

ONLINE PIRACY: MYTHS, METRICS AND MORE...



EXECUTIVE Q&A

Richard Atkinson
Global Director Piracy Conversion
Adobe Systems, Inc.

RICHARD ATKINSON

Global Director Piracy Conversion, Adobe Systems, Inc.

Broadly recognized as an expert in the intersection of technology and human behavior, Richard currently leads Adobe's global business strategies and responses related to piracy — which he views as an opportunity for business growth, versus loss.

With more than 25 years in senior roles for companies including Disney, Northrop Grumman, Electronic Arts and Adobe, Richard is a passionate leader who builds world-class teams that are consistently recognized for their innovation and success.

An accomplished keynote speaker and industry spokesperson, Richard commonly presents on a range of topics including innovation and business growth through transformation, content and cyber security, and in leading exceptional teams.



Q&A

Richard recently sat down with MarkMonitor® to discuss the programs he established at Adobe over the last 4 years. He shared his thoughts on the most effective ways companies can combat and even leverage piracy, as well as common misconceptions about piracy.

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As the senior brand protection professional at Adobe, you have built a very effective organization. What are you most proud of about your work?

I was brought onboard because Adobe was at a crossroads. Having tried various anti-piracy solutions over the past 15 years that consistently were viewed as having been ineffective, senior leadership had lost confidence in the effectiveness and larger strategic aspects of an anti-piracy program.

To achieve success, it was key for Adobe to make a fundamental change and begin thinking about piracy as a business problem. It's also important to understand the business challenges that piracy represents. This critical shift resulted in changing how we organized the business. The work I'm most proud of is affecting changes in Adobe's business and ultimately addressing the root causes behind why piracy exists in the first place — at a world-class level.

You mentioned changing your thinking about piracy. In your opinion, what are some of the common misunderstandings about piracy that you feel you moved away from?

There are some foundational concepts that affect the perspective most people have about piracy. In general, I hear five common fallacies:

The first is piracy equals theft. Theft implies intention to deceive, defraud and not pay. Once we studied the issue, we saw the majority of so-called thieves are actually well-intentioned customers. In other words, the intent is not to steal from you; instead, they are trying to acquire legitimate goods.

70%

Estimated percent of the people who have non-genuine product actually paid for it. They just didn't pay us.

The second is thinking that pirates don't pay. This isn't necessarily true for every industry. In the software industry — and Adobe is a prime example — we estimate that about 70 percent of the people who have non-genuine product actually paid for it. They just didn't pay us.

Third is the “company as a victim” perspective. This occurs when brand protection professionals perceive their company (versus the company's customers) as the victim of piracy. This mindset leads people in our profession to think they need tougher laws, more jails, more enforcement, more cops and more lawyers. When you ask for legislation, you want criminal legislation. Everything is aligned with punitive outcomes. In the case of piracy of Adobe software, we found that it was our customers who were the victims. This is a fundamental difference. It changes everything about what you are doing and why.

Fourth is thinking piracy in the digital/online space suffers from what's commonly known as the “whack-a-mole” problem. By whack-a-mole, I mean you close down one pirate site only to have another pop right up. People give up on anti-piracy efforts saying, “How are we ever going to clean it up? Every attempt anyone has ever made has failed because the ‘bad guys’- non-authorized folks selling counterfeit products — move faster than the ‘good guys.’” It doesn't have to be this way. The online piracy problem can largely be solved depending on how you view success and your approach. This is where having the right partner is absolutely critical and it's why we partner with MarkMonitor. In my experience, they are the ONLY player in this space who can and DO change the environment from a “whack-a-mole problem” to a non-problem.

Finally, it's a mistake to see piracy as largely a problem in emerging markets. The counterpoint to this argument is there's no real piracy in United States or in the U.K. when in fact there is. For most of us and our companies, the U.S. is the largest market in the world, but it also happens to be the largest market of piracy (aka: non-genuine) in the world too.

In your experience, who is looking for pirated software?

When we researched who has non-genuine product, we found three groups of people:

First, there's what we called the **pirate-inclined group**. These people either don't have the will or means to pay you — and those two things are quite different. One person might claim to be philosophically or culturally opposed to paying. Others just do not have the money to pay. Students are a good example. They have limited money and the money they do have, they don't generally spend on software. Whatever the reason, these are people who have no intention of ever paying you. Others just have no interest in paying for software. They might pay for hardware or other things, but when it comes to software they are highly resistive at cultural levels.

Then there's the **opportunistic group**, meaning they're very price sensitive. There are some people who want legitimate product, but they're looking for a deal and are reluctant to pay the full retail price. They think their purchase is legitimate because they navigated to a site that looked legitimate (and might certify to be so) where they get about a 30 percent discount. In many cases, the counterfeiters purposely don't price their product at 90 percent off, they price it at 30 percent off — so they look legitimate.

Finally, there are the **legally inclined** customers who want to buy legitimate products. They're the customers we all know and love. They are willing to pay and just get victimized in their process of trying to acquire the product.

Here's a graph showing how those demographics are mapped by market.

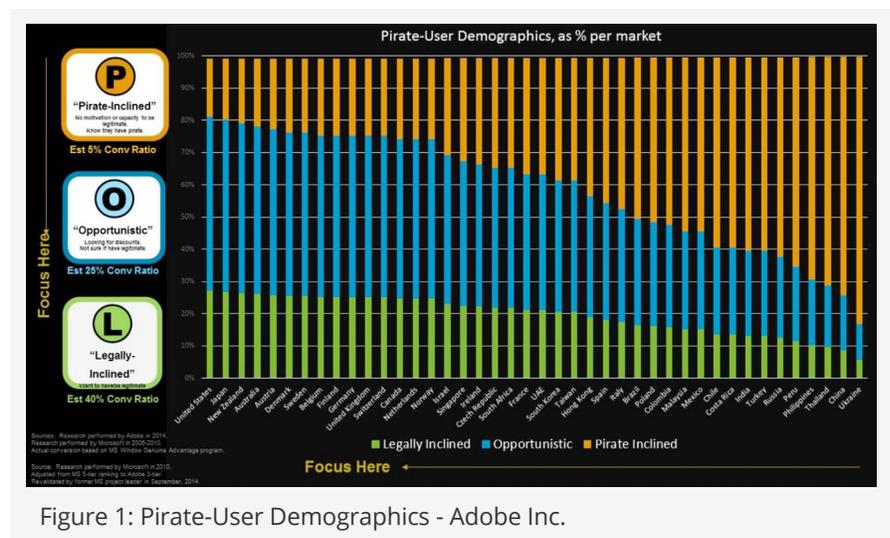


Figure 1: Pirate-User Demographics - Adobe Inc.

This chart shows that piracy is obviously worldwide, but also starts to provide some insights into the root causes and how the demographic

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distribution of different types of “customers” differs across markets. The U.S. and the mature markets are on the left, with the first 10 markets being pretty similar. They have the highest proportion of people in the groups we code as green or blue, meaning legally inclined or opportunistic customers. But you can see how this balance shifts dramatically as we move to the right with the percentage of “pirate-inclined” customers dramatically increasing. This is why it is easy to have market share in these markets, but very hard to actually get paid and build a legitimate and viable business.

How did you use this information to help shift the perspective about how to solve Adobe’s piracy problem?

Taking a programmatic approach, we first looked at well-intentioned customers who actually paid in good faith — thinking they were getting legitimate product. We realized they weren’t aware the money wasn’t coming to Adobe and they weren’t aware it wasn’t legitimate.

With this understanding, we shifted our approach from going after people we thought of as thieves — pure and simple — to realizing we needed to protect customers. It completely changed our approach. The role of the company isn’t to penalize people as thieves. The role of the company is to protect customers from being victimized.

It fundamentally changes the terms of engagement for a company. If there are customers who legitimately want my product and are willing to pay for it, but can’t find their way to a legitimate part of my supply chain, then I need to help them.

What mistakes do you think companies make when addressing piracy? And what solutions do you recommend?

People often make a number of mistakes when trying to solve what they think of as the “piracy problem.”

The first mistake is trying to clean up the entire Internet. People go from a position where they are not doing anything, to the other end of the spectrum. They hire a vendor with the unrealistic expectation of immediately eliminating piracy in every market. If this is your objective, you

“At Adobe, we don’t call it online enforcement. We call it online enhancement because we are focused on enhancing the business online versus just enforcement.”

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truly will have an endless “whack-a-mole” problem. You cannot clean up the whole world at once.

The right approach is to look at the issue and priorities through the lens of the business, and to start by asking, “What are my mainstream channels? What are my mainstream markets? What are the markets I care about and what are my priorities?”

At Adobe, we’ve found a rolling wave approach to be hugely successful. That is, roll out a program starting with a single market, such as the U.S. Believe me, cleaning up a single market requires a significant amount of effort. Once we get that market clean, we’ll shift that market to a lower level of effort focused on maintaining the success we achieved and concentrating on the clean-up effort at the next market. This is the “rolling wave” approach that I would suggest is one of the critical success factors in resolving online piracy.

Second, people have misconceptions about what they do and what they should monitor. At Adobe, we don’t call it “online enforcement”.

We call it “online enhancement” because we don’t want to focus on enforcement. Instead, we are focused on “promoting the good guys” (those legitimate partners and channels) by getting rid of the bad guys.

The goal is to enable well-intentioned customers to find us, our partners and our legitimate supply chain. We concentrate on how to get the “bad guys” out of the top two pages of search results. Another critical success factor is only focusing on the depth your customers do. Then the good guys float to the surface and we own more real estate on the search pages. Plus, there’s a whole bunch of other benefits, including the cost of our paid search placements going down dramatically.

What are the most significant results that you’ve seen at Adobe since you started working with MarkMonitor?

I believe we have a very successful program at Adobe for a number of reasons. We faced challenges both in terms of the misperceptions about piracy that we’ve been discussing, as well as the prevalence of bad actors advertising illegitimate product.

300K

Number of takedown/enforcement notices MarkMonitor filed in a period of just weeks.

This graph shows some impressive results. It is a representation of what we call the “good-to-bad ratio” or “GBR”.

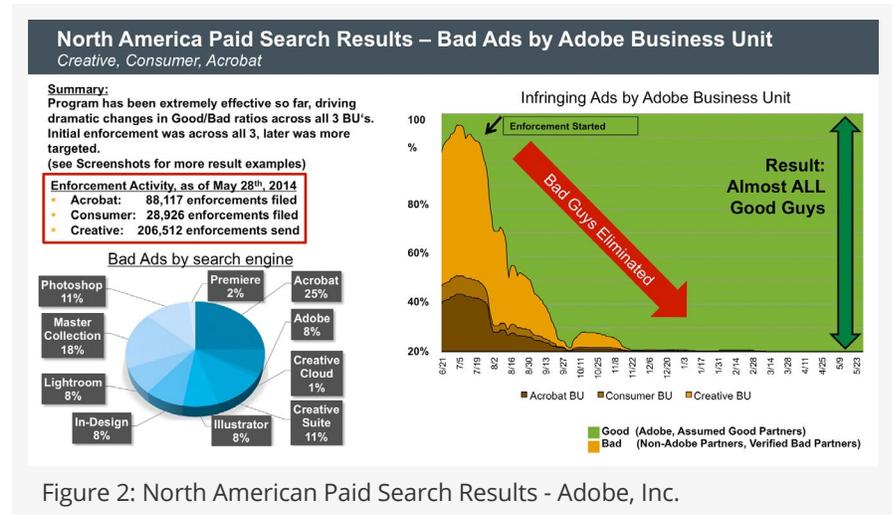


Figure 2: North American Paid Search Results - Adobe, Inc.

The GBR is important. I wanted us to reach a point where MarkMonitor has to take almost no action, when we're in maintenance mode. The good-to-bad ratio shows us when we reach that point. It is a very simple metric. We look at a number of the search terms we care about. There are about 25 search terms we review quarterly.

The graph shows that when we started, we had a very, very poor environment. Before we started our program, the results in an aggregated paid search result were about 95 percent “bad.” Once we started working with MarkMonitor, you can see that it was a pretty quick clean up and we've been able to sustain it.

The red box on the left side shows that MarkMonitor filed 300,000 takedown/enforcement notices in a period of just weeks. This is an example of the reason you are a critical partner of ours. You have scale. You have the infrastructure, the processes, the people and the relationships with Google to be able to do 300,000 takedown notices in a sustainable way.

MarkMonitor has the ability to process the large numbers, to do the volume it takes to be effective. And, MarkMonitor has the ability to monitor the environment extremely well, so if something pops up, you know you can do a few takedowns, and it goes away and the environment is sustained.

What are some of the benefits of a well-managed anti-piracy program?

Here's one good example. The people who did our advertising knew we were having trouble competing for paid ad spots. But they didn't know the completion was the "bad guys." We were able to show that the "bad guys" had infiltrated both paid search and organic search results. Since these are the primary ways consumers find our product, we knew it was a fundamental problem. Once we cleared up the ads, the money we had spent competing for ad space became available. So, if you want money to fund a brand protection program, just work with your marketing folks because, all of a sudden, they'll have money to spare!

How do you measure success?

Before we started working with MarkMonitor, we did some baseline measurements. We looked at search results. As I mentioned, we found that the majority of the top two pages of Google results consisted of "bad guys." We understood it stacked the odds against a customer being able to successfully navigate our supply chain to buy a legitimate product. And, while we had previously focused on the top three ad spots, we found that what we really had was more than 20 ad spots on the top page of Google. And again, the vast majority of those were "bad."

A useless metric to measure the effectiveness of online enforcement programs is the number of actions taken. I equate it to a war metaphor: It's like measuring the number of bullets fired, not if you won or lost. If the program is working, you're going to have a high number of actions initially, and then ideally it's going to drop to almost zero. If your success metric is a high number of actions, it actually indicates the program is failing. And so, there's going to be an inclination to continue to fire the gun even when you don't need to fire the gun.

Instead, we look at online sales. It's the ultimate business metric. We saw that one result of our anti-piracy activities was that our online sales rose dramatically. Now, it wasn't only because of piracy conversion — but it was a contributing factor.

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What impact has the Adobe anti-piracy program had in terms of overall business development?

Our program impacts business development in a big way. It’s not just brand protection or anti-piracy — it’s how we grow the business through conversions from piracy. It’s the reason why my team is called “Piracy Conversion” and not “anti-piracy.” Anti-piracy alone always feels like a sunk investment. I want to transform it into something that grows the business.

What advice do you have for brand protection professionals?

As an anti-piracy professional you need to take a judicious data-based approach. The challenge we all have is when executives view us as the piracy cop, which is the wrong way of looking at it. Piracy is a BUSINESS PROBLEM. A logical approach is to start by understanding the problem. You need to gather the data showing you understand the problem and have a sense of how it relates to the bigger picture in your industry.

If your job is viewed as having to deal with the situation, then people expect you to claim the problem is huge to justify your own existence. I offer that this is completely the wrong approach. The focus should be on growing the business, and turning what you are doing into goals that have clear logic as to why they are protecting customers and stopping the process of “losing their sales to the bad guys”. Once the business leaders understand the relationships and what is REALLY going on, you will get support.

More than half the Fortune 100 trust MarkMonitor to protect their brands online.

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