



Mobile Manufacturers Forum

Media Release

Counterfeit mobile phones a US\$6 billion a year drain on global economy

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Brussels: Black-market sales of counterfeit and substandard cellphones are a US\$6 billion a year problem, a new in-depth report into the global counterfeit phone problem has found.

“Our research predicts sales of around 148 million counterfeit or substandard mobile devices in 2013 through visible retail sites, with many more expected to be sold in unofficial retail outlets, online auction websites and in local black markets,” Mobile Manufacturers Forum (MMF) Secretary General Michael Milligan said.

“With the average knock-off phone selling for around US\$45, our conservative estimate of US\$6 billion in illegal sales represents a massive financial loss for governments and the mobile phone industry.”

“Governments can combat the growing counterfeit phone problem with new technology which can identify substandard devices on the mobile network and permanently block users who don’t change to a genuine product.”

The MMF’s comprehensive report which is a result of over a year’s worth of analysis of the issue with participation by all the major brands of cellphones, shows in India alone counterfeits make up more than 20% of the mobile phone market, which costs the industry US\$1.5 billion annually in lost sales and costs the government \$85 million in direct tax losses and around \$460 million in indirect tax losses.

In September 2012 the Communications Commission of Kenya disconnected mobile service to around 1.5 million counterfeit devices using network blocking technology.

“Counterfeit phones are made with cheap sub-standard materials and have been shown to contain dangerous levels of metals and chemicals like lead up to 40 times higher than industry standards.”

“These substandard devices run on inferior operating systems and there have been reports of fraudulent applications which, when downloaded, collect and send your sensitive and personal data to criminal gangs,” Mr. Milligan said.

“Also, because black market phones are made from sub-standard materials and are not tested for compliance with industry and national standards, they suffer frequent call dropouts and put a strain on the mobile network by degrading coverage, call quality and mobile internet speeds for all users,” he continued.

The MMF report said lab tests on more than 50 counterfeit devices found that most failed basic compliance tests against industry standards for network connectivity, which translated into a very high percentage of call dropouts for users.

The research found network coverage was significantly reduced as more substandard devices connected to the network, which created coverage blackspots that could only be fixed by installing 80% more base stations.

Mr Milligan said people often unknowingly purchase fake or sub-standard mobile phone products on the internet when trying to find a cheaper price.

He urged all consumers to visit the website (www.spotafakephone.com) set up by genuine manufacturers to help consumers identify and avoid potentially dangerous fake or sub-standard mobile phones, batteries and chargers.

“Shoppers need to be careful when searching on the internet for a new mobile phone or replacement parts because most counterfeits steal the designs and trademarks of genuine products to deliberately deceive consumers,” Mr Milligan said.

“Other sub-standard fakes may not infringe copyright and appear to be legitimate competition to genuine models, but they are often produced without government approval, testing or certification and can quickly break down with potentially dangerous consequences.”

Mr Milligan said some of the tell tail signs of counterfeit mobile phone products were:

- **IMEI Number.** Every genuine mobile phone has a unique serial number to register it to a carrier network. Counterfeits often have duplicated or invalid IMEI numbers.
- **Price.** If the price sounds too good to be true, then it probably is.
- **Poor quality.** Look for inaccurate printing, misspelled words, crooked label placement and signs of defective workmanship.
- **No warranty.** All genuine mobile phone manufacturers offer a limited warranty that covers the handset, software and accessories. Most black market products don't.

Mr Milligan said to avoid fakes consumers should always buy mobile phone products made by registered manufacturers and sold by trusted retailers.

More detailed information as well as numbers and statistics can be found in MMF's position paper on Counterfeit and Sub-standard Devices at:
<http://www.spotafakephone.com/publications.cfm>

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Note for Editors: The Mobile Manufacturers Forum is an international association of telecommunications equipment manufacturers with an interest in mobile or wireless communications. More information on the MMF can be found at www.mmfai.org