



**UNIVERSITI PUTRA MALAYSIA**

***AN EXPLORATORY STUDY ON COUNTERFEIT PURCHASE INTENTION  
OF INTERNATIONAL BRANDS AMONGST MALAYSIANS***

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An exploratory study on counterfeit purchase intention of international brands amongst Malaysians / Mah Pei See.

**FEIT BRANDS**

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INTENTION OF INTERNATIONAL BRANDS AMONGST  
MALAYSIANS**

**BY**

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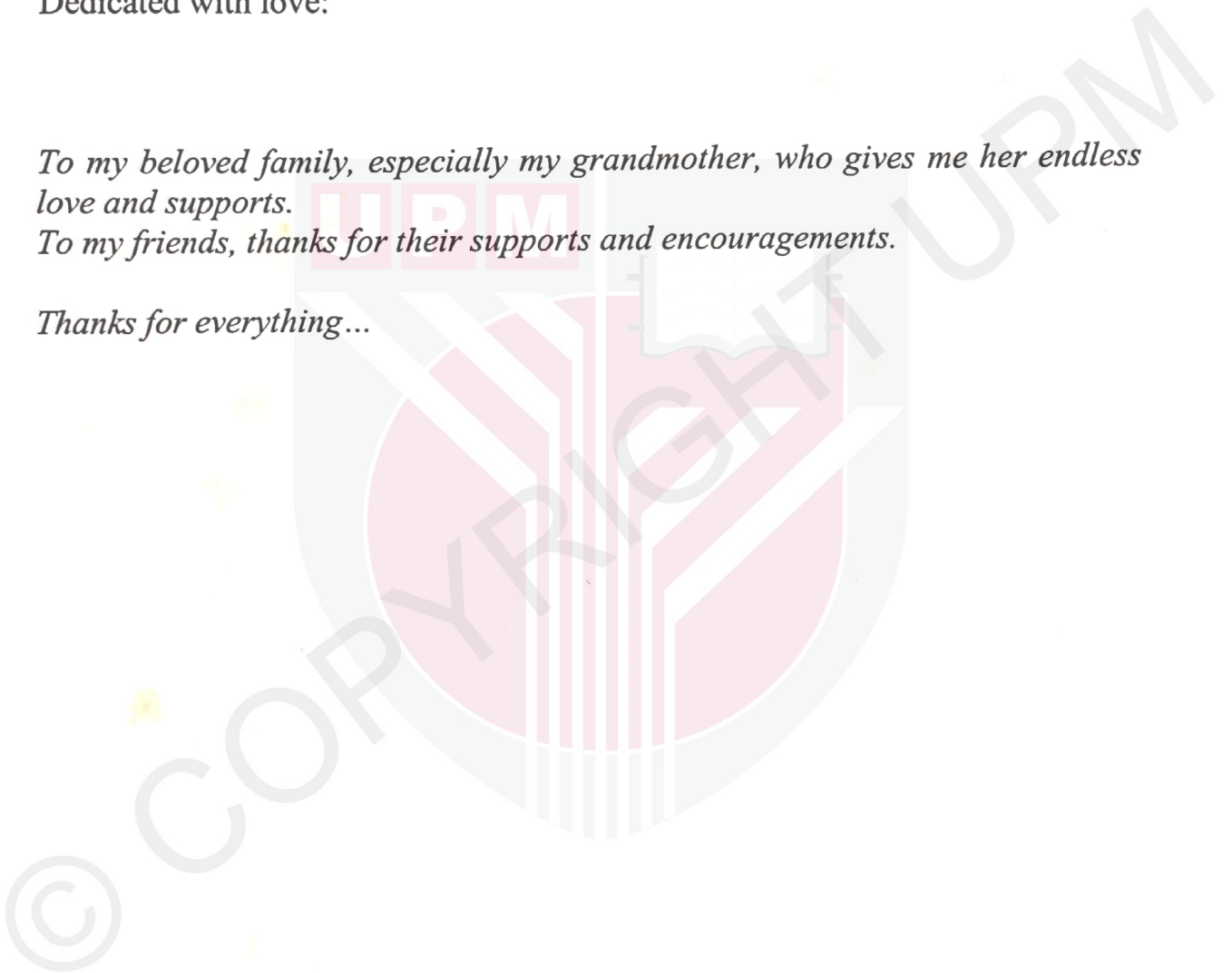
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Dedicated with love:

*To my beloved family, especially my grandmother, who gives me her endless love and supports.*

*To my friends, thanks for their supports and encouragements.*

*Thanks for everything...*



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## ABSTRACT

Counterfeit merchandise has become one of the most prosperous businesses in the country. Trade in counterfeit amounts to millions of ringgit each year, though providing the nation many opportunities in employment and trade, it also brings various adverse effects to an increasing number of industries. Counterfeit merchandise not only cuts into profits of the original brand manufacturers, but it also harms the brands' equity and the owners' reputation. The purpose of this study was to test the conceptual model of consumers counterfeit purchase intention for international brands. This study also attempted to explore the possibility of counterfeits devaluing the original brands. Over the years, counterfeit manufacturers and merchants have been blamed for illegally replicating and selling products of famous brands. This is only the supply side of the whole counterfeit trade. The economic theory always suggests that there is supply when demand occurs. Hence, it is necessary to understand the reasons behind the demand for counterfeits. Putting price aside, this study uses a non-price conceptual model, which includes the psychographics, product-attribute, and demographic variables. The ultimate goal is to explore the possible relationship between these constructs with the counterfeit purchase intention represented by the number of counterfeit items had been purchased by the respondents. Convenient survey technique, regression, and descriptive analyses were deployed. Implications of the study were also discussed in the final section of this study.

## ABSTRAK

Kajian ini bertujuan untuk mengetahui sebab-sebab pengguna membeli barangan palsu jenama terkenal, serta mengetahui sama ada kehadiran barangan palsu di pasaran dapat merendahkan nilai jenama asal. Sejak bertahun-tahun lalu, barangan palsu jenama terkenal telah membanjiri pasaran pengguna. Perniagaan haram ini telah menjadi salah satu industri yang berkembang pesat dalam negara. Namun ia telah banyak memberi peluang pekerjaan dan perniagaan kepada warganegara, ia juga banyak mendatangkan masalah kepada pengeluar jenama asal dan industri-industri yang berkaitan. Dalam kajian ini, faktor-faktor yang terlibat boleh digolongkan kepada tiga golongan, iaitu seperti psikografik (psychographic), tabiat barangan (product-attribute), dan latar belakang pengguna (demographic). Selain, kajian ini menggunakan kaedah kaji selidik terhadap pengguna yang pernah membeli barangan palsu daripada jenama terkenal. Keputusan kajian ini menunjukkan bahawa umur pengguna, pendapatan bulanan, status jenama, kualiti serta fungsi barangan dibeli mempunyai kaitan rapat dengan bilangan barangan palsu yang dibeli. Keputusan kajian ini membolehkan kita memahami sebab pengguna membeli barangan palsu. Maklumat ini dapat membantu pengeluar asal jenama terkenal menangani masalah perniagaan haram barangan palsu jenama terkenal dalam pasaran.



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## **CHAPTER 1**

### **INTRODUCTION**

#### **1.0 INTRODUCTION**

This chapter will provide an overview of the study that includes the background, problem statement, significance of the study and organization of the thesis.

#### **1.1 BACKGROUND OF THE STUDY**

People always believe that ownership of international luxury brands is a way of showing their personalities, aspirations and achievements. Especially as the nation grows and develops over the years, and people are getting more disposable income, the demand for luxury brands surge as well. Or at least, the people in developing countries started to get to know more international luxury brands when these brand leaders penetrated into the developing countries' consumer market.

As the trend of buying luxury brands, where people are chasing for original luxury goods, there are people who are also buying counterfeits of luxury goods. The purchase of fake luxury goods can also be explained as to materializing the “dreams” of luxury with a lower price. When consumers are aware of purchasing a counterfeit product at the time of purchase, the transaction involved is called a non-deceptive counterfeiting. Non-deceptive counterfeiting is especially common in the luxury brand market. On the other hand, deceptive counterfeiting is identified as a situation in which the consumers are not aware of purchasing a counterfeit product at the time of the purchase. Deceptive counterfeiting can be observed mainly in markets for automotive parts, consumer electronic products such as computers and stereo equipment, pharmaceuticals and medical devices.

The practice of product counterfeiting high-visibility, strong brand-name luxury consumer goods has become an alarming problem. The value of counterfeit goods on the world market has grown by 1,100 percent since 1984.

According to the International Chamber of Commerce, global losses from counterfeiting of luxury brands as well as other consumer goods amounted to more than \$200 billion in 1996 and counterfeit products accounted for 5 percent of world trade (Nill & Shults, 1996). An estimated 750,000 jobs were lost due to foreign counterfeiting of U.S. products in 1993. Watches, toys, and textiles, which carry a high brand image and require relatively simple



production technology, top of the list of goods seized by the U.S. Customs Service, which typically impounds more than \$30 million worth of counterfeit merchandise each year (Nill & Shultz, 1996). In 2000, a survey conducted by Global Anti-Counterfeiting Group reveals that the EU's gross domestic products is reduced by more than £5bn a year because of counterfeit goods. This has resulted to an estimated loss of 17,000 jobs. The European economy as a whole has lost out to the tune of £135bn through subsequent reduced spending, loss of profits and loss of business revenue.

Strong affinity, huge financial incentives, and the global diffusion of technologies for mass production are the primary attributions towards the explosive growth of many forms of counterfeiting. The replication of authentic merchandise offers tremendous cost advantage because almost no investments in product research and development or brand name advertising are required. The tremendous profit margins and the low risk of counterfeiting often lure companies in newly industrialized and emerging economies. Many businesses in these countries are capable in mass production and distribution. However, they lack the name and brand recognition and thus find it difficult to compete with established products. Reproducing products already well known seemed to be the easiest way to reserving profits.



From the counterfeiters point of view, many of them claim that their business are not unlawful or wrong because the consumers are fully aware that they are purchasing a counterfeit product. The reasons of the counterfeit purchase by the consumers are varies. Some of the consumers are aware that the goods they purchase are counterfeits but they believe they are as good as the genuine products. Others buy counterfeits because they cannot afford the authentic products. Thus, counterfeiters are not actually taking away customers of luxury brands such as “Chanel” (Hustak, 1990).

## 1.2 PROBLEM STATEMENT

A brand with luxury status is attributed to its special characteristics that are prestige and rarity. However, when the counterfeit international luxury brands start to take place in the market, the prestige and rarity of the genuine products will be affected. The counterfeiting of these brands may negatively affect the image of the original and hence the desire to own the original. Therefore, it is important to understand the proliferation of counterfeits impact on the special equity of original brands.

At the same time when counterfeiters are making profits from the fake goods they produced, these profits are not only contributed by the direct buyers of the counterfeits, but also come at the expense of legitimate marketers, laborers, and consumers of genuine goods. Although counterfeiting is considered a crime, the demand for counterfeits and the luring profits just made it too difficult for the counterfeiters to let go. The reasons of non-deceptive counterfeit purchases, especially among the Malaysian consumers are yet to be explored.

The expanding of counterfeit business is clearly an issue of consumer behavior. To be effective in eradicating counterfeiting, we have to understand the consumer's propensity to purchase counterfeit products (Wee *et al.*, 1995)

### **1.3 THE RESEARCH OBJECTIVES**

#### **1.3.1 The General Objective**

The purpose of this study is to explore the possible intentions of Malaysian consumers in purchasing counterfeit international brands, which has become a popular trend in the country. This study will also examine the impact of counterfeits towards brand equity where the availability of counterfeits will negatively affect the purchase intentions of original brands.

#### **1.3.2 Specific Objectives**

1. To explore the counterfeit purchase intentions of Malaysians (Wee *et al*, 1995).
2. To explore whether the availability of counterfeits will affect the purchase intentions of original international brands (Nia and Zaichkowsky, 2000).

#### **1.4 SIGNIFICANCE OF THE STUDY**

This study will help to increase our understanding of consumer behavior in the counterfeit goods marketplace, and ultimately, our ability to predict such behavior. It will also help the marketers and international brand manufacturers to further understand the complexity of the consumer decision making process, better marketing strategies as well as demand management.

#### **1.5 ORGANIZATION OF THE THESIS**

The contents of each chapter will be briefly discussed as follows.

##### **1.5.1 Chapter 1**

This chapter will provide an overall picture of the study in order to give readers a brief idea of the research undertaken.

##### **1.5.2 Chapter 2**

This chapter attempts to review the previous relevant studies have been published, and are taken as reference and guideline for this research.

### **1.5.3 Chapter 3**

The methodology and procedures of the study are discussed in detail in this chapter.

### **1.5.4 Chapter 4**

This chapter presents all the data collected, and results of the analyses being adopted in this study.

### **1.5.5 Chapter 5**

This chapter will discuss the major findings, implications, limitation, as well as recommendations for future studies.



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