



INDICARE Surveys: Digital music and video content

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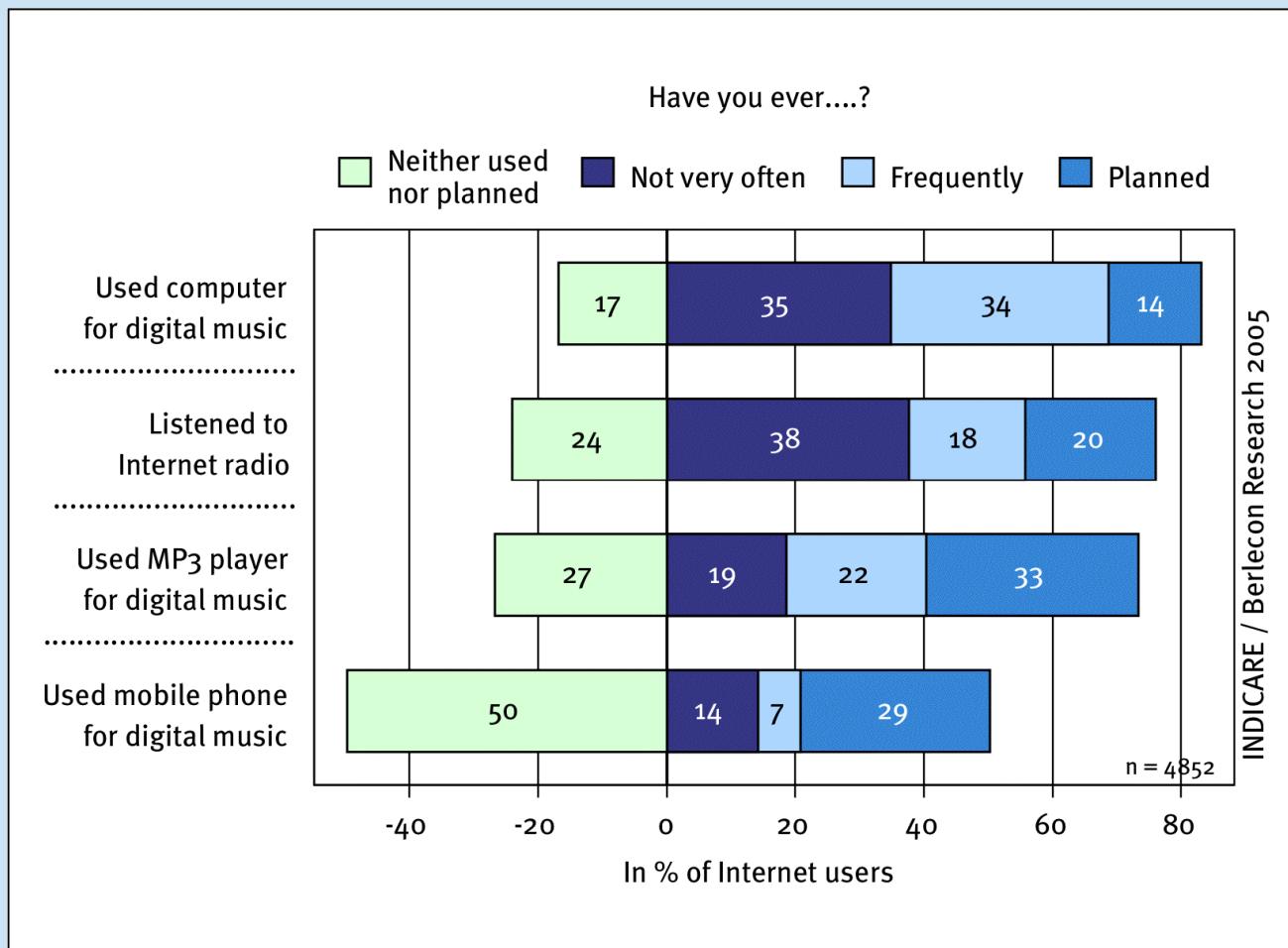
INDICARE Survey I

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?*

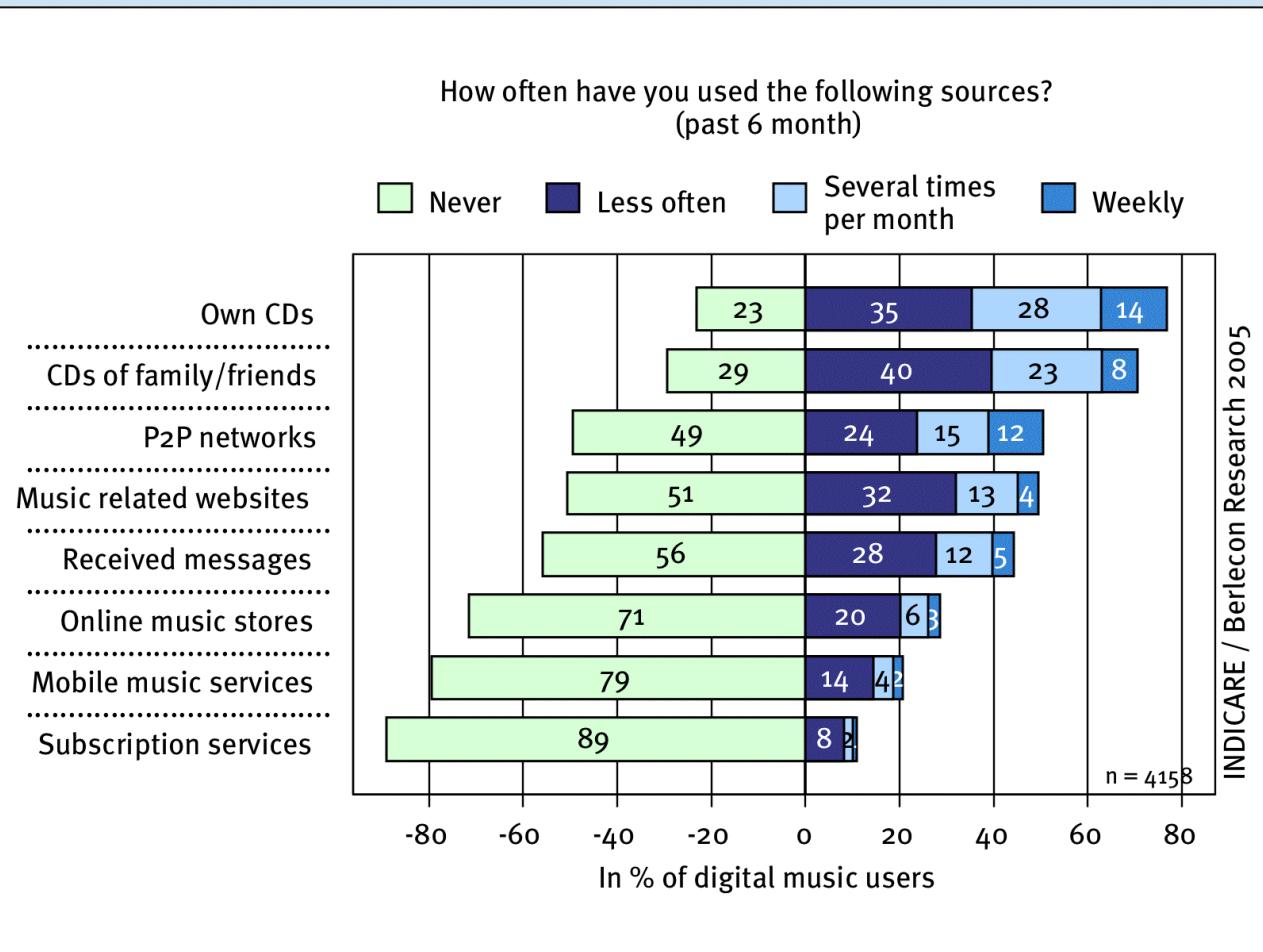
Digital Music Usage: Experience with Digital Music



- **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?



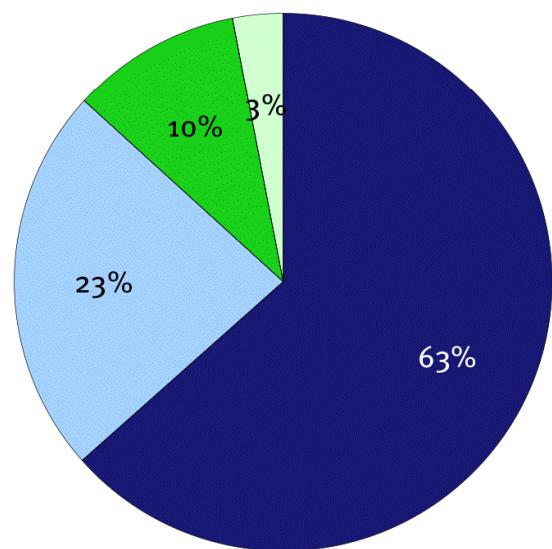
- Digital music is NOT equal to Internet downloading!
- Ripped CDs are primary source (think of your iPod).
- Mobile phone is least popular device for digital music.
- Potential of data flatrates?

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.

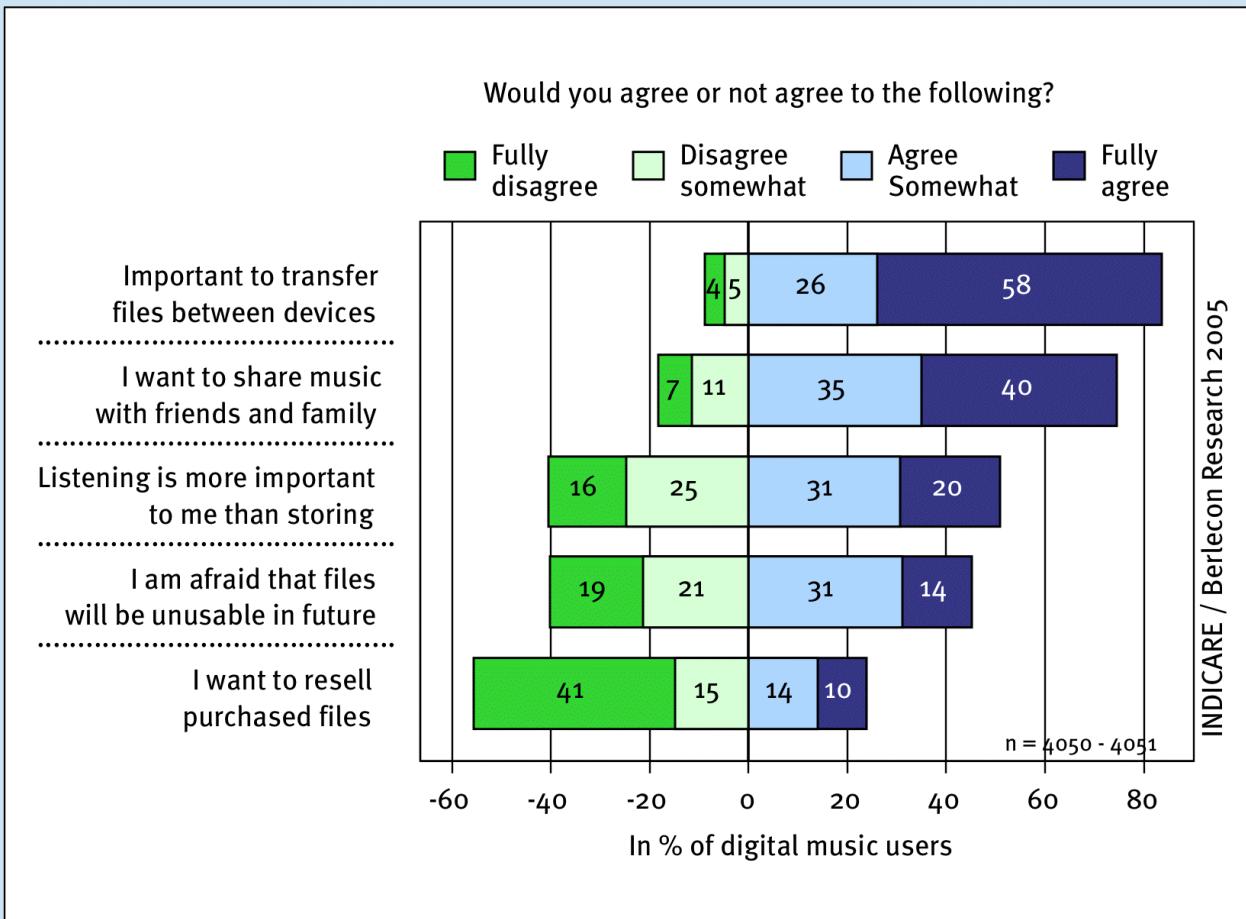


n = 3979

- **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

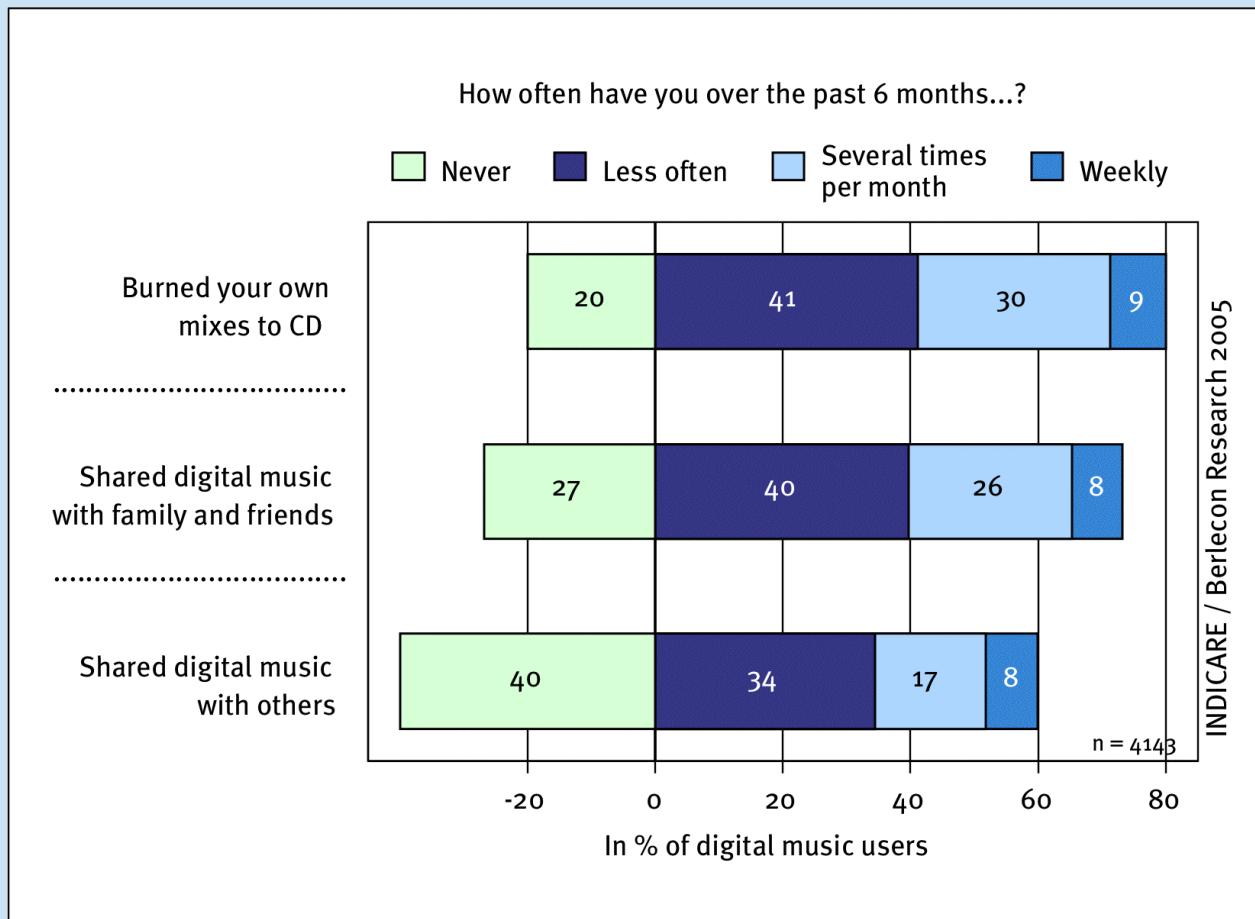
What Consumers Want



- 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

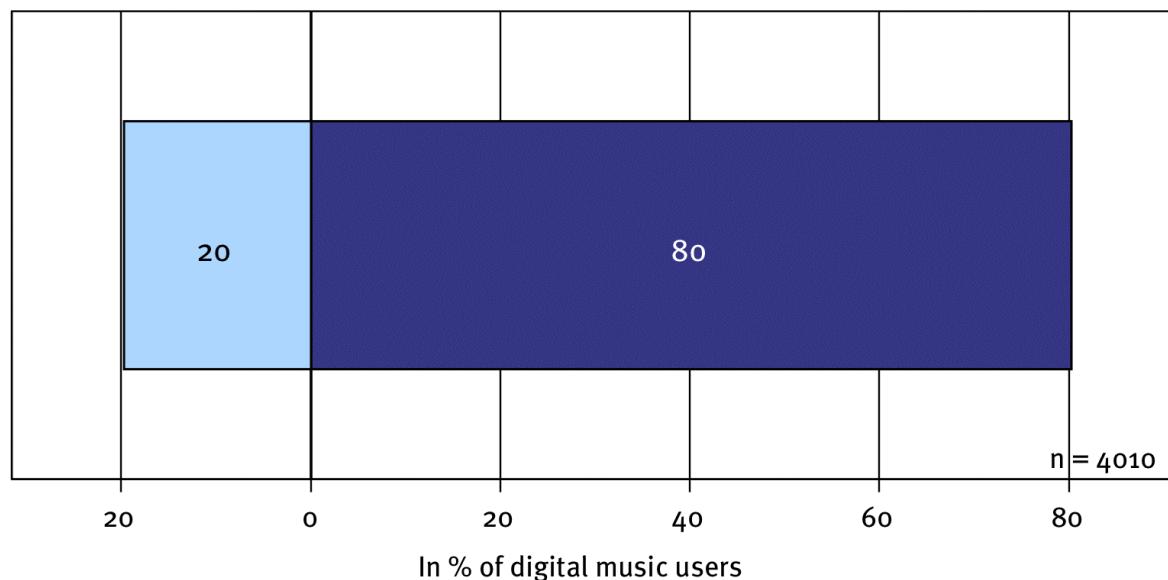
Acceptance of Time-based Usage Restrictions

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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

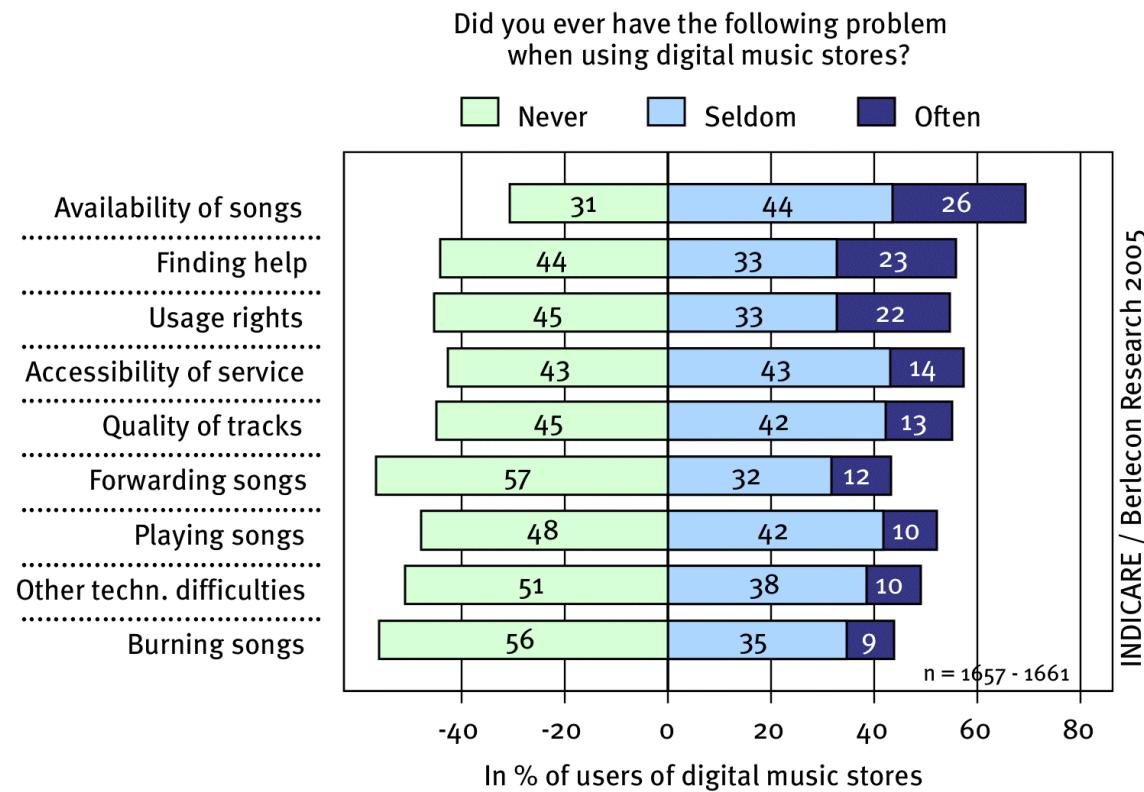


INDICARE / Berlecon Research 2005

- 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

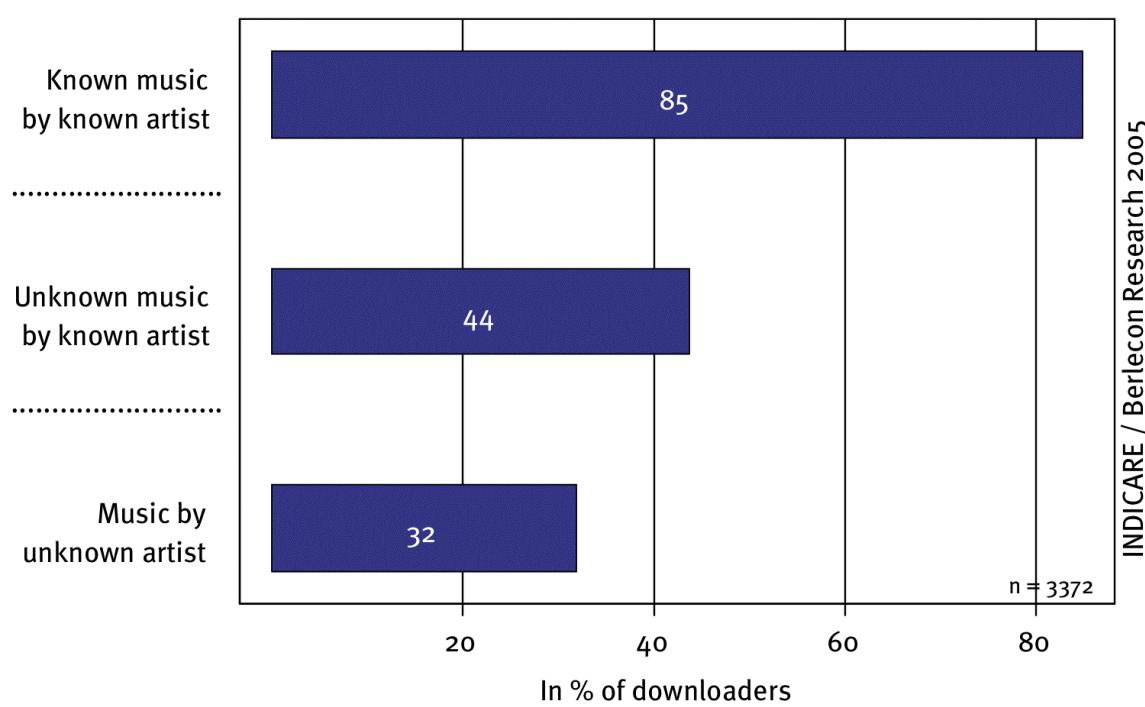


- Consumers want better music stores!
- Lack of songs is major problem (70%), but lack of information is important, too.
- About half experience technical difficulties.
- Poor understanding of DRM might be a cause.

Conclusions for the Music Industry

Type of downloaded music

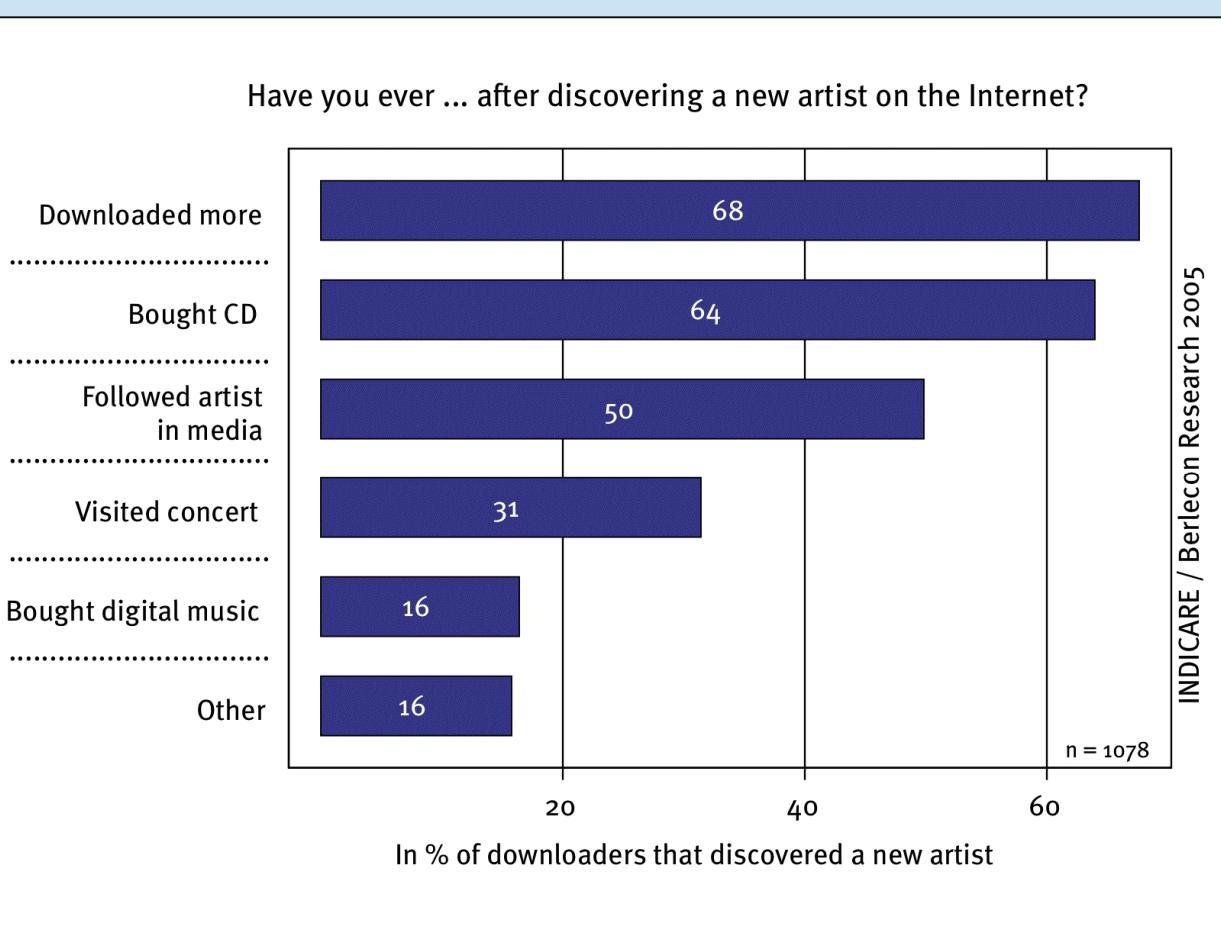
What type(s) of music have you downloaded?
(past 6 months)



- **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 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!**



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

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