

CORONAVIRUS

How COVID-19 Is Giving Rise To Disasterpreneurs

We are seeing the epic rise of the counterfeiters, who have stepped up and filled the last mile supply chain vacuum by providing substandard and locally assembled or produced spurious products.

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June 8, 2020

4 min read

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Every disaster, natural calamity or conflict witnesses an emergence of a special type of entrepreneurs who specialize in business of disaster – the disasterpreneurs. These individuals have a knack of identifying business opportunities, some ethical and others completely unethical, while a disaster is unfolding right before our eyes. Remarkably, these individuals are then able to single mindedly go after profiteering from the disaster – ignoring the law of the land, ethics and basic humanity. This business of disaster can be rather profitable.

Stories that show the emergence of COVID-19 disasterpreneurs are therefore hardly surprising for many of us. From US-based hoarders of medical supplies including sanitizers and PPE equipment – who then sell it for hefty profits to those in dire needs – to large manufacturers supplying sub-standard products to affected countries around the world; the human greed to make money from others' misery is both universal and unstoppable. As I explain below, the repercussions of this profiteering are felt by all of us, regardless of where we live or our station in life.

The economic fallout of the ongoing COVID-19 pandemic and the resultant lockdown is yet to fully reveal itself. The last two months have also adequately highlighted that the pandemic has found most ethical businesses of this world as unprepared and off-guard. The extended lockdown has now started showing strains on the otherwise highly reliable and efficient supply chains of FMCG and other fast-moving brands.

As per the All India Consumer Products Distributors Federation, there is a growing lag between production and supplies and that is having an impact on their ability to deliver on the ground. As per news reports, while most of the FMCG firms have restarted production, they are operating at 50-70 per cent of their capacity. Combine this with a near-complete shutdown in March and April and we are likely to see dwindling supplies of our daily essentials on the *kirana* store shelves.

No surprises therefore that we are seeing the epic rise of a special genre of disasterpreneurs: the counterfeiters, who have stepped up and filled the last mile supply chain vacuum by providing substandard and locally assembled or produced spurious products. To be sure, counterfeit goods are hardly a new phenomenon for us; counterfeiting causes a loss of over Rs. one lakh crores annually to the Indian economy, even during normal times, as per a FICCI report. It is believed that upwards of 10,000 enforcement actions are annually under taken by various law enforcement agencies across the country.

What has changed in the last few weeks is how quickly the suppliers of counterfeit goods have ramped up their production and supplies to even overpower the supply chains of ethical manufacturers. It is believed that already well over 250 enforcement actions have been conducted by various law enforcement agencies across the country since the beginning of lockdown, a clear indication that disasterpreneurs have sprung into action. Virtually every successful, market-leading brand is suffering from this menace across categories; including pharmaceuticals, FMCG, automotive, liquor, cement and electronics.

Plenty of studies exist that show the substantive socio-economic impact of these counterfeit goods. Manufacturers of brands that they imitate suffer not just loss of legitimate sales, but can

goods. Manufacturers of brands that they imitate suffer not just loss of legitimate sales, but can endure long term damage to their reputation. The consumers on the other hand suffer from poor quality medicines that do not cure their illnesses, or food products that are unhygienic and can create new health problems. Even the economy suffers – not only is the government deprived of legitimate taxes, but the loss of income for ethical manufacturers who generate employment for hundreds of thousands of workers makes economic recovery that much harder.

Frequent and widespread law enforcement actions are perhaps the most powerful way to stop these disasterpreneurs in their tracks. As India gets ready to fight its way out of the economic slowdown, borne out of Covid-19, it is important for various state governments to recognise the menace of counterfeit goods. The law enforcement arms of the administration must be tasked to also focus on curtailing the counterfeiting activities and production.

Most leading brands either have their own internal brand protection and security teams or employ external specialist firms whose sole purpose is to gather market intelligence and keep a close tab on counterfeiters. These teams must be engaged to work in tandem with the law enforcement authorities to cut down the entire network of counterfeit products.

Ultimately, we need to acknowledge that living as we are in a once-in-a-lifetime crisis, as a nation we can neither afford yet another major public health scare, nor a continuing loss to the exchequer emerging from mass distribution of counterfeit products across the country. A relentless pursuit of these perpetrators, followed by enforcement actions, must be incorporated into our country's priority policy objectives.

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