

Consumer Perception and Purchasing Behavior towards Counterfeit Products- Effect on Original Brand Image

Dr. Aarthy Chellasamy, Abhijith Satya Varma, Nikithaa Paarakh

Assistant Professor, Business Studies and Management-BGR Campus Christ (Deemed to be University), Bangalore, India

Corresponding Author: Aarthy Chellasamy

ABSTRACT

Counterfeit products are those products which are made in exact imitation of something valuable with the intention to deceive or defraud. Counterfeiting has gained a lot of scope in this era and we can see this practice being followed in almost all industries in India. The objective of the research is to analyse the perception and knowledge levels of different consumers about these products and to identify major factors influencing the consumer purchasing decision on these products. For the same, responses were taken from 101 consumers from Bengaluru through a structured questionnaire circulated online. The study concluded that consumers in the market are well aware of the different types of products available and there is no significant impact on consumer perception and purchasing behaviour on the brand image of the product. Hence, firms should focus more on their marketing strategies in order to get a competitive edge and not on changing consumer perceptions and preferences.

Key words: counterfeit products, brand image, consumer perception, consumer purchasing behaviour

1. INTRODUCTION

Counterfeit products are the unauthorized copies or duplicates of a real product. The existence of counterfeit products has always been a constant battle for companies in the various industries across the globe. The reason why this problem is so rampant during this era is due to the internet. With the single click of the

mouse, anything and everything can be traded and without much restriction. On similar lines, the images of a catwalk in a high-end fashion show are easily available and no one has to be present during the event like in previous times. (Musunga, 2019)

Burberry has teamed up with Amazon and China TMall to eliminate its counterfeit distributors. In the article titled 'Fighting the \$450 Billion Trade in Fake Fashion' by Sarah Shannon, she mentions, "Counterfeit goods constitute one of the biggest threats to the global fashion industry, stealing sales and diluting hard-fought brand reputations." (Shannon, 2017) Both the business sector and the consumers of the market often face issues regarding this punishable act. Critics have strongly voiced for the eradication of this action and governments over the world have created Anti-counterfeiting laws to protect the economy from its consequences. The International Trademark Association (INTA) supports the creation of anti-counterfeiting laws globally. It has highlighted the need for development of legislation, regulation and trade agreements world-wide for such laws. (International Chamber of Commerce, 2016) In India, The Trademark Act (1999) is under the legislation that governs the trademarks in India. This Act is against the infringement of a registered trademark and provides solutions for this offensive action with punishments.

The business sector of any economy has been battling these counterfeit products for a while, especially the multinational corporations. More than positives, this action has proved to be more of a curse. Consumers also have been cheated on with counterfeited products without their knowledge. The demand and supply of the original brands have been affected also with the emergence of their counterfeited half. As per Business Wire, the total amount in the Global Brand Counterfeiting Report, 2018 was \$1.2 trillion. Even the Government is directly affected with the creation of counterfeit money that is circulated in the economy. (Business Wire, 2018)

The rate of counterfeited products has been rising with the advancement of technology and modernization. Consumers at times voluntarily purchase such items. The reasons for this kind of behavior vary from individual to individual which makes it hard to boil down to one common reason for the demand of counterfeited goods. As for the supply, the manufacturers of counterfeited goods also produce them after knowing the behavioral psychology behind buying these products for any rational customer. (Lexology, 2019)

The need for this study is to find out why the demand of these counterfeited goods still exists. What are the consumer behaviors that support this statement? Why is there still supply of counterfeited products even when it is officially made illegal in the economy? And what effect does it have on the original brand whose counterfeits are being produced in terms of sales.

In order to minimize this impact on the economy, it is necessary to start implementing from the most basic element i.e. the consumers of these products. For the same, it is important to know the current knowledge levels of consumers about these counterfeits and whether these products are easily accessible or not.

2. REVIEW OF LITERATURE

As Arlee (Sowder, 2019) clarified in his research, counterfeit goods don't include only clothing and fashion. There are several other products that are used on a daily basis like medicines, paintings and electronics that are faked and circulated in their black markets. Each of such products has their own purpose of usage and when their counterfeit exists; their damages are measured in the degree of their purpose of production. Besides, since the sector of industries is diversified, the rate of unemployment is also not biased. As a result, social development is also hampered by these products. The black markets emerging in the manufacturing of counterfeits have been dismantling the employment of an economy. Moreover, the internet websites of online shopping portals do not provide an authentic guarantee. Thus, consumers may end up with a counterfeit product without even knowing it. Needless to say, in the case of medicines, fake drugs have high, often irreversible, adverse effects on the health of a population for a long term. This, in turn, brings down the rate of employment and indirectly affects the status of the economy. It is imperative that something so trivial can lead to a huge blunder and even loss of life.

The points noted under this article by Ryan (Williams, 2018) portray the underlying relationship between counterfeiting businesses with the rightful businesses, which is compromised under the factor of trust. Because of the fraudulent activity being carried out by their counterfeit half, the original brands end up losing possible trade, including business deals. For instance, if a price is fixed by the original brand in a deal with its distributors or retailers and if the latter find out that the same product is sold elsewhere, physically or online, at lower prices, their first thought would be that the rightful business has ripped them off. Moreover, a lot of time and money is also wasted in battling with the counterfeit manufacturers of their products which could have otherwise been used for

the development of their organization like expansion.

In the article (science, 2018), on the contrary, the positive effects of counterfeiting are highlighted in context with the fashion industry. The basic idea proposed here is given importance in terms that the process of counterfeiting can improve the quality of fashion goods, which could ultimately benefit the consumers. In cases of companies that do fairly medium businesses, as their counterfeits keep coming up, the business tends to become very conscious of their material and as a result, always strives to improve it for their consumers. In order to stay competitive and keep sales up, such businesses are constantly innovating so that the counterfeits cannot reach up to their high-quality standard. This has a direct positive impact on the consumers of these brands and helps build brand image. Therefore, this article emphasizes that the presence of counterfeits pushes companies to do their best and survive in the market.

The specific context taken under consideration in the article by (Verma, 2018) is the Indian market of the textiles and apparel industry. The Indian market is a huge source and store for raw materials and manufacturing base. The researchers emphasize the benefits of globalization and the radical changes that were brought about when it was introduced into the Indian market. However though, this also opened up new opportunities for counterfeiters and promoted their existence and ability to produce and sell their poor quality products at a low cost. This has in turn, caused trouble to the policy makers, genuine businesses and indeed the consumers of the market as well. This research highlighted the results of being secluded because of demographic features of the sample group. It also reflects on the different age groups, which have their own opinions on purchase of counterfeit goods.

This video, presented by (Lawline, 2018), talks about how counterfeiting drains the global economy. It emphasizes the fact

that producing fake goods is the world's biggest scam amounting up to billions of dollars as loss for original companies. People, especially in the west, are very fashion-conscious and want to have a status symbol. It is such luxurious goods that are counterfeited because the originals are too expensive. On an international level, the presenter - Stacy Kalamaras - reveals that in countries where there is high corruption, there also exists a strong correlation between weak intellectual property rights and circulation of counterfeit goods. She also points out that illegal copies of certain high-taxed products like alcohol, cigarettes and prescription drugs exist simply because these goods are expensive. In such cases, these fake goods 'fill the void' that is created. Not only do companies lose out on revenues, but it also causes significant damage to their reputation.

The International Chamber of Commerce (icc, 2017) has coined certain terms about the few effects that counterfeiting has on the society. Undoubtedly, counterfeiting has adverse effects on the rightful business, economy and also the population. Consumers who purchase counterfeit products on purpose not only reduce their chances of owning the original label's quality products, but also encourage a competition who steals the intellectual property of the rightful business without even paying the taxes. This, therefore, leads to an unhealthy market environment, which in turn, decreases the standard of fair competition in the market and the economy as well. When such counterfeit manufacturers do not pay taxes, the revenue generated from sales tax and corporate tax is misplaced. Moreover, funds are not adequately collected, which makes economic and social development become stagnant in a way. There is a deep impact on the investment sector of the economy as well; mainly through Foreign Direct Investments because proper regulations of protecting Intellectual Property is a major requisite. Hence, when counterfeit products exist on a massive scale, it discourages

companies from investing.

In this video posted by (Wolters World, 2012), the speaker walks the viewers through the process of decision making that the consumers undergo. He highlights five major stages; (1) need recognition, (2) information search, (3) alternative evaluation, (4) purchase and (5) post purchase. In the first step, the consumers realize that they need a particular product. Then the consumers seek more information about the product they want to buy in the second stage. If they are not happy, they move onto the third stage and look for alternative options available to satisfy their needs. This is when they find out about the counterfeit products. Due to the high price of original goods, counterfeiters take advantage of the situation and consumers tend to drift towards fake goods in the fourth stage, where they purchase the fake products. Lastly, in the post purchase stage, companies are focused on keeping their companies satisfied by demonstrating how exactly the product works. This, in turn, builds brand image and also enhances customer loyalty. Additionally, another aspect that the marketers should ensure is the absence of cognitive dissonance. Commonly known as buyers' remorse, consumers sometimes feel guilty about spending too much money on a particular product, even if it is fake. Therefore, the company must keep a constant check on their customers and give assurances and rewards to keep them happy.

In an article written by Ian (Phau, 2009), the result depicted that the level of morality affected the attitude of the consumer and came into play during the purchasing of a counterfeit good. Additionally, the personal trait of integrity also played a major role in the perception towards the sale of counterfeit goods. This study by Pham, however, targeted a specific niche and it was strictly conducted only in context with luxurious fashion brands. As a result, the consumers already have a set psychological standard of the material of the goods in their minds. More often than not,

the fake goods are very similar to the original ones, to such an extent where they are almost indistinguishable. Since the fake was a very close copy of the original product in terms of the material and appearance, the consumers purchased it. Additionally, given the factor of their cheaper price, the consumers were further driven to purchase the counterfeit product.

Moving onto a country-specific example, this article, written by Ronald K. (Ahimbisibwe), is written in context with the African nation of Uganda. According to the study conducted, there is a substantial existing demand for counterfeit goods in the Ugandan market, which significantly reduces the revenues of legal business. The rightful businesses have to incur an unnecessary additional cost for the investigation of such illicit actions to protect their Intellectual Property Rights against infringement. When the rightful label is copied by the counterfeiting manufacturers, it loses the reputation to a great extent because of the low-quality counterfeit products. As for the consumers, they do not know which product is which and end up buying the cheapest one available. As a result, they buy products that have no actual worth in monetary value, only leading to useless expenses of their limited disposable income. Additionally, these counterfeit products also have adverse health and consumption effects.

In the (Staake), it is said that consumers play multi-faceted roles in the market. They may purchase only the original products or indulge in buying the less expensive fakes. They may come across counterfeits either by chance while expecting the authentic product or knowingly opt for them because of the lower price or other such factors. Some may even invest in the sales of counterfeit goods. The degree of awareness to which one can distinguish between authentic and counterfeit products and the succeeding willingness to buy one is different for every individual. There are two groups of consumers in the market; those who indulge

in counterfeit and those who do not. Another group is formed when both of these groups overlap at a point of time. This clearly indicates the behavior of a consumer about purchasing the original or its substitution or counterfeit.

3. Objective of the Study

1. To determine the knowledge and satisfaction levels of consumers with respect to counterfeit products.
2. To determine the consumer behavior behind purchasing these products.
3. To determine the impact of counterfeit products on the brand image of the original product.

4. METHODOLOGY

This research work is used to evaluate and understand the mentality and psychology of the youth about choosing counterfeit goods, either unknowingly or on purpose. The survey based methodology is adopted for collecting opinions and comments regarding counterfeit goods in India and abroad. Hence, based on current trends in domestic and global anti-counterfeit policies, and the extent of protection provided by Indian and foreign governments, the questions have been compiled for this research work. Although the data is mainly collected from students of Christ (deemed to be University), the questionnaire has been circulated in other areas of Bangalore as well. This study was conducted for 3 months (December 2019 – February 2020) on a sample of 101 respondents. The target population consists of the youth, with more focus on the age group of 18-21 years. The sampling technique that is used to conduct the survey is Convenient Random Sampling and since, the area of research is circulated through online questionnaires, the regions under study are variated. The major source of data is the circulation of the questionnaire, which was created using Google Forms and circulated via WhatsApp. Additionally, secondary data is also gathered through online sites and articles. This research is quantitative in nature as statistics and

numerical data are required to gain actionable insights and reach a conclusion. On the basis of research design, it is classified as conclusive because it aims to provide a conclusive solution to the problem at hand. Based on the nature of study, this research can be categorized as descriptive as it ‘describes’ the current scenario of global counterfeiting trends. The tools used for the analysis of data were IBM SPSS Statistics 20 and Microsoft Excel. A pilot study was conducted on 10 people. After suggestions and corrections, the questionnaire was circulated amongst others.

Variables

The independent variable taken for the research is: the preference of counterfeit products. The dependent variables considered are:

- consumer’s satisfaction level
- effect on brand image

Hypothesis

- H_0 (null hypothesis): The image of the brand is not affected by preference of counterfeit products
- H_1 (alternate hypothesis): The image of the brand is affected by preference of counterfeit products.

5. ANALYSIS AND INTERPRETATION

5.1 Analysis of graphs

The sample consisted of about 81% of the respondents in the age group 18-21; that section of the population whose purchasing behavior is dynamic in nature. Interestingly, the majority of them considered quality as a driving force while buying branded products and not sales promotion techniques or status symbol. A large proportion of the respondents said they do not prefer counterfeit products in general, despite agreeing to the fact that these products are easily available in their vicinity. Around 68.3% of them believe they are able to differentiate between fake products and original products. When asked about the major factor affecting the purchasing decision of counterfeits, many stated ‘cheaper price’, with ‘similar quality’ being the second majority. Also, about 45.5% of

the respondents believe that counterfeits do not give them the same level of satisfaction as the original ones while about 33.7% were not really sure about the satisfaction per say. When asked whether buying/usage of counterfeit products is ethical, the majority of them didn't really have an opinion and were very diplomatic. However, about 40 people agreed to the fact that these counterfeit products damage the original

brand name and they disagree with the fact that counterfeits should be legal. As majority of the respondents were not aware as to how counterfeit products lead to unemployment, their response to this question was neutral. Even though many agree that this should be punished in monetary terms, they feel usage of these products is not that severe that it should be punished in terms of capital punishment.

On a what scale do you prefer counterfeit products?

101 responses

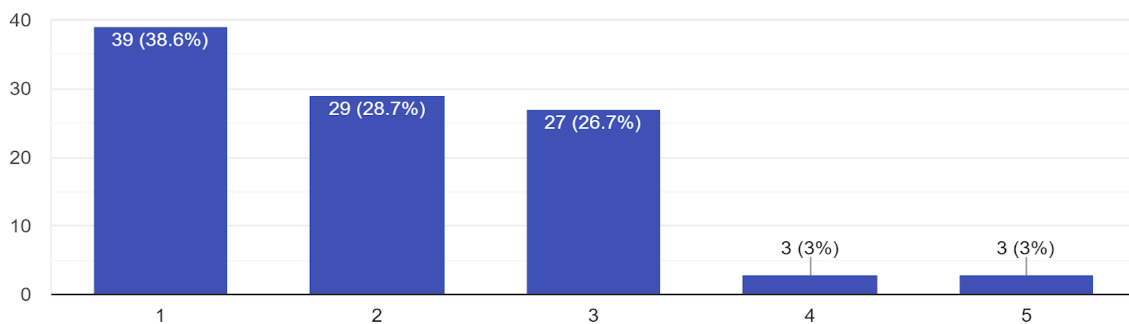


Figure 1: Preference of counterfeit goods (1 being rare and 5 being very often)

Do counterfeit products give you the same level of satisfaction as the original ones?

101 responses

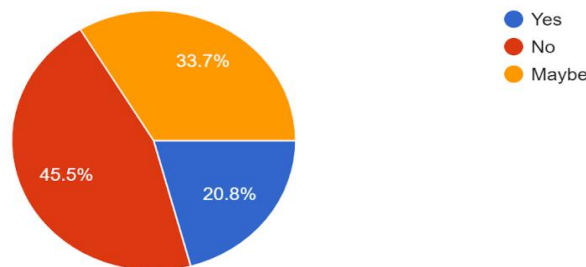


Figure 2: Level of satisfaction

According to you, buying/usage of counterfeit products

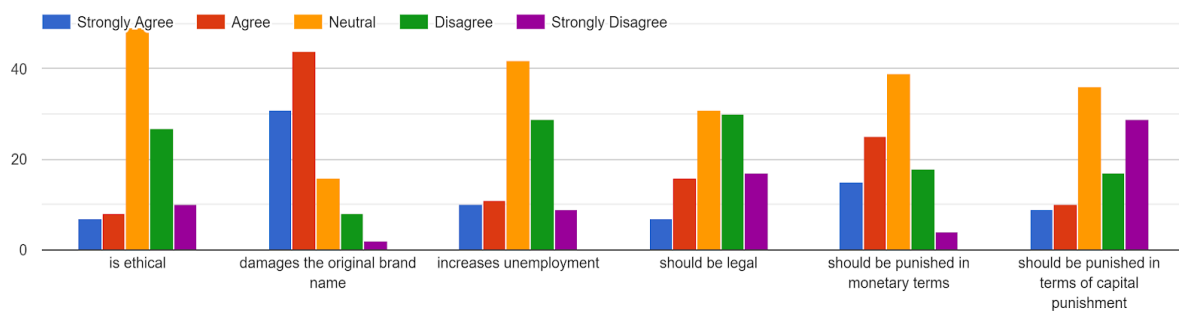


Figure 3: Opinions regarding ethics, unemployment and legality

5.2 Analysis using statistical tools

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .013 ^a | .000 | -.010 | .734 |

a. Predictors: (Constant), In your opinion, are you able to differentiate between Fake products and Original products?

| | | How easily are fake fashion products available in your vicinity? | According to you, buying/usage of counterfeit products [increases unemployment] |
|---|-----------------------------------|--|---|
| How easily are fake fashion products available in your vicinity? | Pearson Correlation | 1 | .046 |
| | Sig. (2-tailed) | | .649 |
| | Sum of Squares and Cross-products | 20.297 | 2.198 |
| | Covariance | .203 | .022 |
| | N | 101 | 101 |
| According to you, buying/usage of counterfeit products [increases unemployment] | Pearson Correlation | .046 | 1 |
| | Sig. (2-tailed) | .649 | |
| | Sum of Squares and Cross-products | 2.198 | 113.465 |
| | Covariance | .022 | 1.135 |
| | N | 101 | 101 |

| According to you, buying/usage of counterfeit products [damages the original brand name] | | | | | |
|--|----------------|-----|-------------|------|------|
| | Sum of Squares | df | Mean Square | F | Sig. |
| Between Groups | 3.365 | 4 | .841 | .867 | .487 |
| Within Groups | 93.150 | 96 | .970 | | |
| Total | 96.515 | 100 | | | |

H₀: The image of the brand is not affected by preference of counterfeit products

H₁: The image of the brand is affected by preference of counterfeit products

6. FINDINGS AND SUGGESTIONS

From the graphs, the authors observed how consumers are neither too dynamic nor do they completely resist change with respect to change in fashion trends. Also, the majority of the respondents specified quality as a driving force for their preference of branded goods; it can be interpreted that the respondents are brand conscious and not money conscious. Since 68.3% of the respondents believe they are able to differentiate between fake and original products, we can say that awareness about these products has increased at a large scale, which is a good sign when looked from the economic point of view. When asked about the difference in satisfaction levels from fake and original products, the majority holds the stand that both the types provide them with the same levels of satisfaction. This means that manufacturers of these counterfeit products are leaving no stone unturned to ensure that the fakes look very similar to the original in all terms including quality and design.

The tables have been generated using statistical tools like regression, correlation and ANOVA, in order to interpret the data better. The first table labeled 'model summary' has been generated in order to understand the degree of regression between the ability of consumers to differentiate fake products from the original and the satisfaction levels of consumers from these counterfeits. From the table, we can see that the regression value (R square) is 0.00 and the correlation (R) between both the variables is very low at 0.013. This means that independent variable doesn't cause any variation/movement in the dependent variable, further indicating that the ability to differentiate between the products doesn't contribute to the change in satisfaction levels of the consumers.

The correlation table has been generated to understand the correlation between the availability of counterfeit products and the impact of usage of these products on the unemployment levels of the nation. According to the result, which is

0.046, it can be understood that there is no significant relation between the former and the latter and the degree to which availability of these products affects the unemployment is very minimal or nil.

In order to test the hypothesis stated, ANOVA has been used. The p value of the test was 0.487. If the p value after testing with ANOVA is >0.05 , it means that there is no significant impact of the independent variable on the dependent variable. This means we accept the null hypothesis that the brand image of a product is not affected by the preference of counterfeit products.

Through this study, a lot of light has been shed upon the impact of counterfeit products on the image of the brand in the eyes of the consumers. Although the consumers acknowledge the existence of counterfeit products, they are still quite unaware of the impacts of purchasing and using such products. With the majority of respondents replying quality as their reason for choosing branded products, it can be understood that people are brand conscious and not price conscious. In other words, they prefer to use branded products because of their quality and not their price. Additionally, it has been found that with the sample studied, there is no impact of counterfeit products on the image of the original brand. The possible reasons for the bad performance of a company could be attributed to its bad pricing strategy or competitors. Therefore, companies can focus more on their marketing policies and come up with strategies to deal with competition, rather than wasting resources on eliminating counterfeits and changing people's perceptions and purchasing behavior.

CONCLUSION

In conclusion, this research has helped understand the two sides of counterfeiting effects; the perspective of the people towards the counterfeit products and the original brand image. With this study it has become clear that counterfeit products are a grey area for people in general. For

people who have the financial capability to afford branded goods, do so for the quality they offer. On the other hand, people in general don't really bother if the product is counterfeit or branded as long as they are getting a fair quality at a fair price. Whether they are able to differentiate between the fake and the original does not affect their satisfaction levels as both the products give them near to equal satisfaction. On a macroeconomic level, the presence of counterfeit products and the level of unemployment do not share much of a relationship. From the sample studied, it can be understood that counterfeit products in a particular market play a minor role in the increase or decrease of unemployment. There are, however, limitations of this study:

- The topic of counterfeiting is not transparent and the information is not readily available. The statistics are much of an educated guess, rather than the exact calculation on analytics due to the clandestine nature of the action.
- The conclusion of this research cannot be jointly decided but has to be a rather majority decision since individuals may have different opinions.
- The decisions will include age as a consideration factor thereby giving us a differentiated result rather than a unanimous one.
- Given that the knowledge about counterfeit products of the sample analyzed is limited, the results of the study could be biased.

In summation, the brand image of the product is not impacted by the usage of counterfeit products. Therefore, from this research it can be concluded that branded companies should not worry about the circulation of counterfeit products as they do not impact the brand image to a great extent. Instead, they can focus on how to sell their products better and create a competitive edge by coming up with efficient strategies to deal with competitors.

REFERENCES

1. Ahimbisibwe, R. K. (n.d.). Retrieved from wipo.int: https://www.wipo.int/edocs/mdocs/africa/en/wipo_hl_ip_kla_15/wipo_hl_ip_kla_15_t_6_a.pdf
2. Business Wire. (2018, 05 15). *Global Brand Counterfeiting Report 2018-2020*. Retrieved from Business Wire: <https://www.businesswire.com/news/home/20180515005775/en/Global-Brand-Counterfeiting-Report-2018-2020---ResearchAndMarkets.com>
3. icc. (2017, june 7). *5 ways counterfeiting hurts society and what we can do about it* . Retrieved from www.iccwbo.org: <https://iccwbo.org/media-wall/news-speeches/5-ways-counterfeiting-hurts-society-and-what-we-can-do-about-it/>
4. International Chamber of Commerce. (2016). *The Economic Impacts of Counterfeiting and Piracy*. Retrieved from International Chamber of Commerce: <https://iccwbo.org/publication/economic-impacts-counterfeiting-piracy-report-prepared-bascap-inta/>
5. Lawline. (2018, October 29). *YouTube*. Retrieved January 3, 2020, from LawlineCLE: <https://www.youtube.com/watch?v=C6bOU4ZDJIU&feature=youtu.be>
6. Lexology. (2019, May 14). *Lexology*. Retrieved from Procedures and strategies for anti-counterfeiting: <https://www.lexology.com/library/detail.aspx?g=3044c5a2-8329-4468-811c-649e523ee1e2>
7. Musunga, P. (2019, 01 03). *It's A Fake!* Retrieved from The Drop In In-store shop: <http://www.blogs2018.buprojects.uk/philmusunga/2019/01/03/its-a-fake/>
8. Phau, I. (2009). *consumers willingness to knowingly purchase counterfeit products* . Retrieved from emeraldsight.com: <https://www.emeraldinsight.com/doi/abs/10.1108/17505930911000865>
9. science, m. (2018). Retrieved from analyticsmagazine.com: <http://analyticsmagazine.org/counterfeiting-can-improve-fashion-quality-benefit-consumers/>
10. Shannon, S. (2017, March 2). *Business of Fashion*. Retrieved from <https://www.businessoffashion.com/articles/intelligence/fighting-the-450-billion-trade-in-fake-fashion>
11. Sowder, A. (2019). *harmful effects of counterfeit goods* . Retrieved from www.athens.edu: <https://www.athens.edu/business-journal/spring-2013/asowder-couterfeit/>
12. Counterfeit Demand and the Role of a Consumer. In T. Staake, *Countering Counterfeit Trade*.
13. Verma, S. (2018, july 7). *why consumers buy counterfeit products* . Retrieved from indianjournalofmarketing: <http://indianjournalofmarketing.com/index.php/ijom/article/view/129738>
14. Williams, R. (2018, april 27). *biggest impacts of counetrfeiting on brands* . Retrieved from blog.redpoints.com : <https://blog.redpoints.com/en/what-are-the-biggest-impacts-of-counterfeits-on-brands>
15. Wolters World. (2012, September 28). *YouTube*. Retrieved January 3, 2020, from Wolters World: <https://www.youtube.com/watch?v=65Vt9nmVYDM>

How to cite this article: Chellasamy A, Varma AS, Paarakh N. Consumer perception and purchasing behavior towards counterfeit products- effect on original brand image. International Journal of Research and Review. 2020; 7(9): 128-136.
