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### Elvis is Returning to the Building: Evidence for a Decline in Illegal File Sharing

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# Elvis is Returning to the Building

*Evidence for a Decline in Illegal File Sharing*

World Social Science Forum (WSSF) 2013

Montreal, October 14, 2013

Joost Poort (IViR) & Jarst Weda (SEO)



seo economic research



## Background (1/2)

- **Unauthorized file sharing often held responsible for decline in legal media sales: ‘you cannot compete with free’**
- **Different enforcement strategies: law suits, graduate response, notice & take-down, blocking access to websites**
- **The Netherlands (as well as Canada) allows downloading from illegal sources under private copying exception**

## Background (2/2)

- **In 2008 *Ups & Downs*-study for the Netherlands:**
  - About 35% of population engage in illegal file sharing
  - File sharers are on average 'heavy' legal consumers
  - Static welfare effects of file sharing are positive
  - No evidence for negative dynamic effects
- **1: 2<sup>nd</sup> measurement in 2012: How have things developed?**
- **2: Study into thresholds for legal online models**

## Research design

- Qualitative and legal research into online models
- Surveys to investigate consumer behaviour and motivations
- Looking at music, films & TV-series, books and games
  
- Investigating *most recent* consumption in four channels:
  1. Buying *physical formats* in online/offline store
  2. *Paid-for* downloading and streaming from legal source
  3. *Free* downloading and streaming from legal source
  4. Downloading & streaming from an *illegal* source
  
- 2,009 respondents > 15 years (63,3%)
- CentERdata Panel (May 2012)

## Main research questions

- **How frequently do people engage in legal media consumption and unauthorized file sharing?**
- **How does this develop over time...**
  - ...within the general population?
  - ...at an individual level?
- **How do these developments differ between content types music, AV, games and books?**
- **How do these developments interact with perception of price, quality and availability?**
- **What is the effect of blocking access to *The Pirate Bay* by Dutch ISPs?**

**Differences between genres and formats**

# **MEDIA CONSUMPTION**

## Legal channels come 1<sup>st</sup>, 2<sup>nd</sup> and often 3<sup>rd</sup>

past year	Purchased offline and online store (1)	Downloading & streaming from a legal source		Downloading & streaming from an illegal source (4)	All channels (1 to 4)	Total legal (1 to 3)
		Paid-for (2)	Free (3)			
<b>Music</b>	40.0%	17.1%	36.5%	21.7%	63.0%	60.8%
<b>Films &amp; series</b>	44.8%	11.8%	25.3%	18.3%	59.4%	57.2%
<b>Games</b>	19.7%	8.8%	14.6%	6.3%	28.7%	27.7%
<b>Books</b>	69.0%	7.8%	9.2%	6.3%	70.9%	70.5%
<b>Total</b>	82.6%	27.8%	47.3%	27.2%	98.2%	98.1%



## Demography

### Music, films & TV-series:

- Young people and men use all online channels more frequently, little difference for physical formats
- More highly educated make more use of paid-for channels

### Books:

- Middle age brackets overrepresented; online channels peaking at 35-44 years of age
- More women in paid-for channels, more men in free channels
- Strong correlation between consumption and educational attainment, least so for illegal channel

## File sharers are (on average) still the industry's largest customers

Ever downloaded from an illegal source?	Purchased offline and online store (1)	Downloading & streaming from a legal source	
		Paid-for (2)	Free (3)
<b>Music</b>			
Past year	41.3%*	33.2%	80.7%
Never	37.7%*	8.4%	17.1%
<b>Films and series</b>			
Past year	54.1%	24.4%	71.2%
Never	42.2%	8.2%	13.6%
<b>Games</b>			
Past year	65.4%	45.7%	66.3%
Never	14.4%	5.2%	9.2%
<b>Books</b>			
Past year	82.5%	32.2%	74.2%
Never	68.5%	5.9%	4.4%

## File sharers are (on average) still the industries largest customers

Ever downloaded from an illegal source?	Concert/music festival	Music merchandise	Cinema	Merchandise films/series
Past year	50.3%	16.9%	64.8%	14.2%
Never	39.6%	6.1%	42.1%	4.6%

- About 20% purchased CD/LP, films/series or print book after downloading in past year
- For books downloading *after* buying print is also common
- Approximately 5% of population actively uploaded new music and films or series

**Measured and self-reported dynamic effects**

# **DEVELOPMENT OVER TIME**

## Development: entire population > 15 years

Downloading from an illegal source of	2008	2012
Music	32%	22%
Films/series	10%*	18%
Games	7%	6%
Books	Not known	6%
Total	35%**	27%

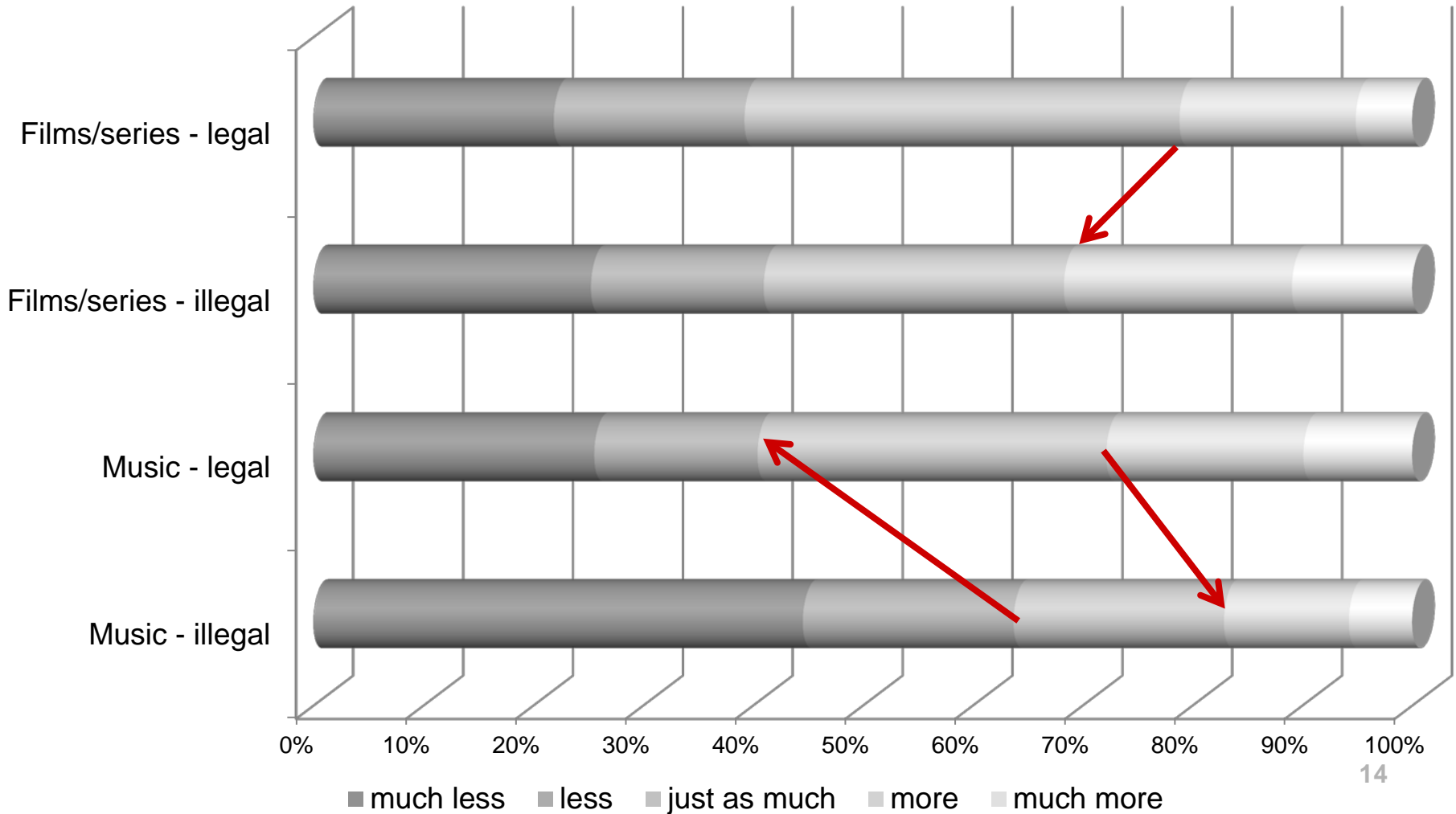
\* 2008: Excluding series; \*\* 2008: Excluding books and series

## Development: age brackets

Downloading from an illegal source by age	Music		Films/series		Games	
	2008	2012	2008*	2012	2008	2012
16-24 years**	50%	46%	18%	43%	17%	17%
25-34 years	34%	41%	14%	35%	9%	14%
35-49 years	34%	23%	10%	18%	6%	5%
50-64 years	20%	12%	4%	9%	4%	1%
65+	11%	2%	2%	2%	1%	0%

\* 2008: Excluding series; \*\* 2008: 15-24 years

## Do you now download and stream more or less than when they started?



**Understanding developments and patterns**

**PRICE, QUALITY, AVAILABILITY**



## Perception of price, quality and availability

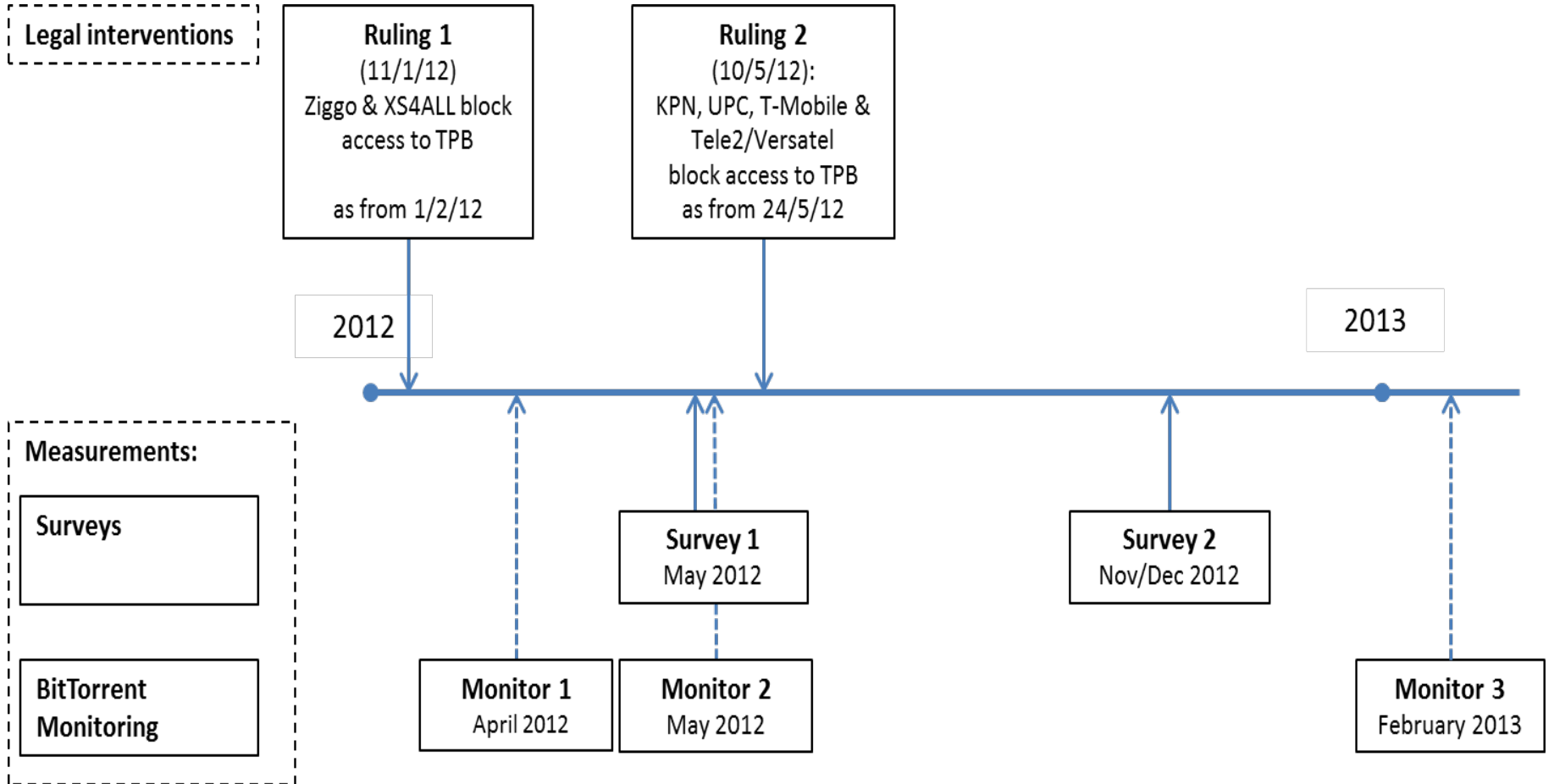
- **Lower appreciation for legal digital AV than for legal digital music**
- **Appreciation higher for those who use a channel: to know/use it, is to like it**
- **A higher perceived price of legal offers correlates with more intensive use of illegal channel**
- **Those who also use the *illegal* channel are generally more critical of the legal offers**
  - This may be because they know what is out there
  - Or conversely: they use the illegal channels because they are dissatisfied with the legal offers
- **Exclusively illegal users are much more negative about availability and price of paid-for legal digital AV**

**Effectiveness of copyright enforcement through ISPs**

# **BLOCKING ACCESS TO TBP**

## Assessing enforcement

- **Since February/ May 2012, Dutch Internet Service Providers (ISPs) have to block access to The Pirate Bay (TPB)**
- **Assessment of effect on file sharing using different approaches:**
  - Surveys:
    - Direct question on reaction before intervention and after 3, 6 and 10 months
    - Assessment of % downloaders before intervention and after 3, 6 and 10 months
  - Bittorrent monitoring



## Reaction/expected reaction to blocking access to TPB of customers downloading from illegal sources at the time of blocking

	UPC, KPN, Tele2 & T-Mobile (expected reaction, t = 0)*	Ziggo & XS4ALL (reaction t = 3)**	UPC, KPN, Tele2 & T-Mobile (reaction t = 6)*	Ziggo & XS4ALL (reaction t = 10)**
<b>Stop</b>	7.1%	8.0%	9.2%	8.4%
<b>Less</b>	21.7%	14.9%	14.5%	15.3%
<b>Just as much</b>	56.1%	71.4%	70.2%	71.8%
<b>More</b>	15.2%	5.7%	6.1%	4.6%
<b>N</b>	198	262	228	131
<b>Comparison with previous measurement:</b>				
<b><math>\chi^2</math> (p-value)</b>		7.8 (0.007)	0.6 (0.91)	0.7 (0.87)

## Downloading & streaming from illegal sources per blocking situation

	UPC, KPN, Tele2 & T-Mobile		Ziggo & XS4ALL	
	No blocking, t=0	Blocking, t=6	Blocking, t=3	Blocking, t=10
<b>Past 6 months</b>	15.7%	18.4%	22.5%	25.2%
<b>&lt; week</b>	6.0%	8.1%	7.8%	11.3%
<b>Week-month</b>	3.7%	4.2%	6.8%	4.1%
<b>1-3 months</b>	3.7%	3.4%	6.0%	5.4%
<b>3-6 months</b>	2.3%	2.7%	1.9%	4.4%
<b>6-12 months</b>	2.8%	3.3%	3.0%	3.5%
<b>&gt; a year ago</b>	9.5%	12.0%	13.2%	15.1%
<b>Never</b>	72.1%	66.4%	61.3%	56.3%
<b><math>\chi^2</math></b>	43.6		942.8	
<b>(p-value)</b>	<0.001		<0.001	

## Findings on blocking access to TPB

- It can only affect consumers who download or intend to download from illegal sources, 27-28% over the past year
- A large majority (70-72%) is non-responsive, significantly more than consumers expect in advance
- No net effect on percentage downloading
- BitTorrent monitoring reveals only small changes in the distribution of Dutch peers over the different ISPs
- In line with literature that any effects of legal action often fade out after typically six months, as the initial *awareness effect* wears off and illegal supply & demand find other places to meet

## Conclusions

- In the Netherlands, illegal sharing of music has *declined* since 2008. It has increased for films & series and for books, while it remained stable for games
- Downloaders from illegal sources use legal online channels more often than people who do not download and are more likely to visit concerts and the cinema
- About 20% of illegal file sharers bought a CD/LP in the past year that they previously downloaded. Similar numbers were found for audiovisual material and books
- Blocking access to a p2p website such as The Pirate Bay is not or hardly effective in reducing unauthorized file sharing
- Looks like the emergence of good legal music offerings is the key to the decline in illegal file sharing of music



## Questions or comments?

Thank you for your attention!

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