

CHAPTER I

INTRODUCTION

1.1. Background of The Study

Nowadays, sneakers are one of the biggest business sectors in the world. There are so many well-known brands like Nike, Adidas, Puma, Reebok, New Balance, and etc. Those brands are very famous and most people in the world know them very well, but there are many counterfeit products that have been the biggest problem that is always copying that brand. Product piracy and counterfeiting of either industrial goods or luxury consumers is a significant and growing problem universally and is more serious in developing nations than in developed ones.

A shopkeeper in Italy placed an order with a Chinese sneaker factory in Putian for 3,000 pairs of white Nike Tiempo indoor soccer shoes (New York Times, 2010). A dangerous truth needs to take into account is that almost all customers are not conscious of their fallacious behaviors, which is harmful to a particular industry and can lead to social cost (Lysonski & Durvasula, 2008); they only recognize the social benefits of counterfeit products. To protect one of the most recognized brands in the world, Nike battles counterfeiters from Chinese courts to Brooklyn docks to the streets of Milwaukee, where Air Force One sneakers - "dookies" in local parlance - are a coin of the urban realm (Journal Sentinel, 2010). In the last fiscal year, U.S. Customs and Border Protection (CBP) seized more than \$260 million worth of counterfeit goods (New York Times, 2010). By the mid-1990s, a new brand of factory, specializing in fakes, began copying authentic Nike, Adidas, Puma and Reebok shoes. Counterfeiters played a low-budget game of industrial espionage,

bribing employees at the licensed factories to lift samples or copy blueprints (New York Times, 2010).

CBP agents reported 1,683 seizures of contraband footwear in 2013, 214 less seizures than in the year before. The value of these seizures dropped by nearly 47% in 2013, from \$103.4 million in 2012. This was one of the largest percentage declines among products reviewed (Frohlich, Hess, & Calio, 2014).

Particularly, in enlarging economies, counterfeits produced get enticed to the business when they conceive little risk in exchange for considerable profit. Time consuming process in judiciary, gaps in laws and its compulsion, and weak condemnation rates and punishment (if any) authorize counterfeits to arise and develop (Wee et al., 1995; Cordell et al., 1996; Chaundhury et al., 1996). Therefore, regions with upgraded levels of counterfeiting have been connected with both the level of economic growth and the level of bribery (Santos & Ribeiro, 2006).

The temptation to purchase what appears to be the latest fashion footwear or the most recent technologically-advanced sports shoe at a fraction of the normal retail price is very strong. When many consumers are offered fake products, the poor quality they are buying or the negative impact on the footwear industry to which they are contributing, is sometimes not realised. In 2008, the UK's Alliance Against Property Theft estimated that the global footwear and clothing industries lose £3.5 billion (\$5.8 billion) from the sale of fake goods (Linden, 2010). The footwear industry is one of the most targeted, with designer high heels, sports shoes and work boots being the most replicated types of shoe. The Times claims that fake shoes have replaced fake handbags, wallets and sunglasses as the most-copied designer goods. □□ Counterfeiting is becoming an increasing problem for footwear companies. Not only does such illegal activity cost the brand owner money, but the poor quality

and design of fake footwear can also cause lasting damage to a brand's reputation. If customers are unaware that the product they own is a fake, they may associate the inferior quality directly to the brand, affecting future purchasing from that company. □ Since the rise of the internet and advances in technology, it has become easier for unscrupulous companies to deceive consumers by selling low-quality goods as being authentic merchandise. Counterfeiters have created literally thousands of highly professional websites selling fake footwear, and customers who purchase fake footwear from such sites are unaware that they are actually breaking the law in some countries. These websites have become so common that one designer brand has placed a cautionary message on its official website, warning shoppers about the high number of fake shoes on sale.

The luxury products industry is a very profitable market. According to Phau et al. (2009), market analyst had estimated that global luxury goods industry would be set to grow at a compound annual growth rate of 12 percent from the current market value of US\$70 billion to \$100 billion by 2008 (Economic Development Board, 2004)

1.2. Problem Identification

In marketing studies, there is a little research about consumer behavior. Nowadays, fake sneakers with a label of famous brand can directly attract consumer to buy it. This study was conducted by Phuong and Toan (2013). The research focuses on influence in consumer behavior towards counterfeits of fashion product. A lot of fake sneakers that are absolutely difficult to identify whether original or fake. Another study was conducted by Field, Blaise, Erich, and Philip (2008). The result showed that consumer have difficulty in differentiating genuine or counterfeit merchandise. The result provided insight into the number of consumer who knowingly versus

unknowingly purchase counterfeit products. Consumer complicity is also influencing another consumer to buy fake sneakers. Like what Peggy and Stephen (2011) did on their study about consumer complicity. The results said the effects of ethical ideologies and collectivism on consumer complicity were observed to operate indirectly through hedonic shopping and ethical concern by using counterfeits. There are many influence factors that can influence consumer behavior towards counterfeit of sneaker product. Like what Ian, Marishka, and Stave (2009) did on their study about personality factors and attitude. The results said that attitudes do not influence consumers' willingness to purchase counterfeit luxury brands. Integrity is noted to be a strong influencer of both attitudes and consumer willingness to purchase consistently. Both buyers and non-buyers are tested for their attitudinal differences. Status consumption and materialism does not play a role in influencing attitudes or willingness to purchase. Evelyn, Mayasari, and Gunadi (2013), found out why college students buy counterfeit movies. The results said that the idealism does not have a positive effect on ethical concern, the relativism has a positive effect on ethical concern, ethical concern has a negative effect on purchase intention toward counterfeit movies, collectivism has a positive effect on purchase intention toward counterfeit movies, hedonic shopping motivation does not have a positive effect on purchase intention towards counterfeit movies, and perceived quality has a negative effect on purchase intention towards counterfeit movies.

The research conducted by the previous researcher has different location, object, subject, time and or analysis. Mostly the researches were conducted in the foreign countries which have different economics and cultural environment from Indonesia. The aim of this study is to investigate brand image, value consciousness,

social influence, and personal gratification influencing attitude further influence behavioral intention.

1.3. Problem Formulation

Based on the defined problem, this study will focus on modeling of determinants influence in consumer behavior towards counterfeits of sneakers product. Every consumer has their own decision to buy counterfeits sneakers (fake sneakers) or buy original sneakers. Because in this era there are so many people who want to look cool or want to be fashionable in cheap ways. Therefore, the problems of this research could be formulated as follows:

1. Does brand image have positive association with personal appearance?
2. Does personal appearance have positive association with attitude?
3. Does social influence have positive association with attitude to purchase counterfeits sneakers?
4. Does personal gratification have positive association with attitude?
5. Does attitude have positive association with behavioral intention to purchase fake sneakers?

After finding out the answers of those questions, factors that influence consumer behavior towards counterfeits sneakers product will be identified.

1.4. Research Objective

This study aims at investigating the modeling of determinants influence in consumer behavior towards counterfeits of sneaker products. The specific objectives of this research study are:

1. To find out the association between brand image with personal appearance.
2. To find out the association between personal appearance with attitude.
3. To find out the association between social with attitude.
4. To find out the association between personal gratification with attitude.
5. To find out the association between attitude with behavioral intention.

1.5. Research Contribution

The researcher would like to contribute the study for both teoretical use and practical use. Those benefits may be useful for the following parties:

1. The Researcher

The result of this study can be used for understanding the relationship between relationship marketing, and consumer behavior toward counterfeit sneakers, and to find out the consumer behavior about what is exactly that influencing consumer decision to buy fake sneakers in the market. Furthermore, this study can be used as additional information that can be further analyzed and compared to other findings or study conducted in different networking area.

2. The Marketing Manager

The findings may help the marketing practitioner to improve their performance against fake products.

3. Others

The result of this thesis may contribute to a literature work to expand the study of Consumer Behavior towards counterfeits of sneakers product. It also may be used as a reference to conduct a further research and the outcome of this study can be used as reference and knowledge in the educational institution.