

Observatory on Piracy and Digital content consumption habits 2022

## ***The cultural sector urgently calls for stronger action to curb the scourge of piracy***

- *Unanimous commitment from policy makers against the illegal supply of content is called for*
- *The creation of a Prosecutor attached to the Prosecutor's Office for Computer Crime and an extraordinary increase in resources are demanded*
- *In 2022, 5,268 million illegal accesses were recorded, only 2.5% less than in 2021, with a market value of €33,056 million and damage to the sector of €1,995 million*
- *63% of citizens recognize content creators and industries as strategic for our economy and employment*
- *The public coffers stopped receiving 551 million euros, which brings to 6,544 million the amount not received by the Administration since 2012.*
- *80% of Internet users consider positive the closure/blocking of access to pirate websites.*
- *Without piracy, almost 90,000 new jobs could be created.*
- *7 out of 10 Internet users do not access free content portals for fear of fraud, cybercrime or viruses.*
- *84% of users choose the pirate option among the first 20 results offered by Google, which accounts for 94% of actions through search engines.*
- *One out of two consumers (55%) has tried to access an illegal content portal that has been closed or no longer exists.*
- *WhatsApp, Instagram, and Telegram consolidate as gateways to illegal portals.*
- *10% of Internet users who pay for illicit content use cryptocurrencies.*

**Madrid, 11 September 2023. National Archaeological Museum.** Spain continues to maintain very high levels of digital piracy, unbearable for a strategic sector whose contribution to GDP and employment is sufficiently relevant, and which should be protected as a priority, with more energetic and decisive actions. This explains why the legal supply of cultural content, which has been sufficiently broad and affordable for some time now, is advancing very slowly, with only a very slight upturn in 2022.

Thus, last year the number of illicit content that users downloaded was 5,268 million (only 2.5% less than in 2021, with an accumulated drop since 2018 of 11%). The damage of this practice for the industries was 1,995 million euros, a loss to which the public coffers, which lost 551 million euros, or employment, which would have created 85,358 direct and indirect jobs in a sector that currently employs more than 103,000 professionals, were also not unaffected.

By sector, music was once again the most affected industry, with 2,351 million illegal accesses, followed by series (986 million) and **images** (595 million), **which are included in the Observatory for the first time.** In this sense, the audiovisual sector is the only one that continues to suffer increases: 9% for movies and 5% for series. In terms of pirate consumers, it is books (35%), series (21%), newspapers (26%) and magazines (17%) that have seen their volume grow, while the rest have hardly decreased.

These are some of the most relevant figures and conclusions of the *Observatory on Piracy and digital content consumption habits 2022*, prepared by the independent consulting firm GfK at the request of the Coalition of Creators and Content Industries, which was presented this morning, Monday, September 11, at the National Archaeological Museum in the presence of the Minister of Culture and Sport, Miquel Iceta i Llorens, and the main representatives of the Spanish cultural sector.

## URGENT DEMANDS OF THE SECTOR

In order to reverse the situation of serious damage that piracy continues to cause in our country, content creators and industries make the following urgent requests to the administrations and political groups:

1. A **drastic commitment** of all political forces, public administrations and the ministries of Economy, Interior, Justice, Education, Culture and Sport to definitively reinforce the fight against piracy.
2. An **extraordinary reinforcement of the personal and material resources** in the administrative channel and also in the specialized units of the State Security Forces and Corps.

3. The creation of a **Prosecutor attached to the Prosecutor of the Computer Crime Chamber** to deal in a specialized and coordinated manner with crimes against Intellectual Property.

"The cultural sector demands urgent measures to stop once and for all the damage that piracy causes to industries and creators."

### ILLEGAL ACCESSES, VALUE OF DOWNLOADS AND LOST PROFITS

In terms of the percentage of individuals accessing illicit content, the industry most affected has been books, with 35% of consumers (34% in 2021), followed by music (32%, when in 2021 it was 38%), newspapers (26%), images (26%), films (24%), series (20%), football (20%), magazines (17%), video games (18%), and music scores (4%).

The total value of downloaded content has risen slightly, due to the increase in the cost of such content, although the number of illicit accesses has fallen. In total, it amounts to 33,056 million euros, of which 10,272 million euros correspond to music, the most affected, also in terms of number of accesses (2,351 million). Of the 1,995 million euros of damage to the whole, piracy has caused the music industry a damage of 543 million. It is followed in this diabolical ranking by films and series (387), magazines (255), newspapers (240), books (217), football (170), video games (159), images (43) and, finally, music scores (23).

### CONSUMERS, ILLEGAL ACCESS AND THE LEGAL SUPPLY OF CONTENT

Once again this year, the excuse that accessing illicit content is the solution in the event that the same cultural product is not to the user's liking is the main motivation for illegal access (63%).

In a country where 5 out of 10 Internet users confess that they do not know how to distinguish between legal and illegal platforms, it is the youngest (11 to 14 years old) who argue the most that they do not harm anyone and, moreover, that there are no punitive consequences.

Meanwhile, adults between 25 and 44 years of age argue that they avoid paying for something they don't like or the urgency of accessing novelties. Finally, individuals over 45 years of age are the least likely to distinguish between legal portals and their main motivation for consuming illegal content is because they are already paying for their Internet connection.

Surprisingly, those who justify their illicit practices with the aforementioned arguments say, **63% of them, that the creators and industries of cultural and entertainment content are a strategic sector for the economy and employment in our country, with telecommunications, tourism and hospitality** being the industries that benefit the most. Likewise, 62% confess that access to

the legal offer of culture and sports is very easy and 60% consider that in our country there is enough legal offer for the consumption of cultural or sports contents.

“63% of users consider creators and cultural industries as strategic assets.”

#### ACCESS MODES: THE DOMINANCE OF GOOGLE

Search engines (especially Google, which accounts for 94% of searches using this system) continue to be the most used method (60% compared to 55% in 2021) by consumers to find free content sites. In fact, 84% of users choose the option among the first 20 results.

“84% of consumers choose from the top 20 results offered by Google, the most used search engine (94%)”

The use of other forms of access such as messaging or Social Networks to find free content pages dropped slightly in 2022 to 27% (29% in 2021), with Facebook (45%), Telegram (38%), YouTube (37%), WhatsApp (30%) and Instagram (27%) being the most widely used.

“WhatsApp, Telegram, YouTube and Instagram are the most used gateways to illicit portals.”

#### SOURCES OF FINANCING OF ILLEGAL CONTENT PORTALS

63% of consumers of free content stated that they needed to sign up, increasing the **personal data** requested: e-mail (55%), questionnaire (22%) and telephone number (20%). In addition, 4 out of 10 Internet users did not show sufficient or a great deal of confidence when providing this personal information, since there is an obvious risk that by providing their personal data they could be used, for example, for subsequent sale to third parties and be used in spam and *phishing* campaigns, or for possible social engineering attacks, depending on the amount of data provided. At the same time, 88% of those surveyed acknowledged that they had to accept cookies in order to access these portals.

In addition to the financial gain provided by consumers' personal data, **advertising** is the biggest source of funding for illegal content portals, present in 9 out of 10 of these sites, as confirmed by their own users. Advertisements for gambling, contacts or online sales continue to prevail, although 3 out of 10 claim to find advertising for major brands (perfumes, cars, department stores, etc.).

50% of consumers say they are annoyed by the advertising they find on portals and 59% complain that they have started to receive more spam or advertising offers since they started using this type of site. They even state that these ads are harmful and embarrassing.

20% of Internet users who have accessed illicit portals have paid for the consumption of some content. The main payment methods are PayPal (48%), bank card (42%) and, surprisingly, **cryptocurrencies** (10%). In the latter case, they also recognize that it is safer to pay with cryptocurrencies on these portals (46%) and that they use this payment method regularly (33%).

“20% of Internet users have paid for the consumption of some illegal content, increasing the use of cryptocurrencies as a payment method.”

#### CONTENT PORTALS THAT HAVE BEEN CLOSED OR NO LONGER EXIST: ISSUES

The proof that the measures adopted have had an impact, but that the resources allocated are not sufficient, is that, as of today, one out of two consumers (55% compared to 52% in 2021) has tried to access an illegal content portal that had been closed or had ceased to exist.

The reason for the closure was explained to 22% of users, and 13% were automatically redirected to other sites where they could continue to access the illegal content, mostly Torrent-type portals (56%), but also to social networking sites (16%), messaging groups (16%) and other portals (12%).

“One out of two consumers (55%) have tried to access a portal that was closed or no longer exists.”

65% of Internet users who experienced an issue when trying to access illegal content were unable to solve it, mainly because they could not find a solution: the website did not provide information on how to do it, the form did not work, or they did not get an answer despite having contacted the websites.

#### EFFECTIVENESS OF MEASURES AND REASONS TO STOP CONSUMING ILLEGAL CONTENT

Closing/blocking access to a website with illegal content or not allowing access to it is still the coercive measure considered most effective. 80% of Internet users believe this to be the case (77% in 2021).

“80% of Internet users consider positive the closure/blocking of access to pirate websites.”

In 2022, the Observatory asks for the first time about the main factors that would stop them from consuming free digital content. 76% would abandon these practices if their credit card data might be stolen. 72%, if a virus were to infect their devices. And 65%, if the data they provide to access free content were sold. And up to 36% would do so if jobs in the cultural sector were at risk.

Why do some people not access free content portals? Mostly for fear of fraud with personal data or cybercrime (71%) and computer viruses (68%). In addition, 55% believe that the legal offer is wide and sufficient to meet the needs and 52% do not want to harm artists and content creators.

“70% of Internet users do not access these portals for fear of fraud, cybercrime or viruses.”

## IMPACT ON EMPLOYMENT AND GOVERNMENT REVENUES

If a desirable scenario without illegal access were to exist, which is impossible today, 14,226 new direct jobs would have been generated in 2022, which would represent an increase of 13.8%, i.e. 85,358 more jobs in total.

Even if the impact of piracy would have been less in 2022, the public coffers would have lost a total of 551 million euros, divided between VAT (370), Personal Income Tax (41) and Social Security contributions (139). The damage accumulated over the last 11 years for the Administration as a result of the illicit consumption of content amounts to no less than 6,544 million euros.

“Without piracy, the cultural sector would have created 90,000 new jobs.”

## DECLARACIONES INSTITUCIONALES

During the presentation of the 2022 Observatory, representatives of the Ministry of Culture and Sport and of the cultural industries that make up the Coalition of Content Creators and Industries took the floor.

**Carlota Navarrete**, general director of the Coalition, welcomed those present and outlined the Observatory's main figures. In her opinion, *"it is urgent and necessary for all public authorities to make a drastic commitment to definitively tackle the phenomenon of content piracy, which has been a burden on our sector for more than a decade"*. He asked the Minister of Culture and Sport, also present at the event, to make the fight against piracy one of Spain's priorities during the presidency of the EU, a request that was taken up by Miquel Iceta.

**Miquel Iceta**, Minister of Culture and Sport, brought the event to a close by pledging that the issue of piracy will be one of the priority issues to be addressed both at the informal meeting of European Ministers of Culture to be held in Cáceres on September 25 and 26, which will take the form of the Cáceres Declaration, and at the meeting he will lead with his EU colleagues in Brussels on November 23 and 24.

Iceta affirmed that he had taken *"good note of the duties placed on the government"*. In his words, *"the phenomenon of piracy is diminishing, but not disappearing. And we want it to disappear because it is a rip-off of creators and industries and a plundering of culture as a whole. Let us convince ourselves that nothing is free. If we want culture, we must have creators, respect them and uphold their rights"*.

The minister, who acknowledged that the creation of an Intellectual Property Office is still a pending task that he hopes to complete in the coming months, regretted that although piracy has been reduced, *"it has not done so sufficiently or homogeneously"*. Among the data he wanted to highlight from the Observatory, and which he endorsed, were *"the 551 million revenue deficit of the public coffers and the more than 85,000 jobs that have not been created and which we cannot afford in Spain"*. He positively underlined the work of the Coalition for not giving up on highlighting the damage to culture and making clear the need to fight piracy. And he concluded: *"A society that wants to be cultured, free and happy needs more culture, and more culture means starting by respecting creation and artists and their industries"*.

**Antonio Guisasola**, president of PROMUSICAE, pointed out that *"now that we are at the beginning of the academic year, we must do our homework for the future. Piracy is still a problem. The worrying thing is that these are structural figures. We are not improving much. We are not moving forward. And the time has come to change the pace, to alter the procedure to automatically close the pages that do not comply. Let's change the rules. Let's close the pirate pages and if they have a problem, let them file a complaint. I ask it as homework. Let's have a modern legislation and let's protect the creators"*.

**Daniel Fernández**, president of the Spanish Federation of Publishers' Guilds (FGEE), regretted that people continue to talk about piracy, which is a kind term for the theft of protected cultural content. *"The future is eating at us in a runaway way. We are progressing, but we are not improving. This government and this minister have done positive things, but we need the Tax Authorities to understand that resources are being stolen. Those who steal seem to be fewer, but they are more recalcitrant, contumacious and determined to continue stealing. We have hope in the European model. It is difficult to reach agreements with Google, I do not know if it is impossible to reach them with WhatsApp when we did it with Facebook. We need more from Europe, more from the government and more means".*

**Estela Artacho**, president of FEDICINE, stressed that although the drop in the number of illegal consumers has fallen, it is not good news, even if it seems so. *"One in four consumers access illegally. Despite there being less and more legal supply, there has been greater damage to the interests of the film industry."* She focused her complaints on the new forms of piracy occurring through IPTVs, which offer millions of illegal contents for access to which consumers pay fees. She added: *"The audiovisual sector is strategic, it represents 28.3% of the cultural industries in Spain. The legal offer is becoming wider and more accessible, but it cannot be fully developed with the constant threat of the Damocles sword of piracy".*

**José María Moreno**, general director of the Spanish Video Games Association (AEVI), thanked the government for its efforts, but pointed out that *"more forceful actions are needed. There is room for improvement, and we are convinced that illegal access to content can be fought effectively"*. And he highlighted the potential of the video game sector in the future of the cultural industries.

**Javier Gutiérrez**, general director of VEGAP, was pleased that, for the first time, the Observatory has taken into account the damage caused by illegal access to images, a key sector in our country and internationally. *"It is a warning to society. Art is not only developed in the market. The damage caused to artists, who are also individual entrepreneurs, is relevant. We are talking, only in Spain, about 30,000 creators. It is not possible to have a cultured society without respecting the rights of authors."*

**Ignacio Arrola**, Sales and Marketing Director of MEDIAPRO, said that *"we are happy, but not fully satisfied. Progress has been made in the technological fight and also in the courts, but we need more help and more resources. Let's not forget that 20% of soccer content is viewed*



*through illegal access. Consumers must be reminded that when they pirate matches they are negatively affecting their clubs and players”.*

## ACCESSES AND MAGNITUDES BY TYPE OF CONTENT

As mentioned above, and as was already the case in 2021 with respect to the previous year, in 2022 there was again a decrease in illegally consumed content in practically all industries, with the exception of Films and Series, in which there was an increase. Thus, accesses were 5,268 million, 2.5% less than in 2021, when there were 5,334 million. The value of this content grew slightly, to 33,056 million euros (up 2%), due to the rise in the cost of content. The loss to the cultural industries was 1,995 million euros.

With regard to the age of the content accessed illegally, there was an increase in the consumption of new content in Music, Films and Video Games, while there was a decrease in Books and Series.

By sector, the behaviour was as follows in 2022:

### MUSIC

The best news for the music industry in 2022 was the significant drop in the number of illegal music consumers, from 38% to 32%, which also coincided with an increase in those who report legally consuming music in digital format, which stood at 72% compared to 70% in 2021. This increase was not matched in the legal physical market, which experienced a slight drop from 20% to 15%.

Last year, illicit access affected 2,351 million music contents, 3% less than in 2021, when there were 2,420 million downloads. The value of what was defrauded amounted to €10,272 million (up 2%), with a damage to the sector of €543 million (compared to €653 million in 2021).

Finally, there was an increase in accesses corresponding to content less than one year after its commercial launch, which rose to 66% (65% in 2021).

### FILMS

There was a slight decrease in the legal consumption of presential movies during 2022 ( -3%).

Despite this slight drop in the number of people accessing illegal content, which stood at 24% (-4%), there was an increase in the volume of illegally consumed content in 2022, which reached the figure of 566 (9% more than in 2021, when it fell to 520 million).

Furthermore, and unlike series, 53% of the accesses correspond to content less than one year old since its release.

### SERIES

Series have experienced a slight increase in legal consumption in 2022, as was already the case in 2021 compared to 2020. However, illegal access remained at the same levels (20%), after a

6% decrease in 2021 in comparison with 2020. In the case of the former from 13% to 10% and in the case of Series, from 12% to 9%.

Illegally downloaded content amounted to 986 million, up 5%. The number of people involved in this illicit access was also 20%, up 3%. The value of what was defrauded reached 1,615 million euros, 6% more than in 2021.

Unlike movies, the proximity to the release date of the Series has not been the main reason for illegal downloads, since the number of illegally consumed contents that were less than one year old since the broadcasting period has decreased from 62% to 56%.

The loss of profit for the audiovisual industry, which includes films and series, is 387 million euros.

## BOOKS

The Book industry experienced in 2022 an economic damage of 217 million euros (137 in digital and 80 in physical). Last year alone there were 540 million illegal downloads (-5%), worth €4,859 million (-4%), declines that contrast with the growth in the number of users who have accessed digital books illegally, which stands at 35% (+4%). Consumers of books that have accessed legally, both in digital and physical format, have dropped: from 13% to 10% and from 49% to 43%, respectively.

As was the case with Series, there was also a decrease in the consumption of new content for Books, which stood at 44% compared to 51% last year.

## VIDEO GAMES

As was already the case in 2021, when the drop in illegally obtained video games was 7%, the downward trend continued in 2022 with 325 million downloads, which represents 8% less than in 2021. The value of what was defrauded was similar in the last two years: 8,873 million euros (with a loss of 159 million euros). There is another piece of good news: the reduction in the number of individuals accessing illegally, which stands at 15%, i.e. 14% less.

Video games with less than one year of distribution were in the majority, accounting for 55% of illegal accesses, compared to 54% in 2021.

## FOOTBALL

Despite the increase of 17% of matches played in 2022, the illegal consumption of soccer has decreased compared to 2021 (20% of users compared to 21% in 2021). A decline that has also affected the legal online offer, which was accessed by 31% when the previous year it had been 32% of paying subscribers. Illegal accesses were quantified at 85 million downloads (-3%), worth 246 million euros (the loss to the sector was 170 million euros).

## NEWSPAPERS

While in 2021, 23% of users had illegally accessed newspapers, by 2022 that figure had risen to 26%. Meanwhile, legal consumption of newspapers in digital format continues to fall, dropping

from 6% to 4% of users. The difference is now 22 points, when in 2021 it was 17 points between illegal and legal users. The total amount of illegally accessed content was 266 million (5% less), worth 400 million euros, which represented a loss for publishing companies of 240 million euros.

## MAGAZINES

As in the case of newspapers, illicit consumption of magazines in digital format is also much higher than legal (17% vs. 5%). In other words, it is three times higher than legal consumption and will continue to increase in 2022. Last year, there were 113 million accesses (8% less), worth 265 million euros (255 million euros in damages).

## MUSIC SCORES

36 million music scores were illicitly consumed in 2022, 7% less than in 2021. The number of Internet users accessing this content was also down by 4%, 29% less than in the previous year. The market value of these products is €456 million, which led the sector to experience a loss valued at €23 million.

## IMAGES

For the first time, the Observatory includes illegal activity related to images. In 2022, 3 out of 10 Internet users accessed images illegally. Only 5% did so legally. This behavior resulted in 525 million pieces of content, with a market value of 714 million euros, which meant an economic loss of 43 million euros for the sector.