AN ANALYSIS OF CUSTOMERS' MARKET ACCEPTABILITY OF COUNTERFEIT BRANDS

By

Saira Lakhani

22671

A thesis presented to the Department of Management Sciences, Bahria University Karachi Campus, in partial fulfillment of the requirements of the MBA degree

FALL, 2015

Bahria University Karachi Campus

Thesis Supervisor's statement

Declaration of Authentication

I, hereby, declare that no portion of the work referred to in this thesis has been submitted in support of any application for another degree or qualification of this university or any other institution of learning.

Signatures: _____

Name: _____   **Date:** _____

List of Tables

List of Abbreviation and important definition

IPR -Intellectual Property Rights

TCEP -The Consumers' Eye Pakistan

OICCI - Overseas Investor Chamber Of Commerce and Industry.

Brand is the "name, term, design, symbol, or any other feature that identifies one seller's product distinct from those of other sellers.

Conspicuous consumption refers to any consumption activity that is, first, literally visible" to outsiders, and, second, positional, in the sense that own consumption utility depends partly on relative rather than absolute consumption.

Counterfeiting is the production of copies that are identically packaged, including trademarks and labeling, so as to seem to a consumer that the item is the genuine article.

Price is the quantity of payment or compensation given by one party to another in return for goods or services.

Social conformity is a type of social influence involving a change in behavior, belief or thinking to align with those of others or to align with normative standards.

First Page of Plagiarism Test Report

Acknowledgement

It was a great opportunity for me to work and specifically to have greater understanding of local market by studying the very interesting topic like '*An Analysis of Customers' Market Acceptability of Counterfeit Brands'*.

I would like to acknowledge with gratitude ALLAH, The Almighty, who has bestowed and enabled me to use my knowledge, understanding and conceptual skills in order to complete this thesis.

After that I would like to say special thanks to my supervisor, Sir Mansoor Zakir, who has helped me throughout the period, by his special knowledge, guidance and support to help me complete my thesis report effectively. He has also helped me by being sincere to his duty and making me understand the different methods and procedures of research and solving my problems during any stage report preparation.

Along with that, I shall endow thanks to my parents my friends, co-workers and all the respondents, without whom I would not have been able to complete my report.

I have devoted all my efforts to successfully complete the report and develop my understanding of the subject area. In addition, I hope that my work adds to the knowledge of those interested.

Abstract

Purpose: Counterfeit is manufacturing the copies of imitation products with the intent to deceive (Mark Turnage, 2013). It is of quite importance to study and understand the factors that have contributed in the development of counterfeit markets with respect to consumer acceptance. The purpose of this study is to analyze the consumers' perspective of counterfeit consumption and reasons that motivate and inspire consumers to purchase counterfeit goods rather than genuine brands.

Methodology: Questionnaire was designed with aim to probe responses from the respondents. Organized series of close-ended questions were asked to keep respondents at ease on the subject and to ensure desirable and valued area of concern are well covered, enabling to gather more and more information from as many respondents as possible.

Findings: The findings showed a significant relationship between desire for luxury, social conformity, price and abundant availability of counterfeits with purchase motivation which may help marketer and genuine brand manufacturer to analyze the factors that lead consumers to switch to counterfeit alternatives rather than purchasing genuine luxury brands.

Keywords: Consumer Intention, Counterfeit Consumption, Desire for Luxury, Social Conformity Factor, Price, Abundant Availability.

Table of Content

1   Chapter

INTRODUCTION

1.1   Proposed title

An Analysis of Customers' Market Acceptability of Counterfeit Brands

Counterfeit is defined as manufacturing the copies of imitation products with the intent to deceive (Mark Turnage, 2013). Preferably the counterfeiters target products which carry a high brand image and require a relatively simpler production technology, such as fashion apparel, consumer electronics, media, toys, watches and others. The counterfeit manufacturers argue that their productions are serving the demand of those consumers who are either unable or unwilling to pay high for the originals.

1.2   Background

Brand counterfeiting, with its roots emerging from and constantly developing in the global markets, has become a matter of critical attention for the marketers, manufacturers and consumers around the world. Counterfeiting established its roots 2000 years ago in Roman civilization in terms of trade being done with coins (Barry, 2007). However, the journey of counterfeiting extended from trading with coins to production of goods like oil lamps.

Counterfeiting strengthen its heredity with industrialization in US markets too, where counterfeiting was not limited to physical goods but illegal transfer of resources and information to other countries. Despite being a priority for George Washington a system of patents and copyrights, the Patent Act of 1793 was not sufficient for providing adequate protection (Choate 2005). By 19th century, counterfeiting and piracy could easily found in wines, thread, and medicine and gloves industry (Mihm 2007).

Indeed, U.S. Customs and Border Protection 2008 estimated $500 billion the global market worth of the counterfeit industry with approximate 1,700% growth rate over a decade. In spite, of this assumption the actual value of the counterfeit market is difficult to be predicted

accurately as it comprise of an illegal nature of activity and there is no standard scale of counterfeiting i.e. no of counterfeit goods produced, sales in dollar value, harm to genuine brands' equity or etc. (Green and Smith 2002). "The overall degree to which products are being counterfeited and pirated is unknown, and there do not appear to be any methodologies that could be employed to develop an acceptable overall estimate" The Organization for Economic Cooperation and Development (OECD 2007).

Inside Retail Asia, January 20, 2014, reports the market for fake lavishness in India as growing at twice the speed of actual branded goods market. The shopping facade belongs to physical goods market as well as online shopping retail.

As far as Pakistani market is concerned, it has been claimed that Pakistan is declared as 13th around the world for the manufacturing and sale of fake medicine and consumer goods in large quantity, these goods ration into following categories: 55% drugs, 65% consumer goods (perfumes, CDs, food items and etc.) and 85% electronic items (TCEP 2015). Nevertheless, improvising and strengthening IPR (Intellectual Property Rights) legislation can turn the tables, making situation more favorable for Pakistan, along with creating more job opportunities and boosting the country's economy.

1.3   Purpose

Counterfeiting, a matter of enormous consideration, has evolved the marketing practices and brand persona globally, thus it is of quite importance to study and understand the factors that have contributed in the development of counterfeit markets with respect to consumer acceptance. Hence, analysis of the consumers' perspective of counterfeit consumption and exploring reasons that motivate and inspire consumers to purchase counterfeit goods rather than genuine brands, is the core purpose of this study. However, the market has been expanding globally; this study will focus on consumers' mindset pertaining to Pakistani market and their trends of purchasing counterfeits.
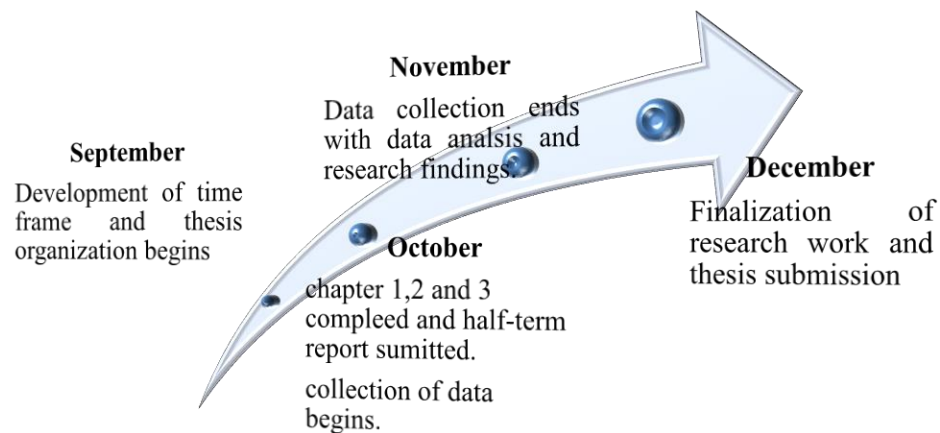
1.4   Aim

The aim of the study is to explore and analyze the underlying reasons behind consumers' acceptability of the counterfeit brands, and the fundamental relation between consumers'

purchase of counterfeits and their desire (for purchase of) genuine brands with respect to Pakistani culture and market.

1.5   Hypothesis

H1. Desire to purchase luxury brands motivate consumers to purchase counterfeit brands

H2. Social conformity factor influence consumers to make purchase of counterfeit brands

H3. The intention to purchase counterfeits is directed by the price difference between counterfeit and original product

H4. Ample availability of counterfeit brands influence the consumer intention to purchase counterfeits

1.6   Time scale

November
Data collection ends with data analsis and research findings.

September
Development of time frame and thesis organization begins

October
chapter 1,2 and 3 compleed and half-term report sumitted.
collection of data begins.

December
Finalization of research work and thesis submission

1.7   Limitation to the study

Limitations refer to those factors which hamper the researcher's ability to accomplish research responsibility to the fullest by reducing the efficiency in performance and at times limiting certain characteristics that have an impact on research variables. They may also be regarded as constraints that restrict generalization and application of research findings.

However, in conducting this research following constraints were observed:

- Time and cost limitations
- The sample size used for the research was though sufficient for this study, yet too small to be generalized for whole population
- Lack of respondents' interest in filling the questionnaire
- Biasness in researchers' evaluation

Yet, despite of these barriers the supportive and counseling attitude of the supervisor assistance helped in achieving research objectives and development of skills and knowledge in the relevant research arena.

1.8   Prospects of further research

The research has gathered the overall market response in terms consumers' acceptance headed for counterfeit products and their consumption along with the reasons which have escalated the demand for such goods against original luxury brands. Nevertheless, despite of numerous researches over the critical phenomenon in past several years and devoting valuable time and efforts, yet there's a lot to be explored. There may be several aspects of individual personality, consumers' social class belongs, the social and reference group, analysis of ethics and morals regarding counterfeiting and marketing practices and many other relevant factors could be studied with reference to the Pakistani culture and society for the sake of additional understanding of the local market in relevance to the counterfeits production and their consumption in addition to the international market. Further research can be conducted in following areas:

- Impact on the supply side of the counterfeit markets.
- Economic benefits versus determinants of counterfeit consumption to marketer and to consumers
- Individual personality characteristics and cultural orientation towards counterfeit consumption
- The role of brand awareness in encouraging consumers to purchase counterfeit goods
- The influence of pressure exerted by the brand conscious class of consumers over other consumers.

1.9   Ethical considerations involved

By ethical considerations, a researcher generally means all ethical and moral concerns and deliberations that should be kept in mind while conducting the research activities and not letting any financial, social or psychological harm to occur to any aspect or research and respondents. However, following conventions shall be abided by to avoid any ethical consequences:

- Respondent's anonymity shall not be disclosed without appropriate consent.
- Research objectives and purpose shall be clearly explained to the respondents.
- No question or objective shall abuse or embarrass any respondent.
- Researcher must show respect towards respondent.
- Equitable and appropriate selection of sample
- Generating maximum benefit from respondents' input.

1.10   Organization of the Thesis

The thesis will comprise six chapters, a list of references / bibliography and appendices.

Chapter 1 will constitute the problem background, aim of the research, research questions/hypothesis and objectives and introduction to the organization/sector over which the research is being conducted etc.

Chapter 2 will provide critical review of the existing literature containing the critical academic debate about (the topic) with the views of the academicians' and practitioners' on the matter.

Chapter 3 will provide information on research methodology – nature and kind of research, sample size, sampling method, data collection methods employed during the study, kind of data collected, and the way the data is integrated.

Chapter 4 will comprise the research data of both kinds – primary as well as secondary – collected and integrated. It will also show findings of the data and their interpretation and analysis.

Chapter 5 will comprise a significant discussion on the study drawing on the literature review and contrasting it with the findings of this study.

Chapter 6 will constitute conclusions to the study.

1.11 Introduction to the Organization/Sector over Which the Research Work Is Done

The research is focused upon counterfeit market of fashion products which include clothes, bags, shoes, jewelry and other fashion accessories.

In the early 60's, *'SHE'*, started its publication which was Pakistan's own pioneering women's fashion and lifestyle magazine, followed by additional similar magazines 'Women's Own' and 'Herald' which covered publications regarding fashion related stories news. Newspapers also began special appendage and column to cover fashion updates in newspaper like 'Instep' and 'Images.' Moreover; a heroic step was taken when Pakistan's fashion industry staged its first catwalk show in Karachi in the late 80s. Industry further enhanced and groomed itself by putting up fashion week in Lahore formally known as *PFDC Sunsilk Fashion Week,* opening further platforms and opportunity for bridal exceptions in form of *Bridal Couture Week (Karachi)* and *PFDC L'Oreal Paris Bridal Week (Lahore)*.

Despite all unlikely hassle in country, today, threatened Pakistan's fashion industry is massively flourishing. Alongside the experienced and practicing designers, novices have also stepped into the field to revive and extrapolate upcoming trends using their aesthetical sanity. Be it the color choice, the fabric, the print or the texture, they are sync together into a designer's master craftsmanship. Undoubtedly today, new and foreign investors assume Pakistani industry to be fruitful and promising in terms of profits for their business ventures. The fashion industry is certainly on the accurate path to achieve an exceptional success globally.

Pakistan fashion and apparel industry is becoming larger and crucial for the economics of the nation as it has great export potentials. The industry today is expanding at a marvelous rate creating impact on global level, as reported Ghalib Iqbal, Pakistan Ambassador to France, Pakistan fashion industry has achieved 79% growth in recent times (Sama TV, 2015).

Pakistan fashion industry comprise of many talented designers ranging from Hassan Shehriyar Yaseen (HSY), Deepak Parwani, Faraz Mannan, Bunto Kazmi to Ayesha Somaya, Sobia Nazir and Etc., who are engaged in bringing up innovative and competitive fashion products presenting the cultural heritage of Pakistan.

2 Chapter

LITERATURE REVIEW

2.1 Definition of counterfeit and counterfeit brands

Literally counterfeit is classified as *"imitation"* according to Merriam Webster dictionary (11th Ed, 2004). However with reference to consumers purchase situation counterfeit is described in very broad and vital terms. According to Kay (1990) counterfeiting is the production of copies that are identically crafted, designed and packaged while withholding trade name and labeling, so as to give the consumer impression that the item is the legitimate article. Bloch et al (1993) however characterized counterfeiting as the unlawful copying of trademarked or copyrighted goods. In addition, the product counterfeiting is also defined as any manufacturing of goods that hold some special characteristics and features protected as intellectual property rights Cordell et.al (1996).whereas, some has also defined counterfeiting as an attempt to invade the brand equity of others as defined by Hopkins et al. (2003) defined counterfeiting as "the known duplication of a product by a party who wishes to seize the brand or trademark of another" (p. 9).

Considerably, from the consumer's perspective, two forms of counterfeiting are generally observed, *deceptive* and *non-deceptive*. When deceptive counterfeiting occurs the consumer is a victim of deception, the consumer is generally unaware of purchasing a fake product. They perceive the article to be genuine whereas it's not actually. The counterfeiter imitate the most prominent and distinctive features that are closely related to a brand in order to create maximum resemblance to genuine brand, so the customer is not easily able to recognize the fakeness of the product. Conversely, consumers intentionally purchase fake products in the latter, due to some circumstances or willingly (Grossman & Shapiro, 1988), which may result from customers' prior experiences with counterfeit consumption that has positively influenced the consumer. Delgado-Ballester and Munuera-Aleman (2005) specify that trust that has developed through past purchase experiences influences current and future purchase intention. Hence, consumer incorporating a positive experience from latest counterfeit consumption will influence him to re-purchase counterfeit knowingly.

Irrespective of the effects that counterfeiting actually has on customers; many researchers argue that it may also have a gratifying effect on brands i.e. indirectly benefit original products. Among many, Raustiala and Sprigman (2006) explain that counterfeiting have a propensity to hasten the fashion cycle by generating demand for new original items. However, Yao (2005) believes, when a marketer observes a presence and demand for counterfeit against his luxury brand the original brand market can raise prices in order to generate higher appeals and profits from the targeted group of consumers. Counterfeiting can translate into positive demand for high-end goods. It tends to determine that the brand is of some unusual worth that for which it is being copied and demanded.

Nevertheless, Louis Vutton, the famous fashion luxury brand, is reported to be most counterfeited among others. During first two quarters of 2011, this huge conglomerate experienced 13% increase in sales with above 12% increase in net profit of the brand, according to Forbes.

2.2   Counterfeits Business in Pakistan

A recent market survey reports, Pakistani markets are overly embellished with lookalike and counterfeited products, also taking in account lifesaving drugs which are being sold openly without any fear at public places like weekly bazaars, the lower courts, bus and truck stops, railway stations, schools, etc. rural areas seem to be more impressed by such market inclination as this figure has exceeded 60% in rural areas (The Citizen Newsletter, 2014). The intentions of the counterfeiters is presumed to be very clear i.e. to cut cost and to generate unlawful profits, compromising or ignoring quality, safety and/or cleanliness concerns for general consumers.

"According to a conservative estimate the government of Pakistan bears approximately Rs 10 billion annual loss in terms of direct and indirect revenue because of counterfeiting and trademark infringement. This includes loss in the oil and lubricants industry of worth Rs 1600 million, Rs 40 million loss in books and publishing industry, and Rs 1500 million in tobacco industry. Among the most prominent reasons of counterfeiting observed in Pakistan are high price disparity, cheap materials and cottage industry, abundance of prohibited and unlawful distributors and retail outlets networks , no overheads for quality controls, and low

risk " as reported by Co-Chairman IPR Committee of OICCI, Shahid Qureshi. (Daily Times, May 13, 2007)

However, in order to address this serious problem, Helpline Trust organized a seminar at Avari Towers Hotel, Karachi, on Reshaping Pakistan's Industry - "Eliminating the Menace of Counterfeit Products" (The Citizen Newsletter, 2013).

Counterfeiting is an enormously expanding venture because of its fruitful return on investment. Counterfeiters can generate staggering profits from such operations. Furthermore, low-cost technology and availability of cheap material for production has also enabled higher profit margins. However, from the consumers' perspective several factors play important role in creating and maximizing demand for counterfeits.

2.3   Desire for purchase

Consumers are presumed to crave for high popularity goods to achieve respect and status by the consumption of such goods, from others Cahill (1993). As fashion brands represent a particular socioeconomic class in the society, consumers having positive inclination towards status, prestige, and high respect for them tend to have favorable attitudes toward luxury fashion brands as it will enable to deliver a high rank in the society (Damhorst, Miller, & Michelman, 2001). Shocker et.al (2004) argues that consumers may perceive counterfeit brands positively if it has look-alike or similar appearance to that of genuine luxury brands. Even though a fashion product may not be original, Garza (2006) pointed out that, it will still be allied with similar status that of original if it resembles the original one.

Counterfeits tend to raise the appeal of luxury brands (Simona et. all Published online: 9 June 2012) several recent reports reveal that counterfeiting is an enormous and global economic problem. Counterfeit products are enabling the consumers with changed experiences in the shape of similar looking counterfeits which have the same logo, design and aesthetics as of the original products at cheaper prices (Liao & Hsieh, 2012). To support further most recently, contended that consumers who wish for gaining status in the society by the use of luxury brands, have favorable attitudes toward counterfeit fashion brands Wilcox et al.

(2009). Therefore counterfeit products satisfy the consumer`s curiosity and motivation to consume luxury and Novel by purchasing alternate at considerably low price (Liao & Hsieh, 2012), which lead me towards generation of following hypothesis:

H1.Desire to purchase luxury brands motivate consumers to purchase counterfeit brands

2.4   Social conformity factors

Consumer motive to purchase luxury is directed by the need to impress others to create favorable social perception of self (Berry 1994; Ditmar 1994; Corneo and Jeanne 1997; Vigneron and Johnson 1999, 2004; O'Cass and Frost 2002) and hence consuming luxury is a mean of achieving social conformity.

Social conformity refers to the motivational practices by which an individual attempt to develop and improve his or her social standings by using certain branded products which reflect the person`s social status to his/ her surroundings and peoples around him/ her (Eastman et al, 1999). In fact conformity is referred to as tendency to align your social motives, believes and attitude with a group you desire to associate with. However, keeping in mind the class boundaries and social needs of different consumers, luxury brand are especially and specifically designed and manufactured for a particular social class and not for everyone which makes the product in itself exclusive. This exclusivity determines the satisfaction attained from being a part of certain social class (Kapferer & Bastien, 2009). On the other hand, those who in fact do not belong to this class but wish to be, choose options such as counterfeits of such brands to create resemblance.

Consumers today are becoming more self-conscious, which raise the temptation in them to run the brand race, no matter with the actual brand or there copy-catsto make their mere presence significant to others.

Research work on social comparison has revealed over and over again that consumers compare themselves with others in their preferred social settings on the basis of their abilities, possessions, expertise, and most obviously the products that they use (Moreau & Herd, 2010). In a more recent study, the concept of awareness for the brands and their alternatives available in the market increased within the consumers due to rapidly expanding global markets and vast telecommunication opportunities, has been reinforcing the

phenomenon that counterfeited brands are apparently bought for what original brands represent in the buyer's social environment as the. The consumer generally intends to claim his association to the same class as of the original brand user. Findings from the studies of Wilcox et al. (2009), explain that the attitude toward luxury brands has a great impact on consumers choice to purchase counterfeits with reference to the social standings and status that he/she belongs to, generally in order to socially highlight their presence the desire for luxury brands predicts the consumers' intention to buy counterfeit products, consequently supporting the anticipation that consumers project more favorable insight to image appeals when such appeal is thought to be consistent with their social goal of depicting a particular image in public settings. For this reason, choice of brands and counterfeits tends to determine relation between consumers perspective of his/her social belongingness. Hence, second hypothesis identify how conspicuous consumers often use counterfeit brands to enhance their social image and widen their social conformity needs.

H2.Social conformity factor influence consumers to make purchase of counterfeit brands

2.5   Price difference

Bloch (1993, p.31) states that "*people buy counterfeits because they are getting prestige without paying for it*". Price differences among actual brands and their counterfeit tends to play a vital in determining consumers' preferences for "copy-cat" products as consumers are able to purchase almost similar looking and similar designed goods and features at relatively low price i.e. consumers actually pay less for greater benefits esp. in case of software (Lau, 2006). Counterfeits normally offer good value for money as they make things look much affordable yet therein they might be of poor quality. Henceforth, numerous Researches also points to financial reasons as the major incentive for the purchase of counterfeit goods. Tom et al. (1998) suggested that the purchasing counterfeits may seem to be an elegant solution for conspicuous consumers, who either might not be willing to spend the money on the original considering brands to be overcharged or might not be able to afford the original or if they can get the copy for less (with similar benefits).

 However researchers dictate availing luxury at lower cost not being the only reason behind the consumers' motivation to purchase counterfeits due to price differences. Due to economic

crises, consumers' disposable income has dropped considerably and the purchasing power has also declined through the periods of recession, leading consumers towards cheaper alternatives of luxury in order to preserve their social standings (Gistri et al., 2009).

> *H3. The intention to purchase counterfeits is directed by the price difference between counterfeit and original product*

2.6   Abundant availability of counterfeits

However, along with consumers personal needs and other factors such as price sensitivity, peer pressure relating to social conformity and other such determinants, sufficient availability of counterfeits in open markets and sellers unduly promoting the 'fake' for the sake of higher profits have encouraged more consumers to accept counterfeit brands. Penz and Stottinger, 2005; Stumpf et al., 2011 emphasized easier availability of counterfeits and pirated products stimulate consumers to make purchase of them. The Citizen Newsletter (2013) quoted Pakistan as one of the most promising country for counterfeit consumption by way of counterfeits being traded openly in commercial markets, weekly bazaars, bus sands railway station and low-end areas with sales figure leading up to more than 60% in rural areas. These counterfeits include not only branded luxury clothes, bags and perfumes but also drugs. The level of counterfeit availability and ease of access to the counterfeits influence the demand for pirated products, inspiring to develop next hypothesis i.e.

> *H4. Ample availability of counterfeit brands influence the consumer intention to purchase counterfeits*

3   Chapter

RESEARCH METHODOLOGY

Research methodology includes the approach taken towards the collection of data, compilation of research findings and the overall working pattern in order to complete the research. The research methodology can include any of the several methods of gathering information i.e. questionnaire, surveys, pilot testing, product sampling, focus group or etc.

As far as the previous researches in the similar category are concerned, researchers have used multiple approaches. The most common approach was questionnaire developed on likert-scale and assessed through *SPSS* (Phau and Teah, 2009).

However, experiments were also used as data gathering instruments. The experiment included three brands of each product category ranging from well-known marketed brand to unfamiliar regular brands. In order to find consumer acceptance based on visual similarity, prices were varied of both the leading brands and regular. Results revealed lower preferences for cop-cat brands as compared to regular unknown brands (Simona et.al2012, Femke and Rik Pieters, 2010).

A few has provided speculative suggestions to secure business from imitations as almost any firm can suffer from dodgy effects of counterfeiters at any time, most importantly every firm must enhance security of its distribution channels from counterfeiters, regardless of whether or not the firm have experienced any sort of current counterfeiting activity in past or in current phase because "counterfeiters prey on weaknesses in the legitimate supply chain" (No Trade in Fakes, 2006).

3.1   Research Instrument

To begin with, data would be carefully collected from the available sources which include published articles, research work, applicable news information, business reports and other related material. These sources will enable to understand the existing information and the research work already conduced. In addition it will also contribute in to clarify the research area yet to be explored or further to be worked upon. However, this data will also provide relevant references and research material to be used.

Secondary research enables a lesser control over available data. The data may be biased or outdated. It may not be applicable in certain situations as it was collected primarily for some other purpose. The research findings may not also be strictly relevant to the issue at hand due to differences in research population or cultural limitations. Hence, research will be based more on primary sources.

To proceed with research work, primary data will be gathered. Primary information will be derived directly from consumers through questionnaire. Questionnaire will be designed with aim to keep respondent at ease on the subject. Usually random series of close-ended questions will be followed so that desirable and valued area of concern are well covered, probing to gather more and more information from as many respondents as possible.

3.2   Research population

The research will base on consumers who prefer and mentally and socially accept using counterfeit brands; therefore consumers will be accessed using convenience sampling technique in shopping malls, local bazaars, discount stores where people looking for cheap alternatives or counterfeit as well as consumers strictly purchasing brands, both can be accessed. Questionnaire will contribute in probing consumers' response in identifying and understanding the nature of consumers, the forces that influence their purchase decision of counterfeit brands and what impact does it have on the preferences to purchase and consume original brands.

The data derived will be truly meaningful as it is gathered from the real consumers' representing the actual population and closely related to the area of interest. However, it will require further evaluation and analysis to obtain significant information.

3.3   Sample

The undetermined number of consumers will be used as sample gaining from 18 to 35 years. The sample will include both males and females mostly belonging university going and office going individuals (fresh graduates or young executives).

However, previous researchers have varied their studies based on different sample size out of different research population.

According to research study "An investigation of consumer motives to purchase counterfeit luxury- branded products (Mingyuan Lu, 2013)" based on Australian consumers. The sample size determined for this study was 200 respondents aging from 18 to 25 years. The respondents had undergone an experiment and then respond appropriately to the questionnaire which was later evaluated using ANOVA technique. The research generated 65.9% response rate.

4   Chapter

DATA INTEGRATION AND ANALYSIS

The data was obtained from several individuals including male and female both in order to avoid any gender biases and to obtain the general perception of common consumer in the market. The respondents were gathered from the desired population aging from 18 to 35 years. The sample size was approximately 100 to 120 respondents, mostly graduate both employed and unemployed. However, the respondents group comprised of individuals purchasing or at least desire to purchase luxury brands, individuals who purchase and consume counterfeit brands and those who don't and neither desire to purchase counterfeit brands.

The questionnaire design turned out to be an enormous tool for obtaining the basic information pertaining to the local market and consumers engaged in purchase of counterfeit goods and highlighting their underling motives behind counterfeit consumption.

4.1   Reliability test

Reliability test was the first test taken to determine the validity and reliability of the questionnaire design to generate quality answers and to overcome any bottleneck existing. Reliability test was conducted using one of the most appropriate tool for the purpose SPSS. The reliability chart declared the questionnaire to be valuable to continue with further test and analysis measures.

Table 1 Reliability Statistics

Cronbach's Alpha	N of Items
.677	5

Reliability test showed the result of 0.677 i.e. the answer in close to 1 which means the questionnaire is reliable and workable.

4.2   Testing the hypothesis

Number of different test can be used to test the hypothesis using SPSS which include correlation, regression, ANOVA and many others. This stud yet relied on correlation test to justify the relation and test the hypothesis.

4.2.1   Hypothesis 1

The intention to purchase counterfeit might be directed by many factors among which the desire to purchase and consume luxury is also one of the important factor. A brand conveys a particular message and consequently belongs to a specific social setting; consumers desiring to experience such belongingness often switch to counterfeit consumption. Following information reinforce the assumption

Table 2 Correlations H1

		dtp	Intention to purchase counterfeit
dtp	Pearson Correlation	1	.515**
	Sig. (2-tailed)		.000
	N	100	100
Intention to purchase counterfeit	Pearson Correlation	.515**	1
	Sig. (2-tailed)	.000	
	N	100	100

**. Correlation is significant at the 0.01 level (2-tailed).

With the significance level below 0.05, desire to purchase luxury influences consumers to purchase counterfeit goods tends to approve and establish a positive relationship.

4.2.2   Hypothesis 2

Brand is undoubtedly viewed as a source of personal satisfaction by most consumers Whereas many believe that brand consumption is more a social need, irrespective of whether they are brand conscious or not. Yet, there are many who disagree with these concepts but there too are consumers who believe brand is not only serving as a mean of personal satisfaction as well as a social need for the sake of internal along with external approvals consecutively. Hypothesis 2 seems to approve with following result

Table 3 Correlations H2

		Sc	Intention to purchase counterfeit
Sc	Pearson Correlation	1	$.386^{**}$
	Sig. (2-tailed)		.000
	N	100	100
Intention to purchase counterfeit	Pearson Correlation	$.386^{**}$	1
	Sig. (2-tailed)	.000	
	N	100	100

**. Correlation is significant at the 0.01 level (2-tailed).

The relation seems to be significant as it is below 0.05 and thus social conformity factor is positively related to consumers' intention to purchase counterfeit goods.

4.2.3   Hypothesis 3

Price differences play an important role in escalating the demand for counterfeit goods as moneysaving consumers find it effective to leverage the benefits of luxury at considerable lower prices. However a few also argue that counterfeit is money wasting strategy rather than money saving as it cannot offer same quality and value as genuine brands.

Table 4 Correlations H3

		Pd	Intention to purchase counterfeit
Pd	Pearson Correlation	1	.333[**]
	Sig. (2-tailed)		.001
	N	100	100
Intention to purchase counterfeit	Pearson Correlation	.333[**]	1
	Sig. (2-tailed)	.001	
	N	100	100

**. Correlation is significant at the 0.01 level (2-tailed).

Hypothesis 3 approves with the relationship between price difference and purchase intention seems significant at 0.01 levels.

4.2.4   Hypothesis 4

Certainly, low cost and easier access makes counterfeits a common member of brand market and consumer purchase situation. Consumers often get motivated to purchase something which is frequently and easily available in the market openly.

Table 5 Correlations H4

		Av	Intention to purchase counterfeit
Av	Pearson Correlation	1	.296[**]
	Sig. (2-tailed)		.003
	N	100	100
Intention to purchase counterfeit	Pearson Correlation	.296[**]	1
	Sig. (2-tailed)	.003	
	N	100	100

**. Correlation is significant at the 0.01 level (2-tailed).

Fourth hypothesis approves as revealed 0.03significance value. Consumers' intention to purchase and consume counterfeit goods, to a minimal level, is undoubtedly effected by its greater and easier availability.

5   Chapter

DISCUSSION

The world has experienced a modest growth economically in 2014 (World Economic Forum, 2014) however; despite of the various attempts and measures taken nationally and globally to surmount the counterfeiting activities, the market seems to grow enormously (Ergin 2010). Furthermore, the consumers too tend to accept the presence and expansion of counterfeits not only in markets but in their closets too i.e. the consumers today use counterfeit products knowingly other than getting ditched by deceptive counterfeiting.

The objective of the study was met to explore the underlying reasons behind consumer motivation to purchase counterfeit based on desire to purchase luxury brands, social conformity, price differences and abundant availability of counterfeit products. Furthermore, results indicated positive relationship between these variables and consumer intention.

Counterfeits has deepen its roots in the market influencing consumers to make choices among their favorite brand and counterfeits if they have a strong desire to purchase a particular brand. Shocker et.al (2004) argues that consumers may perceive counterfeit brands positively if it has look-alike or similar appearance to that of genuine luxury brands. Even though a fashion product may not be original, Garza (2006) pointed out that, if the counterfeit resembles the original one it will be associated with similar status. However, this research indicate consumer will be willing to purchase alternate counterfeit of their desired brand if they find it good in terms of quality, price, aesthetics and other dimensions.

Making brand choice is a matter of personal likes or dislikes whilst it may also be under great influence of social conformity needs and pressure. This research thus indicates a significant relationship between social conformity needs and consumer intention to purchase counterfeit products. Consumer purchase intention is however influenced by the consumer's individual need for social acceptance and higher recognition in his social setting. Researchers have also indicated that counterfeits are purchased for what their genuine counterparts represent, Wilcox et al (2009) believed consumers having positive attitude towards luxury brand consumption also have positive attitude towards their counterfeit consumption i.e. higher motivation to purchase and consume counterfeit brands.

Price differences between the original luxury brands and their counterfeit counterparts have also appeared to be in profound and significant relationship. The research findings clearly approves that consumers are motivated by moneysaving options that provide them with benefit of luxuries at considerable lower prices. Phau and Teah (2009) suggest that there is a significant relationship between consumers' level of value perception and their probability of counterfeit luxury brands purchases, proposing that these consumers may see counterfeit products as a considerable option than the actual expensive brands. Price differences among actual brands and their counterfeit tends to play a vital in determining consumers' preferences for "copy-cat" products as consumers are able to purchase almost similar looking and similar designed goods and features at relatively low price (Lau, 2006). Findings from the previous studies also emphasize and support current findings.

This research along with previous researches ascertain the influence of abundant availability of counterfeit goods do impact product choices in consumer purchase scenario. The level of counterfeit availability and ease of access to the counterfeits persuade the demand for pirated products. Easy availability of counterfeits and pirated products stimulate consumers to buy them (Penz and Stottinger, 2005; Stumpf et al., 2011). These counterfeits include not only branded luxury clothes, bags and perfumes but also drugs.

6   Chapter

CONCLUSION

In today's rapidly evolving consumer environment and consumer taste, counterfeits have developed their own room in the market place and consumers have apparently accepted them in their purchase situation. The factors studied in the study all have significance on consumer's intention to purchase counterfeit.

Counterfeiting is an enormously expanding venture because of its fruitful return on investment. Counterfeiters can generate staggering profits from such operations. Furthermore, low-cost technology and availability of cheap material for production has also enabled higher profit margins. However, Pakistani markets are exaggerated with lookalike and counterfeited products including lifesaving drugs which are being sold openly without any fear at public places like weekly bazaars, the lower courts, bus and truck stops, railway stations, schools, etc. rural areas seem to be more impressed by such market inclination as this figure has exceeded 60% in rural areas (The Citizen Newsletter, 2014).

To begin with, data was systematically collected from the available sources which include published articles, research work, applicable news information, business reports and other related material. To proceed with research work, primary data was gathered directly from consumers through questionnaire.

The objective of the study was met to explore the underlying reasons behind consumer motivation to purchase counterfeit based on desire to purchase luxury brands, social conformity, price differences and abundant availability of counterfeit products. Furthermore, results indicated positive relationship between these variables and consumer intention. Average market response confirmed today consumers are well aware of counterfeit availability and are easily able to distinguish between counterfeits and genuine brands.

References

- Barry, K. (2007). Counterfeits and counterfeiters: The ancient world. Retrieved September 11, 2007, from http://www.ancient-times.com/newsletters/n13/n13.html

- Bloch, P. H., Bush, R. F., & Campbell, L. (1993). "Consumer accomplices' in product counterfeiting: a demand-side investigation". *Journal of Consumer Marketing*, *10*(2), 27-36.

- Bloch, Peter H., Ronald F. Bush, and Leland Campbell. (1993). "Consumer 'Accomplices' in Product Counterfeiting: A Demand-Side Investigation"*, Journal of Consumer Marketing*, 10(4), 27-36

- Choate, P. (2005). "The golden covenant". *The New York Times*. Retrieved November 23, 2007

- Cordell, V. V., Kieschnick, R. L., Jr., & Wongtada, N. (1996). "Counterfeit purchase intentions: role of lawfulness attitudes and product traits as determinants". *Journal of Business Research*, *35*(1), 41-41.

- Eastman, J. K., Goldsmith, R. E., & Flynn, L. R. (1999). "Status consumption in consumer behavior: Scale development and validation."*Journal of Marketing Theory and Practice*, 41-52.

- Gistri, G., Romani, S., Pace, S., Gabrielli, V. & Grappi, S. (2009). "Consumption Practices of Counterfeit Luxury Goods in the Italian Context". *Journal of Brand Management*. 16(5/6), 364-374.

- Grossman, G. M., & Shapiro, C. (1988). "Foreign Counterfeiting of Status Goods". *The Quarterly Journal of Economics*, *103*(1), 79-79

- Green, R. T. & Smith, T. (2002). "Executive insights: Countering brand counterfeiters."*Journal of International Marketing* , 10 (4) , 89 – 106

- Hah L.S (2000), *Consumer Behavior towards Counterfeit Products: a Study on Urban Malaysian Consumer,* thesis BBA, university of Malaya.
  http://dx.doi.org/10.1016/0148-2963(95)00009-7
  http://dx.doi.org/10.1108/07363769310047374

- Hopkins, D. M., Kontnik, L. T., & Turnage, M. T. (2003). Counterfeiting exposed: Protecting your brand and customers.

- Inside retail Asia (2014), "luxury counterfeiting growing in India", *Inside Retail, India*, January 20.

- Kay, H. (1990). Fake's progress, Management Today, July, 54-8.

- Kapferer, J-N., Bastien, V. (2009), "The specificity of luxury management: Turning marketing upside down", *Journal of Brand Management*, Vol. 16, Issue 5/6, pp. 311-322.

- Lau, E. K., (2006) "Factors motivating people toward pirated software", *Qualitative Marketing research and International Journal*, 9(4), 404 – 419

- Liao, C., Lin, H. N., & Liu, Y. P. (2010). Predicting the use of pirated software: A contingency model integrating perceived risk with the theory of planned behavior. *Journal of Business Ethics*, 91(2), 237–252.

- Liao, C.-H., Thou, C.-W., & Huang, M.-F. (2007). Factors influencing the usage of 3G mobile services in Taiwan. *Online Information Review*, 31(6), 759–774

- Mihm, S. (2007). "A nation of outlaws - A century ago, that wasn't China it was us". *The Boston Globe.* Retrieved November 13, 2007

- Moreau, C. P. & Herd, K. B. (2010). "To each who owns? How comparisons with others influence consumers' evaluations of their self-designed products."*Journal of Consumer Research,* 36, 806-819.

- Penz, E, Stottinger, B (2008) Original brands and counterfeit brands—do they have anything in common? *Journal of Consumer Behavior* 7: pp. 146-163

- Pakistan Press International (PPI) (2015), General Business News to TCEP, Karachi August 24, 2015.

- Phau, I., and Teah, M. (2009). Young Consumers' Motives for Using SMS and Perceptions towards SMS Advertising. *Direct Marketing: An International Journal,* 3(2), 97-108

- Raustiala, K. and C. Sprigman., 2006, "The Piracy Paradox: Innovation and Intellectual Property in Fashion Design", *Virginia Law Review*, 92(8):1687-1777.

- RomaniS., GistriG, PaceS, "*When counterfeits raise the appeal of luxury brands* "September 2012, Volume 23, Issue 3, pp 807-824

- Shahid Qureshi, Co-Chairman IPR Committee of OICCI (2013), Annual report, Islamabad, 2013, OICCI

- Stumpf, S.A., Chaudhry, P. E., & Perretta, L. (2011*). Fake: Can business stanch the flow of counterfeit products? Journal of Business Strategy*, 32 (2), 412.
- Shocker, A. D., Bayus, B. L., & Namwoon, K. (2004). "Product complements and substitutes in the real world: The relevance of 'other products'". Journal of Marketing, 68(January), 28-40.

- Tatheer Islam 2015, Pakistan fashion industry registers 79% growth', "*Life Stle Magazine",* Islamabad, Sep 16, 2015.
- Tom, Gail, Barbara Garibaldi, Yvette Zeng, and Julie Pilcher. (1998). "Consumer Demand for Counterfeit Goods", *Psychology and Marketing*, 15(5), 405-421
- Triandewi, Ervina, Tjiptono, Fandy "*International Journal of Marketing Studies* , Vol. 5, No. 2 , April 2013
- Vigneron, Franck and Lester W. Johnson. 2004. ―Measuring perceptions of brand luxury. *Journal of Brand Management* 11 (6): 484-506
- Wilcox, K., Kim, H. M., & Sen, S. (2009). "Why Do Consumers Buy Counterfeit Luxury Brands?"*Journal of Marketing Research (JMR),46*(2), 247-259
- Yao, J.-T. (2005). "Counterfeiting and an Optimal Monitoring Policy". *European Journal of Law and Economics*, Vo. 19, pp. 95-114.

Appendix

Questionnaire

Topic: An Analysis of Customers' Market Acceptability of Counterfeit Brands

Counterfeit is manufacturing the copies of imitation products with the intent to defraud. Counterfeits can be easily available in the market with the names of 'replica', 'copy-cat', 'first copy', 'imitation' or 'duplicate' products of genuine brands.

ge:

Gender:
Occupation:
Education:

1. How often do you go for shopping?
   o Once a week
   o Once a month
   o Twice a month
   o Once in two months
   o Only Occasionally

2. Where do you go for shopping mostly?
   o Malls
   o Bazaars
   o Discount stores
   o Others ……………………………………….

3. Are you able to distinguish between original products and fake products?
   o Yes
   o No

Desire to purchase luxury brands

4. I want to purchase luxury brands

   o strongly agree
   o agree
   o neither agree nor disagree
   o disagree
   o strongly disagree

5. Do you feel prestigious when you see other people wearing famous brands?

- o strongly agree
- o agree
- o neither agree nor disagree
- o disagree
- o strongly disagree

6. I intend to purchase counterfeit goods?
- o strongly agree
- o agree
- o neither agree nor disagree
- o disagree
- o strongly disagree

7. Do you feel prestigious when you notice people wearing counterfeit of your favorite brand?

- o strongly agree
- o agree
- o neither agree nor disagree
- o disagree
- o strongly disagree

Social conformity factor

8. I am likely to wear counterfeit if I look similar to original brand users

- o strongly agree
- o agree
- o neither agree nor disagree
- o disagree
- o strongly disagree

9. Wearing counterfeit or copy brand will develop more approval, if people don't realize that it is not original brand.
- o strongly agree
- o agree
- o neither agree nor disagree
- o disagree

o   strongly disagree

10. While making a choice of brand, I consider brands that are currently in fashion
   o   strongly agree
   o   agree
   o   neither agree nor disagree
   o   disagree
   o   strongly disagree

11. While purchasing a choice of brand I consider brands that are liked by most people
   o   strongly agree
   o   agree
   o   neither agree nor disagree
   o   disagree
   o   strongly disagree

12. While purchasing a brand, I consider my choice even if they are disliked by others
   o   strongly agree
   o   agree
   o   neither agree nor disagree
   o   disagree
   o   strongly disagree

Price difference
13. Original brands are overcharged
   o   strongly agree
   o   agree
   o   neither agree nor disagree
   o   disagree
   o   strongly disagree

14. Purchasing counterfeit is a money saving option
   o   strongly agree
   o   agree
   o   neither agree nor disagree
   o   disagree
   o   strongly disagree

15. Counterfeit allow consumers to get maximum benefit in lowest price possible
   o   strongly agree
   o   agree

- o neither agree nor disagree
- o disagree
- o strongly disagree

16. value for money is important even if the prices are high
- o strongly agree
- o agree
- o neither agree nor disagree
- o disagree
- o strongly disagree

Ample availability
17. Counterfeit products are easily available?
- o strongly agree
- o agree
- o neither agree nor disagree
- o disagree
- o strongly disagree

18. greatest benefit of consuming counterfeit is its easier availability

- o strongly agree
- o agree
- o neither agree nor disagree
- o disagree
- o strongly disagree

Intention to purchase counterfeit
19. I am likely to purchase counterfeit of my favorite brand, if I find it:
- o strongly agree
- o agree
- o neither agree nor disagree
- o disagree
- o strongly disagree

20. I am likely to wear counterfeit of brand that create more social acceptance
- o strongly agree
- o agree

- o neither agree nor disagree
- o disagree
- o strongly disagree

21. I am likely to purchase counterfeit if there is a price difference between original brand and counterfeits
    - o strongly agree
    - o agree
    - o neither agree nor disagree
    - o disagree
    - o strongly disagree

22. I purchase counterfeit because it is available in the market
    - o strongly agree
    - o agree
    - o neither agree nor disagree
    - o disagree
    - o strongly disagree