

# CERTIFICATE

This is to confirm that

**Anas Hidayat**

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**Lawfulness Attitudes of Indonesian Consumers toward Purchasing  
of Counterfeit Branded Products**

Prof. Dr. H.J.P. Timmermans  
Conference chair

# BOOK OF ABSTRACTS



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Retailing & Services Science  
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July 09 - 12, 2012  
Vienna, Austria

<b>OVERVIEW SESSIONS</b>					
Room	Rechte Pirouette	Linke Pirouette	Kleine Reitschule	Grosse Reitschule	Haute Ecole
<b>Monday, July 9 6:00-7:00 pm Welcome (Reitschule)</b>					
<b>Tuesday, July 10</b>					
8:30 - 10:15	TU1.1 Methodology - I	TU1.2 Consumer behavior - I	TU1.3 Fashion retailing - I	TU1.4 Supply chains - I	TU1.5 HRM - I
Coffee/tea break					
10:45 - 12:30	TU2.1 Technology	TU2.2 Consumer behaviour - II	TU2.3 Fashion retailing - II	TU2.4 Supply chains - II	TU2.5 HRM - II
Lunch (Borromaus)					
1:30 - 3:30	TU3.1 E-Commerce - I	TU3.2 Consumer behaviour - III	TU3.3 Fashion retailing - III	TU3.4 Service quality - I	TU3.5 Methodology - II
Coffee/tea break					
4:00-6:00 pm	TU4.1 E-Commerce - II	TU4.2 Consumer behaviour - IV	TU4.3 Fashion retailing - IV	TU4.4 Retail history	
<b>Wednesday, July 11</b>					
8:30-10:15 am	WE1.1 E-commerce - III	WE1.2 Consumer behaviour - V	WE1.3 Retail strategy - I	WE1.4 Social media - I	WE1.5 Issues in pricing
Coffee/tea break					
10:45-12:30 am	WE2.1 Methodology - II	WE2.2 Consumer behaviour - VI	WE2.3 Retail strategy - II	WE2.4 Loyalty - I	WE2.5 Food - I
Lunch (Borromaus)					
1:30-3:30 pm	WE3.1 Tourism - I	WE3.2 Consumer behaviour - VII	WE3.3 Retail strategy - III	WE3.4 Loyalty - II	WE3.5 Food - II
Coffee/tea break					
4:00-6:00 pm	WE4.1 Tourism - II	WE4.2 Consumer behaviour - VIII	WE4.3 Retail strategy - IV	WE4.4 E-commerce - III	WE4.5 Advertising
Conference dinner					
<b>Thursday, July 12</b>					
Room	Kleine Reitschule		Grosse Reitschule	Haute Ecole	
8:15-10:00 am	TH1.1 Service quality - II		TH1.2 Social media - II	TH1.3 Branding - I	
Coffee/tea break					
10:20-12:00 am	TH2.1 Service quality - III		TH2.2 Social media - III	TH2.3 Branding - II	

## **Lawfulness Attitudes of Indonesian Consumers toward Purchasing of Counterfeit Branded Products**

**Sri Rejeki Ekasasi**  
Sekolah Tinggi Ilmu Manajemen YKPN  
[sekasasi@gmail.com](mailto:sekasasi@gmail.com)

**Anas Hidayat**  
Universitas Islam Indonesia  
[hidayatanas@gmail.com](mailto:hidayatanas@gmail.com)

### **Abstract**

*The selling of counterfeit products has long been recognised as a problem particularly in Asian countries. Asia is home to a number of big emerging markets (BEM's) such as China, India, Indonesia, and South Korea (World Bank 1995), whose population and purchasing power are rapidly expanding and promise an ever richer consumer base for Intellectual Property products. However, these emerging markets are also home to some of the world's most virulent counterfeit good producers (Callan 1998).*

*The current study investigates Indonesian consumers' general lawfulness attitudes and how this affects their willingness to buy known counterfeit products. Results indicate that no matter high or low product involvement, willingness to buy a high involvement counterfeit branded product was inversely related to general lawfulness attitudes, but positively related to attitudes towards counterfeit purchasing.*

### **INTRODUCTION**

The selling of counterfeit products has been a growing problem in the USA, and products originating in Asia are of particular concern. Asia is home to a number of big emerging markets (BEM) such as China, India, Indonesia, and South Korea (Slough, Miesing & Brain 2004), whose population and purchasing power are rapidly expanding and promise an ever richer consumer base for IP products. However, many of these countries have technology intensive sectors which are in competition with US firms. In addition, Asia's emerging markets are also home to some of the world's most virulent producers of counterfeit goods (Callan 1998), with, as previous noted, Asia being considered the worst violator of intellectual property rights in the world (Pandegrast, Chuen & Phau 2002).

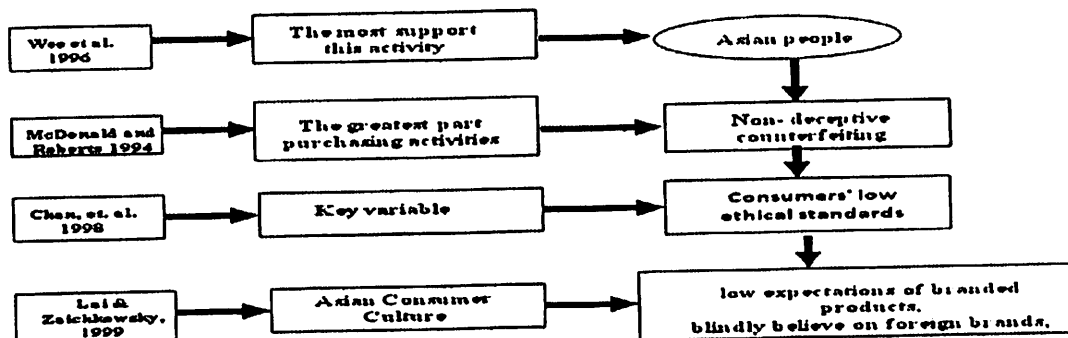
Even though the World Trade Organisation (WTO) has been working on reducing IPR infringement through worldwide business agreements, the mushrooming of counterfeit products still becomes a serious problem in international trade agreements. Jacobs, Samli and Jedlik (2001) argue that many Asian countries have been industrialised for but a short time; therefore these nations do not have the legal infrastructure to support IPR. Often, even, if laws are established, their enforcement is 'sluggish, irregular, or nonexistent' (Jacobs, Samli & Jedlik 2001, p. 503). Indeed, most business people from this area are entrepreneurial in nature and have no moral restraints against using another's

means as their own (Harvey & Ronkainen 1985). In fact, it may be culturally acceptable to take part in actions that would be considered counterfeiting in other cultures.

The statement above is also supported by McDonald and Roberts (1994) who point out that most of the IPR infringements taking place in Asian countries may stem from cultural differences in morality and perspectives between people in the East and the West. Cultures differ in terms of the entity to which they assign a right of ownership (Mittelstaedt & Mittelstaedt 1997) and Asian cultures have traditionally emphasised that individual developers or creators are obliged to share their developments with society (Lai & Zaichkowsky 1999). Consequently, new ideas and technology are considered as public means (Jacobs, Samli & Jedlik 2001). The phenomenon of counterfeiting, therefore, seems to be supported by culture.

IPR, on the other hand, reflects a characteristic value of the Western World in general. Indeed, some Asian nations seem to believe that IPR is a Western concept created to maintain a monopoly over the distribution and production of knowledge and knowledge based products (Altbach 1988; and Swinyard, Rinnie & Kau 1990). Additionally, Deng, Townsend, Robert & Quesnel (1996) also argue that protection of IPR will create artificially higher prices. Therefore, when pressure is placed by foreign countries on the government of Asian countries such as China to develop laws to counter trademark infringements, the availability of counterfeit products has not diminished. In fact, as the laws change, we may see the practice of infringement change (Birden 1996; and Wilkie & Zaichkowsky 1999). So, it is not surprising if Asian countries have been active in producing and marketing counterfeit products. For this reason, the mushrooming counterfeit products business has become an issue of concern to marketers in Asia (Chan, Wong & Leung 1998). The following diagram summarises the participation of Asian consumers in the counterfeit trade.

Figure 1  
Asian Consumers Participation in Counterfeit Trade



Sources: This figure, based on literature reviews of previous studies, has been pictorialised by the researcher.

In Indonesia, The President of Perhimpunan Masyarakat HaKI (Intellectual Property Rights Alliance), Cita Citrawinda Priapantja identified that weaknesses in the Act of Law enforcement, lack of understanding regarding IPR, and low buying power of the societies as the factors supporting the growing numbers of counterfeit products in

Indonesia. Some actions have been taken to overcome these causes both by the government as well as related parties or alliances. They undertook sweeping operations directly into the market places for counterfeit products. The results showed a significant decrease of illegal counterfeit selling. However, once the on-site enforcement ceased, counterfeit selling returned to the market place as before. The enforcement action did not solve the counterfeiting problem.

In fact, Indonesian government has taken seriously the combating of the illegal counterfeit trade. To do so, it established a Bureau of Intellectual Property Rights within the Ministry Department of Justice and Human Rights to make policies and carry out strategy, action, and activities according to regulations; and to educate about IPR and socialise it into both business and communities. In practice, the government realised that the Law of Copyrights, Undang Undang (UU) No. 8 /1992, had not been successful in curbing the activities of counterfeit sellers; and additionally, it had not met the demands of some society groups who opposed the concept of IPR (Tiara 205, 1998; Hukum Online 1999).

Based on those facts, the government attempted to revise the existing copyright laws and regulations by launching a new law called UU No. 19/2002 mandating stronger penalties for those who infringe. This new law was also in line with the government's intention to take part in the Berne Convention, and as a member of the World Trade Organisation. However, it could not be denied that the new law basically appeased the warning forces from developed countries such as USA and Japan who applied the strongest sanction for every infringement caught (Tempo Interactive 2003; and Pikiran Rakyat 2003).

## **ANTECEDENTS OF WILLINGNESS TO BUY COUNTERFEIT PRODUCTS**

### **Willingness to buy regarding to product involvement**

A review of the literature on product involvement as related to consumer behaviour has focused on different objects, with the results leading to different responses (Zaichowsky 1985). Involvement with a product has been hypothesised to lead to greater perception of attribute differences and product importance, and greater commitment to brand choice (Howard & Sheth 1969). When a consumer buys a product, his/her attitude towards the product may differ from his/her attitude towards another product, depending on the category of the product (Field 2000).

Product involvement also influences the extent of the decision-making process. The level of product involvement affects the process of a consumer's decision making (Miquel & Caplliure 2002). Higher levels of involvement should lead to better comprehension of the information presented concerning a product, and allow consumers to draw more detailed conclusions about the product information (Celsi & Olson 1988; and Hitchon & Thorson 1995). Therefore, the level of involvement will affect the degree of comprehension in decisions concerning high involvement, the consumer will more closely attend to the information provided (Baker, Hunt & Scribner 2002).

In addition, highly involved individuals are expected to use more choice criteria (Quester & Smart 1998), to search for information on a wider range of product attributes, and to process information in greater detail (Zaichoswky 1985; and Edgett & Cullen 1992). Conversely, consumers with low involvement would not conduct an extensive

search for information, make few comparisons among product attributes, perceive that brands within a given product class were homogeneous, and show little brand preference (Zaichkowsky 1985). Therefore, it seems logical that product involvement has favourable effects on evaluation of product attribute cues toward such willingness. In Field's findings (2000), when consumers were asked whether they buy genuine or counterfeit products, the consumers highly involved with the product category tended to buy the genuine one; but if the genuine product was not examined, consumers tended to buy counterfeit products from the highly involved product category.

#### **Willingness to Purchase Counterfeit Products and Lawfulness Attitudes**

Cordell, Wongtada & Kieschnik (1996, p.42) argue that "consumer participation in a counterfeit transaction supports illegal activity". Therefore, "the linkage between a consumer's respect for general lawfulness and the willingness to buy counterfeits could explain the consumer participation in the activity". Participation in this form of activity was the subject of Kohlberg's (1976) moral competence theory. This theory suggests that personal behaviours are dictated on the basis of a subjective sense of justice (Phau et al 2009). Therefore, it can clarify the effects of relationship between attitude and behaviour in the area of counterfeit product' transactions (Cordell, Wongtada & Kieschnik 1996).

Unethical decision making behaviour such as willingness to buy counterfeits is explained mostly by the attitudes a consumer possesses, regardless of product class (Wee et al., 1995; Chang, 1998; Ang et al., 2001; and Phau et al 2009). This unethical behaviour also reflects a double standard, whereby consumers tend to expect businesses to have higher standards than they themselves are willing to follow (DePaulo 1986; Chan., Wong & Leung 1998). Thus, the moral double standard can explain consumers' attitudes and behaviours in counterfeit trade activity. For example, consumers purchasing counterfeits is not viewed as a criminal behaviour. However, by purchasing, consumers are supporting a criminal activity - the sale of counterfeits (Cordell, Wongtada & Kieschnik 1996).

For this reason, in concert with previous studies (Kohlberg 1976, Sykes & Matza 1957, DePaulo 1986, Cordell, Wongtada & Kieschnik 1996 and Chan, Wong & Leung 1998), the proposed study speculates that attitudes toward lawfulness significantly influence consumers' participation in counterfeit trade; thus lawfulness attitudes will predict willingness to purchase a counterfeit product. However, because buying the counterfeits is not illegal, and because vested interest has been shown to moderate attitude-behavior consistency (Sivacek & Crano 1982), this study will distinguish between general lawfulness attitudes and attitudes toward the act of purchasing a counterfeit. Therefore, the third hypothesis is as follows:

*H1: Consumers' willingness to buy a non-deceptive, counterfeit, branded product will be negatively related to their lawfulness attitudes.*

*H2: Consumers' willingness to buy a non-deceptive, counterfeit, branded product will be negatively related to their attitudes toward the legality of purchasing a counterfeit product.*

## RESEARCH METHODS

### Sample

The study was administrated using survey design that deal more directly with the nature of people's thoughts, opinions, and feelings. Post-graduate students have been selected as respondents in the study, because, in general, students are considered to be heavy users of counterfeit goods, even though they are not necessarily representative of prospective buyers of such goods (Leisen & Neil 2001; and Cordell, Wongtada & Kieschnik 1996). Therefore, the executive class students of Magistrate Management Programs (MM Programs) were selected as respondents in the current study because it is expected that the students are already emotionally mature, experienced and already receive income from their work positions. It is known that they are also familiar with famous branded products; and most importantly, they are independently responsible of any consequences when they decide to buy counterfeit products (Cordell, Wongtada & Kieschnik 1996; and Field 2000).

The respondents have been already selected by simple random sampling, because this cohort is homogenous, every element in the population having a known and equal chance of being selected (Sekaran 2000). As the population is limited, and in accordance with the guidelines proposed by Krejcie & Morgan (1970), the sample size to be used in this study is 600 students from three reputable universities in Indonesia. Their students generally come from across Indonesian regions and their post graduate program were run on different cities – Jakarta, Yogyakarta and Surabaya. For analytical purposes, secondary data will be extracted from various publicly accessible databases, such as the Internet (Ticehurst & Veal 2000).

However, there were 407 correctly presented questionnaires (67.8%) able to be further processed. All told, 193 questionnaires were excluded from further analysis because: the criterion of experienced under-graduates was not met (13%); incomplete responses to the questionnaire were made (13.7%); and questionnaires were not returned (5.5%).

### Measures

Due to the research design, the study, the survey and experimental design used in this study. The measurement scales were developed and adopted from the previous studies mentioned because their reliability and validity have been rigorously tested. The constructs and items adopted from the relevant studies are shown in the following table below, with the exception of the experimental design developed during Cordell, Wongtada & Kieschnik (1996)'s work. This design is discussed further in the following section. Respondents to the questionnaires were asked, using Likert scaling, to express the extent of their agreement with five constructs chosen for the study.

The three constructs to be measured are: general lawfulness attitudes, attitude toward purchasing counterfeits and willingness to buy. In order to obtain the respondents' responses, two constructs were designed so as to use the survey method, and one to use an experimental method. Participants' expressed their responses to attitude toward purchasing counterfeits by degrees of agreement-disagreement on 7 point Likert scales; whereas general lawfulness attitudes utilised five point Likert scaling as adopted from Rundquist & Sletto's (1936) law scales. The experimental method construct was measured in terms of the 7 point Likert scale degree for likely-unlikely responses.



## DATA OF ANALYSIS

Survey research method practices were implemented to investigate research variables. The study utilised the standard procedure of applying the classical linear regression model because the dependent variable is an ordinal random variable. As in the Cordell, Wongtada & Kieschnik (1996) study, the current study employed an ordinal logit model. The advantages Cordell et al give for ordinal probability models are that they: form the data generating process correctly; assume an error distribution for the true regression model that is consistent with past literature; and have more power to discriminate the significance of the study variable. After utilising SPSS 13 to compute the logistic regression, The following table shows the results which confirm the 'goodness' fit between the HPI and LPI models. Based on the entry method used, Omnibus Tests of Model Coefficients, three predictor models provided statistically significant improvement over the constant only model for HPI, and for LPI. Results of their logistic analyses were as follows.

For HPI, the model was significant at  $\chi^2 (3, N=407) = 132.752, p = .000$ . However, regardless of the goodness of fit (-2LL), the value of Nagelkerke pseudo  $R^2$  indicated that the model accounted for 37.1 %. This suggests that a slightly medium percentage of the variability in willingness to buy a counterfeit, branded product can be explained by the predictors that discriminate between those willing to buy and unwilling to buy. Even so, prediction success for the cases used in the development of the model was relatively high with its overall prediction success rate of 74.4%, and its correct prediction rates of 71 % for those unwilling to buy and of 77.8 % for those willing to buy. Meanwhile, the LPI' Hosmer and Lemeshow test also demonstrated non-significance at  $\chi^2 (df: 8, N:407) = 7.757; p = 0.458$ ) confirming the predicted probabilities to match the observed probabilities; hence predictors will be expected to accurately predict the actual probabilities of consumers' willingness to buy or not to buy.

Similarly, the LPI model also indicated the same significant result, with omnibus Tests of Model Coefficients at  $\chi^2 (3, N=407) = 75.236, p = 0.00$ . The value of Nagelkerke pseudo  $R^2$  indicated that the model accounted for only 23 % being less than its counterpart HPI. This suggests that only a small percentage of the variability in willingness to buy a counterfeit, branded product for LPI can be explained by the predictors that discriminate between those willing to buy and unwilling to buy. But, prediction success for the cases used in the development of the model was still relatively high, explaining its overall prediction success rate of 69.3 % and its correct prediction rate of 78.9% for those unwilling to buy and 57.6% for those willing to buy. As for the HPI model, the LPI' Hosmer and Lemeshow test also confirmed a non-significance at  $\chi^2 (df:8, N:407) = 9.266; p = 0.320$ . Consequently, the involved predictors on LPI model will be expected to predict accurately the actual probabilities of consumers' willingness to buy or not to buy the products. As the Hosmer and Lemeshow test proposes, it seeks a non-significant p value to indicate an acceptable match between the predicted and the observed.

Therefore, based on statistical results, findings of the current study can be discussed. The study hypothesised that consumer attitude toward general lawfulness (Hypothesis 1) and counterfeit purchasing (Hypothesis 2) would negatively influence the probability of a consumer's willingness to buy a counterfeit product. For that reason, the study expected the coefficients for both these factor scores would be appreciably negative

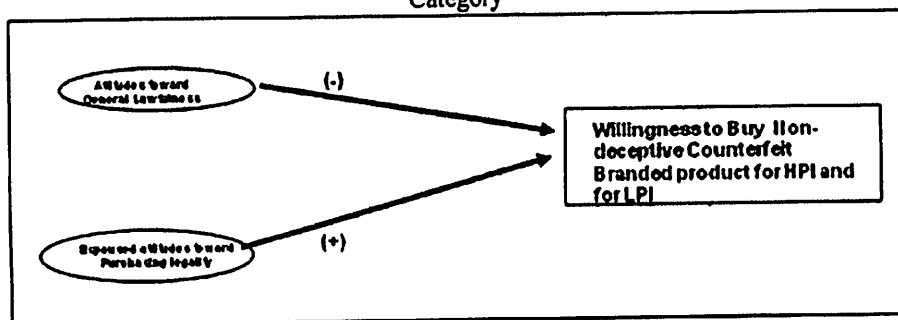
in each regression. For HPI shows the signs for these factor scores were negative at -0.427 ( $p = 0.01$ ) for attitude toward general lawfulness, but positive at 0.170 ( $p = 0.09$ ) for attitude toward counterfeit purchasing. Similarly, Table 25 for LPI reports a different sign for factor scores between both attitude toward general lawfulness and attitude toward counterfeit purchasing: -0.318;  $p = 0.03$  and 0.194;  $p = 0.03$  respectively. The analysed results of both for HPI and LPI were significant at the 0.05 level, with exception of attitude toward counterfeit purchasing for HPI, which was significant at the 0.10 level. Consequently, H3a for HPI and LPI were fully supported, but H3b for HPI and LPI were not supported. Thus, the functional relationship between the hypothesised choice determinants and consumers response differed for their lawfulness attitudes, but not by product categories, HPI and LPI.

A review of the related literature on counterfeit products has specified the influence of product involvement on willingness to buy counterfeit products. Findings based on the data from the 407 respondents who submitted complete responses confirmed that the results of the statistical analysis in this research were consistent with the hypothesised choice determinants and consumers' responses. Consumers' willingness to buy have been clarified as being different by product, depending upon whether the category is categorised HPI or LPI. The findings was significant at  $<0.10$  level.

In addition, a review of the related literature on counterfeit products showed the influence of general lawfulness attitudes and attitudes towards counterfeit purchasing on willingness to buy counterfeit products. However, the results of the statistical analysis were inconsistent with the hypothesised choice determinants and consumers' responses. These have been clarified as being different by product depending upon whether the category has HPI or LPI. Research findings confirmed that for a product in the HPI category, consumers' response to general lawfulness attitudes was supported; but consumers' response to attitudes of counterfeit purchasing was not supported, since the influence on willingness to buy was significantly positive for both HPI and LPI.

The whole research findings showed consumers' willingness to buy counterfeit products from HPI category can be explained with respect to general lawfulness attitudes and respect for anti-counterfeiting attitudes. However, findings were different when willingness to buy in the LPI category. Based on the summarizing of analysis above, the results of tested hypotheses can be depicted into the model of this study as seen in figure below:

**Figure 2**  
**Tested Hypnotized Model of**  
**Consumers' Willingness to buy a non-deceptive counterfeit branded product for HPI and for LPI**  
**Category**



## **CONCLUSION**

The current study has investigated Indonesian consumers' willingness to buy counterfeit products. The variables of interest were general lawfulness attitudes and attitudes toward counterfeit purchasing on consumer willingness to buy a counterfeit product due to the influence of product involvement. The current study utilises a sample of post-graduate students in the field of business and management.

Results of the present research indicated that no matter the product involvement category, willingness to buy a high involvement counterfeit branded product was inversely related to general lawfulness attitudes. In contrast, consumers' willingness to buy was positively related to attitudes towards counterfeit purchasing. These findings are inconsistent with results from previous studies since previous studies have sampled participants from different countries with culturally different consequences.

Therefore, overall findings of the present research gave more evidence to strengthen previous scientific findings of the phenomena relating to consumer behavior on counterfeit trade, especially Indonesian consumers. Of course, a simple argument is made for the implementation of more research which will contribute significant findings to consumer research knowledge.

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