

The Leading Question

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‘Digital Dabblers’ Will NOT Save Music Business

- ***Industry gurus advocate five-point plan for change as new research reveals the percentage of UK music fans regularly paying for downloads is shrinking***

LONDON, 15 May 2008: The Leading Question digital media research specialists and digital music agency Music Ally, today warned that the music industry has to change its business models and fast to stand any chance of reversing the current sales decline. The warning comes as new research from the Leading Question’s annual Speakerbox study, to be revealed at The Great Escape music convention on Friday, showed that the percentage of UK music fans regularly paying for downloads is shrinking, while the percentage of those regularly file sharing has failed to drop.

“Many UK music fans are telling us they are dissatisfied with the current legal, paid for digital music experience. They might buy a few tracks from iTunes when they get a new iPod for Christmas but few go on to become regular paying downloaders,” said Tim Walker, MD of The Leading Question. *“The statistics are obviously worrying but the research does offer clues as to how fans who merely dabble can be encouraged to engage fully with licensed digital music services.”*

The specialised face-to-face research into attitudes and behaviour around digital music among 800 UK respondents also revealed:

- The percentage of music fans regularly buying music downloads has gone down from 16% in 2006 to 14% by the end of 2007
- More than half of music fans’ digital collections (51%) still come from their own CDs
- Music fans pay for an average of 3.32 single track music downloads each month
- As many music fans (28%) have paid to download music from a licensed service at least once as have tried downloading from a filesharing source BUT more will then continue to

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fileshare rather than pay for downloads on a regular basis (22% for file sharers compared with 14% for paying downloaders).

Paul Brindley, MD of Music Ally, added that the music industry needs to look at other ways of creating value and has to stop relying on traditional schedules and formats. *“Business models need to change radically if the music business is to stand any chance of halting the current decline in sales. It doesn’t have to be all doom and gloom.”*

The Leading Question and Music Ally have laid out a five-point plan for change based on the results of the research:

1. **Music needs to be bundled with other products and entertainment packages:** Value can be created from many other ways than consumers simply buying the occasional download. Music needs to move away from per unit sales and become more of a service than a product. It should be pre-loaded into devices, bundled with mobile tariffs, offered as part of TV/Entertainment/ISP packages.
2. **Labels needs to experiment with new release schedules and formats:** The old model of single and album releases has run its course. Labels needs to be more innovative if they are not to be freezed out altogether. Look at the likes of Radiohead, Nine Inch Nails and Prince and experiment with new and varied formats, new pricing models and release schedules, digital only releases and promotional partnerships with brands.
3. **Free doesn’t mean no money:** The music industry should not fear free. It needs to embrace it. The culture of the net is free or at least feeling free. But money can still be made from other sources: everything from advertising supported services, to brands paying for an association with the artists to newspapers paying for giveaway CDs.
4. **Change the charts:** The Charts don’t make much sense anymore. Now that fewer and fewer people are buying music the charts need to reflect the other ways that people are consuming music.

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5. **Trust the DJ:** Online means anyone can access or own John Peel's entire record collection, but the instant and massive availability of music on demand means you need a trusted guide like John Peel more than ever. The new layers of value will come from the social connections that come about through music as much as from the music itself.

- ENDS -

Notes for Editors

The Leading Question is a specialist consumer research agency which provides clients with unique insights into winning business models for today and the long term. Speakerbox is The Leading Question's flagship annual study of digital music and related media consumption among UK music fans and consumers. It covers all the key issues relating to digital music and media consumption including; device ownership, business models, pricing, web 2.0, brands & services, piracy, mobile networks, radio and interactivity.

Clients of The Leading Question include major record labels, national and international broadcasters, mobile networks & handset manufacturers, ISPs and leading retailers.

Speakerbox is carried out on a syndicate basis on behalf of key clients across the digital value chain, and will be entering its fourth successful year in 2008. Client recruitment for 2008 will commence shortly. For more information visit: www.theleadingquestion.com

Technical note: The Leading Question interviewed a sample of 800 respondents, aged 14-64, across Britain. Interviews were carried out face to face. In addition, focus groups were also held in regional locations across the UK.

Further research details:

Licensed vs. unlicensed downloading (2007)

	File Shared	Paid for download
Ever	28%	28%
Regularly	22%	14%

Average number of paid-for downloads per month	3.32
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Average number of free-for downloads per month	12
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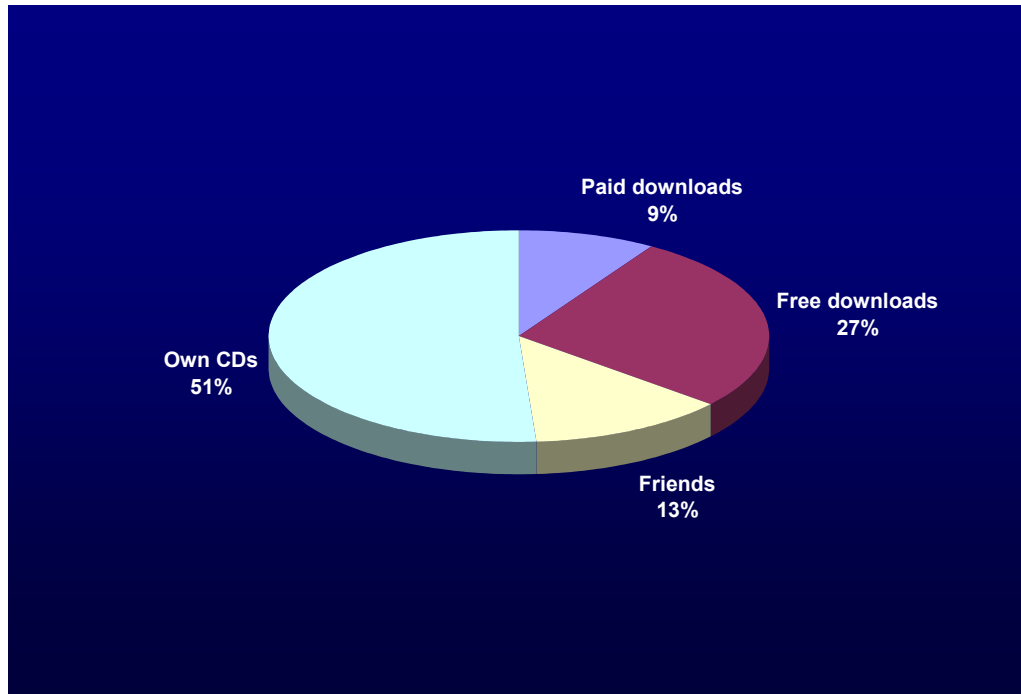
Source: The Leading Question, 2008

Sources for digital tracks

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Source: The Leading Question, 2008

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