

REPORT

MarkMonitor Online Barometer

Global Online Shopping Survey 2017 — Counterfeiting Concerns



Overview

Nearly half of consumers are worried about buying fake gifts online this season. More than a third say they have previously made inadvertent counterfeit purchases. In this report, we unwrap growing trends in both online shopping and fakery — and reveal why comprehensive brand protection turns out to be the gift that keeps on giving, from your customers to your bottom line.

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Executive Summary

The retail market is highly competitive — driven by the presence of new entrants, the growth of ecommerce, and shoppers who are savvier than ever. While this is to the benefit of customers, brands now have to work harder to retain loyal customers. This challenge is exacerbated by the growth of online shopping, which is easy, convenient and presents shoppers with almost limitless choice through a number of channels.

Unfortunately, there is a downside. The Internet makes it easier for cyber criminals and counterfeiters to take advantage of consumers, giving them the channels and means to advertise and sell fake goods, putting both consumers and brands at risk. Consumers suffer financially and, depending on what type of product is purchased, are also put at risk for health and safety concerns. As a result, brands suffer losses in equity, reputation, trust and revenue.

The cost of counterfeiting does not end there; global trade in counterfeits is increasing. In 2016 it accounted for 2.5 per cent of world trade or \$461 billion¹.

For shoppers, this means continued vigilance when purchasing online. For a brand, it means having a comprehensive and sustained brand protection strategy in place to protect itself and its customers.

We wanted to understand the attitudes and opinions of online shoppers towards counterfeit goods, brands and the Internet landscape as a whole. We commissioned independent survey firm Vitreous World to conduct the research. The firm surveyed a total of 3,466 respondents across the United Kingdom, United States, France, Germany, Denmark, Italy, the Netherlands, Spain and Sweden.

¹ "Measuring the magnitude of global counterfeiting." Global Intellectual Property Center, US Chamber of Commerce. 2016. http://www.theglobalipcenter.com/wp-content/themes/gipc/map-index/assets/pdf/2016/GlobalCounterfeiting_Report.pdf



34%

of respondents say that they have been duped into buying fake products two to three times.

Key Findings

1. Shoppers are still getting duped

Thirty-one per cent of respondents have unwittingly bought a fake product. This figure has increased by more than one-third from MarkMonitor research conducted at this time last year.

Of those who were duped, half said it happened just once, while 34 per cent said it happened two to three times.

2. Brands are feeling the impact

Eighty-six per cent of consumers believe that brands should be doing more to protect customers from buying fake goods.

3. Overall confidence in online shopping remains high

While the Internet provides many avenues for consumers, respondents place the most trust in online marketplaces — evidenced with a confidence rating of 86 per cent.

They also showed a confidence rating of 67 per cent when clicking on a link in search results, and 56 per cent when shopping via a smartphone app.

4. Online shopping is on the rise

On average, consumers do 47 per cent of their shopping online (outside of groceries). This is up significantly from similar MarkMonitor research in 2016.

5. Appetite for counterfeits is waning

Building on last year's research where 74 per cent of respondents said they wouldn't purposely buy a fake product, this research reveals 91 per cent won't deliberately buy a counterfeit product as a holiday gift.

Setting the Scene — The Growth of Online Shopping

Convenience, brand choice and ease of use are just a few reasons why online shopping is so popular. To put this into context, in the U.K., shoppers spent £133 billion online in 2016². In the U.S., web sales in 2016 amounted to \$395 billion, up almost 16 per cent from the previous year³. While online sales doesn't make up a significant percentage of total retail sales — just 8.7 per cent of global retail sales⁴ in 2016 (meaning that more than 90 per cent of sales took place in-store) — it is rising. According to analyst Forrester, online sales will be responsible for 17 per cent of total retail sales by 2022⁵.

The findings from our research show that, on average, consumers do almost half (47 per cent) of their shopping online — outside of grocery shopping. This represents a rise of 31 per cent from 2016, according to MarkMonitor research. Unsurprisingly, respondents in the 25 to 34 age group showed the greatest propensity for online shopping, given their confidence in using technology. Twenty-three per cent of respondents said they do between 26-50 per cent of shopping on the Internet. This figure was much higher in Italy (31 per cent) and Spain (27 per cent).

A further 17 per cent of the sample said they completed 51 to 75 per cent of shopping online, an attitude more prevalent among U.K. (20 per cent) and German (19 per cent) respondents. While six per cent of respondents did all shopping online, this figure was higher in the U.S. (13 per cent), perhaps not surprising given online spending made up nearly 42 per cent of the growth in the U.S. retail market last year⁶.

As cyber criminals become more sophisticated, online shoppers need to be well-informed and vigilant when it comes to their safety. This will remain important given the growing popularity of online shopping.

The Enduring Fear of Fakes

Today's consumers are increasingly savvy, from their drive to search for the best deals, to their use of technology and beyond. In addition, they are aware of the threats that exist in the online landscape. This is evident in the finding that shoppers worry about buying fake goods across Internet channels. We asked respondents how they felt buying from various channels and whether they feared being duped by counterfeiters. The answer: yes.

- Links in social media posts — 61 per cent (region high: France 68 per cent)
- Social media, e.g. *buy now* buttons — 59 per cent (region high: U.S. 65 per cent)
- Paid advert — 55 per cent (region high: U.S. 64 per cent)
- Following a link in search results — 51 per cent (region high: U.S. and Spain 55 per cent)
- Smartphone app — 44 per cent (region high: France and Spain 52 per cent)
- Online marketplaces — 40 per cent (region high: Netherlands 55 per cent)

² "UK online sales exceed £130 billion in 2016, fuelled by sales growth on smartphones." IMRG, January 17, 2017. <https://www.imrg.org/media-and-comment/press-releases/uk-online-sales-in-2016/>

³ Zaroban, Stephany. "US e-commerce sales grow 15.6% in 2016." Internet Retailer, February 17, 2017. <https://www.digitalcommerce360.com/2017/02/17/us-e-commerce-sales-grow-156-2016/>

⁴ "E-commerce share of total global retail sales from 2015 to 2021." Statista. <https://www.statista.com/statistics/534123/e-commerce-share-of-retail-sales-worldwide/>

⁵ Lindner, Matt. "E-commerce is expected to grow to 17% of US retail sales by 2022." Internet Retailer, August 9, 2017. <https://www.digitalcommerce360.com/2017/08/09/e-commerce-grow-17-us-retail-sales-2022/>

⁶ Zaroban, Stephany. "US e-commerce sales grow 15.6% in 2016." Internet Retailer, February 17, 2017. <https://www.digitalcommerce360.com/2017/02/17/us-e-commerce-sales-grow-156-2016/>



63%

of consumers are more worried about buying fake goods for children.

In addition, 63 per cent are more concerned about buying fake goods for children. This attitude is more prevalent in Spain (80 per cent) and Italy (86 per cent). Fifty-five per cent are also more concerned with buying a fake when it comes to shopping for other people, versus buying for themselves. This attitude was most prevalent in Italy (66 per cent) and U.K. (59 per cent), and among the 16 to 24 year old age group (70 per cent). This demonstrates that counterfeiting is a worry for shoppers and is something that guides their online shopping behaviour.

This fear of buying counterfeit products is not unfounded; 31 per cent of respondents said they had unwillingly bought a fake product. This figure is up by more than a third from the previous MarkMonitor Barometer (23 per cent) — in line with the rise in online shopping behaviour. The figure this year was higher in Spain (41 per cent) and Italy (33 per cent), and among respondents in the 16 to 24 age group (48 per cent). The age group concern is perhaps due to the fact that these respondents are widely considered as digital natives and are likely to use the Internet for more activities, such as shopping, socialising and working, than their older counterparts.

Of the 31 per cent of respondents who unknowingly bought a fake, half (51 per cent) said it happened just once, while a further 34 per cent said it happened two to three times. Even more startling, 11 per cent said they had unwillingly bought a fake product three to five times, and 5 per cent said it happened more than five times. After realising these products were fake, 51 per cent sent them back, 20 per cent complained to the genuine brand and 16 per cent complained in social media, evidencing the reputational damage that occurs with counterfeiting.

These findings demonstrate the scale of the counterfeiting issue: yes, shoppers are more aware of the threat, but they continue to get duped by counterfeiters. This perhaps shows that cyber criminals are becoming more sophisticated in their methods making it more difficult to spot fakes.



Increased confidence in online marketplaces might also be the reason that online spending is quickly catching up to the amount of money being spent in physical stores.

Fakes in trusted places

When it comes to the types of counterfeits that were inadvertently purchased, clothing and apparel rank most popular (32 per cent), followed by electronics and digital goods (26 per cent) and perfume and cosmetics (20 per cent).

Fake goods were bought through a number of channels, the top three being:

- Online marketplaces (42 per cent)
- Links found in search results (15 per cent)
- Social media (10 per cent)

Ironically, these three channels were among those where shoppers felt most secure:

1. Online marketplaces — 86 per cent (region high: Italy at 96 per cent; U.K. & U.S. at 91 per cent)
2. Link in search results — 67 per cent (region high: Netherlands at 72 per cent; U.K. at 71 per cent)
3. Smartphone app — 56 per cent (region high: U.S. at 62 per cent; Italy at 61 per cent)
4. Link in paid advert — 37 per cent (region high: Spain at 49 per cent; Italy at 47 per cent)
5. Link in social media post — 29 per cent (region high: Spain at 37 per cent; Sweden at 34 per cent)
6. Social media — 27 per cent (region high: Italy at 39 per cent; Spain at 33 per cent)

The high confidence rating of online marketplaces is perhaps as a result of measures that larger, better known brands have put in place in terms of payment security and guarding against fake products. This increased confidence might also be the reason that online spending is



25%

of shoppers stopped spending with the genuine brand after unintentionally buying a fake.

quickly catching up to the amount of money being spent in physical stores.

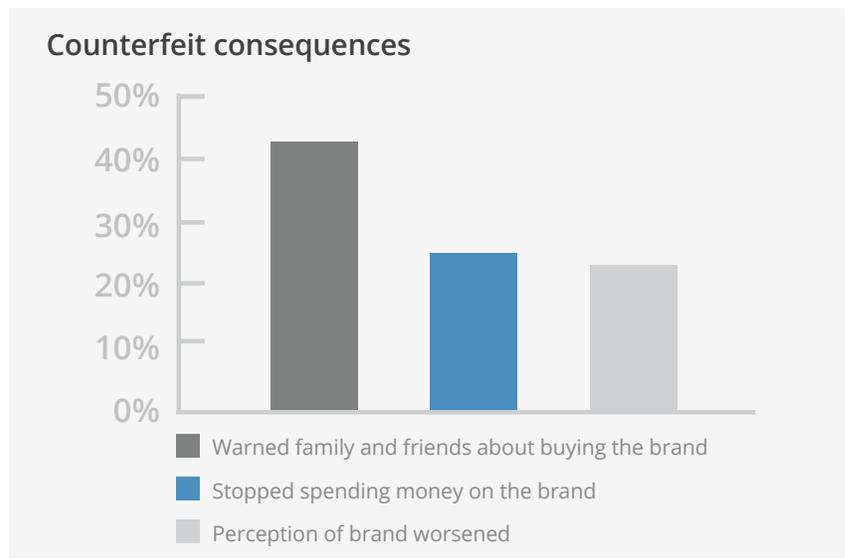
Brand Action Required

While consumers are concerned about buying fakes and are still being duped, 86 per cent of those surveyed said that brands should do more to protect customers from buying fake goods. Of those shoppers that bought a fake good by accident, one-fifth complained about it to the genuine brand.

This attitude reinforces the fact that the consequences of counterfeiting are far-reaching. Customers are inconvenienced, they lose money, and their health could be put at risk. Meanwhile, the impact for brands can be just as severe.

Furthermore, 44 per cent of respondents who unwillingly bought a fake said they warned family and friends about the brand, while a further 25 per cent stopped spending on the brand altogether. More than one-fifth (22 per cent) said their perception of the brand worsened.

This finding highlights the need for organisations to implement and maintain a comprehensive brand protection strategy that takes all aspects of infringement into account — not just counterfeiting — to make sure both customers and brand are protected.



Holiday Spending, Increased Vigilance

The concern around inadvertently buying fake goods online is felt by consumers all year long. It is, however, becoming more prevalent around Christmas. With massive sales events, such as Singles' Day, Black Friday and Cyber Monday kicking off the start of holiday spending, the chances of buying a fake rise with the increased time spent online. In fact, according to industry research, holiday fraud increased by 25 per cent between 2015 and 2016, and U.K. shoppers lost £16 million last year over that period⁷. In the U.S., over the 2016 Christmas period, the average fraudulent transaction amounted to \$219⁸ and shopping fraud increased by 40 per cent⁹.

Putting that into context, research shows that on average consumers do 48 per cent of their shopping online over the holidays — excluding grocery shopping. While only a one per centage point difference from the mean over the rest of the year, it represents a 20 per cent rise from last year; according to the MarkMonitor Online Barometer 2016, consumers did 40 per cent of their shopping online.

Expanding on the average of 48 per cent, 24 per cent of respondents said they do between a quarter to half of shopping online (32 per cent in France; 27 per cent in the U.K.). A further 21 per cent said they did between half to three-quarters of shopping online (Germany: 25 per cent, Italy: 24 per cent, U.S.: 24 per cent).

This shows an appetite for online shopping over Christmastime that is perhaps driven by finding the best gift and doing so easily, while at a favorable price. With a clear increase from last year's results, it's fair to assume that this trend will continue, signaling that increased vigilance and care will be required.

Research also revealed that 54 per cent of shoppers spend most of their Christmas budget online when buying Christmas gifts. This includes 35 per cent of respondents spending on online marketplaces (higher

in Germany, at 57 per cent, and Italy, at 47 per cent) and 19 per cent spending directly on a brand's website (higher in Sweden, at 30 per cent, and the U.K., 24 per cent). Forty-one per cent of shoppers said they still spend most of their money in a physical store during this period.

The reasons for choosing one channel over another were largely focused around convenience and the ease of finding what they were looking for — reinforced by the fact that online marketplaces were the most trusted places to shop and were the avenues through which consumers spent the majority of their money over the Christmas season. Trust was only fifth on the list. More specifically, the top two reasons for each channel were as follows:

- Brand websites — convenience (63 per cent); ease of search (53 per cent)
- Online marketplaces — convenience (72 per cent); choice (63 per cent)
- Physical shops — ease of search (46 per cent); convenience (41 per cent)

It is interesting to note that, of the 31 per cent of respondents that unwillingly bought a fake product,

⁷ Christmas fraud: Mobiles and clothes top presents targeted." BBC News, November 23, 2017. <http://www.bbc.co.uk/news/uk-42085557>

⁸ Shin, Laura. "Why Online Shopping Fraud Is Expected To Jump 43% This Holiday Season And How To Protect Yourself." Forbes, November 23, 2016. <https://www.forbes.com/sites/laurashin/2016/11/23/why-online-shopping-fraud-is-expected-to-jump-43-this-holiday-season-and-how-to-protect-yourself/#210c720e5097>

⁹ Grant, Kelli. "Identity theft, fraud cost consumers more than \$16 billion." CNBC, February 01, 2017. <https://www.cnbc.com/2017/02/01/consumers-lost-more-than-16b-to-fraud-and-identity-theft-last-year.html>



54%

of shoppers spend most of their money online when holiday shopping.

almost half (49 per cent) revealed that these goods were bought as Christmas presents, with instances higher in France (64 per cent) and Spain (55 per cent).

In addition, 45 per cent of shoppers worry about unintentionally buying a fake product when holiday shopping online. This figure was higher (53 per cent) among those respondents with children younger than 18 in the house, perhaps signaling the importance of not disappointing gift recipients or inadvertently causing them harm.

This is reflected in the reasons that consumers won't buy fakes willingly: 91 per cent said they would never buy someone a counterfeit present for the holidays. Major reasons include ethics, potential for disappointment, embarrassment and possible harm.



Conclusion

By all accounts, the online shopping sphere is expanding and will continue to grow over the next few years. This means shoppers will most likely increase their spend in line with current trends and use the Internet more and more in their search for products and bargains. This leads to increased opportunities for cyber criminals to take advantage of well-intentioned shoppers — either in the form of counterfeit goods, identity theft or stolen payment card or personal details.

Counterfeiting and other forms of brand abuse are not abating; if anything, instances are increasing and cyber criminals are becoming more sophisticated in their approach. Shoppers are aware of this threat but must be more vigilant. They feel that brands need to do more to protect them from purchasing counterfeit goods. This belief, in addition to the behaviours that followed unwittingly buying a fake product, should signal to brands that more efforts are needed to ensure the safeguarding of customers, their own reputation and, ultimately, their bottom line.

This might sound like a daunting task for companies, but the presence of a comprehensive brand protection strategy is absolutely critical. Working with stakeholders within the business, as well as external experts in brand protection, organisations can ensure they are doing all they can to develop, implemented and continually evolve the best course of action that will keep them safe.

Methodology

MarkMonitor commissioned Vitreous World, an independent survey firm, to conduct research into the counterfeiting landscape online. The aim of the research was to gauge the attitudes and experiences of consumers when shopping online, specifically around unwillingly buying fakes and security concerns. To that end, a sample of 3,466 consumers were surveyed from nine countries around the world, including U.K. (1,000), U.S. (1,001), France (210), Germany (207), Italy (210), Spain (209), Netherlands (210), Sweden (209) and Denmark (210). The research was conducted in November 2017 via online interviews.

About MarkMonitor

MarkMonitor, the leading enterprise brand protection solution and a Clarivate Analytics flagship brand, provides advanced technology and expertise that protects the revenues and reputations of the world's leading brands. In the digital world, brands face new risks due to the Web's anonymity, global reach and shifting consumption patterns for digital content, goods and services. Customers choose MarkMonitor for its unique combination of advanced technology, comprehensive protection and extensive industry relationships to address their brand infringement risks and preserve their marketing investments, revenues and customer trust. For more information, visit markmonitor.com.

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