



**The cost
of online
counterfeiting:
Apparel and
accessories**





THE ONLINE COUNTERFEIT ECONOMY

of apparel and accessories

The online world offers many new opportunities for counterfeiters to further their reach and profitability under the cloak of anonymity. From unpoliced auction sites, online marketplaces, and rogue websites, to illicit sales via social media and fraudulent mobile apps, counterfeiters now have more tools at their disposal than ever before. What's more, they're using the same digital routes to market as genuine brand owners. Meanwhile, fraudsters can also target brands and consumers with an ever-evolving range of digital weapons, such as phishing, cyber squatting, traffic diversion, and more.

By the numbers, today's largest counterfeit markets in the fast-moving consumer goods sector are pharmaceuticals, electronics, and food and drink, but the apparel and accessories market makes up the lion's share of the value of all counterfeit shipments globally.

Here, we take a closer look at counterfeiting in the apparel and accessories market and what it means for your business.

FAKE

FAKE

FAKE

FAKE

What are the threats to your brand?

The threats to your brand are many, and oftentimes in plain sight, because sales made through digital channels are more commonplace, making it easy for consumers to unwittingly purchase fake apparel and accessories online.

Online marketplaces like Taobao and Amazon.com®—of which 40% of sales come through its third-party marketplace¹—are consumer trusted, low-cost channels—which makes them easy outlets for counterfeiters to sell their goods at competitive price points, unbeknownst to the consumer.

Social media channels and mobile apps are also increasingly being used by counterfeiters to direct traffic away from brands. With mobile commerce accounting for 40% of worldwide eCommerce in 2015², and the increasing number and variety of apps appearing in app stores across mobile platforms, there are more and more opportunities for fake apps to divert business from the trusted online environments of legitimate companies towards infringing sites where counterfeits are sold under the guise of a genuine brand.

On the social media front, 66% of fashion purchases are thought to be influenced by social media sites³ and 16% of sales are now being transacted directly through them⁴, making it an attractive marketplace for counterfeiters to tap into. On top of this, setting up profiles is free, and scrutiny is low—not to mention fake positive reviews and page likes can be bought in bulk for a reasonable fee. This allows the development of a credible social media footprint at low cost with high impact.

But consumers looking for low prices on goods with a high price point rarely realize the impact that their purchases may have on themselves or the wider economy. For the most part, counterfeit products can just be made out of lower quality materials, but some can pose physical risks due to toxic dyes or increased flammability. However, it's the indirect impact of these purchasing decisions that have the greatest effect on consumers. Since fewer sales of genuine products directly translates to fewer staff being required, apparel and accessory counterfeiting is estimated to cost over half a million jobs in the EU alone—in the USA that figure is closer to 750,000—and more than €8 billion in lost taxes⁵.



66%

of fashion purchases are
thought to be influenced
by social media



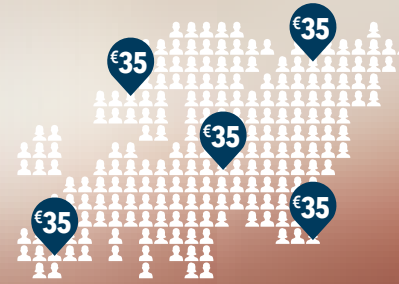
16%

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Apparel and accessories facts

\$1.8 TRILLION

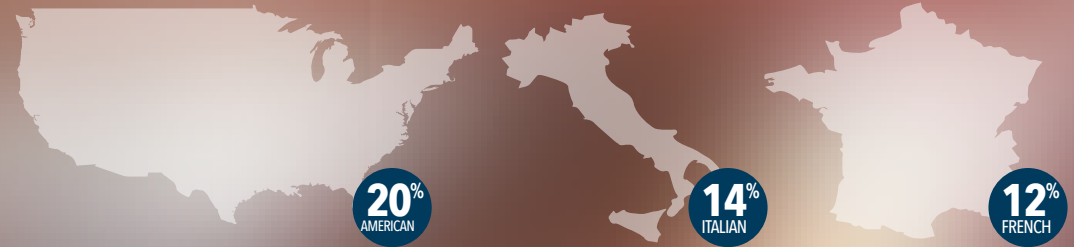
The total value of fake luxury goods sold worldwide is equivalent of the GDP of Italy⁶.



The European Commission estimates that sales of fakes in the EU are worth around **€26 billion** every year⁷—that's the equivalent of every resident in the EU spending **€35** on counterfeit items.

Luxury personal accessories are the most commonly seized goods at EU⁸ and US⁷ borders—these include watches, jewelry, handbags, and wallets.

The most faked fashion labels⁹



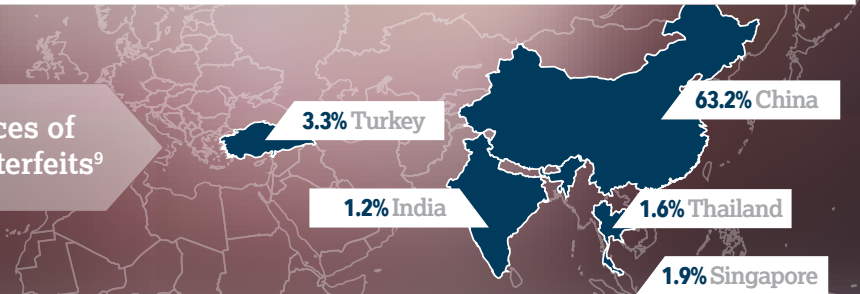
Most faked items¹⁰



€8+ BILLION

Apparel and accessory counterfeiting costs the EU more than **€8 billion** in lost taxes⁵.

Sources of counterfeits⁹



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steps to protect your brand from these threats

1 Know your enemy

Before any strategy can be implemented, make sure you've mapped out the current online environment. Ask yourself 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 strategic goals?
- What are the potential quantitative losses from counterfeiting?
- How is infringing online activity affecting your brand's reputation?

2 Get protected

Now you know what your threats and challenges are, it's important to formulate a brand protection strategy and get the right protection in place.



Social media and mobile app 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.



Brand enforcement and domain name acquisition

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

3 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/resources

4 Educate your customers

Your customers could be a big asset in your fight against anti-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 biggest 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 anti-counterfeiting technologies like the suggested protections in our solutions matrix on page 7 to help consumers validate products.

Solution matrix

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 half 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:

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⁴*eMarketer*, "How Social Media Influences Shopping Behavior," 2016

⁵The EU's Office For Harmonization In The Internal Market press release, "Over €26 billion and up to 363,000 jobs lost every year in the EU due to counterfeiting of clothes, shoes and accessories," 2015

⁶*The Economist*, "Makers of expensive bags, clothes and watches are fighting fakery in the courts. But the battle seems to be getting tougher"

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¹⁰*First to Know*, "Top 5 Most Counterfeited Products in the World"

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