

Suggestions for Manufacturers to MINIMIZE EXPOSURE TO COUNTERFEIT COUPONS

It is important to acknowledge that coupons, which are very effective promotional tools to reach and activate consumers, are also a form of cash tender. As with any form of cash tender, there are certain risks that must be managed, including the risk of counterfeiting.

As organized counterfeiters innovate to entice consumers — while also looking to find ways to work around store controls that are designed for efficient checkout — it has become nearly impossible for cashiers to completely stop some counterfeit offers from being redeemed at the point of sale. As a result, both manufacturers and retailers find themselves being victimized by counterfeit coupon activity. It's a reality that continues to create concerns and costs for both trading partners.

Fortunately, there are steps you can take to mitigate the risk and financial exposure associated with counterfeiting. In fact, since a lack of activity can create a perception that fraudulent activity is not monitored or prohibited, it is *imperative* that individual companies take an active role in combatting counterfeit activity.

- 1. EXERCISE CAUTION ON HIGH-VALUE COUPONS.** When possible, avoid distributing unusually high face values or free product coupons, as they are more attractive to counterfeiters than lower face value coupons. If you do distribute such offers, consider liability insurance for unplanned redemption (or a counterfeit accrual to cover exposure for any brand(s) that may be impacted).
- 2. UTILIZE AVAILABLE PRINT SECURITY DEVICES WHEN APPROPRIATE.** The CIC hologram, recommended for free value coupons, serves both as a consumer deterrent to counterfeiting and as an aid to cashiers who are becoming more accustomed to looking for this hologram on free offers.
- 3. UTILIZE GS1 DATABAR CODE EXCLUSIVELY.** The richer data set within the GS1 DataBar increases the opportunity to uniquely identify a particular coupon at point-of-sale. With the widespread adoption of the GS1 DataBar, the ability to identify, flag and stop problem coupons at point-of-sale has greatly expanded. NCH can help guide and advise you on the best way to ensure your coupons are being coded correctly.
- 4. CONSISTENTLY UTILIZE INDUSTRY-STANDARD DESIGN ELEMENTS.** Consistent use of brand- and industry-standard design elements makes it harder for a counterfeiter to create a duplicate that appears to be legitimate.
- 5. AVOID LONG (OR NO) EXPIRATION DATES.** Issuing offers with long or no expiration dates limits a manufacturer's ability to withdraw an offer and sets the expectation of paying for extended periods of time.
- 6. AVOID ONLINE COUPON PRESENTATION.** Never present any coupon to the consumer online in a PDF or Word format, as this can facilitate potential counterfeit activity and enable the distribution to go viral.
- 7. CLOSELY MONITOR OFFER ACTIVITY FOR EXCESSIVE REDEMPTION.** Utilize NCH reporting tools to monitor activity for all offers, especially high-risk offers, such as free product coupons and unusually high face value offers. Look for offers redeeming beyond expected parameters, so that additional research can be completed and corrective action taken, if applicable.
- 8. SAVE PHYSICAL COUPONS.** Save physical coupons for offers that are at greater risk for being counterfeited, such as free product or unusually high face value offers.
- 9. SUPPORT ENHANCED RETAILER CONTROLS AND ROUTINE MONITORING.** Assist retailers in their effort to minimize acceptance of known counterfeit coupons through systematic point-of-sale controls, such as utilization of the CIC Early Warning File, and encourage independent auditing of individual stores by clearinghouses.
- 10. JOIN THE CIC.** By becoming part of the CIC, you have an opportunity to participate in an organization dedicated to uncovering and prosecuting coupon fraud, with a special emphasis on counterfeiting.
- 11. PROACTIVELY MANAGE ILLICIT ONLINE COUPON ACTIVITY.** Invest in specialized services that offer unique expertise and resources for additional protection against the creation or selling of counterfeit coupons online. NCH counsels clients to be proactive in online counterfeit coupon monitoring. By being able to discover, identify, investigate and manage unauthorized activity associated with your coupons, you will be better equipped to reduce the financial risk posed by counterfeiting.
- 12. ALLOCATE TIME, EFFORT AND MONEY TO EDUCATE CONSUMERS.** Education should focus on what constitutes improper coupon use and its potential consequences. Avenues of education may include bloggers, industry associations, distributors, retailers and individual manufacturer-consumer touch points.

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