Chapter 6
Results and Summary
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The analyses of data conducted in Chapter 5 yielded a variety of results under each hypothesis. Some of the results cut across hypotheses whereas some results were specific to the relevant hypotheses. These results are now recounted to gain insights into the way the market, or possibly markets, for physical copies of copyrighted entertainment goods work.

Common results

Disfavour of illegal activities

The responses were found to be overwhelmingly in favour of not doing anything illegal. In fact, the scale could well have been a 4-point scale because there were a negligible number of neutral ‘I don’t know’ responses. Other than the illiterates among the respondents, the attitude towards law for everyone was overwhelmingly positive.

The positive attitude towards law indicated that the purpose of enforcement would be better served if focus shifted to where the piracy emanated from and what the real causes were for piracy to be able to sustain itself.

Aspiration for legitimate medium

The positive attitude towards law was further echoed in the course of the price simulation exercises where it was found that there was a pre-disposition towards switching to a legitimate product in the decreasing price differential scenario cutting across all variable groupings. This was an important result since it can have bearing on determining the enforcement regime as well as the pricing strategies by the producers.

Discomfort with protection measures

The consumers were seen to be uncomfortable with the effectiveness of all such activities which the rightholders could adopt to enforce their rights against piracy. Specifically, they were not confident of the effectiveness of the TPMs and
viewed them from the prism of possible increase in prices to be paid for legitimate products coupled with locking up the pirated products.

They were also not comfortable with the intent of the police and viewed their effectiveness with suspicion that the Police did not mean what they were doing or showing to be doing.

Specific Results

Hypothesis 1

There was a revealed preference for legitimate goods in a decreasing price scenario. Standing alone, this behaviour might indicate a number of things such as the groups might have had other reasons to prefer legitimate products. One such reason might stem from quality preference which admittedly is likely to be superior in legitimate products. However, when combined with two other features of the responses, viz. attitude towards law and consistency in all conditions, this behaviour could be indicative, ceteris paribus, of the aspiration to choose legitimate.

The elasticities for all groups were seen to be low for music media. Thus, it would appear that reasons to switch to pirated products in the case of music media were dependent on more factors than just the price. It was possible that the responses to prices in the case of music media were more muted owing to the already greater predisposition to access pirated media.

The age group 16-24 tended to have greater access to irregular shops; all other respondents were biased in favour of legitimate sources.

There could be some uncertainty about what was considered a regular shop. This would be especially more true in semi-urban settlements and in smaller towns such as district HQs. This aspect would require more careful handling of responses since the intent to buy from a ‘regular’ shop by this definition could result in purchase of pirated media. However, as discussed in Chapter 4, the insight given by the Police was that consumers normally gauge the legality of the medium by its price.
and unless they were to be cheated, they would make the correct choice from their decision set.\textsuperscript{180}

Age appeared to be a determinant of behaviour going by the different behaviour shown by different age groups in the same price situations. At the most what was seen was that in certain cases, contiguous age groups tended to show similar behaviour.

The variable location gave similar results for music as in the case of the ‘Age’. Thus, the broad conclusions for this variable were that in situations of increasing price of legitimate medium elasticities in semi-urban locations were seen to be high, which could be explained in the context of lower per capita incomes normally associated with semi-urban settlements which made them more price sensitive. Further, Metros responded the best in switching to legitimate medium when their prices decreased. Similar to ‘Age’ legitimate products appeared to be products of choice exemplified by the higher elasticities seen overall in the case of their price decreasing. This held true across all locations in both films and music.

The role of professional status in determining cross-price elasticities was seen to be different in different situations. Depending upon their professional status, the respondents showed different propensity to substitute pirated for legitimate and vice versa in the two alternate price change situations. This behaviour was explained in terms of the tactical benefits the respondents appeared to derive from their preferred choices. In fact, the tendency to switch to legitimate from pirated products when the prices of the former were falling was not only rational but also appeared consistent with the behaviour under all other variables, i.e. if the price was ‘right’ people preferred legitimate product over the pirated.

‘Highest Educational Qualification (HEQ) was the variable that did not show consistent impact on the elasticities. Yet, the pattern for greater substitution tendency in favour of legitimate media in a decreasing price scenario continued even under this variable.

\textsuperscript{180}Anecdotally, sourcing movies from the Internet, in any case, was most likely to be pirated seeing that there are even today very few legitimate paid sites for downloading movies.
Income appeared to be responsible for wide variation in cross price elasticities measured across income groups. This means that income did play a part in the way the respondents behaved in response to prices. Secondly, the trend of cross-price elasticities in the case of music being lower was not visible in the declining price scenario with income as the reference variable. Thirdly, in the declining price scenario, elasticities continued to be higher than the increasing price scenario. As such, the evidence on predisposition to use legitimate product was reinforced in the case of this variable as well.

Overall, music media was more susceptible to piracy and did not show as high an inclination to switch to legitimate media in the decreasing price scenario. In the increasing price scenario, the explanation possibly lay in the possibility that respondents were already mostly purchasing pirated media.

The results found some validation by the responses of the Retailers in that they felt that pirated products are preferred by the customers for their comparatively lower price and legitimate products for their quality. They also revealed the role of the students’ age who had a large overlap with group 16-24 in their customer rating by ranking them most valued customers. Hence the impact of this group in overall choices being made between pirated and legitimate products appeared crucial. The high rank of business persons and middle aged persons as their valued customers also needs to be seen with interest. This appears to identify two features in purchase of entertainment goods, enthusiasm and purchasing power. However, they were seen to be apathetic to the customer’s needs since they ascribed to themselves a role primarily as Point of sale or agent of supplier/producer.

**Hypothesis 2**

In situations of price changes, substitution takes place between pirated and legitimate products.

Under specific circumstances, the demand for pirated product is seen to respond in a way normally ascribed to Giffen goods. This also strengthens the conclusion drawn under Hypothesis 1 that buying legitimate goods is an aspirational
set for all respondents and only price seems to prevent such respondents from doing so.

Third aspect that was brought revealed was that the market for pirated product appeared to exist on a different (lower) level from that of legitimate product. This leads to the conclusion that the two markets were in fact segregated and not just segmented and the respondents tend to operate in them separately. The substitution between products actually appeared to happen when the actors moved from one market to the other to conduct their purchasing activities. Thus, despite there being a substitution relationship between the two products, they did not appear to be traded in the same market.

**Hypothesis 3**

There is a higher probability that a respondent would purchase legitimate film product after rating its quality highly. This means that the respondents rated quality as a factor in choosing to purchase legitimate film product. This was not the case with music-based products at all. The predisposition to buy pirated products despite rating its quality highly was much higher.

**Hypothesis 4**

Lack of physical access to legitimate goods was seen as a factor in the predisposition to piracy. There were a large number of consumers of pirated products who could buy legitimate products if the former were accessible both physically and at affordable prices. This group of consumers valued quality but found the legitimate products inaccessible.

**Hypothesis 5**

The evidence gathered from the hypotheses 1-4 and coupled with insights from existing literature, it was possible to conclude that the markets of legitimate and pirated versions of physical copies of copyrighted products were not just segmented but also segregated. Further, there was little likelihood of the lower end consumers shifting to higher end market unless the price was ‘right’. Similarly, the lower end market was perceived, on the basis of anecdotal evidence, inaccessible to a number of upper end consumers who would not buy pirated products under any price situation.
Thus, there appeared to emerge a case for price discrimination. Even if this price discrimination resulted in ‘seepage’ the end impact could be an increase in revenues from the combined market.

**Hypothesis 6**

TPMs increase the cost of production and add to the price of the product. The consumers did not want to pay for the TPMs. The respondent retailers also seemed to rely on fairly basic TPMs for their own safety. Otherwise, they followed a more heuristic approach of mixing experience with care.

**Hypothesis 7**

The ‘Currently Not Working’ and ‘Students’ strongly agreed on effectiveness of enforcement against producers and sellers. However, the number of respondents only mildly agreeing was larger in the case of the currently not working as compared to the other profession groups. The other feature of the responses that emerged was that more persons expressed strong disagreement on this course of action in the professional classification (except for currently not working) than in the other classifications.

The retailers and producers did not seem to have any opinion into the details of the approach to be adopted for curbing piracy when this group stands to lose the most due to piracy if the usual industry view was to be believed.

**Hypothesis 8**

The consumers believed in the capability of the Police in taking action and the effectiveness of police action on piracy, they did not have faith in the Police that they intended to curb piracy. The retailers were more circumspect in saying anything against the police despite recognising the threat of piracy and its likely persistence. The Producers were disdainful of the Police in general but did not seem to know much about piracy and what their role in tackling it was.

Overall, the three stakeholders in the business of entertainment goods did not seem to repose too much faith in the police machinery in tackling piracy, either because the police was seen as inept or corrupt.
These results are likely to have a bearing in policy perspective as well as market strategies. The discussion in the succeeding chapter (7) shall make use of these results for suggesting future action.