

beautyworld

MIDDLE EAST

May 14 – 16, 2017

Dubai International Convention
and Exhibition Centre, UAE

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Combating counterfeit
cosmetics trade in
Sub-Saharan Africa

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Introduction

In a series of reports on the Sub Saharan Africa (SSA) beauty and personal care market Beautyworld Middle East has taken a look at the latest trends, business opportunities and challenges in this dynamic market. What we have not covered is the problems SSA faces in terms of counterfeit products, an issue which is particularly prevalent in its beauty and personal care market.

In this report Beautyworld Middle East explores this pertinent issue looking at the prevalence of counterfeit products in SSA and the preventive measures the authorities are taking to improve the situation with a particular focus on East Africa.



Messe Frankfurt against copying

Before looking at the counterfeit issue in SSA, Beautyworld Middle East would first like to give some background on its own stance on product pirating.

Beautyworld Middle East is organised by Messe Frankfurt, one of the world's largest trade fair companies with over 1,800 active employees. The group has a global network of 28 subsidiaries, five branch offices, and 52 international sales partners. In 2006, Messe Frankfurt became the first trade fair organiser worldwide to launch an initiative against brand and product piracy: "Messe Frankfurt against Copying". This initiative aims to ensure that exhibitors and visitors are fully informed and advised about the registration and assertion of intellectual property rights.

Following these steps, Beautyworld Middle East takes an active stand against brand and product piracy in an effort to create a fair business environment.



Prevalence of counterfeits in SSA



A lively counterfeit trade is a common issue in developing nations. With 27 of the 48 countries designated by the United Nations as the world's least developed countries (LDCs) located in Africa, it is no surprise then that there is a steady supply of counterfeit cosmetics products. It is believed that for many years the key source of counterfeit products entering SSA countries was China. More recently, stringent regulations has helped to stem this trade, however, with so much unofficial trade both domestically and across borders in SSA, tackling counterfeit trade is a difficult task. While measures are being taken, it will be some time before any major inroads are achieved towards alleviating the problem.

Due to a dearth of choice when it comes to beauty and personal care products, SSA consumers have become accustomed to using counterfeit and below par goods. While in many countries there is now a better awareness on the perils of using fake products, its prevalence across the region remains widespread. In many countries consumers continue to use fake products even when they know them to be so, as they are offered at a better price point and they cannot afford the alternative.

Traditionally, the availability of cosmetics brands with a reasonable quality/price ratio was weak leaving consumers little option but to turn to counterfeit products for increased choice. Lack of awareness on many levels e.g. the perils of using sub standard products, the difference between a fake and genuine product and an indifference to choosing counterfeit products over genuine, although gradually improving, is another factor fuelling continued trade in the counterfeit market.

According to Business Guide Africa, approximately 30 per cent of cosmetics and related products in East Africa are either counterfeit or contain substandard active ingredients. This increases to almost 70 per cent in Tanzania where imitations are popular due to their affordability. Research from the Anti-Counterfeit Agency of Kenya reveals that the country loses up to USD 1 million (mn) per month as a result of fake cosmetic products. In Ethiopia, home to Africa's second largest population, there are some major discrepancies in cosmetics trade figures from varying bodies which Business Guide Africa suggests is down to the existence of a grey market and a large volume of unofficial trade.

Factors improving the situation

- **Improving economic conditions** in some countries such as Kenya has led to consumers demanding higher quality and more premium products. This could help towards reducing the volume of counterfeit products on the market as the willing consumer base for such products gradually decreases.
- **A rising middle class and increased urbanisation** have led to more consumers with disposable incomes. These consumers demand high quality goods at reasonable prices and are willing to pay more for a product if they know it is good quality and value for money.
- **An increase in the availability of quality products at an affordable price.** Since some of the major global cosmetics companies have established a presence in the region, the range in choice across hair care, skin care, cosmetics and fragrances has increased. This lessens the need for African consumers to resort to their fake equivalents.
- **An increase in the number of official department stores** in the region has also helped to bring more reliable access to quality products. The number of modern retail stores is expanding and many of these are introducing beauty counters, helping to increase the penetration of official trade. However, the majority of consumers in SSA, particularly middle- and lower income groups still purchase their products from outdoor markets and supermarkets which are more difficult to regulate. For the lower income group strong sensitivity to pricing means that counterfeit products remain popular in open-air markets.
- The international cosmetics giants are **building brand awareness** by investing in marketing and promotional campaigns targeted specifically to the African consumer. This is building brand loyalty, especially as these companies can offer a wider range of good quality products at affordable prices. As this product base continues to widen to suit varying consumer profiles, the brands will continue to fight their war against counterfeit and fake products.
- **Education and training** could also play a role when it comes to increased awareness levels on the perils of counterfeit goods. There are a wide number of institutes and workshops across SSA offering beauty-related courses and hands-on training opportunities. This should lead to an increase in the number of consumers who will not stand for counterfeit products and will make every effort to avoid fakes.
- **Increased Internet penetration** across the region is another factor that could help eradicate the propensity to purchase counterfeit goods. On the one hand, the internet and social media sites can provide easy access to willing counterfeit traders as product counterfeiting is typically an organised group activity. However, on the positive side, it can also open more avenues for the genuine players to build brand loyalty, especially across what is one of the youngest target audiences in the world.

Official legislations to tackle the problem



As per World Trademark Review, Kenya is the only country in East Africa with a specific anti-counterfeiting law. Other East African countries do have regulations which contain specific provisions for dealing with counterfeits, but these are not well resourced or governed. Furthermore, it doesn't help that customs can have the tendency to be ineffective in identifying counterfeit products. Across SSA the legislation varies greatly and is generally ineffective.

As cited by Business Guide Africa, in Uganda, the Pre-export of Conformity to Standards (Pvoc) programme was introduced in 2010 requiring all cosmetics (amongst others) traders to have their goods inspected in their countries of origin. This programme is also in place in Ethiopia. While this has posed problems for some of the genuine small importers due to bureaucratic restrictions, timeliness and expense, some less genuine cosmetics dealers have been blacklisted as a result of these measures.

While there is a lack of empirical data on the issue, it is clear that counterfeit beauty products, toiletries and cosmetics are available on a large scale across SSA. Recent improvements in economic conditions, choice in product availability, awareness levels and brand loyalty could help to reduce the willingness amongst SSA consumers to purchase below par or fake products. The global cosmetics giants that have more recently entered the SSA market are also making efforts with country- and region-wide campaigns specifically targeting African consumers. These campaigns will further help to build brand awareness.

From the authorities' side, there is an awareness of the problem and its consequences on the economy. Efforts are being made to clamp down on counterfeit trade, but for a variety of reasons, particularly lack of resources, these efforts are really only scratching the surface and improved policy implementation would be required to make any real inwards in tackling this pertinent issue.