

*Full Length Research Paper*

# The rise in the sales of counterfeit brands: The case of Turkish consumers

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Counterfeiting activity is a worldwide phenomenon rapidly increasing in every country. Accounting for about 7% of global trade, counterfeit brands resemble the genuine goods but are typically of lower quality in terms of performance, reliability or durability. The size of the counterfeit brands market in Turkey is reported to be around 3 billion dollars. The prevalence of counterfeit manufacturing, the wide availability and the increase in the sales of counterfeits in the Turkish market make it imperative to address the nature of the demand. This research investigates the rapid increase in the sales of counterfeit brands in Turkey and attempts to identify the major factors that motivate consumers to purchase these brands. A field study has been conducted at the Grand Bazaar in Istanbul, the oldest and largest covered bazaar in the world. A judgment sample of 385 young adult, urban Turkish consumers, between the ages of 18 - 35, were approached face-to-face and surveys were completed. The results are reported according to the objectives of the research. The multi-regression analysis points to prestige, brand popularity, wide availability and low price as the four main motivator factors for consumers purchasing counterfeits. In addition, respondents are examined in terms of how they view both their own and other consumers, use of counterfeit brands.

**Key words:** Counterfeit brands, purchasing decision, consumer motivation, brand prestige.

## INTRODUCTION

The first cases of brand counterfeiting emerged about five decades ago. Back then, a few manufacturers of specialty products were affected and it was assumed that this phenomenon would be of minor significance. Unfortunately, counterfeiting has become so widespread that it has turned into a massive, multi-faceted problem of global significance. Today, counterfeiting is a serious and growing problem worldwide, occurring both in less and well developed countries (Matos et al., 2007). According to International Anti-Counterfeiting Coalition, it is estimated that counterfeiting is a \$600 billion a year problem (IACC, 2008). It is a problem that has grown over 10,000 percent in the past two decades up from \$5.5 billion in 1982 (IACC, 2008). The number of counterfeit items seized at European Union borders has increased by more than 1,000%, rising to over 103 million in 2004 from 10 million in 1998. At U.S. borders, seizures of counterfeit goods have more than doubled since 2001 (Guiterez et al., 2006). According to a recent International Trade Commission study, a \$100 billion counterfeit market

translates into a global loss to businesses of \$200 billion a year (Chaudhry, Cordell and Zimmerman, 2005). European Brands Association (EBA) reports reveal that the markets where counterfeiting is most extensive are computer software with 35%, audio-visual products with 25%, textile and ready-to-wear with 22%, toys with 12%, perfumes with 10%, pharmaceuticals with 6% and watches with 5%.

The size of the counterfeit brands market in Turkey is reported to be around 3 billion dollars ([www.cnnturk.com](http://www.cnnturk.com)). There is a wide availability of counterfeit brands in the country, ranking the country second after China in terms of production and sale of counterfeits. In 2008, the Brand Protection Group of Turkey conducted a research on "The Economic Impact Analysis of Counterfeit Goods in Turkish Economy". Based on this research, 58% of Turkish consumers are reported to be purchasing counterfeit brands regularly and the total economic loss due to counterfits is projected to be \$11.9 billion. The most popular counterfeit market is

clothing, followed by shoes, handbags, watches, accessories and jewelry. Some of the sought after counterfeit brands in Turkey include Nike, Adidas, Chanel, Nine West, Guess, Christian Dior, Dolce and Gabbana, Prada, Versace, Gucci, Louis Vitton and Lacoste. Even though there are various penal laws and regulations to combat product and trademark counterfeiting, the legal enforcement remains ineffective. The phenomenal growth of counterfeiting causes serious economic and social problems that threaten the lives of consumers, wreak economic havoc and weaken consumer confidence in manufactured or branded products (Tom et al., 1998). Counterfeiting causes negative influences on government tax revenues, market order and fair competition, as well as economic development. Counterfeiters participate in the economic black market, because they pay no taxes, causing states to lose legitimate revenue (Ha and Lennon, 2006). Counterfeiting is perceived as a very lucrative business because the profit margins are high and consumer demand is strong (Ang et al., 2001).

## **EXPLAINING COUNTERFEIT PURCHASES**

Counterfeiting is defined as “the act of producing or selling a product containing an intentional and calculated reproduction of a genuine trademark. A ‘counterfeit mark’ is identical to or substantially indistinguishable from a genuine mark” (McCarthy, 2004). The two major reasons consumers develop positive attitudes toward buying counterfeits are economic benefits and hedonic benefits. The most obvious factor motivating consumers’ purchases of counterfeit brands is their relatively low price.

Consumers feel that they can not afford to buy original designer products because they are too expensive. Consumers are not affected by low quality and poor materials because they do not see counterfeits as inferior choices when they experience such budget constraints. On the contrary, most of these consumers appreciate the economic benefits counterfeits provide them (Ang et al., 2001). Consumers believe they will have the identical appearance whether they wear or carry a counterfeit or an original brand. The only difference is the fact that those who purchase the counterfeit brand end up getting just the prestige/status of the original brand without paying for it (Penz and Stottinger 2005).

The hedonic benefits of counterfeit purchases are also strong. Consumers buy counterfeit brands because they want to demonstrate that they can afford branded goods, to show that they belong to a particular social group, or to use the product for symbolic self-extension. They view that the brand name, the label, various design characteristics such as logo, color, accessories are themselves valuable. Such hedonic benefits value a product for its own sake (Babin, Darden and Griffin,

1994). Luxury counterfeit brands, in particular, satisfy a desire for symbolic meanings such as social and financial status, recognition and superiority. These meanings matter a great deal in a collectivist society like Turkey. When there is no observable difference in appearance and the quality is near perfect, consumers do not perceive any serious social risks such as embarrassment before others and this encourages them to continue to purchase the counterfeit brands.

On another note, it is important to consider personality traits and characteristics of individuals in the market. Publicly self-conscious consumers are concerned about their impression on others, physical appearance and fashions and are sensitive to interpersonal rejections (Nia and Zaichkowsky, 2000). In a traditionally collectivist society like Turkey, socially- inspired perceptions are critically important. Consumers purchase products whose image matches their self-image to impress others. Therefore, status consciousness and high self-image positively affect purchase intention of originals because genuine products convey the image of wealth, high social standing and affluence (Wee, Tan and Cheok, 1995). These values are considered quite important by members of the society in Turkey.

Another issue to point out is the wide degree of counterfeit product availability in Turkey. Consumers have ample opportunities to purchase counterfeit brands since these brands can be easily found in local markets and high street shops scattered across most urban cities in the country. The most common items available include clothing (D and G, Calvin Klein, Lacoste, Armani), wristwatches (Rolex, Omega), fragrances (D and G, Hugo Boss, Versace), bags and belts (Gucci, Nine West, Guess, Prada, D and G, Chloe), sunglasses (Gucci, Dior, Armani) along with DVDs of latest movie releases. In Grand Bazaar and all the other local markets across Istanbul, salespeople with a suitcase full of shirts bearing labels and logos such as Lacoste, Tommy or Abercrombie and Fitch, or athletic shoes bearing Adidas and Nike logos can be spotted. It is important to note that many tourists also purchase counterfeit brands when they come to Turkey. These people have fewer opportunities to purchase counterfeit products on their home soil and when they encounter these products in the Turkish market, they do not want to pass up such lucrative deals.

## **RESEARCH HYPOTHESES**

Taking a consumer’s perspective and viewing counterfeiting as a purchase decision based on the above arguments, it is proposed that young, urban Turkish consumers have four underlying factors that influence their purchasing decision of counterfeit brands.

H<sub>1</sub> : Low price, perceived prestige, brand popularity and the degree of availability have a great influence on consumers’ purchase decision of counterfeit brands.

H<sub>2</sub>: There is a significant relationship between gender and

counterfeit brand purchase.

H3: There is a significant relationship between income level and counterfeit brand purchase.

H4: There is a significant relationship between age and counterfeit brand purchase.

A 35-question survey instrument was used to collect the cross-sectional data for this study. Surveys consisted of two parts. In the first part, the demographic data of the subjects were recorded. In the second part, 5 point Likert scale questions were used to assess consumers' responses regarding the factors that influence their counterfeit brand purchases as well as their reactions about counterfeit consumption in general. The sample consisted of young, urban consumers between the ages of 18 to 35. The surveys were conducted at the Grand Bazaar, located in Istanbul. The Grand Bazaar is the oldest and largest shopping mall of the world with 64 avenues and streets, 2 covered bazaars, 16 inns, 22 gates and about 3600 stores. It is also known as a major hub of counterfeit brands in the city. The participants were approached face-to-face as they were exiting the stores, having completed their shopping. 385 surveys were included in the analysis. The reliability of the scale was tested with Cronbach Alpha method and the alpha coefficient was measured as 0.870. This proved the scale instrument to be highly reliable.

To test the hypotheses of the study, the four independent variables (low price, perceived prestige, brand popularity and the degree of availability) and the dependent variable (purchase decision) were entered simultaneously into a multiple regression analysis. Correlation analyses have also been performed to evaluate the hypotheses of the study.

## RESULTS

Table 1 below presents the demographic profile of the subjects in the study. According to their profile, the majority of the subjects that participated in the research are in the 30 - 34 age group. Analyses also reveal there is roughly an equal distribution of female and male consumers. Half of the participants have graduated from high school whereas the remaining half hold a college degree. Lastly, the majority of the subjects (65.0%) reported that they earn an average monthly income of 1,500 TL and over. When asked whether they purchase counterfeit brands, an overwhelming majority of consumers stated that they regularly do so. This finding supports the results study by Turkish Brand Protection Group which claimed that 58% of Turkish consumers purchase counterfeits in the market (Table 2).

Table 3 shows the product categories of counterfeit purchases. When questioned about which product category is more dominant in their counterfeit brand purchases, participants listed clothing, shoes, handbags and watches as their top picks. Also on the list were watches, sunglasses, fragrances and other accessories.

The testing of H<sub>1</sub> hypothesis (Table 4) reveal that there is a significant relationship among these four factors (low price, perceived prestige, brand popularity and the degree of availability) and their influence on purchase decision ( $R = 0.93$   $R^2 = 0.86$   $F = 535.993$ ;  $p < 0.00$ ). These four independent variables together are able to explain 86% of the overall variation in purchase decision

**Table 1.** Consumer's demographic profile.

Age groups	Frequency	(%)
15 - 19	67	17.4
20 - 24	74	19.2
25 - 29	85	22.1
30 - 34	159	41.3
Total	385	100.0
<b>Gender</b>		
Female	183	47.5
Male	202	52.5
Total	385	100.0
<b>Education level</b>		
High School degree	202	52.4
Undergraduate degree	113	29.4
Graduate degree	70	18.2
Total	385	100.0
<b>Monthly income level</b>		
500-999 TL	49	12.7
1000-1499 TL	86	22.3
1500 - 1999 TL	52	13.5
2000 -1499 TL	108	28.1
2500 and over	90	23.4
Total	385	100.0

**Table 2.** Consumers' purchase of counterfeit brands.

Purchase of counterfeit brands	Frequency	(%)
Yes	352	91.4
No	33	8.6
Total	385	100.0

for counterfeit brands. Specifically, this would indicate that low price, perceived prestige, brand popularity and the degree of availability variables do indeed have an influence on consumers' purchase decision of counterfeit brands. However, it is important to note that there may be other effective factors that may explain a substantial amount of the overall variation. According to  $\beta$  coefficient, the four independent variables with an influence on consumers' purchase decision can be rank ordered as low price (0.401), the degree of counterfeit brand availability (0.349), perceived prestige (0.333) and brand popularity (0.175). Based on the overall analysis, H<sub>1</sub> is accepted ( $\text{sig.} = 0.000 < 0.05$ ).

H<sub>2</sub> hypothesis tests whether there is a relationship between counterfeit brand purchases and the gender factor of the consumer (Table 5). Correlation analysis indicate a significance level of ( $p$ )  $0.271 < 0.05$ , thus H<sub>2</sub> must be rejected. In this sense, it is concluded that there

**Table 3.** Mostly purchased counterfeit brand product categories.

Categories	Frequency	(%)
Clothing	163	42.3
Shoes	79	20.5
Handbags, wallet, purse and luggages	58	15.1
Watches	55	14.3
Sunglasses	49	12.7
Accessories	42	10.9
Computer supplies	32	8.3
Stationary	26	6.8
Toys	20	5.2
Fragrances	12	3.1
Electronics	9	2.3
Other	6	1.6

**Table 4.** Multi linear regression results for counterfeit brands.

Model	Unstandardized coefficients		Standardized coefficients	t	Sig.
	B	Standard error	Beta		
(Constant)	0.593	0.071		80.336	0.000
Availability	0.227	0.015	0.349	140.896	0.000
Perceived prestige	0.209	0.015	0.333	140.241	0.000
Brand popularity	0.175	0.014	0.256	120.153	0.000
Low price	0.224	0.012	0.401	180.072	0.000

R= 0.932 R<sup>2</sup> = 0.869 F = 535.993, p = 0.000, Dept. variable: Purchase decision.

**Table 5.** Counterfeit brand purchase and gender factor.

Gender	Counterfeit brand purchase	
	Pearson correlation	1
Sig. (2-tailed)		0.271
N		385

\*\* Correlation is significant at the 0.01 level (2-tailed).

**Table 6.** Counterfeit brand purchase and income level.

Income level	Counterfeit brand purchase	
	Pearson correlation	1
Sig. (2-tailed)		0.000
N		385

\*\* Correlation is significant at the 0.01 level (2-tailed).

is no significant relationship between the gender factor and counterfeit brand purchase.

Results of the correlation analysis for H<sub>3</sub> is depicted in Table 6. Since there is a significance level of (p) 0.000 < 0.05, H<sub>3</sub> hypothesis is supported. The correlation coefficient between the two variables indicate that there is an inverse negative relationship between a consumer's

income level and his counterfeit brand purchases (r = -0.292, p = 0.000). This finding supports previous research in the literature, that a consumer's income level is a primary driving force of counterfeit proneness. As consumers get more affluent, they buy more original, genuine brands so counterfeit purchases decrease. The relationship between counterfeit brand purchases and the

**Table 7.** Counterfeit brand purchase and age factor.

Age	Counterfeit brand purchase		
	Pearson correlation	1	0.217**
Sig. (2-tailed)		0.000	
N		385	

\*\* Correlation is significant at the 0.01 level (2-tailed).

age factor of the consumer was tested with H<sub>4</sub>. Looking at the correlation analysis results on Table 7, it is observed that the significance level is at (p) 0.000 < 0.05. There is a positive relationship between these two particular variables, hence H<sub>4</sub> is accepted. This finding would indicate that as consumers' age increase, they will very likely make a transition from counterfeits to the original brands.

## DISCUSSION

This study provides insights into what factors make consumers purchase counterfeit brands in the market. The findings indicate that low price, perceived prestige, brand popularity and the degree of product availability are the major determinants of consumers' purchase decision of counterfeits. Despite the worldwide legal sanctions against the manufacturing and the consumption of counterfeit products, the problem is expanding rapidly. To make consumers of counterfeits switch from counterfeits to genuine items, marketers should be able to convince consumers of counterfeits that the benefits of purchasing genuine items outweigh those of counterfeits. The durability and material quality of the product should be communicated to consumers because it is easy to copy other aspects of a product but not its durability and material quality. To remove the price advantage of counterfeits, which is a major drive of buying a counterfeit, marketers of genuine items can expedite the trial and adoption of genuine items in particular among counterfeit consumers by developing affordable versions of genuine items. Majority of the consumers in this research stated that they would not hesitate to buy the original brands if only they could afford them. Therefore, affordable versions may function as a bridge aiding consumers to gradually switch from counterfeits to original brands.

The government and the public institutions that are related parties to fight counterfeit activities must adopt aggressive legal measures. Other efforts should be simultaneously added to discourage consumers from buying counterfeits. An extensive advertising campaign can be launched to educate consumers about the social, performance and financial risks of counterfeits. Through the campaign, consumers may develop the understanding that the prestige they buy from counterfeits

come with a variety of risks involved. Last but not least, marketers must be eager to eradicate counterfeiting. They should increase consumers' perceived risks of buying and consuming counterfeit brands. As consumers buy these counterfeits to satisfy a desire for symbolic meanings such as social and financial status, recognition, respect and superiority, they would stay away from counterfeits when convinced they cannot impress others with counterfeits (Nia and Zaichkowsky, 2000).

## Limitations and further research

This was a cross-sectional study conducted only on young and urban Turkish consumers living in Istanbul. A longitudinal research can reveal whether or not consumers develop more responsible consumption behaviors as they get older and earn a higher level of income. Future research may be conducted to discover whether the results of this study can be generalized to urban but mature consumers to determine their likelihood to purchase counterfeit brands. In addition, future research needs to investigate the potential effects of other personal factors such as consumer ethics, consumer ethnocentrism, materialism as well as animosity towards foreign countries. Furthermore, environmental factors including societal norms, presence of social awareness campaigns against counterfeits, corruption of the society, social desirability of counterfeit consumption, enforcement of copyright laws are significant avenues for additional research in this field.

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