

**BUYER AND NON BUYER OF COUNTERFEITS
OF LUXURY BRANDS: EXAMINING THEIR DIFFERENCES
IN BEHAVIOURAL OUTCOMES**

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BUYER AND NON BUYER OF COUNTERFEITS OF LUXURY BRANDS: EXAMINING THEIR DIFFERENCES IN BEHAVIOURAL OUTCOMES

ABSTRACT

The purpose of the study is to examine the behavioural differences between non-buyer and buyer of counterfeits of luxury brands. Data was collected using a mall intercept in downtown Shanghai, China. 202 useable responses were retained for analysis. Findings revealed that there are differences between both group of consumers. Social and personality factors do influence attitudes and purchase intentions towards counterfeits of luxury brands. Managerial implications were also discussed.

INTRODUCTION

China, other than being the international economic superpower, is also the world's most notorious country for counterfeiting (Furnham and Valgeirsson, 2007). A wide range of counterfeit goods ranging from pharmaceuticals to luxury brands that are produced, are traced to China as the source of production (Hung, 2003; Forney, 2005; Cheung and Prendergast, 2006; Bian and Veloutsou, 2007; Phau and Teah, 2009). Furthermore, due to the economic growth, there is an increase in luxury consumers, thereby spurring the growth of counterfeit production to an astronomical level (Jiang, 2005; Sonmez and Yang, 2005; Li and Su, 2007). Although there has been visible effort that the Chinese officials are committing to prosecute counterfeiters and eradicate the problem, the fundamental flaws and loopholes in the copyright and IP legislation allow counterfeiting to continue (Sonmez and Yang, 2005; Clark, 2006).

Buyer and non-buyers attitudes towards counterfeiting

Past research have shown that buyers and non-buyers of counterfeits of luxury brands hold different attitudes towards counterfeits of luxury brands (Ang *et al.*, 2001; Wang *et al.*, 2005). Buyers of counterfeits of luxury brands will perceive their actions in a more favourable light, and are also known to have some degree of loyalty towards counterfeit goods (Tom *et al.*, 1998). It was also found that there are notable differences between non-buyer and buyer attitudes towards counterfeits of luxury brands. Buyers do tend to perceive quality, reliability and functional aspects of the counterfeits of luxury brands to be higher and more closely similar to the genuine articles (Phau and Teah, 2009). Furthermore, with the improving quality of

counterfeits of luxury brands today, it provides more reason for consumers to purchase the counterfeits as it serves a similar purpose to that of the genuine.

As counterfeits are cheaper alternatives of more expensive genuine products, there might not be a noticeable difference in perceived quality (Gentry *et al.* 2006). According to Tom *et al.* (1998), consumers are more inclined to purchase products with a fashion component attached, such as is the case for luxury products. Buyers of counterfeits are willing to pay for the visual attributes and functions without paying for the associate quality (Grossman and Shapiro, 1988; Cordell *et al.*, 1996). Buyers of counterfeits are also expected to prefer counterfeit products with a famous brand name attached that would present some meaning to the consumer (Cordell *et al.*, 1996). This reinforces the concept that only brand names that are well known or worth counterfeiting are targeted for illegal production (Eisend and Schuchert-Güler, 2006).

Furthermore, it has been found that if the perceived product attributes between the genuine product and the counterfeit product are similar in terms of quality, the purchase intention will be higher (Wee *et al.*, 1995; Penz and Stöttinger, 2005). In view of the Chinese non-buyer and buyer differences in their attitudes towards counterfeits of luxury brands, it is postulated that there are two groups of factors that influences the attitudes towards counterfeit of luxury brands. Therefore, this study will attempt to examine the differences between non-buyer and buyer attitudes and purchase intentions towards counterfeits of luxury brands.

Justification of study

Numerous researches in the past have examined various aspects of counterfeiting from both the supply and demand perspective (Ang *et al.*, 2001; Bush *et al.*, 1989; Albers-Miller, 1999; Phau and Teah, 2009). However, even though studies have examined all these areas, little has been done to examine in specific the behavioural differences between buyer and non-buyer of counterfeits of luxury brands. This study extends and provides deeper insights into the differences in mindset between non-buyers and buyers, thereby providing practitioners with important information to formulate better and more effective strategies in dissuading consumers from purchasing counterfeits of luxury brands.

This paper is organized into several sections beginning with a discussion on extant literature and leading to the model and hypotheses development. This is followed by a description of the research method. The discussion of the findings and analysis will next be presented. Finally, the managerial implications and limitations of the study are highlighted.

Relevant Literature and Hypotheses Development

Counterfeits defined

Counterfeits are reproductions of a trademarked brand (Cordell *et al.*, 1996), which are closely similar or identical to genuine articles. This includes packaging, labelling and trademarks, to intentionally pass off as the original product (Kay, 1990; Ang *et al.*, 2001; Chow, 2002). Research has identified two types of consumers of counterfeit products. The first is a victim, who unknowingly and unintentionally purchases counterfeit goods due to it being so closely similar to the genuine articles (Grossman and Shapiro, 1988; Bloch *et al.*, 1993; Mitchell and Papavassiliou, 1997; Tom *et al.*, 1998). However, the second is a willing participant or consumer of counterfeit products, wherein they sought out counterfeit products even when they knew that the products were illegal (Bloch *et al.*, 1993; Cordell *et al.*, 1996; Prendergast *et al.*, 2002).

Antecedents - Social Factors

Social influence refers to the effect that others have on an individual consumer's behaviour (Ang *et al.*, 2001). Two common forms of consumer susceptibility to social influences are information susceptibility and normative susceptibility (Bearden *et al.*, 1989; Wang *et al.*, 2005). Information susceptibility is when a purchase decision is based on the expert opinion of others (Ang *et al.*, 2001; Wang *et al.*, 2005). The assurance of opinions of others plays an important role as a point of reference especially when consumers have little knowledge of the product category in question. On the other hand, normative susceptibility concerns purchase decisions that are based on the expectations of what would impress others (Ang *et al.*, 2001; Wang *et al.*, 2005; Penz and Stöttinger, 2005).

Although there has been past research stating that the Chinese collectivistic culture is one of the primary contributing reasons to high counterfeiting rates in China (Swinyard *et al.*, 1990; Marron and Steel, 2000; Husted, 2000; Wang *et al.*, 2005), the degree of collectivism varies depending on geographical locations. Inland Chinese are deemed to be more collectivistic than residents in the more developed coastal cities such as Guangzhou, Beijing and Shanghai (Koch and Koch, 2007). Collectivism has been constantly discussed as one of the factors in Asian societies to positively influence consumer attitudes towards pirated products and counterfeits.

Antecedents - Personality Factors

Most purchasers of genuine luxury brands pursue value for brand, prestige and image benefits, but maybe unwilling to pay the high price for it (Bloch *et al.*, 1993). For a lower price and a slightly substandard quality, counterfeits are still considered as value for money (Bloch *et al.*, 1993; Lichtenstein *et al.*, 1990; Ang *et al.*, 2001; Wang *et al.*, 2005). As counterfeits of luxury brands usually provide the same functional benefits as the original, but at a fraction of the price of the genuine product, it is perceived favourably. For consumers who are value conscious, they would have positive attitudes towards counterfeits of luxury brands.

Novelty seeking is the curiosity of individuals to seek variety and difference (Hawkins *et al.*, 1980; Wang *et al.*, 2005). A consumer who is inclined to try new products would probably have positive attitudes towards counterfeits of luxury brands. Novelty seeking consumers are particularly inclined towards products with low purchase risk. Hence the low cost of counterfeit products are well suited to satisfying their curiosity and the need for experimentation (Wee *et al.*, 1995).

In accordance to Kohlberg's (1976) moral competence theory, consumer's behaviours are affected by their personal sense of justice. The influence of basic values like integrity will affect the judgement towards succumbing to unethical activities (Steenhaut and van Kenhove, 2006). Integrity is determined by personal ethical standards and obedience towards law. If consumers view integrity as crucial, the chances of them viewing counterfeits of luxury brands in a positive light would be much smaller (Ang *et al.*, 2001; Wang *et al.*, 2005).

Personal gratification is the need for a sense of accomplishment, social recognition, and the desire to enjoy the finer things in life (Ang *et al.*, 2001; Wang *et al.*, 2005). Consumers with high sense of personal gratification would be more conscious of the appearance and visibility of fashion products. They are probably less prone to accept goods of slightly inferior quality. Consumers with a high sense of personal gratification will value the genuine versions of luxury products hence they will have a negative attitude towards counterfeits of luxury brands.

Status consumption has long been defined as the purchase, use, display and consumption of goods and services as a means of gaining status (Veblen, 1899, 1953; Packard, 1959; Mason, 1981; Scitovsky, 1992; Eastman *et al.*, 1997). It involves a social ranking or recognition that a group would award to an individual (Packard, 1959; Dawson and Cavell, 1986; Scitovsky, 1992; Eastman *et al.*, 1997), that is irrespective of social and income level. It is inaccurate to assume that only the wealthy are prone to status consumption (Freedman, 1991; Miller 1991; Eastman *et al.*, 1997; Shipman, 2004). Status consumption is for consumers who are seeking self-satisfaction as well as to display their prestige and status to surrounding others usually through visible evidence (Eastman *et al.*, 1997). Status consumers seek to possess brands that exude brand symbols that reflect their self-identity. Status consumers are more conscious of the display of accomplishment, their attitudes towards counterfeits of luxury brands would be unfavourable.

Based on the above discussion, a comparison will be made between non-buyers and buyers for the following hypotheses:

- H_{1a}*** Normative and information susceptibility have a negative influence on consumer attitudes towards counterfeits of luxury brands.
- H_{1b}*** Collectivism has a positive influence on consumer attitudes towards counterfeits of luxury brands.
- H_{1c}*** Value consciousness has a positive influence on consumer attitudes towards counterfeits of luxury brands.
- H_{1d}*** Novelty seeking has a positive influence on consumer attitudes towards counterfeits of luxury brands.
- H_{1e}*** Integrity has a negative influence on consumer attitudes towards counterfeits of luxury brands.

H_{1f} Personal gratification has a negative influence on consumer attitudes towards counterfeits of luxury brands.

H_{1g} Status consumption has a negative influence on consumer attitudes towards counterfeits of luxury brands.

Purchase Intention – Theory of Planned Behaviour

According to the theory of planned behaviour (TPB), the purchase behaviour is determined by the purchase intention, which is in turn determined by attitudes (Fishbein and Ajzen, 1975). Attitudes towards behaviour instead of towards the product are noted to be a better predictor of behaviour (Fishbein, 1967; Fishbein and Ajzen, 1975; Lutz, 1975; Yi, 1990; Penz and Stöttinger, 2005). However, the theory also stated that the opportunities and resources, such as the accessibility of counterfeit products, must be present before purchase behaviour can be performed. Unethical decision making such as purchasing of counterfeits is explained largely by the attitudes, regardless of product class (Wee *et al.*, 1995; Chang, 1998; Ang *et al.*, 2001). The more favourable consumer attitudes towards counterfeiting are, the higher the chances that they will purchase counterfeit brands. It is therefore postulated that:

H₂ There is a significant relationship between attitude and purchase intention towards counterfeits of luxury brands for non-buyers and buyers.

In addition, social and personality antecedents have long been established to have an influence on consumer decision making (Miniard and Cohen, 1983) towards purchase intention. It is therefore postulated that:

H₃ There is a significant relationship between social and personality factors (information susceptibility, normative susceptibility, collectivism, value consciousness, novelty seeking, integrity, personal gratification, and status consumption) and purchase intention towards counterfeits of luxury brands between non-buyers and buyers.

METHODOLOGY

Data collection

Data collection was conducted using a mall intercept method in a major shopping complex in downtown Shanghai. Trained interviewers were directed to approach the fifth shopper that crosses a designated spot outside the main entrance of the mall to participate in a self administered questionnaire. Respondents with different demographic profiles were approached over a two week period consisting of both weekdays and weekends. A 14% response rate was recorded. Rather than using a student sample (Wang et al., 2005), measuring the consumers in a shopping related environment would enable respondents to relate to what the research intends to measure, therefore improving the ecological validity of the study (Hornik and Ellis, 1988).

Survey Instrument

The survey instrument was developed in English and translated into Chinese by a professional native speaker. It was then back translated and checked for inconsistencies by another professional translator. The five sections consisted of established scales and demographics. The description of scale items and their reliabilities are reflected in *Table 1*. Sections A and B measured social factors and personality factors. Section C examines attitudes and the purchase intentions towards counterfeits of luxury brands. Section D comprised of items regarding purchasing habits of counterfeit products and brands. Section E comprised of demographic information of respondents. The reliabilities and source of the scale items are displayed in *Table 1*.

Table 1: Source and α coefficients of measurement scale items

Scale Measure	Source	Number of Items*	α Coefficient
Information Susceptibility	Bearden <i>et al.</i> 1989	4 items	0.733
Normative Susceptibility	Bearden <i>et al.</i> 1989	4 items	0.721
Collectivism	Wang <i>et al.</i> 2005	4 items	0.702
Value Consciousness	Lichtenstein <i>et al.</i> 1990	4 items	0.747
Integrity	Rokeach 1973	4 items	0.716
Personal Gratification	Vinson <i>et al.</i> 1977	5 items	0.764
Novelty Seeking	Wee <i>et al.</i> 1995	4 items	0.736
Status Consumption	Eastman <i>et al.</i> 1997	5 items	0.708
Attitudes towards counterfeiting luxury brands	Adapted from Wang <i>et al.</i> 2005	7 items	0.661
Purchase Intention	Ang <i>et al.</i> 2001	4 items	0.921

* All scales rated on a 7 point Likert scale

Samples

270 questionnaires were collected and of these 68 responses were discarded due to incompleteness or if respondents were not Chinese nationals. The remaining 202 usable responses were analysed with SPSS software version 14. The sample distribution between buyers and non-buyers was approximately in the ratio of 1:3. 58.4% of the respondents were male. 74.2% of buyers were 21-35 years old. There were more non-buyers (15.7%) that were under 36-45 in comparison to buyers (13.9%). The percentage of buyers was higher than non-buyers, which is representative of high counterfeiting rates in China (Traphagan and Griffith, 1998; Wang *et al.*, 2005), therefore justifying the basis of the study.

Attitudes towards counterfeit of luxury brands

An exploratory factor analysis was conducted on the original 10-item attitudes towards counterfeits of luxury brands scale. Through varimax rotation, two factors emerged and were named “perceptions of counterfeits” and “social consequences”. The composite attitudes towards counterfeits of luxury brands scale was used for all subsequent regression analyses.

Table 2: Results of Factor Analysis of Attitudes towards Counterfeits of Luxury Brands

Items	Factor Loadings	
	F1 – Perceptions of Counterfeits	F2 – Social Consequences
Counterfeits of luxury brands are as reliable as the original version	0.909	
Counterfeits of luxury brands have similar quality to the original version	0.899	
Counterfeits of luxury brands provided similar functions as the original version	0.861	
Buying counterfeits of luxury brands infringes intellectual property		0.890
Buying counterfeits of luxury brands will hurt the luxury goods industry		0.824
Buying counterfeits of luxury brands damages interests and rights of legitimate/original manufacturer		0.751
Purchasing counterfeits of luxury brands is illegal		0.733
% of Variance	38.924	24.737
Eigenvalue	3.892	2.474
Cronbach Alpha	0.905	0.817
Cronbach Alpha	0.661	
KMO	0.795	
Barlett’s Test of Sphericity	.000	.000

Influence of social and personality factors on attitudes towards counterfeits of luxury brands

Multiple regression was conducted on the “social factors” and “personality factors” towards attitudes towards counterfeits of luxury brands. *Table 3* below revealed that only normative susceptibility, novelty seeking and status consumption (Adjusted R²= .524) were significant influencers of attitudes towards counterfeits of luxury brands for non-buyers. There were no significant influencers for buyers of luxury brands.

Table 3: Influence of Social and Personality Factors towards Attitudes

	B-Values	Standard Error	Beta	t-value	Sig.
Non-Buyers					
Normative Susceptibility	.356	.141	.555	2.519	.016
Novelty Seeking	-.501	.166	-.624	-3.025	.005
Status Consumption	.592	.135	.666	4.375	.000

Influence of attitudes towards purchase intentions of counterfeits of luxury brands

Multiple regression comparing both non- buyers and buyers was conducted on “attitudes towards counterfeits of luxury brands” and “purchase intentions towards counterfeits of luxury brands”. It was revealed that there is a significant difference between the attitudes of both groups of consumers. It is recorded that for non-buyer attitudes towards counterfeits of luxury brands significantly influences on purchase intentions, accounting for an Adjusted R^2 of .544. It is also found that there is a significant relationship between buyer attitudes towards counterfeits of luxury brands on purchase intentions, accounting for an Adjusted R^2 of .197.

Table 4: Influence of Attitudes towards Purchase Intentions

	B-Values	Standard Error	Beta	Adjusted R^2	t-value	Sig.
Non-buyers	1.621	.213	.744	.544	7.629	.000
Buyers	.679	.116	.451	.197	5.871	.000

* Independent variable: Attitudes towards counterfeits of luxury brands

* Dependent variable: Purchase Intention

Influences of social and personality factors on purchase intentions towards counterfeits of luxury brands

Multiple regression was conducted on the “social factors” and “personality factors” towards “purchase intentions towards counterfeits of luxury brands”. It was found that normative susceptibility, novelty seeking and status consumption influences purchase intentions towards counterfeits of luxury brands (Adjusted $R^2 = .516$) for non-buyers.

Whereas, for buyers only status consumption is the only factor that showed a significant relationship towards purchase intentions (Adjusted $R^2 = .406$).

Table 5: Influence of Social and Personality Factors towards Purchase Intentions

	B-Values	Standard Error	Beta	Adjusted R^2	t-value	Sig.
Non-buyers						
Normative Susceptibility	1.103	.316	.775	.516	3.488	.001
Novelty Seeking	-.851	.363	-.479		-2.344	.024
Status Consumption	1.039	.298	.536		3.488	.001
Buyers						
Status Consumption	.758	.167	.628	.406	4.551	.000

DISCUSSION AND IMPLICATIONS

In summary, it is evident that there are notable differences between non-buyer and buyer behaviour towards counterfeits of luxury brands. Firstly, for non-buyers normative susceptibility, novelty seeking and status consumption are important factors that influence their attitudes and purchase intentions towards counterfeits of luxury brands. Secondly, it is similar that both non-buyers and buyers' attitudes towards counterfeits of luxury brands will influence their purchase intention. Lastly, only status consumption was found to influence buyer purchase intentions towards counterfeits of luxury brands.

Non-buyers are affected by normative susceptibility suggests that their peers play a huge role in influencing their attitudes. As such, negative image and connotations of counterfeits of luxury brands could within a peer group or social network could well deter positive attitudes towards counterfeits of luxury brands. This is a cue for brand managers to indoctrinate in their advertisements the negative consequences and embarrassment if discovered owning a counterfeit to ensure that non-buyers hold that attitude.

Interestingly, novelty seeking non-buyers hold negative attitudes and purchase intentions towards counterfeits of luxury brands. This could suggest that non-buyers

could be looking for wider brand choices or more innovative designs. It could be attributed to the fact that counterfeits of luxury brands are only limited in choices and only the best known and the most in fashionable designs are available, therefore limiting any innovative designs that could be different to the abundant copies and counterfeits in the market. This is a cue for the continuous innovation for brand companies and providing more alternative designs and brand choices that could appeal to the novelty-seeking, who may be looking for products that are different or inspired products but not direct copies.

It is shown that attitudes do influence purchase intentions. For both non-buyers and buyers, positive attitudes towards counterfeits of luxury brands will influence the purchase intentions. This is a cue for brand managers to be mindful of the quality of their products. If non-buyers hold increasingly positive attitudes towards counterfeits of luxury brands, the chances are they may be prone to purchase in future. Hence, there is a need for brand managers to uphold the quality of their products and be continuously innovative.

Lastly, both non-buyers and buyers behavioural intentions are influenced by status consumption. This suggests that the more consumers are prone to status consumption, the likelier the chances of purchase. It is important for brand managers to continue to tailor to the status consumers to ensure that they are satisfied and will be continued to quench their thirst for status goods. This is also the prime motivator for buyers to purchase, however it could also potentially lead non-buyers to buyers in future. As such, it is important to emphasize how counterfeits are only fake “status”, not the real deal to reiterate the exclusivity of the genuine product.

CONCLUDING COMMENTS

There are a number of limitations worthy of improvement and future research. The study was conducted using mall intercept method, which may limit the populations that could be reached. Those who may purchase may not be regular shoppers at a shopping mall but may be in wholesale markets where counterfeit products are largely sold. Although the distribution of buyers and non-buyers is reflective of the counterfeit purchasing activities, future studies could examine only non-buyers of counterfeits of luxury brands to gauge what deters them from purchasing. The study

only captures the Chinese consumers in the coastal areas, therefore limiting generalizability across other parts of China. Future studies can also examine other factors such as materialism or “face consumption”.

Further exploration using qualitative approaches to examine consumer purchase behaviour of counterfeit products may provide deeper insights. Actual ownership can be measured to determine if buyers are also owners of counterfeit products or if non-buyers actually own counterfeit products.

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