

# Fight against counterfeiting;

## World fastest growing industry

By C S Jeena

Counterfeiting is emerging as the world fastest growing industry and represent up to 10 percent of world trade. Termed as crime of 21st century, it is affecting almost all economies and sectors. As per sources, alone in pharma, the illicit sales is increasing with more than 12 percent annually worldwide, nearly twice the pace of legitimate pharma. The conditions is almost similar in other segment / sectors. The article also highlights the solution / strategy which can be the first preventive step to fight against this global emerging problem.

**Table I: Alphabetical Index of Black Market Products**

Counterfeit Sector	Value in USD
Aircraft parts	2 billion
Alcohol	1 billion
Auto parts	45 billion
Batteries	23 million
Clothing	12 billion
Cosmetics	3 billion
Drugs	200 billion
Electronics	169 billion
Foods	49 billion
Fake Diplomas and Degrees	1 billion
IDs and Passports	100 million
Lighters	42 million
Money	182 million
Pesticides	735 million
Purses	70 million
Shoes	12 billion
Sporting Goods	6.5 billion
Tobacco	4 billion
Toys	34 billion
Watches	1 billion
Weapons	1.8 billion

Source: [www.havocscope.com/products/](http://www.havocscope.com/products/)

Growth, profit, loss, capital, infrastructure, changing trends... these terms may sound generic but form the very basis of all industries, across the globe. While these inherent attributes co-exist from the very genesis of any commercial venture, another aspect that has emerged as one of the most common components of the industrial DNA is Counterfeit.

Have you come across brands like Colget or Sunsleek or Fair & Lonely or a Godreg refrigerator? If you thought them to be typing errors, it is time for a reality check. These brands do exist. They look the same, feel the same, taste or work the same...the differentiating factor from the original is quality. They are Counterfeits!

Be it FMCG, Pharma, Currency, Electronics, Cosmetics or Auto; name the industry or the product category and one can easily find the counterfeit/fake versions (As indicated in Table I). What has further pushed this parallel market is the opening up of the global economy and the challenges posed by the globalization. The result is absolute violation of IPR, loss to nation revenue and staggering brand value.

### Global Penetration

Counterfeit is a global crime, a fraud plaguing all economies alike with all countries are attempting to fight this growing menace through their respective regulatory matrix. “The International Anti-Counterfeiting Coalition (IACC)” has claimed it to be problem scoring revenue losses of almost USD 600 billion, per annum<sup>1</sup>.

It is crucial to note that Counterfeiting as a problem does not exist in isolation. Over the years, it has emerged as an organised crime, as the illegal money once again gets circulated back in the market through illegal vehicles like smuggling, human trafficking, gambling and money laundering, among others.

The Federal Bureau of Investigation has termed it as “Counterfeiting – Crime Of 21st Century”. According to agency, in comparison to counterfeiting, bank robberies account for less than \$100 million per year, globally. Today, counterfeiting has spread across the globe affecting developed as well as non-developed countries.

After the sectoral snapshot, here is a global mapping of top 20 counterfeit markets and the extent of counterfeit that exists in some of the leading economies today (As detailed in Table II). While it samples the economic loss, the huge amount of human capital being lost on account of spurious drugs and products remain unaccounted for.

**Table II: Ranking of top 20 counterfeit markets**

Country Name	Value in USD
United States	225 billion
Mexico	75 billion
Japan	75 billion
China	60 billion
Germany	32.25 billion
Canada	30 billion
Russia	29 billion
United Kingdom	21.6 billion
Brazil	15 billion
South Korea	14.2 billion
Paraguay	12 billion
Italy	9.3 billion
France	8.5 billion
Turkey	6 billion
India	5.094 billion
Indonesia	4.8 billion
Hungary	4.6 billion
Colombia	4.5 billion
Saudi Arabia	4 billion
Australia	2.896 billion

Source: [www.havocscope.com/products/](http://www.havocscope.com/products/)

1. International Anti-Counterfeiting Coalition [About Counterfeiting], <https://iacc.org/about-counterfeiting/>



Figure 1: An end to end holistic brand protection strategy for brand owner.

## The road to Counterfeits...

Going by the numbers and lack of awareness, one can easily say that counterfeiting is being seen as not a crime but a lucrative business opportunity. Proliferation of counterfeits is a compound impact of a number of socio-economic and legal patterns. For instance, the tightening of the banking norms left black marketers with a lot of unused capital, which they happily re-invested in this parallel market, which promised them immediate and largergains. The changed priorities of the legal system in wake of larger national threats like terrorism that made way for a smooth trade of the fakes; acceptance of fakes in the industry as an essential trait; cost-effectiveness; easy availability; closeness to the original; aspirational value attached with brands and the growing social boom, which has offered multitudes of platforms of buying products. According to a study conducted by Gallup survey, counterfeiting is viewed as a crime of easy profits and easy production with little or no risk to the producers and sellers.

## Solutions: The road ahead...

### What the Brand owners can do?

The solution to this ever-growing menace lies at the very core of the product i.e. a dire need to create an end-to-end holistic brand

protection strategy (See figure 1). This strategy can be broken into various stages.

1. **Analysis / Changes in approach towards Brand protection:** As a first step, every CEO or Brand owner should take the responsibility of brand attack and make Brand Risk Management (BRM) an intrinsic part of his business plan, review and report. The team may comprise of CEO/ Brand owner; Brand Managers; Head of Marketing, Product development, Sales, Logistic, Packaging, Manufacturing or outside consultant accountable for the brand. The idea is to curb the penetration of counterfeits, across levels. The team can periodically review the BRM by analysing various issues like:
  - i) Product categories &markets
  - ii) Buyer profiles
  - iii) Supply chain management and SWOT analysis of the counterfeiters.
2. **Make a customized & integrated solution:** This can be done by increasing the participation of co-opting consumer or channel partner and by conducting verification, raids or ensuring strong law enforcement.

The new ISO 12931 will be a very useful document for any-one who wants to follow globally accepted standards and approach to fighting against the counterfeit.

- 3. Emphatic use of technology:** Use a secure, anti-counterfeiting device comprising overt, covert & forensic security features like security hologram seals and labels, tamper evident security films and light-sensitive ink designs.

While there are number of technologies available in the market, it is advisable to choose smart and at the right time while keeping track of some basic guidelines like:

- i. Find a vendor who can provide you overt as well as covert technologies as it is important to select a solution using multiple technologies.
- ii. Seek help from an established trade association to select ethical vendor; best practices and resources to fight counterfeiting.
- iii. Select the technology in terms of the difficulty to copy / tamper evidence posed by it (preferably patented), uniqueness, availability of suppliers, identifiable and user friendliness.
- iv. Solutions should also have feasibility of being integrated with the automated production / packaging line if required, especially wherever the volumes are very large.
- v. Try to combine low and

high security elements to enhance protections, for example, by integrating sequential or unique numbers in the solution.

- 4. Monitoring and developing an Intellectual property strategy:**

The technology solution can be helpful in identifying and authenticating the original from counterfeit. It is however very important that a planned surveillance program be in place to constantly monitor that there is no infringement. Equally important when an infringement is seen, an immediate action must be taken so that the guilty is punished and others sitting on the "fence" are deterred.

- 5. Adopt New ISO Standards 12931 "Performance criteria for authentication tools used in anti-counterfeiting or material goods":**

The new ISO 12931 will be a very useful document for any-one who wants to follow globally accepted standards and approach to fighting against the counterfeit. The ISO document can be seen on [http://www.iso.org/iso/catalogue\\_detail?csnumber=52210](http://www.iso.org/iso/catalogue_detail?csnumber=52210). It is strongly recommended that all brands who want to have a safety net of a global standard, should plan to comply with this standard.

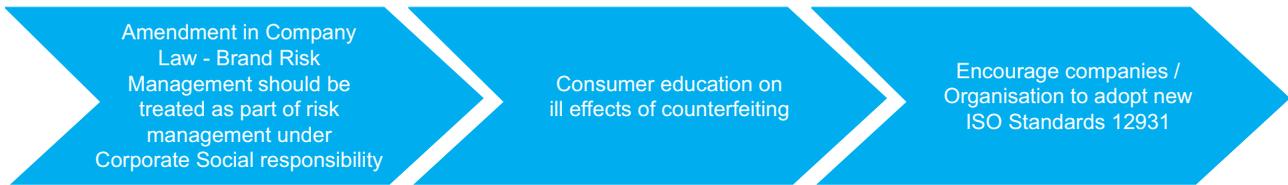


Figure 2: An initial anti-counterfeiting strategy for Government

## What the Government can do (See figure 2)?

### 1. Amendment in Company

**Law:** As an initial step, Government can make it mandatory for every company to incorporate “Brand Risk management” as a part of their annual report for stakeholder welfare.

‘Brand Risk Management’ should be treated as part of risk management under the direct responsibility of board of directors/brand owners. The vision and mission statement should be communicated to all the stakeholders and customers to ensure the protection of brand and product and that the same message is received by all. This can be done by stating it on the company corporate governance, annual report and intranet in text and video. For example, companies like HP / Microsoft have a section on their website that defines their steps towards product protection.

### 2. Consumer education on ill effects of counterfeiting:

The Government should start educating consumer on ill effects of counterfeiting. Educating consumers can play off. For example the success of IACC college outreach campaign in which students at US universities were educated about the issues associated with counterfeiting. Similarly Government can start such program at management

institutes and Universities educating the youth, marketing students, consumers and Brand manager the ill effects of counterfeiting and importance of Brand Protection.

### 3. Encourage companies/ Organisation to adopt new ISO Standards 12931:

Further, the Government can encourage brand owners to adopt and implement new ISO Standard 12931—a new weapon termed as “Performance criteria for authentication tools used in anti-counterfeiting or material goods”. Published on 1 June 2012, it has been designed to help the brand owners in identifying most relevant anti-counterfeiting solution to meet the company / organisation strategy.

## Conclusion:

Negative impact of counterfeiting can be diminished to a great level if it becomes a part of every brand strategy - plan and review process- with the accountability of the Brand Owner towards its most valuable asset - i.e., Brand.

Fighting counterfeiting is a Brand issue, when managed well, will result into:

- Consumers getting right products at right prices
- Manufacturers gaining higher market share, increase in brand value and profits
- Government receiving increased revenue, which can be used for betterment of the society