

FACTORS INFLUENCING LUXURY PRODUCT MARKET IN INDIA AND THREAT FROM COUNTERFEIT PRODUCTS

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ABSTRACT:

Over the last two decades, the importance of luxury markets is growing tremendously even in the developing countries like India, (McKinsey & Co. 1990, 2011). However, still there is a lot to understand about the target and the aspiring consumers of luxury products.

The recent emergence of luxury brand market has paved way for the new era of luxury consumption marked by a shift in the dominant consumers moving away from the western countries to Asian countries, such as China and India. In both these markets, there has been a shift from the traditional culture of luxury consumption to a new and more modern ways of luxury consumption.

According to the Report: McKinsey 2011, even the women luxury brand market is increasingly receiving attention, as it represents a large proportion of luxury consumption in China and India. With the change in the role of women from domestic to practically all the major contributors of GDP in the society, their influence in the consumer market as well as luxury product market is increasingly being felt. As far as the patterns of luxury consumption are concerned, marketers who get their marketing strategy right with the diversified consumers in these markets can serve a slice of an increasingly lucrative sector of the market.

In views of the importance and the emergence of this market, this study aims to investigate and examine the concept of luxury brand and how Indian consumer market values luxury. In addition, this study also aims to acknowledge the threat luxury brands in India face due to the ever increasing size of the counterfeit product market.

INTRODUCTION:

According to Bain & Company's 2014 annual global luxury study, the global luxury market was on target to reach 223 billion € in 2014, aided by a 5 percent bump in growth this year, down just slightly from seven percent in 2013. Markets like India are also strongly driven by touristic spending. Who is buying matters more than from where they are buying from? For example, Chinese consumers represent the top and fastest growing nationality for luxury, spending abroad more than three times what they spend locally. On the other hand, Japanese make most of their luxury purchases at home.

With the luxury market value growing at such a phenomenal rate, many luxury designer brands have become increasingly conscious of their offerings and very sensitive to the needs and desires of their target consumers. They are spending fortunes of money on not just promoting their products but also understanding their target consumers.

Among other challenges they face a huge threat from the fake goods market. The market in fake goods may reach the \$2 trillion mark in 20 years, which represents 3 million businesses in the United States (The Times report and the report of US Chamber of Commerce). Counterfeiting is extremely rampant in Asia, for instance, Korean Customs Service announced that out of the \$162.5 million worth of fake products that have been seized, those bearing Chanel's logo alone have accounted for \$23.5 million, far exceeding any other brand. Hence, the players in the luxury products market cannot underestimate the extent of threat that counterfeit product market can impose.

Many countries have implemented anti-counterfeiting strategies to curb the problem. For example, the French authorities have imposed a fine on those who bring fake designer goods into the country. The Chinese government, in view of the then upcoming 2008 Olympics and membership of the World Trade Organization, also clamped down on retailers selling counterfeit products. Singapore has always been supportive of the fight against piracy and counterfeiting. To strengthen this effect, Intellectual Property Office of Singapore (IPOS) has set up a special taskforce to protect trademarks, designs and patent rights both locally and internationally. Yet this has not deterred locals from purchasing counterfeit brands when they are overseas travelling for pleasure or work.

India is no less in the race. India continues to be on the United States Trade Representative's 2009 'Priority Watch List' despite making progress on improving its intellectual property rights infrastructure and enforcement. The Federation of Indian Chambers of Commerce and Industry (FICCI) brand protection committee estimates a loss of INR200 billion (\$4.5 billion) per annum, while the media reports assess the damage to the Indian industry at around INR300 billion (\$6.7 billion) per annum.

Hence, it is very essential for India to empower and enforce its anti-counterfeiting laws and regulations. While India does not have separate legislation to address counterfeiting, there are statutory remedies, both civil and criminal, embodied in various legislation, including the Trade Marks Act of 1999, the Copyright Act of 1957, the Patents Act of 1970, the Designs Act of 2000, the Geographical Indication of Goods (Registration and Protection) Act of 1999 and the Customs Act of 1962.

Not just the rules and regulations but it is also imperative for manufacturers of the luxury products to understand the psychology of their target customer base. There are a wide variety of factors which influence the attitudes and purchase intentions of Indian consumers towards luxury products. Designing the Integrated Marketing Campaigns keeping these factors in mind can not only boost the sales of luxury products but also reduce the threat from the counterfeit products.

This counterfeit products market haunts the e-commerce in India as well. As published in {The Economic Times, Dec 3, 201} – “DELHI/BENGALURU: Consumer brands and channel partners are turning the heat on India's online retailers, accusing them of not only undercutting prices but also encouraging the sale of counterfeit goods by sellers of dubious origins on their sites.

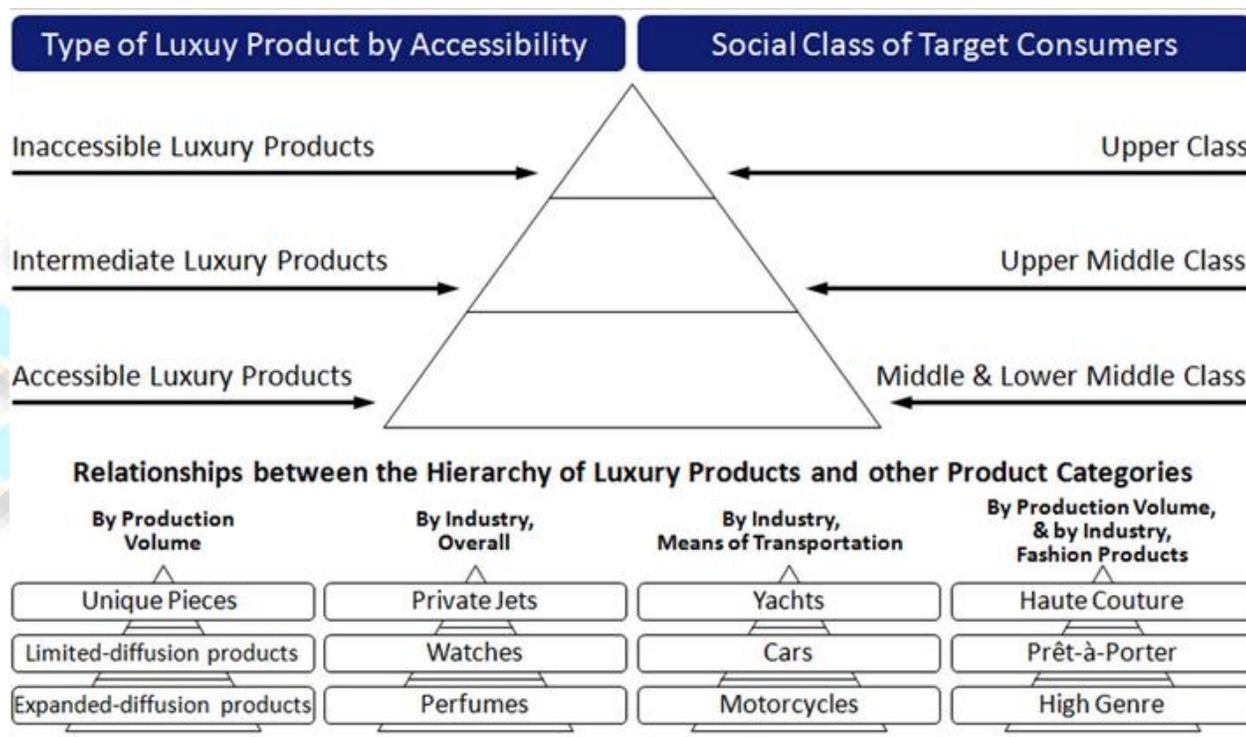
"We have invested over Rs 100 crore in brand and channel development but it seems to be nobody's problem except ours," said Sahil Sani, the owner of Mumbai-based Sahil International, a channel partner to global audio and infotainment giant Harman International Industries. Sani recently discovered that a seller on Snapdeal was retailing counterfeit goods under the JBL brand, for which his company has the exclusive distribution rights in India."

This paper therefore aims to understand the driving factors that constitute the attitudes and intentions of consumer their pursuit of counterfeits of luxury brands. It will also investigate the various factors that influence the attitudes and purchase intentions on Indian consumers towards luxury products.

Definition of Luxury Products/Luxury Goods (Business Dictionary): Products which are not necessary but which tend to make life more pleasant for the consumer. In contrast with necessity goods, luxury goods are typically more costly and are often bought by individuals that have a higher disposable income or greater accumulated wealth than the average.

DEFINITION OF COUNTERFEIT PRODUCTS: A counterfeit product is a product Made in imitation of what is genuine with the intent to defraud

While using the term, luxury brands in this paper, following categories of products will be referred to:



(Source : www.conceptofluxurybrands.com)

LITERATURE REVIEW:

LUXURY BRANDS AND COUNTERFEIT BRANDS:

Vigneron and Johnson (Exploring luxury consumption motives in China, Vigneron and Johnson 1999; Biel 1992) stated that consumers develop prestige or luxury meanings for brands based upon social interactions, object properties like quality and hedonic values, that is, values connected with feelings and pleasure. For example, sensory beauty. According to Johnson, Luxury goods are defined as goods for which the mere use or display of a particular branded product reflects prestige onto the owner, apart from any functional utility. Hence, they are also called as Status Goods. According to him, luxury products are often used to display wealth and power.

McDonald and Roberts, on the other hand said that consumers who purchase counterfeit goods can be separated into those who are deceived into thinking that the product they bought is genuine and those who knowingly buy counterfeits. It is the second category that propose a threat to the sales of the luxury brands in a market

Past research papers explicitly explain a realm of factors, including economic, quality, legal and ethical issues that shape and influence attitudes of consumers purchasing luxury products and their counterfeit brands. As reflected in most of the research papers, consumers will consider purchasing counterfeits of luxury brands when functional needs are met. However, prestige and status symbol that the trademarked brand exudes is a stronger propellant for consumers to purchase counterfeits of luxury brands.

Theory of reasoned action

TRA purports that people intend to behave in ways that allow them to obtain favorable outcomes and meet the expectations of others. This cognitive model rests on the assumption that the decision to engage in behavior is based on the outcomes that the individual expects to accrue from the behavior. This theory can be applied to this research. For example, according to this theory, a decision to engage in a behavior (that is purchasing a counterfeit luxury product) is predicted by an individual's intention to perform the behavior

directly. In addition, an individual's intention to perform the behavior can be predicted if the consumer's attitude and subjective norms are known.

THEORY OF PLANNED BEHAVIOR

TPB was developed by Ajzen, with the additional variable of perceived behavioral control as a predictor for intentions and behavior to improve the main flow of the TRA. Perceived behavioral control is defined as the personal ease or difficulty of performing a behavior. It is affected by perceptions of access to necessary skills, resources and opportunities to perform a behavior, weighted by the perceived valence of each factor to facilitate or inhibit the behaviour.

OBJECTIVES:

1. To study the attitudes and purchase intentions of Indian consumers towards luxury brands.
2. To study the threat of counterfeit products on luxury products.

RESEARCH METHODOLOGY:

It was a Primary Research.

Sample Size: 100

Sampling Technique: Stratified Sampling

Sample Type: People at middle management positions with a minimum salary package of Rs 10 lacs per annum.

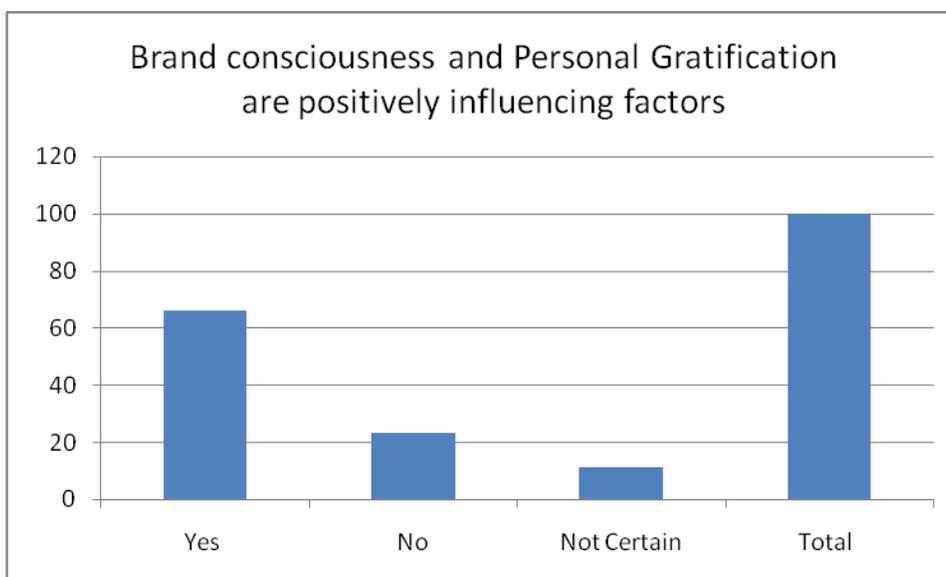
Some secondary information has also been collected from articles, blogs and Government reports like the Planning Commission Report, newspaper articles, published papers etc.

MAJOR FINDINGS:

BRAND CONSCIOUSNESS AND PERSONAL GRATIFICATION:

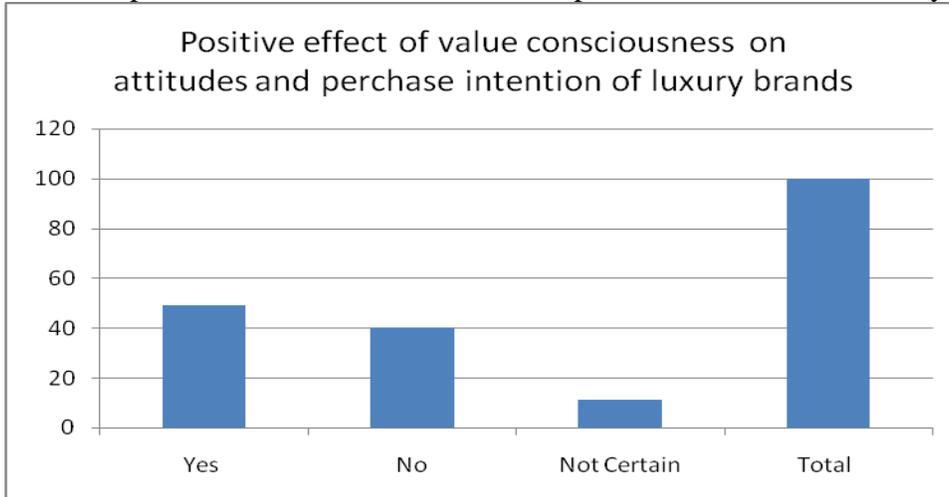
Brand consciousness and Personal Gratification are the major influencing factors for positively influencing the purchase intention of luxury brand.

{Personal gratification is linked to the need for a sense of accomplishment and social recognition, and the desire to enjoy the finer things in life}.



VALUE CONSCIOUSNESS:

Value consciousness has a positive influence on attitudes and purchase intentions of luxury brands.



It somewhere indicates that consumers who are more concerned about price over quality have more negative attitudes towards counterfeits of luxury brands.

BRAND PRESTIGE:

Brand Prestige has a positive effect on attitudes and purchase intentions towards luxury brands.



ANALYSIS AND MAJOR RECOMMENDATIONS:

1. Individuals who do not value quality much, will always have a temptation to purchase counterfeit products. Hence, it is a fact that luxury brands in India face a huge threat from the counterfeit products. A sample survey done during this research reflected that as much as 60% of people do not mind buying the counterfeit products if the aesthetics of the product are similar to the parallel luxury brands.
2. Pirated CD's nearly top the list of fake products purchased by Indian consumers.
3. Social influence is as strong a factor in determining the purchase intention of luxury brand in India, as the price is.
4. In India, the gap between the rich and the poor is widening despite economic growth. Hence, though the desire for luxury goods is still on the rise, so is the desire of counterfeit products due to their affordability and look alike features.
5. The luxury brands manufacturers should focus more into strategizing their anti-counterfeiting campaigns.

6. It is fundamental for luxury brand companies to properly target consumers who are influenced by their peers.
7. Thus, the findings emphasize the importance of careful tailoring of luxury brand advertisements that appeal to consumers. Advertising Campaigns should be focused on the personal image. This is because in India, consumers value opinion of peers and social image to a large extent. Hence, it is embarrassing for them if they are found to be using fake designer goods. The 'loss of face' could be a deterrent against the use of counterfeits. This should be strongly communicated to the target audience through ad campaigns.
8. High-involvement messages in the advertisements can help in targeting better.
9. Attaching an emotional appeal to a luxury brand always works with Indian Consumers. Like depicted in Tanish ads.
10. Not just the upper class, but the middle class segment in India is a very important target market for the manufacturers of luxury products since the number of aspirational consumers are much higher in this segment. Hence, advertising campaigns should be based on emotional sentiments and psychology of this segment rather than purely of upper class.
11. Also, revealed in the research that a large proportion of consumers buy the counterfeit products online. Hence, strict regulations need to be made and enforced to monitor the way e-commerce is running in India.
12. None of the respondents of research mentioned that they have purchased counterfeit products due to ignorance. Hence, at least the consumers of the counterfeit products of the luxury brands consciously make this choice.

CONCLUDING COMMENTS:

Social influence, brand prestige are some of the major factors that play an important role in shaping the consumer's attitude and purchase intentions towards luxury products. But in a country like India, where aspirations of the consumers are high but disposable income less as per Global standards, there is a tendency to settle for counterfeit products which are of half the quality and nearly one tenth the price. Hence, luxury brands have to play a very smart role so that their consumer base is not shifted towards the counterfeit products. Manufacturers of luxury brands should focus on measuring the purchase intention and ownership associated the brand. Counterfeit of luxury brands is only one area of counterfeiting. Other areas such as imitation, grey-area products and/or custom-made copies will also affect the intention of consumers to purchase counterfeits.

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