

Piracy observatory and digital contents consumption habits

2015



OBJECTIVES AND METHODOLOGY

Main Objective

Impact of piracy on...



... the **digital contents industry** in Spain?
... **public funds**?
... **employment** on Spain?

Secondary objective
Knowing the profile of the offender.

Methodological Mix

Internet user interviews.

- Survey to internet users from the GfK panel ,50.000 panellists with personalized recruitment.
- Age from 11 - 74 years..



What do we achieve?

Knowing opinions about piracy, who does it, what they pirate and what they would buy if there were no illicit accesses.

Online / offline points of sale audit.

- GfK audits the distribution channel in Spain

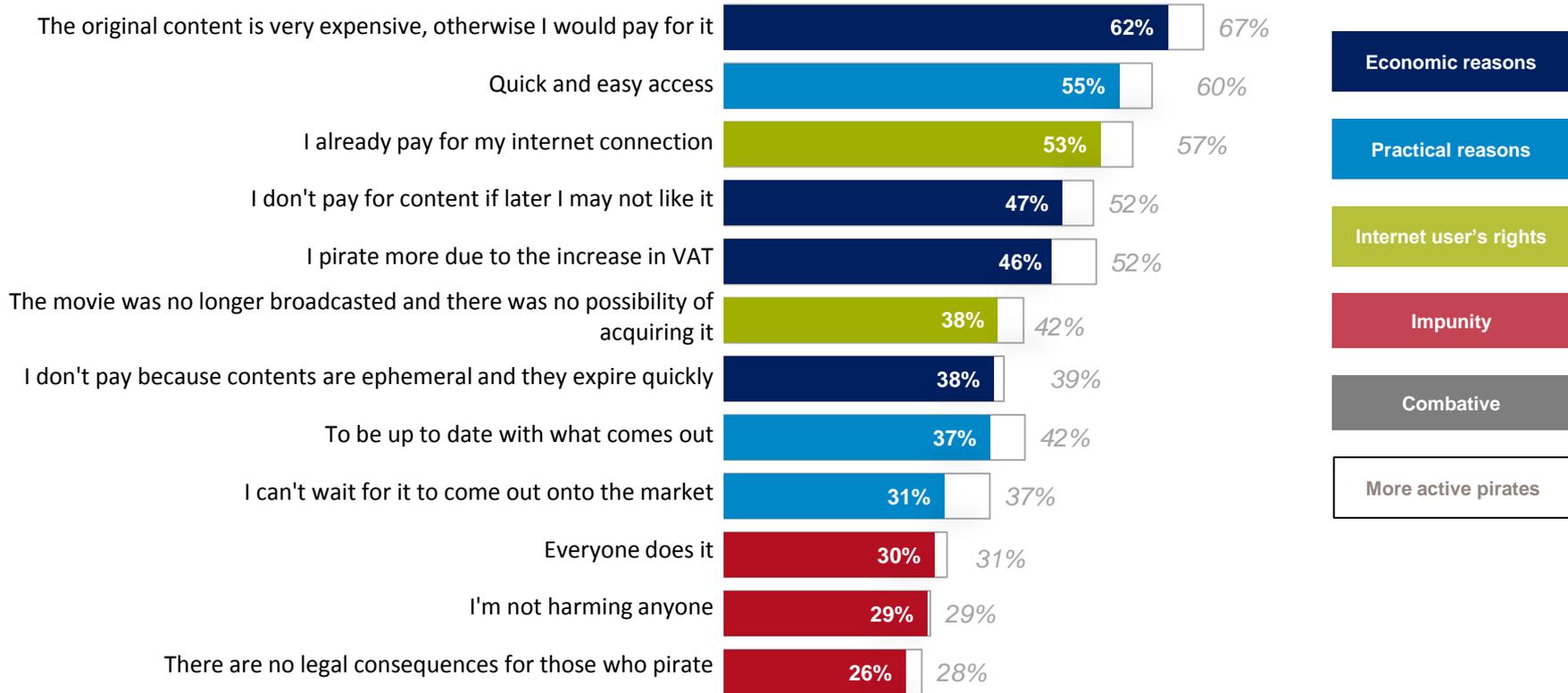


¿What do we achieve?

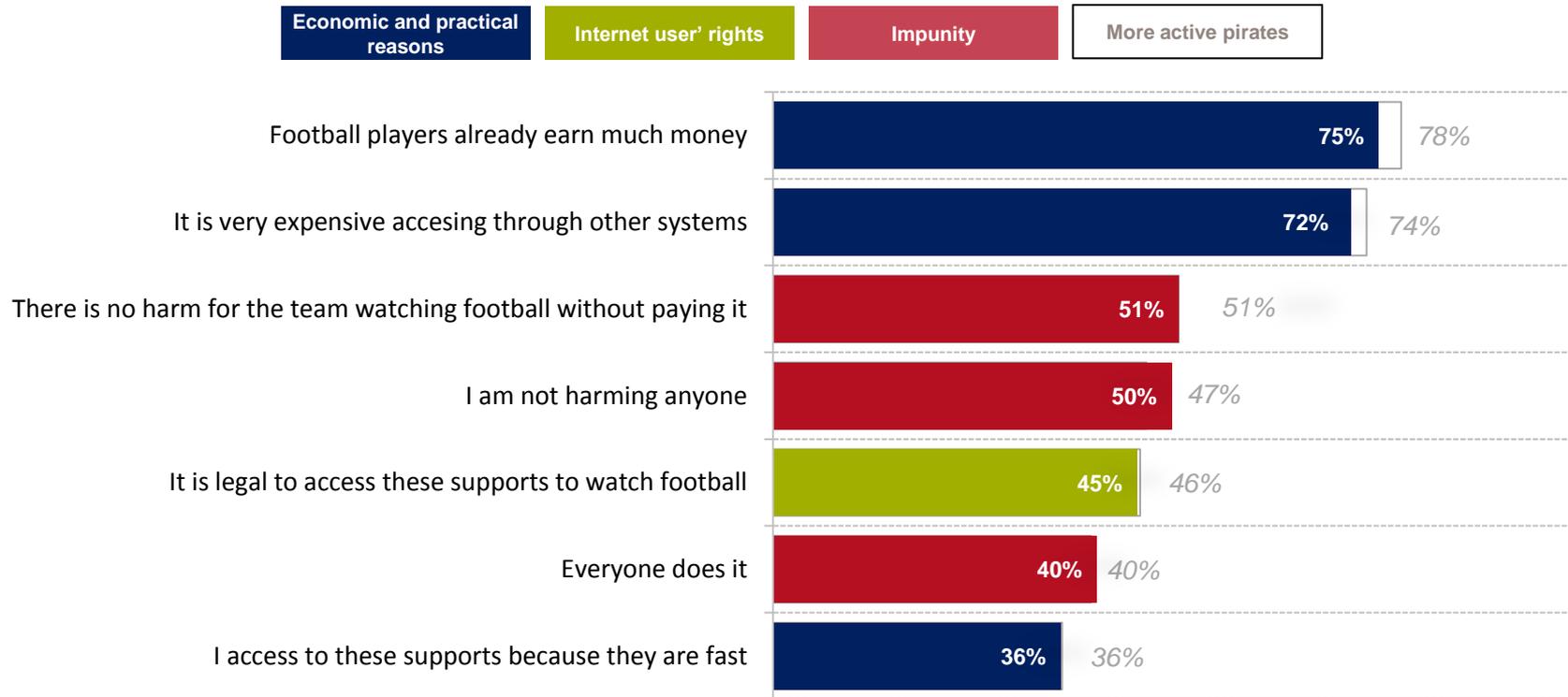
Assigning a real market value to contents.
Match the opinions of interviewees to the reality of the market.

Main results

Why do they pirate?



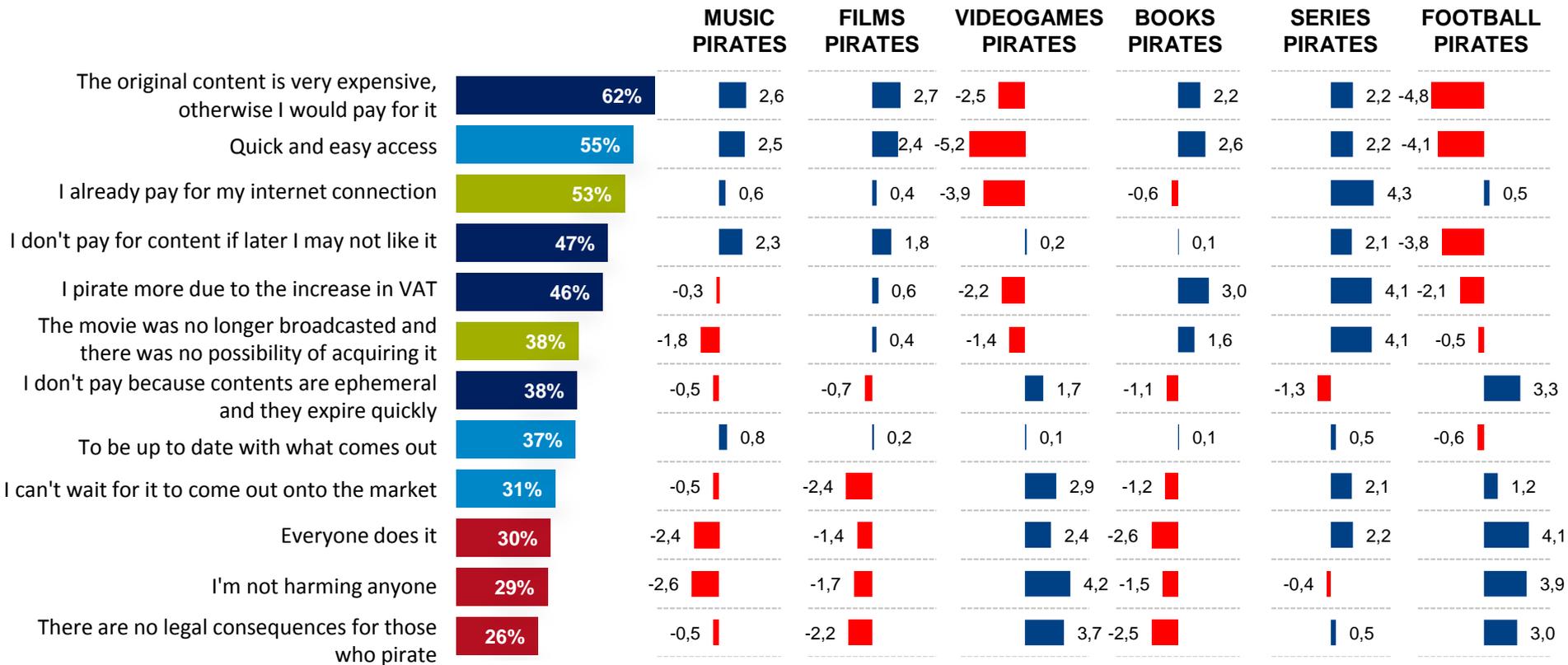
Why is football pirated?



Why do they pirate?

Attitudes analysis regarding piracy focusing on each illegal access

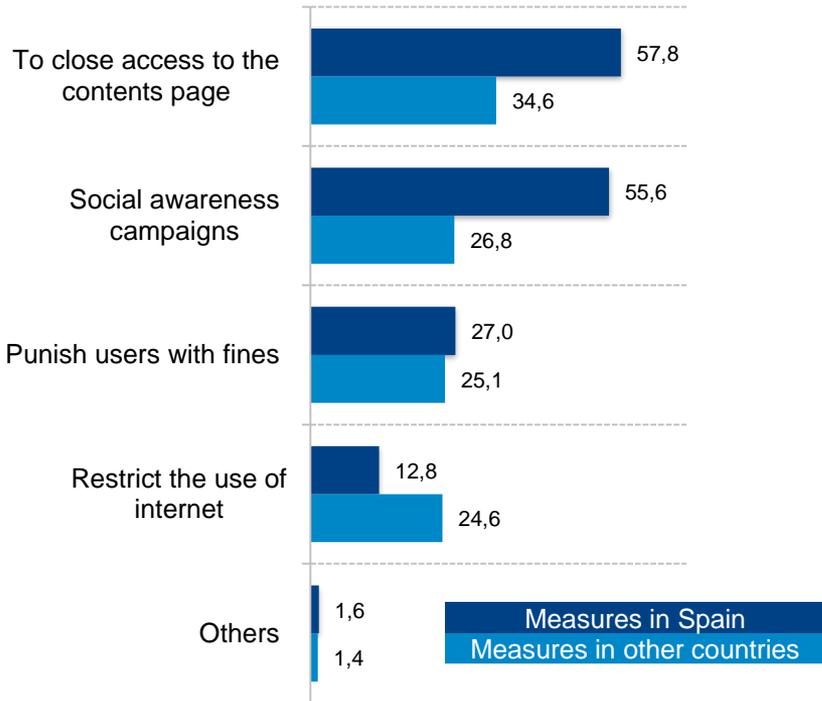
Halo Effect



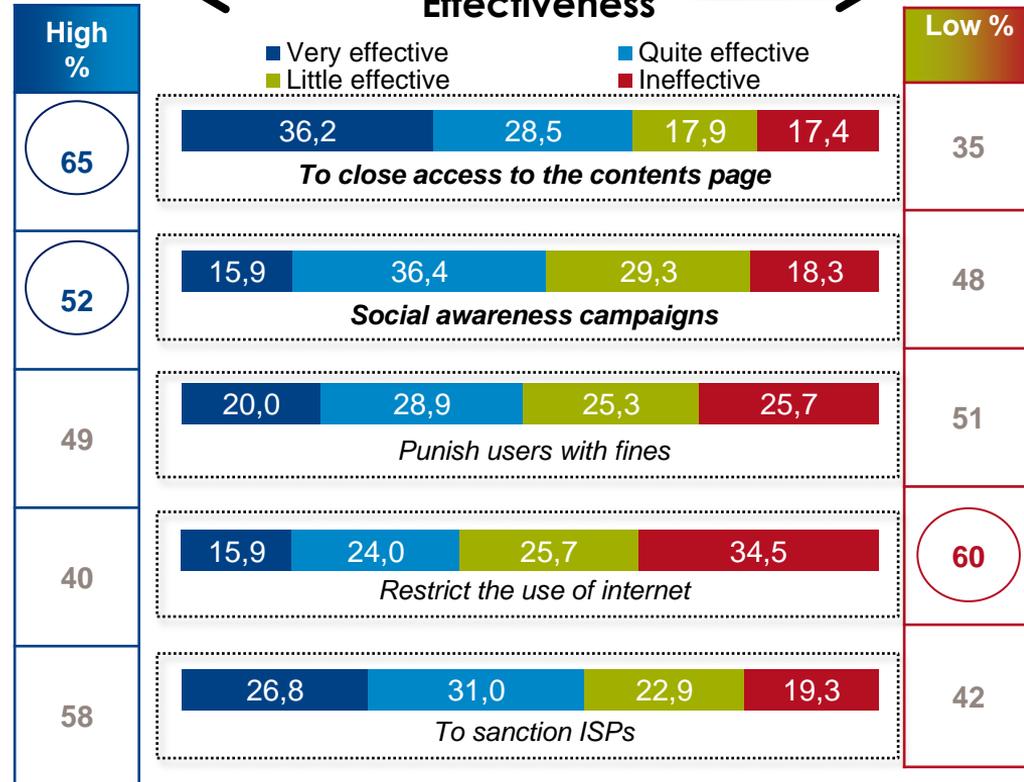
Measures against piracy in Spain and other countries .. and its effectiveness



Awareness



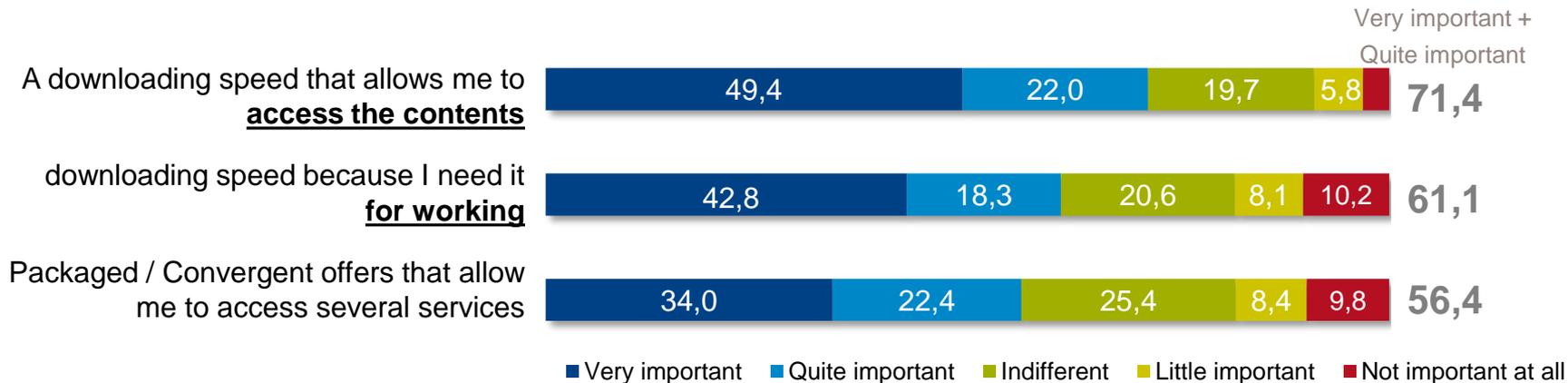
Effectiveness



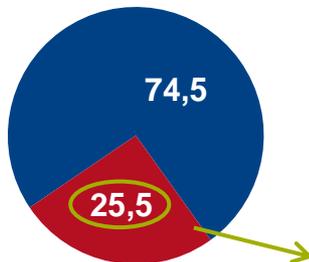
Broadband access importance when contracting an Internet service...and consequences in case of contents' downloading restrictions

Importance when contracting an Internet service

7 out of 10 give a high importance to the contents downloading speed to hire the internet service
More than half consider important the bundling offers in order to hire an internet supplier



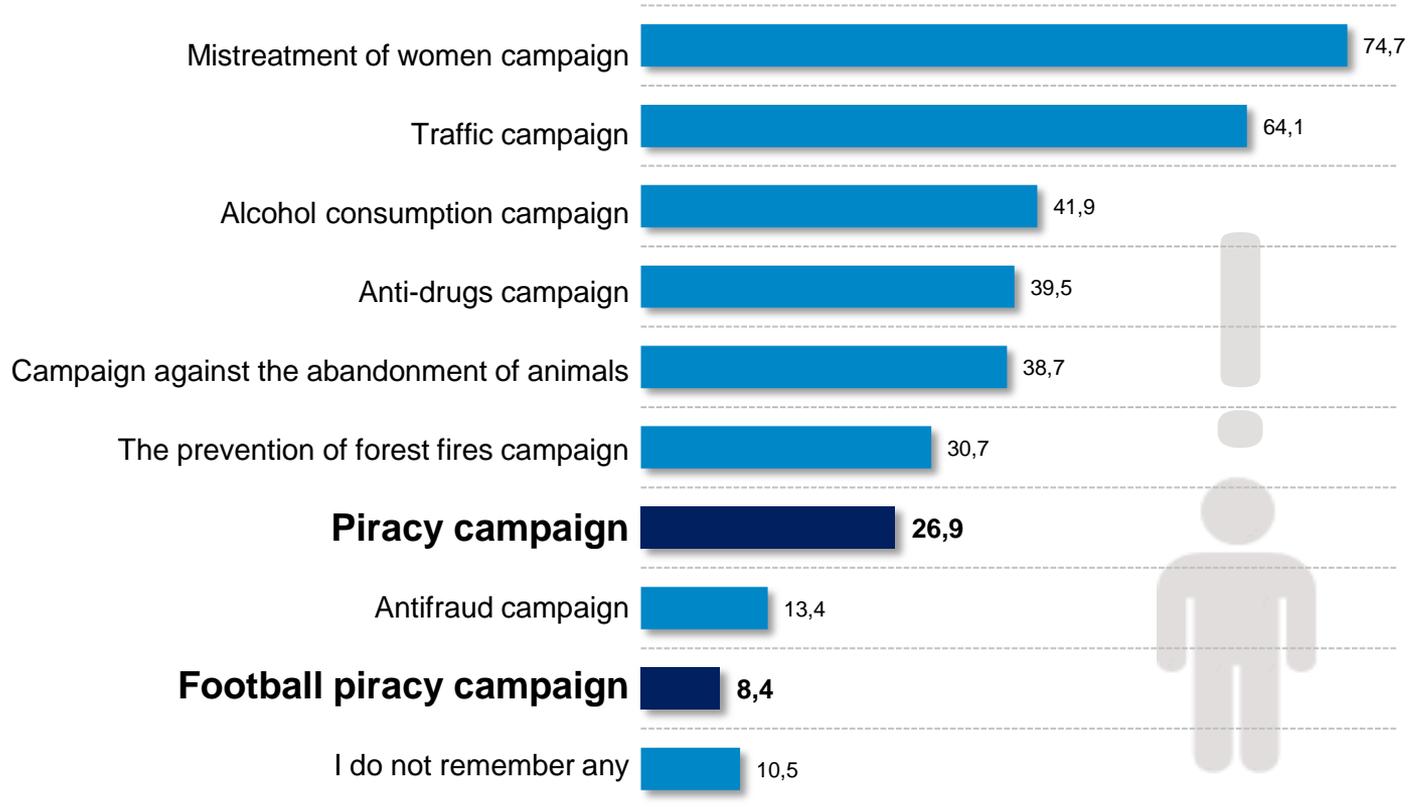
Would you maintain your broadband Internet service if you wouldn't be able to download any content?



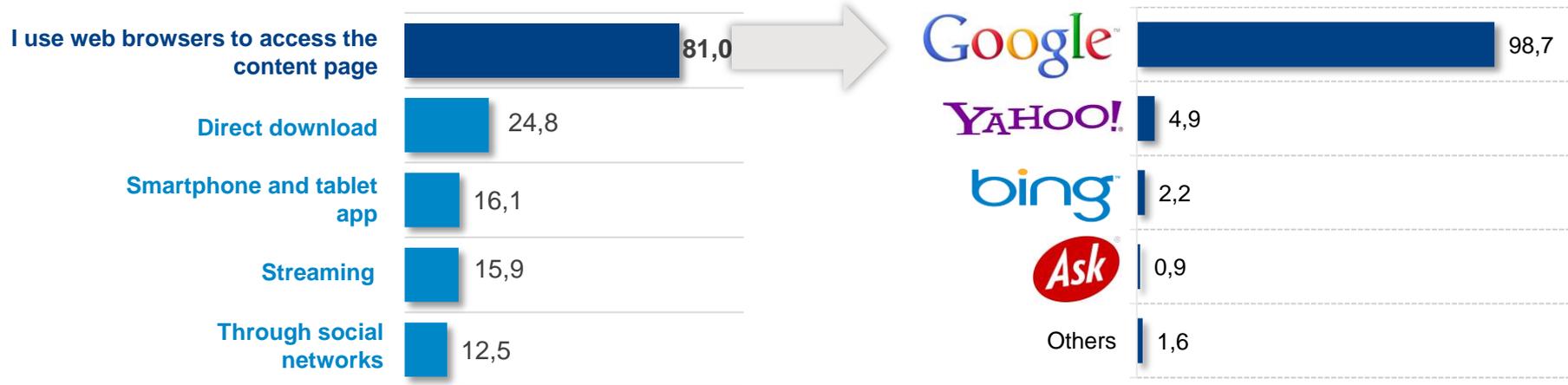
- Yes, It is important for surfing the Internet
- No, I would reduce it because I only need it to download

36% among the “more active pirates”

Campaigns awareness



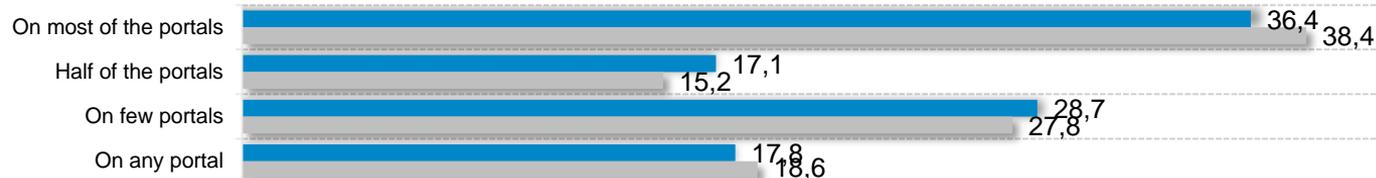
How do they access to illegal contents?



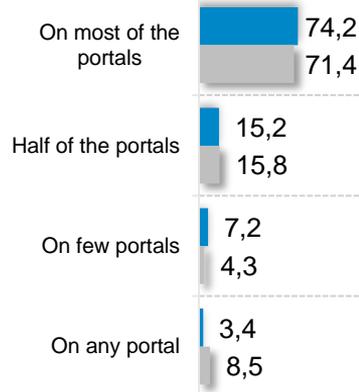
More than 8 out of 10 internet users use web browsers to access to illicit contents , being Google the most used

How do pirate websites finance?

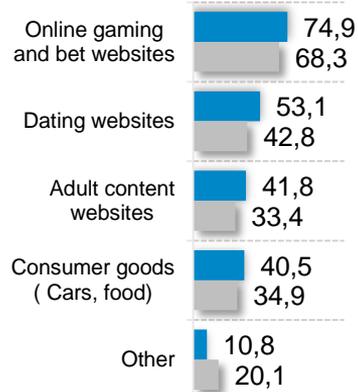
Do you sign up on those websites?



Do they have advertisement?



Advertisement remembered

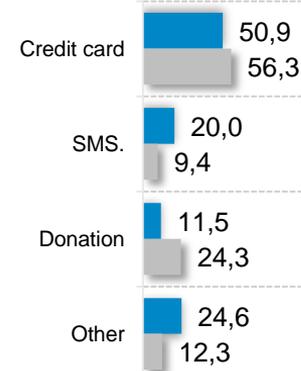


Have you ever paid for the contents downloaded on those websites



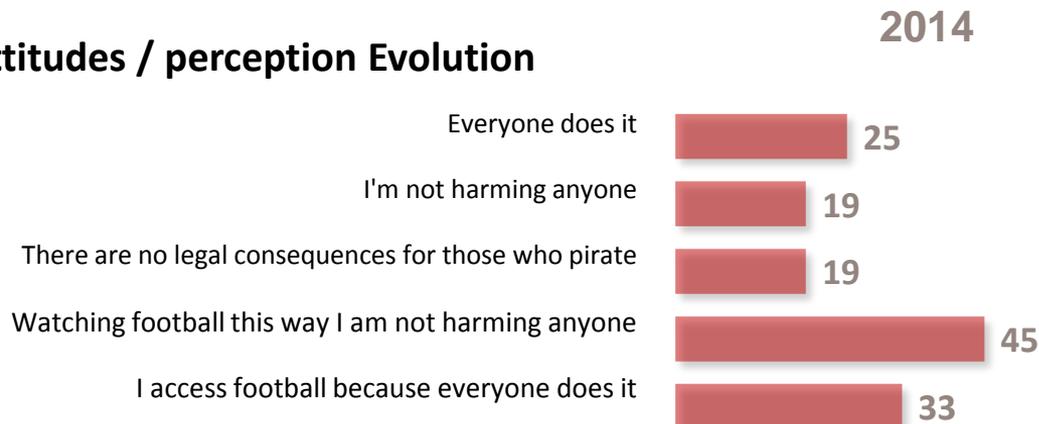
Base (n= 1285)

Payment method



Summary main attitudes and awareness

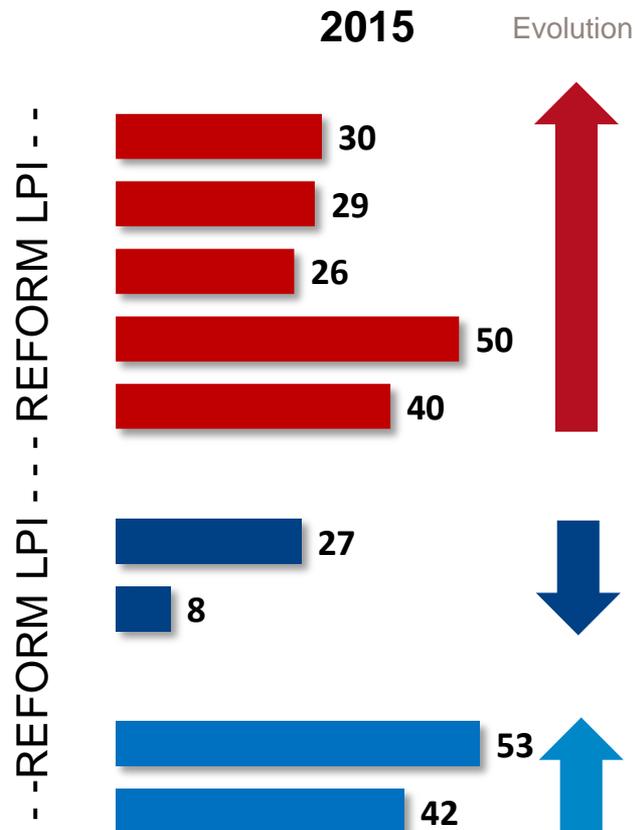
Attitudes / perception Evolution



Campaigns awareness

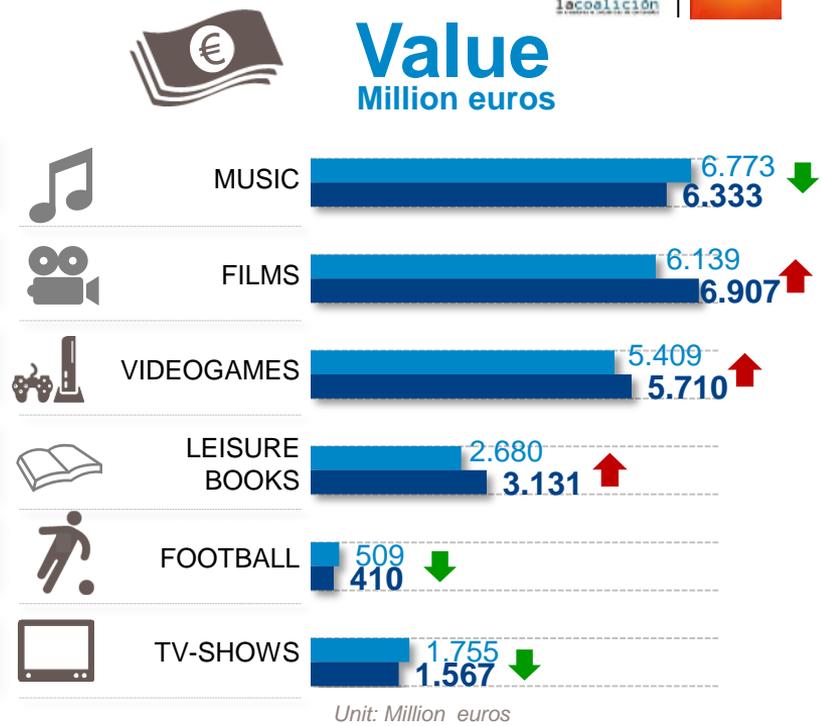
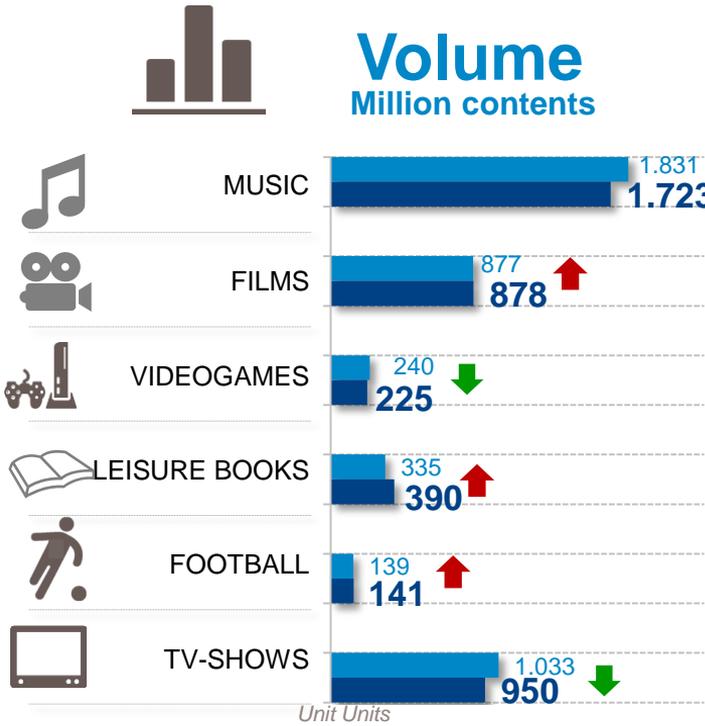


Advertisement remembered



Piracy in Spain and loss of potential earnings for industries

Digital illegal access



Million contents **4.307**

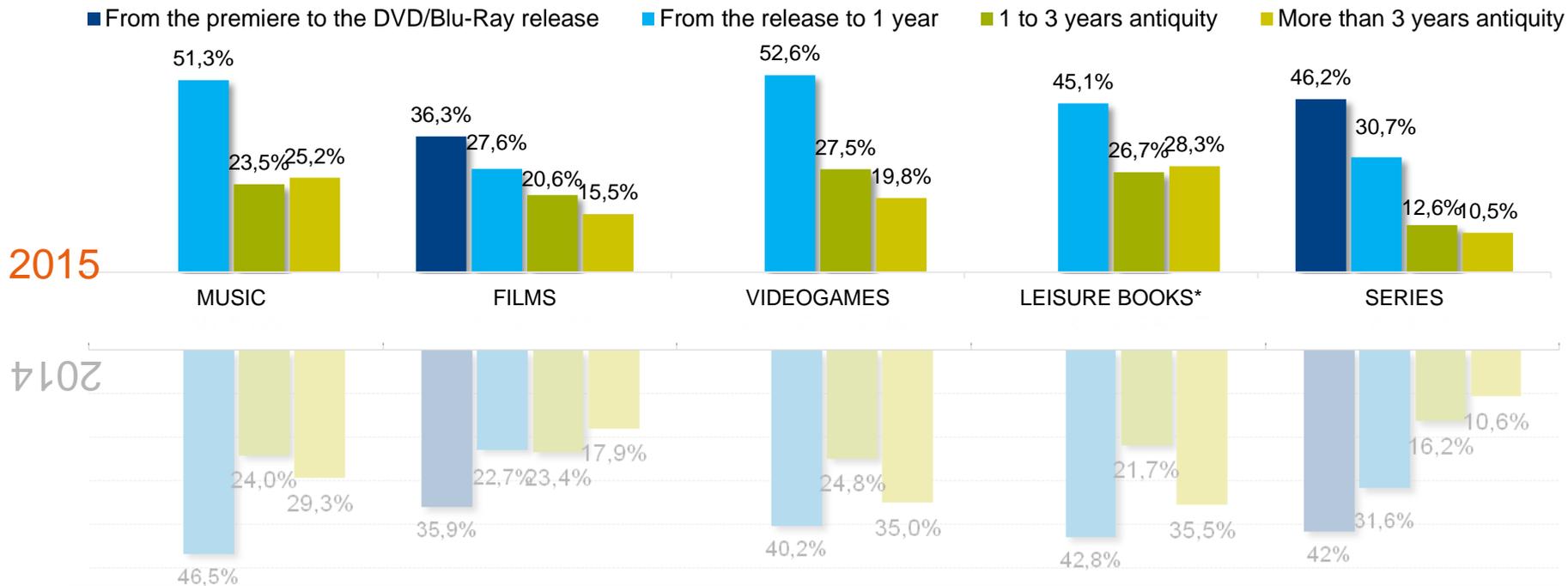
■ 2014
■ 2015

Million euros **24.058**

* Teaching and professional books are not being valued

*The football piracy value has been calculated based on the number of households who pirate those contents and the football subscriptions value

Illegal access antiquity



Downloaded contents are mostly novelties in all industries.
Books are the contents with an antiquity of 1 to 3 years most downloaded.

Example of the calculation of the loss of potential earnings



Summary

Loss of potential earnings for industries in Spain due to piracy



Leisure books *



103 million €

11% increase industry value
3% pirate-legal conversion value



Videogames



231million €

46% increase industry value
4% pirate-legal conversion value



TV shows



186 million €

104% increase industry value
12% pirate-legal conversion value



Films



573 million €

79% increase industry value
8% pirate-legal conversion value



Music



402 million €

223% increase industry value
6% pirate-legal conversion value



Football



174 million €

16% increase industry value
42% pirate-legal conversion value

**Teaching and professional books are not being valued*

Music



2015 Scenario

PIRATED CONTENTS : 1.728 million contents (4 physical + 1723 digital)
INDUSTRY VALUE : **180 million euros**



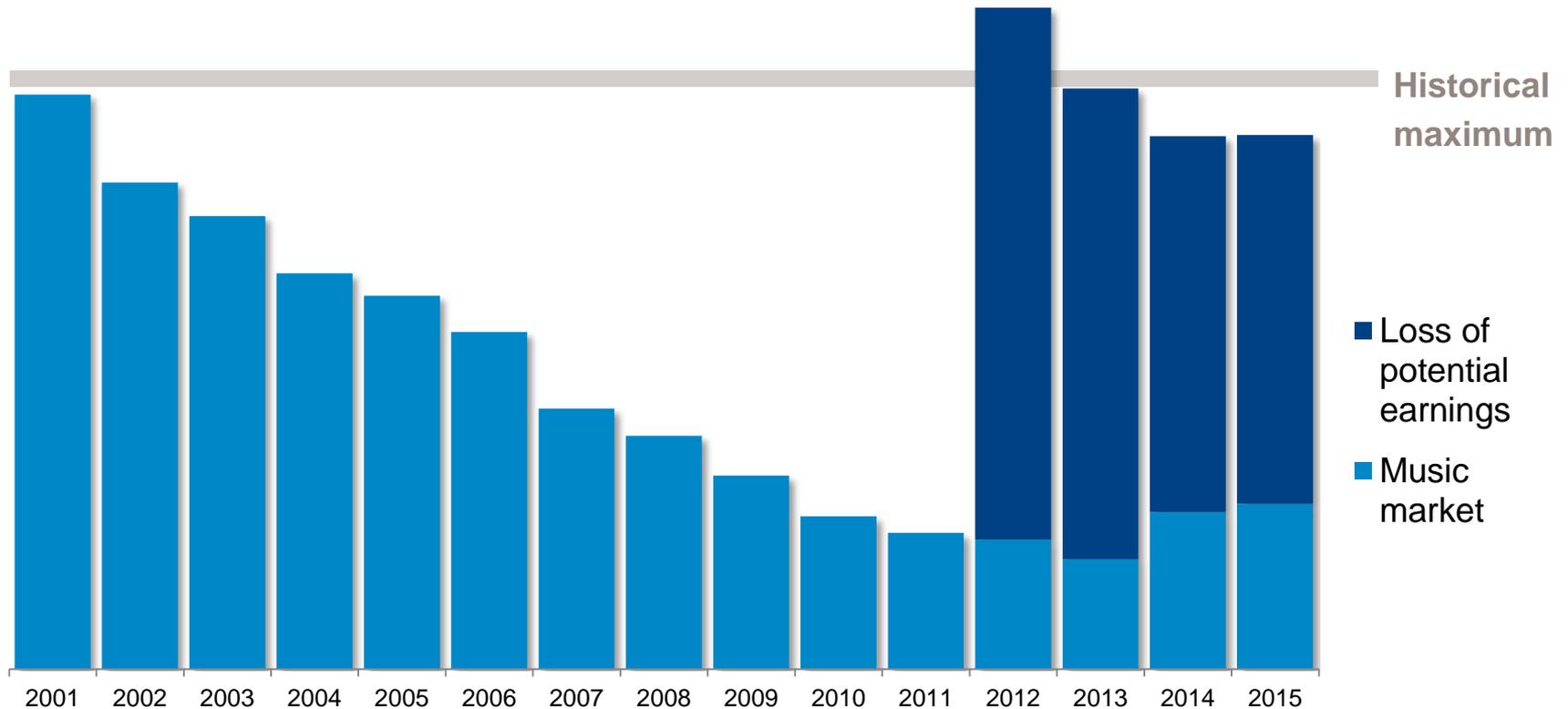
Increase of +223%

Scenario without piracy

PIRATED CONTENTS : 0
INDUSTRY VALUE: **582 million euros**
180 million current legal industry
402 million in loss of potential earnings



Music sales evolution vs loss of potential earnings



Films



2015 Scenario

PIRATED CONTENTS: 898 million contents (10 physical+ 878 digital)

INDUSTRY VALUE: **721 million euros**



Increase of +79%

Scenario without piracy

PIRATED CONTENTS: 0

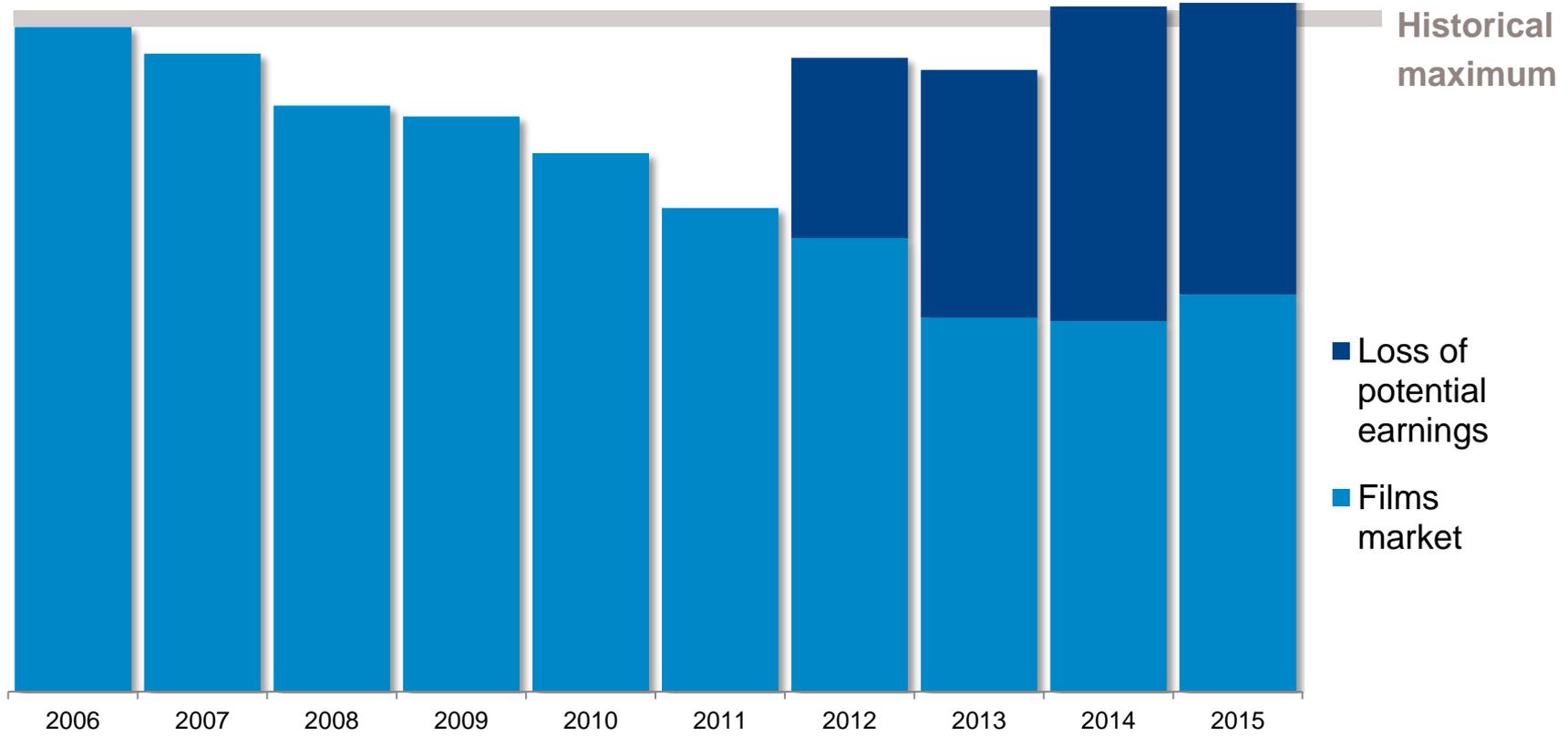
INDUSTRY VALUE: **1.292 million euros**

721 million current legal industry

573 million in loss of potential earnings

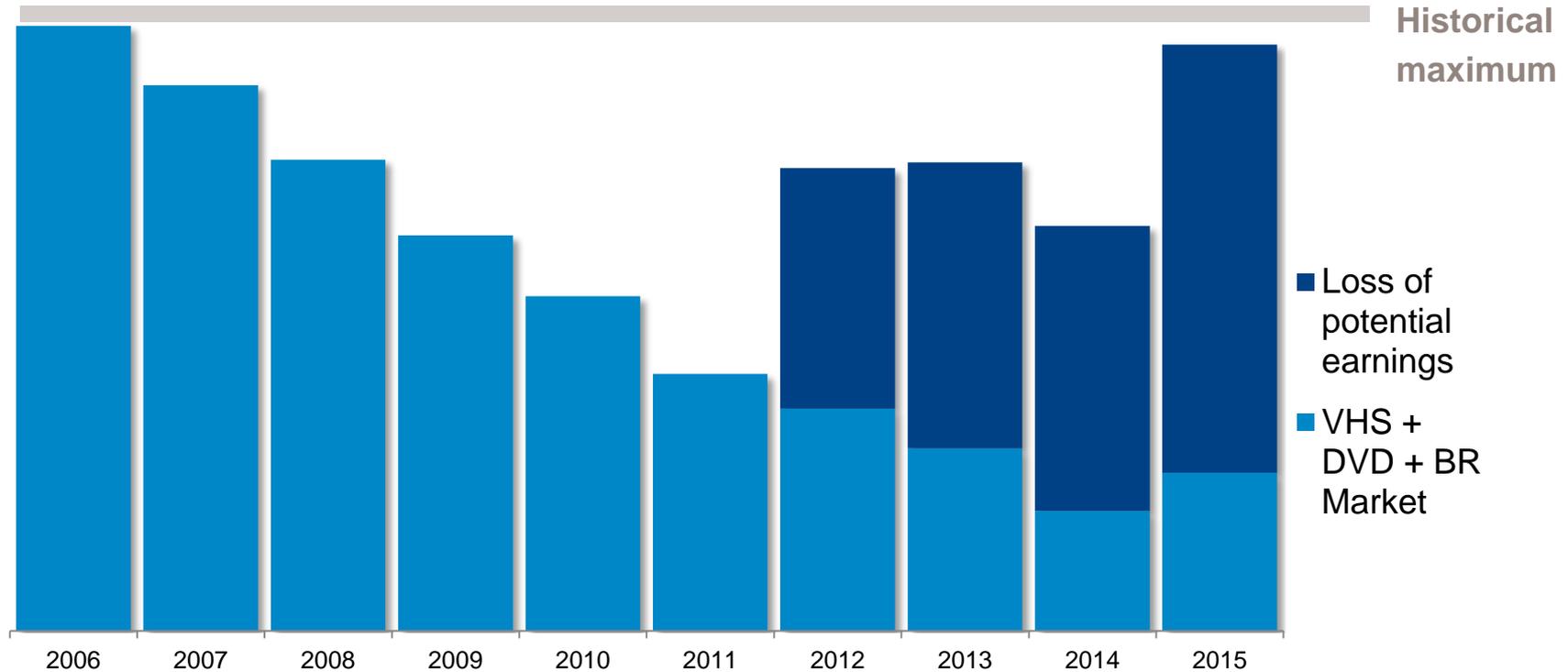


Films/DVD/BR industry evolution vs loss of potential earnings



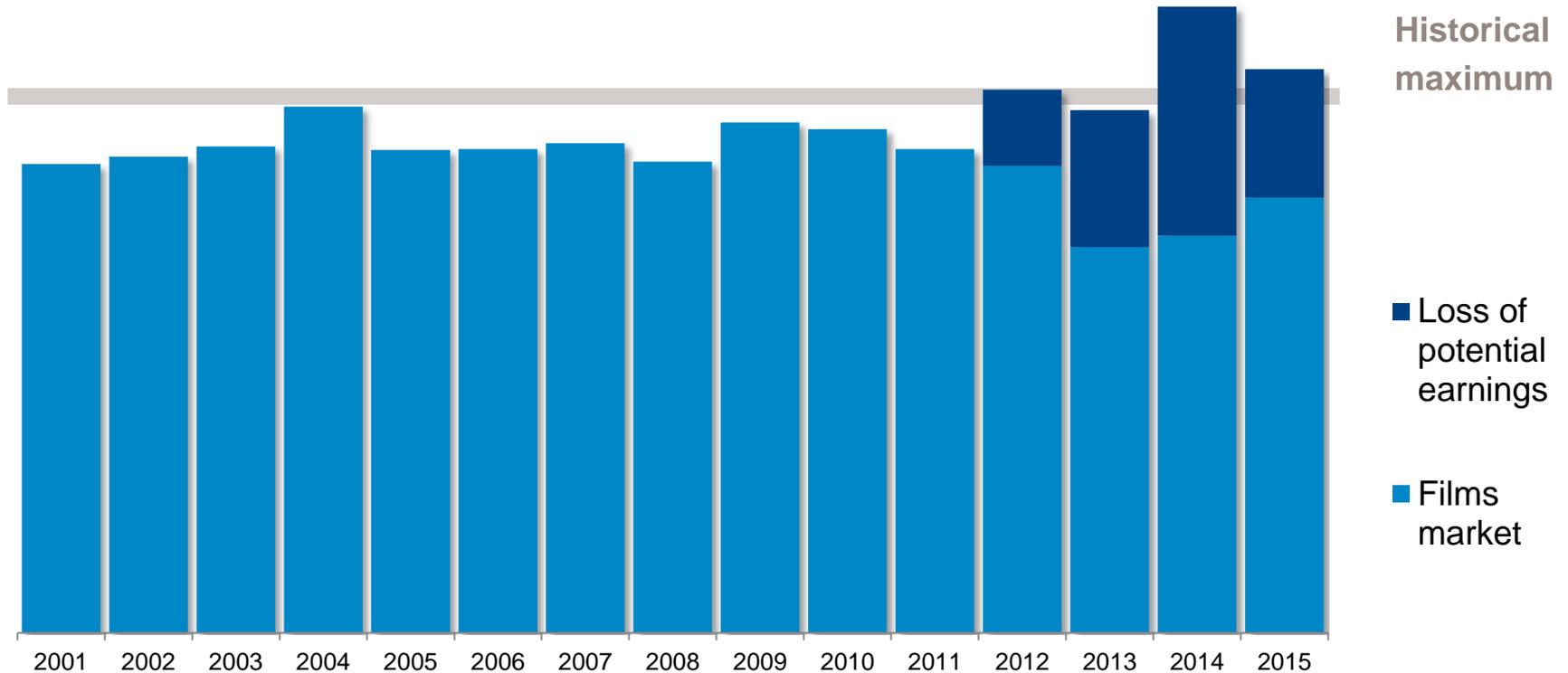
Source: *Fedicine y UVE*

DVD/BR/Digital earnings evolution vs loss of potential earnings



Source: UVE

Ticket window vs Loss of potential earnings



Videogames



2015 Scenario

PIRATED CONTENTS:

228 million contents (3 physical + 225 digital)

INDUSTRY VALUE:

497 million euros



Increase of +46%

Scenario without piracy

PIRATED CONTENTS:

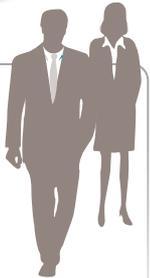
0

INDUSTRY VALUE:

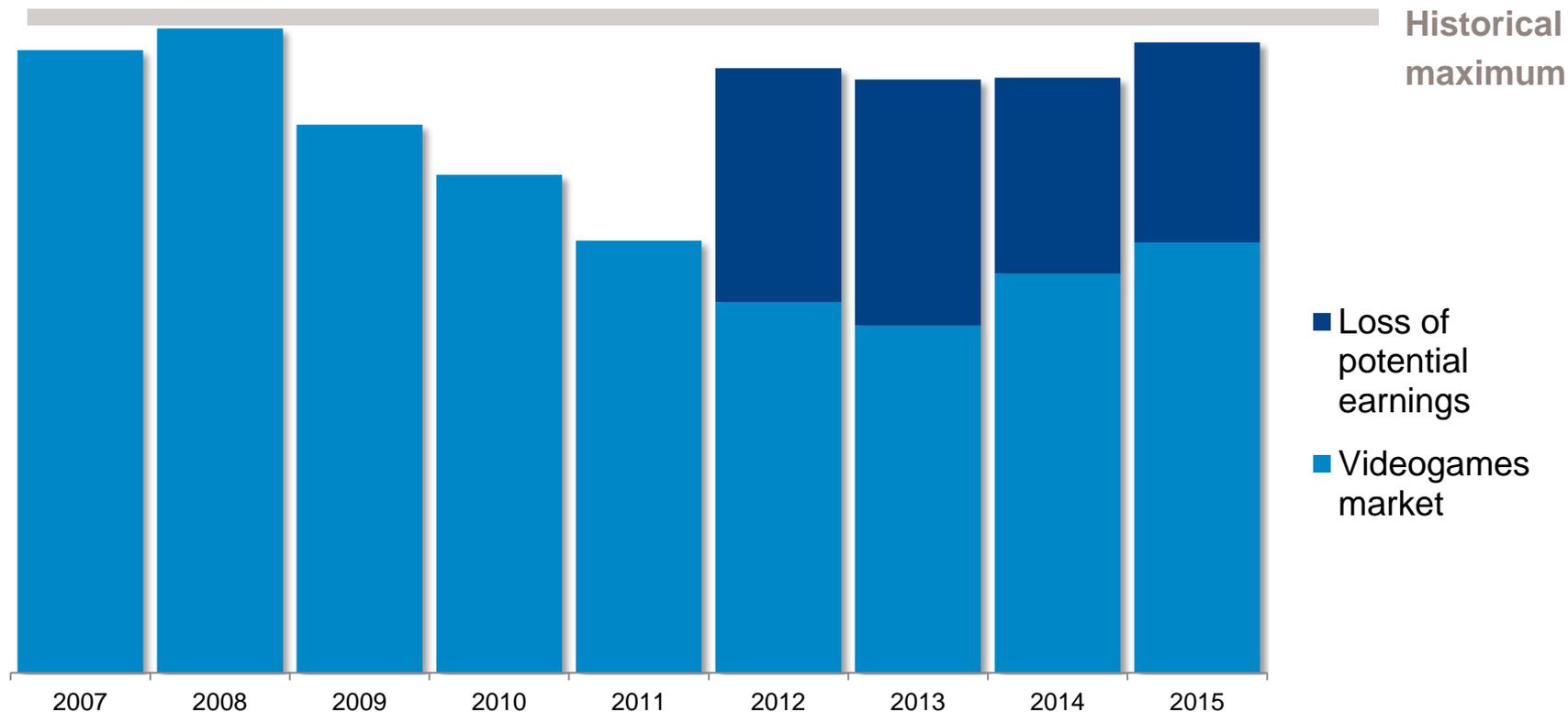
728 million euros.

497 million current legal industry

231 million in loss of potential earnings



Videogames sales evolution vs Loss of potential earnings



Source: Adese

© GfK | Piracy Observatory | March 2016

*Does not include digital sales

Leisure books*



2015 Scenario

PIRATED CONTENTS: 390 million

INDUSTRY VALUE : **864 million**



Unit: Million euros

Increase of +12%

Scenario without piracy

PIRATED CONTENTS: 0

INDUSTRY VALUE: **967 million euros.**

864 million current legal industry

103 million in loss of potential earnings



*Teaching and professional books are not being valued

TV Shows



2015 Scenario

PIRATED CONTENTS: 955 million

INDUSTRY VALUE: **178 million**



Unit: Million euros

Increase of +104%

Scenario without piracy

PIRATED CONTENTS: 0

INDUSTRY VALUE: **364 million euros**

178 million current legal industry

186 million in loss of potential earnings



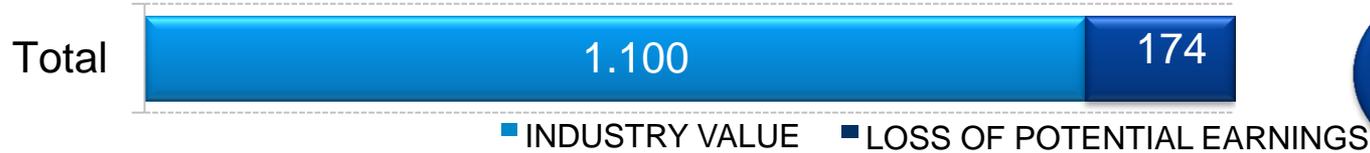
Football



2015 Scenario

PIRATED CONTENTS: 141 million matches

INDUSTRY VALUE **1100 million**



Increase of +16%

Unit: Million euros

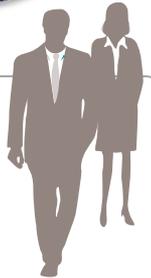
Scenario without piracy

PIRATED CONTENTS: 0

INDUSTRY VALUE: **1.274 million euros**

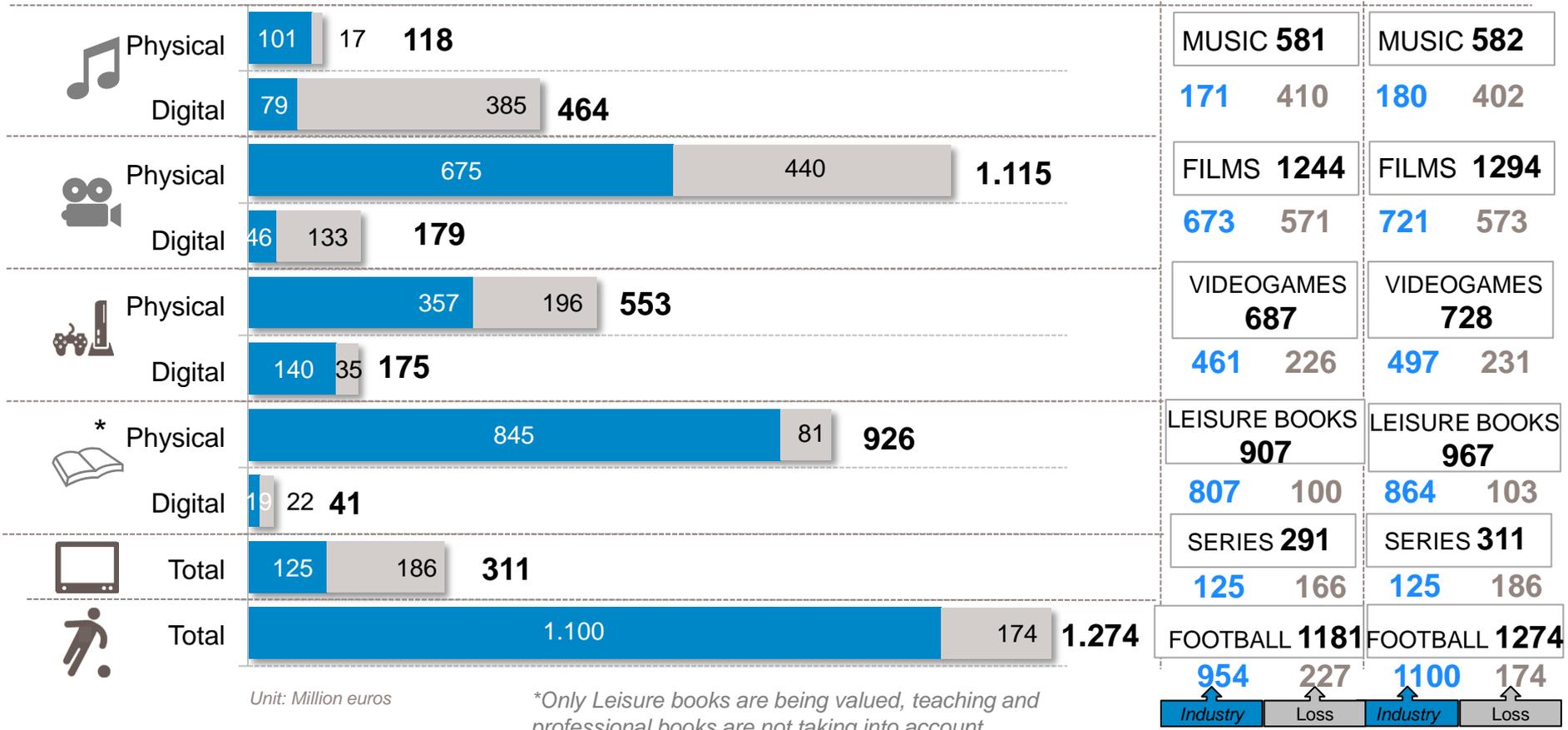
1.100 million current legal industry

174 million in loss of potential earnings



Industry value + Loss of potential earnings

Industry value Loss of potential earnings



Unit: Million euros

*Only Leisure books are being valued, teaching and professional books are not taking into account

Summary



- Online illicit access 1.723 million
- Total loss of potential earnings 402 million € (385 online/17 physical)
- The loss of potential earnings is 6% of total piracy value.
- **This would mean multiplying the industry value by 3,2**



- Online illicit access 878 million
- Total loss of potential earnings 573 million € (133 online/440 physical)
- The loss of potential earnings is 8% of total piracy value
- **This would mean multiplying the industry value by 1,8**



- 225 million online illicit access and 3 million physicals access
- Loss of potential earnings 231 million € (35 online/196 physical)
- The loss of potential earnings is 4% of total piracy value.
- **This would mean multiplying the industry value by 1,5**



*

- Online illicit access 335 million
 - Loss of potential earnings 103 million € (22 online/81 physical)
 - The loss of potential earnings is 3% of total piracy value.
 - **This would mean multiplying the industry value by 1,1**
- * Only Leisure books are being valued, teaching and professional books are not taking into account*



- Online illicit access 950 million
- Loss of potential earnings 186 million €
- The loss of potential earnings is 12% of total piracy value.
- **This would mean multiplying the industry value by 2,0**



- Online illicit access 141 million matches / 2 million households
- Loss of potential earnings 174 million €
- The loss of potential earnings is 42% of total piracy value.
- **This would mean multiplying the industry value by 1,2**

Repercussion on public funds and employment

Currently the contents industry in Spain employs

58.557 direct workers

New positions generated in a scenario without
piracy

21.672 direct jobs



increase of
employment
+37%

Also for every direct job, 5 indirect jobs are generated

Generated employment by the loss of potential earnings in 2015...



21.672 direct jobs

Work area and contents	Actual jobs	Estimated increase %	Estimated increase	TOTAL EMPLOYMENT
MUSIC				
Production	5.250	19%	990	6.240
Distribution	2000	41%	824	2.824
FILMS				
Production	12.782	28%	3.540	16.322
Other Distribution	640	80%	510	1.150
Video renting	2.500	170%	6.750	9.250
Exhibition	17.758	30%	5.256	23.014
VIDEOGAMES				
Production	1.000	19%	185	1.185
Distribution	2.500	56%	1.404	3.904
LEISURE BOOKS*				
Production editorial	8.193	8%	630	8.823
Distribution	4.220	15%	649	4.869
TV-SHOWS				
Jobs	500	148%	740	1.240
FOOTBALL				
Jobs	1.214	16%	194	1.408
TOTAL	58.557		21.672 Jobs	80.229

*Teaching and professional books are not being valued

Public fund cease to receive...

VAT	PHYSICAL	ONLINE	TOTAL
MUSIC	3,6	80,9	84,4
FILMS	92,4	27,9	120,3
VIDEOGAMES	41,2	7,4	48,5
LEISURE BOOKS	3,2	4,6	7,9
TV SHOWS	39,1		39,1
FOOTBALL	36,5		36,5
TOTAL			337 million €

Unit: million euros

Tip: Rate applied at 21% except physical books 4%



547 million euros

	New jobs	Applied salary*	Applied rate	TOTAL
Social Security	21.672	19.199,7	38,9%	161,86
Income Tax	21.672	19.199,7	11,5%	47,85
TOTAL				210 million €

Unit: million euros

* Average salary applied on the GfK estimation based on data from the Annual Survey of Salary Structure of the National Institute of Statistics, who conclude an average salary of 22.899,4 and a mode of 15.500

*Teaching and professional books are not being valued

value of loss of potential earnings due to piracy

1.669

Million euros

Increase of 48 % over current industries turnover.

New direct jobs

21.672

Total revenues lost in public funds

547

VAT – 337

Social Security – 162

Income Tax – 48

Million euros

THANK YOU