

CHAPTER I

INTRODUCTION

1.1 Background of Research

In this globalization era, creativity and uniqueness become one of the most important factors that every business need. Many businesses try to deliver their creativity and uniqueness to create something new called innovation. However, innovation alone would not be sufficient, since most of the time, innovation might be easily imitated by not only competitors, but also counterfeiters. Counterfeit product is a fake replica of the original product. Those counterfeit products, usually sold at much cheaper price due to the low quality compared to the original.

Watches become important electronic equipment after the gadget. The existence of a watch to indicate the time to the owner, could not be ignored. Each person must agree that the watch was able to demonstrate social status of the wearer. Currently own watches not only serve as a tool to know the time information. Besides the main function of the watch also serves as part of the style and appearance. No wonder sometimes one person has several watches to use according to the time and the show.

Various models are finally made to meet the needs of users, such as sporty, trendy and elegant. There are several famous brands that are widely circulated in the market. Because some brands of watches are valued at a very expensive price. To have it, inevitably someone had to pay dearly to get the watch. Original watches that have a lot of devotees usually there are certainly some parties who are not responsible for producing KW or counterfeit versions. Surely the name is Kw or counterfeit watch good quality machine or case is very different than the original watch. It's just the look, shape and size exactly the same.

KW or counterfeit watches today can be easily found in watch stores. The quality is also diverse, from the usual until the resembles to the original. Usually the seller will inform prospective buyers if the product is genuine or fake.

Various branded watches traded from genuine until the counterfeit. The selling processes were also very different. The counterfeit watches sold with dozens, while genuine sold units. Some of the famous brands such as Swiss Army, Alba, Q&Q, Casio G-Shock offered the merchants. For consumer laity, difficult to distinguish the genuine watch with a counterfeit. Sometimes for consumers, watch is just one of the accessories that support the appearance of a day-to-day.

Counterfeit products cause a considerable amount of damage in the free market economy and also included a big business nowadays. Counterfeits are defined as reproduced copies that are identical to the legitimate articles including packaging, trademarks, and labeling (Kay, 1990). Counterfeit products are defined as identical or similar copies of trademarked goods that are offered in the marketplace in order to take advantage of the benefits generated by the specific branded products (Grossman & Sapiro, 1988).

Counterfeiting can appear in two different forms, deceptive and non-deceptive. In deceptive counterfeiting, the consumer is not actually aware that the product he is buying is not an original one and usually the prices of authentic and fake product are not very distant. Broader and more worrying is non-deceptive counterfeiting, in which the customer knows perfectly that the product he is buying is a fake copy of the original one (Grossman & Shapiro, 1988; Phau & Prendergast, 1998).

Globally, sales of counterfeit goods were approximately \$300 billion in 2009 and are expected to increase annually due to strong demand (Gentry et al., 2006; Organization for Economic Cooperation and Development, 2007). This unauthorized manufacturing and selling of goods has many business implications; not only has it been the cause of companies

in the U.S losing \$60 billion in sales per year, but it also has been shown to damage brand reputation that can also lead to the demise of a company (Bloch et al., 1993). This is a need to understand as to how and why counterfeiting had seen such a tremendous effect.

This study was conducted to identify the effect of price consciousness on consumer attitudes that stimulate consumer's purchasing intention. The target of counterfeiting activity is luxurious and well-known brands (Verdict Research Co., 2007). Why is that so? It is because many companies are investing in famous and luxurious brands since such brands promise more benefits and income for the investors. The big amount of investment in those luxurious brands then triggers the counterfeiting of the brand (Commuri, 2009) since it is easier to gain profit from counterfeiting prestigious brands.

As a result of fast paced technology advancements, luxury goods are easier to counterfeit since technology is more easily available (Bloch et al., 1993; Teah & Phan, 2008). Luxury brands are more vulnerable targets to counterfeiters as they are popular with consumers (Shultz & Soporito, 1996). In the competitive market of the fashion industry, counterfeit fashion has become prominent and also a great threat to the original brands in the market. This paper thus attempt to explore members of Uda Uni Sumatera Barat mindset in relation to purchasing counterfeits of brand fashion accessory such as a watch to support their performance and to help them to manage their time day-to-day.

The purpose of this study was to better identify an impact on consumer perceptions and intent to purchase counterfeit goods. This study fills a gap within the counterfeiting literature in understanding the effect of price consciousness on purchase intention of counterfeit watches through consumer's attitude as mediating, the study is members of Uda Uni Sumatera Barat in Padang city. The findings are also beneficial for industry professionals such as law enforcement, government, and manufacturers of authentic products in that they help identify approaches that can be used in anti-counterfeiting initiatives. And also for future

research studies, which will help the researchers in conducting related research more accurately.

1.2 Problem Statements

Based on the background of the problem that has been described, the problem statements of this research are:

1. How does price consciousness affect customers' attitude to choose counterfeit watches?
2. How does Attitude affect customers' purchase intention to choose counterfeit watches?
3. How does price consciousness affect customers' purchase intention to choose counterfeit watches?
4. How does price consciousness affect the purchase intention to choose counterfeit watches through customers attitude as mediating?

1.3 Objectives of Research

Based on the problem statement, there are several objective of this research:

1. To analyze price consciousness that effect customers' attitude to choose counterfeit watches
2. To analyze consumer's attitude that effect customers' purchase intention to choose counterfeit watches
3. To analyze price consciousness that effect the purchase intention to choose counterfeit watches
4. To analyze the effect of Price consciousness towards purchase intention through consumer's attitude as mediating

1.4 Contribution Research

There are several contributions that we get from this research:

1. For company

This study is expected to be considered for companies as the report about the effect of price consciousness on customers' attitude and purchase intention of counterfeit goods

2. For academics contribution

The result of this research hopefully will contribute for other researchers who are interested in investigating the same topic in the future.

1.5 Scope of Research

The scopes that we use in this research are :

1. The object of this research is the members of Uda Uni Sumatera Barat Organization in Padang city.
2. This research give the information about the variable that can effect the customer about counterfeit watches

1.6 Outline of Research

In order to make it easier and make moderate the forwarding of content, this research is divided into five chapters, they are:

Chapter I

Introduction. Contains the background of the problem, the problem statements, the objective of research, the contribution research, the scope of research and systemic writing.

Chapter II Literature Review. This chapter contains descriptions of theoretical variables that include the theories that support and underlie the variables used in the research and framework.

Chapter III Research Methodology. Explaining about research method which discussing about research design, population and sample, data collecting method, operational of variables, data processing, data analysis method and data analysis.

Chapter IV Results and Discussions. This chapter conducts research model, and the data process of the research which consist of validity test and reliability test and testing of hypothesis.

Chapter V Conclusion, Implication, Limitations and Recommendation of Research. On this chapter, researcher will explain about conclusion of research, suggestion of research, limitation of the research, and recommendation for further research.

