

MarkScan

India | New Delhi



Piracy in ecommerce – a losing battle?

Reference Paper

FICCI CASCADE International Conference
Illicit Trade - Threat to National Security and Economy

15th January, 2016
New Delhi

As part of this reference paper **MarkScan** conducted a small survey with brand owners to share the views of their organisation, we sincerely thank the participants for their valuable inputs



Hindustan Unilever Limited



Newspapers are full of stories of fake goods being sold online...

Foreign brands unite to fight fakes


Jan 5, 2016

Fake products bug online buyers


August 4, 2015

How Fake Products Can Kill The E-commerce Boom


June 5, 2015

...MarkScan regularly finds large number of suspected counterfeits in its automated scans...

Total 416 listings

64 Suspect

15% of total results for product are suspect – cosmetic productscan

Suspected Counterfeit Identification Criteria

- Products being sold with heavy discount
- Seller rating & negative list match
- Reviews for the listing.
- Photos of products provided in listing.

...most of which are proved fakes when samples are ordered...









20 Sellers

93 Samples ordered

92 confirmed counterfeits

...MarkScan also scans for complaints on discussion forums...

Product Category	Complaints	Forums
Computers & Peripherals	5	5
Men's Fashion	10	5
Stationary	1	1
Watches	1	1
Mobiles & Tablets	11	9

Note: Based on uploads on a single day across forums

...and has encountered a new breed of salaried, educated & savvy pirates.

	Employed	Education	Mode of operations
Pirate 1	Employee of a MNC Software company	B.Tech	- Operating with zero inventory out of home - Supplies sourced on order & logistics managed by wife
Pirate 2	Employee of an e-commerce website	B.Com M. Com	- Purchase online on discounted rates and sell it on higher price - Keeps on changing online profiles & e-comm portals

Note: All above data is based on clients project data, primary scans and investigations by MarkScan

Global ecommerce firms have structured anti piracy programs...

		
<i>Dedicated team</i>	200	100
<i>Counterfeit listings removed</i>	N/A	4 million
<i>Coordination with law enforcement</i>	eBay's Global Asset Protection Team	
<i>Dedicated anti-counterfeit policy</i>	Replicas, counterfeit items, and unauthorized copies policy	Amazon Anti-Counterfeiting Policy
<i>Seller penalization policy</i>	Seller performance standards	A to Z Guarantee
<i>Automated scanning of platforms</i>		
<i>Brand-owner cooperation</i>	VeRO: 4k+ members	Amazon Brand Registry
<i>Annual piracy control budget</i>	USD 20 million	N/A
<i>Listing removal tool/policy</i>		

...larger Indian marketplaces are catching up...

		
<i>Listing removal tool/policy</i>	Flipkart Infringing Verification	Intellectual Property Rights Policy
<i>Product quality check</i>		
<i>Payment guarantee</i>	Flipkart Buyer Protection	
<i>Automated scans</i>		
<i>Seller assessment</i>		

...some have dared to take the bull by the horn.

- Askmebazaar.com has launch a specialized program “ WAR ON FAKES” (19 Oct'15)
- It has sought the support from buyers to raise an alarm for counterfeit products on the portal, also allows to report other e-commerce site and promises to take a strong action to get it removed.
- Specialized media program launched in partnership with J Walter Thompson India

Note: All marketplace related details collected from company website & literature search.



Brand owners surveyed by MarkScan consider piracy a bigger threat in ecommerce...

...issue is larger than in brick & mortar...in the 'marketplace' model...where multiple unidentified sellers with little or no credential...with no seller accountability...

...due to little or no information on the actual seller...inability of the website to provide us any actionable information on the brick-and-mortar location of the online seller...we have not been able to locate the actual sellers to take action as per law...

...depending on the response...a poor consumer experience can wean off a consumer from the website or; in some extreme cases, the e-commerce channel altogether....

...and have several expectations from online marketplaces...

- a** ...strict seller-verification mechanism...only verified sellers....
- b** ...KYC details should be available for law enforcement authorities...
- c** ...sellers should have a link to some brick and mortar location....
- d** ... mechanism to black-list sellers across marketplaces...
- e** ...procurement due-diligence to ensure that the sources of the goods which marketplace sellers are selling are genuine and no taxes are being evaded...

...and few requests from the policymakers.

- a** ...law enforcement... need to be empowered with training and technology... to investigate counterfeits online...and trace the actual sellers...
- b** ...online sellers should be subject to compliances commensurate to offline retailers such as registration, taking trading / FSSAI licenses and renewals, filing returns etc....
- c** ...high punitive fines... counterfeiters... online or offline...
- d** ...compensation to the consumer by the counterfeiter for any injury caused to person or property due to using counterfeits. ...

Note: based on inputs received in the brand owner survey conducted for this reference paper by MarkScan

Some recently launched initiatives will help the ecosystem in the long run....

IRF certification scheme for retailers



Backed by Quality Council of India (QCI)



Certification key features for ecommerce

- Aims to cover over 100,000 retail stores in next 5 years.
- “Trusted” mark means consumers knows what to expect from the point of browsing and buying to after-sales.
- e/m commerce retailers will have to adhere to mandatory compliance .
- Backed by large ecommerce marketplaces.

...but 3 major gaps need to be addressed by the online platforms immediately if this war against piracy in ecommerce has to be won.

1

Comprehensive anti-piracy measures at Marketplace

Pre on-boarding

- 3rd party seller verification
- Product verification
- Negative list match

Post on-boarding

- Product scan
- Negative list match
- Reputation management
- Proactive complaint solicitation
- Investigation & resolution

Proactive measures

Reactive measures

Note: **MarkScan** framework of proactive & reactive anti-piracy measures for online marketplaces with 3rd party sellers platform

2

Coordination between brand owners & marketplace

Relationship Index

2012
2013
2014
2015
2016



Relationship between brand owners & marketplaces started in hostility, due to host of reasons. Currently there is an uneasy truce, but both will have to partner to address the menace of counterfeits

3

Prosecution of online counterfeiters by law enforcement

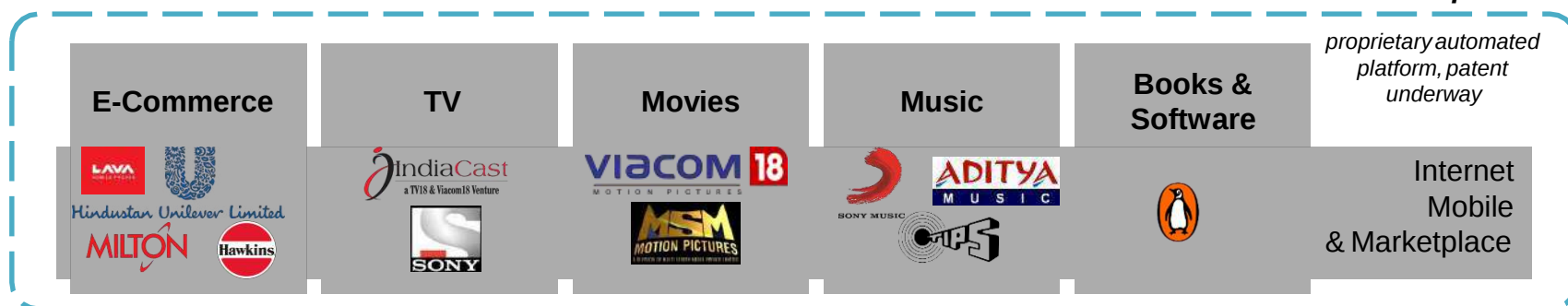
- Online firms have to take responsibility beyond preventing pirates from their platforms
- They need to share data of confirmed counterfeiters with brand owners and law enforcement agencies
- Create mechanism to stop pirates manipulating their digital identities across online marketplaces

Reference paper by:

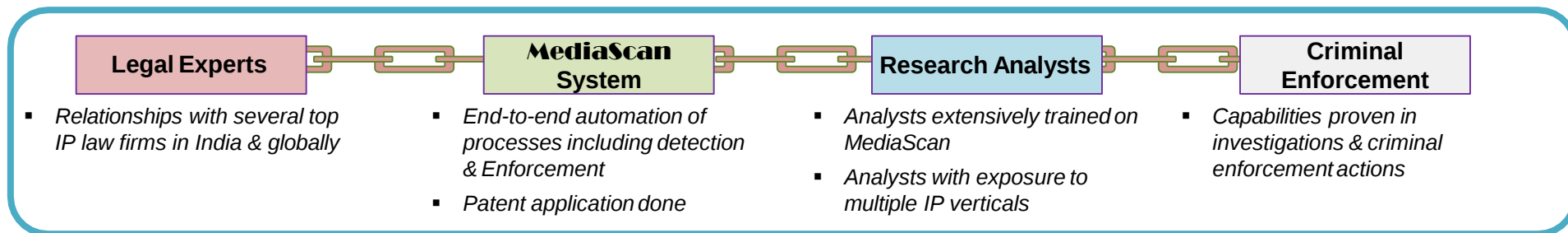
MarkScan – digital content & assets protection

MarkScan Areas of Operations and Select Clients

MediaScan platform



MarkScan Capabilities



Knowledge Partners

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