

# **Elvis is Returning to the Building: Understanding a Decline in Unauthorized File Sharing**

Joost Poort & Jarst Weda ~ 4<sup>th</sup> September 2014 ~

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# Key messages

- File sharing decreased in the Netherlands between 2008 and 2012:
  - Substantial decrease for music, slight decrease for games
  - Doubling for films/series
- Empirical evidence supports the hypothesis that adequate legal music services and (as yet) disappointing audio-visual services are the most likely explanation.
- Interestingly: In 2013, The Music industry in the Netherlands recorded a turnover growth (+1.1%) for the first time in 12 years, Audio-visual shrank by 10.9%.

# Literature

- Unauthorized file sharing often held responsible for decline in legal media sales: ‘you cannot compete with free’
- Literature not univocal: substitution versus sampling, demand for concerts/merchandise, demand pooling, etc.
- Most empirical studies find net substitution for music and films, in particular for superstars & blockbusters
- Different strategies to deal with file sharing:
  - DRM: abandoned for music, still common for AV, books and games
  - Poisoning illegal supply
  - Legal action: law suits, graduate response, notice & take-down, blocking websites
    - Mainly short term effect due to awareness and until supply and demand move on
  - Adequate legal alternatives: compete with free
    - Some indications for effectiveness

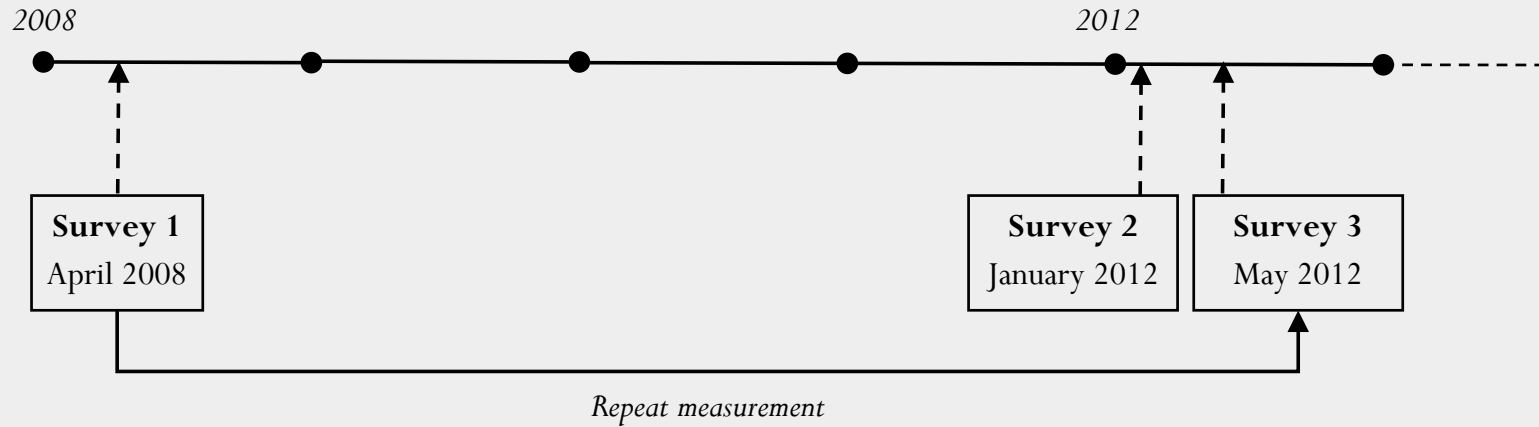
# Research questions

- How have file sharing and legal media consumption developed over time, at an individual level and within the general population?
- How do these developments differ between content types?
- What is the link between these developments and the perceived adequacy of legal services?

# Methodology

- Combining insights from three surveys:
  - 2008 *Ups & Downs*-study for the Netherlands:
    - Dealt with music, films and games
    - About 35% of population engage in illegal file sharing
    - File sharers are on average 'heavy' legal consumers
  - 2012: *Study into thresholds for legal online models for music, films/series, games and books*
  - 2012: *Filesharing 2©12*:
    - Deals with music, films/series, games and books

# Research design



# Research design

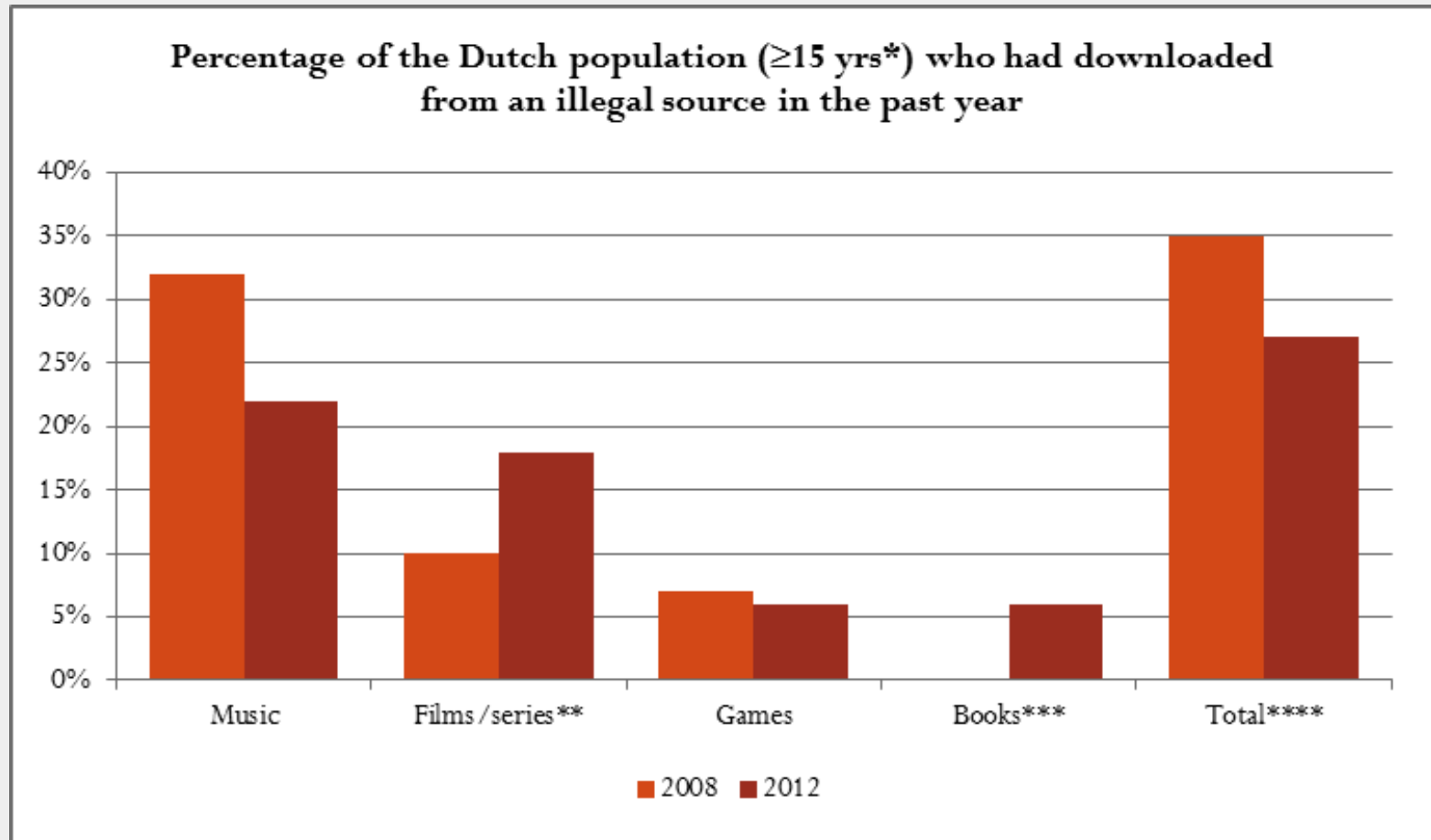
- Surveys to investigate consumer behaviour and motivations
  - S1: N = 1,500; S2: N = 2,031; S3: N = 2009 respondents
  - Music, films, TV-series (2&3), books (2&3) and games
  
- Survey 3 investigates *most recent* consumption in four channels:
  1. Buying physical formats in online/offline store
  2. Paid-for downloading and streaming from legal source
  3. Free downloading and streaming from legal source
  4. Downloading & streaming from an illegal source
  
- Ratings on perceived technical quality, availability and price

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# **MEDIA CONSUMPTION**

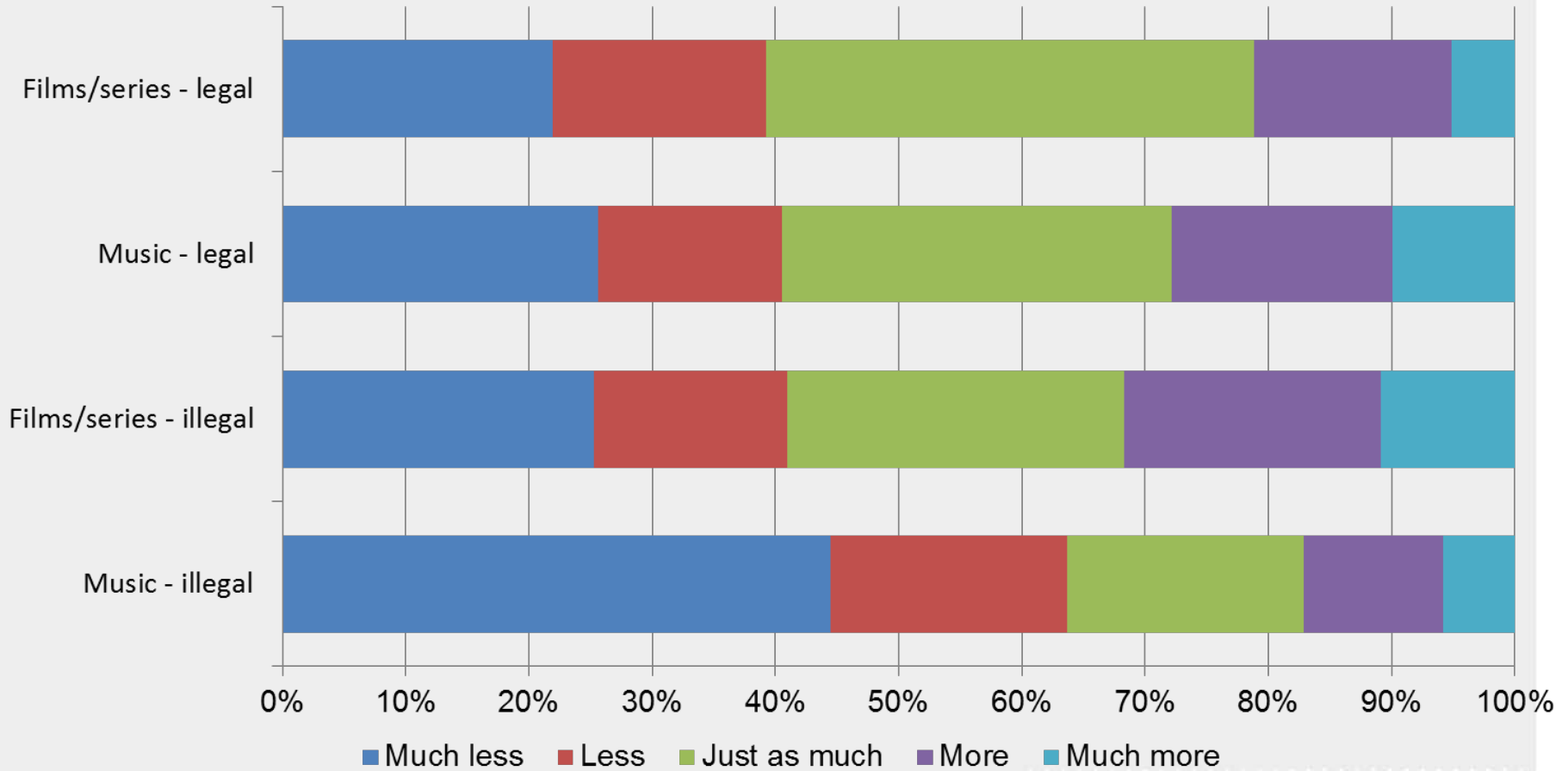


# Elvis is returning to the building...



\* 16 years and older in 2012-measurement; \*\* Excluding series in 2008; \*\*\* Not measured in 2008; \*\*\*\* Excluding series and books in 2008.

### Do you now download/stream more or less than you did when you first started downloading/streaming from illegal sources?



What is the link between these developments and the perceived adequacy of legal services?

**PRICE, QUALITY, AVAILABILITY**

## Perception of price, quality and availability

- Enforcement, broadband penetration and price developments are unlikely explanations
- Title availability, price and technical quality most decisive attributes for channel choice:
  - **On these, legal online music scores consistently better than AV**
  - Physical formats and paid for d/s score higher on quality and availability than illegal sources
  - But file sharers rate prices of legal sources and the Q&A of illegal sources higher
  - **AV file sharers rate availability of paid for legal d/s lower than illegal sources – not so for music**
  - Non-users of legal digital services rate legal music and AV similarly, with higher ratings for paid-for services.
  - Users give higher marks; for music this differences is larger

# Modelling

- Age, gender, technical quality, title availability and price significant factors for understanding use of channels
- Evidence for substitution between channels as well as some complementarity
- Downloading from illegal sources significantly driven by a lower satisfaction with the availability of CDs and DVDs/Blu-rays and by a higher price perception of paid-for downloads and streams
- Dissatisfaction with technical quality of legal supply is no bottleneck

# Conclusions

- The music industry has found the way up thanks to online legal channels, the audiovisual industry is still in decline
- The adequacy of legal AV channels can be held responsible for this, in particular the availability and pricing is a problem
- You *can* compete with free, but you will have to be better



# Questions or comments?

Thank you for your attention!

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# The bright side of life?

past year	Purchased offline and online store (1)	Downloading & streaming from a legal source		Downloading & streaming from an illegal source (4)	All channels (1 to 4)	Total legal (1 to 3)
		Paid-for (2)	Free (3)			
<b>Music</b>	40.0%	17.1%	36.5%	21.7%	63.0%	60.8%
<b>Films &amp; series</b>	44.8%	11.8%	25.3%	18.3%	59.4%	57.2%
<b>Games</b>	19.7%	8.8%	14.6%	6.3%	28.7%	27.7%
<b>Books</b>	69.0%	7.8%	9.2%	6.3%	70.9%	70.5%
<b>Total</b>	82.6%	27.8%	47.3%	27.2%	98.2%	98.1%

- Legal channels come 1<sup>st</sup>, 2<sup>nd</sup> and often 3<sup>rd</sup>
- Illegal sources typically come in third or fourth;
- Strong correlations within content types and between channels





# File sharers are (on average) still the industry's largest customers

Ever downloaded from an illegal source?	Purchased offline and online store (1)	Downloading & streaming from a legal source	
		Paid-for (2)	Free (3)
<b>Music</b>			
Past year	41.3%*	33.2%	80.7%
Never	37.7%*	8.4%	17.1%
<b>Films and series</b>			
Past year	54.1%	24.4%	71.2%
Never	42.2%	8.2%	13.6%
<b>Games</b>			
Past year	65.4%	45.7%	66.3%
Never	14.4%	5.2%	9.2%
<b>Books</b>			
Past year	82.5%	32.2%	74.2%
Never	68.5%	5.9%	4.4%

# File sharers are (on average) still the industries largest customers

Ever downloaded from an illegal source?	Concert/ music festival	Music merchandise	Cinema	Merchandise films/series
Past year	50.3%	16.9%	64.8%	14.2%
Never	39.6%	6.1%	42.1%	4.6%

- About 20% purchased CD/LP, films/series or print book after downloading in past year
- For books downloading *after* buying print is also common
- Approximately 5% of population actively uploaded new music and films or series