

Piracy observatory and digital contents consumption habits 2014

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 panelists 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

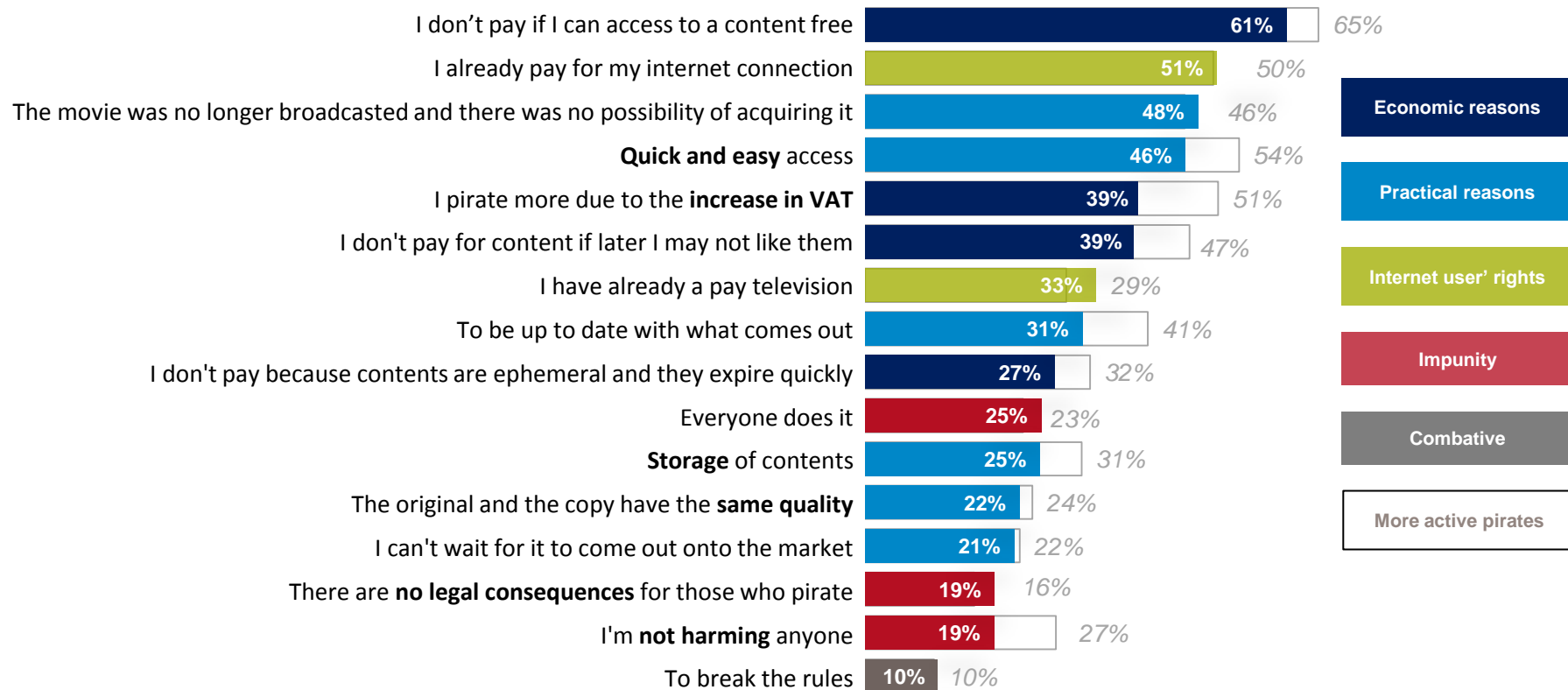


What do we achieve?

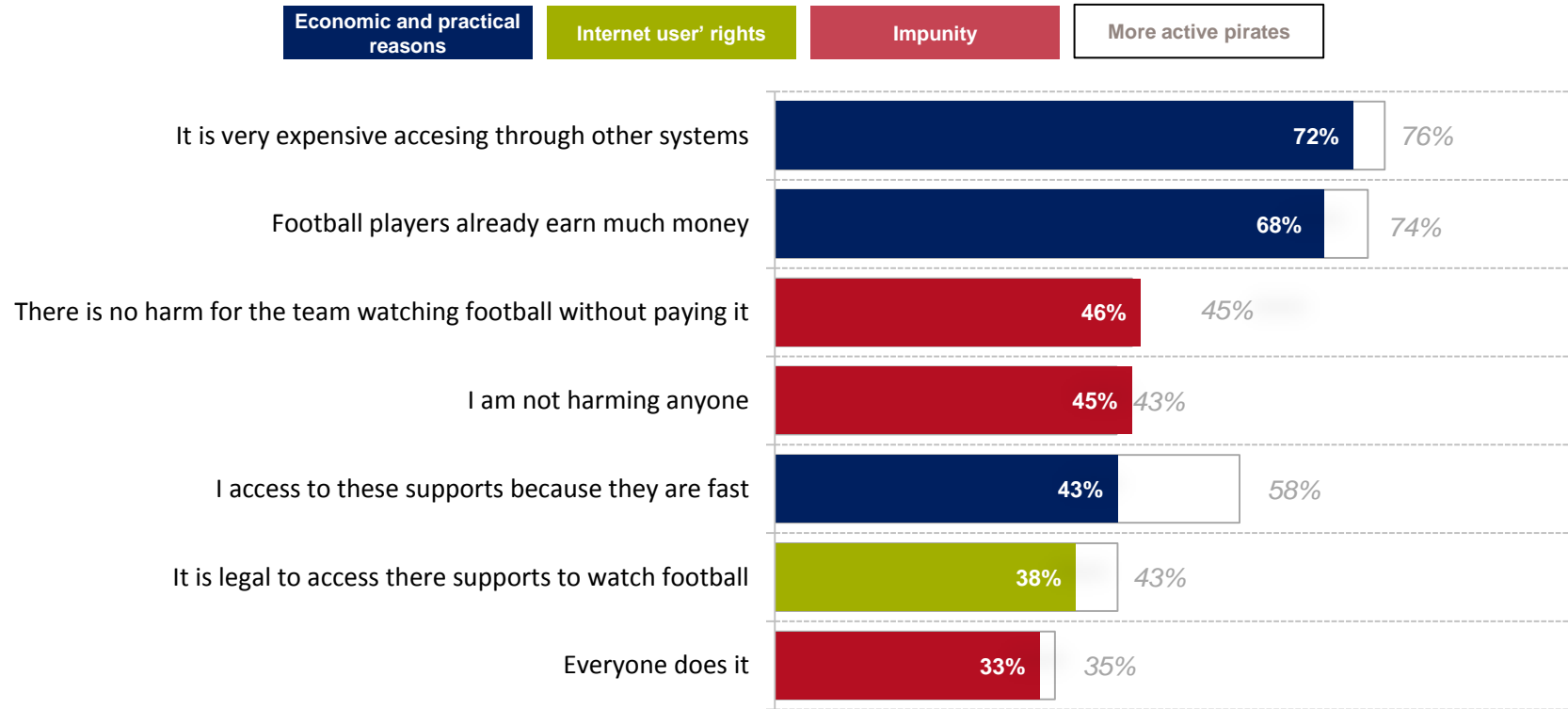
Assigning a real market value to contents.
Match the opinions of interviewees to the reality of the market.

Main results

Why do they pirate?



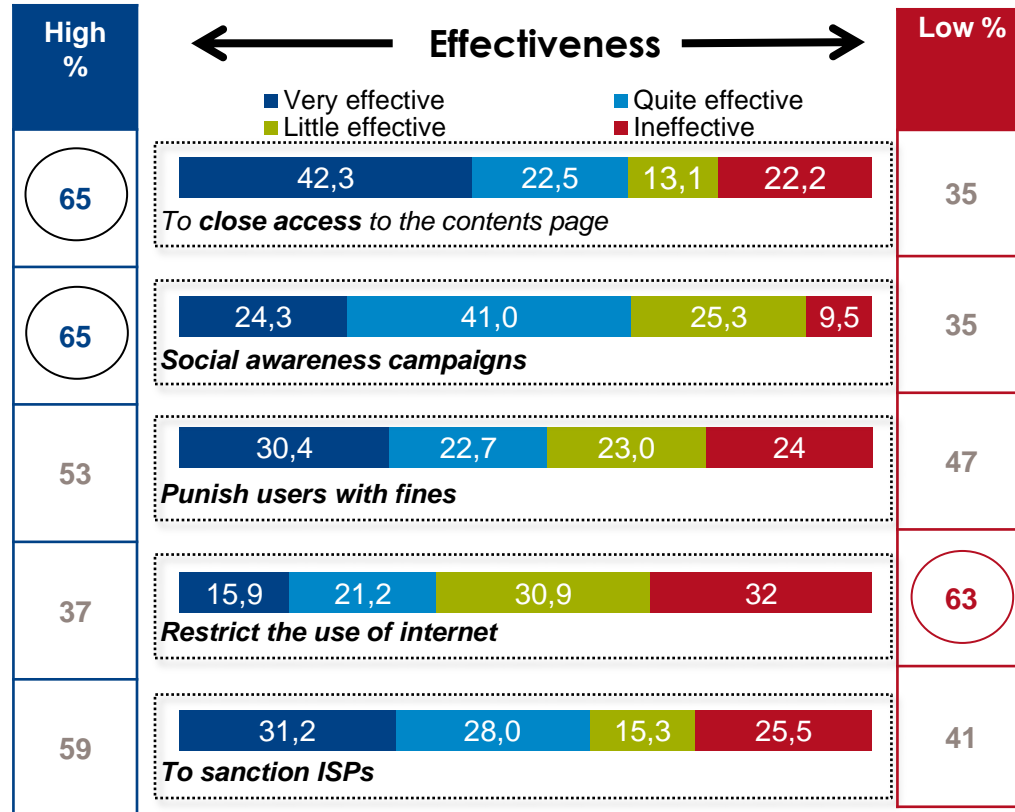
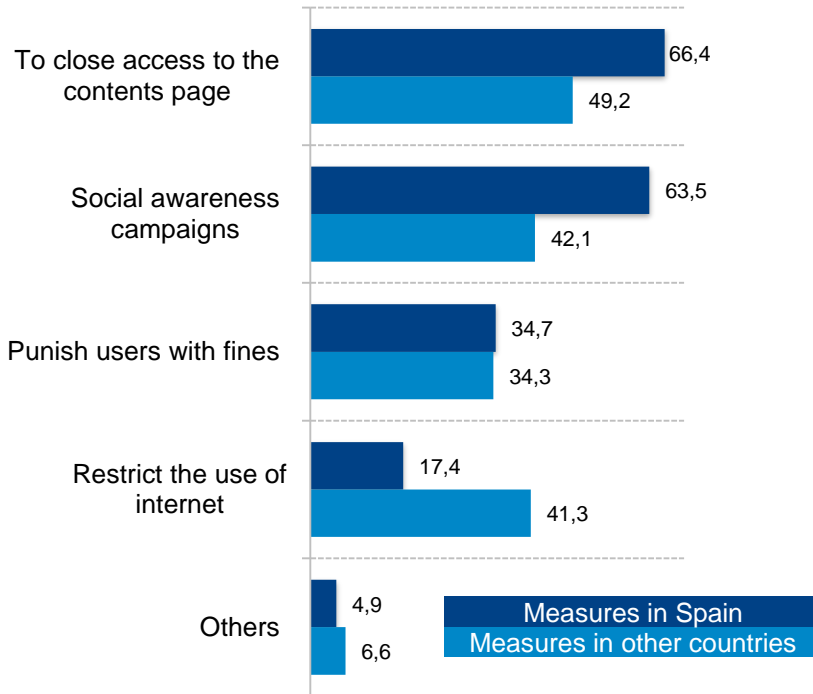
Why is football pirated?



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



Awareness

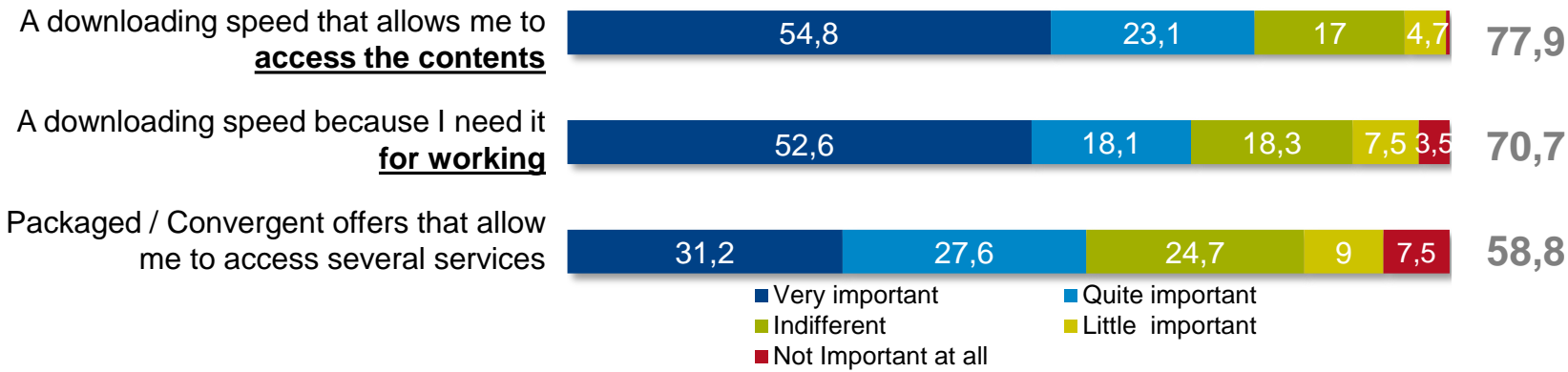


Broadband access importance when contracting an Internet service. And a plausible reduction in case of contents downloading restriction

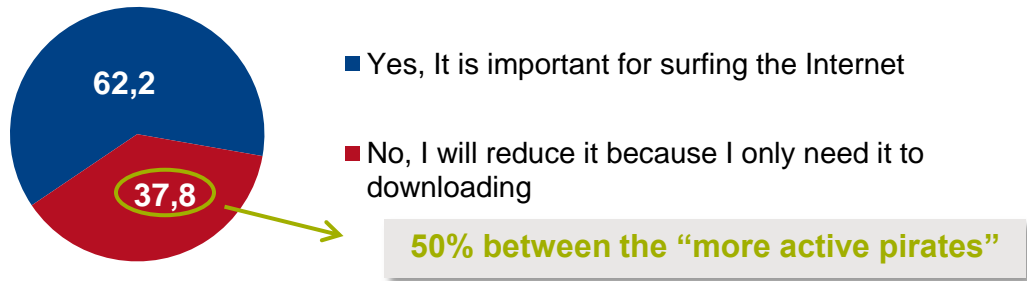


Importance when contracting an Internet service

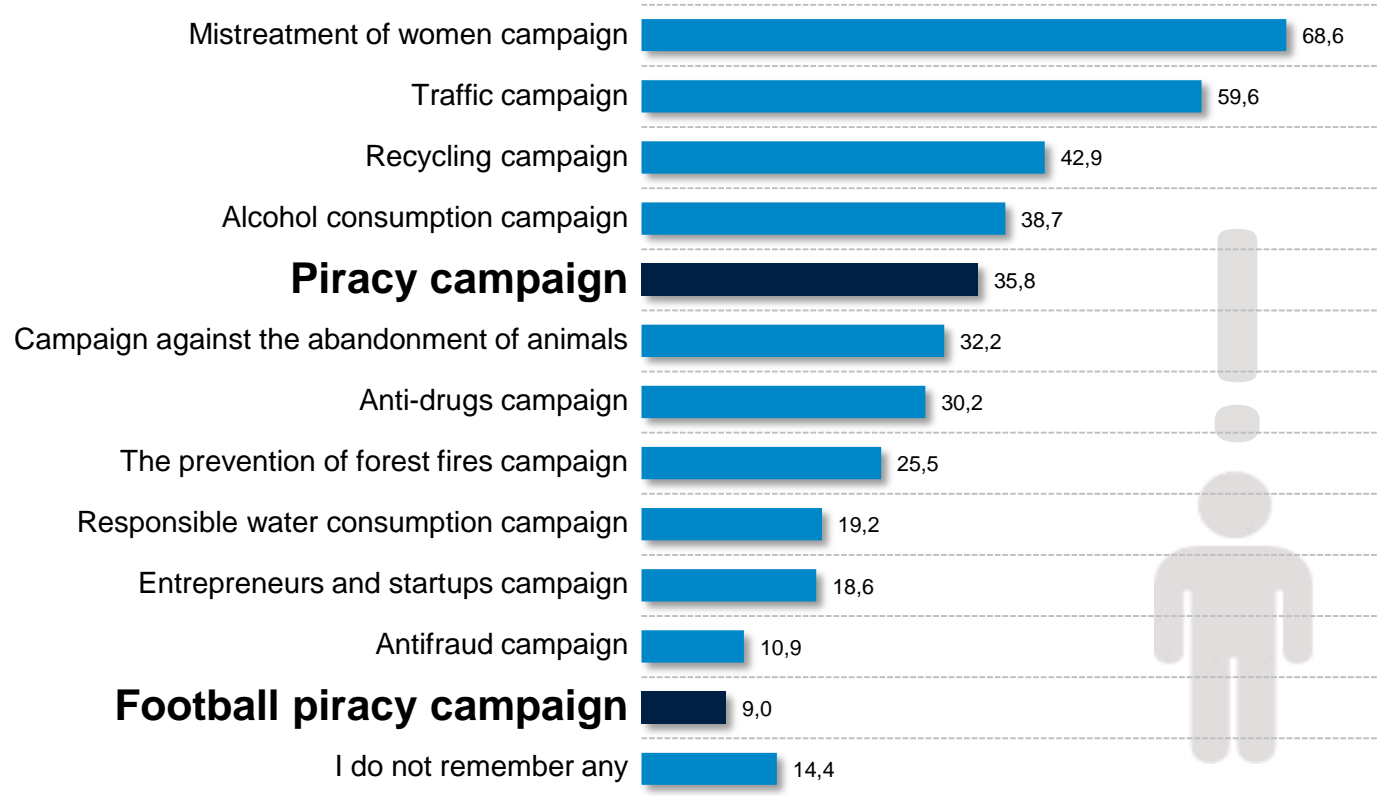
Very important +
Quite important



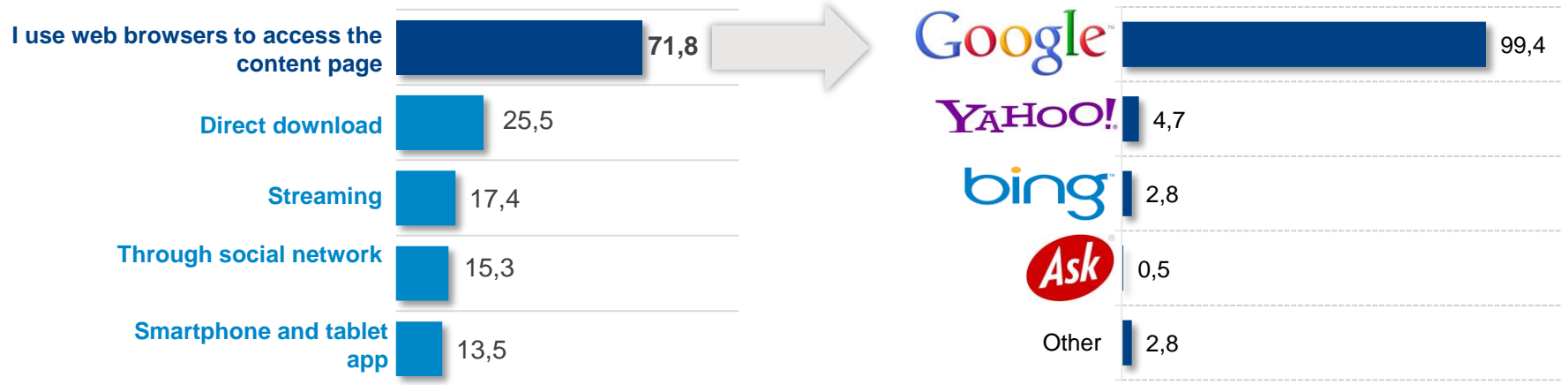
Would you maintain your broadband Internet service if you won't be able to download any content?



Campaigns awareness



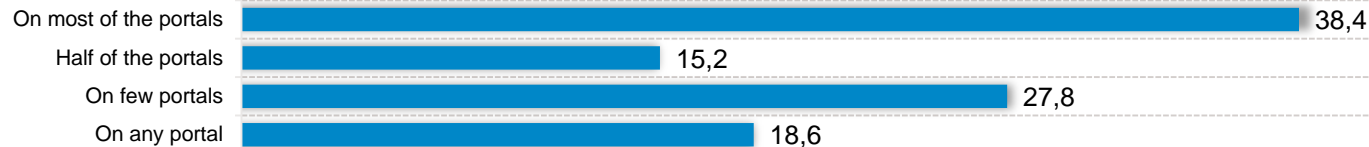
How do they access illegal contents?



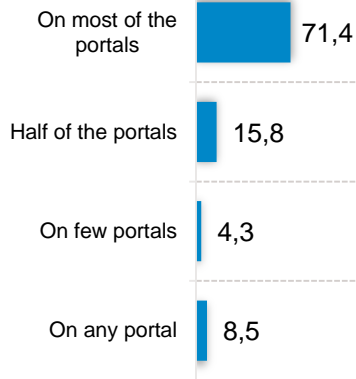
More than 7 out of 10 pirates use any web browser to access to illicit contents, being Google the most used.

How are pirate websites financing?

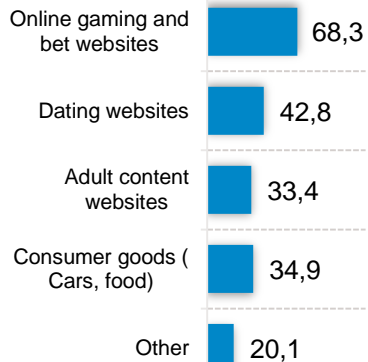
Have you got to sign up on those websites?



¿Have they advertising?



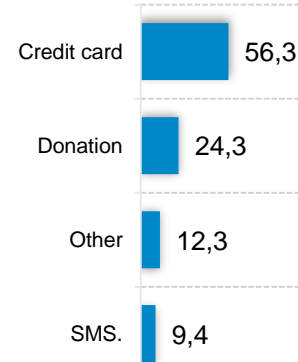
Advertising remembered



Have you ever paid for the contents downloaded on those websites?

5%

Payment method

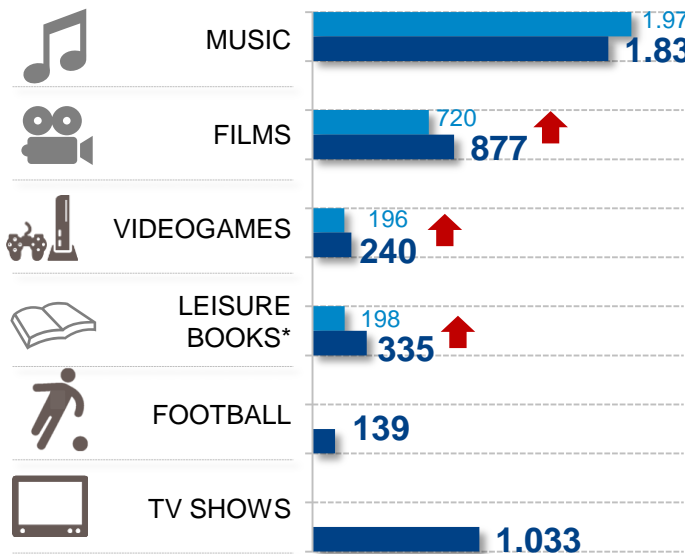


Piracy in Spain and loss of potential earnings for industries

Digital illegal access



Volume Million contents

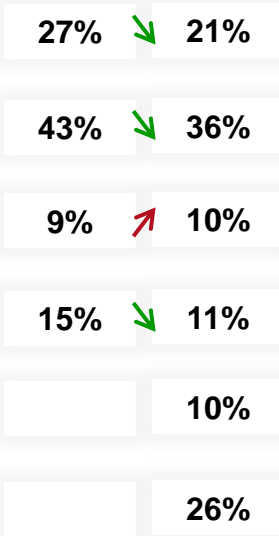


Unit: Units

Million contents **4.316**

% who access

2013 2014

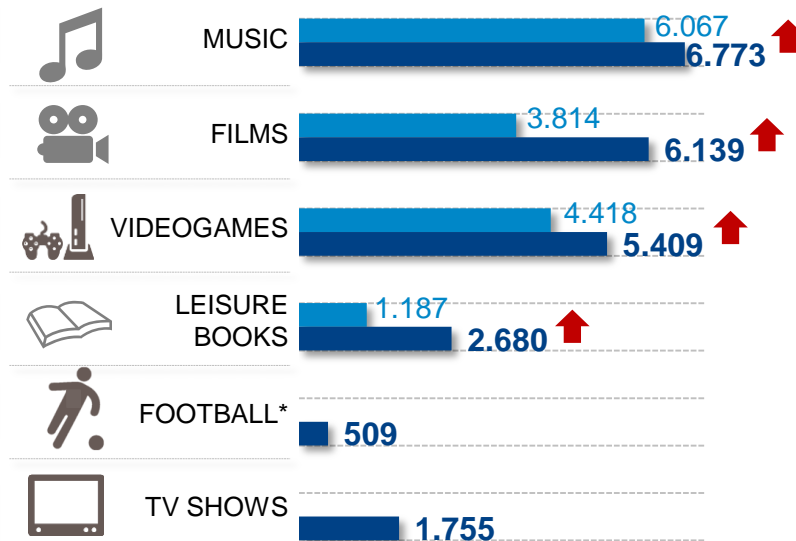


Unit: Percentage

■ 2013
■ 2014



Value Million euros



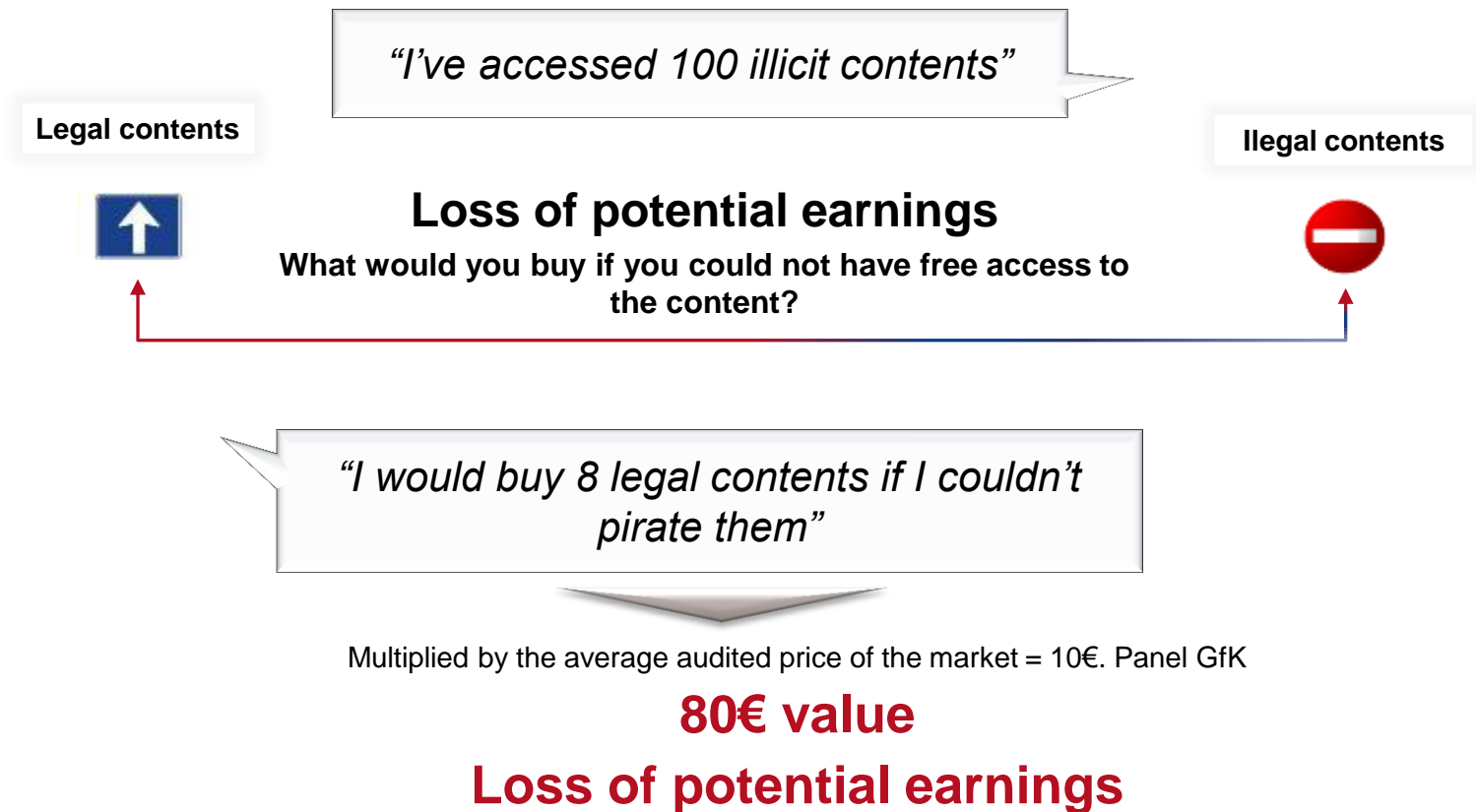
Unit: Million Euros

Million euros **23.265**

*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

Example of the calculation of the loss of potential earnings



Summary

Loss of potential earnings



Leisure books*



100 million €

12% increase in the value of the industry
3,7% conversion value pirate – legal



Videogames

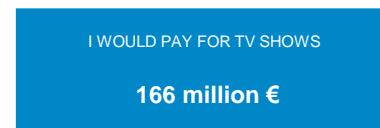


226 million €

49% increase in the value of the industry
4,1% conversion value pirate – legal



TV shows



166 million €

133% increase in the value of the industry
9,3% conversion value pirate – legal



Films



571 million €

84% increase in the value of the industry
9,1% conversion value pirate – legal



Music



410 million €

239% increase in the value of the industry
6,0% conversion value pirate – legal



Football



227 million €

24% increase in the value of the industry
44,6% conversion value pirate – legal

**Teaching and professional books are not being valued*

Situation 2014

CONTENTS PIRATED:

1.835 million contents (4 physical + 1831 digital)

INDUSTRY VALUE:

171 million euros



increase
+239%

Scenario without piracy

CONTENTS PIRATED:

0

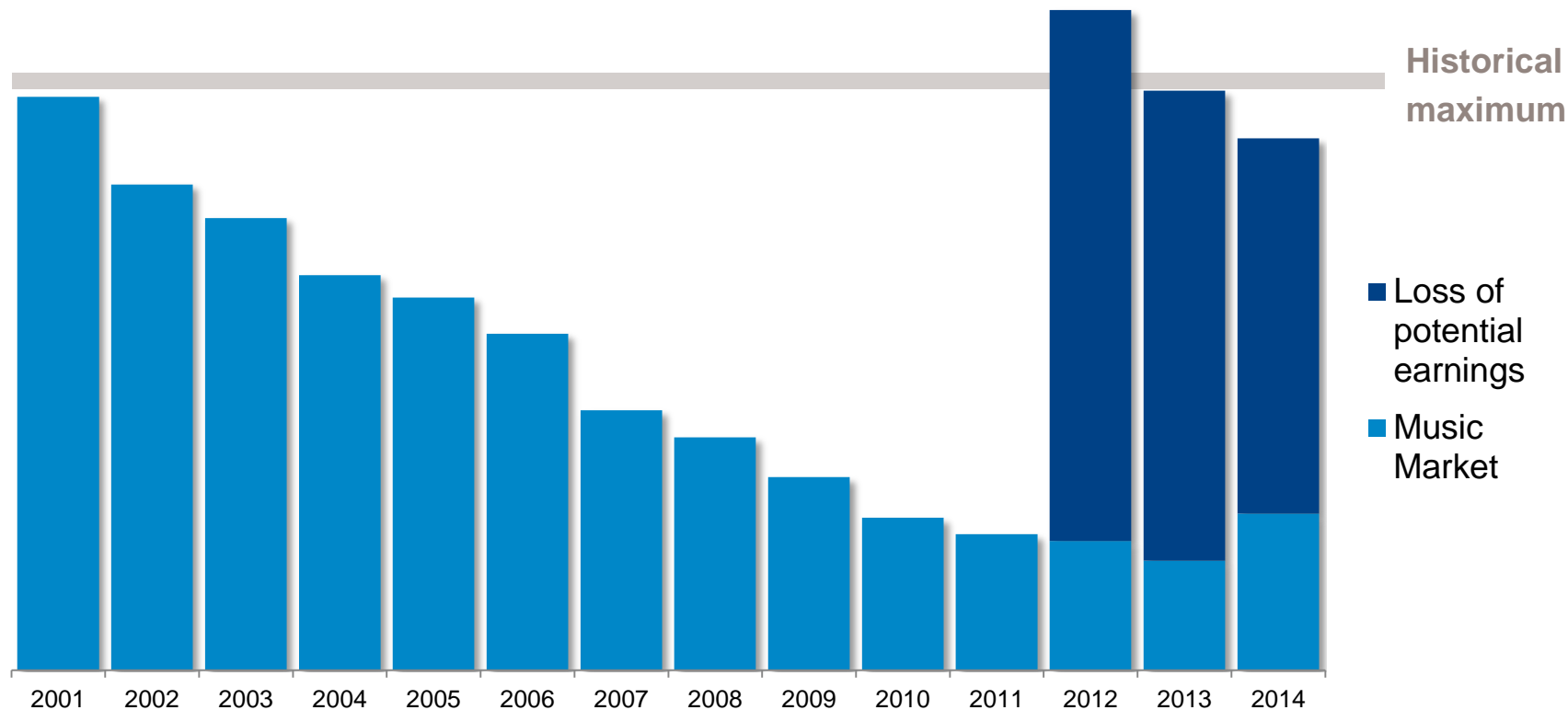
INDUSTRY VALUE:

581 million euros

171 million current legal industry

410 million in loss of potential earnings

Music sales evolution vs loss of potential earnings



Situation 2014

CONTENTS PIRATED:

886 million contents (9 physical+ 877 digital)

INDUSTRY VALUE:

673 million euros



■ INDUSTRY VALUE

■ LOSS OF POTENTIAL EARNINGS

increase
+84%

Scenario without piracy

CONTENTS PIRATED:

0

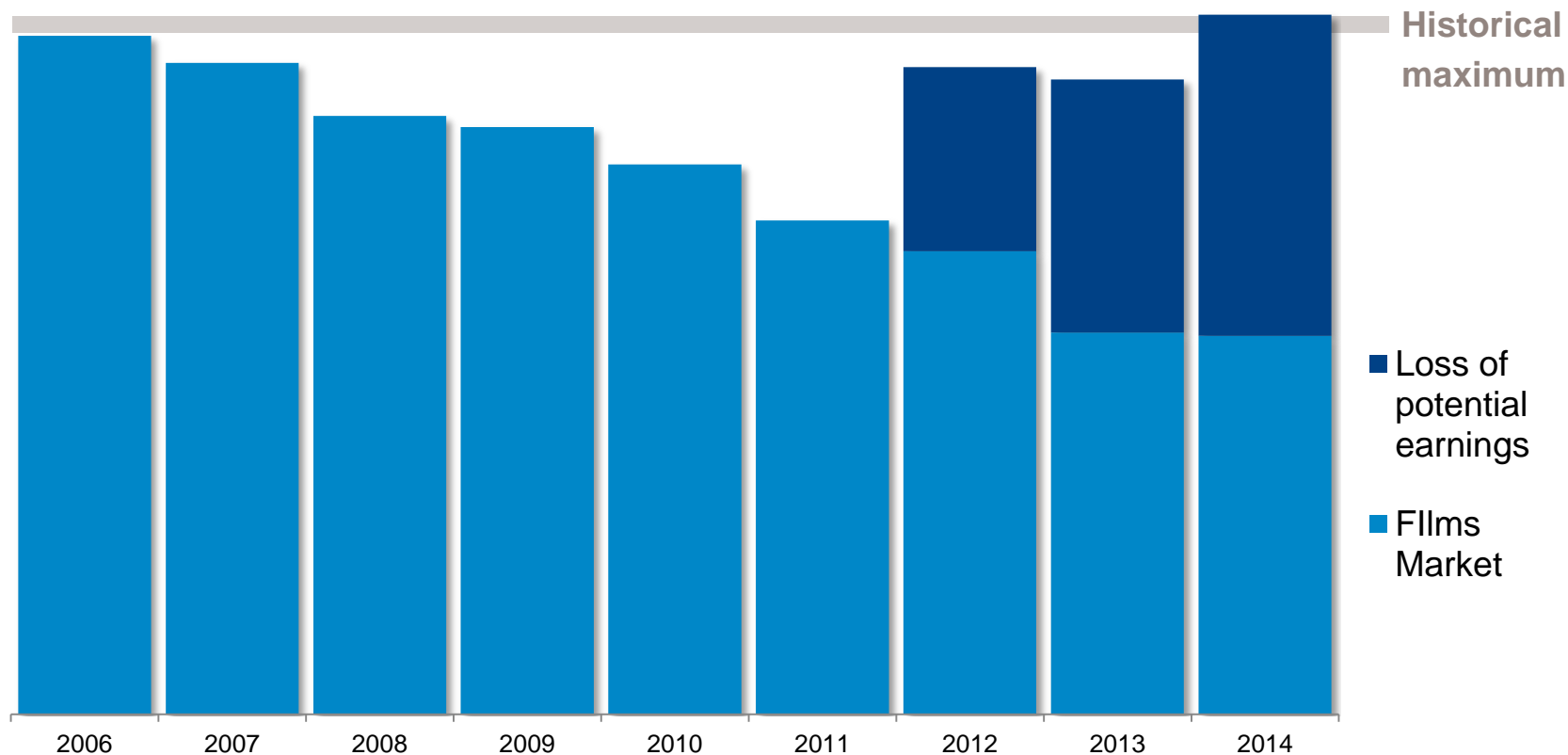
INDUSTRY VALUE:

1.244 million euros

673 million current legal industry

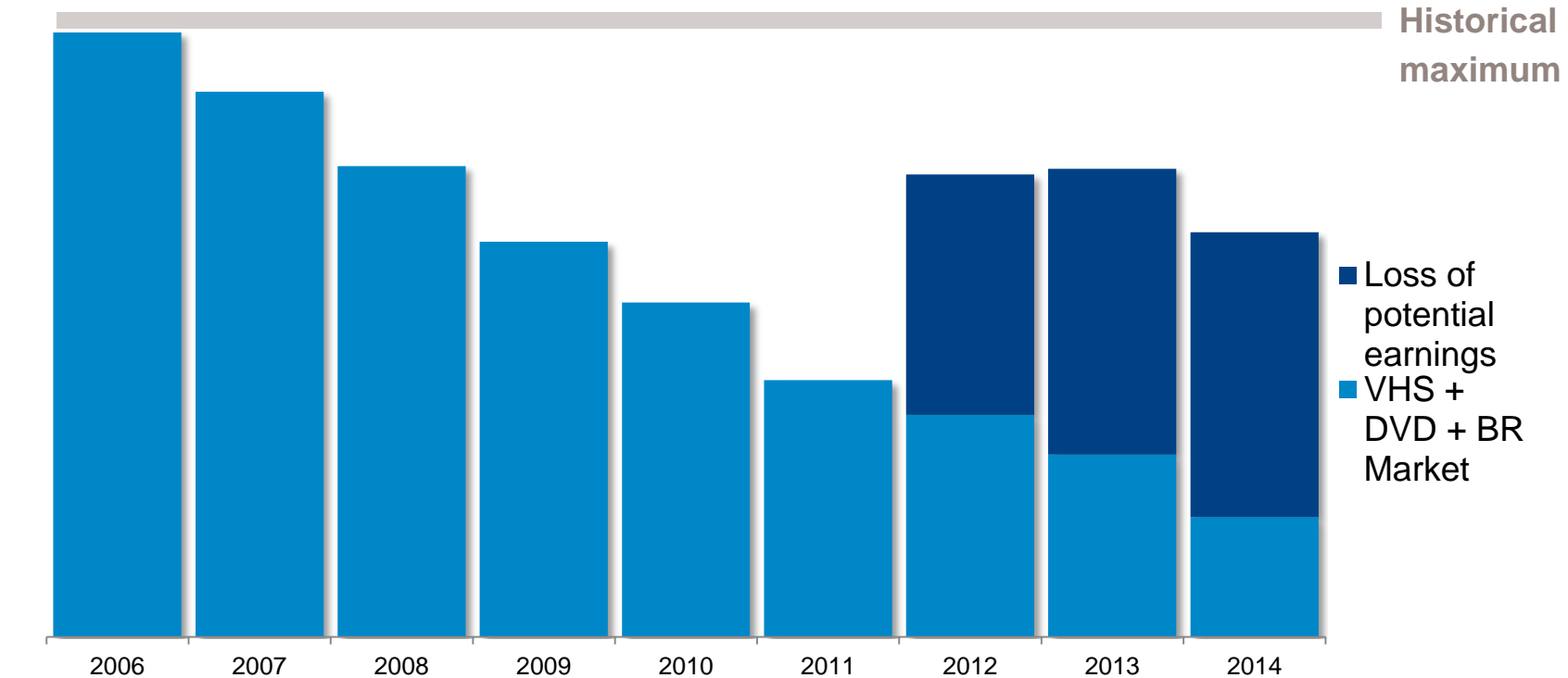
571 million in loss of potential earnings

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



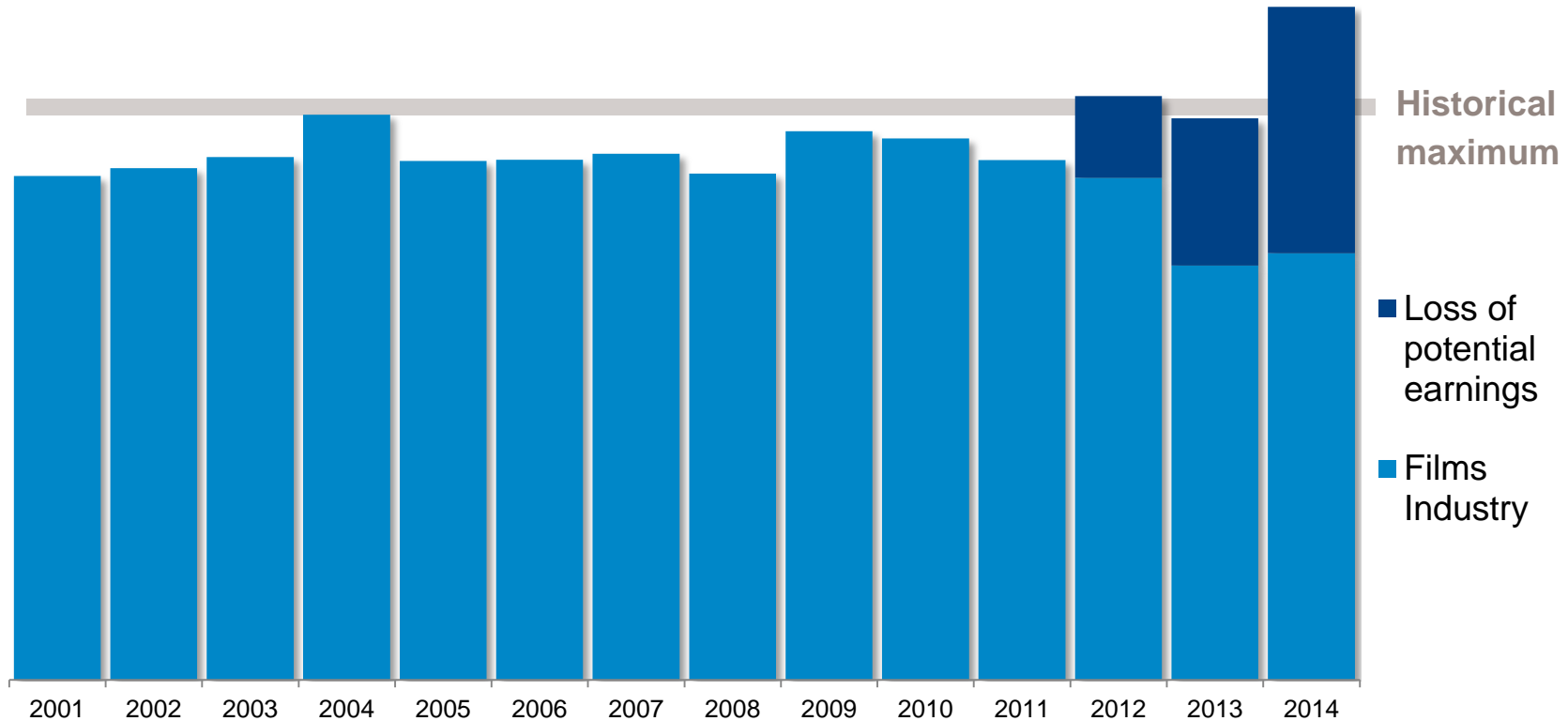
Source: Fedicine and UVE

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



Source: UVE

Films Industry vs loss of potential earnings



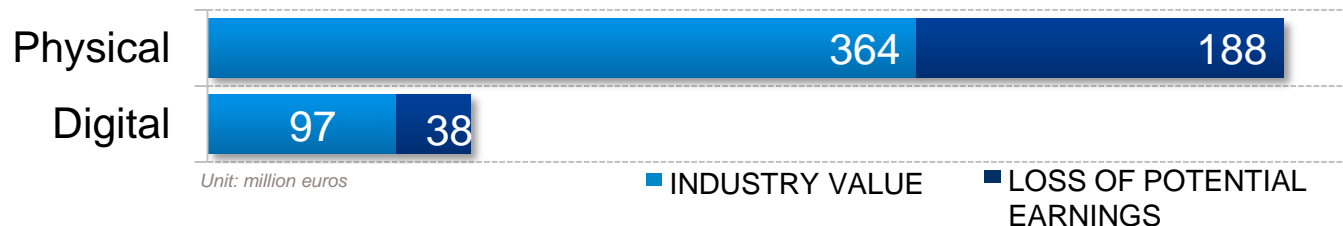
Situation 2014

CONTENTS PIRATED:

242 million contents (2 physical + 240 digital)

INDUSTRY VALUE:

461 million euros



increase
+49%

Scenario without piracy

CONTENTS PIRATED:

0

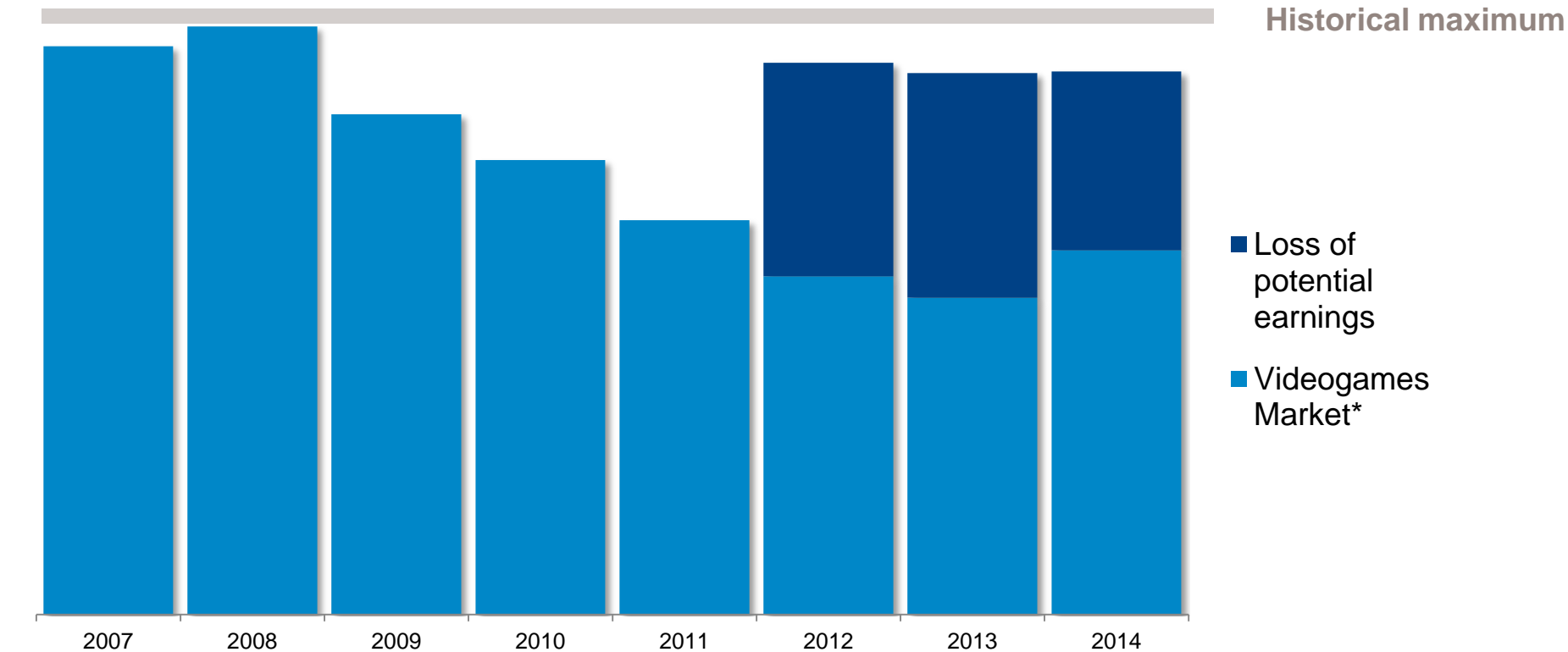
INDUSTRY VALUE:

687 million euros.

461 million current legal industry

226 million in loss of potential earnings

Videogames sales evolution vs Loss of potential earnings



Source: Adese

*Does not include digital sales

Leisure books*

Situation 2014

CONTENTS PIRATED: 335 million
INDUSTRY VALUE: **907 million**



increase
+12%

Scenario without piracy

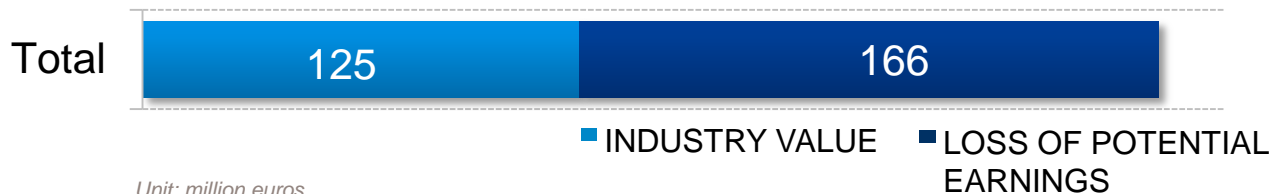
CONTENTS PIRATED: 0
INDUSTRY VALUE: **907 million**
807 million current legal industry
100 million in loss of potential earnings

*Teaching and professional books are not being valued

Situation 2014

CONTENTS PIRATED: 1033 million

INDUSTRY VALUE: **125 million**



increase
+133%

Scenario without piracy

CONTENTS PIRATED: 0

INDUSTRY VALUE: **291 million euros**

125 million current legal industry

166 million in loss of potential earnings

Situation 2014

CONTENTS PIRATED: 139 million matches

INDUSTRY VALUE: **954 million**



increase
+24%

Scenario without piracy

CONTENTS PIRATED: 0

INDUSTRY VALUE: **1.181 million euros**

954 million current legal industry

227 million in loss of potential earnings

Industry value + Loss of potential earnings

Industry
value

Loss of
potential
earnings

TOTAL



2013

2014



Physical

108 24 132

Digital

63 386 449



Physical

635 431 1.066

Digital

38 140 178



Physical

364 188 552

Digital

97 38 135



* Physical

790 79 869

Digital

17 21 38



Total

125 166 291



Total

954 227 1.181

MUSIC 665

152 513

MUSIC 581

171 410

FILMS 1.139

689 450

FILMS 1244

673 571

VIDEOGAMES

732

448 284

VIDEOGAMES

687

461 226

LEISURE BOOKS

940

861 79

LEISURE BOOKS

907

807 100

TV SHOWS 291

125 166

FOOTBALL 1181

954 227

Unit: million euros

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



Summary



- Online illicit access: 1.831 million
- Total loss of potential earnings: 410 million euros (386 online y 24 physical).
- The loss of potential earnings is 6,0% of the total piracy value.
- **This would mean multiplying the industry value by 2,4.**

- Online illicit access: 877 million
- Total loss of potential earnings: 571 million euros (140 online y 431 physical).
- The loss of potential earnings is 9,1% of the total piracy value.
- **This would mean an increase of 84% in the industry value**

- 240 million online illicit access and 2 million physicals access
- Loss of potential earnings 226 million euros (38 online y 188 physical).
- The loss of potential earnings is 4,1% of the total piracy value.
- **This would mean an increase of 49% in the industry value**



- Online illicit access: 198 million.
- Loss of potential earnings 100 million euros (21 online y 79 physical).
- The loss of potential earnings is 3,7% of the total piracy value.
- **This would mean an increase of 12% in the industry value**

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


- Illicit access: 1.033 million
- Loss of potential earnings 166 million euros
- The loss of potential earnings is 9,3% of the total piracy value.
- **This would mean an increase of 133% in the industry value**

- Illicit access: 139M matches /2 million households
- Loss of potential earnings 227 million euros
- The loss of potential earnings is 44,6% of the total piracy value.
- **This would mean an increase of 24% in the industry value**

Repercussion on public funds and employment

Currently the contents industry in Spain employs
62.652 direct workers

New positions generated in a scenario without
piracy
29.360 direct jobs



increase of
employment
+47%

Also for every direct job, 5 indirect jobs are generated

Generated employment by the loss of potential earnings in 2014...



29.360 direct jobs

Work area and contents	Actual jobs	% Estimated increase	Estimated increase	TOTAL EMPLOYEMENT
MUSIC				
Production	5.000	44%	2.213	7.213
Distribution	2000	95%	1.891	3.891
FILMS				
Production	12.782	32%	4.051	16.833
Other Distribution	640	86%	552	1.192
Video renting	3.000	275%	11.250	14.250
Exhibition	18.375	33%	6.967	25.342
VIDEOGAMES				
Production	1000	18%	177	1177
Distribution	2500	54%	1340	3840
LEISURE BOOKS*				
Publishing production	8.841	8%	715	9.556
Distribution	6.800	16%	1.100	7.900
TV SHOWS				
Jobs	500	133%	665	1165
FOOTBALL				
Jobs	1214	24%	291	1505
TOTAL	62.652		29.360 jobs	92.012

**Teaching and professional books are not being valued*

Public fund cease to receive...

VAT	PHYSICAL	ONLINE	TOTAL
Music	5,0	81,1	86,1
Films	90,5	29,4	119,9
Videogames	39,5	8,0	47,5
Leisure Books	3,2	4,4	7,6
TV Shows	34,9		34,9
Football	47,7		47,7
TOTAL			343,7 million €

Unit: million euros

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

627,8
million
euros

	New jobs	Applied salary*	Applied rate	TOTAL
Social Security	29.360	19.199,7	38,9%	219.3
Income Tax	29.360	19.199,7	11,5%	64.8
TOTAL				284,1 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

Total value of loss of potential earnings due to piracy

1.700

million euros

increase of 53% over current turnover of the industries.

New direct jobs

29.360

Total revenues lost in public funds

627,8

VAT– 343,7

Social security– 219,3

Income Tax– 64,8

Million euros

THANK YOU