

Understanding CD Burning and Internet File Sharing and its Impact on the Australian Music Industry

Key Quantitative Research Findings

Prepared for ARIA

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Project # 23006

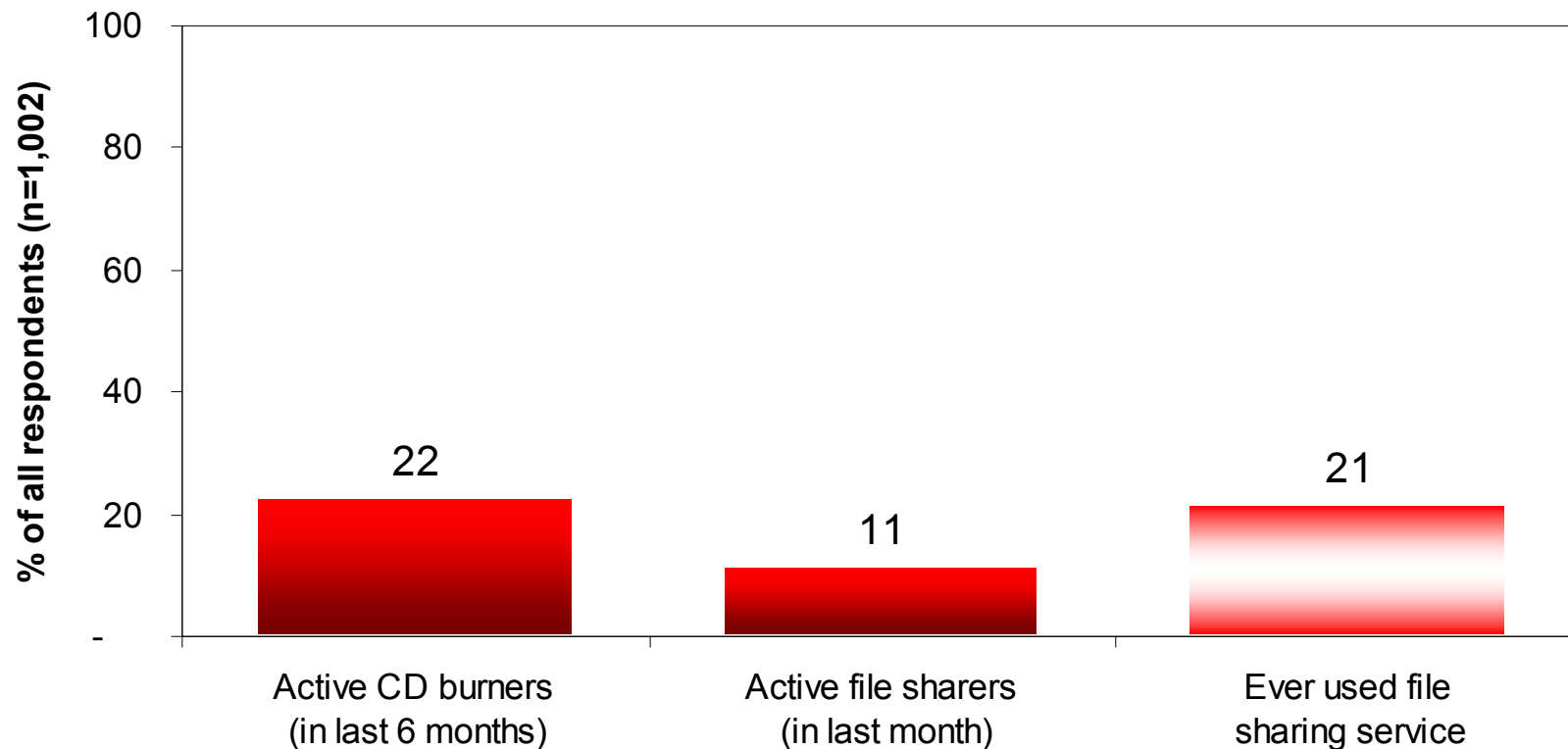
How was the research conducted?

- Quantum was commissioned by ARIA to implement this quantitative research program. Since its inception in 1969, Quantum has evolved into one of Australia's eminent market research agencies and delivers experience, independence and rigour.
- In total, **1,001 telephone interviews** (unweighted) were conducted with people aged 10 years and above (*Note: Parental permission was received to interview those under 14 years*).
 - The sample was randomly drawn from electronic 'White Pages' and covers all States and Territories (including capital cities and non-metropolitan areas).
 - Proportionate quotas were established on age/gender and location to ensure that the sample was reflective of the Australian population.
- All fieldwork was conducted between 30th January to 10th February using Quantum's Computer Assisted Telephone Interviewing (CATI) facilities from Albert Park in Melbourne. Each interview took 15 minutes on average to complete.
- Sampling error is the extent to which survey responses can be generalised to the Australian population at large. On a weighted sample of 1,002 interviews, the degree of sampling error is between ± 1.9 and 3.1% at the 95% confidence interval.



Incidence of CD burning and file sharing (1)

- Around **3.6 million** (22%) of Australians have illegitimately burnt a music CD in the last 6 months.
- Around **1.8 million** (11%) of Australians have illegitimately downloaded music files via file sharing services within the last month (21% or 3.5 million Australians have ever used these services).



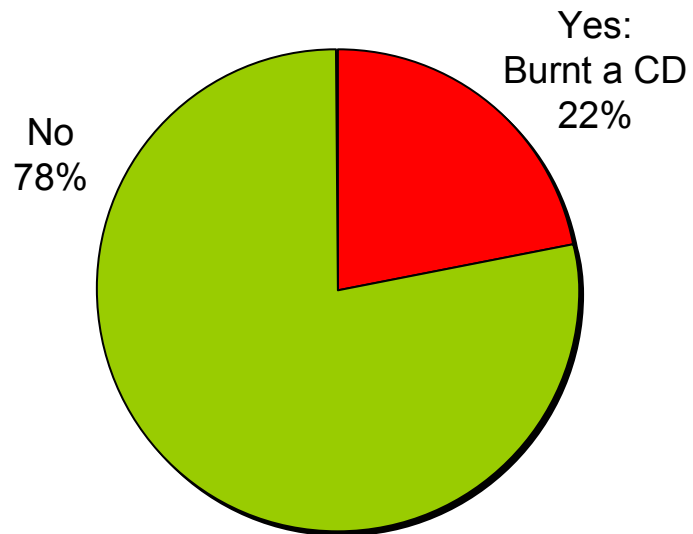
Incidence of CD burning and file sharing (2)

- Overall, 7% of Australians acquire music through both CD burning **and** file sharing.
- The incidence of this illegitimate conduct is **significantly higher** in the age groups **under 25 years**:
 - CD burning: 22% over the last 6 months for the general population vs. **40% for under 25's**
 - File sharing: 11% over the last month for the general population vs. **26% for under 25/s**
- **Illegitimate channels account for 10.7%** of all music acquired by the general population:
 - 4.8% of this total volume from **CD burning**
 - 5.9% of this total volume via downloading from **file sharing services**
 - Illegitimate channels account for **31%** of music acquired by those '17 and under'; **21%** of music acquired by those aged '18-24'

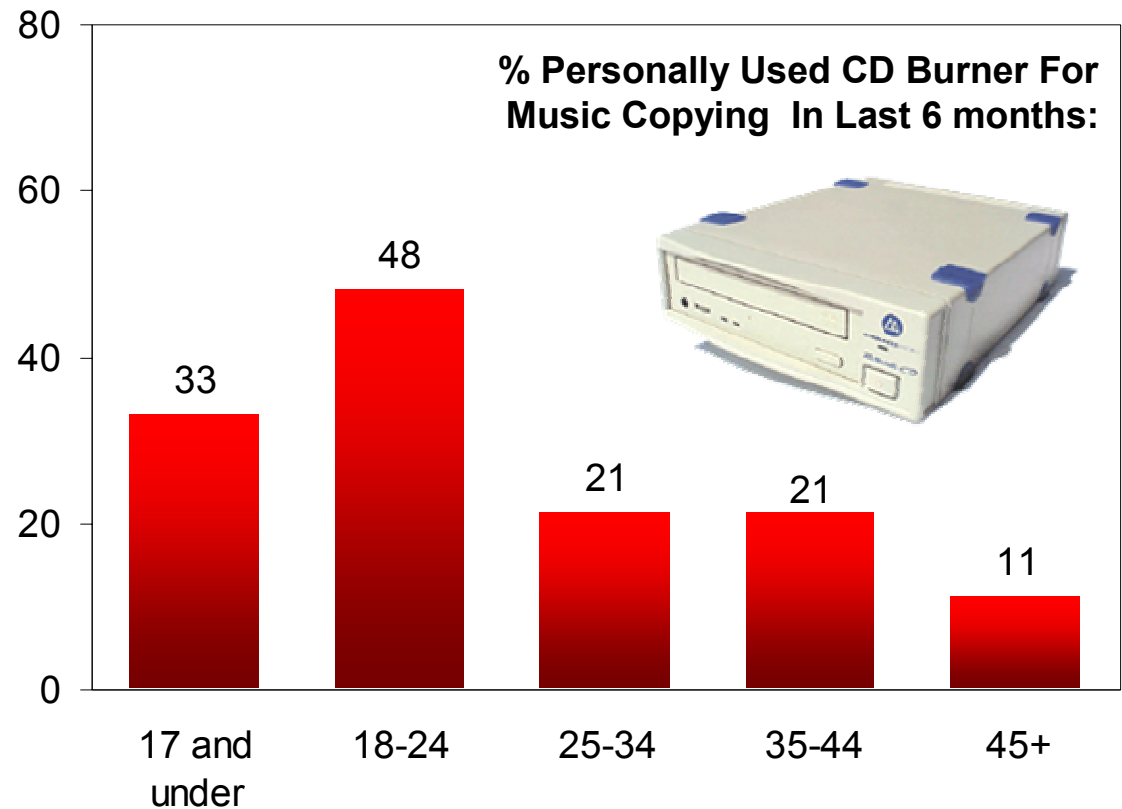


CD copying: Incidence of use

Q. In the last 6 months, have you personally used a CD burner to record music to a recordable or blank CD?



% of all respondents (n=1,002)



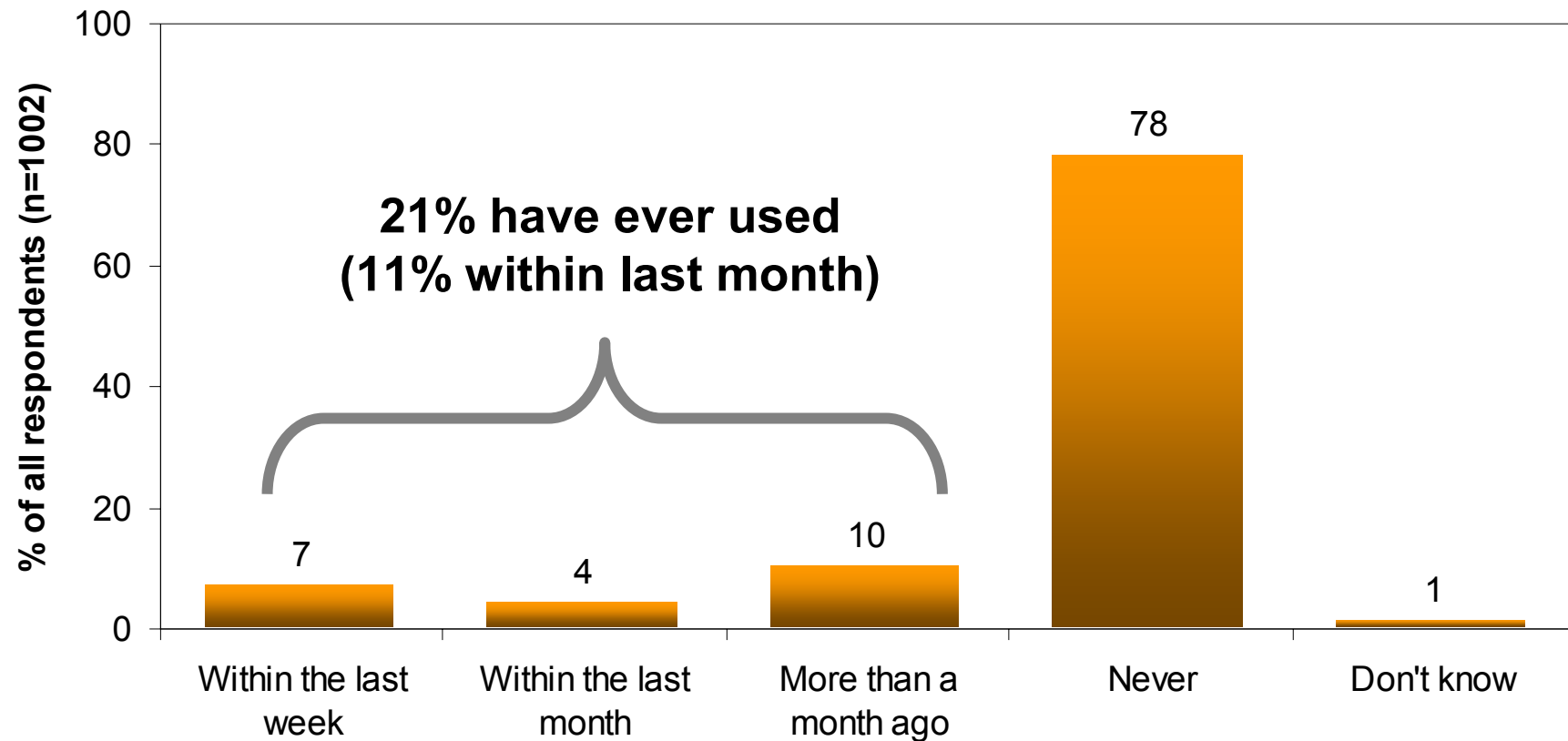
Key characteristics of CD copying activity

- Active CD burners represent 22% of the general population
- Among the subgroup of active CD burners (n=217):
 - The **source material** is their own CDs (54%), borrowed CDs (34%), and the Internet (28%, including **file sharing services**)
- **40%** of the general population have at some stage **received a burnt CD**. Among this subgroup (n=404):
 - They have received an average of **3.9 illegitimately copied music CDs** within the last 12 months (in terms of the overall population this equates to 1.6 copies per capita)
 - The incidence is substantially greater among the 18-24 age group at **69%**
 - In terms of **sales impact**, 82% would 'rarely' or 'never' buy a burnt CD they had received



File sharing: Incidence of use

Q. When was the last time you downloaded music files (e.g.. MP3s) for free via a file sharing service (like Napster or KaZaA etc)?



- Overall, 11% of Australians used a file sharing service in the last month. The figure is much higher for those **'17 and under'** (28%) and **'18-24'** (24%)



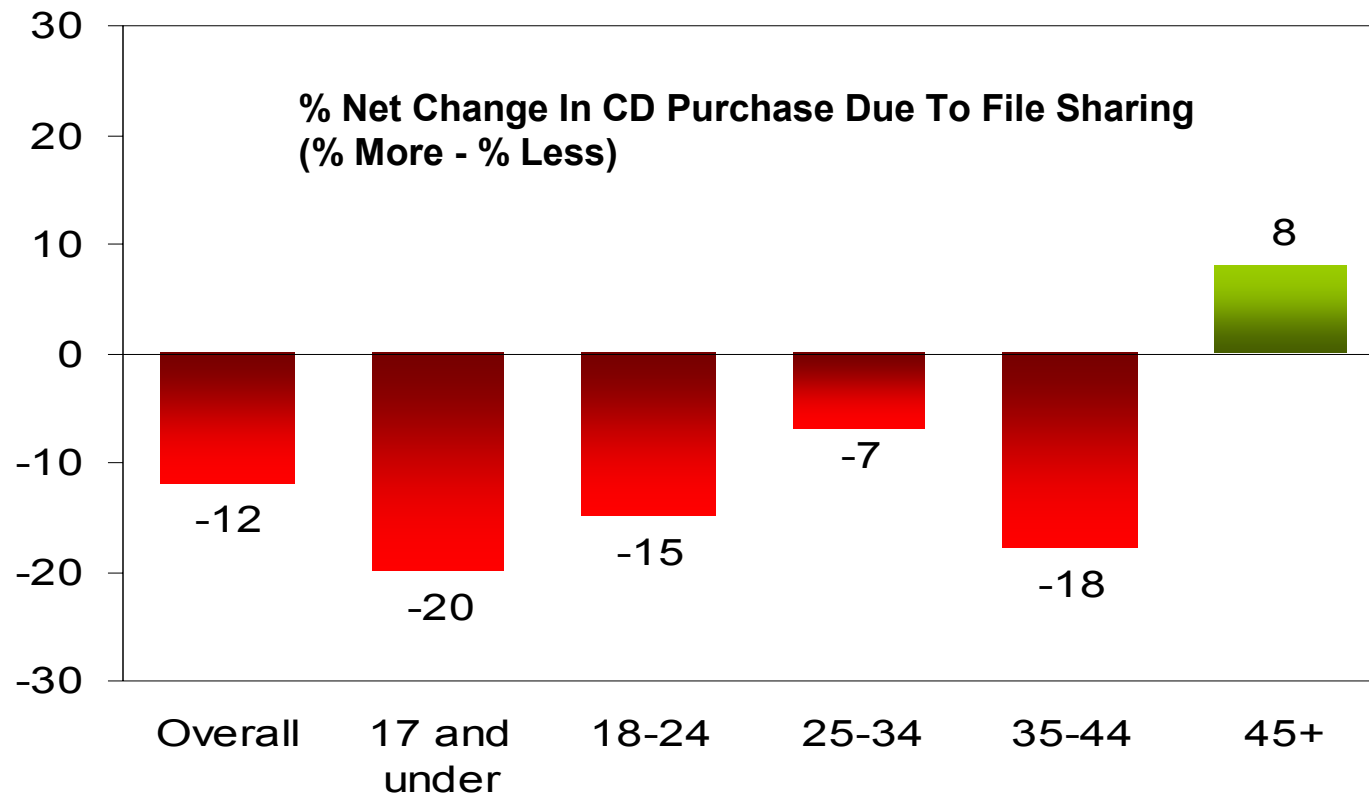
Key characteristics of file sharing activity

- 21% of the general population have used file sharing services at least once (11% have used in last month)
- Among the subgroup of file sharing users (n=210):
 - The average **volume** downloaded in the last month was **19.6 files**.
 - The average downloaded was 32.4 files in the '18-24' age group
 - In terms of **sales impact**, 51% of file sharers tend not to go out and buy the music they have downloaded (i.e. rarely or never buy), while 37% only buy 'sometimes'
 - Dial-up (72%) more common than broadband (21%), although broadband users are over-represented among file sharing users (compared to the general population)
 - **Over 50%** of file sharers then **burn their music files** to CD or transfer to MP3 player

File sharing: Impact on legitimate sales

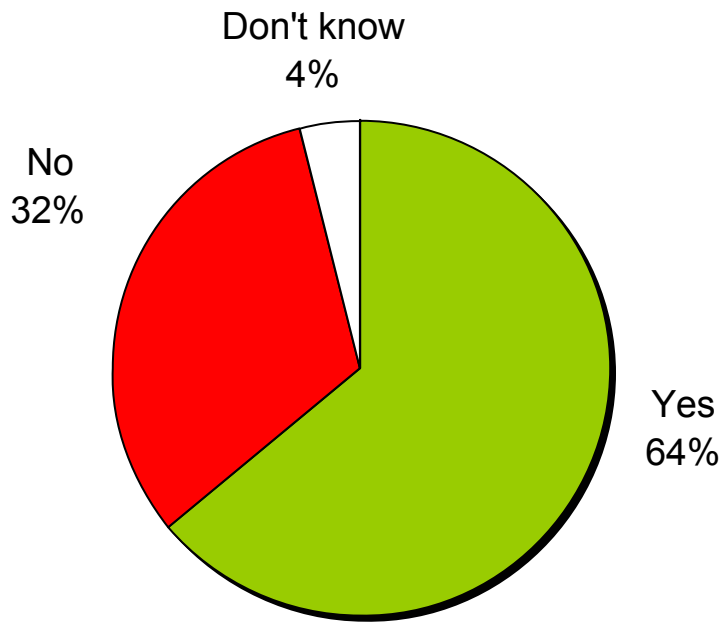
Q. Would you say the amount of music CDs you buy has increased or decreased as a direct result of you downloading music files via file sharing services, or has it or stayed the same?

- Among the subgroup of file sharing users, there has been a **net decrease of 12% in their CD purchasing** behaviour as a direct consequence of their use of file sharing services. This decrease in sales is greatest in the '17 and under' age group.

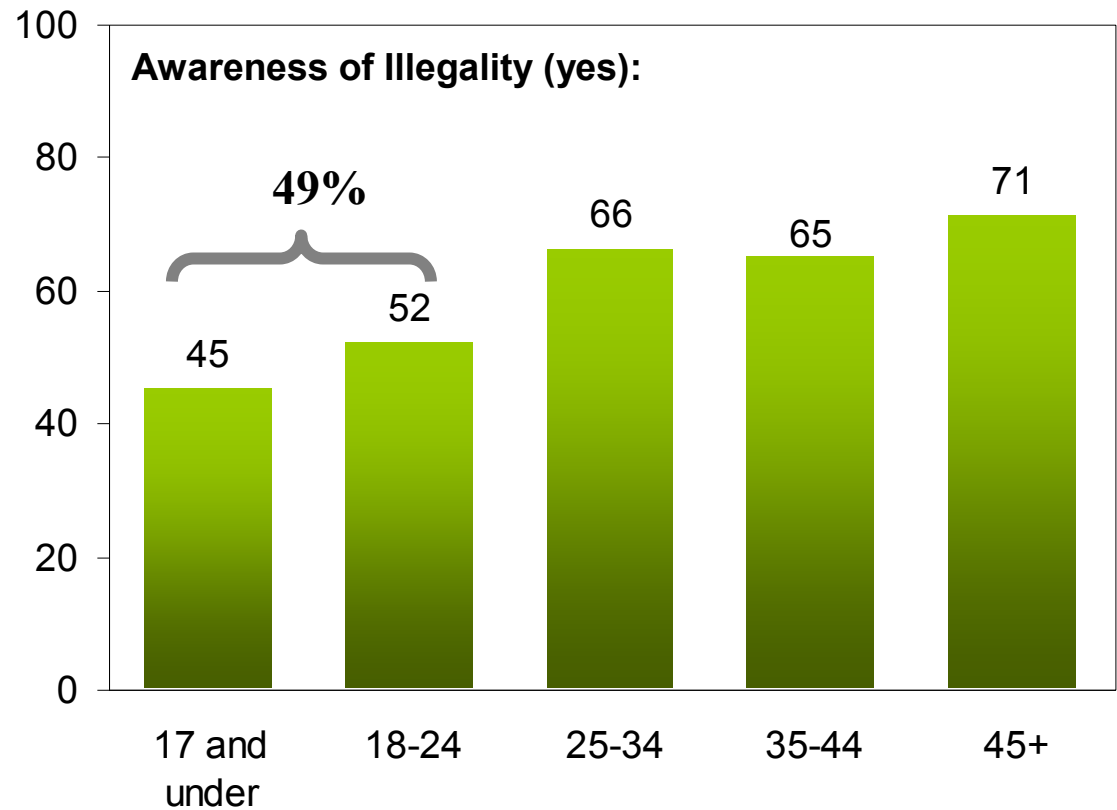


Overall copying: Awareness of illegality

Q. Before today, were you aware that it is against the law to copy music files onto a recordable/blank CD or computer hard drive without permission of the copyright owner (this is true if you get music without permission from the Internet or as a result of CD burning)?



% of all respondents (n=1,002)



Overriding consumer attitudes

- Attitudinally, many within the community consider file sharing and CD burning as 'wrong' or a 'problem' and are opposed to such behaviour (although many also engage in both):
 - 57% of the general population agree burning music without paying for it is like stealing
 - 35% agreement among under 25's.
 - 49% agree that downloading music from the internet without permission is like stealing a CD from a record store.
 - 33% agreement among under 25's.
 - 46% agree too many people are able to make copies of music and that technology should be changed to stop this.
 - 28% agreement among under 25's.

