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INVESTIGATING THE INFLUENCE OF PRICE CONSCIOUS, PERCEIVED RISK AND PERCEIVED VALUE ON BEHAVIORAL INTENTION OF BUYING COUNTERFEIT PRODUCTS

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ABSTRACT

Counterfeiting is a significant and growing problem worldwide and has been taken into consideration in recent years especially in international marketing area. The present research aims to study the influence of price conscious, perceived risk and perceived value, on behavioral intention of buying counterfeit products, through attitudes toward them. So research hypotheses were proposed to examine the relationship between dependent and independent variables. As a test sample of the research a total of 250 questionnaires were distributed to respondent and 234 questionnaires were found to be usable in the study. The data were tested using SPSS and Amos software programs. The findings indicated that price conscious has the most effect on attitude toward counterfeit products (ATCP) and the perceived risk has negative significant effect on it. Besides, perceived value has significant effect on consumers' attitude toward counterfeit products. On the other hand, the findings state that attitudes toward counterfeit products, has significant effect on behavior intention of buying. This study may have some limitation due to population, sample size, limited number of studied independent variables and so on. Considering the limitations of this research, some cautions should be considered in the generalization of its results just like other studies. Future research can identify those factors that influence attitude toward buying counterfeit products and not considered in this study.

Keywords: *Counterfeit Products, Price Conscious, Perceived Risk and Perceived Value*

INTRODUCTION

Product counterfeiting is growing dramatically in terms of volume, sophistication, range of goods, and countries affected (ICC, 2005; Staake et al., 2012). International trade of counterfeit products has been increasing in a large scale and faster than it was thought. According to the International Anti-counterfeiting Coalition (IACC, 2008), counterfeiting will be the main crime in 21st century.

Based on some estimates, international trade in counterfeit products accounts for three to six percent of overall world trade, with trends indicating that the counterfeit product market is booming (Delener, 2000; Vida, 2007). Some other studies state that counterfeiting activity is estimated to account for 5 to 7% of world trade, depriving genuine manufacturers of about

\$600 billion a year, with a growth rate of 1700% over the past 10 years (Economist, 2010; Yoo and Lee, 2012). Production of counterfeit products is one of the businesses with highest growth in the world (Alcock et al., 2003). Software, cosmetics, automobile spare part, clothing and many of other counterfeit products are distributed among retailers worldwide under genuine names and this is often done by the legal agents outwardly.

Clearly, counterfeit practices not only sustain a loss to manufacturers of genuine products and brands, but also affect hundreds of thousands of jobs and so on negatively (Vida, 2007). Studies have shown counterfeit practices increase the marketing cost of legitimate products, diminish brand equity and trademark owner reputation, affect consumers' perceptions of genuine articles and may threaten consumer health and safety (Swami et al., 2009), such as in the case of fake amphetamines and tranquilizers, and

Research Article

bogus birth control pills (Chakraborty *et al.*, 1996). The trade of counterfeit product exists across various industries in business-to-consumer and business-to-business markets in industrialized and emerging economies. The illegal practices of counterfeiting can be decreased by affecting either of the two sides of the exchange: the supply side of counterfeits or the demand side of them. While the supply side of counterfeiting has received considerable attention in marketing literature, studies focusing on the demand side are still scarce (Vida, 2007). Especially studies addressing counterfeit purchasing from the consumer's viewpoint is still incipient, particularly considering the antecedents of the construct "attitudes toward counterfeits" and makes the counterfeits interesting options for consumers (Mastos *et al.*, 2007). It has been said that both increased production and demand caused counterfeiting growth (Astray, 2011). Nevertheless the real force on the back of the counterfeit trade, are consumers (Chan *et al.*, 1998).

Generally, conducted studies differentiate three types of transactions involving fake products, i. e., deceptive and non-deceptive counterfeiting (Grossman and Shapiro, 1988a; Chakra *et al.*, 1996; Vida, 2007) and blur counterfeiting (Bian, 2006). Deceptive counterfeiting represents transactions which consumers believe they are buying a genuine product while it is really a counterfeit. For example, some cases of counterfeit automotive spare parts, electrical appliances and pharmaceuticals (Grossman and Shapiro, 1988). On the other hand, however, consumers are fully aware that they are purchasing counterfeits. The non-deceptive forms of counterfeiting are especially prevalent in luxury brand markets (Nia and Zaich, 2000; Heidarzadeh and Taghipourian, 2012) where consumers are often able to distinguish counterfeits from genuine ones according to price, quality, distribution channels and the type of outlet from which the product is purchased. With blur counterfeiting, the consumer is not unsure of the fact that he/she is purchasing a counterfeit rather than the original product and cannot be held accountable for this behavior (Bian and Moutinho, 2011).

Many counterfeit products are sold in Iran every year as well and as in other countries, distribution and trade of counterfeit goods has become a major and inclusive problem. In order to solve the problem of counterfeiting, a variety of activities have been performed and several laws have been designed in Iran that among them, is the bill of combat with smuggling of commodity and exchange that presented to parliament in 2011. However, most of these proceedings were associated with the supply side, and demand side was less taken into consideration. Nevertheless, some new proceedings formed that represents, the demand side is taken into consideration.

Present study concentrates on the demand side of counterfeiting and measures the effects of some variables on consumers' perceptions of counterfeiting in non-deceptive counterfeiting. We examine the influence of selected factors on a consumer's willingness to knowingly purchase counterfeit goods.

The findings can help managers, practitioners and government officials reduce the counterfeit trade.

Literature Review

Counterfeit products: Counterfeiting is defined as the unauthorized representation of a registered trademark carried on goods similar to goods for which the trademark is registered, with a view to deceiving the purchaser into believing that he or she is buying the original goods (Grocery Manufacturers Association and Kearney, 2010; Wilcock and Boys, 2014). Furthermore below definition given by Cordell *et al.*, (1996) and also used by Chaudhry *et al.*, (2005) and Mastos *et al.*, (2007): any unauthorized manufacturing of goods whose special characteristics are protected as intellectual property rights (trademarks, patents and copyrights) constitutes product counterfeiting.

Counterfeit products are copies of genuine products with similar packaging, trademark and labels, but low quality materials were used in their production (Kay, 1990; Wee *et al.*, 1995; Chuchin, 2003).

However, counterfeiting in today's definition has started its growth from 1970s in business environment (Bian and Veloutsou, 2005), when the producer of Levis clothing observed large amount of its Jinclothing with counterfeit trademark and logo which were produced in south west Asia (Walker, 1981). The clothing were distributing through Western Europe. Counterfeiting has had excessive growth from then till now and its growth rate has been amazing (Phau and Teah, 2009). Counterfeiters and fakers are able to rob Billions of us dollars from healthy economies annually because of the high willing of consumers to take part in this unhealthy trade.

Research Article

Despite the efforts on the part of international trade organizations to deter counterfeiting practices, product counterfeiting represents a growing problem for legitimate producers of global branded products ranging from pharmaceuticals to computer software and fashion merchandise (Vida, 2007).

Even in light of technological advancements facilitating recognition of genuine products and legal pressures on illegitimate buyers and sellers, corporations continue to incur billions of us Dollars in lost sales annually due to this problem (Stoettinger and Penz 2003; Vida, 2007).

Price conscious: Price has an important role in affecting consumer's behavior and has been studied in marketing literature widely. Price conscious is a degree that shows the amount of consumers' focalization on paying lower prices, and seeking lower prices is one of the prevailing behaviors to make a profit. It is expected here that, the willing of consumers with high price conscious, to have more tendency toward searching to find discounts or lower prices than others (Alford and Biswas, 2002).

Previous studies has represented that direct economic results, such as paying a lower Price, influence the tolerance of consumers 'questionable behavior (Dodge *et al.*, 1996).

Bloch *et al.*, (1993) expressed that consumers would choose a counterfeit product over a genuine one when there is a price advantage. Even though, counterfeit products compromise the quality, consumers are willing to overlook the quality due to the cost saving prices (Cuno, 2008).

Consumers are more likely to buy counterfeit products when the price of the original is significantly higher than that of the counterfeit (Poddar *et al.*, 2012). The market of counterfeit products, use lower prices to attract customers. Most of researchers claim, price differences is an important factor while buying counterfeit products. When counterfeit products are selling coincident and along with legal products, the consumers with higher price conscious, may prefer the counterfeit products with lower prices.

Perceived risk: Risk is often seen as likelihood that an individual will experience and risk perception was considered an important concept in 1960s, and it is considered to be one of the determinants of the behavior (Ainuddin *et al.*, 2013).

When we study purchasing behavior as an intentional behavior, there is no doubt that the outcome of a purchase decision is to satisfy the need, So that positive results are expected. Therefore if there are negative consequences in buying positions, it may not to achieve the expected level of satisfaction. Since in most cases, the consumer because of cognitive limitations can only predict few of the likely consequences, Dowling and Stalin (1994) refer to situations in which consumer behavior when purchasing more facing uncertainty than facing risk. With the passage of time, the difference between the terms risk and uncertainty abolished in the research on consumer behavior and the two terms are used interchangeably until Raymond A. Bauer entered the notion of risk perception into consumer behavior research for the first time. He expressed that consumer behavior is significantly associated with risk so that every action of him/her may lead to undesirable consequences (Littler and Melanthiou, 2006).

Perceived risk is the risk and uncertainty in the purchasing environment where consumers may assume that order and its serious consequences may be wrong or inappropriate decision. When consumers decide to purchase, risk implies incorrect results of the action and degree of discomfort related the wrong action (Batra and Sinha 2000).

Havlena and DeSarbo (1991) have described multidimensional nature of consumer perceived risk including financial performance, social, psychological security, and time / opportunity. Perceived risk, can strongly affect consumer behavior. Mitchell (1992) argues that perceived risk affects the five stages of the consumer buying decision including problem recognition, Searching pre-order information, assessment of variables, decision to purchase and post-purchasing behavior.

Perceived value: The importance of perceived value has taken into consideration in the plenty of works in recent years and different definitions have been expressed for its conceptualization such as: consumer utility, perceived benefits associated with what missing, value and quality and cost of mental (Lee *et al.*, 2007). Vigneron and Johnson (1999) propose five perceived values that significantly affect consumer decision processes regarding prestigious brand selection, including conspicuous value, unique value, social value, emotional value, and quality value (Li *et al.*, 2012).

Research Article

Perceived value is defined as the level of product quality and the price paid. On the other hand, Customer satisfaction is an emotional (affective) reaction or a state of mutual understanding and recognition. Firms tend to have high customer satisfaction, so it is expected that the perceived value has a positive impact on customer satisfaction. Perceived value is defined as: “quality vs. price paid to the person obtains.” and if consumer prices would look like missing money, he/she will become more sensitive about the value (Lichtenstein *et al.*, 1993).

Perceived value is the first factor influencing the willingness to buy and buying intention (Chang and Wildt, 1994). The importance of perceived value of the product is focused on the fact that it is the determinant of intensity and weakness of consumer willingness to buy and buying intention of them. It can be said that the higher the perceived value, the greater the tendency to order (Monroe and Krishnan, 1985). Garretson *et al.*, (2002) showed the evidences that the Perceived value is positively correlated with attitude.

Attitudes toward counterfeit products (ATCP): Attitude means a learned tendency to replay to a topic within a desired path or adverse continually and plays a very important role in consumer behavior. Attitudes refer to the degree to which a person has a favorable assessment of a questionable behavior and are an immediate indicator with which an intention of him/her for doing particular behavior can be predicted (Yoo and Lee, 2009).

Attitudes cannot be directly observed rather they are subjective situations that marketers must obtain the results through realized measurements of them (Wilkie, 1994).

This research focuses on consumer attitudes towards counterfeit goods generally rather than any particular brand or product group. Although many factors have been discussed in the literature of counterfeit products, but the main perceived differences by the consumer are low prices and weaker guarantees or higher risk of counterfeit products.

Understanding the factors influencing consumers' attitude toward counterfeit product is important, especially as studies have shown that one-third of respondents would knowingly buy counterfeit goods when available (Phau *et al.*, 2001; Swami *et al.*, 2009).

Behavioral intention of buying: Intentions are self-instructions to perform particular behaviors or to obtain certain outcomes and they are assumed to capture the motivational factors that influence a behavior (Webb and Sheeran, 2006).

Theory of planned behavior (Ajzen, 1985, 1991; Ajzen and Fishbein, 1986), and the Model of Interpersonal Behavior (Triandis, 1977, 1980) each accord intentions a key role in the prediction of behavior (Webb and Sheeran, 2006).

Previous studies represented that consumer's attitudes can affect the probability of buying counterfeit products (Singhapakdi, 2004).

Based on the researchers' findings, individuals with a favorable attitude toward counterfeiting more often indicated that they intended to purchase counterfeit products than individuals with negative attitudes (Kim, 2009).

For example, an investigation indicated that Singaporeans, who are less supportive of software copyright law, are more inclined to make pirated copies of software than their US counterparts (Wee *et al.*, 1995; Heidarzadeh and Taghipourian, 2012). Therefore, it is expected that positive attitudes toward buying counterfeits affect behavior intention of counterfeits positively whereas it is expected to affect the opposite action negatively.

Research Model and Hypothesis

Figure 1 depicts the conceptual model that is advanced based on the literature. The major constructs in the model include price, value, risk, attitude, and behavioral intention, and the four hypothesized paths depict the relationships among these constructs:

H1. Consumer's price conscious affects their attitudes toward counterfeit products.

H2. Consumer's perceived risk affects their attitudes toward counterfeit products.

H3. Consumer's perceived value affects their attitudes toward counterfeit products.

H4. Consumer's attitudes toward counterfeit products affects behavioral intention of buying.

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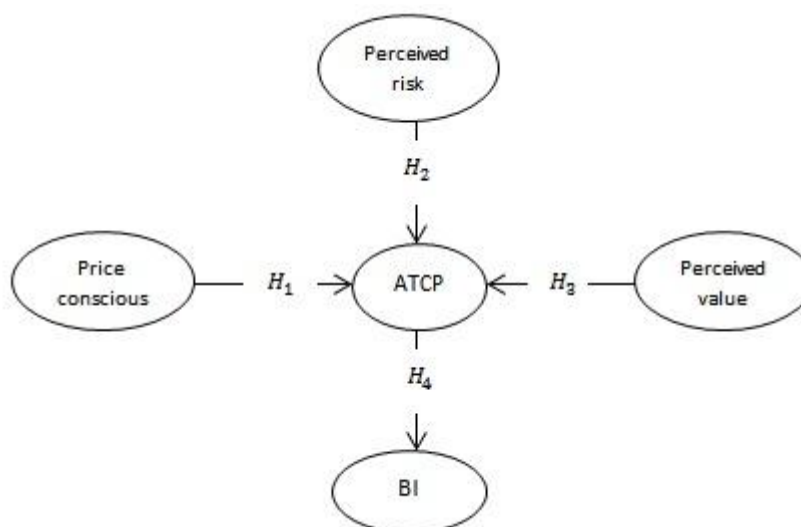


Figure 1: A conceptual model of the study

MATERIALS AND METHODS

Data collection and sample: The descriptive survey study tries to describe the influence of price conscious, risk and value, on behavioral intention of buying counterfeit products, through attitudes toward them. The research data were collected through a questionnaire that was completed during a week in May 2014 by respondents. Questionnaire that applied in this research was designed based on the previous study of Huang *et al.*, (2004) with necessary changes and adjustments. For each statement, the respondent indicates his or her opinion on a five-point Likert-type scale ranging from “strongly disagree” (1) to “strongly agree” (5). To test the validity of the data collecting instrument, the marketing experts’ opinion through computing content validity ratio (CVR), suggested by Law (1975), and Bartlett Test was used, and its reliability was confirmed by using Cronbach alpha. Although the ideal Cronbach alpha amount of a scale should be above 0.7, the minimal Cronbach alpha amount of 0.6 suggested by Robinson *et al.*, (1991) was accepted (Hoare and Butcher, 2008). The calculated Cronbach alpha coefficients for the all constructs were ideal Cronbach alpha (higher than 0.7) that indicating high reliability. Besides, the coefficients for individual variables were obtained as follows: perceived risk 85%, price conscious 89%, Perceived value 74%, attitude 77% and willingness to buy 86%.

The population of this research includes consumers who live in Shiraz-Iran. The sample was selected in the streets and places close to the points where counterfeited products were being sold. Because of the largeness of populations Cochran's formula (1963) was used to determine an adequate sample for proportions. By using the formula and as a test sample of the research a total of 250 questionnaires were distributed to respondent and 234 questionnaires were found to be usable in the study. Some characteristic of the sample in terms of demographic variables such as gender, age and education level are presented as below:

Regarding gender, 56% of respondents were female and 44% were male. Regarding education, 14% had high-school diploma or below, 63% had an associate or bachelor's degree and 23% had a degree higher than bachelor. Regarding age, 0.4% was below 20 years, 34% were between 20 to 30 years, 48% were between 30 to 40 years, 11% were between 40 to 50 years and 3% were over 50 years old. So the majority of participants in the study were female. On the other hand, most of the sample members were aged 30 to 40 years and most of them had an associate or bachelor degree, regarding education.

Data analyses: To evaluate the proposed model Anderson and Gerbing two-step approach (1988) was used. First, the measurement model was tested and then the structural model was estimated by using Structural Equation Modeling. All analyzes were done using SPSS 17 and Amos 18 software programs. For testing the mediated effects in the model and their significance Baron and Kenny method (1986) and

Research Article

Sobel test (1982) were used. In this study, model adequacy was evaluated by the comparative fit index (CFI), goodness of fit index (GFI) (Bentler and Bonnett, 1980) and the χ^2 test statistic (Bollen, 1989). Besides, named χ^2 index (χ^2/df), normed fit index (NFI), root-mean-square error of approximation (RMSEA) and root mean square residual (SRMR) were used in the model adequacy evaluation. When significant, the χ^2 statistic is indicative of a lack of fit. However, the χ^2 test being particularly sensitive to sample size, the use of relative fit indices CFI, GFI, NFI, SRMR and RMSEA is strongly recommended.

RESULTS AND DISCUSSION

Explanation and interpretation of the independent and dependent variables: Since the number of respondents is more than 30 people, according to the central limit theorem, the population distribution, is a normal distribution. So single-sample T test was used for explanation and interpretation of variables with test value = 3, confidence interval=95% and error=5%. The results of single-sample T test of independent and dependent variables are presented in Table 1.

Table 1: The single-sample T test results of independent and dependent variables

Factor	P-Value	Mean	Std. deviation	T test
Price conscious	0.272	2.8463	0.8779	-1.345
perceived risk	0.345	2.9293	0.9742	-2.111
Perceived value	0.437	2.3517	0.8751	-2.327
ATCP	0.001	2.8897	0.9101	-5.649
BI	0.002	2.6477	0.9145	-7.439

If P-Value is more than 0.05, the test does not show any significant difference between variable studied and test amount namely 3. Consequently the factor examined exists in the population in average amount and if P-Value is less than 0.05, the test shows significant difference between variable studied and test amount namely 3. In this case, if the mean of factor examined is more than 3, the factor examined exists in the population significantly and if the mean of factor examined is less than 3, the factor examined exists in the population weakly. So regarding Table 1, the variables of perceived risk, perceived value and price conscious exist in the population in average amount and the variables of ATCP and BI exist in the population weakly.

Survey of the relationship between the independent and dependent variables by using Multiple Linear Regressions: Simultaneous effects of independent variables on the dependent variable examined by using Multiple Linear Regression in Stepwise method. As can be seen in Table 2, the ANOVA (Sig.) amount is less than 0.05 for the variables of perceived risk, perceived value and price conscious that indicating a linear relationship between the above factor and attitudes. The R square is 0.842, implies that 0.842 of changes in attitude influenced by perceived risk, perceived value and price conscious.

Table 2: The results of Multiple Linear Regression between independent variables and ATCP

Dependent variable	Independent variables	ANOVA (Sig.)	Coefficients	
			B Constant =0.233	R Square
ATCP	price conscious	0.001	PRICE =0.219	0.842
	perceived risk	0.003	RISK=0.251	
	perceived value	0.002	VALUE =0.191	

Structural equation model: In this part, the hypothesized model was tested for model fit. The result of the Goodness-of-fit for the structural model shows a proper model fit (see Table 3).

Research Article

Table 3: Overall Fit Indices of the Hypothesized Structural Model

Model Fit Indices	χ^2	χ^2/df	GFI	CFI	NFI	RMSEA	SRMR
Amount	424.33	1.985	0.907	0.97	0.953	0.057	0.038

Models whose SRMR and RMSEA is smaller than the threshold amount of .05 are indicative of a close-fitting model, whereas amounts up to .08 represent acceptable errors of approximation and amounts above 0.10 are indicative of poor fit (Browne and Cudeck, 1993). This means that the model is an adequate representation of the sampled data. As for the GFI, NFI and the CFI, amounts above the criteria amount of 0.90 are also indicative of a good fit (Hoyle, 1995).

As it is indicated in table 3, the model fit indices for the structural model shows a proper model fit; chi-squared/df. Ratio is 1.985 and below the threshold of 3, indicating good fit for the modified measurement model. GFI=0.907, CFI=0.97 and NFI=0.953 are above cut-point of 0.9 and show a proper model fit. RMSEA and SRMR are 0.057 and 0.038 respectively, both below the cut point of 0.08. Therefore according to the fit indices for the final model and the threshold amount of the above quantities, it can be said that the final model presented in this study is acceptable. The final structural model can be seen in figure 2.

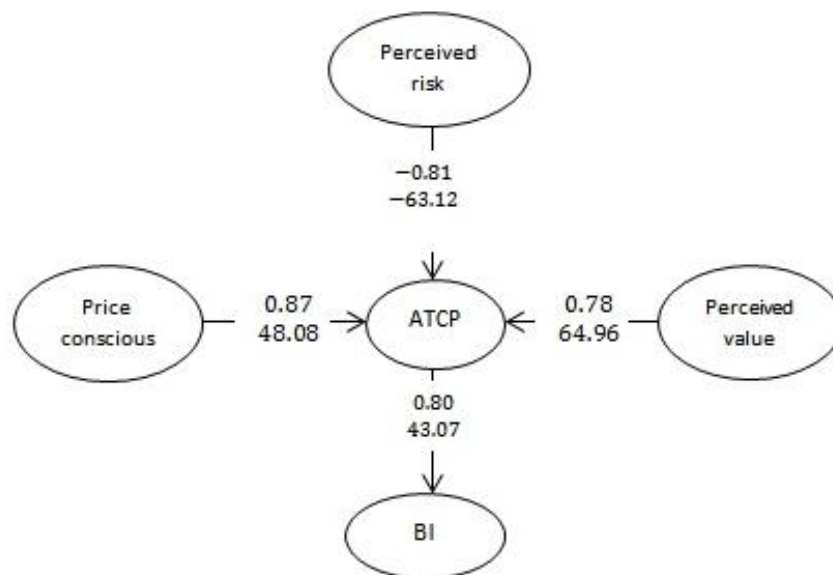


Figure 2: The Structural Model

As it can be seen in figure 2, the standard path coefficients for hypothesized relationships are measured using structural equation modeling. The hypothesis of this study can be examined regarding the results of structural modeling. Path coefficient between the final model variables and their significance level are reported in Table 4.

Table 4: The results of structural equations or path analyses

Hypothesis	Path		Std. coefficient	Significant numbers
H1	price conscious	→	ATCP	0.87 48 .08
H2	perceived risk	→	ATCP	-0.81 -63 .12
H3	perceived value	→	ATCP	0.78 64 .96
H4	ATCP	→	BI	0.80 43 .07

Research Article

Regression analysis of independent and dependent variables shows that, consumers' attitudes is affected by the three components of perceived risk, price conscious and perceived value. On the other words, these three external variables constitute the internal variable of attitude. For significance of a coefficient, the number of significance should be greater than 2 or less than -2. Thus all hypotheses are confirmed according to the results of the structural equation and similarly, significant coefficients that are greater than 2 and less than -2 according to the numbers in Table 4, and among them price conscious is the most effective according to the coefficient of 87%. On the other hand, perceived risk has a significant negative impact on consumers' attitudes, as well.

Conclusion

This paper examines the 3 factors influencing consumers' attitude toward counterfeit products (ATCP) and the effects of (ATCP) on the behavior intention to purchase those products. According to the literature review, variables of price conscious, perceived risk and perceived value may affect attitudes toward counterfeit products (ATCP) and their effects on consumer attitudes toward counterfeit goods were tested. Regression analysis results associated with the path coefficient showed that these variables motivate consumers for order with impact on their attitudes significantly. The results cleared that price conscious have the greatest influence on attitudes toward counterfeit goods among other variables. In fact, consumer awareness of the prices of genuine commodities and their considerable difference with the prices of counterfeit ones, cause more motivation to purchase counterfeit goods.

In this study, price conscious has positive and significant effect on consumers' attitudes on the other hand, perceived risk has negative and significant effect on consumers' attitudes. This finding of the study confirms the findings of the previous studies. Albers-Miller (1999) used the risk associated with purchase to predict consumer behavior.

Moreover, Matos *et al.*, (2007) found Consumers who perceive more/less risk in counterfeits have unfavorable/favorable attitude toward counterfeits. Perceived risk may be associated with the lack of consumer awareness about the technical and functional characteristics of counterfeit goods and due to the limitations of suppliers of counterfeit goods to provide good after-sales services and the quality of these goods. On the other hand, according to the findings of the study, perceived value has significant effect on consumers' attitude toward counterfeit products.

The study states that attitudes toward counterfeit products would affect behavioral intention of buying and this hypothesis was supported in the study and is similar to the results of previous researches, as Wee *et al.*, (1995) claimed if a person's attitude towards counterfeiting is favorable, it is highly likely that he/ she would consider the purchase of counterfeit products.

The findings can help managers, practitioners and government officials reduce the counterfeit trade, therefore they must focus more on factors that help increase or decrease counterfeiting. They should improve the variables that influence counterfeiting negatively. This study has some limitation due to population, sample size, limited number of studied independent variables and so on. Considering the limitations of the research, some cautions should be considered in the generalization of its results just like other studies. It is possible to conduct this study with some changes and adjustment, to enhance the generalization of the research. The future research may better measure the causal relationships of the variables through the identification of other variables that influence attitudes toward counterfeit goods (ATCP) and through the improvement of the method of research conduction.

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