

# BRAND PROTECTION

Covert solutions for a covert challenge

## BEAT THE WINTER BLUES



### As seasonal product returns hit a wintry peak, what role for covert authentication solutions in resisting the avalanche of clandestine counterfeits?

Every January, amidst the post-holiday slump, companies face a surge in return products, bringing an abrupt end to any remaining festive cheer. All products bought, sold and returned in good faith? Think again. While most returns, and repair claims, are genuine, there's a growing trade in returns fraud, forcing companies to rethink the flexibility of returns and warranty policies, and to seek new solutions.

Returns and replacement fraud is big business. It's fed by unscrupulous scammers who return fake versions of products, or products containing counterfeit parts, to stores and service centres, aiming to profit from the refunds or by trading the genuine replacements.

Increasingly sophisticated counterfeits and imitation components, combined with the generous returns and warranty terms that underpin today's customer service culture, create a costly challenge for reputable brands. Legitimate firms face millions of dollars in lost revenues, litigation claims and damaged reputations every year. Added to this is the heavy cost of servicing invalid claims.

An illustration of an iceberg floating in the ocean. The top part of the iceberg is white and jagged, representing the visible tip. The bottom part is submerged in a dark blue sea, representing the much larger, hidden part of the iceberg. The sky is light blue with a few white clouds.

**The biggest competitor you don't want your customer to know about**

## **FROZEN IN FEAR**

### **10%\* of returns are thought to be fraudulent but are they just the tip of the iceberg?**

Many companies remain in denial about the scale of the problem and with good reason.

They fear the reputational damage and consumer backlash that could result from more widespread public reporting on the scale of fraudulent returns.

Without the means to authenticate a product, companies are also reluctant to refuse repair or returns services, even in doubtful cases, fearing consumer criticism in the news or on social media and a loss of goodwill.

The absence of robust authentication procedures in stores or service centres may put companies at further risk from opportunistic fraudsters who take advantage of manufacturers' generous customer-focused returns and warranty policies.

\*Based on US estimates  
<https://www.warrantyweek.com/archive/ww20190620.html>

# STOP COUNTERFEIT- COMPETITORS IN THEIR TRACKS

## COVERT SOLUTIONS FOR A COVERT CHALLENGE

Companies *can* take protective action. A range of deterrents, including covert authentication techniques, can make counterfeiting more complex, less lucrative and less appealing to fraudsters. Covert technologies are purposefully designed to keep counterfeit and piracy protection features confidential.

New generation covert security solutions range from security taggants or tracers, to invisible barcodes, micro-imaging, and DNA markers. Invisible to the naked eye, they provide a protective shield against fake returns and repairs, enabling quick and easy detection of fraudulent products by trained service centre managers, using simple tools for authentication.

Instant identification of genuine devices, or parts and products that arouse suspicion, can play a vital role in product recall situations, preventing rogue warranty claims, defending the integrity of products and identifying weaknesses in the supply chain.

*Authentication solutions are used to detect counterfeits and to support investigations and action against counterfeiting.*

*They may help deter counterfeiting by making it more complex, less appealing and less lucrative for the counterfeiter.*



## CHALLENGE



## SOLUTION



## IMPACT

### Warranty abuse

Fake products or products containing counterfeit parts are submitted for repair or replacement.

Invisible marking for authentication at service centres before starting the repair process.

Avoid repair costs (human resources and material cost) and replacement costs (counterfeit products and parts replaced with genuine products).

Positive impact on revenue; evidence for litigation cases.

### Returns policy abuse

Fake products are returned with the aim of securing a genuine product replacement or receiving a refund.

Invisible marking for authentication of the product at the point of sale. Returns handled in accordance with brand policy.

Avoid exchanging genuine products for counterfeit ones (including high quality counterfeits).

Avoid risk of putting returned counterfeit products on the shelf for sale to the next customer.

Positive impact on revenue and brand integrity.

# COST EFFECTIVE

## COVERT AUTHENTICATION SOLUTIONS PROTECT AGAINST RETURNS FRAUD

Returns are typically associated with a brand providing added customer services: satisfaction guaranteed, free return or exchange and warranties. Services add value to the brand but also create an opportunity for fraudsters to cheat the system, and brands pay the ultimate price. Adopting authentication solutions to counteract returns fraud involves an analysis of the potential to protect the product, the service system and legal rights around the brand.

Overt authentication solutions are not the favoured approach because consumer involvement in the verification process leaves a trail for furtive counterfeiters to follow. Covert solutions are preferred, with authentication undertaken by trained service and repair centre staff, which protects the product and maintains trust among legitimate customers.

Secure covert marker solutions are increasingly cost effective thanks to innovation in detection and taggant technologies.

The solutions can be easily integrated into a wide range of vehicles with very little impact on operations, including various ink types (offset, pad-printing, screen, gravure) or even directly into plastics or glue.

Solutions can also be linked to an inspection platform allowing in-depth monitoring and data analytics and ensuring maximum surveillance along the supply chain.

# FOUR FEATURES OF COVERT AUTHENTICATION SOLUTIONS

1. Invisible protection, hidden features.



2. Authentication with simple tools and/or connection to an inspection platform.



3. Off-the-shelf or purpose-built, depending on need.



4. Central or offsite inspection by trained staff.



## ACT NOW

With the expansion of e-commerce and new technologies, counterfeiting is increasingly sophisticated and widespread. Companies are taking positive action to investigate the links between counterfeiting and warranty and returns fraud in order to secure their brands.

[Discover our brand protection solutions](#)

[Contact us](#)

### ABOUT SICPA

**We offer time-tested and new generation technologies to help companies protect brands, products and people from the growing trade in fake goods.**

For almost a century, SICPA has worked with partners to combine security technology expertise and digital innovation to ensure the authenticity of banknotes and identity documents worldwide. SICPA is a leader in cutting edge branded technologies for the product and brand protection market.

Enabling trust lies at the heart of what we do.



**SICPA SA**  
Av de Florissant 41  
1008 Prilly  
Switzerland

Tel +41 21 627 55 55  
[brandprotection.sicpa.com](http://brandprotection.sicpa.com)