



Piracy observatory and digital contents consumption habits 2012

Héctor Jiménez Zaera
Research manager GfK

Main objective

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

Secondary objective

Knowing the profile of the offender.

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.

Methodological Mix

Internet user interviews.

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

What do we achieve?

Assigning a real market value to contents.

Match the opinions of interviewees to the reality of the market.

Online / offline points of sale audit.

- GfK audits the distribution channel in Spain.

Main results



1 of every 2 

internet user has
accessed an illegal
product

Pirate music



32

out of
100

Pirate films



43

out of
100

Pirate videogames



7

out of
100

Pirate books



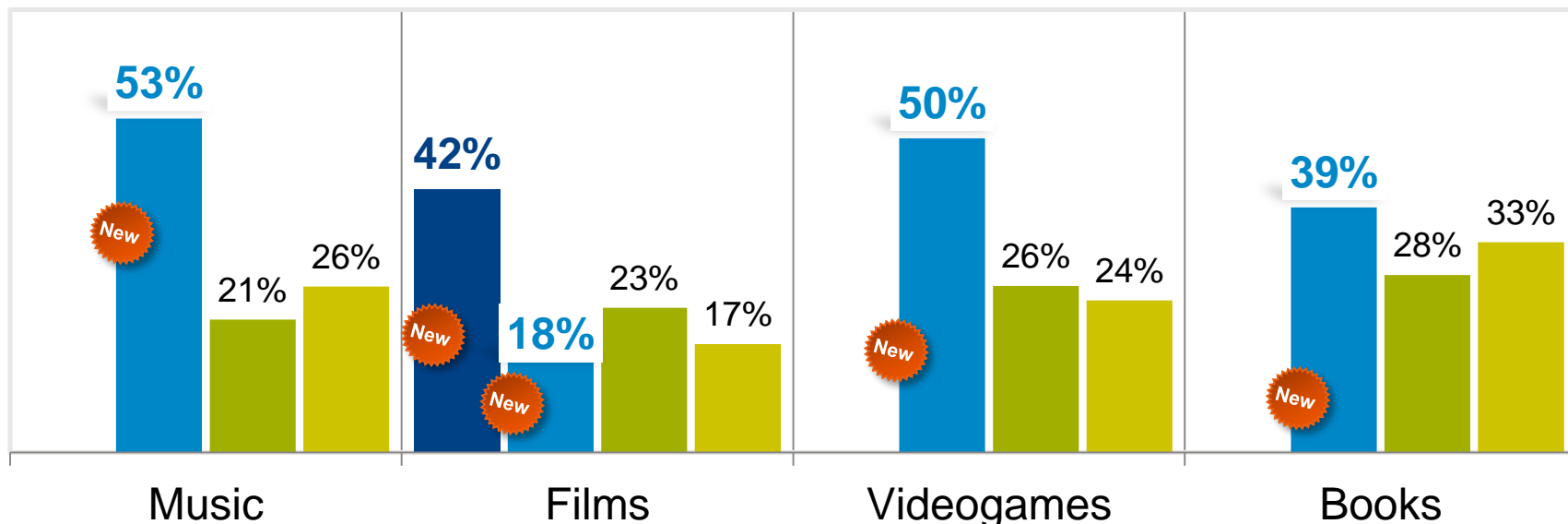
12

out of
100

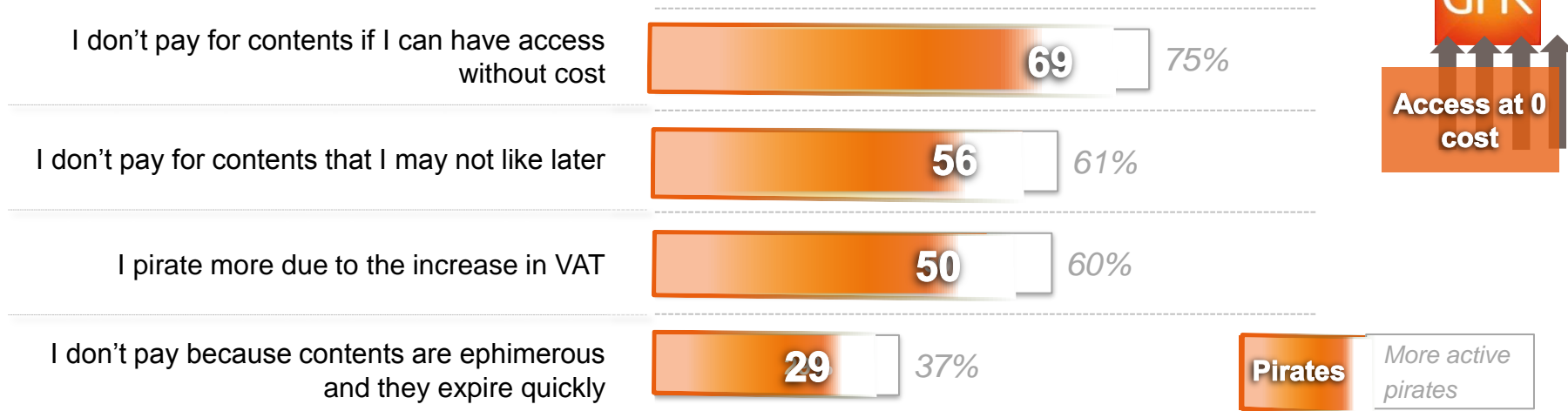
Half of illicit accesses are novelties



- From the premiere to the release of the DVD/Blue-R
- From the release to 1 year
- From one year to three years
- From three years onwards



Why do they pirate?



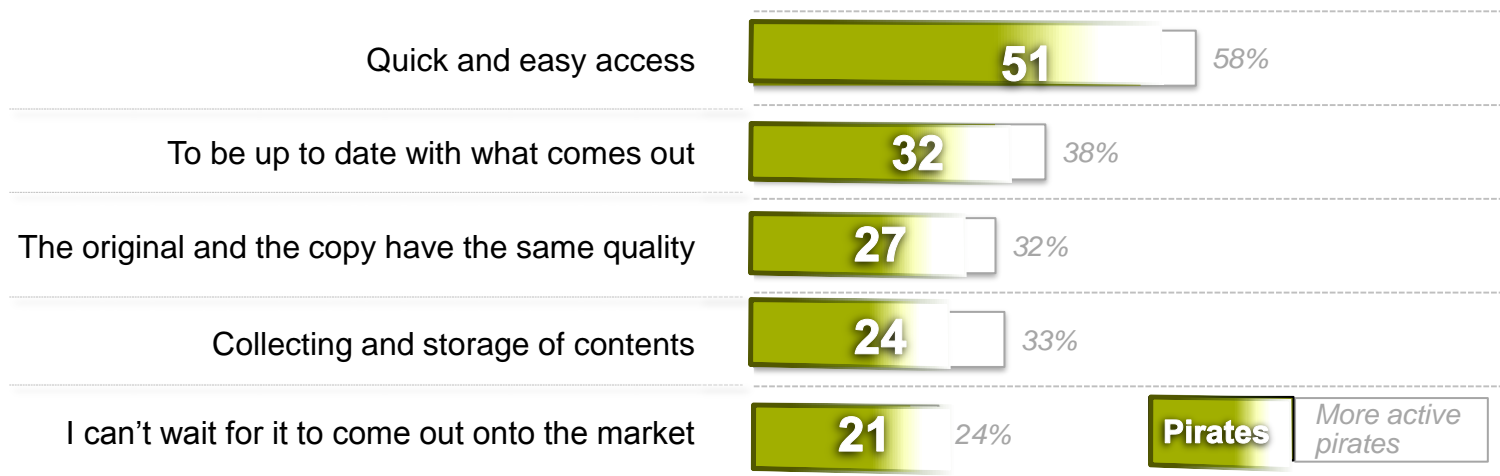
50% declare pirating more due to the increase in VAT

Most active pirates 6 out of 10

6 out of **10** pirate due to the uncertainty that they may not like the content



Why do they pirate?



More than half mention the **ease and speed** of access

27% of pirates and **32%** of the more “active pirates” do not perceive any difference in quality between the original and the copy

Early users. Nearly **a quarter** of pirates **cannot wait** for the contents to come out onto the market

Why do they pirate?

Everyone does it

24

23%

I'm not harming anyone

22

31%

It's not an illegal or reprehensible activity

20

27%

There are no legal consequences for those who pirate, nothing happens

17

18%

I'm not damaging any industries

14

17%

Pirates

More active pirates

GfK

Access at 0 cost

Practical reasons

Impunit -
Harmless
for the
sector

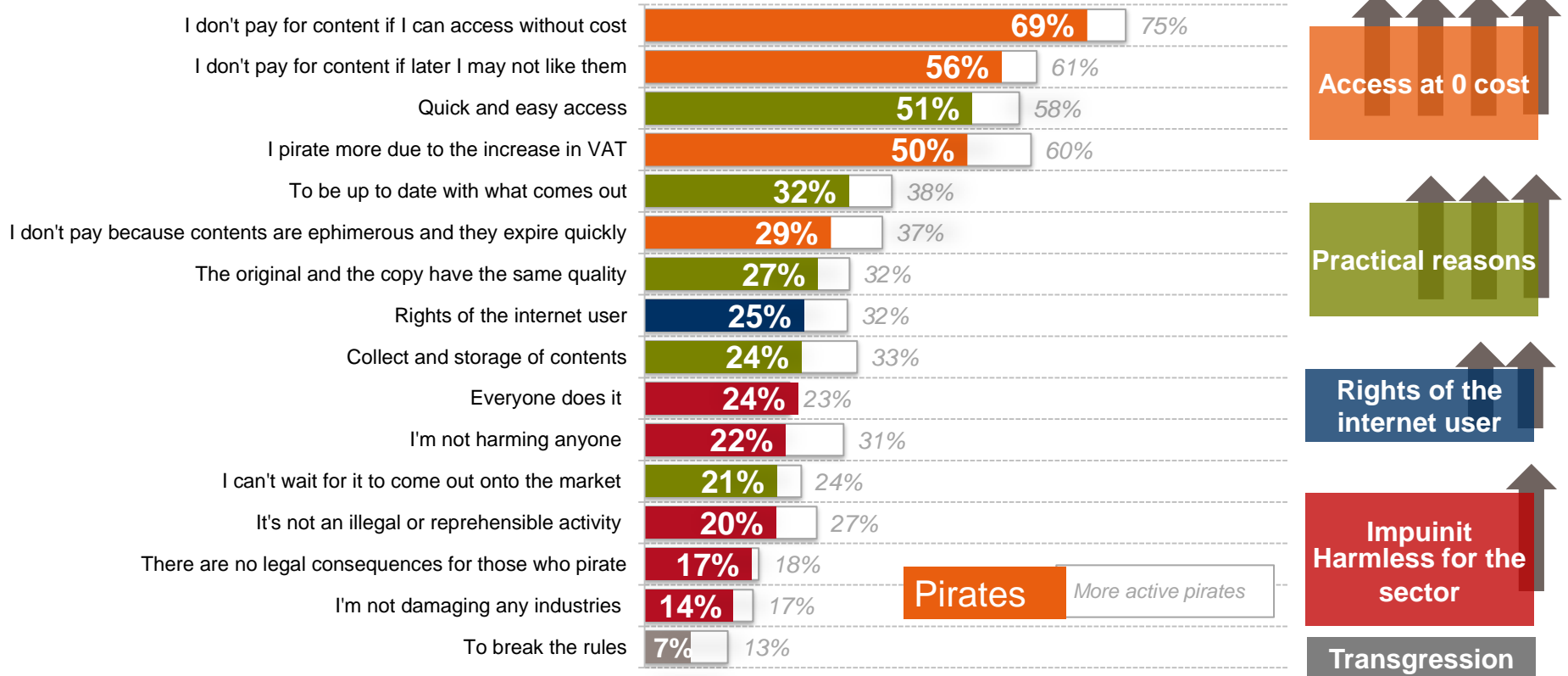
Approximately **1** out of every **3** more active pirates state

they are not harming anyone and are not doing anything illegal or reprehensible

1 out of every **6** do not see the legal consequences, they are not damaging any industries



Why do they pirate?



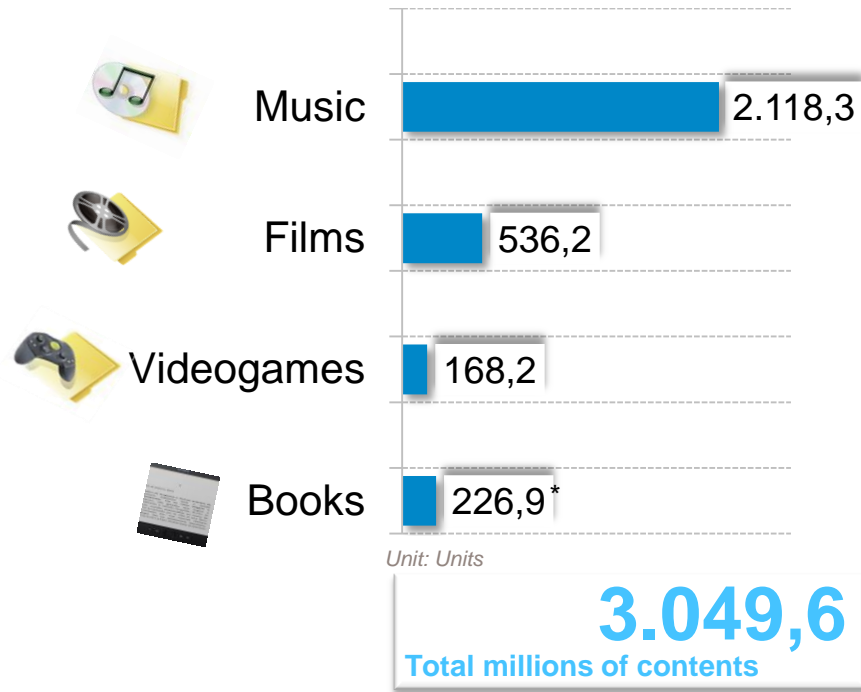
PIRACY IN SPAIN AND LOSS OF POTENTIAL EARNINGS FOR INDUSTRIES

Digital illegal access



VOLUME

Millions of PRODUCTS



% who access

31,8%

43,4%

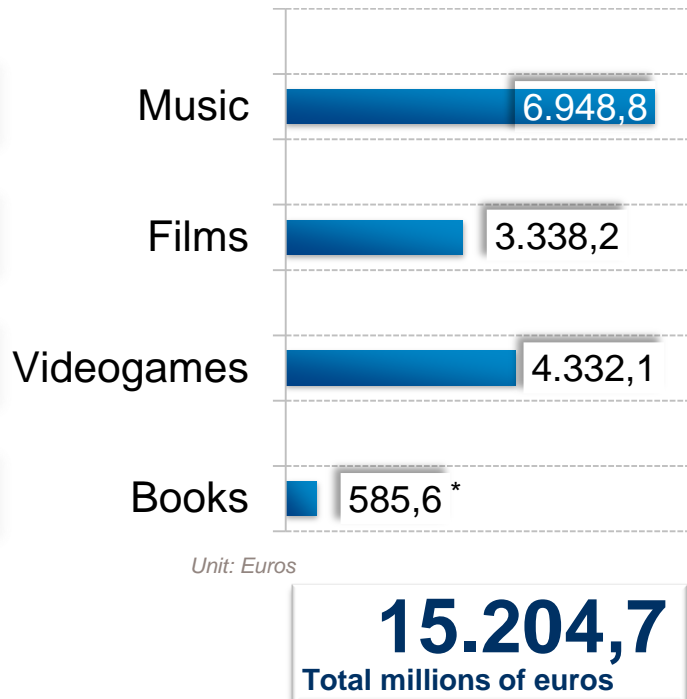
7,5%

12,4%

Unit: Percentage

VALUE

Millions of EUROS



86% of the value of contents in Spain are pirated

* Does not consider textbooks / educational / school. Includes parts of books

Evaluation of the loss of potential earnings



15.204,7
Total millions of euros

**86% of the value of contents in
Spain is pirated**

Can these results be used to quantify the loss of potential earnings of the content industry?

No, most of contents downloaded are not consumed

This entails a separation from the traditional rules of the game between acquisition and use. Traditionally a product has a specific cost and it was linked to a consumption, but with digital contents apart from streaming, access does not imply use, **due to four main factors:**

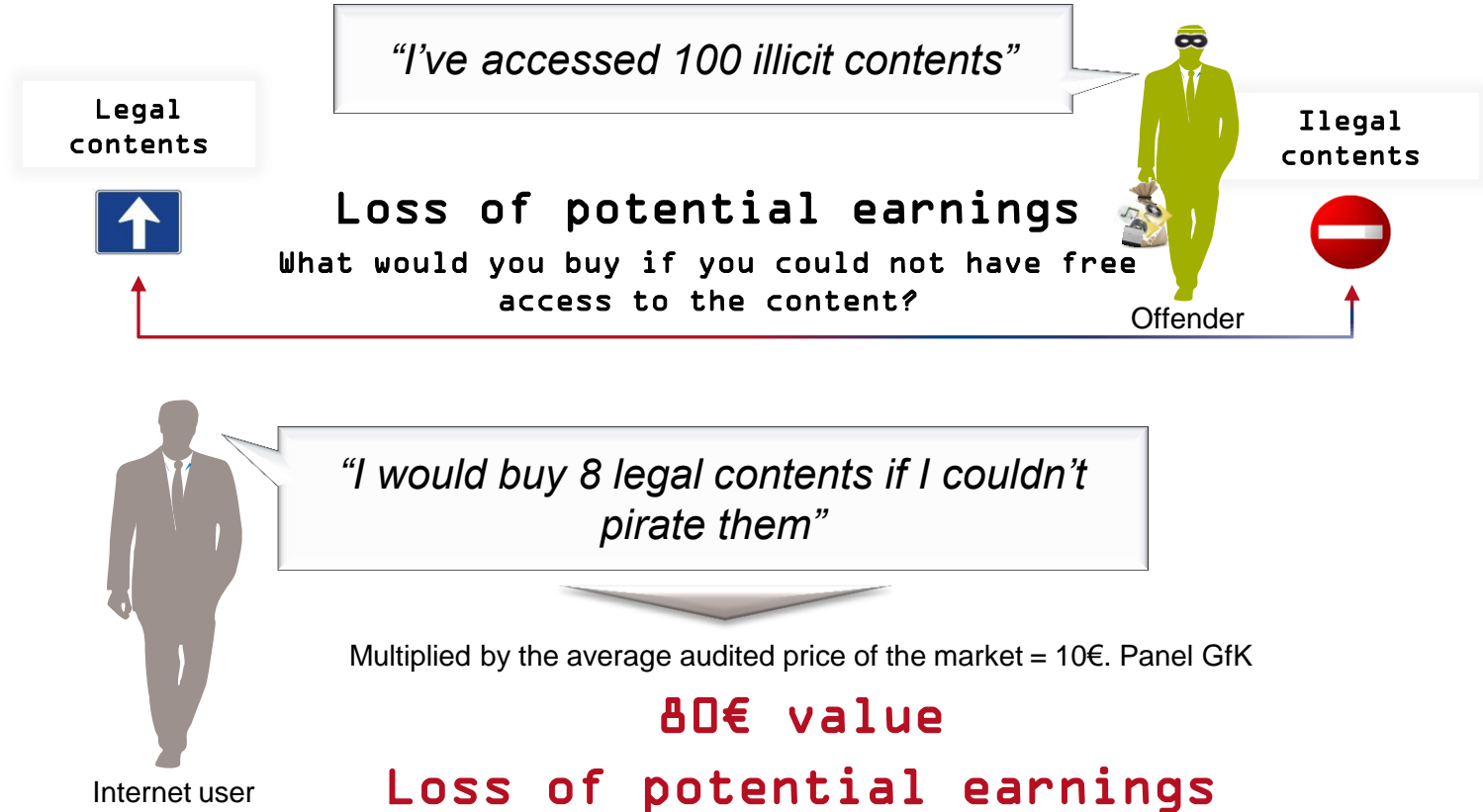
Unlimited storage

Free

Ease of access

**Lack of legal
consequences**

Example of the calculation of the loss of potential earnings. From the offender to the internet user...



Summary

Loss of potential earnings

Legal contents

Illegal contents



Loss of potential earnings

What would you buy if you could not have free access to content?



Books



I WOULD BUY PHYSICAL BOOKS
39,9
million €

I WOULD BUY BOOKS ONLINE
5,1
million €

45 million

4,6% increase in the value of the industry
7,7% conversion value pirate - legal

Videogames



I WOULD BUY PHYSICAL VIDEOGAMES
222,2
million €

I WOULD BUY ONLINE VIDEOGAMES
47,3
million €

269,5 million

55,1% increase in the value of the industry
6,1% conversion value pirate - legal

Films



I WOULD BUY PHYSICAL FILMS
209,5
million €

I WOULD BUY FILMS ONLINE
117,1
million €

326,6 million

42,5% increase in the value of the industry
9,6% conversion value pirate - legal

Music



I WOULD BUY PHYSICAL MUSIC
37,0
million €

I WOULD BUY MUSIC ONLINE
542,5
million €

579,5 million

361,3% increase in the value of the industry
8,2% conversion value pirate - legal

Situation 2012

CONTENTS PIRATED: 226,9 million
INDUSTRY VALUE: **976,1 million***



increase
+4,6%

Scenario without piracy

CONTENTS PIRATED: 0
INDUSTRY VALUE: **1.021 million euros.**



* Only leisure books

976,1 million current legal industry
45 million in loss of potential earnings

Situation 2012

PIRATED CONTENTS:

168,2 million in contents

INDUSTRY VALUE:

489,1 million euros



increase
+55,1%

Scenario without piracy

PIRATED CONTENTS:

0

INDUSTRY VALUE:

758,6 million euros.

489,1 million current legal industry

269,5 million in loss of potential earnings



Cinema - Films



Situation 2012

PIRATED CONTENTS:

536,2 million contents

INDUSTRY VALUE:

769,0 million euros



increase
+42,5%

Scenario without piracy

PIRATED CONTENTS:

0

INDUSTRY VALUE:

1.095,6 million euros.

769,0 million current legal industry

326,6 million in loss of potential earnings



Situation 2012

PIRATED CONTENTS:

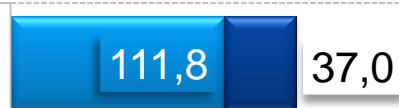
2.118,3 million contents

INDUSTRY VALUE:

160,4 million euros*



Physical



■ INDUSTRY VALUE

■ LOSS OF POTENTIAL EARNINGS

Digital



Unit: millions of euros

increase
+361,3%

Scenario without piracy

PIRATED CONTENTS:

0

INDUSTRY VALUE:

739,9 million euros.

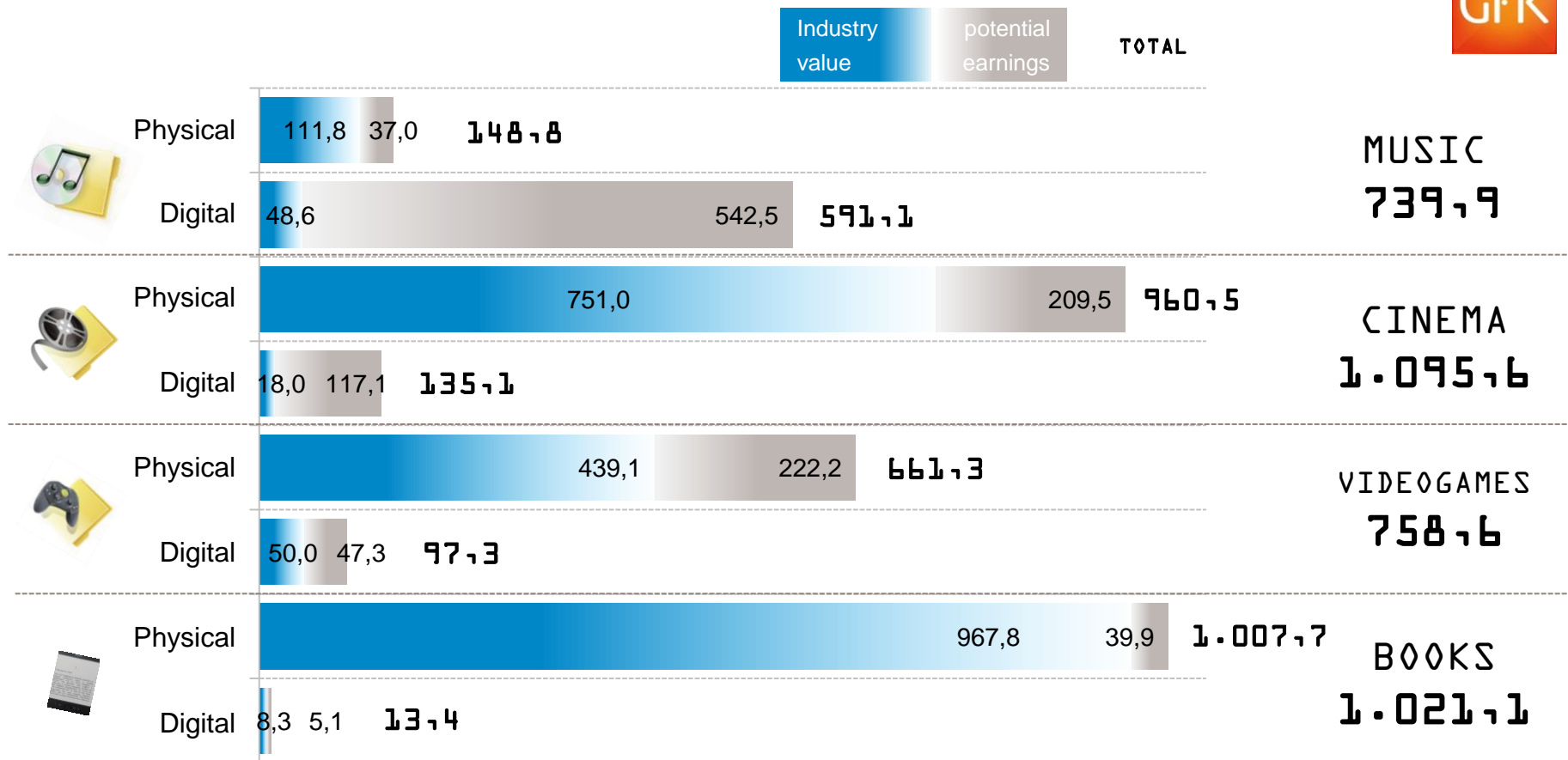
160,4 million current legal industry

579,5 million in loss of potential earnings



* Includes advertising revenue in digital

Industry value + Loss of potential earnings



Unit: millions of euros

Summary



Music

Illicit online access 2.118,3 million accesses.

Total loss of potential earnings 579,5 million euros (542,5 online and 37 physical).

The loss of potential earnings is 8,2% of the total piracy value.

This would mean multiplying the industry value by 3,6.



Cinema

Illicit accesses online 536,2 million accesses.

Total loss of potential earnings 326,6 million euros (117,1 online and 209,5 physical).

The loss of potential earnings is 9,6% of the value of total piracy.

This would mean an increase of 43% of the value of the industry.



Videogames

Illicit access online 168,2 million accesses.

Total loss of potential earnings 269,5 million euros (47,3 online and 222,2 physical).

The loss of potential earnings is 6,1% of the total piracy value.

This would mean an increase of 55,1% of the value of the industry.



Books

Illicit online accesses 226,9 million accesses.

Total loss of potential earnings 45 million euros (5,1 online and 39,9 physical).

The loss of potential earnings is 7,7% of the total piracy value.

This would mean an increase of 4,6% of the value of the industry.

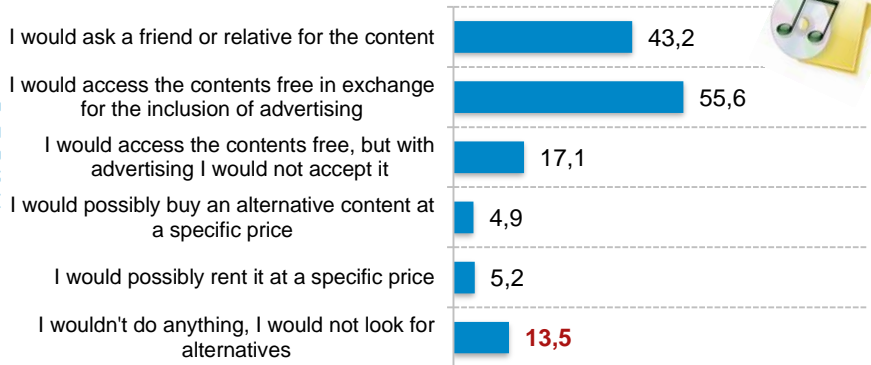


Other alternatives if they don't want to pay for contents

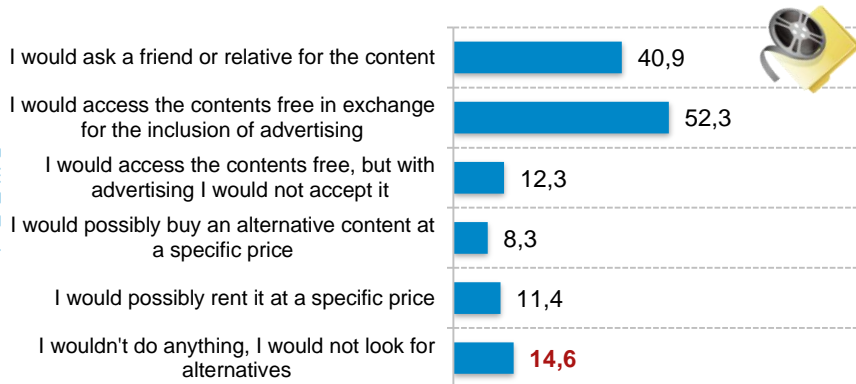


1 out of **2** would accept advertising in the contents...
...to not have to pay for them

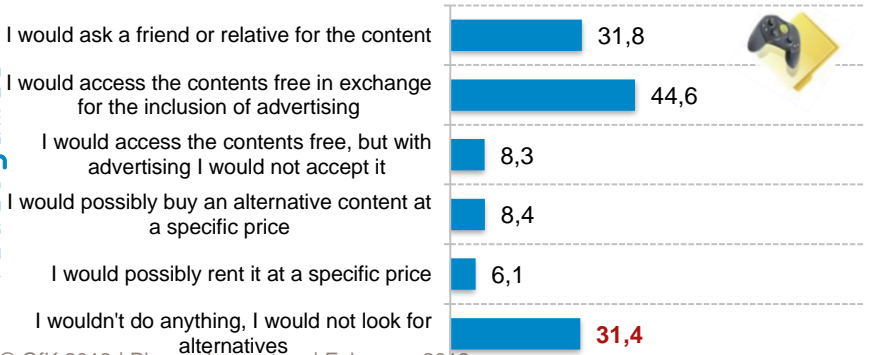
Music



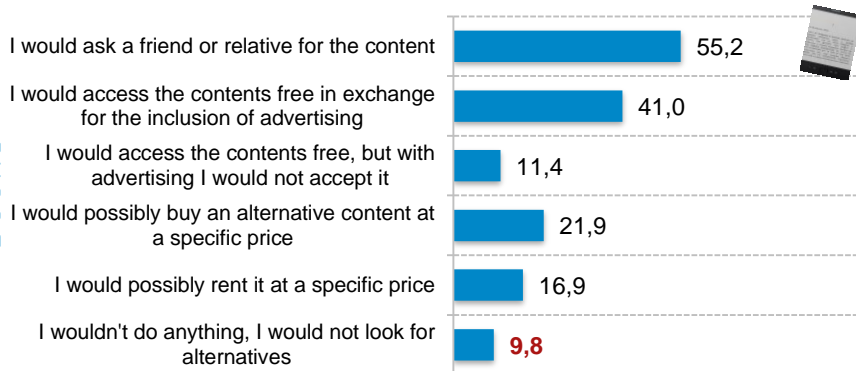
Films



Videogames



Books



Repercussion on public funds and employment

Currently the contents industry in Spain employs
57.358 direct workers

New positions generated in a scenario
without piracy
24.766 direct jobs

Increase of
employment
+43.1%

Also for every direct job, 5 indirect jobs are generated

Public fund cease to receive...



Value added tax	PHYSICAL	ONLINE	TOTAL
MUSIC	7,8	113,9	121,7
CINEMA	44,0	24,6	68,6
VIDEOGAMES	46,7	9,9	56,6
BOOKS (excluding text)	1,6	1,1	2,7
TOTAL			249,6 million

Unit: millions of euros

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

494,7
million
euros



	New jobs	Salary applied*	Rate applied	TOTAL
Social Security	24.766	19.640,05	38,9%	189,2
Income Tax	24.766	19.640,05	11,5%	55,9
TOTAL				245,1 million

Unit: millions of 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 22.790,2 and a mode of 16.489,9.

Total value of loss of potential earnings due to piracy

1.220,6

million euros

Increase of 51% over current turnover of the industries.

New direct jobs

24.766

Total revenues lost in public funds

494,7

IVA - 249,6

Social Security – 189,2

Income Tax - 55,9

million euros

VOLUME OF ACCESS TO ILLICIT CONTENTS	ONLINE
MUSIC	2.118,3
FILMS	536,2
VIDEOGAMES	168,2
BOOKS (EXCLUDING TEXTBOOKS)	226,9
total	3.049,6

Unit: millions of accesses / purchases

New direct jobs

24.766

Total revenues lost in public funds

494,7

VAT - 249,6

Social Security – 189,2

Income Tax – 55,9

Million euros

VALUE OF ILLICIT CONTENTS	ONLINE
MUSIC	6.948,8
FILMS	3.338,2
VIDEOGAMES	4.332,1
BOOKS (EXCLUDING TEXTBOOKS)	585,6
Total	15.204,7

Unit: millions of euros

Industry Value	PHYSICAL	ONLINE	TOTAL
Music*	111,8	48,6*	160,4
Cinema	751	18	769
Videogames	439,1	50	489,1
Books (excluding textbooks)	967,8	8,3	976,1
TOTAL	2.269,70	124,9	2394,6

Loss of potential earnings	PHYSICAL	ONLINE	TOTAL
Music*	37	542,5	579,5
Cinema	209,5	117,1	326,6
Videogames	222,2	47,3	269,5
Books (excluding textbooks)	39,9	5,1	45
TOTAL	508,6	712	1220,6

Industry + Loss of potential earnings	PHYSICAL	ONLINE	TOTAL
Music	148,8	591,1	739,9
Films/Cinema	960,5	135,1	1095,6
Videogames	661,3	97,3	758,6
Books (excluding textbooks)	1007,7	13,4	1021,1
TOTAL	2.778,30	836,90	3615,2

Unit: millions of euros

* Includes revenue from advertising

Summary main results

THANK YOU