

FASHIONABLY FAKE

how online brand communities mitigate asymmetric information in the luxury fashion industry

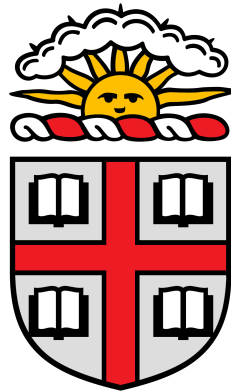
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INTRODUCTION

A woman wants to buy a brand-new Dior handbag. She found a style that she loves, but she's on a budget. She decides that she wants to try to find the bag at a lower price. After searching the internet, she finds a "gently-used" bag on eBay for 50% off the original price. She does not want to pass up such a good deal, so she buys it.

When the bag arrives, something seems off. The quality of the fabric is questionable, and she notices that the "DIOR" letters do not look evenly spaced. She decides to look online and finds websites with titles like "how to spot fake Dior bags". While the information is helpful, she is still unsure about her bag, specifically. She ends up finding a third-party authentication service online. She pays the website \$30 and sends images of the bag. A day later, the company informs her that she paid \$1,000 for a fake bag. They give her a certificate that she can use to get a refund from eBay. After this, the shopper spends hours going back and forth with eBay, sending both the certificate and a write up from the authentication service. After lots of emails with customer service, she finally she gets her money back.

After that ordeal she is unsure whether she should try secondhand shopping again. She recognizes that while sellers know the authenticity of their items, she will never truly know the quality of a bag until she purchases it. Now, she's faced with a dilemma. While originally all she wanted was a brand-new Dior bag, after her bad experience she is unsure if she can trust secondhand platforms. If she paid 50% off the original price for a "used bag" how much would it cost to just buy a fake one outright?

After another internet search, the shopper comes across some online communities that provide information on luxury fashion counterfeits. The community shows her how to find the bag she wants, communicate with sellers, and maximize the chance of her package successfully

making it through US customs. The best part is that the community members know how to find high-quality replicas —1:1 fakes that look identical to the authentic product. The members insist that the quality of these replicas rivals the authentic goods on the market.

The shopper is faced with a classic case of asymmetric information. While sellers on platforms like eBay know the quality of the items, the average shopper has minimal information about the item until its purchased. Customers face the burden of getting their items authenticated, and if a consumer accidentally purchases a fake, they have to jump through hoops to get their items refunded. For many shoppers, the secondhand market is simply not worth the risk. In fact, George Akerlof's theory on markets with asymmetric information predicts that this problem would cause customers to abandon the secondhand market altogether in favor of lower priced, replica goods.

This problem is made more complex by the variety of retail distribution channels made available to customers. Asymmetric information in one channel may cause customers to leave that market and explore another. Due to the varying qualities of counterfeit goods, shoppers may be swayed to enter the counterfeit market from many different price points. Super fakes represent the highest quality counterfeits; their undetectable construction allows customers to reap all of the benefits of authentic goods at a lower price. Given the uncertainty in the authentic markets, luxury shoppers have incentives to purchase counterfeit goods. Theoretically, luxury brands should be experiencing declining revenues.

However, despite the prevalence of counterfeits, luxury brands continue to experience financial success. By 2025, the luxury apparel industry is expected to be worth over \$80 billion.¹ Therefore: what is preventing customers from purchasing replicas?

This paper argues that online brand communities (OBCs) both deter and encourage activity in the counterfeit market. While some OBCs provide authentication services and host discussions that cast counterfeit purchases as immoral, replica communities similarly provide members with resources that increase access to replicas and encourage positive attitudes towards fake fashion. With these two forces working against each other, luxury brands ought to take steps to encourage membership in anti-counterfeit OBCs and restore consumer trust in the secondhand market. Firms should also use insights from replica OBCs to recapture replica customers.

Chapter One showcases how George Akerlof's seminal paper on asymmetric information can be applied to the luxury fashion industry. The chapter displays how asymmetric information impacts customers in the markets for new, used, real, and fake goods. Luxury firms have looked to intellectual property law to prevent the production of counterfeit goods. These laws, however, are not comprehensive and do not provide protection for many types of goods in the apparel industry. In addition to seizures by US Customs and Border Patrol, luxury firms use strategic lawsuits to enforce their rights. Still, many counterfeit items are not seized and enter the market. Firms have also engaged in extralegal efforts to address the demand side of the market. They have launched customer-centered moral campaigns and invested in authentication technology. The continued success of these extralegal methods, however, is threatened by the diminishing

¹ Shah, Gaurav. "Luxury Apparel Market Size Worth \$84.04 Billion By 2025." *Medium*, 26 Dec. 2019, marketnewsreports.medium.com/luxury-apparel-market-9d4463efc38b.

influence of fashion magazines, who previously worked with luxury firms to frame counterfeits as unfashionable and immoral.

Given this decline in moral enforcement, Chapter Two examines other mechanisms that may account for the continued success of luxury firms. A content analysis of three types of online brand communities finds that OBCs both encourage and discourage counterfeit activity. Chapter Three explores how luxury brands can update their extralegal enforcement strategies. Ultimately, brands should form relationships with anti-counterfeit communities and conduct research to understand what motivates customers to purchase replicas. The thesis concludes with areas for further research.

CHAPTER ONE

the market for fraud: asymmetric information in the luxury fashion industry

George Akerlof's "Market for Lemons" explores how information asymmetry can lead to market failure. He argues that in a market where quality and honesty are uncertain, customers have the burden of discerning good quality from bad quality products. While there may be a group of buyers who want high quality goods, the group of sellers who disguise their bad products as high quality make the search for high quality items risky. In Akerlof's study of the used car market, there are good and bad quality cars (lemons). Used car sellers hold more accurate information about the quality of their supplies, but buyers are unable to fully ascertain the quality of any individual vehicle until it is already purchased. Used car sellers are incentivized to pass lemons off as high-quality cars. In turn, customers perceive all or most used cars to be lemons. In the worst-case scenario "the presence of people in the market who are willing to offer inferior goods tends to drive the market out of existence."² Without a system to resolve the incentive challenges associated with asymmetric information, the secondary market breaks down.

Shoppers in the market for luxury fashion face a similar problem, because they also lack reliable information about the quality of available products. However, the complexity of asymmetric information is perhaps amplified in the fashion industry, relative to used car sales, as supply chains are more varied and diverse, consisting of many mid-stage retail buyers and resellers apart from original producers. Customers also choose between a greater variety of quality product types from a broader sample of relatively anonymous retailers.

² Akerlof, George A. "The Market for 'Lemons': Quality Uncertainty and the Market Mechanism." *Market Failure or Success*, p. 495, doi:10.4337/9781781950005.00012.

Shoppers in the fashion industry can choose between new, used, fake and authentic goods. Brand new authentic goods are generally of higher quality relative to used goods. As for fake goods, shoppers can choose between knockoffs (low quality, legal versions of authentic goods) and counterfeits, defined as “any manufacturing of a product which so closely imitates the appearance of the product of another to mislead a consumer that it is the product of another.”³ The fashion industry faces an influx of both high quality and low-quality counterfeit goods. Low quality counterfeits are cheaply made and easily detectable. High-quality counterfeits, known as *replicas* or *super fakes*, look identical to an authentic garment, to the point where the luxury brands themselves may have trouble authenticating the good.⁴

While some secondhand shoppers seek to purchase authentic goods, sellers are incentivized to pass their counterfeit goods off as authentic, causing customers to accidentally receive fakes. In a survey of shoppers conducted by RedPoints, 12% of handbag shoppers had accidentally purchased a counterfeit bag.⁵ While some secondhand retailers like The RealReal aim to gain customer trust through establishing robust authenticity processes, customers still continue to accidentally receive counterfeit items.⁶

Given the risk of accidentally receiving a fake good, some customers remove themselves from the authentic market altogether. Akerlof’s theory suggests that with asymmetric information, customers receive a higher expected utility from purchasing a replica than purchasing a fake. Consider, for instance, a customer choosing between a secondhand luxury bag

³ Organization for Economic Co-operation and Development. Organization for Economic Cooperation and Development, 1998, *The Economic Impact of Counterfeiting*, www.oecd.org/sti/ind/2090589.pdf.

⁴ Michelle, owner of Etinceler Authentications. Personal communication. 5 Mar. 2020.

⁵ RedPoints. “Handbag Customers and Fakes Online.” RedPoints. p. 2.

⁶ Kestenbaum, Richard. “The RealReal Sold Me A \$3,600 Fake; Here's Why Counterfeits Slip Through Its Authentication Process.” *Forbes*, Forbes Magazine, 23 Oct. 2019, www.forbes.com/sites/richardkestenbaum/2019/10/23/if-fake-bags-are-being-sold-on-the-realreal-how-can-the-resale-business-ever-succeed/?sh=1206e58c6acb.

and a replica. Let M be \$1,300, the customer's budget. P_F is the price of a fake bag and P_R is the price of a real bag. Finally, let Q be the quality of the good, where $Q=1$ if the bag is fake and $Q=2$ if the bag is real. Suppose the probability of accidentally receiving a fake is .5. The utility from purchasing a replica would be⁷:

$$U_F = (M - P)^{1/2}Q = (1300 - 195)^{1/2}(1) = 33.24$$

And the expected utility from purchasing a secondhand good would be:

$$EU_S = 0.5(1300 - 1195)^{1/2}(1) + 0.5(1300 - 1195)^{1/2}(2) = 15.37$$

Given the risk of accidentally receiving a fake, the customer's expected utility for purchasing a secondhand good would be lower than her utility for outright purchasing the replica.

As super fakes continue to saturate the market, Akerlof's theory would predict that fakes would hurt the market for secondhand luxury goods. Customers would rather purchase a replica good than pay a premium for just a mere chance of receiving an authentic good. A survey conducted by RedPoints supports this hypothesis: 51% of the respondents who had intentionally purchased a fake good were originally looking for the authentic product.⁸

As high-quality fakes hurt secondhand market, they should also hurt the market for new luxury goods as well. As previously mentioned, part of the appeal of luxury goods is that they have a reputation for high craftsmanship. Luxury accessories specifically, like handbags, are designed to last long periods of time, so customers should be confident that they can resell the bag when they are ready to get something new. Theory suggests, however, that undisguisable

⁷ Economics in Many Lessons, director. *The Market for Lemons I: An Example Problem*. YouTube, 25 May 2020, www.youtube.com/watch?v=gCvgDHfTHyg.

⁸ RedPoints. "Counterfeit Designer Clothing Online." RedPoints. p. 23.

fakes should drive authentic goods out of the secondhand market altogether. Thus, if there is no secondhand market, the value of new luxury goods should decrease as well.

Yet, the luxury fashion industry is thriving. The luxury apparel industry is expected to be worth over \$80 billion USD by 2025⁹, making it one of the fastest growing segments in fashion. The segment is led by conglomerates of heritage luxury houses, with the top 10 firms representing more than 50% of the revenue within the industry.¹⁰ These heritage houses have continued to remain popular amongst shoppers. Gucci, founded in 1921, was named the world's fastest growing luxury brand in 2020 and is valued at \$15.9 billion USD.¹¹ Similarly, Louis Vuitton, founded in 1854, has remained the world's most valuable luxury brand and is valued at \$47.2 billion USD.¹² Before the COVID-19 pandemic, luxury firms were experiencing constant growth. Between 2016 and 2019, Deloitte reported growth in luxury goods sales.

⁹ Shah, Gaurav. "Luxury Apparel Market Size Worth \$84.04 Billion By 2025." *Medium*, Medium, 26 Dec. 2019, marketnewsreports.medium.com/luxury-apparel-market-9d4463efc38b.

¹⁰ Deloitte. 2020, *Global Powers of Luxury Goods 2020*, www2.deloitte.com/global/en/pages/consumer-business/articles/gx-cb-global-powers-of-luxury-goods.html. p. 4

¹¹ Davis, Dominic-Madori. "Louis Vuitton and Gucci Are the Only 2 Luxury Companies to Consistently Rank among the World's Most Valuable Brands for the Last 20 Years. Here's How They Grew to Dominate the High-End Retail Sector." *Business Insider*, Business Insider, 24 Jan. 2020, www.businessinsider.com/how-gucci-louis-vuitton-became-two-most-valuable-luxury-brands-2020-01.

¹² Forbes. "Louis Vuitton." *Forbes*, Forbes Magazine, July 2020, www.forbes.com/companies/louis-vuitton/?sh=7bf16b056d8e.

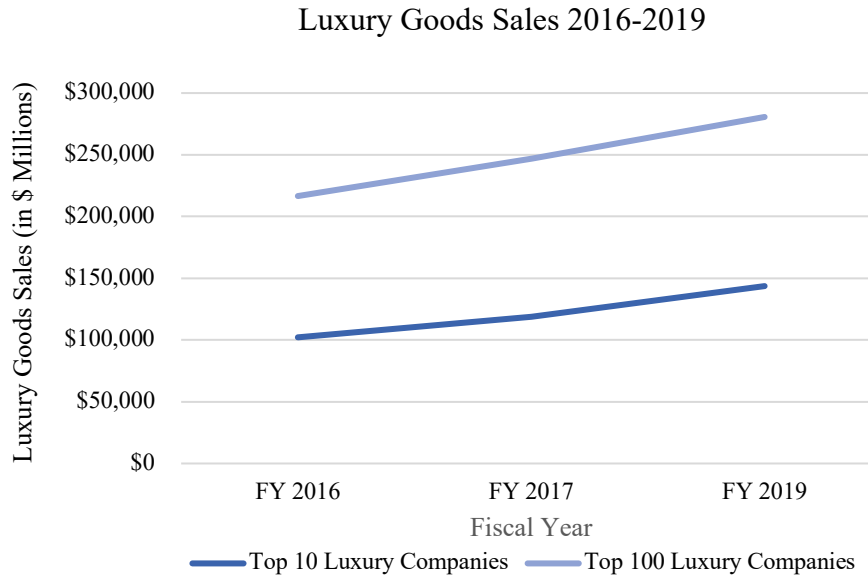


Figure 1: Data from Deloitte Global Powers of Luxury Goods 2018, 2019, and 2020

This chapter argues that the paradoxical success of the luxury fashion industry despite increased counterfeiting can be attributed to the simultaneous presence of both legal and extralegal methods of enforcement. Luxury firms have taken a mixed approach to reducing counterfeit purchases and maintaining their profitability. Section Two explores how firms have lobbied for increased intellectual property protections and used strategic lawsuits to deter counterfeiters. Section Three examines the extralegal strategies deployed by firms. Firms have formed trade organizations, launched moral marketing campaigns against counterfeits, and invested in authentication technologies.

Industry attempts to give customers a negative perception of fakes benefitted from the influence of magazines, which have historically worked with luxury brands and encouraged their readers to avoid counterfeit goods. While their mixed approach to counterfeiting has helped firms combat fakes, one component of their strategy, the use of moral campaigns, is threatened by the decline of fashion magazines. The final section examines the declining relevancy of fashion editorials. As magazine readership decreases, luxury firms are losing a key method for

shaping the moral sentiments of customers. With no foreseeable end to the production of counterfeits, the luxury fashion market will need to adapt in response to these shifts.

LI | HOW FAKE GOODS IMPACT THE LUXURY FASHION INDUSTRY

The logistical realities of fashion production make the industry prone to imitations. Garment designs are easy to replicate, and US intellectual property law protects a limited number of items. This section provides an overview of the different types of fake fashion available to consumers and how these garments impact authentic retail channels.

Defining Luxury Fashion

Rony Zeiden, founder and creative director of RO New York, defines “luxury” as a “high level aesthetic of execution at all levels from creation, to manufacturing, materials, craftsmanship, service, experience, and sensibility.”¹³ The luxury industry is comprised of goods that are generally considered to be at the “highest end of the market in terms of quality and price.”¹⁴ This includes a large variety of high-end products, from apparel to automobiles, drinks, and experiences. While these products vary in content, they are united by high craftsmanship, sophistication, and exclusivity.¹⁵ Globally, the luxury goods industry is projected to be worth \$388 billion USD.¹⁶ “Luxury fashion” is the intersection of luxury goods and the apparel industry, once predominately associated with *haute couture*, an organization of luxury houses in

¹³ Biron, Bethany. “The Changing Definition of Luxury Brands.” *Digiday*, 12 May 2016, [digiday.com/marketing/definition-luxury-brands/](https://www.digiday.com/marketing/definition-luxury-brands/).

¹⁴ Statista Research Department. “Global Personal Luxury Goods Industry - Statistics & Facts.” *Statista*, 19 Mar. 2020, www.statista.com/topics/1110/global-luxury-goods-industry/.

¹⁵ Sozzani, Franca. “What Is the Meaning of Luxury?” *Vogue Italia*, 3 May 2011, www.vogue.it/en/magazine/editor-s-blog/2011/03/march-5th.

¹⁶ Statista. “In-Depth: Luxury Goods 2020.” *Statista*, Aug. 2020, www.statista.com/study/61582/in-depth-luxury/.

France that abide by specific guidelines.¹⁷ However, the industry has obviously expanded to include non-couture brands as well as high-end “streetwear” brands.¹⁸

The Origins of Fake Fashion

While luxury fashion collections appeal to a variety of shoppers, the high price point makes these brands inaccessible. Many customers have resorted to copying as a means of signaling the benefits of luxury fashion at lower costs. In this paper, the term “copying” is used to refer to the purchase of imitative apparel products, including both knockoffs and counterfeit goods. Since Charles Frederick Worth created the first couture house, both the authorized and unauthorized copying of luxury fashion garments have been a relevant part of the industry.¹⁹ While this paper primarily aims to examine copying behavior within the United States, the US fashion industry’s history of copying is deeply intertwined that of France. In the earliest days of luxury fashion, authorized copying was a central part of the *haute couture* business model. Couture houses would produce prototypes, which they used to display at shows and in magazines. Once a customer wanted to purchase a couture garment, they would work with the house to create their personalized garment based on the original prototype. Since the luxury houses themselves often could not produce enough garments to meet demand across all countries, corporate buyers would pay houses a one-time fee for the right to produce

¹⁷ Regulated by the Chambre Syndicale de la Couture Couture, couture houses must make “made-to-order clothes for private clients, with more than one fitting, using an atelier (workshop) that employs at least fifteen fulltime staff” and present bi-annual collections with no-less than 50 designs. From: Morton, Camilla. “Haute Couture: Fashion A-Z: BoF Education: The Business of Fashion: #BoFEducation.” *The Business of Fashion*, www.businessoffashion.com/education/fashion-az/haute-couture.

¹⁸ Hypebeast defines streetwear as “production, promotion, sale, and resale of casual fashion, principally of footwear, such as sneakers, but also T-shirts and other items – in ways that bypass traditional retail channels, often subverting the way the fashion industry has long defined and dictated how “cool” is made profitable.”

¹⁹ Troy, Nancy. “Mondrian's Dress: Yves Saint Laurent Copying, (and) the Couture Copy.” *Bulletin of the German Historical Institute*, vol. 63, 2018, p. 28.

reproductions of the garments.²⁰ Couture gowns were always meant to be reproduced. As Nancy Troy explains “originals — prototypes — were made not to be sold but rather to be shown, publicized and copied in a variety of commercial settings.”²¹

Therefore, the problem faced by couture houses was not copying itself, but rather the prevalence of inexpensive unauthorized copies on the market. Independent retailers hired agents to attend couture shows and sketch images of garments. They then brought the sketches back to the office and replicated them at low cost. The practice was incredibly popular amongst foreign designers, who would send their agents to France to make sketches and steal swatches and accessories from the runway shows.²² Leaders of early luxury houses sought to stop the unauthorized firms from replicating their styles, but none of their strategies were fully able to prevent the high quantity of the low-priced copies in the market. Since then, copying has remained a notable part of the fashion ecosystem, with both legal and illegal fake versions being offered to customers.

²⁰ Pouillard, Veronique. “The Milton Case (1955–1962). Defending the Intellectual Property Rights of Haute Couture in the United States.” *Journal of Design History*, vol. 30, no. 4, 29 July 2017, p. 358, doi:10.1093/jdh/epx023.

²¹ Troy, Nancy. “Mondrian's Dress.” p. 30.

²² Stewart, Mary Lynn. “Copying and Copyrighting Haute Couture: Democratizing Fashion, 1900–1930s.” *French Historical Studies*, vol. 28, no. 1, 2005, p. 111.

Real and Fake: Luxury Shopping Channels

When a customer finds a style they like, there are a variety of channels the shopper can use to obtain it. To illustrate the decision-making process, consider a hypothetical shopper who comes across the Jitney Cash Inside Bag from Off-

White (See Figure 2). If the customer were to purchase the bag directly from Off-White or an authorized retailer (i.e.

Farfetch, Nordstrom, Harrods), it would cost her \$1,831.²³

Instead of buying the bag new, the customer could also

explore secondhand options. The secondhand market can be broken into two categories: general and specialty retailers. General secondhand retailers offer used items for a discount and include physical stores, like Goodwill and Salvation Army, and online platforms, such as eBay,

Facebook Marketplace, and ThredUp. While these retailers offer low prices, shoppers are often looking for authentic items but end up finding (knowingly or unknowingly) fake goods. This is because many of these general retailers lack systems set in place to ensure product authenticity.

While customers have sometimes found authentic luxury good at these retailers²⁴, many times they end up purchasing lower quality inauthentic goods.²⁵

Specialty retailers differ from generalized retailers in that they have stronger reputations in the industry for providing authentic products. Luxury consignment shops like Michaels Consignment in New York and The Exchange in London have established strong reputations for



Figure 2: Jitney Cash Inside Bag

²³ Farfetch. "Off-White Jitney 1.0 Cash Inside Leather Cross Body Bag." *Farfetch*, <https://tinyurl.com/33uu5c73>

²⁴ Christensen, Doreen. "Thrift Shopping Secrets: Scoop up Louis Vuitton, Fendi and Gucci for a Few Bucks: Doreen's Deals." *Sun Sentinel*, 8 Sept. 2019, www.sun-sentinel.com/features/deals-shopping/fl-bz-doreen-christensen-thrift-shopping-tips-tricks20190906-ny5o2cy6jnd4djbdywxvfgf2jfu-story.html.

²⁵ Keach, Sean. "Facebook Marketplace Is a Black Market for ILLEGAL Knock-off Designer Goods." *The Sun*, 5 July 2018, www.thesun.co.uk/tech/6701037/facebook-marketplace-fake-counterfeit-replica-gucci-louboutin-cheap-football-shirts.

selling authentic, high quality products. Likewise, websites like The RealReal, The Outnet, Fashionphile, and Vestiaire Collection offer thousands of secondhand luxury items to online shoppers.²⁶ A version of the Off-White bag in question can be found on The RealReal for \$1,195, approximately 35% off the original price.²⁷ The bag has also been sold on eBay for \$685, approximately 63% off.²⁸ While the eBay version is NWT (new with tags), eBay does not physically vet the items sold on its platform, so it would be even harder for our shopper to determine the true quality of the bag.



Figure 3: Knockoff from boohoo

Given the risk of accidentally receiving a fake bag and high price levels, counterfeits and knockoffs are both viable and sometimes appealing ways for a customer to enter the world of luxury.

Knockoffs are goods that are similar in design to an



Figure 4: Replica from Superbuy

authentic product, but not identical.²⁹ In most

cases, it is legal to

produce knockoff fashions. Fast fashion firms, such as H&M,

Zara, and Forever 21, are widely known for selling knockoffs of

luxury garments in their stores. For example, in 2017 Balenciaga

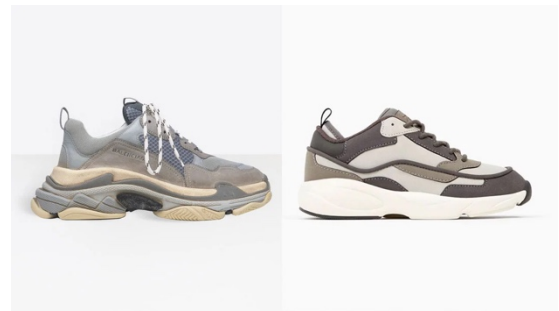


Figure 5: Balenciaga vs Zara

²⁶ Woodworth, Samantha. "10 Best Designer Resale Stores: Buy Second-Hand Luxury Online." *Luxe Digital*, 9 Jan. 2021, luxe.digital/lifestyle/style/best-luxury-resale-websites/.

²⁷ The RealReal. "OFF-WHITE C/O VIRGIL ABLOH." *The RealReal*, www.therealreal.com/products/women/handbags/handle-bags/off-white-c-o-virgil-abloh-2019-jitney-handle-bag-8fn4q?position=2.

²⁸ nymilan. "NWT OFF WHITE c/o VIRGIL ABLOH White Leather 'Cash Inside' Shoulder Bag \$1050." *eBay*, 25 Feb. 2021, www.ebay.com/itm/NWT-OFF-WHITE-c-o-VIRGIL-ABLOH-White-Leather-Cash-Inside-Shoulder-Bag-1050/233899612564?hash=item367580d994:g:Z7sAAOSwvWNgLTUC&_trksid=p5731.m3795.

²⁹ Zaczekiewicz, Arthur. "Counterfeits, Knockoffs, Replicas: Parsing the Legal Implications." *WWD*, 6 June 2016, wwd.com/business-news/retail/counterfeit-knockoff-replica-legal-10437109/.

released their “Triple S Trainers” for \$795. Quickly, Zara produced a similar, although not identical, version of the shoe for \$35.90 (See Figure 4).³⁰ While there were similarities between the two creations, the knockoff version produced by Zara was legal since it was notably different from the Balenciaga shoe and did not infringe on any trademarks or patents. Fast fashion retailer Boohoo offers a knockoff version of the Off-White bag for only \$22.36; it is a white bag with black text referencing both “cash” and “designer logos”. Ultimately, however, the bag does not infringe upon any of Off-White’s intellectual property.

In contrast to knockoffs, *counterfeits* are made to be passed off as authentic.³¹

Counterfeit goods are illegal, as they typically include the unauthorized use of registered trademarks or patent designs.³² Counterfeit apparel products can be broken into two categories: low-quality and high-quality. Low-quality counterfeits are easily accessible. They can often be found in major cities, like New York, and are relatively low priced. While the garments are designed to look identical to the authentic good, lower quality materials make these items easier to detect as fake. Since these products are often made with lower-quality materials, low-quality counterfeits can pose health and safety risks to customers. Counterfeit sunglasses, for instance, often do not meet regulated safety standards. As a result, these glasses may let harmful UV light enter consumer’s eyes, causing “more damage to the eyes than not wearing any sunglasses at all.”³³

³⁰ Eckardt, Stephanie. “The Most Shameless High Fashion Knockoffs of 2017.” *W Magazine*, 25 Dec. 2017, www.wmagazine.com/gallery/most-shameless-high-fashion-knockoffs-2017/.

³¹ COVISUS Inc. “Counterfeit & Knockoff: How To Know The Difference.” *COVISUS*, 29 Mar. 2019, covisus.com/counterfeit-or-knock-off/.

³² Wishnia, Jaclyn. “Counterfeit Goods.” *LegalMatch Law Library*, LegalMatch, 11 Aug. 2020, www.legalmatch.com/law-library/article/counterfeit-goods.html.

³³ Feel Good Contacts. “Feel Good Contacts and Anti-Counterfeiting Group Join Forces to Highlight the Dangers of Counterfeit Sunglasses as 146,000 Fake Sunglasses Are Seized by Customs.” *Feel Good Contacts*, Feel Good Contacts, 10 June 2019, www.feelgoodcontacts.com/press-hub/dangers-of-counterfeit-sunglasses.

In contrast to low-quality counterfeits, high-quality counterfeits are sometimes known as *replicas* or *super fakes*. These garments look completely identical to an authentic garment. The best replicas are typically made from a higher-quality material than the lower-quality counterfeits and more expensive. A quality replica Hermès Birkin bag, for example, may cost a shopper thousands of dollars.³⁴ Finding these goods will require an individual to look beyond their neighborhood. Word of mouth, “purse parties”³⁵, and online forums have made it easier for shoppers to find these goods.

Therefore, customers who aim to carry a luxury garment without paying luxury prices have the incentive to seek out high-quality fakes. The identical nature of these products makes it incredibly hard for outsiders to recognize them as inauthentic. As a result, owners of replicas can obtain the signaling power of high fashion at a much lower cost. While customers who obtain these products will miss out on the luxury shopping experience, some customers may enjoy the thrill of the higher search costs established with high-quality fakes. Searching for hidden links or attending secret “purse parties” (where vendors sell these fakes directly to customers) may be a distinctive and exciting part of the shopping experience. While replicas may have higher search costs, the price of the goods relative to genuine items, along with the potential rewards attached to the search process make these goods an attractive option for aspiring luxury owners. A replica Off-White bag, for example, was bought by Reddit user u/chewyhamham for \$117.³⁶ If our

³⁴ Chapman, Gray. “Why Do People Spend So Much on Fake Stuff?” *Racked*, Racked, 1 June 2017. Web.

³⁵ Mitchell, Natalie A., et al. “Purse Parties: A Phenomenology of In-Home Counterfeit Luxury Events.” *Review of Marketing Research Qualitative Consumer Research*, 2017, pp. 227–255, doi:10.1108/s1548-643520170000014014.

³⁶ chewyhamham. “r/FashionReps - [QC] OFF-WHITE JITNEY CASH INSIDE BAG.” *Reddit*, 22 Oct. 2019, www.reddit.com/r/FashionReps/comments/dln6a4/qc_offwhite_jitney_cash_inside_bag/.

Luxury Fashion Retail Channels

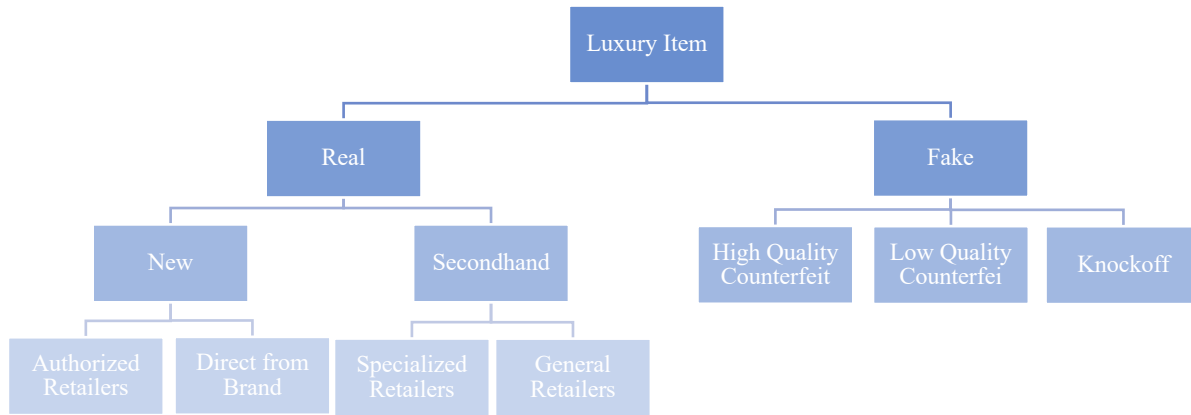


Figure 6: Luxury Fashion Retail Channels

customer wanted to get one of her own, she would have to find someone to make it for her and be willing to navigate the risks involved with purchasing fakes over the internet.

Retail Channel Price Comparison

Real			Fake	
New	Secondhand Specialty	Secondhand General	Replica	Knockoff
Farfetch	The RealReal	eBay	Superbuy	boohoo
\$1,831	\$1,195	\$685	\$117	\$22.26
				

Table 1: Handbag Retail Channels

With so many retail channels available, fashion shoppers face many options when it comes to buying a luxury item. Each option is associated with a unique set of risks that customers must weigh before making a purchase.

Impact of Counterfeits

Counterfeit goods have had a notable impact on the luxury fashion industry. Counterfeiting, in general, is a major problem in the United States. Counterfeit goods pose health and safety concerns, betray consumer trust, and are often tied to organized crime. The US Customs and Border Protection (CBP) and Immigration and Customs Enforcement (ICE) have worked to remove counterfeit goods from the market. In 2019, the two agencies reported seizing \$1.5 billion worth of counterfeit items throughout the year.³⁷ Fashion retailers specifically have faced counterfeiting at an increasing rate. In 2012, CBP seized approximately \$900 million of fashion products (apparel, footwear, handbags, and jewelry). Since then, fashion seizures have notably increased. In 2019, US CBP seized over \$1.2 billion of fashion products, a 27% increase from 2012.³⁸ Fashion products account for a large portion of CBP's seizures, comprising 82% of the total value of goods seized in FY2019. Figure 2 contains data from CBP's annual reports from 2012-2019 and showcases how, since 2012, both the overall manufacturer suggested retail price (MSRP) and fashion specific MSRP of goods seized has increased.

³⁷ U.S. Customs and Border Protection. "Intellectual Property Rights." *U.S. Customs and Border Protection*, 14 May 2020, www.cbp.gov/trade/priority-issues/ipr.

³⁸ U.S. Customs and Border Protection. "IPR Annual Seizure Statistics." *U.S. Customs and Border Protection*, www.cbp.gov/trade/priority-issues/ipr/statistics.

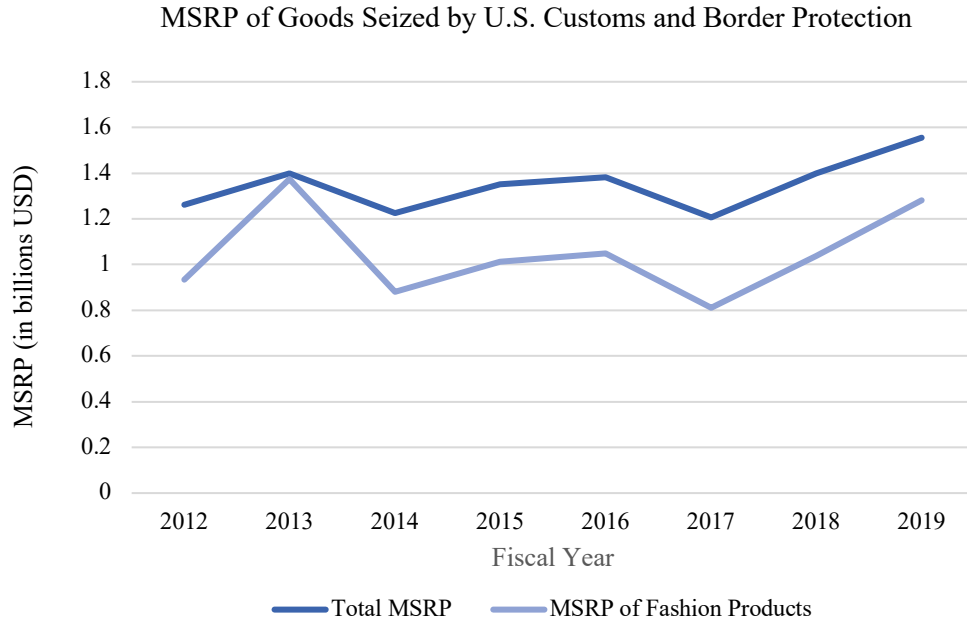


Figure 7: Data from U.S. Customs and Border Protection

The increased suggested retail value of counterfeit products seized may be due to the increased presence of online retailers. Platforms like Amazon, eBay, and Alibaba have seen increased amounts of counterfeit goods on their platforms.³⁹ Consumers often view these websites as trusted retailers, which make them perfect spaces for counterfeit firms to sell their products. As a result, consumers seeking authentic products are being sold fake goods. A 2019 report by Incopro found that 26% of Americans had accidentally purchased a counterfeit product in the past year.⁴⁰ In 2019, Amazon flagged over 6 billion “suspicious bad listings” from its site.⁴¹ Shoppers are also finding counterfeit goods on social media. A study conducted by

³⁹ Semuels, Alana. “Amazon May Have a Counterfeit Problem.” *The Atlantic*, Atlantic Media Company, 20 Apr. 2018, www.theatlantic.com/technology/archive/2018/04/amazon-may-have-a-counterfeit-problem/558482/.

⁴⁰ Incopro. “Over a Quarter of US Shoppers Have Purchased Counterfeit Goods.” *Incopro*, 13 Dec. 2019, translate.incoproip.com/articles/over-a-quarter-of-us-shoppers-have-purchased-counterfeit-goods-report-retail-dive.

⁴¹ Palmer, Annie. “Amazon Says a New 'Counterfeit Crimes Unit' Will Work with Law Enforcement to Take on Fraudsters.” *CNBC*, CNBC, 24 June 2020, www.cnbc.com/2020/06/24/amazon-says-counterfeit-crimes-unit-to-work-with-law-enforcement.html.

analytics firm Ghost Data found over 50,000 Instagram accounts selling counterfeit items, which was a 171% increase from the 20,000 accounts they found in 2016.⁴²

The wealth of fake products on online platforms has caused luxury firms to lose sales, incur damaged brand equity, and break consumer trust. In their study of fashion knockoffs, Appel, Libai, and Muller define brand equity as a “long-range effect whereby copies lead customers to associate a brand with certain negative attributes and therefore avoid purchasing it in the future.”⁴³ A 2019 study by Incopro found that 52% of customers said they lost trust in a brand due to buying a counterfeit product online.⁴⁴ Similarly, in a survey of shoppers conducted by RedPoints, 47% of respondents said that they would negatively speak about a brand to their friends if they found fakes online.⁴⁵ Firms are aware of these potential harms to brand equity: brands like Nike and Allbirds have removed their products from Amazon due to customers unwittingly receiving counterfeit versions of their products.⁴⁶

While counterfeit goods damage the luxury fashion industry, firms have used a combination of legal protections and extralegal enforcement strategies to reduce circulation of fake goods and mitigate the effects of asymmetric information. The following two sections explore these methods.

⁴² Lieber, Chavie. “Instagram Has a Counterfeit Fashion Problem.” *Vox*, Vox, 2 May 2019, www.vox.com/the-goods/2019/5/2/18527181/instagram-counterfeit-industry-chanel-gucci-louis-vuitton.

⁴³ Appel, Gil, et al. Marketing Science Institute, 2013, *The Short and Long-Term Impacts of Fashion Knockoffs on Original Items*, msbfile03.usc.edu/digitalmeasures/gappel/intellcont/MSI_Report_13-1081-1.pdf. p. 9.

⁴⁴ Incopro. “Over a Quarter”.

⁴⁵ RedPoints. “Bagging a deal: Handbag customers and fakes online.” RedPoints. p. 2.

⁴⁶ Palmer, Annie. “More Brands Are Leaving Amazon, but the Strategy Could Backfire.” *CNBC*, CNBC, 27 Jan. 2020, www.cnbc.com/2020/01/10/more-brands-are-leaving-amazon-but-the-strategy-could-backfire.html.

I.II | LEGAL ENFORCEMENT AGAINST FASHION PIRACY

While copying has remained a central part of the luxury fashion industry, firms in the United States have used intellectual property (IP) law to prevent unauthorized individuals from replicating their designs. Dan Hunter defines intellectual property as “the expression used to denote a series of legal principle and domains that create exclusive rights in intangible ‘property of the mind’.”⁴⁷ In the United States, intellectual property law gives creators an economic incentive to innovate by allowing them to control the use of their creations. Members of the fashion industry have been able to use IP law to reduce copying in the industry. This section provides an overview of the intellectual property rights available to designers in the US, focusing on copyright, which protects the expression of ideas; patents, which protects unique inventions; and trademark, which protects recognizable aspects of a brand. Furthermore, this section highlights instances where luxury firms have successfully been able to gain protection and compensation for their designs.

Copyright

Copyright protects “(1) works of authorship of certain types (2) that are original to the author, (3) that are fixed in certain forms, and (4) that are expressions of ideas, and not the ideas themselves.”⁴⁸ Works that are eligible for protection are automatically covered by copyright law, however, the copyright owner can register their creation with the US Copyright Office.⁴⁹

⁴⁷ Hunter, Dan. “Introduction.” *The Oxford Introductions to U.S. Law: Intellectual Property*, edited by Dennis M. Patterson, Oxford University Press, 2011, p. 1.

⁴⁸ Hunter, Dan. “Copyright.” *The Oxford Introductions to U.S. Law: Intellectual Property*, edited by Dennis M. Patterson, Oxford University Press, 2011, p. 32.

⁴⁹ U.S. Copyright Office. “Copyright in General.” *Copyright*, U.S. Copyright Office, www.copyright.gov/help/faq/faq-general.html.

Registration enables them to file lawsuits in any cases of copyright infringement. In general, copyrighted works are protected for the duration of the author's life plus 70 years.⁵⁰ A wide variety of artistic media are protected by copyright, including sound recordings, movies, software, and literature.⁵¹

Fashion is one industry, however, that lacks many benefits from copyright law. Clothing is not protected under copyright since it is “utilitarian in nature” and copyright only protects “nonfunctional creative works.”⁵² Some fashion items are copyrightable, such as jewelry, “distinctive fabrics” or “physically separable ornaments.”⁵³ Most garments, however, do not qualify for these protections. Without these protections, fast fashion firms like Forever 21 can produce similar replicas of luxury garments.

The prospect of extending copyright protection to US designers has been an ongoing debate within both the fashion and legal communities. Some scholars believe that the fashion industry would greatly benefit from more copyright protections. Copyright protection for apparel designs would prevent fast fashion companies, such as Forever 21, from generating cheap copies of high-end garments. This would force fast fashion firms to generate their own items, rather than benefitting from the luxury firm's research and development expenses.⁵⁴ Moreover, unlike patents, which can take years to process, copyright is given to qualifying products instantly.

While firms would still need to register their items, this quicker turnaround would be incredibly

⁵⁰ U.S. Copyright Office. “How Long Does Copyright Protection Last?” *Copyright*, U.S. Copyright Office, www.copyright.gov/help/faq/faq-duration.html.

⁵¹ U.S. Copyright Office. “Copyright in General.”

⁵² Wong, Tedmond. “To Copy or Not to Copy, That Is the Question: The Game Theory Approach to Protecting Fashion Designs.” *University of Pennsylvania Law Review*, vol. 160, 2012, p. 1145.

⁵³ Hemphill, C. Scott, and Jeannie Suk. “The Law, Culture, and Economics of Fashion.” *Stanford Law Review*, vol. 61, no. 5, Mar. 2009, p. 1147.

⁵⁴ LVMH, for example, spent \$139 million euros on R&D in 2020; Sabanoglu, Tugba. *LVMH Group's R&D Expenditure Worldwide 2020*. 8 Feb. 2021, www.statista.com/statistics/410692/lvmh-group-randd-expenditure/.

beneficial to fashion, an industry where garments are only in-season for a limited period of time. Copyright would also provide up-and-coming designers the ability to protect their work against large firms, which have been known to copy garments or designs from independent designers.⁵⁵ Finally, copyright protection would legitimize designers as artists and allow them to receive protection alongside other creatives.

While increased copyright protections are supported by many fashion industry leaders, some scholars argue that the current regime actually benefits designers. Kal Raustiala and Christopher Sprigman, for instance, argue that copyright protection would be potentially devastating to fashion. In their 2006 text, “The Piracy Paradox,” Raustiala and Sprigman claim that the low IP equilibrium in the industry paradoxically fuels fashion innovation. After a luxury house creates a design, they can expect that cheaper versions will be produced by other firms. In order to remain enticing for “early adopter” customers, these firms must quickly produce new styles and wait to be copied again. Raustiala and Sprigman refer to this cycle as “induced obsolescence”, and suggest that if copying were illegal, top firms would produce new designs at a much slower rate.⁵⁶ They argue that “anchoring” allows luxury firms to signal when industry trends have shifted. As copies are made each season, consumers can “understand (1) when the mode has shifted (2) what defines the new mode, and (3) what to buy to remain within it.”⁵⁷

Despite these arguments, some industry leaders have continued to advocate for increased copyright protection. These movements, however, have not been successful. In 2006, Representative Bob Goodlatte introduced the Design Piracy Prohibition Act (DPPA) in the

⁵⁵ Oladele, Bashirat. “Small Designers Fall Victim to Larger Brands Stealing Their Designs.” *The Boar*, 18 Aug. 2020, theboar.org/2020/08/small-designers-victim-larger-brands-stealing-designs/.

⁵⁶ Raustiala, Kal, and Christopher Jon Sprigman. “The Piracy Paradox: Innovation and Intellectual Property in Fashion Design.” *Virginia Law Review*, vol. 92, Dec. 2006, p. 1772.

⁵⁷ *Ibid.*, 1729.

House of Representatives.⁵⁸ Designers would have been required to register their garments, including handbags and accessories, with the US Copyright Office. Once approved, copyright protection would be extended to the designer if the infringer used any aspect of their design that was protected by the legislation.⁵⁹ Under the DPPA, infringers would have faced fines up to \$250,000 or \$5 per copy produced. Ultimately, the bill was never passed in Congress.

In 2010, Senator Charles Schumer worked with the Council of Fashion Designers of America (CFDA) and the American Apparel and Footwear Association (AAFA) to create the Innovative Design Prevention and Piracy Prohibition Act (IDPPPA). Extending copyright to the apparel industry, the bill would have required infringing designers to pay \$50,000 or \$1 per copy.⁶⁰ The bill was read twice by the committee on the judiciary before being sent to the Senate Legislative Calendar under General Orders but it never made it past this stage. The bill was then reworked and reproduced in 2012 as the Innovative Design Protection Act (IDPA), which would have extended protection to apparel items and accessories, such as sunglasses and handbags.⁶¹ Many designers expressed support for the bill, however, it too was reviewed by the Judiciary Committee before being placed on the Senate Legislative Calendar in December 2012.⁶² The bill subsequently experienced no further review. No other proposals have been introduced into Congress since the introduction of the IDPA.

⁵⁸ Xiao, Emma Yao. "The New Trend: Protecting American Fashion Designs Through National Copyright Measures." *Cardozo Arts & Entertainment Law Journal*, vol. 28, 2010. p.432

⁵⁹ *Ibid.*, 433.

⁶⁰ Xiao, Emma Yao. "The New Trend" p. 435.

⁶¹ Lambert, Megan. "The Lowest Cost at Any Price: the Impact of Fast Fashion on the Global Fashion Industry." *Lake Forest College*, Lake Forest College Publications, 2014. p. 59.

⁶² Congress.gov. "Actions - S.3523 - 112th Congress (2011-2012): Innovative Design Protection Act of 2012." *Congress.gov*, 20 Dec. 2012, www.congress.gov/bill/112th-congress/senate-bill/3523/all-actions?q=S.3523%2B&overview=closed#tabs Legal Information Institute. "Patent." Legal Information Institute, Legal Information Institute.

Given these unsuccessful movements, the fashion industry remains largely unprotected by copyright. Since most fashion garments are unable to receive copyright protection, designers have primarily used patents and trademarks as a method of protection.

Patent

While copyright protection is rarely given to fashion firms, designers may seek the help of patents. Patents are managed by the US Patent and Trademark Office (PTO) and allow the user to protect new inventions. The holder is given “the exclusive right to exclude others from making, using, importing, and selling the patented innovation for a limited period of time.”⁶³ There are three types of patents available to inventors: utility, design, and plant.⁶⁴ Utility patents are granted to individuals who “invent or discover any new and useful process, machine, article of manufacture, or composition of matter, or any new and useful improvement thereof.”⁶⁵ Design patents protect the ornamental aspects of a manufactured item.⁶⁶ Finally, plant patents are extended to those who “invent or discover and asexually reproduce any distinct and new variety of plant.”⁶⁷

Design patents and utility patents are both used by fashion designers. To receive a design patent, a designer must prove that “the design of an article of manufacture must be novel, non-obvious, original, ornamental, and meet the test of invention.”⁶⁸ Designs that meet these criteria

⁶³ Legal Information Institute. “Patent.” *Legal Information Institute*, Legal Information Institute, www.law.cornell.edu/wex/patent.

⁶⁴ United States Patent and Trademark Office . “General Information Concerning Patents.” *United States Patent and Trademark Office* , United States Patent and Trademark Office , 1 June 2020, www.uspto.gov/patents-getting-started/general-information-concerning-patents.

⁶⁵ *Ibid.*

⁶⁶ Pytlak, Kaitlyn N. "The Devil Wears Fraud-a: An Aristotelian-Randian Approach to Intellectual Property Law in the Fashion Industry," *Virginia Sports and Entertainment Law Journal* vol. 15, no. 2. Spring 2016, p. 285.

⁶⁷ United States Patent and Trademark Office . “General Information”.

⁶⁸ Troy, Nancy J. “Mondrian's Dress” p. 29.

can apply with the PTO. Once the patent is secured, the designer is granted protection for a maximum of fifteen years.⁶⁹ Lululemon, for instance, has over 30 design patents registered with the PTO, covering the design of various items such as tank tops and shorts.⁷⁰ While less popular amongst industry leaders, utility patents can be used by designers to obtain protection over new processes for twenty years. Diane Von Fürstenberg obtained utility patents to cover the design of her famous “wrap dress” and Nike has utilized utility patents to cover their “automatic lacing system.”⁷¹ While design firms have taken advantage of patents, the downside is that it may take 12-18 months for a design patent application to be reviewed by the US Patent and Trademark Office.⁷² While in some industries this might be a minor setback, fashion firms experience multiple seasons over the course of a year. By the time a brand is able to secure a patent, the design in question may already be out of style. Nevertheless, patents have proven to be useful to luxury firms when applicable.

Trademark

Branding is one of the most important tools that luxury firms use to build connections with their customers. US intellectual property laws recognize the incredible power of branding. In 1946, the United States passed the Lanham Act, which allowed firms to receive trademark

⁶⁹ United States Patent and Trademark Office. “1505 Term of Design Patent .” *United States Patent and Trademark Office*, www.uspto.gov/web/offices/pac/mpep/s1505.html.

⁷⁰ Maheshwari, Sapna. “Lululemon Is The Fashion Industry's Biggest Patent Troll.” *BuzzFeed News*, 22 July 2014, www.buzzfeednews.com/article/sapna/lululemon-patent-troll.

⁷¹ Jardine, Jason J. “Utility Patents in Fashion Design? Nike & Huzu Innovate The Way.” Edited by Catherine Holland, *Knobbe Martens*, 15 Sept. 2017, www.knobbe.com/news/2017/09/utility-patents-fashion-design-nike-huzu-innovate-way.

⁷² Townes, Nicole R, and Robert Roby. “Design Patents – The Often Forgotten, But Useful Protection for Accessories and a Designer's Timeless and Staple Pieces.” *Knobbe Martens*, 6 Feb. 2017, www.knobbe.com/news/2017/02/design-patents-%E2%80%93-often-forgotten-useful-protection-accessories-and-designer%E2%80%99s-timeless.

protection for recognizable elements of their brand.⁷³ The Lanham Act defines a trademark as a “word, phrase, logo, graphic symbol, or other device that identifies the source of a product or service and distinguishes it from competitors.”⁷⁴ To obtain a trademark, a firm must prove that the element in question is “(1) used in commerce; and (2) distinctive.” Luxury brands can register iconic logos like the Louis Vuitton “LV” monogram and colors such as “Tiffany Blue” with the US Trademark and Patent Office.⁷⁵ Trade dress, an extension of trademark, allows firms to protect “characteristics and distinctive visual presentation”, provided that the firm can prove that the element in question has an “established secondary meaning.”⁷⁶ It is typically through trade dress that designers are able to protect specific colors. Converse, for example, maintains a trade dress over the distinctive features (“the stripes on the midsoles; the toe cap; and the bumper”) of its Chuck Taylor sneaker.⁷⁷

Within the fashion industry, various luxury firms have been successful in utilizing trademark and trade dress to gain protection for elements of their work. In the notable case, *Christian S.A. Louboutin vs. Yves St. Laurent American Holding Inc.*, the court ruled that Louboutin was able to receive limited protection for its famous “red soled shoes”. Specifically, the court found that when a red sole was paired with a body of a contrasting color the red soles held significance within the industry.⁷⁸ As a result, Louboutin holds exclusive rights to produce red-soled shoes if the body of the shoe itself is not also red. Overall, trademarks are arguably the

⁷³ Nolo. “Lanham (Trademark) Act.” *Nolo*, Nolo, 15 Nov. 2019, www.nolo.com/legal-encyclopedia/content/lanham-act.html.

⁷⁴ *Ibid.*

⁷⁵ Pytlak, Kaitlyn N. “He Devil Wears Fraud-a: An Aristotelian-Randian Approach to Intellectual Property Law in the Fashion Industry.” *Virginia Sports and Entertainment Law Journal*, vol. 15, no. 2, 2016. p. 282

⁷⁶ Lambert, Megan. “The Lowest Cost at Any Price” p. 61.

⁷⁷ Williams, Thomas. “CAFC Maintains Full-Court Press on Converse Chuck Taylor Trade Dress.” *IP Watchdog*, 1 Dec. 2018, www.ipwatchdog.com/2018/12/01/full-court-press-converse-chuck-taylor-trade-dress/id=103450/.

⁷⁸ Lambert, Megan. “The Lowest Cost at Any Price” p. 13.

most useful tool for luxury firms in the US, since they allow firms to protect the visually iconic aspects of their brand.

Strategic Lawsuits

While limited intellectual property protections are available for designers in America, firms have utilized the practice of filing strategic lawsuits to intimidate competitors and deter them from copying their garments. One of the earliest successful lawsuits took place in 1955 when four French designers filed a lawsuit against Fredrick L. Milton, an American-based designer who sent “undercover observers” to French couture shows to produce sketches of couture garments before they were released to the public.⁷⁹ Milton would then take the sketches, produce copies, and sell them to manufacturers before the authorized garments were released for sale.⁸⁰ The couture houses of Dior, Fath, Lavin, and Patou sued Milton, “charging Milton with style piracy, trademark infringement, and unfair competition.”⁸¹ After a multi-year lawsuit ending in 1962, Milton finally agreed to settle with the couturiers.⁸² The Milton Case is significant to the history of strategic lawsuits in fashion, as it represents one of the earliest high-profile victories for luxury brands in the US market.

Since the Milton case, designers have continued to use the threat of litigation as a deterrence strategy. Despite minimal IP protections, luxury firms have recognized that lawsuits are costly, and many copiers cannot afford to engage in lengthy litigation. Sending a cease-and-

⁷⁹ Pouillard, Veronique. “The Milton Case (1955–1962). Defending the Intellectual Property Rights of Haute Couture in the United States.” *Journal of Design History*, vol. 30, no. 4, 29 July 2017, p. 367, doi:10.1093/jdh/epx023

⁸⁰ *Ibid.*, 376.

⁸¹ *Ibid.*, 360.

⁸² *Ibid.*, 264.

desist letter or filing a lawsuit may be enough to intimidate a manufacturer into halting production. In order to maintain the validity of the threat retailers must also publicly engage in litigation. For instance, in 2012 Lululemon sued Calvin Klein over a copied waistband design. In explaining the case, Jeremy de Beer argued that “by suing Calvin Klein, Lululemon publicized to the world that they would do what they needed to in order to protect their original designs.”⁸³ Lululemon maintained that Calvin Klein had produced an illegal knockoff, rather than a counterfeit, but the lawsuit still signaled the brand’s dedication to removing illicit copies from the market. With a high number of counterfeit goods now being sold online, luxury brands continued to target counterfeiters. In 2016, Alexander Wang sued owners of 459 counterfeit websites and was awarded \$90 million by the courts.⁸⁴ In 2019, Gucci sued more than a dozen websites accused of selling counterfeit Gucci products⁸⁵ and in 2020, Valentino joined forces with Amazon to sue Hao pan and Kaitlyn Pan Group LLC for selling a counterfeit version of the Valentino Garavani Rockstud shoe.⁸⁶

Lawsuits are a viable way for luxury firms to intimidate copiers and publicly showcase their dedication to maintaining authenticity in the industry. Utilizing litigation as a primary strategy, however, requires firms to correctly locate and identify counterfeiting operations. Once they find them, the organization will likely end up spending a significant amount of time and financial resources preparing each case. While a counterfeiter may notice the lawsuits in the news, likely, they are already implementing strategies to avoid getting caught. If firms figure a

⁸³ Lambert, Megan. “The Lowest Cost at Any Price: The Impact of Fast Fashion on the Global Fashion Industry.” *Lake Forest College*, Lake Forest College Publications, 2014. p. 69.

⁸⁴ Chu, Kathy. "Luxury Brands Get Tough with Counterfeiters." *The Wall Street Journal*. Dow Jones & Company, 28 July 2008. Web. 2 May 2020.

⁸⁵ Sundar, Sindhu. "Gucci Goes After Alleged Counterfeiters in New Suit." *WWD*. WWD, 06 Dec. 2019. Web.

⁸⁶ Business Wire. “Amazon and Valentino File Joint Lawsuit Against New York-Based Counterfeiter.” *Business Wire*, 18 June 2020, www.businesswire.com/news/home/20200618005160/en/Amazon-and-Valentino-File-Joint-Lawsuit-Against-New-York-Based-Counterfeiter.

low likelihood of detection, counterfeiters may not see the litigation threat as a powerful enough disincentive.

I.III | EXTRALEGAL ENFORCEMENT STRATEGIES

As seen in the previous section, the US government provides limited intellectual property protections for fashion designers. While trademarks allow designers to protect significant elements of their brand, and patents help designers protect inventions, the lack of copyright protection makes luxury designers susceptible to design piracy from fast fashion firms. Even in the cases of trademark and patent, where designs can be protected, firms face the issue of finding and prosecuting those who infringe upon their rights. In order to secure the authenticity and exclusivity of their products, fashion firms have utilized various extralegal strategies. These tactics have allowed them to deter copying behavior and enforce their intellectual property rights. This section provides an overview of the various tactics fashion designers have used to protect their designs against piracy.

The first part of the section showcases how designers created guilds and moral campaigns to change customer perceptions. Like the beginnings of haute couture, these tactics were first used by French designers before designers in the United States followed suit. Therefore, examples are used from both US and French organizations to showcase the trajectory. The later part of the section highlights other tactics that luxury firms have implemented including the creation of unique labels and investments in new technology.

Organizations & Moral Campaigns

As previously mentioned, Charles Frederick Worth was attuned to the fact that his work was regularly being copied, so in 1868, he established the *Chambre Syndicale de la Couture, des Confectionneurs et des Tailleurs pour Dame* — the first organization exclusively for couture houses.⁸⁷ Initially, the body’s main goal was to reduce copying within the industry.⁸⁸ Over time, the organization expanded its focus from copying to overseeing the couture system in France.

Similarly determined to reduce design piracy, in 1921 Paul Poiret and Madeline Vioennet gathered a group of prominent French designers to create the *L'Association de Protection des Industries Artistiques Saisonnieres* (known as PAIS).⁸⁹ Members could register their couture designs with the association by submitting photographs of their garments on mannequins.⁹⁰ The organization also managed lawsuits and worked to sue any manufacturers or retailers found producing or selling unauthorized garments.⁹¹ Buyers who were found guilty of copying were blacklisted and members were encouraged to end business agreements.⁹²

In the United States, the Fashion Originators’ Guild of America (FOGA) was founded in 1932 with the mission to “protect the originators of fashions and styles against copying and piracy of styles of any trade or industry.”⁹³ The organization’s main document was the “Declarations of Cooperation against Copying,” which displayed the organization’s mission to

⁸⁷ Steele, Valerie. “The History and Significance of Haute Couture.” *L’OFFICIEL USA*, 24 July 2019, www.lofficielusa.com/fashion/history-of-haute-couture-2019.

⁸⁸ Pitkin, Melanie. “When Haute Couture Is Not Haute Couture.” *Museum of Applied Arts & Sciences*, Museum of Applied Arts and Sciences, 11 Dec. 2019, maas.museum/inside-the-collection/2009/12/11/when-haute-couture-is-not-haute-couture/.

⁸⁹ Stewart, Mary Lynn. “Copying and Copyrighting Haute Couture” p. 119.

⁹⁰ Harper's BAZAAR. “The History of Haute Couture.” *Harper's BAZAAR*, Harper's BAZAAR, 19 Jan. 2017, www.harpersbazaar.com/uk/fashion/fashion-news/news/a31123/the-history-of-haute-couture.

⁹¹ Pouillard, Veronique. “Design Piracy in the Fashion Industries” p. 321.

⁹² *Ibid.*, 335.

⁹³ Marcketti, Sara B., and Jean L. Parsons. “Design Piracy and Self-Regulation: The Fashion Originators' Guild of America, 1932-1941.” *Clothing and Textiles Research Journal*, vol. 24, no. 3, 2006, p. 217, doi:10.1177/0887302x06293071.

combat piracy in the industry and stipulated that those who signed would pledge “not to buy dresses which were not originals.”⁹⁴

Dress manufacturers, retail shops, and department stores were invited to join the guild, which, in turn, provided club goods to enhance the exclusivity of their products. Members were encouraged to register their original designs with the guild; if approved, they would be issued a label granting them exclusive retail rights to the design for six months.⁹⁵ The labels “came to have a definite significance as indicating that the dresses bearing the label represented quality merchandise manufactured according to original designs by skilled workers.”⁹⁶ FOGA urged their retailers to include warranty clauses in their manufacturing order forms, which would allow them to return any merchandise found to be an authorized copy to the manufacturer.⁹⁷

Likewise, the guild was heavily involved in member transactions.⁹⁸ Members could only “show, sell, and ship” merchandise to members who signed the “Declarations”⁹⁹, and the guild regularly audited members to ensure that they only did business with approved firms.¹⁰⁰ FOGA implemented an investigative arm to monitor members and report those who violated their policies; secret shoppers would visit members’ storefronts to verify that they were only selling authentic designs. Guild members found in violation of any of the policies faced fines and in

⁹⁴ Weikart, Maurice. “Design Piracy.” *Indiana Law Journal*, vol. 19, no. 3, ser. 4, 1944, p. 252.

⁹⁵ Hemphill, C. Scott, and Jeannie Suk. “The Fashion Originators’ Guild of America: Self-Help at the Edge of IP and Antitrust.” *Intellectual Property at the Edge: The Contested Contours of IP*, Cambridge University Press, 2014, p. 163.

⁹⁶ Marcketti, Sara B., and Jean L. Parsons. “Design Piracy and Self-Regulation: The Fashion Originators’ Guild of America, 1932-1941.” *Clothing and Textiles Research Journal*, vol. 24, no. 3, 2006, p. 218.

⁹⁷ Hemphill, C. Scott, and Jeannie Suk. “The Fashion Originators’ Guild of America”, p. 164

⁹⁸ Wander, Daryl. “Trendsetting: Emerging Opportunities for the Legal Protection of Fashion Designs.” *Rutgers Law Journal*, vol. 42, no. 1, 2010, p. 252.

⁹⁹ Weikart, Maurice. “Design Piracy, p. 219.

¹⁰⁰ Hemphill, C. Scott, and Jeannie Suk. “The Fashion Originators’ Guild of America: Self-Help at the Edge of IP and Antitrust.” *Intellectual Property at the Edge: The Contested Contours of IP*, Cambridge University Press, 2014, p. 164.

severe cases, were removed from the guild and “red-carded.”¹⁰¹ FOGA mandated that any orders placed with red-carded firms were immediately canceled.¹⁰²

What was notable about the guild, was that they aimed to establish themselves as the moral center of the fashion industry. They posed piracy as an immoral practice, with the FOGA founder Maurice Renter calling for individuals to combat the “devastating evils growing from the pirating of original designs.”¹⁰³ To spread their message, the FOGA launched campaigns in fashion and trade magazines and local newspapers to urge against copying in the industry.¹⁰⁴ These campaigns were not exclusively geared towards industry players; the FOGA generally aimed to alter public opinion on the practice and urged consumers not to purchase copies as well. The guild was quoted stating: “[W]here there are no buyers for the copies, there will be no copy makers.”¹⁰⁵ By posing both copying and the purchasing of copying as unethical, the guild was able to see a notable reduction in piracy.¹⁰⁶

The FOGA ultimately met its end in 1941, when the United States Supreme Court ruled that the guild had engaged in monopolistic behavior.¹⁰⁷ By 1941, the Guild had expanded their policies to include rules for how often firms could discount items as well as instructions for firms to discard returned merchandise. In covering the history of the FOGA, Sara Marckett and Jean Parsons argue that the guild’s increased policies coupled with changes to their membership requirements ultimately led to the courts finding their practices to be anticompetitive.

¹⁰¹ Hemphill, C. Scott, and Jeannie Suk. “The Fashion Originators’ Guild of America”, p.164.

¹⁰² Marckett, Sara B., and Jean L. Parsons. “Design Piracy and Self-Regulation”, p. 219.

¹⁰³ Marckett, Sara B., and Jean L. Parsons. “Design Piracy and Self-Regulation”, p. 220.

¹⁰⁴ Ibid., 217-8.

¹⁰⁵ Hemphill, C. Scott, and Jeannie Suk. “The Fashion Originators’ Guild of America”, p. 172.

¹⁰⁶ Ibid.

¹⁰⁷ Marckett, Sara B., and Jean L. Parsons. “Design Piracy and Self-Regulation”, p. 220.

Since the FOGA, fashion designers have continued to work together to combat piracy in the industry by implementing anti-counterfeiting campaigns to appeal to consumer opinions on the practice. In 1954, Jean-Jacques Guerlain, a French perfumer, founded the Comité Colbert, an organization for French luxury houses. Guerlain created the organization to preserve luxury institutions and “promote the collective image of the French Art de Vivre all over the world.”¹⁰⁸ Now in 2020, over 83 luxury houses are members of the Comité; members are selected for their “international ambition, quality, creation, the poetry of the object and ethics.”¹⁰⁹ Since its conception, the Comité has launched numerous moral campaigns to decrease piracy within the fashion industry. In 2012, the Comité displayed anti-counterfeiting posters across French airports.¹¹⁰ The posters presented counterfeiting as unethical and emphasized that individuals who purchased counterfeit goods would be 1) criminals and 2) frowned upon by their peers. The posters were meant to blend the serious message with humor, with one reading “Buy a fake Cartier, get a genuine criminal record.”¹¹¹ Another notable poster included the phrase “Real Women Don’t Wear Fakes”¹¹², invoking a female shopper’s sense of moral superiority.

Anti-counterfeiting campaigns have been launched in the United States as well. In 2011, eBay and the Council for Fashion Designers of America (CFDA) joined forces for an anti-counterfeiting campaign. The team launched a set of tote bags with the slogan “You Can’t Fake Fashion” to change public opinion of copying in the industry.¹¹³ The totes were originally

¹⁰⁸ Vive, and Christian Blanckaert. “Vive La Vie.” *Exero*, www.exero.com/mastergate/secured/fashion/ccolbert.htm.

¹⁰⁹ Comité Colbert. “Les Maisons.” *Comité Colbert*, www.comitecolbert.com/les_maisons.html.

¹¹⁰ Adamson, Thomas. “French Campaign Fights Counterfeit Fashion.” *The Seattle Times*, The Seattle Times Company, 3 June 2012, www.seattletimes.com/life/travel/french-campaign-fights-counterfeit-fashion/.

¹¹¹ *Ibid.*

¹¹² Phelan, Hayley. “New French Anti-Counterfeit Campaign Reminds Tourists That Knockoffs Could Get You Three Years in Jail.” *Fashionista*, 30 May 2012, fashionista.com/2012/05/new-french-anti-counterfeit-campaign-reminds-tourists-that-knockoffs-could-get-you-three-years-in-jail.

¹¹³ eBay Inc. Staff. “‘You Can’t Fake Fashion’ Tote Bag Campaign Highlights Anti-Counterfeiting.” *eBay*, 12 July 2011, www.ebayinc.com/stories/news/you-cant-fake-fashion-tote-bag-campaign-highlights-anti-counterfeiting/.

available for \$35 on the eBay website, but due to the success of the initial campaign the bags were released again in 2012 and 2013. By the third iteration, industry leaders were invited to create their own version of the tote; Designers like Carolina Herrera and Ralph Lauren auctioned off exclusive branded versions to “raise money and awareness for the [CFDA] foundation.”¹¹⁴ As part of the campaign, the CFDA and eBay hosted a “You Can’t Fake Fashion” gala, where top fashion designers were in attendance. Both the campaign and event received national attention, allowing the team to make customers aware of the harms of counterfeiting.

In 2014, the CFDA released a “Design Manifesto”, reminding the organization’s members to combat piracy.¹¹⁵ The manifesto took the form of a poster and was sent to over 1,300 fashion professionals and educators. The poster emphasized the importance of innovation, originality, and integrity in the industry, and was accompanied by a letter from CFDA President Diane von Furstenberg, who wrote, “The CFDA believes the protection of the intellectual property of designers begins with each of us, and this Design Manifesto is a reminder that originality always wins. Hang it in your creative space and be proud of who you are.”¹¹⁶ While the physical posters were only sent to CFDA members, PDF downloads were made available to the public on the CFDA website.

DESIGN.
PROTECT IT.
CFDA

**IT'S ABOUT:
INSPIRATION
CREATIVITY
TALENT
IDEAS
INNOVATION
PASSION
CONFIDENCE
BUSINESS
ORIGINALITY
INTEGRITY
EXPERIENCE
RESPECT
REPUTATION**

Developed and distributed by the Council of Fashion Designers of America
to promote design and to discourage copying. www.cofda.com

Figure 8: CFDA Campaign Poster

¹¹⁴ Lim, Samantha. “Top Designers Gather to Support EBay & CFDA's 3rd Annual You Can't Fake Fashion Initiative.” *ELLE*, ELLE, 19 Mar. 2018, www.elle.com/fashion/news/a22923/ebay-cfda-you-cant-fake-fashion-initiative/.

¹¹⁵ Mau, Dhani. “The CFDA Hopes to Inspire Originality With New Design Manifesto.” *Fashionista*, 8 Sept. 2012, fashionista.com/2012/09/the-cfda-hopes-to-inspire-originality-with-new-design-manifesto.

¹¹⁶ WWD Staff. “CFDA Distributes Design Manifesto.” *WWD*, WWD, 25 Aug. 2011, wwd.com/fashion-news/fashion-scoops/creative-notice-5087847/.

Ultimately, guild and trade organizations have allowed like-minded industry leaders to work together to combat design piracy. Likewise, the moral campaigns ran by these organizations highlight the industry’s use of both customer- and seller-centered tactics in order to change the sentiments towards counterfeiting.

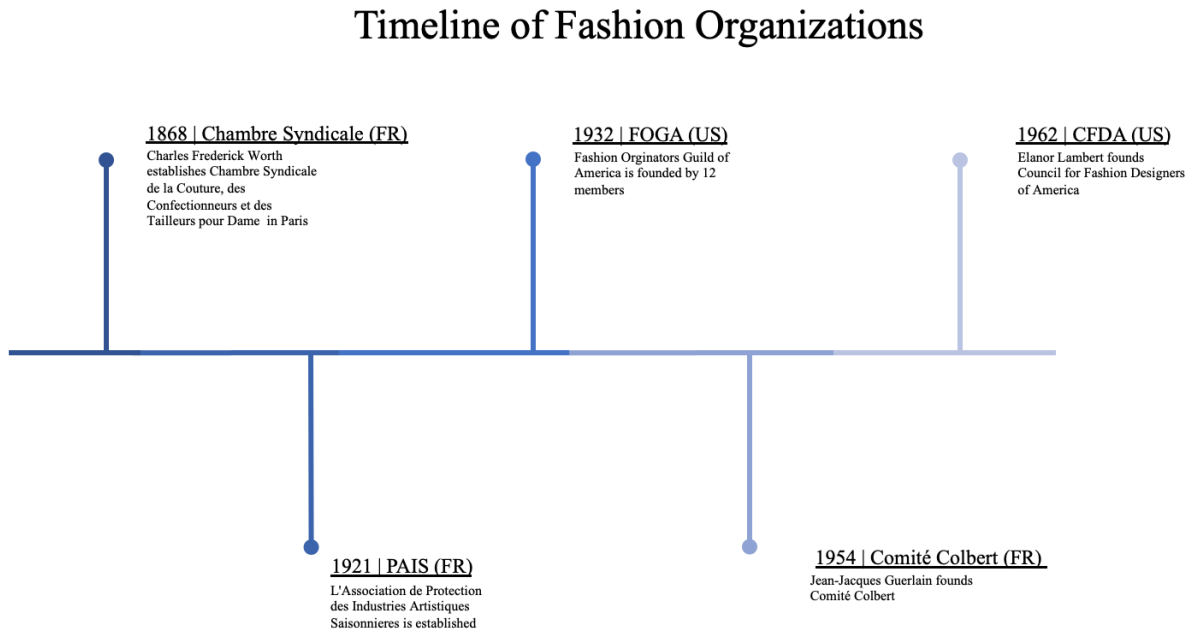


Figure 9: Timeline of Fashion Organizations

Labeling & Technology

In addition to forming the *Chambre*, Worth pursued other methods to maintain the exclusivity and authenticity of his brand. Many scholars have attributed the practice of “labeling” to Worth, who was one of the earliest designers known to sew special labels into his garments to distinguish them from the authorized copies.¹¹⁷ The problem with labeling as a form of piracy protection, however, is that labels could easily be forged. When French designer Paul Poiret

¹¹⁷ Troy, Nancy J. “Mondrian's Dress: Yves Saint Laurent Copying, (and) the Couture Copy.” *Bulletin of the German Historical Institute*, vol. 63, 2018, p. 28.

visited America in 1913, he was appalled to see foreign garments affixed with Poiret labels.¹¹⁸ American factories were pumping out large quantities of counterfeit labels, making them available to manufacturers within a matter of days.¹¹⁹

In response, French designers attempted to make their labels more distinctive and harder to replicate. Madeline Vioennet began creating “couture labels that reproduced not only her signature but also an imprint of her finger.”¹²⁰ However, counterfeiters quickly learned how to replicate signatures, and counterfeited labels continued to be sold to US customers.¹²¹ To make matters worse, manufacturers began to take genuine labels and sew them into unauthorized garments, allowing more retailers to pass off their creations as authentic.¹²²

In 1945, Hermès began using “blind stamps” as a way of combating counterfeits. The stamps include a code, including numbers, letters, and shapes, that indicate when the bag was manufactured and what type of materials the bag was made of.¹²³ By the 1980s, other luxury brands like Chanel¹²⁴, Gucci¹²⁵, and Louis Vuitton¹²⁶ began adding serial numbers to their items as a new means of signifying authenticity. Since then, serial numbers have become widely used amongst luxury brands, with each brand implementing a unique numbering system. Most of the systems have experienced changes over time, potentially increasing the possibility that a

¹¹⁸ Troy, Nancy J. “Introduction: Poiret's Modernism and the Logic of Fashion.” *Poiret*, by Harold Koda and Andrew Bolton, Metropolitan Museum of Art, 2007.

¹¹⁹ Troy, Nancy J. “Mondrian's Dress”, p. 30.

¹²⁰ Troy, Nancy J. “Mondrian's Dress”, p. 28.

¹²¹ Stewart, Mary Lynn. “Copying and Copying Haute Couture”, p.119.

¹²² Ibid.

¹²³ Love that Bag. “Hermes Date Stamp Guide.” *Love That Bag Etc - Preowned Designer Fashions*, lovethatbagetc.com/blogs/the-preloved-pages/hermes-date-stamp-guide.

¹²⁴ Perez, Tiffany. “A Quick Guide to Chanel Serial Numbers: Updated.” *Couture USA*, 20 June 2019, coutureusa.com/blogs/news/a-quick-guide-to-chanel-serial-numbers.

¹²⁵ LVBagaholic. “How To Read a Gucci Serial Number?” *LVBagaholic*, 27 Apr. 2020, lvbagaholic.com/blogs/lv_bagaholic/how-to-read-a-gucci-serial-number.

¹²⁶ Label Society. “Louis Vuitton Bag Authenticating and Reading Date Codes.” *Label Society*, 30 May 2020, labelsociety.com/blog/louis-vuitton-bag-authenticating-and-reading-date-codes/.

counterfeiter would match a bag to the wrong numbering system. For example, Chanel bags manufactured in the late 1980s included a seven-digit serial number while bags produced in 2006 included an eight-digit number.¹²⁷ A poorly made counterfeit 2004 style bag may accidentally contain the seven-digit numbering system from 1980.

During the 80s, Chanel also began to include authenticity cards and hologram stickers with each bag.¹²⁸ The card verified that the bag was authentic and included the serial number and the hologram feature after 2000.¹²⁹ Over the years the design of Chanel's authenticity cards, as well as Gucci's authenticity cards, known as "Controllato Cards" (meaning checked in Italian) have also experienced design changes.¹³⁰ Inexperienced counterfeiters will often match a year with the wrong design or elect to exclude the authenticity cards altogether.

Modern retailers have continued to develop new technologies to help them identify and eliminate counterfeits in the market. In 2019, LVMH partnered with ConsenSys and Microsoft to utilize blockchain technology as a means of product authentication. The technology would give each item a unique code that would enable retailers to trace the good as it moved from owner to owner, making it easier for the firm to identify if newer goods are genuine or not.¹³¹ Other startups, such as Authentic or Not, have worked to use the Internet of Things (IoT) technology for authenticity purposes. Authentic or Not has designed microchips that can be implanted into garments and verified with an application on a smartphone.¹³² Both LVMH and Authentic or

¹²⁷ Love that Bag. "Decoding Chanel: A Date Stamp Guide." *Love That Bag Etc - Preowned Designer Fashions*, lovethatbagetc.com/blogs/the-preloved-pages/decoding-chanel-a-date-stamp-guide.

¹²⁸ Glampot. "Chanel Authentication." *Glampot*, e-glampot.com/pages/chanel-authentication.

¹²⁹ Ibid.

¹³⁰ Persellin, Ketur. "How to Authenticate Gucci Handbags." *LoveToKnow*, LoveToKnow Corp, handbags.lovetoknow.com/designer-handbags/how-authenticate-gucci-handbags.

¹³¹ Newbold, Alice. "Louis Vuitton To Launch First Blockchain To Help Authenticate Luxury Goods." *British Vogue*. British Vogue, 14 Aug. 2019. Web.

¹³² Qliktag. "IoT Enabled Smart Clothing Can Fight Counterfeiting." *Qliktag*, 25 Apr. 2018, www.qliktag.com/iot-enabled-smart-clothing-can-fight-counterfeiting/.

Not's efforts represent the industry's increased look towards technology as a means of piracy prevention.

I.IV | THE DECLINE OF MAGAZINES AS MORAL AUTHORITIES

Historically, fashion magazines have worked in tandem with luxury firms to combat counterfeit activity by promoting a top-down diffusion of styles and influencing the moral sentiments of their readers. The power of fashion magazines, however, has diminished over the past decade, due, in part, to new media. Magazines, for instance, no longer hold a monopoly over runway show coverage. During the earliest runway shows, readers would have to wait for each magazine's write up to be physically distributed after each show. Now, the internet has ushered in an era of digital magazines and fashion bloggers, both of which reduce the need for print magazines, which still require months of development before hitting the shelves.¹³³ Fashion bloggers and social media "influencers" now receive invitations to these exclusive shows, allowing them to share brand-related content with their audiences.

Likewise, with the rise of live streaming technology, many brands are rethinking the traditional runway show format. In 2020, brands like Chloé, Gucci, and Hermès streamed their Fashion Week collections on YouTube, making their shows accessible to all audiences.¹³⁴ Burberry streamed their Spring/Summer 2021 on Twitch, an Amazon-owned streaming platform used by gamers.¹³⁵ Some designers are abandoning the traditional runway show format

¹³³ Paton, Elizabeth, and Jessica Testa. "What's the Point of a Fashion Magazine Now?" *The New York Times*, The New York Times, 9 Apr. 2020, www.nytimes.com/2020/04/09/fashion/magazines-coronavirus.html.

¹³⁴ Ilchi, Layla. "Gucci, Tom Ford and More to Stream Fashion Week Shows on YouTube." *WWD*, WWD, 7 Feb. 2020, wwd.com/fashion-news/fashion-scoops/fashion-week-shows-watch-on-youtube-gucci-tom-ford-versace-1203462600/.

¹³⁵ Maguire, Lucy. "Inside Twitch's Play for Fashion." *Vogue Business*, 2020, www.voguebusiness.com/technology/inside-twitchs-play-for-fashion.

altogether. In 2020, Balenciaga released their collection in the form of a video game where players would explore a “dystopian Balenciaga store and ascend to environments greener and lovelier, ending with a breathing exercise in a utopia.”¹³⁶ With these technological advancements, luxury firms no longer need to rely as heavily on magazines.

Magazines must now also compete with bloggers and influencers for readers and industry influence. Fashion magazine readership has been decreasing. Between 2019 and 2020, *Cosmopolitan*, *In Style*, *Harper’s Bazaar*, and *Vogue* all saw a decrease in magazine readership across print and digital editions.¹³⁷ Likewise, a study conducted by Statista found that revenue for UK women’s lifestyle and fashion magazines had decreased from 103.8 million GBP in 2011 to just 21.2 million GBP in 2019.¹³⁸ Along with decreased readerships, magazines are losing their share of advertising revenue. Enders Analysis, estimated that, on average, magazines are now looking at... declines “in the major double digits”¹³⁹

¹³⁶ Tashjian, Rachel. “Balenciaga's Video Game Is the Realest Thing I've Seen In Months.” *GQ*, GQ, 8 Dec. 2020, www.gq.com/story/balenciaga-video-game.

¹³⁷ Alliance for Audited Media. “Magazine Media 360° - December 2020.” *Alliance for Audited Media*, Dec. 2020, f.hubspotusercontent10.net/hubfs/1932461/MM360/MM360-Report-December2020.pdf?__hstc=&__hssc=&hsCtaTracking=69784d2e-e7d2-487f-912b-a00e0bd2f890%7C8736d100-da32-405c-b184-b8cd2db00f97.

¹³⁸ Watson, Amy. “Women's Lifestyle & Fashion Magazines: Print Sales Revenue UK 2011-2019.” *Statista*, 12 Jan. 2021, www.statista.com/statistics/322544/women-s-lifestyle-magazines--print-sales-revenue-uk/
www.whowhatwear.com/teen-vogue-print-magazine-ending.

¹³⁹ *Ibid.*

Fashion Magazine Readership

YTD 2020 vs. YTD 2019 (% change)

	Print + Digital Editions	Web (Desktop/Laptop)	Mobile Web	Video	Total 360°
Cosmopolitan	-13.0%	4.0%	-6.5%	21.0%	-4.8%
In Style	-13.7%	27.0%	2.9%	0.6%	-4.4%
Elle	2.0%	1.1%	5.9%	29.8%	9.3%
Harper's Bazaar	-5.0%	3.6%	-0.2%	-4.0%	-1.7%
Vogue	-14.4%	21.5%	38.5%	-15.4%	-5.7%
Average	-8.8%	11.4%	8.1%	6.4%	-1.5%

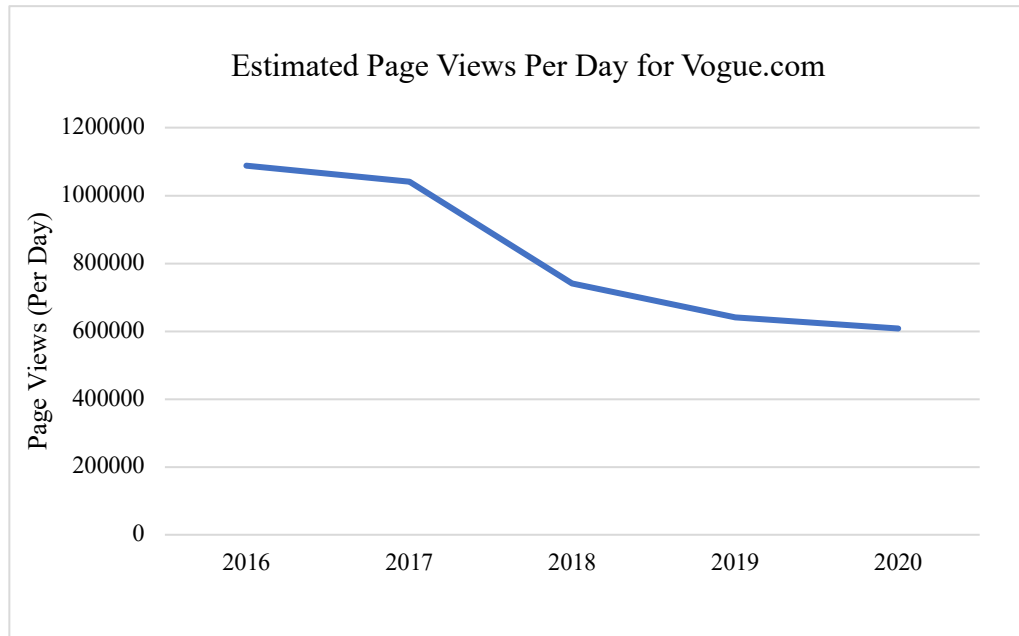
Table 2: Data from the Alliance for Audited Media December 2020 Report

Print readership specifically is on decline, leading some magazines to remove their print editions altogether.¹⁴⁰ In 2017, for instance, *Teen Vogue* announced that they would no longer produce a print edition of their magazine.¹⁴¹ Many magazines are shifting their focus to the more promising venture of web articles. The 5 magazines above overall experienced an 11.4% increase in desktop web readership since 2019.¹⁴² Still, platforms are struggling with keeping readers engaged. According to Trackalytics, average daily page views for Vogue.com has decreased since 2016.

¹⁴⁰ Ember, Sydney, and Michael M Grynbaum. "The Not-So-Glossy Future of Magazines." *The New York Times*, The New York Times, 23 Sept. 2017, www.nytimes.com/2017/09/23/business/media/the-not-so-glossy-future-of-magazines.html.

¹⁴¹ Fitzpatrick, Erin. "Teen Vogue Is Shutting Down Its Print Edition-Here's Why." *Who What Wear*, Who What Wear, 13 Aug. 2019, www.whowhatwear.com/teen-vogue-print-magazine-ending.

¹⁴² Alliance for Audited Media. "Magazine Media 360°"



*Figure 10: Vogue.com Page Views*¹⁴³

Not only is readership on the decline, but magazines no longer seem to be the primary style authority for shoppers. In 2017, YPulse surveyed 13-35 on their shopping habits; only 7% of respondents reported regularly spending money on magazines.¹⁴⁴ Likewise, when asked which magazines they regularly read, half of the respondents stated that they did not read any magazines at all.¹⁴⁵ In contrast, young readers are excited about consuming content from fashion bloggers, social media, and other platforms. In a survey of internet users conducted by Namesh Malarout and Dasharathraj Shetty, approximately 70% of respondents used fashion blogs for inspiration as opposed to the 14% that used fashion magazines.¹⁴⁶

¹⁴³ Data from Trackalytics. "Vogue.com: Website Statistics / Analytics." *Trackalytics*, www.trackalytics.com/website/vogue.com/.

¹⁴⁴ YPulse Inc. "What Magazines Are Millennials & Gen Z Actually Reading?" *YPulse*, 16 Oct. 2017, www.ypulse.com/article/2017/10/16/what-magazines-are-millennials-gen-z-actually-reading/.

¹⁴⁵ *Ibid.*

¹⁴⁶ Malarou, Namesh, and Dasharathraj K Shetty. "Influence of Fashion Bloggers on The Purchase Decisions of Indian Internet Users-an Exploratory Study." *International Journal of Management and Applied Science*, vol. 2, no. 12, 2016, p. 16.

Entities that Inspire Internet Users

Entity	Frequency	Percentage (%)
Fashion Blogs	92	70.23
Fashion Magazines	19	14.50
Friends and Family	6	4.58
Designers	12	9.16
Others	2	1.53
Total	131	100.0

Table 3: Data from "Influence of Fashion Bloggers"

This section explores the rise and fall of fashion magazines as moral authorities and champions of authentic fashion. The first part explores three popular models of trend diffusion in order to establish a basis for how luxury firms and fashion magazines have worked in tandem to influence styles and consumer morality in the industry. The following section examines how fashion magazines used advertisements, opinion articles, and litigation coverage to deter their readers from purchasing counterfeit goods. The final section suggests that as a result of declining magazine readership and revenues, magazines' ability to help firms combat counterfeit fashion has been greatly diminished.

The Role of Style Authorities in Trend Diffusion

Sociologists and fashion theorists have worked to trace how trends become adopted within the industry. There are three primary models of trend diffusion. The classical, trickle-down theory of diffusion argues that fashion trends are dictated by the upper class, and over time "trickle down" to the masses. In Georg Simmel's 1957 piece titled "Fashion", Simmel argued

that “the elite initiates a fashion and, when the mass imitates it in an effort to obliterate the distinctions of class, it abandons it for a newer mode.”¹⁴⁷ Simmel suggests that fashion primarily functions as a separator among classes. For Veblen, lower-class individuals attempt to adopt the dress of upper-class individuals; this imitation showcases their aspirations of one day joining the upper class.¹⁴⁸ In the top-down model, wealthy individuals dictate what is “in style”.

In contrast to the top-down diffusion model, Charles King argued for a “trickle-across” theory, where “fashion moves horizontally between groups on similar social levels.”¹⁴⁹ In “Trend adoption: A Rebuttal to the Trickle-Down Theory,” King suggested that by the second half of the 20th century, the trickle-down model could no longer account of changes in “class structures, marketing and manufacturing technologies’ enhancements.”¹⁵⁰ He argues that as a result of these changes, all social classes are capable of starting trends. In the trickle-across model, the adoption of trends adoption is not primarily motivated by class distinctions.

The most recent proposed diffusion model is the trickle-up model, which suggests that fashion styles start with the lower classes and make their way up to the masses. George Field’s 1970 paper “The Status Float Phenomenon” makes the case for this “status flow”. Citing the popularization of minority fashion trends and the influence of low-class fashions during the French Revolution, Field argued that trends move from lower to higher classes in a way that the previous literature largely ignored.¹⁵¹

¹⁴⁷ Simmel, Georg. “Fashion.” *American Journal of Sociology*, vol. 62, no. 6, 1957, p. 541, doi:10.1086/222102.

¹⁴⁸ Veblen, Thorstein. *The Theory of the Leisure Class: An Economic Study of Institutions*. B. W. Huebsch, 1918. p. 85.

¹⁴⁹ DeLong, Marilyn Revell. “Theories of Fashion.” *LoveToKnow*, LoveToKnow Corp, fashion-history.lovetoknow.com/fashion-history-eras/theories-fashion.

¹⁵⁰ Levchuk, Tatiana. “Trend Diffusion Mechanism in the Modern Fashion Industry.” *University of Twente*, 2018, p. 7. essay.utwente.nl/76218/1/Levchuk_MA_BMS.pdf.

¹⁵¹ Field, George A. “The Status Float Phenomenon The Upward Diffusion of Innovation.” *Business Horizons*, vol. 13, no. 4, 1970, pp. 45–52, doi:10.1016/0007-6813(70)90157-6.

It is possible that no one model can accurately showcase how trends are diffused in the industry. Rather, influence seems to come from a combination of sources, making it hard to define a “center” of the industry. Regardless of who the early adopters are, there must also be groups responsible for communicating up-and-coming trends to other users. This is where both luxury brands and magazines have historically played a major role.

Magazines: Style Authorities as Moral Authorities

In the earliest days of haute couture, luxury fashion was highly centralized in Paris, allowing luxury brands to be gatekeepers to the fashion industry. While couture garments were already inaccessible due to their high price and custom nature, the introduction of runway shows generated more exclusivity around couture products. Charles Worth was the first luxury designer to use a live model, his wife, to showcase his designs to members of the upper class. He began with having his wife wear his garments around town and at events, serving as a “walking advertisement.” Eventually, he had the idea of using other women to showcase his designs to clients; Worth would invite a select group of clients to his studio to view the collections.¹⁵² While Worth is thought to have originated the “living mannequin”, the first true runway show was held by a British designer known as “Lucile”, who hosted a “mannequin parade”. Lucile was the first to combine theatrical performance techniques with the mannequins to present her designs.¹⁵³ During the early 20th century, invitations to the first fashion shows were exclusively given to society women, but after WWII, Parisian designers began to invite retail buyers to

¹⁵² Skov, Lise, et al. “The Fashion Show as an Art Form.” *Creative Encounters Working Paper #32*, Oct. 2009, p. 14.

¹⁵³ Artlark. “Lucile, Lady Duff-Gordon: Inventor of the Modern Fashion Show.” *Artlark*, 13 June 2020, artlark.org/2020/06/13/lucile-lady-duff-gordon-the-modern-fashion-show-inventor/.

attend the show. With new transatlantic licensing agreements, American buyers began attending the show, selecting their favorite garments, and then obtaining a license to reproduce the garment back home.¹⁵⁴

Members of the press were actually not allowed to attend the earliest fashion shows. Once press coverage began to be permitted, reporters could only draw illustrations of the designs (as the detailing provided by cameras increased the risk of someone creating an unauthorized replica).¹⁵⁵ By the 1960s, magazines and other members of the press became the primary audience members at fashion shows. After each show, they would submit coverage of the best collections; their writings essentially would help dictate who and what would be “in-style” that season. This close-knit relationship between designers and magazines has continued on, with luxury brands releasing collections, magazines covering them, early adopters adopting the styles, and then the masses imitating the styles through authorized/unauthorized copies or low-priced imitations. The exclusive nature and controlled coverage of runway shows helped luxury brands control which trends were adopted and who were responsible for disseminating them.

Because magazines were the primary authorities on style, by urging shoppers to reject or adapt certain styles based on ethical principles, magazines also became a moral authority in the industry. Historically, these “editorial authorities” have sided with luxury brands, joining the fight against counterfeit fashion.¹⁵⁶ *Vogue*, for instance, has published a multitude of anti-counterfeiting articles over the years. As early as 1907, *Vogue* published a brief article in the

¹⁵⁴ Artlark. “Lucile, Lady Duff-Gordon: Inventor of the Modern Fashion Show”.

¹⁵⁵ Ibid.

¹⁵⁶ Sinderbrand, Alexandra. “Fashion's Fight Against Fakes: An Exercise in Hypocrisy.” *HuffPost*, HuffPost, 7 Dec. 2017, [www.huffpost.com/entry/fashions-fight-against-fake_b_234313#:~:text=According%20to%20editorial%20authorities%20\(Harper's,Fakes%20Are%20Never%20In%20Fashion.&text=It's%20a%20brilliant%20marketing%20strategy,wrongdoings%20of%20its%20evil%20spawn](http://www.huffpost.com/entry/fashions-fight-against-fake_b_234313#:~:text=According%20to%20editorial%20authorities%20(Harper's,Fakes%20Are%20Never%20In%20Fashion.&text=It's%20a%20brilliant%20marketing%20strategy,wrongdoings%20of%20its%20evil%20spawn).

Shoppers' and Buyers' guide section of the magazine under the title "You Would Not Accept Counterfeit Money, Why Accept Counterfeit Goods." The magazine urged readers that when it came to shopping, they should "insist on the genuine—reject the counterfeit."¹⁵⁷ It justified this stance with a comparison between the quality of goods produced by authentic and inauthentic brands: "Good goods are made by manufacturers who are willing to stake their reputations on the quality of the material offered to you through the medium of their advertisements in this magazine. Counterfeit goods are not advertised."¹⁵⁸

Similarly, in their February 1995 edition *Vogue* published an article titled "Vogue's View: Get Real". The article framed the counterfeiting problem as both a major financial problem and branding problem for fashion brands. They informed readers that firms were spending thousands of dollars on trademark enforcement yet still were "worr[ie]d their names [would] be tainted through association with products the company would never endorse."¹⁵⁹ The magazine continued to make their position clear to readers. In 2005 and 2006, for instance, advertisements for beauty products from Aveda and Paul Mitchell included statements warning customers about unauthorized retailers and the dangers of counterfeit products.¹⁶⁰

Other fashion magazines have also urged readers to stick to authentic goods. A 1911 issue of *Women's Wear Daily (WWD)* contained an interview with an "advertising man" who spoke disparagingly about designers who copied their work from others.¹⁶¹ *WWD* has also

¹⁵⁷ "Advertisement." *Vogue*, vol. 30, no. 4, Jul 25, 1907, pp. 100. *ProQuest*, <https://search.proquest.com/magazines/advertisement/docview/904262052/se-2?accountid=9758>.

¹⁵⁸ *Ibid.*

¹⁵⁹ Johnson, Rebecca. "Vogue's View: Get Real!" *Vogue*, vol. 185, no. 2, Feb 01, 1995, pp. 112-19. *ProQuest*, <https://search.proquest.com/magazines/vogues-view-get-real/docview/879303688/se-2?accountid=9758>.

¹⁶⁰ "Advertisement." *Vogue*, vol. 196, no. 3, Mar 01, 2006, p. 220. *ProQuest*, <https://search.proquest.com/magazines/advertisement/docview/879322527/se-2?accountid=9758>.

¹⁶¹ "Piece Goods." *Women's Wear*, vol. 3, no. 33, Aug 09, 1911, p. 12. *ProQuest*, <https://search.proquest.com/magazines/piece-goods/docview/1699864594/se-2?accountid=9758>.

regularly covered notable IP cases in the industry. In 1914, it covered Paul Poiret's successful campaign to prevent foreign designers from infringing upon his trademark.¹⁶² More recently, the magazine reported on Gucci's \$114.2 million ruling against an online counterfeiting scheme.¹⁶³

Other magazines have been even more proactive in the fight against counterfeits. In 2005, fashion magazine *Harper's Bazaar* launched the "The Fakes are Never in Fashion Campaign", which included anti-counterfeiting advertisements, articles on the harms of counterfeiting, annual reports on the industry, and a website dedicated to the campaign.¹⁶⁴ Their January 2005 issue, for instance, included a special feature focusing on the "evils of knockoffs". Their print advertisements, which cost anywhere from "\$84,435 for a half-page layout up to \$127,875

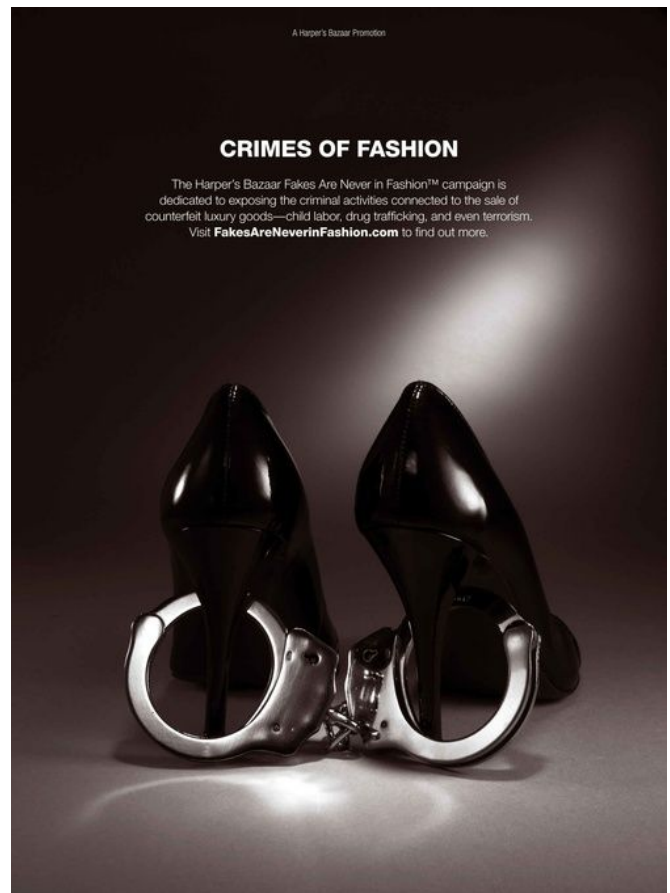


Figure 11: Fakes are Never in Fashion Ad

for a full page" spread, included anti-counterfeiting slogans.¹⁶⁵ One poster, for example, read "so cheap, it's criminal" while another read "be a knockout, not a knockoff."¹⁶⁶

¹⁶² "Campaign is Successful Against Fake Label Makers and Users: Efforts of French Dressmakers' Syndicate, Instigated by Paul Poiret Against Infringement of Foreign Trademarks Related in Court when Former Maker of Fake Labels is Freed because of His Assistance to Cause." *Women's Wear*, vol. 9, no. 127, Dec 01, 1914, p. 11. *ProQuest*, <https://search.proquest.com/magazines/campaign-is-successful-against-fake-label-makers/docview/1699856493/se-2?accountid=9758>.

¹⁶³ Young, Vicki M. "Gucci Wins \$144.2M Counterfeit Ruling: Gucci Wins Counterfeit Ruling." *Wwd*, vol. 206, no. 81, Oct 18, 2013, p. 9. *ProQuest*, <https://search.proquest.com/magazines/gucci-wins-144-2m-counterfeit-ruling/docview/1498762168/se-2?accountid=9758>.

¹⁶⁴ Solyom, Jessica A. "Tearing at the Seams of (In)Visibility: Anticounterfeiting, Harper's Bazaar, and the Project of Neocolonization." *Kaleidoscope: A Graduate Journal of Qualitative Communication Research*, vol. 11, ser. 5, 2012. 5, p.11. opensiuc.lib.siu.edu/kaleidoscope/vol11/iss1/5.

¹⁶⁵ Solyom, Jessica A. "Tearing at the Seams of (In)Visibility", p.11.

¹⁶⁶ Sinderbrand, Alexandra. "Fashion's Fight Against Fakes: An Exercise in Hypocrisy."

In 2005 *Harper's* also began hosting the Annual Anticounterfeiting Summit for fashion industry professionals. The one-day summit included speeches from industry leaders and anticounterfeiting workshops.¹⁶⁷ In 2006, law firm Kirkland and Ellis partnered with the magazine to host the 2nd edition of the summit and together the two groups organized presentations from IP attorneys, business leaders, and the then mayor of New York City Michael Bloomberg.¹⁶⁸ *Bazaar* received lots of coverage for their campaign, receiving praise from industry leaders as well as readers. One reader wrote to the magazine, responding to their January 2007 issue on counterfeit goods:

The article on faux luxury bags was truly an eye-opener. Thank you so much for publishing it because it really gives a descriptive insight into the horrors of child labor. I think it is true that if women knew anything about how their fake bags were made, they would definitely think twice before buying one.¹⁶⁹

The comment above illustrates the influence of fashion magazines. Not only were magazines able to direct readers towards the desirable styles of each season, but magazines were also able to serve as moral authority figures. Magazines worked in tandem with luxury firms and together they were able to inform readers about the harms of fake fashion and play an important role in luxury firms' solution to their information asymmetry problem. By giving customers a negative perception of fake goods, magazines helped decrease consumer demand for counterfeit goods.

¹⁶⁷ WWD Staff. "Memo Pad: Make It, Don't Fake It." *WWD*, 26 Oct. 2004, wwd.com/business-news/media/memo-pad-make-it-don-t-fake-it-institutional-food-the-wu-chang-clan-708067/.

¹⁶⁸ Kirkland & Ellis LLP. "Kirkland & Ellis and Harper's Bazaar Host the Harper's Bazaar Anticounterfeiting Summit 2006: News." *Kirkland & Ellis LLP*, 1 Feb. 2006, www.kirkland.com/news/press-release/2006/02/kirkland-ellis-and-harpers-bazaar-host-the-harper.

¹⁶⁹ New York Times. "Harper's Bazaar Anticounterfeiting Summit 2007 Transcript." *New York Times*, 1 Feb. 2007, graphics8.nytimes.com/packages/pdf/nyregion/city_room/20080515_transcript.pdf.

I.V | CONCLUSION

When it comes to purchasing luxury fashion, counterfeit goods cause shoppers to face asymmetric information in multiple retail channels. While theory would predict that counterfeits would drive authentic goods out of the market, luxury firms continue to experience increased revenues. This chapter argued that the paradoxical success of luxury firms has been due to their mixed approach, using both legal and extralegal methods of deterrence. Firms have attempted to curb counterfeiting and copying activity through lawsuits, guilds, technological innovations, and moral campaigns. Previously, luxury firms maintained a close-knit relationship with fashion magazines. As firms worked to reduce counterfeiting activity, magazines would provide coverage of both the financial, reputational, and ethical impact of counterfeit goods to brands. Combining these strategies with a deep relationship with fashion magazines has historically allowed luxury brands to curb counterfeit activity. New technologies, however, decreasing the relevancy of magazines as an authority figure in the fashion industry. Now, readers have the opportunity to attend runway shows themselves, no longer needing to rely on editorial coverage. Likewise, instead of predominately looking to magazines for style and moral advice, shoppers now look to influencers, bloggers, and social media platforms. This decline in magazine prominence suggests that luxury firms are positioned to lose an important ally in the fight against counterfeits. The next chapter explores alternative resources firms and consumers have utilized to resolve the challenges of asymmetric information.

CHAPTER TWO

real ladies wear fake: online brand communities as moral authorities

Customers face asymmetric information in the luxury fashion industry. Shoppers often lack reliable details about the quality of their goods. Meanwhile, sellers have incentives to pass counterfeit items off as authentic. This leads to secondhand shoppers accidentally purchasing high- and low-quality counterfeit goods. George Akerlof's theory suggests that without intervention, counterfeit items will crowd out authentic goods. Theoretically, customers would forgo purchasing authentic products in favor of receiving lower-priced fakes. However, due to both legal productions provided by the government and firm-managed extralegal enforcement mechanisms, luxury fashion has remained a multi-billion-dollar industry.

Historically, magazines have collaborated with luxury firms to deem counterfeit goods as both unfashionable and unethical. However, from new forms of social media to live streamed fashion shows, there are now more voices determining what constitutes stylish and ethical fashion. While many major magazines are working to maintain readership, the relative power of fashion editorials has been diminished by the increased number of other voices in the industry. Therefore, how have luxury firms maintained high levels of growth and revenue as the influence and authority of magazines have declined?

This chapter argues that as magazine readership continues to fall, online brand communities (OBCs) have become an importance source of moral authority in the industry. a content analysis of OBCs on Reddit, Facebook, PurseForum found that these groups both deter and promote the purchase of fake goods.

The first section of this chapter explores potential explanations for how the luxury fashion industry has been able to overcome the decline of moral enforcement via magazines.

There have been no significant changes in legal protections, firm activity, or secondhand retail processes. Likewise, luxury brands have not taken new steps to influence customer sentiments. Section two presents the hypothesis that online brand communities create a deterrent to counterfeit activity. Section three provides the methods for our content analysis and showcase how the examined communities were selected and analyzed. The final section presents the findings of our analysis.

II.I | POTENTIAL EXPLANATIONS

Legal Enforcement

Perhaps luxury brands' continued success may be attributed to the increased legal enforcement of fakes. This, however, seems to be unlikely. While CBP found more counterfeit items in 2019 than in 2018, growth of product seizures was actually a decline from the previous year. This decline in growth rate suggests that CBP is not seizing items at a significantly greater rate.

CBP Seized Fashion Products

Year	MSRP of Fashion Products	Growth
2017	\$ 810,985,117	-
2018	\$ 1,037,336,777	28%
2019	\$1,281,674,926	24%

Table 4: MSRP of Fashion Products from CBP

Likewise, while there is proposed legislation combating fakes, no new laws preventing counterfeiting activity have been passed in recent years. In 2020, the SHOP SAFE Act¹⁷⁰ was introduced in the House as an amendment to the Trademark Act of 1946. The act would attribute liability to ecommerce platforms that allow third parties to infringe upon the trademarks. This act would, essentially, make platforms like Amazon and eBay liable for counterfeit goods on their website. While the act would have a notable impact on the fashion industry, as of March 2021 the legislation has not yet been passed.

Increased Brand Investments

While some luxury brands have invested in the reduction of counterfeit production, little has been done to change customer attitudes towards fakes. Examining the top five luxury fashion brands based on valuation (Louis Vuitton, Chanel, Gucci, Hermès, and Prada), over the past 5 years, firms have engaged in four different types of anti-counterfeit activity: website statements, lawsuits and court proceedings, technological investments, and campaigns.

¹⁷⁰ Short for the Stopping Harmful Offers on Platforms by Screening Against Fakes in E-commerce Act of 2020.

Luxury Brand Anti-Counterfeit Strategies

Rank	Brand	Lawsuits	Website	Technology	Campaigns
1	Louis Vuitton	<i>Louis Vuitton vs i-Fe Apparel</i> (November 2018) ¹⁷¹	“Brand Protection”	“AURA” Blockchain Technology	
2	Chanel	<i>Chanel vs TheRealReal</i> (March 2020) ¹⁷²	“Fighting Counterfeits” ¹⁷³		
3	Hermès	<i>vs. D.Kelly</i> ¹⁷⁴			
4	Gucci	<i>Gucci vs Knockoff Websites</i> (2017) ¹⁷⁵ ; <i>vs Alibaba</i> (2015) ¹⁷⁶		Radio Frequency Identification ¹⁷⁷	FAKE/NOT Collection ¹⁷⁸
6	Dior	<i>Dior vs Amazon, Wish, iOffer, eBay, AliExpress</i> ¹⁷⁹		“AURA” Blockchain Technology	

Table 5: Luxury Brand Anti-Counterfeit Strategies

Lawsuits and court proceedings have allowed firms to “punish” those who have already infringed upon their brand. While this may deter some producers from joining the market, it is unlikely that these efforts have had a direct impact on the demand side. To address this, Louis Vuitton and Dior (both under LVMH) have invested in AURA, a project that uses blockchain

¹⁷¹ The Fashion Law. “A New Louis Vuitton Lawsuit Shows Its Strategic Approach to Brand Protection.” *The Fashion Law*, 28 Feb. 2020, www.thefashionlaw.com/a-new-louis-vuitton-lawsuit-shows-its-strategic-approach-to-brand-protection/.

¹⁷² The Fashion Law. “Chanel and The RealReal Both Nab Wins in Latest Round of Ongoing Counterfeit Lawsuit.” *The Fashion Law*, 2 Apr. 2020, www.thefashionlaw.com/chanel-the-realreal-both-nab-wins-in-latest-round-of-ongoing-counterfeit-lawsuit/.

¹⁷³ Chanel. “Anti-Counterfeit - Spotting Fake vs Authentic CHANEL Products.” *CHANEL*, www.chanel.com/us/anti-counterfeit/.

¹⁷⁴ Mikami, Masaki. “HERMES Scores Victory in Trademark Battle over KELLY.” *MARKS IP LAW FIRM*, 27 Mar. 2020, www.marks-ip-law.jp/hermes-kelly/#:~:text=In%20a%20trademark%20opposition%20at,and%20pouches%20in%20class%2018.

¹⁷⁵ Hays, Kali. “Gucci Wins \$9 Million Judgment Against Group of Knock-off Sites.” *WWD*, WWD, 19 Apr. 2017, www.wwd.com/business-news/legal/gucci-wins-9-million-judgment-against-group-of-knock-off-sites-10869329/.

¹⁷⁶ Diderich, Joelle. “Battle Against Counterfeiting Moves In-House.” *WWD*, WWD, 3 Aug. 2017, www.wwd.com/business-news/legal/alibaba-kering-join-forces-against-counterfeiting-10956489/.

¹⁷⁷ Singla, Saurabh. “How LV, Gucci, And Prada Are Leveraging Blockchain Technology.” *Inc42 Media*, 11 Sept. 2019, inc42.com/resources/how-lv-gucci-and-prada-are-leveraging-blockchain-technology/.

¹⁷⁸ Gucci. “Fake/Not Collection: GUCCI Logo Accessories: GUCCI® US.” *Collection | GUCCI Logo Accessories | GUCCI® US*, www.gucci.com/us/en/st/capsule/fake-not.

¹⁷⁹ Javed, Saman. “Dior Targets Online Counterfeiters in TM Suit.” *Trademarks Brands and the Internet*, 11 June 2019, www.trademarksandbrandsonline.com/news/dior-targets-online-counterfeiters-in-tm-suit-5570.

technology to authenticate each item.¹⁸⁰ As of March 2021, however, the project is still under development. Similarly, Gucci is partnering with Curate, a blockchain company, to produce radio frequency identification tags that, “attached to materials, can be scanned by the users to confirm the genuineness and authenticity of the product.”¹⁸¹ This project is also still under development.

Both Louis Vuitton and Chanel have added sections to their websites that showcase an official statement against fakes. Louis Vuitton’s “Brand Protection” page is broken in to three sections, “respecting handbags, preserving creativity, and fighting illegality.”¹⁸² Chanel’s website, similarly, has a “Fighting Counterfeits” page, that contains the company’s anti-fake stance and general information on how to detect fake bags. Both websites urge customers to purchase items directly from their platforms and allude to the harms of purchasing counterfeits (criminal organizations, health risks, and child labor). While their pages are customer facing, the anti-counterfeiting information presented is brief. Furthermore, customers choosing to visit these anti-counterfeiting pages while shopping have likely already formed negative opinions about fake fashion.

Out of the five brands, Gucci was the only one to truly spark customer conversation around counterfeits and the value of authenticity. During the



Figure 12: Gucci REAL/NOT Collection

¹⁸⁰ Newbold, Alice. "Louis Vuitton To Launch First Blockchain To Help Authenticate Luxury Goods." *British Vogue*. British Vogue, 14 Aug. 2019. Web.

¹⁸¹ Singla, Saurabh. "How LV, Gucci".

¹⁸² Louis Vuitton. "Brand Protection." *LOUIS VUITTON*®, Louis Vuitton, 12 May 2014, us.louisvuitton.com/eng-us/magazine/articles/brand-protection#respecting-heritage.

men's Autumn/Winter 2020-21 show, Gucci unveiled their "FAKE/NOT" collection. The collection contains traditional Gucci items decorated with "FAKE" and "NOT" in bright yellow letters. The Gucci website says that the campaign was "inspired by a retro appropriation of the Gucci logo" and that the collection is a "playful commentary on the idea of imitation."¹⁸³ The FAKE/NOT collection received attention from fashion media sources,¹⁸⁴ and generated conversation amongst consumers.¹⁸⁵

Overall, anti-counterfeiting activity conducted by luxury firms does not seem to have increased nor have the strategies drastically changed in the past five years. While luxury firms are investing in new technologies, these solutions are still in the process of being created and implemented across the industry. Likewise, while Gucci's campaign was a tongue-in-cheek poke at counterfeit goods, the firm provided no specific arguments to customers against purchasing fake versions of their products. In general, firms do not seem to be driving customer-focused anti-counterfeiting measures.

Specialty Secondhand Platforms

In "The Market for Lemons", Akerlof argues that a firm with a strong brand and reputation for selling quality items can help counteract the effects of quality uncertainty.¹⁸⁶ By establishing a reputation for selling high quality goods, a firm can reduce some of the risks involved with purchasing goods in a market with asymmetric information. In the case of the

¹⁸³ Gucci. "Fake/Not Collection".

¹⁸⁴ Kenefick, Courtney. "Gucci Knocks Itself Off With 'Fake Not' Collection." *HYPEBEAST*, HYPEBEAST, 29 Oct. 2020, hypebeast.com/2020/10/gucci-fake-not-collection-lookbook.

¹⁸⁵ JadaStormy. "Gucci Fake/Not Collection?" *PurseForum*, 9 Oct. 2020, forum.purseblog.com/threads/gucci-fake-not-collection.1035501/.

¹⁸⁶ Akerlof, George A. "The Market for 'Lemons': Quality Uncertainty and the Market Mechanism." *Market Failure or Success*, p. 498., doi:10.4337/9781781950005.00012.

secondhand market, luxury secondhand retailers have worked hard to establish strong reputations in hopes of easing customer concerns about fake product on their website.

One way these firms do this is by providing an “authenticity guarantee” for customers. All items sold on Fashionphile, for example, are examined by two of their in-house authenticators.¹⁸⁷ Their website states, “We guarantee the authenticity of every item we sell or 100% of your money back-- Ensuring your trust is most important to us.”¹⁸⁸ Similarly, The RealReal, for example, claims to “have developed the most rigorous authentication process in the resale marketplace.”¹⁸⁹ The RealReal separates all of the products they receive into two categories: “high risk”, containing “anything from an Hermès Birkin bag to the hottest streetwear”, and “low risk” items, which are “contemporary brands with clear authenticity markers.”¹⁹⁰ High risk items are examined by experts who have extensive experience authenticating luxury goods while low risk items are examined by “copywriters”, who typically start the job with little or no authentication experience but receive minimum 30 hours of training before authenticating.¹⁹¹ While The RealReal customers can return some items, customers still take on the initial risk when making a purchase.¹⁹²

While these specialty retailers have worked to gain their customers’ trust, shoppers still find themselves accidentally purchasing fake goods. In 2019, Richard Kestenbaum wrote an article for Forbes titled “The RealReal Sold Me A \$3,600 Fake”, where he explains how he ended up

¹⁸⁷ Fashionphile. “Authenticity.” *FASHIONPHILE*, www.fashionphile.com/authenticity/page.

¹⁸⁸ Ibid.

¹⁸⁹ Wainwright, Julie. “A Letter from Founder & CEO, Julie Wainwright.” *The RealReal*, promotion.therealreal.com/therealreal-experts/.

¹⁹⁰ Ibid.

¹⁹¹ Kestenbaum, Richard. “The RealReal Sold Me A \$3,600 Fake; Here's Why Counterfeits Slip Through Its Authentication Process.” *Forbes*, Forbes Magazine, 23 Oct. 2019, www.forbes.com/sites/richardkestenbaum/2019/10/23/if-fake-bags-are-being-sold-on-the-realreal-how-can-the-resale-business-ever-succeed/?sh=1206e58c6acb.

¹⁹² The RealReal. “Returns.” *The RealReal*, www.therealreal.com/returns.

purchasing a fake Christian Dior bag on the platform, receiving a refund after an outside expert identified the bag as a counterfeit.¹⁹³ Writers for Refinery29¹⁹⁴, CNBC¹⁹⁵, and Business of Fashion¹⁹⁶ covered this incident and wrote about The RealReal's struggle to prevent fake goods from infiltrating their platform. Articles like these can negatively influence how customers view the reliability of secondhand retailers.

While secondhand firms have an incentive to build robust authentication processes, it is evident that these processes are not without flaws. As the press continues to cover tales of customers accidentally purchasing fake bags, customers remain uncertain about the quality of products on the market. Therefore, specialty retailers do not seem to explain the continued success of luxury firms despite increased counterfeiting activity.

In summary, the continued success of luxury brands despite the asymmetrical information in the market is not due to significant changes in the legal landscape not increased investments in extralegal enforcement. Luxury brands continue to use traditional anti-counterfeiting efforts. Gucci's FAKE/NOT campaign was a unique attempt to shape discourse around counterfeit goods. Other brands, however, did not seem to pursue similar tactics.

¹⁹³ Kestenbaum, Richard. "The RealReal Sold Me A \$3,600 Fake"

¹⁹⁴ Hargrove, Channing. "The RealReal Gets Called Out Again For Selling Fakes." *The RealReal Is Caught Red Handed For Selling Fakes*, 6 Nov. 2019, www.refinery29.com/en-us/2019/11/8716428/the-realreal-sells-fakes-report.

¹⁹⁵ Day, Andrea, et al. "The RealReal's 'Faux and Tell' Reports Disclose Fake Items Published on the Site and Returned." *CNBC*, CNBC, 21 Nov. 2019, www.cnbc.com/2019/11/20/the-realreals-foax-and-tell-discloses-fakes-published-on-the-site.html.

¹⁹⁶ Lieber, Chavie. "The RealReal Responds to Counterfeit Accusations." *The Business of Fashion*, The Business of Fashion, 6 Nov. 2019, www.businessoffashion.com/articles/retail/the-realreal-responds-to-counterfeit-accusations.

II.III | HYPOTHESIS

The hypothesis is that that online brand communities have become a moral authority on the counterfeit fashion problem, such that they fill the role of magazines and produce a deterrent against counterfeiting. The brand focused nature of the group should allow members to become “authorities” on the “proper” uses of luxury products. Through discussions, members will be dissuaded from purchasing counterfeit version of popular products.

In Albert Muniz and Thomas Guinn’s 2001 paper, the pair introduced the concept of a “brand community”, defining it as is a “specialized, non-geographically bound community, based on a structured set of social relations among admirers of a brand.”¹⁹⁷ Brand communities allow groups of people to gather, connect with one another, and engage in brand-related discussions. Muniz and Guinn argued that brand communities exhibit the three traditional markers of community: shared consciousness, rituals and traditions, and a sense of moral responsibility.¹⁹⁸ Online brand communities (OBC) are brand communities where member engagement primarily takes place over the internet.

As Muniz and Guinn wrote, one of the primary missions of OBC’s is to become a source of moral responsibility. They defined moral responsibility as “a felt sense of duty or obligation to the community as a whole, and to its individual members.” It is this responsibility that inspires the community to focus on “integrating and retaining members” and “assisting brand community

¹⁹⁷ Muniz, Albert M, and Thomas C O’Guinn. “Brand Community.” *Journal of Consumer Research*, vol. 27, no. 4, Mar. 2001, p. 412.

¹⁹⁸ Ibid.

remembers in the proper use of the brand.”¹⁹⁹ Members of OBCs may frequently find themselves helping other individuals learn how to do things like repair or properly utilize a product.²⁰⁰

II.III | METHODS

In order to determine whether OBCs can serve as a cultural deterrent against counterfeiting, three types of OBCs—forums, Facebook groups, and subreddits— were analyzed. These platforms were selected for their ability to support topic-specific discussions, allowing us to identify fashion-focused and brand-specific conversations. The content analysis consisted of gathering notes from community discussions and collecting quotations. The following sections present how the communities analyzed were selected and provide background information on each platform.

Fashion Forums

The analysis focused on forums that were acknowledged by industry leaders (i.e. Business of Fashion), had active users, and were fashion specific. The initial list of forums included PurseForum (est. 2005), The Fashion Spot (est. 2001) and StyleForum (est. 2002). One forum, PurseForum (also referred to as TPF), was selected for further analysis due its large membership base (635,477 as of March 3, 2021) and high count of threads and posts. PurseForum also has the highest Alexa rank compared to the other forums examined (Alexa is a global webpage ranking system, “calculated by looking at the estimated average daily unique

¹⁹⁹ Muniz, Albert M, and Thomas C O'Guinn. “Brand Community.” p. 425.

²⁰⁰ Loonam, Mary. “An Exploration of Member Involvement with Online Brand Communities (OBCs).” *University of Birmingham*, 2017, p. 38. etheses.bham.ac.uk/id/eprint/8642/1/Loonam18PhD.pdf.

visitors and number of pageviews for a given the site over the past 3 months.”)²⁰¹ PurseForum’s Alexa rank of 25,204 is notably better than other forums like StyleForum and The FashionSpot.

Fashion Forums Preliminary Comparison

	Global Alexa Rank	Posts	Threads	Members	Founded	Press Mentions
PurseForum	25,204 ²⁰²	33,779,837	828,385	635,477	2005	Business of Fashion, NY Magazine, Fashionista
StyleFourm	40,610 ²⁰³	9,847,022	454,613	205,372	2002 ²⁰⁴	GQ, New York Times, New Yorker
TheFashionSpot	33,999 ²⁰⁵	14,907,340	199,692	74,682	2001	Business of Fashion

Table 6: Fashion Forums

PurseForum is an online forum where women gather to discuss handbags, luxury goods, and fashion trends. The site was founded by Meaghan Mahoney Dusil and Vlad Dusil in 2005, who, at the time, were students at Ohio State University²⁰⁶. After an injury forced Meaghan off of the swim team, Meaghan decided to start a blog about handbags (which she called PurseBlog). As her blog gained popularity, she opened the forum part of the website for readers to talk about

²⁰¹ Duò, Matteo. “What Is Alexa Rank? Everything You Need to Know for Your SEO Strategy.” *Kinsta*, 9 Mar. 2021, kinsta.com/blog/alexa-rank/.

²⁰² Alexa. “Purseblog.com Competitive Analysis, Marketing Mix and Traffic.” *Alexa*, 3 Mar. 2021, www.alexa.com/siteinfo/purseblog.com.

²⁰³ Alexa. “Stylefourm.net Competitive Analysis, Marketing Mix and Traffic.” *Alexa*, 3 Mar. 2021, www.alexa.com/siteinfo/styleforum.net

²⁰⁴ u/LAGuylonreddit. “r/Malefashionadvice - AMA: Styleforum Co-Owner, Administrator, and Manager, Fok (LA Guy on Styleforum).” *Reddit*, 3 July 2014, www.reddit.com/r/malefashionadvice/comments/29r3ow/ama_styleforum_coowner_administrator_and_manager/.

²⁰⁵ Alexa. “Thefashionspot.com Competitive Analysis, Marketing Mix and Traffic.” *Alexa*, 3 Mar. 2021, www.alexa.com/siteinfo/thefashionspot.com

²⁰⁶ Sherman, Lauren. “Inside the PurseForum: A Safe Haven for Showing Off \$50,000 Handbags.” *Fashionista*, Fashionista, 11 Apr. 2014, fashionista.com/2013/12/purseforum#:~:text=%22We%20have%20really%20passionate%20people,were%20students%20at%20Ohio%20University.

fashion and shopping. Over time, the forum began to grow, with users creating threads around different brands and styles. It is known in the fashion world as one of “the most active shopping communities on the web.”²⁰⁷ The platform is run by Vlad, Meagan, and 9 other full-time and part-time employees.²⁰⁸

While PurseForum may appear to be a general fashion forum, threads, which are the primary spaces for discussion, are organized specifically by brand. This allows TPF to be analyzed as an OBC.

Brand	Threads	Posts	Featured Thread
Balenciaga	37.4K	1.4M	The Bbag Chat Room! Today at 5:40 PM · Kevinaxx
Bottega Veneta	6.6K	266.9K	Bottega Veneta Banana bag Today at 4:49 PM · KPB
Burberry	3.5K	97.2K	Where is your Burberry made in? Today at 1:55 PM · Alice737
Cartier	2.5K	78.9K	Does this exist somewhere? 1 minute ago · cartierfit
Céline	5.3K	208.6K	First Celine! Nano Luggage! Today at 6:47 AM · mi_sierra_mama
Chanel	62.8K	2.4M	Chanel Spring-Summer 2021 Collection ... 2 minutes ago · Inkedmom94
Chloé	10.2K	272.2K	Chloe Saddle Darryl Bag 24 minutes ago · donut21
Christian Louboutin	12.7K	1.1M	Who do you follow on Instagram for lou... 41 minutes ago · cl-pig

Figure 13: Screen capture of TPF Thread Organization

²⁰⁷ Sherman, Lauren. “Inside the PurseForum.”

²⁰⁸ Mahoney Dusil, Megs. “The Story Behind PurseBlog.com.” *PurseBlog*, 7 Oct. 2013, www.purseblog.com/behind-the-scenes/how-purseblog-started/.

Facebook Groups

Facebook allows members to create “groups” based on shared interests. Groups can either be open to the public, private, or unlisted. The difference between private and unlisted groups is that Facebook users can find and request to join a private group whereas unlisted groups cannot be found in a general search. Users can join any private group once they receive the approval of an admin or moderator whereas users must receive an invitation to join an unlisted group. Once in a group, Facebook users can share media and engage in discussions.

Upon a preliminary search of luxury fashion Facebook groups, there were many different groups that seemed to focus on luxury fashion. Facebook, however, does not organize groups by categories (i.e. luxury fashion groups). Many groups that came up during the primary search had unique names (i.e. a Chanel focused group is named CHL Buy, Sell, Trade), making it possible that certain groups would be excluded from a general search due to abbreviated or non-specific names. Likewise, some groups may be unlisted, making them hidden to users during a general search. As a result, it is challenging to quantify exactly how many luxury fashion groups are on the platform.

For the purposes of this study, a sample of five groups were selected. BST (buy, sell, trade) groups were excluded from the study given that these groups function primarily as online marketplaces rather than OBCs. The five groups selected are brand specific, have active users, and focus on authentication.

Selected Facebook Groups

Group Name	Brand(s)	Members	Founded
Authenticate this Louis Vuitton	Louis Vuitton	11.9k	10/4/2014
Designer Divas High End Authentications	Louis Vuitton, Hermès, Michael Kors, Coach, Gucci	16.7k	1/3/2015
CHL- Buy, Sell, Authenticate	Chanel	27.0k	2/26/2016
LV, Coco CHL and Hermes High End Label Addicts	LV, Gucci, Celine, Hermes, Burberry, Marc Jacobs, Stella McCartney, Balenciaga, Prada, Louboutin, Chanel, YSL, Goyard	11.6k	11/19/2014
COACH AND MORE DESIGNER AUTHENTICATIONS	Coach, Gucci, Louis Vuitton, Prada, Kate Spade	2.8k	12/5/2012

Table 7: Selected Facebook Groups

Subreddits

Reddit is a social media platform that allows people to form communities based on shared interests. Users (known as u/username) gather on different “subreddits” (styled as r/subreddit). Users join a subreddit by “subscribing” to the community. Users communicate by sharing various forms of media and engaging in traditional text conversations. Each subreddit is centered around a unique topic; popular subreddits include r/gaming, r/funny, and r/ShowerThoughts. The website was founded in 2005, and since then has accumulated over 430 million monthly active users worldwide.²⁰⁹

²⁰⁹ Lin, Ying. “10 Reddit Statistics You Should Know in 2021 [Infographic].” *Oberlo*, 13 July 2020, www.oberlo.com/blog/reddit-statistics#:~:text=know%20in%202021%3A,There%20are%20more%20than%20430%20million%20monthly%20active%20Reddit%20users,per%20visit%20on%20the%20site.

Like Facebook, Reddit does not maintain a master list of subreddits based on specific categories. Users must search for groups with names that align with their interests. There were main types of subreddits: brand-dedicated groups, general groups, and replica communities. Brand dedicated groups were subreddits exclusively focused one brand (i.e. r/Chanel). General groups focused on fashion or fashion topics specifically, (such as r/shoes), and replica groups focused on the discussion of fashion replicas, but organized information and discussions based on specific brands. Given the variety of groups that came up when searching for keywords like “fashion”, “luxury fashion” and “shoes”, the analysis was narrowed to find a representative sample of the brand-specific groups on the platforms. General fashion groups were excluded from the analysis.

In 2020, Business Insider published a list of the top nine most value luxury brands based on brand valuation. Subreddits were found for 7/9 of the top brands. The Cartier and Tiffany & Co. subreddits were excluded from the analysis, given that the companies primarily produce jewelry rather than apparel, footwear, or accessories (i.e. handbags). The Louis Vuitton, Chanel, Gucci, Burberry, and Prada subreddits were selected.

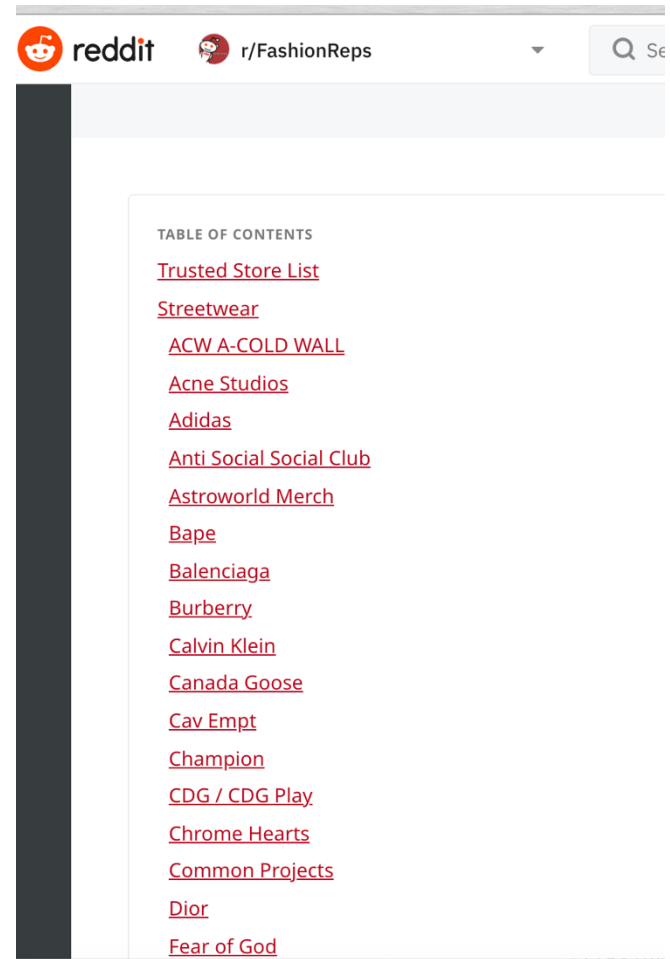


Figure 14: Screen capture of r/Fashionreps

Reddit Brand Communities

Rank	Brand	Valuation (billions)	Reddit	Reddit Membership	Founded
1	Louis Vuitton	\$32.233	r/ LouisVuitton	14,520	9/12/2009
2	Chanel	\$22.134	r/Chanel	1,208	9/9/2014
3	Hermès	\$17.92	N/A	N/A	N/A
4	Gucci	\$15.949	r/Gucci	2,002	N/A ^{*210}
5	Cartier	\$8.192	r/Cartier	618	6/7/2013
6	Dior	\$6.045	N/A	N/A	N/A
7	Tiffany & Co	\$5.335	r/TiffanyandCo	N/A	N/A
8	Burberry	\$5.205	r/Burberry	1,026	9/2/2012
9	Prada	\$4.781	r/Prada	408	6/12/2012

Table 8: Luxury Brand Subreddits

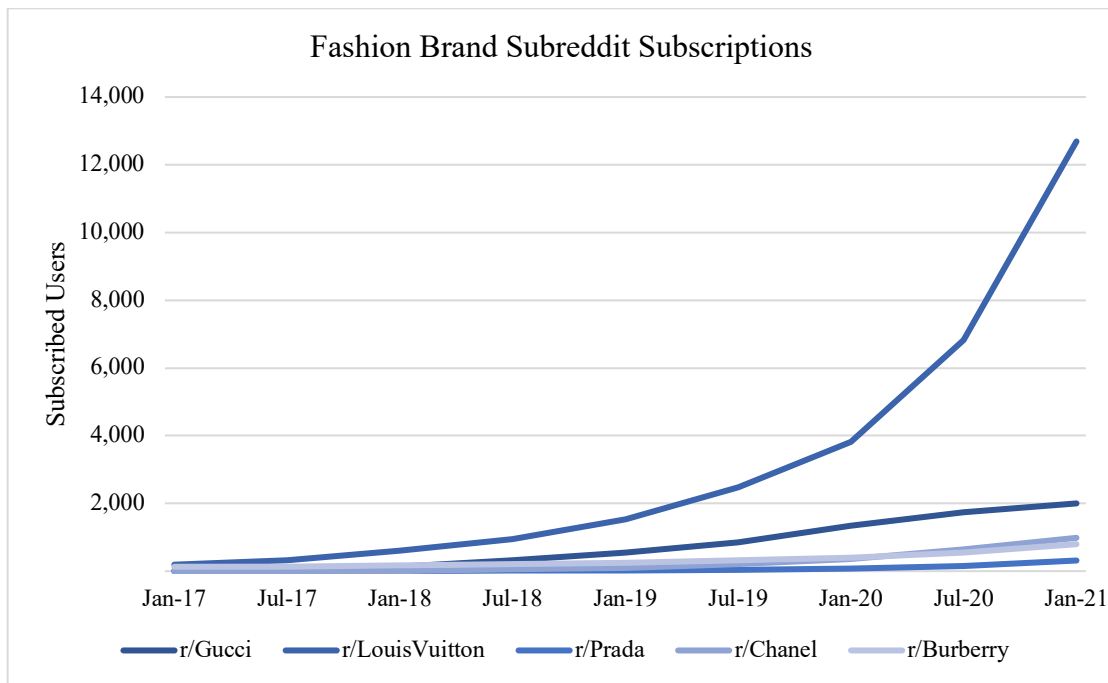


Figure 15: Fashion Brand Subreddit Subscriptions

²¹⁰ r/Gucci is a private community, so limited information is publicly available.

Five replica groups were selected as a sample of replica subreddits. The groups selected had a focus on luxury apparel, footwear, or accessories, at least 50,000 members, and not were primarily BST. The selected groups are highlighted in Table 9. Figure 15 shows that replica subreddit membership has grown since January 2017.

Replica Subreddits

	Members	Founded	Focus
r/FashionReps	441,524	4/24/2014	Apparel, Accessories
r/RepSneakers	302, 594	8/19/2014	Footwear
r/DesignerReps	176,375	8/25/2016	Apparel, Accessories
r/RepLadies	122,898	8/20/2016	Apparel, Accessories
r/RepTime	117,862	3/13/2015	Watches
r/FashionRepsBST	74,016	1/22/2017	Apparel, Accessories
r/Flexicas	61,897	8/22/2017	Footwear
r/QualityReps	19,826	2/9/2018	Apparel, Accessories, Footwear
r/RepWatch	16,084	6/28/2017	Watches
r/ReplicaShoes	4,070	3/8/3018	Footwear
r/Replica	3,646	4/3/2013	General

Table 9: Replica subreddits statistics as of March 3, 2021

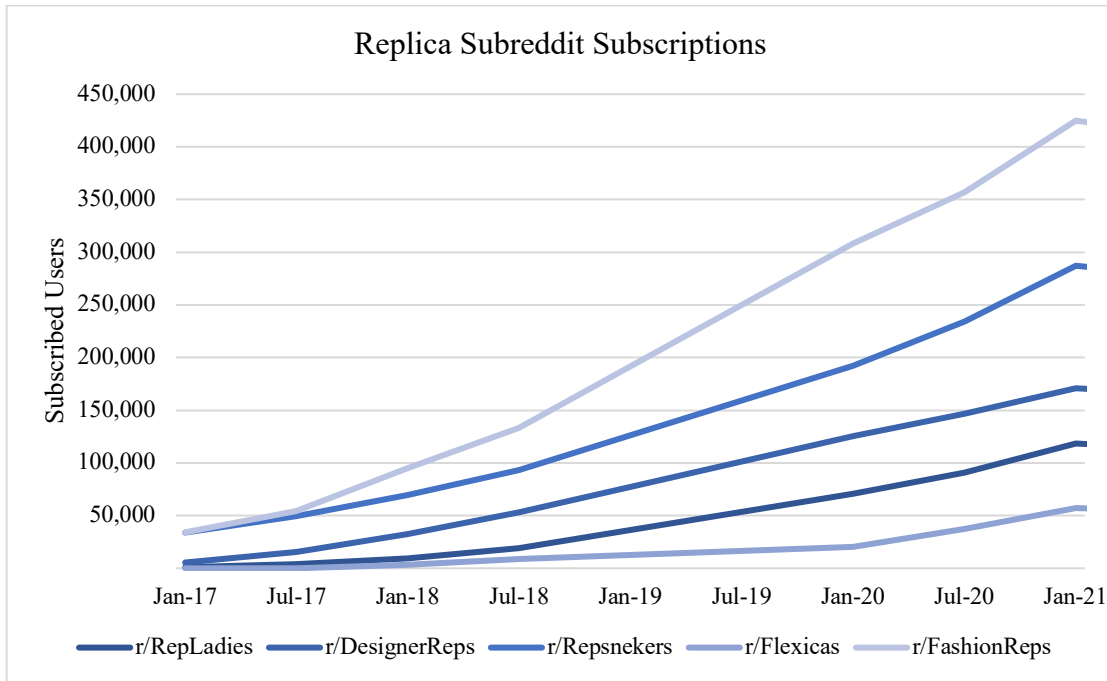


Figure 16: Growth of Subreddit Subscriptions

II.IV | CONTENT ANALYSIS

The content analysis both confirms and infirms the initial hypothesis. While some OBCs primarily discourage counterfeiting behavior, Reddit replica communities encouraged a cultural acceptance of counterfeiting and helped members purchase counterfeit goods. The analyses of the deterring and promoting behavior are presented separately.

II.IV.I | COUNTERFEIT DETERRENTS

Counterfeit-deterring activity was present in the communities on PurseFourm, Facebook, and Reddit. Across the three platforms, counterfeit behavior was combated through four primary behaviors: formal and informal prevention of counterfeit discussions (gatekeeping), product authentications, moral discussions, and secondhand shopping risk reduction.

Gatekeeping

OBCs create an anti-counterfeit culture by regulating newcomer activity, establishing official group rules, and mainlining a threat to remove pro-counterfeit members.

All three groups have a mechanism to impress anti-counterfeiting sentiments on newcomers. The private nature of the Facebook and Reddit groups grant moderators control over who takes part in the community. Facebook allows moderators to ask members to answer questions before joining a group. In order to join the “LV, Coco CHL” Facebook group, users are asked “do you support fakes products?” and “do you agree to follow the rules?”. The first rule of the group (listed below the questionnaire) is “No FAKES...no counterfeits/replicas/inspired/fakes!”.²¹¹ While a majority of subreddits are open to all users, r/Gucci is the only subreddit that has a closed membership process. Interested users are required to message the moderators and ask to join the group. Nevertheless, each of the private groups are able to inform users of their anti-counterfeit stance before they officially joined.

PurseForum uses account restrictions to create a “new member education period”. TPF allows anyone to create an account and join the website, however new members are given a “limited profile” where they are restricted from posting new threads or editing their profile. They can only receive a full account after they meet minimum requirements.²¹² By creating account limitations for new members, not only does TPF limit the chance of people creating accounts to spam the platform, but the group is able to give new users time to familiarize themselves with the established culture of the group before fully diving in.

²¹¹ “LV, Coco CHL and Hermes High End Label Addicts.” *Facebook*, 8 Mar. 2021.

²¹² Users must make 5 posts in preexisting discussions and have their account for 5 days before being upgraded.

The Terms and Rules page of the TPF states that “The PurseForum community and its members take a strong stand against counterfeit goods.”

²¹³ This sentiment is echoed through the forum as well. In the introduction to the Authenticate Hermès thread, the page states, in bold, that “TPF does not condone fakes in any way!”²¹⁴ Thus, new users with limited profiles have the chance to spend their first days of memberships learning about the group’s anti-counterfeit policy and agreeing to, at minimum, acknowledge the current culture.

Some of the groups have created a formal policy banning discussions concerning the buying or selling of counterfeit goods.²¹⁵ The “CHL”, and “LV,Coco” Facebook groups state in their official group rules that no replicas are allowed in the group. The r/Burberry similarly lists “No discussion of purchasing of replica items, or where to purchase replica items” as a part of their subreddit rules.²¹⁶ On the PurseForum, the official terms and conditions state “Do not post or link to messages or content that...violates a copyright, trademark, patent, trade secret, or other intellectual property right.”²¹⁷

Adherence to these rules is enforced by the threat of group removal. In all three communities, moderators have the power to temporarily or permanently remove users who violate group rules. Thus, these three groups maintain anti-counterfeiting cultures by educating new members, publicizing rules against the discussion of counterfeit goods, and upholding the threat of membership removal.

²¹³ The PurseForum. “Terms and Rules.” *PurseForum*, forum.purseblog.com/help/terms/.

²¹⁴ jag. “Hall of Shame: Post the Ebay Fakes Here!” *PurseForum*, 26 Nov. 2006, forum.purseblog.com/threads/hall-of-shame-post-the-ebay-fakes-here.67697/.

²¹⁵ Users can mention replicas, but they cannot, for instance, ask another user where they can purchase a replica.

²¹⁶ u/JonSmit90, and u/forsto. “r/Burberry.” *Reddit*, www.reddit.com/r/Burberry/.

²¹⁷ The PurseForum. “Terms and Rules.”

Product Authentications

A product authentication is when a member asks other members to verify the authenticity of an item. Product authentications are present in all three of the platforms analyzed. On PurseForum, the “Authenticate This...” section is where users pool community opinions on the authenticity of an item they are considering purchasing or have already purchased. On TPF, authentications are grouped by brand. Item authentications done by an “established” authenticator are housed on their own sub-forum. All other brands are housed on the main thread. “Established” authenticators are certified as having a reliable track record and are verified by TPF. Authentication services are also present in both the Facebook and subreddit groups.

Many of the groups have a specific format that members seeking authentication services are expected to follow. In general, users are expected to submit the name of the item and multiple photographs of the items. In cases of handbags, users are generally required to submit pictures of the interior, exterior, hardware, and brand-implemented authentication elements (heat stamps, date codes, labels, etc.). If a member is considering a purchase, they can also provide links to the website where the item is listed.

Authentications can be paid or free, however a majority of the authentications done in the community groups are free. Paid authentication services typically offer a quicker turnaround, a greater depth of examination, and written verifications. Likewise, many of the offerings offered by paid authenticators were created to directly address issues that shoppers were facing on online resale platforms, such as eBay. Étinceler Authentications, founded by PurseForum authenticators, offers email authentications, product valuations, in-house authentications, and written statements. Written statements, which can cost up to \$100, verify in writing the authenticity, non-authenticity, or quality of an item. Shoppers can receive, for instance, a

“Written Statement of Significantly Not As Described (SNAD)”, which they can use when filing claims on platforms like eBay. Authenticate4u provides Extract Statements specifically tailored to meet the requirement for the PayPal Claim process.²¹⁸ While group members have created external websites for paid services, the majority of the services in the Reddit, Facebook, and PurseForum groups are offered to members for free.

Who Authenticates?

During the early days of TPF, members would post pictures of bags (secondhand or purchased “new”) and ask the other members if they thought the items were authentic. Users who thought themselves particularly knowledgeable would examine the images and post their opinion on the item. TPF authenticators were self-appointed “experts”. Many “established” authenticators simply began by commenting on these posts and providing their opinions. Dimity Giles (known as bababebi) began reviewing Hermès bags on TPF in 2009, citing that she had over “thirty years of collecting and meticulous comparative study of the construction details and artisanship methods of Hermès handbags and other leather goods.”²¹⁹ Similarly, a TPF user named Michelle began authenticating Chanel bags as a hobby. She was both a collector and seller of secondhand Chanel bags, and thought it was fun to help direct other members towards authentic products.²²⁰

“Self-appointed” experts were also present in both the Facebook groups and brand subreddits. A member of Authenticate this Louis Vuitton, Airyn Street, explained “The majority

²¹⁸ Authenticate4U. “Services.” *Authenticate4U.Com*, www.authenticate4u.com/Services.html.

²¹⁹ Giles, Dimity. “About Bababebi.” *Bababebi*, bababebi.com/content/about-bababebi.

²²⁰ Michelle. Telephone interview. 5 Mar. 2020.

of the members here are not ‘professional authenticators’ but many have a ton of knowledge.”²²¹ While open authentication allows many members to contribute, the accuracy of the authentications may be in question. To combat this issue, some of the groups have implemented rules to control who provides authentication services. TPF now requires users to be approved by TPF in order to comment on the authenticity of a product. The rules state that “PurseForum requests that only members with an extensive knowledge of the brand and authenticating who have over 500 posts participate as authenticators.”²²² Moderators are responsible for regularly monitoring the posts and evaluations and ensuring that only appropriately qualified members provide authentications. Similarly, in the “Designer Divas” and “Coach” Facebook groups, only admins of the group are allowed to provide authentication services for members.

Aiding the Online Shopping Process

The authentication services provided by these groups help solve the asymmetric information problem by giving shoppers more information about the quality of their items. Without authentication services, shoppers must use their own judgement when attempting to make a secondhand purchase. This can lead to the accidental purchases of fake goods. These authentication services, however, reduce the risk of these accidental counterfeit purchases by giving customers additional information about their goods.

OBC authentication services seem to have begun in the 2000s, when the rise of online secondhand shopping was met with a rise of high-quality counterfeit items being sold on the platforms. By 2009, eBay had become a popular spot for individuals to sell their used luxury

²²¹ Street, Airyn. “Authenticate This Louis Vuitton.” *Facebook*, 24 Oct. 2020, www.facebook.com/.

²²² jburgh. “Authenticate This BOTTEGA VENETA.” *PurseForum*, 14 Jan. 2014, forum.purseblog.com/threads/authenticate-this-bottega-veneta.851313/.

goods, but lack of authentication services built into the platform made buyers susceptible to accidentally purchasing fake items.²²³ As eBay and other online marketplaces became popular places for shoppers to search for deals, TPF users looked to their community to help them navigate these platforms. In an interview with the *Seattle Times*, TPF co-founder Vlad Dunsil commented on how eBay played in to TPF's authentication rise, stating, "We realized early on that there was a lot of counterfeiting going around the eBay marketplace."²²⁴ Now, authentication services on the three platforms help members get refunded from accidental purchases and avoid bad purchases altogether.

Risk Reduction

In addition to providing accessible authentication services, some of the communities have created additional mechanisms to reduce the risk of members accidentally purchasing fake goods. On TPF, users have "Hall of Shame" threads that allow members to warn the community about counterfeit items being sold online. The eBay Hall of Shame for Hermès items thread, for example, was founded in November 2006 and has gained over 5,500 posts since its creation.²²⁵ When members come in contact with a bad seller, they post links to the items and sellers' profiles. Users are asked not to comment specifically on what is fake about the items, so to "not give counterfeiters any hints on how to improve their dubious products."²²⁶ Members can flag sellers both pre- and post-sale, and customers impacted post-sale typically receive support for

²²³ Moss, Laura. "Welcome to FakeBay: How EBay's 'Designer' Bargains Are Just Too Good to Be True." *Daily Mail Online*, Associated Newspapers, 8 Apr. 2008, www.dailymail.co.uk/femail/article-558253/Welcome-fakeBay-How-eBays-designer-bargains-just-good-true.html.

²²⁴ Kwan, Amanda. "The Purse Forum: Uniting Online to Spot Fake Purses." *The Seattle Times*, The Seattle Times Company, 27 June 2008, www.seattletimes.com/entertainment/the-purse-forum-uniting-online-to-spot-fake-purses/.

²²⁵ jag. "Hall of Shame: Post the Ebay Fakes Here!"

²²⁶ Ibid.

getting refunds and reporting the seller on eBay.²²⁷ The Coach Authenticate This thread similarly has a Hall of Shame thread that functions like the Hermès one. TPF members have also created a Pictures of Fake LV thread, where members expose retailers who have sold fake Louis Vuitton products.²²⁸ Similarly, the “Coach and More” Facebook group created a document called “Fake Coach Website” which contains a list of websites that have been known to sell fake Coach goods. Additionally, users are directed towards resources where they can learn how to spot counterfeits and provided with a space for users to report fake coach bags.²²⁹

In most cases, TPF members simply report counterfeit sellers to the relevant platforms. However, some blacklisted sellers have also faced legal repercussions. In 2016, Praepitcha Smatsorabudh was caught for engaging in a handbag scam. Smatsorabudh purchased authentic handbags from department stores in over 12 states while simultaneously purchasing a replica version of the same bag. Once she received the replica, she would then go to the store to “return” the bag, instead returning the replica bag and keeping the authentic bag for herself. She would then sell the authentic bags alongside other fake bags on Instagram and eBay. Investigators thought she had made over \$400,000 in her scheme; once she was caught in 2016, she was sentenced to 30 months in prison.²³⁰ Before she was caught by authorities, members of TPF had caught on to her routine, creating a threat called “BUYER BEWARE” where they highlighted the similarities between her two eBay profiles. While at the time her eBay profiles had positive reviews, TPF members began to exchange notes about the authenticity of her items (with

²²⁷ Ibid.

²²⁸ The PurseForum. “Pictures of Fake LV-Read Guidelines before Posting.” *PurseForum*, 23 Jan. 2009, forum.purseblog.com/threads/pictures-of-fake-lv-read-guidelines-before-posting.413972/.

²²⁹ Tracy, Robert N. *Fake Coach Website*. 5 Dec. 2012, www.facebook.com/groups/257025801091066/files.

²³⁰ Simmons, Sarah. “Arlington Woman Sentenced 30 Months for Counterfeit Designer Handbag Scheme.” *FOX 5 DC*, FOX 5 DC, 22 Dec. 2016, www.fox5dc.com/news/arlington-woman-sentenced-30-months-for-counterfeit-designer-handbag-scheme.

multiple users suggesting that the items they had received were fake).²³¹ Smatsorabudh was caught by authorities later that year. With Smatsorabudh's story functioning as a cautionary tale, TPFs buyer beware threads act as a deterrent for counterfeit retailers.

Moral Discussions

Discussions framing the counterfeit purchases as immoral may help shoppers see value in authentic purchases. Outside of providing authentications, members of the Facebook and Reddit groups keep discussions focused on brand activity. Members on the PurseForum, however, regularly discuss the ethics of purchasing counterfeits. Many TPF members argue that the sale of counterfeit goods is unethical: they describe counterfeit goods as tied to criminal organizations, hazardous work conditions, and child labor practices. For example, in a discussion on high quality replicas, TPF user fabuleux stated, "People who buy counterfeit items (expensive or cheap) support organized crime, drug trafficking, child labor, and other illegal activities that plague our society. They may have all kinds of excuses for why it's okay for them to do it, but the truth is, it's never okay and they are COMPLICIT."²³² Another user agreed "It's a sad world where a person chooses to place a symbol of status above a child's wellbeing, at least in my book."²³³

During these discussions, members make character judgements about those who purchase fakes and suggest that replica buyers have questionable morals. One user stated that the debate

²³¹ The PurseForum. "BUYER BEWARE: RICHGIRLSCOLLECTIONS and LOUKPEACH." *PurseForum*, 17 Jan. 2016, forum.purseblog.com/threads/buyer-beware-richgirlscollections-and-loukpeach.931752/.

²³² fabuleux. "Expensive Replicas? I Don't Get It." *PurseForum*, 5 Mar. 2019, forum.purseblog.com/threads/expensive-replicas-i-dont-get-it.1006583/page-2.

²³³ A1aGypsy. "Expensive Replicas? I Don't Get It." *PurseForum*, 5 Mar. 2019, forum.purseblog.com/threads/expensive-replicas-i-dont-get-it.1006583/page-2.

around fakes “ha[d] to do with integrity and [is about] how people chose to live their life / spend their money.”²³⁴ While one user suggested that women who wear fakes are not “classy”²³⁵, others suggested that they would be embarrassed to be seen with someone carrying a fake. One member, Joylucklove, started a thread called “Friendship and Hermes” where she asked members how she should approach her friendship with a woman who carried fake Birkin and Kelly bags. While the woman had been her friend for two years, after seeing her post images of her fake she could not “see her in a good light anymore.”²³⁶ A similar conversation was started by Ivpiggy back in 2010, who asked “do friends let friends unknowingly carry fakes?”²³⁷ Commenters on both threads advised that while the women shouldn’t necessarily end their friendships, they should be careful about being seen with their fake-carrying friend, as the association would make her look bad.

TPF users acknowledge that frowning upon those who could not afford authentic luxury products may be seen as a classist, however these members point to the secondhand market as a preferable alternative to fakes. TPF member AndreaM99 stated, “My rule: Can you afford a genuine bag? Buy it! Cannot? Check resellers & co. websites. Still cannot afford it? Do not cheapen your dignity by carrying [*sic*] what only pretends to be luxurious.”²³⁸ Similarly, user honeybunch stated “I just don’t condone fakes. Just because someone can’t afford the real deal it doesn’t mean they have to have a fake version of a designer bag to look professional. Get a no-

²³⁴ A1aGypsy. “Expensive Replicas? I Don't Get It.”

²³⁵ Sferics. “What Should I Do with a Superfake Chanel?” *PurseForum*, 27 Dec. 2019, forum.purseblog.com/threads/what-should-i-do-with-a-superfake-chanel.1022136/page-2.

²³⁶ Joylucklove. “Friendship and Hermes.” *PurseForum*, 29 Sept. 2020, forum.purseblog.com/threads/friendship-and-hermes.1035034/.

²³⁷ Ivpiggy. “Do Friends Let Friends Unknowingly Carry Fakes? | Page 3 ...” *PurseForum*, 21 May 2010, forum.purseblog.com/threads/do-friends-let-friends-unknowingly-carry-fakes.590429/page-3.

²³⁸ AndreaM99. “Expensive Replicas? I Don't Get It.” *PurseForum*, 12 Jan. 2020, forum.purseblog.com/threads/expensive-replicas-i-dont-get-it.1006583/page-8

name bag instead. You can get beautiful no name bags that are made from leather and look professional. I can't afford a Birkin but I would never carry a fake one."²³⁹ Across multiple threads, members chose to acknowledge the inaccessibility of luxury bags but suggested that the optimal response for those who could not afford one (new or secondhand) would be to carry a non-designer, cheaper product (or not carry a nice bag at all).

Not only did TPF users frown upon replica shoppers but they also expressed distain for replica manufacturers. Beyond the ties to poor labor conditions or other criminal activities, members condemned manufactures for stealing the intellectual property of luxury firms. User themeanreds wrote, "To each their own, but I don't agree with these 'super fakes'. Somebody is making money off of another person/company/designer's design. Not OK and unethical in my view."²⁴⁰ Not only did members find stealing IP to be unacceptable, but they were disappointed that doing so allowed them to trick unsuspecting shoppers into accidentally purchasing inauthentic goods. A comment made by xo.babydoll echoes a general sentiment found amongst members of TPF. Xo.babydoll wrote:

There is no pride nor integrity that comes from being a replica maker. The only reason these people spend so much time perfecting the details is so they can trick a poor, unsuspecting buyer into thinking they're paying for the real thing. It's because of this industry that shopping in the preloved market so dicey. While many people who purchase top tier replicas know exactly what they're getting, many people who end up with them are paying close to retail for what they thought was the real thing. It's disgusting.

Forum-wide concern for accidental fake purchases was notable during a discussion where one member asked the group for advice for what she should do with a replica that had accidentally

²³⁹ honeybunch. "What Should I Do with a Superfake Chanel?" *PurseForum*, 27 Dec. 2019, forum.purseblog.com/threads/what-should-i-do-with-a-superfake-chanel.1022136/.

²⁴⁰ themeanreds. "Expensive Replicas? I Don't Get It." *PurseForum*, 5 Mar. 2019, forum.purseblog.com/threads/expensive-replicas-i-dont-get-it.1006583/page-2#post-32957083.

come in her possession. Member Luxeclosetorg had accidentally purchased a fake Chanel Boy Bag for \$5,000 and did not know if she should keep the bag, give it away, or destroy it.²⁴¹ Many members advised her not to keep the bag, and suggested that she donate to a women's shelter or charity. Many who suggested making a donation, however, were adamant that she write the word "fake" or "replica" on the inside of the bag, so that another individual would not be tricked into thinking the bag was authentic. While some expressed that writing fake instead of the bag intended for donation could be seen as insensitive to the end-user, overall commenters seemed to support this idea. User thebagqueen wrote, "what if it goes to someone who tries to pass it off as real, sells it and does the same thing that happened to OP? And maybe the person who bought it doesn't know to have it authenticated. It's all but promoting the counterfeit market and the exploitation of the people who make the goods, period. Writing 'replica' on the inside of the bag isn't offensive. It's the truth."²⁴²

Comments like the above suggest that these anti-fake discussions provide customers with information about how their peers view counterfeits. Members who are cognizant of the anti-fake sentiments in these groups risk being shunned by the community if they were ever found to be intentionally sporting fake bags. Thus, these discussions work in tandem with the moral campaigns that have been organized by luxury firms, such as the "real ladies don't wear fake campaign".

²⁴¹ Luxeclosetorg. "What Should I Do with a Superfake Chanel?" *PurseForum*, 27 Dec. 2019, forum.purseblog.com/threads/what-should-i-do-with-a-superfake-chanel.1022136/.

²⁴² thebagqueen. "What Should I Do with a Superfake Chanel?" *PurseForum*, 27 Dec. 2019, forum.purseblog.com/threads/what-should-i-do-with-a-superfake-chanel.1022136/page-6#post-33523016

II.IV.II | COUNTERFEIT ACCEPTANCE

While the PurseForum, Facebook groups, and brand-specific subreddits produced deterrents to counterfeit fashion, replica subreddits produced content to encourage counterfeit purchases. Replica subreddits increase the accessibility of replicas by providing detailed shopping guides to help members navigate the shopping process. These groups have also created mechanisms to reduce the risks involved with purchasing counterfeit goods. Group members also engaged in pro-counterfeit discussions, positively impacting member perception of the moral permissibility of fakes.

Increasing the Accessibility of Fakes

Purchasing a high-quality replica can be a complicated process for the uninitiated. First, a shopper must decide what product they want to have replicated. Then, an online shopper can use websites like Taobao, DHGate, AliExpress, or Weidao to search for a vendor who can produce the item. Often, the information on these websites is in Chinese, so English-speaking customers must translate the page or use other methods to overcome the language barrier. Once the desired item is found, US shoppers must find an agent, which is a “service that is brought through a company that purchase products from Taobao or alternate seller.”²⁴³ Essentially, the agent acts as a “middleman”, ordering the item on behalf of the seller. Once the shopper makes an account with the agent, the agent will communicate with the vendor on behalf of the shopper and oversee the payment process. Shoppers typically use services like Western Union, MoneyGram, or PayPal to transfer money to the agent and secure their purchase. Once the agent receives the

²⁴³ u/lindLess. “r/FashionReps - Trusted Agents.” *Reddit*, 1 Dec. 2020, www.reddit.com/r/FashionReps/wiki/trusted_agents.

money, they place the order for their client. The agent will also send the shopper a picture so the shopper can “green light” the made-to-order item before shipping it to the United States.²⁴⁴

Provided that the item passes through US customs, the shopper will receive her replica.²⁴⁵

While the process outlined above is relatively straightforward, the average luxury shopper likely does not know each of these steps. Replica subreddits help demystify this process by providing helpful resources to new members. r/RepLadies, for example, has a “Newbie Guide” which contains an introduction to shopping for replicas, an “essential reading list”, guidance on choosing sellers, translation information, and more. Similarly, r/FashionReps has a “Beginners Guide”, which includes a guide to FashionReps Terms, information on how to navigate the various purchasing platforms, suggested first products to purchase, and tips on translating US/European sizes into Chinese sizes. In lieu of offering an in-depth introduction to the community, r/RepSneakers’s “Middleman Guide for Beginners” includes an in-depth infographic on the replica purchasing process.²⁴⁶

²⁴⁴ u/hyperionfr. “r/FashionReps - [GUIDE] ‘Help, I’m New Where Do I Start?’ FashionReps Newbie Guide + Frequently Used Terms!” *Reddit*, 9 Jan. 2019, www.reddit.com/r/FashionReps/comments/ae540e/guide_help_im_new_where_do_i_start_fashionreps/.

²⁴⁵ u/ InstantlyCalloutable. “r/RepLadies - The Newbie Guide.” *Reddit*, 1 Oct. 2020, www.reddit.com/r/RepLadies/wiki/newbieguide.

²⁴⁶u/Warm-Lobster. “r/Repsneakers - **Beginners Guide (MiddleMan) Simplified Version on How to Buy from a Middle Man for Beginners.” *Reddit*, 6 May 2020, www.reddit.com/r/Repsneakers/comments/gepm69/beginners_guide_middleman_simplified_version_on/.

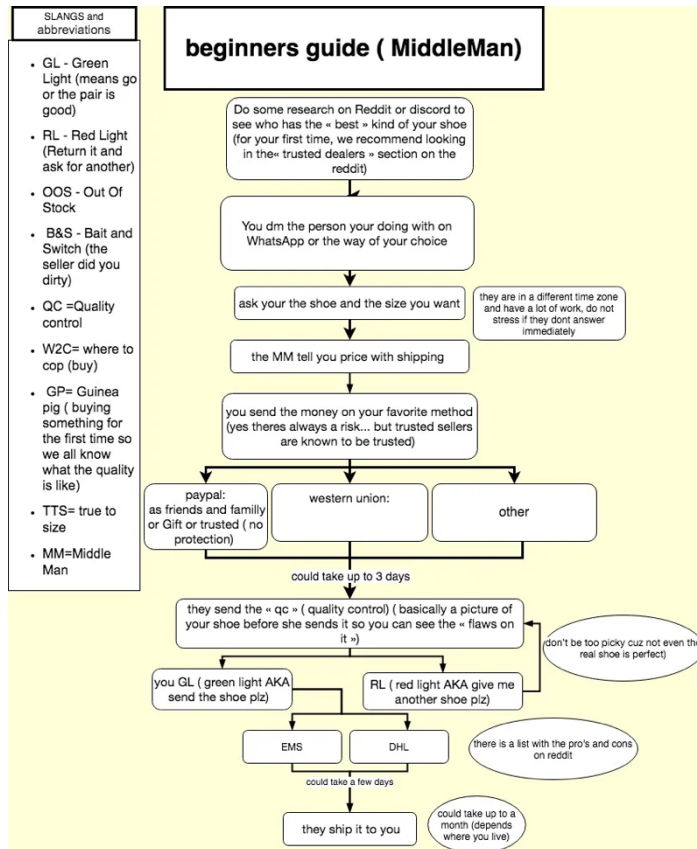


Figure 17: "Middleman Guide for Beginners" from r/RepSneakers

The guides created by these subreddits help reduce search costs of purchasing replicas. Arguably, the high search costs associated with purchasing replicas are not deterrents for all potential customers. Some shoppers, for instance, may enjoy the spending time scouring the internet for the perfect replica. It is likely, however, that for many shoppers, the minimization of these costs provided by these subreddits plays a crucial part in making the

decision to start the replica buying

process. Reddit members such as u/oJustin, credit these beginner guides with giving them the confidence to purchase replicas. u/oJustin commented on the r/FashionReps Newbie Guide, stating "THANK YOU SO MUCH FOR THIS!! I was afraid to place my first order because I didn't want to mess anything up."²⁴⁷ Another user attributed their first replica purchases to the website, stating "After a year of deliberating, my first ever Taobao orders are on the way to my warehouse! Thanks /r/FashionReps for all the useful information you guys post!"²⁴⁸

²⁴⁷ u/oJustin. "r/RepLadies - The Newbie Guide." *Reddit*, 1 Oct. 2020, www.reddit.com/r/RepLadies/wiki/newbieguide.

²⁴⁸ u/esr360. "r/FashionReps - After a Year of Deliberating, My First Ever TaoBao Orders Are on the Way to My Warehouse! Thanks /r/FashionReps for All the Useful Information You Guys Post!" *Reddit*, 27 Dec. 2019, www.reddit.com/r/FashionReps/comments/egczk9/after_a_year_of_deliberating_my_first_ever_taobao/.

Without these guides, many beginners who desire replicas may not even know how to begin the process of finding high quality fakes, and while these websites reduce search costs, the burden of digesting this information remains on the shopper. New members still must read through all of the guides, manage their own communications, and in some instances, fulfill certain requirements to gain full access to the community.²⁴⁹ Thus, this reduction of search costs is a notable hindrance to luxury retailer's attempts to minimize the accessibility of counterfeit goods.

Risk Reduction

Shoppers who complete purchasing a counterfeit item over the internet may be concerned about the risks associated with counterfeit fashion. What if their order never arrives? What if the product arrives and it clearly looks fake? What if they receive the wrong item? Likewise, when it comes to ordering replicas, US legal regimes help generate uncertainty around the shipping and return process. Replica subreddits, however, help mitigate these risks by providing first-hand accounts of user's shopping experiences. All five of the subreddits examined provide a product review process, where members can give feedback on their purchases. The review process typically takes place in three primary ways. Quality Check/Control (QC) is when members analyze photographs posted by an agent to gain feedback from other members about the quality of a product. Legit Check (LC) is when members survey the community to find if a product looks authentic or not.²⁵⁰ Lastly, Guinea Pig (GP) is when someone is the first person to order an

²⁴⁹ r/Repsneakers members must have a certain amount of "karma", which are points earned by positively contributing to the Reddit community. They must gain these points from posting on other subreddits before they are allowed to author any posts on r/Repsneakers.

²⁵⁰ The difference between LC and QC is that LC typically takes place after an item has been received. Members use LC to gauge if their replica can pass as authentic

item from a seller; GPs typically post their product on the page once it's received and illicit feedback from the community. Members can also post general reviews of products after they are received. Similar to other e-commerce websites, the member review process allows users to gather community input when shopping for items.²⁵¹

To encourage members to make QC posts, r/RepLadies has a "Most Valuable Member" (MVM) program. Members receive special "flairs" (special signifiers attached to their username) that denote their helpful contributions to the community. There are three tiers of MVM flairs, each given to users based on the number of high-quality reviews the member has posted to the forum. "High caliber reviews" must meet minimum review requirements, be well formatted, detailed, and accurate.²⁵² The top reviewers are included in the "Most Valuable Reviewer Hall of Fame" and receive a small gift of their choice (passport holders, luggage tags, etc.) from either Louis Vuitton or Celine.

In addition to the product review process, many of the subreddits have trusted vendor lists, which help members find reputable vendors to purchase items from. r/FashionReps' "Trusted Agents" list, for example, includes a list of agents who have been vetted by members of the community. These "dealers" are thought to have repeatedly produced high-quality products. Additionally, their "Trusted Stores" list contains brands that users might want replicas from and links to which vendors sell high quality versions of the replicas. For instance, if someone is interested in Balenciaga replicas, r/FashionReps has 6 trusted vendors who have a reputation for producing good Balenciaga reps.

²⁵¹ u/hyperionfr. "r/FashionReps - [GUIDE] 'Help, I'm New Where Do I Start?'"

²⁵² u/InstantlyCalloutable. "r/RepLadies - Most Valuable Member Rewards and Recognition." *Reddit*, 20 Jan. 2021, www.reddit.com/r/RepLadies/wiki/mostvaluable'.

Offerings by Subreddit

	New Member Guide	FAQ	Trusted Seller/Agent List	Banned Seller/Agent List	Acronym Guide	Discord Server ²⁵³	Discount Codes
r/RepLadies	X	X	X	X	X	X	-
r/Flexicas	-	-	X	-	-	X	X
r/FashionReps	X	X	X	X	-	X	X
r/RepSneakers	X		X	X	X	X	X
r/DesignerReps	-	X	X	X	-	-	-

Table 10: Replica Subreddit Offerings

In addition to maintaining a list of trusted sellers, many of the subreddits also maintain a list of banned sellers. r/RepLadies, for example, has an “Untrustworthy Sellers List” which contains a detailed list of sellers, their contact information (email, WeChat, WhatsApp), and extensive information about their poor track record. r/FashionReps also maintains lists of “Blacklisted Agents” and “Blacklisted Sellers”. Agents and sellers are added to this page for infractions such as sharing customer information, paying users for reviews, security breaches, bad customer service, and poor-quality items.²⁵⁴

The quality control enforcements implemented by the various forums help reduce some of the risk involved with purchasing counterfeit items. While there is still risk associated with purchasing these goods, these mechanisms help users feel more confident that they will be satisfied with their counterfeit purchase

²⁵³ Discord is another community building platform that has the added feature of enabling members to communicate via video chat or voice communications.

²⁵⁴ u/lindLess. “r/FashionReps - Blacklisted Sellers.” *Reddit*, 11 Jan. 2021, www.reddit.com/r/FashionReps/wiki/blacklisted sellers.

Moral Discussions and Community Building

Chapter One highlighted how many luxury companies utilize moral-based arguments to combat counterfeit fashion. Moral campaigns, such as the Comité Colbert's "Real Ladies Don't Wear Fakes" campaign, suggest that individuals interested in high fashion value how they are perceived by others. Since fashionable dress is worn to be seen, women in these communities presumably desire to be viewed "well dressed" and want their sense of style to be respected by their peers. Moral enforcement arguments that suggest that a woman may be ostracized for wearing a fake should only hold weight in instances where A) the community primarily agrees that fakes are immoral/undesirable and B) the woman values her standing within the community. The replica subreddits negate both aspects of this argument by A) suggesting that the fashion community may no longer see fakes as immoral and B) encouraging women to wear fakes in spite of the risk of judgment.

Replica subreddits argue that purchasing a replica is not an immoral act. There are various threads across the five mentioned replica subreddits that discuss the ethical implications of purchasing fake bags, and many users on these threads defend their replica purchases. Popular arguments are that large luxury companies are exclusionary, charge high prices, and have harmful production practices. Some users feel that authentic products lack the high quality and fine craftsmanship marketed to customers. Users wrote that the quality of their fake products was as good as, if not better than the authentic items. These users questioned how luxury fashion corporations could ethically charge such high prices for mediocre quality goods. Conversations like these provide the space for members to rationalize the purchasing of fakes to one another.

These conversations may also have a notable influence on new members, who might have been apprehensive about the ethics of counterfeit fashion before joining the forum. After hearing

the arguments presented, these new members may feel more comfortable pursuing a counterfeit purchase. Users have suggested that the Reddit replica community changed their perspective of fakes. Initially, these members had a negative perception of fake goods, assuming that they were poor quality and that it was more ethical to purchase directly from retailers. However, after joining these communities and purchasing fakes themselves, their viewpoints on fakes changed. For example, one member of r/RepLadies wrote, “[after purchasing replicas] my eyes were opened. I realize craftsmanship and quality does not equal high price tags. You can get both without buying into (and paying for) the marketing campaign and the luxury house's manufactured class structure... Knowing reps can = quality was an eye opener for me and it changed my perspective.”²⁵⁵ Another member similarly wrote “My outlook on reps have completely changed after joining this subreddit because reps truly have a sophistication and quality to them.”²⁵⁶

The communal aspect of these subreddits also create a space for members to feel encouraged and supported against those who still look down upon replica wearers. One member of r/RepLadies, for instance, asked the group “Is anyone else ever embarrassed to show off their rep collection?” The group had active discussion and a variety of viewpoints were represented. Notably, multiple members of the group went out of their way to insist that they are not embarrassed by carrying fakes. RepLadies user u/ilove6kies wrote “Haha....I remember wearing my authentic vintage Chanel few years back and two women behind me said loudly so I could hear that they knew it was fake. I just smiled. There will always be nosy b!tches who don't know

²⁵⁵ u/sdatty. “r/RepLadies - Has Joining This Community Changed Your Perception on Reps?” *Reddit*, 1 Jan. 2021, www.reddit.com/r/RepLadies/comments/ko93v9/has_joining_this_community_changed_your/.

²⁵⁶ u/xforeverlove22. “r/RepLadies - Has Joining This Community Changed Your Perception on Reps?” *Reddit*, 1 Jan. 2021, www.reddit.com/r/RepLadies/comments/ko93v9/has_joining_this_community_changed_your/.

anything about me and make up their assumption. To quote Samantha Jones “if I worry about what every b!tch says about me, I’d never leave the house!”²⁵⁷ Such affirmation may help shoppers feel more comfortable with their decision to purchase a fake bag.

As replica subreddits increase their membership each year, these communities have the ability to influence the way fashion shoppers view counterfeit goods. By providing purchase information, reducing search costs, and minimizing the uncertainty involved in the replica buying process, these groups make it easier for new members to purchase fake goods. Likewise, the community building aspect allows members to combat moral arguments against fakes. Members are able to see that many other fashion lovers do not look down at fake goods. Vocal members educate the community about the (arguably) superior quality of replicas and suggest that purchasing from luxury brands could be even more unethical than buying fakes. These discussions have the ability to shift industry perception of luxury brands. One member of r/RepLadies wrote “I feel like I used to really look down on reps. But now I kind of look down on luxury brands.”²⁵⁸

²⁵⁷ r/RepLadies. “r/RepLadies - Daily OOTD & General Discussion Thread - May 17, 2020.” *Reddit*, 2020, www.reddit.com/r/RepLadies/comments/gldotj/daily_ootd_general_discussion_thread_may_17_2020/fqwwxux/?utm_source=share&utm_medium=web2x.

²⁵⁸ u/bbybbby. “r/RepLadies - Has Joining This Community Changed Your Perception on Reps?” *Reddit*, 1 Jan. 2021, www.reddit.com/r/RepLadies/comments/ko93v9/has_joining_this_community_changed_your/.

II.V | CONCLUSION

Online brand communities provide resources that both help and hinder the asymmetric information problem faced by luxury shoppers. The authentication services and seller/platform policing provided by anti-replica communities help customers gain more information about the quality of the items in circulation, thus allowing them to buy secondhand luxury items with more confidence. Gatekeeping systems and group discussions surrounding the ethics of counterfeiting discourage customers from purchasing counterfeit goods. While these systems appear to help luxury firms combat counterfeiting, replica subreddits exist in contrast to the anti-replica communities. These groups similarly help members feel comfortable about purchasing replicas by providing in-depth guides, the policing of sellers, and discussions that justify counterfeit purchases.

Online brand communities radically alter the dynamics of the replica market. The authentication services provided by forums, Facebook groups, and brand-focused subreddits reduce the amount of asymmetric information between buyers and sellers. As group members find and report counterfeit products, secondhand platforms use this information to reduce the number of replicas on their websites. Working to eliminate the “lemons” from secondhand platforms and shun replica shoppers from their community, authentication-focused OBCs create a divide between the secondhand authentic and replica markets. The separate market for replicas is “governed” by OBCs, such as the subreddits explored in this chapter, and legitimized by the growth of community membership.

OBCs also highlight competing notions of authenticity. For authentication focused OBCs, shoppers view authentic purchases as morally superior to replicas. Authentic goods are legitimized by their high craftsmanship and brand-names. Replica communities, however, legitimize the market for counterfeits by suggesting that the qualities valued by authentic customers can be found in counterfeit goods as well. Members of these communities suggest that replica products contain the benefits of luxury goods without being attached to immoral marketing practices. In these groups, real women do wear fakes.

CHAPTER THREE

strategies for the future

The problem of asymmetric information is directly tied to the markets for both new and used items. Consumers of authentic items look to the secondhand market for indication of the value of their goods. As Julie Wainwright, CEO of The RealReal, stated, luxury shoppers “tend to buy things that they know they can resell.” As fraudulent sellers continue to crowd the secondhand market, luxury shoppers will continue to watch the secondhand market, remaining “conscious of what resell value is” for their favorite brands. Secondhand shoppers will continue to search for reliable platforms and as seen in the previous chapter, OBCs will be a space for customers to obtain information about the quality of sellers, the reliability of platforms, and the authenticity of the goods they hope to purchase. The identification and regulation of counterfeit sellers organized by these groups function as a means of extralegal governance in the industry.

Even with brand focused OBCs providing important sources of information to consumers, counterfeits remain easy to produce and are becoming harder to distinguish. Thus, luxury firms must continue to invest resources into securing customer trust and giving shoppers incentives to purchase authentic goods.

LVMH’s partnership with ConsenSys and Microsoft could be the solution to the industry’s counterfeit problem. While OBCs and third-party authenticators currently give customers information on the quality of goods by providing “authentications”, these services are unregulated and largely unverified by the brands. Outside of these services there are no streamlined systems in place to track authentic products throughout their lifetime. Blockchain technology would allow “companies to track the entire provenance of their products...from

source to sale.”²⁵⁹ Each luxury good would be given a unique token; customers would be invited to log onto the brand’s website and claim ownership of the physical item through the token attached to it. If down the line the consumer chooses to sell the product, the digital token could be officially transferred to another user.²⁶⁰ By connecting the physical world to the digital world, blockchain technology allows brands to create a “digital twin” of the physical good. All authentic items would be tracked on the official ledger; thus, counterfeit goods would be easily detectable, as none of them would be registered on the website.

Once fully implemented, blockchain technology would make it easy for all consumers to know the authenticity of all newly produced items. Specialty secondhand retailers could require all sellers to provide access to the blockchain ledger before accepting their goods for resale. Likewise, even platforms like eBay could require access before allowing sellers to post a good.

While blockchain would fix the asymmetric information between buyers and sellers for markets with relatively new styles, it is currently unclear how brands would retroactively be able to apply the technology to goods currently in circulation. Likewise, the LVMH project is still in development, and it may be a few more years before the industry sees its widespread impact. Thus, luxury firms must continue to evaluate their extralegal enforcement strategies until the blockchain can be implemented.

This chapter provides recommendations to luxury brands for how they can expand upon their current enforcement strategies, given the role that OBCs play in both hindering and helping consumers make counterfeit purchases. The first two sections explore strategies that luxury brands should implement to gain the trust of shoppers who hope to purchase authentic goods.

²⁵⁹ ConsenSys, “Blockchain in Retail Fashion and Luxury.” *ConsenSys*, consensys.net/blockchain-use-cases/retail-fashion-and-luxury/.

²⁶⁰ ConsenSys, “Blockchain in Retail Fashion and Luxury.”

Brands should invest in OBCs and the secondhand market. The third portion of this chapter argues that luxury brands should also work to capture consumers in the replica market. Given informal survey information from members of the r/RepLadies forum, firms should conduct further research to understand the motivations that drive replica customers.

III.I | BUILDING RELATIONSHIPS WITH ONLINE BRAND COMMUNITIES

Chapter Two found that online brand communities on Reddit, Facebook, and PurseForum have created mechanisms to deter consumers from purchasing counterfeit goods. While luxury shoppers face asymmetric information about the quality of goods available on the market, these groups provide resources and authentication services that help give customers information, thus decreasing the risks involved in purchasing secondhand goods. Luxury brands have yet to formally acknowledge how these groups work to resolve the asymmetric information problem. Luxury firms should build formal relationships with their OBCs. This would allow them to deepen connections with customers and draw attention to the groups. Increased community membership would lead to more customers having access to this risk-reducing information.

Discount Codes and Incentives

Brands should provide product incentives to active members of OBCs. Rewarding positive contributions, such as providing free high-quality authentications, would encourage members to contribute positively to the community and fuel the longevity and success of these communities. Increased accessibility of accurate authentications would give more prospective shoppers information about the quality of goods, resulting in less asymmetric information between buyer and sellers.

In replica communities, rewards programs encourage members to provide the community with information that reduces the risks associated with purchasing replicas. r/RepLadies, for example, has the RepLadies Reviewer Rewards Program where users who regularly provide valuable information about the quality of replicas are named MVRs (Most Valuable Reviewers) and are rewarded with designer replicas. Three members have provided over 20 valuable reviews to the community and are included in the Reviewer Hall of Fame.²⁶¹ One member, u/lamebbqudk, was named the Most Valuable TaoBao Finds Contributor and received over 100 comments from members thanking her for the information she provided.²⁶²

Luxury firms should support the creation of similar rewards programs in the anti-counterfeit communities. Anti-replica OBCs should offer product-based incentives to top authenticators. Given the success of these programs in replica communities, these programs would similarly incentivize anti-replica members to provide multiple high-quality authentications. These offerings would help reduce the asymmetric information between buyers and sellers by increasing consumer access to information.

Exclusive Collections

In addition to incentivizing meaningful contributions to the community, luxury brands should work to increase community membership. Increased membership would provide more

²⁶¹ u/ InstantlyCalloutable. "r/RepLadies – Most Valuable Member Rewards and Recognition." *Reddit*, 20 Jan. 2021, www.reddit.com/r/RepLadies/wiki/mostvaluable.

²⁶² u/ pancake_puffin. "r/RepLadies – Most Valuable Taobao Finds Contributor - u/lamebbqudk ." *Reddit*, 17 Aug. 2018, https://www.reddit.com/r/RepLadies/comments/983ezw/most_valuable_taobao_finds_contributor/

consumers with access to product information. Pop-up collections could help brands draw attention to their brand communities

Pop-up shops are limited run special collections sold by brands. Typically pop-ups take place in temporary physical location. The unique and limited nature of the events function as a guerilla marketing tactic and allow brands capture the attention of consumers. Luxury brands have successfully used pop-ups to draw



Figure 18: Diesel Authentic Fake Products

attention to their brands and some of these pop-ups have been used to address the counterfeit industry specifically. In 2018, Diesel opened a pop-up shop in New York City, where they sold authentic “fake” goods. The campaign, titled “Go with the Fake”²⁶³ included a slew of “fake” Diesel products (with Diesel spelled as Deisel). The pop-up store gained notable attention from the industry, bringing awareness to both the Diesel brand and the industry’s counterfeit problem. The campaign was so popular that after the pop-up items were resold on eBay for a premium.²⁶⁴

Given the impact of OBCs (and the reality that in-person pop-ups are currently unfeasible), luxury brands should open a virtual pop-up collection in one of the OBCs. A brand like Gucci could go into the PurseForum, for example, and release a link to a special collection of limited-edition items. Firms could also give members a link that provides exclusive access to

²⁶³ Bezamat, Bia. “Diesel Pop-up Sells Limited Edition ‘Fakes’ as Part of SS18 Campaign.” *Current Daily*, 13 Feb. 2018, thecurrentdaily.com/2018/02/13/diesel-pop-sells-fakes/.

²⁶⁴ Nudd, Tim. “How Diesel Disarmed the Enemy With Its Own Brilliant Knockoff Store.” *Muse by Clío*, 6 Jul 2018, <https://musebyclio.io/fashion-beauty/how-diesel-disarmed-enemy-its-own-brilliant-knockoff-store>.

events, such as a virtual runway show. The link would likely get shared outside of the forum, generating publicity for both the brand and the group. As more consumers learn about these communities, these shoppers would be introduced to the variety of resources provided. For prospective secondhand shoppers, these resources could decrease risks involved with purchasing fakes while increasing their expected utility from purchasing authentic goods.

An exclusive collection released in an OBC would also make customers feel more connected to the brand. One of the main purposes of an OBC is to connect people who have a shared love for a brand. These groups make customers feel excited about the products brands are releasing and provide avenues to help members navigate different retail channels. By highlighting these communities, brands would legitimize the discussions and services taking place. This legitimization would deepen the connection between the brand and its customers.

The information provided by anti-replica communities plays a crucial role in maintaining consumer trust in the secondhand industry. Luxury brands should be invested in the continued success and growth of these communities. By providing product incentives and releasing exclusive content on the platforms, luxury brands can incentivize members to maintain the quality of the group and draw attention to the communities while increasing group membership.

III.II | PARTNERSHIPS AND INVESTMENTS IN THE SECONDHAND INDUSTRY

Luxury brands concerned about the rise of high-quality counterfeit goods should also focus their attention to the secondhand industry. As showcased in the first chapter, the problem of asymmetric information is particularly relevant in the market for secondhand luxury goods, where counterfeit sellers have incentives to pass their items off as authentic. Customers seeking authentic used goods are at risk of accidentally purchasing fake goods, which may lead shoppers to

leave the market altogether. Given the increasing number of fakes online, luxury brands need to turn their attention toward the growing secondhand market.

The market for secondhand fashion is experiencing significant growth. In their 2020 annual report, ThredUp found that “In 2019, resale grew 25 times faster than retail—and what is now a \$28 billion secondhand-apparel market will more than double to an astonishing \$64 billion by 2024.” Likewise, in February 2021, the Boston Consulting Group found that the resale of apparel, footwear and accessories is a \$30-\$40 billion business worldwide and growing at 15-20% per year.”²⁶⁵ Resale is also an important point of entry for new shoppers. Trove found that 1 in 4 millennials experience luxury brands for the first time through resale purchases.²⁶⁶

Luxury brands should work to reduce the risks of purchasing used goods that are caused by high quality counterfeits. Through building strategic partnerships, embarking on new investments, and building branded secondhand experiences, luxury brands can both reduce the risks associated with secondhand retailers that are exaggerated by high quality fakes and build deeper relationships (and thus build brand loyalty) with their customers.

Investing in Authentication

Chapter Two found that authentication services offered by OBCs and independent authenticators reduce the risks involved in secondhand shopping. These services help customers before, during, and after the shopping process, providing an avenue for customers to feel more confident in their secondhand purchase. While third party authentication services provide

²⁶⁵ Yaeger, Lynn. “From The RealReal to Rebag, Unpacking the Rise of Resale.” *Vogue*, 10 Feb. 2021, www.vogue.com/article/the-rise-of-reseale.

²⁶⁶ Whiting, Anne. “Trove: The Resale Generation Is Here.” *SynZenBe*, 26 May 2020, www.synzenbe.com/blog/trove-the-resale-generation-is-here-1013/1013.

customers with more information about the quality of the goods on that the market, customers still may receive inaccurate authentications. As seen in the Reddit, Facebook, and Purse Forum communities, many authenticators are self-appointed “experts” who have spent self-studying luxury goods. There lacks, however, a centralized form of expert credentialization with the fashion industry. By investing in independent authentications, luxury brands could reduce some of the asymmetric information in the industry by increasing customer trust in authentication services. This would decrease the risk of accidentally purchasing a fake and increase the expected value of purchasing a secondhand good.

Currently, luxury brands do not formally provide product authentication services. Sales associates at top luxury houses are forbidden from providing opinions on the authenticity of products.²⁶⁷ Given that employees do not receive formal authentication training, their lacks official customer-facing resources available for potential secondhand shoppers. Brand-backed authentication could be a large step for the luxury fashion industry in reducing the information asymmetry between secondhand buyers and sellers. While the members of the OBCs explored recommend and “endorse” certain authenticators, luxury brands could give their official support to authenticators deemed to have particularly good track records. This information would reduce search costs for customers.

Brands could support third party authentication in two ways: by endorsing specific independent authenticators or investing in paid authentication platforms. Branded support of specific authenticators active in OBCs would give brands a chance to build a connection to some of its loyal customers. Someone who takes the time to learn how to authenticate a brand’s goods

²⁶⁷ Closet Full Of Cash. “Your SA Is Wrong.” *Closet Full Of Cash*, 29 Mar. 2017, closetfullofcash.com/your-sa-is-wrong/.

likely has a deep appreciation for that brand. It would likely mean a lot, from both a financial and emotional perspective, to receive recognition from that brand. Pulling authenticators directly from popular OBCs would be a way for brands to reach out to their fans and acknowledge the importance of communities that shoppers have formed.

The endorsement of independent authenticators, however, may cause a few problems for brands. First, brands would have to take the time to identify the specific users they want to endorse. Luckily, the online brand communities explored in this paper already have systems in place to filter out low-skilled authenticators. Still, once the users were identified, what would branded endorsement look like? Perhaps brands could organize a formal program where users can become trained and officially certified as authenticators. While this seal of approval would likely have the greatest influence on customer trust, hosting a certification program runs the risk of someone going through the program, defecting and then using their skills to produce even higher quality replicas. Firms would have to balance giving users enough knowledge that they can properly authenticate items but not so much knowledge that they could go produce their own super fakes.

In addition to providing credentialization, luxury brands should financially invest in third party authentication platforms. LVMH was one of the first luxury brands to invest in authentication-focused startups. In 2019, LVMH invested in Entrupy as part of their *La Maison des Startups* competition.²⁶⁸ Entrupy is an on-demand authentication service that allows users to scan items using their mobile phones. The service uses artificial intelligence in order to examine the goods and provide a rating of authentication. The platform was used by Nordstrom when they

²⁶⁸ Roshitsh, Kaley. "Entrupy Authentication Solution Selected for LVMH Accelerator." *WWD*, 11 Sept. 2019, wwd.com/business-news/technology/entrupy-authentication-1203274760/.

launched their See You Tomorrow secondhand retail shop. Since their launch, Entrupy has authenticated \$350 million worth of merchandise.²⁶⁹ In 2019, \$92 million worth of merchandise was scanned by users with almost 10% of the items being marked as unidentifiable (not authentic). As a winner of the *La Maison des Startups* competition, Entrupy received access to an LVMH funded workspace (Station F) as well as six months of training, mentorship, and networking opportunities.²⁷⁰ Brand endorsement of platforms like Entrupy help customers identify websites that provide high quality authentications.

Potential Investment: Legit Grails

LegitGrails is an online platform that provides authentication of luxury and streetwear items. Their authentication department is broken into teams based on categories (luxury, streetwear, and “hype”²⁷¹). Team members are “professionally trained” in product authentication, with many members owning their own resale shops.²⁷² Luxury brands should consider investing in or partnering with this platform, as they have strong connections with OBCs and provide a robust authentication and refund services.

The LegitGrails team has integrated the knowledge and expertise of online brand communities into their business plan. LegitGrails has direct ties to some of the OBCs explored earlier in the previous chapter. The team uses both Reddit and online forums to recruit members of their authentication teams. Tyrone Ray, the head of LegitGrail’s “hype team” stated: “I used

²⁶⁹ Entrupy. “Entrupy State of Fake.” *Entrupy*. 2020, <https://www.entrupy.com/state-of-the-fake-2020-report/>.

²⁷⁰ Entrupy. “Entrupy Selected to Participate in LVMH Accelerator Initiative.” *Entrupy*. 11 Sep 2019, <https://www.entrupy.com/entrupy-lvmh-la-maison-des-startups/>.

²⁷¹ “Hype” products include items like Yeezy, Jordan and Cactus. Luxury team includes items like Louis Vuitton and Gucci, and streetwear includes items like Supreme.

²⁷² LegitGrails. “Why LegitGrails?” *LegitGrails*, legitgrails.com/pages/why-legitgrails.

to help a lot of people authenticate their items on an online forum platform. This is where LegitGrails noticed me, reached me out and offered to be a part of the team.”²⁷³ By recruiting members from OBCs, the LegitGrails team is able to keep a pulse on customer sentiments and industry trends. Team members also use replica subreddits as a means of product education. On their site, the team states: “We follow the latest news in the replica fashion to expand our knowledge about the emerging fake manufacturers”²⁷⁴

LegitGrails also has authentication offerings that could easily be supported by brand endorsement. The team provides quick product authentications, with many items authenticated in 24 hours or less. Like many of the other authentication services available, LegitGrails customers can receive a certificate of authentication which can be used to obtain refunds or be attached to goods before resale. LegitGrails also provides refund consultancy, where for \$30 customers are matched with a consultant to help them receive refunds for accidental fraudulent purchases. They provide authentication documents to verify the fraudulent nature of the item and provide step-by-step support for customers as they communicate with the retailers or the payment institution involved in the transaction. The website boasts an 86% rate of success for users who went through the refund process using their services.

Luxury firms would benefit from collaborating with a company like LegitGrails that already has strong authentication offerings and connections to its relevant brand communities. A financial endorsement of the platform would signal to customers that they should feel confident about using LegitGrail’s services to navigate the secondhand market.

²⁷³ LegitGrails. “The Hype Team.” *LegitGrails*, legitgrails.com/products/the-hype-team.

²⁷⁴ LegitGrails. “The Streetwear Team.” *LegitGrails*, legitgrails.com/products/the-streetwear-team

Secondhand Retailer Collaborations

In addition to investing in third party authentication, luxury firms should also look at secondhand retailers as an investment and collaboration opportunity. While many customers may face uncertainty regarding the reliability of secondhand retailers, brand endorsements of platforms would help consumers feel more confident about the quality of products available on the websites. Some luxury brands have already seen success from collaborating and investing in secondhand retail. Other brands should take note and explore this opportunity.

Stella McCartney, Burberry, and Gucci have worked to increase consumer trust in secondhand marketplaces by partnering with The RealReal. Stella McCartney collaborated with The RealReal in 2017. Customers who consigned a Stella McCartney item received a personal promotional code for \$100 of their next Stella McCartney purchase.²⁷⁵ The program was thought to be a success; according to a spokesperson from The RealReal, “The number of Stella consignors grew by 65% after their relationship was announced, and the number of items recirculated through the resale platform increased by 74%.”²⁷⁶ As of March 2021, Burberry is currently partnering with The RealReal and incentivizing customers to donate items. Customers who donate an item before April 2021 will receive an invitation for personalized styling and a British High Tea experience at Burberry stores.²⁷⁷²⁷⁸

²⁷⁵ The RealReal. “Stella McCartney x The RealReal.” *The RealReal*, promotion.therealreal.com/stellamccartney/.

²⁷⁶ Danziger, Pamela N. “What Is Really Driving The RealReal's New Partnership With Burberry.” *Forbes*, *Forbes Magazine*, 7 Oct. 2019, www.forbes.com/sites/pamdanziger/2019/10/07/circular-fashion-is-not-whats-most-important-about-burberry-partnering-with-the-realreal/?sh=4907ecf06f53.

²⁷⁷ The RealReal. “The RealReal x Burberry.” *The RealReal*, promotion.therealreal.com/burberry/.

²⁷⁸ McDowell, Maghan. “Burberry's Partnership with The RealReal Signifies a Real Shift.” *Vogue Business*, *Vogue Business*, 7 Oct. 2019, www.voguebusiness.com/companies/burberrys-partnership-realreal-secondhand.

In 2020, Gucci also launched a special partnership with The RealReal, in which Gucci released specially curated pieces on the platform.²⁷⁹ Gucci incentivized shoppers to purchase the secondhand items on the platform. For every item purchased Gucci planted a tree, collaborating with the non-profit One Tree Planted.²⁸⁰ The Gucci partnership was particularly unique in that Gucci directly contributed items to the collaboration.²⁸¹ Similarly, the Gucci partnership enabled the brand both to show support of The RealReal's process and reward secondhand shoppers with access to exclusive material (which is one way of deepening their relationship with secondhand shoppers). The RealReal reported that the demand for secondhand Gucci items grew 19% between 2019 and 2020.²⁸²

Alexander McQueen's collaboration with Vestiaire Collection is another exemplary program. In February 2021, McQueen launched a program with Vestiaire Collection called "Brand Approved". The firm incentivizes customers to donate garments through providing in-store credit as well as assists TRR with the authentication of items.²⁸³ Putting McQueen at the helm of the authentication process, the site creates a special market of items by identifying pieces inspected by the brand.²⁸⁴ With more brand endorsement of secondhand goods, the expected probability of accidentally receiving a fake should trend towards zero, allowing customers to feel more confident about the quality items being sold.

²⁷⁹ Gucci Equilibrium. "The RealReal x Gucci Promotes Circularity Fashion." *Gucci Equilibrium The RealReal x Gucci Promotes Circularity Fashion Comments*, 10 May 2020, equilibrium.gucci.com/the-real-real/.

²⁸⁰ Ibid.

²⁸¹ Farra, Emily. "Gucci and The RealReal Announce a Game-Changing Partnership." *Vogue*, 5 Oct. 2020, www.vogue.com/article/gucci-the-realreal-partnership-secondhand-consignment.

²⁸² Zargani, Luisa. "Gucci Partners with The RealReal". *WWD*, 5 Oct 2020, <https://wwd.com/fashion-news/designer-luxury/gucci-the-realreal-1234618857/>.

²⁸³ Farra, Emily. "What Does Kering's Deal With Vestiaire Collective Mean For Secondhand Fashion & The Entire Industry?" *British Vogue*, 10 Mar. 2021, www.vogue.co.uk/fashion/article/kering-vestiaire-collective.

²⁸⁴ Yotka, Steff. "Alexander McQueen Launches a Buy-Back Program with Vestiaire Collective." *Vogue*, 16 Feb. 2021, www.vogue.com/article/alexander-mcqueen-launches-a-buy-back-program-with-vestiaire-collective.

Luxury brands are directly investing in popular secondhand platforms as well. In 2019, Neiman Marcus acquired a minority stake in Fashionphile, a luxury resale platform. The investment has enabled Fashionphile to open physical retail locations in Neiman Marcus stores²⁸⁵, allowing them to achieve pre-pandemic sales in 2020.²⁸⁶ In March 2021, Kering announced that they had taken a 5% minority stake in luxury secondhand retailer Vestiaire Collection, investing \$216 million in the platform.²⁸⁷ The investment brought Vestiaire's valuation to over \$1 billion.²⁸⁸

As customers faced with asymmetric information search for indicators of quality, partnerships and investments in secondhand spaces is a way for luxury brands to signal the reliability of selected secondhand platforms to customers. Luxury brand investments and partnerships have already begun to help the secondhand industry, but there is still space for more collaborations in the future.

Branded Recommerce

Another way to minimize asymmetric information between sellers and buyers in the industry is for luxury brands to oversee the selling of secondhand goods themselves. Doing so would allow brands to create a space where customers could feel confident in the quality of items

²⁸⁵ Fashionphile. "What benefits does the Neiman Marcus Partnership bring to FASHIONPHILE customers?" *Fashionphile*. <https://help.fashionphile.com/s/article/What-benefits-does-the-Neiman-Marcus-Partnership-bring-to-FASHIONPHILE-customers>.

²⁸⁶ Davis, Dominic-Madori. "How a luxury e-commerce founder continued a key partnership with Neiman Marcus throughout the pandemic, while leaning into a socially distanced business model." *Business Insider*, 18 Nov. 2020, <https://www.businessinsider.com/fashionphile-ceo-talks-partnership-with-neiman-marcus-pandemic-2020-10>.

²⁸⁷ Kering. "Vestiaire Collective Announces a New €178m (US\$ 216m) Financing Round Backed by Kering and Tiger Global Management to Accelerate Its Growth in the Second-Hand Market and Drive Change for a More Sustainable Fashion Industry." *Kering*, 1 Mar. 2021, www.kering.com/en/news/vestiaire-collective-announces-a-new-eur178m-us-216m-financing-round-backed-by-kering-and-tiger-global-management-to-accelerate-its-growth-in-the-second-hand-market-and-drive-change-for-a-more-sustainable-fashion-industry.

²⁸⁸ Farra, Emily. "What Does Kering's Deal With Vestiaire".

for sale. By managing the supply chain, brands, the perceived experts on authenticity, would help filter counterfeit goods out of the market.

Brand management of secondhand goods could take two forms. One option is for brands to sell the secondhand goods as a special collection alongside other new items. Alternatively, luxury houses could create and manage their own secondhand focused platforms. The latter option could be ideal for multi-brand luxury houses who could create one platform where items from all of their brands are resold. In both cases, firms could charge a premium to customers and in return provide guaranteed authentic used goods. Richard Kestenbaum (the man who accidentally purchased a \$3,000 fake Dior bag from The RealReal) wrote about the benefits of brand-supported authentication, stating “All other things being equal, it’s more comforting to a consumer to buy from a reseller where the brand implicitly endorses the authentication. Leveraging a brand’s authentication knowledge is also a great way to reduce authentication costs and build a sustainable resale business.”²⁸⁹

Not only would firm-controlled secondhand give shoppers confidence about the authenticity of used items; this venture would also allow firms to create branded secondhand shopping experiences. One of the reasons that customers buy new luxury goods is that luxury brands provide unique and emotional shopping experiences.²⁹⁰ By managing their own used items, luxury firms would be able to provide a unique shopping experience to secondhand seekers. The introduction of branded secondhand shopping would also allow them to deepen

²⁸⁹ Kestenbaum, Richard. “The RealReal Is Still Battling Fakes. It Won’t Be Easy To Get It Right.” *Forbes*, Forbes Magazine, 22 Feb. 2021, www.forbes.com/sites/richardkestenbaum/2021/02/22/the-realreal-is-still-battling-fakes-it-wont-be-easy-to-get-it-right/?sh=32e12c081cff.

²⁹⁰ Makkar, Marian, and Sheau-Fen Yap. “Emotional Experiences behind the Pursuit of Inconspicuous Luxury.” *Journal of Retailing and Consumer Services*, vol. 44, Sept. 2018, pp. 222–234, doi:10.1016/j.jretconser.2018.07.001.

their relationships with their customers and increase brand loyalty. According to Luca Solca, managing director of luxury goods at Sanford C. Bernstein Schweiz, providing these experiences would allow brands to “further strengthen control on brand deployment.”²⁹¹ Branded luxury shopping experiences would strengthen the appeal of purchasing secondhand goods and provide customers with an incentive to seek authentic goods.

While the top luxury houses have yet to fully embrace secondhand retailing, many leaders in the fashion industry have begun to explore the secondhand market. In January 2020, Nordstrom launched “See You Tomorrow”, a “resale experience” at their New York City Flagship Store.²⁹² Customers could bring their gently used items to the store to receive Nordstrom Gift cards. The items were cleaned and resold at both the NYC flagship and online on special section of the Nordstrom website.²⁹³ Farfetch similarly expanded their product offerings to include the secondhand market. In November 2020 Farfetch launched Second Life, a program that similarly allows customers to trade in their used items for store credit.²⁹⁴

Fashion brands are already achieving success by expanding to branded recommerce. Eileen Fisher, Patagonia, Levi’s and REI are a few of the fashion companies that use Trove, a startup that manages secondhand resales for fashion brands.²⁹⁵ The company employs a four-step process. First, secondhand items are shipped to Trove, who receive, clean, repair and photograph each good. Then, Trove rates the condition of the garment, authenticates it and then values it for

²⁹¹ McDowell, Maghan. “Burberry's Partnership”

²⁹² Chen, Cathaleen. “Nordstrom Launches Secondhand Clothing Sales.” *The Business of Fashion*, The Business of Fashion, 29 Jan. 2020, www.businessoffashion.com/articles/retail/nordstrom-launches-secondhand-shop-online-and-in-new-york-store.

²⁹³ Nordstrom. “Nordstrom Enters the Resale Market.” *Nordstrom*, 31 Jan. 2020, press.nordstrom.com/news-releases/news-release-details/nordstrom-enters-resale-market.

²⁹⁴ Hyland, Véronique. “Why Farfetch Wants to Give Your Designer Bag a Second Life.” *ELLE*, ELLE, 18 Nov. 2020, www.elle.com/fashion/a34701425/farfetch-second-life-launch/.

²⁹⁵ Makower, Joel. “How Yerdle Helps Patagonia, REI and Eileen Fisher Do 'Recommerce'.” *Greenbiz*, 6 June 2018, www.greenbiz.com/article/how-yerdle-helps-patagonia-rei-and-eileen-fisher-do-recommerce.

resale. After the product is set to be sold, the item is listed on each brand’s unique reselling platform (or placed in stores). After the item is purchased, Trove collects customer data on purchase, and presents the information to each brand. Trove has raised \$45 in funding from both VC funds and brands like Hermès.²⁹⁶ It is exploring partnerships with 15 new brands and are expected to make \$40 million in revenue in 2021.²⁹⁷

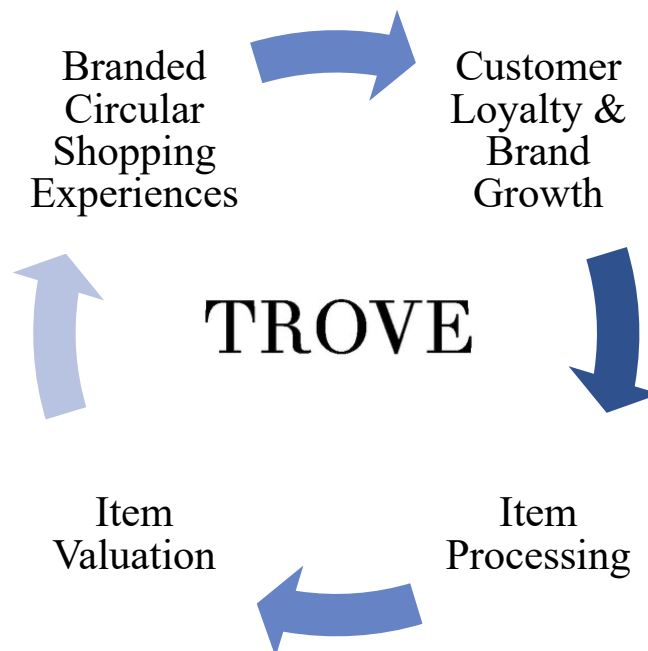


Figure 19: Trove Resale Cycle

Since launching their Renew program in 2009, Eileen Fisher has collected over 1.5 million garments.²⁹⁸ In 2018, the Renew program brought in “\$3 million of the company’s \$450

²⁹⁶ Debter, Lauren. “Gold In Your Closet: The Startup Helping Patagonia and Levi’s Cash In On The Resale Boom.” *Forbes*, 3 Feb. 2021, <https://www.forbes.com/sites/laurendebter/2021/02/03/gold-in-your-closet-the-startup-helping-patagonia-and-levis-cash-in-on-the-resale-boom/?sh=63f6cfc71758>.

²⁹⁷ Ibid.

²⁹⁸ Anderson, Deonna. “Circular business model lessons from IKEA, REI, and Eileen Fisher.” *GreenBiz*, 26 Feb. 2021, <https://www.greenbiz.com/article/circular-business-model-lessons-ikea-rei-and-eileen-fisher>

million in annual sales.”²⁹⁹ By 2019, the program had done over \$10 million in total sales.³⁰⁰

Since launching their recommerce platform Worn Wear in 2017, Patagonia has gained over 150,000 Instagram followers.³⁰¹ Andy Ruben, founder and CEO of Trove elaborated on Patagonia’s success: “[Through Worn Wear] Patagonia gets additional revenue at a good margin. They get new customers. They get amazing brand loyalty.”³⁰²

Luxury brands have acknowledged that the resale market is a potentially lucrative opportunity for expansion. Robert Triefus, EVP of Brand and Customer Engagement for Gucci, admitted that Gucci has not yet ruled out selling used merchandise through their own channels. Triefus told *Vogue* that “[Gucci is] constantly thinking about how to enhance the life cycle of our product—and we are the best equipped to do it, since we can repair, renew, and ensure authenticity.”³⁰³ By taking the risk and opening up a secondhand channel, brands will be able to manage their customer’s secondhand shopping experience, provide the most reliable authentication, and gain direct sales from the resale market.

²⁹⁹ Engel, Allison and Margaret Engel. “Eileen Fisher wants those close back when you’re done” *The Washington Post*, 31 Aug. 2018, https://www.washingtonpost.com/business/economy/eileen-fisher-wants-those-clothes-back-when-youre-done/2018/08/31/cd873aea-ac58-11e8-b1da-ff7faa680710_story.html

³⁰⁰ Friedman, Arthur. “Renew by Eileen Fisher Aims for 100 percent Garment Recycling.” *Sourcing Journal*, 21 Jan. 2019, <https://sourcingjournal.com/topics/sustainability/renew-eileen-fisher-garment-renewable-135742/>.

³⁰¹ Wornwear. “Wornwear”. *Instagram*, <https://www.instagram.com/wornwear/>

³⁰² Danziger, Pamela. “How Patagonia, REI And Eileen Fisher Are Using Secondhand Sales To Get More New Customers.” *Forbes*, 10 Jun. 2019, <https://www.forbes.com/sites/pamdanziger/2019/06/10/how-patagonia-rei-and-eileen-fisher-are-using-second-hand-sales-to-make-more-new-sales-and-customers/?sh=3d0e620d5272>.

³⁰³ Yaeger, Lynn. “From The RealReal to Rebag, Unpacking the Rise of Resale.” *Vogue*, 10 Feb. 2021, www.vogue.com/article/the-rise-of-reseale.

Conclusion

In general, given that firms need to resolve some of the asymmetric information in the industry in order to retain luxury customers, the secondhand market is a space worth investing capital. The endorsement of independent authenticators and secondhand platforms will allow firms to reduce some of the quality uncertainty faced by prospective customers, thus increasing the expected utility of purchasing secondhand goods relative to the counterfeits. In addition to focusing on preexisting businesses, luxury firms enter the secondhand market and provide a branded recommerce experience to customers. All of the options presented above will enable firms to build consumer confidence in the resale market.

III.III | ADDRESSING THE REPLICA MARKET

Chapter Two set out to determine if online brand communities influenced consumer sentiments regarding counterfeit goods. While multiple communities have created systems to encourage authentic purchases, Reddit is also home to robust replica communities that enable the consumption of counterfeit goods. Luxury brands should use this information to deepen their understanding of the counterfeit market. Brands should be asking themselves: who are the buyers, where are the transactions taking place, and how can we capture (or recapture) these consumers?

Some preliminary answers to these questions can be found in r/RepLadies. In November 2019, a member of the community started a thread called “Repfinance” where she asked users about their profession, annual household income, frequency of replica purchases, and primary motivations for purchasing counterfeit goods. 38 users provided answers to some or all of the questions. An exploration of these responses can provide preliminary insight into the replica

market. This section presents a summary of the information presented on the thread as well as suggestions for how luxury brands can utilize these findings for future research.

User Responses

Thirty-eight users provided answers to the initial thread. Users came from a variety of professions, ranging from stay-at-home mom, to software engineer, to vice president of a company. Annual earnings ranged from \$10,000 to approximately \$1,000,000.³⁰⁴ Almost one-third (13/38) of the respondents made under \$62,000.

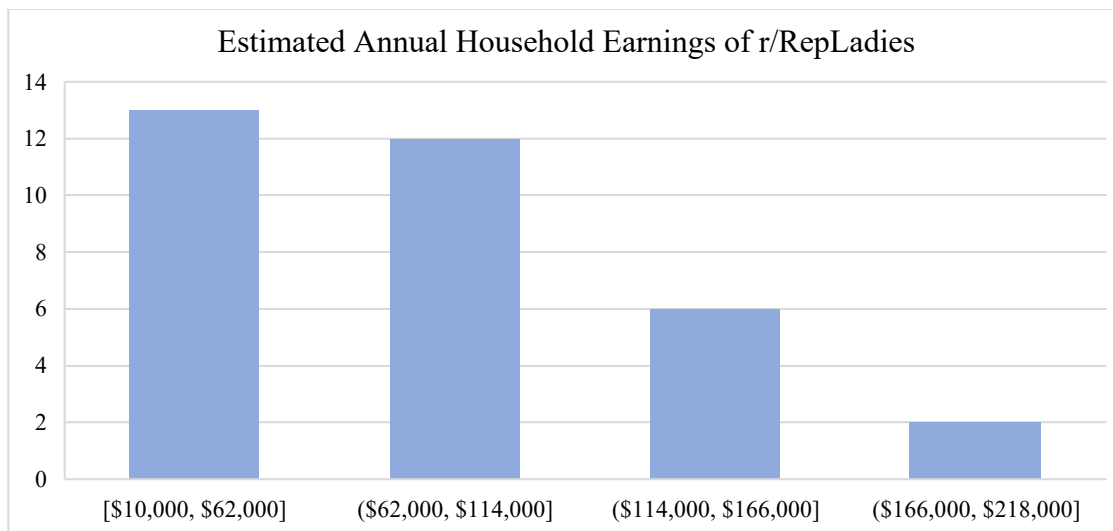


Figure 20: Refinance Annual Household Earnings

The frequency of replica purchases varied amongst members. The greatest number of users, 37%, stated that they bought replicas on a monthly basis. In contrast, 29% of users stated that they made replica purchases less than twice a year.

³⁰⁴ One user reported that her husband annually makes “high 7-figures, low 8-figures”; This approximation was excluded from the histogram (Figure 2)

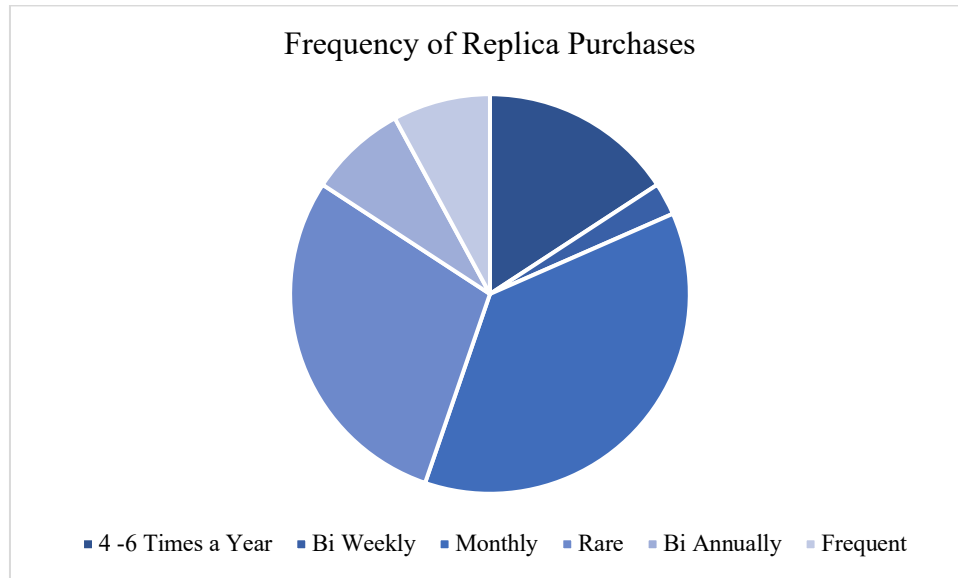


Figure 21: Frequency of Replica Purchases

Each of the 38 users listed their primary motivations for purchasing fakes. The responses were categorized into 5 primary groups: price, value, design, quality, and community.

- Price answers focus on the low price of replicas relative to authentic goods, including instances where users expressed that they could not afford authentic items.
- Value answers include responses where users argued that replicas were an overall better value compared to authentic goods. This includes users who stated replicas could be worn to places with higher risks of being stolen or damaged due to the lower cost of replacement.
- In design answers, users highlighted that replicas could be customized and personalized in such a way that the designs are more unique compared to genuine goods.

- Quality answers highlighted the equal or better quality of replicas compared to fake goods.
- Finally, community responses were instances where users cited their involvement in the subreddit community as a primary motivation for fake purchases. Users give multiple reasons, and their answers could span across categories. A point was given to each category that was mentioned in a response.³⁰⁵

Motivations for Replica Purchases

Attribute	Respondents	Percentage
Price	7	19%
Value	26	70%
Design	9	24%
Quality	12	32%
Community	2	5%

Table 11: Refinance Member Motivations

70% of the users cited the value of replicas as a primary motivation for purchasing replica goods. Multiple members struggled to “justify” authentic purchases. While many of the members could afford authentic goods, they acknowledged that replica goods provided the same, if not more benefits for a much lower price. The low price of replicas also enabled them to feel that they could be less cautious with their items, as items could be easily replaced, and they would not have to worry about retaining a resale value. Thus, as they compared the benefits relative to the prices for both replicas and authentic bags, these users determined that replicas were simply a better value all things considered. For example, one user, whose annual household

³⁰⁵ For instance, if a person gave a response that included both design and quality elements a point would be given to both categories. The frequencies of responses in each category are presented in Table 1.

income was approx. \$175,000, stated “I’m not spending \$5k on a bag or anything designer. The markup is INSANE and I just cannot justify spending that much on something just for me to throw it on the ground when I get home.”³⁰⁶

Users also provided insight into the extent to which the relative price of replicas influences user’s decisions. Even though a majority of respondents made less than \$100,000 annually, only 19% of the users named low prices as a primary motivation for purchasing counterfeit goods. Likewise, 32% of the women who responded admitted that they still purchased authentic goods along with the real goods. While this sample may not be truly representative of the entire replica community, the preliminary information services supply empirical evidence against “lost sales arguments”. A popular argument in favor of counterfeit goods is that replica shoppers were not luxury customers, as they were never truly able to purchase luxury goods in the first place. This line of thinking suggests that counterfeit purchases do not represent true lost sales for luxury firms. The findings on this thread, however, suggest that many users consider themselves to be able to purchase authentic goods, however they just sometimes choose not to do so.

While the responses were generalized and categorized here for the purposes of presenting the data, the thread does provide insight on customer motivations. 9 of the users, for example, wrote that they purchased replicas because of the unique design offering relative to authentic offerings. Since reps are made to order, users can get niche items, allowing them to curate a unique wardrobe. One user, for instance, stated “the reps I go for have very distinctive

³⁰⁶ u/heygirlsuplol. “r/RepLadies - Repfinance: Whats Your Job, Budget for Reps & Frequency of Rep Purchase?” *Reddit*, 4 Nov. 2019, www.reddit.com/r/RepLadies/comments/dr5pbe/repfinance_whats_your_job_budget_for_reps/.

styles and colors not found elsewhere”³⁰⁷ For women who still purchased authentic bags, it was desirable to get authentic versions of classic styles and then use replicas for unique colors/textures/patterns. Luxury firms could use data like this to inform product offerings. Increased opportunities for customization, for instance, may be one way that firms could recapture some of the replica customers.

Limitations and Opportunities for Further Research

There are multiple limitations to the data collected from “RepFinance”. Ultimately, users chose how much information they wanted to provide to the thread. While members had no incentive to lie, the anonymity of the community makes it challenging to verify the validity of responses provided. Likewise, out of r/RepLadies 124,000 members only 38 participated in this discussion. Therefore, this information should only be taken as primarily data collection and not as a comprehensive market study.

Nevertheless, even with these limitations, this data could be used as a starting point for future research on replica-focused online brand communities. More research should be done to understand the motivations behind replica purchases. Firms should survey members of the replica communities to determine how much money they are spend on fakes in comparison to authentic goods each year, and to see if there is any relationship between household annual income and the ratio of replica to authentic purchases. This information could help firms understand what drives their current customer base to purchase replica goods. Design-motivated users should also be interviewed to help firms determine if increased customization options

³⁰⁷ u/diambra. “r/RepLadies - Repfinance: Whats Your Job, Budget for Reps & Frequency of Rep Purchase?” *Reddit*, 4 Nov. 2019, www.reddit.com/r/RepLadies/comments/dr5pbe/repfinance_whats_your_job_budget_for_reps/.

could help them regain this segment. Finally, while only two users cited that their participation in the community was a driver for their fake purchases, research could be collected to determine the extent to which their desire to stay connected to members of the community influence a shopper's decision to purchase a fake good.

III.V | CONCLUSION

Given the role that OBCs play in providing consumers with information about counterfeit goods, luxury brands should take the time to acknowledge and invest in these communities. Investments and partnerships with anti-counterfeit communities could bring attention to these groups, increase group membership, and increase consumer access to authentication information. While these groups provide resources that help resolve asymmetric information in the industry, brands should also look to the secondhand space as another possible area for investments. Together, these two efforts could help increase brand loyalty and maintain customer trust in the secondhand industry. In addition to those efforts, brands should conduct further research on membership of replica communities. This information could firms form new strategies for regaining the replica market.

CONCLUSION

Imitation has played a longstanding role in the luxury fashion industry. During the early days of couture, the copy problem was much simpler. Firms were mainly concerned about foreign companies creating unauthorized garments. There were two main markets, real and fake, and the two did not really intersect. Now, the problem is much more complicated, with customers having to choose between new, used, real, and fake goods (each with goods of varying quality). With so many low-cost but high-quality counterfeit options, authentic fashion does not seem to be worth the money.

Framing the problem as one of asymmetric information, this thesis demonstrated how sellers have incentives to pass their fake items off as real, and consumers lack enough information to discern the quality of goods. George Akerlof's "market for lemons" predicts that, in the absence of outside forces, counterfeit goods should ruin the market for authentic fashion. Yet, luxury fashion is a multi-billion-dollar industry that is growing each year. This paper aimed to understand the paradoxical success of luxury firms despite the growth of counterfeit goods. A content analysis of three types of online brand communities found that these groups both discourage and encourage counterfeit purchases. Both groups provide resources to consumers that resolve the risks involved with participating in each market (the secondhand market and the replica market respectively). Additionally, these groups host moral discussions that can help sway member opinions on this issue.

With this information, it was proposed that firms should work to increase anti-replica group membership, build brand loyalty, and provide more authentication resources in the secondhand industry. Research should be conducted to build upon these findings and examine user sentiments in replica communities. Given that multiple replica purchasers also identified as

regular consumers of authentic goods, luxury brands should think about how to keep these customers loyal to their brand. The moral campaigns that have been run in the past may not hold in replica communities where members engage in rigorous pro-counterfeit discussions and are sometimes encouraged to view luxury firms in a negative light. Likewise, given that these communities provide resources to demystify the counterfeit purchase process, luxury brands will also need to brainstorm ways that they can either increase the risk of obtaining counterfeits or decrease the risks involved with making authentic purchases. Since only 19% of the respondents in “RepFinance” cited the low cost of replicas as a primary reason for their purchases, brands should also aim to understand what motivates consumers to make replica purchases and utilize this information to modify their collections and campaign strategies.

Luxury firms should continue to explore technology-driven solutions, like blockchain, that could revolutionize how authenticity is tracked in the industry. However until these projects come to fruition, however, luxury firms should direct their attention to their online brand communities. Online brand communities may supersede magazines as important moral authorities in the industry and as these groups continue to grow, moderators and top authentications may wield important influence over members. The fact that consumers independently created third party authentication services to help resolve the asymmetric information problem suggests that brand-loyal consumers either value authenticity or respond to moral arguments against counterfeits. More research should be conducted to understand what drives members of anti-counterfeit communities to purchase authentic goods, despite their incentives to participate in the replica market.