

# COUNTERFEIT AND UNWHOLESOME PRODUCT: AN INTEGRATED MANAGEMENT APPROACH

**Isichei Ejikeme Emmanuel**

*Department of Business Administration  
Federal University, Wukari -Taraba  
state, Nigeria*

*Correspondent:*

*isichei\_ejike@yahoo.com*

**Musa Leah**

*Department of Business Administration  
Federal University, Wukari -Taraba  
state, Nigeria*

*musalea@yahoo.com*

## ABSTRACT

The aim of this research is to gain a clear insight on the challenges counterfeit and unwholesome product pose to the growth of any economy and its antecedent consequences on the survival of local organisations. The methodology adopted in this paper reviewed critically the existing literature both online and print on the definitions of counterfeiting, its overview in the Nigerian economy, challenges and impact. The study employs a pragmatic approach to advance management techniques in dealing with counterfeit and unwholesome product in the Nigerian economy. The study concludes that counterfeit and unwholesome product in the country is an economy killer that has the tendency to not only destroy local industries but also discourage foreign investments. Consequently, the study recommends among others the need for regulating agencies to be more proactive in handling issues of counterfeit and unwholesome product in the country.

**Keywords:** Counterfeit, Unwholesome, Product, Management

## INTRODUCTION

Today's organisations are encouraged to push product quality beyond the provision of standardized products, rather ensuring the right products gets delivered to the market; and obtain feedback from consumers on the products ability to satisfy their demand for the product (Slack, Chambers & Johnston, 2007). This gives the consumer a sense of belonging, feelings of being valued and could encourage repeat purchase; which should be a driver to motivate organisations to take this step. The primary goal of a business organisation is to make a profit but this profit cannot be made without the provision of a product that satisfies a need. Likewise, when the desired essence of the product does not conform to the expected, there is always a challenge of sustainability. Therefore, any business that emphasises solely on profit making without recourse to the safety of consumers is a critical mistake that can take such business organisation underground and damage its acquired goodwill (Isichei and Godwin, 2015). This explains to an extent why production objective is considered not complete until it gets to the final consumers and more recently until it can satisfy the need of the consumers (Slack, et al., 2007). Hence, to achieve this objective quality procedure has to be followed by which safety is a prerequisite to quality management (Zhang, 2000). The

safety of consumers should be an encompassing process that should start from the source of supply of the raw materials, the product transformation process and the supply chain/distribution network that will be adopted by a business organisation. In this respect, demand and supply uncertainty is a good framework for creating and understanding the relevance of supply chain strategy (Jacobs and Chase, 2008).

The heterogeneous nature of Nigeria makes it necessary for a suitable supply chain strategy that can help cover the nation effectively. Most counterfeited products are luxury products and there is a tendency it could be counterfeited due to its short supply in the market (Kapferer & Bastien, 2009). The supply chain/distribution networks of any business organisation remains a vital tool to ensure increased efficiency and can be adduced to address the diverse problems associated with counterfeit and unwholesome products in a market, which is becoming a big challenge in many developing countries like Nigeria. For instance, a new product is launched into the market and in few months time there is a wide acceptance of the product and the next that will follow is a replica of the same product being produced at a cheaper rate and sometimes at the same rate with the original product by infiltrating the supply chain of the organisation and

offering counterfeit and unwholesome products to the market, thereby destroying the parent company expected sales and profit returns and often times lead to the closure of such a business organisation (Akunyili, 2005).

In Nigeria, it will not be wrong to state that most business organisations' distribution network can be best described as poor, which can be advanced as a critical factor in the rising spate of counterfeits and unwholesome product in the market despite government agencies' concise efforts to curb this societal menace. This nefarious act is now an industry-wide problem from the small products to large ones with special designs or labels. The opinion that expensive goods cannot be counterfeited because of the cost of production has been eroded as all kinds of products are now being counterfeited; so long there is a demand for such product. It affects nearly all product categories including items that have an impact on personal health and safety such as pharmaceuticals, food, drinks, toys, medical equipment, and automotive parts (Organisation for Economic Co-operation and Development (OECD), 2008). It makes room for worry as there have been several cases of deaths recorded as a result of this unwholesome practice by some unscrupulous elements in the country. Therefore, this study seeks

to provide an implementable strategy of handling the problem of counterfeiting and unwholesome products and by extension contribute to existing literature related to the subject matter.

### **Objective of the study**

1. To broaden the scope of tackling the rising trend of counterfeiting and unwholesome product in Nigeria.
2. To examine the relevance of management approaches in tackling counterfeit and unwholesome product in Nigeria.

## **REVIEW OF LITERATURE**

### **Conceptual and theoretical framework**

There have been several definitions on counterfeit but there has not been any globally acceptable definition that encapsulates the general nature of counterfeiting (Akunyili, 2005). This due to the fact that most countries in the world are faced with diverse forms of counterfeiting which have not even been identified while it is also difficult to single out a particular way to define counterfeiting.

It is worthy to state that counterfeiting in any society is an industry-wide problem that has the tendency to cripple any economy in the world. An international Agreement on Trade-related Aspects on Intellectual Property Rights (TRIPS) by the World Trade Organisation

defines the term "counterfeit trademark goods" to include, "any goods bearing, without authorization, a trademark which cannot be distinguished in its essential aspects from the trademark registered for such goods" (World Trade Organisation, 1994). This view counterfeiting assumes that the business is registered and known to be registered by consumers but the critical question is what happens in cases where the consumers do not even know if the product is registered but may be recommended to use it not knowing the product beforehand.

Further, Staake and Fleisch (2008) stated product counterfeiting to be, "the unauthorized manufacturing of articles which mimic certain characteristics of genuine goods and which may pass themselves off as registered products of licit companies." This captures the fact that the sole aim of counterfeiting is to deceive unsuspecting individuals and admitting that counterfeiting can be partial and it can be whole. This explains the rising growth of this trend as most individuals who are not conversant with the original product are faced with the challenge of distinguishing the real from the counterfeit product. This makes counterfeiting a deliberate attempt at creating confusion with the sole aim of taking undue advantage.

Grossman and Shapiro (1988) stated that counterfeit products are largely segmented into two varying types: deceptive and the non-deceptive. The ability of the consumer to identify differences in the brand name or trademark of the product at the time of purchase without necessarily having to use the product or observing any antecedent effects of its usage is what is referred to as a non-deceptive counterfeit; while a deceptive counterfeit is the counterfeit that is presumed to be genuine from mere observation of the brand name/trademark at the time of purchase without necessarily having to use the product or observing any antecedent effects of its usage (Grossman and Shapiro 1988). This study, however, is concerned with the deceptive form of product counterfeits.

**Overview of counterfeit and unwholesome product in Nigerian**

In all oil-dependent economy that has a low contribution from the manufacturing

industry to its GDP, it remains a thing of worry that goods produced locally are counterfeited, likewise goods imported into the country. Ojo and Ojo (2012) carried out an investigation on the prevalence of counterfeiting in Nigeria, evaluating consumers' experiences and determining the level of consumers' knowledge base on their experience of counterfeit product in the country. The result showed that an average Nigerian is already feeling the scourge of counterfeit product as they expressed diverse response to various goods on whether they are aware that there are counterfeit of them or not. In taking an overview of the industry, an attempt was made to sub-group the industry into two, based on the two major regulatory agencies that controls and manage counterfeits products produced locally and internationally. National Agency for Food and Drug Administration (NAFDAC) and Standard Organisation of Nigeria (SON):

**NAFDAC regulated products that have been counterfeited.**

s/n	Products/items	Yes	No	Can't say
1	Beauty products (cream, soap)	197 (38.1%)	219 (42.4%)	101 (19.5 %)
2	Pharmaceutical Products	261 (50.5%)	171 (33.1%)	92 (17.8%)
3	Food materials (canned food)	304 (58.8%)	151 (29.2%)	120 (23.2%)

Source: **Solomon OJO & Adeyemi Oluwakemi OJO (2012). Prevalence of Counterfeiting in Nigeria: Evaluating Consumers' Experience in South- Eastern and South Western Nigeria.**

The above table shows that counterfeiting is now a phenomenon in nearly many sectors of the economy as it is an industry wide problem. In the Pharmaceutical/Food/beverages industry, the Nigerian market has been faced with numerous products that have led to the death of individuals. The National agency for food and drug administration control (NAFDAC) is the agency responsible for tackling and handling counterfeit pharmaceutical, food and beverages products in Nigeria. Currently, there is no reliable statistics on the level of incidence of fake drugs in Nigeria. Estimates of the extent of counterfeit medicines in circulation in Nigeria ranged from 25% to 80% from various studies before 2001 (Akunyili, 2005). The problem with the industry is a multi-

facet issue as pharmaceutical companies are treating issues of counterfeits as confidential information; when they discovered that their drugs have been imitated. The reason for this cannot be farfetched from the quest to retain and control their proportion of the market knowing consumers will not be able to differentiate between genuine products and fake ones, thereby affecting demand and sales of the product of the organisation (Erhun and Babalola, 2001). On the part of the government, government authorities are reluctant to publicize the problem of counterfeit drugs. Governmental authorities should also have a legal duty to investigate, issue appropriate warnings and share information among stakeholders (Staaake, 2007, Erhun and Babalola, 2001).

**SON regulated products that have been counterfeited.**

s/n	Products/items	Yes	No	Can't say
1	Computer software	229 (44.3%)	196(37.9%)	92 (17.8%)
2	Shoes	241(46.6%)	181(35%)	95(18.4%)
3	Clothing materials	182(35.2%)	244(47.2%)	91(17.6%)
4	Belts	229(44.3%)	196(37.9%)	92 (17.8%)
5	Television sets	241(46.6%)	181 (35%)	95 (18.4%)
6	Radio/Cassette player	182(35.2%)	244(47.2%)	91 (17.8%)
7	Cell phones	299(44.3%)	196(37.9%)	92 (17.8%)
8	Biro/writing	226(43.7%)	196(37.9%)	92 (17.8%)
9	Bicycles/Bikes	202 (39.1%)	229 (44.3%)	86 (16.6%)
10	Computer hardware	206 (39.8%)	191 (36.9%)	120 (23.2%)
11	Cell accessories	232 (44.9%)	244 (43.3%)	61 (11.8%)
12	Power strips	299 (57.8%)	151 (29.2%)	67 (13%)

13	Lights	241 (46.6%)	176 (34%)	100 (19.3%)
14	Lamps	207 (40%)	234 (45.3%)	76 (14.7%)
15	Electrical tools and appliance	204 (39.5%)	23 (45.6%)	77 (14.7%)
16	Automobile manufacturing	201 (38.9%)	206 (39.8%)	110 (21.3%)
17	Music	152 (29.4%)	259 (50.1%)	106 (20.5%)
18	CDS/DVD/Cassettes	139 (26.9%)	271 (52.4%)	107 (20.7%)

Source: **Solomon OJO & Adeyemi Oluwakemi OJO (2012). Prevalence of Counterfeiting in Nigeria: Evaluating Consumers' Experience in South- Eastern and South Western Nigeria.**

On products that have been counterfeited that are regulated by the Standard Organisation of Nigeria (SON), the table above provides a glossary picture of a dangerous trend and the need for proactive actions. This is in assonance with the standard organisation of Nigeria alert on Nigerians to be mindful of goods used as a result of increased proliferations of substandard goods in the market. This has; however, yield some level of a positive result as the organisation has claimed to arrest more than 80% of individuals who have been involved in the illicit trade of counterfeiting (Ibrahim, 2014). Recently, there is an increasing scourge of counterfeited product in the country shown with the over 200 percent increase in substandard goods (The Sun, 2015).

### **Impact of counterfeit and unwholesome product in Nigeria**

There is no division on the fact that counterfeit product has a negative impact on any society. There is a varying

degree of influence it has on the consumers, government, society, and businesses. Some have argued that the consumers bear the height of the grunts of this unwholesome practices because they are the target of the deception. The deception that has the tendency to not only lead to death but to also make them suffer financial loss. Harper, Morris, Satchwell, Stevens, Taylor, and Tremblay, (2006) focused more on the health impact and stated that consumers purchase of a harmful and dangerous product that can lead to death or other health challenges. In a similar vein, Ojo and Ojo, (2012), identified that it not only has health impact but also financial and psychological impact on the consumers. The buyers of counterfeit products are made to spend extra to obtain the original product after wasting their resources on the fake product most especially in situations like drugs that they have to buy the product again to satisfy their demand for it.

Also, the government is not spared in the impact of counterfeiting activities in any society. There is a loss in taxes and import/export duties to the government as these are clearly hardly ever paid for by counterfeiters (Akunyili, 2007). They imitate some of the foreign products and ensure their circulation in the market, thereby making it impossible for sellers to make demands from importers to bring the original products into the country. When the products are not imported the governments are denied the import duties and levies. Also, for locally produced products the firm will suffer some level of loss and patronage that will invariably affect their operations and taxes to the government.

Further, it could lead to the collapse of business due to lack of patronage on genuine businesses' products (Ojo and Ojo, 2012). Businesses survive on patronage but when a similar product is in the market a cheaper price in a low-income country, there is every tendency that the demand will be based on price variations. It has the capacity to cripple business operation and make it stagnant, which will affect its profit and make it impossible to fulfill its financial obligations. When a business product has a counterfeit in the market, the company will be forced to spend more in adverts and possibly engage in rebranding just to inform consumers of possible observed difference. This definitely will cost the

business funds that could be useful for other ventures.

In addition, counterfeiting decreases the returns on investments in marketing, design, research, and development, discouraging returns from innovativeness (Organisation for Economic Co-operation and Development (OECD), 1998, 2007). The essence of carrying out marketing activities for the product is to increase patronage so the business can recoup the cost of the marketing activities. Rather than have the benefits, it only ends up dividing the market and denying the business the ability to regain its marketing investments.

Finally, it can result in destroying business goodwill (Hieke, 2010). In today's competitive environment the least that a business can bargain is to have situations that make its product bad most especially when it is a deceptive counterfeit. This raises questions of the business reducing its standard when in actual fact the counterfeits are what the consumers are buying in the market.

### **Challenges of tackling counterfeit and unwholesome product in Nigeria**

The following are some of the challenges faced in tackling counterfeiting in Nigeria.

1. Poverty: the inability of most consumers to afford the original expensive products as a result of poverty has encouraged counterfeit in markets (Elif, 2010). They are

- forced due to the rising scourge of poverty in the country most people want a cheap product that they can afford and this serves as a morale booster to the perpetrators of this act. They have steady buyers that are ready to buy the fake product at cheaper prices compared to the original ones at an expensive rate. This is buttressed on the grounds that Nigerians instead of buying original cloths prefer to buy foreign used clothes as it is expensive to buy new original ones, which makes the market open for fake clothes.
2. Supervision: there is always the challenge of effectively supervising product distribution in cases of imported products. The agents may not always have the capacity to effectively deploy required resources to combat the scourge of counterfeits in the market (suraj, 2009). This also falls on government agencies, as there is a problem of poor supervision from them on the manufacturers and importers of some of these products. There is a need for government agencies to up their task in handling counterfeiting in the country and be more proactive in ensuring the country is free from fake and unwholesome products (Elif, 2010).
  3. Corruption: there have been cases of reported collaboration between government officials and some individuals that have been accused of being engaged in counterfeiting and importing unwholesome products (Akunyili, 2007). There is a need for in-house monitoring and assessments of employees while training and retraining them on the need to stay overboard in engaging in the fight against counterfeit in the country.
  4. Information: information they say is power, there is a need for increased sensitization as most consumers do not buy a product with the right information that they are supposed to have about a product (Lawal, 2013). This place more responsibility on organisations to make consumers aware of the basic security features in their product.

### **Management Techniques in managing counterfeit and unwholesome product in Nigeria**

It is expected of every business organisation irrespective of size to develop and implement a management concept that best serves the attainment of the business goals and objectives. Ricky (2001) defined management as a set of activities directed towards the



organisation's resources and how they are implored to achieve stated goals and objectives. The goal of the supply chain cannot be effectively achieved when resources directed towards it are not effectively and properly managed. These places the need for a management process that takes into account a holistic procedure for ensuring products are not distorted along the distribution chain and there is a monitoring technique for corrective action. In another definition of management according to Heinz and Harold (2004), it is seen as the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish the organisation's strategy. This can only be effectively carried out through planning, organizing, leading, and controlling of the strategy as it can be systemic in line with the organisation's capacity.

David, Justin and Rod (2013) stated that organisation should ensure there is an availability of a management process that allows the business take strategic actions that are encompassing involving inputs from all section of the organisation on the success of a distribution chain. A key process of business that counterfeiting is observed to take place is at the distribution stage (Staaque, 2007). The goal of an organisation's distribution chain should be to ensure that its product gets to the final

consumer in good quality because without an effective distribution channel, the best product will not be delivered (Asiamah, Alfred, Solomon and Samuel, 2013). In order to get it right, organisations must take a critical approach to planning their distribution process as a critical role in ensuring that the business products gets delivered at the best quality, satisfying consumers need and protecting the goodwill of the business from the negative effect of counterfeiting. This planning process must involve all as it should not only be limited to senior management but should be an approach that ensures inputs from every unit are gathered on the best approach to carry out the distribution process (David et al., 2013). This also applies to imported products, as the agent is expected to plan its processes thoroughly and decides on the most efficient way to distribute the product.

## CONCLUSION

In this paper, attempt was made for us to appreciate the fact that effective management techniques can be used to handle increasing spate of counterfeiting. Key to handling the scourge of counterfeiting in the country is to systematically be proactive and take corrective measures when there are observed deviations from the expected chain of distribution from both employees and retailers. This can be best achieved

with the adoption of a physical distribution management approach that takes into account the following key elements of costs involved, methods of transport, routes used and protection and delivery of stock etc (Asiamah et al., 2013). Also, the government should establish standards that will be used to regulate the markets and guide its course of action. These standards should be communicated to both local producers and importers of goods. The standard is what will serve as a measure of conformity with expected quality of the product. Also, the government has to play a critical role in ensuring its agencies are corruption free and proactive in handling issues of counterfeiting and unwholesome products in the country because it has the tendency to not only destroy local businesses but also de-market the country from attracting foreign investors/businesses.

Furthermore, the paper reviewed the various variables in the study and expressed a critical opinion on them. The paper also observed the challenges of tackling counterfeit and unwholesome product in the country while presenting the efficacy of management technique in handling this menace in the society.

Finally, the study provides important implications for the management of businesses, regulatory agencies and as well as other firms in Nigeria, as it is an unquestionable fact to state that the

growth and development of organisations in Nigeria is also largely dependent on how well it can protect itself from copycats that aim to destroy their businesses and poses great danger to their teaming customers.

## RECOMMENDATIONS

The following recommendations, when observed, will help to present a strong and sound economic system with all sectors contributing positively well to full capacity to the gross domestic product of the country (GDP).

1. The regulating agencies should be more proactive in handling issues of counterfeit and unwholesome product in the country.
2. There should be a deployment of ICT system in the management and monitoring of products in and around the country.
3. There should be further high-level collaborations with all security agencies in the country.
4. Organisations should endeavour to carry out an advertisement that shows consumers the basic things to look out for in their products.

## Suggestion for further study

There is a need for further empirical perspective to the study taking into cognisance the distribution challenges, consumers' preference to cheaper goods

as encouraging variables to counterfeit and unwholesome product. Also, considering advancement in information technology in developed countries, studies can be carried out to examine possible information management system strategy to reducing counterfeit and unwholesome product.

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