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Can The Madness Be Monetized? An Exploratory Survey of Music Piracy and Acquisition Behavior

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Introduction

Of all the fallout from the shift to digital music, piracy—the acquisition or sharing of copyrighted material through unauthorized means—is easily the most challenging dilemma. Advancing technology has allowed music content to be delivered digitally and more directly to the consumer. But certain tools and services can be used to easily acquire and share that content at no cost. So while the distribution channel has become more efficient (virtual elimination of carrying and transportation costs, faster delivery, and the ability to carry almost limitless selection, among other things), the ability of rights holders to monetize recorded music content at pre-digital-age levels has been significantly reduced.

Numerous reports have examined the effects on the music business from consumers obtaining content through various means without payment.[1] Analyses have generally found piracy's contribution to decreasing industry sales volumes to be marked.[2] Others, however, have identified it as relatively minor.[3] In the meantime a plethora of solutions has been put forth, and in some cases implemented, to address the problem. None of them, though, has proven to be the proverbial silver bullet. It could be debated whether general progress has been made or not.

It's quite apparent, though, that music marketers, no matter the outcome of the piracy battle, will have to increasingly contend with the fact that consumers have the option of not paying for their products. Labels

and artists should certainly stand up against services that support unauthorized free acquisition of their copyrighted content. But an understanding of the consumer who chooses to or is accustomed to obtaining music at no cost is essential, regardless. The exploratory phase of this study was undertaken with this philosophy in mind. An analysis of these music users might also indicate what issues new and existing music distribution models should take into account with their offerings. Putting aside the ethics and legalities of digital piracy, what do music consumers, particularly those who are currently spending little or nothing to acquire new music, prefer and seek in their acquisition of music content? On a larger scale, what does it tell us about the potential for successfully selling recorded music in an environment of rampant piracy? Do those consumers who currently acquire music for free represent a viable potential market? How do they feel about pricing?

To answer these and other questions we not only reviewed other research and background material relating to piracy, we also conducted our own preliminary, exploratory survey as part of a an overall investigation of the issues and challenges related to piracy. An understanding of that market segment could help the music industry create products, services, and pricing structures designed to meet the demands of these fans. Optimally monetizing this market could move the industry forward, despite the ongoing presence of piracy or unauthorized free alternatives.

The Prevalence of Music Piracy

The amount of music acquired without payment is staggering, to be sure. Most of this occurs through P2P (peer-to-peer) file sharing networks. Eric Garland, CEO of online file sharing monitoring service Big Champagne, estimated in 2009 that more than one billion music tracks are downloaded illegally worldwide each month.[4] As of mid-2008, it was determined that 44% of all bandwidth consumed on North American ISPs was represented by P2P file sharing services, which was an increase from 41% the prior year.[5] A recent IFPI (International Federation of the Phonographic Industry) report estimated that 95% of all tracks downloaded in 2009 were acquired without payment.[6]

There are of course other means in addition to P2P networks to acquire music without paying. "Ripping" to one's computer digital tracks from borrowed compact discs and transferring data from someone else's storage device(s) are two examples. Research firm NPD recently reported

that the acquisition of free music may not be diminishing, but shifting in terms of platform, with more consumers sharing external hard drives.[7] Utilizing online services like RapidShare and Megaupload to store and transfer larger files is another means of acquiring content as well. According to a study by Sandvine, a network management device maker, global traffic to those two services combined has exceeded even that of Facebook.[8] A study by the British Phonographic Industry (BPI) found that use of non-P2P methods of downloading music illegally, like unlicensed MP3 pay sites, blogs, and file hosting sites (like the aforementioned RapidShare and Megaupload) has grown considerably.[9] Use of the unlicensed pay sites had grown by 47% and the use of file hosting sites was up 18%, for example.[10]

Solving the Problem

Early attempts at addressing music piracy included use of the court system, with the music industry working to shut down sites like Napster and Grokster, and even suing consumers. Technological means were also utilized. The industry was put in the position of finding it difficult to avoid using drastic measures during extremely drastic times, as sales of recorded music slipped precipitously, with worldwide sales in 2009 of US$17 billion (according to the IFPI), a 53.8% decline since 2000.[11]

Attempts to curb piracy through legal and legislative means have been both challenging and controversial. Both in the United States and internationally, lawsuits against services that support unauthorized file sharing have tended to be drawn out affairs. In May 2010 the company that operated the LimeWire file sharing service was found liable for copyright infringement in a lawsuit filed by the RIAA against them in 2006, four years earlier.[12] But legal battles haven't been only with such services. The music industry's reputation will likely take some time to recover thanks to the RIAA's seemingly draconian approach of suing music consumers directly for file sharing, a plan which it undertook in 2003.[13] By the time the RIAA announced in late 2008 that it was all but abandoning the procedure, the trade organization for American major record companies had taken legal action against over 35,000 consumers.[14]

Both in the United States and abroad many industry leaders feel that it should be the responsibility of internet service providers (ISPs) to monitor, take action, and even report egregious users of unlicensed music distribution services. With that 2008 announcement regarding suing consumers, the RIAA said it had, "struck partnerships with major internet service

providers" and that it would help "choke off online piracy."[15] But as of December 2009 not one American ISP had acknowledged participating in any such program, with major players even denying they would ever interrupt service to anyone accused of copyright violations.[16] In other countries a wide range of proposals to limit piracy have been adopted. In the U.K., for example, passage of the Digital Economy Bill requires ISPs to monitor users and manage a graduated response system, more commonly known as a "three-strikes" approach. Users notified by their service providers three times to cease downloading of unlicensed content could have their internet service disconnected, at least temporarily.[17] Ireland has also adopted a similar policy.[18] France, too, has adopted a "three-strikes" policy intended to sway the activities of file sharers. French Senator Michel Thiollière feels the legislation will be effective. "What we think is that after the first message…about two-thirds of the people (will) stop their illegal usages of the internet. After the second message more than 95% will finish with that bad usage."[19]

Fighting technology with technology has also been attempted. One early solution recently laid to rest for the most part has been the use of digital rights management (DRM) to control copying of files. Originally perceived as the key to protecting content and a solution to slowing, if not stopping, music piracy, the unpopular tactic perhaps hit its lowest point in the CD realm with the Sony rootkit debacle, a situation in which the installation, without the consumer's knowledge, of a particular type of DRM copy-control software was found to actually be potentially harmful to computers.[20] Use of the protection scheme may have met its end in the digital retail space when iTunes was finally allowed to sell downloads without its encumbrance.[21] Another technological means of confronting file sharing in its own arena has been, as early as 2002, the utilization of "spoofing," a procedure in which bogus decoy music files (labeled or represented as a "rare unreleased Beatles track" or a "leaked Eminem album," for example) have been posted on file sharing services to thwart and frustrate other users.[22] Also known as P2P network pollution, the procedure has been reportedly ineffective at reducing digital piracy.[23]

The piracy battle would seem to be a lost cause. However, the white flag has not yet been waved at steadfast illegal file sharers. In early 2010, John Kennedy, former chief executive of the IFPI said, "We're all fed up talking about piracy," adding that, "…it's boring talking about piracy, but it is the problem and we can't avoid it."[24] But as the war carries on,

other efforts by industry executives and independent entrepreneurs have focused on developing new business models and technologies, or tweaking existing ones, to attract, among others, those consumers not generally paying for music.

New Models as a Solution

While there are certainly legislative, judicial, and technological antidotes to the problem of music piracy, there are also options related to the notion of understanding that regardless of legality, consumers are simply acting according to how they would prefer to acquire their music given the means now available. They are determining with their activities what music distribution should look like. Embracing that principle, some investors, developers, and entrepreneurs have focused on the development of business models that might somehow profitably monetize these consumer activities.

An Interpret research report from July 2009 put forth that providing better means of acquiring music content legally may be the answer to piracy. According to the findings, "Illegal downloaders have been a source of frustration for the music industry for over a decade, but they are willing to pay for music. Consumers downloading illegally want their music however they can get it, and making it available, at a cost, through alternative methods like Guitar Hero tracks, downloading to their gaming consoles, or online video is the best way to mitigate their illegal behavior," wrote Josh Bell, the report's lead analyst.[25] Additionally, the study found that sites like Facebook and Myspace might be an alternative outlet as well. Reportedly, "Illegal downloaders are 50% more likely than CD buyers to have listened to music on a social networking site."[26] Indeed, NPD's annual report of 2008 music consumption habits indicated that nearly half of U.S. teenagers were listening to music on social networks, an increase from the figure of 37% reported a year earlier.[27]

These additional outlets, along with many other relatively new ways to access and share music, including YouTube and other services, provide access to music for consumers and licensing income for artists and content owners as well. In fact, there are many such outlets and services vying for the attention and pocketbook of music fans. Some, like Rhapsody, eMusic, and the current version of Napster, have based their models on subscription arrangements, whereby a monthly fee is paid for streaming and/or downloading music. Much of the industry seems to be betting on a

growth in subscription services despite their lackluster past. A recent NPD report found that entertainment-content subscriptions have fared very well during recent economic turbulence, with per capita spending on them up seven percent compared to the prior year.[28] Apple recently purchased Lala.com, a music streaming service, in an apparent bid to jumpstart its own such service. The Lala.com website was closed down on May 31, 2010, with no word yet from Apple as to its replacement. There is also some speculation that Apple will create some link to Facebook in an effort to compete with rivals, including Google.[29]

But among other approaches involving new business models, the notion of ad-supported "free" download and/or streaming services as legal alternatives has gained plenty of attention, though early attempts failed miserably. An early entry into the space was SpiralFrog, which never gained traction. Qtrax is a service that has stumbled in its attempts to fully open shop. The early failure of these services and the consequent loss of access to any of the music downloaded from these services has probably had a major impact on American's perception of newer service proposals. Spotify, a service developed in Sweden, has become immensely popular in the U.K. The company's research has shown that its users are markedly reducing their use of file sharing sites.[30] According to a late 2009 report from moneysupermarket.com, 62% of respondents who admitted to illegal downloading said that using the service had, "encouraged them to reduce the amount they downloaded illegally or kick the habit altogether."[31] The basic service is free, but for a monthly fee subscribers can avoid advertising and also use the service on their mobile phones.[32] Spotify has yet to enter the U.S. market.

Several thought leaders in the music industry have opined that a "music like water" model, in which consumers pay a small fee per month in order to legally download an unlimited amount of music, might be the answer. One of them, Jim Griffin, founded Choruss, a company that would function much like a performing rights society to ensure that such a service could exist and fairly pay rights holders whose content would be available within it. One of the major distribution companies, Warner Music, even hired Griffin as a consultant and supported the exploration of such a company as a viable alternative to file sharing services. However, Warner has recently cut ties with Choruss and the fledgling company is currently seeking investors.[33] Whether it is Choruss or another entity, though, perhaps such a model holds promise. In fact, in April 2010 industry thought leader

Ted Cohen hinted at such a model operating under an infamous moniker. He told an audience at the MUSEXPO confab that, "We're trying to do a legal Pirate Bay (another file sharing service recently closed down by the courts), and we've got this guy buying the URL and he's taking it legal. We're talking about $5-a-month for all the music that you want, unlimited downloads."[34]

But there is a debate as to whether downloads will even be desirable as a product several years from now. Some argue that we are headed not only toward a "music as a service" model, the basis for several of the aforementioned approaches, but we may also see growing acceptance of simply streaming music on demand to a device, rather than actually acquiring or storing a copy of it. A recent *Billboard* article suggests that with the demise of DRM and the resulting portability of one's music library that the music player (read iPod) may no longer define the music consumption experience.[35] Instead, internet or "cloud-based" services such as Pandora, Last.fm, and Spotify, which can be accessed from a multitude of platforms, mobile and stationary, may be the wave of the future.[36] Perhaps reports like these and the success of Spotify in Europe are indications that consumers may be more content with simply listening to music rather than owning or having an actual copy of it.

And the device we use to access any of these services may not be a digital player in the traditional sense, but rather a phone. Or those two accessories may simply become the same thing. Several cellular service providers, and even phone manufacturers, have tested the waters of music distribution. Nokia, the world's largest cell phone manufacturer, launched "Comes With Music" in the fourth quarter of 2008. "Comes With Music is available from 25 carriers on more than 20 devices. The price of the music is rolled into the handset price or monthly bills, making it difficult to see how much the music really costs. Also, the unlimited downloads end after 12 to 24 months, although users can keep the tracks on their devices."[37] Although very popular in Brazil and Mexico, "Comes With Music" has not done well in the thirteen other countries where it is offered, probably because, compared to the iPhone, it is difficult to use and has not been marketed as well.[38] Rhapsody, the storied streaming service, has retaken control of its destiny from parents RealNetworks and Viacom in order to compete with the likes of Apple, Napster, and Spotify and to take advantage of a growing smart phone market. Rhapsody immediately dropped the monthly subscription fee to US$10 per month and introduced apps for

the Droid, Blackberry, and iPhone.[39]

It remains to be seen, of course, whether any of these models will gain mass consumer acceptance, or, perhaps even more importantly, to what extent they can attract users who are currently accustomed to not paying at all for content.

The Pirates

A July 2009 *New York Times* article stated that record company executives put music fans into three categories. "There are those who buy music, and those who get a kick out of never paying for it. And then there are those whom Rob Wells at Universal Music Group calls 'dinner party pirates': the vast majority of listeners, those who copy music illegally because it is more convenient than buying it."[40] Just who are these consumers who refuse to pay to acquire music? Digital piracy is prevalent, of course, because there are a vast amount of people who choose to support it. What attracts them to the services and technologies that give them the means? Why does the music have so little value to them? What are their perceptions as to the price of music? And how could they be convinced to become paying customers?

Attitudes toward piracy and how content is acquired definitely vary geographically. The research firm GfK Group conducted 16,800 interviews with respondents from sixteen European countries and the United States and found varying opinions among those asked about their willingness to pay for online content.[41] Only thirteen percent, overall, were willing to pay and in Eastern Europe the figure was seven percent.[42] Seventeen percent of Americans were willing to pay, while in Sweden the figure rose to twenty-three percent.[43]

Perhaps the millions of "pirates" everywhere should be recognized more as a potential market than as a den of unethical thieves. A study by the think tank Demos found that "Nearly two thirds of file sharers said new and cheaper services would encourage them to stop accessing illegal services."[44] It also found that 83% of those surveyed who downloaded music illegally said they buy more music as a result of their activity.[45] A separate study by the same group found that those who illegally download actually spent more per year, on average, than those who did not take part in such activity. Those who swapped files spent about $120 per year on music, while those who did not, spent $72.[46]

A July 2009 Ipsos MediaCT report found that 32% of U.S. digital

music consumers were using peer-to-peer services to obtain music, while 22% were utilizing Myspace Music, 16% were using iTunes, and 3% used the Rhapsody music service.[47] However, the same report found that, if P2P were eliminated, the usage of Myspace would rise to only 39%, and iTunes usage would grow only slightly, to 18%.[48]

There is plenty to be learned regarding piracy and the consumers who take part in it, or not, in order to understand how those markets can be better served and monetized. Along with a review of existing research and data, we conducted our own exploratory survey as a longer-term effort to make recommendations as to how to address these issues.

The Survey

As a first step in identifying how new models can attract music consumers, particularly those who have acquired music without payment, we attempted to gain an understanding of their practices and opinions. The exploratory survey gathered responses from 1,179 anonymous respondents. Data was collected in the winter of 2008-2009 using an online questionnaire administered using SurveyMonkey. Participants were solicited via the internet and via email blasts to colleges, blogs, personal contacts, listserves, and social networks. Needing web access to participate in the survey was not viewed as a limitation since the targeted respondents acquire the majority of their music via the internet. The survey consisted of 49 questions that gathered information on respondents' music acquisition, consumption, and demographics.

Given the sensitivity of inquiring as to one's illegal activities and the presumed reluctance of any self-identifying file sharer to respond and offer accurate information, anonymity was required. No identifying information was requested of the respondents. To adhere to IRB requirements, a letter of introduction to the survey asked anyone under eighteen not to participate in the survey without parental permission. It was also requested that anyone aged thirteen or younger not participate. The cover page for the survey may be found in Appendix A.

During the survey, respondents could skip or leave blank any questions. They could also exit the survey at any time. In some cases, questions were automatically bypassed based on the response to a previous question. For example, if respondents indicated they did not download music they would not even be shown the questions asking about their downloading choices or behaviors.

Findings

For purposes of comparison the respondents were divided into two groups: those that have downloaded music without paying for it ("non-payers") and those who reported never having downloaded, or having purchased all of their downloads ("payers"). Because all of the information is self-reported, we were careful to look for inconsistencies and contradictions in the data. For example, some respondents claimed to only "download legally" and then reported LimeWire as their favorite source for downloads. These respondents were included in the non-payers group.

Demographics

Given respondents' anonymity and the investigators' inability to pre-screen respondents, we could not design the sample to be demographically representative of the U.S. population, internet users, or music consumers, but we deemed that acceptable given that this was simply an exploratory phase. None of the respondents reported being under the age of thirteen. However, over two hundred respondents gave no answer at all to the question regarding their age. Of those who did respond to it, about 50% were between the ages of 17 and 25, the prime age for traditional college students and music buyers. An additional 35% were between the ages of 26 and 45 while only 15% were over 45 years of age. 47% of the respondents were female. The respondents were predominantly Caucasian (92%), with only about 1% reporting to be African American. Nearly 3% of the respondents were Hispanic with the balance distributed almost equally between Asians and "Other." About 64% of the respondents were single. The remainder were either married or living with a partner.

The largest response came from students (47%), followed by professionals (25%). The former number matched the amount that reported being music fans (47%). This also corresponded to the levels of education reported: 66% of the respondents had either some college or a bachelor degree and 17% held a master's or doctoral degree. About 7% of the respondents had a high school education or less as the highest achieved level.

Music Acquisition

We asked all respondents to name three benefits of downloading over CDs. The top two answers were convenience (76.8%) and "Get just the songs I want" (61.3%). Price was a distant third at 45.3%. When just the non-payers' responses are considered the numbers change significantly

and "It was free" (58%) becomes the top answer. "Convenience" is a distant second (34%) with "Sampling" close behind at 33%.

One way to grow any market is to convert non-buyers to buyers. When asked why they used a free web site to download a track, non-payers' most frequent answer was, as one might expect, "because it is free" (58%) (see Table 1). An additional 20% of the respondents downloaded without paying because they "didn't have the money to buy" the tracks. One-third (33%) of the respondents downloaded without paying because they wanted to sample the music before buying. The labels could address this problem if they allowed web stores to stream the entire song rather than just a thirty-second sample. Another even slightly more important issue is convenience. 34% of the people surveyed said they downloaded from "free" web sites because of convenience. When asked to consider all downloading services, free or fee-based, 68.5% of the non-payers and 40% of the payers listed "ease of use" as a reason for preferring that site. The second most important feature for non-payers (49%), and third for payers (22%), was the selection of tracks available at the site. The legality of the web site was a close third for non-payers (47%) and second (34%) for payers.

Why Non-Payers Acquired Tracks Without Paying ($n = 927$)		
It was free	540	58%
Didn't have the money to buy	181	20%
It was more convenient	311	34%
Sampling first	309	33%
It was music for which I wouldn't pay any amount	132	14%
The tracks weren't available from a "pay" site	118	13%
Other	76	8%

Table 1. Why non-payers acquired tracks without paying ($n = 927$). Multiple answers allowed.

Clearly, the number of tracks downloaded by respondents willing to do so without paying is significantly larger than those willing to pay, as Table 2 indicates. Percentage-wise, they tend to download more tracks per month. Perhaps even more telling is the difference in the percentages of the downloaded tracks that are purchased. The payers report on average buying 97% of their downloads while the non-payers buy only 62% of

their tracks.

Tracks Downloaded per Month				
	Non-Payers		Payers	
None	69	0.080	26	0.194
1-25	586	0.679	99	0.739
26-50	107	0.124	6	0.045
51-100	50	0.058	2	0.015
101-150	22	0.025	0	0.000
151-200	12	0.014	1	0.007
over 200	17	0.020	0	0.000

Table 2. Tracks Downloaded per Month.

By definition, the payers did not use P2P sites, but the payers were also less likely to be users of social networking sites (37% vs. 76%), blogs (12% vs. 25%), or internet radio (17% vs. 40%). The one area of internet use that the payers did beat the non-payers on was their use if iTunes. 82% of the payers identified iTunes as their preferred downloading service compared to only 53% of the non-payers. The primary reason for this is probably the number of different sites from which the non-payers could choose. Payers are limited to, or aware of, only a few choices besides iTunes, such as Wal-mart.com, Amazon.com, and Rhapsody. The non-payers named literally dozens of different sites as favorites, including LimeWire, iMesh, BitTorrent, and Pirate Bay, among others.

Pricing

Regardless of pricing for legal digital content, it is certainly difficult to compete with *free* when trying to draw consumers away from using P2P web sites. New models like Choruss and other startups intended to draw consumers from the illegal P2P space by charging a monthly lump-sum fee for unlimited downloading. The anecdotal five-dollar monthly fee generally associated with it, as well as the unrestricted feel of "unlimited" are surely aimed at the non-paying market. With that in mind, the survey included a question as to what price the responder would be willing to pay per month for an unlimited music download plan.

The results delivered two interesting discoveries. First, the average of the two groups' responses were nearly identical: non-payers thought

the price should be $15.67, but payers were willing to pay a little less, an average of $15.62. Not only is the similarity surprising, the two figures are also well above the monthly figure being thrown around in relation to the "all you can eat" models. Though deeper and further research into such models is certainly warranted, there might be an opportunity for such startups to realize more revenues per subscriber than currently expected. If one were to assume respondents generally understate their "willingness" in such surveys, the opportunity could be even greater.

Several attempts have been made to launch ad supported "free" download sites, such as SpiralFrog. This prompted the question as to how objectionable is it to have to endure advertising to get music for free. Both the payers (mean = 4.57) and non-payers (mean = 4.69) were fairly indifferent to having to view an ad during the downloading of a free track. Non-payers found this concept to be about the same as enduring a radio ad and less objectionable to all the other types of advertising (during movies at the theater, television programs, or videos online) except ads in magazines.

As downloads have become a larger percentage of recorded music sales, the price point for a single song has become much more of a focus. When opening what would become the largest digital music retail service, Apple insisted on individual tracks being priced at 99 cents, a price point record labels eventually insisted on changing. By 2009 the iTunes store was offering tracks at a high end of $1.29 and a lower end of $0.69. Though this structure could have certainly affected their response, especially considering the iTunes store's market share, the average of the responses from each group to what the lowest and highest price they would pay for a downloaded track looked like this:

What is the lowest/highest price you would expect to pay for a single track digital download by a…

	Non-Payers		Payers	
	Low	High	Low	High
Well-known, current popular artist	59¢	$1.40	75¢	$1.42
Veteran popular artist	47¢	$1.10	62¢	$1.19
New, up-and-coming artist	46¢	$1.14	60¢	$1.24

Table 3. Single track download price expectations.

Not surprisingly, those who had acquired tracks for free expected the low-end price point to be lower than the estimation by those who paid for their tracks—a difference of sixteen cents in the case of a song by a well-known, current popular artist. However, their high-end expectations are much closer. In the case of that same type of track the non-payers expect to pay $1.40; the figure for payers is only two cents more. Both groups were also asked what they thought the ideal price was for a DRM-free song when they could choose from any recording ever released, for a more general opinion. Those accustomed to paying pegged that price point at $1.10, while the average response from their counterparts was around 94 cents.

The survey also sought similar comparisons for album downloads. Results based on the average responses follow:

What is the lowest/highest price you would expect to pay for a full album digital download of a recent release by a…

	Non-Payers		Payers	
	Low	High	Low	High
Well-known, current popular artist	$6.37	$12.33	$7.91	$12.98
Veteran popular artist	$5.25	$10.49	$6.74	$11.11
New, up-and-coming artist	$5.16	$10.53	$6.72	$11.23

Table 4. Full album download price expectations.

Again we found a higher degree of variance on the lower end of the expectations compared to the higher end. Those accustomed to paying expect to pay as much as $12.98 to download a current popular artist's album, while those not accustomed would expect to pay $12.33 on average. At the time of this writing, only three of the fifty top-selling albums at iTunes are priced higher than that. Obviously the expectation and the willingness to buy are two different things, but the perception is worth noting for digital retailers, as there may be an opportunity to adjust those prices upward to some extent. Or, looking at it another way, given the high-end expectation of non-payers, perhaps improved marketing of promotional pricing messages, as Amazon.com does with its "Deal of the Day," is in order. Since the reality is that pricing seems to be notably lower that what is expected on the high end, perhaps non-payers could be convinced to "go legit" if they were more aware.

Other Findings

Concert Attendance (per month)				
	Non-Payers		Payers	
	Number	Percentage	Number	Percentage
I don't go to concerts	66	9.1	17	14.4
Less than one per month	328	45.4	57	48.3
1-3 per month	244	33.7	32	27.1
4-7 per month	58	8.0	7	5.9
8-10 per month	17	2.4	3	2.5
More than 10 per month	10	1.4	2	1.7

Table 5. Concert attendance per month.

While the difference in the percentage of frequent concert-goers (eight or more per month) for both groups appears to be insignificant, more non-payers appear to be moderate consumers (one to seven concerts per month) of live music.

Spending on CDs (per year)				
	Non-Payers		Payers	
U.S. Dollars	Number	Percentage	Number	Percentage
0	44	6.1	11	9.3
1-30	154	21.4	18	15.3
31-60	142	19.7	23	19.5
61-90	89	12.4	13	11.0
91-120	93	12.9	11	9.3
121-150	60	8.3	15	12.7
151-180	31	4.3	7	5.9
181-210	24	3.3	3	2.5
Over $210	82	11.4	17	14.4

Table 6. Spending on CDs per year (U.S. dollars).

Non-payers appear to be slightly more likely to be light purchasers of CDs and payers are slightly more likely to spend $121 per year or more than non-payers. By contrast, non-payers claim that their downloads con-

vert to purchases at a 27% rate, while the payers convert only 14.3% of their downloads to purchases. Perhaps this is because most of the payers' downloads are already paid for.

In regard to whether being able to download music from the internet impacted the amount of money consumers spend on music, 50% of the non-payers and 86% of the payers answered "no." While 36% of the non-payers said they spend less on CDs because of the availability of music on the internet, nearly 13% claim to spend more because of it. Only 6% of the payers report spending less on CDs because of the internet and nearly 8% claim to spend more.

Are We Simply In a Transition?

Of course, it's difficult to ascertain how large the potential market for "converted" file sharers really is and what effect those file sharers could have on overall music sales. A larger question is just how much of a direct effect file sharing has had on industry sales. Will Page, chief economist for PRS for Music, presented a study that found much of the population doesn't purchase music at all in the U.K. In 2001 only 55% of people there purchased music, and that number had fallen to 40% by 2009.[49] A study by the Demos firm, on the other hand, pegged the number who don't buy music at 74%.[50] Maybe the music industry has been in transition anyway, due to other factors occurring at the same time, or as a result of, technological changes. A 2009 report on the music acquisition habits of teens aged thirteen to seventeen (a key music market and perhaps a segment that tells us much about the future) found that they bought 19% less music in 2008 than in 2007.[51] The report also found that the number of tracks downloaded from P2P networks from this demographic actually decreased by 6% in the same time period, and borrowing of music to rip to a computer or burn to a CD had fallen by 28%.[52] But the same tracking survey found that listening to online radio had risen from 34% to 52% and listening to music on social networks had risen from 26% to 46%.[53]

Indeed, it is very challenging to isolate the direct effect of file sharing—and studies come to conflicting conclusions. Eric Garland, CEO of Big Champagne, a company that monitors P2P network activity remarked, "We've been watching the ping pong, back and forth, for nearly a decade now. 'File sharing helps!', 'It hurts a lot!', 'It both hurts and helps a little?' Good studies are appropriated by opposing sides, reduced to slogans and then rendered meaningless."[54] One of the best known studies to con-

clude that file sharing was barely harmful to the recording industry was a joint study done by professors from Harvard and the University of North Carolina.[55] This study stands in stark contrast to the anecdotal evidence of falling CD sales, layoffs, and record label and store closings. This is the primary reason why this study is focused on the factors that influence consumers to buy music rather than obtain it free or illegally. P2P users represent a market, and this research seeks to understand how to best serve that market, regardless of its size and what effect it could have on sales, though surely it would be positive.

Granted, with so much piracy going on there surely must be some percentage, likely very significant, that absolutely represents a lost sale. But perhaps the decreases in music sales over the past ten years have less to do with piracy than we may think. Francis Keeling, Universal Music Group International's Vice President of Digital Music, recently said, "Are you going to stop piracy? No you're not. To try and set that as an objective is just not going to succeed."[56] If music piracy was eliminated today would the music industry grow by fifty percent, even if it were over the course of several years?

Conclusion

There are reasons for careful optimism when it comes to piracy alternatives. While the idea of ISPs bundling a music service (something like Choruss, for example) with their other offerings has encountered brick walls, U.K. industry analysts Ovum projected that such a service would generate roughly $155 million a year to ISPs there.[57] Also in the U.K., ad-supported service we7 reported in April 2010 that it finally enjoyed its first month in which the streamed music it served up was fully paid for by advertising revenue.[58] And shortly before that the British music industry had its first year-to-year increase in total sales since 2003.[59] In May of 2010 the IFPI (International Federation of the Phonographic Industry) reported that the music industry in thirteen countries had actually grown during the prior year, though global sales had slipped seven percent.[60] But it also noted that Spain and Canada, two countries that seemed to have the least stringent protection from music piracy, were among those with the largest decreases in music sales.[61] Conversely, sales in Sweden and South Korea, where anti-piracy actions had been taken, were up around 10%.[62] Perhaps those countries are indeed seeing results of their anti-piracy initiatives, are benefitting from the availability of alternatives, or a combination of both.

There's no doubt that continuing to advance and improve legal alternatives is a must. Reduced infringement and increasing sales (as suggested by the previously mentioned reports) would be presumed outcomes. But the latter result has even greater potential the sooner the industry better understands the consumer. That was one impetus for this study.

The initial portion of the research tells us much about this market. From the data, we know that our respondents are willing to pay three times the often-proposed rate of five dollars per month for unlimited downloads. We also learned that both payers and non-payers are basically indifferent to watching ads to get free downloads. So why haven't flat-priced musical buffets or ad-supported free sites been successful? Most likely it is because they have not been able to deliver the other aspects consumers demanded in this and previous surveys: a large selection of DRM-free music on an easy to use, legal web site for a fair price.

Given the development and rapid growth of mobile applications that may hasten a shift to "cloud" storage, additional research on consumers' thoughts on ownership versus accessibility should be undertaken. Given the reduced costs of storage devices and the shuttering of services like Pirate Bay and LimeWire, how has offline file sharing (through external hard drives and flash devices, for example) trended in relation to online activity?

Throughout its history the modern music business has endured periods of changing technology and evolving tastes and preferences. Ultimately, music fans consume in the ways they prefer, based on what's available to them. Music consumers never said, "We want pirated music and we don't want to pay for it." The message has always been, "We want to consume music, and lots of it, but we want to do it conveniently and at a fair price." While continuing to fight for what is right and fair for the producers of music, there should also exist a focused effort on meeting the demands of consumers.

Appendix A

Letter of Invitation for Survey

Music Acquisition Survey

We are conducting research regarding what influences the decision of music consumers to purchase recorded music or to acquire it from other sources. Our study is important because the recorded music marketplace is undergoing tremendous change. Your participation in this study will contribute to a fact-based understanding of consumers' motivations, preferences, and expectations when it comes to music acquisition and consumption.

This survey is being conducted by xxxxxxxxxxxxxxx. If you have any questions about the study you may contact us at the email addresses above.

Any adult, and minors 13 years old or older who have parental consent, may participate in the study. By participating in this study you are asked to complete an online survey that will take about 30 minutes to complete. Your participation in this study is completely voluntary. If you choose to participate you may choose to discontinue participation at any time and you may choose any of the survey questions that you do not wish to answer. Your completion of the survey and submitting it to the investigators indicates your consent to participate in this study.

We will not capture or record your identity in any way, to preserve your anonymity as a participant. All information you provide will be held in confidence and stored securely. Only the two principal researchers will have access to the collected data. No data from this survey will be sold. The aggregated data will be presented to music business students, educators, and professionals through conference presentations and journals. No individual responses will be communicated.

Your participation in this study is completely voluntary. If you choose to participate you may choose to discontinue participation at any time and you may skip any of the survey questions that you do not wish to answer. Your completion of the survey and submitting it to the investigators indicates your consent to participate in this study.

Children Under Age 13

If you are under 13, please do not attempt to take the survey or send any information about yourself to us, including your name, address, telephone number, or email address. No one under age 13 may participate in this research. In the event that we learn that we have collected personal information from a child under age 13 without verification of parental consent, we will delete that infor-

mation as quickly as possible. If you believe that we might have any information from or about a child under 13, please contact us at xxxxxxxxxxxxxxx.

Minors Between the Ages of 13 and 18

We recommend that minors over the age of 13 ask their parents for permission before sending any information about themselves to anyone over the Internet. Please, do not complete the questionnaire without your parent's consent.

If at any time you have questions or concerns regarding the study or the procedures, you may contact xxxxxxxxxxxxxxx.

Thank you again for your participation.

If you are at least 13 years old, have read this form and feel you understand the purpose and intent of this study, please click on the "next" button below to proceed to the survey. If you choose not to continue click on "Exit the Survey" in the upper right corner of this page.

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