

# VerifiR's Technology Looks to Knock Out the Knockoffs

**TECH:** Aim Is to Verify Goods' Authenticity, Connect With Customers

■ By BRAD GRAVES

A visit from entrepreneur **Jurgen Schmerler** looks a little like Christmas morning, without the tree or the decorations.

Sort of like Santa Claus, Schmerler has laid all sorts of products out on a conference room table. There is a black jersey for Football Club Bayern Munich, a container of skin cream and a boxed bottle of perfume.

Schmerler runs **VerifiR**, a young technology company based in Del Mar Heights. VerifiR wants to help companies protect their good names against counterfeit products, and help those same companies better engage with their customers.

The world market for counterfeit and pirated goods is estimated at \$461 billion, and accounts for up to 2.5 percent of world trade, Reuters reported earlier this year.

Companies spend an estimated \$150 billion on anti-counterfeit packaging. Schmerler wants to focus on a subset of that, a \$23 billion addressable market.

"We can definitely capture a significant portion of that," the 42-year-old CEO said.

## Counter Punch

A simple tap of a smartphone against the soccer jersey or the perfume box verifies that it is the real thing, rather than

some cut-rate, unlicensed knockoff with questionable ingredients.

Each product with the VerifiR system contains a radio-frequency ID tag that gives off information when a phone with a near-field communication reader comes up next to it. The RFID tags are about the size and thickness of postage stamps.

Computers in the cloud, running VerifiR software, identify the product and send that identification back to the user's smartphone.

Schmerler touched his smartphone against the black soccer jersey. "Success!" flashed on the phone's screen, which went on to say that the jersey was the official licensed product.

The phone can read a tag on a perfume bottle even though it is inside the box, Schmerler added.

Such RFID tags could go into after-market auto parts, watches or golf clubs. Clubs might carry tags at the point where the head meets the shaft.

In addition to identifying the real thing, the tags can help stop the problem of diversion — of someone in the supply chain sending an expensive product or pharmaceutical to a place it's not meant to go.

A scan of the ID tag with a phone can also get the buyer started on filling out a product registration card. "No one fills out paper cards," Schmerler said. That also gives the brand cross-selling opportunities.

## Mapping the Market

The technology lets brands get to know their customers — something that

## VERIFIR

**CEO:** Jurgen Schmerler

**Revenue:** Undisclosed

**No. of local employees:** Five full- and part-time employees

**Investors:** Undisclosed individuals

**Headquarters:** Del Mar Heights

**Year founded:** 2015

### What makes the company innovative:

VerifiR makes patent-pending technology that verifies a product's authenticity and offers a way for brands to connect with their customers



Schmerler said is just as important as combatting counterfeits.

The brand can get valuable information on the physical location of its customers and create a "heat map" showing communities particularly interested in the brand. The brand can also get intelligence on the popularity of certain SKUs (that is, products) among certain customers.

There is even an application in the factory. Schmerler said brands might choose to attach an RFID tag to an object — say, a surfboard — early in the manufacturing process, so that the production line knows what sort of custom features to put on each individual product.

A major musical instrument maker (Schmerler would prefer not to name it) heard about the technology and inquired about putting VerifiR technology in its wares. "They're getting knocked off all over the place," the CEO said. VerifiR

has three full-time employees and four part-timers, spread among San Diego, Los Angeles and Santa Cruz. Schmerler goes to Europe for software development talent.

## VerifiR's Focus

Schmerler, a resident of Solana Beach, said he wants to focus his company on just a few vertical markets: apparel, cosmetics and sports/active lifestyle.

Schmerler said VerifiR is cash-flow positive. There is a lot of work out there, he said, and it's time to expand.

So far the company's private investors have put \$120,000 into the enterprise. VerifiR plans to take on more funding. Schmerler said he has several term sheets he has to evaluate within the next month. Each option has trade-offs.

VerifiR is looking ahead to a \$2 million seed round, and a \$6 million Series A round in 2017.

VerifiR recently came through **San Diego Sport Innovators'** 20-week Springboard business mentoring program. In June, SDSI hosted a "Shark Tank"-style pitch contest for six Springboard graduates. VerifiR tied for first place, coming away with a \$5,000 prize.

Schmerler previously worked in the pharmaceutical industry and was co-founder of **Deep Sky Reliance Solutions Inc.**, which produces software for the pharmaceutical industry. He said that his experience in pharmaceuticals showed him that RFID was a technology worth paying attention to.