

SOFTWARE AND TECHNOLOGY

Standardized technology solutions may be key to counterfeiting woes

May 23, 2016



Photo courtesy of Christian Louboutin

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While there may not be a single silver bullet solution to end counterfeiting, technological methods may be able to curb the practice.

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In a white paper prepared by the Coalition Against Illicit Trade (CAIT) titled "The Role of New Technologies in Combatting Counterfeiting and Illicit Trade," the business alliance seeks to raise awareness for the technology solutions available to fight the knock-off market. In an environment of rapid digitalization, these solutions will benefit not only brand owners and service providers, but also governments that are plagued by illicit tax-free trade and consumers.

"If we have something, like mobile phones, banking systems and cash cards, when we have a standard global system it means, whether it's customs or consumers, they can all interact with the system in the same way," said Craig Stobie, director global sector management & development at **Domino**, and one of **CAIT**'s founding members.

"It also means, because of the granularity, that every single piece of packaging has its own identity, its own fingerprint, it allows a huge amount of detail," he said. "You know exactly what the product is, where it's been, you can trace it, you can identify it and give assurances about the quality."

"The use of it is just a vehicle to deliver a lot of other benefits. It's all about using a platform that's available and open at very little cost that forms a much larger tool."

Tech solutions

From pharmaceuticals to electronics, all industries are subjected to counterfeiting. Luxury brands especially, given their status and price points, are common victims of knock-off goods parading as high-end designs.

It is estimated that for the European market alone, counterfeiting costs its governments more than \$95 billion in lost revenue, as 5 percent of total imports are pirated goods.

The counterfeiting industry is a large scale operation run by transnational crime organizations. Fueled by economics and a weak legal framework to prosecute offenders, there is currently an absence of measures, in technology and process, to identify counterfeit products.

To keep up with counterfeiter organizations, brands and authorities have stepped up their technology solutions to

track goods from the manufacturer to retailer and to consumers. Product tracking and authentication methods are currently being applied to ensure that only real goods are available for purchase.

Overall, CAIT feels that there brands and authorities need to cooperate by establishing cost-effective, interoperable and efficient technology standards and systems. By sharing knowledge and expertise from various areas, brands subjected to counterfeiting will have a better chance at preventing the sale of fake goods.

CAIT suggests that the first step to combating counterfeiting lies in "track, trace and authentication" (TT&A).

Tracking records the movement of goods, tracing involves providing the tracking information to authorities or the final consumer and authentication, which will enable the purchaser to check if a product is genuine.



Photo courtesy of Neiman Marcus

These practices protect the supply chain across industries and are currently employed by a number of brands and governments to protect quality and prevent knock-offs from hitting the market.

Human- and machine-readable coding has been paramount in TT&A success. In its paper, CAIT cites data from a Planet Retail and GS1 UK survey that found 28 percent of consumers would like to use their smartphones in-stores, and 24 percent would like to be able to scan a barcode to unlock additional product information.

Giving products a Unique Product Identification (UPI) code is so much more than just providing a linear or numerical barcode. Instead, UPIs offer brands flexibility in creating a unique identity for each item which can be safeguarded in a database.

Additionally, CAIT suggests image processing software that can associate a UPI to a product's features or packaging, adding another layer of protection in case there is doubt that the code is authentic. Similar systems can also be used at the shipment and sales level to simplify tracking along the supply chain.

"I think mass serialization and the use of machine-readable codes [is the most effective counterfeiting solution]," Mr. Stobie said. "The reason for that, is because it's based on non-proprietary, open standards and it's open to lots of vendors, so it's a very cost-effective effect solution.

"It also means that consumers can check the codes themselves, so it doesn't require bespoke or proprietary scanners," he said.

Identification mechanisms are also gaining traction to fight counterfeiting.

For example, Italian footwear label Salvatore Ferragamo has begun embedding microchips into its shoes and leather goods to ensure the authenticity and origin of all its products.

The microchip was first used for the pre-fall 2014 collection, where the RFID microchip tags were inserted into the left sole of nearly all Ferragamo women's shoes, thus making the shoe trackable. The NFC Tag cannot be detected within the sole and cannot be reproduced.



Ferragamo, spring/summer 2016 campaign

Last year, Ferragamo curbed the distribution of nearly 25,000 knock-off goods from China due to successful anti-counterfeiting measures ([see story](#)).

"There's a number of technologies out there – tags, sensors, RFID chips – and lots of others," Mr. Stobie said. "What we find is, it's best to use a sort of layer approach, with mass-serialization as the bedrock.

"That's the obvious, overt one and then put a covert one on there as well," he said. "We often find two or three techniques being used depending on the product and the geography it's going into."

Collaborative combat

Counterfeiting can dilute a brand's standing and harm the trust a house has with its consumers due to fears of making a purchase that is not authenticated and of a trusted quality. Less spoken about is the impact counterfeiting has on employees of the fashion industry.

According to a report by the EU Observatory, the fashion industry in Europe has seen 363,000 jobs lost due to the counterfeiting of clothing, footwear and accessories. The manufacture and distribution of these counterfeit items totals more than \$28.5 billion.

The report also found that the sale of knock-off goods, in the EU alone, accounts for nearly 10 percent of the total sales in the fashion sector throughout the 28 countries in the union. Job loss is a result of these products being sold due to less profits generated by the manufacturing brand, thus resulting in layoffs and terminations because of a lessened need for labor ([see story](#)).

With such far-reaching implications, CAIT advocates for collaboration and cooperation by all parties harmed by counterfeiting. CAIT supports the establishment of an accreditation or certification mechanism for anti-counterfeiting systems that provide data and technical standards.

This will allow a technological architecture to be put into place to enable interoperability across platforms, geographies and industry sectors. Likewise, these efforts will safeguard the integrity of TT&A systems for both manufacturers and authorities.

Lastly, CAIT suggests that the public be involved in avoiding and dismantling the counterfeit industry when possible. Consumer involvement can be achieved through authentication process at point of sale.

"I think the one thing that people don't realize is they're aware of counterfeiting, and often condone it, with things they don't think are important like t-shirts and baseball caps," Mr. Stobie said. "But, what they don't realize is the people who make fake t-shirts and baseball caps also make fake coffee, toothbrushes, beverages and medicine.

"That's where they probably don't realize. We use the term counterfeit and falsified.' If you go to Mexico and buy a Chanel t-shirt for \$5, you probably know that that's not genuine," he said. "If you go to a chemist, you'd hope that's genuine, but it may not be. That's the difference. So falsified is very much about things that you don't know.

"This is why the technology we're excited about allows consumers, if they wish, to at least have an informed decision whereas at the moment they cannot. You just have to hope. "