

Factors influencing buying behaviour of counterfeit luxury products



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Counterfeiting is defined as the manufacture of copies that are similarly packaged, including trademarks and labeling so as to appear to a consumer the original item (Kay, 1990). Piracy is an undertaking that carries a much larger risk to any economy, social and cultural well being than usually recognized by the consumer. It's a serious problem it's effect the product whose brand name is similar, and it also affect those product which involve a highly R&D (Nash, 1989). The literature on business principles point out that there are four common type of IPR infringement: piracy, counterfeiting, gray marketing and imitation brand. The first two types of infringement are similar in nature to the reproduction of copies that are similar to the genuine goods (Lai and Zaichkowsky, 1999). In fact, piracy and counterfeiting were used interchangeably in some studies (e. g., Wee et al., 1995). The trade losses experience by US companies in 2004 is 12 million US\$ estimated by The International Intellectual Property Alliance (IIPA) (IIPA 2005 Special 301 Report). It is also estimated that the government of Pakistan is losing, in the form of lost taxes/duties, a minimum of 12 billion rupees (around 170 million) per year due to the lack of IPR enforcement in the following categories only: film, music, software, publishing and soft drinks. Away from the lost revenues acquired as a consequence of counterfeiting, intangible losses are faced by genuine manufacturer, such as loss of goodwill (Jacobs et al., 2001; Barnett, 2005; Wilke and Zaichkowsky, 1999; McDonald and Roberts, 1994; Nia and Zaichkowsky, 2000), reduced brand equity and brand reputation loss (Nia and Zaichkowsky, 2000). Moreover, many counterfeited product suffers lost assurance from their customers (Gordon, 2002; Bloch et al., 1993; Barnett, 2005; Wilke and Zaichkowsky, 1999; Nia and Zaichkowsky, 2000; Gentry et al., 2006). It is <https://assignbuster.com/factors-influencing-buying-behaviour-of-counterfeit-luxury-products/>

investigated by the Chief Justice Iftikhar Muhammad Chaudhry that counterfeit drugs, which are poisonous to the country, are deeply pouring into Pakistan. Mr. Khushnood Akhtar Lashari, Secretary Ministry of Health take action to the CJP's examination, informed the Supreme Court of Pakistan that the Pakistani government was organizing a policy to manage the stream of counterfeit drugs into the country and the new policy would be completely ready in three months. It is guaranteed by the health secretary to the court that an effectual strategy, would be followed and that a monthly report would be suggested to the court.

During the past of decades, revenue losses to Pakistan's national exchequer only set out beyond 10 billion rupees annually. Nevertheless, the existing losses to the state, attributable to counterfeiting and piracy can go above our wildest thoughts. It is accepted that encouraging a fair competition allow the country to maximize production and efficiency; whereas competition is reduced as a consequence of counterfeiting, smuggling, piracy, and cartelization stop the country from attaining its true potential. Deceptive counterfeiting use copied trademarks, symbol and design to confuse consumers into thinking they are purchasing the genuine product. This is called " primary market" counterfeiting by OECD (2008).

The achievement of luxury product counterfeiting can be credited mainly to the price advantages to the consumers above the original goods (Bloch et al., 1993), The counterfeiting of fashion luxury products is mainly uncontrolled which includes wristwatch, clothing, wallet, hand bags etc.

Vendor of genuine brand names spend vast amounts of money in marketing, designing, manufacturing their goods. Although counterfeit manufacturer

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use the brand names without any design or marketing costs. It is estimated by the global Anti-Counterfeiting Coalition that counterfeiting is accountable for lost job in US worth of \$200 billion, revenues lost and not paid taxes (Furnham and Valgeirsson, 2007). Likewise, the Anti- the cost to the British economy due to counterfeit goods to be at least £ 2. 8 billion per year estimated by Counterfeiting Group (see Hoe et al. 2003). According to estimation given by the 'The World Customs Organization' shows that in 2004 there was 5 to 7 % counterfeit products was globally trade.

Nevertheless, Asia is disgracefully considered as the most horrible violator of intellectual property rights (Prendergast et al., 2003). China has proved to be a profitable market in the trading of luxury goods as it has been prominent as the world's 3rd leading consumer of fashioned goods, accessories, and other luxury goods (Ernst & Young China, 2005; Chadha, 2007). It has been noted down that china is generating more than \$2 billion sales in a year and is expected to carry on rising by a probable 25 percent annually (Ernst & Young China, 2005; Embassy of the People's Republic of China, 2005).

There are different sectors that are effected by piracy include pharmaceuticals; films, manufacturing of goods; publishing; as well as software; textiles and footwear, electronic devices, luxury items, drinks, tobacco, toys, agro-chemicals, machinery in Pakistan. Pirated products are being sold in almost all economies, but consumption patterns vary. For example, Africa is a major target for counterfeit pharmaceuticals and the Middle East is a considerable market for automotive parts. On the other hand, Counterfeit cigarettes, are emerging almost everywhere. Software, music and movies piracy emerges to be important in all countries, mainly

developing countries. Examples of luxury brands that are commonly counterfeited include Calvin Klein, Chanel, DKNY, and Rolex (Nia and Zaichkowsky, 2000). The trademarks and designs associated with these brands are directly copied by profiteers. The trading of luxury goods in China has proved to be a profitable market as it has been noted as the 3rd largest market for the luxury products (Ernst & Young China, 2005; Chadha, 2007). Luxury brands are easily copy as it is simple to sell and acquire low manufacturing costs (Shultz and Soporito, 1996; Gentry et al., 2006). furthermore; consumer demand is also growing due to the search of status goods and the want of being in adjust with style and fashion (Chang, 1998; Eisend and Schuchert-Gu" ler, 2006). Producers of the original products are attentive of these expansion and leave no chance available to bound damages to their company's brand status and profits (e. g., Green & Smith, 2002; Kay, 1990; Nash, 1989; Wee, Tan, & Cheok, 1995). The growth of counterfeiting can be recognized to the raise in world trade and promising new markets fast speed technology progress, and also the raise in commodities that are worth counterfeiting (Wee et al., 1995; Bloch et al., 1993; Alcock et al., 2003) According to the cover story of Business Week the recent issue is that , individual can pick any manufactured goods from a renowned brand and find there is a counterfeit version of these brand is available (Balfour, Matlack, Barrett, Capell, Roberts, Wheatley, Symonds, Magnusson, & Brady, 2005).

While previous research has study the supply side of counterfeiting (Ang et al., 2001; Bush et al., 1989; Albers- Miller, 1999; Alcock et al., 2003), there has also been an rising number of studies do on the consumer behavioral

phase of counterfeiting (such as Bamossy and Scammon, 1985; Bloch et al., 1993; Wee et al., 1995; Cordell et al., 1996; Wilke and Zaichkowsky, 1999; Nia and Zaichkowsky, 2000; Gentry et al., 2001). further studies have focused on price determinants (Bloch et al., 1993; Albers- Miller, 1999; Harvey and Walls, 2003), non-price determinants such as attitude (Wee et al., 1995; Tom et al., 1998; Ang et al., 2001; Wang et al., 2005; Cordell et al., 1996; Prendergast et al., 2002; Furnham and Valgeirsson, 2007), rights of counterfeit luxury goods (Cheung and Prendergast, 2006), and crossways a number of cultural background (Tom et al., 1998; Ang et al., 2001; Penz and Sto" ttinger, 2005; Yoo and Lee, 2005; Eisend and Schuchert-Gu" ler, 2006). It show essential therefore, to focus extra concentration on the demand side in order to increase a superior understanding of what make customers to willingly buy counterfeits.

The area of this research paper is to identify the buying behavior of consumers who seek out pirated and counterfeit products. The significant of these findings would allow practitioners and policy makers to formulate more effective strategies to diminish the counterfeiting problem in Pakistan. It also explores the reasons of wide use of pirated products and can identify the buying behavior of consumers

STATEMENT OF THE PROBLEM:

Piracy has become a serious problem, the manufacture and sale of Pirated products discourage companies and brand reputations, hitting profits, devaluing research and development costs, there are so many factors that influence consumers to purchase pirated products, the main factor is the low price which also diminish the sale of original products. Companies in Pakistan <https://assignbuster.com/factors-influencing-buying-behaviour-of-counterfeit-luxury-products/>

are also affected by this problem. The problem occurs because people usually don't know that piracy is illegal behavior and the reason is the lack of IP right protection.

Research question(s) and hypotheses

Which factors do consumers consider when they purchase pirated products?

How these factors affect the consumer buying decision?

Aims and objective of Research study:

The objective of this study as under:

To examines the relationship between psychographic variables and purchase intention towards pirated luxury brands.

To find out the purchase behavior of consumers who seek out pirated products.

To discuss how these findings can be used to develop strategies to persuade consumers from intentionally purchasing counterfeits.

Purpose of the Study/ project:

The purpose of this study is to know the factors that influence consumers to purchase pirated products. The research will be useful for the marketers and it will help them to understand the psychology of the consumers that why they purchase pirated products.

JUSTIFICATION:

This will also help policy makers and practitioners to formulate more effective strategies to diminish the counterfeiting problem in Pakistan. The research is useful for the marketer to realize the buying behavior of the consumers who buy counterfeit products.

LIMITATION:

The limitation of the research is the limited geographical area due to shortage of time and the resources. Another limitation is that the products studied are only related to the luxury pirated goods not to other counterfeit goods.

Basic Assumptions

The basic assumption of this research is that people purchase pirated products because of low price and wide availability, and they compromise on quality.