



FIGHTING PIRACY ACROSS THE GLOBE: SPOTLIGHT ON SPAIN

Threats Analysis & Action Items

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Introduction

We are happy to share with you our report examining the scope of video piracy in the key market of Spain, which has a strong TV industry and an equally robust problem with video piracy.

Video piracy is a global problem but there are distinct nuances to every market – differences in the way that consumers watch pirated content, the specific content they seek out, and the subsequent threat and the effect it has on individual industries – that are worth examining in detail. The anti-piracy strategy that needs to be followed as a result often needs to be tailored too, but there are usually lessons that can be learned for all markets in an individual country's experience and Spain is no exception

We hope you find the following report illuminating and that it answers some questions for you about how you can begin to address the problem of video piracy, whether that be in Spain or further afield.

Executive Summary: Video Piracy in Spain

Spain is a large, mature TV market with an overall value of over €6 billion and a significant position on the global stage thanks to the worldwide Spanish-speaking population's desire for content in its native language. Also featuring one of European football's richest leagues, La Liga, it is a prime target for content piracy.

Our report collates the latest figures analyzing the Spanish market and the impact that piracy is having upon it. And we present exclusive research revealing the scale of live streaming and the way it undermines the investment of rights holders, using recent high-profile soccer matches as an example.

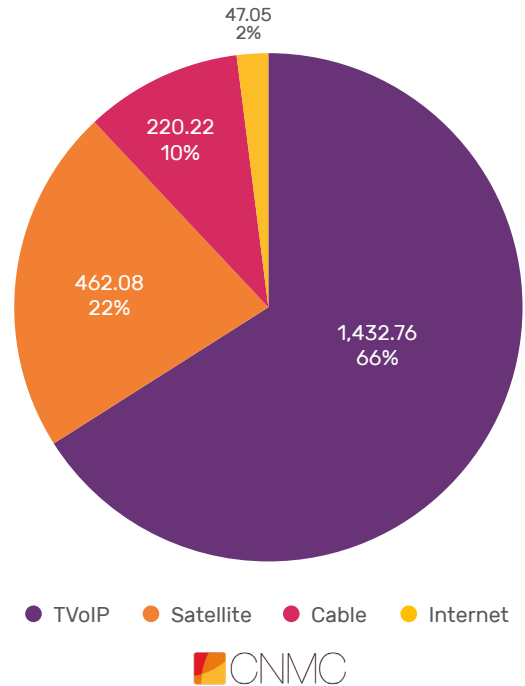
According to EUIPO figures over 6% of the Spanish population – some 2.16 million people – use unauthorized IPTV to watch their favorite content. This does not even represent the biggest part of the illegal audience. The report also delivers the insight that a significant number of these viewers are paying for their illegal service, making them prime potential converts to becoming legitimate subscribers.

To help ensure this happens it provides 5 key recommendations for an effective anti-piracy strategy in Spain. Lastly, it details our free service to operators and broadcasters that can provide a detailed breakdown of the Revenue Loss to piracy and be used in persuasive arguments at C-Level to invest in a coherent overall anti-piracy strategy.

The TV Market in Spain

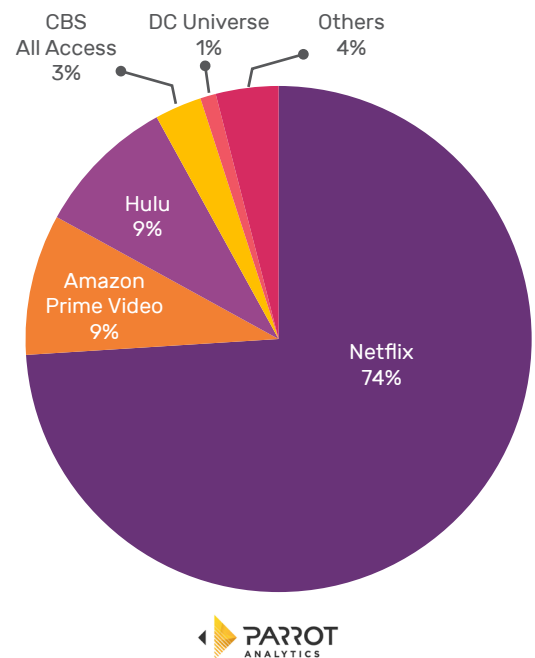
The TV market in Spain is a vibrant one that is worth over €6 billion distributed roughly equally between Pay TV, public, and commercial broadcasters. The Pay TV sector on its own is worth €2.16 billion and represents 37% of viewing households in the country. After a long period of sustained growth where it doubled in size from 2003 to 2018 driven by intense competition from new entrants to the market, it is currently undergoing dramatic change as the viewing audiences pivots away from satellite to IPTV as the chart right indicates. Since IPTV was introduced in 2005 it has exhibited a CSGR of 27% per year.

Pay TV distribution (€ million)



The SVOD market has around 90% of the subscriber numbers of the Pay TV one, but is only worth 10% of the value, reflecting a much lower ARPU of around €41 per annum. It can be considered a direct competitor, however, and its numbers are increasing as elsewhere. Netflix is unusually dominant in the country, though the following chart does not illustrate service stacking and viewers may be accessing multiple services.

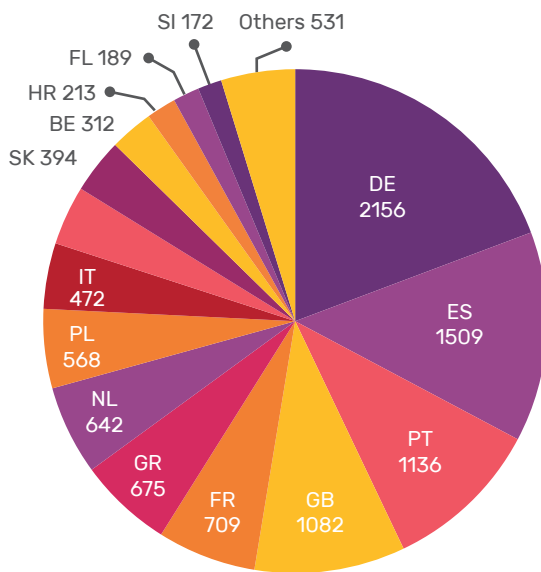
Spain platform demand share (2018)



Premium Content in Spain

Spain is an important producer of content, both for its own markets and for a worldwide Spanish speaking population. In terms of scripted drama, only Germany produces more in terms of hours produced per year. This is a large industry that needs to be carefully guarded with an effective anti-piracy strategy; 932 companies employ over 15,000 people and generate €3.6 bn for the Spanish economy.

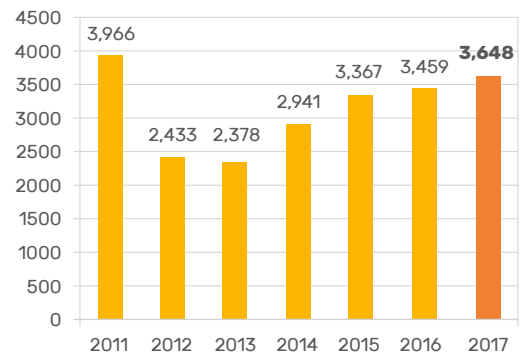
Breakdown of number of TV fiction hours produced in the EU by country of origin - average 2015-2016



Production in 2017

Numbers of companies	Workers	Turnover (€ Million)	Investment (€ Million)
932	15,190	3,648	498

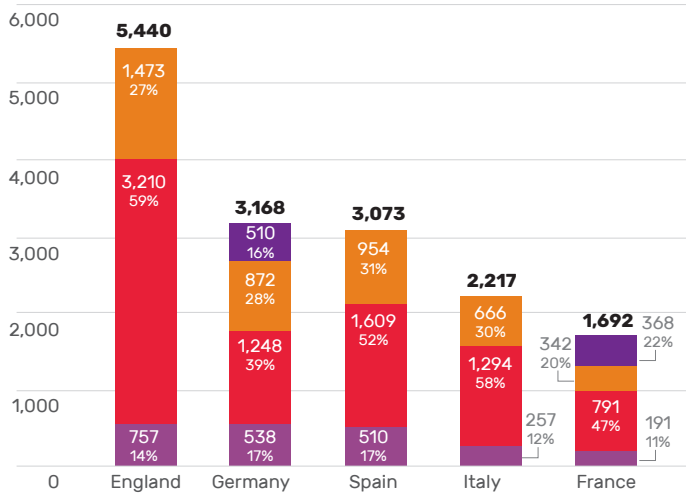
Turnover (€ Million)



Sports, in Spain as elsewhere, are a large driver of Pay TV revenues, with La Liga alone contributing 43% to the sector's overall revenues. La Liga is the second richest soccer league in Europe in terms of broadcast rights, which are valued at over €1.6bn and account for over 50% of its revenues. La Liga also enjoys significant sponsorship and commercial revenues and thus has powerful brands whose investment and reputation needs to be protected.

It is also worth pointing out that, while there is a significant market in the Americas, most of La Liga's broadcast income is from the domestic market. Strategic efforts to combat the sports piracy that affects the League are best focused on Spain.

'Big five' European league clubs' revenue - 2017/18 (€M)

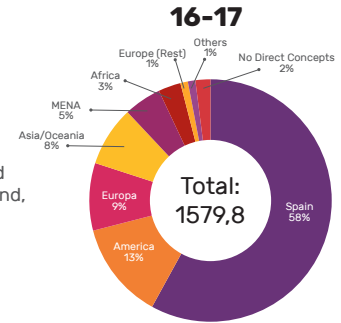


- Matchday
- Broadcasting
- Sponsorship/Commercial
- Other Commercial

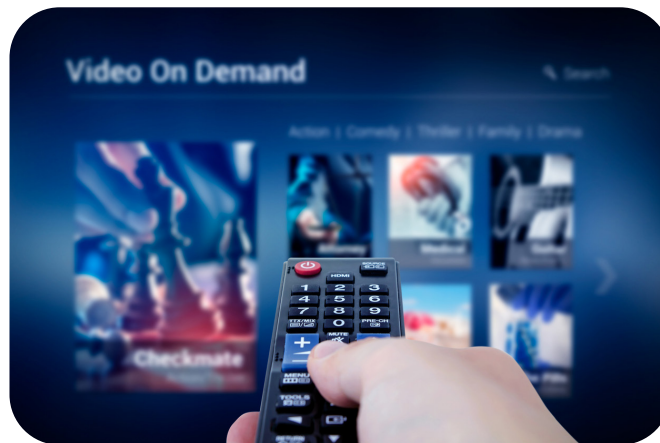
- 58% of rights from Spanish broadcasters
- Around €933M
- 43% of Pay TV revenues
- 15% of TV revenues

Note: Commercial revenue is not disaggregated into 'sponsorship' and 'other commercial' for clubs in England, Spain and Italy.

Source: Leagues; Deloitte analysis



VO provides state of the art, end-to-end, DRM content protection solutions for connected devices. Required by studios for access to premium content, VO's DRM Solution has successfully passed Cartesian's industry-standard Farncombe Security Audit™.



The Piracy Landscape in Spain

The *Coalición de Creadores e Industrias de Contenidos* represents most of the cultural and entertainment sector in Spain. It brings together the content and intellectual property defence industries in the audiovisual, music, book-publishing and video games markets and estimates that the annual loss to video piracy (films, television, and football) is €907 million.

Annual cost of video piracy



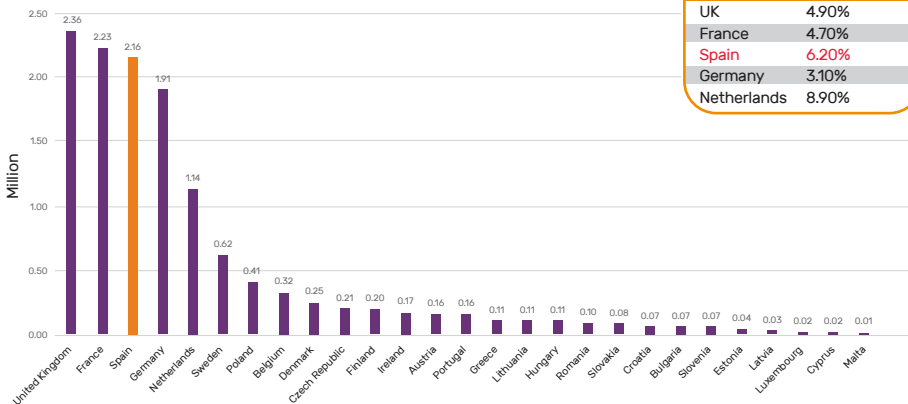
€907 million per year



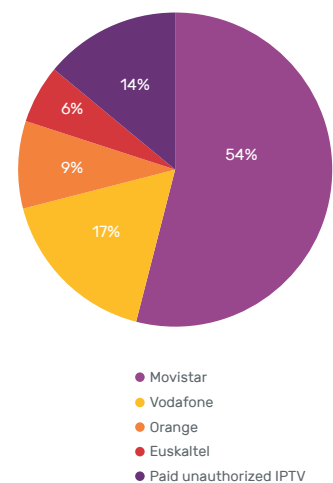
€19 per person

Streaming is the main source of pirate video content, with Spain high up in the European league table of illegal streamers and, with 2.16 million consumers for unauthorized IPTV streams alone, it is only beaten by the UK and France. Even as security experts we were surprised by the size of these numbers from a reputable survey (EUIPO). It is interesting to note that while unauthorized IPTV does not account for the majority of the streaming, it is possibly the most lucrative for the pirates. 48% of unauthorized IPTV viewers are accessing paid services via websites which, at the highest traffic end, charge an average monthly price of €11.55. All in all unauthorized IPTV generates an estimated annual revenue for the pirates of €93 million. This represents just over 1 million people who must be considered potential customers for legitimate Pay TV services.

Population streaming unauthorized IPTV content in EU countries



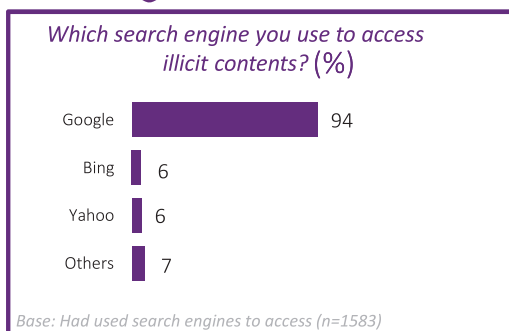
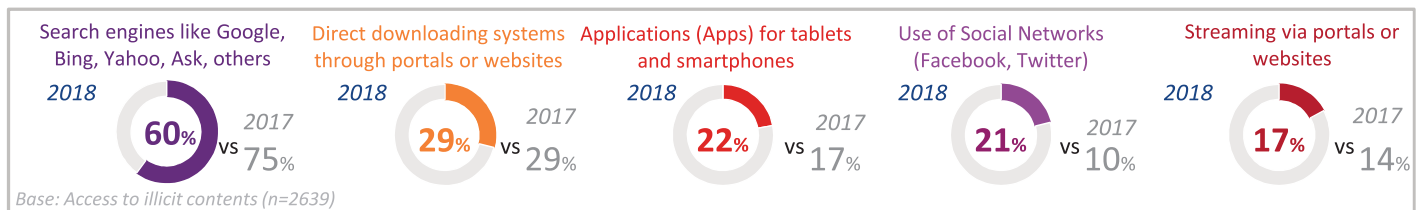
Pay TV market including paid unauthorized IPTV



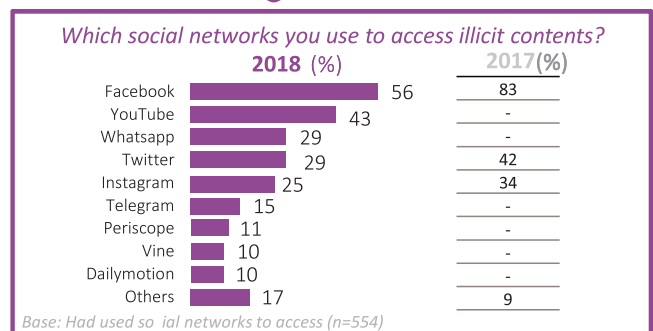
During 2018, 107 million football matches were watched illegally in 11% of Spanish households



How do people find this content? By far the most popular way is via internet search engines, with Google being most prevalent. This though is in decline, with a 15 percentage point drop measured between 2017 and 2018. However this needs to be offset with a rise in the use of social networks to access illicit content, up from 10% in 2017 to 21% in 2018.

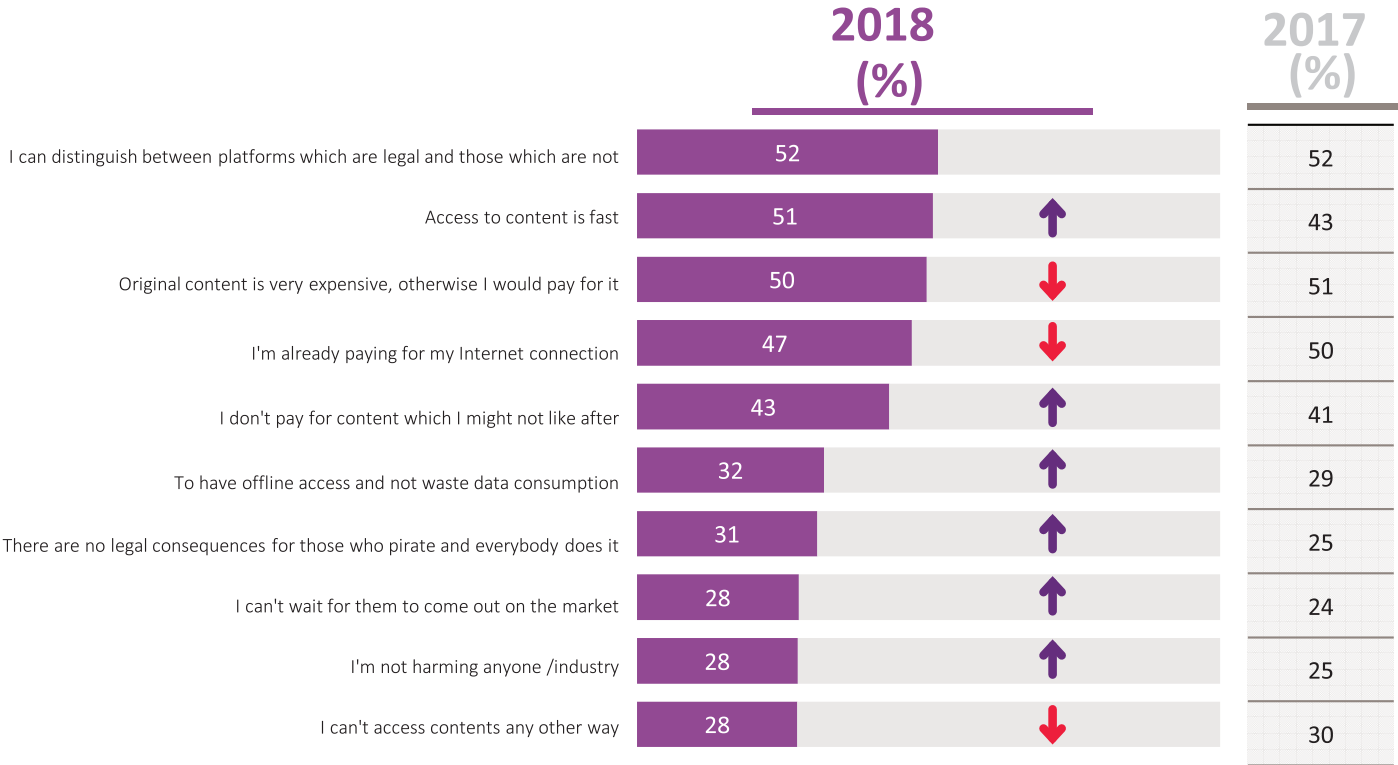


Unit: Percentages



VO's Dynamic Watermarking was developed in partnership with bcom and is the most effective way to protect content on broadcast, IPTV and OTT networks - identifying the source of piracy and taking it down within seconds. Learn more at www.viaccess-orca.com

Why are people watching pirated content? The reasons vary, with organized piracy’s investment in presentation leading to an astonishing 50% of Spanish viewers saying they have difficulty differentiating between legal and illegal websites. Other reasons are given below. It is worth noting the rise in viewers that say they are accessing illegal content because access to content is fast.



Piracy: Real World Examples

As an illustration of the extent of video piracy in Spain we monitored three high profile soccer games that took place in Spain during September 2019 with our Eye on Piracy solution. These are the headline findings from the monitoring of UGC and Google searches:

2172 

Live streams detected on live streaming platforms

183 

Live streams detected on UGC platforms

8 

Twitter posts offering links

All in all, we detected 310,192 views of the illegal streams of the three games. For the UGC platforms alone, these break down as follows:

YOUTUBE ⁽¹⁾



20 streams



11 360 views

FACEBOOK ⁽¹⁾



110 streams



83 775 views

PERISCOPE



27 streams



105 739 views

TWITCH



26 streams



109 318 views



2796 links could be notified to Google for deindexing



Sevilla - Atlético de Madrid

637 links

Barcelona - Celta Vigo

1 341 links

Eibar - Real Madrid

818 links

YouTube and Facebook links are additional to links blocked by YouTube Content ID and Facebook Right Manager



VO's Eye on Piracy detects, fights, and legally stops digital pirates, swiftly preventing the illegal distribution of premium live events and VOD content.



10

5 RECOMMENDATIONS for an Anti-Piracy Strategy

01

Web Monitoring and Take-Down

While efforts are already underway from several major rights holders in the country, these need to be expanded with a program of monitoring. Efforts should be focused on Search Engines and Social Networks.

02

Review Video Distribution

The content distribution chain of content providers needs to be reviewed from start to finish to ensure there are no weak points from content acquisition all the way through to customer delivery on multiple devices.

03

Credentials Sharing

Operators can take action against this by using analytics to identify users using shared or stolen credentials to access services. These can then be encouraged to 'convert' to legitimate services.

04

Watermarking

Dynamic watermarking of content helps identify subscribers pirating content and facilitates investigations and legal actions against them. Realtime detection needs to be enacted to deal with the increasing prevalence of streaming.

05

IP Domain Blocking

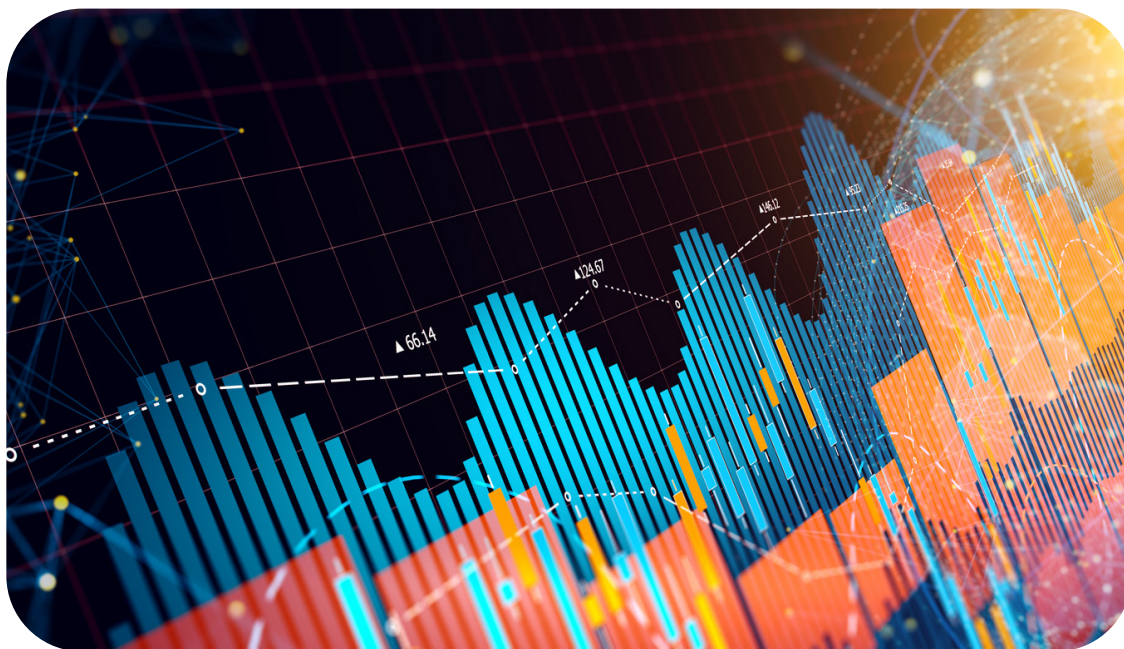
In combination with watermarking, identify and block pirate domains on Spanish territory in action with Network Operators and local authorities where relevant.

These measures, when combined in a holistic program of action, can be extremely effective in combatting piracy and starting to reinstate lost revenue.

Calculating Revenue Loss

As a free service to operators and broadcasters, Viaccess-Orca can undertake a detailed Revenue Loss analysis of an individual company's exposure to piracy. This will analyze the current content offering and cross reference it with the most up-to-date data regarding piracy in their market.

The result will be an accurate projection of how much they are currently losing per year to piracy in different program categories and in different activities. This can then be compared to the cost of a coordinated anti-piracy strategy which aims to improve the conversion rate of illegal streamer to legal subscriber.



About Viaccess-Orca

Viaccess-Orca is a leading global solutions provider of OTT and TV platforms, content protection, and advanced data solutions for a personalized TV experience. The company offers an extensive range of innovative, end-to-end, modular solutions for content delivery, protection, discovery, and monetization. With over 20 years of industry leadership, Viaccess-Orca helps content providers and TV operators shape a smarter and safer TV and OTT experience.

Viaccess-Orca is part of the Orange Group and the company's solutions have been deployed in over 35 countries, reaching more than 27 million subscribers.

VO's security technology has been recognized in recent high-profile awards from CSI and Video Streaming Exchange and recently passed Cartesian's rigorous Farncombe Security Audit Watermark process.



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