



[Supply Chain Management and Brand Protection](#)

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I recently attended a presentation, given by an executive at a very large global company, on anti-counterfeiting and brand protection (ABP) and supply chain management. This executive reports to the supply chain organization, which he likes because so many of the touch points associated with brand protection occurs in the supply chain. He views brand protection as an emerging discipline that is truly cross-functional, involving security, supply chain, R&D, legal, quality, government affairs, press relations, and marketing. Of all those disciplines, he spends most of his time with the supply chain and security teams.

However, more important than the reporting structure is *authority*. Would a vice president of brand protection have the power to change processes? How can an executive in this new discipline get this power? That is the true test.

In the past, senior management at this global company had said things like, “We haven’t seen [evidence of counterfeiting]” or “It is baked into the numbers.” To grab their attention, this executive assembled a meeting and described the following scenario to them: “We have a competitor that has taken 5 percent of our business, has an incredibly low cost of goods sold, has a great distribution network, and is taking business across all our best product lines.” Of course, the executives in the room wanted to know the identity of this competitor. The answer: “Counterfeiters Amalgamated.”

While educating senior management is an ongoing part of this executive’s job, their complacency about counterfeiting is now gone. He summed it up this way: “If you don’t have a problem with counterfeiting, it’s because you don’t know you have a problem or because you have rotten brands.”

He made several other interesting points. First of all, supply chains have not been designed, historically, with security in mind. For example, when companies perform due diligence on partners like contract manufacturers, they typically examine the manufacturer’s financial records and dissect their business processes. But how often do companies check to see if a contract manufacturer has ever been involved in illegal trade?

Secondly, the returns process is where a company can discover counterfeiting. Without sound returns processes, counterfeit products might find their way back into the market. And even if you discover counterfeit products during returns, if your track and trace systems are not granular

enough, your company will find itself recalling a whole lot more product than it would otherwise have to.

Thirdly, more powerful than track and trace is giving consumers the ability to validate a product. The executive gave an example of a product his company believed would be widely counterfeited, so the company assigned product-level tracking numbers and ran an advertising campaign telling customers, "If you suspect the product you have purchased may not be legitimate, please call the following telephone number and tell us the serial number." Customer calls into the call center helped the company protect consumers, establish the size of the counterfeiting problem, and establish the extent to which a gray market was in operation (legitimate product was being distributed in several nations where the product had not yet been released).

Finally, the company developed performance metrics. The scorecard should include metrics for "savings." Dollar-based metrics grabs the attention of top executives and makes it easier for them to justify the brand protection budget. Because in brand protection you are dealing with events designed to be hidden, the metrics will not be as exact as metrics in other functional areas, so you may need to employ "soft" metrics. For example, if the brand protection team helped arrange a warehouse raid in China, whatever inventory was found and destroyed, they multiplied it by three and the team got credit for the larger dollar value.

That is an example of what this company considers to be a tactical metric. The company also developed strategic metrics to help measure how well it was at actually preventing counterfeiting. In the example of the new product with product-level serial numbers, the company assumed that five percent of the total market for that product was counterfeit. If the company's efforts could help it to go a year without any reports of counterfeiting, the team would be credited for a dollar value equivalent to five percent of the market.

In conclusion, while I am endlessly interested in supply chain management, brand protection sounds like a fascinating profession. And this executive said something similar. He has worked in many functional areas at his company, but he has never had more fun than in his current role.