



# THE ROI OF ANTI-COUNTERFEITING WHITEPAPER



**Authentic  
Vision**

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# INTRODUCTION

## 01. Introduction

Counterfeiting is on the rise. Global trade, e-commerce and new technologies make it more and more easy to manufacture, sell and distribute unauthorized goods. The impacts of counterfeiting range from financial losses to reputation damages and health or security threats. Companies often cannot quantify the impact of counterfeiting. This makes it very hard to create a solid business case for anti-counterfeiting initiatives.



Authentic Vision offers a tailored approach from the customer onboarding to the implementation of the highly secure and customer friendly solution:

- outlines the problem of counterfeiting,
- provides a checklist to find out, if YOUR company has a counterfeiting problem,
- presents KPIs that will help you creating a business case,
- draws attention to secondary benefits of anti-counterfeiting and
- tells customer success stories to further support your initiative.



# THE IMPACT

## 02. The Impact

The counterfeit market is booming rapidly. The majority of fake goods seized in customs checks originate in mainland China and Hong Kong. Other major points of origin include the United Arab Emirates, Turkey, Singapore, Thailand and India.

The EUIPO report “Trends in Trade in Counterfeit and Pirated Goods” (2016) states that in 2016 trade in counterfeit and pirated products amounted to more than 500 billion USD<sup>1</sup>. This represents up to 3.3% of world trade. According to the BASCAP report “The Economic Impacts of Counterfeiting and Piracy” (2016) the total amount of counterfeiting globally is expected to reach 2.3 Trillion USD in 2022<sup>2</sup>.

Taking a look at the EU shows a similar pattern. The total import of counterfeits into the EU has been 6.8% of total EU imports annually in 2019<sup>3</sup>. This is a rise of 5% since 2016. The problem is rapidly growing, not only in the EU, but also in the rest of the world – though increase rates may differ depending on border control efforts.



<sup>1</sup> <https://www.oecd.org/newsroom/trade-in-fake-goods-is-now-33-of-world-trade-and-rising.htm>

<sup>2</sup> <https://iccwbo.org/publication/economic-impacts-counterfeiting-piracy-report-prepared-bascap-inta/>

<sup>3</sup> <https://www.oecd.org/newsroom/trade-in-fake-goods-is-now-33-of-world-trade-and-rising.htm>

# THE IMPACT

The ongoing rise of e-commerce platforms fuel the growth of counterfeiting. With improved technology and cheaper production methods (e.g. 3D printing for low cost/high precision) even low-cost items are now counterfeited. On the other hand, law enforcement by authorities requires experienced staff and the risk for criminals is very low. Companies must take action to prevent serious damages on multiple levels.

## **COUNTERFEITING, PIRACY, GRAY MARKET GOODS – WHAT’S THE DIFFERENCE?**

Counterfeits are unauthorised imitations of branded goods. The counterfeited product bears a trademark that is identical with, or indistinguishable from, a registered trademark – the classic “fakes”.

Piracy means making an exact copy – rather than an imitation – of a good without the consent of the rights holder. Commonly pirated items are movies, music, video games and software, but also toys etc.

Gray market goods are branded products, manufactured and sold with the consent of the right owner, but outside authorized distribution channels. Luxury items, such as cameras, cars or watches, are common gray market products.

# AWARENESS

## 03. Awareness

Many businesses do not only have difficulties to quantify the harm caused by counterfeiting and grey market activities, but even to determine whether they have a problem or not. However, there are certain indicators signalling that your organization is at risk.

### INDICATORS AND RISKS:

1. Are your sales decreasing while the sales of your competitors remain the same?
2. Are your competitors having counterfeiting problems?
3. Have your warranty claims increased?
4. Have consumer protection agencies contacted you regarding consumer complaints, such as defects of your products etc.?
5. Do you find your products in unexpected or unauthorized geographic markets and/or market channels?
6. Can you observe inexplicable price fluctuations across markets?
7. Are counterfeits of your products showing up at customs? (Even small amounts may hint to a bigger problem.)
8. Do you manufacture in China, Hong Kong, Egypt or any other of the countries suspected to be the origin of the majority of counterfeited products?
9. Are you having any manufacturing done by factories that are not owned by your company?
10. Do you have end-to-end transparency of the movement of your products throughout the wholesale and retail supply chain?

If you can tick one or more of the above boxes, you might want to dive further into the topic of counterfeiting and what you can do about it: [Authentic Vision Anti-Counterfeiting Solutions](#)

# CALCULATION

## 04. Calculating the ROI

Let's assume you have realized that your business actually is at risk regarding counterfeiting and you want to invest in anti-counterfeiting measures: How can you convince other stakeholders that there is a return on investment? Do the maths – and let us help you with that. It is easier than one might think.

Here is company A, being a market leader for product X. The total annual market for product X – including all legitimate and illegitimate units – is 50 million units or 1,5 billion EUR. The wholesale price per unit is 30 EUR. The margin being 70% or in other words 1,05 billion EUR. Selling 5 million units annually, company A's market share is 10%. Their annual margin value therefore is 105 million EUR.

If company A invests 0.03 EUR per unit in anti-counterfeiting, it sums up to an investment of 150,000 EUR, which stands for only about 0.014% (rounded) of the total margin value existing in the market. Therefore, company A would need to sell 7,143 units more to break even.

Although numbers vary from company to company and between anti-counterfeiting solutions, this example shows that even minimal gains of market share can easily over-compensate the direct costs of anti-counterfeiting measures.

And now it's your turn! You can use the form on the next page to calculate how much you need to improve your market share so that the solution pays for itself.

To roughly calculate the cost of anti-counterfeiting, 0.03 EUR is a good starting point. But if you want to get a more precise estimation of the costs for your company, please get in touch with us and we are happy to assist with the calculation.



# CALCULATION

## Calculating the ROI

### How to calculate the ROI

And now it's your turn! You can use the form below to calculate how much you need to improve your market share so that the solution pays for itself.

		Example	Your Company
a	Total Market [Units]	50,000,000	
b	Price per Unit [EUR]	30	
c	Total Market Value [EUR] = (a) x (b)	1,500,000,000	
d	Margin [%]	70%	
e	Total Market Margin Value [EUR] = (d) x (c)	1,050,000,000	
f	Company Market Share [%]	10%	
g	Company Market Share [Units] = (f) x (a)	5,000,000	
h	Company Market Value [EUR] = (f) x (c)	150,000,000	
i	Company Margin Value [EUR] = (f) x (e)	105,000,000	
j	Protection Costs per Unit [EUR]	0.03	
k	Total Protection Costs [EUR] = (j) x (g)	150.000	
l	Costs as % of Total Market Margin Value = (k) / (e) x 100	0.014%	
m	Units needed for ROI = (l) x (a) / 100	7,143	

## BENEFITS

## 05. Secondary Benefits

If your company invests in anti-counterfeiting, the perpetrators will shift their attention to products of other companies that have not implemented protection measures. Thus, you will achieve a competitive advantage that will most likely translate into further market share gains.

Success is all about reputation and customer relationship. Counterfeiting puts this at risk. Besides the financial impact, poor quality of products can lead to loss of trust, environmental or health damages and worse. This will have a lasting effect on your company's reputation and strain the relationship with your customers and partners. An investment in anti-counterfeiting measures is also an investment in the company's reputation.

If your company takes a leading role in fighting counterfeiting, other companies in the same market are likely to follow. So, besides the immediate advantage over your competitors, the whole market will benefit from that in the long run and criminals will watch out for "easier money".





## 06. Customer Success Stories

### Elsewedy Electric

In markets like Egypt, where 40 - 60% of electrical cables on the market may be counterfeit, shoppers and sellers could never be too sure what they were buying or selling. Until now. Thanks to their work with Authentic Vision,

Elsewedy Electric, a \$2B per year electric technology company based in Cairo, Egypt, is able to protect its customers and its market share from the dangers of counterfeiting.

While both Elsewedy Electric and Authentic Vision understood that half the battle to fight back against counterfeiting was a great authentication solution, they also knew the other half was an effective customer awareness campaign at the point of sale.

Customers were educated about falsely named, fake products and the potential dangers of using such products. The Elsewedy Electric Application from Authentic Vision became an integral part of the customer's buying process.

Authentic Visions technology, in-market observations and scan data analysis allowed Elsewedy Electric to detect counterfeiting hotspots, take enforcement actions and protect their supply chain.



Elsewedy Hurghada Billboard Ad

“Authentic Vision has the expertise, the creativity, and the tech leadership to be a true trusted partner. We are extremely satisfied with our results - and our ROI.”

MR. AHMED HASSOUNA, GROUP MARKETING DIRECTOR, ELSEWEDY ELECTRIC

**ELSEWEDY**  
**ELECTRIC**

# CUSTOMERS

## Customer Success Stories

### HDMI Licensing Administrator, Inc.

#### 400% ROI DURING THE FIRST YEAR

With more than eight billion HDMI enabled devices shipped since the first HDMI specification in 2002 and the continued development to the current specification version, HDMI cables are the most commonly and frequently purchased multimedia cable by consumers and commercial installers. At CES 2020, entertainment, content and gaming companies announced new products, including gaming platforms and 8K displays with advanced capabilities requiring the support of this latest HDMI cable.

Making sure the cables are not counterfeit and have been verified for passing certification testing is essential for ensuring new products entering the market provide a trouble-free experience without costly product returns or installation problems.

“The partnership between HDMI LA and Authentic Vision allows resellers and consumers to verify they are purchasing certified cables with a quick and simple scan of the certification label using the HDMI authentication app,” said Brad Bramy, Vice President of Marketing and Operations.



“AV’s turnkey solution resulted in a positive ROI across our compliance royalty and marketing efforts.”

BRAD BRAMY, HDMI LA

**HDMI**™  
HIGH-DEFINITION MULTIMEDIA INTERFACE

## SOLUTION

## 07. Our Unique Solution



Authentic Vision's patented secure tagging, mobile authentication app, and real-time analytics capabilities protect physical assets from counterfeiting and alert brand and product owners to potentially fraudulent activity.

The unique Holographic Fingerprint™ distinguishes Authentic Vision from other competitors since it cannot be replicated due to random inconsistencies in the production process. In combination with the random assignment to serialized data matrix codes and server-side analytics, the tag ensures very high protection.

Authentic Vision offers a highly secure and easy to use authentication working on any smartphone with the CheckIfReal app. In addition, the solution enables customer engagement through various post-scan experiences.

# CONCLUSION

## 08. Conclusion

Counterfeiting is a big challenge. But one that can be taken on, too. Even modest investments in anti-counterfeiting solutions will pay off so that your company will not only profit from direct financial benefits but also from secondary effects.

Every dollar spent on anti-counterfeiting in a specific market makes it less attractive for criminals to pursue their business there – and more attractive for your business.

With a little research and the right numbers at hand, the calculation is easy to do. Authentic Vision can help you to convince stakeholders of your anti-counterfeiting initiative with a neat ROI calculation. Contact us and get ahead of the curve.



### ABOUT AUTHENTIC VISION

Authentic Vision provides anti-counterfeiting and authentication technologies designed to protect your organization's investments in product innovation, brand value, and reputation while creating new opportunities to increase trust and engagement with consumers.

The anti-counterfeiting and authentication technologies help to minimize lost revenues and mitigate liability due to counterfeits and create new opportunities to engage with consumers through loyalty programs, incentives, and future experiences that bridge the physical and digital.

[www.authenticvision.com](http://www.authenticvision.com)