Spurious Products: A Bottleneck in Growth and Development

Dr. Ranjan Kumar Kantha, Dean, Amity Global Business School, Bhubaneswar
Ch Siddharth Nanda, Faculty in Marketing, Amity Global Business School, Bhubaneswar

Abstract
Creativity and innovation are proven factors for economic growth and competitive advantage. In this cut-throat competition being a first mover backed with innovative offerings will for sure create a blue ocean. However as the competition gets fierce it becomes imperative for organizations to not only be creative and innovative but also tune its offerings according to consumer requirements.

As the consumer is emerging as the ultimate decider for the success of a product, creating and sustaining competitive advantage is the biggest challenge faced by marketers today.

Being creative and unique in product and service design and approaches is always presumed to be the secret of building an iconic status in the market, but with the presence of spurious products and a very high proportion of price sensitive consumer groups who are accepting these counterfeit and Pass-off products knowingly or unknowingly has certainly posed a challenge to the innovative companies. It is not only incurring a huge loss for the original brands but also diluting their brand image. Of even greater concern, consumers risk health and safety as they are misleading into buying faulty products and also putting a negative impact on the government as well.

This paper is an attempt to understand the meaning and types of spurious products, reasons for its existence and impact. It also includes the various examples of these kinds of fake brands in the market and steps taken by the government and companies to combat spurious and counterfeit products.

Keywords: spurious products, counterfeit, Pass-off products, Creativity, competitive advantage

Introduction
The presence of spurious products is a global problem of enormous scale, impacting and affecting every sector around the world. India is no exception, suffering significant economic, health and safety consequences as a result of widespread availability of spurious brands in the country. Small businesses, knowingly or unknowingly buy counterfeit technology or equipment, and suffer. Foreign investors hesitate to invest when the return on investment of a new product is made more uncertain by unenforced intellectual property rights. More worse is that it impacts the individual consumer’s health and safety as they are duped into buying fake mobile phones or unsafe medicines. Governments themselves have been victims of fake and spurious brands.

This problem has impacted every aspect of our lives. From products ranging from auto components, FMCG, mobile phones, computers, movies and medicines etc all have been illegally duplicated, copied and counterfeited. The total worth of counterfeit and pirated products is likely to be USD 1.22-1.77 trillion in 2015, much higher than the 2008 estimate of just USD 455-650 billion, according to the study by Business Action to Stop Counterfeiting and Piracy (BASCAP). This figure itself shows the danger spurious products can pose to the economy, companies and consumers. International trade in counterfeit and pirated products is alone approx. projected to be worth between USD 770-960 billion by 2015. Product counterfeiting and piracy is estimated to cost G-20 governments and consumers more than USD 125 billion every year.

What Is The Meaning Of Spurious Products?
The term spurious stands for not being what it purports to be; false or fake, hence not genuine, authentic, or true; not from the claimed, or proper source; counterfeit. The spurious products in general are divided into two categories, Counterfeit products and Pass-off products. Counterfeit products are fake products that have identical name of product/package/graphics/colour scheme and same name and address as the genuine manufacturer. Pass-off products use similar sounding or are similar in spelling (for example "Luk" for "Lux", "510" for "501" and "SONIQ" or "SONY" i.e. they spell alike and look alike. They use similar type of packaging or colour or designs. They come out with the motive of misleading and cheating ordinary consumers. Today many consumers are made to believe that the products they are buying are genuine when in reality they are actually fake.

Why Consumers Purchase Spurious Products?
Consumers are often unaware about the fake and spurious products that resemble what they want, but there are
many products which a consumer willingly purchases and they are aware that they are purchasing fake or duplicate products such as DVD, VCD, watches, mobile phones, MP3 Discs etc and one of the major reasons is lower price. In short these spurious brand marketers target the price sensitive consumer groups.

**Victims Of Spurious And Counterfeit Products.**

The existence of spurious brands range across diverse industries from FMCG, medicine, shoes, mobile phones and the list goes on. Daily Milk, Lifebody soap and Fair & Lonely brands in India and are similar to brands like Dairy Milk, Life Buoy & Fair & Lovely. Well, they not only sound but also look similar to the original brands. These brands are created by manufacturers producing cheap versions of the original brands. Spurious brands have not spared rural market either as they are more prone to less price. Party-g or prima-g biscuits are edging out the original brand parle-g. The fair & love skin cream is competing against fair & lovely on the basis of price. Further some a pass-off product of ponds, nirmala against nirma continue to lure rural consumers.

Fake brands have spread worldwide and are attacking many original brands, which includes iPhone against iPh- one, BlackBeiry, Tids instead of Tide, NIRE a competitor of NIKE, SQNY is a pass-off brand of SONY, Gillehe against Gillette. Even adidos exists in the market though written similarly as adidas but ‘a’ is replaed with ‘o’. Panaasonic as against Panasonic. Puma a famous brand was not spared either and it also has a spurious competitor in the name of Pmaa, Fuma etc. Beerok instead of Reebok. Further okay is written in the same manner as of olay brand. These above fake brands have not only affected the consumers but have certainly impacted the business opportunities of the original brands.

Further, it has been observed that in India, accessibility to computing resources is increasingly essential to the business and individuals. But due to a high ratio of price sensitive consumer group and low awareness of the risks associated with counterfeit products, demand and availability of low-cost fake computer parts is increasing. The Alliance for Grey Market and Counterfeit Abatement (AGMA) has found that of around 10% of IT products in the market are counterfeit. Globally, the annual size of this market is estimated to be approximately of around USD 100 billion.

The FMCG sector is equally affected by the spurious brands in India, as the marketplace is fragmented and unorganized. According to a study conducted by AC Nielsen, approx. 30% of FMCG business is lost to fake products, and almost on an average 80% of the consumers who purchased these products believed that they had bought originals.

Mobile phone sales contribute to a large extent in the economic development of a country like India, but unfortunately counterfeiting of mobile phones occurs often as many consumers are not aware about the presence of fake brands and even if they are aware many prefer low-priced, spurious mobile phones. The spread of fake mobile phones does not only hit the business of original brands and eat up their market share; they are also of reduced technical quality and poses dangers to health and personal safety. As there are cases of phone explosions due to the short circuiting or overheating of counterfeit batteries and spurious phones emitting higher levels of radiation.

Now talking about Bollywood which is one of the biggest producers of films in the world, is one of the victims of counterfeit and piracy. Various raids have been conducted, particularly targeting the sources of pirated films and also included small retail stores where fake DVDs are sold.

Pharmaceutical industry is one of the fastest growing industries in the world and in India with a huge population it is not lagging behind either. But the most dangerous side of it is fake and counterfeit medicines which is affecting the lives of thousands of people. According to the World Health Organization (WHO), approximately 30% of branded drugs sold in developing nations are counterfeited.

The government is not spared either and huge loss is incurred. Counterfeiting, piracy and smuggling cause losses to original right holders in terms of reduced sales, lower profits, brand value and reputation, which further impacts the consumer trust in a negative manner. The government faces severe problems such as reduced tax collections, increased expenditure on public welfare, insurance and health services cost, and loss of jobs as companies lose business.

In short, all industries including the government is a victim of the existence and availability of spurious products.

**Organization’s Taking On Spurious Products**

There are many companies who have taken steps to take on the fake brands and Tata is one of them. Tata Motors conducted a raid at 33 parts manufacturers and duplicate packing suppliers in Maharashtra. The company had launched a national enforcement campaign, starting with 33 raids in and around Mumbai, Thane, Pune, Nagpur, Solapur, Kolhapur, Latur, Sangli, Satara area, and around 125 raids across the country. Its enforcement
team including the IPR enforcement, copyrights protection agencies and the legal team, have worked closely to identify both manufacturing units and selling outlets of counterfeit spares and packaging centers, across major cities and trade hubs of India. The most common items include clutch parts, air/ oil /fuel filters, belts, hoses, ball joints, seals, suspension items like liners and brake pads, gear parts, gaskets etc. Many brands like Gucci, Louis Vuitton, Bvlgari diamonds, Rolex watches and Prada dresses are counterfeited and sold widely in India. Many such products come from China. Even Harley Davidson deodorants were sold which was not manufactured by the original brands.

The market for spurious fast moving consumer goods (FMCG) in India is estimated to be nothing less than Rs 45,000 crore, according to a recent study by industry body Assocham. Emami too is not far behind, it has a separate cell headed by an ex-assistant commissioner of police, whose job is to investigate leads provided by the in-house sales force on places where counterfeit products of its popular brands are made and raid these factories.

In the luxury goods market, international brands are taking steps to protect against fake brands mostly online marketplaces, which offer, what they claim, are genuine bags, shoes and clothing at as much as half the price of products sold at exclusive retail stores here.

Luxury French shoe and bag designer Christian Louboutin had filed a case against Darveys.com for infringement of trademarks, publicity rights, passing off, unfair competition, dilution, damages, rendition of accounts and delivery up against the defendants”. – (ET Bureau Oct, 2014).

Below is a list of few more Organizations and Acts, who are playing a vital role to combat counterfeiting in India,

a) (ICC) International Chamber of Commerce Launched (BASCAP) which stands for (Business Action to Stop Counterfeiting and Piracy). The purpose behind this is to combat and stop product counterfeiting and copyright piracy worldwide.

b) Federation of Indian Chambers of Commerce and Industry (FICCI) also lays a crucial role to curb counterfeiting in India

c) (CASCADE) Committee Against Smuggling and Counterfeiting Activities Destroying the Economy. The purpose of it is to,

a. To generate and spread awareness on the hazardous impact of counterfeit products.

b. To interact with the law enforcement authorities and emphasize generating awareness and seriousness of the impact of counterfeit goods.

c. To achieve a high “issue recall” relating to smuggling and counterfeiting in the minds of consumers and to sensitize the supply chain personnel towards the harm that smuggled and counterfeit products cause.

d) Anti-Counterfeiting Group of India - ACGI

e) Indian Copyright Act and Customs Act, a remedy against counterfeiting of copyrights.

f) The Trade Marks Act related to counterfeiting of Trademarks.

g) Drugs and Cosmetics Act

h) Patents Act – Introduction to Intellectual Property Right

i) Emblems and Names (Prevention of Improper Use) Act

j) Consumer Protection Act

k) Bureau of Indian Standards Act. etc

Conclusion

There is no doubt that all sectors and Industries across varied product categories, Government and most of all the consumers are the victims of spurious products. Though companies and government are fighting against spurious products by creating adequate awareness programs, packaging and strict laws. It is equally the responsibility of the consumers and people at large to wage war against these counterfeiting and fake practices as it would not only create a huge loss to the organizations promoting honest and creative products, and act as a hindrance for economic growth and development. but also would negatively impact the consumers’ health and safety. As creativity and innovation has no alternative and organizations promoting these practices are benefiting the consumers and will continue to do so if only adequate measures are undertaken to curb spurious practices especially in a country like India which has a huge potential to create a benchmark in the world economy. Hence, I would like to conclude with a message from our Indian President Pranab Mukherjee which says ‘the future prosperity of India in the new knowledge economy will increasingly depend on its ability to generate new ideas, processes and solutions. The process of innovation shall convert knowledge into social good and economic wealth. In a globally competitive world, India has to unleash its innovation potential to increase capacity, productivity, efficiency and inclusive growth’.

References

[1] Kotler Philip & et.al. (2009), Marketing Management, Pearson Education, New Delhi, India


