

Factors Influencing the Intention of Consumer Purchases of Counterfeit Branded Products in Jakarta

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Key Words

Consumer Purchase Intention, Counterfeit Branded Product, Brand Image, Jakarta

Abstract

Period of study – the study was conducted from March to June 2012

Purpose – the purpose of this paper is to identify factors that influenced the intention of consumer purchase of counterfeit branded products in a non-deceptive context and to test gender differences when people were purchasing counterfeit branded products in Jakarta, Indonesia.

Methodology – using convenience sampling, there were 180 valid respondents participated from the survey. Questionnaires were developed using a 4 point Likert scale. Further reliability and validity tests were performed before conducting multiple regression and Independent T-test analyses for testing the hypotheses.

Findings – Brand Image was the most significant factor that influenced consumers' intention to purchase or obtain counterfeit branded products compared to Product Involvement and Product Knowledge. Product Knowledge was the least significant variable to purchase counterfeit branded products. In addition, there were no gender differences concerning brand image roles on the consumer's intention to purchase counterfeit branded products.

Research limitation– This research only covered respondents in Jakarta and was limited to one counterfeit branded product (Louis Vuitton) with one category (leather goods).

Value – this research was a continuation study on counterfeit branded products and contributed significant findings for marketers and academics. Both marketers and academics would be aware of the role of brand image and product involvement when consumers purchase counterfeit branded products, especially in Jakarta, Indonesia.

Introduction

Companies have spent millions of dollars producing high quality goods and establishing their brand in the consumer's mind. However, the advance in technology has given the opportunity for certain producers from certain countries to counterfeit the original product. The Organization for Economic Co-operation and Development (OECD) encompasses counterfeit products as all products are made to closely imitate the appearance of the product of another to mislead consumers. Among the leading industries that have been seriously affected by counterfeiting are software, music recordings, motion pictures, luxury goods, fashion clothes, sportswear, perfumes, toys, aircraft components, spare parts and car accessories, and pharmaceuticals. The term 'counterfeiting' therefore addresses piracy and related issues, such as copying of packaging, labeling, or any other significant features of the goods (OECD, 1998).

China is alleged to be the international capital of counterfeiting products and the number of counterfeit goods to be sold in foreign market is increasing (The Economist, 2003). Besides Asian countries, the destination countries of Chinese counterfeited products are Europe, the Middle East, Russia and USA (Behar, 2000). Xuemei Bian and Luiz Mountiho (2009) indicated that the United Kingdom was perceived to be one of the countries where counterfeited goods showed up in increasing numbers. Worldwide, the value of counterfeited and pirated goods has increased from around \$ 200 billion in 2005 to \$ 250 billion in 2007 (OECD, 2007). Counterfeiting has become a major concern for many companies and business in China (Bian and Veloutsou, 2007). Chinese officials estimate that counterfeiting generates \$16 billion of business and causes foreign firms a \$10 billion loss annually (Behar, 2000). Counterfeiting has become a significant economic phenomenon in the last two decades (Bian and Mountiho, 2009).

Indonesia ranks third among the counterfeit-producing countries of Asia (Lu and Lu, 2010). According to the Indonesian Intellectual Property Right Society, it is estimated that Indonesian local companies counterfeited about 1,500 legal properties and this number is increasing dramatically in recent years. A recent study conducted by *Lembaga Penyelidikan Ekonomi dan Masyarakat Universitas Indonesia* (LPEM UI) and *Masyarakat Indonesia Anti Pemalsuan* (MIAP) found that in 2010, 35.7% of leather goods, 34.1% of software and 16.8% of automotive parts that were purchased in Indonesia were counterfeit products (Jakarta Post, 2011).

In Indonesia, there is a term to describe a quality of counterfeit which is *kualitas* or KW (www.ruanghati.com). The KW will classify the counterfeit branded products (CBP) that usually a luxury brand and largely sold in the market (www.ruanghati.com). There are several KW classification in Indonesia.

1. Quality or KW3 : CBP with the lowest quality. The quality is not good and the work is not fine (warungpulat.blogspot.com)
2. Quality or KW 2: CBP with better quality than KW 3. However , there are still many differences from the original product. It is produces without certificate and serial number and mostly is a local production (www.bagholicshop.com)
3. Quality or KW1: CBP with higher quality than KW 2. The product is made from synthethic and usually is an import product (www.bagholicshop.com)
4. Semi super quality: the product is made from original skin and synthetic, it has a certificate and serial number and it is an import product (www.bagholicshop.com)
5. Super Premium Quality: the product is almost similar to the original one, with all logo and detail. It is made 80%from original skin (www.bagholicshop.com)

In terms of consumer knowledge, counterfeiting consists of deceptive and non deceptive purchases (Grossman and Shaphiro in Bian and Mountiho, 2009). If the consumer is not aware whether he/she purchases a counterfeit rather than the original product and cannot be held accountable for his/her behavior, it can be categorized as ‘deceptive’ or ‘blur’ counterfeiting. However, in non deceptive counterfeit, the consumer intentionally purchases counterfeit products.

Xuemei Bian and Louis Mountiho in 2009 conducted a study of CBP)in Glasgow, UK and emphasized non-deceptive counterfeit of the Rolex brand. This research is an adapted study of the CBP research conducted by Xuemei Bian and Louis Mountiho in 2009 but in the Indonesian context with the product and brand for this research being Louis Vuitton leather goods.

The authors would explore counterfeit from the perspective of several variables: brand image (brand personality, product attributes, perceived benefits), product involvement, and product knowledge as well as the effect of these variables with the purchase intention of CBP, the relations between product involvement and product knowledge towards brand image. Therefore, the research questions of this research is as follows:

1. Does the brand personality of a CBP have a positive influence to the purchase intention of a CBP?
2. Does product attributes of aCBP have a positive influence to the purchase intention of a CBP?
3. Does perceived benefit of a CBP have a positive influence to the purchase intention of a CBP?
4. Does product involvement have a negative relationship to the perceive brand image of a CBP?
5. Does product involvement have a negative relationship to the purchase intention of a CBP?
6. Does product knowledge have a negative relationship to the perceived brand image of a CBP?
7. Does product knowledge have a negative relationship to the purchase intention of a CBP?
8. Is there are gender differences toward brand image of a CBP?

Theoretical Framework

According to Keegan, 2013 counterfeiting is the unauthorized copying and production of a product. Further, Lai and Zaichkowsky (1999) counterfeit branded product (CBP) is product that illegal, low-quality, and low-prices copies that have high brand value in respect of performance, reliability and durability.

Keller (1993) defines brand image is something that comes out in consumer mind, when everytime the brand name is mentioned. Plummer (2000) was divided brand image to three key components: brand personality, product attributes, and perceived benefits.

According to Aaker (1997) brand personality can be viewed as a group of human characteristics that associated to a brand. Moreover, brand personality also serves as a symbolic function and make consumers differs themselves from other (Keller, 1993). In this research, brand personality is suggested to be more positively affected purchasing decision of a CBP. Consumers are more likely to purchase CBP when brand personality positively processed by CBP (Bian and Moutinho, 2009).

H1: Brand personality of a CBP has a positive relationship to the purchase intention of a CBP

Consumers are associates many attributes with a particular product or brand. Consumers' overall attributes toward brand is a function of the importance the consumer attaches to each attribute as well as the consumer belief about the probability that those attributes exist in that brand (Hughes, 1971). According to Myers and Shocker (1981) product attributes can be divided into various ways. However, there are two large ways to see product attributes broad and narrow view. Keller (1993) was explained broad view in product attributes as what consumer thinks about a product or service is and the involvement of the purchase and consumption

H2: Product attributes have a positive influence on the purchase intention of a CBP

Perceived benefit is something that consumers can get by purchasing a brand (Kotler, 1999). Previous research has found that consumers who purchase CBP will get a prestige (Tom et al., 1998; Bloch et al., 1993) and quality (Grossman and Saphiro, 1988b). Moreover, Cho et al (2002) stated there is a positive relationship between perceived benefits and consumer decision making.

H3: Perceived benefits have a positive influence on the purchase intention of a CBP

Furthermore, Brennan and Mavondo (2000) explain involvement as a "motivational and goal directed emotional state that determines the personal relevance of a purchase decision to a buyer". Furthermore, involvement can be divided into product involvement and brand-decision involvement (Zaichkowsky, 1985). In marketing product involvement can be defined as a "consumer's enduring perceptions of the importance of the product category based on the consumer's inherent needs, values, and interests (de wulf et al., 2001; Mittal, 1995; Zaichkowsky, 1985)..Product involvement is important to know the consumer decision making behavior and related communications process (Chakravarti and Janiszewski, 2003).

H4: There is a negative relationship between product involvement and consumers' perceived brand image

H5: There is a negative relationship between product involvement and consumer purchase intention of a CBP.

Product knowledge has been recognized to be involved in a decision making process (Bettman and Park, 1980). There are various levels of product knowledge influence the decision making process. The higher the level of product knowledge is, the more complex the process of decision making (Marks and Olson, 1981). Therefore, this research will test when the level of product knowledge is getting higher, the more consumers think CBP as a low grade of BPs.

H6: There is a negative relationship between product knowledge and consumers' perceived brand image of a CBP

H7: There is a negative relationship between product knowledge and consumer purchase intention of a CBP

Dodds, Monroe, & Grewal (1991) explain purchase intention is an attempt to buy a product. Moreover, Kotler (2000) explains purchase decision in consumer behavior occurs when consumers are stimulated by external factors based on their personal characteristics and decision making process. The external factors are including choosing a product, brand, retailer, timing and quantity. In other word, purchase intention will arise after consumers influenced by the choice of a product or brand (Kotler, 2000). Moreover, purchase intention can be classified as one of the components of consumer cognitive behavior on how an individual intends to buy a specific brand (Kwek, Tan, and Lau, 2010).

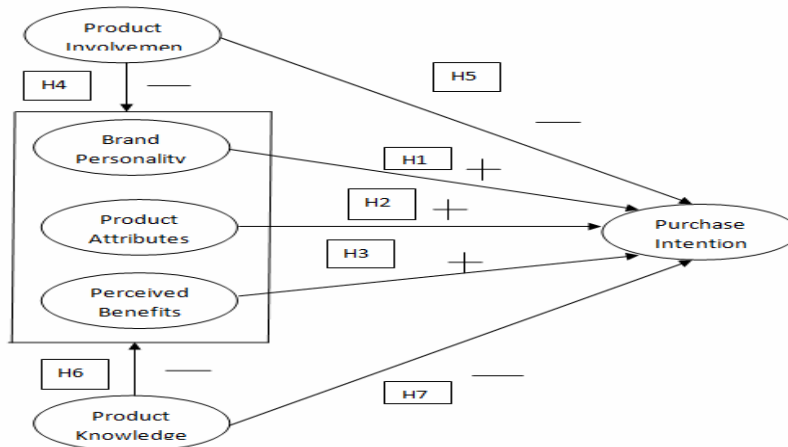


Figure.2.1. Current Conceptual Model

Source: European Journal of Marketing “The role of brand image, product involvement, and knowledge in explaining consumer purchase behaviour of counterfeits: direct and indirect effects” (Bian & Moutinho, 2009)

Research Design & Methodology

The online survey was conducted and involved 250 respondents in Jakarta - the capital city of Indonesia - where counterfeit goods were plentiful. This research measured brand image which consists of brand personality, product attributes, and perceived benefits. Other constructs to be measured were product involvement, product knowledge and purchase intention (Bian & Moutinho, 2009). Each variable was measured using the Likert scale in the questionnaire. The Likert scale ranged from 1 (strongly disagree) to 4 (strongly agree). Also, the nominal scale was used for demographic information.

The CBP that was selected was the leather goods produced originally by Louis Vuitton since leather is the most counterfeit branded product and the brand is the most common and familiar to consumers in Indonesia.

The survey was used to gather primary data from the respondents. In this research, the online survey was distributed through social media, e-mail, and personal communication devices to 250 respondents who reside in Jakarta. The respondents could directly fill in the questionnaire through their device and send them back to the interviewer’s e-mail account. Then, to make sure all the questions were answered, the interviewer checked the answers and asked the respondent to fill in any blank answers. Online questionnaires were selected to protect the identity of the respondent, and for its general convenience in terms of allowing respondents time to answer. The questionnaires consists of demographic, filter and questionnaire represents each variable. All questionnaires were in Bahasa Indonesia.

The researcher distributed 30 pre-test questionnaires before conducting the online main survey to 250 respondents. The pre test was used to test whether the questionnaire was understandable and reliable the pre-test also gave the researcher a picture of how the main questionnaire should be created and be distributed to the respondents.

To test the hypotheses, the author conducted the reliability and validity tests, multiple regression and Independent T-test. The researcher used Cronbach’s Alpha and a value of <0.60 to indicate unsatisfactory internal consistency reliability (Malhotra, 2010). On the other hand, if the test result is >0.60 then, those variables are reliable.

Findings

From the 250 respondents participated in the online survey, there was only 180 participants who considered as a valid ones. From this number there were 64 male and 116 female respondents. Majority of the respondents were about 20 – 24 years old (61.7%) with high school and bachelor degree educational background (each counted as 47%). 61% of respondents spent around USD 100.00 – 500.00 in a month, only 23 % of the respondents had a monthly spending more than USD 500.00.

115 respondent or 64% out of 180 respondents had the experienced of purchasing CBP leather goods and from this 115 respondents, 64% or 74 respondents have ever purchased a CBP Louis Vuitton. 53 respondents bought a single product of CBP Louis Vuitton such as handbag, purse or belt only and 21 respondents had purchase various products. In terms of the quality, quality 1, semi super quality and super premium quality accounted for 29%, 19% and 15% respectively. The reliability showed that Cronbach’s Alpha was higher than 0.6. Further, the multiple regression analyses was used to test on brand images variable (H1 to H3), product involvement (H5) and product knowledge (H7) towards purchase intention. In addition, multiple regressions also used to test Product Involvement (H4) and Product Knowledge (H6) towards brand image.

The table below reveals that product attribute, brand personality, and perceived benefit were significantly influential for a customer to purchase CBP. This was shown from the partial sig. result in which those variables had p-values lower than 0.05. These values indicated that H1 – H3 were accepted. It was concluded that brand personality, product attributes, and perceived benefits of a CBP had a positive relationship towards the intention to purchase a CBP. From the 3 variables, product attributes was the most affected with 0.001, followed by brand personality (0.003) and perceived benefit (0.035).

Furthermore, the p-value for product involvement and product knowledge were 0.160 and 0.827 respectively, which was greater than the p-value = 0.05. This showed that the hypothesis should be rejected. In conclusion, product involvement and product knowledge does not have a negative relationship towards purchase intention of CBP.

Table 4.14 Purchase intention multiple regression result

Hypothesis	B	Sig	Partial Sig	Result
H1	0.289	0.000	0.003	Accept H1
H2	0.299	0.000	0.001	Accept H2
H3	0.234	0.000	0.035	Accept H3
H5	0.131	0.000	0.160	Reject H5
H7	-0.018	0.000	0.827	Reject H7

In order to test H4 and H6, these variables were tested with ‘brand image’ by using multiple regression. As shown in the table, p-value of product involvement to brand image was 0.000. Since the p-value was less than 0.05, the hypothesis was accepted. Furthermore, this value indicates that there was a negative relationship between product involvement and brand image.

However, a different result reveals from product knowledge to brand image. The p-value was 0.366 and greater than 0.05. This means the hypothesis was rejected. It was concluded that product knowledge did not have a negative relationship toward the brand image.

Table 4.18 brand image multiple regression result

Hypothesis	B	Sig	Partial Sig	Result
H4	0.277	0.001	0.000	Accept H4
H6	-0.061	0.001	0.366	Reject H6

Moreover, Independent sample t-test was used to test whether there was a difference of gender toward brand image of CBP.

The Levene’s Test were 0.931 (product attributes), 0.080 (brand personality), and 0.496 (perceived benefit). If the result exceeded 0.05, the first column of the p-value was used while a smaller than 0.05 results used the second column. Since all the sig. value result were greater than 0.05, the first result of p-value was used.

In the independent sample t-test Ha was accepted if the p-value was lower than 0.05. The result revealed that the p-value for product attributes was 0.939, brand personality (0.993) which means were markedly greater than 0.05. With this result, the author rejected the Ha. Therefore, there was no difference on gender towards brand image of CBP. Male and female shared similar levels of brand image of CBP.

Conclusion

The result showed a positive relationship between brand image and purchase intention. All the three attributes (brand personality, product attributes, perceived benefits) showed positive relationships. Therefore, people in Jakarta are influenced by these attributes in making the decision of whether or not to purchase CBP.

A negative relationship between product involvement and purchase intention has been identified. This means the author’s hypothesis was proven. People in Jakarta with the means to purchase the original product tend to have reduced intentions to purchase CBP. On the other hand, if the interaction with the original product is low then the intention to purchase CBP increases. The research also revealed that the negative relationship between product involvement and brand image was not proven. Therefore, if the involvement is high, the brand image will also be high. Also, if involvement with the original product goes down, the brand image also goes down . A decrease in brand image of the CBP in the minds of people in Jakarta is not influenced by having involvement of original product. People still have a brand image of CBP while the involvement of the original product exists.

Furthermore, the negative relationship between product knowledge and purchase intention were not proven. By having knowledge of an original product will not guarantee people in Jakarta will avoid purchasing CBP. Therefore, product knowledge was not a factor in making people have less purchase intention of CBP.

The similar result was also revealed in product knowledge and brand image. Higher knowledge of the original product also led to a high brand image of the corresponding CBP. The negative relationship was not proven between product knowledge and brand image. Therefore, a decrease in brand image of CBP was not influenced by having knowledge about the original product. In brief, consumers in Jakarta will have more intention to purchase CBP when the brand image of CBP is also high. People in Jakarta are interested to purchase CBP because of the personality of the brand, the attributes and the benefits. However, people who had involvement with the original product tend to avoid purchasing CBP while people who know about the original product are not affected to avoid purchasing CBP. In terms of brand image, people with higher product involvement and product knowledge also have brand image of CBP.

The results of this research should force marketers of the original product to create brand image for the original product in the minds of consumers in Jakarta. Marketers could run a campaign by showing the negative effect of purchasing CBP rather than the original one. The campaign could be in the form of advertisement by showing thousands of kids becoming under-age labourers in China that are forced to produce CBP. Furthermore, they should give society information in the form of advertisements about Louis Vuitton's recent fight against child labour, SOS Children Village. This kind of campaign can touch consumers emotionally and decrease the brand image of CBP and increase the brand image of the original brand. By knowing that product involvement also plays a significant role in purchasing CBP, marketers could create a program to make consumers involved with the genuine Louis Vuitton. Firms could create a membership card for everyone that purchases a Louis Vuitton product in an official store of Louis Vuitton to show they are 'original buyers' and also support the war against counterfeit products. This card could also give a point reward that consumer could collect for every purchase and be redeemable for discounts in cafes and dining places.

This results are important for the Indonesia government to help them elaborate their policy and laws about counterfeit goods. Indonesia's Louis Vuitton wing can work together with *Dirjen HKI (Hak Kekayaan Intelektual)* to create a division to share information about the counterfeit market and conduct appropriate proper policy for them.

There were some limitations in this research. The first limitation is with regards to the timing of this research. With a longer time to conduct the research, the author could create more interviews besides online questionnaires to get more valid results. Second, the respondents did not represent all the residents in Jakarta. From the five regions in Jakarta, some respondents concentrated on one or two regions. Third, this research was only based on one product category which was leather goods. However, to gain better understanding and results about counterfeit goods in Jakarta, future research should explore multiple types of counterfeit goods. Thus, future research is recommended to have more time and diverse respondents, which can represent the population. It also advisable to show the respondent the counterfeit goods and use multiple counterfeit product categories.

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