

**4<sup>th</sup> International Conference  
on  
Counterfeiting and Piracy**

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# Presentation Outline

- Issues
- Concerns
- Strategies
- Mechanisms to enforce Strategies & Initiatives
- Roadmap for future action

# CONTEXT

- Rising trend in outsourcing by global OEMs and Tier-1 vendors
- India - a strong contender for outsourcing
  - Auto components CAGR of 15% over last 5 years
- Competition from China, South Korea, Thailand, Taiwan, Indonesia, Latin America and Eastern Europe
- Advantage India : cost-effective engineering skills, design and machining capabilities

# Counterfeiting

- **Act of producing or selling a product containing an intentional and calculated reproduction of a genuine trademark.**
- **“Counterfeit Mark” is identical to or substantially indistinguishable from a genuine mark. Often, counterfeit goods are made to imitate a popular product**

# Counterfeit Products

- Low priced
- Low quality
- Knock-off versions of products in fake packaging.
- In real emptied packaging
- Grey market / Diverted Goods

# Context : Weakness

- India's scale of operation
- Quality perception of Brand India
- Counterfeit spares : important aspect of the problem

# Counterfeiting : Modus Operandi

- Counterfeiters use rejected / used spares or acquire low quality spares
- Pack them by using sophisticated technology in pirated packaging of leading auto component and spares manufacturers
- Prevalent in low-unit value and fast moving spares
- Counterfeiters thrive because of :
  - shortage of OE components in after-market with in reach
  - lack of awareness
  - lack of focus on the problem among constituents in the value chain

# Dimensions of the Problem

- Country perception and BRAND INDIA, which will adversely impact our ability to take full advantage of the “take- off” opportunities along with multipliers efforts in the Indian economy
- Consumer shortchanged and alienated
- Safety concerns (including death)
- Liability issues
- Revenue loss to government estimated at Rs 3,600-crore / year
- Linkage with organized crime
- Depresses profitability / productivity of resources in organized sector

## An Eye Opener

According to a study commissioned by SIAM, the counterfeit auto component market is estimated:

- Anywhere between Rs. 4400–6300 crores
- Constitutes around 32- 47% of the total component market

# International Scenario

- Counterfeiting menace growing faster than the economy
- Global counterfeiting represents from 8 to 10 percent of world trade, or approximately \$600 billion annually.
- U.S. auto parts industry conservatively estimates it loses \$12 billion in annually to counterfeit auto parts: \$9 billion outside the United States and \$3 billion inside the U.S
- 2-5% of global replacement market
  - 10% in Europe
  - 30% in the Middle East
- Major manufacturing centers in China, Asia Pacific, Eastern Europe and Latin America.
- Major distribution centre in the Gulf, especially Dubai

# Root Causes of Problem

- Large base of unorganized distribution channels, trading centers, fragmented and untrained street-side mechanics
- Lack of focus by OEM's on the after market
- Difficulty in recognition of original/fake parts due to low awareness
- No single platform for manufacturers/distribution partners to continuously interact with government/enforcement agencies on a sustained long-term basis

**contd...**

# Root Causes of Problem (contd...)

- Enforcement agencies hindered by :
  - inadequate awareness
  - training, structure and mechanism for prevention and control
- No clear documentation on adverse effects like :
  - revenue loss
  - Accidents
  - loss of job in “legitimate” activities

# Measures Currently Adopted

## GLOBAL CONTEXT

- Long-term alliances among large OEMs, trade organizations and law enforcement agencies like Interpol and International Anti Counterfeiting Coalition (IAAC)
- Global Brand Protection teams in top OEM's with country-specific mandates eg: GM, Ford Motors
- Technology as deterrent eg: coded encryptions
- Training of enforcement agencies

# Measures Currently Adopted

## INDIAN CONTEXT

- Uncoordinated and individual company efforts based on market feedback
- Senior retired policemen setting up advisory services
- Use of holograms for brand protection

# Actions Taken By M&M

- Launched campaign to curb counterfeiting its spare parts
- Conducted raids in
  - Raid conducted on spare parts shops at Kashmiri Gate, Delhi, trading in counterfeit Mahindra tractor and MUV spares with the help of investigators from IP - Boutique Information & Research
  - The intellectual cell of Crime Branch of Delhi Police seized
    - 11,000 counterfeit / spurious / fake M&M parts
    - 40,000 fake spare parts packaging material
    - One computer containing digital files of pirated packaging

contd...

# Actions Taken By M&M

- Police arrested 3 persons involved in this counterfeit activity
- Changed the design of the spare parts packaging
- Unique features such as “Identification code of the party to whom the part has been billed” added on price sticker

# Material seized during raid



# Material Seized During raid



# Material Seized During Raid



# Concerns

- **Lack of full awareness among the enforcement agencies**
- **Lack of awareness among end users**

## Objectives

- **Reduce the size of counterfeit market**
- **Spread awareness on Anti-counterfeiting involving Government and Automobile Industry.**

# Strategy and Suggested Actions

- Create strong industry body of OEMs and auto component makers
- Tie-up with CII to interface regularly with government, agencies, associations to devise strategies, initiatives, structures and mechanisms to prevent and control menace
- The body will initiate and monitor :
  - awareness creation among constituents, centered around safety
  - drives with local market associations to curb counterfeiting
  - raids and legal follow up
  - training for law enforcement agencies in identifying and controlling

contd...

# Strategy and Suggested Actions (contd..)

- BIS certification of parts
- Compulsory registration of all auto component makers
- Categorizing manufacturer and trading of counterfeit components as a cognizable offence with stringent / deterrent punishment for offenders
- Evolve disposal norms for rejected/ used spares to prevent recycling by counterfeiters
- Use of technology to differentiate genuine parts from counterfeits

# UTOPIA

Stop the menace of counterfeiting by eliminating the market for them

All constituents of the after market spares industry working together with government to :

- identify counterfeit parts
- refuse to use them
- track down those responsible for manufacturing & trading
- punish them



Lets fight together to stop the counterfeiting  
menace

**THANK YOU**

# Raid Actions: Do's and Dont's

- .
- Any raid action involves innumerable security/ safety issues for the company representative and the raiding term. Few Do's and Don't might help reduce these risk factors to a great extent. It starts with the planning stage of the raid in the company premises.
- Pls note it's always better to overreact and be overcautious rather than being complacent and relaxed on security/ safety issues during and after raid.
- Information should be shared only on need to know basis.
- The most likely place to get information about you is your company, So ensure that your personal details are not shared by HR with reception or any other department without consulting you.

# Raid Actions: Do's and Dont's

## Contd.

Reception and employees to be instructed, not to divulge any information about you to any outsider whether on phone or otherwise.

Suspicious queries about you from an outsider, to be immediately reported to you and subsequently to your line manager. Action plan to be made accordingly.

Reception should be instructed to check with you always before confirming to a stranger about your presence in the office, where he has come to meet you. For that matter even to police officials.

Always maintain staggered timing of coming to and going from office.

While planning a raid with your investigator, never discuss the plan in open/ cubicles/ loudly on the phone in office. Its always advisable to speak on mobile phone in an area where your conversation could not be overheard by fellow employees

# Raid Actions: Do's and Dont's

- Never book your Air/Train tickets or hotel reservations through your Company Travel Desk. Try to make your own arrangement through different source, who are not aware of your activities and keep changing them.
- Never discuss your travel plan/ raid action plan etc with your family/ friends/ employees etc. as information may be accidentally leaked.
- Avoid discussing your travel plan/ the plan of raid and related things in the Airport lounge/ flight/ railway station etc.
- Never mention your work – profile relating to Brand Protection activities to the stranger/ fellow passengers during causal chat.
- Avoid hiring cars/taxis for your travel related/ raid related requirements from organised travel sector and keep changing them as frequently as possible

# Raid Actions: Do's and Dont's

- While checking in the Hotel, never share your business card, never give your residential address, company details etc. It is advisable to check in as a normal guest who might have come for business/tourist purpose. Don't bother about corporate discounts; your safety is more important.
- Never stay in the same hotel frequently, keep changing it to ensure not more than one stay in 3-4 months in the same hotel.
- Never carry samples of counterfeit in open nor leave it open in your room, during your stay in the hotel. Keep the samples adequately covered.
- Never use hotel phone for discussing raid action and related things during your stay.

# Raid Actions: Do's and Dont's

- Meeting with investigator is to be avoided in Hotel where you are staying.
- Never hire care from hotel for raid actions.
- Always advisable to check – out from hotel before raid and keep your luggage in the boot of the car hired for the raid.
- While in car, never discuss the raid plan and other related issues.
- Never divulge the details of the target, not its location, to the police during police coordination.
- Before going for raid, it is always advisable to recce the area one day before to know its topography, get yourself familiarised with the locality, its exit/ entry points, location of nearest hospital, police station etc.
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# Raid Actions: Do's and Dont's

- During raid, always maintain a low profile.
- Wear clothes which would mix you with the crowd. Never wear flashy clothes and glares which stand you out in the crowd.
- Never take the lead in going to a shop/ manufacturing unit, you should allow/ request police to take the lead.
- Never start ransacking the premises in order to search for counterfeit, as mentioned above, let the police take initiative.
- Talk as less as possible, remember time is essence in any raid action.

# Raid Actions: Do's and Dont's

- Counterfeiters premises is an unknown territory for you, always be in pair with your team member, where each partner keeps eye on the other.
- If you are entering into a room, make sure your partner is out of the room and keeps watch on you.
- Always be armed with a pocket torch and assess the safety before entering into a machine room. Hanging wires, loose ground, underground pit, moving parts of the machine are some of the dangers, you should be careful of. If avoidable, don't enter into the room alone. Also ensure that main supply is switched off and running machines are brought to complete halt before you enter such premises.

# Raid Actions: Do's and Dont's

- Always instruct your driver to be always in the car and never go out during the raid. Always have all important telephone numbers such as nearest hospital, ambulance, police station, police commissioner, ready in your pocket and feeded in your mobile phone.
- Always keep your mobile phone on during raid and have the last number called (or missed call) as that of your partners (in pair)
- In case of crowd disturbance, be alert but maintain a low profile as said earlier.

# Raid Actions: Do's and Dont's

- In police station, avoid giving media interviews. Focus on completing the paper formalities and disengage from the region as soon as you can.
- After the raid always be more attentive, make sure no one is following you till you reach your base.
- Finally always keep in mind, its always the best of swimmers who drown in sea, because they are complacent. Never take your safety/ security lightly in this profession



# Participating SIAM MEMBERS

- Ashok Leyland
- Honda M/Cycle & Scooters
- TVS Motor
- Mahindra & Mahindra
- Honda Siel Cars
- Daimler Chrysler
- Tata Motors
- Hero Honda Motors
- Maruti Udyog Ltd
- Toyota Kirloskar Motor

# Size / Source of Problem

## GLOBAL CONTEXT

- 2-5% of global replacement market
  - 10% in Europe
  - 30% in the India & Middle East
- Major manufacturing centers in China, Asia Pacific, Eastern Europe and Latin America.
- Major distribution centre in the Gulf, especially Dubai

# Size / Source of Problem

## INDIAN CONTEXT

- 25-30% of Rs 20,000-crore replacement market
- Manufacturing fragmented and widespread
- Northern India accounts for major share
- Distribution centers mainly Delhi and Mumbai