

VOL. 1 NO. 1

Welcome to the inaugural issue of Market Watch, the Recording Industry of America's (RIAA) electronic music market research newsletter comprised solely of surveys and other research commissioned by the RIAA for its members. Because the RIAA's proprietary research is intended only for internal use by RIAA member companies, most surveys are not provided in their entirety, but rather are excerpted to provide a statistical snapshot of the music marketplace. If you have comments, suggestions or wish to make the newsletter available to a colleague, please notify Alexandra Walsh, RIAA's VP of Market Research at [awalsh@riaa.com](mailto:awalsh@riaa.com) or 202.775.0101

## US COPYRIGHT INDUSTRIES GROW THE ECONOMY

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The International Intellectual Property Alliance (IIPA), of which the RIAA is a member, released its latest economic report outlining the contributions of the copyright-based industries to the U.S. economy. The study, "Copyright Industries in the U.S. Economy: The 2000 Report" illustrates how the U.S. copyright industries contribute more to the U.S. economy and employ more workers than any single manufacturing sector, and grow at a higher rate than the U.S. economy as a whole. (The report was prepared by Stephen E. Siwek, Principal at Economist Incorporated, Washington, D.C. To receive a copy of the report, contact Pam Burchette at [burchette@iipa.com](mailto:burchette@iipa.com))

- ▶ In 1999, the total copyright industries contributed approximately \$677.9 billion (up nearly 10% from the previous year) to the U.S. economy, accounting for approximately 7.33% of the GDP
- ▶ Total copyright employment grew from 3.3% (3 million workers) of the U.S. workforce in 1997 to 5.7% (7.6 million workers) in 1999.
- ▶ Foreign sales of the core copyright industries were at least \$79.65 billion in 1999, a 15.1% gain over 1998.

## PARENTS SUPPORT PARENTAL ADVISORY PROGRAM

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Studies by the RIAA and the Federal Trade Commission (FTC) both found that 75% of parents who were aware of the recording industry's voluntary Parental Advisory Program found the program effective. The RIAA continues its commitment to ensure that the program provides parents with the tool needed to help them make their choices about the music their children listen to. (5/4/2001 RIAA press release, [www.parentalguide.org](http://www.parentalguide.org), (An In-depth Look at Attitudes Toward the Music Industry – A Survey Among 1,004 adults nationwide June 2000)) Here are some other statistics on the public's attitude toward music and censorship from this study:

- ▶ When asked who should be responsible for controlling content children hear in music, 57% of respondents said parents; 24% said artists/record companies and only 3% said the government.

- ▶ Overall, 70% of respondents said the government should not be able to censor free speech as the music industry has an established voluntary parental advisory system.

## APPETITE FOR MUSIC REMAINS HIGH

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While the U.S. music industry's numbers were disappointing in 2000 (negative growth for only the second time in a decade), RIAA studies reveal many indicators that the appetite for music remains high and music continues to be important to consumers.

- ▶ 60% of consumers see music CDs as an excellent or good value for the money. This contrasts with 33% who view concert tickets as a good value; 27% who view movie tickets as a good value and 21% who view video games as a good value. *(RIAA Market Segmentation: An In-Depth Look at Music Consumers – Surveys Among 3,023 music consumer age 12 to 54 April/August/November 1999)*
- ▶ Listening to music is important to all music consumers, but more so to women, especially younger women, than to men. Listening to music is extremely/very important to 75% of women overall; 75% of women age 19 to 29; and 65% of men overall. *(RIAA Key Findings on General Music-Related Questions – Biannual Survey of 1,015 music consumers age 12 to 54, August 2000)*
- ▶ The top reason that consumers listen to music is to make commuting and traveling more enjoyable (85%), but many consumers are also active music listeners, that is, they enjoy music for music's sake, not just as background -- 52% to party and 43% to dance. *(RIAA Key Findings on General Music-Related Questions – Biannual Survey of 1,015 music consumers age 12 to 54, August 2000)*

## 2000 MUSIC CONSUMER

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Although young people under the age of 30 account for 45% of all music purchasers, growth amongst this largest consumer segment of the marketplace has been declining for the past decade. In fact, in 2000 music purchases by teens and 20-somethings were flat. However, the 45 year old and over segment more than doubled its share of the market since 1990, rounding out the decade with a 23.8% market share. And again in 2000, while record stores continue to be the outlet of choice for consumers, more and more music purchasers are shopping at mass merchandisers like Wal-Mart and Best Buy as the changing lifestyles of consumers dictate where they purchase their music. [\*\(RIAA 2000 Annual Consumer Profile – A survey of 3,051 past month music buyers age 10 and over, February 2001\)\*](#)

## TURN IT UP! WHAT ARE CONSUMERS LISTENING TO?

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Rock continues to be the mainstay of the industry, but Rap/Hip-Hop made the biggest move of 2000. There were many other notable increases in the popularity of some music genres over the previous year. *(RIAA Key Findings on General Music-Related Questions – Biannual Survey of 1,015 music consumers age 12 to 54, August 2000)*

- ▶ *Alternative/Modern Rock* is the category in which we find the largest increase (+11%) in the proportion of music consumers who rank this genre as one of their favorite -- a 24 point increase has occurred in the share of teenagers who rank it as one of their favorite (57% in '00 vs. 33% in '99).
- ▶ *Rap/Hip-Hop* is now among the favorite genres of 29% of music consumers, up six points from the previous year.
- ▶ *Dance* music is the genre of choice for 33% of music consumers, a six point increase from '99. African Americans (+14 points.) and women age 19 to 29 (+12 points.) have experienced the greatest increase in fans of this genre.

- ▶ Pop music's popularity has increased from 31% in '99 to 36% in '00. Interest in this genre among men remained static while 47% of women rate Pop as their favorite compared to 37% the previous year.

## CD BURNERS VS. MP3 PLAYERS

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Ownership of CD burners, which allow users to both copy CDs and create them using MP3 files, has grown substantially, with the proportion of consumers who own CD burners doubling between Nov. '99 and August '00. (*RIAA Key Findings on Music, the Internet and CD Burners -- Biannual Survey of 1,015 music consumers age 12 to 54, August 2000*)

- ▶ Three in 10 consumers report owning a CD burner; people who download music from the Internet are amongst consumers most likely to own CD burners (48%). African Americans (47%), teens (35%), Northeast residents (35%) and Hispanics (34%) are among those most likely to report owning a CD burner -- these are also the groups that report the biggest increase in ownership over a one year period.
- ▶ More growth in CD burner ownership has occurred among women age 19 to 29 (30%) than men the same age (28%), a shift from the previous year when men had a more significant lead in ownership (18% men vs. 13% women).
- ▶ Two-thirds of CD burner owners (67%) report using their burner to copy music in some way.
- ▶ The most common use for CD burners amongst most consumers is making CDs for friends and family (54%) and making CD compilations (51%).

Only moderate growth has occurred amongst consumers who own MP3 players, portable devices that allow consumers to download and listen to electronic music files. Today, 13% of music consumers report owning an MP3 player, a slight increase from 9% the previous year.

- ▶ The greatest penetration of MP3 players is among the older teens age 15 to 18 (24%), 19 to 24 year olds (22%), full-time college students (20%) and fans of Electronica music. (25%).
- ▶ The groups that experienced the biggest increases in MP3 player ownership in a one-year period are Hispanics (+11 points.) and teens (+9 points).

## NOT JUST YOUR MOTHER' S FILE SHARING SERVICE ANYMORE

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In a survey in which Napster and other peer to peer music file sharing services were not mentioned specifically by name, one third of music consumers reported they were aware of these kinds of services. Among this group, one-third reports having used one of these services. (*RIAA Key Findings on Music, the Internet and CD Burners -- Biannual Survey of 1,015 music consumers age 12 to 54, August 2000*)

- ▶ Of all the specific characteristics of file sharing services that were tested amongst consumers who have used these services, having access to a large selection and variety of artists and titles ranked highest (87%), followed by the capability to download files easily and quickly (84%), the ability to download individual songs (83%), a convenient search feature (81%) and the ability to get music for free (79%). Despite claims to the contrary by Napster advocates, the ability to access songs not commercially available ranked lowest (64%).