



## NEWS RELEASE

### **Embargoed Release**

May 14, 2008, 1pm Singapore time

### **Contacts:**

**Juliet Lim**

**Radiant Communications**

**(t) +65-9431-5111**

**(e) julietlim@radiantcomms.com**

### **STUDY FINDS PC SOFTWARE PIRACY FALLING IN MANY COUNTRIES, BUT CHALLENGE SHIFTING TO EMERGING, HIGH-GROWTH MARKETS**

*Asia Pacific sees solid progress with piracy rates falling in 13 economies.*

**Singapore (Wednesday, May 14)** – Although piracy of software on personal computers (PC) declined in many countries in 2007, fast growing PC markets in some of the world's highest piracy nations caused overall numbers to worsen—a trend that is expected to continue. While solid progress was seen in Asia Pacific with 13 economies registering decreases in piracy rates, the average PC software piracy rate increased in Asia Pacific from 55% in 2006 to 59% in 2007. This was largely attributed to China's growing share of the overall PC market in the region, driving the regional piracy rate closer to that of China's. Moreover, dollar losses from piracy rose from almost US\$12 billion in 2006 to over US\$14 billion in 2007.

These are among the findings of the Fifth Annual Global PC Software Piracy Study released today by the Business Software Alliance (BSA), an international association representing the software industry and its hardware partners. The study was conducted by IDC, the information technology industry's leading global market research and forecasting firm.

Of the 108 countries included in the report, the use of pirated software dropped in 67, and rose in only 8. However, because the worldwide PC market grew fastest in high-piracy countries, the worldwide PC software piracy rate also increased by three percentage points to 38% in 2007.

PC shipments in Brazil, Russia, India, and China – commonly referred to as the BRIC countries – grew 26% last year, compared to 13% in North America, Western Europe, and Japan. The combined BRIC countries are now as large a PC market as the United States.

"We are making much-needed progress in the battle against PC software piracy, and that's good news for governments, end users, businesses, and the industry," said BSA President and CEO Robert Holleyman. "The battleground is now shifting, however, to emerging markets where many of our collective challenges remain."

Jeffrey J. Hardee, BSA's Vice President and Regional Director, Asia Pacific, said, "The Asia Pacific market for PC software is growing rapidly as incomes rise in the emerging economies, some with very large populations, and demand for PCs expands. The challenge is to develop a culture of respect for intellectual property in these and all markets so that businesses and other consumers use only legal and fully licensed software instead of installing counterfeit software, making unauthorized reproductions of genuine software or obtaining infringing software on the Internet through auction sites, mail order sites and unauthorized P2P file sharing."

"The challenge is compounded because of the rapid growth in first-time users from the high-piracy consumer and small business sectors which affect country averages even when PC software piracy drops in other market segments. IDC also found that a relatively large number

of PCs in some markets are supplied by assemblers and these so-called white box PCs are more likely to come pre-loaded with illegal software than branded PCs," said Hardee.

"Nevertheless, the support by governments across Asia has been very encouraging this past year, with increased enforcement activity and numerous joint awareness campaigns being conducted to try to change mindsets on intellectual property rights. The net effect is clear to see – we have 13 economies registering decreases in PC software piracy rates and none registering an increase," added Hardee.

The Fifth Annual Global PC Software Piracy Study also revealed trends that would shape the future of anti-piracy efforts. Factors contributing to increasing piracy rates included the dynamics of the PC market which would see fastest growth in countries with weak copyright enforcement and in consumer/Small Medium Business (SMB) sectors.

Additionally, with expanding Internet access across the region, access to pirated software is moving from the streets to the Internet. With approximately 700 million people expected to go online for the first time from between 2008 to 2012, 76% of them will be in emerging markets. Of the 200 million households expected to get broadband access between now and the end of 2012, more than half will be in emerging geographies.

Among the study's key findings for Asia Pacific:

- In the Asia Pacific region, vendor legalization efforts have had an impact in places like Indonesia and Thailand.
- In China, after dropping by 10 points in the three preceding years, the PC software piracy rate was unchanged between 2006 and 2007, largely because the number of PCs shipped to homes and small businesses, which are more susceptible to PC software piracy, especially when the PCs are supplied by assemblers, grew faster than the market as a whole. This was particularly pronounced in second and third tier cities but was not enough to offset important progress among the larger customer segments in the first tier cities. BSA continued to work closely with the Chinese government on its enterprise legalization program, which has the potential to generate sharp reductions in the PC software piracy rate in China if it is implemented effectively and includes measures for audits.
- In Hong Kong, BSA worked with the Customs & Excise Department and the Intellectual Property Department on a campaign to promote software audits in the corporate sector. Legalization efforts helped lower Hong Kong's piracy rate by two points.
- In India, a push to bundle broadband connections with PCs, particularly laptops, has been attractive to people who use their PCs as media players on the run. This, alongside education and enforcement efforts, drove legitimate software into the market. Ironically, while India is an exporter of world class software expertise, its domestic market still resembles that of an emerging economy.
- In Japan, with the support of the Ministry of Education, Culture, Sports and Science & Technology, a BSA university outreach program helped create awareness among university administrators about software asset management, driving legalization and creating further awareness through campaign publicity.
- In Malaysia the government stepped up raids on business users of illegal software and also launched an education campaign with BSA called "Sikap Tulen" intended to change the consumer mindset regarding legitimate software.
- In Vietnam, legalization efforts by the government and business end-user education efforts drove piracy down in those segments significantly, perhaps as high as double digits. However, 75% growth in PC shipments to consumers limited the piracy rate drop to three percentage points.

“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. A recent IDC study conducted for BSA found that reducing software piracy in the region by just 10 percentage points over a four year period could generate 435,000 new jobs, over US\$40 billion in economic growth, and over US\$5 billion in tax revenues,” said Hardee.

Other findings for Asia Pacific:

- Asia Pacific includes Japan, Australia, and New Zealand, all low piracy countries. Excluding them from the region, the piracy rate would be higher than 70%.
- A higher percent of consumers and small businesses in the customer base tends to drive piracy up. In 2007, consumers accounted for 55% of the PC market in Chile, and 65% in Thailand, but only 33% of the market in Egypt, and 24% in South Africa.
- Piracy tends to be higher among PCs purchased from non-brand name vendors than with brand name PCs. Non-branded PCs account for 62% of the market in Argentina, 24% in Colombia, 73% in Vietnam, and 18% in Malaysia.
- General IT sophistication, which is measured as the IT services percent of total IT spending, can vary from 13% in China and 11% in Venezuela to 40% in Australia and 37% in Brazil.

“By the end of 2007, there were more than one billion PCs installed around the world, and close to half had pirated, unlicensed software on them,” said Victor Lim, Vice President, Asia/Pacific Consulting Operations at IDC. “This study shows that government and industry anti-piracy efforts are working in many countries. However, the attention will increasingly turn to combating piracy in emerging economies.”

Among the study’s key findings for the global market:

- Among the nations studied, Russia led the way with a one-year drop of seven points to 73%, and a five-year drop of 14 points. Russia’s piracy rate is still high, but it is decreasing at a fast pace as a result of legalization programs, government engagement and enforcement, user education, and an improved economy.
- The three lowest-piracy countries were the United States (20%), Luxembourg (21%), and New Zealand (22%). The three highest-piracy countries were Armenia (93%), Bangladesh (92%), and Azerbaijan (92%).
- Piracy rates dropped slightly in many low-piracy markets where rates have been stagnant for several years, including the United States (-1%), United Kingdom (-1%), and Austria (-1%). Many other developed economies experienced a continuing gradual decline, including Australia, Belgium, Ireland, Japan, Singapore, South Africa, Sweden, and Taiwan.
- 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.

“Experience has shown that the ‘blueprint’ for reducing software piracy includes education, smart government policies, effective enforcement, and legalization programs,” Hardee said. “In short, we know what works, and we’re going in the right direction through collaboration with governments. That said, it is important for BSA and its members to expand our campaigns and outreach, and government support and involvement is critical.”

BSA's five-point "blueprint" for reducing software piracy and reaping the economic benefits 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 anti-piracy 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.

The BSA-IDC Global Software Piracy Study covers piracy of all packaged software that runs on personal computers, including desktops, laptops, and ultra-portables. The study does not include other types of software such as server- or mainframe-based software. IDC used proprietary statistics for software and hardware shipments and enlisted IDC analysts in more than sixty countries to confirm software piracy trends.

For more details or a copy of the complete study, visit [www.bsa.org/globalstudy](http://www.bsa.org/globalstudy).

# # #

**Business Software Alliance** ([www.bsa.org](http://www.bsa.org)) is the foremost organization dedicated to promoting a safe and legal digital world. BSA is the voice of the world's software industry and its hardware partners before governments and in the international marketplace. Its members represent one of the fastest growing industries in the world. BSA programs foster technology innovation through education and policy initiatives that promote copyright protection, cyber security, trade and e-commerce. BSA members include Adobe, Agilent Technologies, Altium, Apple, Autodesk, Avid, Bentley Systems, Borland, CA, Cadence Design Systems, Cisco Systems, CNC Software/Mastercam, Corel, Dell, EMC, Frontline PCB Solutions - An Orbotech Valor Company, HP, IBM, Intel, INUS Technology, McAfee, Microsoft, Mindjet, Minitab, Monotype Imaging, PTC, Quark, Quest Software, SAP, SAS Institute, Siemens PLM Software, SolidWorks, SPSS, Sybase, Symantec, Synopsys, Tekla, The MathWorks and Trend Micro.

**IDC** is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,000 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For more than 44 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company. You can learn more about IDC by visiting [www.idc.com](http://www.idc.com).