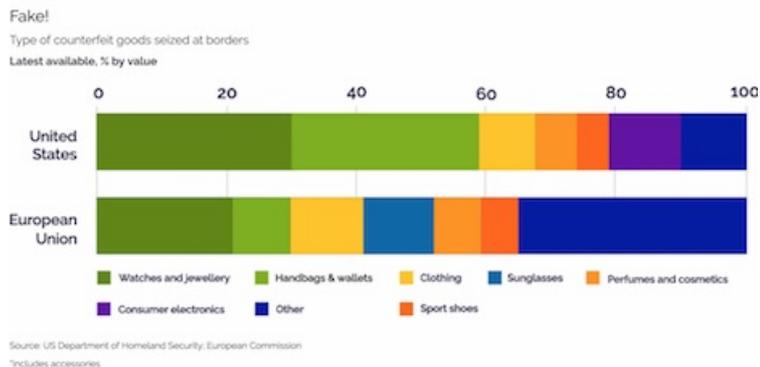


JEWELRY

## Rise of superfakes threatens to undermine watch biz

July 20, 2017



Type of counterfeit goods seized at borders. Source: U.S. Department of Homeland Security; European Commission \*Includes accessories

By [Helen Saunders](#)

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In recent years, there has been a rise in the popularity of "superfake" watches.

Bearing an incredible resemblance to their genuine counterparts, these counterfeits are widely available to purchase online for a fraction of the price of the original. As a result, online counterfeit watch sales have soared.

In fact, black market threat intelligence provider Havocscope estimates that 40 million counterfeit watches are sold globally each year, the net profit of which is roughly \$1 billion.

Crafty

In comparison to their cheaper counterparts, superfake watches are made by craftsmen-counterfeiters who have mastered the ultra-complex design of the real products.

These products are now being made to such a high standard that experts in the industry often have trouble distinguishing real products from the fakes.

The best replica Swiss watches on the market even have a high-precision, Swiss-like mechanical movement, as well intricate details of the appearance of these watches.

Considering that the illegal counterfeit trade accounts for 6 percent of the Swiss watch industry's exports, and that the Federation of the Swiss Watch Industry states that 30 million original watches are produced each year in the legal industry, the extent of the problem is alarming.

There are some who argue that counterfeit products help to promote and increase the value through advertisements of the fraudulent goods, but this problem is heavily detrimental to brands' reputations.

High-end brands acknowledge that there may be a small financial loss associated with fakes and imitations, but the buyer of a watch sold for \$65 is not the same consumer who will buy the real thing.

When it comes to superfakes, the key issue is reputational damage to the brand and the erosion of exclusivity.

Though the reputational damage is harder to quantify, it is clear that luxury brands are successful businesses because exclusivity sells. Therefore, when goods become accessible to everyone, consumers are less inclined to spend money on something that everyone has.

Indeed, for some watch collectors, the need to secure that one limited-edition piece that they have been coveting may make them even more vulnerable to falling prey when they see a piece for sale that is very close to, or often indistinguishable from, the real thing.

On top of this, other genuine collectors may be put off making any purchase at all if they feel the product lacks exclusivity due to the fake products that are widely available on the market.

Counterfeiters operating in the digital age have never really had it better.

#### Web of deceit

As it is becoming an increasingly lucrative industry, counterfeiters are becoming more in-tune with consumer demand and employing advanced technology to mask their identity online from law enforcement.

The counterfeiters post items for sale online under myriad names, using a plethora of different domain names with adverts and links to their Web sites scattered across all social media platforms.

These superfake counterfeiters have been known to even use targeted advertising, such as those seen on Facebook, to lure in their new customers.

High-quality counterfeits are frequently posted mimicking the same marketing habits that the brands use themselves such as selling goods via WeChat making it considerably more difficult to differentiate between the real vendors and the counterfeiters.

Even when sites are reported and taken down, counterfeiters can simply report to their fans on social media and post a new domain name with the goods back up for sale within hours.

The superfake watch industry is unique from other counterfeit industries.

While buyers are ostensibly purchasing luxury branded items, they are not doing so only for the name.

Where, for example, those who buy fake handbags want to be seen with the label of the moment slung across their arm, for superfake watch buyers, the motivation is the artistry of the piece together with the ability to wear it to impress.

Sinisterly, a whole online culture has developed around the buying and selling of these luxury product doppelgangers.

The industry is fueled by a whole realm of die-hards who dedicate a lot of time and money to the art of superfakes.

Specialist online forums are filled with conversation from luxury watch fanatics all over the globe comparing and contrasting different products, and advising those new to the industry on which versions best mimic the originals.

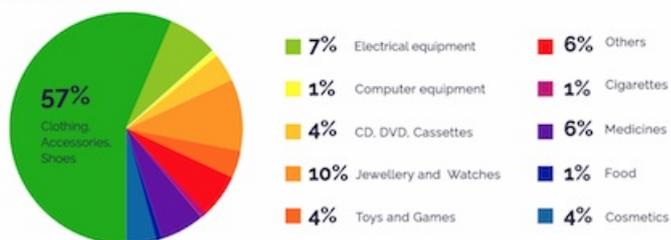
These counterfeit fanatics are rarely interested in the actual luxury watch brands. Instead, they revel in what they believe to be the artistry of the creation of the timepiece and the manufacturers' ability to make such good copies.

With sales of online counterfeits soaring and fanatics boosting the sales, it is hard to imagine that the superfake watch industry could ever be completely eradicated.

Counterfeit seizures made at the European borders by product type (number of incidents), 2008

UNODC The Globalization of Crime: A Transnational Organized Crime Threat Assessment (2010), p. 178

Latest available, % by value



Source: McKinsey, PwC and UNODC Reports

Counterfeit seizures made at the European borders by product type (number of incidents), 2008. Source: McKinsey, PwC and UNODC reports

Brands often spend thousands of dollars in legal fees to try and tackle these commercial-scale counterfeiters by

taking down domain names. Yet the counterfeiters usually just re-appear under a different guise.

The cost of litigation can be immense, and is really only worthwhile if the target is causing the loss of millions of dollars to warrant the cost, with the source located and the products destroyed.

Brands should reserve legal action for the most persistent and significant offenders and use technology to tackle commercial-scale offenders in the first instance.

INSTEAD OF ADOPTING an ultimately pointless and indiscriminate whack-a-mole approach to take down individual domain sellers, we should be tapping into the intelligence that technology can give us, and leverage it so that we can access the factories that manufacture these products in the first place.

By taking a holistic approach using our online intelligence to enhance our offline investigations, there is hope that we can eradicate the problem once and for all.



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