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## 9 Counterfeiting luxury goods

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### 9.1 THE WORLD OF “LOXURY”: LUXURY AND COUNTERFEITING

Luxury brands are defined as those purchased by consumers more for their psychological, hedonic and/or symbolic value, rather than because of their functional or economic value. Throughout history, luxury was the signal and measure of rank in aristocratic societies, and it was linked more to lifestyle than to specific products (Kapferer, 2015). In 1899, Thorstein Veblen in his *Theory of the Leisure Class* introduced the concept of *conspicuous consumption*, in which he suggested that status good consumers were motivated by an “invidious comparison”, that is, their desire to distinguish themselves as having higher status than others. Since then, much research has been devoted to understanding the world of luxury and the perceptions, attitudes and behavior of consumers toward and with luxury goods (Sirgy, 1982; Belk, 1988; Dubois and Laurent, 1995; Nueno and Quelch, 1998; Kapferer, 1998; Phau and Prendergast, 2000; Vigneron and Johnson, 2004; Wang and Griskevicius, 2014).

Luxury brands are notable for several distinct characteristics: an exceptional level of quality; rarity (both physical and virtual) and exclusivity; scarcity (both real and artificial); symbolic power, ostentation and conspicuousness; history, heritage and tradition; high levels of craftsmanship; and, of course, high price (Kapferer, 2015; Hieke, 2010). The global market for luxury goods is thriving, with revenues estimated by Bain & Company (2016) for the overall luxury industry to have surpassed \$1 trillion and the personal luxury goods market to be around \$249 billion in 2016. According to the most recent Millward Brown report (Table 9.1), the top 10 luxury brands worldwide (with the top three positions held by Louis Vuitton, Hermès and Gucci) have brand values ranging from \$3 to \$27 billion. Furthermore, in the 2016 Interbrand yearly report of the top 100 global brands (Interbrand, 2016), eight luxury brands make the list (from Louis Vuitton at number 19 to Dior at number 89).

While the market for luxury goods is thriving, counterfeiting, the unauthorized use of another’s registered brand name or trademark, remains a significant threat for the industry (OpSec, 2013; Kapferer and Michaut, 2014).

Counterfeiting is one of the oldest crimes in history. In ancient Rome, wine traders counterfeited wine trademarks on amphorae, selling inexpensive local wine as fine Roman wine. By the 13th century, counterfeiting had become so common that, in some European countries, copying a trademark was punished with torture and death (Wilcox et al., 2009). Today, counterfeiting hits almost every sector, from pharmaceuticals to toys, from auto-parts to content goods (movies, music, software, video games, etc.), but luxury and fashion goods are often the preferred targets of counterfeiters. These products are the most illegally reproduced worldwide for a multitude of reasons, linked to both demand and supply. On the demand side, counterfeiters exploit the heritage of meanings associated

Table 9.1 *Top 10 luxury brands worldwide*

	Brand value 2015 \$m	Brand contribution	Brand value % change 2015 vs 2014
1 Louis Vuitton	27,445	5	6%
2 Hermès	18,938	5	-13%
3 Gucci	13,800	5	-14%
4 Chanel	8,987	5	15%
5 Rolex	8,532	5	-6%
6 Cartier	7,612	4	-15%
7 Prada	6,540	5	-35%
8 Burberry	5,722	5	-4%
9 Michael Kors	3,815	3	N/A
10 Tiffany	3,232	3	N/A

*Source:* Millward Brown (including data from BrandZ and Bloomberg). Brand contribution measures the influence of brand alone on earnings, on a scale of 1 to 5, 5 highest. Retrieved from: <http://www.millwardbrown.com/brandz/top-global-brands/2015/brand-categories/luxury>.

with the original goods, enticing status-seeking consumers who cannot afford the authentic goods into buying false versions in order to project the same prestige, high brand image and social status as the authentic goods. Some consumers of counterfeits may think they are “smart shoppers”, getting a great deal on a product that resembles an original. Still others may hold “anti-big-business” sentiments toward luxury brands, perceiving them as distant corporations charging unreasonably high prices for their products (Kwong et al., 2003; Penz and Stöttinger, 2005; Phau et al., 2009a). On the supply side, counterfeiters are very interested in reproducing luxury goods since they are part of a very lucrative market with significant margins yet require relatively simple, mass-production technologies. Thus, counterfeiting may imply large profits with small investments and limited risks, given that the probability of being caught is rather small, and even if caught, the conviction rates are low and penalty rates often light (Nill and Schultz, 1996; Jacobs et al., 2001). For these reasons, counterfeiting is especially flourishing in emerging economies, where Intellectual Property Rights (IPRs) enforcement is still in its infancy and local governments are often-times permissive with local “entrepreneurs”, particularly when these countries may be more focused on more immediate needs, such as hunger, employment, safety and transportation. As a result, complying with international policy and enforcing the IPRs of global, luxury companies is certainly not a priority. The consequences of these instances are dramatic for legitimate brands, as “luxury” products, meaning counterfeit luxury goods, not only reduce revenues and profits, but also tarnish the brand’s image, equity and reputation, which are the essence of what a luxury brand really is.

## 9.2 SPECTRUM OF COUNTERFEIT LUXURY GOODS

Grossman and Shapiro (1988) distinguished the markets for counterfeit products as being of two types. In one market, consumers cannot easily observe the quality of the goods

they are purchasing, nor can they distinguish copies from the authentic merchandise. The consumer is in this case a victim who unintentionally purchases a counterfeit product (Phau and Teah, 2009). In these markets, with imperfectly informed consumers, trademarks protect the company's investments and counterfeiting represents an infringement of their IPRs. This type of practice is known as "deceptive counterfeiting". In the second type of market, however, consumers are aware or strongly suspect that they are purchasing a counterfeit. They can distinguish fakes from legitimate brand-name goods by inspection, or because the legitimate producers signal authenticity and monitor the exclusive distribution channels through which their goods are sold. The consumer is, in this case, a willing participant, an "accomplice", of the counterfeiters (Phau and Teah, 2009), purchasing the fake often because he or she cannot afford the original, and seeking to make the luxury dream become reality at a lower price. This practice is known as "non-deceptive counterfeiting". This form of counterfeiting is prevalent in luxury brands' markets since consumers can distinguish fakes from original based on differences in price, distribution channel and inferior quality of the product itself (Nia and Zaichkowsky, 2000).

While this distinction between deceptive and non-deceptive counterfeiting is meaningful, the notion that in today's global economy there is a simple dichotomy between clearly fake products and identical-to-real products is very questionable (Gentry et al., 2001). In recent times, it has been suggested that counterfeit products can be allocated on a continuum, or spectrum, of deception. On one end of the spectrum are the completely non-deceptive, low quality, unconvincing imitations (i.e., all consumers can clearly distinguish the real from the fake product), while at the other end of the spectrum are the super deceptive, high quality counterfeits (authentic branded and counterfeit goods that are identical and impossible to tell apart). In between these extremes lie a variety of possibilities in terms of quality, prices and deception (Hilton et al., 2004; Bosworth, 2006) (Figure 9.1). We detail the characteristics of different locations on this spectrum below.

- "Vanity fakes (shoddy imitations or knock-offs)" are counterfeit products of low intrinsic and low perceived quality which poorly imitate luxury products. They are generally not a problem for original manufacturers since they are clearly not the real thing; yet, they can become a problem when a flood of such products enters the market, damaging brand image and brand heritage over the long run.
- "Near brands" are imitations of legitimately registered trademarks with minimal



Notes: \* Seconds and \*\* over-runs, super copies and gray-market goods are not counterfeit products per se, yet are included in this taxonomy since they tarnish the original brand's image and heritage.

Source: Our elaboration on Bosworth (2006).

Figure 9.1 Spectrum of counterfeit luxury goods

variations (examples are logos that are similar to the original in appearance and sound, but not identical such as “Rolix” instead of “Rolex” and “Channel” vs. “Chanel”).

- “Condoned copies or look-alikes” are simple design copies made by counterfeiters from pictures of “haute-couture” designs that impersonate the original product’s form and appearance (Commuri, 2009). Counterfeiters simplify current designs to make products available in high volumes and at lower prices compared to the luxury versions, and do not use the original designer’s brand name. Such copying is endemic to the luxury industry and, as such, it sparks a lot of controversy. Some fashion houses, though, have come to accept the practice since they benefit from the publicity (Giorgio Armani once said, “If you are being copied, you are doing the right thing”), and the copies legitimate their designs as ones that are desirable and worth copying. As Coco Chanel once said “Being copied is the ransom of success.”
- “Seconds”, while not counterfeits per se, are manufacturer authorized products that do not pass quality standards in order to be sold through the original distribution chain (usually products with defects, factory rejects or out of date), and are thus sold through secondary markets (usually outlets or factory stores). These seconds, while authentic, may give credence to poorer quality counterfeit products.
- “Overruns (supercopies or grey market goods)”, like *seconds*, are not counterfeits “strictu sensu”, but are high quality products with suspect provenance that may have all the attributes of the original designer-labeled product. They may have been created by the original manufacturer who, in order to gain additional profits, produced extra garments out of the legitimate distribution chains (Phau and Teah, 2009), even if on most occasions legitimate brands are unaware of this phenomenon. These are products with all the characteristics of the original (label included), except for the proper authorization of the creator. They are usually sold in local markets and compete with the genuine articles.
- Finally, while all previous categories are lower quality products in comparison to the originals, “High quality counterfeits” also exist. With the advent of new technologies, counterfeiters are able to produce replica products that have a very high and similar intrinsic quality in comparison to the original. With these new technologies, imitations often reach the market before the originals. Entrepreneurs of high quality counterfeits often consider it perfectly legitimate to earn money through distributing a high quality product at a low price, as they believe they are still serving the customer with an excellent product – albeit illegal – at a fraction of the original’s price.

### 9.3 THE DEVIL’S IN THE DATA – GLOBAL STATISTICS ON LUXURY COUNTERFEITING

Real data on counterfeit volumes and revenues is very hard to obtain, as products are sold in black markets, online or outside of any monitored channel. The estimates that are available typically come from customs and border agencies that confiscate goods entering or transiting through a geographic area or country, even if, given the spectrum of possibilities outlined above, identifying actual counterfeit products can oftentimes be very

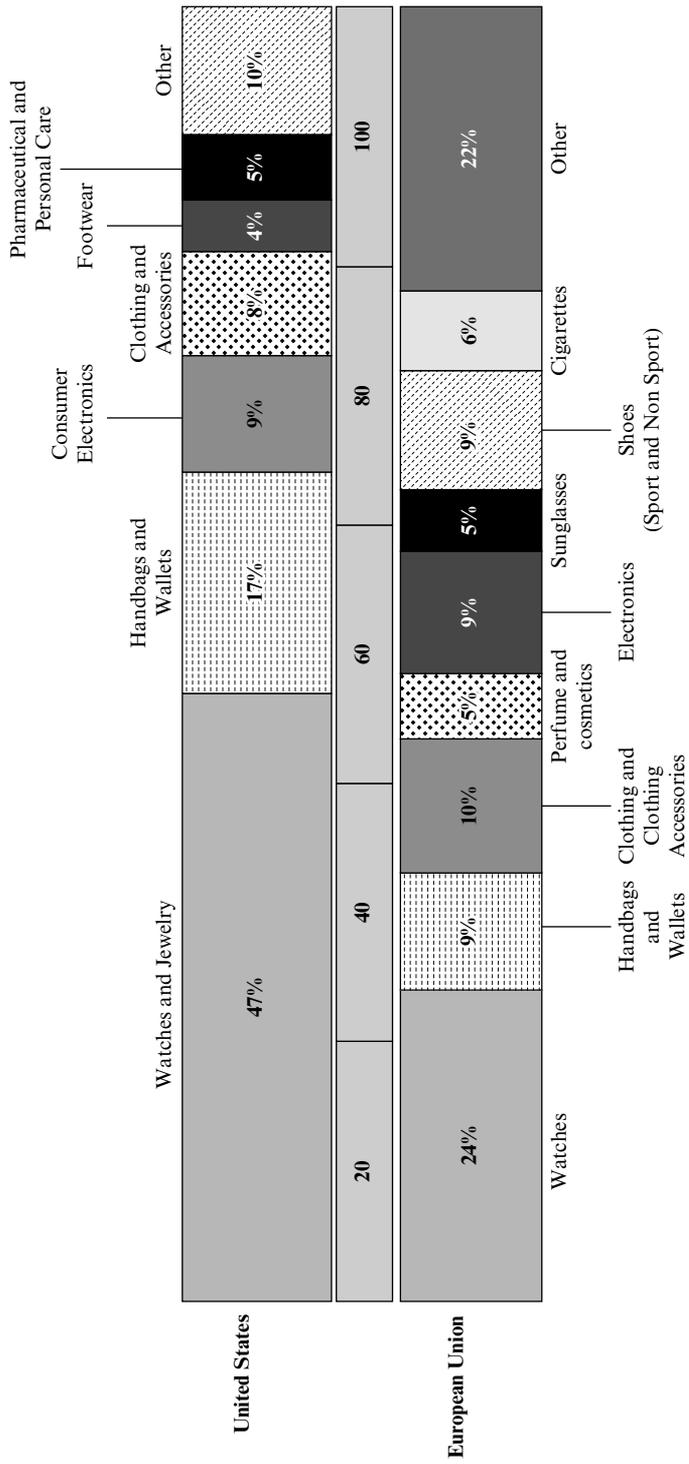
challenging. The top destination markets for counterfeit goods, coming typically from Southeast Asia, are the United States and the European Union.

Despite difficulties in calculating their true value, the United States Customs and Border Protection (CBP) values the seized counterfeit goods at staggering amounts: in 2016, the seized goods were worth an estimated \$1.38 billion, a 2.25 percent increase on the previous year (United States Department of Homeland Security, 2017). Luxury items were the most counterfeited, with quality often being extremely high, making identification even harder, and prices drawing near the authentic ones to deceive consumers even further. The top categories of products confiscated (in terms of equivalent manufacturer suggested retail price, MSRP) were watches and jewelry (around \$654 million, 47 percent of total), followed by handbags and wallets (around \$234 million, 17 percent of total), consumer electronics (around \$123 million, 9 percent of total), and clothing apparel and accessories (\$111 million, 8 percent of total). Products originated mainly from China (45 percent) and Hong Kong (43 percent).

In the European Union, the latest European Commission Report (2016) highlights how, in 2015, the EU customs agencies opened over 81,000 cases for a total of about 41 million illicit goods whose domestic retail value (DRV – i.e., the price at which they would have been sold on the national market if they had been genuine) was worth over €642 million. Those most affected (in terms of lost equivalent DRV) were the fashion and luxury goods industries; the top categories of counterfeit goods were watches (24 percent), clothing and clothing accessories (10 percent), and bags, wallets and purses (9 percent) which together comprised approximately 43% of the total (Figure 9.2).

## 9.4 EFFECTS OF COUNTERFEITING ON ORIGINAL LUXURY BRANDS

As mentioned earlier, luxury products are damaged from counterfeiting given the high social status they convey, the high profits involved and their high dependence on brand name, brand reputation and brand equity (Nia and Zaichkowsky, 2000; Chuchinprakarn, 2003). Past research (Pastore and Cesareo, 2014) with managers focused on brand protection and anti-counterfeiting strategies at a variety of luxury companies found that counterfeiting generates very negative effects on companies, in terms of both direct and indirect losses. The greatest damage caused by counterfeiting to luxury companies is the direct damage of image, in terms of evocative and aspirational power, brand strength, value and tarnishment of the company's reputation. Such negativity is reflected in brand dilution, in a reduction of the reliability and exclusivity of the brand, in a trivialization of the brand and resulting disaffection of the customer, particularly toward luxury brands, and, of course, counterfeiting results in lost revenue. Luxury companies, however, believe that although there are turnover losses (sometimes of considerable size), the actual economic damage appears to have no great effect on the companies' performance. Some brands even claim to lose nothing since the client that buys a counterfeit, willingly paying a much lower price for the possession of that good, is not really a potential customer of the original company since he or she would be unlikely to acquire the same product, in the authentic version, for a considerably higher price. Other negative effects include the significant investments required to reveal counterfeiting. These indirect losses due to



Source: Our elaboration of US Department of Homeland Security (2017); European Commission (2016).

Figure 9.2 Types of counterfeit goods seized at US and EU borders (latest available, % by value)

counterfeiting are accrued through the high costs paid both *ex ante*, for the defense and legal protection of the company's trademarks and assets (trademarks, designs, patents and Internet domains registration), real and virtual market monitoring, and *ex post* for investigations, surveys, legal proceedings (civil and criminal) and legal enforcement.

While the negative effects of counterfeiting are evident, can the phenomenon have any "positive" effect on original luxury brands? Some have suggested that counterfeiting increases the perceived exclusivity of the original brand, since the exposure to it, albeit fake, nonetheless results in "flattery", thereby increasing the value of the original brand (Barnett, 2005 and Bekir et al., 2012). Luxury companies, on the other hand, find no real beneficial effects of counterfeiting on their brands. The only "positive" implication of counterfeiting is a boost to further differentiate and improve their products, in order to make them even more unique and valuable for their customers.

## 9.5 THE ACADEMIC LITERATURE ON LUXURY COUNTERFEITING

Counterfeiting has been extensively studied by academics from different disciplines and fields, from marketing to law, from management to psychology, from business ethics to economics. The phenomenon has been examined from a multitude of perspectives: general overviews and framing of illicit trade; international and national political, legal and economic frameworks governing counterfeiting; effects of counterfeiting on legitimate companies, countries' economies and welfare; demand-side investigations and consumer behavior; supply-side investigations, infringers' supply and distribution chains; and, finally, the anti-counterfeiting strategies and managerial solutions to counterfeiting.

The most recent and comprehensive literature review on the phenomenon (Cesareo, 2016) highlights how the purchase of counterfeit luxury goods has attracted separate and outsized attention relative to other product categories in the consumer behavior literature. The literature has addressed the issue theoretically and empirically, through both qualitative and quantitative methodologies, with a focus on the physical distribution channels (i.e., street vendors, flea markets, shopping malls). Studies have addressed:

- The effects of counterfeiting on original luxury brands (Nia and Zaichkowsky, 2000; Gistri et al., 2009; Commuri, 2009; Pastore and Cesareo, 2014);
- The different typologies of luxury goods and counterfeit luxury goods consumers (Han et al., 2010);
- The social-adjustive and value-expressive functions associated with the preference for original and counterfeit luxury goods (Wilcox et al., 2009);
- The meanings consumers associate with and the reasons for which they purchase original and counterfeit luxury goods (Turunen and Laaksonen, 2011; Juggessur and Cohen, 2009; Jiang and Cova, 2012; Romani et al., 2012; Penz and Stöttinger, 2012; Doss and Robinson, 2013; Geiger-Oneto et al., 2013; Kapferer and Michaut, 2014; Bian et al., 2015).

While this literature has created a detailed understanding of the consumption practices of luxury counterfeits in the traditional, offline setting, consumer perceptions and

behaviors with luxury counterfeits online, where the risk of deception and fraud is very high, is still an under explored area that certainly needs further research.

## 9.6 A TWO-SIDED GAME: THE ROLE OF CONSUMER DEMAND FOR FAKE LUXURY GOODS

### 9.6.1 The Importance of Consumer Behavior in the Thriving Counterfeit Market

In earlier sections, we introduced the counterfeiting phenomenon, focusing on the supply side. We described the defining characteristics of luxury goods and what makes them so attractive to counterfeiters; which products are most victim of the phenomenon and some estimates of its size on a global scale; and, finally, we described some of the negative effects brands experience as a result of counterfeiting. However, it is clear that, as in all markets, even for that of counterfeit goods, demand plays a key role. Thus, for a full understanding of the phenomenon, and in order to define the best strategies against it, it is very important to analyze the dynamics that influence the demand for counterfeit goods.

First, as previously mentioned, counterfeiting can be either deceptive or non-deceptive. While in the former, consumers are deceived and any counterfeit they purchase is a fraud against them, in the latter, consumers are fully aware they are purchasing counterfeits. This second aspect of consumer behavior is what fuels the thriving market for illicit goods and is one of the main drivers of the growth of the phenomenon worldwide (Penz and Stöttinger, 2005; Stumpf et al., 2011). Such consumer “misbehavior” violates the generally accepted norms of conduct in consumption situations (Fullerton and Punj, 1998), yet it is the result of today’s consumption, marketing-driven culture. Fueled by consumers’ continuous desires, this new cultural shift has given new social and hedonic meanings to goods, and driven accompanying changes to the accepted moral values. As we analyze the demand for counterfeit goods, it is particularly relevant to delve into what factors shape consumer attitudes and behaviors toward these products, and, consequently, how we might identify different consumer groups based upon their relationship toward counterfeits. This kind of approach may help companies target consumers with their anti-counterfeiting strategies, in order to gain their support and transform them to become part of the solution rather than the problem.

### 9.6.2 Motivations Underlying Attitude, Intention and Purchases of Counterfeit Goods

As in all consumer purchases, there is an “attitude–intention–behavior” chain (Ajzen and Fishbein, 1980) that underlies the purchase of counterfeit products and consumer participation in counterfeit trade. While there should be consonance between stated attitudes and actual behaviors (Cordell et al., 1996), with specific reference to counterfeiting we often see an “attitude–behavior” gap: consumers are theoretically and ethically against counterfeits, yet when faced with the opportunity to purchase them they do not hesitate. Attitude is a “settled way of thinking or feeling about something” (Oxford dictionary); it is a learned predisposition to behave in a favorable (or not) manner toward a given object. In marketing terms, attitudes can be defined as the summary cognitive and affec-

tive evaluations that individuals have toward products, services, other companies, ideas, issues or institutions. As the consumer attempts to evaluate a product or service, he or she will develop an attitude about the thing being evaluated.

Attitudes toward counterfeits are one of the most important determinants of counterfeit purchases: many studies have demonstrated that a favorable, positive attitude toward counterfeits will translate into a favorable purchase intention and actual purchase of such products (e.g., Phau et al., 2009b; Cordell et al., 1996; Maldonado and Hume, 2005). But what generates a favorable attitude toward counterfeiting? In order to answer this question, we start from Eisend and Schuchert-Güler (2006)'s and Wilcox et al. (2009)'s taxonomy of determinants and then develop and integrate these perspectives with further elements (Cesareo, 2016). The main categories of determinants are:

1. Person and personality factors (i.e., demographic variables, ethical ideologies, perceived risk);
2. Product and brand factors (i.e., price, quality, image);
3. Social and cultural factors (i.e., informative and normative susceptibility, subjective norms, word-of-mouth);
4. Situational and contextual factors (i.e., mood, context, hedonic shopping experience, availability) (see Table 9.2).

*Table 9.2 Factors influencing consumer attitude toward counterfeit products*

Category	Description	Main Determinants
Person and personality factors	Individual characteristics in terms of demographic factors, psychographic factors and personality traits	Demographics, personal gratification, value consciousness, price sensitivity, novelty seeking, self-identity, perceived risk, materialism, brand sensitivity, anti-big-business attitude (Robin Hood mentality), knowledge of the effects of counterfeiting
Product and brand factors	Characteristics of the counterfeit good, also in comparison to the original	Price, price/quality inference, durability, quality, physical appearance, useful life, product involvement, product knowledge, product performance, brand image, perceived fashion content
Social and cultural factors	Evaluations carried out by the individual in regards to their social and cultural sphere	Social influence, subjective norm, social consensus, aspirational group influence, peer pressure, brand prestige, brand consciousness, social status, brand status, perceived "smart" image, ethical conception, moral judgment, legal issues, integrity, religiosity, culture, consumer's ethnocentrism, Country-of-Origin (COO)
Situational and contextual factors	Purpose of purchase, situational and contextual influences	Purpose of purchase, situational elements, hedonic shopping experience, previous experience

*Source:* Our elaboration of Eisend and Schuchert-Güler (2006); Wilcox et al. (2009); Cesareo (2016).

While in most cases the influence of each determinant on attitude has been empirically verified, in others this kind of analysis is lacking and the supporting arguments are mainly logical.

### 9.6.2.1 Person and personality factors

The first category, *person and personality factors*, concerns the individual's characteristics such as demographic factors, psychographic factors and personality traits (Wee et al., 1995; Nill and Shultz, 1996; D'Astous and Gargouri, 2001; Penz and Stöttinger, 2005; Gentry et al., 2006; Bian and Moutinho, 2009; Penz et al., 2008; Phau et al., 2009b; Kwong et al., 2003). Within this category we can identify specific antecedents of attitudes and behaviors toward counterfeits:

- Demographic characteristics – such as educational background, age, gender, occupation, country of origin, monthly income, that are correlated with consumers' attitudes toward counterfeits.
- Personal gratification – is linked to the need for social recognition, accomplishment and higher standards of living; consumers that seek personal gratification should be less likely to purchase counterfeit products, since they do not provide similar levels of quality as the originals.
- Value consciousness, price sensitivity – is the concern for paying lower prices, subject to some quality constraint, and perceived reference point of the original products' prices. Counterfeit products have lower quality but offer tremendous cost savings; this means that value consciousness increases the likelihood of counterfeit purchases.
- Novelty seeking – is individual's curiosity to seek variety and difference in products; a consumer willing to try a new product may have positive attitudes toward counterfeits.
- Self-identity – individuals who tend to possess low self-esteem are more likely to buy counterfeit products to signal a more elite social position, in order to help them construct and preserve their individual identity and self-image.
- Readiness to take risk/Perceived risk – counterfeits may be considered risky in light of possible money loss, malfunction, and physical, psychological, functional and social harm; therefore, consumers that are more prone to taking risks are more likely to buy counterfeit products.
- Materialism – meant as the importance a consumer attaches to worldly possession. Thus, since counterfeits satisfy materialistic needs at lower costs, the more materialistic a consumer is, the higher the probability of counterfeit purchases.
- Brand sensitivity – consumers who are very brand loyal and who attach high importance to the brand name should evaluate counterfeit brands as worse, thus holding a negative attitude toward them.
- Anti-big-business attitude – counterfeit purchases are often justified due to feelings of sympathy for small rather than large businesses based on the impression that large companies are impersonal, overwhelming and socially distant. This is also referred to as “Robin Hood mentality”: consumers see buying fake products as taking from the rich (big businesses) and giving to the poor (themselves).
- Knowledge of the negative effects of counterfeiting – counterfeit trade suffocates

the growth of economies, promotes organized crime, and generates high social costs; the consciousness of these negative effects strengthens negative attitudes toward counterfeits.

#### 9.6.2.2 Product and brand factors

The second category of determinants relates to *product and brand factors*. Within this group we can find the characteristics of the counterfeit good, also in comparison to the original (Wee et al., 1995; Albers-Miller, 1999; Bian and Moutinho, 2009; Penz et al., 2008; Phau et al., 2009b; Phau, et al., 2009a). The specific factors are:

- Price and price/quality inference – the price advantage is surely the main motive for the purchase of counterfeit goods. Studies have demonstrated that some consumers (“smart shoppers”) will choose counterfeits if they believe that they are equivalent to the genuine good, except for the lower price; others, alternatively, believe that a price cut more than compensates the loss of quality.
- Durability, quality and physical appearance – the more similar these product characteristics are between the real and the fake product, the higher the probability of counterfeit purchases.
- Useful life – this factor is very important to consumers when they are buying functional products. However, as luxury products are bought mainly for their status benefits, useful life and other functional sources of value are of lesser importance.
- Product involvement, product knowledge, product performance – when product involvement is high, consumers put larger effort into evaluating the true merits of the product and there is a greater chance that they will show reduced preference for counterfeits relative to the genuine good; consumers with a high level of product knowledge tend to evaluate products more accurately, choosing original products rather than counterfeits; also, counterfeits may yield reduced symbolic performance, personal pleasure, excitement and status compared to the original products.
- Brand image – defined by Aaker (1996) as “how a brand is perceived by consumers”, it stands for the set of brand associations held by a consumer in memory; since the brand image of an original product can easily be transferred to a counterfeit, particularly if it is of high quality, it is hypothesized that a favorable brand image will have a positive effect on counterfeit products and purchases.
- Perceived fashion content – since fashion products have short life cycles, people may be unwilling to spend huge amounts of money on something that will very soon be “out of style”; this means that if a counterfeit version exists, the higher the perceived fashion content, the more likely consumers will purchase it.

#### 9.6.2.3 Social and cultural factors

The third category of antecedents relates to *social and cultural factors*, which influence an individual’s behavior, taking into account their social and cultural sphere (Chakraborty et al., 1996; Albers-Miller, 1999; Ang et al., 2001; Penz and Stöttinger, 2003; Kwong et al., 2009; Phau et al., 2009b). Within this category, we can find:

- Social influence, subjective norm, social consensus, aspiration group influence, peer pressure – consumer’s consumption patterns are the reflection of their real or

aspirational social class membership; the pressure coming from the social group norm can induce consumer's decisions either toward the original or the counterfeit version of luxury brands; the need for social consensus can either reduce or increase counterfeit purchases, depending upon the relevant social norm.

- Brand prestige, brand consciousness, social status, brand status – when a brand is prestigious, consumers are likely to purchase the real version to reflect status; since luxury goods are also mainly used to reflect the prestige of the owner, impress others and deter interpersonal rejections, the consumers who have a high brand consciousness should be less likely to purchase counterfeit versions of luxury brands; but, if brand status is important to a person but he or she is unable to afford the original, they will turn to counterfeits as substitutes.
- Perceived “smart” image – reflects how consumers feel product use associates them with a desired group, role or self-image. If the fake product conveys the same image as the original would, then counterfeit purchases will rise.
- Ethical conception, moral judgment, legal issues, integrity, religiosity – ethical standards and obedience to the law are an important influence on consumer counterfeit purchases. Consumers with higher ethical standards are less likely to feel comfortable buying a counterfeit; fear of criminal penalty and sanctions should also deter such behavior; very religious individuals may be less prone to buying counterfeit products, since such behavior would be interpreted as unethical.
- Culture – because each country is culturally distinct, consumers of different national cultures may not share the same attitude and may vary in their counterfeit purchase behaviors. For instance, following Hofstede's model (1980) and the results of Husted's research (2000), individualism has been found to positively correlate whereas masculinity and uncertainty avoidance have been shown to negatively correlate with counterfeit purchases.
- Consumers' ethnocentrism – that is, the national and/or patriotic feeling correlates positively with the preference for authentic domestic products; high ethnocentric consumers have a negative attitude toward counterfeit versions of products from their own domestic markets that come from a different country.
- Country-of-Origin (COO) – it is widely accepted that country-of-origin (COO) of a product influences consumers' product evaluations across a variety of product classes and purchase situations. In the case of counterfeit products, the phenomena is influenced by three variables: the country-of-origin of the counterfeiter (COC), the country-of-origin of the legitimate manufacturer (COM) and the consumer ethnocentrism; highly ethnocentric consumers are likely to perceive foreign-made counterfeits as more risky and of lesser quality than if they were made on national grounds.

#### 9.6.2.4 Situational and contextual factors

The fourth category relates to *situational and contextual factors*, which deals with the purpose of purchase of counterfeit goods, as well as situational and contextual influences (Tom et al., 1998; Bian and Veloutsou, 2007; Yoo and Lee, 2009).

- Purpose of the counterfeited goods purchase – the purpose of the purchase affects the attitude toward counterfeit products: consumers are more willing to buy counterfeits for personal use rather than as gifts.

- Situational elements – being on vacation, compared to being at home, has been shown to positively influence consumer’s propensity toward the purchase of counterfeit goods.
- Hedonic shopping experience – consumers tend to purchase counterfeit goods because they believe it is an enjoyable, fun experience.
- Previous experience – past behavior is a significant predictor of future behavior, previous purchases of counterfeits tend to influence future purchases in a positive manner, pushing consumers to rebuy counterfeits.

This analysis of the antecedents of attitude and purchase intention of counterfeit products highlights the complexity of the phenomenon from a demand perspective. It also underlines the necessity of defining clusters of consumers characterized by similar approaches to counterfeits among themselves, yet different across groups.

### 9.6.3 Counterfeit Products’ Consumer Profiles and Clusters

When consumers knowingly purchase luxury counterfeit products they are trying to obtain the prestige conveyed by the original brand without having to pay for it (Cordell et al., 1996). While this basic principle is true for many buyers, we can observe a variety of consumer approaches to counterfeit products. Cesareo and Stöttinger (2015) put forth four types of consumers differing in their approach to original and counterfeit luxury products. The four segments are 1) the Wannabes; 2) the Hybrids; 3) the Outsmarted; and 4) the Brand Lovers.

The first consumer segment is “the Wannabes”. Traditionally, consumers buying counterfeits are those that do not possess the financial means to buy the originals in the first place. They are attracted by the intangible benefits of the brand, such as image and prestige, but they cannot afford to buy it. For some experts, these customers deserve tolerance, as the financial damage due to lost sales is rather limited. Some researchers even argue that these sales have a “positive” spillover effect on the original brand, as they increase promotion and brand awareness in new customer segments (Romani et al., 2012). Notwithstanding, the wide visibility and availability of the brand – even in its counterfeit version – is contradictory to the essence of a luxury brand, as explained in the opening paragraph of this chapter: scarcity and exclusivity (Kapferer and Bastien, 2009). Moreover, wide availability may give consumers the perception that counterfeits are rightful and therefore tolerable to purchase (Tang et al., 2014).

The second group of consumers is “the Hybrids”. These consumers can afford to buy authentic goods, but choose to not always do so. They own originals and fakes concurrently, thus directly affecting legitimate manufacturers’ sales through lowered demand overall. For this group of customers, choosing counterfeits goes beyond price or income-related motives. While they are interested in original brands, they prefer counterfeit versions for particular reasons (e.g., fun, pleasure and excitement; Yoo and Lee, 2009) or circumstances (e.g., to protect the original from wearing out during travel; Gentry et al., 2006). Using the Internet as a preferred distribution channel, the Hybrid consumers gain access to a broad number of fake products to choose from. For original brand manufacturers, this consumer group is a very important one, as they can afford the brand’s products, but partly refrain from purchasing them. This represents lost sales

for the original manufacturer and a change in the consumer–brand relationship, as well as a potential opportunity and priority segment for luxury manufacturers to attempt to change behavior.

The third group of consumers is “the Outsmarted”. These consumers buy counterfeits because they are deceived about a product’s authenticity. To date, deceptive counterfeiting has mainly been an issue for those product categories where consumers have no means to tell an original from a fake (e.g., pharmaceuticals). Now though, the Internet brings deceptive counterfeiting more and more into product categories that have been less affected so far, such as handbags, clothes and accessories. Websites can easily be launched, artwork is often copied from the original manufacturers’ website and, even for experts, discerning between a fake and an original online can be very difficult (Steigrad, 2011). Furthermore, the prices offered seem like a great bargain on a consumer’s favorite brand (Mavlanova and Benbunan-Fich, 2010). For a brand manufacturer, this group appears remarkably vulnerable, as these consumers are faithful to the brand, but just trying to obtain a good deal. Their negative experiences with these purchased counterfeits may lead to disappointment not only with the specific purchase, but also with the original manufacturer, as they feel unprotected from such frauds (Hieke, 2010).

The last group is “the Brand Lovers”. This group comprises brand-loyal consumers who see the spread of fakes as detrimental to their personal relationship with the brand and who would never willingly purchase a counterfeit. They are a particularly important segment for luxury brands. The exclusivity these consumers expect from their favorite luxury brand is diluted by the wide availability of look-alikes that everyone can afford (Commuri, 2009). If the brand becomes too ubiquitous, these brand lovers might eventually refrain from buying the original or switch to other brands, with obvious negative effects on brand sales.

Having understood the role consumers play in the illicit market, what influences their attitudes and behavior toward counterfeit products, and the main consumer segments based upon their relationship with both originals and fakes, we now review the managerial solutions adopted by luxury brands in the fight against counterfeiting.

## 9.7 SECURE YOUR ASSETS: LUXURY COMPANIES’ RESPONSES TO COUNTERFEITING

### 9.7.1 Managerial Solutions to Counterfeiting: Evidences from Research and Practice

As previously outlined, counterfeiting has very negative effects on firms, both directly and indirectly, since it tarnishes their tangible and intangible assets, cuts revenues, destroys brand image, brand equity and brand trust, while also causing job losses and huge resource investments (financial, human and technological) with little return. These consequences are even worse for luxury companies, whose entire essence and “raison d’être” is based upon the prestigious and exclusive image they can confer upon their users. It is thus evident that confronting counterfeiting with appropriate strategies, tools and actions is a priority for legitimate companies, even more so for luxury companies.

Past literature has highlighted a variety of anti-counterfeiting strategies, accompanied by brand protection efforts that companies do and should adopt to stem the phenomenon.

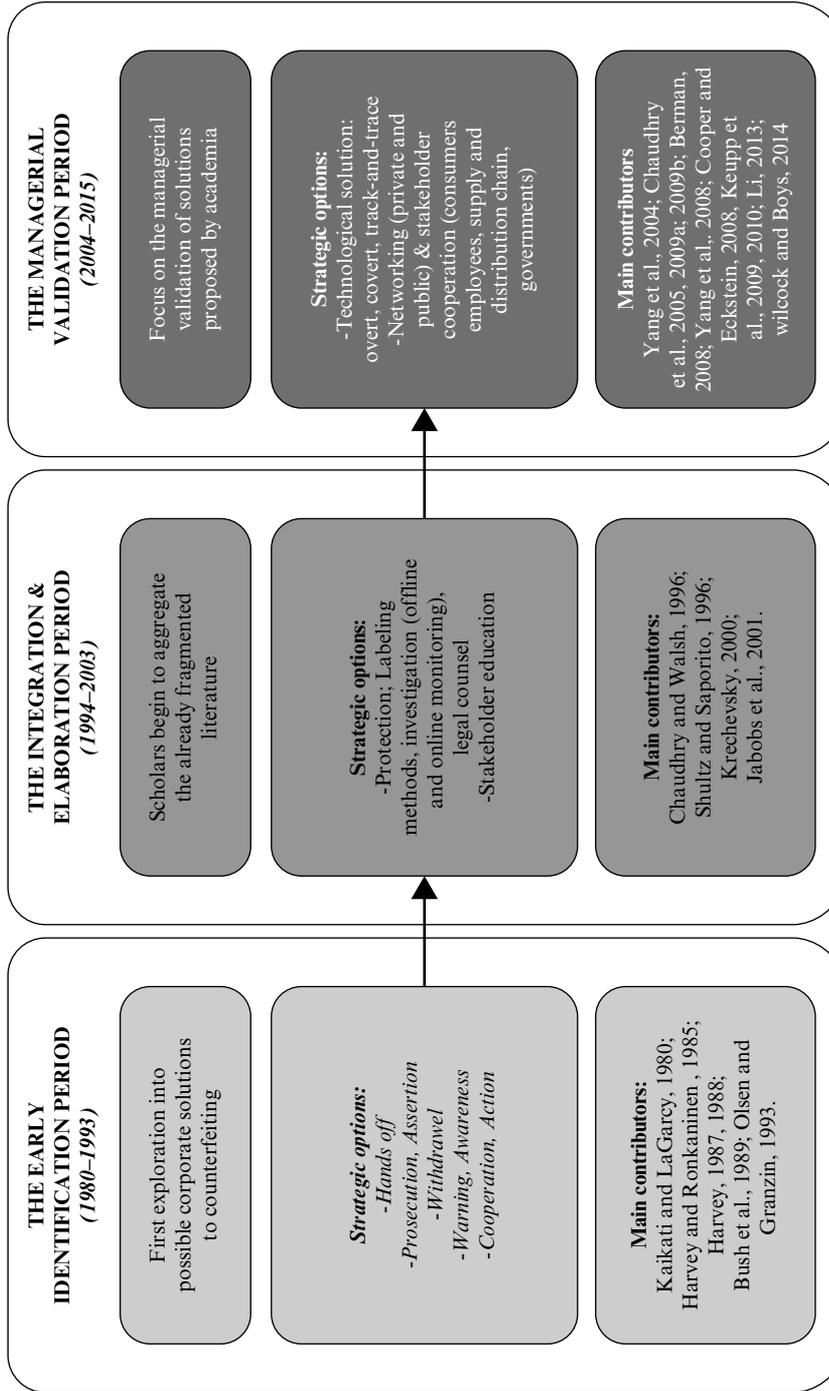
Anti-counterfeiting solutions have been categorized based upon the subjects they target (either institutions, governments, employees, channel members, infringers or consumers) (Chaudhry et al., 2005; 2009b); the technological options available (track-and-trace, overt and covert solutions – Chaudhry and Walsh, 1996; Wong et al., 2006; Cheung and Choi, 2011; Ting and Tsang, 2013; Li, 2013); the country or culture they refer to (Bender, 2006; Clark, 2006; Chaudhry, 2006; Swike et al., 2008; Stumpf and Chaudhry, 2010; Zimmerman, 2013); or, more simply, the strategic and operational choices companies have in fighting against counterfeiting (Kaikati and LaGarce, 1980; Harvey, 1987; Shultz and Saporito, 1996; Jacobs et al., 2001; Yang et al., 2004; Cooper and Eckstein, 2008). In the following, we will first review the many managerial solutions suggested by the literature in a historical and comprehensive manner. As some of the strategies have conceptual and practical overlaps, we later present an integrative model that summarizes them into a more succinct and cohesive framework. In particular, we will detail the primary strategies and tactics suggested in the literature and employed by companies operating in the luxury goods industry.

Looking at the managerial solutions suggested by the literature over time, these can be classified into three main periods: the early identification period (1980–1993); the integration and elaboration period (1994–2003); and the managerial validation period (2004–2015) (Figure 9.3).

In the early period, dating 1980–1993, authors began to explore possible solutions against counterfeiting. Kaikati and LaGarce (1980), the first to propose different anti-counterfeiting strategies, suggested four alternatives: hands-off strategy (the company decides to avoid letting consumers know about the issues it is currently facing with counterfeits, as this may create a risk their consumers engage in brand switching, particularly for luxury brands); prosecution strategy (the company decides to pursue infringers and litigate); withdrawal strategy (the company decides to sharply control and limit the distribution of original products in markets rampant with counterfeits, such as many developing nations); and warning strategy (the company alerts its consumers about the existence of counterfeit versions of their legitimate products). These strategies were considered further by Harvey and Ronkainen (1985) who stressed the importance of registering trademarks and reporting them to customs agencies, while also building a strong network of communication in the marketing of the product to increase the effectiveness of anti-counterfeiting strategies.

According to Harvey (1987), companies wanting to fight against counterfeiting should develop a three-step program that increases awareness of the problem (among consumers, channel member and legislators), creates an *action* plan for the company's personnel (develop prevention tactics and program), and culminates in the assertion of the rights of the company (prosecution and pursuance of offenders). One year later, Harvey (1988) suggested that companies should constitute a “counterfeit prevention task force” made up of a product team and a control/surveillance team. The former involves research and development, distribution networkers and promotions/advertising, while the latter involves legal counsel, investigators, personnel, media liaison and lobbyists.

Bush and colleagues (1989), after surveying managers from 103 companies listed in the International AntiCounterfeiting Coalition (IACC), suggested that companies should cooperate among themselves or through participation in international organizations; pursue litigation against infringers, while lobbying for stronger anti-counterfeiting laws



Source: Our elaboration.

Figure 9.3 The evolution of managerial solutions to counterfeiting

and for a greater enforcement of such laws; implement stronger marketing strategies that imply the changing of either product and/or packaging, carrying out communication campaigns to raise public awareness; monitor distribution chains and gain seller's help by rewarding them when detecting and reporting counterfeit goods. Olsen and Granzin (1993) focused explicitly on the distribution channel, highlighting how gaining dealer help could be critical in combating counterfeiting. Through a structural equations model with responses from 90 American automotive managers, the authors suggest manufacturers can increase retailers' cooperativeness by nurturing satisfaction and dependence in the manufacturer–dealer relationship; in addition, management practices that foster higher satisfaction and dependence while lowering conflict and control, enhance the producer's ability to gain the help of the retailers in the fight against counterfeiting.

The mid 1990s marks the beginning of what we defined as the integration and elaboration period, when scholars began to aggregate the fragmented literature. The year 1996 is a very prolific year in terms of managerial solutions proposed in the literature, and the *Columbia Journal of World Business* holds all major contributions. Chaudhry and Walsh (1996) are the first to provide a rather comprehensive summary of all the managerial strategies that had been suggested up to that year. They further leverage new technologies to propose different labeling methods to deter product counterfeiting and piracy across different industries (music, movie, apparel, payment methods, currency, etc.), ranging from holograms to watermarks, from hidden words to invisible inks, from DNA security markers to polaproof.

That same year, Shultz and Saporito (1996) suggest a ten-step action plan companies should pursue based upon their commitment to the World Trade Organization (WTO) and the level of product differentiation. The ten strategies are 1) do nothing (based on a cost/benefit analysis); 2) co-opt offenders (legitimize the infringers by buying them out); 3) educate stakeholders at the source (convince governments that complying with the WTO agreements is in their long-term self-interest); 4) don't despise, advertise (address the demand for illicit goods by educating consumers); 5) investigation and surveillance (hire agencies to investigate and monitor the market); 6) high tech labeling (use technology to deter counterfeiting and pirating activities); 7) create a moving target (change the product very often); 8) legislation (foster enforcement of IP laws); 9) coalitions (participate in international organizations for a higher effectiveness of anti-counterfeiting solutions); 10) cede the industry (evaluate whether it makes sense to remain in the industry or not).

Krechevsky (2000) proposes a multinational approach to combat trademark counterfeiting that centralizes enforcement in order to avoid the emergence of "weak links" in both the supply and distribution chains. According to the author, such an approach includes hiring and educating local counsel in the foreign countries where the company operates; prosecuting infringers of the company's IP portfolio; carrying out raids to develop the necessary evidence; recording all IPRs with the local customs service; and knowing when it is best to settle and finally publicize the results of the actions in order to foster future deterrence of violating behaviors. Jacobs et al., (2001) highlight seven protective measures that can offset or partially reduce the negative effects of international piracy. These strategies are 1) communication (announce that the original product has been pirated and stress the quality differential); 2) legal (exploit the legislative tools available to sanction infringers); 3) government (gain institutional support in the foreign country where the violation happens); 4) direct contact (with the infringers in order to

avoid the high costs of litigation, enforcement and negative publicity); 5) labeling (of original products to deter counterfeiting activity); 6) strong proactive marketing (in terms of advertising, cooperation with retailers, continuous product changes); and 7) piracy as promotion (use the pirates to promote the original products). The authors then suggest a seven-step action plan to develop a counter-piracy strategy.

Finally, more recently, which we refer to as the managerial and validation period (2004–2015), contributions on the managerial responses to counterfeiting and piracy begin to be consolidated, aggregated, accepted and most of all validated with managers. Yang et al. (2004) interviewed managers from 51 British and American companies operating in China and proposed a three-category taxonomy of ten possible strategies companies adopt to tackle the prevalence of piracy. The proactive approaches include four different strategies: technical solutions (effective labeling and packaging), contractual surveillance (collaborating with a local company), narrowing price gaps (make the price of the original closer to that of the illicit good), and monitoring and private eye (monitoring the marketing, stipulating liaisons with customs, gaining employees' help). The defensive weapons include two options: the commercial settlement strategy (stipulate a private financial settlement with the counterfeiters in order to avoid legal enforcement) and the acquiring strategy (buy out the infringer company). Finally, the networking means include four strategic alternatives: reapplication (re-apply to the trademark office to protect the company's trademarks), communicating with aggrieved firms (in order to take collective measures and exert pressures jointly), government hand (cooperate closely with governmental and judicial institutions) and consumer campaigns (increase consumer awareness for a long-term brand-building strategy). Chaudhry et al. (2005; 2009b) synthesize previous contributions in the literature regarding anti-counterfeiting actions by categorizing them based on their target. Such actions could target:

- consumers (such as using special packaging or labels, providing the lists of legitimate channel members and offering reduced prices);
- distribution channels (such as the education of channel members, the giving of financial incentives to report fakes and the use of tracking devices);
- pirates (such as establishing internal enforcement teams, monitoring channels and warning them about possible legal actions);
- host-country governments (such as the registration of trademarks, the education of law enforcement individuals and the seeking of assistance from the authorities);
- international organizations (such as the active participation in the IACC, the WTO, the World Intellectual Property Organization (WIPO) and the lobbying for stronger IPR protection worldwide);
- internal company (such as educating employees about fakes, establishing factories in low-cost countries and using a joint venture strategy).

The authors later tested the frequency of use of such actions (Chaudhry et al., 2009a) by interviewing 29 managers operating in the United States, and discovered how companies are not differentiating their anti-counterfeiting tactics based upon the level of consumer complicity in the market studied, but, on the other hand, the firms were using a standardized strategy to protect intellectual property in the global marketplace. Differences in anti-counterfeiting tactics were based upon the piracy levels of the markets and legal protection

in the environment. In the former, there were significant differences in terms of lobbying, participating in international organizations, actions directed at pirates and actions directed at the internal company between high- and low-piracy countries. In the latter, there were significant differences in terms of actions directed at consumers, lobbying, actions directed at pirates and actions directed at the internal company between high and low protection in the legal environment. The authors (Chaudhry et al., 2009b) also tested for the perceived effectiveness of such actions from a managerial perspective and discovered that the most effective strategies are believed to be registering IPRs, encouraging distributors to notify manufacturers and educating employees about counterfeit goods, while the least effective are acquisitions/joint ventures with pirates, price cuts and consumer-directed measures, such as stressing the harmful effects of counterfeiting in advertisements.

Yang et al. (2008) collect 128 responses from executives working in China (either IP managers or brand protection managers), to examine a hierarchical regression model of anti-piracy strategies and managerial confidence in the Intellectual Property System (IPS) that influence the perceived anti-piracy effectiveness. The authors test three categories of strategies (administrative support, judicial actions and corporate approaches); the last category consists of monitoring and reporting, media exposure and public awareness, distribution alert, using private eyes and investigators, networking with host and home country, and product solutions. The results provide evidence that administrative support, judicial actions and corporate approaches positively influence the effectiveness of an anti-piracy strategy, as does the managerial confidence in the IPS. Berman (2008) advises different steps for the development of a plan to reduce counterfeiting. The author suggests to develop early warning signals, assign a budget to monitor, deter and remove counterfeits, and develop demand-side and supply-side strategies to deter counterfeiting. The early warning signals to monitor include a significant decrease in sales or a large amount of goods up for sale online; the budgeting means to assign enough resources to monitor the market either directly or indirectly and to remove infringing goods when encountered; the demand-side strategies include initiatives such as education programs, anti-piracy hotline numbers to report fakes and a dedicated section on counterfeiting on the website; finally, supply-side strategies include controls of outsource suppliers, legal actions and the use of track-and-trace authentication technologies.

Cooper and Eckstein (2008), in a very simple and concise manner, suggest eight best practices to follow to minimize the risk of counterfeiting: from tightening supply chains to monitoring distribution chains, from investigation to establishing excellent government relations, from employing excellent internal recordkeeping to updating packaging, from formulating a crisis management plan to being ready for litigation. Keupp et al. (2009; 2010) visited 13 wholly owned Chinese subsidiaries of foreign firms, conducting interviews with senior managers to understand how they approach IPR protection, what infringements they had suffered and how they came up with de facto protection strategies for IPR protection and how these worked. Summarizing the evidence, the authors highlight how companies have employed technological specialization, in order to make imitation of their products almost impossible, de facto secrecy, in order to protect their sensitive IPRs from being stolen by simply not documenting them in writing, good internal and external relationships, with both employees and official bodies and institutions, and customer education, by stressing the difference between original and counterfeit in terms of quality and services.

Chaudhry and Zimmerman (2009; 2013) recommend an “action plan” to IP owners to tackle counterfeiting that includes developing an IP protection strategy; establishing a formal/informal brand integrity team; registering all trademarks, patents and copyrights in key markets; creating an information monitoring program; developing a multipronged education program directed at employees, distribution channels, manufacturers, local law enforcement and international organizations; fighting infringers at every level; and establishing an evaluation and feedback system.

Li (2013) provides a very exhaustive overview of the plethora of technologies available to fight against counterfeiting and piracy. The technologies range from overt solutions (visible and easy to identify, such as holograms, fluorescent inks, sequential numbers), to covert (hidden and invisible, detectable only by authorized personnel, such as hidden printed messages, digital watermarks or cryptoglyphs) and track-and-trace solutions (used to track products in both the supply and distribution chains, such as RDIF and bar codes).

Finally, Wilcock and Boys (2014) give an overview of the efforts to counter counterfeiting and piracy by suggesting the integration of anti-counterfeiting/piracy strategies into a standard quality management plan. The authors translate elements from a quality management plan, such as quality policy, quality objectives, leadership/management, strategic planning, customer focus, employee and partner training, process management and performance, into anti-counterfeiting and piracy considerations that range from establishing contacts to training employees, from new product development programs to a greater focus on consumer awareness, from counterfeit/pirated products identification to traceability in the supply chain.

### **9.7.2 Strategies, Tools and Actions against Counterfeiting in the Luxury Industry**

As highlighted above, anti-counterfeiting strategies vary between defensive and proactive approaches, and companies choose which strategies to employ depending on the current situation of both the industry and the illicit market. This diversity of solutions, as well as the fact that some of the strategic and operational solutions proposed in the literature are referred to with different names even when they refer to the same practical recommendations, means a simple and concise framework encompassing them is paramount. To this end, and with specific reference to the luxury industry, Cesareo and Pastore (2014) integrate the existing literature and empirical evidence offered by anti-counterfeiting and brand protection managers at different luxury firms to create a comprehensive anti-counterfeiting/brand protection framework comprising four main strategies: protection, collaboration, prosecution and “in-formation”. In Table 9.3 we detail these strategies based upon who they target and the tactics necessary to carry out the strategies operationally.

With a protection strategy, companies aim at defending both their tangible (i.e., the products) and their intangible (i.e., IPRs, such as trademarks, and brands) assets through IPRs and technological solutions. With a collaboration strategy, companies aim to gain support in the fight against counterfeiting from different entities: national and international governmental, judicial and political institutions (i.e., customs and border agencies); industry associations; anti-counterfeiting and IP organizations; supply and distribution chain partners (both offline and online); and consumers, through the use of targeted,

Table 9.3 A comprehensive brand protection/anti-counterfeiting framework

Strategy	Protection	
What	Tangibles (products)	Intangibles (IP rights)
Tactics	<ul style="list-style-type: none"> <li>Track-and-Trace Technologies</li> <li>Overt Solutions</li> <li>Covert Solutions</li> </ul>	<ul style="list-style-type: none"> <li>IP Registration on a national and international scale</li> <li>Deposit trademarks at Customs</li> </ul>
Strategy	Collaboration	
With Whom	National and International Authorities: Governmental; Judicial; Police Forces; Customs Agencies	Internet Service Providers (ISPs) Auction Websites
Tactics	<ul style="list-style-type: none"> <li>Participation and lobbying activities</li> <li>Annual programs and continuous contact</li> </ul>	Other Victimized Firms Category: Associations of Luxury Brands <ul style="list-style-type: none"> <li>Optimize costs of fighting against fakes</li> <li>Online monitoring</li> <li>Darkening of illegal websites</li> <li>Support in legal actions</li> </ul>
Channel Members:		Suppliers Distributors
Consumers		Set up contact centers, e-mails, 1-800 numbers, links through which consumers can report fakes
Strategy	Prosecution	
Who	Counterfeiters	Discount Department Stores
Tactics	<ul style="list-style-type: none"> <li>Investigations (in-house &amp; external)</li> </ul>	Internet Service Providers (ISPs) Auction Websites <ul style="list-style-type: none"> <li>Raids and seizures</li> <li>Destruction of counterfeit goods</li> <li>Expert reports</li> </ul>
General IP Violators		<ul style="list-style-type: none"> <li>Legal action (civil &amp; criminal conviction)</li> <li>Administrative penalties/sanctions</li> <li>Due compensation</li> </ul>
Strategy	In-Formation	
To Whom	Employees	Consumers
Tactics	<ul style="list-style-type: none"> <li>Internal formation to increase awareness and gain support</li> </ul>	Customs; Police Forces <ul style="list-style-type: none"> <li>In-formation programs on the peculiarities &amp; characteristics of authentic products</li> <li>Awareness and advertising campaigns on counterfeiting to obtain complicity</li> </ul>

Source: Our elaboration on Cesareo and Pastore (2014).

consumer-directed anti-counterfeiting measures (CAMs: Cesareo and Stöttinger, 2015). With a prosecution strategy, companies take action, both legally and administratively, to defend their IPRs against anyone who violates them, from counterfeiters to Internet service providers (ISPs), from auction websites to discount department stores, and so on. Finally, with an “in-formation” strategy, companies’ objectives are twofold. On the one hand, they wish to increase awareness about counterfeiting and its damaging effects on countries, economies, firms and consumers; on the other hand, they wish to educate employees, suppliers, distributors and customs agents on how to act against counterfeiting.

### 9.7.3 Examples of Real-World Anti-Counterfeiting Campaigns

As acknowledged above, the luxury industry has numerous discrete levers to fight against the counterfeiting phenomenon, from more technological solutions to cooperation and education programs with different stakeholders. Many luxury companies today employ technology on their products to help consumers discern originals from counterfeits: companies such as Certilogo, mobiLUX and OpSec are just a few offering identification and track-and-trace solutions. Yet, among the different anti-counterfeiting measures available to companies, the ones that receive the most attention are the awareness-building, anti-counterfeiting campaigns. Fashion and luxury goods companies, oftentimes with the help of category or anti-counterfeiting associations, have launched many campaigns over the years in order to increase awareness of the phenomenon and its consequences among consumers. Though these initiatives are important and a high-profile signal of the industry’s commitment to fighting against counterfeiting, no study is available that explains how effective these campaigns truly are in shifting consumer perceptions and attitudes. The few studies tackling this issue do so from a company perspective, proposing the perceived effectiveness of anti-counterfeiting campaigns from the managers’ point of view (Stumpf et al., 2011; Sonmez et al., 2013). We provide three different examples of these campaigns below.

In 2011 the Council of Fashion Designers of America (CFDA) and eBay launched the anti-counterfeiting campaign, “You Can’t Fake Fashion”. The objective was to raise awareness against counterfeit goods and celebrate the originality of design within the fashion industry. Since eBay is a major destination for fashion shoppers (the website reports that a fashion handbag is sold on the platform every 4 minutes) and it had oftentimes been accused of being a marketplace for counterfeits, eBay launched this initiative (and others, such as the VeRO program) to demonstrate its commitment to proactively fight against counterfeiting. Collaborating with the CFDA, eBay produced a collection of 50 exclusive, one-of-a-kind totes sold exclusively on the auction platform for \$150 (Figure 9.4). The bags were customized directly by 90 of America’s most prominent designers, such as Calvin Klein, Donna Karan, Narciso Rodriguez, Tory Burch, Betsey Johnson and Tommy Hilfiger, just to name a few. All proceeds benefited the CFDA Foundation. The campaign was so successful that all purses were sold within a matter of hours.

In 2012, France’s Comité Colbert (the association of all French luxury companies), French customs and the French National Anti-Counterfeiting Committee launched a massive anti-counterfeiting campaign featuring 10,000 posters in France’s 18 airports to raise awareness among tourists about counterfeiting and its negative consequences, from jail time to criminal records to incredibly high fines (up to €300,000). Brands like Cartier,



Source: <http://pages.ebay.com/fashion/youcantfakefashion.html>.

Figure 9.4 Some of the customized bags from the “You Can’t Fake Fashion” campaign

Chanel, Christian Dior, Lacoste, Longchamp, Louis Vuitton and Van Cleef & Arpels were featured in the posters, which had slogans like “Buy a fake Cartier, get a genuine criminal record”, and “Real ladies don’t like fake!” (Figure 9.5).

Another industry that is very active in its anti-counterfeiting efforts is the Swiss Watch Industry. Together with the Fondation de la Haute Horlogerie, the two entities have launched multiple successful anti-counterfeiting campaigns over time, aimed at increasing awareness of the phenomenon, while also thanking and encouraging everyone who refuses to become an accomplice of counterfeiters and refrains from buying their products. In 2009 the “Fake watches are for fake people” campaign was translated into multiple languages and distributed around the world. In 2011 the “Fake/real: you have the choice!” campaign had students of a local university and the public compete in a short-film competition, which then aired the best anti-counterfeiting films. Finally, in 2013 the “All together against fakes” campaign comprised three competitions (two for short films and one for posters) and the best films and poster were awarded with prizes and aired on the national anti-counterfeiting day (Figure 9.6).

#### **9.7.4 The Incumbent Threat of Online Counterfeiting**

Finally, as companies keep trying to stem the counterfeiting phenomenon, a source of renewed angst is represented by the Internet and the ease with which counterfeiters can sell, deceptively or not, illicit goods to consumers. In the past, luxury counterfeit goods were mostly shipped in large cargo containers and passed through numerous intermediaries before reaching vendors, and consumers, on the streets. Now, with the widespread use of the Internet, counterfeit sellers set up online presences on auction or marketplace websites and ship luxury counterfeit goods directly to consumers. In addition, they also use social media tools to generate web traffic and divert consumers to rogue e-commerce websites selling their goods, which often have the same look and feel as the brand owner’s site (Mavlanova and Benbunan-Fich, 2010). While there are no official estimates of the phenomenon, the United States Special 301 Report (United States Trade Representative, 2015) states that “online sales of pirated and counterfeit goods have the potential to surpass the volume of sales through traditional channels, such as street vendors or other physical markets” (p. 18).

Companies have always fought against the distribution and purchase of counterfeit goods in the offline (traditional) setting, but have only recently begun to tackle the online (digital) context. The latter clearly poses additional complexities to companies given a variety of unique characteristics: virtuality, 24/7 availability, global pervasiveness, anonymity of both seller and buyer, physical distance, ease of deception, impunity and legislative limitations in pursuing digital commerce. Together, these factors contribute to the difficulty in stemming the online distribution of counterfeit goods.

The literature addressing the anti-counterfeiting solutions has been skewed toward the analysis of the traditional, bricks and mortar distribution of counterfeit goods, given its prevalence. However, even more recent literature has not thoroughly addressed the managerial solutions in the digital world. This represents a strong limitation of current literature and an opportunity for future scholars.

The limited research that has examined online distribution of counterfeits has suggested different solutions specific to the digital environment. Suggested solutions are maintaining

**COUNTERFEITS ARE  
NO BED OF ROSES!**



**DON'T BUY COUNTERFEIT PRODUCTS!**

**IN FRANCE, BUYING OR CARRYING A COUNTERFEIT  
PRODUCT IS A CRIMINAL OFFENCE PUNISHABLE BY UP  
TO 3 YEARS IMPRISONMENT AND A € 300 000 FINE**



CAMPAIGN LED BY FRENCH CUSTOMS AND COBRET COLBERT UNDER THE AUSPICES OF THE FRENCH NATIONAL ANTI-COUNTERFEITING COMMITTEE

**A BET ON  
THE WRONG HORSE  
CAN BE VERY EXPENSIVE**



**DON'T BUY COUNTERFEIT PRODUCTS!**

**IN FRANCE, BUYING OR CARRYING A COUNTERFEIT  
PRODUCT IS A CRIMINAL OFFENCE PUNISHABLE BY UP  
TO 3 YEARS IMPRISONMENT AND A € 300 000 FINE**



CAMPAIGN LED BY FRENCH CUSTOMS AND COBRET COLBERT UNDER THE AUSPICES OF THE FRENCH NATIONAL ANTI-COUNTERFEITING COMMITTEE

**ARE YOU READY  
TO UNRAVEL THIS ONE?**



**DON'T BUY COUNTERFEIT PRODUCTS!**

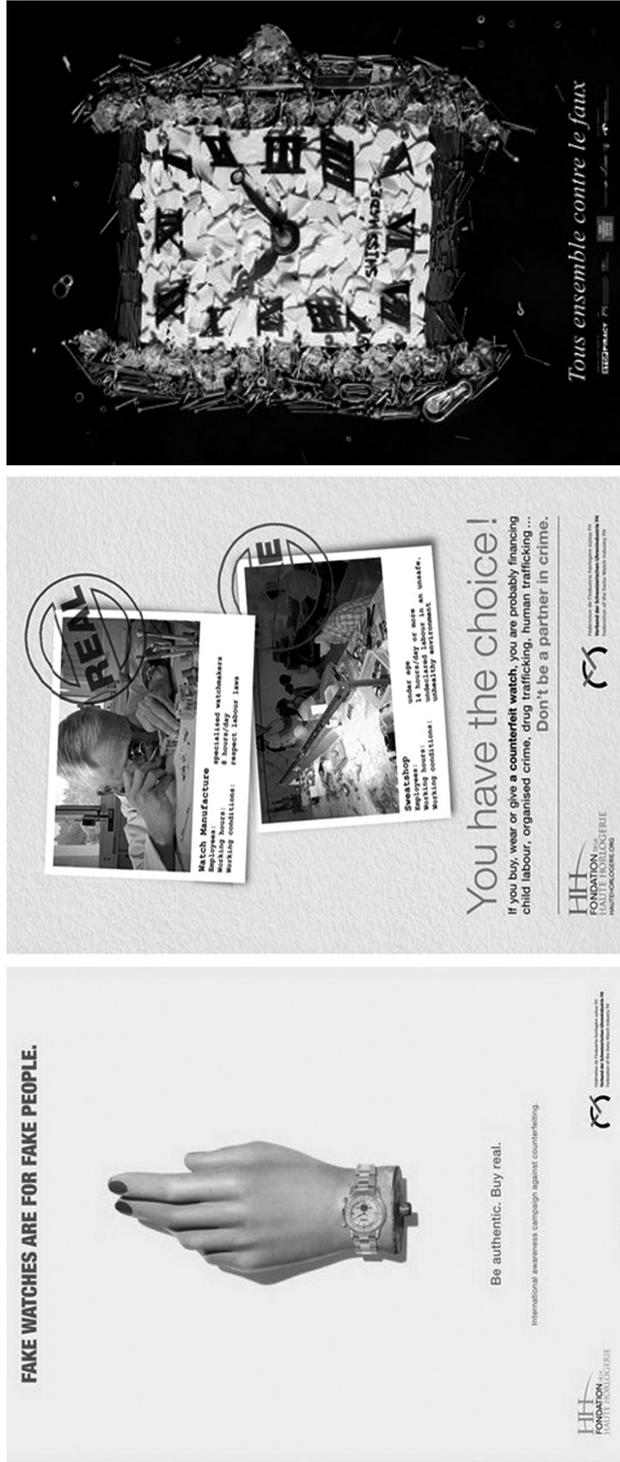
**IN FRANCE, BUYING OR CARRYING A COUNTERFEIT  
PRODUCT IS A CRIMINAL OFFENCE PUNISHABLE BY UP  
TO 3 YEARS IMPRISONMENT AND A € 300 000 FINE**



CAMPAIGN LED BY FRENCH CUSTOMS AND COBRET COLBERT UNDER THE AUSPICES OF THE FRENCH NATIONAL ANTI-COUNTERFEITING COMMITTEE

Source: <https://oami.europa.eu/ohimportal/documents/11370/27166/Visuels+english>

Figure 9.5 Examples of Comité Colbert's anti-counterfeiting campaign



Source: <https://www.hautehorlogerie.org/en/the-foundation/anti-counterfeiting/the-fhh-takes-action/>  
 Figure 9.6 Examples of the Swiss Watch Industry anti-counterfeiting campaigns (2009, 2011, 2013)

the same levels of IPR protection (including Internet domains) as offline; developing early warning signals for online counterfeiting, such as discovering websites that sell large quantities of counterfeit goods; partnering with ISPs and auction websites in order to remove infringing accounts and goods when encountered; using specialized services that continuously monitor the web and social media looking for rogue, replica websites and accounts; sending cease-and-desist letters to infringers before pursuing legal action; and publishing lists of unauthorized retailers on the corporate website (Simon, 1996; Berman, 2008). Though these early guidelines are available, future research should further delve into the solutions that luxury companies can employ to fight against counterfeiting in the online marketplace, looking at the effectiveness of such measures while also understanding consumers' attitudes, behaviors and perceptions toward online luxury counterfeiting.

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