

REPORT

MarkMonitor® Online Barometer

Global Online Shopping Survey 2017 – Consumer Goods



Overview

Research indicates that a trend in online shopping for everyday goods has exposed consumers to a new layer of risk that goes beyond that of most counterfeit products. Both brands and customers are encouraged to stay proactive and educated about the risks of buying products online.

Table of Contents

Executive Summary	3
Key Findings	5
Why Consumers Prefer to Shop Online	8
What are Consumers Buying?	8
Online Shopping Drivers: The Three Cs	9
How Consumers Locate Products	9
Counterfeiting: The Threat Endures for Online Shoppers	10
Trust — A Guiding Force in Purchase Decisions	12
The Role of Reviews	12
Not All Consumers Buy Online	13
Cost — The Deceptive Appeal of Counterfeits	14
The Risks of Counterfeit Medication	15
Conclusion	17
Methodology	18

Executive Summary

Today, the global online retail market is experiencing exponential growth, and consumers are spending more money than ever. The availability of goods on the Internet, along with the convenience of shopping, comparing prices and searching for the best value makes this avenue very attractive for consumers. In 2016, shoppers in the U.S. spent £352 billion online, a 16 percent increase over the previous year¹, while their U.K. counterparts spent more than £130 billion², up from £114 billion in 2015³.

With no slowdown in sight, retailers and ecommerce organisations are focusing on capturing greater market share, expanding product offerings and ensuring the best possible customer experience. However, along with growth in sales of legitimate products, the counterfeit market is also expanding. This is compounded by the addition of new channels, such as social media platforms, online marketplaces and mobile apps, where consumers are exposed to more options and an increased risk of unintentionally buying fake products.

While online shopping provides more options, convenience and a host of other benefits, consumers are not able to physically touch, feel and evaluate products before making a purchase. This can lead to buying counterfeit products and increased dissatisfaction. It can also mean consumers are more likely to get tricked by counterfeiters.

Counterfeiting has serious consequences for global brands — these include damage to reputation, diminished customer trust and loss of revenue. There are also wider-reaching effects: in the U.K. alone, research by the Centre for Economic and Business Research showed counterfeit goods cost the economy £17.3 billion. The report also revealed that 72,000 jobs were lost as a result⁴.

Consumers are not just buying luxury goods, clothing and electronics online; they use the Internet to purchase all types of goods and services, from food and books, to entertainment and travel. In addition, consumer goods like shampoo, sunscreen, beauty products and medicines, traditionally bought in supermarkets, drugstores or pharmacies, are now being bought online. However, when it comes to purchasing products that can affect health and well-being, such as skincare products, makeup, sun care, toiletries, medicines, supplements and

¹ Zaroban, Stefany. "U.S. e-commerce grows 14.6% in 2015," Internet Retailer, February 17, 2017. <https://www.digitalcommerce360.com/2017/02/17/us-e-commerce-sales-grow-156-2016/>

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 Sabharwal, Veebs. "£114bn spent online in 2015," Retail Gazette, January 15, 2016. <http://www.retailgazette.co.uk/blog/2016/01/ps114bn-spent-online-in-2015/>

⁴ Hannah, Felicity. "Counterfeit goods, tempting danger," The Independent, December 15, 2016. <http://www.independent.co.uk/money/counterfeit-goods-tempting-danger-a7473751.html>

vitamins, the risks of buying low quality goods not manufactured in accordance with standards are even more serious.

Brands the world over are tackling counterfeiting in a number of ways. These include investing in brand protection programmes, establishing relationships with industry experts and policing bodies and enhancing customer awareness about the dangers that fake goods pose.

Given the scope of the problem and its negative impact on brands, consumers and the wider economy, it is important to understand the behaviour of online shoppers when buying consumer goods.

MarkMonitor commissioned Vitreous World, an independent market research firm, to conduct a study of global consumers — specifically looking at online buying behaviour related to consumer goods, including makeup, toiletries, medicines, vitamins and supplements, purchased outside of supermarket shopping. In addition, the study gauged attitudes and opinions on topics such as counterfeit goods and confidence in searching for products via various Internet channels.

A total of 4,401 interviews were conducted using an online methodology across the general public of the U.K. (1,000 interviews), France (200 interviews), Germany (200 interviews), Italy (200 interviews), Spain (201 interviews), Netherlands (200 interviews), Sweden (200 interviews), Denmark (200 interviews) the U.S. (1,000 interviews) and China (1,000 interviews). China was included in our research for the first time, and has yielded some interesting results.

Interviews were conducted online and were completed between 4 and 10 May 2017.



32%

Makeup was cited as the most commonly purchased fake item.

Key Findings

1. Consumers Search for Discounted Everyday Goods Online

29 percent of consumers buy medicines online

Traditionally, consumers used the Internet to search for deals on luxury goods and more expensive items. However, as trust in online shopping has increased, consumers are increasingly using the Internet to search for and buy cost-efficient everyday items, such as haircare, skincare, makeup and medicines typically bought from a supermarket, drugstores or pharmacies.

While 29 percent of consumers buy medicines online, other purchases include:

- Makeup: 53 percent
- Skincare: 50 percent
- Soap, shower and bath products: 50 percent
- Haircare: 47 percent

2. Counterfeit Products Can Jeopardize Consumer Health

27 percent of online shoppers have been duped into buying imposter goods, such as toiletries, cosmetics and medicines

One of the most prevalent dangers of shopping online is unwittingly buying fake goods. Research found that just over one-quarter of consumers (27 percent) had been duped. This figure was highest in China where 46 percent of respondents had unintentionally bought a fake, followed by Netherlands (28 percent) and Italy (27 percent). Shoppers in Germany, Denmark and Sweden were least affected by having purchased a fake (18 percent).

Makeup was cited as the most commonly purchased fake item (32 percent), followed by skincare (25 percent) and supplements (22 percent). In addition, 16 percent of respondents in this subsample



34%

When asked about how they identified the goods as fake, 34 percent of respondents said they had experienced a bad reaction to the product.

bought medicines that were fake.

These counterfeit products were found via a variety of online channels, including:

- Online marketplaces: 39 percent
- Search engines: 34 percent
- Mobile apps: 22 percent
- Social ads: 20 percent
- Online pharmacies: 16 percent

Alarming, when asked how they identified goods as fake, 34 percent said they had experienced a bad reaction to the product, while 50 percent said poor quality alerted them.

3. Consumers Trust Online Marketplaces – But Still Fall for Fakes

74 percent of consumers trust marketplaces to deliver goods that meet expectations all or most of the time

Marketplaces frequently appear in research as trusted online channels for purchasing consumer goods. However, the majority of respondents that unintentionally purchased fake products found them via online marketplaces (39 percent), followed by search engines (34 percent). Mobile apps (22 percent) and social ads (20 percent) were third and fourth, respectively, on the list.

In addition, reviews continue to play an important role and perhaps add to these levels of trust. Research found that eight out of 10 consumers rely on website recommendations when making purchase decisions.

4. Consumers Expect Brands to Protect Them from Counterfeiters

Almost one-third of consumers believe brands should keep them safe



8/10

The research found that eight out of 10 consumers rely on website recommendations when making online purchase decisions.

When asked who is responsible for keeping consumers safe from buying fake products, 34 percent said they thought it was up to the brand. This attitude was most prevalent in Denmark (44 percent), Sweden (43 percent) and the U.K. (42 percent). These figures are reinforced by the fact that consumers still place a large degree of trust in brand websites — 89 percent of respondents said they relied on these sites to deliver goods that met their expectations all or most of the time.

To a lesser degree, some consumers (27 percent) said that industry watchdogs were responsible, and 23 percent stated it was their own responsibility.

Why Consumers Prefer to Shop Online

Put simply, the answer is choice. Consumers prefer Internet shopping over brick-and-mortar stores because of the sheer selection they can find on a single screen. It's easier to find products, compare prices, search for bargains and source products not normally found in a shopping mall.

Of course one of the inherent dangers in shopping online is that products cannot be seen, felt or checked physically before purchase, nor can shops or shop owners be seen. As a result, it is more difficult to identify fakes. This may be of a lesser concern for someone purchasing a summer dress versus someone buying medication. Regardless, shoppers need to be vigilant when shopping online and brands need to have strong online brand protection policies to guard themselves and their customers.

Preferences for online shopping aren't just limited to clothing, accessories and electronics, but also extend to consumer goods including makeup, skincare, haircare, medicines, vitamins and supplements.

What are Consumers Buying?

We wanted to understand what consumer goods shoppers are buying online, outside of their regular supermarket shopping. Research found that soap, shower and bath products, along with skincare products, were most popular among respondents, with 50 percent stating they had made an Internet purchase in this category. The buying of makeup online shows interesting inter-market comparisons with significantly higher levels of online purchase in France (54 percent), Spain (54 percent), Italy (55 percent) and China (53 percent).

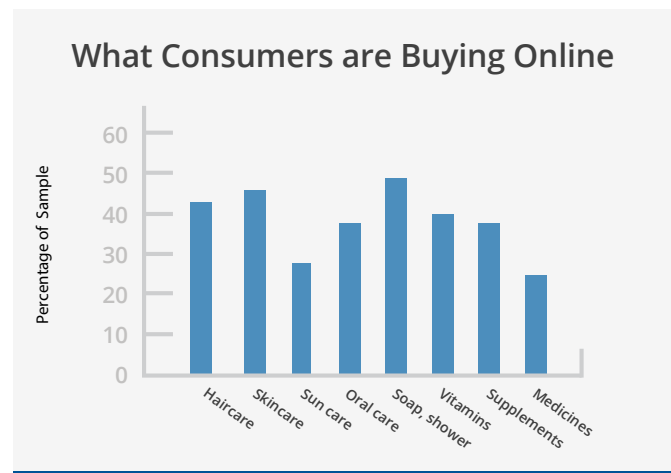
China shows significantly higher online buying levels for many everyday consumables including makeup (53 percent), haircare (63 percent), skincare (64 percent), sun care (42 percent), oral care (55 percent) and soap, shower and bath products (61 percent).

The online purchase of medicines (29 percent) also shows fascinating inter-market comparisons with significantly higher levels of online uptake in Sweden (48 percent) and Germany (61 percent) — and among the 65+ age group (34 percent). While this figure is not surprising, given the expectation that older consumers

require more medication, it is surprising given that, traditionally, the use of online shopping has been lower in this age group.

Overall, 25 to 34 year olds showed the highest levels of online purchases for most consumables.

There was a difference in consumer purchasing patterns between women and men: women bought more makeup, skincare and haircare, while men bought more medicines, vitamins and supplements online.





Online marketplaces are the most popular method across all consumables, except for the purchase of makeup.

Online Shopping Drivers: The Three Cs

When consumers were asked the reasons for buying these types of goods online, three stood out: cost, choice and convenience. Forty-five percent of consumers said it was easier to identify cost-effective options and find better deals; 42 percent said there was more choice shopping on the Internet and 40 percent said online shopping was easier.

The top reason for buying makeup online was choice (46 percent), while respondents chose cost as the main driver for all other product categories.

Chinese consumers are the most likely to buy online as a result of the large amount of product information that is available (43 percent). Danish consumers are the most cost-focused across all consumables with an average of 67 percent stating they shop to identify cost-effective options.

How Consumers Locate Products

Online marketplaces are the most popular method across all consumables, except for the purchase of makeup. Here, consumers cited going directly to websites for known brands as the most popular option (33 percent). When it comes to buying medicines, the most popular method of searching for products is via online pharmacies (47 percent). Overall, purchasing through mobile apps was significantly more popular in China compared to all other markets (16 percent).

As expected, 16 to 34 year olds were also significantly more likely to make online purchases through mobile apps. This is perhaps due to their comfort in using social media and new digital channels, compared with their older counterparts. In Denmark (43 percent) and the Netherlands (40 percent), search engines were much more likely to be a favoured method of locating items than in other markets.

Counterfeiting: The Threat Endures for Online Shoppers

Unfortunately, many consumers still inadvertently purchase imposter products that pose health risks.

More than one-quarter of shoppers (27 percent) have bought fake products online — without knowing it. In China, almost half of respondents (46 percent) have fallen victim, an interesting find given the widely acknowledged assertion that the majority of counterfeit products are manufactured in China⁵.

Looking at the types of products most likely to be non-genuine, makeup was most cited, with 32 percent of respondents having bought a fake product. This was followed by skincare (25 percent), haircare (22 percent) and supplements (22 percent). Worryingly, 16 percent of the sample had also unknowingly bought medicine deemed counterfeit.

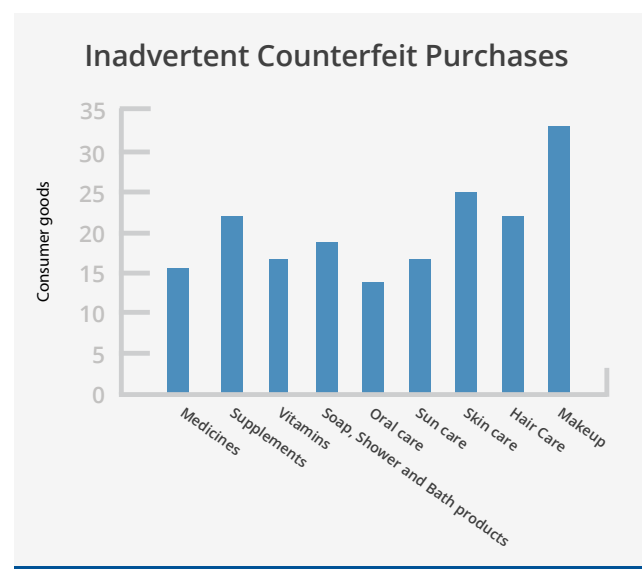
Given the nature and application of these types of products, buying counterfeits can have wide-reaching, often harmful, effects.

When asked how they identified a fake product, the majority of respondents said it was the poor quality of the product that gave it away (50 percent), as well as use of an unofficial logo (35 percent), the packaging (32 percent) and also an unpleasant reaction when using the product (34 percent). The latter occurred most frequently in France (43 percent), China (42 percent) and in the U.K. (36 percent).

Once a product was discovered as fake, consumers had varied reactions. Thirty-nine percent of respondents contacted the retailer — this was higher in Germany (47 percent), China (42 percent) and Sweden (42 percent) — one-quarter left a review on social media or a website and 24 percent contacted an industry watchdog. In addition, 15 percent said they did nothing. This highlights the issue of brand protection: with almost four in every 10 consumers complaining to retailers about mistakenly buying fake products, it is becoming imperative that these organizations do all they can to protect their customers.

Non-genuine products found through online

marketplaces were especially high in China (49 percent) and on search engines (34 percent). The marketplace figure is somewhat worrying given the level of trust that shoppers display in this this channel. Interestingly, 22 percent found these products using a mobile app and 20 percent used social media adverts. These figures might be low in relation to other more established channels, but are still relatively high given the perception that fake goods are more likely to be found here. However, a higher percentage of users in Germany were duped by mobile apps (31 percent) and more respondents in Spain were tricked by social



⁵ Suokas, Janne. "China is the world's biggest producer of fake goods, OECD says," gbtimes, April 18, 2016. <http://gbtimes.com/business/china-worlds-biggest-producer-fake-goods-oecd-says>



22%

Mobile apps were used to find fake products on marketplaces by 22 percent of consumers.

media adverts (27 percent).

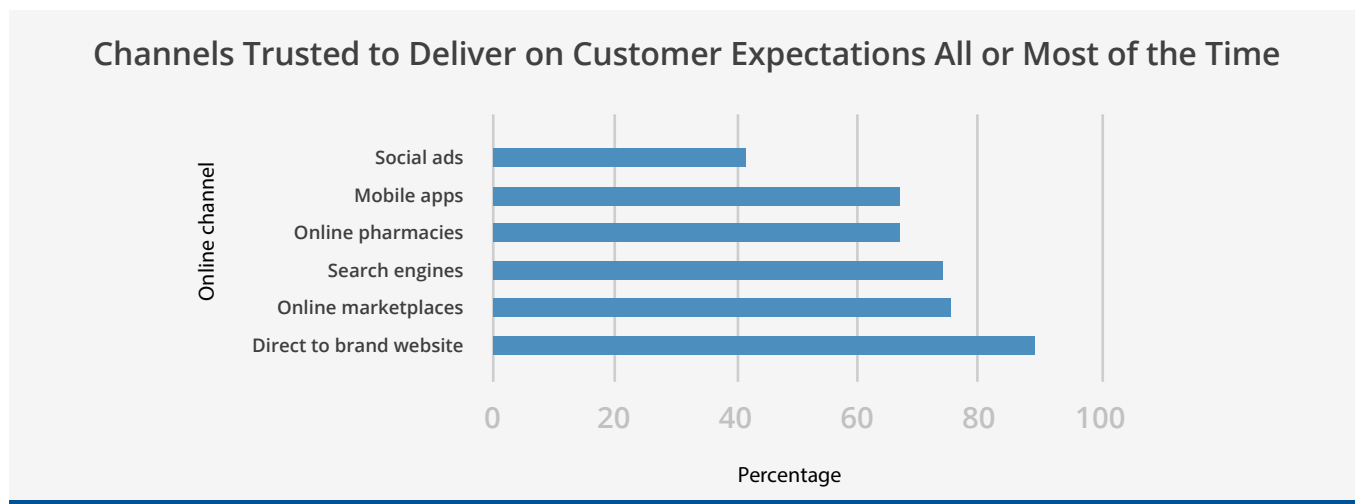
The sentiment that it is a brand's duty to keep consumers safe from counterfeiting was most prevalent in Denmark (44 percent), Sweden (43 percent) and the U.K. (42 percent) — highlighting the need for comprehensive brand protection strategies. Twenty-seven percent said that it was the responsibility of industry watchdogs, which was most cited by respondents in the Netherlands (38 percent) and China (43 percent).

However, 23 percent of respondents said that they were responsible for keeping themselves safe — with consumers in the U.S. citing this more often (35 percent).

Trust — A Guiding Force in Purchase Decisions

One of the key elements in buying a product — whether online or in-store — is trust that the chosen item will meet expectations. This trust forms the basis of customer experience and is one of the things that helps build loyalty and retention.

When asked about the levels of trust that they had in various online shopping channels, consumers said that going directly to known brand websites offered them complete trust that items ordered online would meet their expectations all or most of the time (89 percent). This is followed by online marketplaces (74 percent) and search engines (73 percent). However, online pharmacies were ranked at 67 percent, the same as mobile apps. Social ads, however, ranked the lowest at 41 percent.



German respondents showed the highest levels of confidence in buying from online pharmacies (83 percent net confidence score), which supports the fact that 61 percent of this regional sample said they bought medicine online, higher than any other regional figures.

Spain demonstrated the lowest appetite for purchasing medication online (18 percent), and had a confidence rating of 61 percent in using online pharmacies.

The Role of Reviews

Customer reviews appear to play an important role in establishing trust in a product. Survey respondents used reviews to report when they had unintentionally purchased a fake product — 25 percent said they posted a review on social media, and a further 25 percent stated they posted reviews on a website. Looking at the role that reviews or shopper recommendations play in the buying cycle — overwhelmingly, 80 percent of consumers said they relied on what others said about the product, pointing to the importance that customer advocacy can play in combatting counterfeiting.



This “word of mouth” approach is also particularly important for brands, as often reviews can directly influence purchasing decisions. Ensuring customers are happy, therefore, is critical. Should a customer buy a fake product, for example, this could lead to bad reviews and negative sentiment in the marketplace.

Not All Consumers Buy Online

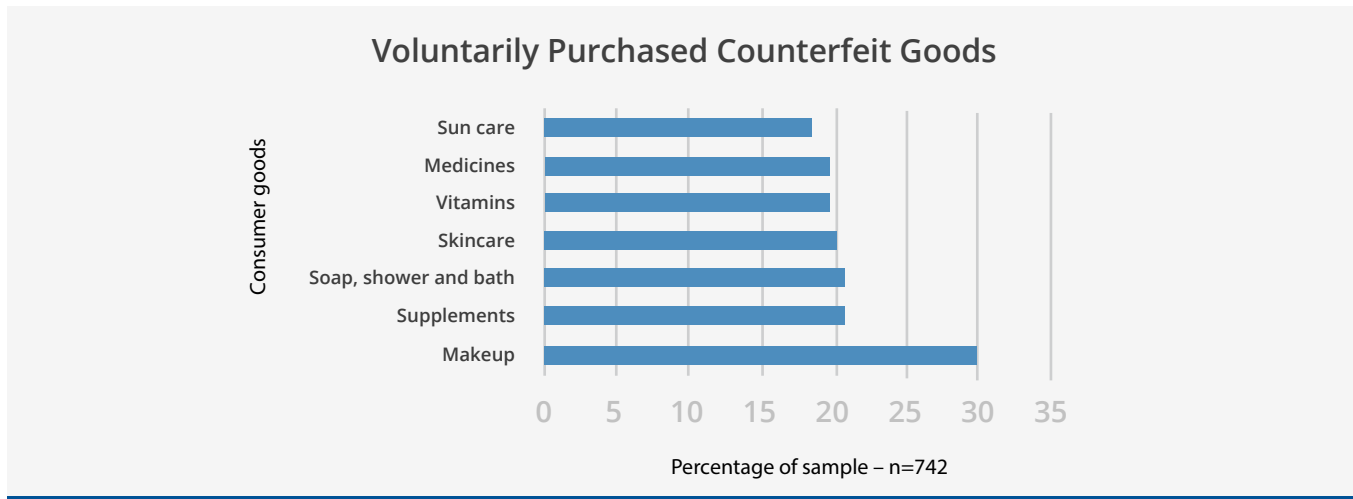
Despite a large appetite for buying consumer products online, some consumers will not use the Internet to buy these types of goods. In fact, when it comes to items like sun care, 72 percent of respondents say they would rather buy from a physical store.

The reasons for purchasing these goods in-store are more varied compared to purchasing online. While items such as haircare (42 percent), sun care (33 percent), skin care (28 percent), oral care (56 percent), soap, shower and bath products (54 percent) present a more convenient purchase for consumers in-store, other products such as vitamins (21 percent), supplements (22 percent) and medicines (34 percent) show the reason is the need for expert advice in store. The main reason for buying skincare in-store was convenience (28 percent), with one in five consumers stating in-store experts as a main reason. Makeup shows an isolated trend where the ability to test the product is the main reason for purchasing the product in-store (19 percent).

Another reason for not buying online, particularly relating to makeup, supplements, vitamins and medicine, is that consumers do not feel like they can trust the quality of the items.

Cost — The Deceptive Appeal of Counterfeits

While most instances of counterfeiting originate with consumer deception, a small percentage of shoppers actively seek out non-genuine goods. Reassuringly, 83 percent of the sample said they would not buy fakes — but that leaves 17 percent who said that they would. These attitudes are more prevalent among Chinese (23 percent), Italian (22 percent) and Dutch (19 percent) consumers, as well as among 16 to 24 year olds (32 percent).



It is not surprising that the main reason for buying a fake product in the first place is cost. Almost half of the subsample (49 percent) identified cost as the main driver for purchasing these types of goods. However, what is surprising is that consumers are willing to buy fake goods such as cosmetics, sun care, medicines, supplements and vitamins — all products that can have a detrimental impact on health.

Other reasons for buying fakes include the fake looking as good as the original (29 percent) as well as keeping up with seasonal trends (15 percent), an attitude particularly prevalent among the 16 to 24 age group (19 percent) and 25 to 34 age group (23 percent).

Looking at how buying behaviour differs on a regional basis, cost as a reason for buying fake goods is very high among Danish consumers, with 81 percent stating this was a factor in their decision-making. In Sweden, one-quarter of respondents said keeping up with seasonal

trends was important, while 40 percent of Chinese consumers said appearance was the main driver for buying fake goods.

We also asked consumers how they found these fake goods. Online marketplaces were most frequently used (30 percent), followed by search engines (29 percent), mobile applications (26 percent) and social adverts (22 percent).

- Online marketplaces (30 percent) — most prevalent in China (41 percent)
- Search engines (29 percent) — most prevalent in the Netherlands (51 percent)
- Mobile applications (26 percent) — most prevalent in France (36 percent)
- Social adverts (22 percent) — most prevalent in China (27 percent)



100,000

The European Commission estimates an annual death toll of approximately 100,000 as a result of falsified and counterfeit medicines.

The Risks of Counterfeit Medication

The counterfeit medication market is growing significantly. In 2015, Interpol, through its pharmaceutical investigation Operation Pangea, confiscated 20.7 million fake pills. This is up from the 2.4 million seized in 2011⁶. In addition, the World Customs Organisation estimates the value of the counterfeit medicine trade to be £1 billion in 2017⁷.

What are the actual consequences of buying fake drugs? The European Commission estimates an annual death toll of approximately 100,000 as a result of falsified and counterfeit medicines⁷. According to the Federal Drug Administration (FDA)⁸, fake drugs “may be contaminated or contain the wrong or no active ingredient. They could have the right active ingredient but at the wrong dose.”

To put the discussion into the context of the research, of those consumers who willingly bought fake goods, 19 percent of them purchased counterfeit medicine. In addition, of those consumers who unwittingly bought a non-genuine product, 16 percent said it was their medication that was fake.

This just highlights the risk that counterfeit products pose to consumers — it is not just an economic issue; when it comes to products like medicines and sun care, there can be a direct impact on health.

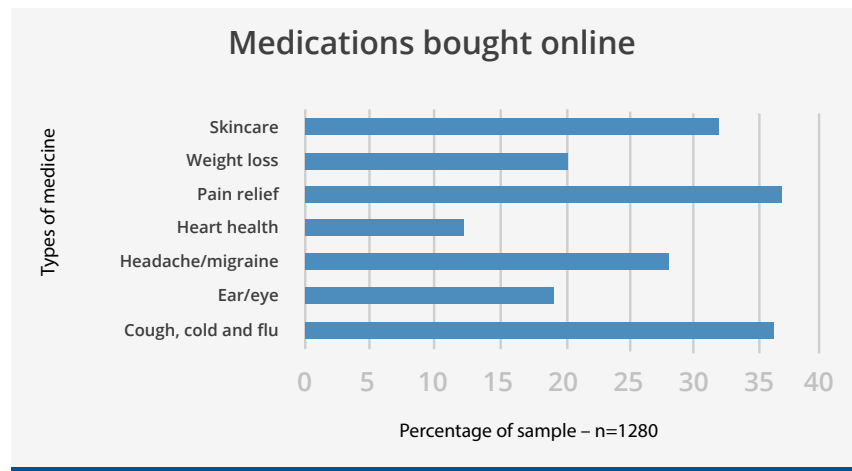
Looking at the wider market for buying medicines online — 29 percent of respondents said they had bought some form of medication online. This figure was especially high among German (61 percent) and Swedish respondents (48 percent) and lowest in Spain (16 percent) and France (22 percent).

⁶ Ossola, Alexandra. “The Fake Drug Industry Is Exploding, and We Can’t Do Anything About It,” Newsweek, September 17, 2015. <http://www.newsweek.com/2015/09/25/fake-drug-industry-exploding-and-we-cant-do-anything-about-it-373088.html>

⁷ Buckland, Danny. “The global scourge of counterfeit medicines,” PMLIVE, September 29, 2016. http://www.pmlive.com/pharma_news/the_global_scurge_of_counterfeit_medicines_1145731

⁸ “Counterfeit Medicine,” U.S. Department of Health and Human Services, August 12, 2016. <https://www.fda.gov/Drugs/ResourcesForYou/Consumers/BuyingUsingMedicineSafely/CounterfeitMedicine/>

Consumers used various methods to find medications, with online pharmacies being the preferred choice (51 percent). This was especially high in Germany (75 percent) and Sweden (86 percent) which correlates to the willingness of consumers in those regions to buy medicines online.



Search engines were the second most likely method used to locate medicines (28 percent) and this was most prevalent in Denmark (46 percent) and Netherlands (53 percent). Consumers also went directly to known brand websites (26 percent) and online marketplaces (26 percent). It is more important than ever for shoppers to be vigilant about what they buy, how they find products and where they buy them. It is also critical that brands take steps to ensure their customers are properly educated on the risks of buying non-genuine medications (both intentionally and unintentionally) and are aware of the steps to take to ensure they are purchasing genuine products only.

Conclusion

The amount of money spent shopping online will only increase in the future. This avenue of purchasing presents many benefits to consumers, but it also opens up additional avenues to counterfeiters and fraudsters to take advantage of unsuspecting shoppers.

The perception may be that the sale of counterfeit goods is limited to high-end or luxury goods, such as clothing, jewellery or apparel. This is not, however, true, as the counterfeit goods market includes all kinds of goods, from medications and cigarettes, to electronics and cosmetics.

Looking at a category like consumer goods — which includes makeup, vitamins, supplements, sun care, oral care, skincare, etc. — the consequences of these products' availability are far-reaching. For retailers, the consequences of counterfeits will affect the health of their brands, customer trust and revenues.

When it comes to wider issues, consumers may not just lose money and possibly compromise their personal or payment card details on less-than-legitimate websites, there is an actual risk to their health, particularly when it comes to fake medication.

As a result, it is up to both the brand owners and consumers to be vigilant. For shoppers, this means exercising caution when shopping online for goods that can have damaging effects on health, and understanding the exact risks. Additionally, brands need to ensure that the right policies and procedures are in place — in the form of an online brand protection strategy — to combat counterfeiters. It is also up to brands to educate their customers and make them aware of the prevalence of counterfeit goods, the inherent risks in buying them, and best practice approaches to avoid being duped.

As consumers turn to the Internet more and more as an avenue for shopping, be it for groceries, clothing, electronics or medicine, ensuring we have the tools at our disposal to avoid counterfeiters and fake goods will be vital.

Protect your brand — and your consumers. To learn more, [visit MarkMonitor](#) today.

Methodology

Vitreous Worldwide, an independent market research firm, was commissioned by MarkMonitor to undertake the survey. A total of 4,401 interviews were conducted using an online methodology across the general public of the U.K. (1,000 interviews), France (200 interviews), Germany (200 interviews), Italy (200 interviews), Spain (201 interviews), Netherlands (200 interviews), Sweden (200 interviews), Denmark (200 interviews) and the U.S. (1,000 interviews) and China (1,000 interviews). Quotas were placed on age, gender and region across each market to ensure a nationally representative audience.

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 www.markmonitor.com.

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