Your Money for **Nothing and Your Streams for Free**

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The P&L of Anti-Piracy

19 October 2020

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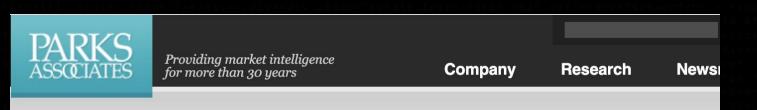
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WEDNESDAY, JANUARY 15, 2020

Piracy and account sharing cost US pay-TV and OTT operators more than \$9 billion in 2019 and forecasted to reach \$66 billion worldwide by 2022

Piracy to cost TV and film industry US\$52bn by 2022

Written by DTVE Reporter

Reporter | 30th October 2017 @ 13:00

The study estimates that global online piracy costs the U.S. economy at least **\$29.2 billion** in lost revenue each year.



€5.73, per user, per month



EUIPO Report €942M in EU piracy

Report

November 2019



Evolution of Video and Television Pinacy Today's Plracy Economy Video and Television Pracy Use Cases Video and Television Pleacy Ecosystem esuring Video and Television Plracy Counting Users Measuring Usage Understanding Devices Services and Hosts Digging into Channells ioniciusions | Additional Resolutions

> Sandvine Report \$1B in US piracy

5

ADVANCED TELEVISION

HO	ME	SHOP	ADVERTISE	EVENTS	5 LIBRA	RY P	RES
AI	BRC	ADBAND	BROADCAST	BUSINESS	CONTENT	IN HOME	•

Malaysia: Huge decrease in streaming piracy

By Colin Mann September 17, 2020 **Results of Gov't Crackdown** August '19: 61% view pirated content August '20: 22% view pirated content

Viewers who say they... 49% No longer access 40% Rarely access 11% Makes no difference

YouGov survey, commissioned by Asia Video Industry Association

https://advanced-television.com/2020/09/17/malaysia-huge-decrease-in-streaming-piracy/





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The Anti-Piracy P & L

Will investments I make in fighting piracy result in more revenue?

Will investments I make in fighting piracy result in lower costs?

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Displacement Rate = Lost Revenue

Displacement Rate

0.1	for every 10 pirate views, 1 legitimate view is lost
1.0	for every 1 pirate view, 1 legitimate view is lost

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Research	Displacement Rate	Cohort Studied
Rob and Waldfogel (2007)	0.80 1st viewing 0.20 2nd viewing	University of Pennsylvania students
<u>Ipsos and Oxford</u> <u>Economics</u> (2011)	0.45	3,500 adults in Australia
<u>Poort et al.</u> (2018)	0.46 for "blockbuster" films	Online survey of 35,000 people in Europe (7,000 were minors)
<u>Herz and Kiljanski</u> (2018)	0.37 1st viewing	Online survey with 30,000 respondents
Bai and Waldfogel (2012)	0.14	Chinese college students



Building your business case

D-Rate (High Medium Low cases)

- * Pirate Viewership
- * ARPU
- Cost of Solution



Akamai Experience the Edge

Building your business case

D-Rate (High Medium Low)

- * Pirate Viewership
- * ARPU
- Cost of Solution

Profit

Content First Run or Library? A-List... or Straight to VHS?

Younger or older? Richer or poorer?

Substitutes

More or less expensive?

mai Experience the Edge

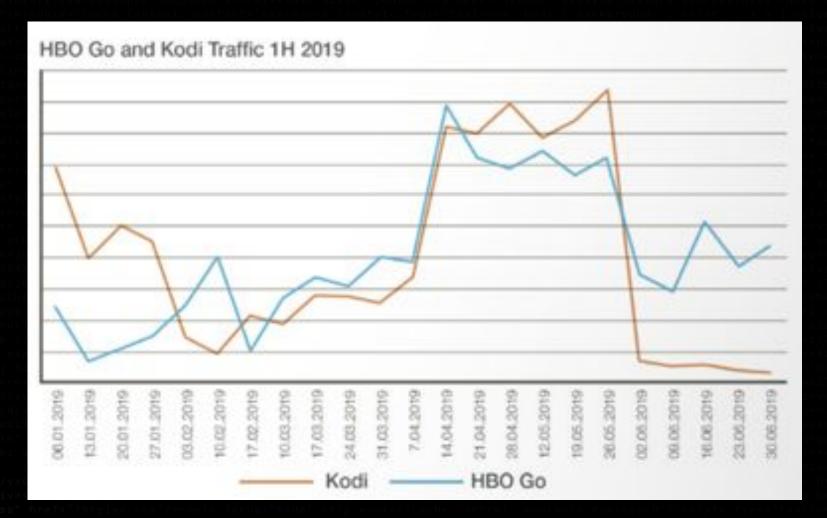
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Customer churn: \$2.7 million Application downtime: \$1.7 million T security resources: \$1.6 million	→ \$6 million
COST OF CUSTOMER CHURN	CALCULUS
A= Average value of customer	\$1,494
B= Percentage of customers who churn as a result of a credential stuffing attack	7.56%
C= Average number of user accounts that are typically targeted	1,252
D= Percentage of successful credential stuffing attacks	12.40%
E= Average number of credential stuffing attacks per month	12.72
$F=(A \times B \times C \times D \times E)$	\$222,804
G= F x 12	\$2,673,648



https://content.akamai.com/us-en-pg10079-the-cost-of-credential-stuffing.html

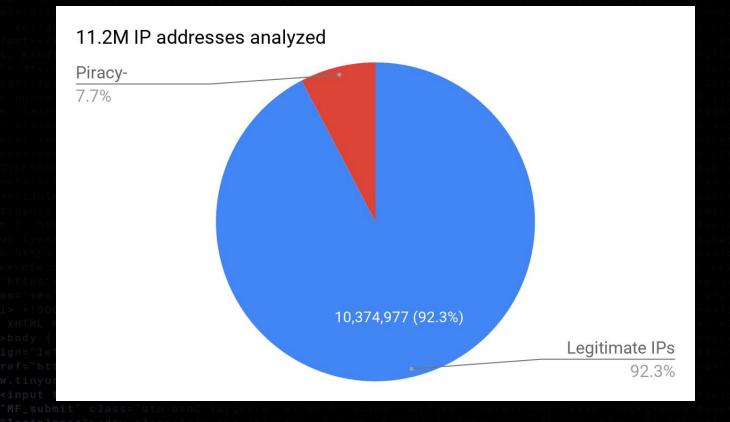
How big is your problem?

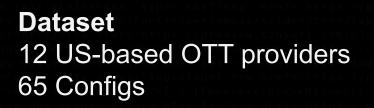


Sandvine, 2019 Global Internet Phenomena Report https://ac.akamai.com/docs/DOC-80009?ru=11687&sr=stream



7.7% of IPs associated w/ Piracy





Viewers from 168 countries 561,784 Hours of streaming

Findings

- 860,693 (7.66%) IPs fraudulent
- 392 Unique piracy providers
 - 184 different piracy tools
 - 35 different VPNs

Source: Akamai Broadcast Operations Center, Nov. 2019-May 2020



The Benefits of Investing in Anti-Piracy

- + Increased subscriber count
- Longer session lengths
- + More Rentals, EST, PPV

More Recurring Revenue Higher CPMs, and more Ms Better LCV



The Anti-Piracy P & L

- + Increased subscriber count
- + Longer session lengths
- + More Rentals, EST, PPV

- Reduced account resets
- Fewer credit card chargebacks
- Less brand damage

More Recurring Revenue Higher CPMs, and more Ms Better LCV

Reduced customer service cost More accurate rev rec Better economics



Gone in 60 Seconds: The Impact of the Megaupload Shutdown on Movie Sales

Brett Danaher ^a $\stackrel{\otimes}{\sim}$ \boxtimes , Michael D. Smith ^b \boxtimes

Digital revenues for these studios increased by 6.5–8.5%

Website Blocking Revisited: The Effect of the UK November 2014 Blocks on Consumer Behavior

23 Pages • Posted: 19 Apr 2016

Brett Danaher

Chapman University - The George L. Argyros School of Business & Economics

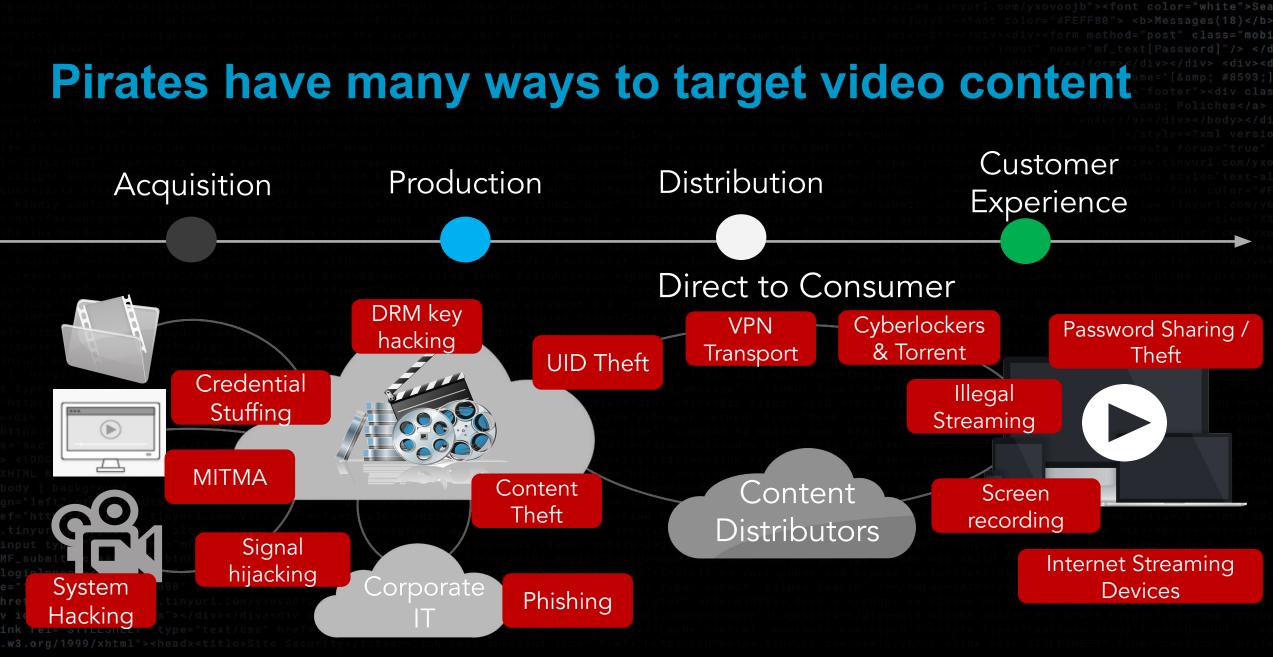
"...caused +6% visits to... sites like Netflix and +10% to... ad-supported sites like BBC and Channel 5."

DOI: 10.2139/ssrn.2612063 · Corpus ID: 16958090

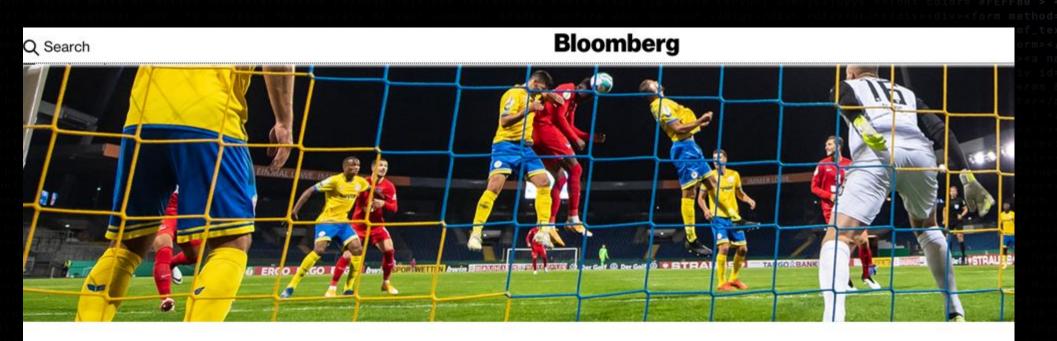
The Effect of Piracy Website Blocking on Consumer Behavior

<u>Brett Danaher, Jonathan Samuel Hersh</u>, +1 author <u>R. Telang</u> · Published 2020 · Engineering, Computer Science · Innovation & Management Science eJournal Once a consumer finds out how to pirate, he or she is less likely to make purchases in the future









Technology

German Bundesliga Loses Mideast Broadcaster in Piracy Fight

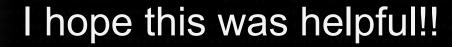
By David Hellier

September 18, 2020, 8:35 AM EDT Updated on September 18, 2020, 10:41 AM EDT



Inside the World of Video Pirates

How Do We Stop Them?



Shane Keats Director Global Video Industry Analysis skeats@akamai.com



https://www.akamai.com/us/en/multimedia/documents/white-paper/inside-the-world-of-video-pirates.pdf

