

How Automated Labeling Can Safeguard The Lubricants Industry From Counterfeit Products

A White Paper from Kallik



KALLIK

Counterfeit goods are a longstanding burden and threat to genuine brands, and never more so than now. Counterfeiting feeds on the continuous searching by consumers for high quality products at the best prices. Its relentless growth is greatly enhanced by the rise of global digital marketplaces which in turn opens the door for counterfeit goods to infiltrate the supply chain and reach unsuspecting parties.

The product quality and performance of counterfeits can differ significantly from genuine products and significantly undercut legitimate distributors. The issue persists as counterfeiters continually evolve their tactics to evade manufacturer and distributor efforts to prevent and detect counterfeit goods making it into the supply chain.

The lubricants industry is one of the most highly victimized markets when it comes to counterfeit goods, with products difficult to inspect and verify once packaged and distributed. These low-quality, imitation lubricants pose a significant risk to industrial equipment and their operators, causing major distrust in brands that can resonate throughout the chemicals industry.

Here's how counterfeit lubricants that slip into the supply chain can cause significant damage to manufacturers, distributors and the equipment they are ultimately applied to – and how brands can safeguard their operations, profitability and reputation from counterfeiters with automated labeling solutions, counterfeit product detection and brand enforcement.

Counterfeiting will not go away – it is a persistent and serious threat to industry...

OECD data from 2019 estimates the trade in counterfeit goods now accounts for 3.3% of all world trade and is continuing to trend upwards. Over the past decade, the total number of customs seizures of counterfeit and intellectual property-infringing goods worldwide has consistently exceeded 100,000 annually. These products, ranging from luxury goods and electronics to pharmaceuticals and specialist components, are typically substandard and do not comply with quality and safety regulations laid out by their respective industries.

The health and safety risks to the average consumer are widespread and can range from mild inconveniences such as poor product quality to potentially life-threatening situations. The financial impact on brands is also significant. U.S. Customs and Border Protection (CBP) data shows that over \$1.5 billion worth of counterfeit goods were seized in the 2019 financial year alone. CBP data also indicates a significant proportion of these counterfeit products are produced outside of the Western markets many are destined for, with China and Hong Kong being the source of 83% of all seized counterfeits.

...and it's global

With the rise of digital marketplaces conducting operations on a global scale, consumers are more exposed than ever to counterfeit goods marketed as genuine products at a discount price. A quick analysis of the China-based marketplace Alibaba shows consumers for motor oil lubricants from the e-commerce site span Europa, Asia, North America and Africa.

Spotlight on lubricants – they play an understated yet vital, specialized role

Lubricants are an essential product to maintain smooth operation of machinery from compressors to engines. They play a central role in supporting continuous operation to avoid downtime, maintaining maximum equipment efficiency by performing essential functions. These range from preventing unwanted friction and removing sludge between moving parts, cooling engines and any other heat sources to safeguarding against equipment and component corrosion to extend operational lifespan and enhancing sealing capabilities.

Lubricants can be found in regular use in any industry operating machinery and heavy equipment, with common applications across manufacturing, refrigeration, automotive and HVAC. They are typically used in highly specified roles based on requirements tailored to individual pieces of machinery and their functions.

Each product must possess certain properties to ensure equipment continues to efficiently operate in the intended manner. This means substituting genuine products for unapproved and non-specified alternatives can have a significant impact on operations – and equipment downtime can have major knock-on effects throughout a business.

Counterfeit lubricants routinely cause far more than material damage to machinery and equipment. They destroy brands' reputations, severely impact consumer faith in products and disrupt the entire supply chain.

Counterfeit lubricants come in many forms, but it's the label that holds the truth

Counterfeit lubricants pose a variety of issues to manufacturers and distributors as there is no single method that counterfeiters employ. Common tactics for counterfeiting lubricants include:

- ➔ **The use of unapproved base oils or formulas.**
- ➔ **Altering additives that cause the lubricant to fall short of performance requirements.**
- ➔ **Dilution of genuine products.**
- ➔ **Reusing old, dirty oils and lubricants.**

These are then falsely represented as genuine products by printing counterfeit packaging that imitates a trusted brand to trick consumers. Due to the inability to directly inspect and test the contents of each product, it is a major challenge to identify counterfeit products until they are in the supply chain or have reached the end-user.

This is why clear identification is such an important requirement for consumer ease of mind. If counterfeit products attempt to imitate authentic brands by replicating their packaging, clear and consistent labeling that provides full product and manufacturer details can be the differentiator. This labeling is the first line of defense to ensure your brand's products are not the next target of counterfeiters.

Supply chain vulnerabilities open up the market for counterfeit lubricants

Counterfeit lubricants are manufactured with zero regard for health and safety hazards or the potential damage they could cause to expensive equipment. The sole purpose of counterfeiting operations is to make as much money as possible from unsuspecting consumers – often at the expense of a genuine manufacturer's reputation and bottom line.

These products typically reach and infiltrate the supply chain through several routes. These include flea markets, online storefronts or sellers unfamiliar with the supply chain who are unlikely to recognize that the products are fake or substandard quality. Brands with easily mimicked labels and packaging are targeted for counterfeiting, and the counterfeiter will pass their product off as one from a legitimate brand.

Trusted brands are often taken at face value and their products are consumed, resold or shared with little afterthought. Consumers routinely lack detailed product knowledge when it comes to chemical composition or industry regulations – they simply locate and purchase the recommended product for their needs.

The distributed global nature of many supply chains also poses a challenge to consistently preventing counterfeits from reaching circulation. Weaker copyright laws, regulations and enforcement mechanisms in some overseas markets also makes it a struggle to swiftly identify and shut down counterfeit production and sales on a regular basis.

Automated labeling technology provides hard-to-replicate label consistency and upstream supply chain benefits

Most lubricant companies use third-party printing companies to print their consumer-facing goods labeling. Traditionally, they would have to ensure the latest files are sent over for printing, probably in a rudimentary way such as email.

These third-party organizations can be particularly vulnerable to file leaks or theft, which could then fall into the hands of counterfeiters. With automated artwork solutions, such as Veraciti by Kallik, the approved label is stored in the asset manager and the third-party printer is granted access to the system, eliminating the risk of labels being sent around on email as they can only print the most recent approved version.

Automated labeling ensures a consistently high-quality product that reduces the risk of counterfeiters being able to take advantage of brands and individual products. Automated labeling solutions that incorporate central management can ensure all relevant safety and regulatory compliance symbols are accurate and legible, and capable of being updated at short notice.

There are also additional benefits beyond tackling counterfeiting that makes the investment in automatic labeling a strong proposition:



Manual labeling requires a significant amount of employee capacity – introducing automation cuts the burden of manual processes to free up your employees to focus on other important tasks.



Introducing automation reduces the often huge financial outlay many chemical companies spend with agencies for artwork creation, editing and management – bringing artwork and labeling processes in-house while simplifying them.



Automation ensures consistent, not just high-quality label placement but crucially in the correct proprietary font to eliminate any threat of human error – a key differentiator from counterfeit products that feature poorly placed, low-quality and inconsistent labeling in generic fonts.



Automated labeling is agile enough to scale up operations as a company continues to grow and expand its product range.

The combined benefits of tackling the counterfeiting issue at source while also enjoying prolonged process improvements has made automated labeling deployment an attractive prospect for the chemicals industry, as well as becoming an essential tool in the wider battle against counterfeit products.

Detection and enforcement for products that slip through the cracks

But there is more to labeling than meets the eye. BrandCares research conducted into lubricants available across multiple online marketplaces has identified several common themes among the incorrect packaging and labeling that can expose counterfeit products.

Inconsistent placement and quality of packaging is a common issue and a tell-tale sign of counterfeiting. This often features incorrect language and grammar and omits key product information from labels. These counterfeit products are then put up for sale at significantly lower prices to undercut genuine sellers – BrandCares identified multiple examples of counterfeit lubricants undervalued by up to 50 per cent by private, small businesses.

From a marketing perspective, the product, its quality and expected performance are routinely overstated. Supporting imagery is unprofessional and fails to meet the photographic standards of the brand on official distributor sites. Implementing consistent, high-quality product labeling and packaging artwork is a key anti-counterfeiting measure.

Beyond this, brands must routinely search for their exact product details across online marketplaces and identify suspect sellers, and publicize detected counterfeiting operations once shut down as a deterrent.

Act now as unchecked counterfeiting causes end-to-end business disruption

This impact of counterfeit products reaching the supply chain is not a niche issue that affects the occasional brand or product – one audit performed by a global chemical company found 33% of its products on sale in a single South-East Asian market were counterfeit.

The damages caused by counterfeit lubricant products entering the supply chain have a knock-on effect on everyone within the network, from the manufacturer downwards. Here's how counterfeit lubricants can affect the original product manufacturer and their approved distributors:

1. Manufacturers of lubricants

Consumers who mistakenly purchase counterfeit products can become frustrated with sub-par performance. This dissatisfaction will understandably develop into mistrust of the genuine brand and product. When widespread, this decline in brand trust can lead to devastating long-term declines in product demand and sales, which negatively affects the bottom line. This in turn makes it difficult for manufacturers to manage existing product inventory and forecast production demand for products that may have been the end-result of long-term, expensive research and development projects.

In extreme cases where counterfeit products are unchecked and become widely available, there is also the real possibility that a manufacturer may be unable to recover confidence and sales, causing the brand to fail.

2. Distributors of lubricants

Once discovered, counterfeit lubricant products can often lead to lengthy legal battles over warranty issues. This can be a severe burden on distributors, especially small and medium-sized organizations that typically lack the financial resources to adequately defend themselves against claims over an extended period.

Reputation, revenue generation and productivity can all be affected once counterfeits are revealed – and there is again the issue of distrust in the distributor which leads to lost consumers. This consumer confidence in a brand is often hard-won over a significant period and can be difficult or almost impossible to win back once lost.

A two-pronged approach to eliminating the counterfeit threat – digital labeling solutions meet brand intelligence

The last thing a manufacturer wants is for their product information to reach the hands of those who intend to produce cheap and harmful imitations. Securing product information with the deployment of automated labeling is the key to preventing counterfeit lubricant products that could ruin a brand. Veraciti™ by Kallik is the industry standard for labeling and artwork management solutions, providing manufacturers with a single source of labeling truth.

The system secures integrity and traceability across all forms of print, packaging and electronic labeling. Veraciti accelerates the label and artwork creation process, ensures complete regulatory compliance and supports integrated e-labeling of products. End-to-end management also streamlines the approval process and provides greater control throughout the supply chain, providing the agility to enact any specific counterfeiting countermeasures across all labeling and artwork in the supply chain.

Summary

The battle between counterfeits and genuine brands is constantly evolving. It is vital to identify counterfeiters and detect counterfeit products already on the market, preventing them from transacting sales and enforcing brand protection – all on a global scale. Although it can be easy to dismiss counterfeiters as a minor nuisance, over a sustained period they can significantly affect sales, customer relations and company legitimacy. Brands must detect and defeat ‘pop-up’ counterfeiting operations in near-real time, tracing thousands of links from global digital marketplaces such as Alibaba, Amazon and eBay.

Automated labeling and management combined with round-the-clock brand protection can help brands protect their valuable intellectual property, reputation and all-important bottom line. This prevents counterfeiters from successfully imitating genuine products while protecting brands from counterfeits by harnessing technology for detection and enforcement purposes.

About BrandCares

BrandCares is an international anti-piracy company that seeks to protect brands from counterfeits in the global marketplace. We offer brand protection, copyright protection and de-indexing services at a price match guarantee.

BrandCares 24/7 smart bot technology guarantees protection of your brand – check BrandCares out today for a free demo of our services.

For more information about BrandCares and our solutions, please get in touch by emailing us at info@brandcares.com.

About Kallik

Kallik, the enterprise labeling company, provides regulated industries with a responsive, end-to-end label management platform they can trust.

Its cloud-based labeling platform, Veraciti™, delivers definitive compliance and supply chain efficiency for all the content assets that make up product packaging, labeling and customer information documents. From barcodes to safety symbols and text, Veraciti manages any format, in any territory, on any material and via any channel - with complete reliability and traceability.

Medical device manufacturers, pharmaceutical firms, chemical and cosmetics companies use Kallik to deliver trust in their labeling, confidence in their brand and integrity in their process.

To find out how we can support label and artwork management transformation in your business, please get in touch by emailing us at enquiries@kallik.com.