

JTI-Macdonald Corp.: Dealing With The Value Segment Of The Canadian Tobacco Industry

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TOP 10 PRODUCTS SOLD

1. Cellphones	30%
2. Consumer Electronics	12
3. Handbags/Wallets/Accessories	8
4. Apparel	8
5. Shoes/Accessories	4
6. Computer Hardware	5
7. Music	4
8. Pharmaceuticals	4
9. Jewelry	4
10. Household Items	3



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What is Counterfeiting?

Counterfeiting is the practice of manufacturing goods, often of inferior quality, and selling them under a brand name without the brand owner's authorization. (INTA, 2013)

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China is main producer of 'fakes'
 Low education levels
 Inexpensive manufacturing capabilities
 Demand: Culture focused on status

HELP TO PROTECT US FROM

1. Fake goods	39%
2. Consumer electronics	14%
3. Clothing/leisure/footwear & accessories	9%
4. Automobiles	6%
5. Pharmaceuticals	6%
6. Food & beverages	4%
7. Sports	4%
8. Music/entertainment	4%
9. Jewelry	4%
10. Reproductive services	2%

What's the issue?

The price of counterfeit goods is lower than the price of genuine goods. This is because counterfeiters do not invest in research and development, and they do not have the same quality control as the original brand. This means that counterfeit goods are often of lower quality and can be harmful to consumers.



Counterfeiting Impact on Luxury Brands

- Damages Brand Image
- Damages Global Brand Reputation
- Legitimate producers face intangible losses
- Reduce brand equity
- Lost confidence from consumers
- Volatility

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In 2013

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Seizures

1,400 counterfeit items seized in 2013, up from 1,100 in 2012. The most common items seized were counterfeit clothing, footwear, and accessories.

Consumer Attitude

Purchase Intentions

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- Consumer behaviour supports the trade
- 80% of consumers purchased counterfeit goods
- People want luxury but can't afford it
- Many people in poorer countries can't afford it
- Anti-counterfeiting group survey found one third of consumers showed negative effects
- Italy: 40% blame to producer (Aug. 01, 2007)
- Consumers do not perceive the counterfeit's trade as illegal (Pina, Goringier, 2005)
- Consumers may feel they are being "tricked" by the brand



References

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INTA. (2013). Counterfeiting: A global challenge. Retrieved from <http://www.inta.org/counterfeiting/Pages/counterfeiting.aspx>

Italy. (2007). Counterfeiting: A global challenge. Retrieved from <http://www.inta.org/counterfeiting/Pages/counterfeiting.aspx>

Pina, G., & Goringier, S. (2005). Counterfeiting: A global challenge. Retrieved from <http://www.inta.org/counterfeiting/Pages/counterfeiting.aspx>

To Conclude

NO demand NO production!

- Educate consumers on morals and ethics
- Brand collaboration
- France & Italy prosecute consumers who knowingly purchase goods
- New York currently considering
- Purchasing counterfeit goods illegal in all countries

- More knowledge less demand
- Fear in consumers
- Questionable how effective and realistic this could be
- Difficult to prove if consumer knowingly purchased knock-off

What are brands doing to protect themselves?

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Preventions

- Registering Trademarks
- Brands investing in research
- Industry wants to change attitudes of consumers

Seizures - LV Carried out 4,200 raids last year

New technology spots designer knock-offs (FT, 2013)

Hermes and Burberry recently won court cases over online counterfeiting

Louis Vuitton has had to sue several retailers to stop them from selling counterfeit goods. The company has also launched a campaign to educate consumers on how to spot counterfeit goods.



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counterfeiting?

issues:
- fakes
- risks
- raised
- and safety

losses
- safety
- violation of brand

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What is Counterfeiting?

Counterfeiting is the practice of manufacturing goods, often of inferior quality, and selling them under a brand name without the brand owner's authorization. (INTA,2013)

TOP 10 PRODUCTS SEIZED

1. Footwear	38%
2. Consumer electronics	12
3. Handbags/wallets/backpacks	8
4. Apparel	8
5. Watches/parts	6
6. Computers/hardware	5
7. Media	4
8. Pharmaceuticals	4
9. Jewelry	4
10. Toys/electronic games	2

SOURCE: U.S. Customs and Border Protection

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China is main producer of 'fakes'
Low education levels
Inexpensive manufacturing capabilities
Demand: Culture focused on status

Whats the issue?

'The International anti-counterfeiting coalition estimates responsible for £200b a year in job losses, unpaid taxes and lost sales' (Furnham,2007)

'Not just a handbag'
Counterfeits =
Terrorism,child
labour,the drug trade

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- Workshops do not respect human working conditions
- Enviromental issues
- Impact on human health

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FAKE

Fakes Cost Jobs!

Buying fake goods supports crime.
If you are offered fakes **DONT BUY.**

Call Trading Standards in confidence on
01241 435600
tradstand@angus.gov.uk

We will only use information provided to identify when and where fake products are being sold.

Anglia Council

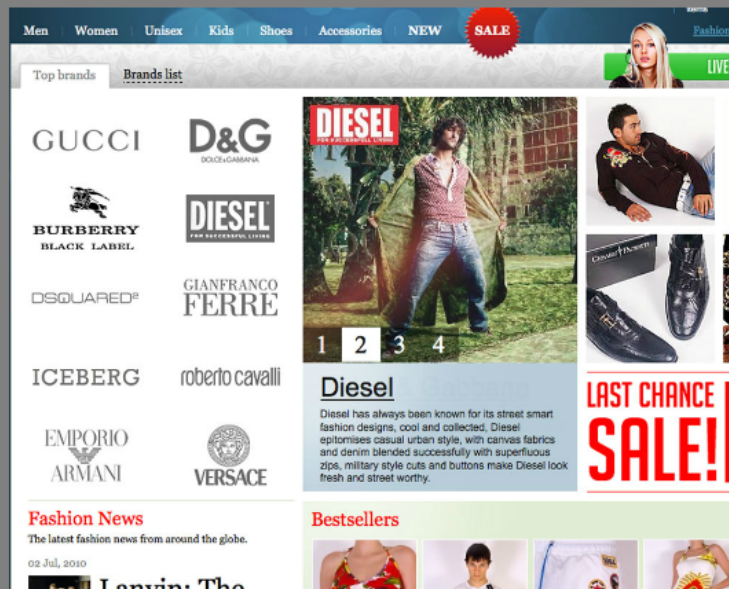


- Workshops do not respect human working conditions
- Enviromental issues
- Impact on human health



In 2013

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"As ecommerce expands, we are seeing more international criminal organisations exploiting cyberspace to further their criminal enterprises," Vogue.com, 2013

Dupe consumers into thinking they are buying genuine goods

Seizures

16,000 counterfeit Hermes handbags seized at California ports," Washington Post, March 5, 2013.

20,000 Christian Louboutin shoes

79,000 counterfeit sunglasses

Counterfeiting Impact on Luxury Brands

- Devalues Brand Image
- Damages Global Brand Reputation
- Legitimate producers face intangible losses -
Reduce brand equity

Lost confidence from consumers
- LV, Burberry



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Can the industry benefit from counterfeiting?

Advantages:

- Brand awareness
- Free Advertising
- Products status and symbol of high brand value
- 'You've made it'
- Flattering to be imitated
- Primarily Price advantages

Disadvantages:

- Aesthetics
- Design is compromised
- Health and safety issues
- Brand loses exclusivity
- Devaluation of brand

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'Prada CEO Says Counterfeit Fashion Isn't A Bad Thing' (Sanchez, 2012)

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Consumer Attitude

Purchase intentions

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- Consumer behaviour supports the trade

80% of consumers purchased counterfeit goods

People want luxury but cant afford it
Want symbol it portrays

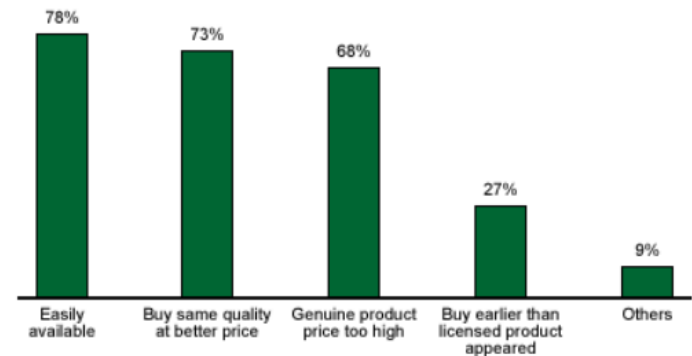
Anti-counterfeiting group survey found one third of consumers disregard negative effects

Buyer shift blame to producer (Ang et al, 2007)

Consumers do not perceive the counterfeit trade as illegal (Penz, Stottinger, 2005)

Consumers may feel they are being 'ripped off' by brand

Which of the following were factors in your purchase of an imitation or counterfeit product?



What are brands doing to
protect themselves?

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HERMÈS
PARIS

Luxury brands must remain innovative = Harder to replicate

