

Beneath the Hemline

The Murky Reality of Counterfeit Culture

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Abstract

While buying and selling of counterfeit goods are seen as a victimless crime, the trillion dollar bootleg industry in fashion partly funds the shadiest criminal operations in the world. These operations, ranging from terrorism and human trafficking to drug dealing are very harmful to the society. The growth in global trade and technology, while affecting many markets positively, has fueled the counterfeit market which has adverse effects on the corporate sector by diluting the presence and authenticity of the big brands in the market. There is a need to analyse the problem of counterfeiting by studying the root cause, that is, the purchase behaviour of the consumers to combat this growing epidemic.



Credits: "Child Labour in the Fashion Supply Chain," [theguardian.com](https://www.theguardian.com)

The last hundred years have witnessed maximum development in the production and dissimulation of fashion to date, and the greatest transformation has been in its consumption: from the dominance of couture for the elite few at the turn of the twentieth century, to the near- versatility of fast fashion today on the high street or at the click of a mouse, designer collections are assimilated by high-street chains almost overnight. Fashion-forward looks on the street are relayed by an upsurge of digital media: affordable clothes are bought in quantity and discarded at will. This transformation in fashion's consumption reflects, and is inseparable from, the seismic

changes in society that have taken place over the last century: the end of colonial rule, revolutions fuelled by political ideologies, two World Wars, economic and developmental disasters, artistic movements, design innovations and the digital age; all have shaped the way we now live fashion.

Streetwear is huge today. What started as an underground insular subculture is now the uniform of young people all over the world. The culture has exploded over social media and the hype seems to be getting crazier every week. The clothing obsessed consumer culture has made the streetwear scene booming, but beneath the surface, there is an insane market for counterfeit streetwear and it is unlike anything we have witnessed in the fashion industry.

The growth in global trade and technology has positively affected many markets across the world but has had major adverse effects as well. Business organisations spend a lot of money, time and resources on protecting their brand and trademark but despite the measures, the counterfeit market is booming rapidly.

Tracing back counterfeiting, the phenomenon is as old as couture itself. In the early 1900s, fashion forgers often sketched designs they saw in Paris shows and sold reproductions in France and overseas. By 1914, more than two million fake couture labels had been sewn into garments.

Chanel's three-piece suit is arguably the most copied style in fashion history and the designer was notoriously proud to provoke so many imitations. In a similar vein, Oliver Rousteing, the creative director of Balmain has no qualms with fast-fashion brands appropriating his designs either. "I love seeing a Zara window with my clothes mixed with Céline and Proenza Schouler! I think that's genius," he told *The Independent* in an interview after his FW 2014 show.

Unsurprisingly, there are certain designers like Christian Dior who went to great lengths to ensure that their pieces weren't copied. Dior marked his final sketches with invisible ink that could only be seen under a black light.

Over the years, several forms of replica fashion have come to existence- counterfeits, legal fakes, yuandan goods, knock-offs- to name a few.

To counterfeit means to imitate something authentic, with the intent to steal, destroy, or replace the original, for use in illegal transactions, or otherwise to deceive individuals into believing that the fake is of equal or greater value than the real thing. Counterfeit products are fakes or unauthorized replicas of the real product. They are often produced with the intent to take advantage of the superior value of the imitated product.

The counterfeit market in fashion has grown as an industry immensely from the 1970s. While developing countries remain a favourite for these markets to penetrate, their persistence in the developed economies over the decades has raised eyebrows, reached boardroom agendas, and their popularity is now tagged as an epidemic.

Not disregarding the benefits of the counterfeit market, there has been a rise in employment due to the huge success of the market. Moreover, they stimulate innovation by mixing different styles and lead to better choices for consumers. The market also

makes the original manufacturers improve their quality in order to sustain their products and open new low-cost product lines. However, the negatives of counterfeiting clearly outweigh the few positives.

A trillion dollar bootleg industry in fashion exists and while buying and selling of counterfeit goods is seen as a victimless and harmless crime, sometimes the profits go on to fund some of the shadiest criminal operations around the world.

The Italian Bootleg Industry and the China Connection

Though drugs, arms, and prostitution are the organised activities that attract headlines, fashion is just as profitable. The Neapolitan mafia crime clan “The Camorra” was, and still is, no small-time operation – their power is both great and vast, affecting various dimensions of the Italian industry, as well as its political structures. While their multi-million euro operation draws money from a number of different areas, the clan’s fashion exploits are integral to their financial structure. The low-cost business model after the large-scale deregulation in the 1950s in which small family owned factories developed all over Campania was full of high-skilled, low paid and dominantly female garment workers putting in 10 hours a day. This attracted companies from Italy, Germany, and France to invest in these small garment factories producing the best in Italian fashion, thus the best in the world.

However, what made these factories so profitable is that, like the smuggled Chinese goods entering the Port of Naples, officially these factories didn’t exist, and neither did the employees. Therefore, like the importers, they didn’t have the added overhead of taxes or complying with government regulations, including labour laws. The lack of regulation and government oversight provided ample fertile ground for organized crime to infect the garment industry. The fashion houses succeeded in bringing both sides together and facilitating their transactions- the fashion house auction became the link between the Camorra, the loan sharks, the factory owners and the designers.

Multiple factory owners would bid on a single job proposed by a luxury brand (with the names including some of the most famous Italian houses). The factories were then each supplied by the brand with the fabric and design required, and whoever produced the pieces with the best combination of quality, speed and price would be paid.

This, however, left multiple other factories with finished garments and no one to sell them to. It is through this overproduction that the “real fake” rose in Italy. The garments that had been rejected by the luxury house were relabelled and sold through the Camorra’s vast retail empire, dotted across several of Europe’s major cities and the U.S.

The clan had warehouses from which they would wholesale from, as well as their own stores in Madrid, Barcelona, Brussels, Vienna and Amsterdam, to name a few.

Saviano, in his book Gomorrah, claims that the luxury Italian houses were aware of this practice but turned a blind eye, knowing the cost of preventing the Camorra from

selling their grey-market fakes, which, in turn, would jeopardise their access to the cheap labour on offer in the factories that surround Naples.

Perversely, this seems to be the purest form of unregulated unconstrained capitalism, encouraging intense, cut-throat competition among the factories and at the same time, providing jobs, mortgages, and protection to the thousands of people who either directly or indirectly benefit from the industry. However, the social costs of this are drastically huge, and should not be sustained in any welfare economy.

Factory employees work twelve hours each day and have only a day or two off each month. They live in small dormitories with ten roommates and they are exposed to toxic chemicals during work. China Labour Watch has also found instances in which owners seize workers' identification papers, making finding work elsewhere impossible. Various reports of child labour have stated that they found children handcuffed to sewing machines.

Counterfeit designer clothing thus becomes a business that relies on consumers' thirst for bargain shopping to line the pockets of terrorists, drug dealers, and human traffickers.

The counterfeit fashion industry thrives on the perceptions of the consumers and their preferences at any point in time. There are major implications of the same:

1. The demand side of the fashion industry is completely consumer-oriented.
2. The industry is dynamic, considering the rapid change in preferences of clothes. (time-inconsistent preferences)

It is therefore imperative to study the purchase decisions of consumers of the counterfeit market. The growing demand is indeed a worrying trend, and to reach the bottom of this, one needs to start at the base.

Identity theory suggests that identities are dynamically constructed from meanings provided in social interaction or from personal experiences. The idea of consumers as identity-seekers explains their obsession with brands, and several prominent studies have investigated and supported the relationship between brands and consumer identity. Belk argued that "we are what we have," indicating that various facets of consumption, including the purchase and possession of brands, are major contributors to, and reflections of, a consumer's identity.

The analysis behind the purchase decisions of consumers of counterfeit goods can thus be categorised in the following manner:

1. Psychographic characteristics of identity
2. Demographic characteristics of identity

Psychographic characteristics can be defined as a consumer's lifestyle and personality that reflect the dimensions of individual differences in a consumer's tendency to show consistent patterns of thought, feelings and behaviours.

With the advent of the trillion dollars counterfeit fashion industry, the well aware,

middle-class consumers are better off than ever before. Luxury items that were only a dream before now stand well within their reach, fulfilling their thirst for the newest fashion and trend, displaying taste, wealth and a standing in desirable social groups. If we look at the late '80s and early '90s, and the hip-hop culture, we see everybody wearing logo-emblazoned garments, really drawing on the idea of aspirational dresses. Rappers were draped in Polo and Tommy Hilfiger. Calvin Klein jeans were a status symbol. It inspired and propelled the idea of counterfeit luxury goods.

The brands their idols wear now hang in their wardrobes albeit realistically fake. The level of satisfaction that the counterfeit market brings to the mass population, therefore, stands unparalleled by any such phenomenon in the past.

The persistence of the increasing demand for counterfeit fashion can be explained by examining the evolution of consumer behaviour over the decades.

The consumer today recognises counterfeit to be the smarter way to shop. While the consumer achieves the status symbol she/he yearns to build in the society, he gets the same for dirt cheap prices. There is a new-found pride in the counterfeits, and a drastic change in the acceptance of the same. While it was initially looked down upon, the counterfeit market is brilliantly innovative, unbelievably cheap, unmanageably widespread and overwhelmingly popular today. The consumer today seems well versed with the economical way to shop. He has understood the dynamism of the fashion industry and places a value on the cost of acquisition of each trend. Why should one pay a thousand pounds for something that could get them the same look in 50 pounds? And on an average, the chosen way is the counterfeit market. While integrity and risk aversion continue to be certain psychographic characteristics that serve as barriers to the demand, owing to the considerable risk of quality, and loss of integrity and reputation on being discovered as a fake in public, this forms a relatively negligent part of the population as evidenced by the magnanimous growth of the market.

Demographic characteristics are observable measurements of a consumer's characteristics. Each consumer can be identified by certain parameters which influence their purchase decisions. Age, education, employment status, gender and income are important identifications.

According to the meta-analysis conducted by Eisend, age depicted a negative relation with the demand for counterfeit fashion. This can be explained by the observation that the youth constitutes a major chunk of the demand side of the counterfeit market. In terms of behaviour this makes sense because of the level, duration and frequency of productive and social activity amongst the youth, directly contributing to the increasing need for clothes and, in the 21st century, for fashionable clothes.

Education, in all probability, has an ambiguous influence on the demand for counterfeit goods. While education and greater awareness discourage people from getting involved in illegal activities, the consumer tends to believe that those who actively benefit from unethical behaviour (counterfeiters) are more unethical than those who passively benefit from the activity. Consumers tend to justify their behaviour by firstly accusing the big brands of charging exorbitant prices which they cannot afford, and secondly, by believing that counterfeiting is not that serious of an offense. Some also believe that

they're, after all, promoting the brand by showing it's desirability in the market. Those with greater ability to rationalise their behaviour have found to be more willing to purchase counterfeit fashion products. Consumers also justify the same because they see the counterfeiter as more efficient and consumer-oriented. It is observed that the more the consumer believes that counterfeiting should be defended, due to perceptions formed, the more likely they are to purchase such goods. When analysed through the variable gender, many researchers have found that men are more likely to indulge in unethical behaviour like buying pirated movies than women. However, women are more likely to buy fashion products than men in the US and are less likely to see it as a crime. Some studies have been incongruent to this result which could possibly be due to the change in culture, country, product and values of the sample. There is inconsistency in the evaluation of ethicality by both genders as well. While consumers believe that buying fake pharmaceuticals is unethical, they consider buying bootlegged movies as acceptable behaviour. Employment and income have a clear negative relation with the counterfeit industry, as with the expansion of your budget constraint you reach the unaffordable.

An unsettling question remains. Why does trust in a product lose in the counterfeit market?

We believe that consumer of the counterfeit market, who depict deviant consumer behaviour by acting unethical, are in fact victims of cognitive dissonance, which means that while they believe that buying counterfeits is unethical and illegal, in the face of the prices (new evidence) offered in the counterfeit market, they rationalise their purchase decisions and contribute to the market. It thus indicates that a huge monetary incentive pushes a consumer away from the value the person attaches to the trust in the product or the manufacturer as both the quality and the brand are compromised when the consumer purchases the product. A person therefore directly prefers to opt for an apparently great deal, disregarding the social cost of the same. As consumers always make decisions at the margin and act in their self-interest, the enormous perceived benefit of buying a bag worth \$10 fuels the demand for the counterfeit market.

The counterfeit industry holds a mirror up to our own desires. Consumer demand for cheap knock-offs is the root of the problem and a very difficult root to cut out entirely. In developing countries, it is difficult to criticize a poor person for buying fakes when they are targeted with sophisticated advertisements to the effect that one's social status is dependent on the brand one wears. However, if people knew the real social costs of counterfeit goods, it's hardly debatable that they would think twice before they make a purchase.

There are a lot of ugly things that go on to make a fake allegedly beautiful designer bag despite the relative ease with which shoppers can purchase these fake goods.

The Italian Intelligence says “**almost all**” of the country's bootleg industry is run by the Mafia. Another **UN Report** mentions Chinese gangs with ties to Italian counterfeiting experts forcing “smuggled migrants into prostitution and low-wage labor.” While the losses caused by counterfeiting in monetary terms alone are daunting enough, the threat is not merely an economic crime. Counterfeiting presents as a social

problem as well. Counterfeiting is not an isolated activity, it is usually heavily associated with organized crime.

The demand problem has us struggling with lack of public awareness. Initiatives in educating the masses reveals itself as the only viable strategy to treat the growing epidemic of counterfeiting.

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