

## *Chapter 1*

# **Introduction**

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### **1.1 Background of the Study**

Counterfeiting is not a victimless crime and India is not new to counterfeiting. Counterfeit products are unauthorized copies of authentic products. The detrimental impact of counterfeiting is both broad and hazardous, reaching its tentacles into every aspect of life. Various industries of the economy are battling the issue of counterfeit products. Product counterfeiting is any unauthorized manufacturing or distribution of goods whose special characteristics are protected via IP rights (Chaudhry et al., 2005; Philips, 2005). Today, almost all categories and grades of consumer goods are susceptible to product counterfeiting and the traffic generated by the existence of counterfeit goods is close to that of legitimately traded commodities.

A number of things persuade and stimulate people to buy counterfeit goods. Any product in any country is susceptible to the threat of counterfeiting practices and their consequences. Counterfeit merchandise copies the appearance, packaging, and labeling and presents it in a way that looks similar to that of authentic brands or legitimate goods. Counterfeit products would mislead and deceive consumers and hence each and every manufacturer would face a crucial and growing threat from the existence of counterfeit products. Anti-counterfeiting strategies and preventive mechanisms to detect and combat counterfeit goods have been developed in many nations but have not emerged and propagated on wider terms.

## **1.2 The Origin of Counterfeit Products**

The French words 'contre' which means 'against', and 'faire' which means 'to make', are the roots of the English word 'counterfeit'. The Latin word 'contrefacere' which means to imitate, is the source of the English word 'counterfeit'. Thus, the term counterfeit means 'to make in imitation'. Legally speaking, the term 'counterfeit' refers to the imitation of a branded item that is of decreased quality than its genuine counterpart with the goal of deceiving consumers. Black's Law Dictionary describes counterfeiting as the act of creating or disseminating a product that resembles a replica of a trademark with the intention to trick a buyer into thinking they are purchasing the products bearing the legitimate brand (Black, 1968). The original branded items and counterfeit goods are frequently so identical that it can be difficult to tell them apart or that the difference is invisible to the unaided eye.

Some of the oldest instances of acknowledged counterfeiting date back more than 2000 years. The history of premium brand counterfeits dates back to A.D. 27. Gaul, a wine trader at that period, used to fill the bottles with inexpensive local wine and then sell them at prices as high as Roman wines. However, the world began to notice it in the 1970s, when infringers in France imitated and applied distinctive brand insignia to wine stoppers (Cespedes et al., 1988; Philips, 2005). The devaluation of high-end brands, lost sales, brand or product confusions, damage to brand equity, and a negative perception of a brand are just a few potential marketing consequences that can arise from the ever-growing global problem of counterfeiting (Gentry et al., 2006; Nia & Zaichkowsky, 2000; Penz & Stöttinger, 2005).

Charles Dickens, a British author, accepted an invitation from a friend in 1842, and he joyfully sailed on the boat bound for America. He never imagined that traveling to the US would not be enjoyable. His writings are among the many plagiarised masterpieces of Europe that are widely available in the American publication market. Dickens composed "American Notes" after arriving back in England. He devoted a lot of time criticizing the widespread counterfeiting in the US and asserting that it gravely violated the laws on intellectual property. Unexpectedly, American book retailers ignored his protests and even copied

"American Notes" without permission (Tang, 2021). Only the crown of the iceberg is depicted in this narrative.

The problem of counterfeit products has always existed all throughout every era of the human economic and social journey. There have been analogous eras of widespread counterfeit products from Germany in the last decades of the nineteenth century to Japan in the early decades of the 20<sup>th</sup> century to China in recent years. The widespread sale of counterfeit versions of successful branded items during the nineteenth century resulted in legal action in several nations (Wilcox et al., 2009). In addition, a wider range of commodities are now being counterfeited, including foodstuffs, petroleum products, pharmaceuticals, beauty products, fragrances, glasses, electrical appliances, audio and video recordings, wristwatches, leather-based articles, etc (Faisal et al., 2021). Even though every nation in the world is stepping up its efforts to combat counterfeiting, this chronic illness is still challenging to treat.

### **1.3 Mapping the Counterfeit Trade: Spanning the Globe, India, and Kerala**

Counterfeiting operations have grown ominously audacious. Due to the absence of proper information about counterfeit products, the thirst for untaxed profits, and poor regulation to prevent counterfeiting, the trade of counterfeit items flourished on a worldwide scale. For the purpose of publicizing their enterprises, they have set targets on the self-esteem and self-actualization levels of Abraham Harold Maslow's need hierarchy theory. Low-cost commercial manufacture of identical items began to gain footing to satisfy the requirements and demands of such communities of individuals. Customers supported this action as a way to reduce the gap between socio-economic classes.

Unfortunately, the brand reputation of legitimate companies, who invested their personal, financial, and technological resources into developing a product, was destroyed by the counterfeit items (Kasuma et al., 2020). Thus, a mapping of the counterfeit trade from an international and national perspective along with the research location of the state of Kerala is inevitable for the study.

### **1.3.1 Global Trade in Counterfeits: A Dreadful Challenge**

Every business's brand is a very precious asset. Due to the great brand recognition of a product, counterfeiters and pirates were able to defraud businesses of billions of dollars each year by seducing compliant consumers to fund their illicit activities. A critical social, economic, and political issue that influences the success of many corporate initiatives is comprehending and minimizing customer complicity in the purchase of counterfeit goods. A choice to expand a product line, enter a new market, or relaunch a product may be jeopardized by the existence of a counterfeit. As per the previous global counterfeit trade analysis, China, Thailand, India and Malaysia were named as home for counterfeiting and piracy and these nations were marked as the worst counterfeit offenders as well as nations that infringe intellectual property rights (Awang et al., 2020). Globerman (1988) addressed the international product counterfeiting and concluded that international commerce was plagued by a serious problem with the international counterfeiting of goods protected by intellectual property regulations. Sales that were lost to counterfeiting as well as the expenses incurred in an effort to thwart and police counterfeiting to the extent that these expenses were not passed on to consumers were directly responsible for the loss in profits.

China holds the top position in the source of counterfeit products. The evolution of contemporary Chinese counterfeit goods has been researched by many people (Cheung & Prendergast, 2006). It is obvious from the history of Chinese commerce and industry that the liberalization and integration of the Chinese market with the world market practically correlated with the emergence of China's counterfeit products. Collective ownership or state-owned factories were in existence throughout the planned-economic era (Sutherlin, 2009). Due to the lack of financial incentives, there were minimal counterfeit items at that point in time. People in China can establish businesses for manufacturing, assembly, and selling as the country transitions from a controlled economy to one with a thriving market. The demand for different resources in society is continuously rising, and finally, there is an inadequate supply of commodities. Furthermore, people's hunger for economic gain has resulted in the production of counterfeit products in China (Y. Wang & Song, 2013).

Customers, policymakers, economic systems, as well as society are just a few of the stakeholders who are negatively impacted by counterfeiting (Bloch et al., 1993). Beyond the financial and commercial losses, counterfeiting damages the reputation of brands as well as the goodwill, trust, and confidence of customers (Y. Wang & Song, 2013). The value of the worldwide market for counterfeit goods is projected to be 500 billion US Dollars, with a growth rate of 1,700 percent over the 20<sup>th</sup> century, according to a report by US Border and Customs Protection (Bosworth & Yang, 2006). Since it was unable to compete with counterfeit goods, the popular brand Louis Vuitton was forced to remove all of its items from the market in the 1980s. Brands like Levi's and Louis Vuitton endured extreme hardship in the eighties (De Matos et al., 2007).

If it is possible to identify the propensity or the possibility of importing a given kind of counterfeit goods from a particular trade partner or provenance economy, then this information can be used to estimate the relative severity of counterfeiting. The GTRIC (General Trade-Related Index of Counterfeiting) methodology (OECD, 2008) was developed by Organization for Economic Corporation and Development to exercise the same. While the World Customs Organization (WCO) has identified counterfeit goods with 140 countries as their intended destination, the OECD estimates that the value of counterfeiting is in the neighbourhood of 250 billion US Dollars annually (OECD, 2009; WCO, 2008). The trade of fake medications from Asia to South-East Asia and Africa alone is estimated to be worth 1.6 billion US Dollars annually, making them one of the most dangerous types of counterfeit goods. In 2008, East Asia was the source of almost two-thirds of all counterfeit products including drugs and other items. Criminal groups frequently engage in activities beyond creating and transporting counterfeit items; many of these groups also engage in the trafficking of people, narcotics, and weapons. Due to high demand, the global market for counterfeit products reached 300 billion US Dollars in 2009 and is projected to grow yearly (OECD, 2007). It was estimated that 5-7 percent of all global trade is comprised of counterfeit goods. The yearly global trade in counterfeit products has surpassed 600 billion US Dollars (N. Ahmad et al., 2014). Estimated global sales of counterfeit goods and detailed

studies revealed that both developed and developing nations are rife with bogus goods (Gentry et al., 2006).

Few contest the severity of harm done to legitimate businesses due to lost sales, despite the fact that the precise amount of losses experienced by businesses and society as a whole, and as a result, it is difficult to quantify though some estimate this at over a trillion dollars globally for 2011 with double-digit growth rates projected for the next decade (Chaudhry & Stumpf, 2011). Despite having significant socio-economic and commercial disparities, the US and Brazil are both sizable marketplaces with Western economic traditions. According to the report of OECD/EUIPO (2016), the value of imported counterfeit products was projected to be 461 billion dollars in 2013. Over the past ten years, US Customs and Border Protection (CBP) has documented a steadily rising volume of intellectual property rights arrests. Throughout that time, counterfeiters have continually targeted fashion merchandise. Such items included 31 percent of jewelry, 28 percent of baggage products, 9 percent of Clothing and accessories, and 4 percent of the footwear industry and it made up more than 50 percent of the counterfeits that were confiscated (Customs and Border Protection Agency, 2015). It is obvious that the issue is becoming worse over time despite several international, collaborative initiatives to fight against the same. The value of imports of counterfeit products is projected to be over half a trillion dollars annually, according to the assessment by OECD/EUIPO (2016). This corresponds to around 2.5 percent of all imports worldwide. It has been made clear that because consumers are devoted to popular trademarks and established brands, counterfeit brand makers exploit customers, harm the economy, and imperil lives.

According to the International Chamber of commerce (ICC), the market value of counterfeit products surpassed 1.7 trillion US Dollars in 2015. Since individuals in Pakistan have poor incomes and are concerned about price and quality, the market for counterfeit goods is growing quickly. The United States of America was the world's largest purchaser of counterfeit products (Chaudhry & Zimmerman, 2009) then. The benefits of globalization cannot be overstated, but it should also not be disregarded that it has eased cross-border commerce and made the movement of fraudulent goods easier. Several nations have earned a bad reputation for having

widespread intellectual property infringement. China, India, Brazil, Russia, Vietnam, Ukraine, Taiwan, Pakistan, Indonesia, and Turkey are some of these global markets in the 20<sup>th</sup> century. Manufacturers and dealers that deal in a lot of counterfeit products frequently violate the names of companies, trademarks, and copyright laws in these nations. In many cases, the governments of such nations fail to take action in combating the counterfeiting issue, and in some cases, the local government actively promotes the creation and sale of fake goods in order to boost employment or profit from the success of large corporations (Jacobs et al., 2001; Philips, 2005). Manufacturers of the original items and governments find themselves engaged in a never-ending conflict with counterfeiters as the supply of counterfeit goods has been expanding drastically around the world (Penz & Stöttinger, 2005).

Depending on the estimate, the annual sales of counterfeit products range from 1.7 trillion US Dollars to 4.5 trillion US Dollars, making the counterfeiting industry at least the tenth-largest business in the world accounting just above Canada's GDP and probably the fourth-largest after Germany. Additionally, it's to blame for the loss of 2.5 million jobs worldwide. American companies and customers typically suffer the most from counterfeiting. A whopping 60 percent to 80 percent of all sold items are counterfeit, with American consumers buying most of them (Goldstein, 2022). The two continents with the highest suppliers of counterfeit goods have been identified as Asia and South America. Over the past several years, the impact of counterfeit goods has spread to every continent. The value of items that are counterfeit could skyrocket to 2.3 trillion US Dollars by 2022, according to the International Chamber of Commerce (OECD/EUIPO, 2021). Law enforcement authorities in Ghana showed a failure in curbing counterfeit business activities in South Africa stating non-deceptive counterfeiting as one of the main issues for the wide-spread availability of counterfeits (Ansah, 2017).

In the Gulf Cooperation Council (GCC) nations, where customers are so wealthy that their use of counterfeit items is shocking. Although GCC citizens do buy premium counterfeit goods, an exploratory quantitative study applying a snowball recruitment procedure done in the United Arab Emirates indicated that the perceived performance, psychological, and moral concerns deter them from engaging in such buying (Pueschel et al., 2016). Hennigs et al. (2015) conducted a

comparative analysis of data from Europe (Germany) and Asia (South Korea) to highlight the important influence of psychological and context-related antecedents on counterfeit perception and shopping behaviour and the chosen nations provided intriguing insights into the consumer's viewpoint on fakes since they reflected both the demand for genuine luxury products and for knockoffs of those brands in different sociocultural contexts. Furnham and Valgeirsson (2007) highlighted the attitudes, convictions, and personality qualities that influence people's readiness to purchase counterfeit goods in different ways since purchasing fake goods was turned into a major economic and societal issue on a global scale.

The Covid-19 pandemic impacted the trade in hazardous counterfeit goods globally because it boosted demand for product categories that are linked to stricter health and safety regulations, and the genuine manufacturers of those product categories were unable to swiftly supply the increased demand. This is especially true for counterfeit pharmaceuticals and several other high-risk industries like food and beverages, where disrupted supply chains and changing consumer demand created new business possibilities for criminals worldwide. Interestingly, the overall significant growth in counterfeit goods was not limited to just pharmaceuticals and Personal Protective Equipment (PPE) kits but also included consumer products and many other categories of products, that might potentially be dangerous to one's health and safety (OECD/EUIPO, 2022). According to a study by the WHO, over 10.5 percent of pharmaceuticals sold in underdeveloped nations were spurious. Pharmaceutical businesses were utilizing different anti-counterfeit packaging to address these challenges, typically the QR Barcode (2D Data Matrix Barcode) and Barcode (UPC-A Barcode). The awareness efforts might be strengthened with specific and true information on these concerns, which would subsequently lower the market for counterfeits.

Globalization and the reduction of trading barriers in international trade paved the way for spreading the sale of counterfeit goods across the globe in a fast manner. Frontier Economics, one of the top economic consultancies in Europe, predicted that the global value of counterfeit trade would reach 991 billion US Dollars, domestic counterfeit production and consumption would reach a range of 524 to 959 billion US Dollars, online counterfeiting business would reach 384 to



856 billion US Dollars, and a threat of net looting would also be present (Frontier Report, 2017). The latest counterfeiting statistics prove it to be almost accurate. Given the abundance of copycat goods on the market today, it is now difficult to tell the difference between a real and a counterfeit product. The business market has recently been impacted by information technology and e-commerce to generate false and lower-quality items online. The truth is that a lot of people search for and buy fake goods. A serious problem that undermines economic endeavours and has an impact on social life is counterfeit goods, which have been noted to exist in large numbers around the world.

### **1.3.2 India: The Provenance Economy of Counterfeits**

The whole world is plagued by the widespread epidemic of counterfeiting and Asia is a major hub for counterfeiting. The impression of the quality, dependability, and functioning of replicas vs genuine goods was historically been a hot matter of debate (Hanzaee & Jalalian, 2012). As many of the luxury brand knockoffs now available in the market are of higher quality, people are more motivated to buy them. This is seen when customers notice that the product characteristics of originals and counterfeits are quite similar. No legislation in India imposes penalties for purchasing fake goods. The prevalence of counterfeiting is widespread and includes anything from counterfeit luxury goods to fake aerospace and automobile components. As with technological growth, modernization and liberalization, internet penetration, and the popularity of smartphones, the Indian economy has offered a solid base and possibility for producers and marketers to misappropriate established trademarks (Rawat & Singh, 2021). According to the Anti-Counterfeiting and Brand Protection Summit (2018), the counterfeit business in India has exceeded Rs. 40000 crores in the organized market solely. These flaws plus the desire to be a part of a wealthy social class gave producers and marketers a chance to create bogus products.

‘Make in India’ is a good illustration of how to leverage domestic technology to boost and advance the economy (FICCI, 2021) but counterfeiters take it as a way to ‘fake in India’, making the nation one of the leading provenance economies among Asian countries. The fastest-growing crime in the nation is online

counterfeiting, which affects one out of every three Indians who have purchased counterfeit goods from one or more e-commerce websites. Raman and Pramod (2017) examined the elements that encouraged the growth of the online counterfeit market in the light of the existing framework, rules, and potential countermeasures. Buying things in comfort and convenience at affordable pricing is a big draw for Indian online retail customers. So far, India's e-commerce development has been phenomenal. Angel investors and venture capitalists were heavily funding start-ups, and the valuation game keeps them profitable. Despite the spectacular rise of various e-commerce in the last five to six years, the sale of counterfeit items and the online counterfeit market was a chronic concern for many industrial sectors, companies, and the government. The Indian economy loses 1 trillion INR, as a result, each year (Agarwal, 2021). According to the FICCI CASCADE Annual Report (2021), in the fiscal year 2017–2018, there was a loss of INR 1,05,381 crore in seven industrial sectors and an INR 39,239 crore loss to the government as a result of illegal markets. The economy has lost roughly 16.36 lakh jobs overall during 2017-18. The number of jobs lost globally as a result of counterfeit goods is predicted to climb to 4.2 to 5.4 million in 2022, an increase of almost 110 percent since 2013 (FICCI CASCADE Annual Report, 2021).

The rural population contributed half of India's GDP, which was based mostly on agriculture. Although the rural populace was exploited by low-quality goods and services as a result of economic developments, technological advancements, and inventive marketing strategies; frequent shortages also gave rise to black marketing, illogical pricing, promotions, and other unethical business practices. India has been listed on the USTR Priority Watch List for five years, despite being a signatory to the Patent Cooperation Treaty, Paris Convention, Berne Convention, TRIPS, and being a member of the WIPO. The nation's lax copyright regulations and lax IPR enforcement have kept it on this list of undesirables for 2007 (Chaudhry & Zimmerman, 2009). According to Naim (2005), India is a hub for illegal medications. 9 percent of all medications screened in India were subpar, according to a government study. The capacity of generic medicine producers in India to reverse-engineer medications that have other nations' patents is described by Naim (2005). Agarwal (2021) identified and evaluated the issues that allow holes

in the Indian healthcare supply chain as well as proposed remedies for lessening the entry of fake drugs into the system. The Indian government, regulatory bodies, and industry professionals were extremely concerned about the availability of counterfeit drugs. Despite the presence of regulations and standards for supply management, a sizable share of operational goals remained unfulfilled. Suzanna et al. (2021) conducted a cross-sectional quantitative survey of the general population in order to assess consumers' knowledge, attitudes, and behaviours about the pharmaceutical items they use or buy. To ensure the seamless movement of legal pharmaceuticals across the whole supply chain, the Indian healthcare system had to be strictly monitored. To the greatest extent possible, a high degree of monitoring and assessment must be implemented at every stage of the healthcare supply chain. The government and these pharmaceutical businesses must thus raise consumer awareness by giving customers the capacity to find out, confirm, and recognize the legitimacy of pharmaceutical items. Wilczyński et al. (2016) revealed that there was a significant difference in reflection between original and counterfeit tablets in the context of counterfeit drugs and medicinal products.

Products counterfeited were created in precise replication of something valuable with the purpose to deceive or defrauding. In the modern age, counterfeiting had grown significantly in popularity, and it was practiced in practically all Indian businesses (Chellasamy et al., 2020). Many well-known brands are being aggressively imitated in Indian markets, including Cadbury's Dairy Milk with its distinctive "glass-and-a-half" logo, Nestlé's KitKat with its distinctive red packaging and trendy over-sized "K" in the trademark, Parle-G Glucose Biscuits in its distinctive striped wrapper featuring a picture of a small girl and many more. Reddy and Ram (2020) have pinpointed the numerous motivators for FMCG product purchases in both rural and urban locations, as well as the extent to which these variables contribute to the purchase of counterfeit FMCG items. In India, 25–30 percent of the market is made up of counterfeit products. According to a recent analysis detailed in ASPA and CRISIL Report (2022), counterfeiting operations are having an effect on the sustainable growth of India's key industries, including pharmaceutical products, fast-moving consumer goods, automotive, garments, household durables, electronics products, and agricultural products. The study's

findings were based on a survey of customers and retailers that was done independently in twelve Indian cities such as Delhi, Jalandhar, Ahmedabad, Kolkata, Jaipur, Indore, Patna, Agra, Chennai, Bangalore, Mumbai, and Hyderabad to determine how they felt about counterfeiting in several important industries (ASPA & CRISIL Report, 2022). The top industries where customers encountered counterfeit goods, according to this survey, were found to be the industry of apparel with 31 percent, FMCG with 28 percent, and automobiles with 25 percent; these industries were followed by pharmaceuticals with 20 percent, consumer durables with 17 percent, and agrochemicals with 16 percent. Additionally, it was shown that 31 percent of Indian consumers intentionally used to buy counterfeit goods.

Most individuals in India are prestige-conscious, they believe in possessing branded items and the ones who can't pay the original price look forward to counterfeits of those brands. The Indian population has experienced demographic shifts, which have increased consumer demand for well-known brands. Given that Indian consumers place a high value on appearance, they have a favourable disposition towards counterfeits (Sarma et al., 2019). For the sake of looking appealing and owning everything that would make them look appealing among others in the group, they are inclined to purchase counterfeit premium brands. Indian customers place a great deal of significance on tangible factors since they are very particular about the premium brands of goods they use and carry. Since Indian consumers place a high value on appearance, they had a positive attitude toward counterfeits (Sarma et al., 2019). Indian customers place a great deal of significance on tangible factors since they were very particular about the high-end brands of goods they use and carry as opined by Sarma et al. (2019).

India's consumer products market is hugely significant in terms of both size and purchasing power (Kala & Chaubey, 2017). As a result, it becomes a desirable location for product counterfeiters, which poses a serious risk to both businesses and consumers (Kala & Chaubey, 2017). Shobana.T.A. and C, (2022) explored and examined the marketplaces for counterfeit goods in India in order to research consumer trends. The growth of such items on the market was also caused by the production of the exact identical copy of the original. The findings revealed a direct

link between branding, copying, and brand perception and most people were unaware that counterfeit goods were being produced and marketed in their nearby locations. Hundal and Jasmeen (2018) opined that there was only a little study being done in India on counterfeiting, despite the fact that it was a global problem that undermines society and the economy. In addition to damaging customers, counterfeit purchases waste the nation's resources. Approximately 70 percent of all counterfeit goods in India come from Delhi, making it the country's largest market for such goods. There are a number of marketplaces, including Gaffar Market, Sadar Bazar, Khari Baoli, Bhagirath Place, Nehru Place, and Kashmere Gate, where counterfeit products are readily accessible and publicly offered like any other legal company. The Gaffar Market has earned a track record for selling fake cosmetics, normal household electronics, and mobile phones and accessories and Sadar Bazar is a commercial marketplace in Old Delhi wherein some stores sell counterfeit packaged FMCG products and cosmetics (ASPA & CRISIL Report, 2022). The Chenoy Trade Centre in Hyderabad and the Hong Kong Bazaar are well known for selling counterfeit hardware and software for computers in the southern portion of India. Chennai's Kasimedu Street together with Burma Bazaar is extensively known for selling counterfeit electronic products such as smartphones, LCD TVs, imported surveillance equipment, cameras, and pirated motion pictures (Raj, 2022).

The office of the USTR (United States Trade Representative) mentioned the four major notorious markets in India as well as many other nations that deal with counterfeit products (Review of Notorious Markets for Counterfeiting and Piracy, 2022) such as Heera Panna Market in Mumbai, Kidderpore Market in Kolkata, Sadar Patrappe Road Market in Bengaluru, and Tank Road Market in Delhi. Heera Panna market is a sizable indoor market in the centre of Mumbai, that allegedly sells fake jewellery, accessories, shoes, gadgets, and cosmetics. Right holders warn of the health and safety dangers associated with the fake cosmetics offered in this market. The Kidderpore market is popularly referred to as the "Fancy Market" by locals in Kolkata, which is home to a number of stores that are said to provide a wide range of counterfeit products, including optical media, clothing, cosmetics, electronics, and software. Bengaluru's counterfeit market is said to be a hot spot for a wide range

of counterfeit electronic goods, drawing both residents and tourists in huge numbers. Delhi's Tank Road offers a huge volume of counterfeit items including clothes, shoes, watches, purses, gadgets, and cosmetics (Reddy & Ram, 2020).

The ASPA Report (2021) of "Study of Counterfeiting in India 2021" revealed that counterfeiting events are now higher than they were in 2018 and 2019. Media reports of events have increased in quantity as well. The number of counterfeiting incidents increased by 20 percent between 2018 and 2020 (ASPA Report, 2020). In contrast to 2019 (570), there were 666 recorded cases in 2020, marking a spike of 96 cases. The counterfeit FMCG market in India is expanding at a pace of 44.4 percent annually, which is faster than the FMCG industry as a whole. Additionally, over three billion rupees of FMCG items that are sold in India are bogus. The Anti-Counterfeiting and Brand Protection India Summit (2022) concentrated on talking about the most recent developments in law, the significance of binding packaging, supply chain authorization, and cutting-edge technologies and solutions in the fight against counterfeiting, as well as the challenges and problems that the organizations in India are facing. The summit provided a great forum for discussion, the exchange of case studies and experiences, networking with key figures in the sector, and learning about cutting-edge methods being used to combat counterfeiting and safeguard the integrity of business entities.

A favourable demographic composition and rising disposable incomes are the main drivers of the consumer market's expansion in India. India is regarded as the second-largest rising consumer market in the world as well (Kala & Chaubey, 2017). Indian luxury goods commerce has proven to be a successful market. With such a pervasive counterfeit sector, it may hurt business revenues and appeal, and it may jeopardize the reputation of high-end goods produced locally and abroad. Customers are frequently forced to purchase counterfeits due to factors including price sensitivity, the demand-supply imbalance, a desire to purchase premium goods, peer pressure, and societal incentives. Hence, research of this kind is particularly advisable in the context of India since, behind China, it has the second-fastest expanding economy globally. Reddy and Ram (2020) opined that in order to empower rural and urban consumers, an integrated strategy that includes representatives from corporate firms, retailer forums, and sales executives was

required. According to them, the strategy should include consumer education, training for government enforcement officials, research and statistical analysis, public policy analysis, support for policy development, and information sharing about international best practices.

### **1.3.3 Addressing the Menace of Counterfeits in Kerala**

For many years, counterfeiting has been a major problem for humanity since it deprives the governments of their due taxes, puts the public at risk for health and safety, and causes a wide range of issues for society as a whole. Even though the central and state governments have taken the initiative to address this problem, FICCI has formed a committee CASCADE and it was also instrumental in highlighting the detrimental impacts of this threat. Kerala is a consumer state, hence there are more opportunities for unauthorized traders. Therefore, it is crucial to spread awareness and stop such evil deeds. Due to the low level of consumer knowledge regarding fraudulent and illegally imported items, many customers are ignorant that they are purchasing such goods and are also clueless about the potential hazards.

To combat counterfeit and pirated goods during the Covid-19 pandemic, FICCI CASCADE organized a webinar on October 27, 2020, with a focus on the State of Kerala. The webinar was one among many similar programs held around the nation as part of a national awareness drive to draw attention to the problem and centre attention on the rising threat of illegal commerce, especially counterfeiting. Key recommendations consist of the need for an extensive campaign to inform the public and the business community about the potentially hazardous nature of counterfeit products; the emergency for a collaboration of the parties involved in addressing the problem of counterfeiting; and promoting the information-driven preventive measures to trace out the counterfeiters (FICCI, 2021). Mr. Sreejith, IG, Crime, Kerala Police, offered his perspectives on the matter, while Mr. Sumit Kumar, Commissioner of Customs, Preventive, Kerala Customs, explained the customs department's approach to the problem.

The chairman of FICCI CASCADE, Mr. Anil Rajput, acknowledged the Kerala government for their promptness to thwart any illegal operations especially counterfeiting activities in the state. In spite of facing several difficulties as a result of the Covid-19 pandemic, Kerala's law enforcement agencies had managed to seize a significant volume of illegal alcohol, counterfeit sanitizing items, unlawful tobacco supplies, and various other items (FICCI CASCADE Annual Report, 2021). Both the central and state government's top priority now is ensuring the welfare and safety of the consumers, and hosting awareness campaigns that will act as both informational and an alert to the public.

### **1.3.4 The Pandemic and Counterfeiting Trends**

The Covid-19 epidemic greatly encouraged counterfeiters to intervene and flood the market with illegal goods since supply was constrained by legal restrictions or the supply chain could not provide goods quickly enough (FICCI, 2021). When victims' concerns were the greatest, counterfeiters were eager to take advantage of them. They have persisted in searching for strategies to advance their malicious goals. The goodwill and credibility built up by the original brand manufacturers are exploited by counterfeit products. The process of constructing a brand takes a while, but since there are no entry expenses, safety regulations, excise taxes, or other fees to pay, counterfeiters take the financial gain effortlessly (Spink et al., 2013). In other words, counterfeiters steal the revenues from original brand producers by eating into their sales and the customers are impacted since counterfeit products are frequently of inferior quality or contain adulterants (Ndofirepi et al., 2022).

Counterfeiters spontaneously played and increasingly got into the production and trade of items that were used during the pandemic crisis resulting in an acceleration in the counterfeit trade of sanitizers, face masks, PPE suits, disinfectants, pharmaceuticals, and other hygiene cum medical products (Handfield et al., 2021). These people were so devoid of morals and ethics that they used this situation to generate even more wealth in unlawful ways. According to the report of OECD/EUIPO (2021), Priority 2 countries still include Russia, Ukraine, Turkey, and India. Enforcement of intellectual property as well as safeguarding the manufacturers in these countries suffer from major structural problems, which have



a negative impact on EU businesses. Since the last evaluation, there has been barely any progress made by these countries in resolving IP problems (OECD/EUIPO, 2022).

Unauthorized merchants have made great efforts to take advantage of the enforcement authorities' attention spans while they cope with the Covid-19 catastrophe. The enforcement authorities in India have confiscated an incredible amount of counterfeit commodities like alcohol, cash, gold, electronics, and so on. The seized amount of counterfeit tobacco products and cigarettes worth 412 crores is one instance that stands out (Raj, 2022). Due to the great profitability of counterfeit masks and the global dissemination of Covid-19, the market was swamped with counterfeits (Handfield et al., 2021). There have been major perturbations in supply chains due to certain business terminations and significant negative shifts in modes of transportation. Criminals have taken advantage of these chances in each of these incidents to generate unlawful income. People have been utilizing online resources like never before on account of lockdowns in many nations, which has resulted in a sharp increase in the rate of technological advancement. Counterfeits are increasingly being discovered on new online websites and platforms, especially social media, as the severity of online environment abuse increases. For instance, the amount of e-commerce in the US increased by over 40 percent between 2020 and 2021. As a result, online counterfeit goods of all kinds were available in significantly greater quantities (UNICRI, 2020).

Industry analysts claim that the black market for counterfeit pharmaceuticals continues to expand. According to interviews with industry professionals, the average seizure worth is expected to rise by approximately 5 percent in 2020 compared to 2019. Lockdowns have made e-commerce one of the primary ways to buy fraudulent and inferior medications. Enforcement officials also draw attention to the fact that Covid-19-related counterfeit medical supplies were frequently ordered online and delivered by air freight in tiny packages. Hong Kong and Singapore continue to be the primary transit hubs for these goods, while China and India account for the majority of their production (OECD/EUIPO, 2020, 2021). Personal protective equipment (PPE) including gloves and hand sanitizers as well as medications saw a sharp increase in demand as a result of the epidemic. Due to

borders being closed, disruptions in the supply chain, or limited production capacity, this demand was occasionally not fulfilled. Counterfeiters entered this market, selling counterfeit PPE as well as fake instruments for making PPE or substitute parts for machinery (Handfield et al., 2021). Counterfeiters frequently counterfeit personal protective equipment when the genuine manufacturers failed to provide the PPE and other related products. Such scams can pose serious health and safety implications. This means that the illicit and counterfeit medicines trade has increased by 25 percent from 2019 while taking into account the overall decline in enforcement, out of which 45 percent are total counterfeits (UNICRI, 2020). The outcomes of law enforcement activities support these conclusions. Massive quantities of counterfeit medicines and steroids were seized as a result of the Europol-organized operation ‘Shield’ (UNICRI, 2020).

Pharmaceuticals, PPE, and illegal alcohol trafficking are the key industries that the Covid-19 epidemic has severely impacted. During the crisis, there was a significant increase in online or digital counterfeiting and counterfeiting of food items. The volume of medicines and PPE offered online unlawfully has surged by 2800 percent, according to Europol (OECD/EUIPO, 2021). Due to the multitude of counterfeit listings posted online every day, the sale of counterfeit goods was expected to reach 1.8 trillion during the pandemic time, and Europol and Interpol seized counterfeit healthcare products, and much more, totaling millions of dollars in value. Nearly 1,000 Covid related seizures in the US of unlawful test kits, counterfeit medicines, and a variety of other fake equipment have resulted in approximately eighteen million dollars in counterfeit transactions (OECD/EUIPO, 2020, 2021; UNICRI, 2020). The corporate entities should attempt to develop local or regional manufacturing capacity and draw back from China or such provenance economies, which would significantly lessen the reliance and dependence on such nations automatically bolstering the economies of the US, European nations, and Asian countries.

#### **1.4 Counterfeit Consumption: The Driving Forces**

Products with strong brand recognition, an established level of reputation, and requiring relatively easy manufacturing methodologies, turn out to be the objects

of target for counterfeiters (Penz & Stöttinger, 2005). When there is a gap between demand and supply for a good, counterfeiters seize the chance by selling consumers inferior copies of genuine goods at a discount (Hundal & Jasmineen, 2016). In the words of Kenawy (2013), when a customer purchases counterfeit goods, they run the danger of utilizing a product that didn't pass the quality checks and specifications of the original manufacturers and trademark holders. The legitimate status of the original manufacturers is used by counterfeit producers for their financial advantage. In order to safeguard a solid track record, corporate image, and dominance in the market, only the original manufacturers are worried about upholding the safety of their goods offered for sale in the market.

According to several studies, counterfeiters are able to flourish due to the delayed legal procedures; flaws, and loopholes in statutes and their enactment, and poor conviction levels and absence of strong legal punishments. Russia, Chile, India, Israel, Paraguay, Turkey, Argentina, Ukraine, Lebanon, Venezuela, Thailand, Brazil, Egypt, and Mexico are the top countries for counterfeit goods, followed by China in the nineties (Bloch et al., 1993; Chaudhry & Walsh, 1996; Cordell et al., 1996; Howell et al., 1986; Tom et al., 1998; Wee et al., 1995) and still the presence of counterfeiting practices are strong in these nations. Many researchers have noted that counterfeiters often prove that they can come up with novel techniques to accommodate consumers despite the fact that organizations and authorities are working towards limiting the supply of counterfeit goods (Albers-Miller, 1999; Ang et al., 2001; De Matos et al., 2007; Penz & Stöttinger, 2005).

The two categories of counterfeiting - deceptive and non-deceptive - were first distinguished by Grossman and Shapiro (1988a). Later, the findings of many empirical studies confirmed the inevitable presence of these two forms of counterfeiting practices in the context of various economies of different parts of the world (Budiman, 2012; Faisal et al., 2021; Kenawy, 2013; Mbura et al., 2020; Nakassis, 2012; Patil & Handa, 2014; Penz et al., 2009; Sharif et al., 2016). Consumers cannot be held liable for deceitful counterfeiting since they are unable to figure out whether or not they are purchasing something that is not genuine or differentiates a replica from an original in a situation of deceptive counterfeiting

(Bian & Moutinho, 2011a). Therefore, only supply-side efforts can prevent such counterfeits (Bupalan et al., 2019; Monk, 2021).

The non-deceptive counterfeit, on the other hand, is one that customers deliberately purchase (Grossman & Shapiro, 1988a; Kirkwood-Mazik, 2014; Mir, 2011; Phau & Teah, 2009; Veloutsou & Bian, 2008; Vida, 2007). Since NDCs or non-deceptive counterfeits are frequently found in almost all categories of consumer goods, this type of counterfeiting is the major subject under study. Research in the non-deceptive scenario is highly relevant because the customers' opinion and attitude towards counterfeit products might possibly indicate their desire for these sorts of products (Bian & Moutinho, 2011b; Kim et al., 2009; Leibenstein, 1950; Norum & Cuno, 2011; Wilcox et al., 2009). According to previous studies, (for instance, Hopkins et al., 2003; Lewis, 2009; Phau et al., 2001; Tom et al., 1998), one-third of the buyers deliberately invest in counterfeit items regardless of what the repercussions might be. Hence it can be assumed that many customers are not actually deceived. Consequently, if the counterfeit goods are faulty, malfunctioning, or damaged, the customer cannot hold anyone responsible for the money they spent (Ozer & Benet-Martínez, 2006).

The experts and researchers have pointed out that customer demand for counterfeit goods is one of the prominent factors for the endurance, escalated growth, and expansion of the counterfeiting conditions across the globe (Amine & Magnusson, 2007; BASCAP, 2007; Gentry et al., 2006; Philips, 2005). Thus, it is vital to pay greater emphasis on the demand aspect for the purpose to figure out why consumers have gravitated towards counterfeit products. The strategies used by businesses to thwart counterfeits (Chaudhry et al., 2005; Gossen et al., 2015; Herstein et al., 2015) and the factors that influence certain customers to choose a counterfeit product (Huang et al., 2004) should both be taken into consideration when analyzing the element of demand in counterfeit control measures. People only choose to buy counterfeit goods voluntarily in the context of non-deceptive counterfeit products. Therefore, non-deceptive counterfeiting is the sole scenario in which the factors determining counterfeit purchase intention can be identified (Eisend & Schuchert-Guler, 2006). On account of the above-mentioned reasons, the present research is centered around the buyers of non-deceptive counterfeit products.

### 1.4.1 Terms Associated with Counterfeiting

Adopting effective countermeasures requires a crystal-clear understanding of the terms associated with the concept of counterfeiting. This goes beyond the traditional understanding of product counterfeiting, which is restricted to an IPR infringement viewpoint that only considers breaches of trademark, patent, or copyright. In order to deceive unaware buyers, counterfeit makers frequently enter the market or channel using unauthorized or counterfeit items. Also, things like stealing goods and the issue of overruns increase the susceptibility to commit fraudulent practices or counterfeiting activities. Hence, it is imperative that researchers and corporate entities have a comprehensive understanding of both current and potential risks in the context of counterfeit products by having a close look on different forms of possible counterfeiting threats. Since different product categories experience different styles of counterfeiters, it is crucial to understand different ways of counterfeiting. The key terminologies along with their meaning and interpretation are covered in the following table:

**Table 1.1**

**The terms associated with counterfeiting**

<b>Term</b>	<b>Definition</b>
Adulterate	A constituent of the genuine finished product is fake
Tamper	Genuine products and packages are used in a fraudulent way
Overrun	Genuine product is made in excess of the production agreements
Theft	Genuine product is stolen and sold out as a legitimately obtained product
Diversion	The sale or distribution of genuine products outside of the intended legal markets
Simulation	Illegal product is designed to look like but not exactly copy the genuine product
Counterfeit	All aspects of the fraudulent product and package are fully replicated and offered for sale to the customers as genuine products

*Source: Spink, 2011, 2007; Spink et al., 2013*

## **1.5 Significance of the Study**

The menace of counterfeiting is becoming more prevalent and severely harming the nation, businesses, and consumers in general. The ability to combat this threat lies in the hands of informed consumers. The fight against counterfeits is mostly waged by consumers. When a large portion of customers are ignorant of the true danger posed by counterfeit goods, the nation has no chance of being able to capitalize on the power of engaged consumer involvement to reduce the market's supply of counterfeit goods. India serves sixth on the list of provenance economies for all counterfeit products in the world, according to the OECD report (OECD/EUIPO, 2021). The ASPA Report of 2021 revealed that counterfeit incidences scaled up by an average of 20 percent (ASPA Report, 2021). In the results of ASPA and CRISIL Report (2022), a survey that was based on the consumers and merchants conducted across twelve Indian cities to analyze how they felt about counterfeiting in the major significant industries, it was revealed that the consumer perception projected the market share of counterfeit goods at 25–30 percent more than what the entire industry anticipated. Nearly 89 percent of customers realize that there are counterfeit goods present in the economy, and 31 percent knowingly buy them. If we compare India's tax-to-GDP ratio to that of other rapidly escalating economies, it is below average at about 20 percent. It's due to the low tax payment rate among the general population (FICCI CASCADE, 2023).

One of the main causes of the market's pandemic increase in counterfeiters is the enormous customer demand. The focus of the current study is on the variables that affect consumers' choice to buy counterfeit products. The study also seeks to understand how counterfeit goods affect consumers' attitudes and intentions. Several sectors, including fashion, accessories, pharmaceuticals, music, electronics, software, household goods, etc. produce counterfeit products. Consumers typically buy counterfeit goods for a number of reasons, including affordability, the chance to use comparatively much cheaper goods without worrying about them being destroyed, a method to stay up-to-date, the potential to gain status in society, etc. On the other hand, producers, merchants, and trademark owners suffer significant financial and reputational losses over time as a result of the trade in counterfeit products. As a result, there is an increasing need to explicitly comprehend the factors

that draw or persuade consumers to buy such counterfeit products so that manufacturers may develop successful anti-counterfeiting strategies.

The present study is expected to assist manufacturers and marketers in better understanding customer attitudes, which will enable them to advertise their products in a way that satisfies consumers' requirements and desires. The marketers of authentic items can develop better marketing techniques to persuade customers to buy original products rather than counterfeits by having a better grasp of consumers' intent to buy counterfeit products. From a business standpoint, dismantling the unlawful syndicate may be made easier with a greater knowledge of consumers' attitudes toward counterfeit goods. Actions like that demand all manufacturers to support anti-counterfeiting businesses that hire investigators to conduct monitoring and seizures against counterfeiters, force the authorities and the government to bolster the enforcement of respective statutes and regulations, or charge penalties to the vendor as well as the consumer to stamp out counterfeiting practices. From the customers' perspective, the more awareness they are getting, the less they have to end up with safety hazards, health issues, and unexpected monetary losses.

The detrimental effects that counterfeiting has on the economy make this research crucial for society as a whole. Losses in tax income and employment are serious issues. The results of this study will assist in evaluating the antecedents of customers' attitudes and purchase intentions towards counterfeit products in Kerala, from an academic perspective. It provides a more complete and accurate insight into how consumers view the use of counterfeit goods. A more thorough comprehension of the factors that influence the purchase of counterfeits will add to the body of knowledge and might aid marketers in creating more refined and successful marketing campaigns given the rising sales statistics of counterfeits in the modern era. Thus, the study is highly relevant from all aspects of manufacturers, marketers, customers, researchers, academicians, government, and society at large in framing counter policies to combat and eradicate counterfeiting practices and pave way for the economic prosperity and more revenue generation for the genuine manufacturers and government as well as saving customers from all types of risks associated with the consumption of counterfeit products.

## **1.6 Organization of the Thesis**

The thesis is organized into eleven chapters, which are outlined as follows:

### **Chapter 1: Introduction**

The introduction to the topic and formalization of the information that the study seeks to advance are both done in the first chapter of the thesis, which also contains the idea outline. A brief discussion on the theoretical backdrop, evolution of counterfeiting practices, followed by an overview of counterfeits in the context of a globalized world, Indian and Kerala economies are included as well. The chapter also offered an explanation regarding the significance of the study.

### **Chapter 2: Review of Literature**

The second chapter offered an extensive review of the literature with an emphasis on empirical studies of counterfeiting practices, customer perception towards counterfeit products and motives behind counterfeit consumption. In addition, an in-depth comprehension of the fundamental ideas of cognitive, affective and social drivers and their relationship with the perceived value, attitude formation and purchase intentions towards counterfeits was made which facilitated the identification of research gaps in the prevailing body of knowledge.

### **Chapter 3: Theoretical Framework**

The third chapter covered various theories and models in connection with counterfeits, repercussions of counterfeiting practices, legal framework in the context of counterfeits and other related aspects which helped in the formation of the theoretical framework for the present study.

### **Chapter 4: Research Methodology**

The fourth chapter described the identified research problem, the formulated research objectives, the framed research questions, hypothesised statements, conceptual framework, operational definitions of the constructs, scope of the study, data collection methodologies, sampling tools and techniques for the data analysis and concluded with limitations of the study.



## **Chapter 5: Cognitive, Affective, and Social Drivers Influencing the Customers Towards Counterfeit Products in Kerala**

The fifth chapter examined the cognitive, affective, and social variables, as well as the socio-demographic differences among the customers, that lead people in Kerala to buy counterfeit goods. The broad implications of the cognitive, affective, and social cues that motivate people to purchase fake goods were thoroughly analysed. The researcher took into account various socio-demographic and categorical factors in order to perform a thorough data analysis, including gender, age, educational status, yearly income, the capacity to recognise counterfeit goods, and the specific kinds of counterfeit goods that people intend to buy.

## **Chapter 6: Level of Perceived Value, Positive Attitude and Purchase Intentions of Counterfeit Products**

The examination of the degree of perceived value, favourable attitude, and purchase intentions of counterfeit items among consumers in Kerala was detailed in the sixth chapter. It also seeks to investigate the socio-demographic differences that predominate in these aspects among potential clients. Cross-analysis is done on the grounds of socio-demographic and categorical variables such as gender, age, educational status, yearly income, the kind of counterfeit goods intended for purchase, the capacity to recognise counterfeit items, and nearby availability of counterfeits.

## **Chapter 7: The Effects of Customer Motives on Attitude Formation and Purchase Intentions Regarding Counterfeit Products**

The seventh chapter was focused on the third objective, which is to create a model to examine how various elements that motivate the purchase of counterfeit goods impact consumers' attitudes and intentions. The model established a link between the elements that motivate the purchase of counterfeit goods and their effects on attitude development and purchase intentions. Structural Equation Modelling (SEM) and covariance-based confirmatory factor analysis (CB-CFA)

approaches were used to achieve this goal. An overview of the hypotheses tested were provided at the chapter's end.

### **Chapter 8: Drivers of Counterfeit Products and Purchase Intentions: The Parallel Mediating Roles of Positive Attitude and Perceived Value**

The eighth chapter investigated the role of perceived value and a positive attitude as mediators in establishing a relationship between consumers' intentions to buy counterfeit goods and their motivations for doing so in Kerala. The mediation model was constructed by employing the IBM SPSS AMOS Graphics 21 software. A bootstrapping technique was utilized to assess the importance of mediation in the model.

### **Chapter 9: Price-Quality Inference on Perceived Value and Purchase Intentions: The Moderating Effect of Novelty-Seeking Behaviour**

The ninth chapter explored how the moderating role of novelty-seeking behaviour affected the relation between perceived value, price-quality inferences, and purchase intentions. The moderating effects were evaluated using IBM SPSS AMOS 21 software, and the moderating effect's strength in the model was assessed using a simple slope curve test.

### **Chapter 10: Summary of Findings and Conclusion**

The tenth chapter summarised the study's major results and interpretations. Findings regarding the influence of customer motives concerning counterfeit products, perception of customers, the levels of perceived value, customer attitude and purchase intentions in the context of Kerala are provided in the chapter. Also, outcomes regarding the mediating effect of perceived value and positive attitude as well as the moderating effect of novelty-seeking behaviour of the customers are included along with the conclusion of the research work.

### **Chapter 11: Recommendations, Implications, and Scope for Further Research**

The eleventh chapter encased the recommendations to manufacturers of authentic brands, policy makers, government and law enforcement agencies. An

additional insight into the research implications was made, which would assist them to focus on the customer motives that would in turn help in curbing or eradicating the counterfeit products from the economy. The chapter concluded by presenting the scope for further research.

## **1.7 Conclusion**

The background of the dissertation is presented in this chapter. The worldwide repercussions of the trade and consumption of counterfeit goods, along with the Indian background and Kerala context has been highlighted. The relevance of the study has been plotted to exhibit how vigilantly the threat of counterfeits is to be handled. The chapter concludes with an outline regarding the organization of the dissertation.