

Video games and piracy

Evidence from two studies

Wojciech Hardy

Institute for Structural Research - IBS
DELab and Faculty of Economic Sciences, University of Warsaw

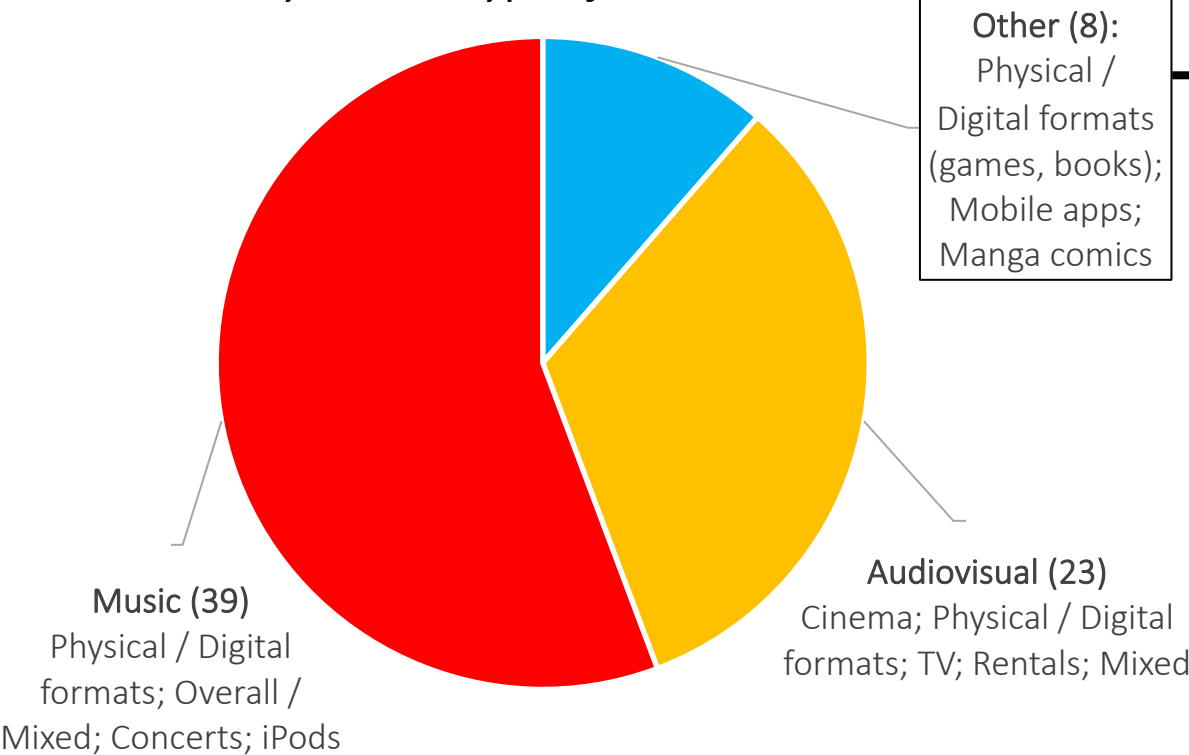
Joanna Mazur

DELab and Faculty of Law and Administration, University of Warsaw

Note: this presentation summarises the work-in-progress findings, presented at the CIPPM 2020 workshop in Bournemouth, United Kingdom, with extended comments. The research was financed with the National Science Centre grant UMO-2016/21/N/HS4/01803. The usual disclaimers apply. All errors are mine.

Past piracy studies mostly on video/music

Studies of effects of piracy on sales, by studied type of content



Source: Hardy (2019).

Of those only **two** published in journals:

Reimers, I. 2016. Can private copyright protection be effective? Evidence from Book Publishing. *Journal of Law and Economics* 59 (2), pp. 411-440.

Bastard, I., Bourreau, M. and Moreau, F. 2014. L'impact du piratage sur l'achat et le téléchargement légal. *Revue économique* 65, pp. 573-600.

But games are a promising area for research

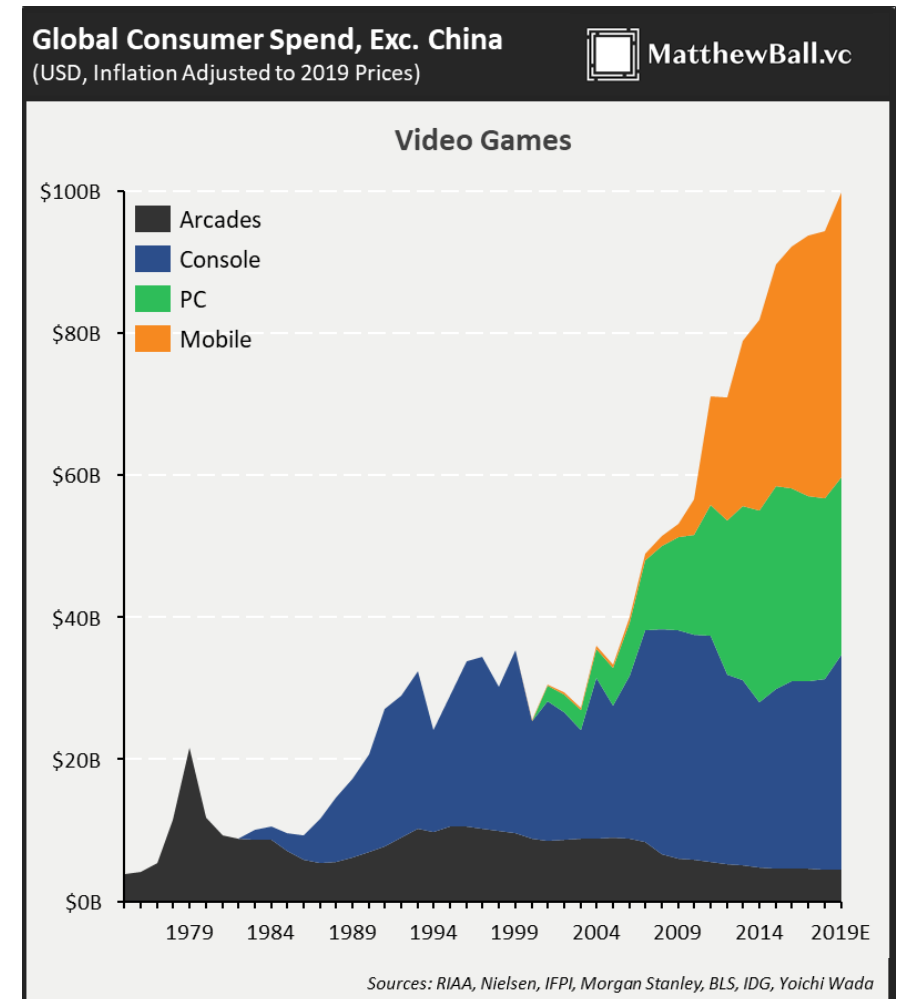
Video game industry is now larger than the music industry, the global Box Office or the streaming market, with faster growth and currently expanding to cloud gaming.

Large diversity of titles (platform/genre/number of players/size/budget/etc.)

Video games were first to be fully digital and have tried numerous DRM measures against piracy (with some proving effective)

Form of pirate distribution largely the same as 10-15 years ago, with large games accessible mostly through P2P torrent networks.

Source: graph by Matthew Ball (MatthewBall.vc).



Contribution: two studies on the effects of piracy on video game sales

Study 1: the effects of nation-wide blocks of piracy-enabling websites on the sales of video games.

Study 2: the effects of delaying unauthorised distribution of video games (DRM systems preventing early cracking) on sales.

Study 1 idea: Pirate website blocking effect

Danaher et al. (forthcoming) found that UK website blocking lowered visits to pirate websites and increased those to audiovisual subscription services (e.g. Netflix).

Their method:

- Panel of ~28,000 tracked UK internet users prior and after the blocks.
- Differences in effects moderated by the pre-block behaviour.

Full citation: *Danaher, B., Hersh, J.S., Smith, M.D. and Telang, R. (upcoming) The Effect of Piracy Website Blocking on Consumer Behavior. MIS Quarterly.*

Study 1: Pirate website blocking effect

This study:

Purchased data from Superdata (Nielsen company) on monthly digital sales of app. 200 PC games titles.

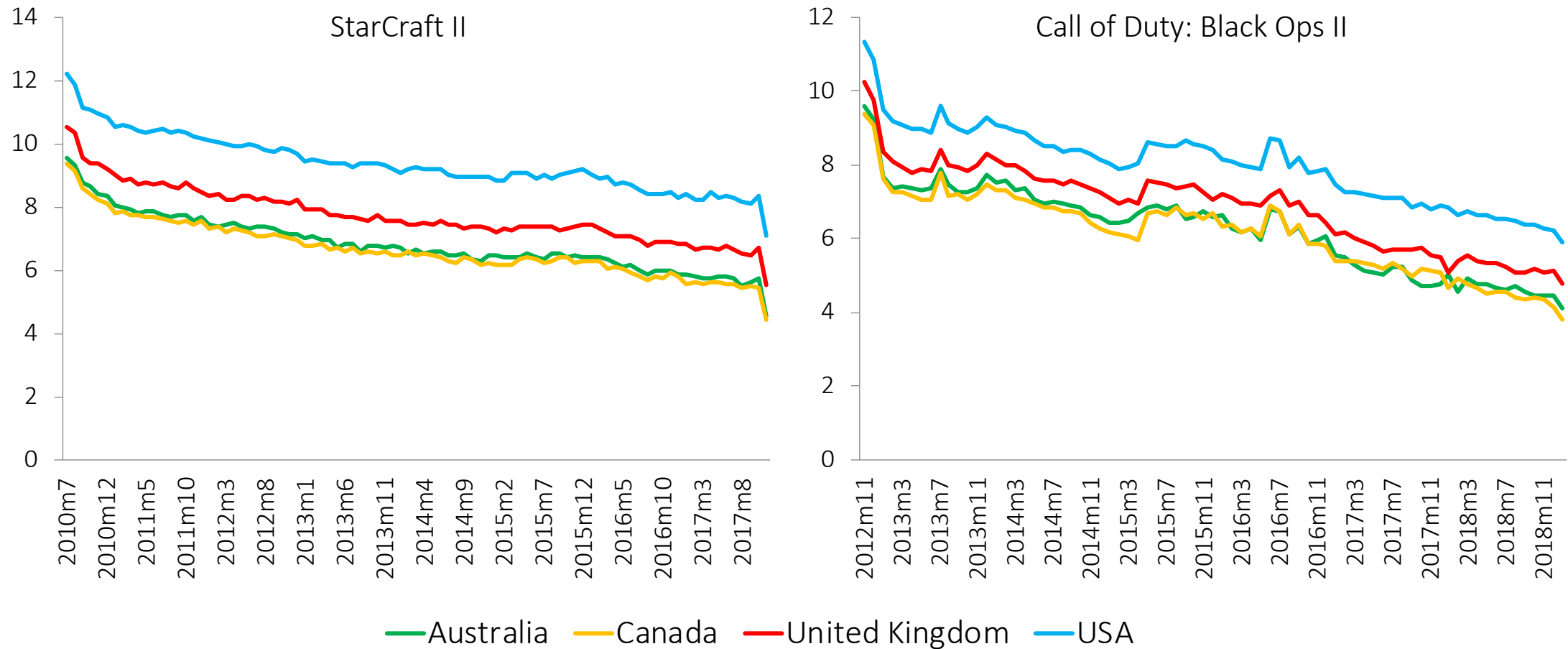
The data is provided for several regions, with English-speaking countries included in our study: Australia, Canada, UK, USA.

Mimicking the Danaher et al. (forthcoming) study, 3-month periods before and after the blocks are considered in an Difference-in-Differences setting.

The analysis covers UK blocks and Australian blocks of pirate torrenting websites.

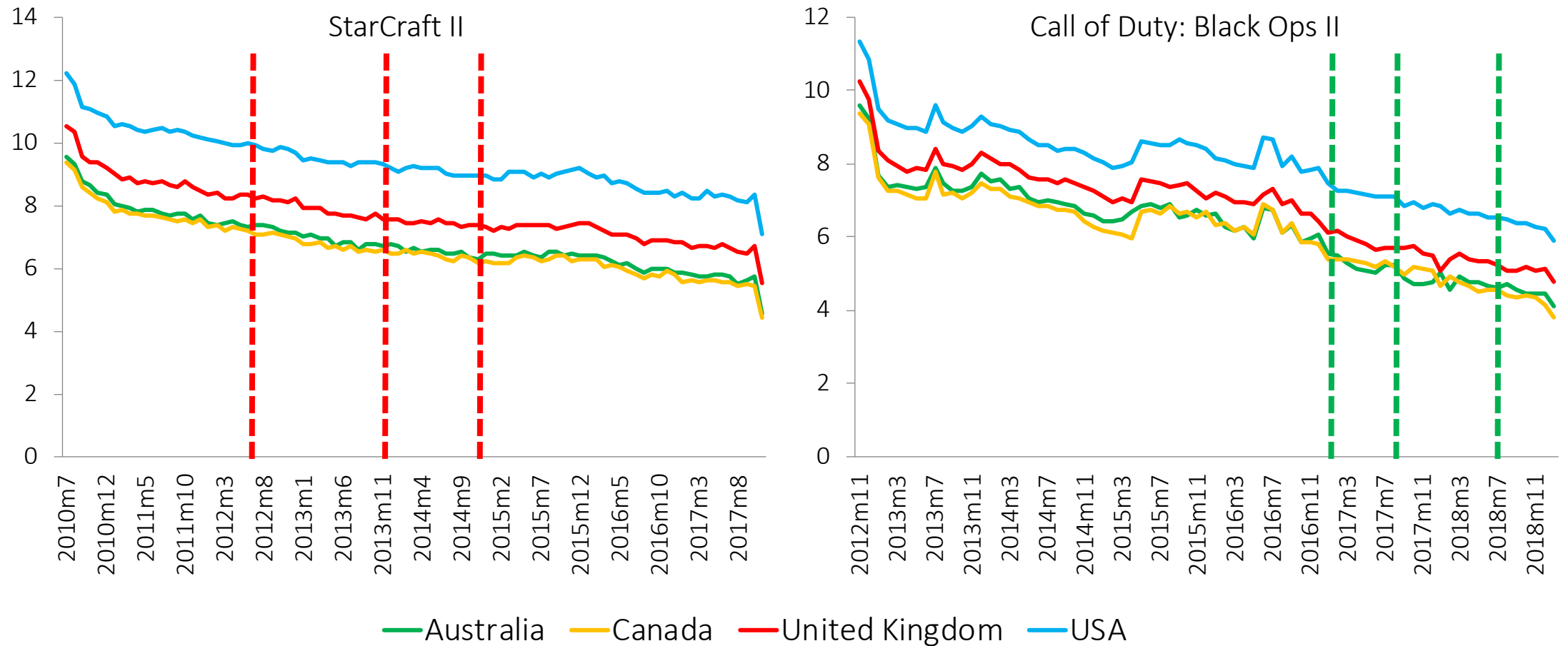
Observing the same game titles in four English-speaking regions ensures that the common trend assumption is satisfied

Log of sales for two examples of video game titles in four regions



However, the analysis shows no significant effect of any of the identified blocks (dates of blocks marked below)

Log of sales for two examples of video game titles in four regions



What can explain the lack of effect for video games despite the evident effect for audiovisual content?

- 1) Not game age or online requirements: interactions with game age and single/multiplayer game type were also found insignificant.
- 2) Specific sample (200 rather popular titles, with some sequels)?
- 3) Gamers might be more tech-savy (e.g. Lifecourse, 2014) and thus better at omitting blocks. For example, a VPN solution could be enough to circumvent the implemented blocks.

Study 2 idea: DRM versus cracking

Piracy of music/movies/books is fairly straightforward: creating a copy accessible to everyone is easy. Unauthorised copies are typically made available close to official release. Methods include stream ripping -> i.e. recording the audio and video outputs from a legal service.

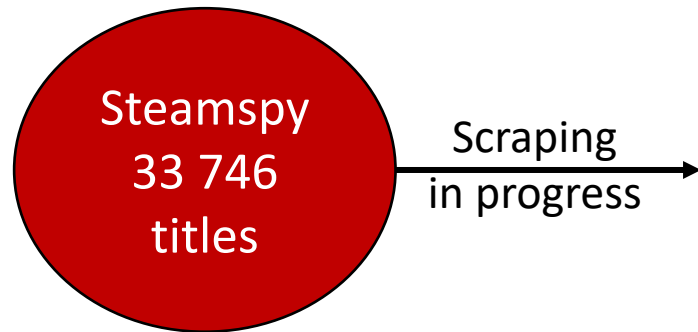
Video games require two-way interactions, including user input. Thus, their piracy requires **cracking** the game code. This is typically done by specialised *Scene* groups.

Efficient DRM systems might delay cracking even for a year (Denuvo), thus introducing heterogeneity in the time of introduction of an illegal alternative.

Regular game updates, patches, downloadable content (DLCs) and online gameplay might make piracy even less practical.

Large and growing dataset on games

sales, pirate availability, characteristics



Until April 2018, Steam store allowed to view publically user profiles, along with the list of the owned games.

Between 2015 and 2018, Steamspy selected a random sample of these profiles daily and used them to estimate ownership numbers among all Steam users (most of the digital market).

The scraping is an ongoing process, with initial findings presented for the current sample.

Steamspy

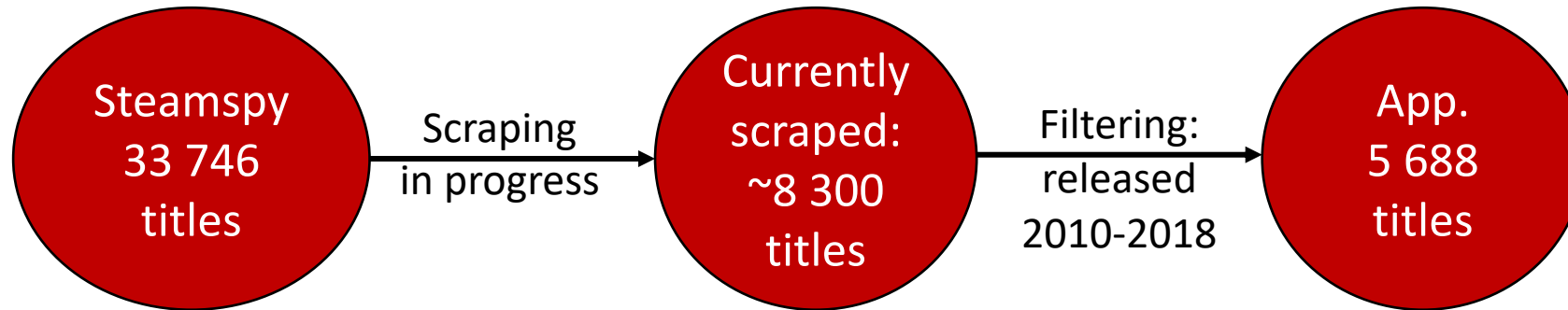
Accurate estimates of digital sales of market leader Steam (~75% market share)

Daily data for 2015-2018

Many game characteristics from the Steam API

Large and growing dataset on games

sales, pirate availability, characteristics



Steamspy

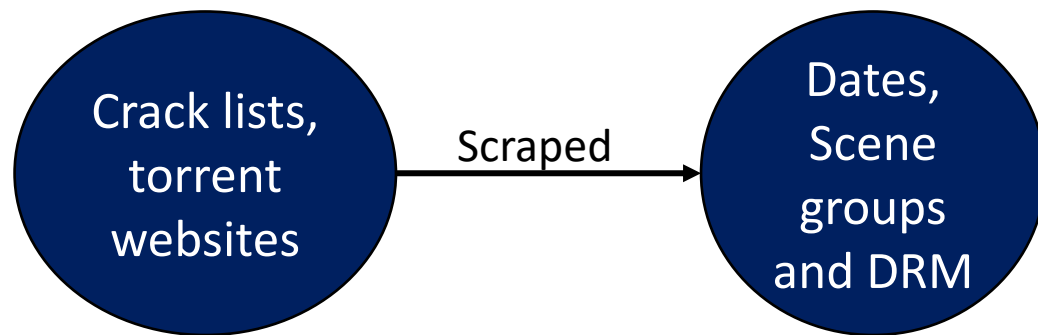
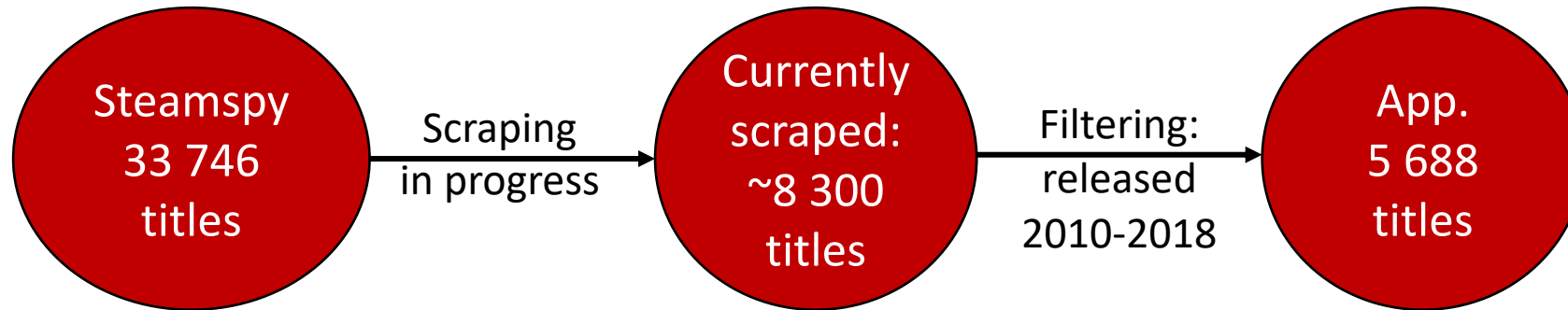
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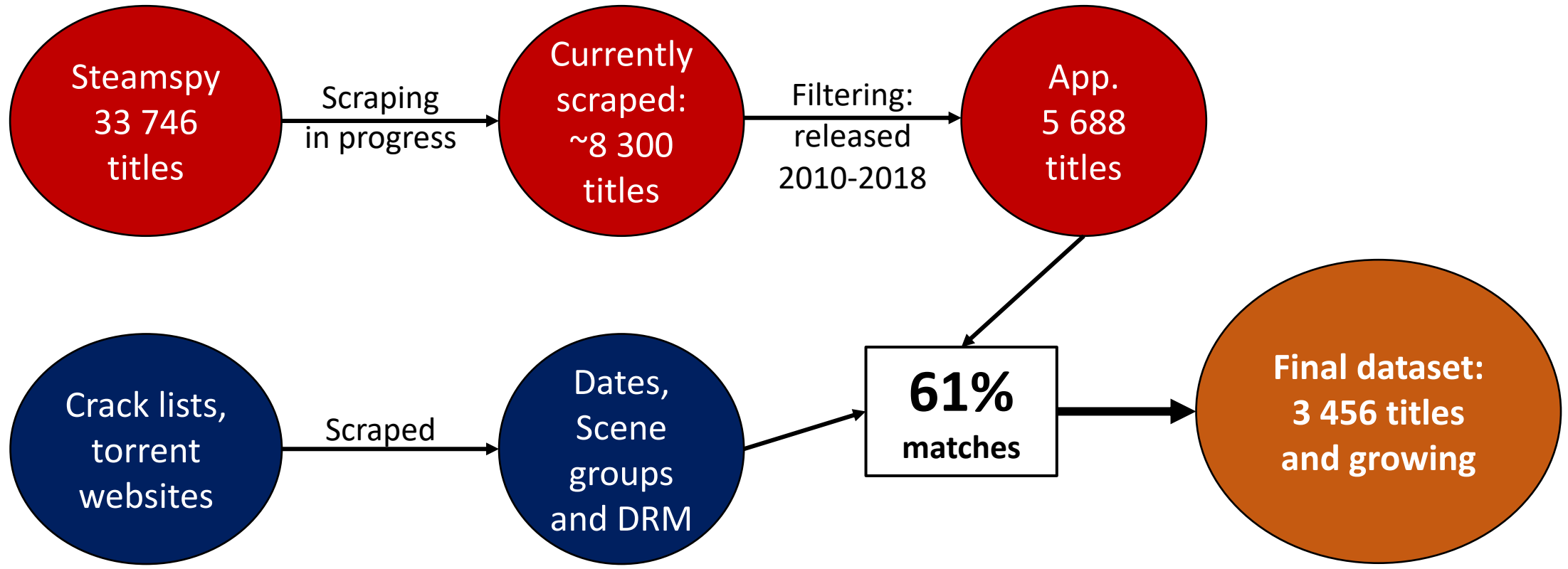


Crack release lists (notifications on new crack releases by Scene and P2P groups):
xRel, crackwatch, skidrowreloaded, skidrowcodex

Torrent websites (allowing to browse whole PC games categories):
Rarbg, Fitgirl Repacks, Zooqle

Large and growing dataset on games

sales, pirate availability, characteristics



Diff-in-Diffs: panel OLS with MLE

(similar results for Fixed Effects)

Explained variable: Monthly purchases

- 1) Median number of owners in each month
- 2) $\text{Purchases}_t = \text{Median_Owners}_t - \text{Median_Owners}_{t-1}$
- 3) $\text{Log}(\text{Purchases})$

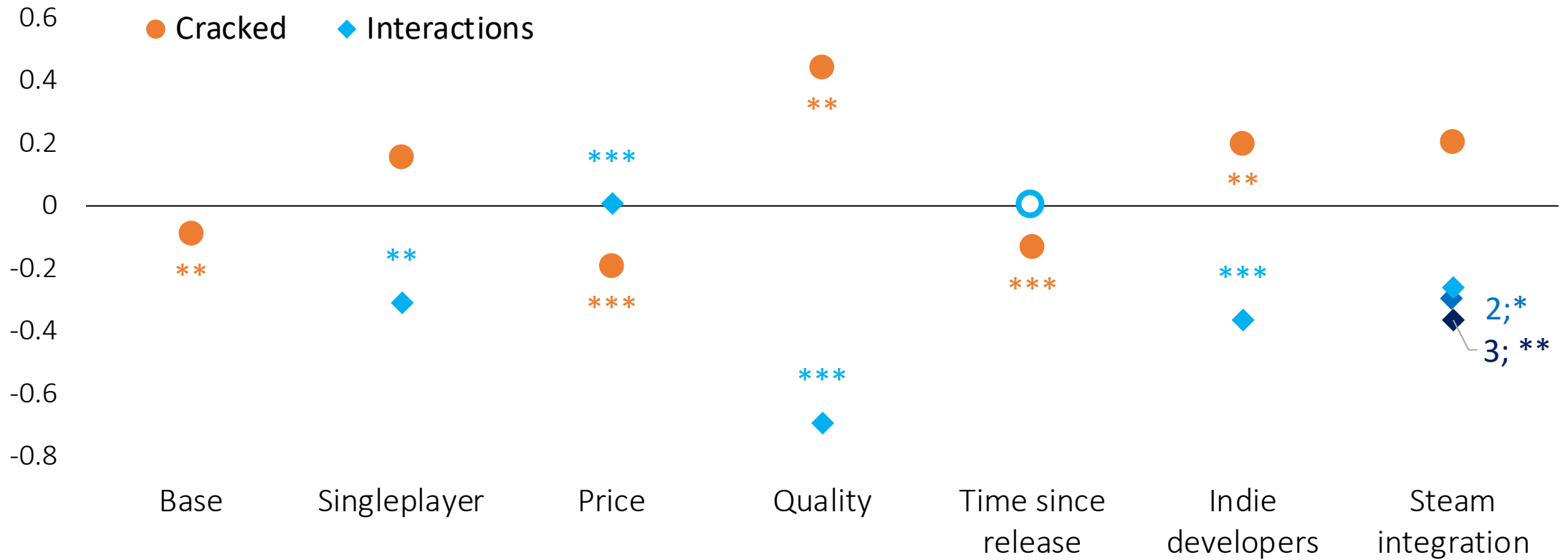
Is the game cracked? And interacted with:

- 1) Base explaining variable: game is already cracked (share of days cracked used if the game got cracked in a specific month).
- 2) Game is Single-player (share of tags): $\frac{SingleTags}{SingleTags+MultiTags}$
- 3) Price: median monthly price
- 4) Quality: share of positive reviews
- 5) Game by indie developers
- 6) Steam integration: achievements, trading cards, cloud saving
- 7) Months since release

Users of the Steam store can provide tags for games. Some games might provide both a multiplayer and singleplayer experience, but cracks typically work well only for the latter. The singleplayer variable reflects the proportion of singleplayer tags -> indicating that the game is perceived mainly as a single-player experience.

Negative effects of getting cracked: especially for high-quality and singleplayer games

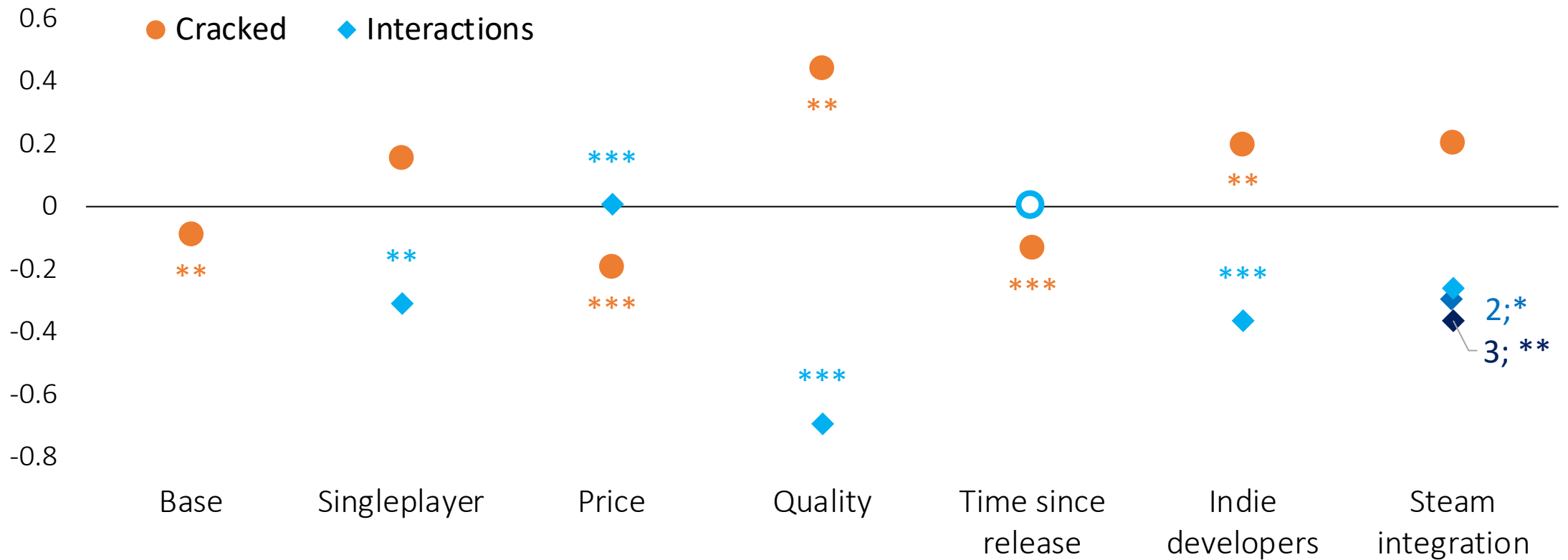
Coefficients from a diff-in-diff model, for the cracked variable and its interaction with other factors



*Note: * - p-value<10%; ** - p-value<5%; *** - p-value<1%; Also controlling for genres; year+month effects; sales; discounts and the non-interacted terms*

Some results may stem from higher-level interactions
(e.g. Indie developers do more single-player games)

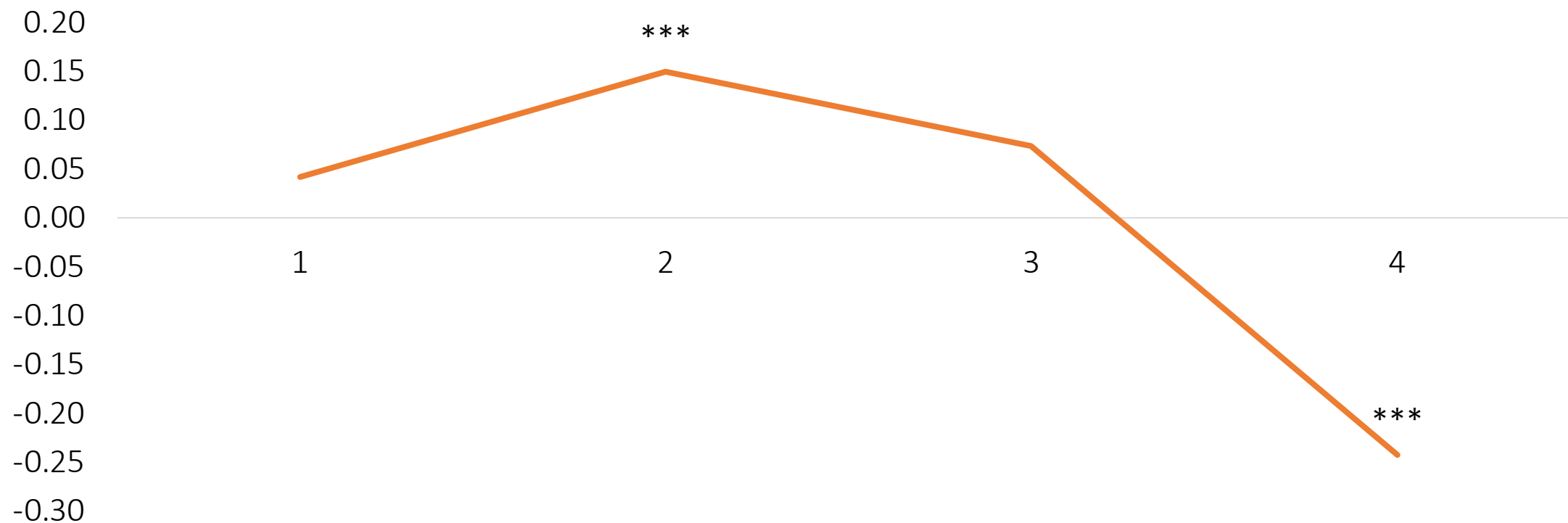
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Differences for popular/unpopular titles

Crack effects by quartile of reached ownership



Note: * - p-value<10%; ** - p-value<5%; *** - p-value<1%; Also controlling for genres; year+month effects; sales; discounts and the non-interacted terms

To conclude: piracy has an effect, but

Blocking `pirate' websites isn't enough to remove it.

Multiplayer (online) games are safer.

Better rated games seem more likely to be harmed.

Better-selling games are more likely to be harmed.

Further steps needed to improve the study and disentangle all effects.

Next steps I

For Study 1:

We will check other regions for website blocking practices or laws mitigating piracy.

We will also check if the common trend assumption holds for other available regions.

We will add other game characteristics (e.g. control whether a game was cracked when a piracy block was implemented).

Next steps II

For Study 2:

Manual review to verify quality of matches and identify why 39% titles were not matched.

Potential steps:

- Better matching procedures (fuzzy matching)
- Selection stage (is crack date observed?)
- Including uncracked games from the unmatched 39% for reference

Different specifications:

- Instrumenting crack date with DRM type (controlling for developer, publisher, etc.).