Pirates Keep Downloading Even When it is Free: Evidence from a Randomized Experiment

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Abstract:

We partner with a major multinational telecommunications provider to analyze the effect of channel competition on digital piracy. For a period of 45 consecutive days we activated for free a new set of TV channels with movies and TV shows to a group of randomly selected households. We find that on average households that used these channels increased their TV consumption by 4.9% and reduced their Internet downloads and uploads by 7.0% and 7.2%, respectively. However, and also on average, treated households that used BitTorrent before this experiment did not change their likelihood of showing up in BitTorrent streams during the experiment. These findings are heterogeneous across households and types of content. While treated heavy Internet users pirate with the same likelihood during the experiment, treated non-heavy Internet users exhibit a lower likelihood of showing up in BitTorrent logs associated to TV shows and show up pirating fewer TV show titles during the experiment. Yet, these effects are very small in magnitude. In any case, this results in a decrease in BitTorrent streams associated to TV shows that are included in the new TV channels and that have been pirated before the experiment by households in our sample. All treatment effects are short lived and cease once the experiment ended. While content providers may benefit from delivering content over multiple channels policy makers are unlikely to see channel competition decrease overall piracy effectively.