

COUNTERFEIT GOODS IN ONLINE MARKETPLACES

SiriusXM interviews MarkMonitor brand protection expert, Akino Chikada to learn about the latest counterfeit trends in online marketplaces.



Akino Chikada, Sr. Product Marketing Manager, MarkMonitor

Akino started her career in public relations and marketing in London and has worked in Europe, Asia and the United States. She has led and served interim roles in global marketing strategies, product marketing, events management, public relations, corporate communications and regional marketing. Akino holds a Bachelor of Arts from the University College of London, a Master of Science from the London School of Economics, and has trilingual fluency in English, Italian and Japanese.

Q&A

Akino Chikada tackles whether all counterfeit goods are created equal with Americus Reed and Barbara Kahn. Professor Americus Reed focuses his research on the role consumers’ self-concepts play in guiding buying decisions, examining how social identity shapes purchase decisions and consumer behavior. Professor Barbara Kahn is the director of the Jay H. Baker Retailing Center at Wharton and an expert on marketing issues and the consumer choice process. The discussion delves into the important issue of counterfeit goods in on- and offline marketplaces.

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BARBARA: *Akino it is lovely to have you with us. Can you tell us a little bit about yourself?*

Sure. So, I am based in San Francisco. I am the Senior Product Marketing Manager at MarkMonitor. I have been with the company for over three years and it has been interesting because I spent the first decade of my career marketing, but really focusing on marketing communications and corporate marketing; promoting brands and building brand equity. At MarkMonitor we have really been focusing on brand protection and it’s been very interesting.

BARBARA: *Now, when you mean brand protection you don’t just mean legal trademark protection or do you?*

Legal and trademark, sure. We also focus on counterfeit, piracy, fraud and partner compliance. There have been growing threats when it comes to brand abuse online.

BARBARA: *Yes, I heard it is pretty bad in China on Alibaba; do you work with those kinds of companies?*

Yes, we definitely partner and work closely with our clients as well as with marketplaces to ensure that we are protecting consumers from counterfeit. So yes, that is part of the program.

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BARBARA: *Are you protecting the consumers or are you protecting the brands? I think the consumers are sometimes happy with counterfeit products.*

AMERICUS: *I have a \$300 Rolex; I like it. Sure.*

Here is a shocking statistic: 18 percent of shoppers are intentionally looking for counterfeit products. So yes, you are right in saying that. However, 23 percent of consumers do not realize they are purchasing a counterfeit product. We are primarily protecting the brand and the company but inevitably, consumers do benefit from that protection.

AMERICUS: *Interesting. I am a big fan of Oakley sunglasses and I was online maybe six or seven months ago, and I somehow got to this site selling Oakley sunglasses. The website had the Oakley logo and everything; they even listed the original prices, like originally \$500. They are expensive sunglasses, so seeing \$65 was a pleasant surprise. So, I ordered four pairs and when they came, as soon as you opened it up you would know they were not Oakley sunglasses, even though they say Oakley on them. I was like, “Oh my God, this is counterfeit Oakley.” Shame on me for thinking I could get this product for \$60 when I knew it is usually two or three hundred dollars.*

Is that the kind of thing that you can help companies with Akino?

Yes, absolutely. We help brands to detect counterfeit for example, so that is one of the business problems we can solve.

You are correct; price point is one of the telltale signs of counterfeit. It is interesting because many of these counterfeiters have become a lot more sophisticated with their tactics. They are using different approaches to make it more challenging for brand owners to detect counterfeits. That is our expertise and that is where we add value.

BARBARA: *So, it sounds like you chase after the ones that are in the wrong and harass them to shut them down. Can you also advise a company how to make their brand less “copy-able?” Is it similar to what the government does with dollar bills? They put all the red threads in the dollar bill or something and then if you train consumers to look for those*

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red threads you know it is not a fake dollar. Do you do anything like that?

That is a little outside of what we do, but we definitely try to promote customer education. For example, me talking to you today. We are definitely trying to promote awareness. We definitely encourage our clients and all brands to have an education program in place. We encourage brands, if they have authorized sellers, to have that information clearly established on their website so consumers know exactly where to go shop for the legitimate product.

If there is a type of scam that a company has been seeing – for example, phishing or malware scams where a fraudster is using the legitimate brand name to commit a phishing scam – then to be proactive in sharing and raising awareness. In the most effective brand protection programs, everyone plays a role and makes sure we are all trying to combat these brand issues.

AMERICUS: I think it is interesting that Barbara mentioned this notion of trying to build in some technological things that could help in the process. You can imagine – and maybe this is something that MarkMonitor is working on – an automated detection process whereby there is a digital footprint in authentic goods. This could be a cookie or somewhere buried in the code of those websites that tells someone who’s detecting that it is authentic or not, and maybe a program that can go out there and search and try to identify websites that either have or do not have this digital footprint.

Does MarkMonitor have an automated way to do this and say, “Here is a list of sites that do not appear to be authentic,” and then the follow up process can be done manually, if you will. It sounds like what you are doing, Akino, is the hardcore footwork of having to go out yourself and look around these websites. To what extent is the detection process automated?

I am actually glad you are bringing that up because this – and I would call it a differentiator – is MarkMonitor’s technology. We leverage data science and prioritize threats to a brand. For example, if there is a particular seller on a marketplace – take Alibaba, Amazon, eBay, or any marketplace, and there has been a known seller that we have enforced on multiple

times, our technology will take this into account and flag the seller so it is prioritized in our system.

Our technology leverages data science to help prioritize search results. As you can imagine the internet is vast between websites, social media, paid search, marketplaces and emails – brand abuse actually takes place in so many different channels. So, having automated technology helps brands prioritize and find infringing sites quickly so that we can immediately take action.

BARBARA: *I was wondering Akino, do you go past brands? Can you detect inauthentic information in more than just brands or are you limited to brands in marketing?*

Our primary focus, because of our clients, is brands and brand owners.

AMERICUS: *Let me ask you this Akino: let's imagine I'm a company brand X, and what does this cost? What am I charged to do this? Are there different levels of protection I can choose from at different price points? How do you go about putting a value on these services? One of the big things in marketing is this idea of "the brand is an asset" and that 18 percent that you mentioned earlier who are out there buying stuff that is not real; that could be considered an opportunity for the brand in terms of the value that is not being monetized. So how do you translate that into a price you are going to charge to protect my brand? How does that work?*

That is an excellent question, and to be honest it really varies. It varies based on the business problem that we are trying to solve and the magnitude of the problem. We do go through an assessment phase. We do have standard pricing and packaging, however, in general, what we do is try to scope out where the key pain points are and then try to address them accordingly.

BARBARA: *And is counterfeiting a bigger issue online? Is that one of the key pain points?*

Yes, counterfeit is a major pain point. General brand protection, too. You would be surprised at the number – whether it is malicious or even

unintentionally – of brand names being used in an illegitimate way, such as trademark and copyright abuse.

Fraudsters are trying to use phishing and malware; that is also very scary. There are also affiliates; brands have partners to help sell their products online, and sometimes they mistakenly may violate some of their terms and conditions or it might be misrepresenting the brand.

There are numerous different challenges that brands need to consider, so, depending on the size and scope of the project, we really do try to tailor it. And, you are right: from a brand perspective, especially marketing folks, we spend a lot of money in investing and building a brand equity. So, it is equally important to make sure that brands do have a comprehensive brand protection program.

BARBARA: *So, you have been in this business three years; do you notice different use of brand counterfeits or some of these problems across different product categories? Is luxury a big problem and food is not, or is a big problem across lots of different categories? And, can you give examples?*

Sadly, it is a problem across the board. Whether it is a handbag or outfit, whatever that product is there is still a cost associated with counterfeiting. There is definitely an impact, but you can imagine something like automotive selling a counterfeit brake pad or selling counterfeit baby formula. Those kinds of products really have a negative impact on the customer safety, not just loss of revenues.

BARBARA: *So, those are examples where, for sure, consumers would want to know if an item is counterfeit. They will be motivated to make sure they are not getting counterfeits. Whereas in luxury they may want the fake. They certainly do not want fake brakes.*

Exactly.

AMERICUS: *So, what I am interested in, Akino, is this idea of, when you go to clients, how do you quantify the value for them? Do you go to them and explain with case examples of: here is what happens when you intervene in a particular counterfeit process and this is the money you get back? How do you pitch that? Because I'm guessing some brands would say, "Listen I don't have time to be worried about somebody in China who is kind of ripping of*

my thing, I am too focused on my own issues,” et cetera et cetera. How do you make that case?

Great question. Sadly, sometimes it is a brand having to experience a negative customer impact where they then realize that this is a true business problem and they do actually need to solve it. There are more sophisticated brands that already have a program in place and they have already been pioneers in having a well-established brand protection program and partnering with us. And, of course, there are those that we do need to educate. Many times what we do, especially in the pitching phase, we offer an assessment. So, we showcase examples to identify various channels where brand abuse is taking place.

BARBARA: But to Americus’ point, I think it would be interesting to see how counterfeiting would hurt the price premium charged and you could show that loss. And, there might be other ways to put metrics on it; do you do that kind of thing?

Yes, we definitely do have metrics. As you can imagine, when you have a conversation of ROI, many people tend to use that as a way of negotiating. It does become a more complex conversation. Having said that, there are ways to calculate this. What we try to do is take the approach of partnering with the client, understanding what are reasonable metrics so that there are ways to really showcase and talk about the value, and how much benefit the brand protection program is bringing to the company.

Many times, you have to explain this and try to justify budgets to your executives. So, having that type of conversation of talking about what exactly a successful brand protection program looks like and what is the value you bring in. The ROI discussion, it really varies by industry and company. We try not to take a singular approach, but more of the approach where we partner with the client and try to come up with meaningful ways that they can then justify a new program.

AMERICUS: It is interesting because you guys are – if you are doing your job -- not noticed in some sense, right? Because all is well. So, in some senses, it takes these disruptive sorts of things to happen before it gets on people’s radar. And, we are also just starting from a deficit in terms of marketers understand the value of brand, but when you are talking to legal or you’re talking to the finance guys or other folks that may have a different

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approach to thinking about what a brand means, I can imagine it being a pretty challenging conversation to have. What are your thoughts on that?

Yes, and I think you bring up an important point. One of our approaches, and something we highly recommend, is to think about brand protection as a cross-functional effort. Marketing values the need to protect brand equity; and legal is definitely interested from a trademark and copyright perspective. They want to make sure that they are enforcing and they are protecting all intellectual properties.

Security teams also play an important part of it. For example, let's say you are a telecom company or you are a bank and a fraudster uses your legitimate brand name to say to your customer, “Hey, there is an issue with your credit score” or “there has been an issue with your telephone,” or something with a sense of urgency – which then directs people to a phishing site. People fall for that because things like telephones, banks or credit cards are personal items that people care about. So, it's easy to fall victim to these types of phishing scams. So, that is another critical angle, and security definitely plays a role in trying to protect brands from that aspect as well. We definitely try to take an enterprise approach where we think about the different business problems and provide a comprehensive brand protection program.

Just to throw a couple of stats in: from the counterfeiting side, we recently did some market research, and our research showed that 85 percent of consumers believe brands should be doing more to protect them from counterfeit. On the fraud side of things, 74 percent of brands said that they believe every company should have a fraud protection policy in place and have an education program to help them, the consumers, from not being part of that.

BARBARA: *That relates to something I was thinking. If the consumer gets caught in the phishing site, or something like that, I can imagine they want to sue somebody. How much liability does a brand have in any of these kinds of things when their brand is being coopted. Are they at all responsible for the trouble?*

AMERICUS: *That is a great question.*

There are costs associated with the fraud itself, but there are also costs associated with customer loyalty, once you lose that customer trust, that

85%

Consumers who believe that brands should be doing more to protect them from counterfeit.

customer is going to go to a competitor. The third part is obviously reputation. That person is going to go around, tell their family and friends. Word of mouth does cost a lot of money and reputation, which is harder to quantify, but the cost is definitely there.

BARBARA: *But they are not necessarily legally liable?*

Well, it depends on the situation.

AMERICUS: *Somebody is going to file the lawsuit; there are going to be several names on the lawsuit.*

BARBARA: *That is exactly my point.*

There are definitely costs associated with that.

BARBARA: *That is where I was going with that.*

It is definitely not cheap.

BARBARA: *Well it sounds like you are doing a great service to the brands and you have convinced me that this is a great service for consumers as well; I do not want counterfeit brakes!*

AMERICUS: *I don't either.*

BARBARA: *I'm glad you are doing what you are doing. So, thank you very much for your service and I am sure your client brands are supporting you too.*

This discussion outlines how MarkMonitor expertise and technology help to shut down fake brands and scams to make sure you are getting the authentic brand product. Focusing on the considerable, but sometimes unnoticed, ROI of comprehensive and bespoke brand protection and anti-counterfeiting solutions. Akino defines the role of MarkMonitor in diminishing the sale of counterfeit goods and how that role extends into protecting client's customers from purchasing and receiving the negative effects of those counterfeit items.

More than half the Fortune 100 trust MarkMonitor to protect their brands online.

See what we can do for you.

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About MarkMonitor

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