

# Fake brands and their marketing performances.

## A case study of Indian FMCG sector

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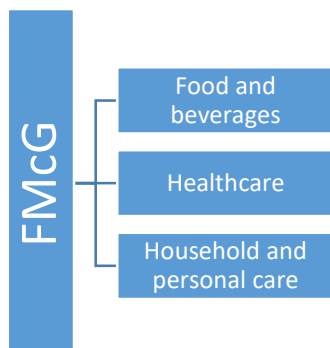
**Abstract** - The FMCG sector is the fourth largest sectors in Indian economy and plays a vital role in the economic transactions. The real contribution from each countrymen comes from this sector because he spends. When the situation is favourable to the fast moving goods sector, the emergence of fake brands has put a challenge to the original brands because of the tough competition provided by the counterfeit products. Since the price of such products are attractive, similarity in appearance and other related factors puts better conditions for fake brands. The paper tries to explain the performance of FMCG sector and also the business of fake brands in India with an intention to understand the loss incurred by the genuine brands and there of fake brands in the market.

**Key words:** Fake brands, FMCG, FICCI

### I. INTRODUCTION

The fast moving consumer sector(FMCG) is the fourth largest sector in the Indian Economy with house hold and personal accounting for fifty percent FMCG sales in India. CRISIL and Deloit reports on FMCG sector finds out that fifty-five percentage of the sales comes from Urban consumption and the forty-five percentage comes from rural consumption. The reports also mention that the fifty percentage of the total spending is towards fast motiving consumer product in rural India. In the year 2018 the revenues of FMCG business was Rs.3.4 lakh crores (US\$52.7 dollars) and it is estimated to grow up to US\$103.7 dollars in 2020. The dramatic changes in spending patterns and disposable incomes India is experiencing an attitudinal change in the market.

There main three segments of FMCG: (**Diagram No.01**)



Food and beverages represents 19% of the sector and it includes staples, cereals, bakery products, confectionaries, soft drinks, processed food etc. Healthcare segment accounts for 31% of the sector. This includes OTC (over counter products) products and ethical (Pharma products). The large households and personal care segment accounts for 50% of the sector and it includes cosmetics, oral care, skin care,

feminine hygiene, deodorants, fabric wash etc. (**Source:** Economic times article published by IBEF report).

#### **Fake Brands:**

Fake brands are brands available in the market who appears similar to the genuine or original brands, where people purchase such products with the perception of original brands. The rural marketing Guru Mr. Pradeep Kashyap proposes this definition in his book Rural marketing second edition. In the fakes market there are three distinct categories where tracing such brands becomes easy.

**Spell-alikes:** There are fakes of original bands packaged in colours and designs similar to the originals but names that are subtly clearly misspelt. Dairy milk is misspelt as Dialymilk, Adidas is misspelt as Abidas etc.

**Look-alikes:** There are the products where packaging design as colours resemble almost similar to original ones or the popular brands while packaging carries different name. Overall appearance of the product looks similar to genuine products but name will be changed. For example, Dabur Amla looks as Lalita amla, Tiger biscuits as Fighter biscuits.

**Duplicates:** There are actual replicas of the original brands. The shape, design, colour, packaging and also ingredients will be same as compared to the originals.

The band awareness in India has gone up tremendously die to the reach of mass media to the consumers and also the extensive sales promotion activities carried out by the marketers. This has resulted into huge demands and the original bands are unable to reach out entire markets. This provides an opportunity to fake brands trades to position their products in the shadow of the original bands. Supply activity may also play a vital role in evolution of the fake bands in the markets. More interestingly, the general insight that rural market is majorly affected by fake bands but the

present literature review provided an understanding that even urban maker is equally affected by these fake brands. Many big cities of our country are the hubs for the trade of fake brands and the statistics available is surprising and motivates to conduct empirical research.

Though FMCG is the roaring sector in India, it is moving through the trouble of spurious bands which providing tough competition to the originals. Following table provides the comparison of doddering categories of fakes. The table provides the relevant information about the features of the fake brands and puts the researcher into analytical mode. Different factors where in brand name, margins, price, sales promotions, consumer perception and the factors related to the same decide the purchase of the fake in the market.

Features	Duplicates	Spell- alikes	Look-alikes
Brand name	Original	Misspelt	Different
Pack appearance	Replica	Identical	Similar
Manufacturer's address	Original	Incomplete	Own name
Price	MRP	40% less	10-15 % Less
Margins	200-300%	100-150%	60-70 %
Quality	Very poor	Poor	Reasonable
Intent	To cheat	To mislead	To freeloader
Consumer mind-set	Unaware	Unaware	Want cheaper products
Identity	None	Only literate	Majority
Offer	None	Discounts	Schemes

(Source: MART Knowledge Centre, Published by Pradeep Kashyap book) (Table No.1)

**Objectives:**

- To explore FMCG Industry in India
- To analyze the fake brands and their spread into the market
- To understand marketing performance of fake brands
- To estimate the impact of fake brands on Indian FMCG sector.

**II. METHODOLOGY**

The paper focuses on the secondary data available in various sources and tries to provide the theoretical understanding of the said problem. As an introductory paper, the scholarly articles and the authenticated reports published by the known agencies have been taken into consideration and an attempt is made to explore the status of FMCG sector, nature of fake brands and their performance in the existing market structure.

**III. LITERATURE REVIEW**

Aggarwal (1987) conducted a study to know the extent of brand loyalty in blade and analyzed the purchase and use behaviour of the consumers in Lucknow city, taking a sample was prepared and administered to the sample respondents who were also interviewed. Hence, in this paper, mainly an attempt is made to analyze the characteristics of rural respondents in terms of selected look- alike and spell-alike products.

Surender (2004) undertook a research to evaluate the impact of advertising on both rural and urban consumers, in terms of improving the sales of products and the living standards of consumers and to analyze the differences between rural and urban consumers. The study examines different media habits of the rural and urban consumers with regard to the purchase of the selected Fast Moving Consumer Goods (FMCGs), and also examines the effectiveness and usefulness of advertising to the society in general, and the rural consumers in particular. The study suggests the measures for the effective use of advertisement in rural India.

Alka Gupta and Amtrik Singh (1999) conducted a study on psychographic Characteristics of consumers operating in four interdependent cultures in Jammu and Kashmir, namely, Punjabis, Dogras, Kashmiris and Hindi-speaking. The study concluded that purchase decisions are influenced by the psychographic profiles of the consumers. It states that the efficiency of advertising depends on its match with target markets. The study has established the relationship between psychographics and advertising effectiveness through targeting divisions, advertisement writing decisions and media decisions.

Sarah Boumphrey [Synovate and TeleNations Global] conducted a research on the fake brands and gives the title as Fake brands recognizing the real trend and he examined the products like Apparel and Shoes, Brands (non-deceptive counterfeits), Consumer Electronics / Electronic Equipment, Fashion Accessories, Luxury Goods, Music, Personal Care Products. An overwhelming majority of respondents thought that sales of fakes were driven by their low price, only a third perceived fakes to be of a quality similar to that of the originals.

According to the FICCI-National Initiative against piracy and counterfeiting share of fake medicines is estimated at 15%-20% of the Indian Market and fake cosmetics, toiletries and packaged food at 10% to 30%.

Anandan. C et al. (2007) found that quality was the major driver to prefer a particular brand in washing soaps in the rural market. If preferred brands were not available, customers buy the available brands. It is found that there was a significant relationship between the age of the respondent and the factors influencing the customer's brand preferences. It is also found that there was no significant relationship between the type of income of the respondent and the factors influencing the customer's brand preferences. High price and non-availability were the key reasons for dissatisfaction of the rural consumers.

The widespread sale of fake items such as electronics and automotive components has been increasing rapidly in the country and is likely to touch Rs 55,000 crore by 2013 in the absence of any regulatory mechanism, a study has said. The current market size of counterfeit products sales is about Rs 45,000 crore through illegal channels, ASSOCHAM said in a study. "Sale of fake products has caused a revenue loss of over Rs 5,000 crore to the exchequer in the 2011-12 fiscal",

Assocham Secretary General D S Rawat said, adding that in India, Delhi is the hub of counterfeit items as about 75 per cent of such products originate here.

#### IV. MARKETING PERFORMANCE OF FAKE BRANDS

FICCI CASCADE (Committee against smuggling and counterfeiting activities destroying the economy) provides information that 30% of FMCG goods sold are fake and 80% of the consumers believe that they are purchasing genuine products.

FICCI provides the sector wise statistics where the performance of fakes is prominent.

Sector	Status (in %)
FMCG	30%
Auto	35%
Nutraceutical	60-70%
Fertilizers/Pesticides	60-70%
Liquor	25-30%
Apparel and footwear	25-30%
Pharmaceuticals and others	10%
Government	3%

(Source: FICCI report, Table No.2)

The same report provides a data regarding the losses caused by the fakes in various is interesting. The amount to which such products are performing is really a threat to the manufactures of original bands and products and also do provides a scope to conduct empirical study to examine the cause and effect of the purchase decision of consumers.

#### Losses of the five sectors in Indian economy:

Sector	Loss (in cr)
Textiles	12,636
Readymade Garments	14,516
Tobacco products	16,138
Consumer durables	21,452
Capital goods	51,511

(Source: FICCI reports 20017-18) Table No.3)

FICCI CASCADE reports estimate that in India the total loss to the Government on account of illicit markets in just seven manufacturing sectors is Rs.39,239 crore. Amongst the various sectors, the maximum revenue loss to the exchequer on account of counterfeiting and illicit trade is attributed to tobacco products, assessing a revenue loss of Rs.9,139 crore, followed by mobile phones at Rs.6,705 crore and alcoholic beverages at Rs.6,309 crore.

Literature provides information that the major cities of India like New Delhi, Sonipath, Gaziabad, Mumbai and quite a few places witness the trade of fake brands at highest order. The FMCG segment has got tremendous growth in the fake brands category and these places are the manufacturing hubs of such products. The same products will get circulated through the channels into the rural market also and the performance of the fake brands is becoming better and this is an alarming situation to manufacturers of original brands but sometimes these may help the consumers also. The real

reason needs to be traced out through field work and also the contributing factors. The reason for the better performance of fake brands in the market will be the next empirical study which may provide a bridge to understand the real factors contributing to the growth of fake brands.

#### V. FINDINGS

From the available literature, the result is the most prominent brands sold in the market face the problem of fake brands and this was found out by the FMCG gains like HUL, P&G and Godrej. The brands like Fair & Lovely, Pounds, Axe, Dove and other few products face the problem of faking and the states like Uttar Pradesh, Punjab, Bihar, Gujrat face this problem often. In rural areas also the emergence of fake brands is very strong and even the performance wise they are running a parallel business as compared to the original brans. Few companies like HUL, P& G, Godrej are shaping strategies to minimize the effect of fake brans and the also the deliberations are on with respect the said issue. The study conducted by CORESEARCH tilted brand Protection in FMCG Industry quotes that the rise in the FMCG counterfeiting has been caused mainly by technological advancements and faster shipping routes from Asia. This enables fake brans to perform better in the markets and they have started putting a huge pressure on the original brands. 2018 FICCI report denotes that FMCG sector suffers from 30% business due to fake brands. And also in 2019 sector got a massive hit due to the better performance of the fake brands.

#### VI. CONCLUSION

The paper finds out the fact that FMCG is a prominent sector in India who contributes largely towards country's economy. But there is a treat by the fake brands to the originals and hence the performance of fakes is happening at greater stage even it runs parallel to the genuine products. This study puts a scope for further research to find out the reasons and other contributing factor the existing phenomenon.

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