

PIRACY OBSERVATORY AND DIGITAL CONTENTS CONSUMPTION HABITS 2017



Piracy observatory and digital content consumption habits 2017

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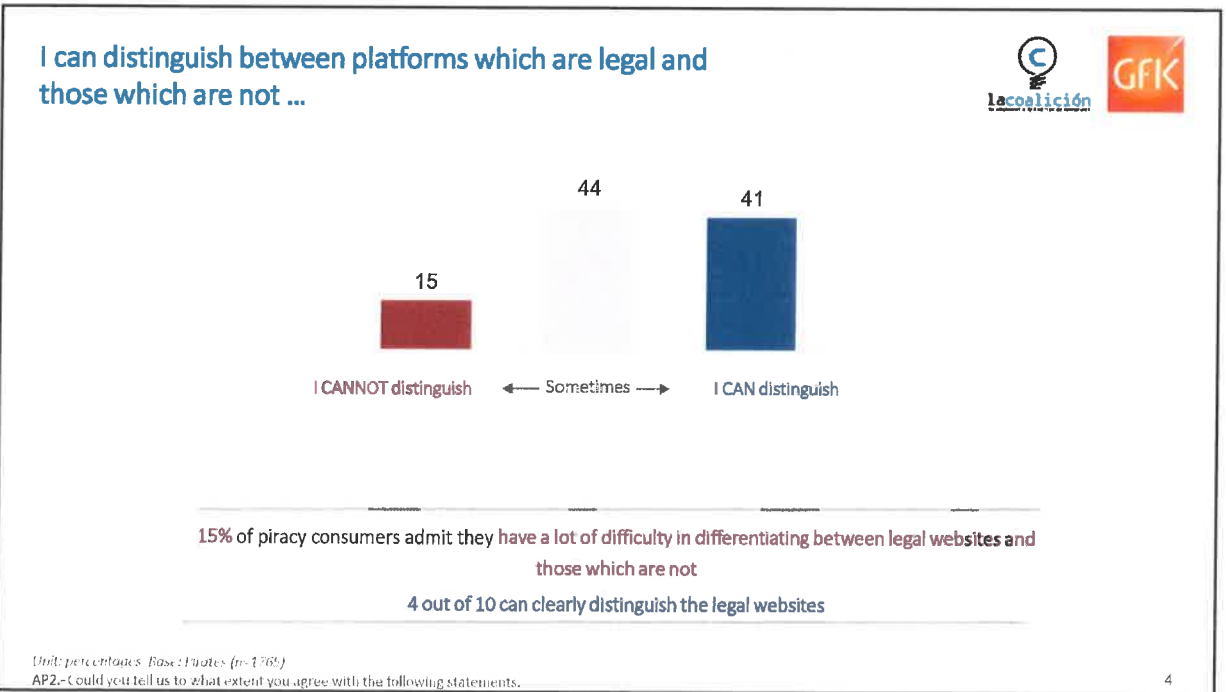





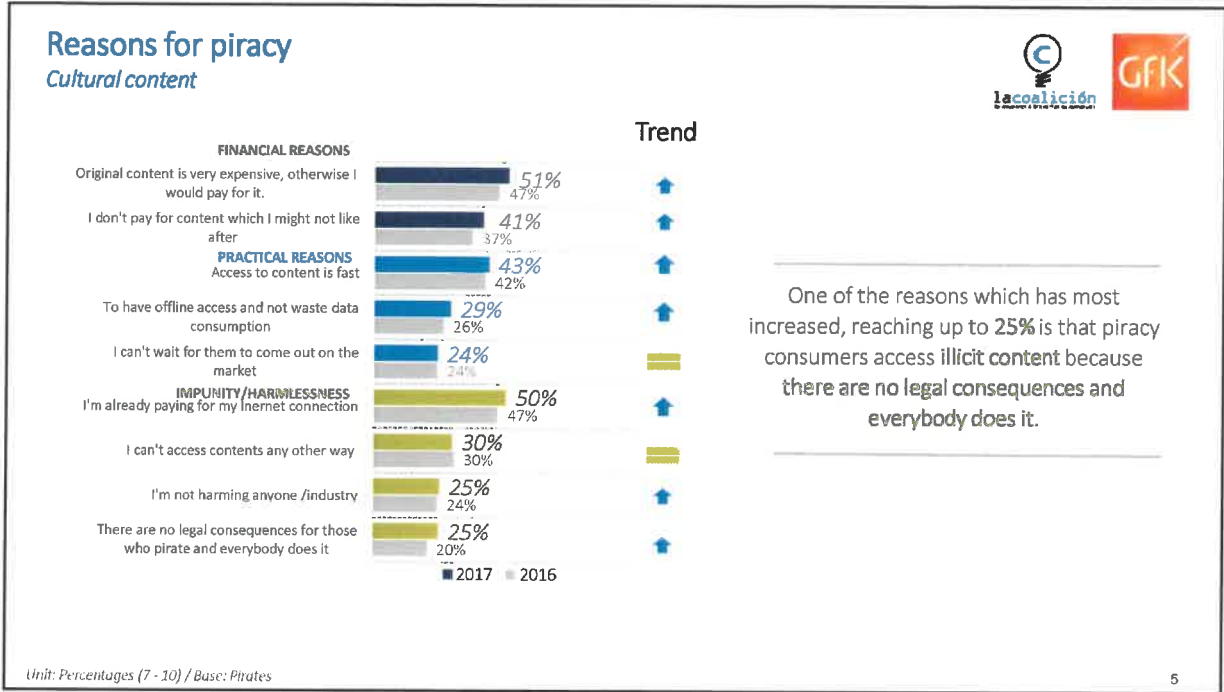
Technical details	
Universe	Spanish resident Internet users, between 11 - 74 yrs old. Survey with under 16 year olds was carried out with prior consent of parent or tutor.
Area	National
Total sample	4047 interviews
Sample error	Total at national level n 4047= +1,54%, for a level of confidence of 95%, being p=q=0,50
Type of interviews	Online survey, with semi-structured questionnaire, approximate duration of 17 minutes.
Sampling method	Stratified random sampling by conglomerates
Quality control	Abiding by ISO 9001:2015 standards
Fieldwork	Last quarter 2017

Findings

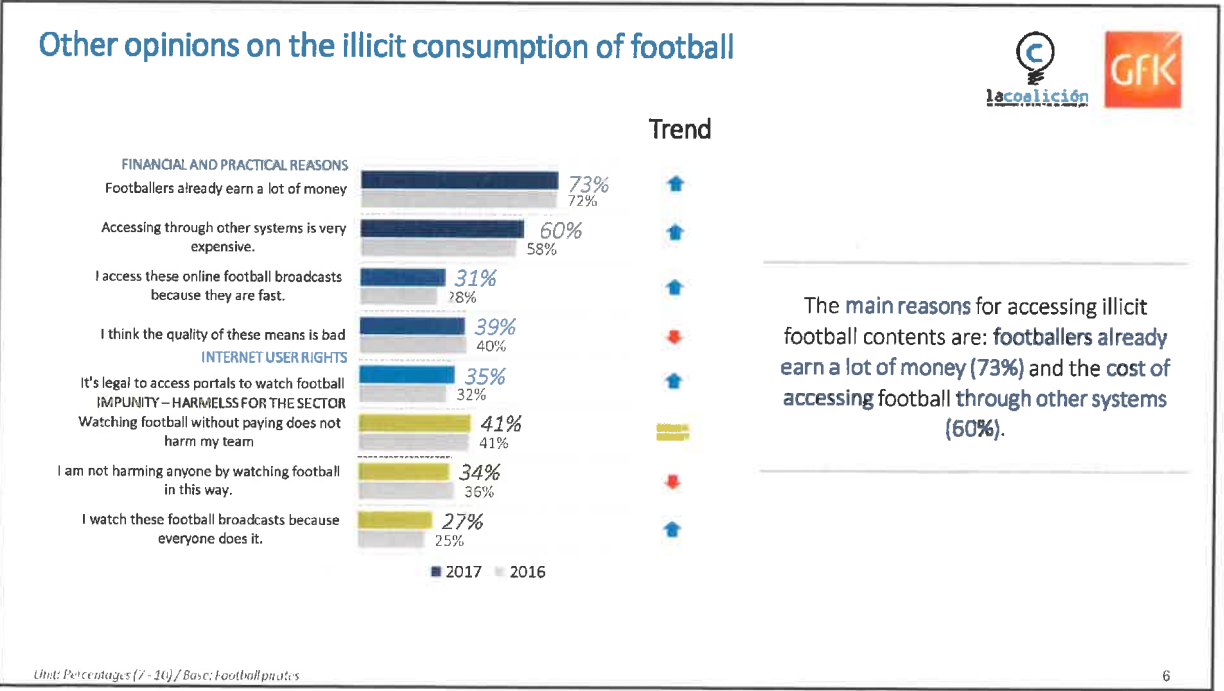
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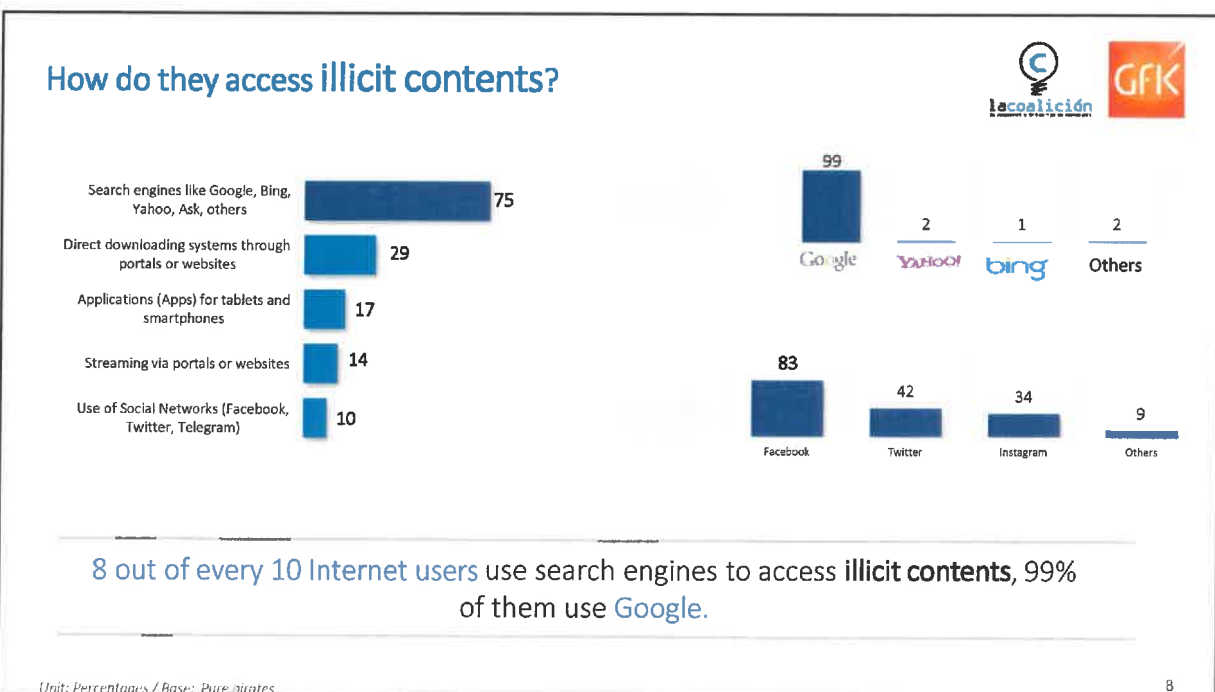
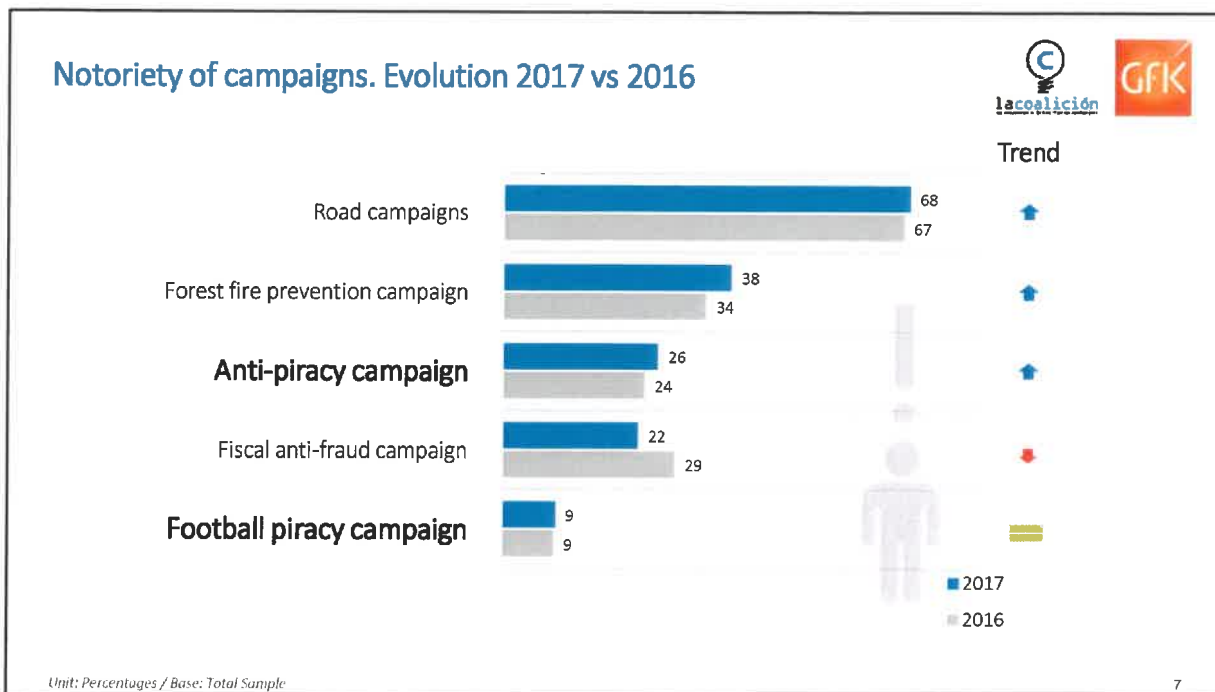
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One of the reasons which has most increased, reaching up to 25% is that piracy consumers access illicit content because there are no legal consequences and everybody does it.



The main reasons for accessing illicit football contents are: footballers already earn a lot of money (73%) and the cost of accessing football through other systems (60%).



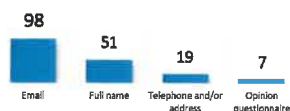
Sources of income

When they access **illicit contents**...

Did they have to **register as a user**?



What **details** did they have to provide?



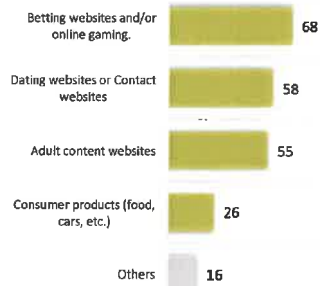
Do they have **advertising**?



Have **paid** for the content they downloaded from these websites

8%

Advertising they recall

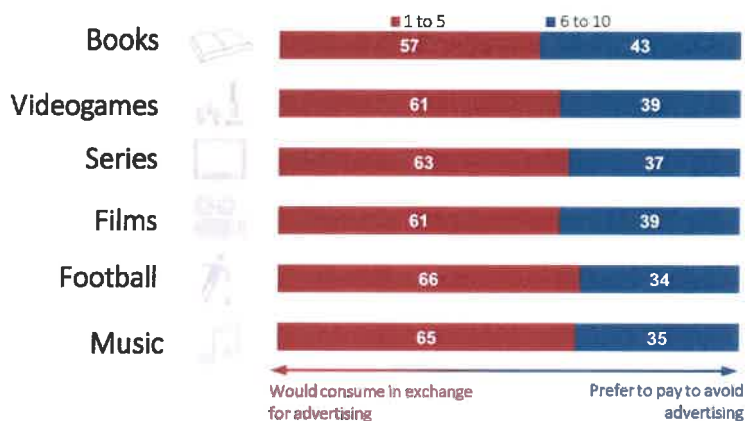


The majority of portals with illicit contents have advertising. **8%** of piracy consumers have paid for access to illicit contents

Unit: Percentages / Base: Pirates

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If the piracy consumer could not access contents free of charge they would prefer ...

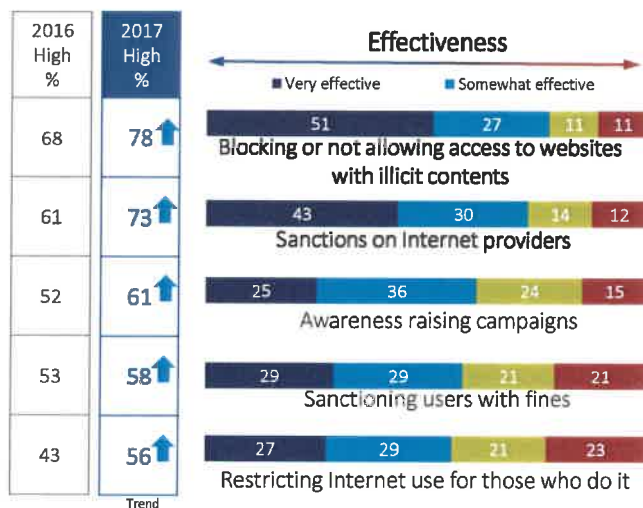


Piracy consumers of books are the ones **most willing to pay** to avoid advertising. However, piracy consumers of music and football are the **least willing to pay** for the consumption of contents to avoid advertising

Unit: Percentages (scale 1-10) / base: Pirates from each industry

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Effectiveness of measures against piracy



Internet users consider that the most effective measures against piracy are **blocking websites with illicit contents and sanctions on Internet providers**. However, the **least effective measure** is **Internet use restriction on those who access illicit contents**

Unit: Percentages/ Base: Total sample

↑ Significantly higher than 2016

11

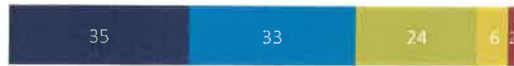
Access to contents

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Importance of bandwidth in access to contents and Internet subscription



Importance of downloading speed when **accessing contents**



Very + Quite important 2016

68 = 68

Importance of packages / combined offers when accessing services



56 ↑ 51

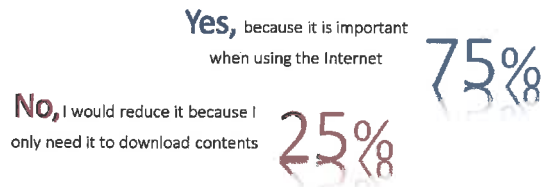
Trend

Legend: Very important, Quite important, Neither important nor unimportant, Not very important, Not at all important

Base: Total sample (n=2009)

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

Base: Pirates



Unidad: Porcentajes

↑ Significantly higher than 2016
↓ Significantly lower than 2016

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Subscription platforms



Which do you know even if you have only heard of it?



Base: Total sample

How do you pay for your account in subscription platforms?

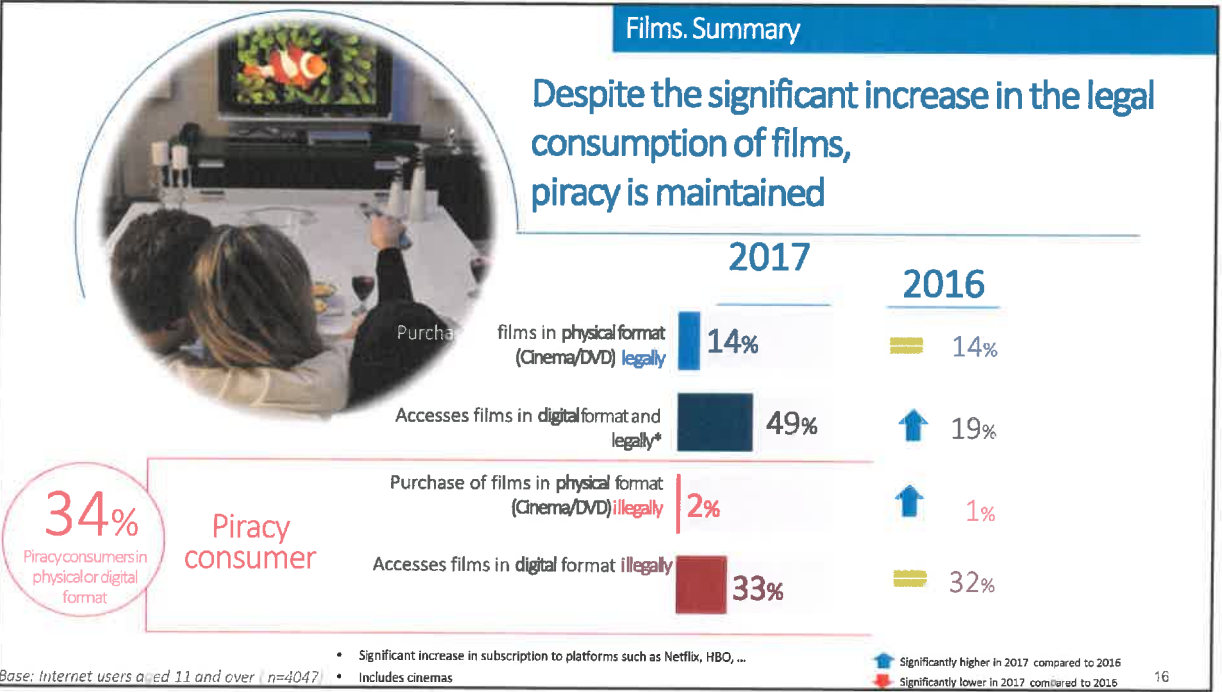
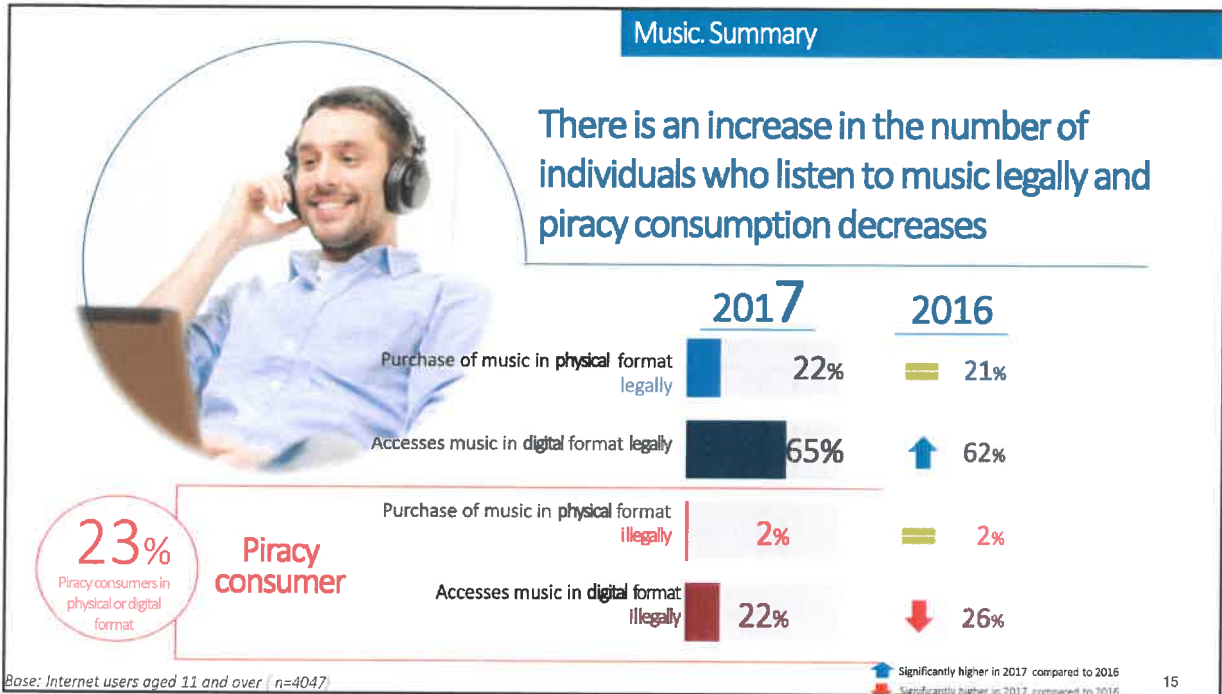


Base: Users of subscription platforms

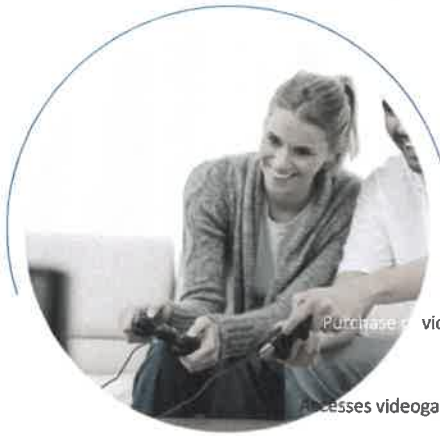
All the Internet users know of the existence of subscription/legal offers platforms

Unid: Porcentajes

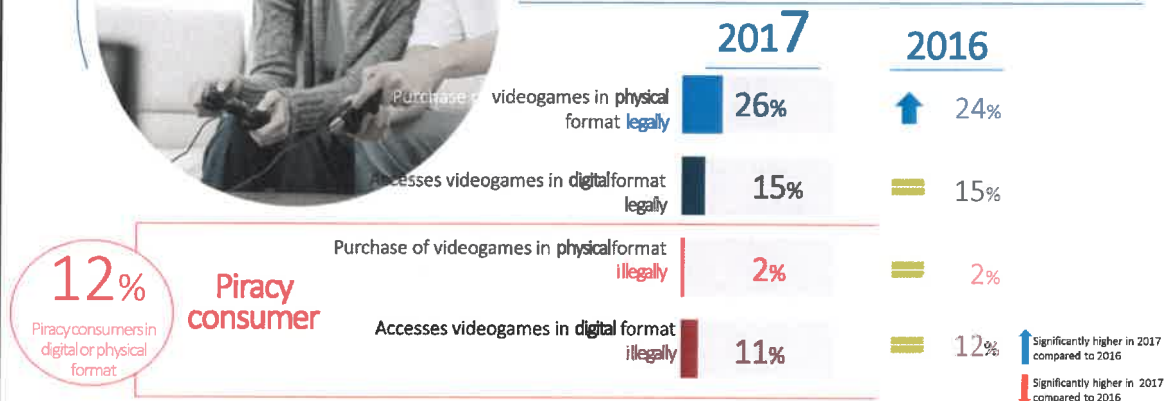
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Videogames. Summary



The illicit consumption of videogames is maintained



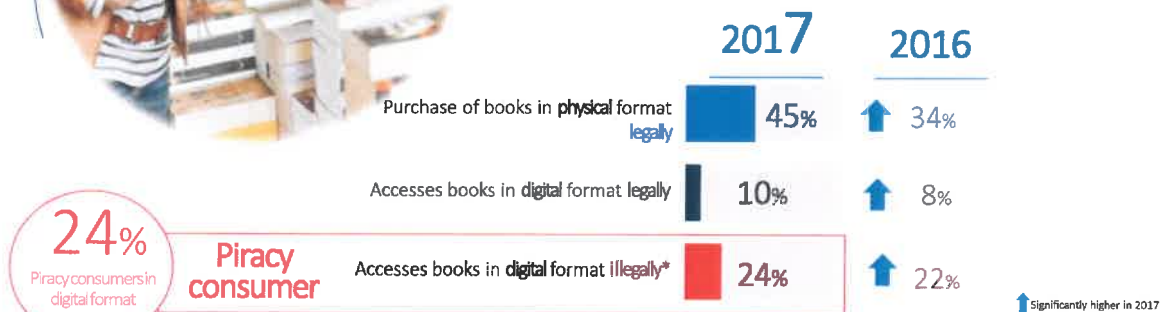
Base: internet users aged 11 and over (n=4047)

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Books* Summary



24% of Internet users download books in digital format from illegal platforms



Base: Internet users aged 11 and over (n=4047)

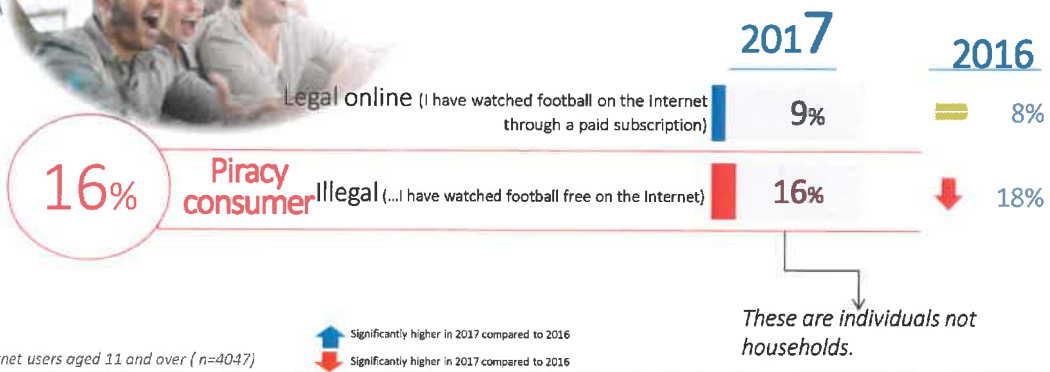
* Loose and zipper books included
 *In 2017 there is no data for the category 'zipper books' as this category was not included in the survey

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Football. Summary

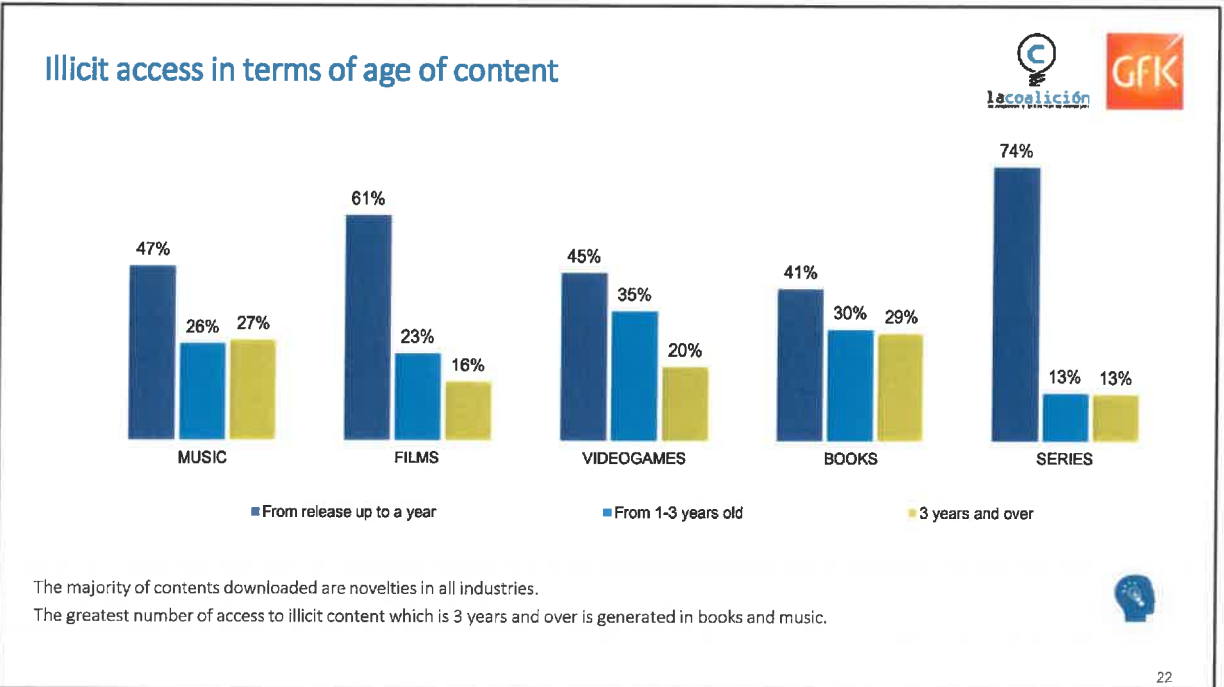
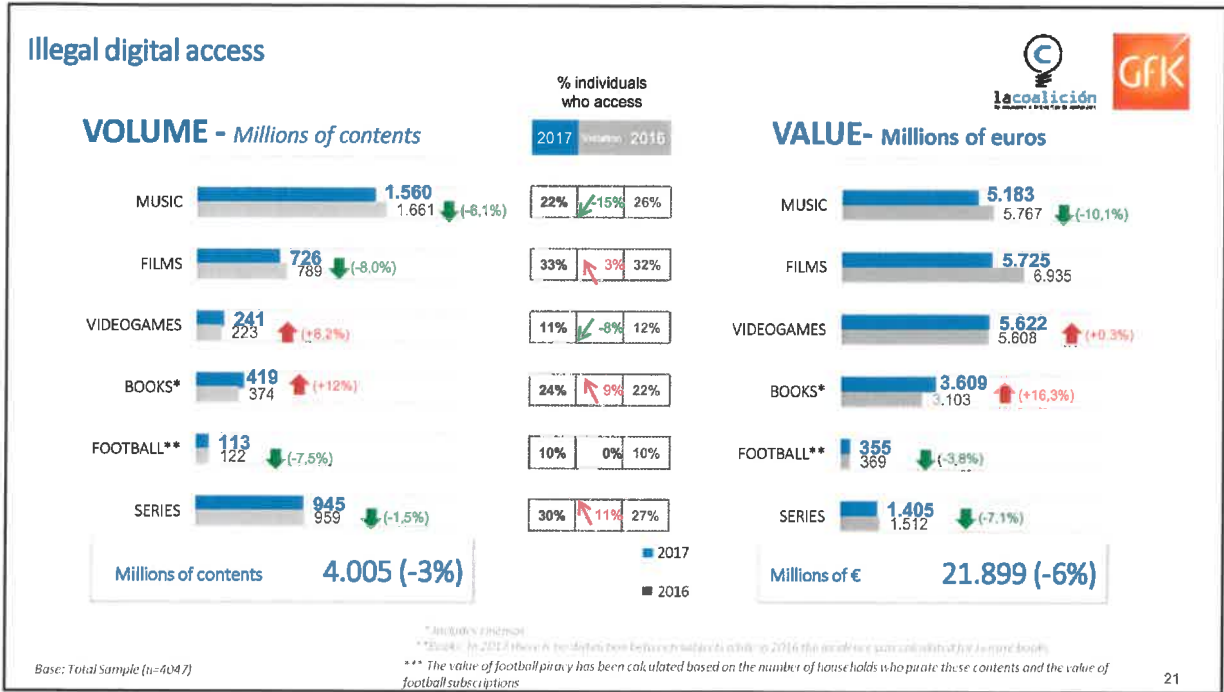


16% of Internet users have watched football on illegal channels



Base: Internet users aged 11 and over (n=4047)

Piracy in Spain
and lost profit for all industries



Example of reasoning behind calculation of lost profit.



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Summary.

Lost profit in industry in Spain due to the effect of piracy.



Books*

WOULD BUY PAPER BOOKS 107 million €	WOULD BUY BOOKS ONLINE 96 million €
--	--

203 million

9% increase in industry value
6% conversion value pirate - legal
Would mean x1.1 times the current industry value



Videogames

WOULD BUY VIDEOGAMES 189 million €	WOULD BUY VIDEOS ONLINE 52 million €
---------------------------------------	---

242 million

30% increase in industry value
4% conversion value pirate - legal
Would mean x1.3 times the current industry value



Series

WOULD PAY FOR SERIES 167 million €

167 million

128% increase in industry value
12% conversion value pirate - legal
Would mean x2.3 times the current industry value



Films**

WOULD BUY FILMS 313 million €	WOULD BUY FILMS ONLINE 140 million €
----------------------------------	---

453 million

61% increase in industry value
8% conversion value pirate - legal
Would mean x1.6 times the current industry value



Music

WOULD BUY MUSIC 19 million €	WOULD BUY MUSIC ONLINE 488 million €
---------------------------------	---

507 million

264% increase in industry value
10% conversion value pirate - legal
Would mean x3.7 time the current industry value



Football

WOULD SUBSCRIBE TO FOOTBALL 285 million €
--

285 million

26% increase in industry value
80% conversion value pirate - legal
Would mean x1.3 times the current industry value

**For Spain. Data between 2011-12.
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Music



Situation 2017

PIRATED CONTENTS: 1.564 million contents (4 physical + 1560 digital)
 INDUSTRY VALUE: **192 million euros**

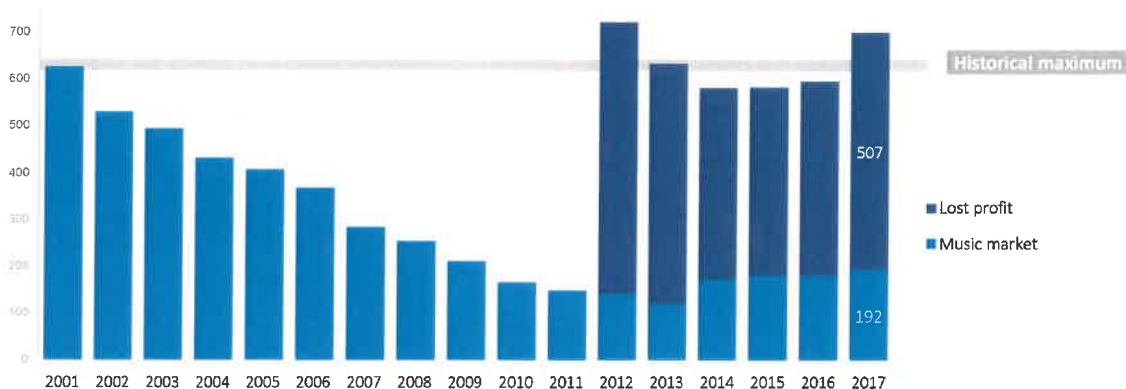


Increase in legal industry value
+264%

Scenario without piracy

PIRATED CONTENTS: 0
 INDUSTRY VALUE: **699 million euros.**
 192 million current legal industry
 507 million in lost profit

Evolution of music sales vs Profit loss



Films



Situation 2017

PIRATED CONTENTS: 734 million contents (8 physical + 726 digital)
 INDUSTRY VALUE: **744 million euros**



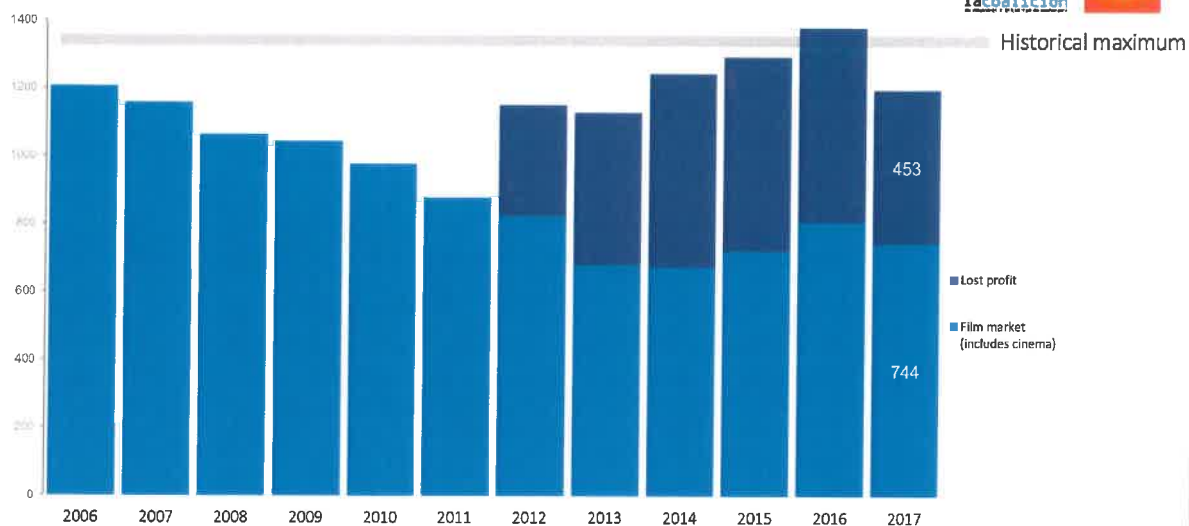
Unit: millions of euros. Includes cinema

Increase in legal market
+61%

Scenario without piracy

PIRATED CONTENTS: 0
 INDUSTRY VALUE: **1.197 million euros.**
 744 million current legal industry (includes cinema)
 453 million in lost profit

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



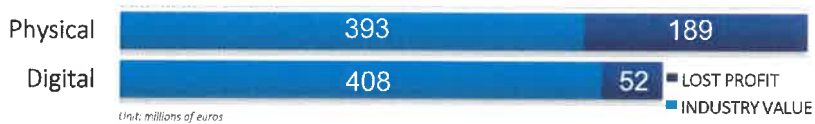
Source: Ecofys and IACE
 * Includes cinema

Videogames



Situation 2017

PIRATED CONTENTS: 244 million contents (3 physical + 241 digital)
 INDUSTRY VALUE: **801 million euros**

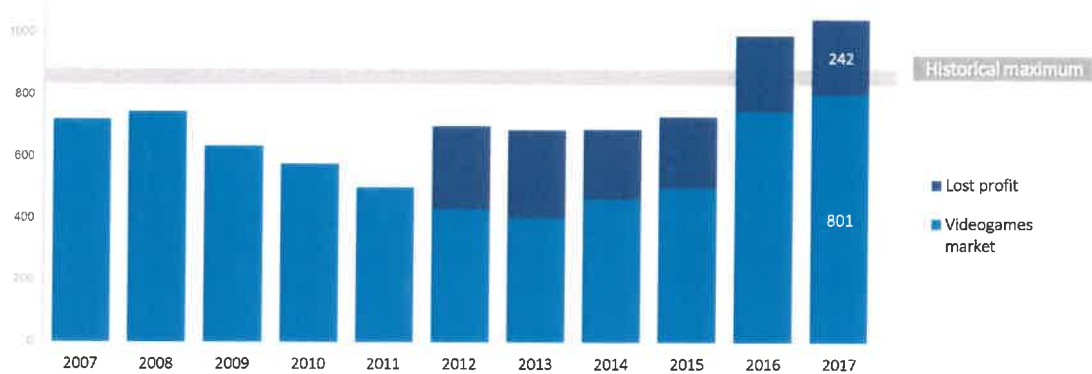


Increase in industry value
+30%

Scenario without piracy

PIRATED CONTENTS: 0
 INDUSTRY VALUE: **1.043 million euros.**
 801 million current legal industry
 242 million in lost profit

Evolution of Videogame sales vs Lost profit



Source: AFVI/GfK

Books*



Situation 2017

PIRATED CONTENTS: 419 million
 INDUSTRY VALUE: **2.317 million**



Increase in industry value
9%

Scenario without piracy

PIRATED CONTENTS: 0
 INDUSTRY VALUE: **2.520 million euros.**
 2.317 million current legal industry
 203 million in lost profit

*No distinction of subject

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Series



Situation 2017

PIRATED CONTENTS: 951 million
 INDUSTRY VALUE: **130 million**



Increase in industry value
+128%

Scenario without piracy

PIRATED CONTENTS: 0
 INDUSTRY VALUE: **297 million euros.**
 130 million current legal industry
 167 million lost profit

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Football



Situation 2017

PIRATED CONTENTS: 113 million matches
 INDUSTRY VALUE: **1100 million**

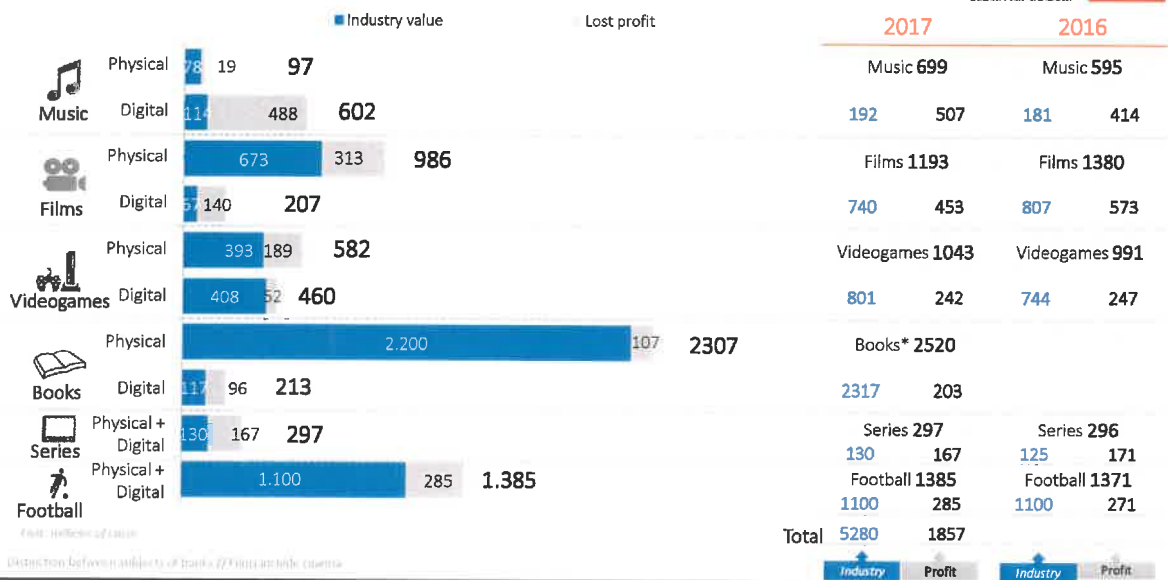


Increase in industry value
+26%

Scenario without piracy

PIRATED CONTENTS: 0
 INDUSTRY VALUE: **1.385 million euros.**
 1100 million current legal industry
 285 million in lost profit

Industry value + lost profit



Repercussion on public funds and employment

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Employment

Currently the content industries who are members of the
The Coalition employ in Spain

69.861 direct workers*

New positions generated in a scenario without piracy

20.375 direct jobs

Increase in direct
employment
+29%

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

* 99.095 workers in digital contents cultural sector

Source: Government of Spain

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Direct employment generated by lost profit 2017



20.375 direct jobs

Content and area of work	CURRENT POSITIONS 2017	Estimated increase %	Estimated increase	TOTAL EMPLOYMENT
MUSIC				
Production	5.565	41%	2.288	7.853
Distribution	1.995	89%	1.771	3.766
FILMS				
Production	12.764	31%	3.984	16.748
Other distribution	586	86%	503	1.089
Video rental	2.290	165%	3.778	6.068
Exhibition	17.163	24%	4.080	21.243
VIDEOGAMES				
Total	8.790	18%	1.545	10.335
BOOKS				
Editorial production	4.446	5%	200	4.646
Distribution	8.162	9%	735	8.897
SERIES				
Employment	500	88%	438	938
FOOTBALL				
Employment	7.600	14%	1.054	8.654
TOTAL	69.861	29%	20.375 jobs	90.236

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Public funds cease to receive...



Value Added Tax (VAT)	PHYSICAL	ONLINE	TOTAL
MUSIC	4,0	102,5	106,5
FILMS	65,7	29,4	95,1
VIDEOGAMES	39,7	10,9	50,6
BOOKS OF *	4,9	20,2	24,4
SERIES	59,9		59,9
FOOTBALL	35,1		35,1
TOTAL			371,57 million

Unit: millions of euros

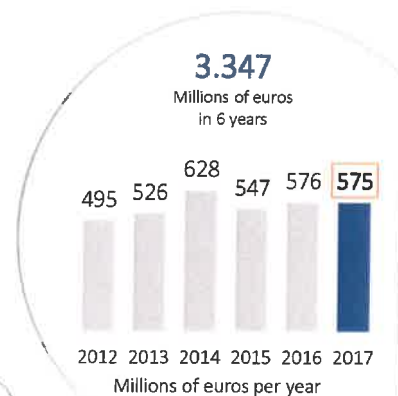
Note: VAT rate applied 21% except paper books 4%

	New jobs	Salary applied*	Rate applied	TOTAL
Social Security	20.375	19.802,15	38,0%	156,95
IRPF	20.375	19.802,15	11,5%	46,40
TOTAL				203,35 million

Unit: millions of euros

* Average salary applied over GfK estimation based on data from the Annual Survey of Structural Salaries from INE

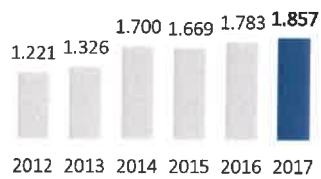
* Neither educational nor professional books are included



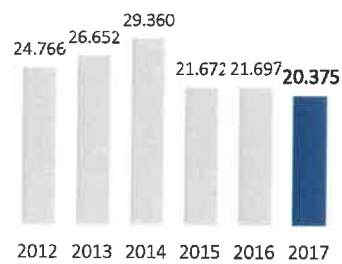
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Impact of piracy

Total value of lost profit due to piracy



Potential new direct jobs



Potential income in public funds



IVA – 372
Social Security – 157
IRPF – 46

Data in millions of euros

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THANK YOU