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Maqsood, Syed Muhammad; Soomro, Yasir Ali

## Article

### Gray-market and its impacts on brand image : case for retail perfume industry

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## Kontakt/Contact

ZBW – Leibniz-Informationszentrum Wirtschaft/Leibniz Information Centre for Economics

Düsternbrooker Weg 120

24105 Kiel (Germany)

E-Mail: [rights\[at\]zbw.eu](mailto:rights[at]zbw.eu)

<https://www.zbw.eu/econis-archiv/>

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**Syed Muhammad Maqsood,**


King Abdulaziz University, Saudi Arabia

 ORCID ID, 0000-0001-7819-8406

email: smmali80@gmail.com

**Yasir Ali Soomro,**

Ph.D., King Abdulaziz University, Saudi Arabia

 ORCID ID, 0000-0002-4531-8210

email: dr.yasir@hotmail.com

Correspondence author: smmali80@gmail.com

## GRAY-MARKET AND ITS IMPACTS ON BRAND IMAGE: CASE FOR RETAIL PERFUME INDUSTRY

**Abstract.** This study aims to determine the factors of consumer willingness to buy gray-market goods. The authors considered the impact of gray-market products on the product's brand image through Pakistan's empirical evidence. This study included three factors of gray goods: price consciousness, price-quality inference, and risk averseness and to check their impact individually and collectively on brand image. A field survey was conducted in this study to check the respondent's behavior toward gray markets and its impact on their brand image. The respondents of this research were those individuals who were habitual buyers of gray-market perfume products. Therefore, the population size was large enough to apply the probabilistic sampling method of Simple Random Sampling. The sample size of 350 was determined adequately. Hence, 350 respondents were asked to fill the questionnaire. The instrument of this study was self-developed. The close-ended questions by a Likert scale (7 points) were used to collect quantitative data. The internal consistency of the data was checked through the «Cronbach's Alpha» value. Hence, Cronbach's alpha's value was 81.7%. It was more than 70% threshold and showed the data was reliable and internally consistent for further data analysis. Regression analysis was performed on the data set to test the significance of hypothesized hypothesis. The result indicated that overall, there was a significant positive impact of gray-market goods on the companies' brand image. This study concluded that price consciousness did not significantly impact the purchase of gray goods. Thus, consumers are not price-sensitive, particularly in the Pakistan market. At the same time, gray goods impact the brand image in the Pakistani context. Simultaneously, the price-quality and risk averseness factors of gray goods a concern. These factors showed that companies' brand image is affected negatively. The policy and market regulators must consider the two factors pointed out in this research to mitigate the problem of gray-market goods in the developing economies.

**Keywords:** gray-market, gray-market products, brand image, price consciousness, price-quality inference, risk averseness.

**Introduction.** Globally, today manufacturing firms are immensely affected by gray-market goods. These markets are operated by unauthorized dealers and take a huge chunk of business from manufacturers and authorized dealers, which eventually affects their profit and affects the brand perception in consumers' minds. To mitigate this situation businesses are seeking for strategy, which counters this phenomenon. In this world of globalization and e-commerce, businesses are not just confined to any particular national boundary. Rather they also contribute substantially to the economic growth of their country. Access to International markets and information is now just a click away from Individuals and businesses worldwide. This phenomenon has benefited the global business environments and creates challenges for marketers and one of those challenges is Gray Marketing or Parallel Importing. Gray market, which is also termed as Parallel imports in marketing, is the genuine goods that are, traded through unofficial distribution channels. These traded goods are not considered to be illegal activity in the course of law. Still, the difference lies in the value and augmented services provided by the authorized channel

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with the price difference. Gray-market products are genuine branded products (Bucklin, 1993), neither fake nor counterfeit which are sold through unauthorized dealers (usually at lower prices than authorized dealers). This phenomenon is common in developing nations and increasing in developed nations (Huang et al., 2004). Today, due to increasing competition, it has become difficult for businesses to attract consumers. It is also evident that capturing a new customer takes up six times more effort and money than retaining the existing customer (Soomro, 2019). Gray market is a concern for international marketing since the 1980s. Now it accounts for billions of dollars each year. This study further indicates infiltration of fake and pirated goods and gray marketing or parallel importing, which eventually affects that particular firm's brand image. In some cases, the firm may use gray marketing as an entry mode into another country. That enables them to evaluate that how those markets perceive their goods.

In the region of South Asia, especially Pakistan, this activity is very common. That ranges from electronic goods to apparel and from FMCG's to medicine. According to (Ahmed et al., 2015), the estimated informal trade of goods from India to Pakistan was USD 1.79 billion during 2012-2013, and usually, gray goods secure a significant portion of this activity. For understanding this phenomenon more clearly, this study provides an example of the apparel market in Karachi. Karachi has many apparel markets and among those Zainab market in the Saddar area is well-known. Not just middle social class people shop from here, but it is the main attraction for upper-lower and upper-middle class. One can find almost all the world's popular brands. Typically, the price of NeXT's shirt ranges from PRs. 3000-4000, whereas prices for buying the shirt from authorized Next outlet is starting approximately from PRs 5000. The price arbitrage would lead the traders to import goods from foreign market and sell it off at lesser prices even after adding profit margins. Internationally, brands face great competition from unauthorized channels that affect their brand image in the market where gray goods are sold.

In this research, the authors have proposed to study the impact of gray goods on the brand image, which has no prior empirical evidence from Pakistan. The literature has identified many reasons to comprehend consumer's willingness to buy gray goods. Previous studies have identified that price factors, brand characteristics, logo, signage, and other features influence consumers' buying behavior (Soomro and Shakoor, 2011; Zeng et al., 2019). No prior study has considered the gray-market good factors to check the impact on brand image in the Pakistan context. Secondly, the perfume industry is the less researched industry in Pakistan, and it has many gray-market channels supply. Therefore, this study will fill the gap and contribute to the literature of gray-market goods in the Pakistani context's retail perfume industry.

**Literature Review.** In the past, numerous studies have been conducted on the issue of gray market. In almost all studies, the researchers concluded that price discrimination of products among different markets is the reason behind the activity of gray marketing. Gray markets comprise many industries, i.e., automobiles, software, apparel, consumer electronics, pharmaceuticals, etc. (Kitchen et al., 2000). In the international market, companies can make their presence through the export of goods by using authorized distributors. Still, some individuals or distributors import those goods from the market where prices were comparatively less than the firm's authorized distributor's domestic market goods. Gray marketing is now becoming a global phenomenon. It is present in the less developed market or developing markets and affects the trade of developed nations of the world (Huang et al., 2004). Autrey et al. (2015) found that in international markets, manufacturers intentionally invest in Gray marketing of emerging markets to compete with their competitors. This phenomenon would lead to exporting manufacturers more profits as their sales were at their peak but result in lesser profits for the domestic manufacturer and authorized dealers. The same study concluded that all activity would eventually create a globally no-win situation for original manufacturers.

Gray goods are not considered as black market either counterfeit products. This activity is declared legal internationally unless there is any violation of product regulation or licensing contract from the owner.

For manufacturers, gray market is creating challenges since it is directly impacting the brand image and damages the relationship between manufacturer and authorized dealers because all the efforts and services offered by the authorized distributor (i.e., warranties, promotion, and after-sales services) are not utilized and gray marketer benefited by offering the same product at lesser prices but of course lacks the augmented services (Chen, 2007).

Brand image is the element of brand equity that plays a key role in developing and sustaining the brand. However, if things don't favor the firm, it may destroy the brand adversely. International marketing indicates that the brand image role becomes more significant as it directly reflects the firm's revenues. This study aims to determine the impact that the gray goods may create for the product's brand image and, ultimately firm's brand image. The brand image helped the managers to form a familiarity with the brand through awareness. Therefore, the brand image makes a strong affiliation with the consumer and gives them the reason or rather motivates them to buy a particular brand. The things that build the brand image in its consumer's memory are either by the attributes or by the consumer's satisfaction (Keller, 2008). Goods positioned as a premium brand or the high-priced brands have been facing high threats from the gray-market goods because the gray goods were sold at lesser prices than those charged according to their brand image and value. The gray marketer took the leverage of price discrimination among different countries, making them decrease high-status brands' prices that completely or partially damaged the firm's brand image strategies. For example, the Samsung smartphone price may cost less in the Middle East than in Europe but may charge a higher price according to their brand imagery being sold elsewhere (Albaum and Duerr, 2011). In the sub-continent case, particularly Pakistan, the information and communications technology (ICT) sector is at a boom (Khan, 2015), and so are the Gray Goods. Mainly the gray marketers took the advantages of offering lower prices for branded products in this business. Some of these unauthorized channels also infiltrated the branded products with counterfeit products, which is not just impacting their brand image but also impacting the gray channels too.

Gray market and Brand Image have been discussed in the literature. The phenomena of gray goods and goods are now available in almost every region of the world, not just in developing countries. Still, they are seen as a substantial market in the developed regions as well. Gray marketing got massive expansion through the medium of E-commerce. E-commerce made it easier for the individuals and firms to offer the product or brand which are not available through an authorized channel. However, e-commerce could import those brands or products through gray channel and supply them to the customer. This phenomenon particularly got quite popular in sub-continent countries where one can buy almost all the international brands on various websites (i.e., Amazon, Alibaba, eBay, and Costco) among the retailers known for selling gray goods, and those products have not got any physical presence in those countries (Ahmadi et al., 2014). E-commerce permitted them to buy their favorite international brands. Usually, gray marketers buy those goods during mega sale season (i.e., Christmas, New Year, Easter etc.). Thus, it would cost them comparatively low. This pricing discrimination would affect the international brands to position their brand as a high-end brand to consumers, which means they were charging a premium price. Hence, gray marketer distorts their brand image badly. These goods commonly involve apparel, consumer electronics, smartphones, pharmaceutical products, and many more. Furthermore, Ahmadi et al. (2014) concluded that strategic pricing/price differentiation strategy is more valuable for manufacturers when product belongs to fashion items and uniform pricing strategy is more valuable when the product falls in commodity items.

Buying behavior is the consumer's particular action towards any brand or product. So, it would be the consumer's choice based on his/her thinking about a brand perception in his/her mind, which could lead to either positive or negative ways (Rizwan et al., 2012.). In the previous studies, sales were predicted based on past sales data countered by (Armstrong et al., 2000). Thus, consumer buying behavior got more appropriate and served as an accurate tool to predict sales. In gray market, the customer usually

buys those products which were high involvement products. Therefore, it can be perceived that customer has a positive purchasing behavior toward gray-market goods.

The pitfalls of the gray goods will not end here. One more concern resulting from this activity was that some gray marketers may infiltrate the counterfeit products and genuine goods and sell it to the customer, which creates a negative image of the brand. Some firms may use gray channel to penetrate the international market. However, it becomes a threat to the firm and derails the firm relation with the authorized channel members.

To mitigate the ever-lasting impact of gray marketing violations, businesses came up with a deterrence doctrine to minimize gray market violations in the international market. In this perspective, Antia et al. (2006) had determined that deterrence execution towards gray marketing has no impact on it. That had an impact when more strategic aspects were executed in combination. Moreover, Antia et al. (2006) identified five factors that flourished gray marketing. The first is price differentiation refers to how manufacturer charged different prices across segments. The second is the premium positioning of the product by manufacturers as a high-end brand. It motivates the gray marketers to attract the customer who wants to buy those goods at any price. The third is product scarcity, in which the manufacturer cannot meet the market demand of its goods. The fourth is the free riders of unauthorized distributors upon manufacturer sales promotions activities. The last factor is customer heterogeneity, in which the market is composed of dissimilar segments, and each segment perceives the goods or services differently.

In turn, another research carried out in Taiwan finds that two factors impact brand equity. Channel source is the first factor, and those are authorized channel and gray market channel. The second factor is product involvement, so that product with the high participation versus a product with low involvement decision. So, this research states that the channel's source had a more significant impact on brand equity than product involvement in a product category of consumer electronics (high involvement decision) and ballpoint pen (low involvement decision). One more key finding of this research was that consumers considered the «perceived quality» between gray-market goods and authorized channel goods (Chen, 2007). Consumer's lifestyle was also another factor according to (Liu et al., 2012) from which they attracted or uninterested customers towards gray goods. In that study, the author had identified three segments of consumers and their lifestyle characteristics. Those segments were Neutral, Trademark Lovers, and Gray Product Lovers. In the trademark category, consumers belonged to Social and Cultural Activities. Besides, these consumers were inclined towards local authorized goods. However, they were familiar with Gray goods, but they preferred locally authorized goods.

The Gray Product Lover consumers retain fashion consciousness and entertainment activities as they loved to be fashion-leaders and enjoyed traveling. They are very satisfied to buy new and unique goods. Gray Product lovers also think that those goods were not providing after-sale services for what products they are selling. Therefore, in that study, it is suggested that a trademark holder must opt for the product differentiation strategy for target customers. Thus, that gray competitiveness has to be diminished.

Another viewpoint towards gray marketing is contrasting interest between the official manufacturer and official distributors. Manufacturers and distributors were clashing for their interest in the automobile industry, which produces space for gray marketers or parallel importers (Yeung and Mok, 2009). In that working paper, the authors explained that gray marketing does not happen for price discrimination only, but this activity also includes non-pricing factors. These factors would be some (Huang et al., 2004) scarce product available in the foreign market only. Those goods were charged premium prices, while other non-pricing factors were new models and customer-specific products. This paper also conveys the official manufacturer and official distributor's contribution in promoting or encouraging gray marketing. Firstly, the manufacturers are now producing economies of scale to cover their huge, fixed cost, that they operate on full or close to full capacities. Then the manufacturer pushes their marketing department to make massive sales strategies to get produced goods sold, and marketers put their burden on the distributor in which

they have told them to sell a particular quantity of units to get volume discounts. Distributors shifted their additional units to the gray market traders to avail volume discounts. Gray traders then took benefit from the price discrimination existing between different regions. This practice remains common with perishable goods or goods with short shelf life. The distributors are under great pressure from manufacturers to sell to save them from loss. Secondly, the official dealers were bound to have specialty assets by manufacturers, making them vulnerable to promoting or getting competitive brands. They are also bound by contract to follow manufacturer strategies, i.e., keeping a certain inventory level. In some scenarios, they face a stock-out situation due to demand fluctuation and got locked-in to only the manufacturer/supplier unable to supply demanded products. In both cases, official dealers were in the most vulnerable situation. This contradiction of interest between manufacturer and distributors leads or motivates official distributors to involve in the practice of gray marketing. Instead of tying up their huge capital in inventories, despite knowing the consequential sanctions from manufacturers, take the risk and sell excess inventories directly/indirectly to gray market traders. That would result in increased cash flows and they meanwhile took the profitable opportunity on products (usually new model in foreign markets or product which is being demanded by niche segment) brought by gray channel which was facing a shortage in the market or had specific target market. Both manufacturer and distributor contributed to gray market or parallel imports, but they are also not very concerned about them. The products brought up by gray marketers were not offering after-sales services and warranties offered by an official dealership. If the gray-market goods face any difficulty getting services from unofficial dealers, this will affect the brand image. In one study, it was concluded that gray-market goods benefited from the consumers who were just concerned with the availability of genuine products. Gray goods were also constructive to combat the monopoly of the manufacturer. On the other hand, a recent study extended Sproles and Kendall's (1986) Consumer Style Inventory (CSI) on Thai consumers in the luxury shopping segment in the context of gray-market goods (Rojanasingsawad et al., 2020). In this research, the author studied the impact of gray goods on the brand image, which had no prior empirical evidence from Pakistan. The above literature identified many reasons for customers to buy and reasons behind not buying gray goods.

Price consciousness has been a significant variable in many research articles. Thus, the lower prices in gray market are one thing in common. Bucklin (1993) stated that price sensitivity is one of the key motivators behind the purchase of the gray-market goods. Consumers with high price sensitivity have a positive impact on gray-market goods. Mollahosseini and Karbasi (2012) noted that price consciousness is a feature that influences all other features for the customers about purchasing goods. But this thing is also considerable according to low-involvement versus high-involvement buying decision of products. Based on the literature survey, the authors have devised the following hypotheses for hypothesized relationships:

H1: Consumers with price consciousness positively impact the brand image of gray-market goods.

The price-quality inference is an important variable. There is a clear concept of price-quality in one study, as the customer perceives that products with high prices seemed to be of superior quality. The customers see that product is better in terms of quality as their prices are higher and the product is considered low quality as the price is low. Therefore, the price has a positive role in the purchase decision of the customer. But that does not mean that price is the sole inference to judge the quality of any product. There are other dimensions as well. This theory is commonly acceptable for durable goods (Lichtenstein et al., 1993). In the case of gray-market goods, it is generally observed that gray goods are sold at comparatively low prices. Therefore, it can be stated that customer with more price-quality inference is likely to perceived as of less in quality. Hence, it is probable that price-quality inference has a negative impact on purchase intention for gray goods. Therefore, the authors have proposed the following hypothesis:

H2: Consumer's price-quality inference negatively impacts the brand image of gray-market goods.

Risk averseness is seen that there are many risks associated with any product while making the purchase decision, such as financial risk, physical risk, and performance risk. Risk defines the chances of negative consequences that a product may create. The financial risk in gray goods might be buying a counterfeit product which gray marketers intentionally infiltrate with genuine goods. The physical risk might be the risk of malfunctioning the product. Performance risk is the product's risk not confined to the product's expected results plus not having after-sales services that authorized distributor may offer to its customers. Therefore, we expect that risk averseness negatively impacts purchase intention towards gray goods (Huang et al., 2004). Thus, the authors proposed the following hypothesis for risk averseness and brand image:

H3: Consumer's risk averseness negatively impacts the brand image of gray-market goods.

After examining the extensive literature review, the main hypothesis of the study is given below:

H4: Gray-market goods have a significant positive impact on brand image.

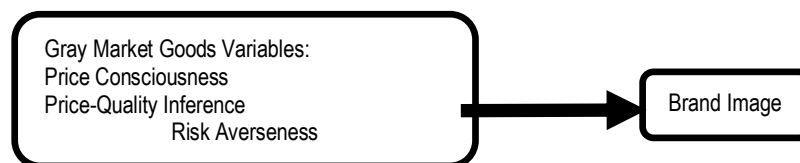
**Methodology and research methods.** This study involves a quantitative approach to obtain the objective of the study. To obtain the required data, a self-administered questionnaire was used to get a response from consumers. This primary data was required to get the findings of this research. The population structure of this research is all those individuals who were exposed to buying gray-market goods. Therefore, the population size is large enough to apply the probabilistic sampling method of Simple Random Sampling. As this study's population structure is homogeneous, a sample size of 300 to 400 would be sufficient. Therefore, 350 respondents were asked to fill the questionnaire. The instrument of data collection for this study had structure closed-ended questions. A closed-ended question on the Likert scale (7 points) was used to collect quantitative data. The internal consistency of the data was checked through the «Cronbach's Alpha» value. Table 1 shows that Cronbach's alpha's value is 81.7%, which is more than 70%. Thus, the data is excellently reliable and internally consistent for data analysis.

**Table 1. Reliability Statistics**

Cronbach's Alpha	N of Items
0.817	13

Sources: developed by the authors.

To find the impact of gray-market goods on the brand image, the regression model was used and developed as it was used by (Huang et al., 2004). Kitchen et al. (2000) founded that Gray-market goods significantly impact the brand image of goods. The model behind this study is to determine the impact of two main variables: gray-market goods, Brand Image. Therefore, Figure 1 demonstrates the model applicable in this study.



**Figure 1. Conceptual research model**

Sources: developed by the authors.

**Results.** This study's objective was to find the impact that Gray-market goods have on the brand image of that product. Therefore, this study's statistical test is Multiple Linear Regression and Simple Linear Regression (Huang et al., 2004). Multiple Linear Regression Analysis allowed testing the developed

hypothesis. In Table 2, «R» represents the relationship. Thus R is 56%. Thus, there's a moderate relationship between brand image and price consciousness, price-quality, risk averseness. Adjusted R-square shows unbiased accuracy. Therefore, the Adjusted R-square is 28.4% means the model is 28.4% accurate.

**Table 2. Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.560	0.291	0.284	1.08946

Sources: developed by the authors.

**Table 3. ANOVA Statistics**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	144.356	3	48.119	40.540	0.000
	Residual	351.332	296	1.187		
	Total	495.687	299			

Sources: developed by the authors.

Sig. value (0.000) is less than 0.05. It refers to accept H4 that at least anyone of the price consciousness, price-quality, risk averseness affects the Brand image of the gray-market goods.

**Table 4. Beta Coefficients and Collinearity of variables**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.106	0.312		3.551	0.000	
	price consciousness	0.030	0.049	0.033	0.617	0.538	0.850
	price quality	0.264	0.056	0.252	4.695	0.000	0.832
	risk averseness	0.434	0.065	0.373	6.648	0.000	0.761
							1.313

Sources: developed by the authors.

Table 4 shows that VIF values are less than 10. It confirms that no multicollinearity occurs, and all the coefficients show the pure effect of their corresponding variable on the target variable. Model:

$$Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 \quad (1)$$

$$Brand\ image = \alpha + b_1(PC) + b_2(PQ) + b_3(RA) \quad (2)$$

where PC= Price consciousness; PQ= Price Quality; RA= Risk Averseness

$$Brand\ image = 1.106 + 0.030(PC) + 0.264(PQ) + 0.434(RA) \quad (3)$$

The positive impact of price consciousness towards the brand image of gray-market goods shows insignificance and represents that H1 is rejected. The result indicates that consumers do not price-



sensitive, in particular, with gray market products. The impact of price-quality inference towards the brand image of gray-market goods is significant, representing that H2 is accepted. The result indicates that consumers observe that gray goods sold at lower prices are low in quality. The negative impact of risk averseness towards the brand image of gray-market goods shows significant and represents that H3 is accepted. The result indicates that consumers are much concerned about the risk associated with gray goods, particularly the risk of buying counterfeit products and not getting any warranty offered by authorized dealerships.

From standardized coefficient Showing the percentage and tells us which one is more effective: Price Consciousness (3.3%), Price Quality (25.2%), Risk Averseness (37.3%), and Risk Averseness has the most impact on Brand Image because its standardized coefficient value 37%.

**Table 5. Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.489	0.239	0.237	1.12489

Sources: developed by the authors.

R-value (48.9%) shows the relationship between gray-market goods and brand image (Table 5).

**Table 6. ANOVA statistics**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	118.604	1	118.604	93.730	0.000
	Residual	377.083	298	1.265		
	Total	495.687	299			

Sources: developed by the authors.

Table 6 reveals sig. value (0.000) is less than 0.05. It referred to accept H4. Therefore, gray-market goods significantly affect the brand image of the gray-market goods.

**Table 7. Beta Coefficients and Collinearity of variables**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.450	.312		4.650	.000
	Gray-market goods	.677	.070	.489	9.681	.000

Sources: developed by the authors.

Model:

$$\text{Brand image} = \alpha + b_1 (\text{gray} - \text{market goods}) \quad (4)$$

$$\text{Brand image} = 1.450 + 0.677 (\text{gray} - \text{market goods}) \quad (5)$$

The impact of gray-market goods on the brand image of gray goods shows that H4 is accepted. Table 7 indicates that consumers observe that they know those goods belong to gray market and aware of the price, quality, and risk factors associated with them but still have a positive brand image. Table 8 shows a hypothesis assessment summary, which includes hypotheses, testing specifications, and empirical conclusion for hypotheses.

**Table 8. Hypotheses Assessment Summary Table**

Hypotheses	B Value	P-Value	Empirical Conclusion
H1: Consumers with price consciousness positively impact the brand image of gray-market goods.	0.030	0.538	Not supported
H2: Consumer's price-quality inference negatively impacts the brand image of gray-market goods.	0.264	0.000	Supported
H3: Consumer's risk averseness negatively impacts the brand image of gray-market goods.	0.434	0.000	Supported
H4: Gray-market goods have a significant positive impact on brand image.	0.677	0.000	Supported

Sources: developed by the authors.

**Conclusions.** The data analysis findings can be generalized. Most of the established relationships are significant and are relevant to the literature with little exception. The results mentioned above showed that consumers were aware of goods that they bought from gray market. Moreover, consumers won't consider any potential hazards with gray goods, i.e., gray-market goods are exposed to infiltrate by counterfeit products and gray goods remain short in general services that companies or their authorized dealers offer. As far as the price consciousness factor is concerned, it does not gather consumer's attention for sale. Consumers are not just buying gray goods for their lower prices. They would also like to buy those products at premium prices as the same result was concluded by (Yeung and Mok, 2009) depending on the product availability and scarceness. Another factor in Gray market is the price-quality implication, and this factor is impacting the consumers' buying behavior according to the above data analysis. The consumer's price-quality implication is perceived as a higher price means higher quality, and a lower price means lower quality. Hence, most consumers are concerned about lower prices of the gray goods that are not according to the quality of the product they associate with the brand or are not according to their brand image. The last factor of this research is risk averseness which has an impact in buying gray-market goods consumer don't want to take risk, and this research confirms that consumers usually try to avoid risk in the case of gray marketing and the same result was concluded by (Huang et al., 2004).

This study's objective was to check the impact of gray-market goods on the company's brand image. The study reveals that it has a significant impact on their brand image. It has been conferred by (Chen, 2007) in their study that gray goods positively impact consumers' purchase decisions, which eventually leads to a positive brand image of that products. Despite the negative effect of price consciousness, price-quality inference, and risk averseness, consumers positively impact the brand image of Gray-market goods. Gray market has become a multi-billion trading business and well established in Pakistan. Keeping in mind the scope of gray-market goods in Pakistan's objective of this research analyzes the impact of gray goods on its brand image. This study gathered the data from customers who all are exposed to gray-market goods. The results show that the gray market significantly impacts that product's brand image in terms of price, quality, and risk factors. These markets and businesses take advantage of manufacturer's price discrimination strategies across different international domains, which eventually motivate parallel importer or Gray marketers. There are many recommendations that could be drawn from this research's results. Almost all manufacturers want to expand their business regardless of its effects on brand image. Though the Gray market is neither considered illegal nor an illegitimate business, there is always a chance of Gray goods being infiltrated by counterfeit products. That is a concerning point for managers of the respective businesses not to let this phenomenon impact their brand image either way. Secondly, Gray marketers took the power of price discrimination strategies adopted by manufacturers according to geographical requirements in the international markets. A gray marketer had the full advantage of it. Therefore, the things for businesses to take under consideration is to quit the price discrimination strategy at once and, on the other hand, to make products highly adaptive according to the geographical need of

that market so that those products will not be needed elsewhere except for that specific national boundary. The study suggests that improving the visual merchandising such as store layout and visual displays can also give an advantage to companies over the competition (Soomro et al., 2017)

The scope of gray-market goods keeps on expanding to other merchandising categories. Therefore, future studies must consider this factor in future studies. Another domain of this study that needs to be considered in future research is the domain of high involvement products and low involvement products in which consumers have different purchasing behavior. According to this, domain purchase intention is matters a lot to customers. As mentioned earlier, gray-market goods concept must be analyzed in other sectors and energy-efficient electronic appliances, as this is the fastest-growing sector in the developing economies (Bhutto et al., 2021). Therefore, gray-goods aspect will give new insights into the research.

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**Сайед Мухаммед Максуд**, Університет короля Абдулазіза, Саудівська Аравія

**Ясір Алі Соомро**, Ph.D., Університет короля Абдулазіза, Саудівська Аравія

**Сірий ринок та його вплив на бренд: кейс для роздрібно-парфумерної промисловості**

У статті висунуто гіпотезу, що товари сірого ринку негативно впливають на бренд компанії. Авторами досліджено мотиви споживачів, що спонукають їх на рішення придбати товари на сірому ринку на прикладі Пакистану. Виокремлено три основні мотиви: цінове сприйняття, співвідношення ціна-якість та неохильність до ризику. Для перевірки висунутої гіпотези, у роботі проведено польове дослідження. Детерміновану вибірку даних сформовано на основі результатів анкетування 350 респондентів, які є покупцями парфумерних товарів на сірому ринку Пакистану. Зазначено, що анкету сформовано за допомогою питань закритого типу. Учасники опитування мали можливість виразити міру своєї згоди за відповідним твердженням за 7-бальною шкалою Лайкерта. Для перевірки ступеня узгодженості думки респондентів використано коефіцієнт Альфа Кронбаха. За результатами проведених розрахунків, значення коефіцієнту Альфа Кронбаха становило 81,7%, що засвідчило про надійність даних та узгодженість думки респондентів для проведення подальшого аналізу. Авторами використано інструментарій регресійного аналізу для оцінювання впливу виокремлених факторів на результуючий показник. Отримані результати засвідчили високий статистично значущий позитивний вплив товарів сірого ринку на бренд компанії. Встановлено, що цінове сприйняття не має суттєвого впливу на готовність споживачів придбати товари на сірому ринку. Отже, у Пакистані, споживачі не є чутливими до зміни цін. Авторами зазначено, що фактори співвідношення ціна-якість та неохильність до ризику мають негативний вплив на бренд компанії. Враховуючи отримані результати, у статті систематизовано рекомендації органам державного управління та регулювання торгівлю враховувати фактори ціна-якість та неохильність до ризику для усунення проблем, пов'язаних із товарами сірого ринку в країнах, що розвиваються.

Ключові слова: сірий ринок, товари на сірому ринку, імідж, бренд, цінове сприйняття, співвідношення ціна-якість, неохильність до ризику.