

KEY FINDINGS

THE EVOLVING LANDSCAPE – DRIVERS OF CHANGE - PRODUCT RELATED CRIME

The landscape for the Brand Protection business has continued to evolve dramatically over the last few years. Product related crime continues to grow significantly year on year, fuelled by trade with China, enabled increasingly by the internet as well as a variety of other driving forces. The scale and reach of the counterfeiting problem has been exploding over the last few years.

Two primary forces in particular have been causing accelerated growth of product related crime with an ever increasing quantity and diversity of branded product categories being affected, with a multitude of fakes of finding their way in to global supply chains:

- The economic boom of China and the shifting of many Western manufacturing operations to region coupled with the fact that China has become the number one counterfeiter in the World both for exports and within their own home market.
- The rapid growth of the internet as a tool for buying and selling almost anything worldwide, either by direct website / email contact or via on-line auction houses like eBay. Face to face transactions are not required and the anonymity that can be maintained suits counterfeiters well. Neither may products be inspected prior to delivery. Such internet based sales of counterfeits involving direct website / email contact, following a 'google' search or by other means favour a variety of product categories.

EMERGING TRENDS

- THE FUTURE IN BRAND PROTECTION BELONGS TO THE INTEGRATOR
- ANCILLARY SERVICES – ESSENTIAL COMPONENTS FOR INTEGRATED SOLUTIONS
- COMBINING SECURITY FEATURES IN A SINGLE LABEL
- MULTI-FUNCTIONAL RFID / NFC TAGS – INCREASING COST EFFECTIVENESS
- EAS ANTI-THEFT DEVICES HAVE BEEN SEEING RENEWED GROWTH
- END USER ENABLED PRODUCT AUTHENTICATION WITH SMART PHONES – 2D BARCODES OR RFID?
- MONITORING SERVICES THAT PROTECT BRANDS ON-LINE
- TAMPER EVIDENCE – A GIVEN FOR BRAND PROTECTION
- ACHIEVING PROFITABILITY AS A BRAND PROTECTION SOLUTION PROVIDER
- SPECIALITY VERSUS COMMODITY PRODUCT
- WHERE IN THE SUPPLY CHAIN?

WHAT QUALIFIES AS BRAND PROTECTION?

A Brand Protection device operates at 'item level'. Devices applied at case, pallet or container level certainly enhance security and may have logistics functionality – Track & Trace. But devices at these other levels are not strictly viewed as brand protection. The primary function of any Brand Protection device is 'authentication' (track and trace in isolation is not equivalent to authentication).

Brand Protection can only be delivered through an integrated systematic application of procedures that include inspection, legal and enforcement partnerships, and provide each partner in the value chain with a method through which they can establish provenance.

They and are usually categorised by 3 Levels of defence:

- 1st (visual or overt protection) for first assessment
- 2nd (covert protection) where a degree of minimal tooling is required
- 3rd (or forensic protection) where chemical or physical analysis is necessary.

Note: Printed materials (such as papers boards, films and foils) can typically carry security features at all three levels, if required.

INDUSTRY STRUCTURE

There are several hundred other companies operating in this space and many are jockeying for position having an eye to strengthening their competitive position in the marketplace which in turn should lead to greater prosperity and profitability.

There are significant opportunities and also threats associated with a supplier re-positioning themselves in the brand protection business to build on existing capabilities to create more integrated offerings.

To achieve such enhancement of product offerings, a supplier can look at a variety of approaches:

- In-house R&D
- Licensing agreements / Partnerships
- Merger / acquisition (competitors / supplier - Forward / backward integration or diversification)
- Organic growth
- Forming of partnerships or alliances
- Staff recruitment.

Integrators of brand protection solutions are most usually (but not exclusively) packaging converters, label converters or security printers. Major raw materials suppliers and other types of operators can in some situations also become successful integrators.

KEY FIGURES

The report also provides quantitative analyses of brand protection markets with historical data for 2005 and 2010 and forecasts to 2015. Global financial losses were estimated at some \$799 billion in 2010, with the overall world market for brand protection solutions weighing in at around \$5.9 billion, still less than 1% of the losses. This provides food for thought - Why is it that the market for brand protection solutions are not up around 5%, 10% or even more of estimated global financial losses? Certainly such levels may be justifiable in the future across some of the most vulnerable end user vertical markets, at least in North America and Western Europe. Suppliers of security solutions that plan and invest today will be well placed to reap the rewards in an increasingly threatening future world. Latecomers are less likely to do well.

The solutions market breaks down at:

- \$3.18 billion for brand protection technologies (of which estimated 43% - value added by converter)
- \$2.02 billion for tamper evidence
- \$0.7 billion for EAS anti-theft.

Forecast market figures for 2015 are based on continued strong double digit growth of brand protection solutions, with a more modest but increasing growth rate of EAS anti-theft solutions. While tamper evident solutions will continue to maintain steady single digit annual growth.

Additional related markets are:

- On-line internet monitoring (emerging and fast growing)
- Ancillary services (Database support and management, risk management assessment, security training, inspection services, enforcement support, securing the supply chain, legal advice and action).