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Apparel

Industry overview

The domestic readymade garment (RMG) industry in India was estimated at Rs 2,653 billion in fiscal 2021, and exports, ~Rs 907 billion. By fiscal 2024, the domestic RMG market is projected to reach Rs 3,800 billion, which is a growth of 18-23% CAGR over fiscal 2022.

Apparel is one of most counterfeit products globally, with counterfeiters copying famous and expensive brands.

The level of counterfeiting in this segment is expected to be between 30-40%, as per CRISIL's consumer survey. Unlike other industries, it is easier to make fake fashion products; counterfeiters replicate the look and put the brand's name on it. Also, the willingness to purchase counterfeit products among consumers is the highest in this segment, and perception of harmfulness is the lowest, as per the consumer survey.

Table 12: Stakeholder/reports for counterfeit expectations-Apparel

Stakeholders	Counterfeit expectation
Associated Chambers of Commerce and Industry of India (luxury apparel)	~5%
Industry experts/ brands: FICCI MASCRATE report 2019	50-60% in apparels and 40% in sporting goods by volume
Manufacturers/ retailers/ distributors	25-35%
Survey: Consumer's perception	30-40%
Associations / Industry experts	20-30%
Consumers	Many customers do not mind buying first copies of luxury or apparel products. Customers aged 20-30 largely prefer buying counterfeits on account of price sensitivity, more options at a similar price, and latest fashion trends.
Retailers and distributors	Retailers and distributors have a long association with brands and believe counterfeit apparels are sold by the unorganised segment. The unorganised segment contributes to nearly 60% of the Ready-Made Garments market in value terms and is a major contributor to counterfeits. The market has cheap replicas of the well-known brands as well as good first copies of branded products that are difficult to identify.
Industry players – manufacturers/ industry experts	Apparels are among the most counterfeit products, and counterfeiters have copied many famous and costly brands. The unorganised segment, e-commerce and reseller platforms make it easy for counterfeiters to sell fake products. Many consumers knowingly purchase fake branded items, especially luxury items such as watches, purses, shoes and apparel. Consumers are aware that the utility of the particular product may not be long-lasting as the original one, but they want the society to believe they are consuming quality material. Consumers think that counterfeiting is acceptable as long as it does not have any adverse impact on their health or well-being.

Source: CRISIL MI&A

With e-commerce becoming a popular means of shopping, the instances of counterfeiting has only increased. The Associated Chambers of Commerce and Industry of India estimates that counterfeits are ~5% of the total luxury market in India, with growth largely driven by e-commerce websites; accounted for 25% of the market of counterfeit products.

Extent of counterfeiting: City-wise consumers who have come across counterfeit products

In India, counterfeit apparel products are available across the country; however, it is highest in Ahmedabad, Chennai, Indore, and Kolkata. Though Delhi and NCR region is known to be the source of 60-70% counterfeit apparel products as per industry interactions.

The proliferation of counterfeit apparel is large because of a burgeoning middle class looking to buy trending branded clothes at low cost. Premium brands usually see higher counterfeiting. As per the retailer survey, the wedding apparel segment has a higher level of fake products, followed by luxury brands and sportswear.

That said, ~75% of retailers were able to identify fake products by its branding and logo. Majority of those said that the margin on counterfeit products was between 30-40%, which was lower vis-à-vis branded products, but higher than non-branded products.

Manufacturers of branded apparel are well aware about the issue; however, they are not concerned about fake products as consumers buying counterfeit brands are not their target audience, especially in the wedding wear and luxury segments. However,

sportswear and undergarment brands are affected by counterfeiting and, hence, brands such as Jockey, Bodycare, and many regional brands are using holograms and barcoding on their packaging.

Types of counterfeiting in apparel

Several global brands in India have recently encountered a dip in sales owing to fakes. Counterfeit in high-end fashion brands are through:

- Import of factory seconds and offering these at heavy discounts online, and organising special sales at popular markets
- Creating groups on WhatsApp to offer counterfeit products
- Producing replicas (most common in the apparel industry)
- Using other social media platforms to sell/distribute counterfeit products

The market for counterfeits is now rapidly moving from fashion streets to online platforms, where anonymity helps the seller to sell and distribute counterfeit goods with ease. Further, this has taken counterfeit goods to tier-II and -III cities. Counterfeit sellers are also making use of loopholes in the system. As per a News18 report, during an investigation carried out by a team of brand investigators, it was found that in the case of apparel, at least 40% of the

listings were by duplicate manufacturers on e-commerce websites. These websites also did not provide an option to report if a consumer found the product to be counterfeit, thereby causing economic loss to the consumer.

Also, consumers knowingly purchase first and second copy of brands online. Apart from luxury brands, sportswear brand counterfeiting is most common. Sportswear is growing at a fast rate as youngsters are increasingly becoming health conscious and fitness enthusiasts. To cater to the high demand, many Indian brands have entered the sportswear market, providing quality products at affordable prices. This has somewhat reduced demand for second copy premium sportswear products.

Meanwhile, online retailers are shrugging off responsibility by claiming to be intermediaries.

DELHI NCR	AGRA	JALANDHAR	MUMBAI	AHMEDABAD	JAIPUR
23%	13%	17%	12%	50%	14%
INDORE	KOLKATA	PATNA	CHENNAI	BANGALORE	HYDERABAD
89%	47%	29%	42%	15%	35%

Figure 17 : City wise extent of counterfeits-Apparel

Source: Consumer survey, CRISIL MI&A

Identifying counterfeit apparel

Identifying counterfeit apparel can be challenging. In most cases, counterfeiters can copy all the tags and labels. Most times, consumers realise the product is counterfeit only after using it. However, brands are taking initiatives such as using holograms and adopting bar coding to keep a check on counterfeiting.

Laws against counterfeiting

The apparel industry in India needs stringent laws against counterfeiting. While India has the Trademarks Act, 1999, it does not define 'counterfeit'. However, Sections 102, 103 and 135 provide for certain civil and criminal remedies in cases of brand counterfeiting and trademark infringement. The Act provides for a punishment of six months, extending up to three years and a fine of up to Rs 0.2 million.

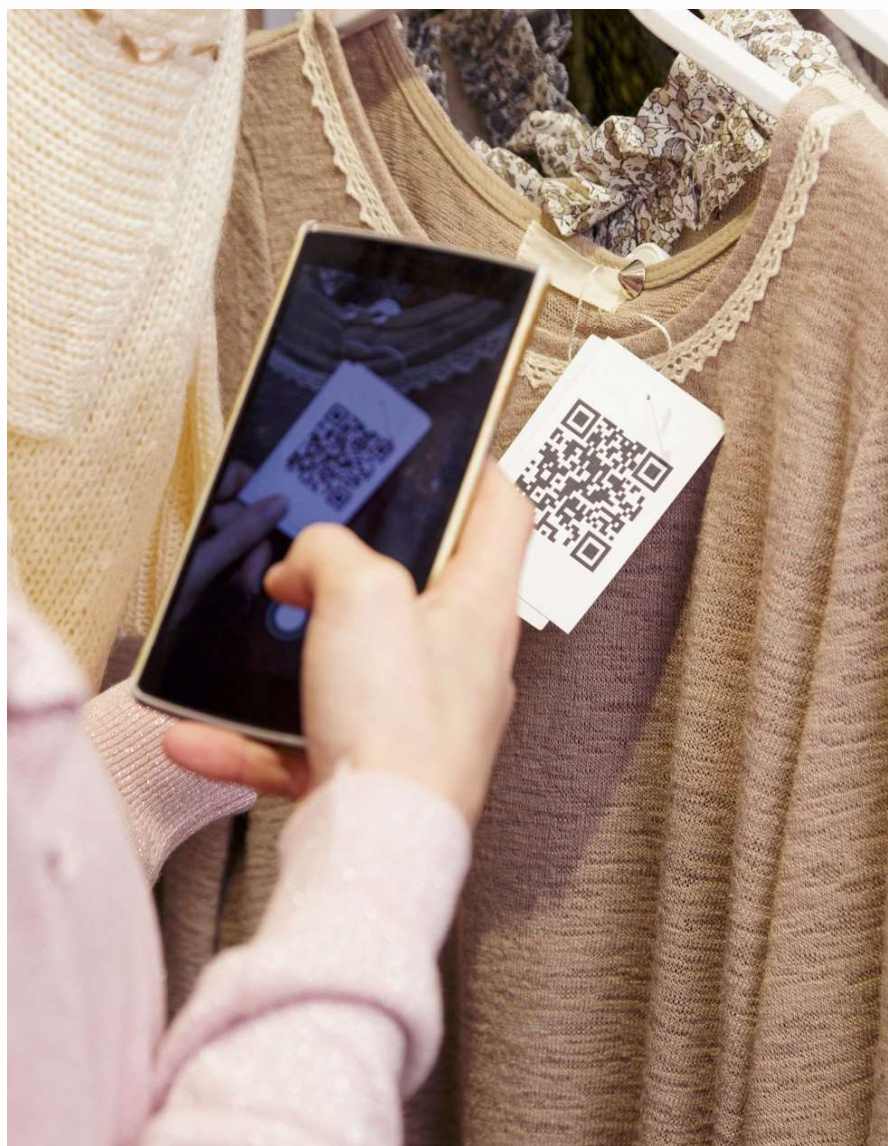


Table 13: Types of counterfeiting in apparel sector

Deceptive counterfeiting	Non-deceptive
<ul style="list-style-type: none"> Consumers unknowingly purchase counterfeit apparel at the price of an original product 	<ul style="list-style-type: none"> Consumers knowingly/willingly purchase counterfeit products at very low price
<ul style="list-style-type: none"> Lack of awareness / fake brand websites are key reasons for this type of counterfeiting 	<ul style="list-style-type: none"> Attempt to possess something that is not widely available and affordability are major drivers that lead consumers to willingly purchase counterfeits
<ul style="list-style-type: none"> Upper middle and high income groups are targets 	<ul style="list-style-type: none"> Young consumers and middle income group have turned to fakes
	<ul style="list-style-type: none"> Apparel such as wedding costumes, occasion wear, branded luxury western apparel, and sportswear are mostly counterfeit
	<ul style="list-style-type: none"> Consumers are aware of markets where these products can be found

Key markets for counterfeit apparel in India

Some of the key markets infamous for counterfeit apparel in India are as follows:

Heera Panna, Mumbai - A major indoor market located in the heart of Mumbai known for high-quality counterfeit watches, footwear, apparel, accessories, and cosmetics.

Palika Bazaar, New Delhi - Shoppers at this underground market are typically youngsters who want trendy products at cheap prices, and tourists.

Tank Road, Delhi sells counterfeit products, including apparel and footwear. Wholesale counterfeit goods are also reportedly supplied to other Indian markets, such as Gaffar Market and Ajmal Khan Road.

Chandni Chowk, Delhi sells the first and second copies of the wedding and occasion wear apparel of well-known brands.

Palika Bazar, Heera Panna, Kidderpore, and Tank Road were listed by United States Trade Representative among the world's notorious markets in 2021, reported to being engaged in or facilitating counterfeiting or copyright piracy.

Instances of counterfeit apparel seizures in India

Apparel categories counterfeiting are very difficult to trace because the unorganized market is full of replicas of branded products. Some sellers sell counterfeit products claiming them to be genuine branded products and sell the products at slightly lower prices to attract customers and earn high margins. ASPA have recorded 19 such instance in 2021 and 8 instances in 2020 for lifestyle and apparel category. Some the instances are detailed below.

Table 14: Instances of counterfeit apparel seizures in India

Sr no.	DD/MM/YY	Location	Incident
1.	07-01-2022	Madurai, Tamil Nadu	Sale of fake shirts in the name of famous companies
2.	04-01-2022	Roorkee, Uttarakhand	Fake clothes being sold in the name of branded
3.	17-04-2021	Ranchi, Jharkhand	Police crackdown on fake jeans and shirt factory
4.	21-02-2021	Meerut, Uttar Pradesh	Man held in Meerut for selling fake branded apparel
5.	01-11-2020	Gandhinagar, Gujarat	12 arrested for selling 17 big-brand fake clothes from Telangana
6.	26-10-2020	Meerut, Uttar Pradesh	Fake shirt of INR 25 lakh caught
7.	14-01-2020	Bhopal, MP	Police raided a fake jeans market named after branded companies in Bhopal
8.	09-10-2019	Noida, Uttar Pradesh	Two brothers arrested for selling fake shirts with the name of branded companies

Source: ASPA