

# Usage & Attitude Study of Counterfeit Products among Consumers and Retailers



Italian Trade Commission  
Trade Promotion Section  
of the Italian Embassy

nielsen

• • • • • • • • •

# Agenda

Research  
Objectives

Research  
Design

Executive  
Summary

Detailed  
Findings

Conclusion &  
Recommend-  
ations

# Agenda

Research  
Objectives

Research  
Design

Executive  
Summary

Detailed  
Findings

Conclusion &  
Recommend-  
ations

# Research Objectives

The purpose of this study is to measure the proportion of retailers who sell counterfeit products and to identify consumers' purchase behavior and their perceptions of fake products.

Specifically, the study aims to :

1. Develop an understanding of the proportion of counterfeit products (by sector) for sale in the Vietnam market
2. Identify which goods-type has the highest incidence of counterfeits
3. Determine where counterfeit products come from
4. Understand perceptions of counterfeit buyers toward counterfeit products



Research  
Objectives

Research  
Design

Executive  
Summary

Detailed  
Findings

Conclusion &  
Recommend-  
ations

# Research Design

## Consumers

Survey Area: HCMC and Ha Noi

Data collection methodology: Random Sampling

Respondent criteria: ever bought copycat or fake in the past 12 months

## Retailers

Survey Area: HCMC and Ha Noi

Data collection methodology: Mystery Shopping; Purposive Sampling

Respondent criteria: Can differentiate genuine product with copy and fake products

SAMPLE SIZE	HCM	Hanoi	Total
<b>1. Consumer survey</b>	<b>100</b>	<b>100</b>	<b>200</b>
<b>2. Retailer survey</b>	<b>60</b>	<b>60</b>	<b>120</b>
<i>Garment, footwear and fashion accessories (glasses, watches, etc.)</i>	10	10	20
<i>Wine and other alcoholic drinks</i>	10	10	20
<i>White goods (e.g. household appliances, microwaves, refrigerators etc)</i>	10	10	20
<i>Electro-mechanical products (pumps, gear boxes, etc.)</i>	10	10	20
<i>Cosmetics</i>	10	10	20
<i>Pharmaceuticals</i>	10	10	20
<b>3. Mystery</b>	<b>175</b>	<b>175</b>	<b>350</b>
<b>Total</b>	<b>335</b>	<b>335</b>	<b>670</b>

Research  
Objectives



Research  
Design

Executive  
Summary

Detailed  
Findings

Conclusion &  
Recommend-  
ations

# Executive Summary (Retailers)

- Where are the counterfeits from?  Counterfeits mostly come from Vietnam (esp in HCMC) and China (esp retailers in Hanoi).
  
- Proportion of counterfeits overall and by sector in the Vietnamese market  Garments is the largest sector for HCMC; while for Hanoi its counterfeit electronics/mechanics and pharma that are big business.  
Retailers will continue to sell counterfeits as long as they help generate sales in their shops. HCMC retailers focus mainly on high profit; while in Hanoi, they are more focused on volume demand.

# Executive Summary (Consumers)

- Profile of the counterfeit buyer



Consumers are aware of counterfeit products from several categories. Counterfeit purchasers are more likely to be female and from Class CD. But for products such as wine, the purchasers are skewed toward male Class A

- Consumer purchase behavior



Price is the key factor for buying counterfeit products. People will stop buying if it brings harm to them. Consumers buy counterfeit garments because of their acceptable quality; while for wine because there is no differentiation from genuine; and cosmetics because they are cheaper. Unlike retailers, consumers tended to claim they will not buy counterfeit products to the same degree in future

- What do consumer think about counterfeit products?



Importance of buying genuine products varies across categories. Consumers who find using genuine products important, buy less counterfeit product.

Research  
Objectives

Research  
Design

Executive  
Summary

Detailed  
Findings

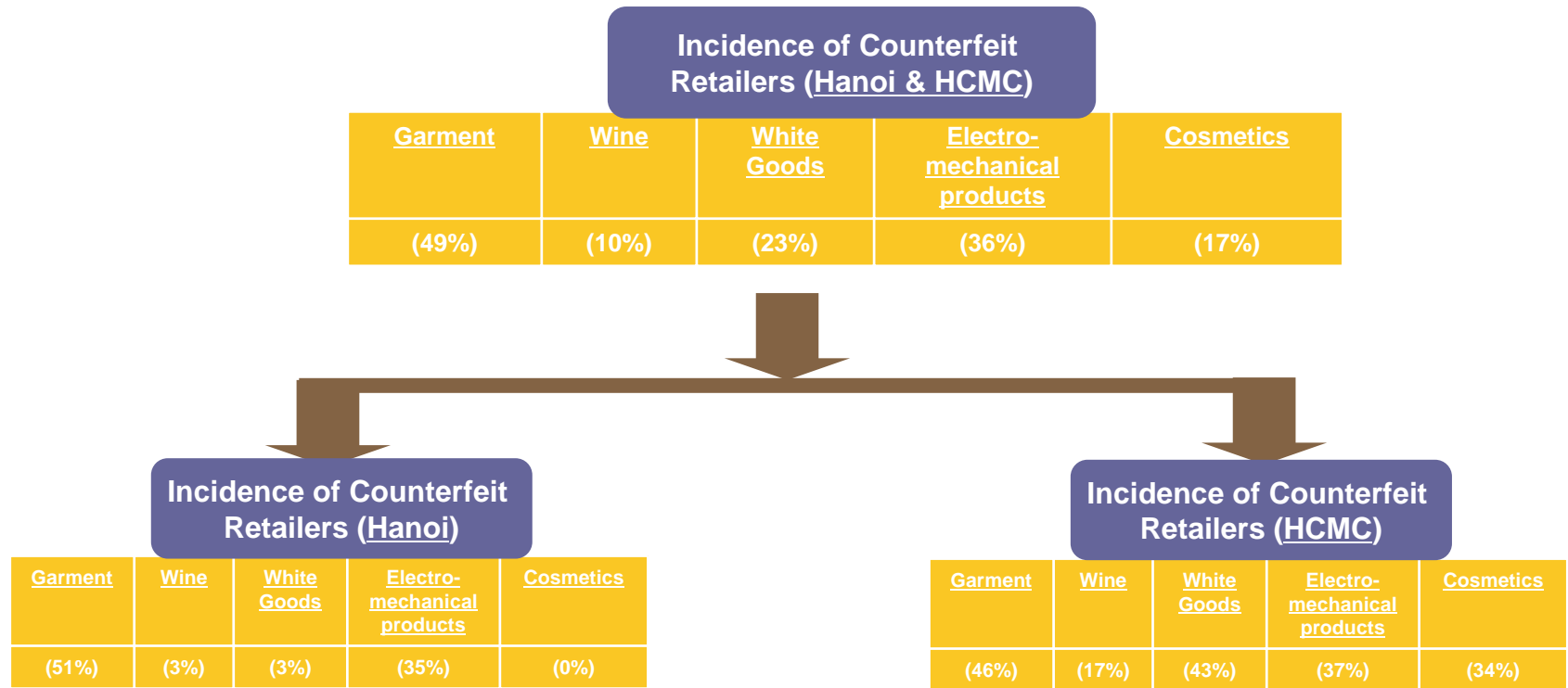
Conclusion &  
Recommend-  
ations

# Detailed Findings – Retailers



# \*Purchase Incidence - Retailer

Almost half of retailers sell counterfeit garments. In Hanoi, selling of counterfeit electro-mechanical products is also strong.



Base: Retail shops

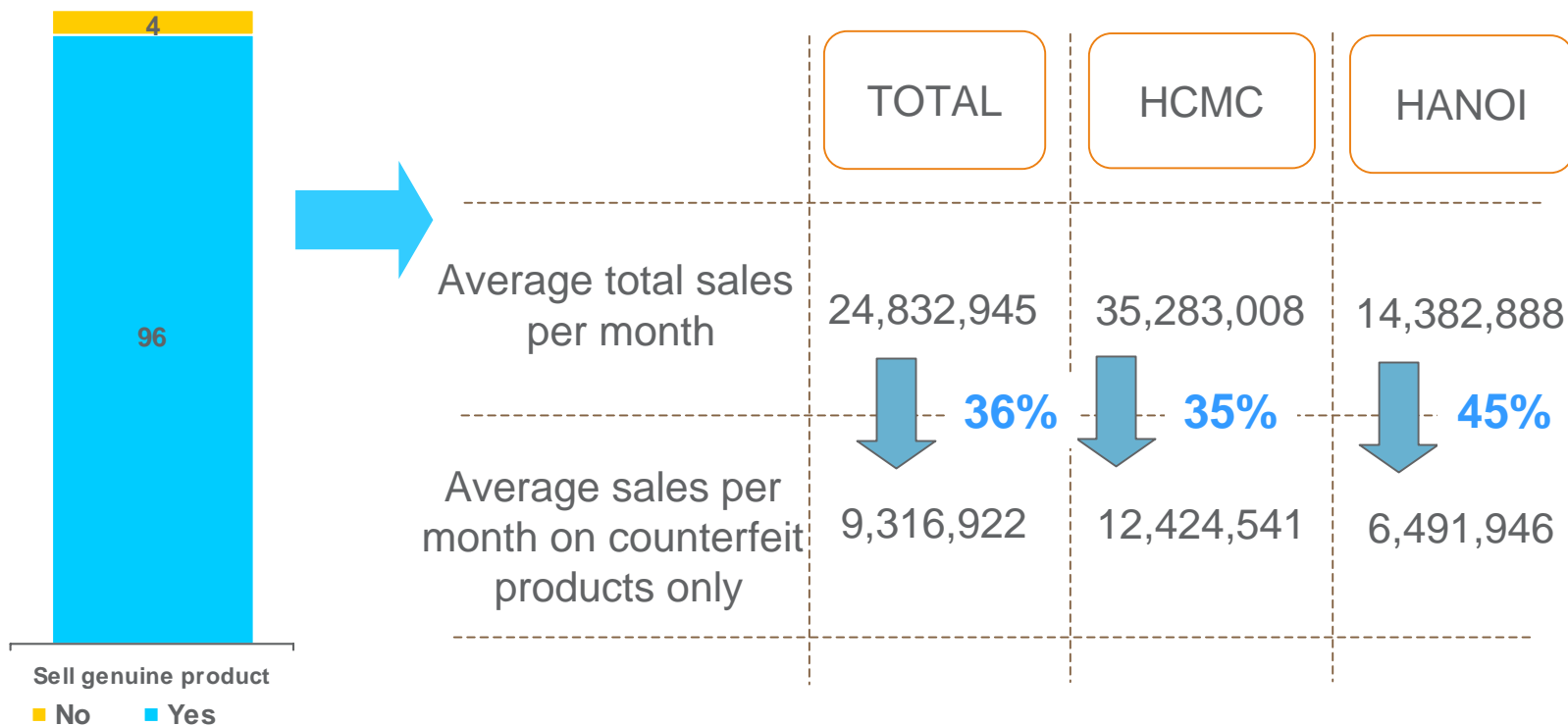
\*Limitation: List of retailer shop is taken from yellow pages. Thus, this only reflects from retail shops in yellow pages but not the actual market.

Source: Incidence from Mystery Shop Retailer Survey

# Average Sales of Store & Counterfeit Products

average sales for *HCMC retailers* is *higher* compared to Hanoi.

And the *proportion of sales* gained from *counterfeit products* is *higher* among *Hanoi retailers*... possibly an initial indication of higher interest for counterfeit product in Hanoi or the value of the major categories sold



Q13. Do you sell genuine product?

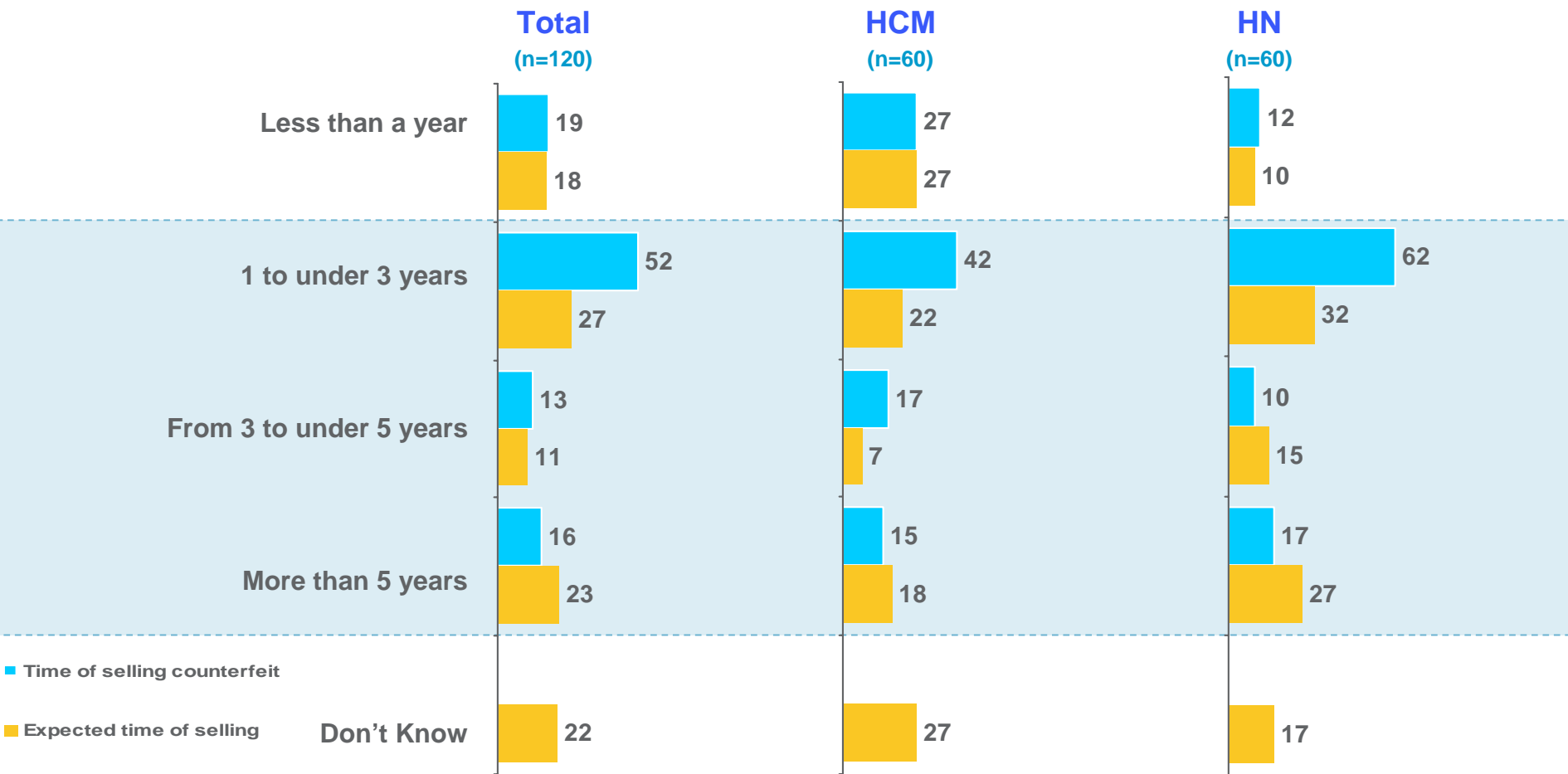
Q5a. Will you tell me the average sales per month of your store?

Q5b. Will you tell me the average sales per month of your counterfeit product?

Base: All Retailers

# Past vs future intent

The greater proportion of retailers have been selling fakes for 1 -3 years. 23% see counterfeit items as part of their business long term

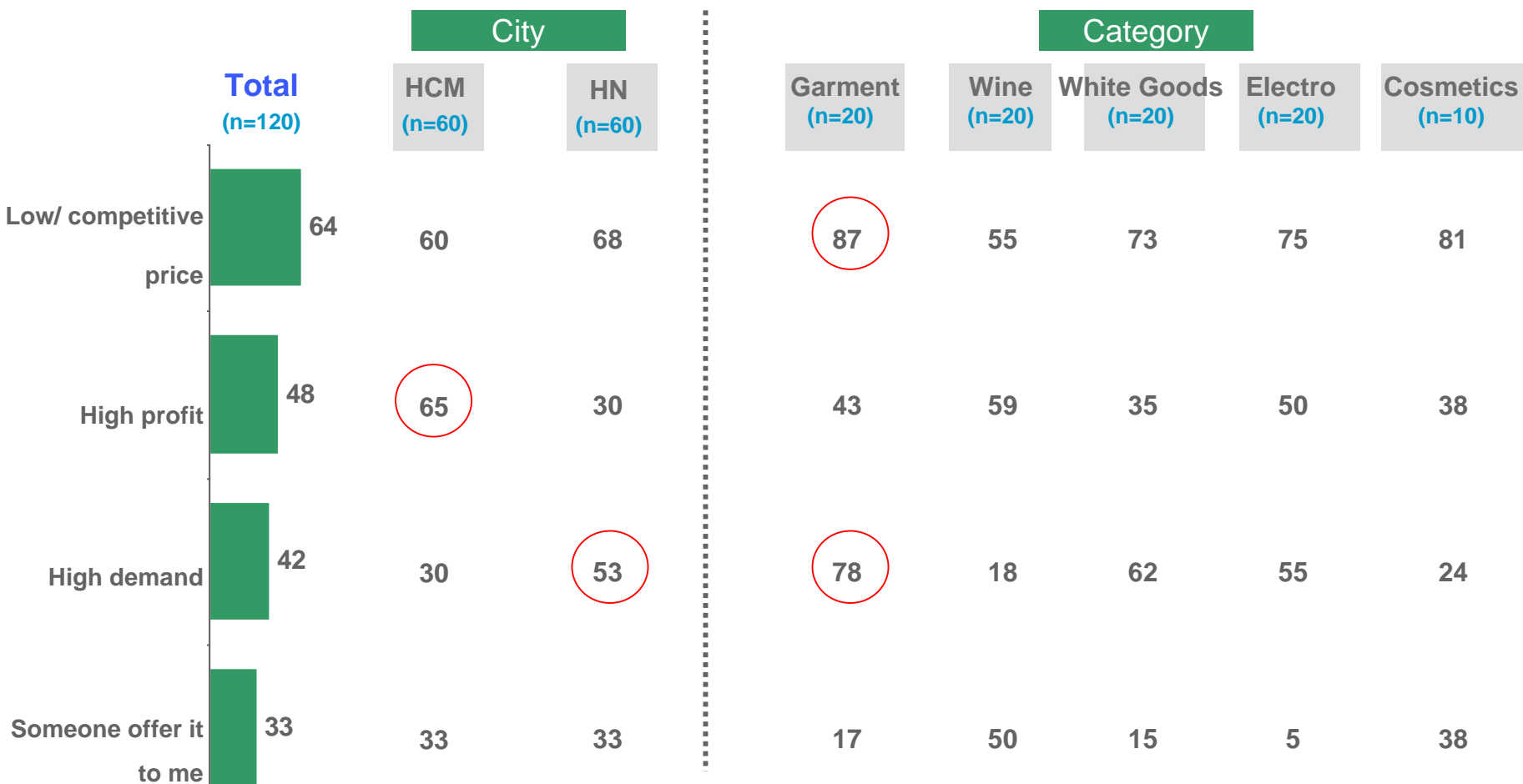


Base: All Retailers

Q8. For how long have you been selling counterfeit products?  
Q10. How long do you expect to sell counterfeit products?

# Reason for Selling Counterfeit

*Low price* is the main factor for retailers selling counterfeit product. *HCM* retailers focus seems more on getting the *right profit*; while *HN* retailers are keen *high demand* or volume.

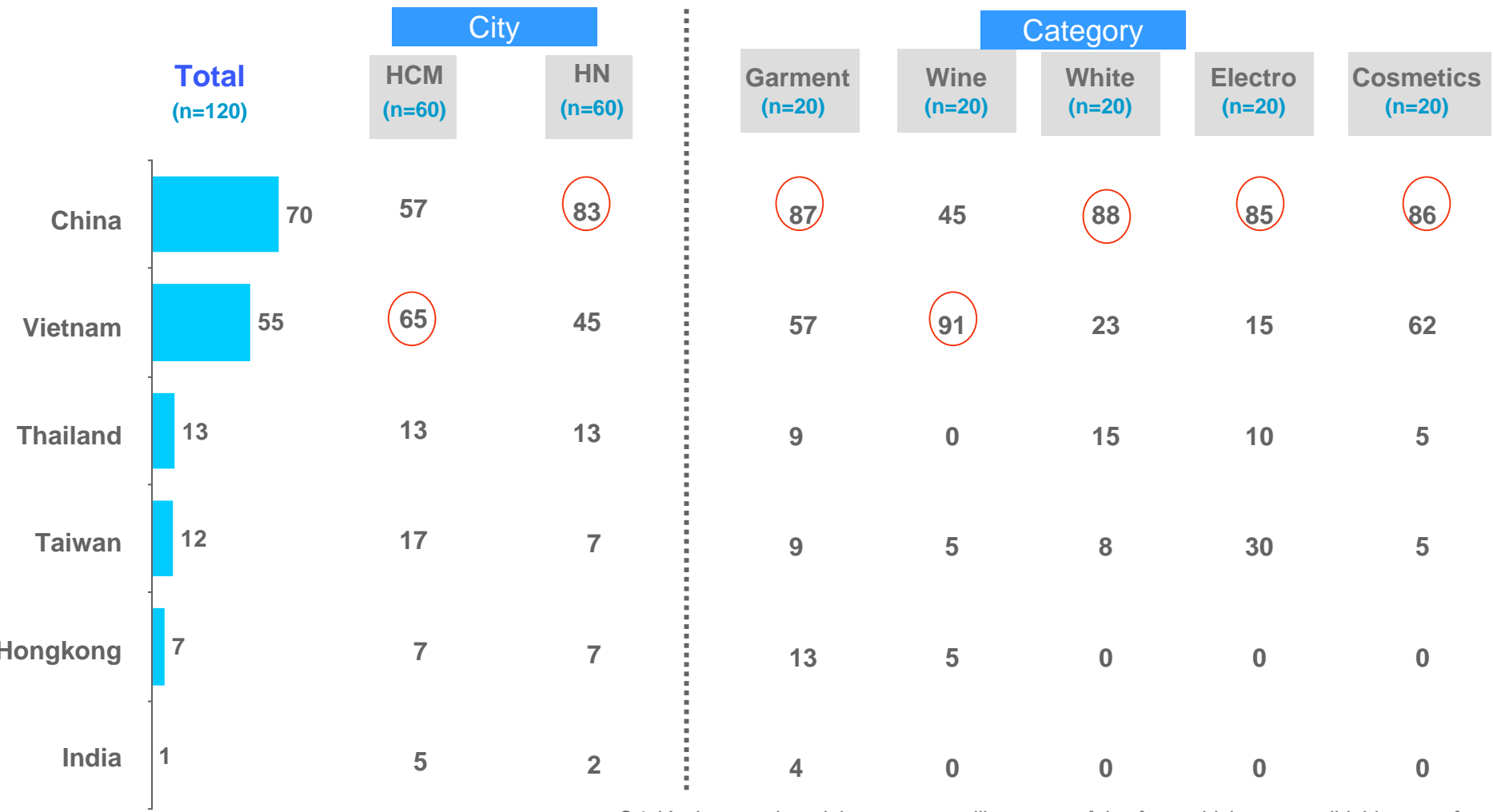


Base: All Retailers

Q9. Which of the following reasons made you decide to sell counterfeit products?

# Source of Counterfeit

Most counterfeit products come from *China*, especially in *Hanoi*, close to the Vietnam - China border. Counterfeits in HCM mostly come from within Vietnam.

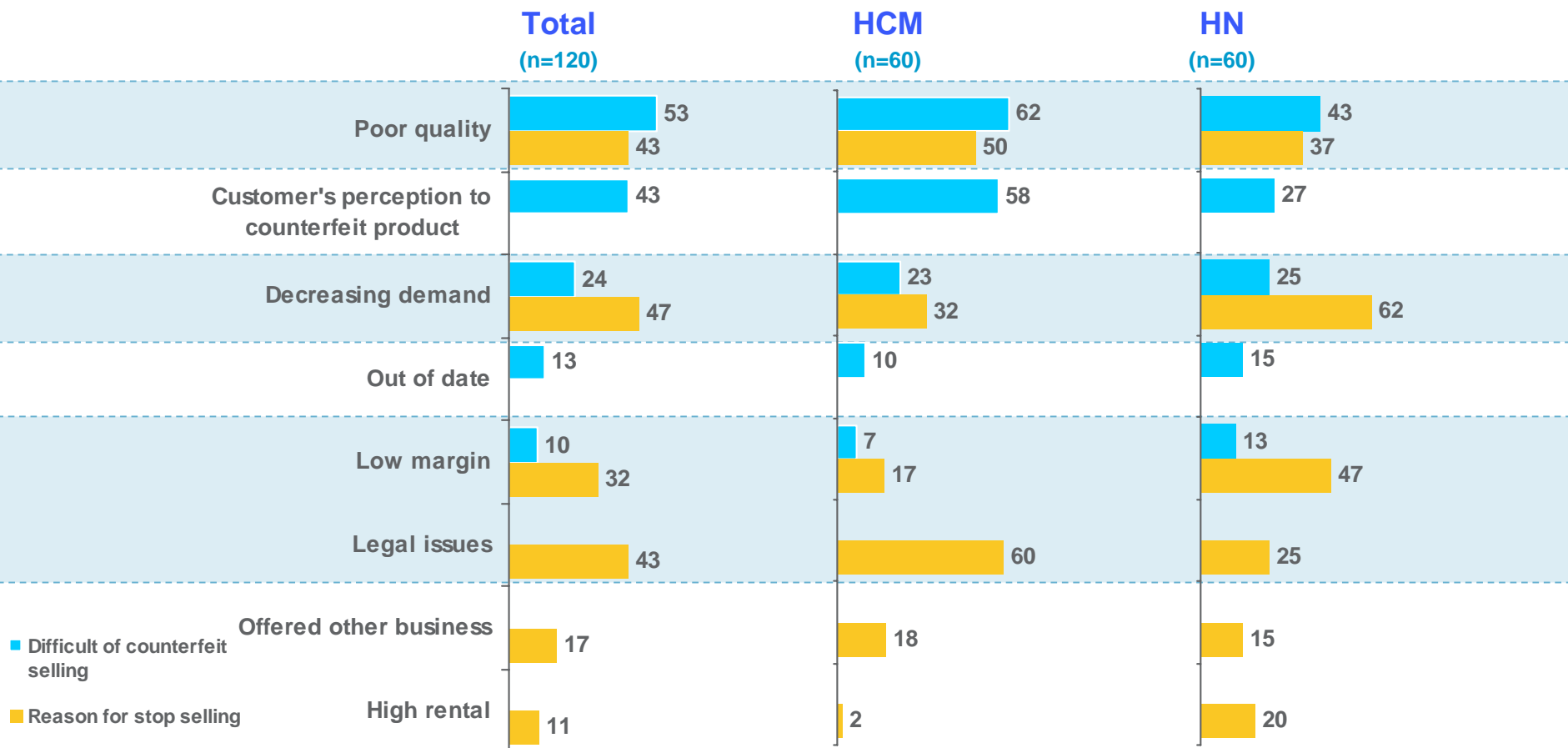


Base: All Retailers

Q4. You've mentioned that you are selling counterfeits, from which country did this come from?

# Difficulties in selling fakes; what would be a reason to stop

Disadvantage of fakes are poor quality and customer perceptions which can make life difficult for retailers. In both cities (though more pronounced in Hanoi), they would stop selling only if demand dropped, or there was a legal requirement to stop.



Base: All Retailers

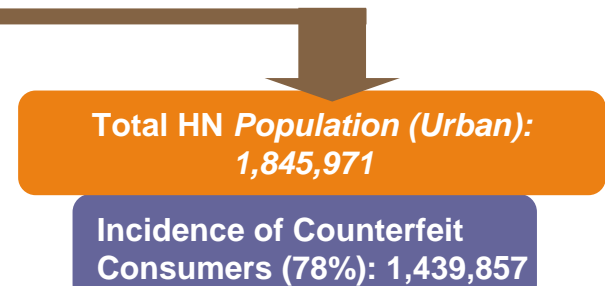
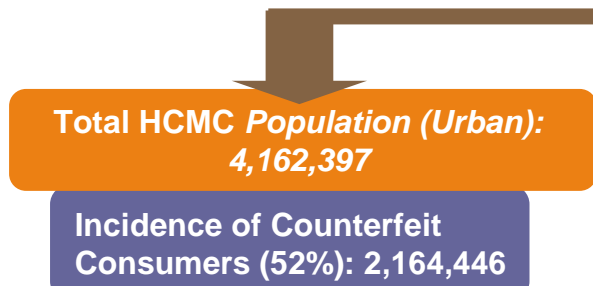
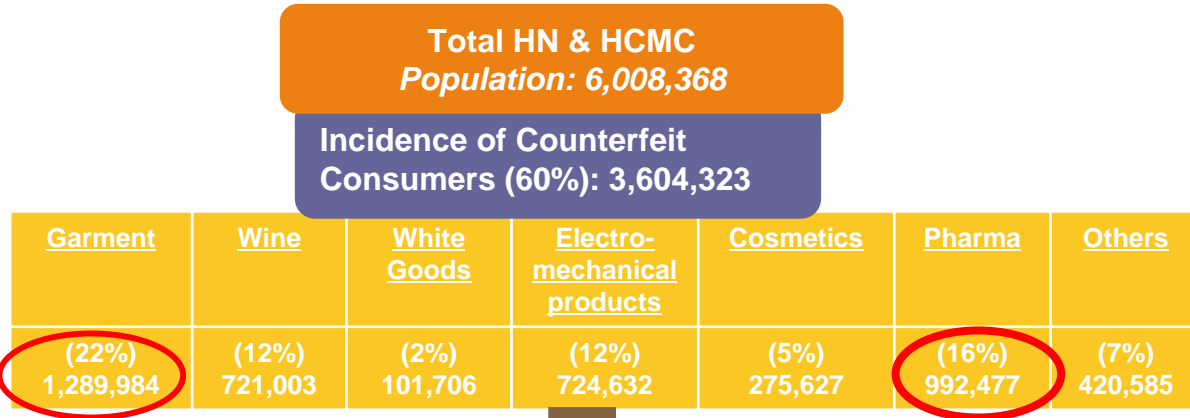
Q11. Which of the following difficulties you always meet in selling counterfeit product?  
 Q12. Which of the following factors do you think would make you stop selling counterfeit products?

# Detailed Findings – Consumers



# Purchase Incidence - Consumer

High contribution from *garment* and *pharma*. *Fake garment purchase is higher in HCMC*. *Pharma is strong in HN*. *Electronics counterfeit products have a high purchase incidence in HN*.



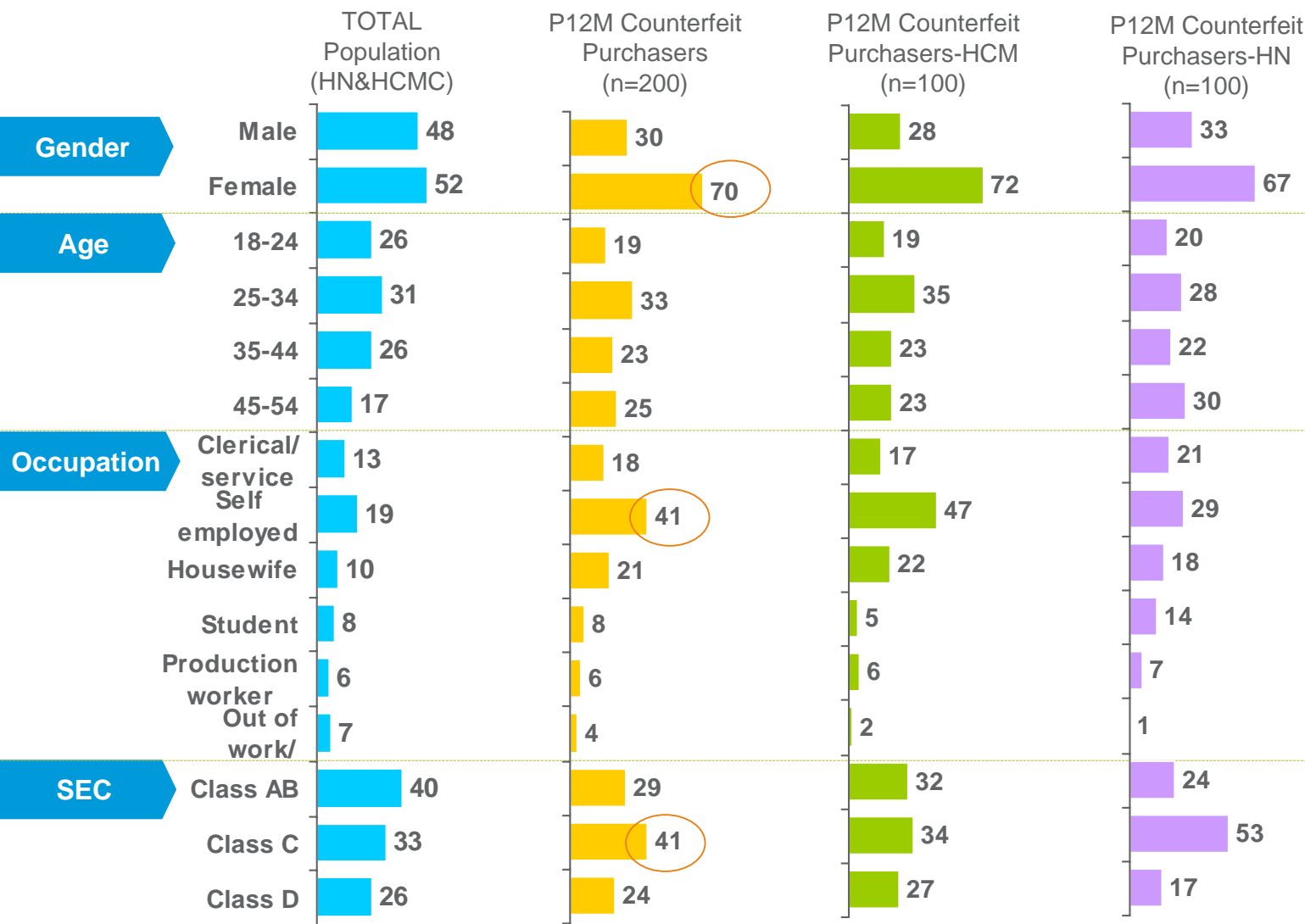
Garment	Wine	White Goods	Electro-mechanical products	Cosmetics	Pharma	Others	Garment	Wine	White Goods	Electro-mechanical products	Cosmetics	Pharma	Others
(27%) 1,123,847	(12%) 499,487	(2%) 83,247	(1%) 41,623	(13%) 54,111	(3%) 124,871	(2%) 83,247	(9%) 166,137	(12%) 221,516	(1%) 18,459	(37%) 683,009	(12%) 221,516	(47%) 867,606	(19%) 350,734

Source: Vietnam Government, year 2007, population from 18-54 years old

Source: Incidence from Consumer Survey

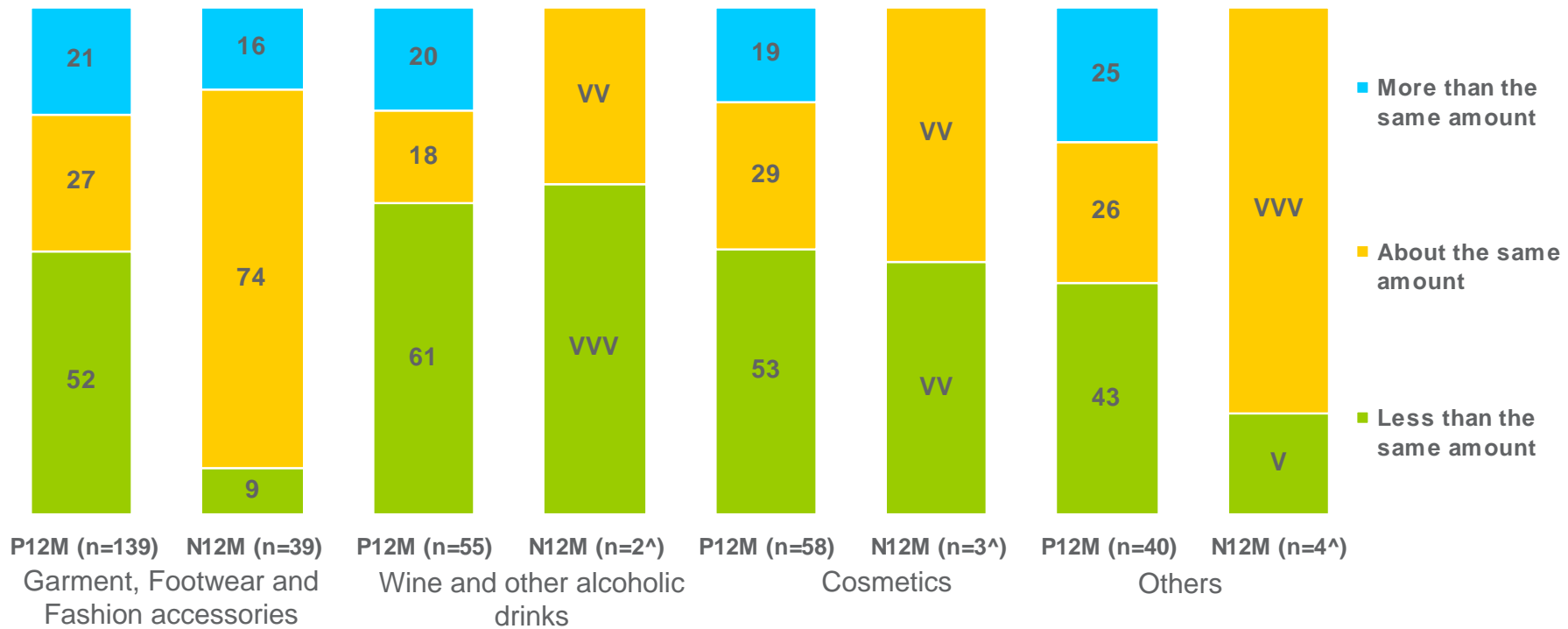
# Profile of P12M Counterfeit Purchasers

## Counterfeit purchaser in HCM and HN...



# Amount of product bought in the Past 12M vs. amount of product planning will buy in the N12M

However, different from what retailers perceive, consumers are thinking of *buying less of counterfeit products*.



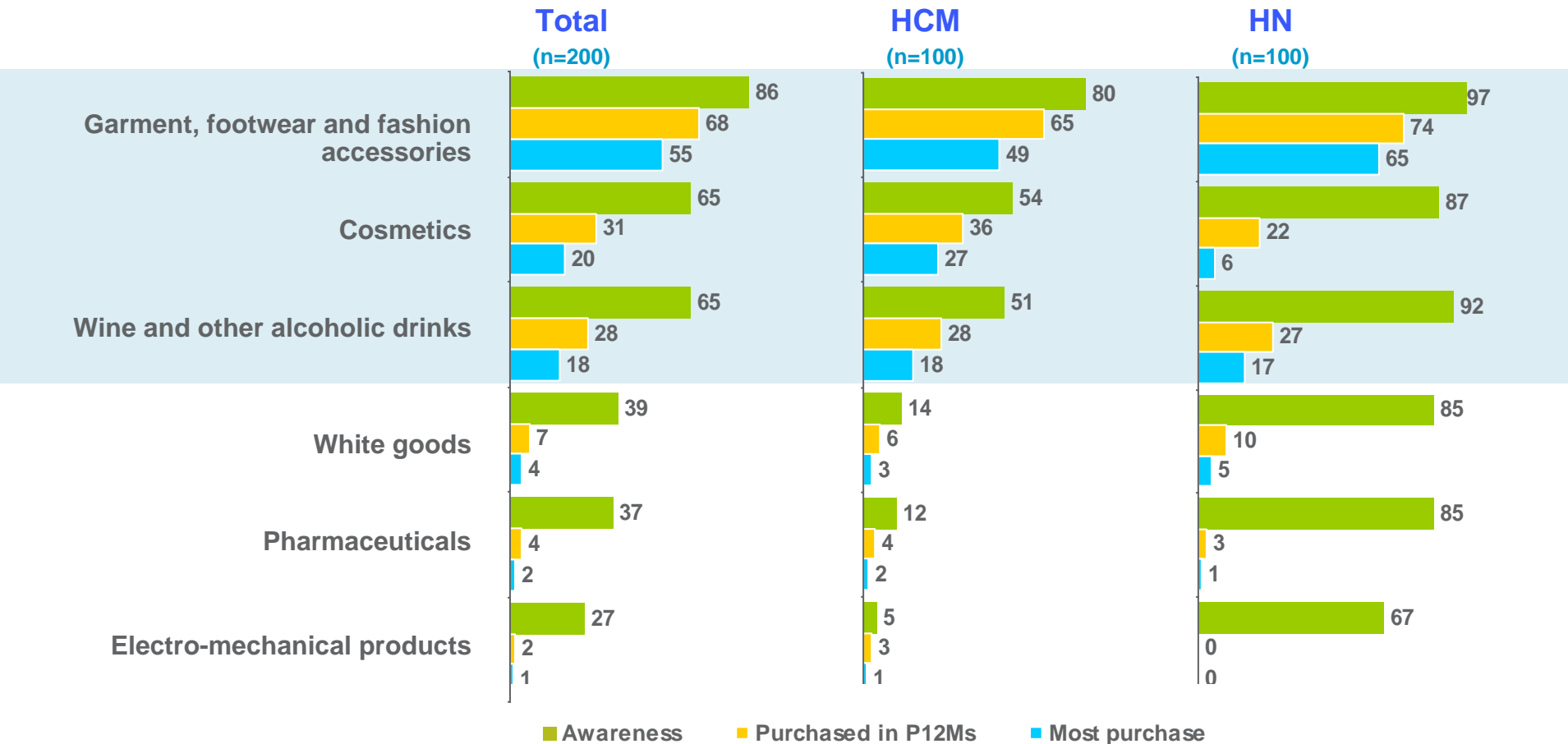
^ Small Base → only use as indication

Base: All Consumers

Q12. Thinking about (category) would you say the amount you <<bought>> these days compare to 1 year ago is

# Categories Awareness and Purchased

Aligned with the high purchase of fakes in Hanoi, the awareness level for counterfeit products is high across all categories in Hanoi.

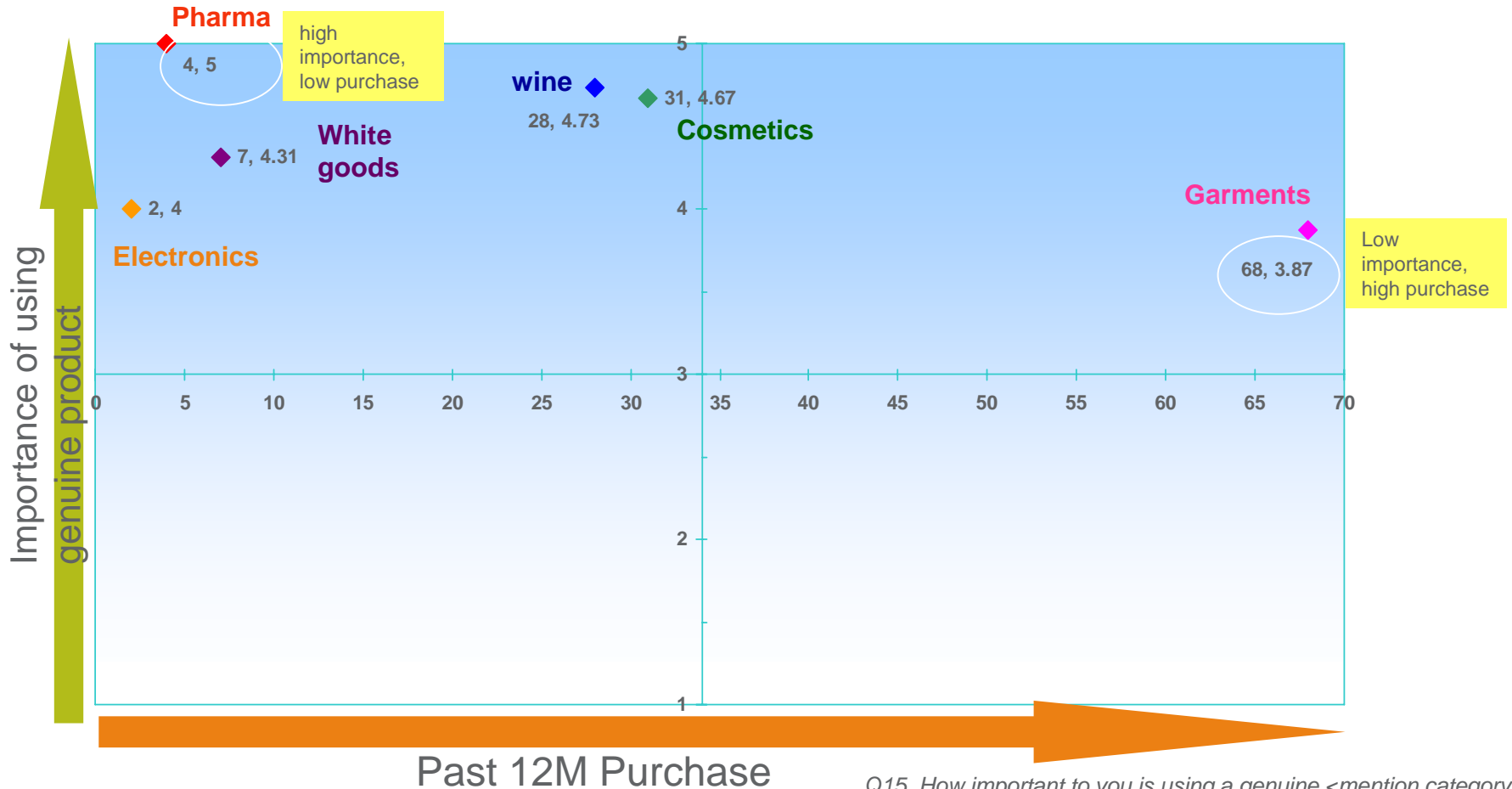


Q6a. Please tell me which of the following counterfeit products have you bought in the P12Ms?  
 Q6b. Which counterfeit product is your main purchase in the past 12 months?

Base: All Respondents

# Relationship of P12M Purchase vs. Importance

Consumer regard garments as being of lesser risk and therefore, buying genuine product is not as important as it is for electronic goods or pharma products.

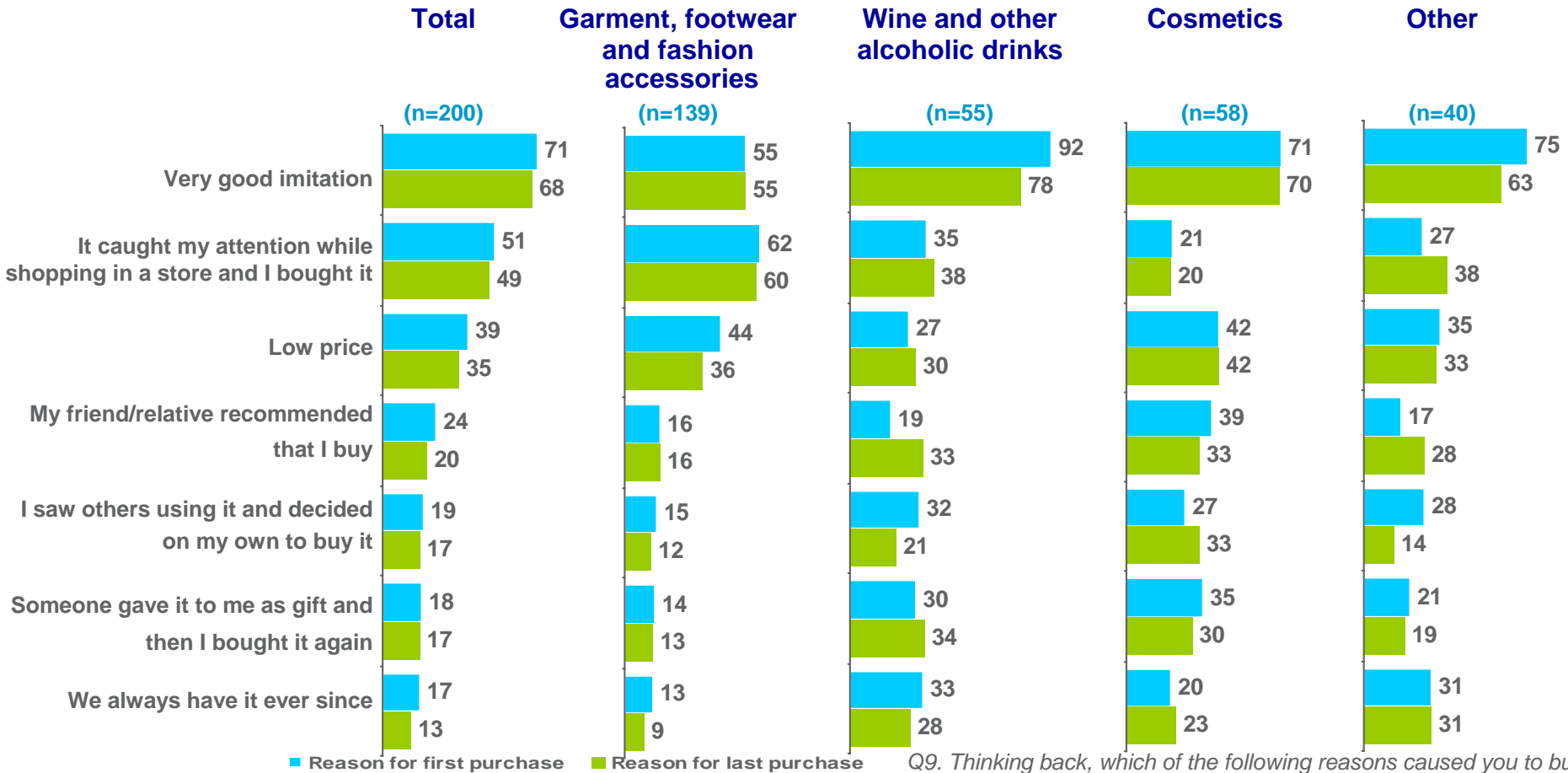


Q15. How important to you is using a genuine <mention category>?

Q6b. Which counterfeit product is your main purchase in the past 12 months?

# Reason for First and Last Purchase Counterfeit

Buying fake products is a personal decision, *no one influences* them to buy counterfeit product. If it stands out and looks good and the price is right, they will buy.



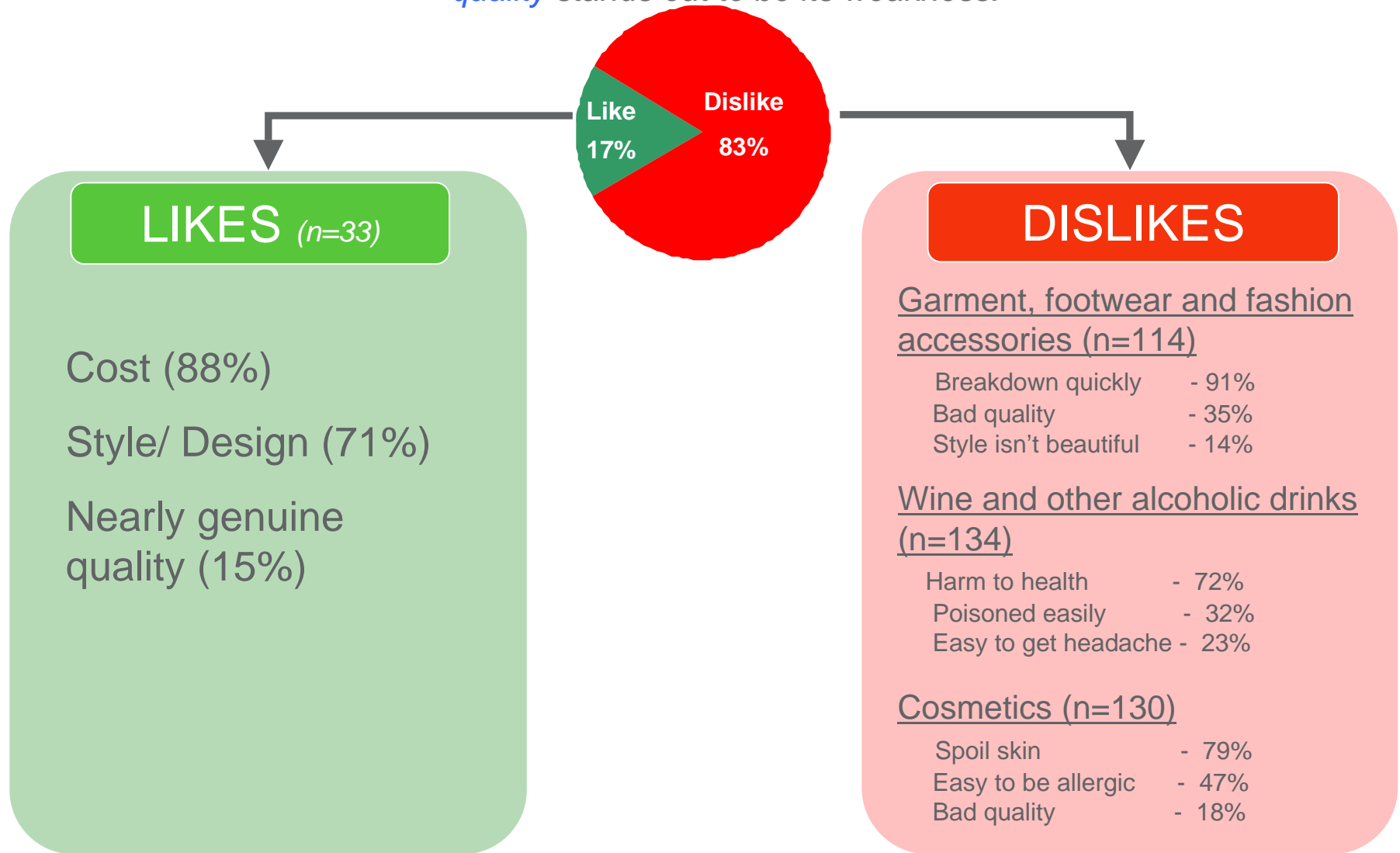
Q9. Thinking back, which of the following reasons caused you to buy <category bought in the P12M> for the first time?

Q11. And now thinking back when you buy <<counterfeit product>> recently, which of the following reason caused you to buy?

Base: All Respondents

# Likes and Dislikes of Counterfeit

*Price and design- are the perceived good traits for purchasing counterfeit, while, product quality stands out to be its weakness.*



Q19. Please tell me what do you dislike about counterfeit products?  
Q20. Please tell me what do you like about counterfeit products?

# Statements about Counterfeit

*Hanoians think that...  
Saigonese think that..*

Top 2 Box

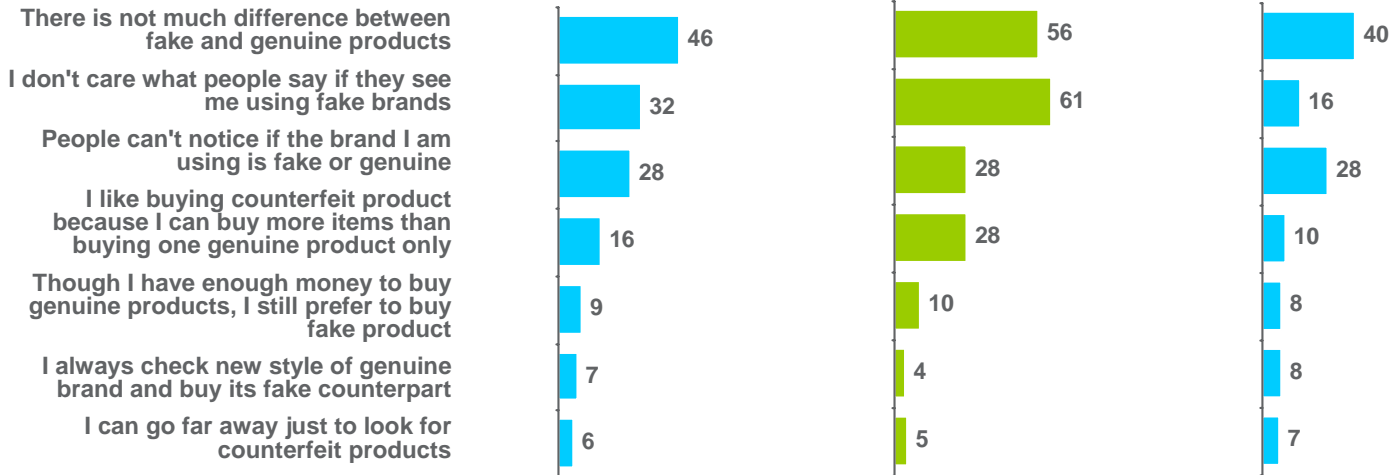
Base: All Respondents  
(in percentage)

**Total**  
(n=200)

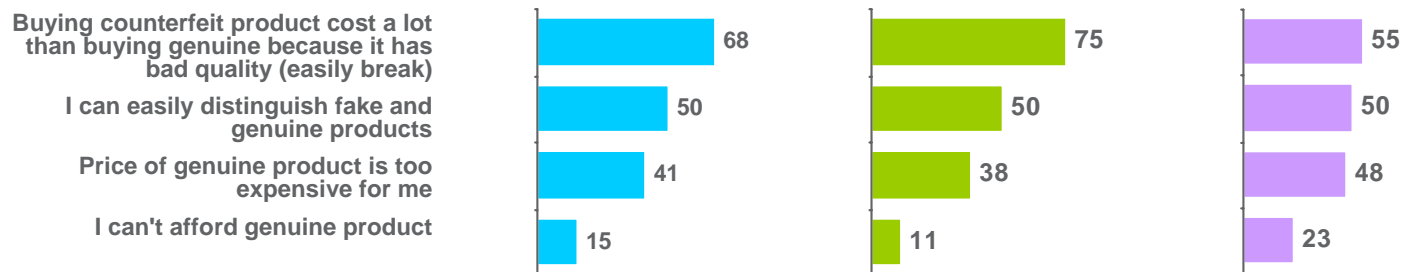
**HN**  
(n=100)

**HCM**  
(n=100)

## POSITIVE STATEMENTS



## NEGATIVE STATEMENTS



Q24. Now I would like to read out some statements and I would like you to tell me how strongly you agree or disagree with the following statements about counterfeit products. Using the scale from 1 to 5, where 1 means disagree at all and 5 means strongly agree.

# Statements about Counterfeit (Cont'd)

*Counterfeit products are perceived to be of poor quality, especially for wine & alcoholic products yet relatively few consumers see significant difference between fake and the real thing.*

Top 2 Box

Base: All Respondents  
(in percentage)

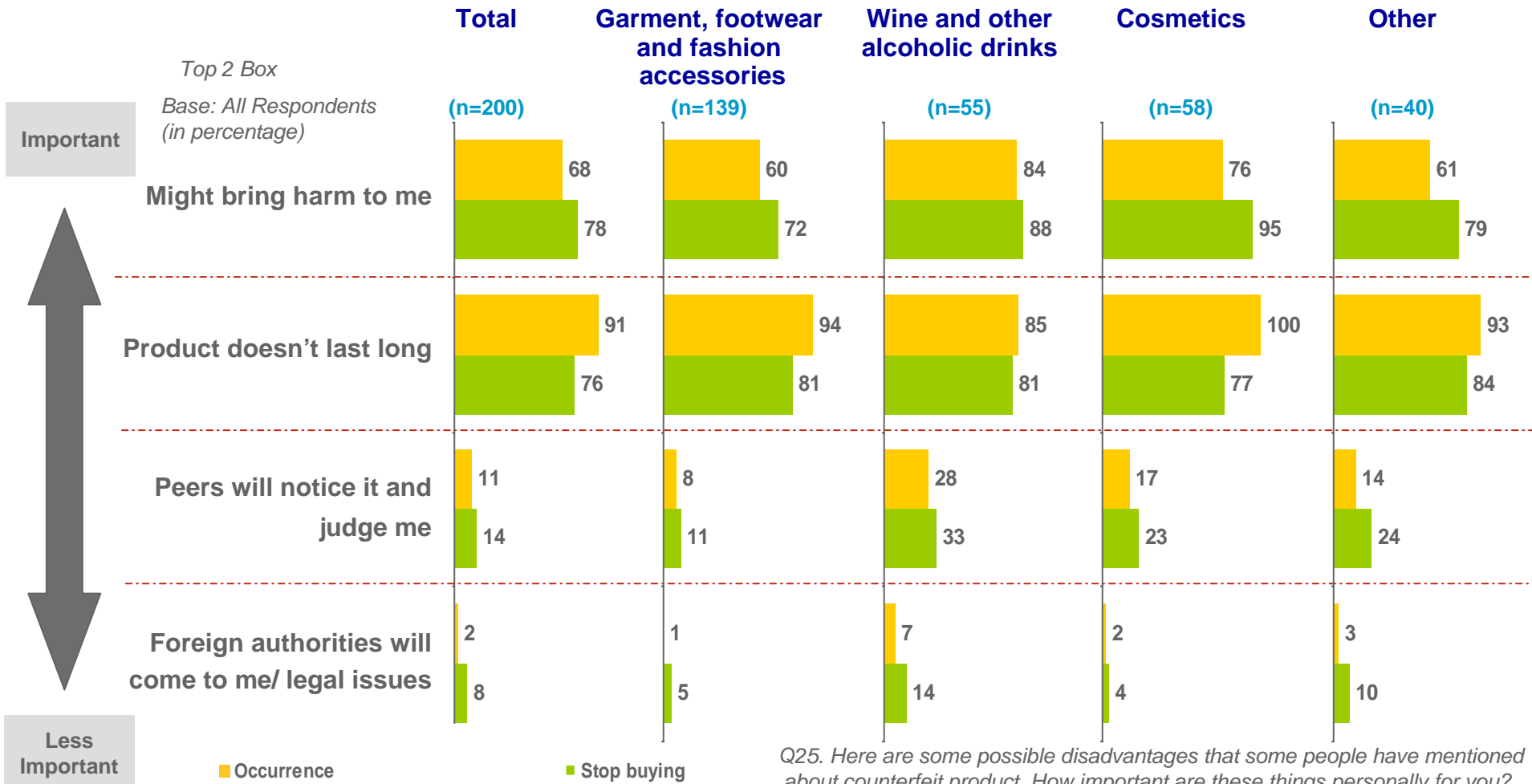


Q24. Now I would like to read out some statements and I would like you to tell me how strongly you agree or disagree with the following statements about counterfeit products. Using the scale from 1 to 5, where 1 means disagree at all and 5 means strongly agree.

# Counterfeit Disadvantages → Occurrence and Factors That Stop Purchases

Causing *harm* is the main factor that would stop consumers buying fake products. Harmful effects could be used in be used to fight against fakes.

In addition, they have concerns on low quality and durability



Q25. Here are some possible disadvantages that some people have mentioned about counterfeit product. How important are these things personally for you?  
Q26. Which of the following happened to you already?  
Q27. Which of the following factors that would make you stop of buying counterfeit product?



Research  
Objectives

Research  
Design

Executive  
Summary

Detailed  
Findings

Conclusion &  
Recommend-  
ations

# Summarising the characteristics of retailers and consumers

	HCM	HN
Retailer	<ul style="list-style-type: none"><li>• Sales contribution of counterfeit is approximately 35%</li><li>• Most counterfeit products come from Vietnam</li><li>• Retailers perceive that selling counterfeit products in HCM generates high profit</li></ul>	<ul style="list-style-type: none"><li>• About half of retailer sales comes from counterfeit products</li><li>• Most counterfeit products come from China</li><li>• Retailers perceive that HN has a high demand for counterfeit products</li></ul>
Consumer	<ul style="list-style-type: none"><li>• Incidence of counterfeit buyers is lower than HN (52%)</li><li>• Mostly consist of purchasers of garment products</li><li>• Less desperate for premium products in HCM</li></ul>	<ul style="list-style-type: none"><li>• Incidence of counterfeit buyers is higher than HCM (78%)</li><li>• Mostly consist of purchases of Electro-mechanic &amp; pharma products</li><li>• Stronger desire to purchase premium product among HN consumers</li></ul>

# Conclusion

- Retailers are optimistic about the contribution of sales of fakes in their business. They expect the counterfeit business to grow and they plan to continue to sell counterfeit for years to come.
- On the contrary, most consumers compliantly say that they will not buy counterfeit product again. Most of them are aware of the importance in purchasing genuine product and express a dislike for counterfeit products. Most dislike counterfeit due to its bad quality, yet they still buy. Why? Price and the inability to differentiate fake from real drives this.
- By understanding both sides (retailer and consumer) and the varying characteristics and market structure in both cities surveyed we have a better understanding of what is driving the purchase and sale of fake products

# Recommendation

Fighting / stopping counterfeit should be an integrated approach targeting both retailers and consumers

## Retailers

Factors that will stop counterfeit:

Poor quality

Legal issues

Decreasing demand  
Low margin

**Consumers** should be educated on the poor quality of fakes along with other negative traits (i.e harmful effects & poor product durability). The benefits and importance of using genuine products must be communicated.

Legal issues are feared by retailers, especially those in HCMC. **Enforcing the law** and **strict property rights law**, could reduce fake trading. Perhaps a campaign to inform penalty or punishment of selling counterfeit should be conducted publicising clearly the punishment wielded

Driving awareness of the negative impact of purchase of fake goods could engender a reconsideration to purchase. Unless we can decrease consumer pull there is little hop of seriously impacting the counterfeit market.

Thank You

