

MAXIMIZING ROI ON BRAND PROTECTION INITIATIVES

How to leverage serialization for new sales and greater cost savings



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EXECUTIVE SUMMARY

Brand protection solutions can drive a return on investment (ROI) through new sales, better customer loyalty, supply chain efficiency gains, fraud reduction and operational cost savings. This white paper outlines how brand owners can create the strongest ROI when they use serialization, digital product authentication and Track&Trace. Most brand protection and anti-counterfeiting initiatives focus on increasing enforcement activities like investigations, seizures and litigations to create a return on investment. Companies can also leverage brand protection and anti-counterfeiting tools in supply chain initiatives, operational processes and marketing campaigns to drive the highest ROI.

CREATING EFFECTIVE AND EFFICIENT ENFORCEMENT

Enforcement activities—including seizing fake goods or filing lawsuits against infringers—generate strong ROI for brand owners, making them a major focus for most brand protection initiatives. Enforcement activities drive a high ROI because they eliminate a variety of costs associated with counterfeits circulating in the marketplace. These costs can range from lost revenue to increased public relations spending. Companies whose products represent health and safety risks without proper quality controls have especially high costs due to counterfeiting, creating a proportionally higher ROI for enforcement activities.

Counterfeiters have less accountability than legitimate brand names, so their products are often compromised in ways the brand owner would never risk. The range of damage caused by fakes depends on the industry and product, with counterfeit medicines, chemicals and safety equipment having serious health risks. Even fake cosmetics or consumer electronics can be harmful. For counterfeit electronics, the defaults can range from poor construction to use of toxic materials to preinstalled malware. Each of these issues undermines brand integrity by giving the consumer reasons to question the quality of a genuine product. Fakes can also create the perception that a brand has failed in its responsibility to protect consumer safety, further damaging brand integrity. Ultimately, low brand integrity and consumer confidence can lead to lost revenue and may damage investor relations. Failure to stem the flow of fake products can also lead to increased costs associated with litigations, public relations and fraudulent activity. Enforcement activities help reduce all of these costs by preventing counterfeit products from circulating in the open marketplace.

Software solutions for serialization, authentication and traceability play an important part of exerting pressure on counterfeiters by helping brands more quickly and easily identify suspicious operations. These software solutions can provide information to customs agents, internal company investigators and contracted brand-protection agencies, helping each of them identify products as genuine or fake. These solutions also often lead to more successful litigations, helping brands recoup the costs of fighting fakes and shut down illegal operations.

Often, the solution needs to be deployed across many locations, supply chain partners and users at a relatively low cost. Software solutions for serialization, authentication and traceability typically fit all of those requirements, making them one of the most powerful toolsets for supporting brand-protection enforcement activities. After supporting enforcement activities, brand owners should consider leveraging serialization tools to create supply chain efficiencies.

DRIVING SUPPLY CHAIN EFFICIENCIES

Serialization solutions offer a variety of supply chain benefits, including efficiency gains in shipping, distribution and aggregation management. Uniquely serialized products allow for item-level traceability across the supply chain, helping brand owners gather more information for deeper insights than lot-level or container-level traceability can provide. For example, item-level serialization provides a foundation for tracking item associations and aggregations. This allows brand owners to track which products came from the same manufacturing line, which items were parts of the same lot, or even which were packed into the same shipping containers. These tools can also help coordinate more targeted and efficient recall processes by tracking products from the point of manufacturing all the way to retail sale. Then, any products that need to be recalled can be granularly defined, down to the manufacturing location, manufacturing line or even specific manufacturing timeframes to create well-targeted recalls. Plus, serialization solutions can help create a streamlined product registration process. This is often done by leveraging the product's unique serial number or identifier for digital product registration.

Registering the product at or after retail sale also allows that information to be leveraged during warranty work or returns throughout the product's lifecycle.

PREVENTING WARRANTY AND RETURNS FRAUD

Serialization solutions provide the foundation for product authentication, making them a powerful tool for preventing warranty and returns fraud. This drives ROI for brand owners by reducing or eliminating a variety of costs in customer service time, shipping fees, replacement fees and merchandise lost to fraudulent returns. Digital product authentication also helps reduce the cost brand owners face in establishing if the product for warranty work or return is genuine or counterfeit. Understanding some common fraudulent activities helps explain how serialization for authentication and traceability helps solve these challenges.

Some consumers buy fake products—knowing they're fake—only to go out and buy a real one as well. The fake version is put back in the real packaging and returned to the legitimate retailer. In the end, the consumer gets the price of a heavily discounted fake while walking away with the genuine, high-quality product. This scenario is a classic returns fraud scheme, which can be common for the most widely counterfeited items.

Item-level serialization offers brand owners a cost-effective tool to quickly and easily identify counterfeit products. Software tools for authentication can be used across customer service representatives, warranty and repair teams, internal investigators and even consumers. Most serialization tools can be used via text messaging, call centers or mobile apps, so there are no special tools or equipment required. Plus, most of these solutions require almost no additional training of your supply chain partners or customer service staff. The broad application of serialization solutions helps them mitigate the wide range of challenges counterfeiters create through warranty and returns fraud. The ease of use and broad application also means that serialization solutions can be leveraged in some marketing initiatives.

COORDINATING WITH BRAND LOYALTY & MARKETING CAMPAIGNS

Marketing initiatives such as loyalty programs offer another good way for brand owners to drive a higher ROI from serialization solutions. These campaigns incentivize the customer to participate in brand protection initiatives by rewarding them for authenticating the product. This process is often unseen by the consumer as the solution is marketed as entering a code for loyalty points, rebates or other rewards. This allows brands to publicly encourage consumers to participate in the program without publicizing issues with counterfeit goods. Loyalty programs can be one of the best ways for brands to achieve this goal.

Many loyalty programs are offered for products across multiple retailers, making it challenging for brand owners to document the purchases and provide loyalty points in return. Secure serialization for product authentication can be an easy solution to this challenge, given proper code management. For example, a unique code might be printed on the inside of a cereal box to prevent the code from being copied before the customer opens the box at home. In this way, a unique code for each product serves as a type of proof-of-purchase and can be used by brand owners to track product purchases for loyalty programs. When integrated with supply chain information, this provides brand owners with a tool for retailer-specific promotions or campaigns without having to create retailer-specific packaging. Depending on the brand's marketing focus, serialization solutions can be applied to several other types of initiatives as well.

CONCLUSION: BUILD A FOUNDATION, LEVERAGE IT ACROSS THE COMPANY

Brand owners can find the most immediate ROI from any brand protection or anti-counterfeiting tool by leveraging it to support enforcement activities. Yet these tools can also be used to expand brand loyalty campaigns, reduce fraudulent returns and facilitate targeted recalls. Leveraging serialization across many company initiatives helps brand owners achieve the maximum ROI on their IT solutions and services. IT solutions are ultimately infrastructure builds, allowing for more data, faster communication and integration between systems. For that reason, brand owners who leverage flexible IT infrastructures across many initiatives build ongoing value at a lower cost, leading to the greatest returns.

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