

MEDIA RELEASE

Consumers at risk from fraudulent advertising on Internet, social networking platforms

*Business groups call for social platforms to do more to screen fraudulent ads,
protect consumers from flood of counterfeits*

Washington, DC, 22 July 2020 – Today, the Transnational Alliance to Combat Illicit Trade (TRACIT), in collaboration with the American Apparel & Footwear Association (AAFA), issued a report detailing the growing incidence of fraudulent advertising and counterfeits on popular social networking platforms like Facebook and Instagram and websites like YouTube and Google.

The report shows that seventy major international brands have been targeted by fraudulent advertisements on social platforms, some of which receive up to a quarter of a million views before they are detected.

“It’s alarming that people are exposed to fraudulent advertisements for counterfeits while they’re thumbing through their social media accounts,” said TRACIT Director General Jeffrey Hardy. **“The ads are so professional that they easily deceive consumers into thinking they’re getting a great deal. Instead, they’re being diverted to a rogue website that was built specifically to sell and distribute counterfeits – and they’re just not expecting that.”**

The report investigates and points out that Internet-based platforms for social networking and shopping from home have inherent systemic weaknesses that are exploited by criminals to sell any variety of counterfeit or illegal product with little risk of apprehension. The lack of sufficient policies and procedures to verify an advertiser’s true identity and limited vetting during the onboarding process are identified as the main vulnerabilities that enable fraudulent advertising online.

“Consumers risk having their payment details stolen, not receiving goods, or buying poor quality or even dangerous products,” said Mr. Hardy. ***“Counterfeiters are notoriously linked to serious organized crime, spending their profits on illicit drugs, money laundering and corruption, depriving governments, businesses and societies of hundreds of billions of dollars in taxes, sales and jobs.”***

TRACIT and AAFA advocate for governments and social platforms to work with brands and law enforcement to do more to protect consumers. The report includes recommendations for websites and social media platforms to gather and verify information on who is utilizing their advertising services, which would improve their ability to proactively identify bad actors and repeat infringers from previously removed accounts. The report also calls for a more rigorous review of an advertisement prior to publication, both algorithmically but also manually where high risk has been flagged.

“As social media has become a more integral part of our society, it has also become an avenue for the sale of illicit product. This report shows the current role social media and online advertising has on this trade, and recommendations to protect businesses, consumers, and workers,” explained Christina Mitropoulos, Manager, Brand Protection and Manufacturing Initiatives, AAFA. “Preventing the sale of counterfeit products is about much more than lost sales and brand reputation. It is about protecting consumers from unsafe products. It is about protecting American jobs.”

“The social networking platforms are some of the most popular and most valuable brands in the world,” said Mr. Hardy. “It’s absolutely inconsistent with today’s standards of corporate social responsibility to expose users to such easy forms of fraud. Chasing fraud once it’s loose on the Internet is not effective and leaving legitimate companies to clean up the mess is unfair and unreasonable.”

Additionally, the report suggests the establishment of an e-business license for advertisers, which would require verification of (i) financial disclosures that can be corroborated by third parties (e.g., bank statements), and (ii) physical location information that can be supported by government records or trusted third parties. Such a system could be accompanied by a central registry ideally, managed by a highly secure, disinterested party to maintain the licenses.

“Licenses are required for virtually every aspect of commercial activity in the physical world, so why not for online advertising?” asked Mr. Hardy. “Advertising has long been regulated by governments to ensure that messages are truthful and do not mislead reasonable consumers and I think it’s the responsibility of today’s legislators to make sure these standards apply to our lives online.”

TRACIT and AAFA’s report is available at: www.tracit.org/publications.

A Washington Post article covering the report here:

<https://www.washingtonpost.com/politics/2020/07/22/technology-202-more-than-70-companies-victims-ad-fraud-facebook-according-new-report/>

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About TRACIT

The Transnational Alliance to Combat Illicit Trade ([TRACIT](http://www.tracit.org)) is an independent, private sector initiative to drive change to mitigate the economic and social damages of illicit trade by strengthening government enforcement mechanisms and mobilizing businesses across industry sectors most impacted by illicit trade.

About AAFA

The American Apparel & Footwear Association (AAFA) is the national trade association representing apparel, footwear and other sewn products companies, and their suppliers, which compete in the global market. Representing more than 1,000 world famous name brands, AAFA is the trusted public policy and political voice of the apparel and footwear industry, its management and shareholders, its nearly four million U.S. workers, and its contribution of more than \$400 billion in annual U.S. retail sales. www.aafaglobal.org

For more information, to arrange an interview, please contact:

Cindy Braddon

Head of Communications and Public Policy, TRACIT

Tel: +1 571-365-6885 / cindy.braddon@TRACIT.org / Twitter: [@TRACIT_org](https://twitter.com/TRACIT_org)