

Data from the 2014 Observatory of Piracy and of Consumption Habits of Digital Content

## Piracy Exceeds Legal

For the first time the report integrates data related to TV series and football

- *87.94% of all digital content consumed in Spain over 2014 was pirated*
- *One has observed illegal access to 4,316 million works for a value of 23.265 billion euros, resulting in a loss of profits amounting to 1,7 billion euros*
- *Carlota Navarrete, Coalición Director, indicates “the urgent need to apply the recently modified legislation with maximum rigour”.*
- *“I am already paying for my Internet connection” is the justification used by every other consumer acceding to illegal contents*
- *65% of consumers consider that the most way to fight piracy is to block access to [infringing] sites, against 53% believing more in fining infringers.*
- *More than 71% of the portals with illegal contents are funded by advertising*
- *A scenario without piracy would permit the creation of 29,360 new direct Jobs, and about one hundred and fifty thousand indirect jobs*
- *Because of piracy, the Public Treasury failed to receive about 628 million euros in terms of VAT, personal income tax and Social Security contributions, a figure that would on average cover 200,000 Erasmus grants.*

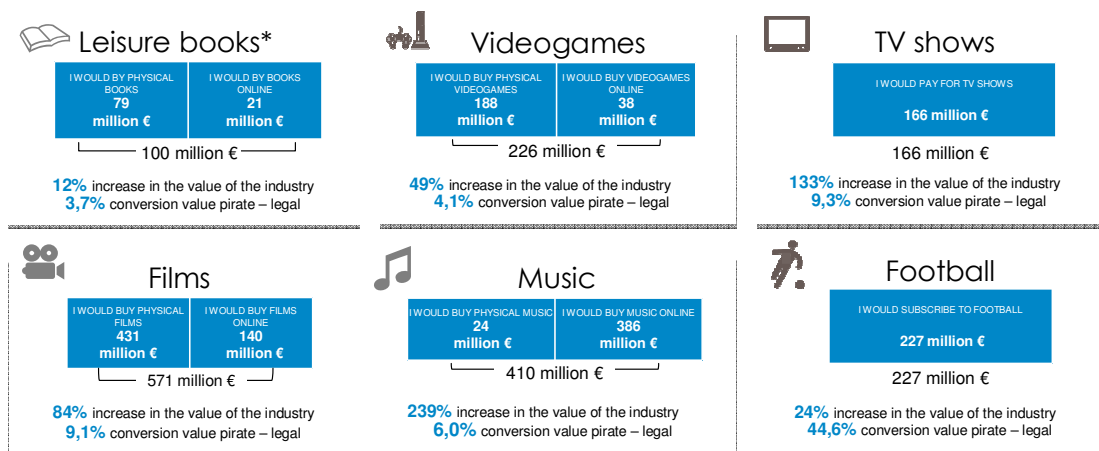
**Madrid, 10 March.**- Digital piracy is beating records in seriously prejudicing the cultural and digital content industries: in the past year (2014), 87.94% of content consumed was illegal. Only **40 % of all access to contents was legal**. Likewise the percentage of consumers acceding illegally to content on the Internet rose from 51 to 58% with regard to the preceding year. These are some of the data collected by the Observatory of Piracy and Consumption Habits of Digital Contents for 2014, set up by renown independent specialised consultant GfK and presented today by the Coalición of creators and content industries.

Carlota Navarrete, Director of the Coalición, points out: “These data confirm *the urgent need to apply the recently modified legislation with maximum rigour*”.

The study has incorporated two important improvements allowing to get a more complete and accurate image of the problem of digital piracy: on the one hand, **the incorporation of the television series and broadcasting of matches of the football league**; on the other hand, **data on the sources of income** of the sites offering the hacked contents.

## Summary

### Loss of potential earnings



\*Teaching and professional books are not being valued

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## ILLEGAL ACCESSES, LOSS OF PROFITS AND ATTITUDES

In total, in 2014 there have been illegal accesses to 4.455 billion digital works for a market value of 23.265 billion euros. The total value of the loss of profits due to piracy amounted to 1.7 billion euros.

Illegal accesses are shared out as follows according to the type of content: music, 24 %; movies, 38 %; videogames, 11 %; books, 11 %; series, 26 %; and football, 18 %.

Every other consumer acceding to illegal content justifies its attitude with the argument: **“I am already paying for my Internet connection”** (50.8%). Furthermore, among the reasons set forth by the consumers, one has to emphasise the **“velocity and easiness of access”** (46%), **“I don’t want to pay for content that might eventually not please me”** (39%), **“I’m not hurting anybody”** (19%) and **“there are no legal consequences for the hacker, nothing happens”** (19%).

It is particularly significant to see that regarding the last reasons argued (I’m not hurting anybody», «nothing happens» and even «everybody does it»), the resulting percentages seem to be quite similar for consumers of cultural and entertainment content and for football consumers, and this shows that, as it is a general problem and not an issue for a few sectors only, there is a lack of a clear message from public authorities.

When it comes to hiring an Internet plan, 78% of users mainly take into account a broadband high-speed that allows accessing content, and almost 40% would downgrade their Internet plan if they could not download content. Besides, almost 60% paid special attention to bundled plans (broadband DSL or optical fiber packs plus content) when choosing their Internet company.

### **ACCESS MODES AND SOURCES OF INCOME**

With respect to the access mode, one notes a noteworthy increase of the use of browsers to accede to the illegal content that passes from 46 to nearly 72%, whereby Google is utilised 9 times out of 10.

More than 71% of the portals from which illegal access to the content was gained, were funded by advertising. From such advertising, **about 70 % were for online betting and gaming sites, about 43 % for dating sites and more than 33 % for adult content.**

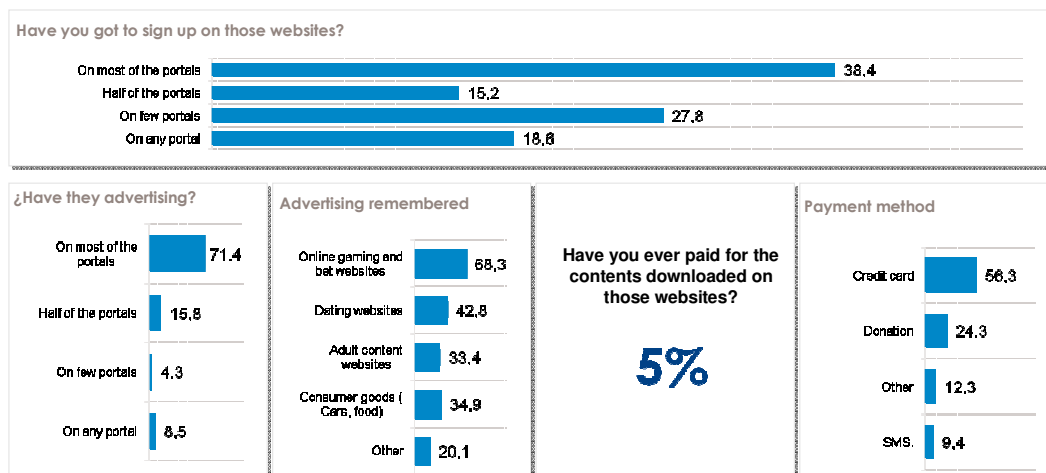
What is conspicuous is that more than a third of the advertising on pirate sites corresponds to consumer goods of prestigious brands in the food, fashion, insurance, telco sectors, etc., which confirms the urgent need to enhance collaboration between industry and advertisers in order to improve the ecosystem of online advertising.

In any case the sources of income of such sites are varied, whereby it should especially be emphasised that **38.4% of the consumers had to register themselves as users while providing personal data** which pirates compile in very valuable databases used in commercial emailing campaigns.

In any case the sources of income of such sites are varied, whereby it should especially be emphasised that 38.4% of the consumers had to register themselves as users while providing personal data which pirates compile in very valuable databases used in commercial emailing campaigns and reaching high prices in the market. These data are much more valuable than one could think a priori and let pirates obtain enormous benefits, as those showing users' browsing habits: other sites visited by the consumer, browsing preferences, likes, purchases, etc.

Likewise, payment methods such as paypal, VISA or Mastercard, play a significant role in the operation of pirate sites, particularly when these are providing and selling premium accounts, receiving donations or automatically sending text messages to registered users with information on the existence of new Internet content.

## How are pirate websites financing?



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Simultaneously while nearly 70% of the consumers remember communication campaigns against gender violence and nearly 60% remember road safety campaigns, only 35.8% remember campaigns against digital piracy, holding the fifth position in percentage of knowledge (even behind the campaigns against the over-consumption of alcohol and promotion of recycling).

### IMPACT ON EMPLOYMENT AND ON THE REVENUE OF THE STATE

The impact of piracy on employment shows figures even more worrying for the cultural and content industries: in a sector employing currently 62,652 direct workers, a scenario without piracy would allow to create 29,360 new direct jobs, which supposes an increase by 47%, and about one hundred fifty thousand indirect jobs.

Accordingly because of piracy, more than 343.7 million euros in VAT did not get into the Public Treasury, and neither did 219.3 million euros in Social Security contributions and nearly 65 million euros in personal income tax. This means that in 2014 the State failed to receive a total of 627.8 million euros because of illegal access to contents.

**This amount would cover the average costs of 200,000 Erasmus grants for a whole year (in 2014 Spain handed out 40,000 grants of an average of 3,000 each).**

## 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
<b>TOTAL</b>			<b>343,7</b> million €

Unit: million euros

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

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

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## ACCESSES AND ORDERS OF MAGNITUDE PER TYPE OF CONTENT

### MUSIC

In 2014 one observed illicit access to **1.831 billion musical works online**, for a market value equal to 6,773 million euros. Less than 1 out of 10 consumers accessed music legally online, whereas 21% accessed illegal content. More than 46% of the accesses corresponded to works that had been commercially launched less than a year before.

### MOVIES

The volume of movies to which it was acceded illegally in digital form in 2014 amounted to **877 million**; the market value thereof amounts to 6.139 billion euros.

36 % of the users accede illicitly to content, while 9% accede legally to digital movies. 36% of the accesses took place while the movie was still shown in cinemas.

### SERIES

**25% of the users illegally access series on the Internet, whereby the chapters reproduced or downloaded illicitly amounted to 1.033 billion in 2014.** Their market value amounts to 1.755 billion euros.

41.5% of the access took place during the period in which they were still broadcast on television

## BOOKS

**In 2014 one counts 335 million of illegal accesses to digital books**, for a market value of 2.680 billion euros.

42.8% of the accesses materialised in contents less than one year old.

## VIDEOGAMES

**For what regards videogames, there have been 240 million illegal accesses in the past year.** The value of such products amounts to 5.409 billion euros.

More than 40 % of the videogames accessed illegally had been on the market for less than one year. 10% of the consumers access videogames online in an illicit way.

## FOOTBALL

**In 2014 139 million matches were viewed illegally in more than 1.8 million Spanish households.** The market value of said broadcasts exceeds 509 million euros. The loss of profits caused by that type of digital piracy amounts to 227 million euros.

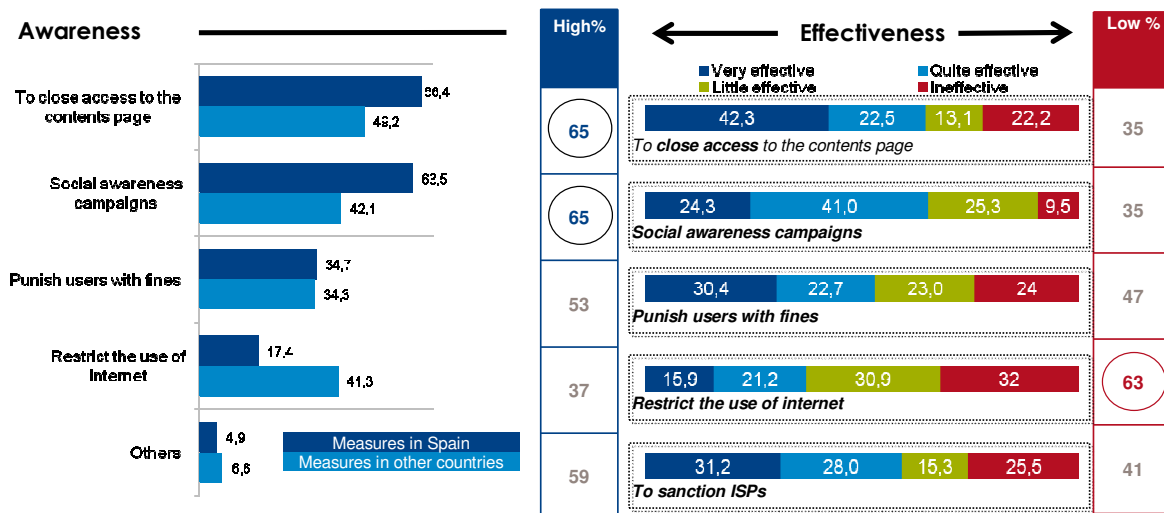
The access to football is distributed between 6% of authorised access and 18% of illegal access. The profile of the consumer of illegal online football broadcasts is that of a man aged between 16 and 34 and an Internet expert user.

For what regards football, the most emphasised grounds to display hacked broadcasts are that **“Access through other systems is very expensive”** (72%), **“footballers are already earning enough money”** (68%) and **“watching football without paying does not harm my team”** (46%) **“nor anybody”** (45%). These reasons rely on the fact that, according to 33% of the users, **“everybody is doing this”**.

## EFFICIENCY OF THE MEASURES

The most efficient measures against piracy would, according to the net surfers' opinions, be to block access to the website offering the content and to develop social awareness campaigns (65%) and sanction the Internet access operators and providers (59%), either with fines (53%) or restrictions on the use of Internet (37%).

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



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