HESITATION TO BUY COUNTERFEIT PRODUCTS: AN INDONESIAN PERSPECTIVE

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ABSTRACT

The study conducted by the University of Indonesia’s Institute for Economic and Social Research and the Indonesian Anti-Counterfeiting Society (MIAP) shown that the consumption of counterfeit products in Indonesia has been increasing at an alarming rate (Christie, S., 2011). Hence, the urgency of a study to overcome the problems is indeed increasing. This research is aimed to persuade the hesitation of consumers towards counterfeit cosmetics products. Approximately 200 respondents were involved in the questionnaire survey enclosed with the statement that based on Likert scale. The data that considered as valid were analyzed using AMOS Ver. 5 using Structural Equation Modelling (SEM). The results of the hypothesis testing shown that both social and personality factors and also risk aversion could determine consumer attitudes towards fake products. In addition, the consumer attitude, along with negative word-of-mouth and low subjective norms could significantly enhance the hesitation of consumers to buy counterfeit products.

KEYWORDS: Hesitation to buy, Attitudes towards counterfeit, Risk Aversion, Negative WOM, Subjective norms

1. INTRODUCTION

Counterfeiting is a term used to explain the production and sale of fake products that seem identical to the original product (Penz & Stottinger, 2005). Counterfeiting is a huge business, especially in Indonesia. Indonesia was in the 8th rank of country with highest counterfeiting action in Asia on 2006 (United States Customs & Border Protection, 2007). Moreover, a recent research report released by the Economy and Community Investigative Institute at Indonesia’s School of Economics (LPEM-FEUI) found that Indonesia lost up to Rp 43.2 trillion in indirect tax income from counterfeit product sales in 2010 (The Jakarta Post, November 04, 2011).

Luxury brands are easily counterfeited, as it is easy to sell and incur low manufacturing costs (Shultz and Soporito, 1996; Gentry et al., 2006). The indulgence growth of counterfeiting can be attributed to the increase in emerging new markets, fast technology advancements, and also the increase in goods that are worth counterfeiting (Wee et al., 1995; Bloch et al., 1993; Alcock et al., 2003). Researchers have classified the literature about counterfeiting into two main issues, the supply-side issues and the demand-side issues (Bloch et al., 1993; Tom et al., 1998). This present research focused mainly on the supply-side issues to formulate the strategy on how to reduce, or even eliminate, the practice of counterfeiting. The factors namely social factors, personal factors, extrinsic and intrinsic cues, risk aversion, and subjective norms were examined to find their influence towards consumer hesitation. The hesitation of consumer were hoped to reduce the number of buyers and the demand of counterfeit products.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1 Attitudes towards Counterfeiting

According to Tom et al. (1998), consumers are more inclined to purchase products with a fashion component attached, such as the case for luxury products. Consumers are willing to pay for the visual attributes and functions without paying for the associate quality (Cordell et al., 1996). Consumers are also expected to prefer counterfeit products with a famous brand name attached that would present some meaning to the consumer (Cordell et al., 1996). Past research has examined the economic, quality, and legal or ethical factors that shape and influence attitudes of consumers (Cordell et al., 1996; Ang et al., 2001; Wang et al., 2005). Consumers experiencing situational ethics excuse themselves for purchasing counterfeits as justifiable because they perceive themselves to be less unethical or illegal (Cordell et al., 1996; Albers-Miller, 1999; Gupta et al., 2004). Hence, consumers feel less responsible towards their role as a counterfeit agent. This double standard shows indifferent attitudes towards the consumption of counterfeit goods, since major corporations might not suffer from the perceived slight loss of profits (Cordell et al., 1996; Ang et al., 2001; De Castro et
Social influence refers to the effects that others have on an individual consumer’s behaviour (Ang et al., 2001). Two common forms of consumer susceptibility to social influences are information susceptibility and normative susceptibility (Wang et al., 2005). Information susceptibility refers to purchase decision based on the expert opinion of others and normative social influences refer to the fact one’s decisions might be based on expectations of what would impress others (Ang et al., 2001; Wang et al., 2005).

Attitudes about luxury consumption are linked to the display of wealth and the symbolic meanings from one’s social position and identity (Eng and Bogaert, 2010). The involvement of a man’s beliefs was trusted to reduce the sense of having ultra-rich consumption. Attitudes to beliefs could be perceived as a control towards person activities and actions (Light et al., 1989).

2.2 Risk Aversion

Consumers become risk averse in conjunction with any losses that may be faced if the consumer purchases counterfeit cosmetic products. Cosmetics closely related to the health and safety of the consumers themselves. Risk aversion is an important thing to be considered in marketing, as it becomes one of the determinants of consumers in making purchasing decisions (Bauer, 1960; Cox, 1967). In fact, taking a risk into account in decision making could deliberately means various things and includes various elements, such as social risk, financial risk, physical risk, psychological risk, or else (Jacoby and Kaplan, 1972). Therefore, this study was intended to look at the health risks that may be experienced by consumers who consume counterfeit cosmetic products. For example, the skin probably becomes irritated and turned reddish because of the unknown chemicals composition in the fake cosmetic products.

2.3 Subjective Norms

Fishbein and Ajzen (1975) use the term motivation to comply to describe subjective norm, whether individuals adhere with the views of other influential people in his life or not. The higher the individual motivations adhere to views or the role of others in buying fake cosmetics products, the better the individual’s attitude towards counterfeit cosmetic products. Research in previous studies found that subjective norms that play a role for consumers to buy fake cosmetic products is that a friend, colleague and relatives (Kalafatis et al., 1999; Sampson, 2009).

Figure 1. The conceptual framework of the study
2.4 Word-of-Mouth

According to Poleretsky (1999) unhappy customers will tell their negative experiences to five friends. In general, this negative word-of-mouth is the result of dissatisfaction felt by consumers due to inferior service quality. Consumers often depend on word of mouth to reduce perceived risk and uncertainty related to decision-making regarding service (Mangold et al., 1999). In particular, this fact can be applied to counterfeiting, where the buyers are paced out to their health risk, unknown composition of materials on the product, and no specific guarantee could be claimed after usage.

2.5 Hesitation to Buy

Post-purchase dissonance is a stage of Postpurchase consumer behavior that can be experienced by each customer after the purchase of a product. Munandar (in Ginting & Sianturi, 2005) says that some consumers may experience post-purchase dissonance. Hawkins et al. (2007) defines post-purchase dissonance as a doubt or anxiety experienced by a consumer after making a hard decision and relatively permanent.

Doubt or anxiety is the case because these consumers are in a situation that required him to make a permanent commitment relative to an alternative choice of other alternative options that are not so selected by the consumer.

3. RESEARCH METHOD

3.1 Type and Source of Data

The survey method as part of data collection will be adopted to obtain the primary data in this study. Approximately 200 respondents were involved in the questionnaire survey conducted in Sleman, Yogyakarta, Indonesia. This research used quantitative approach with quota-purposive convenience sampling method and all methods of data collection were conducted from June until August 2014. Acceptable sample declared from the reliability and validity test were entered into AMOS 21.0 to be calculated using Structural Equation Modelling (SEM) with an approach to regression analysis for hypothesis testing.

3.2 Survey Instrument

The questionnaire contains three sections consisted of item scales and demographics information. The description of scale items and their validities and reliabilities are reflected in Table 1. Sections A confirmed the importance of using cosmetics for the respondent.

Section B captured the demographic profile of the respondent. Section C evaluated the scale items of variables. The scale items were adopted from: social factors (Diwasasri and Anas, 2012), personal factors (Cheung&Prendergast, 2004; Phau et al., 2009; Hidayat&Ekasasi, 2012), risk aversion (de Matos et al., 2007; Huang et al., 2004; Donthu&Garcia, 1999), attitudes towards counterfeit (Phau&Teah, 2009), subjective norms (de Matos et al., 2007), word-of-mouth (Gounaris, 2010), hesitation to buy (Huang&Oppewal, 2006). All items were measured on a six-point Likert scale with 1 representing “strongly disagree” and 6 representing “strongly agree”.

<table>
<thead>
<tr>
<th>Variables</th>
<th>a</th>
<th>Critical Value</th>
<th>Reliabil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Factors</td>
<td>0.892</td>
<td>0.6</td>
<td>Reliabel</td>
</tr>
<tr>
<td>Materialism</td>
<td>0.882</td>
<td>0.6</td>
<td>Reliabel</td>
</tr>
<tr>
<td>Religious Value</td>
<td>0.891</td>
<td>0.6</td>
<td>Reliabel</td>
</tr>
<tr>
<td>Risk Aversion</td>
<td>0.871</td>
<td>0.6</td>
<td>Reliabel</td>
</tr>
<tr>
<td>Attitudes towards fake cosmetics</td>
<td>0.928</td>
<td>0.6</td>
<td>Reliabel</td>
</tr>
<tr>
<td>Subjective Norms</td>
<td>0.900</td>
<td>0.6</td>
<td>Reliabel</td>
</tr>
<tr>
<td>WOM</td>
<td>0.915</td>
<td>0.6</td>
<td>Reliabel</td>
</tr>
<tr>
<td>Hesitation to Buy</td>
<td>0.951</td>
<td>0.6</td>
<td>Reliabel</td>
</tr>
</tbody>
</table>

Source: Primary data (processed)

4. RESEARCH FINDINGS

4.1 Descriptive Result

Most of the respondents in this research are female (70.5%), aged under 25 years old (98.5%). All of the respondents are student from the middle to upper class segment (725%) and thus the respondents are mostly single (98.0%). Furthermore, the respondents are also having average monthly income at below 1 million rupiahs (49.5%).

4.2 Reliability Analysis

The result normality check shows that the critical ratio of multivariate normal is 2.511. Using the critical ratio (C.R.) benchmark ± 2.0, it indicates insignificant departure from multivariate normality assumption. The result of outliers check indicates that the data do not have outlier that is far from the centroid under the hypothesis of normality. In order to be a good model, it is required to do a model revision by making a modification index to revise the model by increasing
the parameter number. The result of the Goodness of Fit Test after modification can be seen in the Table 2.

Table 2. Goodness of Fit Test

<table>
<thead>
<tr>
<th>Fit Measure</th>
<th>Output</th>
<th>Cut-off Value</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolute Fit Measure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chi-Square</td>
<td>574.978</td>
<td></td>
<td>Good</td>
</tr>
<tr>
<td>Probability</td>
<td>0.096</td>
<td>High &gt; 0.05</td>
<td>Good</td>
</tr>
<tr>
<td>CMIN/DF</td>
<td>1.081</td>
<td>&lt; 2</td>
<td>Good</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.046</td>
<td>&lt; 0.08</td>
<td>Good</td>
</tr>
<tr>
<td>GFI</td>
<td>0.924</td>
<td>≥ 0.9</td>
<td>Good</td>
</tr>
<tr>
<td>Incremental Fit Measure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGFI</td>
<td>0.912</td>
<td>≥ 0.9</td>
<td>Good</td>
</tr>
<tr>
<td>TLI</td>
<td>0.951</td>
<td>≥ 0.9</td>
<td>Good</td>
</tr>
<tr>
<td>CFI</td>
<td>0.956</td>
<td>≥ 0.9</td>
<td>Good</td>
</tr>
</tbody>
</table>

As it can be seen in the table that all of the measurement item are considered as good and all of the output shows that all of them has reached the cut off value. Therefore, the model is able to be used for the hypothesis testing.

4.3 Result of Hypothesis Testing

The hypothesis testing is conducted by examining the path coefficients in the model which are presented in regression weights output. The result of the regression weights for the structural equation model by using AMOS software is presented in Table 2.

Table 1. Hypothesis Testing Result

<table>
<thead>
<tr>
<th>Path</th>
<th>Regression Weights</th>
<th>C.R.</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Att SF</td>
<td>-0.335</td>
<td>-2.181</td>
<td>0.029</td>
</tr>
<tr>
<td>Att Materialism</td>
<td>-0.556</td>
<td>-3.748</td>
<td>0.000</td>
</tr>
<tr>
<td>Att RelValue</td>
<td>-0.368</td>
<td>-5.040</td>
<td>0.000</td>
</tr>
<tr>
<td>Att Risk</td>
<td>-0.860</td>
<td>-1.970</td>
<td>0.002</td>
</tr>
<tr>
<td>Hes NS</td>
<td>-0.247</td>
<td>-1.457</td>
<td>0.007</td>
</tr>
<tr>
<td>Hes WOM</td>
<td>-0.109</td>
<td>-1.009</td>
<td>0.000</td>
</tr>
<tr>
<td>Hes Att</td>
<td>-0.201</td>
<td>-2.874</td>
<td>0.004</td>
</tr>
</tbody>
</table>

Notes: *significant at α = 5%
Source: Primary data (processed)

From the Table 4.8 above can be seen that the standardized regression weights estimate is 0.335 with p value is 0.029. Since the standardized regression weights estimate of hypothesis 1 is positive and significant (p < 0.05) thus the hypothesis 1 is accepted. Hypothesis 2 is also accepted with the standardized regression weights estimate is 0.556 with p value is 0.000. Hypothesis 3 is accepted as reflected from the standardized regression weights estimate is -0.368 with p value is 0.000. Hypothesis 4 can be stated as accepted, as since the standardized regression weights estimate is 0.860 with p value is 0.002. Furthermore, hypothesis 5 and 6 are both also supported as such the standardized regression weights estimate are 0.247 and 0.109 significant at p value 0.007 and 0.000. The last hypothesis is considered acceptable with the p value of 0.004. The path diagram for hypothesis testing is illustrated in figure 2.
5. DISCUSSION

Social factors give a significant negative impact on consumer attitudes. Thus, it means the stronger the social factor the lower the person’s attitude toward counterfeit cosmetics products. This result supports the previous findings from Diwasasri and Hidayat (2012). Attitude is determined by vulnerability to information, normative susceptibility and collectivism as well. In this research showed that consumers are very dependent on their community to make a decision. Susceptibility to information consumers always relies on family and friends for opinions about items to be purchased.

AMOS analysis results indicate a negative and significant effect on the attitudes of the materialist nature of pirated goods. This means that the higher one’s materialistic nature will lower student attitudes towards counterfeit cosmetics. Thus, it means the stronger one’s personal factors, the lower their attitudes towards counterfeiting of goods. Attitude is defined by a sense of awe in people who have homes, cars, and clothes are expensive, the significance of the ownership of the material, and the desire for someone to be rich (Bloch, 1993). The study also found that consumers appreciate the honesty, their attitudes will decline against counterfeiting goods. The research shows how social factors still have an important role because of personal factors which show that consumers would appreciate the honesty, obedience to the commands of religion, will form a strong commitment to self so that consumers using counterfeit products is contrary to religious believes.

Tom et al. (1998) shown that consumers are more interested in buying products with real fashion on display component, especially on luxury items. In the context of counterfeit products affect attitudes towards counterfeit products doubts about the product. Moreover, cosmetic product is a product that has a greater risk. This is in accordance with the opinion from Hawkins et al. (2007) which states that the post-purchase dissonance as a doubt or anxiety experienced by a consumer after making a hard decision and relatively permanent.

6. CONCLUSION

Based on the result of the data analysis, it can be concluded that the negative word of mouth could possibly lowering the attitude towards counterfeit products. The result of this study is supported by the findings of previous study. Moreover, the result of the analysis shows that all of the factors examined in this study are proven to have significant effect towards customer hesitation. Surprisingly, the involvement of religious belief is found to have important determinant for the buyers not to buy counterfeit products. Beliefs that hold by the buyers from any of the religion could positively enlightened their views towards counterfeit products. Thus, there is a probability that religious approach can be used to detach the consumption of counterfeit product and hopefully to significantly reduce the practice of counterfeiting.

As the respondents of this research are mostly university students, therefore it can be concluded that the practice of buying counterfeit products, to be precise-consuming fake cosmetics, are massively continuous to happen. The phenomenon is sadly to occur in this era where the development of technology should be put to help human ease their job, unlikely to help create inferior harmful quality products. Herein, the education about business ethics should be delivered in the university especially in developing countries where the counterfeiting and piracy practice are escalating.

This present study only focuses on the impact of attitudes and hesitation. Yet, the relationship between customer hesitation and their intention to buy counterfeit product is still undefined, although, there are some indicators that leads to those assumption. Hence, the following research are suggested to find the scientific evidence on the relationship between hesitation and intention, and if possible to purchase decision.

REFERENCES


