

# INTELLIGENCE: ITS ROLE IN BRAND SECURITY

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Piracy, hijacking, thievery, counterfeiting, federal investigations ... for most of us, these words bring to mind the next bestselling thriller. But they are also cause for major concern in the business world in terms of brand security.

Securing the brand or “brandspace” refers to maintaining the integrity and equity of a company’s brand(s). A brand is defined as a distinguishing symbol, mark, logo, name, word, or sentence — or a combination of these items — that companies use to distinguish a product from others in the market. A brand is part of a company’s intellectual property, along with its trade secrets, patents, copyrights, and trademarks. These elements combine to enhance — even constitute, some would say — the economic competitiveness of an enterprise, according to Tim Powell,

## SIDEBAR 1: FACTORS THAT MAKE BRAND PIRACY A GROWTH INDUSTRY

- Brand equity is not an abstract concept — a strong brand has significant economic value.
- Brand pirates turn that value into realized revenue without any investment in research and development or long-term brand building.
- Outsourcing to overseas suppliers and sources can jeopardize trade secrets and intellectual property.
- Technology is readily available to create near-perfect copies of products, labels, and/or packaging.
- The Web is the world’s supermarket for knock-offs and counterfeit products.

president of The Knowledge Agency. “There is a role for competitive intelligence professionals to play in securing the brandspace and protecting a company’s brand assets,” Powell says.

## A NEW KIND OF COMPETITION

Harvard professor Michael Porter’s five forces model is familiar to most business professionals. According to that model, massive, hierarchical businesses of similar power line up against each other with one main strategic goal: to differentiate their product from that of their competitors.

Powell says that the post-9/11 world — from both government and business standpoints — has seen the rise of a new model of competition. Contending with highly networked, asymmetric, “stateless” rivals is now the norm in government security and intelligence — and a task for which we’re not always well equipped. In business, the same thing is happening. Your biggest threat may be that of imitation of your product, not differentiation. “In these cases, your competition is trying to look exactly like you,” Powell says. “These brand bandits are gaining significant traction in many consumer and business markets.”

The economic value of a brand, while hard to measure precisely, is



**Figure 1: Pirates attack brand value in multiple ways**

nonetheless very real. Brands like McDonald’s, Coca-Cola, Marlboro, Intel, and Disney are known brands of significant value. Over time, piracy and counterfeiting, where they strike, can erode that value. The erosion may not be noticed at first; once entrenched, it can be difficult to repair or reverse.

Brand piracy is the enterprise equivalent of identity theft. The perpetrators use your brand’s hard-won value to make money for themselves. Companies that are particularly vulnerable are those in global leadership positions, with easily shipped and premium-priced products, that are not acting aggressively on the problem.

## THREE MODES OF ATTACK

Brand piracy comes in three primary flavors. In a **channel attack**, a legitimate product is sold through a nonauthorized dealer; this is also known as diverted goods or the grey market. Using a brand in a fraudulent way is an example of a **brand attack**. A generic drug being sold as its brand-name equivalent to an unsuspecting online consumer is an example of a

**SIDEBAR 2: THE NOVARTIS FIVE-STEP MITIGATION PLAN**

1. **Investigations and intelligence** — Use your competitive intelligence resources to full advantage.
2. **Cooperation with other companies** — All industries can benefit from cooperation in fighting piracy.
3. **Working with authorities** — Develop relationships with authorities in countries in which you operate and countries where piracy problems originate.
4. **Internal and external education** — Tell employees, distribution channels, and customers what to look for.
5. **Raising awareness** — Spread the word on the problems and possible solutions to other companies, professionals, and government agencies.

brand attack. Actual counterfeiting of a product is called a *product attack*.

“The economic cost is staggering,” Powell says. “According to the International Chamber of Commerce, companies lose up to \$600 billion to piracy each year.” Brands are damaged in reputation and lose value as a result of counterfeiting and piracy. Consumers lose faith in trusted brands and products, which affects future revenues. Though unproven in court, liability issues are of concern to many companies, but the human impact can be of even greater concern. The media have documented stories of harmful and even life-threatening results from using counterfeit drugs and other consumer products. Powell describes brand piracy as the dark side of the global economy. Several factors play conspiring roles in making it a growth industry (see sidebar 1).

**ONE BAD PILL IS TOO MANY**

The pharmaceutical industry is especially susceptible to brand piracy — not just generic formulas being sold as brand-name products, but also the sale of out-of-date products, stolen goods, diverted goods, and true counterfeits in all categories, including prescription drugs, over-the-counter medications, medical devices, and surgical supplies. The growing problem is monitored by [www.safemedicines.org](http://www.safemedicines.org) and the World Health Organization. One in 10 drugs worldwide may be counterfeit, at a loss of \$50 billion per year to the pharmaceutical industry. Counterfeit producers often operate in several countries, with China and Brazil hosting a significant share of this activity.

In the *CSO Magazine* article “Drug Busters” (November 2005), a Novartis security official said, “One bad pill is too many.” Major manufacturers like Novartis take the loss of revenue, theft of intellectual property, and potential liability very seriously. Novartis has a five-step mitigation plan that can serve as a model for other companies (see sidebar 2).

**CI AS PART OF THE BRAND SECURITY TEAM**

“Security of the brand doesn’t always fall neatly on an organizational chart,” says Powell. “Companies should consider a team approach and be sure to commit the resources.” The team should include senior management, legal counsel, security, brand managers, and competitive intelligence/knowledge management. “CI is a discipline most valuable when it serves other functions,” Powell says. “Security needs intelligence help with early warning and prevention.”

Competitive intelligence is the cornerstone of antipiracy efforts; its role is similar to the role in any other threat situation. CI practitioners should monitor the situation, report to management regularly, plan courses

**SIDEBAR 3: INDUSTRIES MOST VULNERABLE TO BRAND ATTACKS**

- software and entertainment
- pharmaceuticals
- tobacco products
- footwear and apparel
- sporting goods
- batteries
- luxury goods
- aircraft and auto parts

of action, and assist in the execution of mitigation plans. Strong involvement by CI practitioners can save time and money in the long run; for example, by making on-the-ground investigations more targeted and productive.

“The classic definition of a competitor as someone who makes what we make is too restrictive today,” Powell says. “We should use a value-based definition: anyone or anything that threatens the value of our products or brands.”

On the positive side, many efforts are aiding in antipiracy initiatives, such as new legislation to increase penalties, diplomatic talks, professional conferences, negotiations with payment system providers and shipping companies, more communication to consumers, and legal action such as raids and seizures. New legal efforts are also targeting channels for their complicity in illegal trade and advocating tighter laws on packaging.

*Editor’s note: Tim Powell presented a session on the role of intelligence in brand security at the 2006 SCIP Annual Conference. For more information on this topic, visit [www.knowledgeagency.com](http://www.knowledgeagency.com).* ●