ANALYSIS OF CONSUMERS' WILLINGNESS TO PAY FOR COUNTERFEIT LEATHER PRODUCTS IN ABIA STATE SOUTH EAST, NIGERIA

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Abstract

The study analysed the consumers' willingness to pay for counterfeit leather products in Abia State, Nigeria. A random sampling technique was used to select respondents. From the three senatorial zones, three local government areas were selected. From these local government areas, 50 respondents were selected, in this case, making a total of 150 respondents. However, a total of 138 respondents returned their questionnaire, while the remaining 12 were either not returned or not properly filled. Effectively 138 questionnaire responses were used in the data analysis. Binary logit model was employed in analyzing the data. It was found that age, education, price, income and female gender played critical roles in influencing consumer's willingness to pay for counterfeit leather products. It was therefore, recommended that education of the consumers should be stepped up to enable them make better choices and income level improved among other recommendations.

Key words: *binary logit, counterfeit, consumer, leather products, willingness*

INTRODUCTION

Counterfeit goods have been defined as identified copies of authentic products [11]. In most countries including Nigeria, the trafficking and sale of counterfeit merchandise is unlawful. According to [1], counterfeiting involves the deliberate use of false mark that is indistinguishable from the registered mark. Thus any item that bears a brand name or logo without the permission of the registered owner is counterfeit or fake.

Counterfeit products and merchandise has been known as a global problem. The $600 billion annual industry according to [8] and [15] continues to grow every year and increases as the most serious threat facing most economies. [19] reported that the counterfeit business as a whole would be the world's largest business if it were recognized as a business.

Literature has identified that consumer's moral stance on counterfeit consumption is an important predictor of consumption between genuine and counterfeit purchases [13, 9, 11, 24]. Higher morality is held by consumers who abstain from such purchases [9, 10, 25]. In fact, morality has been found to be best predictor of counterfeit purchases compared to perceived value and previous experience [17]. But morality does not impact all market segments the same way [26].

There are also basic theoretical economic rationalizations behind consumer behaviours towards certain products. For instance, prominent variables used to explain the demand for any good include the price of the unit of that good, prices of related goods and the wealth of the consumer. Under the fundamental theory of demand, as prices of products rise, consumers substitute away choosing less costly alternative. Subsequently, as the wealth of the individual rises, he goes less for inferior goods choosing higher priced alternative. These have been respectively described as substitution, income and demand effects [20]. The behavioural assumption of consumer theory is that all consumers are rational decision makers who seek to maximize utility, subject to budgetary

constraints.

It is against the foregoing theoretical analysis that one can also understand one of the factors underpinning consumers' willingness to purchase leather products which they know to be counterfeited. At the basic level, Nigerians have distinguished themselves as having the insatiable appetite for all manner of luxury items. Any group of people that does not discriminate and goes to anything will be laying itself bare for criminal exploitation. This is because people prefer to show off, they either fall victim to fake or counterfeited products or simply and deliberately go for the counterfeit versions on ego trip. About the case of leather products under review, there are tested and global brands like Giorgio Armani, Gucci, Hugo, Moonax, etc. These brands have been faked and marketed as original and the consumers with craze for top brands are easily potential targets.

Standard Organization of Nigeria argued that influx of fake and substandard products into Nigerian markets has continued to undermine the country's economy. In addition, that the appetite for cheap products by Nigerians is the bane of the economy as this has turned the country into the dumping ground for some foreign producers. [23] This has created an avenue for some Nigerians to exploit the citizenry with fake products and subjecting them to abject poverty by under developing the economy. Similarly, Standard Organization of Nigeria (SON) has estimated that the annual loss to sub-standard products is in excess of one trillion naira due to importation of sub-standard products into the country.

There are obviously many factors that lead to the phenomenon. One of them is identified in the consumer theory which posits that consumers tend to purchase products that will give them the highest level of benefit for the amount of money they can afford. It is very obvious as also stated that there appears to be so much poverty in Nigeria which probably defines the choice of product they make.

Previous studies have explored the question of why consumers buy counterfeit products. And it has been found that generally speaking consumers do understand the difference in the value of purchasing authentic versus counterfeit products [3]. Very often product price is the main factor that lures consumers to buy counterfeit products [17, 18]. Personal preferences and attitudes have also been determined to be the critical factors that contribute to counterfeit purchases [4, 6].

Staake et al.(2009) had observed that counterfeit consumption is still a new area of research leading to several literature gaps. Specifically, there is a gap in the literature not only for theory driven and replication research; there is also a need for more rigorous research. [22]

This study is therefore aimed at estimating the factors that influence consumers' willingness to pay for counterfeit leather products in the study area and make recommendations based on the findings.

MATERIALS AND METHODS

Area of Study

The study was conducted in Abia State. Abia state was created on 27th August 1991 having been carved out of old Imo state. Abia state was part of the East central state and later part of Imo state between 1967 and 1976.

On the North and North –East, it is bounded by Anambra, Enugu and Ebonyi states. It is bounded on the East and South East by Cross River and Akwa Ibom states, while it shares southern boarders with Rivers state where the Imo River demarcates the two states. Its axis has a North East to South –West orientation and lies within Longitude $6^0 50^{'}$ E to $8^0 35^{'}$ E and Latitude $4^0 30^{'}$ N to $6^0 30^{'}$ N. The state has total of 5833.75 square kilometres and population density of 487 persons per square kilometre. The state capital is Umuahia with a distance of 596 kilometres from Lagos and 498 kilometres from Abuja Federal Capital Territory.

The population of Abia state is 2,333,999 with 1,430,248 males and 1,415,082 females [14].The state is divided into three senatorial districts namely Abia North, Abia Central and Abia South with a total of 17 local government areas.

The state is predominantly a mercantile state where every available space, especially in the

urban areas, is converted to trading spots. It also has a rich cultural heritage with varied traditional festivals and dances. Famous among the cultural dances are the Ohafia war dance, Ikoro, Ekpe masquerade as well as the Nkwa Mgba (wrestling dance), among others.

The people of Abia state are mainly traders/business men and women, craftsmen/women (hairdressers, mechanics, carpenters, plumbers, electricians and so on), students, civil/public servants etc. They have varying degrees of educational qualifications. Educational qualifications include, First School Leaving Certificate, SSCE/GCE, OND/NCE, HND/Bachelors, etc. There is also disparity of income in Abia State that is why there are rich, middle class and poor people, all leaving together in Abia State.

Sampling Technique

A random sampling technique was used to select respondents to form the sample size of the study. From the three senatorial zones, three local government areas were selected. From these local government areas, 50 respondents were selected, in this case, making a total of 150 respondents. However, a total of 138 respondents returned their questionnaire, while the remaining 12 were either not returned or not properly filled. Effectively 138 questionnaire responses were used in the data analysis.

Data Collection and Method of Data Analysis

This study employed primary source of data obtained from using the questionnaire administered to the respondents selected and employed binary logit model in the analysis of the data.

Model Specification

The simple logistic model is based on a linear relationship between the natural logarithm (ln) of the odds of an event and numerical independent variables. The form of this relationship is specified follows:

$$L = \ln(0) = \ln\left[\frac{P}{1-P}\right]$$

$$= \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 + X_3 + \beta_n X_n \ldots + \varepsilon$$

Where: Y is binary and represent the event of interest (response), coded as 0/1 for willingness to pay or not,

P is the proportion of this willingness,

0 is the odds of the event,

L is the ln (odds of event),

X_1, X_2, X_3, Xn are the independent variable, β_0, $\beta_{1 \text{ and }} \beta_n$, are the Y-intercept and the slope, respectively, and ε is the random error.

The regression coefficients are estimated through the iterative maximum likelihood method [16].

RESULTS AND DISCUSSIONS

Maximum likelihood estimates of the parameters of the factors influencing customers' willingness to pay for counterfeit leather products in the study area.

Table 1. The estimates of the factors affecting consumer's willingness to pay for counterfeit leather products in the study area

Variable	Co-eff(B)	SE	Wald	Exp(B)
Value expressi-ve goal	0.190	0.224	0.793	0.013
Age	-0.556	0.279	3.882	0.948***
Education	-0.537	0.175	9.536	0.946***
Price	-0.5663	2.706	4.462	1.003***
Income	-0.430	0.220	3.793	1.837***
Gender	-1.552	0.001	6.540	1.963***
Constant	4.221	3.192	1.321	0.023***
Negelk-ereke R^2	0.785			

Source: Computations from Field Survey Data, 2013.
Note: ***- Significant at 1% level.

The estimates of the factors affecting consumer's willingness to pay for counterfeit leather products in the study area as shown in Table 1 above indicated that age, education, price, income and gender had significant effects.

The coefficient of age was significant at one percent probability level with a negative sign. This means that with decreasing age of the consumers, the probability of going for counterfeit leather product increases. [5] had observed that the variability of purchase intention based on age may be due to the fact that younger consumers view counterfeit products to be more acceptable and as a

consequence are more likely to purchase counterfeit goods than older consumers. This study corroborates with their findings.

The coefficient of education was significant at one percent level but with a negative relationship. By implication, the higher the educational attainment of the consumers, the less likely they are to go for counterfeit products and vice-versa.

Price of the products had a negative relationship with consumers' willingness to pay for counterfeit products but was significant at one percent level. Price has been known as one of the most recognized motivations for purchasing counterfeits [21]. [2] had also noted that selling price enhances willingness to buy counterfeit products. Given the economic situation, particularly as it affects the low income groups, the result seems plausible. The result of this study consolidates these previous findings.

Consumers income level was seen to be significant at 99 percent confidence level but with a negative sign. This meant that as consumers' income decreases, the probability of them going for counterfeit products increases. [7] had noted that middle and high income families are likely to be heavy buyers of VCDs. However, no reason was given for that. In an environment such as where this study was carried out, there is this tendency for consumers to feel belonged in a particular fashion or otherwise band wagon effect on consumption. Bearing this in mind, people may want to go for counterfeit products just to show that they belong.

Gender coefficient was significant at one percent probability level with a negative sign. Given that the negative sign was in favour of the female gender, it simply implies that females are more likely to pay for counterfeit products more than the males.

Cheung et al, 2006, had opined that females are more likely to be heavy buyers of pirated clothing and accessories than their male counterparts. This result is in line with their findings. [7]

The Negelkereke R^2 of the model which shows the goodness fit was 0.785, meaning that 78.5 percent of the variables has been explained in the model. This certifies it a good fit.

CONCLUSIONS

The study has shown the factors affecting the willingness of the respondents in the study area to pay for counterfeit leather products. It is therefore recommended that the purchasing power of consumers should be improved upon since their income determines their choice of leather products. Secondly, regulatory frameworks should be improved upon to guide if not eliminate the importation and production of counterfeit leather products in Nigeria. Furthermore, competition among genuine leather producers should be steadily improved upon to reduce the cost of their products thus making them accessible and affordable to the consumers. Again, negative attributes of counterfeit leather products should be highlighted to make consumers aware of negative implications of purchasing them. Finally, more research work in similar areas should be encouraged to assist consumers' decision making process.

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