

Role of Inequity Perception on Counterfeiting Strategy of Retailer

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Abstract:

Counterfeiting is a widespread phenomenon in many industries ranging from pharmaceutical, automobile/aerospace/electronic components to software products. Authorised retailers tend to sell counterfeit goods along with original products and orders lesser quantity from manufacturer than actual market demand. Retailer counterfeiting is often associated with inequity perception regarding profit sharing. In this study we try to understand the phenomenon of retailer counterfeiting from a behavioral perspective. The retailer objective is to maximize his/her overall utility instead of profit. We analyze the role of advantageous, disadvantageous inequality and retailer perception of fair share of manufacturer profit on counterfeiting behavior.