Why most Indians purchase counterfeits

*A look at the factors that influence such choices, based on a recent study.*

By MITALI ARORA AND DEEPANSHU MOHAN, April 30, 2019

Shopping at Delhi’s Palika Bazaar, Kunal, a 21-year-old student studying at a North campus college, mentions how he enjoys visiting the market at least twice a month. He shops for T-shirts and electronics, while encouraging his friends to come with him. Kunal and his friends frequent Palika Bazaar because of their preference for a diverse basket of fashionable apparel—available for cheap, and are “copies” of brands such as Adidas and Nike, to cite a few.

19-year-old Tara, another college student, visits the shopping destination once a month to buy “copies” of apparel brands selling women’s garments and western apparel.

Generally “copied products”—as categorised by most student respondents visiting the market—are called counterfeit products. Counterfeits are usually defined as “Illegally made products that resemble the genuine goods but are typically of lower quality in terms of performance, reliability, or durability.”

The Anti-Counterfeiting and Brand Protection Summit 2018 mentioned, “the market for ‘fakes’ is on a constant rise in India and has surpassed over ₹40,000 crore in the organised sector alone”. The counterfeit business for apparel is huge in India owing to the burgeoning middle class population that is interested in buying in-fashion branded clothes at the cheapest available price.

Based on a four-month study, undertaken by the Centre for New Economics Studies at O.P. Jindal University, we made an effort to study the nature of counterfeit goods sold at some of the markets across Delhi and to understand what factors shape (or influence) the rising demand for counterfeit products.
among different kinds of consumers. Here, we discuss the latter in context of Palika Bazaar, one of the markets studied.

The curious case of Palika Bazaar

Palika Bazaar, as one of the country’s first air-conditioned underground markets, has evolved in the past two-three decades to become one of the biggest counterfeit markets in the capital, attracting a diverse group of young and old consumers who prefer to buy different forms of counterfeits—from clothes, bags, and footwear, to electronics to home décor. Thousands of tourists, including foreigners, also visit the market to buy counterfeits, among other cheap products.

From our study, Palika Bazaar broadly reflects a similar pattern in terms of observed factors of consumer behaviour (influencing the preference to purchase counterfeits), being consistent with observations made in some of the other Delhi markets (say, at Sarojini Market, Ghaffar Market and Karol Bagh).

Across Palika Bazaar, one can find counterfeits of almost every famous brand. From Lacoste, Armani, Michael Kors, Guess, and Gucci to any other contemporary luxury brand, there is a replica to be found. Consumers drive a hard bargain, exhibiting both individual and collective bargaining skills, in purchasing these counterfeits in bulk. In fact, as observed, most respondents mentioned how the practice of bargaining makes the whole process of purchasing from Palika Bazaar (and other markets) most enjoyable.

Based on the existing literature analysing why consumers prefer buying counterfeits, factors such as social motivation, brand value, and peer influence have been identified as key determinants influencing consumer behaviour towards counterfeit products.

Our study, based on the literature, identified three factors: social motivation (peer effect); utility and value for money (cost vis-à-vis durability); and transient nature of fashion trends (fashion preferences), to get a credible insight into the consumer’s psyche while interviewing those visiting each of the identified market locations.

Profile of consumers
In terms of understanding the profile of consumers, from those who regularly visit counterfeit markets, 53% respondents interviewed were male and 43% female. An average consumer shopping at Palika Bazaar was observed to be a student in the age group of 15-20, visiting the market at least once a month, spending ₹500-₹1,000 per visit. Figures 1 and 2 depict these features.

**Figure 1**

![AGE OF CONSUMERS WHO PURCHASE COUNTERFEIT CLOTHES](image)

Source: Authors’ calculations from the report

**Figure 2**
60% of the consumers disclosed how they exceeded their planned budget during every visit. In some ways, this observation distorts the mainstream (or most primary) neoclassical assumption of fixed budget lines—under which rational consumers are seen to operate while making choices—often taught in microeconomics.

In terms of geographical proximity to the market, 54% consumers travelled for 30 minutes or less to reach the market. The rest of the 46% had to travel for more than 30 minutes to reach the market. We observed that closer a consumer was to the concerned market, the more frequent were her/his visits, making the volume of expenditure rise proportionately.

What makes one buy counterfeits?

An ethnographic survey involving in-depth conversations with more than 60 consumers helped us analyse how around 61% consumers bought counterfeited apparel based on “fashion preferences” or because they were seen to be in-trend; 28% consumers bought these products because of “peer
effect” (i.e. their peers or family members told them about the market); and 11% cited “other factors” for their purchase decision.

It was noted that for an average consumer “transient nature of fashion trends” was a major determinant influencing their purchase behaviour. Respondents like Kunal and Tara believe that since fashion trends keep evolving, they do not feel the need to invest so much on apparel—or even electronics—as they would go out of fashion after a short while.

“Utility and value for money” was another factor that had an effect because most of the consumers at Palika Bazaar shopped for the products as they were cheap. At the same time, for a college-going group of respondents, “social motivation (peer effect)” did not emerge as a predominant reason for consumers to get influenced into buying counterfeits.

For those who cited “other factors” influencing their purchase, most consumers cited a lower price range and the diverse range of products (say, in apparel) as reasons to buy counterfeits. With 63% of all respondents, including students, the lower price of counterfeits (for those with a limited budget) and geographical proximity to the market complemented the other key determinants (social motivation and value for money) influencing their decision.

**Counterfeit product preference**

Out of the 63% of consumers who preferred to shop for apparel in the market, 92% of them under the age group of 15-30 years said that they would buy a mix of branded and counterfeit apparel. When these consumers were asked about their preference for counterfeit products over original branded products, 43% said that they preferred counterfeits if they were running on a low budget. Figure 3 shows the preference for counterfeit products bought from Palika alone.

**Figure 3**
When asked about their preference for particular brands, the researchers observed that the most respondents looked for sports brands such as Nike, Adidas, Reebok, and Puma.

The study helped us highlight an intertwined relationship between various economic, social and psychological factors that influence decision-making of consumers while purchasing counterfeit products. Weighing cost-benefit of buying counterfeits isn’t simply connected with the (lower) price of these goods but also with other sociological factors (trends in fashion, peer effect) and geographical proximity to the markets.

Often, we (or at least mainstream economic analysis) assume how consumers have a good idea of what they want, and they act to choose from these (pre-identified) preferences when they visit a market. Our study—similar to other behavioural scholarship in economic analysis—helped turn this primary assumption upside-down. In almost all cases, we observed how respondents have a limited idea of what they want (in fact they prefer having less notions) and visit some of these markets (like Palika Bazaar) to explore the counterfeit basket and choose accordingly.
Also, bargaining (and the role played by it), makes consumers stretch their budgets and the experience of bargaining per se makes some consumers (like Kunal and Tara) repeatedly visit the market and also bring their friends along (to collectively bargain for similar product lines). There is a pressing need to further study the psycho-social role of bargaining (as an experience) for such consumers.

At the same time, the question of legality in the governing dynamics of such market spaces qualifies as a subject of greater discussion (and research). Markets like Palika Bazaar thrive due to consumers’ demand for cheap, fashionable (yet, less durable) products being met at a closer distance. While India’s retail market continues to expand with newer brands investing in its large domestic market, the rising threat of counterfeit (via copyright and trademark infringement) needs further examination.

Some of the observed trends raise some larger policy questions for India’s intellectual property rights legal framework, where, a subsequent rise in counterfeiting within metropolises, are subsequently connected with the rise of India’s organised retail base (within these cities). More studies with ethnographic details may help us understand the nature of such counterfeit markets emerging in other major cities and why certain consumers prefer to visit them vis-à-vis other markets.

Views are personal. Mitali Arora is a student in Jindal Global Law School and senior research assistant, Centre for New Economics Studies. Deepanshu Mohan is associate professor and director, Centre for New Economics Studies at O.P. Jindal Global University. Diya Singh was a co-investigator for the study.