When is driving away pirates a net loss for content creators?

The Problem:

As analog content has been translated to the digital world, content creators, publishers, and distributors have grappled with different opportunities and challenges. The biggest divisions have varied along with how well the digital equivalent of a good replicates the customer’s experience of the analog good. The medium of the book, for instance, offers several advantages (ease of markup, tangibility) over naively implemented document reading. Music and video, however, are relatively medium agnostic as customers focus primarily on content and fidelity. The extreme in this direction is software which, even if transferred by disk, can only be meaningfully consumed digitally.

For content publishers, a major concern of any digital content is the concern of proper content licensing. In recording industries like movies, television, and music, illicit distribution channels have massively outpaced producer-sanctioned models. The initial release of file sharing platform Napster, for instance, preceded the initial release of iTunes by well over a year. In markets which face delayed releases, goods which can exist in some open format (mp3, avi, epub) are frequently accessed through illicit channels.

To customers’ relief, the last few years have seen huge innovations in content distribution platforms. To pirates’ dismay, there have also been innovations in legislation designed to curb piracy (attempted and successful). Americans’ fight over the SOPA and PIPA proposals, as well as the hotly contested ACTA treaty (all failed measures) did not meaningfully spread awareness of the UK’s Digital Economy Act or other graduated response schemes which can remove an infringer from the market ecosystem altogether. While various media industries have pursued and supported legal regimes like this, there is not a strong body of evidence indicating that the possible negative ramifications have been thoroughly explored.

The Project:

Though many studies declare it, there has been little in the way of particularly convincing research establishing a reliable link between piracy and lost sales. There is,
however, meaningful evidence that many pirates can often be at least partially converted into paying customers. A third front, where relatively little work has been done, is the question of whether pirates can be driven out of the ecosystem entirely. Major publishing coalitions have pursued a variety of adversarial approaches to pirates, including sending letters and threatening lawsuits, which may eventually convert consumers of pirated material into non-consumers. Other, harsher, outcomes that production industries have pursued government support for include fines, internet disconnections, and jail sentences each of which physically constrains the pirate’s ability to purchase authorized digital content.

To that end, my project proposes a reconsideration, and tries to balance the concerns that harsh punishments are the only way to adequately deter piracy with a proactive model that considers the ramifications of disconnection on the industry itself. If the risk of converting a pirating consumer into a non-consumer instead of into an exclusively paying consumer is large enough, and if pirating consumers are also responsible for substantial enough block of revenue for the authorized sources, the producers have economic incentive to keep these pirates in the ecosystem.

My project aims to consider this question more seriously, and can be broken into three parts. In the first, the research segment, I want to investigate and comment on the best available numbers for various markets, asking where (if anywhere) pirates represent important customer (not just consumer) blocks for either the music or movie industries. In the second, modeling segment, I will construct a more abstracted model of an industry’s projected revenue stream that simultaneously accounts for pirates both as customers and as adversaries (as most illicit filesharing is p2p, an increased number of pirates increases the attractiveness of pirated goods as compared to authorized ones. In the third part, I want to (in as many markets as possible, but at least one) fit the numbers from part 1’s research into part 2’s model in order to produce a proof-of-concept recommendation for government and industry heads.

The Products:

- Statistics: tables containing the most accurate numbers for pirates-as-customers for a year’s time (as recently as possible) in no fewer than five reasons, hopefully including:
  - The United States
  - France
  - Spain
  - Australia
  - At least one other Eurozone country, or the EU writ large
• The brief: a white-paper style preparation designed to convince regulators and industry representatives in a certain country/region that it is most profitable to pursue a certain style of enforcement, given my models and the relevant statistics.
  ○ Possibly more than one if the numbers suggest different responses in different places
• The paper: a research paper outlining my model, the statistics, and the specific conclusions that underly the brief.

The Plan:

I have eleven weeks to create my three products. While the model and statistics could theoretically be pursued in parallel, pursuing them in series seems like the simpler mechanism to keep me helpfully on task.

• 09/22: Gathering sources on pirates and legal regimes
• 09/29: More gathering and consuming sources
• 10/06: Parsing sources into statistical tables [Product 1]
• 10/13: Reading about the logic of creating market-models
• 10/20: Developing models for different pictures of consumer engagement
• 10/27: Cont’d
• 11/03: Plugging data into models, arriving at recommendations
• 11/10: Compose brief(s) [Product 2]
• 11/17: Con’td
• 11/24: Compose final paper
• 12/01: Cont’d