

**COUNTERFEITS OF LUXURY BRANDS: EXPLORING
THE ROLE OF LAWFULNESS AND LEGALITY**

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COUNTERFEITS OF LUXURY BRANDS: EXPLORING THE ROLE OF LAWFULNESS AND LEGALITY

ABSTRACT

This study examines the influence of personality factors and attitudes toward consumers' willingness to knowingly purchase counterfeit luxury brands. The findings have uncovered contrasting evidence that attitudes do not influence consumers' willingness to purchase counterfeit luxury brands. Integrity has been noted to be a strong influencer of both attitudes and consumer willingness to purchase consistently. Both buyers and non-buyers were tested for their attitudinal differences. Status consumption and materialism did not play a role in influencing attitudes or willingness to purchase. Further managerial implications were provided to better allow luxury brand owners, the government and policy makers to better understand consumers of counterfeit luxury brands.

KEYWORDS: Counterfeits, Luxury brands, Personality factors, Purchase intention

INTRODUCTION

Counterfeiting of luxury branded products is a growing problem worldwide for genuine producers and policy makers. Many luxury brands have also reported a devaluation of brand equity as a result of rampant counterfeiting activities (Gordon, 2002; Bloch et al., 1993; Nia and Zaichkowsky, 2000; Gentry et al., 2006).

There are many reasons for consumers to indulge in the purchase of counterfeits of luxury branded fashion products. Firstly, symbolism and prestige play an influential role in consumers knowingly purchasing counterfeit luxury brands. Secondly, given the relatively short product life cycle of fashion products such as clothes, bags, shoes and accessories, most consumers are reluctant to spend exorbitant amounts of money on them, as these products are only "in-vogue" for a short time period after which they would be considered out-of-date or obsolete (Ramayah et al., 2002). Thirdly, the success of counterfeits of luxury brand industry can be attributed primarily to the price advantages it offers over the genuine product (Bloch et al., 1993). There are still some distinct differences across the plethora of counterfeited products. For instance, a counterfeit copy of the latest James Bond movie offers the same experience as the genuine version. However, a counterfeit Ralph Lauren polo shirt is not the same as the original Ralph Lauren polo shirt despite similarity in colour, design and feel. In fact it may not even share the same customer base. Thus the question arises if there is a distinct difference between buyers and non-buyers of counterfeits of luxury brands.

The aim of this paper is to test a model that deals with the main predictors, namely *status consumption*, *materialism* and *integrity* of consumer attitudes toward counterfeit luxury brands and their intentions to buy such products. The focus of this paper is directed toward a low involvement product category and of a luxury symbolic brand – Ralph Lauren Polo Shirt. Further, this study investigates the differences between the profiles of buyers and non-buyers of counterfeits. The theoretical underpinnings together with relevant literature will be reviewed and leading to the development of hypotheses. This is followed by a description of the research method and a discussion of the findings and

analysis. Finally, the concluding comments, managerial implications and limitations of the study are highlighted.

RELEVANT THEORY AND HYPOTHESES DEVELOPMENT

The theory of reasoned action (TRA) states that the decision to engage in behaviour in this case, purchasing counterfeit luxury products, is predicted by an individual's intention to perform the behaviour directly. The theory of planned behaviour can be largely used in this context to explain the decision to purchase counterfeited luxury brands. Both personal and social factors influence intentions towards the purchase of counterfeits of luxury brands as explained in the theory of reasoned action. The attitudes towards counterfeits can also be explained by the theory of moral reasoning. Kohlberg (1976) states that an individual resolves an ethical dilemma through reasoning if the expected personal consequence is a reward or punishment. As such, consumer behavioural choices are generally influenced by behaviours considered appropriate and therefore normatively approved whilst others are seen as inappropriate and hence restricted (Gupta et al., 2004). Counterfeit producers also justify their actions by excusing themselves of liability through deflecting blame to the buyer (Cordell et al., 1996). This can also work in the reverse, where buyers of counterfeits absolve themselves of blame by shifting the blame onto the seller (Vitell et al., 2001; Penz and Stottinger, 2005).

The attitudinal construct said to influence consumer behavioural intentions regarding counterfeits can be distinguished by attitudes toward the lawfulness of counterfeits and the legality of purchasing counterfeits (Cordell et al. 1996; Ramayah et al., 2002). The higher an individual's level of moral judgement, the less likely the individual is to approve of or engage in counterfeit transactions. Kohlberg's (1976) Moral Competency Theory denotes that a consumer's personal behaviours are based on a subjective sense of justice. Similarly, the more unfavourable a consumer's attitudes toward counterfeiting, the less likely he or she will purchase counterfeit luxury brands (Wee et al., 1995). As such the following hypotheses are presented:

H1_a– Consumers’ attitude toward lawfulness of counterfeits is inversely related to knowingly purchasing counterfeit luxury brands.

H1_b– Consumers’ attitude toward the legality of purchasing counterfeits is inversely related to knowingly purchasing counterfeit luxury brands.

Building on Kohlberg’s (1976) Moral Competence Theory, an individual’s behaviour is affected by their personal sense of justice. Integrity represents an individual’s level of ethical consideration for and obedience to the law (Wang et al., 2005). Research shows that ethically-minded consumers possess unfavourable attitudes toward counterfeits and are less willing to purchase counterfeits (Cordell et al. 1996). However, they may rationalise their actions through their non-normative consumption behaviour and as such they do not perceive their behaviour as unethical (Ang et al., 2001). Hence, non-buyers will place greater value on integrity and are likely to possess negative attitudes toward the lawfulness of counterfeits and the legality of purchasing counterfeits. Therefore the following hypotheses are developed:

H2_a– Consumers’ attitude toward lawfulness of counterfeits is inversely related to integrity.

H2_b– Consumers’ attitude toward the legality of purchasing counterfeits is inversely related to integrity.

Another important determinant of counterfeiting behaviour is the concept of status consumption, where it is an individual’s goal to evoke superior social standing through overt consumption of products to achieve respect and envy from others (Eastman et al., 1999; Csikszentmihalyi and Rochberg-Halton, 1981). Hence, individuals who wish to be seen to belong to a higher social class but do not have the income to support it, will purchase the counterfeit alternative instead of the original, regardless of ethical standing (Wee et al., 1995). Thus, the following hypotheses are presented:

H3_a– Consumers’ attitude toward lawfulness of counterfeits is directly related to status consumption.

H3_b– Consumers’ attitude toward the legality of purchasing counterfeits is directly related to status consumption.

Research has also noted that the view of materialism is an important indicator that influences counterfeiting behaviour. Belk (1985) defines materialism as the importance a consumer places on worldly possessions as a means to achieve happiness in life. Highly materialistic consumers are driven to consume more than other consumers, with explicit preference to consume status goods over general goods (Wong, 1997). They openly display acquired wealth and social standing to significant others (Eastman et al., 1999). In particular, branded clothing and accessories are categories that offer style and image (Fitzmaurice and Comegys, 2006). Highly materialistic consumers without the financial capacity to achieve their aspirations are likely to turn to counterfeit luxury brands. Thus the following hypotheses are developed:

H4_a– Consumers’ attitude toward lawfulness of counterfeits is directly related to materialism.

H4_b– Consumers’ attitude toward the legality of purchasing counterfeits is directly related to materialism.

With respect to attitudes toward counterfeits, current literature has shown buyers and non-buyers of counterfeits hold different attitudes toward counterfeiting (Ang et al., 2001; Wang et al., 2005). It has been widely noted that consumers may absolve themselves of any responsibility for the counterfeit transaction by citing the seller as the unethical individual (Cordell et al., 1996; Petnz and Stottinger, 2005). Therefore this hypothesis foresees buyer’s moral laxity resulting in positive attitudes toward the purchase of counterfeit luxury brands. Thus the following hypothesis is developed:

H5– Buyers of counterfeit luxury brands have more positive attitudes toward counterfeits than non-buyers.

METHODOLOGY

Data were collected from a convenience sample of 278 students from a large Australian university. Only 202 surveys were usable and were entered into SPSS 14 for analysis. Main statistical techniques used to analyse the results to address relevant hypotheses were

standard and stepwise regression analyses. The first section required respondents to rate their purchase likelihood in response to two scenarios involving a brief description of the genuine and identical counterfeit *Ralph Lauren* polo shirt. The questionnaire adapted established scales to measure lawfulness of counterfeits (Rundquist and Sletto, 1936), integrity (Rokeach, 1973), status consumption (Eastman et al.1999) and materialism (Sirgy et al. 1998). The last section consisted of demographic questions used to classify respondents into categories. The majority of scales measured via statements on a seven-point Likert-scale.

RESULTS

In order to test Hypotheses I_a , I_b , standard regression was conducted to determine whether attitudinal factors have negative influences on consumer willingness to knowingly purchase counterfeit luxury brands. Neither *attitudes towards lawfulness of counterfeits* ($t = 0.126$, $\beta = -0.013$, $R^2 = -0.005$, $p > 0.05$) nor *attitudes towards legality of purchasing counterfeits* ($t = -1.245$, $\beta = -0.126$, $R^2 = -0.005$, $p > 0.05$) were found to be significant in predicting consumer willingness to purchase counterfeit luxury brands. These results reject Hypotheses I_a , I_b . This finding could be attributed to consumers not perceiving that buying and/or selling of counterfeit luxury brands is a serious offence (Bian and Veloutsou, 2006).

In order to test Hypotheses 2_a , 3_a and 4_a , stepwise regression was conducted to determine if the three antecedents have any influence on consumer attitudes toward lawfulness of counterfeit luxury brands. Results show that only *integrity* ($t = 1.999$, $p < 0.000$, $\beta = 0.199$, $R^2 = 0.030$) is a significant predictor. Similarly, stepwise regression was also used to determine if the three antecedents have any influence on consumer attitudes toward legality of purchasing low involvement counterfeit luxury brands. The results again show that *integrity* was found to be the only significant factor ($t = 2.545$, $p < 0.013$, $\beta = 0.250$, $R^2 = 0.053$). Acceptance of Hypothesis 2_a reflect that consumers with high integrity are likely to have negative attitudes toward lawfulness and the legality of purchasing low involvement counterfeit luxury brands. This result is consistent with previous studies (Ang et al., 2001; Cordell et al., 1996; Kokkinaki, 1999; Matos et al., 2007). On the other

hand, Status consumption and Materialism were found to have no significant influence on consumer attitudes toward the lawfulness and the legality of purchasing low involvement counterfeit luxury brands. Hypotheses 3_a and 4_a are thus rejected. This result contradicts findings by Furnham and Valgeirsson (2007) that identified positive relationships of materialism on attitudes toward counterfeits. This could be due to the particular product category that is of a low involvement product.

In order to test Hypotheses 2_b , 3_b and 4_b , standard regression was used to predict the influence of the three antecedents on consumer willingness to knowingly purchase counterfeit luxury brands. The results revealed that none of them are significant predictors, thus Hypotheses 2_b , 3_b and 4_b are all rejected.

In testing Hypothesis 5, results indicated no significant difference between buyers and non-buyers in attitudes toward the lawfulness and legality of counterfeit luxury brands on five of the six items. Accordingly, there seems to be no difference in attitude between buyers and non-buyers towards counterfeit luxury brands. This also means that buyers may have negative attitudes towards lawfulness and legality towards counterfeits, but they still continue to buy counterfeits. These results reject Hypothesis 5.

CONCLUSION

The preceding discussion highlights the implications between a consumer's attitudes toward lawfulness / legality of purchasing of counterfeit luxury brands and their willingness to knowingly purchase counterfeit luxury brands. There are several key managerial contributions for the study. First and foremost, there are some insights into the buyers and non-buyers of counterfeit luxury brands and their demographic profiles.

Advertisers and strategists should also consult the other demographic factors. As suggested by other studies (Wee et al., 1995; Tom et al., 1998; Ang et al., 2001; Wang et al., 2005), putting a more 'human face' on the damaging effects of counterfeiting would evoke empathy especially when targeting the higher spending segments between 25-34 years of age (Phau and Teah, 2008; Prendergast et al., 2002). More importantly, as

consumers are often ill-informed about the detriments of the counterfeit trade suggested by prior researchers (Prendergast et al., 2002), more effort must be taken to educate these consumers about the negative effects their buying behaviours may have on the economy (Bush et al., 1993; Nia and Zaichkowsky, 2000). These educational programs should not only be limited to schools, but also include employees of multinational companies, tourism related businesses and other domestic businesses (Phau and Teah, 2008; Simone, 2006).

Other managerial implications can be elicited from the study. For instance, it is important to note that the counterfeiting problem does not only lie with manufacturers alone but also with the buyers of counterfeits (Bloch et al., 1993; Phau and Prendergast, 2002). To combat this mentality, luxury brand companies should engage in more social responsibility acts so as to equalize consumer perceptions of being exploited (Phau and Teah, 2008). Furthermore, this is a cue for the government to enforce regulations to prosecute both sellers and buyers of counterfeits. This would ensure that both parties understand that they are fuelling the counterfeit industry and both parties will be held accountable for their actions.

There are a number of limitations in this study worthy of improvement and leads for future studies. Firstly, while numerous past studies have favoured convenience sampling to collect data, a more appropriate method would be a mall intercept. Replication with other product categories of a more high-involvement nature (such as buying a car which may have some counterfeit parts) may elicit different results. Finally, culture and nationality may also be issues in influencing ethical and moral values. A cross-national or cross-cultural study may shed new light on this issue.

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