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New Study from AGMA, Deloitte Details Intellectual Property Challenges for IT Sector

Offers Leading Practices for Brand Protection for Companies Expanding to Emerging Markets

LOS GATOS, Calif., January 19, 2016 – While emerging markets offer tremendous growth potential for enterprising technology companies, these opportunities do not come without risks. With this in mind, [AGMA](#), a non-profit organization and the largest group solely focused on [IP protection](#) in the high-tech industry, and [Deloitte](#) have teamed to issue a new whitepaper titled, "[Winning the Away Game: Strategies to Enhance Compliance and Business Performance in Emerging Markets.](#)"

Emerging markets such as the BRIC (Brazil, Russia, India, and China), MINT (Mexico, Indonesia, Nigeria, and Turkey) and UAE (United Arab Emirates) nations can be fertile ground for tech companies looking to expand, as they are some of the fastest-growing in the world. These markets can also present attractive first-mover advantages. Seeking to provide insights into the risks that go along with the potential rewards of doing business in these markets, the whitepaper is a result of a survey issued to leading multinational technology companies.

Survey results indicate that intellectual property (IP)/brand protection, legal, and regulatory risks are "most concerning" to the surveyed companies. In fact, 45 percent of executives ranked "insufficient local regulation to protect their IP" as their top challenge. When it comes to legal and regulatory risks, 45 percent worry most about corruption or other non-standard business practices causing them to run afoul of regulations - with substantial fines and reputational damage as the end results. Based on these findings, the goal of the whitepaper is

to provide insight into frameworks and leading practices for detecting, preventing and reducing IP/brand protection and legal and regulatory risks in emerging economies.

The Land(s) of Opportunity

Survey respondents cited China, Russia, India, and Brazil as among the top developing markets by revenue that they currently sell into. Not surprisingly, several of these countries were included in a recent list of the 10 worst countries in which to do business, put out by CNBC News. This can be attributed to histories of corruption and, often, insufficient legal structures. Despite these risks, developing economies are attractive to IT companies for many reasons. Technology can play key roles in enhancing the socioeconomic status of citizens, and these nations often have the advantage of being able to leapfrog adoption of legacy infrastructures – and rapidly embrace new technologies.

Attempting to Level the Playing Field

How are IT companies trying to make the opportunities presented in emerging markets outweigh the risks involved? Some companies approach this by establishing a direct presence in emerging markets – setting up sales offices and manufacturing operations in-country. More commonly, third parties such as contract manufacturers, distributors, resellers, and managed service providers are leveraged. This allows companies to scale quickly and save time and money by eliminating the need to invest in warehouse space, technology, transportation, and training.

While engaging third parties in developing markets may sound like an easy answer, this practice exposes companies to heightened risks by giving outside vendors access to their bread and butter – their IP. Surprisingly, less than half of survey respondents said their companies always conduct due diligence in emerging markets before engaging a new vendor (43 percent) or before engaging a new third-party agent (49 percent).

While companies risk IP theft any time they engage a third party, the lack of visibility inherent in developing markets that are often far away from corporate headquarters makes this practice especially dangerous. Leveraging third party support in these types of markets needs to be looked at as one tactic in a larger, company-wide strategy to protect IP.

According to AGMA president Sally Nguyen, “This survey reveals that there is much work to be done in order to make doing business in emerging markets safe and profitable for IT companies. The repercussions of not having a cohesive strategy here are severe, and include fines and legal fees, lost revenue and under-performance in markets that are key to a company’s growth strategy. Educating partners in emerging markets about applicable regulations and elevating awareness regarding compliance expectations are keys to success – and AGMA is here to assist in these endeavors.”

An Effective Game Plan

In general, the survey findings suggest businesses may not be doing enough to mitigate the risks associated with doing business in emerging markets. Creating and executing a well thought-out game plan – one that begins with doing thorough due diligence on third-party partners – will help companies protect their assets in emerging markets. According to Jana Arbanas, Deloitte Advisory principal, Deloitte & Touche LLP, when conceptualizing this plan, it’s important to look at your operations all inclusively: “One of the main things to keep in mind when doing business in emerging markets is to keep an eye on the big picture. Cultivating a culture of compliance requires taking a holistic view of your operations and broadening, rather than isolating your efforts. When all of your internal groups are working together, your compliance programs can be linked together and you will gain efficiencies.”

AGMA and Deloitte offer a series of tips and leading practices to protect IP in emerging markets, including the following key recommendations:

- Take an integrated approach to third-party management
- Cultivate a ‘culture of compliance’
- Place dedicated compliance personnel on the ground in each country
- Establish a strong central organization: Develop and execute a risk assessment framework, create policies and procedures and closely manage compliance activities
- Increase partner touch points
- Focus on corruption and fraud in parallel with a wider compliance program
- Invest in the right people
- Leverage technology and tools

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As an industry association, AGMA is chartered with addressing key threats to intellectual property in the high-tech industry. To learn more about the leading practices recommended for IT companies doing business in emerging markets, you can download a copy of the whitepaper in its entirety here: <http://www2.deloitte.com/us/en/pages/advisory/articles/emerging-markets-compliance.html>. 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 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 officials 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 [Twitter](#).

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