An ICC initiative

BASCAP

Business Action to Stop Counterfeiting and Piracy

Research Report on Consumer Attitudes and Perceptions on Counterfeiting and Piracy

November 2009

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Foreword

We are pleased to share the results of a comprehensive global research effort on ***consumer attitudes towards counterfeiting and piracy,*** combining an extensive investigation of a wide range of existing perceptions studies with original research in five key countries. The following report summarises the most important insights and conclusions yielded by the 18-month investigation of consumer attitudes around the world, sponsored by ICC BASCAP (Business Action to Stop Counterfeiting and Piracy) and carried out by StrategyOne.

When we 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.

In total, we analysed 176 existing consumer perceptions studies and 202 consumer awareness campaigns from some 40 countries, and worked on the ground with consumers in Mexico, Russia, the U.K., India and South Korea. We conducted focus groups and then tested the resulting hypotheses and insights with a set of broader quantitative surveys.

This 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.

You will find that this report clearly shows 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 seems that, 'hear no evil, see no evil, speak no evil' has become the norm when it comes to counterfeiting and piracy.

Our aim in sharing this primary research is to widen the circle of voices helping to craft more effective anti-counterfeiting/anti-piracy policies, and to provide to all interested parties and industry sectors an empirical toolset that we hope will foster educational campaigns that can truly impact counterfeiting and piracy. It is our hope that you will join us in this mission – as the alternative is unacceptable for us as individuals, for the companies and industries we work in and for society as a whole.

The following report, we explore the role of *lack of resource, lack of recourse and lack of remorse* in the continuum of counterfeiting and piracy.

- Are counterfeiting and piracy socially acceptable? How did this happen and why?
- Are counterfeiting and piracy victimless crimes?
- Why haven't legal penalties played their role in stopping counterfeiting and piracy?
- How can we impact the demand side of counterfeiting and piracy?

Working together – and sharing our knowledge – is the only strategy for changing attitudes and behaviour, so we encourage you to review the insights and consider ways in which they can fortify your own organisation's efforts so that you can join us as we work together to increase awareness and educate decision makers and consumers about the dangerous tide of counterfeiting and piracy.

Sincerely,

David Benjamin, Co-Chair BASCAP Steering Committee

Universal Music

Richard Heath, Co-Chair BASCAP Steering Committee

Unilever

For more information on BASCAP initiative, please visit: http://www.iccwbo.org/bascap

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Editor's note: Throughout the document, "C/P" = Counterfeit and/or pirated

EXECUTIVE SUMMARY

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.

Getting a handle on what drives a consumer to choose a fake, illegal product is a complex undertaking. Motives vary widely, from price and easy access to social acceptability and a perception that a counterfeit purchase is a game which falls outside the law and to which there are no consequences. And, consumers include weak government commitment to fighting and prosecuting counterfeiting among their motives – or excuses – to look the other way.

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 programmes to educate and protect consumers – and society – from the dangers of counterfeiting and piracy.

This Report summarises an extensive body of research conducted over an 18-month period to better understand consumer attitudes and behaviours towards counterfeiting and piracy. Its objective is to enlighten communications tactics that can help change those attitudes and behaviours in ways that will help consumers more fully understand the repercussions of buying fake products – and ultimately deter these illegal and unsafe purchases.

The research was conducted in three phases, and when analysed in total, a number of interesting and consistent hypotheses and findings emerged. This Executive Summary provides an overview of those key learnings. The Desk Research findings of this report are based on a review of approximately 176 consumer perception surveys conducted across 42 countries since 2000. It also includes a review of 202 awareness campaigns utilising a broad array of media outlets targeting consumers across 40 countries, and interviews with 15 experts from anti-counterfeiting organisations.

Then, armed with insights from these global activities to date, researchers worked on the ground with consumers in Mexico, Russia, the U.K., 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.

1.1: Overall Conclusions

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?"

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.

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.

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.

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).

1.2: Desk Research Key Findings

Consumer survey review:

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.

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'.

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.

1.3: Focus Groups (Qualitative) Key Findings

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.

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.

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.

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:

200 participants in the qualitative stage

3 police officers, 36 housewives, 18 business owners, 23 executives … consumers that agreed to participate in our focus groups in Mexico City, London, Mumbai, Delhi, Seoul and Moscow were from all stripes!

All had in common a quite natural and spontaneous relationship to counterfeiting and piracy.

However, the more we talked, the more we asked participants about their habits, analysed the reasons behind them, tested deterrents and ranked messages… the more faces went serious and voices lowered.

Despite our best effort to remain unbiased, many consumers were "opening their eyes", realising their purchases were not as harmless as they wanted at first to believe.

Counterfeit and/or pirated product purchaser profiles

« 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.

« 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.

« 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.

« 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.

A closer look at digital piracy discussed in the focus groups

Is piracy more of a crime than purchasing a counterfeit?

- Most consumers report perceiving a greater "risk of prosecution" when engaging in piracy than when purchasing a counterfeit, as sanctions and public actions against pirate consumers have resulted in greater consumer awareness and left striking memories.

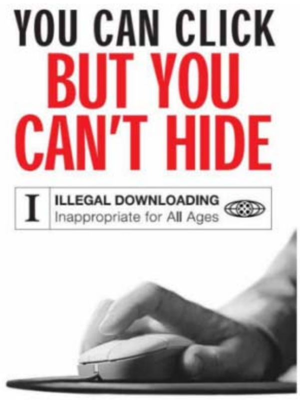
Consumers realise software and entertainment companies "fight back".

- No consumer, however, reported such a perception regarding companies from other sectors.

Digital piracy is perceived to benefit from greater support from authorities

- Consumers from various countries readily cited examples of law enforcement initiatives or legal actions against digital pirates.

- Apart from customs and airports, consumers felt little risk of being charged for owning counterfeit goods. They did report, however, feeling they could have trouble if someone checked their PC and found illegally downloaded materials.



In the WIPO Database used as a resource for reviewing anti-counterfeiting and anti-piracy campaigns, we identified a large predominance of anti-piracy campaigns.

26% of the campaigns targeted film piracy, 19% focused on music piracy, and 14% of them promoted anti - software piracy messages.

If consumers seem to be more aware both of the illegal nature and associated prosecution risks of digital piracy, credit probably goes to this unmatched, regular and intense campaigning effort.

1.4: Consumer Survey (Quantitative) Key Findings

1.4.1: 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 U.K. consumers.

- Generally speaking, the percent of consumers reporting having bought C/P products tends to decrease as income increases. However, the U.K. 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 U.K. 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 U.K. 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 U.K. 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.

1.4.2: 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 U.K. 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.

1.4.3: 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 U.K. 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 U.K. Half (51%) of U.K. consumers believe their government is really working against C/P vs. 16% of Russians. Only 15% of U.K. (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 U.K. consumers).
- In the U.K., 29% of consumers reported a “policeman saying C/P dealers are criminals” would be credible. In Russia, only 13% consumers would believe a policeman.

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.

1.5: Conclusions

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 - 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 - 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 recognise 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 - 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 organisations 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.

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.

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.

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 U.K.

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.

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 (U.K.), 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.

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.

2

METHODOLOGY

This Report summarises an extensive body of research conducted over an 18-month period to better understand consumer attitudes and behaviours towards counterfeiting and piracy. The research was conducted in three phases:

1. The Desk Research findings of this report are based on a review of approximately 176 consumer perception surveys conducted across 42 countries since 2000. It also includes a review of 202 awareness campaigns utilising a broad array of media outlets targeting consumers across 40 countries, and interviews with 15 experts from anti-counterfeiting organisations.
2. Then, armed with insights from these global activities to date, researchers worked on the ground with consumers in focus groups in Mexico City, Moscow, Mumbai, London and Seoul.
3. The Quantitative Surveys were then conducted on over 1000 consumers in each of the five countries: Mexico, Russia, India, U.K., and South Korea.

Details on this methodology are presented below.

2.1: Desk Research

In setting out to investigate 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 the project starting point.

In order to discover and aggregate what is already known about consumers' views on counterfeit and pirated products so as to build on current intelligence and identify where further investigation must be conducted, the research analysed 176 surveys conducted worldwide between 2000 and 2008. The surveys were gathered across 42 countries as well as from those with an international scope.

Most of the sources retrieved from the BASCAP and the World Intellectual Property Organization (WIPO) databases, which serve as repositories of research conducted by various public- and private-sector organisations, and additional surveys were gathered from primary research. The desk research also comprised a first-ever global review of consumer awareness campaigns that have been implemented from 2000 to 2008, so as to learn from their aims and to capture "creative" approaches already in circulation. Again, campaign materials were made available from BASCAP and WIPO. In total, 202 campaign materials were reviewed.

To gain further insight into current and recent campaigns, the project also conducted interviews with experts in the anti-counterfeiting field to collect best practices and learn implementation lessons for shaping an anti-counterfeiting program.

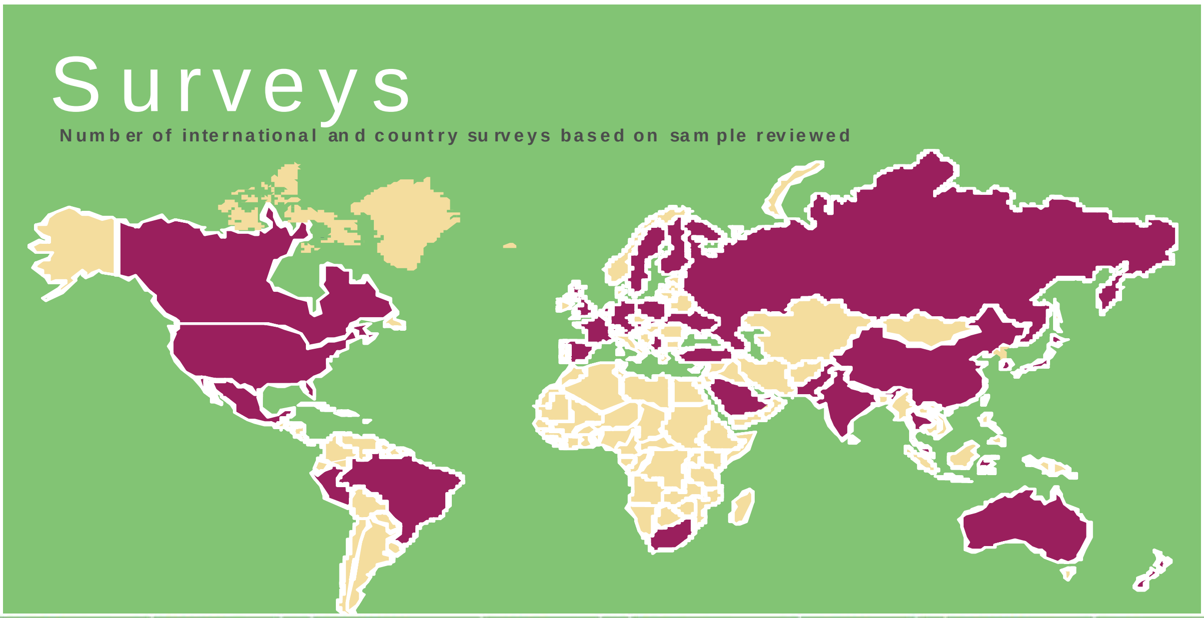
Notably, a number of senior public affairs and public relations counsellors from within Edelman were interviewed to gain their insights into aspects of campaigns aimed at changing social behaviour, from recycling to smoking cessation.

2.1.1: Audit of Consumer Surveys

The desk audit and analysis comprised an investigation of 176 consumer surveys. The surveys spanned 42 countries, with many international in focus. All surveys and reports analysed were conducted between 2000 and 2008 (Figure 1).

- The majority of the research and campaigns focused more on affluent markets and less on the developing world.
- Survey samples were dominated by consumer and student audiences and software piracy was the most popular area of focus.
- The research revealed a lack of audience targeting by campaigns.

<u>Figure 1:</u> Consumer Surveys (Geographic Distribution)



Country	Volume	Country	Volume	Country	Volume	Country	Volume
Australia	2	Global	1	New Zealand	3	South Africa	3
Austria	3	Hong Kong	8	Pakistan	1	Spain	3
Brazil	1	India	1	Peru	1	Sweden	1
Brunei	1	Indonesia	2	Poland	1	Switzerland	1
Canada	7	International	7	Republic of Korea	2	Taiwan	5
China	12	Israel	1	Russia	4	Thailand	2
E-U	2	Japan	1	Saudi Arabia	1	Turkey	1
Finland	1	Kyrgyzstan	1	Serbia	1	United Arab Emirates	2
France	3	Malaysia	2	Singapore	3	UK	19
Georgia	1	Mexico	4	Slovakia	1	Ukraine	1
Germany	4	Netherlands	1	Slovenia	1	US	76

Table 1: Target Audience of Consumer Surveys

Consumer and student audiences dominate survey samples:

Targeted Audience	% of Surveys reviewed (176 surveys, conducted 2000-2008)
General Consumers	38%
Students	33%
Mixture / Niche / Unknown	13%
B2B	11%
Youths	5%

Software piracy most popular area of focus:

Of the surveys recorded in the WIPO database, most common survey focus was software, closely followed by music piracy. A range of industry areas were covered, however, with surveys covering 23 in total.

Consumer experience and purchase drivers were the focus, rather than message testing:

Only about 1 in 10 of the surveys focused on potential deterrents and messages.

Fairly consistent questioning:

As focus topics tended to be similar across surveys (experience with counterfeiting, reasons for buying counterfeited products), so were the type of questions asked. However, a few surveys used interesting lines of questioning by putting respondents into context (what if…) or looking at the tipping points of acceptability.

Each survey was evaluated and the information broken out into an analysis grid. Data collected was categorised as follows:

- Title
- Survey conducted by
- Sector
- Country
- Date
- Survey type (qualitative/quantitative)
- Sample Size
- Top two drivers of counterfeit purchase (if applicable)
- Top two deterrents of counterfeit purchase (if applicable)
- Key Findings
- Key Learnings
- Full data-set available Yes/No
- Questionnaire available Yes/No

The level of detailed information found in each survey source varied significantly. Although basic information was commonly provided, such as the sample size and structure, the country and the year the survey was conducted, on many occasions the study's findings revealed only key data points. Any data points referenced in this document were extracted only from surveys with a sample size greater than 200 respondents (some smaller samples are referenced for niche markets), which is large enough to be considered as reliable by a research expert.

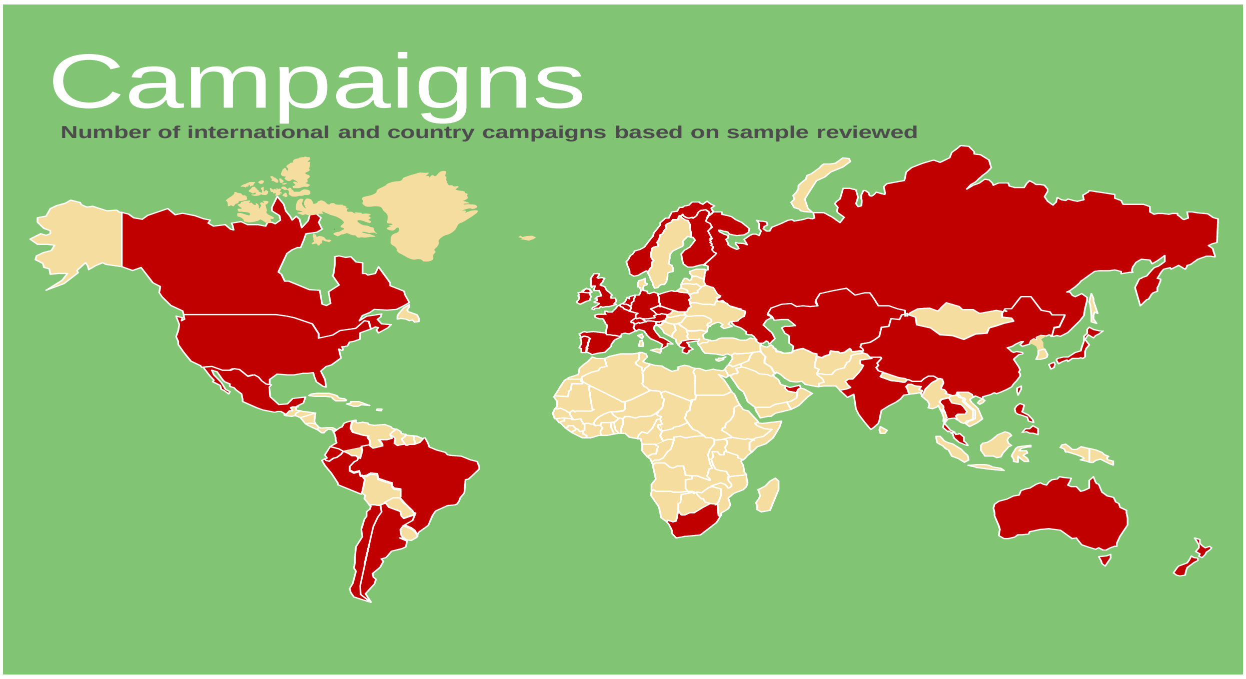
Filters were applied to the analysis grid and provided a quantitative output for the figures quoted in this report.

A list of sources is provided at Appendix 2.

2.1.2: Campaign Material Audit

An audit of 202 campaign materials was conducted among consumer awareness campaigns that had been implemented in the 2000's. Campaign material was collected from BASCAP and the WIPO databases.

Figure 2: Consumer Campaigns (Geographic Distribution)



Country	Volume	Country	Volume	Country	Volume	Country	Volume
Argentina	6	Finland	3	Japan	3	Russia	1
Australia	10	France	10	Kazakhstan	1	Singapore	2
Austria	3	Germany	5	Mexico	9	South Africa	1
Belgium	1	Greece	1	Netherlands	3	Spain	6
Brazil	9	Hong Kong	8	New Zealand	5	Switzerland	2
Canada	6	Hungary	2	Norway	1	Taiwan	4
Chile	1	India	5	Peru	2	Thailand	1
China	4	International	19	Philippines	2	United Arab Emirates	2
Colombia	3	Ireland	1	Poland	1	UK	20
Czech Republic	1	Italy	9	Portugal	2	US	36
Ecuador	1						

Affluent markets were the target of campaigns

Out of the 202 campaigns analysed, only 2% of the campaigns featured in low-income countries, while the rest featured in medium- to high-income level countries

Table 2: Target Audience of Consumer Campaigns

Campaigns Target Audience

Target Audience	Nb. of Campaigns reviewed (WIPO database, conducted in 2000's)
General Public / Consumers	95
Kid / Teenagers	52
Teachers	35
SMEs	29
Students	25
Retailers	24
Law Enforcement	18
Parents	13
Policy Makers	8
Right Holders	6
Journalists	4
Tourists	4
Farmers	1

Table 3: **Industry Focus of Consumer Campaigns**

Campaigns Industry Focus

Industry Focus	% of Campaigns reviewed (WIPO database, conducted in 2000's)
General Counterfeiting or Piracy	36%
Film Piracy	26%
Music Piracy	19%
Software Piracy	14%
Counterfeit Medicines	2%
Counterfeit Apparel	2%
Plant Piracy	< 1%
Agrochemicals	< 1%
Trademarks	< 1%

Each campaign was evaluated and the information broken out into an analysis grid. Data collected was categorised as follows:

- Country
- Campaign Organiser
- Sector
- Target Audience
- Tools used to implement campaign
- Message

Information on the budget, design and effectiveness of campaigns was not available through the review of these materials. Filters were applied to the analysis grid and provided a quantitative output for the figures quoted in this report.

2.1.3: Expert Interviews

A series of in-depth telephone interviews was conducted to gain further insight into current and recent campaigns.

Each interview lasted between 30-40 minutes, following a discussion guide that focussed on the following topics:

- Type of initiatives and campaigns—if any—recently organised
- Campaign execution (channels, tools, etc.)
- Campaign topics and messaging
- Process behind message design
- Use of research and measurement for design and effectiveness
- Geography and market approach
- Campaign partners
- Campaign budget and sources of funding
- Key successes of the campaign
- Pitfalls identified

2.2. Focus Groups: Qualitative

Twenty (20) focus groups were conducted in major cities: London, Mexico City, Moscow, Delhi, Mumbai and Seoul.

The sample comprised of:

- 180 participants from major cities (about 36 per country)
- A range of participants from medium-low to high income levels
- Groups were balanced on gender and age
- Participants were regular or occasional C/P purchasers. At least two people in each group had purchased C/P goods unwillingly.

Each focus group lasted approximately 1 hr 30 minutes and followed a discussion guide that covered the following main topics:

- **Consumers' past experiences with counterfeit and pirated products**
    - Purchase history
    - Satisfaction with counterfeit and pirated products
    - Drivers of counterfeit/pirate purchase
    - Risk association
- **Message deterrents mapping**
    - Message ranking
    - Message to product linkage
    - Production line (where do counterfeits come from)
- **Communications messenger mapping**
- **Advertising testing**

Fieldwork Dates:

- 4 groups in London: Wednesday 18th March 2009 and Thursday 19th March 2009
- 4 groups in Mexico City: Monday 30th March 2009 and Tuesday 31st March 2009
- 4 groups in Moscow: Tuesday 19th May 2009 and Wednesday 20th May 2009
- 4 groups on Seoul: Thursday 28th May 2009 and Friday 29th May 2009
- 2 groups in Mumbai: Saturday 13th June 2009 and Sunday 14th June 2009
- 2 groups in Delhi: Monday 15th June 2009 and Tuesday 16th June 2009

Table 4: Recruitment Criteria (Focus Groups)

Recruitment was based on the following criteria:

	GENDER	INCOME LEVEL	AGE	BUY COUNTERFEIT/PIRATED GOODS
GROUP 1	Male	Medium	41-50 yo	Regular
	Male	Medium	51-60 yo	Sometimes but not on purpose
	Female	Medium	41-50 yo	Regular
	Female	Medium	51-60 yo	Regular
	Male	High	41-50 yo	Regular
	Male	High	51-60 yo	Regular
	Female	High	41-50 yo	Sometimes but not on purpose
	Female	High	51-60 yo	Regular

	GENDER	INCOME LEVEL	AGE	BUY COUNTERFEIT/PIRATED GOODS
GROUP 2	Male	Medium	20-30 yo	Occasional
	Male	Medium	31-40 yo	Occasional
	Female	Medium	20-30 yo	Sometimes but not on purpose
	Female	Medium	31-40 yo	Occasional
	Male	High	20-30 yo	Occasional
	Male	High	31-40 yo	Occasional
	Female	High	20-30 yo	Sometimes but not on purpose
	Female	High	31-40 yo	Occasional

	GENDER	INCOME LEVEL	AGE	BUY COUNTERFEIT/PIRATED GOODS
GROUP 3	Male	Low	20-30 yo	Regular
	Male	Low	31-40 yo	Regular
	Female	Low	20-30 yo	Sometimes but not on purpose
	Female	Low	31-40 yo	Regular
	Male	Medium	20-30 yo	Regular
	Male	Medium	31-40 yo	Regular
	Female	Medium	20-30 yo	Sometimes but not on purpose
	Female	Medium	31-40 yo	Regular

	GENDER	INCOME LEVEL	AGE	BUY COUNTERFEIT/PIRATED GOODS
GROUP 4	Male	Low	41-50 yo	Occasional
	Male	Low	51-60 yo	Occasional
	Female	Low	41-50 yo	Sometimes but not on purpose
	Female	Low	51-60 yo	Occasional
	Male	Medium	41-50 yo	Occasional
	Male	Medium	51-60 yo	Sometimes but not on purpose
	Female	Medium	41-50 yo	Occasional
	Female	Medium	51-60 yo	Occasional

- Participants qualified as “regular buyers” must have personally purchased at least 2 different kinds of products regularly.
- Participants qualified as “occasional buyers” must have personally purchased at least 2 different kinds of products occasionally.
- In each group, there were buyers of at least seven different types of counterfeit/pirated products.

In South Korea it is not recommended to mix age and gender, due to cultural sensitivities. The target sample for South Korea was therefore re-shaped as below:

- G1. Young(20-34) Female. Mix of frequency and income level
- G2. Young(20-34) Male. Mix of frequency and income level
- G3. Older(35-49) Female. Mix of frequency and income level
- G4. Older(35-49) Male. Mix of frequency and income level

In India it is not recommended to mix gender among focus group participants, due to cultural sensitivities. The target sample for India was therefore re-shaped as below, with groups 1&4 in Mumbai and 2&3 in Delhi:

- G1. Male. Medium-High income. Mix of age (20-60) and regular purchase frequency
- G2. Male. Medium-High income. Mix of age (20-60) and occasional purchase frequency
- G3. Female. Medium-Low income. Mix of age (20-60) and regular purchase frequency
- G4.Female. Medium-Low income. Mix of age (20-60) and occasional purchase frequency

2.3: Consumer Surveys: Quantitative Research

A quantitative consumer survey was conducted across demographics in each of Mexico, U.K., South Korea, Russia and India, which built on the combined insights from the global desk research and the focus groups.

- Each sample was a nationally representative sample, comprising 1,000 consumers per market. Interviews were conducted online in Russia, South Korea, U.K. and Mexico. Face-to-Face interviews were conducted in India.
- The margin of error on a sample of 1000 is +/- 3.1% and on the total sample of 5000 is +/- 1.37% (at the 95% confidence interval).

Fieldwork Dates:

- U.K.: 24th April 09 – 29th April 09
- Mexico: 24th April 09 – 29th April 09
- Russia: 26th June 09 – 3rd July 09
- South Korea: 26th June 09 – 3rd July 09
- India: 29th June 09 – Monday 13th July 09

Country demographics to which the data was weighted are as follows:

<u>Table 5:</u> Country Demographic Weighting (By Gender and Age)

	GENDER	INCOME LEVEL
GENDER	Male	52%
	Female	48%
AGE	18-24 yrs	24%
	25-34 yrs	17%
	35-49 yrs	26%
	50+ yrs	34%

<u>Table 6:</u> Country Demographic Weighting (By Monthly Household Income US$)

	LOWEST INCOME CATEGORY	HIGHEST INCOME CATEGORY
UNITED KINGDOM	<24 K$ 24%	>82 K$ 13%
MEXICO	<11 K$ 26%	>45 K$ 14%
RUSSIA	<4 K$ 15%	>20 K$ 13%
INDIA	<4.8 K$ 40%	>20 K$ 24%
SOUTH KOREA	<14 K$ 15%	>73 K$ 5.3%

3

DESK RESEARCH
Detailed Findings

3.1 Introduction

The information used for the desk research was drawn from the review of consumer surveys that have been conducted worldwide since 2000 and the review of consumer awareness campaigns that have been implemented in the 2000's. This body of knowledge has been complemented by interviews with experts in the anti-counterfeiting field.

This section provides the reader with detailed findings from the desk research. However, a number of wider observations made throughout this stage of the research should also be noted.

- In order for anti-counterfeiting messages to gain traction amongst so many issues in today's society, the media must be engaged, prompted to action and supplied with information. A 2007 BASCAP survey indicated that countries with strong IP enforcement regimes usually feature an active media that play an important role in increasing public awareness about the need for IP protection.

- It may be important to play to the emotional and rational sides of the consumer. The desk researches demonstrates that consumers might very well recognise purchasing a counterfeit good is illegal, but yet still do so. However, if the facts are combined with an emotional argument (i.e. doing so supports organised crime) the argument might serve as a greater deterrent.

- Multiple channels could be used to increase message resonance. Consumers no longer turn to one medium for their information. In fact a recent study by Pew Research demonstrated the average informed consumer reads or watches seven sources of media each day – and that does not include text messages, e-mails, advertisements and other forms of communications. The 2009 Edelman Trust Barometer of opinion elites in 20 countries revealed nearly 70% of those polled need to hear or read something 3-5 times to believe it which supports the position that one form of communication alone will not win the day.

- Make it simple for the consumer. Consumers need to be provided with a realistic call to action to engage on an issue of this nature that requires changes in social behaviour. Recommendations such as turn down your thermostat to combat global warming or wash your hands to avoid a pandemic are simple, practical and measurable.

3.2 Drivers of Counterfeit/Pirate Purchases

- Expanding availability positions fakes as low-hanging fruit
- 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

The growing trend in consumer purchasing of counterfeit goods cannot be explained by one single factor. In fact there are myriad drivers, starting with product-related factors such as price of goods, availability and quality of fakes. Social and contextual factors also play a part, particularly the place where the purchase is made, the purchase situation and the legislation and enforcement mechanism in place. Finally, the research demonstrated that the impact of demographic and psychographic factors on the purchase decision of buying fake goods (i.e. attitudes toward piracy, the willingness to take risk and the ability to rate the quality of a product before buying it) cannot be underestimated.

Among these factors, the following emerged as key drivers for acquiring counterfeit and pirate products.

Expanding availability positions fakes as low-hanging fruit

Because fakes have become so readily available, more and more consumers are exposed to opportunities to acquire non-genuine goods outside of traditional, legal marketplaces. The simple presence of counterfeit and pirate products establishes the first order of temptation, as conversely, a number of the report findings show that if the fake item had not been available, the acquisition would not have taken place. Easy access, therefore, positions counterfeits as 'low-hanging' fruit, ready for the taking.

Price and increasingly better quality create temptation

Consumers who knowingly buy or acquire counterfeit goods are most often driven by the relatively lower price of counterfeits: either they believe the market price of the product is "over-priced"; or if the market price is perceived to be fair, they may still be unable to afford the genuine item. Moreover, surveys show that when the fake product is of an acceptable quality, the combination creates a tempting alternative to acquiring the product through legal consumer market practices.

Low risk of penalty equates to a license to buy

Research shows that many consumers believe that counterfeiting and piracy laws should be stricter. And while some countries have introduced consumer penalties, others have not or do not actively police and prosecute the crime. Where a strong legal environment does not exist, the studies show the rate of counterfeiting and piracy is likely to be higher. As a result, the absence of rules, limited government efforts to educate consumers on legal regimes and low level of penalties strengthens the complicit nature of choosing fake products over genuine goods. Conversely, surveys show numerous examples where consumers convey that if buying counterfeits were illegal and the threat of criminal proceedings were real, they would be significantly less likely to pursue counterfeit or pirate products. A troubling observation from several studies suggests that the consumers' attitude and inclination towards counterfeit and pirated goods is influenced by a noticeable irregularity of efforts the government may or may not take to enforce IP laws.

Availability, quality, price and low risk generate an overall sense of social acceptability

Research shows that consumers increasingly have the attitude that there is nothing wrong with, nor embarrassing, about buying or acquiring fakes. In fact, the views of many consumers are that counterfeiting is a "victimless crime" and "it doesn't hurt anybody". As a result, an aura of social acceptability has emerged, where consumers freely and readily admit to their peers that they've bought a fake.

3.3 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'

The following messages emerged as the top deterrent messages.

Health & safety consequences top the list

Consumers don't want to be damaged by a counterfeit product. This is true for their physical health and well-being, but also for their belongings, such as computers, DVD players or mobile phones. Consumers expressed a clear desire to avoid counterfeits with health and safety implications, such as beverages and cosmetics, and also were wary of bad experiences where electronic possessions had been damaged by use with fake software or DVDs. This expansion of the standard health & safety argument could serve as a powerful deterrent, cutting across industry sectors typically difficult to link intellectually.

Threat of legal action or prosecution delivers a wake-up call

The threat of being subject to criminal sanctions appears to have a demotivating effect on potential consumers of fakes. Information from consumers revealed that an aggressive campaign penalising purchasers makes people afraid to discuss their acquisition of fake goods. In short, consumers admit that if they were actively targeted for prosecution, they would likely be deterred from buying fakes.

Campaign examples:

➔ ***Pfizer U.K.*** *Campaign is meant to shock viewers by showing a man pulling a dead rat out of his mouth after consuming medicine bought from an illicit Website.*

➔ ***CACN*** *Canadian poster campaign – "Would you risk her life?"*

➔ ***Software & Information Industry Association (SIIA)*** *delivered among US consumers, "My Daddy Went to Jail Because of Content Piracy and all I got was this stupid t-shirt", "Copy Software Illegally and You Could Get This Hardware Absolutely Free".*

➔ ***Comité Colbert****, French Customs use posters targeted at tourists and the general public to communicate that buying or carrying a counterfeit product in France is a criminal offence.*

Links to organised crime have more traction than might be thought

While the effectiveness of links to organised criminal activity as a deterrent to purchases of fakes may be quite region-specific, the risks posed by the links between counterfeiting and piracy and support for organised crime seem to have broad resonance, particularly in developed countries. This may be especially true if audiences are prompted to think about the production and/or distribution chains of a counterfeit or pirated good, and in whose pockets the profits of the illicit enterprise end up. Experts interviewed suggested, however, that the organised crime argument must be tailored to the context of the audience. For example, connecting other concerns related to a particular counterfeiting marketplace provides additional reasons to believe the connection to organised crime. When prompted to consider the sources of fake products they purchase, consumers reported that they did not like to think that their actions contributed to organised criminal activities such as drug smuggling and prostitution.

Campaign example:

*➔ **UNIFAB** public opinion campaign running in France; including message on the link between counterfeiting and organised crime.*

People don't want to harm 'someone like me'

The most immediate deterrents are those relating to consumers themselves, but the idea that counterfeit business could harm "a person like them" resonates powerfully. Consumers may be indifferent to broader economic or social factors, but they don't want to be associated with job losses that could affect people they identify with or feel close to.

However, there is no blanket message that can be used to deter consumers from buying counterfeit or pirated goods. Often campaigners will use a set of messages that can be combined and adapted to a specific market. Further research should be conducted to identify messages that may work depending on the audience and country being targeted, the type of product counterfeited or pirated, the profile of the consumer and the context of fake purchasing.

3.4 Conclusions from the desk research

- Campaign messages have not matched observed consumer deterrents
- Consumers may listen to a victim of counterfeiting-related harm
- There is no silver bullet approach for delivering your message
- A campaign without measurement is immeasurable

Campaign messages have not matched observed consumer deterrents

Research revealed a troubling gap in strategies used by consumer awareness campaigns designed to stem consumer demand for counterfeits: in the universe of materials reviewed, the messages chosen most often for use in campaigns didn't consistently track the messages that consumers most often cited in surveys as being convincing. Whereas the threat of legal action, health & safety consequences and links to organised crime emerged as key consumer deterrents, the majority of campaigns were informational in nature or were aimed at less germane deterrents, such as economic and ethical motives. For example, while health and safety arguments were among the top three deterrents regularly cited by consumer surveys, this message was used in only 11% of the campaigns reviewed.

There are a number of palpable reasons for this disconnection, not the least of which being the diversity of organisational objectives behind the various campaigns, i.e. a campaign sponsored by the luxury goods industry might not include a focus on health & safety risks. Given the limited resources for many of the campaign efforts and heretofore limited knowledge of consumer attitudes towards counterfeit products, it can also be deduced that a majority of campaigns were not overly sophisticated in their construction, nor based on evidence of consumer behaviour.

As a result, an effective consumer awareness campaign must concentrate on a set of key messages that create a core resonance relevant to a majority of consumers. Once this set of messages is seeded, they can be complemented with ancillary messages that communicate specific product or demographic characteristics.

Consumers may listen to a victim of counterfeiting-related harm

Consumers don't like to think that they have been fooled by buying a fake, as they want to protect their self-image and self-respect. While purchasers don't want to think of themselves as victims, but rather as smart shoppers when they purchase counterfeit or pirated goods, they may be receptive to anti-fake messages delivered by a victim. To be an effective messenger, a victim would have to be perceived as real and exempt from identification with "big companies". A victim that has experienced a physical problem as a result of buying or using a fake, or a parent talking about how his or her child was hurt because of a counterfeit good the parent had purchased could be a powerful messenger.

There is no silver bullet approach for delivering your message

While the majority of campaigns might have been based on limited input, taken together they utilised 26 different tools to deliver their messages. The breakdown of the most popular tools used was as follows: websites (59%), brochures (36%), leaflets and posters (28%), radio / TV ads (26%), films / videos (22%).

Table 7: Consumer Survey Outreach Tools

Outreach Tool	No. of Campaign reviewed (WIPO database, conducted in 2000's)
Websites	120
Brochures / Guides	72
Posters	57
Print / Radio / TVA / PSAs	53
Campaign	47
Films / Videos	44
Scholarship / Grants / Awards	38
Training	31
Competition	31
Events	28
Media Coverage	25
Spokespersons / Spokescharacters	21
Curriculum Material	21
Newsletters	15
Web 2.0. Tools	13
Cartoon Animation / Comics	11
Studies / Research	10
Helpline / Hotline	10
School Visits	8
Multimedia Products	5
Exhibitions	5
Interactive Games	5
TV Programs	3
Museum	2

A campaign without measurement is immeasurable

Surprisingly, none of the surveys or campaigns reviewed indicated that creators of anti-counterfeit campaigns had taken the critical step of measuring the effectiveness of their campaigns. Likewise, interviews with the anti-counterfeiting experts revealed that most had not undertaken measurement of their efforts, and those that had, used small-scale, relatively ad hoc approaches. Of the measurement conducted, most used included counts of website visits, small questionnaires distributed directly to the target audience to assess opinion on the campaign and sporadic ad hoc surveys to assess shifts in attitudes.

4

CONSUMER RESEARCH
Detailed Findings

Upon completion of the desk research phase of the project, a tremendous amount of data on consumer perceptions toward counterfeiting and piracy had been gathered. This disparate collection of research was then examined collectively and analytically to yield the findings presented in Chapter 3.

From these findings, a number of interesting and consistent hypotheses emerged to form the basis of the second and third stages of the project – the *qualitative* testing of hypotheses through focus groups, followed by a validation of the findings through *quantitative* survey research.

The information presented here in Chapter 4 is derived from the focus groups[1] and survey work conducted with consumers in five countries: Mexico, Russia, the U.K., India and South Korea. These countries – and the focus group locations in Mexico City, Moscow, London, Mumbai, Delhi and Seoul – were selected on the basis of their representational diversity of geographic location, economic development and counterfeiting problems.

[1] *Editors note: The output of discussions, debates and conversations presented here summarize the subjective and freely expressed consumer opinions collected in the focus group sessions and do not reflect in any case BASCAP positions or beliefs. The use of quotation marks ("-") is intended to convey direct consumer comments or sentiments expressed during the focus group process.*

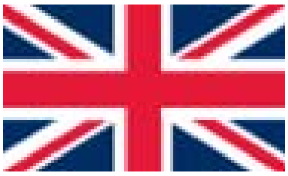
Section 4.1 "Country Profiles "introduces the reader to the countries where the in-depth research was conducted, by profiling a variety of the more salient responses collected during the focus group sessions.

Section 4.2: "The State of Counterfeiting" provides an aggregated summation of the detailed findings concerning consumer profile, counterfeit market share in the various sectors and countries, and finally an analysis of the drivers and deterrents behind the purchase.

S**ection 4.3 "Learnings about Messengers"** investigates the credibility of potential ambassadors or spokespersons in an effective anti-counterfeiting and piracy campaign.

4.1. Country Profiles (Qualitative Diagnosis)

4.1.1 United Kingdom



Generally speaking, buyers of counterfeit or pirated goods in the U.K. don't feel guilty about their actions; they tend to see it as a "game" or alternatively a "smart shopping move". They feel they can talk about their purchase quite easily with most friends, sometimes providing them counterfeit shopping "tips". They sometimes want to keep the origin of their purchase secret but usually only for a "high quality counterfeit" so they can pass it off as the genuine item.

Counterfeit purchasing appears to be an "instant" process for people in the U.K. Consumers interviewed tended to think about the here and now in quite a hedonistic and selfish way. They don't seem to pay attention to the past (i.e., the product lifecycle, how the product reached them) and they don't think about the future (i.e., the quality of the product, the risk associated with it).

In the U.K., where buying a counterfeit is most often not a need but a "game/pleasure", this kind of purchase can look like "adultery". If legitimate brands can be equated to beloved spouses, counterfeits or pirated goods are the quick/consequence-free/frustration-relieving affairs that consumers indulge themselves with. They might regret it, they might not want their marriage to be ruined, but their frustration and want for pleasure drive them to voluntarily ignore the context of their actions and to ignore their conscience.

An effective campaign in the U.K. might therefore directly link the purchase of counterfeit or pirated goods to consequences and aftermaths. This might be done by emphasising what is really at stake for them and their relatives (safety/risk to their equipment) and what consumers associate themselves with when doing it (organised crime/economy-damaging process…).

"I love counterfeit handbags and things you can buy in Spain. I buy a lot from there. But I don't really buy counterfeits from England at all."

"The only things I ever buy are clothes and DVDs and I don't think they could do much to you apart from shrink or something."

"I think they have sort of tried to say counterfeiting is linked to organised crime, but I think because I don't really hear about or see the connection it's sort of a bit distant."

"What could stop me from buying? I think the word that jumps out at me is 'against the law' because it's always in the back of your mind."

"For people who can't afford it, there's no shame in it (owning a fake) at all for me. I would never be able to afford Gucci or Chanel or anything like that."

4.1.2: Mexico

Buying counterfeit or pirated goods seems to be a more generally or naturally acceptable part of the Mexican way of life. Consumers don't feel bad about C/P since it's simply a part of an overall "system" where illegality is commonplace.

Legal and ethical compromises are reported as socially acceptable as Mexicans consider themselves to be "victims" of an already unfair situation. They live in what they call the "2nd world": not a third world country (cultural aspiration/proximity with the States/middle class does exist) but nonetheless excluded from the "1st world" (as a large part of the country is at very low income levels, especially in the countryside). Their government system is sometimes described as corrupt and law enforcement is sometimes seen as a failure.

Buying counterfeit or pirated goods is thus perceived as an opportunity to "find their way" through an unfair life -- acquiring products they need while avoiding unfair taxes from a poorly trusted system. Many middle class Mexicans experience this unfairness when travelling to the U.S., where they can buy products at much cheaper prices than in Mexico.

In a variety of ways, counterfeit and pirate (illicit) business is perceived as a reasonable way to ease social tension. Government is seen as tolerating it to allow consumers to access the products they need/crave. This is true for pleasure-oriented products (clothes, jewellery, DVDs, CDs) but also for medicines.

"I was looking for an old mobile phone loader, I went to official stores, they did not have it, refused to look for it, said it was complicated. I went to the guy in the market and he just told me to come back tomorrow. I found it in just one day!"

"My daughter wants to be fashionable but I don't have money to spend buying fancy clothes so I buy the fakes ones, I know they won't last but that's ok."

"I think it is more risky when it is something we intake, eat or put on our bodies."

"People cannot get in trouble when buying CF, policemen are wearing CF! Would you put all Mexicans in jail!"

"Of course I do not feel unethical when I buy a counterfeit product. I forget about that because the price is so appealing."

4.1.3: Russia

Counterfeit and pirated products are rife in the Russian market place. They intrude on all industry sectors from luxury goods and clothing to medicines and alcoholic beverages. As a result there is a distrust among Russian consumers who feel they have no protection against counterfeit and pirated products. They cannot guarantee they are buying real, even when they are making a purchase from a legitimate store.

They report that they are able to justify their fake purchasing or illegal downloading because they "need" that item, but they just can't afford it "through no fault of their own". If prices of genuine products were lower or their wages were higher, then there would be no need to buy counterfeits.

Counterfeit and pirate purchasing does not necessarily make Russians feel good. Counterfeit alcoholic beverages for example should not be shared at a dinner party, fake perfume would not be given as a gift and no one wants to knowingly let their children play with counterfeit toys. However, other items such as luxury goods, clothes and DVDs can be considered "clever buys" as the quality is acceptable for their purchase (disposable) and the price is much lower.

The Russian tradition of owning a summer house, or dacha, may contribute to the regular purchase of these types of items as good quality goods are acceptable for their summer getaways.

Counterfeit items which are normally associated with much higher consumer risk oddly appear to be bought and used quite regularly in Russia. Auto parts, medicines, alcohol and perfumes all fall in to this category, and although Russians seem to be aware of the dangers, they report they often do not know they are buying fake or that they simply cannot get the original in the Russian marketplace.

"We buy a fake product, which is five-fold cheaper. It's a conscious purchase aimed at saving money."

"Sometimes it is very difficult to find licensed products."

"Health risks could stop me! Everything concerning health is very important. It's true as well for automotive spare parts."

"Before I started using licensed software, I installed counterfeit software twice. I shouldn't have done it! I think it's much better to pay more money and feel OK."

"The state is quite satisfied with fake production. If it is was not satisfied, no fake products would be on sale."

"Government should start speaking of CF, everything starts from them."

4.1.4: South Korea

Koreans tend to place great importance on their appearance. They want to look good in front of their peers as well as to the wider developed world which they feel they have now successfully become a part of. As a result, their mindset is focused on having and showing off the latest gadget, technology, fashion design, etc.

In an attempt to justify their illicit actions, Korean's like to keep the process of buying counterfeits and pirated goods fun and victimless. One way they do this is by referring to counterfeit or pirated products using a less formal/serious descriptor, such as "Bling" Younger consumers seem more likely than older ones to have guilty feelings when buying counterfeit or pirated goods.

Expectations on counterfeit and pirated product quality are fairly low. As a result consumer satisfaction with counterfeit or pirated goods is generally quite high. Quality of technology is reported as being poor, but compensation is taken through the low price. Where high quality counterfeits do exist, they are referred to as 'Class A' and are kept "hush hush.

Counterfeits and pirated product in general though are discussed openly among close friends and family. There is the wish to show off their counterfeit or pirated items and pass them off as the genuine product if they are of good enough quality. This does not mean that counterfeits and pirated goods are entirely acceptable within society. In more formal environments (for example a business meeting), men in particular would not want to be found to be wearing fake as this would lead to embarrassment among those they are trying to impress.

Wearing or using a counterfeit or pirated product is not as easy to pass-off as the genuine item as one might think. Koreans look at the product itself, but they also take into consideration the person's place in society before they form a conclusion about the item's origin (counterfeit or genuine).

"It's more about showing off – that's why people buy counterfeits. On the quality side people don't really think about this when buying fake. It is about how people see you."

"My job means I have to look presentable so I would rather have the real item – especially in those things which show to other people."

"If it is a foreign premium brand then we pay royalties to overseas. I'd therefore prefer to give my money to a Korean copy maker."

"There was once some law enforcement on copy movies and videos and at that time many people refrained."

"I would worry about small businesses closing because of CF – but I worry about my finances more."

4.1.5: India

India is the country where consumers reported the most common and extensive use of counterfeit and pirated products. For consumers in India it is a "natural" way of life and as a result many found the concept of counterfeit/pirate irrelevant, or had trouble understanding it.

As a result, counterfeits and pirated goods are said to form a huge part of the Indian economy. In many product areas they are more prevalent than their genuine counterparts. "Re-used", "repaired" and "re-filled" products are also prolific in the Indian market place.

Many examples were given of empty original soft drinks or cosmetic bottles being re-filled with diluted or different liquids. This contributes to the "blurring of the image" between counterfeits and legitimate products.

The issue of counterfeiting and piracy is therefore unlikely to rank high among consumer concerns. For a large part of them, their daily life is compared to a struggle. Long daily commutes (specifically mentioned in Mumbai), low wages and the continual effort to continue to develop makes life hard. Larger concerns such as providing for their family therefore take prominence.

Availability is high in India. There are many dedicated counterfeit/pirate shopping areas where consumers can go to purchase fake luxury branded clothing (leather goods, accessories etc), and an enormous range of other counterfeit and pirated goods are sold by in the street, from small vendors as well as legitimate stores.

Indian consumers appear willing to buy many counterfeit and pirated items. Clothing seems to be the most popular, allowing consumers to keep up with ever-changing fashions and meet societal pressure to wear branded clothes. Counterfeit DVDs and luxury goods are also very popular, but more surprising, so are small electronic goods and auto parts.

Consumers reported they are less likely to buy counterfeit toiletries, cigarettes and medicine and say they often do not realize they have bought a fake until they get the product home or, for example, the medicine is not effective.

"We buy counterfeits to show off. We take knowingly the counterfeit ornaments"

"If you leave your car with the mechanic, he will tell he only uses genuine parts, but in reality they are duplicates."

"The bottle is original but the product is duplicate. We know it only after purchasing and breaking the seal."

"The counterfeiting is done in front of the police. They know it happens."

"You need to educate the consumer to make the difference between fake and genuine."

"Law should be implemented strongly, if people know they can get into trouble this would work."

"[People like us, we are not famous and people will not take us seriously […] A victim of counterfeiting will be accepted as a spokesperson."

"Ultimately Government has to be responsible for reducing counterfeit products. They can catch the network. They are proclaiming about reduction of counterfeit products but there is no proper move from them."

"I would worry about small businesses closing because of CF – but I worry about my finances more."

4.2. The State of Counterfeiting: Detailed Results

In this Section we give an overview of the detailed findings from the consumer research conducted in 5 countries over the first semester of 2009 (U.K., Mexico, Russia, Korea, India).

Results and insights are derived collectively from the Qualitative phase (20 focus Groups with consumers experienced with Counterfeit Purchase and Digital Piracy) and the Quantitative phase (Questionnaire on Nationally Representative Samples of 1,000 consumers in each country; total sample is thus 5,000 consumers).

4.2.1: Consumer Profiling

Beyond the incredible diversity of consumers we tried to identify patterns and demographic dimensions to qualify and document both consumer profiles and their relationship to counterfeit and pirate products.

4.2.1.1: Consumer Qualitative Typology

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.

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:

200 participants in the qualitative stage

3 police officers, 36 housewives, 18 business owners, 23 executives… consumers that agreed to participate in our focus groups in Mexico City, London, Mumbai, Delhi, Seoul and Moscow were from all stripes!

All had in common a quite natural and spontaneous relationship to counterfeiting and piracy.

However, the more we talked, the more we asked participants about their habits, analysed the reasons behind them, tested deterrents and ranked messages… the more faces went serious and voices lowered.

Despite our best effort to remain unbiased, many consumers were "opening their eyes", realising their purchases were not as harmless as they wanted at first to believe.

« 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.

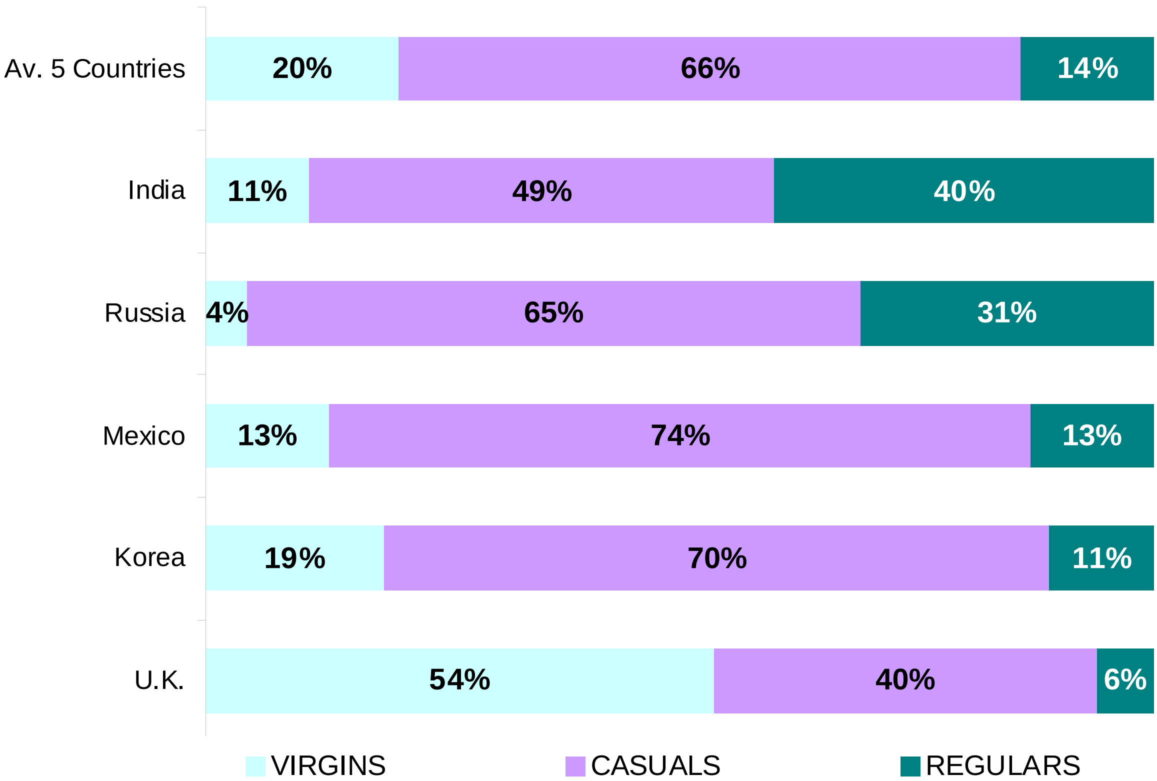
4.2.1.2: Consumer Quantitative Typology

This Typology has been built using respondents' answers on the type of product ever bought as counterfeit or pirated product and the frequency with which they purchase them.

- "*Virgins*" are consumers that reported they never bought a counterfeit or pirated product in any of the 14 product categories tested.
- "*Casuals*" are consumers that reported they bought some counterfeit or pirated products "from time to time" or "seldom" for at least one of the product categories.
- "*Regulars*" are consumers that reported they bought some counterfeit or pirated products "regularly" for at least one of the product categories.

⇨ ***"Regulars" are most prevalent in India, Russia and Mexico, while the "Virgins" are most common in the most developed market, the U.K.86% of the consumers surveyed reported to have bought a counterfeit or pirated product at least once***

Table 8: Counterfeit Consumer Typology

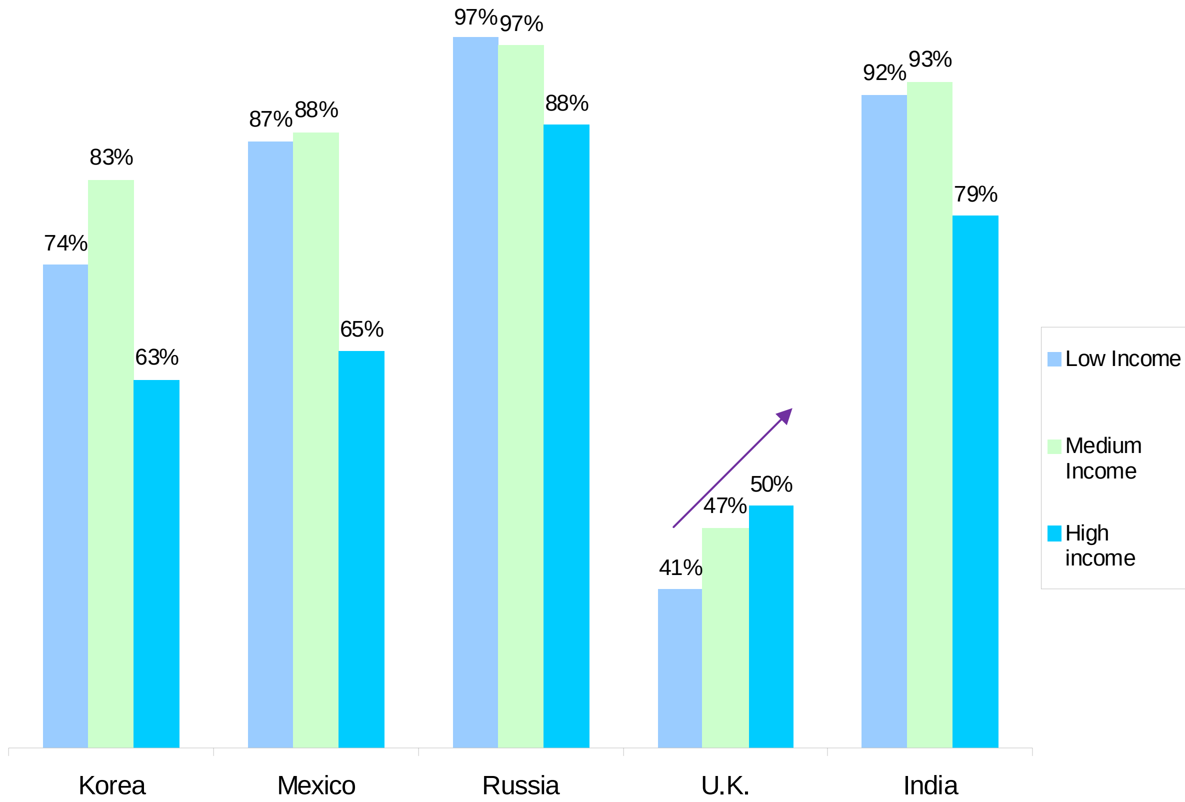


4.2.2: Counterfeiting Penetration

On the following charts, we present an analysis based on sub-groups' Counterfeiting Penetration Ratio: the share of consumers that report they already purchased counterfeit or illegal copies of at least one of the product categories.

⇨ ***Generally speaking, the percent of consumers reporting to buy counterfeits tends to decrease when income increases. However, the U.K. is an exception to the rule.***

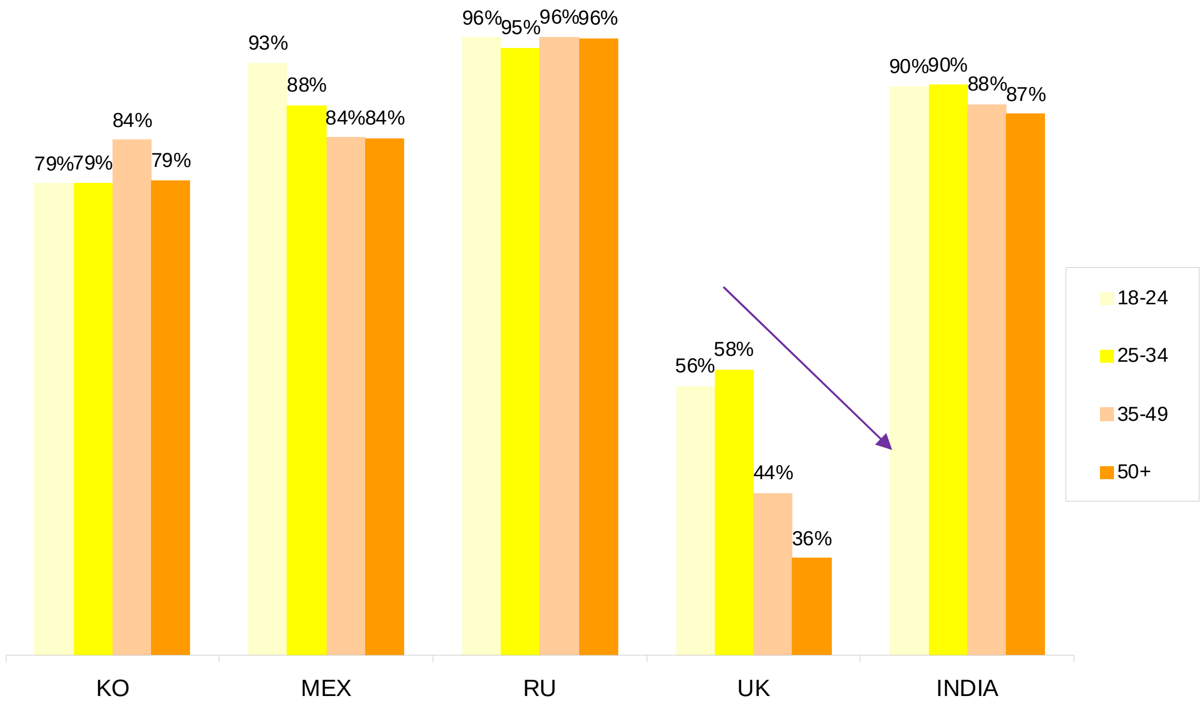
<u>Table 9:</u> Income Level Analysis (5 Countries comparison)



C/P penetration ratio tends to lower with income level, U.K. seems to be an exception in the 5 countries comparison with High Income consumers slightly more engaged in Couterfeit and Piracy than lower income level groups.

⇨ ***Counterfeit purchasers can be found among all age groups. However, generally speaking, there is a slight decrease with age in most countries. This decrease is much stronger in the U.K.***

Table 10: Age Group Analysis (5 Countries comparison)



CP penetration ratio tends to lower with age, this decrease is particularly obvious in the UK where Counterfeit penetration ratio is 20 pts lower for 50+ consumers than for 18-24 consumers.

4.2.3: Counterfeit Purchase Patterns

In this section are gathered results on purchase frequency, ease of access to counterfeit and pirate products in various categories, and a measurement of each category's "counterfeit potential".

4.2.3.1: Overview of counterfeit purchase pattern

This section provides an overview of the most common counterfeit and pirate product purchases in each country as discussed in the Focus Groups held in capital cities of the 5 countries:

United Kingdom

Most common products purchased are DVDs, luxury goods (such as handbags/purses, sunglasses, watches and jewellery) and clothing; very few consumers mentioned auto parts (but agreed this was possible); medicines were mentioned as well but most people said they didn't purchase them.

As for food, beverages and toiletries, people are not really aware of them and claim they would be reluctant to buy them (health issues and the feeling it would be a sign of social failure). Similarly, a few were aware of counterfeit toys, but said they would not risk their children by buying them. Consumers reported being aware of fake cigarettes but would rather go for smuggled ones than for copies, which they feel have a bad taste.

Illegal downloading of software was mentioned by only a few, and those who said they do it, knew it was illegal but were prepared to take the risk.

In U.K., online distribution channels were the most associated to the risk of purchasing Counterfeit products (willingly or unwillingly). This was specifically true for online auctioning websites (all products categories) and "spam" e-mails they daily receive (e.g., medicines).

Mexico

On many occasions during the focus groups, Mexican consumers said they were living in a "counterfeit" country, where "everything is fake", from MP3 players, to clothes, sneakers, watches and even pet food. Many consumers reported a great level of corruption where one can easily buy an authentic/fake diploma or driving license. Generally speaking, it was reported that Mexicans simply cannot trust what they see, and therefore even legitimate branding is less effective in conveying purchase comfort or security than in other countries.

Acquainting Mexican consumers with information that genuine product is manufactured in China further confuses the ability to understand differences between real and fake products and further undermines legitimate brand confidence. In many occasions consumers described "made in china" as incompatible with authenticity.

Russia

Russians appear to buy counterfeit and pirated goods in most product sectors. Low-risk and disposable counterfeit and pirated items are sought out and bought in order to save money. Such products include DVDs, software, luxury goods and clothing.

Counterfeit items which are normally associated with much higher consumer risk, oddly appear to be bought and used quite regularly in Russia. Auto parts, medicines, alcohol and perfumes all fall in to this category, and although Russians seem to be aware of the dangers, they report they often do not know they are buying fake or that they simply cannot get the original in the Russian marketplace.

South Korea

Korean's tended to be "shameless" about illegally downloading software and music. It is a way of life for them. As a result, consumers are constantly developing measures to counteract viruses and to avoid police prosecution.

Disposable items are also popular counterfeits in South Korea. Clothes and luxury goods are reported as commonly bought in order to impress peers and DVDs/CDs are also popular due to their wide availability and good quality.

Koreans do seem to be more wary of counterfeit products that they think carry a high health and safety risk, and as a result such items as medicines, toys, small electronic goods and auto-parts tend to be purchased only when there is pressure for an adult or their child to own a particular item, or when the consumer is duped in to buying.

India

Availability is high in India. There are many dedicated counterfeit/pirate shopping areas where consumers can go to purchase fake luxury branded clothing, leather goods, accessories etc, and an enormous range of other counterfeit and pirated goods are sold by street, vendors as well as legitimate stores.

Indian consumers appear willing to buy many counterfeit and pirated items. Clothing seems to be the most popular, allowing consumers to keep up with ever-changing fashions and meet societal pressure to wear branded clothes. Counterfeit DVDs and luxury goods are also very popular, but more surprising, so are small electronic goods and auto parts.

Consumers reported they are less likely to buy counterfeit toiletries, cigarettes and medicine and say they often do not realize they have bought a fake until they get the product home or, for example, the medicine is not effective.

4.2.3.2 Frequency of purchases

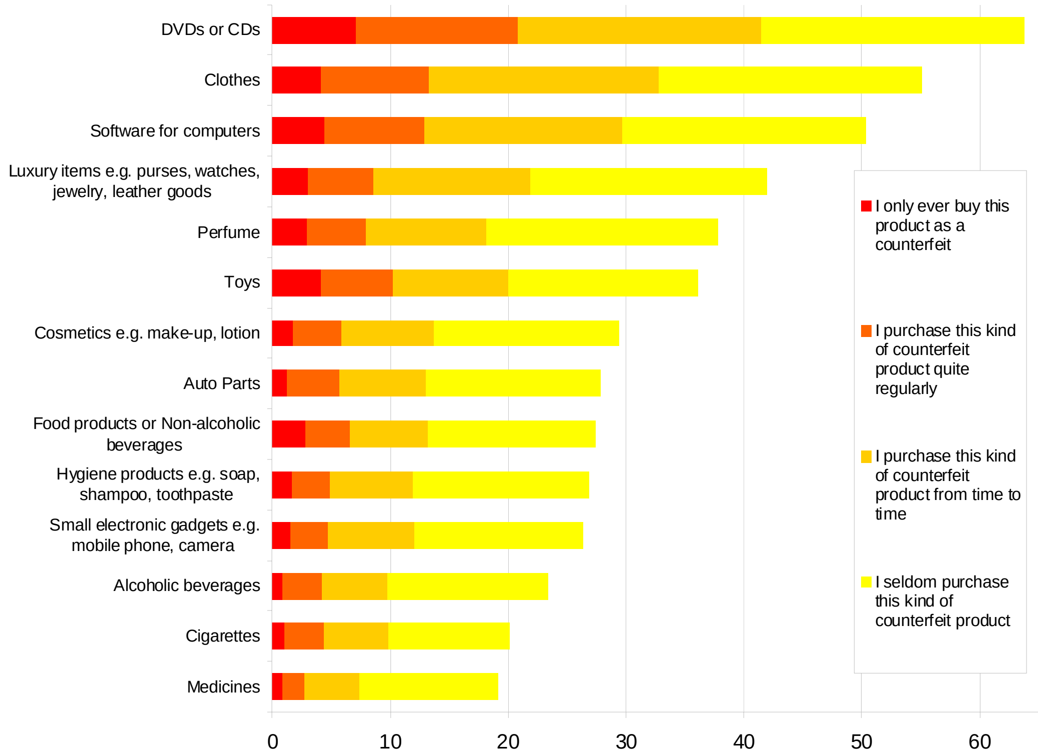
This section investigates the frequency to which consumers reported purchasing counterfeit in 14 products categories. These 14 products categories are the basic product breakdown used in most of the questions.

⇨ ***More than 1 in 2 consumers surveyed reported buying counterfeit DVDs & CDs, clothing and computer software - the highest for all product sectors. Cigarettes and medicines are the least commonly purchased.***

Table 11: 14 Product Categories Used in the Research

DVDs or CDs	Auto Parts
Clothes	Food products & Non alcoholic Beverages
Software for Computers	Hygiene Products e.g. Shampoo, Soap, Toothpaste
Luxury items e;g; Purses, Watches, Jewelry, Leather Goods	Small electronic gadgets e.g. Mobile Phone, Cameras
Perfume	Alcoholic Beverages
Toys	Cigarettes
Cosmetics e.g. Make-up, Lotion	Medicines

<u>Table 12:</u> Purchase Frequency for each product category (Global Sample)



Q4: For each type of product listed below, please tell me if you have ever purchased counterfeit or illegal copies and how often you do so? [All sample, n=5000]

4.2.3.3 Counterfeit potential

In each product category we considered the "counterfeit potential" was the % of consumers of a country admitting they purchased a fake or counterfeit in this product category "at least once". This is thus the current maximum "market potential" for Counterfeit in each category.

⇨ ***Counterfeit Potential varies greatly depending on country and category of products. Russia is a thriving market for C/P, and the counterfeit potential there is the highest for most of the categories tested. India is second with a very much diversified counterfeit potential. In the UK, the potential for most of the categories tends to be the lowest measured. Mexico and Korea are "average markets" for C/P potential, with Korea being comparatively stronger on clothes, medicines, electronic devices and food and beverages.***

Tables 6 & 7 convey the *Counterfeit Potential* per product category in a 5 country comparison.

<u>Table 13:</u> Categories where Counterfeit Potential is the highest overall:

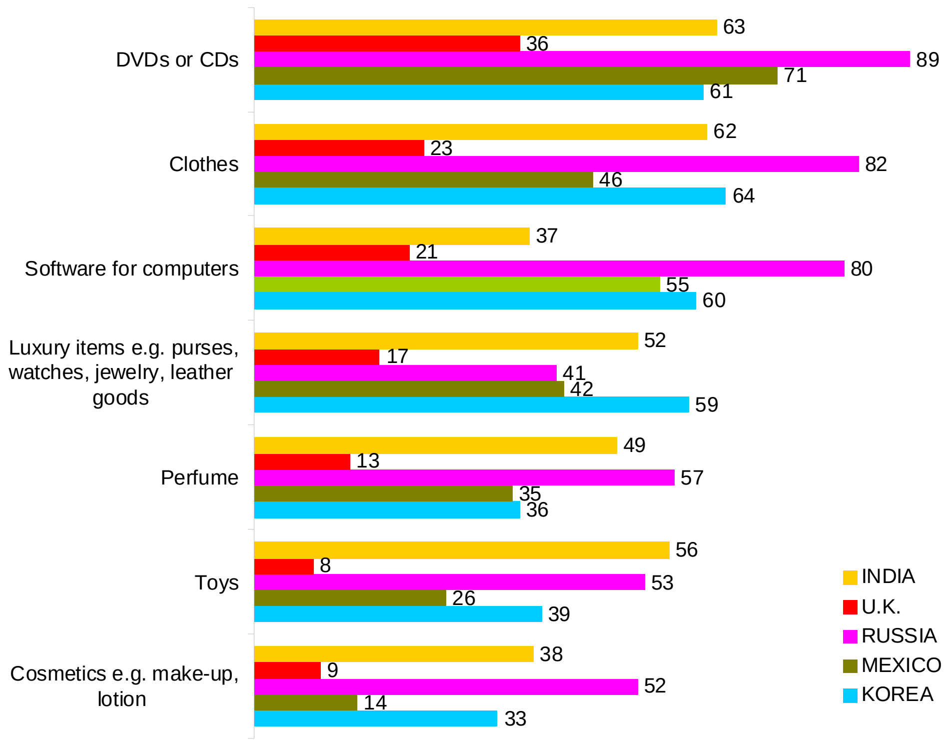
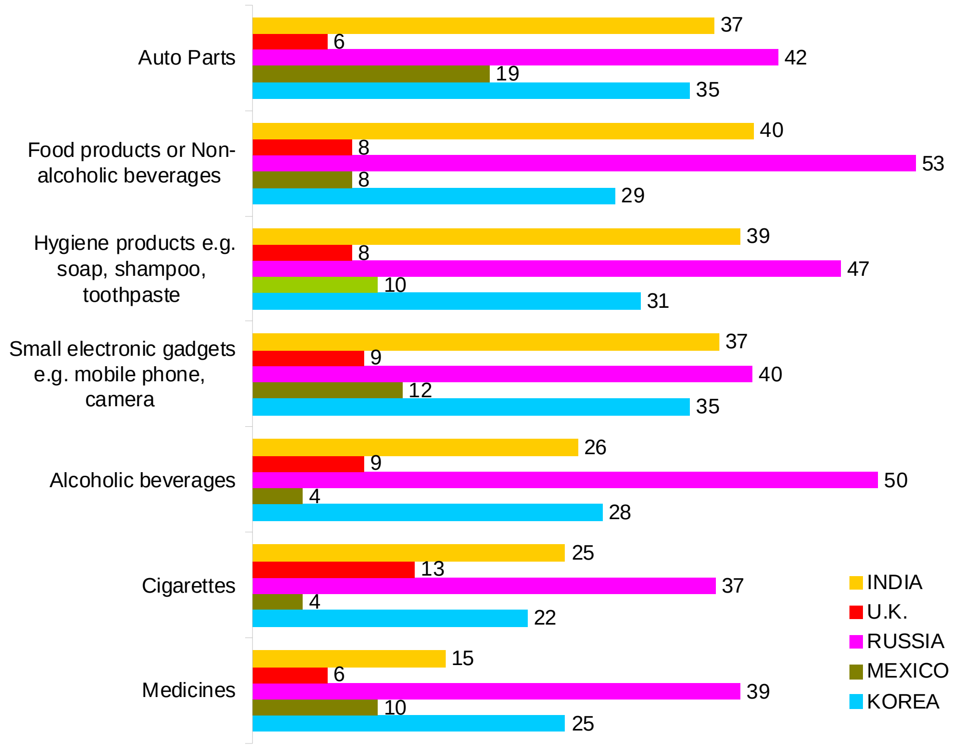


Table 14: Categories where Counterfeit Potential is the lowest overall:

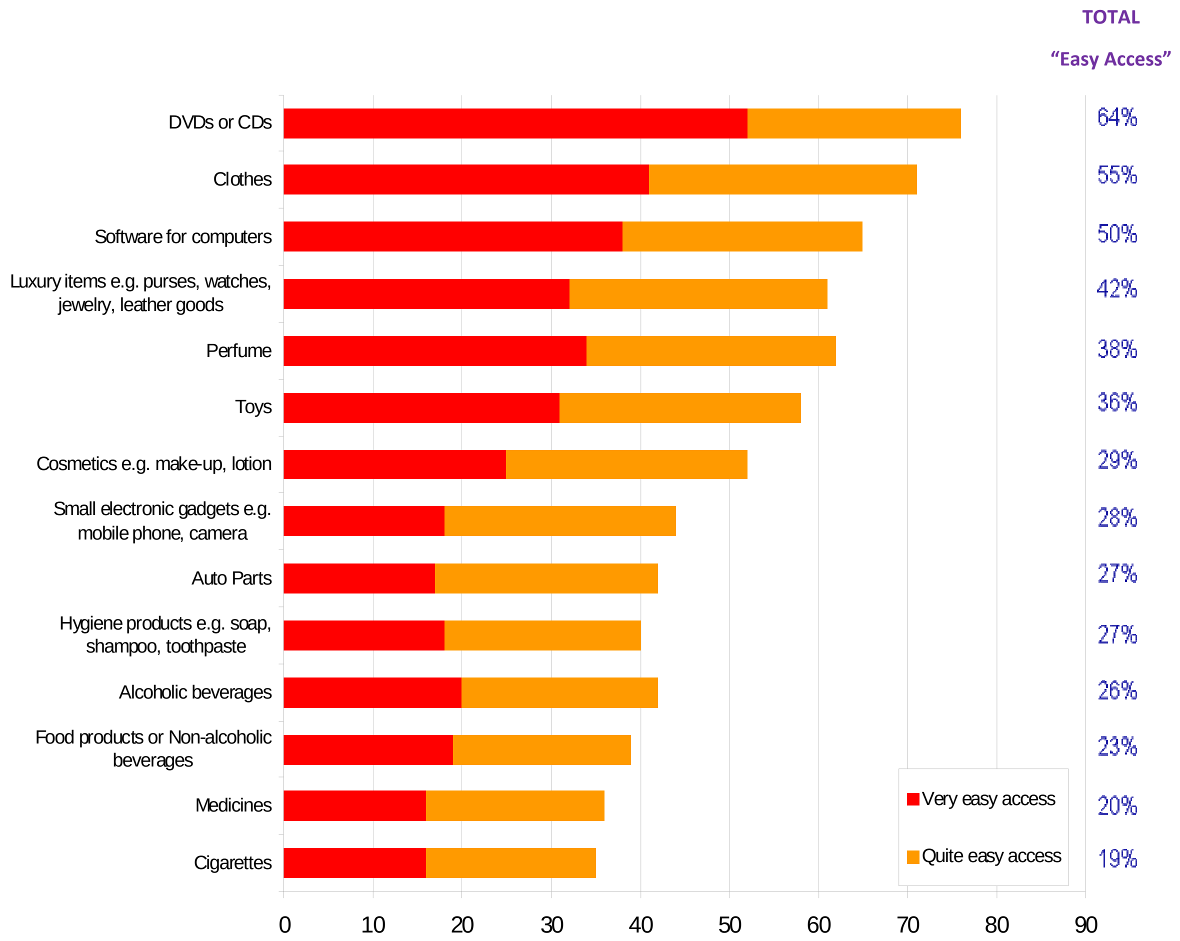


4.2.3.4 Access to counterfeits

In this section availability is investigated as a key element in C/P purchase drivers. Counterfeit availability is reported to be very high, sometimes higher than the one of genuine equivalents. The results convey assess availability from the perspective of a consumer's' everyday environment:

⇨ ***Availability and purchase frequency are strongly connected. The most common counterfeited and pirated products are also the most easily found.***

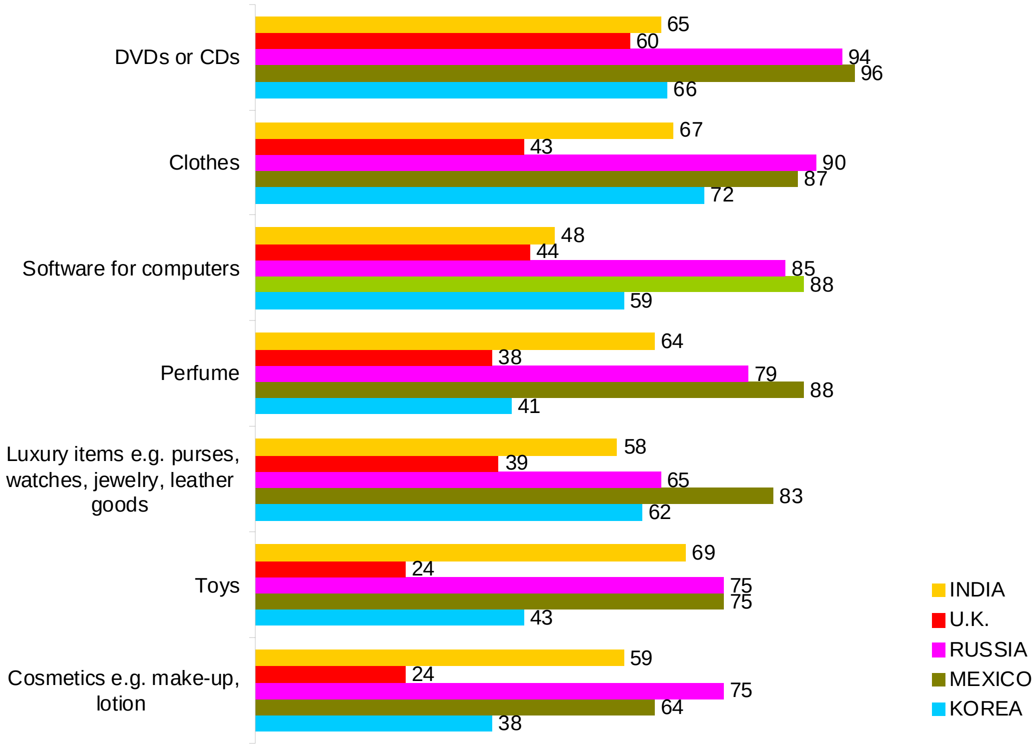
<u>Table 15:</u> Access to Counterfeit in Consumers' everyday environment (Global Sample)



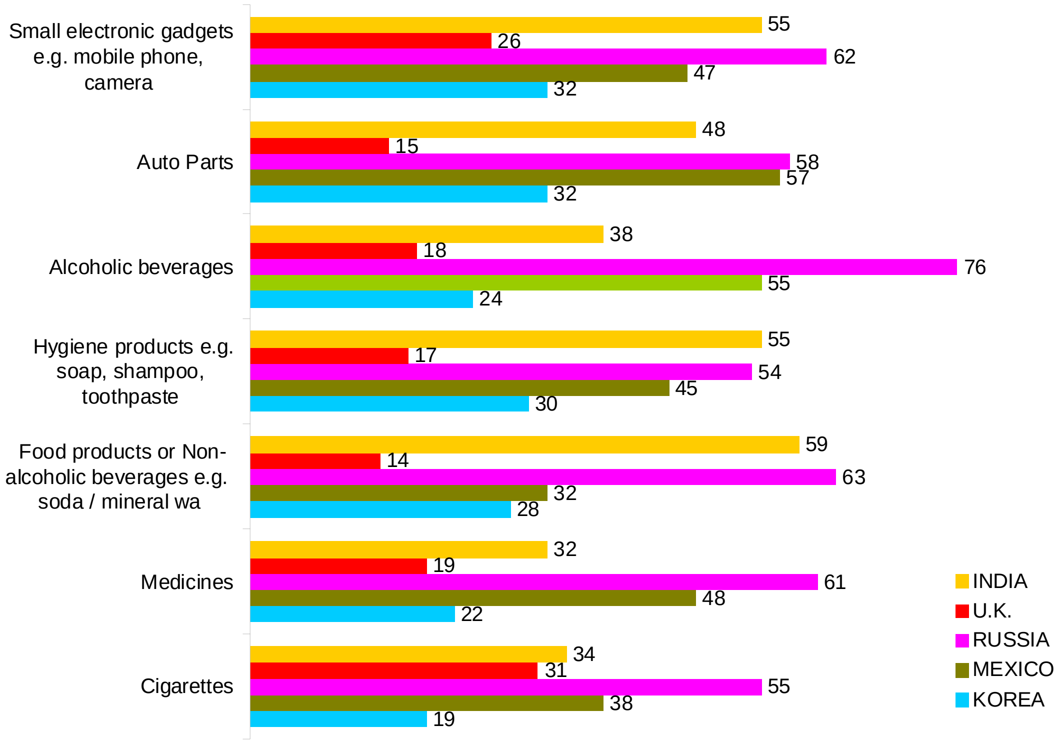
Q3: For each type of products listed below please tell me if you can find counterfeit or illegal copies in your day to day environment? [All sample, n=5000]

To further investigate availability, the Tables 9 and 10, present the percentage of consumers reporting to have an "Easy Access" (Very easy or Quite easy) to C/P products in 14 product categories.

<u>Table 16:</u> Most easily accessible categories overall



<u>Table 17:</u> Least easily accessible categories overall

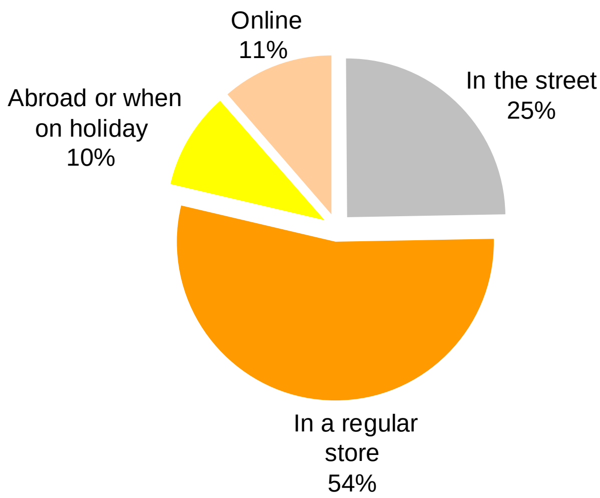


4.2.4: Counterfeit Distribution Channels

This section is describes where consumers most find and purchase counterfeit and pirate products. For each product category C/P purchasers were asked to say where they bought them[2]. In Table 11, C/P purchases are indicated per distribution channel.

⇨ ***In the five countries surveyed, more than half of all counterfeits purchases seem to be carried out in "regular" stores; with medicines and alcohol purchased there 3 out of 4 times, while most CDs and DVDs are purchased, not surprisingly, on the streets.***

<u>Table 18:</u> Global Counterfeit Distribution Index (All Countries and Categories Merged)



Q5: Thinking about each type of counterfeit product you said you have purchased, where do you usually buy them?
[Respondents for each category reported to have purchased this kind of product at least once]

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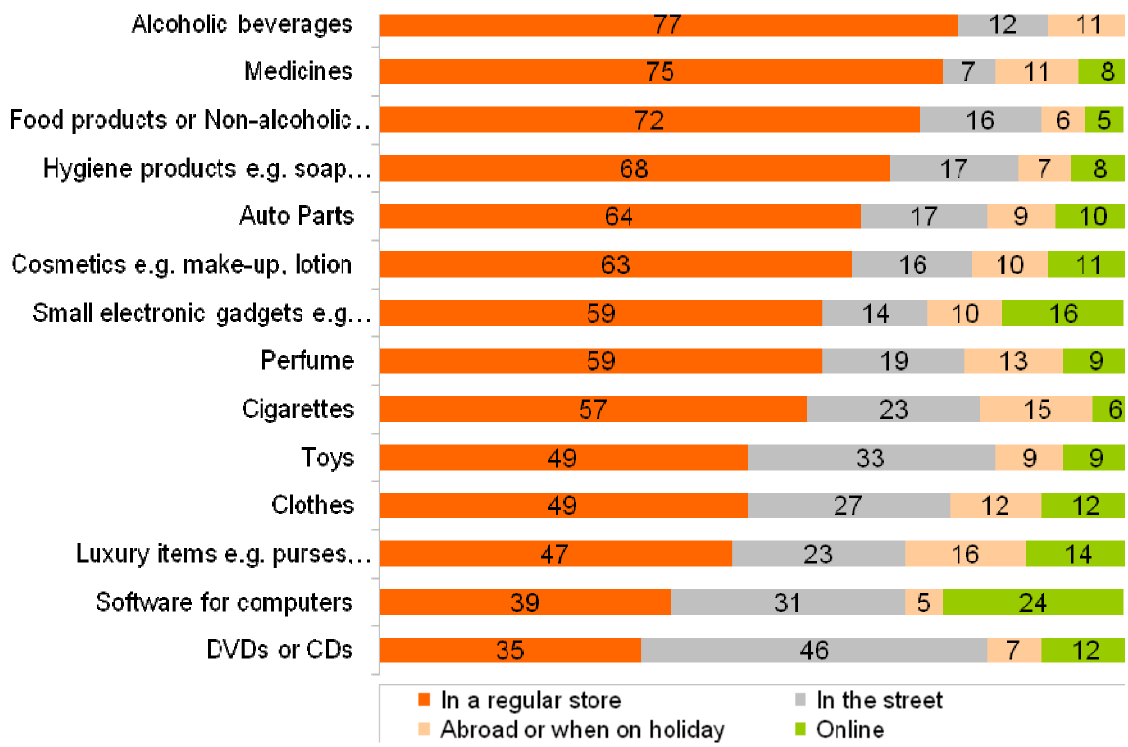
[2] *The prompted answers, such as "in a regular store" were not detailed or explained further, this is thus a "subjective" definition of what is a regular store for respondents. These questions were centered on Counterfeit more than on Piracy, the Online answer reflects "online ordering" of actual goods more than Piracy.*

Below, Tables 19 and 20, present the results of a Counterfeit Distribution Index. This composite index is designed to allow an overall comparison of Counterfeit Distribution channels reflecting the relative penetration of C/P by category. It is based upon responses from on the following two variables:

- Counterfeit Potential of each category (the % of consumers reporting they already bought this kind of product as counterfeit);
- Dominant Distribution channel for each category (answers to the question "where did you buy Counterfeit in this product category most of the times?).

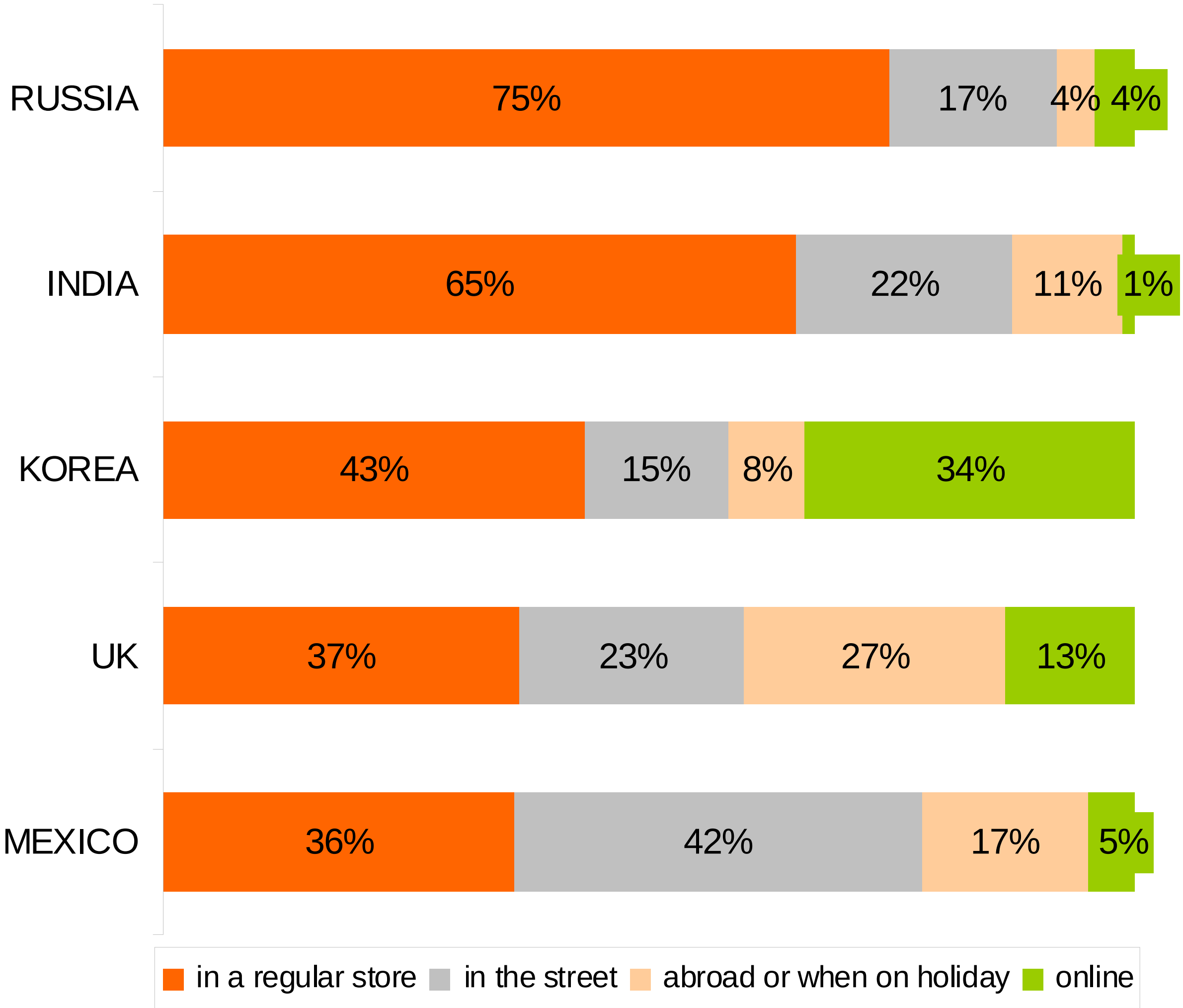
<u>Table 19:</u> Global Counterfeit Distribution Index (All Countries Breakdown per Category)



Q5: Thinking about each type of counterfeit product you said you have purchased, where do you usually buy them? [Respondents for each category reported to have purchased this kind of product at least once]

⇨ ***Russia is the country where counterfeit seem to be the most likely to be found in "regular stores", many Russian consumers mentioned "not being able to have a certainty that what they bought was genuine", even when shopping in Department Stores or Duty Free area. Mexico seems to be the country where street vendors are the most important Counterfeit Distribution Channel. Korean consumers report the greatest activity level in Online Counterfeit Purchase. The "Holiday mood" factor seems to be confirmed mostly with U.K. Consumers.***

Table 20: National Counterfeit Distribution Index (All Categories Merged)



4.2.5: The Purchase Decision

This section investigates Drivers of a Counterfeit purchase. Hypotheses tests emerged through the Desk Research and Qualitative Focus Groups. In the Quantitative phase the challenge was to select and test generic drivers “independently” from the product category.

4.2.5.1: Overview of Drivers

United Kingdom

The drivers of counterfeit purchase are quite well known for the U.K.: price, availability, acceptance that desire outweighs having the means and willingness to break a weak moral law. In a minor mode there is the idea that they are accessing a privilege they are denied through the economic downturn or because their income can’t support their desired lifestyle. The *Holiday mood effect* is confirmed as well with the idea that it’s both part of an experiment and that they get a “free pass” on moral boundaries while on vacation. A few consumers mentioned the legal fines they could have if caught transporting fake products through French borders or airports but never mentioned such risk with their own country customs.

Mexico

The main drivers of counterfeit and pirate purchase appear to be price and availability. When Mexicans buy a counterfeit or pirated product at price less than the legitimate version, they feel they are paying the “real” price of the item.

From this type of perspective, buying counterfeit and pirated goods could be interpreted as an “intelligent purchase” – since they end up being cheaper, readily available, sellers provide better customer service than legitimate retailers and there is a wide choice of product, virtually “any product, anytime”. The items bought are often “disposable” or products with “short life-spans” but are “high usage”. Mexicans want to keep up-to-date with the latest fashions and trends, to “look rich” and not be denied what they think they have the right to own.

Many Mexico City consumers surveyed reported as well a greater risk to be robbed or attacked in the streets. They quite generally considered there was no point of wearing a pricy genuine watch or purse if anybody could steel it in the streets.

Russia

Availability is widespread – and in some cases, too much so for the liking of Russians. Counterfeit medicines in particular are sold in licensed pharmacies making it hard for consumers to know when they are purchasing a genuine item or a counterfeit. Many items are also considered to be only available as a counterfeit, so even if Russians wanted to, they could not for example buy a bottle of genuine Christian Dior perfume in their country.

As well as being duped into buying counterfeit or pirated goods, Russians also appear to make a conscious decision to go out and buy them. They feel the system in Russia of low wages and high taxes, coupled with the high price tag on many genuine items, combine to drive them into making counterfeit or pirate purchases.

South Korea

The will to present the best image / face to peers is a very powerful driver in Korea. If Koreans cannot afford the genuine item, which they believe are often over-priced, then they are happy to buy a counterfeit or pirated product in place of it. Even people with quite a lot of money are reported to mix-and-match counterfeit/genuine and designer items without feeling any sense of a contradiction.

Younger Koreans seem especially likely to feel the need to buy counterfeit or pirated goods, especially those are university and/or cannot afford genuine items. But as they get older and their earnings increase, it is reported that they try to buy more genuine products than fake ones. At university, students are aspiring to be like those people who can afford the genuine items.

India

In India, the counterfeit market is driven by demand from the public who want branded products to keep up with trends or to elevate their status. Price is also a key driver, along with high availability. Large numbers of consumers are also frequently duped into buying counterfeits and pirated goods, not realising their mistake until they come to use the product.

The lack of ‘good practice’ of asking for receipts when purchasing legitimate goods also means that consumers have a distrust in sellers as they are unable to get any decent level of after-sales service and warranties are never provided in full. Where sellers are looking to make the highest margin and sell counterfeit or pirated goods as the genuine item, the consumer then has no recourse and this will often turn them to believing they may as well knowingly buy the counterfeit in the first place, but at the lower price.

The relationship to brands is reported to be “primary” among Indian consumers from the lowest income levels. Among these consumer category, consumers are reported to pay for “usage” first and before all. The product may be a counterfeit, a “repaired one” or genuine, what matters is that it’ cheap and functional. A counterfeit bag can genuinely be found “beautiful” and be purchased as an ornament more than a class marker: the woman that could buy it is not really trying to let others believe it’s a genuine one, but just “use” the aesthetic functionality of it.

4.2.5.2: Reasons for Counterfeit Purchase

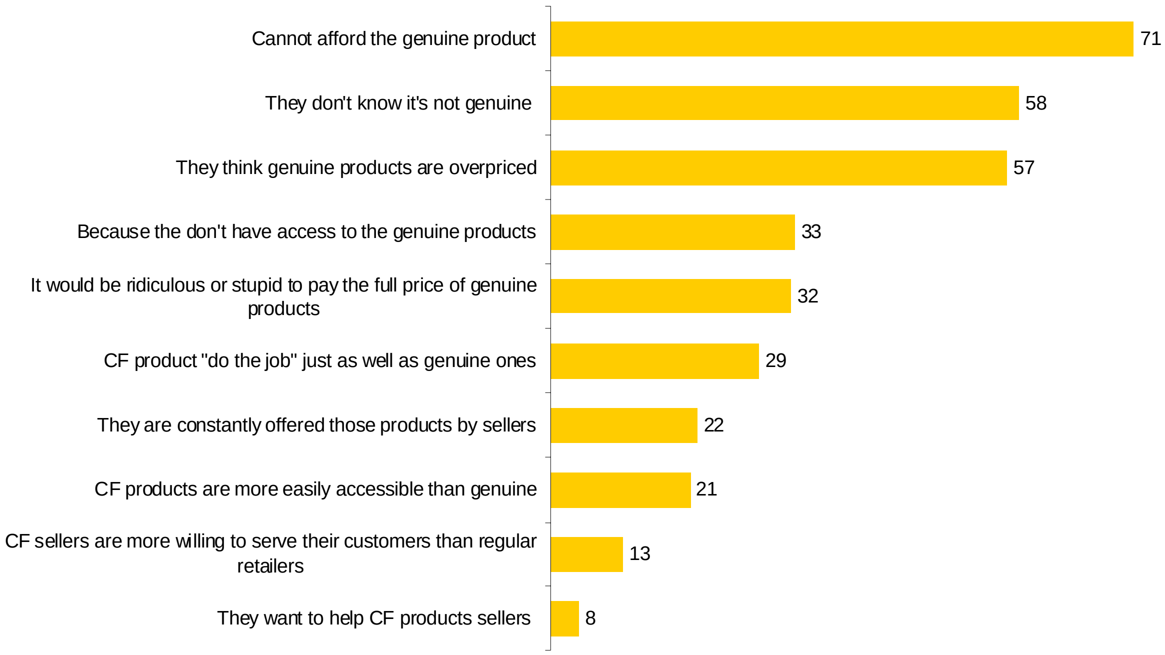
In response to questioning on "why would a person like yourself buy certain counterfeit products?", consumers gave the following responses:

- Most consumers surveyed believe people buy counterfeit "because they cannot afford the original", with a majority also citing "they don't know it's counterfeit" or "they think genuine products are overpriced".

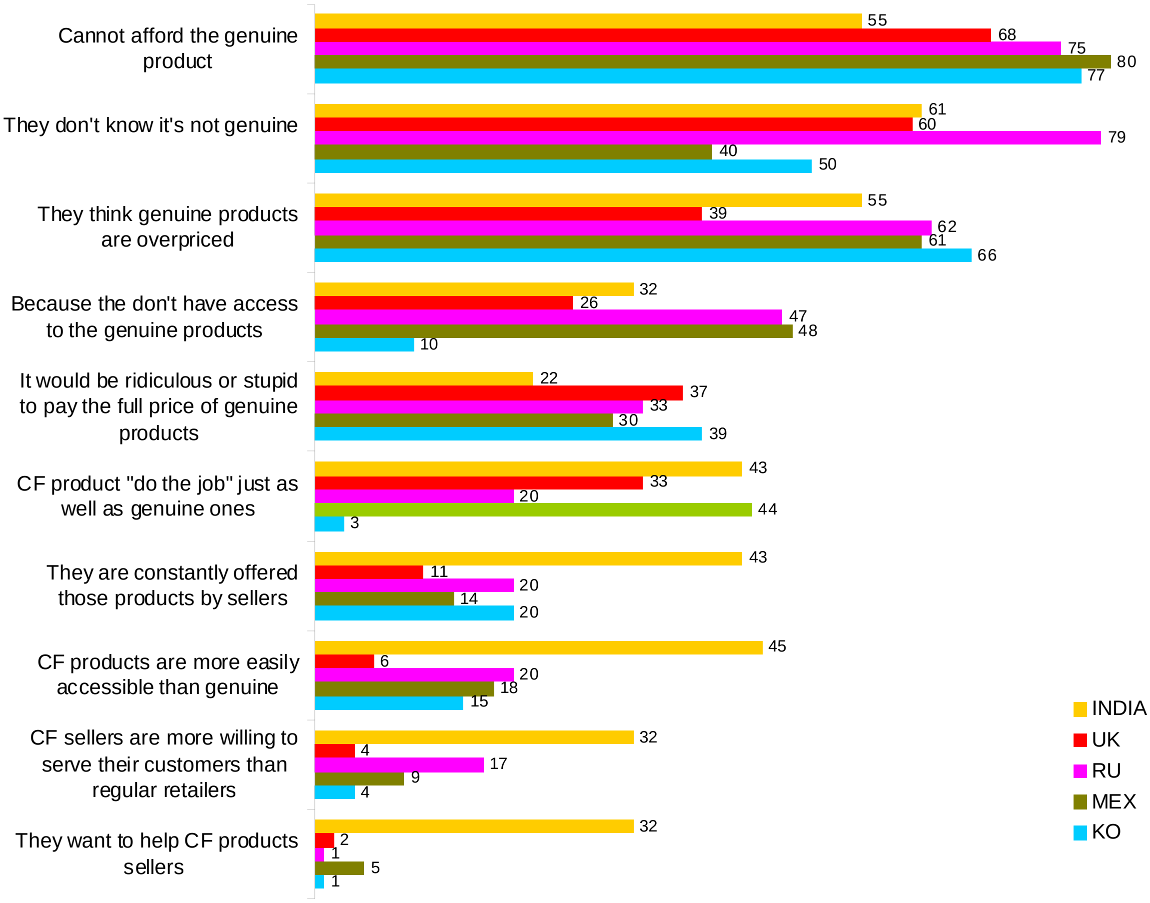
- Seven in ten consumers (71%) surveyed believe people buy counterfeit or pirated products, "Because they cannot afford the original" and over half said it was, "Because they don't know it's C/P"" (57%) (a result significantly higher in Russia: 79%) and, " Because they think genuine products are overpriced"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

<u>Table 21:</u> Reasons for Buying Counterfeit, Multiple answers (Global Sample)

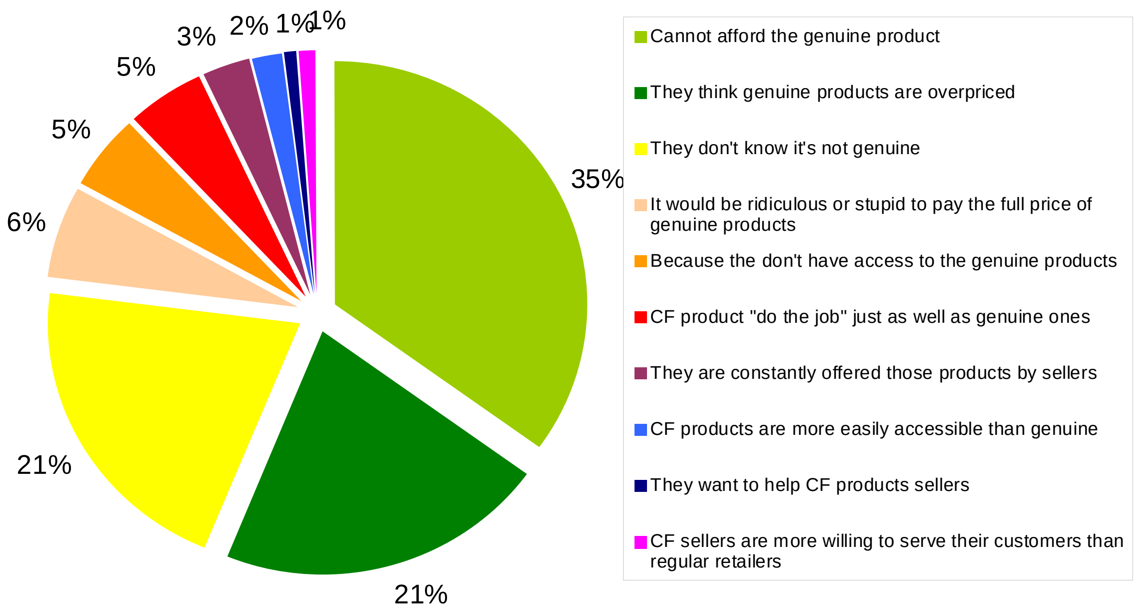


<u>Table 22:</u> Reasons for Buying Counterfeit, Multiple Answers (5 Countries Comparison)

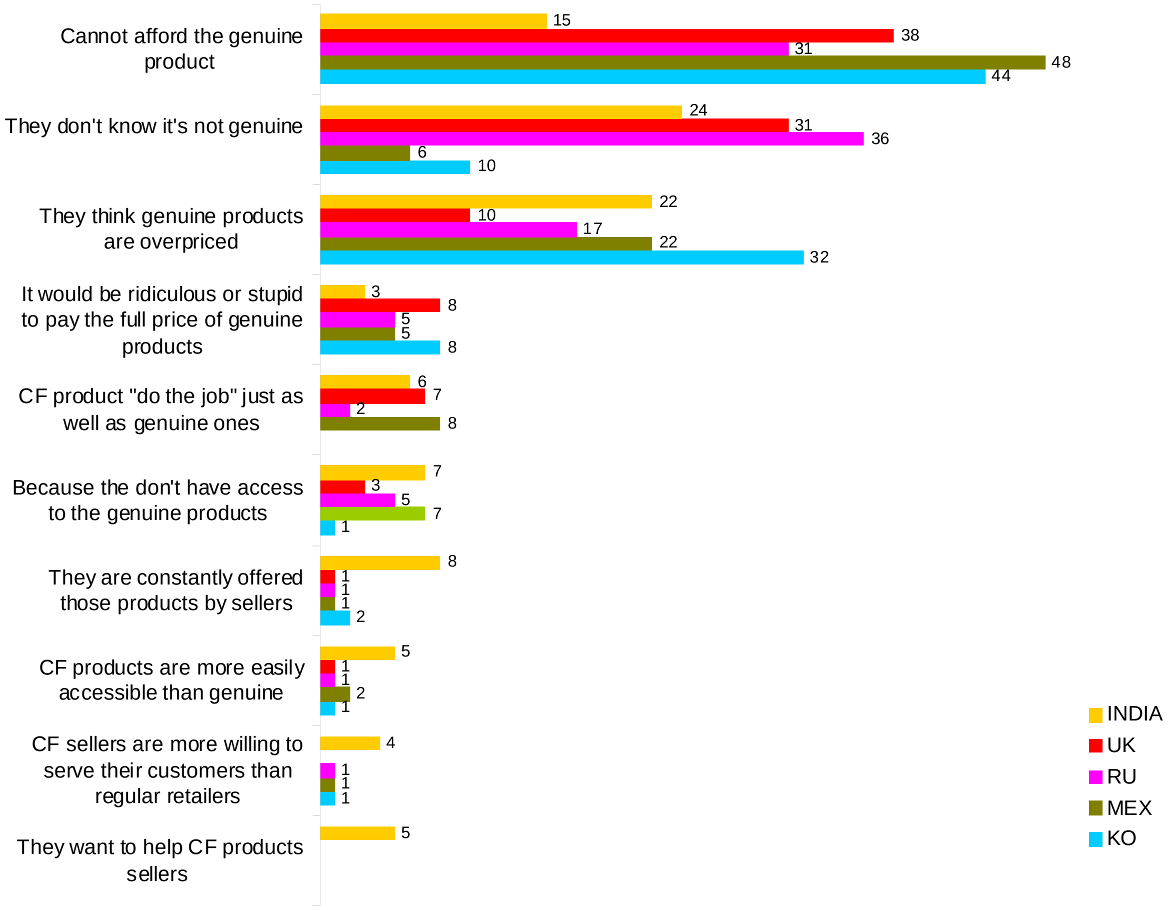


➪ ***Concentrating on Top of Mind answers, Table 16 conveys that price and affordability combine as a significant modality. This strenghten the hypothesis that most consumers are aware of the Counterfeited nature of their purchase.***

<u>Table 23:</u> Reasons for Buying Counterfeit, Top of Mind answer (Global Sample)



<u>Table 24:</u> Reasons for Buying Counterfeit, Top of Mind answer (5 Countries Comparison)



4.2.6: Review of Deterrents

4.2.6.1: Overview of efficient messages against counterfeiting and iracy as discussed in the focus groups

United Kingdom

The U.K. participants report that the message that has the most impact on them is the health and safety message, far above all the others. However its use may face limitations in less obviously connected sectors. Organised crime and the risk of consumers harming their current equipment are also quite effective if well presented. If not, they may just be seen as scare tactics. The harm done to big companies or playing the 'ethics' card do not appear to work since people are prompted to say big companies lack ethics themselves (child labour) and that high prices of genuine items are unjustified.

Mexico

The most powerful messages seem to be those that bring attention to the dangers counterfeit and pirated products can pose to Mexicans' health and safety, as well as to their computer and/or other electronic equipment. Any messages that talk about damage to business need to be conveyed on a local level and show the direct association between counterfeiting and piracy's harm to local business. Similarly, as Mexicans operate outside of the law on many levels in their daily lives, messages portraying links to crime and counterfeiting and piracy need to demonstrate and make people understand that buying counterfeit and pirated goods equates to stealing -- maybe the one thing Mexicans would not want to associate themselves with.

As long as the "harm" created by a Counterfeit purchase remains "abstract" and not directly associated to a victim, Mexicans seem to feel no guilt; on the contrary they report a great sense of solidarity. "It's ok to hurt the system, but not to take someone's job or property" as some of them mentioned.

Russia

Russian's are aware of the dangers counterfeit goods can pose to their health and safety. Most notable are alcoholic beverages, medicine and to a slightly lesser extent food and auto parts. Raising awareness of where genuine goods in these sectors can be purchased from could therefore be essential.

The dangers to health also seem to transfer over to most other product sectors for Russians. Examples of perfumes and laundry tablets causing rashes, clothing dying the skin and phone chargers burning out are common among counterfeit experiences.

Protecting Russia and its people is also reported as very important to its consumers. They are less concerned about causing harm to genuine brands which are imported from abroad but more "concerned with looking after themselves and their country". Russia may need to get tough with counterfeit and pirate sellers before making progress with deterring buyers. Russian consumers say they are not able to change their traditions/habits overnight, but tough penalties for illicit manufacturers followed by genuine penalties for consumers may help convince them to do so.

South Korea

The key deterrent for Koreans is also the risk to their health and safety. Buying counterfeit food, drink, medicine and cosmetics is therefore not a common occurrence.

They are also very concerned with Korean business and any impact on the domestic economy/prospects. It may often be the case, therefore, that consumers would rather buy a high quality Korean copy over an international brand in order to stimulate the Korean economy or counter any local economic downturns. But of course, above all this their own personal economic interests are considered first.

Messages may need to be forceful to have an impact, since Koreans are already quite aware that buying counterfeits and pirated goods is wrong; yet they seem unwilling to change their behaviour. They report that the only real reason for them to implement a change would be through increased laws and prosecution.

India

Concern over health and safety seems to be the main reason why consumers would refrain from buying a counterfeit or pirated product. Goods which they ingest or use on their body therefore give them cause to re-consider before knowingly buying a counterfeit item.

However, it seems when consumers feel they can trust a counterfeit or pirated product, they will consume/use it with very little thought for the safety. For example, fake cola is sold across India at railway stations, on street corners and so on. Because this is a common practice, health and safety risks are considered to be low. Bad experiences with other counterfeit or pirated products though are common. Women in particular however appear quite unwilling to talk about these negative experiences with their peers (especially their husbands) and are more inclined to simply stop using the product and buy another from a different store/area.

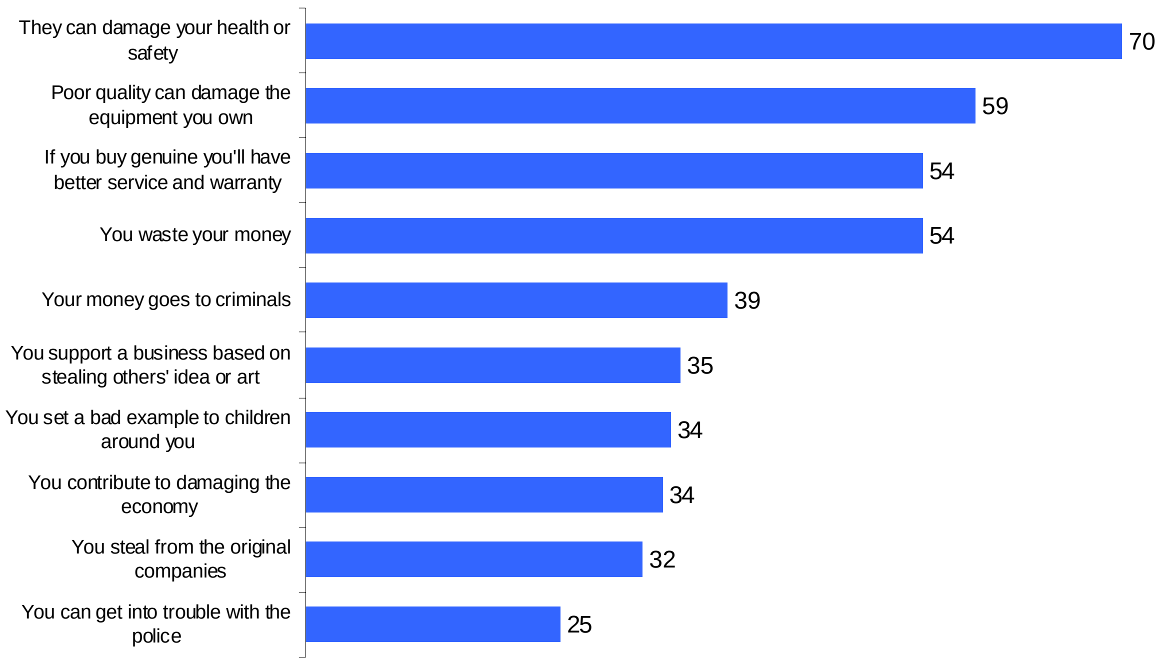
A strong element of protecting their national economy appears to exist in India and to a lesser extent, the motive of protecting people's creativity. Therefore using these messages and showing direct negative impacts they can have on consumers may help build their knowledge of the damage caused by the counterfeit and pirate business. Women in particular were less aware of the damage done to the economy and brands.

4.2.6.2: Detailed findings

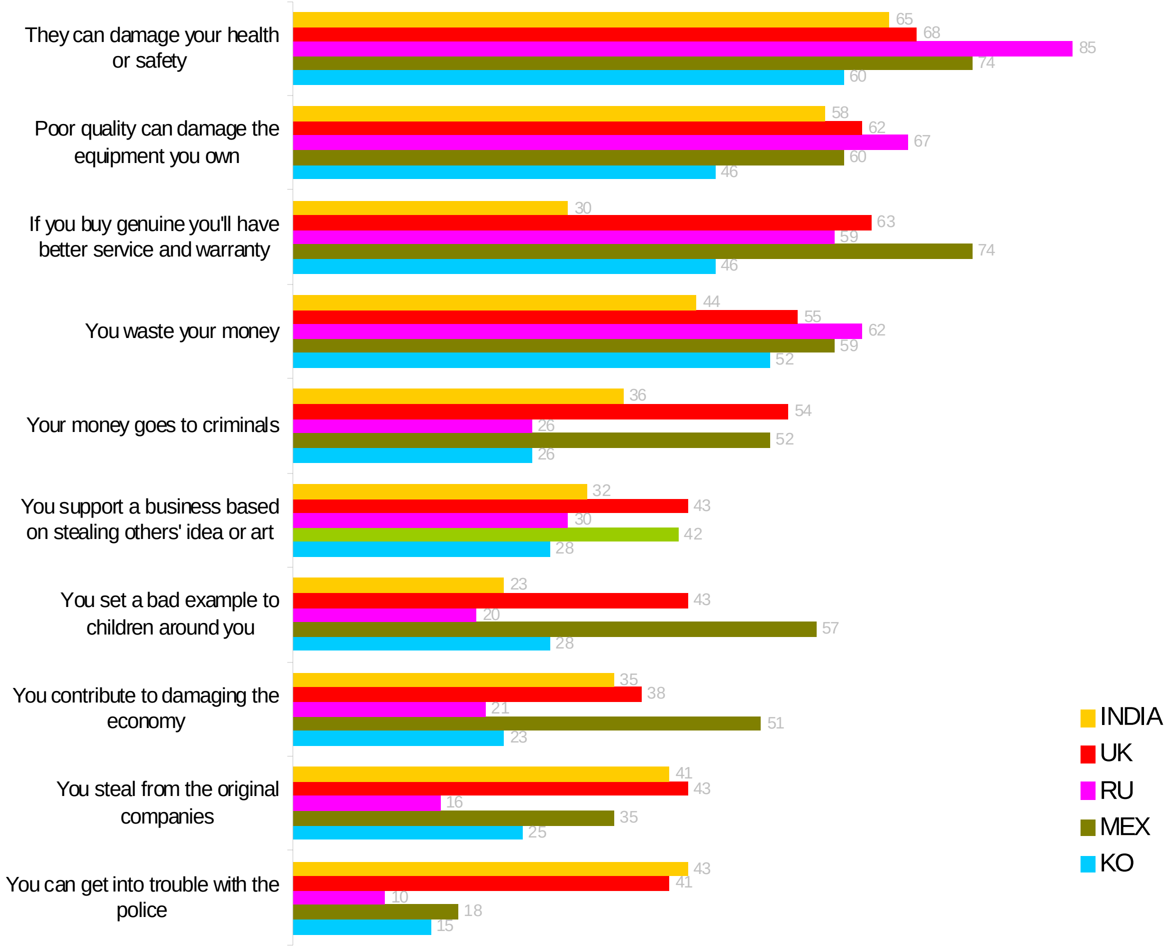
Respondents were asked to choose from a list of statements, such as the ones they would use if they were to convince a friend to stop buying C/P products. Similarly to the drivers review, respondents could first select as many statements as they liked, then were asked to select the one they found most relevant (Top of Mind):

- Health risks are the most powerful reason not to buy counterfeits (70%) but "risk to belongings" is also a strong factor (59%). Other deterrent factors varied from country to country, suggesting the need to tailor messages by market.
- 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 U.K. 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).

<u>Table 25:</u> Deterrents to a Counterfeit Purchase, Multiple Answers (Global Sample)

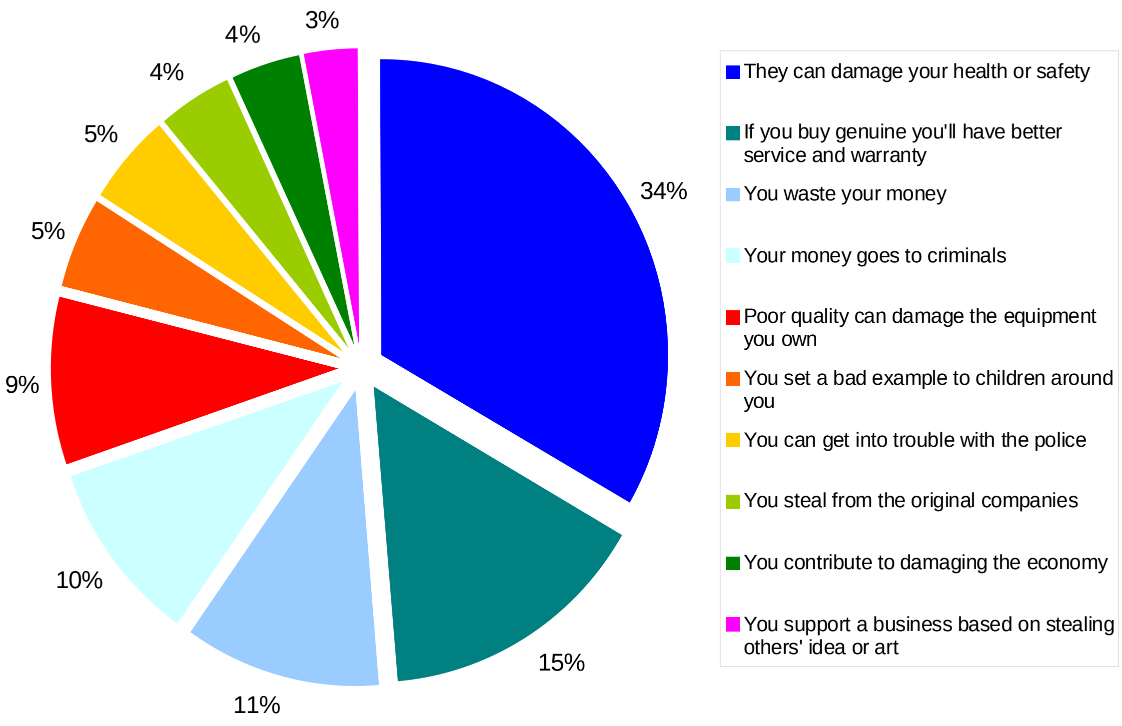


<u>Table 26:</u> Deterrents to a Counterfeit Purchase, Multiple Answers (5 Countries Comparison)

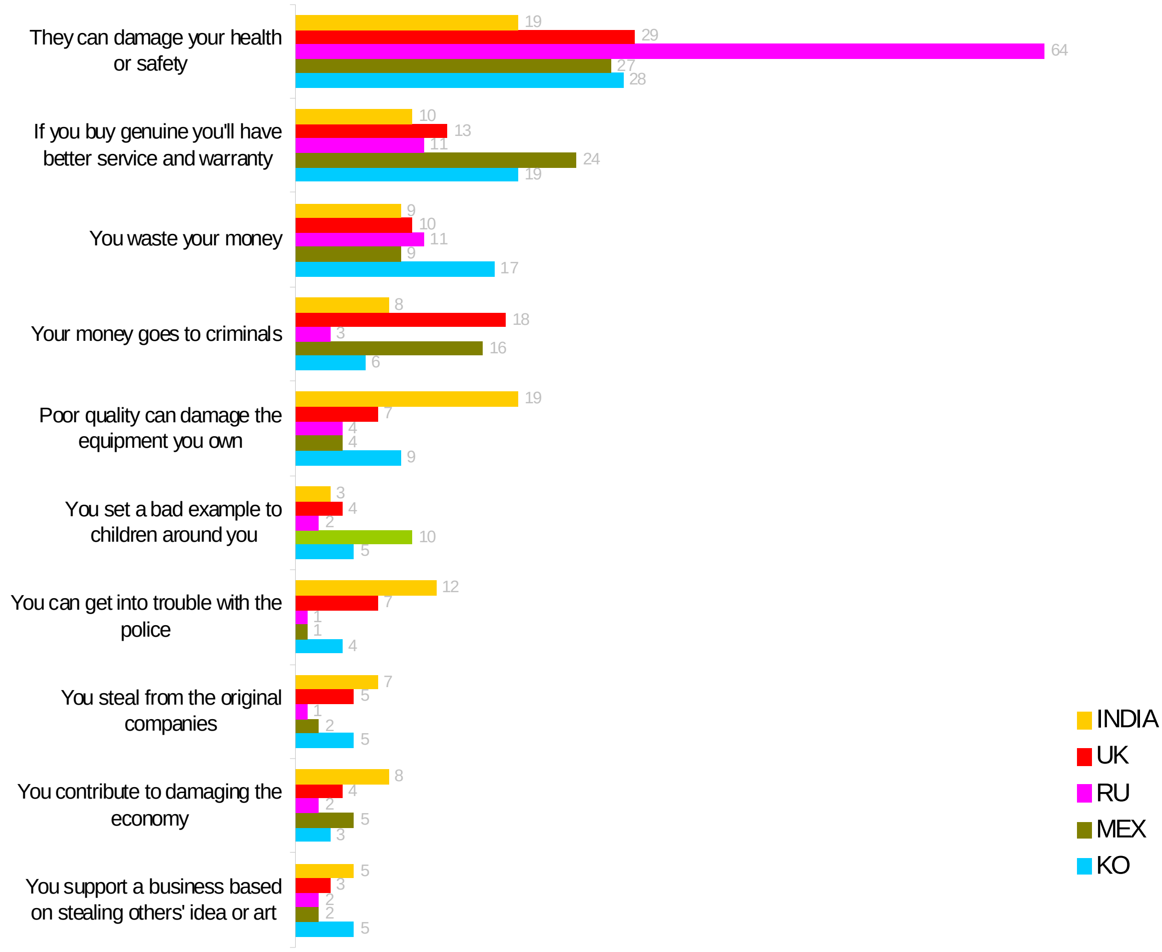


⇨ ***Looking at Top of Mind answers reinforces the Health & Safety Argument, as indicated by more than 1 consumer out of 3. The better service and warranty offered by genuine is however ranked 2nd in Top of Mind answers, showing than educating consumers on the benefits of "going genuine" is recognised as useful and convincing.***

Table 27: Deterrents to a Counterfeit Purchase, Top of Mind Answer (Global Sample)



<u>Table 28:</u> Deterrents to a Counterfeit Purchase, Top of Mind Answer (5 Countries Comparison)



4.2.7: Message Testing

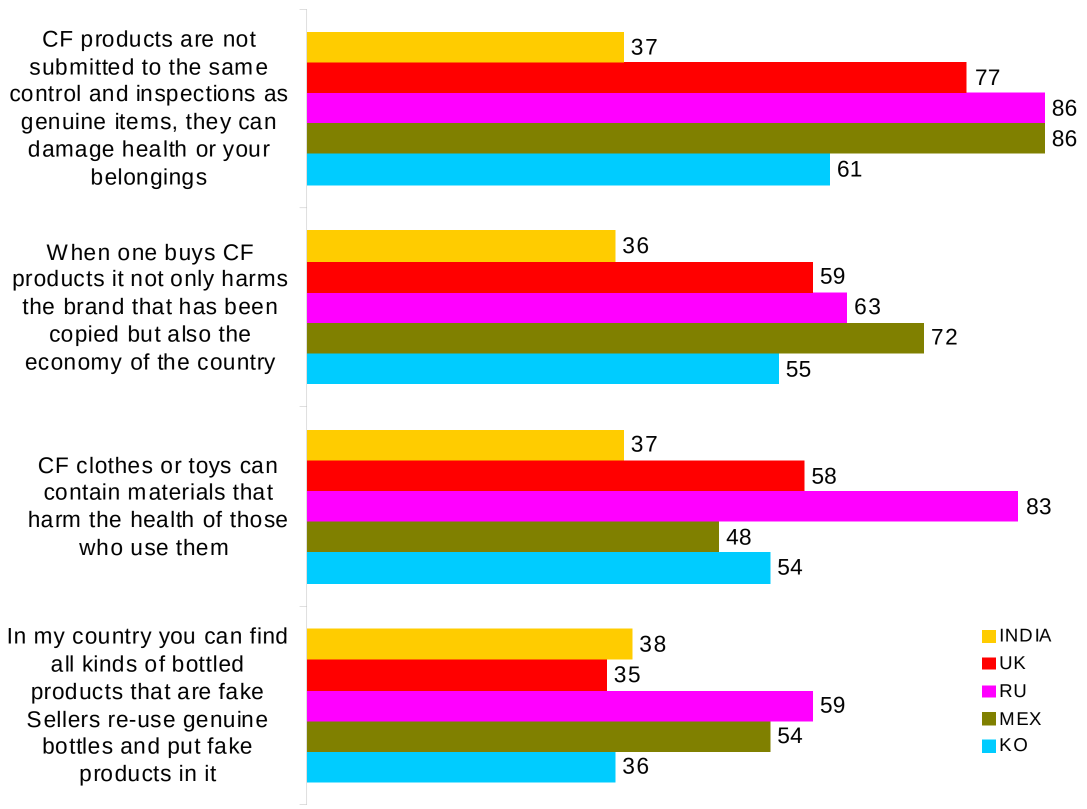
In this section of the research, the project investigated respondents' reaction to a list of statements about Counterfeit and Piracy. Some of them were quite generic; others were applied to specific industries. The credibility of certain spokesperson profiles – if they were to be used – in an anti-counterfeiting and piracy campaign was also investigated.

4.2.7.1: Credible Messages and Inefficient Statements

⇨ ***Overall, message credibility varied greatly, but a majority of consumers found messages declaring that counterfeits "are not safe because they are not subject to the same controls and inspections as genuine", "harm the economy ", or "can contain dangerous materials (in clothes and toys) that can harm your health" as the most credible.***

In Table 22, below, for each suggested statement respondents could say if they found it "True", "Doubtful" or "Untrue". The percentage responses of consumers believing a statement is "True" is presented below.

Table 29: Generic Statement Credibility, Most Credible Statements (5 Countries Comparison)



- U.K. Consumers are the ones that react to the most favourably to the statement associating C/P business to other illicit activities such as drugs and prostitution. They are also the only country tested where half consumers believe in the reality of their government is attempting to fight against illicit C/P operators.

- Russian Consumers are far from being in the same disposition toward their government:
    - Only 16% of them believe government is really fighting C/P. At the same time Russia is the only country where more than half consumers adhered to the Statement "Buying Counterfeit is not really unethical".
    - The idea that Russian consumers cannot protect themselves from C/P is backed by their answers to the statement "If you don't make purchase through street vendors or in Flea markets you have almost no chance to buy a fake": only 16% of Russian consumers found this statement "True".
    - At last Russian Consumers are the one most likely to adhere to the statement "In my Country, many people die from using counterfeit medicines".

- Mexican Consumers where those defending the most the [possible] social benefits of C/P:
    - 41% of them adhered to the statement "If there was no C&P business in my country, many people would not be able to access culture or entertain themselves".
    - 35% adhered to "If there was no C/P business in my country many people couldn't afford to buy medicines or even toiletries".
    - At last, more than half Mexican consumers adhered to the statement "If there was no C&P business in my Country, many people would not be able to support their families".

Table 30: Generic Statement Credibility, Statements with a Medium level Credibility (5 Countries Comparison)

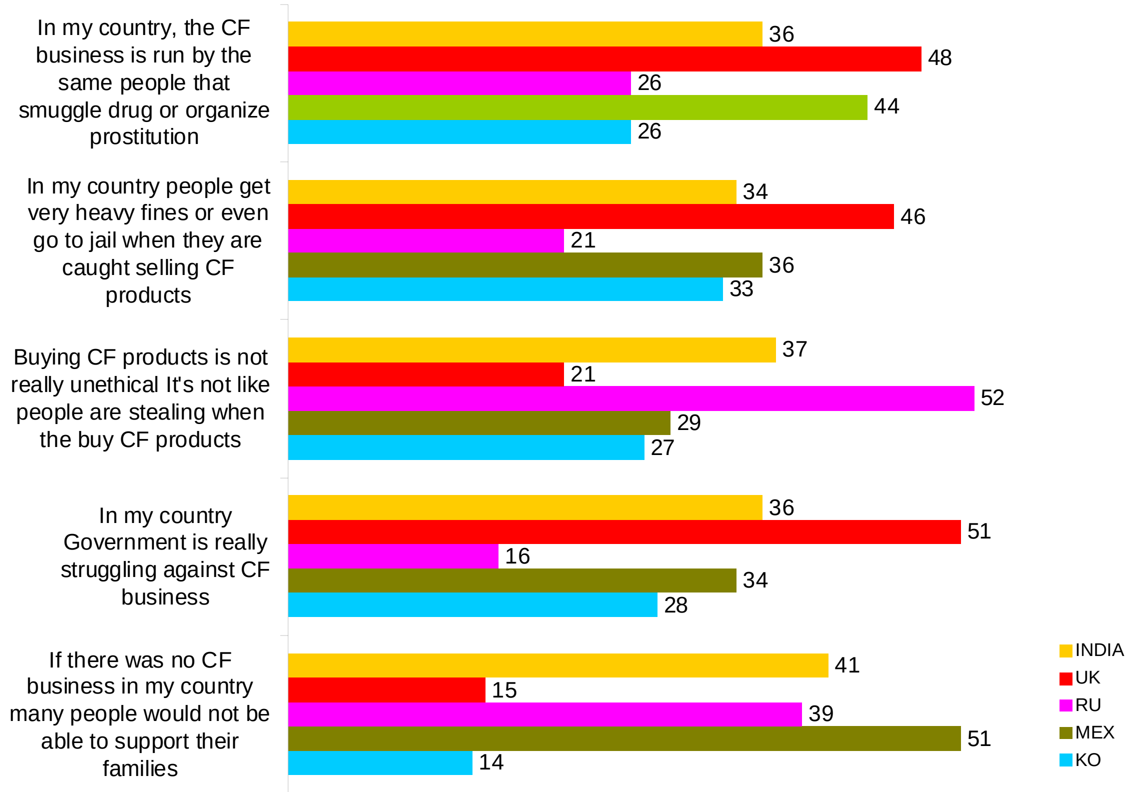
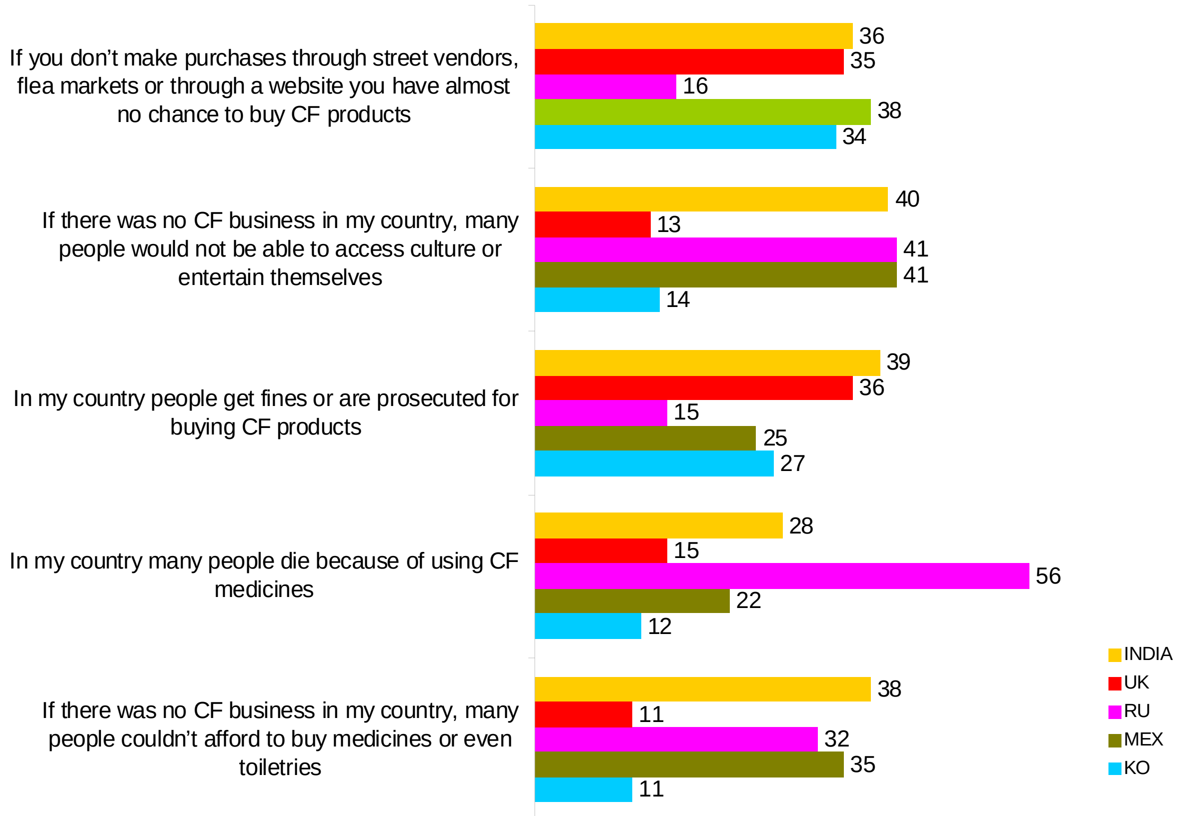


Table 31: Generic Statement Credibility, Statements with a low Credibility (5 Countries Comparison)



4.2.7.2: Specific Industry Focus

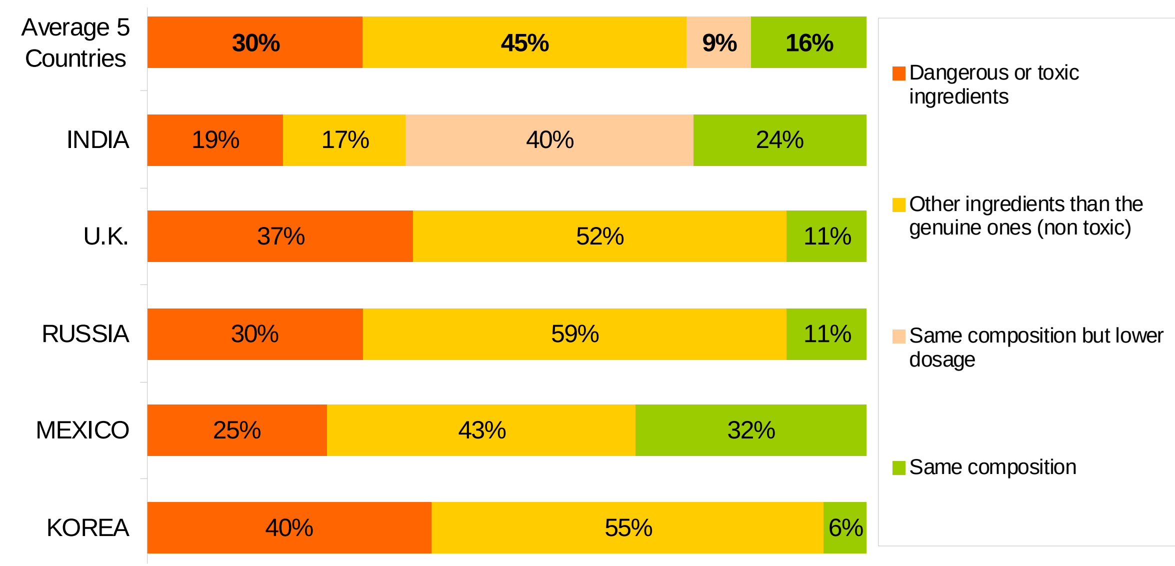
In the previous section we tested generic statements; in the following we tested some "applied statements" relating to specific products categories:

⇨ ***Overall, 30% of consumers from the 5 countries believe Counterfeit Medicines composition integrates dangerous or toxic ingredients. This varies from 40% of Korean consumers to 19% of Indian Consumers. This is interesting since Counterfeit Medicines seem to be quite popular in Korea.***

Respondents were asked to answer a simple question: "Thinking about Counterfeit Medicines in your Country, do you think that most of the time their formula includes…" [Choose the answer you find the closest to what you think]:

- Dangerous or toxic ingredients
- Other ingredients than the genuine ones but non toxic
- The same ingredients but on a lower dosage
- Exactly the same ingredients at the same dosage

Table 32: Counterfeit Medicines Formula (5 Countries Comparison)

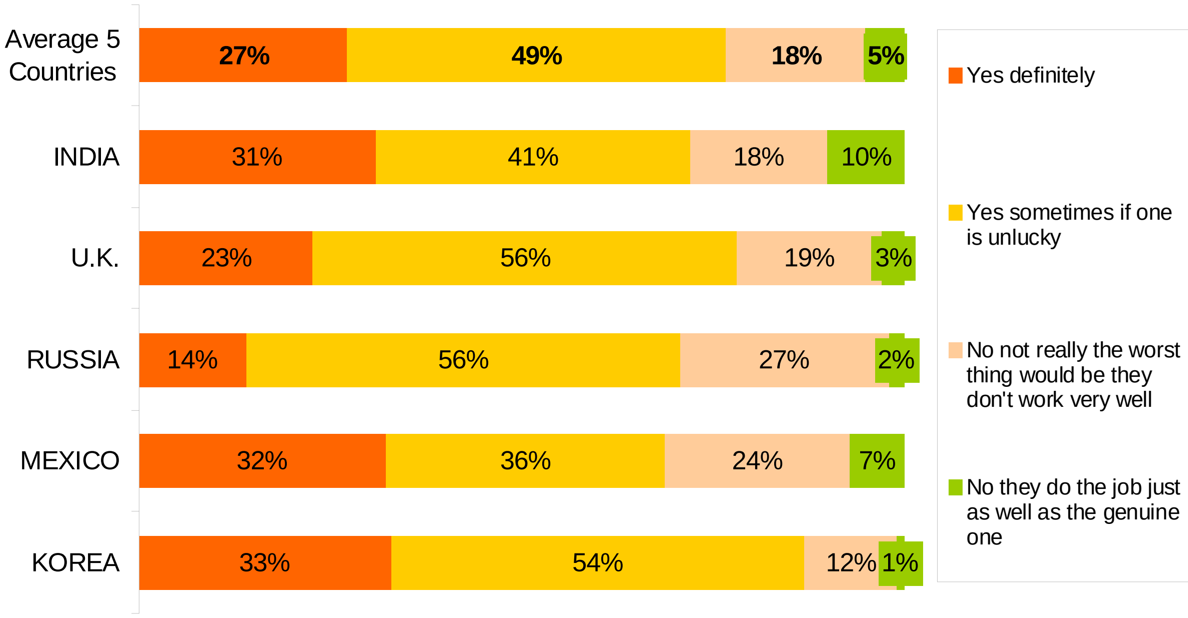


⇨ ***The fact that electronic devices such as batteries or loaders could harm existing goods seems plausible to most consumers, however, most of them consider this would be "an unlucky experiment" more than a rule.***

"Do you think Counterfeit Electronic devices such as loaders, wires and batteries can harm the equipment you would use them with…" [Choose the answer you find the closest to what you think]

- Yes Definitely
- Yes, it can happen if someone is unlucky
- No, not really, the worst thing would be they don't work properly
- No, they "do the job" just as well as the genuine ones

<u>Table 33:</u> Risks associated to Counterfeit Electronic Devices (5 Countries Comparison)

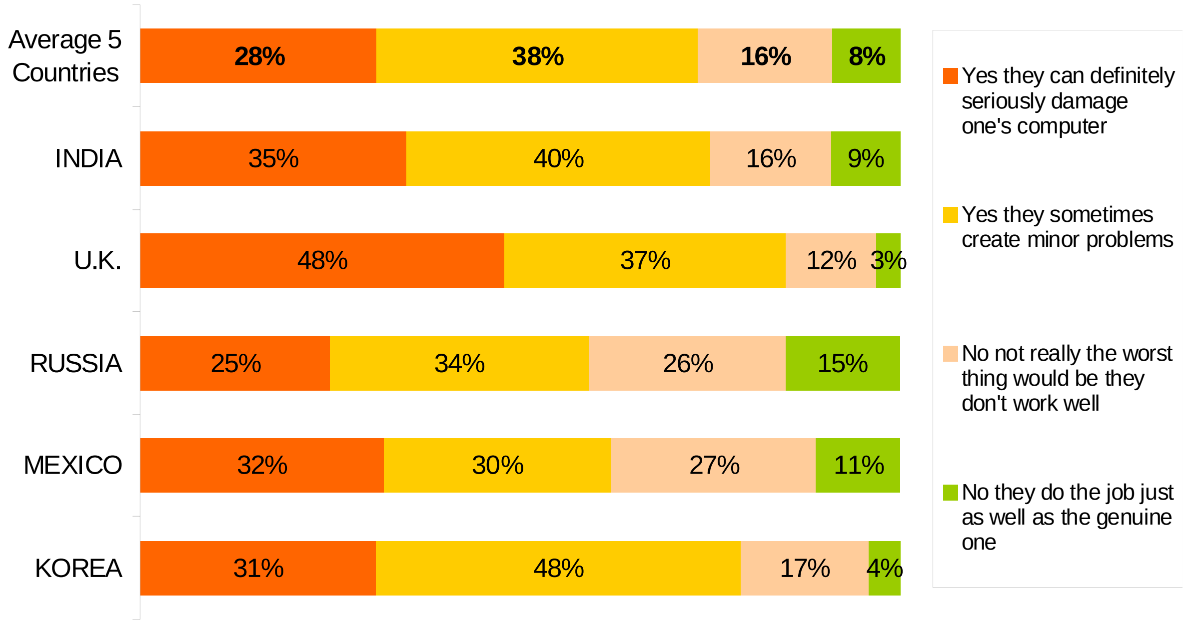


⇨ ***This is quite the same situation with pirate software – most consumers are aware that they can create problems with computers but consider it a matter of chance more than a systematic threat. U.K. consumers are the ones reporting the most anxiety to harm their computer when using pirate software.***

"Do you think CF software can harm the computers they are used with by giving them virus or by damaging other software or hardware?..." [Choose the answer you find the closest to what you think]

- Yes Definitely, they can damage one's computer
- Yes, they sometimes create minor problems
- No, not really, the worst thing would be they don't work properly
- No, they "do the job" just as well as the genuine ones

<u>Table 34:</u> Risks associated to Pirate and Counterfeit Software (5 Countries Comparison)



4.3: Learning about Messengers

4.3.1: Overview of efficient Messengers for a Campaign as discussed in the Focus Groups

United Kingdom

A "wake up call" on counterfeiting and piracy might effectively be carried out by "victims" using an empathic tone. People need to really project themselves into the scenario to stop thinking of it as a game or a way to "beat the system". A law enforcement officer may also be a quite powerful messenger in the U.K, though this messenger is documented as having less resonance among other focus group demographics.

Mexico

Mexicans need to be able to trust the person who is telling them about the dangers and wider issues associated with counterfeit and pirated products. A victim of a counterfeit or pirated product would be the most believable, as long as they don't exaggerate the extent of their injuries.

Quite uniquely to Mexico, small companies also appear to be a good vehicle to transmit anti-counterfeiting messages. Mexicans report they are able to empathise and find a connection with small business owners and employees. T hey also want to look after their own, and this can stretch further than just friends and family, to their wider community. Law enforcement and government are likely not effective spokespeople, as people in Mexico seem to have a distrust of these institutions and, in fact, often see them as part of the problem.

Russia

Anti-counterfeiting leadership needs to first come from government as citizens are familiar with power and directives in Russia coming from the center. Currently consumers perceive those leading their country are doing nothing to fight counterfeiting and piracy. They believe the fight against counterfeits and pirated goods needs to start at the top and that consumers are powerless to affect any meaningful change by themselves. Consumers therefore see no reason to change their purchasing habits until they are told to do so by government or law enforcement and are able to see a genuine stimulus (punishment) for doing so.

South Korea

Koreans expressed a need to hear about the dangers of counterfeit and pirate products through victims. Anyone can be a victim, from people like themselves, to owners of small companies, but Koreans most value personal relationships. The messenger has to be trusted by Koreans. This is the key reason they say they their government would not be a suitable vehicle for anti-counterfeit messages.

India

Effective communicators on counterfeiting and piracy in India are those who are either in a powerful position in society, or have been empowered on the subject of counterfeiting and piracy through their past experiences. Consumers seem to want their government to speak up as they have placed their trust in this body through the democratic voting process. This credibility of government official, law enforcement representative and celebrities is quite unique to the Indian market among the 5 we researched. Celebrities can be effective messengers, as they are hugely popular in India as well and consumers love to see them on TV/posters etc.

Upon further reflection, however, most participants said the more effective messengers would be CEOs of big companies (e.g., TATA) as they have made a positive contribution to India's economic opportunities. Notably, this profile of an effective messenger differs significantly from other countries. Victims of counterfeit products, exhibiting first-hand experiences, also emerge as effective messengers in India.

It is common practice in India for people to break laws. For example, smoking in Mumbai is banned in public places, yet male participants in the Mumbai focus groups said this is often not adhered to. The lack of law enforcement is a primary driver in India. This was reflected throughout the discussions on counterfeits; with consumers wanting their government to take the lead and for the sellers of these fake goods to be targeted above the consumer.

4.3.2: Most Credible Spokesperson

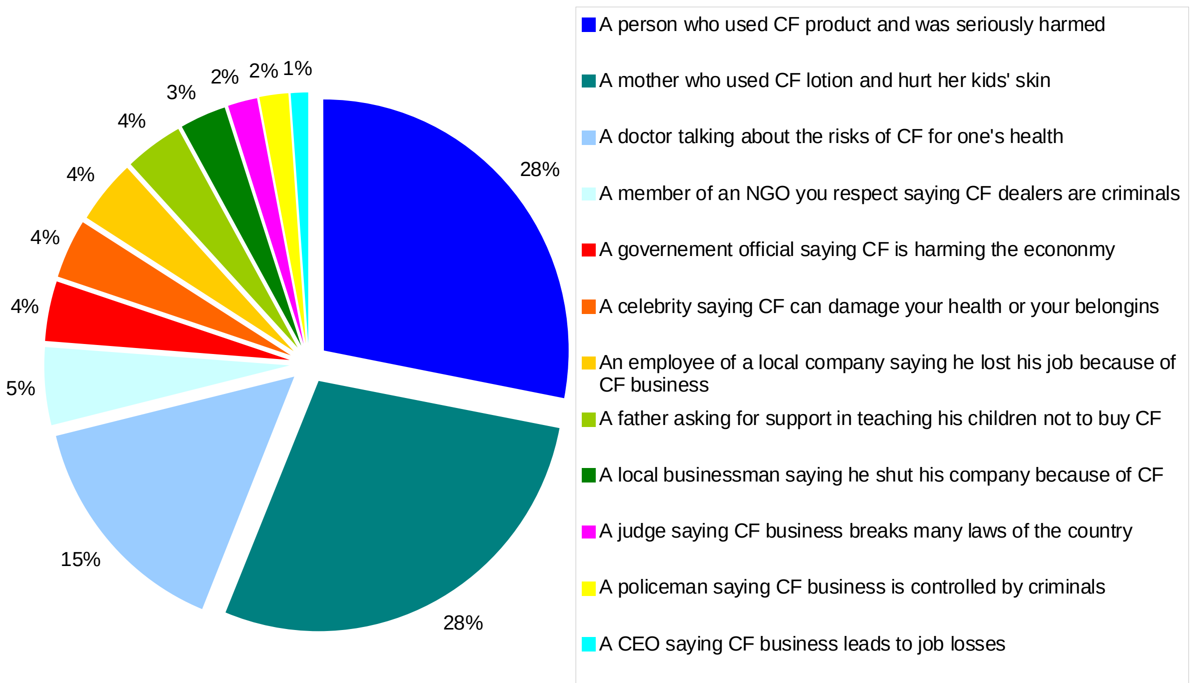
In this section, the research asked consumers to list the most potential spokesperson for an anti-counterfeiting and Piracy campaign. The question was formulated as below:

"If you were looking at a commercial or campaign that says counterfeit products are a serious problem in your country, who do you think would have the most impact on you/be the most credible person to tell you about this?"

Once again, the first part of the section allowed multiple answers, then respondents had to choose the single most impactful messenger. To note, instead of testing each messenger "in the absolute" we preferred associate messengers with a message. Some messengers were associated to several messages to pre-test obvious or natural combinations.

⇨ ***Victims of counterfeits or someone who embodies the risks of counterfeits to health and safety are the most credible spokespersons on this issue. Traditional authority figures are the least credible in this case.***

<u>Table 35:</u> Most Credible Spokespersons, Top of Mind (Global Sample)



<u>Table 36:</u> Most Credible Spokespersons, Top of Mind (5 Countries Comparison)

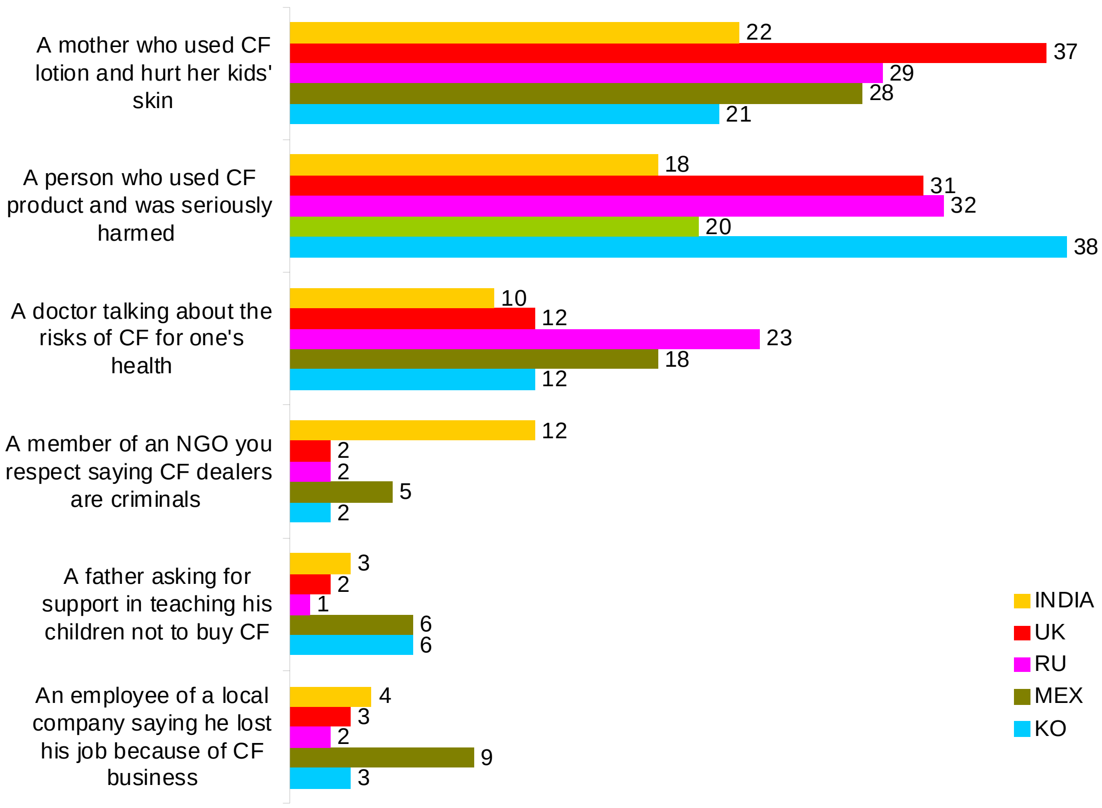


Table 37: Least Credible Spokespersons, Top of Mind (5 Countries Comparison)

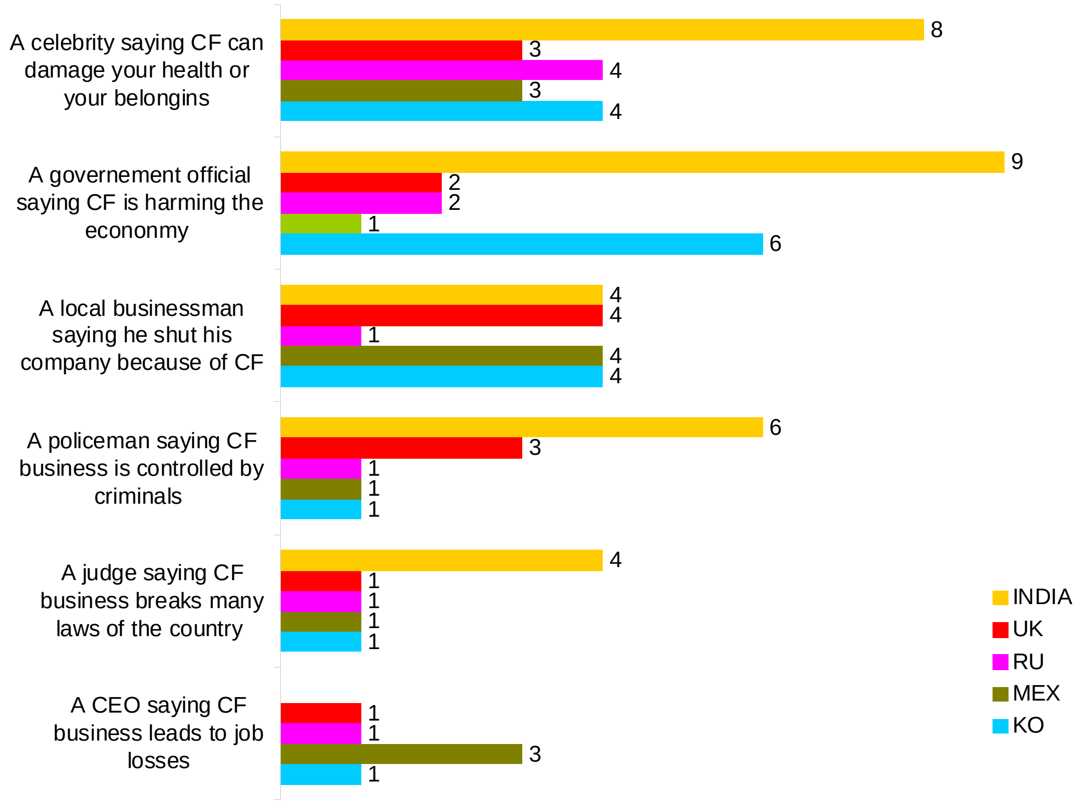
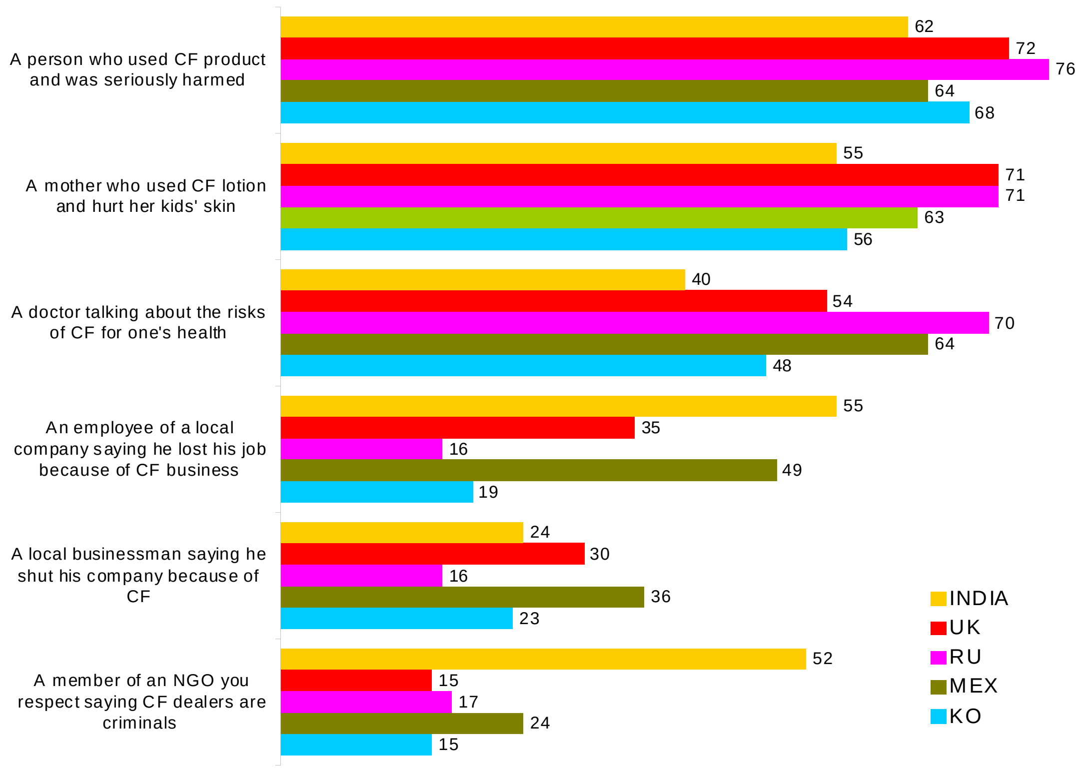
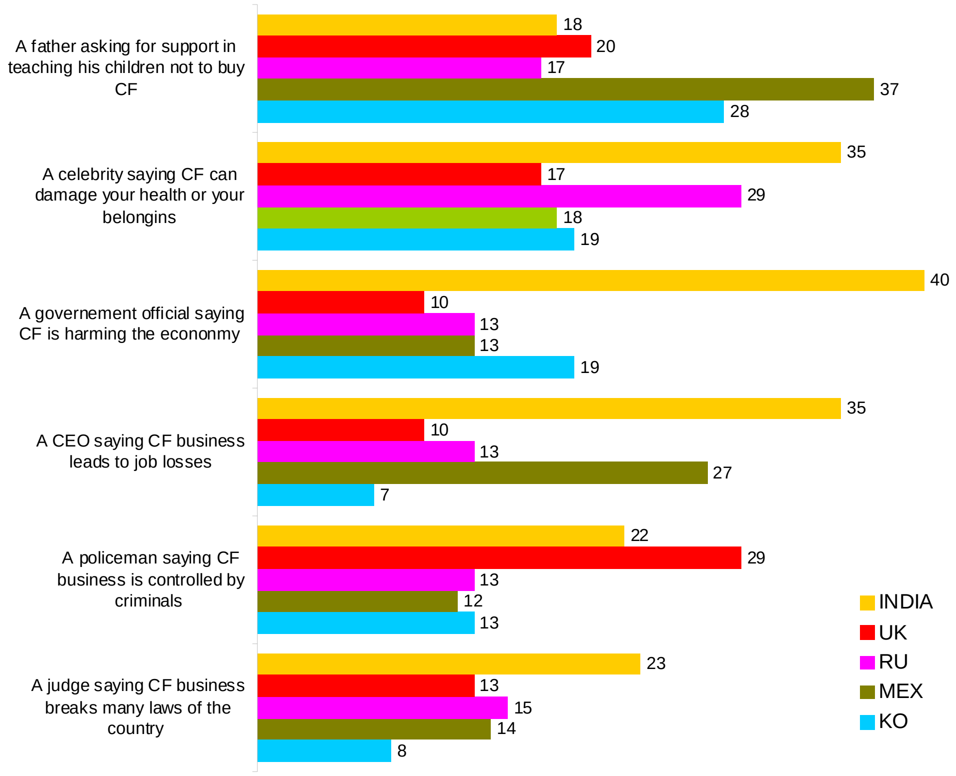


Table 38: Most Credible Spokespersons, Multiple Answers (5 Countries Comparison)



<u>Table 39:</u> Least Credible Spokespersons, Multiple Answers (5 Countries Comparison)



5

CONCLUSIONS

Understanding what drives a consumer to choose a fake, illegal product is a complex undertaking. Motives vary widely, from price and easy access to social acceptability and a perception that a counterfeit/pirate purchase is a game which falls outside the law and for which there are no consequences. Equally troubling, consumers include weak government commitment to fighting and prosecuting counterfeiting among their motives – or excuses – to look the other way.

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 - 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 - 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 recognise 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 - In conclusion, 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 organisations 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.

Summary of overall conclusions

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?”

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.

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.

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.

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).

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.

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'.

The top 15 learnings from the consumer research

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.

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.

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 U.K.
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.

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 (U.K.), 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.

Messaging

16. 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.
17. 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.
18. 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.

APPENDIX 1:
Country Fact Sheets

An ICC initiative
BASCAP
Business Action to Stop Counterfeiting and Piracy

U.K. KEY FIGURES

StrategyOne
A Daniel J Edelman Company

Socio economic data :
GDP per Capita 2008 : **$36,600**: U.K. is ranked **31st on 229 countries**
Human Development Index [0 to 1] : **0.942** (very high): U.K. is ranked **21st on 179 countries**
Population : **61 M°** (2009 estimation)
Black Market Value : **$ 21.6 B°** *(source: havoscope.com)*

CF Products availability & Market potential for CF (TOP 5)

Availability (% of consumers saying they have an EASY access to CF for this kind of products)
1. DVDs & CDs (96%)
2. Computer software (44%)
3. Clothes (43%)
4. Luxury items (39%)
5. Perfume (38%)

CF Market Potential (% of consumers saying they ALREADY PURCHASED some CF for this kind of product)
1. DVDs & CDs (36%)
2. Clothes (23%)
3. Computer Software (21%)
4. Luxury items(17%)
5. Perfume/ Cigarettes(13%)

CF Purchase Habits	Never purchase	Casual purchase	Regular purchase
U.K.	54%	40%	6%
5 COUNTRIES AV.	20%	66%	14%

CF Distribution channel (all products, index based on CF market share and purchase location in the country)

	In a regular store	In the streets	Abroad /on Holiday	Online
UK	37%	23%	27%	13%
5 COUNTRIES AV.	51%	24%	14%	11%

An ICC initiative
BASCAP
Business Action to Stop Counterfeiting and Piracy

U.K. KEY FIGURES

StrategyOne
A Daniel J Edelman Company

Spokespersons credibility

A person that got seriously harmed by CF (64%)
A doctor talking about the risk of CF for one's health (64%)
A mother hurt her kid with CF lotion (63%)

3 most credible

A CEO saying CF business leads to job losses (10%)
A government official saying CF is harming the economy (10%)
A judge saying CF business breaks many laws of the country (13%)

3 least credible

Top reasons for CF purchase & Top deterrents for CF purchase

Drivers (% of consumers choosing the item as the top reason why people buy CF)
1. Cannot afford genuine (68%)
2. Don't know it's CF (60%)
3. Products are overpriced (39%)
4. Would be stupid to pay the real price(37%)
5. CF products are as effective (33%)

Deterrents (% of consumers choosing the item as the main argument they would use to stop a friend from buying CF)
1. Can damage you health (68%)
2. Genuine provides more warranty & services (63%)
3. Poor quality can damage your equipment (62%)
4. You waste your money (55%)
5. Money goes to criminals (54%)

An ICC initiative
BASCAP
Business Action to Stop Counterfeiting and Piracy

RUSSIA KEY FIGURES

StrategyOne
A Daniel J Edelman Company

Socio economic data :
GDP per Capita 2008 : **$15,800**: Russia is ranked **74th on 229 countries**
Human Development Index [0 to 1] : **0,806** (very high): Russia is ranked **74th on 179 countries**
Population : **140 M°** (2009 estimation)
Black Market Value : **$ 6 B °** *(source: havoscope.com)*

CF Products availability & Market potential for CF (TOP 5)

Availability
(% of consumers saying they have an EASY access to CF for this kind of products)
1. DVDs & CDs (94%)
2. Clothes(90%)
3. Computer software(85%)
4. Perfume (79%)
5. Alcoholic beverages (76%)

CF Market Potential
(% of consumers saying they ALREADY PURCHASED some CF for this kind of product)
1. DVDs & CDs (89%)
2. Clothes (82%)
3. Computer software (80%)
4. Perfume (57%)
5. Toys/ Food or Non alcoholic beverages(38%)

CF Purchase Habits	Never purchase	Casual purchase	Regular purchase
RUSSIA	4%	65%	31%
5 COUNTRIES AV.	20%	66%	14%

CF Distribution channel (all products, index based on CF market share and purchase location in the country)

	In a regular store	In the streets	Abroad/ on Holiday	Online
RUSSIA	75%	17%	4%	4%
5 COUNTRIES AV.	51%	24%	14%	11%

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RUSSIA KEY FIGURES

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Spokespersons credibility

A person that got seriously harmed by CF (76%)
A mother who hurt her kid with CF lotion (71%)
A doctor talking about the risk of CF for one's health (70%)

3 most credible

A policeman saying CF is controlled by criminals (13%)
A government official saying CF is harming the economy (13%)
A CEO saying CF business leads to job losses (13%)

3 least credible

Top reasons for CF purchase & Top deterrents for CF purchase

Drivers
(% of consumers choosing the item as the top reason why people buy CF)
1. Don't know it's CF (79%)
2. Cannot afford genuine (75%)
3. Genuine is overpriced (50%)
4. Don't have access to genuine products (47%)
5. Would be stupid to pay the real price (33%)

Deterrents
(% of consumers choosing the item as the main argument they would use to stop a friend from buying CF)
1. Can damage you health (85%)
2. Poor quality can damage your equipment(67%)
3. You waste your money(46%)
4. Genuine supplies more warranty & services(46%)
5. Support a business based on stealing(28%)

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MEXICO KEY FIGURES

StrategyOne
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Socio economic data :

GDP per Capita 2008 : **$14,200**: Mexico is ranked **82nd on 229 countries**
Human Development Index [0 to 1] : **0,842** (very high): Mexico is ranked **51th on 179 countries**
Population : **111 M°** (2009 estimation)
Black Market Value : **$ 12.5 B°** *(source: havoscope.com)*

CF Products availability & Market potential for CF (TOP 5)

Availability
(% of consumers saying they have an EASY access to CF for this kind of products)

1. DVDs & CDs (96%)
2. Perfume (88%)
3. Computer software (88%)
4. Clothes (87%)
5. Luxury items (76%)

CF Market Potential
(% of consumers saying they ALREADY PURCHASED some CF for this kind of product)

1. DVDs & CDs (71%)
2. Computer software (55%)
3. Clothes (46%)
4. Luxury items (42%)
5. Perfume(35%)

CF Purchase Habits

	Never purchase	Casual purchase	Regular purchase
MEXICO	13%	74%	13%
5 COUNTRIES AV.	20%	66%	14%

CF Distribution channel (all products, index based on CF market share and purchase location in the country)

	In a regular store	In the streets	Abroad /on Holiday.	Online
MEXICO	36%	42%	17%	5%
5 COUNTRIES AV.	51%	24%	14%	11%

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MEXICO KEY FIGURES

StrategyOne
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Spokespersons credibility

A person that got seriously harmed by CF (64%)
A doctor talking about the risk of CF for one's health (64%)
A mother hurt her kid with CF lotion (63%)

3 most credible

A policeman saying CF is controlled by criminals (12%)
A government official saying CF is harming the economy (13%)
A judge saying CF business breaks many laws of the country (14%)

3 least credible

Top reasons for CF purchase & Top deterrents for CF purchase

Drivers
(% of consumers choosing the item as the top reason why people buy CF)

1. Cannot afford genuine (80%)
2. Genuine is overpriced (61%)
3. Don't have access to genuine products(48%)
4. CF products are as effective (44%)
5. Don't know it's CF(33%)

Deterrents
(% of consumers choosing the item as the main argument they would use to stop a friend from buying CF)

1. Can damage you health (74%)
2. Genuine provides more warranty & services (74%)
3. Poor quality can damage your equipment (60%)
4. You waste your money (59%)
5. You set a bad example to kids around you (57%)

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SOUTH KOREA KEY FIGURES

StrategyOne
A Daniel J Edelman Company

Socio economic data :
GDP per Capita 2008 : **$24,600**: S. Korea is ranked **44th on 229 countries**
Human Development Index [0 to 1] : **0,929** (very high): S. Korea is ranked **25th on 179 countries**
Population : **47.9 M°** (2004)
Black Market Value : **$ 14.2 B°** *(source: havoscope.com)*

CF products availability & Market potential for CF (TOP 5)

Availability
(% of consumers saying they have an EASY access to CF for this kind of products)

1. Clothes (72%)
2. DVDs & CDs (66%)
3. Luxury items (62%)
4. Computer software (59%)
5. Toys (49%)

CF Market Potential
(% of consumers saying they ALREADY PURCHASED some CF for this kind of products)

1. DVDs & CDs (64%)
2. Clothes (55%)
3. Computer software (50%)
4. Luxury items (42%)
5. Perfume (38%)

CF Purchase Habits	Never purchase	Casual purchase	Regular purchase
KOREA	19%	70%	11%
5 COUNTRIES AV.	20%	66%	14%

CF Distribution channel (all products, index based on CF market share and purchase location in the country)

	In a regular store	In the streets	Abroad /on holiday	Online
KOREA	43%	15%	8%	34%
5 COUNTRIES AV.	51%	24%	14%	11%

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SOUTH KOREA KEY FIGURES

StrategyOne
A Daniel J Edelman Company

Spokespersons credibility

A person that got seriously harmed by CF (68%)
A mother who hurt her kid with CF lotion (56%)
A doctor talking about the risk of CF for one's health (48%)

3 most credible

A CEO saying CF business leads to job losses(7%)
A judge saying CF business breaks many laws of the country (8%)
A policeman saying CF is controlled by criminals (13%)

3 least credible

Top reasons for CF purchase & Top deterrents for CF purchase

Drivers
(% of consumers choosing the item as the top reason why people buy CF)

1. Cannot afford genuine (77%)
2. Genuine is overpriced (66%)
3. Don't know it's CF (50%)
4. Would be stupid to pay the real price (39%)
5. Sellers constantly offer CF (20%)

Deterrents
(% of consumers choosing the item as the main argument they would use to stop a friend from buying CF)

1. Can damage you health (60%)
2. You waste your money (52%)
3. Genuine offer better service and warranty (46%)
4. Poor quality can damage your equipment (46%)
5. You set a bad example to kids around you (28%)

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INDIA KEY FIGURES

StrategyOne
A Daniel J Edelman Company

Socio economic data :
GDP per Capita 2008 : **$2,800**: India is ranked **168th on 229 countries**
Human Development Index [0 to 1] : **0.609** (average): India is ranked **132nd on 179 countries**
Population : **47.9 M°** (2004 1.17 billion)
Black Market Value : **$ 7.72 B°** *(source: havoscope.com)*

CF products availability & Market potential for CF (TOP 5)

Availability
(% of consumers saying they have an EASY access to CF for this kind of products)

1. Clothes (67%)
2. DVDs & CDs (65%)
3. Perfume(62%)
4. Cosmetics(59%)
4. Non alcoholic beverages (59%)

CF Market Potential
(% of consumers saying they ALREADY PURCHASED some CF for this kind of products)

1. DVDs & CDs (63%)
2. Clothes (62%)
3. Toys (56%)
4. Luxury items (52%)
5. Perfume (49%)

CF Purchase Habits

	Never purchase	Casual purchase	Regular purchase
INDIA	11%	49%	40%
5 COUNTRIES AV.	20%	66%	14%

CF Distribution channel (all products, index based on CF market share and purchase location in the country)

	In a regular store	In the streets	Abroad/on holiday	Online
INDIA	65%	22%	11%	1%
5 COUNTRIES AV.	51%	24%	14%	11%

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BASCAP Business Action to Stop Counterfeiting and Piracy

INDIA KEY FIGURES

StrategyOne
A Daniel J Edelman Company

Spokespersons credibility

A person that got seriously harmed by CF (62%)
A mother who hurt her kid with CF lotion (55%)
An employee lost his job because of CF business (55%)

3 most credible

A father asking for support in teaching his children not to buy CF(18%)
A policeman saying CF business is controlled by criminals (22%)
A judge saying CF business breaks many laws of the country (23%)

3 least credible

Top reasons for CF purchase & Top deterrents for CF purchase

Drivers
(% of consumers choosing the item as the top reason why people buy CF)

1. Cannot afford genuine (55%)
2. Genuine is overpriced (55%)
3. CF products are more accessible(45%)
4. Sellers constantly offer CF (43%)
5. CF products are as efficient (43%)

Deterrents
(% of consumers choosing the item as the main argument they would use to stop a friend from buying CF)

1. Can damage you health (65%)
2. Poor quality can damage your equipment (58%)
3. You waste your money (44%)
4. You can get in trouble with the police(43%)
5. You steal from the original companies(41%)

APPENDIX 2:
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THE IMPACTS OF COUNTERFEIT AND PIRACY:

Counterfeiting and piracy impact virtually every product category. The days when only luxury goods were counterfeited, or when unauthorised music CDs and movies DVDs were sold only on street corners are long past. Today, counterfeiters are producing fake foods and beverages, pharmaceuticals, electronics and electrical supplies, auto parts and everyday household products. And, copyright pirates have created multi-million networks to produce, transport and sell their unauthorised copies of music, video and software.

Millions of fake products are being produced and shipped around the world to developing and developed markets at increasingly alarming rates. Millions of consumers are now at risk from unsafe and ineffective products, and governments, businesses and society are being robbed of hundreds of billions in tax revenues, business income and jobs.

The drain on the global economy is significant and the longer term implications of the continuing growth in this illicit trade are enormous. The Organization for Economic Co-Operation and Development (OECD) estimates that more than US$200 billion in counterfeit and pirated goods flow across borders each year – accounting for only one of many trade channels. In addition, law enforcement groups and others such as ICC have pointed out that the overall cost of counterfeiting and piracy may be at least US$750 billion a year when other losses to the economy are included – such as domestically produced and consumed counterfeits, the significant volume of digital and fake products distributed through the Internet, reduced foreign investment and technology transfers, and losses to broader society including increased government spending for health care and law enforcement.

ABOUT BASCAP:

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.

In response, the International Chamber of Commerce launched *Business Action to Stop Counterfeiting and Piracy (BASCAP),* to:

- Connect and mobilise businesses across industries, sectors and national borders in the fight against counterfeiting and piracy.
- Pool resources and expertise – creating greater critical mass than any single company or sector could do alone.
- Amplify the voice and views of business to governments, public and media – increasing both awareness and understanding of counterfeiting and piracy activities and the associated economic and social harm.
- Compel government action and the allocation of resources towards strengthened intellectual property rights enforcement.
- Create a culture change to ensure intellectual property is respected and protected.

More information:

Visit BASCAP on the web at: www.iccwbo.org/bascap

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