FIRM-LEVEL SURVEY REPORT

RESEARCH ON LEVELS OF AWARENESS AND EXTENT OF COUNTERFEITING IN KENYA

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DECEMBER 2024

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FIRM-LEVEL SURVEY REPORT

PREPARED BY

KCA UNIVERSITY
~1989~

FOR

ACA | anti counterfeit authority
Upholding Authenticity

DECEMBER 2024

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LIST OF ABBREVIATIONS AND ACRONYMS

ACA	Anti-Counterfeit Authority
KEBS	Kenya Bureau of Standards
KAM	Kenya Association of Manufacturers
KIPI	Kenya Industrial Property Institute
KII	Key Informant Interview
SME	Small and Medium Enterprises
IP	Intellectual Property
ICT	Information and Communication Technology
QR Code	Quick Response Code
AI	Artificial Intelligence
CBO	Community-Based Organization
NGO	Non-Governmental Organization

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EXECUTIVE SUMMARY

Counterfeiting remains a significant threat to Kenya's economy, impacting industries, public health, and consumer trust. This study explores the prevalence, trends, and effects of counterfeiting across four key sectors: automotive spare parts, pharmaceuticals and medical equipment, energy, electronics and electrical goods, and alcoholic beverages. Combining quantitative firm-level surveys and qualitative key informant interviews, the report provides actionable strategies to combat counterfeiting.

The findings indicate that 39% of firms sell products online, with considerable sectoral variation. Pharmaceuticals have the lowest online presence at 18% due to strict regulations, while automotive spare parts (47%) and electronics (42%) exhibit higher e-commerce adoption. Awareness of counterfeit goods has risen to 71%, up from 30% in 2020, with smaller and locally owned firms showing higher awareness due to direct exposure to counterfeiting risks.

On average, 18% of products are counterfeited, with automotive spare parts (21%) and alcoholic beverages (19%) experiencing the highest prevalence. 53% of respondents reported an increase in counterfeit incidences over the past year, driven by consumer demand for cheaper products, inadequate enforcement, and economic downturns. The impacts include revenue loss, brand damage, and operational disruptions, particularly affecting smaller firms.

Counterfeit goods are primarily distributed through online platforms, especially social media and local e-commerce sites, followed by street sellers and kiosks. The most affected products in the automotive sector are spark plugs and engine parts, while over-the-counter drugs and personal protective equipment are common in pharmaceuticals. In electronics, smartphones and home appliances are frequently counterfeited, whereas gin and vodka are the most affected in alcoholic beverages.

The primary challenges in combating counterfeiting include consumer demand for cheaper goods, inadequate enforcement, and high anti-counterfeiting costs. Firms are addressing these challenges through consumer education and product authentication technologies. Key recommendations include enhancing enforcement mechanisms with technologies like blockchain, promoting public awareness through targeted campaigns, and implementing regulatory reforms. Support for small firms through financial incentives and simplified reporting processes is essential. Furthermore, fostering collaboration among government agencies, industry players, and international bodies, and addressing systemic drivers such as

corruption and enforcement gaps, are crucial for building consumer trust and industry confidence.

Chapter 1. Introduction

1.1 Background

Counterfeiting is one of the fastest-growing illicit industries globally, with severe consequences for economies, firms, and consumers. According to the International Chamber of Commerce (ICC) (2020) Counterfeit goods comprise nearly 3.3% of global trade and account for a staggering $509 billion annually. Globalisation, technological advances, and the rapid expansion of online marketplaces have accelerated the counterfeit business. This issue is not confined to luxury items; counterfeits are prevalent in critical sectors such as pharmaceuticals, electronics, and digital technologies, posing risks to health, safety, and intellectual property rights.

Economic losses due to counterfeiting are immense, with global estimates predicting that counterfeiting and piracy costs the global economy $4.2 trillion and put 5.4 million legitimate jobs at risk (OECD/EUIPO, 2021). Technological advancements, particularly in e-commerce, have fuelled counterfeit trade in sectors like technology and pharmaceuticals, undermining consumer trust and harming companies' willingness to invest in research and innovation due to unfair competition from counterfeit goods sold at lower prices. The rise of internet sales channels has further enabled counterfeiters to access new markets, selling and distributing counterfeit goods globally with increasing sophistication (Goldstein, 2022). Over 80% of luxury products sold online are counterfeit, and online sales account for 31% of global counterfeit goods sales (Worldmetrics, 2024).

In developing economies, the impact of counterfeiting is even more pronounced due to limited regulatory frameworks and enforcement capabilities, making it easier for counterfeit goods to proliferate. This not only harms local businesses but also poses severe health and safety risks to consumers, particularly concerning counterfeit medicines and food products. According to the (World Health Organization (WHO), 2017), one in ten medical products in developing economies is either substandard or falsified, and 42 per cent of detected cases of substandard or falsified pharmaceuticals occur in Africa. The global nature of trade allows counterfeit goods to cross borders easily, making it a complex issue that requires international cooperation and robust regulatory measures to combat effectively.

In Kenya, counterfeiting has emerged as a pervasive challenge affecting multiple sectors of the economy. The proliferation of counterfeit goods undermines consumer trust, disrupts legitimate

business operations, and poses significant risks to public health and safety. The Anti-Counterfeit Authority (ACA) baseline survey estimated that the share of fakes to GDP in 2018 was 9.3%, approximately KES 829 billion annually (ACA, 2020).This has placed Kenya on the global map as a leading source of counterfeits, as shown in Figure 1. The figure presents the result of a 2017 OECD/EUIPO survey that found Kenya to be among the top four African countries with a high prevalence of counterfeit production.

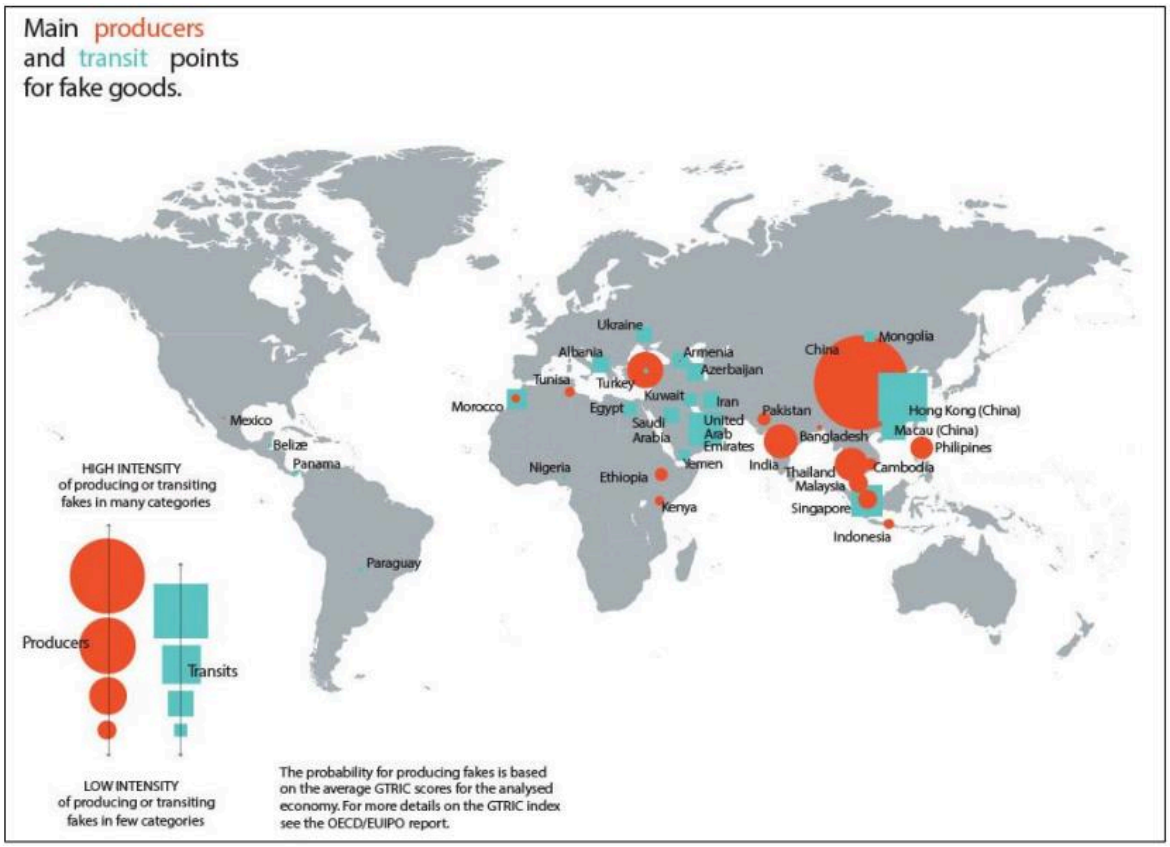

Figure 1: Main Producers and Transits Points for Fake Goods
Source: OECD/EUIPO (2017)

The manufacturing sector contributes significantly to the economy. In 2023, Kenya's manufacturing sector contributed 7.6% to the GDP, worth Ksh 1.15 trillion at current prices, with a projection of growth to 20% by 2030. However, the proliferation of counterfeits threatens the sector's survival. According to the ACA survey in 2020, 30% of the manufacturers indicated awareness that their products were being counterfeited (ACA, 2020). Counterfeiting not only disrupts legitimate sales but also damages brand reputation and consumer trust. It diverts revenue from genuine manufacturers to unscrupulous counterfeiters, leading to decreased investments in innovation and development. This pervasive nature of counterfeiting

presents a formidable obstacle for manufacturers, necessitating robust enforcement measures and international cooperation to mitigate its adverse effects.

1.2. Objectives of the Survey

i. To establish the extent to which firms sell their products online
ii. To determine the level, trends and impact of counterfeiting in the industry
iii. To establish the main channels used by counterfeiters and the most counterfeited goods
iv. To determine the challenges faced by the industry and strategies to address counterfeiting.

1.3 Scope of Work

The data collection covered four sectors as follows: -

i. Automotive spare parts
ii. Pharmaceutical and medical equipment
iii. Energy, electronics and electrical
iv. Alcoholic beverages

Chapter 2. Methodology

The survey employed a mixed-methods research design, combining quantitative and qualitative interviews. This approach is advantageous as it allows us to gather broad statistical trends and in-depth insights, enhancing the robustness and validity of the findings. Quantitative data provided measurable evidence of counterfeit prevalence and impact, while qualitative data offered a detailed explanation and contextual understanding of how counterfeiting affects different stakeholders and sectors in Kenya. Thus, a combination of both methods was used to ensure that the study captured all the aspects of counterfeiting from firms perspective.

2.1 Target Population

The firm-level survey targeted members of the Kenya Association of Manufacturers in the four sectors. According to KAM (2023), there were 190 registered members across the four targeted sectors, as detailed in Table 1. These sectors are critical to the Kenyan manufacturing landscape, representing a diverse cross-section of the industry and providing a comprehensive overview of the sectoral dynamics. Due to the limited number and size of the firms in the target industries, the census method guaranteed that data from all the firms was included to capture a

comprehensive sample of the state of the sectors and the effect of counterfeit goods on the industries in question.

Table 1: Target Population in the selected sectors

Sector	No of Firms
Automotive spare parts	74
Pharmaceutical and medical equipment	29
Energy, electronics and electrical	51
Alcoholic beverages	36
Total	**190**

Source KAM, 2023

2.2 Key Informant Interviews

The key informant interviews involved representatives from the Kenya Association of Manufacturers (KAM) and the Kenya Copyright Board (KeCoBo). These interviews gathered insights from various sectors to inform comprehensive strategies against counterfeiting. Hoping to engage multiple stakeholders, the study enlisted practitioners and regulators to discuss various observations regarding counterfeiting, the problems faced, and mitigation strategies.

2.3 Data Collection Methods

Data collection for the firm-level survey was conducted through telephone and face-to-face interviews, to accommodate the preferences and availability of respondents. The contact information was sourced from the Kenya Association of Manufacturers (KAM) directory, enabling direct outreach to firm representatives. Interviews were scheduled at times convenient for the respondents, promoting higher participation rates. The surveys were administered using the *Kobo Toolbox*, a digital platform that streamlined the process and ensured a structured and efficient quantitative data collection approach. The text format of the firm-level survey instrument is presented in Appendix II

For the key informant interviews, Zoom meetings were conducted with industry experts, policymakers, and representatives from regulatory bodies. These interviews provided detailed, expert opinions and contextual information that could shed light on trends and operational challenges not captured in the surveys. The interview guide is presented in Appendix III.

2.3.1 Piloting of Instruments

The piloting phase of the research project played a crucial role in refining the data collection tools and methodologies. During this phase, 10% of the representative sample was selected to participate in the pilot study. The pilot identified and addressed potential issues with the survey instruments, interview guides, and data collection processes. Enumerators were trained to ensure they were well-prepared and consistently administering the tools. Feedback from the pilot study was invaluable in making necessary adjustments and ensuring the reliability and validity of the final data collection instruments.

Following the pilot phase, a validation workshop was held, during which representatives from the Anti-Counterfeit Authority (ACA) reviewed and approved the finalised tools and protocols. This workshop ensured that all stakeholders were aligned on the methodology and that the data collection tools met the standards for accuracy and comprehensiveness.

2.4 Data analysis techniques.

The data collected from both the quantitative and qualitative phases were analyzed using advanced statistical software such as Python and R. These tools were chosen for their robust capabilities in handling large datasets and providing comprehensive analysis. The quantitative data were processed using descriptive statistics, cross-tabulations and frequency distributions. To provide a better visualisation of the results, the study relied on diverse set of charts. For the qualitative data, thematic analysis was employed. This technique involved coding the data to identify patterns and themes, which were then interpreted in the context of the research objectives.

Chapter 3. Results and Analysis

3.1 Introduction

This chapter presents a detailed report on the research findings conducted to assess the extent of counterfeiting in Kenya. The study focused on four key sectors: automotive spare parts, pharmaceuticals and medical equipment, energy, electronics and electrical products, and alcoholic beverages.

3.2 Demographic Analysis

The response rate, as shown in Figure 2.1 Response Rate, indicates that the majority, 82%, successfully completed the survey, while 18% were categorized as unsuccessful. This high

response rate underscores the reliability of the data collected and suggests that the findings are representative of the targeted population. Such a robust participation level enhances the survey's reliability, as it reflects a comprehensive perspective from the target sectors, allowing for more accurate and representative findings on the prevalence, trends, and impacts of counterfeiting.

Figure 2.2 presents the respondents, as categorised by their industry sectors. The largest group, accounting for 34%, comes from the automotive spare parts industry. This is followed by the energy, electronics, and electrical sectors at 27.6%, the alcoholic beverages sector at 20.5%, and the pharmaceuticals and medical equipment sector at 17.9%. This distribution highlights the diversity of industries represented in the survey, with a substantial focus on automotive and energy-related sectors.

Figure 2.3 presents the respondents' distribution based on their firms' size. It shows a predominance of small firms (10-49 employees), representing 35.9% of the sample. Medium-sized firms (50-99 employees) follow at 26.3%, micro firms (less than 10 employees) at 21.2%, and large firms (100 or more employees) at 16.7%. This spread reflects the representation of various firm sizes in the survey, indicating a considerable presence of small and medium enterprises.

Figure 2.4 presents the type of firms and displays the ownership structure of the firms represented in the survey. The vast majority, 85.9%, of the firms are locally owned, while 14.1% are foreign-owned. This distribution suggests that the survey largely reflects the perspectives of local businesses, with a smaller but notable input from foreign-owned entities.

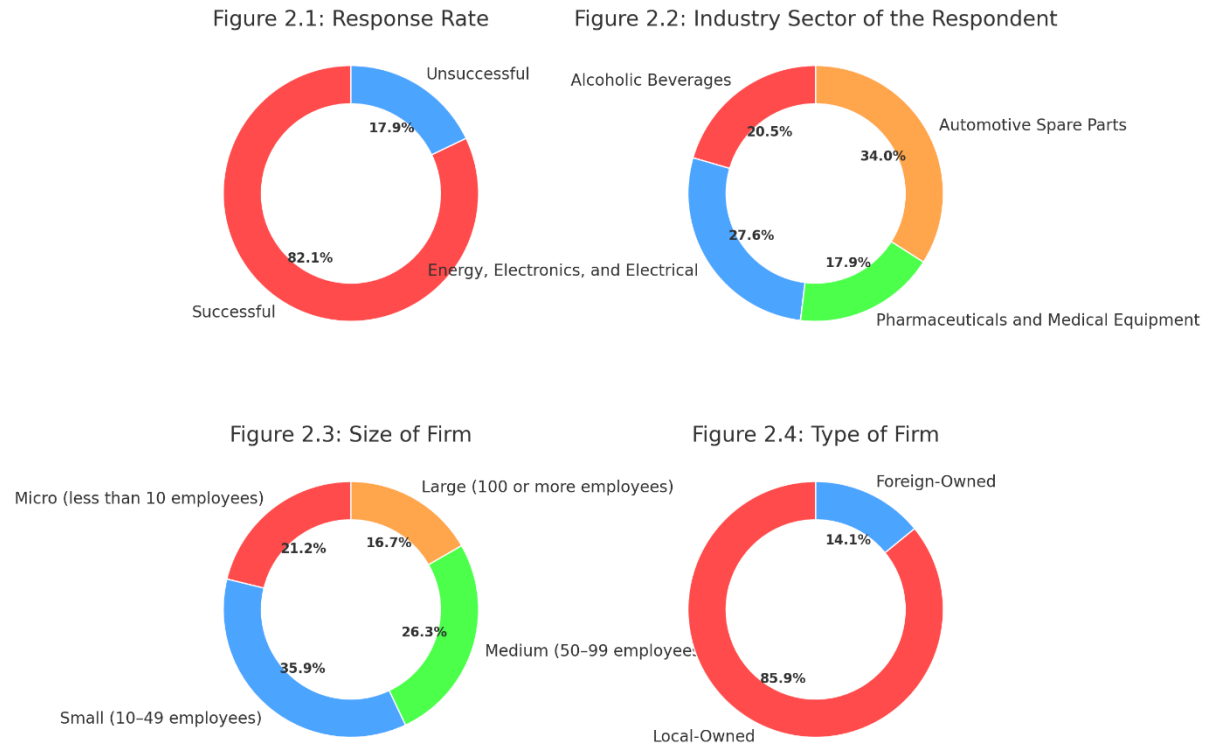

Figure 2 Response Rate and Demographic Information

3.3 Extent to which firms sell their products online and awareness of counterfeits

3.3.1 Sales Channels by Industry Sector

To understand online sales adoption across sectors, the survey examined whether respondents in each industry sell products online. The results are presented in Figure 3. The variations in online sales across sectors reflect distinct industry characteristics, regulatory constraints, and consumer behaviour. Pharmaceuticals show low online sales (18%) due to strict regulations and trust concerns. In comparison, automotive parts (47%) and electronics (42%) have a more balanced presence online, which may be driven by consumer convenience but tempered by the need for product authenticity and support. Alcoholic beverages (41%) face challenges related to age verification and delivery, as well as a preference for physical purchases in social settings. Overall, 39% of respondents engage in online sales, indicating that while e-commerce adoption is growing, many sectors still rely heavily on offline sales due to regulatory, logistical, and consumer trust factors.

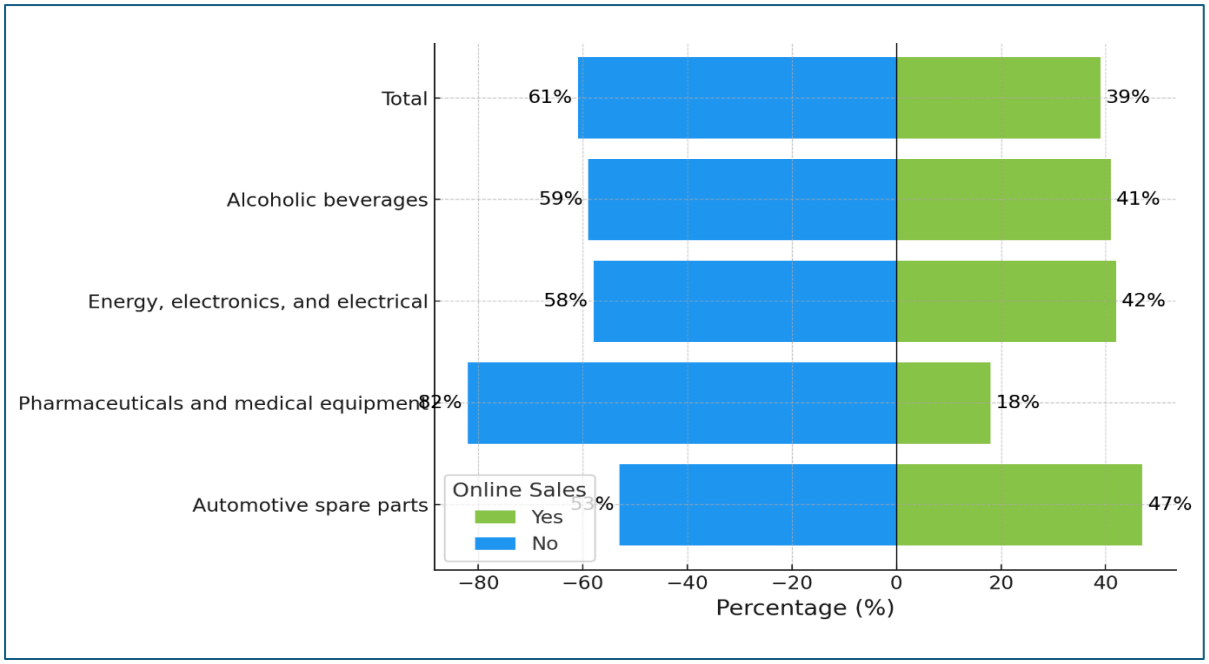

Figure 3: Online Selling by Industry Sector

3.3.2 Awareness of Counterfeit Goods

i. General Counterfeit Awareness

The survey sought to determine whether the respondents had heard of or seen counterfeit goods in their respective sectors. The results in Figure 4 show that most respondents (71%) indicated awareness of counterfeit goods in their sectors. This figure represents a notable increase from a previous baseline survey conducted by the Anti-Counterfeit Authority (ACA) in 2020, where only 30% of firms reported awareness of counterfeits. This increase in awareness could suggest that counterfeiting has become more widespread or that efforts to raise awareness have been successful, potentially leading to heightened vigilance within these sectors.

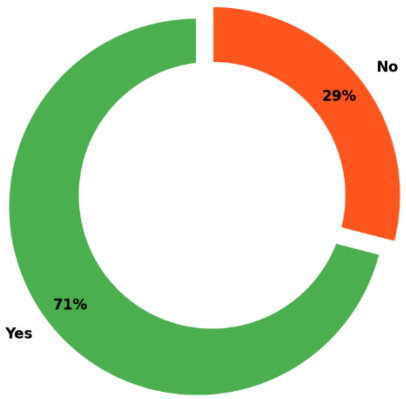

Figure 4: Firm-level Awareness of Counterfeit Goods in the Respective Sector

ii. Counterfeit Awareness by Sector

The awareness of counterfeiting varies across industry sectors, as shown in Figure 5. The highest proportion of counterfeiting is reported in the Automotive Spare Parts sector, where

75% of respondents indicate awareness of counterfeiting, followed closely by Pharmaceuticals and Medical Equipment at 71%. The Energy, Electronics, and Electrical sector also shows significant counterfeit activity, with 70% of respondents identifying such cases. The Alcoholic Beverages sector, while slightly lower, still reports a considerable prevalence of counterfeit goods at 63%. Notably, the proportion of respondents who did not identify counterfeit cases ("No") is highest in the Alcoholic Beverages sector (38%) compared to other industries, suggesting relatively fewer instances of counterfeiting in this category. These findings underscore the need for stringent measures to combat counterfeiting, particularly in sectors like automotive parts, pharmaceuticals, and electronics, where the risks are notably higher.

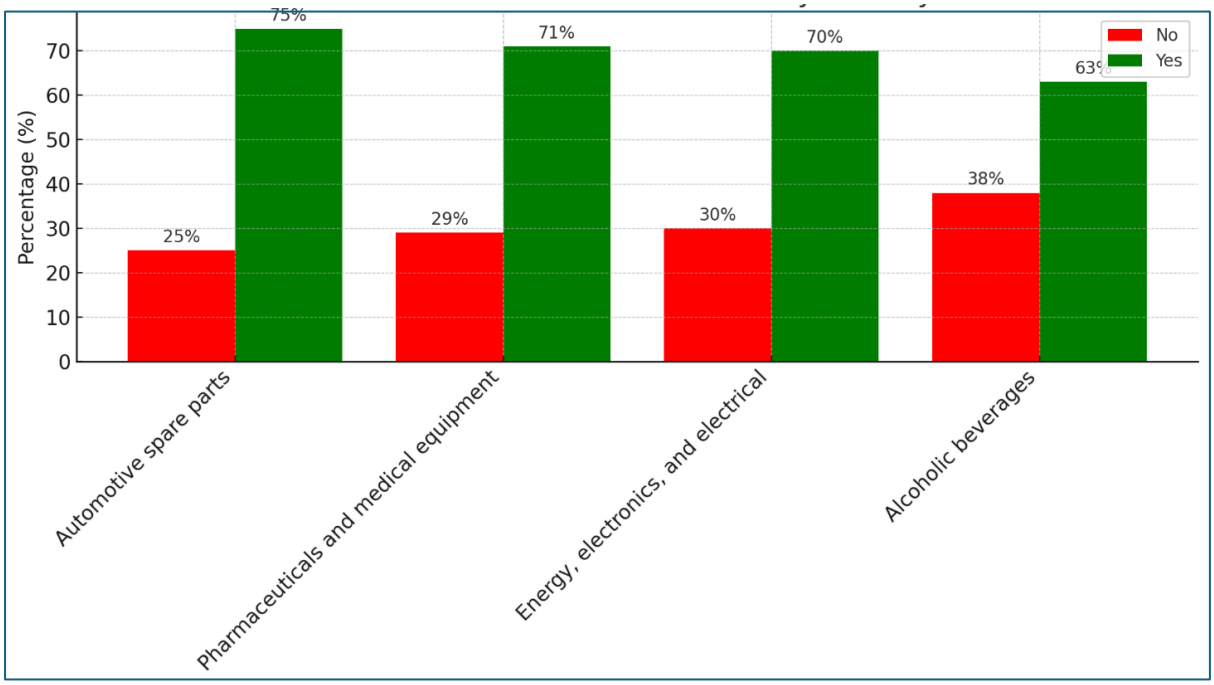

Figure 5: Awareness of Counterfeits by Sector

iii. Counterfeit Awareness by Firm Type

A majority of locally owned firms (74%) confirmed the existence of counterfeit products in their respective markets. This high percentage indicates counterfeit goods are a prominent issue among local businesses. Conversely, 26% of local-owned firms reported no awareness of counterfeit products. The high level of awareness reflects the direct exposure of local firms to counterfeit issues, likely due to their deep integration into domestic supply chains, where counterfeit goods are more prevalent. Local firms may also experience firsthand impacts, such as revenue loss, reputational damage, and customer complaints, making them more vigilant.

In comparison, awareness among foreign-owned firms is evenly split, with **50% aware** and **50% unaware** of counterfeit cases. This balance suggests that foreign-owned firms may perceive counterfeit risks as less immediate or relevant to their operations, potentially due to reliance on established international supply chains or stricter import controls. However, the unawareness exposes vulnerabilities in identifying and mitigating counterfeit goods within their operations.

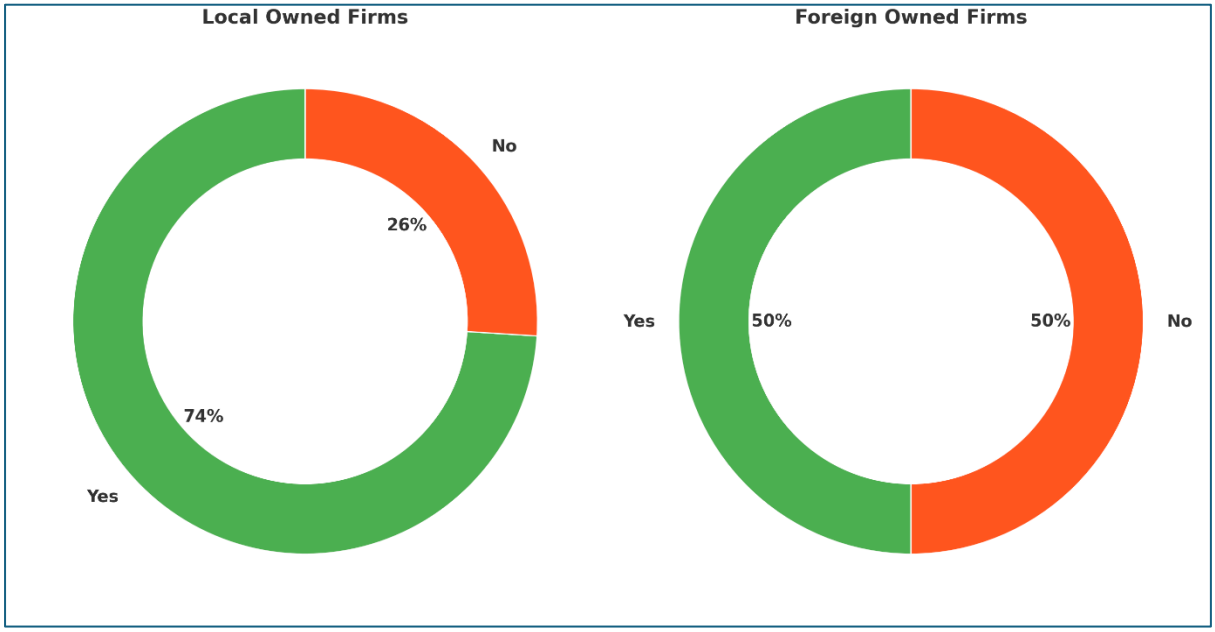

Figure 6: Counterfeit Confirmation by Firm Type

i. Counterfeit Awareness by Firm Size

The segregation of the level of awareness by firm size is presented in Figure 7, which depicts reduced awareness and increases in firm size. Micro and small firms report the highest levels of awareness, with 73% of respondents indicating they have encountered or heard of counterfeit cases in their respective sectors. This strong awareness may stem from their direct exposure to counterfeit issues in local markets or their reliance on smaller, less secure supply chains. These firms are likely more affected by the financial and reputational risks associated with counterfeit goods, driving their higher levels of vigilance.

Medium and large firms exhibit lower awareness levels, with medium firms reporting 68% awareness and large firms reporting 65%. This trend reflects a possible perception that counterfeit risks are less immediate as the firm grows in size. Larger firms may rely on established supply chains and risk management systems, potentially leading to complacency or a false sense of security. Furthermore, larger firms often have more resources to absorb

counterfeit goods' financial and operational impact, reducing the urgency to address these issues directly.

The results suggest that smaller firms (micro and small) are more vigilant about counterfeiting, likely due to their vulnerability to direct impacts. These firms could play a critical role in counterfeit detection and reporting. However, both medium and large firms would benefit from targeted campaigns to emphasize the evolving nature of counterfeit risks, particularly in supply chains, and to bridge existing awareness gaps.

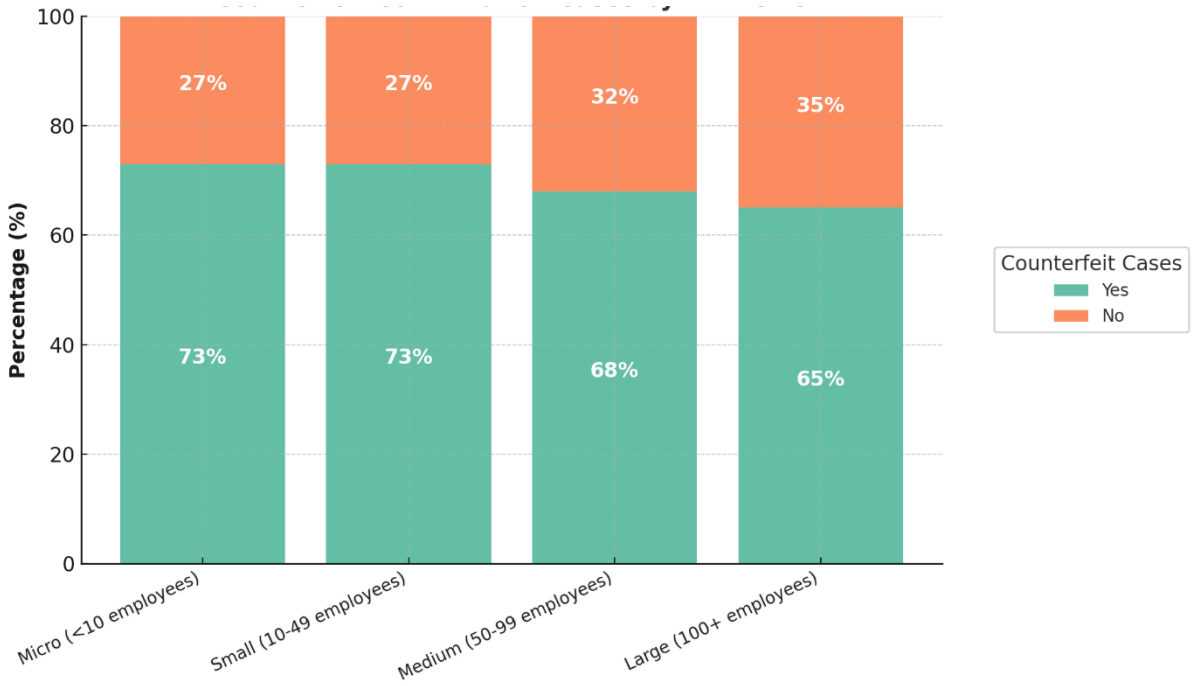

Figure 7: Counterfeit Confirmation by Firm Size

3.3.4 Sources of Counterfeit Products

The survey sought to determine the sources of most counterfeit goods sold online in the respective sector. The results are presented in Figure 8. Half of these fakes, surprisingly, are believed to originate from local industries—a significant indication that the problem may be closer to home than many realize. Another 25% are thought to be entering the market from foreign sources, underscoring the global nature of counterfeiting networks. Meanwhile, a quarter of respondents remain uncertain about where these counterfeits are coming from, hinting at the elusive and complex web that enables counterfeit goods to infiltrate the market

undetected. This mix of local and international sources, along with the uncertainty, highlights the pressing need for robust tracking and control measures to tackle counterfeiting.

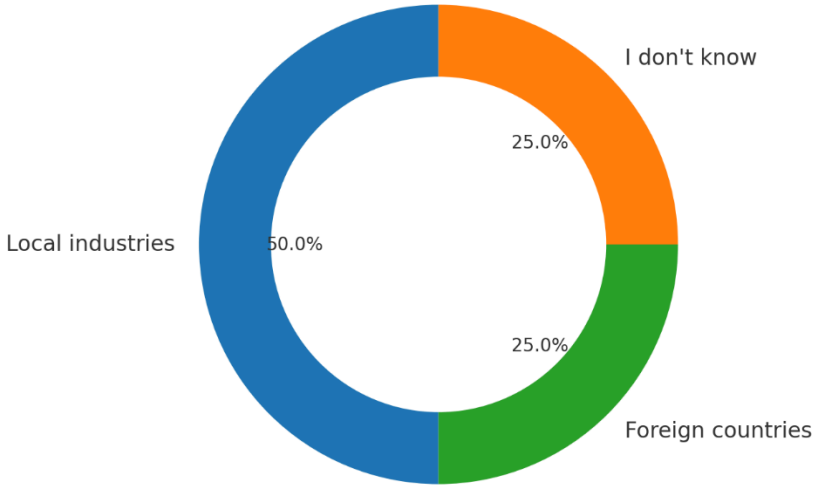

Figure 8: Overall Sources of Counterfeit Goods

Further, to gain a deeper understanding of the sources of counterfeit goods per sector. The chart reveals the sources of counterfeit goods online across four sectors. Foreign countries dominate in alcoholic beverages (77%), automotive spare parts (40%), and energy, electronics, and electrical (50%). Local industries lead in pharmaceuticals and medical equipment (60%). Uncertainty ("I don't know") remains consistent across sectors, ranging from 15% to 22%, highlighting gaps in traceability.

These findings indicate that foreign countries dominate as the primary source of counterfeit goods sold online in most sectors, except for pharmaceuticals and medical equipment, where local industries play a significant role. The relatively consistent proportion of uncertainty across all sectors points to gaps in knowledge or traceability of counterfeit goods, emphasizing the need for enhanced monitoring and reporting.

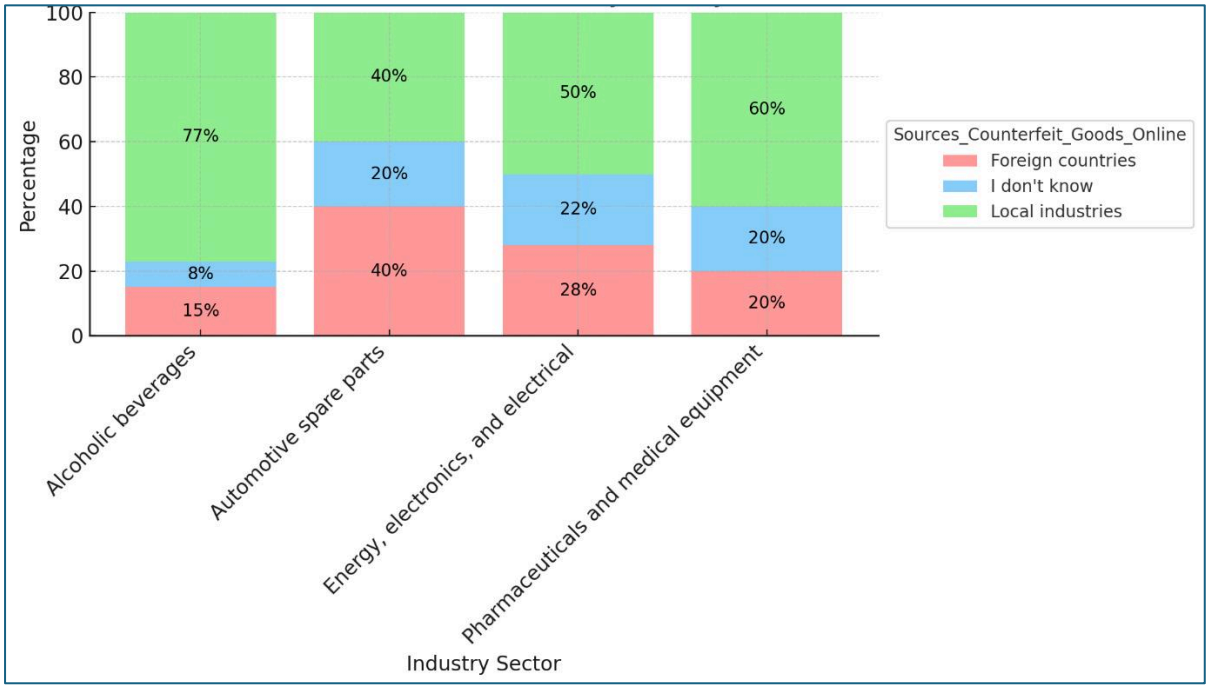

Figure 9: Sources of Counterfeit Goods per Industry/Sector

3.3.2 Counterfeiting Seizures Awareness Level

i. Awareness Level of Counterfeiting Seizures

The survey sought to determine the percentage of respondents who have seen or heard about the seizure of counterfeit goods by customs and law enforcement agencies across various industry sectors over the past 12 months. The data reveals significant variations in awareness levels across sectors. In the Automotive Spare Parts sector, only 13% of respondents are aware of counterfeit seizures, while a vast majority, 87%, are unaware. Similarly, in the Energy, Electronics, and Electrical sector, 14% of respondents reported awareness compared to 86% who were unaware.

The Pharmaceuticals and Medical Equipment sector has slightly higher awareness, with 21% of respondents acknowledging awareness and 79% being unaware. The highest level of awareness is observed in the Alcoholic Beverages sector, where 38% of respondents are aware, and 63% are not. Overall, the total awareness across all sectors stands at 20%, while 80% of respondents remain unaware of counterfeit seizures. These findings highlight a significant gap in public awareness regarding enforcement actions against counterfeiting, emphasizing the need for targeted awareness campaigns in all sectors, particularly in those with the lowest levels of awareness.

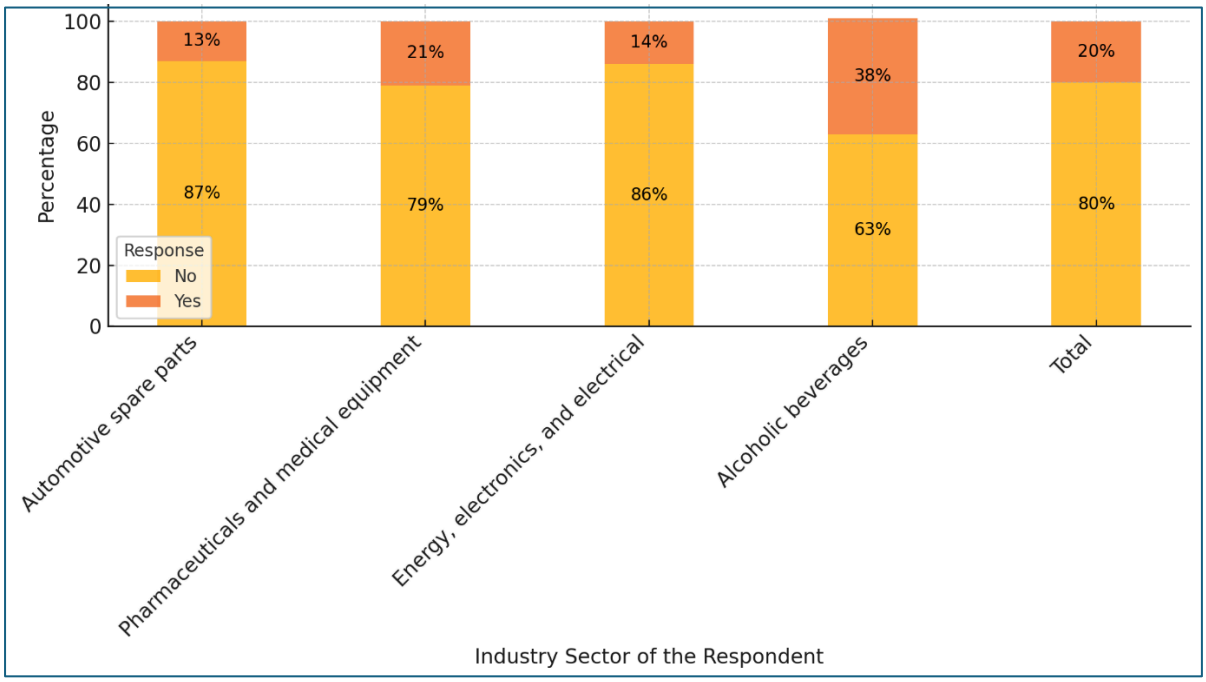

Figure 10: Awareness of Counterfeit Seizures by Sector

Products Seized by Customs and Law Enforcement Agencies

Figure 11 highlights the most commonly mentioned counterfeit products intercepted by authorities. The size of each word indicates the frequency with which the product was identified in the data. Batteries, cables, brake pads, and drugs dominate the visualization, suggesting they are among the most frequently seized counterfeit goods. Other significant terms include antibiotics, alcoholic beverages (e.g., whiskey, vodka, and beer), spare parts, and vaccines, reflecting the diversity of counterfeit items impacting various sectors. Products like phones, painkillers, headlights, and tyres also feature, indicating the broad scope of counterfeiting across industries, from automotive to pharmaceuticals and consumer electronics. This word cloud underscores the critical need for stricter enforcement, better consumer education, and enhanced industry collaboration to tackle the widespread issue of counterfeit products, particularly in high-risk categories such as healthcare, automotive safety, and electrical equipment.

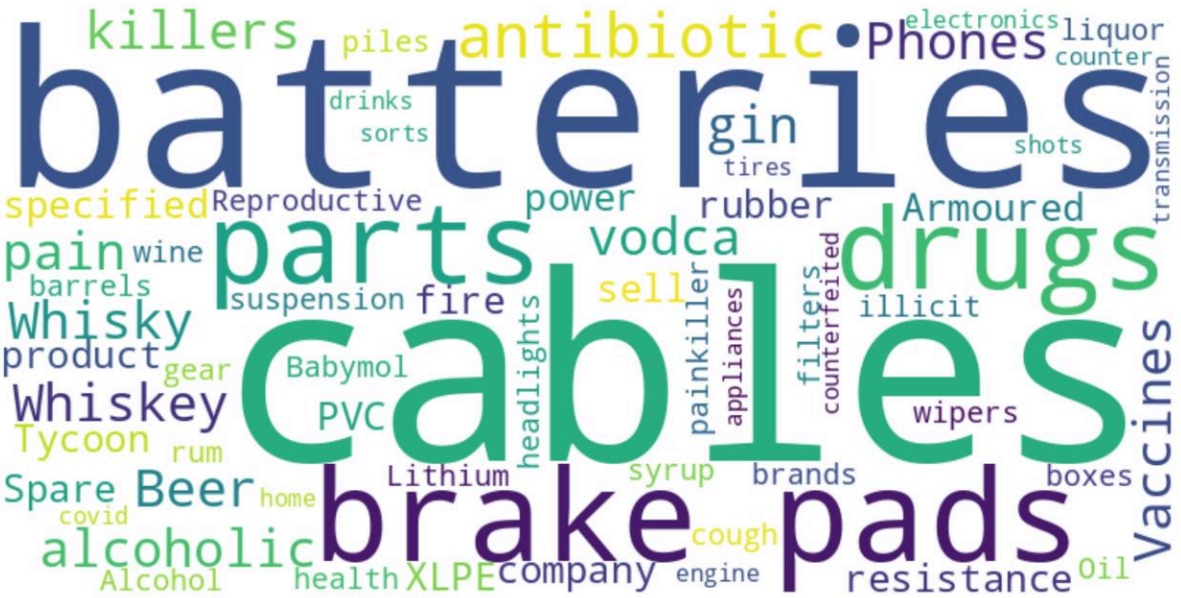

Figure 11: Products Seized by Customs and Law Enforcement Agencies

3.4 Level, Trends and Impact of Counterfeiting in the Industry

3.4.1 Level of counterfeiting

The survey sought to determine respondents' opinions regarding the percentage of counterfeited products in their respective sectors. The findings are presented on Figure 11.1. Most respondents (36%) estimated that 10-25% of products are counterfeited, followed by 33% who believed the figure was less than 10%. A smaller proportion (20%) estimated counterfeiting at 26-50%, while only 4% and 1% believed it was between 51-75% and more than 75%, respectively. Notably, 8% of respondents perceived no counterfeiting in the sector. A dashed line represents the median value of approximately 14%, indicating that half of the respondents believed counterfeiting falls below this level.

Figure 11.2 highlights the average perceived percentage of counterfeit products across different sectors. Automotive Spare Parts have the highest prevalence at 21%, followed by Alcoholic Beverages at 19%, indicating significant concerns in these industries. The Pharmaceuticals and Medical Equipment sector is perceived to have a lower prevalence of counterfeit products at 17%, though this still presents serious health and safety implications. The Energy, Electronics, and Electrical sector has the lowest perceived prevalence at 14%. Overall, the average perceived prevalence across all sectors is 18%, underscoring the need for tailored anti-counterfeiting strategies and awareness campaigns to address specific challenges in each sector effectively.

The mean value of 18% means that, on average, up to one (1) in every six (6) products in the market may be counterfeited. This corroborates the national baseline survey, which found that one of every five products sold in the Kenyan market is counterfeit (ACA, 2021). This finding mirrors that of the World Health Organization (WHO), which states that one in ten medical products in developing economies is either substandard or falsified.

Figure 11.1: Perceived Percentage of Counterfeit Products

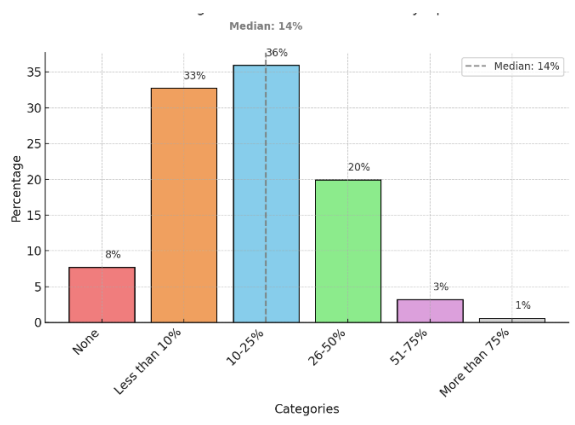

Figure 11.2: Average Perceived Percentage of Counterfeit by

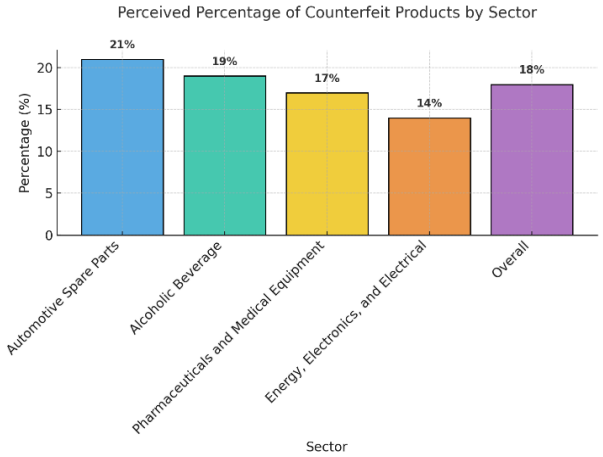

Figure 12: Percentage of Counterfeited Product in Respective sectors

Level of Counterfeits by Industry Sector

The heatmap in Figure 13 reveals significant insights into counterfeiting perceptions across different industry sectors. In Automotive Spare Parts, 38% of respondents estimate that 10-25% of products are counterfeited, with another 21% believing the prevalence is 26-50%, indicating medium counterfeiting levels. Pharmaceuticals and Medical Equipment stand out as the sector with the lowest perceived counterfeiting, with 43% of respondents estimating less than 10% of products are affected. Energy, Electronics, and Electrical present a balanced perception, with 37% estimating 10-25% counterfeiting and 35% estimating less than 10%. Alcoholic Beverages show the most varied responses, with 31% each estimating less than 10% and 10-25%, while 25% believe counterfeiting affects 26-50% of products, reflecting broader concerns. These findings underscore the variability in counterfeiting perceptions across sectors and emphasize the importance of tailored anti-counterfeiting measures to address sector-specific challenges.

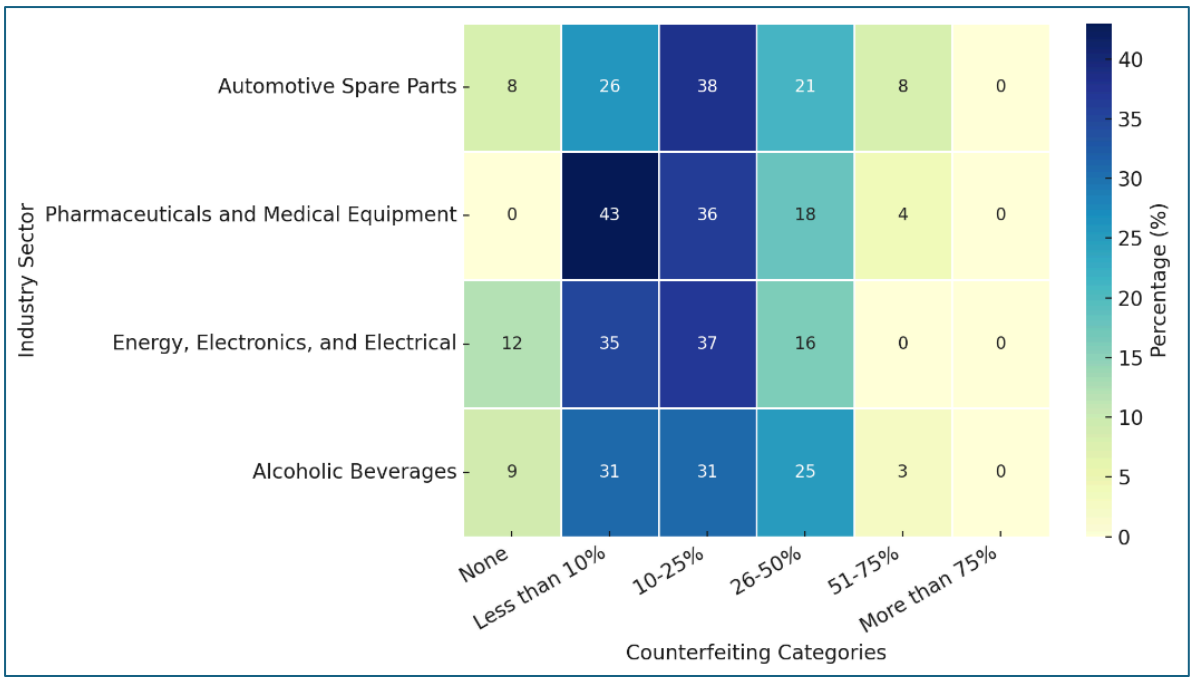

Figure 13: Counterfeiting Perception by Industry Sector

Level of counterfeits by Firm Size

The heatmap in Figure 14 illustrates counterfeiting perceptions by firm size across various percentage categories, revealing distinct patterns. Micro firms (less than 10 employees) predominantly estimate 10-25% counterfeiting (39%), followed by 27% estimating less than 10%, and 18% believing it is 26-50%. Small firms (10-49 employees) have the highest percentage of respondents (43%) estimating less than 10% counterfeiting, with 34% believing it is 10-25%. Medium-sized firms (50-99 employees) display a balanced distribution, with 34% each estimating 10-25% and 26-50%, and 27% estimating less than 10%. Large firms (100+ employees) reflect a concentration in the 10-25% category (38%) and lower levels for 26-50% (12%) and 51-75% (4%). These findings suggest that smaller firms perceive higher counterfeiting prevalence than larger firms, emphasising the need for tailored anti-counterfeiting strategies across firm sizes.

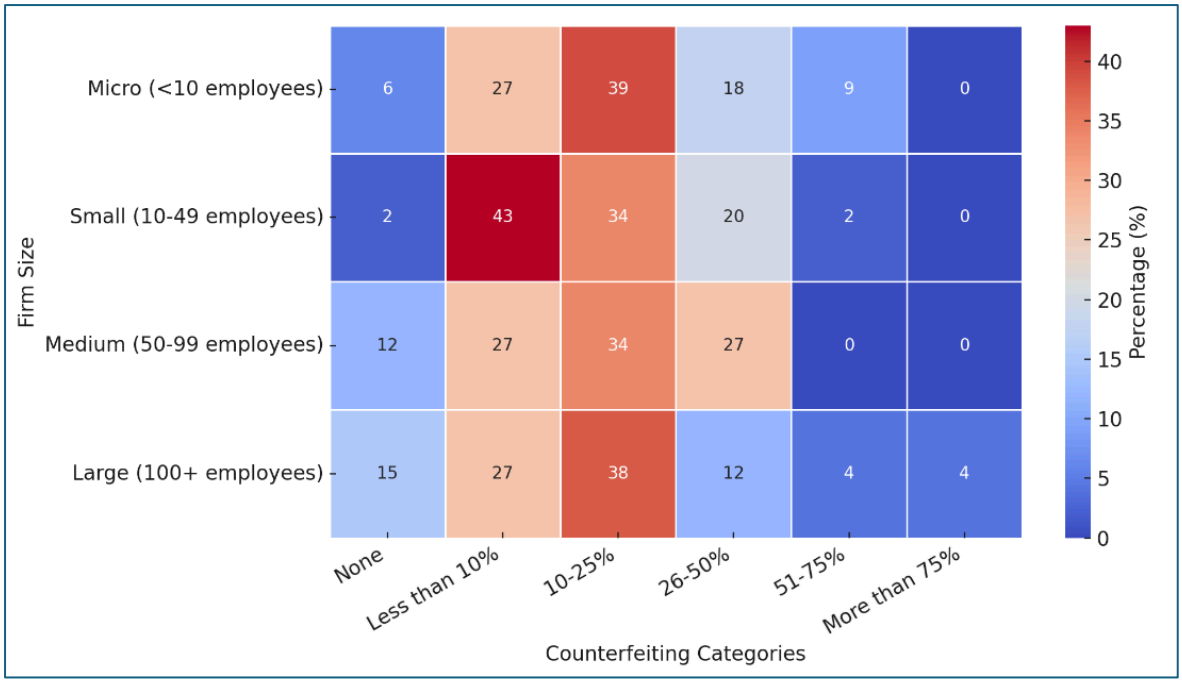

Figure 14: Counterfeiting Perception by Firm Size

3.4.2 Trends in Counterfeits

Changes in the Counterfeit Incidences Over the past one year

The survey sought to determine how the incidence of counterfeit versions of products in each sector has changed over the last year. Figure 15 highlights key trends in counterfeiting incidence across various sectors. The Automotive Spare Parts sector reported the highest increase, with 57% of respondents noting a rise in counterfeiting, followed by 54% in the Energy, Electronics, and Electrical sectors. The Pharmaceuticals and Medical Equipment sector had the largest proportion of respondents (50%) reporting no change, indicating relative stability in counterfeiting levels.

Decreases in counterfeiting were minimal across all sectors, with the highest decrease observed in the Automotive Spare Parts sector (8%). Across all sectors, 53% of respondents reported increased counterfeiting, highlighting the growing prevalence of counterfeit products and the need for targeted anti-counterfeiting measures. There is a need for stronger regulatory frameworks, industry collaboration, and consumer awareness initiatives to combat counterfeit products effectively.

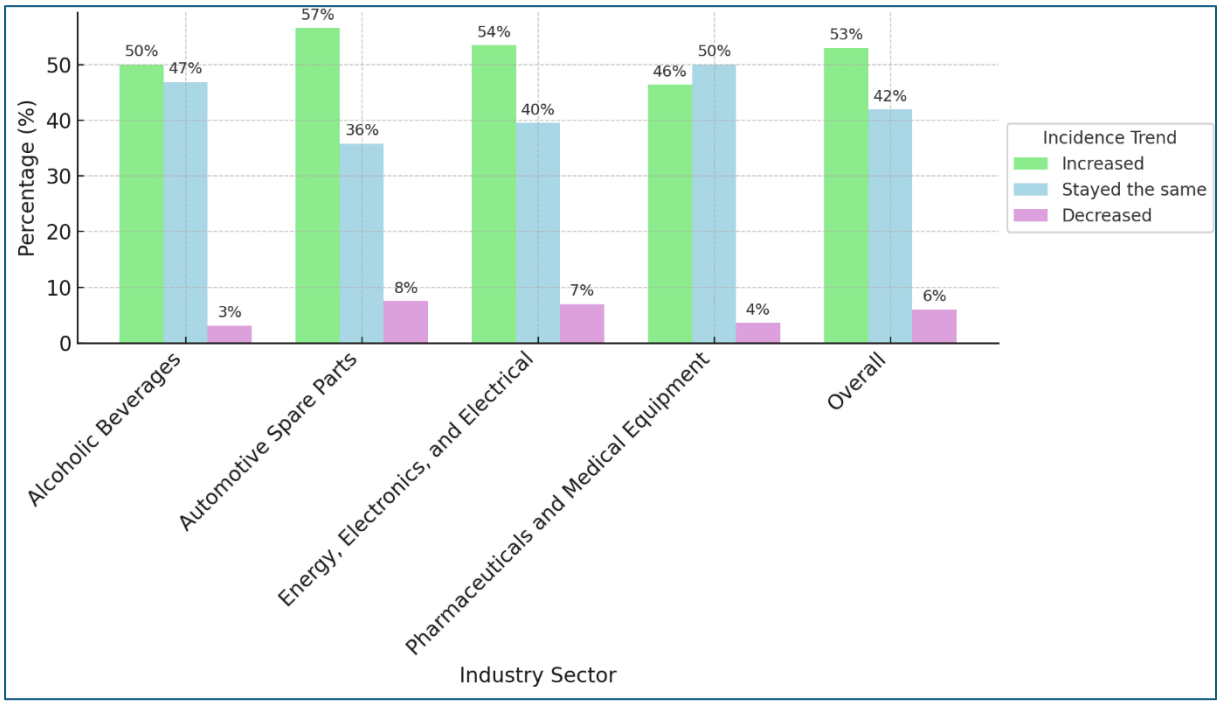

Figure 15: Counterfeiting Incidence Trend by Sector/Industry

Factors contributing to the current trends of counterfeiting

To gain deeper insights, the survey enquired about the main factors contributing to the current trends of counterfeiting in the respective sector. Figure 16 highlights the primary factors contributing to counterfeiting trends, with consumer demand for cheaper products leading at 36%, indicating that affordability drives the proliferation of counterfeit goods. Inadequate enforcement, accounting for 24%, underscores the challenges in monitoring and penalizing counterfeit activities, while economic downturns (23%) further exacerbate the issue as financial constraints push consumers toward low-cost alternatives. Increased online shopping (15%) serves as a growing avenue for counterfeit distribution, with e-commerce platforms often exploited due to limited oversight. A small fraction (2%) of respondents cited other factors, such as lack of consumer awareness and insufficient collaboration among stakeholders. These findings call for stronger enforcement mechanisms, public awareness campaigns, stricter e-commerce regulations, and collaborative efforts to address the systemic and behavioral drivers of counterfeiting.

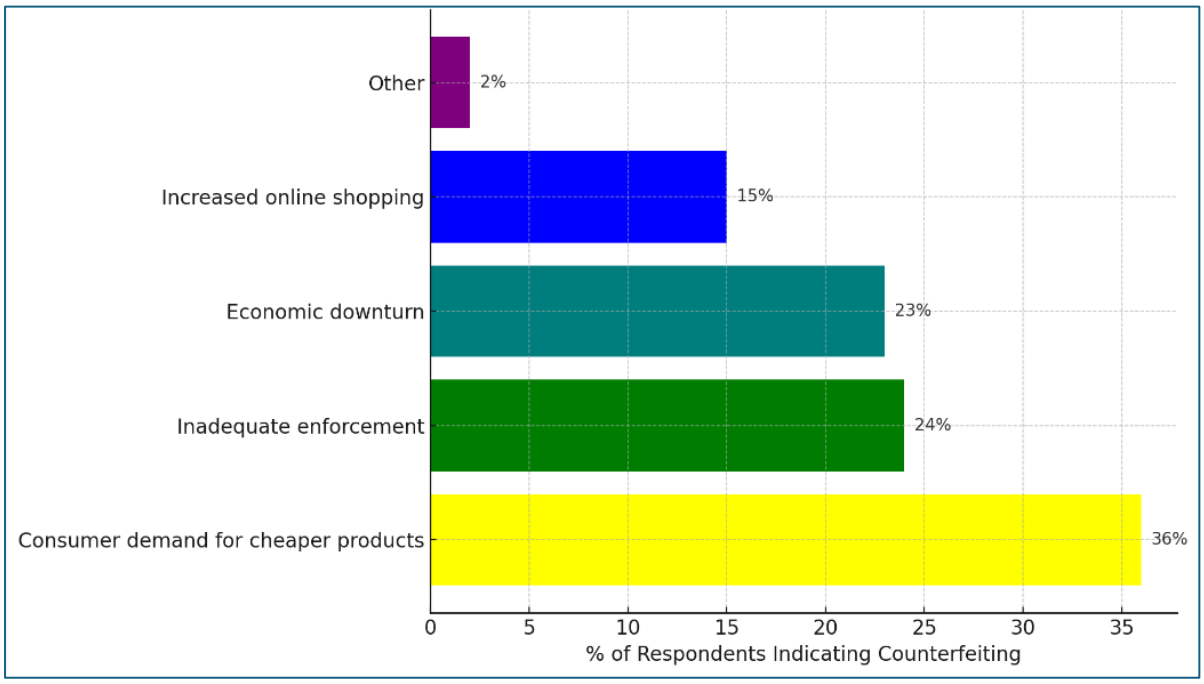

Figure 16: Factors Contributing to Counterfeiting Trends

Projected Change in Counterfeit Prevalence within the next 1 year

The heatmap in Figure 17 illustrates the anticipated changes in the prevalence of counterfeit products across various industry sectors over the next year. A majority of respondents across all sectors expect the prevalence of counterfeit products to increase, with the highest proportions observed in the Pharmaceuticals and Medical Equipment sector (71%) and Energy, Electronics, and Electrical sector (63%). Similarly, Automotive Spare Parts respondents also anticipate a significant increase (62%), while the Alcoholic Beverages sector reports a slightly lower expectation of an increase (56%).

Conversely, only a small proportion of respondents expect a decrease in counterfeit prevalence, ranging from 7% in Pharmaceuticals and Medical Equipment to 12% in Alcoholic Beverages. A moderate share of respondents expects the prevalence to stay the same, with the Alcoholic Beverages sector (31%) reporting the highest stability, followed by Energy, Electronics, and Electrical (28%), and Automotive Spare Parts (26%).

Overall, the trends highlight a general concern about the rising prevalence of counterfeit products, particularly in sectors critical to consumer safety, such as pharmaceuticals and electronics, underscoring the urgent need for targeted interventions and preventive measures.

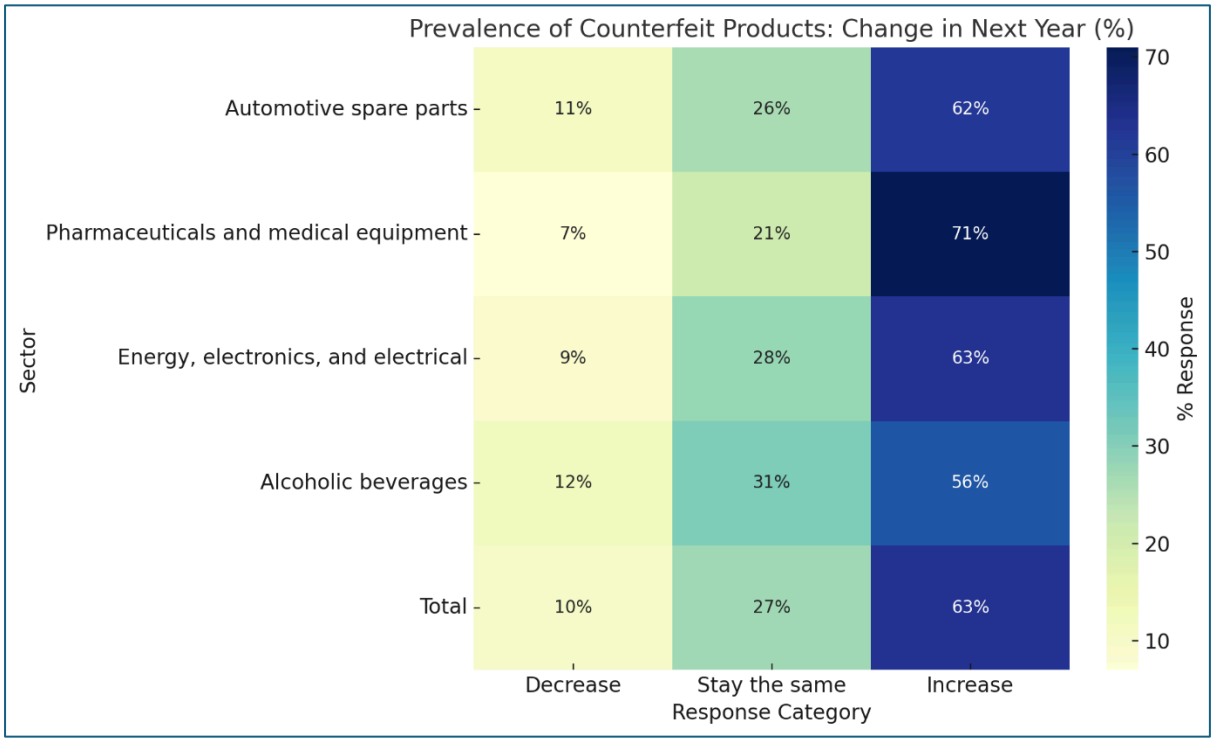

Figure 17: Change in Counterfeit Prevalence Next Year by Industry/Sector

Actions or Strategies Expected to Reverse the Current Trends

The word cloud illustrates the key themes and suggestions for combating counterfeiting based on respondent input. Prominent terms such as "Enforcement," "Legal," "Government," and "Proper" highlight the emphasis on the need for stricter law enforcement, regulatory frameworks, and government intervention. The word "Reduce" points to suggestions for minimizing counterfeit activities, potentially through public awareness campaigns, monitoring, and reducing corruption.

Other recurring terms like "Labeling," "Public Awareness," "Strengthen," and "Crackdown" reflect strategies for improving product authentication, educating consumers on the risks of counterfeit goods, and conducting targeted enforcement actions. The presence of terms such as "Education" and "Monitoring" underscores the importance of creating public awareness and ensuring compliance through surveillance.

Overall, the responses suggest a multi-pronged approach to addressing counterfeiting, combining enforcement of existing laws, raising awareness, collaborating with stakeholders, and introducing technology-based solutions like authentication and blockchain to secure supply chains. These efforts collectively aim to reduce the prevalence and impact of counterfeiting on the economy and consumer safety.

Figure 18: Suggestions to Combat Counterfeiting

3.4.3 Impact of Counterfeiting on Revenue & Brand Reputation and Customer Relationship.

Impact on Sales

The survey sought to determine the percentage of your total firm sales affected by counterfeiting. The chart illustrates the percentage of total firm sales affected by counterfeiting, with most respondents (44%) reporting an impact of "Less than 10%" and 24% indicating an impact of "10-25%." Notably, 17% of respondents reported no impact on sales, while smaller percentages reported higher impacts. The median value of 5% indicates that at least half of the firms experienced an impact of 5% or less. On average, counterfeiting affects 12.80% of the sales. The results closely mirrorWorld Economic Forum (2019) Furthermore, brand name companies suffer significant losses, eroding 20% of their market share and 10% of their total revenue, cumulatively resulting in a loss of 3% of the world's economy (World Economic Forum, 2019).

The difference between the mean (12.80%) and the median (5.00%) indicates that counterfeiting has a skewed impact on firm sales. This skewness occurs because most firms report minimal sales impact (as reflected in the lower median), and a smaller subset experiences significantly higher impacts, elevating the mean. These findings imply disproportionate effects and sector-specific vulnerabilities. Automotive spare parts experience the highest average sales impact at **16%**, followed by pharmaceuticals and medical equipment at **12%**.

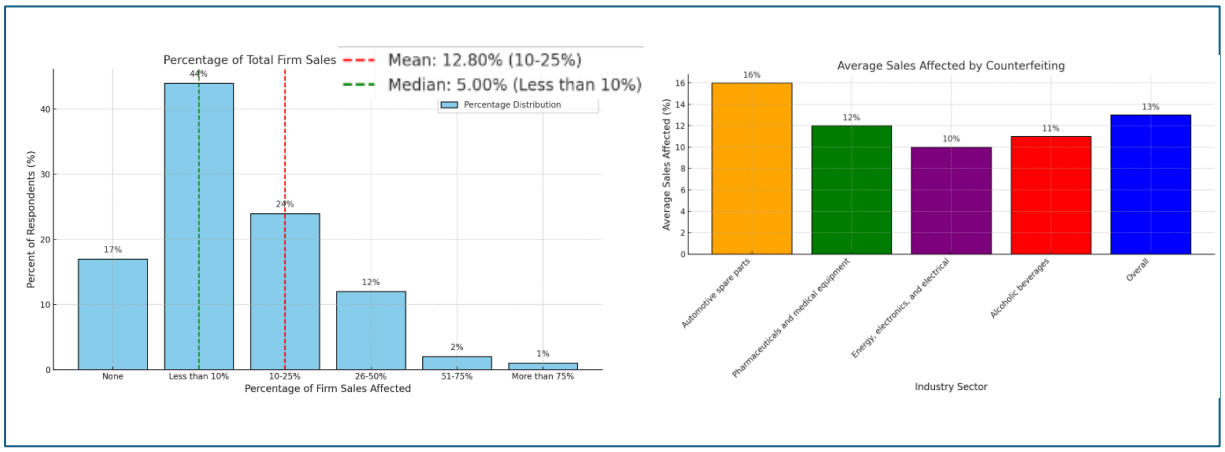

Figure 19 Percentage of Total Firm Sales Affected

The KII underscored the financial and reputational risks associated with counterfeiting. For instance, counterfeit lubricants and automotive spare parts have led to significant revenue losses for manufacturers, with one respondent estimating a sustained market share loss of 40% over the past decade. Additionally, counterfeit products often result in customer dissatisfaction and brand erosion, as substandard goods are mistakenly associated with the genuine manufacturers' brands. This impact extends to operational inefficiencies, with frequent product recalls and increased customer complaints."

Impact on Revenue

The survey sought to determine how counterfeiting has affected the firm's revenue. The results show that the "slightly negative impact" category dominates in all sectors, with the energy, electronics, and electrical sectors reporting the highest proportion at 53%. The automotive spare parts sector has a significant 28% reporting a "moderately negative impact," while the pharmaceutical sector records the highest percentage (36%) of "no impact." The total summary across all sectors reveals that 44% of respondents experience a "slightly negative impact," followed by 23% reporting "no impact." These findings highlight sectoral variations in the economic consequences of counterfeiting, underscoring the need for targeted strategies to mitigate its effects

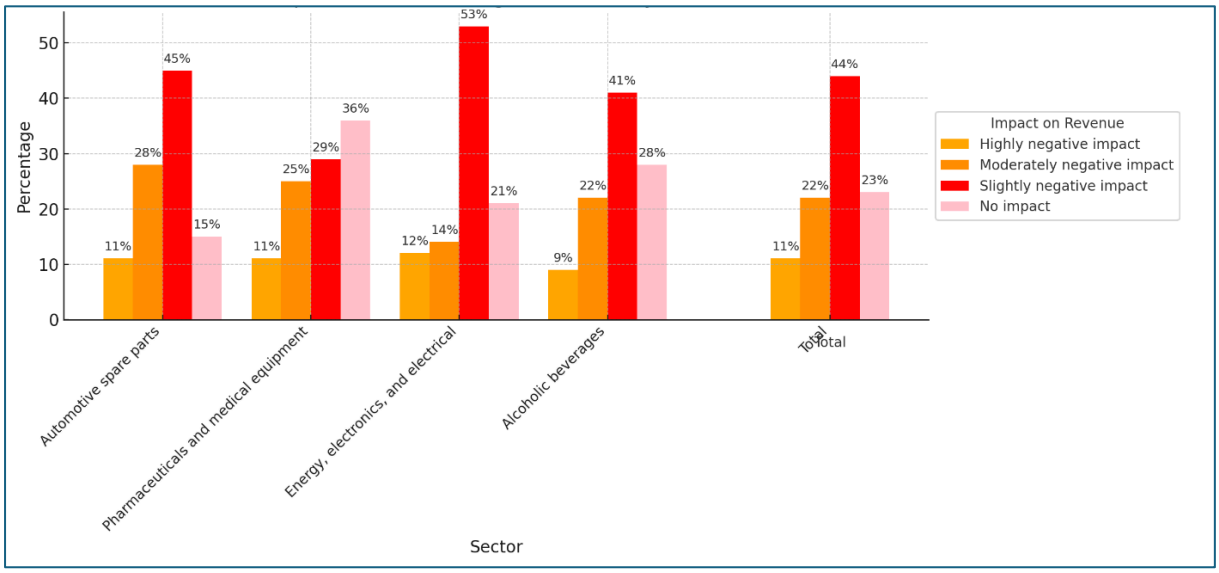

Figure 20: Impact of Counterfeiting on Revenue by Sector

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Impact on Brand Reputation

The survey sought to determine how counterfeiting has affected the firm's brand reputation across various sectors. The results revealed that the "No impact" category had the highest response across most sectors, with the energy, electronics, and electrical sector reporting the highest at 51%. The automotive spare parts sector recorded the largest proportion of "Slightly negative impact" at 42%, indicating significant brand challenges in this sector. The pharmaceutical sector showed notable "Moderately negative impact" (32%) and "No impact" (43%), reflecting mixed experiences with counterfeiting. The findings emphasize the need for targeted anti-counterfeiting measures to protect brand integrity, especially in the most affected sectors

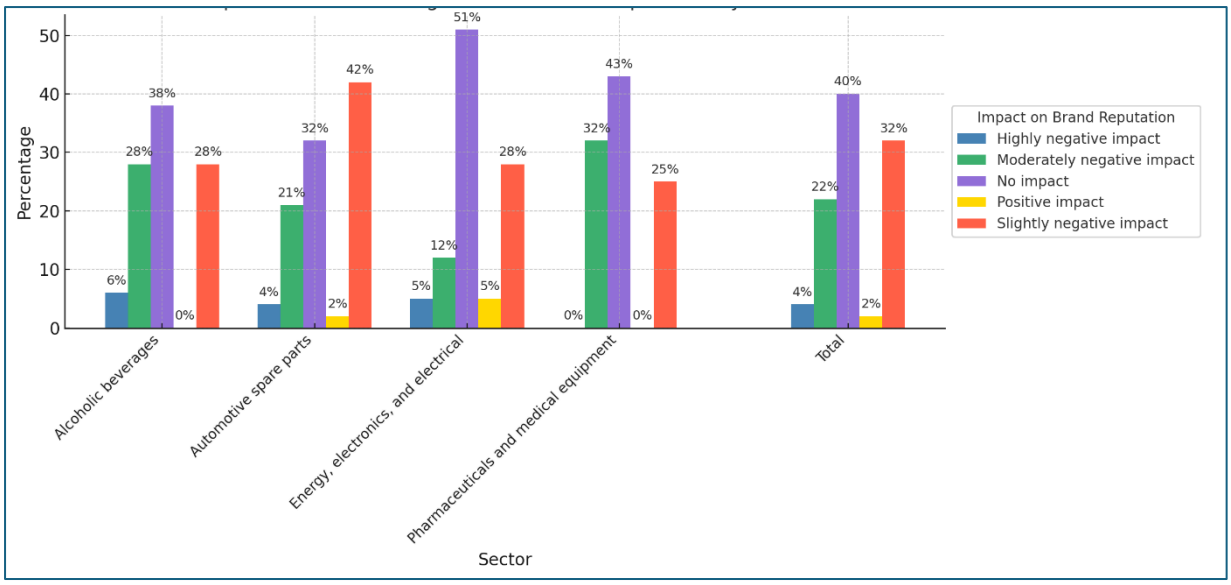

Figure 21 : Impact of Counterfeiting on Brand Reputation by Sector

Impact of Customer Relationship

The survey examined how counterfeiting affects customer relationships across sectors. "No impact" was the most reported, especially in the energy, electronics, and electrical (53%) and pharmaceutical (50%) sectors. "Slightly negative impact" was significant in alcoholic beverages (41%) and automotive spare parts (40%). While "Moderately negative impact" appeared in automotive spare parts (19%) and pharmaceuticals (14%), "Highly negative impact" and "Positive impact" were minimal. The findings highlight varying degrees of impact, emphasizing the need for targeted interventions to maintain customer trust.

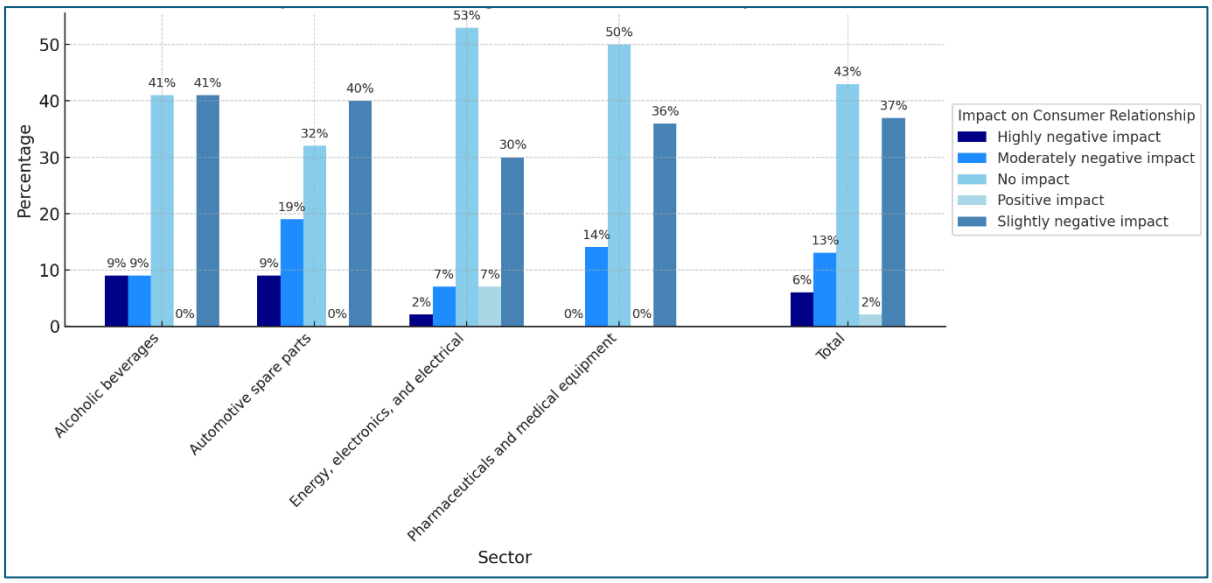

Figure 22 Impact of Counterfeiting on Customer Relationship by Sector

Changes in Impact on Sales and Brand Reputation Over the Past One Year

Over the past year, the analysis of counterfeiting trends reveals mixed impacts on firms' revenue and brand reputation. Most respondents indicated that trends on the impact of firms' revenue and brand reputation had remained the same. Specifically, 50% of respondents reported no change in the impact on revenue, while 72% noted no change in the impact on brand reputation. However, 31% of respondents experienced decreased revenue due to counterfeiting, and 11% reported declining brand reputation. Conversely, 18% observed an increased impact on revenue, while 15% noted a growing impact on brand reputation. These findings indicate that while most firms perceive stability in counterfeiting's impact, a significant minority continue to face increasing challenges, underscoring the need to monitor and address evolving counterfeit trends.

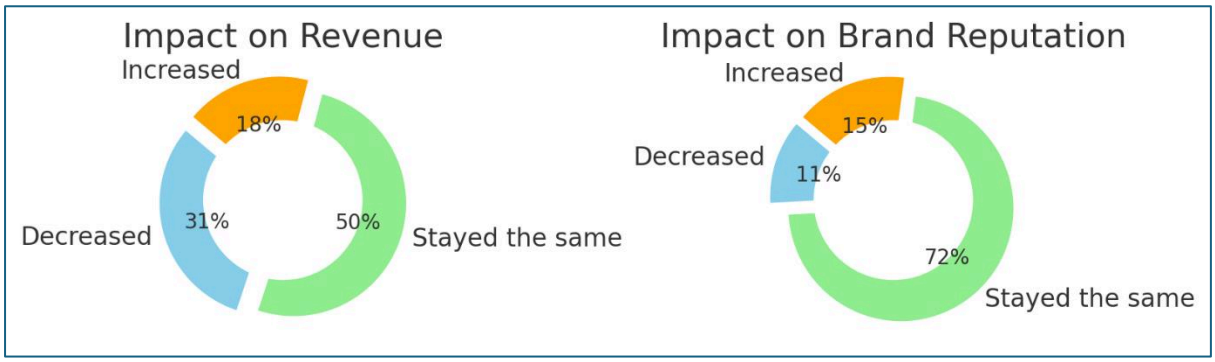

Figure 23: Changes in Impact on Sales and Brand Reputation Over the Past One Year

Potential Impact of Reducing Counterfeiting

The survey sought to determine the potential impact of significantly reducing counterfeiting on firms' investment, job creation, and tax remittance. The result presented in Figure 23 show that across all categories, the most common response was a 10-25% increase in investment (30%), job opportunities (29%), and tax remittance (29%). This indicates that a substantial proportion of firms expect meaningful gains in these areas if counterfeiting can be curtailed.

For investment, 17% of respondents anticipated a 26-50% increase, while 19% expected a less than 10% increase. Similarly, 15% of firms reported being unable to estimate the exact impact on investment. Regarding job opportunities, 23% foresaw a less than 10% increase, and 15% were uncertain. In terms of tax remittance, 18% of respondents expected a less than 10% increase, while 17% were unable to provide an estimate.

Notably, a smaller percentage of firms anticipated higher gains, with more than 75% increases in investment, job creation, and tax remittance reported by 4%, 4%, and 2% of respondents, respectively. These findings underscore the significant economic opportunities that could be unlocked by combating counterfeiting, highlighting the importance of robust anti-counterfeiting measures for driving economic growth and sustainability.

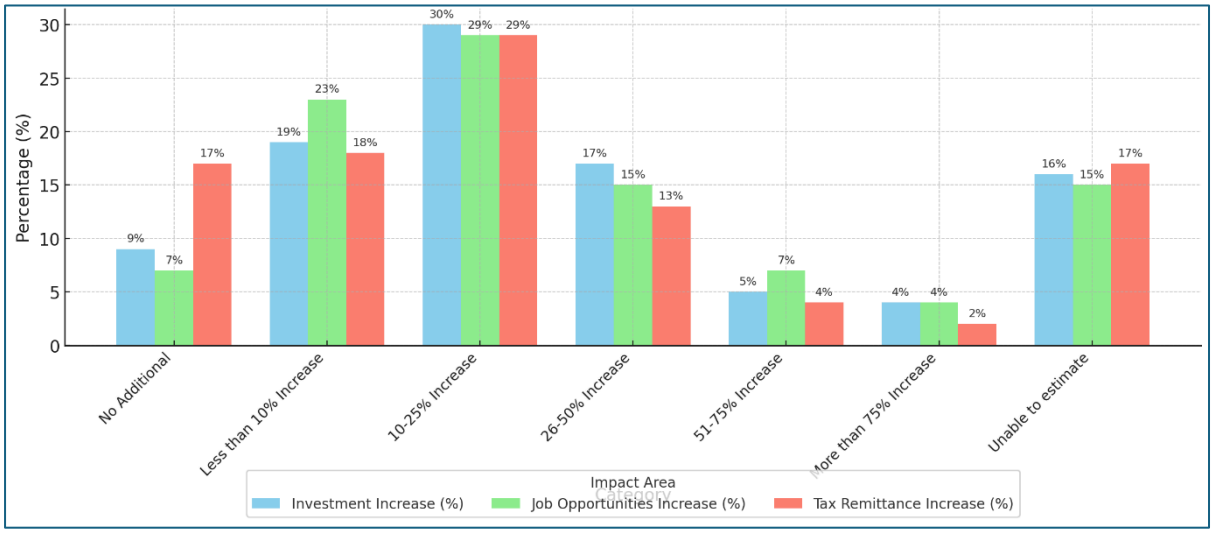

Figure 24: Potential Impact of Reducing Counterfeiting

3.5 Channels used for counterfeiting and the most counterfeited goods

3.5.1 Channels Used for Counterfeiting

The word cloud highlights the key distribution channels for counterfeit products, emphasising the most common avenues such as online platforms, street sellers, and shops/kiosks. These channels serve as significant access points for counterfeit goods, with supermarkets and self-selection stores also playing a role, albeit to a lesser extent. The inclusion of "others" reflects additional, less-defined methods of distribution. The prominence of online platforms underscores the growing role of e-commerce in facilitating the spread of counterfeit products, while street sellers and shops/kiosks remain traditional but critical pathways. These findings suggest the need for targeted interventions across both physical and digital marketplaces to curb the circulation of counterfeit goods.

Figure 25: Key distribution channels for counterfeit products

Most Popular Channel - Online Platforms

The "Online platforms" category is the most commonly used channel for counterfeit distribution across all industry sectors. The pie chart shows the distribution of sales across various online platforms. Social media and direct websites dominate with the largest shares, each accounting for 21.1% of total sales. Following these are Jiji (13.2%) and Jumia (10.5%), highlighting their popularity in e-commerce. Specific social media platforms like Instagram (7.9%) and Facebook (5.3%) also contribute significantly. Amazon holds a surprisingly low share at 2.6%, suggesting a market preference for local or specialized platforms over global

ones. Overall, the data reflects diverse consumer preferences across various online sales channels.

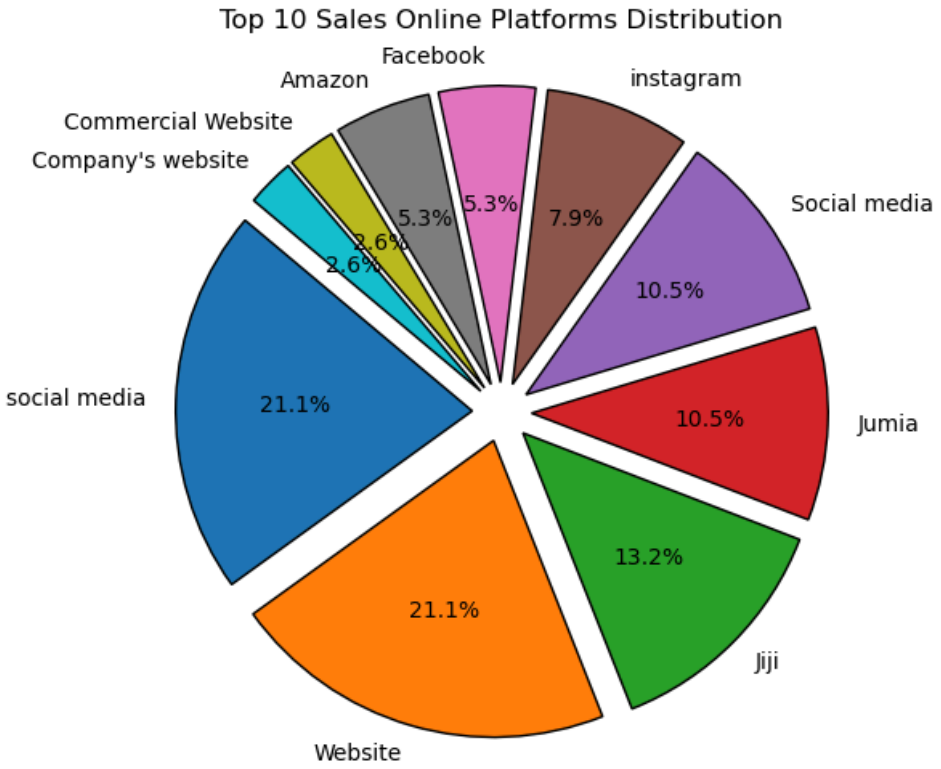

Figure 26: Top Online Platform for Distribution of Counterfeit products

3.5.2 **Most counterfeited products by Sector**

The data on automotive spare parts reveals that certain components, notably spark plugs (25%), engine parts (20%), and tires (16%), are frequently counterfeited, posing significant risks to vehicle safety and performance. Counterfeit spark plugs, engine parts, and tires can compromise engine ignition, lead to engine damage, increase blowout risks, and reduce traction, potentially causing accidents. Batteries, brake pads, and oil filters are also commonly counterfeited, affecting battery lifespan, braking effectiveness, and engine filtration. These findings underscore the importance of purchasing genuine parts to ensure vehicle safety, efficiency, and longevity, as counterfeit components jeopardize vehicle integrity and driver safety

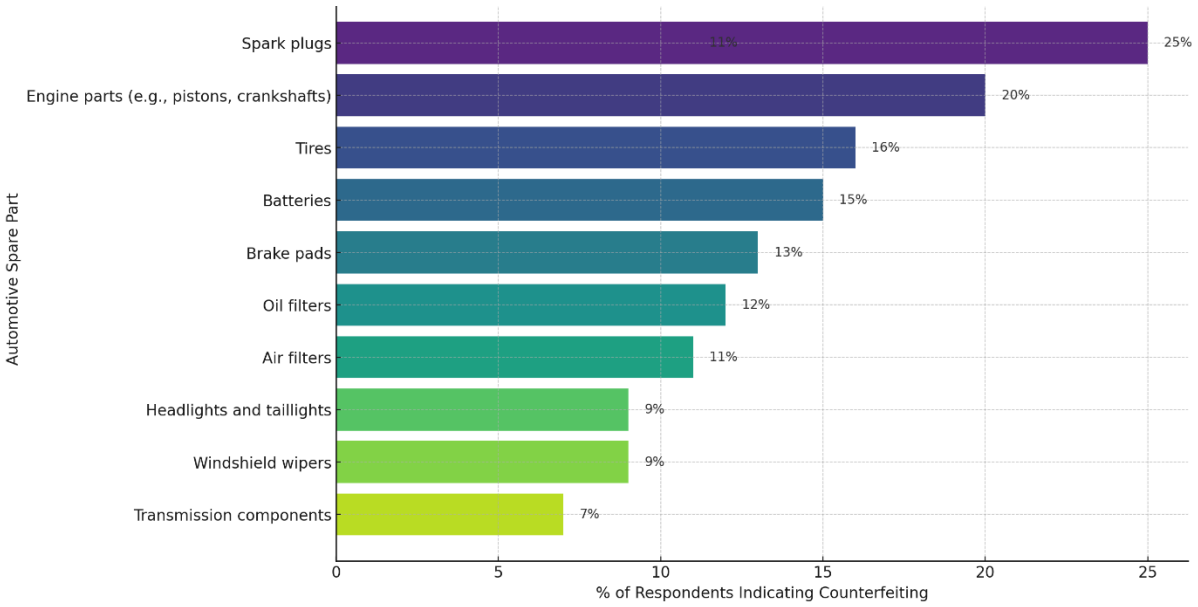

Figure 27: Counterfeits Prevalence in Automotive Spare Parts

Counterfeit pharmaceuticals and medical equipment present significant health risks, with 13% of respondents identifying over-the-counter drugs and 12% identifying prescription medications, including antibiotics, as commonly counterfeited. Counterfeit personal protective equipment, such as masks and gloves (8%), further endangers public safety, especially in infection control. Vaccines and medical devices, like blood glucose meters, each account for 5%, adding to the risks. While surgical instruments, infusion pumps, and hospital furniture are less frequently counterfeited (2-1%), they still pose dangers if compromised. This data highlights the urgent need for stricter regulations, enforcement, and public awareness to ensure the safety and integrity of medical products.

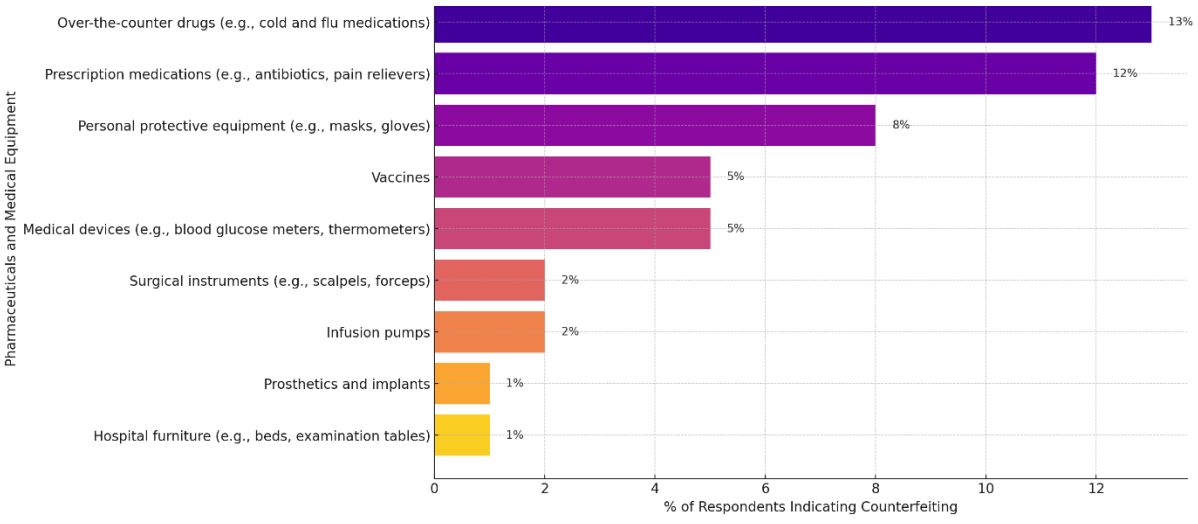

Figure 28: Counterfeits Prevalence in Pharmaceuticals and Medical Equipment

The data shows that consumer electronics, such as smartphones and laptops, have the highest rate of counterfeiting at 18%, followed by home appliances at 14%, and smart home devices at 11%. These categories are particularly vulnerable due to high demand and value, with counterfeits posing risks to functionality and safety. Electric cables (10%) and batteries (8%) also see significant counterfeiting, potentially leading to safety hazards like electrical fires. Lower rates are found for solar panels, energy generators, and petroleum products (4% or less). This highlights the need for vigilance among consumers and targeted regulatory efforts on high-risk products. This data suggests that high-demand consumer electronics and household items are particularly vulnerable to counterfeiting in this sector, highlighting the need for strengthened measures to protect consumers and ensure product authenticity.

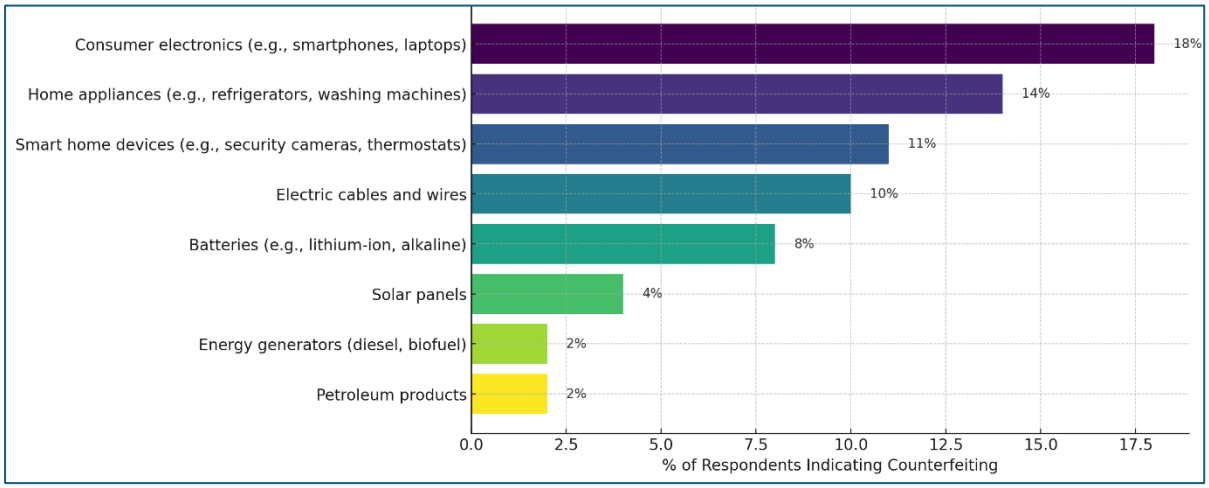

Figure 29: Counterfeits Prevalence in Pharmaceuticals and Medical Equipment

The bar chart shows counterfeit prevalence in various alcoholic beverage categories. Gin has the highest rate at 15%, followed by vodka (10%) and craft spirits (8%). Wine and beer both have a moderate rate of 6%, while whiskey is slightly lower at 5%. Rum and liqueurs are at 3%, with the lowest prevalence in tequila and brandy at 1% each. The data highlights that popular and high-demand beverages like gin and vodka are more prone to counterfeiting, suggesting a need for targeted control measures in these categories.

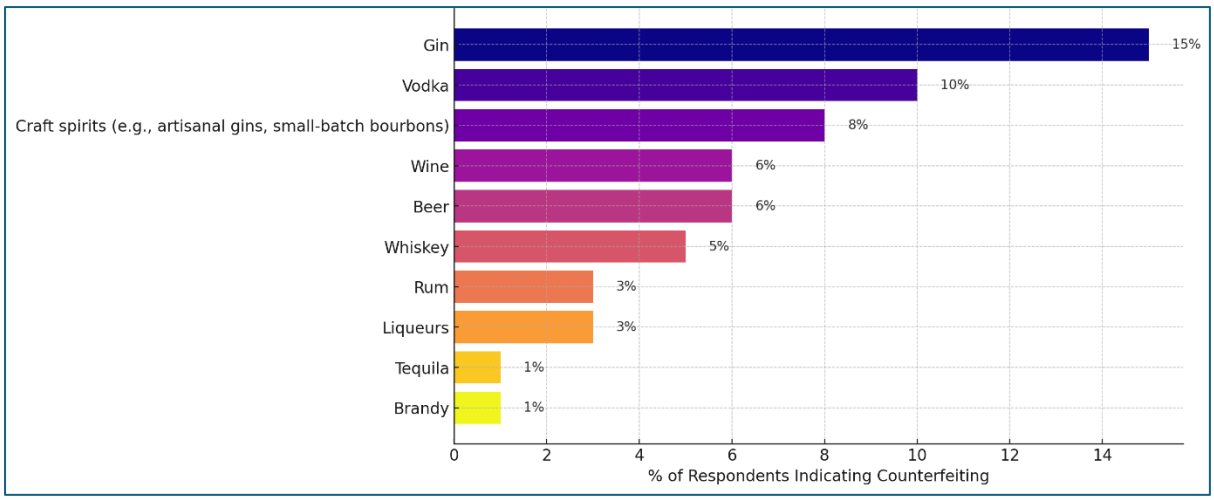

Figure 30: Counterfeits Prevalence in Pharmaceuticals and Medical Equipment

3.6 Challenges Faced by The Industry and Strategies to Address Counterfeiting

3.6.1 Cases Reporting to Authorities

The survey sought to understand whether respondents had reported the sale of counterfeit goods to authorities or relevant organisations. The results revealed that a significant majority, 88%, had not taken any reporting action, while only 12% indicated that they had reported such incidents. This highlights a notable gap in reporting counterfeit activities, which could be due to factors such as lack of awareness, trust in enforcement agencies, or the perceived complexity of the reporting process. These findings emphasize the need for targeted interventions, such as public awareness campaigns and simplified reporting mechanisms, to encourage more proactive engagement in addressing counterfeiting.

The most commonly used method was in-person visits to a local authority office (12 reports), followed closely by phone calls or hotlines (11 reports). Letters were used by 5 respondents, while websites and social media were each utilized by 2 respondents. Notably, no respondents reported using email as a reporting channel. These findings suggest that traditional reporting methods, such as in-person visits and phone calls, remain the preferred channels for addressing counterfeiting issues. Improving accessibility and awareness of digital reporting options, such as websites and social media, may help streamline the reporting process and increase engagement.

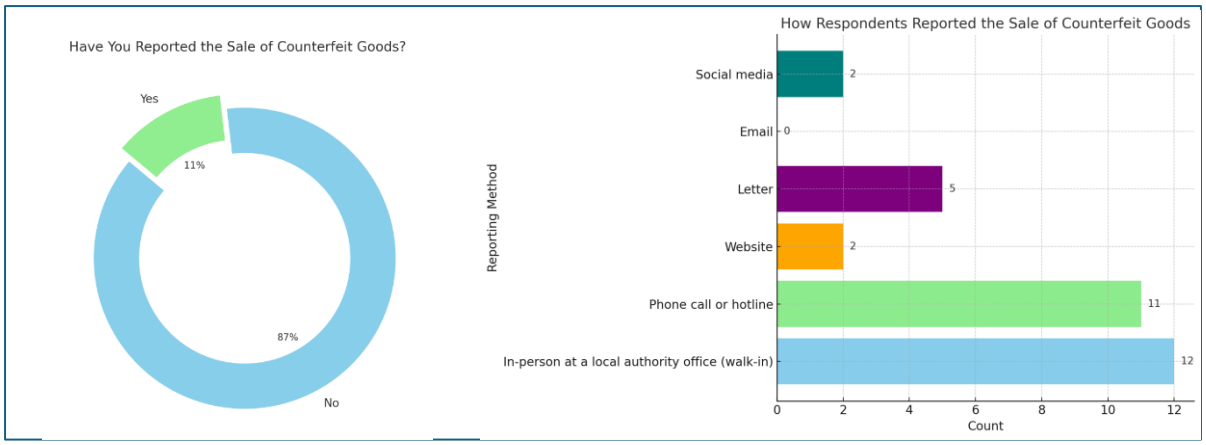

Figure 31: Reported Cases to the Counterfeit Authorities

3.6.2 Satisfaction Level with the Reporting Agency

The survey sought to determine whether respondents were satisfied with the actions taken by the organization or authority where they reported counterfeiting cases. The findings indicate that **47%** of respondents were "not satisfied at all," reflecting dissatisfaction with the response or outcomes of their reports. On the other hand, **37%** reported being "fully satisfied," suggesting that a notable proportion of respondents were content with the actions taken. Additionally, **16%** of respondents stated that they were "partly satisfied," indicating that their expectations were only partially met. These results highlight the need for reporting organizations to improve their response mechanisms and effectiveness in addressing reported cases to enhance overall satisfaction.

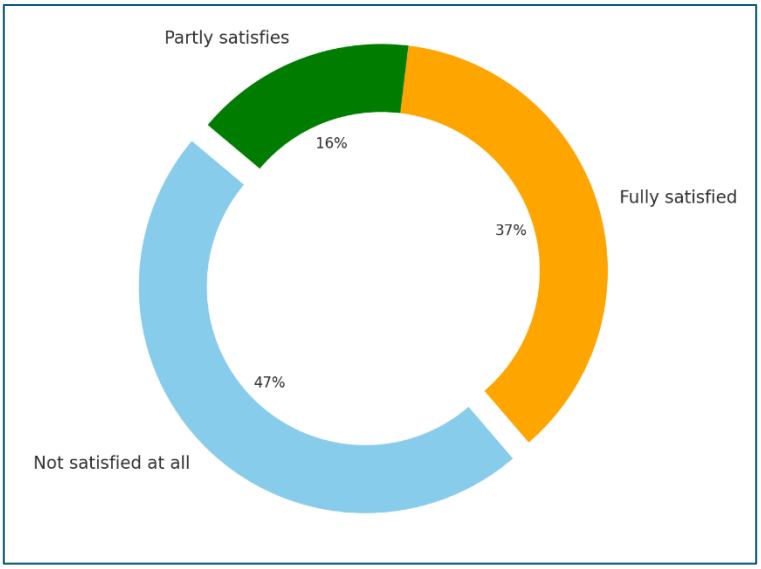

Figure 32: Satisfaction Level with Reporting Agency

One of the biggest challenges in combating counterfeiting is the reluctance of manufacturers to report cases. This hesitation is driven by fears of intelligence leaks and lengthy judicial processes. As one respondent in the Key Informant Interview (KII) noted, "*Manufacturers fear intelligence leaks and lengthy judicial processes, which often discourage them from taking action.*" The concern over leaked information is particularly acute in the digital era, where "*intelligence information can leak very fast, even during boardroom meetings*," making it difficult for manufacturers to trust that their complaints will remain confidential. Additionally, the inefficiency of judicial systems exacerbates the issue, as cases can take years to resolve, leading to further frustration. This lack of trust discourages firms from relying on external enforcement mechanisms and pushes them toward internal strategies to safeguard their market share.

3.6.3 Challenges faced by the industry

The survey sought to identify the main challenges firms face in combating counterfeiting, with respondents allowed to provide multiple answers. The most frequently reported challenge was consumer demand for cheaper products, selected by 37% of the total responses, highlighting the economic drivers of counterfeiting. Inadequate enforcement followed at 27%, emphasizing the need for stronger regulatory and monitoring frameworks. Insufficient legal framework, chosen by 19%, points to gaps in existing laws that hinder effective action against counterfeit goods. The high cost of anti-counterfeiting measures was a concern for 15%, reflecting the financial burden associated with tackling counterfeiting. Additionally, 1% of responses fell into the "Other" category, indicating less common but notable challenges.

The challenge was well explained by a KII respondent as follows "Low awareness among consumers and the high cost of original products are major challenges in the fight against counterfeiting. Many consumers prioritize cost savings over authenticity, often unknowingly purchasing counterfeit goods. Additionally, a lack of awareness about how to identify fake products exacerbates the problem." These findings underscore the complexity of combating counterfeiting, requiring coordinated efforts across enforcement, legal reforms, and consumer education.

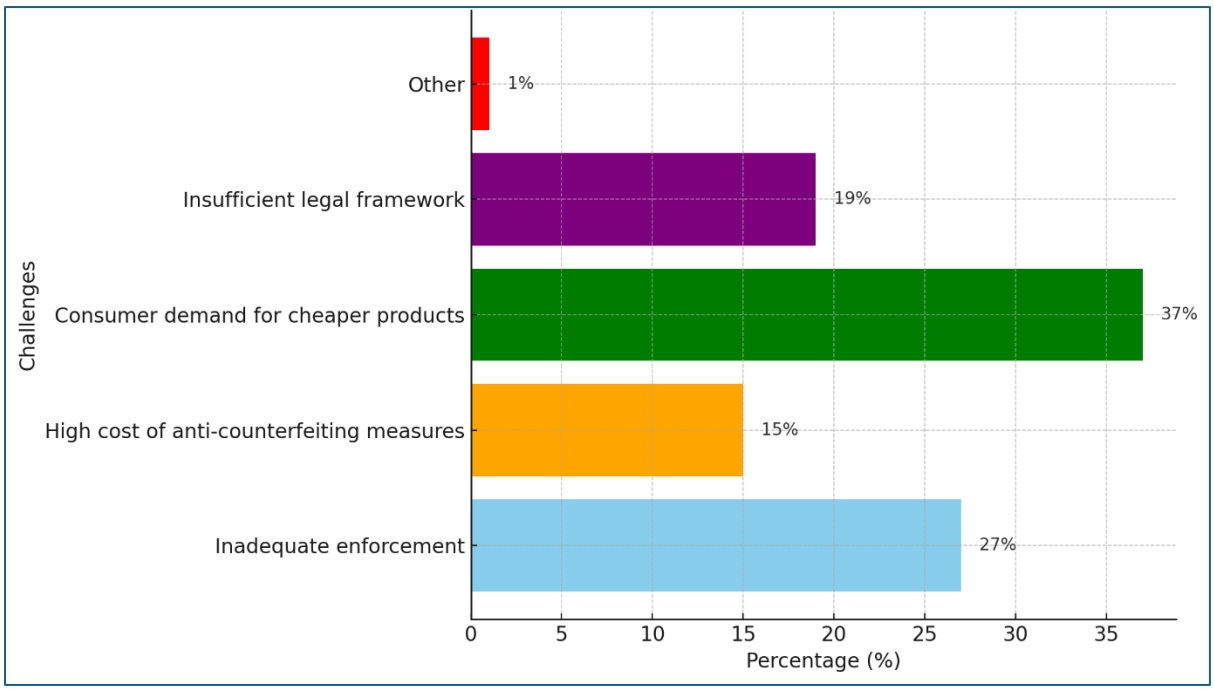

Figure 33: Main Challenges Firms Face in Combating Counterfeiting

3.6.4 Strategies Implemented by Firms to Combat Counterfeiting

The survey explored the strategies firms have implemented to combat counterfeiting. The most widely adopted measure, reported by 41% of responses, is consumer education and awareness, emphasizing the importance of informing customers about counterfeit risks. This is followed by product authentication technologies, employed by 32%, highlighting the role of technological solutions in verifying product authenticity. Legal action was used by 13% of respondents, reflecting reliance on judicial processes to address counterfeiting issues, while collaboration with government agencies was implemented by 10%, suggesting a need for greater public-private partnerships. A small percentage (3%) indicated using other strategies. These findings underscore the diverse approaches firms employ, with a strong focus on consumer awareness and technological interventions.

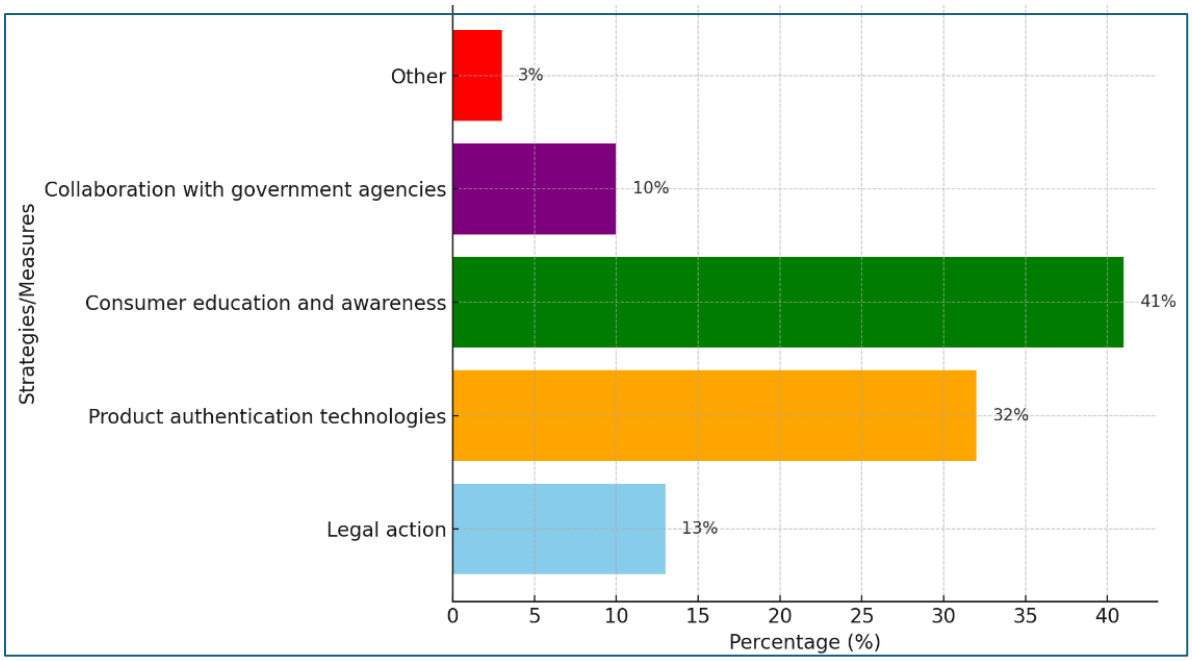

Figure 34: Strategies Firms Have Implemented to Combat Counterfeiting

Additional Strategies

The survey sought to identify additional strategies that respondents believe could help the government and authorities reduce counterfeiting in the sector. Key recommendations included enhancing public awareness and consumer education, as these were critical to informing the public about the risks and consequences of counterfeit goods. Many respondents emphasised the need for stricter law enforcement and legal actions, including offender penalties and regular market inspections. Strengthening relevant authorities, such as the Anti-Counterfeit Authority (ACA) and the Kenya Revenue Authority (KRA), was also suggested to improve enforcement capacity and operational efficiency. Respondents highlighted the importance of collaboration between authorities and stakeholders, alongside leveraging product authentication technologies and blockchain systems to secure supply chains. Addressing corruption, lowering taxes on legitimate goods, and implementing transparent and robust regulatory frameworks were also proposed. These strategies reflect a comprehensive approach to tackling counterfeiting, requiring both preventative and enforcement measures.

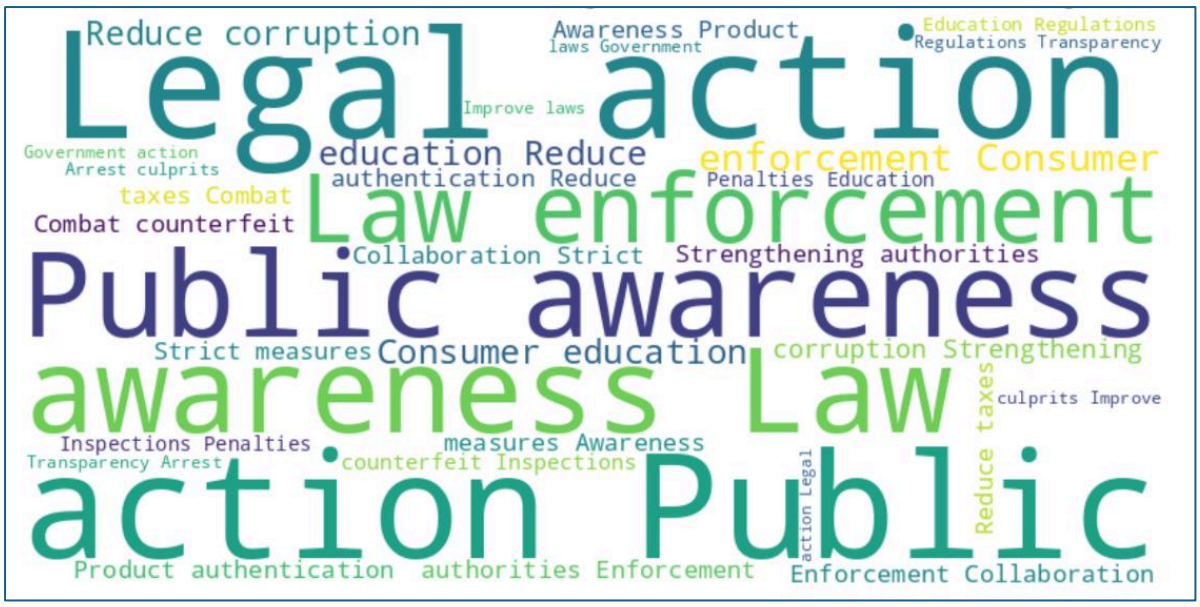

Figure 35: Strategies to Combat Counterfeiting

Firms are increasingly adopting proactive measures to combat counterfeiting, as emphasized in the Key Informant Interview (KII). These measures include rebranding, implementing track-and-trace technologies, and creating public awareness campaigns, all of which were identified as critical strategies. *"Industries must embrace technology, such as track-and-trace systems and rebranding, to stay ahead of counterfeiters,"* one respondent noted. Collaboration with regulatory agencies and leveraging intellectual property protection mechanisms were also highlighted as essential steps to safeguard genuine products. For instance, rebranded packaging with unique identifiers was cited as an effective approach, as it helps consumers easily distinguish genuine items from counterfeit ones. The KII emphasized that such strategies, though sometimes costly, are necessary to protect market integrity and maintain consumer trust

3.6.5 Support expected from the government

The survey sought to identify the types of support respondents expect from the government to combat counterfeiting. The most commonly cited measure, selected by 34% of respondents, was the implementation of consumer education campaigns, highlighting the need to raise public awareness about counterfeit goods and their risks. Increased enforcement was the second most requested support, mentioned by 30% of respondents, emphasizing the need for stronger action and monitoring by relevant authorities. Stronger regulations, selected by 26%, reflects the importance of establishing and enforcing robust legal frameworks to address counterfeiting.

Additionally, 9% of respondents highlighted the need for financial support, such as subsidies or grants to support anti-counterfeiting measures, while 1% mentioned other forms of support.

The KII corroborates the findings where a respondent posits that "*We need to sustain the fight against counterfeiting through consistent enforcement and public awareness campaigns.*" Further, "*Collaboration with regulatory agencies is essential to create an effective multi-agency setup. Agencies like KEBS and the Anti-Counterfeit Authority play critical roles in combating counterfeiting through standard enforcement and market inspections*." These findings indicate a broad consensus on the need for a combination of education, enforcement, and regulatory improvements to tackle counterfeiting effectively.

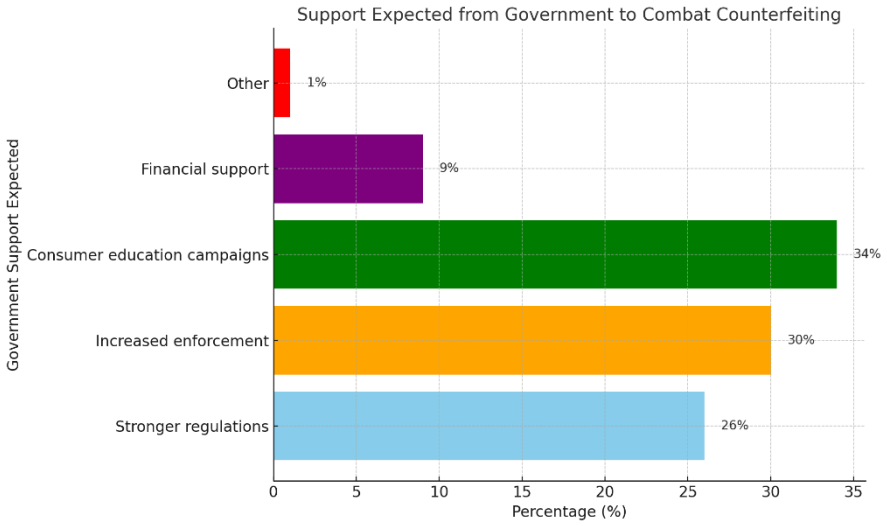

Figure 36: Support Expected from Government to Combat Counterfeiting

3.7 Summary of Major Findings

3.7.1 Extent of Online Sales and Awareness of Counterfeits

Extent of Online Sales Across Sectors:

- 39% of firms engage in online sales, with significant variations across sectors:
  - Pharmaceuticals (18%) have the lowest online presence due to strict regulations and trust concerns.
  - Automotive parts (47%) and electronics (42%) have higher adoption, driven by consumer convenience but tempered by authenticity concerns.
  - Alcoholic beverages (41%) face challenges like age verification and consumer preference for physical purchases.

Awareness of Counterfeit Goods:

- 71% of respondents reported awareness of counterfeit goods, an increase from 30% in a previous survey by the Anti-Counterfeit Authority (ACA) in 2020.

- Awareness levels vary:
    - Locally owned firms (74%) and micro/small firms (73%) show higher awareness due to direct exposure to counterfeit risks.
    - Larger firms and foreign-owned businesses report lower awareness, suggesting gaps in vigilance and perceived risk.

Sources of Counterfeit Goods:

- 50% of counterfeit goods are believed to originate locally, highlighting internal vulnerabilities.
- 25% come from foreign sources, and 25% remain unidentified, indicating counterfeiting networks' global and elusive nature.
- Foreign sources dominate in sectors like alcoholic beverages (77%) and electronics (50%), while local sources are prevalent in pharmaceuticals (60%).

Awareness of Counterfeit Seizures:

- Awareness of counterfeit seizures is low across all sectors:
    - Pharmaceuticals and automotive parts show deficient awareness, despite the critical nature of these sectors.
    - Even in higher-risk sectors, few firms are informed about seizures, pointing to gaps in communication and enforcement transparency.

Challenges in Online Sales:

- Online platforms present both opportunities for legitimate sales and vulnerabilities as counterfeit distribution channels.
- Trust concerns, regulatory constraints, and logistical challenges limit online sales in certain sectors, while the lack of effective monitoring exacerbates counterfeit risks.

3.7.2 Level, Trends and Impact of Counterfeiting in the Industry

Level of Counterfeiting:

- Most respondents (36%) estimated that 10-25% of products in their sector are counterfeited, with 33% estimating less than 10%.
- On average, Automotive Spare Parts reported the highest prevalence (21%), followed by Alcoholic Beverages (19%), Pharmaceuticals and Medical Equipment (17%), and Energy, Electronics, and Electrical (14%). The average prevalence across all sectors stands at 18%.
- Smaller firms perceive higher levels of counterfeiting than larger firms, with micro and small firms reporting greater exposure due to their vulnerability and reliance on less secure supply chains.

Trends in Counterfeiting:

- Over the past year, 53% of respondents observed increased counterfeit incidences, particularly in Automotive Spare Parts (57%) and Energy, Electronics, and Electrical (54%). Pharmaceuticals and Medical Equipment showed relative stability, with 50% reporting no change.
- Decreases in counterfeit incidences were minimal, with the highest decrease observed in Automotive Spare Parts (8%).

Factors Contributing to Counterfeiting:

- Consumer demand for cheaper products (36%) emerged as the leading driver of counterfeiting trends, followed by inadequate enforcement (24%), economic downturns (23%), and increased online shopping (15%).
- A small fraction (2%) cited other factors, such as lack of consumer awareness and insufficient stakeholder collaboration.

Projected Changes in Counterfeiting Prevalence:

- Most respondents across all sectors expect an increase in counterfeit prevalence over the next year, with the highest expectations in Pharmaceuticals and Medical Equipment (71%) and Energy, Electronics, and Electrical (63%).
- Anticipation of decreases in counterfeit prevalence was low, ranging from 7% in Pharmaceuticals and Medical Equipment to 12% in Alcoholic Beverages.

Strategies to Combat Counterfeiting:

- Respondents emphasized the need for stronger enforcement, legal action, government intervention, and regulatory frameworks.
- Suggestions included public awareness campaigns, product authentication measures, reduced corruption, and technology-based solutions such as blockchain and labeling systems.

3.7.3 Channels used for counterfeiting and the most counterfeited goods

Channels Used for Counterfeiting:

- Online Platforms: Online platforms are the most prominent distribution channel for counterfeit goods, accounting for the largest share across all sectors. Social media and direct websites dominate, each with 21.1% of sales, followed by local e-commerce platforms like Jiji (13.2%) and Jumia (10.5%). Global platforms like Amazon have a smaller share (2.6%), indicating a preference for local or specialized platforms.
- Traditional Channels: Street sellers and shops/kiosks remain critical pathways for counterfeit goods, highlighting the continued importance of physical marketplaces.

- Sector-Specific Insights: Automotive Spare Parts are targeted across multiple channels, while Pharmaceuticals and Medical Equipment show a niche but significant risk in select distribution methods.

Most Counterfeited Products by Sector:

- Automotive Spare Parts: Spark plugs (25%), engine parts (20%), and tires (16%) are the most counterfeited, posing risks to vehicle safety and performance. Other counterfeited items include batteries, brake pads, and oil filters, which compromise functionality and safety.
- Pharmaceuticals and Medical Equipment: Over-the-counter drugs (13%) and prescription medications (12%) are frequently counterfeited, along with personal protective equipment (8%) and vaccines (5%), presenting severe health and safety risks.
- Energy, Electronics, and Electrical: Consumer electronics like smartphones and laptops (18%) and home appliances (14%) face high counterfeiting rates. Electric cables (10%) and batteries (8%) also see significant counterfeiting, leading to potential safety hazards such as electrical fires.
- Alcoholic Beverages: Gin (15%) and vodka (10%) are the most counterfeited alcoholic beverages, with lower rates for wine, beer, whiskey, and other spirits. High-demand beverages are more prone to counterfeiting, reflecting consumer preferences.

3.7.4 Challenges, Strategies, and Support in Combating Counterfeiting

- The primary challenge identified was consumer demand for cheaper products (37%), highlighting economic drivers that fuel counterfeiting, followed by inadequate enforcement (27%), which emerged as a significant issue, reflecting gaps in regulatory and monitoring mechanisms.
- The most widely adopted measure was consumer education and awareness (41%), emphasising the importance of informing consumers about counterfeit risks. This is followed by product authentication technologies (32%), which showcases the role of technology in verifying product authenticity.
- Respondents recommended enhancing public awareness campaigns and consumer education to inform the public about the risks and consequences of counterfeit goods.
- Respondents call for stricter law enforcement, regular market inspections, and offender penalties emphasise the need for stronger deterrents.
- Strengthening critical agencies like the Anti-Counterfeit Authority (ACA) and Kenya Revenue Authority (KRA) was suggested to improve enforcement and efficiency.
- Leveraging technology, such as blockchain and product authentication systems, was proposed to secure supply chains.

- Other recommendations included addressing corruption, reducing taxes on legitimate goods, and implementing transparent regulatory frameworks.
- Support expected from the government includes consumer education campaigns (34%), which were the most requested support, underscoring the need to raise awareness about counterfeit goods. This was followed by Increased enforcement (30%), which was also critical, reflecting the demand for stronger monitoring and action by authorities.

Chapter 4: Conclusions and Recommendations

4.1 Conclusion

The survey reveals a growing adoption of online sales, with 39% of firms engaged in e-commerce, though variations exist due to sector-specific constraints. Counterfeiting is widespread, with 71% of respondents aware of its presence, and local industries identified as primary sources. Awareness of counterfeit seizures is low, especially in critical sectors like pharmaceuticals and automotive parts. Smaller and locally owned firms show higher awareness, reflecting their vulnerabilities, while larger and foreign-owned firms rely more on established supply chains. Online platforms present both growth opportunities and significant risks as counterfeit distribution channels requiring targeted interventions.

Counterfeiting significantly impacts sectors like Automotive Spare Parts (21%) and Alcoholic Beverages (19%), with an average prevalence of 18%. Rising incidences, reported by 53% of respondents, point to inadequate countermeasures driven by consumer demand for cheaper goods, inadequate enforcement, and economic downturns. Most sectors expect counterfeiting to increase, highlighting the need for stronger enforcement, public awareness campaigns, and technology-driven solutions like blockchain to address this growing problem.

Counterfeit goods are distributed through both digital and traditional channels, with online platforms like social media, Jiji, and Jumia playing dominant roles. Traditional outlets such as street sellers and kiosks remain critical, especially for products like automotive parts and pharmaceuticals. The widespread presence of counterfeits across electronics, alcoholic beverages, and medical equipment underscores significant risks, emphasizing the need for targeted, sector-specific strategies.

Combating counterfeiting demands a comprehensive approach, addressing challenges like consumer demand for cheap goods, weak enforcement, and high anti-counterfeiting costs. While firms employ strategies like consumer education and product authentication, stronger

government support is essential. Key actions include enhancing enforcement, strengthening regulations, and raising public awareness. Leveraging technology, fostering public-private collaboration, and tackling systemic issues like corruption will be crucial to mitigating counterfeiting's impact and safeguarding industries and consumers

4.2 Recommendations

1. Secure E-commerce platforms: Introduce product guarantees, third-party verification, and secure transactions to build consumer trust in e-commerce. Actively engage online marketplaces to identify and remove counterfeit listings promptly.
2. Strengthen enforcement mechanisms: Deploy advanced technologies like blockchain, QR codes, and authentication systems to monitor online platforms and supply chains. Increase the frequency of inspections and focus enforcement efforts on high-risk sectors such as pharmaceuticals and automotive parts.
3. Raise public awareness: Conduct targeted public awareness campaigns to educate consumers and businesses on identifying counterfeit goods and understanding their risks. Improve communication about counterfeit seizures to build confidence in anti-counterfeiting efforts and encourage proactive reporting.
4. Collaborate across sectors: Promote partnerships between government agencies, e-commerce platforms, and industry players to streamline anti-counterfeiting efforts. Facilitate cross-sector collaborations to share intelligence and best practices, ensuring a coordinated response to counterfeit risks.
5. Support smaller firms: Provide financial incentives or subsidies to smaller firms to help them adopt anti-counterfeiting technologies and strengthen their supply chain resilience. Empower smaller firms to play a key role in counterfeit detection and reporting by leveraging their local market insights.
6. Address local and global counterfeit sources: Strengthen domestic manufacturing regulations and inspections to reduce locally sourced counterfeits. Collaborate with international organizations to curb the importation of counterfeit goods and improve cross-border traceability through advanced tracking systems.
7. Strengthen Regulatory Frameworks. Update existing regulations to introduce stricter penalties for counterfeiters, enhance product labeling requirements, and mandate regular inspections.
8. Strengthen Domestic and International Collaboration. Work with international organizations to reduce counterfeit imports and enhance cross-border traceability through advanced tracking systems

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Appendix 1: Firm-Level Survey Instrument

Introduction and Consent

Hello, my name is [your name]. We are from the Anti-Counterfeit Authority (ACA) of Kenya. We are conducting a survey in [this region] to develop effective policies to combat counterfeit trade and improve livelihoods. This interview will take about 20 minutes. All the information we obtain will remain strictly confidential and anonymous. If you wish not to answer a question or wish to stop the interview at any time, please let me know. May I start now?

Consent Given?

Yes

No

[NAME OF ENUMERATOR]

The enumerator indicates the Industry sector of the respondent

Automotive spare parts

Pharmaceuticals and medical equipment

Energy, electronics, and electrical

Alcoholic beverages

Other (please specify)

Section 1: Firm Information

Size of Firm:

Micro (less than 10 employees)

Small (10-49 employees)

Medium (50-99 employees)

Large (100 or more)

Type of firm

Local owned

Foreign-owned

Section 2: The extent to which firms sell their products online

Have you seen or heard of cases of counterfeit versions of goods/products/items produced in the [name] sector? [The enumerator to clarify that this includes own and competitor products]

Yes

No

Which products are mostly counterfeited in the [name] sector? [The enumerator to clarify that this includes own and competitor products]

Automotive Spare Parts

Brake pads

Oil filters

Air filters

Spark plugs

Headlights and taillights

Windshield wipers

Tires

Batteries

Engine parts (e.g., pistons, crankshafts)

Transmission components

Others (specify)

Pharmaceuticals and Medical Equipment

Prescription medications (e.g., antibiotics, pain relievers)

Over-the-counter drugs (e.g., cold and flu medications)

Vaccines

Medical devices (e.g., blood glucose meters, thermometers)

Surgical instruments (e.g., scalpels, forceps)

Diagnostic equipment (e.g., X-ray machines, MRI scanners)

Personal protective equipment (e.g., masks, gloves)

Prosthetics and implants

Infusion pumps

Hospital furniture (e.g., beds, examination tables)

Others (specify)

Energy, Electronics, and Electrical

Solar panels

LED lighting

Electric cables and wires

Batteries (e.g., lithium-ion, alkaline)

Circuit breakers

Generators

Home appliances (e.g., refrigerators, washing machines)

Others (specify)

Consumer electronics (e.g., smartphones, laptops)

Industrial machinery (e.g., transformers, motors)

Smart home devices (e.g., thermostats, security cameras)

Others (specify)

Alcoholic Beverages

Wine

Beer

Whiskey

Vodka

Rum

Tequila

Gin

Brandy

Liqueurs

Craft spirits (e.g., artisanal gins, small-batch bourbons)

Others (specify)

Do you sell any of your products online?

Yes

No

If yes, what percentage of your online sales is affected by counterfeiting? [the enumerator to clarify that the effect is due to counterfeiting of own and competitor products]

Less than 10%

10-25%

26-50%

51-75%

More than 75%

Which online platforms do you use to sell your products online?

(----------)

What are the sources [countries of origin] of most counterfeit goods sold online in the [name] sector?

I don't know

Local industries

Foreign countries (specify)

Section 3: The level, trends, and impact of counterfeiting

In your opinion, what percentage of all the products in the [name] sector are counterfeited?

None

Less than 10%

10-25%

26-50%

51-75%

More than 75%

Has counterfeiting affected your firm adversely?

Yes

No

In which ways has counterfeiting affected your firm?

Staff turnover

Loss of sales

Loss of brand reputation

Increased operational costs

Please tell us the percentage of your firm sales affected by counterfeiting. [as a result of counterfeiting your own or competitor products]

None

Less than 10%

10-25%

26-50%

51-75%

More than 75%

Have you seen or heard about the seizure of counterfeit goods/products by customs and law enforcement agencies in the [name] sector in the last 12 months?

Yes

No

If yes, which products were seized by customs and law enforcement agencies in the [name] sector in the last 12 months?

(----------)

If yes, to what extent would they have affected your firm sales?

No impact

Minimal impact (less than 10%)

Moderate impact (10-25%)

Significant impact (26-50%)

Severe impact (more than 50%)

If yes, to what extent would they have affected your firm revenues?

No impact

Minimal impact (less than 10%)

Moderate impact (10-25%)

Significant impact (26-50%)

Severe impact (more than 50%)

If yes, to what extent would they have affected your firm brand reputation?

No impact

Minimal impact (less than 10%)

Moderate impact (10-25%)

Significant impact (26-50%)

Severe impact (more than 50%)

How frequently do you encounter counterfeit versions of products in [name] sector? [your own or competitor products]

Rarely (once a year or less)

Occasionally (a few times a year)

Sometimes (once a month)

Frequently (a few times a month)

Very frequently (once a week or more)

Over the past year, how has the incidence of counterfeit versions of products in the [name] sector changed?

Decreased

Stayed the same

Increased

Over the past year, how has the impact of counterfeiting on your firm's revenue changed?

Decreased

Stayed the same

Increased

Over the past year, how has the impact of counterfeiting on your firm's brand reputation changed?

Decreased

Stayed the same

Increased

What are the main factors contributing to the current trends of counterfeiting in [name] sector? (Select all that apply)

Increased online shopping

Economic downturn

Lack of enforcement

Consumer demand for cheaper products

Other (please specify)

In your opinion, how will the prevalence of counterfeit products in the [name] sector change in the next year?

Decrease

Stay the same

Increase

What actions or strategies do you think will be most effective in reversing the current trends of counterfeiting in the [name] sector? (_____)

How has counterfeiting affected your firm's revenue?

Highly negative impact

Moderately negative impact

Slightly negative impact

No impact

Positive impact

How has counterfeiting affected your firm's brand reputation?

Highly negative impact

Moderately negative impact

Slightly negative impact

No impact

Positive impact

How has counterfeiting affected your firm's relationship with consumers?

No impact

Minor impact

Moderate impact

Significant impact

If counterfeiting can be reduced significantly, how much more can your firm invest in Kenya?

No more additional investment

Less than 10% Increase

10-25% Increase

26-50% Increase

51-75% Increase

More than 75% Increase

Unable to estimate

If counterfeiting can be reduced significantly, how much more direct job opportunities can your firm create in Kenya?

No more additional job opportunities.

Less than 10% Increase

10-25% Increase

26-50% Increase

51-75% Increase

More than 75% Increase

Unable to estimate

If counterfeiting can be reduced significantly, how much more tax can your firm remit to the Government of Kenya?

No more additional taxes

Less than 10% Increase

10-25% Increase

26-50% Increase

51-75% Increase

More than 75% Increase

Unable to estimate

Section 4: Distribution channels used by counterfeiters and the most counterfeited goods

What channels do counterfeiters use to distribute counterfeit versions of products in the [name] sector? (Select all that apply)

Online platforms

Street seller, mobile salesperson visiting office or doorstep at home

Shops, kiosks

Supermarkets, self-selection stores

Other spaces (specify)

Which products in the [name] sector are mostly distributed on online platforms?

(----------)

Which products in the [name] sector are mostly distributed on non-online platforms? [e.g., street sellers, supermarkets, shops, kiosks, etc.]

(----------)

Section 5: Challenges and Strategies

Have you reported to the authorities or relevant organizations the sale of counterfeit goods in any of these sectors in the last 12 months?

Yes

No

To which organization or government agencies did you report the cases of counterfeiting?

Kenya Industrial Property Institute

Pest Control Products Board

The National Police Service

Kenya Copyright Board

Pharmacy and Poisons Board

Kenya Bureau of Standards (KEBS)

Kenya Plant Health Inspectorate Service

Department of Weights and Measures

Kenya Revenue Authority (KRA)

Kenya Film Commission

KECOBO

Kenya Seed Company

Anti-Counterfeit Authority (ACA)

Others (specify)

Were you satisfied with the action of the organization or authority where you reported the counterfeiting case(s)?

Fully satisfied

Partly satisfies

Not satisfied at all

You have indicated that you were not satisfied with the actions taken by the organization or authority where you reported the counterfeiting case(s). Can you please tell us why you were not satisfied with the actions taken by the organization or authority?

(----------)

You have indicated that you were partly satisfied by the actions taken by the organization or authority where you reported the counterfeiting case(s). Can you please tell us why you were not fully satisfied with the actions taken by the organization or authority?

(----------)

You have indicated that you did not report the cases of counterfeiting to the authorities or any organization. Could you please tell us why you did not report the cases?

I did know the process of reporting

I do not know the agencies to report to

I feel nothing will be done after reporting

I am afraid of reporting

Others (specify)

What are the main challenges your firm faces in combating counterfeiting? (Select all that apply)

Inadequate enforcement

High cost of anti-counterfeiting measures

Consumer demand for cheaper products

Insufficient legal framework

Other (please specify)

What strategies/measures has your firm implemented to combat counterfeiting? (Select all that apply)

Legal action

Product authentication technologies

Consumer education and awareness

Collaboration with government agencies

Other (please specify)

What other strategies do you think can help the government and authorities to reduce the problem of anti-counterfeiting in the [name] sector? (_____)

You have indicated that your form has implemented some measures to combat counterfeiting. How effective are they in reducing counterfeiting?

Not effective

Slightly effective

Moderately effective

Very effective

Is your firm willing to collaborate with the government/authorities and other firms to combat counterfeiting?

Yes

No

What support do you expect from the government to combat counterfeiting? (Select all that apply)

Stronger regulations

Increased enforcement

Consumer education campaigns

Financial support

Other (please specify)

INTERVIEWER'S OBSERVATIONS • Please list question numbers and describe the specific issue, if any • Respondent demeanor, comprehension issues, privacy issues, community issues

Record your current location

INFORM THE SUPERVISOR ABOUT NONE-RESPONSE AND SELECT ANOTHER RESPONDENT

Thank you.

Appendix II. Key Informant Interview Guide

Participants in Key informant interview (one from each)

Kenya Revenue Authority (KRA): The KRA plays a significant role in preventing counterfeit goods from entering the country by monitoring and regulating import

Kenya Bureau of Standards (KEBS): KEBS ensures that products meet quality standards and helps identify counterfeit goods in the market.

Directorate of Criminal Investigations (DCI): The DCI investigates and prosecutes criminal activities related to counterfeiting, working closely with other agencies to enforce laws.

Kenya Association of Manufacturers (KAM): KAM represents the interests of manufacturers and works to protect their products from counterfeiting through advocacy and collaboration with government agencies.

Consumer Federation of Kenya (COFEK): COFEK advocates for consumer rights and works to raise awareness about the dangers of counterfeit products.

Pharmacy and Poisons Board (PPB): PPB combats counterfeit pharmaceuticals through regulatory oversight, quality assurance, enforcement, public education, collaboration with other agencies, monitoring and evaluation, and policy development.

Kenya National Bureau of Statistics (KNBS): KNBS supports the fight against counterfeits by providing accurate and reliable data to inform policy decisions and strategies to combat counterfeit goods.

Kenya Copyright Board (KeCoBo): KeCoBo combats counterfeiting by enforcing copyright laws and protecting creators' rights against intellectual property infringements.

Kenya Plant Health Inspectorate Service (Kephis): Kephis fights counterfeits by ensuring the quality and authenticity of agricultural inputs and produce, preventing the distribution of substandard or fake products.

Weights and Measures Department (W&M): The W&M combats counterfeiting by regulating and verifying measurement instruments to ensure accuracy and fairness in trade and prevent fraudulent practices.

Pest Control Products Board (PCPB): PCPB fights counterfeiting by regulating the manufacture, distribution, and use of pest control products, ensuring that only genuine and safe products reach the market.

Appendix III. Firm Level Objectives

Objective 2: To Determine the Level, Trends, and Impact of Counterfeiting in the Industry

1. Level of Counterfeiting:

What are your thoughts about counterfeits in Kenya?

Can you provide an estimate of the extent of counterfeiting in Kenya?

How has the level of counterfeiting changed over the past few years?

Trends in Counterfeiting:

What are the current trends in counterfeiting that you have observed?

Have there been any significant shifts or patterns in counterfeiting activities?

Impact of Counterfeiting:

What are the main impacts of counterfeiting on manufacturing?

Objective 3: To Establish the Main Channels Used by Counterfeiters and the Most Counterfeited Goods

1. Channels for Counterfeiting:

What are the main channels used by counterfeiters to distribute counterfeit goods?

Are there specific regions or markets where counterfeiting is more prevalent?

Identification of Counterfeit Goods:

Which goods are most commonly counterfeited?

What would you say about counterfeiting in the following sectors;

Agricultural inputs and agrochemicals

Automotive

Building, mining, and construction

Energy, Electrical & Electronics

Food, Beverages & Non-Alcoholic Drinks

Alcoholic Drinks

Leather and Footwear

Paper & Board

Pharmaceutical & Medical Equipment

Plastics & Rubber

Textiles & Apparel

Timber, Wood & Furniture

Tobacco products

Cosmetics and personal care hygiene

Supply Chain Vulnerabilities:

At what points in the supply chain do counterfeit goods typically enter?

How do counterfeiters exploit weaknesses in the supply chain?

Objective 4: To Determine the Challenges Faced by the Industry and Strategies to Address Counterfeiting

1. Challenges in Combating Counterfeiting:

What are the biggest challenges you face in combating counterfeiting?

Strategies to Address Counterfeiting**:**

What strategies or measures need to be implemented to combat counterfeiting?

Future Outlook:

What future trends do you anticipate in the fight against counterfeiting?

Appendix III. Workplan

Appendix V. Monitoring and Evaluation Plan

PREPARED BY

KCA UNIVERSITY
-1989-

FOR

ACA anti counterfeit authority
Upholding Authenticity