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AN INSIDER'S LOOK AT THE BILLION-DOLLAR PIRATE SUBSCRIPTION IPTV BUSINESS



To confront and defeat threats to legitimate content services, you must know your enemy

ABSTRACT: Consumers have more high-quality entertainment to watch on their TV sets, computers, tablets, and phones than ever before. But while consumers can select from an ever-growing variety of legal services, illegal streaming services have emerged in their shadow, leveraging stolen content and off-the-shelf streaming technologies to deliver entertainment at a fraction of the cost of their legitimate competitors.

**By Tim Pearson,
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When looking into the ever-evolving and growing world of IPTV piracy, it is difficult to fully grasp what it means when a recent investigative report, “Money for Nothing: The Billion Dollar Pirate Subscription IPTV Business,” found that the “business” of illegal piracy subscription services has grown to a \$1 billion problem in the U.S. alone. How did this happen?

Consumers are increasingly demanding access to high-quality entertainment on whatever their preferred device might be. However, this proliferation and accessibility of online content has also opened the door to the expansion of illegal streaming services. In many cases passing themselves off as legitimate services, pirates are leveraging stolen content and off-the-shelf streaming technologies to deliver entertainment to consumers at a fraction of the cost of consuming content through legitimate channels.

IT HAS BECOME *very clear that pirates, not other legitimate service providers, are an operator's most threatening competition. It is up to the M&E industry to protect what is theirs and take the necessary action to understand the piracy problem and to drive concrete actions that will generate positive business impact and bring consumers back into the legitimate pay TV entertainment space.*

For service providers and content owners, this is a serious and growing concern making it difficult to remain competitive and protect valuable content.

KNOW YOUR ENEMY

To better understand the piracy problem, it is important to understand the intricacies of how these operations work. The fastest-growing illegal enterprise is pirate subscription IPTV services. What makes this offering so dangerous is that this type of service mimics the practices of legitimate streaming services. In many cases, consumers are charged by the month or by the year — typically, about \$10-\$15 per month. And at that low cost, customers are granted access to thousands of channels of linear television from around the world, that are often packaged with tens of thousands of titles offered on demand, including movies still showing in theaters and every episode of entire TV series.

The basic model for these pirate services is not overly complicated. They take stolen content and distribute it via the internet directly to consumers, paying nothing to the players who created and own the content. What's more, these are not small pirate amateur organizations. These sophisticated services are set-up and run much like legitimate global businesses. They are technically very savvy and supported by a high-level supply chain and cutting-edge marketing and distribution techniques.

Under the illusion of a legitimate service, an estimated 9 million fixed broadband subscribers in the U.S. use a pirate subscription IPTV service. They get these services from at least 3,500 U.S.-facing storefront websites, social media pages, and stores within online marketplaces that sell services.

With this in mind, it is worth noting again that conservatively, pirate subscription IPTV services generate subscription revenues of \$1 billion annually in the U.S.

alone. What's more, the overall piracy industry numbers are actually much larger when the sale of pirate streaming devices used to receive the content and ad-financed piracy are included.

UNDERBELLY TACTICS DRIVING PIRACY REVENUE

To know how these numbers are possible, an understanding of the pirate services IPTV revenue infrastructure is required.

Subscriptions are not the only way illegal IPTV services make money. Ad-financed pirate IPTV, in which the customer accesses the service for free, but is presented with advertisements before or during content viewing is also very popular. Pirates also make money by selling devices that are pre-loaded with apps offering stolen content.

Both subscription and advertising revenue are the most well-known revenue generating tactics pirates tap into. However, there are lesser known aspects of the pirate subscription IPTV ecosystem that pose more personal and financial risks to consumers.

Pirates partner with hackers to install malware within free apps that expose consumers to risk of theft. This includes opening access to their personal and financial data, cryptocurrency mining, adware, ransomware, and botnets using computers to perform distributed denial-of-service (DDoS) attacks. There are also schemes where the residential internet connections of pirate IPTV customers are turned over to others — who could potentially use them for illegal activities, such as accessing child pornography, committing fraud, or participating in cyber-attacks. And, as proof of what sinister things are possible, illegal IPTV services enabled Al-Manar, a channel labeled as a "Specially Designated Global Terrorist Entity," to work around a U.S. ban and freely broadcast



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their content in the United States.

When you boil it down, at the heart of these activities is a well-organized and profitable industry with low entry costs and high margins, and, as an illegitimate business, one that pays nothing in federal, state, or local taxes.

GET TO KNOW THE PIRACY PLAYERS

The real lynchpin in the illegal operations are the pirate subscription wholesalers and retailers. The wholesalers aggregate content from content thieves and other wholesalers who then sell content packages wholesale to subscription retailers and re-streamers. The retailers rely on the wholesalers to deliver a service online or in a physical store. They are the ones that sell subscriptions to the IPTV service, with or without a streaming device, either under the wholesaler brand, or rebranded as their own.

Then, there are the players in this ecosystem that either knowingly or unknowingly actively engaged in the pirate activity. The first to be included in this category are the consumers of the content. For example, while there are many consumers that are fully knowledgeable that they are accessing illegal content, there are also consumers who unknowingly fall for the slick service offerings pirates are delivering because they truly believe they are legitimate.

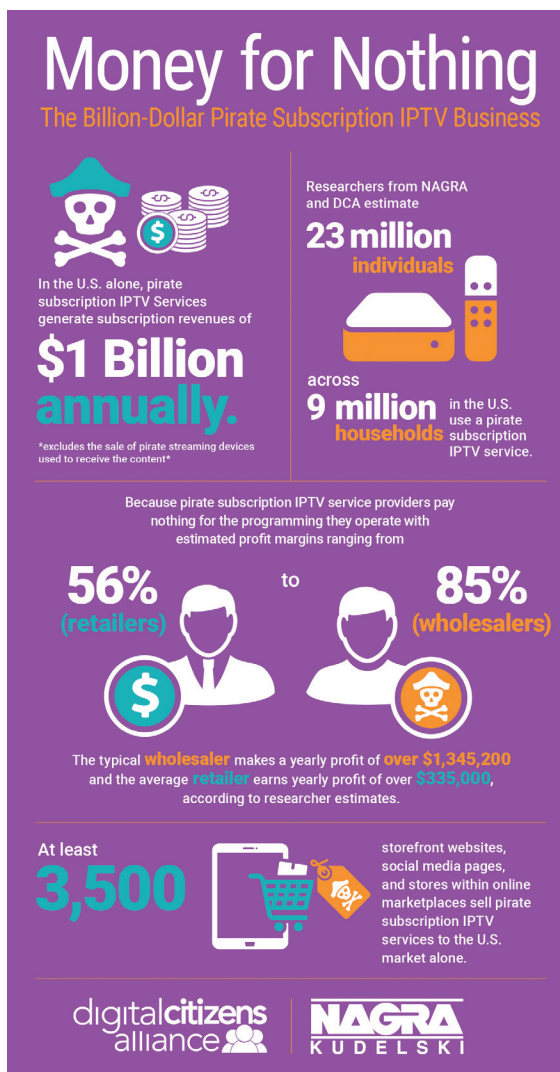
At the same time, there are numerous third-party pirate enablers that are an important part of the problem. Examples of these players are payment processors, website services, hosting and CDN providers, device manufacturers and resellers, and other legal businesses interplaying with a billion-dollar illegal market. These are legitimate businesses that either don't know — or choose to ignore — the illegal activity they are associated with.

This sophisticated ecosystem of thousands of retailers and wholesalers — through consumer content theft and third-party legal businesses — enable the business of piracy.

TAKING DOWN THE PIRATES: A COMPREHENSIVE APPROACH

Understanding the impact and tactics involved in the business of subscription IPTV piracy is the first step in addressing the evolving fight to protect content, the most valuable asset in the media and entertainment industry. The good news is that there are anti-piracy technologies, services and organizations that are dedicated to helping content owners and service providers in effectively disrupting pirate activity.

What has proven to be the most effective data-driven, anti-piracy strategy, is one that takes a comprehensive approach. The first piece to integrate are the anti-piracy solutions that are designed to target illicit use of content by an operator's consumers. Recent advances in artificial intelligence and machine learning offer a comprehensive



level of protection for pay TV operators and content owners. When combined with watermarking, and leading-edge technologies, such as website blocking, IP-blocking and DNS redirection, the solution becomes even more compelling with impressive results.

Next, to round out an effective strategy, operators and content owners need integrated anti-piracy services. This includes investigations, tracing, intelligence and data analytical capabilities to identify the depth and breadth of the piracy problem alongside its geographical spread. This delivers the opportunity to identify the main sources of piracy and eventually neutralize them.

The final component in this comprehensive approach is industry-wide collaboration to tackle some of the larger piracy challenges faced today. This collaborative effort includes shared insight from the entire ecosystem, intelligence and legal expertise as well as changes being made from a regulatory perspective.

It has become very clear that pirates, not other legitimate service providers, are an operator's most threatening competition. It is up to the M&E industry to protect what is theirs and take the necessary action to understand the piracy problem and to drive concrete actions that will generate positive business impact and bring consumers back into the legitimate pay TV entertainment space. ■

VIDEO SERVICE PROTECTION ON YOUR TERMS



Protecting your streaming service requires multiple tools all working together to address content and service piracy threats. But how about only using the tools you need when your service really needs them?

Harnessing the capabilities of an integrated set of products designed to disrupt pirate activity and protect services, our active streaming protection framework has been developed to enable operators to protect their content, their service and their revenue.

Benefit from advanced security, secure playback, secure streaming, anti-piracy services, forensic watermarking, and security analytics to create your own active streaming protection strategy.

Contact us at dtv@nagra.com to learn more.

DON'T LET PIRATES STEAL YOUR REVENUE



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