



Digital Music News Research Group

Top Level Description

This report tracks the month-to-month global install base for leading digital music applications. Several types of applications are covered, including those related to paid downloads, subscriptions, music management, and file-sharing. The data is culled from desktop monitoring of over 1.5 million PCs, conducted by anti-virus and anti-spyware company PC Pitstop through online diagnostic tests. Subsequent analysis is offered by media-monitoring firm BigChampagne and Digital Music News, the leading source for news and information in the digital music industry.

Methodology for Data Collection and Analysis

The PC Pitstop software performs diagnostic tests on hundreds of thousands of unique PCs each month, worldwide. The primary purpose of these tests is to eliminate viruses, adware and spyware and to identify opportunities to improve PC performance. These tests are voluntary, and aggregated data captured during these tests provide the basis for the analysis in this report.

The scope, accuracy and timeliness of the collected data is unrivaled by traditional research methods. Information about each PC's configuration, including installed hardware and software, is collected in real time from Windows registry and table entries, allowing analyses of what PC users do, and not what they say they do.

Specific PC users are not personally identified.

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Executive Summary, February 2007

The following top-level installation developments and trends were observed in January:

(1) In the music player market, Windows Media Player kept its perch atop the others, while iTunes, RealNetworks' Rhapsody, and MTV's Urge remained strong. Napster stayed level.

(3) In the P2P and file-sharing realm, BitTorrent and Gnutella remained the dominant networks, while LimeWire easily ruled P2P applications. A number of BitTorrent upstarts also gained ground, and could become bigger players in a future market.

I. Paid Download, Subscription, & Music Management

Some of the leading applications within this space, in terms of desktop installation rates, are:

- Windows Media Player
- RealPlayer
- iTunes
- Winamp
- Musicmatch Jukebox (Yahoo)
- Yahoo Music Engine
- MSN Music Assistant
- Napster
- Rhapsody (RealNetworks)
- Urge (MTV)
- Wal-Mart Music Downloads
- eMusic Download Manager

All of these applications offer multiple features and utilities, and represent a heavy percentage of music application usage. Other, more specialized applications are also highly ranked and include RecordNow and the Easy CD & DVD Creator. A larger list of applications is presented in the more detailed application tracking report.



A. Installation Levels At-A-Glance

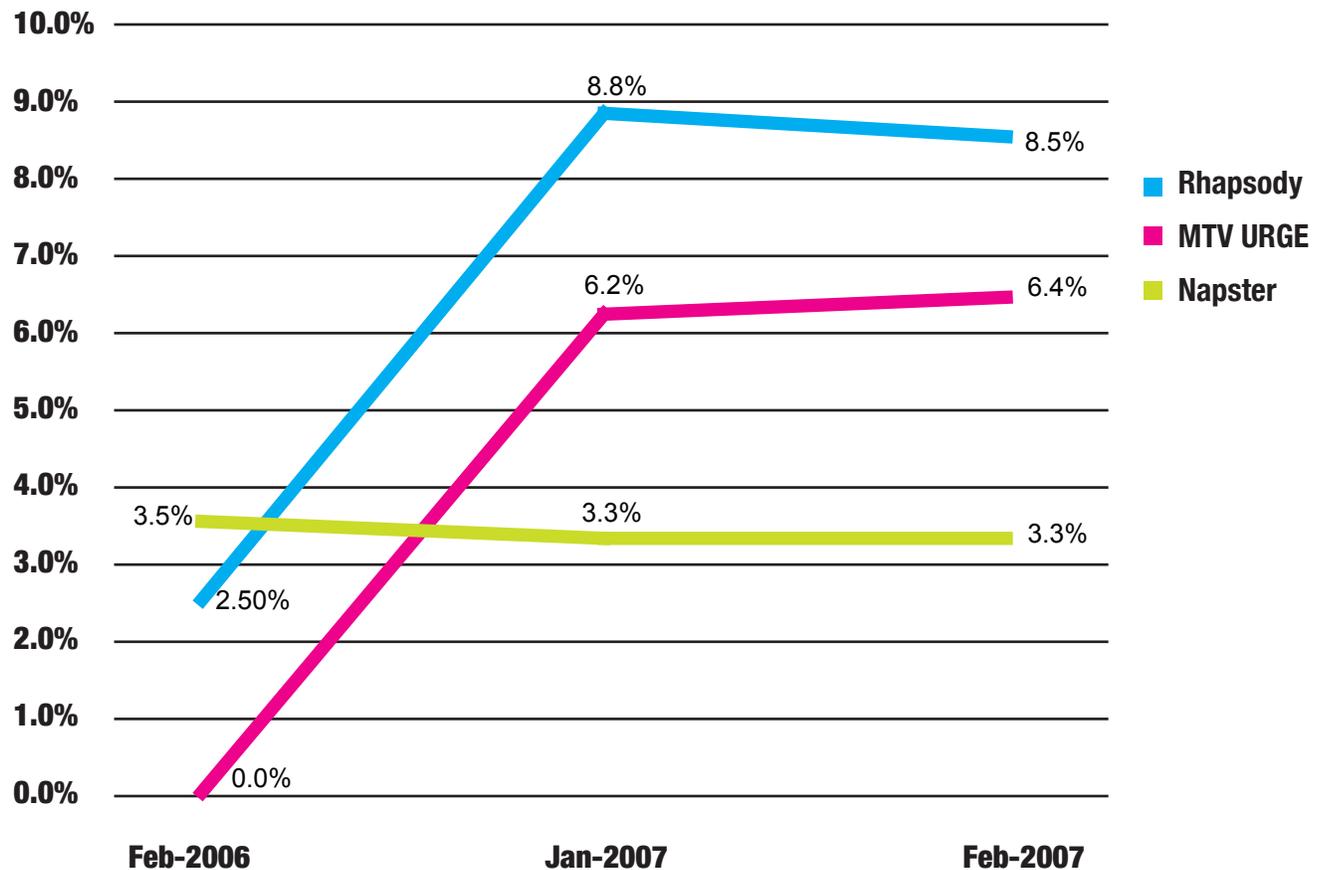
	Feb-06	Jan-07	Feb-07
Windows Media Player	65.5%	68.2%	64.6%
RealPlayer	45.7%	43.4%	40.4%
iTunes	23.2%	28.2%	26.9%
Record Now	18.4%	21.1%	19.4%
MusicMatch	15.4%	13.4%	12.2%
MSN Music Assistant	15.6%	10.9%	9.5%
Winamp	12.5%	10.6%	10.0%
Rhapsody	2.50%	8.8%	8.5%
MTV URGE	0.0%	6.2%	6.4%
Napster	3.5%	3.3%	3.3%
Zune Marketplace	0.0%	0.45%	0.54%

B. Subscription Warfare: Rhapsody, MTV Urge, Napster

	Feb-06	Jan-07	Feb-07
Rhapsody	2.50%	8.8%	8.5%
MTV Urge	0.0%	6.2%	6.4%
Napster	3.5%	3.3%	3.8%



Subscription Warfare



Top-Level Takeaway:

During the period, Rhapsody continued to dramatically grow its market share, while Napster stagnated. MTV Urge growth rates remained aggressive.

In-Depth Analysis:

Subscription-based music services have struggled against 99-cent downloads from the **iTunes Store**, though **RealNetworks' Rhapsody** application continued to show strong installation gains in February. Rhapsody has been steadily growing, most recently landing at an 8.5% share in February. That compares favorably to a year-ago figure of 2.5%.

Napster has been less fortunate. In February of 2006, Napster held a 3.5% installation level, a figure that has remained rather level over the past year.



The other big story in the subscription space comes **MTV Urge**, which unlike Napster has successfully leveraged its brand name to establish strong installation growth. Launched in May, 2006, Urge got off to a strong start by posting a 0.7% share. By October, 2006, Urge's share surged to 3.3%, rivaling Napster's 3.5% share that month. By February, Urge scored a 6.4% share. Urge offers both a subscription service and pay-per-track service. That makes the application a viable competitor to Rhapsody for the subscription market.

C. Windows Media Player & iTunes Rise In January, Dip In February

Top-Level Takeaway:

The most widely installed music applications - Windows Media Player, RealPlayer, and iTunes - all experienced a drop in February, 2007. For Windows Media Player and iTunes, that follows rather strong January showings.

In-Depth Analysis:

Windows Media Player continued to hold a commanding lead over its peers with a 64.6% installation level in February. That represents a drop from January levels of 68.2%, though a number of other leading applications all experienced dips in February. Windows Media Player recorded an installation level of 65.5% in February of 2006.

Meanwhile, iTunes grabbed a solid 26.9% share in February of 2007, a completely different stratosphere than its subscription counterparts. That is a small dip from a January peak of 28.2%, and an increase from year-ago levels of 23.2%.

D. Second Tier: RecordNow, MusicMatch Jukebox, Winamp

Top-Level Takeaway:

RecordNow gained, Winamp, MusicMatch Jukebox, and Nero dipped.

In-Depth Analysis:

During the past year, **Roxio's RecordNow** has gradually grown its presence. In the latest period, the company pulled a 19.4% share, up from 18.4% in February of last year. During the same period,

Musicmatch Jukebox dropped from a 15.4% share to a 12.2% share.

Meanwhile, **Winamp** continued to fall, moving to 10.0% in the recent period, down from 12.5% in February of last year. Elsewhere, Nero dipped below the 10% mark, landing at an 8.6% share in February, 2007, down from a peak of 11.2% in April, 2006.

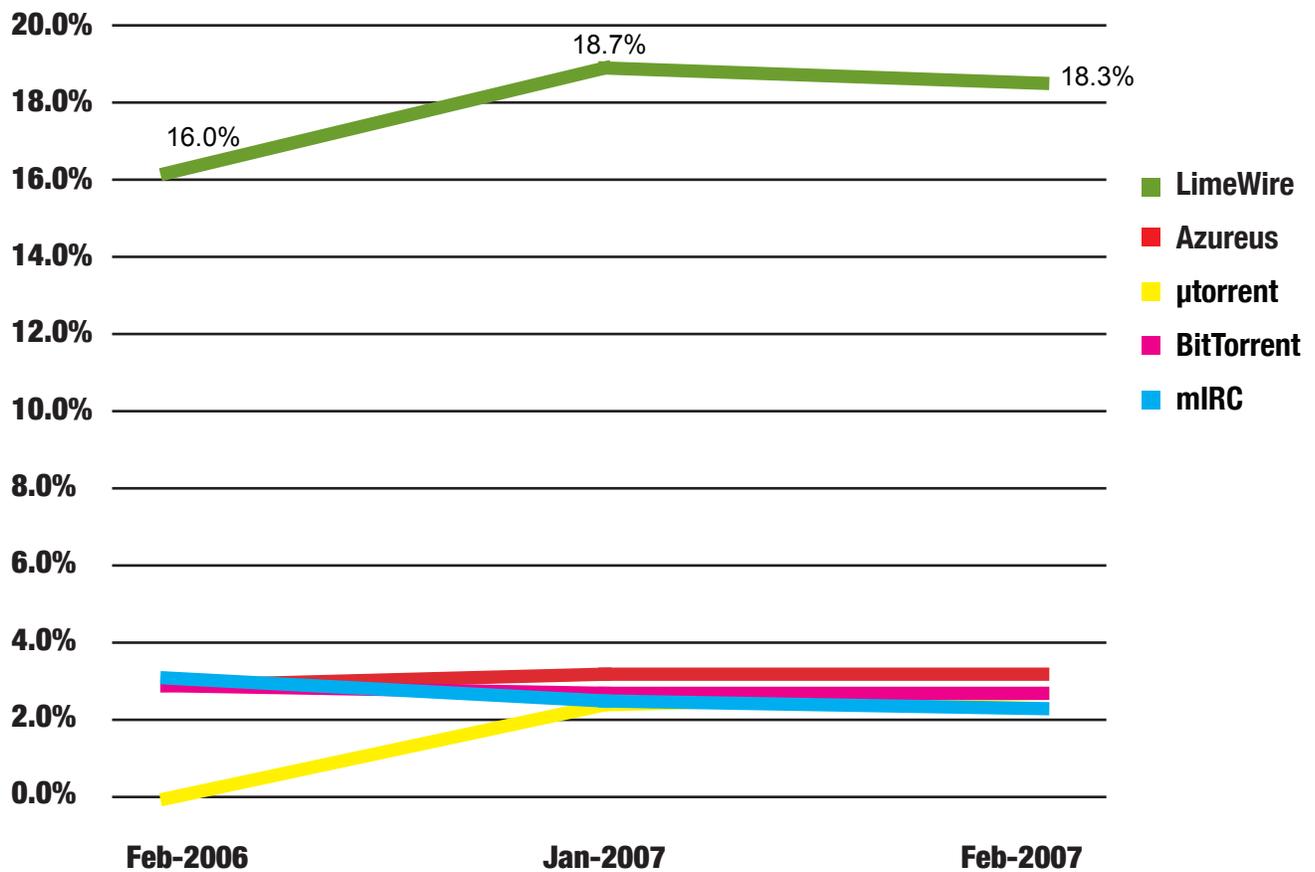


II. P2P Applications & Networks

A. Application Installation Levels At-a-Glance

	Feb-06	Jan-07	Feb-07
LimeWire	16.0%	18.7%	18.3%
Azureus	2.9%	3.2%	3.2%
utorrent	0.0%	2.4%	2.7%
BitTorrent	2.9%	2.7%	2.7%
mIRC	3.1%	2.5%	2.3%

INSTALLATION LEVELS: Leading Applications





B. LimeWire Remains King: μ Torrent Gains Strength

Top-Level Takeaway:

Limewire continued its installation increases this month, and remained dominant over all other file-sharing applications. **Kazaa** plummeted during the same period, part of a continued decline. In the **BitTorrent** realm, **μ Torrent** gained strength, joining **Azureus** and **BitTorrent** at the top.

In-Depth Analysis:

Today's P2P landscape is characterized by its extreme fluidity. At a moment's notice, users freely jump from application to application, and loyalty is almost nonexistent. With the exception of Limewire, which commands a double-digit installation percentage, most P2P applications have not been able to surpass penetration levels of 4%. And Limewire continues to grow, rising from 16% in February, 2006, to 18.1% in October, 2006, to 18.3% in February of this year. Among P2P applications most recently installed, almost half (46%) are Limewire.

Limewire did display a bump in December and January (18.9% and 18.7%, respectively) before settling back down. This bump followed the November, 2006 release of version 4.2, which added iTunes integration for Windows.

LimeWire taps into the **Gnutella** network, though its popularity is mostly based on the client itself. Other Gnutella clients **BearShare** and **Morpheus** lost ground during February.

BearShare held a steady 2.5% share between February and April of 2006, though a number of developments have caused that figure to slide. In May, 2006, BearShare parent **Free Peers, Inc.** settled with the **RIAA** for \$30 million and transferred all of its assets to an **iMesh** subsidiary, **MusicLab LLC**. Since that point, BearShare installation levels have dropped steadily, landing at 1.6% in February, 2007. BearShare version 6, which was released in August 2006 and switches from the Gnutella network to the iMesh network, had near zero presence on the PCs evaluated. Almost all installs of BearShare are versions 5 and older.

Morpheus has also been battered on the legal front, and is currently slogging through a difficult RIAA court battle. The application held to a steady 1.5%-1.6% share throughout most of 2006, though year-end numbers sagged. For the most recent period, installation figures dipped to 1.0%.

Meanwhile, the exodus continued from the once-mighty Kazaa. Installation rates continued to drop dramatically during the recent period, sinking from a 2.1% share in October to 1.3% in February. That compares unfavorably to a year-ago installation period of 3.8%.

Among the remaining users who still have a Kazaa client installed, **Kazaa Lite K++** was the favored version by a more than two to one margin over **Sharman Network's** official application. Kazaa Lite K++ is an unauthorized version of the **Kazaa Media Desktop** application that strips away adware and spyware.

Last summer, Kazaa parent Sharman Networks was forced to pay a \$115 million settlement (links to <http://www.digitalmusicnews.com/stories/072806kazaa>) to the major labels. The decision also forced Kazaa to transition into a paid service, though at this point user interest is waning. Kazaa taps into the rapidly shrinking **FastTrack** network.



On the BitTorrent side, the action surrounds μ Torrent, the fastest rising of all file-sharing applications. From a 0.1% market share in March of 2006, μ Torrent grew to a 1.8% share in October, 2006, before grabbing a 2.7% share in February of 2007. μ Torrent is now the number two BitTorrent client, behind Azureus' 3.2% installation level and ahead of **BitTorrent** and **BitComet**, which command a 2.6% and 2.0% share, respectively. μ Torrent's ascent may be coming at the expense of BitComet, which retained a steady 2.5-2.6% share for all of 2006 before dropping this year. Azureus stayed steady during this period, while flagship application BitTorrent dropped modestly.

So what is μ Torrent's draw? μ Torrent is a tiny, 173 KB application that is designed to use the smallest amount of computer resources while delivering a full-feature set. That is attracting attention on both the business and consumer sides, and BitTorrent, Inc. acquired μ Torrent in December of 2006. The company also hired μ Torrent's creator Ludvig Strigeus as a technical consultant. For now, μ Torrent remains a stand-alone application, though the two programs may be rolled into a single application at some point.

Elsewhere, **eDonkey** network application **eMule** remained steady with a 2.0% share, slightly off from the 2.1% share it had in October of last year. Likewise, the Ares application remained stable, holding onto a 1.9% installation level. **WinMX**, on the other hand, continued its slide, falling from 2.1% in February, 2006, to 0.9% during the recent period. **mIRC**, which uses the Internet Chat Relay protocol, fell from 3.1% in February, 2006, to 2.3% in February, 2007. mIRC is the fifth most popular client for sharing files in terms of installation levels.

Elsewhere, a pair of newer applications, **Pando** and **FrostWire**, are starting to draw some attention. Neither application was on the chart in October, 2006, though both now hold a 0.2% and 0.3% share, respectively. Those quick spikes mirror the early growth trajectory of μ Torrent.

Both applications are offering plays based on the BitTorrent protocol. Pando was designed to facilitate the delivery of very large files via email that would otherwise exceed attachment size limits. It uses the BitTorrent protocol, but adds 256-bit end-to-end encryption. Instead of searching for .torrent files, Pando uses .pando files, the basis of a secure network.

Meanwhile, FrostWire is an open source Limewire derivative. Based on the Limewire source code, FrostWire is a free application that adds a BitTorrent client, something only available in a pay version of Limewire. Both Pando and FrostWire could sustain future growth.

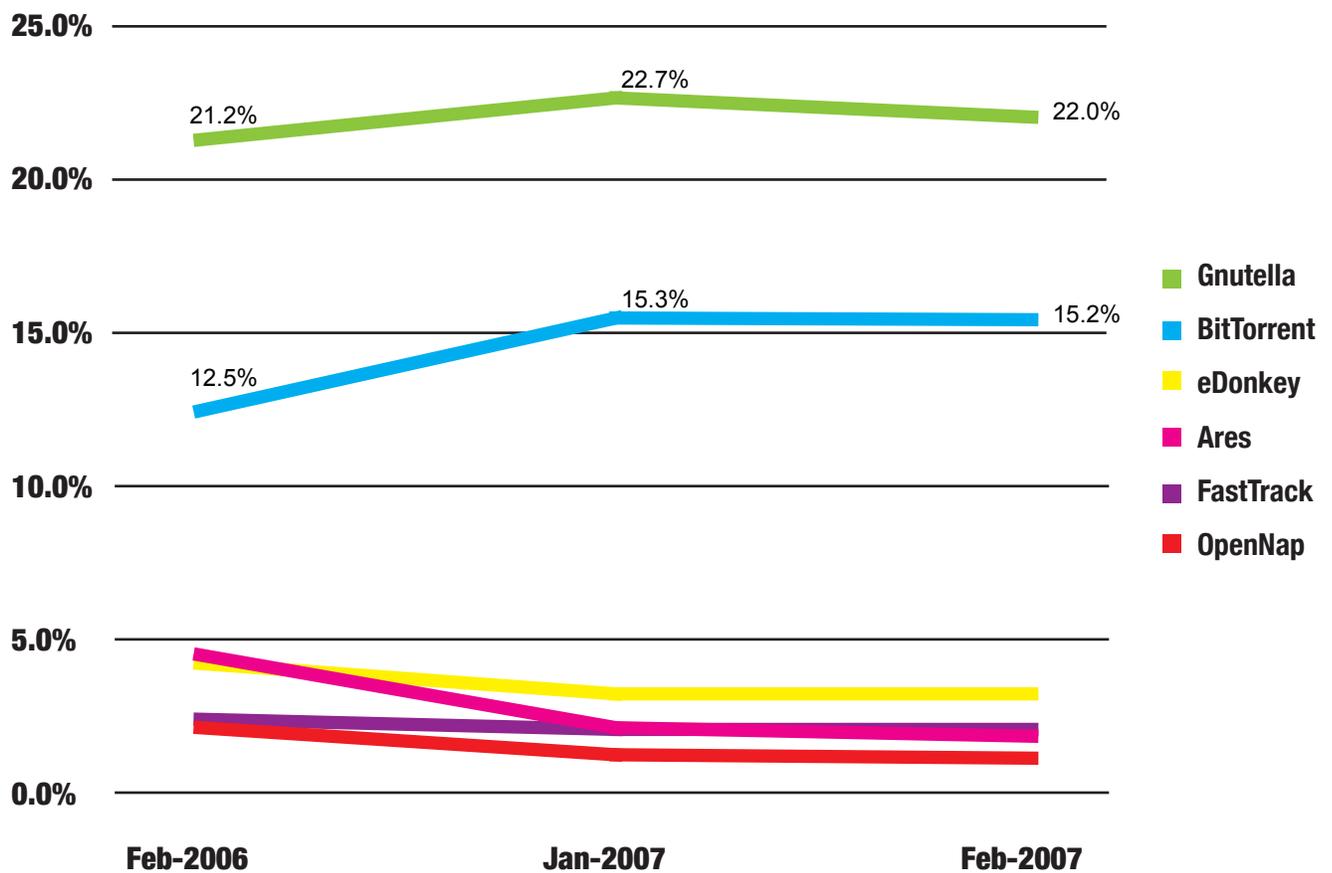
Others are also bubbling. In the spring of last year, the Opera browser integrated a torrent plug-in into its version 9 application. The upgrade allows BitTorrent downloads to be handled just like any other HTTP download. The updated version and plug-in drew an installation share of 0.2% in April of 2006, though that level ballooned to a 2.1% share by February of 2007.



C. P2P Networks At-a-Glance

	Feb-06	Jan-07	Feb-07
Gnutella	21.2%	22.7%	22.0%
BitTorrent	12.5%	15.3%	15.2%
eDonkey	4.4%	3.3%	3.3%
Ares	2.4%	2.0%	2.0%
FastTrack	4.7%	2.1%	1.8%
OpenNap	2.1%	1.1%	1.0%

P2P Network Penetration Levels





D. Gnutella, BitTorrent Level Off

Top-Level Takeaway:

Since October, 2006, installation levels of applications tied into the Gnutella and BitTorrent networks have leveled. Similarly, the Ares network also smoothed following a period of decline. Meanwhile, the young Pando network is starting to gain modest traction, while all other networks continued to drop. The FastTrack network remained in a relative freefall.

In-Depth Analysis:

As goes Kazaa, so does the **FastTrack** network, which continued to plummet from a 2.7% share in October, 2006, to a 1.8% level in February of 2007. At this point last year, FastTrack held a 4.7% share, itself a severe decline from a 7.2% share recorded in October, 2005.

Meanwhile, **Gnutella** scaled down to a 22% installation level, down from 22.7% in January, 23% in December, and 22.5% in October of last year. That mirrors similar installation bumps in the Limewire client.

Since October of last year, **Ares** has sustained its 2.0% share, and **SoulSeek** stayed steady with a 0.7% share. Elsewhere, **eDonkey**, **OpenNap**, **Neo Network**, and **Gnutella2** all continued to drop. eDonkey slipped from 3.7% in October, 2006, to 3.3% in February of this year. Gnutella2 experienced a smaller drop during this period, moving from 1.6% to 1.4%, but both Neo Network and OpenNap have fallen to a 1% share from October values of 1.5% and 1.4% respectively.

Internet Chat Relay (IRC) remains a popular way for users to trade files, though technically it is not a P2P network. IRC fell in the last year from a 3.1% share February, 2006, to a 2.3% share February, 2007.

III. Additional Details on Companies Involved

A. About Digital Music News Research Group

The Digital Music News Research Group is a division of Digital Music News, an industry authority. Digital Music News is delivered every business morning to thousands of executives, and was founded by Paul Resnikoff in 2003. The company is based in Los Angeles, CA.

B. About BigChampagne

BigChampagne Online Media Measurement is the leading provider of information on popular entertainment online.

The company was founded in 2000 as a technology-driven market research firm, specializing in peer-to-peer (P2P) networks, but today BigChampagne is a nexus for intelligence about media consumption. The company aggregates and analyzes information about media consumption of all types, and from a variety of sources. BigChampagne provides Billboard with online music charts.



BigChampagne is a privately held company, headquartered in California with offices in Beverly Hills and Atlanta, GA. BigChampagne was founded by a small group of seasoned professionals from the technology, market research, and entertainment businesses.

C. About PC Pitstop

PC Pitstop, LLC hosts a web site, pcpitstop.com, that allows individual PC users to run their PC system through a battery of online tests and diagnostics. The primary purpose of these tests is to identify things that might help improve the performance of the PC in question. Based on the results of these tests, the service offers tips and suggestions to the user for improving PC performance or enhancing the PC experience. Literally hundreds of thousand PCs are tested each month through this service, and an aggregated total of more than 1.5 million are tested annually.