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# How Seriously Do You Want to Curtail Unauthorized Products?

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## Introduction

Sometimes actions speak louder than words. In the broadest sense, there have been all types of publicity surrounding unauthorized product (UAP) being bought or sold within many different industries. Some stories of UAP surfacing are more surprising than others, some appear inconsequential to the general public, while others can incite and are cause for alarm especially when public safety is at risk. Unauthorized product, are products that are bought and sold in open markets yet yield no financial benefit for their legal product or brand owner, despite trade, patent, copyright, or contract law. You may be surprised that buyers most often think they are purchasing legitimate products, only later to suffer the burdens and consequences from having purchased UAP. Yet, action by these industries to curb UAP do not seem proportional to the size of the nearly one trillion U.S. dollar<sup>1</sup> global problem, why is this?

## Description

UAPs have a broad spectrum of characteristics, names, and ways in which they get to the open market. UAP characteristics can span the gamut from truly identical product manufactured on the same line as originals, to totally misrepresented, nonfunctional, dissimilar substitutes. UAPs can have many different and common names that include: counterfeit, clone, knockoff, copy, fakes, duplicated, gray market, black market, rejects, reverse engineered, stolen, pirated, hijacked, over-produced, blemished, seconds, unlabeled, and unaccounted products. Not surprisingly, there are many ways that they can get to market as well, from unscrupulous manufacturing ethics enabled by design or recipe theft, or over productions, secondary market purchasing across channels, illegal acquisition of real product, to outright misrepresentation of substitutes. The look, quality, specifications, materials, functionality, reliability, quality, performance and all other product characteristics can also span the entire spectrum when you compare UAP to real or legitimate product.

## Examples

To mention a few examples would only be the tip of the iceberg, but are used here to illustrate the gravity, breadth, and potential impact on the public at large. UAP put the general consumer at risk as they purchased tainted and potentially poisonous illegitimate versions of brands like Nestle, Lipton, Pert shampoo, Unilever soaps, and Pfizer medications. Other life endangering examples occur as defective UAP get inadvertently used, and have appeared in Toyota and Ford automotive parts, aerospace parts, healthcare equipment, and military equipment. Other UAP simply hurt the consumer

It has been estimated that 6%-9% of all world product trade is in fakes<sup>2</sup>, which surpasses a staggering US\$900B<sup>1</sup> annually.

or business financially as they purchase fake high tech products including examples from Motorola, Canon, Intel, Cisco, Sony, Alcatel-Lucent, AMD, and Linksys. The list could keep going, from pet food to infant formula, from jewelry to jeans, from switches/routers to shoes, from printers to processors, and from toothpaste to tools.

## Problem Statement

UAP directly impact OEMs and rightful owner's profits from lost potential revenue, as well as direct and indirect expenses. It has been estimated that 6%-9% of all world product trade is in fakes<sup>2</sup>, which surpasses a staggering US\$900B<sup>1</sup> annually. The world's high tech electronics companies comprise ~10%-20% of this financial estimate, automotive parts ~5%, and pharmaceuticals ~7%-10%.<sup>3</sup> Profits are directly reduced by incurred direct expenses in the form of productivity loss and other operational expenses in OEM service/returns, quality, engineering, sales, and supply chain organizations feeling the repercussions from the UAP. Indirect costs come in the form of financial and legal risk, liability, brand damage, and degradation of customer loyalty.

## Challenges

With such staggering losses stemming from global UAP trade, why has this issue remained so untamed? Many companies have official groups tasked with reducing and addressing UAP, but many of their processes appear more reactive as they shut down one outlet just in time to have another sprout. Some processes even proactively tighten supply chain procedures to reduce the likelihood of UAP surfacing, but while proactive, many of these processes are considered open loop, as they depend on each supply chain partner to abide by the rules, and still don't provide the end consumer a mechanism to verify authenticity or pedigree.

Does the challenge of UAP make manufacturers give way to what may be called thinking inside the "toolbox?" Is it that they perceive a lack of pre-integrated, or even the existence of the necessary solution components of a closed loop, proactive IT solution as a major road block to their pursuit to curtail loss from UAP in a confirmable way? Or, is it in the nature of UAP affecting so many business functions from Sales to Marketing, Legal, Supply Chain, Manufacturing, Procurement, Logistics, and Service and Support, that no one line of business executive feels ownership of the problem to elevate its pursuit?

## Current Solution State

There are some technology solutions available on the market to help reduce UAP; examples include channel policy enforcement, web driven analytics watching and reporting leaks, and even product

pedigree or serialization solutions. However, these illegitimate organizations behind UAP seem to stay one step ahead. The life sciences industry has had disparate regional regulations drafted with equally disparate time tables imposed, as they faced ongoing 13% annual counterfeit drug growth, and 800% increase of counterfeit cases in just six years.<sup>4</sup> The high technology industry and others are also experiencing similarly alarming growth figures.<sup>5</sup> In general, regulation is normally a catalyst to create the necessary solutions, but certainly disparate regulation weakens the process.

## Catalyzing Solution Pursuit

What can other industries learn from some of the efforts behind solving the regulatory implications of the pharmaceutical industry? It can be said that the high technology industry, might be the single largest industry to benefit from a solution that significantly curtails UAP as it represents 10%-20% of world UAP. One might think that the high technology industry might heed a call to action if only those “toolbox” walls could be torn down. Naysayers might say that even if a solution could be created, standards need to be in place. But, let’s remember that first movers, or even consortiums are often very effective at helping establish and create solutions that then lead to industry standards.

Many IT companies are looking into forming solutions to eliminate UAP that provides the ability to securely authenticate product at each stage of the supply chain, ultimately enabling authenticity verification, and legal ownership upon receipt. Thus, leaks and holes in the supply chain are plugged, and significant demand for UAP being represented as real product is removed from the market.

## Creating a Robust Solution

To create a robust solution, the entire supply chain must participate in order to deliver the end benefit of reducing UAP via authentication upon receipt. Given the magnitude of the issues affecting nearly every manufacturer and their customers, is it safe to assume that the primary obstacle for them to pursue the solution is the lack of awareness of necessary IT capabilities to build such a solution? IT components of a solution would enable a managed, secure but accessible portal to track and trace each serialized item from manufacturing, through each transaction, authenticating and validating each unique shipper and unique receiver, while providing full track and trace capabilities to eliminate UAP substitution.

## Positioning & Value

There are a handful of IT companies pursuing solution offerings to curtail UAP. Some approaches are sounder than others, but most offerings are comprised of a mix of individual IT products from different IT companies that may or may not be mainstream or industry leading product components having varying capabilities, and incur significant integration challenges to form a competent, secure and robust solution.

To create the most robust track and trace solution possible, companies need to select an IT vendor that not only has the proper component products, but also has the ability to create and control the entire architecture to ensure a working solution. The ability to integrate with, and extend your current

capabilities beyond ERP to create this type of new solution will provide maximum benefit with least disruption.

## Oracle Solution Enablement

When compared to the breadth of Oracle's best of breed, disk to applications technology stack, no other company can come close to enabling a track and trace solution for innovative UAP curtailment. Oracle now has the necessary components like Oracle Pedigree and Serialization Management (OPSM) now available. With it, Oracle can help feasibly create and enable a whole track and trace solution to stem UAP by leveraging all our various hardware, technology, middleware, and applications to expand your current ERP capabilities. To learn more, reference this article, and contact your Oracle sales rep.

## Call to Action Survey

Please weigh in, we want to hear you opinions. Please participate in our survey, and once complete, we will share all the results. [Click Here for Online Survey](#) or enter <http://tinyurl.com/UAP-Survey-v1a>

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