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## **The NPD Group: Peer-to-Peer Digital Video Downloading Outpacing Legal Alternatives Five to One**

***8 percent of Internet using households downloading from Peer-to-Peer (P2P) compared to 2 percent who paid to download a video file;  
Adult-oriented content most popular genre among those who download video files via P2P***

**PORT WASHINGTON, NEW YORK, December 20, 2006** – Increased levels of broadband access, powerful and speedy PCs equipped with DVD readers and writers, portable video devices and next generation file sharing services are working in concert to make downloading of video content easier. According to The NPD Group, a leading consumer and retail information company, among U.S. households with members who regularly use the Internet, 8 percent (six million households) downloaded at least one digital video file (10MB or larger) from a P2P service for free in the third quarter of 2006. Nearly 60 percent of video files downloaded from P2P sites were adult-film content, while 20 percent was TV show content and 5 percent was mainstream movie content.

“While video P2P downloading is less pervasive right now than for music, it is a crucial issue for the film industry to keep track of,” said Russ Crupnick, vice president and senior industry analyst for The NPD Group, “Even though right now the majority of downloaded video content is adult-film content, the amount of intellectual property stolen from mainstream movie studios, networks, and record labels will continue to rise, unless strong and sustained action is taken to prevent piracy.”

The offerings in the paid video download arena have also made inroads with consumers. In Q3 2006 2 percent of U.S. households (1.2 million) with Internet access paid for a video download from an online download store. Apple’s iTunes led the market for paid digital video downloads, with nine in 10 downloads occurring on that site, followed by Vongo (5 percent), Movielink (3 percent) and less than one percent for CinemaNow. Sixty-two percent was TV program content, 24 percent was music video content and 6 percent was mainstream movie content.

“Paid usage could double or triple within the next year as more content comes online, consumers acquire more video-enabled players and movies are offered that consumers can actually burn to DVD,” Crupnick noted. “The competition between Apple’s iTunes/iPod juggernaut and Microsoft’s Zune platform will whet consumers’ appetites for digital video, though it will be quite a long time before we see consumers completely abandon the DVD in favor of digital downloads.”

*Source: NPD VideoWatch Digital tracking service provides in-depth information on legal digital video download services, file sharing sites, ripping, burning, watching/playing, uploading to portable players, email/IM and file deletion. NPD monitors digital video activity (movies, TV shows, music videos, etc.) on the home computers of more than 12,500 U.S. households that have agreed to install NPD’s proprietary tracking software..*

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