Return on investment – proving that protection pays

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Over the past five years, the Internet has become a vital route to market for pretty much all sectors and a core platform for business. Whether booking travel, finding the best deal for car insurance, doing the weekly supermarket shop or buying luxuries, today's consumer more often than not starts with an online experience. In fact, according to eMarketer, e-commerce business-to-consumer sales topped $1 trillion in 2012, growing by an estimated 21.1%, and estimated to grow by an additional 18.3% in 2013 (see www.emarketer.com/Article/Ecommerce-Sales-Topped-1-Trillion-First-Time-2012/1009649).

This is the reason why marketing departments focus so much time and money on website design, search engine optimisation (SEO) and other digital marketing strategies. The prize for their efforts is counted in unique visits, click-throughs and conversions, which are the lifeblood of digital marketing and the basis for measuring success in today's online space.

Brandjackers

Where there is money to be made, there are opportunists and conmen. It is clear that modern fraudsters have followed the trail to the Internet; it is believed that 14% of searches are hijacked and do not reach their intended destination. Given the number of searches initiated each day, this represents a massive amount of potential business which is being siphoned away from rights holders to 'brandjackers' – parties which take advantage of brands in the digital world in order to line their own pockets via advertising or the sale of counterfeit goods and other scams.

Rise of online brand protection

Given the scale of the issue, businesses have sought to defend themselves against this tide of abuse by employing a variety of techniques and solutions to strengthen online brand protection. Typically, these include the following:

- establishing a domain name registration strategy in order to cover core brands and geographies;
- using crawling technology to find infringers using registered marks and logos without permission;
- establishing a set of enforcement steps to be taken against the most important offenders; and
- using case management to ensure that these are followed methodically and the appropriate levels of effort are deployed in case of infringement.

It is possible to conduct a defence and enforcement strategy by deploying in-house staff or legal counsel and manually attempt to address the problem, but the sheer number of occurrences and systematic nature of repeat infringement make this onerous in terms of staff and expertise, and therefore extremely costly.

More often, specialist organisations are employed which will use technology to collate all instances of infringement, filtering tools to identify the most damaging and a set of automated or semi-automated enforcement capabilities to deal with mass offenders in bulk. This saves time and in-house resources, but also comes at a cost – usually an annual fee that depends on the number of brands, platforms to be covered and effort required.

Whichever path is taken, the costs involved require serious budget and are therefore subject to significant scrutiny, which requires a business case to be assembled that stands up to close inspection.

'Hard' and 'soft' benefits

Given the importance of digital channels, it is not difficult to think of reasons why a company may wish to employ a brand protection strategy. 'Customer confusion' and 'brand integrity' are terms that are often raised early in these discussions. These are valid and important, but difficult to quantify, and should be recognised as 'soft' benefits of a brand protection programme.

For this reason, we deal with the truly quantifiable items first, providing a methodology for assessing them, and detail some of the many other important, but harder to measure, reasons to engage in this sort of activity.

Measurable returns of online brand protection programme

There are two core aspects of measurable return: returned traffic and substitute sales.

Returned traffic

As described at the start of this article, one key way that online marketing teams measure their success is by visits to the main website or online store; clicks are the currency of the Internet. Gaining additional qualified traffic is a key objective of the effort that goes into designing a site, drawing visitors and encouraging them to transact.

For well-known brand names, there are typically thousands of sites incorporating both trademarked terms and content covered by copyright, with the sole purpose of drawing traffic away from the rights holder to others which seek to make money from the brand's allure, by selling either advertising or competing or counterfeit goods. In some cases, these sites have the name in the URL (eg, 'www.cheapbrand.com'), but more frequently they have the name or logo in the page content or, even more insidiously, embedded into the metatags (akin to the card index at a library) of the site. All of these tactics seek to trick a search engine into directing consumers away from the rights holder's property to someone else's.

For the brand owner, these tactics represent stolen traffic and, in many cases, large volumes of it. In a study that we conducted in 2012, we found that one in five searches for a brand name together with terms such as 'discount' or 'cheap' ended up at an infringing destination.

Fortunately, these tactics are measurable and you can find out how many visitors the infringing sites receive. This makes it possible both to target the really important sites which are getting the highest volumes of traffic and to start to build up a picture of the scale of the loss in monetary terms. Obviously, not all traffic to an infringing site is retrievable, but if the sites were not showing up in search engine results, it is likely that a reasonable proportion of that stolen traffic would instead go to the rights holder's site (assuming that it has good SEO and general digital marketing health).

Once we know how many visits have been stolen and what proportion could be retrieved, it is not difficult to attribute a value. Every online marketing department knows the conversion rate (what percentage of traffic turns into buyers) and the average transaction value of their online stores – hence, reclaimed visits can be shown as real amounts of money that the business will gain.

Substitute sales

The other truly measurable element of financial gain from an online brand protection project is substitute sales. The reality is that a proportion of consumers want 'replica' products, such as a lookalike of a designer bag for £20. Removing counterfeits from online sale will not push that consumer segment to acquire the genuine item.

However, studies have shown that another group of consumers looking for 'deals' are often tricked into thinking that a lookalike of a designer bag normally advertised at £200 is last season's model of the genuine thing or a compelling sale price. If we consider items such as razor blades or batteries, a fake item may be priced at £6 for a pack that would normally sell for £8, so it is apparent that the possibilities for confusion are great.

The rates for substitution sales differ between product types, price points and even distribution channels. In constructing a return on investment model, it is important that the rights holder errs towards the conservative.

Once we understand the substitution sales rate for a given product line, the next step is to identify how many counterfeit items we are removing from sale and calculate a return in terms of additional sales. For some online marketplaces, this is simple, as they provide this kind of detail for their legitimate sellers' benefit. Once we have identified the highest-volume infringing sellers, we can obtain the exact data about their sales volume, and thereby the quantities removed from sale, as listings are removed and sellers shut down.

For websites, one can use traffic measurement tools to identify how many visits per month each infringing site is obtaining and then apply the brand owner's own conversion ratios to obtain sales volumes.

In this way, it is possible to get a clear picture of how many counterfeit items are being blocked from sale as a result of the brand protection programme, apply the appropriate substitution rate and average sale price, and arrive at a value of additional sales that should result. Provided that conservative rates have been used throughout this process, the outcomes should be incontrovertible and a real reflection of the benefits that will accrue.

What we have shown above is obviously a high-level view of the process and substitution model. In reality, calculations must be very detailed, covering every infringing website and listing, then totalling all of these to arrive at the full value of the potential programme. Because of the widespread nature and volume of online infringement, our experience tells us that these two measurable areas of benefit – returned traffic and substitute sales rates – will produce a calculable return on investment that is many times the cost of deploying such a programme.

In addition, a number of real and valuable additional benefits are less measurable. It is worth identifying these factors, too, as they also represent real return.

Customer service savings

Most major brands have a returns department to which faulty or defective items are returned post-sale. It is an unfortunate fact of life that when purchased items turn out to be sub-standard, even if they are clearly not the genuine item, they are usually sent back to the brand owner's customer service department.

When the product involves health and safety, the customer may even have been harmed by a low-quality counterfeit item and seek to blame the brand owner. Significant amounts of resources and effort managing the correspondence and calls associated with these items can be expended. Of course, goodwill and brand reputation may also be significantly affected.

Optimised online marketing spend

Two of the largest components of online marketing budgets today are paid search spend and SEO effort. The price of paid search clicks is actually the result of billions of instant auctions, as advertisers compete for inclusion in the first set of results. When large numbers of sellers of fake items are added to the bidding, this drives up those costs massively. One well-known jewellery brand calculated that by combining effective search marketing strategies with brand protection efforts to reduce this unfair competition, it was able to add 50% more traffic, while reducing spend by 41%.

These two factors undoubtedly represent real value that can be returned through an online brand protection programme. In addition, there is a set of benefits that falls into the subjective category, but is still of real importance to most rights holders:

- Reduced customer confusion – when potential customers look for a means to purchase online and are clear on what is genuine, the probability of a purchase increases.
- Brand integrity – there is no doubt that the existence of cheap fake versions of high-quality brands can reduce the desirability of that brand in the marketplace.
- Damaged distribution relationships – many owners of high-value brands have authorised distribution partners. These third parties frequently complain of the challenge that they face from the unfair competition posed by sites selling fake items at vastly reduced prices.

These five items will undoubtedly bring real benefit to the brand owner. Some represent measurable economic impact, while others are much harder to measure and should be viewed as supporting arguments to a credible business case.

The right expertise, effort and an appropriate framework, combined with conservative assumptions from the brand owner, can build a real and sustainable business case that will stand up to rigorous scrutiny and provide a compelling return on investment by which to justify a brand protection programme.

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