

BrandSecure™ News

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Brand Protection - The Best Defense is An Integrated Offense

Multiple Attacks on Today's Brands

In today's economy, leading brands are under attack as consumers seek online deals and illegal entities increase the availability, distribution, and sale of counterfeit and pirated goods. With counterfeit sales estimated to reach \$1 trillion this year, brand owners are pressed to implement brand protection measures to address multiple attacks on brands.

"International trade in counterfeit goods could rise to nearly \$1 trillion in 2009."

Time Magazine, June 8, 2009

Brand Owners Face Multiple Attacks on Brands



Convergence of Marketplace Dynamics

As we look at the plethora of solutions offered to tackle these brand challenges, we are standing at a unique convergence point in the marketplace. The Internet continues its explosive growth to cover every geographic, political, social, and economic sector. As a result, companies must look at the global supply chain, not only as a physical distribution network, but also to include the many online channels now available on the Internet.

This scenario points to the critical need to address counterfeiting, gray market diversion, unauthorized channels, digital piracy, and brand abuse from an integrated perspective. Add to that, the growing popularity of social networks, and their power in expressing, positively or negatively, con-

sumer sentiments, and brand owners face a formidable challenge to safeguard sales revenues and protect brand reputation.

"It would appear that social networking is not a fad but rather an activity that is being woven into the very fabric of the global Internet." Comscore, 2008

BrandSecure™ Solutions Address Mandate for Integrated Brand Protection

The marketplace dynamics express a clear need for a comprehensive program to support each brand owner's security and intellectual property enforcement strategies. OpSec is the only provider of integrated physical and online brand protection solutions. OpSec's BrandSecure solutions leverage upon state-of-art technologies in product authentication, secure product tracking, and online brand protection, as well as expertise and experience in brand protection program management.

BrandSecure Delivers Integrated Brand Protection

- Anti-Counterfeiting – Development of custom product security devices for authentication of genuine merchandise
- Supply Chain Security – Product tracking of branded goods to increase supply chain visibility and reduce the risk of gray market diversion
- E-Commerce Monitoring – Reduction of unauthorized online sales channels to regain market share and revenues
- Anti-Piracy – Prevention of illegal downloads in the piracy of digital media
- Intellectual Property Enforcement – Internet monitoring of infringements on trademarks, logos, and domain names
- Brand Reputation Management – Business intelligence on product integrity and brand image from social media and consumer sentiments

In This Issue

- High Quality and Product Functionality Identified as Key New Drivers in Buying Electronic Fakes Online
- CIB's New Live Counterfeiting Seizure Map
- The Collegiate Licensed Properties Association Delivers Industry-Leading Anti-Counterfeiting Solutions
- I LOVE NEW YORK Launches Authentication Program to Protect Iconic Brand

Real-World Applications Achieve Measurable ROI

OpSec currently works with over 50 governments, 300 brand owners and 5,000 affiliated companies, licensees, factories, manufacturers, and agents in the licensed merchandise, luxury goods, apparel, electronics, media, and pharmaceutical sectors. By leveraging OpSec's BrandSecure solutions, brand owners are able to achieve measurable ROI to address their enforcement priorities, and tailor a security solution to tackle their areas of greatest exposure.

Case Study: Software Industry

Application:

A major software company applies BrandSecure solutions for product authentication on both the software CDs and product packaging. OpSec also provides online enforcement services for identifying counterfeit software products and illegal downloads.

Benefits:

Within six months of program inception, 98.5% of illegal downloads were eliminated. In a one-year timeframe, monitoring of consumer sentiments showed an increase of 60% in consumer awareness to look for the "hologram" as proof of a genuine product.



High Quality and Product Functionality Identified as Key New Drivers in Buying Electronic Fakes Online

What key motivators drive consumers to purchase counterfeit electronic goods online? Aside from deeply discounted prices, are there other drivers enticing consumers to open their wallets for counterfeits? Those questions, amongst others, were posed to online consumers during OpSec's recent survey that assessed purchasing behavior toward buying counterfeit electronic goods.

The study found that although 80% of respondents claimed to avoid buying fakes on the Internet, 66% were willing to purchase counterfeits when shown offers of convincing high quality fakes. In addition, a majority of 62% recognized the products as counterfeits when asked to determine the authenticity of the electronic goods. The survey results show that online consumers are easily persuaded to overcome their initial inhibition towards buying potentially dangerous counterfeit electronics.

A majority (52%) of respondents was aware of the potential dangers of counterfeit electronics. However, 81% of respondents who were aware of the dangers considered product functionality as more important than health risks, such as fire hazard and electric shock, in deciding to buy fakes online. Many consumers exposed to higher quality fakes assumed the knockoff would perform with the same functionality as the authentic product, and discounted the threat to their safety.

Additionally, 39% of respondents did not view country of origin as a factor in discerning possible counterfeit offers. In fact, the study uncovered the pervasive attitude that since the majority of consumer goods, both genuine and counterfeit, are manufactured in China and other parts of Asia, consumers may as well purchase the less expensive product that apparently had the same desired functionality. This finding suggests consumers place relatively low value on brand reputation in their decision process.

The emerging trends suggest that higher quality fakes with seemingly comparable product features are giving consumers a false sense of security to buy counterfeit electronics online. While price remains a key factor, consumers are no longer only looking for cheap online bargains, but deals on quality products that can substitute for the genuine article. High quality and product functionality were identified as two key new factors motivating online counterfeit electronic sales.

Source: OpSec Security

Survey Results on Consumer Behavior in Buying Counterfeit Electronics Online

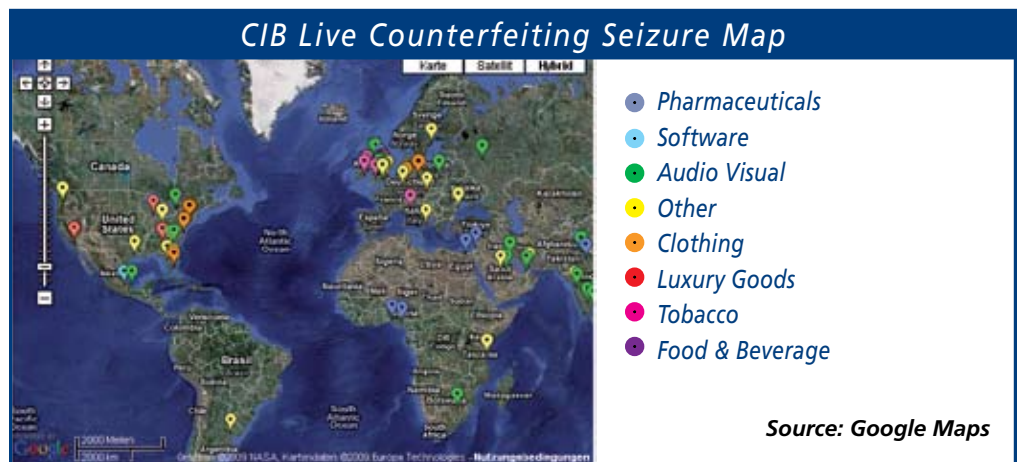
- 80% of respondents professed to never shopping for fakes
- 66% of respondents overcame their initial aversion and indicated a willingness to purchase convincing counterfeits, although approximately the same percentage recognized the online offers as fakes
- 81% of respondents who were aware of the dangers of counterfeits considered product functionality as more important than potential risks when weighing online offers
- As expected, almost all respondents (90%) stated price as a driving force for counterfeit purchases

CIB's New Live Counterfeiting Seizure Map

The Counterfeiting Intelligence Bureau (CIB) of the International Chamber of Commerce (ICC) has developed a special Live Counterfeiting Seizure Map to highlight law enforcement efforts to combat counterfeiting around the world. The map documents all substantial seizures reported since early 2007 on a user-friendly Google Maps system. The individual cases identify products in the categories of pharmaceuticals, software, audio visual, clothing, luxury goods, tobacco, food and beverage, and other.

Users gain direct access to each seizure's date and location, as well as details on the goods confiscated and a hyperlink to the information's original source. The CIB urges all substantial seizures to be reported directly to its office for wider dissemination through this new initiative. The map promotes public awareness and illustrates the widespread scale of counterfeiting.

Source: www.icc-ccs.org



Source: Google Maps



The Collegiate Licensed Properties Association Delivers Industry-Leading Anti-Counterfeiting Solutions

What is the mission of the CLPA?

R. Rademaker: The Collegiate Licensed Properties Association (CLPA) is a group of more than 160 colleges managed by the Licensing Resource Group (LRG), and 25 other universities who manage their own licensing programs. We bring member colleges together to maximize opportunities for collegiate brands and help prevent the unauthorized use and sale of products bearing the members' logos. Our mission is to ensure that universities are receiving due royalties in return for products using their school name and logo.

What counterfeiting challenges do your member colleges face?

R. Rademaker: Together, the schools in the CLPA generate over \$1.2 billion of licensed collegiate merchandise sales. With thousands of ways for counterfeit merchandise to enter the mainstream, we recognized the need for an anti-counterfeiting solution. We faced three key challenges:

- Royalty tracking to accurately collect the licensing fees due to our member colleges
- Authentication of genuine merchandise to protect consumers and our growing list of over 2500 authorized licensees
- Brand awareness to increase the recognition of our organization and its members

What are the components of the CLPA's anti-counterfeiting strategy?

R. Rademaker: We wanted to find a partner who could manage our anti-counterfeiting process from beginning to end. In working with our member schools, we understand not only the value of their brands, but the importance and responsibility of protecting these assets. OpSec Security proved well-versed in handling that challenge.

In 2007, OpSec worked with us to create the CLPA Authentication program that not only cultivates the branding of the CLPA, but also ensures that labeled merchandise has, in fact, been produced by genuine licensees. Through the use of highly sophisticated security techniques and tracking software applications, the Collegiate Licensed Prod-

uct label has provided the CLPA with the solution we needed to fight the increasing spread of counterfeit merchandise.

How has the CLPA's anti-counterfeiting program evolved and expanded?

R. Rademaker: Our largest area of growth is in online merchandising with over 20% of our sales occurring as online transactions. As the Internet became a growing problem in the selling and sourcing of counterfeit CLPA merchandise, we needed a strategy to combat these issues not only in the physical supply chain, but also on the World Wide Web.

Last year, we expanded our partnership with OpSec to manage our online enforcement. The CLPA is now able to shutdown unauthorized sales and intellectual property infringements on Internet auction sites on behalf of our member schools. The individual collegiate licensing programs also have the ability to identify, monitor, and take action against counterfeit and unlicensed products auctioned on eBay.

What benefits have you achieved in your program so far?

R. Rademaker: Our authentication program is valuable in providing distinctive branding and easy verification of authentic CLPA merchandise. The high level of security protects legitimate licensed goods from unauthorized and counterfeit products. We are able to protect the trademark reputation of our member colleges which have been built over the years from a large and loyal following of supporters and fans.

OpSec also devised and executed an online strategy that has enabled us to remove more than 20,000 unlicensed products from the Web in one six-month period. In another case, we were able to shutdown 300 unapproved sites within a 48-hour period.

Our member schools are reaping the benefits of a comprehensive brand protection program that provides security in both the physical and online marketplaces. Our partnership with OpSec has enabled us to deliver the most effective anti-counterfeiting solution in the collegiate licensing industry.



Bio

Dick Rademaker is the Executive Director of the Collegiate Licensed Properties Association. He is also Founder and Chairman of LRG, and provides strategic vision for the company. Dick gained his extensive knowledge of the licensed products industry while serving as EVP, Sales and Marketing at Velva Sheen, and as the Director of the Athletic, Institutional and Retail divisions of Champion Products. Dick has served on the National Association of College Stores' Board of Trustees, and is well-recognized in both the bookstore and licensing industries.



Interview with Richard Rademaker, Executive Director, Collegiate Licensed Properties Association

I LOVE NEW YORK Launches Authentication Program to Protect Iconic Brand

I LOVE NEW YORK has launched a new authentication program to protect its brand and legitimate brand licensees from the onslaught of unlicensed and counterfeit products in the marketplace. The protection program consists of accompanying officially licensed products with new hologram hang tags and labels, which serve as marks of integrity and control coun-



terfeiting. OpSec Security, Inc. and CMG Worldwide, a premier licensing company representing celebrity legends and prized brands, is partnering with I LOVE NEW YORK in the authentication program.

The I LOVE NEW YORK campaign and brand, managed by Empire State Development (ESD), were launched in 1977 to promote tourism and travel for New York State. In May 2008, ESD relaunched the I LOVE NEW YORK campaign to reinvigorate the premier travel brand, nationally and internationally, and further promote tourism in New York State. Today's announcement is the latest component of the brand relaunch.

At its heart, the authentication program serves to further increase revenues and protect the brand as a valuable asset for New York State. Additional steps have been taken by I LOVE NEW YORK to protect the brand, such as the development of "brand guidelines" that aid partners in using the brand's logo in a consistent manner, thereby increasing awareness of and helping to cement an emotional connection with audiences.

ESD President and CEO Marisa Lago said, "As part of the relaunch, I LOVE NEW YORK began positioning the brand with contemporary products that go well beyond basic souvenirs. As a result of improving the quality and quantity of official I LOVE NEW YORK merchandise, licensing revenues increased by 70% in 2008-2009."

"We are making a strong effort to protect our license and take a tough stance against brand infringements. Unfortunately, the success of the I LOVE NEW YORK brand has brought on an overwhelming proliferation of counterfeit merchandise, which takes away market share from our legitimate licensed partners. The authentication program allows us to fight counterfeits and protect the revenues of our authorized licensees," said Thomas Ranese, Chief Marketing Officer for ESD.

Source: Empire State Development, CMG Worldwide, and OpSec Security

Events

IFA

The #1 business event for consumer electronics

September 4-9, 2009 Berlin

OpSec is attending this event.

For more information, please visit www.ifa-berlin.com

The Brand Protection Show

September 16-17, 2009 London

OpSec is attending this event.

For more information, please visit www.brandprotectionshow.com

Brand Licensing Europe 2009

September 30-October 1, 2009 London

OpSec is attending this event.

For more information, please visit www.brandlicensing.eu

IACC Annual Fall Conference

October 14-16, 2009 Atlanta, GA

OpSec is sponsoring this event.

For more information, please visit www.iacc.org

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