Mapping drivers of consumer attitude formation & adoption of counterfeit products

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Abstract
Counterfeit products account between 5-7% of world trade, worth an estimated US$600 billion in revenue a year (International Chamber of Commerce 2007). Theoretical and empirical research on counterfeit products is scarce, especially research from consumers' perspectives. This paper presents a pragmatic study that focuses on factors that influence Indian consumers' perceptions on attitudes about counterfeits. A descriptive study of eight respondents was conducted; their participation in the discussions was analyzed. Conclusions have been drawn based on consensus and views expressed. Research findings indicate that consumers are influenced by peer pressure, social acceptance and cost benefits as factors that motivate them to indulge in buying or using counterfeit products. Additionally, there are strong factors that bear an influence to use genuine products such as home conditioning, influence of role models and appreciated personalities.

Introduction
It has been well established that counterfeit brands are those bearing a trade mark that is identical to, or indistinguishable from, a trade mark registered to another party and infringes on the rights of the holder of the trade mark (Bamossy, 2008). In general terms, commercial counterfeiting can be described as the fraudulent practice of affixing a forged trademark to merchandise. The false trademark then appears apparently identical to its legitimate counterpart. The purpose of this fraudulent activity is to deceive the consumer into purchasing the counterfeit under the mistaken belief that the product is the genuine article. For the consumer who unknowingly purchases a counterfeit, the end result is typically dissatisfaction; for the firm whose goods are counterfeited there is a potential loss of revenue and goodwill; for the counterfeiter, quick profits are reaped with minimal financial investment, lower technological and intellectual spending and with minimal marketing effort. The only negative aspect is the high legal risk involved.

The legal definition of commercial counterfeiting establishes the basis for legal redress for injured parties. It also sets out some distinctions regarding other lesser forms of potentially deceptive product copying. "Commercial counterfeiting is the counterfeiting of brand name, trademarked merchandise . . . A counterfeit is a spurious

mark which is identical with or is substantially indistinguishable from a registered mark" (The Lanham Act, Section 1127).

Literature Review

Imitation products are available quite extensively, and with a number of forms of deception. For some counterfeit brands, consumers do not know that they are not genuine when they are purchased classified as *deceptive counterfeits*; while for others, consumers are fully aware that they are buying non-genuine brands universally termed as*non-deceptive counterfeits* (Grossman,1998).The quality of imitations varies. Some counterfeit products are so good that even the brand owners are not able to distinguish them from the products they manufacture without the help of laboratory tests, while others are very poor and dangerous. An extension to the above definition classifies the market for counterfeit and pirated products into two important sub-markets. In the primary market, consumers purchase counterfeit and pirated products believing they have purchased genuine articles. The products are often sub-standard and carry health and safety risks to a large extent that range from mild to life-threatening. In the secondary market, consumers looking for what they believe to be good bargains consciously buy counterfeit and pirated products (OECD, 2007).The degree to which consumers knowingly buy counterfeit or pirated products depends to a large extent on the characteristics of the product concerned. For example, consumers who would knowingly procure counterfeit apparel without faltering may have no interest in purchasing counterfeit pharmaceutical products.

Most owners of brand products do not really believe that the value, the satisfaction from and the status of genuine luxury brand names are decreased by the availability of counterfeits or that the availability of the counterfeits negatively affects purchase intentions of the original luxury brands. Popular fashion designer and brand owner Giorgio Armani quotes – "Actually I am very glad that people can buy Armani - even if it's a fake. I like the fact that I'm so popular around the world". Others draw different conclusions. It seems that counterfeits affect consumers' confidence in legitimate brands, destroy brand equity and companies' reputations, (Phau, 2009) impose a negative impact on the consumer's evaluation of genuine items, cause loss of revenues, (Wilke, 1993) increase costs associated with trying tocontain infringement, impact on hundreds of thousands of jobs 14 and threaten consumer health and safety. (Chakraborthy, 1996) Counterfeiting has emerged as a major headache for global marketers for most product categories, with the possible exception of software, where it could support its 'shadow diffusion'. (Givon, 1995)

Counterfeiting is a thriving business in India for low cost products such as matchboxes, kitchen utensils, and stationery and edible foods. These are locally produced by small players who operate under the radar of the authorities by selling their ware in remote locations or from outlets that are not constantly audited by the authorities the annual loss of revenue to the Indian government is Rs 150 billion and the loss to the industry is Rs 300 billion (Simi, 2009). The high end apparel and accessories

market is filled with imitations from impostor international manufacturers; these goods are sold at exclusive outlets that are known to be selling counterfeit products. The counterfeit garments are identical or considerably indistinguishable from the genuine product (McCarthy 2004). Consumers who have a penchant to flaunt high-end produce but can't afford the genuine ware throng these stores being conscious of them selling imitations of the original. Also, consumers generally go for purchasing counterfeit products for variety of reasons like value for price, opportunity to use relatively much cheaper products without worrying about it being damaged, a way to remain trendy, benefit from social status associated with brand, etc (Simi, 2009).

It is proposed that an understanding of the motivations underlying product attitudes and purchase decisions must account for the interrelation of a variety of factors that can influence attitude functions, including products, personalities, and situations (Shavitt, 1989).People are quick to form attitudes towards a variety of people, products, services and issues; the attitude formed is safeguarded with notable resolve. Smith et al. and Katz group environmental attitudes by way of purpose into (1) understanding of the world (object appraisal, utilitarian, and knowledge functions), (2) express our basic values (social-adjustment and value-expressive functions), and (3) enhance and maintain our self-esteem (externalization and ego-defensive functions) (Katz, 1960). There are several reasons for which consumers indulge in buying imitations – motivation to be someone else, personality traits that are innate, perceptions of social stigma that requires a shroud, learning that influences behavior and several other psychological factors that form a complete person.

Research Methodology

Subjects and Product Selection

The research was carried out in a two stage process. The first stage was to conduct a focus group to explore the rationale for consumers to choose counterfeit products. Second stage was to analyze the outcome of the discussion independently to identify and isolate emerging consumer attitudes that influence behavior toward counterfeit products (Fishbein, 1975).

A group of eight scholarly students with the ability to purchase articles and services independently have been the participants. The select group belonged to various demographic and geographic segments enriching the authenticity of the research report, in a theoretical paradigm, the student population is considered to be a highly homogeneous sample (Calder, Philips, and Tybout 1981).

The group was subjected to various questions on brands preferred and products bought frequently in order to understand the products and services used. The brands and products chosen were based on the commonality of these amongst the local population. A set of images of counterfeit and their corresponding original products were displayed to allow the group to switch context quickly when traversing across

various product groups and services during the symposium. The products chosen were bought or used at large by the group.

Procedure

Definition of a counterfeit product was well defined initially to all leading to a highly focused discussion on their attitude towards imitations. Rules of engagement to converse on the topic were laid out; assignment of a moderator was unanimously carried out. The focus group discussion was led in a structured manner with engagement, exploratory and exit questions. The taped discussion was decrypted into a manuscript.

The discussion manuscript was subjected to in-depth descriptive analysis to identify the emerging trends in the behavior of consumers towards the acquisition of imitation products of popular and unpopular brands.

Results and Analysis

The answers to the polar question whether they personally used counterfeit products had a negative response from all until they were reminded of the various instances they would have done so with the visual aids and detailed probing.

The popular belief has been that the products used by people reflect the personality of the person using the product. Opinions about the persons are formed based on the presentation by way of brands worn or used at the appropriate place and time. The brands worn are indicative of the brand ambassador and what they stand for. People associate the personality of the consumer with that of the brand ambassador and make a conclusion that the person has either the qualities of the brand ambassador or are aspiring to acquiring those qualities. The behavior of the group towards the research topic has been broadly classified into two trends, mapping the emotional quotients involved in the decision trends.

A. Towards Counterfeit consumption

Personality Characteristics

Demographics do play a large role in determining preference for counterfeit products.Table1 below lays out the percentage of men and women who would indulge in counterfeit purchases as a percentage of the whole population. Women are ready to explore and use counterfeits more than men because they need to use an assortment of accessories and apparel on them, and are okay if some of them are imitations. The primary concern being that the product used should coordinate with the event, persona and peers. Also, the products used by women are difficult to distinguish by others between the original and an imitation.

Men have limited brands and are comfortable with the current brands they used and are waiting to make up the money to buy an expensive brand even if the wait is

long. The primary reason being that their mind is disturbed with the usage of imitations and they do want to buy the original again after a while to boost their personal levels of confidence. This finding is contradictory to several research findings conducted in China (Moores and Chang, 2006), Slovenia (Vida, 2007) and UK (Chapa, Minor and Moldano 2006; Amine and Shin, 2002) indicating that males had higher susceptibility into buying fake products.

Table1: Gender grouping with preference for buying imitation products.

Will Purchase imitation products	**Males**	**Females**
Yes	3	2
No	3	0
Percentage who will use Counterfeits	**50%**	**100%**

Situational Characteristics

Buying of low cost utility products makes the whole population comfortable with buying imitations. For products that are rarely used, not too personal and are not exposed to a social circle that can differentiate the genuine product from the imitation used (Albers-Miller 1999). This gives a sense of security to the consumer who does not have to be in constant fear of being discovered as an impostor. Some of the products falling into this category are matchboxes, lighters, water bottles, knives, cutlery, crockery and cosmetics. Consumers are not familiar with the authentic brands in this case (d'Astous and Gargouri, 2001). Refer Table2 for percentage distribution.

Table2: Utility product preference

Will buy imitation utility products	**Count**	**Percentage**
Yes	7	87.5%
No	1	12.5%
Grand Total	**8**	**100%**

Usage of imitation products is strongly influenced by the peer group and the pressure involved in being accepted by the group. Consumers are willing to compromise their ideals and values to fit into their friend's circle, social isolation due to the usage of inferior brands is rampant. Consumers are ready to vary their wardrobe to use imitation high end brands when mingling with peers who use high-end brands. They stick to their value systems of genuine authentic brand usage when meeting with peers who do not use high end, high cost brands.

After performing a due diligence on the worthiness of a product, consumers will indulge in low cost imitations if the margin between the genuine product and the fake one is large. This gives them a sense of achievement in outsmarting the others who have paid more for the same. This is observed in the case of watches whose mechanical movements will outlast the warranty period provided by a genuine dealer. An imitation

will also have the same life span as the original. Most consumers are comfortable with wearing an imitation Rolex but will not flaunt it as much as an original (Chapa, Minor, and Maldonado, 2003).

B. Towards Genuine consumption

The typical consumers of original products are more scrupulous status seekers. (Mason 1998) Sporting original products boosts the confidence of the consumer and mentally gives the satisfaction of a feel good factor. This translates to a genuine association with the brand and what it stands for.

Product Characteristics

A considerable number of consumers would buy a less expensive brand rather than a fake for certain expensive long running products such as washing machines or laptops. The perception formed with buying genuine products in this category is the confidence and security with an original product.

Imitations of food and beverages that are consumed internally are frowned upon due to the sense of security that is lost. This category appeals to the biogenic needs which bear a deep rooted need for security. Consumers will not eat at an imitation of KFC called KFQ because they believe that the imitator KFQ will dilute the quality when trying to impersonate KFCs products. However, the consumers are willing to eat at a lower cost outlet like Empire restaurant chain popular in Bangalore because they will be true to their own brand and quality standards will be maintained as they are bringing to the table their own recipe which will be developed with the usage of ingredients that are optimal at their operating costs.

Experience Characteristics

Perception of people is that the original product lasts longer than the imitation and they find that repeated investments need to be made in case of buying fakes, which will surpass the money spent on buying the original product (Yoo, 2005). This has been observed for highly priced electronic gadgets and their accessories like gaming devices, cameras, televisions and music players. The highly priced articles are considered a mark of excellent quality by the majority of consumers even though studies have revealed there is no definite association between the quality of a product and its price (Dawar and Parker 1994; Lichtenstein, Ridgway, and Netemeyer 1993).

Family values or associations with brands strongly influence the decision to not buy fakes of those. Popular brands within the family that have been bought for several generations have an automatic bearing on the next generation also buy genuine versions of these as there is a fear and loyalty towards these brands. Ex: Sony, Philips, Parachute hair oil, Lifebuoy soap. Refer Table3 for the family association with a brand and its impact. 75% of consumers whose families are not associated with a brand may indulge in counterfeits if other conditions suffice. (Aaker 1991; Keller 1993)Vis-a-vis, only 12.5% consumers will buy counterfeit of the products that they have grown up with.

Table3: Family association with product

	Will use imitation?		
Family Association with the brand	**No**	**Yes**	**Percentage using imitation**
No	2	6	75%
Yes	7	1	12.5%
Grand Total	**8**	**8**	**28**

Another family or social event that determines the need to use original is a wedding in India where the quality of the family is judged by the genuineness of the products used. Since most of the consumables like Kancheevaram saris, jewellery are high valued items that once discovered as fake will lead to a loss of face for the whole family that cannot be mended easily (Nia and Zaichkowsky 2000). The prestige associated with the use of genuine articles for such occasions is paramount when compared to the cost savings made using counterfeits for such events (Grossman and Shapiro, 1988).

Influence of Events

A product or service bought to commemorate a personal accomplishment has to be original alone. Otherwise, the consumer believes his accomplishment will be diluted. For example after graduation, a gift bought for oneself cannot be an imitation. Buying an imitation would dilute the achievement itself in the minds of the consumer.

A product or company that has been started or managed by a person who is a role model the consumer looks up to for instance Ratan Tata of Tata group, Steve Jobs of Apple, Richard Branson of Virgin group have induced a sense of pride and association. The deep association lies ingrained in the minds of the consumer that they cannot betray these people and the achievements they have made during the course of their professional and personal life. Therefore, consumers will only buy genuine wares and services that these people sell.

Conclusion

From the study, two emerging trends indicate the consumers' attitudes that develop towards counterfeiting. The first, that personality traits and situational characteristics drive consumers towards procurement of counterfeit objects. The second fact lies in the Social conditioning and product characteristics that create an attitude of shunning fake articles. Although there are no official statistics, it seems that it is playing a momentous role in world trade. Products manufactured particularly in South East Asia especially Taiwan, China, Singapore, and Thailand are surfacing in India with increasing frequency (Gentry et al., 2001). Given the structure of the word economy, it is naïve to say with certainty that counterfeiting is totally bad.

Counterfeiting is a sign of success for the counterfeited brand. Only well-established brands that are well recognised, liked and respected will be counterfeited.

This exploratory study revealed that consumers are torn between opting for genuine and counterfeit products. They indulge in purchase and usage of counterfeit products based on the factors such as price advantage and peer group acceptance.

There are numerous factors that encourage customers to use genuine products, this surfaced as a strong attitude when compared to usage of counterfeit products which is governed by superficial emotions.

This study should be reinforced further by conducting quantitative surveys for each of the observations made on consumer attitude towards counterfeit products. This should be made spanning geographies, cultures, demographics, social class, occupation and psychographics. All respondents should have purchased the products included in the survey, be it a counterfeit or genuine version to enhance the convictions formed.

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