# WHY CUSTOMER DO NOT BUY COUNTERFEIT LUXURY BRANDED PRODUCT. THE EFFECT OF PERSONALITY, PERCEIVED QUALITY AND ATTITUDE

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## SCHOOL OF BUSINESS AND ECONOMICS
## UNIVERSITI MALAYSIA SABAH
## 2011

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## NURUL ADZWINA ABDUL RAHMAN BLEDRAM

## A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE OF MASTER OF BUSINESS ASMINISTRATION

## SCHOOL OF BUSINESS AND ECONOMICS
## UNIVERSITI MALAYSIA SABAH
## 2011

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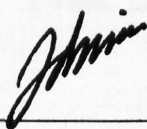
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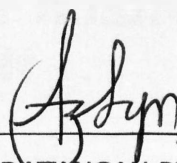
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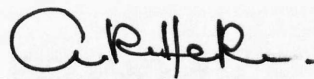4. TIDAK TERHAD

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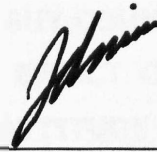
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11 JULY 2011

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# CERTIFICATION

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DEGREE         : **MASTER OF BUSINESS ADMINISTRATION (MARKETING)**

VIVA DATE       : **11 JULY 2011**

**DECLARED BY**

UNIVERSITI MALAYSIA SABAH

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# ACKNOWLEDGEMENT

I would like to take this great opportunity to express my gratitude to all those people who have especially helped me to make this research possible.

First of all, my deepest thanks to my supervisor, Dr. Hj Amran Hj Harun, for his guidance, comment and reassuring word in making this research a successful one. My thanks also goes to my co-supervisor, Dr. Oswald Igau on the assistance and opinion regarding my research. My appreciation also goes to other lecturers in SPE who always gives motivational words and inspiration.

My hearty thanks also for my beloved parents, Abdul Rahman Bledram and Dg. Fatimah, for their prayers and encourage me from the beginning in every possible way. Special thanks to my siblings, Royhan Asyraf and Nurr Arfa Syahirah who constantly cheer me up. To other family members, thanks for being so understanding in all aspects throughout our lives.

Last but not least, my dearest MBA friends who always being helpful and stays positive in completing this MBA together. Not forgetting to each and individual respondents who have given me their time to listen and answer my questionnaire in order for me to get information.

# ABSTRACT

This study aims to understand consumer attitude on why consumer did not purchase counterfeit luxury branded product, the effect of personality, perceived quality and attitude. This study is a new research as most past researcher has done about why customer purchase counterfeit but this study make a research on why customer do not buy counterfeit luxury branded product.

The framework use personality factors (value consciousness, novelty seeking, integrity, personal gratification, status consumption and materialistic) and perceived quality as independent variable, attitude toward counterfeit luxury branded product as mediator and Intention not to purchase as dependent variable.

A survey on 115 non-purchaser of counterfeit was conduct in Kota Kinabalu and the result shows that intention not to purchase counterfeit luxury branded product dependent on the attitude of consumer towards counterfeit luxury branded product. The attitude towards counterfeit luxury branded product was influence by value conscious, novelty seeking and integrity. This study also found out that attitude towards counterfeit luxury branded product fully mediates the relationship between novelty seeking and intention not to purchase counterfeit luxury branded product. This means, only novelty seeking consumer will not have any intention to purchase counterfeit luxury branded product.

This study does not mean to support counterfeit but only to understand about consumer behaviour which in turn will give practical implication to manufacturer, marketers and scholar. Theoretical contribution of this study is wider knowledge regarding consumer attitude especially on counterfeit products.

# ABSTRAK

Kajian ini adalah bertujuan untuk memahami sikap pembeli, mengapa mereka tidak memilih untuk membeli barangan berjenama mewah tiruan , kesan-kesan terhadap personaliti, kualiti dan sikap. Ini adalah antara satu daripada kajian perintis di mana penyelidik-penyelidik yang lalu hanya mengkaji mengapa pelanggan membeli barangan mewah tiruan tetapi kertas kerja ini adalah kajian untuk memahami mengapa pelanggan tidak membeli barangan mewah tiruan. Rangka kerja kajian ini menggunakan faktor-faktor personaliti (nilai kesedaran, kelainan baru yang di cari, integriti, kepuasan diri, status yang di cari dan sifat kebendaan) dan juga kualiti yang di kehendaki sebagai pembolehubah tidak bersandar, sikap terhadap barangan berjenama palsu sebagai pengantara dan niat untuk tidak membeli barangan mewah tiruan sebagai pembolehubah bersandar.

Satu kaji selidik yang telah dijalankan ke atas 115 pembeli yang tidak memilih untuk membeli barangan tiruan telah di jalankan di sekitar Kota Kinabalu dan hasil kajian menunjukkan bahawa niat pembeli untuk tidak membeli produk berjenama mewah tiruan adalah bergantung dengan sikap pembeli terhadap produk berjenama mewah tiruan. Kajian ini mendapati bahawa sikap terhadap barangan mewah tiruan adalah pengantara sepenuhnya hubungan di antara pencarian sesuatu yang unik dan niat untuk tidak membeli barangan berjenama tiruan.

Ini bermakna, hanya pembeli yang inginkan kelainan tidak mempunyai niat untuk membeli barangan berjenama tiruan. Kertas kerja ini bukanlah bertujuan untuk menyokong barangan tiruan tetapi hanyalah untuk memahami kehendak pengguna di mana hasilnya akan memberi impilikasi secara terus terhadap pengilang, pemasar barangan dan juga penyelidik.Sumbangan secara teori tentang kajian ini adalah besar terutamanya berkenaan dengan sikap pembeli terhadap barangan mewah tiruan.

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# CHAPTER 1

# INTRODUCTION

## 1.1    Background

Counterfeiting is a profitable business (Chuchinprakarn, 2003) and a growing problem worldwide, which occurring in less and well developed countries (De Matos, Ituassu and Rossi, 2007), (Yoo and Lee, 2005). According to previous researcher, product counterfeiting consist of "any unauthorized manufacturing of goods whose special characteristic are protected as intellectual property rights (trademark, patent and copyrights)" (Cordell, Wongtada and Kieschnick, 1996); (Chaudhry, Cordell and Zimmerman, 2005). Counterfeit products have similar attributes as the original such as the product design and the product label (Ha and Lennon, 2006). The counterfeit products are then sold at the market without permission from original manufacturer (McDonald and Roberts, 1994).

According to Jen (2005), counterfeit arises in every type of products and mostly influence the luxury industries which is also stated by previous researcher that luxury brands that are usually imitate such as Louis Vuitton, Gucci, Burberry, Tiffany, Prada, Hermes, Chanel, Dior, Yves St Laurent, and Cartier (Yoo and Lee, 2009). Previous researchers, Lee and Workman (2011) identified that the most popular counterfeit market is clothing, followed by shoes, watches, leather goods, and jewelry. All the brands are well known luxury fashion brands and counterfeiters take advantage to make a counterfeit version of the successful branded product (Norashikin Nordin, 2009).

Price is usually the main factor to determine whether the product is counterfeit or not (Frerichs, 2008). According to Eisend and Schuchert-Güler (2006), most consumer purchase counterfeit products because of the low price. Some consumers are willing to purchase counterfeit goods for cheaper price despite the lower quality of counterfeit goods as the consumers are not willing to pay for high price of genuine luxury products (Jen, 2005).

Meanwhile, some consumers will not purchase counterfeit products and will buy original regardless of the high price and they concern about the quality which may differ compared to counterfeits product. As according to Husic and Cicic (2008), consumers are willing to pay large amount of money for luxury products. However, consumer did not only look at quality but also on other factor such as social status (Barnett, 2009) which some consumers concern about their physical appearance, fashion and how they can impress others (Husic and Cicic, 2008). This study mainly focus on counterfeit luxury branded product as regardless of age or class, counterfeit luxury branded products are popular among those who desire luxury original product either unwilling to pay for high price or lack of money to buy original luxury branded products.

Usually, counterfeiters will imitate the product brand that successful in the market and have high price as the successful original brand represent better quality, unique features, style or excellent service (Bian and Moutinho, 2009). For example, designers' handbag brand such as Louis Vuitton had been copied and sold at cheaper and affordable price in the counterfeit market but some consumer would rather buy genuine Louis Vuitton handbag which will cost consumer thousands of ringgit compared to counterfeit Louis Vuitton handbag that cost few hundreds only. There are many factors that might affect the customer behavior; it may be influenced by pricing, self-image of consumer, perceived risk, morality, social influence and personality factors. Social influence may affect the non-buyers

behavior, meanwhile personality factors is more to the non-buyers behavior. (Ang, Cheng, Lim and Tambyah, 2001).

Counterfeiting will hurt the authentic manufacturer, the industry and the society as well. Manufacturer of original luxury branded product has invest large amount of money on the product and brand development but counterfeiters illegally duplicate the products (Ha and Lennon, 2006). The industry of counterfeit luxury branded product especially on fashion is a growing problem and not any solution to stop it and many consumers did not realize that consumers who purchase counterfeit affecting the society which actually supporting the child labor and cheap labor (Frerichs, 2008).

According to International Anti-Counterfeiting Coalition (IACC,2011), since 1982, the global trade has increased from $5.5 billion to approximately $600 billion annually and five to seven percent of the world trade is counterfeit goods. This shows that counterfeit has become an industry where there are increasing buyers of counterfeit and the industry is growing worldwide.

China, Thailand, India and Malaysia are known as the home of piracy (Haque, Khatibi and Rahman, 2009). Statistic made by Havocscope Global Market, Malaysia has a counterfeit and piracy market value of $464.5 million and the product being counterfeit consist of Software, CD, VCD, clothing, shoes, handbag and medicine (Havocscope Global Market Indexes, 2011). Laws and regulations still could not prevent business owners to sell counterfeit goods. Trade Description Act 1972 applied in Malaysia to control piracy. Under the Trade Description Act 1972, it is wrong for a person to apply false trade description. If the business owner found guilty, the counterfeiters will be fined up to RM10, 000 and/or 3 years jail for first sentence and maximum fine of RM200, 000 and/or six years jail (Trade Description Act 1972).

In Malaysia, the Ministry of Domestic Trade, Co-operatives and Consumerism established in order to control false trade and control the trade in Malaysian business. The agency manage to confiscate the counterfeit products but business owners still can sell to the public and counterfeiters still can find way to supply counterfeit product to businesses (Ministry of Domestic Trade, Co-operatives and Consumerism, 2011).

Most of sellers in Malaysia ignored the rules and regulation as counterfeit sellers dare to sell the counterfeits product at shopping malls and night market. The government will only take action during big confiscate operation and not on daily or monthly operation. Therefore, some business did not feel they are at risk of selling counterfeit product. The type of counterfeit that have been identified by the Ministry of Domestic Trade, Co-operatives and Consumerism are imitation products such as bags, watches, CDs, DVDs, cigarettes, garments and electrical items. Recently, statistic published on Eradication of Counterfeit Products by MTDCC shows increase from year 2009 with 409 cases equals to seizure value of RM3,570,857.51 to 870 cases in year 2010 with seizure value equals to RM 9,425,568.17. This show there is an increase to double of cases of counterfeit in Malaysia within a year (Ministry of Domestic Trade, Co-operatives and Consumerism, 2011)

There are many campaigns that have been carried out by the government to eradicate counterfeit such as briefings, seminars and workshops to create awareness among Malaysians. The latest campaign was Original Sales Carnival in Mid Valley Exhibition Centre where apart from shopping, visitors could learn on how to identify the original and pirated products (Ministry of Domestic Trade, Co-operatives and Consumerism, 2011). However, depend on merely government laws and enforcement are not enough to solve the problem (Stumpf, Chaudhry and Perretta, 2011) as it is still growing and expected to increase to trillion of dollars globally. Most of past researches agree that China is number one country with high counterfeit market and many studies have been done in China. Most previous

researcher focus on why customer buy counterfeit product but the reason on why customer do not purchase did not being focus as this may be a good strategy on focusing the factors why customer did not buy counterfeit.

## 1.2    Research Problem

Counterfeiters continuously produce counterfeit goods and supply to businesses as there are always demand for counterfeit. There are no good things about counterfeiting. Counterfeiting affect both individual firm and society (Bamossy and Scammon, 1985). Counterfeit affect the industry, the original manufacturer and also the society. Although Ministry of Domestic Trade, Co-operatives and Consumerism has taken preventive measures, tighten the regulations and penalties, the issue of counterfeiting still arises in Malaysia with no end to it.

Customer belongs to two groups. The first group is customer who will buy and second group is customer who will not buy. Many studies has revealed on what influence customer to purchase counterfeit. Previous researcher, Phau and Teah (2009), Phau, Sequeira and Dix (2009a), Phau, Sequeira and Dix (2009b), De Matos *et al.* (2007), Wang, Zhang and Ouyang (2005), Yoo and Lee (2009), Shoham, Ruvio and Davidow (2008) Furnham & Valgeirsson (2007), Penz and Stottinger (2005), Ramayah, Osman, Muhamad, Jason and Syed (2003), Ang *et al.* (2001), Norashikin Nordin (2009), Sarinah Asli (2010) and Cheong (2010); all these researchers examine on why customer purchase counterfeit product. The reason on why customer purchase counterfeit are widely known and researcher has already known what the factors influence attitude and what makes consumer purchase counterfeit.

In view of the gap, research on why customer did not purchase counterfeit product are limited. There are lack of past journal can be find on this particular issues. Factors that influence customer attitude and intention not to purchase counterfeit luxury product are not known. In this study, the counterfeit product being focus are

luxury branded products. Consumers knowingly purchase counterfeit goods in counterfeit luxury branded market (Nia and Zaichkowsky, 2000). Thus, this study is one of pioneer research on why customer did not purchase counterfeit branded product which will look at what are the factors will influence customer intention not to purchase counterfeit luxury branded product.

Based on previous research, Phau and Teah (2009) examine the influence of social factors and personality factors (value consciousness, novelty seeking, integrity, personal gratification and status consumption) on purchase intention of counterfeit luxury branded product, meanwhile, in another study Phau *et al.* (2009a; 2009b) examines the relationship of integrity, status consumption and materialism on attitude and purchase intention of counterfeit luxury branded product as well. There are inconsistent findings and lack of research regarding personality factors effect on consumers brand choice (Sondoh JR, 2009). Therefore, this study will use personality factors as independent variables to measure the effect on attitude towards counterfeit luxury branded product and intention not to purchase counterfeit luxury branded product.

Apart from that, in marketing view, personality is used on market segmentation (Sondoh JR, 2009). Marketers and legitimate manufacturer will produce product based on potential buyer personality. The personality factors in this study are value consciousness, novelty seeking, integrity, personal gratification and status consumption, which adopt from Phau and Teah (2009), the dimension of materialistic which adopted from Phau *et al.* (2009a; 2009b) will be added on the personality factors. Perceived quality also added to the independent variable as consumer that purchase counterfeit did not concern about quality (Gentry, Putrevu, Shultz II and Commuri, 2001) thus it is assume that consumer who did not purchase counterfeit concern about product quality.

Although consumer should expected that counterfeit product have low perceived quality, the poor quality imitation damaging the brand name as it became difficult to separate the original from the counterfeit that produce in large volume (Hilton, Choi and Chen, 2004). For example, image of Gucci are tarnished by the increasing of mass production of counterfeit Gucci branded product which led to loses for Gucci. This means, quality is a factor that would determine whether consumer will purchase counterfeit or will not purchase counterfeit.

Therefore, this study is to investigate on why customers do not purchase counterfeit luxury branded product and the counterfeit items in this study focused on counterfeit luxury branded fashion product. Furthermore, counterfeit luxury branded product is use because it is easily available in shopping mall for example, Wisma Merdeka and Centre Point in Kota Kinabalu or night market. Well-known brand such as Louis Vuitton, Chanel and Gucci leather goods is used every day and customer aware of the brand.

This study do not means to support counterfeit but want to understand attitude of consumer on why some consumers did not have intention to purchase counterfeit luxury branded products. By understanding this, all legitimate manufacturers will understand customer behavior thus may help them in development of suitable strategy focusing on their target market. Other than that, policy makers can adopt suitable campaign to prevent people purchase counterfeit. Scholar also will get benefit by understand more on customer behavior.

Hence, this study will examine the influence of personality factors on customer attitude where the dimensions of personality factors will be value consciousness, novelty seeking, integrity, personal gratification, status consumption. Another variable integrate in this study is materialistic. Personality factors are chosen as variables because, in brand development of a product, manufacturer will look at customer personality to match one particular product. Perceived quality also added as independent variable as some customers are concern about quality of a

counterfeit product and non-buyers of counterfeit have a major concern about counterfeit luxury branded product.

## 1.3    Research Questions

The main research questions of this study are:

1. How do the personality factors (value consciousness, novelty seeking, integrity, personal gratification, status consumption and materialistic) influence intention not to purchase counterfeit luxury branded product?
2. How do perceive quality influence intention not to purchase counterfeit luxury branded product?
3. Is there a relationship between personality factors (value consciousness, novelty seeking, integrity, personal gratification, status consumption and materialistic) and attitude towards counterfeit luxury branded product?
4. Is there a relationship between perceived quality and attitude towards counterfeit luxury branded product?
5. What is the effect of attitude as mediator to personality factors (value consciousness, novelty seeking, integrity, personal gratification, status consumption and materialistic) and intention not to purchase counterfeit luxury branded product?

By identifying the answer to these questions, the manufacturers and marketers of original products will understand why customer do not purchase counterfeit and this will benefit marketers to develop suitable marketing communication activities for their target market.

## 1.4    Research Objectives

The general objective of this study is to understand why customers do not purchase counterfeit luxury branded product.