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Consumers' Purchase Behaviour of Non-Deceptive Counterfeit Products: The Role of Ethical Concern

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Abstract: The issue of counterfeiting is common in many parts of the world, especially in the developing countries. This issue has reached a critical stage when counterfeiting is viewed globally as a criminal act and even on par with narcotics, weapons, human trafficking and terrorism. There were many studies in the past carried out to find the underlying reasons why consumers purchase counterfeit products. However, there is no best solution to overcome this issue other than a strict and standard law enforcement to be practiced and enforced all around the world. This article sets out to examine to what extent ethical concern influences consumers' purchase behaviour of counterfeit products. An intercept survey involving consumers who visited hot spot areas selling counterfeit products was conducted. A self-administered questionnaire was designed using established scales. A variety of statistical techniques were used to analyze the data. Analyses conducted reveal that ethical concern is negatively related to the purchase behaviour of counterfeit products. The findings indicate that respondents who have higher ethical concern will have lower tendency to purchase counterfeit products. The research provides an understanding of ethical issue on unethical behaviour such as counterfeiting.

Keywords: counterfeit products, consumer purchase behaviour, ethical concern, counterfeiting.

I. INTRODUCTION

Counterfeit is a global phenomenon as the market for it is expanding worldwide and continues to grow as a fast going challenge for global marketers of genuine products. This issue has moved a serious stage when counterfeiting is viewed globally as a criminal act and even on par with drugs, weapons, human trafficking and terrorism (Lisa Maria Turunen & Laaksonen, 2011). Rizwan, Jamal, Ul-Abidin, Zareen, Khan, Farhat and Khan (2013) note that counterfeiting and plagiarism of either sumptuous consumer or industrial goods have posed a serious global threat because the market is growing more rapidly in developing countries than in the advanced nations.

Ha and Lennon (2006) defined counterfeit as reproduction that appears identical to legitimate products in appearance, including packaging, trademark and labelling. Stanke, Thienesse and Fleisch (2009) define counterfeit products as unauthorized manufacturing of articles which mimic certain characteristics of genuine products.

Although counterfeiting goods are perceived to be imitated products of low in quality, cheap, distasteful, easily available and in certain cases, even harmful (Trott & Hoecht, 2007; Yeap & Thurasamy, 2006), the “quality” of counterfeit products is believed to have improved gradually for the past several years (Budiman, 2012). This improvement has permeated into almost every attribute of counterfeit product especially luxury goods in terms of its design, quality and durability (Turunen & Laaksonen, 2011). Hence, this could be one of the reasons why there is continuous demand for counterfeiting goods. This trend might have been getting more serious recently (Stravinskiene, Dovaliene, & Ambrazeviciute, 2013). Thus, counterfeiting has become a critical issue that must be resolved as it has a strong negative effect on national economics (Romani, Gistri, & Pace, 2012). Rizwan *et al.* (2013) assert that counterfeiting is “liable for getting grievous monetary and societal impairments to both legal manufacturers and society”.

Researchers namely Eisend and Schuchert-Guler, (2006) and Carpenter and Lear (2011) cited that depending on whether the consumer is conscious or unconscious about his or her purchased of counterfeit products, it is important to group counterfeits purchase into deceptive and non-deceptive counterfeiting. Deceptive counterfeiting indicates a situation where consumer is unconscious of being misled into buying a counterfeit products. Consumers believe that they are buying an original product produced by a specific company, where in fact it is produced by other producers who imitate the genuine product and infringe the original producer’s registered trademark rights. This type of counterfeiting is relatively popular in the luxury product market.

On the other hand, non-deceptive counterfeiting occurs in a situation when consumers are conscious that the products that they buy are imitation, but still intentionally making a mindfull decision to purchase it (Eisend & Schuchert-Guler, 2006). This is because consumers do not feel the purchase of counterfeit products to be immoral, against the law or lack of integrity (Ang, Cheng, Lim, & Tambyah, 2001; Norum & Cuno, 2011).

As being mentioned by Hendriana, Mayasari, and Gunadi (2013), counterfeit products have been discovered to be a severe problem around the world in recent days. Counterfeiting is such a problem that trigger havoc not only in economic activities but also affect social life as well. In short, the effects of the counterfeit product, no matter consumers intend to buy or not, have some unpleasant effect on consumers’ welfare as a whole (Haque, Khatibi & Rahman, 2009). Besides, it hampers the benefits of the legal (actual producers) manufactures; even endanger the human life. Despite the global legal sanctions against the manufacturing and the consumption of counterfeit products, the problem is increased rapidly. Given that the market for counterfeit products relies on consumers’ request for original products (Hoe, Hogg, & Hart 2003; Penz & Stottinger 2005), insights into the underlying factor that influences the purchase of counterfeits is deemed imperative.

II. LITERATURE REVIEW

As been mentioned by Neale and Fullerton (2010), ethics in itself has no universally accepted definition. Nevertheless, they described ethics as “a set of principles describing a behaviour code that explains what is

good and right or bad and wrong.” In the same vein, Hunt and Vitell (2006) recommended that ethics play a vital function in consumer decision making situations and in certain circumstances, consumers’ purchasing decisions depend on their degree of ethics. There are consumers who prefer to be ethical in their purchase behaviour, while others don’t bother about the ethical concerns involved in purchasing situations.

There are many studies that viewed counterfeiting as an ethical problem (Nill & Shultz, 1996; Ratajczyk-Zwierko, 2000). An underlying reason for this interpretation is because counterfeit product diminishes the genuine product company’s reputation by marketing products of poor quality as compared to genuine products. Another reason why counterfeiting is perceived as unethical is because counterfeiters may deceived consumers by providing them wrong information about counterfeit products. In relation to that, there are studies that investigated consumers’ perception towards counterfeiting in relation to ethical judgments. For example, Ang *et al.* (2001) discovered that the attitudes of buyers and non-buyers toward counterfeiting differ from each other, such that the buyers did not recognize counterfeit buying activity as unethical behavior.

The Hunt-Vitell theory of ethics (Hunt & Vitell, 1986; Hunt & Vasquez-Parraga, 1993) postulates that ethical judgments are a function of philosophical perspectives and individual ethical concern. Ethical concern are guidelines for behaviors that are morally acceptable (Wilson, 2003).

Previous studies examining consumer differences in ethical decision-making processes has concluded that consumers’ ethical concern are crucial in developing evaluations, attitudes, and behaviors related to ethical situations, such as ethical judgments (Freestone & McGoldrick, 2008; Robertson, McNeill, Green, & Roberts, 2012; Bray, Johns, & Kilburn; 2011). Ethical concern reflects consumers’ internal ethical rules based on personal beliefs about right or wrong (Shaw, Shiu, & Clarke, 2000).

Ethical concern and consumer behaviour of a consumer are related in such a way that if a consumer trusts an action is ethical, he/she is more likely to act such an action (Green, & Roberts, 2012). What is determine as right and wrong plays an important role in the purchase behaviour pattern of an individual. Thus, if a consumer believes that there is absolutely right to purchase counterfeits, the tendency he/she will purchase them on a regular basis in the future will be higher (Fernandes, 2013). This is also supported by Pentz and Stottinger (2005) that what is “importantly right and wrong” play a crucial role in the purchase behavior, as they may have a self-binding effect on the individual consumer. In another words, it indicates that consumers who have a higher ethical concern would be more embarrassed if they were discovered buying counterfeits.

Studies from previous research such as by Fritzsche and Oz (2007), Cheung and Prendergast (2006) and Ha and Lennon (2006) has stated the ethical dimension of counterfeited purchases. Specifically, research proposes that consumers’ willingness to purchase counterfeit products depends on their ethical principles involving lawfulness, as often counterfeiting is associated with child labour and other illegal activity (Cordell, Wongtada, & Kieschnik, Jr., 1996; de Matos *et al.*, 2007). deMatosA, Ituassu and Rossi (2007) pointed out that ethical concern is different from personal integrity, as consumers may value honesty and responsibility but do not feel obligated or guilty to avoid ethically questionable behaviours such as buying counterfeit products or buy brands that been produced by child labour. On this basis, consumers who feel ethically obligated not to purchase counterfeit products are less likely to develop positive attitudes and intentions towards counterfeit products (Ang *et al.*, 2001). Thus, it is reasonable to anticipate that ethical concern would be associated to purchase behaviour of counterfeit products. Therefore, we hypothesize that:

H1: Ethical concern is negatively related to purchase behaviour of counterfeit products.

III. METHODOLOGY

This study is correlational in nature where data was collected once. The study was carried out with the objective to understand the consumer purchasing behavior of counterfeit products. A survey method was employed because this study strongly believes that survey research is best to be used to obtain personal and social facts, beliefs, and attitudes (Kerlinger, 1973). The unit of analysis for this study was the individual consumer who went for shopping at hot spot areas where counterfeit products are commonly available. Shoppers were approached to participate in a self-administered questionnaire. This study treats each consumer's response as an individual data source. A five-point Likert scale was used to measure all of the items for the variables to minimize the confusion among respondents and to make sure of the equality among variables (Ackfeldt & Coole, 2003). The five-point Likert scale are: 1=strongly disagree, 2=disagree, 3=neither agree nor disagree, 4=agree, 5=strongly agree.

Consumer purchase behavior towards counterfeit products is defined as the counterfeit product purchase behavior in general, without any specificity concerning categories of product. This study operationalized consumer purchase behavior of counterfeit products as self-reported measures of general behaviour towards counterfeit products. The consumer purchase behaviour measure for this study was based on a study of Wang, Zhang and Ouyang (2005), which examined counterfeit purchase behavior of pirated software among Chinese in China, with modifications concerning the phrasing of the items to suit the general counterfeit products context in this study. It required respondents to rate their responses towards four items relating to counterfeit products purchase behaviour in general. Ethical concern is operationalized as an individual's internalized ethical rules, which reflect their personal beliefs about right and wrong. The measures used for this study is based on Cronan and Al-Rafee (2007), with modifications concerning the phrasing of the items to suit the counterfeit products context in this study.

IV. FINDINGS AND ANALYSIS

Out of the 405 respondents intercepted, 74 percent of them agreed (393 respondents) to involve in the survey, representing a response rate of 97 percent. From this number, 60 percent of the respondents were female (60%). Majority of the respondents were at the age between 21 to 30 years (38%). This is followed by those in the age group of 31 to 40 years (19%). With regards to the employment status, majority of the respondents works in private organization (33%), followed by government servants (18%) and self-employed (13%). Nearly half of the respondents are high school leavers (46%), followed by degree holders (20%). The average income level of the respondents is between USD 500 to USD 800.

Table 1
Reliability Values

	<i>Alpha value</i>
Purchase behaviour of counterfeit products	0.73
Ethical concern	0.89

Table 2
Correlations Between Variables

	<i>Purchase behaviour of counterfeit products</i>	<i>Ethical concern</i>
Purchase behaviour of counterfeit products	1	
Ethical concern	- 0.64**	1

**p ≤ 0.01

Table 1 shows the alpha values for both variables; namely purchase behaviour of counterfeit products and ethical concern. As shown in Table 2, ethical concern is negatively correlated with purchase behaviour of counterfeit products., In order to test the hypothesis, multiple regression was conducted to analyze the effect of ethical concern on purchase behaviour of counterfeit products. Result generated is shown in Table 3 below.

Table 3
Regression of Ethical Concern on Purchase Behaviour of Counterfeit Products

<i>Independent Variables</i>	<i>Standardized β</i>	<i>t-statistics</i>	<i>p-value</i>
Ethical concern	-0.712	5.14	0.00**

n=393; adjusted R²=0.52; F=4.631; ** p ≤ 0.01

As shown in Table 3, result indicates that ethical concern is a significant variable having a negative influence on the purchase behaviour of counterfeit products ($\hat{\alpha} = -.712$). This predictor is explained by 52 percent of the variance in purchase behaviour of counterfeit products. In summary, there is a sufficient statistical evidence to support the hypothesis that ethical concern is negatively related to purchase behaviour of counterfeit products.

V. DISCUSSIONS AND CONCLUSIONS

The result revealed that ethical concern is negatively related to purchase behaviour of counterfeit products. This indicates that, those respondents who have higher ethical concern will have lower tendency to purchase counterfeit products. One explanation for this is perhaps respondents believe that counterfeit purchasing is unethical. This is consistent with Ang *et al.* (2001) who found that consumers who feel ethically obligated not to buy counterfeits are less likely to have positive attitudes and intention to purchase counterfeit products. Cordell and his colleagues (1996) also stated that consumers might justify their purchase of counterfeits as a response to what they consider the genuine products' unfair advantages and marketing strategies. Logically, in the consumer ethics literature, researchers also posit moral judgment as an important input for individuals to derive their global attitude and behaviour toward unethical behaviour (Bian & Veloutsou 2007).

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