ABSTRACT

This research will be conducted to identify the various effects of the influx of counterfeit goods in the Kenyan consumer market. Counterfeit goods are goods which are unlawfully embodying a trademark without authorization of the original good. Over the past few years counterfeit goods have infiltrated the Kenyan market. The influx more broadly can be said to have been influenced by globalization and liberalization of the market. The tendency for workers to imitate products by producing with cheap raw materials has ultimately led to the invention and spread of counterfeits. Initially, counterfeiting was predominant in luxury goods where the middle class wanted to access the luxury goods at favorable prices. Later, the counterfeits spread to other consumer goods and even pharmaceuticals.

In essence, the perceived cause for this is the rise in trading activities between Kenya and its trading partners. Also, Instability in the various macroeconomic aspects that determine trading activities within the country as well as between Kenya and her trading partners. These macroeconomic variables can broadly be identified as; the foreign exchange rate, the interest rate and the inflation rates. Cross border traders from specific countries would end up losing the value of their money where the foreign exchange rates are high in countries where they trade their commodities. The consumer ultimately suffers the welfare loss when the trader increases the prices of the goods to cover the costs and earn profit at the same time. In cases where the commodity is an immediate or primary good, it would lead to demand-push inflation. A rise in the inflation rate leads to an increase in the interest rates which in turn would cause a fall in the foreign direct investment. Eventually, to balance out the market and alleviate losses without any regulatory framework to curb it, some traders resort to trading in sub-standard or even counterfeit goods.

Locally, high interest rates lead to a decrease in business profits which harms the producer whereas higher inflation means high prices thus harms the consumer. Therefore, given a combination of these two situations the panacea situation would be where the producer is able to produce cheaply on one hand and the consumer acquires the commodity he desires cheaply on the other hand. This has supposedly seen the producers in attempting to reduce production costs venture into production of sub-standard/counterfeit goods.
Kenya is the biggest market for counterfeit goods in East Africa; worth 70 billion a year. Thus, the influx of counterfeits are significantly as a result of weak legislation, corruption, high prices of original brands, disparate tax systems, growth of the middle class, and low rates of innovation by manufacturing firms. The population of this study will therefore be the Nairobi county consumers. Whereby, we will get the sampling frame for the study from the directory of Consumer Association of Kenya.

This inflow of counterfeit goods has far reaching implications. They affect capacity utilization in the manufacturing sector, legitimate industries lose their rightful share of the market, expose local products to unfair competition, government loses in uncollected tax revenue, image of the well-known brands are tarnished and consumers are not assured of the safety measures undertaken during production. It also undermines investment which is a key economic growth variable.

Generally, these goods continue to pose challenges to governments, manufacturers, traders and consumers. Most governments have made attempts to address the problem through legislation and other regulatory measures. Therefore, this study is meant to describe the relationship between the influx of counterfeit goods, its effects and the various macroeconomic aspects that determine trading activities between Kenya and its trading partners; a correlational survey research design would therefore be appropriate employing purposive sampling, stratified and simple random sampling as a means of obtaining the respondents. In spite of the public knowledge of the increase in counterfeit goods, no comprehensive study has been undertaken in Kenya to identify the extent of the problem and the impact it has on the economy. Thus, there is no relevant evidence for proper mitigation of the problem.