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INDICARE Surveys: Digital music and video content

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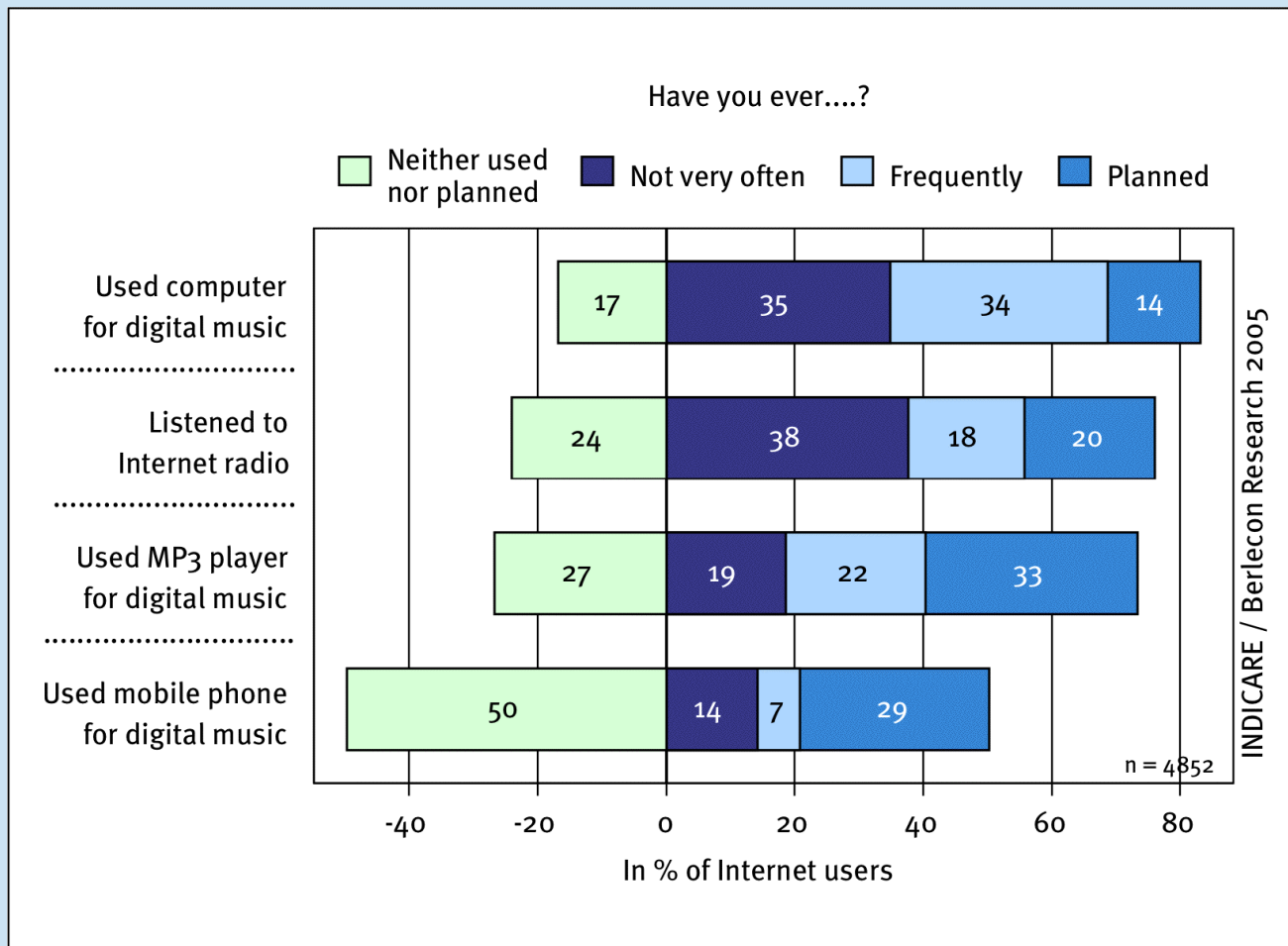
INDICARE Survey I

Digital Music Usage and DRM



- **Goal:** To gather reliable data on the **preferences and behavior** of European consumers with respect to digital music and on their **awareness and acceptance of DRM**.
- **Methodology:** Online survey conducted in **February 2005** among 4,852 Internet users from 7 countries.
- **Countries:** Germany, United Kingdom, Spain, France, Hungary, The Netherlands, Sweden.
- **Results:** Representative for all Internet users in the respective countries from age 10 with respect to age, gender, education and Internet usage.
- *What happened between then and now?*

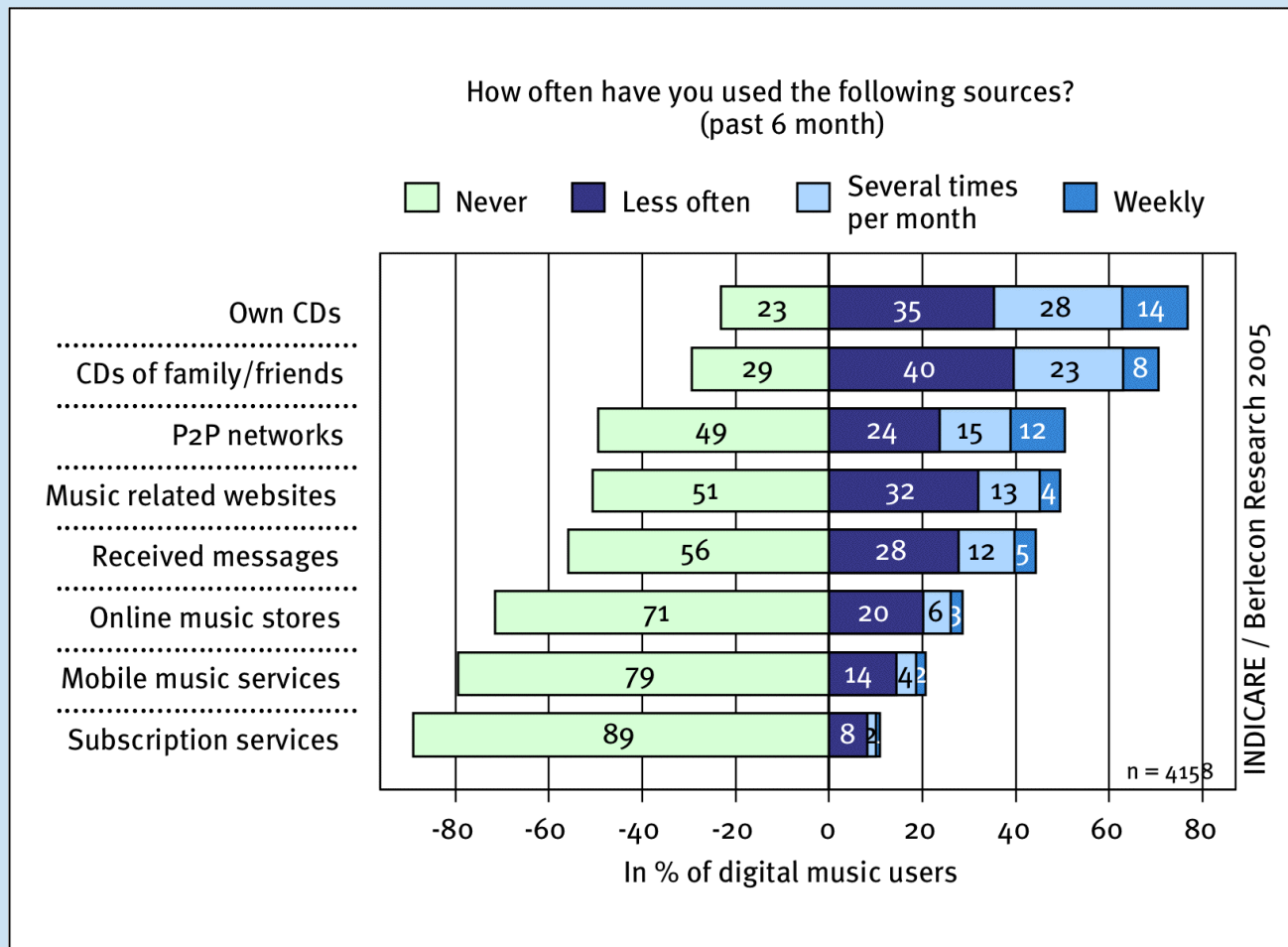
Digital Music Usage: Experience with Digital Music



- **Digital music is a fact of digital life in Europe!**
- Almost 70% use digital music on their computers.
- **Mobile phone is least popular device for digital music. No catch-up.**

Digital Music Usage

Where do music files come from?



- **Digital music is NOT equal to Internet downloading!**
- **Ripped CDs** are primary source (think of your iPod).
- **Mobile phone** is least popular device for digital music.
- **Potential of data flatrates?**

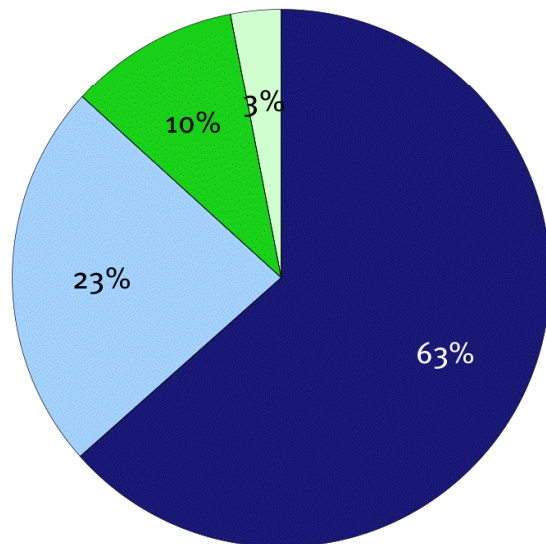
DRM

What do consumers know?



Have you ever heard of Digital Rights Management (DRM)?
(in % of digital music users)

- No
- Yes, but I don't know exactly what it is.
- Yes, and I know approximately what it is.
- Yes, and I know quite well what it is.



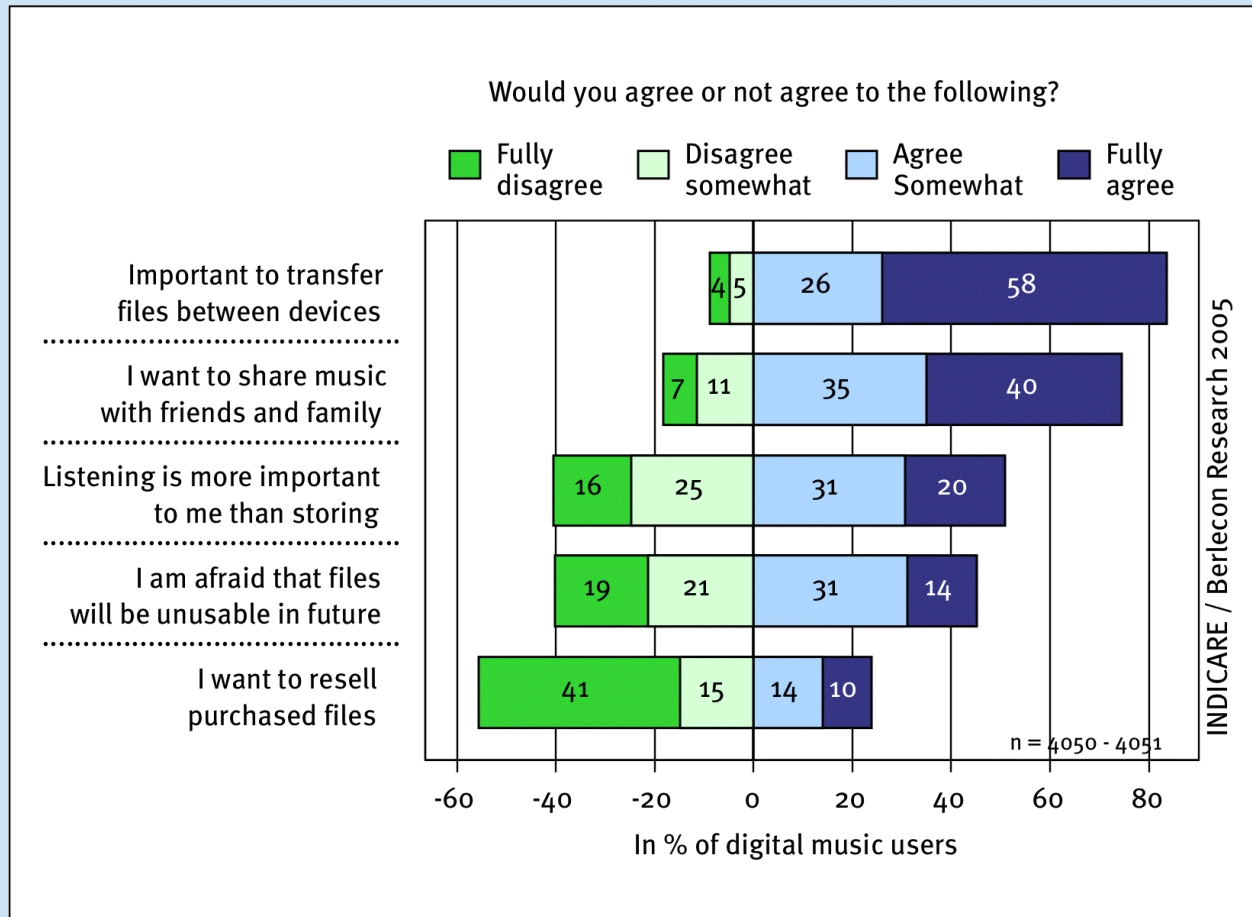
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n = 3979

- Consumers don't know what DRM is.
- Two thirds haven't even heard of it.
- **Outlook:** Has this changed following recent events?

Digital Music Preferences

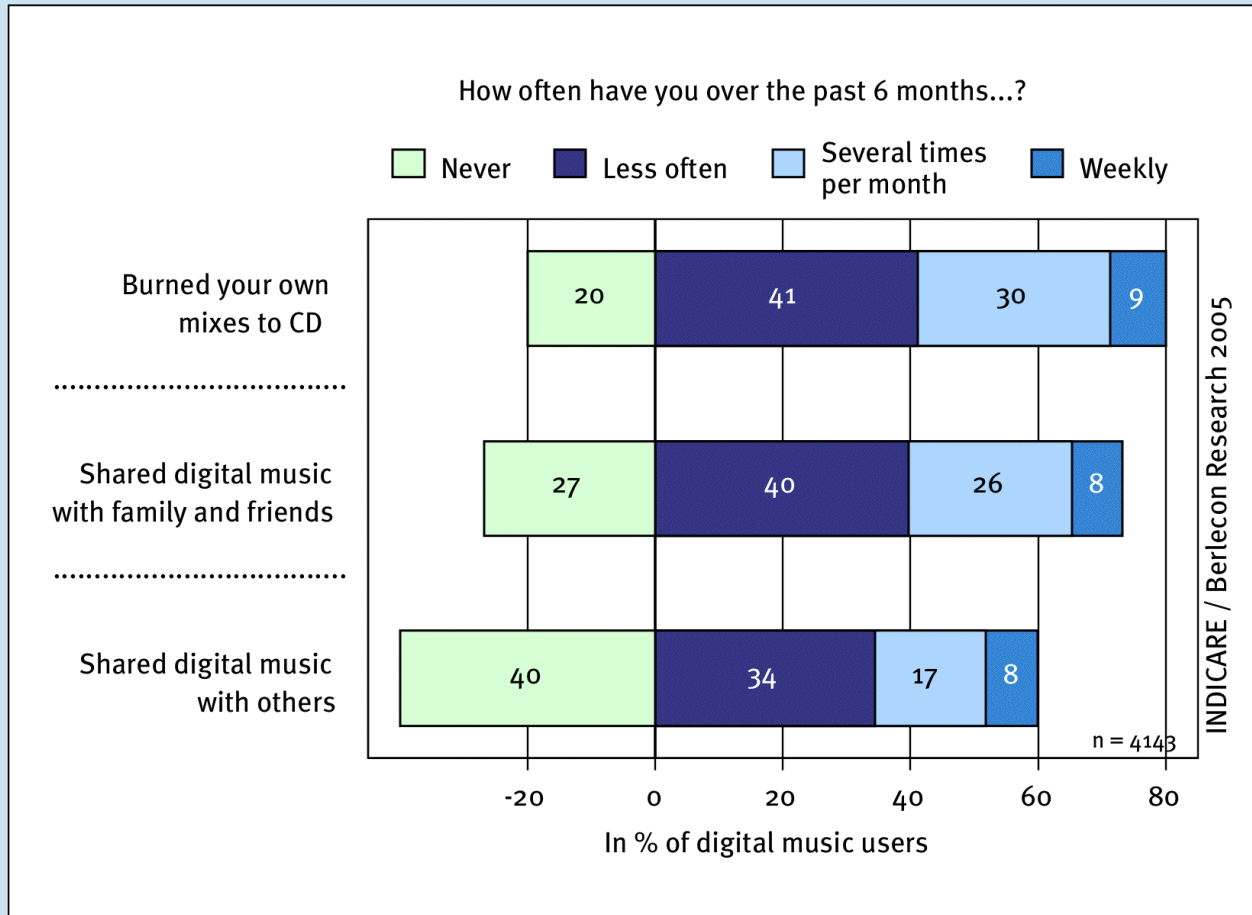
What Consumers Want



- Consumers want **interoperability** and they want to **share**.
- 84% want to **transfer** files between devices.
- 75% want to **share** music.
- Consumers divided about **streaming**.
- **Reselling** not (yet) important. Maybe later?

Digital Music Preferences

Burning and sharing are key activities



- Burning mixes to CD and sharing music are part of normal way of using digital music.
- DRM restrictions on these activities will meet resistance.
- Number of private copies granted is **acceptable** in many cases.

Digital Music Preferences

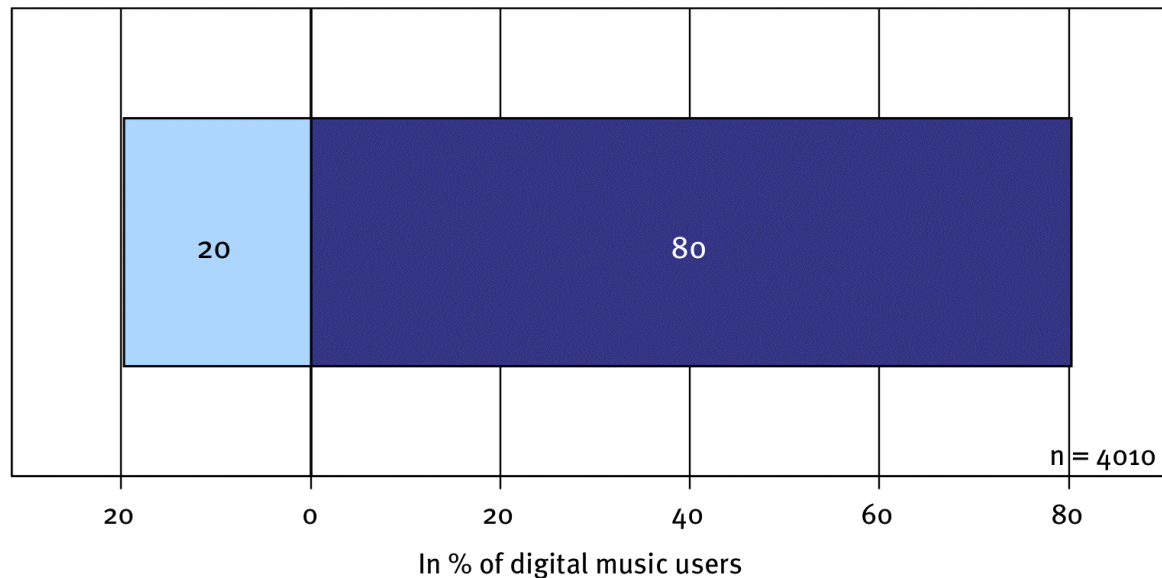
Acceptance of Time-based Usage Restrictions



Which of the following alternatives would you prefer?

■ A: A song that you can listen to for a month for 20 cents

■ B: A song that you can listen to as long as you like for 1 euro

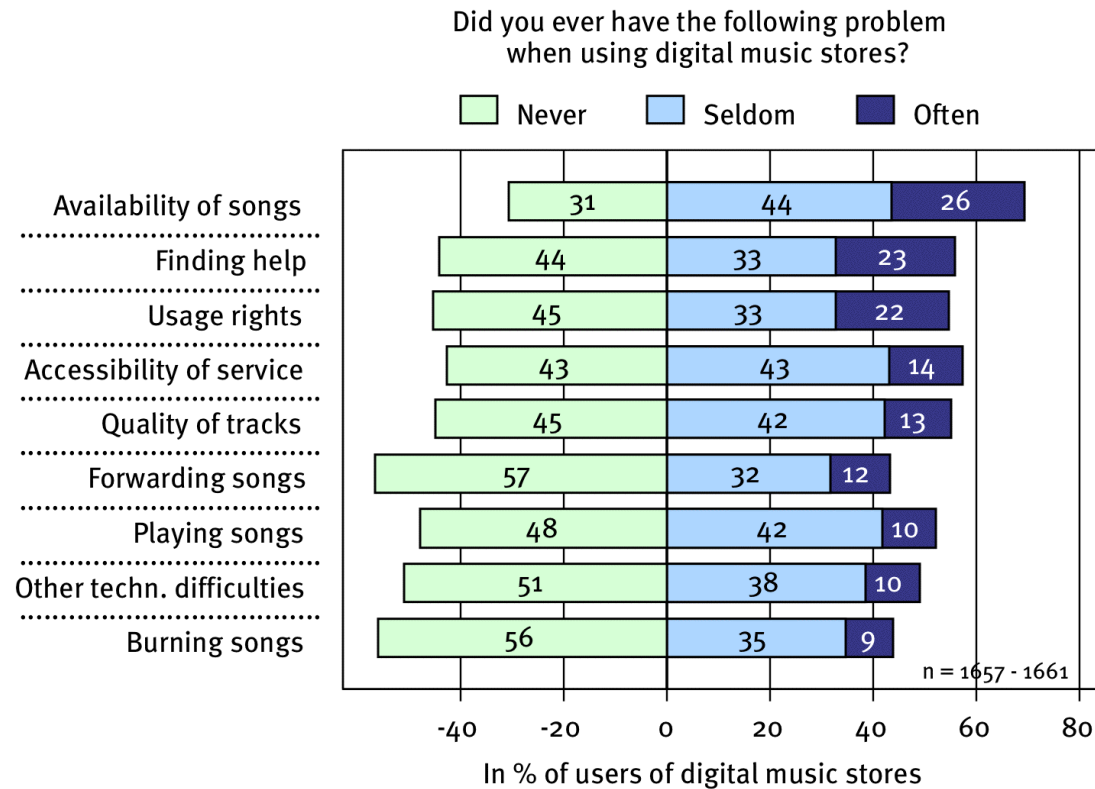


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- Most consumers want to „keep“ music.
- Even with reduced price, most consumers don't want music that expires.
- However, 2005 saw major subscription offerings (**Yahoo!**, **Napster**).
- **Yahoo!** even raised rates.

Digital Music Preferences

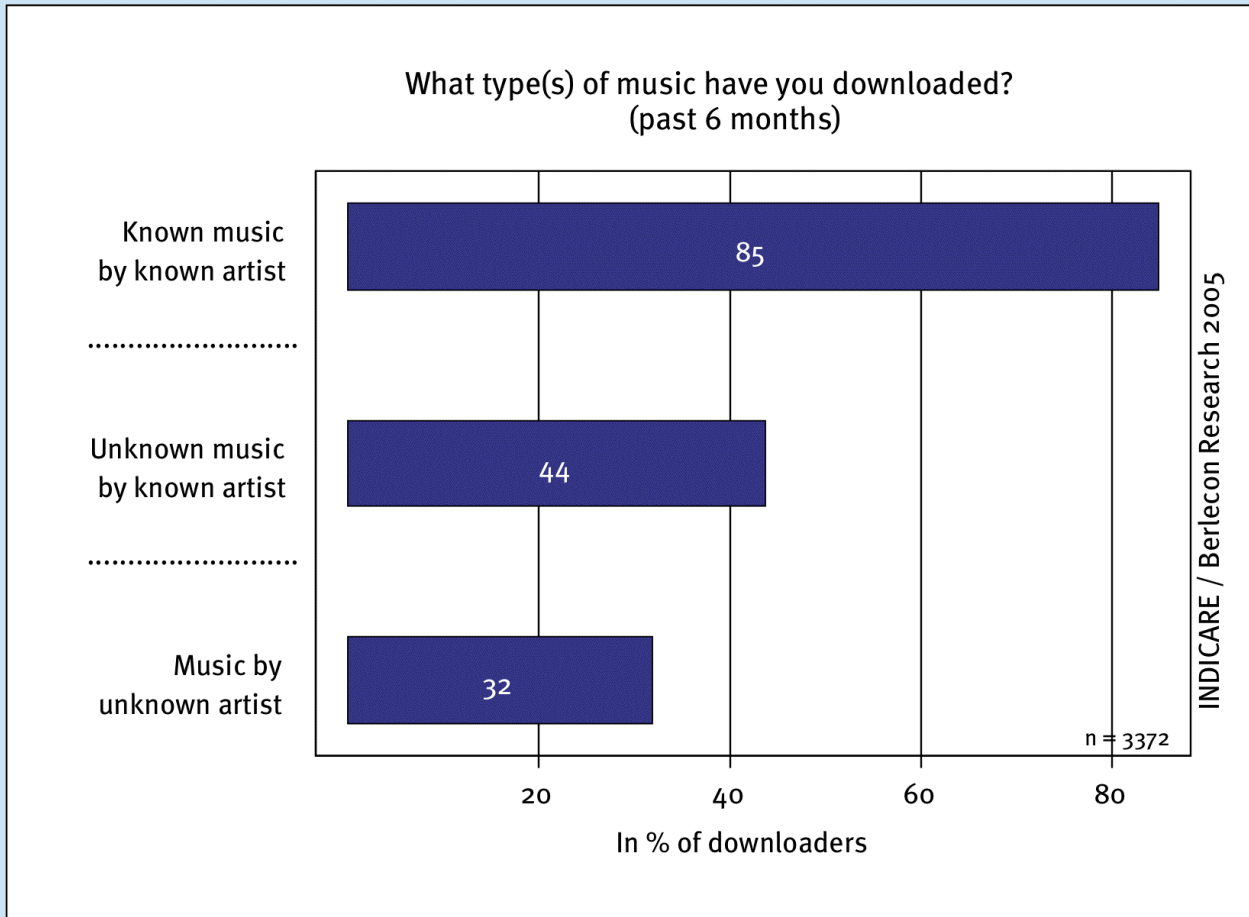
Problems with Using Digital Music Stores



- **Consumers want better music stores!**
- **Lack of songs is major problem (70%), but lack of information is important, too.**
- **About half experience technical difficulties.**
- **Poor understanding of DRM might be a cause.**

Conclusions for the Music Industry

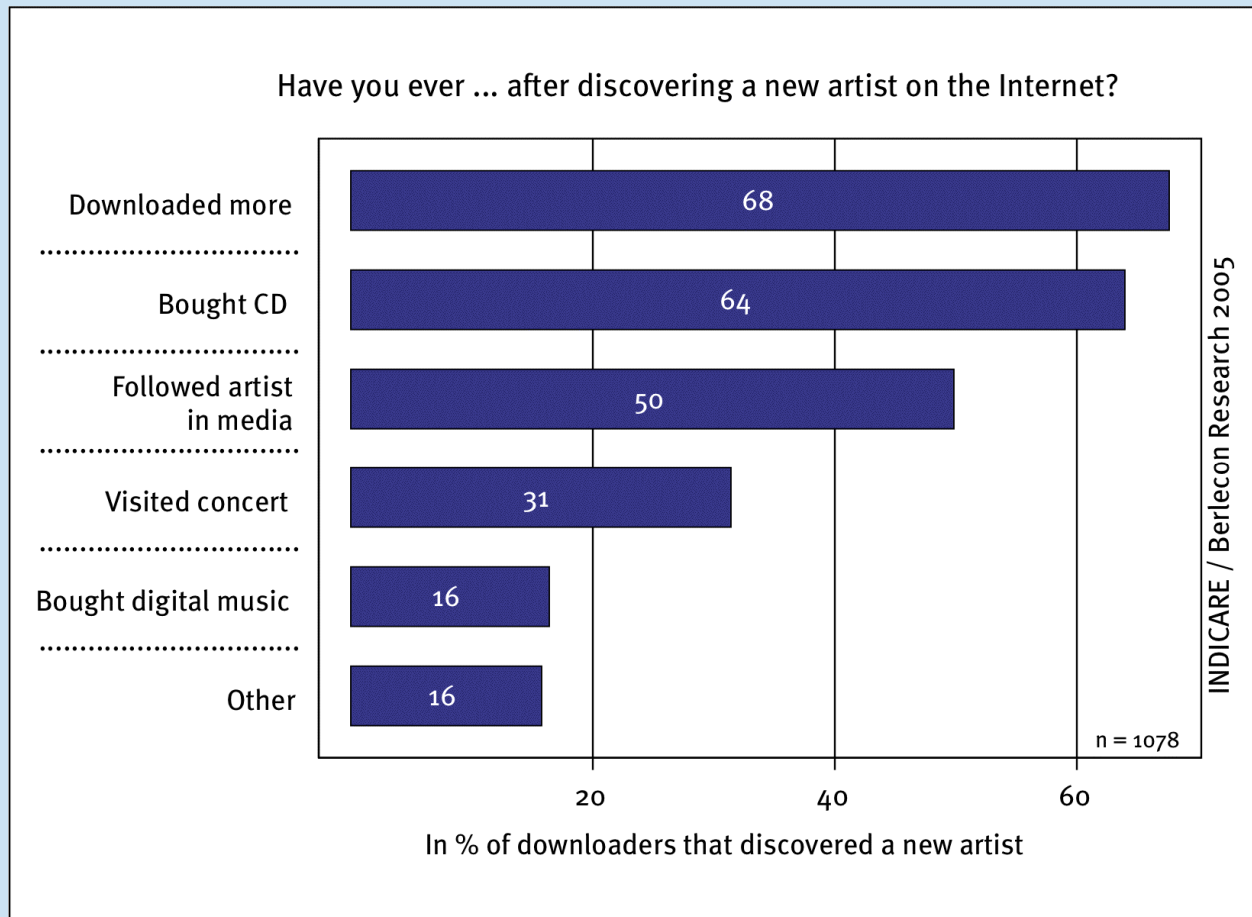
Type of downloaded music



- **Substantial share of consumers discover new music on the Internet.**
- Music downloads can be used as a **promotion tool.**
- Especially within **communities** (e.g. MySpace)
- Shift away from mass marketing?

Conclusions for the Music Industry

What downloaders do after discovering new artists



- Internet downloaders spend money on music after downloading.
- Marketing via music downloads works.
- Effects are strongest with **older** age group!
- Marketing via Internet downloads must reach **beyond** teens.

Key results



■ Digital music usage

- Digital music is a **fact** of Internet life in Europe.
- Major source of music are **ripped CDs**, not Internet downloads.
- Digital music can **benefit music industry** by raising offline sales.

■ DRM

- Consumers neither **know** what DRM is, nor are they **informed** about usage restrictions for digital music. (Has the “rootkit” changed this?)
- Some fair use rights are **granted** (private copy), some are not.

■ Digital music preferences

- Consumers want to **share** and they want **interoperability**.
- Consumers are hesitant to accept new usage forms (streaming, renting of music). They want to **own** music.

■ Conclusions for the music industry

- Consumers do **discover new music** on the Internet.
- Especially **older users** spend money on music after downloading.

INDICARE Survey II

Digital Video Usage and DRM



- **Methodology:** Online survey conducted in **January 2006** among 2,500 Internet users from 5 countries.
- **Countries:** Germany, United Kingdom, Spain, France, Sweden.
- **Results:** Representative for all **Internet users** in the respective countries from age 15 with respect to age, gender, education and Internet usage.
- Empirical data data available **to date** very limited.
- *Only preliminary (pre-test) results available to date.*

Why is the market for video content different?



■ **Business model** for movies based on „windows“

- **Release windows:** Cinema / DVD / PayTV / Public broadcast.
- Digital distribution could change business fundamentally.
- e.g. Steven Soderbergh's „Bubble“, to be released Jan. 27.
- Do consumers care? What are the implications for DRM?

■ **Multitude of formats**

- Specific **usage patterns and demands** (music market more homogenous).
- **More DRM systems?** Think **Google DRM** for video...
- e.g. **reformatting** for iPod Video or PSP? Fair use?
- e.g. is **sharing** of full feature movies attractive?

Questionnaire design

1. **Experience** with video content

- Very limited experience with legal offerings expected.

2. **Usage** of video content

- Recently released / older movies, TV shows, adult content, news & sports, movie previews & advertisements, amateur content (e.g. vlogs).

3. **Preferences** for digital video content

- Transferability, P2P (What happens when P2P gets legal?).

4. **Digital rights management**

- Cf. First INDICARE survey.
- **New:** In which case would you accept protective measures?
- Remember: **DRM can add value!**

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**Free download of music report:
www.indicare.org**

- Digital video report will be available in Feb. 2006 -