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Media Contact:
Stephanie Olsen
Lages & Associates
(949) 453-8080
stephanie@lages.com

AGMA Points to End-User Verification as Key Element in Battle Against Gray Market

Continues Mission to Offer Best IP Protection Practices to Tech Industry

LOS GATOS, Calif., March 21, 2018 – They say that no good deed goes unpunished. When it comes to brand owners issuing discounts, great care must be taken to ensure that the marked-down products don't end up on the [gray market](#). Authorizing special discounts to certain customers is part and parcel to doing business for many companies and is important to customer satisfaction. However, this practice is also one of the main contributors to the gray market, where billions of dollars' worth of tech products are being sold each year – without manufacturers' authorization. [AGMA](#), a non-profit organization and the largest group solely focused on [intellectual property protection](#) in the high-tech industry, has identified end-user verification as a critical component to holding the gray market at bay when offering discounts.

Gray market goods are genuine, branded products sold through unofficial distribution channels. While not necessarily an illegal practice, gray marketing is highly detrimental to the tech sector. Higher costs, lost revenues and damaged brand reputations are just a few of the ways in which the gray market can negatively impact tech manufacturers. According to AGMA, [whenever the lowest price is the customer's top priority](#), gray marketing has a chance to enter the picture.

“The shadow of the gray market looms large, as it not only impacts the financial health of manufacturers but also destabilizes the channels,” noted AGMA President Sally Nguyen. “Helping

AGMA members to understand the impact of their pricing, product and distribution strategies and offering tips to ensure they aren't inadvertently feeding the gray market is a primary focus for our organization."

Verify End Users to Protect Brands

Simply put, end-user verification is the process of ensuring that the products being sold wind up in the hands of actual end users. Verifying that products are to be used within the end user's business operations (and are not for resale) is a critical element of an effective brand protection strategy. Carefully controlling all discount programs before the items are sold helps to ensure that these items don't flood the market and push prices down.

Putting It into Practice

It's time to get proactive – the identity of the end user should be disclosed to the vendor prior to any sales transaction.

Once the end user is identified, the business overview of that company should be understood. Understanding the background of the specific sales opportunity being discussed is another key component of the verification process. Confirming the reason for the order, the intended use of the products, the configuration of the order, and other important features of the order can be very beneficial. To further ensure that discounts are not abused, AGMA recommends the following:

- Contact the end user directly to validate the order and the business need for it – in-person and at the customer's location if at all possible.
- Confirm the order quantities and declare that the products ordered are intended for internal use and not for resale – in writing.
- Implement policies that clearly delineate if, when and how end-user verification takes place.
- Touch base with end users after products have been shipped and installed. This can be an effective way to validate whether or not products have been consumed as stated by the named end user.

“There is strength in numbers, and by sharing best practices, guidelines and expertise, the IT sector can band together to collectively combat the gray market,” added Nguyen.

As an industry association, AGMA is chartered with addressing key threats to intellectual property in the high-tech industry. To learn more about AGMA, please visit www.agmaglobal.org.

About AGMA

AGMA is a non-profit organization comprised of influential companies in the technology sector. Incorporated in 2001, AGMA’s mission is to address gray market fraud, parallel imports, counterfeiting, software piracy, and service abuse of technology products around the globe. The organization’s goals are to protect intellectual property and authorized distribution channels, improve customer satisfaction and preserve brand integrity.

AGMA welcomes technology manufacturers, as well as persons or entities that own or hold intellectual property rights to finished goods outside the technology industry; government and law enforcement officials; product and service providers who provide goods and/or services to combat gray market fraud, counterfeiting and warranty and service abuse threats. AGMA uses a variety of avenues to cultivate change in the marketplace, including event speaking, educational initiatives, benchmark studies, industry guidelines, and, where appropriate, public policy advocacy. To learn more about AGMA’s initiatives or to become a member, please visit www.agmaglobal.org or follow them on [LinkedIn](#) and [Twitter](#).

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