

# “The BIG business of BRAND Fakes”



Weekly Learnings 29 / 2024

There has been a lot of talk in recent times about the cost of goods/bill of material being less than 30 % for luxury brands consumer price. While this is true, another aspect of this is the fake/counterfeit/knock off brands that have mushroomed as a result. Here are my learnings:

1. The fake brand industry is put at anything between \$1.7 trillion and \$ 4 trillion. That's about 2 to 3 % of the global economy. Its huge, on its own at this number ,the fake brand industry is the tenth largest economy globally.
2. The fake industry especially for luxury brands exists because of the high margins the brands make, because of outsourcing, because of fast design capability and access to technology. This is an eco system whose wheels are moving well, supplier base, skill base, distribution base and an ever aspirational consumer.
3. 75 % of fakes come from China and 60 % of fake brands consumption is in the USA and 40 % of fakes are sold online. Buying fake is easy access and is anonymous for the consumer! The fake industry takes away 2.5 million jobs, that's serious.
4. Fake brands are a result of hallowing of brand values, specifically logo value recognition.
5. The no 1 category for fake brands is footwear, Yeezy and Nike Jordan account for more than 80 % of online searches, designer brands like LV, and watches. Rolex fakes get more online searches than all other luxury watches put together.
6. From a consumer point luxury brands are the dreams of many, affordable to a few. Coco Chanel the creator of Chanel No 5 and the creator of a woman's wardrobe must have - the LBD - the Little Black Dress said of fakes " Fakes are the ransom of success"
7. Technology can play a role in ensuring real brand recognition - use of QR codes, NFC chips, proprietary tracking systems, and blockchain.
8. The trouble is that this consumer is aware that he/she is buying fake, in some cases they are

unaware. Intentional searches and buying is more the norm, this is not a gullible consumer.

9. The consumer feels smart that he/ she has access to a brand at significantly lower prices. Luxury brands need to rethink their strategy if they want to claw back a slice of what's due to them. They have to stay a step ahead in getting consumers to identify real differences.

10. In India we have a lot of fakes of FMCG brands - one number puts that at 10 %, this is more because of a gullible consumer and an unscrupulous trade. Many ideas have been tried- holograms, etc.

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## **The Business of brand fakes**

# Fake brand online searches

Top 5 Fake Brand searches	Search volume per month
<b>Yeezy</b>	<b>46,180</b>
<b>Jordan Nike</b>	<b>40,580</b>
<b>Rolex</b>	<b>23,380</b>
<b>Louis Vuitton</b>	<b>15,820</b>
<b>Gucci</b>	<b>10,500</b>
All Footwear brands	106,710
All designer labels	58,210
All Watches	36,280

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## Real vs Fake



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# Real vs Fake

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