

Counterfeiting in the United States

Consumer Behaviors and Attitudes

August 2007



U.S. Chamber of Commerce
Fighting For Your Business®

GALLUP CONSULTING™

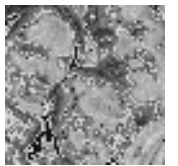




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▶ Survey Overview

- How much do people in the United States spend on counterfeit products?
 - Counterfeit purchases by product category
 - Estimated revenues lost by manufacturers
- What kinds of people buy counterfeit products?
 - Motivations and opinions
- How do people feel about counterfeiting?
 - Attitudes toward counterfeiting
 - Attitudes toward anti-counterfeiting laws
 - Feelings toward anti-counterfeiting messages
- Demographics



Research Objectives

The U.S. Chamber of Commerce partnered with The Gallup Organization to conduct a nationwide survey of U.S. consumer attitudes and behaviors related to counterfeiting. This is a follow-up to previous studies completed in 2005 and 2006.

The U.S. Chamber of Commerce is seeking to understand:

- The extent of counterfeit purchases in the last 12 months
- General information about the people who buy counterfeit items
- Estimated revenues lost by manufacturers due to counterfeiting
- Estimated tax revenues lost by the U.S. government due to the sale of counterfeit goods
- General attitudes and perceptions toward counterfeiting and the laws to curb counterfeiting
- Feelings and attitudes toward anti-counterfeiting messaging



Research Approach

- 2005
 - 1,304 completed interviews among U.S. adults aged 18 and older
 - Computer-assisted telephone interviewing
 - Interviewing conducted January 10-20, 2005
 - Based on a sample size of 1,304, the margin of error at a 95% confidence level is +/- 2.7%.
- 2006
 - 1,012 completed interviews among U.S. adults aged 18 and older
 - Computer-assisted telephone interviewing
 - Interviewing conducted March-April 2006
 - Based on a sample size of 1,012, the margin of error at a 95% confidence level is +/- 3%.
- 2007
 - 4,311 completed interviews among U.S. adults aged 18 and older, including an oversample of 892 in the Los Angeles metropolitan area
 - Computer-assisted telephone interviewing
 - Interviewing conducted May-June 2007
 - Based on a sample size of 4,311, the margin of error at a 95% confidence level is +/- 1.5%.



Sample Source: The Gallup Panel

- The Gallup Panel is a probability-based panel of U.S.-based households. This means people cannot volunteer to join; they must be recruited via random digit dial (RDD) telephone methodology.
- The Gallup Panel consists of more than 68,000 individuals from more than 48,000 households.
- Gallup retains full control of The Panel, and our clients hold exclusive rights to leverage this scientifically valid sample.
- The Panel's response rates are among the highest in the industry and help to ensure accurate research results.
- Panel members reside in all 50 states. Those who select to join The Panel are committing to the completion of two to three surveys per month, with the typical survey lasting 10 to 15 minutes.



Key Findings

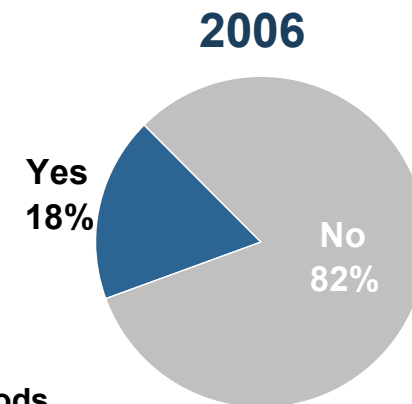
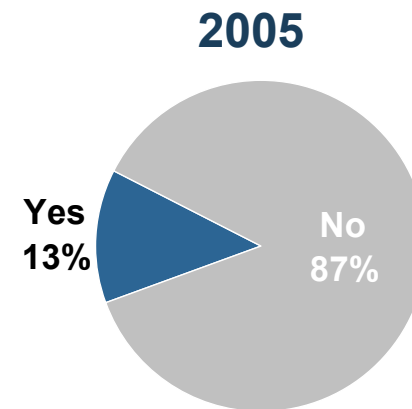
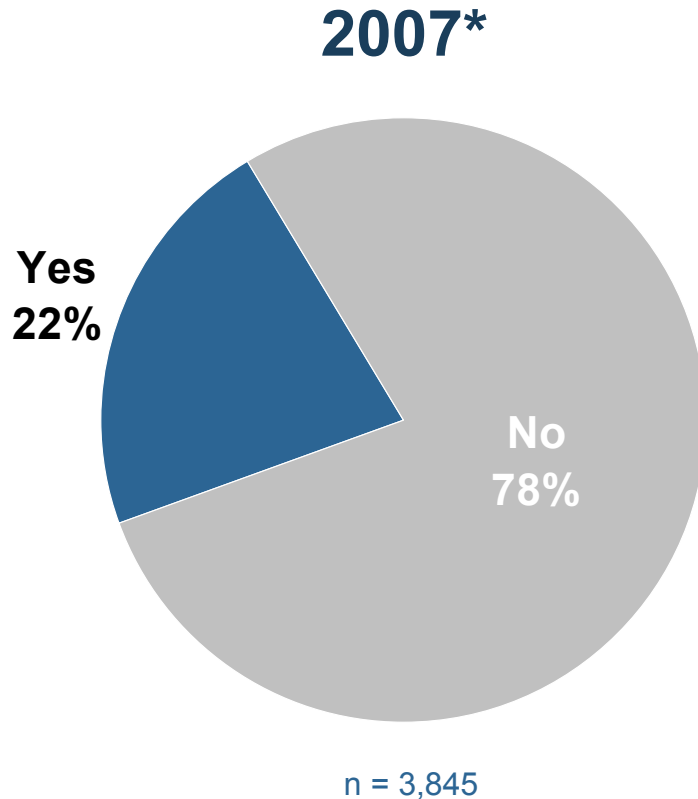
- Counterfeit purchases have been steadily rising since 2005, and are now at 22% overall, 31% in the Northeast, and 25% in Los Angeles.
 - Songs, movies, and clothing are the items most commonly purchased as counterfeits.
- Wide availability continues to be the #1 reason for counterfeit purchases.
 - Americans overwhelmingly believe that music and movies are the items most commonly sold as counterfeits.
- The most effective deterrents are the likelihood of supporting terrorists, the potential for inflicting harm on a loved one, and the possibility of supporting organized crime.
- Few Americans realize the breadth of items sold as counterfeits and the economic impact.
 - Less than one-third of Americans realize that auto parts, cigarettes, batteries, printer ink, and extension cords are counterfeited.
 - Slightly more than one-quarter of respondents correctly estimate the approximate impact of counterfeiting on the U.S. economy.
- Overall, 72% believe counterfeiting laws should be made stricter, and nearly 9 in 10 Americans believe it should be illegal to buy counterfeits.



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Respondents Reporting Counterfeit Purchase(s) in Past Year (by Survey Wave)

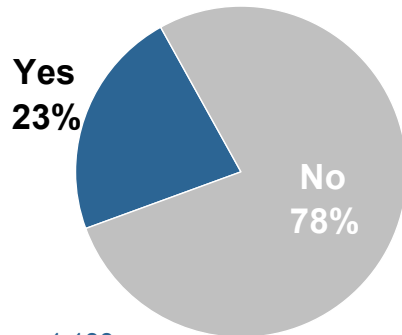


***2007 estimates include cell phones, electronic goods, and consumer goods. Limiting the products to the same as 2006, the incidence is 20.7%.**

Question: In the past year, have you personally purchased, copied, or downloaded any of the following products or goods that you know, or suspect, were not genuine or legitimate?

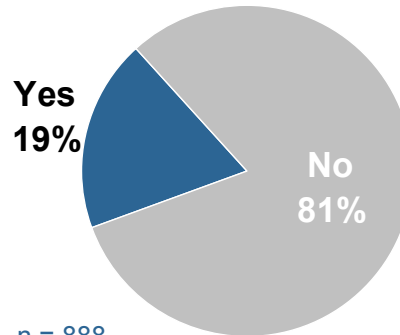
Respondents Reporting Counterfeit Purchase(s) in Past Year (by Region)

West



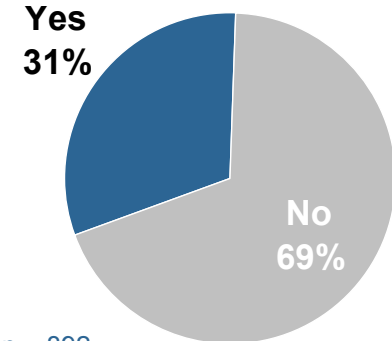
n = 1,188

Midwest



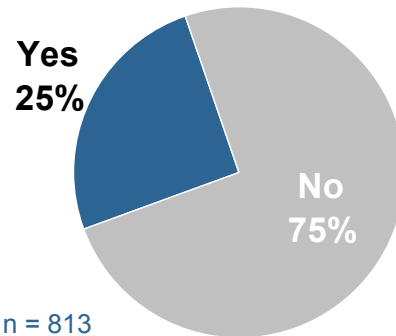
n = 888

Northeast



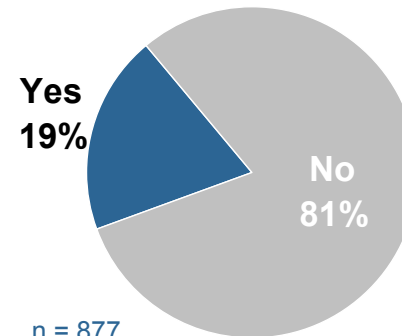
n = 892

Los Angeles (LA)



n = 813

South

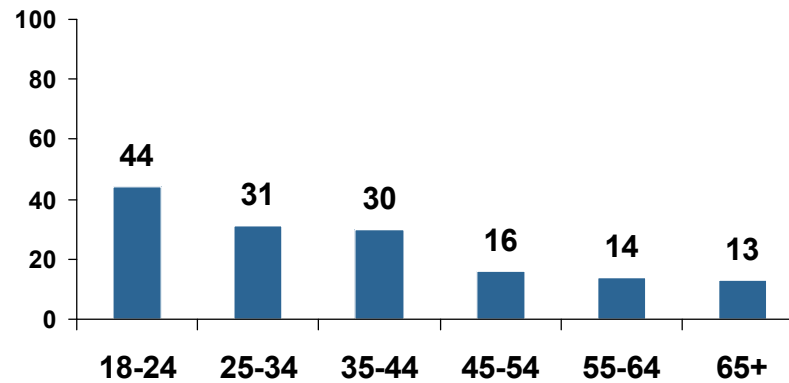


n = 877

Question: In the past year, have you personally purchased, copied, or downloaded any of the following products or goods that you know, or suspect, were not genuine or legitimate?

US Reports of Counterfeit Purchase(s) in Past Year, by Key Demographics

Percent reporting a counterfeit purchase in past year, by age



Question: In the past year, have you personally purchased, copied, or downloaded any of the following products or goods that you know, or suspect, were not genuine or legitimate?

Respondents Reporting Counterfeit Purchase(s) in Past Year (by Product Type and Survey Wave)

	% Yes		
	2005	2006	2007
Songs, music CDs, or audiocassettes	5.1%	6.5%	9.0%
Brand name clothing, bags, and footwear	3.3%	3.3%	6.2%
Movies, including VHS, VCDs, or DVDs	3.3%	5.1%	6.2%
Consumer goods	**	**	4.4%
Computer OS or app. software	1.4% / 2.0%	4.1%	3.6%
Perfume or cosmetics	**	2.2%	3.5%
Food	**	1.3%	2.8%
Alcoholic beverages/soft drinks/water	0.9%	1.2%	2.8%
Jewelry	1.8%	1.5%	2.5%
Electrical equipment	**	**	2.0%
Toys	**	1.7%	1.9%
Tools or auto parts	1.6%	0.8%	1.8%
Pharmaceuticals/meds (not generics)	3.2%	1.0%	1.8%
Cell phones / cell phone accessories	**	**	1.8%
Video games	2.2%	1.2%	1.7%
Brand name watches	1.2%	0.6%	1.6%
Tobacco	0.9%	0.9%	1.0%

Sample Size 2007: n=3,480-3,514
 **Not asked in that year

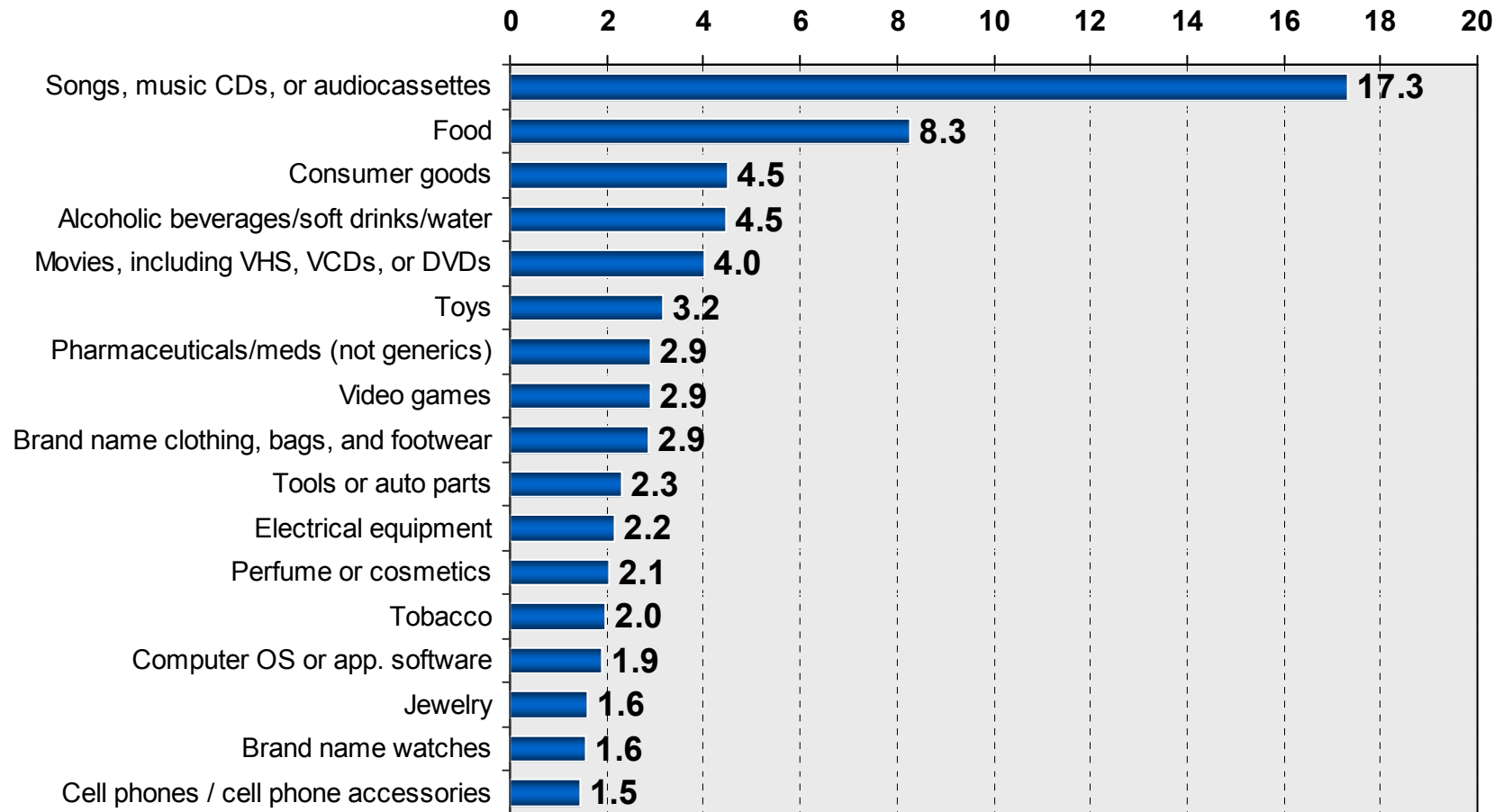
Question: In the past year, have you personally purchased, copied, or downloaded any of the following products or goods that you know, or suspect, were not genuine or legitimate?

Respondents Reporting Counterfeit Purchase(s) in Past Year (by Product Type and Region)

	GEOGRAPHY				
	West	Midwest	South	Northeast	LA
Songs, music CDs, or audiocassettes	10.0%	6.9%	6.9%	14.0%	9.7%
Movies, including VHS, VCDs, or DVDs	5.0%	3.5%	6.2%	11.1%	9.9%
Brand name clothing, bags, and footwear	6.2%	3.8%	5.8%	10.0%	7.8%
Consumer goods	3.5%	3.2%	5.9%	4.4%	5.8%
Computer OS or app. software	3.0%	3.8%	4.2%	3.1%	3.5%
Perfume or cosmetics	2.2%	4.8%	2.8%	4.9%	1.8%
Food	4.1%	2.0%	2.5%	2.8%	4.4%
Alcoholic beverages/soft drinks/water	2.7%	1.6%	3.3%	3.6%	2.9%
Jewelry	3.4%	1.7%	1.7%	3.9%	2.9%
Tools or auto parts	1.4%	1.7%	1.4%	3.3%	3.7%
Electrical equipment	1.8%	1.8%	1.9%	2.6%	2.7%
Toys	2.4%	1.3%	1.4%	2.9%	2.7%
Video games	1.8%	0.6%	1.8%	2.6%	3.4%
Pharmaceuticals/meds (not generics)	2.9%	0.9%	1.1%	2.5%	2.6%
Cell phones / cell phone accessories	1.3%	0.5%	1.5%	4.4%	2.5%
Brand name watches	1.9%	0.5%	0.8%	4.1%	2.7%
Tobacco	0.4%	0.3%	1.1%	2.2%	1.2%

Question: In the past year, have you personally purchased, copied, or downloaded any of the following products or goods that you know, or suspect, were not genuine or legitimate?

Average Frequency of Counterfeit Purchase(s) in Past Year (by Product Type)*

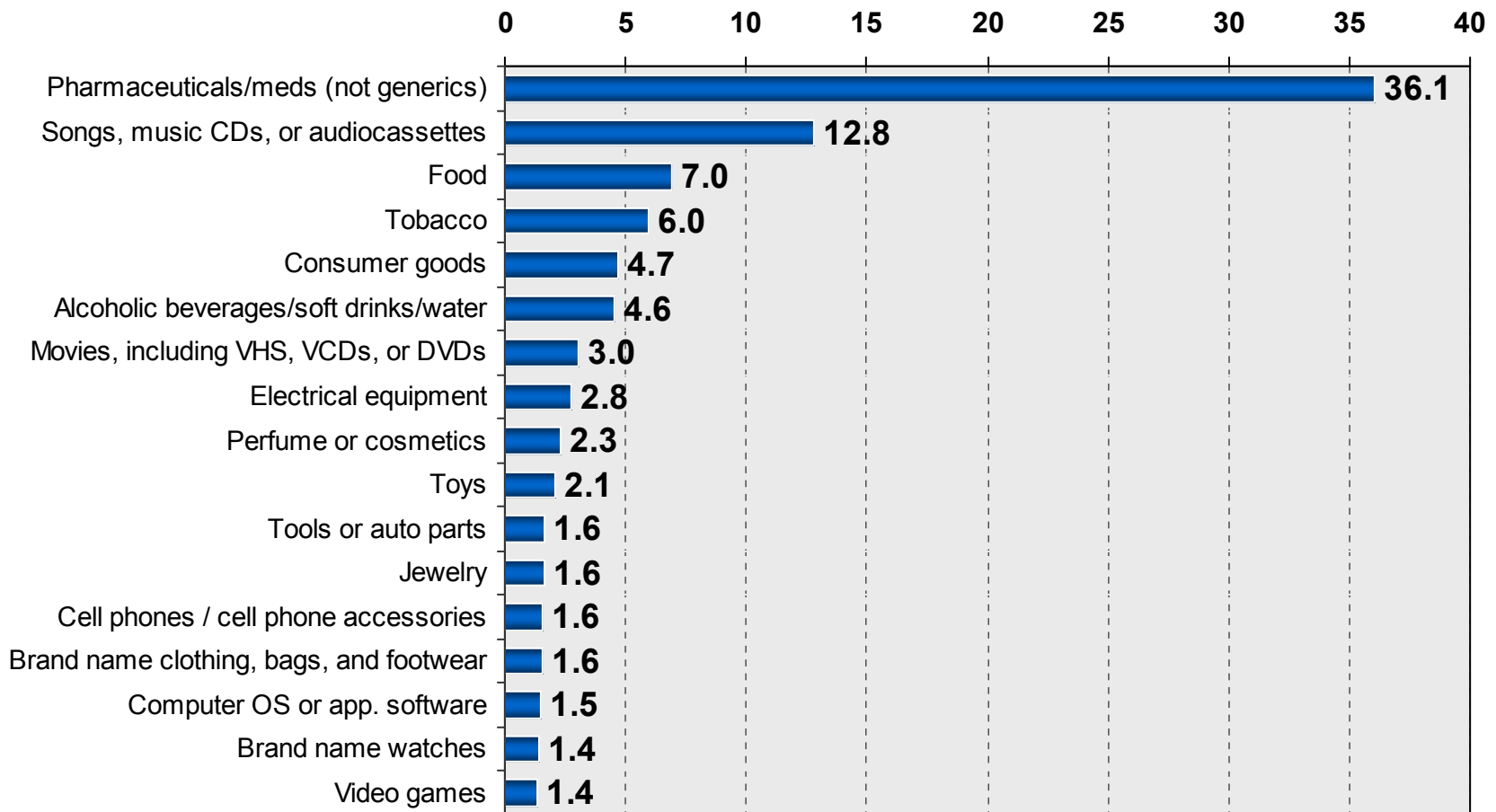


n = 25-180

* Only includes respondents who reported making a counterfeit purchase in the relevant product category

Question: Over the past 12 months, on how many separate occasions did you purchase/download/copy <PRODUCT> that was/were NOT genuine or legitimate?

Average Number of Counterfeit Units Purchased Most Recently (by Product Type)*

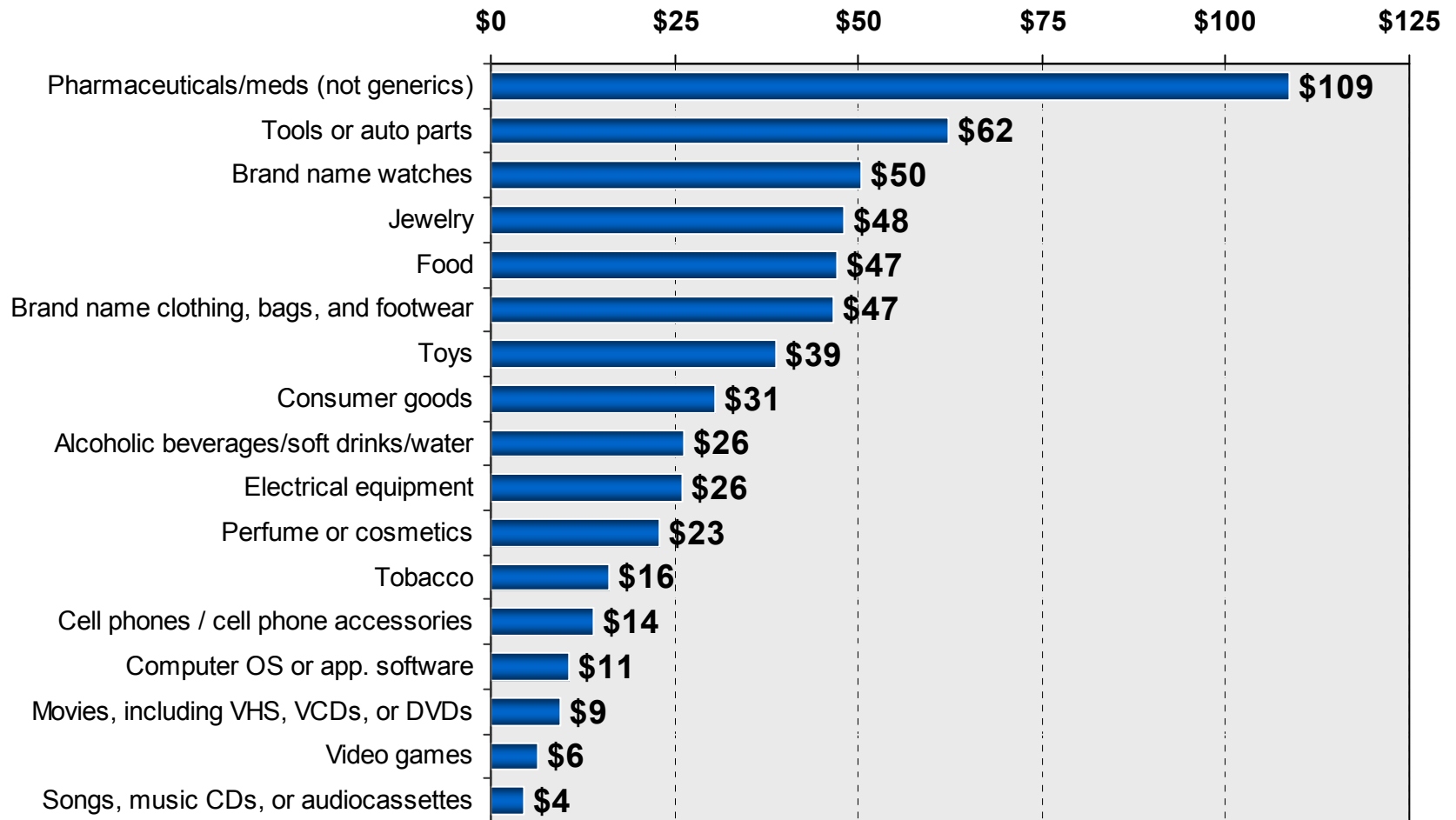


n = 25-180

* Only includes respondents who reported making a counterfeit purchase in the relevant product category

Question: Still thinking of this most recent occasion, how many units of <PRODUCT> did you purchase/download/copy?

Average Amount Spent on Most Recent Counterfeit Purchase in Past Year (by Product Type)*



n = 25-180

* Only includes respondents who reported making a counterfeit purchase in the relevant product category

Question: Thinking of the MOST RECENT OCCASION when you purchased/downloaded/copied <PRODUCT> that was/were NOT genuine or legitimate, how much money did you spend on it?



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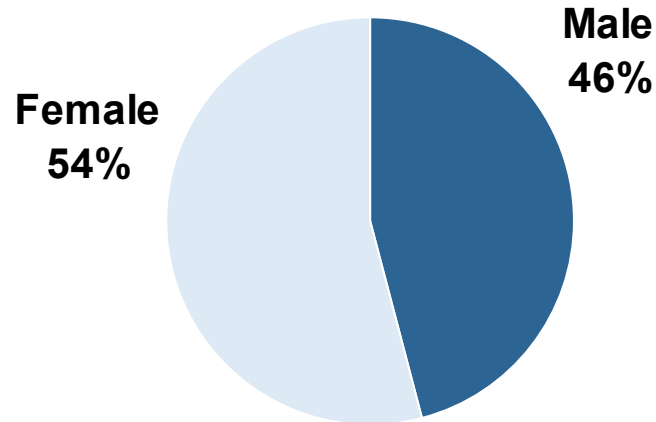
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Demographic Profile of Counterfeit Purchasers

Age

AGE	%
18-24	8%
24-34	30%
35-44	27%
45-54	15%
55-64	8%
65+	12%

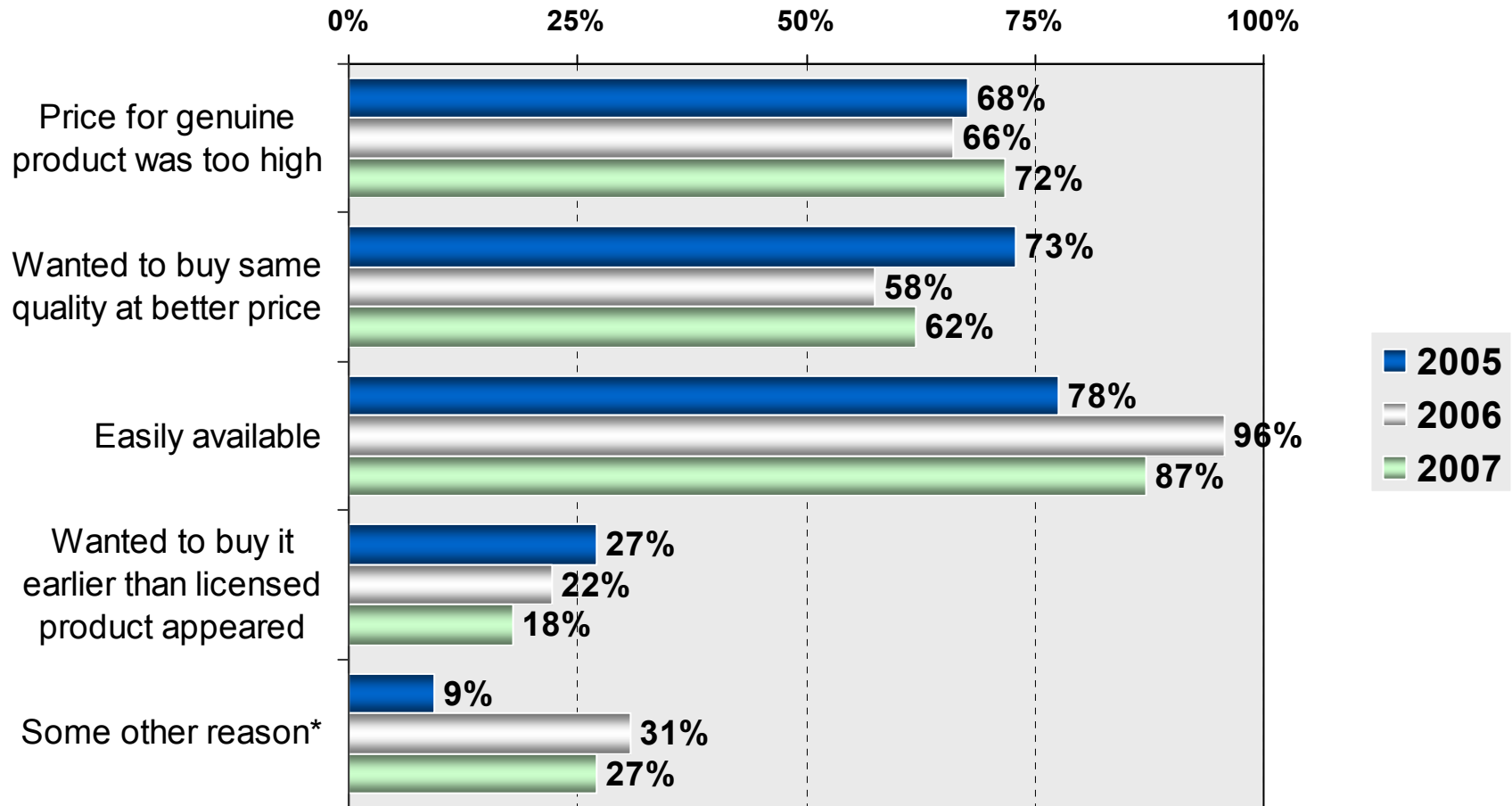
Gender



Income

AGE	%
<\$25K	17%
\$25-34K	12%
\$35-49K	17%
\$50-74K	20%
\$75-99K	16%
\$100-149K	11%
\$150K+	7%

Factors Influencing Recent Decision to Purchase Counterfeit Product (by Survey Wave)

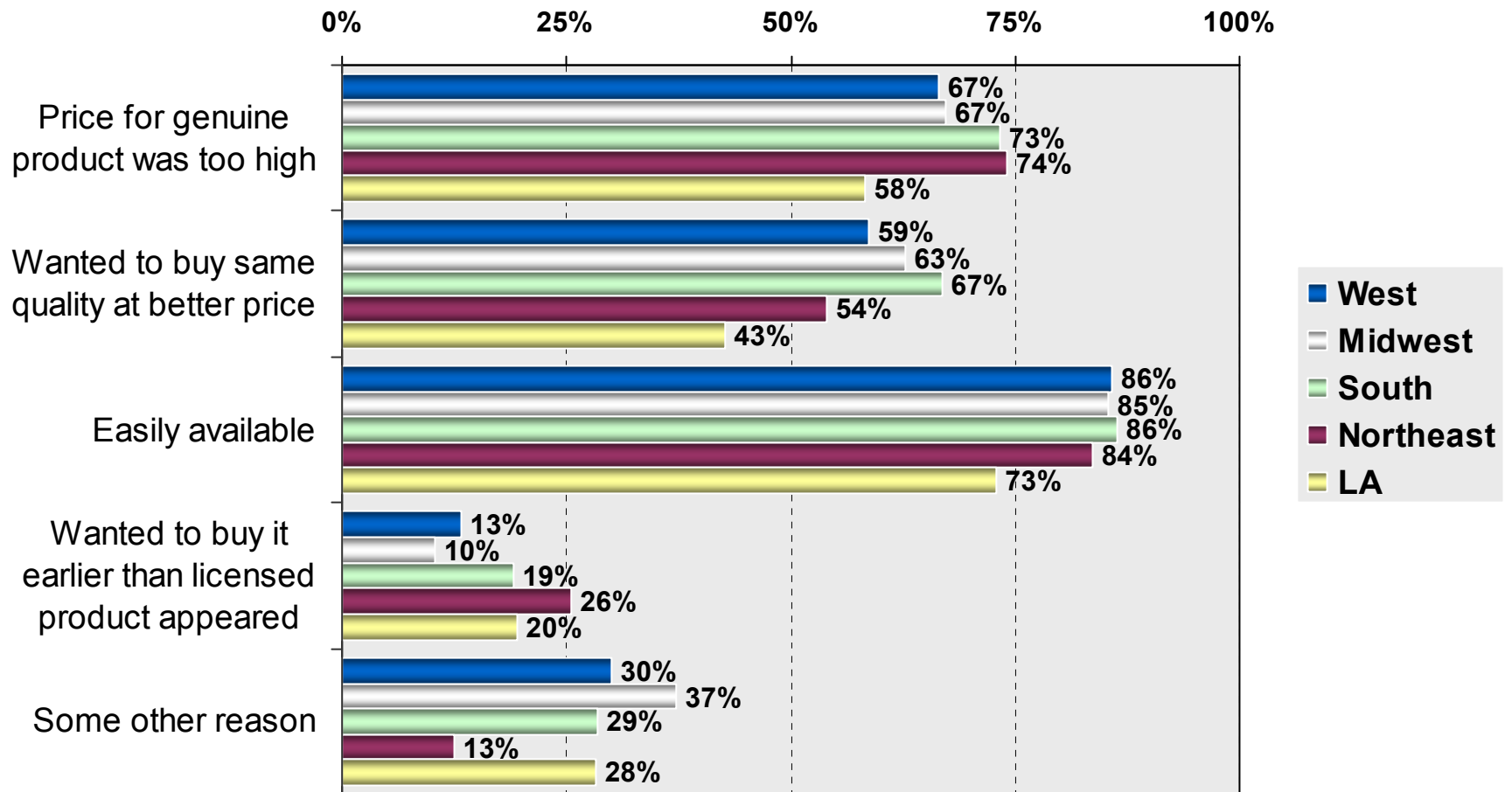


2005 Sample Size: n=170
 2006 Sample Size: n=139
 2007 Sample Size: n=588-592

*Other reasons include: "Wanted to sample the product," "Did not know it was counterfeit," "Received it as a gift," and "Just for fun/casual purchase".

Question: Were any of the following factors in your purchase of a counterfeit product that was NOT genuine or legitimate?

Factors Influencing Recent Decision to Purchase Counterfeit Product (by Region)



Question: Were any of the following factors in your purchase of a counterfeit product that was NOT genuine or legitimate?

Factors About Seller That Would Have Prevented Recent Counterfeit Purchase



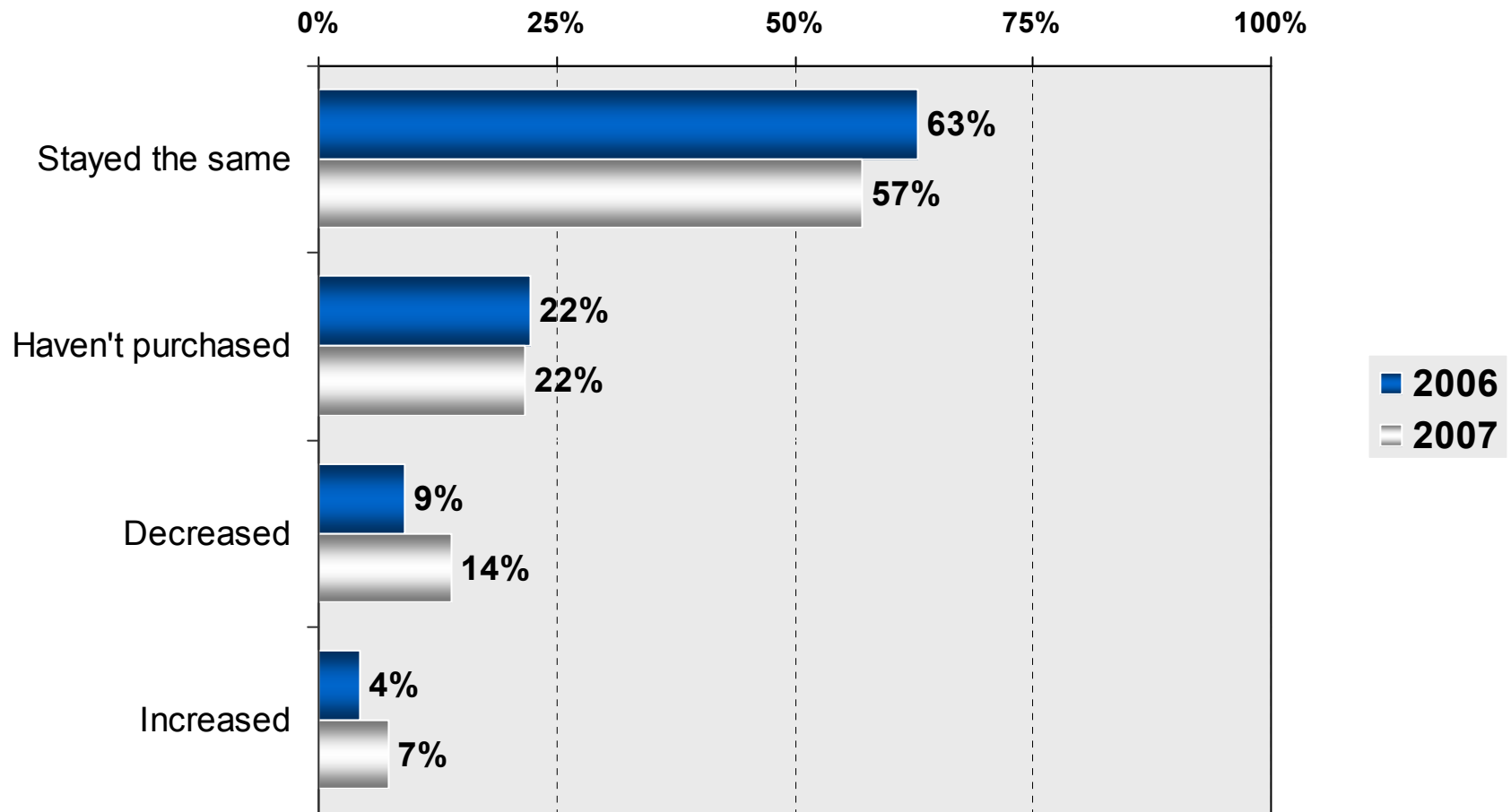
Question: Would you have purchased the imitation product you previously mentioned you bought or acquired if you knew the seller was...

Source of Acquisition of Recent Counterfeit Purchase

PRODUCT CATEGORY	SOURCE OF ACQUISITION												
	Legit. Shop / Retailer	Over the Internet	Sw ap Meet / Flea Market	Street Vendor	On Vacation out of U.S.	From a Friend	On Vacation in U.S.	Mail / catalog / phone	At Party	At home	Work / school	Now here (e.g. Gift)	Other
Brand name clothing, bags, and footwear	17.9%	13.8%	21.3%	27.2%	2.9%	4.6%	6.5%	0.0%	3.7%	0.0%	0.5%	1.1%	0.5%
Brand name watches	29.6%	0.6%	35.2%	16.0%	4.2%	1.1%	5.2%	0.0%	0.3%	0.0%	0.0%	6.8%	0.9%
Songs, music CDs, or audiocassettes	10.1%	57.8%	0.5%	3.0%	0.6%	10.1%	0.0%	0.0%	0.0%	13.7%	0.0%	1.2%	2.9%
Movies, including VHS, VCDs, or DVDs	12.4%	28.3%	4.6%	23.8%	1.8%	14.3%	0.0%	0.2%	0.0%	9.8%	0.3%	3.2%	1.5%
Computer OS or app. software	6.9%	60.7%	5.5%	0.0%	1.3%	5.6%	0.0%	0.0%	0.0%	8.0%	6.1%	5.5%	0.4%
Video games	1.0%	29.8%	14.7%	15.8%	1.9%	25.3%	0.0%	0.0%	0.0%	0.7%	0.0%	10.8%	0.0%
Toys	34.9%	13.2%	23.9%	9.7%	1.5%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	16.3%	0.0%
Pharmaceuticals/meds (not generics)	61.3%	0.5%	10.2%	0.0%	8.3%	0.6%	10.2%	4.8%	0.0%	0.0%	0.0%	3.9%	0.0%
Alcoholic beverages/soft drinks/water	60.8%	0.0%	0.0%	6.7%	7.8%	13.4%	0.0%	0.0%	0.0%	0.0%	0.0%	8.6%	2.7%
Tobacco	39.3%	23.0%	19.0%	0.4%	2.9%	0.0%	2.3%	0.0%	0.0%	1.0%	0.0%	12.1%	0.0%
Tools or auto parts	46.6%	11.6%	18.7%	0.0%	1.7%	0.0%	1.2%	0.0%	0.0%	0.6%	0.5%	17.5%	1.6%
Jewelry	23.8%	20.7%	16.8%	15.6%	1.1%	0.4%	0.3%	6.4%	0.3%	0.1%	0.0%	14.2%	0.2%
Food	58.8%	0.4%	13.1%	13.2%	3.2%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%	6.4%
Perfume or cosmetics	50.8%	12.6%	0.7%	14.8%	6.3%	0.5%	0.1%	4.8%	0.0%	0.0%	0.0%	8.7%	0.6%
Cell phones / cell phone accessories	38.6%	31.1%	0.9%	11.9%	1.9%	0.2%	0.0%	4.6%	0.0%	0.0%	1.6%	8.4%	0.7%
Electrical equipment	64.2%	3.7%	1.2%	10.6%	1.7%	6.5%	0.0%	1.2%	0.0%	0.0%	0.0%	10.9%	0.0%
Consumer goods	61.6%	7.8%	5.5%	0.4%	0.7%	9.3%	0.5%	0.0%	0.0%	0.0%	0.0%	2.7%	0.1%

Question: Where did you purchase/download/copy the <PRODUCT> that was/were NOT genuine or legitimate?

Trend in Purchases of Counterfeit Products Over Past Five Years



n in 2007 = 3,731

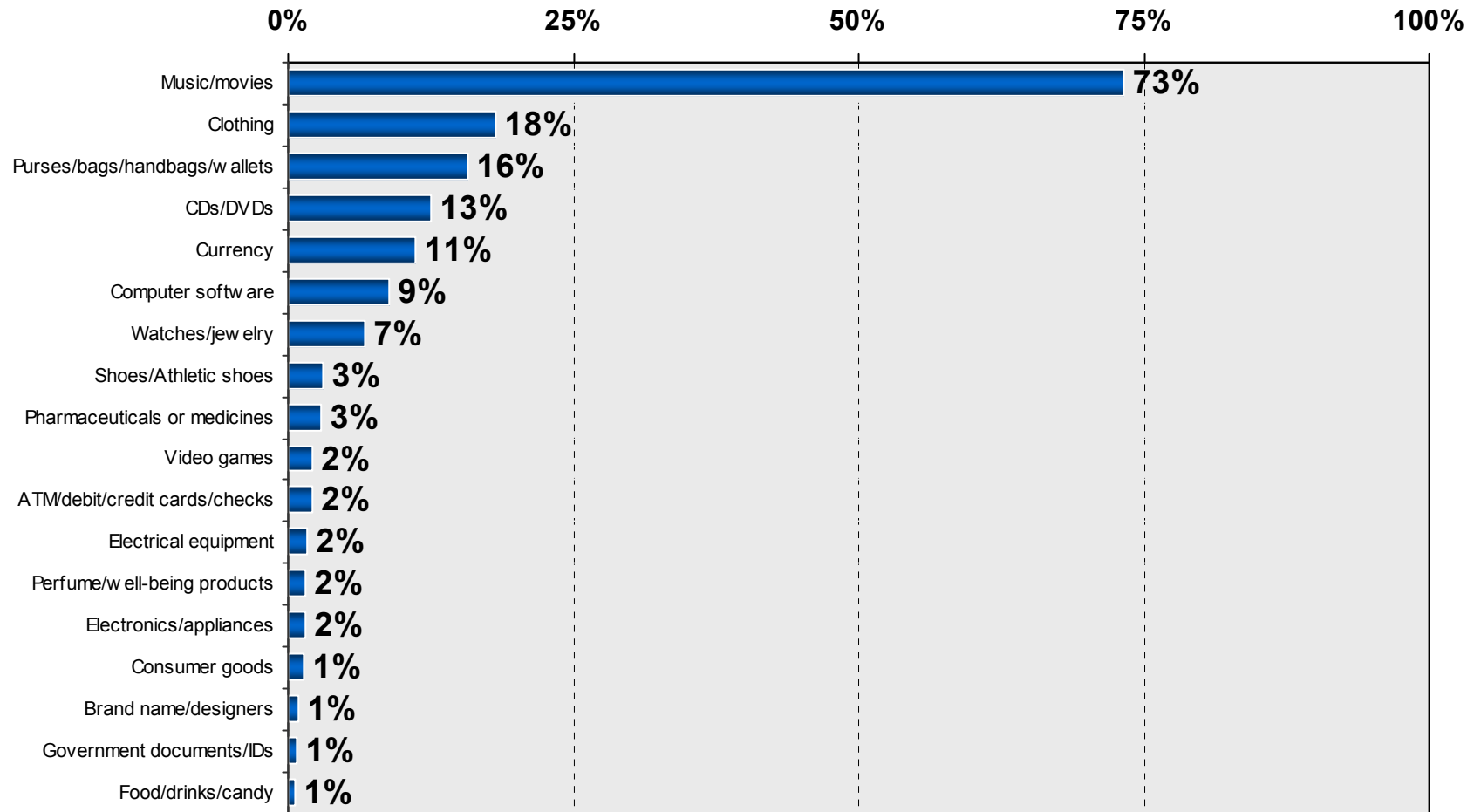
Question: Over the past five years, have your purchases of products that are not genuine or legitimate increased, decreased, or stayed about the same?



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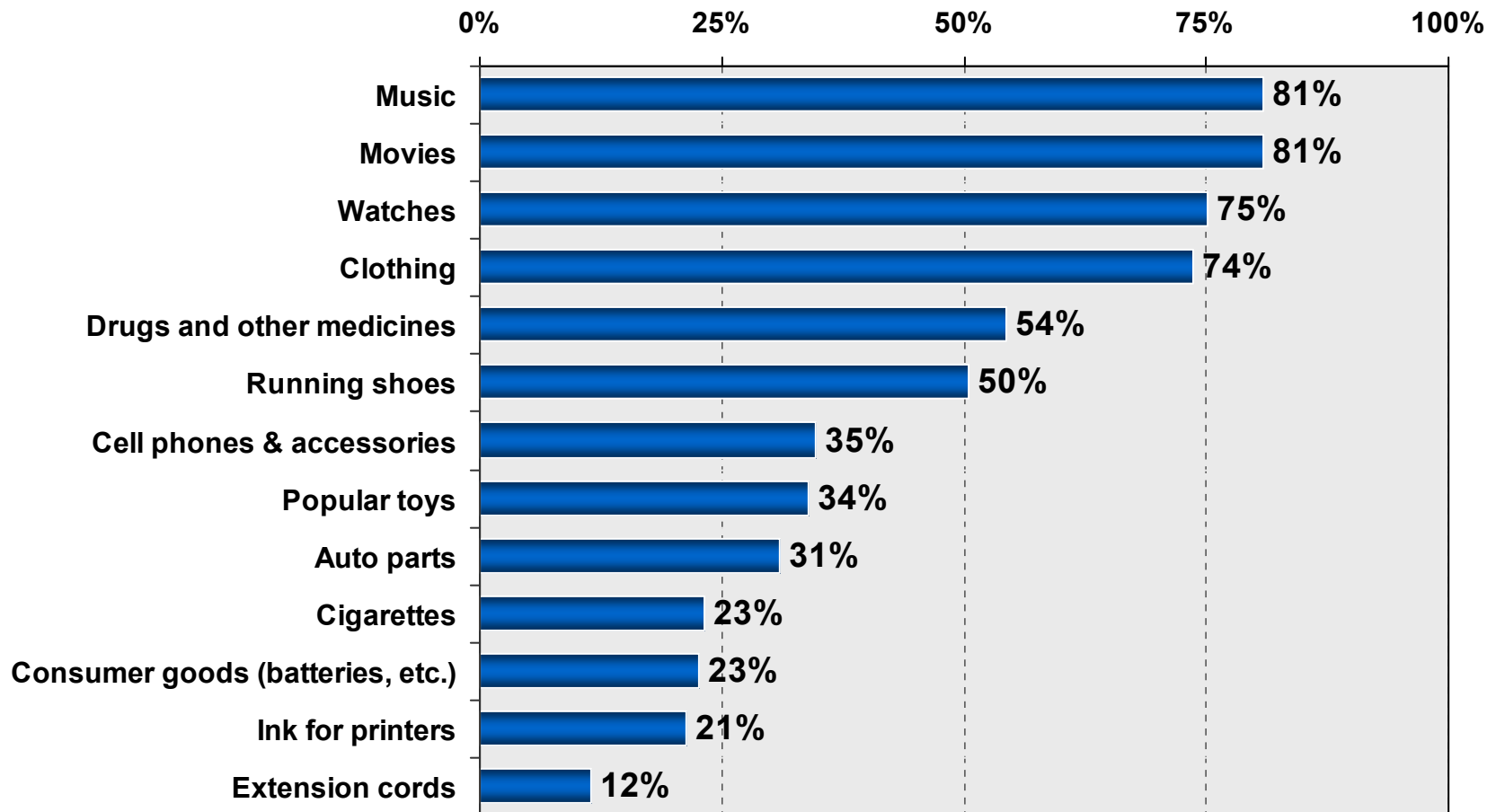
Opinion on Types of Products Counterfeited Most Often



n = 3,355

Question: Considering what you know or have heard, what types of products or goods would you say are counterfeited, pirated, or copied most often?
(Up to three responses accepted)

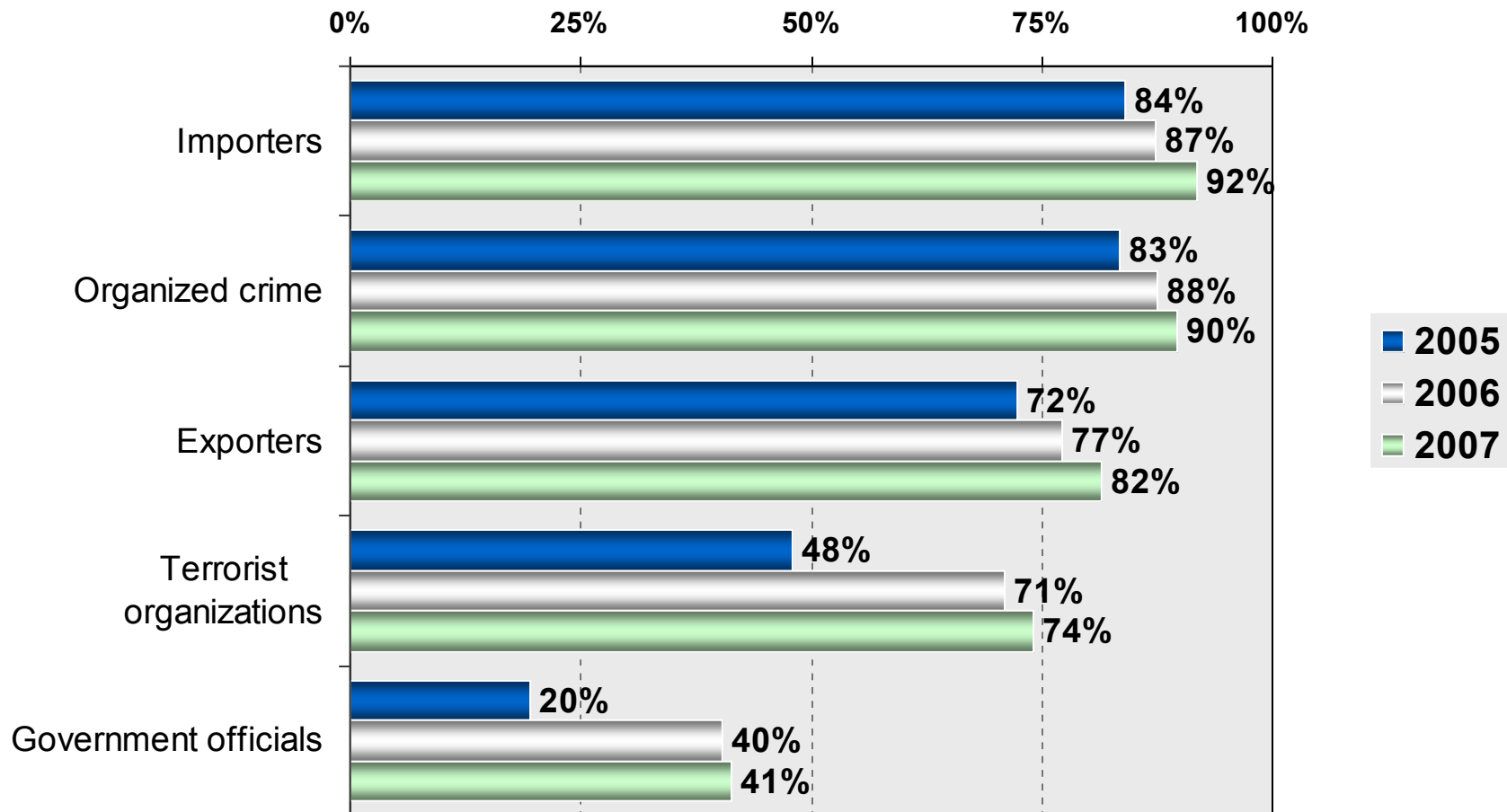
Awareness of Types of Products Commonly Counterfeited



n = 3,730-3,784

Question: The following is a list of items that are commonly copied and sold as counterfeits. Please tell me whether or not you knew each item was counterfeited.

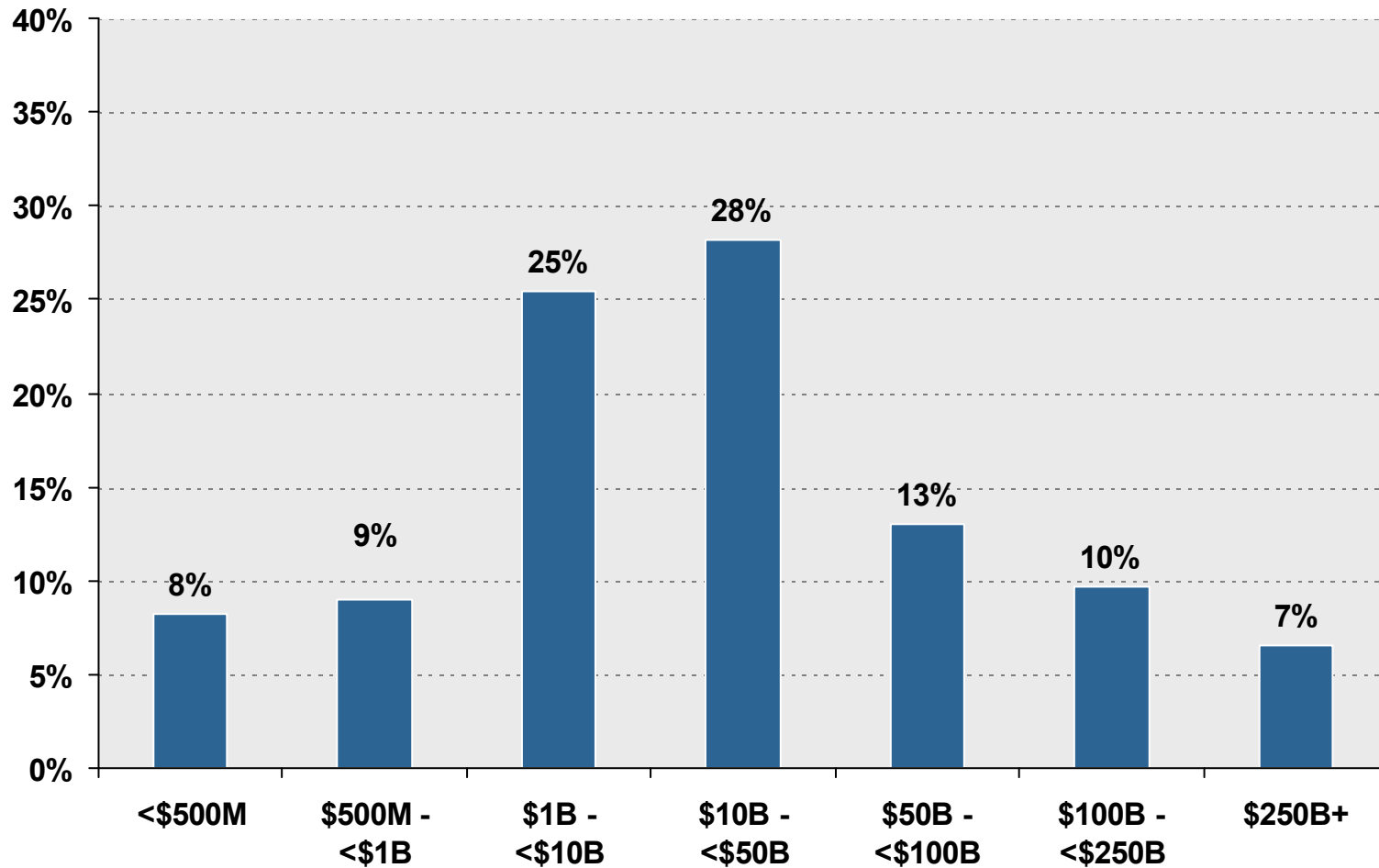
Opinion About Which Groups Are Involved in Producing or Distributing Counterfeits (by Survey Wave)



n for 2007 = 3,523-3,666

Question: In your opinion, which of the following groups are involved with producing or distributing imitation or counterfeited products?

Respondent Estimate of Cost of Intellectual Property Crimes and Counterfeiting to U.S. Each Year

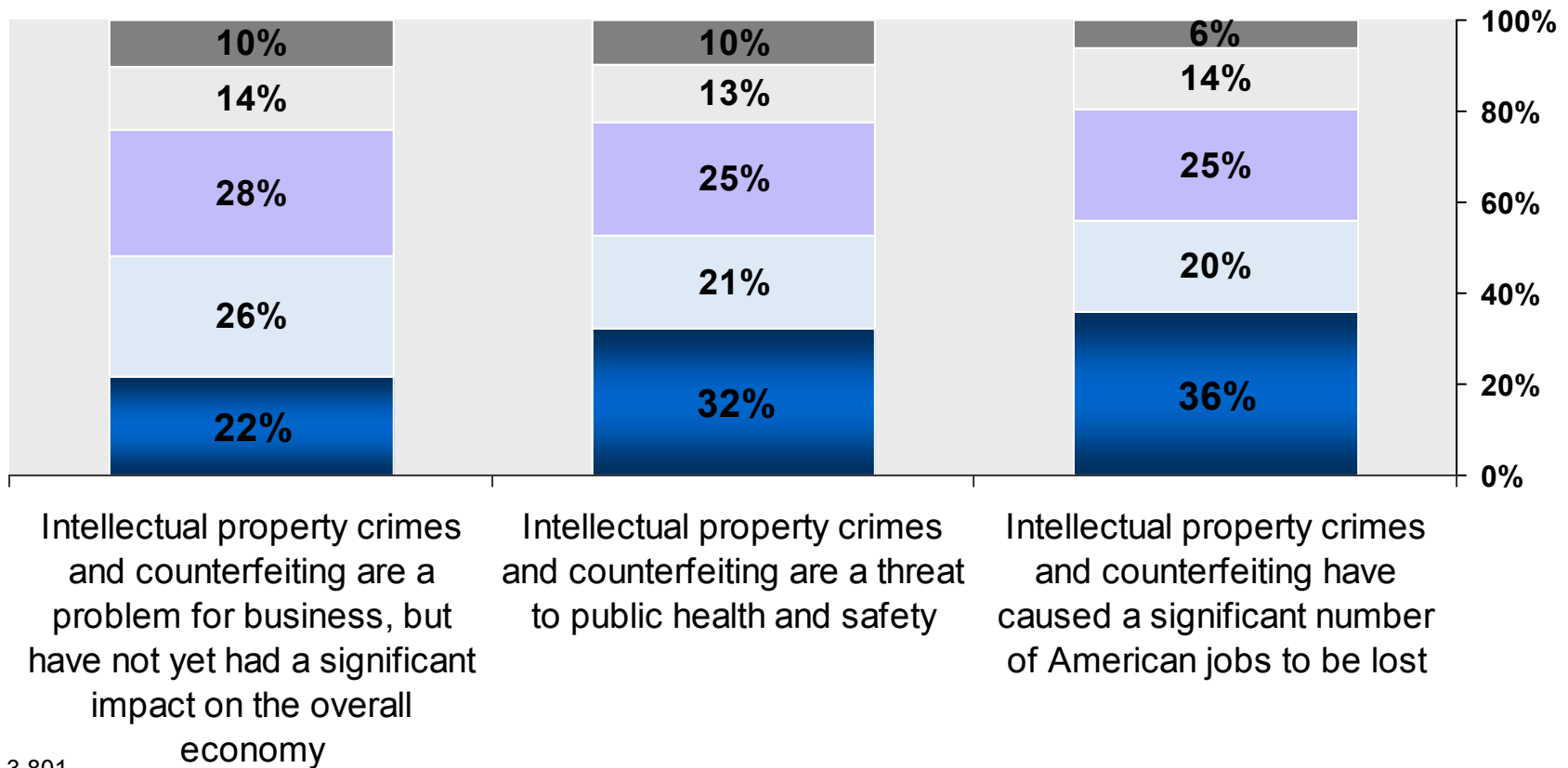


n = 3,559

Question: Based on your best guess, do intellectual property crimes and counterfeiting cost the U.S. economy more or less than one billion dollars each year?

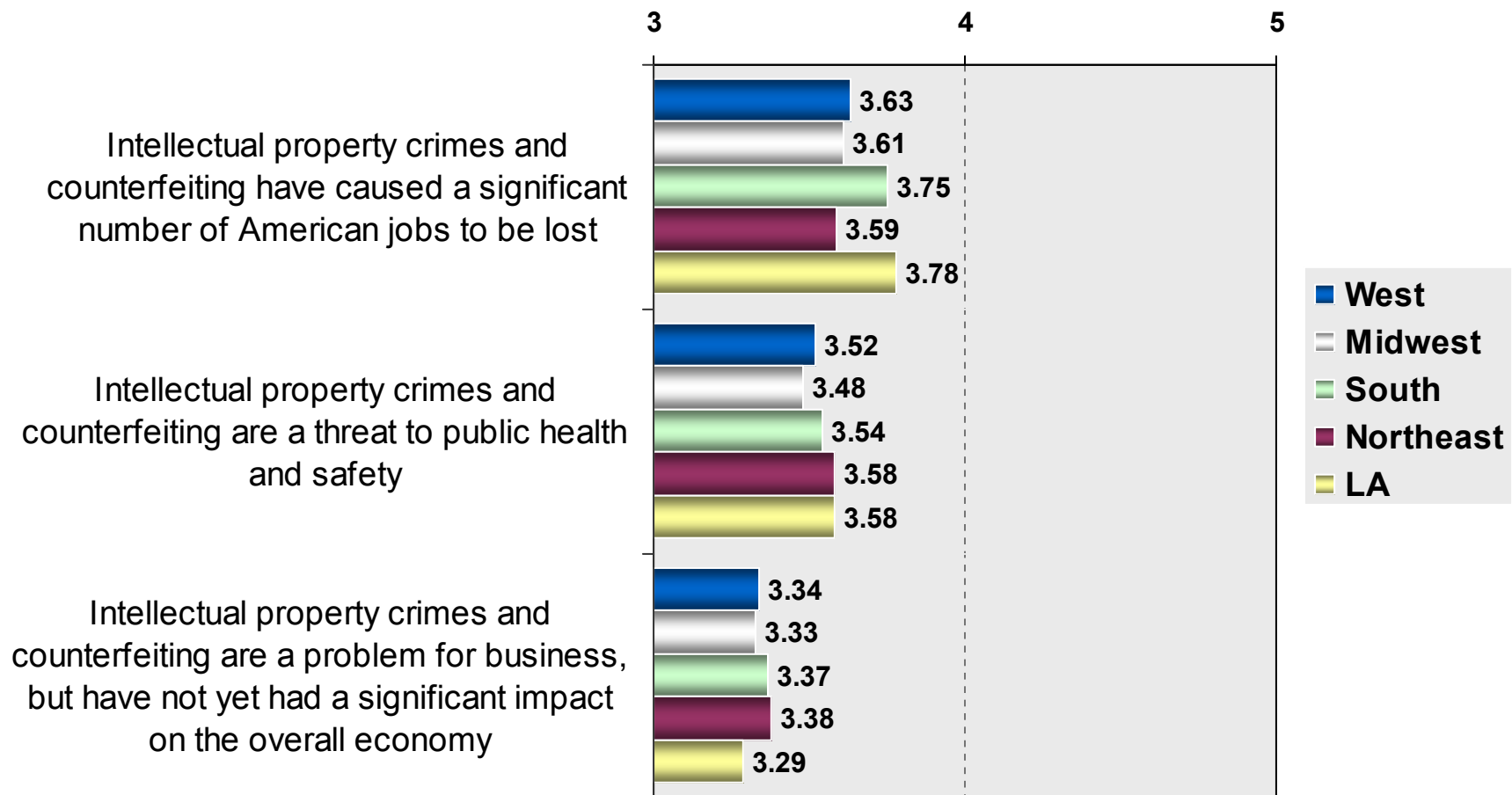
Agreement With Counterfeiting Statements

■ Strongly agree (5) ■ 4 ■ 3 ■ 2 ■ Strongly disagree (1)



Question: Please indicate the extent to which you agree or disagree with each of the following statements. (5 = Strongly agree and 1 = Strongly disagree)

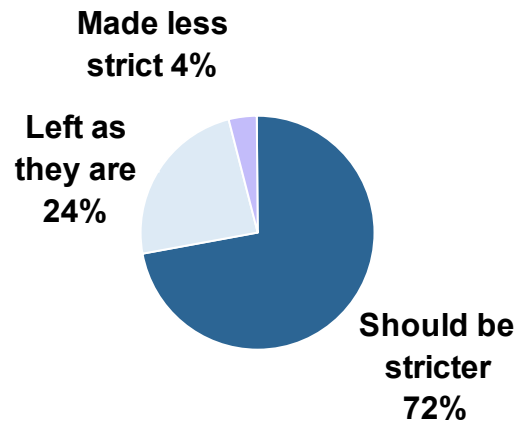
Agreement with Counterfeiting Statements (by Region)



Question: Please indicate the extent to which you agree or disagree with each of the following statements. (5 = Strongly agree and 1 = Strongly disagree)

Opinion About Counterfeit Laws (Overall and by Region)

Overall



n = 3,680

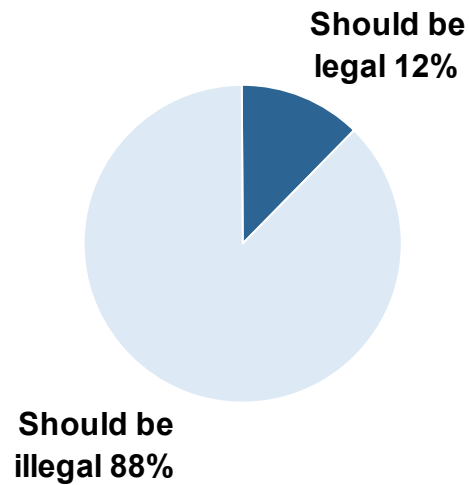
By Region

	Should be stricter	Left as they are	Made less strict	
West	70.9%	24.3%	4.8%	n = 1,139
Midwest	73.0%	21.5%	5.6%	n = 845
South	72.9%	24.8%	2.2%	n = 841
Northeast	70.0%	25.7%	4.3%	n = 855
LA	71.6%	25.2%	3.2%	n = 756

Question: Do you believe counterfeiting and piracy laws should be stricter, left as they are, or made less strict?

Opinion About Whether It Should Be Legal to Buy Counterfeit Products (Overall and by Region)

Overall



n = 3,696

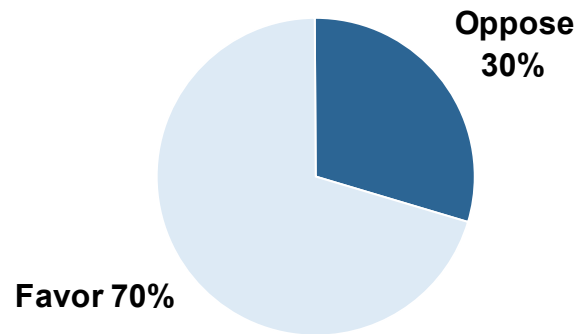
By Region

	Should be legal	Should be illegal	
West	17.0%	83.0%	n = 1,142
Midwest	10.3%	89.8%	n = 849
South	8.6%	91.4%	n = 840
Northeast	15.4%	84.6%	n = 865
LA	18.7%	81.3%	n = 763

Question: Do you think it should be legal or illegal to knowingly buy counterfeit products or services?

Opinion About Criminal Penalties for Knowingly Buying Counterfeit Products (Overall and by Region)

Overall



n = 3,672

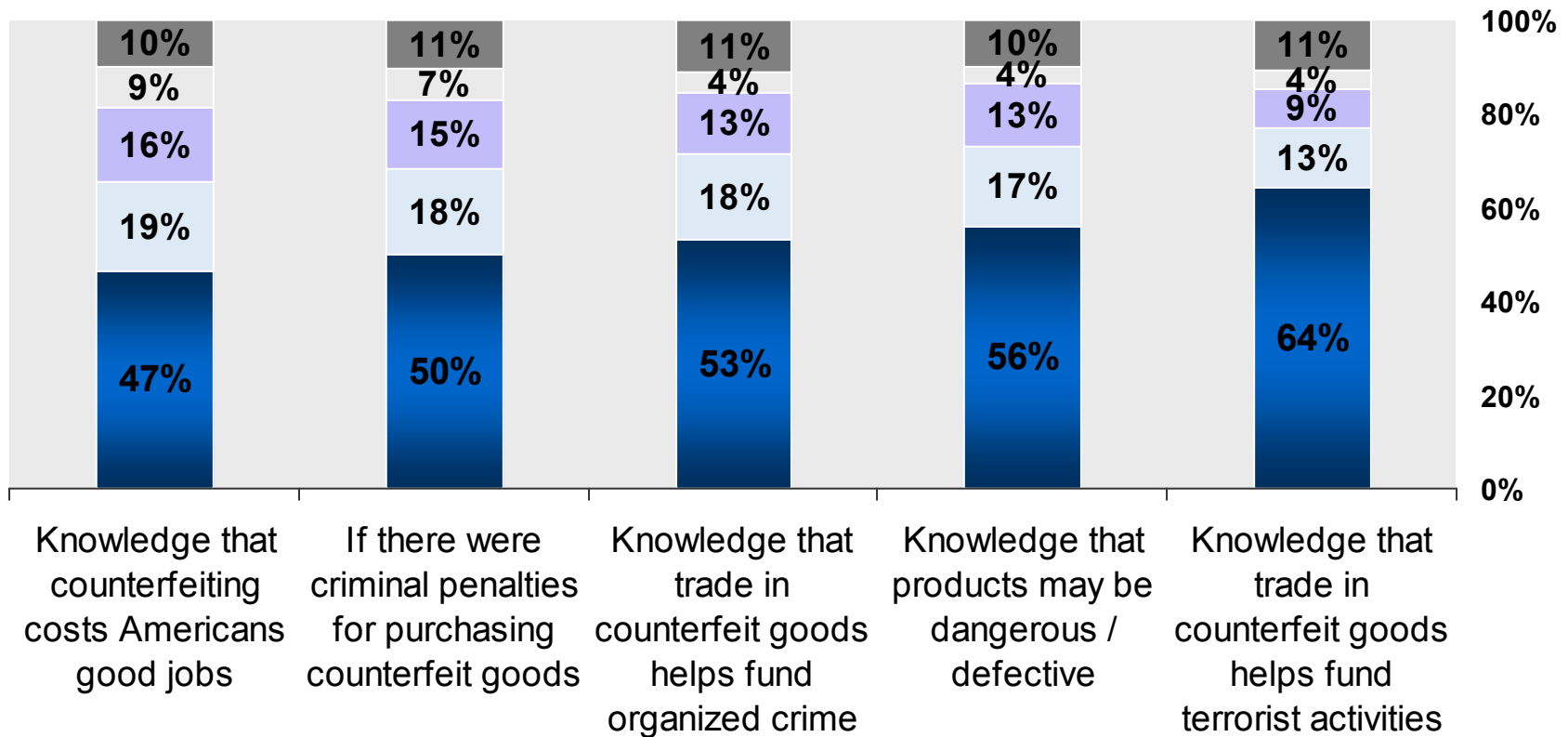
By Region

	Oppose	Favor	
West	34.4%	65.6%	n = 1,142
Midwest	25.2%	74.8%	n = 840
South	26.5%	73.5%	n = 838
Northeast	35.1%	64.9%	n = 852
LA	34.7%	65.3%	n = 752

Question: Do you favor or oppose criminal penalties for consumers who knowingly buy counterfeit products or services?

Convincingness of Anti-Counterfeiting Arguments

■ Extremely convincing (5) ■ 4 ■ 3 ■ 2 ■ Not at all convincing (1)



n = 3,490

Question: How convincing are each of the following statements to keep you/people from purchasing or downloading counterfeit and pirated products? Please use a scale from 1 to 5 where 1 means not at all convincing and 5 means extremely convincing.



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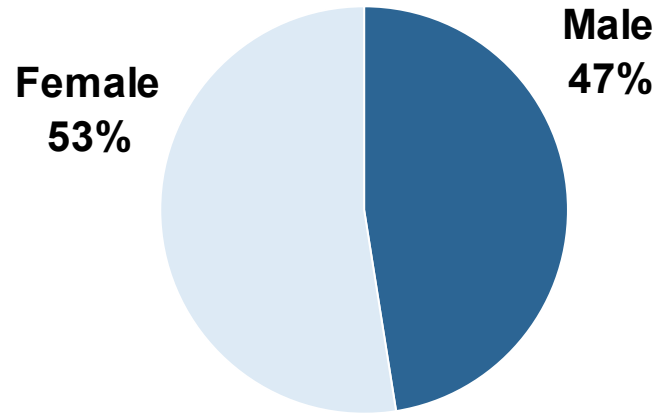
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 - Feelings toward anti-counterfeiting messages
- ▶ Demographics

All Respondents: Age, Gender, and Income (Weighted)

Age

AGE	%
18-24	4%
24-34	21%
35-44	20%
45-54	21%
55-64	13%
65+	21%

Gender



Income

AGE	%
<\$25K	17%
\$25-34K	13%
\$35-49K	18%
\$50-74K	19%
\$75-99K	14%
\$100K+	12%



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