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PIRACY OBSERVATORY AND DIGITAL CONTENTS CONSUMPTION HABITS 2016



OBJECTIVES AND METHODOLOGY

Main objective → Impact of piracy on:

1. ... digital content industries in Spain?
2. ... the public coffers?
3. ... employment in Spain?

Secondary objective → Knowing the profile of the offender

Methodological mix

Consulting the Internet user population.

- 4.036 GfK panel internet user survey of 50,000 panellists with personalised recruitment.
- 20 minutes online questionnaire
- Ages from 11 to 74 years old.
- Error sample +1,54%. P=q=0,50



What do we achieve?

Getting to know the views on piracy:
Who commits piracy, what they pirate and what they would buy if they didn't have the possibility of accessing it illegally.

Audit of the online/offline points of sale

- GfK has audited the distribution channel in Spain.

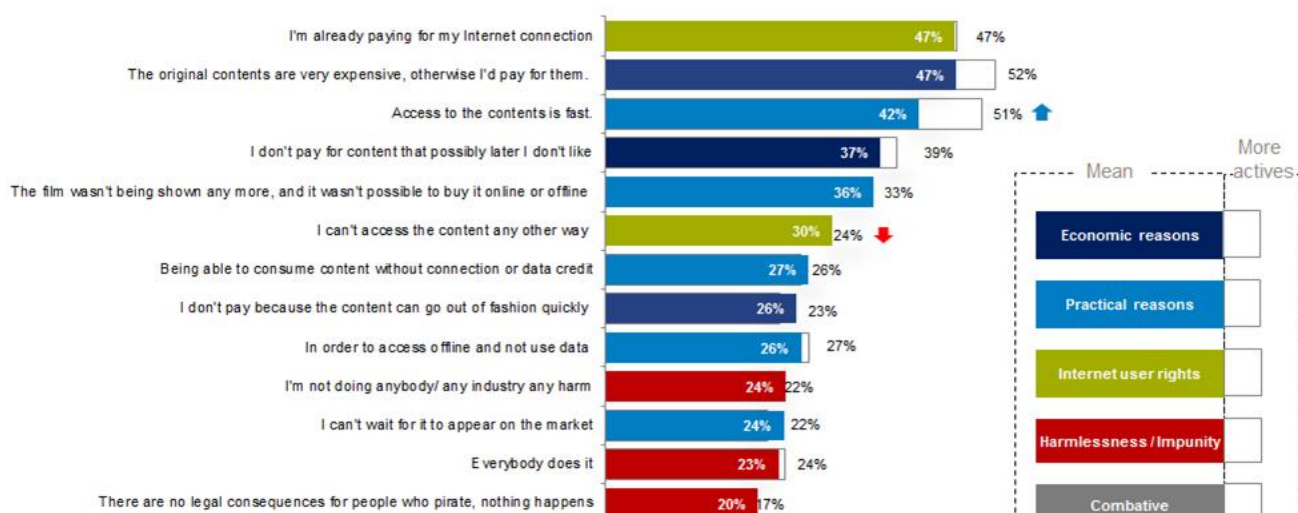


What do we achieve?

Assigning a real market value to the contents.
Balancing the respondents' opinions with the market reality.

Findings

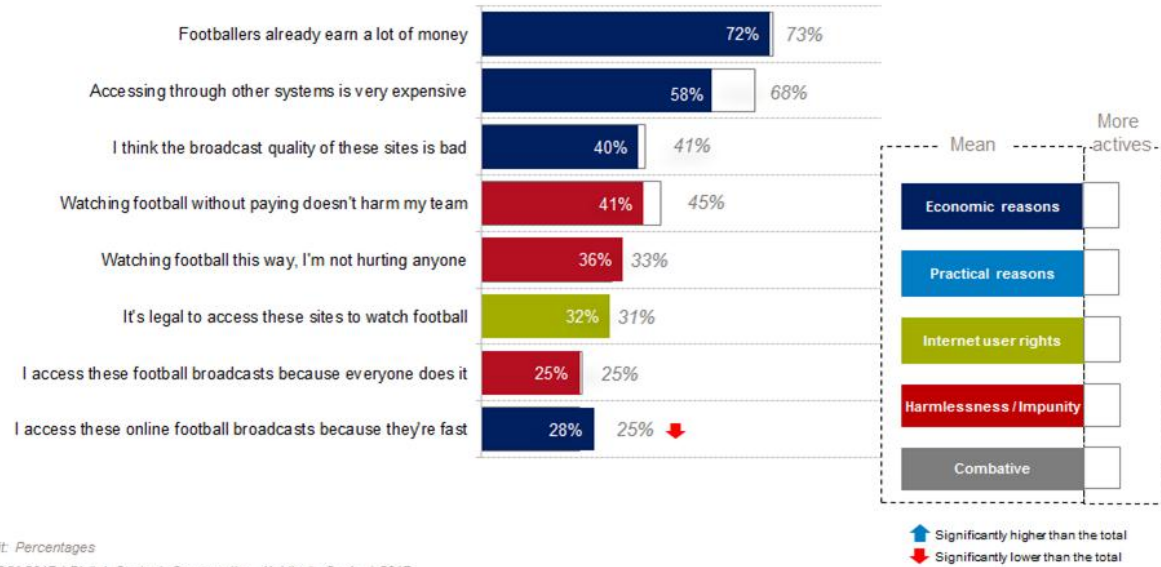
Why are cultural contents pirated?



Unit: Percentages

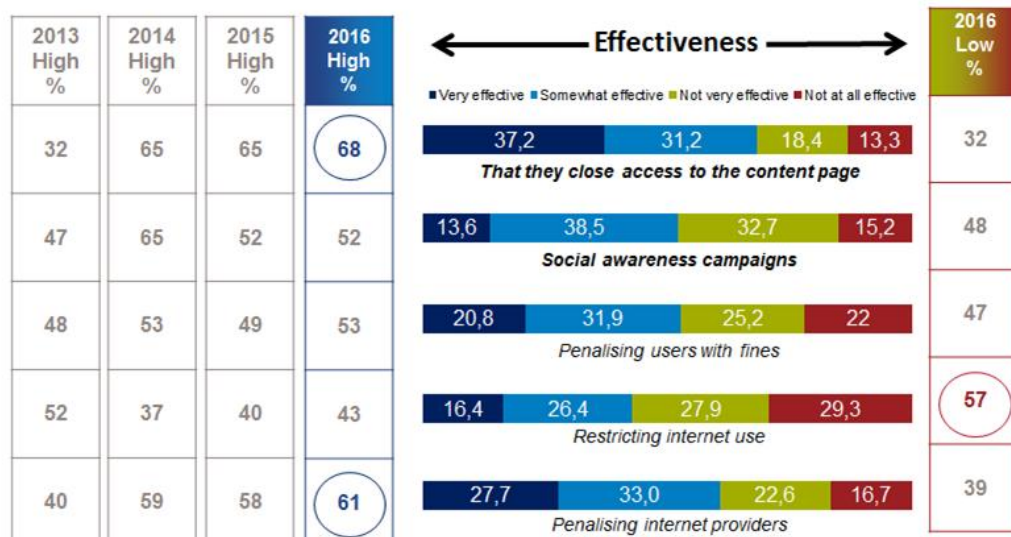
↑ Significantly higher than the total
↓ Significantly lower than the total

Why is football pirated?



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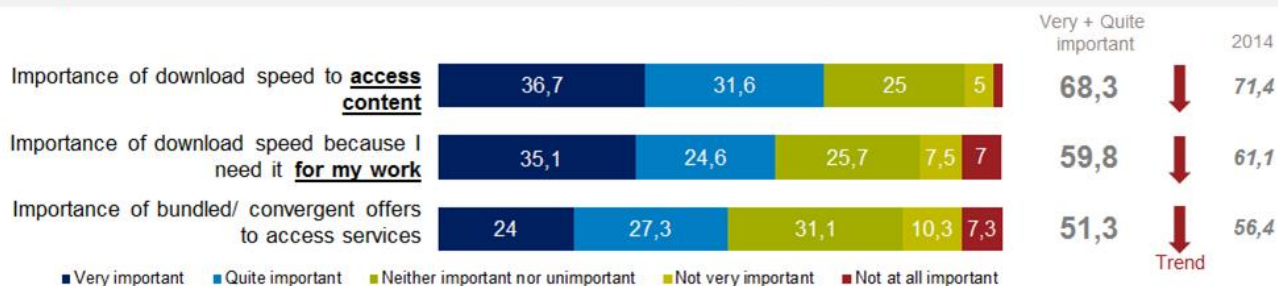
Effectiveness of anti-piracy measures



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Importance of bandwidth at the time of hiring Internet ...and effects regarding restrictions in content downloads

7 out of 10 attach importance to download speed to access content
A quarter of them would cancel the service if could not download content.



Would you keep your bandwidth if you could not download content?



Yes, because it's important to surf internet
No, I'd reduce it because I only need it for downloads

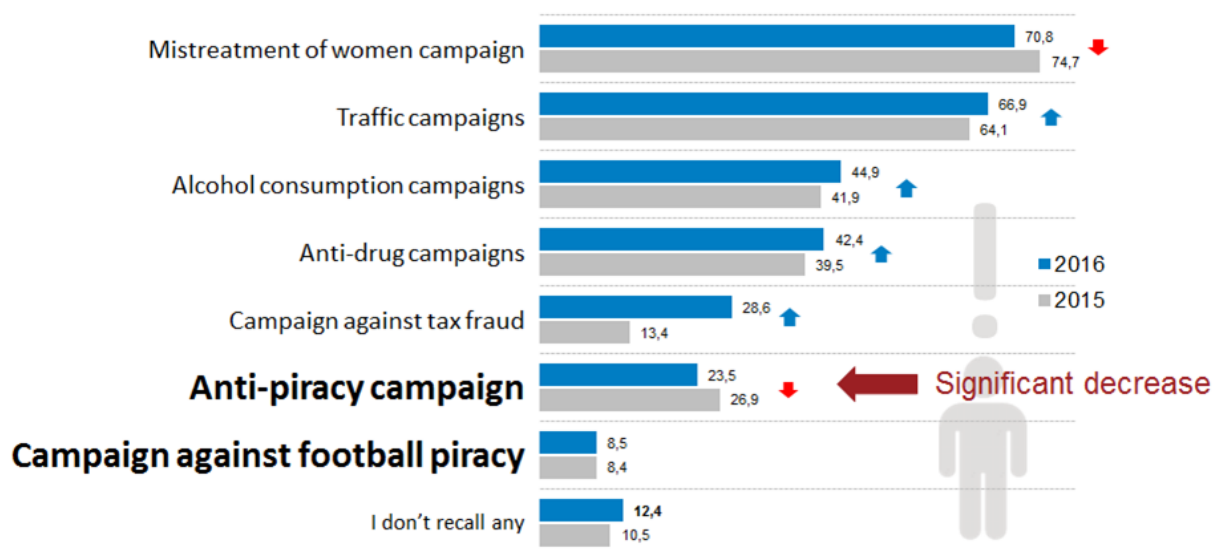
33% among "more active" pirates

Unit: Percentages

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Campaign awareness. Evolution 2015 vs. 2016



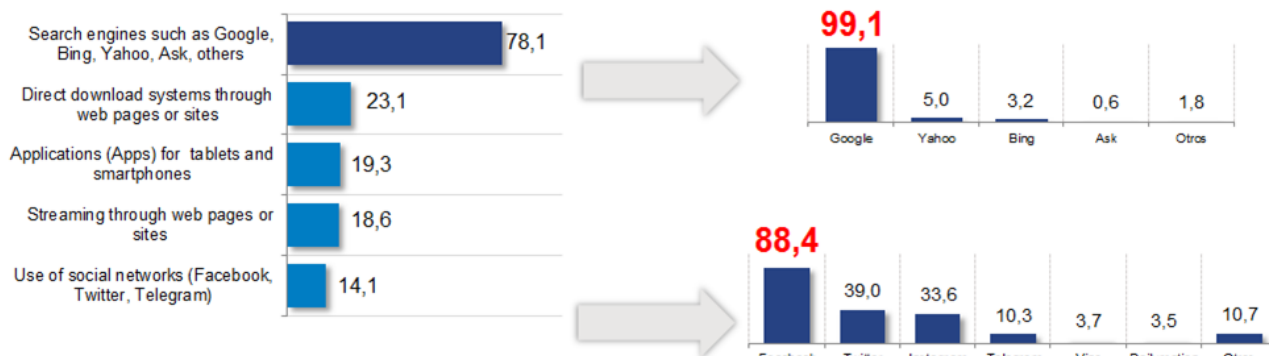
Unit: Percentages

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↑ Significantly higher than 2015
↓ Significantly lower than 2015

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How do they access illegal content?



8 out of 10 Internet users use search engines to access illegal content, 99% of them use Google. Facebook is the social network most commonly used for this purpose

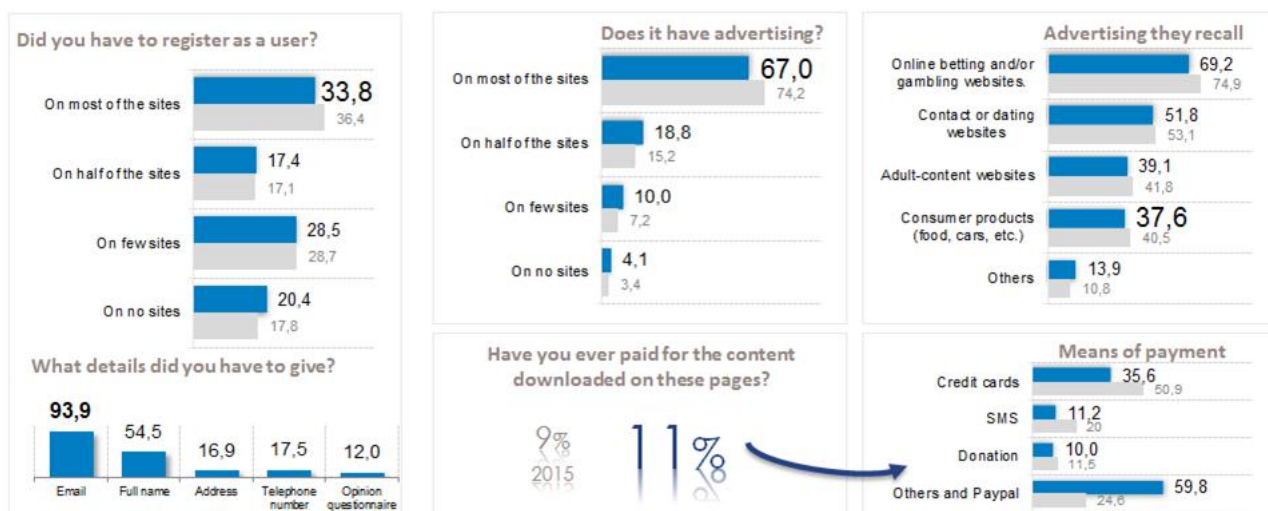
Unit: Percentages

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Sources of income

2016
2015



A slight increase of users who have paid for the content downloaded

Unit: Percentages

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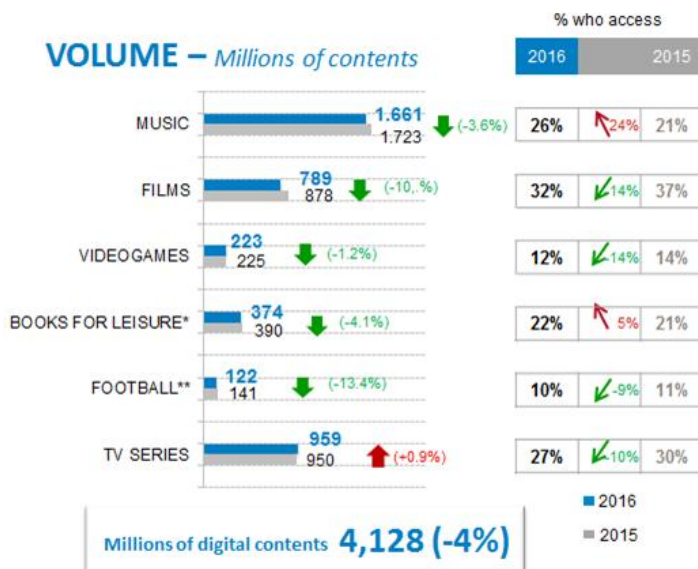
10

Piracy in Spain and loss of profits for industries

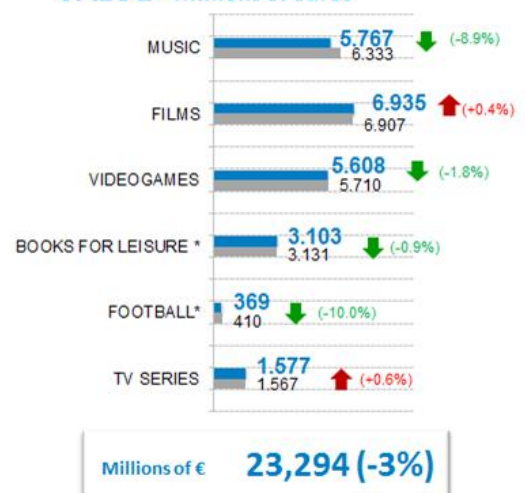
Illegal digital access



VOLUME – Millions of contents



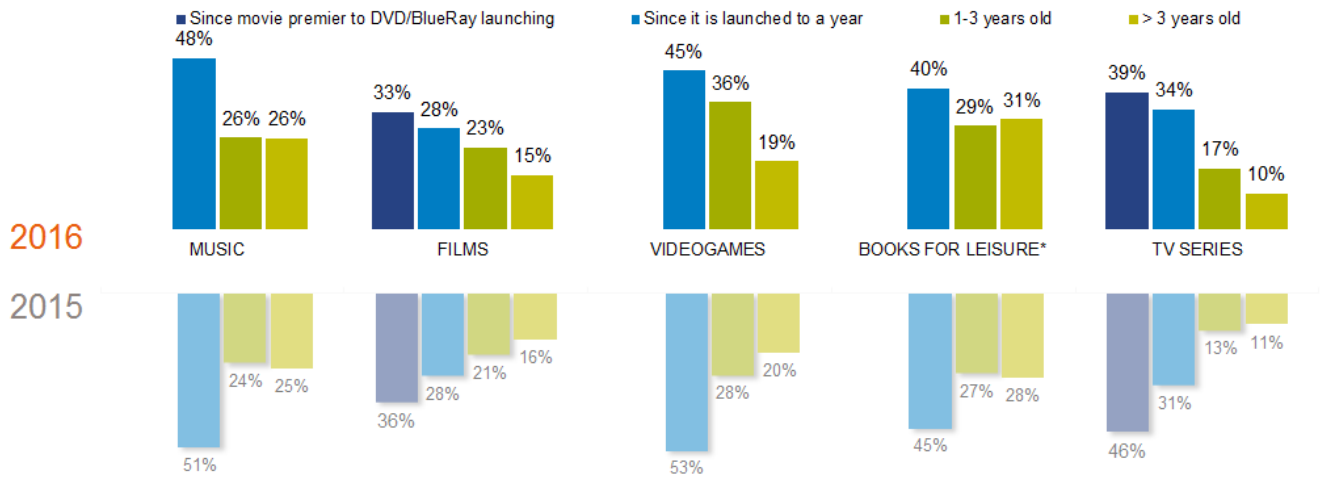
VALUE- Millions of euros



* Incident data shows the download of books or parts of books. Educational and professional books are not considered.

** The value of football piracy has been calculated based on the number of households that pirate this content and the value of football subscriptions

Seniority of illegal contents



Most of the news downloaded contents are in all industries.
The books for leisure is where more pirates are with contents > 3 years old

Unit: Percentages
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Example of reasoning behind the calculation of loss of profit.

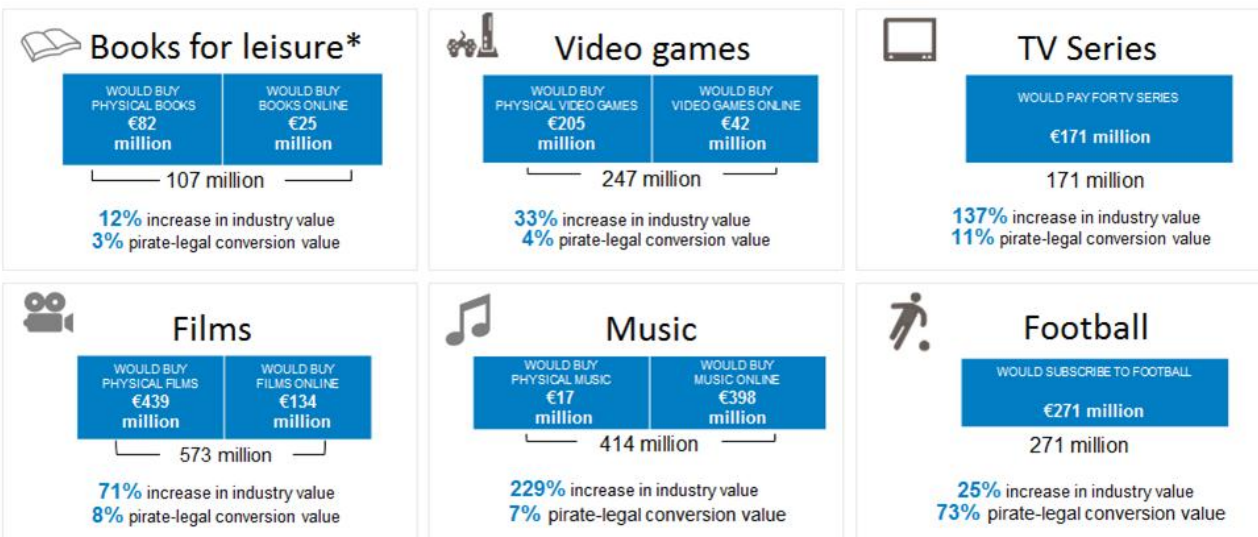


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Summary.

Industry loss of profit due to piracy in Spain.



*Neither educational nor professional books are being valued
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Situation in 2016

PIRATED CONTENTS: 1,664 million contents (4 physical + 1661 digital)

INDUSTRY VALUE: **181 million euros**



increase
+229%

Scenario without piracy

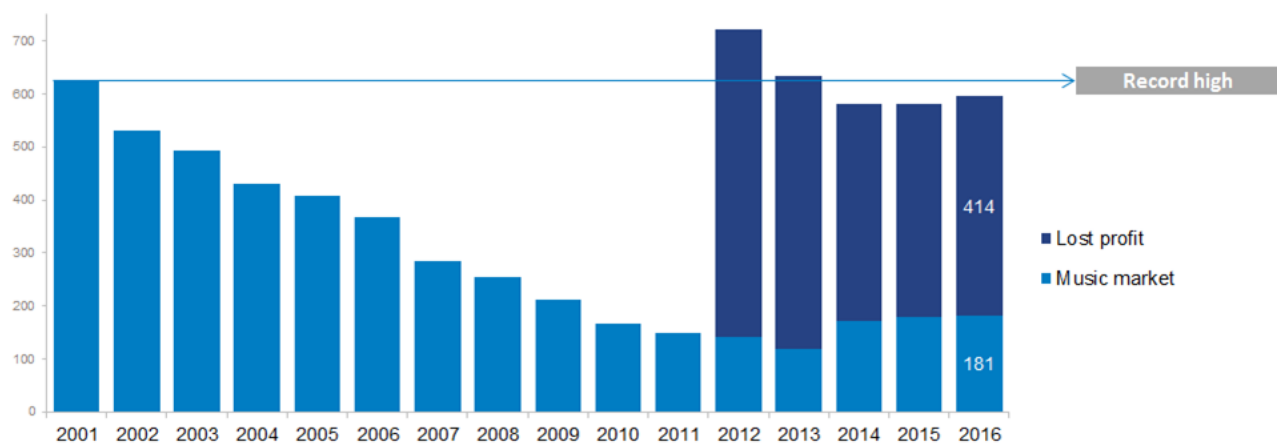
PIRATED CONTENTS: 0

INDUSTRY VALUE: **595 million euros.**

181 million current legal industry

414 million from lost profit

Evolution of music sales vs. Lost profit





Situation in 2016

PIRATED CONTENTS: 799 million contents (10 physical + 789 digital)

INDUSTRY VALUE: **807 million euros**



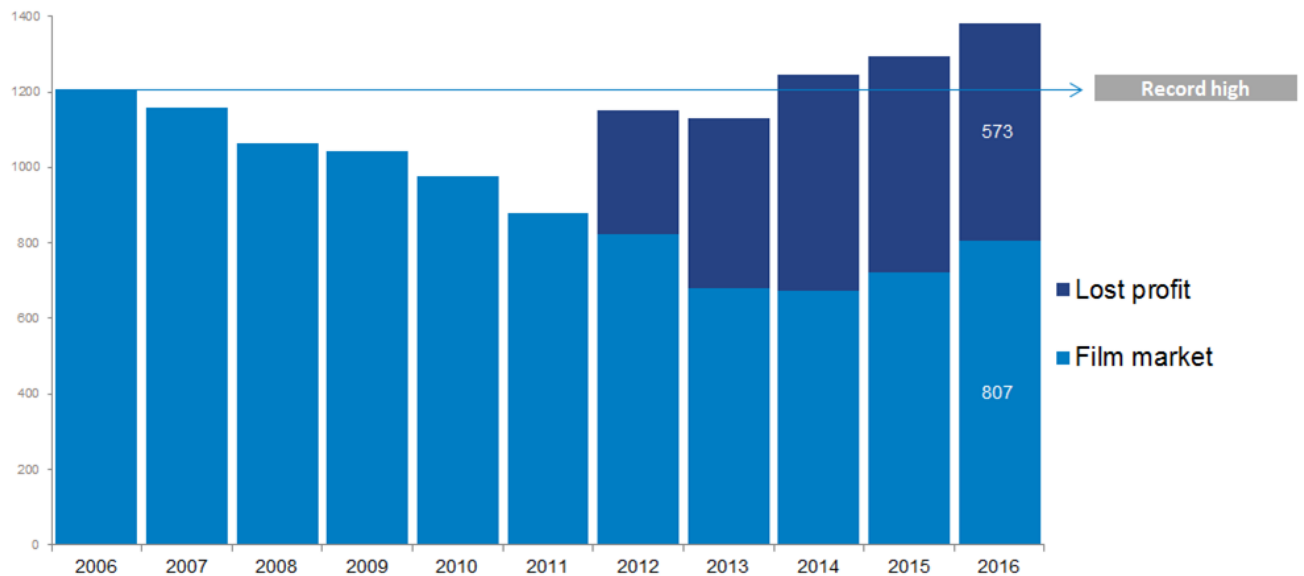
increase
+71%

Scenario without piracy

PIRATED CONTENTS: 0

INDUSTRY VALUE: **1,380 million euros.**
 807 million current legal industry
 573 million from lost profit

Evolution of Cinema/DVD/BD industry vs. Lost profit



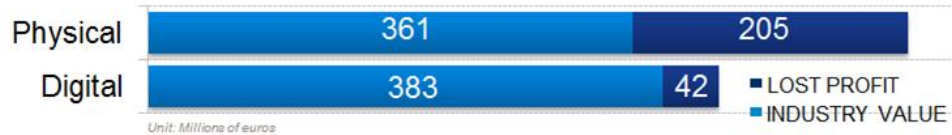
Video games



Situation in 2016

PIRATED CONTENTS: 225 million contents (2 physical + 223 digital)

INDUSTRY VALUE: **744 million euros**



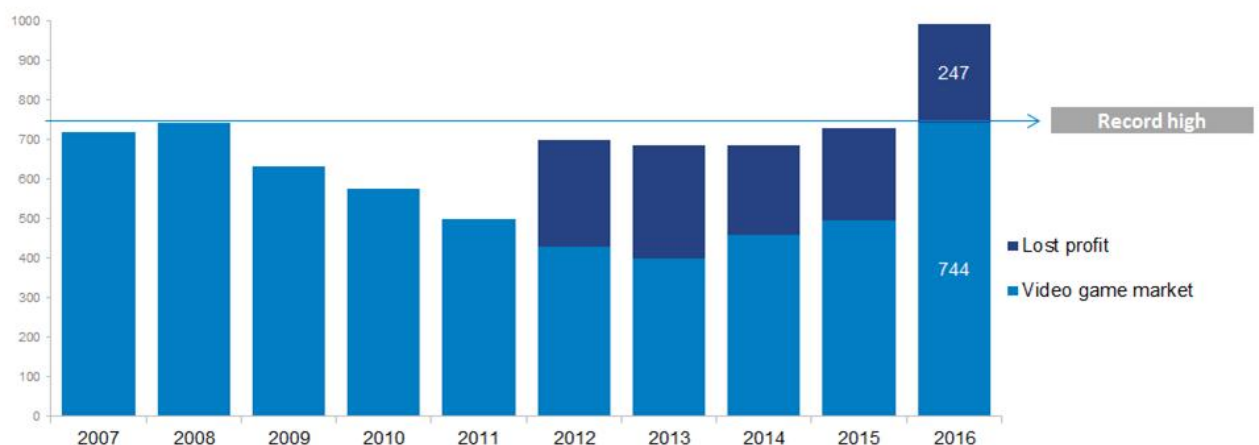
increase
+33%

Scenario without piracy

PIRATED CONTENTS: 0

INDUSTRY VALUE: **991 million euros.**
 744 million current legal industry
 247 million from lost profit

Evolution of Video game sales vs. Lost profits

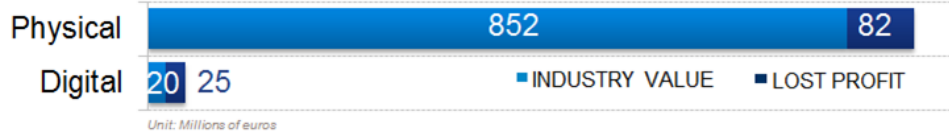


Books for leisure*



Situation in 2016

PIRATED CONTENTS: 374 million
INDUSTRY VALUE: **872 million**



increase
+12%

Scenario without piracy

PIRATED CONTENTS: 0
INDUSTRY VALUE: **979 million euros.**
872 million current legal industry
107 million from lost profit

*Neither educational nor professional books are being valued

TV Series



Situation in 2016

PIRATED CONTENTS: 964 million
INDUSTRY VALUE: **125 million*** *The industry value figure for 2015 is maintained



increase
+137%

Scenario without piracy

PIRATED CONTENTS: 0
INDUSTRY VALUE: **296 million euros.**
125 million current legal industry
171 million from lost profit



Situation in 2016

PIRATED CONTENTS: 122 million matches
INDUSTRY VALUE: **1100 million**



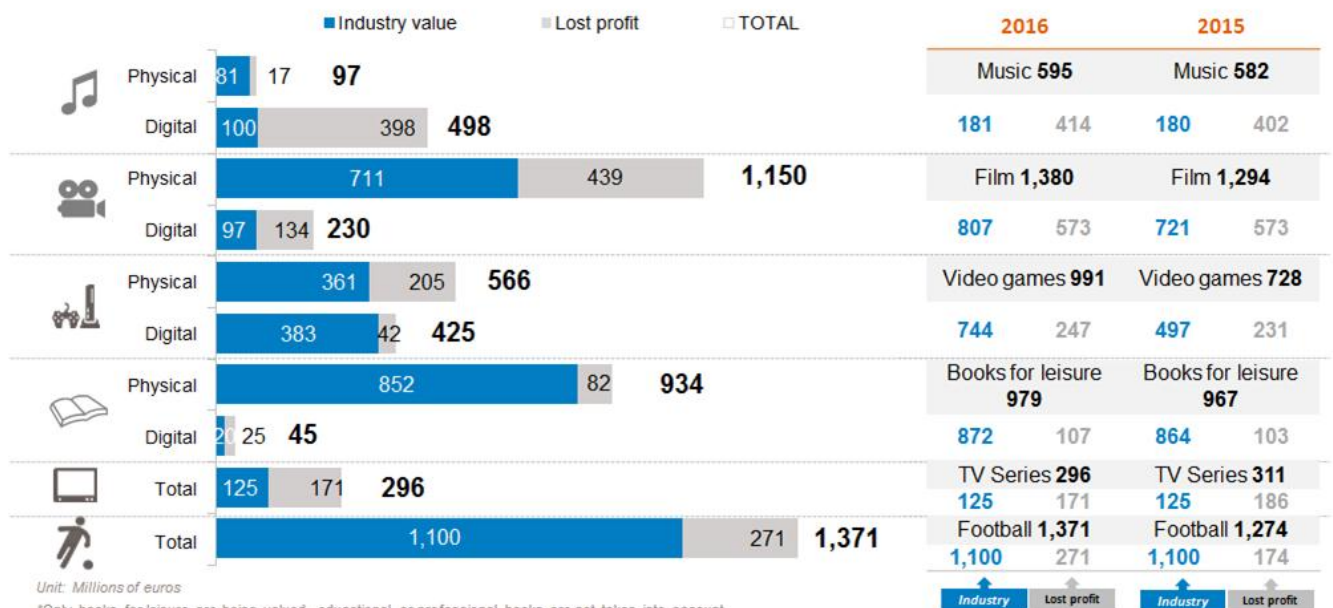
Unit: Millions of euros

increase
+25%

Scenario without piracy

PIRATED CONTENTS: 0
INDUSTRY VALUE: **1,371 million euros.**
1100 million current legal industry
271 million from lost profit

Industry value + lost profit



Unit: Millions of euros

*Only books for leisure are being valued, educational or professional books are not taken into account

Summary



- 1,661M illegal digital and 4M illegal physical accesses
- Lost profit €414M (398 online / 17 physical)
- 7% of the value of the pirated total
- **It would suppose x3.3 times the current value of the industry**



- 374M illegal online accesses
- Lost profit €107M (25 online/82 physical)
- 3% of the value of the pirated total
- **It would suppose x1,1 times the current value of the industry**

*Only books for leisure are being valued, educational or professional books are not taken into account



- 789M illegal digital and 10M illegal physical accesses
- Lost profit €573M (134 online/439 physical)
- 8% of the value of the pirated total
- **It would suppose x1,7 times the current value of the industry**



- 959M illegal digital and 4M illegal physical accesses
- Lost profit €171M
- 11% of the value of the pirated total
- **It would suppose x2,4 times the current value of the industry**



- 223M illegal digital and 2M illegal physical accesses
- Lost profit €247M (42 online/205 physical)
- 4% of the value of the pirated total
- **It would suppose x1,3 times the current value of the industry**



- 122M illegal match accesses
- Total lost profit €271M
- 73% of the value of the pirated total
- **It would suppose x1,2 times the current value of the industry**

Repercussion on public coffers and employment



The content industry in Spain currently employs

65,926 direct workers

New jobs generated
in a scenario without piracy

21,697 direct jobs

Increase in
employment
+33%

It is estimated that 1 direct job can generate 5 indirect jobs

Direct employment generated by lost profits in 2016

21,697 direct jobs

Content and area of work	CURRENT JOBS 2016	Estimated increase %	Estimated increase	TOTAL JOBS
MUSIC				
Production	5,300	36%	1,890	7,190
Distribution	1,900	77%	1,463	3,363
CINE				
Production	12,764	36%	4,638	17,402
Other distribution	639	100%	639	1,278
Video rental	2,497	192%	4,793	7,290
Exhibition	17,734	28%	4,906	22,640
VIDEO GAMES				
Total	4,460	19%	862	5,322
BOOKS				
Publishing production	8,009	6%	481	8,490
Distribution	4,523	12%	543	5,066
TV SERIES				
Jobs	500	94%	468	968
FOOTBALL				
Jobs	7,600	13%	1,013	8,613
TOTAL	65,926	33%	21,697 jobs	87,623

*Neither educational nor professional books are being valued

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Public funds fail to receive...

Value Added Tax (VAT)	PHYSICAL	ONLINE	TOTAL
MUSIC	3.6	83.6	87.2
CINEMA	92.2	28.1	120.3
VIDEO GAMES	43.1	8.8	51.9
BOOKS FOR LEISURE*	3.3	5.3	8.5
TV SERIES	56.9		56.9
FOOTBALL	35.9		35.9
TOTAL			€360.7 million

Unit: Millions of euros

Note: VAT rate applied 21% except physical books 4%

	New jobs	Salary applied*	Rate applied	TOTAL
Social security contribution	21,697	19,674.10	38.9%	166.05
Personal Income Tax	21,697	19,674.10	11.5%	49.09
TOTAL				€215.14 million

Unit: Millions of euros

* Average salary applied on GfK estimation based on the data from the Annual Survey of Structural Wages of the National Institute of Statistics concluding an average salary of €19,674.1

*Neither educational nor professional books are being valued

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Total value of profits lost due to piracy

1,783 Million euros

Increase of **48%** over industries' current revenues.

New direct jobs

21,697

Total revenues lost in public coffers

576

VAT – 361

Social Security Contributions – 166

Personal Income Tax – 49

Million euros

Summary of main findings

THANKS