

**THE INFLUENCE OF SOCIAL AND
PERSONALITY ON ATTITUDE AND PURCHASE
INTENTION OF COUNTERFEIT OR PIRATED
PRODUCT.**

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PE20078669**

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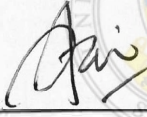
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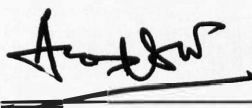


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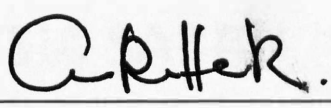
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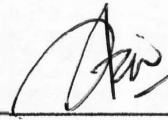
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I hereby declare that the material in this thesis is my own except for quotations, excerpts, equations, summaries, and references, which have been duly acknowledged.

28 July 2010



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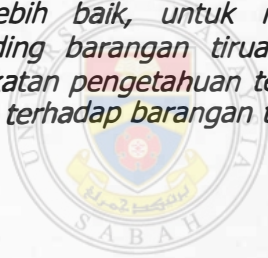
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ABSTRAK

Kajian penyelidikan ini adalah bertujuan untuk mengkaji mengenai faktor isu sosial dan personaliti yang mempengaruhi tingkah laku pengguna terhadap barangan tiruan. Selain itu kajian ini juga mengkaji hubungan tingkah laku pengguna terhadap barangan tiruan dengan keinginan pembelian mereka terhadap barangan tiruan. Pembolehubah yang di kaji di dalam penyelidikan ini termasuklah faktor sosial dan faktor personaliti yang mana setiap faktor mempunyai dua demansi iaitu kesan informasi dan kesan normatif mewakili faktor sosial manakala nilai kesedaran dan kepuasan diri mewakili faktor personaliti. Kajian ini juga melibatkan seratus empat puluh satu responden dengan menggunakan keadah soal selidik yang di jalankan di pasaran Sabah terutamanya di Kota Kinabalu. Penilaian yang dibuat terhadap Kesan informasi, kesan normatif dan nilai kesedaran menunjukkan tidak terdapat pengaruh tingkah laku pengguna terhadap barangan tiruan, namun kajian ini turut mendapati terdapat hubungan antara kepuasan diri dengan tingkah laku pengguna terhadap pembelian barangan tiruan. Oleh itu untuk memahami tingkah laku pengguna terhadap keinginan mereka membeli barangan tiruan, pengeluar dan pemasar barangan tulen haruslah membuat strategi pemasaran yang lebih baik, untuk mengalakan pengguna membeli barangan tulen berbanding barangan tiruan. Secara teori kajian ini menyumbang kepada peningkatan pengetahuan terhadap tingkah laku pengguna dan niat pembelian mereka terhadap barangan tiruan.



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ABSTRACT

THE INFLUNCES OF SOCIAL AND PERSONALITY ON ATTITUDE AND PURCHASE INTENTION OF COUNTERFIET OR PIRATED PRODUCT

The study aims to investigate which of the factor issue such as social and personality factors affects the attitude of the consumers towards counterfeit products. The study is also set out to examine the relationship of consumers' attitude towards counterfeit product with purchase intention. Variable on this study included social factors and personality factor every each have two dimension Informational susceptibility, normative susceptibility value conscious and personal gratification. A survey of one hundred forty one respondents using questionnaire was conducted in the Sabah market especially in Kota Kinabalu . Informational susceptibility, normative susceptibility and value conscious not significantly influence attitude towards counterfeit or pirated product but discovered that personal gratification are the independent variables that negatively significantly influence consumers' attitude towards counterfeit product. Attitude towards counterfeit product was also found significant in influencing purchase intention. This reinforces the mediator role of attitude in its relationship with purchase intentions. By having a better understanding of the consumers' behavioral intentions of buying counterfeit products, the manufacturers and marketers of the genuine brand products can make better marketing strategies to entice the consumer to buy the original product and not the counterfeit version. Theoretical contribution of this study is an extension of knowledge of consumers' attitude and purchase intention with regards to counterfeit or pirated products.

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CHAPTER 1

INTRODUCTION

1.1 Overview

Product counterfeiting or piracy is generally used to describe the deliberate infringement of copyrighted works or trademarks on a commercial scale. A number of definitions have been used for product counterfeiting. According to Cordell *et. al.* (1996) counterfeit was defined as any unauthorized manufacturing of goods whose special characteristics are protected as intellectual property rights (trademarks, patents and copyrights) constitutes product counterfeiting. In the other way, this means that counterfeiters copied or imitated products that has been patented and trademarked without permission from the manufacturers of the genuine products. The products are seen to look closely similar or identical to genuine products (Kay, 1990; Ang *et al.*, 2001; Chow, 2000). The producers of these counterfeits deceive consumers into thinking that they are the genuine. Lai and Zaichkowsky (1999) stated that counterfeiting and piracy are considered as the same essence since both of them are the reproduction of identical copies of authentic products. However, Chow (2000) stated that piracy is mainly related to software and fixed medium contents such as films and music recordings.

The international trade of counterfeit goods is not a new or strange issue in today's but that is about the global marketing context. The trade of international in counterfeit product a growing at alarming rate and it is more on US \$650 billion that evidence from International Chamber of Commerce (2007) estimate. According to the World Customs Organization (WCO), Have a group 170 customs administrations collectively administer 98 percent of international trade, counterfeiting and piracy about 7 percent of global commerce (Radebe, 2007). Counterfeit and pirated goods are now produced on an industrial scale. Research by European Commission, the international trade of counterfeit goods is more

Profitable compare to drug trafficking. The same smuggling and concealment techniques used in drug trafficking are employed as well as a range of diversion tactics to obscure the origin and destination of counterfeit and pirated goods (Radebe, 2007).

Although the counterfeit or pirated product of branded originated in the counterfeiting of elite consumer products such as branded clothing and accessories, such activity is now affecting a wide range of industries, including recorded music, video compact discs, fertilizers, pharmaceuticals, aircraft parts and food products such as coffee beans and China herbs (Bush *et al.*, 1989; Phau and Prendergast, 1998). Of these, brand name products that carry a marketable and prestigious logo, such as software or audio and video CDs are especially prone to product piracy (Cheung and Prendergast, 2000).

In Malaysia, one of the biggest society issues is counterfeit products crime. According to Havoscope Global Market Indexes 2008, Malaysia has a pirated counterfeit market value of \$378 million where the software was dominating \$289 million of that market value.

MALAYSIA
Estimated Trade Losses Due to Copyright Piracy
(in millions of U.S. dollars)
and Levels of Piracy: 2003-2007

Industry	2007		2006	
	Loss	level	Loss	level
Records & Music's	16.0	45%	22.0	45%
Business Software	149.0	60%	159.0	60%
Entertainment Software	NA	83%	28.0	90%

Books	9.0	NA	9.0	NA
Motion Pictures	NA	NA	NA	NA
TOTAL	174.0		218.0	

According to the International Anti-counterfeiting Coalition (IACC, 2005) and the International Intellectual Property Institute (IIPI, 2003), considering the countries worldwide, almost five percent of all products are piracy or counterfeit. This can showed the seriousness of this issue in global wide. In the high technology century, the demand of people toward original products are getting downstream due to the expand rate of the counterfeit products. People can be easily obtained these counterfeit products anytime and anywhere in nowadays.

This issue is reached to the serious stage nowadays and been very concerned by the Domestic Trade and Consumer Affairs Ministry. There seems to be some conscious efforts to eradicate the problem, including implementing processes to trace, detect and prosecute counterfeiting offenders.

The Domestic Trade and Consumer Affairs Ministry's enforcement division have identified large scales of imitation products such as electrical items, pharmaceuticals, daily goods, and multimedia materials. Globalization has made it relatively easy for imitation products to flow into the local market. The efficient logistics allow the counterfeit products to move fast into market place within a short time frame. Despite constant of enforcement, curbing the flood of imitation goods in the local market is challenging and not easily been settled. . As far as the issue of IP law is concerned, the Trademarks Act of 1976 has been amended to contain provisions for border measures prohibiting counterfeit trademark goods from being imported into the country. A side from legislation imposed, the Domestic Trade and Consumer Affairs Ministry of Malaysia regularly hold talks and media advertisements to improve public awareness on imitation goods. It is hoped that these efforts would increase awareness of

consumers on the negative effects of buying counterfeit products where continuous support to the illegal activity would have adverse effects on Malaysia's economy.

1.2 Counterfeit or Pirated Products

Counterfeiting is dissimilar to other forms of intellectual property infringements like grey market goods. De Matos *et al.* (2007) have utilized scales that measured grey market products for counterfeits, which is undeniably different in characteristics and definition. Huang *et. al.* (2004) defined the grey market goods are from outsourced manufacturers that are distributed through unauthorized channels whereas counterfeiting involves an illegally produced copy of the original article. Wada (1996) defined the grey area counterfeit products refer to products produced in factories that have been contracted by the brand manufacturers to over produced the quantity than required and to sell them illegally as overruns. Bamossy and Scammon (1985) also agreed that a counterfeit product refer to a 100 percent copy made to deceive consumers into believing it is the genuine article. The different of the term pirated from counterfeit is the pirated product refer to the product that make consumers will be aware it is a fake.

So usually the item sold at a fraction of the price of the copied good. Bamossy and Scammon (1985) named such items as non-deceptive fakes. McDonald and Robert (1994) also mentioned in their research that counterfeit good is one which manufactures producers with the intention of deceiving the consumer by leading buyers to believe that they are purchasing the genuine article. Therefore a purposely effort is made to conceal the deception by as precise duplication as possible such as the most obvious example of this world be counterfeit currency. But for the researchers, a pirated product is one with which the intention is not to deceive customer. While according to Paradise (1999), copyright and patent can only be pirated whereas trademarks can only be counterfeited; the term counterfeiting is also used in a broader sense referring both terms.

In the case of non-deceptive counterfeiting, the purchasers can recognize that the product is not genuine according to specific information such as price, purchase location, or materials used (Chakraborty et al. 1997; Gentry et al. 2006). Furthermore, non-deceptive counterfeits pose little or no health or safety risk to the public and the buyer, and have apparently little demonstrable impact on genuine brands (Nia & Zaichkowsky 2000). They may even help to build brand awareness (Shultz and Saporito 1996) and to increase the brand value for both originals and counterfeits (Barnett 2005). Under some circumstances, counterfeit products can even lead to benefits for society when necessary expensive products such as particular drugs become affordable to poor people (Ben-Shahar and Assaf 2004; Green and Smith 2002; Wilke and Zaichkowsky 1999). Previous research has used the terms deceptive and non-deceptive counterfeiting as two distinct concepts (Grossman and Shapiro 1988a, 1988b).

But Bosworth (2006) suggested considering a spectrum of deception that runs from super-deceptive (branded and counterfeit goods appear identical and impossible to tell apart) to completely non-deceptive (all buyers are able to distinguish the counterfeit from the genuine article) in his research. Indeed, Gentry *et. al.* (2006) commented that the quality of counterfeits has improved over the years and it is becoming more difficult for consumers to identify them. The degree of deceptiveness apparently depends on the consumer's awareness, knowledge, and experience. Only in cases where consumers have awareness of possible deceptiveness, can determinants of purchase intentions for counterfeit products differ significantly from determinants of purchase intentions for original brands. This perceived difference can vary according to the quality and utility of the counterfeit in comparison to the genuine product (Gentry *et. al.*, 2001).

From previous research result showed that buyers of pirated products are not necessarily from lower socio-economic groups (Phau et al., 2001; Prendergast et al., 2002) and that income is not related to pirated or counterfeit product purchasing at all (Kwong et al., 2003). Asia countries are reportedly the most affected by counterfeit product. This apparently is due to the different

race, religion, culture and tradition that are imposed on the mindset of Asian citizens. Previous researchers have all been carried out in western countries, thus little is known about Asian customers' counterfeit buying behavior. In Singapore of Swee *et al.* (2001), research found that members of lower income groups there had more favorable attitudes towards pirated product. For pirated product such as clothing or accessories, the lower income groups may be more inclined to aspire to being seen to use brands patronized by higher income groups.

1.3 Problem Statement

Counterfeiting is a hot issue and it is rampant in Asia countries since past few years ago (Asian Wall Street Journal, 1999a). The supply and demand of the counterfeit products are the important elements that contributed to this issue. This phenomenon is affecting the genuine products manufactures business. The reputation and profits of the genuine product manufactures been influenced (Nash, 1989). There are dozens of previous studies on counterfeit products issue in many countries such as China, United States, and England. Most of the studies are conducted on the consumers' attitudes toward counterfeit product which included the factors that will influence the consumers' attitudes. In China, Kwong *et al.*'s study shows that there are strong evidence that consumer' attitudes toward piracy. Demographic variable such as gender and age had significant contribution toward consumers' purchase intention. In our country , one of the studies conducted of counterfeit music CDs by Thurasamy *et, al.* Their study was based on Ang *et. al/* model and framework. The research problem for this study is to investigate the social and personality factors that affect consumers' attitude towards counterfeit products. In this study, Ang *et. al/* model and framework was chosen and been modified but the scope of the counterfeit products is wider compare to Thurasamy *et. al.* These counterfeit products in this study are refer to the products that are pirated which included trademark, music/movie CDs, branded cloths and so on. There are curiosities in this issue where the attitudes of the consumers buy counterfeit products even though they are aware of these products. The influence of the social and personality factors toward attitude of the consumers for purchase counterfeit

products is concerned in this study. Other aspect of this study is to explore the significant of the relationship of consumers' attitude toward counterfeit products with the purchase intention. By understanding of the factors and purchase intentions that affect the consumers toward the counterfeit products enable the related force agencies to develop and improve better strategies to reduce the counterfeit products crime in our country.

Therefore, in view of the gap, this study is examined the social and personality factors that affect the consumers' attitude toward counterfeit products and understand how this attitude influence the consumer purchase intention.

1.4 Objectives of the study

The purpose of this study is to generate sufficient information on the social and personality factor that affects the consumers' attitude toward counterfeit product with their purchase intention in Sabah. The specific objectives of this study are as follow:

1. To analyze the factors issue to determine of influence toward respondents' with the purchase intention of counterfeit or pirated products.
2. To explore the main dominant factor that influencing the consumers' attitude toward counterfeit or pirated products which lead to purchase intention.
3. To examine the relationship of consumers' attitude toward counterfeit or pirated products with their purchase intention.

1.5 Scope of study

The scope of study is focus on the Malaysian consumers on counterfeit products in Sabah. It is important to know the dominant factors that influencing the consumers' attitudes toward counterfeit products and their purchase intention on it. The criteria of the selected respondents should are 18 years old and above in this study. This because of consumers of this group is believed have considerable purchasing power and substantial exposure and knowledge of counterfeit products and they also have a source of income and independently.

The result obtained can be more precisely if survey conducted from this specific range of respondents'

1.6 Significant of the study

The aim of this study is to specifically analyze the factors that affect the consumers' attitude which lead to purchase intention toward counterfeit products. Thus this study can help marketers to understand the consumers' attitudes toward counterfeit products. The marketers can try to fulfill the consumers' needs and wants by what the consumer requires based on their needs and wants to satisfying their demand. Genuine products marketers can make better strategies in marketing by understand the consumer's purchase intention of buying counterfeit products. This study is useful for not only for the policy maker from the Domestic Trade and Consumer Affairs Ministry but also marketers and the researchers educators in education field in our country.

From the industry perspective, marketer must better understanding of consumers' attitude towards pirated or counterfeit products to help overcome or avoid the illegal product. These actions must compulsory for manufacturer to support anti-counterfeiting firms to employ investigators to carry out problem and raids against pirated or counterfeiters to push the government and customer authorities to make power enforcement of respective laws and regulations. The Penalty or punishment should be implemented to the seller as well as the buyer to eradicate the illegal product. This study also enables the related government and researchers education authorities to gather information and understand the factors that affect the consumer toward counterfeit products. From the understand the factors that contributed to the purchase intention of counterfeit products, the better strategies can be develop and implement into the market and public by the genuine marketers to reduce the counterfeit products crime. The researcher can obtained about the knowledge of counterfeit products from this study and try to implement this knowledge and information to the younger generations in the future.

1.7 Definition of terms

The key variable and dimensions used in this study have specific meaning and such definitions in general context as well as in the context of this research are given below.

1.7.1 Counterfeit Product/ Pirated product

Counterfeit products are often produced with the intent to take advantage of the established worth of the imitated product. According to Chaudhry and Walsh (1996), counterfeit is defined as the product bearing a trademark that is identical to a trademark registered to another party, thus infringing the rights of the owner of the trademark. A few researchers agreed that the consumer demand on the counterfeit product is always the key driver of the rise of counterfeiting phenomenon (Fentry *et. al.*, 2001; Ang *et. al.*, 2001). Counterfeit activity has been carried much greater thereat to any social, economy and cultural globally.

1.7.2 Social Factor

Social factor same with Social influence refers to the effect that others have on an individual consumer's behaviour (Ang *et al.*, 2001).

1.7.3 Informational Susceptibility

Information susceptibility refer is when a purchase decision is based on the expert opinion of others (Ang *et al.*, 2001; Wang *et al.*, 2005).

1.7.4 Normative Susceptibility

Normative susceptibility refer to concerns purchase decisions that are based on the expectations of what would impress others (Ang *et al.*, 2001; Wang *et al.*, 2005; Penz and Sto ttinger, 2005).