TITLE OF CASE STUDY: The Value of Genuine in China (“Why Risk It”)

1) The Business Challenge

China is a critical market for Microsoft. With over 120 million PCs, it represents the second-largest computer market in the world with a growth rate of more than 10% a year. In its efforts to foster innovation and become one of the world’s leading economies, China has done much in recent years to strengthen intellectual property (IP) protection. However, as with any initiative of this scope, change takes time. In 2004, China’s software piracy rate was still an estimated 90%, resulting in $3.5 Billion in revenue loss for businesses. For Microsoft, protecting the company’s IP in China has become one of its biggest business challenges.

Piracy is not unique to China. Many countries around the world, particularly in emerging markets, face similar challenges. However several factors make this problem an especially difficult one to overcome in China:

• While the central government has made significant strides in strengthening IP protection laws, fully implementing these changes at the local level is an enormous endeavor given the sheer size of the market. It will take time for local governments to build the infrastructure necessary to fully enforce copyright laws.
• China’s rapid growth and expansion often leads to fierce competition and the belief that companies must keep costs low to stay competitive.
• Businesses do not have a clear understanding of piracy. Mis-licensing (not fully licensing every computer) is often not recognized as a form of piracy.

By early 2005, Microsoft realized that while legislation would play a key role in addressing the challenge, educating business and IT and business decision makers on the benefits of genuine software would be critical to reducing software piracy in China. To effectively address these local issues, a local solution—tailored specifically for the Chinese audience—was required. For the first time in its history, Microsoft’s Corporate Marketing Group (CMG) teamed up with its China subsidiary to create a major marketing initiative for just one market. In doing so, Microsoft was able to combine the extensive brand strategy, advertising and research experience of the corporate office with the in-depth local knowledge of the China team.

2) The Campaign

In April 2006, President Hu Jintao made his first official visit to the US, meeting with Microsoft executives at his first port of call. Shortly before this visit, the Chinese government announced that all computer makers in China must pre-install licensed operating systems. This decree was part of the government’s ongoing effort to foster local innovation and strengthen IP rights protection in China. During President Hu’s visit, Microsoft signed major partnership deals with China’s two largest computer makers, Lenovo and Founder Technology Group, who agreed to pre-install fully licensed copies of Windows and other Microsoft products on PCs sold in China.

Aligning its efforts with those of the government, Microsoft became the first major corporation to launch a full-scale campaign to educate business and IT decision makers on the value of genuine software, and to combat illegal software in China. The campaign launched in seven cities -- Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou, Nanjing, and Tianjin—and ran from April 2006 to June 2007, spending $10M+ (see Appendix 1 for campaign spend summary). The response was
overwhelmingly positive, allowing Microsoft to finally gain solid ground in impacting existing misperceptions surrounding the value of genuine licensed software.

**Campaign Objectives**

In a fast growing market like China, businesses simply cannot risk interruptions caused by unlicensed software. The campaign objective, therefore, was to shift perceptions around genuine, licensed Microsoft software by demonstrating the link between licensed software and improved business security and reliability, as well as improved company reputation—focus areas identified in pre-campaign positioning research. The goal of the campaign was to move the desired perception—“Genuine, licensed Microsoft software helps ensure my business stays up and running”—by at least 7 percentage points (when compared to the pre-campaign benchmark).

**The Target**

The campaign targeted business decision makers (BDMs) and IT decision makers (ITDMs) in large enterprise and mid-market organizations. Early team analysis showed that many of these Chinese businesses still had yet to buy and use licensed software, even though they had the budget and resources to do so. To change perceptions, Microsoft realized it must first shift perceptions among the decision makers in these organizations.

**The Media Plan**

The campaign story would be told across a fully integrated campaign including traditional advertising (print, online, and outdoor), e-mail marketing, a website, events and PR. All directed the target audience to the [Microsoft Genuine Advantage](#) campaign home page.

- Print ads ran in local newspapers, general and business magazines, and IT publications
- Outdoor ads ran in airports and golf courses
- A series of targeted email messages were delivered to build on awareness generated by the ads
- Special events, helping promote awareness among corporate decision makers, government officials, and other influentials, were organized

The campaign, entitled ‘Why risk it?’ consisted of three visually striking print executions — ‘Snake,’ ‘Centipede’ and ‘Termites’ (shown in Figure 1 and Appendix 2-4)—which dramatized the slowly, emerging danger lurking in computer systems with unlicensed software. These ads, developed by McCann Erikson Beijing, had a non-traditional look and feel when compared to other Microsoft advertising—both in tone and message. Notably, the usual corporate brand logo was replaced with a uniquely Chinese ‘chop’ or stamp, typically used in China to confirm authenticity.

3) **How Research Contributed to Shaping the Strategy**

The ‘Why risk it?’ campaign was grounded in solid, carefully designed and executed research, beginning in August 2005, with extensive strategic positioning and messaging research. Over 2,500 interviews were conducted among decision makers in large and mid-market businesses in China.

The research produced the following key learning:
Both BDM and ITDM segments played an influential (albeit different) role in the software purchase process. Both segments, therefore, must be included as the key targets for the campaign.

Many decision makers did not see mis-licensing as a form of piracy. The use of 'genuine, licensed software,' not just 'genuine software,' must be emphasized with the appropriate nuanced language and tone across the marcom mix.

Most BDMs and ITDMs generally understood that non-genuine software could expose them to business risks that would impact their operation. To shift (or reinforce) perceptions, the campaign must establish a link between using genuine, licensed software and business continuity.

Product security and reliability were the most important drivers of genuine software purchase. Cost was the key barrier to purchase. To motivate businesses to change behavior, the specific messaging should emphasize business security benefits (especially those focusing on keeping businesses running smoothly) and reliability (as it relates to tangible benefits such as product upgrades & support).

The results were invaluable as they helped the team land on a strategy, target, and messaging for the campaign.

4) How research contributed to developing and strengthening the advertising

a) Creative Development Research

Focusing on this strategy, the agency developed two completely different creative ideas for the campaign. The first idea, ‘Priorities’ (see Figure 2 for example), showed that businesses’ should make the use of licensed software a higher priority in order to protect themselves from business risks. The second idea, ‘Why risk it?’ (see Figure 3 for example), utilized a more direct approach by dramatizing the danger created when businesses decide to use unlicensed software.

In January 2006, Hall & Partners conducted qualitative research to further explore the strategy and to identify which creative idea most effectively brought the strategy to life. A total of 9 mini-groups and 12 in-depth interviews were completed with BDMs and ITDMs in Beijing, Shanghai and Chengdu (Chengdu was added to represent a less developed market perspective).

This research validated earlier findings: the strategy resonated well with BDMs and ITDMs – two very different audiences; business security is a key driver to genuine, licensed software adoption. BDMs were alerted to the danger of this issue whilst ITDMs felt this was ‘arming’ them to convince their BDM to take action on an issue they often understood clearly already (but had been unable to successfully take up with their BDM). Within this novel approach for Microsoft communications, branding was clear and in fact added credibility to the campaign. Microsoft was accredited with acting as a brand leader in taking a leadership role in the issue of genuine. Other key insights:
• The more visually striking ‘Why Risk It?’ concept did a better job in bringing the strategy to life by effectively dramatizing the danger of illegal software and engaged both targets.
• Interestingly, executions that illustrated latent danger (e.g. Snake execution) worked more strongly as these were recognized as being rooted in a truth: non-genuine may let you down at any point, even if on the surface things seem to be running smoothly. Immediate danger visuals lacked credibility for the same reason.
• Although most BDMs and ITDMs recognized the difference between legal and illegal software, they were not always clear about the tangible benefits of genuine, licensed software. In order to shift perceptions, these benefits must be more clearly stated in the marketing communications. Both creative ideas needed to work more strongly to clarify the tangible benefits of genuine licensed software (vs. just legal/illegal).

Based on this research, the agency refined ‘Why Risk It?’ focusing on depicting the latent danger of unlicensed software. In addition, the security benefits were further emphasized in the copy, and a promotion offer for security products (with Microsoft software purchase) was added.

b) Copy Testing

Just prior to launch, two executions, ‘Snake’ and ‘Termites,’ were copy tested among 150 BDMs and ITDMs in Beijing and Shanghai. The results were excellent (see Appendix 6 for detailed results). The ads were found to be very clear, engaging, likeable, and credible, significantly outperforming both the global and competitive print benchmarks. In fact, clarity and likeability for both executions scored in the top 25% of all Microsoft ads ever tested in China. More importantly, main message play back was at universal levels. After viewing the ads, an astounding 95% agreed that using ‘genuine licensed Microsoft software ensures my business stays up and running’.

5) How Research Contributed to Evaluating the Campaign In-market

To determine the in-market effectiveness of the campaign, the team again relied on thorough research planning. Prior to campaign launch (February 2006), campaign objectives were benchmarked among 300 BDMs and ITDMs in China to help set campaign goals. Post-launch follow-up waves were conducted in October 2006 and August 2007 to assess the campaign impact among 600 BDMs and ITDMs.

a) Demonstration of Campaign Success

Research findings showed that the campaign performed extremely well, even 6 months after the initial launch of the advertising (see Appendix 7-10 for detailed results). The positive performance was not limited to just the print advertising – the online and outdoor advertising, as well as the email marketing program, all performed very well.

• The primary perception shift goal - “Genuine, licensed Microsoft software helps ensure my business stays up and running” - for the campaign was met.
• Decision makers now had a broader understanding of piracy and attitudes toward licensed software benefits improved significantly across the board, when compared to benchmark measures.
• BDMs and ITDMs’ overall attitudes toward Microsoft became more favorable.
• Total campaign recognition was one of the highest recorded in Microsoft tracking history.
• Ad diagnostics, such as believability, likeability and clarity, were excellent across all vehicles and significantly outperformed global benchmarks.

Other Measures of Campaign Success

Other data sources also confirmed the effectiveness of the campaign and indicated that the campaign was not only successful in changing attitudes, but also in driving behavior.

• In the first three months of the campaign, the Microsoft Genuine Advantage website was the third-most visited on http://www.microsoft.com/china with over 350,000 unique visitors spending an average of 5 minutes there.
• The click-through rate for the online ads was three times higher than the industry average (0.65% vs. 0.2%).
• Of those customers who received the email materials with the promotional offer, nearly 60% responded with an inquiry/continued action.

And Ultimate Business Successes

By the end of 2006, the software piracy rate in China was down to 82%, compared to 86% in 2005, and the legitimate software market in China grew to nearly $1.2billion in 2006, an increase of 88% over 2005¹. Credit for this progress must be given to the Chinese government, who are cultivating a legal and business environment conducive to innovation and increased respect for IP rights, but the Value of Genuine campaign contributed greatly in reshaping existing misperceptions (and behavior) of the value of genuine licensed software.

The success of this campaign also led to renewed efforts to fight piracy in two other large emerging markets – Russia and India. Once again, the CMG partnered with the local offices to create programs tailored to the needs of those markets. Although fighting piracy is a continuous effort (the China team is already hard at work on the next phase–creating a campaign that focuses specifically on driving actions) this highly successful campaign has demonstrated that a global, one-size-fit-all marketing program does not always work. To fully address the unique issues of a local market, a local solution is sometimes required before a company can ultimately meet its global goals.

¹ Business Software Alliance & IDC 2007 Global Piracy Study
Appendix
Appendix 1.
Campaign Spend Summary (April 2006 – June 2007)

Campaign Summary Spend

- **Launch (FY06 Q4)**: $3.56 Mil
- **Sustain** (FY07 Q1-FY07 Q2):
  - $2.34 Mil
  - $2.34 Mil
- **Shift Geo Focus** (FY07 Q3-FY07 Q4):
  - $2.00 Mil
  - $0.68 Mil

Focus:
- **Q3**: shift focus to T2 cities
- **Q4**: maintained campaign exposure via local newspaper

Appendix 2.
“Snake” Print Ad
Why Risk It?

Don’t let unlicensed software damage your business. Protect your systems. Protect your business.

Today, IT systems are being attacked in a hostile manner, and exposing business to big losses. If unlicensed software is used, the underlying security problems, similar to a poisonous snake, will suddenly bite you if you are unprepared.

Insist on using genuine, licensed Microsoft software. This way, you can ensure unlimited access to critical Microsoft security updates & downloads, with 24X7 product support, and protects your company’s good reputation by being in compliance. At Microsoft, we want to work with you, to help ensure your business stays up and running.

Act now: Until June 30, 2006, as an enterprise user of Microsoft genuine licensed software, you can get Microsoft security products and services worth up to 180,000 RMB. Call 800-820-3800 or visit www.microsoft.com/china/genuine
值得冒险吗？

不要让非授权许可软件损害您的业务。

保护您的系统，保护您的业务。
“对不起，我们的服务器变慢了！哪个客户愿意经常听到这个？服务器是您业务信息交换的核心。谁会信任无法更新的非授权许可软件，使系统漏洞不能及时修补，让自己的业务信息被肆意窃取？

我们建议您选择使用微软授权许可的正版软件。选择微软，您才能持续地获得来自微软的重要安全更新和下载，安心地享受全天候的产品支持服务，及您所公司良好的法律声誉。作为微软，我们愿与您携手合作，确保您 IT 系统的安全和业务的平稳发展。

给您的业务强有力的保护，就从今天开始，欢迎拨打 800-820-3800 免费电话或访问 www.microsoft.com/china/genuine。
值得冒险吗？
不要让非授权许可软件损害您的业务。

保护您的系统，保护您的业务。
Appendix 5.
Out of Home

Outdoor

BJ Airport

CD Airport

Beijing golf range

SY Airport
Appendix 6.
Copy Testing Results

<table>
<thead>
<tr>
<th>MARS Core Metric Scores</th>
<th>“Snake”</th>
<th>“Termites”</th>
<th>Threshold</th>
<th>Competitive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Linkage – Microsoft</td>
<td>90</td>
<td></td>
<td></td>
<td>87 99 64</td>
</tr>
<tr>
<td>Main Message</td>
<td>70</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Likeability (7-9)</td>
<td>40</td>
<td></td>
<td></td>
<td>38 85 17</td>
</tr>
<tr>
<td>Clarity (7-9)</td>
<td>45</td>
<td></td>
<td></td>
<td>42 77 20</td>
</tr>
</tbody>
</table>

- Indicates that number is greater / lower than threshold
- Note: All numbers in chart are percentages
Appendix 7.
Integrated Communication Evaluation; In-Market Tracking

### Shifting Perceptions – Performance vs. Goals
**Top 2 Box (9 point scale)**

<table>
<thead>
<tr>
<th>Primary Metric (Microsoft Software)</th>
<th>BDM</th>
<th>ITDM</th>
<th>Goals Met?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensed Microsoft software helps ensure my business stays up and running</td>
<td>55</td>
<td>58</td>
<td>✓</td>
</tr>
<tr>
<td>Supporting Metrics (Overall Software Category)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Using unlicensed software exposes my business to risk</td>
<td>51</td>
<td>65</td>
<td>✓</td>
</tr>
<tr>
<td>Using unlicensed software could interrupt my business</td>
<td>42</td>
<td>52</td>
<td>✓</td>
</tr>
<tr>
<td>I want to avoid the business risks associated with non-licensed software</td>
<td>54</td>
<td>63</td>
<td>✓</td>
</tr>
</tbody>
</table>

*Base: (Benchmark/Wave 1/Wave 2): BDM (284/250/150); ITDM (288/272/150)*
## Appendix 8.
### Integrated Communication Evaluation; In-Market Tracking

![Image of Licensed Software Benefits Table]

### Licensed Software Benefits

#### Top 2 Box (9 point scale)

<table>
<thead>
<tr>
<th>Risk</th>
<th>Post-Wave</th>
<th>Change from Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BDM</td>
<td>ITDM</td>
</tr>
<tr>
<td>Using unlicensed software could interrupt my business</td>
<td>58</td>
<td>59</td>
</tr>
<tr>
<td>Licensed software is more reliable than unlicensed software</td>
<td>70</td>
<td>65</td>
</tr>
<tr>
<td>Using unlicensed software exposes my business to risk</td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td>Licensed software helps ensure my business stays up and running</td>
<td>65</td>
<td>72</td>
</tr>
<tr>
<td>I want to avoid the business risks associated with non-licensed software</td>
<td>61</td>
<td>67</td>
</tr>
<tr>
<td>Software is important to running my business</td>
<td>68</td>
<td>68</td>
</tr>
</tbody>
</table>

#### Support

<table>
<thead>
<tr>
<th>Support</th>
<th>Post-Wave</th>
<th>Change from Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BDM</td>
<td>ITDM</td>
</tr>
<tr>
<td>Only licensed software gives me access to all of the necessary updates my business needs</td>
<td>59</td>
<td>57</td>
</tr>
<tr>
<td>Only licensed software gives me access to the product support that my business needs</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>Only licensed software gives me access to all of the necessary security enhancements my business needs</td>
<td>60</td>
<td>63</td>
</tr>
</tbody>
</table>

○ Indicates higher/lower at 90% level of confidence versus Benchmark
Appendix 9.
Integrated Communication Evaluation; In-Market Tracking

Campaign Recognition by Media – By Target

Base (All respondents): BDM/ITDM (508/602)
DB1/BR1. Do you remember seeing this ad [in magazines or newspapers/on the Internet/in an e-mail] before?
Appendix 10.
Integrated Communication Evaluation; In-Market Tracking

Campaign Diagnostics

<table>
<thead>
<tr>
<th>Numeric Metrics (Top 3 Box)</th>
<th>BDM</th>
<th>ITDM</th>
<th>Global ICE Avg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Likeability</td>
<td>59</td>
<td>68</td>
<td>36</td>
</tr>
<tr>
<td>Clarity</td>
<td>76</td>
<td>79</td>
<td>42</td>
</tr>
<tr>
<td>Relevance</td>
<td>74</td>
<td>79</td>
<td>42</td>
</tr>
<tr>
<td>Credibility</td>
<td>71</td>
<td>79</td>
<td>41</td>
</tr>
<tr>
<td>Believability</td>
<td>70</td>
<td>77</td>
<td>41</td>
</tr>
<tr>
<td>Inspiration</td>
<td>70</td>
<td>77</td>
<td>35</td>
</tr>
<tr>
<td>Persuasion</td>
<td>67</td>
<td>75</td>
<td>39</td>
</tr>
<tr>
<td>Distinctiveness</td>
<td>64</td>
<td>72</td>
<td>37</td>
</tr>
</tbody>
</table>

- Indicates higher/lower at 90% level of confidence versus the ICE Global Avg.
- Base (Campaign Recognizers): BDM/ITDM (538/587)