



Covectra

The Fight Against Fakes

Protect Consumer Brands Against
Counterfeiting and Diversion with
Smart Labels + Track & Trace



The Fight Against Fakes

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The Fight Against Fakes

The trade in counterfeit goods is lucrative. In fact, it is so profitable that a study by the U.S. Government Accountability Office found that 2 out of 5 products purchased online from third-party vendors are imitations. Counterfeit goods are growing at an alarming rate worldwide. It affects businesses, consumers, and governments, causes loss of revenues, and creates significant health and safety threats.

In a study commissioned by the International Chamber of Commerce's (ICC) Business Action to Stop Counterfeiting and Piracy (BASCAP) and the International Trademark Association, the report estimates that the total global economic value of counterfeiting and piracy could reach \$2.3 trillion by 2022. More than 25% of consumers have unwillingly purchased counterfeit goods online.

Almost any consumer brand can fall victim to counterfeiters, including jewelry, watches, designer footwear, skincare, or even medical products. Brand protection against counterfeiters is more critical than ever before.

Brand protection is essential to protect the loss of revenue and to protect a company's image, reputation, and overall value.





Counterfeit Products Hurt Brand Reputations

Recent research shows that customers are discouraged from the presence of counterfeits and seek out other brands.

Although any consumer brand is a target for counterfeiters, several industries other than pharmaceuticals are prime targets for lost revenue, safety threats, and diminished brand reputations. These industries include fashion, sports, electronics, and automotive.

Counterfeit goods are one of the biggest threats to the global fashion industry. According to the 2018 Global Brand Counterfeiting Report, **More than \$30.3 billion of fake luxury fashion goods were sold online in 2018**, and that number continues to grow despite anti-counterfeiting efforts.

Clothing, shoes, jewelry, and accessories like handbags and wallets, are prime targets for copycats.

Key findings include:

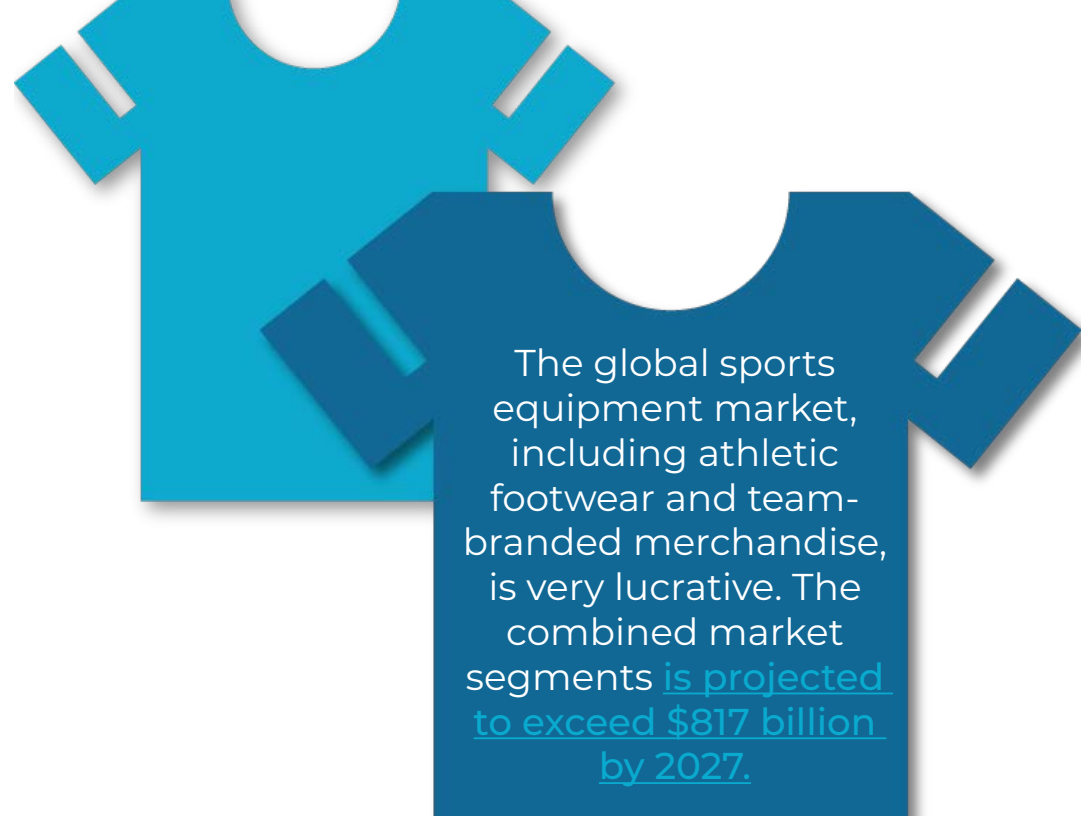
- ➔ **81% would change their buying behavior** towards a brand in reaction to seeing fakes online
- ➔ **32% of participants would look for an alternative** if they became aware of counterfeits of a brand online
- ➔ Although only a small minority of designer fashion consumers look to buy fakes, **super fakes are satisfying consumers, which poses a considerable threat to fashion brands**

[source](#)



Just like fashion brands, sporting goods are also under siege and for a good reason.

Sports and leisure equipment are subject to applicable safety requirements and standards, and brands substantiate specific claims regarding product performance. Fake sports goods, such as helmets or equipment that require precision performance like skis and snowboards, place its users in danger of injuries. These imitations are typically made of substandard materials and do not go through rigorous quality and safety checks.

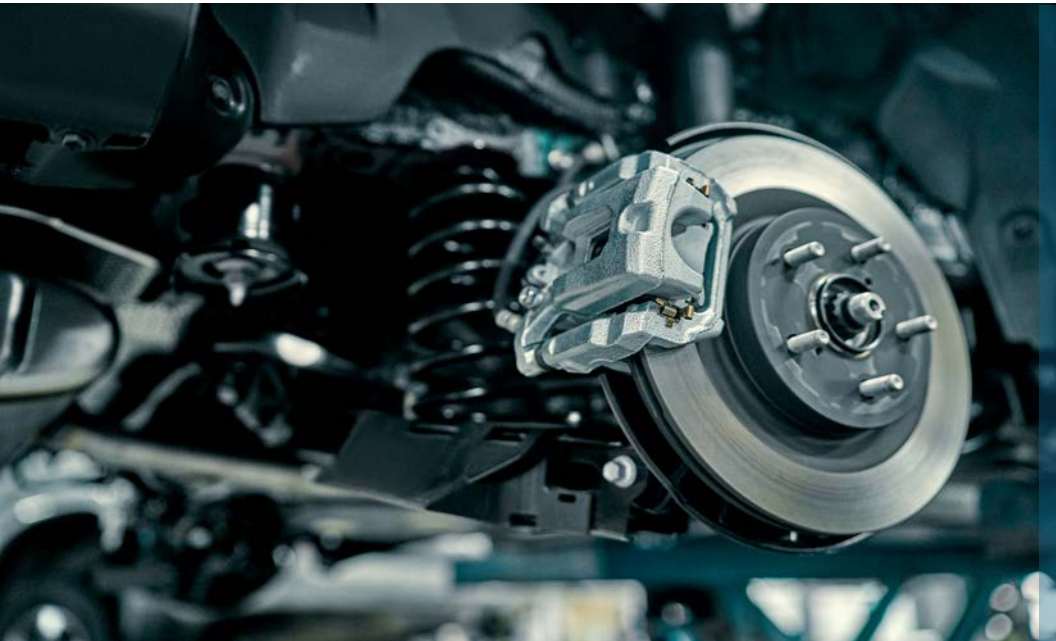


While today's fakes may look very similar to the real versions, there are no guarantees that they will play like them. For example, counterfeit golf clubs may look and feel like the authentic brand, but many do not perform as advertised. Balls may veer off to the right, and it may have nothing to do with your slice. It could be due to improper weighting within the club or a clubface that is slightly off.

Sneaker obsessed fans buy, sell, and trade their sneaker collections. With the intense popularity of these shoes has come a wave of counterfeits that defraud consumers and hurt the industry. Counterfeit brand-name athletic shoes are a multi-billion dollar criminal industry that often funds other organized criminal enterprises.



Two other types of counterfeit goods pose substantial risks to consumers due to substandard materials and the lack of quality and safety checks. The first is consumer electronics, and the second is automotive parts.



The problem with consumer electronics extends way beyond whether the product will perform as expected. Underwriters Laboratories (UL) and Canada Standards Association (CSA) are continually testing consumer electronics against a set of standards to ensure safe usability. A recent seizure of fake phone chargers tested at a UL testing facility found that the chargers burst into flames when subjected to standard testing procedures. Visibly, there were no distinguishable differences between the real and the fakes. Using a fake exploding charger, consumers may suffer burns or unwittingly set fire to their homes.



The same is true for counterfeits in the automotive parts industry. Counterfeit parts typically do not meet regulatory standards, and repercussions can result in severe accidents and loss of life. Airbags that do not deploy correctly and brake pads that are made of sawdust and compressed grass or asbestos that smoke and disintegrate under pressure are just two examples of compromised auto parts.





Smart Security Labels Are the First Line of Defense

Smart security labels are the consumer brand's first and best line of defense against criminals.

Two components comprise an effective security label solution.

The first is a non-destructive, non-replicable security label that records proof of origin and originality.

The second component is an authentication system that can verify the legitimacy of the information on the label – a track and trace system used to track serialized products throughout the global marketplace.

The combination of these technologies creates a smart security label solution.





9 Ways Smart Security Solutions Assist Brands

1

Counterfeiting
& diversion
detection

2

Geo-positioning
tracking

3

Recalls

4

Returns
processing

5

New product
tracking

6

Gray market
trade detection

7

Sample product
tracking

8

Supply-demand
balancing

9

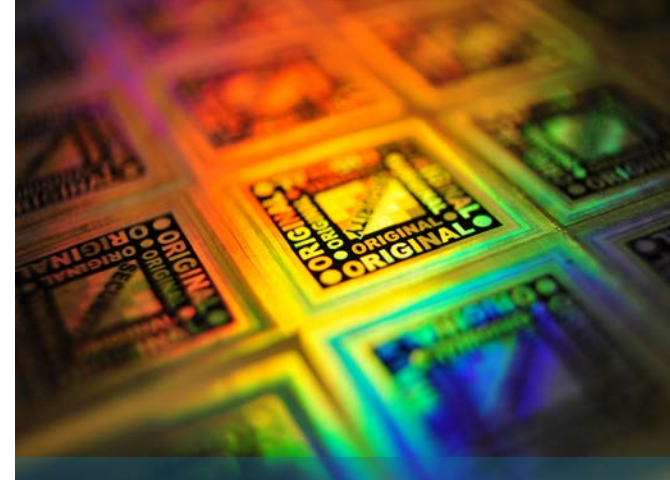
Discovery of
unauthorized
trade-in channels





What Type of Smart Security Labels Do You Need?

Determining what type of security is required for your application is not always straightforward. You do need to have a basic understanding of the options available to you.



1. **Overt security** - Overt security labeling uses visible security technology. These labels are easy to read with the naked eye but are challenging to replicate, discouraging counterfeiters. Overt labeling enables fast and easy authentication by consumers and retailers when identifying product authenticity; however, they provide the least protection from counterfeiters.
2. **Covert security** - Covert security labeling uses invisible security features that are not easily detectable to counterfeiters. Covert security is visible only with additional tools and training. Advanced covert security labels are starting to integrate several technologies into a single label. For example, a label may contain holograms and QR codes. Here are examples of covert security labels:
 - **Holograms** are typically a repeated static image.
 - **Destructible** labeling materials are either voidable materials or frangible materials. These materials will destruct upon removal, leaving some evidence.
 - **Barcodes or QR codes** are static or serialized. These can bring you to a brand landing page or a loyalty program when scanned. Scanners are needed to read the barcode or QR code
 - **RFID** labels are either passive (providing information) or active (recording information). Both have an antenna and require additional hardware to read the data.
 - **NFC** Near Field Communication (NFC) tags are a thin layer of material with embedded antennae, radio chip, and storage. These labels encourage more consumer engagement. Anyone with a smartphone that has NFC reader capabilities can simply touch the phone to an NFC tag, which results in data exchange between the consumer and the brand.
3. **Forensic security** - Forensic authentication features offer the highest level of protection, but can only be verified using specialized equipment or in a laboratory. In most cases, forensic labels can have micro taggants, chemical tracers, or biological additives.





Authentication System for Track & Trace

Once you have decided on the type of security label needed, a track and trace system verifies that the information on the label is valid.

Track and trace systems are widely used in the pharmaceutical industry but are just beginning to gain traction for consumer goods.

Track and trace use unique product identifiers, such as serial numbers, to track individual products throughout the supply chain, from production to the end consumer. It helps manufacturers significantly reduce counterfeiting by ensuring products can be easily identified.

Modern track and trace are cloud-based systems and provide 24/7/365 access for product verification. Smartphones enable retailers and consumers to access track and trace systems easily.





Enhance Marketing with Smart Phone Application

Automatically capture consumer information during brand validation.

Consumers have come to demand and expect a personalized experience. With captured consumer information, marketers can reap the benefits of sending more relevant and personalized messages that get results. Send personalized emails, newsletters, SMS messages, and surveys to test new products or measure customer satisfaction.

Use this information for new marketing and customer engagement campaigns such as:

Product Promotions



Loyalty Programs



Event Announcements



Customer Surveys





StellaGuard - The Latest in Smart Labeling for Counterfeit Detection and Prevention



The StellaGuard security label solution combines smart technologies to provide universal brand protection. StellaGuard offers two layers of protection, leveraging the benefits of a two-dimensional barcode with a three-dimensional image of a random pattern of “holographic stars” embedded in a label, providing instantaneous authentication and copy-detect protection.

StellaGuard labels incorporate multi-colored holographic stars distributed at varying depths and positions within the label. Each label has a unique random pattern and is almost impossible to replicate because of its unique manufacturing method.

Since barcodes can be easily copied, this new solution makes counterfeiting virtually impossible, which is critical when counterfeit goods can be life-threatening.



Using a smartphone, users scan the barcode, and a photo image is taken. The app's software connects to Covectra's cloud-based AuthentiTrack to verify product information, and brand owners can also display customized marketing messages.





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About Covectra

Covectra provides multi-layered brand protection solutions that help protect products from tampering, diversion, and counterfeiters and address medication compliance challenges. The combination of serialization, track and trace, smart labels, and traceable packaging is ideal for pharmaceuticals, medical, fashion, consumer and sporting goods, electronics, and automotive industries. Covectra has processed over 3 billion serial numbers for global brand owners.

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