

CHAPTER I

INTRODUCTION

1.1 Research Background

If you are Indonesian, it is a common thing for us to see products of Nike, Adidas, and other high value brands are sold by street vendors with surprisingly lower price. At glance, we cannot see the difference with the products sold in the official store. But when we take a closer look, we can see the difference in the term of quality. Those products are called counterfeits. The definition of counterfeit products by (Grossman & Shapiro, 1988) are identical or copies of trademarked goods that are offered in the market to get benefits created by original branded products. (Lai & Zaichkowsky, 1999) then develop the definition of counterfeit product; it is a 100% direct copy of high-valued brand product, although with mostly inferior quality.

Counterfeiting is a problem that is experienced worldwide and it is a major problem. According to (Shultz & Saporito, 1996), counterfeits are more likely to happen to categories of a product where the condition of high demand and easy to produce is fulfilled. Statement by (OECD, 2009) said that apparels such as footwear and headgears are often to copied because of the high demand and the low level of production caused by the limit in technology to produce them. However, counterfeit products are not always meant to convince the buyer that they are buying real product instead of the imitate one. Counterfeit products are categorized into two; deceptive and non-deceptive counterfeits (Grossman &

Shapiro, 1988); (Bloch *et al.*, 1993). Non-deceptive counterfeits happen when the buyers are aware of the origin and the low quality of the product. Meanwhile, deceptive counterfeits are when the buyers are not aware that they purchase an imitate product and they are considered as victims of counterfeiting. In this research, it is non-deceptive counterfeits that will be chosen as the type of counterfeits that will be analyzed.

Indonesia is one of the countries with the worst records of preventing the theft of copyrighted material and other intellectual property (IP), according to the US Trade Representative (Globe, 2012). Every year it causes loss in potential taxes for trillions. Why? Because counterfeit products will not be charged with tax, which mean it will reduce the tax that should be added to the national income of the country. The right holders of the original products will experience loss in royalties, brand value and investment. Consumers will also get the impact where they risk their own health and safety by consuming dangerous and fake food, beverages and also medicine. Indonesian Anti-Counterfeiting Society (MIAP) stated that counterfeit products are still uncontrolled in the Indonesian market and cause a total loss of Rp65.1 trillion (US\$4.82 billion) to the national economy (Counterfeits cause Rp65.1t loss in Indonesia: Study, 2017).

Counterfeit in Indonesia has been going on for years and even though there is already regulation who ban the counterfeits action which is in the Constitution of the Republic of Indonesia Article 90 – Article 94 No. 15 of 2001 about Brands, it is still happening frankly in our surroundings. Counterfeits is still happening because the availability of the buyer is high. Meaning that to eliminate

counterfeit action, there should be no buyer to the products. There are many factors that affect the purchase behavior of counterfeit products.

There are numbers of previous research that have been conducted to analyze the purchase of counterfeit products across countries. (Perez *et al.*, 2000) analyzed the consumption of counterfeit luxury goods in Mexico, (Chiu & Leng, 2015) compared the consumers' intention to purchase counterfeit sporting goods in Singapore and Taiwan based on the theory of planned behavior (TPB), while (Sharif *et al.*, 2016) analyzed the consumer complicity with counterfeit products in Indonesia.

Based on the background problems above, it is important to analyze the factors that affect purchase behavior of counterfeit products. This research will help to understand what factors that affect the purchase behavior of counterfeit products as the intention of the author to write this research.

1.2 Problem Identification

This study will examine the factors that affecting the purchase behavior of counterfeit products. There are several questions that is used as guidance to develop this study. From the explanation about the background above, the problem identifications are:

1. Does fashion consciousness affect the intention to purchase counterfeit fashion product?
2. Does subjective norm affect the intention to purchase counterfeit fashion product?

3. Does ethical judgment affect the intention to purchase counterfeit fashion product?
4. Does value consciousness affect the intention to purchase counterfeit fashion product?
5. Does self-ambiguity affect the intention to purchase counterfeit fashion product?

1.3 Research Limitation

The author would like to avoid the things that are not suitable for the research by limiting purpose that will only matter in this research:

- Author uses personal judgment in grouping age as one of the demographic variable based on cumulative percentage.

1.4 Research Objectives

The purposes of this research are:

1. To analyze whether fashion consciousness affect the intention to purchase counterfeit fashion product.
2. To analyze whether subjective norm affect the intention to purchase counterfeit fashion product.
3. To analyze whether ethical judgment affect the intention to purchase counterfeit fashion product.
4. To analyze whether value consciousness affect the intention to purchase counterfeit fashion product.

5. To analyze whether self-ambiguity affect the intention to purchase counterfeit fashion product.

1.5 Research Benefit

The author hopes this research would be beneficial to several related parties:

1. For Marketers

This research helps marketers to understand the factors that affect purchase behavior of counterfeits product. Author hopes that marketers can formulate a better strategy based on our findings to minimize the counterfeits action.

2. For Author

This research will improve the author's knowledge and experience to research this study especially about marketing aspect, which had been studied by author in Universitas Atma Jaya Yogyakarta.

3. For Other Parties

Other parties could utilize this research to extend their knowledge or as reference for suitable purpose.

1.6 Writing Structure

This research divided into five chapters:

CHAPTER I: INTRODUCTION

This chapter will describe the contents such as: background, problem identification, and research study.

CHAPTER II: LITERATURE REVIEW

This chapter will describe about the theories that related with the title of the research. Theory that be used consist of fashion consciousness, subjective norm, ethical judgment, self-ambiguity, and purchase intention.

CHAPTER III: RESEARCH METHODOLOGY

This chapter will describe the things such as: research location, data collection method, variable, and data analysis method.

CHAPTER IV: DATA ANALYSIS

This chapter will reveal the result from data analysis and the interpretation of it using chosen analytical tools.

CHAPTER V: CONCLUSION AND MANAGERIAL IMPLICATIONS

This chapter will include conclusion, research limitations, managerial implications and future research.