

***"A recent IDC study conducted for BSA found that reducing software piracy by ten percentage points over four years could deliver billions in economic growth and hundreds of thousands of new jobs."*** Source: Fifth Annual BSA and IDC Global Software Piracy Study <http://global.bsa.org/idcglobalstudy2007//>



## How is the BSA going to achieve a 10 point reduction?

This paper explores how this might be achieved. From the BSA's own statistics the track record so far;

In USA in 1996, 1 in 4 was the "reported" piracy rate by the BSA but it was listed at approx 27%.

In USA in 2007, 1 in 5 is the stated rate of piracy by the BSA IDC Global study i.e.; ~20%.

In the BSA 2008 IDC Piracy Impact study at <http://www.bsa.org/idcstudy> the commentary is suggesting a forecast drop by a further 10 points in the 4 years 2008 to 2011 "could deliver billions in economic growth and hundreds of thousands of new jobs".

The target 10 point reduction in piracy rate places the rate in USA at around the 10% level by 2011.

## How is the BSA going to achieve this?

Given that the best the BSA can do over a 10 year timeframe, is reduce the piracy rate from around 27% to 20% in USA, when the Internet and social engineering was only in its infancy for many of these years, (but is now in full flight as a powerful distribution mechanism) how are the BSA going to stimulate a change in thinking, mindset, attitude and behaviour amongst a business and user community to achieve the 10 percentage points reduction to bring the piracy rate down to 10% in USA?

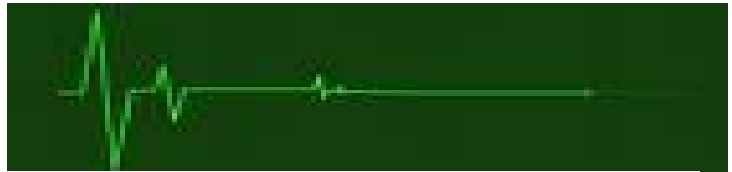
NOTE: The BSA are not just talking about 10% in USA, they are talking 10% across the globe, so the actual reduction rate really needs to be a lot higher to achieve this given the high rates of piracy and increasing rates of piracy occurring in countries specified in their studies.

## Some "piracy statistics"

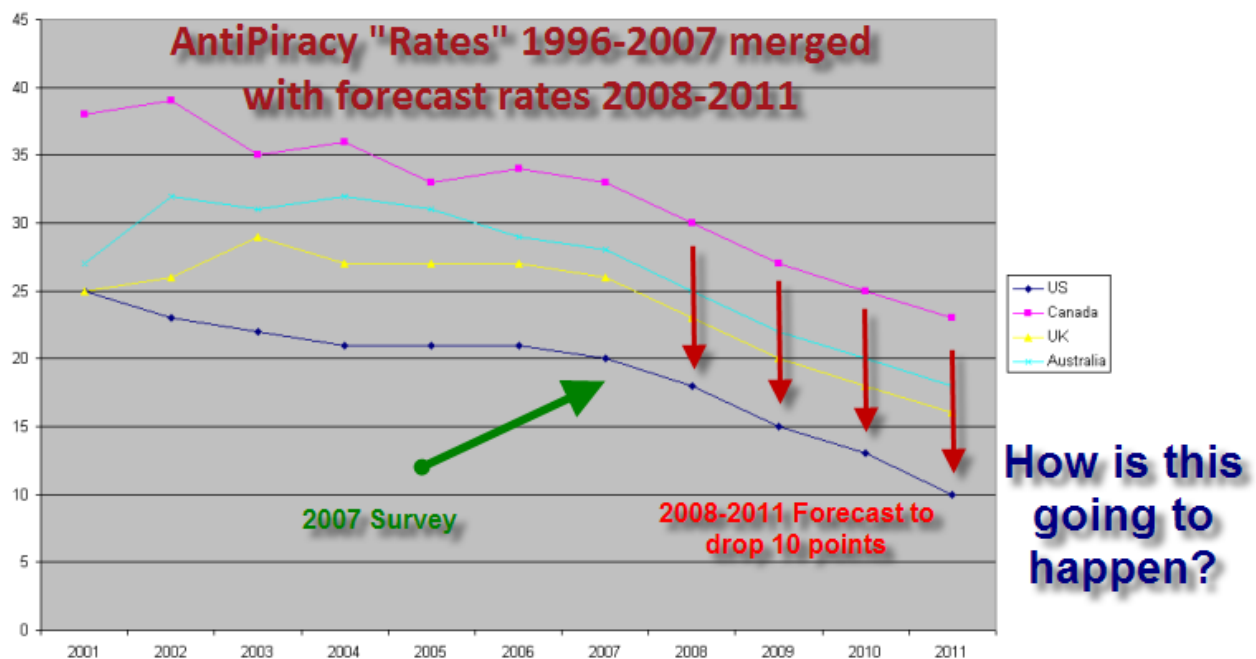
Here are a few key piracy percentage statistics (extracted from the 2007 Report) since 1996 that we have merged into a table and included several years previous BSA Global study reports to provide a view over a longer timeframe, to gain a better perspective.

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
US	27	27	25	25	24	25	23	22	21	21	21	20
Canada	42	39	40	41	38	38	39	35	36	33	34	33
UK	34	31	29	26	26	25	26	29	27	27	27	26
Australia	32	32	33	32	33	27	32	31	32	31	29	28

From the graph of the above table the trend over the last 6 years shows a fairly steady, almost "flat line" rate of change.



Then look at the forecast for the four years, 2008 to 2011. The rate of decline needs to be very rapid to achieve the 10 point drop claimed in the BSA survey!



Source data extracted from: BSA Annual Survey Reports

Our key question is HOW IS THIS 10 point target going to be achieved?

## A Few Clues from the BSA Press Release

The BSA has published "a five-point "blueprint" (source

[http://global.bsa.org/idcglobalstudy2007//pr/pr\\_us.pdf](http://global.bsa.org/idcglobalstudy2007//pr/pr_us.pdf)) for reducing software piracy and reaping the economic benefits which includes":

*“Increasing public education and awareness of the value of intellectual property and the risks of using unlicensed software;*

*• Updating national copyright laws to implement World Intellectual Property Organization (WIPO) obligations in order to enable better and more effective enforcement against digital and online piracy;*

*• Creating strong enforcement mechanisms as required by the World Trade Organization (WTO) Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS), including tough antipiracy laws;*

*• Dedicating significant government resources to the problem, including national IP enforcement units, cross-border cooperation, and training for local officers and judiciary officials; and*

*• Leading by example by implementing software management policies and requiring the public sector to use only legitimate software.”*

## Factors contributing to Piracy Increase

From the Fifth Annual BSA and IDC Global Software Piracy Study press release –

*“ Market factors contributing to increasing piracy rates include:*

- (1) dynamics in the PC market where the fastest growth is in the consumer and small business sectors; these are the hardest sectors in which to lower piracy; and*
- (2) expanded Internet and broadband access. With approximately 700 million people expected to go online for the first time between 2008-2012, 76% of them will be in emerging markets. Access to pirated software will continue to shift from the streets to the Internet.”*

*“By the end of 2007, there were more than 1 billion PCs installed around the world, and close to half had pirated, unlicensed software on them,” said John Gantz, chief research officer at IDC.*

Source [http://global.bsa.org/idcglobalstudy2007//pr/pr\\_us.pdf](http://global.bsa.org/idcglobalstudy2007//pr/pr_us.pdf)

Given the above observations made by the 2007 IDC/BSA Study key findings, how is the BSA planning to cut 10 percentage points off the piracy rate by 2011?

## Factors contributing to Piracy Decrease

From the Fifth Annual BSA and IDC Global Software Piracy Study press release –

*“ Market factors contributing to decreasing piracy rates include:*

- (1) increasing globalization among countries in emerging markets;*
- (2) technologies such as technical protection measures like digital rights management (DRM) which software developers are building directly into their products;*
- (3) new software distribution models such as software-as-a-service.”*

Given the above observations made by the 2007 IDC/BSA Study key findings, what additional measures are the BSA going to add to make sure these are enough to cut 10 percentage points by 2011?

**“...Dollar losses from piracy rose to nearly \$48 billion.”**

So what? The numbers and the logic just don't add up. They never seem to have in the past either, as the sets of press releases that come out every year, say almost the same, with little variation. Unfortunately the message from the BSA looks like a repeat of last years press reports, and when C level executives see this

press release every year, they could be forgiven for taking the view that it's really nothing more than "it seems to be the same old news, again, and again, and again."

The BSA has been claiming a 10 point drop every year for the last 10 years (almost) it seems.

Look, it makes great press "to claim a 10 point drop will generate this many jobs and this many billions in revenue", however the reality is the BSA haven't yet achieved it so far, so how are they going to achieve this between 2008-2011?

*"Software piracy negatively affects much more than just the industry. It also puts a strain on technology companies' ability to invest in new jobs and new technologies; harms local resellers and services firms; lowers government tax revenues; and increases the risk of cyber crime and security problems".* source [http://global.bsa.org/idcglobalstudy2007//pr/pr\\_us.pdf](http://global.bsa.org/idcglobalstudy2007//pr/pr_us.pdf)

From a C level executives perspective, whilst they may understand and sympathise with the statement above, the real issue that C level executives are concerned about relates to what's happening within their own business area and the costs they face due to a range of related areas. They are more keenly focused on their own business goals and objectives than the BSA's "software industry focus".

***C level executives probably don't care how many jobs are being lost in the software industry or how much the software industry itself is losing; unless that's the field they are employed in!***

## **C Level Executives are losing more than they know**

From a C level executives perspective, the real issue they need to realise and face up to, that many do not know about or pay little attention to, is what's happening within their own business area and the costs they are incurring already due to a range of related piracy, anti-piracy and audit areas. These are key C-level message areas that the BSA just doesn't seem to be considering or communicating and our observations leave us with the view that these \$ values involved may well be very significant!

In our view, the real issue the BSA continually fails to mention to C-level executives (which is where they are trying to launch the sales pitch), is not how much the software industry is losing, but cost driven factors that affect the business or organization such as;

- the amount of money and effort being wasted by organizations worldwide on buying audit tools (in many cases over and over again),
- using audit tools that are ineffective as they miss key items (through relying on the registry only),
- audit results that are incomplete, due to audits not being completed or restarted,
- inaccurate audit results,
- audit results containing false positives,
- paying somewhere between 18% to 25% annual maintenance for software audit tools,
- updating of software identification database libraries to cover new software releases,
- paying personnel to develop special skills to write script files for audit tools to help identify installed software,
- paying for large teams of personnel as employees (or consultants at hourly rates) to do audits,
- not matching audit results to proof of purchase records to validate "ownership" of licenses,
- paying for more software licenses than what they really need,
- not looking at the impact of movie, sound, image and font files that also contribute to the piracy cost equation and also of downloads affecting network throughput, expanding the size of backup requirements, increase in bandwidth costs and exposing the organization to inappropriate image content (Pornography),
- lost productivity through staff not performing duties they are employed to do, i.e.; not focusing on the organizations' core objectives or business activities.

If you sum up the aggregate of the costs (which affect cash and profit) listed in the bullet points above, you will discover that the numbers are more than likely significantly higher, and yet the rate of piracy is all the BSA is worried about!

We are confident that if C-Level executives heard a message as the “annual mantra” from the BSA about how much their own organization could “win for their own business” improvement in bottom-line, cash and profit through reduction in costs by assisting with lowering piracy rates, (not just for software but for all aspects listed above), the BSA will have engaged one of the most powerful forces they could adopt in terms of making a sea-change in piracy rates and thus forcing down the rate by the mythical 10 percentage point reduction claimed in surveys and studies.

## Our key question is still, how is this 10 point reduction going to be achieved over a 4 year span from 2008 to 2011?

### - Through education?

Highly unlikely, that doesn't seem to have worked so far. Do not underestimate the power and creativity of the socially engineered individual who now believes that “because it's soft, therefore it's free”. Open Source mindsets do not assist the cause of paid licensed software. Harsh economic conditions also influence the mindset when it comes to paying for software.

*“.....79 percent of company directors would be happy to avoid buying software licences in order to support their company's balance sheet during the current tough economic climate.”*

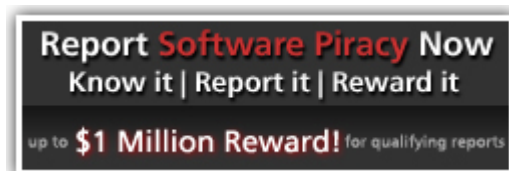
***Economic gloom leads to rise in illegal software***

<http://www.pcadvisor.co.uk/news/index.cfm?newsid=13725>

### - Through punishment and reward schemes?

That doesn't seem to have worked either, despite offering up to \$US1m rewards (subject to conditions) since July 2007.

<https://reporting.bsa.org/usa/home.aspx>



### - Through Digital Rights Management?

Maybe, but it hasn't solved the problems so far and has created havoc in some areas with activation codes etc at many sites. Microsoft has withdrawn Windows Anytime Upgrade (WAU) being activated online over the web and reverted to upgrades using DVD's in February 2008!

<http://www.microsoft.com/presspass/newsroom/windows/factsheets/WAUFS.mspx>



### - Through Saas?

Maybe, but very few SMEs will want, or can afford, to be tied online to a Service Provider and may also have concerns over content ownership – read the Ts and Cs in Google Docs (see [http://www.pcprofile.com/Office\\_Collaboration.pdf](http://www.pcprofile.com/Office_Collaboration.pdf)) and you will learn why this is a concern!



For SaaS details see [http://en.wikipedia.org/wiki/Software\\_as\\_a\\_Service](http://en.wikipedia.org/wiki/Software_as_a_Service)

- **Through Outsourcing?** Maybe, but this floats in and out of flavour as being the preferred method of software management. <http://en.wikipedia.org/wiki/Outsourcing>

## Is there ever going to be a solution to piracy?

There would be if more focus was given to the real issues and engaged the help of business leaders and helped them understand the enormous amounts of money they are wasting through current inefficient practises that has been going on for the last 15+ years.

In our view, it's really very easy to stop piracy in the workplace when you understand the methodologies that can be deployed and yet Microsoft are not prepared to, nor do the BSA seem to be interested, in how it can be achieved.

Maybe Education & Punishment is the preferred BSA method rather than actually coming up with a solution.

Microsoft is only focusing on its own software through DRM and activation methods, which are not as effective as they had planned.

Many are not aware that fonts are also now the subject of anti-piracy actions. see What The Font [http://www.pcprofile.com/What\\_The\\_Font.pdf](http://www.pcprofile.com/What_The_Font.pdf) and this complicates the position further as no-one knows how to manage and record fonts as legitimately licensed (or otherwise) on a system.

## It's time for a Sea-Change!

It's time to stop kidding ourselves with reports that claim, annually, *"a 10 point reductions in piracy will....."*

It's time to stop wasting enormous amounts of money and resources that could be better spent paying for the right amount of software licenses, and/or on improving bottom-line profits and cash flow.

Business and government organizations have a lot better ways to spend their money, than to continue with wasting huge amounts of money and resources that could be far better utilised.

Let's hazard a guess on what the annual membership fees are for the following BSA vendors;

- Adobe,
- Apple,
- Autodesk,
- Avid,
- Bentley Systems,
- Borland,
- CA,
- Cadence Design Systems,
- Cisco Systems,
- CNC Software/Mastercam,
- Corel,
- Dell,
- EMC,
- HP,
- IBM,
- Intel,
- McAfee,
- Microsoft,
- Monotype Imaging,
- PTC,
- Quark,
- Quest Software,
- SAP,
- Siemens PLM Software,
- SolidWorks,
- Sybase,
- Symantec,
- Synopsys, and
- The MathWorks.

The answer is, we really have no idea what the number in \$ terms would be, BUT, it has to be multi-millions of \$ annually based on the names above, bearing in mind the values of their annual turnover and the amounts they are protecting in terms of pirated software.



**How many \$millions are being paid in annual memberships?**

*Wouldn't it be good if a small %age of these "annual fees" were diverted to a permanent anti-piracy solution that covered software, music, movies and fonts!*

## Tell the BSA that it's time for a permanent solution!

Contact the BSA and tell them that their members companies, with Microsoft as the leader, need to come up with a permanent solution to the problem for Windows based systems. **It can be done, if they are interested!**

Knowing what PCProfile knows about how to control software in the workplace on Windows based operating systems we suggest to the BSA that **for less than 1% of one years annual premium the BSA members could deliver a software solution that resides permanently within the operating system that manages and controls piracy of software, music, movies, images and fonts** in a manner that enables businesses and organizations to focus on core business activities, increasing profits and reducing costs.

The bottom-line benefit of delivering a permanent solution will then result in delivering the 10 point reduction (or even more) that the BSA has been talking about, but has not yet achieved, over the last 10 to 15 years!

## Some final observations from PCProfile

It seems that Education & Punishment are some of the key methods as the preferred BSA method it seems rather than actually coming up with a "long term solution". TRIPS and WIPO solutions proposed by the BSA aren't going to help business organizations, despite the BSA's best intentions. Leading by example, whilst admirable doesn't cut it with business either!

The measures (apart from enforcement) are all "soft" examples and are not long term solutions!

The BSA just doesn't seem to realise they are dealing with a societal mindset problem of "it's soft therefore it's free" and that education, punishment and auditing systems isn't the way to overcome the issue of software piracy. It hasn't worked (to any visible extent) over the last 10 years so what will be different about the next 4 years.

With an Open Source mindset now firmly engraved in most, if not all new software graduates and highly skilled technical staff, then we would suggest that the current piracy rate of 1 in 4 (or 1 in 5) is actually way out of line and the true rate is actually much, much higher!



"Struggling with technology?"

"PCProfile offers practical technology tips aimed at helping you use your PC business systems more efficiently."

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PCProfile's view, based on our observations over many years that a simple solution for businesses with a control suite embedded within the operating system could have been found to this problem 4 years ago and this would have solved the problem for ALL software, music, movies, images, sound files and fonts. PCProfile knows this for a fact because we designed and built a prototype anti-piracy solution in 2004 for software, music, movies, images and fonts, based on Windows XP systems that really belongs embedded within the Windows Operating System

layer.

This report has not been sanctioned or approved by the BSA, or Microsoft, it is a set of views and observations of PCProfile after working on software auditing since 1991 and then with businesses and organizations world wide since 1998 on the state of play with anti-piracy efforts and solutions. This paper is designed to stimulate thinking and discussion amongst senior management around what can be done to FIX THE PIRACY PROBLEM instead of reporting every year that there has been very little change in the overall rate of piracy.

## Who or What is the BSA?

The BSA is the Business Software Alliance and is funded by software industry members including; *Adobe, Apple, Autodesk, Avid, Bentley Systems, Borland, CA, Cadence Design Systems, Cisco Systems, CNC Software/Mastercam, Corel, Dell, EMC, HP, IBM, Intel, McAfee, Microsoft, Monotype Imaging, PTC, Quark, Quest Software, SAP, Siemens PLM Software, SolidWorks, Sybase, Symantec, Synopsys, and The MathWorks.*



*BSA programs foster technology innovation through education and policy initiatives that promote copyright protection, cyber security, trade and e-commerce.* For more information on the **Fifth Annual BSA and IDC Global Software Piracy Study** see [http://global.bsa.org/idcglobalstudy2007//pr/pr\\_us.pdf](http://global.bsa.org/idcglobalstudy2007//pr/pr_us.pdf)

## Some caveats on our views

Let's be clear, we have no problem with the BSA tackling rampant cases of piracy by resellers or unscrupulous individuals such as those who set up eBay auctions after duplicating multiple copies and selling them. See a list of some press releases of those who have been paraded before the courts as listed at; <http://www.bsa.org/Press%20Room.aspx>

We have no problem with the BSA vigorously tracking down and closing duplication factories, set up in backyards and business premises, but we all know that for every one shut down several new ones spring up in the area days later.

We have no problem with the BSA tracking down peer to peer or file sharing networks using torrent files to distribute software across the globe using the Internet.

We have no problem with the BSA tracking down key generation programs that allow you to generate any number of serial number keys for older version software to keep the software legitimate.

We have no problem with "education" but wonder whether the message is falling on deaf ears, as the Gen X and Gen Y and the next generations are all brought up with a mindset of "software" really means "free" and Open source is the way of the future, so "why pay for any software". By the time these graduates enter the workforce these new employees have a very firm view that doesn't match "the BSA's education stance" taken some time beforehand. The BSA needs to keep up its efforts in killing off Internet piracy and lobbying governments and anti-piracy bodies around the globe, but it's now time to "FIX THE PROBLEM".

We are uncertain that the BSA understands the full implications of the font piracy issue as that is exceedingly hard, if not impossible, for any manager to control, and handle and reconcile to licenses, due to the technical nature of any font installation and removal. Our advice to anyone caught with font "piracy" that they are claimed to have not licensed correctly (unless they deliberately set out to steal these fonts) is to consult a technology lawyer very smartly and mount a defence for your case as the issue of fonts piracy is not as clear cut, as many would believe.

Overall we have no problem with the BSA representing software industry members in terms of protecting the world against software piracy, we just think they are missing several key areas that are vital keys in lowering the piracy rate;

- It's not just software that needs to be looked out for, its also movies, images, sound files, fonts etc
- Messages to C level executives need to be refocused to draw attention on what the business is losing. When a C level executive finds out that they might be losing the most out of the whole piracy equation, then the level of engagement rises rapidly and they can become a very useful ally in helping solve the problem through enforcing a more rigid regime within their own environment
- It's time to develop and deliver a permanent solution that resides within the Operating System. If PCProfile can develop a prototype in 2004 that sits on a desktop PC and controls piracy of software, music, movies, sounds, images and fonts, then surely Microsoft can do a lot better than we can when they control the operating system!



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**About the Author** - PCProfile is an Adelaide based company with over 30 years practical computing experience in small, medium and large - enterprises and offers managers and business owners in SMEs, and SOHO businesses practical tips and advice on how to get the best out of the technology used by your SME/SOHO business. Author Bio can be seen at [www.pcprofile.com/bio.htm](http://www.pcprofile.com/bio.htm)

**PCProfile** also runs seminars on technology topics for SME and SOHO business owners. See [www.pcprofile.com/seminar.htm](http://www.pcprofile.com/seminar.htm)

**PCProfile** also conducted a webcast for Australian Computer Society in February 2006 on "Pssst Do You Want Some Free Software", webcast Australia wide. This webcast addressed the management issues on software piracy that are overlooked by many and the impact within organisations. The video streaming online can be accessed direct via <http://mediasite.videolinq.tafe.net/mediasite/Viewer/?peid=29296d9f-0aec-4b8e-bff0-a06250843d98>

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