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# Fake Luxury Goods – an Increasing Problem

The global market in luxury goods is big business and is set to get even bigger. Unfortunately, this positive news is becoming more and more tainted as the level of knock-offs and other counterfeit products entering the market is also on the increase. Some estimates have put the level of counterfeiting within the luxury goods sector at 10%.

The label “luxury goods” is commonly reserved for products bearing prestigious fashion brands that are targeted at more affluent consumers and will typically include clothing and leather products, jewelry, watches and other similar accessories. Recent research published by MINTEL, a U.K.-based leading publication of consumer market research, suggests that the value of the world market in luxury products will exceed US\$100 billion by 2008. Increasing purchasing power of consumers within this region and China combined with the cultural phenomenon that values outward indications of wealth and social status are big factors that are driving local growth.

## EMERGENCE OF “SUPER FAKES”

Undeniably, many purchasers of counterfeit luxury goods do so knowingly. Offers of products at a bargain price from a street vendor or hawker should arouse suspicion even in the most ignorant of consumers. In the past, luxury brand owners readily wrote off these purchasers as customers who would otherwise be unlikely consumers of the genuine article. However, as the skills of counterfeiters have increased, the market has witnessed the emergence of very high quality knock-offs and so-called “super fakes” – replicas which are of such high quality as to appear to all but the trained eye to be the real thing. These higher quality fakes, which are often priced in a higher price range than more “conventional fakes”, and packaged with a brand aura and aesthetic



sophistication that typically accompany legitimate luxury goods, have attracted a new breed of purchasers, i.e. those who would have bought the original product but believe that the quality of the fake is sufficiently good as to fool others into believing that the product is the genuine article.

## THAILAND'S ROLE

The recent emergence of so-called “eBay hawkers”, foreigners in the Kingdom who use Thailand as a base for selling locally sourced counterfeits, such as fake watches and handbags, has only exacerbated the problem. The high quality of the fakes means that it is easy for infringers to pass off the product as the genuine article and demand high prices in online auctions.



## POTENTIAL HARM

Counterfeiting and piracy are not victimless crimes. Most copying of sophisticated luxury goods is masterminded by criminal syndicates, with informed speculation that some have direct links to terrorism, arms trafficking, prostitution and the narcotics trade. The syndicates diversify their portfolio of criminal activity in such a way as to manage risk, much like a stock or bond

trader might. High-risk activities, such as narcotics trafficking, are hedged by lower-risk counterfeiting. Penalties for a person caught trading in narcotics might include the death sentence. By comparison, punishment for an IP offense is merely a cost of doing business. The demand side of counterfeiting must also be addressed by reminding consumers that purchase of fakes will hence only further develop the black market and feed growing criminal enterprises.

Counterfeiting also damages local industry. One of the Thai government's main economic reform initiatives is to help Thailand develop an indigenous fashion industry with a view to becoming a major player on the international fashion market. Nevertheless, the widespread availability of fake luxury goods creates the wrong image for the country and diverts purchasers from genuine products.

In a small number of countries, governments have introduced laws outlawing the purchase by consumers of fake products. These laws, for example, such as in France and Italy, implement penalties in part to educate the public that counterfeiting is a serious issue which results

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in real social harms. The Thai Department of Intellectual Property (DIP) should be credited for its efforts to promote the value of intellectual property development here, as education of consumers is one of the most important steps that can be undertaken to tackle the demand side of the counterfeiting problem. If demand persists, there will always be supply, and if the supply of fakes is allowed to grow out of control, the true social cost that is attached to the fake handbag may be a lot greater price than what appears on the price tag. ■



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