

**BRAND**  
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# Counterfeits and COVID19

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# 1. How has/is COVID19 impacted counterfeits and contrabands?

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The Key to answer this question is unpacking 3 key aspects:

- a. The Pandemic itself
- b. The psychology of the counterfeiter
- c. The disruption to the supply chain

## **a. The pandemic**

The pandemic is an unfolding story right now and we are still in the early days here in Africa. I think the key to this is understanding that even though we can undertake scenario planning as companies, we don't know what will happen in 2 weeks. Certainly, it's the actions that we undertake now that will impact the next 10-20 days in terms of rates of new COVID19 infections. This has a far reaching and unprecedented implications on social and economic aspects of our lives.

Most companies have mostly had a 4 fold response:

1. Protection of the workforce which has taken the form of: All, or some level of work from home; infrastructure improvements such as use of VPN, laptops, broadband increase, etc. There has also been an increase of engagement of companies with regulators and public health officials to beef up on protecting workers- either through information, protective gear and the right work arrangements that prevent infections
2. Supply chain stabilization: this has to do with ensuring that shocks to the supply chain – from ordering of raw materials to getting products to the consumer can absorb the shocks of restricted movements. This may include issues such as pre-booking at customs entry points, route optimization, etc. all which will ensure that there's optimal production under prevailing market circumstances.
3. Customer engagement: Most companies by now have reached out to their customers to assure them of the preventive measures they are taking to protect both staff and customers.
4. Financials stress testing: Relevant scenarios are run, based on latest epidemiological and economic outlooks

We cannot plan for the coming days, weeks and months if we are not taking the requisite precautions today. The first point is what are we doing right NOW to stop the spread of the pandemic and to stay safe.

## **b. The psychology of the counterfeiter**

The counterfeiter will normally target products with very low barriers to replicate – particularly FMCGs. Their main motivations are to make money quickly; traditionally items such as electronics, beauty products, food products, automotive spares among others are easy targets.

In these times, it is probable that there is already a shift to production of cleaning products and agents. Some which are sub-standard and which might actually cause more health and safety risks. These will include refilling of bleaches, hand sanitizers, surgical spirit, substandard protective gear such as gloves and face masks, among others.

Some of the most outrageous stories right now are of particular medicine/drugs which people have been misled to think they can cure COVID19 – and hence a rush to purchase. Of course there is no cure or vaccine presently. But this misinformation leads to denying the people who actually need the medication their rightful therapy and treatment; because the misled individuals will simply hoard drugs they do not need. This causes shocks in the system.

## **c. Disruption to the supply chain**

This perhaps is the biggest issue that is facing manufacturing presently. It suffices to say that the disruption is not just impacting legitimate businesses but also illicit trade. The growing interconnectivity of markets (suppliers, logistics, financing, etc.) has resulted in complex supply chains spanning continents, countries and industries.

By now, manufacturers have mapped out where supply chain disruption is most likely to occur, how governments will react, and whether alternative suppliers can be available at a moment's notice. Even with China getting back to production mode, due diligence will help identify the potential risk of each vendor to operations with a view to mitigate this. This is indeed an opportunity that COVID19 has presented especially where complacency might have crept in, for manufacturers to review their business continuity plan for reasonable responses to shocks.

Some issues that might come up in this review include the robustness of the regulatory regime in the source jurisdiction, known fraud, corruption, bribery and regulatory breaches, as well as additional matters (IP violations, human rights and labor, social accountability). These are all issues that have played out in the recent weeks as COVID19 continued to ravage various parts of the globe.

Are counterfeiters also assessing their supply chains? Absolutely. Currently, ACA approximates that close to 20% of what is imported is counterfeit; I believe therefore with reduced traffic of imports, there are less counterfeits in the market, of course as old stock continues to be flashed out. But counterfeiting business is also restructuring to address its supply chain disruption as well. Of course, this might be more perverse and more sinister – calling for the need for all stakeholders not to drop their guard.

## 2. Why is it important for consumers and manufacturers to remain vigilant of counterfeits?

Presently, Kenya Revenue Authority (KRA) has announced the immediate implementation of Green Channel treatment. This is an efficient and expedited cargo clearance process for no/low-risk imported consignments imported by compliant manufacturers using non-intrusive inspection using cargo scanners at points of entry. The clearance shall be done without routine physical examination of the goods at the customs area. This shall reduce clearance bottlenecks and facilitate faster processing, leading to ease of doing business. It is expected that cargo clearance should take 30 minutes to 1 hour upon presentation of complete and accurate documents by the Customs Agent.

On one hand, given the experienced disruption to manufacturing supply chains, this is a reasonable response by government to facilitate trade. On the other hand, counterfeiters will also not relent because there is consumer demand for fake products – the ultimately reason why counterfeiters are in business. With hoarding, the market has been starved off some essential products – which compounds the problem because counterfeiters are now working to meet these gaps for essential services and goods.

Research tells us that there are 2 broad reasons why people buy fakes: the primary market comprises unsuspecting consumers who have been deceived – they believe they have purchased genuine goods but they have not. The secondary market, contains consumers who are actively looking for what they believe to be bargains and knowingly buy counterfeit and pirated goods – but they don't care if these are real.

The common denominator however is that the sub-standard – more so now during the COVID19 pandemic and the kind of products being targeted - carry health and safety risks that range from mild to life-threatening.

### 3. What can be done to eliminate counterfeits and protect the primary market consumers in the wake of COVID19?

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The buy Kenya build Kenya strategy aims to promote and enhance the consumption of Kenya's own products and services in both absolute figures and as a proportion of the gross domestic product (GDP). Enhanced consumption of locally produced goods and services will contribute to among other things, employment creation, and poverty reduction, promote value addition, stimulate production and product diversification; and encourage growth of local industries. At this stage, there's need for advocacy work around the buy Kenya build Kenya strategy (BKBK)- especially now in light of reduced air and sea traffic. A vibrant local manufacturing sector at this time will keep people in work, government will obtain its share of taxes. There should be social education and campaigns that will educate consumers on the importance of the BKBK strategy as a key solution that will help the economy absorb the shocks of COVID19.

With the green channel being effected, KRA should strike a balance – with authorized importers being thoroughly vetted to ensure they are bonafide. There should be more rigorous checks, patrols and surveillance – particular on land borders where goods are coming through into the country. The multi-stakeholder approach of KRA, KEBS, ACA will also keep checks and balances when it comes to compromising integrity of officers at the entry points. *(Training of police and judiciary officers to understand the nature of these crimes, how to enforce, draw up charge sheets and prosecute is important but might not be as relevant right now as an intervention)*

But beyond these broader policy initiatives, it is expected that in the face of anticipated innovations in technology and logistical improvements to the last mile, the next few days or weeks, there will be more and more Kenyans purchasing essential products online. This is already being witnessed in South Africa, where a lot of retail stores are innovating how to get products out to their customers.

Thus, the rise of counterfeit goods sold on the internet will be swift to many of the primary market customers who will be deceived. The problem is extensive because the majority of listings on some of the popular global and local ecommerce platforms are actually run by third-party sellers. And even though many, many third-party sellers are upstanding merchants, some of them are peddling counterfeits.

The only way sure way to deal with this will be to empower consumers to choose by serializing each and every product with a UNIQUE number. Because serialization allows each and every product to become unique – and when consumers are empowered to verify – either via SMS, Smartphone or over the internet, this will be the best way to starve the demand for counterfeited goods.

### 4. Links

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1. <https://www.refinitiv.com/perspectives/regulation-risk-compliance/covid-19-lessons-from-supply-chain-disruption/>
2. <https://www.theguardian.com/technology/2019/mar/18/online-retail-fuelling-rapid-rise-sales-fake-goods-says-oecd>
3. [https://thewirecutter.com/blog/amazon-counterfeit-fake-products/?utm\\_source=pocket&utm\\_medium=email&utm\\_campaign=pockethits](https://thewirecutter.com/blog/amazon-counterfeit-fake-products/?utm_source=pocket&utm_medium=email&utm_campaign=pockethits)