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The Face of Fakes: U.S. Consumers and Counterfeit Fashion Products

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ABSTRACT

Counterfeit products pose a serious threat to fashion product brand owners and to the world economy. While research on the demand side of counterfeiting has grown over the past two decades, few extant studies have been conducted among non-student consumers outside Asia and Europe and few studies have focused on product categories other than consumer electronic-related items. Using a sample of U.S. consumers (N=305), the current research investigates consumer attitudes in the context of fashion products. Findings suggest that gender and education are the two variables most frequently related to purchase intention for counterfeits, beliefs about counterfeit products, and ethicality. In addition, age appears to affect consumer stance on the social cost of counterfeiting, and education is related to anti-big business attitudes. In contrast, income does not appear to be related to any of the focal variables examined in the study.

INTRODUCTION

Counterfeit goods, which imitate the look of famous brand items, bear a name or logo without the permission of the registered owner (Lai and Zaichowsky, 1999). The sale of counterfeit goods harms brand owners by reducing sales and diluting prestige (Raustiala and Sprigman, 2006), and undermines the nation's economy by circumventing sales and taxes, and displacing U.S. jobs (Trainer, 2003; U.S. Immigration and Customs Enforcement, 2009). Under the Lanham Act, the unauthorized use of registered trademarks and sale of counterfeit goods is unlawful in the U.S. (15 U.S.C. § 1051, *et seq.*). The Anti-counterfeit Consumer Protection Act of 1996 (Pub. L. No. 104 – 153, 1996) makes trafficking goods bearing counterfeit marks a crime (18 U.S.C. § 1961 – 68). However, a consumer's act of purchasing a counterfeit product does not violate federal law.

The U.S. holds the dubious distinction of being the largest market for counterfeits, consuming an estimated three times the quantity as the next largest national market for fakes (Havoscope, 2011). Fashion items including footwear, apparel, handbags/wallets, watches, and jewelry are among the top 10 counterfeit product categories illegally imported into the U.S., mostly from China (U.S. Immigration and Customs Enforcement, 2011). In some counterfeit transactions, consumers are deceived and erroneously believe they are purchasing the legitimate branded product (Chakraborty et al., 1996). However, in growing numbers, consumers knowingly purchase counterfeit merchandise—a trend known as non-deceptive counterfeiting (Vida, 2007;

Wilcox et al., 2009). It is estimated that at least one-third of consumers would knowingly purchase counterfeit goods (Phau et al., 2001; Tom et al., 1998).

Marketers of legitimate goods need to know whether demographic variables, including education, age, income, and gender level affect U.S. consumer attitudes and purchase intention toward counterfeit products. Research in this area is sparse, sometimes contradictory, and may differ based on product category, nationality, and recentness of the research. This study attempts to address the gap in the literature about the U.S. market for counterfeit fashion goods by posing the following research question to guide the inquiry:

RQ: *Does gender, age, income and education of U.S. consumers moderate purchase intention for counterfeit products, beliefs about counterfeit products, ethicality, social cost and anti-big business attitude?*

This study will contribute to the current body of literature addressing the demand side of counterfeit goods and provide insight for brand owners and marketers attempting to curb that demand.

LITERATURE REVIEW

Much of the consumer-related research involving counterfeit products has involved non-U.S. samples and focused on consumer electronics, software, movies, and other digital products (e.g., Albers-Miller, 1999; Ang, et al., 2001; Chaudhry and Stumpf, 2011; Kwong et al., 2003; Michaelidou and Christodoulides, 2011; Moores and Chang, 2006; Sharma and Chan, 2011; Tan, 2002). Few studies in recent years have investigated the demand side of counterfeit fashion goods among a broad base of U.S. consumers (Bloch et al., 1993; Tom et al., 1998).

Purchase Intention

Consumer purchasing intentions vary based on nationality (Chapa, et al., 2006; Harvey and Walls, 2003), product category (Chaudhry and Stumpf, 2009), and demographic variables such as gender, income, and age (Solomon and O'Brien, 1991). While studies across the globe have generally shown that younger males are most likely to hold positive views toward pirated digital products (e.g., Ang, et al., 2001; Bryce and Rutter, 2005; Chaudhry and Stumpf, 2011; Kwong, et al., 2003; Tan, 2002), when it comes to fake fashion items, the research has yielded mixed results. For example, males in the United Kingdom were found more likely to purchase counterfeit sunglasses (Rutter and Bryce, 2008), but a study involving Asian consumers found females more likely to purchase counterfeit fashion accessories (Cheung and Prendergast, 2006).

With regard to U.S. consumers, early research by Tom et al., (1998) reported that those shoppers who would buy counterfeits tend to be younger, earn less, and have lower education. A recent study of university students by Norum and Cuno (2011), concluded that older university students were less likely to purchase counterfeits. While Ha and Lennon (2006) found that more than half its sample of U.S. university students had knowingly purchased fakes, this may be a higher rate of consumption than the rest of the population (Phau et al., 2001). In studying U.S. and Mexican

consumer attitudes about country of origin of fakes, Chapa, et al. (2006) found that better-educated consumers had less favorable attitudes toward counterfeit products. That study did not find age or income to affect attitudes toward counterfeits. Thus, we examine more closely demographic factors as applied to the key antecedents of counterfeit purchase intentions across a broad U.S. consumer base.

Beliefs About Counterfeit Products

Little is known about correlations between U.S. consumer demographics and their beliefs about counterfeits. Despite the emergence of high-quality fashion counterfeits known as “super copies,” (Beebe, 2010), most counterfeit apparel and accessories are lower-grade versions of their authentic counterparts (e.g., Nia and Zaichowsky, 2000; Penz and Stottinger, 2005). Still, in Western cultures, consumers are likely to believe that counterfeits, especially fashion products, are fun and worth the value (Eckhart, et al., 2010; Nia and Ziachowsky, 2000). One cross-national study, which included some U.S. consumers, determined that regardless of nationality, respondents believed that although image and appearance may differ, fakes were of similar durability and quality as the branded originals (Penz and Stottinger, 2008). A study of primarily young female students in both Korea and the U.S. found that those who had purchased counterfeit fashion products in the past were more likely to believe counterfeits are viable alternatives to authentic branded goods (Lee and Workman, 2011).

Ethicality

Consumer ethics include the moral rules, principles, and standards directing behavior regarding selection, purchase, and sale of goods or services (Muncy and Vitell, 1992). Although most consumers concede that transactions involving counterfeits are unethical (Bian and Veloutsou, 2007), researchers have identified a growing number of consumers who purchase both genuine *and* fake fashion products (Chapa, 2006; Lee and Workman, 2011; Nia and Ziachowski, 2000; Rutter and Bryce, 2008). This suggests an apparent erosion in the general population’s view of the seriousness of the offense of counterfeiting (Phau and Dix, 2009; Rutter and Bryce, 2008). Consumers with higher ethical standards are less likely to purchase fakes (Ang et al., 2001; de Matos et al., 2007; Maldonado and Hume, 2005; Penz and Stottinger, 2005). While older consumers tend to embrace higher ethical standards than younger subjects (Chaudhry and Stumpf, 2011; Michaelidou and Christodoulides, 2011; Rawwas et al., 1996; Vitell and Muncy, 2005), studies involving U.S. students have found those who judged counterfeiting as morally wrong were less likely to purchase such goods (Ha and Lennon, 2006; Kim et al., 2009).

Social Cost

Although the illicit nature of counterfeiting makes estimating the economic impact of intellectual property (IP) infringements difficult, (U.S. Government Accountability Office, 2010), one recent study places the value of counterfeiting and piracy in international trade between \$287 billion and \$362 billion annually (Frontier Economics, 2011). The U.S. International Trade Commission (USITC) estimates that if China enforced IP rights at the same level as the U.S., more than two million U.S. jobs would be realized (USITC, 2011). Yet, a cross-national study

involving U.S. students found that consumers who have purchased fakes in the past tend to perceive that such transactions do not hurt the economy or brand owners (Lee and Workman, 2011).

Consumers may select counterfeit merchandise without considering public welfare issues (Bloch et al., 1993; Cordell et al., 1996). One survey of U.S. college students found no difference in intention to purchase counterfeit goods between one sample group that had been made aware of the negative effects of counterfeiting and another that had not (Norum and Cuno, 2011). Ten years after the Tom et al. (1998) study, Walthers and Buff (2008) paradoxically found that its sample of U.S. students believed more strongly that counterfeiting hurts both the economy and manufacturers, but their reported behavior suggested more willingness to purchase fakes.

Anti-Big Business

Some consumers who purchase fakes may do so as a result of negative attitudes toward large brand owners (Kwong et al. 2003; Muncy and Vitell, 1992). Consumers are more likely to find buying counterfeits acceptable when the victim is an organization rather than an individual (Casola, et al., 2009), and may deflect blame to the large corporations that they believe charge high prices (Eckhardt et al., 2010). Nill and Shultz (1996) first coined the term “Robin Hood syndrome” to explain some consumers' willingness to violate the rights of legitimate IP owners by supporting counterfeit activities. Using a sample of very young U.S. adults and comparing their attitudes to students of the previous decade, Walthers and Buff (2008) found a stronger propensity toward buying counterfeits because the price of designer products was deemed unfair. While some research has investigated consumers' anti-big business attitudes as applied to counterfeit fashion products, (Kwong, et al., 2003; Penz et al., 2009), few have looked at U.S. consumers.

METHOD

The goal of this study was to examine the attitudes toward counterfeit products among a sample of U.S. consumers. Data were collected using computer-assisted telephone interviews among a sample of U.S. consumers aged eighteen years and older. Telephone administration was chosen for its effectiveness and efficiency reaching a range of consumer demographics within a short time period. The sample was weighted to match the demographic characteristics of the U.S. population as closely as possible in terms of gender, age, education, and income. To ensure respondent understanding, the term ‘counterfeit products’, was defined at the beginning of the interview as items that bear a brand name or logo without the permission of the registered owner. Two examples were provided: a handbag that bears a Gucci label without authorization from the Gucci company, and a pair of sunglasses that bears the Oakley label without authorization from the Oakley company.

A market research firm with expertise in telephone survey methods was contracted to carry out data collection. The listed household dialing method was employed using a list of 23,999 listed residential telephone numbers randomly selected from a total population of 44,362,600 listed residential telephone numbers. Trained interviewers administered the survey during a three week

period, including a pretest which was carried out prior to full data collection ($N=50$). Pretest subjects indicated clear understanding of the survey items. During final data collection, up to six attempts were made to contact numbers drawn from the original list. Calls were continued until a representative sample of U.S. consumers was attained based on gender, age, ethnicity, income, and level of education.

Measures

The scales used in the study were drawn from the counterfeit product literature. Intention to purchase counterfeit products was measured using the Ang *et al.* (2001) scale. Beliefs about counterfeit products were captured using the Tom, *et al.*, (1998) scale, and ethicality was measured using the Tom *et al.* (1998) scale. Social cost and anti-big business attitudes were measured using the Kwong *et al.* (2003) scales. All of the measurement scales used five-point agree-disagree statements anchored by 'strongly disagree' and 'strongly agree'. Reliabilities for the scales ranged from .70 to .90.

Analysis

A combination of descriptive and inferential statistical techniques was used to analyze the data. Descriptive statistics were used to analyze the sample characteristics, while inferential statistics were used to investigate the relationships between several independent variables (gender, age, education, income) and the focal dependent variables: purchase intention, beliefs about counterfeit products, ethicality, social cost, and anti-big business attitude. The scales for each of the dependent variables were summated to produce an average score for each respondent. Hence, the higher the respondent's score on the scale for beliefs, the more positive their attitude toward counterfeit products. Similarly, high scores on the anti-big business or purchase intention scales signify positive attitudes toward counterfeits. Conversely, a respondent with a high score on the ethicality or social cost scale exhibits resistance to counterfeit products.

Linear regression with a minimum inclusion alpha of .05 was used to examine the effects of the independent variables (demographics) on each of the five dependent variables (purchase intention, beliefs, ethicality, social cost, anti-big business,). Gender was coded as a dummy variable for use in the regression model (0 = Male; 1 = Female). Significance tests and beta estimates were used to evaluate the magnitude and direction of the effect(s) of the independent variables.

RESULTS

Sample Characteristics

The gender distribution among the sample was 51% female versus 49% male, which is similar to the U.S. population. The age of respondents ranged from 18 to 92 years with a mean of 46.8 years. The distribution among age groups in the sample was similar to the U.S. population, although the sample was slightly skewed toward the older age ranges. The sample was slightly skewed toward the higher income groups, with more high income respondents and fewer low to

middle income respondents as compared to the population. Likewise, the education level among the respondents was also slightly skewed toward higher levels of education.

Purchase Intention

The regression results for the effects of the independent variables on purchase intention for counterfeit products provide a significant statistic ($F=18.331, p<.001$) (Table 1). Female respondents display stronger purchase intention ($\beta=.344, t=2.876, p<.004$) (Table 2), suggesting a positive relationship between gender and purchase intention. Education was also a significant predictor ($\beta=-.144, t=-4.327, p<.001$) (Table 2), suggesting an inverse relationship between education and purchase intention. In contrast, age and income appear to have no significant effect on purchase intention for counterfeits.

Table 1
Summary Regression Models for Effects of Demographic Variables

Model/dependent variable	R	R square	Adjusted R-square	Std. error of estimate	Sum of Squares	df	Mean square	F	Sig.
Purchase Intention¹	.300	.090	.084	1.038					
Regression					32.249	2	16.124	14.966	.000***
Residual					325.369	302	1.077		
Total					357.618	304			
Beliefs¹	.347	.120	.115	.807					
Regression					26.944	2	13.472	20.662	.000***
Residual					196.912	302	.652		
Total					223.857	304			
Ethicality¹	.271	.074	.068	.759					
Regression					13.820	2	6.910	12.006	.000***
Residual					173.809	302	.576		
Total					187.628	304			
Social Cost²	.188	.035	.022	.900					
Regression					8.900	4	2.225	2.747	.029*
Residual					242.972	300	.810		
Total					251.872	304			
Anti-Big Business³	.165	.027	.024	.774					
Regression					5.107	1	5.107	8.520	.004**
Residual					181.611	303	.599		

¹Predictors: constant, gender and education

²Predictors: constant and age

³Predictors: constant and education

* $p < .05$, ** $p < .01$, *** $p < .001$

Table 2
Predictor Effects and Beta Estimates for Demographic Variables

Model/Predictor Variable	Unstandardized coefficients		Standardized coefficients		
	B	Std. error	Beta	t	Sig.
Purchase Intention					
Constant	3.025	.165		18.331	.000
Gender	.344	.120	.159	2.876	.004**
Age			.413	-.047	.877
Education	-.144	.033	-.239	-4.327	.000***
Income			.239	-.068	.808
Beliefs					
Constant	3.001	.128		23.380	.000
Gender	.334	.093	.195	3.590	.000***
Age			.310	-.059	.877
Education	-.128	.026	-.267	-4.927	.000***
Income			.181	-.077	.808
Ethicality					
Constant	2.746	.121		22.772	.000
Gender	-.184	.087	-.118	-2.111	.036*
Age			.086	1.449	.148
Education	.102	.024	.233	4.177	.000***
Income			.026	.418	.677
Social Cost					
Constant	2.905	.211		13.734	.000
Gender			-.143	-2.353	.169
Age	.009	.003	.159	2.628	.009**
Education			.077	1.227	.221
Income			-.061	-.970	.333
Anti-Big Business					
Constant	2.726	.110		24.894	.000
Gender			-.057	-.999	.319

Age			.044	.773	.440
Education	-.072	.025	-.165	-2.919	.004**
Income			-.071	-1.123	.262

* $p < .05$, ** $p < .01$, *** $p < .001$

Beliefs about counterfeit products

The linear regression model for the effects of the independent variables on beliefs about counterfeit products produced a significant statistic ($F=20.662, p<.001$) (Table 1) with gender and education as significant predictors ($\beta=.334, t=3.590, p<.001$ and $\beta=-.128, t=-4.927, p<.001$, respectively) (Table 2). This indicates a positive relationship between gender (female) and beliefs about counterfeit products. The significant value for education indicates an inverse relationship between education and beliefs about counterfeit products. There appears to be no significant relationship between age and beliefs about counterfeit products or income and beliefs (Table 2).

Ethicality

The regression model for the effects of gender, age, education and income on ethicality produced a significant statistic ($F=12.006, p<.001$) (Table 1) with gender and education as significant predictors ($\beta=-.184, t=-2.111, p<.036$ and $\beta=.102, t=4.177, p<.001$, respectively) (Table 2). This indicates a positive relationship between gender (male) and ethicality. The significant value for education indicates a direct, positive relationship between education and ethicality. There appears to be no significant relationship between either age or income and ethicality (Table 2).

Social Cost

The results for the effects of the independent variables on social cost associated with counterfeit products also suggest significance ($F=13.734, p<.001$) (Table 1). In this model, age is the sole significant predictor ($\beta=.009, t=2.628, p<.009$) (Table 2), suggesting a direct, positive relationship between age and perceptions of social cost. In contrast, gender, education and income do not appear to predict perceptions of social cost associated with counterfeits.

Anti-Big Business

The model for the effects of gender, age, education and income on anti-big business attitude yielded a significant statistic ($F=24.894, p<.001$) (Table 1). In this model, education is the sole significant predictor ($\beta=-.072, t=-2.919, p<.004$) (Table 2), suggesting an inverse relationship between education and anti-big business attitude. Gender, age, and income appear to have no significant effect on anti-big business attitude. Table 3 provides a summary of the effects of the independent variables on consumer attitudes toward counterfeit products.

Table 3
Summary of Effects of Demographic Variables

<i>Independent Variable</i>	<i>Effects on Dependent Variables¹</i>				
	Purchase Intention	Beliefs	Ethicality	Social Cost	Anti-Big Business
Gender	+	+	+		
	(Female)	(Female)	(Male)		
Age				+	
Education	-	-	+		-
Income					

¹Significant positive effects are indicated by (+), negative effects are indicated by (-).

DISCUSSION

The objective of this study was to investigate U.S. consumer attitudes toward counterfeit fashion products. One of the primary reasons for investigating the influences on consumer purchase intentions regarding counterfeit goods is to find ways to reduce the demand for these products (Casola, et al., 2009). Overall, the results suggest that gender and education are the two variables most frequently related to purchase intention for counterfeits, beliefs about counterfeit products, and ethicality. In addition, age appears to affect consumer stance on the social cost of counterfeiting, and education is related to anti-big business attitudes. In contrast, income does not appear to be related to any of the focal variables examined in the study.

In terms of gender, our results indicate that female respondents are more likely to hold positive beliefs about counterfeit fashion products, as well as greater purchase intention. Interestingly, our results align with Cheung and Prendergast’s 2006 study finding Asian females more likely to purchase counterfeit fashion items. That study and others (Ang, 2001; Kwong, et al., 2003; Tan, 2002) found Asian males to be more likely to buy counterfeit CD’s and software. Although our study suggests that males may be more resistant to purchasing counterfeit fashion goods, Chaudhry and Stumpf (2011) recently found that like their Asian counterparts, U.S. males are

more likely to buy pirated movies. Thus, early research by Alber-Miller (1999) postulating that consumer behavior regarding fakes varies based on product category, appears to have merit.

Our results do not suggest any relationship between the age of the respondent and purchase intention, beliefs about counterfeits, ethicality, or anti-big business attitude. This differs in part from one of the earliest studies among adult U.S. shoppers, which found that those who would buy counterfeits tend to be younger (Tom, et al., 1998), and more recent samples drawn from U.S. university students, which found younger students more likely to purchase fakes (Chaudhry and Stumpf, 2011; Norum and Cuno, 2011). These differences may simply reflect societal changes due to the passage of time, and the limited age range of the student samples, respectively.

However, we do report a direct, positive relationship between age and attitudes toward the social cost of counterfeiting. This suggests that older consumers perceive counterfeits as being harmful to the companies that manufacture authentic products, the economy, and to companies' brand-building and innovation efforts in general. While older consumers may consider these effects when faced with the opportunity to purchase counterfeit products, we do not see a direct relationship between age and purchase intention. Therefore, it appears that older consumers may recognize the detrimental social cost of counterfeits, but awareness of these effects may still not discourage them from purchasing the products. Thus, anti-counterfeiting marketing campaigns geared toward older consumers may be most effective when reiterating the loss of jobs, tax dollars, and innovation caused by counterfeits.

Our findings based on educational attainment of respondents indicate that more educated consumers may be very resistant to counterfeit products. Specifically, as education increases, purchase intention decreases, beliefs about counterfeit products become more negative, and ethicality increases. While one study involving adult U.S. consumers similarly found that better-educated consumers had less favorable attitudes toward counterfeit products (Chapa, et al., 2006), another study of U.S. students found that education was unrelated to buying illegally copied movies (Chaudhry and Stumpf, 2011). Notably, we found that as education increases, anti-big business attitudes decline. While this may be good news for brand owners with respect to the older, more highly-educated portion of the U.S. market, it also makes clear that inroads must be made with regard to the more youthful and less educated sector.

Our results suggest no relationships between income and attitudes toward counterfeit products. It would stand to reason that respondents with lower incomes may perceive lower-cost counterfeits in a more positive light, and therefore demonstrate stronger purchase intention. However, our results do not suggest that this is true. While Tom et al., (1998) found that less affluent U.S. consumers purchase more counterfeit products, our findings are more akin to the Norum and Cuno (2011) study which found that among U.S. students, income was generally not a significant factor affecting the purchase of counterfeit goods.

To tackle the counterfeiting crisis in the U.S., brand owners need more information about those consumers who are most amenable to fakes, and those factors which motivate them to, and discourage them from, purchasing those products. While law enforcement must continue its

efforts to restrict the flow of illicit goods into the country, the demand for fakes clearly continues to fuel the problem. Some brand owners in the U.S. and elsewhere have waged public information campaigns in attempt to reduce the demand. This study provides useful information regarding how demographic factors relate to U.S. consumer attitudes about counterfeit fashion products.

Limitations and Directions for Future Research

While the current study extends the growing body of literature examining U.S. consumer attitudes toward counterfeit products, some limitations of the study should be acknowledged. The sample in this study, though larger and more demographically diverse across the U.S. population than most of its kind, was slightly skewed toward a highly educated, high income consumer. Future studies among less educated, lower income consumers are desirable. Extending from the ethicality construct, future research could investigate whether U.S. consumer attitudes toward counterfeit products would change if, like some European countries, penalties were imposed on both the seller *and* consumer of counterfeit goods. Another area of interest would be the growth in recent years of deceptive counterfeit transactions via online rogue websites (unauthorized websites purporting to offer legitimate products but in fact selling super-copies or lower quality fakes).

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