

Klipsch Group, Inc. Trusts Net Enforcers, Inc. to Manage Its Internet Presence

Auction and Online Channel Monitoring strategy eliminates over \$500,000 in unauthorized sales for audio giant



OVERVIEW

COMPANY

Klipsch Group, Inc.

HEADQUARTERS

Indianapolis, IN

URL

www.klipsch.com

INDUSTRY

Consumer Electronics

BUSINESS CHALLENGE

- Growing number of Internet dealers selling Klipsch Group, Inc products below profitable margins and utilizing their intellectual property illegally
- Increased concerns voiced by legitimate dealers regarding the impact to their margins and brand valuations

SOLUTIONS UTILIZED

- Auction Monitoring and Enforcement
- Online Channel Monitoring
- Anonymous Product Purchasing

BENEFITS

- In the first 90 days of the engagement, over 1,000 unauthorized auctions, valued at more than \$500,000, had been taken down
- To date, more than \$1.25 million of unauthorized product has been removed from auction sites
- Scanning over 30,000 auction and retail sites each month for below desired price points and intellectual property

In late 2003, Klipsch Group, Inc., owner of the premium Klipsch®, Jamo®, Mirage® and Energy® audio brands, came to Net Enforcers, Inc. (NEI), a wholly owned subsidiary of Intersections Inc., with an online dilemma. Many Internet dealers were selling its high-performance products below profitable margins on various retail sites, as well as auction sites such as eBay.

For the Klipsch Group, Inc. management team, this was a serious issue. For the past decade, product sales had been growing at double-digit rates. However, the company's tenured, policy-adhering sellers began voicing their concerns about the increase in unauthorized Internet retailers as they lowered overall brand valuation.

Klipsch Group, Inc. knew that continued growth would also lead to an increase in online sales, but the company didn't want its dealer partners to sacrifice margins for better top line revenue.

Phil Hatch, Klipsch Group, Inc. manager of North American training, knew that changes needed to be made. "We are one of the leading loudspeaker manufacturers in the world and have utilized online selling programs for quite some time. It was important that we established policies that were not only monitored consistently and fairly, but ultimately gave us options to enforce. I wanted to make sure that all of our dealers were on a level playing field, so that everyone's profits could be maximized and the company's brand equity protected."

Net Enforcers worked directly with Hatch to create an Online Channel and Auction Monitoring strategy that would give them a granular view of all dealers and eBay auctions, detailing each listed product, how it was advertised, and if the product sellers were authorized. From there, options were also provided in order to pursue effective notification, enforcement, and ultimately compliance.

The first step, or "Phase One," was a high-level scan of the Internet, to locate all dealers selling Klipsch Group, Inc. products. All web portals, current retailers, and auction sites were reviewed with NEI's technology. During a preliminary review of this list, it was noted that over 30 percent of current retail websites were in violation of Klipsch Group, Inc.'s online

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Phil Hatch,
Klipsch Group, Inc. manager of North
American training

policies. In addition, there were over 1,000 auctions misusing the company's intellectual property.

"Phase Two" involved notifying all current Internet dealers to ensure that their programs were updated and secure. Any unauthorized dealers selling products were invited to join the reseller program as long as they agreed to the reseller policies.

Finally, Net Enforcers implemented its Online Channel and Auction Monitoring technology to provide frequent reports that carefully targeted the most problematic or unauthorized sites, in accordance with Klipsch Group, Inc. strategies. Each report allowed the management team to take quick action by making it known what current policies were in effect and that the offending sites needed to either be removed or comply. Within the first 90 days, Net Enforcers helped detect and take down more than 1,000 unauthorized auctions, valued at more than \$500,000.

As part of the Auction and Online Channel Monitoring services, Net Enforcers continuously audits the effectiveness of Klipsch Group, Inc.'s designated filters and internal protocols to ensure that the results are current and complete. Also, by providing tools to initiate online anonymous purchases, specific products can be tracked to provide details of how products are making their way through the supply chain, and help limit the number of unauthorized dealers.

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More than 30,000 auctions and retail sites are scanned each month. Ultimately, Net Enforcers has helped to remove more than \$1.25 million of unauthorized product in year-to-date take-downs on auction sites, and will continue searching for more.

In the current economic climate, the unauthorized selling of manufacturers' products is more prevalent and even a company the size of Klipsch Group, Inc. is not immune. More and more dealers struggling to make sales will turn to unauthorized or gray market goods in order to snatch quick sales. However, with updated programs and established Net Enforcers monitoring, Hatch and his sales team can rest assured that all Klipsch Group, Inc. products will continue to let dealers make solid margins, while also keeping the company's brand equity in check.

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INTERESTED IN LEARNING MORE OR WORKING WITH NET ENFORCERS?

Let Net Enforcers start protecting your online brand today! Stop the lost sales, damaged brand value and weakened relationships with your legitimate distribution partners. Our fully trained expert staff is ready to protect your brand for less than the cost of a single internal employee devoted to brand protection.

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Protecting Your Bottom Line
Begins With Protecting Your BrandSM

ABOUT NET ENFORCERS

Net Enforcers has been a leading provider of online brand protection and enforcement services since our founding in 2003. We actively safeguard the brands of over 100 clients, including top consumer electronics, pharmaceutical, financial services, automotive, and sporting goods manufacturers. We combine the benefits of state of the art technology and analysis by well-trained staff to ensure we separate the bad actors from legitimate commerce on the Internet.

In 2007, Net Enforcers was acquired by Intersections, Inc. (NASDAQ: INTX) a leading global provider of consumer and corporate identity risk management services. Intersections' consumer solutions are designed to provide high value, revenue generating opportunities to its marketing partners, including leading financial institutions, Fortune 100 corporations and other businesses. Intersections markets consumer identity theft protection solutions under our proprietary IDENTITY GUARD[®] brand (www.identityguard.com) and on a private label basis for numerous clients. Intersections' consumer identity theft protection services have safeguarded more than 20 million consumers since our founding in 1996.

Intersections Business Services, the division of which Net Enforcers is a part, provides corporate protection services to over 2,000 clients on a world wide basis including:

Pre-employment Background Screening: Verification of employment, education and criminal histories for job applicants, potential suppliers and business partners on a global basis.

Data Breach Response Services: Full service capabilities for corporate reputation management following the loss of personally identifiable customer information including breach notification letter services, breach customer care services and identity theft protection services for impacted customers.

Identity Theft Protection: Providing the best in class consumer identity theft protection products for use as an employee or customer retention tool or revenue generating product sale.

Brand Protection: Net Enforcers' suite of online protection services designed to help corporate brand owners combat the growing threats of Internet commerce.