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TECH

# On Amazon, Fake Products Plague Smaller Brands

Counterfeiters hijack companies' own listings with low-quality products and cut-rate prices



The seller of Active Wow teeth-whitening charcoal powder changed the label on its product to differentiate it from impostors, seen on the right, that have grown increasingly sophisticated at imitating packaging. PHOTO: PHOTO: EMILY PRAPUOLENIS/THE WALL STREET JOURNAL; ILLUSTRATION: STEPHANIE AARONSON/THE WALL STREET JOURNAL

By *Laura Stevens*

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Amazon.com Inc. [AMZN -1.63%](#) ▼ has made it easy for small brands to sell their products to large numbers of customers, but that has also enabled some counterfeiters to cut into their business.

Sassa Akervall gets much of the sales for the SISU-brand mouthguards that her family invented from Amazon. The Michigan-based entrepreneur said fake versions of the product on the site have undercut her price and hurt her business. She has reported the problem repeatedly to Amazon, but the fakes keep resurfacing.

“It’s frustrating,” Ms. Akervall said, adding that the fake products and their reviews have hurt the brand’s reputation.

Amazon said it prohibits the sale of counterfeit products. “We invest heavily to protect the integrity of our stores,” a spokeswoman said in a statement, and “will continue to aggressively pursue those who harm our customer and seller experience.”

Counterfeiters, though, have been able to exploit Amazon’s drive to increase the site’s selection and offer lower prices. The company has made the process to list products on its website simple—sellers can register with little more than a business name, email and address, phone number, credit card, ID and bank account—but that also has allowed impostors to create ersatz versions of hot-selling items, according to small brands and seller consultants.

When retailers log into Amazon’s website for sellers, most product pages have a button next to the item that makes it easy for someone to list the same product. That strategy works well for consumers and Amazon on widely distributed items like shampoo and sneakers because it increases competition and that usually leads to lower prices for consumers.

Most small brands, however, are closely held and harder to get access to outside of authorized



A Dr. Frederick's Original product, right, is shown next to a counterfeit. PHOTO: EMILY PRAPUOLENIS/THE WALL STREET JOURNAL

distribution. So, in some cases, counterfeiters are listing their versions of hot-selling items on the same page and at lower prices. Amazon's pricing algorithms see the lower price and then assigns the default "add to cart" option to the counterfeiter, elbowing brands out of selling their own goods.

"The reality is this is a cat-and-mouse game," said James Thomson, a brand consultant with Buy Box Experts. "You have to find a way to remove more and more of the cheaters. As soon as [Amazon] closes one loophole, somebody else finds another loophole."

The surge in successful new brands on Amazon has helped fuel the counterfeiter problems, consultants say. While the problem is hard to quantify, sellers and consultants who work with them say it has become common.

Cal Chan said recent counterfeiters on the Amazon listing for the teeth-whitening product his company created have posted prices less than a third of his usual \$20 to \$25, and he has matched pricing and lost money to ensure customers get the authentic product. He has tried changing the labels for his Active Wow teeth-whitening charcoal powder—which is one of Amazon's hottest-selling items by unit—to differentiate from impostors who have grown increasingly sophisticated at imitating his packaging.

"Amazon has a strict no-counterfeit policy, but there are criminals that are trying to manipulate their systems," Mr. Chan said.

After inquiries from The Wall Street Journal, counterfeiters were removed from Mr. Chan's and the other sellers' listings mentioned in this article.

Amazon has long fought counterfeiters, who in the past have typically targeted big, established brands. It has sued phonies and enabled brands to register themselves, which gives the brands more control over their listings. Amazon also uses that information to help scan its systems for potential counterfeits and to block fakes before they can list on the site.

Amazon has said its platform has helped millions of small businesses start new products.

More than half of sales on its site, by unit, now are from independent merchants, including those who sell their own brands. Those transactions typically are more profitable to Amazon than selling its own stock, because it takes a roughly 15% cut and avoids inventory costs.

The Amazon spokeswoman said that less than 0.1% of site page views were flagged for potential infringements, and that the company investigated and takes action on 95% of brand-registered products within eight hours. The company also has developed algorithms and other systems to identify fraud.

Still, fakes continue to pop up. After Rob Ridgeway, inventor of a musical board game called Spontaneous, registered his brand with Amazon, a new Ukraine-based seller showed up, undercutting his \$29.99 price by about \$5.

The Austin, Texas-based entrepreneur tried to order the game to get proof it was a counterfeit, but the item never arrived—its tracking number was fake, too.

"It's frustrating," Mr. Ridgeway said. "At some point you just kind of throw your hands up in the air and say what am I supposed to do?"

Consultants and sellers said many counterfeiters are in China, based on shipping addresses or locations specified on Amazon's website.

Ben Frederick, one of two physicians who created the health-products brand Dr. Frederick's Original, said he spends a lot of his time warning and reporting sellers from China who hop on his listing. Sometimes they don't know it's a registered trademark, he said, and they get off. Other times they ignore him or even send threatening emails.

Dr. Frederick blamed those sellers for cutting his company's revenue by as much as \$40,000 a month; the company is on pace to do as much as \$4 million in revenue this year. A counterfeiter won one of his buy boxes on Monday, hurting his Prime Day sales. He got Amazon to remove the seller, but it reappeared about 90 minutes later.

The impact can linger even after a seller is expelled. Jon Rubenstein, president of Campus Colors, said his college T-shirt company reported more than 5,000 fake versions of its shirts last year—and eventually succeeded in blocking the counterfeited items after going through a university for help. But bad reviews about misspellings and poor quality remained stuck on his listing, something he appealed to Amazon for help on.

"Amazon is very hesitant to clean these up," he said.

The Amazon spokeswoman said the company investigates each claim and takes "forceful action against both reviewers and sellers by suppressing reviews that violate our guidelines and suspend, ban or pursue legal action against these bad actors."

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