

DO&IT Seminar Series

Speaker: Michael D. Smith
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Carnegie Mellon University

Date: Friday, October 9, 2009

Time: 2-3:30 pm

Location: VMH 1335

Title: **Converting Pirates without Cannibalizing Purchasers: The Impact of Digital Distribution on Physical Sales and Internet Piracy**

Abstract: Digital distribution channels have raised several important questions for marketers. Notable among these are to what degree digital distribution channels cannibalize physical sales and whether legitimate digital distribution will dissuade consumers from using digital piracy channels. We address these questions using the removal of NBC television content from Apple's iTunes store in December 2007, and its restoration in September 2008, as natural shocks to the supply of legitimate digital content and analyzing its impact on DVD and piracy channels.

We find that NBC's decision to remove its content from iTunes in December 2007 is causally associated with an 11.5% increase in the demand for pirated content. This is roughly equivalent to an increase of 53,000 downloads a day for NBC's content which is approximately twice as large as NBC's total legal purchases on iTunes for the same content prior to the removal. We also see no change in demand for NBC's DVD content sold on Amazon.com following the removal of the iTunes channel. Finally, we find evidence of a smaller, and statistically insignificant, decrease in piracy for the same content when it was restored to the iTunes store in September 2008.

Bio: Michael D. Smith is the Dean's Career Development Chaired Associate Professor of Information Systems and Marketing and the Co-Director of the Center for Digital Media Research at Carnegie Mellon University. He holds academic appointments at the School of Information Systems and Management and the Tepper School of Business. He received a Bachelors of Science in Electrical Engineering (summa cum laude) and a Masters of Science in Telecommunications Science from the University of Maryland, and received a Ph.D. in Management Science from the Sloan School of Management at MIT.

Dr. Smith's research uses economic and statistical techniques to analyze firm and consumer behavior in online markets — specifically markets for digital information and digital media products. His

research in this area has been published in leading Management Science, Economics, and Marketing journals and covered by professional journals including The Harvard Business Review and The Sloan Management Review and press outlets including The Economist, The Wall Street Journal, The New York Times, Wired and Business Week.

Dr. Smith has received several awards for his teaching and research including the National Science Foundation's prestigious CAREER Research Award, the best published paper award runner-up for Information Systems Research in 2006, best paper nominations at the International Conference on Information Systems and the Hawaii International Conference on Systems Sciences, and the 2009 and 2004 Best Teacher Awards in the Masters of Information Systems Management program. He was also recently selected as one of the top 100 "emerging engineering leaders" in the United States by the National Academy of Engineering and was recently appointed as a Senior Editor at Information Systems Research.

Prior to receiving his Ph.D., Dr. Smith worked extensively in the telecommunications and information systems industries, first with GTE in their laboratories, telecommunications, and satellite business units and subsequently with Booz Allen and Hamilton as a member of their telecommunications client service team. While with GTE, Dr. Smith was awarded a patent for research applying fuzzy logic and artificial intelligence techniques to the design and operation of telecommunications networks.