



**FACTORS INFLUENCING CUSTOMERS' PURCHASE  
INTENTION OF COUNTERFEIT MOBILE PHONE:  
AN EMPIRICAL STUDY IN MALAYSIA**

**BY**

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**A dissertation submitted in fulfilment of the requirement for  
the degree of Master of Science (Marketing)**

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## **ABSTRACT**

Counterfeiting activities have become a major global issue destroying the real industry. This study aims to identify several factors that affect consumers' decision to purchase counterfeit mobile phones in Malaysia by using the Theory of Planned Behavior (TPB). Apart from that, it will also investigate the influence of low price, past-experience, religious and ethical factors, attitude, subjective-norm, and Perceived behavioural control on the purchase intention of counterfeit mobile phone. Data was collected from 283 people living in the Klang Valley, Malaysia. For the data analysis, descriptive, reliability, exploratory factor analysis, correlation and regression analysis were conducted by using SPSS. Empirical findings of the study reveal that low price, subjective-norm and perceived behavioural control have a direct significant influence on the purchase intention of counterfeit mobile phone. However, the religious and ethical factors show an insignificant impact on the purchase intention of counterfeit mobile phone. These findings could assist policymakers and academicians to discover some strategies to combat this big phenomenon on the activities of purchasing counterfeit mobile phones in Malaysia.

## ملخص البحث

لم تُعدّ أعمال تزوير المنتجات مشكلة عالمية كبيرة فحسب، وإنما أصبحت مشكلة تتعلق بالصحة العامة أيضًا، ويهدف هذا البحث إلى تحديد عدد من العوامل التي تُوجّه المستهلكين إلى شراء الهواتف المحمولة المزيفة في ماليزيا، وذلك باستخدام نظرية السلوك المخطط؛ إذ يختبر البحث تأثير السعر المنخفض، والخبرات السابقة، والعوامل الدينية والأخلاقية، وموقف المستهلك، والمعايير الشخصية، والسيطرة السلوكية المحسوسة؛ في نية المستهلك شراء الهاتف المحمول المزيف، وقد جُمعت البيانات من 283 شخصًا يعيشون في منطقة كلانج فالي في ماليزيا، واستخدم البحث: التحليل الوصفي، وتحليل الموثوقية، والتحليل العاملي الاستكشافي، وتحليل الارتباط والانحدار؛ متوسلاً البرنامج الحاسوبي المعروف باسم الحزمة الإحصائية للعلوم الاجتماعية SPSS؛ وبيّنت النتائج التجريبية أن: السعر المنخفض، والمعايير الشخصية، والسيطرة السلوكية المحسوسة؛ تؤثر تأثيراً مباشراً في نية شراء الهاتف المحمول المزيف، وأن للعوامل الدينية والأخلاقية تأثيراً خفيفاً في نية شرائه، وعليه؛ يمكن لهذه النتائج أن تساعد صانعي السياسات والأكاديميين من خلال تزويدهم ببعض الإستراتيجيات لكيفية مكافحة هذه الظاهرة التي تشيع في ماليزيا.

## APPROVAL PAGE

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## DECLARATION

I hereby declare that this dissertation is the result of my own investigation, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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*I dedicate this work to my beloved husband Dr Oury Bailo Diallo and children Ousmane Diallo Amadou Tidiane Diallo, Mariama Telly Diallo and my parents who have sacrifice so much for my education; Fatoumata Diaraye Bah and Mamadou Saliou Bah and, My beloved uncle Amadou Tidiane Bah and my Grand-Parents ELH. Sadou Bah and to all my teachers and lecturers those who have contributed to my education.*

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 BACKGROUND OF THE STUDY**

Economic cost of counterfeiting Global economy is enormous, estimated as around US\$ 1 trillion according to the Organization of Economic Cooperation and Development (OECD, 2016). The world customs organization stated that the counterfeit of goods account in between the range of 7 to 10 percent of global trade and the revenue from the sales are growing (Aroq Limited, 2008). As a result, the market value of counterfeiting is increasing. This is due to the huge demand from the developing markets of the cheap products as the prices of original products are getting more expensive.

The counterfeit products are produced and distributed in all global economies with a wide range of effects on different sectors of the economies as it affects domestic and international trade and foreign investments, employments, innovations, and creativity as well as the criminality and environment as reported by the Business action to stop counterfeiting (Baskap, 2009). The European Union estimated that 14 million smartphones are sold across the single market fewer of them were through a legitimate industry. Even it would have been the case of an absence of counterfeiting. That would represent 4.2 billion Euro or 8.3% revenue losses due to counterfeiting. The European union intellectual property estimated that about 184 million units were sold with a value of euro 45.3 billion or 12.9% of total sales were lost due to the counterfeiting of mobile phones (EUIPO, 2017).

Counterfeiting can be defined as: “Illegally made products that resemble the genuine goods but are typically of lower quality in terms of performance, reliability, or durability. “Counterfeit goods are considered illegal, low-priced, and often lower-quality replicas of products that typically possess high brand value” (Lai & Zaichkowsky, 1999, p.98). The counterfeit brands are commonly regarded as those bearing a trademark that is identical to, or indistinguishable from, a trademark registered to another party and infringes on the rights of the holder of the trade mark” (Bian & Veloutsou, 2005, p.40). The Mobile Manufacturer Forum (MMF) defines counterfeit mobile as “a product that explicitly infringes a trademark or the design of the original or authentic products. The counterfeit mobile phone copies the trademark (brand) of the original well-known brand; copy the form factor of the original products or the packaging of the original products.

Counterfeiting is categorized into two types; the deceptive and non-deceptive counterfeiting (Xuemei Bian & Luiz Moutinho, 2009). The deceptive counterfeiting represents a situation in which the intention of the counterfeiter is to fool the customer into believing that they have purchased a genuine product when in fact it is a fake. On the other hand, the non-deceptive counterfeits refer to a situation where the intention is not to deceive the customer, as he will be fully aware of the fact that product is not genuine (Irena Vida, 2007). Main assumption of this study is that the customers are aware of the products they are buying. The products are not genuine and are counterfeit therefore it is non-deceptive counterfeit. Over one-third of consumers of counterfeit products are intentional buyers who knew well that the products they are buying are not genuine and this high consumer demand is the driver that encourage the suppliers to manufacture and supply counterfeit products (Raja et al., 2013). Many customers are reported of having the intention of buying counterfeit products despite

of having a clear knowledge that the product is counterfeit. Marketers are struggling to protect their companies' intellectual property (IP) from falling into the hands of the counterfeiters by applying for copyright or trademark protection.

The intellectual property refers to creation of minds which is protected by the law in the form of patents, copyright, and trademarks. These allow owners or creators to have rights to make financial benefit from their invention. It has to strike the right balance between the owner or creator's interest with the interest of the wider public. The patent is the right granted to the invention and gives him the right to decide who should or should not use their invention in exchange of financial return. The Trademark protection is a sign that distinguish the goods and services of one enterprise to other enterprise. The Intellect property is very valuable for some companies and it can be even more valuable than the physical and tangible assets (Hopkins, 2003). For instance, the brand "Coca Cola" is more valuable than any ingredients in the production of the coke products.

Previous studies mainly focused on the supply-side of counterfeit mobile phones, very few studies have focused on the consumer complicity or demand-side, the role that consumers play in encouraging mobile phone counterfeiting (Fang *et al*, 2005). Current legislation addresses the supply side of the problem, but not the demand side of the problem (Pamela & Angela, 2011).

This current study will fill this gap by investigating the factors influencing consumers from buying the counterfeit mobile phones. In Malaysia, the counterfeiting activity of mobile phone is a cause of concern for the industry and the authority. Despite having strict laws, Malaysian consumers have not been spared by these phenomena of mobile counterfeiting activities; in fact, it is more rampant.



According to the New Straits Times Press on 02 April 2018, Counterfeiting has reached an alarming level, causing huge revenue losses to governments across Southeast Asia including Malaysia. The recent event of raids and seizure of counterfeit mobile phones are just at the tip of the iceberg. Under Malaysian law, producing and selling counterfeit goods is a major offence, thus the goods are to be destroyed according to court orders.

## **1.2 STATEMENT OF THE PROBLEM**

Throughout the global market, counterfeiting activities have become a serious problem (Abdul et al., 2016). According to the Organization for Economic Co-operation and Development (OECD), the international trade of counterfeiting of goods is valued at US\$ 650 billion and exceeded US\$ 1 trillion in 2015 (OECD, 2016). This value of counterfeiting is ever increasing due to the huge demand of the cheap products in the developing market as the prices of original products get more expensive. According to the International Chamber of Commerce (ICC) (as cited by Weisheng, & Ho, 2016), the losses to the luxury brands owners associated with counterfeiting is expected to be US\$ 12 billion. Counterfeiting has also been related to job losses, violence, and crime. The proliferation of pirated products around the world encourages corrupt practices as counterfeiters attend to bypass the law by corrupting enforcement officers and even politicians as counterfeiting activities are controlled by criminal originations. According to a European Union (EU) Annual Customs Report (2009), over 64 per cent of all the counterfeit goods can be traced to mainland China and that include 79 per cent of mobile phones products. The Director of the Mobile Manufacturers Forum (MMF) reported that the number of counterfeits sold globally in the year 2011 are over 125 million mobile units and was expected to grow to 148

million units sold globally by the year 2013 (Thomas, 2016). According to the same report, the revenue lost to mobile phone counterfeiting is US\$ 6 billion worldwide and it is only a tip of the iceberg.

The Federation of Indian Chamber of Commerce and Industry report just over 20 per cent of the Indian mobile phone are either counterfeit or substandard costing the industry over US\$ 1.5 billion in lost and 85 million of taxes to the government. Thus, it is important to study and understand the factors that contribute to the rise of the mobile counterfeiting; understanding why consumers purchase these phones and recommend ways to reduce this practice through legislations, education and enforcement.

In addition, International Anti-Counterfeiting Association shows that counterfeiting trade is accountable for US\$ 200 billion a year in lost jobs, non-paid taxes, and lost garage sales (Varghese *et al*, 2013). It is predicted that more than 52 million smartphones activated on African networks are fake and they could bring losses of more than US\$ 6 billion to the continent (Southern African Wireless Communication, 2015). Counterfeit products cause significant amount of damage to the free market economy (Mathumita *et al*, 2015). There approximately 4.2 billion Euro are lost due to the presence of counterfeit smartphones which are approximately 8.3 per cent of the sector sales and the global sales of counterfeit mobile phone is 184 million units valued at US\$ 45.3 billion or 12.9 per cent of total sales. Beside the financial losses associated to counterfeiting phones, there are non-economic impacts associated with the counterfeiting of mobile phones. These are serious matters as they create health and safety hazard to users, environmental damage, network quality, cyber security-related risk, jeopardizing consumer privacy, impairing the safety of digital transactions, and finally the substandard quality coupled with the lack of

warranty in these devices can cause a financial nightmare to customers. Therefore, it is primordial to address the issue of mobile counterfeiting as almost everyone (the state, the consumers, and the general public) stand to lose except the perpetrators, if this practice is left unchecked.

In Malaysia, European union intellectual property office has reported that more than 11.6% of all mobile phones sold are counterfeit (Euipo, 2017). Similarly, Malaysian counterfeit goods are valued at RM 378 million in the year 2010 (Havoscope Global Market Index, 2010) and the country is also into the list of copyright fake watch and listed in the top ten (top 10) copyright piracy nations.

Despite this strict law Malaysian consumers has not been spared by this phenomenon of mobile counterfeiting activities in fact it is rampant according to the authority. There have been numerous raids by the authorities around the country for instance the authority seized more than RM 2.5 million worth of counterfeit mobile phones and accessories in Selangor in 2017. In the same year, a total of 11,174 counterfeit mobile phone accessories were seized from Low Yat Plaza, in Kuala Lumpur while Oppo Malaysia have reported 644 cases of fake mobile phones in their service center recently. Moreover, there has been significant research done on counterfeit product worldwide (Fang *et al*, 2005). However, there are limited studies done on the factors influencing consumer's purchase intention of counterfeit mobile phone in Malaysia and how religious and ethical factors influence consumer's intention to buy counterfeit Mobile Phone (Farzana et al., 2016). So, there is a need to do more researches in this area in order to gain some insight on the factors that influences consumers to purchase counterfeit Mobile Phone and also to help the policy makers to tackle these issues in Malaysia. Table 1.1 bellow illustrates the magnitude of the problem of counterfeit mobile in Malaysia.

Table 1.1 Summary of raids by the KPDNKK in Malaysia

<b>Date</b>	<b>Raids over the years in Malaysia.</b>	<b>Source</b>
February 2014	The Ministry seized fake Samsung hand phones and accessories worth of RM 25,000. These items were imported from china and sold in the local market.	Astro Awani, 21 Feb, 2014
July 2015	The Ministry raided Pertama Complex and seized a counterfeit mobile phone of several brands such as including Samsung, iPhone, Lenovo, Oppo, and Nokia worth of RM 500,000.	NST Online 14 July, 2015
September 2015	The Ministry raided Plaza Low Yat and Petaling Street in Kuala Lumpur and seized some counterfeit phones and electronics worth of RM 1.13 million from 2010 to September 2015.	Malaysiakini 7 Nov, 2015
July 31, 2017	The Ministry seized 11, 174 counterfeit mobile phone accessories from Low Yat Plaza Kuala Lumpur. The joint raid with the police and Immigration Department was conducted against 120 premises, resulting in a haul worth of RM 150, 990.	malaymail 31 July 2017
October 16, 2017	The Ministry destroyed RM 2.5 million worth of counterfeit goods including mobile phone and phone accessories seized in Selangor over the last five years.	NST 16 October 2017

### **1.3 OBJECTIVE OF THE STUDY**

The research objectives of this study are sub-divided into general objective and specific objectives.

#### **1.3.1 General Objective**

The general objective of the study is to investigate the significant factors that motivate Malaysian consumers' intention to purchase counterfeit mobile phones.

### **1.3.2 Specific Objectives**

1. To investigate the impact of low-price factor on consumers' purchase intention to buy counterfeit mobile phone.
2. To investigate the impact of past-experience factor on consumers' purchase intention to buy counterfeit mobile phone.
3. To examine the impact of religious and ethical factors on consumers' purchase intention to buy counterfeit mobile phone.
4. To examine the impact of attitude on consumers' purchase intention to buy counterfeit mobile phone.
5. To examine the impact of subjective norm on consumers' purchase intention to buy counterfeit mobile phone.
6. To investigate the impact of perceived behavioural control on consumers' purchase intention to buy counterfeit mobile phone.

### **1.4 RESEARCH QUESTIONS**

What are the factors that induce customers to purchase counterfeit mobile phone in a non-deceptive counterfeiting in Malaysia?

1. What is the impact of low-price factor on consumers' purchase intention to buy counterfeit mobile phone?
2. What is the impact of past-experience factor on consumers purchase' intention to buy counterfeit mobile phone?
3. What is the impact of religious and ethical factors on consumers' purchase intention to buy counterfeit mobile phone?
4. What is the impact of attitude on consumers' purchase intention to buy counterfeit mobile phone?

5. What is the impact of subjective-norm on consumers' purchase intention to buy counterfeit mobile phone?
6. What is the impact of perceived behavioural control on consumers' purchase intention to buy counterfeit mobile phone?

### **1.5 SCOPE OF THE RESEARCH**

The geographical area covered in this study is the Klang Valley which is the area surrounding Kuala Lumpur, the capital city of Malaysia. This is a residential place with mix of various races like Malays, Chinese, Indians, and huge number of foreign students. This makes it as a perfect place to conduct this study as it can be a representation of the Malaysian society.

Respondents were mobile phone users who can either be Malaysian nationals or foreigners living in the Klang valley and they were asked about their perceptions about the impact of these factors influencing the purchase of counterfeit mobile phones. The study took 2 to 3 months from June-September 2018.

### **1.6 SIGNIFICANCE OF THE STUDY**

From the findings of this research, manufacturers of mobile phones can understand why consumers prefer purchasing counterfeit mobile phones. It also creates awareness about the economic problem, social problem, and safety risk associated with counterfeit mobile phones.

Results of the study will give some ideas to authorities, manufacturers, and consumers association to combat the counterfeits mobile phone industry and all the associated social and economic problems. Findings of this study will be used any academicians for future studies on the topic of mobile phone counterfeit. Moreover,

these findings will give strength and solid supports to the theory of planned behavior. The prediction based on the theory that the perceive behavioral control, the subjective-norm or the social influence, and the attitude toward the products of the consumer have significant influences on customers purchase intention of counterfeit Mobile phone. Therefore, it can be said that TBP is the right theory to be used in this study.

## **1.7. DEFINITION OF THE KEY TERMS**

Essential key terms of the study are presented in this section to gain better understanding on the topic of this study.

### **1.6.1 Mobile Phone**

A Mobile Phone is an electronic device that helps people to communicate easily (Alsaleh *et al.*, 2017).

### **1.6.2 Smart Phone**

A smart phone is an electronic device that enables people to communicate and perform other transactional activities as well (Heron & Shapira, 2004).

### **1.6.3 Counterfeiting**

Counterfeit refers to the illegal replicas of products that that were similar with genuine products, but typically lower in quality (Santi, 2012).

### **1.6.4 Price**

Price is the amount of money that is paid in order to acquire a product or services (Chow, 2000).

### **1.6.5 Religiosity**

Religiosity refers to a strong feeling or belief (Yushi *et al.*, 2019).

### **1.6.6 Attitude**

Attitude refers to the positive or negative reaction tendency of people towards a specific object (Ajzen & Fishbein, 1975).

### **1.6.7 Subjective Norm**

Subjective Norm refers to the perceived social pressure to perform or not to perform a particular behavior (Muia *et al.*, 2018).

### **1.6.8 Perceived behavioural control**

Perceived behavioural control refers to people's perception of the ease or difficulty of performing a particular behavior (Chang, 1998).

### **1.6.9 Intention**

Intention refers to a course of action that a consumer plans to carry out (Riquelme *et al.*, 2012).

## **1.7 ORGANIZATION OF CHAPTERS**

This manuscript consists of five interconnected chapters to provide a clear understanding of the findings of the study in a systematic manner. In the first chapter the researcher provides an overview and background of the study that will lead to the problem statement, followed by the general and specific objectives of the study,