

Elvis is Returning to the Building

Evidence for a Decline in Illegal File Sharing

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seo economic research



Background (1/2)

- **Unauthorized file sharing often held responsible for decline in legal media sales: ‘you cannot compete with free’**
- **Different enforcement strategies: law suits, graduate response, notice & take-down, blocking access to websites**
- **The Netherlands (as well as Canada) allows downloading from illegal sources under private copying exception**

Background (2/2)

- **In 2008 *Ups & Downs*-study for the Netherlands:**
 - About 35% of population engage in illegal file sharing
 - File sharers are on average 'heavy' legal consumers
 - Static welfare effects of file sharing are positive
 - No evidence for negative dynamic effects
- **1: 2nd measurement in 2012: How have things developed?**
- **2: Study into thresholds for legal online models**

Research design

- Qualitative and legal research into online models
- Surveys to investigate consumer behaviour and motivations
- Looking at music, films & TV-series, books and games

- Investigating *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

- 2,009 respondents > 15 years (63,3%)
- CentERdata Panel (May 2012)

Main research questions

- **How frequently do people engage in legal media consumption and unauthorized file sharing?**
- **How does this develop over time...**
 - ...within the general population?
 - ...at an individual level?
- **How do these developments differ between content types music, AV, games and books?**
- **How do these developments interact with perception of price, quality and availability?**
- **What is the effect of blocking access to *The Pirate Bay* by Dutch ISPs?**

Differences between genres and formats

MEDIA CONSUMPTION

Legal channels come 1st, 2nd and often 3rd

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)			
Music	40.0%	17.1%	36.5%	21.7%	63.0%	60.8%
Films & series	44.8%	11.8%	25.3%	18.3%	59.4%	57.2%
Games	19.7%	8.8%	14.6%	6.3%	28.7%	27.7%
Books	69.0%	7.8%	9.2%	6.3%	70.9%	70.5%
Total	82.6%	27.8%	47.3%	27.2%	98.2%	98.1%

Demography

Music, films & TV-series:

- Young people and men use all online channels more frequently, little difference for physical formats
- More highly educated make more use of paid-for channels

Books:

- Middle age brackets overrepresented; online channels peaking at 35-44 years of age
- More women in paid-for channels, more men in free channels
- Strong correlation between consumption and educational attainment, least so for illegal channel

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)
Music			
Past year	41.3%*	33.2%	80.7%
Never	37.7%*	8.4%	17.1%
Films and series			
Past year	54.1%	24.4%	71.2%
Never	42.2%	8.2%	13.6%
Games			
Past year	65.4%	45.7%	66.3%
Never	14.4%	5.2%	9.2%
Books			
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

Measured and self-reported dynamic effects

DEVELOPMENT OVER TIME

Development: entire population > 15 years

Downloading from an illegal source of	2008	2012
Music	32%	22%
Films/series	10%*	18%
Games	7%	6%
Books	Not known	6%
Total	35%**	27%

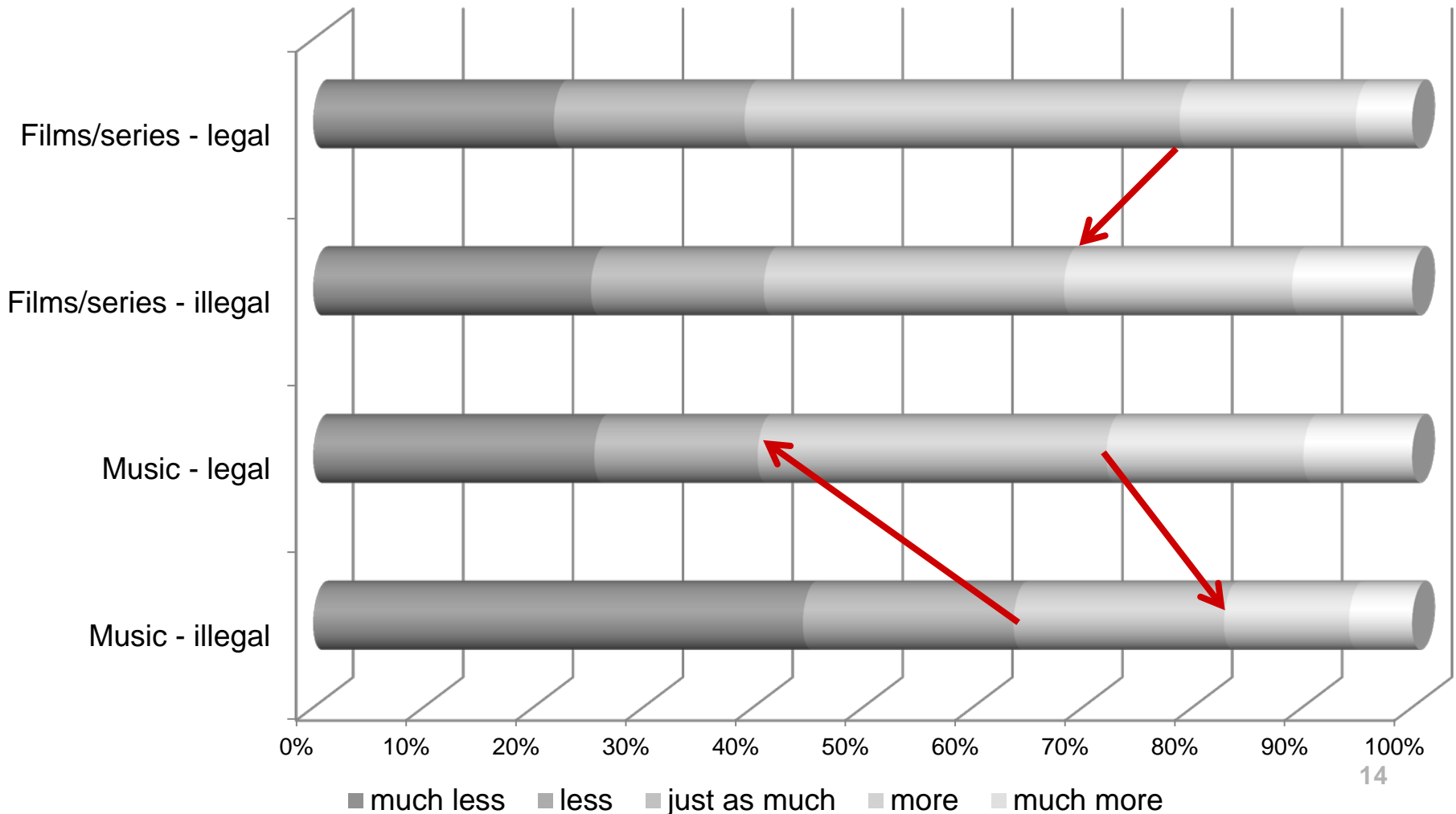
* 2008: Excluding series; ** 2008: Excluding books and series

Development: age brackets

Downloading from an illegal source by age	Music		Films/series		Games	
	2008	2012	2008*	2012	2008	2012
16-24 years**	50%	46%	18%	43%	17%	17%
25-34 years	34%	41%	14%	35%	9%	14%
35-49 years	34%	23%	10%	18%	6%	5%
50-64 years	20%	12%	4%	9%	4%	1%
65+	11%	2%	2%	2%	1%	0%

* 2008: Excluding series; ** 2008: 15-24 years

Do you now download and stream more or less than when they started?



Understanding developments and patterns

PRICE, QUALITY, AVAILABILITY

Perception of price, quality and availability

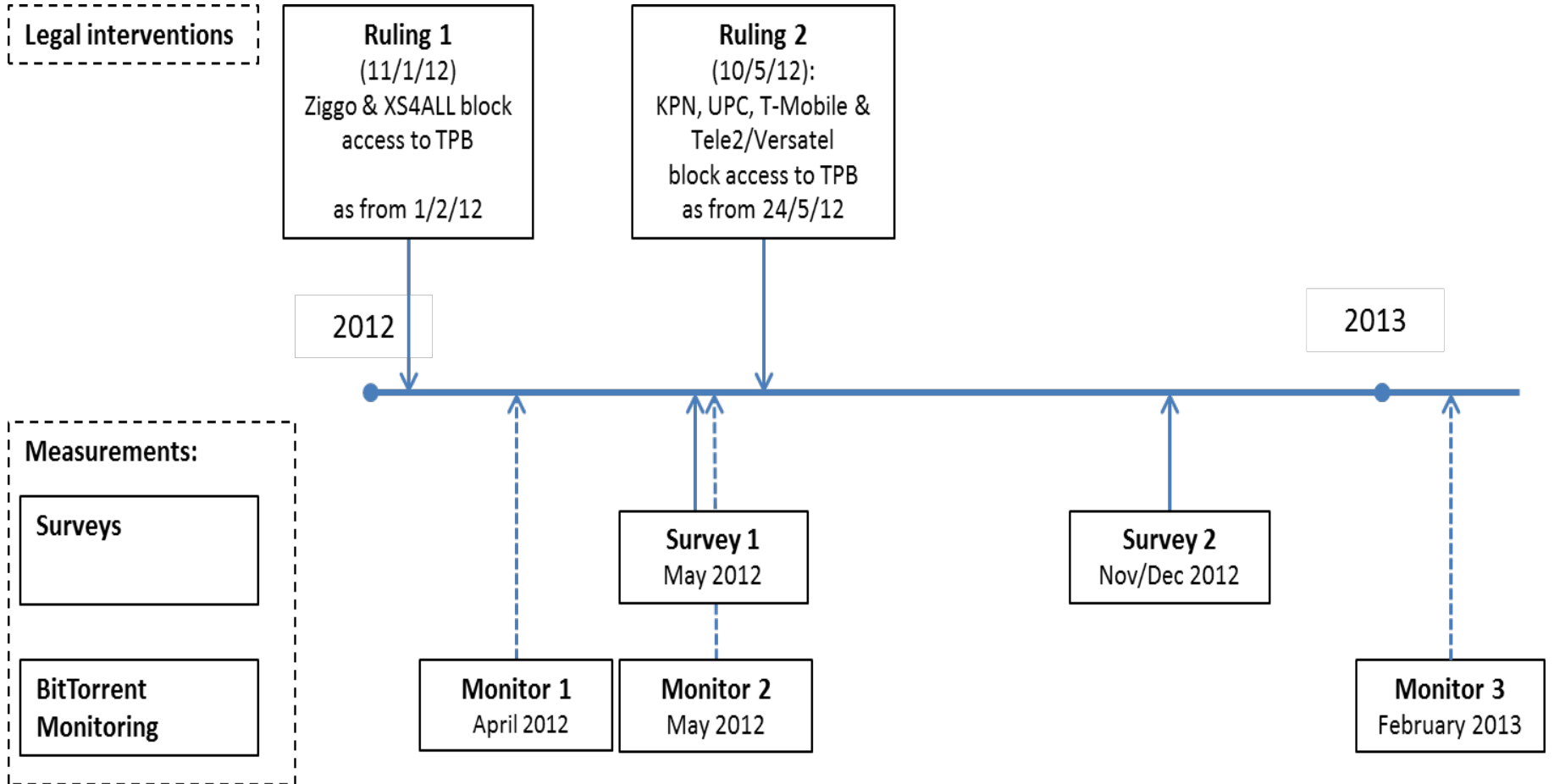
- **Lower appreciation for legal digital AV than for legal digital music**
- **Appreciation higher for those who use a channel: to know/use it, is to like it**
- **A higher perceived price of legal offers correlates with more intensive use of illegal channel**
- **Those who also use the *illegal* channel are generally more critical of the legal offers**
 - This may be because they know what is out there
 - Or conversely: they use the illegal channels because they are dissatisfied with the legal offers
- **Exclusively illegal users are much more negative about availability and price of paid-for legal digital AV**

Effectiveness of copyright enforcement through ISPs

BLOCKING ACCESS TO TBP

Assessing enforcement

- **Since February/ May 2012, Dutch Internet Service Providers (ISPs) have to block access to The Pirate Bay (TPB)**
- **Assessment of effect on file sharing using different approaches:**
 - Surveys:
 - Direct question on reaction before intervention and after 3, 6 and 10 months
 - Assessment of % downloaders before intervention and after 3, 6 and 10 months
 - Bittorrent monitoring



Reaction/expected reaction to blocking access to TPB of customers downloading from illegal sources at the time of blocking

	UPC, KPN, Tele2 & T-Mobile (expected reaction, t = 0)*	Ziggo & XS4ALL (reaction t = 3)**	UPC, KPN, Tele2 & T-Mobile (reaction t = 6)*	Ziggo & XS4ALL (reaction t = 10)**
Stop	7.1%	8.0%	9.2%	8.4%
Less	21.7%	14.9%	14.5%	15.3%
Just as much	56.1%	71.4%	70.2%	71.8%
More	15.2%	5.7%	6.1%	4.6%
N	198	262	228	131
Comparison with previous measurement:				
χ^2 (p-value)		7.8 (0.007)	0.6 (0.91)	0.7 (0.87)

Downloading & streaming from illegal sources per blocking situation

	UPC, KPN, Tele2 & T-Mobile		Ziggo & XS4ALL	
	No blocking, t=0	Blocking, t=6	Blocking, t=3	Blocking, t=10
Past 6 months	15.7%	18.4%	22.5%	25.2%
< week	6.0%	8.1%	7.8%	11.3%
Week-month	3.7%	4.2%	6.8%	4.1%
1-3 months	3.7%	3.4%	6.0%	5.4%
3-6 months	2.3%	2.7%	1.9%	4.4%
6-12 months	2.8%	3.3%	3.0%	3.5%
> a year ago	9.5%	12.0%	13.2%	15.1%
Never	72.1%	66.4%	61.3%	56.3%
χ^2	43.6		942.8	
(p-value)	<0.001		<0.001	

Findings on blocking access to TPB

- It can only affect consumers who download or intend to download from illegal sources, 27-28% over the past year
- A large majority (70-72%) is non-responsive, significantly more than consumers expect in advance
- No net effect on percentage downloading
- BitTorrent monitoring reveals only small changes in the distribution of Dutch peers over the different ISPs
- In line with literature that any effects of legal action often fade out after typically six months, as the initial *awareness effect* wears off and illegal supply & demand find other places to meet

Conclusions

- In the Netherlands, illegal sharing of music has *declined* since 2008. It has increased for films & series and for books, while it remained stable for games
- Downloaders from illegal sources use legal online channels more often than people who do not download and are more likely to visit concerts and the cinema
- About 20% of illegal file sharers bought a CD/LP in the past year that they previously downloaded. Similar numbers were found for audiovisual material and books
- Blocking access to a p2p website such as The Pirate Bay is not or hardly effective in reducing unauthorized file sharing
- Looks like the emergence of good legal music offerings is the key to the decline in illegal file sharing of music

Questions or comments?

Thank you for your attention!

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