

Piracy Observatory and Digital Content Consumption Habits 2019.  
Analysis of the traffic to illicit portals during the covid-19 crisis and the restoration of normality.

## The industry calls for an end to the illegal supply of content on the Internet

### Access to illegal content accumulates a drop of 17% Illegal websites take advantage of the lockdown

- *In 2019 there were 5,187 million illegal accesses to contents worth 30,904 million Euros, with a damage to the sector of 2,437 million Euros.*
- *A scenario without piracy would allow the creation of almost 120,000 direct and indirect jobs.*
- *The impact in 2019 for the Public Funds would have been 673 million Euros, and almost 4,660 million Euros from 2012.*
- *8 out of 10 consumers believe that the most effective measure against piracy is to block access to websites with illegal content.*
- *More than 90% of illegal content portals contain advertising and more than two thirds of consumers had to register by giving their personal information.*
- *Significant increase in social networks and equipment (IPTVs, Cardsharing...) as a means of accessing illegal content.*
- *4 out of 10 consumers do not know how to distinguish between legal and illegal websites.*
- *11% of Internet users who accessed portals with illegal content during lockdown did so for the first time.*
- *The lockdown has reactivated the illegal content offer, more users, more portals, more accesses while the new normality register all-time lows.*

**Madrid, September 25th. National Library Auditorium**— Digital piracy in Spain is experiencing another decline in absolute numbers, according to data from 2019, which recorded a drop of 5% in access to illegal content, with 5,187 million **illegal content accessed**, representing a cumulative decrease of 17% since 2015.

The value of such contents is that of 30,904 million Euros and the harm for the sector reached **2,437 million Euros** in this period. The Public Treasury could have collected 673 million Euros during 2019, a sum which rises to 4,658 million Euros since 2012, and **almost 120,000 direct and indirect jobs** could have been created.

"The protection of content and intellectual property on the Internet is essential for the future of a highly productive sector such as the cultural industries, but also for economic recovery, job creation, international competitiveness of our country or digital training, so necessary for our future. For all these reasons, we believe that ending the illegal supply of content is a strategic challenge that cannot be postponed. The effort made during these years by the sector, the Ministry, the legislator, the society, the public authorities and the media has been enormous and essential to reduce piracy, and we are pleased to note the accumulated decrease of 17%, but we need a strong commitment to ensure, with this objective in mind, the next European transpositions, the urgent reform of some regulations to speed up the closure of illegal sites much more and to provide the fight against piracy with the necessary resources and infrastructure" said Carlota Navarrete Barreiro, Managing Director of La Coalición.

These are some of the main facts collected by the Observatory of Piracy and Digital Content Consumption Habits 2019, elaborated by the independent consultant GfK and presented today at the Spanish National Library, by The Coalition of Creators and Content Industries in collaboration with the Ministry of Culture and Sports, and with the participation of the main representatives of content owners and industries\*.

The study included, for the first time, a mixed methodology, which adds to the usual dynamics of a declarative survey (3,031 interviews to Internet users between 11 and 74 years old) the latest trends in marketing methodology, with an observational block (1,200 interviews and more than 9,000 navigation observations collected passively with a tracking software installed on the devices) that gives greater consistency to the results obtained in this edition.

## ILLEGAL ACCESS, LOSS OF PROFIT AND ATTITUDES

Regarding access to content, **the book industry has been most affected**, with a percentage of individuals making illegal accesses of 33%, followed by movies (31%), music (30%), series (26%), newspapers (23%), football matches (22%), video games (20%), magazines (13%) and music scores (5%). **Total value** of the contents amounts to **30,904 million Euros**.

As for the **2,437 million Euros of lost profits** caused by piracy in 2019, music is the most affected with 527M€, movies 437M€, series 108M€, books 230M€, video games 203M€, football matches 293 M€, newspapers 287M€, magazines 323 M€ and music scores 30M€.

Among the reasons that justify illegal access to content, 4 out of 10 consumers claim "**not knowing how to distinguish between legal/illegal platforms**", while 54% argue that they do so because they already pay for an Internet connection or pay-TV.

However, the importance of excuses "because there are no legal consequences" and "I am not harming anyone or any industry" decreases, falling to 30% and 24%, respectively, which fortunately shows a **greater positive consumer awareness** and that the awareness campaigns are effective.

As for seasonality, there is a drop in the summer months (between July and September), while April and May take the highest average number of sessions per user. With regard to the frequency of consumption, 6 out of 10 survey respondents indicated that they access some illegal content up to 11 times a month on average.

## ACCESS WAYS: INCREASE THROUGH SOCIAL NETWORKS

Regarding the form of access to illegal content, there is a slight **increase in the influence of browsers**, from 60% in 2018 to 62%. Among them, Google remains as the most popular one: 9 out of 10 accesses to illegal content are produced from its search results, and it is necessary to consider more collaboration with this sector to prevent this from happening.

Nevertheless, what stands out the most is the increase in the use of social networks as a mean to access illegal content (from 21% to 23% in 2019): Facebook (58%), Youtube (54%), Whatsapp (35%), Instagram (33%) Twitter (26%) or Telegram (25%), which, in the opinion of the content industries, makes it impossible to postpone measures to reverse this situation. Likewise, **online streaming** is growing (from 17% in 2018 to 22% in 2019), for the fourth consecutive year, and specific reforms are also needed in order to curb it.

One of the newest and most worrying facts is related to the equipment, 29% of the internet users have an IPTV decoder and 21% have accessed a VPN for personal use, and 38% of the internet users have made use of tutorials about how to access content. Of these, 15% have consulted guides on how to download content, 9% have sought help in obtaining or using platforms and 14% have used manuals for both purposes. Regarding the type of tutorial, the most consulted are those referring to music (17%), followed by the use of a VPN (10%), modifying a console (10%), books, newspapers, magazines and music scores (9%), the use of an IPTV (6%), audio books (6%) and the use of card sharing (2%).

In addition, 62% of those who access illegal digital content and attempted to access content but the website no longer existed or was closed, have seen how half of the portals that have been closed provided nonetheless, directly, a link or information to new web to redirect the user to that illegal content, "making their pursuit like the tale of the dog chasing the cat" therefore, "we need new tools that can cope with this reality," stated Carlota Navarrete, Managing Director of La Coalición.

The percentage of websites from which illegal content was accessed that are **financed by advertising remains above 90%**, as in previous years. Out of all this advertising, the percentage corresponding to **betting and online gaming sites** increases to 52%, 37% to online sales websites or 32% to prestigious branded consumer products. Therefore, it is essential to insist on the responsibility and collaboration of the advertising sector in order to curb the financing models of illegal portals.

In addition to advertising, another especially noteworthy source of income for illegal content sites, is the **collection of data** that hackers fraudulently collected in databases, which then trade and reach very high prices on the market, so that more than two thirds of Internet users (66%) had to register as a user giving personal data (email 60%, mobile 21%, complete a survey 20%).

## IMPACT ON EMPLOYMENT AND THE STATE INCOME

The impact of digital piracy on employment provides worrying figures. In a scenario without piracy, almost **20,000 new direct jobs** could be created, which would mean an increase of 24%, plus indirect jobs would mean **117,097 more of total jobs**.

The Public Funds stopped receiving almost 440 million Euros in VAT and more than 53 million Euros in personal income tax due to piracy, while the amount not collected by Social Security reached almost 180 million, in terms of contributions. In other words, **the State would have stopped paying a total of 673 million Euros in 2019** for illegal access to contents, adding up to an accumulated **4,658 million Euros since 2012**.

## EFFECTIVENESS OF THE MEASURES

In the fight against piracy, almost **8 out of 10 users consider that the most effective measure against illegal access** is to deny access to these web pages, while the percentage of people who consider it effective to develop social awareness campaigns increases (64%), which shows that consumers would positively see a framework of greater collaboration between the content sector and operators. Likewise, 66% of users see effective to fine Internet providers, and 51% believe in sanctioning users with fines.

As for the importance of hiring an Internet access service, 58% of users believe it is especially important that it also integrates content service offers.

## CONFINEMENT, DE-ESCALATION AND "NEW NORMALITY".

### Confinement reactivates illegal supply

Additionally, the Coalition of Creators and Industries of Contents has also presented the *Analysis of the traffic to portals of illicit content during the Covid-19 crisis and the restoration of the new normality*, carried out by an online panel of more than 9,000 Internet users with passive monitoring of their browsing, representing the Spanish population.

Since the declaration of the state of alarm, a significant **increase in the number of users** accessing illegal content portals has been observed. 11 out of every 100 Internet users had accessed these portals and had not previously done so.

Moreover, these users accessed a **greater number of illegal portals** (25% accessed 3 or more portals in the first week of strict lockdown, compared to 19% in the previous weeks), also diversifying their consumption in more portals than they had previously visited.

They also **displayed a greater number of pages** on these portals with illegal content (+15%, going from 56 to 65 on a weekly average), which most likely translates into a greater number of content consumed and/or downloaded.

**During the strict lockdown, several significant changes in the consumption habits of illegal content were observed: more users, more content consumed in a greater number of portals, and also that consumption was more constant throughout the day**, and decreased from 8 p.m. onwards (perhaps due to reasons such as more family time, applause of appreciation for the healthcare professionals, more focus on the latest news or possible digital saturation), unlike what happened before the state of alarm, when there was a significant concentration of consumption between 19:00 and 23:00 hours. In addition, during the strict confinement stage, greater access was still observed during weekends, but the difference with working days was not as pronounced as in the previous state of normality.

However, coinciding with the **return to the new normality**, the consumption intensity indicators (portals and pages) are back to the levels before the state of alarm, and the number of users is considerably reduced, registering the **lowest levels** for the whole period.

"Obviously, the lockdown restrictions had a very adverse impact on the industry in all on-site activities: live concerts, cinemas, bookstores, music festivals, football matches, etc. But also for digital consumption, even though the effect for legal was positive, it has not prevented a **significant reactivation of illegal**, making even more urgent the commitment of public authorities to promote all resources and mechanisms necessary for the fight against digital piracy to be a priority, a strategic challenge, with undeniable benefits for the industry but also for society, employment, economy, Public Funds, our international competitiveness and economic recovery. We have a lot at stake" concluded the Managing Director of La Coalición, Carlota Navarrete Barreiro.

#### Quoting. Main Speakers Contributions from the Press Conference:

**José Manuel Rodríguez Uribes, Minister of Culture and Sport** - "We can all support the cultural industry in a strong way by consuming more culture, but in strict respect of intellectual property rights. Protecting our creators is a key task in order for them to survive, but now with this pandemic we are facing, it is even more important". "The Observatory is a key study that guides us where we should focus our efforts" (... ) " Now is the time to take advantage of the opportunity that digitalisation offers us and it is therefore more important than ever to encourage legal consumption, as investing in anti-piracy measures is not only beneficial for creators but also for the creation of jobs and the Public treasury; it improves our competitiveness and international reputation and has a positive impact on the use of technology" (...) "I will continue to be committed to intellectual property rights and work to

eradicate piracy in this area".

**MUSIC - Antonio Guisasola, President of Promusicae** - "The situation has been improving in recent years, but the pressure cannot be lessened. Together with more agile actions by both the administration and the courts, it is necessary that, once and for all, Internet access providers take a responsible position and put an end to intellectual property infringements as soon as they become aware of them. That is the way it works in advanced countries and in Spain we cannot miss that train again".

**CINE - Estela Artacho, President of Fedicine** - "2019 has been a good year for the audiovisual sector because legal consumption in all its forms has grown, making it the best year in a decade for movie theatres and increasing consumption on platforms. However, cinema continues to be one of the sectors hardest hit by piracy, despite the joint efforts of the administration and industries to raise public awareness and provide us with instruments to tackle it".

**VIDEOGAMES - José María Moreno, General Manager of AEVI** - "Video games are a clearly established phenomenon in our society, with 16 million video players. Video games are a mainstay of the digital world, they are culture and innovation. We are one of the top ten markets in the world, the fourth largest in Europe, and we have therefore asked to extend the tax incentive system to the production of video games, as is the case with cinema and performing arts. Piracy is the sector's main historical concern in our country, because it is the main obstacle to the consolidation of the sector, with the destruction of jobs and the lack of talent attraction that goes with it".

**BOOK, PRESS and PUBLISHERS - Jorge Corrales, General Director of CEDRO** - " Most users who access digital publishing content (including books, newspapers, magazines and music scores) are found to be copyright infringers (as opposed to the other cultural industries). In order to turn this illegal consumption into legal, the industry considers it essential that the Government leads the implementation of good practices in the use of contents as well as the development of the necessary State compact for books and reading".

**FOOTBALL - Ignacio Arrola, Marketing and Sales Director of Mediapro** -"The effort and coordination that LaLiga and the MEDIAPRO Group are carrying out together with the rest of the operators is key to reinforcing the fight against audiovisual piracy in soccer and the fraudulent and illegal consumption of intellectual property rights". " We must remember that football generates 1.3% of GDP, and therefore illegal consumption must be eradicated. We need greater agility in closing down illegal websites, more resources at the level of the FCSE, the public prosecutor's office, and the Administration, but also more anticipation because we have seen the progress in the IPTv market. In the study carried out, 30% of those surveyed stated that they have IPTv equipment and that they believe it is legal, and this feeling of impunity must be changed as a matter of urgency".

**Adrina Moscoso del Prado, General Director Of Cultural Industries, Intellectual Property and Cooperation-** "It is worth noting the positive data about the ongoing decrease in piracy in recent years - with the exception of the lockdown period - but we should not lower our guard. Only

the awareness of society, the collaboration of the stakeholders within the private sector and the constant updating of the regulations will allow us to put an end to this scourge. My team and I are committed to this and ready to face the challenges of the transposition of European regulations, which is also key to this end”.

**Carlota Navarrete Barreiro, Director of The Coalition of Creators and Content Industries** -"We must insist that the digital piracy of content is a first-rate criminal activity and that it is urgent to adopt measures in three areas: regulations, with the appropriate transposition of the various European directives that are in the pipeline on the subject as well as immediate improvements in regulations at national level to facilitate the current instruments for combating piracy; to promote sectoral agreements with Internet agents (search engines, operators, advertising, data...). and finally, the necessary provision of human and technological resources, and especially the creation of the Copyright Office as a body that can stimulate and coordinate all public policies in this regard".

\*New types of illegal access have been measured in 2019 as digital content piracy is a living phenomenon that needs to be adapted to new realities in order for its study and quantification to be rigorous, for this reason, to have a reliable comparative have gone back its traceability to 2018 allowing the universes of study to be identical, which is an indisputable improvement since already in 2018 we are in a position to offer consolidated data.