

## **Distinguishing Counterfeit from Authorized Retailers in the Virtual Marketplace**

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*The growth of Internet commerce provides an expanding venue for sellers of counterfeit products. ACAPP researchers explored the characteristics of legitimate and counterfeit websites for a luxury apparel maker and a brand-name audio electronics manufacturer. Counterfeit websites had some distinguishing characteristics likely linked to their transient nature, but also show some effort to “look” like an authorized website. Future research should address more industries and evolving efforts by counterfeiters.*

While both product counterfeiting and Internet commerce have grown in recent years, there has been limited research regarding online sales of counterfeit products. The few published studies on this topic focus on auction websites, with limited discussion of product counterfeiting at “stand-alone” business-to-consumer (B2C) shopping websites.

Stand-alone, illicit B2C websites to sell counterfeit goods are troubling because they can deceive consumers seeking to purchase genuine goods, potentially undercutting legitimate online merchants. Previous research has suggested legitimate and illicit B2C sites differ on design and content features. Finding ways to identify characteristics of counterfeit websites can help consumers better evaluate e-commerce options and help authorities protect legitimate producers.

### **Research Methods**

To expand knowledge of the online marketplace for counterfeit products, we examined authorized and counterfeit product websites for a luxury apparel maker and a brand-name consumer audio electronics manufacturer. These industries represent mainstream products any consumer might normally seek to purchase online. They also offer a sufficient number of identifiable legitimate and illicit websites, given extensive lists of both that the luxury apparel

maker and audio electronics manufacturer maintain.

We reviewed 51 legitimate and 35 illicit websites seeking to sell products associated with the luxury apparel maker, and 62 legitimate and 82 illicit websites seeking to sell products for the audio manufacturer. We coded each website for interactivity and navigation, functionality, site marketing, and security. This analysis reviews more industries, websites, and variables than previous research.

### **Website Characteristics**

Websites in the sample varied in their number of features. Authorized websites had, on average, a few more features (19) than counterfeit websites (16). Authorized websites were far more likely to have a U.S. phone or address than the counterfeit sites. Authorized websites were also more likely to have a company-specific email domain, but counterfeit websites were more likely to have an online information-request form.

Regarding functionality, authorized websites were more likely to have video or animated elements than counterfeit websites for the same industry. Counterfeit websites were more likely to use multiple languages and to require users to scroll down the home page.

Authorized websites are also more likely to have links to social media and to have higher quality of text or content. The difference in quality of website content and even functionality may stem from the occasional need of counterfeit-product websites to abandon a seized web domain and move business to another.

Authorized websites in the sample were, on average, about a decade old, while counterfeit ones were less than two years old. Authorized websites were more likely to have posted or security or privacy policies. Perhaps surprisingly, counterfeit sites were more likely to carry statements of product authenticity, though these were not common on either legitimate or counterfeit websites.

This research does have some limitations. These include a focus on two industries (leaving still others for research), use of listed websites for each category, and lessons that may be limited to reducing deceptive counterfeit purchases, that is, purchases in which consumers intended to procure a genuine item but received a fake.

### **Conclusions and Implications**

Some of the differences suggest counterfeiters create websites more hastily with little consideration for the consumer's shopping experience. Yet counterfeiters were more likely to offer frequently-asked questions, search,

multilingual, and other information options. This suggests counterfeiters consider effective website design to some degree and do make some effort to "look" like an authorized website. Such efforts may result from counterfeiters seeking not only to compete with legitimate sites but also with other counterfeiters.

The results also extend geographic theories of crime to cyberspace. Even online counterfeiting is tied to place, with the lack of a U.S. affiliation or company-specific email domains strong predictors of counterfeit goods. The results also suggest some potential for "e-displacement," with counterfeiters easily able to move from a seized website to another, and using generic email addresses to facilitate such movement.

In addition to exploring online counterfeit sites in other industries, future research should explore the advantages and disadvantages of evolving web features, such as social media, as a means for legitimate retailers to promote trust among customers and to differentiate themselves from counterfeiters. Legitimate retailers can capitalize on their infrastructure to build trust in such ways, though such efforts may also raise security and privacy risks. Given that online counterfeiters are also likely to evolve, future research should also continuously review practices and strategies for brand owners and legitimate retailers to thwart sales by online counterfeiters.

For more information, please refer to our full study: Wilson, Jeremy M., and Fenoff, Roy (2014). "Distinguishing Counterfeit from Authorized Retailers in the Virtual Marketplace." *International Criminal Justice Review*, 24(1): 39-58.



The Michigan State University Center for Anti-Counterfeiting and Product Protection (A-CAPP) is the first and preeminent academic body focusing on the complex global issues of anti-counterfeiting and protection of all products, across all industries, and in all markets, and on strategies to effectively detect, deter, and respond to the crime. Linking industry, government, academic, and other stakeholders through interdisciplinary and translational research, education, and outreach, the A-CAPP serves as an international hub for evidence-based anti-counterfeit strategy. For more information and opportunities to partner, contact Dr. Jeremy Wilson, Director of the A-CAPP, at (517)353-9474 or [jwilson@msu.edu](mailto:jwilson@msu.edu). Additional information can also be found at <http://www.a-capp.msu.edu/index.html>.