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Aaarrggg I'm a Pirate: Cloud-Streaming Services and Their Effects on Music Consumption and Music Piracy

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The University of Southern Mississippi

Aaarrggg I'm a Pirate: Cloud-Streaming Services and Their Effects on Music
Consumption and Music Piracy

By

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Abstract:

With advances in technology, music consumption among listeners has vastly changed throughout the years. These changes in technology have allowed piracy to thrive and prosper while physical sales vastly decreased. Previous studies have explored how music piracy affects music consumption. This study goes beyond the work that previous studies have explored by examining a new form of music consumption—cloud-streaming websites. This thesis examines how cloud-streaming services have affected music consumption and music piracy through an analysis of an online study distributed to music consumers. The results showed that cloud-streaming services do change the way that people consume music. Respondents demonstrated a decline in piracy after their use of cloud-streaming services as well as a slight decline in amount of music purchased. Furthermore, respondents believed that cloud-streaming services would reinforce consumer's acceptance of music piracy, although their own actions indicated the opposite.

Key Terms:

Cloud-Streaming Services- Services designed to allow consumers to stream music stored in the company's cloud onto a listening device such as iPod, cell phone, or computer

File Sharing Websites- Websites, such as Napster and Limewire, created for users to share music files back and forth through the site without paying for the content

MP3- Digital file of a musical recording designed to reduce storage space for audio files

Music Piracy- The illegal downloading or sharing of copyrighted music without purchase

Table of Contents

Introduction.....	1
Literature Review.....	5
Cloud-Streaming Services.....	5
Piracy and Its Beginnings.....	7
File Sharing Websites.....	9
Consumers and Music Piracy.....	10
Methodology.....	14
Research Questions.....	14
Participants.....	15
Instrumentation.....	16
Data Analysis.....	18
Conclusion.....	31
Limitations.....	32
Implications for Further Research.....	32
References.....	33
Appendix A.....	36
Appendix B.....	40

Introduction

With the advances of technology, music consumption has vastly changed in recent years. Music listening was once done through vinyl and cassettes. With the introduction of the Compact Disc, a higher quality version of music became available to consumers, and the introduction of digital music consumption through MP3s created a new revolution in music listening. More recently, these technological advances have created a spike in music piracy among teenagers, college students, and adults alike. File sharing websites allow users to quickly and easily download music and put it directly into their own music library to access at any time. Piracy also surfaces in different forms, such as duplicating CDs from friends or removing (ripping) MP3 files from the CD to add to another music library.

Along with file sharing and illegal downloading, cloud-streaming has found its place in music consumption since its introduction during the past decade. These services allow consumers to access the music that is stored on the company's cloud or internet servers, and enjoy the contents without having to purchase the album or MP3 themselves. Consumers gain access to the service's content through limited, free access or a subscription to the site. The use of cloud-streaming services undoubtedly has had a major impact on music consumption even in the few years that it has been available for consumers. The major cloud-streaming services in the United States are MOG, Pandora, Muve Music, Rdio, Rhapsody, Slacker, Spotify, Zune, and Sony Music Unlimited (Isquith, 2012). These services have made such an impact on the music world that Billboard has added a top "On-Demand Songs" chart to their records.

Cloud-streaming services were inaugurated at a time of declining physical sales in the music industry; they are credited to the first global increase in music sales since 1999. This past year, the industry reported that global sales rose point three percent during the previous year, though sales in the United States still decreased slightly from the year before that. Industry officials credit the rise to digital revenue. An article in *The New York Times* says that the hope for the industry lies in digital music consumption. Digital sales of MP3s from online music stores have not suffered; rather they have increased as physical sales have decreased. According to the article, subscription based cloud-streaming services have grown by 44% in the past year to 20 million subscribers, which is very promising for music consumption (Pfanner, 2013).

Cloud-streaming services have steadily grown in popularity over the past few years. Millions of Americans use services such as Spotify or Pandora. Pandora boasts a large number of consumers, with more than 54 million people who listen to more than a billion hours of commercial interspersed online radio stations. Rhapsody has more than one million subscribers for the service. Spotify has at least 33 million people who have tried the service, although the company will not release specific numbers and does not reveal how many of those users are Americans (Sisario, 2012b). The services are growing steadily in popularity, and people in the industry are taking notice and trying to jump on board early to gain the most profit from the expansion. For instance, in 2011, Mangrove Capital Partners invested \$17.5 million in Rdio, a cloud-streaming service (Resnikoff, 2011). More and more major companies have seen the success of these formats and are offering cloud-streaming services themselves. Google now offers a

cloud music storage service, and iTunes is in the process of creating a streaming service (Ong, 2013).

While cloud-streaming services provide limited access to music through subscriptions and registration, piracy provides consumers access to music illegally and with no limitations. Consumers justify downloads by saying the practice does not really harm the music industry. In *Moser on Music Copyright* (2006), Moser argues that piracy does hurt the industry by discussing a study from the Recording Industry Association of America. The RIAA estimates that in the United States, piracy cost the industry \$300,000,000. Even more overwhelming was the cost to the global music industry-- \$5,000,000,000. In 2004, an estimated 34% of CDs sold were pirated copies according to The International Federation of the Phonograph Industry (p. 83). Consumers justify piracy because the music industry appears to be thriving since the lifestyles of major artists indicate that the decline in sales has not upset their standard of living. The artist does get a small portion of the money from the record sales, but in addition to the artists, the creative team behind the album, such as the composer and producer, are the ones who suffer from music piracy (Resnikoff, 2012a). Furthermore, smaller artists depend on the revenue produced from physical sales and are therefore hurt by piracy.

The purpose of this study is to examine how cloud-streaming services have affected the music consumption and music piracy habits of consumers. The research will show how cloud-streaming has altered the consumers' purchase of CDs and music downloads and the amount of music they pirated. The research also illustrates the attitudes of consumers toward music piracy since the rise of cloud-streaming services. The study was conducted through an online survey administered to music consumers of

all ages through social media outlets and email during the spring semester of 2013 at the University of Southern Mississippi.

While there have been many studies conducted on the music industry and music piracy specifically, no studies have been conducted on the impact cloud-streaming services have had on music consumption. Since cloud-streaming has become one of the main forms of music consumption by music listeners, this research will shed light on a component of music consumption that has the potential to completely revive an industry in crisis.

Literature Review

The purpose of this project is to discover whether the use of cloud-streaming services impacts consumers' purchase of and piracy of music. The literature examined for the study can be broken down into several sections. The "Cloud-streaming Services" section examines popular press articles to grasp the impact these services have already had on music consumption. "Piracy and Its Beginnings" gives a brief history of the development of piracy with technological advances and anti-piracy legislation. "File Sharing Websites" provides a brief look at the music industry's biggest piracy threat. Lastly, in "Consumers and Music Piracy," previous studies conducted on music piracy and consumer's attitudes toward piracy are examined. This section also explains the contribution this study will make in this area.

Cloud-Streaming Services

Cloud-based streaming services are becoming a major way that Americans consume their music. Millions of people now access their music through services such as MOG, Muve Music, Rdio, Rhapsody, Slacker, Pandora, Spotify, Zune, and Sony Music Unlimited. Consumers can gain access to the music stored on the company's cloud through two different means of consumption. One option is to pay a fee to gain a subscription to the service. The other option is through a free version of the service with limited access to music and ad space appearing alongside the music content. Ads are streamed to the listeners' computer, iPod, or other listening device. Cloud-streaming services have to pay licenses and royalties to the artists or labels to feature these songs on their services. Even with massive numbers of users, Pandora and Spotify (arguably the two biggest and most well known of these services today) have reported that they are

losing money. The services are unprofitable because the royalties the companies must pay out are so expensive that the number of subscriptions and paid ads do not put the companies in the clear (Sisario, 2012a).

However, with all of this cloud-based service available, most music consumers still would prefer to own their own music. In a study conducted by NPD Group in 2011, most consumers reported that they prefer to listen to music that they own. Another study conducted by eMusic of music consumers between ages 18 to 64 said that 92% of people would prefer to own their own music, but 83% use streaming services to discover new music before getting it themselves. Seventy-eight percent said they would stream music for free but would not pay for the service. Eighty-four percent believe they will never give up owning music, and only 15% will increase their use of paid streaming services (Resnikoff, 2012b).

Legitimate music streaming is supposedly helping cut down on music piracy. Nearly two-thirds of Spotify users say they engage in less music piracy since the service launched. Spotify actually says one of the goals behind the company is to give people access to music and cut down on piracy. However, these streaming services are having trouble getting people to graduate from using a free service to paying for the full service. Once the “free trial” runs out, people may switch back to pirating music. The general consensus is that people like cloud-services and will use them for free, but the system has not quite worked yet to gain paid subscriptions for these types of services. The industry is taking note that this type of music consumption is where the industry is headed, but they have not quite figured out yet how to make it work and make a profit from it (Pfanner, 2009).

Piracy and Its Beginnings

We are all aware that music piracy exists. With the buzz about piracy through cases with Napster, Limewire, and other file sharing websites, we all know that pirates are a large concern to the music industry. In most cases, we are guilty of being a music pirate ourselves. The question is, what exactly is music piracy? As defined by Hull, Hutchinson, and Strasser (2011):

The IFPI (International Federation of the Phonographic Industry) calls piracy, “the deliberate infringement of copyright on a commercial sale.” It includes physical piracy, which is the unauthorized duplications of sound recordings where the person or organization literally dubs a copy of the recording and sells a copy with identical sounds on it. Counterfeiting, bootlegging, and Internet piracy are the other forms. Internet piracy may not be “commercial” from the point of view of an individual unauthorized file sharer, but the overall magnitude of the activity has tremendous commercial impact (p. 335).

Music piracy has been a problem for the record industry for decades. When the 8-track tape was introduced 1963, piracy was born. Of course, the technology in 1963 was much less advanced than the technology that we have today, so the type of piracy was different. The 8-track tape, which is “an audio tape with room to record eight separate ‘tracks’ of information,” could be copied using tape-duplicating equipment (Hull, Hutchinson, & Strasser, p. 94). In the 2011 edition of *The Music Business and Recording Industry*, Hull, Hutchinson, and Strasser note, “By 1971, the volume of unauthorized tape sales had risen to an estimated 100 million per year—about one third the sales volume of

legitimate tape recordings” (p. 94). Unfortunately, at the time, record companies could not do anything to stop this copying of music.

At the time, the problem was that copyright law did not truly protect sound recordings. The industry did, of course, try to get measures passed where piracy would be made illegal. Record labels decided to target individual states rather than go national with their cause; they lobbied for states to pass anti-piracy acts within their own individual states. Unfortunately, most of the states did not do so. By 1971, only eight of the states had passed an anti-piracy legislation (Hull et. al, p. 94).

It was not until the 1970s that a change really seemed like it could be on the horizon. Record labels were able to get Congress to consider an amendment to the Copyright law. The amendment passed in 1971 and became effective in 1972. The amendment “separated the issue of sound recording copyrights from the rest of the revision process” (Hull, Hutchinson, & Strasser, p. 95). Not totally satisfied, the record labels looked to music publishers to help fight music piracy. Both entities saw that piracy was hurting the royalties that both would gain from the legal sale of the material. It was after some time that Congress added a provision that outlawed unauthorized reproduction of sound recordings (Hull et. al, pp. 94-95).

The current copyright law was passed in 1976 and took effect in 1978. This law provides a protection for sound recordings. The law has a provision of exclusive rights for sound recordings, which protect the work from unlawful duplication of the material. In this “bundle of rights,” the right to duplicate is the sole right of the owner of the copyright. Therefore, any duplication that is done by anyone who does not hold the

copyright for the piece of music would be breaking the law if they reproduce it without permission (Hull et. al, p. 95).

With the introduction of this copyright law, illegal duplication became a punishable offence. Now, if the courts found criminal infringement they could actually do something about it. The punishment could be on the lesser side such as an injunction that forbade further unlawful copyright. Courts have the right to impound and destroy any materials that were reproduced. Also, the courts now had the right to give a penalty of up to \$250,000, one year in prison, or both. Repeat offenders, however, face a more stout prison sentence of up to ten years (Hull et. al, pp. 94-95). Courts have been enforcing these laws in several high-profile cases. For instance, one 32-year old Minneapolis woman was fined over one million dollars to six record labels for 24 songs the woman pirated from a file-sharing website (Itzkoff, 2009).

File Sharing Websites

Because of the rise of digital in technology, the biggest threat to the music industry is file sharing. In *Record Label Marketing* (2010), Hutchinson, Macy, and Allen cite a study conducted in 2009 by the International Federation of the Phonographic Industry which says that 95% of music downloads were pirated, illegal copies, and the total amount of pirated tracks was over two times the amount of legitimate purchased music (p. 362).

Some file-sharing websites, such as Napster, are still facing punishments for their actions. Napster was created for file-sharing between peers, and after the RIAA took legal action, the site was sued and shut down in 2001. Now, a smaller form of the site exists, but the file-sharing portion has been totally disbanded (Richtel, 2003). However,

these sites continue to spring up and are still a huge threat even with these precedents set. When one site is shut down, three more pop up to take its place.

Consumers and Music Piracy

Several studies have been conducted in order to shed light on the factors that lead consumers to pirate music. These studies have explored how culture, morals, age, and the possibility of facing consequences effects consumers' acceptance of piracy. The common theme throughout the studies is that, overall, consumers do not view piracy as morally wrong.

For instance, a study conducted by Steven Lysonski and Srinivas Durvasula looked specifically at college-aged students in regards to music piracy. In "Digital Piracy of MP3s: Consumer and Ethical Predispositions," the researches surveyed 364 university students. The survey was split into several different sections to see the ethical idealism, ethical self-concept, and attitude toward piracy of each individual. The attitude toward piracy was the largest section of the study, with questions focusing on the social costs of piracy, anti-big business attitudes, ethical beliefs, and consequences. The research found that consumers pirated music because doing so was convenient and, ultimately, they saw nothing wrong with it. The factor that seemed to deter piracy the most in consumers was the possibility of negative repercussions for their actions. If people thought they could be fined or punished in some way, they were less likely to pirate music (Lysonski & Durvasula, 2008).

In "Music Piracy: Ethical Perspectives," the researchers Eleanor O'Higgins and Steven Bonner conducted a study that focused specifically on younger listeners. This survey looked at 84 respondents, 71 of which were 21 to 24. Researchers distributed a

20-item questionnaire. Five of those questions focused on the ethical views of the surveyed group. The study showed that even though the respondents viewed piracy as illegal, they still downloaded music. They choose to morally disengage to avoid feeling guilty. Respondents believed that piracy was so commonplace in today's culture that it was justified. Also, the study showed that people who were heavy music listeners justified piracy more because they believed they had more of an emotional connection to music than light or moderate listeners (Bonner & O'Higgins, 2012).

Mike Redford's study "Factors Affecting Music Piracy in Judicial Systems," poses the question "What is the impact of music piracy in the U.S.?" To answer this question, he first gives background on factors that affect piracy—cultural norms, economic factors, and demographics. Demographics are important because, generally speaking, college-aged students have a high interest in music, and they are more likely to pirate. Music is expensive and therefore people are more likely to pirate in order to save money and to access more music. Technology makes piracy easier than it once was and the quality of the pirated music is as good as the original. He points out that most students have a "lack of awareness of the illegal issue associated with music piracy" (Redford, p. 44-48).

In "The Antecedents of Music Piracy Attitudes and Intentions," a study conducted in 2005, Chiou, Huang, and Lee attempt to shed further light on the reasons people pirate music. Their subjects were all from Taiwan and varied in age from 15 to 19 years old. The researchers examined whether the quality and level of satisfaction consumers found in the pirated material had any effects on their views toward the issue. Furthermore, they examined if loyalty to the artist or a possible risk of prosecution

deterred consumers from accessing music illegally. The researchers found that people were more likely to pirate if they were satisfied by the quality of the material that they pirated. Loyalty to the artist did not make a difference to the majority of those surveyed, but the possibility of consequences for piracy deterred illegal downloads in most respondents. Moral issues played a large factor in consumers' acceptance of piracy—if consumers thought the community thought piracy was wrong, they did too, and vice versa (Chiou, Huang, & Lee, 2005).

Finally, in Robert Siegfried's study "Student Attitudes on Software Piracy and Related Issues of Computer Ethics," researchers surveyed 224 college-aged students in entry-level classes at two universities to discover the ethical views of new college students toward music piracy. The results found that students did not see piracy as unethical. The study found that 82% of the surveyed college students said it was acceptable to download music illegally. Interestingly, the percentage only went up by two percent when the artist gave permission for downloading the material. The researcher also specifically looked at the students' religious affiliations and found that the spiritual beliefs of students did not affect how they viewed piracy, and most found it acceptable to engage in downloading music from file-sharing websites, peer-to-peer, or other means of music piracy (Siegfried, 2004).

From a review of the literature, it is clear that consumers largely do not view piracy as wrong; however, if they are threatened with a possible punishment, they are significantly less likely to pirate. The benefit of looking at these studies is that they provide a thorough review of consumers' attitudes toward the piracy issue before cloud-streaming services became popular. This study will examine how these views have

changed since the service was introduced to their music listening habits. No other studies have explored this issue.

A thorough review of the literature surrounding music piracy as well as the limited amount of literature regarding cloud-streaming services shows the impact that both have on the music industry. Experimentation and further research will help to shed light on the extent to which the industry is affected along with the impact that the presence of cloud-streaming services has on the amount of piracy and on physical purchases. This study will be unique in that it will focus specifically on cloud-streaming services, piracy, and the music industry. Since no other study has been conducted of this kind, this work will provide insight for future research on the impact of cloud-streaming services to music consumption.

Methodology

The purpose of this study is to measure the effect of the use of cloud-streaming services on consumers' music piracy and music ownership. The researcher hypothesized that cloud-streaming services are doing more harm than good for the consumption of music. The research conducted is quantitative in nature in order to measure the impact of these services on consumers.

Research Questions

For this study, the overall research question addressed is "How is cloud-streaming altering music consumption?" Most consumers will pirate music no matter what because they do not think that their piracy hurts the music industry. Consumers do not believe piracy is wrong, and they do not think that there are negative consequences for piracy. If people view piracy in this manner, then, do cloud-streaming services have an effect on piracy and music consumption?

Research Question 1A: How does cloud-streaming affect the amount of music pirated by consumers?

Hypothesis 1A: Many consumers do not see piracy as wrong, and because of this, they continue their piracy. Because cloud-streaming services provide music for free, the researcher hypothesized that consumers will get used to having the music for free when they access it through the Internet, and they will pirate the same amount or more in order to be able to continue to access the music for free offline.

Research Question 1B: How does cloud-streaming affect consumers' views toward piracy?

Hypothesis 1B: Since consumers who engage in music piracy believe that piracy does not have a major impact on the music industry, the researcher hypothesized that listeners' acceptance of piracy will be reinforced by cloud-streaming services. Because cloud-streaming services provide consumers music for free, consumers will begin to expect all music to be accessed for free, and the consumers' acceptance of piracy will be enforced because of this aspect of cloud-streaming services.

Research Question 2: How does cloud-streaming affect consumer's music purchases?

Hypothesis 2: Along with music piracy, the study examines how cloud-streaming services impact consumers' buying decisions. Do cloud-streaming services cut down on physical sales? The study conducted by the NPD Group (Resnikoff, 2012) indicates that people like to own music, the researcher hypothesized that consumers would rather own their own music instead of accessing it through a cloud-streaming service, resulting in sales staying the same before and after cloud-streaming services.

Participants

Participants in this research were primarily college students; however, all respondents 18 and older were considered in the results. The surveys were distributed primarily through social media outlets such as Facebook and Twitter and through email. The respondents were from different backgrounds, and the consumers surveyed were all of different races, genders, majors, and classifications in order to generate the most accurate image of consumer behavior.

Instrumentation

A survey with questions dealing specifically with cloud-streaming services was administered to consumers at the University of Southern Mississippi during the spring semester of 2013 through an online survey on Qualtrics, an online survey database, at bit.ly/sealesurvey (See Appendix A). All surveys were anonymous and confidential, ensuring the safety and comfort of each respondent. The survey consisted of general demographic questions in order to ensure that all backgrounds were represented in the study. The chart below explains which survey questions were analyzed to answer the research questions posed by this study. This survey was approved for distribution by the Southern Miss Institutional Review Board (See Appendix B).

Research Questions:	Survey Questions:
1A: How does cloud-streaming affect the amount of music pirated by consumers?	<ul style="list-style-type: none">• Before cloud-streaming, how did you get the music that you always listen to? (File sharing websites, borrowing CDs from friends and making duplicate copies, Borrowing CDs from friends and ripping the MP3 files from the CDs, Sharing MP3 files between friends)• After cloud-streaming, how did you get the music that you listen to? (File sharing websites, borrowing CDs from friends and making duplicate copies, Borrowing CDs from friends and ripping the MP3 files from the CDs, Sharing MP3 files between friends)
1B: How does cloud-streaming affect consumers' views toward piracy?	<ul style="list-style-type: none">• To what extent do you agree with each of the following statements? "Because cloud-streaming provides music for free, music listeners will come to expect that all music from all sources should also be obtained for free."• To what extent do you agree with

	<p>each of the following statements? “Because cloud-streaming is viable only through the Internet, listeners will still pirate or pirate more to be able to access the music offline.”</p> <ul style="list-style-type: none"> • To what extent do you agree with each of the following statements? “Accessing music through any means other than purchase is piracy.” • To what extent do you agree with the following statements? “Piracy is against the law and therefore wrong.” • To what extent do you agree with each of the following statements? “Piracy causes no harm to the industry.” • To what extent do you agree with each of the following statements? “There are no consequences for piracy.”
<p>2: How does cloud-streaming affect consumer’s music purchases?</p>	<ul style="list-style-type: none"> • Before cloud-streaming, how did you get the music that you listen to? (Purchasing CDs, Purchasing MP3s) • After cloud-streaming, how do you get the music that you listen to? (Purchasing CDs, Purchasing MP3s) • To what extent do you agree with each of the following statements? “I prefer to own my own music.”

Data Analysis

After conducting the survey, the researcher reached a number of conclusions about the effect of cloud-streaming services on music consumption. Statistical tests were not used to evaluate the results because this was a convenient sample; the researcher does not believe that this negatively affects the data in any way. However, before discussing these results, it is important to look at the general characteristics of the music listeners surveyed.

The respondents surveyed ranged from 18 to 65 years of age with all classifications from freshmen to graduate students to non-college participants included, though 85% were college students. Other characteristics of those surveyed were as follows:

- The total number of participants in the survey was 195.
- Thirty-eight percent said they were light music listeners, 48% said they were moderate music listeners, and 13% said they engaged in heavy music listening. For the purpose of this study, light music listeners were classified as those who listened to music up to one hour per day. Moderate listening was two to four hours of music listening per day, and heavy listening was classified as five or more hours spent listening to music per day. The data collected from the survey indicates that respondents consume a large amount of music since most consumers report listening to two hours or more a day.
- In general, most people surveyed primarily consume their music through listening to MP3s, with 41% of respondents saying that MP3s were their primary form of music listening via phone, computer, iPod, or other portable music player.

Following closely behind is cloud-streaming, with 34% of respondents saying they primarily use these services to access their music. The remaining 26% listen to music through other means such as radio, CDs, vinyl, and cassettes.

- Of the 195 people surveyed, 80% say that they use some kind of cloud-streaming service to listen to music, with the remaining 20% who never use one of the services. This survey will primarily consider the attitudes and practices of those who use cloud-streaming services.
- Those people who use cloud-streaming services list popular services such as Spotify, Pandora, Google Play, and Rhapsody as the cloud-streaming services that they use.
- Of those who use cloud-streaming, only 10% pay for the services, while the other 90% use the free versions of these services.
- Of those surveyed, 50% said they were light cloud-streamers, 26% said they were moderate cloud-streamers, and four percent said they were heavy cloud-streamers. For the purpose of this study, light cloud-streamers were classified as less than 1 hour to one hour of cloud-streaming per day. Moderate cloud-streamers were two to four hours of cloud-streaming per day, and heavy cloud-streamers were classified as five or more hours spent listening cloud-streaming services per day.

The Data

Research Question 1A: How does cloud-streaming affect the amount of music pirated by consumers?

This study hypothesized that cloud-streaming would not create a decline in piracy among consumers. The researcher hypothesized that because cloud-streaming services

provide music for free or for a small fee, consumers would grow accustomed to having the music for free when they access it through the Internet, and because of this, they would pirate the same or more in order to be able to access the music for free offline. For the purpose of this study, “piracy” was classified into the following categories: Piracy through file sharing websites (i.e. Napster, Limewire, or Bit Torrents), piracy through CD sharing either through duplication or ripping the individual MP3s from the CD, or piracy MP3 sharing among individuals (i.e. sharing digital files on a thumb drive or other media). For each of these, consumers responded based on their amount of piracy before and after their use of cloud-streaming. The following tables demonstrate how cloud-streaming services affect the different forms of piracy.

Table 1—Use of file-sharing websites

	Always	Sometimes	Never
Before cloud-streaming, how did you get the music that you listen to? File-sharing websites (i.e. Limewire, Bit Torrents, Napster)	12% n = 20	31% n = 52	38% n = 64
After cloud-streaming, how do you get the music that you listen to? File-sharing websites (i.e. Limewire, Bit Torrents, Napster)	8% n = 13	17% n = 27	56% n = 91

In regards to piracy in the form of file-sharing websites, people who use cloud-streaming services decreased their use of these sites after they began using cloud-streaming services. There was a four-point drop in the percentage of people who

“always” used file-sharing websites before and after the use of cloud-streaming sites. Similarly, the percentage of people who “sometimes” used the file-sharing websites went from 31% before cloud-streaming to 17% after cloud-streaming—a 14-point drop. The most significant difference was among people who said that they “never” used file-sharing websites. Before cloud-streaming, 38% of consumers said that they never used file-sharing websites, but after cloud-streaming, this percentage of consumers who “never” pirate music through file-sharing websites rose to 56%—an 18-point difference. This suggests that in the case of piracy through file-sharing websites, the hypothesis was incorrect. Consumers actually pirated less through file-sharing websites after the introduction of cloud-streaming services into their music consumption habits.

Table 2—Duplicating CDs and ripping MP3s from CDs

	Always	Sometimes	Never
Before cloud-streaming, how did you get the music that you listen to? Borrowing CDs from friends and making duplicate copies	12% n = 21	44% n = 77	23% n = 40
After cloud-streaming, how do you get the music that you listen to? Borrowing CDs from friends and making duplicate copies	5% n = 8	28% n = 46	48% n = 78
Before cloud-streaming, how did you get the music that you listen to? Borrowing CDs from friends and ripping the MP3 files from the CDs	13% n = 21	39% n = 66	28% n = 46
After cloud-streaming, how did you get the music that you listen to? Borrowing CDs from friends and ripping the MP3 files from the CDs	5% n = 8	32% n = 53	43% n = 75

Regarding piracy through borrowing CDs and either making duplicate copies or ripping the individual MP3 files from them, consumers were less likely to engage in these actions after the introduction of cloud-streaming services. The difference in numbers was similar between these two forms of piracy because they are so similar in nature. In the case of borrowing CDs and making duplicate copies, the percentage of people who “always” engaged in this behavior before cloud-streaming was 12% and then decreased to 5 percent after cloud-streaming services were introduced to their listening habits. The consumers who “sometimes” borrowed CDs to duplicate went from 44% to 28%—a 16-point drop. The most significant difference is in the consumers who “never” use the file-sharing websites. The percentage before cloud-streaming services in this category was 23%. After the services, 48% of consumers said that they never duplicated CDs.

The other category of piracy from borrowing CDs is through ripping the individual MP3 files from the discs for personal use in a private music library. There was also a decline in this form of piracy. The percentage of individuals who “always” borrowed CDs for the MP3 files before cloud-streaming was 13%, dropping down to 5 percent after cloud-streaming. Consumers who “sometimes” engaged in this form of piracy before cloud-streaming was at 39%, with a slight drop to 32% after the introduction of cloud-streaming. The number of people who said they “never” borrowed CDs for MP3 files before using cloud-streaming services was at 28% and rose to 43% after they added cloud-streaming services to their music consumption habits.

This suggests that the use of cloud-streaming decreases piracy accomplished through borrowing CDs. These numbers disproved the hypothesis that piracy would increase after the introduction of cloud-streaming services to an individual’s music

consumption habits. Piracy, in the form of borrowing CDs, decreased in consumers who used the cloud-streaming services. There was a significant rise in consumers who “never” pirated music through borrowing CDs after they began using cloud-streaming services.

Table 3—MP3 sharing

	Always	Sometimes	Never
Before cloud-streaming, how did you get the music that you listen to? Sharing MP3 files between friends	10% n = 16	42% n = 70	30% n = 48
After cloud-streaming, how do you get the music you listen to? Sharing MP3 files between friends	7% n = 12	29% n = 47	43% n = 72

Piracy through the sharing of MP3 files between friends declined in the consumers surveyed after they began using cloud-streaming services to listen to music. Consumers who “always” shared MP3 files before cloud-streaming decreased from 10% to seven percent after the introduction of the use of cloud-streaming services. There was also a decline in people who said they “sometimes” pirated music through MP3 file-sharing. Before cloud-streaming, 42% of consumers said they “sometimes” pirated through this method, and after cloud-streaming, only 29% of consumers said they shared MP3s between friends. After cloud-streaming, consumers who claimed they “never” shared MP3 files between friends rose 13%. So, these numbers represent a decline in piracy through MP3 peer-to-peer sharing after cloud-streaming services; this disproves the hypothesis.

All of the numbers show a decline in piracy in all formats addressed in the survey. While it may not have been a significant decline in all aspects, for the most part, it is still enough of a decrease to show that in the consumers surveyed who use cloud-streaming services, there was a decline in piracy once they began using cloud-streaming services. This disproves the hypothesis that piracy would increase or stay the same in consumers.

Research Question 1B: How does cloud-streaming affect consumers’ views toward piracy?

The hypothesis stated that cloud-streaming services would reinforce people’s views toward music piracy. The literature indicated that most consumers do not see a problem with music piracy because they do not believe it is wrong. This belief was usually due to the fact that consumers did not feel as though there were any consequences from pirating music and that they did not feel that their piracy had any real impact on the music industry. To measure how consumers’ views toward piracy are affected by cloud-streaming services, a number of attitude questions were included on the survey.

Table 4—General attitudes toward piracy

“To what extent do you agree with each of the following statements:”	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
Accessing music through any means other than purchase is piracy.	6% n = 11	23% n = 42	25% n = 52	36% n = 69	11% n = 19
Piracy is against the law and therefore wrong.	22% n = 44	39% n = 78	26% n = 47	10% n = 19	3% n = 5
Piracy causes no harm to the industry.	6% n = 11	10% n = 20	21% n = 40	42% n = 78	23% n = 44
There are no consequences for piracy.	6% n = 11	7% n = 14	20% n = 38	46% n = 89	21% n = 41

Most respondents, when directly asked about their views toward piracy, reported that they viewed piracy as wrong. The research showed that consumers do view piracy as wrong, but for some reason, they still pirate a large portion of music. The importance of this section of research to the study is to discover how cloud-streaming services are changing people's pirating habits and how consumers view piracy in relation to their use of cloud-streaming services. It is important to first see how people view piracy in order to see if the use of cloud-streaming services has affected their views.

- Of those surveyed, 28% agreed with the statement “accessing music through any means other than purchase is piracy” while 47% disagreed with the statement. So, the majority of those surveyed do not consider piracy to be accessing music through any means other than purchase. So, the majority of those surveyed do not believe that accessing music cloud-streaming services is music piracy. However, 28% believe that accessing music without purchase is piracy.
- Furthermore, when asked about piracy being against the law, 61% of the respondents agreed that since piracy is against the law, it is wrong, and only 13% of the surveyed consumers disagreed with the statement.
- In addition, only 16% believe that piracy causes no harm to the industry, while 65% of the surveyed believe that piracy does cause harm to the music industry.
- Lastly, only six percent of the surveyed individuals believe that there are no consequences for music piracy, and the majority, 67%, believe that there are consequences for pirating.

It is also important to note that in all of these questions, 20 to 25% did not have any real opinions toward the question. Therefore, we can assume that this portion of consumers are indifferent to the piracy issue, probably for any number of reasons. It is also interesting to note that while respondents overwhelmingly agreed that while piracy is wrong, against the law, causes harm to the industry, or has consequences, a large majority of those surveyed admitted to pirating music in one form at some point in their life.

Table 5—Cloud-streaming services affect on consumers’ views of piracy

“To what extent do you agree with each of the following statements:”	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
Because cloud-streaming provides music for free, music listeners will come to expect that all music from all sources should also be obtained for free.	9% n = 17	42% n = 79	17% n = 31	24% n = 47	9% n = 17
Because cloud-streaming is available only through the Internet, listeners will still pirate or pirate more to be able to access the music offline.	12% n = 23	48% n = 92	23% n = 43	14% n = 27	3% n = 5

This table measured the attitudes of consumers toward piracy in regards to cloud-streaming. The research hypothesized that because cloud-streaming services provide consumers with music for free, people will pirate more in order to access the music offline, and consumers will expect all music to be obtained for free. Since the previous

data showed consumers' general views of piracy, this section will explore how cloud-streaming services have affected those views toward piracy.

- Fifty-two percent of consumers surveyed agreed that because cloud-streaming provides music for free, consumers would expect all music to be obtained for free. Only 32% disagreed with this statement.
- Similarly, 60% of the respondents agreed that because cloud-streaming is available only through the Internet, people would pirate the same or more in order to access the music offline. Only, 17% disagreed with that statement.

This data indicates that consumers think that cloud-streaming services will affect people's views toward piracy. The majority of those surveyed believe that because cloud-streaming is a free service with limited access, consumers will pirate more to gain access whenever they want it and will justify piracy because they will come to believe that music should be obtained for free. However, the responses contradict with the actions of those surveyed. The majority agreed that cloud-streaming would reinforce the consumer's views of piracy, but their own responses indicated that the amount of music pirated actually decreased from cloud-streaming services.

Research Question 2: How does cloud-streaming affect consumer's music purchases?

The researcher hypothesized that based on the literature and previous studies, which showed that consumers still prefer to own their own music, people would rather own their music instead of accessing it through cloud-streaming services. Consumers ranked their purchasing habits before and after the use of cloud-streaming services. It is also interesting to note for the purpose of this research question that the majority of

consumers said that they consume their music through MP3s with cloud-streaming services falling second.

Table 6—Consumers’ purchasing habits

	Always	Sometimes	Never
Before cloud-streaming, how did you get the music that you listen to? Purchasing CDs	15% n = 26	57% n = 102	8% n = 14
After cloud-streaming, how do you get the music that you listen to? Purchasing CDs	9% n = 16	43% n = 74	27% n = 46
Before cloud-streaming, how did you get the music that you listen to? Purchasing MP3s	26% n = 45	39% n = 67	15% n = 26
After cloud-streaming, how do you get the music that you listen to? Purchasing MP3s	27% n = 47	37% n = 64	16% n = 27

The results indicate that respondents were slightly less likely to purchase CDs after using cloud-streaming services. Of the 15% of respondents who “always” purchased CDs before cloud-streaming, only nine percent still continued this behavior after using the services. There was a 14-point difference between those who responded that they “sometimes” purchased CDs to get the music that they listen to, with 57% before streaming to 43% after streaming. There was also an increase in the number of people who “never” purchase CDs after cloud-streaming services. Only eight percent said they “never” purchased CDs before the introduction of the service and 27% “never” streamed the music after the service. So, in the case of purchasing CDs, respondents were less likely to purchase after using cloud-streaming services.

This also demonstrates that respondents who said they purchase MP3s before cloud-streaming services, for the most part, still purchased MP3s after using cloud-streaming services. The number of consumers who “always” purchased MP3s increased 1 percent, going from 26% to 27% after cloud-streaming services. While there was a slight decrease in those who said they “sometimes” purchased MP3s after using cloud-streaming services with a 2 point decrease, it is not a significant enough difference between the two. Similarly, there was only a 1 point increase from those who “never” purchased MP3s after using cloud-streaming services. The research demonstrated that MP3s are the primary source of music listening for respondents, with cloud-streaming services coming in second. Cloud-streaming services also provide listeners a purchase option while streaming the music from the company’s cloud. The purchase option takes consumers to a third party website, such as iTunes or Amazon, to purchase the song in an MP3 format. In the case of MP3s, people still purchase essentially the same amount of MP3s before and after cloud-streaming services.

Table 7—Consumers’ views toward music ownership

“To what extent do you agree with the following statement:”	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
I prefer to own my own music.	35% n = 64	39% n = 76	18% n = 39	5% n = 9	2% n = 4

The overwhelming majority of respondent’s prefer to own their own music. Seventy-four percent of respondents indicated that music ownership is important to them. Only seven percent disagreed with the statement and said they do not prefer to own their

own music. So, even after cloud-streaming services, consumers still prefer to own their own music by an overwhelming majority.

These two tables combined help shed light on the research question listed above. While there was a decrease in CDs purchased by cloud-streaming, MP3 purchases remained essentially the same. Furthermore, the overwhelming majority of respondents who said they still preferred to own their own music shows that consumers still place a value on ownership even after cloud-streaming. Therefore, this portion of the research supports the hypothesis that consumers will still purchase basically the same amount as they did before cloud-streaming services and that consumers do prefer to own their own music.

Conclusion

After analyzing the results of the survey, the study indicates that cloud-streaming services have an impact on music consumption and music piracy in consumers. Those surveyed showed a decline in piracy in the form of peer-to-peer MP3 sharing, CD duplication, and file-sharing websites. Furthermore, those surveyed indicated that they believed that cloud-streaming services would reinforce consumer acceptance of music piracy since the service is free but with limited access, even though there was an obvious decline in the amount of music they pirated after the introduction of cloud-streaming to their music consumption habits.

Not only did the data show that listeners who used cloud-streaming services showed a decline in the amount of music pirated, the research also showed a slight decline in amount of music purchased; however, respondents still indicated that they found value in music ownership. There was a drop in CD purchases after cloud-streaming services, and a slight drop in MP3 purchases. However, respondents still indicated that their primary form of music consumption was through MP3s, with cloud-streaming services coming in second. Therefore, the research indicates that cloud-streaming services will slightly decrease the amount of music that consumer's purchase, but the consumer will still want to own music.

In sum, even over the few years that cloud-streaming services have been an option for music consumption, they have already made a large impact in a short period of time. These services have the potential to completely alter the way that consumers listen to their music. It is not unthinkable that in a few years, cloud-streaming services will be the primary form of music consumption, with MP3s and CDs becoming a thing of the past.

In an industry that is seeing a huge decline in physical sales, the convenience and ease of cloud-streaming services, if marketed and designed properly to create real revenue, could create a new era of music listening. The findings of this study are but one small example of the way that cloud-streaming services are shaping music consumption, and it is a small indicator to how these services could completely alter a dying industry.

Limitations

The research is not conclusive because there were some limitations to the survey. The research was non-scientific and used a convenience sample. The number of respondents was relatively small, with the majority being of traditional college-age. This is due to the fact that the research primarily targeted undergraduates.

Implications for Further Research

Because technology is constantly changing and developing, cloud-streaming services will undoubtedly grow and develop in coming years. However, this study has shown that it already has made an impact on music consumption in those surveyed who use cloud-streaming services. For future research, a scientific survey that has a wider distribution would help shed further light on the topic. Exact recordings of consumer's piracy and purchasing habits before and after cloud-streaming services would also offer a more exact understanding of consumption habits in regards to these services. With an industry that is constantly growing and changing, the world of music provides many opportunities for further investigation and research.

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Appendix A

3/7/13

Cloud Streaming and Music Piracy Survey

Cloud Streaming and Music Piracy Survey

Caitlin Seale Honors Thesis 2013
The University of Southern Mississippi

The survey is to examine student consumption of music both online and offline for the purpose of an Honors thesis. The survey will take an estimated 8-10 minutes to complete. Participation in the study is completely voluntary and participation may be discontinued at any time. The survey is completely confidential and anonymous. If you have any questions about the survey or research, please contact: Caitlin Seale; (601) 606-3534. This project has been reviewed by the Human Subjects Protection Review Committee, which ensures that research projects involving human subjects follow federal regulations. Any questions or concerns about rights as a research subject should be directed to the chair of the Institutional Review Board, The University of Southern Mississippi, 118 College Drive #5147, Hattiesburg, MS 39406-0001, (601) 266-6820.

Gender

Male

Female

Classification

Freshman

Sophomore

Junior

Senior

To what extent do you agree with the following statements?

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
"I am a very religious person."	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
"I am a very ethical person."	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Major

Age

1. How much music would you say that you listen to on average every day?

Less than 1 hour

1 hour

2 hours

3 hours

4 hours

5 hours

6 or more hours

2. How do you listen to your music?

Always Sometimes Never

CDs

MP3s	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Radio	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Vinyls	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cassettes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cloud Streaming	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3. Of the options below, which way do you MOST use to listen to music?

MP3s
 radio
 vinyls
 cassettes
 cloud streaming

4. How often do you use a cloud streaming website to listen to music a day?

1 hour
 2 hours
 3 hours
 4 hours
 5 hours
 6 or more hours

5. Before cloud streaming, how did you get the music that you listen to?

	Always	Sometimes	Never
File sharing websites (i.e. Limewire, Bit Torrents, Napster)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Borrowing CDs from friends and making duplicate copies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Borrowing CDs from friends and ripping the MP3 files from the CDs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sharing MP3 files between friends	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Purchasing CDs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Purchasing MP3s (i.e. iTunes, Amazon)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

6. After cloud streaming, how do you get the music that you listen to?

	Always	Sometimes	Never
File sharing websites (i.e. Limewire, Bit Torrents, Napster)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Borrowing CDs from friends and making duplicate copies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Borrowing CDs from friends and ripping the MP3 files from the CDs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sharing MP3 files between friends	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Purchasing CDs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Purchasing MP3s (i.e. iTunes, Amazon)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

7. What streaming services do you use?

(List all)

8. Do you pay for a subscription to any cloud-based streaming services?Yes No **9. Do you think your use of cloud streaming has cut down on the amount of music you purchase?**

(Rank each method)

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Purchasing CDs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Purchasing MP3s (i.e. iTunes, Amazon)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

10. Do you think your use of cloud streaming has cut down on the amount of music you get from other sources?

(Rank each method)

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
File sharing websites (i.e. Limewire, Bit Torrents, Napster)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Borrowing CDs from friends and making duplicate copies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Borrowing CDs from friends and ripping the MP3 files from the CDs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sharing MP3 files between friends	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

11. To what extent do you agree with each of the following statements?

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Because cloud streaming provides music for free, music listeners will come to expect that all music from all sources should also be obtained for free.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Because cloud streaming is available only through the internet, listeners will still pirate or pirate more to be able to access the music offline.

12. On average, how much would you say you spent on music purchases a month prior to using cloud streaming services?

(MP3, Album, Vinyl, Etc.)

13. On average, how much would you say you spend on music purchases a month after using cloud streaming services?

(MP3, Album, Vinyl, Etc.)

14. To what extent do you agree with each of the following statements?

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I prefer to own my own music	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accessing music through any means other than purchase is piracy.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Piracy is against the law and therefore wrong.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Piracy causes no harm to the industry.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
There are no consequences for piracy.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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Appendix B

INSTITUTIONAL REVIEW BOARD

118 College Drive #5147 | Hattiesburg, MS 39406-0001
Phone: 601.266.6820 | Fax: 601.266.4377 | www.usm.edu/irb

NOTICE OF COMMITTEE ACTION

The project has been reviewed by The University of Southern Mississippi Institutional Review Board in accordance with Federal Drug Administration regulations (21 CFR 26, 111), Department of Health and Human Services (45 CFR Part 46), and university guidelines to ensure adherence to the following criteria:

The risks to subjects are minimized.

The risks to subjects are reasonable in relation to the anticipated benefits.

The selection of subjects is equitable.

Informed consent is adequate and appropriately documented.

Where appropriate, the research plan makes adequate provisions for monitoring the data collected to ensure the safety of the subjects.

Where appropriate, there are adequate provisions to protect the privacy of subjects and to maintain the confidentiality of all data.

Appropriate additional safeguards have been included to protect vulnerable subjects.

Any unanticipated, serious, or continuing problems encountered regarding risks to subjects must be reported immediately, but not later than 10 days following the event.

This should be reported to the IRB Office via the "Adverse Effect Report Form".

If approved, the maximum period of approval is limited to twelve months.

Projects that exceed this period must submit an application for renewal or continuation.

PROTOCOL NUMBER: 13031901

PROJECT TITLE: Aaarrrrggg I'm a Pirate: Cloud Streaming Services Effect on Music Consumption and Music Piracy

PROJECT TYPE: New Project

RESEARCHER(S): Caitlin Seale

COLLEGE/DIVISION: College of Arts & Letters

DEPARTMENT: School of Mass Communication

FUNDING AGENCY/SPONSOR: N/A

IRB COMMITTEE ACTION: Expedited Review Approval

PERIOD OF APPROVAL: 03/21/2013 to 03/20/2014

**Lawrence A. Hosman, Ph.D.
Institutional Review Board**