

MarkMonitor® Shopping Report

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Executive Summary

High-profile seizures of counterfeit goods and shutdowns of websites selling fakes demonstrate how the business of counterfeits has moved from the street corner to the digital world, providing counterfeiters with a market that is global, pervasive and well-organized. E-commerce sites hawking fake product appear professional, often featuring photography drawn from brands' most recent advertising campaigns, and present consumers with seemingly viable choices. Who is making the choice to buy counterfeit goods?

There is little information about consumer motivation when purchasing fakes. Is the purchase a deliberate, informed purchase or an inadvertent one? This study provides important insight about the demographics of counterfeit purchasers and sheds light on consumer purchase intent, debunking the assumption that shoppers who purchase counterfeit goods are a different category of customer than those seeking genuine goods.

Our study, conducted between July 2011 and March 2012, analyzed the relationship between online shoppers, the search terms they use and the sites that they visit when seeking apparel and luxury goods. We worked with Nielsen, a leading global provider of information and insights into what consumers watch and buy, during the study period to analyze anonymized data from Nielsen's permissioned online panelists in six countries. Using traffic and keyword search data, we scrutinized traffic to sites visited by these shoppers, including more than 1,000 websites selling legitimate goods and more than 8,000 sites identified by MarkMonitor® as selling counterfeit goods.

While we can't deny that some shoppers will purchase a counterfeit without compunction, our study of these shoppers indicates that many consumers aren't even aware that they are buying a counterfeit product instead of the real deal. Based on our analysis of search terms, we found that for every shopper searching for fake goods, 20 other shoppers were seeking bargains—and one in five of those bargain hunters were duped by sites selling counterfeits. We also found minimal demographic differences between shoppers who visit sites selling counterfeit goods and shoppers who stick to sites selling legitimate goods. The implications are important for brands at all points on the price spectrum and underscore the need to implement proactive brand protection strategies in the digital world.

Key Findings

Minimal Demographic Differences for Bargain Hunters

It's no secret that shoppers all over the world are embracing e-commerce. Eurostat research reveals that 43 percent of individuals aged 16 to 74 in the 27 EU member countries bought something via the Internet in 2011, with shoppers in Britain, Germany and France reporting much higher rates of online purchases at 71 percent, 64 percent and 53 percent respectively. Clothing is a popular item with shoppers, as 41 percent of British shoppers and 39 percent of German shoppers report buying clothing online in 2011, almost double the European average of 22 percent. Forrester Research reports the average U.S. shopper will spend \$419 online this holiday season—a 12 percent boost from last year—as they continue to go to the Web to take advantage of the increasing number of digital offerings from retailers.¹

Examining online search behavior yields insight into purchase intent. Shoppers may start their search expeditions with broad category keywords and modify with a variety of descriptors in order to narrow their search. For our study, we examined two sets of descriptive keywords to fathom intent. One set focused on counterfeits with terms like 'fake', 'knockoff', and 'replica' while the other set focused on bargains with terms like 'cheap', 'discount', 'wholesale', 'clearance' and 'outlet'.

Nielsen data is based on permissioned panel participants, numbering more than 300,000, including consumers in France, Germany, Italy, Spain, Switzerland, the U.K. and the U.S.

When we compared the shoppers who visited sites selling counterfeits with the shoppers who never visited sites selling counterfeits, we were surprised to learn that from a demographic perspective, very little separates visitors to sites selling counterfeit goods and visitors to sites selling legitimate goods. Across age, income, education levels, household size and other factors, the demographic differences are minor.

¹ US Online Holiday Retail Forecast, 2012, Forrester Research, Inc., November 8, 2012

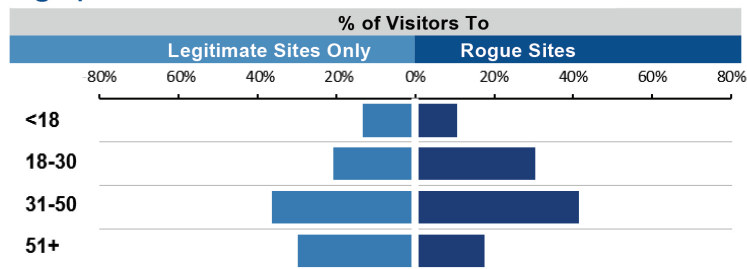
“U.K. consumers continue to spend more online, meaning they’re moving more of their purchases from stores to the web. In June [2012], online shoppers spent an estimated 6 billion pounds (\$9.3 billion)—an average of 117 pounds (\$181) per person—up 13 percent from June 2011.”

— U.K. Web Sales Grow Nearly 13 Percent in the First Half of 2012, Internet Retailer, July 27, 2012

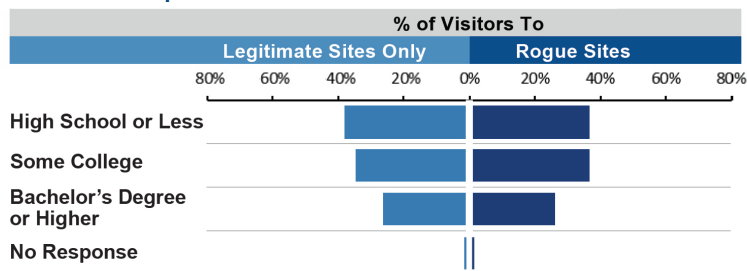
Demographic Profile—United States

July 2011—March 2012

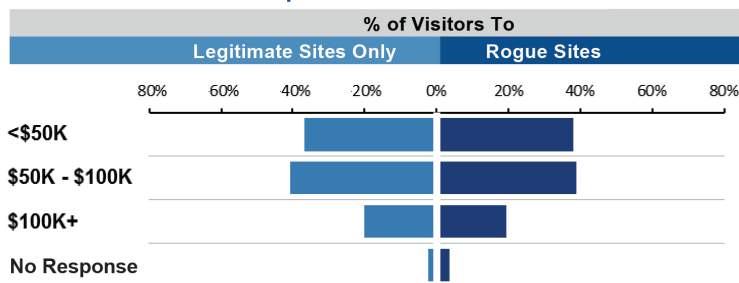
Age | United States



Education | United States



Household Income | United States

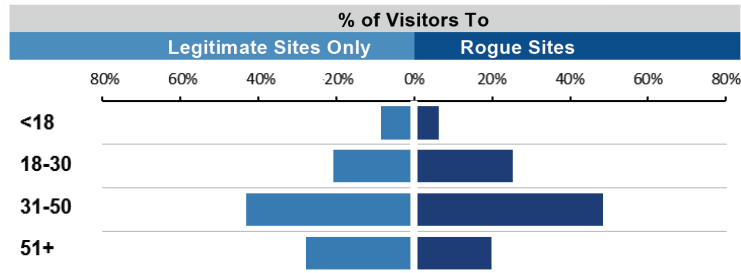


“Shoppers visiting sites selling counterfeits and shoppers who never stray from sites selling legitimate goods are similar from a demographic perspective.”

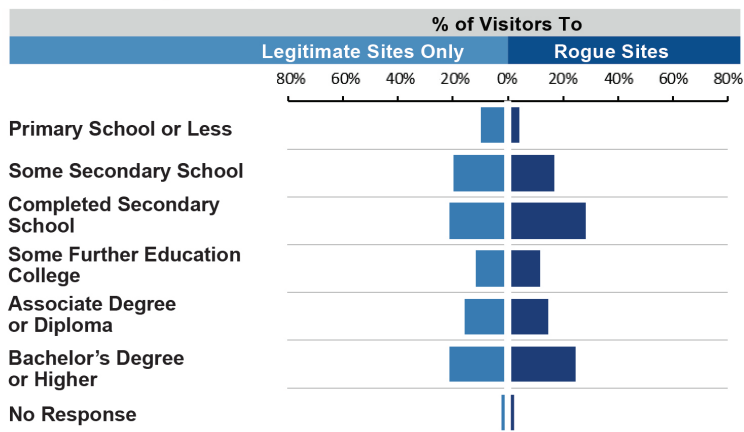
Demographic Profile—Europe

July 2011—March 2012

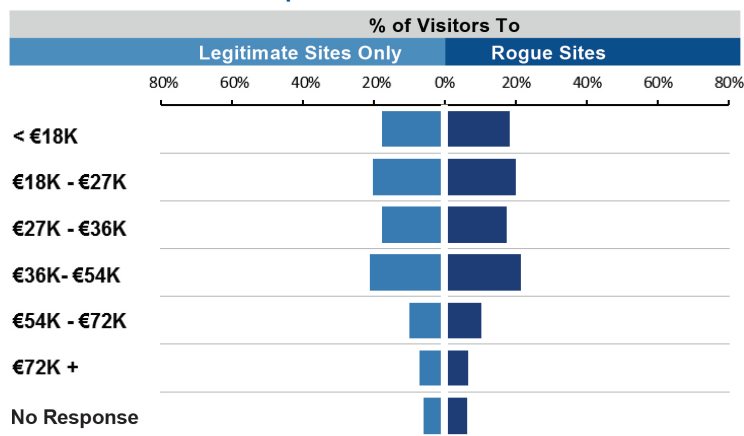
Age | Europe



Education | Europe



Household Income | Eurozone



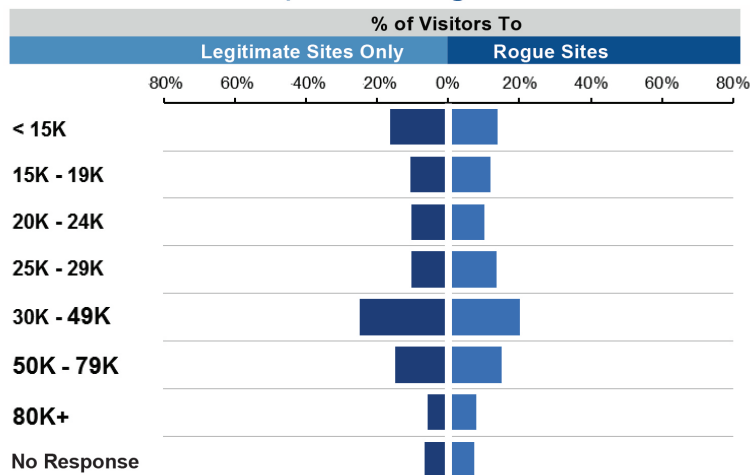
“In 2012, Forrester expects this holiday season to generate \$68.4 billion in U.S. online sales, a 15 percent increase on 2011’s total and three percentage points higher than the expected overall annual online retail growth rate.”

— US Online Holiday Retail Forecast, 2012, Forrester Research, Inc., November 8, 2012

Demographic Profile—Europe (cont.)

July 2011—March 2012

Household Income | United Kingdom



Price Conscious Shoppers Find Fakes While Looking for Bargains

We surveyed almost five million shopping sessions during the study period and focused on the search terms employed to understand the motivation for these shoppers. About one in five U.S. and European bargain hunters (e.g., those searching on terms such as *cheap*, *discount*, or *outlet*) land on sites selling counterfeits and they were more likely to convert—in other words, put something in the shopping cart—than those who land on a site selling legitimate merchandise.

Most counterfeit goods are priced to appear as legitimate goods on sale. Discounts are often offered at 25 percent to 50 percent, which, while steep, are comparable to end-of-season or ‘blowout’ sale rates. Because these prices are plausible, bargain hunters are that much more likely to snatch up counterfeit goods thinking they’re purchasing legitimate goods.

The result is disappointed consumers who find a fake rather than a deal when they receive their goods, resulting in increased customer complaints and decreased customer loyalty.

“The prices of the imitators are rising, confusing customers who are looking for the real deal at a discounted price. Still, the higher-priced fakes are just a fraction of what a real item would cost.”

— *Fashion Fakes Get More Sophisticated*, The Wall Street Journal, June 30, 2011

Full Study Period—United States	Legitimate Session Conversion Rate	Counterfeit Session Conversion Rate
Sessions Involving Searches for Counterfeits	10%	16%
Sessions Involving Searches for Bargains Only	12%	16%

Full Study Period—Europe	Legitimate Session Conversion Rate	Counterfeit Session Conversion Rate
Sessions Involving Searches for Counterfeits	4%	9%
Sessions Involving Searches for Bargains Only	3%	17%

Bargain hunters are more likely to place an item in an online cart when shopping on sites selling counterfeits.

Comparing Search Behavior

What sets apart those truly looking to purchase a counterfeit versus those seeking a good deal on legitimate goods? The search behavior of both categories of shoppers reveals some interesting insights into how these two sets of shoppers search.

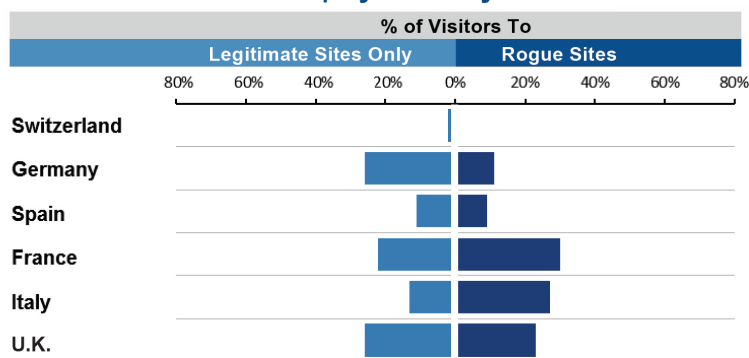
U.S. shoppers who seek out counterfeit goods use more specific brand names in their searches than shoppers who seek deals. In other words, those looking for knockoffs are more likely to search on a brand name, while bargain hunters are more likely to search for categories of goods, such as *kids*, *clothing*, *furniture*, *jackets* and *jeans*.

Along those lines, U.S. bargain hunters do not search for as many high-end brands as those seeking fakes. This supports the conclusion that these consumers have every intention of making a legitimate purchase and simply assume certain brands are beyond their budget. The research did uncover one exception: counterfeit hunters in both the U.S. and Europe are more likely to look for *watches*, both as a category and by brand name.

The study also revealed distinctions when it comes to European bargain hunters. While seasonality did not impact their behavior, these consumers are more likely to look for specific stores in their online searches. This implies they—like their U.S. counterparts—are well-meaning shoppers who are researching bargains online with the intent of purchasing a legitimate product offline.

There were two exceptions, however, that we noted. Italian and French online shoppers are three to five times more likely than Swiss and German online shoppers to visit counterfeit sites.

Audience Breakdown | By Country



Shoppers in France and Italy are more likely to visit sites selling counterfeit goods.

Uniting all searchers, though, is a love of footwear. Footwear-related terms—including brand names and categories such as *shoes*—were the most popular for all shoppers, and some of the most popular search terms for bargain hunters. When you consider that counterfeit footwear accounted for 40 percent of the total knock-off goods seized by U.S. government agencies last year, accounting for industry losses estimated at \$12 billion² according to the Coalition Against Counterfeiting and Piracy, the risk from sites selling counterfeits stands in sharp relief for footwear brands.

2. *The Most Counterfeited Products*, Bloomberg BusinessWeek, 2012

Deliberate Purchase Process

Lending further support to the case for bargain hunting, we found that shoppers who visited counterfeit sites were more deliberate—they visited more sites and spent more time on those sites. For example, during the 2011 holiday period, U.S. shoppers who went to counterfeit sites visited over 2.5 times more shopping sites and spent more than twice the amount of time on them than shoppers who visited only legitimate sites.

The contrast is even sharper when looking at the full nine-month period. U.S. shoppers who visited counterfeit sites visited nearly four times as many shopping URLs and dedicated more than three times the amount of shopping time than shoppers who visited legitimate URLs only.

The findings are similar in Europe. During the holiday period, shoppers who went to counterfeit sites visited just over twice as many shopping sites and spent just over twice the amount of time shopping than shoppers who only visited legitimate sites. During the full study period, European shoppers who went to counterfeit sites visited just over 2.5 times more counterfeit sites and expended about 2.5 times more time shopping compared to shoppers visiting only legitimate sites.

Full Study Period—United States	Visited a Rogue Domain	
	NO	YES
Average Shopping URLs	182	723
Average Shopping Minutes	98	327
Average Shopping Sessions	17	48

Full Study Period—Europe	Visited a Rogue Domain	
	NO	YES
Average Shopping URLs	77	218
Average Shopping Minutes	38	97
Average Shopping Sessions	9	22

Holiday Period—United States	Visited a Rogue Domain	
	NO	YES
Average Shopping URLs	260	683
Average Shopping Minutes	124	284
Average Shopping Sessions	17	35

Holiday Period—Europe	Visited a Rogue Domain	
	NO	YES
Average Shopping URLs	39	89
Average Shopping Minutes	18	37
Average Shopping Sessions	4	7

Shoppers spend more time on sites selling counterfeits than on sites selling legitimate goods.

This deliberate shopping behavior on the part of all panelists in the study along, with the plausible discounts offered by sites selling counterfeits, bolsters our conclusion that sites selling counterfeits are ‘honeypots,’ or lures, for bargain shoppers. Bargain hunters’ search behavior during the study period further reinforces that conclusion. During the entire nine month study period, bargain hunters consistently used deal-oriented terms and did not use counterfeit-oriented terms. This behavior suggests strongly that these shoppers were seeking bargains and believed that they were shopping on sites selling legitimate goods.

Recommendations for Brands

The look and feel of sites selling counterfeits can fool even the savviest of shoppers, whether an aspirational consumer or a brand loyalist. Gone are the days of poor quality and rampant misspellings—counterfeiters now download artwork, including logos, product shots and the latest ad promotions, directly from brand sites. Some of these sites selling fakes look like elegant boutiques offering a range of high-end consumer brands and luxury goods, further reinforcing a high-end image. As e-commerce continues to grow—and when you consider that e-commerce purchasers are often spending more both online and offline—the risk to brands’ bottom lines from online counterfeiting is magnified.

Powerful brands are valuable assets that are particularly vulnerable to brandjackers in the digital world. An effective online brand protection strategy is critical to ensure that brand integrity, marketing investments and customer trust are not being undermined by unauthorized digital activities.

In addition to implementing a brand protection strategy, MarkMonitor® recommends that brand marketing and e-commerce professionals in all product categories, including luxury brands, take two simple steps:

- Buy terms like *discount*, *outlet* and other bargain-related terms, even if you are a luxury brand. Then, design associated landing pages to point brand-seekers to sale items or appropriate retailers. If your brand does not discount as a matter of policy, educate these shoppers on the brand’s philosophy.
- Register domain names with these bargain-related terms to ensure potential customers find your site or your channel partners’ sites when searching. Do not let the counterfeiters and other brandjackers use domain names like ‘brandoutletstore.com’ or ‘discountbrand.com’ and steal away your customers. Today’s aspirational customer may be tomorrow’s loyal buyer.

Summary

While some consumers opt for a knockoff when the original proves too expensive, others can be so intent on purchasing their brand of choice that they unknowingly shop at sites selling counterfeits while seeking a bargain. We found that for every shopper searching for fake goods, 20 are seeking bargains. Furthermore, one in five of those bargain hunters were intercepted by sites selling counterfeit goods.

Based on Nielsen’s anonymized, permissioned panel data which includes consumers from the U.S. and six European countries, we compared demographic information for shoppers visiting sites selling counterfeit goods and sites selling legitimate goods. We found minimal demographic differences between those sets of shoppers, across income, education, age, household size and other factors.

“*Brand website visitors are heavier buyers within a brand’s product category, spending 53 percent more than non-visitors on the category in retail stores.*”

— Engaging Consumer Brand Sites Spark Purchases in Stores, Internet Retailer, January 30, 2012

We also found that shoppers visiting sites selling counterfeits were more deliberate, visiting more sites and spending more time on sites than those shoppers who concentrated on sites selling legitimate goods. This careful shopping behavior further illustrates how price-conscious customers are getting lured away by a bargain offered by a counterfeiter instead of by a legitimate brand.

These findings indicate that it is ill advised to classify a certain set of shopper as an evil underclass. While many of those consumers may be aspirational shoppers who cannot afford the price of these brands today, they could very well represent future buyers. Companies that take steps to minimize the chances brandjackers come between their customers and their brands will likely see a return on their investment for years to come.

Methodology and Background

Our study, conducted between July 2011 and March 2012, analyzed the relationship between online shoppers, the search terms they use and the sites that they visit when seeking apparel and luxury goods. Using Nielsen's anonymized, permissioned panel data and keyword searches, we scrutinized traffic to sites visited by the panelists, including 1,000 websites selling legitimate goods and 8,000 sites identified by MarkMonitor as selling counterfeit goods.

The Shopping Report is produced by MarkMonitor® using the company's proprietary algorithms and technology; none of this data contains proprietary customer information. Specifically, MarkMonitor analyzed representative samples based on Nielsen data for traffic to counterfeit and brand sites and segmented according to keyword searches, including those based on the following in English, Spanish, German, Italian and French:

- Bargain-related terms, e.g., *cheap*, *discount*, *outlet*, etc.
- Counterfeit-related terms, e.g., *knockoff*, *fake*, *replica*, etc.

About MarkMonitor

MarkMonitor®, the world leader in enterprise brand protection and a Thomson Reuters Intellectual Property & Science business, uses a SaaS delivery model to provide 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 industry-leading expertise, advanced technology and extensive industry relationships to preserve their marketing investments, revenues and customer trust. Learn more at www.markmonitor.com.

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