



A Financial Analysis of Commercial Value of Unlicensed Software: with Reference to Central & Eastern Europe

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ABSTRACT

Commercial value of unlicensed software consumes big share of the total value of economy in the Central & Eastern Europe. The awareness about licensed software use is slowly increasing from 2007 to 2013. The commercial value of unlicensed software installation in 2007 was \$6351 Million which founds to be going on decreasing in year 2009 as \$4673 Million, 2011 as \$6133 Million, 2013 as \$5133 Million. This is definitely good mark for the economies in Central & Eastern Europe still lots of work need to be done in reduction of commercial value of unlicensed software. Unlicensed software also can harbor particularly dangerous viruses and malware that can gain access to your information. There is a lack of understating within organizations about what they should be doing and how best to manage their software assets. We just hope that the next report highlights reduction in unlicensed software and a better understanding from users and IT Managers of their software policies and processes.

KEYWORDS : unlicensed, licensed software, BSA Global Survey

Introduction:

A software license is a legal instrument (usually by way of contract law, with or without printed material) governing the use or redistribution of software. Under United States copyright law all software is copyright protected, except material in the public domain. A typical software license grants an end-user permission to use on or more copies of software in ways where such a use would otherwise potentially constitute copyright infringement of the software owner's exclusive rights under copyright law.

Unlicensed software is illegal, no patches, updates, technical support are available and most important are security issue. Unlicensed software can harbor particularly dangerous viruses and malware that can gain access to your information. For example, it might contain spyware that can send your credit card information to a hacker, or you could unknowingly activate your computer as botnet drone. Pirated programs also often cause computer-wide problems, corrupting files and disrupting function. The cost of recovering from an incident of malicious software on a single workstation could exceed a thousand dollars, to avoid these all problem we have to use licensed PC software for installation.

The recent spate of security attacks like the infamous eBay hack has resulted in the loss of valuable information across several organizations. Sensitive information prone to attacks from hackers, often results in disastrous aftermath and tedious damage control carried out by organizations. And in many cases, unlicensed software could be one of the main reasons of lapse in security.

According to the SIIA (Average infringing Organization) the average organization using unlicensed software in 2012 has more than 1,300 employees Average annual sales of \$25M and Organization's Business Types are : IT 16%, healthcare 12%, Engineering 12%, Retail 8%, Manufacturing 8%

Computer users cite the risk of security threats from malware as the top reason not to use unlicensed software. The chief reason computer users around the world cite for not using unlicensed software is avoiding security threats from malware. Among the risk associated with unlicensed software, 64 percent of users globally cited unauthorized access by hackers as a top concern and 59 percent cited loss of data. It managers around the world express understandable concern that unlicensed software my cause harm, yet less than half say they are very confident that their company's software is properly licensed.

WASHINGTON, DC — June 24, 2014 — Computer users around the world cite the risk of security threats from malware as the top reason not to use unlicensed software. Among their specific concerns are intrusions by hackers and loss of data.

Unlicensed software usage rates are expected to continue falling in the near future.

Analysis:

A key component of the BSA Global Software Survey is a global survey of

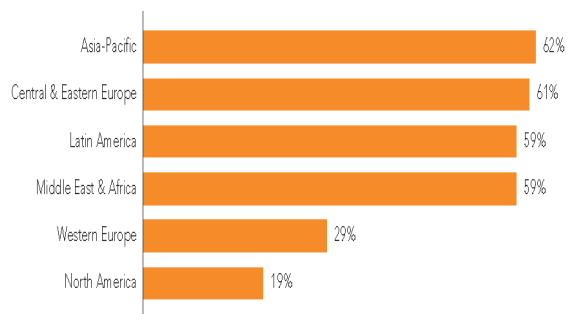
nearly 22,000 home and enterprise PC users, conducted by IDC in early 2014. The survey was conducted online or by phone in 34 markets that make up a globally representative sample of geographies, levels of IT sophistication, and geographic and cultural diversity. In addition, a parallel survey was carried out among 2,020 IT managers in 20 countries.

The surveys are used, in part, to determine the "software load" for each country — that is, a picture of the number of software programs installed per PC, including commercial, open source, and mixed-source programs. Respondents are asked how many software packages, and of what type, were installed on their PC in the previous year; what percentage were new or upgrades; whether they came with the computers or not; and whether they were installed on a new computer or one acquired prior to 2013. These questions are asked of both consumers and of business users.

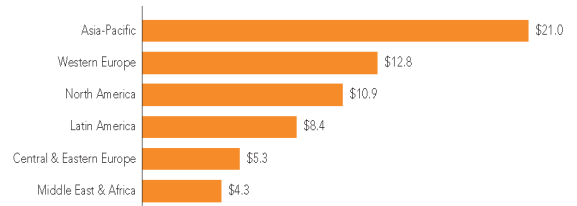
In addition, the surveys are used to assess key social attitudes and behaviors related to intellectual property, unlicensed software use, and other emerging technology issues. This insight provides fresh perspective each year on the dynamics underlying unlicensed software use around the world.

Following Graph shows Global Average Rate of Unlicensed Software Use and Commercial Value of Unlicensed Software Use (in Billions)

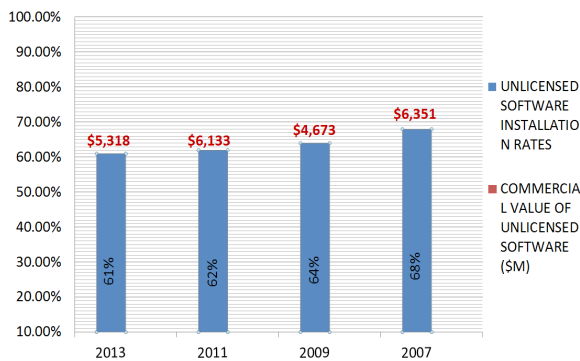
Average Rate of Unlicensed Software Use



Commercial Value of Unlicensed Software Use (in Billions)



Several countries are selected using a rotational strategy to maximize worldwide coverage year over year. Eleven priority markets are surveyed in concurrence with each study cycle and 52 countries are surveyed at least once every two to three cycles. The remaining countries are selected on an ad hoc basis. In any given study cycle, the total survey population accounts for over 85 percent of total software units deployed and around 90 percent of paid-for units, while ensuring that most markets are surveyed at least once every three study years. Research products called "PC Trackers" that cover 86 countries, and it covers approximately 20 more countries through custom assignments. The remaining few countries are researched annually for this study.



Above Graph shows Average Rate of Unlicensed Software Use and Commercial Value of Unlicensed Software Use (\$M) in Central & Eastern Europe

The global rate at which PC software was installed without proper licensing rise from 42 per cent in 2011 to 43 per cent in 2013, as emerging economies where unlicensed software use is most prevalent continued to account for a growing majority of all PCs in service.

The commercial value of unlicensed PC software installations totaled \$62.7 billion globally in 2013. The region with the highest overall rate of unlicensed PC software installations in 2013 was Asia-Pacific, at 62 per cent. This represented a 2 percentage-point increase from 2011, with the commercial value of unlicensed installations reaching \$ 21 billion.

Central and Eastern Europe has the next-highest rate of unlicensed software installations at 61 percent, followed by Latin America at 59 per cent and the Middle East and Africa, also at 59 per cent. And then North America and continue...

RATES AND COMMERCIAL VALUES OF UNLICENSED PC SOFTWARE INSTALLATIONS

	UNLICENSED SOFTWARE INSTALLATION RATES				COMMERCIAL VALUE OF UNLICENSED SOFTWARE (\$M)			
	2013	2011	2009	2007	2013	2011	2009	2007
CENTRAL AND EASTERN EUROPE								
Albania	75%	75%	75%	78%	\$10	\$6	\$8	\$11
Armenia	86%	88%	90%	93%	\$26	\$26	\$14	\$8
Azerbaijan	85%	87%	88%	92%	\$103	\$67	\$52	\$50
Belarus	86%	87%	87%	—	\$113	\$87	\$55	—
Bosnia	65%	66%	66%	68%	\$21	\$15	\$14	\$13
Bulgaria	63%	64%	67%	68%	\$101	\$102	\$115	\$63
Croatia	52%	53%	54%	54%	\$64	\$74	\$71	\$68
Czech Republic	34%	35%	37%	39%	\$182	\$214	\$174	\$161
Estonia	47%	48%	50%	51%	\$20	\$25	\$19	\$20
FYROM	65%	66%	67%	68%	\$19	\$22	\$15	\$11
Georgia	90%	91%	95%	—	\$40	\$52	\$54	—
Hungary	39%	41%	41%	42%	\$127	\$143	\$113	\$125
Kazakhstan	74%	76%	78%	79%	\$136	\$123	\$74	\$110
Latvia	53%	54%	56%	56%	\$29	\$32	\$24	\$29
Lithuania	53%	54%	54%	56%	\$47	\$44	\$31	\$37
Moldova	90%	90%	91%	92%	\$57	\$45	\$28	\$43
Montenegro	78%	79%	81%	83%	\$7	\$7	\$11	\$7
Poland	51%	53%	54%	57%	\$563	\$618	\$506	\$580
Romania	62%	63%	65%	68%	\$208	\$207	\$183	\$151
Russia	62%	63%	67%	73%	\$2,458	\$3,227	\$2,613	\$4,123
Serbia	69%	72%	74%	76%	\$70	\$104	\$67	\$72
Slovakia	37%	40%	43%	45%	\$67	\$68	\$65	\$54
Slovenia	45%	46%	46%	48%	\$41	\$51	\$39	\$39
Ukraine	83%	84%	85%	83%	\$444	\$647	\$272	\$403
Rest of CEE	89%	90%	88%	88%	\$105	\$127	\$56	\$173
TOTAL CEE	61%	62%	64%	68%	\$5,318	\$6,133	\$4,673	\$6,351

In year 2007, Central and Eastern Europe has 68 percent is rate of unlicensed software installation and \$6351 Million Commercial value for that. The highest overall rate of unlicensed PC software installations was Armenia at 93 percent with \$8 Commercial value of unlicensed software and Poland have 57 percent rate of unlicensed PC software installations with highest \$580 Million Commercial value.

After the two year in 2009, Central and Eastern Europe has 64% is

rate of unlicensed software installation decrease by 4% as compared to year 2007. The highest rate of unlicensed software installation was Georgia at 95% with \$54 Million commercial value of unlicensed software and Russia have 67% rate of unlicensed software installation rate with highest \$2613 Million commercial value.

After the two year in 2011, Central and Eastern Europe has 62% is rate of unlicensed software installation decrease by 2% as compared to year 2007 and 6% comparing to 2007. The highest rate of unlicensed software installation was Georgia at 91% with \$52 Million commercial value of unlicensed software and Russia have 63% rate of unlicensed software installation rate with highest \$3227 Million commercial value .

After the two year in 2013, Central and Eastern Europe has 61% is rate of unlicensed software installation decrease by 1% as compared to year 2011. The highest rate of unlicensed software installation was Georgia at 90% with \$40 Million commercial value of unlicensed software and also Moldova at 90% rate of unlicensed software installation software with \$57 Million commercial value. Russia have 62% rate of unlicensed software installation rate with highest \$2658 Million commercial value.

Observing above graphical representation we confirm that as per day changes our now a day people use licensed software so we see decrease unlicensed software installation rate.

Conclusion:-

The report clearly highlights the fact that there is an awful lot more work to be done for ensuring organizations are using licensed software. It also highlights the fact that organizations are still not taking software licensing and software asset management seriously. The risks are there for all to see. Implementing an ITAM program is the way forward. Every organization should have some form of process and policies in place to ensure they are staying compliant and they are using licensed software.

The matter of fact is a lot of them are still not addressing the SAM issue. There is a lack of understanding within organizations about what they should be doing and how best to manage their software assets. There is also a lack of communication within organizations, as the reports state end users have every little understanding or idea of the processes around software. Things need to change. We just hope that the next report highlights reduction in unlicensed software and a better understanding from users and IT Managers of their software policies and processes.

We can conclude that lots of efforts are being taken for increasing licensed software use in Central & Eastern Europe. The awareness about licensed software use is slowly increasing from 2007 to 2013. The commercial value of unlicensed software installation in 2007 was \$6351 Million which founds to be going on decreasing in year 2009 as \$4673 Million, 2011 as \$6133 Million, 2013 as \$5133 Million. This is definitely good mark for the economies in Central & Eastern Europe still lots of work need to be done in reduction of commercial value of unlicensed software.

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