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The impact of counterfeit trade on Multinational Enterprises

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The impact of counterfeit trade on Multinational Enterprises

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Introduction

Counterfeiting has existed throughout history, where it started in counterfeited coins or currency but whereas nowadays it occurs in consumer's goods, it has found many ways to get to their targets, mostly known as knockoffs or pirated good or intellectual property rights. These types of goods are infringed by sellers who use trademarks, Patents or copyrights without the permission of the brand holders.

This Dissertation will evolve around the impact businesses are encountering by their products being counterfeiting in the international market and how they are overcoming this problem, which will also include the international effect of governmental organisational which are focusing on bringing to an end to these type of trades, whereas will locate as to why customers are willing to purchase these types of products.

Whereas the counterfeit trade has been developing day to day, with increasing number of counterfeit products entering the market, due to the outrages demand of brands infatuated consumers, which are leading counterfeit good to a mainstream need, whether it is peer pressure or to follow the ongoing trend. Consumer's demand has made this illegal market worth billions over the years. It is still a big problem that multinational companies face in the market today, weather if they are trading locally or on the international market, whereas international effect is made by various organisations and companies to crack down on these type of trades

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Counterfeit products and the sources has been a highly anticipated topic for organisations like the OECD (Organisation for Economic Co-operation and Development) and the WTO (World trade organisation) who have been working to bring these type of trade to a bust , whereas these organisations are working in order to track down both manufacturing and retailing of these products , the OCED have confirmed many brands whose products could be seen in the illegal market would not like to participant in these types of investigations due to the fear of reputation loss , whereas also knowing that these types of trade is mostly operated and funded by criminals with links to criminal organisations like terrorists as (Andreas and Nadelmann, 2006) talks about how counterfeited textiles funded the 9/11 attacks.

International chambers of commerce has formed their special division in 1985 in order to protect industries which are being damaged due to the counterfeiting production, their team work in order to gather intelligence via making undercover enquiries, which helps them to provide expert advice to their members, The CIB confirms that the counterfeit trade accounts for between 5-7% of the world trade, which is estimated at \$600 billion a year as referred to (Andreas and Nadelmann, 2006)

Referring to non-academic literature the UK government recently concluded a report in January 2016 tilted "Counting the Cost" which is based in the trade in Counterfeit Goods in Manchester, manly leaded by the Minister for Intellectual Property "Baroness Neville-Rolfe DBE CMG". Mentioning the effect of places referred to as Counterfeit Street which are known to the public as the place to

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source counterfeit goods, whereas reflecting to an article in the Mirror in 1984 which described how the journalists kitted out their models for £100 in outfits that would have cost £650 if brought in the high street shops

KEY Literature Summary

This point will present a short overview of the fundamental literature which will summary the identifying the key aspects of the counterfeit trade to effects on businesses? Tim Phillips(2007)describes how counterfeiting is thousands of years old, but conditions have never been better for it, as there are lower international barriers to manufacture and trade overseas where overseas factories are adapted to making goods for developed, and where the internet has made it even easier for us to buy and sell to people we have never met before into a matter of a few clicks on a web page which are delivered to their customers by traveling through different countries, whereas some of these goods which include films , computer software's and songs can travel through bits across the internet which are later reassembles into a whole perfect copy.

Whereas (Chaudhry and Zimmerman, 2009) suggests that the global volume of these trade may be \$200 billion per year, but after observing the fact that no one knows the exact magnitude of this criminal trade, as the US government has reported this at \$500 billion per year, which comprised of seizing over 15,000 different shipment counting counterfeit products in 2006 which is putting a big question mark as to how large is this trade and who knows the exact scale of these trade.

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The (OECD 2007) reported that counterfeiting is taking place in almost every economy, where it is obvious due to the recent media coverage that China (PRC) tops the list as the main perpetrator, whereas China has strengthened their laws in context with their intellectual property rights (IPR) during the last few years whilst being criticized about the breaches on the products that had been manufactured in China, this still leaves a big loop hole as IPR is a foreign concept for the Chinese, this means that the enforcement still remains weak.

Whereas the products which are seen counterfeit are mostly seen in the luxury brand category, as where we can refer to brands which only produce their products on a limited scale, this will encourage counterfeiters to produce the same products by looking into launch of these products.

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Research Questions

1. To identify what is Counterfeit Trade?
2. Define the effect of counterfeit trade on Multinational Enterprises?
3. What is the economic impact through counterfeit trade?
4. To identify the origin of counterfeiting start from?
5. What is the institutional framework view on counterfeiting

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2. Literature review

2.1 Counterfeit Products

Whilst focusing on the theory of counterfeited products in the market and how they are in some instance associated with low quality and prices, these products are offered to a broader market as to what the genuine product is, which means that some products might be limited and only available to some due to the waiting list or the companies which try to keep their customer based limited which for example means celebrities or the famous and rich who can afford the product, in which case it exposes the exclusiveness of the genuine luxury brands (Grossman and Shapiro, 1988)

Whereas not all counterfeited products are manufactured to influence the consumer that they are buying the original product and or the trademark product, this is when the products selling is divided into two different categories, this includes ; deceptive and non-deceptive counterfeiting (Bloch, Bush and Campbell, 1993). The two different counterfeiting source which includes non-deceptive which is any position where the consumer knows the true origin/identity of the product and knows it is a forged copy of the original product, whereas the deceptive counterfeiting includes any condition where the consumer does not know the true identity of manufactured and or the that it is a copied of the original product which means that they doesn't know that is a fake product which is explained below

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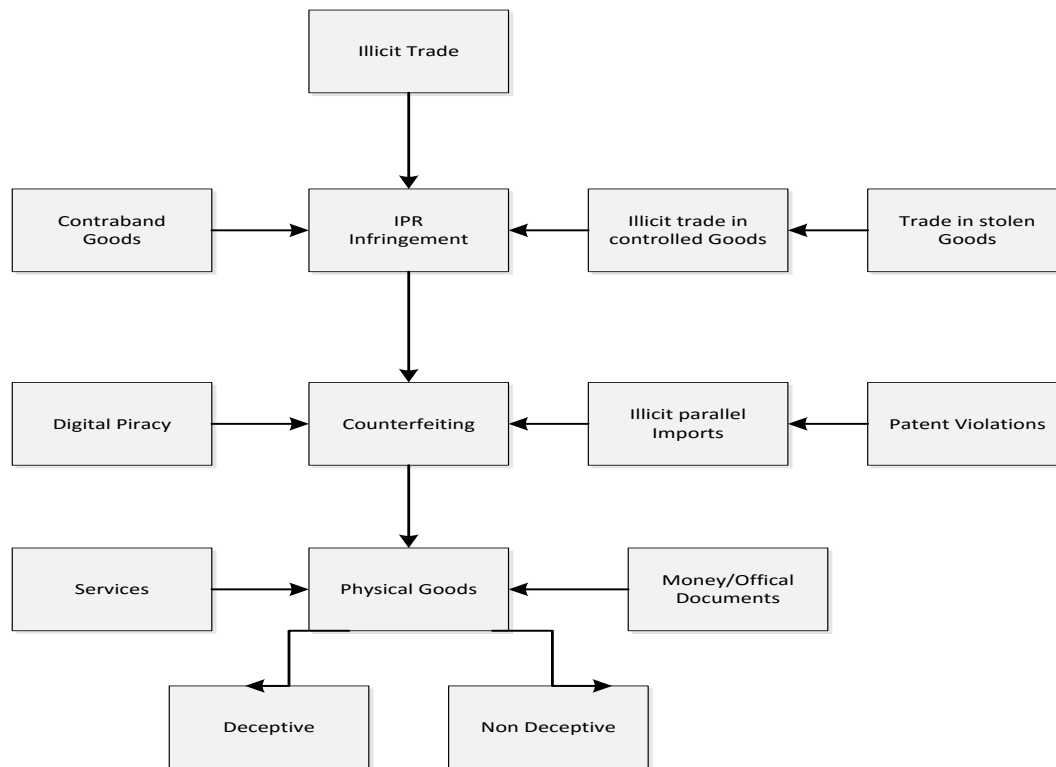


Figure 2 : (Bloch et al 1993).

Although it is described that all counterfeited products are manufactured in order to take advantage of the high priced/ luxury products, these products are mostly counterfeited due to the Research and Development (R&D) cost which is involved in these products, this reduced the initial cost to the counterfeiter by them reverse engineering the product, in which they take apart in order to duplicate the product part to part. (Minagawa, Trott and Hoecht, 2007)

Many consumers purchase counterfeited products in order categorize themselves into high-status group or to fit into a trend or serve as a social adjective function rather than a value expressive one. (Wilcox, Kim and Sen,

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2009) key functions which increase the demand of these products can relate to the Hermes Birkin bags which starred in a episode of the HBO's show, which led to increase in the demand of the product, but this came with a \$6,000 price tag and a five year waiting list due to being handmade (Phillips, 2005) this resulted in many customer turning to the counterfeit bags due to not being able to get on the waiting list.

2.2 The effects on multinational companies

Counterfeiting is a topic which is increasingly concerning businesses and their key parties including; consumers, producers, stakeholders, retailers which operate on international levels, whether they have factories in different countries then home, or general customers in other countries, most businesses are facing the risk of having their products counterfeited and sold at a lower price than it would be paid in original, many counterfeit goods harms the consumer financially, as they are deceived into spending their hard earned cash into a low quality/functioning product , although these counterfeit goods also pose a substantial risk to consumers, where they also lead to injuries, deaths and illness(Kevin Lewis) whereas the congressional hearing which took place on 5/25/05 described how the direct effect of these products leads businesses to cover the cost by" increasing their prices on their products in order to recoup losses from counterfeiting, which then makes the public to pay higher prices for brand names products because of counterfeiters"

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The way multinational businesses operate through the international trade have two theme which they comply to which includes qualitative, which includes the business apprehensive with the pattern of it trade, which means the these business are which country will export which good, where the standard theory which relates to trade is comparative advantage, this is when businesses are relaying on the international difference in relative opportunity costs, and then tries to explain comparative advantage in term of differences in technologies and factor supplies. This type of theme is also associated more on the return affects which is changed in data such as factor supplies or policies such as tariff. (Dixit and Norman, 1980)

Most businesses will consider on the monopoly model whilst trading in the international market as they this allows them to limit the market player in the particular industry, this also includes firms which have exclusive ownership of a scare resources, as many will also be able limit the imports into a certain countries through monopolising a certain industry which exist when a single firm controls 25% or more of the particular market , this also involves applying patents which gives them exclusive rights to sell certain goods or services in a certain country (Schumpeter, 2016). This type of trade is normally taking place in the pharmaceutical industry, where firms are charging ridiculous amount of money to some drugs, an example of this could be seen how 'National Institute for Health and Care Excellence (Nice)' who were charging £90,000 for their patented drug called "Kadcyla" which is not curing but extending the life of the

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patients who is suffering from breast cancer as they have successfully sanctioned monopoly and is free to set its price. (Cato, 2014)

Monopoly Diagram

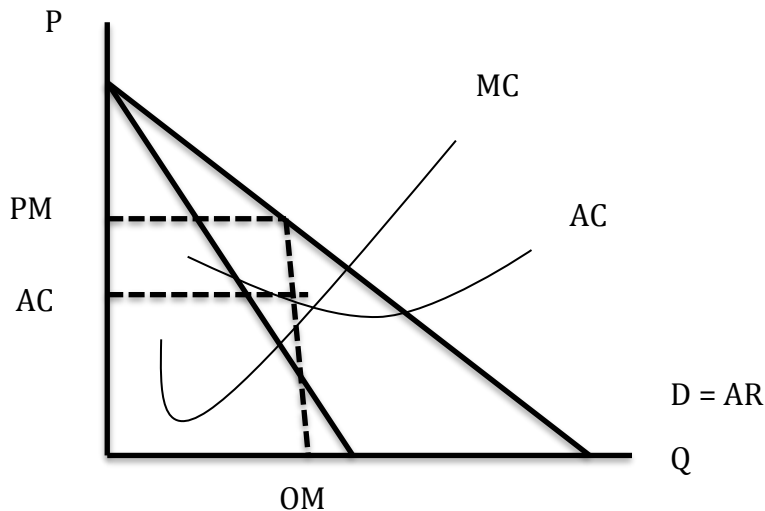


Figure 2: (Brander and Krugman, 1983)

While the Omani market has seen a distressing increase in the counterfeit goods when the amount of confiscated counterfeited goods raised from 34,461 in 2012 to 814,276 in 2013 which portrayed a 2,000 percentage increase within a year, this was mostly blamed due to the lacking of awareness in the industry as there were not enough protection in place to identify the real products from fake, whilst the main reason be blamed for the counterfeit products entering the market in the first place was due to monopoly trade practice in place by companies, as a need for these products to the consumer meant it was costly for them to purchase the original products, (Bawaba, 2014)

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According to Tim Phillips (2007) “if the knockoff economy was a business, it would be the world’s biggest, twice the size of Wal-Mart, its nearest competitor, although the exact worth of the global counterfeit trade is unknown due to much of the counterfeit activity which is undetected, but an estimated \$21.6 billion per year is lost from business in the UK due to these sales, these sales are taking place all around the world, and effecting every type of industry ranging from everyday used household items to automobile parts. Although businesses whose products are highly popular in being counterfeited are goods belonging to the branded clothing, high priced handbags, multimedia product like CDs and DVDs, but recent years these counterfeiters have stepped up and entered the pharmaceuticals and the automotive industry (Sowder, 2013).

There has been a lot of assumption of counterfeit trade which has been a big problem for all industries operating anywhere in the world, this comes across as from clothing to watches and even the e cigarette that you have in your hand right now, whilst only a majority of products are seen as counterfeit these are most due to the unavailability of these products through the price or limitation of the luxury brand, producing it at a limited rate in order to gain more customer attraction, firms which produce luxury goods are highly likely to encounter their products being counterfeited (Jen King 2015), due to the brand’s high standing reputation and the celebrity endorsements which increases the demand within the general public but with a lower supply allows the counterfeiters to produce these products quicker.

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The pharmaceutical industry has faced a large damage to their drugs, where the WHO (World Health Organisation), which claimed that counterfeit drugs have overtaken 1% in the developed world, worst of in developing countries these type of drugs are surpassing 50%, which in total represents \$57 billion in 2010 (Pharmaceutical Technology, 2009)

International tobacco companies which include PMI and British American Tobacco have seen a negative impact to their companies after; products carrying their brand logos were seized after being identified as counterfeits, through customs, which portray the scale counterfeiters will go to operate in any industry (Bat.com, 2016)

Alcohol industry has seen a growing problem of their products being counterfeited and sold at premium prices that they are normally sold for, where companies producing whiskeys, vodka, rum and other spirits, who are focused at expanding their brands into Asia and eastern Europe are seeing a barrier after many deaths were caused after people drinking alcohol which was tainted with methanol. Where these products are being exported into most countries, but still this type of exports are creating as much as 20 per cent of alcohol in Czech being counterfeit, moreover in the UK this is costing exchequers around 1.2billion in revenue each year (Rappeport and Cienski, 2012).

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2.3 Financial impact on the companies

Loss of sales are theoretically the main impact on businesses which are related due to the fact of their products being counterfeited according to (jen keng 2015) The EU fashion sector has seen a loss of 9.7pc due to these counterfeiting products, which is described to be more than \$28.5 billion in profits within the European Union, whereas businesses who are manufacturing their products in less developed countries will have costly impact as that is where their products are more likely to be leaked and counterfeited into production through the 'ghost shifts' (Chopra, 2010) however these companies will be using most of their revenue for the Intellectual property rights, which means that the essential expenditure in protecting and enforcing property rights is not effective (Vithlani, 1998).

Businesses which outsource some of their operations to countries like China in order to gain the low cost – high productivity, this type of outsourcing is mostly referred as “self-reporting relationship”(Phillips 2005), but whilst businesses are outsourcing they are providing these factories with vital design information. Which the company has spent most of their revenue in developing the product, the factories will some be tempted to have ghost shifts or the midnight shifts where they are producing more products than stated (Chopra, 2010) according to the author the products which are made in the ghost shift are mostly made out of cheaper material, but made by the same people, this mostly results in the final product being difficult to distinguish from the original.

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Financial impact that businesses face once they have encountered their products are infringed, have a high legal cost associated from both the investigated and defence side against the fraud which also relates financial difficulties throughout many levels of the business. (Hellman and Frank, 2009) describes how each law suite cost businesses up to 500,000 euros, but also relates how only larger businesses have the financial resources to challenge the other party in court. (Hellman and Frank, 2009) also describes how some Wine producers have spent around USD\$5 million on investigating and suing potential counterfeit parties.

Where businesses are expecting to save their overall production cost by outsourcing to cheaper countries like china, but many don't realise that this is when their products are most likely to be venerable to counterfeiters as this could show a opposite reaction to the company where they estimated to save cost will result increase in cost. (Neate, 2013)

A major company which seen encountered their products as part of the ghost shifts in 1999 was New Balance, where they have potentially outsource the production of their shoes to contractor Horace Chang who was running a New Balance Factory outside of Hong Kong who was given permission to make the shoes for the international and local market , which was later seen that he started making unauthorized version , which resulted in his contract to terminate , this kind of problem is seen as a major financial risk for Multinational companies due the amount financial resources that they have spent in order and the lost sale which are being taken by counterfeiter are coming out of the companies should be income (baron 2009).

2.4 Impact on brand and reputation

Businesses thrive hard to increase and maintain the customer- brand relation along with the loyalty of the customer to the brand, to gain customer trust and preserve their custom but ,the reputation of businesses is on the line, when a consumer is conned into purchasing a counterfeit product, they might not know if it is real or fake as Counterfeit products nowadays are getting more and more sophisticated and convincing that it is very hard to differentiate within the original and fakes which could hold and blame the company for the quality it or products which could be unsafe (Lewis, 2009)

One of the biggest problems these companies faces once they have found out that their products are being counterfeited is that, do they want to further discuss this problem in public or secretly within the company, most business will deal with this within the company as they do not want to create any unnecessary concerns with their customer as this can lead to customers not trusting the brand name in the future (Cockburn et al., 2005)

Whereas major brands thrive to improve labour standards and workplace safety at most of their manufacturing sites, counterfeit goods producer take advantage of sweatshops and where brands will try to improve their standards of productions, the counterfeiters enjoy the cost of saving so by dirty productions

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(Baron,2009)this could be seen as Apple has come under Foxconn scandal which created allegations whilst it outsourced some of their productions to Foxconn , which explained the treatment of workers which lead them to suicides by excessive working hours (Neate, 2013)which shows how the brand could be effected due outsourcing.

Although outsourcing will help the companies to drive down the prices of goods and provide employment to the developing nations, it could portray a negative view to consumers as it could they could be accused of creating sweatshop economy, which could be related to the counterfeiters using sweatshops and it becomes the negative impact for the business who's products are being manufactured there. (Phillips, 2007)The direct effect on the pharmaceutical industry has seen is the negative reputation, which is due to the side effects of fake drugs (Cato, 2014).

2.5 The effects on economy

Whilst the above describes how the counterfeiters are effecting businesses, the other large effect which this poses is to the worldwide economy, as many authors who only focus on the tax evasion side from the sales of these products, whereas there are not many who clarify how once an entire country's economy output was reduced, as Kenya once lost a substantial portion of their coffee crop after farmers unknowingly were using counterfeited ineffective fertilizers. (Bamosy and Scammon ,1985) whereas these trades have also contributed highly to lose of country's output which means that these products could wipe

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out state budgets due to the amount of tax which is evaded and could have a potential effect on the budget for public expenditure for the government

The link between counterfeit sale and terrorism is very close, according to (Hanif, 2015) terrorists have earned assets through the highly profitable criminal trade in products like cigarette. (Boon, Huq and Lovelace, 2010) which could also potentially mean that the individuals running these counterfeit rackets could be linked with criminal organisations

The economic effect through these types of trade are various, where these types of sales avoid paying any sales tax, by tax evasion these traders are getting away with lost VAT which is estimated at € 3.7 billion from the €26.3 billion from lost sales to these products. (Frontier Economics, 2009).

The flood of counterfeit goods is creating an enormous drain on the global economy, which is generating an underground trade that is depriving Governments from their revenue which is used for the vital public sector and is increasingly imposing a greater burden on the taxpayers, the result of this being more public resources being spent on fraud-detection methods by public sector authorities and larger intelligence and policing budgets which are needed to counter sophisticated schemes and networks. (United Nations Office on Drugs and Crime, no date)

The amount of counterfeit tobacco and alcohol being sold in the UK, as most of these imports are being undetected due to either them being imported illegally by

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smuggling or other methods used by these people, this displays the financial impact it has on the government as the amount of excise duty and VAT is being evaded by these trades, as recently enforcement agencies have concluded that around 17% of the tobacco currently in the market is counterfeit (LACORS, 2010)

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2.6 Employment impact

According to the Quantification of IPR Infringement report, we can see how the wide impact on the economies jobs these trades have, Europe has seen 363,000 jobs lost due to the counterfeiting of clothing, footwear and accessories, as the manufacturing and distributions of these counterfeit items totals to more than \$28.5 billion according to the head president of the office for Harmonization in the internal market (Office for harmonization in the internal market, 2015)

Furthermore, this illicit trade in the IPR infringing production of goods is effecting jobs in the developed countries like above, it is positively creating more jobs in developing countries where these products are being manufactured, the countries where these jobs are experiencing an increase in the demand of counterfeited products, has perceived the working conditions and employment rights are unregulated as these jobs are low paid and workers are being placed in vulnerable situations, moreover the safety and security are the major concerns. (United Nations Office on Drugs, 2016). Additionally, if the counterfeiting and piracy trade could be exterminated or reduced to a level which does not have a massive effect on the economy, it could create up to 15,000 jobs, (Frontier Economics, 2009)

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2.7 The origin of counterfeit products

When talking about counterfeits or fake products the first place comes to mind is China, this is because they have been involved with mass productions of counterfeit products over the last decade, although there are many intellectual property rights set in place which aim to remedy the failing of market to provide efficient allocation of resources, as the relevant market failures are giving rise to copyrights and trademark protection are vary, but the effects of trademark counterfeiting and copyrights piracy vary and warrant separate treatments accordingly. (Fink, Maskus and Qian, 2015)

Globalizing while commensurate measures are ensuring it integrity remain unchanged which makes it easier for counterfeiters to operate especially countries which have weaker law enforcement incapable of preventing these products from disturbing into the supply chain. (Counterfeit Products, 2012)As China is mentioned such as being the main source of these counterfeits being manufactured due to the weak enforcement of Intellectual property rights according to (Turnage, 2013)

China continues it journey to strengthen its IPR after many years of pressure from foreign powers, they have decided to endorsed series copyright, trademark and patent laws and has realised the law being sufficient, whereas most recent difficulties come from the weak enforcement (Chaudhry and Zimmerman, 2013)

2.8 Business ethics / culture? (is counterfeiting right or wrong ?)

Ethical reasons in this research is vital as this will focus on the both sides which being consumer and business, when concentrating on the consumer in this type of research, according to (Vitell et al 2001) consumer ethics focuses on fact of what constitutes right or wrong which is conducted through the consumer behaviour, this is mostly implemented through the general ethical principles of problems which will include how consumer reacted to behaviours like cheating, dishonestly , lying and misleading to which determines what action is ethical and what is unethical.

Although many consumer which value morality, politeness and responsibility will be more expected to hold a negative attitudes towards the counterfeiting of the luxury product and will feel dishonest in which results in them not purchasing that product. (Augusto de Matos, Trindade Ituassu and Vargas Rossi, 2007) these authors also found that some consumer were less conversely and less honest which they were more likely to purchase counterfeited products, as (Chaudhry and Stumpf, 2009) found that some consumers held divergent ethical views of counterfeit of counterfeited products as some consumers believe purchasing fake pharmaceutical is unethical, but viewing pirated movies as acceptable.

Many business which operate in developed world consider counterfeiting as stealing(Phillips 2005) make a point as how we are taught not to steal other kids lunch money or the chocolate from the local shop, as an key illustration prepared

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by (Phillips, Mayster) BSA's Debbi where kids in primary schools in Virginia were told to paint and picture but not to name it, and the painting was passed onto other kids and told that they could choose the one they want and put their names on it, this activates are to educate the kids about what they are doing is illegal, as most of the kids were using illegal way to get games.

Businesses ethics is one of the most important things that businesses focus on to ensure their business is ethical in the industry, there are many ethical ways businesses operate, but relating to the counterfeit trade the author has described it more effectively by implementing both moral rights and utilitarianism which is; utilitarianism is the end based reasoning which aims to produce the greatest good for the greatest number for the greatest number of people. Whereas moral rights of Man perspective, which is constructed on the decisions on universal laws that assume basic human rights. While both of these are generally been used to defend the rights of the designers and outlined arguments which justify counterfeiting as designers assert their moral rights to benefit from their work, however many of the counterfeiters operate in countries where they face economic hardship, where some consider counterfeiting as a basic human rights in order to make a living from these products. (Hilton, Choi and Chen, 2004)

Businesses in China perceive IPR is a Western concept and IPR infringement is not seen as morally wrong, as it states I is based on the individualism, liberalism and rationalism which is mostly known for the development of the western modern legal system, but whilst viewing this from a Chinese person's

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perspective it could be seen that they obstacles for the development of individual philosophy, as stated by (Xu, 2014)

Chinese business attitude towards manufacturing of counterfeit goods is very pathetic as it is seen that counterfeiting of product has existed in the Chinese culture as early as many thousand years ago, where it started off from the Chinese counterfeiting problem in the late Ming Dynasty in the Chinese history, where arts were highly admired and accordingly being faked, as this resulted in only one in ten painting being genuine. (Clunas, 1991) but in craftsman who counterfeited these paintings were praised for their perfectly copy of the Ming – Dynasty jade piece. This results in the western authors like (Midler, 2009) which persuades us to think the counterfeiting problem runs from the historical roots, as it is believed to be a methodology of learning from copying in Chinese history, which is being related to the modern counterfeiting activity, which is believed

Institutional framework is referred as the laws and other formal provisions that assign primary responsibility as well as the authority to an agency for the collections. It could be said that the Institutional framework for China could be to blame for the occurring of Counterfeiting , as (Rugman, 2009) refines that the individuals involved are not amoral but they are humans who have made sensible decisions but from the the view they think is right and ethical, so when linking back to China it could be seen that the weak institutional framework of weak intellectual property protection and the knowledge on how to obey the rights could be responsible, but the availability of businesses.

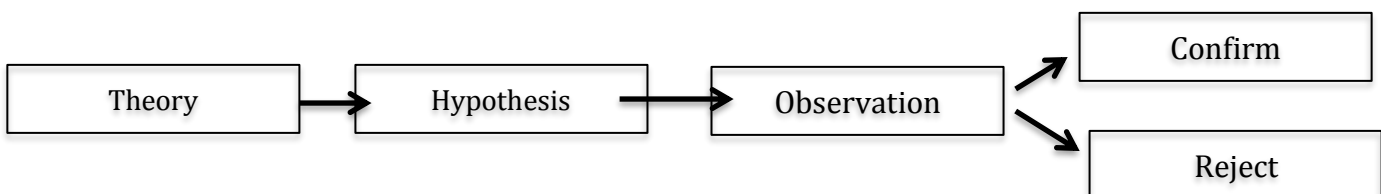
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As (Grossman, 2005) mentions that the only way to combat this issue straight from the roots could be to educate them in a way which they will understand, as this could include enhancing the Intellectual property protection in China by changing the pay-off structure of counterfeiters as currently counterfeiters are only prosecuted if their business had profited over \$15,000, but counterfeiter will not keep these records. Counterfeiters which are prosecuted are posed with a \$1,000 fine, which is seen by them as a cost if doing business. Where it is argued by (Bird, 2006) that counterfeiter should be prosecuted regardless to the amount profit and should be considered as a serious criminal activity, which may reduce counterfeit's incentive.

3.0 Research Methodology

3.1 Research approach

The approach used for the collection of data for this research dissertation, has been divided into two different approaches, which included Case study approach and some parts of the research where the data was charted through using the deductive approach, which is explained by (Saunders, Lewis and Thornhill, 2007) as being the focus on seeking current theory which is already in existence and tested against examples, whereas (Beiske, 2007) further elaborates on the way these type approach will allow to researcher to construct the qualitative research procedure and will further aid the data analysis route, this form of approach has been praised by (Adams, 2007) being the most appropriate and commonly functional method for business research as it provides the positive or negative results for the theory being tested, which will assist in the ongoing research outcome. On the other hand, whilst deductive approach is being implemented, the author formulates, which sets a hypothesis which needs to be tested. (Snieder and Larner, 2009) portrays the deductive approach model through the diagram below which is the implementation of the relevant methodology which the study is going to be proving right or wrong.



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The case study approach was chosen as a strategy for this research project, due to most of this study involved empirical research, as described by (Saunders, Lewis and Thornhill, 2007) case study research will be in the interest of acquiring rich understanding of the background of investigation which is enacted. Case study approach will allow the real life background to be related to contemporary using multiple sources of evidence as described by (Yin, 2003).case study approach has be admired by (Farquhar, 2012) for being able to serve different functions as a business context, as the author describes this approach for being able to be explored from perceptions which could be specific into industry, geographical locations or size the of the business. Whereas (Hurrell, 2005) defines this approach being able to generate theory from the understandings, where the research could also linked to the theory, but could be very time consuming as the researcher will have to go the great lengths in order to demonstrate the link.

The reason Combinational approach was used in order to get over some limitations and to provide a broader image of the research, by using it with reality examples as mentioned by (Bryman, 2008) recognizes the usage of mix methods for researching as an extensive advantage. The reason deductive approach was implemented through the research project, as it allowed for the current academic and non-academic literature to be used against the hypothesis, and aided in the data collection and analysis process, as also being explained above by the authors for being the best one to use as a business student. Whereas the cases study approach was concluded due to ongoing process of the current issue.

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However the additional optional approach which could have been used for this research project was inductive, which involves the stages which are mostly opposite to the deductive approach, which mostly includes the collection of data which then is used to recognize if there is any patterns which can lead to a development of any new hypothesis (Walliman, 2011) mostly known as the observation method which allows to develop theory.

3.3 Advantages/ disadvantages of methodology

The key advantage for the approaches used for this research will be the linked in between both, as mentioned by (Saunders, Lewis and Thornhill, 2007) deductive approach and case study approach are closely linked and help to describe information deeper in order to explain closer links between the for the deductive approach is that it allows for the current theories to be tested negative or positive, as which lead to more clarified information , as (Dul and Hak, 2008)situates this type of research being very closely linked to the case study .

However, there are some of disadvantage which consists with the deductive approach (Walliman, 2011) who has explained that some of the hypothesis are nothing but guesses which has taken place in our day to day life, as many of the hypothesis are based in the guesses and backed up with reasons and may not be accurate to an extent. Whereas the disadvantage to the case study approach is very time consuming as it takes a lot of potential time to conclude different

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source of evidence and some of the information collected could be out dated, which will not serve some purposes.

3.2 Data collection

The research project was completed through the use of mix methods research which included the use of qualitative and quantitative data, which was conducted through the collection of information from primary and secondary resources. (Saunders, Lewis and Thornhill, 2007) mentions the advantages of using primary research as a base to start the data collection, but the use of secondary research provides a wider search for the topic. This included the use of different variety of source which comprised of reports from governmental organisation, which focused on the counterfeit and the infringement of intellectual property rights.

Quantitative data was collected through different sources, which included the use of many governmental reports , which provided the relevant report to highlight the counterfeit issue on a international scale, whereas secondary resources were used in the form of books, journals articles and reports from governmental organisation were used as part of a secondary materials, this included the use of organisations like WTO who plays a big part in the international level trade.

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Additionally, ten interviews were targeted to businesses as a primary source of data collections, which included businesses in the UK and from overseas; the response rates to this interviews were 30% as many businesses were hindered to answer any question regarding this topic. The reason for inviting companies from overseas for the interview was to get a first person perspective on these issues in other countries rather than just the UK. Hong Kong and Indian businesses were targeted as they are linked within Asia where most of these counterfeit products are manufactured and passed through. The two interviews were conducted over the telephone in order to compensate the distance and to

3.3 Ethical Considerations

All participants were approached strictly on a voluntary basis, during the course of the data collection process from interviews every technique was used in order to keep their companies profile anonymous, whereas this was concluded to the participants, as the interview was equipped with questions, which gave them the choice to either have their details mentioned in this dissertation. Whereas (Cassell, n.d.) argues the fact the participant should be refereed to something else rather than their name, as this may include referring to them by identifiers like their role or initials or letters of the alphabet.

3.4 Limitations

It has been very clear and understandable from the start of this research about many limitations which existed mainly due to the topic "Counterfeit" is linked to closely to fraud and crime, which resulted in less businesses or company personal referring to the topic, which mainly would have due to the company protocol, or the avoidance of negative publicity, which many companies would like to avoid in the first place. Which also included the amount of time which was available as the interview stage had been the most difficult part as the interviews which had to be undertaken by companies, either declined to did not reply as most of these companies did not want their brands experiencing any negative publicity as also explained by (Cockburn et al., 2005) earlier, which resulted in only few businesses getting back with the result which are later analysis in the next chapter.

Additional constraints were found through the amount of literature available on the term 'Counterfeit' from academic sources, as there was limited amount of academic literature available which could be used in context with this research, whereas the academic literature which was used for the research was out dated, this resulted the increase use of non-academic sources which was found in the representation of online journals, Further limitation which consisted throughout the research was the statistic of not many companies been able to provide a numerical magnitude of the damage the counterfeit products are causing their business either from lost sales or reputation.

4. Data Presentation and Analysis

This chapter will be supplemented through the use of 2 Case Studies

And interviews conducted which could be found in the appendix

This part of the research will focus on presenting the views from interviews which were conducted with the managing directors, which will reflect on the findings from chapter 2 and will be supported using case studies on multinational companies.

The interviews were conducted with the Managing Directors of companies, who have international relations with other companies in other countries, where company A and C have only been operating for no more than 15 years; company B has been functional for more than 25 Years being a family business. The questions were aimed to establish a more realistic view for the impact that business have. Additionally, two case studies were identified to and used to support the findings from the interviews.

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4.1 Presentation of the findings from the interviews

In order to achieve a greater outcome to identify the industry's which are more sustainable to being under attack from counterfeit product, the companies' products were identify in order to gain a specific insight to their operations.

Although is it mentioned by (OCED) in order to obtain an accurate statistics on counterfeiting is very hard due to the furtive activity, in order to get an insight into the company's activity and their location, the first question was presented to the business as ;

In order to obtain a view of what the companies activities were the participants were presented with the question of "What type of products does your company produce and where are you based? "

Company A specified as being a producer and wholesaler of Indian dry foods and being based in the centre of Hong Kong, whereas company B provided as being manufactures of fragranced incenses Sticks located in India, furthermore company C is located in the Tamworth (United Kingdom) which are wholesalers and retailers of household electronic items. Responses indicated the companies being in totally different industries and countries. This was allowed this reason to get a boarder view to identify what type of industries the business were operating.

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To find out if the companies were operating on an international level they were presented with “Does your company operate on an international level, (e.g. exporting/ importing to or from overseas clients?)”

The results from this question specified all the three businesses having some form of connections to and from China in regards to their business, Company A specified as have direct connections on the Chinese and the Indian market where they import their raw materials from, whereas having relations within the Europe where to which they export their final products to. However company B disclosed as exporting 80% of their products to wholesaler across the world, but were involved in importing packaging materials from China. Company C showed a heavier interest in the outsourcing of their productions, they sell their products via the use of the internet in bulk or singles, whereas all the products manufacturing and postage is done by their factory in China. This question provides the further details of the companies relations on the international market and to gain details as to how businesses connect through their international associates.

To establish the scale of these businesses the question was queried “How many employees does you company employ to date?”

This question was set in order to classify the size of the business we are analysing, company A stated as having 230 employees to date being classified as being a medium sized business, on the other hand company B stated as having 190 employees over in the total company, classifying themselves as a small company, however company C described themselves as being a medium sized

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company as employing around 120 employees in total in China and the UK. This allows the researcher to recognize how big the companies are.

To acknowledge how China has affected businesses, the managing directors were question focused on the relationship the companies have with China as “Does your company purchase any material from China (if yes what products)? “

Understandingly all the three companies have had some connection to China, where company A has been purchasing their raw materials from China, whilst explaining the reasons as being the cheapest country to source the resources from and the time frame for the delivery of the materials is really quick. While company C has been taking advantage of the low cost - high productivity, as they have most of the operations in China, from sourcing of raw materials to the productions to delivering of their products is located in China.

To identify how the companies were vulnerable to counterfeiters, the contributor Are there any operations from your company which are out sourced to other companies?

Company A suggested that they use to outsource their refinement process to another company which was based in China, whereas Company B shows a similar view of having their some of the key components for their Incense being outsourced to a Chinese company, however Company B confirmed a higher proportion of their company involved with outsourced, as they suggested having higher number of operations in a company which was facilitating them to manufacture, packaging and shipping their products for them, which was based in China.

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In context with counterfeiting the managing directors were presented with the request to provide the researcher with their experience with counterfeiting of their products.

Where the response from company A indicated their packaging materials with their logo being used for products that did not exist in their company as some individuals has access to their packaging designs and used it to their advantage, similar situation aroused with company B as their packaging was used for non-verified products which were not produced by them we sold on their packing but containing products which was not produced by them, Company C showed their products being produced after the company was closed most known as ghost shifts, which showed that all the three companies had some form of encounter with their products in relations with counterfeit.

To help the researcher find out how the outsourcing companies could be involved the counterfeiting of products. The MD's were requested to disclose to their awareness how their outsourcing companies contributed to the counterfeiting of their products.

By which the MD of company A stated that the company which was carrying out the refinement task had been placing unknown material in their packing , which was food products but not the kind that company A sell, which was later discovered that they intend to sell to other countries, but using company A's brand, whereas company B stated that the overproduction of their packing

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material which were printed by a Chinese firm had been sold onto some other individuals which indicated that their brand logo was in the wrong hand , moreover Company C specified in the early question that they has encountered ghost shift as to where their products were being produced using low quality and cheaper material In the interest if the counterfeiter in order to sell on.

To identify if the companies would ever go public to announce their products have been counterfeited, the MD were presented to answer “Would you consider having you taken the counterfeiting of your products to the general public?”

This provided a significant view from the companies as Company A and B suggested that they are not willing to take this risk for the sake of their reputations and business, as they mention the fact that they will lose the trust to customers and will portray a bad image to them in the future which will also result in losing sales as we have spent large amount of revenue in promoting and setting the reputation for the company and it could go to waste., whereas company C shared a very different view stating that it will definitely take the this issue with their products to the public as mentioning that it is a hazardous to their customer who might purchase the product as deceptive way (not knowing) and could end up causing death or injuries in the household due to the cheap material being used in the counterfeited product.

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The question was raised to locate how the companies were affected financially or how their brand and reputation has been affected where the three companies explained as how they have lost sales and other expenses which occur whilst products have found to be counterfeited, the three businesses have confirmed the extensive amount of lost sales, where company A has financially lost over two major client's trust and lost over \$30,000 HKD due to outsourcing previously, as business contacted the company to file complaints in regards with the products they have received but the business which received the products did not exist in the company A, whereas Company B suggested the amount of packaging leaked to other people through the printing press as the loss of potential sales. Although company C does not know of any financial impact they have had at the moment, but all the three firms indicate no direct effect to brand and reputation yet.

Overcoming counterfeiting is the main objective for business, Every action is being taken by the businesses to focus on overcoming and protecting their brand where they can, as mentioned by all the three businesses as being the main priority to use techniques to fight these crimes themselves in order to make it harder for criminals to imitate their brand, as company A has thought about being the invisible photonic techniques in the packaging of their products, which is aimed to overcome the authenticity issue with their products and to allow the customer to be informed that the product is genuine, whereas company B has decided to relocate their operational facilities where they will have more control over and has started using algorithm-hologram patterns on their packaging in order to identify the real product, conversely company C decided to provide

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certification of the originality and serial number on their products to prove to customers that the products they are using is real and safe to us .

“Do you think there is sufficient amount of protection being provided by the governmental organisations to protect your product in the international market?”

In the view of the businesses there is still need for improvement in the strategy used by governmental organisations like WTO and OECD to overcome this type of problem, although all the three companies have been in contact with their local IPR agency, where the response for Company A described the agency working very hard to help them with the issue, but where company b explained the fact it is located in India, the agency as being unresponsive and wouldn't do anything with any form of bribes and commission to carry out the enforcement of this issue. Moreover, company C being located in UK demonstrated there was high involvement of different organisations to help with his issue.

To get the view of the companies as to who they think is involved with these types of illicit trades, the researcher presented the MD with the view of how they perceive China to be involved,

The view of the three companies were similar as they have all been involved with China in the past, where company A suggested that China is an increasing risk for business , which is becoming a big headache as they will counterfeit anything they see and if they see the potential for income they will definitely copy the item,

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whereas company B suggest that they carry less knowledge regarding this but suggested that counterfeiting takes place any country where there are weaker regulations and punishments , company C shared the same view asserting that China could not be blamed directly as they might perceive counterfeiting different to use, as they might be taught that counterfeiting is good where we see it as bad.

To gain general views of the MD's to precise if they have any other counterfeiting experiences or other related suggestions

The responses from company A indicated that they had experienced other companies counterfeited products being offered to them, whereas company B did not have any views on this, but Company B shared a profound view stating that there are a lot of counterfeit products still available to the general public via the international market, we could experience them on the news where using an example of the “Segway” scooters stating that they were counterfeit and that’s why they created danger for the user from the result of exploding batteries , whereas finished of by mentioning that we should expect a lot of things to be counterfeits.

Although all of the companies agreed on having some of their operations in foreign countries, due to the cheaper materials available in that particular countries, where in his case all the three companies had some sort of links to China, as Company A and B mostly had some of their raw materials linked to this, but moreover Company C has showed the whole production being located in China, upon the reasoning of this type of decisions, they all mentioned the

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availability of cheaper materials and local resources, which compared to their local location being very cheap. Whereas (Chopra 2010) talks about how many businesses have out sourced to china in order to take the advantage of cheaper resources, which include low about cost, low engineering and whereas there is a high availability for labour intensives.

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4.2 Case study analysis

Case study 1 and 2 and the company profile of Lacoste and Pfizer could be found in appendix 1

The case studies will be addition to the results from the interview responses.

“Rene Lacoste was the major factor to revolutionise the tennis dress code from a long sleeve and starched shirts to their famously known polo shirts, which later resulted in a rapid increase in demand and the expansion of their industrial production, whilst noticing the demand for lactose products, Rene filled constantly filed for new patents for newer products. “this shows how the company is contributing to protecting their products.

Referring to the case study, it portrays the views from famous brand facing imitations, whereas Lacoste identifies as facing counterfeiting of their patented products since the start of the productions of their products , whereas it is indicated that every two seconds a Lacoste product is sold ,

However as mentioned by Lacoste “Popularity stirs counterfeiters” although in the 1970s, consumers were not aware of counterfeit products, put whilst over the past 40 years it could be supported that the counterfeit market for Lacoste products has progressed, which is why the major financial impact they have as a organisation will be the amount of revenue they are spending in order to tackle and overcome these trades as it is mentioned in the case study tat they spend over 3 million doors each year to fight counterfeiting as 65% of counterfeited label represents as “Lacoste”.

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From the Lacoste case study, the view on China's contributing could be stated as it is mentioned that "China is the largest producer of counterfeited Lacoste products, although the exact figures as it is mentioned that there is no way to estimate the number of counterfeits in circulation in the world as it is a black market which is completely opaque , but the ways that these products are labelled as through street vendors and online shops which help counterfeiters to sell the imitated Lacoste products.

It is mentioned that Lacoste uses outsourcing to low-income countries, which includes 25% production in France; whereas 85% of the manufacturing is carried out in South America, Maghreb countries and Asia but indicates that to ensure the quality of the product process they place people from headquarters to the top management positions in those countries. Which indicates a high dedication to keep the consistency of the quality of their products but could also be seen as a way to protect any form of counterfeit activities to take place within the manufacturing process, branding could see a high impact due to the availability of modern machines which could manufacture good quality items, which helps the counterfeiters to generate high profit margin for their manufacturing.

4.3 Case Study 2 (Pfizer)

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This case study shows that wide range of medicines, mostly which are produced by the well-known pharmaceutical firm Pfizer, which are experiencing a increase in their drugs occurring as counterfeits, as shown from the case study there are not many figures which relates to the financial extent of these products, due to mostly these firms operate as monopoly which allows them to set higher prices for their products, but indicates the fact that these drugs could harmfully be effect the consumer taking these drugs.

Although this case study does not show the relevance to China, but most of the production of fake drugs is based in China, but sold on later on to other counties like, which are indicates in the case study as Turkey , Hungary , South Korea , Colombia and Canada, but from this case study it could be understood the extent that these counterfeiters will go to make these produces, as seen they are mixing products with Talcum powder, and whereas they were using road paint to dye the pills yellow. This shows the great risk that is posed to the image of the brand and reputation as people could potentially die from these products, which could be liable to Pfizer. It is mentioned that the amount of there is the skill involved of passing off fake medicines as genuine which embossed stamp as well as packaging, labelling and even information leaflets are all carefully imitated.

In summary this chapter presented all the data which was collected , allowing to provide a deeper insight to the issue of counterfeiting ,the views from different managing directors , which allowed us to make a binding conclusion to the effects and the implications involved to the contribution to this research.

5.0 Discussion

Whilst referring to (Jen King 2015) who mentions that counterfeit products are mostly likely to take place for luxury items, his point of view is confirmed by the Lacoste, but from the recent chapter we could now confirm that counterfeiting is taking place many other industries which could be based in the three companies who have has their products counterfeited but do not belong the luxury industry, but this could have been mentioned due to the high price tag that luxury items carry with them so where cheaper products

According to (Hellman and Frank, 2009) every business experiences some form of financial loss due to their counterfeited products, upon presenting this the financial impact for businesses, this could be confirmed by the view of company A and B who have mentioned how they are financial effected, but moreover the case study supplements this as it shows the amount of money Lacoste is spending to flight this crime. financial cost within an organisation could arise due to any type of counterfeit matter whether it is from protecting the products, lost sales or the court cases cost which due to enforcing the IPR.

The three companies mentioned that their products were being sold on as deceptive which meant the counterfeited products were being portrayed as real to the unknown customer which is mentioned by (Bloch, Bush and Campbell, 1993) that there are two ways to counterfeiting deceptive and non deceptive, whereas it could be said from the Lacoste case study that as customer would want to wear the high profile luxury item they would purchase the item even when a non-deceptive format is used to sell the products.

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As referred to (Cockburn et al., 2005) businesses are not willing to go public with the appeal for encountering their products as counterfeited due to the negative publicity of their products, this is demonstrated by Company A and B who have specifically mentioned that they will under no circumstances to public due to the negative impact it has on their business. Although this is not revealed in the Lacoste, but Pfizer has made announcement about these products due to the connection of effects they might have on the consumers using them, as they could lead to death.

It could be argued from (Grossman, 2005) point of view which suggests that China has not got a strong enough enforcement on the offenders of the IP rights. whereas (Clunas, 1991) talks about how the counterfeiting traditions has existed through the history of China which is agreed by company A, B,C as their view was the similar suggesting that they are taught about counterfeiting as a good thing.

All three companies occurred some form of counterfeiting to their products whilst they outsourced which according to (Chopra, 2010) most products were occurring counterfeiting whilst the business had some operations outsourced, this could be verified by the three companies who have experienced their products entering the wrong hands due to their counterfeiters, this could be said for Lacoste but they have got senior managers monitoring their production plants in low income countries or it could even be seen as they might have experienced counterfeiting taking place in those plants , in which they decided to appoint the managers from head quarter to monitor them,

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(Chopra, 2010) reinstates the view of company be as the outsourcing companies were using cheaper materials whilst operating ghost shifts, which could also be confirmed by company C as their products were manufactured of low quality, this could not be said for Pfizer as their counterfeiting was not due to outsourcing.

Referring to (Chaudhry and Zimmerman, 2009) counterfeiting is taking place on all levels in the industry; this could be clarified as all the companies involved in the study were operating in different industries. International efforts to reduce and cap these trade has been seen through organisation like the international chamber of commerce who are working to increase regulations in the international markets to solve the problem of counterfeiting

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6. Conclusion

The discoveries from this research has suggested that businesses no matter size , locations or industry are venerable to experience their products being counterfeited , although many business will not have encountered this due to their strict confidential of their products or the not feeling the greed to lower their productions cost by outsourcing.

The most significant finding which arose from this study was how the different institutional frameworks varies for different countries, and how some counties perceive counterfeiting to others, which showed the full length to where the potential start of counterfeiting in China started from. This also mentioned as to how they are working to strengthen the IP rights in China and the suggestions by (Xu, 2014)to how the punishment should be seen.

This study has enabled a comprehensive discovery of how multinationals are effected due to the counterfeit issue, which provided with the finding of how they are financially effected due to the cost involved in either protecting their brand by using different techniques to overcome the counterfeit issue, which shows that most brands were using different techniques like holograms, invisible inks and other methods of certifications. The surprising fact arouse from this study regarding the amount of money being spent on court cases in order to allege the wrongful party.

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While the findings enhanced the appreciation of the financial issue, the findings suggested that there are other factors than financial impact on multinational corporations, as the main factor which was found was that there is a significant impression on their brand's reputation as well as it affects their customer base

The study understood that different business cultures will have a different view to the counterfeit issue whereas it could be related to the Institutional framework as which creates the statistics which displays how the Chinese governance regarding counterfeiters is weak and Chinese business see this as a day to day activity of normal business practice, whereas it could be related to how the culture sees this is morally right or wrong.

This study was limited by the fact that companies which were involved did not provide a wider view to the topic, which also meant that the study was limited by the books and sources available which were mostly outdated and could not complete an up to date view of the issue which meant that the study was limited to the three companies and the two case studies,

However the obstacle which consisted through the study was the lack of knowledge of some of the managing directors of the companies that had been interviewed as they just answered yes or no to which I recommended them to further elaborate on.

There are a number of recommendations for the future research which could be implemented which will gain additional insight into this topic. The further study could assess the methods of how counterfeiting could be stopped or what is the

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best way to avoid counterfeiters and ways in which the companies could make sure their products are not vulnerable to counterfeit. The other recommendation would be for the future study of this topic to meet the MD's of the companies face to face in order to have a full discussion on the questions as the phone interviews provided a limitation of not being able to fully discuss the topic , as some factors consisted which included some language barriers as the companies were based overseas, which also meant their understanding of the questions will have been different to the researcher.

Lastly, the complications which had to be overcome during this research, could be the deeper analysis of this issue with context if governmental organisational organisation which did not provide enough details of how counterfeiting is affecting the international free market policies.

In summary, this dissertation has given an insight as to the effects that Multinational enterprises face due to counterfeiting, which was reflected through the point of view of the three companies and the two case studies., which enhanced the understanding of the authors of the literature and the companies which were mentioned throughout, this helped in confirming the wider view of counterfeiting.

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Appendix 1 – Company Profile / Interview questions and responses

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Company Profile

Company A

Company A is located in Hong Kong, they have been trading as a limited company for the last 15 years, where they specialise as the biggest importers of Indian food products, and they import various types of raw food materials from around the world to fulfil the desire demand of Indian food in Hong Kong. Which focus on providing the best for the best, so the best products for the best for the customer. As their main priority is to provide the best ingredients to customers to satisfy their needs

Company B

Company B is situated in India, where they produce various types of flavoured Incenses for the last 25 years, 80 % of their products are manufactured only for export purposes. Carrying a very famous brand logo and images, their products are very highly demanded all over the world, which is also due to their elegant flavours of fragrances from their products. Most of the buyers will include he religious places, but their main focus is to provide their special products to a worldwide audience, which consists of a burning time of 40 minutes as normal incense lasts for 15 minutes.

Company C

Company C is located in the heart of the United Kingdom, where they have been based for the past 6 years; they operate mostly through the internet, mostly their products and postages to customers are done through their Chinese factories. Their products mostly include domestic household electric items like, switches, sockets and lights. They focus on providing their customers with peace if mind for the products that they sell and want their customers to fell more safe using them.

**Counterfeit products – Interview for dissertation
purpose**

The impact of counterfeit trade on Multinational Enterprises

(Company A) phone Interview with the managing director of Asian food suppliers

What type of products does your company produce and where are you based?

"We are producer and suppliers of Indian dry foods which include raw lentils, and beans. We are currently based in Hong Kong "

Does your company operate on an international level, (e.g. exporting/importing to or from overseas clients?)

"Yes, we do as we import raw materials like lentils, which are then cleaned, packaged by us, then sold to retailers and wholesalers across the World."

How many employees does you company employ to date?

"We currently employee around 230 people and we are considered as a Medium sized company "

Does your company purchases any materials from China? (if yes what products)

"Yes, we purchase raw material like packaging products and some of our raw products are sourced from China farmers"

Are there any operations from your company which are outsourced to local or overseas companies?

"we used to outsource our purifying and refinement process to a company in China"

From you experience has any of your products been a victim of counterfeiting? And what actions were taken? (E.g. Products which have been discovered with you brand name but containing materials not from your company.)

"Yes we have, our products brand was used with products which, we did not sell, as we are mostly sell Asian lentils which are mostly known as Indian lentils but after being notified by some of our customers, we found out that some company was placing Chinese lentils in our packaging and were being sold to countries in Europe."

To your awareness, have any of your outsourcing companies been in connections to your products being counterfeited or been involved in ghost shifts?

"Yes, to our knowledge we found out that a company which was assigned to purifying and packaging process was selling on our packaging designs and other materials which included the lentils which were imported from Indian to a unidentified company in China"

Have you or would you take the production of your products to the general public?

"No, we will never consider taking this issue with out product to the public, as if we can solve it our self's and even if we were to go public with this the , our customers will not trust out brand in the future which will result in decrease in

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sales , which will be really hard to recover from as we spend Hugh amount go resources to gain and preserve their trust to out products”

How has the counterfeited product affected your brand and products or financially?

“We have not had a any problems with reputation with customers but, this type of issue really got us in hot water with our wholesale buyers, as we used to sent out shipment through the processing plant in China, which resulted in a poor quality products and mixture of other materials in our products, which was sent to our buyers in Italy, this resulted in two shipments wroth over \$250,000 Hong Kong Dollars to be refunded and compensated them with another shipment .”

What actions is your company taking in order to combat this type of production and how effective is it?

“We are actively applying invisible strips methods to our packaging which indicates the authenticity stamp of out company and also serves the purpose of showing the freshness to the customer for their peace of mind. It is being notified to customers to check the stamps and strips of the packaging before using the product.”

Do you think there is sufficient amount of protection being provided by the governmental organisations to help protect your products and trademarks locally and on the international market?

“Yes , we contacted the IPD (Intellectual Property Department) in Hong Kong, and were referred to Customs and Excise department in Hong Kong who contacted their other division in China who helped us in many ways to find the company responsible for counterfeiting our products and the company which was leaking our designs of our packaging to other companies, which resulting them in hefty fines and their trading license revoked”

China has been the main source for production of counterfeited items, do you agree to this, and what is your opinion on this?

“From mine and the company’s experience, I think businesses in China is becoming a increasing concern for business. A big headache should I say they will counterfeit anything which catches their eye, and if they see there is potential for income, they will not stop , but I think it is the way they are taught from the start.”

Have you got any other details regarding this fraud with your personal experience in context with the topic? Or any suggestions to this research?

“Yes, many other companies, I know have had same problems as us, where machines which we import from Japan which cost us over \$140,000 were being provided by a company in China with the same brand name but for more than half of the price.”

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Would you like to provide the details of your company to use as part of a dissertation? (E.g. name, location, produces, or any information you would not like to be included in any part of the dissertation?)

“Yes, it is fine for you to use the locations, products of our company in your research but please can I request you not to mention the name of anyone from our company even me or the name of our company for legal reasons. Thank you “

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Company(B) Phone Interview with managing director of a company in India

What type of products does your company produce and where are you based?

“Our company is well known for the manufacturing of Fragranced Incense sticks; we are based in India (Jalandhar Punjab).”

Does your company operate on an international level, (e.g. exporting/importing to or from overseas clients?)

“Our company has many relations with customer and overseas buyers in wholesale, direct and retails as we export 80% of our products to other countries each year.”

How many employees does you company employ to date?

“190 employees work for our company at the moment which include salesman which are working aboard.”

Does your company purchase any materials from China or other countries? (if yes what products)

Yes our branded packaging cardboards which was are printed from China and some of the coating chemicals are located from China.

Are there any operations from your company’s which are outsourced to local or overseas companies?

“Yes, the manufacturing of the fragrance material which coat the wooden sticks is sourced a local company.”

From you experience has any of your products been a victim of counterfeiting? And what actions were taken? (E.g. Products which have been discovered with you brand name but containing materials not from your company.)

“Yes, our packaging with our brand logo was being sold to some other individual, but we don’t know if it is a company or a certain person, but they were using their own products but packaging them using out brand logo and selling to customer who did not know this.”

To your awareness, have any of your outsourcing companies been in connections to your products being counterfeited or been involved in ghost shifts?

“Yes, we were contacted by the printing press which was printing our packing materials, stating they have overproduced our packaging and were asking us to provide more money to them so that they could send it to us ,but at that time we did not have much financial budget to pay them for the overproduced packaging, so we refused but a week later when one of our represented visited the printing press regarding new design of our packing , and upon mentioning the overproduced packaging they said they have sold it to someone else.”

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Have you or would you take the production of your products to the general public?

“No , as we do not want to lose the trust with our buyers as it will make our products unreliable in the market and we might lose our sales “

How has the counterfeited product affected your brand and products or financially?

“Financially we could only mention the overproduced packing as a lost sale which worked out to be roughly around \$150,000 USD which the faker might have benefited from.”

What actions is your company taking in order to combat this type of production and how effective is it?

“We have started the production of all the materials and package printing and other process in India, which might be more expensive but will be under our eye, and we have got some algorithm – hologram which we use on our products packaging which will help specify the realness of our products.”

Do you think there is sufficient amount of protection being provided by the governmental organisations to help protect your products and trademarks locally and on the international market?

“We have contacted our local IPR and anti counterfeit agency but in order to get a positive result in protecting our brand and to in order to catch the criminal we would have to go through a lot of court cases and a lot of financial and there is a lot of corruption involved which will mean we will have to pay bribe to the officer to get them involved.”

China has been the main source for production of counterfeited items, do you agree to this, and what is your opinion on this?

“I think counterfeiter are mostly in any country which has weaker regulations and punishment for these offences, here in India there is counterfeiting of products but not as much as to compare with China they can copy anything from CAR to normal consumer products”

Have you got any other details regarding this fraud with your personal experience in context with the topic? Or any suggestions to this research?

“No “

Would you like to provide the details of your company to use as part of a dissertation? (E.g. name, location, products, or any information you would not like to be included in any part of the dissertation?)

“Please could you not mention our name in any form of way in your research, but you can mention which products we sell.”

Company (C) Phone interview with the managing director of an online electronic products supplier

What type of products does your company produce and where are you based?

“We specialise in retailing general household electric components like lighting, switches sockets, and fuses, our office is based in Telford and the production department is based in China (Guangdong)”

Does your company operate on an international level, (e.g. exporting/importing to or from overseas clients?)

“Yes we retail our products to the public through our online website, which provides access to the most of the world to purchase the products as singles or in large wholesale quantities”

How many employees does your company employ to date?

“We have 63 employees in the UK and 120 in our Chinese factories, all in total of 183 employees “

Does your company purchase any materials from China? (if yes what products)

“Yes, most of our raw materials and production which includes the assemble of the products in China “

Are there any operations from your company's which are outsourced to local or overseas companies?

“Yes the production, packaging, postage which is posted direct from our Chinese facility to the customers. “

From your experience has any of your products been a victim of counterfeiting? And what actions were taken? (E.g. Products which have been discovered with your brand name but containing materials not from your company.)

“Yes, our manufacturing plant in China was using some low quality materials on the products with our brand logo on to some other parties, which were involved, this was due to the non presence of our staff there at that time. As they were producing this when out of hours so that meant that our staff was not present at the site and which allow them to work through the night making products for their self's to sell on.”

To your awareness, have any of your outsourcing companies been in connections to your products being counterfeited or been involved in ghost shifts?

“Yes they were working at nights as mentioned before. “

Have you or would you take the production of your products to the general public?

“Yes we have and would in the future due to the hazardous harm that poor quantity products could cause our customers as they are using these products

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for either their own house or they might be installing it in someone else's house."

How has the counterfeited product affected your brand and products or financially?

"No, not yet and fingers crossed we don't get involved with issue like that."

What actions is your company taking in order to combat this type of production and how effective is it?

"We have started providing a certification with each products sold to indicate that it has been tested and it is an authentic safe version of our product , which has patterns using invisible ink so they could only be seen under a specific light whereas we have also includes serial numbers which could be traced by to us."

Do you think there is sufficient amount of protection being provided by the governmental organisations to help protect your products and trademarks locally and on the international market?

"Yes, we have contact some member of the IACC the international Anti Counterfeiting Coalition, and they provided us with some useful insight to deal with this issues and I think there is enough protection here in the UK once you have registered you trademark."

China has been the main source for production of counterfeited items, do you agree to this, and what is your opinion on this?

"yes, but China could not be blamed directly as other countries will have links to counterfeiting of some products, but in is the way that Chinese perceive the counterfeiting issue as they might be taught that counterfeiting is good."

Have you got any other details regarding this fraud with your personal experience in context with the topic? Or any suggestions to this research?

"yes there are a lot of things In the international market which are counterfeit, as recently we could see how the Segway's were exploding due the batteries because they are counterfeits so we could expect a lot of things to be counterfeited. "

Would you like to provide the details or your company to use as part of a dissertation? (E.g. name, location, produces, or any information you would not like to be included in any part of the dissertation?)

"Please do not use my name or the name of my company, I would not mind you using the location and the products which we sell."

Appendix 2

Case Study 1- Pfizer

Pfizer drugs is a leading pharmaceutical firm founded in 1849 since has been one of worlds premier innovative biopharmaceutical companies, which is discovering, developing and providing over 120 medicines, vaccines and consumer healthcare products, in target to save and improve the lives of millions of people and the UK and around the World very year, Pfizer is famous for their production in Viagra

Case Study: Counterfeit Contents



How counterfeit drugs are a public health problem is clear... With little or no active ingredient a person does not receive all the therapeutic, diagnostic or prophylactic benefit and will either not recover or will have a delayed recovery... If made with a toxic substance, a counterfeit drug has the capacity to poison or kill a human.

WHO, 2006

A wide range of medicines, including Pfizer medicines, have been counterfeited to date. Fakes of cholesterol lowering drugs; prescription pain-relievers; medication to manage high blood pressure and a vital Parkinson's treatment have all been targeted.

A wide range of substitutions are used in these fakes, some such as talcum powder are used by counterfeiters to economise their use of an active pharmaceutical ingredient; in other cases one active pharmaceutical ingredient is substituted with a completely different one, rendering the tablet useless. In all cases however there is a danger to patients. They may receive insufficient amounts of their essential medication, or as in the case of counterfeit Viagra® tablets found in South Korea far too much. Some contain no active ingredient at all.

The on-going challenge for patients, healthcare professionals as well as those hunting the counterfeiters, is the skill of those passing off fake drugs as genuine medicines. The colour of a tablet, its embossed stamp as well as packaging, labelling and even information leaflet are all carefully imitated.

Some examples from Pfizer's on-going vigilance in tracking down the dangerous fakes are outlined here:



Counterfeit packaging and mimic tablets found in Turkey. The tablets contained no API; giving no vital symptom control for patients with Parkinson's Disease.



Counterfeit Viagra® found in Hungary. Instead of the appropriate API, these counterfeits contained only amphetamine – commonly known as "speed".



Counterfeit Viagra® found in South Korea. These tablets contained three times the appropriate dose of API, giving no additional benefit but placing patients at greater risk of side effects.



Counterfeit Ponstan® found in Colombia. As well as containing a potentially toxic substance; boric acid, these tablets were dyed yellow using road paint and finished with a coating of floor wax.



Counterfeit Norvasc® found in Canada. Tablets contained no API at all, only talc. Resulting in undertreatment of high blood pressure and angina.

API – active pharmaceutical ingredient.
Note: Counterfeit medicines positioned on left.



European Trade Group

Appendix 3

Case Study 2 – Lacoste

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Company Profile

1. Lacoste is a high end clothing company founded in 1933, famous for “The Crocodile” brand logo, it is a producer of clothing, foot wear, perfume, leather goods, watches, eyewear and their flag ship product which lead the Lacoste brand being famous from is the Polo shirt which was introduced in 1927 before forming the Lacoste brand, by a tennis player.

Case Study: Lacoste and trademark counterfeiting

Lacoste story began in 1927. Rene Lacoste, tennis legend, was named by the American press ‘The Crocodile’ after a bet he has made with the French captain of the Davis Cup. The later promised to Rene Lacoste a crocodile suitcase if he won an important game for his team.

The American public has retained this nickname which highlighted the tenacity he had on the tennis court, by never letting go his ‘prey’.

Then his friend Robert George, drew a crocodile which was embroidered on the back of his blazer.

That’s how the legend was born!



The shirt which revolutionised the tennis players' dress code

The same year, in 1927, Rene Lacoste entered on the tennis court with a shirt in a cotton mesh airy, comfortable, and revolutionised tennis players' dress code at this time. The main advantage of this Lacoste shirt lied in the fact that it perfectly absorbed perspiration and allowed better withstand heat on the American courts. At this time, tennis players wore classical long sleeve and starched shirts.

Six years later, in 1933, demand for Lacoste shirt was so strong that the classic Lacoste polo became an industrial production and expanded greatly during decades.

Its innovative strength was crucial in this process of expansion: in addition to increase his range of products, Rene Lacoste constantly filed for new patents regarding tennis rackets.

The company Lacoste nowadays

The company Lacoste offers a wide range of products ranging from the traditional clothing for women, men and children to linens, through shoes, perfumes, leather goods, sunglasses, belts and watches.

Since 1933, Lacoste is in 114 countries and every two seconds sells one product in the world.

The company pays a great importance in the care and management of its brand.

Since the beginning of the industrial production, the latter was fairly delocalised. Today, 25% of all the products are manufactured in France; 85% are manufactured in South America, Maghreb countries and Asia.

To ensure the quality of production processes and of the products despite the outsourcing in low-income countries, Lacoste takes care to place people from the headquarters to top management positions in these countries.

Lacoste distributes its products in its own shops, in 'comers' in department stores, dedicated retailers and sports shops.

Lacoste has two online stores: one in US since 2008, and one in France.

Popularity stirs counterfeiters' interest: Lacoste counterfeit products in the 1970s...

Lacoste brand has always been copied since its creation in the 1930s!

However, Lacoste counterfeit products experienced a new born in the 1970s. At that time, the crocodile was already known and popular, and counterfeits manufactured found an opportunity to earn money. On Italian and Spanish beaches and in US and South America, street vendors sold at very low prices Lacoste counterfeits produced locally; the quality of the goods was very bad but the crocodile was there!

In the 1970s, consumers were not yet aware of this kind of piracy and counterfeit products weren't part of the public debate.

...Nowadays

Over the past 40 years, Lacoste counterfeits market has evolved considerably. Today Lacoste invests more than 3 million dollars per year to fight counterfeiting.

If Lacoste's polos were the main counterfeit products a few years ago, (they represented 99% of all counterfeit products); they are now account for less than 65% of all counterfeit trademark because more accessories and perfumes are also copied.

If in the 1970s, counterfeits were of poor quality, nowadays, modern machines can manufacture good quality counterfeit items which generate high profit margins for their manufacturers.



Real

Fake

The fake left chest logo is terribly stitched with red bleeding through the upper mouth. Also, the stitch outlining the logo is very inconsistent.

A counterfeit becomes indistinguishable from an original regarding the quality and the price; even the specialists hardly manage to make the difference.

China is now the largest producer of counterfeit Lacoste which would have been unthinkable in the 1970s. Although street vendors still exist, online shops are the main distribution channel of counterfeit Lacoste.

The company has no way to estimate the number of counterfeits in circulation in the world: it is a black market that is absolutely opaque.

Worst, Lacoste has learned the hard way a few years ago that in Brazil the counterfeiters belong to the organised crime: this fight against them had to be given up because of death threats against employees in Brazil and after that several shops of the brand were burnt.

Nevertheless, the fight against counterfeiters remains a priority for Lacoste.