The Notorious Practice of Counterfeiting

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ABSTRACT

Counterfeiting is lucrative and profitable business and has become an emerging global economic problem. Counterfeit goods are identical to the authentic ones but fraudulently display the brand name and are sold at fraction of price. Counterfeits have become substantial threat to the luxury industry since they reduce the demand for the legitimate products and damage the reputation of the luxury brands. They are the forgers who take the advantage of remarkable value and prestige of luxury brands. Against this background, the paper provides the literature review to shed light on the antecedents that affect the purchase of counterfeit goods.

Keywords: Counterfeiting, luxury, value consciousness, brand prestige, integrity.

INTRODUCTION:

Counterfeit goods can be defined as the products that bear the brand name or the logo without the permission of the registered owner (Carpenter and Lear, 2011). These counterfeit products are also called as fake, bogus, copy, replicas, imitation, and knock off. The origin of counterfeits can be traced back to 27 B.C when a wine merchant counterfeited the trademarks on wine so as to sell the local wine as Roman wine (Philipps, 2007). Counterfeiting is lucrative and profitable business and is the emerging problem in many countries (Chuchinprakarn, 2003). It can be described as unauthorised manufacturing of the articles that imitate features of genuine brand and demonstrate themselves as the products of the legitimate companies (Romani et al., 2012). Counterfeits of the luxury brands are described as cheaper and lower quality copies of the authentic brands (Trinh and Phau, 2012). However due to improvement in manufacturing process even counterfeits have improved their quality that sometimes even to the trained eye they appear to be the genuine products. Products that are generally counterfeited include wallets, handbags, mobiles, watches and clothes and maximum numbers of these pirated goods are sold in China, India, Thailand and Malaysia (Haque et al., 2009).

Cohen 2005 revealed that counterfeit goods are identical to the authentic ones and fraudulently display the brand name and are sold at fraction of price of the authentic ones. Example Chanel purse is for Rs. 80,000 and its counterfeit for Rs.4000. Counterfeiting is increasing at significant rate and has become into global economic problem (Bian 2009, Wang et al., 2005). Ali and Jamal, 2011 pointed out that the manufacturers of the counterfeits offer a realistic dream for the customers who cannot afford the genuine brands but want to experience the position and status linked with possessing such products. Moreover online malls have become easy distribution centres for counterfeits (Hwang and Hwang, 2011). Example Alibaba one of the biggest online shopping mall in China had been frequently found as the offender in selling of counterfeit products. Counterfeiting has become the most crucial issue for the luxury industry since they enjoy the prestige of the luxury brands and hamper their image and sales. Lee and Yoo 2009 specified that stronger and popular the luxury brand is the greater is the chance of being counterfeited.

Perez et al. 2010 identified themes associated with counterfeiters which are having fun, being efficient and fooling others. Lee and Yoo, 2009 explained that counterfeiting is driven by both demand and supply side factors which are rooted in the institutional and cultural environments. Hwang and Hwang, 2011 further
suggested that counterfeit products are consumed by middle class people who have eagerness for famous luxury brands. Due to dramatic increase in supply of counterfeits manufacturers are engaged in constant battle against the counterfeiters (Penz and Stottinger, 2005)

TYPES OF COUNTERFEITING:
Grossman and Shapiro 1988 have profiled counterfeiting into following types:-
- **Deceptive**: Deceptive counterfeiting can defined as the process in which consumers buy counterfeit products without knowing that they are counterfeits. Stravinskiene et al., 2013 specified that mostly counterfeits are sold by the persons who claim to be the official representatives of luxury products.
- **Non-deceptive**: In this case, the consumers are well aware that the products they are purchasing are the counterfeits and still make a conscious decision to buy them. Grossman and Shapiro, 1988 stated that financial motives derive the non deceptive counterfeit luxury consumption as consumers intentionally and willingly purchase counterfeit goods due to their lower prices.

**Uche, 2007 has further classified them into three categories:**
I. Piratic goods: - They are the copies of the luxury goods and buyer is well aware of the fact that he is buying fake product.
II. Imitated goods: - Imitated goods are not the exact replicas of the original goods but are similar to them in form, shape, size, composition.
III. Custom made counterfeits: - They are the replicas of the real trademark goods.

ANTECEDENTS THAT AFFECT THE PURCHASE OF COUNTERFEIT GOODS:

Literature identifies the following factors that affect the purchase of counterfeit goods:

**Attitude towards counterfeiting** – (Huang et al., 2004, Phau et al., 2009, Penz and Stottinger, 2005):
Attitude can be defined as the tendency of an individual to response to a situation in a positive or negative way (Huang et al., 2004). Phau et al., 2009 in their study pointed out that only well known brands are counterfeited. Consumers who buy counterfeit products are willing to pay for the visual attribute and sacrifice quality of the product. Status and prestige associated with the luxury brands are the propellant for the consumers to buy counterfeits. Penz and Stottinger, 2005 revealed that customers defend their favourable attitude towards counterfeits by stating that unlawful manufacturers have minor shares and earn fewer profits than the genuine manufacturers and hence do not feel being ripped off.

Value consciousness is when the customer wants to pay less for a product (Phau and Teah 2009). Value conscious consumers feel satisfied and have greater pleasure when they are able to purchase items at lower prices as they feel like a smart shopper. For such consumers non luxury items are more attractive as they provide same functional utility but at a lower price. Consumers who are more value conscious will have positive attitude towards counterfeits as they provide cost saving to consumers (Harun et al., 2012 and Phau and Teah, 2009).

Phau et al., 2009 specified that consumers are able to buy the alternative of the luxury brands without paying the hefty price tag attached to the luxury brands. Moreover, such consumers are ready to compensate with lower quality of product as long as it comes with lower price and functional requirements are met. People are engaged in illicit purchases when there are price pressures. Though counterfeits are of lower quality but they provide huge savings to the customers as compared to genuine products.

Suh 2012 further added that consumers buy counterfeit products because of the low prices and resemblance with the genuine brands. Hwang and Hwang 2011 specified that the customers buy counterfeits because of their lower prices, design and the colour. Ting et al., 2016 also pointed out that value conscious consumers have positive attitude towards counterfeits. Consumers want to save cost and are ready to compromise on quality aspect.

Price advantage is the foremost reason for consumers to prefer counterfeits over luxury. Consumers are ready to buy counterfeits when they have budget constraints and they do not mind low quality (Yoo and Lee 2009). Such consumers buy counterfeits in order to avail significant price advantage (Rod et al., 2015).
Brand consciousness – (Phau et al., 2009):
Phau et al., 2009 stated that consumers who are more brand conscious will have negative attitude towards counterfeits since they are more concerned about their physical appearance and fashion. Such types of consumers prefer to buy original products than the counterfeits.

Personal gratification- (Bloch et al., 1993, Wang et al., 2005):
Personal gratification can be defined as the act of pleasing oneself. It ultimately leads to accomplishment and social gratification. A study was conducted Bloch et al., in 1993 in which buyers and non buyers of the counterfeits were compared. Results showed that non buyers of counterfeit are more confident than the buyers of counterfeits. Social gratification is the need of social recognition and accomplishment in life. Such types of consumers are more oriented towards luxury goods rather than their counterfeits as counterfeits will tarnish the high status they enjoy in the society (Wang et al., 2005).

Social influence-(Phau et al., 2009, Suh 2012, Rod et al., 2015, Yoo and Lee 2009):
The consumption pattern of the consumer is the mere reflection of his social class position. People tend to associate themselves with the social class and they buy products to fit in that social class. When brand is important to the consumer since it depicts the social class but they are not able to afford it the consumer is more likely to shift towards the counterfeits (Phau et al., 2009)
Suh 2012 pointed out that consumers with social -adjustive attitude are motivated to consume the product to achieve social approval. Such consumers buy counterfeit products as long as they have high resemblance with the genuine products. So here the motive for purchasing the product is to enhance the image rather than the intrinsic aspects of the product. Rod et al., 2015 argued that consumers buy counterfeits in order to elevate their status by consuming counterfeits of goods meant for higher status people
On the other hand, Yoo and Lee 2009 specified that when consumers value social status, he will not be sensitive towards the price and will select genuine products rather than the counterfeits.

Brand prestige- (Eastman et al., 1999, Phau et al., 2009, Geiger-Oneto et al., 2013 Phau and Teh 2009, Ting et al., 2016, Stravinskiene et al., 2013):
Prestige brands are consumed by consumers to depict their status and wealth. Status consumption can be defined as the practice of consuming the products just to enhance the social standing of an individual (Eastman et al., 1999). Such consumers feel contented in public display of their social status to others. These consumers being conscious of brand prestige will have unfavourable attitude towards counterfeits. Consumers that are conscious of their brand prestige do not hesitate to pay higher prices for the products which represent their status. (Phau et al., 2009).
Geiger-Oneto et al., 2013 states that the status conscious consumers associate their purchase decisions with the social consequences therefore they choose authentic luxury products over the counterfeits. People who want to acquire higher status will not buy counterfeits. They display their wealth to get respect from others and are very conscious of their social ranking (Phau and Teh 2009). Hence, they have negative relationship between status consumption and purchase of counterfeit products (Ting et al., 2016)
Stravinskiene et al., 2013 posit that people buy counterfeits for status consumption just to show that they can afford luxury products but cannot afford them.

Willingness to buy counterfeits- (Ali and Jamal 2011, Geiger-Oneto et al., 2013, Yoo and Lee 2009):
Willingness to buy counterfeits has positive relationship with consumer attitude towards counterfeit products (Ali and Jamal, 2011).
Individuals with higher occupational prestige do not have willingness to buy counterfeits because of their lower prices and easy accessibility to all. Moreover such consumers abstain even from the consumption of luxury goods in order to distinguish themselves from individuals who purchase just to acquire social status (Geiger-Oneto et al., 2013).
Yoo and Lee 2009 specified that past purchase behavior is the strongest antecedent that affects the purchase intention of the consumer. If the consumer has a habit of buying counterfeit he will definitely inclined towards the counterfeit products.

Perceived risk-(Ali and Jamal 2011, Ting et al., 2016, Pueschel et al., 2017):
Ali and Jamal, 2011 pointed out that perceived risk forms very important component of customer decision
making process. Faults and breakdown of the counterfeits have negative impact on the purchase decision of such counterfeit products. So, perceived risk shifts the spending of the consumer towards genuine and famous products. Counterfeit goods do not carry any warranty so is deemed to be unsafe therefore perceived risk has negative relationship with the consumption of counterfeit products. (Ting et al., 2016).

Pueschel et al., 2017 posit that in spite of knowing the risks associated with the counterfeits, consumers do buy them but then they have negative experiences with the product. He further gave the strategies that consumers use to mitigate the risk associated with counterfeits:

I. A quality strategy: - In this the consumers who have experienced luxury goods buy counterfeits that are of very high quality. In other words they buy AAA copy or the first copy of luxury products. Being a better quality product than its counterparts, such type of counterfeits reduces the performance risk associated with it as well as the psychological risk of being caught as a counterfeit consumer.

II. The black chameleon strategy:- In this the consumers mix their genuine and authentic products with counterfeit products in order to cope up with the psychological risk.

III. The fashionista strategy: - If the product has longer life cycle then consumers opt for authentic and original product and buy counterfeit products for the trendy and fashionable products. Thus the consumers overcome performance risk since they use product for shorter duration and psychological risk as very few would own the original product and the counterfeit consumers present it to be new or rare product.

IV. The believer strategy: - The consumers give religious references in order to cope up with moral risk and justify their counterfeit consumption. They justify their purchase by stating that they have been deceived by the seller if it is deceptive consumption. If the consumption is non deceptive and consumers were aware that the products are counterfeits they justify their purchases by stating that they are paying less for the product and are deceiving themselves and not the people. Therefore it is not wrong from religious point of view.

**Novelty seeking-** (Wang et al., 2005, Phau and Teah 2009, Liao and Hsieh, 2012):

Novelty means uniqueness, newness or new experience. Novelty seeking consumers can be defined as those consumers that always seek for variety and choices (Wang et al., 2005). Novelty seeking consumers like to play safe and they purchase product with a low risk. These consumers prefer counterfeits over the genuine brands as they have low risk in case the product is out dated (Phau and Teah 2009).

Counterfeit products are appealing to the novelty seeking consumers as the counterfeited brands have same brand logo and are lookalike of the original product and that too at inexpensive prices. Thereby, providing the consumers changed experiences. Such counterfeit products satisfy the curiosity of the consumers to explore something novel and creative (Liao and Hsieh, 2012).

**Integrity-** (Phau and Teah 2009, Harun et al., 2012, Ali and Jamal 2011, Carpenter and Lear 2011):

Integrity involves ethics, moral values and respect towards the law. It includes moral values of a person and such types of people always follow law (Phau and Teah, 2009). An ethical consumer will not possess favourable attitude towards the consumption of counterfeits and will be reluctant in buying it. Harun et al., 2012 posit that people who are high on ethical values will have negative attitude towards counterfeits and will not intend to purchase them.

Positive attitude towards the consumption of counterfeits is unlawful and violates the Intellectual property right Ali and Jamal 2011. Carpenter and Lear 2011, argued that consumers who value politeness, sincerity and honesty have negative attitude towards counterfeits.

**Social self concept-** (Hwang and Hwang 2011, Yoo and Lee 2009):

Hwang and Hwang 2011 pointed out that counterfeits have negative perception in the society so therefore social self concept has negative influence in satisfying the consumer. As a result, a sound social self concept should be formed to lower the consumption of counterfeits. It can prevent repurchasing of the counterfeit goods. Yoo and Lee 2009 stressed out those consumers who bother about their self image will not be inclined towards counterfeits since genuine products convey the image of affluence, social class and wealth.

**Intention not to purchase-** (Harun et al., 2012):

Harun et al., 2012 specified that some consumers are not inclined towards counterfeit goods as they consider them unethical. Negative intention towards the product leads to unfavourable attitude towards counterfeits.
Personality factors-(Harun et al., 2012):
Consumers like to purchase the product that matches with their personality. Consumers not only buy the product rather the image attached with the product. Due to this, consumers have favourable attitude towards luxury brands and negative towards counterfeits (Harun et al., 2012).

Perceived quality-(Stumpf et al., 2011, Harun et al., 2012):
Quality is the determinant that distinguishes counterfeits from the original products. Customers who prefer high quality products will never buy counterfeits (Stumpf et al., 2011). However Harun et al., 2012 stressed out that that high end counterfeits provide satisfactory quality to the customers therefore quality does not affect the purchase intention of the consumer towards counterfeit products.

Conspicuous consumption- (Chen et al., 2015):
Chen et al., 2015 pointed out those consumers who are engaged in counterfeit consumption have a stronger inclination for products that have loud brand prominence. Such type of consumers will buy only those luxury products that are familiar to other customers and they seldom chose atypical products which are unique.

Information susceptibility-(Phau and Teah, 2009):
It is the situation when decisions of the consumers are based on the opinion of the others (Phau and Teah, 2009). When peers/ family members are able to differentiate between genuine and fake products one would be reluctant to buy counterfeit products.

Normative susceptibility-(Kim and Karpova 2010, Ting et al., 2012, Phau et al., 2009):
It is defined as the process of buying products in order to impress others. In such circumstances consumers will engage in the consumption of luxury goods rather than counterfeits. So there is negative relationship between normative susceptibility and purchase of counterfeit products (Kim and Karpova, 2010). However Ting et al., 2012 pointed out that there is positive relationship between counterfeits and normative susceptibility. Since luxury products are highly priced so consumers use counterfeits to impress others. Normative susceptibility influences the purchase intention of counterfeits. Consumers want to buy luxury brands to impress others but due to hefty prices they shift towards counterfeits (Phau et al., 2009).

Sociodemographic factors-(Lee and Yoo 2009):
Lee and Yoo 2009 argued that the purchase of counterfeit differs across income, education, age and gender. Lower income groups have more favourable attitude towards counterfeits. Higher the educational levels more negative the attitude towards counterfeits. Teens are more prone to counterfeit goods. Counterfeited clothes and accessories are bought more by women whereas men are engaged in counterfeited music.

CONCLUSION:
Counterfeiting is unethical, anti – social and illegal business. Counterfeit products fulfil the eagerness of lower income group to acquire luxury brands. They possess substantial threat to the luxury industry as they dilute the perception of the luxury brands, their prestige and favourability (Amaral and Loken, 2016). Hwang and Hwang 2011 specified that the growth in the purchase of counterfeits is not only because of their low price but also perceived good quality and people buy counterfeits to acquire the image value of luxury products by purchasing low price counterfeit goods.

Continuous ongoing purchase of the counterfeit products is the key to the existence of such ant-social practice. So, trade of the counterfeits of luxury brands can hardly be removed by focussing just on its illegality aspect. Government and luxury brand producers should come together and educate the society regarding the negative effects of counterfeits and strict measures should be taken to dissuade both buyers and sellers of counterfeits Fundamental policies, strong ethics, educational activities should be cultivated in the culture of consumers and distributors of the counterfeits to diminish their interest in the counterfeit products. Govt and the marketers should use countermeasures to tackle counterfeiting such as high tech labelling, educating stakeholders, withdrawals and warnings and co-opting offenders (Pueschel et al., 2017, Stumpf et al., 2011).

Consumption of counterfeits can be reduced by anticipating the risk and regrets associated with the counterfeit products (Chen et al., 2015). Harun et al., 2012 stated that even though the sale of pirated
products is on peak still some consumers who value quality more than low price will tend to buy original products only. Public campaigns are useful to prevent the purchase of counterfeits (Lee and Yoo, 2009). Educational programmes specifying the negative impact of the counterfeits should be started in the schools (Amaral and Loken, 2016). Luxury brand owners should advertise the difference between original products and the counterfeit as consumers are unable to distinguish between them (Phau and Teah, 2009). Ting et al., 2012 specified that luxury brand owners should involve in celebrity endorsements to educate consumers about the negative impact of the counterfeits. They should design innovative features and differentiate attributes which are difficult to counterfeit (Amaral and Loken, 2016). Educating consumers regarding illegality and social cost associated with counterfeits will dissuade them in consumption of counterfeits (Carpenter and Lear, 2011).

REFERENCES:
Information susceptibility
Normative susceptibility
Sociodemographic factors
Conspicuous consumption
Personality factors
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Willingness to buy counterfeits
Perceived risk
Personal gratification
Brand prestige
Social influence
Brand consciousness
Value consciousness
Attitude towards counterfeiting
Social self concept
Perceived quality