

An Analytical Study on Counterfeiting of Luxury Brands

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Abstract: In this era of stiff competition where products are usually sold because of their brand identity but these luxury brands are facing a major menace from counterfeit brands. Luxury brand owners used to spend millions to effectively attract the customers toward their renowned brands but brand counterfeiting which has become the number one crime of the 21st century is hurting the integrity of these brands and thus disintegrating the sales of the authentic product. This paper seeks to identify the scale with which counterfeiting is growing, the key reasons for its growth and the challenges that it poses for brand-customer relationships.

Keywords: Brand identity, Counterfeiting

I. INTRODUCTION

Counterfeiting is a significant and growing problem in both growing and well developed countries. Multinational companies are spending a lot in their R&D activities in order to create the world class brands. The growth rate of counterfeiting has been pioneering during the last two decades. It has become a challenge for the government, genuine-item manufacturers and consumers as well. Counterfeiting also referred as piracy in a common trade parlance mean the unlawful acquisition by a person of the property of another person without his consent. Ever since the evolution of brands, the business has marked a trend in the society where everyone wants to associate himself/herself with the latest quality fashion trends in different forms like branded clothes, institutes, branded products etc. These consumers are drawn to premium brands in part because of the exclusivity and intension of prestige associated with them. After all, what matters at the end is to show off the branded you. Expeditious advancement in the technology and liberalization of the Indian economy have created an ideal market place for people misusing existing brand values that have been cultivated and nourished over a period of time. The spread of counterfeit goods (commonly called “knockoffs”) has become global in recent years and the range of goods subject to infringement has increased significantly.

1. LEVELS OF COUNTERFEITING

Scale of counterfeiting is increasing day by day. According to Bosworth and Yang (2002), counterfeiting has become a global problem of enormous magnitude. Other figures by Commuri (2009) suggest that counterfeits reduce the sales of genuine-items by \$15 billion to \$50 billion, and \$250

billion if pirated goods are included out of which knock-offs account for \$9 billion (Commuri 2009). According to Sridhar (2007), “while the world is growing by three to four percent, counterfeits are growing by 150 percent” The key factors identified by INTA (2009) include the world wide reach of internet; online payments; anonymity gained from operating via internet; easier to deceive buyers by showing pictures of original products and selling the counterfeit one.

There are two principal markets for trademark- and copyright-violated products, Primary market and secondary market. In the first (the primary market), counterfeiters penetrate into the distribution channels with products that are often substandard. Consumers inadvertently purchase these products, thinking that they are genuine. In fact, they have been deceived. This is called Deceptive counterfeiting. The secondary market involves consumers who knowingly, under certain conditions, are willing to purchase counterfeit or pirated products, that they know are not genuine. Consumers who knowingly purchase such products are also aware that they are supporting counterfeiting. This is non-deceptive counterfeiting.

“Sometimes consumers are unaware that they are purchasing counterfeit or pirated products; other times they knowingly support counterfeiting or piracy activities.”

2. The Supply chain network

Wholesalers and even fewer packers and manufacturers comprise a pyramid structure supply chain network of counterfeiting. Counterfeit products are sold from the retail market outlets that are supplied by the wholesalers, who in turn get their feed from printers, packers and manufacturers. The retail selling outlets are visible at market places while the remaining players operate from behind the scenes.

II. KEY REASONS FOR COUNTERFEITING GROWTH

Actually I am very glad that people can buy Armani - even if it's a fake. I like the fact that I'm

so popular around the world- Giorgio Armani.

The protection of consumer and industrial products against counterfeiting and unauthorised import is a big concern for brand owners. This is a general perception that counterfeiting is an inevitable offspring of globalisation. The

biggest concern is, however the customer's attraction towards these pirate products is directly proportional to price of these products which are sold at 40 to 45% lesser value than the original. A common man with limited knowledge falls for the counterfeit products due to its cheap or discounted prices. Enforcement of laws against counterfeiting is not so strict in India which is another big jolt for the brand industry. There are a number of reasons for the morbid growth of counterfeits. These includes: high profitability, consumers have no issue about these counterfeit products as they are getting benefit from lower prices; consumers find it difficult to recognise counterfeits; low ethical standards in the trade. Indian metros have become base for manufacturing counterfeit products and account for maximum Intellectual Property Rights violations. Delhi is the hub of counterfeit products in India as nearly 70 per cent counterfeit products originate here.

Consumers - The demand aspect

Demand aspect of consumers is the aspiring attitude shown by them to buy the latest luxury branded products in spite of buying the original luxury goods "Since demand is always the key driver of a market, various researchers have argued that consumer demand for counterfeits is one of the leading causes of the existence and upsurge in growth of the Counterfeiting phenomenon" (Bamossy and Scammon 1985). Counterfeiters purchased more when brand become renowned and when its brand equity starts to signify an image instead of the actual tangible attributes of the product. Due to this reason they tend to buy more low-price low-quality counterfeits instead of originals (Gentry et al 2001; Ang et al 2001). The more successful the brand name would be, the more likely it is to have counterfeits (Nia and Zaichkowsky 2000; Eisend and Schuchert-Guler 2006).

Manufacturers – The supply aspect

From the manufacturer's perspective, "counterfeits of luxury brands do not require much effort to be sold, nor do they require much money to be manufactured. The amount of money and time original luxury brand owners spend in establishing brand equity is which these counterfeit goods manufacturers do not have to incur" (Commuri 2009). Furthermore, the premiums charged from the consumer by the legitimate manufacturers of luxury goods are generally very high from what manufacturers of counterfeits charge to their customers. Consumers, who buy products on the basis of functional attributes of the product, seem to value more on the price than rest of the factors consumers considered the prices of these luxury products to be too high despite the excellent production quality and other benefits associated with them. Also, the study conducted by Yoo and Lee (2005) showed that when price information about the brand was provided to the respondents, the preference for genuine item diminished.

III. CHALLENGES IT POSES FOR BRAND CUSTOMER RELATIONSHIP

Counterfeiting not only reduces the sales of original goods but it also adversely affects the brand equity and consumer confidence and in turn hurts channel loyalty, which directly

or indirectly affects the brand-customer relationship. Counterfeit products have a negative impact on the innovation or on the R&D of a renowned brand. They pose the threat to the welfare of consumers by hurting the brand reputation. Counterfeiting also reduces the sales share of legitimate businesses and thus undermining the ability of luxury brands to benefit from the breakthrough products. These days' companies have to spend higher costs in order to combat counterfeiting.

To understand how the consumer reacts to counterfeiting, we will focus first on Commuri's (2009) study, where the consumer of a particular trademark adopts one of these strategies:

- Flight: For the individual adopting this strategy, when the preferred brand is counterfeited, the consumer abandons it for a new brand that has not been counterfeited, lest others confuse the consumed product with a counterfeit article.
- Reclamation: Consumers from this group are defensive concerning counterfeiting. Because they are loyal customers of the counterfeited brand, they deplore the loss of Exclusivity and absence of recognition;
- Abbranding: These consumers don't want to be imitated. They want to be unique in what they wear, drive and do. Abbranding is a state of consumption in which the brand May carry high personal mean, but neither its identity nor the meaning is readily Accessible to others.

IV. CONCLUSION

Counterfeiting a \$650 billion a year problem, grown over 10,000 percent in the past two decades has been described as "The crime of the 21st century" (ACG Report 2003). It has grown up by enormous magnitude, poses threats to luxury brands; the customer loses interest in the brand that is widely counterfeited. Counterfeits are manufactured and consumed in all economies – emerging economies being developing countries provide favouring conditions for counterfeiting business. The presence of counterfeits not only affects the potential customers of brands negatively, but it also makes it arduous for legitimate manufacturers to retain their existing customers. The losses incurred due to counterfeiting businesses are huge. Counterfeits undermine the phenomenon of innovation and negatively affect the brands, economies, consumers of legitimate goods, as well as general public. As counterfeiting has become an economic problem of international importance and has been growing dramatically across the globe, manufacturers of the original products and government find themselves in a constant battle against counterfeiters. This has led to a variety of countermeasures based on lawful, political, administrative, or business techniques. Thus at last we can say that both the government and industry should go hand in hand to find out the better ways to eradicate this problem and thus saving the brand identity of renowned firms.

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