

Gen Z Insights: *Brands and Counterfeit Products*

China Country Report



Table of Contents

| | |
|-----------|---|
| 03 | Research objectives |
| 04 | Executive summary |
| 05 | Methodology details in China |
| 06-07 | Key findings in China |
| 08 | Country Comparisons |
| 09 | Knowledge of intellectual property rights |
| 10 | Purchased counterfeit products in the past year |
| 11 | Awareness with counterfeit industries |
| 12 | Functional benefits of counterfeits |
| 13 | Functional expectation of purchasing counterfeits |
| 14 | China Deep Dive |
| 15-18 | A snapshot of Gen Zers in our sample |
| 19 | Gen Z's beliefs about intellectual property rights |
| 20 | Gen Z's attitudes towards brands |
| 21-23 | Gen Z's counterfeit influences and attitudes |
| 24 | Gen Z's beliefs about buying counterfeit products |
| 25 | Gen Z's beliefs about selling counterfeit products |
| 26-27 | Counterfeit market context |
| 28-32 | Gen Z's engagement with counterfeit products |
| 33 | Gen Z's reasons for purchasing counterfeit products |
| 34 | Gen Z's reasons against purchasing counterfeit products |

Research objectives

#1

Explore the relationship between Gen Z and brands

#2

Understand Gen Z's attitudes and perceptions of counterfeit products

#3

Unpack the importance of different considerations influencing their purchase of counterfeit products

Executive summary


- Gen Z is a cohort of individuals born from 1995 to 2010. The members of this generation are digital natives. Reports have shown that by 2020, Gen Z will comprise the most significant number of consumers globally making it critical for brand professionals to understand the relationship between Gen Z and brands, Gen Z's attitudes towards counterfeit products, and the importance of different considerations in influencing their purchase behavior of counterfeit products.
- The study focuses on Gen Zers between 18 and 23 years of age in 10 countries: Argentina, China, India, Indonesia, Italy, Japan, Mexico, Nigeria, Russia, and the United States. Multiple factors went into selecting these countries including the population size of Gen Z in specific countries, the prevalence of counterfeit goods in those countries, and the level of economic development in the country.
- The study was conducted in two phases. Between August and September 2018, thirty respondents from Argentina, India, Russia, and the United States participated in the Virtual Qualitative Phase. Respondents were asked to complete three days' worth of activities online. The findings of this initial phase helped shape the second Quantitative Phase which comprised of a 25-minute online survey. This second phase was conducted in all 10 countries during November 2018 and have more than 4500 respondents in total. The survey was open to respondents for approximately two weeks in each country. In both the Virtual Qualitative and Quantitative Phases, research instruments were always translated into the local languages when necessary.

Methodology details in China

Quantitative: Global Gen Z Authority Online Survey

After the Virtual Qualitative phase, a 25-minute international online survey was conducted with 4,500+ Gen Z respondents across ten countries in November 2018. All 4500+ respondents responded that they had come across fake products when thinking about the variety of goods sold out there*. The survey was completed in each country within approximately two weeks. Survey questions and responses were in Mandarin. The purpose of this survey was to robustly understand Gen Z's relationship with brands and counterfeits and the importance of different considerations influencing their purchase of counterfeit products.

Sample and analysis call outs:

| Sample |  China |
|----------------|--|
| Females 18-23 | N=201 |
| Males 18-23 | N=202 |
| Country Totals | N=403 |

Analysis Details

- Rounding errors may occur that cause $\pm 1\%$ discrepancy.
- The margin of error for the data in this report is 4.9%.
- We asked respondents a maximum of 47 distinct questions in the quantitative survey
- In our quantitative explorations, we defined “fake products” as “an exact imitation of a brand’s product and its packaging”
- *Respondents who qualified to the study selected “Fake products” in response to the following question:
When thinking about the variety of goods being sold out there, which of the following have you come across?

Key findings in China

- Gen Z's generational identity is defined by three characteristics: individuality, morality, and flexibility.

In China...

- 94% say it is important to always be true to who they are.
- 85% say they determine their own moral code.
- 95% are open to changing their views based on new things they learn.
- 78% feel that the brand name is not as important as how the product fits their needs.
- 89% believe that brands should aim to do good in the world.
- 99% have at least heard of intellectual property (IP) rights.
 - China is the country with the largest percentage of Gen Zers who have at least heard of IP rights
- 94% of those who have at least heard of IP rights believe IP rights are equally important or more important than physical property rights.
- 97% have a lot of respect for people's ideas and creations.
- 83% believe that fake products are sold everywhere.

Key findings in China

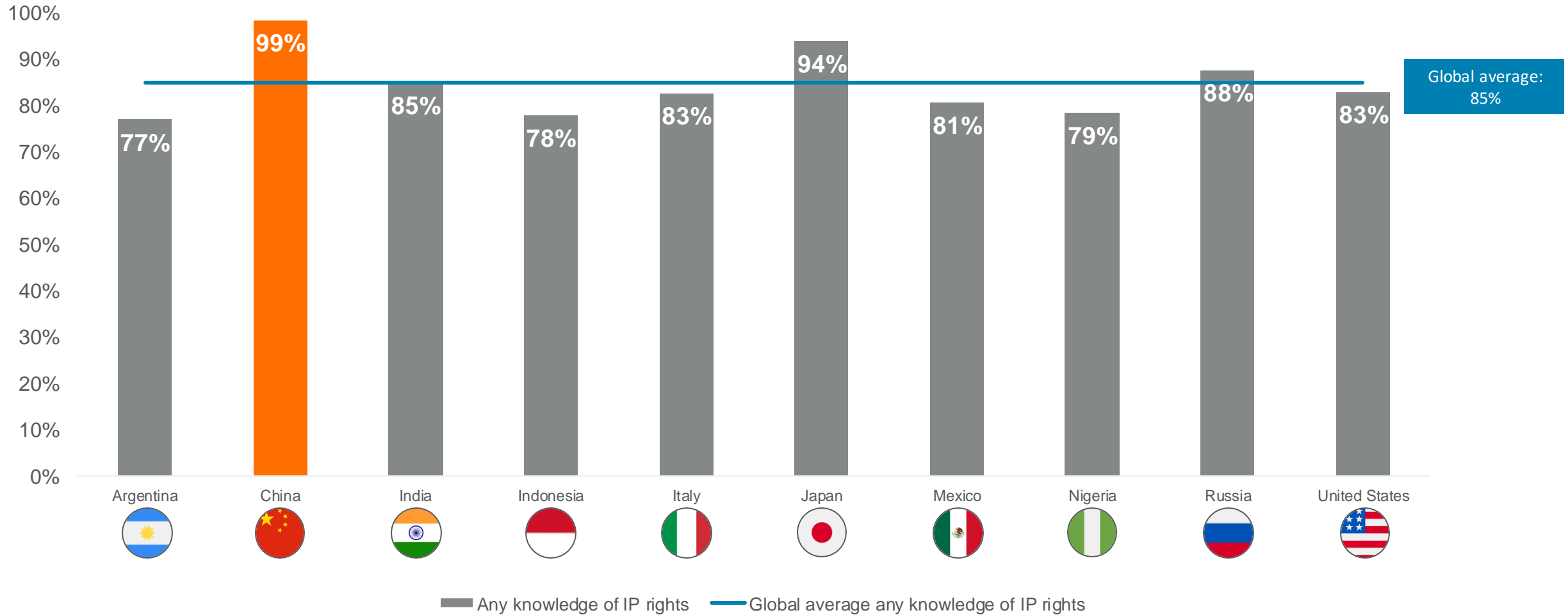
In China...

- Gen Z's top two influences when it comes to forming opinions about fakes are their morals and their income with morals beating income by 5%.
 - China is one of the few countries where morals beats income
- 56% feel they cannot afford the lifestyle they want.
- 84% have purchased counterfeit products in the past year.
- The two most commonly purchased counterfeit products are apparel and shoes and accessories.
- When asked about benefits of purchasing counterfeit products, 61% say fake products are easier/more convenient to find than genuine products.
- When asked about barriers to purchasing counterfeit products, 89% say that fake products are unsafe.
- 70% expect to purchase fewer counterfeit products in the future.
- The top drivers which would change Gen Zers' attitudes about counterfeit products are: if the product is dangerous or bad for their health, if money spent on fake products goes towards organized crime, and if fake products are bad for the environment.
- Gen Z's top three credible sources for learning about counterfeit products are: brands' creators or employees, social media influencers, and media personalities.

Country Comparisons

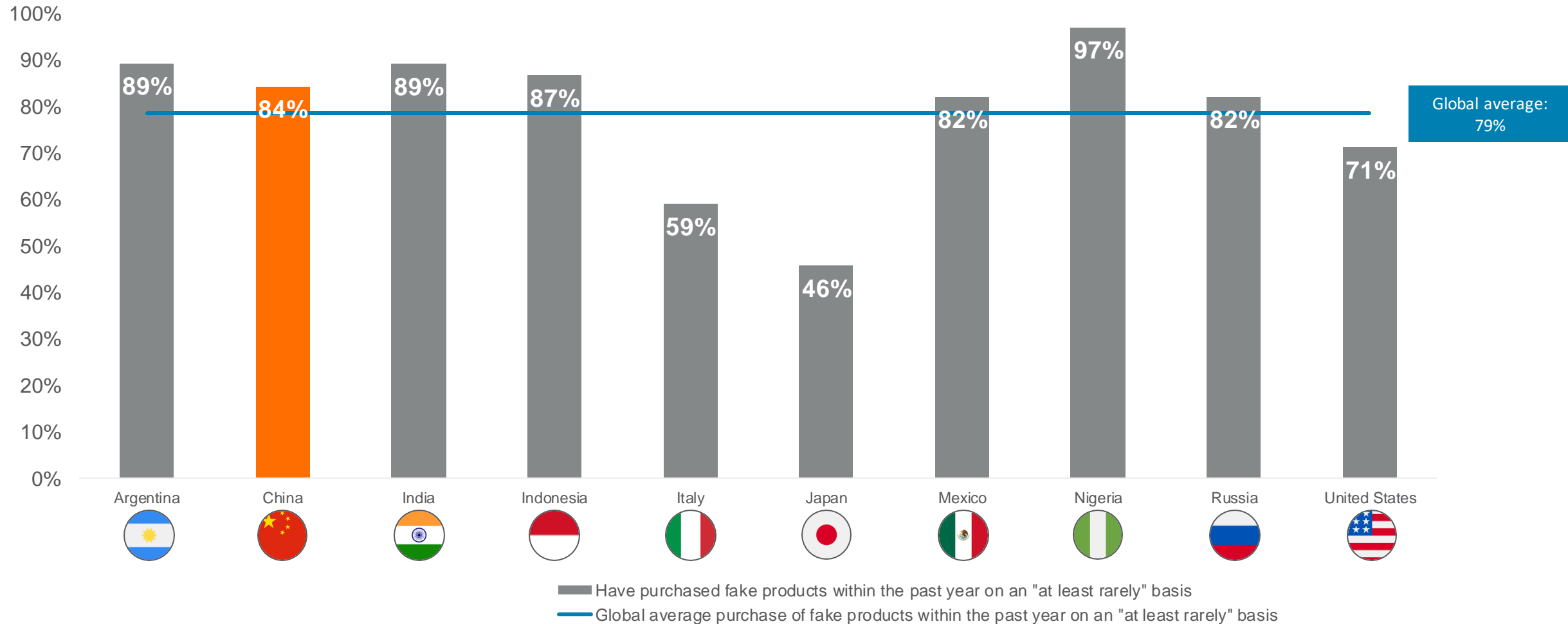
The background is a solid orange color with a large, abstract graphic composed of thick orange lines. It features a large circle on the left, a smaller circle on the right, and several intersecting lines that create a sense of depth and movement.

Knowledge of intellectual property rights













Knowledge. How much do you feel you know about the topic of intellectual property rights, such as trademarks and copy rights?

Purchased counterfeits in the past year













FrequencyQ. Within the past year, how often did you purchase fake products within each of the following categories? [Note: FrequencyQ was only asked for categories respondents at least "rarely see"]

Awareness with counterfeit industries

| Aware of... | Apparel | Shoes & accessories | Sporting goods (apparel and merchandise) | Beauty & cosmetics | Consumer electronics | Food and beverages | Toys | Personal care |
|---|------------|---------------------|--|--------------------|----------------------|--------------------|------------|---------------|
| Global Average | 97% | 98% | 96% | 90% | 94% | 78% | 89% | 74% |
|  Argentina | 99% | 98% | 98% | 89% | 97% | 70% | 95% | 70% |
|  China | 97% | 98% | 97% | 97% | 93% | 90% | 92% | 88% |
|  India | 97% | 98% | 97% | 93% | 95% | 88% | 88% | 84% |
|  Indonesia | 98% | 98% | 97% | 94% | 96% | 79% | 90% | 73% |
|  Italy | 98% | 99% | 97% | 85% | 93% | 72% | 89% | 65% |
|  Japan | 94% | 98% | 88% | 79% | 85% | 68% | 83% | 52% |
|  Mexico | 99% | 99% | 99% | 93% | 96% | 75% | 95% | 80% |
|  Nigeria | 98% | 99% | 98% | 95% | 99% | 89% | 84% | 88% |
|  Russia | 99% | 98% | 96% | 89% | 95% | 72% | 87% | 64% |
|  United States | 96% | 97% | 92% | 89% | 95% | 74% | 89% | 72% |

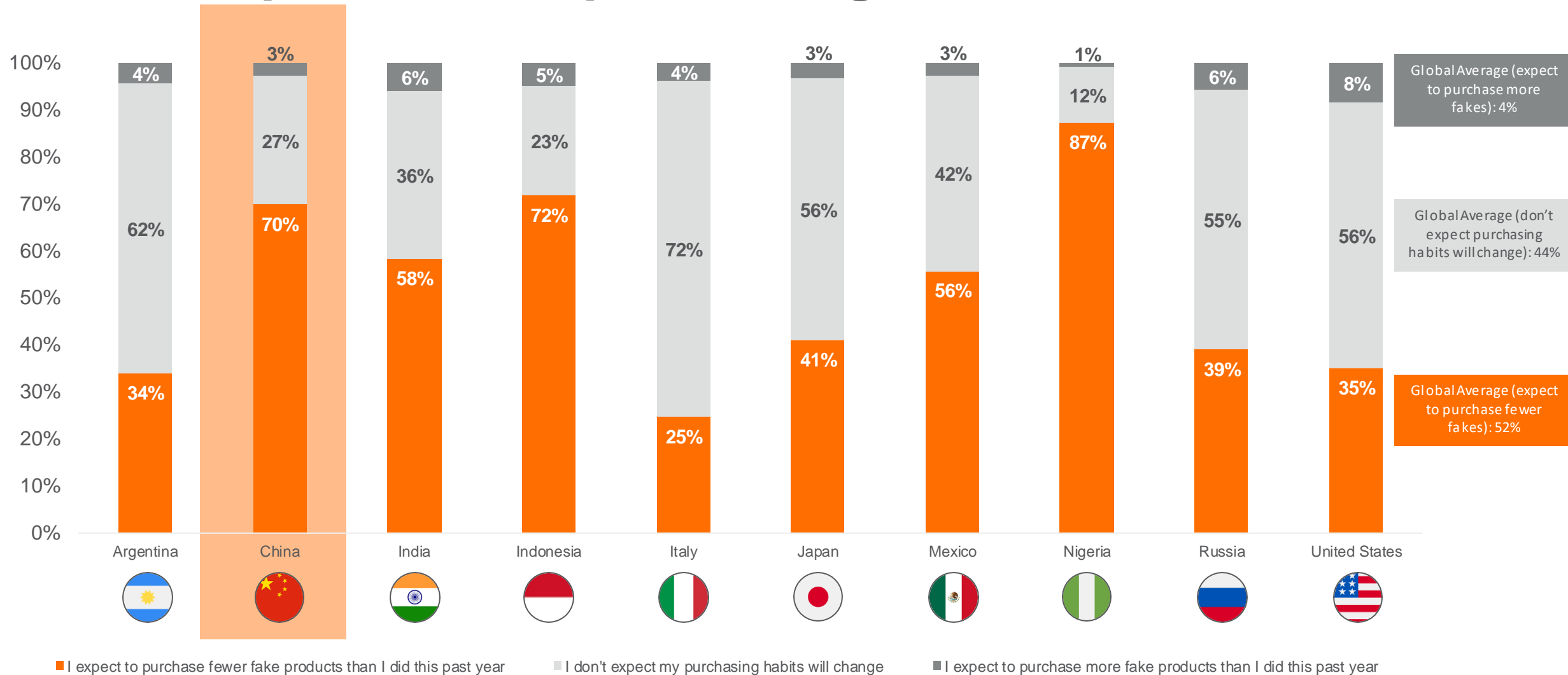
Exposure. How often do you usually see the following categories of fake products being sold? [Note: **Exposure** was only asked for categories respondents have at least "heard of"]

Functional benefits of counterfeits

| Gen Zers' global top 3 benefits overall (averaged across categories) | Top ranked benefit | | Second top ranked benefit | | Third top ranked benefit | |
|---|---|------------|--|------------|---|------------|
| Global Average | Fake products are easier/more convenient to find than genuine products | 58% | I can only afford the fake version of some brands | 57% | My money benefits the seller who's making a living for him/herself | 57% |
|  Argentina | I can only afford the fake version of some brands | 66% | My money benefits the seller who's making a living for him/herself | 64% | Fake products are easier/more convenient to find than genuine products | 63% |
|  China | Fake products are easier/more convenient to find than genuine products | 61% | I've had a positive experience with a past purchase of a fake product | 60% | I can only afford the fake version of some brands | 54% |
|  India | The quality of a fake product is good enough for the price | 60% | My money benefits the seller who's making a living for him/herself | 59% | No one is able to tell if I use fake products | 58% |
|  Indonesia | Fake products are easier/more convenient to find than genuine products | 73% | My money benefits the seller who's making a living for him/herself | 66% | No one is able to tell if I use fake products | 53% |
|  Italy | The quality of a fake product is good enough for the price | 56% | I can only afford the fake version of some brands | 55% | I've had a positive experience with a past purchase of a fake product | 55% |
|  Japan | I can only afford the fake version of some brands | 65% | Fake products are easier/more convenient to find than genuine products | 40% | No one is able to tell if I use fake products | 40% |
|  Mexico | My money benefits the seller who's making a living for him/herself | 60% | Fake products are easier/more convenient to find than genuine products | 54% | I've had a positive experience with a past purchase of a fake product | 54% |
|  Nigeria | I can only afford the fake version of some brands | 59% | Fake products are easier/more convenient to find than genuine products | 59% | My money benefits the seller who's making a living for him/herself | 56% |
|  Russia | Fake products are easier/more convenient to find than genuine products | 69% | I've had a positive experience with a past purchase of a fake product | 61% | The quality of a fake product is good enough for the price | 59% |
|  United States | I've had a positive experience with a past purchase of a fake product | 64% | My money benefits the seller who's making a living for him/herself | 64% | I can only afford the fake version of some brands | 63% |

Benefits. How much do you agree with the following statements regarding why you might want to purchase fake products in the [hCatAssign] category?

Future expectation of purchasing counterfeits



FuturePurchase. How do you expect your purchasing habits will change in the future?

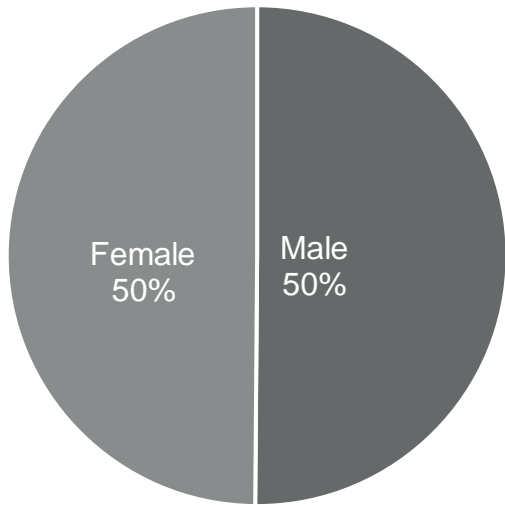
China Deep Dive

A large, stylized orange graphic element on the right side of the page, resembling a magnifying glass or a stylized letter 'R'. It consists of a large circle on the left, a thick line extending from the bottom of the circle, and a smaller circle on the right connected to the main line.

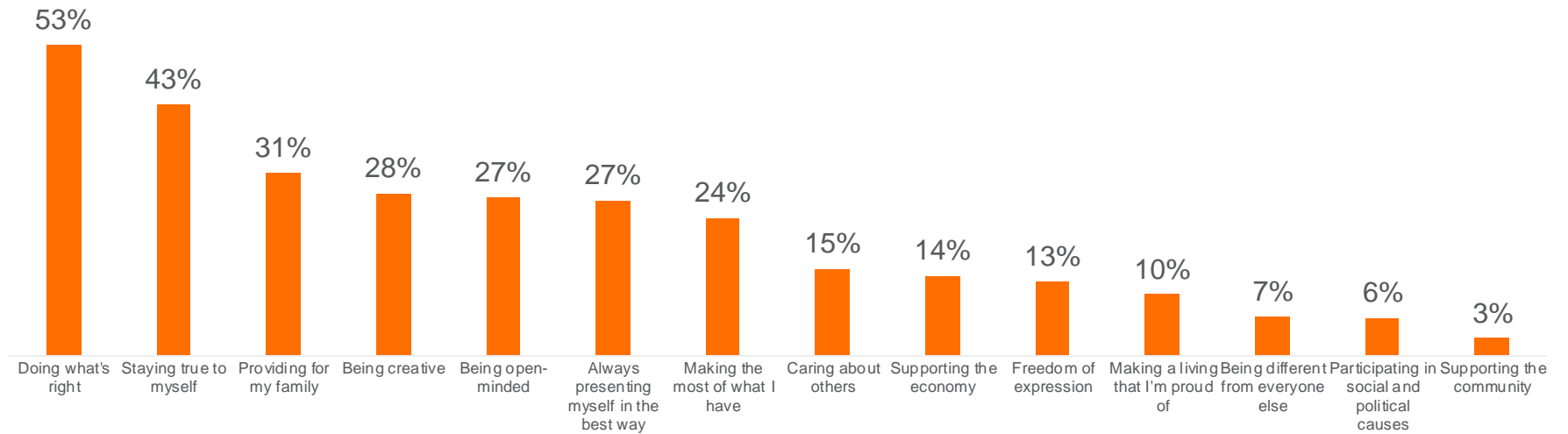
A snapshot of Gen Z in our sample



Gender

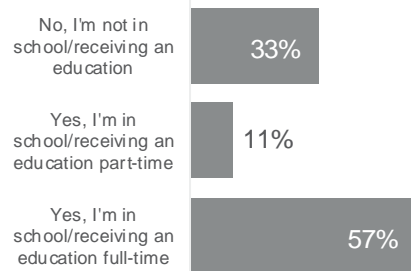


Values

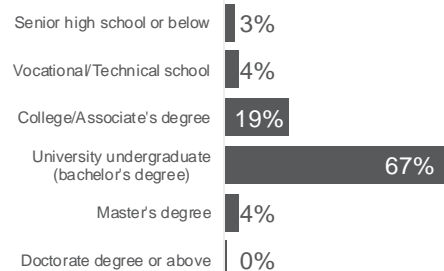


Education

Currently attending?



Highest education level they have achieved...



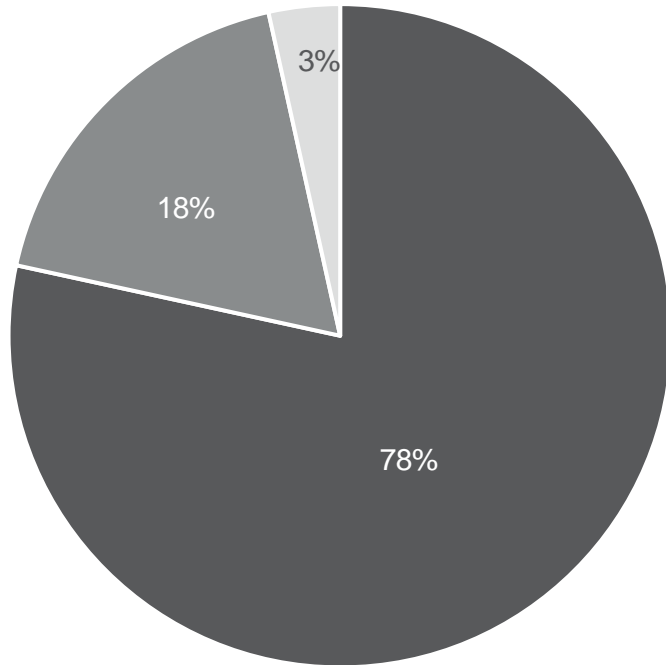
Media awareness and usage

| | Renren | TuDing | Sina Weibo | PPTV | Sohu | KuGou | Dian Dian Chong | Amazon Prime | Youku |
|------------------|--------|--------|------------|------|------|-------|-----------------|--------------|-------|
| Awareness | 81% | 18% | 92% | 78% | 87% | 91% | 5% | 74% | 92% |
| Usage | 26% | 5% | 77% | 30% | 44% | 65% | 3% | 32% | 78% |

Gender. Are you...? **IntlEd.** Are you currently attending school or receiving an education? **ChinaEdu.** What is the highest level of education you have completed? **SocialMediaA.** Which of the following have you heard of? Please select all that apply. **SocialMediaB.** Which of the following websites, apps, or subscriptions services do you use or visit? Please select all that apply. **Values.** Which of the following values are most important to you? Please select your top 3.

A snapshot of Gen Z in our sample

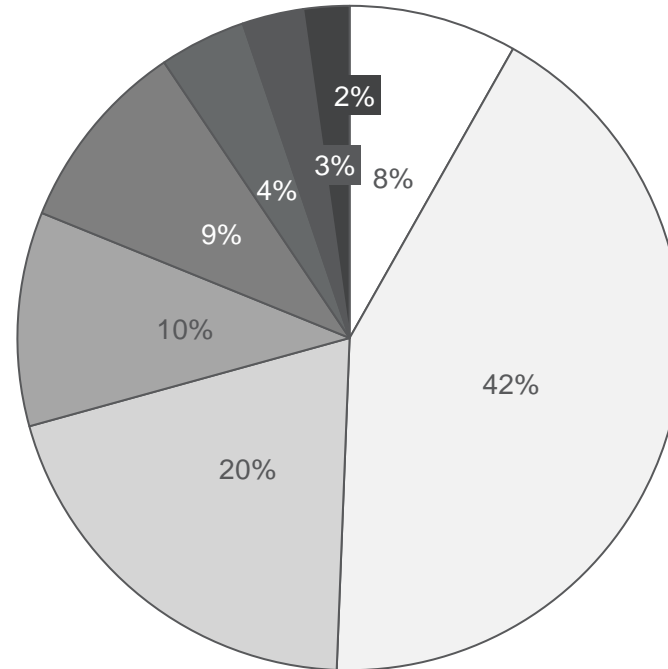
Area



- Urban
- Suburban/just outside the city
- Rural/countryside

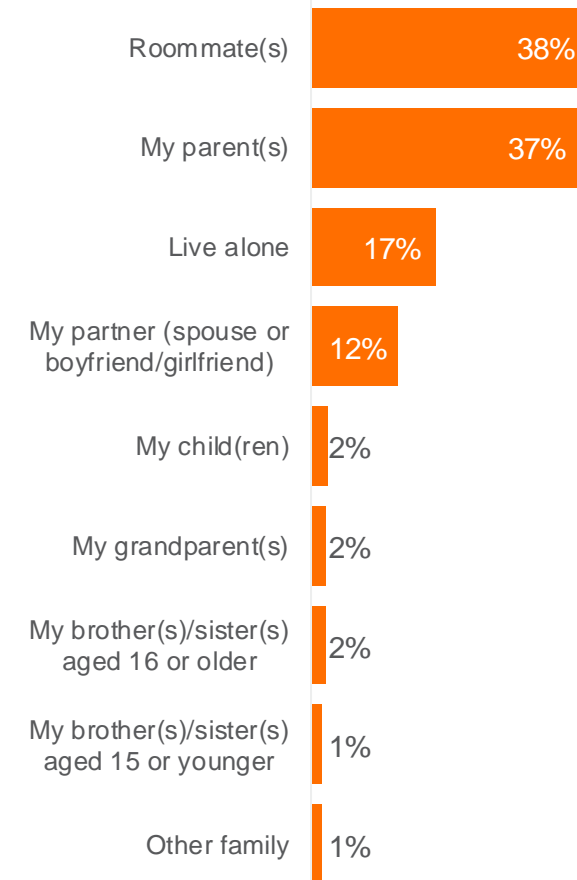
Area. You would describe where you live as being...
 ChinaInc. What is your annual personal income before taxes?
 HHMakeup. Who do you live with? Please select all that apply.

Personal income



- Don't know / prefer not to answer
- 30,000 ¥
- 30,001¥ - 60,000 ¥
- 60,001¥ - 90,000 ¥
- 90,001¥ - 120,000 ¥
- 120,001¥ - 150,000 ¥
- 150,001¥ - 180,000 ¥
- More than 180,000 ¥

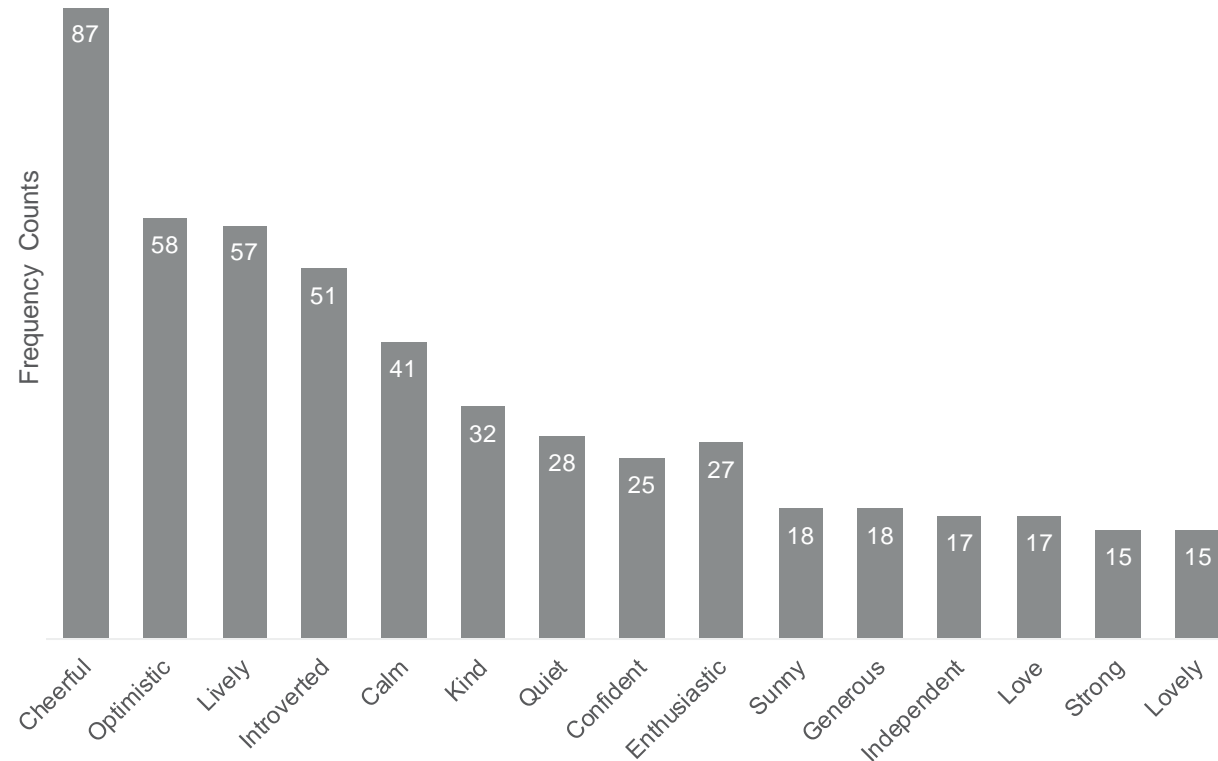
Household makeup



A snapshot of Gen Z in our sample



Personality: Gen Z's top 15 open-ended descriptions of their personality



OEPersonality. What are 3 words you would use to describe your personality?

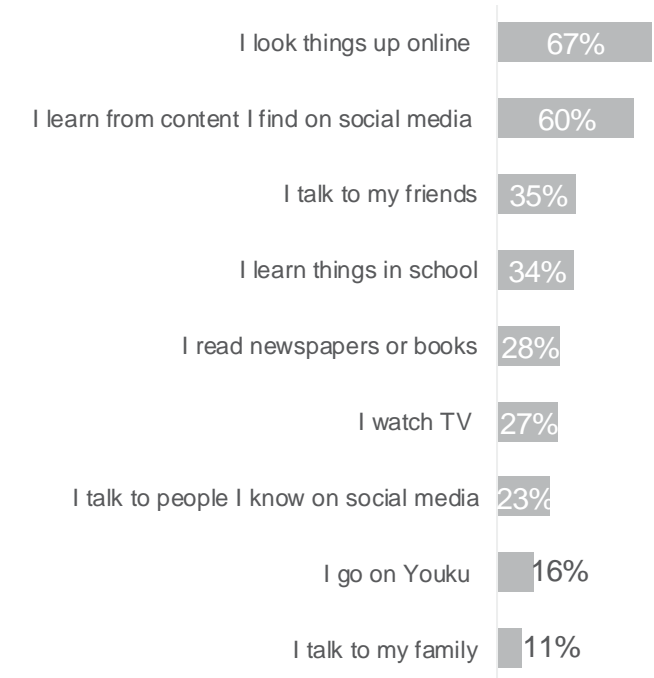
A snapshot of Gen Z in our sample



Gen Z's agreement on psychographics statements



We asked Gen Zers about where they learn about things and they said...

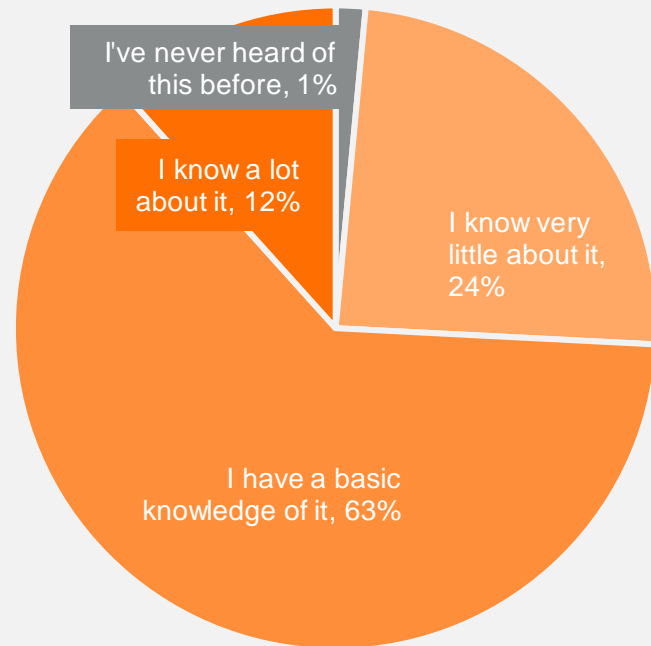


Psychographics. Please indicate how much you agree or disagree with each of the following. [% Strongly Agree + % Somewhat Agree]
Learning. What are your top sources of information to learn about things? Please select your top 3.

Gen Z's beliefs about intellectual property rights



Gen Z's knowledge of and beliefs about intellectual property rights



For those who have at least some knowledge of intellectual property rights, they believe...

6% *Physical property rights are more important than intellectual property rights*

22% *Intellectual property rights are more important than physical property rights*

73% *Intellectual property rights are equally as important as physical property rights*

Knowledge. How much do you feel you know about the topic of intellectual property rights, such as trademarks and copy rights?
IPRights. Which of the following do you agree with most? [Note: **IPRights** was asked among those who know at least "very little about it"]

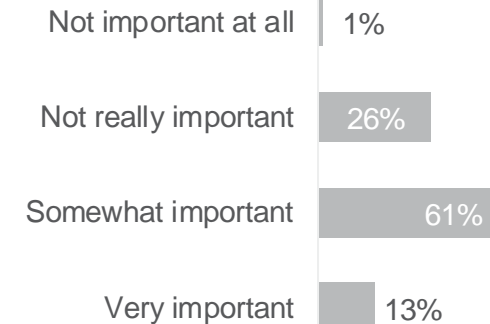
Gen Z's attitudes towards brands



Gen Z's agreement on brand attitude statements



We asked Gen Zers about the importance of a brand name and they said it's...*



BrandAttitudes. Please indicate how much you agree or disagree with each of the following. [% Strongly Agree + % Somewhat Agree]

BrandImportance. When you decide what to purchase, how important is the brand name?

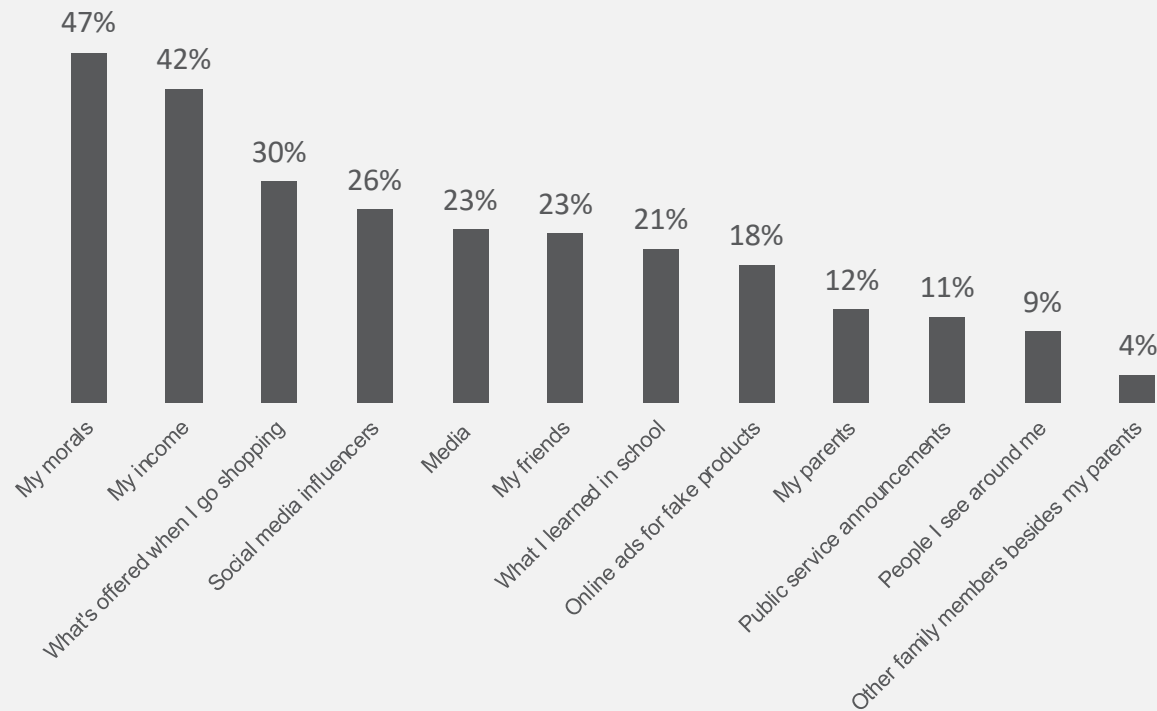
*Note: the Comprehensive Report states that +11% of Gen Zers in China answered "somewhat important" and "very important" compared to the global average of 62%. Totals here add to 74% (which is +12%). This difference of 1% is due to automatic rounding error.

Gen Z's counterfeit influences and attitudes

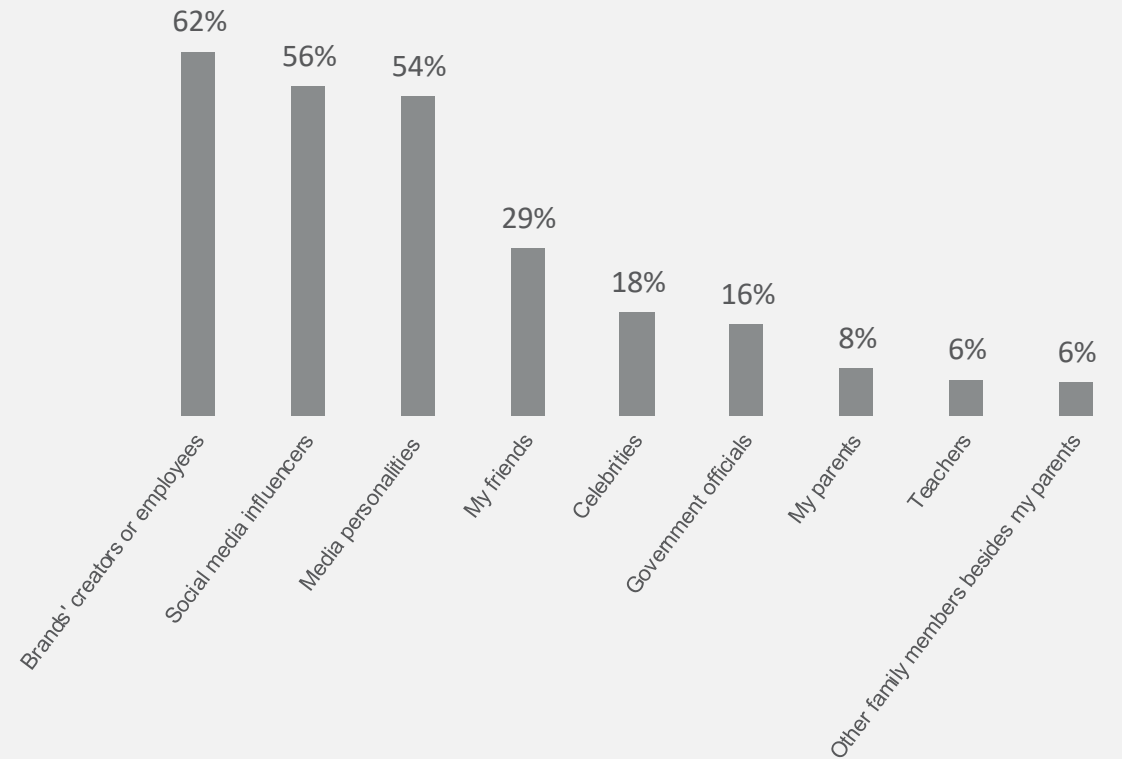


Influences

What currently influences Gen Z's opinions on counterfeits



Sources Gen Z thinks are credible for learning more about counterfeits



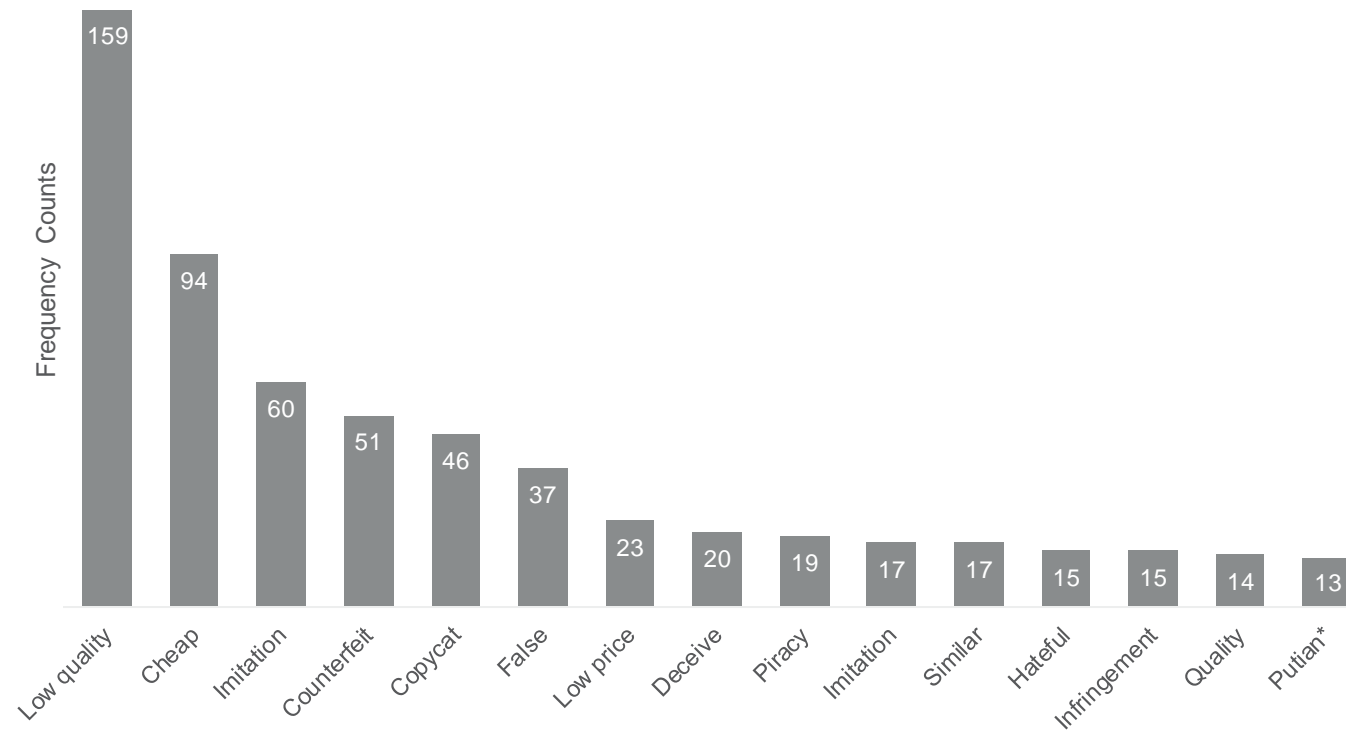
InfluencesCounterfeit. Which of the following would you consider to be the biggest influences when it comes to forming your opinions about fake products? Please select up to 3.

SourcesofLearning. Who would be the most credible sources for learning more about the topic of counterfeiting? Please select up to 3.

Gen Z's counterfeit influences and attitudes



Counterfeit attitudes: Gen Z's top 15 open-ended associations with counterfeit products



OEPerceptions. What are the first 3 descriptors that come to your mind when you are thinking about fake products?
*Note: Putian is a city in the eastern Fujian province of China, known as the center of China's counterfeit shoe industry.

Gen Z's counterfeit influences and attitudes



Gen Z's agreement on counterfeit attitude statements



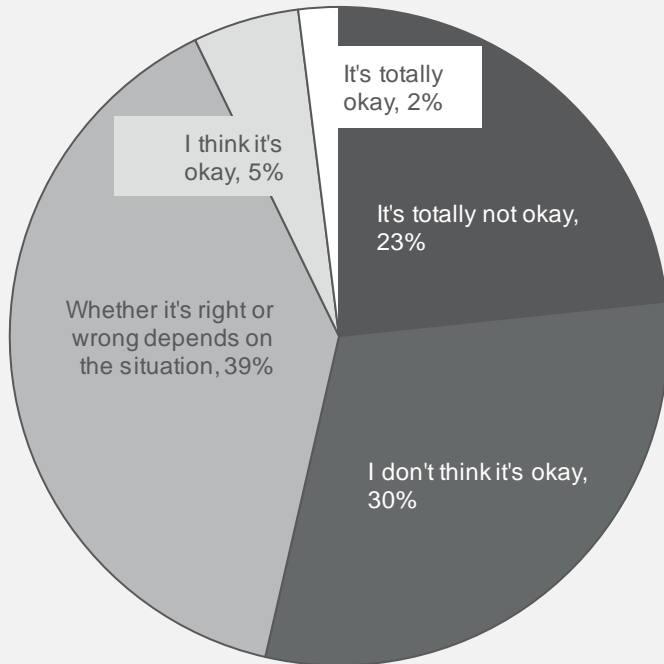
CounterfeitAttitudes. Please indicate how much you agree or disagree with each of the following as it relates to fake products and their purchase/sale. [% Strongly Agree + % Somewhat Agree]

Gen Z's beliefs about buying counterfeit products

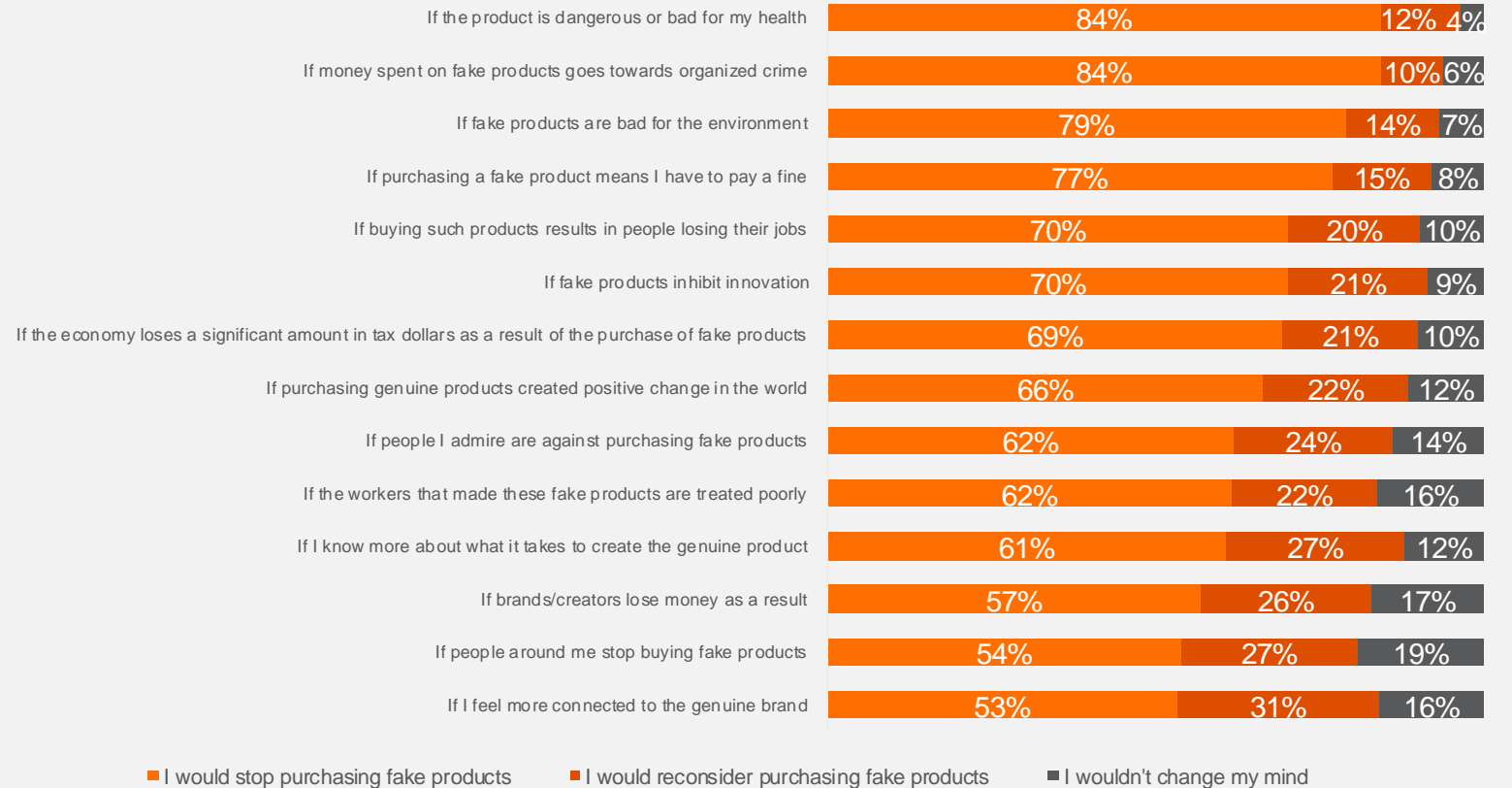


Buying

Ethical views on purchasing counterfeit products



What it would take to change their behavior:



EthicsA. Which of the following best describes how you feel about buying fake products in general?

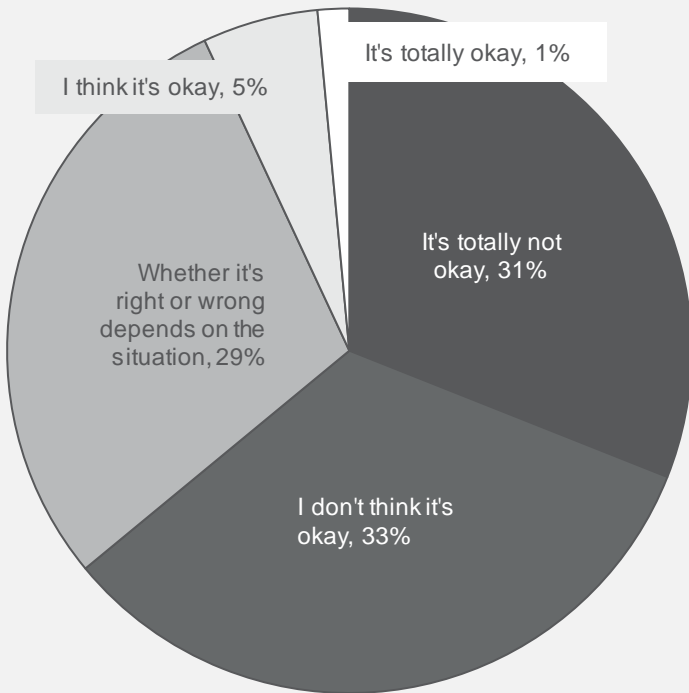
Change. How would the following change your mind about purchasing fake products, if at all? [Note: **Change** was asked among those who at least "rarely" purchase counterfeit products]

Gen Z's beliefs about selling counterfeit products



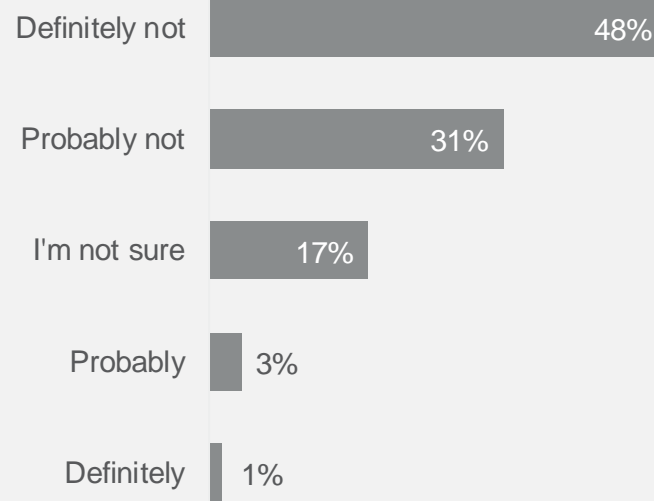
Selling

Ethical views on selling counterfeit products

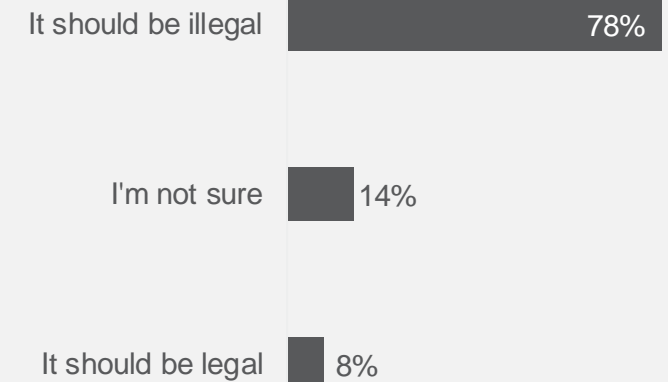


Gen Z's beliefs about the legality of selling counterfeit products

Is selling counterfeit products legal? Gen Zers say...



Should selling counterfeit products be legal? Gen Zers say...



EthicsB. Which of the following best describes how you feel about selling fake products in general?

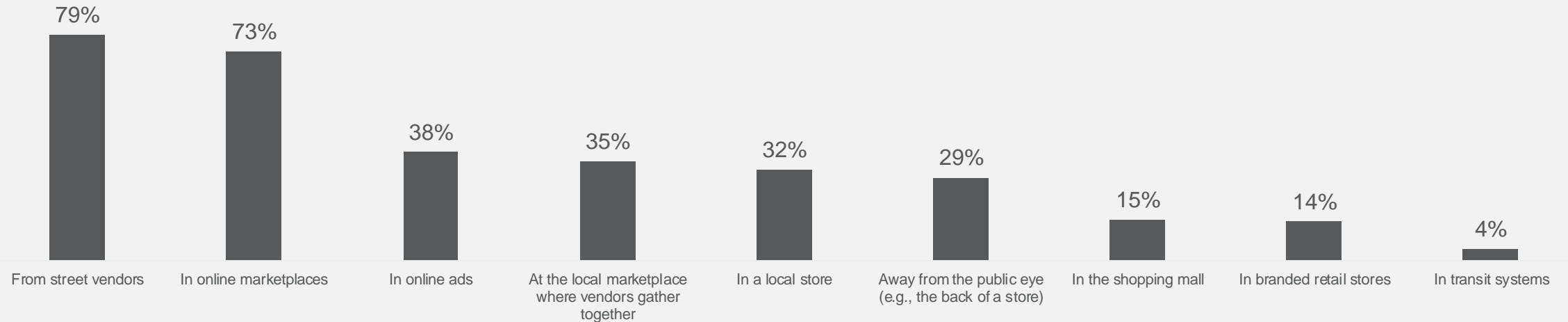
LegalityA. Is selling fake products legal?

LegalityB. Which of the following describes how you feel about the sale of fake products?

Counterfeit market context



Places seen



The experience of shopping for counterfeit products in China

36%

I don't hear sellers or shopkeepers talk about counterfeit products

41%

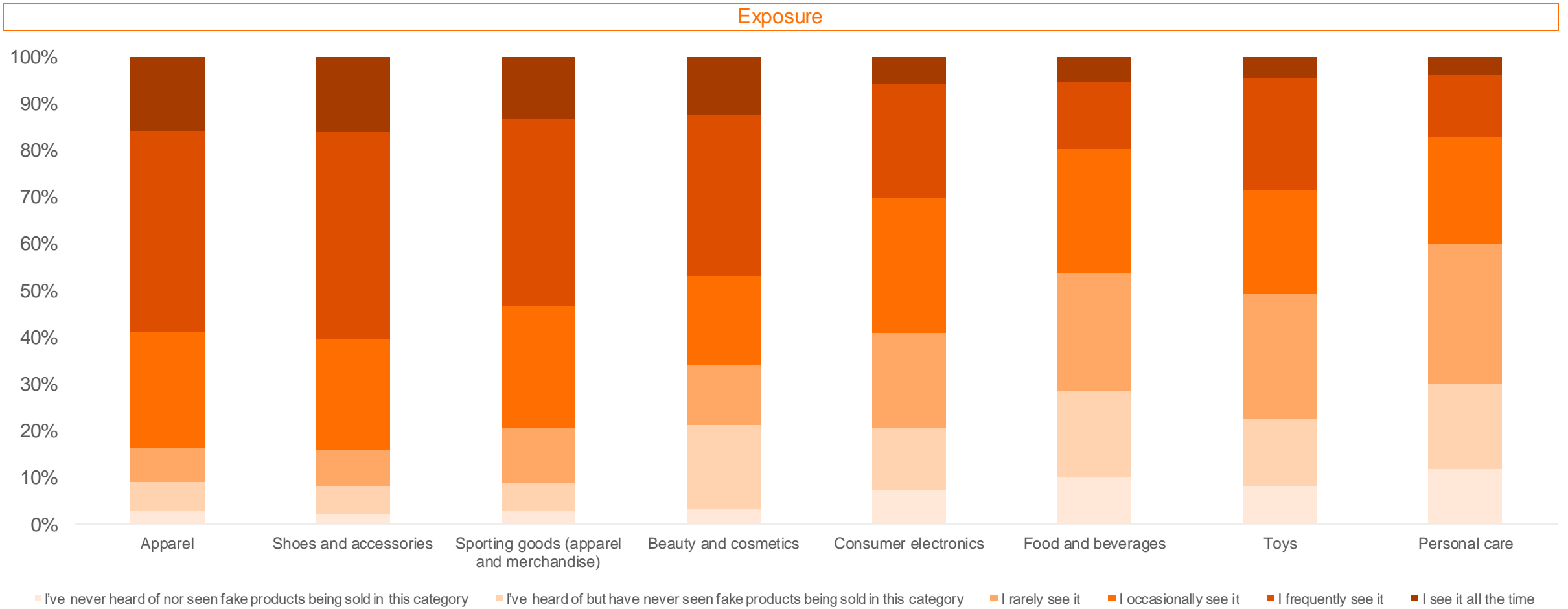
Sellers discreetly talk about the counterfeit products being sold

23%

Sellers are pretty open and honest about the counterfeit products being sold

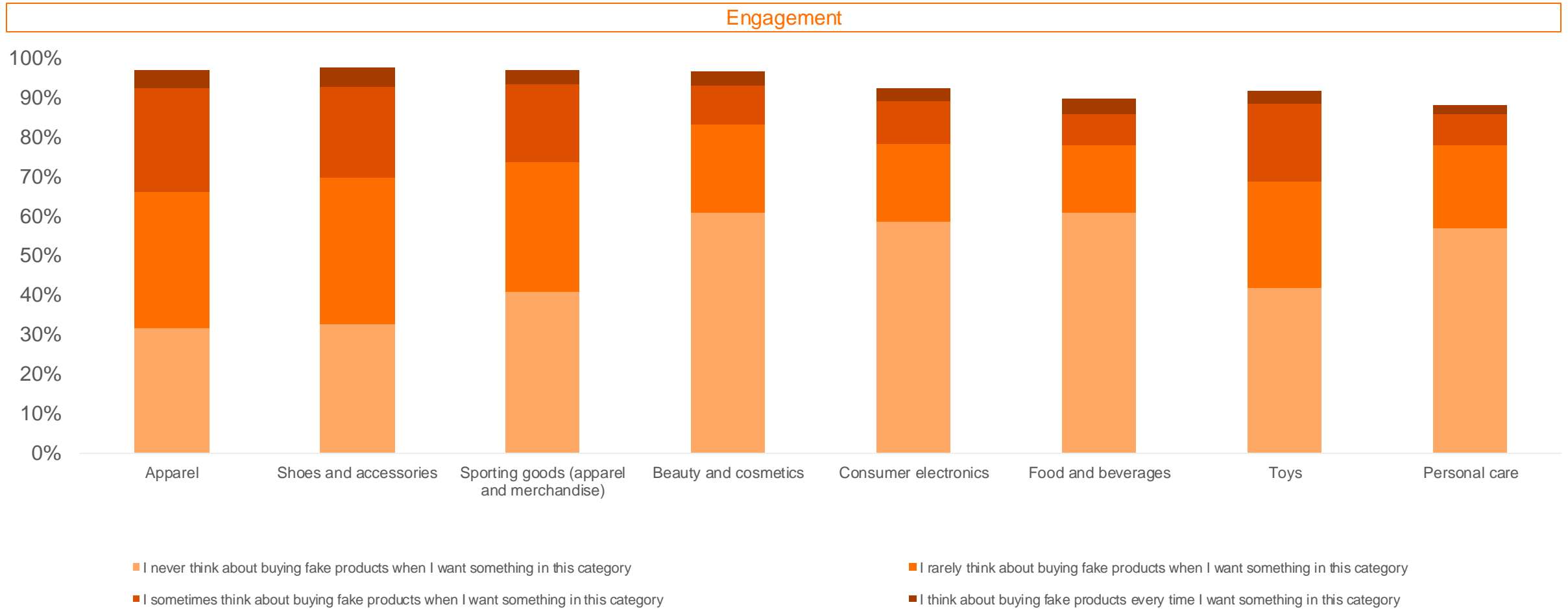
PlaceSeen. Thinking about fake products, where do you usually see them offered or sold? *Please select all that apply.*
Experience. When you are shopping for or encounter fake products being sold, how do you hear sellers or shopkeepers talk about them?

Counterfeit market context



Exposure. How often do you usually see the following categories of fake products being sold? [Note: **Exposure** was only asked for categories respondents have at least "heard of"]

Gen Z's engagement with counterfeit products



Consideration. When you intend to buy something in each of the following categories, how often do you think about buying fake products? [Note: **Consideration** was only asked for categories respondents have at least "heard of" from Exposure[x] How often do you usually see the following categories of fake products being sold? [Note: **Exposure** was only asked for categories respondents have at least "heard of"]
 Consideration data is based on all Gen Zers' responses in our sample, not only those who saw the question. These figures do not necessarily add up to 100%.

Gen Z's engagement with counterfeit products



Qualitative purchase frequency

| Purchase frequency in the last year | Apparel | Shoes and accessories | Sporting goods (apparel and merchandise) | Beauty and cosmetics | Consumer electronics | Personal care | Food and beverages | Toys |
|-------------------------------------|---------|-----------------------|--|----------------------|----------------------|---------------|--------------------|------|
| Never | 24% | 29% | 35% | 34% | 37% | 34% | 34% | 38% |
| Rarely | 25% | 24% | 27% | 20% | 19% | 13% | 15% | 19% |
| Occasionally | 19% | 20% | 17% | 12% | 13% | 13% | 10% | 12% |
| Frequently | 18% | 14% | 9% | 9% | 8% | 7% | 9% | 7% |
| All the time | 4% | 4% | 3% | 3% | 2% | 2% | 3% | 1% |

Quantitative purchase frequency

| Purchase frequency in the last year | Apparel | Shoes and accessories | Food and beverages | Beauty and cosmetics | Consumer electronics | Sporting goods (apparel and merchandise) | Personal care | Toys |
|-------------------------------------|---------|-----------------------|--------------------|----------------------|----------------------|--|---------------|------|
| Once | 18% | 20% | 11% | 18% | 18% | 23% | 13% | 17% |
| 2—3 times | 24% | 23% | 10% | 13% | 12% | 21% | 11% | 11% |
| 4—5 times | 11% | 10% | 7% | 7% | 6% | 6% | 6% | 6% |
| 6—10 times | 9% | 7% | 4% | 4% | 3% | 3% | 3% | 2% |
| 11—15 times | 2% | 1% | 2% | 1% | 2% | 1% | 1% | 1% |
| More than 15 times | 1% | 1% | 3% | 1% | 1% | 1% | 0% | 0% |

FrequencyQ. Within the past year, how often did you purchase fake products within each of the following categories? [Note: **FrequencyQ** was only asked for categories respondents at least “rarely see”]

FrequencyN. Now, approximately how many times did you purchase fake products in the following categories within the past year? [Note: **FrequencyN** was only asked for categories respondents purchase at least “rarely”]

Frequency data is based on all Gen Zers' responses in our sample, not only those who saw the question. These figures do not necessarily add up to 100%.

Gen Z's engagement with counterfeit products



Place they buy counterfeit products

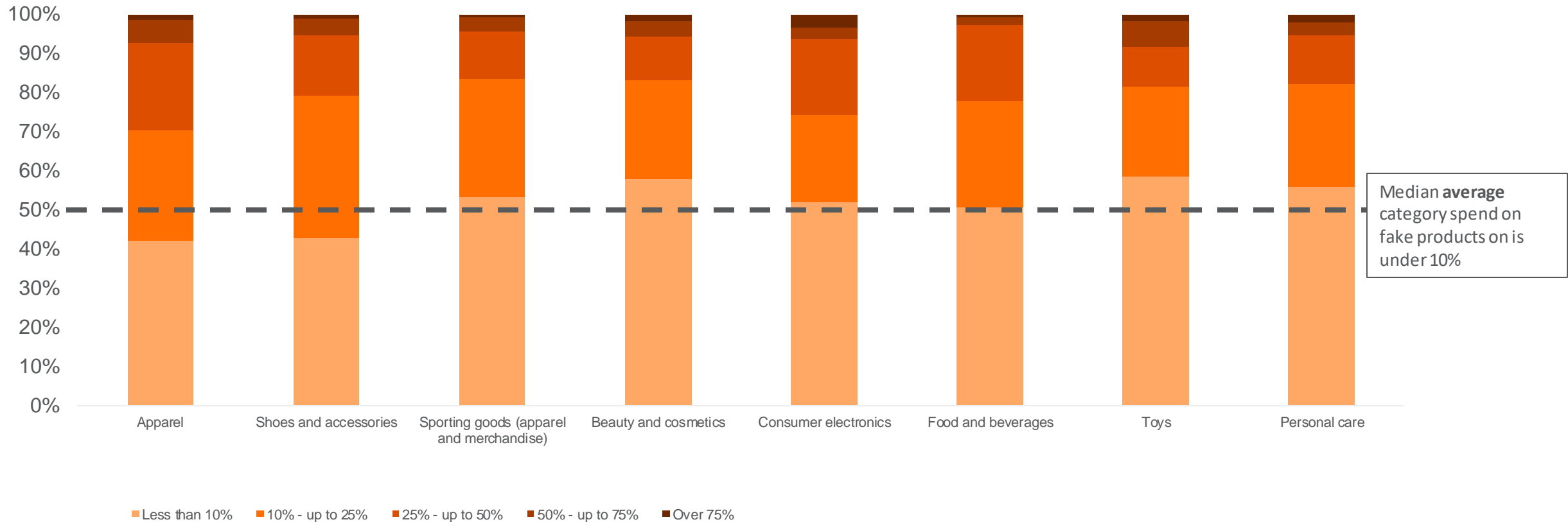
| Top 3 Places Bought | Apparel | Shoes and accessories | Sporting goods (apparel and merchandise) | Beauty and cosmetics | Consumer electronics | Food and beverages | Toys | Personal care |
|---------------------|--|--|--|------------------------|--|------------------------|------------------------|------------------------|
| 1 | In online marketplaces | In online marketplaces | In online marketplaces | In online marketplaces | In online marketplaces | From street vendors | In online marketplaces | In online marketplaces |
| 2 | From street vendors | From street vendors | From street vendors | From street vendors | From street vendors | In online marketplaces | From street vendors | From street vendors |
| 3 | At the local marketplace where vendors gather together | At the local marketplace where vendors gather together | In a local store | From online ads | At the local marketplace where vendors gather together | In the shopping mall | From online ads | From online ads |

PlaceBought. Where have you purchased fake products in the [hCatAssign] category? Please select all that apply. [Note: hCatAssign refers to the category which respondents were asked to answer for]

Gen Z's engagement with counterfeit products



Amount spent by purchasers on counterfeit products



Spend. Of all the money you've spent on products in each category within the past year, what percentage would you say you've spent on fake products? Your best guess is totally fine! [Note: **Spend** was only asked for categories respondents purchase at least "rarely"]

Gen Z's engagement with counterfeit products

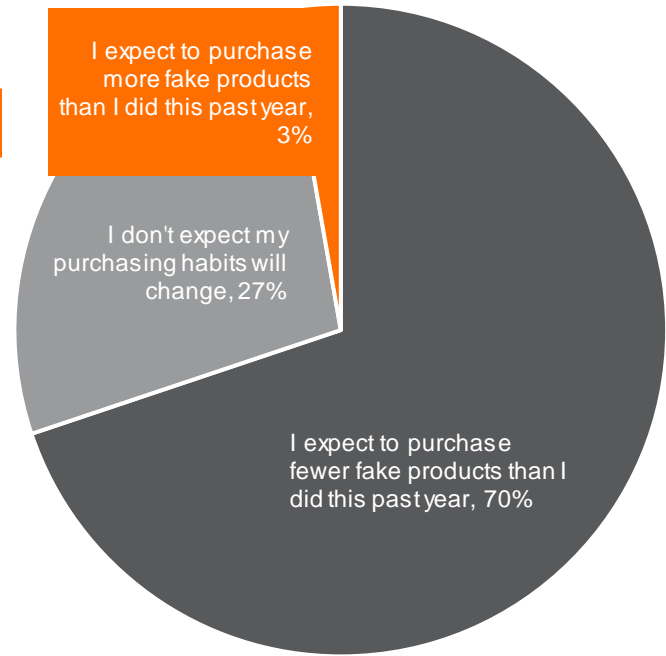


Future purchase behavior

Reasons why Gen Zers expect to purchase **more** counterfeit products in the future



Expected change in future purchasing behaviors



Reasons why Gen Zers expect to purchase **fewer** counterfeit products in the future



FuturePurchase. How do you expect your purchasing habits will change in the future? **FuturePurchaseA.** You mentioned you expect to purchase fake products **more** in the next few years. Which of the following best represents why? Please select up to 2. [Note: **FuturePurchaseA** was only asked for respondents who said they expect to purchase more counterfeit products in the future] **FuturePurchaseB.** You mentioned you expect to purchase **fewer** fake products in the next few years. Which of the following best represents why? Please select up to 2. [Note: **FuturePurchaseB** was only asked for respondents who said they expect to purchase less counterfeit products in the future]

Gen Z's reasons for purchasing counterfeit products



Reasons for purchase

Reasons why Gen Zers buy counterfeit products



Of those who said they had a positive experience...

32% *It made me **more likely** to buy counterfeit products*

35% *It made me **less likely** to buy counterfeit products*

33% *It had **no effect** on my attitude towards buying counterfeit products*

Occasions for which Gen Zers buy counterfeit products

| | |
|--|-----|
| For private use at home | 69% |
| To use when I'm at work or in school | 45% |
| When I'm travelling in a place where it's accepted | 28% |
| To use when I exercise | 27% |
| To use in social situations or out with friends | 16% |
| To use when I'm travelling | 14% |
| For when I'm running errands | 11% |
| To give as a gift/to another person | 6% |
| For special occasions like a party or a wedding | 5% |

Benefits. How much do you agree with the following statements regarding why you might want to purchase fake products in the [hCatAssign] category? **BenefitsPosExp.** You mentioned you had a positive experience with a past purchase of a fake product in the [hCatAssign] category. Did this experience make you more or less likely to buy fake products in general? [Note: **BenefitsPosExp** was only asked of respondents who indicated they had a positive experience with a past purchase of a counterfeit product]. **Occasions.** Which of the following best reflects the occasions for which you purchased fake products in the last year? *Please select all that apply.* [Note: **Occasions** was only asked for categories respondents purchase at least "rarely"] [Note: hCatAssign refers to the category which respondents were asked to answer for]

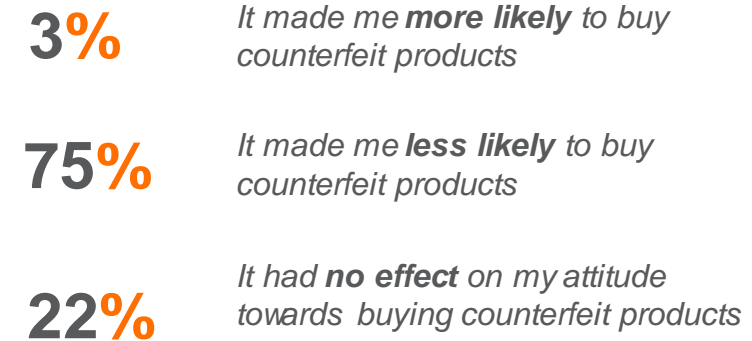
Gen Z's reasons against purchasing counterfeit products

Reasons against purchase

Reasons why Gen Zers don't buy counterfeit products



Of those who said they had a negative experience...



Barriers. How much do you agree with the following statements regarding why you might not want to purchase fake products in the [hCatAssign] category? **BarriersNegExp.** You mentioned you had a negative experience with a past purchase of a fake product in the [hCatAssign] category. Did this experience make you more or less likely to buy fake products in general? [Note: **BarriersNegExp** was only asked of respondents who indicated they had a negative experience with a past purchase of a counterfeit product]. [Note: hCatAssign refers to the category which respondents were asked to answer for]

Thank you!

A comprehensive, global report and country-specific reports are available upon request for the following countries:



Argentina



China



India



Indonesia



Italy



Japan



Mexico



Nigeria



Russia



United States

For more information, please contact:

Sheila Francis

Director, Strategic Partnerships & Economic Research
International Trademark Association (INTA)

Email: sfrancis@inta.org
www.inta.org

Renee Garrahan

Associate, Economic Research
International Trademark Association (INTA)

Email: rgarrahan@inta.org
www.inta.org