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RESEARCH

Fakes detected by resale marketplaces halved in two years: report

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This year's report includes beta user data from the company's new Sneaker Authentication tool. Image courtesy of Entrupy

By AMIRAH KEATON

Efforts to combat the sale of counterfeit luxury goods appear to be working, according to analysis from AI-powered authentication service Entrupy.

Findings from the firm's new "The State of the Fake" 2022 report reflect a decline in the rate of fakes sold through partner consumer-to-consumer (C2C) marketplaces, down to 5.5 percent in 2021 from 10.8 percent in 2019. Additional insights by business type are included in this edition of research, alongside first-time resale data by way of Entrupy's debut Sneaker Authentication tool.

"Counterfeiting is a huge, global problem with very serious consequences not just for brands, but for entire economies and societies," said Vidyuth Srinivasan, cofounder and CEO of Entrupy, New York.

"Still, it is an issue that far too many people don't take seriously," he said. "With this report, we're trying to build awareness of the problem and educate people about the many ways in which it is far from a victimless crime.

"It is a lofty goal that we believe we're more likely to achieve if we can increase active engagement with the content."

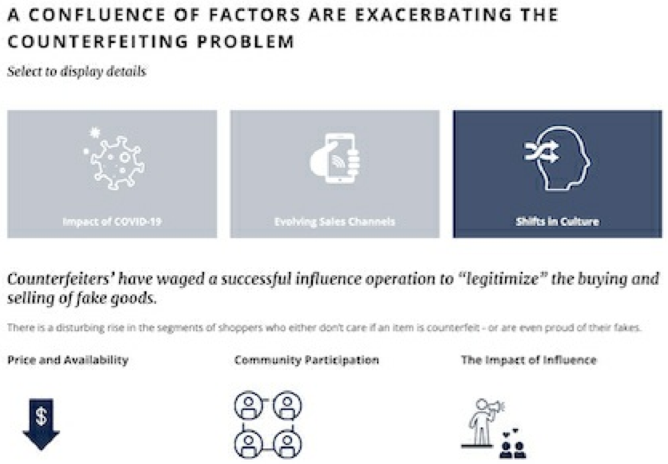
The Entrupy insights portion of the report is based on analysis of authentications performed by customers of the Luxury Authentication tool, while sneaker data is sourced from authentications performed by beta users of Entrupy Sneaker Authentication both cover the calendar 2021.

What's fueling fakes?

According to Entrupy, counterfeit goods pop up most frequently in C2C contexts.

The business model, which involves purchases between peers in search of luxury goods, occurring at a greater than ever before, provides the perfect microcosm for inauthentic replicas to thrive sans expert intervention.

Queue Entrupy its experts are suggesting that anti-counterfeiting measures enacted over the last few years have indeed been effective, dramatically reducing the number of inauthentic luxury goods made available across resale channels.



Contemporary drivers of counterfeit luxury goods, as identified by Entrupy. Image credit: Entrupy

Additionally, Entrupy's report states that authentication marketing campaigns efforts like Vestiaire Collective's "Inside Authentication," which colors the company's thorough investigation procedures, lending transparency toward internal operations (see story) have played an outsized role in deterring bad actors from pushing fake products.

Entrupy customer Le Prix, which taps the world's best suppliers to offer pre-owned, pre-authenticated luxury items via B2B sales, has noticed the decline in counterfeits, though the company attributes the issue's solution alternatively, citing a sound supplier network as the source.

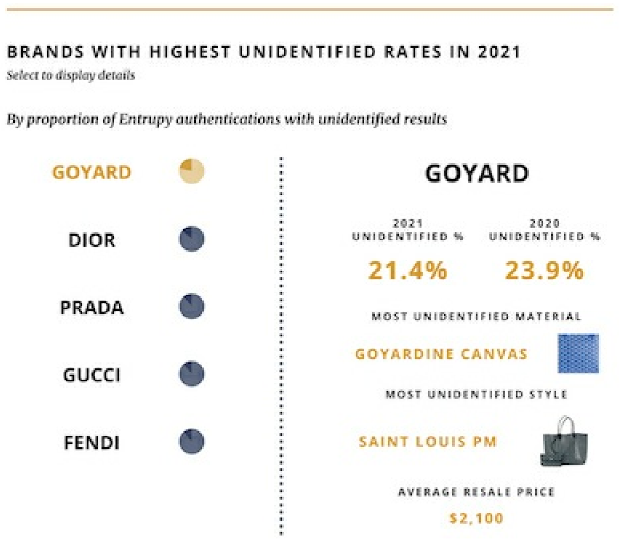
"As LePrix shifted into a purely B2B marketplace, reinventing wholesale procurement of pre-owned luxury products for retailers, resellers and rental businesses, we've experienced a decline in the number of counterfeits that reach our points of inspection," said Emily Erkel, cofounder and chief marketing officer at LePrix, Bethesda.

"This decrease is not as much an indicator of the overall market as it is a testament to the quality of our unique supplier network," she said. "Each has been carefully vetted to ensure the quality of their inventory and their internal authentication processes.

"While we always reverify authenticity when fulfilling orders, the vast majority of fakes can never make it past our suppliers' safety nets."

Additional findings from Entrupy's report posit Louis Vuitton as the most popular brand among circular channels. Meanwhile, Goyard has emerged as resale's most counterfeited.

Regionally, unidentified items, or items that cannot be verified as authentic, are hailing most regularly from Italy, at 21 percent, as well as the Philippines at 20 percent and Vietnam at 15 percent.



The company points to Goyard's smaller production batches as a potential driver of the "acquisition-by-any-means-necessary" attitude fueling fakes. Image credit: Entrupy

"Our team has over three decades of experience in pre-owned luxury, and with that hands-on knowledge, we can quickly identify some of the telltale signs indicating an item may be counterfeit," Le Prix's Ms. Erkel said.

"First, we know certain styles of bags, jewelry and accessories are often counterfeited, so we make sure they go through rigorous inspection before they even make it onto our marketplace," she said. "With lower quality copies, the difference in stitching and hardware may make a fake easily identifiable even if we only see a photo.

"For the higher quality fakes, our in-person teams and third-party solutions are there to provide absolute assurance all items are genuine."

2022: Year of the brand breakthrough

Leveraging Entrupy's authentication expertise may prove strategic on behalf of luxury players seeking greater ownership over secondhand inventory, as more and more brands realize the power of the circular economy, subsequently attempting to stake claim in the resale game.

Take Balenciaga – the luxury brand has invited consumers looking to sell old styles to drop designer items off at participating Balenciaga locations, or simply schedule a pickup. Items are then photographed and listed for sale, executed in collaboration with circular technology platform Reflaunt (see story).

German fashion group Hugo Boss has launched its own branded resale platform this year, as part of the group's Claim 5 sustainability strategy (see story). U.S. fashion label Oscar de la Renta has also entered the market with their "Encore" service, which puts a unique spin on secondhand luxury with a curated selection from the archives of collectors, clients and vintage boutiques (see story).

"Overall, we see brand involvement in the circular economy to be incredibly positive for the healthy growth of resale," Entrupy's Mr. Srinivasan said.

"We've already seen how having respected brands on board has helped all but eliminate the stigma around used,' and it certainly contributes to more trust in the ecosystem, which is key to its continued growth."

Entrupy has come a long way since early funding rounds (see story) and initial iterations of its "State of the Fakes" report (see story).

Now, according to Entrupy, the company is the sole service using artificial intelligence to instantly authenticate luxury handbags and accessories. Its Luxury Authentication solution uses microscopic imaging and proprietary deep learning algorithms to verify the authenticity of high-value physical goods.

As the firm's CEO explains, brands may find this level of institutional knowledge gained navigating the resale space difficult to replicate.

"While having brand involvement certainly doesn't hurt authentication, it doesn't guarantee it either," Mr. Srinivasan said.

"We explore some of these issues in the report's recommendations, but in short, the brands themselves are going to experience many of the same issues we're seeing with resale platforms," he said. "Yes, people internally may have the most expertise on the products now, or even the past decade, but probably not the past 100 years' worth of styles.

"No matter how much a brand wants to control the secondary market for their products, it is just not possible given the agency consumers have over where and when they shop."

All-in-all, the support of a wide range of partners remains high on the company's list of objectives.

"Ultimately, we're advocates for information sharing between brands and their official supply chain partners as well as with unsanctioned sellers and even enforcement agencies," Mr. Srinivasan said.

"The fight against counterfeits requires a united front and cooperation between all of the stakeholders."