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## **Increasing Trend of Counterfeiting in Consumers' Products**

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**“INCREASING TREND OF COUNTERFEITING IN  
CONSUMERS’ PRODUCTS”**



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## **CHAPTER # 1:**

- **INTRODUCTION**
- **STATEMENT OF THE PROBLEM**
- **SIGNIFICANCE OF STUDY**
- **SCOPE & DELIMITATIONS**
- **BASIC ASSUMPTIONS**
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## **1. INTRODUCTION:**

### **COUNTERFEITING:**

#### **Definition:**

The act of passing off fake products as authentic by the intentional copying of trademarks, packaging and contents is termed as the process of counterfeiting.

#### **Explanation:**

Counterfeiting is a process wherein copiers copy the entire structure of the product or in other words they imitate the brand elements with a negligible difference that can and should be ignored by the customers at the purchase decision point or even during consumption. They include

- Most common form of counterfeiting is copying of packages i.e. copying the color scheme, material or texture of packaging etc.  
For example, the counterfeited version of “Cadbury Éclairs” has the same shiny purple wrapper with Éclairs written in matte gold color (the same as original Cadbury Éclairs).
- Imitating the style in which brand name is written but with a different name.  
This method is combined with copying of packaging

For example the famous perfume “Blue Lady” is being copied by the name of “Blue Babe” and “Blue Miss”, with the brand name written in the same style as the original brand of “Blue Lady” and combined with the imitated packaging.

- Slang used instead of the original brand name.

For example, “Fair & Lovely” is being counterfeited by the name of “Fair & Luvly”. Similarly “Bata” shoes are being counterfeited by the name of “Bala” shoes.

### **Counterfeiting is a distinct concept:**

Counterfeiting is a distinct concept, though it shares many similarities with other concepts of brand abuse like imitation, duplication, simulation, adulteration, diversion, grey market conversion, substitution and tampering as the purpose of all the above written concepts is to make the product covert rather than overt, reduce the element of authentication and result in Brand compromise. However Counterfeiting is different from the other concepts because though the copier copies the genuine product in a way to deceive customers but he makes sure that that the counterfeited version has a negligible point of difference from the original product.

### **HISTORY OF COUNTERFEITING:**

The emergence of counterfeiting can be traced back in the sixteenth century when making and selling fake copies of well-known products has been a nice little earner for crafty craftsmen over thousands of years. In Roman Gaul, unscrupulous potters would put the seals of better-known competitors on their urns so they would sell better.

Until the 1980s, counterfeiting was a relatively small-scale business, restricted mainly to copying luxury fashion items in limited quantities. In this era counterfeiting had a limited scope and it was limited to expensive and sophisticated goods including

apparels designed by well known fashion designers, leather items particularly purses and shoes, watches, imitation of jewelry designs of famous designers etc.

In the 1990s counterfeiting was transformed into a much bigger, broader industry, with large-scale production and distribution of false versions of such everyday items as biscuits and shampoo. The major reasons of this increasing trend was that the large organizations especially the multinationals have taken a leading role in the world bringing innovative ideas to the marketplace through its heavy investment in research and development. The products resulting from this investment are often times quickly and illegally reproduced and then compete with the genuine product for market share. Moreover the modern technology is making it ever easier to create near-perfect copies of branded goods for a fraction of the retail price of the real thing.

In Pakistan the trend of counterfeiting started in early 1990s with the trend of consumers' liking and preferences towards more and more branded products and though this phenomenon of counterfeiting penetrated deeply in almost every industry, but it took the strongest hold in FMCGs (Fast Moving Consumer Goods), i.e. in Pakistan we will find lesser counterfeiting in industrial goods and high-tech products as customers of such expensive products are always cautious customers but we will find our Pakistani market lined up with everything from bogus Soft drinks and mineral water, fake confectionary items to imitated stationary goods, counterfeited versions of famous French perfumes and imitated beauty creams and cosmetics to copied drugs and pharmaceuticals. And Pakistani consumers though obsessed with Western brands, but are unable to fork out for the real thing and thus serve as an important reason towards increasing trend of counterfeiting.

### **PRESENT STATUS OF COUNTERFEITING:**

By its nature, the extent of counterfeiting is hard to measure precisely, but a study by the International Chamber of Commerce reckoned that it grew from perhaps 3% of world trade in 1990s to 5% in 1995. John Pepper, chairman of Procter& gamble, a



consumer-goods multinational, says it may now be 7%-9%, or over \$450 billion a year, and that the problem is increasing. Proctor & Gamble estimates that more than 15% of its products found on Pakistani stores shelves are counterfeited versions of its products. Moreover the growth of counterfeiting is much higher as compared to other normal trade i.e. the growth of counterfeiting is 150% whereas the Normal trade has a growth of 47%. (Refer to Figure# 1).

## **2. STATEMENT OF THE PROBLEM:**

Though counterfeiting is in itself known to be a problem to the manufacturers and marketers but this is not the only group that suffers losses and problems from counterfeiting, rather counterfeiting poses problems to the following groups:

- Companies.
- Customers.
- Government.

### **LOSS TO COMPANIES:**

The problems faced by Companies due to counterfeiting takes two important forms

- Loss of investment on research and Development.
- Loss due to Share of Brand equity.
- Losing customers and market share.

### **Loss of investment on Research and Development:**

Perhaps the most apparent problem of counterfeiting is the loss of costs involved in the creation of a product. The product development costs (including the expense on innovation, creative thinking of experts, research and development, safety testing, or adherence to industry standard manufacturing practices) are huge and this is the reason why new product development is not an easy task and it could be pursued usually by large organizations who can spend million of rupees in this regard. Similarly new product development is often the result of struggle, creativity and innovation of entrepreneurs.

Thus counterfeiting brings quick opportunities for the counterfeiter as he gets his way out from expenditure on product development but this situation is severely troublesome for the manufacturers as not only their money invested in product development is wasted but also because their market share is divided and reduced not due to healthy competition but by the copiers.

### **Loss due to sharing of A Company's Brand Equity:**

No doubt the most important problem posed to Companies due to Counterfeiting is that the copiers capitalize on the brand equity of a company that has been built over a period of several years due to the sincere devotion and struggle of a company.

Though it takes real pains to develop a new product but it takes immense efforts of the brand managers and marketers to establish the base for the new product and then enhance its value and perceived quality in the customer's mind. Thus it takes great struggle and efforts to build the brand equity and maintain its image consistently over time. But with counterfeiting the copiers actually misuse the customers' trust and reliance on the established brands; they make the exact copy of branded items with a

minute point of difference so that the customers can buy such counterfeited versions in the name of established brands.

Thus utilizing and capitalizing on the well known brands that are liked, preferred and bought by customers with reliance due to its brand name, brings quick profits for the counterfeiter as he gets waiver from promoting and marketing the product as well as building brand equity and maintaining brand image.

### **Losing Customers:**

Another severe problem resulting from counterfeiting is the loss of customers. This can take three forms:

- Losing customers who become aware after purchase decision.
- Losing unaware customers.
- Losing customers who deliberately switch to counterfeited products.

### **Losing aware customers:**

In this form of losing customers, the customers do come to know that they have been deceived by the counterfeiter after the purchase process either before or after the consumption. Here the customers develop a negative feeling towards the brand, the only thought that strikes them is that they lost their money i.e. they got a product that was invaluable and not worth purchasing it. Here though the actual producer has not cheated with the customers but the consumers considers some weakness on part of the producer that made it possible for the copiers to copy the outlooks of the brand, and in this situation even those customers who regularly and repeatedly purchased the brand give a second thought before purchasing and usually they switch to some substitute to avoid getting caught from the clutches of counterfeited brands.

### **Losing unaware customers:**

The most dangerous zone for a manufacturer is when they lose unaware customers i.e. those customers who are never able to realize and recognize the difference between the actual and counterfeited versions of a product and they consider that the actual brand's quality has been deteriorated without realizing the fact that this is not the real brand that they used to consume but it is a copied version of that brand.

This form of losing customers occurs when the copier has kept a very minute and negligible point of difference. Thus as here in this case the perceived quality of the actual brand is declined in the eyes of customers, even the most loyal customers quit using the brand and switch to some alternate brand.

### **Losing customers who deliberately switch to counterfeited products:**

Another problem faced by the manufacturer is losing market share in the shape of customers voluntarily switching to counterfeited products. This is simply because counterfeited give the feeling of association with branded products at a lower price. For example a poor parent can buy the counterfeited version of "Éclairs" by "Walkers" at 50 paisa, whereas the child is small enough to find out the differences in the quality of toffee and rather he would be satisfied with the same shiny purple and matte gold wrapper with "Éclairs" written in an italic style.

### **LOSE TO CUSTOMERS:**

The problems faced by customers due to counterfeited products involve two main issues.

They are:

- Quality
- Safety.

## **Quality:**

Counterfeits are often of inferior quality. Examples include:

- cartoon video tapes reproduced in black and white, instead of colour and sometimes without sound
- Clothing where the brand name logos disappeared after one wash.
- Computer games which crash after a few minutes or which contain viruses.

## **Safety:**

Unsafe counterfeit goods have been found to have serious consequences:

- fake perfume caused skin reactions
- fake medicine had no active ingredient and so did nothing to fight disease
- fake alcoholic drinks contained methylated spirit which can cause blindness
- kids cartoon videos have been found to contain pornographic material.

## **LOSS TO GOVERNMENT:**

Counterfeiting is a multi-million rupee industry, which steals money from the legitimate economy.

- Counterfeiters pay no income tax, or business rates. This means either the citizens have to pay more or the Government will collect lesser taxes than it should have collect.
- Counterfeiters make no contribution to product development, so there is less money to produce and provide new and innovative goods and services.
- Counterfeiting affects the local economy causing fewer purchases of legitimate products. Some legitimate traders have been driven out of business.

### **3. SIGNIFICANCE OF THE STUDY:**

This report on “Increasing trend of counterfeiting in consumer goods” would be of significant value and assistance to two main groups.

#### **Significance to Companies:**

It would hopefully cater to the needs of the manufacturer and provide a guideline to the actual producer by discussing the cases and real examples of Cadbury and Nestle i.e. what problems did these companies undergo when their famous brands got counterfeited and how did these organizations encounter the problems resultant from counterfeiting. Thus this report would be beneficial to all those organizations whose products have been counterfeited and also to those companies whose brands are the potential victims of counterfeiting and so these firms can learn more about what actually counterfeiting is, ways through which counterfeiting can be performed and finally how to encounter counterfeiting and make a counter attack on the copiers in the light of Government’s policies for the protection of brands from Imitation and Counterfeiting.

Also the organization would be benefited from a sub topic of this research report i.e. the hidden opportunities from counterfeiting, this would help the organizations to learn about some of the benefits brought over by counterfeiting that are apparently viewed as problems but in reality they represent hidden opportunities.

#### **Significance to Customers:**

The second group that would be hopefully benefited from this research are customers. My research study will provide a guide to customers- common men to have an articulate view of what is counterfeiting how the copied brands are spoiling the perceived quality and image of their popular and favourite brands, how the counterfeited products provide harm to them in the shape of unsafe and poor quality and finally last but not the least what customers can really do to become careful buyers and escape through the clutches of counterfeiters.

#### **4. SCOPE AND DELIMITATIONS:**

The scope of this report on Counterfeiting with respect to area is only Pakistan and specifically the urban city of Karachi and the research and findings of this thesis report cannot be generalized to the counterfeiting practices in the rest of the world because the methods of counterfeiting, its protection and particularly the Government's role and the customers' awareness level varies from one country to another.

Secondly the time frame of this study is just four months i.e. from 19<sup>th</sup> Feb 2005 to 18<sup>th</sup> May 2005. However it is based on a time period of last fifteen years i.e. from the early 1990s because only since then counterfeiting became particularly important concern for the manufacturers and marketers in Pakistani market.

Finally this study of counterfeiting is only valid for general consumer goods and in particular food items and the extent of this project does not cover all types of products i.e. the industrialized goods, services.

#### **5. BASIC ASSUMPTIONS:**

The basic assumption underlying this project thesis are that during this study the Government rules and policies regarding protection from imitation and counterfeiting remains consistently same.

Secondly it is assumed that till present and by near future organizations have no specific methodology or technology that could completely eradicate the problem of counterfeiting, rather they can only adopt several ways to minimize this problem.

Finally it is also assumed that the trend of counterfeiting in consumer goods will follow an increasing trend during the time span of this study, like it has kept a rising trend during the recent past.

## **6. DEFINITIONS OF IMPORTANT TERMS :**

### **a) Brand:**

A brand is a name, term, sign, symbol or design or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition.

### **b) Goods:**

Goods includes every kind of products including finished products, wares, merchandise, compound, or preparation which may be lawfully kept or offered for sale.

### **c) Brand equity:**

It is the differential effect that brand knowledge has on consumer response to the marketing of that brand.

### **d) Brand abuse:**

Term used to describe various fraudulent activities related to branding.  
For example counterfeiting, tampering, Adulteration etc.

### **e) Adulteration:**



To make an authentic product impure by mixing in a foreign or inferior product.  
For example the addition of cheap solvents to gasoline.

**f) Diversion:**

The unauthorized movement of goods from their intended supply chain, to an unapproved distribution point.

For example tax-free products intended for export being unofficially re-imported for domestic sale whilst evading local duties and taxes or the unauthorized shipment of goods from low-tax markets to higher tax-markets through unofficial channels.

**g) Grey market conversion/ Duplication:**

Copying products, labels, packaging, and instructional usage information.

**h) Substitution:**

The swapping of one product for another - usually of inferior quality. The term also relates to the placement of an inferior product in an authentic or reused package.

For example the refilling of branded liquor bottles with inferior spirits.

**i) Tampering:**

Altering packaging and labels and using unauthorized goods in place of the real product.

For example amending the sell by, or product expiry date, on expired products to deceive the consumer that the product is fit for use.

**j) Authentication:**

The process of establishing or proving a product genuine.

**k) Brand compromise:**

The term used to describe the effect on a brand's reputation when a consumer purchases a counterfeit or adulterated product believing it to be genuine.

**l) Covert:**

Anything that is invisible, secret, disguised.

**m) Overt:**

Anything that is visible; not secret.

## **CHAPTER # 2:**

- **RESEARCH DESIGN AND METHOD**
- **RESPONDENT OF THE STUDY**
- **RESEARCH INSTRUMENTS**
- **SOURCES OF DATA**
- **TREATMENT OF THE DATA**

## **1. RESEARCH DESIGN AND METHOD:**

The research design of this project thesis is descriptive i.e. the descriptive study will be the basis of my report to obtain a complete and accurate description of the counterfeiting problem posed to the organizations in general and in particular to the brand managers of the organizations.

Basically my purpose behind this report is not to explore any new emerging idea or opportunity relevant to counterfeiting rather my aim is to clarify and clearly describe the existing problems posed to the brand managers and firm in the shape of several ways of counterfeiting and how these organizations encounter and protect their brands.

Thus this descriptive study on counterfeiting would only provide a clear guideline or organized set of facts relevant to the present problem of counterfeiting in light of practical examples from the real world organizations and then much will be left on the readers' judgment (including common men-the customers, managers of different firms).

## **2. RESPONDENTS OF THE STUDY:**

The respondents of my study will be divided into two groups:

### **MANAGERS OF THE ORGANIZATION:**

The respondents in this category would include the brand managers and marketing executives of Cadbury Pakistan and Nestle. These respondents will provide information about what are the different ways through which their products are being copied and counterfeited and how they are struggling towards the protection of their brands from counterfeiting.

### **CUSTOMERS:**

The second group of respondents would include a sample of at least hundred customers who will contribute their experiences regarding the exposure and usage of counterfeited products. Moreover they will share their emotional associations with a brand and the corresponding feelings when they find out a counterfeited version of their favorite brand.

The customers' survey will provide a supportive role to the first group of respondents i.e. the managers of a firm as they will be better able to comprehend the problems posed by counterfeiting and the counter actions that they must take in view of the customers' response towards counterfeited products. And finally both these groups will provide me with adequate data to form the basis of my thesis report.

## **3. RESEARCH INSTRUMENTS:**

I will be using two types of tools to collect primary data,

### **a) INDEPTH INTERVIEW:**

The interview conduction would serve as a primary data collection tool. The brand managers and marketing managers of Cadbury Pakistan and Nestle Company are being interviewed to find out how their products are being counterfeited and what strategies do they undertake to protect their brands.

#### **b) QUESTIONNAIRES:**

Structured questionnaires with few open ended and mostly closed ended questions will be used to solicit customers' perception and response towards counterfeiting. Moreover short activities will be conducted with customers (part of questionnaires) such as customers will be asked to write down the event when they were exposed to a counterfeited version of a product and what was their specific response, here the customers will write that event either that is the most recent or where the brand compromise was maximum or simply when they found out the counterfeited version of their favorite brand. This internal and true customers' response would help the organization to determine what are the most popular ways of doing counterfeiting with corresponding and specific customers' response, and thus the companies can develop corresponding strategies to encounter counterfeiting.

#### **4. SOURCES OF DATA:**

The report on counterfeiting would be the resultant of data collected from two major sources i.e. primary and secondary.

#### **PRIMARY DATA:**

The primary data involves all the information directly collected from the brand managers of organizations as well as customers' response towards counterfeited products.

### **SECONDARY DATA:**

The most important source of secondary data is internet, which has provided the emergence and background of counterfeiting. Other sources includes magazines such as Arora and Synegizer which provides the current statistics and trend of counterfeiting in Pakistani market.

### **5. TREATMENT OF THE DATA:**

All the data that is collected either through primary sources including questionnaires and interview or secondary data is purely qualitative in nature and in order to assign more value and to convert this data into more useful information, this qualitative data would have to be converted into quantitative measures.

This conversion of qualitative data into quantitative data could be achieved by sorting out the findings from the questionnaire (customer response) by converting the sorted findings into frequencies and assigning percentages. This would convert the abstract customers' response into more measurable and valuable findings.

Moreover the graphical representation of firms' responses in the form of graphs, pie-charts and bar charts would reduce the qualitative nature of the

data. Similarly the description of the findings summarized in a tabular form would facilitate to have a clearer understanding of counterfeiting trend.

Thus by minimizing the qualitative nature of the data and converting it into more measurable and quantified terms the validity and reliability of the research findings would be immensely enhanced.

## **CHAPTER # 3:**

- **LOCAL LITERATURE**
- **FOREIGN LITERATURE**
- **GAPS TO BE BRIDGED BY THE STUDY**
- **AREAS FOR FURTHER STUDY**



## **LOCAL LITERATURE:**

### **1) OVERSEAS INVESTORS SEEK EFFECTIVE ANTI-FORGERY LAWS**

**(Daily Times, May 13, 2005)**

The Overseas Investors Chamber of Commerce and Industry (OICCI) have urged the government to make effective laws to curb the menace of counterfeiting, patent and copyrights violations.

IPR (Intellectual property rights) violations are not only hurting the foreign investors, but also a number of leading local companies from various sectors, such as Fast Moving Consumer Goods (FMCGs), foods and beverages companies, pharmaceutical, paints, textiles, lubricants and cigarettes manufacturers.

Nawab Hassan Ali Khan, chairman of the OICCI's IPR sub-committee, said, "The government is losing approximately Rs. 10 billion revenues annually because of IPR violations."

In his presentation, Khan pointed out that people who make counterfeit products or indulge in trademark infringements were threatening both consumers and government.

Anjum Fasih, the co-chairman of the sub-committee, pointed out that the Patent Ordinance 2002 is not in conformity with WTO requirements, and should be

amended. Explaining why patent rights should be protected, Fasih gave the example of the pharmaceutical sector where a company on average spends over Rs 500 million on research and development of drugs, while a copy is developed with an average investment of a mere Rs 1-2 million

Jawad Reham, country manager of Microsoft, said, "According to an estimate the legitimate industry suffers a revenue loss of \$125 million because of counterfeiting." He said counterfeiting of such things as software, books, films and songs, food products, perfumes, soaps and shampoos etc had resulted in the loss of over 31,000 jobs in Pakistan. To attract sizeable foreign investment he said, "The government should protect intellectual property rights."

The seminar made the following recommendations: Pakistan's IPR laws should be in conformity with WTO requirements; counterfeiting and selling of counterfeit products should be made a cognizable and non-bailable offence; minimum punishment for IPR laws violation should be three years and Rs 500,000 in fine; law-enforcement agencies should be given authority to conduct checks on their own initiative to detect counterfeiting.

## **2) BRAND PROTECTION AND CONSUMERS:**

**(Dawn newspaper, Thursday March 28<sup>th</sup> 2003, By Ikram Ali)**

Consumers in developing countries are participating increasingly in the consumption process as a result of globalization. However, there is no certainty that their welfare will increase in direct amount to the amount they consume. This is because while the consumer is confronted with many products (local and from outside the country), there still remains the very disturbing aspect of counterfeit and pass off products. Consumers feel cheated and mistreated when confronted with fake products. What must be

understood is that there are two categories of consumers — those who purchase counterfeit goods (mainly clothes, shoes and accessories) knowing that they are not genuine while there are consumers who are unaware that they are purchasing fake products. The majority belongs to the latter category. This then focuses on the major concern being that of health and safety of consumers irrespective of their educational or urban/rural status.

The market is flooded with counterfeits and 'pass offs' of not only Pakistani but also imported products. Poor regulations have led to the establishment of this crime as an organized activity by persons well connected. In fact, it is so well organized that in some cases counterfeits appear in the markets within 24 hours of the launch of a new product. Besides technical knowledge, they possess the expertise to produce, pack, distribute and retail almost similar to a parallel economy. Counterfeits and pass offs are more common in the case of fast moving consumer goods (FMCGs) such as cosmetics, beverages, toys, perfumes, watches, software and music. This, of course, is apart from the high insurgence of spurious drugs in the market.

The ingenuity and intelligence of the counterfeiters especially with regard to product packaging, labeling, colors and logo make it difficult to distinguish the product from a genuine one often foxing the corporate themselves. However, in some cases closer examination reveals that the product is often misspelled and also did not contain the mandatory information.

As the new rules for the new economy fall in place, corporate are struggling to protect their brand image more so from counterfeiters. Having a good brand image is important for a corporate to offer a distinct relevant and sustainable identity for consumers to connect with rationally and emotionally. Brands reflect the culture and the character of the company. They have a value which is nurtured and can be measured. This value is under great threat because of increased counterfeiting by not only small groups producing inferior products but also by organized units offering fakes on a massive scale.

Corporate have been battling this issue for long on an individual basis, using all their resources and expertise in outwitting counterfeiters. Some have been successful to a limited extent while others have not been so lucky. More importantly corporate have not shared this information either with other corporate groups or with their own consumers. One of the reasons being that consumers when confronted with the issue of fake products most often naturally switch over to other brands thus making the entire exercise futile.

Implementing agencies face enormous problems in issuing warrants, arresting the culprits, seizing the goods, storage of seized goods and presenting the evidence in court. The corporate subsequently have to present voluminous evidence in court along with data such as invoices and user data and strong evidence to outwit the extremely intelligent counterfeiter. The process takes too long and is time consuming often leading to destruction of vital evidence. Punishments are not punitive and sentences are few with most of them escaping jail sentences, which are rarely more than three years. The counterfeiters close shop and move on to another location to escape the law and thus continue counterfeiting.

In actuality it is a traumatic experience for a consumer when he or she realizes that they have in fact not purchased a genuine product but one that is counterfeit. Their lodging a complaint with the shopkeeper, dealer and manufacturer yields no results. The fast resort they adopt is to contact a consumer protection group for redressal. However when the consumer groups get in touch with the corporate concerned there is either no response or an outright refusal by the corporate to deal with the issue as it is not their product.

The whole exercise of protecting brands would remain futile unless the consumer is kept in mind. Corporate spend huge sums on advertising and protecting brands without a thought for consumers who by choice have brand loyalty. There is no doubt that the consumers also need to be cautious when buying products. Counterfeiting of products is rampant and companies must change their policy to include redressal mechanisms for unsuspecting consumers who have been cheated.

### **3) COUNTERFEITING ON A RISE:**

**(Dawn, Tuesday Review May 16<sup>th</sup>, 2003)**

The shoppers should be beware of fake products, because they are seriously mistaken if they think they cannot be misled by counterfeits. The reasons they are so popular with counterfeiters is because they are money-spinning brands with wide appeal, easily reproduced and sold in the Pakistani market. The problem is manifest across all product categories throughout the country - medicines, FMCG products, cosmetics, foodstuffs, aerated soft drinks, liquor, watches, clothes and even currency.

The cost to the top companies in Pakistan is a whopping Rs. 1,000 crore per annum due to competition from counterfeit products or look-alikes, excluding the crores of rupees spent to protect top-selling brands from this threat.

The cost to the Government - more than Rs 300 crore in lost excise revenues and tax evasion, according to an AC Nielsen study. Consumers are often unaware that they buy products that resemble what they want. This is worrying companies because fake products often ride on the success of the original product, eating into sales, and, in some cases, harming the consumer. For counterfeiters, it is the easiest thing. Put a passable product into a tube, with markings that resemble the original and market it in rural, semi-urban areas, through promoters, agents and retailers willing to make a quick buck. For most, the con job is easy to carry through.

Consider the figures. Counterfeit products comprise \$200 billion a year. Ironically, it is even endemic in countries such as China, which is known for flooding the world market with low-cost priced products. In China, losses from counterfeiting are estimated at approximately 20 per cent of total sales revenues for MNCs such as Procter & Gamble (\$150 million), Nike (\$70 million), Unilever (\$24 million), Gillette (\$20 million), Johnson & Johnson (\$15 million) and \$6 million for Best Foods.

Most of the products copied are top-selling brands and consumers could be seriously affected while consuming low quality adulterated products, particularly in the food and

drug categories. These are usually manufactured under unhygienic conditions and without proper technical supervision.

According to a study conducted by AC Nielsen on 30 FMCG companies, eight out of every ten consumers who purchased pass-off products felt cheated and only knew after purchase that the product was a pass-off. Surprisingly, 42 per cent of all the consumers surveyed were aware of the existence of pass-off brands in the market and either saw them in shops, read about them in newspapers or saw them on TV. The problem is so widespread and compelling that it even has diehard rivals Unilevers and Procter & Gamble are working together along with some other multinational firms towards the protection of brands from counterfeiting. They have the objective to tracks down manufacturers and sellers of spurious goods, try to eliminate these channels and interact with Government agencies and the judiciary. They also hope if they can try to sensitize the Government to the critical nature of the problem, which has worsened since liberalization and easing of import norms, especially for FMCGs.

## **FOREIGN LITERATURE:**

### **1) THE SCOURGE OF GLOBAL COUNTERFEITING:**

**(Business Horizons, March 1, 2004, by: Alexander Nill)**

The violation of Intellectual Property Rights (IPR) in the form of counterfeiting is emerging as one of the most troublesome problems for companies as we enter the coming millennium. Consider that the value of counterfeit goods on the world market has grown by 1,100 percent since 1984. The International Anti-Counterfeiting Coalition (IACC) estimates that 5 to 8 percent of all products and services worldwide are counterfeit.

American companies lost \$61 billion to foreign piracy of intellectual property in 1986. A conservative estimate indicates that those losses had ballooned to \$200 billion by 1994. And the losses are not just monetary. In 1993, an estimated 750,000 jobs were lost due to

foreign counterfeiting of U.S. products. Watches, toys, and textiles, which carry a high brand image and require a relatively simple production technology top the list of goods.

The explosive growth of many forms of counterfeiting is attributed primarily to strong brand affinity, huge financial incentives, and the global diffusion of technologies for mass production. Producing counterfeit goods, which often nearly replicate authentic merchandise, offers tremendous cost advantages because almost no investments in product research and development or brand name advertising are required. Companies in newly industrialized and emerging economies are often lured by the tremendous profit margins and the low risk of counterfeiting. Many businesses in these countries have attained the capability of mass production and distribution, but they lack the name and brand recognition and thus find it difficult to compete with established products. So they often resort to reproducing products already well known in the world marketplace. Unfortunately, these profits come at the expense of legitimate marketers, laborers, and consumers.

How can legitimate companies protect their brands and ultimately their entire organizations from counterfeiters? Several strategies are often invoked, most of which attempt to deter producers or suppliers of counterfeit products. But given that the counterfeit business is booming, and that a large portion of the losses can be attributed to consumers who willfully purchase counterfeit goods, we believe that companies should also focus on consumer demand. Here we discuss demand-side issues, with an emphasis on ethical consumer decision making, and suggest questions to consider should companies choose to implement marketing campaigns to reduce consumer demand for counterfeit goods.

## **2) PHONY PRODUCTS FLOOD THE ASIAN MARKET:**

**(The Khatmandu Post, April 21<sup>st</sup> 2004, by: Anna Peter)**

The flood of counterfeit and look-alike products in South Asia is becoming an overriding problem, a menace plaguing the state and all sections of the society, including the civil and business. Hundreds of brands similar to the globally known brands are available in the markets today, ranging from electronic items to pharmaceuticals, food and fast moving consumer goods (FMCGs).

And what may be termed as a latest attempt to oust such spurious products from the market, Federation of Indian Chambers of Commerce and Industry (FICCI) is trying to tie the knot with its Nepali counterpart in forming a common platform to fight against such malpractice. According to Sujata Tiwari of the FICCI Brand Protection Committee (BPC), who is in the capital to materialize such an alliance, "The magnitude of counterfeiting problem is huge. Almost all sectors have been affected by it. Forming an alliance is the first step to fighting the problem."

To get a clearer picture, it is worth mentioning that the 'Fair & Lovely' brand has over 140 look-alikes that are marketed in India even today, not to mention such look-alikes in the drug and food processing sectors. Tiwari says that studies conducted in India alone have shown that the fast moving consumer goods industry lose market worth Rs. 25 billion each year. And the loss to the government stands well over IRs 9 billion annually. "Counterfeit products have made a huge influx in markets in this region. Genuine manufacturers are struggling to retain their market shares," says Tiwari. "The brand names which manufacturers build after years of hard work are being misused."

And while the consumers face the direct brunt of it, governments incur substantial loss in revenue and entrepreneurs lose their market share. And all these at the benefit of manipulators who make use of well-known brands to market their cheap counterfeit products.

Consumer rights organizations and entrepreneurs have long been demanding with the government to check such malpractice. The private sector and consumer activists in many countries have initiated steps to curb such manufactures of counterfeit products in the local market as well as its inflow from other countries.



However, this is the first time that any business organization has sought inter-country cooperation to fight the counterfeiting business. But the magnitude of the task is immense, especially because consumers in the region are still largely unaware and ignorant of the phenomena.

She adds that consumer awareness is one of the most critical factors to reduce the prevalence of such products in the market. "Unless consumers are not made aware, the problem will continue to magnify". The blame largely goes on the governments' failure for implementing laws on Intellectual Property Rights (IPRs), including the implementation of consumer protection laws thereby encouraging the unethical usage of established brand names.

The BPC formed under FICCI only two years back aspires to fight against counterfeiting and unethical usage of brand names in a regional manner. The aim is to put brand name mis-users and bogus manufacturers behind the bars and make consumers aware.

### **3) CONSUMER DEMAND FOR COUNTERFEIT GOODS:**

**(Business Review, December 22<sup>nd</sup>, 2003)**

The current trend and statistics suggest that an enormous demand exists for counterfeit merchandise demand which, of course, initiates the supply. Ironically, American firms that control rights to intellectual property are often plagued by counterfeit goods sold in their own home market. The United States has proven to be not only a major victim of IPR infringements, but also a major target market for counterfeit merchandise.

Consequently, companies need to design, implement, and sponsor marketing and advertising campaigns that can reduce the demand for counterfeit goods. The effectiveness of such campaigns would depend on several factors, including product category, strength of brand image, individual characteristics of consumers, marketing communication methods, and routes of persuasion.

It is also important that message or ad copy content depends on whether a consumer is actually aware the product is fake. In most of the cases a counterfeit product is sold to consumers and businesses without their knowledge. This strategy is often used by pirates that target pharmaceuticals, industrial parts, and consumer goods. In other cases, consumers voluntarily and deliberately buy a counterfeit good. Sometimes people are aware a product is bogus but do not realize or appreciate the differences in quality between the authentic versus the counterfeit good. An ad campaign that focuses on informing the consumer about these differences might be a successful strategy. This is especially true if the counterfeit good imposes potential risks and threats to the consumer, as is the case for many pirated pharmaceutical products.

Often, however, despite being well informed about the specific qualities of the authentic versus the fake product, consumers still buy the "knock-offs." This is called non-deceptive counterfeiting and usually involves goods that offer low physical, financial, and performance risks to the consumer. Such goods tend to be of low or moderate technical complexity and carry a high image and the prestige connected to a well-known brand name, such as Polo, Ray Ban, Gucci, Rolex, or Chanel. It is not in the consumer's immediate self-interest to pay a considerably higher price for the authentic good if the counterfeit item offers similar qualities. Consumers who purchase these goods subject themselves to social risk because the goods are of high symbolic value and social visibility. However, as long as the counterfeit good is not readily discernible as fake, it fulfills its function as well as the authentic item.

A "Robin Hood mentality" also frequently influences consumers who willfully purchase counterfeit goods. These consumers feel little sympathy for gigantic multinational corporations that complain about lost profits. They don't perceive buying a fake Polo shirt or counterfeit Ray Ban sunglasses from a street vendor as misbehavior--even though such behavior is, indeed, willful theft.

### **GAPS TO BE BRIDGED BY THE STUDY:**

This study on counterfeiting will bridge the gaps between the previous studies done on counterfeiting practices carried out in rural and sub-urban areas, as compared to those studies that dealt only with growing trend of counterfeiting practice in urban areas. However this study clearly illustrate how countefeiting has spread its roots in urban, sub-urban and rural areas. Moreover what percentage of counterfeiting exists in each of the above thre areas, however the prime focus of this report is the counterfeiting practice carried out in urban and sub-urban areas.

Also this thesis would bridge the time lag i.e. we could either trace the history of counterfeiting back in the 16<sup>th</sup> century or we could find the current trend, however this report fills the gap between these time periods i.e. it clearly describes that counterfeiting was a slow growth bnusiness 8-9 years back, but for the last 4-5 years, this dirty busiuness of counterfeiting vis growing at a very rapid pace.

## **AREAS FOR FURTHER STUDY:**

Further areas for study could ionclude the following relevant topics:

- Counterfeiting in services industry (example counterfeited resturants brand names etc. )
- Counterfeiting of raw materials/ components/ ingredients (for example counterfeiting of spare parts).
- Counterfeiting in industrial sector.
- Brands fight for protection against counterfeiting.
- The potential victims of counterfeiting.
- Government's role towards support of original brands' protection against counterfeiting.
- Feasibility study of a management consultancy, providing consultation to brand managers regarding how managers can minimize if not completely eradicate the problem of counterfeiting.

## **CHAPTER # 4:**

- **TREND OF COUNTERFEITING**
- **WAYS OF COUNTERFEITING**
- **RETAILERS' CONTRIBUTION**
- **REASONS OF COUNTERFEITING**
- **PROTECTION FROM COUNTERFEITING**

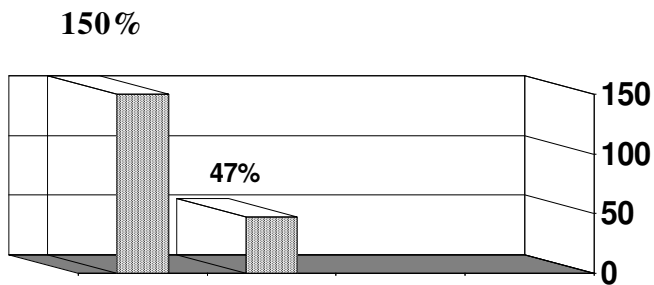
## **THE TREND OF COUNTERFEITING:**

### **INTERNATIONAL STATISTICS OF COUNTERFEITING:**

- The International Trade Commission estimated counterfeiting and piracy losses at 5.5 billion in 1982, - that ballooned to \$200 million in 1996 and according to the current statistics of 2004, by International Chamber of Commerce 7% of the world trade is in counterfeit goods and that the counterfeit market is worth \$350 billion. Whereas the World Customs Organization estimated total trade in all counterfeit products, amounting to a heaping \$500 billion in 2004.
- Industry data tells us that 5-7% of world trade, or approximately US \$280 billion, is lost to counterfeiting each year, and that the problem is increasing.
- The FMCG sector is estimated to lose almost Rs. 26 billion annually as a result of various forms of brand attack.
- According to the Customs Directorate-General of the European Commission, EU Customs in 2003 seized 92 million fake items, a 9% increase from 2002. Worryingly, these seizures included a 77% increase in foodstuffs and drinks from 2002, an 801% increase in perfumes and cosmetics and 996% more toys and games - all sectors with direct links to consumer health and safety. In the first nine months of 2004 alone, seizures of fake goods stood at over 75 million items.
- According to an International survey held by International Chamber of Commerce, on February 21st 2002, Counterfeiting has emerged as a significant issue for most of the multinational companies participating in the survey. When

asked what proportion of their companies' products are counterfeited, only 8% said none, and 64% said less than 10%. However, 28% of executives said more than 10% of their products are counterfeited, and 12% said more than 25% of their products are counterfeited. The findings through that survey indicated that most cases of counterfeiting in 2002 were associated with Sony (9%), Nintendo (8%), Rolex (4%), Pfizer (4%), Adidas (4%), IFPI (3%), TH (2%). Other marks were important for particular product groups (but not within the overall total), such as Armani (8% of perfumes and cosmetics) and Nike (32% of sportswear).

- Counterfeiting is growing at a very rapid rate i.e. it is growing at a rate of 150% as compared to normal world trade growing at a rate of 47%.



**Counterfeits All trade**

Source: ICC Counterfeiting Intelligence Bureau

(Figure # 1)

In a 2000 survey the top 5 producing countries identified as the most cause for concern were:

1. China.
2. Turkey.
3. Thailand.
4. Italy.
5. Colombia.

**Major products most prone to counterfeiting**

Computer software	25%
Audio-video	20%
FMCGs	18%
Textiles and clothing	12%
Toys	9%
Perfumes	7%
Pharmaceuticals	6%
Watches	3%

**Source: Industry sector organizations**

Table # 1

## **STATISTICS OF COUNTERFEITING IN PAKISTAN.**

### **ACTIVITIES IN PAKISTAN UNDERTAKEN BY COMPANIES IN THE LAST 12 MONTHS**

(Among Selected Major Multinational and National Brand holders And Trademark Owners Doing Business In Pakistan).

Filed/ Registered Trademarks	60%
Carried out Professional Investigations to Determine the Source and Methods of Counterfeiting Your Company's Products and Brands	32
Independently Conducted Anti-Counterfeiting Raids in the Field	20
Conducted Product Testing Surveys to Measure Levels of Counterfeiting of Your Brands	14
Conducted Joint Anti-Counterfeiting Raids in the Field in Cooperation with Government Authorities	14

Conducted Joint Anti-Counterfeiting Raids in the Field in Cooperation with Other Brand Owners	6
BASE	(50)

(Table # 2)

According to the Assistant Brand Manager of Proctor & Gamble, duplicate products that enter millions of homes rob brands of revenue and reputation, adversely impacting consumers and manufacturers alike. This problem is far worse in the rural markets of the country, where the incidence of brand piracy is four times as high as in urban areas.

### **STATISTICS OF COUNTERFEIT PRODUCTION LOCATION:**

<b>Source of Counterfeiting</b>	<b>Percentage</b>
Counterfeited products are produced in Pakistan:	43%
Available in urban areas:	3%
Available in sub-urban areas:	22%
Available in rural areas:	18%
Counterfeited products imported from China and other Far-east nations:	32%
Counterfeited products imported from India, Iran etc.:	15%
Counterfeited products exported by Pakistan to developed Nations:	2%
Counterfeited products exported by Pakistan to developing Nations:	8%

(Source: Proctor & Gamble, Pakistan)

(Table # 3).



## **FEW ORGANIZATIONS' CASES REPRESENTATIVE OF THE INCREASING TREND OF COUNTERFEITING:**

### **COUNTERFEITING OF FAIR & LOVELY (By- Unilevers):**

According to the Brand Manager of Fair & Lovely Beauty Cream, the magnitude of counterfeiting for this brand is immensely increasing. The problem faced by Fair & Lovely due to counterfeiting can be measured by the fact that Fair & Lovely has 113 versions of counterfeits in Pakistan, which are less than the 140 counterfeited versions of Fair & Lovely found in India.

In the past, the marketing team of Fair & Lovely paid no special attention to the problem of its brand's counterfeits as these counterfeits did not hurt the sales of Fair & Lovely to a noticeable extent, however since last 2 years, the sales of Fair & Lovely are seriously hurt i.e. by 8-9%.

### **COUNTERFEITING AT PROCTOR & GAMBLE:**

Proctor & Gamble estimates that more than 15% of its products found on Pakistani stores shelves are counterfeited versions of its products.

The Assistant Brand Manager at P&G was of the view that it is nearly impossible to keep track of all the counterfeited versions of its diversified product and brand portfolio because their existence neither contribute to its sales decline nor hurts P& G's brand equity as they are not widely distributed and are not popular even in the lower class localities, however the major concern are only those brands whose counterfeited versions are flooding in the Pakistani market and hurting P& G's brand image,

He pointed out four major brands,

- **Vicks Vaporub:** There are 31 versions of Vicks Vaporub, both in the shape of bottles and inhalers, especially Vick's counterfeit "Vicky" often mislead consumers due to its wide availability in all areas irrespective of lower or upper class.
- **Arial Washing Powder:** Arial's counterfeit in the shape of AREAL is seriously hurting Arial's sales and equity because Arial's counterfeit is lower priced and targeting the lower class segment which is a part of Arial's promotion and target market.
- **Head & Shoulders' and Pantene Pro-V:** Few years back, these shampoo brands of P&G were facing the problem of product tampering, however now the growing concern is counterfeiting, and mostly Head & Shoulders' and Pantene Pro-V sachets are being counterfeited.

### **COUNTERFEITING AT CADBURY:**

Among the products of Cadbury, three of its products are facing counterfeiting. These include

- Counterfeiting of Cadbury Éclairs.
- Counterfeiting of Cadbury Dairy Milk
- Counterfeiting of Chocki.

Cadbury Éclairs faces the most widespread counterfeiting, which is becoming a major issue for Cadbury because the sales of Éclairs have decreased by almost five percent (5%) as compared to the previous year in spite of the ever-gaining popularity of Cadbury Éclairs and its increasing promotion. The Brand Manager at Cadbury considers counterfeiting to be the cause of this sales decline. Moreover, Cadbury's brand extension

of Éclairs in Coffee flavor is regarded by the Brand Manager of Cadbury as a potential victim of Counterfeiting.

Cadbury Dairy Milk occupies the most popular brand position in Cadbury's brand portfolio, and there is a counterfeit version of Dairy Milk as well, though its counterfeit is not as widely available as compared to Cadbury Éclairs.

Recently Cadbury faced another brand's counterfeit i.e. a month or two after the successful launch of a new product, Chocki, it got counterfeited.

### **COUNTERFEITING AT NESTLE:**

The brands of Nestle that are being counterfeited include Nestle Milkpak, Nestle Nido, Nestle Everyday, Maggi 2-minute noodles, Cerelac, Milo, Nestle Pure Life, Kit Kat and Soothers. However among all these brands, the counterfeiting of Nestle Everyday, Maggi, Nestle Pure Life and Kitkat are becoming a real concern for the Company because within last one and a half years the sales of these brands are seriously hurt as well as counterfeiting of any brand directly damages the equity of the Nestle, as the parent Company name is associated with each and every brand.

### **WAYS OF COUNTERFEITING:**

#### **1) USING SLANGS INSTEAD OF THE ORIGINAL WORD;**

This is the most common and popular way adopted by counterfeiters to successfully cheat original manufacturers and mislead consumers. According to the Assistant Brand Manager of Proctor & Gamble almost 90% of the counterfeiting found in Pakistani market is conducted through replacing the original brand name with a slang of it.

Here the counterfeiters slightly change the spelling of the brand name by replacing one or two alphabets with resembling alphabets in such a way that customers cannot recognize that the slang is used instead of the original word, however this method is combined with the imitation of packaging and color scheme etc.

For example among the 113 versions of Fair & Lovely counterfeits, most versions (almost 70-75) use this methodology. Fair & Lovely has counterfeits by the name of "Fair & Luvly", "Fare & Lovely", "Fare & Luvly", "Fair and Luvly" etc.

Following are some examples that would illustrate this method;

<b>Original Brand</b>	<b>Counterfeit</b>
Fair & Lovely	Fair & Luvly
Dairy Milk	Dary Milk
Cadbury's Chocki	Cadbury's Chocky.
National Foods	Natnol Foods
Nestle Pure Life	Nebtle Pure Life
Maggi	Maggy
Kit Kat	Kir Kat
Soothers	Sothers
Sunsilk	Sunmilk
Dunhill	Dunill
Duracell	Durhacell
Vicks	Vicky
Arial	Areal
Lux	Luk
Pantene Pro-V	Pantane Pro-V
Bata shoes	Bala Shoes.
Hum Tum Pan masala	Ham Tum Pan masala
Shahi Supari	Shahe Supari
Fa deodorants	Fe deodorants

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(Table # 4).

## **2) COPYING THE PACKAGING:**

In this method the counterfeiter attempts to copy the packaging including the following elements;

### **Color scheme:**

This is the most prominent feature of the packaging, and the counterfeiter makes sure that it imitates the exact shades, boldness and brightness of colors.

### **Texture of the packaging:**

The texture and material of the package is copied with great care taking into consideration whether the texture is rough, shiny and glossy, slippery, soft etc

### **Color and style of Printing:**

The color and writing style in which the instructions are written are also matched with the original brand.

### **Brand Name:**

When the counterfeiters are using the copying of packaging method they either use the same brand name with a different company name, or they use an entirely different brand name.

For example:

Cadbury Éclairs is being counterfeited by Walkers Company by copying the packaging of the brand, i.e. the counterfeit version of Cadbury Éclairs has the same Matte Gold and shiny purple wrapper with the brand name-Éclairs written in the same style as original version, and over the brand name instead of the original Company name i.e. Cadbury, Walkers' is written.

This method is becoming more and more popular and successful due to modern technology in the field of printing especially with the use of laser printing and publishing it becomes very easy to make the fake versions of products nearly if not completely the same as the original brand.

### **3) USING DIFFERENTIATED PACAKAGING:**

In this method the counterfeiters keep a minute point of difference in the packaging, though it is a complete copy of the original brand and it easily deceive the customers but on close inspection it is found that there is a negligible difference in the packaging. Usually it is the element of color scheme in the packaging that is differentiated.

#### **Color Scheme:**

The counterfeiters who employ this method usually try keeping a differential element in the color scheme of the packaging. This does not mean that the counterfeiters completely change the color scheme, as if they do so they would not be able to achieve their purpose of making money in the name of branded goods, however the counterfeiters slightly change the shades of colors being used.

#### **Texture of the Packaging:**

The material of the packages is kept the same.

#### **Brand name:**

Usually exactly the same original brand name is used, because here the counterfeiters have already kept a point of difference by altering the color shades, so they need not to change the brand name. However often a different Company name is included.

For example:

The original Fair & Lovely brand has a color scheme of baby pink and white, however some of its counterfeited versions though copy the same color scheme, but with different shades of pink, one of its counterfeit has a purplish-pink and white color scheme, other has a rose pink and white, while other has a baby pink and white with a tinge of pink color scheme.

Similarly the counterfeited version of Nestle Cerelac has a different shade of yellow in the package that is sun color- darker than the yellow color used in the original brand.

#### **4) ALTERING THE LOGO/SYMBOL:**

In this method, the counterfeiters slightly change the original brand's logo or symbol. This method is combined with the copy of packaging, however it has two types of variations

##### **Difference in Brand Name:**

When the logo or symbol is slightly altered along with the exact copy of packaging, the brand name of the counterfeit in most cases is not exactly the same as the original brand, however even if the brand name is kept same, then the name of the counterfeit Company is added in the package though it occupies a semi hidden position. This is because there is a very minute difference in the counterfeited logo, which is not sufficient enough for the counterfeiter to capitalize as a point of difference.

##### **Difference in Packaging elements:**

In situations where the original brand's logo or symbol is being slightly changed along with a similar brand name, in such situations it becomes necessary for the counterfeiter to slightly alter the packaging as compared to the original brand by changing the colors, material etc.

For example:

The counterfeit of Cadbury Dairy Milk copied the distinctive logo of Dairy Milk- a glass and a half logo, however the counterfeiter kept the differential element in this logo by presenting the same logo but for a change instead of showing half filled glass the counterfeit had a glass which is full of milk. This was combined with the exact imitation of packaging i.e. the counterfeit had the same shiny purple package, however the brand name was slightly altered i.e. the counterfeit had a brand name of Cadbury Dary Milk instead of Cadbury Dairy Milk.

### **5) IMITATING THE STYLE OF BRAND NAME:**

In this method the counterfeiter attempts to copy the style of the brand name, although in most of the cases the brand name is neither same nor is a slang of the original word, rather it is a completely different name but carries the same meaning as the original brand name. However the Brand Name is written in such a style that the customers cannot recognize that the brand name is different from the one he uses. It is being observed that this practice is most common in those products whose brand names are written in a very complex manner with lots of curves and bents so that the brand name can easily be disguised.

#### **Packaging:**

This method is employed by the perfect and complete imitation of packaging.

For example:

The Counterfeit of famous French Perfume Blue Lady is being available by the name of Blue Miss and Blue Babe with these brand names written in the same italic style as the original brand of Blue Lady, moreover this is combined with the exact imitation of packaging.

Similarly the counterfeited version of Head & Shoulders' is being sold by the name of Head & Shower in the same green color and bold italic style as the original brand.



## **6) ADDING “NEW” TO THE SAME BRAND NAME:**

As the above heading reveals here the brand name is completely copied, even the Company name is also copied but a small “new” is added above or below the brand name that is made sure to be placed such and of such a tiny size that is and should be ignored by the customers.

### **Packaging:**

All the elements of the packaging are completely copied.

For example:

The counterfeited version of Fanty sweet by Candy Land has the same orange and white slippery package with the same brand name Fanty and same Company name i.e. Candy Land however on top of Fanty new is written that is presented in extremely small font size and the color in which that new is written is yellow which never becomes prominent on the white surface.

## **RETAILERS’ CONTRIBUTION:**

The role of retailers in promoting counterfeits cannot be ignored. According to the brand manager of Cadbury, retailers play a primary role in promoting counterfeits of its brands because of the fact that counterfeiters give more incentives in the shape of greater margins to the retailers for the shelf space.

## **CONTRIBUTION OF RETAILERS IN UPPER CLASS LOCALITIES:**

We cannot find counterfeited products at large super stores like Agha’s, Naheed etc. and other big retail outlets of upper class localities (including Defense, Clifton, KDA, PEACHS etc). According to the shopkeeper at Agha’s, the Agha’s supermarket is free of

counterfeited or tampered products because they carefully access each and every product while purchasing; moreover the Companies instead of wholesalers directly sell most of the products to them, which prevents them from the clutches of counterfeiters. Thus retailers like Agha's play no role in placement or promotion of counterfeits because of their own reputation and customers' reliance over them.

Similarly though counterfeiting is very common in the category of Perfumes, however customer would never find fake perfumes in a big store, for example according to the shopkeeper of Sanaullah store, though customers often ask for counterfeited perfumes, but in view of their store's reputation they never sell counterfeits.

Moreover most of these customers belonging to middle and upper middle class, these are the customers are aware of their rights, and cannot be easily fooled with counterfeits because they know the worth of the products, and thus as counterfeiting is less prevalent in the upper class markets so these customers have little exposure with counterfeited versions of brands.

## **CONTRIBUTION OF RETAILERS IN MIDDLE CLASS LOCALITIES:**

A mixed trend of counterfeiting is found in middle class localities. Usually the large retailers in middle class areas do not intentionally keep counterfeits because of their loyal and repetitive customers' trust which form the bases of their sales, however according to a large retailer in North Nazimabad sometimes they cannot avoid placing the counterfeits in their stores, for example recently Union Company has introduced "Kir Kat" as a counterfeit of Nestle "Kit Kat", similarly the counterfeiting of Cadbury Éclairs is carried out by Walkers, in these situations the retailers are forced to keep the counterfeits because the companies like Union and Walkers represent a big name in the local confectionary market and moreover they did not enter the market as counterfeiters.

However we can find a large number of counterfeits at small retail outlets of middle class localities, as according to the survey of customers, most of them identified that they purchased counterfeits from small retail shops of areas like Gulshan, Dhoraji, Nazimabad, North Nazimabad, Gulistan-e-Johar etc. These Retailers do realize revenue from the immediate sale of counterfeit products, but like brand owners, are threatened by the possibility of lost future business based on unrealized consumer value.

## **CONTRIBUTION OF RETAILERS IN LOWER CLASS LOCALITIES:**

The counterfeits are largely promoted through retailers of lower class colonies like Liaquatabad, Malir, Gharibabad, Ahsanabad etc. where retailers intentionally sell counterfeits to secure greater margins, and these are the areas that serves as the field for counterfeiters to play. The most important reason why counterfeits are so largely penetrated in these markets is low customer awareness, most of the consumers never find out the difference between original and counterfeit because they never experienced the original brand and always perceive the counterfeit as original brand. This is the reason why retailers continue promoting counterfeits because this would make them larger margins and they are fully aware of the fact that the customers are ignorant of their rights.

The Brand manager of Cadbury highlighted another key factor, i.e. the price consideration. This means that usually the cheaper priced products of brands are more prone to counterfeiting. For example though we can find less counterfeiting of Cadbury Dairy Milk (the smallest sized priced Rs. 10), on the other hand the counterfeited version of Cadbury Éclairs is widely available because this is one product of the Cadbury's brand portfolio that is relatively cheap (Rs. 1) and it has a uniform distribution network in the entire city with lower class colonies' retailers promoting and selling fake versions of Cadbury Éclairs

## **REASONS OF COUNTERFEITING:**

Today it is not just luxury items that are being counterfeited and sold - but all the products that can be found in the average consumer's shopping basket. Anything that can be sold can be, and is being, copied - not just clothing and jewellery, but food and beverages, personal care products, cigarettes, electrical appliances, medicines, spare parts for motor vehicles and aircrafts, bicycle tire inner tubes, toys, surgical equipment etc. forming an endless list.

However the potential counterfeiter undertakes some form of direct or indirect cost-benefit analysis before embarking on counterfeiting. Their expenses not only include the direct production and distribution costs of fake goods, but also the penalties if caught, appropriately weighted by the risk of capture. The risks are complex, comprising the chance of being caught, redress the originator seeks (i.e. confiscation, etc.), probability of conviction, and other penalties. However the benefits with counterfeiting are so easy to accomplish and thus there are diversified reasons of opting for counterfeiting. The risk-return profile varies across sectors and in between “deceptive” and “non-deceptive” counterfeits.

## **1) DECEPTIVE COUNTERFEITING:**

In deceptive counterfeiting, the counterfeiters make fake products of the original brand to make money by intentionally misleading customers. Counterfeiting offers a large number of benefits to the counterfeiters, which then becomes the reason for the growing trend of counterfeiting.

### **a) Globalization:**

Globalization has served as a driving force for the increasing trend of counterfeiting in this contemporary world and according to Timothy Trainer, president of the International Anti-Counterfeiting Coalition, this globalization is ultimately what had led to product diversion and now its leading to Counterfeiting. Product diversion happens when a

domestic organization puts its technology (and trust) in an overseas manufacturer, which does exactly what they are asked and then some, producing additional inventory to brand and sell by keeping negligible differences.

It has further two consequences, Firstly more doors in the shape of new foreign brands are opened to counterfeiters to copy and moreover often the local customers view these counterfeits as an extension of original brand in Pakistan, unaware of the fact that they are paying premium prices for the counterfeits.

### **b) Sharing Brand Equity:**

Counterfeiters dupe just about any brand name that exists - from watches and handbags to apparel and books, from tennis shoes and oil filters to pharmaceuticals and even entire vehicles.

The original goods manufacturers and their governments offer a view which is heavily dependent on the roles of price and, particularly, quality. Originator firms are argued to have spent significant amounts to develop the quality and brand image of their products, through invention, design, informative advertising, etc. which is the result of originator's sincere devotion over a period of several years, perhaps even decades. The result is a high quality product, occupying a market niche offering the originator some degree of monopoly power and protection from counterfeits. This raises the originator firm's current and expected future profits, enabling it to pay for future discretionary investments, which maintain their position in the longer term by generating future monopoly power. These actions are legal as they characterize the dynamic process of competition through quality improvement. On the other hand counterfeiting impinges on this virtuous circle of dynamic performance in at least two ways:

- First, transferring demand from the originator to the counterfeiter;

- Second, because counterfeits are of lower quality, it confuses consumers about the quality of the originator's goods and reduces the premium they command.

The effect of both is analogous to the imitation of an invention in the absence of patents - a free-rider issue, where the counterfeiter trades on the name and the quality of the originator's products. The counterfeiter does not incur the costs of brand development and the originator fails to receive the due revenue from the branded product, as the counterfeiter takes part of their market and pays no royalties.

### **c) No investment in R&D:**

Counterfeiters make their way out from the initial costs of product development including investment on research and development, innovation, product testing and test marketing etc. Moreover they also save financial investments in intellectual property protection and brand damage because they need not to protect their fake and copied brands.

### **d) Greater profit margins:**

Perhaps the greatest incentive for the counterfeiters is a very high profit margin, which is higher than even the most profitable business.

Counterfeiters incur very little costs as they save investments from innovation and product development, advertising budget and promotional expenditure to build the brand image as they capitalize on all the money invested by the original manufacturer, similarly the counterfeiters also save cost in the production of the product by using inferior quality ingredients and components. Moreover they are also exempted from paying Government taxes. This is the reason why the potential returns are very high for the counterfeiters because though they incur only a fraction of the cost that the innovator bears, he sells the counterfeits at the same price as original manufacturer. Thus they simply make enormous money by stealing the identity of genuine manufacturers

### **e) Exemption from Government taxes:**

The Counterfeiters also make their way out from paying Government taxes. Moreover they also exempt themselves from quality inspection, audit etc. While counterfeiters are becoming more sophisticated in their copying techniques, they are also becoming more organized in their supply chain and more devious in avoiding controls. Customs report that products are imported in separate components for later assembly. When a certain route is uncovered and broken, the consignments will move to another port of entry. Increasingly more of the techniques that are used to move drugs are being employed in the counterfeit sector.

### **2) NON-DECEPTIVE COUNTERFEITING:**

Another important driving force for the counterfeiters is the consumers' demand for counterfeits. Here the customers are not being deceived, but rather the customers are aware between the distinctions of original and counterfeit. In addition, they are also clear about the consequences of buying the counterfeit, for example, that its quality and after-sales backup are likely to be poorer and they intentionally purchase counterfeits to bridge the gap between their desires and their purchasing power. i.e. such goods fill the gap at the lower end of the income distribution for those who cannot afford the official product.

The prevalence of non-deceptive counterfeiting more likely in luxury branded goods. Thus, for certain kinds of goods, consumers are likely to know with reasonable certainty which is the "counterfeit" and which is not, because mostly the channels of distribution are quite different.

Even non-deceptive counterfeits may drain demand from the genuine product. The major reasons for buying well-known brand names, includes the need to satisfy a "symbolic meaning" and a mechanism for "expressing one's values".

For example:

According to a shopkeeper, who sells fake perfumes in Saddar, there is a larger customer base that intentionally buys counterfeited versions of perfumes, because they want to experience the feeling of using branded perfumes within an affordable range, and thus counterfeited perfume brands satisfy their needs.

## **PROTECTION FROM COUNTERFEITING:**

With the growing trend of Counterfeiting more innovative ways are being employed by the firms to protect their brands from counterfeiting- both i.e. those that are being counterfeited and those that are potential victims of counterfeiting.

Following are the most common ways used for the protection of brands that could serve as a barrier to entry:

### **1) QUALITY:**

According to the Brand manager of Proctor & Gamble, Quality serves as the greatest barrier from Counterfeiting. This is because though the counterfeiters can very successfully copy the outlooks of the brand but they can never match the quality of the original brand and thus a repetitive customer of the original brand even if fooled by the counterfeiters at the purchase point would easily figure out the difference while consuming it.

### **2) MAKING THE COMPOSITION OF THE BRAND HARD TO COPY:**

If the product is in itself difficult to copy, i.e. its composition is hard to copy, a natural barrier is added to counterfeiting.



For example:

Cadbury thought that it would be nearly impossible to counterfeit its new product for kids “Chocki” because of its difficult to make format, but soon after its launch Chocki was being copied by Kidco who introduced a similar liquid chocolate by the name of “Chocky”. But the counterfeit version of Chocki is not much successful because though the counterfeiter was successful in imitating the colorful packaging of Chocki, they were not able to maintain the constituency of liquid chocolate and they made it semi solid.

### **3) REGISTRATION OF BRANDS:**

Basically there are two types of registrations:

- Registration in which only certain specific brand elements are registered independently, i.e. the registration of logo, or brand name etc.
- Registration of the entire brand is including the entire packaging along with the registration of all brand elements.

For example:

Previously Cadbury’s Dairy Milk was only partially registered i.e. only its brand name was registered, later when Cadbury noticed that its famous Dairy Milk brand is being counterfeited, it firstly improved the packaging of Dairy Milk, i.e. better quality wrapper was used and then Cadbury registered the entire brand i.e. the entire package of Dairy Milk along with all the brand elements were registered. After these steps taken by Cadbury, the counterfeiting of Dairy Milk was remarkably reduced if not completely eliminated.

Similarly another issue faced by the Cadbury is the counterfeiting of Cadbury Éclairs, this issue is immensely important for Cadbury because it has a direct negative impact on its sales and it’s also severely damaging Cadbury’s brand equity. Regarding Éclairs’

protection, Cadbury has decided on the same strategy that it used for Dairy Milk and currently Cadbury Éclairs is in the process of complete registration.

### **3) FORMING AN ALLIANCE WITH GOVERNMENT OR OTHER BRANDS TO ERRADICATE COUNTERFEITING:**

This is a growing need to adopt this protection method because of its success in completely putting an end to counterfeiting and also because it is socially beneficial.

#### **FORMING AN ALLIANCE WITH GOVERNMENT:**

Today many brands are working in close coordination with the Government and the companies are providing full support to the Government through its research programs to put an end to the dirty business of Counterfeiting.

For example internationally Canon Company has joined the Counterfeiting Intelligence Bureau to fully support the Government in eliminating Counterfeiting.

Similarly Gillette Pakistan along with the, Overseas Investors Chamber of Commerce and Industry (OICCI) and a team of Government officials (protectors of Intellectual Property Rights) raided marketers of gray Gillette products that were being sold without proper requisite packaging declarations.

#### **FORMING AN ALLIANCE WITH OTHER BRANDS:**

Here two or more Companies whose brands are being counterfeited work together for a sole purpose i.e. protection of their brands from counterfeiting.

For example:

Unilevers Pakistan has decided to work in close cooperation with Hindustan Levers for the protection of their brand, Fair & Lovely because of the growing number of its

counterfeited versions, as currently there are 113 versions of Fair & Lovely in Pakistani market and 140 versions of Fair & Lovely found in Indian market

#### **4) MAKING COMPLEX AND DIFFICULT BRAND ELEMENTS AND/OR PACKAGE:**

In this method, the packaging or brand elements are made difficult to copy, i.e. either by creating a complex logo, or writing the brand name in an ambiguous fashion, similarly the color scheme can be differentiated by using uncommon colors. However this method is losing its importance due to enhancements in the field of printing and publishing technology.

For example:

As the process of complete registration is a cumbersome task, therefore for its new Éclairs' extension i.e. Cadbury coffee Éclairs, Cadbury has made sure that this product is introduced in a packaging that is difficult to copy. This Cadbury coffee Éclairs has the same matte gold wrapper but in order to differentiate and protect the brand name is also written in the same matte gold color.

#### **5) ADDING A PROTECTIVE SEAL ON THE PACKAGE:**

Adding a seal that changes color is often being used by some companies as a protective measure.

For example:

Kala Kola hair dye uses a prominent circular seal that changes color, and this protective feature is prominently advertised. Similarly hair removing cream EU Cream also uses the color changing seal.

## **6) ADDING A PROTECTIVE TAPE ON THE PACKAGE:**

Adding a fine tape either that changes color or in a consistent but distinguishing color is also being used as a protective measure.

For example:

Dunhill cigarettes uses a bright red colored tape on its pack, similarly Najo mehdi has a shiny black tape on its inner packaging lining.

## **7) PUTTING COMPANY'S POSTAL OR WEBSITE ADDRESS ON THE PACKAGE:**

In order to authenticate that the brand belongs to a reputed and original manufacturing company, the company's postal address and website is added on the package.

For example:

Triple EM Company now puts its website address on its famous brand Super Crisps to protect it from counterfeiting.

## **8) ADDING A CELEBRITY SIGNATURE ON THE PACKAGE:**

This method of putting a celebrity's sign on the package used to be an important protection method from counterfeiting, however the latest technology has made it possible for the counterfeiters to copy the signature.

For example:

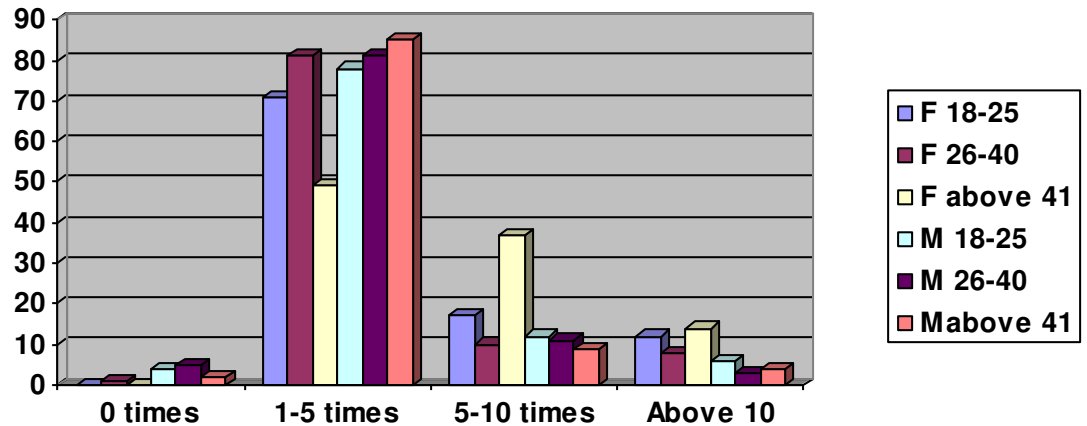
Lux beauty soap started this method when it was being counterfeited by the name of Luk that had the same packaging as Lux including the picture of Film actresses.

## **GOVERNMENTS' SUPPORT TOWARDS PROTECTION OF BRANDS FROM COUNTERFEITING:**

The Pakistani legal system is still in its infancy. Although the intellectual property laws are already essentially compliant with international agreements, including TRIPS (the GATT agreement on Trade Related aspects of Intellectual Property), anti-counterfeit enforcement remains weak. Local protectionism and low administrative penalties hinder enforcement. The only support provided to original manufacturers is that they can file a case against the counterfeiters and according to the Sales manager at Nestle, it takes years and years for the court to reach a decision, and even after the decision against counterfeiting, counterfeiters make their way out through bribery and utmost if they get caught then there is no strict penalty for the counterfeiters.

1. How many times have you been exposed to a counterfeited product

- 0 times.
- 1-5 times.
- 5-10 times.
- More than 10 times.



	0 times	1-5 times	5-10 times	Above 10 times
<b>Fem 18-25</b>	0%	71%	17%	12%
<b>Fem 26-40</b>	1%	81%	10%	8%
<b>Fem above 41</b>	0%	49%	37%	14%
<b>Male 18-25</b>	4%	78%	12%	6%
<b>Male 26-40</b>	5%	81%	11%	3%
<b>Male above 41</b>	2%	85%	9%	4%

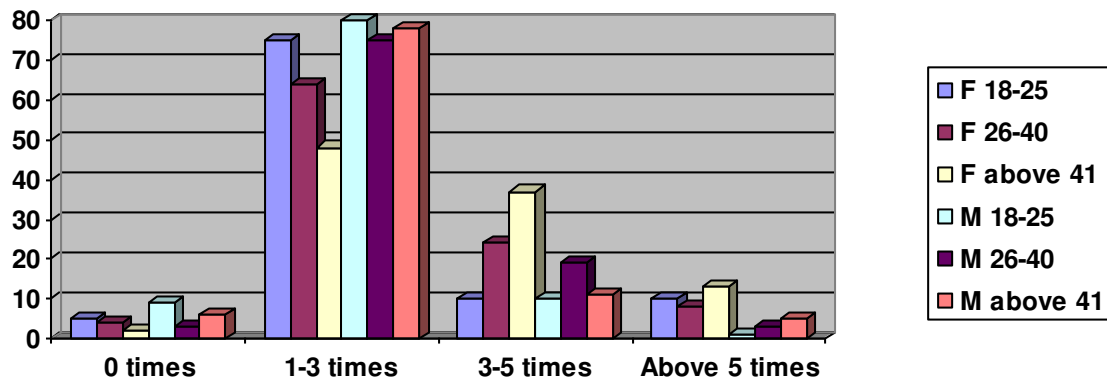
**INTERPRETATIONS:**

The above responses highlight the fact that women are more likely to note counterfeits as compared to men as we can find an average of only 0.333% females who never noticed a counterfeited product whereas on an average 3.67% of males never noticed a counterfeit.

Moreover the females aged 41 and above have observed counterfeits to a much larger extent as compared to younger females, as shown in the chart, the yellow bars representing females aged 41 and above are almost same in height for 1-5 and 5-10 times exposure.

2. How many times were you deceived by the purchase of a counterfeit

- 0 times.
- 1-3 times.
- 3-5 times.
- More than 5 times



	0 times	1-3 times	3-5 times	Above 5 times
<b>Fem 18-25</b>	5%	75%	10%	10%
<b>Fem 26-40</b>	4%	64%	24%	8%
<b>Fem above 41</b>	2%	48%	37%	13%
<b>Male 18-25</b>	9%	80%	10%	1%
<b>Male 26-40</b>	3%	75%	19%	3%
<b>Male above 41</b>	6%	78%	11%	5%

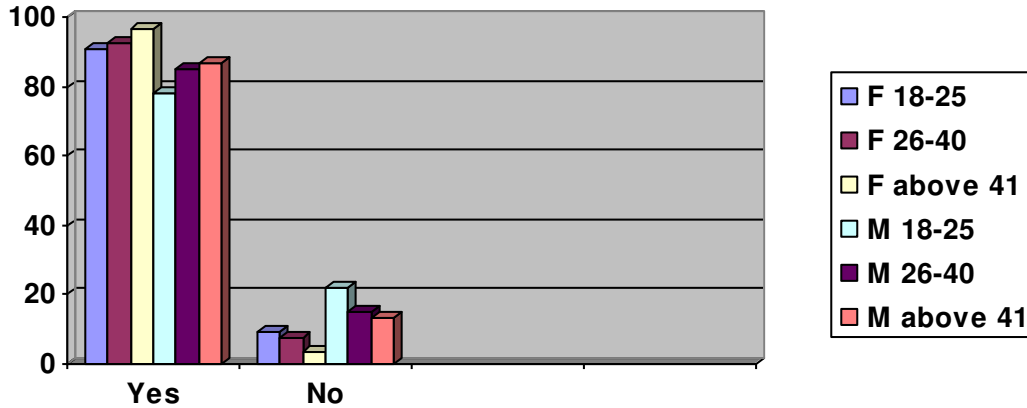
**INTERPRETATIONS:**

According to the above findings, most of the customers irrespective of male or female are deceived by the purchase of a counterfeit by 1-3 times however females aged 41 and above shared a different response as compared to other segments i.e. they were equally deceived 1-3 and 3-5 times by the counterfeit purchase.

Moreover there is a greater percentage of men (average of 6%) who never bought a counterfeit as compared to a lesser women (an average of 3.667%) who are deceived by counterfeit purchase. Similarly there is an average of 10.33% of women who

unintentionally bought a counterfeit more than 10 times that is much larger than the average of 3% for males.

3. Do you really care that you are buying the original brand and not its counterfeited version for everyday consumer products
  - Yes.
  - No



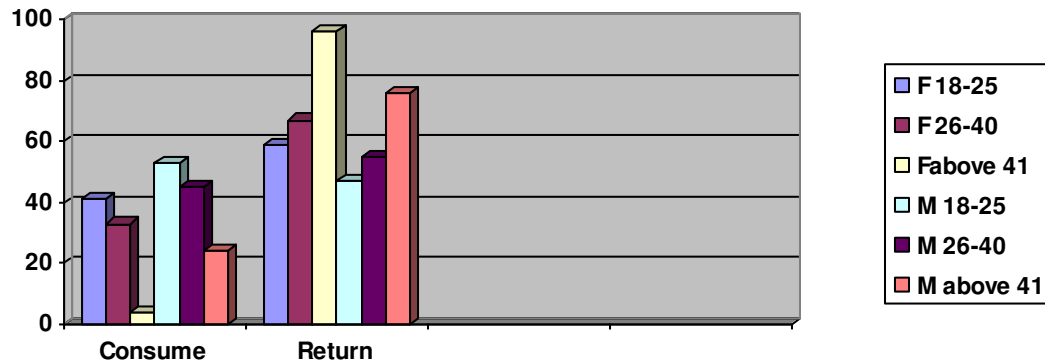
	Yes	No
<b>Female 18-25</b>	91%	9%
<b>Female 26-40</b>	93%	7%
<b>Female above 41</b>	97%	3%
<b>Male 18-25</b>	78%	22%
<b>Male 26-40</b>	85%	15%
<b>Male above 41</b>	87%	13%

**INTERPRETATIONS:**

The above responses clearly illustrate that both men and women do perceive a difference between the original brand and its counterfeit, and while purchasing they opt for the original brand. However it is being found out that males show a careless attitude as compared to females i.e. though males keep into consideration the difference between original and counterfeit, they are not very strict adherent to it, this is proved by the statistics; as on an average 83.33% of males really care that they are buying the original brand, this is less than the 93.667% of females looking for the original brand.



4. After realizing the fact that you have purchased a counterfeited product what do you do
- I consume it.
  - I go to the retailer to return the counterfeit for original brand.



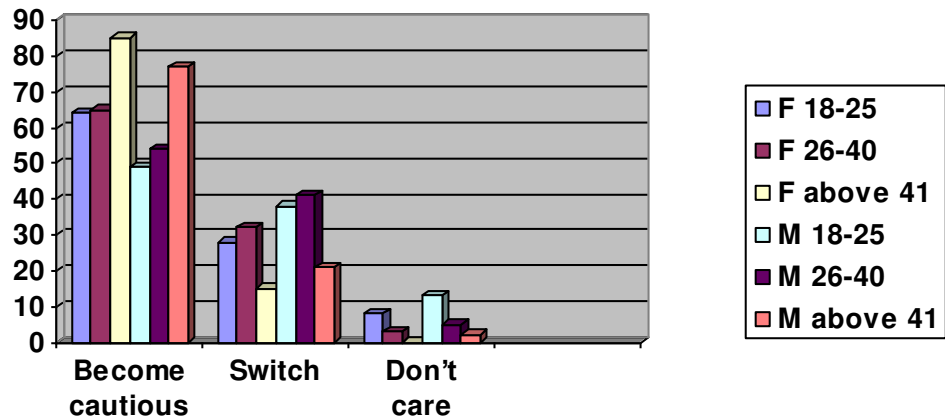
	Consume the counterfeit	Return the counterfeit for original brand
<b>Female 18-25</b>	<b>41%</b>	<b>59%</b>
<b>Female 26-40</b>	<b>33%</b>	<b>67%</b>
<b>Female above 41</b>	<b>4%</b>	<b>96%</b>
<b>Male 18-25</b>	<b>53%</b>	<b>47%</b>
<b>Male 26-40</b>	<b>45%</b>	<b>55%</b>
<b>Male above 41</b>	<b>24%</b>	<b>76%</b>

### **INTERPRETATIONS:**

The above responses illustrate that the younger aged customers belonging to the age bracket of 18-25 and 26-40 exhibit a more careless attitude i.e. once they have been deceived by the counterfeit they do not bother to go up to the retailer and exchange it for the original brand and rather they consume it. On the other hand the older customers belonging to the age bracket of 41 years and above are very particular about the original brand and once they have mistakenly bought a counterfeit, they do not consume it but rather return it for the original brand.

5. After you have been once deceived by a counterfeit, the next time:

- I become a cautious customer but buy the same original brand that I used to consume.
- I switch to some alternate brand whose counterfeits are not available.
- I really don't care about it!



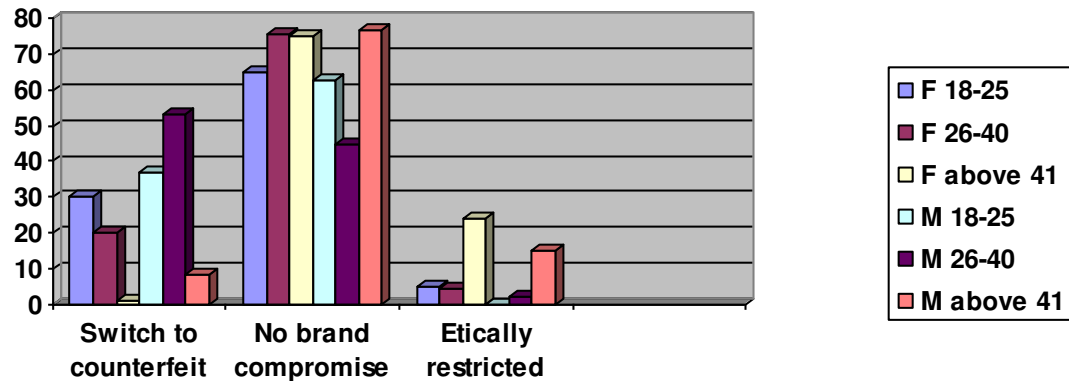
	Become cautious customer	Switch to alternate brand	Do not care
<b>Female 18-25</b>	64%	28%	8%
<b>Female 26-40</b>	65%	32%	3%
<b>Female above 41</b>	85%	15%	0%
<b>Male 18-25</b>	49%	38%	13%
<b>Male 26-40</b>	54%	41%	5%
<b>Male above 41</b>	77%	21%	2%

**INTERPRATION:**

The above responses show that younger aged customers, irrespective of male or female belonging to age brackets 18-25 and 26-40 are less loyal to a particular original brand as compared to older aged customers belonging to 41 and above age bracket, and on an average 34.75% of these younger customers would switch to some substitute whose counterfeited versions are not available as compared to just 15% of older aged customers, whereas an average of 7.25% young customer really do not care about their next time's action when exposed to a counterfeit, this is again much

higher than the average of 1% older aged customers' response about having a "I don't care" attitude. Moreover males have a more careless attitude towards counterfeiting.

6. If you had a good experience of using a counterfeited product e.g. you got nearly same quality of the original brand at a reduced price, then
- I would switch to the counterfeit.
  - I don't want to make a brand compromise.
  - I feel ethically restricted to buy a counterfeit.

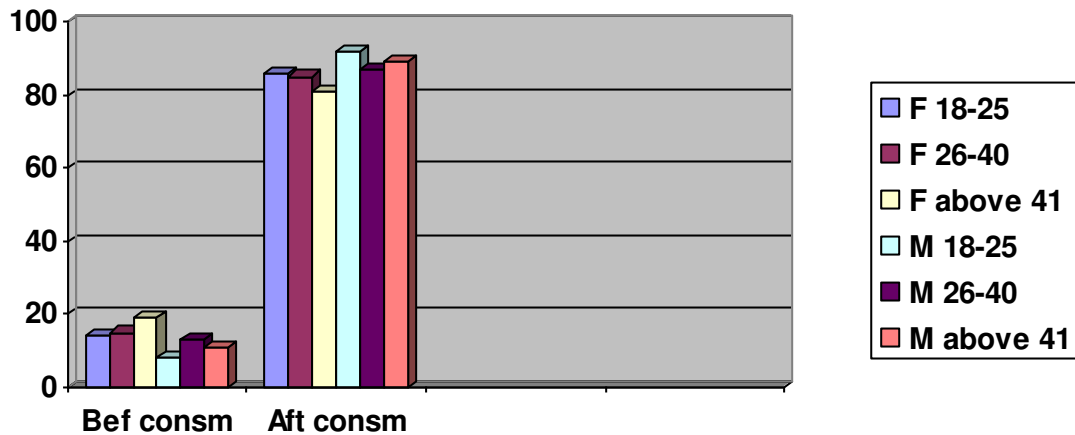


	Switch to Counterfeit	No Brand Compromise	Ethically restricted
<b>Female 18-25</b>	30%	65%	5%
<b>Female 26-40</b>	20%	76%	4%
<b>Female above 41</b>	1%	75%	24%
<b>Male 18-25</b>	37%	63%	0%
<b>Male 26-40</b>	53%	45%	2%
<b>Male above 41</b>	8%	77%	15%

**INTERPRETATIONS:**

According to most of the respondents (an average of 72% females and 61.667% males) they would not like to make a brand compromise even if they find a counterfeit of good quality at a lower price. However younger population and especially males (an average of 45%) are relatively more inclined towards switching to a counterfeit as compared to older customers, as only 8% of the older males and just 1% of older females would switch to a counterfeit, rather these older customers in turn feels themselves ethically bounded to purchase a counterfeit. However we would not find any sense of ethical obligation in younger customers representing the age bracket of 18-25 and 26-40 years.

7. When did you find out that you have purchased a counterfeit?
- Before consumption.
  - After consumption.

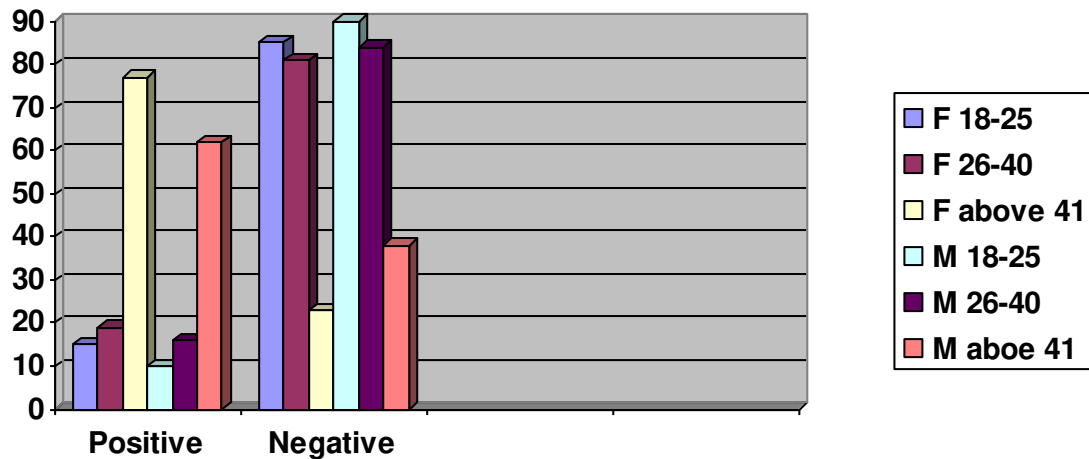


	Before consumption	After consumption
Female 18-25	14%	86%
Female 26-40	15%	85%
Female above 41	19%	81%
Male 18-25	8%	92%
Male 26-40	13%	87%
Male above 41	11%	89%

**INTERPRETATIONS:**

The above responses clearly highlight the fact that counterfeiters are so successful in deceiving customers that most of the customers irrespective of age and gender (an average of 86.6667%) realize that they have bought a counterfeit after consumption.

8. What feelings you developed about the original brand after you have bought a counterfeit?
- Positive.
  - Negative.



	Positive opinion	Negative opinion
<b>Female 18-25</b>	15%	85%
<b>Female 26-40</b>	19%	81%
<b>Female above 41</b>	77%	23%
<b>Male 18-25</b>	10%	90%
<b>Male 26-40</b>	16%	84%
<b>Male above 41</b>	62%	38%

### INTERPRETATIONS:

The above responses clearly show that after being deceived by the purchase of a counterfeit the younger respondents belonging to the age bracket of 18-25 and 26-40 years developed a negative attitude towards the original brand as they thought that they have been deceived because of the original brand, whereas the opposite is true for the older aged respondents who developed a positive opinion about the original brand who had a sympathetic attitude towards original brand.

## **CHAPTER # 5:**

- **SUMMARY OF FINDINGS**
- **CONCLUSION**
- **RECOMMENDATIONS**

## **1) SUMMARY OF FINDINGS:**

The findings of this thesis are based on the responses of three groups i.e. the organizations, retailers and last but not the least customers.

### **a) SUMMARY OF FINDINGS FROM ORGANIZATIONS:**

- According to the global Counterfeiting statistics, counterfeiting comprises of 7% of the world trade, which is equal to \$350 billion. Moreover counterfeiting is growing by 150%, which is much higher as compared to normal trade growing at 47%.
- In Pakistan, no proper method is employed to measure the counterfeiting statistics, rather just rough estimates are made by large multinational organizations to measure the extent of counterfeiting of their brands, for example Proctor & Gamble estimates that 15% of all its brands found in Pakistani market are counterfeits. Moreover according to a rough estimate 8-9% of all products available in sub-urban and urban areas of Pakistan are counterfeits.
- All the brand managers being interviewed share the same view that counterfeiting had been growing at an increasing rate since the last eight to nine years, which has now been increasing at an alarming rate especially for the last two to three years.
- Previously counterfeited products were not targeted to the urban areas and the target market for counterfeited products were sub-urban and rural areas. However there has been a shift in the target market for counterfeits, i.e. while rural and sub-

urban areas remains the primary market for counterfeits, now the urban areas are too heavily flooded with the counterfeited versions of original brands.

- It is expected that the potential primary target market for counterfeits are sub-urban and urban areas, rather than rural areas because the customers of these areas are at least aware of original brands, if they are not brand conscious. Whereas in rural areas people are not specific about brands because simply they are unaware of brands.
- Among the various ways adopted by the counterfeiters for counterfeiting including using slang instead of original word, creating a differential logo/symbol, imitating the packaging, creating a difference in the packaging etc the most common and dangerous form posed to the organizations is in the shape of using slang instead of the original brand name.
- There can be two basic reasons for counterfeiting, either it could be backed by the consumers' demand or it is the intentional act of deceiving customers. However the non-deceptive counterfeiting is limited to luxury items, but the more common and growing issue is the deceptive counterfeiting which is spreading its roots deeply in the market.
- Regarding the protection of brands, Brand managers were of the view that although there are many ways being employed for brand protection like adding color changing seals, security labels, using celebrity signatures but keeping in view the counterfeiters' exposure and acquaintance with the modern technology, all these methods are no longer helpful.  
One of the simplest and effective techniques employed by multinationals is using quality as a barrier and protection tool from counterfeiting.



- A new protection method is forming an alliance either with the Government or with other brands towards counterfeiting. This method has a high potential to completely uproot the dirty business of counterfeiting. However more companies are carrying out joint protection activities with other brands as compared to forming an alliance with the Government due to weak Government support.
- According to the organizations, Government is playing little or no role regarding putting an end to counterfeiting. All policies against counterfeiting are just coded and no implementation is found. The only way left for the original manufacturers is complete registration of brands and even if counterfeiting of registered brands is found, the organizations can just file a case against it, for which the companies have to wait for several years to get a decision in their favor.

## **b) SUMMARY OF THE FINDINGS FROM RETAILERS:**

- The super stores and large retailers of posh areas never keep counterfeits because of their reputation, customers' reliance over them, and most importantly because the upper class customers are highly brand conscious and fully aware of their rights for which they know how to fight if they are deceived by the counterfeits.
- In middle class localities, usually the large retailers do not keep counterfeited products, unless a Company that entered the market as an innovator rather than a counterfeiter offers the counterfeits. For example these large retailers though unwilling but are forced to keep counterfeits offered by Union, Kidco, Walkers' etc.  
However we can easily find counterfeited products at small retailers of middle class localities.
- The retailers found in areas like Malir, Landhi, Azizabad, Liaquatabad etc. representing lower class and sub-urban areas offer a wide range of counterfeited products, and a customer will find more of the counterfeits as compared to original brands in the retail outlets of such smaller areas.

c) **SUMMARY OF THE FINDINGS FROM CUSTOMERS:**

- Counterfeits are widely spread today, which could be judged by the fact that an average of 98% customers are exposed to, and have been deceived by the purchase of a counterfeit.
- Most of the customers remember a specific event when they were exposed to a counterfeit because of two major reasons; either that event happened recently or they were exposed to the counterfeit of their favorite brand, and customers usually make a trade-off between these two reasons.
- The customers' responses indicate that females are more likely to notice a counterfeit whereas males exhibit a more careless attitude towards observing counterfeits, as on an average only 0.333% of females never noticed a counterfeit as compared to 3.6667% of males who never noticed a counterfeit.
- 93.667% females and 83.33% males really care what product they are buying and they do perceive a difference between the original brand and its counterfeit.
- The post purchase behavior of a counterfeit varies across different age groups i.e. the younger population exhibits a careless attitude i.e. once they have bought a counterfeit they consume it, on the other hand older aged customers are very specific about the originality of a particular brand, and most of them return the counterfeit for the original brand.

- Once the customers are misled by the purchase of a counterfeit, there is a tendency that they become cautious in their purchasing decision and closely inspect whether they are buying the original brand or its counterfeit for even those products that are not being counterfeited. However younger customers show a little impatient attitude and they are often found switching to brands whose counterfeits are not available in market.
- If the customers get a near the same quality of counterfeit as original brand at a lower price even then most of the customers are not willing to make a brand compromise, however there is a tendency found in younger customers to switch to the counterfeit though such customers form a very small customer base. On the other hand most of the older aged customers though convinced with the counterfeits, but they would not go for it because they feel themselves ethically bounded.
- The fact that counterfeiters are so successful in deceiving customers can be proved by the fact that most of the customers (86.667%) realize that they have purchased the counterfeit after consumption primarily because of the functional and quality difference, thus this is a positive signal for the counterfeiters because their packaging remains successful as it cannot be easily recognized by the counterfeiters.
- After buying a counterfeit the majority of the younger population develops a negative feeling towards the original brand, they feel anger and frustration because of a kiddish mentality that the original brand has betrayed them, on the other hand older customers have a more realistic approach and they develop a sympathetic and positive attitude towards the counterfeit.

## **2) CONCLUSION:**

Counterfeiting is a problem whose intensity is keeps increasing at an enormous magnitude. It brings quick money to the counterfeiters because of greater profit margins (using inferior quality ingredients and selling at the same price as original brands), saving investment on R&D and saving promotion and advertising budget, exemption from taxes etc. However the problem of counterfeiting is a growing concern for large organizations who not only faces reduced market share but also bear the most serious consequence of counterfeiting i.e. the counterfeiters not only capitalize on the brand equity of the original brand which has been built over a period of several years or even decades but counterfeiters also seriously damage the equity of original brands by providing inferior quality products to customers in the name of branded products. Moreover these inferior and poor quality products are also unsafe from customers' viewpoint. In spite of the tremendous loss to Government in the shape of lesser taxes and reduced innovation, the Government is not seriously paying attention to this ever-growing issue of counterfeiting and there is no strict and serious penalty for the counterfeiters and all Government's policies are just codified without any serious implementation.

### **3) RECOMMENDATIONS:**

- The Government of Pakistan should properly measure counterfeiting and a record of which should be measured. This official statistics of counterfeiting would serve as a base for the organizations to find out the real trend and scope of counterfeiting.
- The Government should fully support the companies whose brands are being counterfeited, and the Government policies should have implementation rather than written merely for the sake of being coded. For example when a company files a case about the counterfeiting of its brand, then the court should reach decision in the modest time.
- The Government should make the penalties for counterfeiters stricter. This is because the penalty for counterfeiting is merely a little fine and 3 years

imprisonment (even counterfeiters get themselves being exempted from this punishment through bribery). Therefore a stricter penalty would serve as a barrier to entry for potential customers.

- The organizations should conduct consumer awareness programs, in which the consumers are told what actually are counterfeiting, its adverse impacts especially on consumers' health and prosperity. This would make the customers develop a positive feeling towards the brand and convert customers having a careless attitude to conscious customers.

