Red Points

MARKET RESEARCH

Fake-up

Counterfeit cosmetics and social media

See our tech live

Key findings

45%

45% of respondents **have purchased cosmetics via social media**

28%

28% of people said **they would buy lipstick via social media**

57%

57% of participants **would buy an item from a 3rd party seller** if the product was offered **at a discount rate**

19.5%

19.5% of our respondents **have bought a fake cosmetics item online by mistake**

69%

69% of respondents **are concerned about counterfeits in the cosmetics industry and believe it is a problem**

50%

50% of participants **think it is the brand owners' responsablility to remove fake items from online platforms**

Introduction

The cosmetics industry has undergone a huge upheaval in recent years. The fruition of online sales channels and digital marketing, particularly through social media, has changed the nature of the brand-customer relationship.

The online market for luxury cosmetics has become huge in recent years; predicted to reach nearly $42bn by 2019, according to Bain & Company. However, there has been growth in the illegal cosmetics market also. Counterfeits have had a tangible impact on the legitimate cosmetics industry, reportedly **costing about $75 million a year, according to US Customs** and Border Protection.

Counterfeit products on social media have become increasingly pervasive, and they use intelligent methods to sell their wares, including hijacking social media interaction by legitimate brands.

While analysing the prevalence of counterfeit vs legitimate goods within hashtags on Instagram, a study found that **one-fifth to one-third of posts are from counterfeit sellers.** Alternatively, counterfeiters find posts by famous luxury brands and comment on those posts with their own copies of the item. A study by BrandBastion into the Instagram accounts of 12 luxury fashion brands found within 36,000 comments:

2.03% (729)

of comments lead to direct counterfeiting

2.81% (1,013)

of comments contained spam and scams

94

unique accounts selling counterfeit goods.

To create an illusion of legitimacy to clients, counterfeiters purchase huge amounts of bots as followers on social media. This emergent type of AI is far more advanced that previous iterations, and many are capable of autonomous interaction with humans and even acting on their behalf.

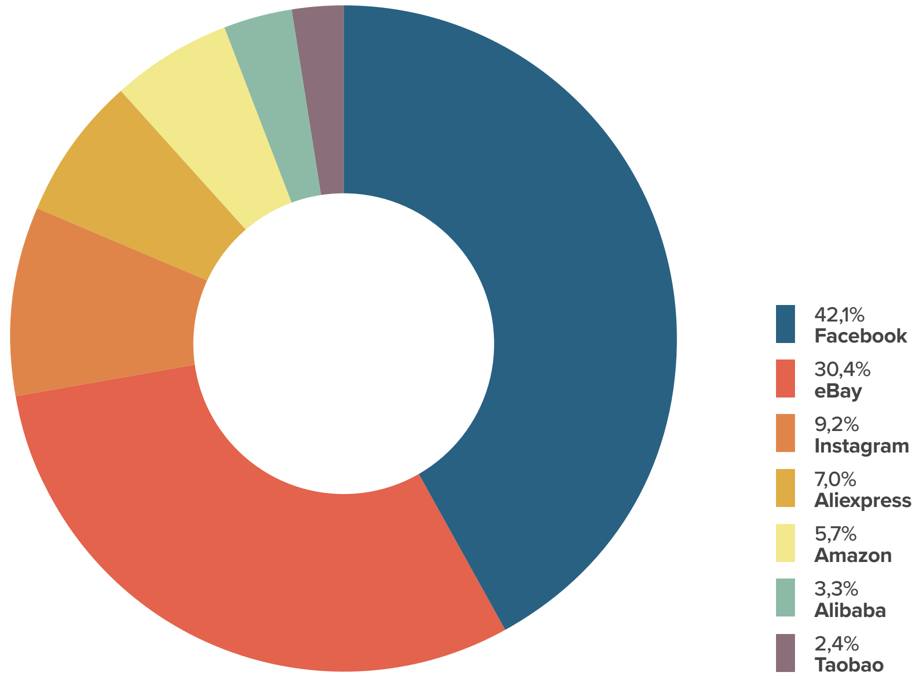
It's an incredibly powerful tool, especially when used to fool consumers. The tactics employed to hijack the trust from legitimate cosmetics companies by counterfeiters are increasingly sophisticated.

Red Points' Data

After collecting over **50,000 suspected infringements for cosmetics clients over 2017**, we can see a clear preference for social media channels amongst counterfeiters.

Over 40% of all detections were found on Facebook and another 9% on Instagram. Although eBay is still a serious problem for cosmetics brands, Facebook and Instagram alone account for over 50% of all cases. Social media is proving to be a large problem for most brand owners; however, in the cosmetics sector, social media appears to be the primary threat to their IP.

That said, it is important to note that not all of these infringements were sales listings; **many were adverts, posts or links that lead to traditional platforms selling fake items.** In other words, a seller on AliExpress might have one listing on the site for a fake product but post hundreds of adverts on social media to drive traffic to this.



About the survey

Method
Our survey used an online survey platform that could provide us with the reach and audience we wanted. None of the participants had taken part in any previous Red Points' surveys, so not to affect potential results.

Question style
In many of the questions asked our participants were able to select more than one answer. This allows us to have a more complete picture of their opinions and actions.

About the sample
To understand better the needs of cosmetics customers we decided to select the industry's core demographic. Based on cosmetics industry research we selected women age between 18-30 as they are not only a key demographic for cosmetics brands, but generally more likely to source products online and use social media.

Qualifying question
In order to participate in this this survey participants had to confirm that they were regular cosmetics customers and that they bought these products online.

Error Margin
Based on the fact approximately 98 million people bought cosmetics products in the U.S. in 2017, and we are conducting this survey based on a 90% confidence level in our respondents' answers, the error margin for our results will be 6%. This means we can be 90% sure that results are accurate within a 6% range.

SURVEY SIZE
200 PEOPLE

COUNTRY
U.S.A.

LANGUAGE
ENGLISH

GENDER
FEMALE

AGE RANGE
18-30 YEARS OLD

EDUCATION
ANY

What brands do our participants buy?

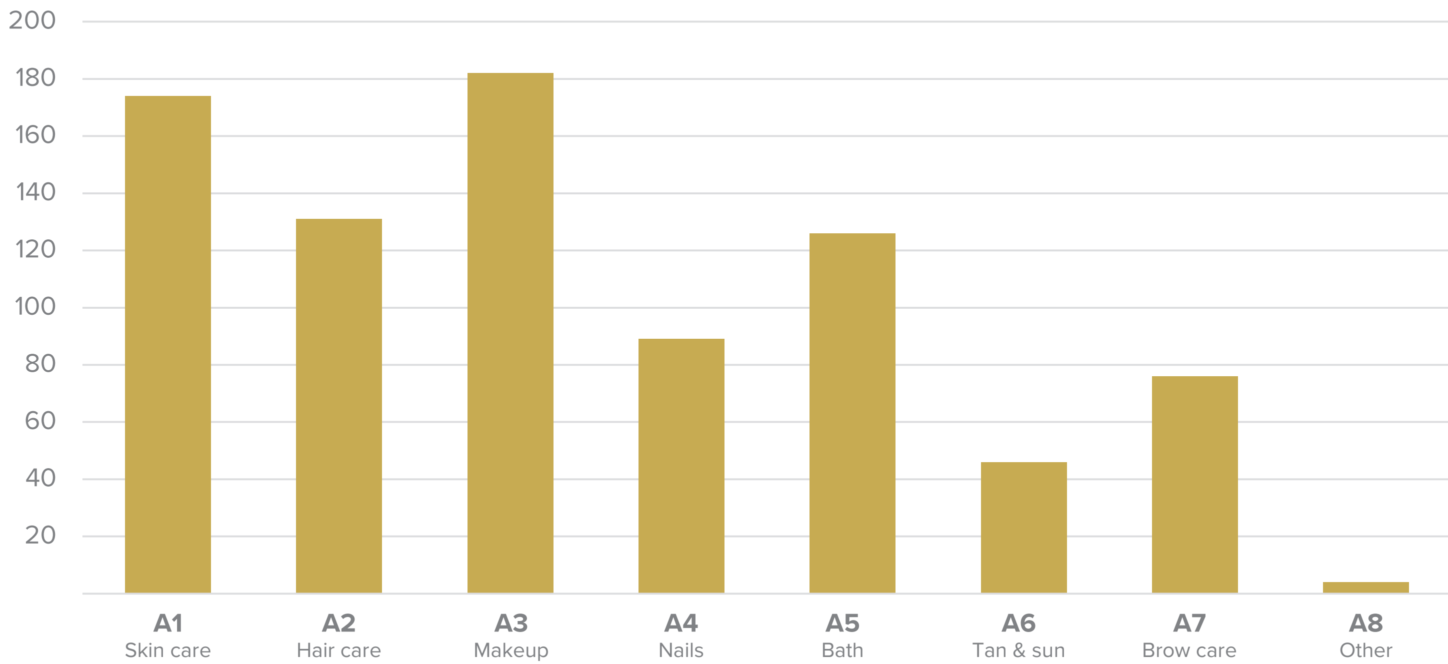
35+	35 - 30	30 - 25	25 - 20	20 - 15	15 - 10	10 - 5	> 5				
Mac	Cover	Maybelline	Urban decay	Sephora	Revlon	Wet n wild	Lancome	Innisfree	Smashbox	Laneige	Dermalogica
		Elf	Tarte	Nyx	Anastasia	Ulta	Etude	Huda	Sigma	La Mer	Crayon Case
				Too faced		Clinique	Younique	Hard candy	Santee	La Girl	Conair
				Make Up For Ever		Benefit	Stila	Essence	Rommel	Korres	Chanel
						L'Oreal	Nars	Dove	Rms	Kiko	Cerave
						Mary kay	Naked	Derma	Physicians	Kanebo	Body Shop
						Kat Von D	Marc Jacobs	Ciate	Philosophy	Juvia	Black Opium
						Fenty	Kylie	Burts Bees	Paula	Josie Maran	Bite
						Bare minerals	Jeffree	Becca	Oxy	Jessie	Better than Sex
						Morphe	It cosmetics	Aoa	Ordinary	Iredale	Balm
							Estee Lauder	Almany	Ogx	Honeybee	Bad habit
							Dior	100 percent	Nature	Helen	Aveeno
							Colourpop	Wish	Moroccan	Hana	Artistry
							Bobbi Brown	Winky Lux	Moontree	Guerlain	Argon
							Bh cosmetics	Vapour	Mizon	Fresh	Alima
							W3ll	Tony Moly	Missha	Forever	A2o
							Shiseido	Tom Ford	Melani	First Aid	4 ever
							Shea	Thrive	Marie Claire	Farsali	
							Senegence	Sunday	M3	Eye Candy	
							Radiance	Sugarpill	Lush	Eraorganics	
							Origins	Steve Laurant	Lorac	Drunk Elephant	
							Olay	Soko	Limelight	Donna Karen	
							Neutrogena	Soap and Glory	Lily	Docolor	

SECTION 1

Online buying behaviour

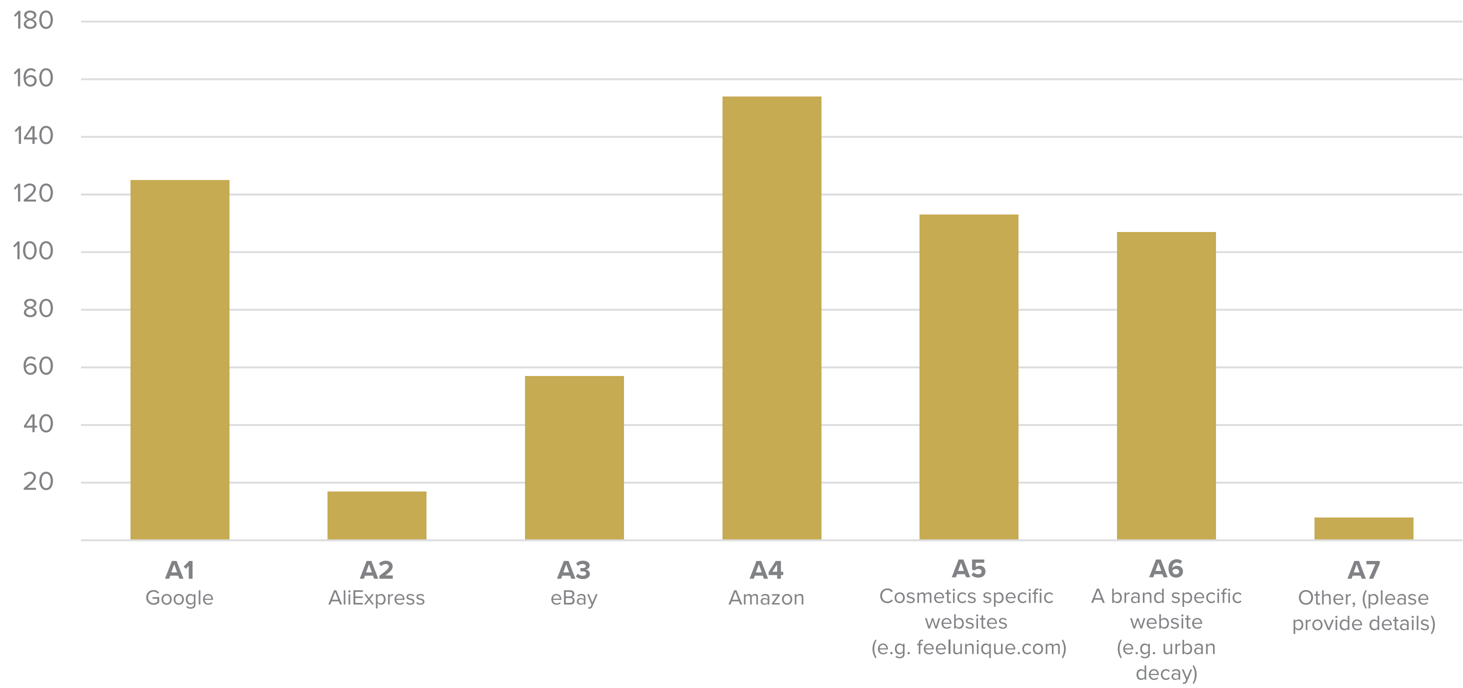
Which of the following product types do you buy online?

The two most popular products to buy online are makeup and skincare products. These products tend to be some of the most expensive items as well. It would make sense that consumers would search online to find the best deal for these premium goods.



When searching for cosmetics products online, what platforms do you use to find items?

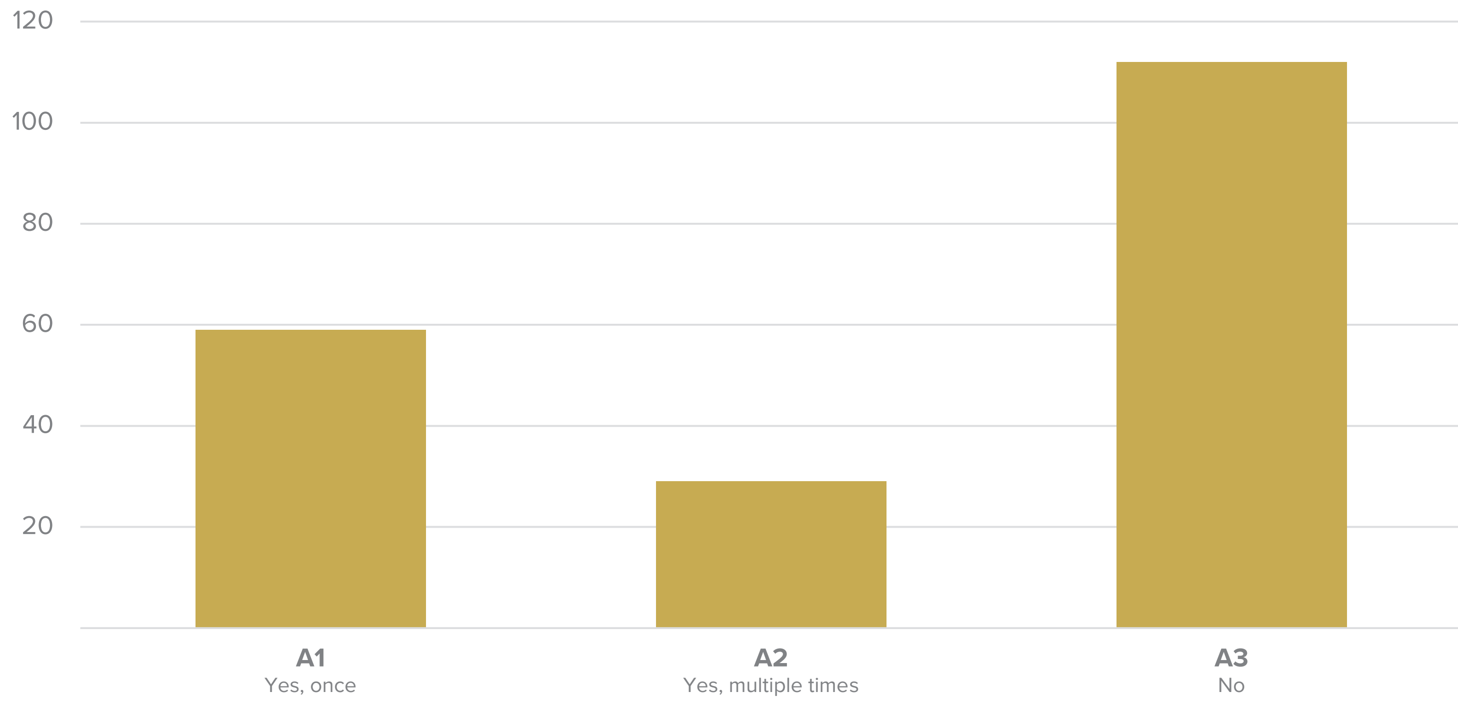
The results of this question show that makeup customers use a variety of different search methods. Perhaps unsurprisingly, Amazon is the most popular method, followed closely by Google. However, Google is not the safest search method as search terms can easily be hijacked through SEO techniques. Amazon has also had a problem in recent years with fakes on the site.



Question 3

Have you previously purchased a cosmetics item via a social media post (by clicking a link from a post, advert or page)?

Over 45% of our respondents have purchased a cosmetics item via a social media post. However, 30% of those who have purchased an item via social media have only done so once; this could be as a result of an unsatisfactory process. These results would suggest that almost half our sample is very receptive to social media marketing.

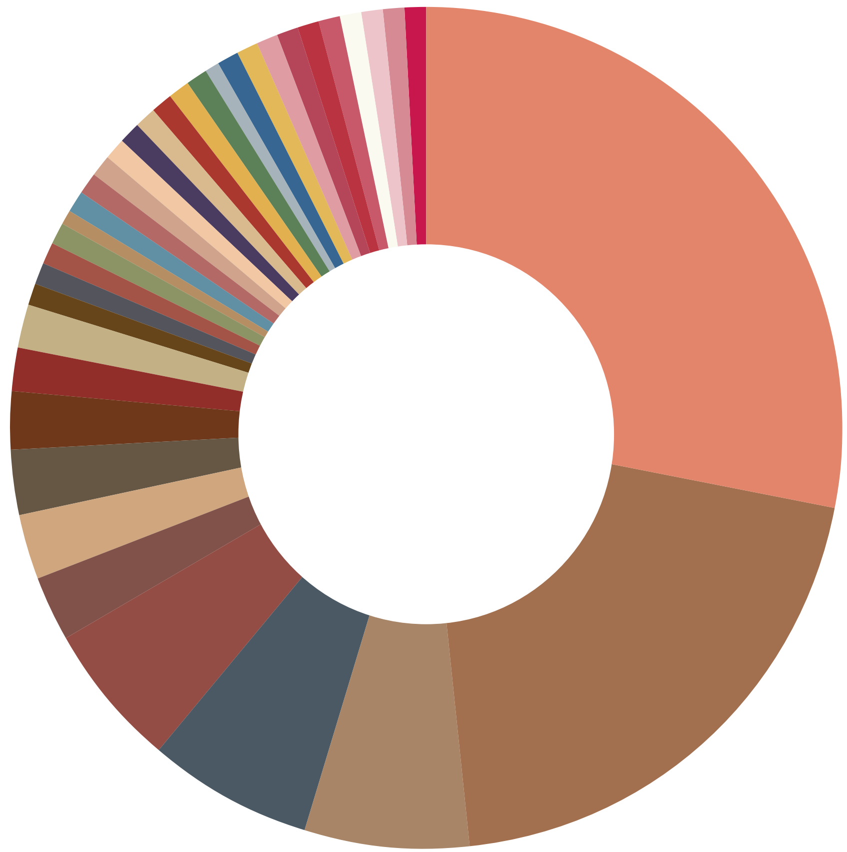


Question 4

Buying behaviour

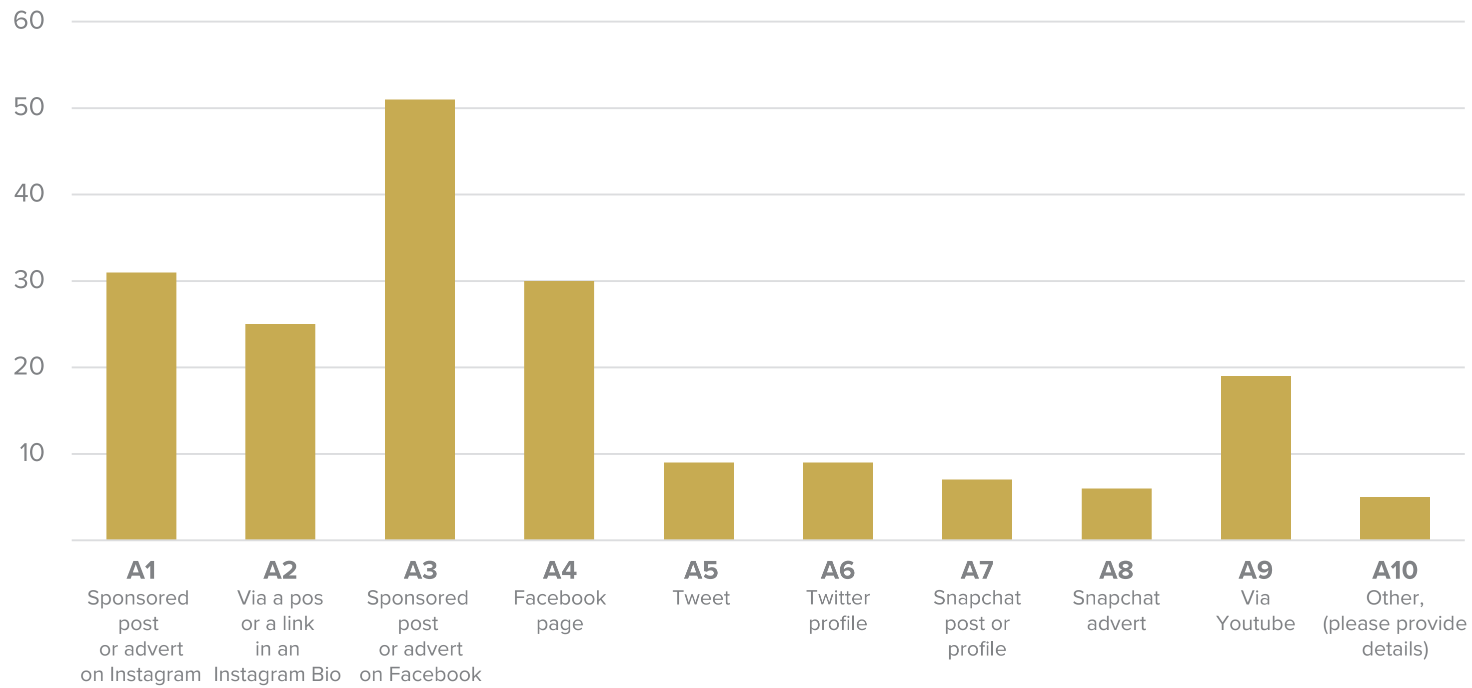
Please indicate which types of products you have bought via social media

- 28,2% Lipstick
- 20,2% Mascara
- 6,5% Foundation
- 6,5% Eyeliner
- 5,6% Eye shadow
- 2,4% Lip gloss
- 2,4% Lotion
- 2,4% Highlighter
- 2,4% Contouring kit
- 1,6% Blush
- 1,6% Lashes
- 0,8% Fragance
- 0,8% Brow Tint
- 0,8% Palettes
- 0,8% Powder
- 0,8% Eyebrow gel
- 0,8% Face cleanser
- 0,8% Face moisturizer
- 0,8% Bronzer
- 0,8% Bath bombs
- 0,8% Shampoo
- 0,8% Conditioner
- 0,8% Toothpaste
- 0,8% Hair thickener
- 0,8% Hair colour
- 0,8% Face cream
- 0,8% Eyelash serum
- 0,8% Face mask
- 0,8% Eye-shadow
- 0,8% Eyebrow pencil
- 0,8% Fake hair
- 0,8% Weight loss
- 0,8% Nail polish
- 0,8% Black mask
- 0,8% Facial scrub
- 0,8% Lip pump



Can you please select which option best describes the source/s you bought from?

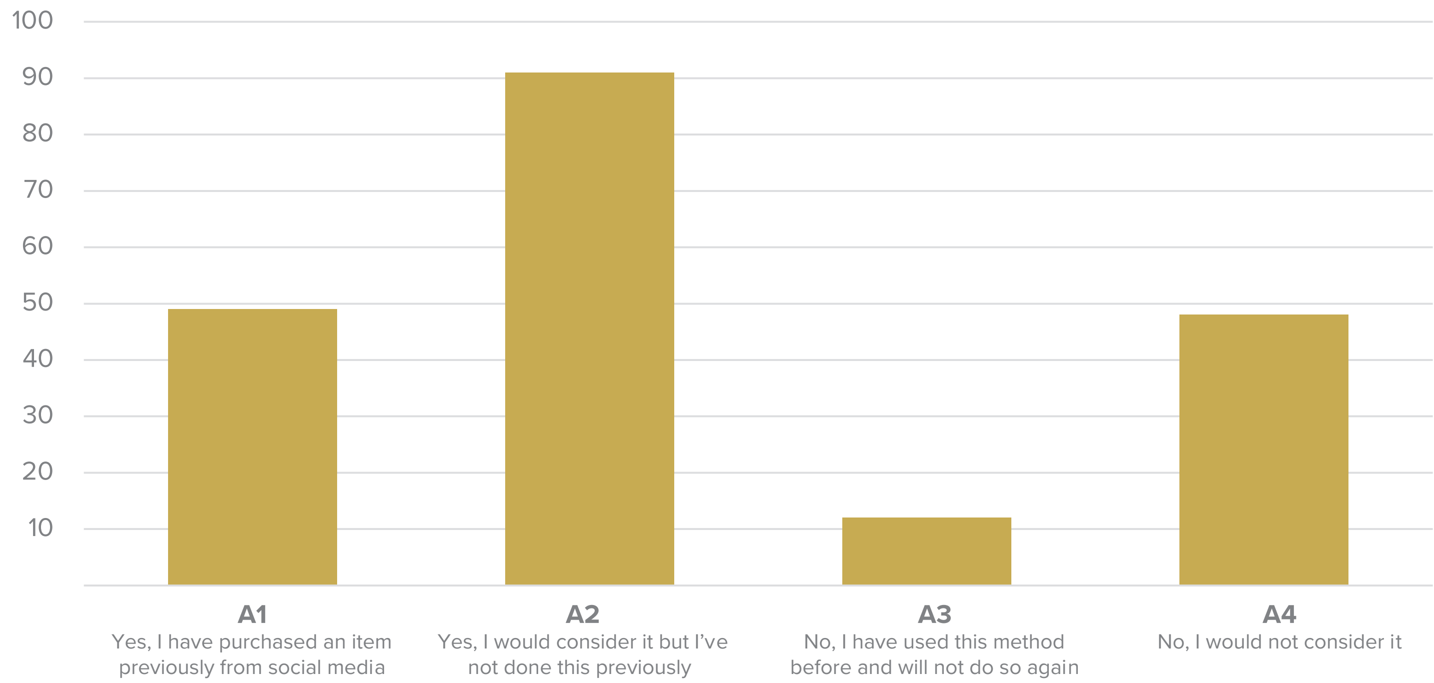
The two most popular platforms are Facebook and Instagram; consumers appear to prefer posts and adverts to pages. Twitter and Snapchat seem to be used by only a small portion of our sample. Instagram appears to be favoured by younger participants in our group, with **19% of 18-24 year olds selecting option A1,** but only 13% of 25-30 year olds.



Question 6

Would you consider buying a cosmetics item from a 3rd party seller (not the brand itself) via social media?

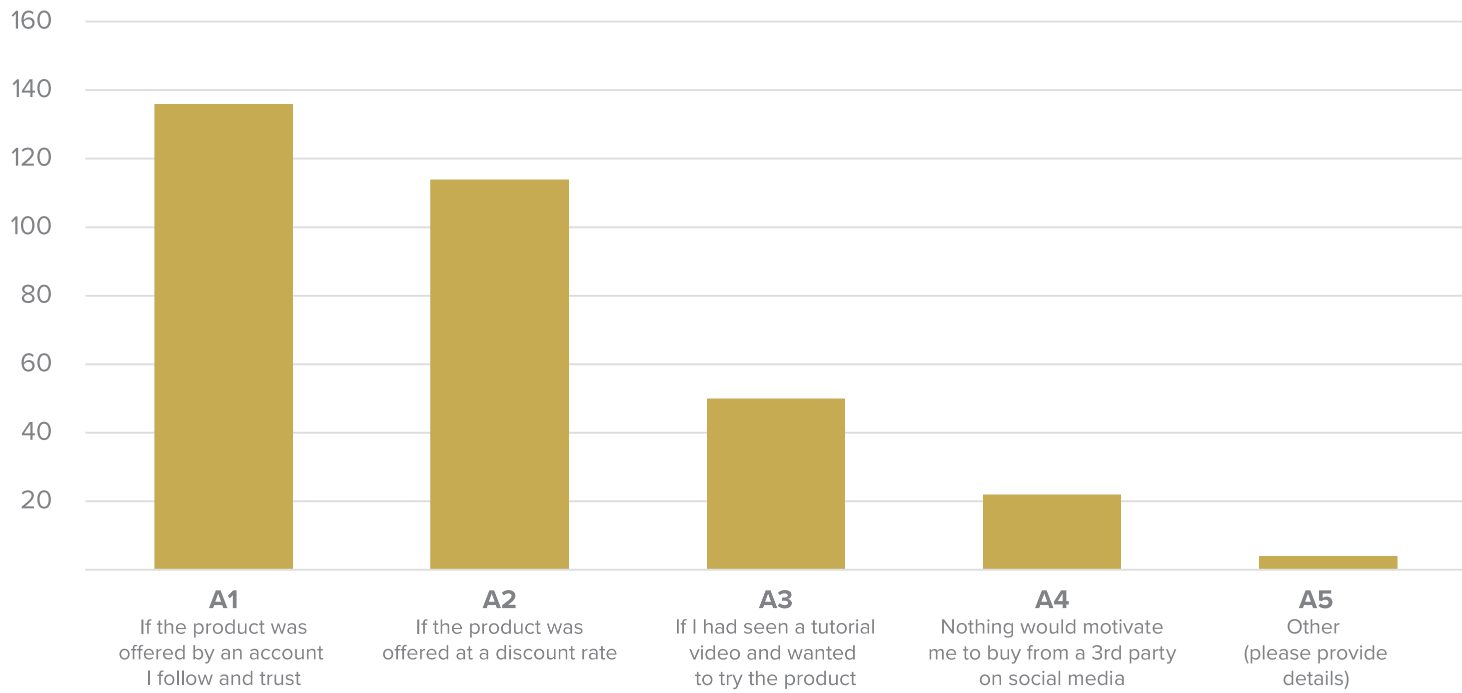
We can see that almost **70% of our participants are willing to purchase items from a 3rd party seller** on social media. This is alarming as it can be a hazardous buying method. In addition, we can see that 6% of those who have purchased via social media had a negative experience. It would imply that this method has led to an unsatisfactory experience, either in the product or the purchasing method.



Question 7

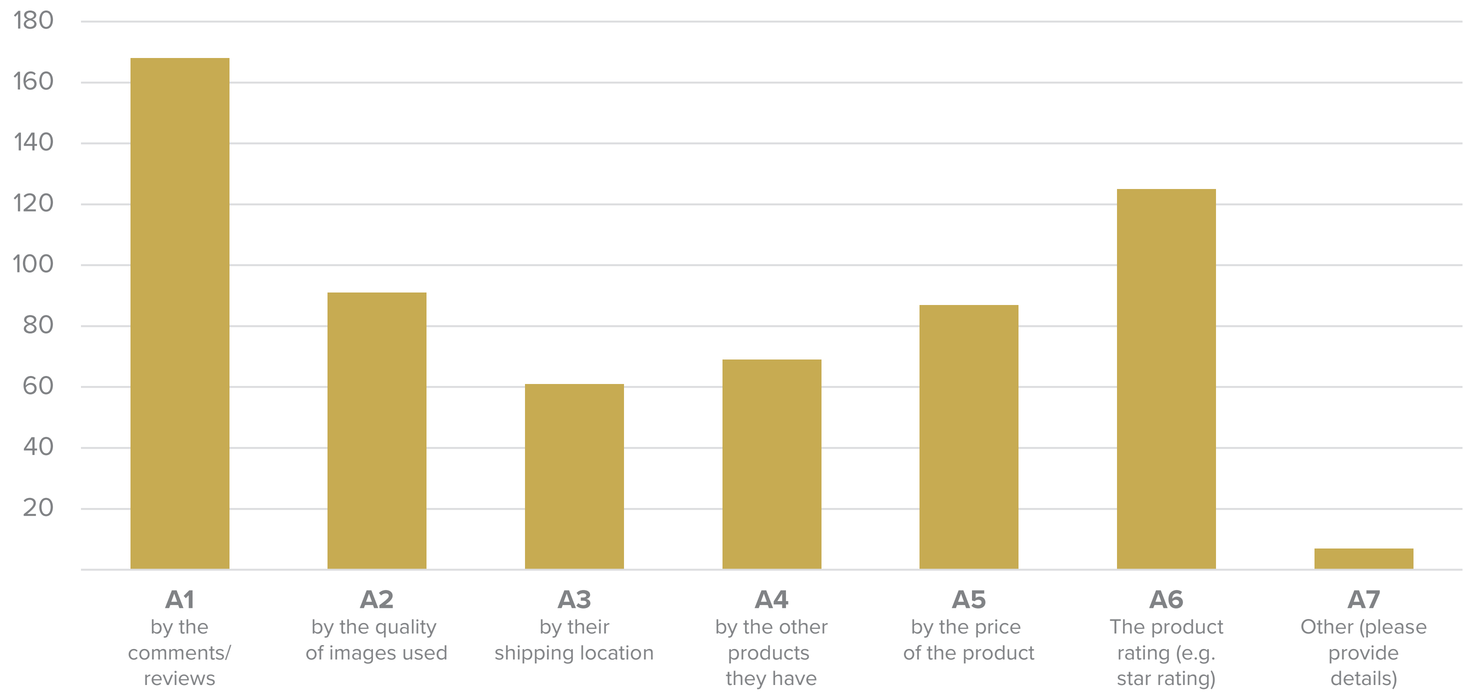
What would motivate you to buy a well-known cosmetics brand from a 3rd party seller on social media?

The most popular answer to this question seems promising, in that 68% of respondents selected that the account trustworthiness was important. This is encouraging as they are likely to investigate the source of the products further and would aid in the avoidance of counterfeits. However, tutorials and discount rates were also popular; these are both standard tactics for sellers of fake cosmetics products.



How do you evaluate the trustworthiness of 3rd party sellers & their products? (on any platform e.g Amazon or Facebook)

This data displays a lack of awareness about fake items, comments, reviews and ratings are easily manipulated on both social media and ecommerce platforms, and images are not a reliable method of evaluation either. **Brand protection professionals would use a combination of price, shipping location and the seller's inventory** to evaluate the likelihood of the product being genuine. These factors were only selected by around 35% of participants.

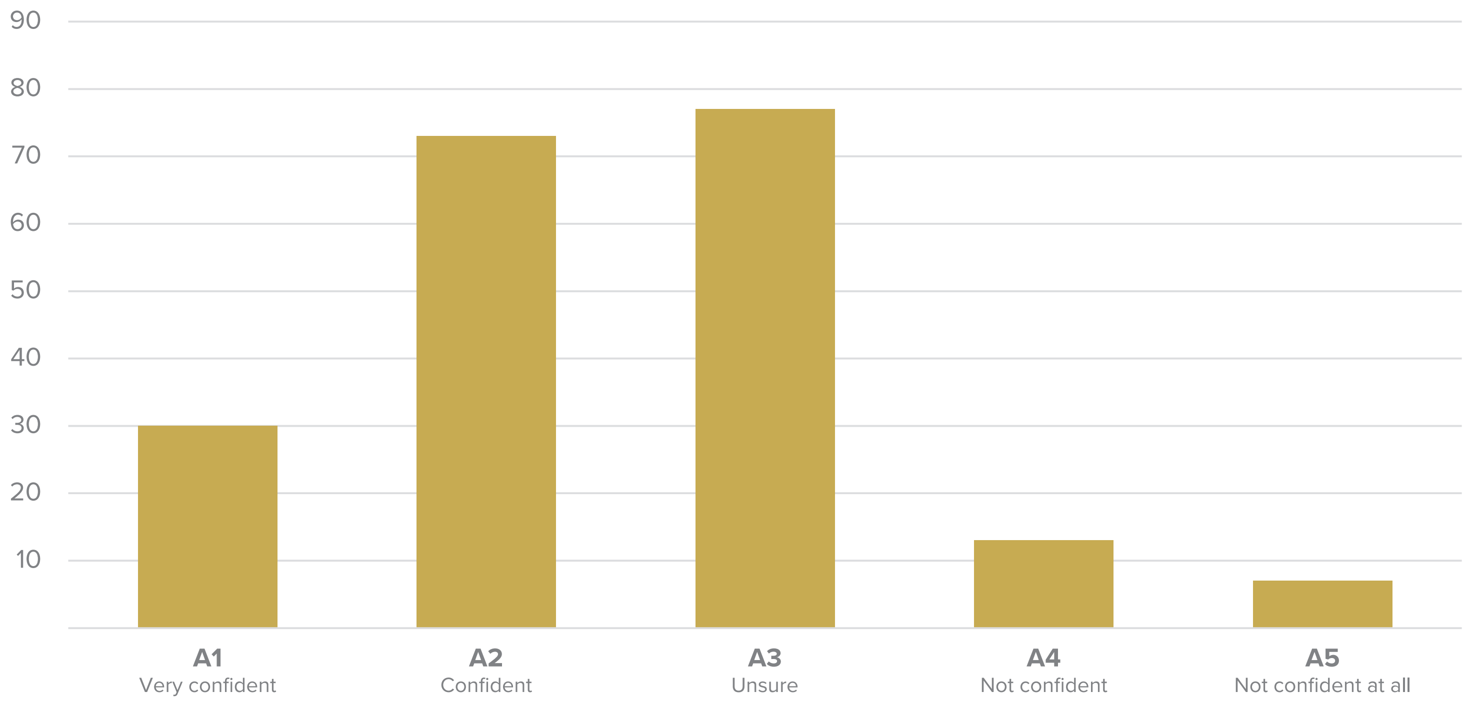


SECTION 2

Cosmetics consumers and counterfeits

How confident do you feel about your ability to spot a fake cosmetics item online?

Only 10% stated they were not confident in their ability to spot fake cosmetics items online and approximately **51% reporting they were confident to some degree.** Although, the most popular response was “unsure”, it’s fair to say the results show a generally confident group of consumers. This would suggest that, currently, cosmetics consumers believe fake items are easily discernible from a replica or fake item online.



See our tech live

Product Images

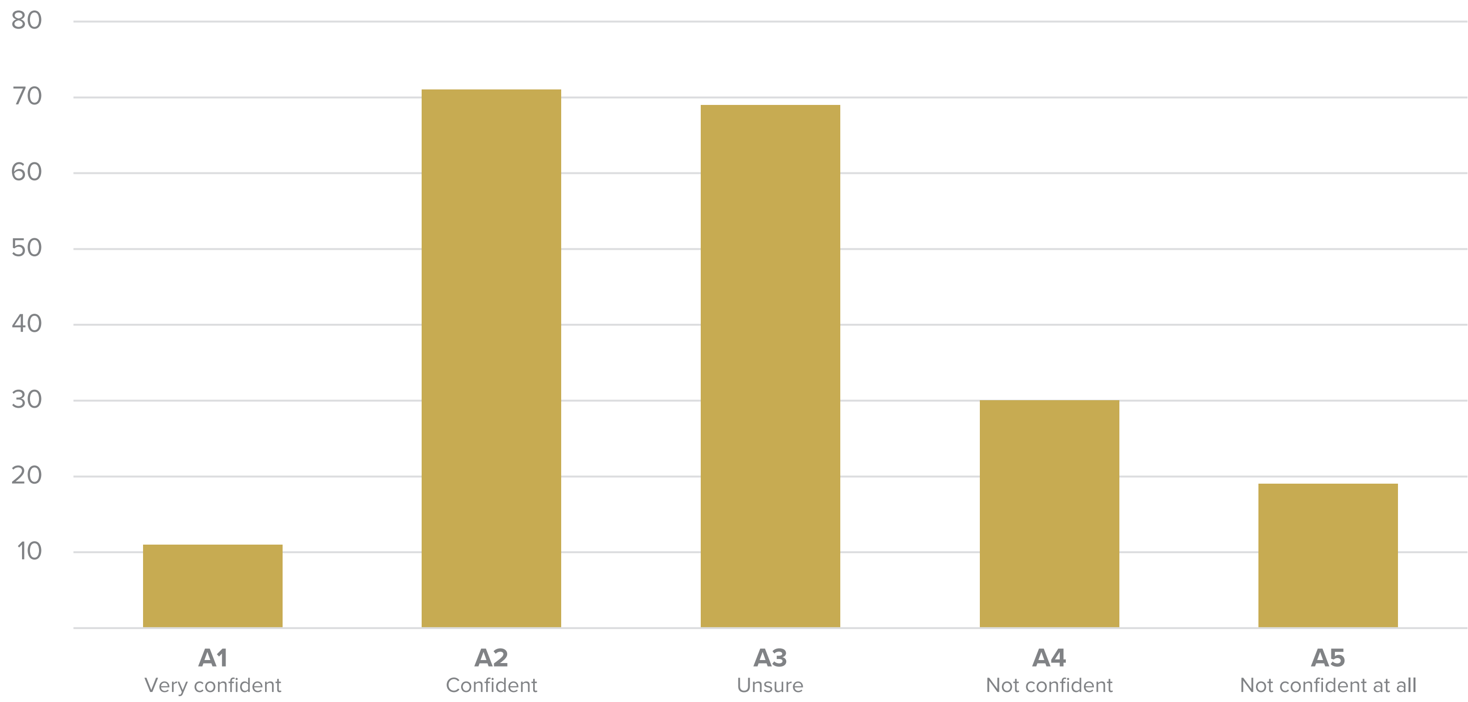
The participants were then shown a series of images with accompanying text:

Please look carefully at the following images, they're taken from listings of both real and fake cosmetics products for sale on social media and ecommerce sites.

Question 10

Considering the images you have just seen, how confident do you now feel about your ability to spot a fake cosmetics items online?

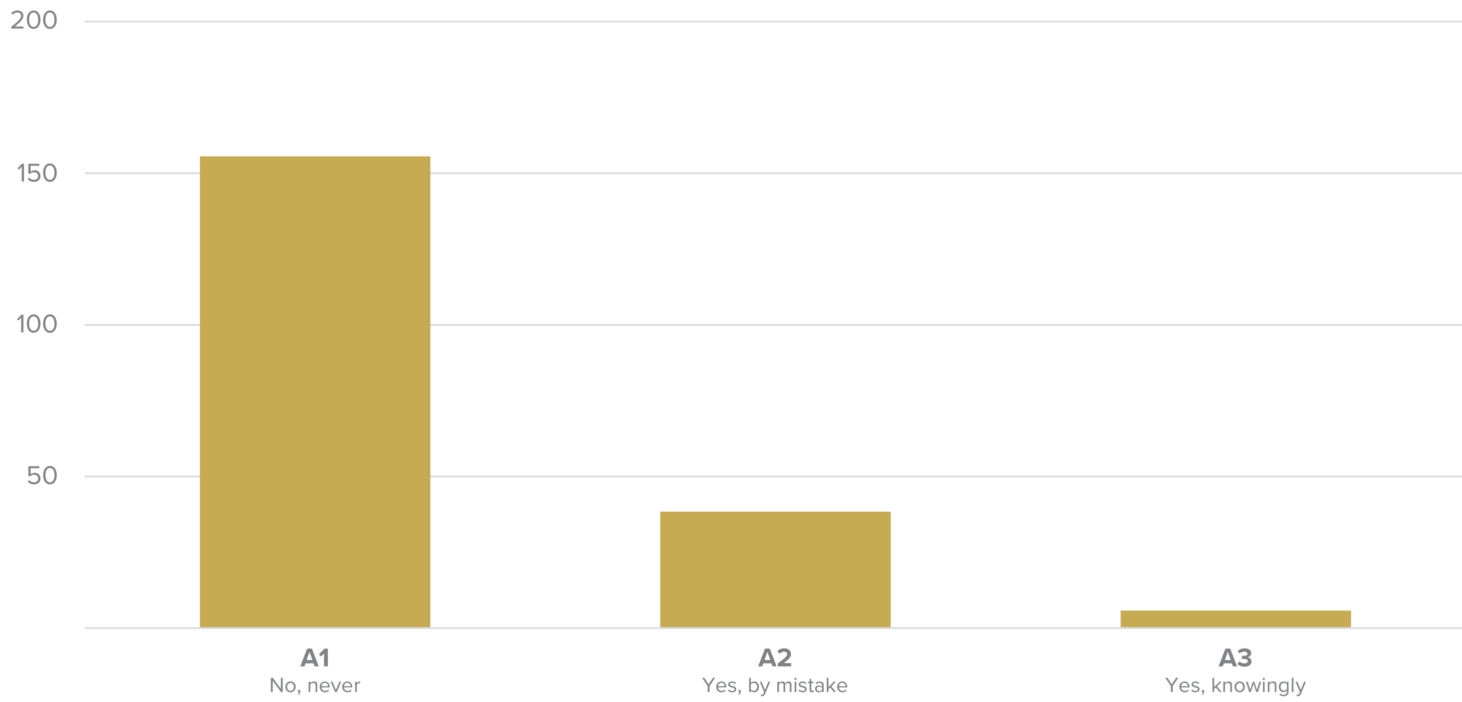
The results show a significant shift towards non-confident responses. **Non-confident responses now account for almost 25%**; this has more than doubled from the previous result. It is fair to assume that most participants downgraded their confidence level after viewing the images, and that confidence in their ability is based on a false premise of what a counterfeit item looks like online.



Question 11

Have you ever purchased a fake cosmetics product online (from any platform) either knowingly or by mistake?

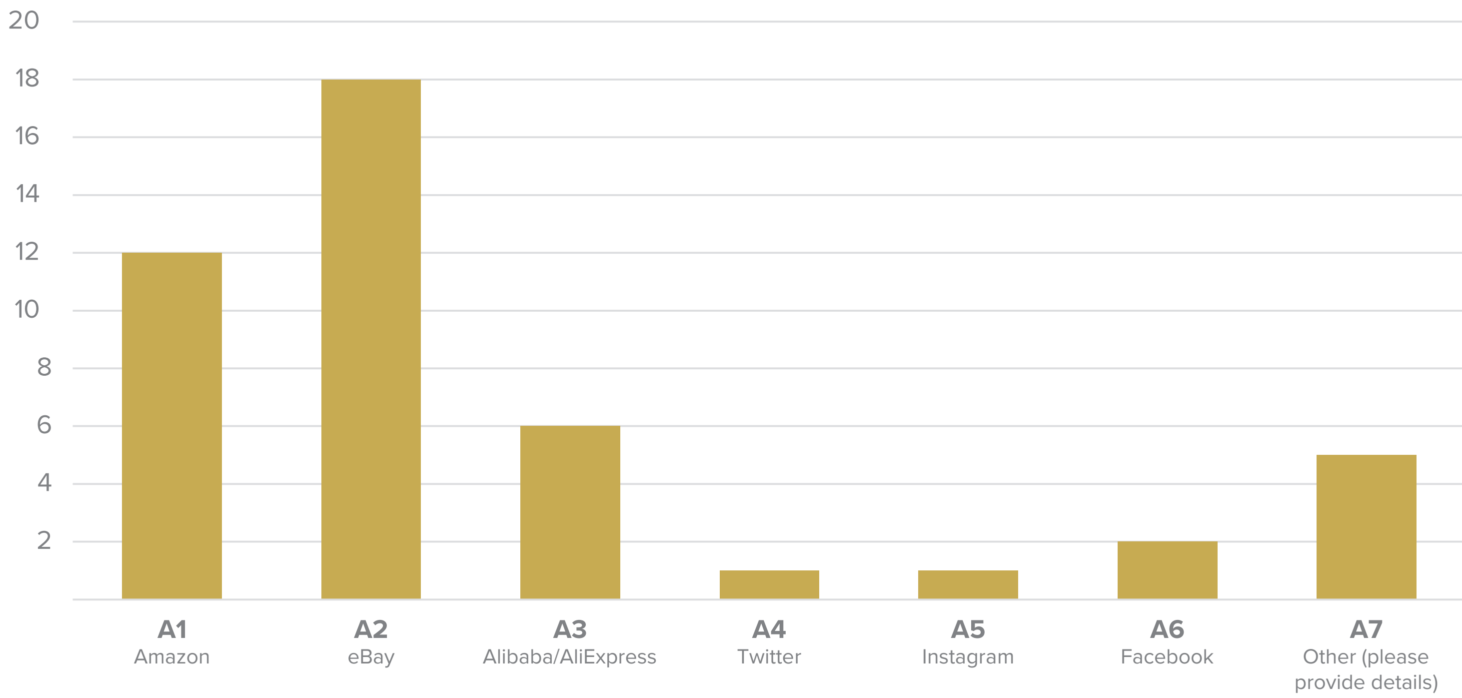
This result is alarming as more than **22.5% of our sample have bought a fake item,** of which 3% bought a fake item knowingly. However, 19.5% have accidentally bought a fake cosmetics item. This result shouldn't come as too much of a surprise as previous questions have already established that a significant portion of our participants lack the ability to identify a fake item online and shop online with a false sense of confidence in their ability to discern fake objects from real ones.



If yes, where did you buy the fake item from?

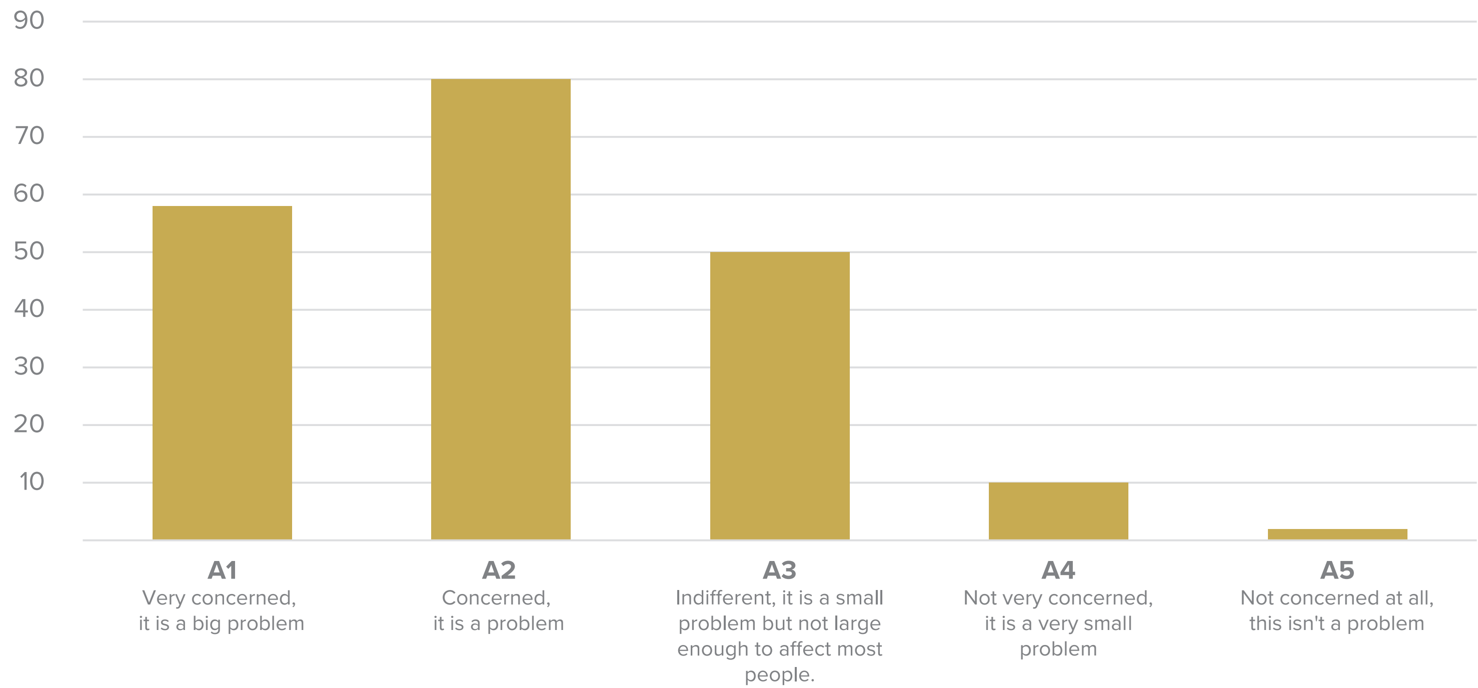
Despite social media being a clear issue, the majority of our respondents purchased fakes from eBay and Amazon, two of the more well-regarded ecommerce sites. Under other responses, WISH was mentioned 4 times suggesting that this is also a problem area for cosmetics.

These responses were surprising, as previous data suggested that social media would be the main problem, however it is clear that counterfeit cosmetics persist on the main ecommerce sites, which customers largely trust.



How big a problem do you feel that fake items are in the cosmetics industry?

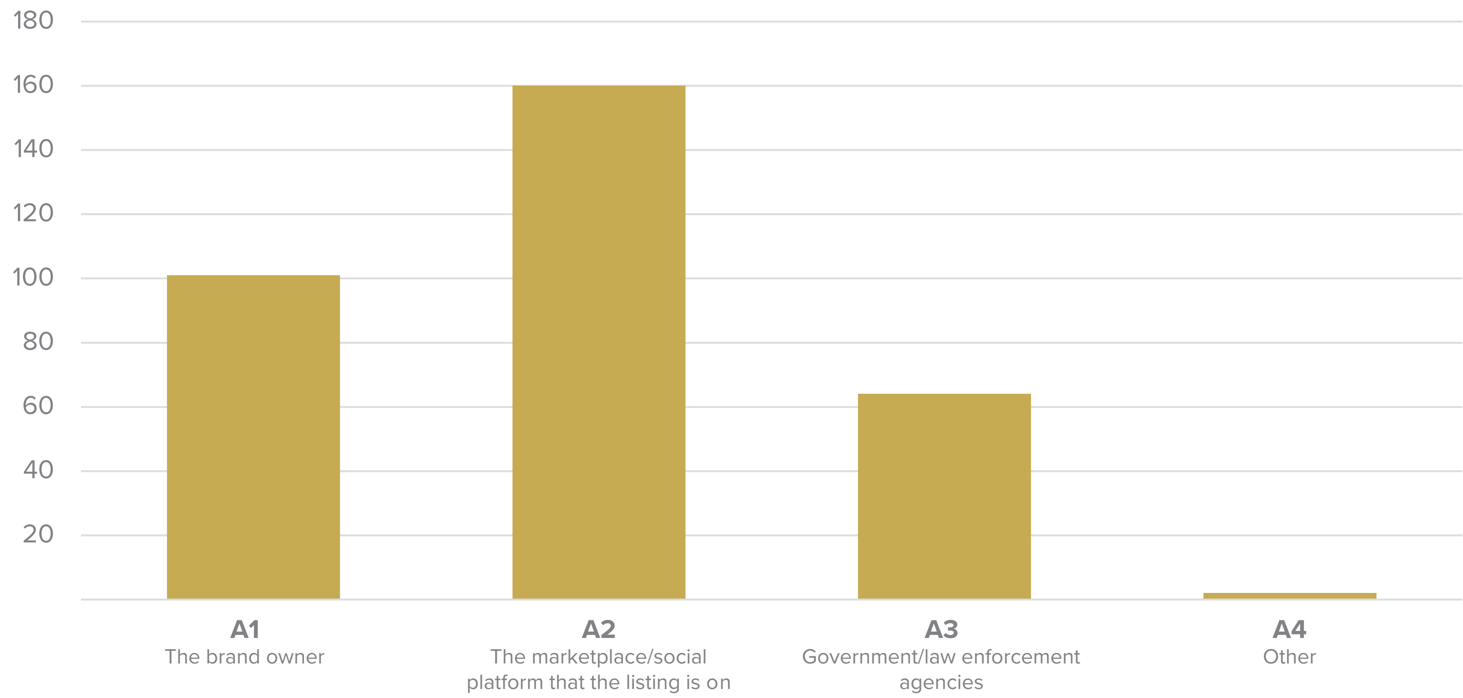
It would appear that cosmetics customers are deeply concerned about the issue of fake items, **29% stated they were "very concerned".** On the other hand only 6% of respondents stated that this issue did not concern them in some way. This serves as a warning to brands that their core online customers will need reassurance that their supply lines are safe.



Question 14

In your opinion, whose responsibility is it to remove replicas or counterfeit products from online platforms and channels?

This question addresses the issue of customer expectations, and who they believe should be taking action. The most popular response is the platforms themselves, this is unsurprising as all the major platforms have received negative press in recent years over customers' experiences buying fakes on the site. The second most popular response, ahead of governments and law enforcement, was the brands themselves. This would suggest that a large section of cosmetics consumers expect brands to keep them safe, to not do so would arguably make them feel deceived.



Findings and discussion

Risky behaviour

The results of this survey suggest that many cosmetics consumers tend to partake in behaviour that brand protection professionals would consider as high risk. For example, in question 6 over **70% of consumers would consider buying an item via social media from a 3rd party seller** and although many stated they would only do so if the account were one they trust, many would be motivated by a discounted item, which is the primary tactic employed by counterfeiters.

Risk evaluation ability

Combined with their risky behaviour is a limited ability to identify fakes online. When asked how they evaluate the trustworthiness, many selected only reviews/star rating or reviews and images. These three methods alone are not deemed as a reliable method of assessing an item; brand protection experts always advise looking at reviews but also the shipping location and the other products the seller has in stock as indicators of authenticity. In Q9-Q11 we can see that **most participants have overestimated their ability to spot a fake, based on images alone,** as there is a shift towards less confident responses for almost every answer option. This would suggest there is a significant section of cosmetics consumers who do not have a valid method of evaluating the high-risk nature of their buying behaviour.

Counterfeit results

We can see that as a result, **slightly over 19% of consumers have purchased a fake cosmetics items by mistake and a further 3% knowingly.**

It's perhaps not surprising that the amount of people knowingly buying fake items is much lower than other sectors, due to the associated risk of fake cosmetics. Even if we consider that this survey, due to its sample size, has a 6% error margin, that would still result in 13% of online cosmetics consumers having some accidental contact with counterfeits.

Traditional platforms are problematic

Despite the focus on social media, when asked where the fake items had been bought, Alibaba, eBay and Amazon were the most common results. This could be because, as our brand protection team have found, most counterfeit cosmetics adverts and marketing may be done through social media, but the actual sale of these products still takes place on social media. Facebook posts were the most common way for customers to buy items via social media, and it unlikely that most of the posts lead to an in-Facebook transaction but **instead lead to more well-known ecommerce sites**.

Findings and discussion

Implications for the cosmetics industry

It's clear that consumers consider this an issue; 69% of consumers stated they were concerned about the problem to some extent, and only 6% reported they were not concerned. In addition, **50% of our participants felt that it is the brand owner's responsibility** to ensure fakes are removed from online marketplaces. This would suggest that cosmetics producers will run the risk of customers losing faith and respect for the brand if they are not seen to be actively protecting their consumers on online platforms.

With regards to social media, the problem appears to be more complex than counterfeiters merely selling items on these platforms. The number of incidents detected by Red Points doesn't match the reported sources of counterfeits from this research. IP infringements on social media have grown massively in recent years across most B2C sectors. However, the number of detections on ecommerce sites has risen only slightly. It would be fair to speculate that counterfeiters with **one listing on an ecommerce site will advertise this on multiple social media channels, numerous times.** This would explain the discrepancy between the numbers.

We know that many of the posts, comments and adverts on social media lead to more hard-to-track methods of sale, such as WhatsApp groups or direct contact with the seller. And it's clear that this practice of selling small amounts of counterfeits via social networks, through these secure channels is growing in popularity.

However, from our own internal findings, we know that many posts and adverts on social media that are found to infringe on IP tend to lead to more traditional ecommerce sites, like eBay or Aliexpress.

In conclusion, although traditional marketplaces appear to be the main source of counterfeit cosmetics, **social media monitoring is now a must for cosmetics brands**. Their consumers are responsive to marketing on these channels more than ever and counterfeiters are already using these platforms effectively. A failure to enforce trademarks and other intellectual property on these sites could result in harm to customers and serious damage to brand reputation.

Red Points

Thanks for reading.

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