

With revenue, brand health and customer loyalty on the line, online brand protection isn't an IT, marketing or legal problem. It's a *business* problem.

Executive Summary

Digital channels – websites, email, search engines, social media and mobile – have fundamentally changed the face of business. E-commerce now accounts for over 13 percent of consumers' discretionary spending.¹ Of course, where consumers go, fake products and services proliferate. The hard and soft costs to brands are staggering.

Counterfeits in the digital world will soon surpass the volume sold by street corner counterfeiters and all other physical markets combined.² Brands are losing hundreds of billions of dollars a year to online counterfeiting and pirated content. That doesn't include the negative impact of online brand impersonation to customer experience, long-term loyalty, marketing investments and campaign performance. While digital strategy is a key component of business today, many brands still prioritize the physical world and lack a comprehensive brand protection strategy for digital channels.

An effective digital brand protection strategy allows you to recapture revenue, enjoy direct cost savings and safeguard your marketing campaign spend. Ensuring authentic brand experiences has the added benefit of solidifying brand reputation while reducing instances of online fraud and unauthorized channels.

Smart brands recognize this and are crafting specific brand protection strategies to address the risks presented by the digital world. By elevating digital brand protection within their organizations and partnering with experts who set the standard for protecting brands online, executives see

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\$350 Billion in Revenue Lost Per Year

Brand impersonation runs rampant online, with fully functional websites and authentic-looking emails imitating their legitimate counterparts with incredible accuracy. No industry is immune. You'll find everything from pirated music and movies to travel scams; fake pharmaceuticals to automotive parts, apparel and accessories. By leveraging your content and imagery, URLs that appear authentic and other techniques that aim to steal traffic, imposters can easily hijack your brand, hook your customers and earn your profits.

It's so easy to hijack brands online, taking advantage of their good names, that in 2013 alone, brands lost more than \$350 billion to online counterfeiting and piracy. Brandjackers are taking advantage of changes in digital channels and consumer behavior. This scenario will only become more serious.

By 2018, the Web is expected to influence nearly 60 percent of retail purchases in some way.⁴ Explosive growth in smartphone ownership is a major factor. A January 2014 survey found it is now the norm for smartphone shoppers to use their devices to shop while they're in brick and mortar stores.⁵ Around two in five shoppers of all ages had decided against an in-store purchase after finding a better price online.

Search First, Shop Later

Take a moment to think about how your customers use search. The vast majority of in-store activity begins with search, not brand websites or official mobile apps.⁶ Today, 81 percent of consumers research online before making big purchases.⁷ Over 40 percent of consumers consider mobile an important resource for a purchase decision.⁸ Most find brand websites through search engines, email, social media and mobile or online ads, rather than by typing your URL directly into their browser address bars.

This means that even when a customer visits a retailer, businesses can no longer rely on face-to-face encounters for brand experience, customer service or sales. As search continues to be the centerpiece of consumer activity across mobile, Web and social, it is crucial to ensure your brand protection strategy addresses the risk of lost traffic that affects the success of your digital marketing investment.

Brandjackers Threaten Your Marketing Dollars

By using your branded keywords, imposter sites siphon your organic search traffic. Another common practice is for counterfeiters to run their own search advertising campaigns to tout their fake wares. Not only do you lose valuable traffic, but you're also forced to compete against your own branded keywords, driving up digital marketing costs and compromising campaign performance.

“With intentional, as well as unintentional, methods of online attacks to brands continuing to evolve, companies need to build flexibility into their planning. The goal is to become an organization that can learn and change its behaviors. The side that learns the most quickly wins.”

– The Wall Street Journal, CFO Journal, Dec. 12, 2013³

How big is the problem? Our data shows rogue websites selling counterfeit wares generate more than 53 billion visits per year.⁹ Many consumers find these sites through search engines while seeking legitimate goods. We recently analyzed search terms and found that for every shopper searching for fake goods, 20 other shoppers were simply looking for bargains. One in five of those bargain hunters fell for a counterfeit site, and would have purchased the real thing if they hadn't been cheated and misled.¹⁰ This calls for investing in a comprehensive digital brand protection strategy which includes effective enforcement.

Degrading Customer Trust and Confidence

When counterfeit products disappoint buyers, it leaves a bad taste in customers' mouths directed at your brand. Discord only increases when they file a warranty or customer service claim regarding that counterfeit product and you can't help.

The power of word-of-mouth advertising can now be used against you. Consumers are more likely to trust online reviews than advertisements.¹¹ The collective voice of the Internet is eclipsing the persuasive power of family, friends or colleagues when it comes to influencing purchase decisions.¹² When someone unknowingly buys an inferior fake product and posts a negative online review or complains to their social network, the impact on a brand can be devastating.

Despite the efforts of leading social media sites to provide a secure environment for online commerce, spoof social media accounts are a threat to overall brand health, undermining engagement and preying on consumers who associate social networks with transparency and trust. The endgame of the people behind these accounts is to tarnish your reputation and make your brand appear less viable, rather than to directly steal revenue.

It can take years, even decades, for a business to repair a damaged reputation and recover from declines in consumer confidence and satisfaction. It is important not to delay your response to these challenges.

Increasing Liability Risks

Where unsafe products are concerned, risks are much higher. Products such as counterfeit medications and automotive parts, for example, pose a grave threat to customer health and safety and substantially increase liability risks. The majority of counterfeit medications are purchased from websites that look authentic, not at pharmacies or from street dealers.¹³

Partner Compliance Risks

Many companies suffer the costs of misguided promotions by their partners or sales outside of authorized channels. The risks include:

- Paid ad trademark bidding – inadvertently increasing PPC (pay per click) spend.
- Unauthorized promotions and discounts.
- Landing page violations.

- Logo misuse or improper co-branding.

The Best Defense Is a Good Offense

Given the risks to your brand associated with brandjackers, it's easy to become overwhelmed. However, developing a comprehensive strategy can make a significant difference and deliver measurable benefits.

Today, considerable investment goes into designing hard-to-duplicate packaging, supply chain management and other brand protection strategies in the physical world. However, a more comprehensive brand protection strategy – linked to your risk management framework and corporate policies – is needed to safeguard brands across both digital and physical channels.

Improved ROI

By prioritizing digital brand protection within their organizations, businesses position themselves to mitigate risks and financial impact resulting from stolen Web traffic, brand impersonation and fraud. They're also more effective at preventing damages to customer experience, increasing long-term brand health. With the right strategy in place, companies see significant ROI.

Optimized Marketing Investments

One area where increased vigilance pays off is in increased efficiency of digital marketing investments. For example, one jewelry brand experienced tremendous results when it implemented and enforced its digital brand protection strategy.¹⁵ The company was running up against counterfeiters who were purchasing branded terms in paid search marketing, competing with the brand for site traffic. By taking action against these imposters, the brand was able to:

- Reclaim about one million site visits.
- Increase search traffic 50 percent without increasing ad spend.
- Decrease PPC for paid search ads by 41 percent, driving more traffic without increasing budget.

Partner Compliance

The ability to detect and monitor for unauthorized sales, promotions or trademark abuse can pay dividends. Beyond monitoring for partner compliance, trademark and copyright abuse, businesses will ensure their brand is being represented appropriately while avoiding paying unnecessary commissions.

A Comprehensive Approach

However, it's important to recognize that fighting online brandjackers and achieving results takes concerted effort. Many businesses find it beneficial to establish a cross-functional team to develop proactive, integrated brand protection policies. These teams monitor digital channels where brand infringement is prevalent, including social media, B2B and consumer

“In a world filled with intentional and accidental brand saboteurs, companies need to aggressively play defense as well as offense.”

The Wall Street Journal,
CFO Journal, Dec. 12, 2013¹⁴

Five Business Benefits

Extending your brand protection strategy to address challenges in the digital world results in:

1. Improved ROI.
2. Optimized marketing investments.
3. Higher customer satisfaction.
4. Increased brand loyalty.
5. Healthier brand and brand image

marketplaces, e-commerce and auction sites, paid search and email. When brand infringement is detected, they are empowered to take appropriate action guided by company policy, threat severity or level of risk, all within a framework of legal guidelines.

Digital Brand Protection Strategy

Success hinges on having a well-thought out brand protection strategy that addresses the specific risks faced by a particular brand and use of best practices. Many businesses call in a brand protection expert to craft the strategy and guide implementation and enforcement. Specific enforcement tactics may include:

- Shutting down counterfeit and digital piracy sites en masse.
- Halting the sale of unauthorized products by identifying and terminating counterfeit listings on exchanges.
- Enforcing policies with resellers, agents and franchisees so you don't pay commission on misdirected traffic.
- Identifying counterfeiters competing against you in paid search.
- Reporting spoof social media sites to ensure authentic interaction and drive engagement.
- Taking down illegitimate and cybersquatted sites to minimize customer confusion.

By taking a strategic approach to brand protection across digital channels, businesses are able to expedite implementation, cut costs and experience benefits to their bottom lines sooner.

Intelligence Provides a Competitive Advantage

Massive amounts of information are collected in the fight against digital brand abuse. There's no need to limit this information to brand protection enforcement alone. By approaching your data from different angles and making it available to various teams throughout your organization, you can optimize marketing, pricing, products, promotions, customer service, distribution and other areas of your business.

Below are several examples of how monitoring online counterfeiting activity yields business intelligence to inform business decisions, drive development and grow profits. Simply study the brandjackers' business so you can improve your own.

Geographic Trends Revealed

One strategy is to use business intelligence gathered from monitoring counterfeit marketplaces to quantify illegal distribution and form responses that capitalize

on the wants and needs of customers. Chances are you don't have the complete picture of everything your customers want from your brand. By evaluating geographic purchase patterns in alternative channels, you gain a deeper understanding of consumer behavior and buying patterns at global, regional and local levels.

Counterfeiters are often the first to identify and capitalize on market gaps, so look for how brandjackers meet demand. For example, when one denim company experienced slow sales in the Asia-Pacific market, it began inventorying activity on counterfeit sites. Analysis of site visit patterns, sizes in inventory and items frequently added to shopping carts revealed that customers were looking for smaller waist sizes and shorter inseams. The company found the missing piece of the puzzle and used it to make more informed manufacturing and merchandising decisions for this market.

Regardless of location, pricing on counterfeit sites and discounting practices are noteworthy, especially when evaluating demographic data. Yes, you'll identify price point gaps, but you'll also have a better idea of where you're missing opportunities to market to various customer segments.

Seizing Seasonal Opportunities

Brandjackers know they can make easy money by imitating limited edition or licensed products such as fan gear. For instance, when one company that makes limited edition jerseys decided to study demand for a sold-out jersey, it found customers were looking for the product far beyond its window of availability. By increasing the number of jerseys in production and lengthening the run, the brand was able to prevent direct losses to counterfeiters and enjoy extra revenue.

Another sales opportunity is through additional licensing opportunities, especially for gear around special events such as a championship series or high-profile sporting and cultural events. Brandjackers will often offer pieces that appear to be from major brands, even if authentic licensed products were never created. This kind of gap analysis can result in ideas for new product offerings, leading to revenue growth.

Building a Better Keywords List

Turn the tables on counterfeiters in paid search by studying the keywords they're buying. Have your marketing department identify keywords that are driving traffic away from your site. Are any of them missing from your own keywords list? Which sponsored ads associated with them are related to your product and brand? These are like neon signs alerting you to where counterfeiters are making their investments, a clear indication that consumers are searching for products using those terms. Remember, many buyers of

counterfeit products are your customers.

Improved Brand Health

These are only a few examples of how monitoring counterfeiting trends online and using the resulting business intelligence can augment your market research and deliver compelling ROI. Your competitive advantage will extend far into the future as you spot new opportunities and strengthen the health of your brand while continuing to build your integrity in the marketplace.

Summary

Consumers increasingly rely on the Internet for everything from price comparison to final purchase. Brands must be ready to deliver trusted, credible brand experiences across digital channels, whenever and wherever customers look for them. Yet online brandjacking can undermine these experiences by impersonating brands. While some companies consider this the cost of doing business online, smart executives and managers recognize the intrinsic value of developing brand protection strategies for the digital world.

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About MarkMonitor

MarkMonitor®, the world leader in enterprise brand protection and a Thomson Reuters Intellectual Property & Science business, provides advanced technology and expertise that protects the revenues and reputations of the world's leading brands. In the digital world, brands face new risks due to the Web's anonymity, global reach and shifting consumption patterns for digital content, goods and services. Customers choose MarkMonitor for its unique combination of industry-leading expertise, advanced technology and extensive industry relationships to preserve their marketing investments, revenues and customer trust.

To learn more about MarkMonitor, our solutions and services, please visit markmonitor.com or call us at **1-800-745-9229**.

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