

# CONSUMER PERCEPTION ABOUT COUNTERFEIT BRANDS IN INDIAN FMCG SECTOR

*DR. TEJAS DAVE*

Associate Professor, School of Liberal Studies  
Pandit Deendayal Petroleum University, Gandhinagar, Gujarat, India

*tejas.dave@sls.pdpu.ac.in*

## INTRODUCTION:

Today, the India is the second largest populated country in the world and importantly almost fifty percentage population is young. This has given very unique position to the country in the global market. The rapid information technology revolution has redesigned the global markets. The Indian economy is also considerably expanded in last three decades. This has caught the attention of many multinational companies towards Indian markets. The rapid urbanization along with e-commerce penetration has also supported multinational companies to target Indian markets. This change has boosted the markets of branded goods both in urban and rural areas. Compared to urban market, the rural markets are more scattered, but their aggregate potential is very high. The multinational companies are now eyeing both these markets and they have redesigned their supply chain to make them suitable and feasible for both these markets. The media has also played very important role and specifically after entry of the private players, the media reach has considerably expanded. Still the television is mainly dominating media in Indian markets, specifically in rural India. In urban areas, now the internet and mobile platform are now snatching market share of traditional media. In general, now the Indian consumers are more aware about the brands and they are giving more importance to branded goods. This has also given opportunities to other industries which are known for manufacturing look-alike brands or counterfeit brands. Specifically in fast moving consumer goods (FMCG) and apparel industry, the penetration of look-alike brands is very high. In FMCG, it is observed that the consumers prefer to spend minimum time when they buy consumable goods. The literacy level, knowledge about the brands and lack of information about supply chain network in terms of point of sales location are also important reasons behind it. In apparel and other categories, it is observed that the consumers are intentionally purchase look-alike brands, because they are duly assured by the marketer that the others (i.e people) will not recognize the imitation. The substantial price difference is also another reason behind market of look-alike brands. The government has taken considerable action and introduced Acts like Copyright Act 1957, Trademark Act 1999. The implementation of product patent is also one of the measures by the government. But still the markets of look-alike brands (counterfeit) are not completely eradicated. The paper attempts to understand perception of consumers about counterfeit brands and also aims to understand reasons behind existence of these markets.

## LITERATURE REVIEW

In the paper of Suraj Commuri (2009), the researcher attempted to understand impact on consumers when their preferred brands are counterfeited. The researcher examined three strategies which are normally applicable when the genuine consumers observe the counterfeit brands in the market. The presence of counterfeit brands in the market creates two possibilities-- either it will lose the trust or business from the genuine customer or it will consolidate brand loyalty of genuine customers. To understand and measure the actual impact of counterfeit brands, proper understanding of brand loyalty of multiple consumer segments is required. The author has presented financial implication of counterfeits and knock-offs on genuine brands. The researcher had presented finding in paper after conducting in-depth interviews of forty genuine item consumers; twenty from Thailand and twenty from India. The finding indicates that the consumers appeared to implement one of the three strategies: abandoning a brand, elaborating on pioneering patronage of a brand and disguising all brand cues.

In the paper of Simranjit Singh & Sonia Bajwa (2017), the researchers endeavored to find reasons behind consumer acceptance of counterfeit goods. The paper also tried to present relationship between different factors of purchasing behavior. In primary research total 100 respondents were included. The convenience sampling technique was used. The researcher attempted to cover all age group people in primary research. The researchers stated that the penetration level of counterfeit brands is high in unorganized market like street market. The social acceptance is the primary driving force behind purchase of counterfeit brands. The considerable price difference and lack of knowledge about counterfeit brand in rural area are other findings in primary research. The finding also indicates that the long term presence of counterfeit brands in any market ultimately dilutes the reputation

and goodwill of the original company. The researchers had also done multiple regression analysis and future p values of all the relevant variables were obtained.

In the paper of Mathumita Mukherjee Basu, Sumit Basu & Jung Kook Lee (2015), the researchers tried to understand motives behind penetration of counterfeit brands in the markets. The researchers had recognized six primary factors that influence counterfeit purchase and TRA (i.e Theory of Reasoned Action) had been applied to understand the impact of these factors on consumer behavioural pattern. The researchers had used mathematical ‘covariate interactions’ analysis as well as a chi-square regression analysis. The findings of the paper indicate that the consumers are buying branded products not only because of brand loyalty, but because they believe that the branded products are having better quality. The finding indicates that the younger people are more conscious about the brand and to avoid purchase of counterfeit brands. It had also been observed that the price difference is the most important reason behind rapid penetration of counterfeit brands in the price sensitive markets.

**SCOPE AND OBJECTIVES:**

The primary research mainly focuses on FMCG markets and data are collected from three main FMCG industries i.e Food & beverages, Household Goods and Personal care. This research attempts to accomplish following objectives.

1. Consumer perception about counterfeit brands in FMCG industries.
2. Consumer perception about role of government in diffusion of counterfeit brands in FMCG markets.

**RESEARCH DESIGN**

In primary research, cross sectional convenience sampling method is used for data collection. The structured questionnaire was developed and circulated to three hundred respondents. Total two hundred and fourteen respondents have registered their response. For the selected hypothesis ANOVA test is used for hypothesis testing.

**DEVELOPMENT & TESTING OF HYPOTHESES**

On the basis of literature review and the variable described above, the hypotheses developed are;

**Hypothesis 1:**

H<sub>0</sub>: Penetration level of counterfeit brand is same in all three FMCG industries; H<sub>0</sub>:  $\mu_{F\&B} = \mu_{HH} = \mu_{PC}$

H<sub>1</sub>: Penetration level of counterfeit brand is not same in all three FMCG industries; H<sub>1</sub>:  $\mu_{F\&B} \neq \mu_{HH} \neq \mu_{PC}$

**Hypothesis 2:**

H<sub>0</sub>: Consumer perception about availability of counterfeit brand is same in case of four POS (point of sales location); H<sub>0</sub>:  $\mu_{street\ vendors} = \mu_{convenience\ store} = \mu_{branded\ retail\ chain} = \mu_{online\ stores}$

H<sub>1</sub>: Consumer perception about availability of counterfeit brand is not same in case of four POS (point of sales location); H<sub>0</sub>:  $\mu_{street\ vendors} \neq \mu_{convenience\ store} \neq \mu_{branded\ retail\ chain} \neq \mu_{online\ stores}$

Sr. No.	Statement	Result
1	H <sub>0</sub> : Penetration level of counterfeit brand is same in all three FMCG industries; H <sub>0</sub> : $\mu_{F\&B} = \mu_{HH} = \mu_{PC}$ H <sub>1</sub> : Penetration level of counterfeit brand is not same in all three FMCG industries; H <sub>1</sub> : $\mu_{F\&B} \neq \mu_{HH} \neq \mu_{PC}$	ANOVA Test Numerator Degree of freedom: 2 Denominator Degree of freedom: 639 Level of significance: 0.05 Acceptance limit:3 , F Statistic : 38.65 H <sub>0</sub> is rejected
2	H <sub>0</sub> : Consumer perception about availability of counterfeit brand is same in case of four POS (point of sales location); H <sub>0</sub> : $\mu_{street\ vendors} = \mu_{convenience\ store} = \mu_{branded\ retail\ chain} = \mu_{online\ stores}$ H <sub>1</sub> : Consumer perception about availability of counterfeit brand is not same in case of four POS (point of sales location); H <sub>0</sub> : $\mu_{street\ vendors} \neq \mu_{convenience\ store} \neq \mu_{branded\ retail\ chain} \neq \mu_{online\ stores}$	ANOVA Test Numerator Degree of freedom: 2 Denominator Degree of freedom: 852 Level of significance: 0.05 Acceptance limit:3 F Statistic : 31.25 H <sub>0</sub> is rejected

**Hypothesis 1:**

The rejected null hypothesis indicates that the penetration level of counterfeit brands is not same in all three FMCG industries. In food and beverages industry, it is comparatively high compared to household goods and personal care products. In terms of decision making process in food and beverages industry, it has been observed that the consumer prefers to spend minimum amount of time in their decision making process. The

marketers of counterfeit brands take the benefit of the situations specifically in the case of street vendors. Frequently consumers fail to understand difference between counterfeit brands and real brands when they are in rush. In case of personal care products, normally consumers prefer to buy goods from known location and they also spend more time in comparative selection. Even in the case of availability of counterfeit brands, urban consumer normally detects the difference and selects only real brand. Still in the rural area the infiltration of the counterfeit brands is comparatively high as the comprehensive brand knowledge is low. In fact, the brand awareness level is considerably expanded in rural area in last two decades in India by reason of rapid penetration of mass media. The marketers of counterfeit brands are taking undue advantage of this knowledge dearth and targeting fragmented rural markets for their counterfeit brands.

### **Hypothesis 2:**

In FMCG sector, the point of sales location plays very vital role. The rejected null hypothesis indicates that the penetration of counterfeit/lookalike brands is comparatively high in case of street vendors and convenience stores compared to branded retail chain and online stores in FMCG sector. In case of street vendors, many of them are not registered entity and this gives them an opportunity to sell counterfeit/ lookalike brands. In the online platform, consumer retention is one of the critical business issues in e-commerce and M-commerce. The online markets are also now crowded place and e-commerce companies have realized importance of customer satisfaction. This development stops the corporate in selling of counterfeit/lookalike brands through their portals. The rapid expansion of social media networks has given substantial bargaining power to consumers. Today, the consumers are more vocal and expressive on social media platform.

### **MAJOR FINDINGS AND DISCUSSION**

✓ The outcomes of primary research show that there is a significant difference in terms of product performance between real brand and counterfeit brands. Almost 66% of respondents believe that the counterfeit brands are not up to the marks in product performance in FMCG sector. The packaging quality is also another issue in case of counterfeit brands. Specifically in case of food and beverages industry, packaging plays vital role in shelf life of product.

✓ Almost 76% respondents believe that the supply of counterfeit brands in the market is a social crime and some strict laws are required to protect the interest of the citizen. They believe that there is a direct effect on consumer when they use it or unknowingly.

✓ The 73% respondents believe that the governments need to develop rigorous procedure for licensing for manufacturer and marketer before allowing them to commence their business. The government moreover needs to take strict actions against sellers of counterfeit brands. It also requires mechanism for continuous monitoring. The respondents gave higher importance to government intervention as the FMCG products directly touch the life and style of individuals.

✓ The lack of availability of real brand is also one of the reasons behind penetration of counterfeit brands. It has been observed that the organizations specifically multinational organizations are very selective about point of sales location. They believe that the point of sales location also affect the brand reputation and also the brands value. Another reason is highly fragmented rural Indian market. So it is not cost affective or financially viable for many multinational companies to serve fragmented markets. It has also been observed in primary survey that small street vendors and small convenience store of rural area are aware about the counterfeit brands. But still, they are selling it because they get higher margins from manufacturers/ marketers of counterfeit brands.

✓ The 71% of respondents believed that the counterfeit brands are not good for the economy and these markets also hurt the reputation of Indian economy. It also affects the tax revenue of the state and central governments. The multinational companies consider this as a threat on their brand reputation and image. This is the reason behind very selective business approach of multinational companies in developing countries.

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