

For Immediate Release

**CANADIANS READY TO EMBRACE LOWER MUSIC CD PRICES**  
PAY-PER-SONG DOWNLOAD SITES HAVE NICHE APPEAL SAYS NATIONAL SURVEY

TORONTO (October 29, 2003) – Universal Music and retailers such as A&B Sound and The Future Shop are on the right track by proposing to lower music CD prices by as much as 30%, says a national scientific survey of 1,100 Canadians 12 years of age and older conducted by [SRG](#) (Solutions Research Group Consultants Inc.).

Two-in-five Canadians (42%) say they are more likely to buy music CDs as a result of recent announcements that some labels and retailers will “lower the price of music CDs by as much as 30%.” Lower CD prices hold even stronger appeal among those who are currently frequent users of file sharing services such as KaZaa – 57% of frequent downloaders say they are more likely to buy CDs at retail if the prices are lower. Among those who are currently active buyers of music CDs, 56% say they same thing.

“The research suggests that a significant price cut has the potential to bring full-length CD sales back to levels before file-sharing took off three years ago. A lower-price policy appeals to everybody – even the most avid downloaders say they will be back to the stores if the price is right. The key to revitalization of the market will be to drop the prices for ‘no-frills’ music CDs on a widespread basis and more effectively communicate this new policy to the consumer,” said Kaan Yigit, President of SRG and the Study Director.

Among other findings of the survey:

- The DVD market is expected to be stronger this Christmas compared to last, while the music CD market will stay flat in the absence of a strong price and promotional push between now and early December, based on consumers’ Christmas purchase intentions. Three key demographics, the 15-19, 20-29 and 30-44 age groups, expressed stronger interest in buying DVDs this year compared to music CDs.
- As a pay-version of Napster relaunches this week in the US and with Puretracks now operating in Canada, the survey found niche appeal for sites offering songs on a paid basis. At a typical price point of \$0.99 each, only 15% of those who currently download songs from free file-sharing services expressed strong interest in paying, and 32% expressed soft interest (“somewhat”). This translates to a niche market of about 8% of Canadians 12 and older.

“Many like the idea of easy access to a complete and reliable catalogue of high quality music on the web in principle but when it comes to paying \$0.99 per song, it’s a different story. And, there is currently limited interest in paying for downloads in the 15-19 age group and among young males – the most frequent users of file-sharing services such as KaZaa,” said Yigit. “In addition, as the prices of actual CDs drop, the online music value proposition will also be affected.”



The information for this release comes from a survey of 1,100 Canadians in October 2003, undertaken as part of IN THE NAME OF COOL, an independent consumer trend database on technology, media and entertainment, based on ongoing scientific surveys of Canadians aged 12 and older. The sample for the survey statistically reflects the regional and age/sex composition of the Canadian population. The results of the survey are accurate to  $\pm 2.95$  points for the population as a whole, 19 times out of 20.

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- 30 -

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