

**Devil wears (counterfeit) Prada: A study of antecedents and outcomes of attitudes towards counterfeits of luxury brands**

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### **ABSTRACT**

**Purpose** – The paper examines how social and personality factors influence Chinese consumers' attitudes towards counterfeits of luxury brands and how these two sets of variables influence purchase intention. It provides a profile of buyers and non-buyers of counterfeits of luxury brands.

**Design/methodology/approach** –A self-administered questionnaire was designed using established scales. A survey was conducted in downtown Shanghai through the 'mall intercept' method. A variety of statistical techniques was used to analyse the data.

**Findings** – Status consumption and integrity are strong influencers of purchase intention, whereas normative susceptibility, information susceptibility, personal gratification, value consciousness, novelty seeking had weaker influencing relationships. The attitude towards counterfeiting of luxury brands is found to influence purchase intention. Collectivism does not influence attitudes nor purchase intentions towards counterfeits of luxury brands.

**Research limitations/implications** – The findings are only limited to Chinese consumers in Shanghai, which cannot be generalized across whole of China. Further, only luxury brands are considered. Other cultural contexts and product categories should be investigated in future.

**Practical implications** – This research provides an in depth understanding of Chinese consumers' attitudes towards counterfeits of luxury brands. The research findings can be used to formulate strategies for academia, practitioners and more importantly policy makers to help eradicate or at the very least curb counterfeiting activities.

**Originality/ value** – Most studies focused on counterfeiting and piracy of music and other optical media whereas this paper focussed exclusively on luxury brands. Status consumption is also added as an antecedent towards attitudes and purchase intention of counterfeits.

### **Keywords**

Counterfeiting, China, Chinese consumers, luxury brands

## **BACKGROUND**

### **Counterfeiting in China**

China has been acknowledged as the number one country perpetrator of counterfeiting, where all sources of counterfeit goods can be traced (Hung, 2003; Forney, 2005; Cheung and Prendergast, 2006; Bian and Veloutsou, 2007). It has been recorded that 20% of goods sold in the Chinese market are counterfeit goods (Alcock, 2003; Bian and Veloutsou, 2007). These goods span across a wide range of products including apparels, cigarettes, electronics, food, mobile phones, pharmaceuticals, skin care products and many others (Bush *et al.*, 1989; Jacobs *et al.*, 2001; Trainer, 2002). In particular, as Chinese are avid luxury consumers (Wong and Ahuvia, 1998; Jiang, 2005; Sonmez and Yang, 2005; Li and Su, 2007), counterfeiting of luxury brands has reached astronomical levels.

The trading of luxury goods in China has proved to be a lucrative market as it has been noted as the world's third largest consumer of high-end fashions, accessories and other luxury products (Ernst & Young China, 2005; Chadha, 2007; Chung, 2007). The market is recorded to generate more than \$2 billion in sales a year and is projected to continue growing (Ernst & Young China, 2005) by an estimated of 25% annually in the coming years (Goldman Sachs, 2005). With such a rampant counterfeit industry, it could diminish profits and attractiveness for foreign investors and may threaten the brand equity of both international and local luxury products (Chow, 2000; Trainer, 2002).

The catalytic growth of counterfeiting can be attributed to the increase in world trade and emerging new markets, fast paced technology advancements and also the increase in goods that are worth counterfeiting (Cottman, 1992; Wee *et al.*, 1995; Bloch *et al.*, 1998; Counterfeiting: Tricks and trends, 2003). Luxury brands are easily counterfeited as it is easy to sell and incur low manufacturing costs (Shultz and Saporito, 1996; Gentry *et al.*, 2006). Moreover consumer demand is also increasing due to the pursuit of status goods and the desire of being in tune with fashions and fads (Chang, 1998; Eisend and Schuchert-Güler, 2006). It is reported by Chinese officials that counterfeiting is a staggering \$16 billion business annually (Bian and Veloutsou, 2007). While there seems to be some conscious efforts to fully “stamp out” the teething problem including implementing processes to trace, detect and prosecute counterfeiting offenders (Nill and Shultz, 1996; Chow, 2000; Prendergast *et al.*, 2002), the attempt seems futile with the increasingly sophisticated counterfeit syndicates making it harder to detect and eradicate

these activities (Clark, 2006). There are also noted flaws and loopholes in China's copyright and intellectual property legislation that allow such activities to persist. The lack of serious penalties also allows offenders to be increasingly brazen in their illegal pursuits (Hung, 2003; Sonmez and Yang, 2005; Clark, 2006). Furthermore, if the government were to take serious measures, it would need to be on a national, provincial or local level to be effective. However, to date there are no perceived cohesive efforts to challenge this problem (Wee *et al.*, 1995; Trainer, 2002; Bian and Veloutsou, 2007).

### **Justification of study**

Although past research conducted have examined the supply side of counterfeiting (Ang *et al.*, 2001; Bush *et al.*, 1989; Albers-Miller, 1999; Alcock *et al.*, 2003), there have also been an increasing number of studies conducted on the consumer behavioural aspect of counterfeiting (such as Bamossy and Scammon, 1985; Bloch *et al.*, 1993; Wee *et al.*, 1995; Cordell *et al.*, 1996; Wilke and Zaichkowsky 1999; Gentry *et al.*, 2000; Nia and Zaichkowsky, 2000; Gentry *et al.*, 2001). These research have focused on price determinants (Bloch *et al.*, 1993; Albers-Miller, 1999; Harvey and Walls, 2003); non-price determinants such as attitudes (Wee *et al.*, 1995; Tom *et al.*, 1998; Ang *et al.*, 2001; Wang *et al.*, 2005; Cordell *et al.*, 1996; Prendergast *et al.*, 2002; Furnham and Valgeirsson, 2007); ownership of counterfeit luxury products (Cheung and Prendergast, 2006) and across a number of cultural contexts (Tom *et al.*, 1998; Ang *et al.*, 2001; Penz and Stöttinger, 2005; Yoo and Lee, 2005; Eisend and Schuchert-Güler, 2006).

This paper strives to extend the call for research to understand the behavioural intentions of the consumers who consciously seek out counterfeit brands and indulge in purchase regardless of the threat of imposed penalties (Bloch *et al.*, 1993; Cordell *et al.*, 1996; Prendergast *et al.*, 2002). Findings would allow practitioners and policy makers to formulate more effective strategies to diminish the counterfeiting problem in China (Bloch *et al.*, 1993; Ang *et al.*, 2001). It strives to explore the Chinese consumers' mindset in relation to purchasing counterfeits of luxury brands.

The aims of this study are therefore fourfold. First, it examines the relationship between "social and personality factors" and "attitudes towards counterfeits of luxury brands" of Chinese consumers. Building on past research, the variable of status consumption is added to better project consumption behaviour of Chinese consumers.

Second, it investigates the relationship between consumer attitudes and purchase intention of counterfeits of luxury brands. Third, it examines the relationship between “social and personality factors” and “purchase intention towards counterfeits of luxury brands”. Lastly, it evaluates the differences between the profiles of buyers and non-buyers of 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, including packaging, labelling and trademarks to intentionally pass off as the original product (Kay, 1990; Ang *et al.*, 2001; Chow, 2002). Lai and Zaichkowsky (1999) stated that counterfeiting and piracy are in essence the same, since they are both the reproduction of identical copies of authentic products. These two terms have been used interchangeably (Wee, *et. al.*, 1995; Kwong *et. al.*, 2003). However, piracy is mainly related to software and fixed medium content such as film and music recordings (Chow, 2000; Cheung and Prendergast, 2006). Furthermore, counterfeiting is dissimilar to other forms of Intellectual Property infringements like grey market goods. De Matos *et al.*, (2007) have utilized scales that measured grey market products for counterfeits, which is undeniably different in characteristics and definition. Grey markets are often overruns from outsourced manufacturers that are distributed through unauthorized channels (Huang *et al.*, 2004; Gentry *et al.* 2006) whereas counterfeiting involves an illegally produced copy of the original article.

Research has identified two types of consumers of counterfeit products. The first would be a victim, who unknowingly and unintentionally purchase 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 know that the products are illegal (Bloch *et al.*, 1993; Cordell *et al.*, 1996; Prendergast *et al.*, 2002).

### **Attitudes towards counterfeiting**

Counterfeit products diminish the symbolic value of authentic luxury products and dilute the brand equity (Zhou and Hui, 2003). As counterfeits are cheaper alternatives of more expensive genuine products, there might not be a noticeable difference in perceived quality (Gentry *et al.* 2006), which will result in the erosion of genuine luxury brand equity (Grossman and Shapiro, 1988; Jacobs *et al.*, 2001; Zhou and Hui, 2003). 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. Consumers are willing to pay for the visual attributes and functions without paying for the associate quality (Grossman and Shapiro, 1988; Cordell *et al.*, 1996). Consumers 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).

Past research have examined the economic, quality and legal or ethical factors that shape and influence attitudes of consumers (Cordell *et al.*, 1996; Ang *et al.*, 2001; Wang *et al.*, 2005). Ultimately, the functional benefits are important when purchasing counterfeits of luxury brands. However, much more so is the desire to own the prestige and status symbol that the trademarked brand suggests (Cordell *et al.*, 1996; Chadha, 2007). More commonly, price is also reflective of consumer attitudes towards the value of counterfeit products. Counterfeits of luxury brands are intentionally capitalizing on the fact that their products are positioned at a lower and more competitive price (Gentry *et al.*, 2006). On the same note, there is a compelling and addictive attraction basing on the attitudes that consumers would want to purchase a luxury branded product, but would be unwilling to foot the high price tag associated with it (Cordell *et al.*, 1996). The general perception is that the low financial risks provide the added benefit for consumers to purchase counterfeit goods, as prices of counterfeits are relatively advantageous. In addition, because counterfeits are often at a lower price, the expectation of quality would not be equivalent to that of the genuine. As long as the basic functional requirements are met or

the visibility and symbolic value is achieved, consumers will be satisfied (Eisend and Schuchert-Güler, 2006).

However, the product quality of counterfeit products has been improving in recent years due to better technological advancement, bringing a competitive advantage to counterfeit products (Nill and Shultz II, 1996). Certain products can be tried before purchase to gauge the functionality or performance which can encourage consumers' willingness to purchase (Cordell *et al.*, 1996; Bian and Veloutsou, 2007). However, counterfeit products are still without warranties unlike genuine products, adding to greater financial risks of purchases (De Matos, 2007). 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).

Consumers experiencing situational ethics excuse themselves for purchasing counterfeits as justifiable because they perceive themselves to be less unethical or illegal (Cordell *et al.*, 1996; Albers-Miller, 1999; Gupta *et al.*, 2004). Hence, consumers feel less responsible towards their role as a counterfeit patron. This double standard shows indifferent attitudes towards the consumption of counterfeit goods, since major corporations might not suffer from slight loss of profits (Cordell *et al.*, 1996; Ang *et al.*, 2001; De Castro *et al.*, 2007).

Although there are different measures developed for attitudes towards the purchase of pirated software (e.g. Kwong *et al.*'s (2003); Wang *et al.*'s (2005)), testing consumer attitudes towards counterfeits of luxury brands is still at its infancy (e.g. Ang *et al.*, 2001). More could be focussed on the examination of the individual's behavioural beliefs and feelings towards counterfeiting (Wee *et al.*, 1995). Further, product attributes (such as quality, texture, status signalling, etc) of counterfeits are unlike pirated software, and are more inconsistent and more easily distinguishable.

In view of the Chinese consumers, attitudes towards counterfeits of luxury brands can be influenced by a number of antecedents. The literature largely supports two groups, namely social factors including the likes of normative and informational susceptibility towards social influence and collectivism; and personality factors such as value consciousness, integrity, personal gratification, novelty seeking and status consumption.

### **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 the basis of purchase decision on expert opinion of others (Ang *et al.*, 2001; Wang *et al.*, 2005). The assurance of opinion of others plays an important role as a point of reference especially when consumers have little knowledge of the product category in question. If peers or reference groups were to have expert knowledge on the differences between originals and counterfeits (such as in product quality), the negative consequences of being perceived to purchase counterfeits will therefore have an effect on consumers' perception towards counterfeits of luxury brands. Therefore, consumers would have a negative attitude towards counterfeits of luxury brands. 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). As self-image plays a huge role, purchasing counterfeits of luxury brands does not enhance or portray a good impression. Therefore, consumer attitudes towards counterfeits of luxury brands would be unfavourable. It can be postulated that:

***H<sub>1a</sub>*** Normative and Information susceptibility have a negative influence on consumer attitudes towards counterfeits of luxury brands.

Although there have 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). The more individualistic culture of these developed coastal cities could also be attributed to the massive presence of foreign investments.

Further, collectivism is target specific (Hui *et al.*, 1991). It could be that certain individuals are collectivistic to certain groups of people and individualistic towards others. Hofstede (1991) has also noted that countries that are more collectivistic tend to



have slower economic development. At the rate of China's development, it could well be a strong segregation of collectivistic consumers and increasing numbers of individualistic consumers due to greater foreign influences.

Collectivism has been discussed as one of the factors in Asian societies to positively influence consumer attitudes towards pirated products and counterfeits. It is therefore likely that Chinese consumers would have favourable attitudes towards counterfeits of luxury brands. It can be postulated that:

***H<sub>1b</sub>*** Collectivism has a positive influence on consumer attitudes towards counterfeits of luxury brands.

### **Antecedents - Personality Factors**

Most purchasers of genuine luxury brands pursue value for brand, prestige and image benefits, but are unwilling to pay the high price for it (Bloch *et al.*, 1993). For a lower price and a slightly substandard quality, it is still considered 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. It can be postulated that:

***H<sub>1c</sub>*** Value consciousness has a positive influence on consumer attitudes towards counterfeits of luxury brands

In accordance to Kohlberg's (1976) moral competence theory, consumer 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). It can be postulated that:

***H<sub>1d</sub>*** Novelty seeking has a positive influence on consumer attitudes towards counterfeits of luxury brands

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. It can be postulated that:

***H<sub>1e</sub>*** Integrity has a negative influence on consumer 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). It can be postulated that:

***H<sub>1f</sub>*** Personal gratification has a negative influence on consumer attitudes 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). Status commands respect, consideration and envy from others and represents the goals of a culture (Csikszentmihalyi and Rochberf-Halton, 1981, pg. 29). Furthermore, 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 both seeking self-satisfaction as well as for the show 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 posts numerous implications for their attitudes towards counterfeits of luxury brands (Hoe *et al.*, 2003). Hence, the addition of status consumption construct using a developed scale from Eastman *et al.* (1997) could well measure whether consumers who are more status conscious would be attracted to counterfeit luxury products. As status consumers are more conscious of the display of accomplishment, their attitudes towards

counterfeits of luxury brands would be unfavourable. In the case of Chinese consumers, many have newfound wealth and would be anxious to display their wealth to gain the impression of success, wealth and accomplishment (Shipman, 2004). Furthermore, the importance of 'face' to the Chinese accentuates the proneness to succumbing to status consumption (Li and Su, 2006). It can be postulated that:

***H<sub>1g</sub>*** 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. Without such circumstances, regardless of how favourable intentions are, it would be difficult to perform purchase (Chang, 1998).

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. Similarly, the more unfavourable consumer attitudes towards counterfeiting are, the less likely are the chances of purchase (Wee *et al.*, 1995). It is therefore postulated that:

***H<sub>2</sub>*** There is a significant relationship between attitude and purchase intention towards counterfeits of luxury brands

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:

***H<sub>3</sub>*** 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.

#### **Buyers and non-buyers of counterfeits of luxury brands**

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). As such, the following hypothesis is presented:

***H<sub>4</sub>*** Buyers of counterfeits of luxury brands have more positive attitudes towards counterfeits of luxury brands than non-buyers.

The above hypotheses are presented in the following model:

**Insert Fig. 1 Here**

## **METHODOLOGY**

### **Data collection**

Data were collected via a mall intercept at a major shopping complex in the city of Shanghai, greater China. Shoppers were approached to participate in a self-administered questionnaire. Every fifth individual that crossed a designated spot outside the main entrance of the mall was approached to participate. Prior to the data collection, interviewers were being trained and instructed on how to administrate the survey instrument and to include respondents with different demographic profiles. The data collection was conducted over a two week period on both weekdays and weekend, out of which 14% of the shoppers agreed to take part in the survey. Measuring consumers' attitudes and perceptions in a mall or shopping related environment would allow population of interest to relate to what the research intends to measure, which in this case are attitudes and consumer purchase intention (Cowan, 1989; Hornik and Ellis, 1988). This is an improvement on ecological validity as most previous research focused on student samples (Wang *et al.*, 2005; Nia and Zaichkowsky, 2000).

### **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 purchase intentions towards counterfeits of luxury brands. Section D comprised of items regarding purchasing habits of counterfeit products and brands. Two additional items, "I will buy counterfeits of luxury brands from peddlers" and "I will buy counterfeits of luxury brands" were added to the scale to better capture consumers purchase intentions of counterfeits. Section E comprised of demographic information of respondents. All items were measured on a seven point Likert scale with 1 representing "strongly disagree" and 7 representing "strongly agree".

**Insert Table 1 Here**

## **FINDINGS AND DISCUSSION**

### **Samples**

270 questionnaires were collected. Out of which, 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 is shown in *Table 2*. 58.4% of the respondents were male. 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).

According to *Table 2*, 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%). Furthermore, most of the buyers and non-buyers involved in business administrative work were represented by 28% and 24.3% respectively. There were more non-buyers (14%) who are self employed than buyers (11.5%). The majority of buyers and non-buyers were reported to earn under RMB 50,000 (equivalent to USD 6,732.19) per annum. There were more buyers (29.5%) who earn RMB 50,000 – 100,000 (equivalent to USD 6,732.19 -USD 13,464.39) than non-buyers (22%). On the other hand, more non-buyers (14%) were reported to earn RMB 100,001 – 150,000 (equivalent to USD 13,464.52 - USD 20,196.58) than buyers (3.4%). The majority of respondents were reported to have a bachelor degree. However, more non-buyers (60%) were reported to hold a bachelor degree in comparison to buyers (56.5%). On the other hand, more buyers (10.2%) than non-buyers (6%) were reported to be postgraduates.

**Insert Table 2 Here**

### **Attitudes towards counterfeits 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”. In total, they were reduced to 7 items with an acceptable range of reliabilities as reflected in *Table 3*. The scale of attitudes towards counterfeits of luxury brands is clearly two-dimensional. As such, these two factors were used independently for all subsequent regression analysis.

**Insert Table 3 Here**

### **Influence of social and personality factors on “Perceptions of counterfeits”**

Stepwise regression was conducted between “personality and social factors” and the factor of “perceptions of counterfeits” to test  $H_{1a}$  to  $H_{1g}$ . The results in *Table 4* show that there is a positive relationship between status consumption and “perceptions of counterfeits” ( $\beta=0.601$ , adjusted  $R^2 = 0.283$ ). The other significant factors include novelty seeking, normative susceptibility and information susceptibility, which has a cumulative adjusted  $R^2$  of 0.367.

While status consumption has a significant relationship with “perceptions of counterfeits”, it is postulated that status consumption has a negative influence. As such,  $H_{1g}$  is rejected. In a similar vein, novelty seeking was postulated as a positive influence while the results showed otherwise. As such,  $H_{1d}$  is also rejected.

Information susceptibility emerged to have a significant negative relationship towards “perceptions of counterfeits” while normative susceptibility showed a significant positive relationship towards “perceptions of counterfeits”. Hence  $H_{1a}$  is partially supported. Collectivism, value consciousness, integrity and personal gratification did not show any significant relationship hence  $H_{1b}$ ,  $H_{1c}$ ,  $H_{1e}$  and  $H_{1f}$  are rejected.

### **Influence of social and personality factors on “Social consequences”**

Stepwise regression was conducted between “personality and social factors” and the factor “social consequences” to test  $H_{1a}$  to  $H_{1g}$ . Based on the results in *Table 4*, integrity is the most significant factor with an adjusted  $R^2$  of 0.263. The other significant factors are personal gratification, status consumption and value consciousness which has a cumulative adjusted  $R^2$  of 0.376.

While value consciousness has a significant negative relationship with “social consequences”, it is postulated that value consciousness a negative influence. Hence  $H_{1c}$  is rejected. Integrity, personal gratification and status consumption showed significant negative relationships towards “social consequences”, therefore supporting  $H_{1e}$ ,  $H_{1f}$  and  $H_{1g}$ .

From the below, collectivism, normative and information susceptibility, and novelty seeking have no significant relationship with “social consequences”, thus  $H_{1a}$ ,  $H_{1b}$  and  $H_{1d}$  are rejected.

### **Insert Table 4 Here**

#### **Relationship between attitudes towards counterfeits of luxury brands and purchase intention**

Regression analysis was conducted between the two factors of attitudes and purchase intention towards counterfeits of luxury brands. Both factors are significant with “perceptions of counterfeits” accounting for an  $R^2$  of 0.740 ( $p < 0.000$ ,  $\beta = 0.861$ ) followed by “social consequences” accounting for an  $R^2$  of 0.024 ( $p < 0.025$ ,  $\beta = -0.085$ ). It seems to show that consumers’ perceptions of counterfeits lead to a more positive purchase intention. However, attitudes towards “social consequences” of purchasing counterfeits of luxury brands seem to deter consumers from purchase intention, although the relationship is relatively weak. These findings are therefore in support of  $H_2$ .

#### **Influence of social and personality factors on purchase intention**

Stepwise regression is conducted between social and personality factors and purchase intention of counterfeits of luxury brands. As reflected in *Table 5*, status consumption, integrity, value consciousness, normative susceptibility and information susceptibility emerged to have significant relationships with purchase intention.

Status consumption is shown to be the most significant factor ( $p < 0.000$ ,  $\beta = 0.448$ ,  $R^2 = 0.325$ ), this reflects that status consumers are also most likely to purchase counterfeits of luxury brands. Consumers who were rated highly on value consciousness ( $p < 0.011$ ,  $\beta = 0.203$ ) and normative susceptibility ( $p < 0.001$ ,  $\beta = 0.341$ ) have higher intentions to purchase. However, consumers who were rated highly on information susceptibility ( $p < 0.003$ ,  $\beta = -0.240$ ) and integrity ( $p < 0.003$ ,  $\beta = -0.242$ ) have lower intentions to purchase.

There is no significant relationship between personal gratification, collectivism and novelty seeking and purchase intention. As such,  $H_3$  is partially supported.

### **Insert Table 5 Here**

#### **Differences between buyers and non-buyers of counterfeits of luxury brands**

Buyers and non-buyers show different attitudes towards perceptions of counterfeits. In summary, buyers perceive counterfeits of luxury brands to have similar quality ( $\chi = 4.07$



and 3.86), provide similar functions ( $\chi= 4.46$  and  $4.27$ ) and are as reliable ( $\chi= 3.83$  and  $3.80$ ) as the originals as compared to non-buyers.  $H_4$  is accepted for the factor of “perceptions of counterfeits”.

As for factor “social consequences” of attitudes towards counterfeits of luxury brands, the result shows that there is no significant difference between buyers and non-buyers. Both types of consumers hold attitudes that counterfeits infringe intellectual property, damages the interests and rights of legitimate and original manufacturers, hurt the luxury goods industry and is illegal.

**Insert Table 6 Here**

## **DISCUSSION AND IMPLICATIONS**

Normative susceptibility is shown to influence consumer perceptions of counterfeits and purchase intentions. Consumers may possess the desire to own luxury brands to impress others. However, due to hefty prices of originals, consumers can only resort to counterfeits. Luxury brand companies can offer greater affordability to consumers through brand extensions and special licensed products (Wee *et al.*, 1995). If prices could be lower and made more affordable to Chinese consumers, there might be less inclination for them to purchase to counterfeits and instead purchase the originals. It is disturbing that consumers are unable to discern between the originals and the counterfeits. Therefore, it is important for luxury firms and advertisers have to ensure that there is a differentiation between originals in terms of quality, functionality and reliability. However, brand owners need to be cautioned that this may carry the risk of eroding prestige and exclusivity for consumers who pursue the brand value that premium luxury products exude (Wee *et al.*, 1995; Chaudhuri and Majumdar, 2006). If properly executed, there are successful cases of brand extensions such as Armani-Exchange and Miu Miu that have further accentuated the parent brand.

In terms of information susceptibility, it is also shown that consumers who rely on the expert opinion of others to purchase products would be less inclined to purchase counterfeits of luxury brands. As such, the policy makers of relevant governmental bodies should educate consumers about the negative impacts, such as counterfeits are without quality and safety assurances. Certain forms of endorsement such as celebrities and government officials would project credibility.

It is interesting to note that in contrast to previous studies (Ang *et al.*, 2001; Wang *et al.*, 2005), collectivism did not play a role in influencing consumer attitudes and purchase intention towards counterfeits of luxury brands. This could be attributed to the fact that Shanghai is increasingly becoming more and more cosmopolitan with strong Western influences. This may have encouraged a certain degree of individualism (Li and Su, 2007). In such a case, advertising initiatives should focus more on the individual self rather than the collectivistic self. However, this result has to be taken with some caution, as it does not represent the whole of China.

The findings have also shown that value conscious consumers are more likely to purchase counterfeits of luxury brands. One way to combat this behaviour is to use repetition of advertising messages such as “the best clone would not be close to an original” to reinforce the quality and value of the original brand (Wee *et al.*, 1995). These are offerings that counterfeit products are unable to imitate. For certain luxury product categories, lifetime warranties could ascertain the utmost best quality that the brand offers, adding value to the consumer’s purchase. The original luxury brand manufacturers can widen the gap between risks of purchasing a low quality, fault ridden counterfeit with a sound and valuable original (Cordell *et al.*, 1996). Loyal or current consumers can be encouraged to purchase original brands through promotional campaigns that aim at reinforcing positive attitudes towards the brand (Cheung and Prendergast, 2006).

Integrity is found to be an extremely important factor in influencing social consequences of consumer attitudes towards counterfeits of luxury brands. This reflects similar results from previous research (such as Ang *et al.*, 2001; Wang *et al.*, 2005). As such, from the social policy point of view the emphasis on educating consumers on ethics and morals cannot be taken lightly. Educational programs should not only be limited to schools, but also to employees of multinational companies, tourism related businesses and other domestic businesses (Simone, 2006). It has to start at the grass root level, especially during the age when learning is still developing at a faster rate. From a managerial perspective, as suggested by other studies (Wee *et al.*, 1995; Tom *et al.*, 1998; Ang *et al.*, 2001; Wang *et al.*, 2005), by putting a more ‘human face’ on the influences of would gain more empathy from consumers. This can be introduced through counterfeiting

advertisements showing negative economic impacts and potential unemployment as long-term repercussions of counterfeiting activities.

It is important to note that the counterfeiting problem does not only lie with the manufacturers but also with the purchasers of counterfeits (Bloch *et al.*, 1993). The integrity of consumers towards counterfeits of luxury brands may be diminished by the perception that luxury brand manufacturers are profiting excessively from the exorbitant prices of such goods (Penz and Stöttinger, 2005). As such, consumers justify their purchase by a self-fulfilling prophecy that they are doing no wrong. Companies of luxury brands should consider building an image of strong ethical values and social responsibility to win consumers over.

Status consumption seems to consistently influence both “perceptions of counterfeits” and “social consequences” from the measure of attitudes towards counterfeits of luxury brands. But it is interesting to note that status seeking consumers are more likely to have positive attitudes towards counterfeits of luxury brands. The only explanation could be that many Chinese consumers are becoming wealthier and the conscious need to display such wealth is higher. However, the gap between the rich and the poor is widening as a result of strong economic growth in China and the region (Chadha, 2007). For some, the desire for luxury brands is not achieved due to the lack of affordability to exorbitant price tags of original luxury brands. This contributes to a dissonance whereby consumers resort to counterfeits to satisfy their status seeking needs.

Similarly, the results reflect that status consumption influences purchase intention of counterfeits of luxury brands. Luxury brand owners should emphasize the prestige and status symbol that the brand connotes. One of the important aspects to dissuade counterfeiting would be to emphasize on the concepts of *face* or “*mianzi*” that the Chinese consumers value (Zhou and Belk, 2004). The consequences of being caught consuming counterfeits would be embarrassment and humiliation. This would probably be a strong deterrence against purchasing counterfeits (Wee *et al.*, 1995; Zhou and Belk, 2004; Cheung and Prendergast, 2006).

One of the issues much debated in the past is the difference in perceptions in quality, reliability and functionality between counterfeit and original brands (Eisend and

Schuchert-Güler, 2006). Admittedly, counterfeits of luxury brands in China are of unexpectedly high quality, whereby there are even “grading systems” attached to them to segregate the better quality counterfeits from the less superior ones (Gentry *et al.*, 2006). Moreover, that is a bigger incentive for consumers to purchase a counterfeit since prices are lower and yet attributes of the original version are compatible (Wee *et al.*, 1995). As such, the major cue for companies is to take into consideration, designing or investing in stronger differentiating product attributes and other innovations that are hard to imitate and costly to counterfeit. It would probably be easier for consumers to differentiate between original products and counterfeits (Gentry *et al.*, 2006). This would better enforce the belief that companies do invest to improve products for consumer benefits, instead of producing relatively uninspiring products, but charging exorbitant prices. In most cases, consumers might be deceived into believing they are purchasing original articles when they are really counterfeits. Educating consumers on differentiating original items from counterfeits by providing a list of authorized retailers is very important (Gentry *et al.*, 2006). Even though many manufacturers are afraid that this might bring more negative attention that benefit counterfeiters (Wee *et al.*, 1995), it would be an inevitable move for a long-term success.

Other social policy initiatives could be implemented. It is regrettable that buyers and non-buyers share the same sentiments towards the social and ethical issues pertaining to counterfeits, such as the infringement of intellectual property rights. There is only a weak relationship to not purchase counterfeits. Although instilling fear towards penalty and criminal punishments attached to counterfeiting is useful, other dimensions to change consumer behaviour may also be explored. The Chinese government should enforce a policy whereby buyers and sellers should both be prosecuted for buying or selling counterfeits. Such strategies should be in place to discourage the ‘demand’ and ‘supply’ side of counterfeiting as both parties should be held responsible (Bloch *et al.*, 1993).

## **CONCLUDING COMMENTS**

In summary, it is evident that consumer attitudes towards counterfeits of luxury brands play an important role in influencing consumer purchase intention. Consumers are more influenced by the perceptions of counterfeits of luxury brands than by the ethical and legal considerations. ‘Integrity’ and ‘status consumption’ are the most significant factors influencing attitudes and purchase intention of consumers.

It is noted that buyers hold more positive views of counterfeits in terms of quality, reliability and functionality of counterfeits than non-buyers, which are consistent with previous research (such as, Wee *et al.*, 1995; Nia and Zaichkowsky, 2000; Ang *et al.*, 2001; Wang *et al.*, 2005). Results are also consistent with prior findings by Wang *et al.* (2005), that there is no significant relationship in buyer and non-buyer attitudes when evaluating social consequences of counterfeiting.

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. As the study is a snapshot of the Chinese consumers in the coastal areas of the newly rich, extensions to populations of other areas in China of different socioeconomic groups and to other countries may produce different results. The addition of materialism and 'face consumption' constructs can be further investigated to test for their influences on Chinese consumers.

Another possibility is to focus on foreigners who travel or reside in China as buyers of counterfeit luxury brands. The examination of situational factors and mood states such as tourists on holiday, may have different results as they are likely to experience the sense of excitement softening the ethical stance. Further exploration using qualitative approaches to examine consumer purchase behaviour of counterfeit products may provide deeper insights. While this study reflects that the integrity of consumers plays a role in influencing purchase intention, it might differ in other product categories such as pirated CDs and software. Actual ownership can be measured to determine if buyers are also owners of counterfeit products.

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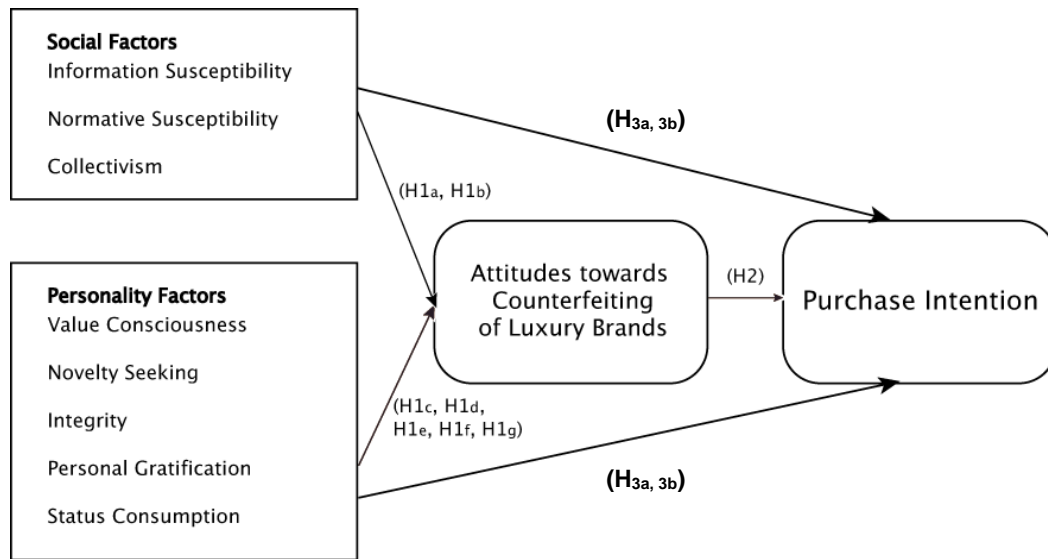
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## Tables

**Fig. 1:** Research model of attitudes towards counterfeits of luxury brands



**Table 1:** Source and  $\alpha$  coefficients of measurement scale items

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

\* All scales rated on a 7 point Likert scale

**Table 2:** Sample distribution between buyers and non-buyers of counterfeits of luxury brands

Items	(25.2 %) Non Buyers N= 51	(74.8 %) Buyers N=151
<b>Gender</b>		
Female	29.4 %	45.7 %
Male	70.6 %	54.3 %
<b>Age</b>		
Under 21	9.8 %	9.9 %
21-35	68.6 %	74.2 %
36-45	15.7 %	13.9 %
46 and above	5.9 %	2 %
<b>Occupation</b>		
Business	28 %	24.3 %
Self employed	14 %	11.5 %
Executive	10 %	10.8 %
Engineering	10 %	9.5 %
Others	38 %	44 %
<b>Income</b>		
Under RMB50,000	56 %	57.5 %
RMB50,000 - RMB100,000	22 %	29.5 %
RMB100,001 - RMB150,000	14 %	3.4 %
RMB151,000 and above	8 %	9.6 %
<b>Education Level</b>		
Diploma or certificate	30 %	24.5 %
Bachelor Degree	60 %	56.5 %
Postgraduate Level	6 %	10.2 %
Others	4 %	8.8 %

**Table 3:** Factor analysis on attitude 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
<b>% of Variance</b>	38.924	24.737
<b>Eigenvalue</b>	3.892	2.474
<b>Cronbach Alpha</b>	0.905	0.817
<b>Cronbach Alpha</b>	0.661	
<b>KMO</b>	0.795	
<b>Barlett's Test of Sphericity</b>	.000	.000



**Table 4:** Stepwise regression results on factors influencing two dimensions of attitudes towards counterfeits of luxury brands

	<b>B-Values</b>	<b>Standard Error</b>	<b>Beta</b>	<b>Adjusted R<sup>2</sup></b>	<b>t-value</b>	<b>Sig.</b>
<b>Perceptions of counterfeits</b>						
<b>Status Consumption</b>	0.910	0.164	0.601	0.283	5.534	.000
<b>Novelty Seeking</b>	-0.441	0.158	-0.283	0.316	-2.790	.006
<b>Normative Susceptibility</b>	0.537	0.151	0.372	0.334	3.568	.000
<b>Information Susceptibility</b>	-0.441	0.141	-0.257	0.367	-3.122	.002
<b>Social Consequences</b>						
<b>Integrity</b>	-0.350	0.117	-0.253	0.263	-2.994	.003
<b>Personal Gratification</b>	-0.222	0.096	-0.187	0.335	-2.317	.022
<b>Status Consumption</b>	-0.187	0.068	-0.188	0.359	-2.724	.007
<b>Value Consciousness</b>	-0.254	0.108	-0.193	0.376	-2.345	.020

**Table 5:** Stepwise regression on factors influencing purchase intention

	<b>B - Values</b>	<b>Standard Error</b>	<b>Beta</b>	<b>Adjusted R<sup>2</sup></b>	<b>t - value</b>	<b>Sig.</b>
<b>Status Consumption</b>	0.623	0.120	0.448	0.325	5.171	0.000
<b>Integrity</b>	-0.498	0.163	-0.242	0.339	-3.061	0.003
<b>Value Consciousness</b>	0.381	0.148	0.203	0.359	2.268	0.011
<b>Normative Susceptibility</b>	0.448	0.133	0.341	0.371	3.365	0.001
<b>Information Susceptibility</b>	-0.387	0.129	-0.240	0.400	-2.990	0.003

**Table 6:** Buyers and non-buyers attitudes towards counterfeits of luxury brands

<b>Measures</b>	<b>Non-Buyers</b>	<b>Buyers</b>	<b>t-value</b>
<b>Factor 1 - Perceptions of Counterfeits</b>			
Counterfeits of luxury brands have similar quality to the original version	3.86	4.07	-.603**
Counterfeits of luxury brands provide similar functions as the original version	4.27	4.46	-.622**
Counterfeits of luxury brands are as reliable as the original version	3.80	3.83	-.064**
<b>Factor 2 - Social consequences</b>			
Buying counterfeits of luxury brands infringes intellectual property	2.04	2.69	-3.179
Buying counterfeits of luxury brands damages interests and rights of legitimate/original manufacturer	2.10	2.62	-2.443
Buying counterfeits of luxury brands will hurt the luxury goods industry	2.18	2.71	-2.323
Purchasing counterfeits of luxury brands is illegal	2.45	2.93	-1.722
** $p \leq 0.005$			