

RESEARCH

Global counterfeiting expected to reach \$2.8 trillion by 2022: report

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Counterfeits make up 2.5% of global trade and are forecast to cost the global economy...



Source: Frontier Economics, 2019

Consisting of...



The counterfeit market is expected to reach \$2.8 trillion by 2022. Image courtesy of Entrupy

By DIANNA DILWORTH

Global counterfeiting is a growing problem. International trade of counterfeit goods reached around \$991 billion and U.S. domestically produced and consumed counterfeit goods hit \$959 billion.

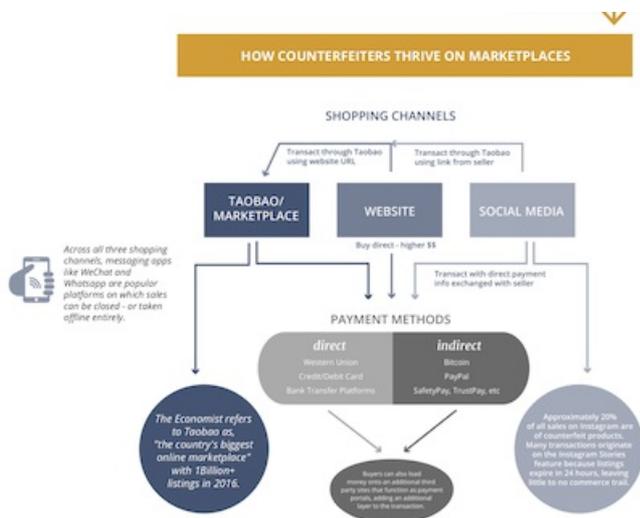
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Currently, counterfeits make up 2.5 percent of global trade and this number is expected to grow. The illicit practice is forecast to cost the global economy up to \$2.8 trillion by 2022, according to a new report from technology firm [Entrupy](#).

"The growth of the counterfeit market can be attributed to the normalization of counterfeit goods, the rise of direct-to-consumer purchasing channels for fake luxury goods, the misuse of small parcel shipments and the exploitation of customs limitations," said Vidyuth Srinivasan, cofounder/CEO of Entrupy.

"Purchasing a counterfeit item is easier than ever because you no longer need to physically go to Canal Street in New York," he said. "Countless online counterfeit stores are being run through Facebook and Instagram pages, the ability to purchase a replica no longer has physical barriers and can be completed through the click of a button.

"Over the years, the culture around counterfeit items has grown. There are online forums where people tout how close their fake is to the real thing, creating hype and excitement around items that have almost started to normalize them."



How counterfeits thrive on marketplaces. Image courtesy of Entrupy

Counterfeit threats

Not only are counterfeits a hazard to the luxury business, they are also facilitating many of the issues that these brands stand up against.

Because counterfeit products are not regulated, the producers take shortcuts and use harmful ingredients, risking consumers' health and damaging the environment.

Additionally, counterfeiters are often run by organized crime including those involved in human trafficking and money laundering.

"Counterfeit items also have a seriously negative impact on the environment and society, are known to include toxic chemicals and even have links to organized crime," Mr. Srinivasan said.

Leather goods, footwear, apparel, electronics, pharmaceuticals, perfume and cosmetics are some of the most counterfeited products, per the report.

Advances in technology are helping these networks grow. Just as ecommerce marketplaces and online communities are helping brands expand their reach, new tech is also helping counterfeiters reach customers directly.

With fast-fashion supply chains ready to produce and distribute goods with quick turnarounds and consumers shopping on third-party platforms such as Taobao, counterfeiters are able to pop up and sell fakes to consumers at low prices.

Social media is also fueling the fire. In fact, as many as 20 percent of Instagram purchases are counterfeit, with most of these listings occurring on Instagram Stories.

"As more consumers place small orders from international shippers, the sheer volume makes customs enforcements more difficult and expensive," Mr. Srinivasan said. "With the risk of detection lower, the ability for counterfeit goods to pass through customs without being seized is much greater.

"There's also the gap between a certain section of consumers who would covet luxury goods, but don't necessarily covet the retail luxury experience that brands pride themselves for," he said.

"Counterfeiters are able to easily exploit traditional ecommerce marketplaces with imitation listings. It is easy for a counterfeit seller to create an online listing which appears for all intents and purposes like one of an authentic seller."

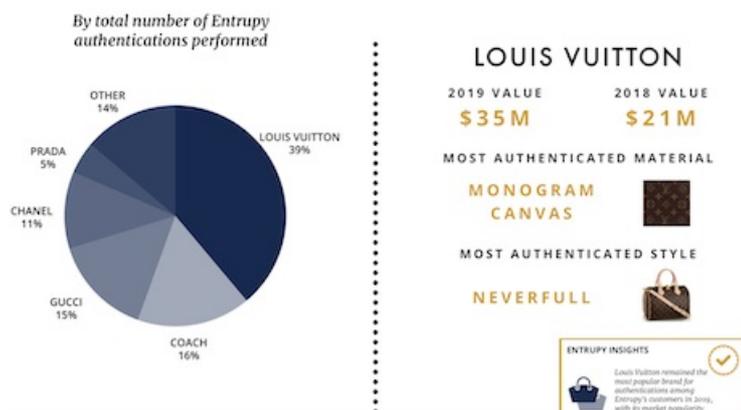
Louis Vuitton and Herms items are extremely popular within the luxury market, and are therefore highly sought after as fakes.

Louis Vuitton was the brand that did the most authenticating to prevent fraud in 2019, Herms the one with the highest unidentified rate, per [the report](#).

"The fake market is generally trying to piggy-back on the value created by Louis Vuitton and Herms, thus doing the marketing heavy-lifting for the counterfeiters," Mr. Srinivasan said.

"Generally, you find more fakes of brands that sell a lot and have universal appeal, which both the above brands have," he said.

BRANDS WITH MOST AUTHENTICATIONS IN 2019



Louis Vuitton was the brand with the most authentications in 2019. Image courtesy of Entrupy

Stopping the madness

Brands can stop counterfeits from entering their product ecosystem by adopting anti-counterfeiting technologies such as overt and covert product security mechanisms and digital traceability platforms that are powered by blockchain, as well as extending their use across supply chain partners.

"Currently, the extent of information sharing by brands across their supply chains is highly variable," Mr. Srinivasan said.

"For example, retailers and distributors often bear the risks of counterfeits infiltrating their inventory but have limited access to product security knowledge and mechanisms that are controlled by brands to effectively monitor, investigate or enforce against incidents that can corrupt their supply," he said.

"Forging closer relationships across the supply chain, with an emphasis on bilateral information sharing and empowerment of access to brand-controlled technologies, will benefit brands and their partners."

Brands could also work closely with government agencies around the globe to address the trans-national problem of importing and exporting these illicit goods. Doing so can help brands maintain their reputation.

"When a surplus of fake items are available, it can dilute the value of the brand and also create massive doubt in the mind of consumers, especially when buying online," Mr. Srinivasan said.