Digital Rights Management 101
Recommendations for Selecting a DRM Solution

**by Chris Hennebery and
Tara Gregg**

*Christopher Henne-
bery has worked in
the software business
for the last 10 years.
He has focused on
ESD, digital distribu-
tion, and DRM spe-
cifically for the last
six years. Over that
time he has launched new services oriented
at breaking down the barriers of consumer
adoption and protection. In Christopher's cur-
rent role as Director of Software Distribution
at Yummy Interactive, the main focus is to
create a DRM service that creates value for
publishers and consumers. He can be reached
at chrish@yummy.net.*

*Tara Gregg is Direc-
tor of Marketing at
Yummy Interactive
and has worked in
the digital distribu-
tion business for nine
years, gaining exper-
tise with e-commerce
service providers,
online retailers and now Yummy Interactive
and the company's partners. Tara specializes
in developing and supporting the sales and
marketing directives of products and services
for online sales and customer retention. She
can be reached at tarag@yummy.net.*

Locks and keys are everywhere. People use keys every day to unlock their homes, their cars, their lockers, their bikes. In the digital world, Digital Rights Management has become the de facto method for people to unlock the products they buy. Love it or hate it, want it or not, DRM has become part of the online world that helps make digital distribution happen. It's the means by which a seller grants the buyer access to a product, whether that access is temporary or permanent.

At its fundamental core, DRM has two primary functions: 1) It establishes a pre-defined set of licensing rights to the purchaser; and 2) It safeguards the software (or Intellectual Property), limiting access to those who are authorized through a variety of mechanisms that are either machine-based (tied to an individual computer) or identity-based (tied to an Account ID).

Why Use DRM?

DRM enables a variety of business models for digital distribution that have not existed in the traditional retail-box environment. With online digital distribution, DRM offers companies new ways to monetize content and allows companies to provide consumers with choices: to rent, to download, to subscribe—all at potentially different price points. Accordingly, DRM enables publishers to continue to generate revenue even with their "long-tail" products.

For some time, the predominant means of restricting consumer access to a particular piece of software was machine-based. Through the use of a hardware key (or dongle) a publisher could ensure that a particular piece of software could not be used by any other device. However, consumers' demand for unencumbered, transient access has led to the rise of platform-based DRM solutions which are little more than Customer Relationship Management (CRM) systems that employ client/server security. Platform-based products such as Apple's iTunes, Valve's Steam, Stardock's Impulse, and Yummy Interactive's CONDUIT offer web and desktop clients that manage a user's access to content through account IDs, logins, and IP addresses. Such identification systems effectively allow an authorized user to use the software from any computer—assuming, that is, that he can provide ID and password information that (presumably) no one else could know. Alternatively, a publisher might simply provide a custom code in a protective envelope to enable a customer to "unlock" the code after purchase. The current marketplace sustains both of these forms of DRM—and in some cases the two are employed simultaneously.

Selecting a DRM Solution

The DRM solution that you choose should align with your business goals and your customers' wants. Selecting the right DRM approach starts with identifying your specific needs: *What is it you're trying to achieve?* Answering this key question is essential in helping you determine which vendor's solution will be the best fit (and best value) for your company.

For each category in *Chart 1*, determine whether your company's needs are most closely described by Option A or Option B:

If most of your choices are in column A, you're most likely looking for a very basic DRM system. Particularly if price is a predominant concern, you just need to make sure you select a product that will give you the fundamentals at a low cost.

If, on the other hand, most of your choices are in column B, then you'll need to be a lot more conscious about the solution you choose. For instance, if driving revenue through trial conversions of Flash-based games is rated high in your priorities, you will need to weigh these requirements against the cost of the solution that delivers this functionality. Or, if you want to own your e-commerce solution outright, then you will want a DRM solution that can integrate with your e-commerce provider.

As a general rule, you should expect your DRM solution to return two times its cost in incremental revenue. This new revenue should be achieved through reduced loss from piracy and/or higher rates of trial conversions through effective licensing.

Cheaper does not always mean better. The lowest cost solutions are cost centers and create lower long-term value. In this regard, the business owner will see DRM as an expense and will want to take the least expensive solution. The cheapest solution might not create any incremental value and could instead negatively impact the customer experience and drive revenue down. Be sure to analyze your ROI and look to protect your brand and its positioning to your customers as well.

And ask the hard questions when selecting your DRM partner: What is their loss or piracy rate? Can they demonstrate how their licensing system creates incremental value? What are all the costs of using their system? How do your requirements line up with their solution?

Protecting Your IP

Protection of the Intellectual Property (IP) is only a small part of what you need your DRM solution to do. Selecting the rights management system that gives you the most flexible (and "monetizable") licensing solution will expand your options. Protection might help to eliminate lost sales due to piracy, but a flexible licensing system means you gain new business model options that can help you to earn new incremental revenue. By having an adaptable DRM solution, you can plan and change your business models and experiment with new ones. You may want to experiment with micro-transactions, or redefine your trial periods, or provide advanced preview copies to your beta users for feedback, or offer subscriptions—the list goes on.

By considering the life-cycle of your game, and how it will migrate from initial release to back-catalog, you can better manage your licenses and the levels of protection you employ. This will extend your products to new customers, or in new ways to existing customers, thereby diversifying your product offerings and expanding your games into new revenue streams.

Essentially, your DRM needs to help you communicate the purchase process to your customers while improving conversions and retention. It should not be creating confusion for your customers and erecting barriers for them to overcome. These fundamentals apply during both the pre-purchase and post-purchase processes.

Some Practical Tips for Implementing DRM

- Try not to focus primarily on thwarting crackers and abusers. Rather, focus optimistically on your paying customers. Make sure whatever protective modes you choose, you aim to make it simple and unobtrusive for purchasers to gain access to paid-for content. You don't want to hinder legitimate purchasers when setting up your protection.

- Make it easy to unlock. Let your customers know what to do once they get their account or serial number (key). Plan for what happens if they encounter problems with their account or key. Let them know how to resolve the problem and make it easy for them to retrieve their lost information.

- Communicate your licensing terms to your customers. Make it easy for customers to find out what the license terms are for a purchased game (for instance, are they limited to, say, three installs on one machine—or is it three installs on any machine)? Such licensing details should be provided as part of the purchase process, not buried in your EULA.

- Enable viral distribution! With an eye to the future, devise a licensing scheme that allows paid-users to share the game (or game trial) with their friends. ■

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Chart 1

Criteria	A	B
Cost	Limited budget. Need the least expensive product.	Some budget. Prefer to invest in a solution with long-term savings potential.
License Management Functionality	Supports basic license models (Try Before You Buy, ESD download, etc.).	Need to be able to create a unique license in addition to standard ones (e.g. it supports episodic, micro-transactions etc.).
Flexibility	OK with limited platform and application support to start with.	Need scalable system that will support multiple platforms and applications.
Commerce	Commerce and DRM are tied to a provider and/or model.	Commerce and DRM are not tied to any specific commerce provider and/or model.
Protection	Basic protection with potential revenue leakage.	High-level of protection with minimal loss to piracy.
UI Interface	OK with basic templates.	Would like customizable options.