



FOR IMMEDIATE RELEASE

AGMA, PRICEWATERHOUSECOOPERS EXPOSE MULTI-BILLION DOLLAR THREAT TO TECHNOLOGY INDUSTRY: WARRANTY AND SERVICE ABUSE

New Study Defines Problem and Presents Methods to Effectively Manage Growing Threat

HOUSTON, Texas, October 20, 2009 – The [Alliance for Gray Market and Counterfeit Abatement](#) (AGMA), a non-profit organization dedicated to addressing the [gray marketing](#) and [counterfeiting](#) of branded goods around the globe, today announced that it has teamed with PricewaterhouseCoopers LLP (PwC), the assurance, tax and advisory services firm, to issue a white paper titled “Service Blues: Effectively Managing the Multi-Billion Dollar Threat from Product Warranty and Support Abuse.”

The white paper features results gathered from responses to a survey issued by PricewaterhouseCoopers, including executive interviews with [AGMA membership](#) and other leading technology companies, further complemented by PwC’s research, insights and experiences. The white paper is a result of collaborative efforts between AGMA and PwC, and is intended to help raise awareness of the issue, as well as offer strategies, programs and effective processes to combat the problem of warranty and service abuse.

Warranty and [service abuse](#) refers to the usage of services or warranty to which the customer or recipient is not entitled. Warranty and service abuse is a relatively unknown issue and a growing problem that imposes a significant financial drain on companies. The study results confirm warranty and service abuse activity is estimated to result in a three to five percent loss in revenue alone (an estimated and collective \$10

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billion loss for just the survey participants). These amounts could be significantly reduced with appropriate vigilance and controls – as outlined in the white paper.

Warranty and service abuse can impact a company's profitability in a number of ways. According to survey participants, the areas most impacted by warranty and service abuse are: financial loss from unentitled service costs; loss of service revenue; failure rate distortion – increased R&D costs; and enforcement costs. Warranty and service abuse can also be detrimental to a company's relationships and reputation.

Prevalent forms of warranty and service abuse include exploitation of advance replacement programs (including RMA non-returns), service over-usage, non-existent service charges, and other contract abuses. According to survey respondents, warranty and service abuse is perpetrated most often by partners/resellers (87 percent), small/commercial customers (74 percent) and petty criminals (65 percent). “In order for a company to protect itself from the threat of warranty and service abuse, it is important to understand who may be abusing warranty and service programs, and how,” noted PwC’s director of internal audit and contract compliance services Jonathan Kurtz. “Once these sources are identified, controls can be implemented to reduce vulnerability.”

“Service abuse perpetrators are always adapting, looking for ways to exploit control weaknesses,” noted Angela Narvaez, director, brand protection and investigative center of excellence for HP’s global security group. “In order to stay one step ahead of them, companies need to continually analyze the most prevalent methods of service abuse and look for emerging tactics. Using this knowledge, companies can then monitor and tailor their own controls to maximize their ability to curb service abuse not only today, but into the future as well.”

According to AGMA president [Ram Manchi](#), “It is clear that the threat of warranty and service abuse has been flying under the radar for many in the IT industry. It is our hope that by publishing this study, we can inform companies about the magnitude of the service abuse problem, help to start them on a path towards preventing this fraud and potentially stop them from experiencing the three to five percent loss in revenue that the study results have confirmed.”

According to the report, the effects of warranty and service abuse will continue to threaten companies' operations and financial results unless threats are recognized and appropriate actions are taken to prevent continued fraud and abuse. A copy of this white paper can be obtained at www.agmaglobal.org.

About PricewaterhouseCoopers

PwC offers the perspective of a global organization combined with detailed knowledge of local, state and US national issues. Formed in 1998 from a merger between Price Waterhouse and Coopers & Lybrand, PwC has a history in client services that dates back to the nineteenth century. Each accounting practice originated in London during the mid-1800s. Today, PwC serves 16 industry sector concentrations, with industry-focused professionals in the fields of assurance, tax, human resources, transactions, performance improvement, and crisis management to help resolve complex client and stakeholder issues worldwide. PwC also brings its experience and talents to help educational institutions, the federal government, non-profits, and international relief agencies address their unique business issues.

About AGMA

AGMA is a non-profit organization comprised of influential companies in the technology sector including, founding members Cisco Systems, Hewlett-Packard and Nortel. 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 any technology manufacturer, as well as persons or entities that own or hold intellectual property rights to finished goods outside the technology industry; product and service providers, government and law enforcement 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,

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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.

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