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## **Factors Influencing Buying Behavior of Piracy Products and its Impact to Malaysian Market**

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*The primary attempt in this study was to explore the influencing factors of the Malaysian consumers toward the pirated products. To explore these factors, this study has conducted a survey among the Malaysian consumers. The results of the study showed that there is significant relationship between the consumers' perception and the social influence, personality or believe, pricing and the economy toward the piracy. Results also show that society has strong influence on the consumers' personality and believes, that leads to grow consumers' perception. On the other hand, it is revealed that most of the respondents are willing to buy pirated product because cost effective. Since, price plays a key role to convey individuals toward price sensitive, therefore it is important for the marketers or producers to be attentive of pricing. More importantly marketer can decrease the production cost and secondly, they shows intention to reduce their profit margin. To perform all those necessary steps need to set up the price by considering the all income groups. That will help to reducing the consumers' consumption of pirated goods. Though, there is no doubt about the quality of original products but they should look at the price*

Field of Research: Consumer Buying Behavior, Piracy Products

### **1. Introduction**

Piracy is an activity that carries a much greater threat to any economy, social and cultural well being than generally realized by the consumer. Moreover, it is an activity where short-term gains are achieved at the expense of long-term disadvantages. Since, the trend of piracy is increased now days. Hence, China, Thailand, India and Malaysia are known as the 'home for piracy'. Some times various products are copied in such a skillful way that they break out all possible pursuance from intellectual property rights, such as, design, copyright or trademark legislation. These types of products are known as look alikes, slavish copies, knock-offs, and so on. Consequently, consumers are faced problem to distinguish the pirated product from the original one which is often misleading them. In general, piracy is an act that causes harm to any individual cannot be considered ethical and must come to an end using any means possible.

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## Haque, Khatibi & Rahman

Nevertheless, piracy claimed to have imposed severe losses on content producers, but it is very difficult to measure the real damages arising from the piracy (Horn et al., 2004). Though, sometimes piracy is called a 'victimless crime' (IFPI, 2002). The economic losses due to the piracy are enormous governments lose hundreds of millions of tax revenues, economies that are deprived of new investments, consumers get less diversity product and so on. Though, the government has rigorously enforced several piracy laws. However piracy is a big problem in Asia for International brand by reason of the perceptions and attitudes of the consumers regarding their acceptability and willingness to purchase brand which imitate the look of multinational brands was carried out (Lai and Zaichkowsky, 1999). Make a copy of with the intent to deceive and product piracy represent huge problems for a broad range of industries such as textiles, sporting goods, toys, consumer goods, pharmaceuticals, music, and software, etc.

The enormous potentiality of the Internet and the development of the communication technology also make the distribution of pirated product (such as, software, music, movie, etc.) much easier (Altinkemer and Guan, 2003). It has become a fast growing activity and, for many, a pressing economic and social concern. Digital development open the door for the people access to the copyrighted works through file-sharing programs has allowed many users almost unlimited access to recorded music and other types of entertainment in digital form (Horn et al., 2004). Since, software, music and movies are new form of intellectual property compared to the literature. On the other hand, both software and other copyrighted content (such as music, movie, literature) are protected and govern by the very same laws. Generally, there is no difference between illegally copying software and the forms of intellectual property and the penalisations for doing so are equally harsh (SIIA, 2003).

According to Valenti (2003) the piracy is a sad fact which intruding into our lives since the blossoming of the home video entertainment business a quarter century ago, the forms of digital piracy we know face raise serious, new challenges. Since consumers around the world are gaining the ability to download full length movie quickly because of the Internet, which has become threat to the motion picture industry. He also pointed out that Internet piracy is not only the digital threat for the entertainment industry. In addition, he focused on another form of digital piracy—piracy of optical discs, which includes CDs, Video CDs, DVDs, and recordable versions like CD-R and DVD-Rs. According to him optical discs piracy is an organized crime and increasingly it has become threatens to international and domestic markets, which account for 40 percent of revenues earned by the filmed entertainment industry. At present, counterfeiting and piracy has become a widespread phenomenon with a global impact though it has been started to grow a great extent since the early 1980s (Commission of the European Communities, 1998). The development of piracy is affecting the proper carrying out of the market and also nations, societies and individuals are exaggerated by the piracy. It has an indirect consequence not only at the market, economy and social level of a country but also in terms of consumer protection (Commission of the European Communities, 1998). Therefore, to examine the behavioral patterns of consumers' perception toward pirated products we have to illumine cultural, religious and

## **Haque, Khatibi & Rahman**

traditional background of the consumers'. This study tried to enlighten all of these factors that have impact on consumer perception towards piracy.

### **2. The Dilemma of Piracy:**

There is not a uniform of piracy through the world, even within a country. It varies from city to city, industry to industry and demographic to demographic. The majority of the Asian people try to get product at the most reasonable cost, which encouraged some business people to do piracy so that all the products of the various sorts reach the vast majority of the people. In attempting to offer a suitable definition of product piracy there is the immediate semantic difficulty of delineating between similar types of activities that are commonly grouped under the one heading. Any investigation of product or copyright infringement reveals several categories of activity. Instances of infringement cover a variety of interrelated phenomena: piracy, counterfeiting, look-alikes, sound-alikes, knock-off brands and a large "gray" area. The latter would include, for example, the unauthorized sale of garment production overruns by legitimately contracted manufacturers (McDonald & Roberts 1994). A good product can be sold at a lower price, thereby attracting more buyers. Products that could be purchased at lower prices would include educational items such as educational CDs, tertiary and children's textbooks that are printed at a cheaper cost especially in Asia thus breaking the copyright. Besides that, food and beverages can also be counterfeited. Foreign foods are being contrabands. For example Malaysian copied Lockers biscuit that is imported from Australia and a different name was given, Munchies. The most popular pirated goods would be entertainment products. This would include Peddlers selling pirated copies of video CDs (VCDs) and CDs have been the target of police raids. Music and video recordings were rated the highest pirated products sold. Clothes and cosmetic accessories have also become popular pirated goods. Designers' clothes have been copied and sold at a more reasonable price making it affordable to lower income consumers. For instance, a Malaysian made manufacturer has followed Levi's jeans design and color. Many of the lipsticks, foundation power, lip-gloss and other cosmetic item have been imitated from the original producers such as Lancôme, Estee Lauder, L'Oreal and others. These original goods were sold at a price whereby the lower income group could only dream of owning. So when it was pirated and sold, many others could afford them therefore it encouraged the production of pirated goods.

Looking in the US, record industry executives and outline music companies in the United States are quietly working with colleges and universities to offer legitimate sources of free or deeply discounted music to students if the school agrees to block access to popular network where billions of tunes are pirated every year. The goal is to give students a carrot to go along with the stick being waved by the Recording Industry Association of America (RIAA), which has been cracking down on music piracy with lawsuits. An online music service picked by a university would let students play a wide array of songs at little or no cost, potentially curtailing the use of hotbeds of unauthorized file sharing like Kazaa. All this items are the basic necessities for the growth of a human person in a developing country to have a broader view so that he can grow in his mindset and contribute to the nation. If the above items are not provided by his country at the lowest cost, then will have to resort to obtaining them at the pirated cost. So, why would not neglect the moral, ethical and legal issues?

## 2.1 Piracy: Malaysian Perspective

According to Lee Tse Mei, (1994) Vice President of Business Software Alliance, Piracy in Malaysia is a social economic problem that affects all levels of society. Malaysia being a developing Asian nation and heading for a fully developed nation status in the year 2020 is going through the same problem faced by other Asian countries. The US came after Malaysia in the same year China was reprimanded but the matter was not so serious for Malaysia maybe because there was less population and the practices of piracy was not noticeable. But the advent of industrialization, technological advances and a growing affluent society has given rise to imports of US manufactured goods and franchises and entertainment. Therefore, the trouble has begun for Malaysia to follow suit with the other larger Asian nations to rectify its standards to suit the US standard requirement that of allowing pirated products. In the case of Malaysia, it is fighting not only to protect its face from US but it is also fighting for the original companies that are loosing their money to the pirated products. It is the government's continuous effort in eliminating this harmful practice to ensure the success of Malaysia's national and economic growth. The software piracy level in Malaysia is still high according to the Business Software Alliance's 2000 Global Software Piracy Study. Business software piracy in Malaysia was 66% in 2000 (Business Software Alliance).

The authorities have decided to educate the consumers about how it affects the economy of the country, as well as the legal and moral obligation of the customer. End-users need to know and understand that these businesses are profiteering from stolen intellectual property and when end-users purchase software from these businesses, they are actually purchasing stolen goods, even when it is paid for. Software piracy robs people of jobs, deprives the government of fiscal revenue, and deters foreign investors – all of which have a huge negative impact on a nation's potential for economic growth (Business Software Alliance). Malaysia's Copyright Act 1987 came into effect on 1 December 1987, replacing the Copyright Act 1969. The 1987 Act confers copyright on and protects computer programs (software). The 1987 Act was amended in 1990 to ensure compliance with the prescribed standards and minimum requirements under the Berne Convention. The Copyright (Application to other Countries) Regulations 1990 came into force on 1 October 1990, the day Malaysia acceded to the Berne Convention. Under the Act, if you or your company is caught with illegal copies of software, you may face criminal prosecution. If you are convicted for offences relating to infringing copies of software, you face not only a criminal record, but also a fine of up to RM10,000 for each infringing copy, a prison sentence of up to 5 years or both. For all these offences, the penalties are increased two-fold in subsequent convictions. The copyright owner may also bring a civil action against you and/or your company, claiming damages, an injunction (a court order to restrain you and /or your company from further infringements) an account of profit and other relief's.

Under the 1972 Trade Description Act 1972, it is an offence for a person to apply a false trade description to goods or supply goods to which a false trade description has been applied. If you are found guilty, you are subject to a fine up to RM100,000

## Haque, Khatibi & Rahman

and/or a prison sentence of up to 3 years for the first offence. For subsequent offences, you face a maximum fine of RM200,000 and /or a prison sentence of up to 6 years. In the case of a company found guilty of an offence under the 1972 Act, the penalty is up to RM250,000 for the first offence and up to RM500, and for subsequent offences (Business Software Alliance, 2004). The profits from these sales of counterfeit software do not help expand the economy by providing jobs, taxes, and wages, and there is a good chance the profits are funding additional illegitimate businesses. Legitimate companies never receive any funds from the sale of counterfeit software, and frequently this loss of revenue leads to layoffs for workers in all related industries, from manufacturers to resellers. So, as you can see, purchasing counterfeit software does not only impact software manufacturers, it impacts everyone.

Due to the increasing trend of piracy and the recent issues on how to curb this situation, we find it interesting to further investigate on this situation. Not only is piracy costly, it is also a political and economically sensitive issue. Why is it that consumers prefer purchasing pirated goods as compared to original? Countries that have been noted as a 'home for piracy' would be China, Thailand, India and Malaysia. Due to this alarming situation, the government has rigorously enforced several piracy laws. But will this laws or regulations help curb piracy. Various laws have been enacted the question here is how have we enforced it. A law is a law, how we implement it is what matters. Knowing the disadvantages and problems that piracy brings to a country, manufacturers and customers themselves, this individuals continue to encourage pirated goods by purchasing them. From this discussion, we find it interesting to elucidate the reasons for the wide use of pirated products. Furthermore, we wish to gain a better understanding on the perception of consumers towards piracy.

### 3. Review of the Literature

Product and copyright piracy are the main infringements. In recent years product piracy has changed considerably in terms of the range and technical complexity of products copied. These developments fuelled by access to better manufacturing technology and the lucrative gains derived from it, has afforded the pirate enterprise a host of new opportunities. There is difficulty in defining product piracy because of similar type of activities that are grouped under one heading. Instances of infringement cover a variety of interrelated phenomena piracy counterfeiting, look-alikes, sound alike, knock-off brands and a large "gray" area (McDonald and Robert 1994). Although piracy & counterfeit products are both illicit products yet one can argue that they are differences based on their intention to deceive and degree of ethicality. A counterfeit good is one, which the manufacture produces with the intention of deceiving the customer by leading buyers to believe that they are purchasing the genuine article. A deliberate attempt therefore is made to conceal the deception by as precise duplication as possible. The most obvious example of this would be counterfeit currency. On the other hand a pirated product is one with which the intention is not to deceive customer (McDonald and Robert, 1994).

To investigate buyer attitudes and behavior with respect to pirated products, in China, Cheung and Prendergast 2008 had used response from 1,152 buyers of two categories of pirated product suggest that tertiary-educated males in white collar

## **Haque, Khatibi & Rahman**

occupations are heavy purchasers of pirated video discs, attracted by their speed of publication, variety and supply. Heavy and light buyers of pirated clothing and accessories have similar demographic and attitudinal profiles, and were mainly attracted by the appearance of the product. Both product categories were rated less positively on their ethical and legal dimensions, and on after-sales service. The literature on purchasing of pirated products exhibits some striking inconsistency in the research findings reported. Previous research has suggested that, contrary to what one might expect, buyers of pirated products are not necessarily from lower socio-economic groups (Phau et al., 2001; Prendergast et al., 2002) and that income is not related to pirated product purchasing at all (Kwong et al., 2003). Asia is reportedly the most affected by Piracy. This apparently is due to the different race, religion, culture and tradition that are imposed on the mindset of Asian citizens. Previous researchers have all been carried out in western countries, thus little is known about Asian customers' counterfeit buying behavior. A detailed study of the various influences that affect customers' perception to piracy and how it affects the market could be viewed. In Singapore of Swee et al. (2001), who found that members of lower income groups there had more favorable attitudes towards pirated CDs. Such contradictory findings might arise if the buying behavior were product-specific. For pirated clothing or accessories, for instance, which are paraded publicly and easier to identify as having been pirated, lower income groups may be more inclined to aspire to being seen to use brands patronized by higher income groups. However, for products, which are consumed privately, especially in a household setting, one could assert that family income is more relevant than personal income, and higher income households will spend more. This, however, is only an assertion.

### **3.1 Social Influence**

Social influence refers to the effects others have on consumer behavior. This can be informational where the opinions of others regarding certain products and services affect one's behavior or it can be the case of "follow the Joneses", when one person buys and tells the others who also follow suit just to have like the other. To examine aspects of the social, cultural, political and legal architecture of intellectual property rights (IPR) in China, Berrell and Wrathall (2007) aims to identify inhibiting and facilitating factors in the Chinese environment as they pertain to establishing of a workable regime for IPR in China. While the cultural architecture of IPR in China is often identified as the major influence on the level of IP piracy, other aspects of the Chinese political, business and social environment may actually facilitate the acceptance of, and respect for, IPR. Nevertheless, while the potential to reduce IP piracy exists, foreign managers must continue to remain vigilant in the marketplace and use a combination of strategies to protect IP as new norms of respect for IPR emerge in the coming period. A recent study by Oikawa (2004) on the Japanese experience in China identified specific products and rights that were being violated and further countries and regions where counterfeited Japanese products are produced. The scope of this violation becomes apparent in the following estimates. About half of all counterfeited products are either in general and industrial machinery like bearings (10 per cent), electronic and electric devices like DVDs and home appliances (14 per cent) or miscellaneous goods (19 per cent). However, Tan (2002) described that the influence of consumers' moral intensity, perceived risks and moral judgment on their purchase intention of pirated software. The aspects of moral intensity include magnitude of consequence, social consensus, and probability of

## **Haque, Khatibi & Rahman**

effect in temporal immediacy. The perceived risks of consumers are related to financial, performance, prosecution and social risks. Moral judgment is based on cognitive moral development and reasoning. Result revealed that consumers purchase intention is influenced by certain aspects of their perceived moral intensity, magnitude of consequence, temporal immediacy and social consensus; perceived risks, financial, prosecution and social; moral judgment cognitive moral development and moral reasoning. In spite of that, Walls (2008) revealed that the level and dynamism of film piracy are across countries and the level of piracy is explained by all four variables, and its increase is associated with collectivist culture (social coordination) and the cost of enforcement; while internet use has a negative effect. As a result social pressure can influence to follow as well as break rules. Generally, how consumers are influenced by social pressure in their attitude is dependent on their susceptibility to such pressure. There were two forms of susceptibility identified. Firstly being informed and are susceptible that is when they know where products are bought, its quality, price, or it's a 'good buy' are analyzed by the buyer and purchased. Secondly friends and family members who would have experienced buying counterfeits know the places and shops and the quality of the counterfeits whether it is wise purchase or bad purchase. As such the influence here can be positive towards purchase of counterfeits or can be negative and a drawback to counterfeit purchase. If buying counterfeits does not make a good impression on others and looking good is important then attitude towards piracy will be less favorable. The person giving this information must be influential – the person's views must count.

### **3.2 Personality and Believe**

Personal gratification concerns the need for a sense of accomplishment, social recognition and to enjoy the finer things in life. In a particular study that took morality as an independent variable, Lee et al. (1994) investigated the effect of traditional Chinese morality on the use of pirated software. Chinese cultural norms emphasize interpersonal interactions and evaluate behavior according to how well it serves to enhance the hierarchical norms of society (Gabrenya and Hwang, 1996). Therefore, Lee et al. (1994) expected that higher levels of moral development would be correlated with less use of pirated software.

Previous empirical studies in software piracy exhibit several inconsistencies as well. The proponents of legal, moral rights and ethical decision perspectives purport to provide an understanding of software piracy. Unfortunately, these perspectives prove in practice to be less helpful in this regard than their proponents claim. Inconsistent and contradictory empirical results severely limit their predictive power. For example, Shim and Taylor (1989) hypothesized that academics would be more likely than business executives to treat software piracy as an unethical act. However, they found that the business faculty engaged more in software piracy compared to business respondents (Mean score of the frequency with which faculty copied = 2.35, the mean score of the frequency with which managers copied = 2.03). As a further example, several investigators (e.g., Logsdon et al., 1994; Ramakrishna et al., 2001) hypothesized a positive relationship between level of moral judgment and attitudes toward software piracy, but failed to find it. Additionally, Seale et al. (1998) found that male respondents had fewer moral scruples against software piracy, Kini et al. (2000) failed to replicate this finding in similar research settings. Therefore we

## **Haque, Khatibi & Rahman**

expect consumers who value personal gratification to have a less favorable attitude towards piracy. Meanwhile according to Lysonski and Durvasula (2008) Ethical orientation was found to be positively associated with awareness of the social cost of downloading, consequences of downloading, and ethical belief in downloading. Ethical scenarios show that ethical orientation is also associated with downloading activities and with stealing. Fear of consequences does seem to have an impact on the propensity to download illegally Attitudes towards piracy, ethical orientation and behavioral intentions. The morality and social issues of downloading have been given some attention. In a survey by the Gallup Poll (2003), 83 percent of young people said that downloading music for free was morally acceptable while a poll sponsored by the Business Software Alliance found that only 29 percent of young people think illegal copying is wrong. A study by Kwong et al. (2003) examined Chinese consumers' attitudes towards intentions to buy pirated CDs. They found that social benefit of dissemination and anti-big business attitude were positively related to intention to buy pirated CDs while social cost of piracy and ethical belief were negatively related to intention to buy such CDs. In addition to these findings, demographics such as gender and age also were associated with intention to buy pirated CDs. De Matos et al. (2007) found that consumers who viewed honesty as important were less likely to buy counterfeited goods.

### **3.3 Economic Influence**

In reflecting on the post-World War II economic development of Hong Kong, Japan, Korea, Singapore and Taiwan it is clear that each country has resorted to imitation and piracy as one strategy on the road to homegrown innovation. Pacini et al., (2008) described an overview of trade secrets, reasonable steps to preserve secrecy, trade secret value, misappropriation methods used to acquire trade secrets, various legal remedies, and internal controls to protect trade secrets. This paper shows the serious impact of trade secret espionage on the success and survival of businesses and the necessity of proving each element of a civil claim under state trade secret law. On the other hand to analyze the interrelationships between consumers' uncertainty about quality, piracy, shareware quality, and the full version price of the software, focusing on liteware, the disabling of certain features of shareware Hui et al., (2008) indicated that: shareware should not be offered if consumers are certain about software quality; established companies can afford to offer lower quality shareware; companies should invest in digital rights management for shareware and increase the relative quality of the official full version compared to pirated software; and piracy eliminates brand premium. They also concludes that, when piracy is not severe, a developer's trustworthiness decreases the optimal quality and increases full version price and profit, but where piracy is prevalent, it no longer provides any advantage in pricing or profitability, even though trustworthiness continues to allow the company to lower shareware quality. However McDonald and Robert, 1994 described Some observers of the pattern of economic development have gone further by suggesting that imitation and piracy were very necessary constituents of this process, quite simply because technological dominance was heavily stacked in favor of Western multinationals not renowned for their philanthropic support of rudimentary economies. Only relatively recently have attitudes changed, either because of the threat that cheap imitation or pirated products pose, or because the real potential of these economies suddenly dawned on multinationals as a great opportunity. To such views may be added the



## Haque, Khatibi & Rahman

suggestion that, for many South-East Asian countries, where tourism has become a major foreign exchange earner, there has been a realization that tourist revenues could be readily magnified by the lucrative sale of pirated products. A study of Internet software auctions by the Software & Information Industry Association in March-April 2000 found that illegal copies accounted for 91 percent of the software being auctioned (Anonymous 2000). It is predicted that if the rate of piracy continues unchanged, the U.S. economy will lose a total of 175,700 jobs and \$1.6 billion in tax revenue by 2008. The available data on software piracy understates the total losses because the data is limited to corporate users and does not include illegal software used in homes and smaller business enterprises worldwide (Weiss 2000). In these economic situations, a purchasing behavior will resort to affordable goods of good name or value and this can be a pirated product. Piracy activities also destroy the potential of genuine local industries and local performers. This is because each successful products or recording are more open to the threats of piracy. Furthermore, this is not only a lost to genuine sale by an individual but also a loss of investment and a loss to the home country's economy.

### 3.4 Pricing

The performance of the economic system is the simply known as price. Price is important on many aspects such as the decisions in sales, profit, income distribution and consumers. Counterfeits provide tremendous cost savings to consumers although with some compromise in quality, its perceived value is high. Papadopoulos (2004) explores the relationship between legitimate product pricing, copyright law enforcement and the formation of black markets for pirate products. Products that infringe intellectual property (IP) rights may be classified into two broad groups: counterfeit and pirate products. The term counterfeit is often used to describe a product designed to imitate a genuine product, typically those associated with a particular trademark or brand name. A counterfeit product is made to resemble, as closely as possible, the authentic product, with the objective of deceiving the consumer and defrauding the producer. In the case of a copyright product, such as computer software, video games and sound recordings, duplication technology is so advanced that it is often impossible to distinguish between legitimate and counterfeit products, which in many cases are clones of the original. In the case of high quality counterfeits, neither the packaging nor the product quality provides any clues as to the products authenticity. Traditional forms of piracy, involving smuggling and black market distribution, impose significant costs on copyright owners across a broad range of industries. The analytical framework proposes that increased enforcement and copyright infringement penalties can cause black market bottlenecks and reduce the displacement of legitimate sales. Price discounting, while lowering profits, can facilitate the establishment of a legitimate market. Any need which is apparent, characterized by frustrated demand, and for which the marketplace is unable to provide a legitimate supply at affordable prices, openly invites supply from an alternative source. So, pirated product may be seen as alternative competition, with the advantage of a substantial mark-down on prevailing prices. Using this argument, piracy becomes no more than an attempt by some operators to address imbalances in the marketplace McDonald & Roberts (1994).

### 4. Research Methodology

## **Haque, Khatibi & Rahman**

A structured questionnaire was used to collect data whereby it was served as primary data to answer the research questions and objectives planning to find out the factors that plays a vital role about consumers perception towards pirated products. The survey questionnaire consists of 12 distinct sections, each of which contains question pertaining to different parts of the study. A convenience sampling method is used to collect data mainly from the consumers who used to by the pirated products. Consumers were chosen to collect data from the major part of the Peninsular Malaysia. Even though the sampling method adopted has limitations in terms of generalisability as compared to other method of sampling, it is assumed that the sample represents the whole population of Malaysia. The convenience sampling appropriately carried out because of the limited number of Internet users from Malaysia and the difficulty to reach all the respondents. This method occurs when researcher simply collect data from whoever is available. Such voluntary data providing groups, if they serve as the basis for inferential statement, are called convenience samples. The survey was conducted mainly via face-to-face interviews also administered through e-mail. A list of e-mail users currently registered with TMNet was obtained from Telekom Malaysia and the survey questionnaire was only e-mailed to those who agreed to participate in the survey. This step was taken to avoid complaints from the consumers and to increase the number of respondents. Apart from the ability to reach large target respondents and inexpensive way to conduct the survey, the survey through e-mail also enabled respondents to easily provide extensive responses to close-ended questions in describing their experiences about piracy. This is particularly important because piracy in Malaysia is a burning issue.

Total 550-sample sizes are found to be adequate for this study, of which 500 questionnaires were received. Each of the response received was screened for errors, incomplete and missing responses. Efforts were also taken to contact the affected respondents through e-mail for clarification and corrections, especially for missing or blanks responses. However, those responses that had more than 25% of the questions in the survey questionnaire that have been left unanswered or incorrectly answered were discarded from data analysis. For those responses that had a few blank answers (less than 25% of the questions) and which involve 5-point interval-scaled questions were assigned with a mid-point scale of 3. After the screening process was carried out, only 491 responses were considered complete and valid for data analysis. This represents a success rate of 90%, which is considered to be good in view of time and cost constraints.

### **5. Research Framework of the Study**

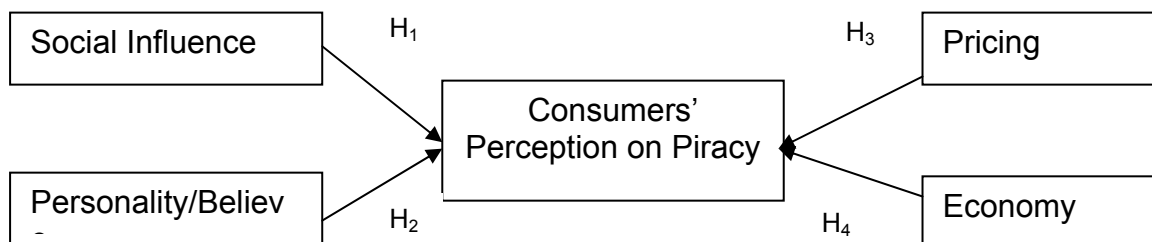
Figure 1 shows the theoretical framework of this study. It can be identified that the dependent variable is consumer perception on piracy. Where else the independent variables would be divided to social influence, personality/believe, culture, and the economy. These are the factors that could influence consumers' perception on piracy thereby supporting out dependent variable. Social influence would include susceptibility, which means an individual might purchase a pirated product merely because his/ her friend or family members bought the product and introduced it to them. In order to be in trend and keep to date with friends for example, people buy the pirated products that offer early release of movies and software. How the society

## Haque, Khatibi & Rahman

effect the purchase behavior of consumers depends on the vulnerability of each individual.

Personality, on the other hand, could create a positive effect on consumers' perception towards piracy. This is because, some consumers value to need for satisfaction more than the quality of the product. For example, some might think that for the price of the pirated good, the quality doesn't count as long as they can't get what they want. Therefore, peoples personality and believes had a positive influence. Pricing plays on the most important roles in the perceptions that consumers build towards piracy. Pirated goods play a role as a price advantage. Consumers get to enjoy the same products at a cheaper cost. Therefore price has a positive influence on customers' perception. The economy also influences customers' perception but in a negative way. This is because consumers tend to buy pirated goods but when they realize that the economy has slowed down and the main factor could be due to the purchase of pirated goods, they will stop purchasing pirated products to safeguard the economy.

Figure 1: Research Framework



## 6. Hypothesis of the Study

A hypothesis is a logically conjectured relationship between two or more variables expressed in form of a testable statement. The aim of this study is to determine the relationship among many factors that causes piracy act and other aspects of piracy. The relationship between piracy act and demographic factors will be examined.

The hypotheses for their research project are as follows: -

H1: Social influence has significant relationship on consumers' perception towards piracy.

H2: Personality and believe has significant relationship on consumers' perception towards piracy.

H3: Pricing has significant relationship on consumers' perception towards piracy.

H4: The economy has significant relationship on consumers' perception towards piracy.

From above hypothesis following model is constructed.

## Haque, Khatibi & Rahman

$$Y_i = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + \epsilon_i$$

Here, X1 is social influence, X2 is personality/believe, X3 is pricing, and X4 is economy. Dependent variable is Y<sub>i</sub> which represents the consumers' perception about the piracy. A multiple regression analysis is carried out in order to determine which factor(s) that described in hypothesis have significant impact on building brand.

## 7. Results and Discussion

### 7.1 Reliability Coefficient

Cronbach's alpha ( $\alpha$ ) analysis was employed to test the Reliability coefficient. Since, Cronbach alpha is commonly used method to measure the reliability for a set of two or more construct where alpha coefficient values range between 0 and 1. Higher values indicate higher reliability among the indicators (Hair, et al., 1992). Hence, 1 is the highest value that can be achieved (Table 1). According to the results of Cronbach alpha test total scale of reliability for this study varied from .9665 to .9768. This result indicated an overall higher reliability factor. As a result, reliability of this study is substantial, as the highest reliability value that can be achieved is 1.0.

**Table 1: Reliability Analysis**

	Mean	Std. Deviation
<b>Social Influence (Alpha = .9677)</b>		
Race, religion, culture, and tradition	3.27	1.01
Encouraged by others	3.38	1.03
Knowledge on piracy	3.45	1.02
Socially accepted	3.50	1.96
Criminal offence	2.98	1.00
<b>Pricing (Alpha = .9665)</b>		
Cheap and affordable	3.57	1.04
Price does not has impact	3.46	.97
Products are desirable than price	3.53	1.72
Price plays vital role	2.77	1.37
<b>Economy (Alpha = .9768)</b>		
Economic influence	3.42	1.37
Fixing selling price as alternative	3.18	1.26
Consider not using if more money available	3.53	1.53
Economic Consequences	2.13	1.07
<b>Personality/Believe (Alpha = .9754)</b>		
Self concept to purchase pirated product	3.16	1.05
Morally accepted	3.32	1.24
Quality of pirated products	3.23	1.16
Perception about pirated product	3.48	1.09

**Table 2: KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.897
Bartlett's Test of	Approx. Chi-Square 10472.8

## Haque, Khatibi & Rahman

Sphericity		92
	df	338
	Sig.	.000

### 7.2 Factor Analysis

Factor analysis has been employed to explore the underlying factors associated with 17 items by using Principal Component Analysis (PCA). Bartlett's Test of Sphericity was applied to the constructs validity. Then again the Kaiser–Mayer– Olkin measure of sampling adequacy employed to analyze the strength of association among variables. The Kaiser–Mayer–Olkin measures of sampling adequacy (KMO) was first computed to determine the suitability of using factor analysis to predict whether data are suitable to perform factor analysis or not. Generally, KMO is used to assess which variables need to drop from the model due to multicollinearity. The value of KMO varies from 0 to 1, and KMO overall should be .60 or higher to perform factor analysis. If not then it is necessary to drop the variables with lowest anti image value until KMO overall rise above .60. Result for the Bartlett's Test of Sphericity and the KMO reveal that both were highly significant and concluded that this variable was suitable for the factor analysis (Table 2). It is difficult to take decision regarding the number of factors could retains but the results of initial runs based on eignenvales showed 4 factors. According to Hair et al. (1992) minimum loading necessary to include an item in its respective constructs. They also suggested that variables with loading greater than 0.30 is considered significant, loading greater than 0.40 more important, and loading 0.50 or greater are very significant. In this study, the general criteria were accepted items with loading of 0.60 or greater. Not a single factor had been dropped out under this circumstance. The result showed in table 3.

**Table 3: Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	14.638	52.786	52.786	14.638	52.786	52.786
2	4.084	16.216	69.002	4.084	16.216	69.002
3	3.653	14.872	82.074	3.653	14.872	83.874
4	1.102	13.711	97.585	1.102	13.711	97.585
5	.236	.740	98.325			
6	.114	.515	98.840			
7	.078	.221	99.061			
8	.066	.193	99.254			
9	.042	.172	99.426			
10	.031	.114	99.540			
11	.029	.101	99.641			
12	.017	.074	99.715			
13	.005	.069	99.784			
14	.003	.064	99.848			
15	.003	.057	99.905			
16	.002	.049	99.954			
17	.001	.046	100.000			

### Haque, Khatibi & Rahman

The values of following Table 4 indicate the affiliation of the items to a factor. Generally, the factor is the natural affinity of an item for a group. The higher loading (factor) indicates the stronger affiliation of an item to a specific factor. The findings of this study indicate that each of the four dimensions (Social influence, Pricing, Economy, and Personality/Believe) was homogeneously loaded to the different factors. That means each of the four dimensions that loaded into four different factors all are related to consumers' need.

**Table 4: Factor Loading Matrices Following Oblique Rotation of Four-factor Solutions**

	F1	F2	F3	F4
<b>Social Influence</b>				
Race, religion, culture, and tradition		91		
Encouraged by others		82		
Knowledge on piracy		83		
Socially accepted		81		
Criminal offence		.82		
<b>Pricing</b>				
Cheap and affordable			73	
Price does not has impact			75	
Products are desirable than price			89	
Price plays vital role			81	
<b>Economy</b>				
Economic influence	78			
Fixing selling price as alternative	89			
Consider not using if more money available	92			
Economic Consequences	91			
<b>Personality/Belief</b>				
Self concept to purchase pirated product				88
Morally accepted				85
Quality of pirated products				79
Perception about pirated product				96

**Notes:** Extraction method: principal component analysis. Based on four factors specifications (not on eigenvalue > 1). Rotation Method: oblique (oblimin – SPSS) with Kaiser Normalization. All numbers in the table are magnitudes of the factor loadings multiplied by 100. Loadings that are 0.60 or less are not shown.

### 7.3 Hypothesis Testing

Regression analysis was employed for testing the hypothesis of this research after extraction of four independent variables from factor analysis. Results for consumer perception showed in Table 5, 6, 7. Results of this study indicated that 77.3 percent of variance of consumer perception about piracy was explained by these four independent variables with a significant 'F' value of 68.938 being significant at  $p < .000$  (Table 5 and 6). Therefore, there is an evident that these four factors significantly affect the consumer perception about pirated product.

**Table 5: Model Summary**

### Haque, Khatibi & Rahman

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.864(a)	.773	.752	.49752489

a Predictors: (Constant), service quality, price, product quality and availability, promotion

**Table 6: ANOVA(b)**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	103.068	6	17.178	68.938	.000(a)
	Residual	31.932	129	.248		
	Total	135.000	135			

a Predictors: (Constant), service quality, price, product quality and availability, promotion

b Dependent Variable: perception

The hypotheses of this study are concerned with the individual effect of four variables on the consumer perception about piracy. The test of these hypotheses leads to accomplish the objectives of this study. The strength of influence of each of the independent variables would have on the consumer perception about piracy been addressed and results were shown in the Table 7.

**Table 7: Coefficients (a)**

Model		Unstandardized Coefficients	Std. Error	Standardized Coefficients	T	Sig.
		B		Beta		
1	(Constant)	-4.283E-16	.043		.000	1.000
	social influence	.309	.043	.309	7.210	.000
	pricing	.272	.043	.272	6.360	.000
	economy	.341	.043	.341	7.953	.000
	Personality/belief	.421	.043	.421	9.826	.000

a Dependent Variable: perception

**Testing H1:** The result showed that social influence emerges as the important factor affecting the consumer perception about piracy. A significant positive effect of social influence on consumer perception is seen from table 7. This result supports the first hypothesis of this study. Based on this positive coefficient of the social influence, this study concludes that there is a significant positive effect to built consumer perception about pirated product. Socially influence would include susceptibility, which means an individual might purchase a pirated product merely because his/ her friend or family members bought the product and introduced it to them. In order to be in trend and keep to date with friends for example, people buy the pirated products that offer early release of movies and software.

**Testing H2:** Pricing is another important determinant proven to be statistically at  $p < .000$  level, and has positive influence on the consumer perception about pirated product. Since, selling and buying of pirated products not only depends on sales, purchase price, but also on availability and morality. The special significant of the price for the decision to purchase is as undisputed to buy pirated product as it is

## Haque, Khatibi & Rahman

elsewhere. This is particularly true for the pirated products. Here, the choice of the pirated product is often connected with purchasing a new end-user, for example, consumers' consider the cheaper price with similar function of the pirated product. Hence, from the result we can conclude that price has significant positive impact on consumer perception about the piracy.

**Testing H3:** The result regarding economy showed that it has positive impact on consumer perception about piracy. Hence, economy from the marketer's and country perspective are associated with countries and companies economy. This study showed that product economy has a significant impact on consumer perception about piracy and pirated product.

**Testing H4:** Personality/belief has significant impact on consumer perception about piracy. Since, personality creates a positive effect on consumers' perception towards piracy. This is because, some consumers value to need for satisfaction more than the quality of the product. For example, some might think that for the price of the pirated good, the quality doesn't count as long as they can't get what they want. Therefore, people's personality and beliefs had a positive influence. This study indicated that consumer perception about piracy is influenced by the social influence. Next to this pricing, economy, and personality/belief are also having significant impact on the consumers' perception about piracy and pirated products in Malaysia.

## 8. Conclusion and Implementation

After completing the previous chapters, various conclusions could be made on what is piracy, how piracy is perceived in the minds of consumers, and alternatives that should be taken to drive consumers away from purchasing pirated products. As defined in chapter one, piracy, counterfeit, imitation and fake products are all illegal operations done at the lowest cost and offered to consumers at the cheapest price. Few phenomena can be viewed simplistically as black or white, good or bad, and commercial piracy is one such phenomenon. In this study the specific objectives as mentioned in chapter one, were to research on which variable plays the most important factor in the minds of most consumers. There were many factors that influence a consumers' perception towards piracy. In this paper we mainly discussed on social influence, personality/belief pricing and the economy. Hypothesis was developed for each of these variables showing the relationship that the variables have towards consumers' perception on piracy. When the regression test was run, social influence, pricing and the economy showed that the null hypothesis should be rejected concluding that there is relationship between these variables and the dependent variable, which is consumers' perception on piracy. Nevertheless, individuals' personality and their beliefs proved that there is no significant relationship with consumers' perception.

Although most sources say that there is no ending to the word "piracy", understanding and being aware of why, how, where, and when consumers purchase pirated goods will help reduce this menace. Pricing being one of the most essential variables, most producers and creators of original products must come to understand this factor and strive to make original goods more affordable. This would be a crucial step in driving away consumers from pirated goods. Malaysia's government is also aware of this situation and working towards reducing this problem. All



## Haque, Khatibi & Rahman

authorities have become aware of the affect that piracy leave, thus it is now time to create awareness among the customers.

Since price plays an important role to every individual especially individuals who are price sensitive, it is recommended that original goods improve in terms of pricing. This could be done by either decreasing the cost of production or reducing the profit margin because it is the features that the consumers look for in a product. There is no doubt that original products looks into and take deep consideration in terms of quality but price should also be looked at. By reducing the price of original products to a more acceptable price to all income groups, it might help in reducing consumers' consumption of pirated goods. For instance, the price of an original Nike t-shirt could cost up to RM100-250 meanwhile a pirated Nike would only cost RM10-RM35. If reducing its production and other cost could reduce the price of the original, consumers might consider buying the original. Other than changing the price, original good companies and producer should participate in research projects in order to understand the consumers and to increase their level of security so that their products cannot be easily duplicated by anyone. For example some firms want to sell their product everywhere, as a result global market makes it more difficult for firms to restrict access but active selling in relatively poor countries is bound to encourage the actions of counterfeiters. Therefore before entering these countries they must understand and be aware of the laws and rules that exist.

## 9. Limitation and Direction to Future Research

This research has been applied successfully what we have learnt in the piracy related literature of pirated product with evidence from Malaysia. The outcome of this research showed a comprehensively integrated framework for us to understand the dynamic relationships among dimensions of social influence, pricing, economy, and personality/belief to understand the consumers' perception. However, further research is needed to examine these factors in Malaysia with additional samples before generalization can be made. Moreover, it is also needed to extend behavior intensions of consumers about piracy and pirated product.

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