



# The online counterfeit economy: consumer electronics





# THE ONLINE COUNTERFEIT ECONOMY

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## *of consumer electronics*

The digital world is filled with various ways for counterfeiters to attack your brand and turn a profit for themselves, all while under the cloak of anonymity. Online marketplaces, social media, rogue websites, fraudulent mobile apps, the “Dark Web” – they all foster a world of ways to process illicit sales, providing counterfeiters with more tools at their disposal than ever before.

By the numbers, today’s largest counterfeit markets in the fast-moving consumer goods sector are pharmaceuticals, consumer electronics, and food and drink. Here, we take a closer look at counterfeiting in the consumer electronics industry and what it means for your business.

# What are the threats to your brand?

As more and more consumers around the world become connected through the digital marketplace, it is becoming increasingly easier for cyber criminals to counterfeit consumer electronics. The demand is there—the industry is predicted to grow to some US\$3 trillion by 2020<sup>1</sup>—and with complex supply chains and reliance on manufacturing across Asia, so too, is the capacity to supply.

Currently, it's estimated that one in every 10 IT products sold worldwide may be counterfeit<sup>2</sup>. In some cases, fake components infiltrate supply chains and end up being sold by legitimate retailers, making it even harder to tell the genuine products from the fakes. Fraudsters and grey market profiteers, naturally, see the vulnerability, and seize the opportunity to turn a profit at the brand owners' and consumers' expense.

About 64% of counterfeit electronics sales in the U.S. take place through legitimate retailers<sup>3</sup>, and the telecommunications industry is particularly susceptible, due to increasing levels of consumer demand. Apple handsets, for example, are one of the most targeted goods: fake phones are conservatively estimated as a \$6 billion industry<sup>4</sup>, while 148 million of all mobile devices sold worldwide in 2013 were substandard or counterfeits<sup>5</sup>.

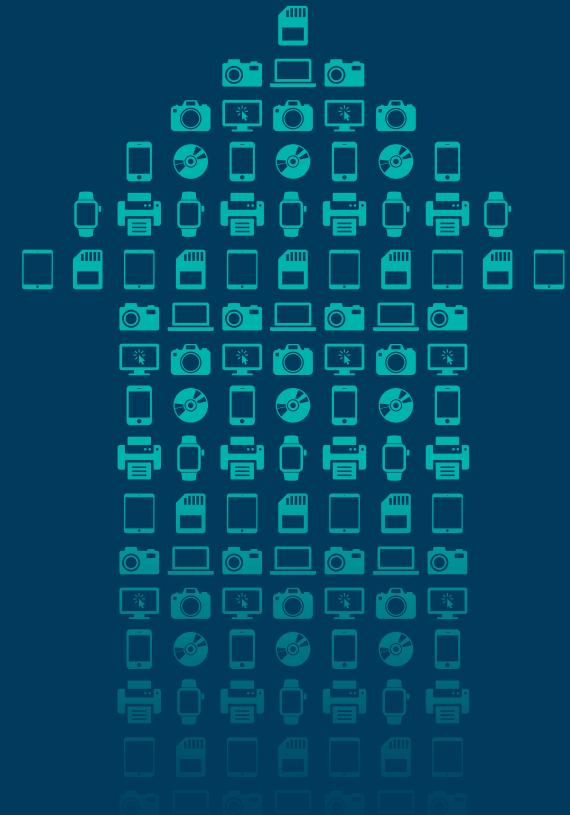
The shroud of online retail makes it even easier for counterfeiters to sell their goods, without giving the consumer the ability to see them in person or know for sure if they're coming from a trusted source. The ease of online purchasing also acts as an enabler: online retailers account for 60% of fake electrical goods in the UK, and 7% of consumers bought counterfeit electronics via social media alone in 2016<sup>5</sup>.

The statistics are staggering. But the risks and threats—to both a company's brand and the consumer at large—are equally terrifying. For a brand, revenues are held at higher risk and prices escalate as a result of these counterfeit products. Faulty, substandard goods mean brand denigration, which in turn impacts sales. For consumers, there are serious safety risks. Even though consumers seem more comfortable knowingly buying fake goods (around 8% of people in the UK<sup>5</sup> have knowingly bought counterfeit electronics; around 12% in the US<sup>6</sup>), they are likely unaware that these fakes are not put through the same rigorous health, safety, and quality checks as their legitimate counterparts. That's when we see the not-so-extraordinary cases of exploding smartphone batteries and blenders bursting into flames. These days, consumer electronics manufacturers are even creating mobile apps to check things like cable authenticity as this becomes a day-to-day danger.

Unfortunately, consumers continue to take the "it won't happen to me" approach to fakes. In fact, nearly one-tenth of consumers would consider buying fake electrical goods if it was cheaper than the original<sup>5</sup>. Additionally, according to a U.S. study, 45% of consumers believe that counterfeit consumer electronics do the job just as well as genuine consumer electronics<sup>7</sup> - this highlights that consumer knowledge around health and safety checks is still too low. And with China serving as the main source of counterfeit electronics, counterfeit consumer electronics is a global issue, and not just one relegated to the Western world.

*The consumer electronics industry is predicted to grow to*

**\$3 TRILLION<sup>1</sup>  
BY 2020**



## Consumer electronics facts



Electronics  
counterfeiting is a  
\$169 billion industry  
worldwide<sup>8</sup>



It's estimated that  
one in 10 IT products  
sold worldwide are  
counterfeit<sup>2</sup>

Consumer electronics  
is pegged as the fastest  
growing category of  
counterfeited goods  
across the world<sup>9</sup>

Most faked items<sup>10</sup>



Smart phones



Computers



Tablets



DVD/music players

**148 MILLION**

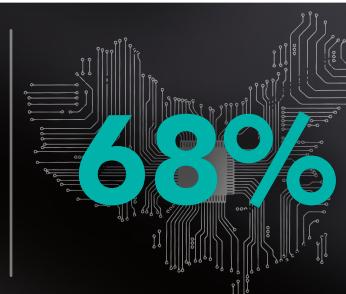
148 million (8%) of all  
mobile devices sold  
worldwide in 2013 were  
substandard or  
counterfeits<sup>11</sup>

Fake phones are now a \$6 billion industry.<sup>4</sup>

The average counterfeit phone sells for around \$45<sup>11</sup>



**68%**



In 2013, 68% of  
electronics and  
parts seized  
originated from China



A Chinese factory  
producing 41,000 fake  
iPhone handsets worth  
around \$19 million was  
shut down in 2015<sup>12</sup>



**2.5 MILLION**

In 2015, 2.5 million  
consumers in the UK  
bought a fake electrical  
product online<sup>5</sup>

**8%**

of UK consumers said  
they would consider  
buying fakes to save  
money<sup>5</sup>

**60%**

Online retailers account  
for 60% of all fake  
electrical goods  
purchased in the UK<sup>5</sup>

**7%**

of UK consumers  
bought electronics via  
social media<sup>5</sup>

**2X**

UK consumers are now  
twice as likely to see  
counterfeits on sale as  
they were in 2015<sup>5</sup>



## to protect your brand from these threats



### Know your enemy

Before any strategy can be implemented, make sure you've mapped out the current online environment. Ask yourselves these questions:

- Where is there online activity that affects your brand?
- Where are the biggest risks?
- Which risks are the most threatening to the business not attaining its goals?
- What are the potential quantitative losses from counterfeiting?
- What are people saying about your brand online and is it true?

1

2

### Make it a team effort

Anti-counterfeiting is rarely a one-person job. Don't leave it to a single department to sort out the issue. Just as counterfeiting affects multiple business areas, so does the solution:

- **IP professionals** – work to protect IP, including trademarks and copyright.
- **Marketers** – prevent brand erosion through safekeeping of the brand reputation, and direct customers to your legitimate products.
- **Risk professionals** – mitigate supply chain, financial, and consumer risk.

The CSC® online resource center provides insights and guides on the issues of anti-counterfeiting and online brand protection to help you. Find it at: [cscdigitalbrand.services/en/resource-center](http://cscdigitalbrand.services/en/resource-center)



## Educate your customers

Your customers could be a big asset in your fight against counterfeiting. Although there will always be consumers who will look for a cheaper alternative for the products they want, many customers also show strong brand loyalty. Make it easy for your people to find your genuine products:

- Publish online consumer help pages telling your customers what to look for to ensure they are getting a genuine product, as well as where they can find them.
  - » What are the indicators of genuine products - include logos, 3D trademarks, colors, etc.
  - » Give a list of official suppliers, and perhaps a list of places where you do not sell.
  - » Highlight how many times per year your brand has an official sale and indicate the highest discount given to genuine products.
- Give customers an opportunity to report counterfeit goods.
  - » Set up an easy web form on your customer services pages so that people can report what they have bought, from where, and for how much to help you identify counterfeit sites and suppliers.
- Consider investing in physical anti-counterfeiting technologies like the suggested protections below to help consumers validate products.



## Get protected



### Social media monitoring

Look for a social media and mobile app monitoring solution that tracks all mentions of brands and trademarks across social media platforms.



### Anti-counterfeit and marketplace monitoring solution

A good marketplace monitoring and anti-counterfeiting solution will combine professional expertise, with cutting-edge technology, and analyst review to ensure data integrity before enforcement action begins.



### Domain and content monitoring

You want a partner whose success rate for recovering digital assets, removing infringing content, and enforcing takedowns is exceptional.

Clients choose CSC for our first-class online Enforcement Team, our global reach, and the value of our complimentary, expert advice. We're ready to talk. [Contact us](#) to learn more about how we can help consolidate, secure, and promote your brand online.

## Solution matrix

Take a quick look at CSC solutions that can protect your brand.

Your issue	Brand monitoring	Marketplace monitoring	Domain name monitoring	Social media monitoring	Mobile app monitoring	Logo matching	Website takedowns
I think there are rogue websites posing as my brand	✓		✓			✓	✓
Fake versions of my brand's products are being sold on third-party marketplaces	✓	✓				✓	✓
I think there are fake social media profiles using my brand, selling counterfeit products, or directing traffic to bogus sites	✓		✓	✓		✓	
I think there are fake mobile apps using my brand to sell counterfeit products or direct traffic to bogus sites	✓				✓	✓	
My brand reputation is in jeopardy from the sale of sub-standard fakes	✓	✓	✓	✓	✓	✓	✓



**CSC®** helps businesses thrive online. We help effectively manage, promote, and secure our clients' valuable brand assets against the threats of the online world. Leading companies around the world choose us to be their trusted partner, including more than 65% of the Interbrand® 100 Best Global Brands. Leveraging state-of-the-art technology, Digital Brand Services delivers outstanding outcomes through our unique account management structure. With our expert, dedicated team, you'll have a daily point of contact to ensure your brand has the strength it needs to succeed in the 21st century. We help consolidate and secure, monitor and enforce, then optimize and promote your brands in order to maximize your digital presence, secure your digital intellectual property, and reduce costs.

#### References:

<sup>1</sup><https://www.futuremarketinsights.com/reports/consumer-electronics-market>

<sup>2</sup>Havocscope, 2016: <http://www.havocscope.com/counterfeit-electronics-worldwide/>

<sup>3</sup>Havocscope, 2016: <http://www.havocscope.com/most-fake-electronics-sold-in-us-takesplace-in-retail-stores/>

<sup>4</sup>Mobile Manufacturers Forum, Counterfeit/Substandard Mobile Phones, 2014: <https://www.securingindustry.com/electronics-and-industrial/amazon-criticised-for-counterfeits/s105/a2856/#V4wZO7grLuo>

<sup>5</sup>BT.com, Consumers urged to 'shop smart' and avoid counterfeits, 2016: <http://home.bt.com/news/uk-news/consumers-urged-to-shop-smart-and-avoid-counterfeits-11364066764997>

<sup>6</sup><https://www.futuremarketinsights.com/reports/consumer-electronics-market>

<sup>7</sup><http://bgr.com/2014/05/02/how-to-spot-fake-electronic-devices/>

<sup>8</sup>Cebr, Counterfeiting across the globe, 2016.

<sup>9</sup><http://www.goliath.com/random/the-10-most-counterfeited-products-in-the-world/>

<sup>10</sup><http://money.cnn.com/galleries/2012/pf/1202/gallery.counterfeit-goods/index.html>

<sup>11</sup>Mobile Manufacturers Forum, Counterfeit/Substandard Mobile Phones, 2014: [http://spotafakephone.com/docs/eng/MMF\\_CounterfeitPhones\\_EN.pdf](http://spotafakephone.com/docs/eng/MMF_CounterfeitPhones_EN.pdf)

<sup>12</sup><https://9to5mac.com/2015/07/27/fake-iphone-factory/>

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