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RESEARCH REPORT ON CONSUMER ATTITUDES AND PERCEPTIONS ON COUNTERFEITING AND PIRACY

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I. INTRODUCTION

1. Efforts by governments, enforcement agents and intellectual property (IP) rights-holders to stop counterfeiting and piracy have largely focused on strengthening IP enforcement regimes to more effectively deter the production and trade of fake products. However, in the face of an escalating global growth in counterfeiting and piracy, it has become clear that the focus on the supply-side of the equation is not enough and must be complemented by an equally aggressive attempt to control the demand-side of this nebulous market.

2. This paper excerpts findings from a recent ICC BASCAP report, "*Consumer Attitudes and Perceptions on Counterfeiting and Piracy*".[1] The objective was simply to better understand what drives consumers to acquire counterfeit or pirated products. The findings indicate that from Mumbai to Moscow, from Central London to the suburbs of Mexico City, counterfeiting and piracy represent a widely-tolerated and unspoken social plague. The consequences of participating in this illicit trade are poorly understood by consumers, and the associated risks are insufficiently demonstrated by traditional authorities. In short, it

[*] The views expressed in this document are those of the author and not necessarily those of the Secretariat or of the Member States of WIPO

[1] The full report can be found on the ICC BASCAP website: http://www.iccwbo.org/bascap/index.html?id=33865

seems that, 'hear no evil, see no evil, speak no evil' has become the norm when it comes to counterfeiting and piracy. The research is distinctive because it reveals common patterns in consumer decisions to buy counterfeits and pirated goods – not limited to any sector or type of goods. We also were able to identify and test some of the most common arguments and messages used to try to deter the purchase of fakes, which are often invoked in public awareness campaigns but rarely tested for effectiveness.

POLICY IMPLICATIONS

3. The work ahead is to use these learnings to enlighten communications tactics that can help change those attitudes and behaviors in ways that will help consumers more fully understand the repercussions of buying fake products – and ultimately deter these illegal and unsafe purchases. Only when consumers appreciate the full repercussions of their counterfeit purchase can they be expected to stop the practice. Only when governments fully understand the factors that drive their constituencies toward illegal activity can they institute programs to educate and protect consumers – and society – from the dangers of counterfeiting and piracy.

ABOUT THE RESEARCH

4. When the researchers set out to address the demand side of the problem of counterfeiting and piracy, it became clear that a lot of valuable work aimed at understanding consumers' attitudes toward counterfeit and pirated products had already been conducted. But, this disparate collection of research had never been brought together and examined analytically. This became our starting point. Once we gathered insights from the existing collection of materials, we were able to build upon them by conducting new studies on five continents across demographic and economic groups.

5. The research was conducted in three phases. The initial Desk Research phase was based on a review of approximately 176 consumer perception surveys conducted across 42 countries since 2000. It also reviewed 202 awareness campaigns utilizing a broad array of media outlets targeting consumers across 40 countries, and interviews with 15 experts from anti-counterfeiting organizations. Then, armed with insights from these global activities to date, researchers worked on the ground with consumers in Mexico, Russia, the United Kingdom, India and South Korea, first in focus groups and then in broader quantitative surveys, to test hypotheses and insights gathered from the desk research and focus groups. The Qualitative (Focus Group) findings are based on the results of four consumer focus groups in each of five key countries – representing a good cross section of consumers from high and low incomes in both developed and developing markets. The Quantitative (Survey) findings are based on surveys of approximately 1000 consumers in each of the five countries.

II. OVERALL CONCLUSIONS

6. In the broadest sense, consumer attitudes can be summed up as:

– *A lack of resources* – "There's no way on earth I'd be able to afford the real thing, so I'm not harming anyone. Why should I be denied a look alike because of my socio-economic standing?"

– *A lack of recourse* – "There is no risk I'm going to go to jail for this, and if it was a big deal, the government would be doing something about it?"

– *A lack of remorse* – "What's unethical is that I cannot afford the item I want?"

7. Consumer purchase behaviour is a complex mix of factors, influenced by a number of drivers and deterrents:
   – Drivers – cannot afford genuine; genuine is over-priced; didn't know it's fake.
   – Deterrents – health risks; waste of money; genuine products offer services and warranty.

8. There is a strong personal connection with fake purchases:
   – The closer the risk is to the purchaser, the greater their concern ... personal and family well-being are the primary concern.

9. Purchasers listen to victims and experts, not authority figures:
   – Effective messengers include: a person harmed by C/P product; mothers whose children have been harmed, a medical expert (48%).
   – Less significant messengers include: police, corporate executives, judges.

10. Three primary issues will impact purchasing habits of counterfeit/pirated products that are influenced by a combination of awareness and enforcement:
    – Potential physical harm to buyer or their family (awareness).
    – Reduced supply of counterfeit/pirated products (enforcement).
    – Threat of prosecution or incarceration (awareness/enforcement).

III. DESK RESEARCH KEY FINDINGS

11. Predominant drivers behind counterfeit purchases
    – Low price and increasingly better quality create temptation.
    – Low risk of penalty equates to a license to buy.
    – Availability, quality, price and low risk generate an overall sense of social acceptability.

12. Top deterrents to acquiring counterfeit and pirate products
    – Health & safety consequences top the list.
    – Threat of legal action or prosecution delivers a wake-up call.
    – Links to organised crime have more traction than might be thought.
    – People don't want to harm 'someone like me'.

13. Campaign review:
    – Audience – the research revealed a lack of audience and message targeting prior to the formation and dissemination of campaigns.
    – Demographics and geography – additionally, the majority of the research and campaigns focused more on affluent markets and less on the developing world.
    – Measurement – very few campaigns attempted to measure effectiveness of messages to deter consumer purchases of counterfeit and pirated products.

IV. FOCUS GROUPS (QUALITATIVE) KEY FINDINGS

14. Over the 50 hours of open discussions and debate with consumers in the five countries selected for the primary research stage, the researchers tried to understand what could lead everyday consumers, from various socioeconomic backgrounds, to engage in counterfeit purchase or piracy.

15. The first valuable insight emerged, in fact, during the recruitment process. We had anticipated having difficulty finding consumers from medium-level and upper-level income groups willing to discuss their purchases of counterfeit products or illegal downloads of digital materials. In fact, we were surprised to see this was not the case! Generally law-abiding women and men from a wide variety of professional backgrounds were quite comfortable sharing their views and habits with unknown peers. Within a short time after the start of the focus group sessions, consumers were happily discussing products, distribution channels, good and bad experiences, even sharing “tips” on their favourite counterfeit dealer or illegal downloading platform. This was the first striking evidence of the social acceptance of counterfeiting and piracy across the various countries visited.

16. Among the participants in these 20 focus groups, we encountered an amazing diversity of profiles, buying power and lifestyles: we talked with struggling consumers and upper-middle-class executives, we met single moms and business owners. All had regular or casual experience of buying counterfeit or pirated products. For each, we tried to identify the nature and dimensions of their relationship to such products: what and how they bought, the drivers behind the practice and the deterrents that might stop them.

17. Based on our discussions with this diverse population, we have been able to identify the following attitudinal profiles cutting across cultural, demographic and social categories:

« Happy Purchasers»

These consumers feel C/P is a « smart purchase ». They have a playful relationship to C/P and claim to be experts in finding the right copies. They usually purchase sophisticated products (fashion, electronics, software…) in small quantities. They are most commonly found in the U.K. and Korea, but as well in emerging markets among high income levels.

« Struggling Consumers»

These consumers belong to the lowest income level categories. They are very often working hard to provide for their family. They don’t see the problems posed by counterfeiting and piracy and are sometimes unable to tell the difference between a genuine product and a fake. They concentrate on their basic needs and don’t have the « mental space » or education to question the product origin. They can be found mostly in India and in Russia.

« Robin Hoods »

These consumers refuse to accept the system the way it is; they consider branded products overpriced and contest the margins, distribution system and taxes. They feel big corporations are often unethical and see no point in protecting their interest. They can be found mainly in Mexico (often expressing strong criticism of the State) but also in Russia or Korea.

« Innocent Purchasers»

These consumers feel they have a « moral right » to purchase C/P products since they are in what they regard a difficult personal situation. They are commonly found in emerging markets (India, Mexico, Russia) but also in more developed markets among lowest income levels.

« Genuinely Frustrated »

These consumers would like to be able to access genuine products but can't afford what they want to possess. They buy C/P out frustration but are not really happy about it. They would feel embarrassed to admit they don't have the means to access what they want. They sometimes « explain» their purchase behavior by a « justification speech » on exaggerated margins, good fake quality and grey market distribution system. They are commonly found in the U.K. and in Korea.

V. CONSUMER SURVEY (QUANTITATIVE) KEY FINDINGS

18. THE STATE OF COUNTERFEITING AND PIRACY

- Eighty percent of consumers surveyed reported having bought some kind of C/P product at least once. This ranges from 96% of Russian consumers to 46% of the United Kingdom consumers.
- Generally speaking, the percent of consumers reporting having bought C/P products tends to decrease as income increases. However, the United Kingdom. is an exception to this rule, as the percent of C/P purchasers rises from 41% of lower-income to 47% of medium-level to 50% of higher-income purchasers.
- C/P purchasers can be found among all age groups, though generally speaking there is a slight decrease with age in most countries. Once again the United Kingdom is an exception, with a much steeper decrease of C/P share with age (56% of those aged 18-24 compared to 36% of those aged 50+).
- DVDs & CDs, clothes and computer software are the most common C/P purchases (more than 1 in 2 consumers surveyed reported buying C/P versions of these products).
- Cigarettes and medicines are the least often purchased C/P products. "Only" 20% of the consumers surveyed reported buying some of these. However, the situation is very different depending on the country: 39% of Russian consumers reported buying counterfeit medicines vs. just 6% of the United Kingdom consumers.
- Availability and purchase frequency are strongly connected. The most commonly purchased C/P products are those that are the easiest to find.
- Significant differences among countries still exist. For example, 61% of Russian consumers report having easy access to CF medicines vs. 19% of United Kingdom. consumers.
- Based on the 5 countries surveyed, more than 50% of C/P product purchases are carried out in "regular" stores. This is particularly true for medicines and alcohol

(more than three purchases out of four are carried out in regular stores for these product categories). On the contrary, the most copied products -- CDs & DVDs -- are sold primarily in the streets.

19. THE PURCHASE DECISION

– Seven in ten consumers (71%) surveyed believe people buy counterfeit or pirated products, “Because they cannot afford the original” and over half said it was, “Because they don’t know it’s C/P” (57%) (a result significantly higher in Russia: 79%) and, “Because they think genuine products are overpriced” (57%) (a result significantly higher in Korea: 66%).

– On the whole, C/P purchasers and non-buyers give quite similar answers to the driver questions. However non-buyers tend to be more likely to choose, “They don’t know it’s C/P”.

– Health risks are the most powerful deterrent (70% of consumers chose this argument if they were to convince a friend to stop buying C/P). The risk to belongings came second among 59% of consumers. The third argument is a positive one, ”You’ll get better service and warranty with a genuine product>> (54% overall). The fourth is, “You waste your money with poor quality goods” (54%).

– Some deterrents were particularly strong in specific countries: “You’ll get better service and warranty” was mentioned by 74% of the time by Mexican consumers (20% more than the five-country average) and “Your money goes to criminals>> was chosen by 52% of Mexican respondents (13 pts more than the five- country average).

– In the United Kingdom, the statement, “You set a bad example to a child>> was chosen by 43% of consumers (vs. 34% overall). In India, 43% of consumers chose, “You can have trouble with the police>> (vs. 25% overall).

– When testing the “Availability” and “Price” impact on C/P purchases, results tended to vary widely depending on the product category. For software and clothes, more than half of consumers would be ready to switch to C/P. This decreases to 20% for food and 10% for medicines.

– On the whole, availability seems to have a slightly greater impact than a moderate price rise. On all products tested, availability difficulties generate more to “switch to C/P” than a moderate price augmentation of a genuine product.

20. BUILDING A CAMPAIGN AGAINST COUNTERFEITING AND PIRACY

– When it comes to arguments against C/P, some statements are very credible to consumers. For instance, “C/P products don’t benefit from the same inspections and control and are thus less safe” (69% of consumers agree); “C/P business harms the economy of the country” (57% of consumers agree, even if they often claim not to really care); and lastly, 56% of consumers agree that “Clothes and toys can contain dangerous material that can harm the health of those who use them”.

– All other arguments are below the 50% credibility point. Only 32% of consumers believe the idea that you can protect yourself from C/P by avoiding “dodgy” distribution channels (flea markets, street vendors, unofficial websites…). Only 1 in 3 consumers believe their governments are genuinely trying to fight counterfeiting. Finally, only 27% of consumers believe that many people die from ingesting counterfeit medicines in their country.

- Once again, country specifics are important. Russia and the United Kingdom are good examples of opposite perceptions. In Russia 52% of consumers believe, "It's not really unethical to buy C/P products>> vs. 21% in the United Kingdom. Half (51%) of United Kingdom. consumers believe their government is really working against C/P vs. 16% of Russians. Only 15% of the United Kingdom (and South Korean) consumers believe people die in their country because of counterfeit medicines, while in comparison this sounds credible to more than one in two Russian consumers (56%).
- In terms of spokespersons, those that seem most credible to consumers are victims of C/P products. This is followed by, "A mother who hurt her kid by rubbing him with counterfeit lotions", which was chosen by 28% as the most effective and, "A doctor explaining how a counterfeit product can harm health" was chosen by 15% of consumers as the most credible. Overall, 71% of consumers surveyed preferred spokespersons that would explain / embody risks of C/P for their health.
- Apart from health-related spokespeople, local employees and local businessmen explaining they were forced to shut their company because of counterfeiting and piracy would also be quite effective. The least effective spokespersons would be "traditional authority figures" such as a judge, a policeman, a corporate executive.
- In Mexico, "a father asking for support when teaching his kids not to buy C/P" is considered credible by 37% of consumers (vs. for instance 16% of Russians). In India, "a member of an NGO explaining that C/P businessmen are also performing many other crimes" would seem credible to 52% of consumers (vs. 15% of the United Kingdom consumers).
- In the United Kingdom, 29% of consumers reported a "policeman saying C/P dealers are criminals" would be credible. In Russia, only 13% consumers would believe a policeman.

21. CAMPAIGN EXECUTION: CONCLUSIONS FROM ADVERTISEMENT TESTING CARRIED OUT IN THE FOCUS GROUPS

- Consumers didn't react positively to any ad adopting a "preaching" approach.
- Consumers rejected quite strongly ads using "disgusting" or "shocking" images, though they were the ones consumers recalled most vividly afterwards.
- Even when they were interested in the developed messages, consumers very commonly expressed a need for proof-points and evidence: for example, if an ad mentioned the impact on the economy of a country, consumers often asked for proof and an explanation.
- Most consumers reported caring about their society and community, but this rarely prevented them from engaging in counterfeiting or piracy. The only consequences they all dreaded were those that might have very direct personal ramifications.
- Beyond messages and wording, the importance of cultural variations was apparent. In many cases, ads were quite positively received, but because they were not 100% adapted to the local environment did not resonate. The more local and culturally adapted the campaign is, the more empathy is created among viewers and the more effective it is likely to be. Local actors, real-life examples, local stories were always the most powerful.

VI. SUMMARY OF KEY FINDINGS

22. The following 15 points can be considered to be the key findings both categorising the results of the research and essential for efforts to develop an anti-counterfeit or anti-piracy campaign.

23. GENERAL

1) There is not a typical C/P purchaser socio-type. However, the kind of C/P products people purchase varies depending on nationality, income level and age. Almost everyone can be a counterfeit buyer / a digital pirate!

2) There are many words for C/P products: Copies, Copycat, Fakes, Pirate goods or even Crap…
All these notions cover subtle differences. Chinese products (cheap and expendable) and grey market goods (off the truck, custom seizure, hard discount products) all contribute to blurring the picture.

3) Consumers identify real differences among C/P products; some of them talk about “Class A” or “First class” C/P products, as the ultimate fakes that every smart consumer would seek. Generally speaking, they report a rise in the quality of C/P products.

24. THE PURCHASE MOMENTUM

4) A large majority of consumers do recognise that buying counterfeit or engaging in piracy is unethical but feel it’s essentially a victimless crime, so seldom feel guilty about it.

5) Consumers perceive the C/P (illicit) business harmless in the absence of obvious sanctions against purchasers and sometimes sellers (prosecution threat is perceived to be more credible for piracy of digital content than for purchase of counterfeit goods).

6) In emerging markets, more than half of C/P purchases are from regular stores. Consumers often feel it’s impossible to protect themselves from C/P goods. Online C/P purchase was reported only by respondents in Korea and the United Kingdom.

7) C/P purchase is an «impulse”: consumers need the products fast, use them fast, throw them out fast. They don’t think of the product origin or distribution system at all.

8) Consumers refuse to call themselves victims of C/P, even when they have a bad experience with a C/P product. They have the feeling they “control» the situation, and in some cases, even feel empowered by their purchase.

25. EFFECTIVE DRIVERS & DETERRENTS

9) The main reasons for C/P purchase are well known and confirmed: lower price and availability. But more sophisticated motives co-exist: a rejection of the established order and distribution system (Mexico), a teenage spirit (United Kingdom), or even a paradoxical soft rebellion against a consumption society.

10) Not all consumers have a clear vision and understanding of the benefits of “going genuine”. Quality and customer service often fail to convince consumers that paying more for the genuine product is worthwhile.

11) Risk to health, risk to personal possessions and risk of prosecution (when credible) are the three most powerful deterrents against C/P purchases.

12) Consumers from all countries act along proximity rules! They care first for themselves and their families, then for their communities, then for their countries.

26. MESSAGING

13) Consumers no longer listen to traditional authority figures (judges, government officials, police) but expect them to lead the fight against counterfeiting and piracy. Consumers admit they need boundaries to act ethically.

14) The most credible spokespersons would be victims (firstly, people whose health has suffered, followed by economic victims). These victims have to be ultra-local to generate empathy. This is a challenge for combating piracy, which has few if any consequences for health.

15) Consumers admit they don't think about the implications of their C/P purchases. They genuinely report not understanding why counterfeiting and piracy is a plague beyond the mere ethical principle. They want evidence that counterfeiting and piracy is harming them / their community / society as whole and not only big companies. They also want to see "what's in it for them" if they stop buying counterfeits or downloading illegally.

VII. CONCLUSIONS

27. The aim in conducting and sharing this research is to widen the circle of voices helping to craft more effective anti-counterfeiting/anti-piracy policies, and to provide all interested parties with tools they can use to develop communications and educational programs that can that can begin to change consumer awareness, attitudes and purchase habits so that the demand for the illegal, dangerous products stops.

CONSUMERS

28. Simply telling people to stop engaging in behaviour they perceive as personally beneficial is not effective. Consumers need to understand how they will benefit from foregoing purchases of counterfeit or pirated products to be inspired to change, and also understand and appreciate the full repercussions of their counterfeit purchases. This Report highlights how the right messages are critical in convincing consumers to stop the practice.

GOVERNMENTS

29. Efforts by governments and enforcement agents to stop counterfeiting and piracy have largely focused on strengthening IP enforcement regimes to more effectively deter the production and trade of fake products. Activities aimed at tackling the consumer demand-side of the equation have not received the same level of attention or resources. Our hope in sharing the findings of this report, is that governments will more clearly recognize the need to communicate more aggressively with their constituents that counterfeiting and piracy are not victimless crimes – but instead inflict serious harm on people, the economy, jobs, and their communities. We also hope governments will see the need to make counterfeiting and piracy a higher public policy priority so that local consumers will see their government taking the issue seriously and acting on it. As governments fully understand the factors that drive their constituencies to purchase these illegal goods, they can undertake appropriate communications and policy initiatives to stop the demand for fakes.

COOPERATION

30. There is no universal way to fight this epidemic: regional and cultural differences must be considered in sending the right message at the right time and the right place. We hope that the information in this report will be useful to national and local governments, businesses and organizations in designing communications that will resonate with local consumers. BASCAP and its member companies will be undertaking new initiatives to build awareness and educate consumers, but we cannot succeed in this effort alone and need support, goodwill and assistance from all stakeholders in the fight against counterfeiting and piracy.

ABOUT BASCAP

31. Counterfeiting and piracy have become a global epidemic, leading to a significant drain on businesses and the global economy, jeopardising investments in creativity and innovation, undermining recognised brands and creating consumer health and safety risks. A disorder of this magnitude undermines economic development, a sound market economy system and open international trade and investment. No legitimate business and no country are immune from the impact of counterfeiters and pirates. No single business, business sector or country can fight this battle alone. Visit BASCAP on the web at: www.iccwbo.org/bascap.

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