

# CHAPTER I

## INTRODUCTION

### A. Research Background

Counterfeiting is an illegal activity that makes an item that is very similar to the original product intentionally without permission from the real owner. The differences between counterfeit and branded products are significant. Counterfeit branded products (CBP) have low quality and much cheaper than the branded product (BP). This activity harms the trademark owners because counterfeit productions can reduce company turnover, damage to brand equity, added cost, and low return on investment (Roux, Thébault, & Roy, 2019).

This phenomenon has existed for a long time, which has become a problem throughout the world. It is estimated that the value of counterfeit goods on the global market grew by 1,100 percent between 1984 and 1994 (Carty, 1994; Blatt, 1993). The estimated total value of counterfeits sold worldwide is as high as 1.8 trillion US dollars (The Economist, 2015, Lowe, 2013). Counterfeiting has become a significant economic phenomenon in the last two decades (Bian & Moutinho, 2011)

Despite selling and producing counterfeit goods is a criminal offense, it does not make the perpetrators fear the laws that have been regulated in several countries. According to Bian & Moutinho (2011), people will produce CBP as long as consumers' demand is high. Although consumers are well aware of ethics on buying counterfeits, previous research indicates that almost one-third of consumers deliberately purchase counterfeits (Phau et al., 2001; tom et al., 1998). Since demand is always considered a critical factor in the market, some authors argue

that consumers' demand is a primary reason for the existence and increasing counterfeiting phenomenon (Gentry et al., 2001; Ang et al., 2001).

Thus, marketers should learn about consumer behaviors and counterfeits carefully. Why do consumers deliberately buy counterfeit goods? Moreover, what should a luxury brand do to stop this activity? According to Penz and Stottinger (2005), the academic literature can conduct studies about the supply side and demand side of counterfeit goods. On the demand-side, Perez, Castaño, & Quintanilla (2010) has demonstrated that consumers will intentionally buy counterfeits as a cheapjack alternative. Other reasons have been suggested, including several variables such as a specific product type (AlbersMiller, 1999), information susceptibility (Hoon Ang et al., 2001), psychographic characteristics (Wee et al., 1995; Cordell et al., 1996; de Matos et al., 2007), normative susceptibility (Phau and Teah, 2009), product features (Wee et al., 1995; Cordell et al., 1996), status consumption (Hoe et al., 2003) and social influences (Ang et al., 2001; de Matos et al., 2007). Drawing upon the functional theories of attitude (Shavitt et al., 1992; Wilcox et al., 2009), (Ngo, Northey, Tran, & Septianto, 2020) identifies two functions branded brands that encourage consumers' attitudes toward branded brands. The first function relates to self-presentation. Consumers may purchase luxury goods to gain social approval, which is seen as social identity (Shavitt, 1989) or social-adjustive function (Wilcox, Kim, & Sen, 2009). The second function relates to self-expression, where a product might signal wealth (Jee et al., 2010), thereby providing a value-expressive function that allows the consumer to project an identity consistent with the luxury brand (Q. Bian & Forsythe, 2012). For instance, a customer might purchase a Rolex watch because it is a social status symbol (self-presentation). In contrast, another might purchase a Rolex watch because the brand reflects his or her personality (self-expression) (Wilcox et al., 2009).

According to Ngo et al. (2020), despite the importance of value-expressive and social-adjustive functions in consuming genuine luxury products, product involvement is highly influential. Product involvement refers to the interests that consumers find in product classes (Zaichkowsky, 1994). The level of product involvement affects consumer behavior to collect information about the product to make a purchase decision simultaneously (Lin & Chen, 2004). In consuming counterfeit products, consumers also selective in choosing what brand of products they will use. Besides seeing the fashionable side, they also see the quality and attributes of the products offered.

According to Peter & Olson (2012), product attributes are the primary stimulus that affects consumer behavior, affection, and cognition. Consumers evaluate product attributes concerning their values, beliefs, and past experiences. To find out the product safety, consumers' must be considered the product, such as knowing the benefits, composition, and quality of the product itself.

In Indonesia, a large number of counterfeit products on the market is a serious problem. According to the Ministry of Home Affairs of the Republic of Indonesia, in 2015, 40% of products in Indonesia are counterfeit goods. Based on the research of the Indonesian Anti-counterfeiting Society, counterfeit products have penetrated several sectors, following in below the table:

**Table 1. 1**  
**The Percentage of Counterfeit Products in Indonesia**

Products	Percentage
Drugs	3,8%
Food and drink	8,5%
Cosmetic	12,6%
Software	33,5%

Leather product	37,2%
Fashion	38,9%
Printer ink	49,4%

*Source: (www.cnnindonesia.com, n.d.)*

Through the survey, fashion is the most faked sector. There are many types of products in the fashion industry, such as shoes, bags, clothes, etc. According to Febryan (2017), a consumptive lifestyle can be reflected by how they dress in fashion. In the preliminary study results, shoes among the most counterfeited products, especially in global brands, such as Nike, Converse, Adidas, Vans, and others.

The preliminary study is an initial exploration of issues related to a proposed quality review or evaluation. The author has chosen counterfeit shoe products as an object of this study and Yogyakarta citizens as the respondents. The preliminary study shows that all respondents know counterfeit products, and some of the respondents have experience purchasing CBP (counterfeit branded product).

This research is a replication study of (X. Bian & Moutinho, 2011) and (Viet, Northey, Tran, & Septianto, 2020). This research has chosen to investigate the counterfeit shoe product as the setting. In this study, the researcher uses perceived product attributes, social-adjustive function, value expressive function, product involvement, and consumer intention to repurchase counterfeit products as variables. However, the differences in previous research are setting, location, and respondents. The researcher is interested in investigating the factors influencing consumer repurchase intention of the counterfeit product of shoes.

## **B. Research Question**

According to the research background explanation, the problem formulations used in this study are as follows:

1. Does consumers' perceive product attributes influence the repurchase intention of CBP?
2. Does social-adjustive influence repurchase intention of CBP?
3. Does value expressive influence repurchase intention of CBP?
4. Does product involvement moderate the relationship of perceived product attributes on repurchase intention of CBP?
5. Does product involvement moderate the relationship of social-adjustive on repurchase intention of CBP?
6. Does product involvement moderate the relationship of value expressive on repurchase intention of CBP?

## **C. Research Objectives**

Based on the research background and research problem set out above, this study aims to:

1. Analyze the influence perceived product attributes affects the repurchase intention of CBP
2. Analyze the influence social-adjustive affects repurchase intention of CBP
3. Analyze the influence value expressive affect repurchase intention of CBP
4. Analyze the moderating effects of product involvement on the relationship of perceived product attributes and repurchase intention of CBP

5. Analyze the moderating effects of product involvement on the relationship of social-adjustive function and repurchase intention of CBP
6. Analyze the moderating effects of product involvement on the relationship of value expression and repurchase intention of CBP

#### **D. Research benefit**

The research conducted is expected to provide several benefits:

1. The future research

These study results are expected to provide knowledge and understanding of the relationship and influence of perceived product attributes, social-adjustive, value expressive, and product involvement in consumer repurchase intention, especially in the counterfeit shoe product in Yogyakarta. This research could be used as a reference for future researchers who have a similar topic.

2. Business field

This research could be a source of information for companies to understanding which attitude influences consumers in purchasing counterfeit products.

