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Detailed analysis of methods and attitudes of illegal music downloading and copyright infringement

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The purpose of this research project is to investigate the effects of music downloading from unlicensed sources, by measuring attitudes towards illegal downloading and copyright infringement and analyzing the most popular ways of acquiring music and MP3s over the internet.

Research Methodology: The sample design was targeted mainly towards Generation Y (Individuals from around the globe used for the sample). Based on the sampling frame, 300 respondents filled out an online survey and 50 interviews have been populated. The data from these questionnaires was collected, analysed and further categorised as quantitative and qualitative research.

The major quantitative research findings were:

- The respondents use multiple outlets to download music.
- 50% of the respondents considered downloading from the unlicensed sources illegal, however still partake in illegal music downloading.
- 50% of the respondents considered that nothing should happen to individuals who download music illegally.
- 32% of respondents said they were willing to pay for their music downloads in order to support their favourite singer (artist).
- People who buy CDs are 90,3% driven by price and only 9% by other factors.
- While, 57% of attitudes of people who download music are driven by factors other than price. Factors like: convenience, fast and easy access, no need having physical

data storage devices and others.

The major qualitative research findings were:

- 57% of individuals did not know the legal implications associated with music file-sharing, nor did they care about the effects that it has on the recording industry.
- 60% of respondents say that Apple's iTunes is not what they expect from a source for legal music downloading.
- 14% of respondents said they share music often, as opposed to the 85% of individuals who said they download music.

Based on the findings, the researcher has recommended that:

- Because of the consensus that most people are fairly ignorant of copyright laws, it is important to educate people about the laws and regulations regarding illegal downloading
- The recording industry should take legal action against the developers behind the websites and software that host illegal file sharing.
- By developing a monthly streaming service for a flat fee, consumers have the chance to purchase legitimate music at a low price without the threat of breaking any laws.

To conclude, the researcher acknowledges that the recording industry is in a transitional phase in which the industry is trying to embrace the file-sharing revolution. Developing better programs that suit consumer needs will help the industry become more profitable, while creating customer relationship management and giving consumers the chance to listen to music without violating laws.

It is up to the industry to educate individuals on the effects that illegal downloading has on the recording industry and to reinforce that it is a crime to upload/download music from unlicensed sources. Although this research report has investigated attitudes and methods of downloading, there is still much to be researched and analysed to help the recording industry to thrive.

Keywords

Illegal music downloading, copyright infringement, consumer attitudes, popular ways of acquiring music.

Introduction

Through qualitative and quantitative research, various findings have been deduced in order to determine certain effects of illegal downloading on the recording industry. The purpose of the research report is to quantify what methods are being used to download music and to measure attitudes towards copyright infringement and downloading.

Using social media, online surveys and one-on-one interviews, the researcher was able to accomplish various research goals that were previously set and are presented in the report. In addition to primary research, secondary research was done beforehand. This enabled the researcher to better understand the target sample, recording industry, and copyright laws.

The surveys constructed provided data that was further analyzed through various statistical tools.

Correlations between price per album and price per song are some of the conclusions deduced from statistical analysis. Personal one-on-one interviews provided a greater understanding of the target sample's attitudes and beliefs towards downloading music and copyrighted materials.

1 Framework

1.1 Research Objectives

Based on the primary and secondary research the researcher has identified two research objectives. Sub-topics were identified and have also been shown below

- To investigate customer attitudes towards different methods of acquiring music and their opinions about its price.
 - For business a problem occurs of how to deliver the product (music) to their customers with the highest margins. Should music be delivered, the old way, with the physical data storage devices (i.e CD's), or digitally via internet downloading?
 - For customers, it is important to know what are the best and most convenient ways of acquiring music?

- To analyse the most popular ways of acquiring music over the internet and to research customer attitudes towards copyright infringement.
 - There are many ways individuals can digitally acquire music. Which ways are the most popular? Which will be the most used form of downloading in the future of music downloading?
 - Individuals who download music over the internet do not seem to care about the penalties that are associated with copyright infringement. Are the penalties seem too harsh to be under minded?

The selection of the aforementioned objectives was made due to limited information available on the topic in books, journals, and other media. It was understood and decided that the further development of these areas was needed.

1.2 Limitations

The following limitations were faced by the researcher while working on the following research project:

- Interviewer Bias: Although basic data collection skills were shown by the researcher, there was an interviewer bias with the results that have been populated. This could have led individuals to answer in ways that could have changed the research findings
- Size of the planned sample: Three hundred respondents answered the survey questions and fifty interviews were conducted. The population may be misrepresented, since the sample size is relatively small in comparison to the full population of the geographical area (global) covered by the research.
- Convenience sampling. Convenience sampling has been used for both the survey and the interview. Random sampling could have brought better result accuracy.
- Non-response error: of the three hundred and fifty respondents in total, a response rate of 40% was indicated, which is noticeably low for the convenience sample.
- Use of USD: The decision was made to use the U.S. Dollar (USD) as the currency for questions concerning price due to the currency's worldwide acceptance.

The U.S. dollar (USD) is more commonly used in developing countries to measure the actual price of the product. Euro (EUR) is not as globally accepted as USD, which means the currency exchange rate would have to be given to the respondent in order to answer the survey. This creates inconvenience for the respondent, therefore decreases the probability of an accurate answer of the survey and increases error.

- Budget: Lack of budget has deferred the researcher from using popular research methods such as focus groups, simple random sampling and multistage sampling

- Time: Deadline implementation has limited the researcher from the larger sample size selection.
- Research team absence: Due to the researcher's intensive work and travelling schedule, the research was carried out individually, which has increased the duration of the data collection and project development.

2 Secondary Research

The secondary research or the literature review is divided into four topics: the history of music file-sharing, adaptation of the recording industry, effects of illegal downloading on CD sales and profits, legislation behind illegal downloading.

The articles that have been chosen are from Canada and the U.S due to the majority of the recording companies being from that area, although external factors from other countries play a large role in illegal downloading today. The articles that were selected have been summarised, analysed and organised to assist in the research process.

2.1 The History of Music File-Sharing

The history of music file sharing certainly is not as long and adventurous as the history of music, but even now it has noticeable moments that have changed the way we see and understand music. With the rise of internet various new methods of acquiring music, like Napster, have come around and have made a vital impact on the musical industry.

The history of music file-sharing can be broken up into two major events:

- The advent of Napster and P2P file-sharing
- The rise of new file-sharing software

2.1.1 The advent of Napster and P2P file-sharing

The article "Securities Price Effects of Napster-Related Events", discusses eleven prominent Napster-related events that are correlated with the equity value of firms in the U.S music industry during June 1999 to February 2001. The article states that "the development of Napster software in conjunction with the MP3 format and the Internet resulted in a large-scale duplication of intellectual property by users throughout the world" (Navissi, Naiker & Upson 2005: 169). Because of the large increase in users of Napster, since its launch in June 1999, the Recording Industry Association of America

(RIAA) suggested that "Napster had collapsed the business structure of the U.S. multibillion dollar music industry" (Navissi, Naiker & Upson 2005: 167). In December 2009, the RIAA filed a lawsuit against Napster, accusing them of "operating a haven for music piracy on an unprecedented scale" (Navissi, Naiker & Upson 2005: 171).

The article goes into further detail regarding the other Napster-related events: four of the events being pro-Napster related and seven events being anti-Napster related. Their findings showed that, "Anti-Napster events resulted in a capital loss of approximately \$19 billion. Pro-Napster events, on the other hand, generated a capital gain of approximately \$9 billion" (Navissi, Naiker & Upson 2005: 183). The article shows evidence on anti-Napster related events and a drop in stock prices during each event. Although stock prices drop within firms, it does not necessarily correlate with Napster itself. The cause in the drop in stocks could have been from other external factors such as: the quality of music, the distribution of CD's and records or a switch in popularity of music during that time.

2.1.2 The rise of new file-sharing software and present day file-sharing

"The Impact of illegal Peer-to-Peer File sharing on the Media Industry" is an article that discusses the impact of P2P file-sharing after the fall of Napster. Since the RIAA's successful attack against Napster which ended in February 2001, the organisation "has responded to unauthorised file sharing by lobbying stricter laws and by prosecuting Internet providers as well as the most active file-sharers (Chandra, Miesing & Goel 2010: 7). "Although their efforts are noble, their actions have "antagonised many influential industry constituents, who view this as a futile effort by the industry to resist change, stifle creativity, and prolong the use of an unsustainable business model" (Chandra, Miesing & Goel 2010: 7).

Examples of ways the recording industry has tried to regulate the distribution of music and media are:

- Educating the public about the need to pay for copyright-protected media
- The creation of legal download software (e.g., Apple iTunes, the new Napster)

- DRM (Digital Rights Management), which is a generic term for technology that can be used by copyright holders, publishers and individuals to limit the usage and duplication of digital content

On the other hand, P2P file-sharing is still thriving and growing because of several reasons, discussed as:

- Copyright violators are made up of millions of people around the world with different legal jurisdictions
- These same people prefer unauthorised downloading from P2P networks as apposed to using legal sites (e.g., Apple iTunes) because it is free, there is a larger variety and because using an internet search provides a quicker way to find music
- The rise in Internet culture is anti-establishment, creative and Internet file-swappers seem to have no morals behind violating copyrights
- Technology to prevent unauthorised copying (e.g, DRM) have been hacked by intelligent software developers who have easily cracked protection codes or found other ways to go around it

Further detail is given by offering four different scenarios for the future of the media and recording industries. Their options vary from:

- Continuing with the current business model and imposing higher penalties for downloading and uploading
- Implementing a tax on Internet service providers and other file-sharing devices that goes directly to media companies as royalties. This however would have the effect of decriminalising file-sharing activity, but still offering a solution to paying content producers and owners
- Offering subscriptions to stream and/or download a certain number of music singles on special sites
- Creating revenue from advertising from subscription streaming and downloading sites

The article concludes by acknowledging the media industry is in turmoil, however “new technology has the potential to expand demand by enabling users to access media products anywhere on a variety of devices, sample new products, and use them creatively and as a part of a broader social experience” (Chandra, Miesing & Goel, 2010: 26). The old business model must be updated to accommodate new technology (e.g., higher-speed internet, evolving P2P file-sharing networks and mobile devices) and changing customer tastes.

“The Impact of illegal Peer-to-Peer File sharing on the Media Industry” does a good job of discussing both sides of issue (the media industry vs. P2P network users) and also provides potential solutions to the current illegal downloading problem. It embraces the fact that illegal downloading is here to stay, while also acknowledging that the recording industry has possibilities to adapt to these trends and still remain profitable. Although the article gives four suggestions as to what the recording industry should do in the future to protect their property and increase sales, other options could be discussed. Other options could include harsher penalties enforced by the Government for people who are consistently uploading and downloading. Regardless, the article is a good example of today’s illegal downloading environment and will be used to help define the issue.

Based on the analysis of these two articles, it seems that the recording industry has much to improve, if it wants to continue being profitable in the future. Today, there is still a struggle for recording firms to generate larger profits. This could be due to their lack of technological knowledge or maybe their unwillingness to embrace the new trends of illegal downloading. The fact is that illegal downloading is here to stay and should no longer be viewed as dire; rather, it should be embraced so that both the recording industry and the consumers are both happy.

2.2 Adaptation of the Recording Industry

The articles “The Evolution of Business Models and Marketing Strategies in the Music Industry” by Valerie Vaccaro and Deborah Cohn and “The Internet is Changing the

Music Industry" by Calvin Lam and Bernard Tan, talk about the adaptation made by the recording industry regarding illegal music downloading. "Experts are recommending record labels to focus their energy on promotion and marketing instead of lawsuits" (Vaccaro & Cohn 2009: 3). This study explains how the music industry is heading in that direction. The new business model includes legitimate online digital music services. "The first legitimate online music services began to appear on the Internet in 1995, but none of the early services were very successful" (Vaccaro & Cohn 2009: 4). In April 2003, Apple introduced the iTunes service to the world. The article goes on to say that "Within its first six months of operation, a record number of fourteen million songs were purchased for download. In July 2004, iTunes reached its one hundred millionth download" (Vaccaro & Cohn 2009: 4).

To generate acceptable profit levels, the services will have to sell high volumes of songs and "become online retailers to distribute songs with a concept of anytime, anywhere, and anyhow" (Lam & Tam 2001: 5). "To convert P2P file traders, it will be necessary to drastically decrease prices to \$0.25 or less per song" (Vaccaro & Cohn 2009: 7). One recommendation for legitimate online music services is to use "choiceboards" and other technologies on the Internet and in stores for music-related products, services, and information; which will be customised and used to generate income. Another key strategic recommendation is for the major labels to open their out-of-print recording catalogues.

It is recommended that legitimate online digital music distribution services implement market research to find out what types of physical evidence, information, or services could be offered; intern this will provide added value to different consumer market segments and generate higher profits. Some other useful techniques are customerisation by personalising marketing communications, customer relationship management strategies such as loyalty programs, database management, customer lifetime value assessment, services marketing to help develop a competitive advantage, and "Strengthen strategic alliances with Internet and media companies to develop secure standards for encoding music files" (Lam & Tam 2001: 5).

“The music industry needs to better understand its consumers and employees” (Vaccaro & Cohn 2009: 11). Organisations need to conduct in-depth market research on customers by using additional bases for market segmentation in order to determine the impact on music purchasing behaviour.

The new business model recommended by Vaccaro and Cohn was appropriately supplied with figures that backed up each recommendation. Because the recommendations are solution based they seem logical and strong. On other hand, this article only looks at the perspective of the recording industry and not the advantages of illegal downloading. However, it would still be a great idea to recommend this article to any recording company or anyone who is interested in the topic of new business models in the recording industry.

2.3 Effects of Illegal Downloading on CD Sales and Profits

The article, “The Effect of Internet Piracy on CD Sales: Cross-Section Evidence” by Martin Peitz and Patrick Waelbroeck (2004: 3)., examines the role of music downloading and the decline in CD sales. Some analysts believe the decline in CD sales is due to the increased number of illegal copies available using peer-to-peer technologies. The music industry addressed the problem by reinforcing copyright laws, implementing technological protection, and enforcing legal protection through lawsuits targeted at developers and users of peer-to-peer networks. On the other hand, many have argued that peer-to-peer downloads offer a new way for consumers to sample new music before making the purchases.

“There have been only two attempts to assess the role of piracy on CD sales” (Peitz & Waelbroeck 2004: 3). The first attempt was to determine whether the demand for original CD’s is increasing or decreasing with the extent of piracy. This work was carried out using international data from the period 1994-1998 covering 28 countries. The authors found a negative effect on legitimate CD sales and “the implied per capita demand loss” which was found to be 0.10 units” (Peitz & Waelbroeck 2004: 4).

The second attempt examined a thirty year time series of sales in the U.S. record industry using numbers by the Recording Industry Association of America from 1972 - 2002. "The researcher concluded that, without using direct information on music downloads or internet usage, MP3 downloads are causing significant harm to the record industry" (Peitz & Waelbroeck, 2004, p.4).

In this article, two sections were used to assess the effect of internet piracy on CD sales. "The first section estimated" the implied loss of CD sales due to MP3 downloads is 11% worldwide between 2000 and 2001 and is 12% in the U.S. "The second section argued that the" lost sales due to music downloads is about eleven million units or a 1.21% decrease in CD sales between 2000 and 2001" (Peitz & Waelbroeck, 2004, p.12).

The research done by Peitz and Waelbroeck is well explained with tables and data illustrating each point. The current downward trend in CD sales is not only caused by illegal music; some users are giving up the traditional forms of entertainment and substituting it with other forms of digital activities such as instant messaging, job and hobby information, and purchasing products online. The article blames the downward trend in CD sales on illegal downloading but it seems to be only the tip of the iceberg. Nonetheless, this article still proves to be a valuable piece of secondary data.

2.4 Conclusion of the Secondary Research

The secondary research that was extracted from the reviewed articles proved to be fundamentally useful in defining the foundational stages of the research. Information regarding the current situation of the music industry market, its profitability and the effect of illegal downloading and copyright infringement has been collected.

Based on the literature review, it seems that the recording industry has much to improve, if it wants to continue being profitable in the future. Today, there is still a struggle for recording firms to generate larger profits. This is due to their lack of technological knowledge or their unwillingness to embrace the new trends of illegal

downloading. The fact is that illegal downloading is here should no longer be viewed as dire, but should be analysed as a push towards development of the revenue model of the music industry, so that both shareholders and consumers will be happy.

While exploring three sub-topics of the literature review, it has been concluded that further research will be needed on the topic chosen, since the research topic has not been fully covered by any of the articles from the literature review. More profound research will be required to determine the relationship between the music industry, illegal downloading and pricing strategies. In conclusion it was decided that further efforts are needed to fulfil the research objectives.

3 Research Methodology

3.1 Research Design

In order to fulfil the research objectives, two different research tactics were developed. To investigate customers attitudes towards different methods of acquiring music and opinions about price, quantitative research was used. Correctly structured survey questions, use of online tools, and structured quantitative measurement of relationships brought a considerable progress.

One of the vital issues in the quantitative research design was a decision of which currency to use in the research survey. The decision to use the U.S. dollar was made. This decision was made due to the dollar's worldwide recognition.

To analyse the most popular ways of acquiring music over the internet and to research customer attitudes towards copyright infringement. A combination of secondary and preliminary research was carried out. The combination has helped the researcher identify certain copyright infringement issues, which would not be covered by the before mentioned objectives as the addition the qualitative research has identified the most popular ways for the internet customers to acquire music.

The proposed combination of qualitative and qualitative research is due to provide the researched with the most accurate results possible, due to every research being conducted separately, therefore the combined results will show the error of one, both or none of the researches.

The following research design was tailored to suit the goals and demands of the research study:

- Descriptive research allowed to determine characteristics of the target population in terms of their practices and attitudes on music downloading.

- Both primary and secondary research were conducted—secondary to aid in sample design and help identify already researched areas of the research objectives, primary to aid in statistical analysis of results.
- Fieldwork results were collected through social media, online surveys (www.SurveyMonkey.com) and face-to-face interviews with individuals from the corresponding target population.

For both survey (quantitative research) and questionnaire (qualitative research), it is important that topics were introduced to each respondent with a brief summary of the issue (See Appendix 2,3 for detail). The situation regarding the recording industry's current business model were communicated, in order to give the interviewees an understanding as to why the research project is being conducted. „Pro file-sharing“ views and „Anti file-sharing“ views will be discussed to help interviewees understand both sides of the problem.

3.2 Sampling

3.2.1 Quantitative research sampling

The secondary research has indicated that 46.5% of individuals ages 16 and older obtain and save music from the internet. Therefore, the sampling frame of individuals acquiring music online, legally or illegally, is considerably large.

Based on the limited amount of time and budget, judgement sampling would allow quicker speed of data collection, lower cost, and convenience. If a higher budget was offered, simple random sampling would be the second choice, because the method being makes it relatively easy to analyze data and compute errors.

The following sampling frame was used to reach the objective of the quantitative research:

- Target population: Generation Y, age 18-30. For this demographic, free music is common, easily accessible, and largely guilt-free.

- Convenience sampling. Due to time and budget limitations the convenience sampling method was used. The researcher used his expert judgment to pick which individuals were to be surveyed. In order to fulfill the research objective of 300 sample units, 786 survey invitations were sent to respondents via social media (Facebook, Vkontakte, Myspace)
- Sampling units:
 - Approximately one-hundred-fifty males and one-hundred-fifty females were surveyed.
 - 300 sample units were selected to take part in online surveys, through social media.
 - Sample individuals were then sent invitations by the researcher to complete surveys online at surveymonkey.com
- Sampling frame profile:
 - Usage Rate: Light and heavy file sharers
 - Gender: Mix of males and females
 - Geographic Area: Global
 - Social Status: Middle and Upper Middle Class. Time and finances are available for these individuals which allow them to keep up with current trends in music and technology
 - Social Value Group: Self Actualisers, Innovators, Esteem Seekers

3.2.2 Qualitative research sampling

A questionnaire was designed to carry out the qualitative research. Fifty respondents were interviewed from the age category of eighteen to thirty. For this age category also referred to as generation Y free music is common, easily obtained, and largely guilt-free. Data was collected through interviews. Interviews were conducted within a period of one week and each discussion lasted ten to fifteen minutes, depending on the quality of answers given and the level of knowledge the respondent had about the issue. For instance, if the respondent had no knowledge of music downloading some questions could not be discussed. However, if the respondent was familiar with music downloading some additional questions concerning his/her experience were discussed in further detail.

Qualitative research interview questions were divided into three categories (see Appendix 3 for further details):

- Open ended questions:
 - Do you purchase music CDs or download music online? If so, then why?
 - What motivates you to purchase a CD over just downloading it?
 - What do you think it would take for a consumer to stop downloading music illegally?
- Sentence completion method:
 - People who download illegal music files are _____
 - Apple's iTunes is _____
 - If I share unauthorized music with my peers I am _____
- Undisguised question:
 - What is your attitude towards illegal music downloading?
 - How well are you aware of legal implications associated with downloading music and the like?

The following sampling frame will be used to reach the objective of the qualitative research:

- Target population: Generation Y, age 18-30. For this demographic, free music is common, easily accessible, and largely guilt-free.
- Convenience sampling. Due to time and budget limitations the convenience sampling was used. The researcher used his expert judgment to pick which individuals were to be interviewed.
- Sampling units:
 - Approximately twenty-five males and twenty-five females were interviewed.
 - 50 sample units were selected to take part in the interview. Those individuals were personally contacted by the researcher to get an appointment and commence the interview. Infrequently interviews were performed by the IP telephony (i.e. Skype).
- Sampling frame profile:
 - Usage Rate: Light and heavy file sharers

- Gender: Mix of males and females
- Geographic Area: All world
- Social Status: Middle Class, Upper Middle Class. Time and finances are available for these individuals which allow them to keep up with current trends in music and technology
- Social Value Group: Self Actualisers, Innovators, Esteem Seekers

3.3 Data Collection and Analysis

For the data collection of the quantitative research the survey of nine questions was conducted. It was performed using an online based data collection platform – <http://www.surveymonkey.com>

The goal was to get as accurate result as possible with the minimum amount of capital invested into the data collection process. To reduce cost and still reach the objective of 300 respondents, three separate surveys were conducted. The content of surveys remained the same, while the web links were changing. This way no service fee was charged on SurveyMonkey, when using free accounts on a full capacity – 100 respondents/per survey. The result of the data collection, together with an example of filled-in surveys may be viewed in the appendices of the report.

Due to the usage of an online based platform, the data analysis stage was not as time and cost consuming as forecasted. Results of the data collection were presented online; therefore there was less of a mechanical error.

Usage of SurveyMonkey helped to avoid a very time consuming stages of the data analysis like coding and data matrix development.

After data was collected, the editing took part. In this stage the most important issue was to exclude error from data. The most typical error encountered was a spoiled result. In case if the spoiled result was noticed, the responded was contacted back, using an IP address, with the query to clarify his answer. If there contact was not possible, the spoiled result was excluded from data.

In order to create frequency tables for every question of the survey (Appendix 1) the statistical platform – SPSS was used. Due to budget limitations, the free trial version was used.

After tables were created data was transferred to Microsoft Excel 2010 to create the visual support of data (i.e. charts, diagrams). This change has been made due to better visual features available in Microsoft Excel.

For the qualitative research, interviews were personally tailored by the researcher, and later, manually analysed. Figures from the data collection stage of the qualitative research are presented in the Appendix 4.

The questions that have been asked in the survey and interview questionnaire were specifically made to acquire answers for either measuring consumer attitudes towards illegal downloading or determining the most popular forms of acquiring music from the internet.

For data analysis, the following methods were used:

- Pie charts were used to measure:
 - Gender
 - Whether the respondents download music
 - Attitude towards downloading music from unlicensed sources
 - Willingness to accept a service for a monthly fee
- Bar graphs were used to measure:
 - Methods used by the respondents to download music
 - Awareness of the legal issues regarding to downloading music from unlicensed sources
 - Attitude towards individuals that download music from unlicensed sources
- Scatter diagrams were used to measure:
 - Correlation for paid music downloads and CD purchases

4 Analysis and Results

4.1 Quantitative Research

The quantitative research was conducted to investigate customers attitudes towards different methods of acquiring music and opinions about price. By doing so, the research aimed to quantify (and illustrate in percentages) which methods of illegal downloading are the most popular. Other probing questions helped measuring attitudes towards illegal downloading. Questions were asked as a means to classify the type of people who purchase illegal music and to discover the amount of money the respondents would pay for a single song or entire CD.

As shown in figure below, the sampling goal of 300 respondents was reached. The gender distribution goal of 50% male and 50% female was also successfully achieved.

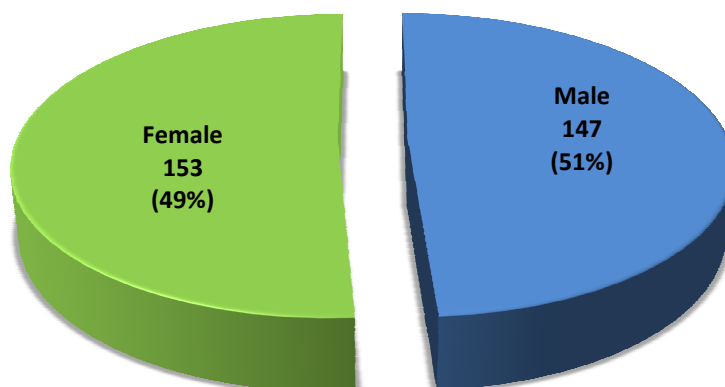


Figure 1. Gender distribution of the survey results (see Appendix 1, section 1 for data)

With the low survey response rate, which was presumably caused by low respondent's interest (motivation) in taking the survey, the total number of survey links sent to respondents was 786. With 300 responses received, the survey response rate was 38,17% $((300/786) \times 100)$. The following response rate is considered as above average when using the random sampling, however in the convenience sampling, which was used, the response rate of 38,17% is relatively low.

4.1.1 Secondary Research Findings

As a result of the questionnaire survey made using the SurveyMonkey, the following secondary findings were established:

1. A considerable majority of youth in the world download music.

Music downloading is a prevailing music distribution network in the world these days. Its comparison to any other way of acquiring music can be considered as immaterial. The figure below proves this statement.

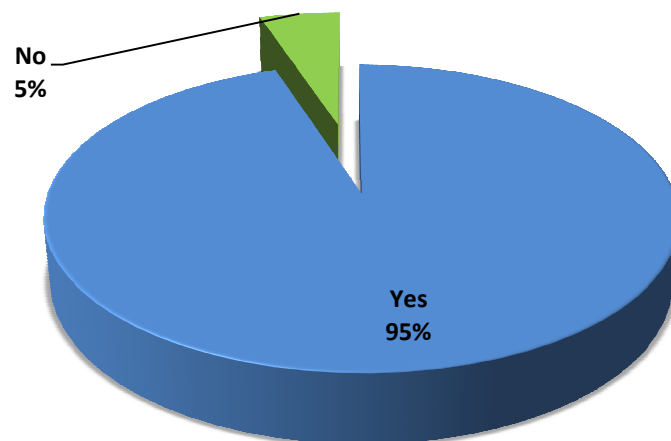


Figure 2. Representation of answers to the survey question "Do you download music?" (see Appendix 1, section 2 for data)

2. - One third of youth around the globe (32%), are using Bit Torrent to obtain music from the internet.
- 456 responses from 300 respondents for the question "How do you download music?" were received. This means that people are using multiple ways for music download.

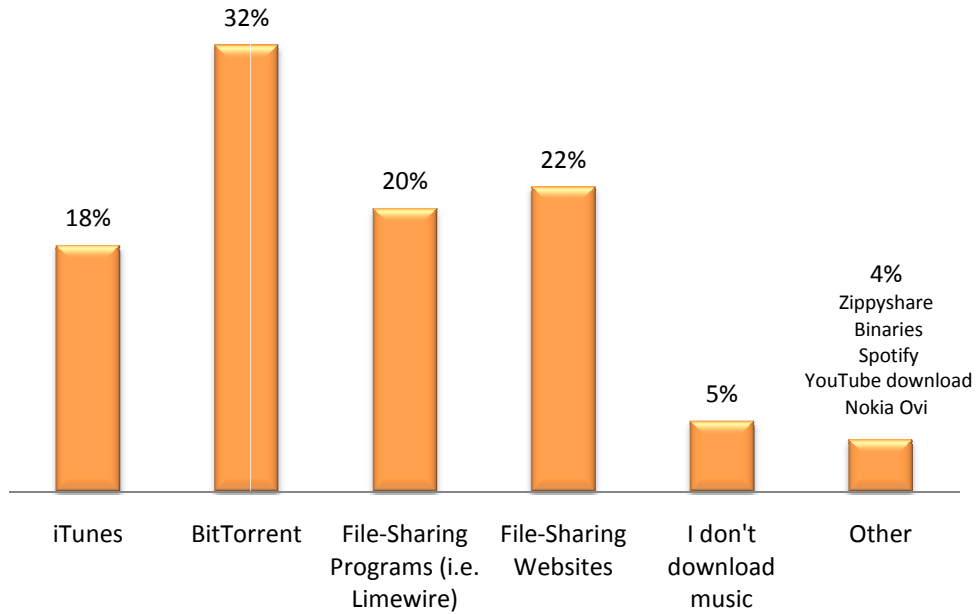


Figure 3. Representation of answers to the survey question "How do you download music?" (see Appendix 1, section 3 for data)

3. A certain majority (88%) of youth people who download music are aware of the legal implications of illegal downloading

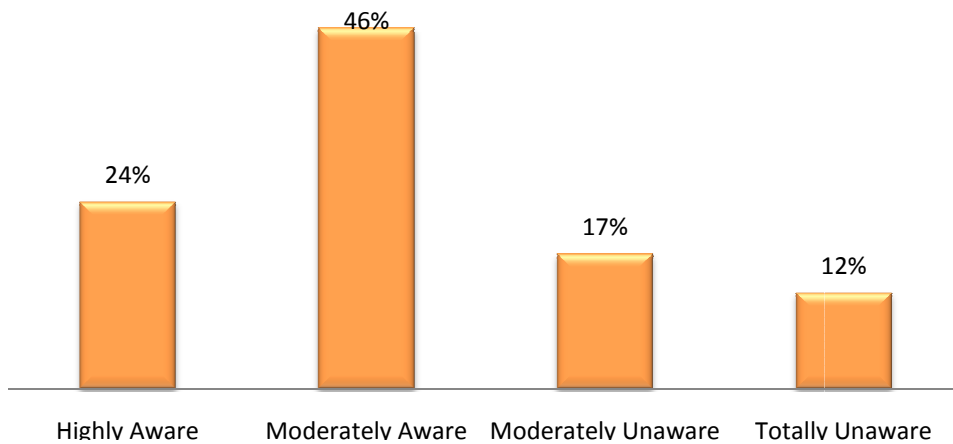


Figure 4. Representation of answers to the survey question "Are you aware of the legal issues of downloading music from unlicensed sources?" (see Appendix 1, section 4 for data)

4. About 50% of the respondents consider downloading from the unlicensed sources illegal, but it does not stop them from downloading.

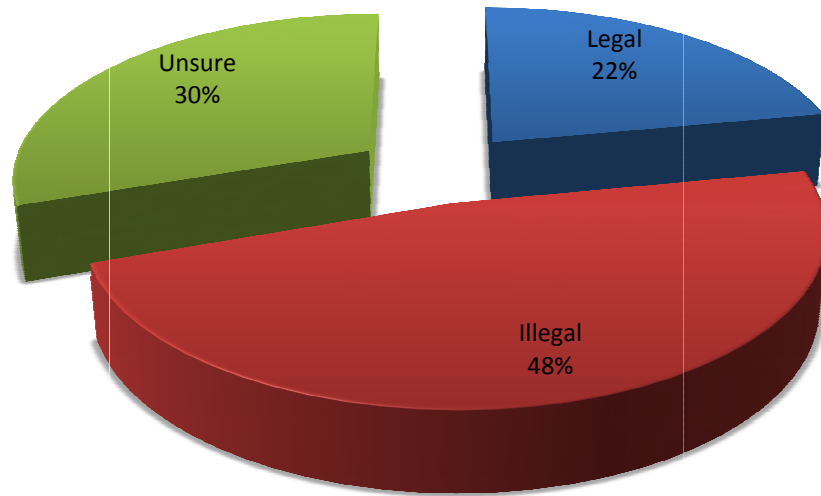


Figure 5. Representation of answers to the survey question "I consider downloading music without permission from licensed sources _____" (see Appendix 1, section 5 for data)

5. About half of youth from around the world consider that nothing should happen to people who download music illegally

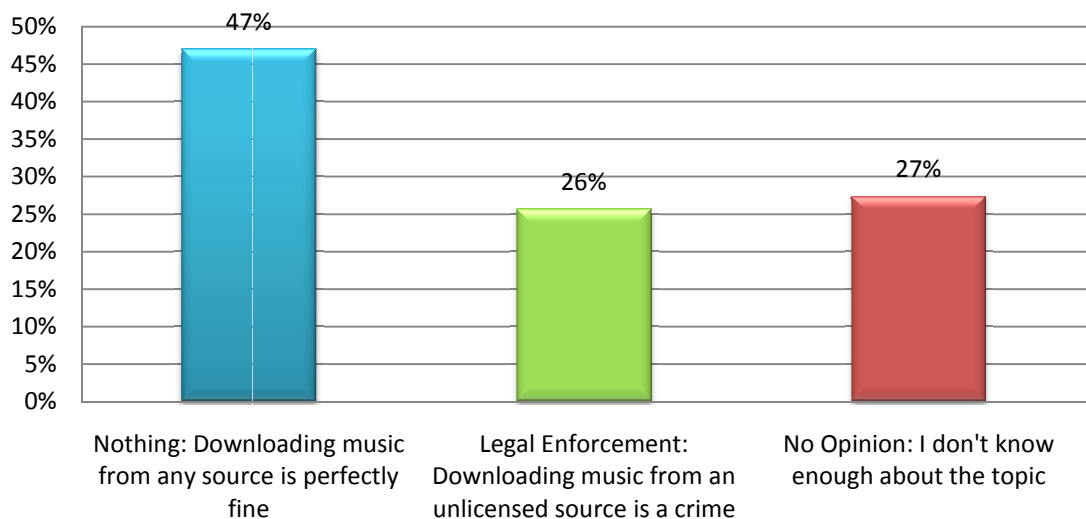


Figure 6. Representation of answers to the survey question "What should happen to people who download music from unlicensed sources?" (see Appendix 1, section 6 for data)

6. Only one third of the respondents are willing to pay for their music downloads in order to support their favorite signer (artist)

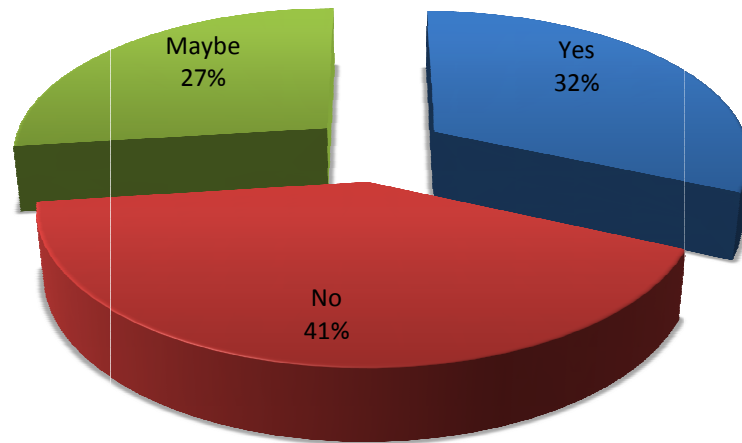


Figure 7. Representation of answers to the survey question "Would you be open to a service with unlimited downloads for a flat fee?" (see Appendix 1, section 7 for data)

4.1.2 Major Research Findings

The major finding of the quantitative research is making a measurement of consumer attitudes in buying CDs vs. purchasing music via downloads.

To measure these attitudes two quantitative questions were included into the survey at SurveyMonkey. The goal was to measure the attitudes with the help of correlation. Correlation is a statistical tool used to measure the relationship between a set of two variables. The questions we have asked to measure the relationships were:

- What is a reasonable price for one music album/CD?
- What is a reasonable price for one music track?

The aim of the relationship calculation was to find the link between the price and demand for the musical album or track.

To answer these questions the price variety of 10 price choices was provided to every respondent.

At the pretesting stage of the research a set of 3 price choices (classes) was considered to be appropriate, but, as the pretesting has shown, the bigger pricing variety gives more accurate results. Due to this, the price variety of 10 choices was selected.

Two reasons supported this decision:

- The bigger sample, the more accurate result will be received.
- Three sets of data are not enough to make an accurate calculation of correlation (since only the midpoints of price classes will be used for the calculation).

Buyers would be completely driven by price if correlation between the price and the number of people who chose that price would be equal to 1 or -1. If correlation between these two variables is equal to zero, this would mean that consumers are driven completely by other factors, rather than price.

According to the previously provided research objective, the major aim of the quantitative research is measure which type of obtaining music is more price driven than another.

To measure the correlation for paid music downloads and CD purchases, the scatter diagrams were developed using data from Appendix 1, which was previously acquired from surveymonkey.com. Please see figure 8 and figure 9 below.

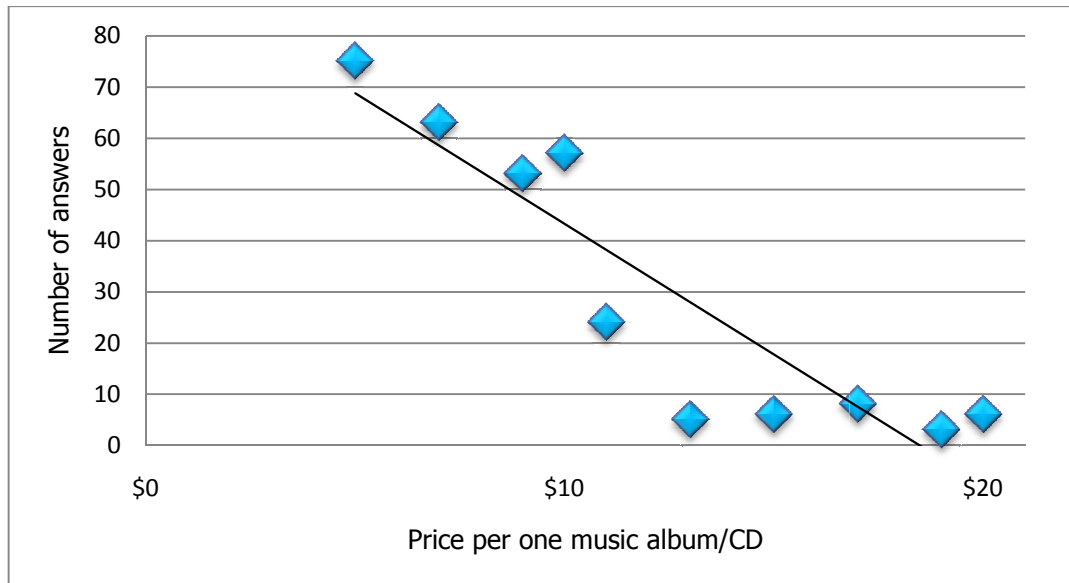


Figure 8. Correlation measurement for a reasonable price for one music album/CD (see Appendix 1, section 8 for data)

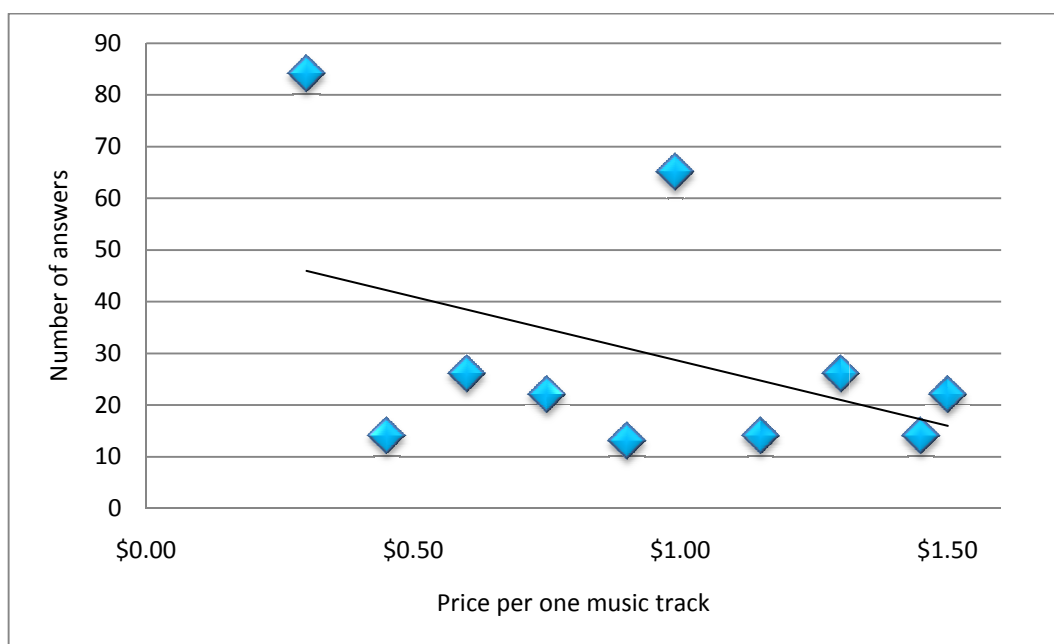


Figure 9. Correlation measurement for a reasonable price for one music track download (see Appendix 1, section 9 for data)

Only the minor picture of correlation can be understood from the scatter diagrams above. From the obtained information the conclusion of both of these methods of

obtaining music being negatively correlated regarding the price could be made. However in order to see the difference in consumers' attitudes, the more profound method of obtaining correlation data is needed – quantitative method.

The quantitative measurement of correlation was performed using the statistical platform SPSS. According to the calculations made:

- The reasonable price for one music album/CD – correlation = - 0.903
- The reasonable price for one music track – correlation = - 0.426

Note: The closer correlation is to zero the less price driven consumers are.

There is a significant difference between these two variables. The difference of 0.48 is considerably noticeable. This difference means that the sample frame (Generation Y from around the globe) when buying CDs are more price driven than when purchasing musical tracks online.

According to the obtained correlation data people who buy CDs are 90,3% driven by price, and only 9% by other factors. This can be explained by the relationship between their purchase desires and the price they are willing to pay (correlation of 0.903).

This means that if a recording company would decrease the price for their CDs, the probability of sales increase for these CDs would be about 90,3%.

With the music downloads the situation is completely different. People, when purchasing music online, are less price oriented than while buying CDs. Over 57% of the consumers' attitudes for music downloads are driven by factors other than price. This information gives a considerable advantage to the recording companies who can significantly change their pricing strategy while selling music tracks online.

Other factors (57% of attitudes) that drive customers towards purchasing music tracks online are:

- Convenience. Simply because it is handy. While being at home having internet access and the credit/debit card, any person can legally and with no hassle obtain the music he or she wants to enjoy and keep.
- Benefit of getting the track customer wants. As the research has shown, a vast majority of the respondents, that took the questionnaire, are buying CDs either because they want to support their favourite artist or they like a few tracks from the album. The decision of buying the entire album because of one musical track in it is absolutely cost ineffectual. In the online music purchasing, the customer has a right to decide whether to pay for a full album, or just download the track he/she likes and pay accordingly for the music acquired.
- Easy access. People do not like complex issues. Doing purchasing online, regardless its type (i.e. clothes or music) is exceptionally effortless, therefore any person can handle the process.
- Fast access. The process of finding, paying and downloading of music takes only up to 5 minutes.
- No need having physical data storage devices. Unlike CDs, the digital method of acquiring music does not require any other data storage device other than the one used to browse the web (hard drive). In a modern world, when every technology can be accessed from a small gadget, the process of enjoying favourite music with no hassle is certainly a benefit.

The study has shown that even if the product (music) remains uniform, the way to deliver it to the customer could create a considerable difference in the consumer's behaviour and therefore the customer's desire to pay for the product. If record companies took into account the results of this quantitative research and made significant change to their pricing strategies, it is likely their profits would maximise considerably.

According to data collected from the survey (Appendix 1, section 9) about 22% of the respondents have chosen 0.99 \$ as a reasonable price per one music track download. With Apple iTunes's price being the same, the conclusion could be made that Apple has

made an outstanding marketing research of the music industry before launching the iTunes service.

4.2 Qualitative Research

The qualitative research has been conducted to analyse the most popular ways of acquiring music over the internet and research customer attitudes towards copyright infringement

The goal for the qualitative research was to interview 50 respondent of generation Y from around the globe. Based on the findings of the qualitative interviews, the related recommendations were made and are presented in section 4.3 of the research report.

4.2.1 Types of music file-sharing

Questions that probed types of music file-sharing were:

- How do you obtain music from the internet?
- Apple's iTunes is a program that is _____

There are too many forms of music file-sharing to stop everyone from downloading music from the internet. There are various forms of file-sharing software, websites and databases that allow for easy access to any kind of file that may be uploaded on the internet. There are, however, more commonly used hubs such as Pirate Bay and Limewire. Potentially stopping the most popular software and websites will significantly decrease the amount of music that is shared over the internet. However, software such as BitTorrent has made it extremely difficult for the recording industry to pinpoint who is uploading certain files and what files are contained in certain torrents.

The legal form of music downloading, Apple's iTunes is failing to meet expectations; 60% of respondents (30/50) have negative attitudes towards the software with feedback such as, iTunes being "inconvenient", "restrictive", "useless" and "expensive".

On the other hand, 28% (14/50) have positive attitudes towards iTunes with comments such as "convenient" and "a good source for music"; however all of these respondents still partake in the illegal form of music file-sharing. iTunes has been known to take too long to load and slows computers down when the application is turning on. It also only adds music to Apple MP3 devices, when many individuals use different kinds of MP3 devices. To summarise, iTunes has made it too difficult and too restrictive for people to purchase music from its services. As a result people are willing to seek free music from other more convenient sources. New ways of purchasing music from the internet must be researched in order to be more profitable, while maintaining customer satisfaction.

Streaming: One of the more recent forms of music file-sharing, without actually downloading the file into a hard-drive, is streaming sites, such as YouTube that allows individuals to view a video or song without downloading are becoming more commonly used because there is no risk for viewing a file online. It was found that 8 out of 50 respondents said they use YouTube to listen to music regularly and as previously stated in the quantitative research analysis, 22% of survey respondents use websites to acquire music.

4.2.2 Attitude behind the legality of music file-sharing

It was discovered that 28% of people think the recording industry is still highly profitable, despite the rise of music file-sharing. Downloading music from the internet has become a societal norm and sharing music is viewed as being helpful. The recording industry may want to consider changing their attitudes towards music downloading and look for opportunities on the newest trends in downloading music.

Sharing Music. 85% of respondents answered 'rarely' or 'never' when asked if they share music and 14% of respondents answered 'often'. If the recording industry were to penalise anyone, it would be much easier to enforce law upon those who share or upload music.

Legality behind music downloading: 56% of respondents said they did not know what

the specific penalties behind music file-sharing, nor do they care about them. The recording industry may want to research into tactics in which they can educate people about the legal implications behind illegal downloading. This may deter people from sharing music in the future.

Alternative analysis. About 40% of respondents (19/50) said that they will still purchase an album if they believe that the artist is outstanding or if they believe that the artist deserves to be supported. Furthermore, purchase of an album could potentially be motivated by incentives. Three respondents have suggested the use of incentives or bonuses in addition to purchasing an album. Such incentives could include discounts on concert tickets, fragrances and album bundles.

4.3 Recommendations for the music industry

Based on the research that was conducted a few recommendations should be taken into consideration by the stakeholders of the music industry:

1. Because of the consensus that most people are fairly ignorant of copyright laws, it is important to educate people about the laws and regulations regarding illegal downloading. Education of illegal downloading can be administered through schools, television and social media.
2. The recording Industry should take legal action against the developers behind the websites and software that host illegal file sharing. Also, there are many more people who download music, rather than upload music for file-sharing. If the recording industry chooses to penalise music file-sharers, they should be focusing on the ones who upload music.
3. Develop a monthly streaming service for a flat fee that consumers have the chance to subscribe to and purchase music at a low price without the threat of breaking any laws. A significant finding to this report is that 22% of respondents said that they use websites to acquire music. A streaming service that allows consumers to log into a website to listen to the latest music can

allow the recording industry to gain market share. This provides multiple benefits such as customer relationship management, education for people on how downloading is effecting the industry, and advertising of upcoming events and albums for artists. It is important that the recording industry expands their product lines; this will allow the industry to regain the lost market share due to illegal downloads.

4. Based on the research conducted in this study, advertising efforts can now be tailored according to the attitudes behind purchasing music. Product positioning can be used as an effective tool to change consumer attitudes and behaviours. The use of incentives can albums purchases and increase word of mouth marketing.

4.4 Reliability and Validity

The research performed can be classified as a high quality, substantial, and have marginal relevance to the topic of the research – music downloading and copyright infringement.

Results of the following research can be considered relevant for the next six month since the report has been published. This is due to the constantly changing market of music data storage technologies. The period of six month research validity was set, based on the information acquired and analysed during the secondary research (literature review).

Unfortunately, the research limitations, which were set out in the paragraph 1.2 of the research report, can put the results into doubt, due to the convenience sampling used, low budgeting and the interviewer bias. All this could cause a minor incline from the real situation. However, the researcher believes that all of these factors could not create a big gap between results and the real situation, and forecasts the maximum variability of 15 percent variability for every question of the survey or the interview.

Therefore the research results are expected to be up to 15 % variable from the real situation.

The research result can be used by the recording industry as a suggestive judgement of the business model, and the way of its improvement. Suggestions on marketing and pricing strategies of the musical industry are analysed in the research, the results of which can bring a considerable benefit to industry's profitability.

The researcher guaranties that the research was performed in a good faith and according to the research techniques set out in the paragraph 3. The research results most accurately indicate the actual survey and questionnaire data which was received during work on the research.

Conclusion

The purpose of this research project was to investigate the effects of music downloading from unlicensed sources, by measuring attitudes towards illegal downloading and copyright infringement and analyzing the most popular ways of acquiring music and MP3s over the internet.

A rare combination of qualitative, quantitative and secondary research was tailored to reach the research objectives.

The major research findings were:

- The respondents use multiple outlets to download music.
- 50% of the respondents considered downloading from the unlicensed sources illegal, however still partake in illegal music downloading.
- 50% of the respondents considered that nothing should happen to individuals who download music illegally.
- 32% of respondents said they were willing to pay for their music downloads in order to support their favourite singer (artist).
- People who buy CDs are 90,3% driven by price and only 9% by other factors.
- While, 57% of attitudes of people who download music are driven by factors other than price. Factors like: convenience, fast and easy access, no need having physical data storage devices and others.
- 57% of individuals did not know the legal implications associated with music file-sharing, nor did they care about the effects that it has on the recording industry.
- 60% of respondents say that Apple's iTunes is not what they expect from a source for legal music downloading.
- 14% of respondents said they share music often, as opposed to the 85% of individuals who said they download music.

The recording industry is currently in a stage of transition in which it needs to embrace the fact that the majority of music listeners are downloading and streaming music from the internet. The industry must develop new online software and websites that allow consumers to share and listen to music legally, while remaining profitable. It is also

important moving forward, that people become more educated behind the consequences of music downloading and the effects that illegal downloading has caused recording industry jobs and profits. While this report has analyzed certain elements of the phenomenon of illegal downloading.

Based on the findings, the researcher has recommended that:

- Because of the consensus that most people are fairly ignorant of copyright laws, it is important to educate people about the laws and regulations regarding illegal downloading
- The recording industry should take legal action against the developers behind the websites and software that host illegal file sharing.
- By developing a monthly streaming service for a flat fee, consumers have the chance to purchase legitimate music at a low price without the threat of breaking any laws.

Further research can be administered to see what types of new services would be the most profitable.

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Appendix 1. Survey results

To present the survey result the set of frequency tables was created.

1. What is your gender?

Answer	Frequency	Relative frequency	Cumulative frequency	Relative cumulative frequency
Male	147	49.0%	147	49.0%
Female	153	51.0%	300	100.0%
Total	300	100.0%		

*Data in Appendix 1 (section 1) was used to create figure 1 of the research report.

2. Do you download music?

Answer	Frequency	Relative frequency	Cumulative frequency	Relative cumulative frequency
Yes	285	95%	285	95%
No	15	5%	300	100%
Total	300	100.0%		

*Data in Appendix 1 (section 2) was used to create figure 2 of the research report.

3. How do you download music?

Answer	Frequency	Relative frequency	Cumulative frequency	Relative cumulative frequency
iTunes	80	18%	80	18%
Bit Torrent	145	32%	225	49%
File-Sharing Programs (i.e. Limewire)	92	20%	317	70%
File-Sharing Websites	99	22%	416	91%
I don't download music	23	5%	439	96%
Other**	17	4%	456	100%
Total	456	100%		

*Total is higher, since people use more than one method to download music

** Zippyshare, Binaries, Spotify, Youtube download, Nokia Ovi

***Data in Appendix 1 (section 3) was used to create figure 3 of the research report.

4. Are you aware of the legal issues of downloading music from unlicensed sources?

Answer	Frequency	Relative frequency	Cumulative frequency	Relative cumulative frequency
Highly Aware	72	24%	72	24%
Moderately Aware	139	46%	211	70%
Moderately Unaware	52	17%	263	88%
Totally Unaware	37	12%	300	100%
Total	300	100%		

*Data in Appendix 1 (section 4) was used to create figure 4 of the research report.

5. "I consider downloading music without permission from licensed sources _____"

Answer	Frequency	Relative frequency	Cumulative frequency	Relative cumulative frequency
Legal	66	22%	66	22%
Illegal	143	48%	209	70%
Unsure	91	30%	300	100%
Total	300	100%		

*Data in Appendix 1 (section 5) was used to create figure 5 of the research report.

6. What should happen to people who download music from unlicensed sources?

Answer	Frequency	Relative frequency	Cumulative frequency	Relative cumulative frequency
Nothing: Downloading music from any source is perfectly fine	141	47%	141	47%
Legal Enforcement: Downloading music from an unlicensed source is a crime	77	26%	218	73%
No Opinion: I don't know enough about the topic	82	27%	300	100%
Total	300	100%		

*Data in Appendix 1 (section 6) was used to create figure 6 of the research report.

7. Would you be open to a service with unlimited downloads for a flat fee?

Answer	Frequency	Relative frequency	Cumulative frequency	Relative cumulative frequency
Yes	95	32%	95	32%
No	124	41%	219	73%
Maybe	81	27%	300	100%
Total	300	100%		

*Data in Appendix 1 (section 7) was used to create figure 7 of the research report.

8. What is a reasonable price for one music album/CD?

Answer	Frequency	Relative frequency	Cumulative frequency	Relative cumulative frequency
\$5	75	25%	75	25%
\$7	63	21%	138	46%
\$9	53	18%	191	64%
\$10	57	19%	248	83%
\$11	24	8%	272	91%
\$13	5	2%	277	92%
\$15	6	2%	283	94%
\$17	8	3%	291	97%
\$19	3	1%	294	98%
\$20	6	2%	300	100%
Total	300	100%		

*Data in Appendix 1 (section 8) was used to create figure 8 of the research report.

9. What is a reasonable price for one music track?

Answer	Frequency	Relative frequency	Cumulative frequency	Relative cumulative frequency
\$0.30	84	28%	84	28%
\$0.45	14	5%	98	33%
\$0.60	26	9%	124	41%
\$0.75	22	7%	146	49%
\$0.90	13	4%	159	53%
\$0.99	65	22%	224	75%
\$1.15	14	5%	238	79%
\$1.30	26	9%	264	88%
\$1.45	14	5%	278	93%
\$1.50	22	7%	300	100%
Total	300	100%		

*Data in Appendix 1 (section 9) was used to create figure 9 of the research report.

Appendix 2: Example of the respondent's answers

Response Type: Normal Response	Collector: Web Link (Web Link)
Custom Value: empty	IP Address: 109.86.206.209
Response Started: Friday, July 1, 2011 3:51:13 AM	Response Modified: Friday, July 1, 2011 3:51:29 AM

1. What is your gender?

Male

2. Do you download music?

No

3. How do you download music?

BitTorrent

4. Are you aware of the legal issues of downloading music from unlicensed sources?

Moderately Unaware

5. "I consider downloading music without permission from licensed sources _____"

Illegal

6. What should happen to people who download music from unlicensed sources?

Nothing: Downloading music from any source is perfectly fine

7. Would you be open to a service with unlimited downloads for a flat fee?

No

8. What is a reasonable price for one music album/CD?

\$ 10

9. What is a reasonable price for one music track?

\$ 0.99

The sample of the respondent's answers is presented above. The total of 300 respondents took part in this survey.

The survey was conducted using an online based data collection platform – <http://www.surveymonkey.com>

A goal was to get as accurate result as possible with a minimum amount of capital invested into data collection. Which is why, in order to reduce costs and still reach the goal of 300 respondents, three separate surveys were conducted. The content remained the same, while the web links differed. When using a free account on a full capacity – 100 respondents/per survey, SurveyMonkey did not charge a fee for the system usage.

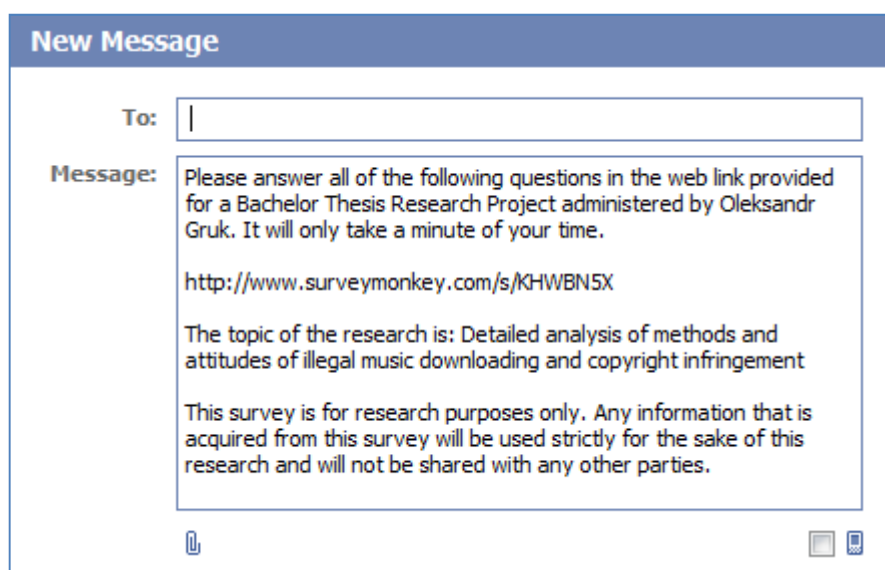
The survey data collection links have not been closed, and are still accessible at:

<http://www.surveymonkey.com/s/KHWBN5X>

<http://www.surveymonkey.com/s/CXHTC5L>

<http://www.surveymonkey.com/s/JM7T9WH>

The following information regarding the purpose and privacy issues of the research was provided, to the respondent, together with a link to the survey via the social media (i.e. Facebook, V Kontakte, Myspace).



Appendix 3. Questionnaire example

Please answer all of the following questions for a Bachelor Thesis Research Project administered by Oleksandr Gruk. It will only take 10 minutes of your time.

The topic of the research: Detailed analysis of methods and attitudes of illegal music downloading and copyright infringement

This interview is for research purposes only. Any information that is acquired from it will be used strictly for the sake of this research report and will not be shared with any other parties.

1. Do you purchase music albums or download music?
2. How do you obtain music from the internet? (ie: software, databases)
3. How often do you share downloaded music with your friends or relatives?
4. What is your attitude towards music downloading?
5. In your opinion, how would record labels encourage consumers to purchase music legally?
6. Do you care about the effects that illegal downloading have on the music industry? Why?
7. What motivates you to purchase a CD over just downloading it?
8. People who download music files _____
9. Apple's iTunes is software that is _____
10. If I share unauthorized music with my peers I am _____
11. What do you think it would take for a consumer to stop downloading music illegally?
12. Are you male or female?

Appendix 4: Example of questionnaire data

Question	Sample Answer (Questionnaire #11)
1. Do you purchase music albums or download music?	Download. "You never buy Cd's?". There is certain times when I do. I'll buy for only really good artists. Last time I bought CD's I bought \$50 worth of CD's at once
2. How do you obtain music from the internet? (ie: software, databases)	Website. Because it's the most reliable
3. How often do you share downloaded music with your friends or relatives?	Never, they do it themselves
4. What is your attitude towards music downloading?	I don't really care about it really
5. In your opinion, how would record labels encourage consumers to purchase music legally?	Make it affordable and easy to access
6. Do you care about the effects that illegal downloading have on the music industry? Why?	Yes. "But then why do you download music?". Because I just download tracks. I never download full albums
7. What motivates you to purchase a CD over just downloading it?	The artist or band
8. People who download music files	Getting the music they want
9. Apple's iTunes is software that is....	Is terrible. It's too much. It slowed my computer down. It took too long to load. It wasn't what I wanted. It was a chore to want to pay for music
10. If I share unauthorized music with my peers I am ...	Supporting the artist. To spread the word about a good artist
11. What do you think it would take for a consumer to stop downloading music illegally?	Not really. Sometimes you hear stories of people getting caught in the news, but then you think about how lazy they were with how the downloaded their music
12. Are you male or female?	Male