

# Free research paper on faking out: counterfeiting's effect on the luxury goods ma...

[Design](#), [Fashion](#)



Our society is addicted to fashion labels and items of luxury, yet not everyone can afford these products. When they can't afford the high-end designers like Louboutin or Louis Vuitton, where do they turn? Sometimes people make due with cheaper brands, but there is another option. They can turn to imitations of these products and buy counterfeits. Not only that, but some people who can afford these luxury items are deceived in buying counterfeits from reputable stores that unknowingly purchased these counterfeits. The subject of fashion counterfeiting came to me a few months ago in my Fashion Survey class.

We were discussing counterfeits in class, and my instructor had asked us to raise our hands if we had ever bought counterfeits. Only one lady raised her hand, and the class all giggled. My instructor then went on to say when an individual goes out and buys counterfeit products, the individual is directly supporting terrorist, because so much of the market in counterfeits is linked with terrorism. I found this statement to be very interesting, and wanted to know more about counterfeiting. I was interested because really, I didn't know much of anything about the subject and thought the act of buying counterfeit goods as being harmless.

What I found was quite different from what I expected. I found that counterfeiters deal in human trafficking, child labor, gang warfare; launder money, and that money has been linked to terrorism, not to mention the effect it has on the original designers and our economy.

There are, essentially, two different types of counterfeiting as they are recognized by the fashion industry. The term "counterfeiting" itself refers to a blatant theft of a certain brand's intellectual property-- for example,

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producing a fake Gucci bag, complete with logo. The other type of counterfeiting is a process known as “knocking off” a product-- in this case, the second designer either copies the major themes of the designer’s article, or just parts of it. While knock-offs that are too close to the original are frowned upon in the fashion world, they are perfectly legal in most countries, since there is no protection for designers against other people using their ideas (Wiley). Consumers like myself do not realize that counterfeits support child labor, drug cartels, terrorism and also result in the loss of revenue to not only the designers, but state and local governments as well (Wiley). Asia manufactures the most counterfeit goods in the world. In the 2009 fiscal year, mainland China was the source of US \$205 million worth of goods seized in the United States, which was 79% of the value of all counterfeit products seized that year. Hong Kong, China was the source of another US \$26 million, or 10%, and Taiwan Province of China contributed another 1%. Collectively, then, some 90% of the value of the counterfeits seized in the US in 2009 came from China (unodc. com 173). Being that the population in Asia is of a larger scale and the labor is cheaper and there aren't strict laws enforcing those labor laws they get away with hiring children at these factories starting at age 8 and up and put them through these awful work conditions.

It seems inevitable that China would become so embroiled in the international counterfeiting scheme; indeed, in many people’s minds, the word “counterfeit goods” almost always brings up an association with China. With most goods (luxury and otherwise) bearing a “made in China” tag, it was only a matter of time before the Chinese became big players in the

international luxury-goods-counterfeiting scene. What few people predicted, however, was just how good at counterfeiting the Chinese would become, or the far-reaching impacts of the massive growth of the counterfeit luxury goods market.

“Luxury goods” is a term from the field of economics that can mean anything from high-end electronics to designer fashion; in this case, the primary focus of discussion will be fashion. American culture places a high social price on designer goods; many women, for instance, dream of owning a Louis Vuitton handbag or Louboutin shoes. While these designers may use higher-quality materials and hand craftsmanship, it really depends on the designer and the type of clothing in question-- many designers with “off the rack” lines of clothing will have their manufacturing centers based in China. For instance, Armani Exchange, the “budget” arm of design giant Armani, makes nearly all of its goods in factories in mainland China (Want China Times). While the higher-end pieces are still made in Italy, enough of the design process is known for factories in China and Southeast Asia (mainly Vietnam and Cambodia) to produce knock-offs (Want China Times).

Why is counterfeiting so popular in China? There are a few reasons, but they all start (and end) with pure economics. According to ABC News, “A worker at the Chinese sock factory makes just \$14 a day, or \$270 in month. In America, a clothing worker makes \$88 a day, or \$1,760 a month” (Blackburn). While the standard of living and the cost of living are both lower in China than in the US, this is still not truly enough money for a Chinese family to live on comfortably. This means that some Chinese factory workers (and even some factory owners) turn to counterfeiting the goods that they

make in the factories to turn a larger profit. These counterfeit goods are then either sold in local markets, or they are shipped to larger cities like Shanghai, Beijing, Taipei or Hong Kong, where the profit margin is larger and there are more tourists available to buy the products.

The Internet age has made counterfeiting luxury items even more profitable. Online auction sites are great for people looking to get a good deal on new or used luxury, designer items, but they are also fantastic for people who are interested in passing off counterfeit items as the real thing. Because there is no way to examine the item before it is bought, online auctioneers do a booming business in passing off fakes as genuine designer goods.

So what does all this mean for designers? Clearly most high-end fashion designers are not hurting for money, so why is it important if counterfeit items are being sold? The answer lies much deeper than fashion: the answer lies in the changing landscape of the world, and the new importance of intellectual property. While individual fashion designers may still be successful, counterfeiting costs the fashion industry as a whole \$86 billion. Some of this cost goes towards fighting counterfeiting, while much of it goes towards keeping legitimate products out of the “grey market”-- non-authorized retail locations that may be selling a product for a lower price than an authorized boutique (Chesters).

High fashion is arguably a form of art. In the United States, there are strict laws governing the use of other people’s ideas, and sometimes harsh punishments for violating someone’s intellectual property right. However, there is no way of forcing one country's intellectual property laws inside another sovereign nation’s territory; intellectual property can only be

enforced by business deals and gentlemen's agreements over international borders.

One of the problems regarding counterfeiting in China is cultural differences. The mentality in China is very different; intellectual property rights are paid lip service only, and pure capitalism rules the market. Counterfeiters are doing more than turning a profit on fake goods—they are stealing ideas. While it's unfair to steal artistic ideas, it can be downright dangerous if the ideas being stolen are military or technological in nature.

The other problem with counterfeiting luxury goods lies not with the solitary factory worker who is responsible for selling a handful of goods which “fell off the back of a truck,” but with organized crime. In China and Hong Kong, the Triad and other organized crime groups use counterfeiting and counterfeit goods as a way to directly fund their organizations (New York Times).

Many of these organized-crime groups do not only deal in counterfeiting; they deal in human trafficking, child labor, gang warfare, and money laundering (New York Times). Some of this money has been linked to terrorist activity in the Middle East and Africa. When an individual buys a counterfeit handbag, then, there is no way of knowing where the money from that sale is going; it may be going to a poor individual who has no other way of feeding his or her family, or it could be going towards supporting organized crime (Bamossy et al).

Another interesting development in recent years is the growth of materialism in China and other parts of Asia. While the social status attached to designer goods used to be primarily an American and European quirk, it is a now

growing trend in China. Women in Hong Kong are particularly attached to designer goods; Gucci and Coach handbags are highly coveted, and high-end designers fight to have their storefronts in the Central district of Hong Kong (Chesters). However, this means that the market for fakes-- particularly passable fakes-- is growing exponentially in the area. Because Hong Kong is geographically so close to China, it is very lucrative to sell fake designer goods there; the cost of transport is much less between China and Hong Kong than China and New York. Buying a fake or a knock-off is often a compromise that individuals with “new money” in Hong Kong or mainland China make; they want the status that designer goods give them without paying a premium price.

It may be tempting to buy counterfeit luxury or designer goods, but there are definite ethical questions raised by the process. There are certainly far-reaching, detrimental effects that are the result of the growing counterfeit goods market, particularly in Asia. Unfortunately, there is no simple solution to this problem. Without major administrative, governmental, and economic change in China and other parts of Asia, counterfeiting will continue to be a problem. One thing that we can stop doing is to stop participating in the purchase or movement of counterfeit goods. In this way, we will stop being part of the problem and instead be part of the solution.

The economic impact of counterfeiting is incredibly far-reaching. It is a problem that will continue to grow in coming years, until a more long-term, workable solution is found. The fast spread of information and ideas will continue to facilitate widespread counterfeiting, particularly in developing countries where it is a lucrative, easy option. Many people believe that the

smartest thing for American companies to do would be to move their base of operations to the USA, but that will not necessarily solve the issue-- it will just geographically move the problem. The only way to truly ensure that the counterfeiting market shrinks is to seize the goods, destroy them, and try to dismantle or disrupt organized crime in the hopes of lessening the chance that

Counterfeiting does not only affect high-end designers, or the fashion industry. Technology can also be counterfeited, and that is a very concerning prospect for many governments. Some technology is no longer exported for manufacturing for this very reason; government officials and experts are concerned about the ideas and processes falling into the wrong hands.

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