

The Impact of Piracy Notice Sending on Consumer Behavior for Entertainment: Evidence from a Randomized Field Experiment in the UK

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Selected Anti-Piracy Studies

- Danaher et al. (2014): *Awareness* of French notice sending increases music sales by 22-25%
- Danaher and Smith (2014): Megaupload shutdown increases digital movie sales by 6.5-8.5%
- Aguiar et. al. (2016): Shutdown of Kino.to in Germany did not increase legal sales
- Poort et al. (2014): Blocking The Pirate Bay in the Netherlands caused no change in piracy consumption
- Danaher et al. (2018): Blocking The Pirate Bay in the UK caused no change in legal consumption, but subsequent blocks of 19 and 52 sites caused significant increases in legal consumption

Research Goals

- Are notices effective at changing user behavior?
 - Reduced piracy?
 - Increased legal?
- Real-world randomized field experiment of copyright policy

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Research Setting

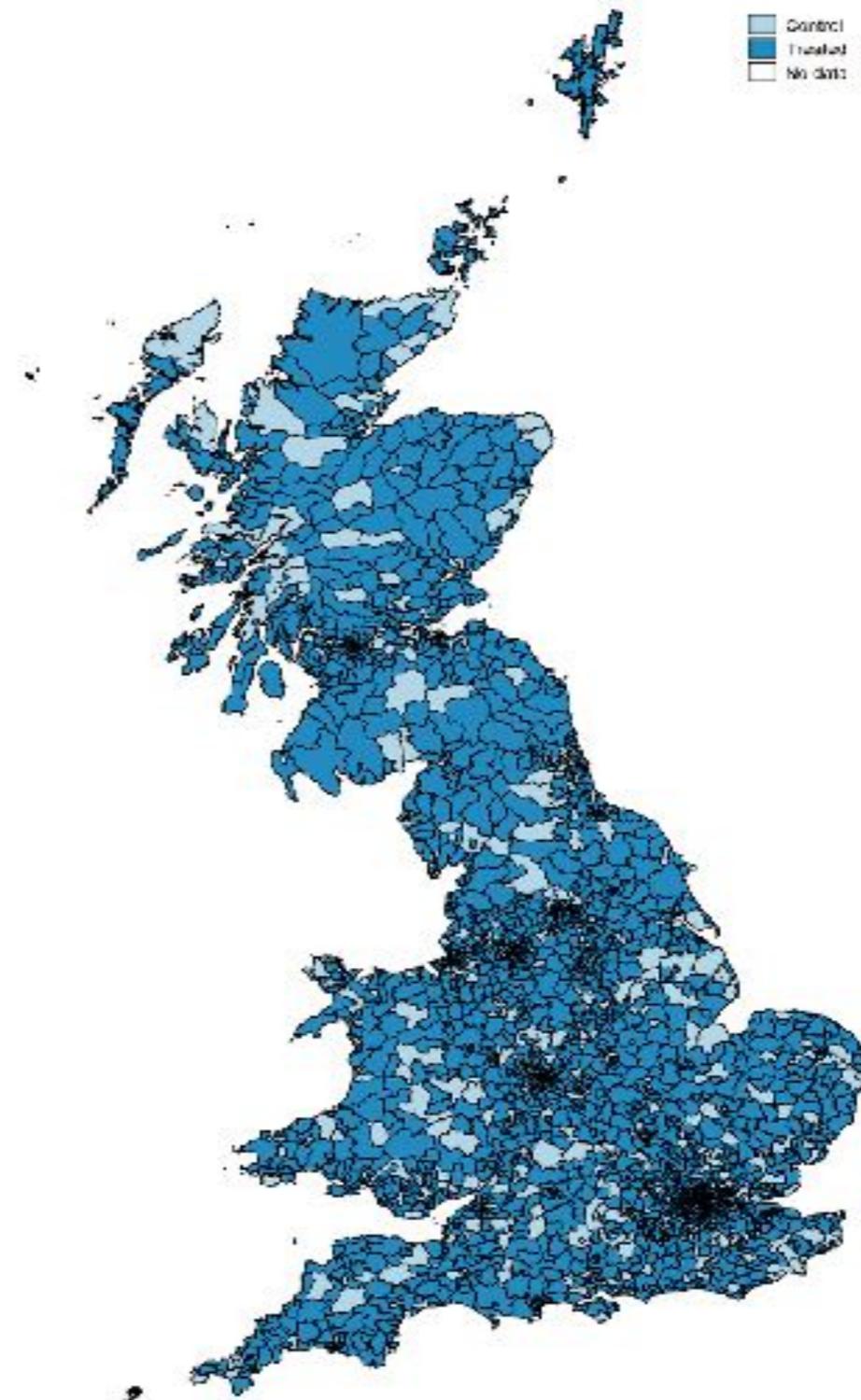
- July 2014: Rightsholders and UK ISPs announce partnership on a 2 pronged IP-protection program
- Nov. 2015: Public education campaign of dangers/harm from piracy and availability of legal alternatives
- Jan. 2017: Notices sent to households that are observed sharing copyrighted material (ongoing)
 - 1st notice: information, 2nd: legal alternatives, 3rd: possible penalties from ISP/rightsholder

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- Notices confounded with site blocking in the UK: October 2016, March 2017, July 2017, November 2017

Experimental Design

- Control/Treatment Design
- 3-digit postcode (~21,000 population/postcode)
- Postcode districts randomly assigned to:
 - Treatment group (receive notices, 80%)
 - Control group (no notices, 20%)

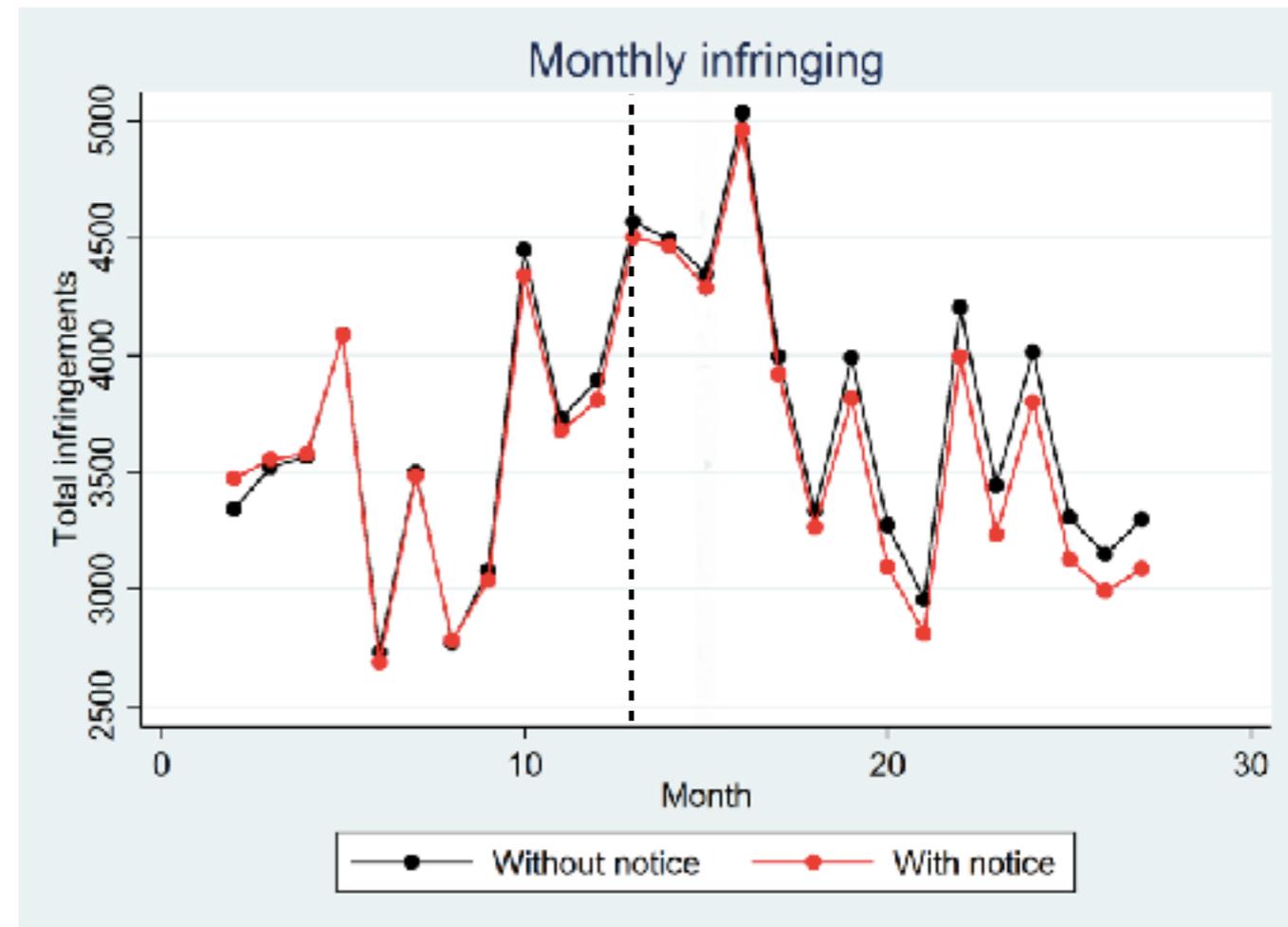


Data

- Copyright infringements: Total observed (P2P) infringements at postcode level (Jan 2016 – Present)
- Consumer infringement reports (CIR): Rightsholder reports that can lead to an email notice.
- Email Notices: Number of emails sent by ISPs to users by postcode.
- Legal Consumption Data: Sales data received in past month. Analysis in process.

Preliminary Piracy Results

- Pre-trends well balanced
- Reduction in piracy in treated postcodes starts in month 13, but initially small
- Impact increases over time and becomes statistically significant



Empirical Approach

- Difference-in-difference
- How did infringements change in the treated postcodes relative to the control postcodes?
- Did the strength of the effect vary over time?
(in the 5 quarters after notices started)

Preliminary Results

- Results directionally negative in each quarter.
- Statistically significant in 3rd, 4th, and 5th quarter
- Notices caused 161 (Q3), 205 (Q4), and 177 (Q5) fewer infringements per month per postcode.
- Corresponds to 4.7-5.4% drop in infringements

(1)	
VARIABLES	month_infr
did_Q1	-44.52 (193.3)
did_Q2	-68.33 (132.0)
did_Q3	-160.9** (68.95)
did_Q4	-205.2* (109.4)
did_Q5	-176.7** (83.57)
Observations	70,028
Number of post_id	2,501
R-squared	0.072
Robust standard errors in parentheses	
*** p<0.01, ** p<0.05, * p<0.1	

Quarter	DID Change in infringements	Infringements (Control Postcodes)
3	160.9 (4.7%)	3,450
4	205.2 (5.2%)	3,911
5	176.7 (5.4%)	3,250

Interpretation

- {161, 205} drop in infringements/postcode-month *
2,106 postcodes =
2.21 million fewer total infringements in Q3-Q4
- 2.21 million fewer infringements / 383,525 emails
sent = *each email causes 5.8 fewer infringements*

Discussion

- First country-wide anti-piracy randomized experiment we are aware of in the literature.
- Notices lead to a large decrease in observed infringements.
 - Over and above any impact of education/awareness.
- Confirms prior literature: (even mild) anti-piracy interventions can change consumer behavior.

Next Steps

- Where did the missing infringements go?
 - Analysis of impact on legal video EST/VOD and streaming consumption.
 - *Music streaming?*
- Possibly analyze impact at user level instead of infringement level. (Have requested user-level piracy data)
- Heterogeneous effects at postcode level (demographic makeup? size?)