

A Review on the Genuine Marketers' Challenges in Limiting Buyers' Attractiveness towards Gray Market Goods

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Abstract – The term gray markets refer to the offer of certifiable trademarked items through appropriation channels unapproved by the maker or brand proprietor. No less than three circumstances may make motivating forces to import gray market merchandise: currency fluctuations, manufacturing and price contrasts amongst countries, and status based consumption of branded goods at low price. This review paper is an attempt to understand the gray market, first copy products, identifying the difference between first copy and genuine products, and buyers attitude towards gray market products. This understanding will help the genuine distributor to find some ways to bloc gray market transactions by some strategies which discussed in the end part of this paper.

Keywords: Gray Market, First Copy, Genuine, Fashion, Buyers

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INTRODUCTION

The appropriateness of gray market items has turned into the subject of both lawful and financial level headed discussion in the course of the most recent three decades. The Supreme Court characterizes a gray market item as an "foreign made product, bearing a legitimate trademark that is imported without the assent of the trademark holder" (K Mart Corp. v. Cartier, 1988) Gray markets allude to "the offer of certifiable trademarked items through appropriation channels unapproved by the maker or brand proprietor" (Antia et al. 2006). The term additionally applies to genuine copyrighted merchandise imported without approval (Nimmer et al., 2011).

No less than three circumstances may make motivating forces to import gray market merchandise: currency fluctuations, manufacturing and price contrasts amongst countries, and status based consumption of branded goods at low price (Grant, 2009). Many sellers buy products from the country or region where they are able get them at low price. Those goods are sold by the sellers at high price as they are able to gain a better margin (Saravia, 2009). Parallel imports i.e., buying branded goods from foreign countries through unauthorized distributors, today may represent billions of dollars worth of business in the global economy (Chen, 1999). This system may reverse discharge, be that as it may, when outsiders exploit price disparities by purchasing items inexpensively in a poorer market and

exchanging them in a wealthier zone — a procedure known as "arbitrage."

Gray market occurrences are not constrained to form pieces of clothing, they flourish in a wide assortment of item classes, running from amble, electronic segments, communicate signals, IPOs, vehicles, overwhelming development gear, watches, beautifying agents, wellbeing and excellence helps to physician recommended drugs (Antia et al. 2004). Truth be told, overall gray markets were evaluated to keep running over \$100 billion in income every year (Kotler and Keller 2016).

This review paper is an attempt to understand the buyers attitude towards gray market products, how to identify the original brand from the first copy products. This understanding will help the genuine distributor to find some ways to bloc gray market transactions by some strategies which discussed in the end part of this paper.

What is a first copy?

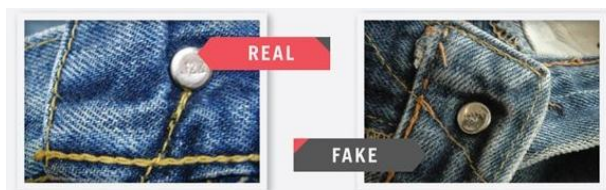
First copy are the products which are imitated from an existing design, they seem alike to that item but do not have the same quality and processing, they are low-priced than the original one (dhanticounterfeit, 2018). First copy apparels have their own markets and they are illegal. First copy of a garment is generally good in quality of fabric and stitching, have all labels, buttons, bar code, brand

packaging and other trim accessories same as original product. First copy products are sold in domestic market as well as exported. It is difficult to find the difference between original and first copy just by looking at them. People who are not able to original products buy first copy (dhanticounterfeit, 2018).

Now the question is, how to find the difference between first copy product and original product? Of course, people who have the experience of using both type of products at different stages of life could be able to find it. The first copy products are produced by conducting a careful examination and research of the original products to most of the extent. Genuine or original apparel products are the ones which are sold under the Brand with Retail invoice or by an authorized and licensed outlet. But the first copy products are made out of almost the same raw materials and are sold through unauthorized or non-licensed outlets.

With respect to fashion apparels, the following attributes commonly noted or inspected to spot the first copy (Economic times, 2018),

Stitching - One can cautiously look at the stitching around the labels, seams and pockets. Stitching should be straight, of equal length and have no fraying. The picture below (Fig. 1) shows the difference between real and the fake product.

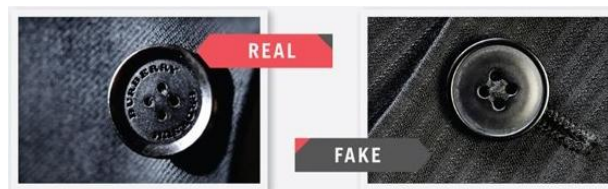


Leather - In case if some leather materials are used in the garments, one can look at the quality and finishing of the leather materials (Fig. 2). Designer fabrics will generally use real leather. Real leather will have an irregular texture whereas fake leather will have a consistent pattern of pores.



Fastenings - Zips will move freely and all hardware items in a garment will be heavy and also of the same colour. Most high-end designers use matte hardware, whereas first copy producers use low quality hardware that has a glossy gold finish.

Buttons - In an original branded garment, the buttons are securely attached and have the designer logo (Fig. 4). First copy clothing will lack the detail that is given to genuine products.



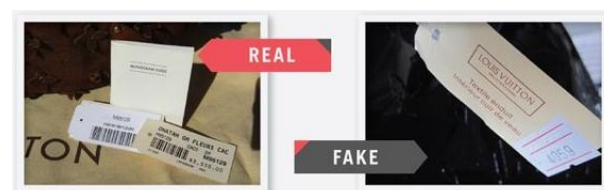
Logo - Genuine logo will be always perfect, without any slight ajar. Most of the jeans garments will have a metal logo. Stitches on the logos should have the same number of stitches on opposite sides.

Fabric - Genuine clothing will have a finer quality material, in the entire product.

Spelling - Genuine clothing will have proper spelling and language on labels, tags, and warranty cards. Sometimes, a tag saying '100% genuine' may have an opposite meaning.



Prices - If the price is too good to be true, it probably is. Outrageously low prices are often sure signs of a fake.



Packaging - This is a dead giveaway as good brands and businesses take a lot of care and spend a lot of money on packaging. If the item is shabbily packed, doesn't fit properly in the box, uses substandard material like cheap plastic or sagging cardboard, take it as a sign of counterfeiting. Similarly, if a buyer get a product without any packaging at all, know it to be a fake. Attention to detail goes beyond the actual product when it comes to designer clothing. Branded dust bags, tissue paper, boxes and shopping bags are usually used and are often of high quality.



There are numerous online retailers who offer original branded garments at a reasonable price and at the comfort of the home. Thus copies are for the

people who do not respect the engineering, the work and the blood and the sweat put in to developing a great time piece no matter its price.

IMPACT OF GRAY MARKET PRODUCTS ON CONSUMERS

The item sold as a gray market item for the most part causes changes in the structure of the market. The results of gray market contrast in light of the degree to which the gray market retailer approaches the item customers. With a specific end goal to stay under the radar and in addition to keep prices as low as could be expected under the circumstances, a gray market retailer does not promote the item on an indistinguishable scale from the first producer or merchant. The most well-known marketing approach for gray market goods is viral marketing (Dasari and Berman, 2012).

Contingent upon one's viewpoint, this phenomenon may speak to extensive savings of cost for buyers or lost potential income by makers who want to take part in market division. Advocates of gray market goods contend that offer of items acquired at bring down prices to buyers at prices beneath what approved retailers would charge "averts price gouging by producers and advances shopper welfare" (Oswald, 2007). Critics, basically makers who trust they lose incomes through gray markets, battle that gray market items "hurt their goodwill and brand picture," enabling gray marketers to free ride on their publicizing and marketing (Oswald, 2007). Regardless of whether to permit makers insurance against parallel importation under different protected innovation speculations in this manner mirrors the fundamental topic of IP law as a "harmony between giving motivating forces through restrictive rights and empowering utilization of data through free access to inventive works" (Barnes, 2010).

The individual impression is simply the impression of what individuals thought of themselves as people or through their correspondences. It likewise indicates the person's state of mind, emotions and exercises in his connection with others (Huang, 2009). Like the independence community variable, the reliance/independency likewise think about the person's connection with the gathering or the general public (Sun et al, 2009). The adolescents who are impacted by the western culture have an awesome availability to change the expending esteems and in regards to their propensity toward independence, they look for vision, advancement, stimulation and dependability in their basic leadership behavior. They accentuate their uniqueness and independency through looking high-class, new and surely understood items (Hahn, Kean, 2009). In any case, the connection amongst independence and cooperation is

exceptionally muddled and the highlights identified with every one of these two don't really connote diverse social measurements (Millan, Reynolds, 2011).

Some researchers' sentiment is that the status buyers are a favored target market in the perspective of these products' marketers in light of their want to pay more cash for goods that bring them social regard and esteem (Clark et al, 2007). Such kind of utilization relates to both realism and social examination. This, and for the situation that the purchasers who look for social regard accentuate on social examinations, the advancement can be persuasive (Heaney et al, 2005). This gathering of customers is significantly more inspired by paying more to reach a higher position in the general public (Goldsmith et al 2010).

Status assumes an important part in influencing customer conduct and has been considered widely in the writing. Lichtenstein et al. (2013) have inspected seven status-related builds and isolated them as indicated by their positive or negative impact on buyer obtaining conduct. As indicated by run hypothesis, individuals utilize the scope of recollected status encounters to set lower and upper limits on status desires, to such an extent that the appeal of a market status is an element of its situation inside this range (Janiszewski and Lichtenstein, 2016). Reference status has been talked about as a factor that importantly influences a buyer's obtaining conduct. After adjustment level hypothesis was incorporated into status hypothesis, an inside reference status was displayed as a level of adjustment that relies upon late status encounters (Janiszewski and Lichtenstein, 2016). Rajendran and Tellis (2014) include found that inside this specific circumstance, the status is an important sign for an item reference, though after some time, the past status of the real brand appear to end up the most important prompt. The way that customers utilize the status in the approved channel as a kind of perspective status is conceivable, thus the gray market would exploit status to pull to purchasers' advantage. Most specialists guarantee that status distinction is an important factor when acquiring from the gray market (Cavusgil and Sikora, 1988; Chang, 2013; Lowe and McCrohan, 2009). Palia and Keown (2012) reviewed US exporters, and found that 64 percent of parallel imports are a result of status. At the point when the gray market offers all the while close by an approved channel, purchasers with a higher status consciousness may like to choose goods sold at the lower status consciousness in the gray market.

The confidence in price-status induction, "high price, high status" and "low price, low status", is important in evaluating hypothesis and in deciding purchaser conduct. As indicated by the price-anticipation model

of shopper decision, buyers assess items by contrasting genuine price and a referential or expected price decided from item status and price-status relationship of the item classification (Ordenez, 2014). Ordenez's (2014) look into upheld the price-hope display and recommended that the relative inclination for higher price/higher status items over lower price/bring down status items expanded as the subjective relationship amongst's price and status expanded. Tellis and Gaeth (2009) analyzed the effect of data on customers' decision procedures. They found that when data on item status is blemished, the price-status connection is an important directing component that impacts purchasers' conduct. As indicated by Monroe and Krishnan's (1985) price-saw status model and Chapman and Wahlers' (2012) broadened display, price decidedly influenced apparent status. Price impacts shoppers' judgments of status to different degrees on the status measurements. Some exploratory research, in any case, did not bolster the price-status induction. Sjolander (2008) utilized frozen yogurt to test the impacts of price on apparent item status. The outcomes did not altogether bolster an immediate connection between the price sign and shoppers' view of status. In an investigation performed to test the impact of store name, mark name and price rebates on shoppers' assessments and buy expectations, Grewal (2014) showed that the impact of price rebates on a brand's apparent status was insignificant.

Given that most gray market goods are sold at bring down prices, the more a customer keeps up the price-status surmising, the lower the shopper's apparent status of gray market goods. Thus, price-status surmising is required contrarily to influence customer mentality toward gray market goods.

DISCUSSIONS

From the client perspective, gray markets are advantageous in light of the fact that they make rivalry that outcomes in bring down prices and give status situated clients more buy choices. One issue with acquiring from unapproved channels, notwithstanding, is that clients regularly lose producer guarantee and after-deals administrations. Additionally, if the item is imported from another area of the world, it might lose some usefulness because of contrary parts or varieties in models. Organizations embrace an assortment of procedures to neutralize gray markets. They may separate their items for various markets to make it harder for parallel importers to offer the items as impeccable substitutes. They may offer a straightforward uniform estimating plan over the distinctive markets, disposing of price differentials and the resultant parallel importation.

Long and entrenched organizations once in a while end up unaware of changes showing up in the market for a specific item. It is important for the producer to have a good vibe for how their conveyance chain

performs. Indeed, even without following the full chain of conveyance of goods shaping a gray market, the producer can distinguish and possibly amend the valuing technique of the first item. This redress would take out or decrease the danger of gray marketing who for the most part target status arranged purchasers.

A little entrepreneurial organization would consider contribution in the gray market in light of the apparent probability of getting the status utilization arranged purchasers. For the arbitrage to exist there ought to be a glaring disparity between the expenses of the items in various parts of the world. This irregularity in costs must counterbalance the expenses of conveyance, the expenses of offers and the expenses of maintaining the guarantee and substitutions by a gray marketer with a specific end goal to make a thought at the cost arbitrage. The gray marketer should likewise contemplate the short life expectancy of the gray market and the likelihood of the two orders and obstructions made by the proprietors of the legitimate appropriation channels. (Champion, 1998) concedes that reenactments of gray marketing plans demonstrate that these plans will undoubtedly be fleeting which is bolstered by the discoveries of this case.

While thinking about arbitrage, potential gray marketers should likewise consider that inclusion in the gray market of any substantive size would require an extensive starting speculation. Gray market appropriation requires the organization to purchase the goods by and large by paying the maximum at the season of procurement. One reason for this lies in the way that the gray market retailer and the providing food wholesaler need to remain under the radar and diminish cooperations to without a doubt the base keeping in mind the end goal to keep up a business relationship for an expanded period. Then again, the channels of goods acquisitions for a gray market are regularly situated in parts of the world that don't acknowledge any type of installment other than money on buy. The organization considering gray market retail should incorporate the cost of capital put resources into the buy of goods with a specific end goal to make a full arbitrage picture. For consistency we consider the producer of the good is the proprietor of the first trademark.

Despite the fact that a dissemination organization can possess a trademark on the specific region, the general responsibility for trademark has a place with the producers. Frequently free wholesalers of the item endeavor to secure the appropriation rights for a long stretch. This current request of things keeps a producer out of the price setting process. The merchant turns into the main compelling price setter on a specific domain. Understandings between the maker and wholesaler regularly direct just the volume of item which merchant must buy or request from producer keeping in mind the end goal to

proceed with the relationship. Frequently, the merchant chooses to set the price misleadingly high so as to keep up the status of the item as a top notch buy.

Subsequently, the producer of the items has just two practical alternatives. One probability is to set a price which would preclude the likelihood from claiming the arbitrage. A moment probability is to battle the gray marketing of its items through directives. The insufficiency in price technique can be credited to the extreme freedom given to the merchant over setting the price in a specific dissemination region. It can likewise be ascribed to the dishonorable situating of the item. Evaluating an extravagant and premium item would draw in gray marketers significantly speedier than when the item is priced to offer. Consequently, on account of situating the item as an extravagance thing the item maker must have more control over the item circulation.

(Lin and Lin, 2010) express the presence of substitutes in monopolistically aggressive markets is very likely. The element separating a main brand of items is dependably an objective of duplicate by white names and rivalry. On account of gray market items, we consider items as substitutes which have comparable highlights, similar quality and the price, which equals the price set by the gray market retailers. There is no unmistakable association between the presence of a gray market for a specific brand and the presence of substitutes. Notwithstanding, sometimes the price setting methodology of gray market retailers can goad the manifestations of similarly priced substitutes of practically identical quality. Dissimilar to gray market goods, the substitutes are legitimate. The maker of the item can change its highlights with a specific end goal to separate from the substitutes or decrease the price keeping in mind the end goal to make substitutes less feasible.

Further research about regarding the subject ought to incorporate the correlation of various gray marketing cases. We could see in the portrayed case the short life expectancy of the gray marketing proposed by utilizing the market reproductions (Champion, 2014). Examination of the progression of a few cases may yield confirmation of the snappy crumbling of offers by the gray marketer. This handy perception would add strong help to the conclusions made in the examination.

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