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## **The Piracy Project: A BEA Update**

**Brian O’Leary**  
**Magellan Media Partners**

**M:** Welcome to a podcast of Beyond the Book, a presentation of the not-for-profit Copyright Clearance Center. Copyright Clearance Center is the world’s largest provider of copyright compliance solutions, through a wide range of innovative licensing services and comprehensive educational programs for authors, publishers, and their audiences in academia, business, and research institutions.

For more information about Beyond the Book and Copyright Clearance Center, please go to [www.beyondthebook.com](http://www.beyondthebook.com).

**KENNEALLY:** Welcome to Beyond the Book. My name is Chris Kenneally. I’m the host of this podcast, brought to you by the nonprofit Copyright Clearance Center. We are in New York, attending the Book Expo America conference, the annual conference at the Jacob Javits Center, and today is the Big Ideas Conference. And earlier this morning, we posted a podcast from Tracey Armstrong, Copyright Clearance Center’s CEO, and her presentation there on content licensing and the bottom line. We’re very happy to conjoin that with another program from this morning at Book Expo’s Big Ideas Conference, one, I think, that will be an interesting complement to what Tracey had to say. And discussing it with us is Brian O’Leary. Brian is the Principal of Magellan Media Partners. He’s the founder of that business, and he has in his previous life been with several publishers, as well as with Time Incorporated, going back to the early 1980s. Brian, welcome to Beyond the Book.

**O’LEARY:** Thanks, Chris. Thanks for having me.

**KENNEALLY:** Well, it’s terrific to have you, and I know you had something to say that will probably prick up the ears of everybody attending Book Expo. And that is, the impact of free and piracy on book sales. And this is an update on a piracy project that you conducted, and it’s the kind of work that you do at Magellan, as I understand. It’s a consulting firm that serves publishers and businesses with publishing components, and you do extensive research to really kind of dive into the issues that are impacting their businesses. And probably nothing today is guaranteed to raise fears in any industry, but especially in publishing, and that would be piracy. Tell us some of the high points of what you found in your study.

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O'LEARY: Sure. Well, the bottom line is, on a relatively limited set of data – we're continuing to add to it and expand it – but on a relatively limited set of data, we found that both content that was pirated, as well as content that was distributed freely to promote paid sales, in both cases helped, or at least was correlated with an increase in paid sales in the post-promotional or post-piracy period.

KENNEALLY: So you're saying piracy, or just sort of active promotion, as long as it's free, helps both ways?

O'LEARY: In these instances, yes. I mean, there were a range of results. On average, sales of O'Reilly titles appeared to grow about 6.5% in the four weeks after we first noted the content of the book being pirated. And sales of the random titles that were promoted using free content grew an average of about 6%, and even more during the direct promotional period.

KENNEALLY: Well, what's at work here? Did your research give you any clues as to how that manages to happen?

O'LEARY: Well, I think that that there are a couple things that are worth saying first. One is that there's a lot of debate, as you indicated at the outset, about being either pro- or anti-piracy, and we're actually neither. We approach this in the perspective that we wanted to understand what methods of content distribution would be beneficial to boosting publishing revenues. And that's why we looked at both pirated content as well as authorized tests of free content distribution.

We used a fairly consistent methodology, which was to measure the sales of titles four weeks before either the content was first pirated or four weeks before the actual free promotion, then during the promotion, and then the four weeks after either the piracy or the free promotion took place. And that's how we measured lift. That's a fairly standard methodology for measuring the effectiveness of cooperative marketing promotions, for example.

KENNEALLY: So before, during, and after.

O'LEARY: Yeah. And that way, we really weren't coming after to say, does piracy exist. It does, and there's no question about it. The question for this was, when piracy occurs, what the correlated effect, or what effect does it have, if any, on sales of particular titles.

KENNEALLY: And because fighting piracy just takes so much work, I suppose what you're getting at here is how much a publisher may or may not have to fear from piracy, and how much they may have to gain from using free as a promotional tool.

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O'LEARY: Well, I think that that is the core of it. And the other thing that we're trying to do is collect data in structured way that a lot of – say, perhaps, for different types of books, piracy may have a greater or lesser impact on overall sales, meaning that if you're an educational publisher, where there's one-time use and a high price point, piracy might be a greater threat than, for example, a trade book, even a relatively large-selling trade book, that is made available on a pirated site.

KENNEALLY: Well, we've heard people like Chris Anderson and others really promote the notion of free, and so there's been a lot of discussion around it. You say that sales increased 6%. Now, we wouldn't, in this economy, sneeze at – or sneer, rather, at anything. Six percent, though, doesn't sound like a big mover either way.

O'LEARY: Yeah, it's not, and we did not see that. We did see individual titles that had a significant increase. In a couple cases we had significant decreases in the post-promotional sales, particularly for tests on free. However, it was a relatively small nudge. And what we took away from that is, A, that we don't have enough of a sample yet to be able to correlate it to specific individual types of books. But the second was that, at least for the moment, it does not seem to be the biggest thing to worry about. It doesn't mean that you wouldn't think about it down the road, as digital content becomes more available, as the sophistication of ebook readers and other devices grows. There might be a growing preference for digital content, and therefore a greater impact of piracy. But right now we do not see that.

KENNEALLY: Right, I was going to bring that up. And I think the obvious compare and contrast is with the music industry, and there there have been all variety of forms that people can use to share, pirate, whatever the term you want to use, their music, so that others can listen to it immediately. But books it's been a bit more difficult, because up until recently, as you say, we haven't had the kind of readers that make it a reasonably enjoyable experience. And even just – I mean, creating a PDF for a 300-page novel is a fairly arduous task no matter how you look at it, whereas making an MP3 copy of a song is as easy as inserting a CD. So that there really have been a number of factors at work that have slowed this down and kind of allowed publishers a chance to look at this and think in a cool-headed fashion.

O'LEARY: One of the things that we also touch upon in the paper, and I talked about earlier today, is the immersive nature of the reading experience. Fundamentally, you can listen to a song in a passive manner, and you might also listen to a song many different times. It might take three minutes, for example. But there's not the same engagement, and the devices that you listen to it on are – they're sort of source independent. That's not the case, as you've just pointed out, with books. And because reading is both an extensive, you know, hours versus minutes, and

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immersive experience, the quality of the interface, whatever it is, an ebook reader, a desktop, PDF, etc., makes a big difference in whether or not you're willing to pirate.

There's a significant debate, as well, about whether or not – what the extent of piracy is on the music business. We're not tackling that as part of our study, but it's just worth noting that the axiomatic – piracy killed the music business is not necessarily the case. But it's certainly not the same as what's going on in the book business.

KENNEALLY: Well, I appreciate that point, and I think that it's certainly something we might tackle one of these days on *Beyond the Book*. There's been a lot ascribed to the Internet as it's caused the downfall of newspapers, it's caused the downfall of the music business, it may be about to cause an earthquake in the publishing business. But there's so many other factors going on that just blaming the Internet, it's a little easy, almost too easy, really.

O'LEARY: I agree, and I also think that it's – our perspective is not to say that the sky is or is not falling, but simply to try and gather enough data so that we can say, when the sky is falling, we can tell you where the rain's going to hit, or at least when the rain's going to hit first.

KENNEALLY: And good to be doing it now. At BEA this year and last year, the drumbeat around ebooks and ebook readers has been growing louder and louder, and folks like Jeff Bezos and others are actively seeking titles from the publishers to be able to offer them to ebook consumers, if you will. I suppose a year from now that you'll want to take a look at this again and see where we are.

O'LEARY: Well, the study actually – we will continue this, and I certainly would come back to it in a year – the study continues every day. We're looking at what titles are pirated, particularly from the O'Reilly set.

One of the things that's interesting about the data – and it's kind of behind the scenes in our talk, but not only was piracy not correlated with a loss in sales, but if anything a mild lift, but the number of titles that O'Reilly in particular saw pirated on peer-to-peer sites, which are the universe that we looked at, was only eight of something more than five dozen titles on their front list in 2008, so a significant minority. And of those eight titles that we found pirated when we did our review, the average time between actual pub date and when the content was first put up on a peer-to-peer site was 20 weeks, so the better part of five months.

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KENNEALLY: So are we saying that pirates are pretty choosy about what they are making available?

O'LEARY: I'm not sure if I can characterize their approach as choosy or lackadaisical, but the notion that every book that I publish is pirated immediately and distributed worldwide on peer-to-peer sites was not borne out in this initial segment study that we did.

KENNEALLY: Well, that is very interesting. We're talking with Brian O'Leary, who's the principal of Magellan Media Consulting Partners, which is online at [magellanmediapartners.com](http://magellanmediapartners.com). He spoke earlier today at the Book Expo America Big Ideas Conference on the impact of free and piracy on book sales. And, Brian, I wonder if we can just take you off the simple topic – simple, I suppose, is perhaps the wrong word – but the single topic of piracy, and just ask you a general question, which is, it's 2009, you're talking to the publishing business. What does your research say is the real problem the industry is facing? Have you got an answer for that rather big question?

O'LEARY: (laughter) Well, I hope so, especially since I consult in this area. I think that Tim O'Reilly and Cory Doctorow have been variously credited with saying that the real problem with book publishing is not piracy but obscurity. There's a great deal of content that's available. Finding ways to make sure that it's discovered and access – and downloadable and/or readable by the folks who would consume it and pay for it is the big challenge. Bookstores, as you know, in general carry far less than 10% of the total number of books in print at any given time. Online, when you go online, the searchability of content is sometimes limited, and there's a number of publishers haven't gone into giving away sample content even at this point, although that trend is diminishing.

So I think that finding ways to use the technologies that we have available to promote and make readily available the nature of the content that you're trying to sell is critically important. And that's one of the reasons why I think piracy might, if not be working, then at least not working against paid sales, because it promotes discoverability.

KENNEALLY: Well, Brian, it's been a pleasure to discover you here at Book Expo America. Again, we've been chatting with Brian O'Leary, the principal of Magellan Media Consulting Partners. Brian, thank you for being with us on Beyond the Book.

O'LEARY: My pleasure, and maybe we'll get a chance to do it again when we update it a year from now.

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KENNEALLY: I would be delighted to have you back, Brian, perhaps even before then. This is Chris Kenneally, reporting to you from Book Expo America 2009 in New York. We hope you'll stay with us here at Beyond the Book throughout this weekend and the coming weeks, to learn a little bit more about what's been going on at Book Expo America. Thanks for listening.

M: Beyond the Book is an educational presentation of the not-for-profit Copyright Clearance Center, with conferences and seminars featuring leading authors and editors, publishing analysts, and information technology specialists. Beyond the Book is the premier source for knowledge on the latest business issues facing today's dynamic publishing industry, from initial research to final publication and beyond.

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