MANY COUNTRIES REDUCING SOFTWARE PIRACY, STUDY SAYS, BUT PROBLEM REMAINS A SERIOUS DRAG ON ALL ECONOMIES

Worldwide PC software piracy rate rises for the second year in a row

Washington, D.C. – Governments and software companies are making progress in stopping the illegal use of personal computer (PC) software products, but piracy remains a serious problem in all countries, putting a drag on economic recovery and long-term growth.

These are among the findings of the Sixth Annual BSA-IDC Global Software Piracy Study released today by the Business Software Alliance (BSA). The study was conducted by IDC, the information technology (IT) industry's leading global market research and forecasting firm.

In 2008, the rate of PC software piracy dropped in about half (57) of the 110 countries studied, remained the same in about a third (36), and rose in just 16.[1] However, the worldwide software piracy rate rose for the second year in a row, from 38 percent to 41 percent, because PC shipments grew fastest in high-piracy countries such as China and India, overwhelming progress elsewhere.

In another sign of the scale of the problem, the monetary value of unlicensed software – "losses" to software companies – broke the $50 billion level for the first time. Worldwide losses grew by 11 percent to $53.0 billion in non-adjusted dollars, although half of that growth was the result of the falling US dollar. Excluding the effect of exchange rates, losses grew by 5 percent to $50.2 billion. This compares to a legitimate PC software market of $88 billion in 2008, and a personal computer market of $244 billion.

"We are continuing to make significant progress against PC software piracy, which helps people working in the IT industry as well as the wider economy and society. That's the good news," said BSA President and CEO Robert Holleyman. "The bad news is that PC software piracy remains so prevalent all over the world. It undermines local IT service firms, gives illegal software users an unfair advantage in business, and spreads security risks."

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[1] The subsets do not add up to 110 because there is no prior year data for one country, Georgia.

Negative Impacts of Piracy Go Far Beyond Software Industry

Software piracy affects much more than just the global software industry. For example, for every $1 of software sold in a country, there is another $3 to $4 of revenues for local IT service and distribution firms. A January 2008 IDC study predicted that lowering PC software piracy by 10 points over four years would create 600,000 additional new jobs worldwide. That projection has been confirmed by actual experience in China and Russia, the new study says.

Software piracy also increases the risk of cyber crime and security problems. For example, the recent global spread of the Conficker virus has been attributed in part to the lack of automatic security updates for unlicensed software. And in a 2006 study, IDC found that 29 percent of Web sites and 61 percent of peer-to-peer sites offering pirated software tried to infect test computers with "Trojans," spyware, keyloggers, and other tools of identity theft.

Software piracy also lowers tax revenues at a time of increased fiscal pressures on governments worldwide. According to the 2008 IDC study noted above, reducing piracy by 10 points would generate $24 billion in higher government revenues without a tax increase.

Impact of Global Recession Is Mixed

The global economic recession is having a mixed impact on software piracy, the study says. John Gantz, chief research officer at IDC, notes that consumers with reduced spending power may hold on to computers longer, which would tend to increase piracy because consumers are more likely than other types of PC users to load unlicensed software on older computers. However, pocketbook pressures are also spurring sales of inexpensive "netbooks" and laptops, which tend to come with legitimate pre-loaded software; and spurring businesses to implement software asset management (SAM) programs to increase efficiencies and lower IT costs.

"Reduced buying power is only one of many factors affecting software piracy," Gantz says. "The economic crisis will have an impact – part of it negative, part of it positive – but it may not become fully apparent until the 2009 figures come in."

Among other factors affecting PC software piracy, the global spread of Internet access is driving up piracy, with IDC projecting 460 million new Internet users coming online in emerging markets in the next five years. Growth in the number of consumers and small businesses will also bring more high-piracy users into the fold.

On the positive side, factors contributing to falling piracy rates include legalization programs offered by software vendors and governments; public-private partnerships in education and enforcement, including BSA's anti-piracy initiatives; new software distribution models such as "cloud computing"; the influence of compacts such as the World Intellectual Property Organization (WIPO) and the European Community; and better technical protection measures such as digital rights management.

"The proven 'blueprint' for reducing piracy is a combination of consumer education, strong intellectual property policies, effective law enforcement, and legalization programs by software companies and government agencies," Holleyman said. "The progress seen in so many nations is proof that this anti-piracy strategy works – and that local governments, businesses and consumers all benefit."

Among the study's other key findings:

- While emerging economies account for 45 percent of the global PC hardware market, they account for less than 20 percent of the PC software market. If the emerging economies' PC software share were the same as it is for PC hardware, the software market would grow by $40 billion a year. Lowering global piracy by just one point a year would add $20 billion in stimulus to the IT industry.

- Of the 110 economies studied, Russia has made the most progress, with a one-year drop of five points to 68 percent and a five-year drop of 19 points.

- The lowest-piracy countries are the United States, Japan, New Zealand, and Luxembourg, all near 20 percent. The highest-piracy countries are Armenia, Bangladesh, Georgia, and Zimbabwe, all over 90 percent.

- The highest-piracy regions are Central/Eastern Europe (67 percent) and Latin America (65 percent). The lowest regions are North America (21 percent) and the European Union (35 percent).

- The United States has the largest dollar losses from PC software piracy, $9.1 billion in 2008, because it is the largest software market in the world.

About BSA
The Business Software Alliance (www.bsa.org) is the voice of the world's commercial software industry and its hardware partners before governments and in the international marketplace. BSA fosters technology innovation through education, policy and legal initiatives in the areas of copyright protection, cyber security, workforce skills, trade, and innovation. BSA's worldwide membership includes Adobe, Apple, Autodesk, Bentley Systems, Corel, CyberLink, Dassault Systèmes SolidWorks, Embarcadero, McAfee, Microsoft, Minitab, Quark, Quest Software, Rosetta Stone, Siemens, Sybase, Symantec, and The MathWorks.

About IDC
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. For more than 45 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.

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