

# INTENTION TO BUY COUNTERFEIT GOODS OF CHINESE JOBBERS IN GUIZHOU PROVINCE, PRC

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## ABSTRACT

The government and business organizations are concerned with the impact of such illicit activities. Counterfeiting also poses threats to the welfare of consumers, along with that it also disrupts the whole society on various levels and harms the reputation of the businesses. Therefore, factors affecting consumer intention to buy counterfeit goods should be explored. This study collected data from 400 jobbers in Kaili city, Guizhou province PRC. Data were analyzed by using descriptive statistics, Chi-square ( $X^2$ -test) and correlation analysis.

The findings revealed that the socio-demographic profile including gender, age, education, occupation, income influenced the Chinese jobber's intention to buy counterfeit goods. It was also found that there is a negative relationship between perceived risk and intention to buy counterfeit goods of Chinese jobbers in Guizhou Province, PRC. In addition, the results might help ASEAN businessmen to have a better understand consumers intention of buying counterfeit goods and hence to develop people guidelines for this issue.

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## INTRODUCTION



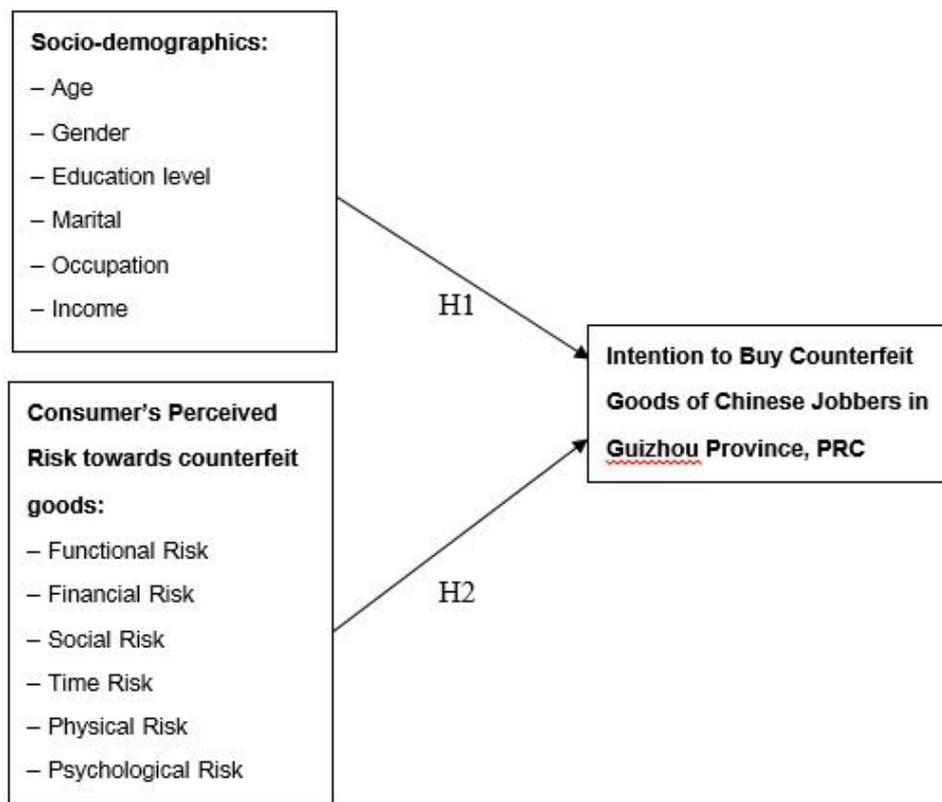
**Figure 1** where the world's fake goods originate (2013)

Source: <https://www.statista.com/chart/4710/where-the-worlds-fake-goods-originate>

In 2013, according to global counterfeit market facts and figures, sales of counterfeit goods and pirated content exceeded \$461 billion, or some 2.5% of the total amount of international trade. Compared of the counterfeit market with other types of criminal activities, prostitution: \$186 billion, marijuana sales: \$141 billion. illegal gambling: \$140 billion, cocaine sales: \$85 billion, heroin sales: \$68 billion, oil theft: \$37 billion, human trafficking: \$32 billion. (2013). The UNODC and the World Customs Organization estimate 75 percent of counterfeit products seized worldwide in 2010 were manufactured in East Asia, mostly in China. A report released by NetNames, a leading online brand protection company, reviews the global pandemic of counterfeit goods flooding the consumer market, particularly through online channels. Online counterfeit goods saw 15% increase 2014, most coming from China. (2014) A report said that China is the top place where counterfeit goods are made and sold due to growth in online commerce, 63.2% of all fake goods seized in the world between 2011 and 2013 were from

China, far ahead of the next biggest producers, Turkey (3.3%), Singapore (1.9%) and Thailand (1.6%). (Suokas,2016). A report commissioned by the International Trademark Association (INTA) and the International Chamber of Commerce, said the global economic value of counterfeiting could reach \$2.3 trillion by 2022. The global value of the counterfeit market in 2015 stood at \$1.7 trillion (2018). Several Asian economies – such as India, Thailand, Turkey, Malaysia, Pakistan and Viet Nam are important producers in many sectors, although their role is far less significant than China’s.

This study aims to test whether there are relationships between socio-demographic profiles, perceived risk and intention to buy counterfeit goods in China. The conceptual framework of this study is shown in Figure 2.



**Figure 2:** Conceptual framework of the study

The hypotheses of the study are as follows:

H1: The socio-demographics has influence on the intention to buy counterfeit goods of Chinese Jobbers in Guizhou Province, PRC.

H2: The consumer’s perceived risk towards counterfeit goods has influence on the intention to buy counterfeit goods of Chinese Jobbers in Guizhou Province, PRC.

Kaili City is the capital of the Miao and Dong Autonomous prefecture in Southeast Guizhou PRC. Guizhou is a multi-national province where minority nationalities live in compact communities. GDP of Guizhou lies in 21 within 23 provinces in China.

This study addresses the intention to buy counterfeit goods in China. The proposed factors of socio-demographic profiles and perceived risk were used to examine the relationship with the intention to buy counterfeit goods in China. The definitions of key terms in this study are described as follows:

**Counterfeit goods:** A counterfeit is an imitation, usually one that is made with the intent of fraudulently passing it off as genuine. (News & Politics, Business 2011)

**Consumer's perceived risk:** Perceived risk is what consumers experience as uncertainty, when buying a product or service from your company. Understand what consumers are concerned about so that you may mitigate it. (Kimberlee,2018)

To further understand the relationship between socio-demographic profiles, perceived risk and intention to buy counterfeit goods in China, the following relevant studies have been reviewed. One view from Oliver is that 'age' and 'gender' factor influence decision of buying counterfeits (1988). Solomon and O'Brien stated that age, educational background, and family incomes are correlating factors to consumers' decisions(1991). Higher educated people usually buy less counterfeits product and education level has an inverse relationship with the quantity of counterfeit purchase (Wee et al., 1995). On the contrary, other researchers reported that these two factors have a little effect on the purchase such as highly educated people are also found with more intension to buy pirated CDs and software. (Kenneth et al., 2003; Cheung and Prendergast, 2004). Prendergast et al. observed similar scenario that most of the counterfeit buyers had higher education (2003). Kenneth et al. found that income has no significant influence on counterfeit buying behavior (2003). Pi & Sangruang (2011) and Zhang et al. (2012) found eight important factors of perception risk, including health risk, quality risk, time risk, delivery risk, social risk, private risk, financial risk and after sale risk to evaluate influence on buying behavior.

## **Research Methodology**

This study addresses the factors which influence Chinese jobbers who intend to buy counterfeit goods in Kaili city Guizhou Province, PRC. using two constructs: demographic profile, Perceived Risk of Chinese jobbers. The questionnaires were delivered in different shopping malls and universities. A convenience sampling method was applied to collect data and the number of the sample was 400 respondents. The questionnaire is divided into 3 parts;

- a) Demographic profile: gender, age, education level, occupation, yearly income, marital
- b) Perceived risk: functional risk, financial risk, time risk, social risk, physical risk, psychological risk
- c) Intention to buy counterfeit goods

A five-point Likert scale is applied to measure the perceived risk and intention to buy counterfeit goods. The scale ranges from 1 (Strongly Disagree with the statement) to 5 (Strongly agree with the statement).

The data were collected for a month, 28th July – 28th August 2018. Data has performed normal distribution with  $-1 < \text{Skewness} < 1$  and  $-2 < \text{Kurtosis} < 2$  (Tabachnick & Fidell, 2007). To analyze the data, descriptive statistics were used to evaluate the demographic profiles. Pearson's Chi-Square (X<sup>2</sup>-test) was used to test the relationship between demographic profiles and intention to buy counterfeit goods of Chinese Jobbers in Guizhou Province, PRC at the confidence level of 95% or  $\alpha < 0.05$ . Regression analysis was employed to test the relationships between the perceived risk and intention to buy counterfeit goods of Chinese Jobbers in Guizhou Province, PRC. The confidence level of 95% or  $p < 0.05$  was adopted to test the hypotheses of the study.

## **Research Findings**

The study of factors affecting the intention to buy counterfeit goods in kaili city Guizhou province PRC. Some findings can be discussed as follows. The study revealed that the intention to buy counterfeit goods of Chinese jobbers of kaili city Guizhou province is influenced by both the demographic profile and perceived risk.

## Results of Demographic Profile

The majority of respondents were female (65%) followed by male (35%). The majorities of respondents were 18-30 years old (69.5%) followed by 31-40 years old (21.1%) 41-50 years old (7.2%) over 50 years old (2.0%). The majorities of respondents were bachelor degree holders (51%) followed by master's degree holders, high school (14.2%), vocational certificate (11.8%), secondary school (5.8%) and doctoral degree (2.4%). The majorities of respondents were single (67%) followed by married (27%) divorced (6%). The majorities of respondents were private employee (51%) followed by teachers (30.2%) freelance (14%) business owner (3.2%) government/state (1.5%). The majorities of respondents had income below RMB30.000 per year (38.8%), followed RMB60.001-100.000 per year (24.2%) RMB30.001-60.000 (14.8%), RMB100.001-200.000 with 13.2% and RMB200.001-300.000 with 4.5% and those having over RMB 30.000with 4.5%.

## Results of Hypothesis Test

Each socio-demographic item with the overall intention to buy counterfeit goods, compute average score of 5 questions. Regression hypothesis was used to test the hypothesis 2. Intention was measured by the average mean score of functional risk, financial risk, social risk, time risk, physical risk and psychological risk. Regression analysis is a statistics method studying whether there is a linear or non-linear relationship between one or more independent variables and the dependent variable. This study used the Chi-square ( $X^2$ -test) method to test the hypothesis 1.

**H1:** The socio-demographic has influence on the intention to buy counterfeit goods of Chinese Jobbers in Guizhou Province, PRC.

The study found that there was a significant relationship between demographic profile and intention to buy counterfeit goods at significant level of 0.05. Gender, age, education, occupation, income has influence on the intention to buy counterfeit goods of Chinese Jobbers in Guizhou Province, PRC with significant values of 0.000 respectively, which is less than 0.05 ( $P < 0.05$ ). Marital has no influence on the intention to buy counterfeit goods of Chinese Jobbers in Guizhou Province, PRC ( $P > 0.05$ ).

**H2:** The consumer’s perceived risk towards counterfeit goods has influence on the intention to buy counterfeit goods of Chinese Jobbers in Guizhou Province, PRC.

The study found that there is negative relationship between variable financial risk, social risk, time risk, physical risk and intention to buy counterfeit goods with significance values of 0.010, 0.001, 0.006 and 0.000 respectively, which is less than 0.05 P value which is less than  $0.05(\alpha = 0.05)$ .

Table 1 From result of ANOVA, P value is equal to .000 which is less than  $0.05(\alpha = 0.05)$ . In conclusion, We found significant relationship between Perceived risk and intention to buy counterfeit goods at significant level of 0.05.

**Table 1:** Showed the ANOVA of perceived risk and the intention to buy counterfeit goods

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.377	6	2.563	15.609	.000 <sup>a</sup>
	Residual	64.363	392	.164		
	Total	79.740	398			

a. Predictors: (Constant), NPPSY6, NPHRY3, NPFR1, NPTR4, NPPHY5, NPFIN2

b. Dependent Variable: newavgintention

**Table2:** showed the Regression results of perceived risk and the intention to buy counterfeit goods

$$Y = a + BX_1 + BX_2 + BX_3 + BX_4 + BX_5 + BX_6$$

$B_2 = -.057$  Sig. = 0.010 P value is equal to 0.010 which is less than  $0.05(\alpha = 0.05)$ . In conclusion, we found negative relationship between financial risk and intention to buy counterfeit goods at significant level of 0.05.

$B_3 = -.088$  Sig. = 0.001 P value is equal to 0.001 which is less than  $0.05(\alpha = 0.05)$ . In conclusion, we found negative relationship between social risk and intention to buy counterfeit goods at significant level of 0.05.

$B_4 = -.068$  Sig. = 0.006 P value is equal to 0.006 which is less than  $0.05(\alpha = 0.05)$ . In conclusion, we found negative relationship between time risk and intention to buy counterfeit goods at significant level of 0.05.

$B_5 = -.138$  Sig. = 0.000 P value is equal to 0.000 which is less than  $0.05(\alpha = 0.05)$ . In conclusion, we found negative relationship between physical risk and intention to buy counterfeit goods at significant level of 0.05.

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1 (Constant)	4.174	.146		28.680	.000	3.888	4.460		
NPFR1	-.043	.024	-.089	-1.754	.080	-.091	.005	.798	1.253
NPFIN2	-.057	.022	-.135	-2.597	.010	-.099	-.014	.767	1.304
NPHRY3	-.088	.027	-.156	-3.274	.001	-.142	-.035	.904	1.107
NPTR4	-.068	.024	-.138	-2.771	.006	-.116	-.020	.827	1.210
NPPHY5	-.138	.027	-.259	-5.176	.000	-.190	-.086	.824	1.213
NPPSY6	-.013	.023	-.029	-.581	.561	-.057	.031	.812	1.231

a. Dependent Variable: newavgintention

**Table 3:** showed the results of hypothesis summary

Hypothesis	Results
H1: The socio-demographics has influence on the intention to buy counterfeit goods of Chinese Jobbers in Guizhou Province, PRC.	Significant relationship with gender, age, education lever, occupation, yearly income except marital.
H2: The consumer's perceived risk towards counterfeit goods has influence on the intention to buy counterfeit goods of Chinese Jobbers in Guizhou Province, PRC.	Negative relationship between financial risk, social risk, time risk, physical risk and intention to buy counterfeit goods

Note: \*Level of significance  $\alpha = 0.05$

### Conclusion and Recommendations

The study of factors affecting the intention to buy counterfeit goods in kaili city Guizhou province. Some of findings can be discussed as follows:

The study has found a significant relationship between demographics profiles and intention to buy counterfeit goods, such as gender, age, education, occupation and yearly income except marital. The result contradicted with previous studies higher educated people usually buy less counterfeits product and education level has an inverse relationship with the quantity of counterfeit purchase (Wee et al., 1995). The result was in line with the study of Solomon and O'Brien (1991) stated that age, educational background, and family incomes are correlating factors to consumers' decisions.

In terms of perceived risk, the relationship between perceived risk and intention to buy counterfeit goods was found to be significant with negative relationship, which further support the finding of previous studies. The less risk consumers perceived, the more likely it is that they will make a purchase. Therefore, Perceived risk is powerful at explaining consumers' behavior because "consumers are more often motivated to avoid mistakes than to maximize utility in purchasing" (Mitchell 1997).

### **Limitations and Recommendations for Future Study**

The limitations of this study still leave the room for future studies in this area as follow;

1. The demographics of the study are limited up to age, gender, education, marital, occupation and income only. The sample was restricted to kaili city that can be biased. Add more demographic variables in future studies include ethnic or area and then to test the purchase intention based on all the demographic factors can yield moderated and helpful results.

2. Another avenue for future study is to conduct a comparative study, comparing the factor affecting intention to buy counterfeit goods in omnichannel marketing, such as online, mobile commerce in the now economy and offline buyers.

3. Other recommendation for future study is No attempt was clearly made on consumers' lifestyle and personal values such as how they perceive the value of counterfeits compare to genuine products. Further research on specific views and values is of value to carry out in future studies.

4. China, Thailand and Vietnam are facing the severe threats of counterfeits and are famous for counterfeit production, manufacturing, and selling. Therefore, a cross country

research can be useful in the future to investigate the most critical factors influencing consumers' counterfeit purchase intentions in these countries.

It will be helpful to manufacturers of original brands in developing marketing, pricing, and promotional strategies in developing countries. Overall, this study contributed to current literature by looking into counterfeits buying in developing countries and offers marketers an understanding consumer behaviors.

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