

De La Rue



Government
Revenue
Solutions

Looking ahead to the next-normal.

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Looking ahead to the next-normal.

Some countries are emerging from the Covid-19 crisis, some are in the thick of it and some are still relatively unscathed by the effects – so far. Whatever stage you are in, your life today will be different from your life yesterday and you are probably wondering what your life tomorrow will be like.

At De La Rue Authentication we are thinking about life tomorrow and what our customers will need to support them to rebuild their revenues and maintain their reputations in the next-normal post-Covid world.

Our two main customer groups, governments and brand owners, will each face different challenges:

Undoubtedly governments will face unprecedented challenges with raising revenues and balancing budgets; heads of tax authorities must be thinking now about how they can support their Ministries of Finance to raise tax receipts after the pandemic. Recognising that in a post-Covid world raising tax rates on businesses and individuals may not be possible, closing the loopholes on excise tax evasion and putting up barriers to illicit trade will be short term measures that can be implemented to increase tax revenues from existing sources.

A KPMG study into illicit tobacco trade in the EU in 2016 found that more than €10bn tax revenue was lost annually from the 9% of consumption that was accounted for by illicit product. This value will have decreased since the introduction of the EU Tobacco Products Directive (EUTPD) in May 2019 which has introduced authentication labels and track and trace to the EU tobacco market. Labels and track and trace need to be supported by robust enforcement which must be equipped with mobile devices giving access to real-time verification of genuine product and the tracking data.

These measures provide all the building blocks for effectively limiting opportunities for illicit trade, not only for tobacco products (as set out in the World Bank report *Countering Illicit Tobacco Trade*), but for all highly taxed products that are usually threatened by counterfeit goods, divergence and other illicit trade attacks. Tax revenues will increase if these measures are implemented.



De La Rue already supports tax authorities, including those operating under the EUTPD framework, to secure excise revenues on tobacco and other excisable products and in most cases these systems can be rapidly deployed at no up-front cost to the tax authority; in a post-Covid world you could be securing additional tax revenues quickly and easily.

Brand owners face a very uncertain future post Covid. Some will be worried about their survival, others will be looking at interconnected global supply chains established over many years rendered inoperative in a matter of weeks by border and factory closures. With the rapid enforced closure of retail outlets many brands will be turning exclusively to on-line distribution to generate some revenues in this unprecedented environment.

An OECD study published in 2019 (Trends in Trade in Counterfeited and Pirated Goods) estimated that counterfeit and pirated goods accounted for more than 3% of global trade, a value in excess of \$500bn based on customs seizure data; this value is significantly higher if it includes genuine products traded illicitly.

The same study shows that the majority of counterfeits are distributed to consumers directly by post or courier with nearly 70% of customs seizures by volume from post and courier parcels. It wouldn't be unreasonable to assume many of these parcels resulted from purchases online. To re-secure supply chains that have been disrupted by the Covid pandemic brand owners will need to rebuild a trust network linking their manufacturers, distributors (whether on-line or physical) and critically the end consumer.

De La Rue currently supports brand owners around the world with physical secure marks and digital solutions which enable consumers to validate that the product they have received is genuine and we are experts in the design and implementation of brand protection marking, serialisation and verification.

In the post-Covid world, I would expect to see governments, consumers and private companies working together with a shared purpose to rebuild society. The next-normal will inevitably be different from the old world, but will still need to function for private enterprise, consumer safety and government revenue raising. We are increasingly seeing governments and manufacturers working together to set standards that will protect consumers in individual countries from counterfeit products, ensure an open business environment where investments aren't undermined by imported counterfeit goods and help governments to regulate and raise taxes.



Enterprises like De La Rue who have been working with governments for more than 200 years and with brands for more than 30 years stand ready to help rebuild our world, whatever it will look like.

Join us in the effort, contact us at authentication@delarue.com for more information.



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