

Faster user interfaces could help decrease online piracy

 blogs.lse.ac.uk/businessreview/2016/04/19/faster-user-interfaces-could-decrease-online-piracy/

4/19/2016



Online piracy (also known as unauthorized file sharing) remains widespread. Technical and legal measures undertaken to fight it show only limited effectiveness, with these approaches sometimes causing substantial unintended side effects for the reputation of the industry and the welfare of even the most lawful consumers. As a case in point, [Digital Rights Management](#) makes copying for own purposes (fair use) much more cumbersome. From both the economic and the business perspective, the key question is hence **how much, depending on circumstances, end-users are ready to pay to obtain legal rather than illegal content** (and not because they are threatened by litigation).

This has obvious direct consequences, particularly in view of the development of novel business models, based on variations of the pay-what-you-want system. In particular, it is important to deepen our understanding of how the characteristics of the digital products affect our willingness to choose the authorized or the unauthorized version.

In our study we addressed this issue by conducting a computerized lab experiment with student participants. We observed a series of choices between different versions of the same full-length movie. Every time participants faced three options: a legal copy, an unauthorized copy and opt-out (no movie at all). The copies were further characterized by the following attributes: price (four levels), picture quality (high or low), risk of punishment (0 per cent or 30 per cent chance of a monetary fine), and a delay between zero and 15 minutes in displaying the movie (a proxy for advertisements on video on demand platforms or searching the movie via Google or torrent network). Once all choices were made, one of them was implemented for real, so that it was in participants' best interest to always choose according to their true preference. In particular, they would actually watch a copy with given characteristics and the price they paid was transferred to the copyright owners (if a legal copy was shown) or a file-sharing platform (unauthorized copy shown).

Based on the choices of various combinations of attributes, we were able to estimate participants' preferences and subsequently calculate the amounts they were ready to pay for different movie characteristics. In particular, we would learn willingness to pay for the legal versus unauthorized copy of a movie, holding all other characteristics constant.

Our results indicate that there is a positive willingness to pay for the legal version of the movie, exceeding that for the otherwise identical unauthorized version. It means that consumers value this attribute and are ready to pay extra just to make sure they comply with legal regulations, even when no risk is involved. Among other things, this finding provides some hope for the pay-what-you-want model of business. On the other hand, the willingness to pay extra for the legality of the copy, albeit statistically significant, is rather low, less than one euro for most customers in our Polish student sample. This confirms that the availability of pirate websites is a serious threat to official distributors.

Then again, our results show that consumers significantly value the immediacy of access to content. That means that copyright holders may successfully compete with online piracy by designing faster, more comfortable and intuitive user interfaces for their online services. Good search engine optimization strategies may also help. Our results also suggest that the threat of punishment works hand in hand with customers' intrinsic motivation to purchase legal content (rather than crowding it out as often feared).

Another notable finding is that consumers actually care what happens with the proceeds. In some of our sessions, the prices paid for the legal version would go to a public agency supporting ambitious movie productions, the [Polish Film Institute](#) rather than copyright holders. The willingness to pay for legal content was by this means significantly increased. Overall, our work suggests that a carefully chosen combination of piracy prevention, suitable distribution channels and attractive pricing appears to be a viable business option for the copyright holders, even if pirated copies are widely and cheaply or even freely available.

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Notes:

- This article is based on the authors' paper [Pirates in the Lab: Using Incentivized Choice Experiments to Explore Preference for \(Un\)Authorized Content](#), in *MIS Quarterly*, 2/25/16
- This post gives the views of its authors, not the position of LSE Business Review or the London School of Economics.
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