



# Counterfeiting perspectives

## Don't believe all you read – fakes are not fine

**Media coverage of a recent *British Journal of Criminology* article focused on claims that it encouraged the purchase of fake luxury goods and suggested that counterfeits benefit both consumers and brand owners. However, the author notes that the headlines were deceiving and wants industry to assist in ongoing research**

A recent article by myself and Jo Large of Glamorgan University, entitled “Jailhouse frocks: locating the public interest in policing counterfeit luxury fashion goods”, caused a stir within the fashion community following headlines suggesting that our research encouraged the purchase of fakes. In fact, the article sought to understand where the public interest lies in the policing of counterfeit goods at a time when public expenditure on policing is likely to decrease.

Primarily intended to draw out salient discussion points, the article argued that many of the claims made about counterfeit luxury goods by politicians, policing agencies and other interested groups are frequently reduced to basic statements, such as that counterfeits are produced by organised crime or specific countries. This is not in itself a problem, but these statements are more often than not made without explanation and seem to be accepted without question. This closes down attempts to advance our knowledge about a complex and large industry – and one which demands a multifaceted policy response.

The article also argued that in the current financial climate, rather than taking a blanket approach to policing everything that is counterfeit – a view largely advocated by the industry – we need to adopt a more risk-based approach to apply policing resources where they are most needed: where individual members of the public are being directly harmed. The thinking behind this view is drawn from three observations.

The first is that when considering counterfeits, there is a need to discern clearly between counterfeit safety-critical goods (eg, drugs, aircraft or automobile parts) and luxury fashion goods, because the former pose a tremendous direct risk to public safety and the latter less so. The often-quoted counterargument is that the

two cannot easily be separated because the counterfeiters are one and the same, but does the evidence demonstrate this? The logic of the production processes would suggest that entirely different skill sets, manufacturing and retail processes are involved. This point brings us to the second observation, which is that not all counterfeit luxury fashion goods are the same.

There is an implicit assumption that all counterfeit goods are low-quality fakes made to deceive buyers into thinking that they are originals and therefore worth paying premium prices for. From this assumption comes the view that every counterfeit sale is a lost sale of premium product, which underlies many calculations of brands' losses to the counterfeiters. But it is quite clear that some counterfeits are of higher quality than others and also try to achieve different levels of deception. In fact, many consumers of counterfeit goods appear to be aware that they are buying fakes and even seek them out. Furthermore, these consumers are also highly unlikely to buy an original at full price. Because of this, we argue that the actual losses are less than stated – though they are still significant.

The third observation is the rather controversial theoretical argument that counterfeits do not necessarily reduce sales of luxury fashion goods – an argument that cannot be dismissed just because it questions the conventional wisdom about counterfeits. The market for luxury fashion goods is dynamic, not fixed, because it is characterised by conspicuous consumption rather than the normal laws of supply and demand. In a nutshell, the more exclusive and expensive a product is, the more desired it becomes. Most goods work the other way. The increase in desire affects all consumers, and not just those who can afford them, to the point that the purchase of counterfeits is often seen as the only way that some groups of consumers can buy into the product. In so doing, a (perverse) consumer loyalty seems to develop, which further increases desire for the original goods and the brand being counterfeited.

The article's conclusion is that public policing resources should be primarily focused upon where the risk lies in order to

protect the individual. The responsibility for IP issues (trademark and design), on the other hand, should fall more firmly on the shoulders of the fashion industry. This conclusion falls a long way from the sub-editors' interpretation of our work: “Fake goods are fine, says EU study” was one headline. In fact, our message to consumers is: don't buy counterfeits because you do not know what their quality is or how safe they are. But the headline, not the content, won the day, and inspired many spin-off articles and blogs. Most referred to our article as a ‘report’, which it is not and which suggests that few of the journalists or bloggers involved followed the original story and read our article – or in fact the content of the newspaper article itself, which told a slightly different story!

The headlines may have heartened the counterfeit-buying public, but not the industry, which simply argues that counterfeits are the work of organised criminals and are even used to fund terrorism; or unfairly exploit local workforces and can damage the environment. While these arguments are intuitive, little conclusive evidence is presented to support the assertions. So while we do not currently accept these claims in full, we do not dismiss them and the next stage of our research is to explore the organisation of the counterfeit industry in detail.

Methodologically, this is a hard area to research, so it will draw upon a wide range of data sources to answer a series of questions based upon business (rather than criminal) logic in order to piece together the initiation, manufacture and supply chain of counterfeit goods. Who, for example, calculates the strength of the market for a counterfeited good, who bankrolls the venture, who reverse engineers the original to develop a manufacturing process, who buys the specialist materials required for production, who commissions the manufacturers, from where are staff with specialist manufacture skills obtained, who signs off the product, who organises transport of the goods, who then organises the retail distribution of the goods and, finally, who manages the money? Are all of these processes joined together by hierarchical crime organisations, or do small teams form ephemerally to produce a product and disband; or else is this a parallel business sector? We hope that the industry will assist with this research and once these questions have been answered, we shall report back. [WTR](#)

**David S Wall** is professor of criminology at Durham University  
[d.s.wall@durham.ac.uk](mailto:d.s.wall@durham.ac.uk)