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Krishnan B Menon
School of Arts, Humanities and
Commerce, Amrita Vishwa
Vidyapeetham, Kochi, Kerala,
India

Amarnadh Manikandan
School of Arts, Humanities and
Commerce, Amrita Vishwa
Vidyapeetham, Kochi, Kerala,
India

Vidhya Vinayachandran
School of Arts, Humanities and
Commerce, Amrita Vishwa
Vidyapeetham, Kochi, Kerala,
India

Consumers' intentions to purchase Gray products

Krishnan B Menon, Amarnadh Manikandan and Vidhya Vinayachandran

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Abstract

Gray markets, which are defined by the selling of authentic goods through unauthorized channels, offer a complicated environment with major consequences for both customers and respectable companies. This study explores the complicated structure of consumer knowledge about gray markets, exposing the area of unauthorised means of distribution that is sometimes ignored. The present study tries to explore the factors towards purchasing gray market products in Kerala, with special reference to apparels, foot wears and cosmetics. This study uses descriptive data to explore the purchase intentions of consumers to purchase gray products. In the context of gray markets, insights into customer attitudes, preferences, and the variables driving their purchase decisions are examined. Primary data is then collected from various consumers in order to determine the purchase intentions towards these products. The findings of the study provide insights to manufacturers to focus more attention towards authorized sellers. This study necessitates the manufacturers devise strategies to mitigate the sales through gray markets.

Keywords: Purchase intention, gray markets, gray products, unauthorized distribution channels, consumer attitude

Introduction

Gray market—an unauthorized arrangement functioning parallel to the authorized distribution channel—features an unauthorized intermediary (gray marketer) who trades authentic branded products produced by the manufacturer (Li *et al.*, 2022; Smith & Shulman, 2022; Srivastava & Mateen, 2020). A gray market dealer can sell genuine branded products of any focal manufacturer (or brand). Industrial insights often suggest that gray markets are omnipresent and popular in various industries, such as pharmaceutical, apparel, consumer electronics, IT/computers, automobile, cosmetics, and copyrighted works (Altug & Sahin, 2019). The extent of gray market's popularity can be understood given that large e-commerce players, including Amazon, e-Bay, and Alibaba, have often been responsible for facilitating gray marketers.

Consumer behaviour hinges on a complex interplay of psychological (perceptions, motivations), social (groups, trends), cultural (values, traditions), and economic factors (income, prices). Businesses must understand these influences to tailor marketing strategies for today's dynamic consumer landscape.

Consumers are complex! Their buying decisions are influenced by how they think (perception, motivation), their social circles (friends, trends), cultural background (values), and how much money they have (prices, income). Businesses need to understand all this to win in today's ever-changing market.

Statement of the Problem

The problem is the level of customers' knowledge about the goods selling on the black market. On the grey market, the products sold through unapproved channels, often bypassing established distribution lines, and may violate intellectual property rights. The problem is to determine the extent of the population's acquaintance with this category of goods. Consumers and producers and authorized distributors, as well as the regulator – supervision organizations responsible for controlling the observance of the rules of fair trade are the main players. The problem resolves around the following questions: do people know what and in what conditions they are purchasing on the black market;

Corresponding Author:
Krishnan B Menon
School of Arts, Humanities and
Commerce, Amrita Vishwa
Vidyapeetham, Kochi, Kerala,
India

are people acquainted with the dangers associated with it; and what forms the people make a purchasing decision basing on. The most likely objective is to develop policies that secure consumer rights, better consumer awareness, and mitigate the repercussions of grey market. Inadequate knowledge of the market can undermine the credibility and profits of legitimate producers and sellers, create the ability to obtain subpar products or knockoffs, and attach a lack of accommodating distribution channels. The problem may be addressed by voluntary sector efforts to expand market visibility, scored actions, or informational efforts.

Objectives

- To study the frequency of online gray product purchase among consumers.
- To identify the motivating factors to purchase gray products among consumers.
- To study the satisfaction with respect to gray product purchase.
- To study the consumers intention in purchasing gray products.

Review of Literature

(Zhao *et al.*, 2016) ^[1], studies that Brand owners face a growing challenge like gray markets, unauthorized channels selling genuine branded products. These disrupt authorized sales and complicate global supply chain management. Understanding seller and buyer behavior in gray markets is critical. This study investigated the booming world of online gray markets in China. Researchers tracked activity on the biggest e-commerce platform for 34 weeks, focusing on how brands can fight back. Two key strategies emerged: controlling product availability and pricing. Interestingly, the study found cheaper products attract more gray market activity, while simply having a product available has less impact. These findings offer valuable insights for both brands and researchers on tackling gray markets and safeguarding global supply chains.

(Zhao & Jiang, 2021) ^[2], This study examines gray market research using data analysis. It explores the growth of gray markets, analyzes research trends, and identifies future research areas. The study analyzes articles from five databases to find common themes, keywords, and influential scholars. It highlights a lack of research on information, data, technology, and consumer behavior in gray markets. The study then proposes five future research directions to address these gaps.

(Hu *et al.*, 2013) ^[3] This study explores how gray markets can impact a supplier-re seller relationship. When the re seller's storage costs are high, allowing them to sell some products in unauthorized markets (gray markets) can actually benefit both parties. By buying in bulk to get discounts, the re seller can lower prices and sell more in the authorized market. However, if storage costs are low, gray markets can hurt authorized sales because the re seller will have less incentive to hold inventory. The study also finds there are situations where the supplier can benefit by encouraging the re seller to sell in gray markets.

(Huang *et al.*, 2019) ^[4] Manufacturers selling products at different prices in various countries face a headache: parallel importers. These re sellers buy products cheaply in one market and resell them for a higher price elsewhere. This study offers manufacturers some weapons in this fight. By strategically designing products with slightly lower quality,

they can make them less appealing for resale. Additionally, the manufacturer's choice of when and how to enter the cheaper market depends on customer preferences. The impact on consumers varies depending on the price gap between markets. In the cheaper market, customers lose out due to parallel importing. However, in the expensive market, they might even see a slight benefit. The study goes further by exploring additional strategies like targeted marketing and the effect of multiple re sellers. Interestingly, strong advertising can even incentivize the manufacturer to improve product quality, ultimately benefiting both the manufacturer and the re-sellers.

(Xiao *et al.*, 2011) ^[5] This study examines how gray markets, where products are diverted from low-priced to high-priced markets, impact profits for different players in the supply chain. It explores how channel structure and the identity of the re seller (authorized dealer vs. third party) affect profitability. The research reveals that manufacturers can benefit from gray markets, but the specific benefits and how they occur depend on the channel structure and re seller type. These findings, while motivated by international marketing, are applicable to broader scenarios where manufacturers sell to different customer segments at varying prices.

(Wang *et al.*, 2020) ^[6]

Luxury goods are booming, but face a double threat: counterfeiting and gray markets. This paper dives deep into existing research on these challenges, analyzing both practical studies and theoretical models. We explore past research methods, targeted industries, and overall goals. By highlighting key findings, we paint a clear picture of the current understanding of these issues. Finally, based on this review, we propose future research directions and discuss the implications for the luxury industry.

(Huang *et al.*, 2004) ^[7]

Gray markets, where authentic products are sold outside authorized channels, are a growing concern not just in developing economies but also in established markets. While research exists, understanding consumer perspectives on gray markets is lacking. This study develops a way to measure consumer attitudes towards gray market goods and explores what influences those attitudes. The findings show that consumers who believe lower prices indicate lower quality and those who are risk-averse are more likely to have negative views of gray market products. The study concludes by suggesting strategies for international brands to deal with the challenges posed by gray markets.

This study explores why consumers buy gray-market smartphones. It focuses on four key factors: thrill-seeking personality, desire for status symbols, honesty, and fear of getting a bad product. The research suggests that people who are more open to new experiences, less concerned with ethical implications, and less worried about risks are more likely to buy from gray markets. The study also finds that people who prioritize status symbols might be drawn to gray markets depending on their attitude towards counterfeits. These findings offer valuable insights for smartphone manufacturers and regulators looking to address the gray market issue (Darroch & Miles, 2011) ^[9].

This study examines how companies in the pharmaceutical industry launch entirely new products (market-creating innovations) that disrupt the existing market. Analyzing 51 major firms, the research shows these successful innovators share two key strengths: strong R&D capabilities and

effective marketing strategies. Additionally, they tend to be more efficient, controlling costs and maximizing profits better than their competitors.

Research Methodology

This research is focused on primary sources of information. The primary data is gathered through the development of a standardized questionnaire. The questionnaire was circulated to 124 consumers located in the district of Palakkad Ernakulam. Convenience sampling was used to select samples from the selected districts. Their responses were assessed using a five-point Likert scale ranging from strongly agree to strongly disagree.

Results and Discussion

As we can see in table 1, it is clear that we have collected the most data from females as its percentage is 57.3 and males having a percentage of 42.7. Then the higher age group from which we have collected the data is the ages between 20-30 with a percentage of 71 and the least is from the age group 40-50 with a percentage of 4.8. Most of the data collected are from students with a percentage of 75 and the least we have collected is unemployed citizens with a percentage of 7.3. The highest level of experience of online purchasing is “1-5 years” with 55% and the least of it is

“below one year” with 17%. And with location specific, the highest data collected is from Ernakulam district with 58%.

Table 1: Demographic Profile

Characteristic	Category	Frequency	Percentage (%)
Gender	Male	53	42.7
	Female	71	57.3
Age	Under 20	12	9.7
	20-30	88	71.0
	30-40	11	8.9
	40-50	6	4.8
	Above 50	7	5.6
Employment status	Employed	22	17.7
	Unemployed	9	7.3
	Student	93	75.0
Years of experience of online purchasing	Below 1 year	21	17.0
	1-5 years	69	55.0
	More than 5 years	34	27.0
Location	Palakkad	51	41.0
	Ernakulam	73	58.0

Source: Survey data

Analysis - Objective 1

- To study the frequency of online gray product purchase among consumers

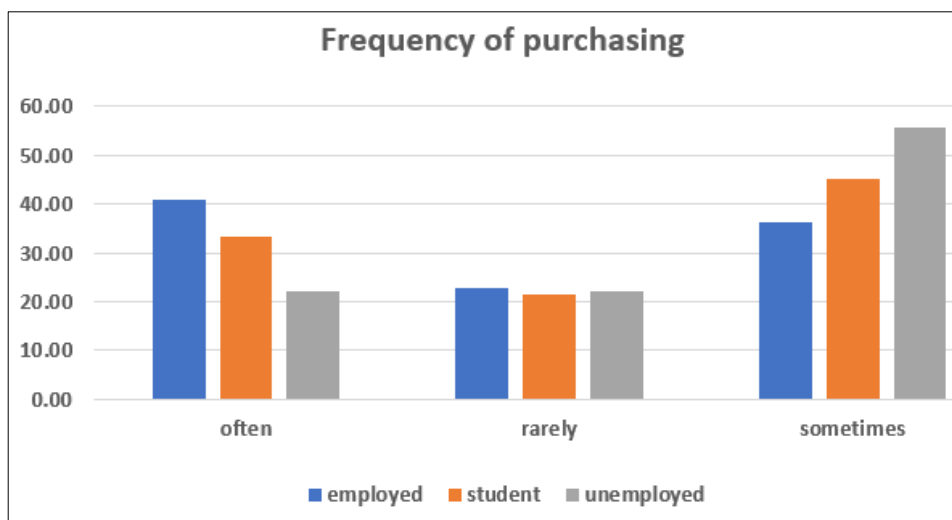


Fig 1:

From figure.1, it is interpreted that the highest is the employed individuals in both “often” and “rarely” category with 40% and 22% respectively. Here, the online purchasing trend can be divided as the counts when an individual purchase through online. Often can be meant as purchasing a few in months, rarely means purchasing once or twice

after many months, and sometimes could mean as purchasing during season sales.

Analysis - Objective 2

- To identify the factors motivating gray product purchase among males and females

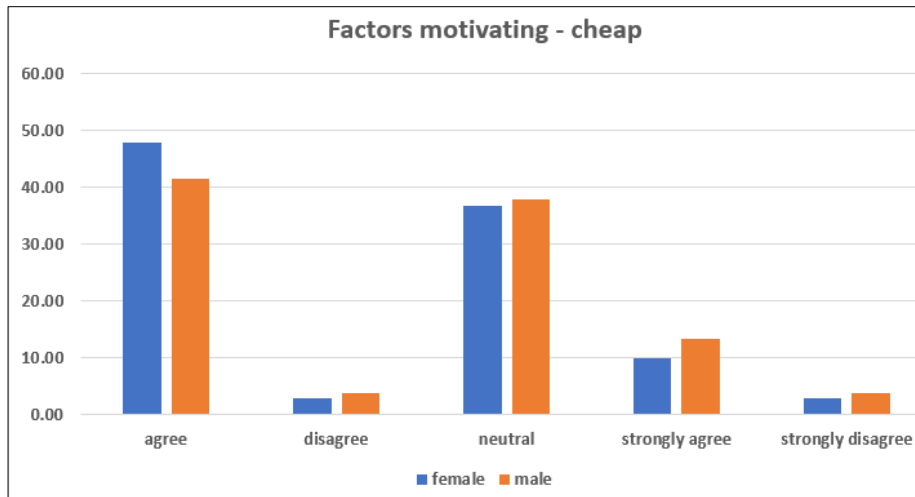


Fig 2: Cheap

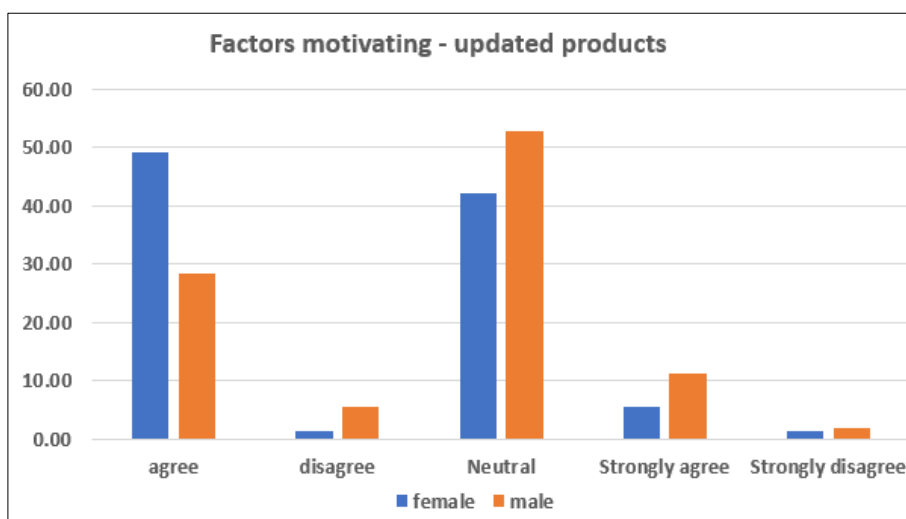


Fig 3: Updated Products

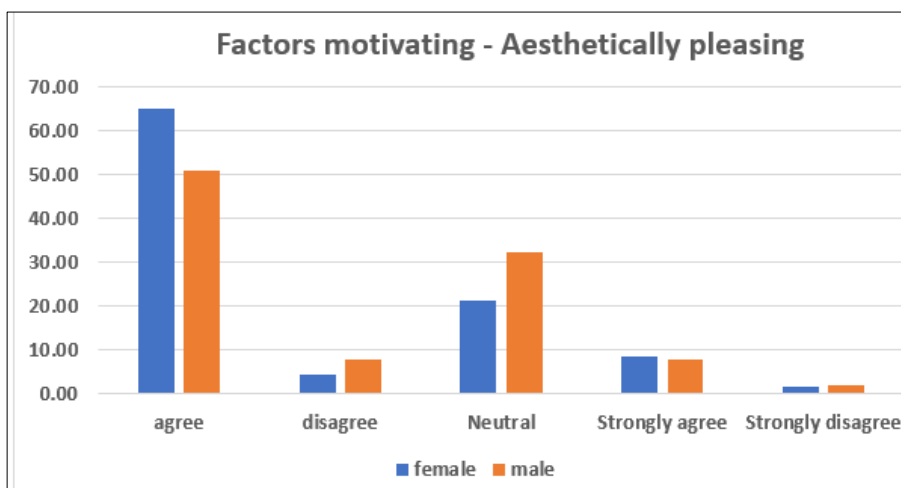


Fig 4: Aesthetically pleasing

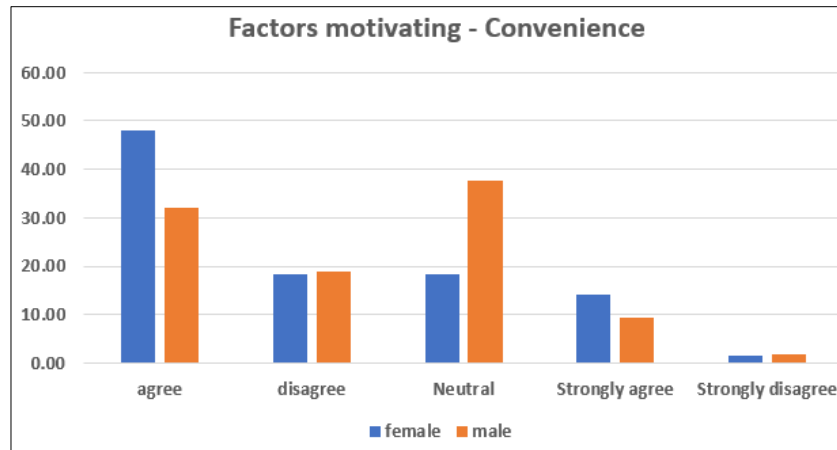


Fig 5: Convenience

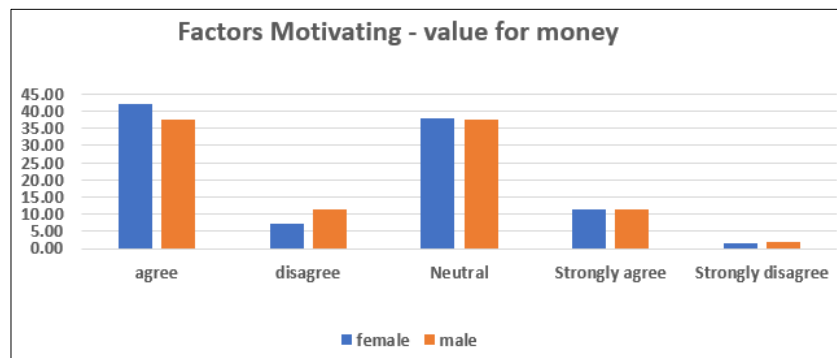


Fig 6: Value for Money

From figure.2, it is interpreted that most of the males and females have agreed upon choosing “cheap” as a motivating factor. The next motivating factor selected is “updated products” where 49% of females have agreed as a motivating factor. From figure.4, 64% of females and 50% of males agreed with the products are “aesthetically pleasing”. from figure.5, 47% of women and 32% of men find it convenient for motivating them to buy gray products. Then from figure.6, it is found out that 42% of women and 37% of men agreed on the factor “Value for money” on motivating them to buy gray products.

Analysis – Objective 3

- To study the satisfaction with respect to gray product purchase.

From figure 7, it is found out that most of the respondents are satisfied with purchasing gray products. This includes employed individuals, unemployed individuals (33%) and the students (39%) too. The majority which satisfied are the employed individuals with 59%.

Analysis – objective 4

To study the consumers intention in purchasing gray products. Figure.8 has shown whether consumers will buy gray products in the future or not. Here the majority has given “maybe” option. This outcome has raised because people after realising the potential risks faced by the manufacturers and the brand. Here the majority is female with 49%.

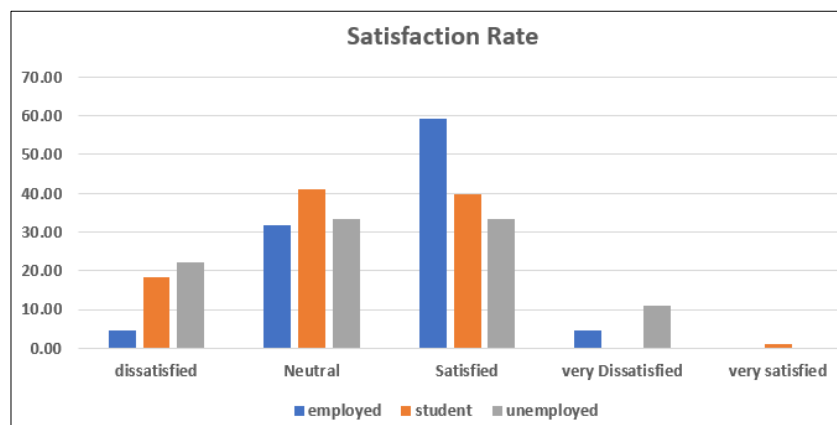


Fig 7: Satisfaction Rate

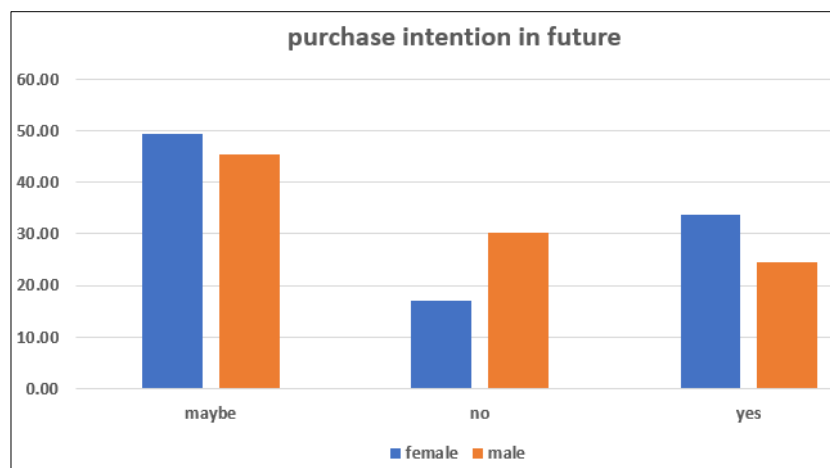


Fig 8: Purchase intention in future

Findings

From the analysis and interpretations, this study has stated information about the purchase intention of gray products among consumers in Kerala. From the socio-economic background, it has shown that majority of the consumers purchasing are female. This study has shown the frequency of purchasing of gray products among consumers, and what can be their intention to purchase them and identified the motivating factors for the consumers to purchase gray products and shown how much satisfied are they with purchasing it. Majority of the individuals participated and given the most information are females. Mostly in which gives us a proper clarity on the whole gray product purchase process and more. After the whole analysis, majorly students are the most who purchase gray products because they are much aware of these kinds of products than others. The major buying factor for each individual as per this study is the “aesthetically pleasing” factor. One of the main reasons for the rise of this factor is that mostly gray products are the kind in which are sold by the current trends. As the trend changes, companies will start to issue products concurring with the trend leading to excessive sales, the gray ones of that same product will start to flow among others.

Conclusion

The study's findings on consumer awareness of gray products reveal important insights into demographic patterns. The data suggests a significant composition within the respondent pool, indicating potential trends in consumer behavior and preferences towards gray products. Recognizing these demographic nuances is crucial for businesses and marketers to effectively target their audience and tailor their marketing strategies accordingly. Moreover, further exploration into the motivations and perceptions of these demographic groups towards gray products could provide valuable insights for the manufacturers or the organisations, so that they could take necessary action to control this. By understanding the attitudes and preferences of consumers, marketers can develop strategies to enhance consumer education and awareness regarding gray products, facilitating more informed decision-making processes. In essence, the study highlights the importance of considering demographic factors in understanding consumer behavior and shaping marketing strategies within the gray product market. And as far as generation keeps getting updated with technology day by day, everyone is being updated with

every information happening around the world, therefore, it may be just a matter of time before this topic will be more influential.

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