NARM Consumer Research Initiative Phase Two: Digital Landscape

Prepared for:
National Association of Recording Merchandisers
May 2006

the voice of music retailing

The NPD GROUP

Apparel
Appliances
Automotive
Beauty
Consumer Electronics
Food and Beverage
Foodservice
Footwear
Housewares
Information Technology
Music
Software
Toys
Video Games

Phase One: Recap

- Predispose buyers to purchase
- “Latent demand” tapped
- Digital a reality
- Heavy buyers remain engaged
- More cross-shopping behavior
- Emphasize core retail values
- Target ***Shopper Segments***
  - *Raise ring among some*
  - *Increase impulse occasions*
  - *Connect with older consumer*

Key Learning

- Digital acquisition of music is growing, which adds to discovery and utility of content. There are clear consumer benefits to both paid digital and physical.
- However there is a significant pool of unpaid content, which is hurting physical and legal digital,
- Death of physical is greatly exaggerated:
  - Consumers respond to collectibility & affinity offered by physical
  - Key segments see value in physical, and appreciate traditional shopping experience
  - Heavy digital buyers are also heavy physical buyers (though less than before)
- In-store options present an opportunity to drive revenue, and they offer benefits that:
  - Might reach consumers who are not tech savvy
  - Cause shoppers to visit more often/spend more time in the store/section

The Digital Landscape

- Digital is driving more consumer acquisition of music- but unpaid sources are dominating
- Digital music today consists of four major buckets
  - Legal, which is a small segment and growing rapidly
  - Illegal, slowing in adoption but gaining in intensity of usage
  - Burning & Ripping for personal use- a large segment
  - Social Sharing, which is very popular

Legal Digital: A Nascent Market

- 14% of Internet Households downloaded a file legally in 2005.
- Considering that nearly 7 in 10 consumers aged 13+ buy physical music, there is a huge untapped market for legal digital services
- However ~95% of Internet Households don't buy anything in an average month
- And, the monthly purchase rates are relatively low (about 1 album) and not growing
- Digital provides consumers with choice and flexibility
- Legal consumers are spending less on physical

P2P Music File Sharing- Still Growing

- Peer to peer music is at an historically high level, in terms of the number of monthly users and the intensity of usage
- But the growth rate of new users has slowed
- P2P community today is less concerned about the impact on the music industry stakeholders…
- …and P2P users are spending the equivalent of about one album less per year on physical. They are not big legal spenders.
- Unfortunately our TradeUp buyers, the heavy buying segment who consumes music enthusiastically from physical and digital, is also a heavy P2P consumer
- Good news- TradeUps really like the idea of a legal physical/digital bundle

Burning & Social Sharing

- A quarter of the music that consumers acquired last year came from borrowed content
- About one-third of what gets burned is borrowed from someone else
- These social sharers are relatively heavy CD buyers who have been cutting back on their physical spend

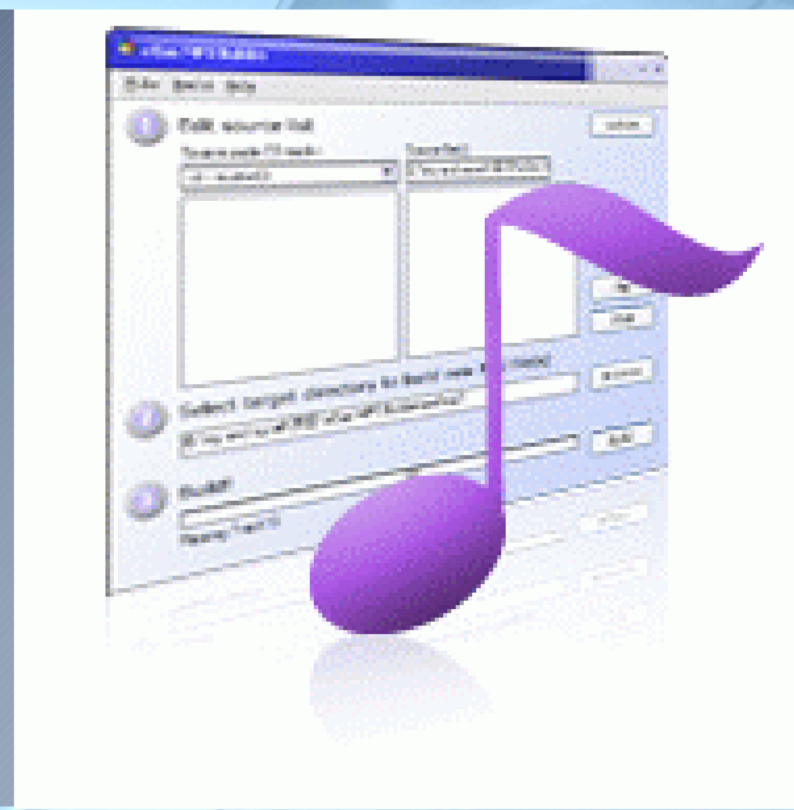
Opportunities to reach consumers

- Physical
  - Many buyers still desire the CD, especially for affinity artists
- Value
  - Younger buyers see digital as providing value. Bundles, special offers, other incentives necessary to build physical value
- In-Store Digital
- New Media
  - Online radio stations are listened to by half of heavy buyers who have both bought a CD and paid for a digital D/L in the past 3 months.
  - Satellite radio usage among this group approaches 20%
- Staging
  - Of releases in physical and digital format to maximize physical sell-through

Opportunities: In-Store Digital

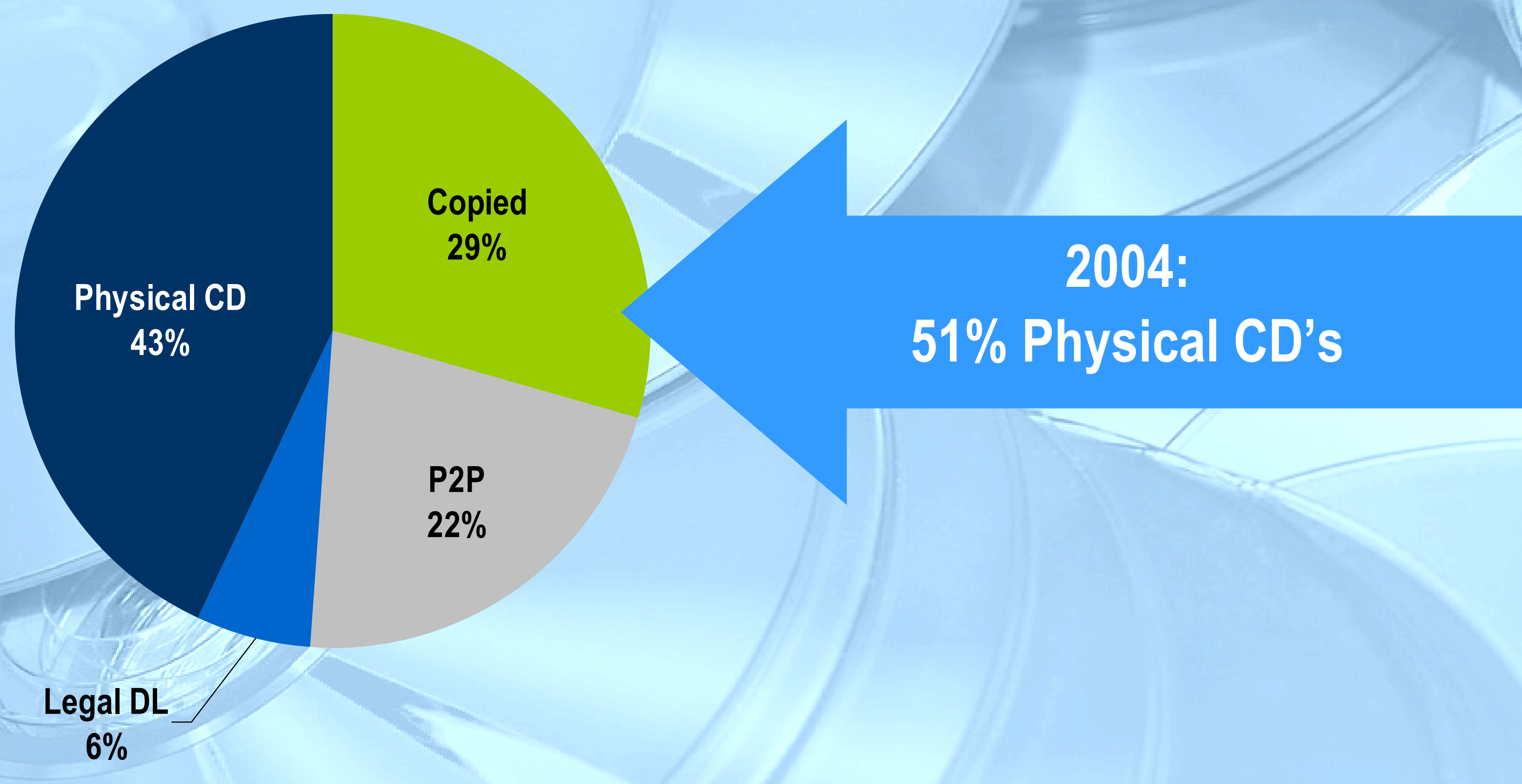
- Kiosk and Digital Bundle show potential:
  - **"Reasonable" interest among physical buyers**
  - **Much more among digital buyers, and heavy physical buyers**
  - **Heavy physical buyers liked these more than a digital alternative**
  - **Kiosk had clear benefits/incentives to shoppers**
  - **Even non-digital shopper segments had some interest**

What’s Being Done?



Less than half of music acquired in 2005 was from purchased physical CD's

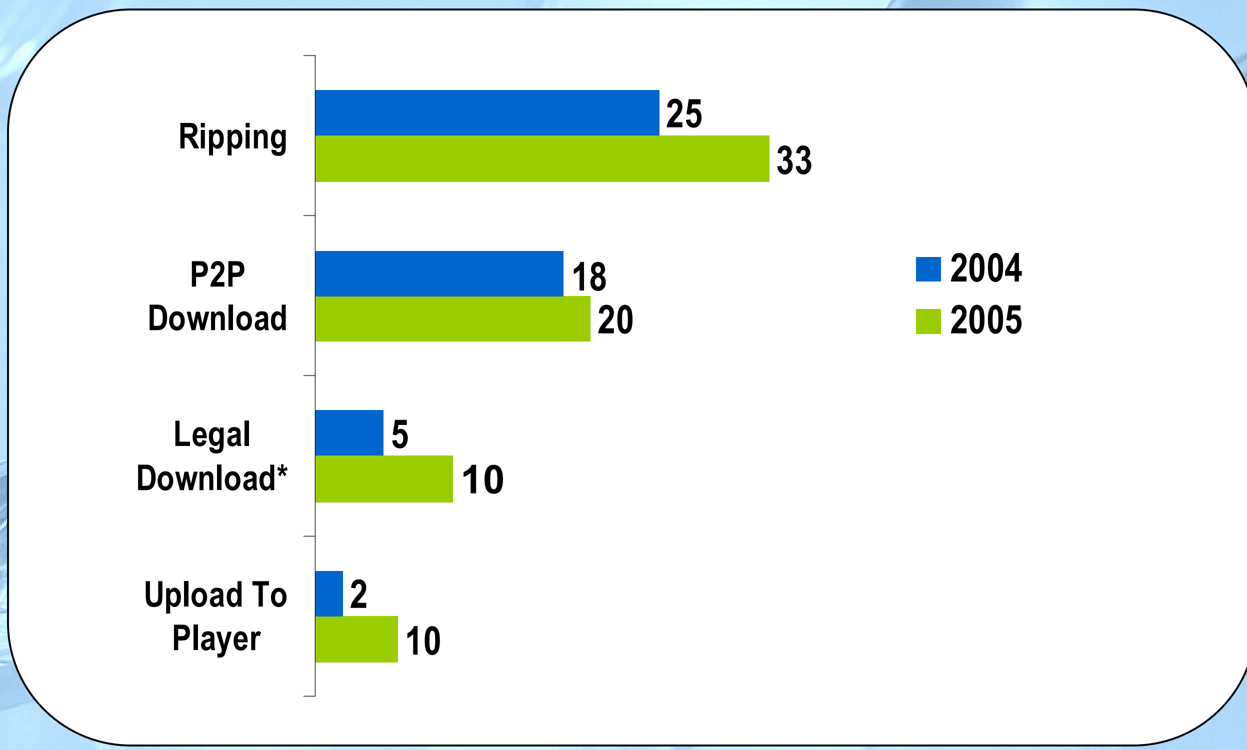
How Music Was Acquired In The Past 12 Months (Dec 2005)



Source: NPD Digital Music Study

Ripping dominant digital activity-legal incidence & uploading double or more in 2005- P2P level

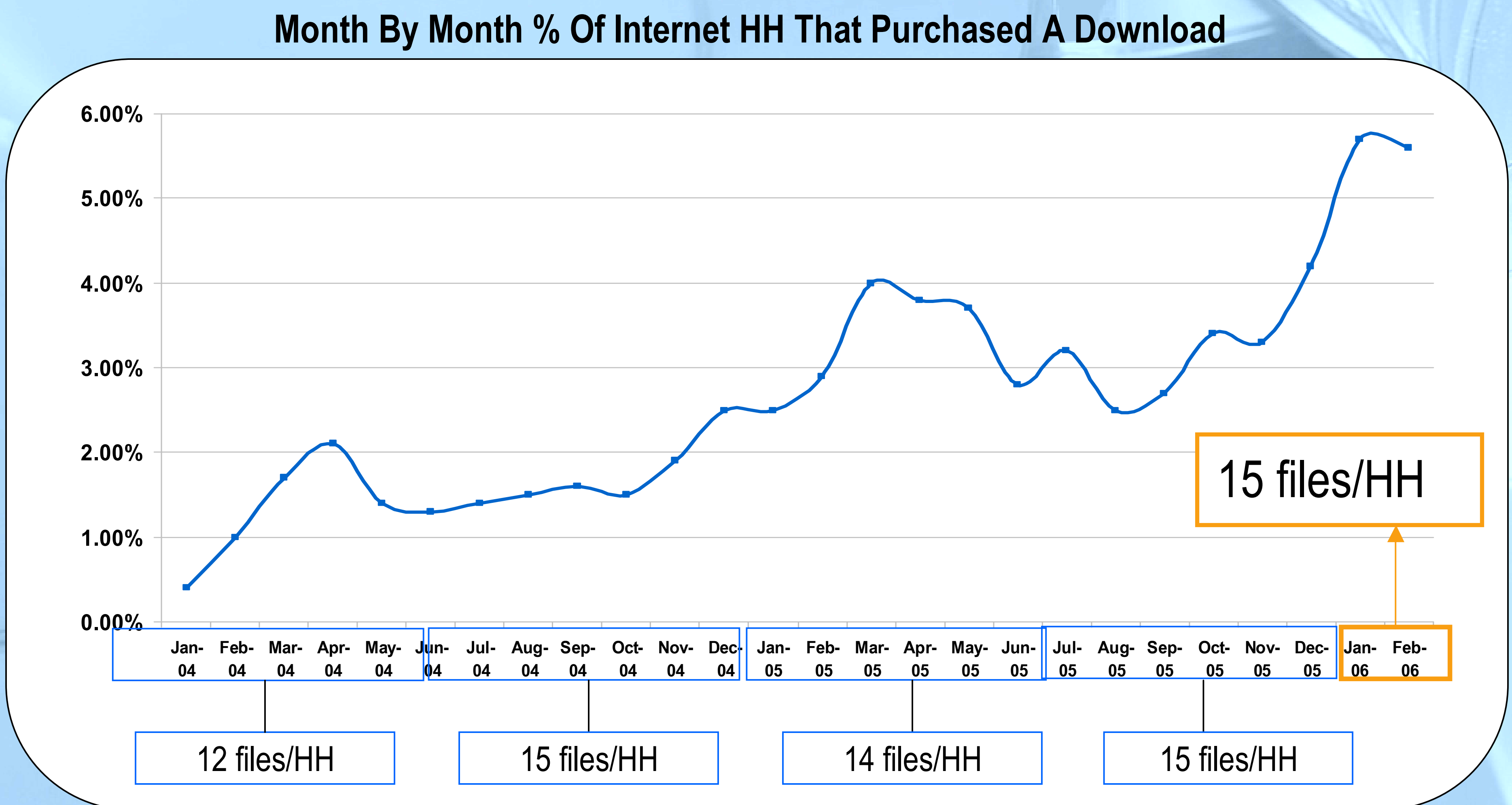
Incidence Of Internet Households That Do Activity, 2004 & 2005



Source: NPD MusicWatch Digital

*includes permanent and tethered downloads

Real growth comes with iTunes promo's, iPod Holidays- up to 5.5% using/month but file "take rate" not growing

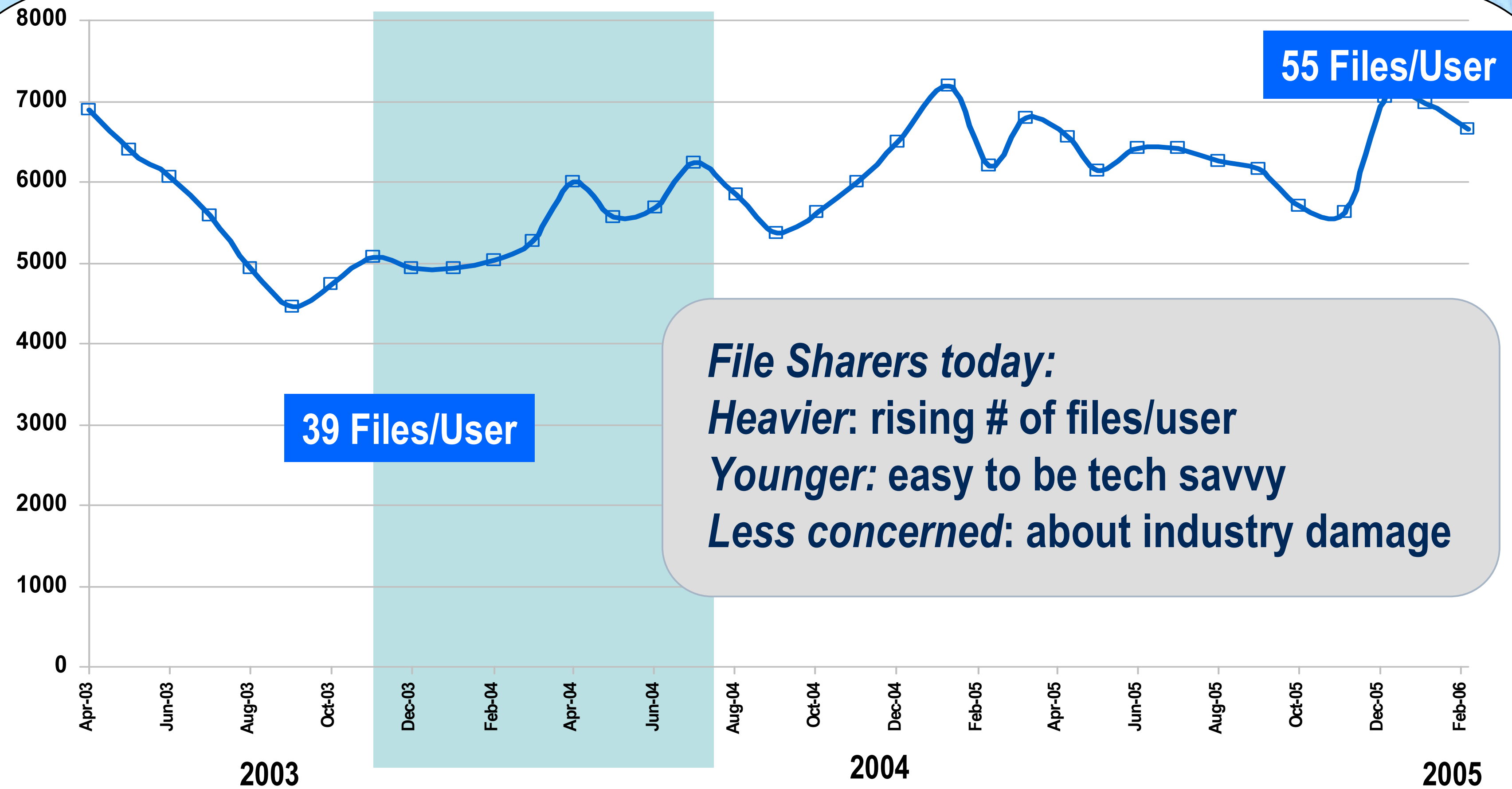


Source: NPD MusicWatch Digital

NPD GROUP — BEHIND EVERY BUSINESS DECISION

P2P users are becoming more hard core, and hard boiled

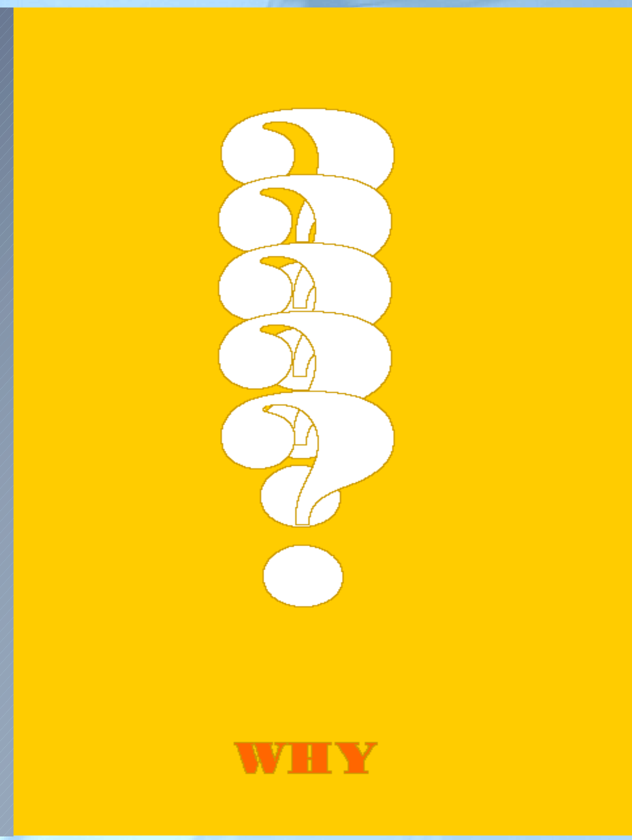
Households Downloading Music Files From Illegal P2P Services



File Sharers today:
Heavier: rising # of files/user
Younger: easy to be tech savvy
Less concerned: about industry damage

Source: NPD MusicWatchDigital; NPD Digital Music Study/Proprietary Research

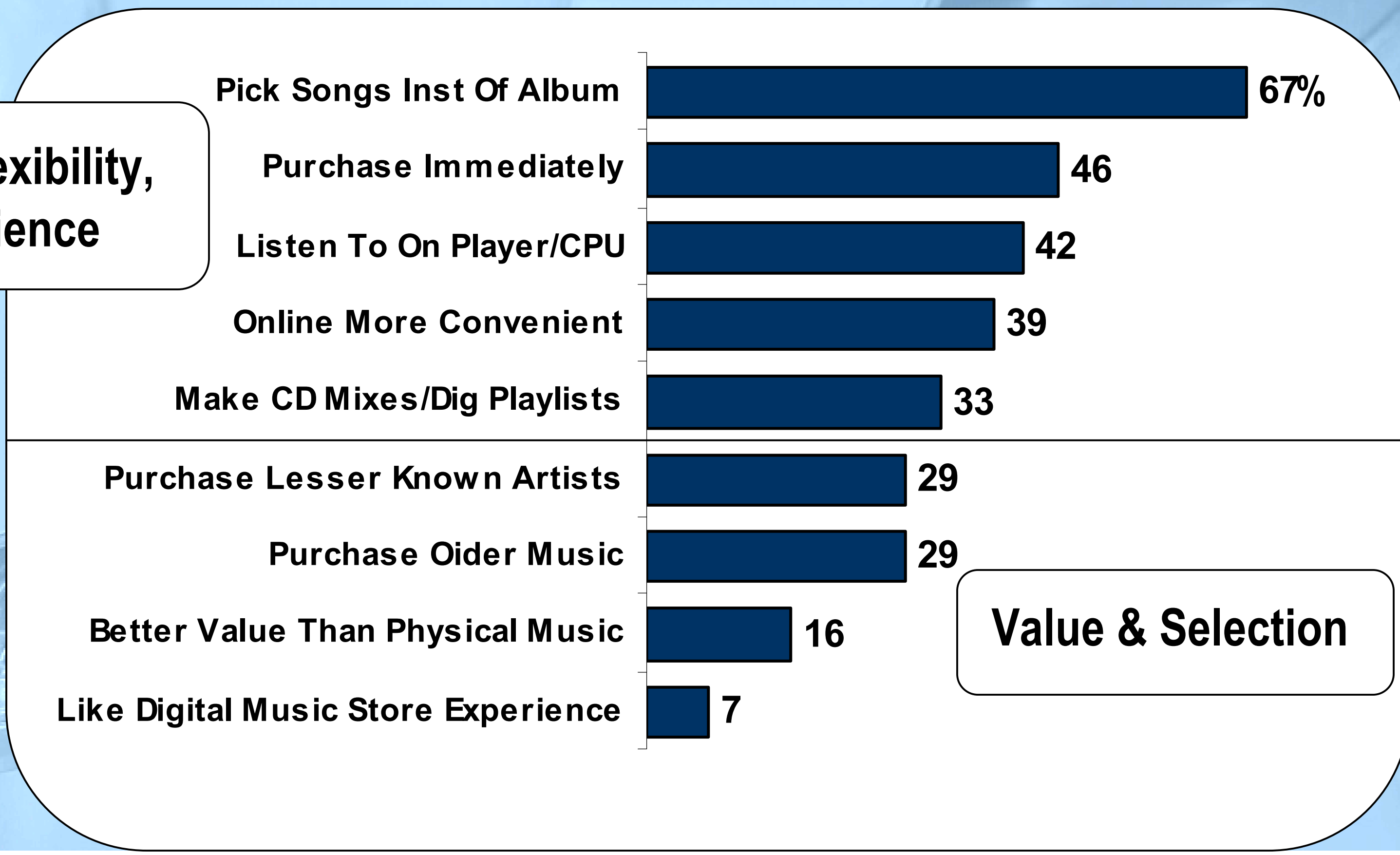
Why?



Digital is more about choice, flexibility

Top Reasons for Digital Purchase Past 6 Months (Among Past Year Physical Purchasers)

Choice, Flexibility, Convenience

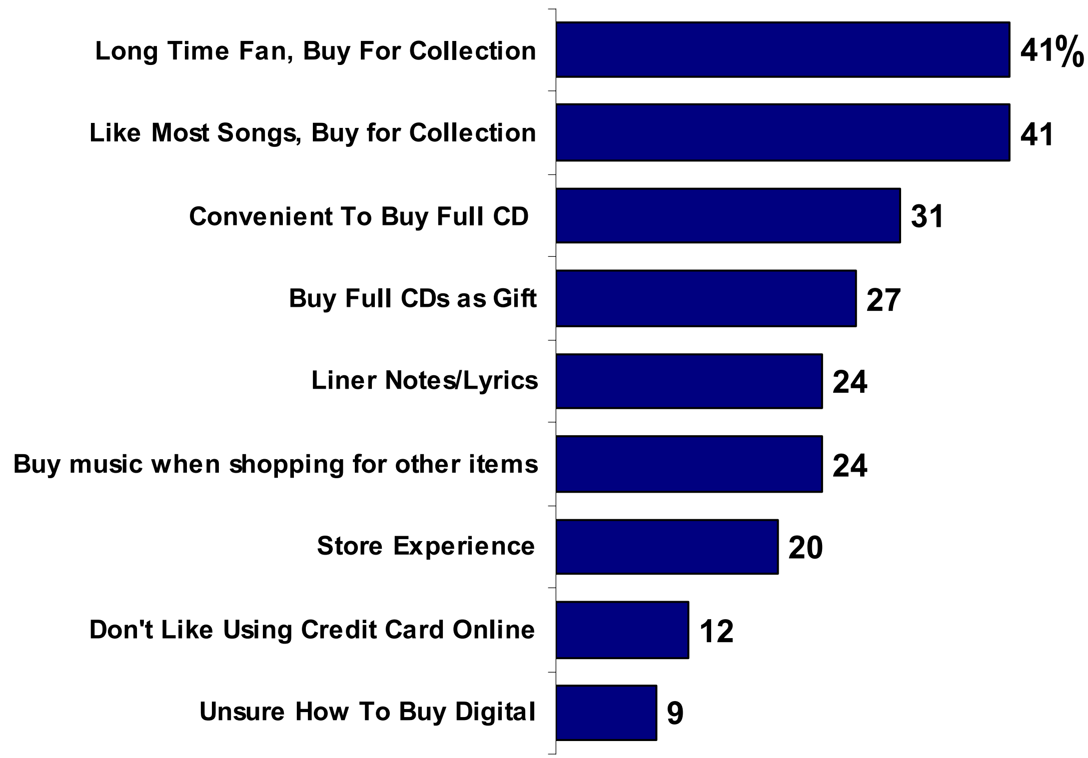


Why did you choose to purchase digitally?

- Female, 20: Everything I download can be transferred to my portable MP3 player which I use frequently
- Female, 35: I can hear any song I want, any time
- Female, 19: Because I got an iTunes gift card
- Male, 44: Most artists are not good- stores don't carry music I like to listen to

Physical is about collecting, when I have affinity to artist or release

Top Reasons for Physical Purchase P6M



Why did you choose to purchase physical?

- Male, 17: Because…it has music on it?
- Male, 55: Enjoy going to the store; browsing, listening to the CD's at stores
- Male, 17: Favorite band had a DualDisc for more features
- Male, 25: For my collection- CDs better than ripping off musicians- show care for the band

13-17 Year Olds
14% of Legal Download Market

Key Digital Purchase Motivators

Reason	Index To All Digital Buyers*
Rely on Site for Recommendations	244
Like Digital Music Store Experience	208
Better Value Than Physical Music	138

Source: NPD Digital Music Study December 2005, NARM Custom Research, April 2006

***Index of 100 is average**

18-25 Year Olds
21% of Legal Download Market

Key Digital Purchase Motivators

Reason	Index To All Digital Buyers
Buy digital release before CD release	342
Primarily listen to music on MP3 player/CPU	177
Purchase lesser-known artists	176
Better value than physical music	170

Source: NPD Digital Music Study December 2005, NARM Custom Research, April 2006

26-35 Year Olds
26% of Legal Download Market

Key Digital Purchase Motivators

Reason	Index To All Digital Buyers
Only on website	154
Pick songs instead of album	127
Can't find music in physical stores	117
Make CD mixes or digital playlist	114

Source: NPD Digital Music Study December 2005, NARM Custom Research, April 2006

36-50 Year Olds
23% of Legal Download Market

Key Digital Purchase Motivators

Reason	Index To All Digital Buyers
Like digital music store experience	146
More convenient online	135
Purchase older music	130
Listen to music on any device	126

Source: NPD Digital Music Study December 2005, NARM Custom Research, April 2006

Six Physical Music Shopping Segments

Determined	On a mission to get an album, and buys only that album
TradeUp	Also on a mission but shops other music too
Basket	Wants the album but waits for other shopping needs
Wanderer	Goes to buy music w/ no album in mind and spends time browsing music sections
Passerby	Shopping for other items buy browses music section
Impulse	An end cap or display reels me in, but shopping for other items

TradeUp's see value, collectibility, and quality of CD, even though they are also heavy digital consumers

Shopping Segments- Index of Reasons For Preferring Physical

(100 is Average; Blue= 120+/Green= <80)

Preferences	Determined	Trade-Up	Basket	Wanderer	Passerby/ Impulse
Buy CD/DVD or Music Video of Artist I like	Low	High	Low		
Will buy collector's edition of artist I like		High			Low
Physical music a better value		High	Low		
Favorite artists not available on paid digital music services	Low			High	
Sound Quality of CD is better		High			Low
Concerned about losing digital files					
Don't have access to credit card					
Can't find music I want on paid digital sites					

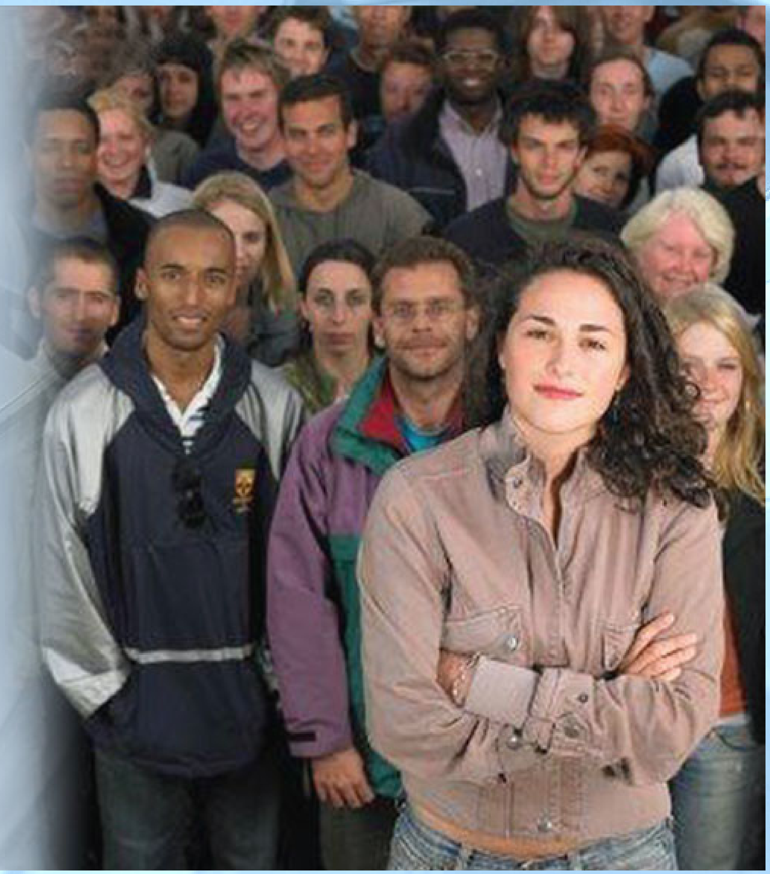
Source: NPD Group, NARM Custom Research, April 2006

Activities for Shopping Segments

	Determined	Trade Up	Basket	Wander	Passer By/Impulse
Searched online for new music		Orange			
Searched concert/tour info		Orange	Green		
Bought a CD					
Download music from a free file-sharing service		Orange	Green		
Paid a fee to permanently download/stream music		Orange			
Paid a fee to permanently download a music file		Orange			Green
Paid a monthly subscription fee to stream or temporarily download music		Orange	Green	Green	Orange
Paid a monthly fee for Satellite Radio (XM or Sirius)		Orange		Green	Green
Purchased ringtones or ringtunes for my cell phone		Orange			
Listened to music on a regular (terrestrial) radio					
Listened to music on online radio		Orange			
Watched music videos online	Orange	Orange		Orange	Green
Burned songs from a friend's pre-recorded CD(s)		Orange			
Burned songs from my own pre-recorded CD(s)					
Burned digital songs onto a CD(s)		Orange			
Ripped music onto my computer					
Sent a song file through e-mail or Instant Messaging		Orange	Green	Orange	Green
Transferred music onto a portable digital music/MP3 player		Orange			
Listened to CD's on a compter		Orange			
Paid a fee more music (NET)		Orange			Green
Burned songs (NET)					
None of the above					Orange

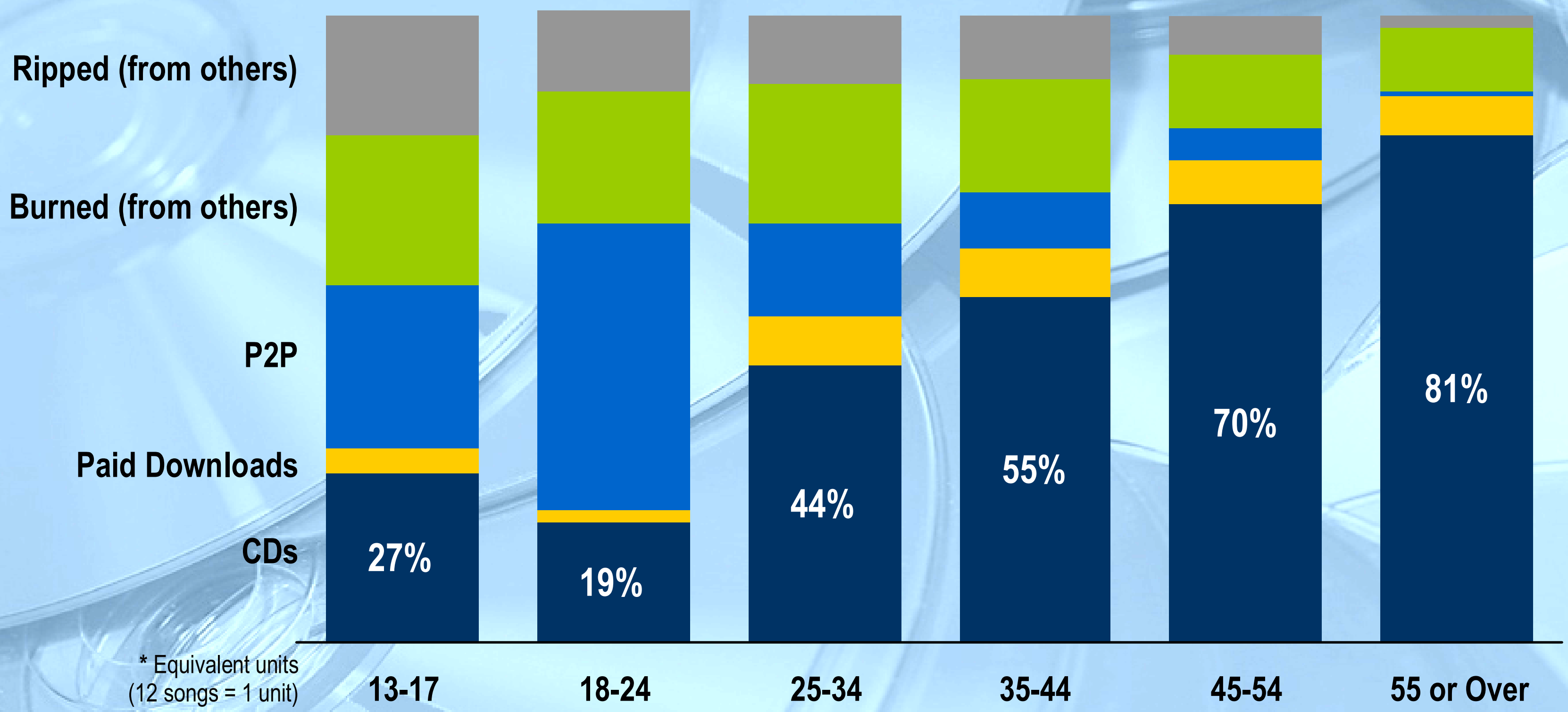
(Orange=Index of 120+/Green=Index of 80 or less; 100 Index= Average)

WHO'S DOING IT?



A Not So Gentle Reminder Of Acquisition Habits

% Of Music Acquired* *(among the US internet population age 13+)*

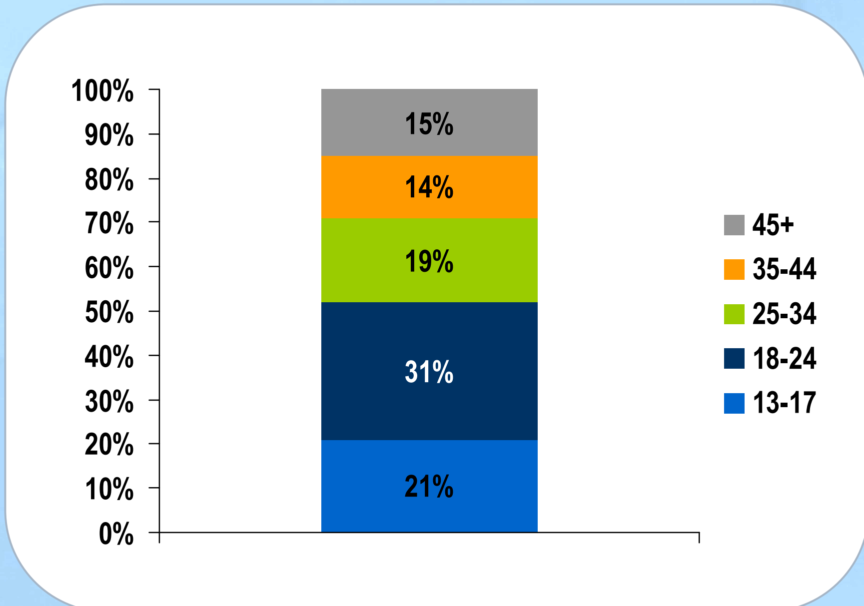


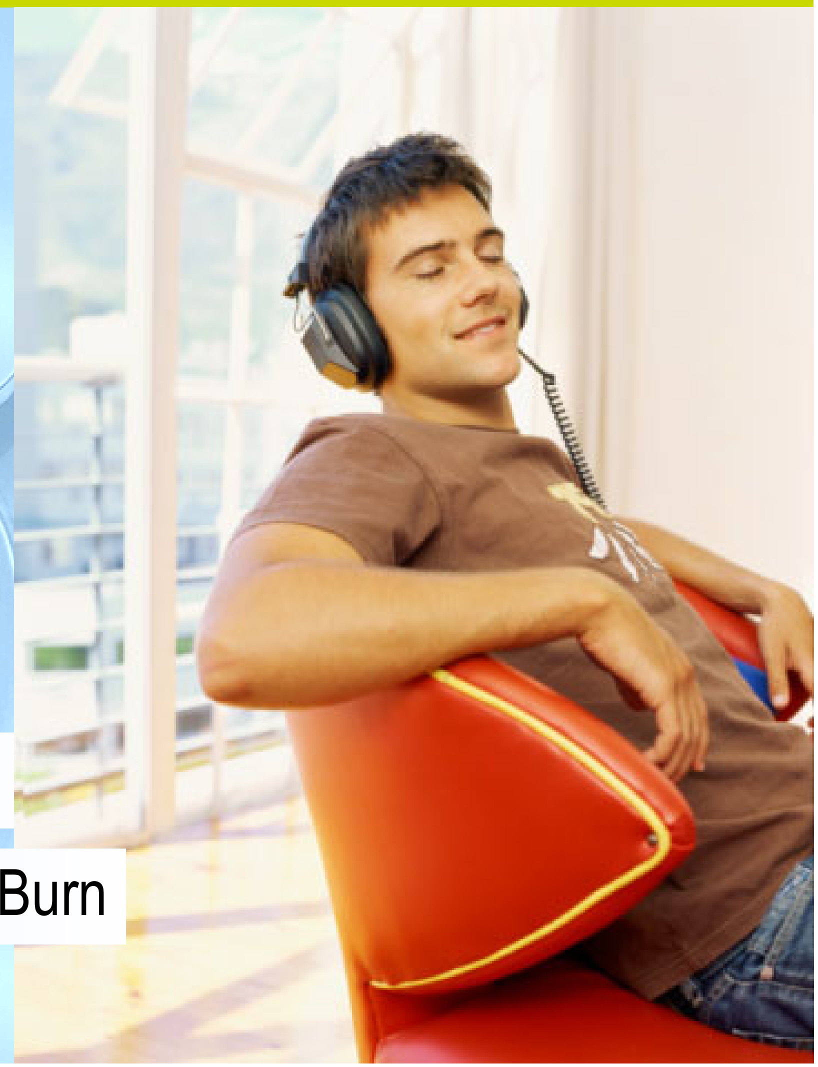
* Equivalent units (12 songs = 1 unit)

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?

Source: NPD Digital Music Study December 2005 (US Internet Pop. Age 13+)

P2P User





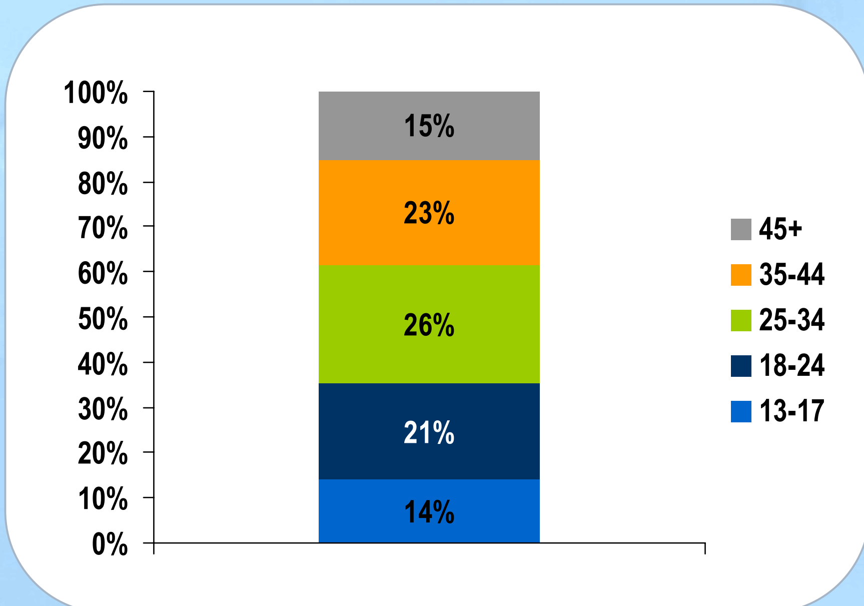
Mean Age:30

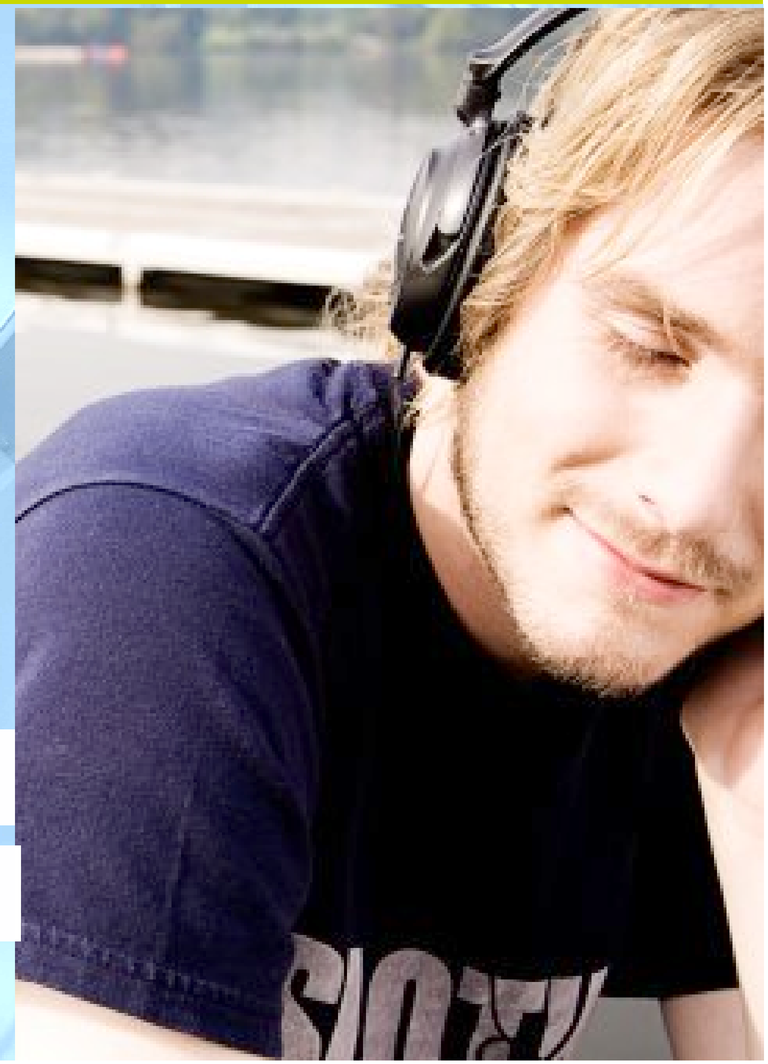
60% Male, 52% bought CD, 38% Borrow & Burn

Source: NPD MusicWatch, NARM Custom Research, April 2006; Digital Music Study 2005; MusicLab 2005

Behaviors are past six months; Bought CD means any CD, not necessarily the CD/track that was acquired digitally

Paid Downloader





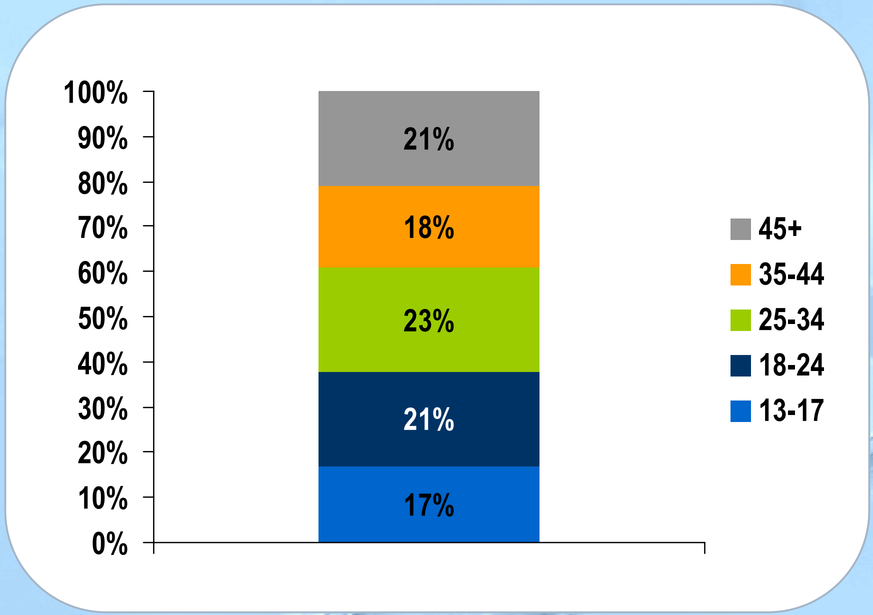
Mean Age:33

56% Male, 70% Bought CD, 22% Ringtone/tune

Source: NPD MusicWatch, NARM Custom Research, April 2006; Digital Music Study 2005; MusicLab 2005

Behaviors are past six months; Bought CD means any CD, not necessarily the CD/track that was acquired digitally

Burning to CD



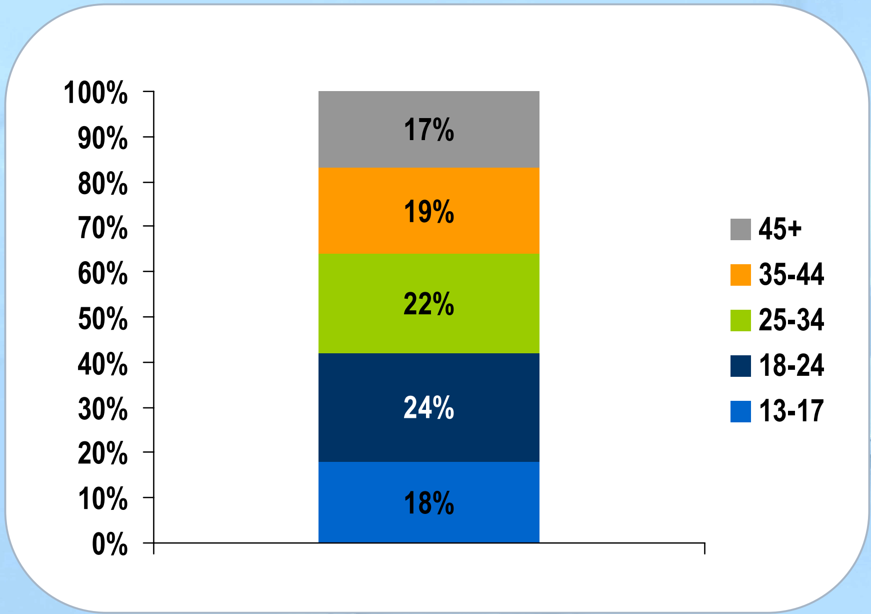
Mean Age:33

65% Male, 41% Burn from friends, 67% Buy CD

Source: NPD MusicWatch, NARM Custom Research, April 2006; Digital Music Study 2005; MusicLab 2005

Behaviors are past six months; Bought CD means any CD, not necessarily the CD/track that was acquired digitally

Ripping

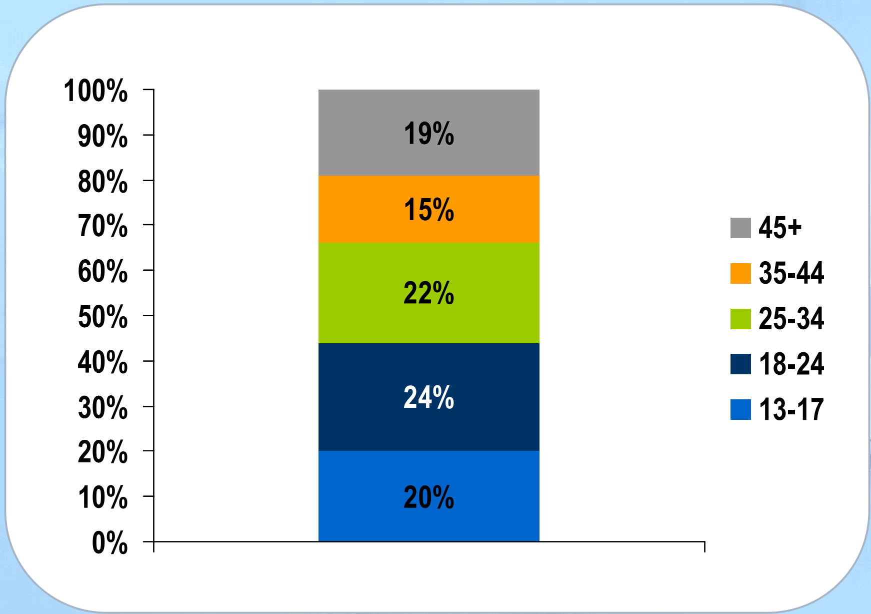


Mean Age:32

63% Male, 68% Buy CD, 38% Borrow & Burn

Source: NPD MusicWatch, NARM Custom Research, April 2006; Digital Music Study 2005; MusicLab 2005

Uploaded to Player



Mean Age:31

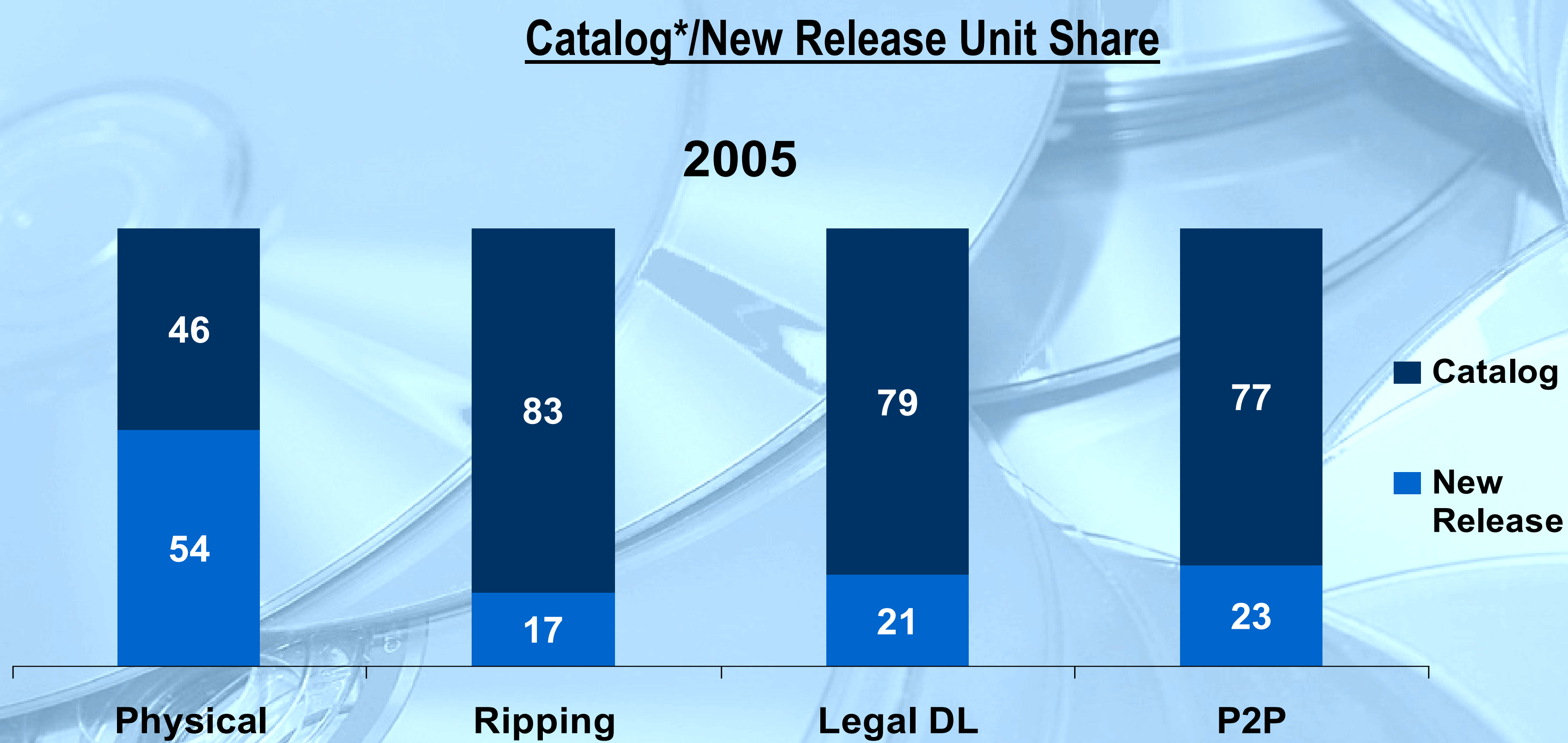
59% Male, 66% Buy CD, 35% Use P2P

Source: NPD MusicWatch, NARM Custom Research, April 2006; Digital Music Study 2005; MusicLab 2005

ABOUT THE TRACKS...

BEHIND EVERY BUSINESS DECISION

Digital is strongly catalog- reflecting environment that offers discovery and a deep selection. Rippers working with their own collection.

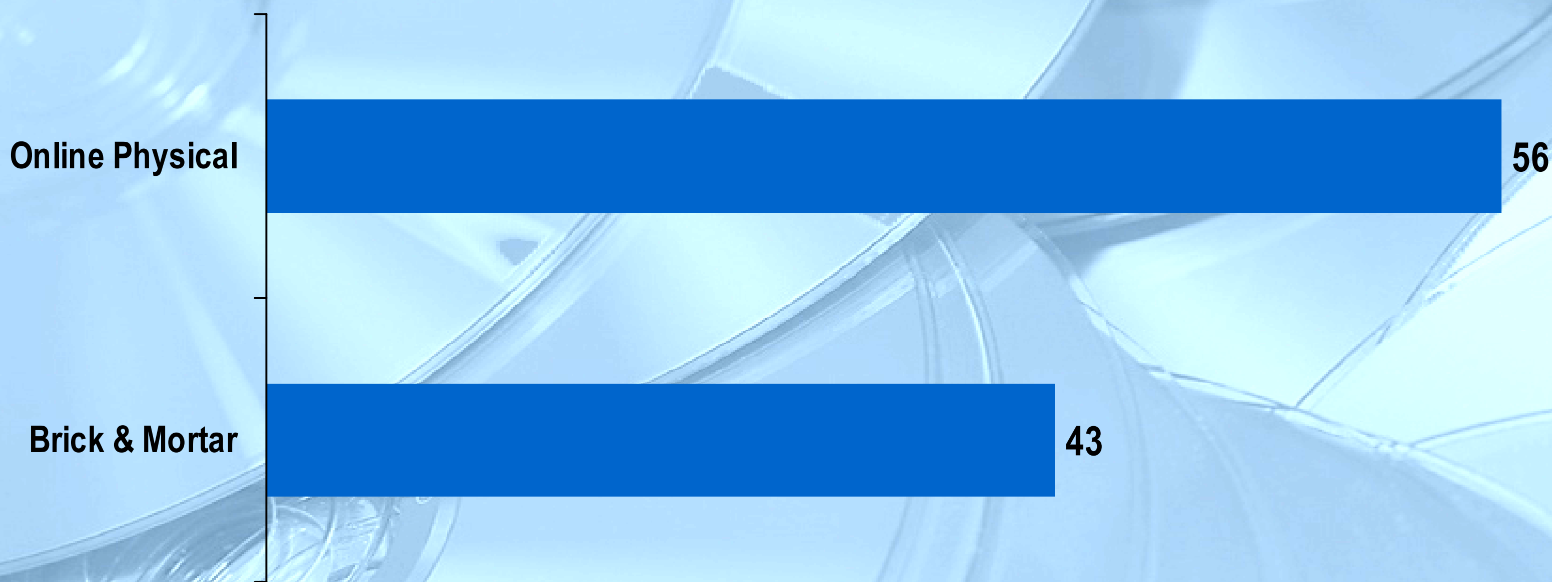


*Catalog is defined as any release that has been out for more than 18 months.

Source: NPD MusicWatch Digital & NPD MusicWatch

In fact, online physical sales are also skewed to catalog

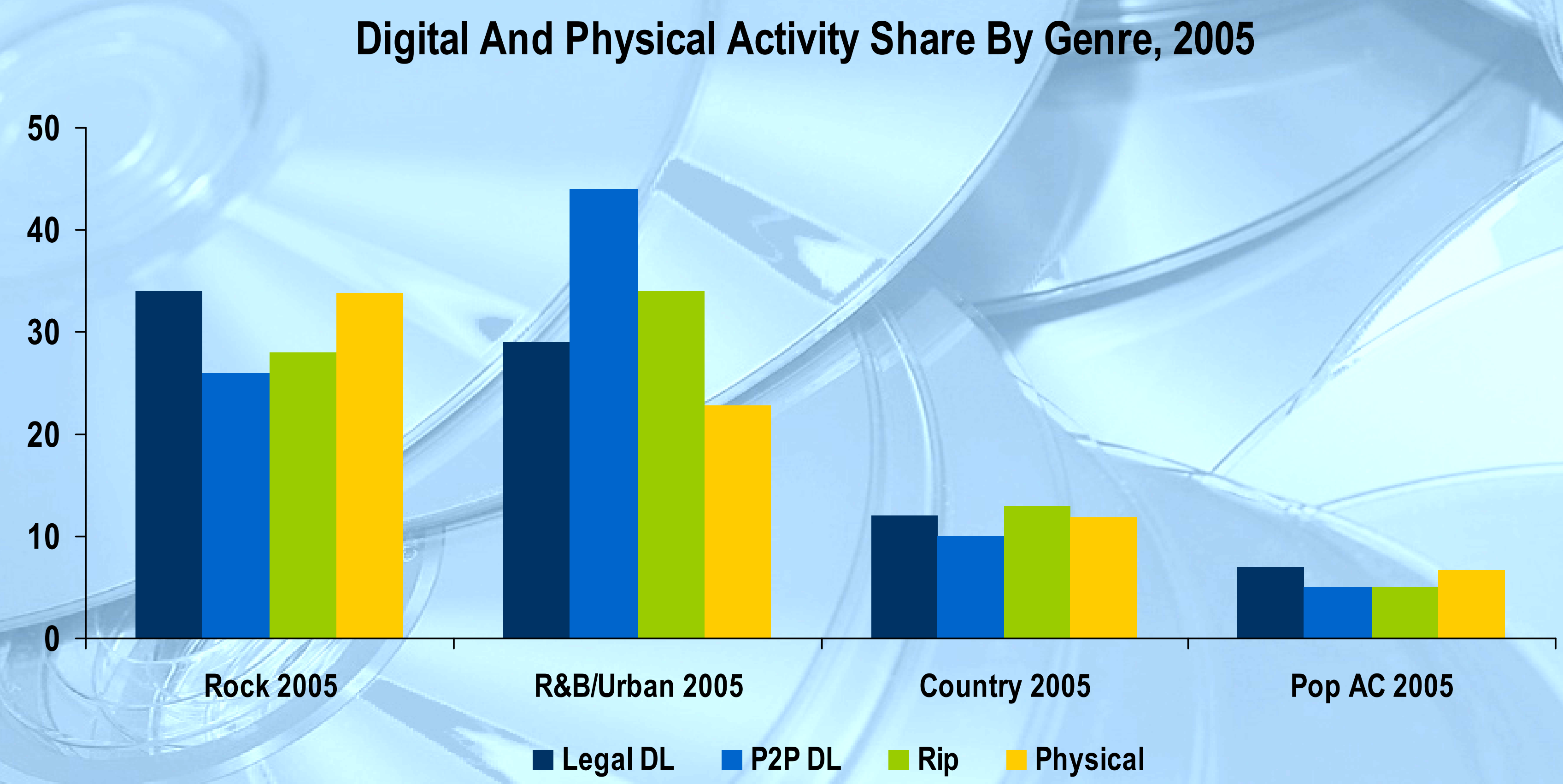
Physical Product Unit Share, 2005, Catalog Titles*



*Catalog titles are defined as being 18 months or more past street date

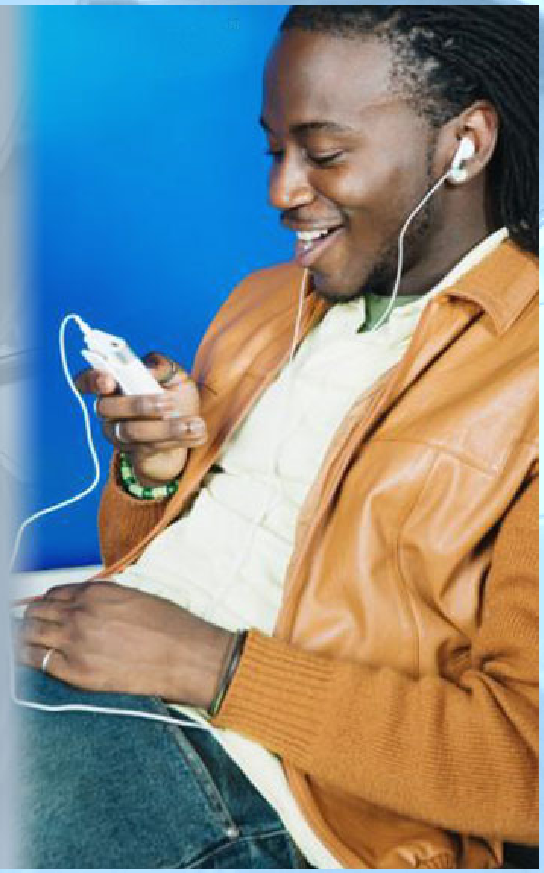
Source: NPD MusicWatch

Urban is genre with greatest share jump in digital space, esp. P2P (not surprising given singles nature of genre, young demo)



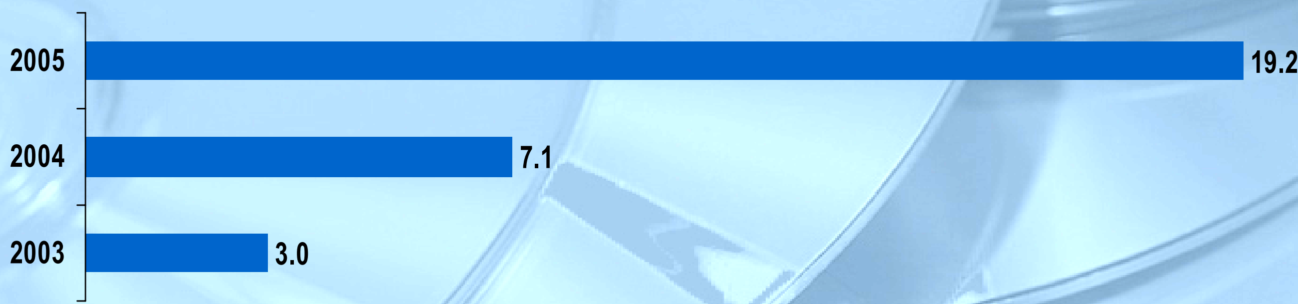
Source: NPD MusicWatch Digital Meter, MusicWatch

What's Done With The Tracks?



Portable Digital Audio Players- Effect on Digital Music Activities

Portable Digital Players, Unit Sales in Millions



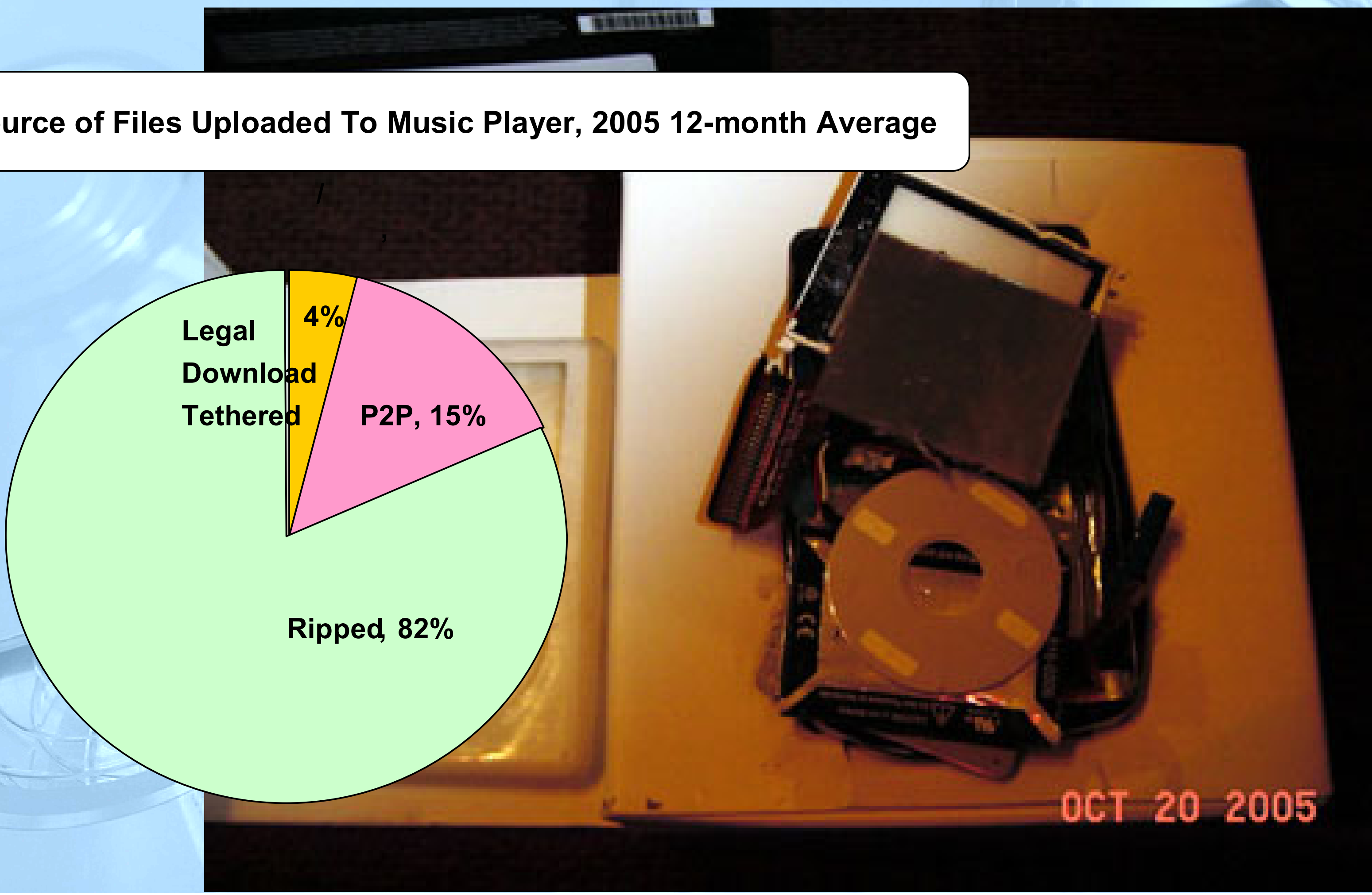
	% Change 2004-2005
Portable MP3 Players	271%
Uploads	242%
Legal D/L	213%
P2P D/L	45%
Blank Media*	11%

Source: NPD Consumer Technology, POS data

***Note: Blank CD falling while DVD is rising sharply**

What's inside those players?

Source of Files Uploaded To Music Player, 2005 12-month Average



Source: NPD MusicWatch Digital

Exploding the myths…

- Portable players cause file sharing
  - Two-thirds of player owners haven't downloaded from P2P

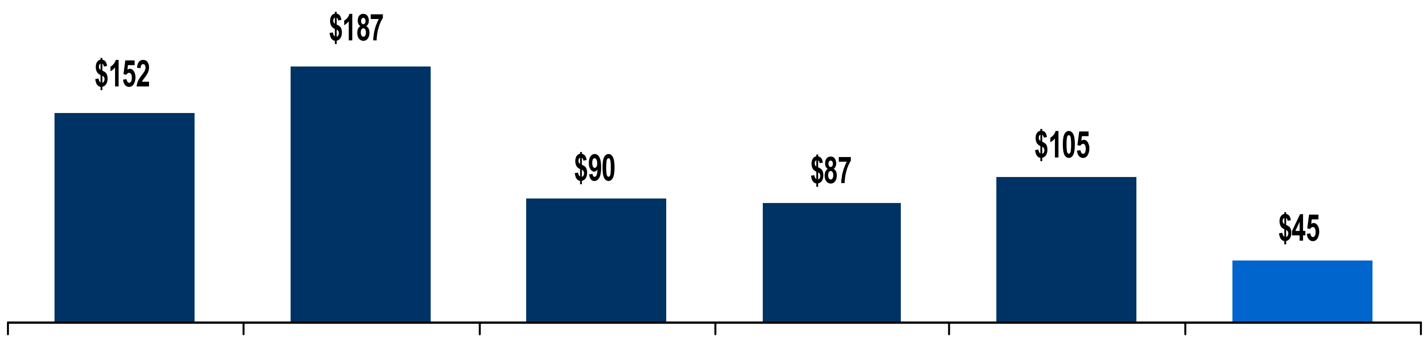
- Acquiring an iPod drives you to the iTunes store
  - getting one is a motivator to try legal…
  - but 58% of player owners haven't downloaded from a legal store

Source: MusicLab, 2005

The Collision of Digital and Physical

Those who were digitally engaged continued to spend more on music overall- “sharers” spending less on digital

Per Capita Music Spending (Past 12 Months)



	Paid DL	Digital Subscriber	P2P User	Burn From Other	Ripped From Other	No Digital Activity
CD	$88	$89	$71	$72	$80	$45
Digital	$64	$98	$19	$15	$26	$0

Source: NPD Digital Music Study December 2005

(US Internet Pop. Age 13+

The greatest cutback in CD spending came from those who used P2P or burned CD copies

Per Capita Change In Annual Music Spend
(Dec. 2005 compared to Dec. 2004)

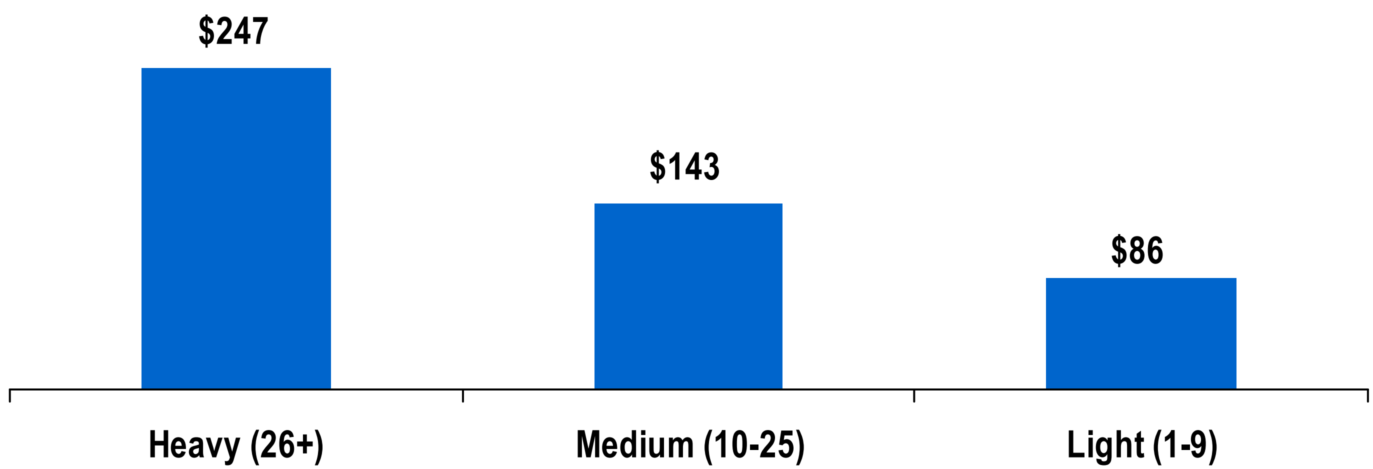
Segment: (did activity in prior year)	Paid Downloader	Sub-Scriber*	P2P	Burn From Other	Rip From Other	No Digital
Total change	$1	$4	-$7	-$8	-$1	$-3
CD	-$7	-$3	-$10	-$10	-$7	-$3

Source: NPD Digital Music Study December 2004 , 2005

(US Internet Pop. Age 13+)

Heavy and medium digital spenders are also spending on physical CDs

Per Capita Music Spending (Past 12 Months)



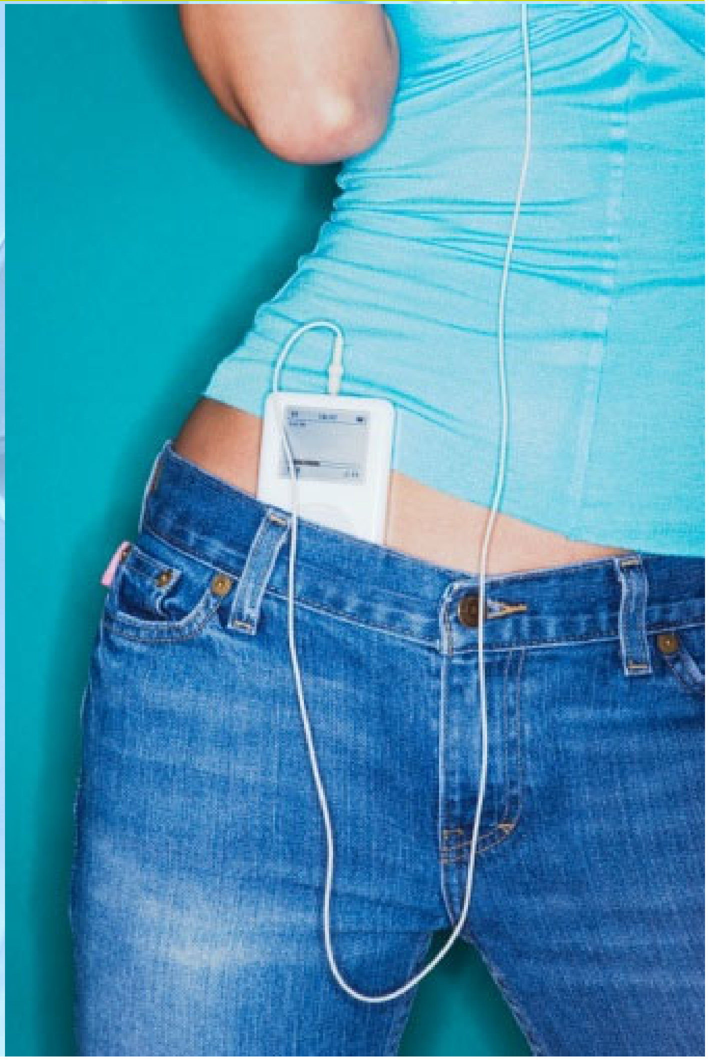
	Heavy (26+)	Medium (10-25)	Light (1-9)
CD*	$110	$92	$67
Digital*	$138	$50	$19

Source: NPD Digital Music Study December 2005 ** Difference due to rounding* *(US Internet Pop. Age 13+)*

Physical Retail Digital Concepts

Objectives

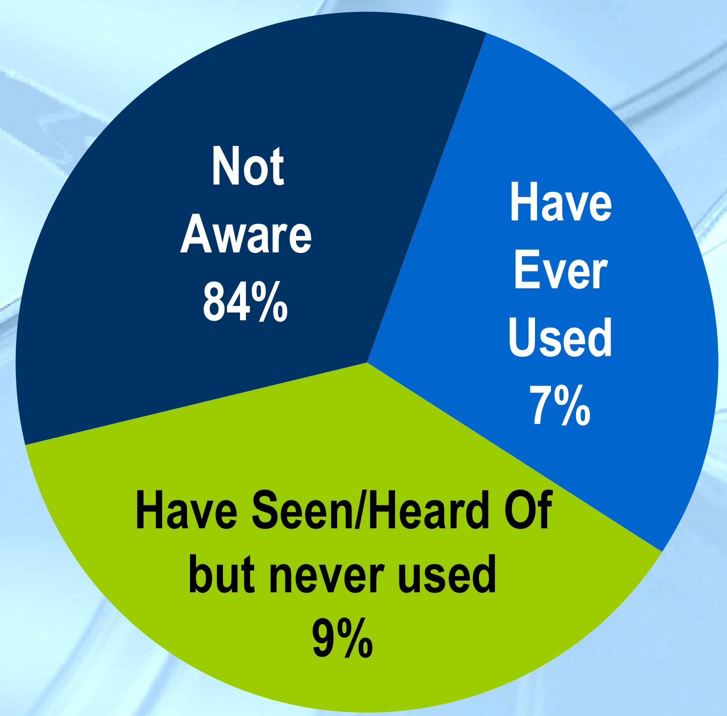
- Phase One showed “fair” interest in retail based digital alternatives…
  - **Insufficient consumer awareness ?**
  - **Outright rejection?**
- Test concepts of Digital Kiosk, Digital Bundle-benchmark to an iTunes-like Digital Store
- Measure:
  - **Overall strength of concepts**
  - **Likes/dislikes**



Nearly 9 out of 10 physical music buyers unaware of Digital Kiosks

"Many music stores offer one or more of the following products or services. Please tell us how often, if at all, you use each."

In-Store Kiosks for downloading digital music

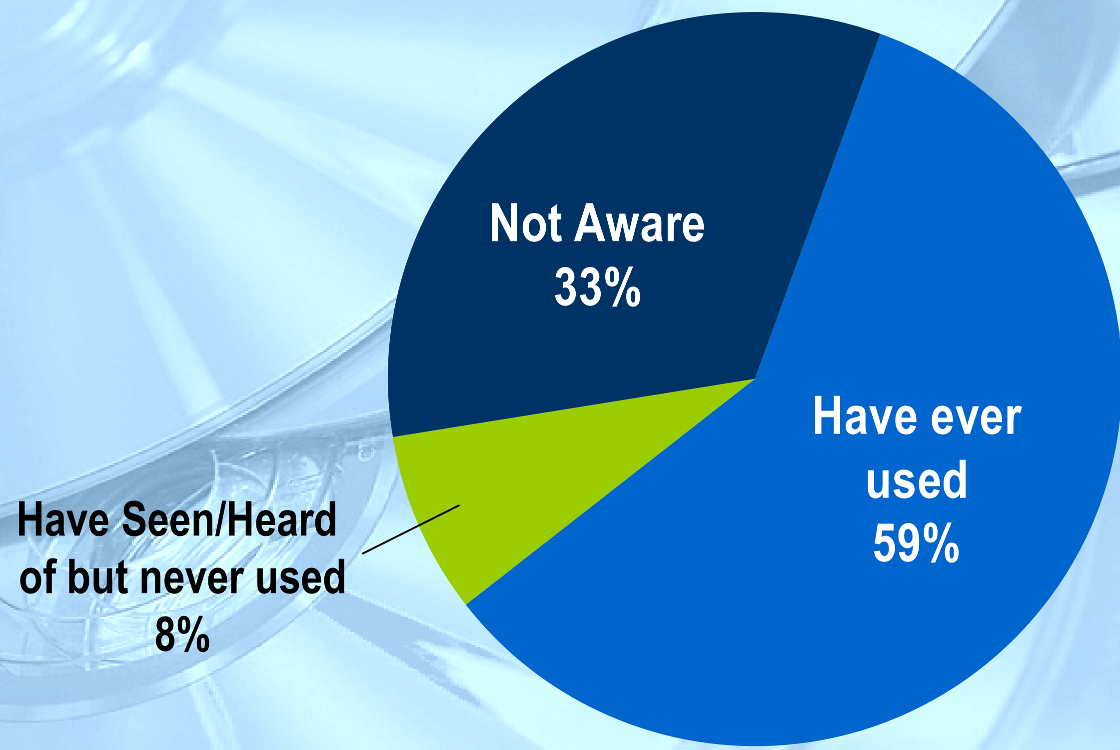


Base: 2178 Past Year Physical Music Buyers

By contrast, over half have used a listening station

"Many music stores offer one or more of the following products or services. Please tell us how often, if at all, you use each."

In-store listening stations– to preview select albums before purchasing



Base: 2178 Past Year Physical Music Buyers

Concept #1: Digital Kiosk

A Digital Kiosk is an in-store machine that has the following capabilities:

- Burn full CDs or individual songs
- Make CD compilations with customized content
- Download music directly from the kiosk to your portable digital music player or cell phone
- Create artwork for burned CDs
- Offers suggestions for additional music/artists (dependent on your likes/dislikes)
- Completely secure credit/debit card transactions, no need to visit the register
- Encyclopedia of music/artist information
- Download music to send to your home/work computer
- Ability to download ringtones/ringtunes/ringbacks
- Access to ringtones/ringtunes/ringbacks or songs that have not been released
- Ability to place an order for a CD that hasn't been released yet
- Sign up for free text messages when your favorite artist releases new music or is touring nearby

Concept #2: Digital Bundle

A Digital Bundle would be available at a store when you purchase a physical music product. The bundle would include a card that provides access to a website that may offer the following:

- Access to various music songs, such as
  - More music from the artist you purchased as part of the bundle
  - New music from artists who are similar to the artist you purchased as part of the bundle
  - Songs from local artists
  - Songs that are not yet released
- Access to special content such as artist interviews
- Ability to burn the digital music to a CD
- Ability to upload the digital music to a portable music player
- The digital content would be free of spyware/viruses/adware
- Discounts on concert tickets
- 60-day access

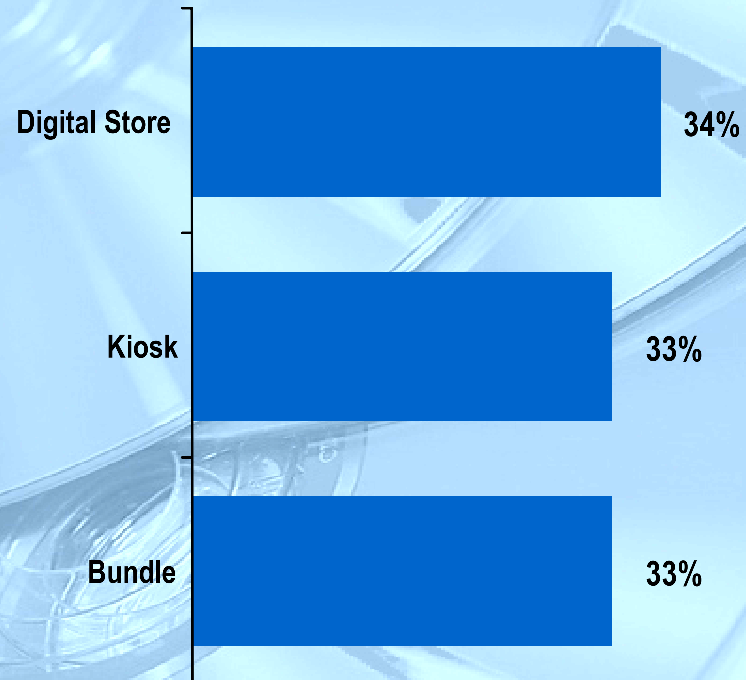
Concept #3: Digital Music Store

A Digital Music Store is an online service where you pay to buy single songs or entire albums. The Digital Music Store might offer:

- Access to millions of songs available for paid download (individual songs or entire albums)
- New music is available the same time as in a traditional store
- Ability to burn the songs you buy to a CD
- Ability to store the songs you buy on your computer and/or upload to a portable music player
- The digital content would be free of spyware/viruses/adware
- Special bundles or bonus songs

"Reasonable" level of interest among physical buyers considering most have never seen or heard about these concepts

Top Two Box Score- Very/Somewhat Interested in Using



Among Physical Music Buyers-past year

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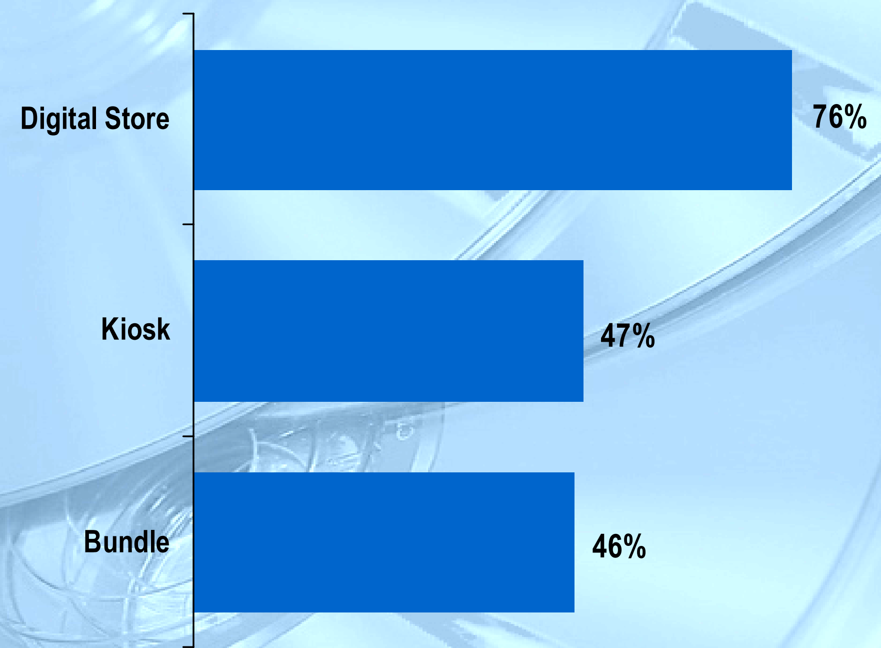
BEHIND EVERY BUSINESS DECISION

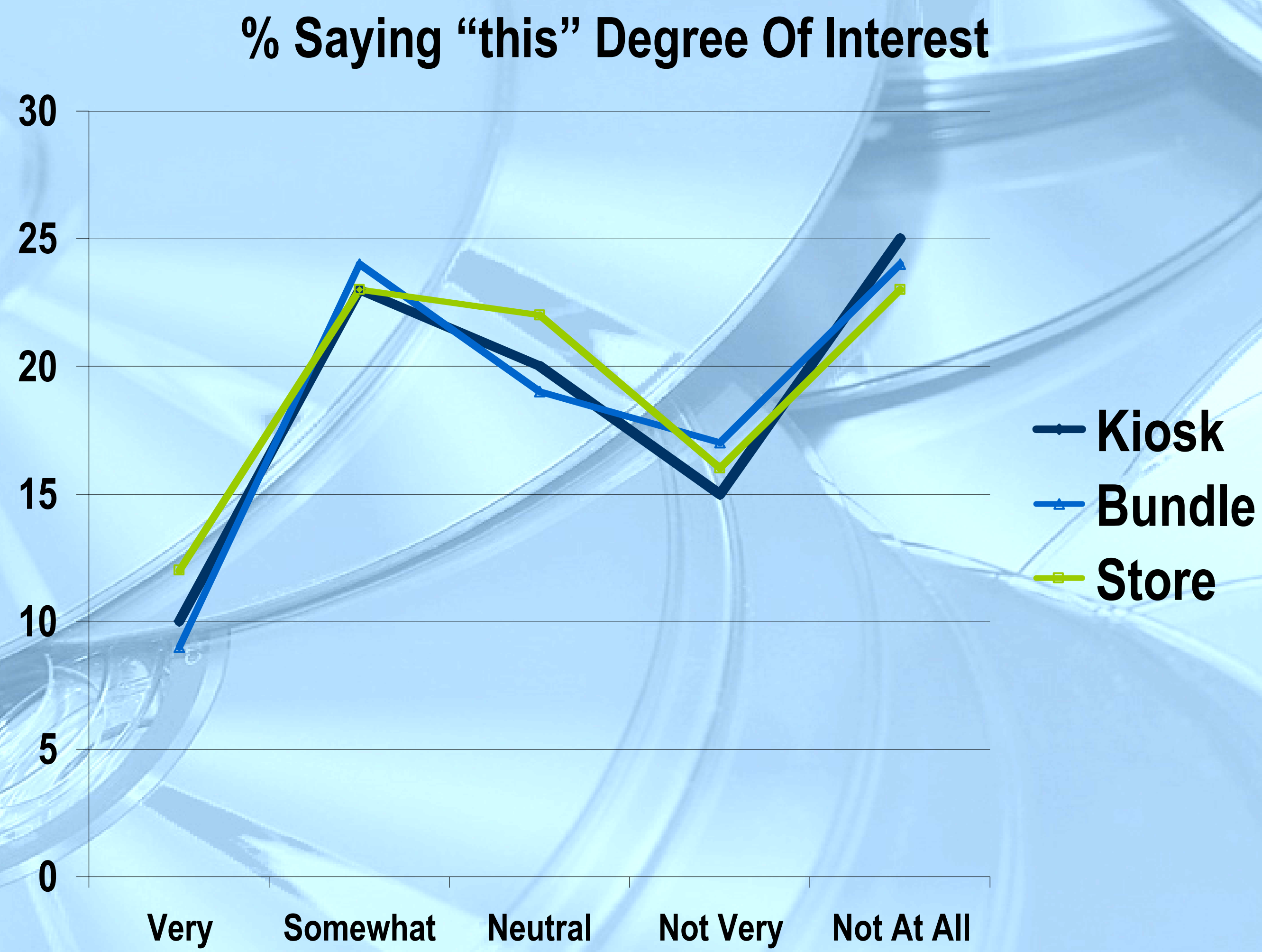
Digital Music Buyers show greater interest; nowhere near the digital store; not surprising for new concepts

Top Two Box Score- Very/Somewhat Interested in Using



Among Digital Music Buyers-past 6 mos

"Interest Profiles" are similar across concepts

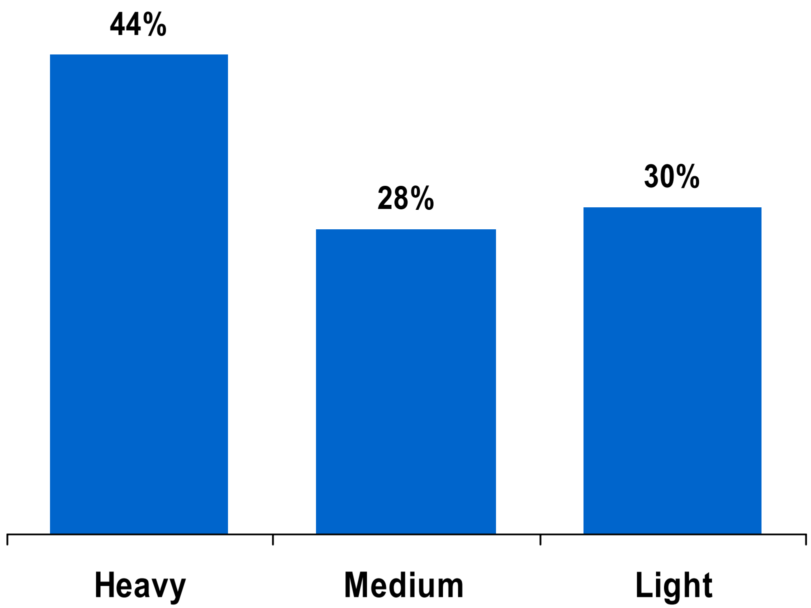


Base: Physical Music Buyers

Concepts must score higher among heavy/frequent/engaged buyers; these do

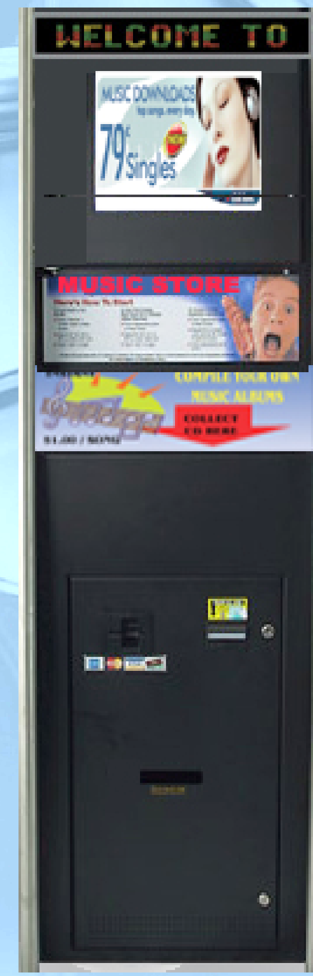
Top Two Box Score- Very/Somewhat Interested in Using

Kiosk

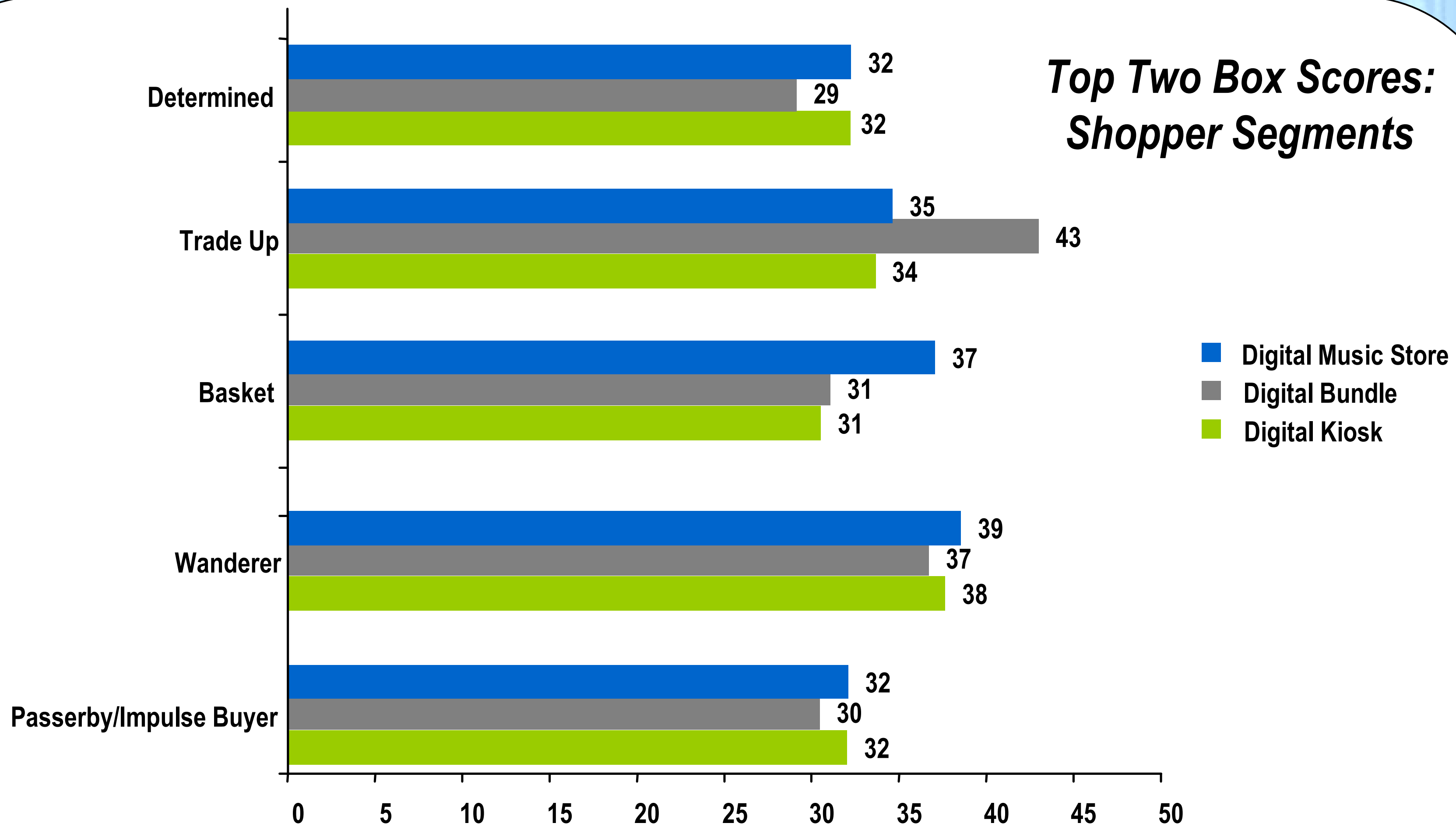


	Heavy	Medium	Light
Bundle	40%	33%	27%
Dig Store	38%	36%	30%

H/M/L based on spending on physical – past 12 mos



Concepts may have draw for all types of shoppers. TradeUps favor the bundle, whereas Basket buyers will shop digital for immediacy



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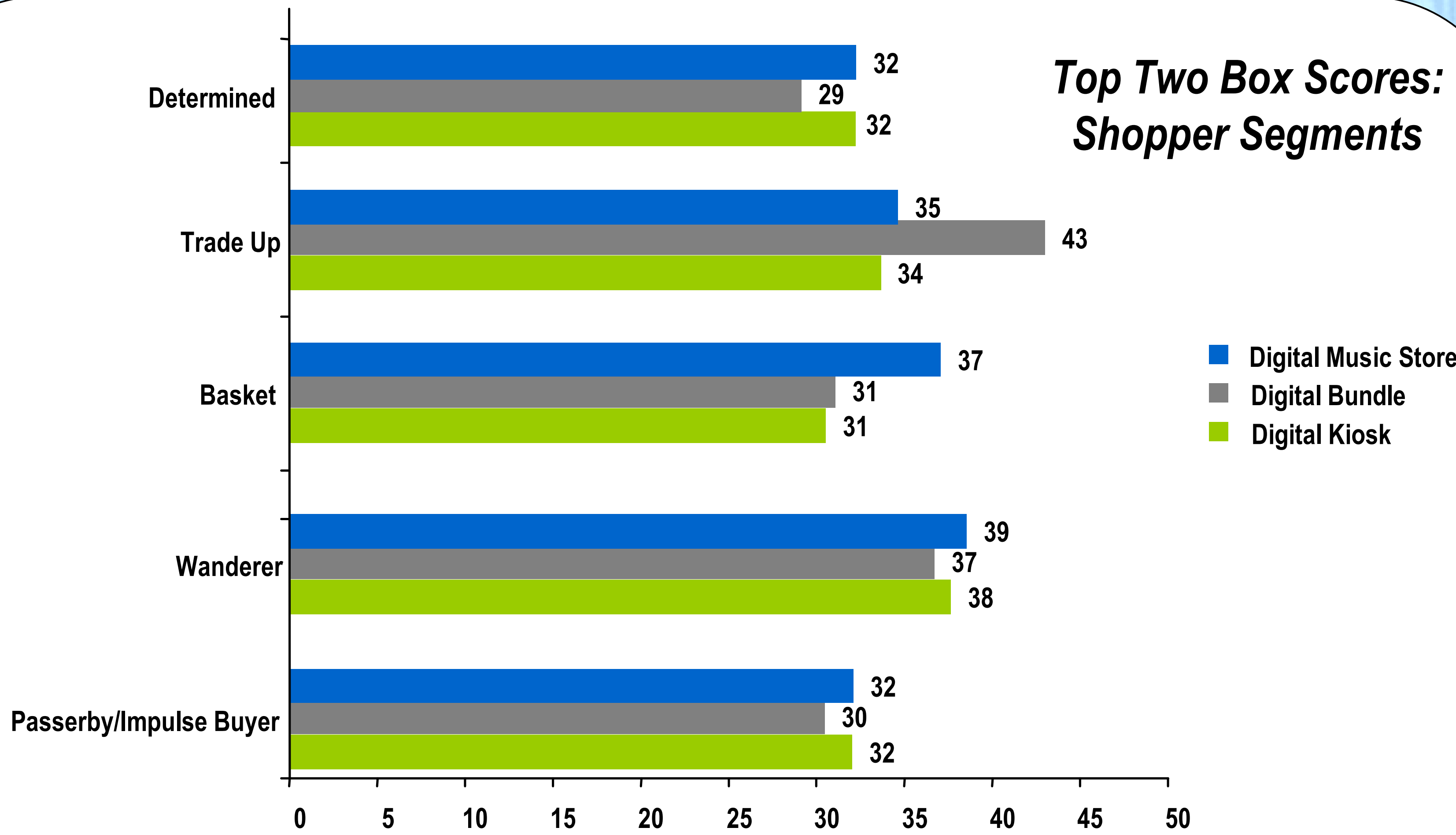
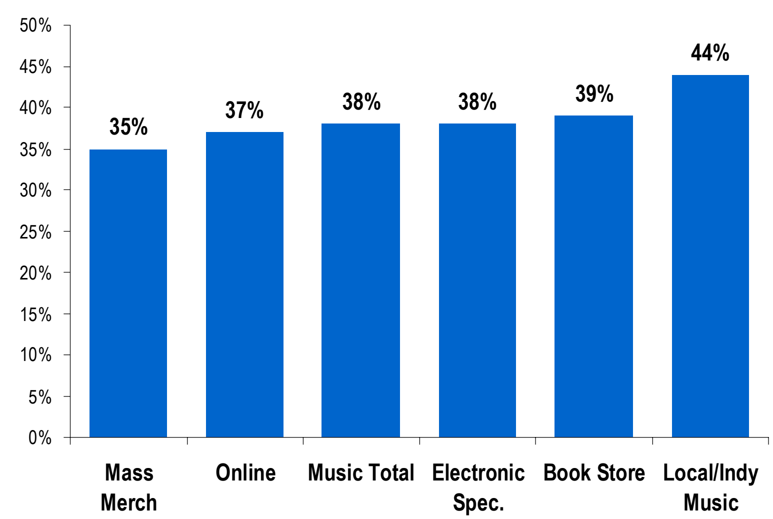


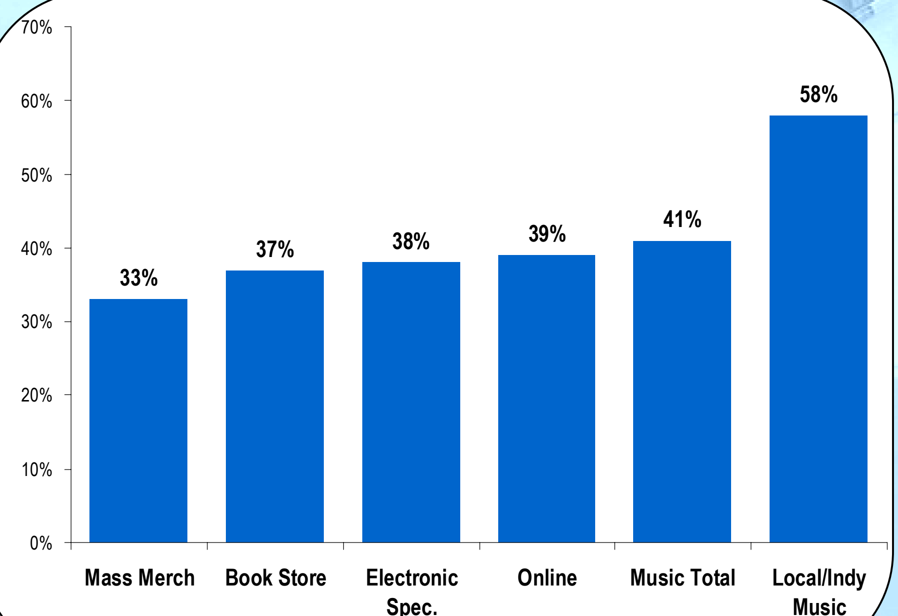
Indie Shoppers most receptive…esp. to bundle. Remember that most shoppers patronize across channels.

% Of Music Shoppers Saying Very/Somewhat Interested: By Channel

Kiosk



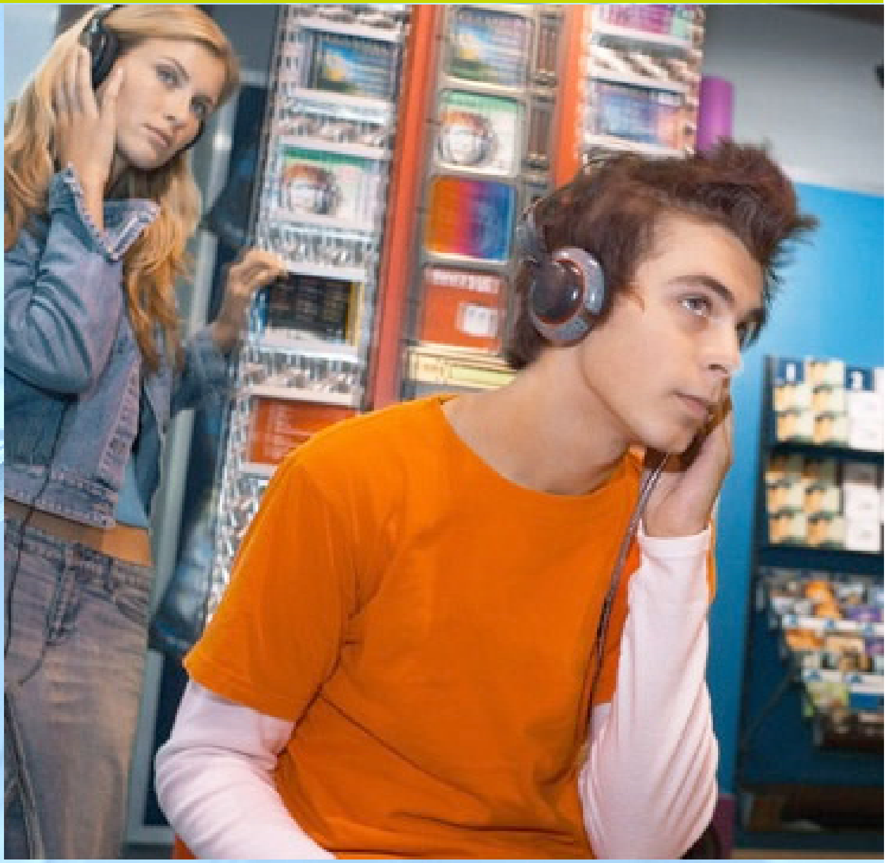
Bundle



Base: Physical Music Buyers In Channel- Past Yr.

Can we grow retail by 5%?

- 140 million music buyers annually (13+ years of age)
- 33% top box interest in kiosks/bundle
- assume every buyer can locate kiosk or bundle
- 46 million potential buyers
- $10 per annum incremental spend (less than ave. iTunes buyer)
- $460 million or 5% incremental growth

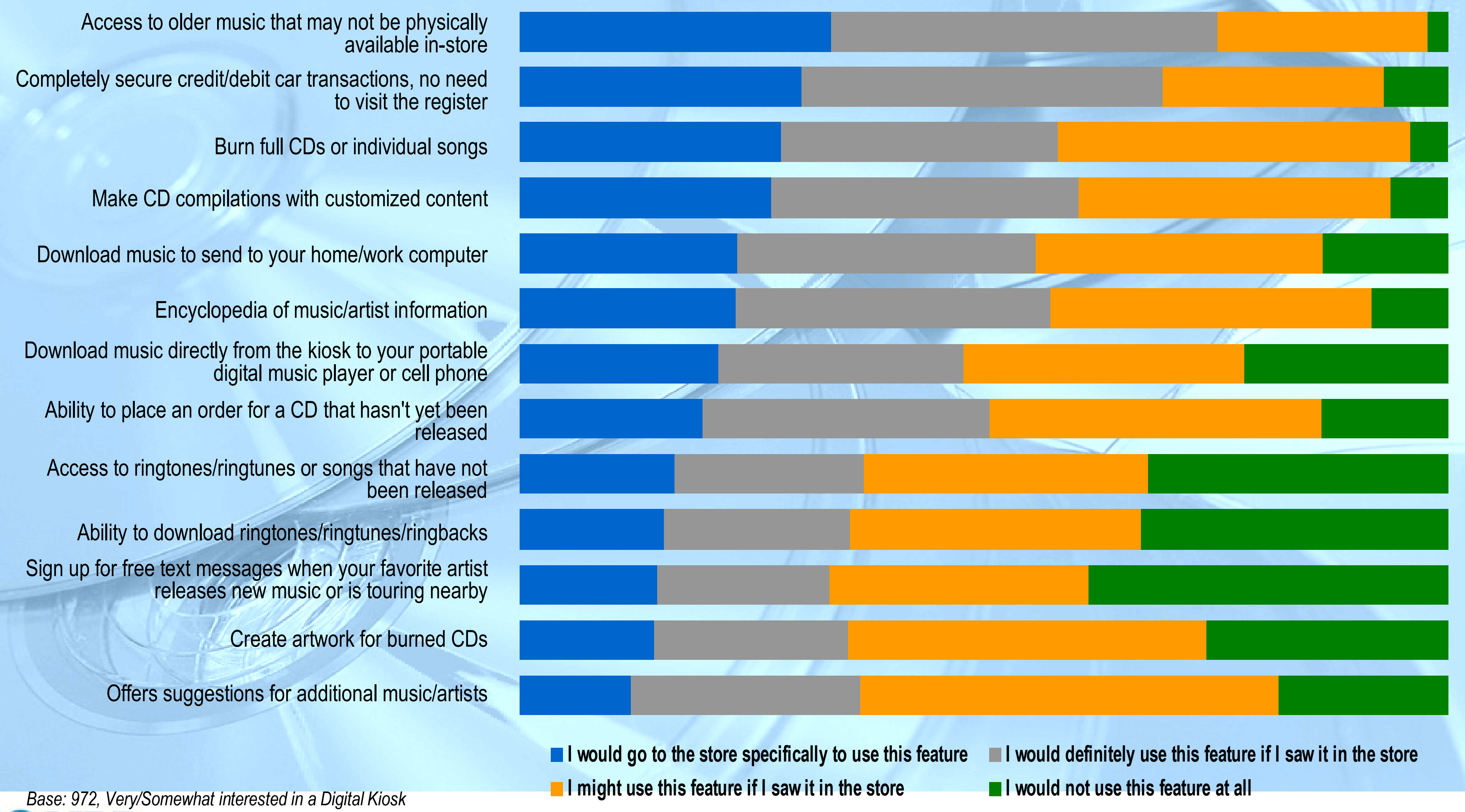


Features

- What features resonate, and how intensely?
- What does the feature accomplish:
  - **I would go to the store specifically to use it (4)**
  - **I would definitely use if saw it in the store (3)**
  - **I might use it if I saw it in the store (2)**
  - **I would not use it at all (1)**
- Used similar importance scale for Digital Music Store (very-not at all)

Digital Kiosk benefits- catalog/out-of-stocks plus the flexibility to mix and burn

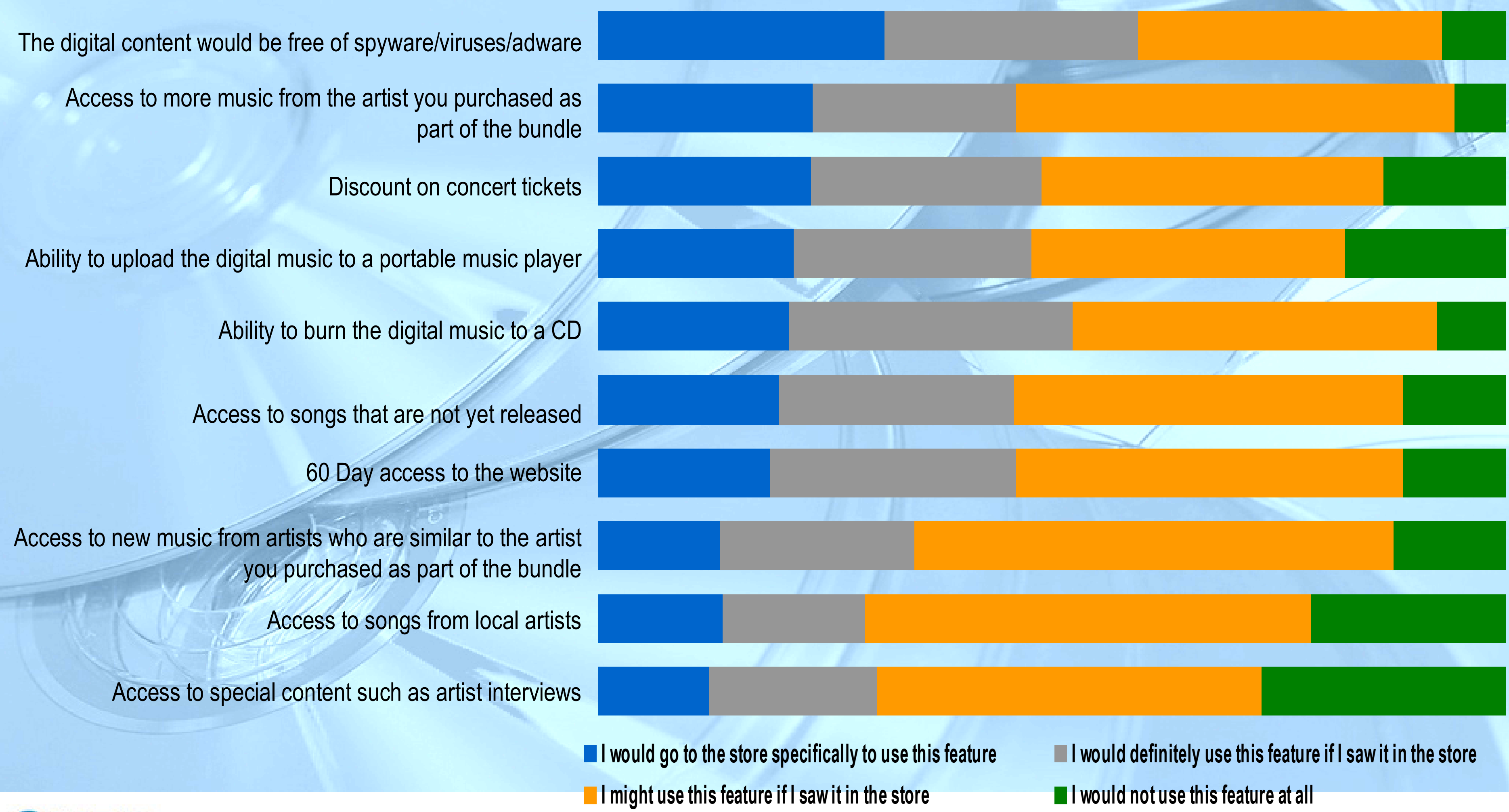
For each of the following features of a Digital Kiosk, please select the statement that best describes your interest



Base: 972, Very/Somewhat interested in a Digital Kiosk

But, there's more "neutrality" in the bundle- consumers not as convinced of utility compared with the Kiosk

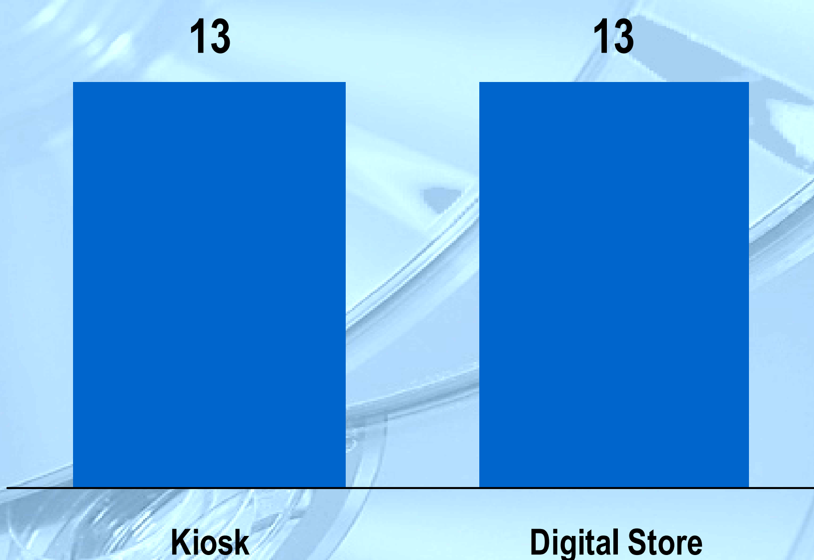
For each of the following features of a Digital Bundle, please select the statement that best describes your interest



Base: 955, Very/Somewhat interested in a Digital Bundle

13 is the lucky number for expected minutes to complete the transaction, but many want under 10 minutes

How Long Would You Expect The Entire Process To Take?

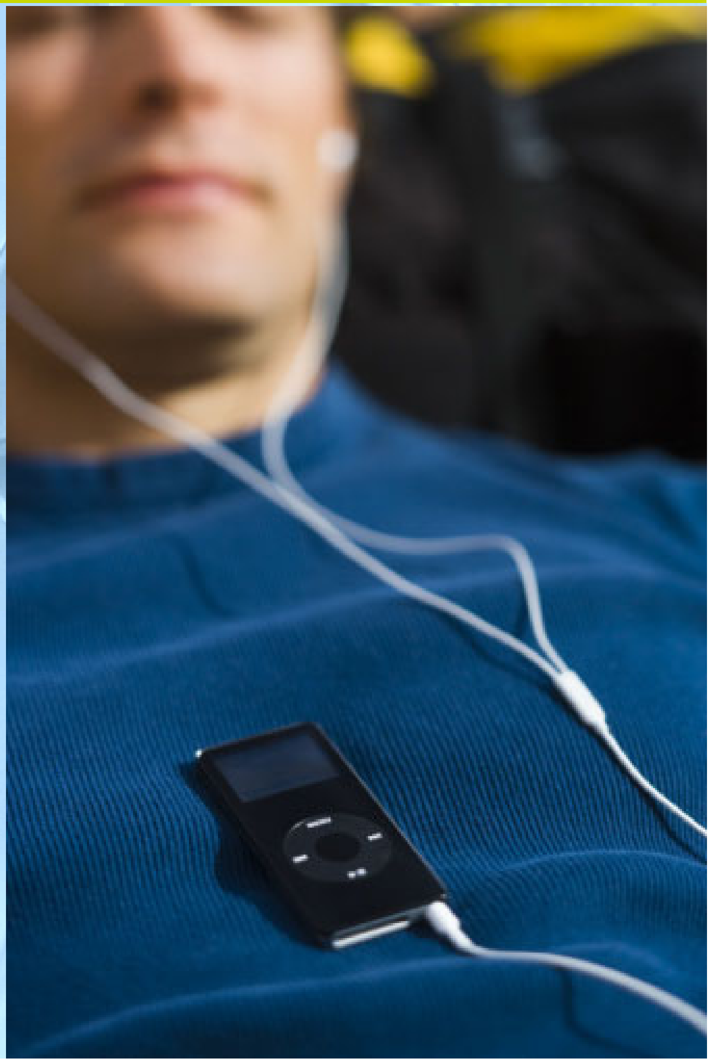


	Kiosk	Digital Store
% Under 10 minutes:	46%	51%

Among Top 2 Box Interest

Digital offerings show more gender balance than other digital activities today- stronger African American appeal

Demographic	Digital Kiosk	Digital Bundle	Digital Music Store
Mean Age	34	33	35
Gender	M: 50% F: 50%	M: 54% F: 46%	M: 56% F: 44%
Mean HH Income	$62,000	$66,000	$71,000
% Non-White	24%	23%	20%

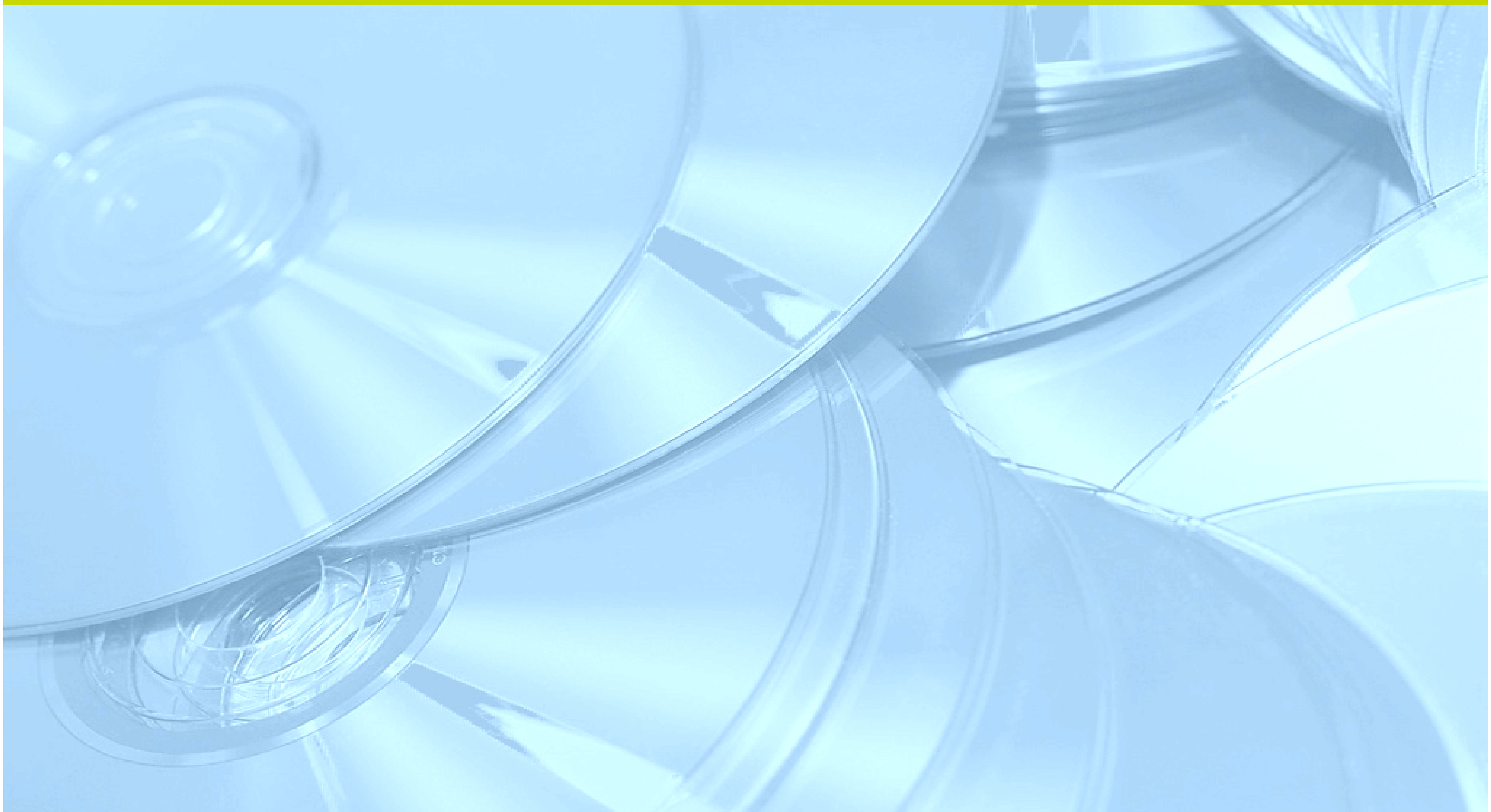


Base: Top 2 Box

Comments on In-Store Digital Options

- Low awareness for kiosks but high usage for listening stations- will kiosks get that level of usage?
- Maybe. There's reasonable interest overall.
  - **Would like to see more "VERY" definite users**
  - **But scored well among potential targets- heavy buyers and digital users**
- Bundles fit in with the heavy buyer "content feast"- there's a lesson there for physical bundling and digital bundling.
- There is a clear benefit for retailers in having a mechanism to offer (deep) catalog, cover OOS's and for becoming a center for creating legal, revenue generating burnable content, including mixes/compilations
- Interest varies by shopper segment but it's worth testing whether the mainstream music buyer will respond to kiosks/bundles

Appendix



Music Playing: Ownership & Usage By Segment

Q:Which of the following do you currently own and use regularly for the purpose of listening to music?

Device	Determined	Trade-Up	Basket	Wanderer	Passerby/ Impulse
CD Player (home portable, in-car)	90	90	89	84	90
Computer/Laptop to listen to CD	44	58	48	46	44
High-speed Internet Connection	39	41	38	41	31
CD Burner/Recorder	39	41	38	39	32
Portable Dig Music Player	25	40	23	33	24
Portable DVD Player	13	23	18	27	22
Web-enabled Cell Phone	6	21	11	16	8
Portable Video-gaming Device	5	10	7	14	5
Portable Satellite Radio	6	13	7	5	5
PDA	2	5	4	3	3

Source: NPD MusicWatch, NARM Custom Research, April 2006

Past Year Digital Activity Demo Side-by-side Breakdown

Demo Share of Activity In Past 12 Months

Past Year Activity:	Bought Physical CD	P2P Downloaded	Paid Download	Ripping	Upload To Portable Player
13-17	10	19	11	15	18
18-24	13	28	19	22	28
25-34	20	22	26	24	24
35-44	21	17	25	20	17
45-54	21	10	13	12	7
55+	16	3	6	7	6
African-American	9	9	7	9	9
Male	48	56	59	62	68
Female	52	44	41	39	32

Source: NPD Digital Music Study, 2005; MusicLab 2005

Heavier TradeUp buyers value digital “mixability” but not immediacy (Kiosk??) Basket buyers often wait to buy physical, so digital offers immediacy

Shopping Segments- Index of Reasons For Preferring Digital

(Blue= 120+/Green= <80)

	Determined	Trade-Up	Basket	Wanderer	Passerby/ Impulse
Pick Songs Instead of album	Low		High		
Make CD Mixes		High			Low
Purchase Immediately	High	Low			
Online More Convenient			High		
Listen To On Player/CPU			High		
Purchase Older Music					
Purchase Lesser Known Artists					
Better Value Than Physical Music					
Like Digital Music Store Experience					

NPD Group, NARM Custom Research, April 2006

TradeUps also want liner notes whereas our inveterate shoppers, Wanderers, enjoy store experience

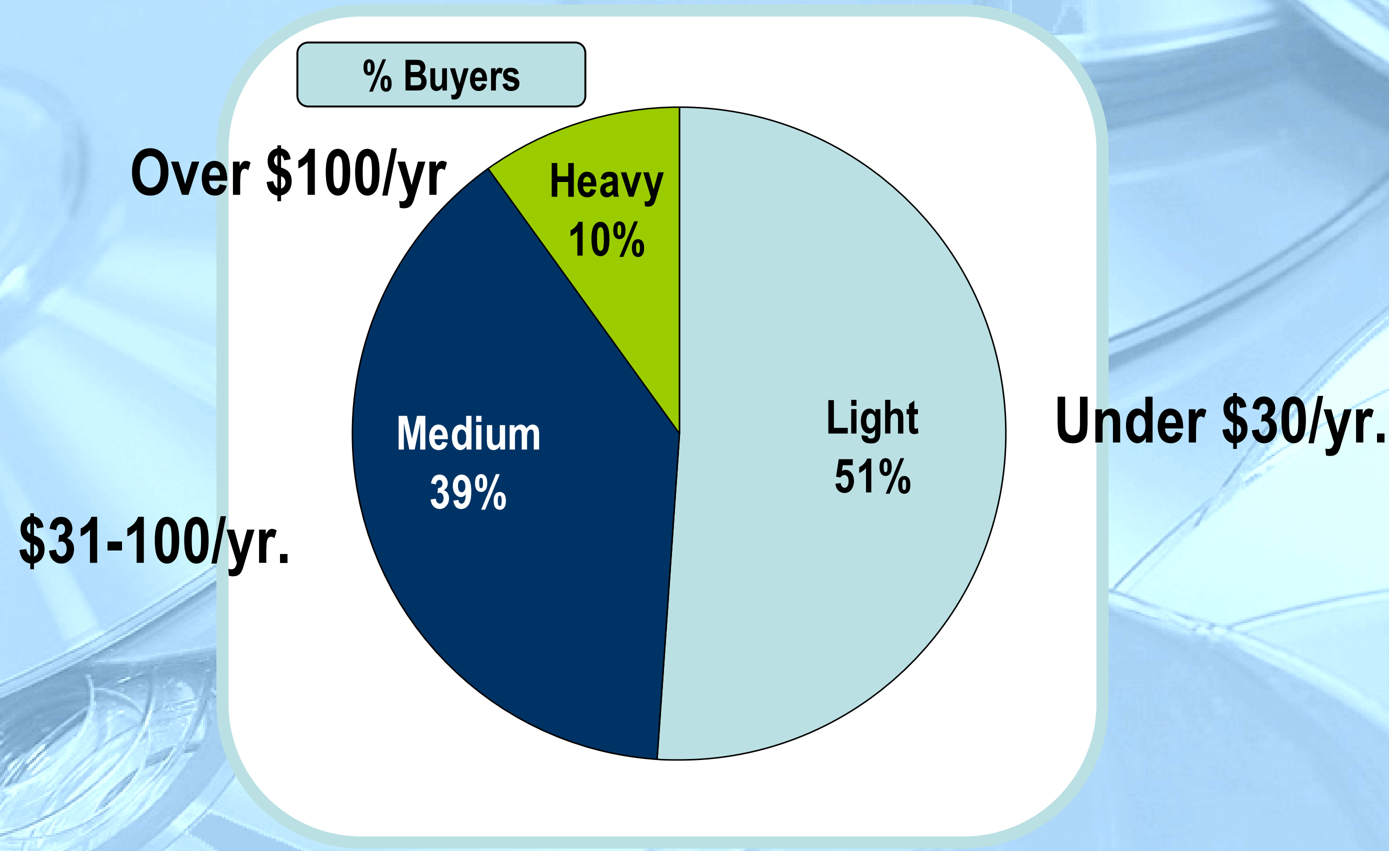
Shopping Segments- Index of Reasons For Preferring Physical

(Blue= 120+/Green= <80)

Preferences	Determined	Trade-Up	Basket	Wanderer	Passerby/ Impulse
Like Most Songs					
Long-Time Fan					
Convenient	High				
Buy As A Gift					
Store Experience				High	
Buy When Shopping for Other Items			Low		High
Liner Notes/Lyrics		High			Low
Don't Like Using Credit Card Online					
Unsure How To Do Digital					

Source: NPD Group, NARM Custom Research, April 2006

Heavy/Medium/Light Physical Buyers



Heavy buyers more engaged in all music related activities

Your activities- past 6 months

	Heavy	Medium	Light
Listened to music on a regular (terrestrial) radio	63	64	52
Listened to CD's on a computer	74	56	44
Burned songs (NET)	56	39	32
Listened to music on online radio	45	36	27
Searched online for new music	43	30	22
Burned songs from my own pre-recorded CD(s)	42	29	19
Ripped music onto my computer	37	26	22
Burned digital songs onto a CD(s)	34	25	24

Your activities- past 6 months

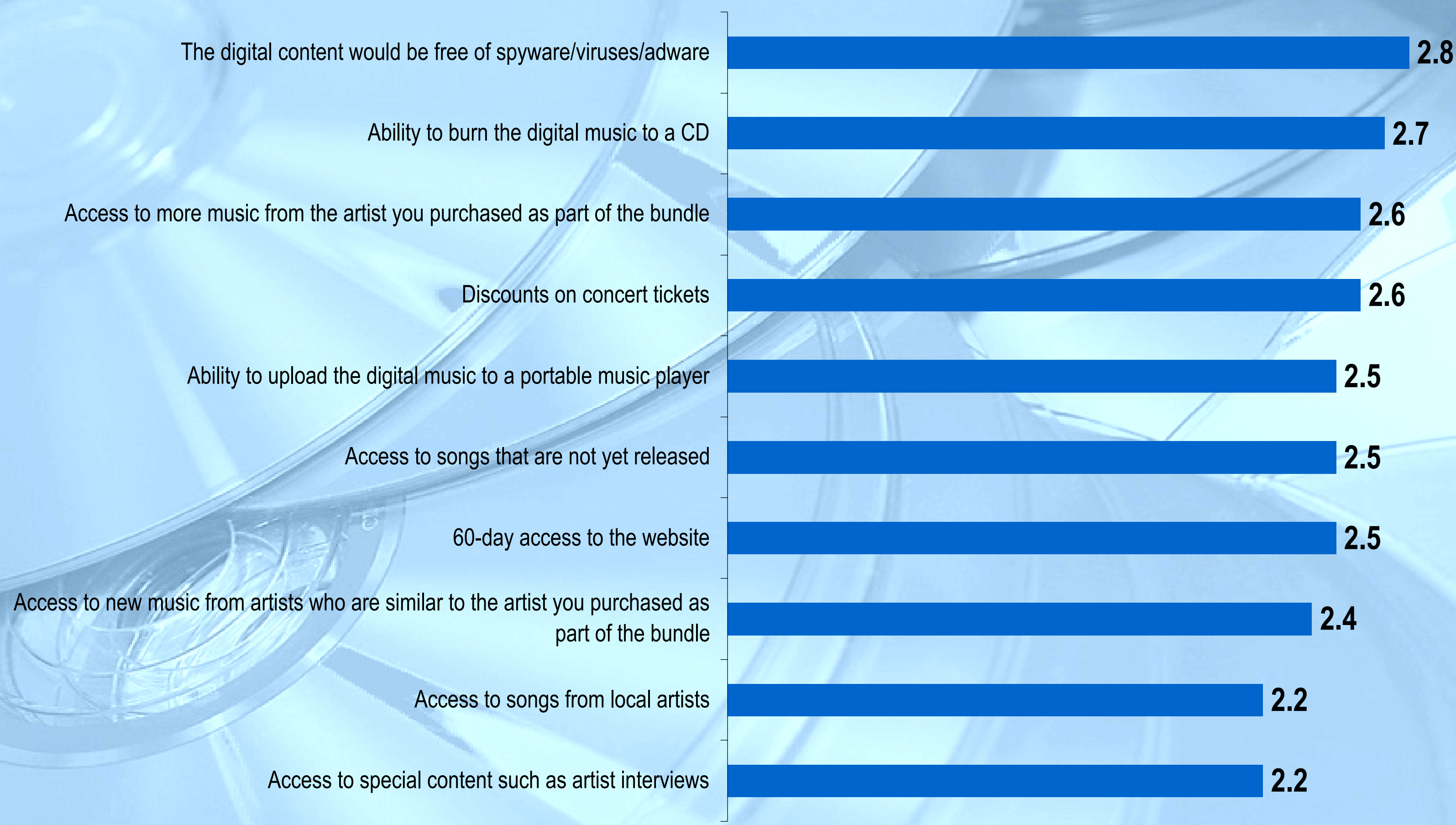
	Heavy	Medium	Light
Searched concert/tour info	37	27	17
Watched music videos online	33	23	20
Transferred music onto a portable digital music/MP3 player	36	23	16
Burned songs from a friend's pre-recorded CD(s)	25	18	14
Paid a fee for music (NET)	23	12	11
Downloaded music from a free file-sharing service	17	14	12

Your activities- past 6 months

	Heavy	Medium	Light
Purchased ringtones or ringtunes for my cell phone	17	15	10
Paid a fee to permanently download a music file	18	11	8
Sent a song file through e-mail or Instant Messaging	13	9	6
Paid a monthly fee for Satellite Radio (XM or Sirius)	17	5	3
None of the above	1	4	8
Paid a fee to permanently download/stream music	6	2	3
Paid a monthly subscription fee to stream or temporarily download music	2	1	4

Bundle- security, portability, added value

Digital Bundle Mean Scores: 4 Pt Scale

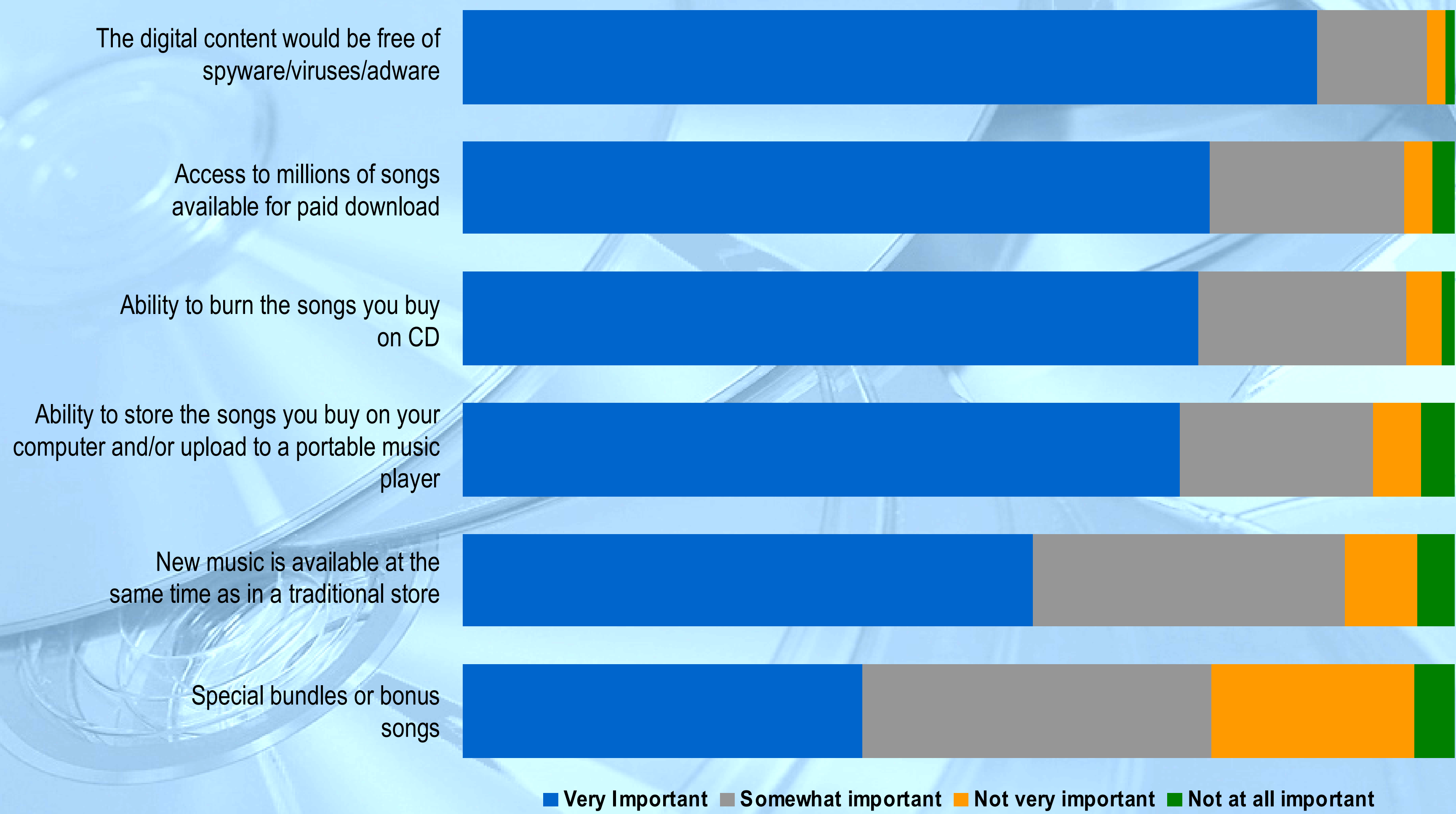


Features- comparing “Apples” to oranges

1= Not Important/4 Very Important

Digital Music Store - Features

For each of the following features of a Digital Music Store, please select the statement that best describes the importance of each feature



Base: 1062, Very/Somewhat interested in a Digital Music Store

BEHIND EVERY BUSINESS DECISION

Digital Kiosk benefits- catalog/out-of-stocks plus the flexibility to mix and burn