

# Publications

## Gaining a Competitive Advantage by Stopping Unauthorized Internet Sales

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E-commerce sales, unsurprisingly, continue to increase. In fact, according to [data released by the U.S. Department of Commerce](#) in early 2015, online retail sales in the United States totaled nearly \$305 billion (an increase in more than 15 percent since 2013).

Online sales are not showing any signs of slowing down and that is fine for consumers and most retailers. However, the ease with which people can buy and sell products is hurting many businesses, specifically in the form of unauthorized online sales.

Today, many companies' businesses models are based exclusively on selling through authorized retailers, including multi-level marketing companies selling through distributors; high-end brands working exclusively with high-end retailers to sell their products; or limiting the sale of professional medical and beauty products to certain authorized distributors.

Authorized retailers can easily look online and see whether any companies pitching them have control over potential product diversion, unauthorized sales or grey market good issues. More specifically, they can compare different companies and decide which company has the fewest products being sold online by other parties – meaning less competition from unauthorized sellers undercutting them; less trouble building repeat customer business; and a lower likelihood of customers getting upset that the products they purchased online are also being sold by unauthorized sellers at lower prices.

All of this, including the aforementioned examples, are a big deal for companies and likely to only get bigger unless something is done to stop such unauthorized sales. Companies need to consider how to handle this dilemma if they have not already done so.

Specifically, companies must think about the appropriate enforcement system to implement in order to meet their goals while conforming to the potential constraints of their budgets (We recently published a [white paper on stopping unauthorized sales and product diversion](#),

which includes a close look at a model enforcement system).

Further, companies need to consider how best to communicate their efforts to their authorized distributors and whether this is going to be an area in which they will invest time and money and differentiate themselves, or if they are going to look the other way and deal with consequences.

In short, companies with controlled distribution channels must think about how they are going to deal with uncontrolled distribution channels in the internet age, and then—of course—take action. Most companies cannot afford to ignore unauthorized online sales and hope the problem just disappears.

And the companies who are proactive and implement a legitimate enforcement system can truly crack down on unauthorized sales and product diversion and separate themselves from the competition.

*For more information, contact Vorys' Illegal Online Seller Enforcement team at 877.545.6905. Read more about the practice at [services-648.html](#).*