



United we stand, divided we fall: How firms can engage consumers in their fight against counterfeits



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Abstract Counterfeit goods are rampant in today's global business world. Original brand manufacturers usually appeal to governments, international organizations, distribution partners, and their own employees to fight counterfeits. This overlooks one important stakeholder: the consumer. However, eradicating counterfeiting cannot be accomplished without eliminating consumer demand. In this article, we describe how consumers have changed in the way they relate to and engage with brands and counterfeits. At the same time, the advent of new media and the Internet have not only opened new distribution channels—particularly for counterfeits—but also new ways to address and reach consumers. These changes in basic parameters call for a fresh look at consumer-directed anti-counterfeiting measures (CAMs). Based on a summary of extant literature and current managerial insights derived from 15 interviews with high- to low-end luxury brand protection experts in Italy and Hong Kong, we suggest a portfolio of CAMs that (1) takes into account different consumers' relationship with the brand and the counterfeit (*weak to strong*) and (2) differs in how actively the CAMs engage the consumers as partners against crime (*low to high*). At the end of the contribution, we offer practical suggestions and recommendations for action.

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1. Counterfeits: Still around and here to stay?

For years, counterfeits have created a global challenge for original brand manufacturers. Despite all countermeasures to curb this illegal business, counterfeit sales are thriving and projections show them reaching approximately \$1.77 trillion by 2015 (Frontier Economics Ltd., 2011). As the numbers

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indicate, there is no reason to believe that fake product sales are slowing down. On the contrary, new channels are speeding its growth. Most notably, the rise of the Internet provides a global distribution channel that is low cost and available to billions of people. Sellers of fake products have traditionally relied on street vendors or night markets across the globe; now, many have shifted to online distribution to reach a worldwide audience (Berman, 2008). Analysts' figures corroborate this trend; while counterfeit sales increased in 2008 by 45%, 80% of this growth is due to rampant online sales ("Protecting Your Brand," 2013). Moreover, the Internet not only spurs demand, but also makes it more difficult to trace supplying counterfeiters due to its virtual nature.

To fight counterfeits, brand manufacturers are employing various countermeasures (Cesareo & Pastore, 2014). In a comprehensive overview, Chaudhry, Zimmerman, Peters, and Cordell (2009) outlined a portfolio of activities addressing governments, international organizations, distribution partners, the counterfeiters themselves, their own employees, and—last but not least—consumers. In that context, they also highlighted the fact that among all stakeholders, consumers receive the least attention. We call such activities consumer-directed anti-counterfeiting measures (CAMs)—online or offline measures intended to dissuade consumers from buying counterfeits and encourage them to become advocates against fakes.

The caution manufacturers exercise when addressing consumers directly is based on several reservations. First and foremost, companies do not believe that CAMs are effective and rate activities toward other stakeholders as more impactful. Some firms also fear alerting consumers that their brand is exposed to counterfeiting, as such announcements bear the risks of negatively affecting brand perception and of generating anti-big business sentiments (Kwong, Yau, Lee, Sin, & Tse, 2003). Thus, companies shy away from large investments with low effectiveness because consumers often choose fakes deliberately and are unlikely to be dissuaded.

2. Why address consumers nevertheless?

While these hesitations are comprehensible, we see at least three key arguments that advocate a stronger consideration of final consumers in the fight against counterfeits. First, a market can only exist if there is demand and supply. Although the predominant assumption is that supply drives the counterfeit business (Sonmez, Yang, & Fryxell, 2013),

supply side activities do not automatically lead to eradicating demand. In addition, demand currently is spurred as the Internet enables consumers who previously had restricted physical access to buy fake products with just a mouse click. While the Internet has facilitated the availability of counterfeits, it also represents a daunting marketplace. Increasingly, consumers are deceived by attractive offers that appear to be a great deal on an original but turn out to be fakes upon delivery (Mavlanova & Benbunan-Fich, 2010). Therefore, any anti-counterfeiting strategy may fall short of its full potential if it does not consider consumer-directed aspects (Bloch, Bush, & Campbell, 1993; Shultz & Saporito, 1996).

The second key argument that supports a stronger focus on consumers is that consumer behavior has changed as regards buying originals versus fakes. While traditionally consumers had been categorized into those who buy counterfeits and those who do not (Phau & Min, 2009), this distinction clearly blurred over time. As an industry report showed, the economically less well-off are not the only consumers who satiate their hunger for branded products with the cheaper fake; increasingly, we see those who can afford the original also buying counterfeits extensively (Ledbury Research, 2007). Therefore, rather than applying a traditional broad-brush approach, consumer-directed measures may need to be tailored more closely to these target groups and their different motivations for buying counterfeits.

Finally, a third argument is that consumers' and managers' views on effective measures differ, as clearly demonstrated by Stumpf, Chaudhry, and Perretta (2011). Managers predominantly rate the effectiveness of CAMs as rather low. However, consumers see more deterrents as feasible and necessary to prevent them from buying counterfeits: This opens up new perspectives toward a broader portfolio of CAMs. Additional measures may also arise from using new communication tools (e.g., social media, blogs, forums) that engage consumers more actively and at the same time offer attractive cost/output ratios.

To come closer to an effective toolset of consumer-directed anti-counterfeiting measures, we start by revisiting past work. We complement it with findings from industry experts to evaluate managerial trends in the usage of CAMs. As mentioned above, consumer behavior has changed substantially in regard to buying and owning fakes versus originals. Thus, we suggest four consumer segments that differ in their relationship with brands/counterfeits and therefore need to be addressed differently in order to better curb the demand for fakes. We conclude with specific suggestions on how to approach each of these

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