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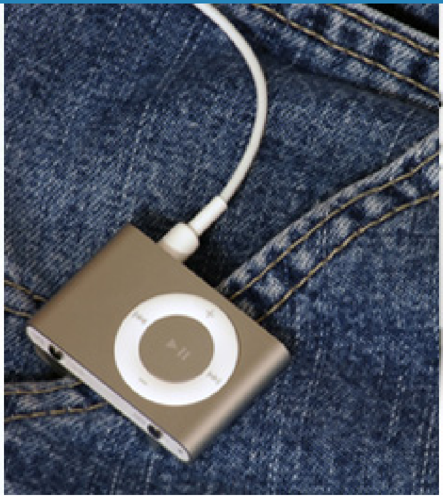

NARM/NPD 2007
Phase One
Consumers & Music Discovery

AUTOMOTIVE
BEAUTY
COMMERCIAL TECHNOLOGY
CONSUMER TECHNOLOGY
ENTERTAINMENT
FASHION
FOOD & BEVERAGE
FOODSERVICE
HOME
OFFICE SUPPLIES
SOFTWARE
SPORTS
TOYS
WIRELESS

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2006 Research Agenda

Understanding the Music Consumer

- Shopping Segments
- Shopping Profiles
- Retailer Opportunities

The Digital Consumer

- About them
- Potential for Kiosks

Physical Music Concepts

- Market Potential

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2007 Research Agenda

Music Discovery

- How is it happening
- Selecting retailers
- The physical music challenge

Baby Boomers (this summer)

- Who are they
- How is music relevant
- Ways to effectively market to them

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Music Discovery

- Focus groups February 2007 (Tulsa, Chicago, Metro NY)
- Online survey March 2007
- Sample size of 3374
- Representative of US population 13-65 years of age
- Structure:
  - Listening and music acquisition habits
  - Purchasing- digital and physical
  - Discovery and action
  - Retail affinity and reasons
  - Attitudes towards music
  - Non-buyers: Why?

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Key Messages

1. “Digital” has created new opportunities for discovery and commerce but it may have a dark side
   - Unpaid sharing and outright piracy
   - Introduces a new degree of selectivity
   - Over stimulated consumers with less need to buy, or delayed buying
2. Consumer rejection of the CD is not the cause of the current accelerated sales decline
   - Very few have outright walked away- collecting alive
   - “CD Majority rules” even among youth, heavy buyers
   - Passionate music buyers in a physical/digital coexistence
   - Suggests a content void
3. Creating additional ROI within the physical retail store
   - Returning retail as the champions of discovery
   - Encouraging discovery through selection, merchandising and promotion
   - Offering compelling online options

Trends

- Music acquisition rising but CDs losing share of mix
- Unpaid acquisition continues to grow rapidly
- Paid digital gains though less than 10% of music pie*
- Music listening is as robust as ever, yet changing…
  - Traditional means (radio, CD) still dominant
  - Digital, portable gaining…esp. among youth
- 7 out of 10 US consumers 13-65 bought music…
  - Nearly 140 million CD buyers
  - Very few "exclusively" digital

*does not include mobile

Spiral

- Retailer loyalty, at the channel level, is low.
- Value is associated with not only price or discount but the economy of the entire shopping trip.
- Among the most valuable music buyers, selection is the most important shopping factor
- Reduction in space and shrinking SKU’s has the potential to drive heavy buyers to purchase less, or buy physical product online- this is happening already

Claim The Center

- Retail is at best a secondary mode of discovery- for young and older, for new and favorite artists
- Retail must reclaim its focal position as “experts”, as champions of knowledge and discovery.
- Payoff- today’s consumers are highly stimulated with music and retail offers the best chance of immediate sales conversion.
- Discovery from digital sources doesn’t have quite the same purchase urgency- it does encourage further exploration which can be positive
- There are two overarching consumer issues that music retailers must address…
  - The desire for selection
  - Overcoming the ubiquity of music brought on by technology, digital content and expanding media choices

Hanging Fruit

- There is a large contingent of devoted consumers who want to buy, want to buy CDs, and are easily reached and engaged. The challenge is to provide them with the level of selection and content they require.
- If traditional retail fails to provide them with the selection they seek, online physical and digital retailers will quickly fill the vacuum.
- Conversely online/digital serves a very valuable purpose for discovery, browsing, sampling, and learning.
- Maintaining music as a core category will take…
  - Continued investment in inventory, merchandising, and promotion
  - Potentially a strong online presence to provide heavy buyers with the discovery, customer connection and catalog that they seek
- All options should be explored for online…
  - DIY
  - Partnerships
  - Industry "Music Central"- ala CNET or getTRIO.com, where consumers can browse, discover, learn and purchase from local participating retailers, online partners or digital etailers.

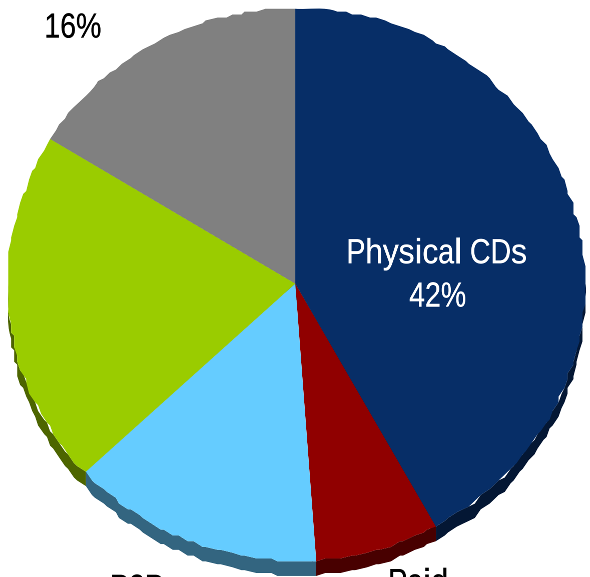
Hard Sell

- The second challenge is a set of consumers who have become selective and are not buying as much music as they could.
- They are over stimulated, over collected and overwhelmed with the choices. They express some hesitancy toward new artists.
- Yet they own a diverse set of listening and acquisition habits.
- It's somewhat of a singles world, and more digital than average.
- What could re-engage them?
  - The digital/unpaid genie is out of the bottle, however…
  - Retail needs to be the compass; doing more to help the purchase decision
  - Need to reinforce the purchase decision. Sampling is important online and they need to be romanced through merchandising.
  - Balance the investment in "new media" against sealing the deal in-store
  - Move the learning experience in-store. Retailers become "filters". They would be encouraged to buy more by aiding their more deliberate process…
    - **Listening Stations**
    - **Catalogs**
    - **Kiosks**

More Than Half Of All Music Acquired By Consumers In 2006 Was From Unpaid Sources

2006 Music Acquisition: Volume Share*

(among the US internet population age 13+)



Paid Acquisition
2005: 56%
2006: 49%

"Social Sharing"
2005: 30%
2006: 37%

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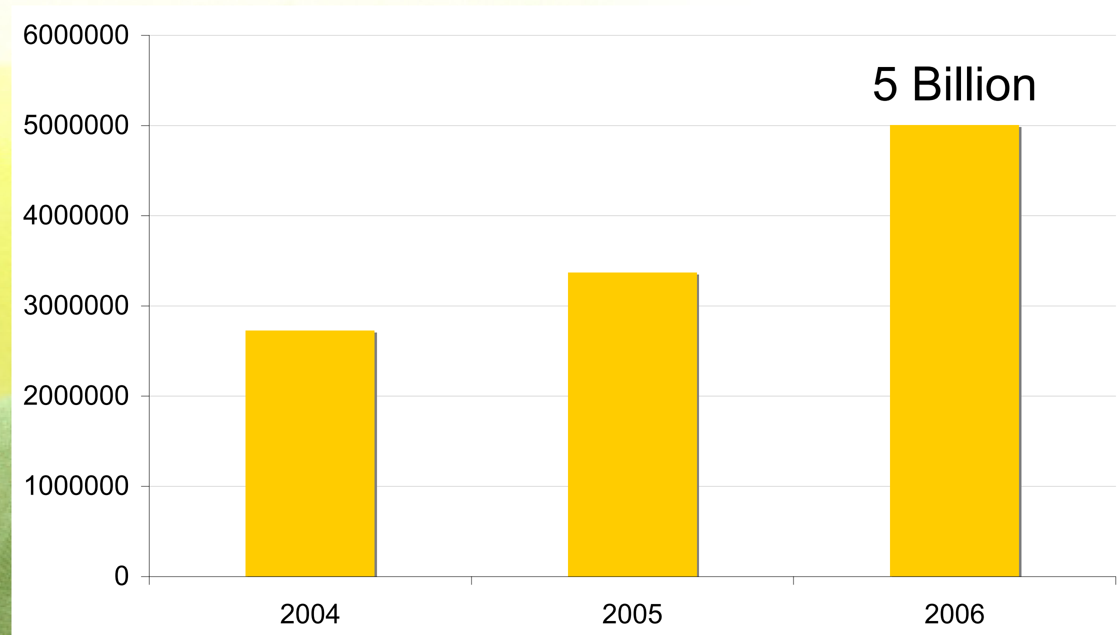
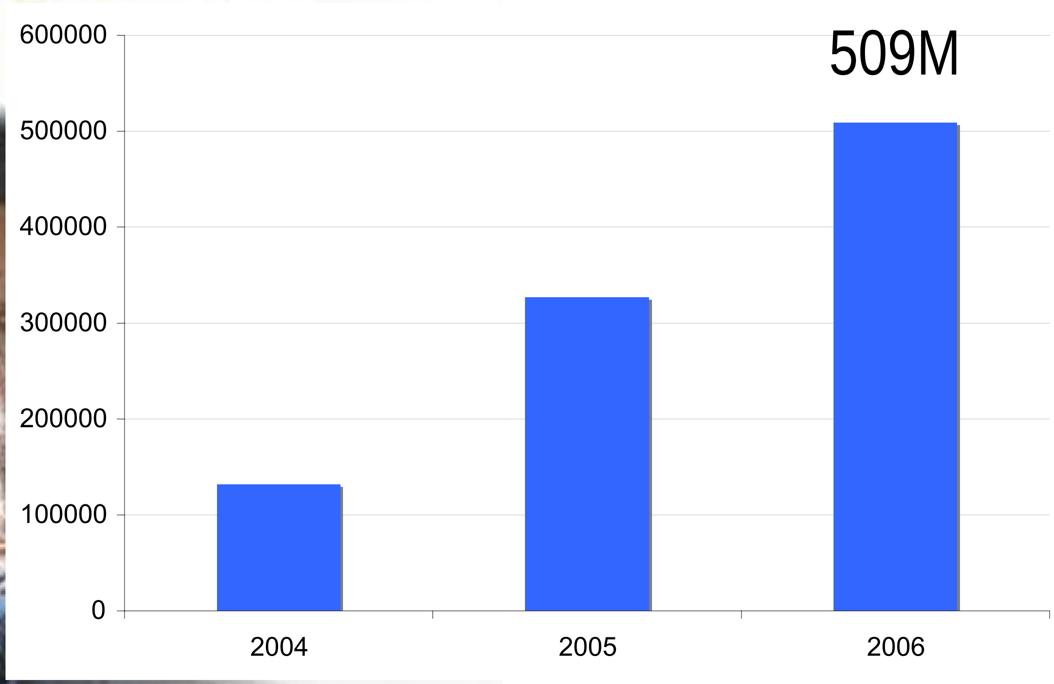
Q3. How many CD's/paid downloads/free downloads/borrowed CD's did you buy/download/burn/rip for yourself in the past 12 months?
Digital Music Study - Mainstream Consumer Analysis: Volume and spending estimates include respondents up to the 95th volume percentile per activity * *Equivalent units (12 songs = 1 unit)*

Files downloaded from P2P tops 5B in 2006…

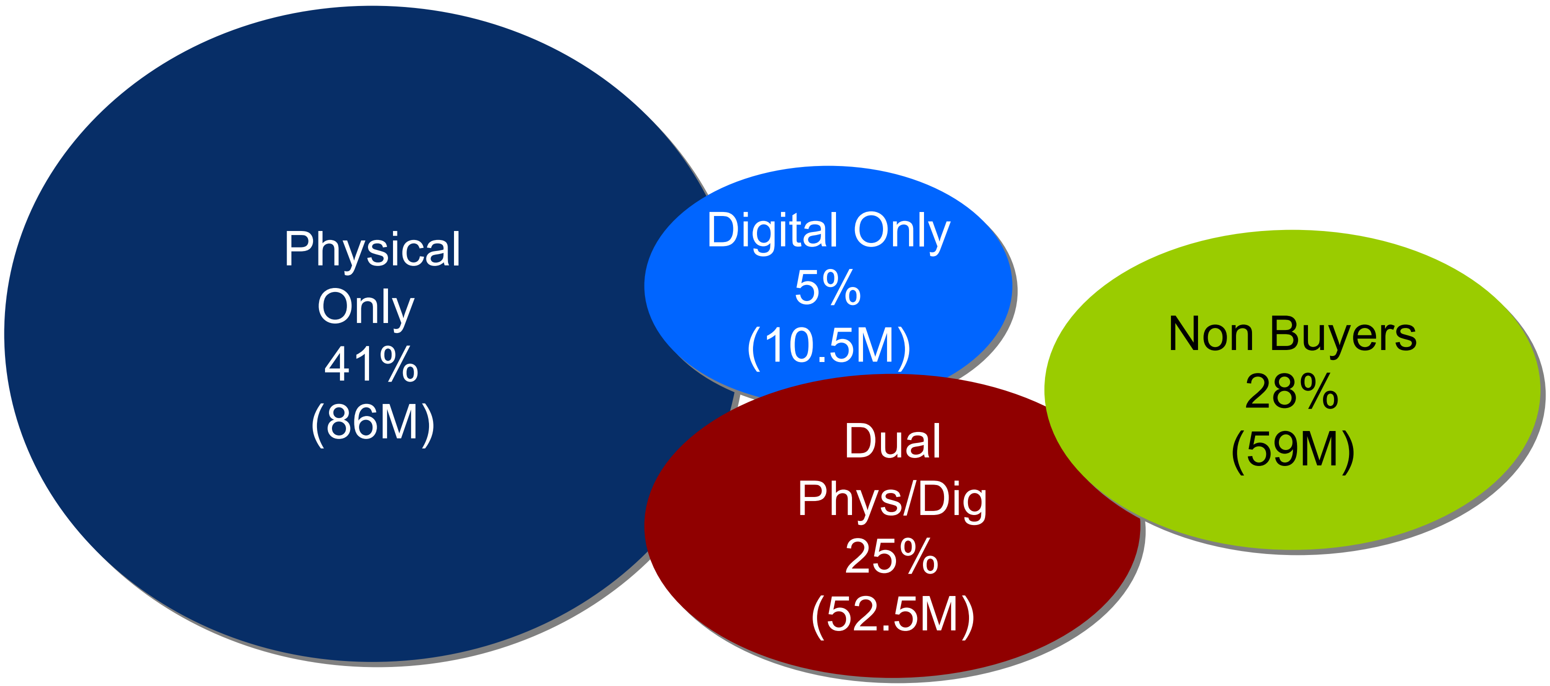


Rough Waters

Though legal ala carte downloads grow more than 50%

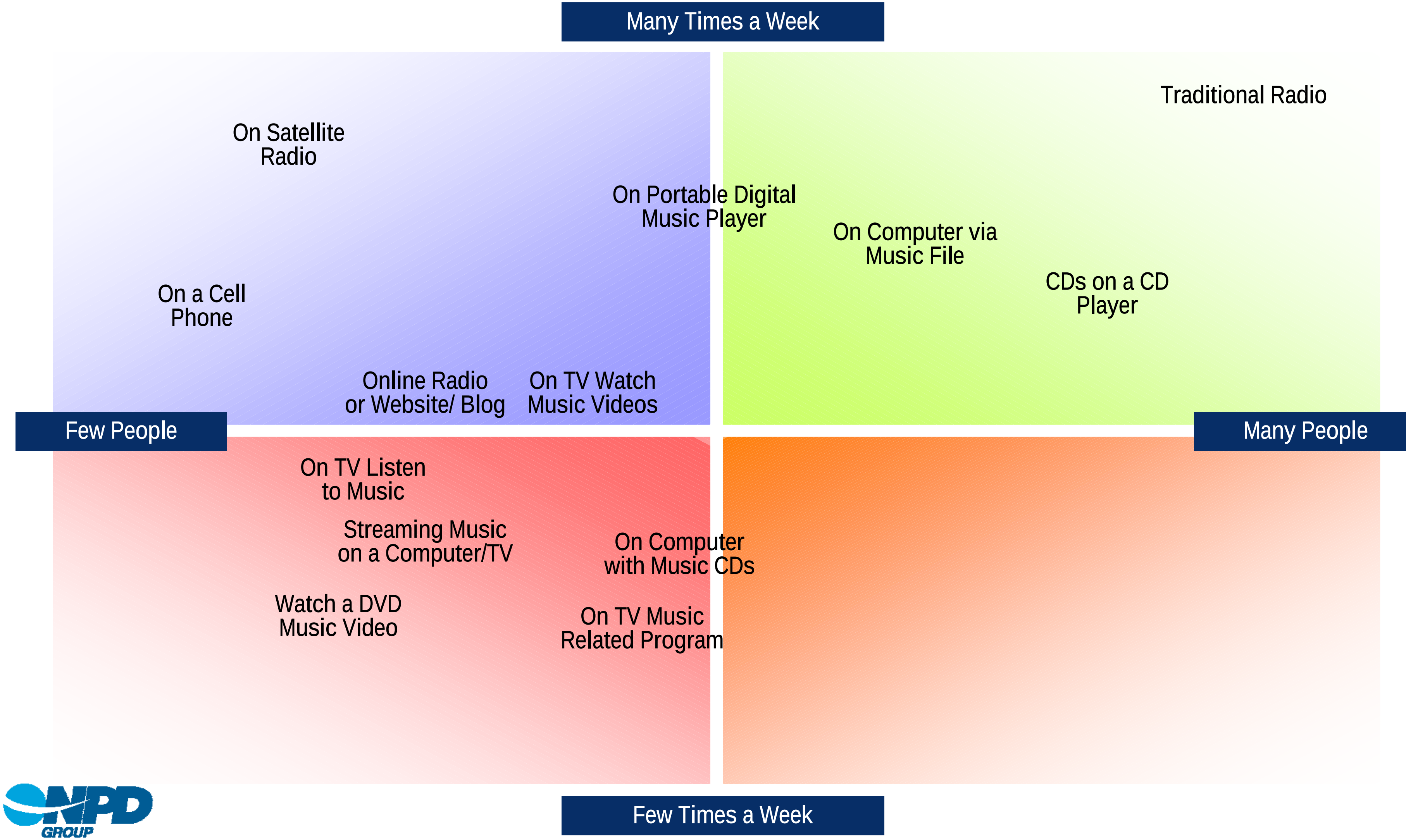


The Music Landscape
Most Buyers Still Purchasing Physical - 140 Million

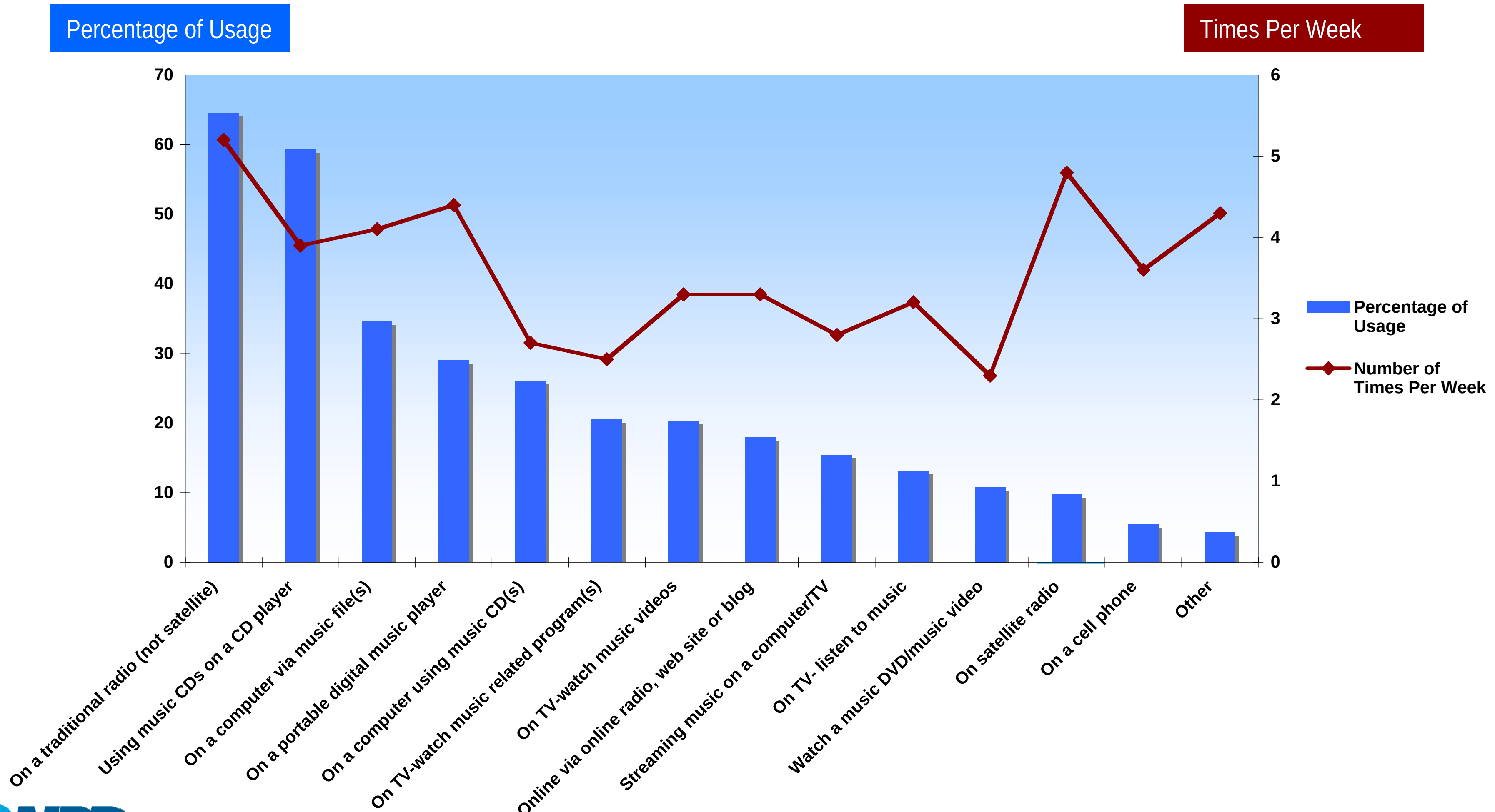


Consumer defined digital- ala carte, subscription, mobile, etc.
( ) = Population: will not add to total due to rounding

How People Listen To Music



How People Listen To Music



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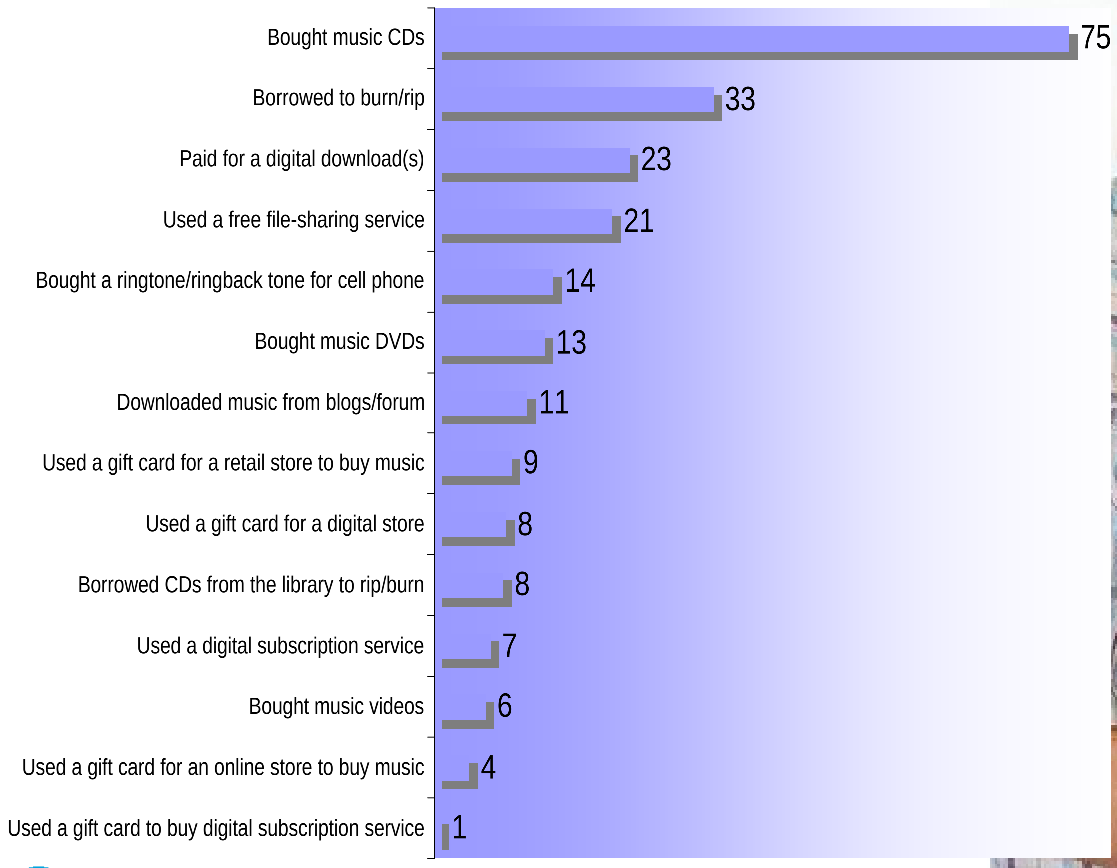
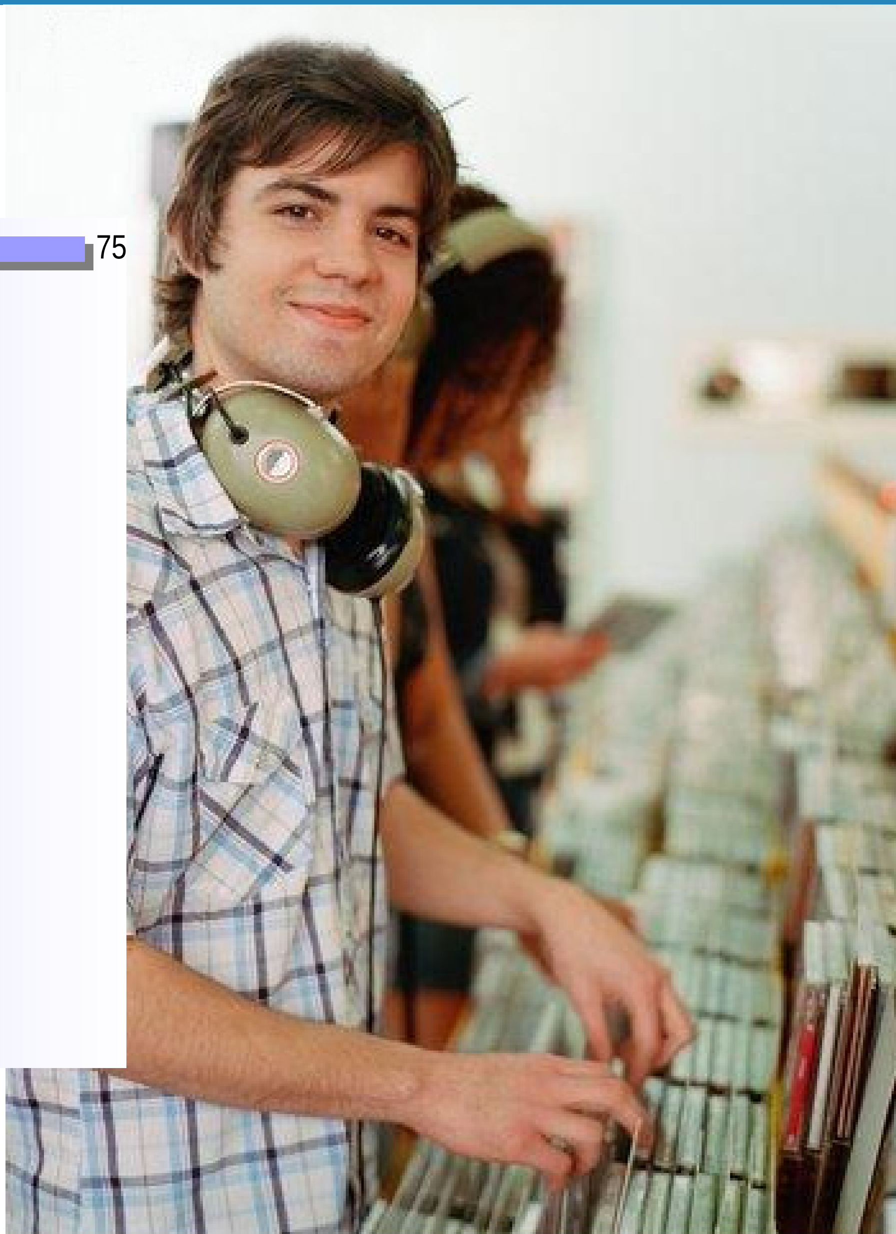
And, How They Get It

% Acquiring Music via…





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Base: Music buyers (any form) P12mos

Correlation Between Consumption In Listening And Buying

		Physical		Digital	
	Total (%)	Buyers	Non-buyers	Buyers	Non-buyers
On a traditional radio (not satellite)	65	111	101	105	109
Using music CDs on a CD player	59	123	73	112	106
On a computer via music file(s)	35	116	88	**171**	77
On a portable digital music player	29	118	83	**194**	66
On a computer using music CD(s)	26	127	62	**159**	83
On TV-watch music related program(s)	21	121	76	**135**	94
On TV-watch music videos	20	120	78	**139**	93
Online via online radio, web site or blog	18	112	97	**133**	96
Streaming music on a computer/TV	15	117	85	**156**	84
On TV- listen to music	13	108	108	**137**	94
Watch a music DVD/music video	11	**136**	41	**139**	93
On satellite radio	10	98	**130**	107	107
On a cell phone	5	119	85	**213**	59

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Past week listening: Index =% buyer or non buyer/% total, 100 is average

Relationship Between Acquisition And Format Preference

Past Year Acquisition (for self)

		Physical		Digital	
	Total (%)	Buyers	Non-buyers	Buyers	Non-buyers
Bought music CDs	59	133	23	108	96
Borrowed music CD(s)/music DVDs from friend/family to burn/rip	28	115	64	153	75
Paid for a digital download(s)	18	114	68	274	18
Used a free file-sharing service to download music	18	107	83	180	62
Bought a ringtone/ringback tone for cell phone	13	113	69	151	75
Bought music DVDs	10	139	9	132	85
Downloaded music from blogs/forum	9	113	73	189	59
Used a gift card for a digital store	7	117	63	289	11
Borrowed CDs from the library to rip/burn	7	117	61	170	67
Used a gift card for a retail store to buy music	7	136	16	184	60
Used a digital subscription service	6	116	67	226	42
Bought music videos	4	139	9	216	43
Used a gift card for an online store to buy music	3	137	17	183	60
Used a gift card to buy digital subscription service	1	117	50	283	17
None of the above	19	27	270	15	140

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Past week listening: Index =% buyer or non buyer/% total, 100 is average

Acquisition Patterns By Age Segment - Not Surprisingly Younger Consumers Have A Wider Portfolio

Past Year Acquisition (for self)

	Total (%)	13-17	18-25	26-35	36-50	51-65
Bought music CDs	59	92	99	107	103	97
Borrowed music CD(s)/music DVDs from friend/family to burn/rip	28	171	160	109	77	34
Paid for a digital download(s)	18	145	173	130	64	42
Used a free file-sharing service to download music	18	196	174	139	54	13
Bought a ringtone/ringback tone for cell phone	13	156	163	137	71	24
Bought music DVDs	10	100	84	98	129	73
Downloaded music from blogs/forum	9	266	215	114	19	8
Used a gift card for a digital store	7	264	114	92	57	44
Borrowed CDs from the library to rip/burn	7	255	183	55	57	35
Used a gift card for a retail store to buy music	7	142	103	130	69	87
Used a digital subscription service	6	156	156	107	96	25
Bought music videos	4	123	111	130	93	59
Used a gift card for an online store to buy music	3	107	87	147	117	43
Used a gift card to buy digital subscription service	1	67	150	150	100	50
None of the above	19	42	47	70	116	180

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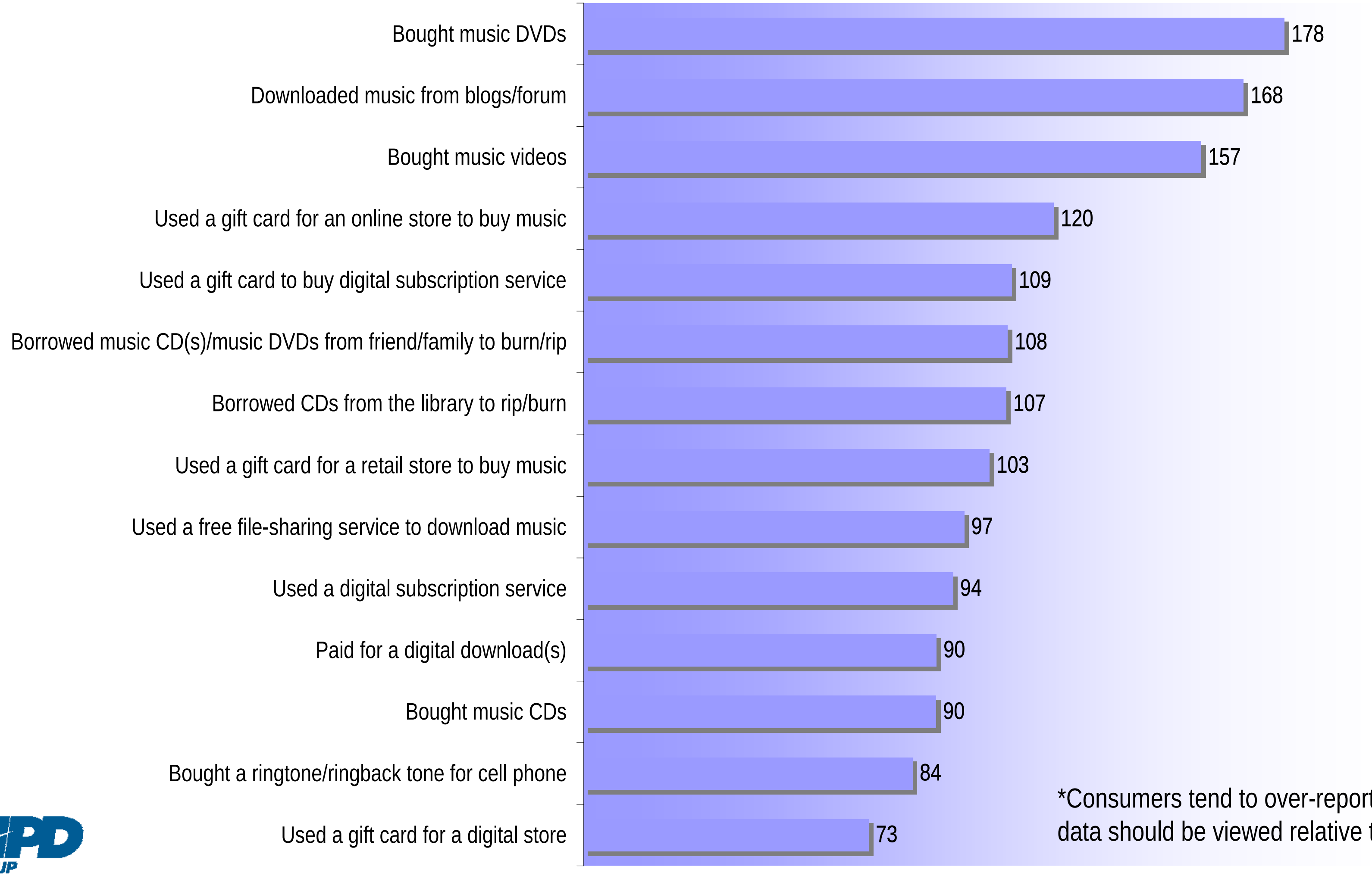
Base: Music Listeners typical week

Significant Upside In Selling Across Format; Music DVD And Video Buyers Spend More

Physical spending by types of music product acquired*



*Consumers tend to over-report spend; data should be viewed relative to one another

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Why We Shop

Last Year:
The proliferation of cross-shopping

This Year:
Why we make the choices we do

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The Challenge

One out of four music buyers claim to shop for music in 5+ retailers!

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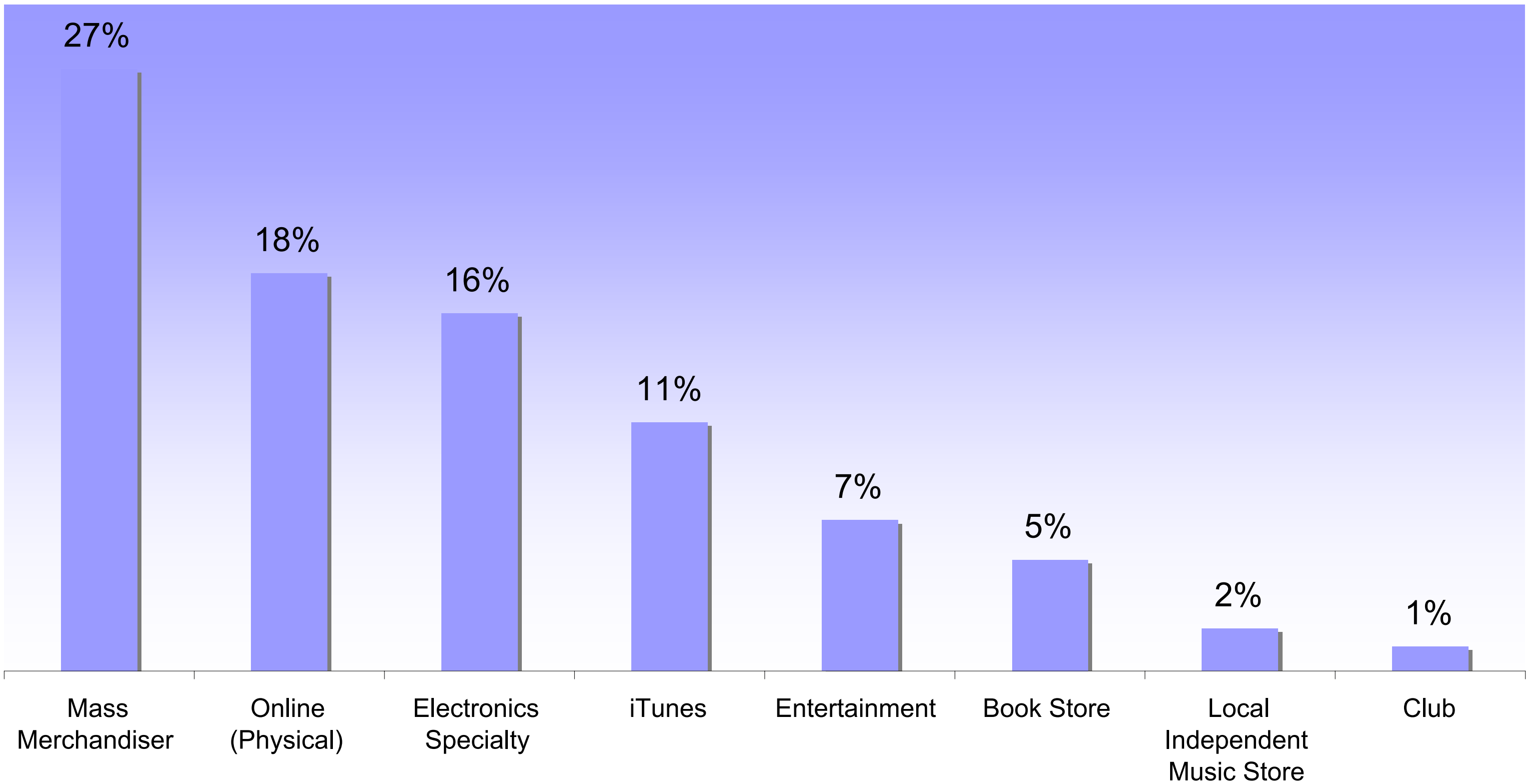
Low Retail Commitment- Where Do You Shop ***Most Often?***

% Shopping Most Often:



Base; music buyers any form

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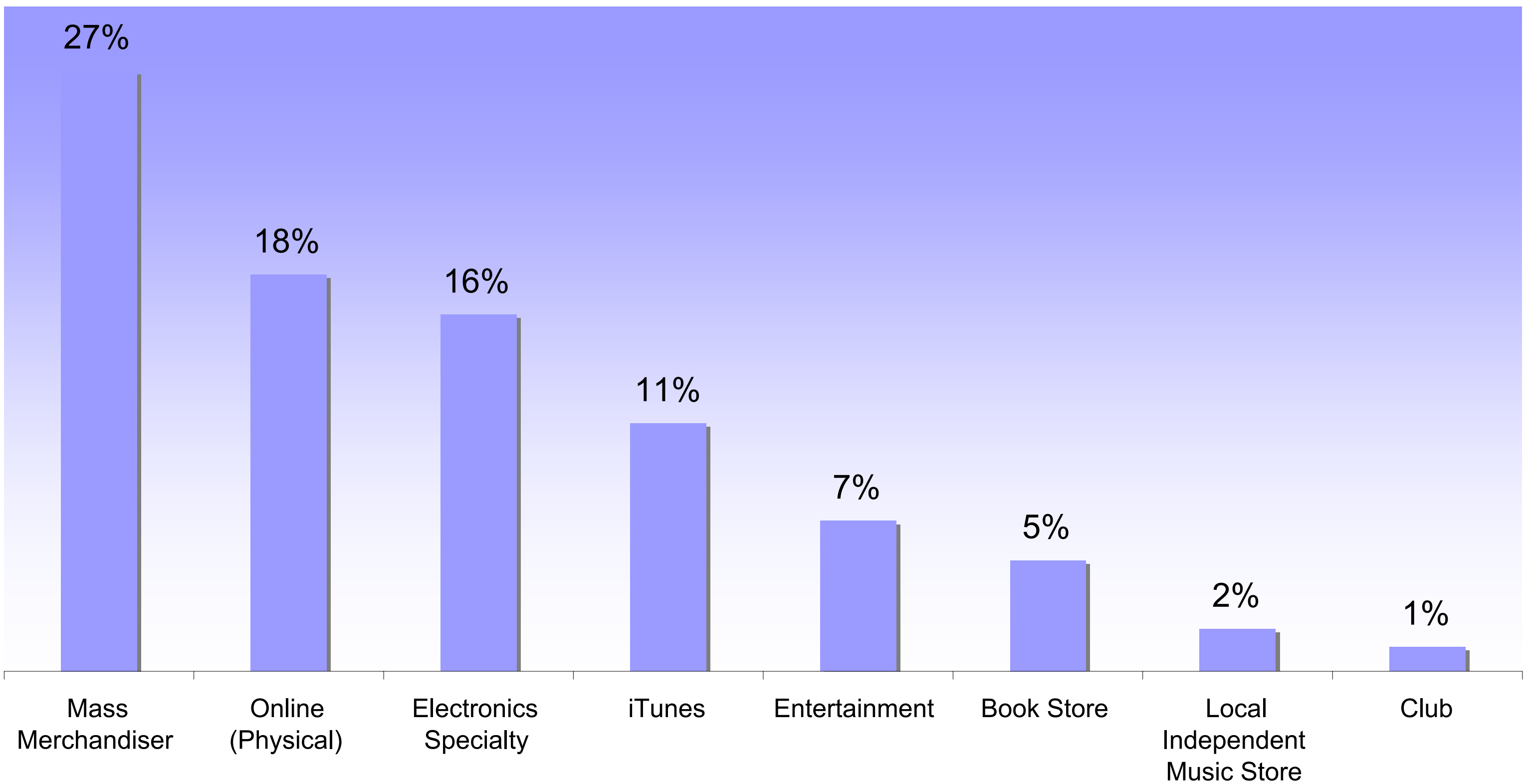
Most Shopping Multiple Outlets

% Shopping Most Often:



% Shopping Somewhere Else:

72%	65%	79%	67%	84%	78%	85%	79%

Base; music buyers any form

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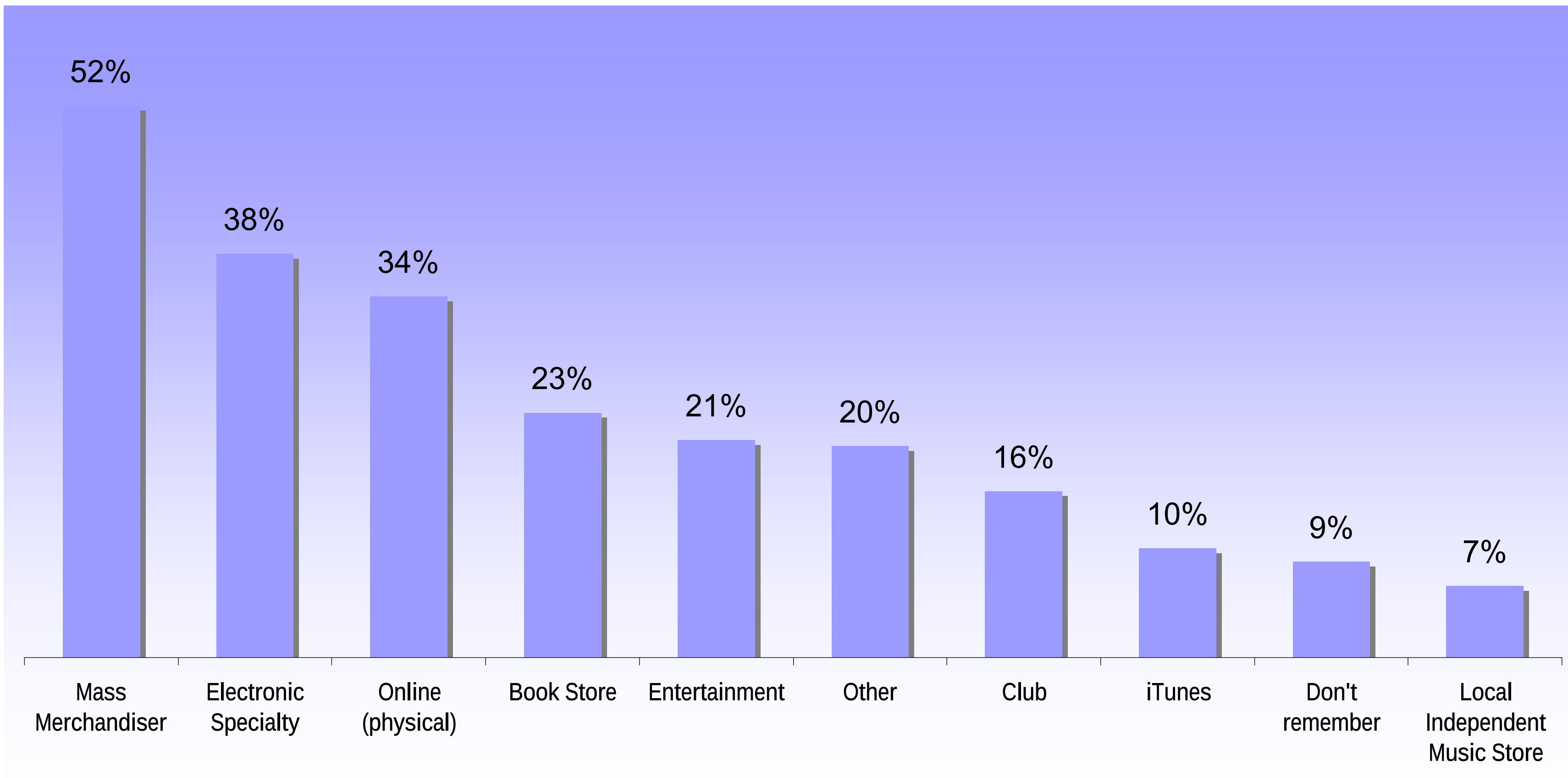
And Where Else?

% Reporting Also Shopping At…



Base; music buyers any form

Why Music Shoppers Choose Favorite Location

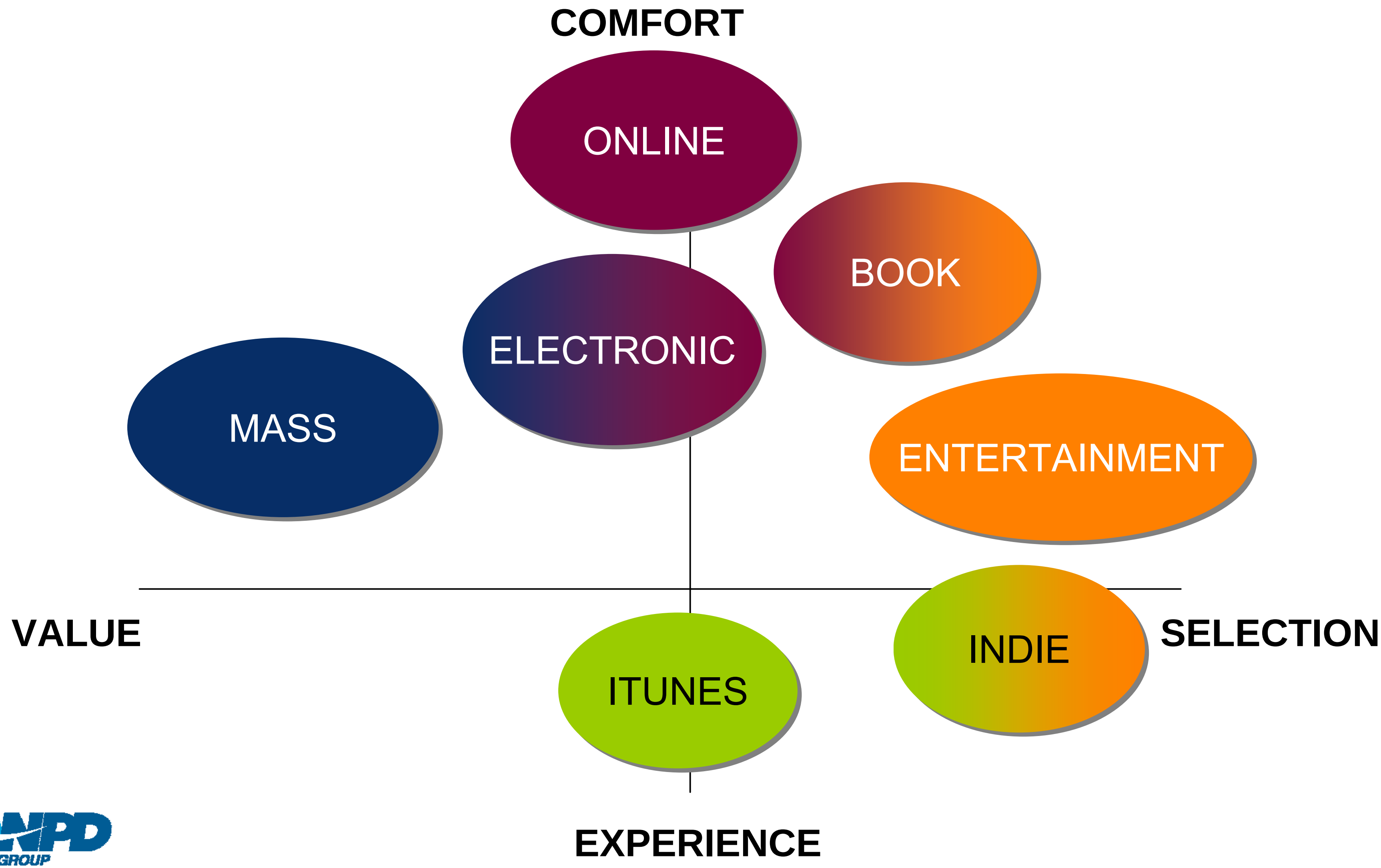
Reason for preferring where shop most often (%)

All music buyers- digital and physical

Why You Choose to Shop (In Order Of Importance)

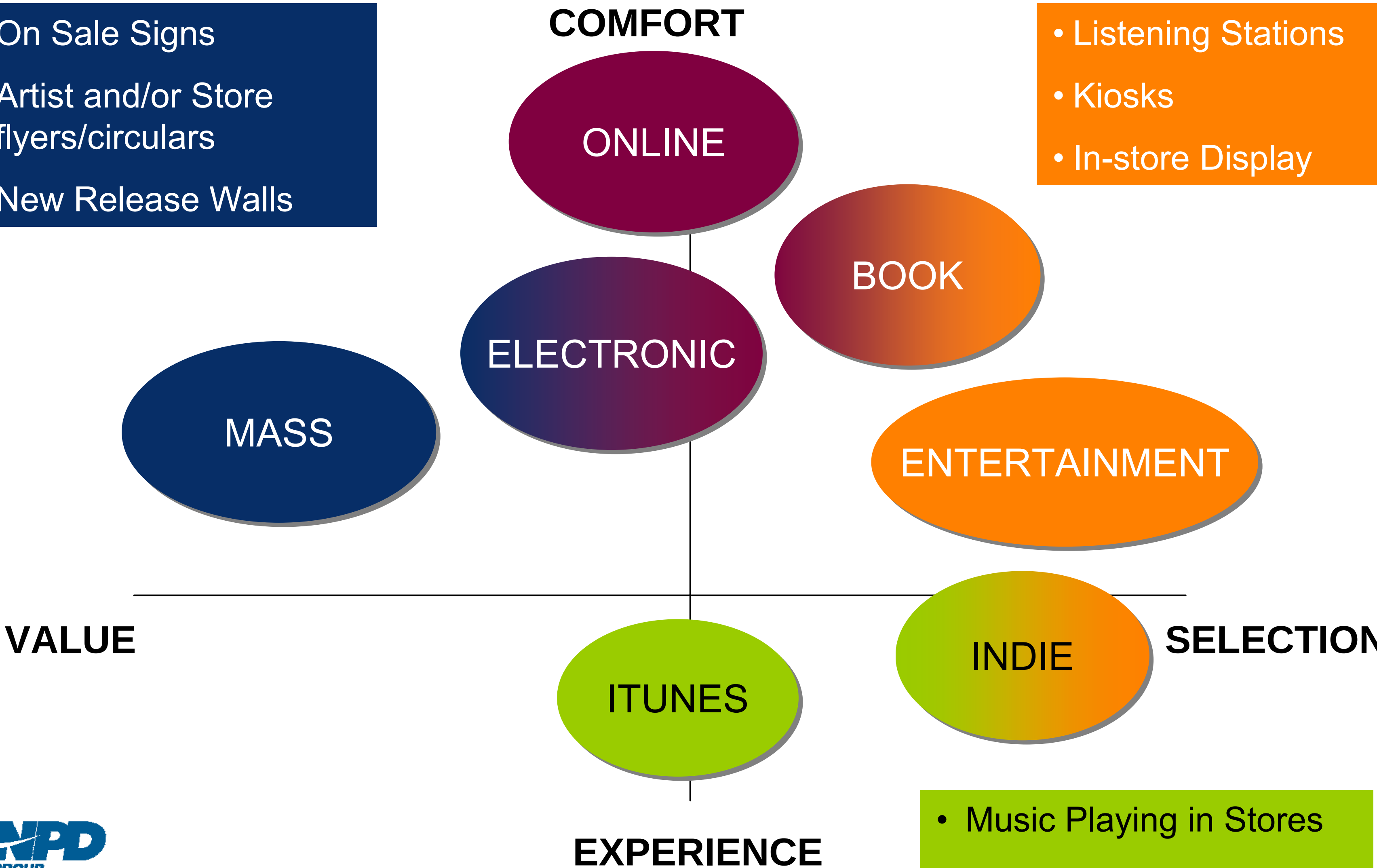
- Selection
  - Broad selection of music I like
  - Carry unique products (greatest hits, artist videos, special packages)
  - Catalog music I like
- Value
  - Music products are good value for money
  - Variety of products
- Experience
  - Staff makes an effort to help (brick & mortar)
  - Staff makes recommendations (brick & mortar)
  - Sampling (online)
  - Ads/recommendations (online)
- Comfort
  - Location is easy to get to
  - Comfortable place to shop
  - Don’t wait long to check out
  - Store is well laid out; easy to find music product
  - Home delivery (online)
  - Deals (online)

Shop Most Often



Shop Most Often

- On Sale Signs
- Artist and/or Store flyers/circulars
- New Release Walls



- Listening Stations
- Kiosks
- In-store Display

- Music Playing in Stores
- Talking to the Store Clerk

Should Retailers That Don't Stand Out In Any Important Category Be Concerned?

Ranking by key shopping features: 1 is highest

	Comfort	Experience	Selection	Value
Online	1	3	3	3
Book	2		4	6
Indie	3	2	1	7
Mass	4		7	2
Elect	5		6	4
Enter	6		5	8
Club	7		8	1
iTunes		1	2	5

Note: For "Experience" only 3 channels scored meaningful results!

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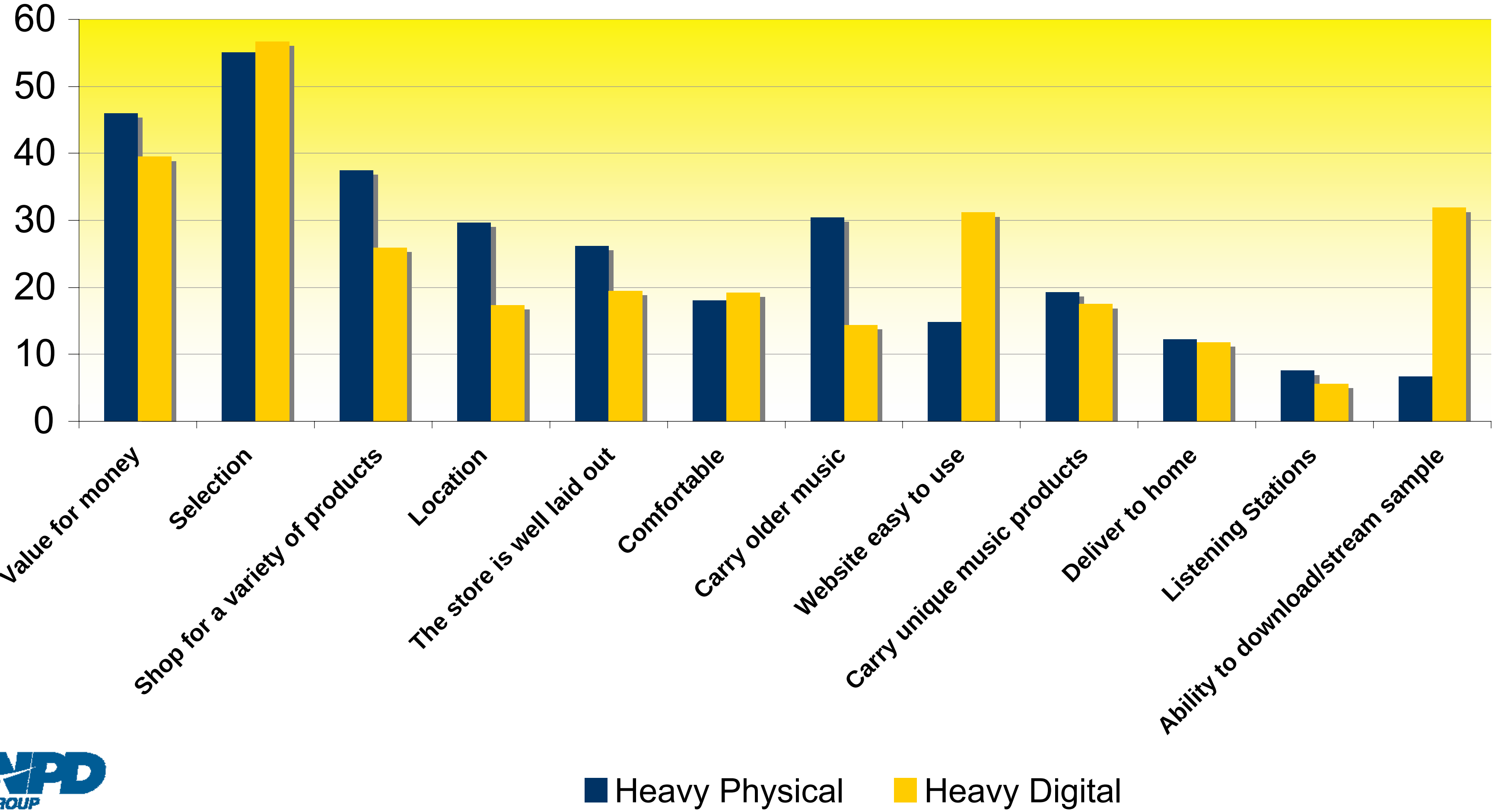
Heavy Buyers: Selection Trumps Value

Heavy buyers: why choose favorite



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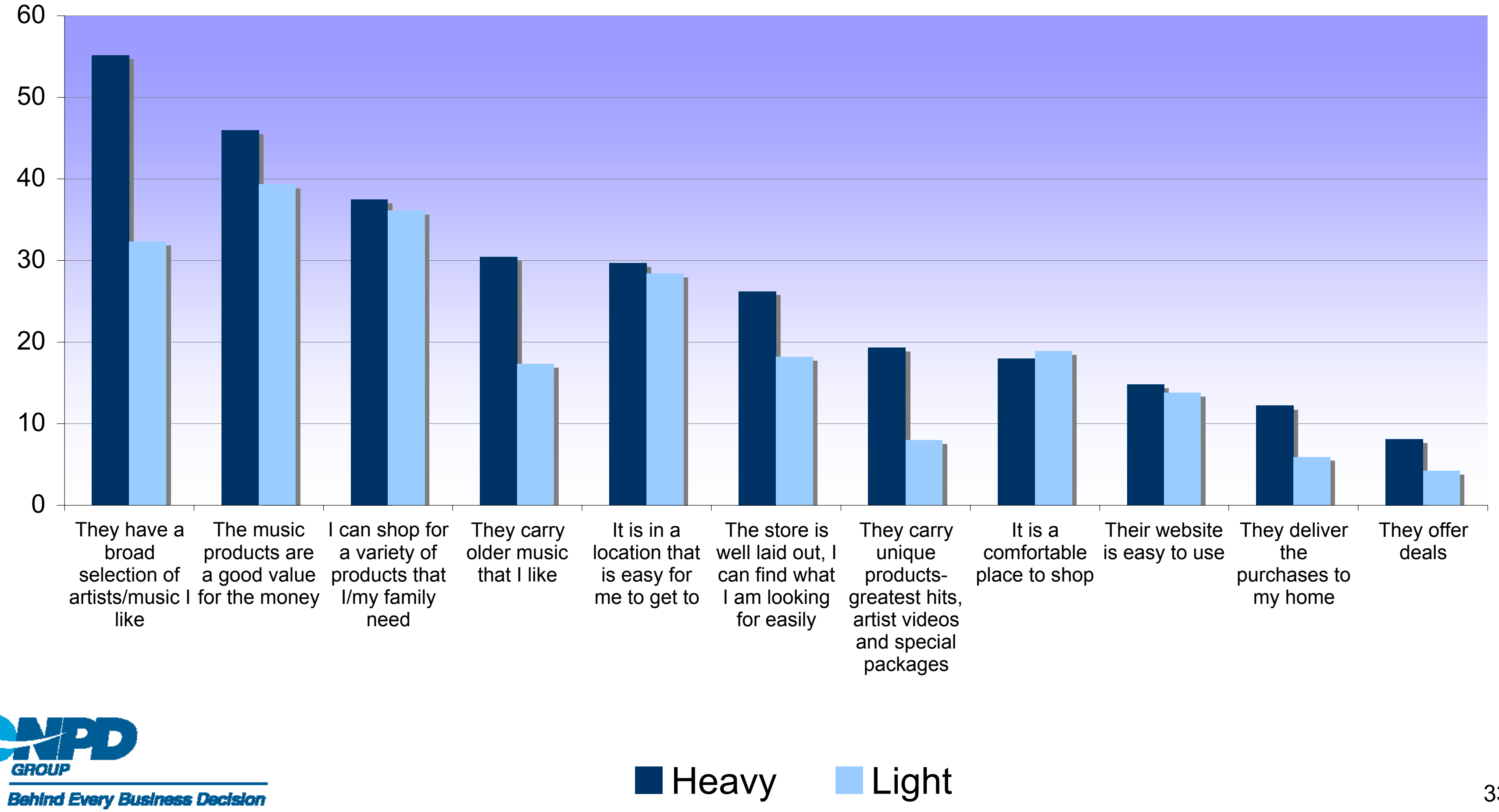
Selection Especially Important Comparing Heavy And Light Physical Buyers

Heavy v. Light Physical buyers: why choose favorite



Heavy Buyers Show An Affinity For Purchasing Physical Via Online Retailers…

% Stating shop most often for music:

	Heavy Physical	Heavy Digital	Index (d/p)
Online Physical	24	10	42
Mass	19	13	69
Electronics	17	11	68
Entertainment	13	6	49
iTunes	9	42	494
Other	7	7	99
Book	6	5	81
Local Independent Music Store	3	3	97
Don't remember	2	3	108
Club	1	0	0

…Particularly Compared To Light Customers; Risk To Traditional B&M (Esp. Entertainment?) But An Opportunity To Retain Customers With Online/Digital Options

% Stating shop most often for music:

	Total	Heavy (9 or more)	Light (1 - 3)
Mass	29	19	32
Online Physical	18	24	15
Electronics	17	17	16
iTunes	9	9	9
Entertainment	7	13	6
Other	7	7	5
Book	5	6	6
Local Independent Music Store	2	3	1
Club	1	1	1
NA/Don't Know	5	2	9

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Who Prefers Particular Channels?

Demographics- Shop Most Often (%)

	Mass Merchandiser	Online (Physical)	Electronics Specialty	iTunes	Other	Entertainment	Book Store	Local Independent Music Store	Club
Base: Shop Most Often	763	501	449	285	214	185	128	47	40
GENDER									
Male	37	46	60	50	52	53	64	58	52
Female	64	54	40	50	48	48	37	42	48
AGE									
13-17	12	8	11	36	17	24	7	13	15
18-25	10	13	21	20	23	14	19	8	21
26-35	21	16	21	27	12	22	14	27	9
36-50	35	39	32	11	24	24	23	37	35
51-65	23	24	16	6	24	16	37	15	20
Mean	39	40	36	26	36	33	42	38	35
RACE									
White	82	80	70	86	77	74	80	95	82
African American	11	11	19	8	12	18	14	0	7
Other	7	9	11	6	12	8	6	5	11
INCOME									
Mean (ex. Teens w/no income)	55	69	79	85	67	63	97	65	69

Caution: Small sample for club/indie

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Music Discovery

- What is the "magical' mix of learning experiences that precede a purchase?
  - Radio (traditional, satellite)
  - Computer Related Activity (social networking, fan sites, file sharing, legal sites/services)
  - Retail (browsing, listening stations, display)
  - TV (talk show, music show, awards, commercials)
  - Other: buzz, movie, video game, concert, review,

Lesson: learning that actually triggers purchase tends to occur in mostly one place.

Discovery: New Release From Favorite Artist

Radio	Family/Friends	Computer	TV	Store	Ads
32%	21%	20%	19%	16%	16%
Traditional 88%		Digital Store/Sub 36%	Music Related Show 54%	Browsing 64%	
		Artist/Fan Site 32%	Talk/News 18%	Display 23%	

Prior to Buying:

Just Bought it:	40%
Hear Few More Times:	18%
Went to Store:	16%
Stream:	14%

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Discovery: New Artist - "Idol" Effect More Powerful Than Social Networking Overall!

Radio 37%	TV 32%	Family/Friends 25%	Store* 13%	Computer* 11%
Traditional 94%	Music Related 63%		Display 42%	Social Networking 34%
			Browsing 30%	Digital Music Store 26%
			Listening Station 25%	

Prior to Buying:

Just Bought it:	36%
Hear Few More Times:	26%
Stream:	16%

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**Limited sample*

The Advantage Of Supporting Retail Is More Immediate Conversion

Q. What Did You Do After Learning?

Source of Learning

	Retail	Computer	Radio
Just bought it	**50**	17	**31**
Went to the store to check it out	23	**30**	19
Waited to hear the song a few times before purchasing	18	12	**36**
Used a listening station at a store	13	2	8
Streamed a song from a music website/online store/artist's website	10	**45**	7
Checked an online lyrics website	7	16	13
Read reviews in a magazine, newspaper or on an online site	6	**30**	4
Downloaded the song/album from a free file-sharing service	4	10	6

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Do Different Channels Have Different Discovery Influencers?

Yes, but it may be a demographic effect as much as intentional marketing…

Mass = Television, Radio
Book Stores = In-store, Advertising
Entertainment = Computer, Advertising
Electronics = In-store

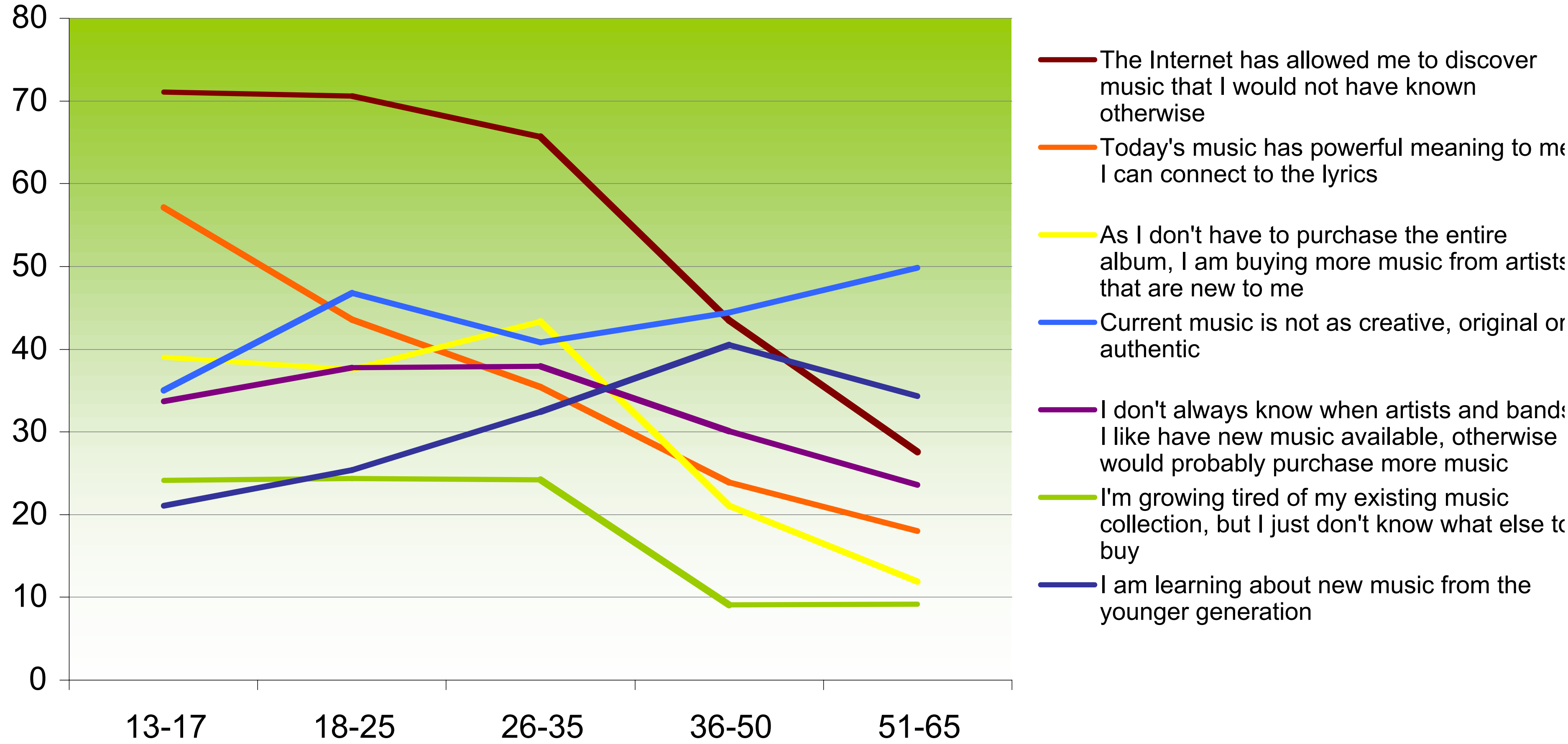
Discovery: New Release From Favorite Artist; Varies Significantly By Age Group

	Younger 13-25	Older 36-65
Computer	33%	11%
Radio	31%	32%
Friends/Family	28%	16%
Ad	21%	17%
TV	20%	20%
Store	19%	14%

Artist/ Fan Sites
Browsing
Music TV Shows

Digital Store/Subscription
Browsing
Displays
Music Shows/Talk Shows

Digital Discovery Falls Dramatically Over The Age Of 35



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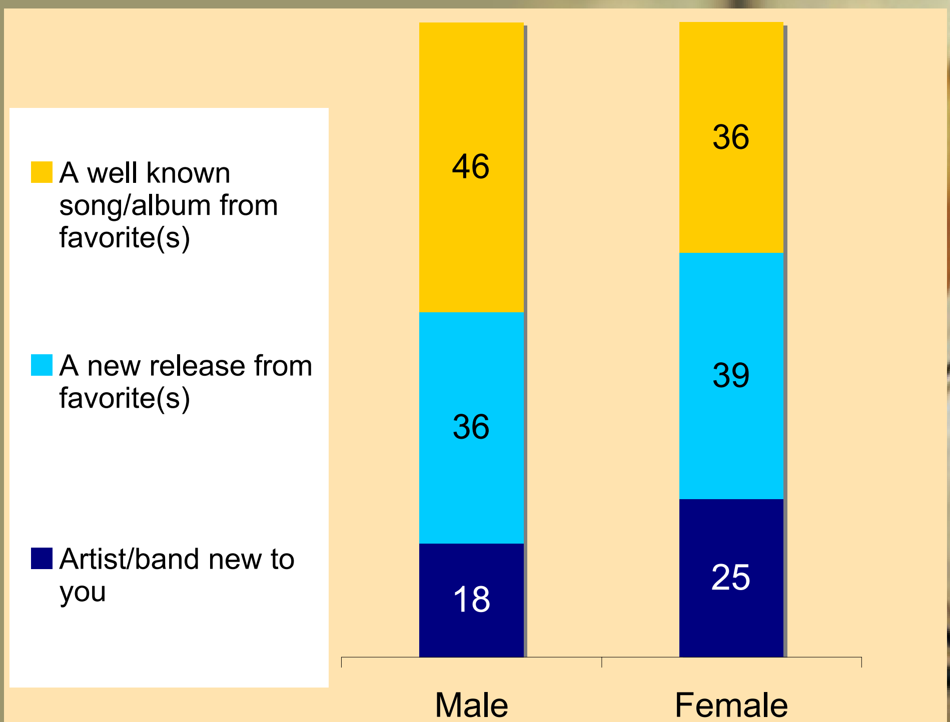
Base: Listeners

Women More “Experimental”



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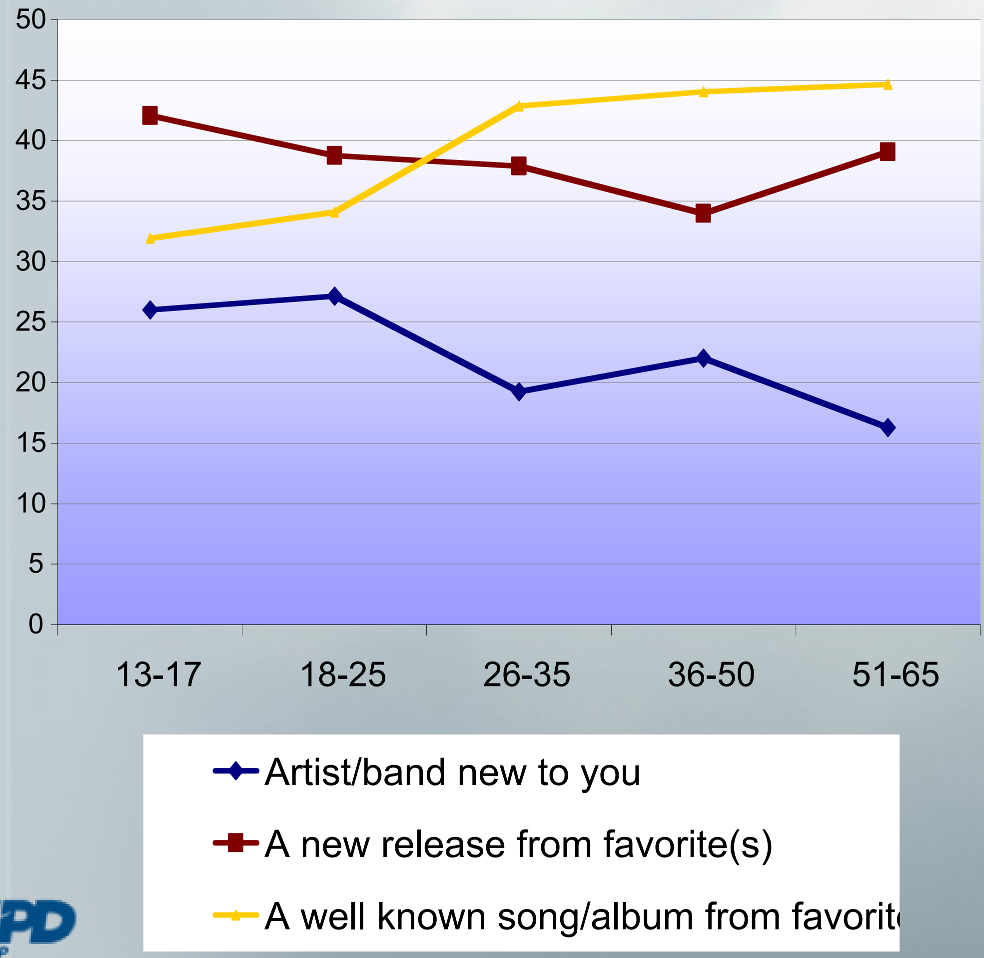
Kids Don't Have Favorite Artists – Yet, Or Is It A Singles World for Them; Older Consumers Stick With What They Know

Last bought…



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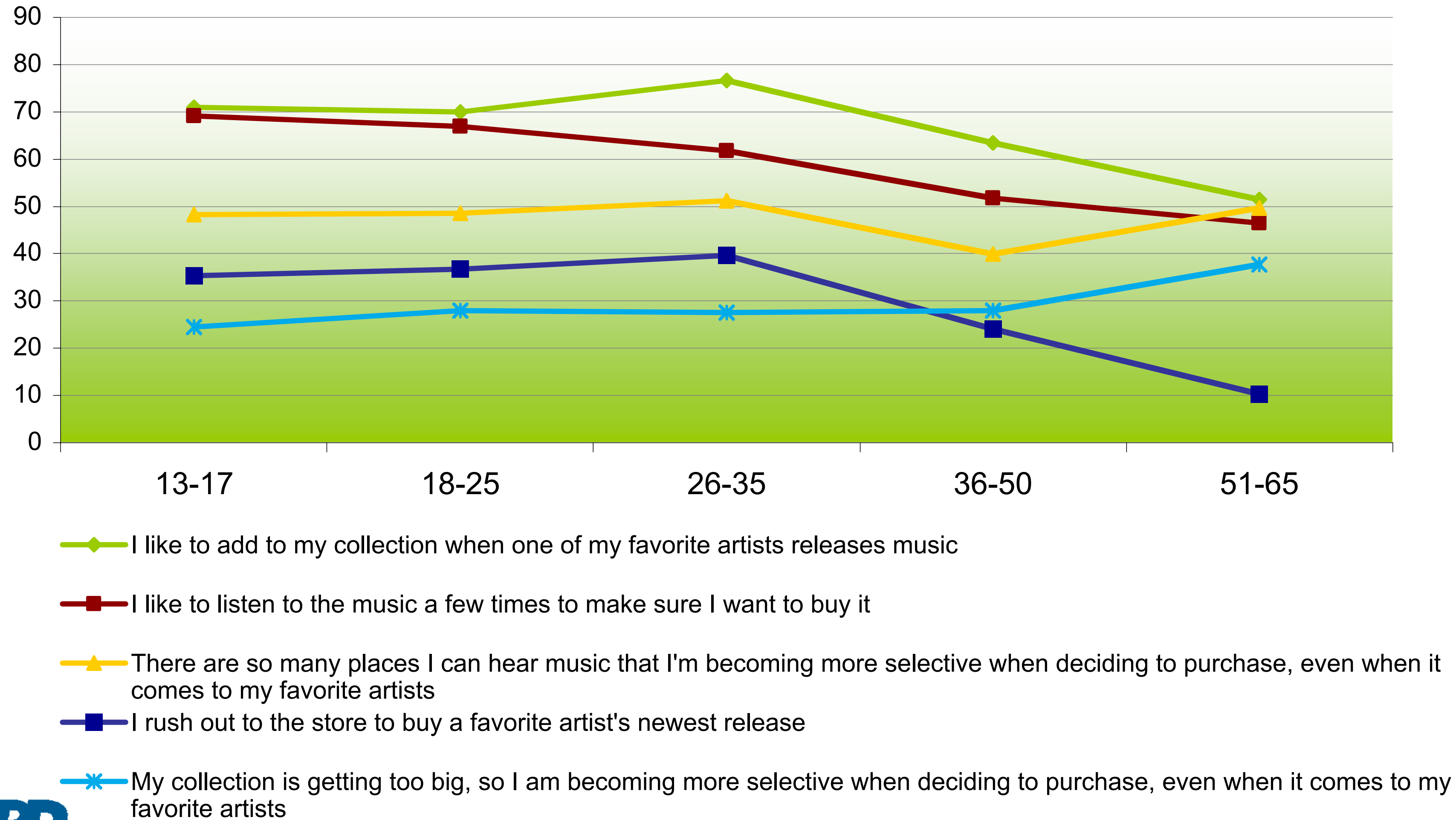
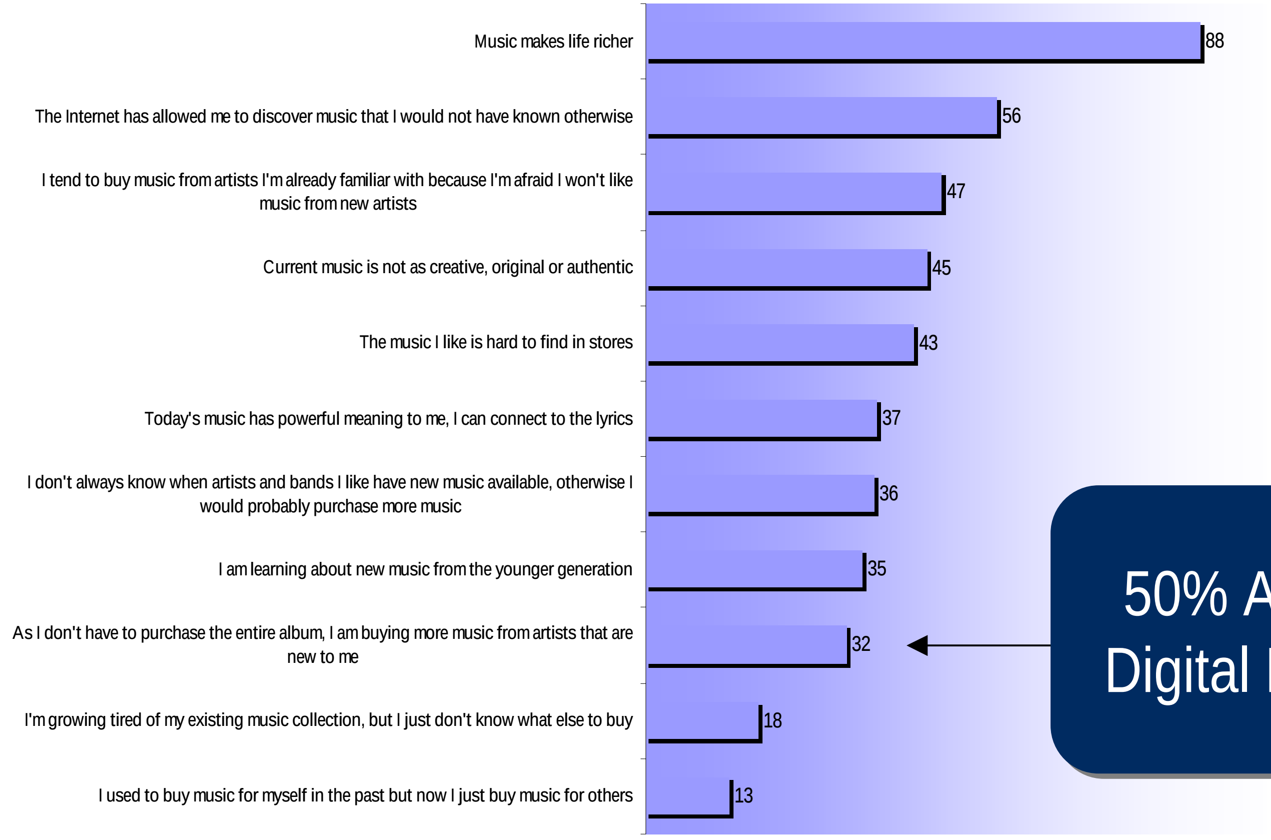
Half Of Consumers Are Becoming More Selective- Vast Choices In Listening Habits Or The Digital Revolution? And How Do We Get Older Consumers To Buy Their Favorite Artists?

About your favorite artists…



Music Attitudes Among Physical Buyers



50% Among Digital Buyers

Base: Physical Buyers

How You Feel About Music Is Potentially More Important Than How You Learn

Four cornerstones of music beliefs…

Conservatism

Current music is not as creative, original or authentic.
I tend to buy music from artists I'm already familiar with. I'm afraid I won't like music from new artists.
The music I like is hard to find in stores.

Learning

I'm growing tired of my existing music collection, but I just don't know what else to buy.
I used to buy music for myself in the past but now I just buy music for others.
As I don't have to purchase the entire album, I am buying more music from artists that are new to me.
I don't always know when artists and bands I like have new music available; otherwise I would probably purchase more.
I am learning about new music from the younger generation.

Selectivity

I like to listen to the music a few times to make sure I want to buy it.
My collection is getting too big. I am becoming more selective when deciding to purchase, even when it comes to my favorite artists.
There are so many places I can hear music (satellite radio, online, etc.) that I'm becoming more selective when deciding to purchase, even when it comes to my favorite artists.

Passion

I like to add to my collection when one of my favorite artists releases music.
I rush out to the store to buy a favorite artist's newest release.
The Internet has allowed me to discover music that I would not have known otherwise.
Today's music has powerful meaning to me; I can connect to the lyrics.
Music makes life richer - I enjoy listening to music whenever I can.

Leads To 4 Music Segments

Linkins

Passionate, learning, engaged- younger, heaviest buyers

Avrils

Passionate, exposed, more digital- but not seeking, not learning-selective

Byrds

Older-Cautious about today's music. Access to enough of what they like

Turtles

Older- Basically apathetic

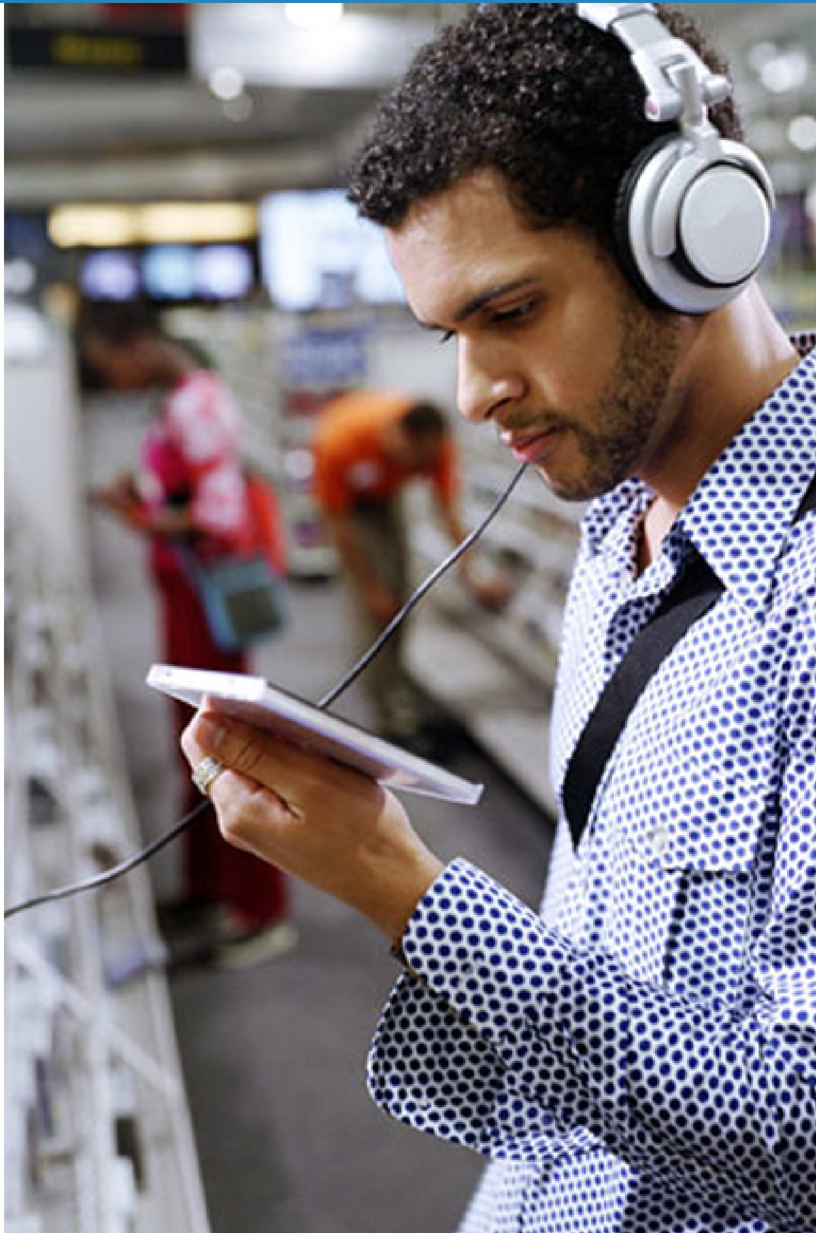
4 Music Segments- “Linkins” Account For Estimated 40% of Revenue

	Linkin	Avril	Byrds	Turtles
Mean Age	32	31	42	45
% US Pop	27%	21%	34%	18%
Pop Est. (M)	56.7	44.1	71.4	37.8
% Dollars	40%	20%	25%	14%
CDI	148	95	74	78

CDI= % dollars/% population- population is 13-65- dollars are physical

Linkins

- Still collecting, especially favorites
- Connect to lyrics; today's music is creative
- Less fear of new
- Internet is facilitating discovery
- Believe in power of music



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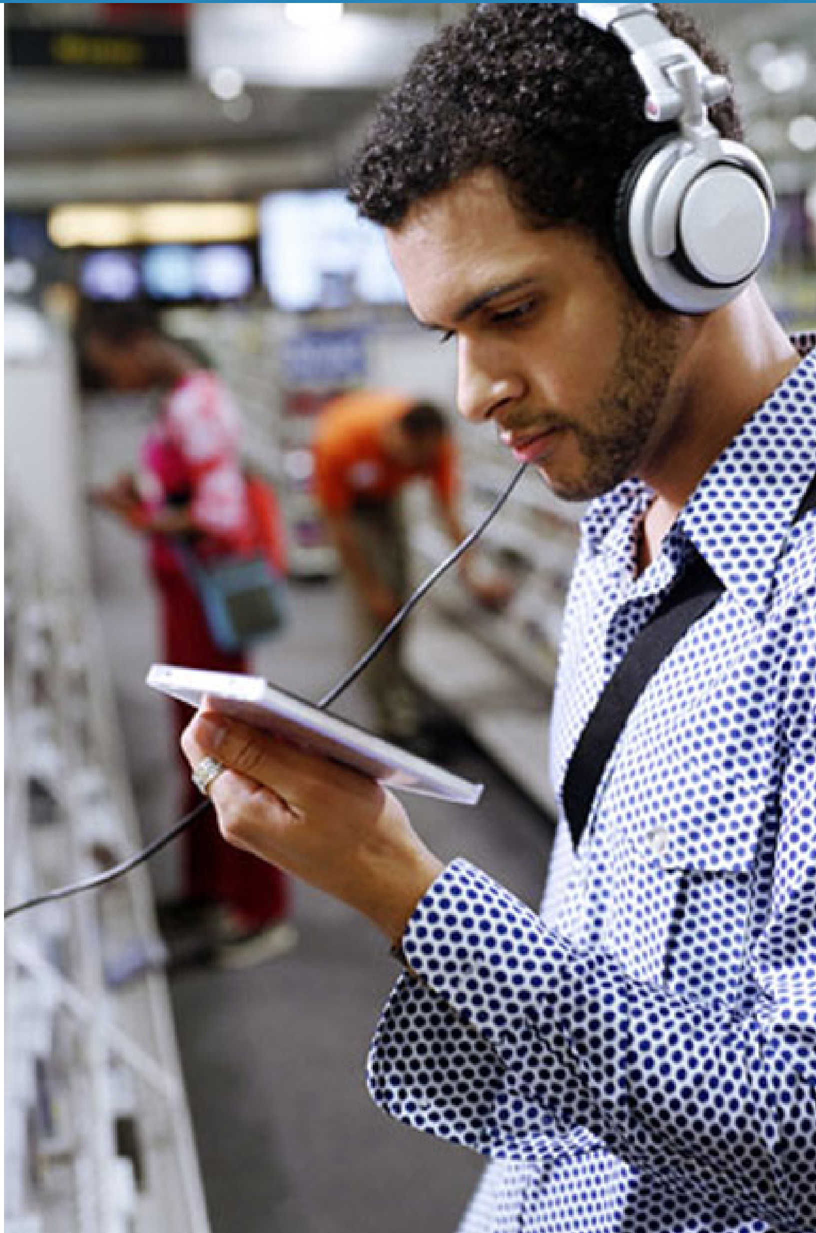
Linkins

- Very committed to music listening
- Diverse touchpoints
- High incidence of paid, and unpaid, acquisition
- Most actually buying- 83% bought physical
- 50% Probability of buying digital
- But still CD “Loyal”- 75% of their mix
- Like CD utility- car/home, rip it to computer
- Broadest “Discovery Set”- radio important, but other forms of learning too



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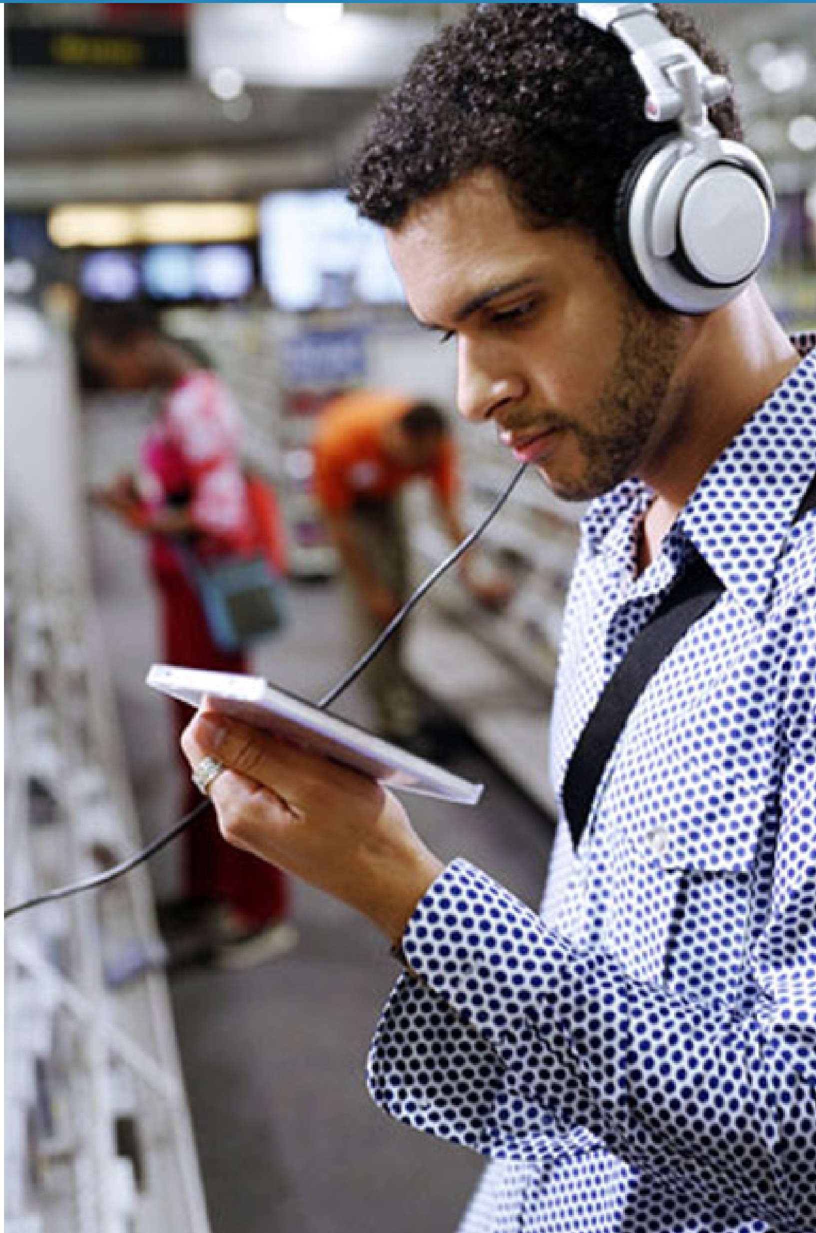
Linkins

- **Learn:**
  - Traditional radio
  - Music sites/services, social networking
  - Use P2P but it's not a learning center
  - Music related shows (Idol, MTV) but commercials/infomercials too
  - Browse, but very display responsive
- **Next:**
  - Repeat Listening
  - Streaming
- **Why:**
  - Most likely to be artist loyal
    - Buy all I can get for artist
    - Add to collection (fave artist)
    - Wanted digital version (if bought digital)
- **How:**
  - Most likely to immediately go to store
  - Or go online
  - "Mental Note'
- **Slight preference for mass, electronics; strong for iTunes**
- **Why There?**
  - Selection important as Location
  - iTunes ease of use; sampling
  - Online shopping preference
  - Value



Avrils

(Avrils because they've got angst!)

- Very committed to music listening
- Diverse touchpoints
- High incidence of paid, and unpaid, acquisition
- Purchase mix most digital (26% last bought)
- Radio important, but word of mouth and computer aided discovery surpass in-store learning
- Samplers, digital singles appeal to that
- Selective-" harder to find what I like in stores"
- Over stimulated, over collected
- Fear factor- less open to new artists
- Believe in richness of music, favorite artists

Avrils

- **Learn:**
  - **Traditional radio**
  - **Highest satellite radio incidence**
  - **Music sites/services, social networking**
  - **TV Shows (Oprah, Gray's Anatomy), music shows (Idol)**
  - **In-store lower overall but some browsing**
- **Next:**
  - **Repeat Listening**
  - **Streaming**
- **Why:**
  - **Buy all I can get for artist**
  - **Add to collection (fave artist)**
  - **Wanted digital version (if bought digital)**
- **How:**
  - **"Mental Note', Browsing Section**
- **Shopping habits are unremarkable**
- **Purchase Influences**
  - **Listening stations**
  - **Displays**
  - **Signage**
  - **Recommendation wall**

Byrds

- Active music listeners, esp. via traditional media
- Dip toes in the digital waters
- Listening substitutes for buying
- Cautious
- New music, artists not engaging
- Hard to find what I like in the stores

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Byrds

- Learn:
  - Browsing
  - Traditional radio
  - Fan website
  - TV Shows (Oprah, Gray’s Anatomy)
- Why:
  - Repeat Listening
  - Add to collection (fave artist)
  - Wanted digital version (if bought digital)
- How:
  - “Mental Note’, Browsing Section
- Slight preference for book, mass, online
- Why There?
  - Location
  - Other categories
  - Value
  - Selection

Byrds

- Special offers (two-fer)
- Catalog
- Overcome apathy
  - Satisfaction with radio, existing collection
  - Current music not sufficiently appealing

Behind Every Business Decision

Turtles

- Basically satisfied with collection, what they can hear on radio
- Not digital
- Least likely to buy new artist

Turtles

- Learn:
  - Browsing/Listening Station
  - Traditional radio
  - Fan website
  - TV Shows (Oprah, Gray’s Anatomy)
- Why:
  - Impulse/Sale
- How:
  - “Mental Note’, Browsing Section
- Slight preference for book, mass, online, other
- Why There?
  - Location
  - Other categories
  - Value

Turtles

Not a lost cause, but a tough sell

- Less likely than average to use merchandising tools when they buy music
- Less responsive to potential incentives (even discounts)
- Non-music buyers in this group also less excited about price or packaging incentives

All Is Not Lost- You Can't Tell A Linkin From An Avril… But You Can Accommodate The Desire For Selection And The Need To Assist the Purchase Decision With In-store Discovery And Incentives

Price & Value	% Selecting:	Avrils	Linkins
Discounts/special offers- such as "two for one"	53%	100	116
Coupons to buy other items in the store with musi	21%	114	109
Selection			
Broad selection of older music	32%	95	85
Broad selection of music products (e.g., CD, DVD, music videos, etc.)	28%	107	128
Broad selection of current/recent music	24%	105	149
Affinity			
Loyalty program/frequent buyer discounts	28%	107	133
Chance to meet an artist	17%	129	166
Ability to shop for other products (e.g., food, apparel, beauty, electronics, etc.)	19%	103	101
Store Features			
Listening stations	27%	130	114
Gift cards	21%	133	103
Ability to order out of stock items online, ship to y	18%	111	122
Staff that will help you find what you are looking fc	17%	111	109
Availability of concert/performance tickets	10%	134	159
A kiosk where you can download music to a CD, portable digital music player or cell phone	9%	132	134
Store catalog	8%	140	96
A café in the store	8%	143	119
A place to converse with other music listeners	3%	198	154

Detail on all segments in appendix

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Digital Options Encouraging Discovery, Or Reducing Risk, Of New Artists For More Selective/Cautious Consumers

	Turtles	Byrds	Avrils	Linkins
PHYSICAL				
Bought Favorite Artist/Band	55	60	75	78
Bought Artist/Band I like	39	44	57	64
Bought New Artist/Band	23	30	50	57
Ratio of New to Favorite	*41*	*50*	*67*	*73*

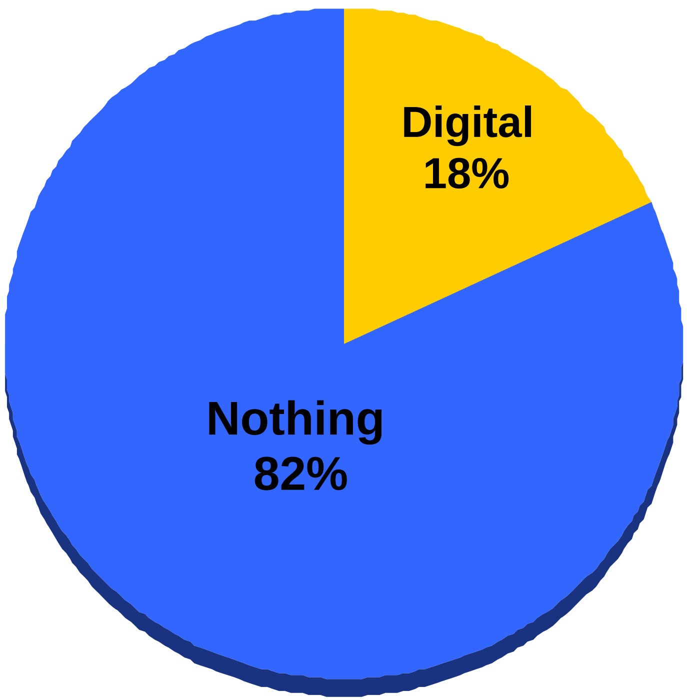
	Turtles	Byrds	Avrils	Linkins
DIGITAL				
Bought Favorite Artist/Band	14	23	45	43
Bought Artist/Band I like	11	19	39	37
Bought New Artist/Band	9	13	36	36
Ratio of New to Favorite	*59*	*56*	*80*	*83*

Detail For All segments

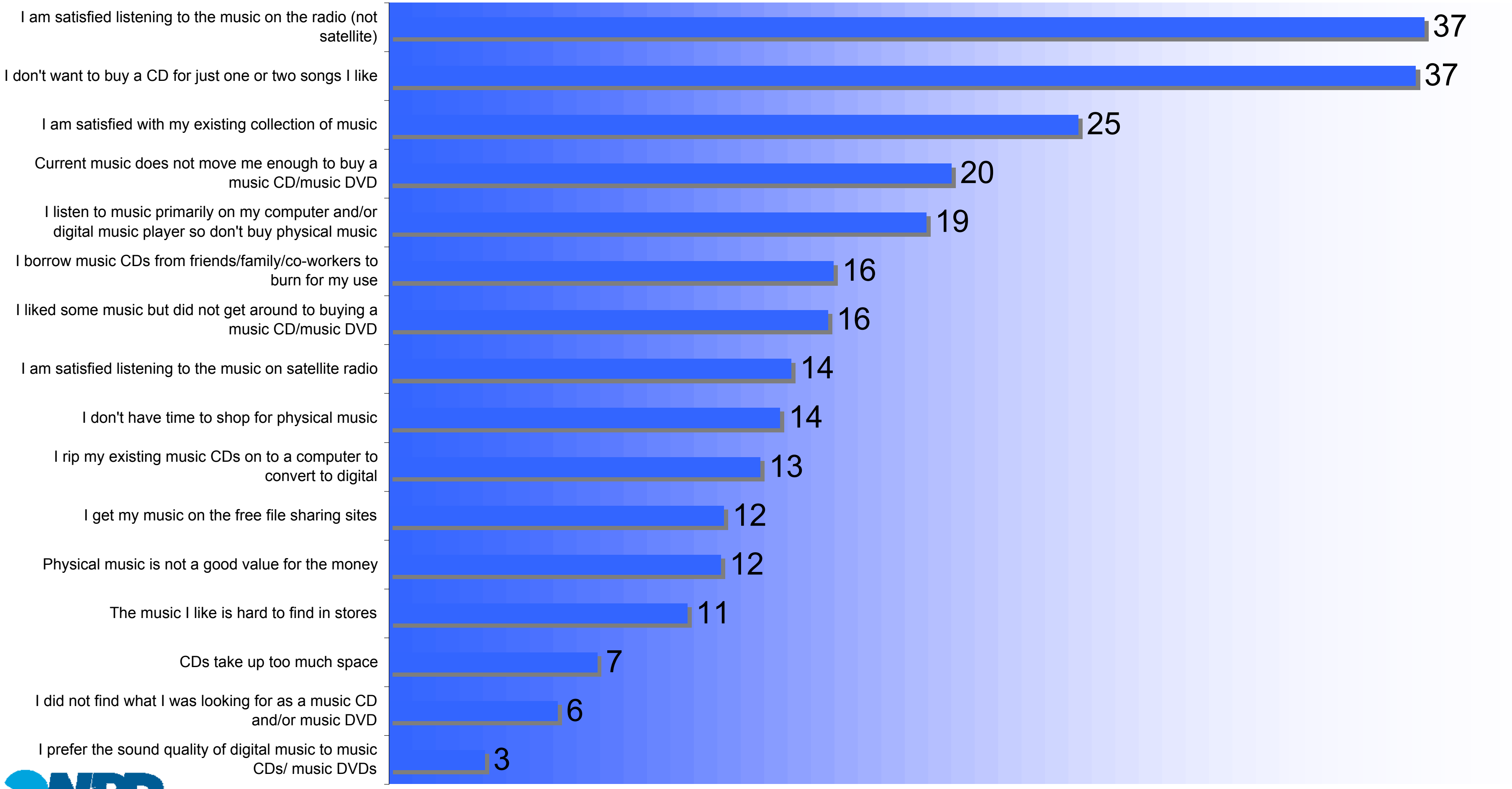
Price & Value	% Selecting:	Turtles	Byrds	Avrils	Linkins
Discounts/special offers- such as Ņtwo for oneÓ	53%	89	109	100	116
Coupons to buy other items in the store with music purchase	21%	93	100	114	109
Selection					
Broad selection of older music	32%	103	137	95	85
Broad selection of music products (e.g., CD, DVD, music videos, etc.)	28%	75	108	107	128
Broad selection of current/recent music	24%	73	93	105	149
Affinity					
Loyalty program/frequent buyer discounts	28%	84	97	107	133
Chance to meet an artist	17%	42	71	129	166
Ability to shop for other products (e.g., food, apparel, beauty, electronics, etc.)	19%	98	116	103	101
Store Features					
Listening stations	27%	67	103	130	114
Gift cards	21%	89	88	133	103
Ability to order out of stock items online, ship to your home	18%	79	109	111	122
Staff that will help you find what you are looking for	17%	97	111	111	109
Availability of concert/performance tickets	10%	41	68	134	159
A kiosk where you can download music to a CD, portable digital music player or cell phone	9%	55	100	132	134
Store catalog	8%	96	102	140	96
A caf˜ in the store	8%	62	93	143	119
A place to converse with other music listeners	3%	24	45	198	154

Non-Physical Buyers: Only 1 In 5 Buy Digital

Non-Physical Buyers Likelihood of Buying…



Why no physical music in the past year?



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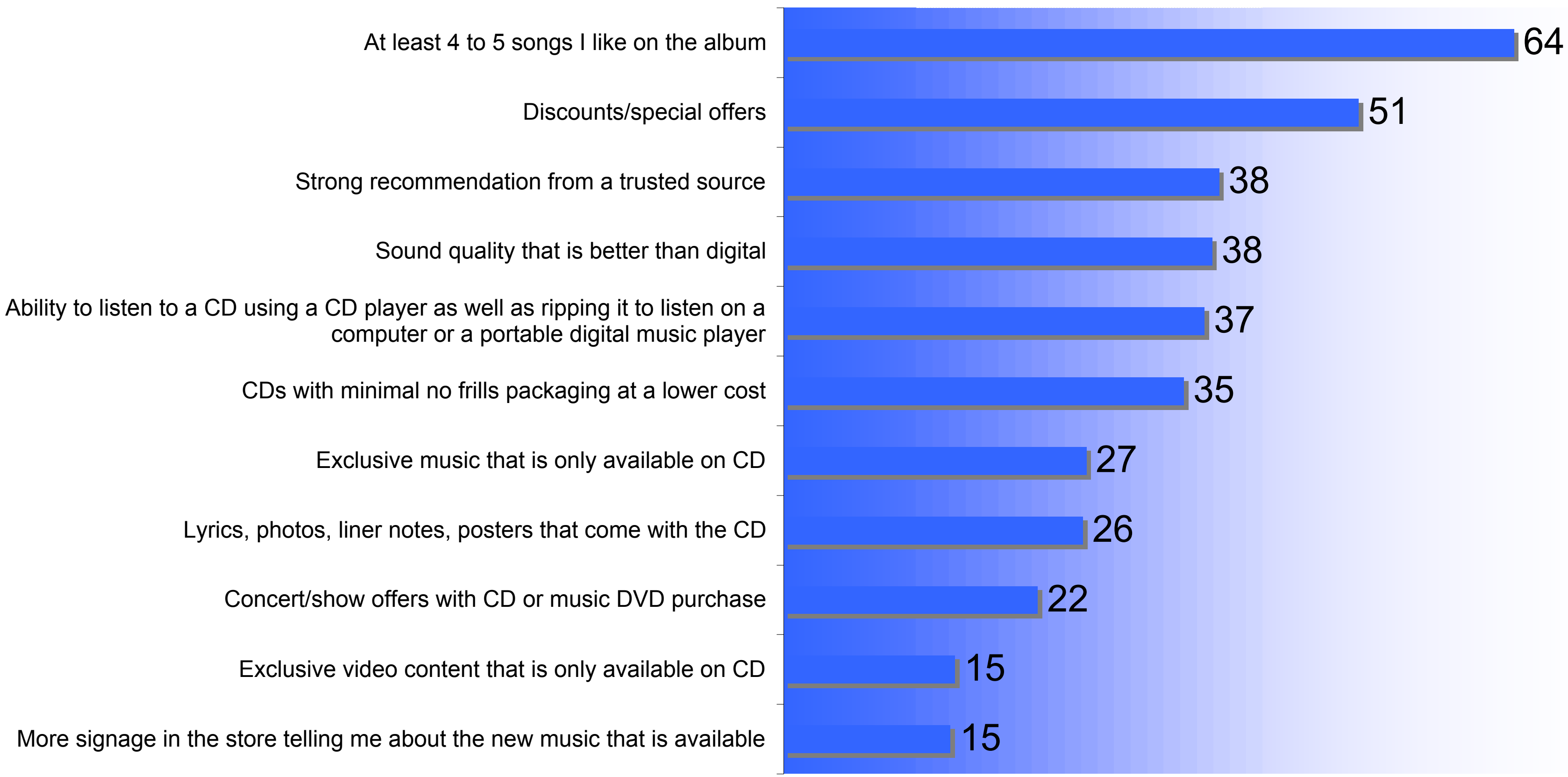
Non-Physical Buyers: Content Gap

Non buyers- What would make you buy physical?



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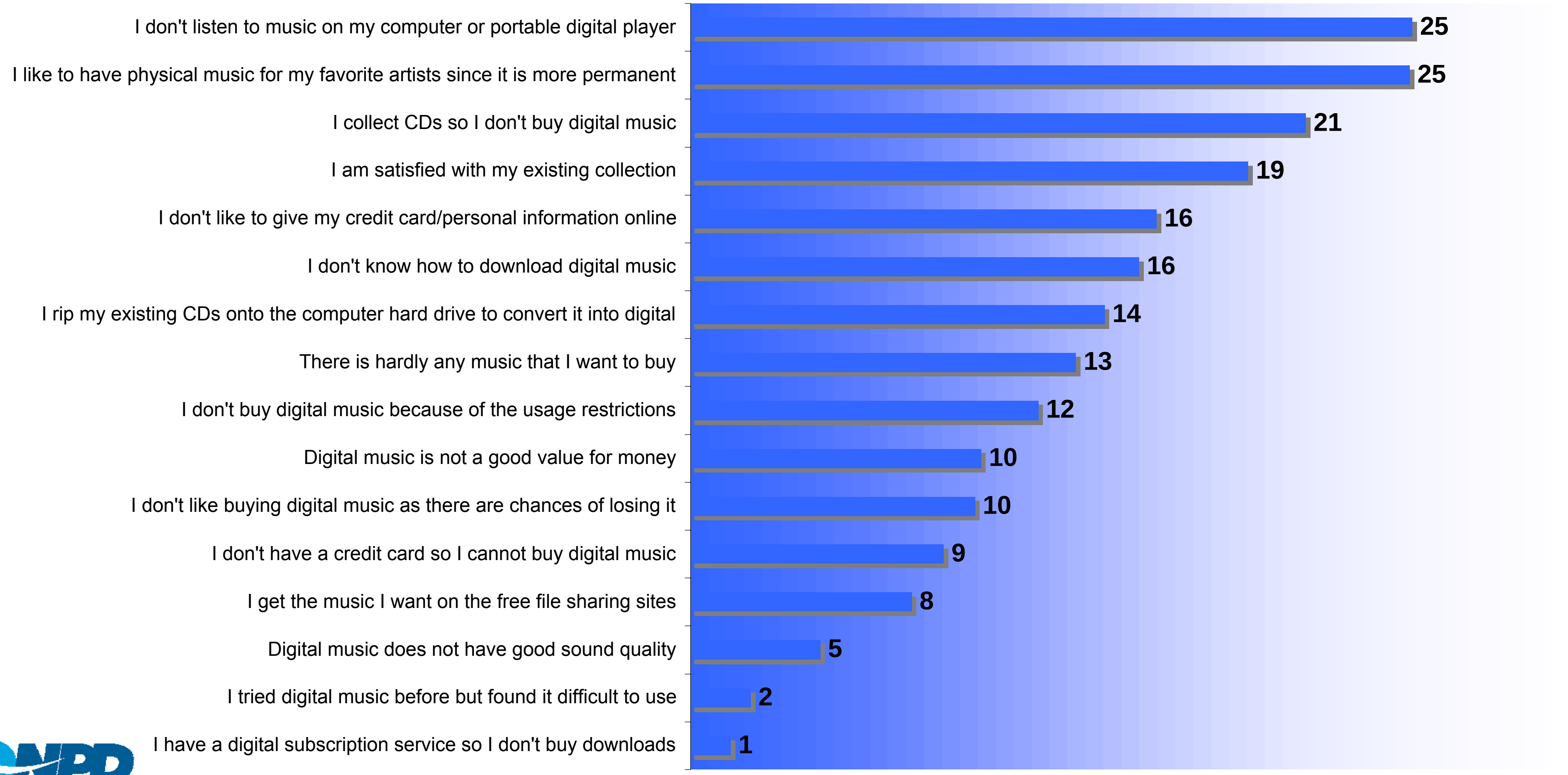
Non-Digital Buyers: Need A Defining Benefit

Reasons for Not Buying Digital Music



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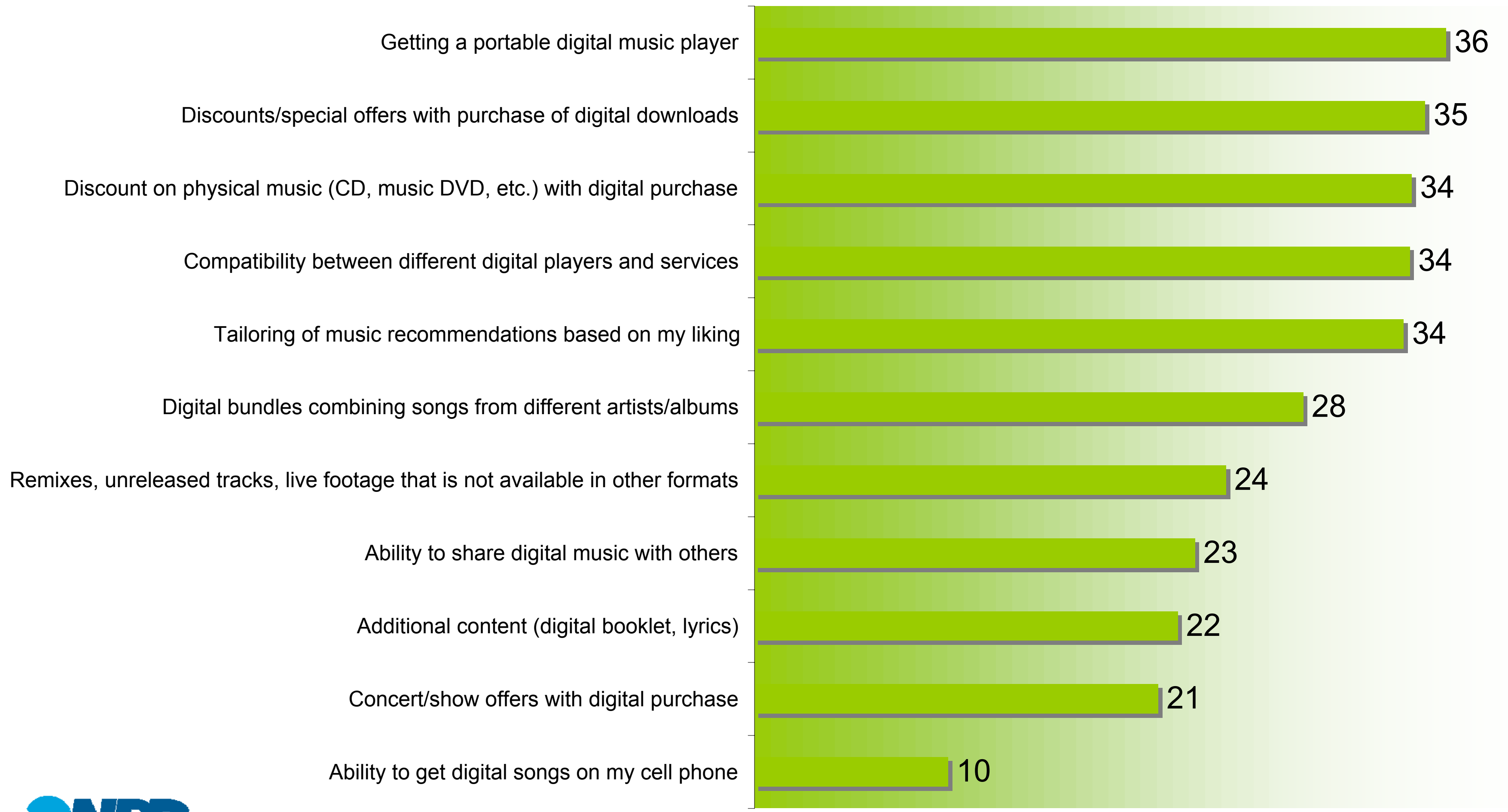
The Non-digital Buyer - Getting In The Game Important, But Packaging/Bundling & Interoperability Have Potential - Assuming We Adequately Communicate The Benefits

Factors influencing you to (potentially) buy digital music



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Appendix

What Would Encourage You To Buy More?

Price & Value	All Respondents	Heavy Music Buyers	Index
Discounts/special offers- such as \two for one\""	52	52	99
Coupons to buy other items in the store with music purch	22	22	100
Selection			
Broad selection of older music	32	37	116
Broad selection of music products	29	42	149
Broad selection of current/recent music	24	31	129
Affinity			
Loyalty program/frequent buyer discounts	28	37	131
Chance to meet an artist	19	31	161
Ability to shop for other products	19	18	91
Store Features			
Listening stations	27	32	116
Gift cards	20	19	99
Ability to order out of stock items online, ship to your hon	18	23	127
Staff that will help you find what you are looking for	17	20	120
A kiosk where you can download music	11	8	68
Availability of concert/performance tickets	11	14	126
Store catalog	10	11	112
A caf˜	8	8	99
A place to converse with other music listeners	3	4	124
None of these incentives motivate me to purchase more	16	8	49

Past Year Acquisition (for self)

		Physical		Digital		Exclusively	
	Total (%)	Buyers	Non-buyers	Buyers	Non-buyers	Physical	Digital
Bought music CDs	59	133	23	108	96	139	32
Borrowed music CD(s)/music DVDs from friend/family to burn/rip	28	115	64	153	75	95	171
Paid for a digital download(s)	18	114	68	274	18	11	247
Used a free file-sharing service to download music	18	107	83	180	62	63	189
Bought a ringtone/ringback tone for cell phone	13	113	69	151	75	87	133
Bought music DVDs	10	139	9	132	85	129	15
Downloaded music from blogs/forum	9	113	73	189	59	63	173
Used a gift card for a digital store	7	117	63	289	11	10	293
Borrowed CDs from the library to rip/burn	7	117	61	170	67	87	190
Used a gift card for a retail store to buy music	7	136	16	184	60	87	33
Used a digital subscription service	6	116	67	226	42	35	130
Bought music videos	4	139	9	216	43	66	30
Used a gift card for an online store to buy music	3	137	17	183	60	90	50
Used a gift card to buy digital subscription service	1	117	50	283	17	17	217
None of the above	19	27	270	15	140	36	21

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Base: Music Listeners typical week

Not Surprisingly Teens, College Most Diverse

Index to Total Listening (all respondents)

	Total (%)	13-17	18-25	26-35	36-50	51-65
On a traditional radio (not satellite)	65	91	87	96	107	108
Using music CDs on a CD player	59	102	95	109	104	89
On a computer via music file(s)	35	**182**	**167**	127	66	28
On a portable digital music player	29	**226**	**159**	108	53	36
On a computer using music CD(s)	26	**145**	**143**	117	76	62
On TV-watch music related program(s)	21	120	88	108	108	78
On TV-watch music videos	20	**199**	122	92	85	48
Online via online radio, web site or blog	18	**179**	**154**	118	70	41
Streaming music on a computer/TV	15	**223**	120	149	49	36
On TV- listen to music	13	**186**	102	98	95	53
Watch a music DVD/music video	11	**167**	**152**	111	81	41
On satellite radio	10	109	45	119	119	90
None - don't listen to music	7	63	80	69	96	**170**
On a cell phone	5	**291**	**230**	89	28	2

Correlation Between Consumption In Listening And Buying

		Physical		Digital		Exclusively	
	Total (%)	Buyers	Non-buyers	Buyers	Non-buyers	Physical	Digital
On a traditional radio (not satellite)	65	111	101	105	109	115	110
Using music CDs on a CD player	59	123	73	112	106	**126**	83
On a computer via music file(s)	35	116	88	**171**	77	82	**179**
On a portable digital music player	29	118	83	**194**	66	73	**213**
On a computer using music CD(s)	26	127	62	**159**	83	103	**131**
On TV-watch music related program(s)	21	121	76	**135**	94	111	**127**
On TV-watch music videos	20	120	78	**139**	93	104	105
Online via online radio, web site or blog	18	112	97	**133**	96	102	**150**
Streaming music on a computer/TV	15	117	85	**156**	84	94	**160**
On TV- listen to music	13	108	108	**137**	94	93	**163**
Watch a music DVD/music video	11	**136**	41	**139**	93	**124**	53
On satellite radio	10	98	**130**	107	107	89	91
On a cell phone	5	119	85	**213**	59	61	**235**

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