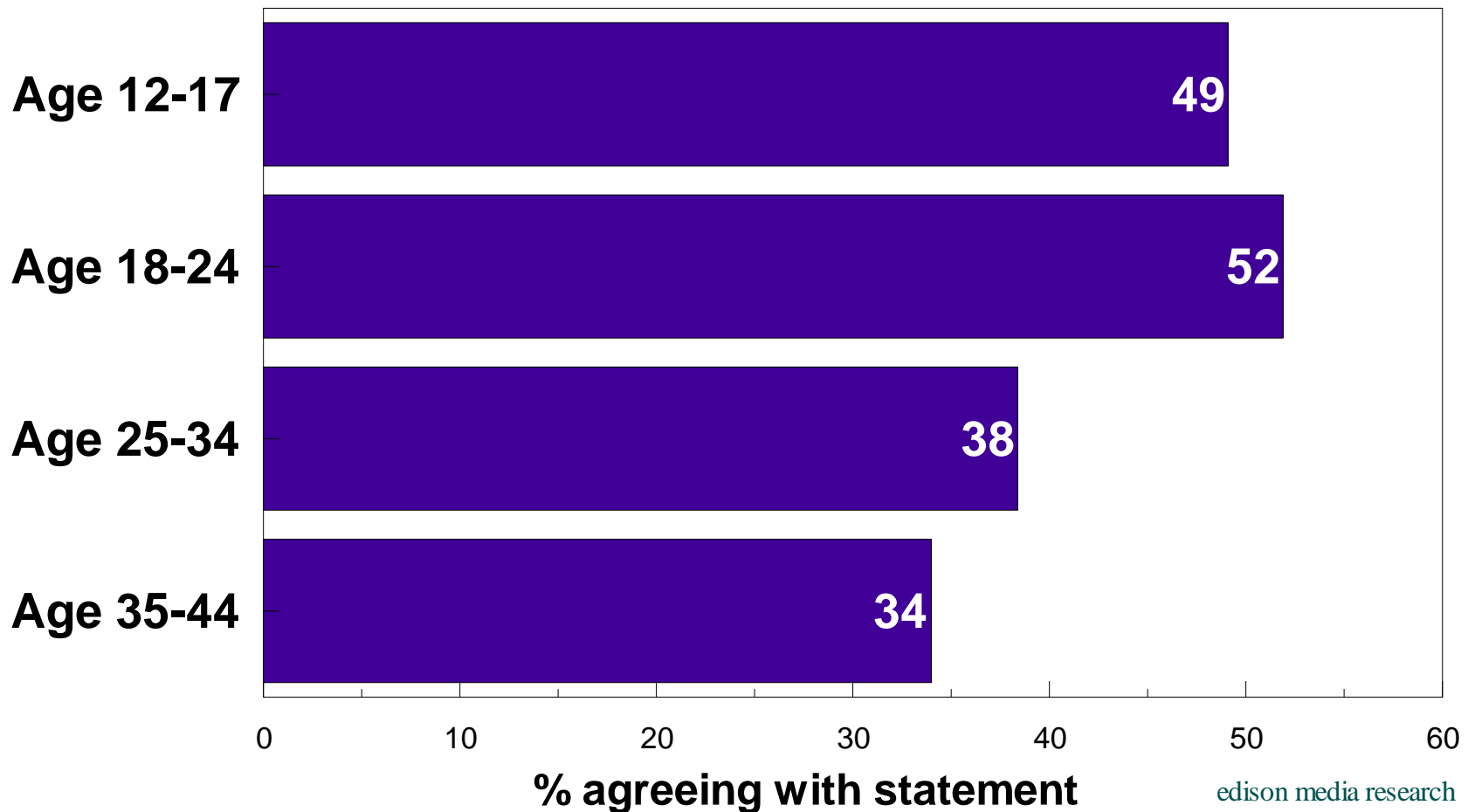


Teens care the *least* about Record Label Compensation

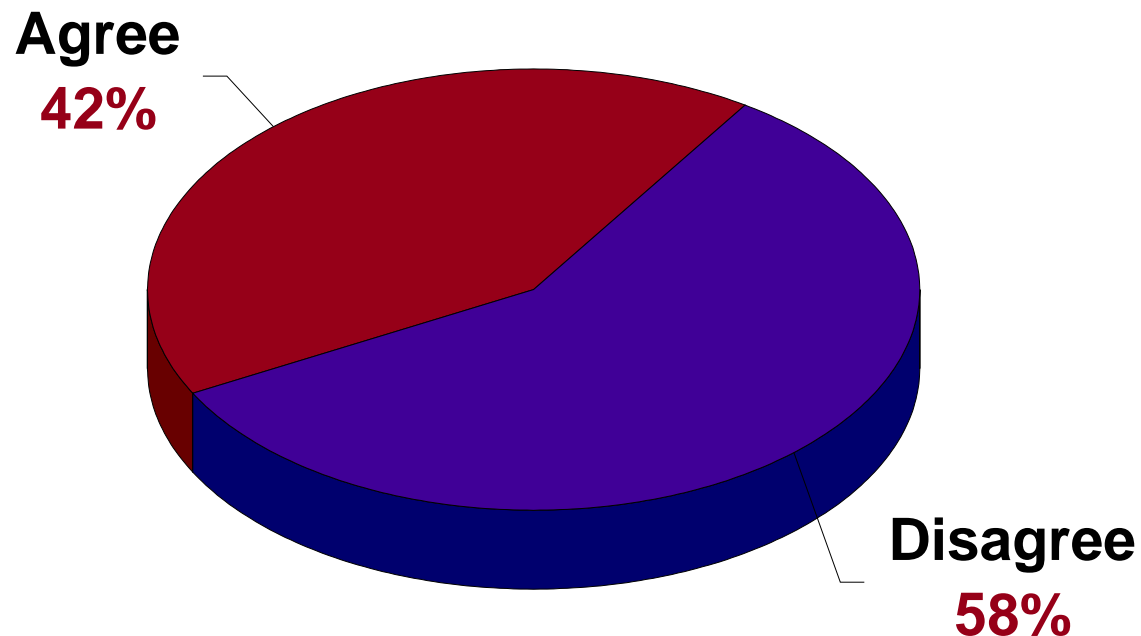
"Download sites should be allowed to operate..."



12 to 24s are heavily influenced by the media's "Bling Bling" portrayal of the record industry

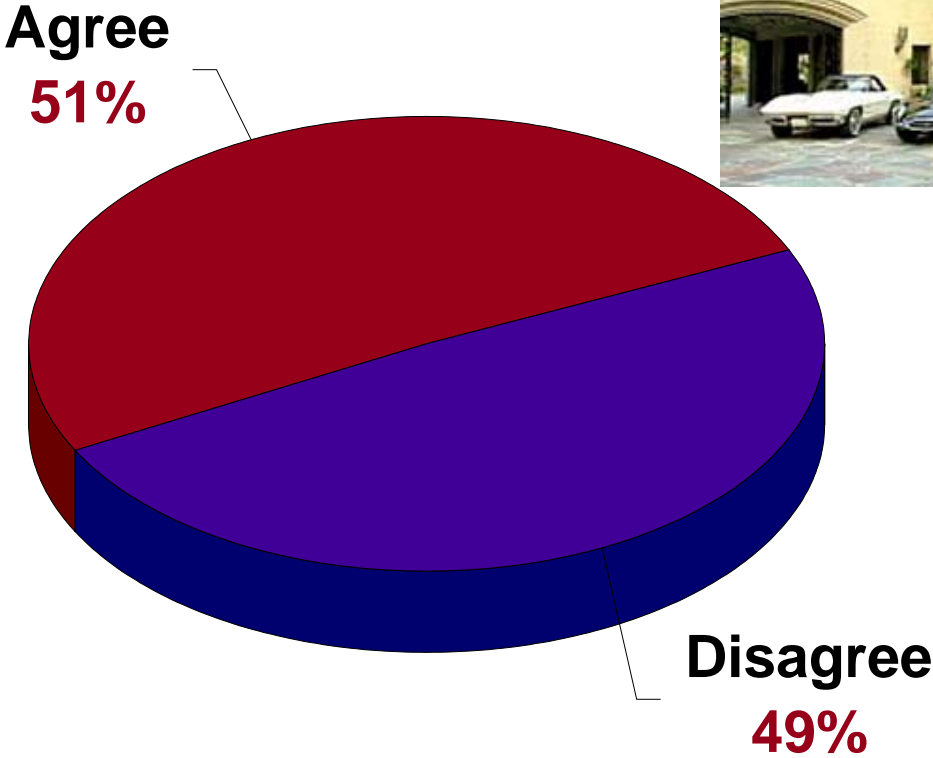


"All recording artists and record label employees are rich, live in big houses, and drive around in expensive cars."



Teens are heavily influenced by the media's "Bling Bling" portrayal of the record industry

"All recording artists and record label employees are rich, live in big houses, and drive around in expensive cars."



Base: Ages 12 to 17 n=193

Anti-piracy



"Some users of file-sharing services recently received pop-up messages containing a copyright infringement warning. The pop-up message warns users that they are not anonymous, can easily be identified, and are at risk for legal penalties for downloading music from file-sharing services.

The pop-up suggests the user disable their file-sharing software. If you received such a pop-up message..."

Would you...

Continue to download from file-sharing services

OR

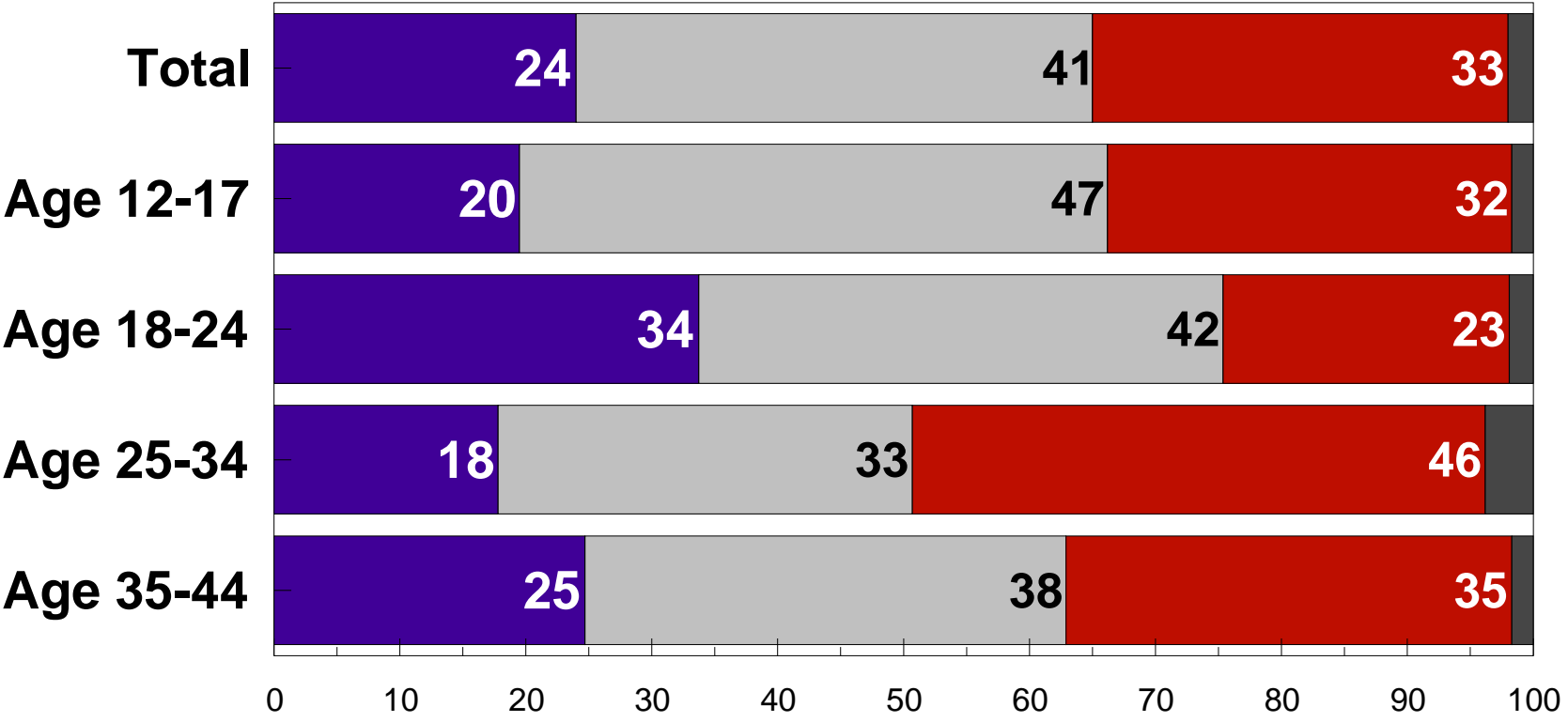
have some reservations about downloading music from file-sharing services but you would continue to download anyway

OR

disable your file-sharing software and no longer download music from file-sharing services?

Pop-ups would get about one-third of downloaders to disable their file-sharing software

Continue Continue w/reservations Disable software Don't Know

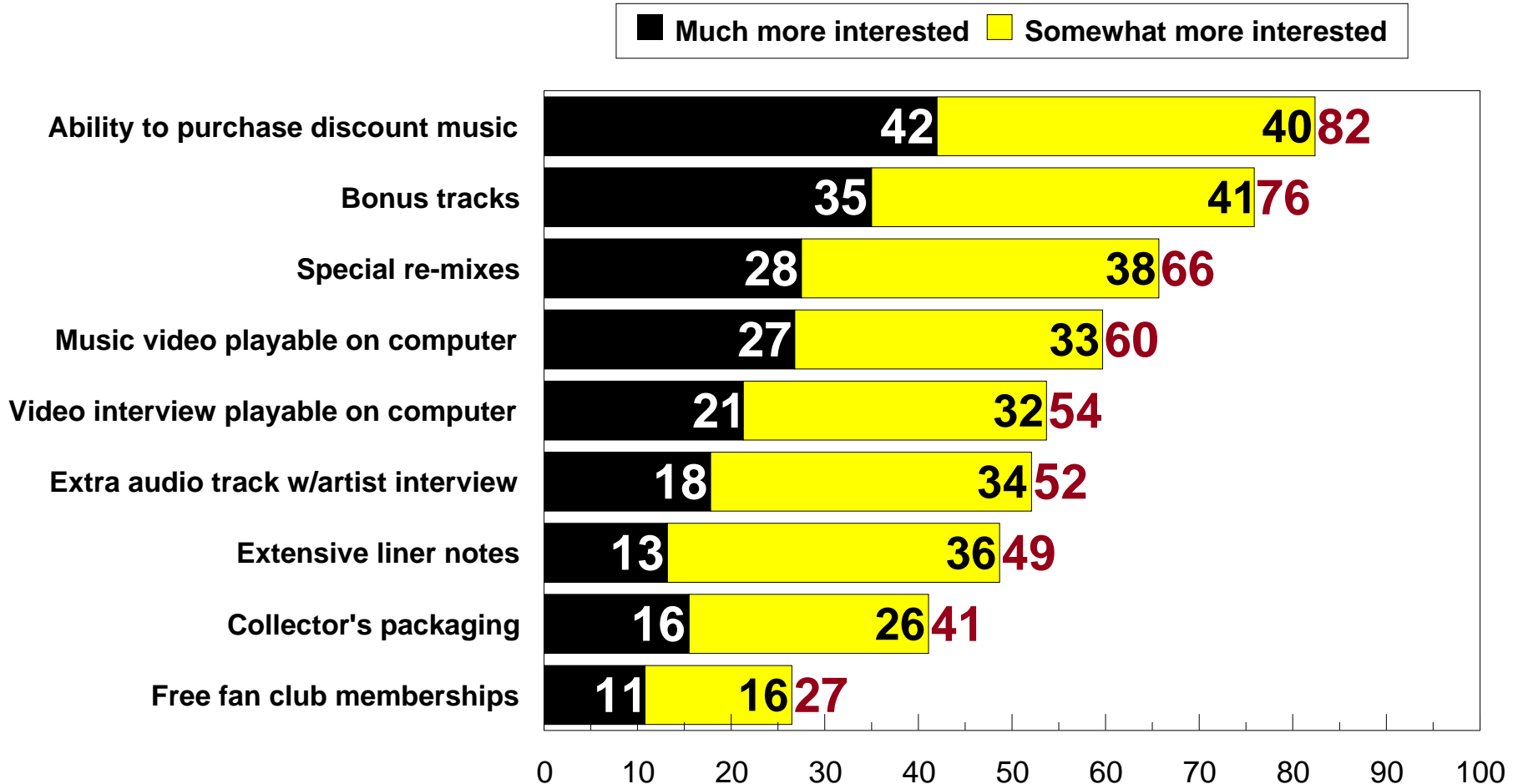


Base: Have downloaded music files

DVD-style enhancements to CDs



"How much more interested would you be in purchasing a music CD from your favorite artist that featured..."



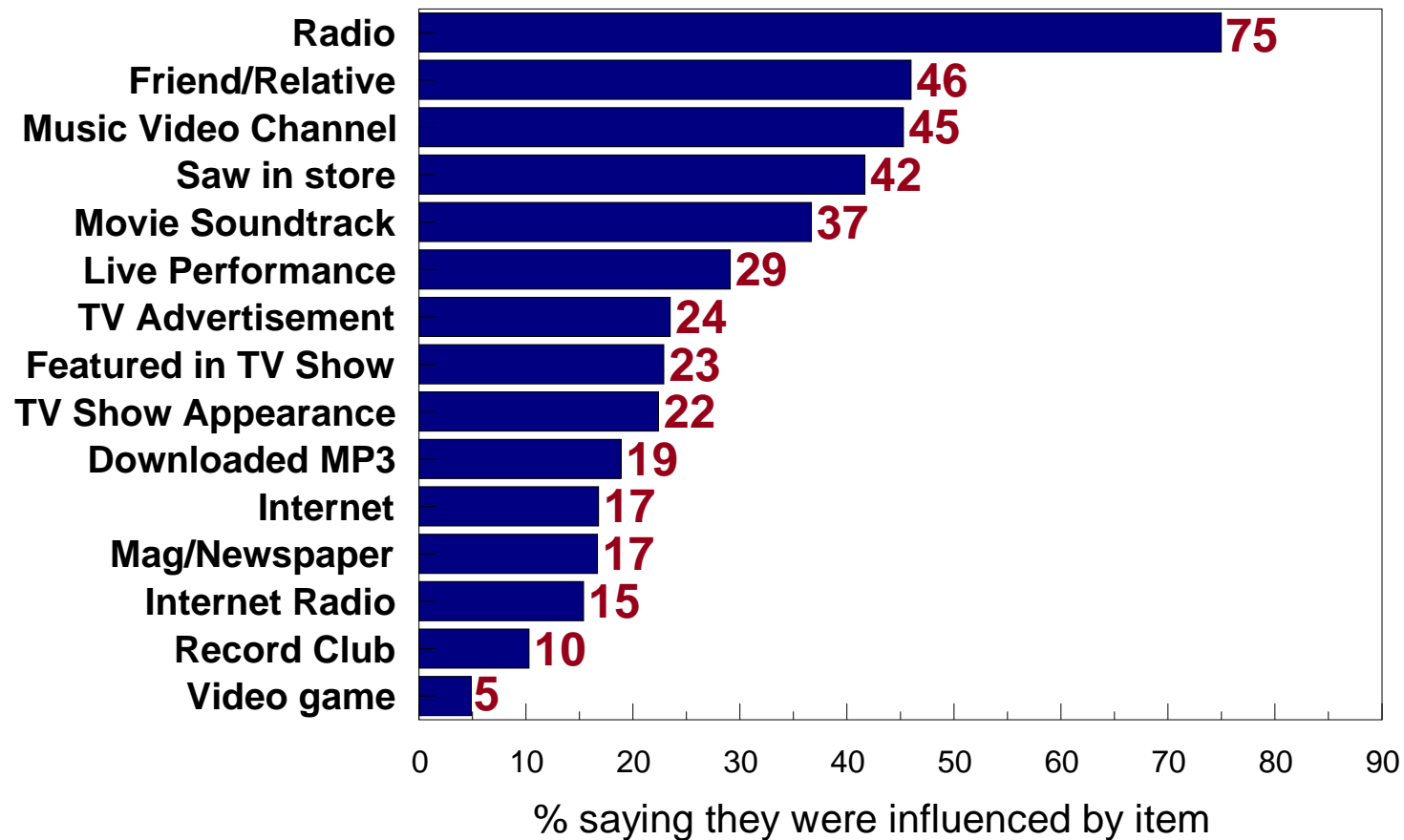
Base: Total Respondents

Radio



Radio play still rules when it comes to selling records

"Did any of the following have any influence on your decision to purchase the last CD you bought for yourself?"



Base: Purchased CD in last 12 months

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Who is your favorite musical artist or group of all time?

■ Beatles	52
■ Tupac	21
■ Led Zeppelin	19
■ Metallica	19
■ Eminem	18
■ Eagles	13
■ Aerosmith	13
■ Elvis	13
■ Garth Brooks	13
■ Madonna	13
■ Pink Floyd	13



Who is your favorite musical artist or group of all time?

Among 12 to 17s

- 1. Tupac
- 2. Eminem
- 3. 50 Cent



Summary

- Don't believe that downloading/burning are helping your business right now
- However, they aren't going away any time soon
- Downloading and burning are dramatically changing the way that consumers evaluate what they want to buy
- They are also dramatically changing the value proposition that consumers who download see from music
- The music industry must continue to work on people's hearts and sense of fairness



Much more data to come



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