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## 1. Introduction

Things have changed dramatically in the course of the last 20 years when it comes to digital product availability, accessibility and consumption. The effects of such a change are most evident to all copyright owners that have their products in a digital form (software, music, video, etc.), since these changes have affected them most. The losses they incur on a yearly basis amount to over \$200 bn. So, what caused these changes? Well, the answer to that is as technological as it is social. Not only that technological advancement allows people to find useful information about certain products easily, but they also enable them to obtain these products with just a click of a button. On the other hand, there is the importance of social aspect. Why do people download pirated materials for free, and at the same time do not consider this stealing but sharing information? What has changed in people's minds? The answer lies in technology, which has made people forget about all conventional means used before, as every digital product that has ever been made (movies, music, games, etc.) can be found and downloaded easily from multiple locations on the Internet.

Case study presented here reflects general consumer mindset regarding the use of the Internet and digital products available for online purchase (music, software, movies, etc..). It represents an insight into today's consumer mind and offers companies key information on possible ways to remedy revenue losses incurred due to illegal file sharing.

The data presented in this Case Study were collected from September 2010 to September 2011, when we conducted anonymous polls on the streets of several major cities. Our survey sample included around 10000 people aged 16 to 65.



## 2. Business situation – potential customer mindset

File sharing on file hosting sites (cyberlockers) and peer to peer (P2P) networks has enabled access to all types of digital data with no effort at all. BitTorrent was the No.1 source of sharing from 2005 and up until mid 2010. Based on measurements conducted by Google the file sharing environment has changed as BitTorrent is no longer so dominant. From the top 10 file-sharing sites on the Internet 8 out of 10 sites are cyberlockers and 2 are BitTorrent sites.

Ranking	Website	Category	Monthly Traffic	Monthly Pageviews
1.	4shared	Cyberlocker	55,000,000	2,500,000,000
2.	Megaupload	Cyberlocker	37,000,000	400,000,000
3.	Mediafire	Cyberlocker	34,000,000	330,000,000
4.	Filestube	Meta-Search	34,000,000	280,000,000
5.	Rapidshare	Cyberlocker	23,000,000	280,000,000
6.	The Pirates Bay	Torrent Index	23,000,000	650,000,000
7.	Fileserve	Cyberlocker	19,000,000	190,000,000
8.	Hotfile	Cyberlocker	16,000,000	110,000,000
9.	Torrentz.eu	Meta-Search	15,000,000	340,000,000
10.	Depositfiles	Cyberlocker	14,000,000	110,000,000

Table 1 - Top 10 largest file-sharing sites (Google measurement)

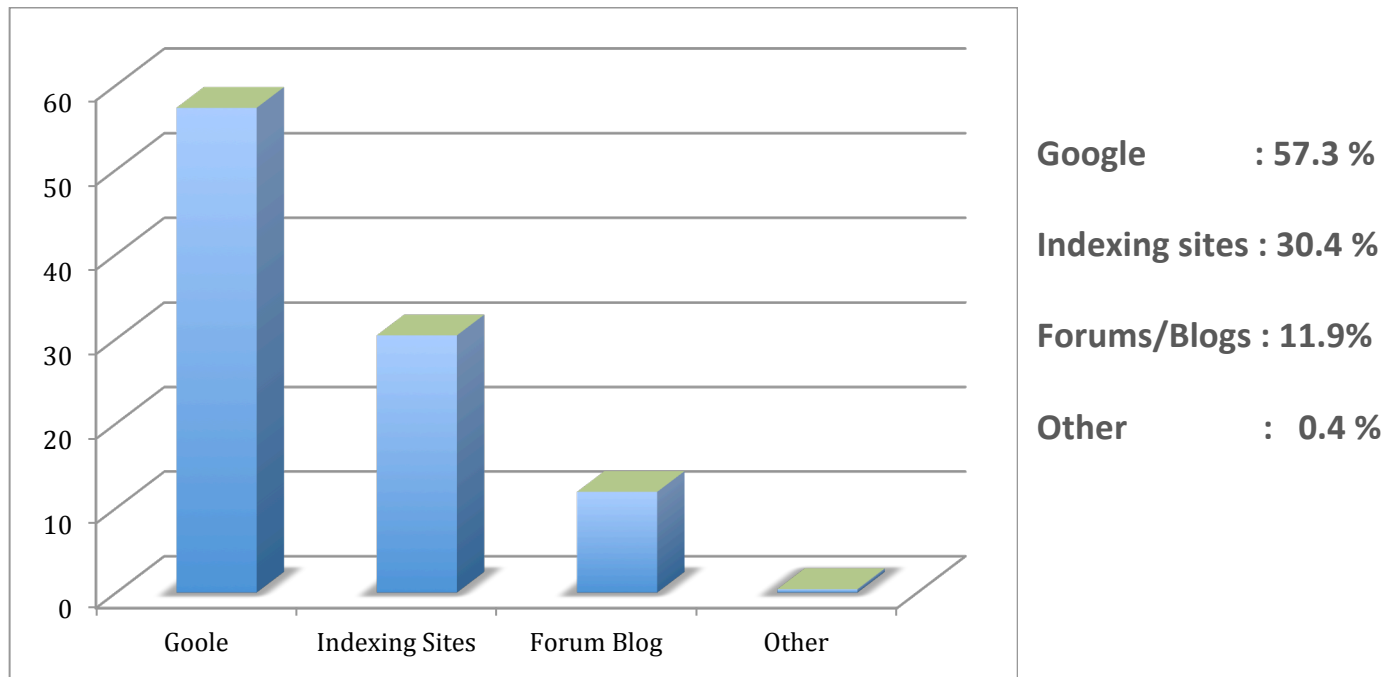
With all these pirated data available on the Internet it's no wonder users download copyrighted materials for free. For copyright owners the figures are pretty grim due to the fact that only 13.7 % of users stated they buy legal software, and 86.3 % continue to download for free. This should not come as surprise, because people are lazy when it comes to certain things and try to make things as simple as possible, and it is much easier to use 2 clicks of a button and download for free than to go through a complex process of buying when they need to enter all personal and credit card details.

In essence, copyright owners make income based on those 13,7 % users. But what is the situation with those 86.3%? Here we have the most important questions and user



answers summarized in graphical results that give some insight into the 86,3% users' mindset.

**When asked: „What search method do you use for finding free downloads?“**

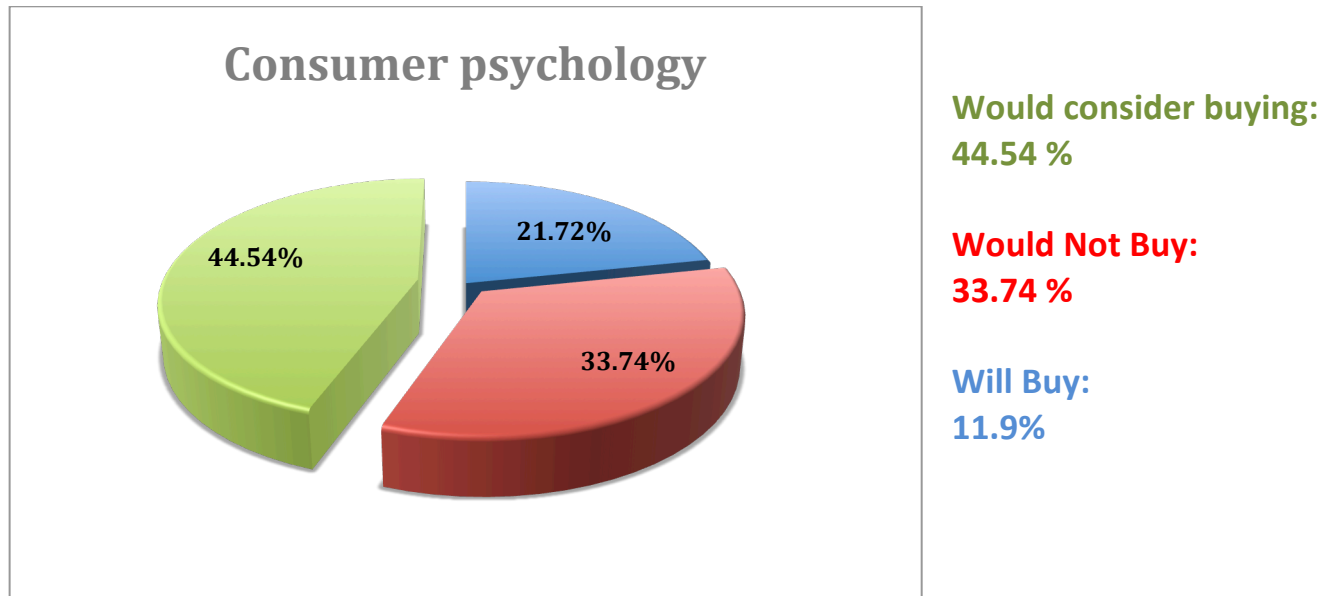


**Picture 1 – Preferred search method of finding free downloads**

Obviously using Google is the preferred and most popular search method, but it is interesting to see that a large number of users use search engines to get the data they want. A lot of users already know about specific niche sites where new pirated material can be found on a regular basis, so they use these specialized sites (forums/blogs) to find the content they are interested in.

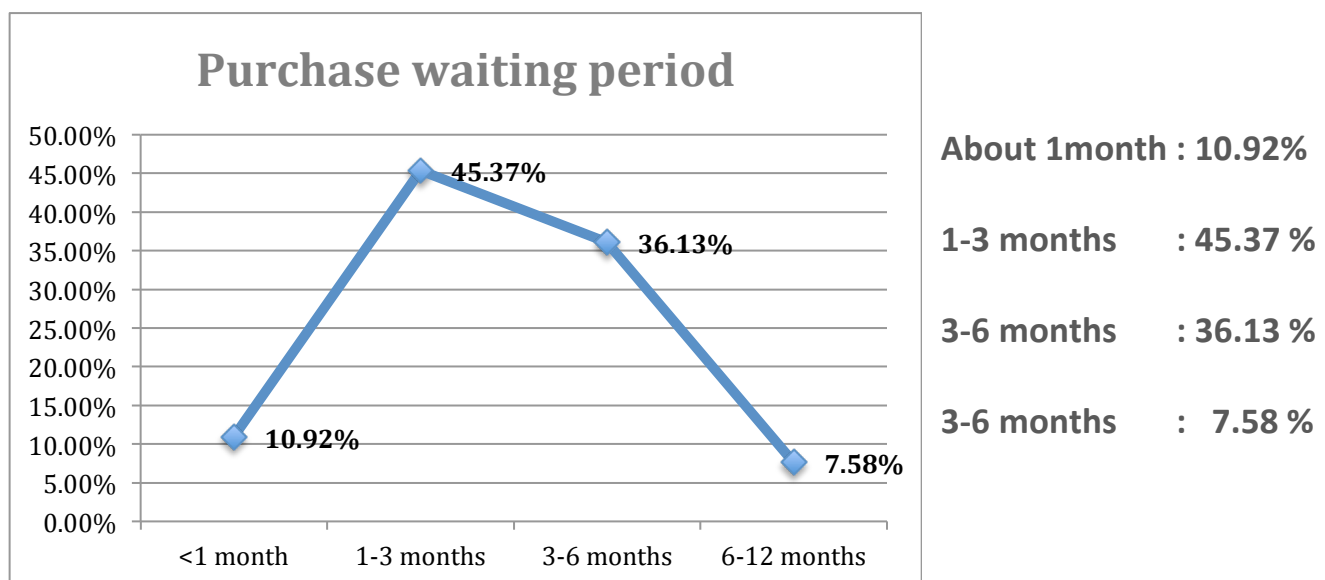


When asked: „If a digital product you find extremely appealing was not available for free download, would you buy it?“



Picture 2 – Consumer psychology of 86,3% free downloading users

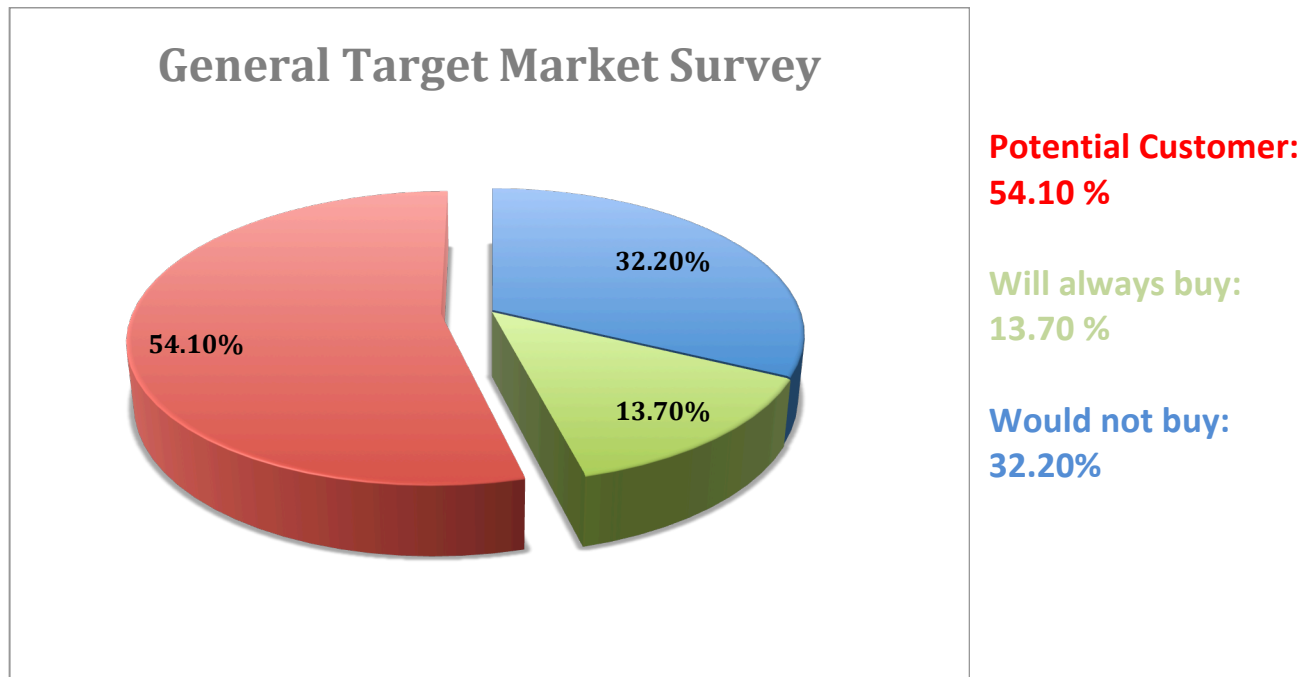
The group that will buy or consider buying a digital product was then asked:  
“How long would you wait for a free version to appear before buying it?“



Picture 3 – Free download time required before users opt for a purchase



The full summary of the general consumer group survey provides the following results for a certain product:



**Picture 4 – Complete market survey results**

Finally, we can sum up the mental process behind potential customer (54,1%) behavior before their purchase, when a desired product is unavailable for free download:

1. SHOCK - at the fact that the product unavailable. Consumer browses the web for a free version.
2. DENIAL - of the fact that the product is unavailable. Consumer still browses and puts more effort into searching for a free version.
3. ACCEPTANCE - of the fact that the product is unavailable. Browses the web for free versions only occasionally or almost never.
4. PURCHASE - The consumer genuinely craves the product and opts for a purchase.



### 3. Business Solution

Despite all the aforementioned challenges **Worklab Group** has provided an end-to-end solution to its clients, which combines a unique “Web scanning” system with brand new, proven and effective methods for tracking pirated copyrighted content. A highly scalable system that tracks, identifies and notifies hosting servers and monitors compliance is just one part of the solution. The use of mimicking techniques on key user congregation points has enabled **Worklab Group** to find coded content which is untraceable via regular tools.

The full solution includes site scanning and the removal of copyrighted content from the following locations:

- File – sharing/hosting sites (Cyberlockers)
- BitTorrent sites
- Search engines
- File search engines
- Streaming/tube sites
- Blogs
- Forums
- Social Media

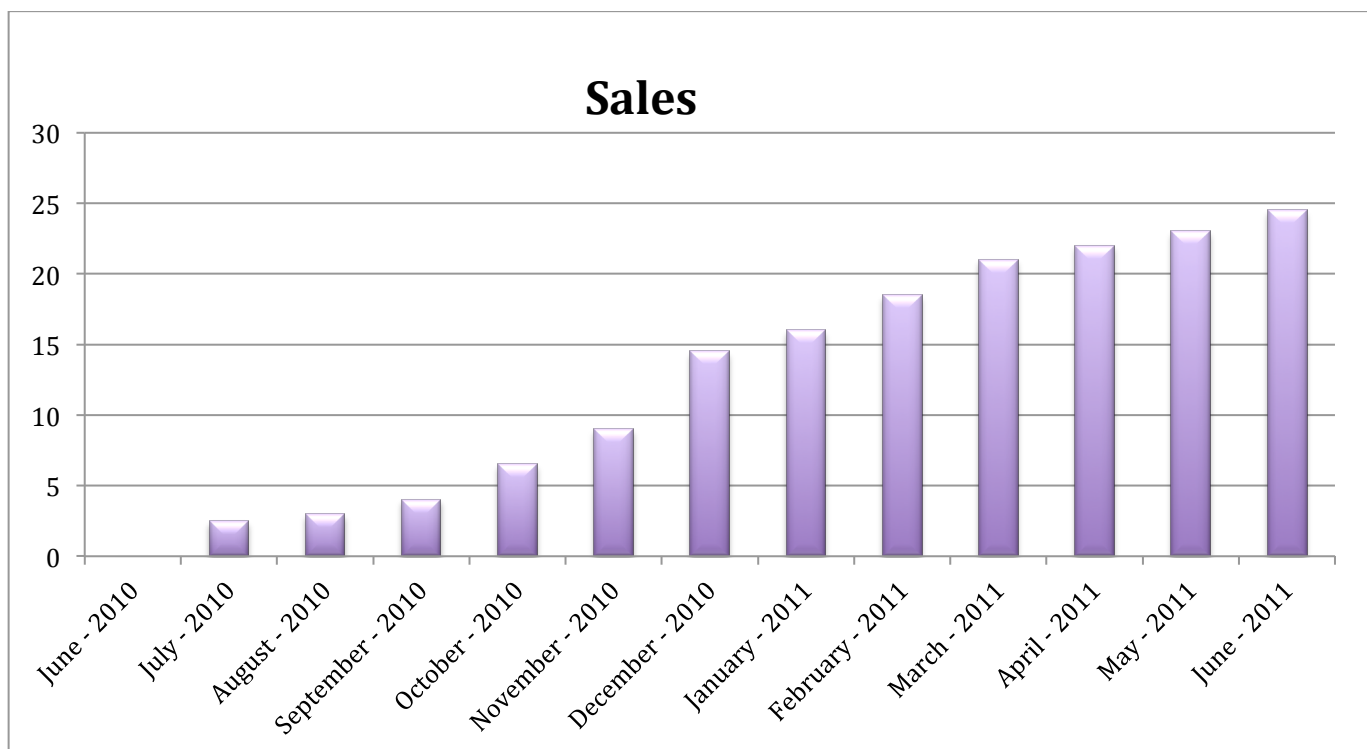
With a rapid growth of Internet and the number of its users it is necessary to have a scalable solution that can withstand current and new challenges, when illegal file sharing is in question, and provide copyright owners with assurance that their content will be safe and providing greater income values.



#### 4. Benefits and results - What does it mean for your business

Let's look at the key aspects of implementing a **Worklab Group** solution in a longer period of time and how it has affected our clients businesses. The key psychological aspect are consumer's emotions, therefore, guided by the fact that something scarce is considered more valuable and desirable, we limit „free availability“ of our clients' products, what results in greater consumer interest and in increased sales results.

Below you can see an overview of results obtained in the period after hiring **Worklab Group** and a timeline presenting an increase in financial benefits in that period. These results are based on the analyses of our current clients' data for the period of one year (June 2010 – June 2011). The following statistics were obtained from our research in 20 companies that have collaborated with us and were willing to disclose their sales figures to us. With a special thanks to these companies we present you the chart summarizing sales fluctuations during the period of one year of cooperation with **Worklab Group**:



Picture 5 – Sales percentage increase (median value of sales increase in percentage)





**Finally, all our satisfied clients keep coming back to us because they know this is the only formula that works:**

- Limiting `free` availability of your products will make them scarce and thus **highly desirable!**
  - More and more people interested in any of your products will have to:
  - try out the trial / demo version - for software/applications/games
  - listen to it on download store (iTunes, Beatport etc.) - for music
  - watch the trailer - for video
  - choose a free chapter on your site etc. - for ebooks
  -
- Anyone wanting to have your full/unlimited products will **have to buy them!**
- Your business will have **tremendous gains in sales**, especially on a long term basis!

