

Devil continues to wear “counterfeit” Prada: A tale between two Chinese cities

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ABSTRACT

Purpose

This study aims to examine the influence of social and personality factors on attitudes towards counterfeiting of luxury brands and purchase intention between China Chinese and Taiwan Chinese consumers.

Design/methodology/approach

Data collection was conducted using a mall intercept approach in downtown Shanghai and Taipei. A self-administered questionnaire was developed and back-translated from English to Chinese and distributed. Structural equation modeling in LISREL was used to analyze the data.

Findings

It was found that collectivism has a positive relationship towards attitudes towards counterfeiting of luxury brands for the China Chinese but not for the Taiwan Chinese. Personal gratification was found to have a negative relationship towards attitudes towards counterfeiting of luxury brands for the Taiwan Chinese consumers. Integrity and status consumption were found to have a positive relationship towards attitudes towards counterfeiting of luxury brands for both the China Chinese and Taiwan Chinese consumers.

Research limitations/implications

The findings are limited to comparing between China Chinese in Shanghai and Taiwan Chinese from Taipei, therefore the results may not be generalizable across all Chinese consumers or international consumers. In addition, only luxury brands were examined in this study. Future studies would need to address other contexts or specific product categories.

Practical implications

This research presents findings from two Chinese cities. The consumers may be from the same region, however it is found from the study they pose different attitudes and purchase intentions towards counterfeits of luxury brands. Therefore, the insights from this study provide a deeper understanding into the differences between Chinese consumers and implications for practitioners, academics and policy makers.

Originality/value

The majority of the cross-national studies often compared between so-called Western countries or Eastern countries. This study examined counterfeiting from China (which is deemed as one of the largest manufacturers of counterfeits) and Taiwan (which was one of the largest counterfeiters decades ago). This provides insights into the development and differences between regional consumers and their attitudes towards counterfeits of luxury brands.

Keywords: Counterfeiting, Luxury brands, China, Taiwan, Consumers, Attitudes

INTRODUCTION

Counterfeiting has become a worldwide epidemic (Bian and Moutinho, 2011). The trade of counterfeit products accounts for 10% of world trade and is found in all product categories ranging from pharmaceuticals to industrial parts (Wertheimer *et al.*, 2003; Gentry *et al.*, 2006; Wiedmann *et al.*, 2012). Based on the report from IACC (2011), counterfeiting has risen by more than 10,000 percent, which has caused severe problems for manufacturers, brand managers and the government. It has also been reported that there are 3 million consumers of counterfeit products every year (Howie, 2010) and estimates suggest that the counterfeit trade will account for 7% of the world trade (Wang and Song, 2013). In addition, rampant copying is observed to be common in the luxury brand industry (Nia and Zaichkowsky, 2000; Wilcox *et al.*, 2009). This could be a result of the profitability of the luxury brand industry. Based on the reports by WTO, counterfeit goods account for \$500 billion a year of consumer spending (Ledbury Research, 2014), therefore making it a lucrative industry and a major object of counterfeiting (Casabona, 2009).

Over the past decade, the growth in the consumption of luxury brands has directly and indirectly spurred the counterfeiting of luxury brands (Bian and Moutinho, 2011; Wiedmann *et al.*, 2012; Chen *et al.*, 2014; Ledbury Research, 2014). The global demand for well-known luxury brands have also increased counterfeiting and allowed the industry to thrive (Yoo and Lee, 2012). In addition, luxury brands are easily counterfeited, as it is easy to sell and incur low manufacturing costs (Shultz and Saporito, 1996; Gentry *et al.*, 2006). More importantly, the luxury goods market in Taiwan and Mainland China is a highly lucrative and profitable industry (Chuchinprakarn, 2003). Taiwan Chinese consumers in particular, are avid luxury consumers (Strickland, 2005) and counterfeits of luxury brands can provide an alternative to the genuine counterparts to support the strong consumer desire to be in tune with changing fashions and fads (Chang, 1998; Eisend and Schuchert-Güler, 2006). In addition, China Chinese have also increased in their appetites for luxury brands. In order to exude status and project their new found wealth (Phau and Teah, 2009), many China Chinese consumers resort to the ostentatious display of luxury brands in order to boost their “face” value (Sharma and Chan, 2011; Chen *et al.*, 2014). This in turn, creates the desire for luxury brands and status conveying products (Wilcox *et al.*, 2009; Chen *et al.*, 2014).

There are eminent problems with counterfeiting (Yoo and Lee, 2012) which has a negative impact on the society as a whole. Counterfeits pose as threats to the original brands as they diminish the corporate revenues and as a result impact on the national economic growth (Wilke and Zaichkowsky, 1999). In fact, due to the rampant counterfeiting in China, it has deterred foreign companies from investing or entering the Chinese market (FlorCruz, 2013). This is as a result of the high propensity for the original brands to be counterfeited upon entering the Chinese market, which can result in high legal investments to protect the brand equity (Ang *et al.*, 2001; Poddar *et al.*, 2012). The lack of counterfeiter and consumer morality, the lack of penalties and stringent regulations especially in developing countries where counterfeits are manufactured, have further fuelled global counterfeiting (Wee *et al.*, 1995; Chaudhry, 2006; Lee and Yoo, 2009). In response to the high rise in counterfeiting over the past three decades, there is the emergence of organizations such as IACC (International Anticounterfeiting Coalition), Hong Kong Trade Marks Ordinance Cap. 599, UK's 1994 Trade Marks Act to attempt countering counterfeiting (Kim and Johnson Kim, 2014).

There are previous studies that have explored counterfeit consumers and their attitudes towards counterfeiting across nations (Rawlinson and Lupton, 2007; Penz and Stottinger, 2008; Penz *et al.*, 2008; Veloutsou and Bian, 2008). Interestingly, a large number of cross national studies have also investigated China Chinese consumers' attitudes and behavioural intention towards counterfeits. This could be due to the fact that China is considered to be a powerhouse of counterfeits with the largest supply of counterfeit goods originating from China (Phau and Teah, 2009). However, there is a lack of understanding of Chinese consumers as a whole in terms of Taiwan Chinese and China Chinese who are all part of the same region. They may be sharing the same cultural roots, but the development of these two countries as a whole have been rather diverse. This would present interesting findings that target a region rather than a specific country. In addition, it can be proposed that the strategies that may work in Mainland China, may not work in Taiwan. Therefore, this study attempts to study the consumer behaviour of consumers sharing a similar culture, but with vast differences in consumer development and behaviour.

In addition, studies on understanding Taiwan Chinese consumers and their luxury counterfeit consumption behaviour have been rare. This presents a gap especially when they are also avid consumers of luxury brands and products. However, Taiwan Chinese consumers would

have had greater exposure and are more likely to be familiar with luxury brands as their market has long been accustomed to luxury brand consumption. However, China has economically and politically grown exponentially over the past decade, marking it a superpower of the 21st century (Vatikiotis, 2003). This in turn has opened up the market and China Chinese consumers are increasingly exposed to luxury brands, thus developed an insatiable appetite for luxury goods that can enhance their status. Therefore, the investigation of consumers in Mainland China and Taiwan would possibly present interesting findings to assist brand managers in projecting the possible avenues and growth of the Chinese market.

On the other hand the consumption behaviours of the Taiwan Chinese consumers have become more stable as they have had a head start in economic, political, technological and social development before China. Their tendency to be “Pro-US” has also created consumption patterns that can be largely westernized. However, China is currently still exploring and forming its own identity. With the influx of multi-nationals into the Chinese market and the increasing number of customized products (Du *et al.*, 2008), there would be interesting implications that may translate to their attitudes towards counterfeits of luxury brands. Once upon a time, China was seen to be Taiwan’s poor cousin. However, with the recent fast-paced development in China, it has become harder to gauge the status of China in relation to its neighbouring countries.

This paper therefore responds to the call for research, to understand the attitudes and behavioural intentions of China Chinese and Taiwan Chinese consumers who consciously seek counterfeits of luxury brands and indulge in purchase regardless of the threat of imposed penalties (such as Ang *et al.*, 2001; Bloch *et al.*, 1993; Cordell *et al.*, 1996; Prendergast *et al.*, 2002; Wang *et al.*, 2005). A review of the literature reveals the main social and personality variables that have an influence on “attitudes towards counterfeiting” and “purchase intention of counterfeits” (e.g. Wee *et al.*, 2005; Wang *et al.*, 2005). Therefore, based on existing literature social factors such as information susceptibility and collectivism and personality factors such as integrity, personal gratification, status consumption are being examined based on cultural differences of Chinese consumers. According to Chen *et al.* (2014) understanding cultural contexts are important in order to formulate effective strategies to control the counterfeiting problem in China and Taiwan (Bloch *et al.*, 1993; Ang *et al.*, 2001). The aims of this study are therefore threefold. First, it examines the relationship between “social factors” and “attitudes towards counterfeiting of luxury brands” of China Chinese and

Taiwan Chinese consumers. Second, it investigates the relationship between “personality factors” and “attitudes towards counterfeiting of luxury brands”. Third, it examines the relationship between “attitudes towards counterfeiting of luxury brands” and “purchase intention of counterfeits”.

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

Relevant Literature and Hypotheses Development

Counterfeits defined

Cordell *et al.* (1996) define counterfeits as reproductions of a trademarked brand, including resemblance in packaging, labelling and trademarks, with the intention to pass off as the original product. Research has mainly identified two types of consumers of counterfeits, deceptive and non-deceptive. The first being unknowingly led into the purchase of counterfeit goods thinking that they are genuine articles (Grossman and Shapiro, 1988; Bloch *et al.*, 1993; Mitchell and Papavassiliou, 1997; Tom *et al.*, 1998) and the latter being consumers who actively and knowingly sought out counterfeits (Bloch *et al.*, 1993; Cordell *et al.*, 1996; Prendergast *et al.*, 2002). However, for the purpose of this study, only the knowing consumers who purchase counterfeits out of their own initiative are being examined.

Attitudes towards counterfeits

Zhou and Hui (2003) have highlighted the likelihood that counterfeits will diminish the symbolic value of authentic luxury brands and subsequently dilute the brand equity. As counterfeits are cheaper alternatives, there might not be a noticeable difference in perceived quality (Gentry *et al.*, 2006), which will result in erosion of genuine luxury brands (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 the case with 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 counterfeits with a famous brand name 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 counterfeited (Eisend and Schuchert-Güler, 2006).

There are other variables that shape and influence attitudes of consumers towards counterfeiting such as legal, ethical, economic and attribute factors have been examined in past literature (such as Cordell *et al.*, 1996; Ang *et al.*, 2001; Wang *et al.*, 2005). Findings have been consistent that consumers seek functional benefits when considering the purchase of counterfeits of luxury products. However, more central is the ultimate desire to own the brand name and status symbols that trademarked luxury brands exude (Cordell *et al.*, 1996; Chadha, 2007). In the minds of consumers, prices are reflective of consumer attitudes towards the value of counterfeit products. With intent, counterfeiters capitalize on the fact that counterfeits are sold at a lower price hence creating a price advantage over original brands (Gentry *et al.*, 2006; Yoo and Lee, 2012). On the same note, consumers are compelled to purchase luxury products, but are unwilling to pay the hefty price tag attached to it (Cordell *et al.*, 1996). Hence, price has long been found to be one of the major motivators of counterfeit luxury brands (Bloch *et al.*, 1993; Prendergast *et al.*, 2002; Tang *et al.*, 2014).

Because of the lower prices, there is lower expectation of quality. 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). In fact, there are consumers who only want to acquire the look of the original brand, but do not seek further gratification from owning the original article (Poddar *et al.*, 2012). However, counterfeit products do not offer warranties, which pose a higher financial threat to consumers if product is defective. According to past research, it is noted that if product quality between genuine and counterfeit is closely similar, it encourages the intention to purchase the counterfeit (Wee *et al.*, 1995; Penz and Stöttinger, 2005). More commonly, the product quality of counterfeits is lower than that of the original, however the advancement of technology has seen the improvement in the quality of counterfeits (Wilcox *et al.*, 2009). There are now grade systems attached to the counterfeits to enable consumers to decide which “level” of counterfeit they would like (Phau and Teah, 2009). When discussing the quality of counterfeits, the concept of quality incorporates the design, workmanship, and packaging of the product (Poddar *et al.*, 2012).

Antecedents – Social Factors

Information susceptibility is the basis of purchase decision on expert opinion of others (Ang *et al.*, 2001; Wang *et al.*, 2005). The assurance of opinions of others plays an important role as a point of reference especially when consumers have little knowledge of the product category in question. 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.

H_{1a} Information susceptibility has a negative influence on consumer attitudes towards counterfeiting of luxury brands for Chinese consumers.

H_{1b} Information susceptibility has a negative influence on consumer attitudes towards counterfeiting of luxury brands for Taiwanese consumers.

Collectivism

Although there has been past research stating that the Chinese collectivistic culture is one of the primary contributing reasons to high counterfeiting rates in China (Swinyard *et. al.*, 1990; Marron and Steel, 2000; Husted, 2000; Wang *et al.*, 2005), the degree of collectivism varies depending on geographical locations. Inland Chinese are deemed to be more collectivistic than residents in the more developed coastal cities such as Guangzhou, Beijing and Shanghai (Koch and Koch, 2007). 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_{2a} Collectivism has a positive influence on consumer attitudes towards counterfeiting of luxury brands for Chinese consumers.

H_{2b} Collectivism has a positive influence on consumer attitudes towards counterfeiting of luxury brands for Taiwanese consumers.

Antecedents - Personality Factors

Purchasing behaviour and other consumer decision-making processes have all long been linked to personality factors (Kassarjian, 1971; Kaynama and Smith, 1994). Hence, the examination of consumer personality factors provides better understanding of their tendencies to support counterfeiting of luxury brands. In view of Taiwan Chinese consumers, attitudes towards counterfeiting of luxury brands can be influenced by a number of factors. Personality factors such as value consciousness, integrity, personal gratification, and novelty seeking and status consumption will be examined in relation to consumers' attitudes and behavioural intentions towards counterfeiting 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). Consumers' moral beliefs towards counterfeiting have implications for understanding the demand side of counterfeiting (Shoham *et al.*, 2008). In the event that a normal law abiding citizen does not view counterfeits as unethical, they may then be encouraged or be more inclined to purchase a counterfeit (Poddar *et al.*, 2012). If consumers view integrity as crucial, the chances of them viewing counterfeit luxury of luxury brands in a positive light would be much smaller (Ang *et al.*, 2001; Wang *et al.*, 2005).

H_{3a} Integrity has a negative influence on consumer attitudes towards counterfeiting of luxury brands for Chinese consumers.

H_{3b} Integrity has a negative influence on consumer attitudes towards counterfeiting of luxury brands for Taiwanese consumers.

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 a high sense of personal gratification would be more conscious of the appearance and visibility of fashion products. They would probably be less tolerant of inferior product qualities. Consumers with a high sense of personal gratification will value the genuine versions of

luxury products and the quality it promises. In addition, the purpose for consumers to purchase the original luxury brands are to seek gratification from the admiration of observers and significant others (Yoo and Lee, 2012). Since the original luxury brand signals wealth and social superiority, the desire to project that over others enhance the sense of satisfaction derived from owning a original luxury brand (Mason, 1998). Hence, consumers who value personal gratification will have a negative attitude towards counterfeiting of luxury brands.

H_{4a} Personal gratification has a negative influence on consumer attitudes towards counterfeiting of luxury brands

H_{4b} Personal gratification has a negative influence on consumer attitudes towards counterfeiting of luxury brands for Taiwanese consumers.

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.*, 1999). 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 only assume that only the wealthy are prone to status consumption (Freedman, 1991; Miller, 1991; Eastman *et al.*, 1999; 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.*, 1999). Status consumers seek to possess brands that exude brand symbols that reflect their self-identity has numerous implications for their attitudes towards counterfeiting of luxury brands (Hoe *et al.*, 2003). Through the ostentatious display of their luxury consumption, consumers can fulfil their desire for higher social status (Wilcox *et al.*, 2009). This allows status-seeking consumers to feel a sense of membership among an elite class (Yoo and Lee, 2012). This enhances their desire to project the image of a higher status (Mason, 1998).

Therefore, the addition of status consumption construct using a developed scale from Eastman *et al.* (1999) could well measure whether consumers who are more status conscious would be attracted to counterfeits of luxury brands. However, as status consumers are more conscious of the display of accomplishments, their attitudes towards counterfeiting of luxury brands would be unfavourable. Furthermore, the importance of ‘face’ and “mianzi” in the Chinese culture, will discourage consumption of counterfeits as there is a fear of being caught

consuming a counterfeit regardless which may dent the status of the consumer (Li and Su, 2007).

Building from the above discussion, the following hypotheses are presented:

H_{5a} Status consumption has a negative influence on consumer attitudes towards counterfeiting of luxury brands for Chinese consumers.

H_{5b} Status consumption has a negative influence on consumer attitudes towards counterfeiting of luxury brands for Taiwanese consumers.

Purchase Intention – Theory of Planned Behaviour

According to the theory of planned behaviour, the purchase behaviour is determined by the purchase intention, which is in turn determined by attitudes (Ajzen, 1991). Attitudes towards behaviour instead of towards the product are noted to be a better predictor of behaviour (Lutz, 1975; Ajzen and Fishbein, 1977; Yi, 1990; Fishbein, 1967; Fishbein and Ajzen, 1975; Penz and Stöttinger, 2005).

According to Chang (1998) unethical decision making such as purchasing of counterfeits is explained largely by the attitudes, regardless of product class (Wee *et al.*, 1995). Ang *et al.* (2001) and Wang *et al.* (2005) have both concluded that attitudes towards counterfeiting are significant influencers of purchase intention. In addition, Penz and Stöttinger (2009) stated that previous studies have often applied the theory of planned behaviour to piracy which mainly measures highly functional benefits (d'Astous and Gargouri, 2001). The link between attitudes towards counterfeiting and behavioural intentions has been extensively researched in the counterfeiting literature (de Matos *et al.*, 2007; Phau and Teah, 2009). It has been found that if the consumer attitude towards counterfeiting is favourable, the higher the chances that they will purchase counterfeit brands (de Matos *et al.*, 2007). Similarly, if consumers possess unfavourable attitudes towards counterfeiting, the less likely are the chances of purchase (Wee *et al.*, 1995).

Building from the above discussion, the following hypotheses are presented:

H₆ There is a positive relationship between attitude towards counterfeiting of luxury brands and the purchase intention towards counterfeits of luxury brands

The above hypotheses are presented in the following model:

Insert Fig.1 here

METHODOLOGY

Data collection

The data was collected in two different locations. Using a mall intercept approach, data collection was conducted at the main shopping squares of a major shopping complex in the city of Taipei, Taiwan and in the city of Shanghai, China. Prior to the data collection, interviewers were 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 the number of shoppers asked, 14% of the Chinese shoppers and 16% of the Taiwanese shoppers agreed to take part in the survey. Every tenth shopper who stepped out of the exits of the designated shopping centre was approached to participate in the survey through a self-administered questionnaire. 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 consumer purchase intention and attitudes (Cowan, 1989; Hornik and Ellis, 1988). In addition, they were asked to provide demographic information such as age, gender, education and income. This is an improvement on ecological validity as most previous research focused on student samples (Wang *et al.*, 2005; Norum and Cuno, 2011; Chen *et al.*, 2014).

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 expert translator. Established scales were adapted and used in the questionnaire. The description of the scale items and their reliabilities are recorded and reflected in *Table 1*. Section A comprised of scale items on social factors, which are used to measure "Information Susceptibility" and "Collectivism". Section B comprised of scale items measuring "Integrity", "Personal Gratification", and "Status Consumption". Section C examines attitudes towards counterfeiting of luxury brands. Section D comprised of scale items to measure purchase intention. Section E consisted of demographic information of respondents. All items were measured with a seven point Likert scale with 1 representing "strongly disagree" and 7 representing "strongly agree".

Insert Table 1 here

FINDINGS AND DISCUSSION

China Chinese Samples

270 questionnaires were collected and of these 68 responses were discarded due to incompleteness or if respondents were not Chinese nationals. The remaining 202 usable responses were analysed with LISREL 8.72. The sample distribution is presented in Table 2.

Insert Table 2 here

Taiwan Chinese Samples

1000 questionnaires were prepared to be distributed over the two week period. In the process, only 301 usable responses were used for data analyses with LISREL 8.72. The sample distribution is presented in Table 2.

Prior to analysis, data was screened for possible outliers, and missing or out-of-range values. Next, missing values were estimated with the EM-algorithm in the missing value analysis (MVA) module in SPSS 11 ($p=0.011$) and this is above the suggested value of $p>0.000$ (Arbuckle, 1996). LISREL 8.72 was then used to analyze the data. All measures were analyzed for reliability and validity in accordance with the guidelines set out by Jöreskog and Sörbom (1993). Confirmatory factor analysis (CFA) was used to assess items' correspondence with their respective latent variables. All constructs within the model were regarded as separate reflective measures. Overall, the resulting global model goodness of fit indices indicated that the measurement model fitted the data well (387.910 ($d.f. = 345, \chi^2/d.f. = 1.12$)).

Given the use of self-reported items throughout, monomethod bias might be a threat to validity. Therefore, two different types of measurement model were conducted using single-method-factor approach in accordance with the guidelines set out by Podsakoff *et al.* (2003) and Shoham *et al.* (2006). In total, two measurement models were conducted. One followed the proposed model, and the second measurement model allowed all items to load on a single method factor. The monomethod model resulted in chi-square values of 659.648 ($d.f. = 479, \chi^2/d.f. = 1.38$). The relative global model goodness of fit indices was as follows: p -value

=0.000, normed fit index (NFI) = 0.952, Comparative Fit Index (CFI) = 0.983, and root mean square error of approximation (RMSEA) = 0.039. The second measurement model was in line with the proposed structure. Compared with the monomethod models, they resulted in lower chi-square values of 387.910 (d.f. = 345, χ^2 /d.f. =1.12). They also had superior fit indices: p -value =0.055, NFI = 0.966, CFI = 0.993, and RMSEA = 0.022. Hence, the monomethod model was rejected in favour of the proposed models. It is concluded that common-method bias was not a likely threat to the findings of this study.

In support of convergent validity, in all cases, the ranges of all factor loadings and the measurement errors were acceptable and significant at alpha = 0.05, which provided evidence of convergent validity. Furthermore, three types of validity were assessed to validate our measurement model: content validity, convergent validity, and discriminant validity. Content validity was established by ensuring consistency between the measurement items and the extant literature. This was done by interviewing experts and pilot-testing the instrument. Churchill (1979) has suggested that convergent and discriminant validities should be examined for construct validity. Therefore, we assessed convergent validity by examining composite reliability (CR) and average variance extracted (AVE) from the measures (Hair *et al.*, 2006). The CR values of the four antecedent constructs were between 0.71 and 0.90 and all are above the suggested minimum of 0.70 (Hair *et al.*, 2006). Their AVE values were between 0.45 and 0.81 and these values provided further evidence of convergent validity (Fornell and Larcker, 1981) (see Table 1). These AVE values could also be used to assess discriminant validity (Fornell and Larcker, 1981) which was evident in the results of this study as AVE values for all constructs were higher than the largest squared pairwise correlation between each construct (0.38_{Chn} and 0.38_{Twn}) (Espinoza, 1999). In summary, the scales exhibited acceptable levels of reliability and validity. Table 1 provides sources, reliability, and validity for the constructs in this study. The next step is to proceed to examine the results of the structural model.

Insert Table 3 here

Table 4 shows the results of the multi-sample Structural Equation Modelling (SEM) for both the independent and dependent constructs. The overall fit of the proposed model was satisfactory ($\chi^2 = 401.287$, $df = 362$, $p = 0.076$, RMSEA = 0.021, ECVI = 1.559, NFI = 0.965,

and CFI = 0.994). Furthermore, the group goodness-of-fit indices (GFI = 0.910_{Chn} and 0.954_{Twn}) are also above the accepted figure of 0.900 (Hair *et al.*, 2006). This shows that the research model is well suited for the multi-sample (i.e. China versus Taiwan) SEM analysis.

As indicated in Table 4, information susceptibility had no significant direct impact on attitudes towards counterfeiting luxury brands for the both China Chinese and Taiwan Chinese samples ($\beta = -0.153_{\text{Chn}}$ and 0.034_{Twn}). Therefore, H₁ is not supported. In addition, collectivism was positively related to attitudes towards counterfeiting luxury brands for the China Chinese sample ($\beta = 0.637^*_{\text{Chn}}$), but had no significant impact for the Taiwan Chinese sample ($\beta = 0.178_{\text{Twn}}$). Therefore, H_{2a} is fully supported whereas H_{2b} is not supported.

Moreover, integrity was negatively related to attitudes towards counterfeiting luxury brands for the both China Chinese and Taiwan Chinese samples ($\beta = -0.412^*_{\text{Chn}}$ and -0.448^*_{Twn}). Therefore, H₃ is fully supported. However, personal gratification was not related to attitudes towards counterfeiting luxury brands for the China Chinese sample ($\beta = -0.275_{\text{Chn}}$), but shows a significant negative relationship for the Taiwan Chinese sample ($\beta = -0.576_{\text{Twn}}$). Therefore, H_{4a} is not supported, whereas H_{4b} is fully supported (not supported in the China Chinese sample but supported in the Taiwan Chinese sample). H₅ is also fully supported as the status consumption is key for both China Chinese and Taiwan Chinese consumers in forming their attitudes towards counterfeiting luxury brands ($\beta = 0.764^*_{\text{Chn}}$ and 0.195^*_{Twn}). H₆ is also fully supported as the attitudes towards counterfeiting luxury brands had significantly positive impact on purchase intention for the both China Chinese and Taiwan Chinese consumers ($\beta = 0.853^*_{\text{Chn}}$ and 0.600^*_{Twn}). Finally, the difference of beta (and gamma) coefficients of the two samples were tested and we found the relationships between status consumption and attitudes towards counterfeiting luxury brands (H₅) and between attitudes towards counterfeiting luxury brands and purchase intention (H₆) show that the Chinese coefficients are significantly bigger than Taiwanese. In other words, country difference has an interaction effect on both H₅ and H₆ (Kline, 2005).

DISCUSSION

Based on the findings of this study, there are interesting implications for formulating anti-counterfeiting strategies for China Chinese and Taiwan Chinese consumers. The results have also highlighted differences between these two groups of consumers when it comes to the

consumption behaviour of non-deceptive counterfeits of luxury brands. Even though they share similar cultural roots, it can be observed that their consumer behaviour is dissimilar. Hence, it is important for luxury brand companies to design targeted strategies towards consumers from these two countries. The results further emphasize that even when countries are not geographically distant, or that they are from similar heritage, they can be vastly different in their attitudes towards counterfeiting. Furthermore, it can be suggested that the counterfeiting problem may not only be applicable to China Chinese, but rather Chinese consumers as a whole. It is important that luxury brand managers, academics and policy makers understand that price may not be the only factor that influences consumers towards purchasing counterfeits of luxury brands (e.g. Bian and Veloutsou, 2007; Bian and Moutinho, 2011; Poddar *et al.*, 2012).

Social Factors

The findings revealed that information susceptibility to be an insignificant predictor of attitudes towards counterfeiting of luxury brands for both the China Chinese and Taiwan Chinese consumers. This can be explained by the lack of regulatory bodies in both China and Taiwan that disseminates and regulates intellectual property infringement like that of Hong Kong, US and the UK. There are no “experts” within the industry that can provide expert opinion to influence the China Chinese and Taiwan Chinese consumption of counterfeits of luxury brands. For example, within the region, Hong Kong has taken the lead using youth ambassadors and celebrities in anti-piracy and anti-counterfeiting campaigns to raise awareness and provide expert information to consumers (IPRPA, 2007). Therefore, in view of China Chinese and Taiwan Chinese consumers, the lack of awareness and information on the impacts of counterfeiting on both society and the individual consumer can be a plausible explanation for the insignificance of information susceptibility. For example, in response to the rampant counterfeits of luxury brands crossing its borders and entering the country, Comité Colbert launched an anti-counterfeiting campaign to deter and penalize travellers who carry counterfeits when passing through the customs (Phau and Teah, 2009). This generated a high level of awareness and campaigns were visible at the airports to dissuade consumers purchasing and using counterfeits of luxury brands. Therefore, stringent regulations and enforcement by governmental bodies are warranted in both Mainland China and Taiwan in order to communicate to the different consumer groups in both countries.

However, it was found that collectivism was found to influence attitudes towards counterfeiting of luxury brands for the China Chinese consumers. It did not show a significant relationship for the Taiwan Chinese consumers. It can be suggested that Taiwan Chinese consumers while are considered as Chinese, they may not be as collectivistic and may have moved away from largely traditional or collectivistic values. This could be in part due to the westernization of Taiwanese consumers as they are largely exposed and have greater familiarity with foreign media such as American and European influences. On the other hand, China Chinese consumers may still be relatively conservative and reserved. In fact, group influences may still play a huge role especially when embarrassment and face consumption is relatively important for them (Li and Su, 2007; Wang and Lin, 2009). Therefore, when China Chinese consumers perceive that counterfeiting can benefit the society or a larger group of people, it will influence their attitudes towards counterfeiting of luxury brands. Therefore, it is important for brand managers to enhance the damaging effects of counterfeiting on their fellow countrymen. More importantly, it is vital to highlight damaging effects on people close to them (e.g. physical, psychological and financial). Other key persuasive messages to highlight to these consumers is the fact that there are higher risks associated with counterfeit products (Tang et al., 2014). Therefore, campaigns that highlight the risks, harm and side effects that come with purchasing and using counterfeits (e.g. counterfeit bags causing shoulders to ache as a result of poor design), can be used to downplay on the perceived benefits perceived by consumers of counterfeits of luxury brands. In addition, using real life “victims” of counterfeits can provide a realistic and raw image of the damaging effects of counterfeiting on the people closer to home.

Personality Factors

Consistent with past studies, integrity plays an important role in influencing consumer’s attitudes towards counterfeiting of luxury brands (Ang *et al.*, 2001; Wang *et al.*, 2005; Phau and Teah, 2009). This therefore highlights to brand managers and policy makers the importance in enhancing and educating consumers on the ethical implications on the consumption of counterfeits. It was previously found that consumers do tend to perceive counterfeiting as unethical (Phau and Teah, 2009). While there are messages that highlight that counterfeiting fund terrorism, it may seem far removed from consumers. Therefore, by conveying messages such as how supporting counterfeiting can lower your integrity and make you a “non-righteous” person may address consumers in China and Taiwan. The loss of face and the shame associated with losing one’s integrity and sinking to a moral low can

possibly dissuade China Chinese and Taiwan Chinese consumers from counterfeiting (Zhou and Belk, 2004; Kim and Johnson Kim, 2014). One of the key areas identified by Poddar *et al.* (2012) is that beliefs on the morality and ethicality of the brand and company would have implications on consumer's attitudes towards counterfeiting of luxury brands. It is therefore important for original brands to project a positive brand image and to enhance corporate citizenship in order to be seen as "ethical". In addition, while counterfeiters and consumers of counterfeits of luxury brands. Luxury brands will also need to be socially responsible and ethical in order to gain the support of consumers against purchasing counterfeits of luxury brands. In lieu of media coverage luxury brands' involvement with the sweatshop industry (Isenberg, 2011), this has caused reaction from consumers who perceive luxury brands to be unethical and charge exorbitant prices for their wares. As a result, engaging in socially responsible programmes, can in turn assist in building a positive image, especially in fast developing markets such as China.

According to the findings, it was found that personal gratification has a negative influence on attitudes towards counterfeiting of luxury brands for the Taiwan Chinese consumers. However, personal gratification did not show an influence towards attitudes for the China Chinese consumers. This finding highlights that when consumers appreciates the finer things in life they will not perceive counterfeits of luxury brands to provide gratification for quality of life. This enhances the fact that while counterfeits of luxury brands may project positive quality inferences and provide similar functional benefits, they are still considered substandard in the eyes of Taiwan Chinese consumers. Therefore, brand managers can further highlight and expose the truth behind the workmanship and ingredients of counterfeits and create even higher quality perceptions of the original luxury brands' ingredients and authenticity from that of the counterfeit. There can be possibilities for brand managers to highlight the authentic ingredients used in the original luxury brands and the manufacturing process and quality which results in quality "hand-crafted" products. This will be absent in counterfeits of luxury brands. Therefore, it can project the image of quality and finesse of the original luxury brand.

In line with previous findings, status consumption has been found to be a key motivator for the purchase of counterfeit of luxury brands (Phau and Teah, 2009; Wilcox *et al.*, 2009; Kim and Karpova, 2010; Sharma and Chan, 2011). It is found from this study that both the China Chinese and Taiwan Chinese sample that status consumption has a significant influence on

attitudes towards counterfeiting of luxury brands. This therefore suggests that the counterfeits of luxury brands can provide gratification and satisfaction to consumers seeking to project their status to others. In addition, this may further enhance the symbolic values attributed to counterfeits of luxury brands as it is not about the quality of the product, but the image it exudes. Interestingly, even for the Taiwan Chinese consumers who may be seen as more exposed to luxury brands would still hold similar attitudes towards counterfeiting of luxury brands as China Chinese consumers. This can be further explained by the fact that the improvement of the quality of counterfeits makes it hard for the “un-trained” eyes of the consumers to detect a “fake”. In fact, counterfeits seem like a cheaper and plausible alternative to enable a consumer to change their luxury brands on a regular basis, which can further enhance the image of status. In addition, it can be suggested that sometimes only the rich and wealthy can pull off a counterfeit and make it look authentic. This poses a huge concern for brand managers who may seem to believe that only the lower income group may be drawn towards counterfeits. The rich may find “cheap thrills” in purchasing the counterfeit to successfully pass off as the original. In addition, there have been suggestions that counterfeits increase the appeal of original luxury brands (Romani *et al.*, 2012). Furthermore, the counterfeit of luxury brand only serves as a stepping stone towards achieving the original article. Therefore, it is important for brand managers to identify and segment the group of consumers accordingly. In fact, it may not be the lower income consumers who purchase counterfeits, but rather the rich and wealthy.

It is reiterated from the findings of this study that attitudes towards counterfeiting of luxury brand leads to purchase intention of counterfeit luxury brands. Similar to previous findings (e.g. Ang *et al.*, 2001; Wang *et al.*, 2005), it is important to curb counterfeiting by starting with the shaping consumers’ attitudes towards counterfeiting of luxury brands. It has often been found that consumers perceive the counterfeits to have similar quality, functionality and reliability as the original brands. However, these are addressing the functional benefits of counterfeits of luxury brands. It is therefore important to enhance the symbolic differences between owning a counterfeit and an original luxury brand. The experiential and hedonic satisfaction is important for consumers. For example, no matter how good a clone looks, it is still a clone. In addition, while the China Chinese are slowly moving away as transitional economy, private luxury consumption experiences can be introduced. As for the more sophisticated Taiwan Chinese consumers, it may be important to educate and enhance the status of the consumer through the consumption of private luxuries.

Concluding comments

The stance towards anti-counterfeiting is toughening on a global scale. While China and is moving past being a transitional economy, it is still on a long journey to alleviate counterfeiting activities. Furthermore, counterfeiting can be considered as a deeply rooted social problem in addition to being an economic issue. Therefore, it is important for brand managers and policy makers to plan and strategize counterfeiting strategies that can be targeted towards the different regions or countries rather than at cultural groups. However, this study aims to fulfil the gap in the literature in understanding the motivations behind the purchase of non-deceptive counterfeits of luxury brands by China Chinese and Taiwan Chinese. Similar to other studies (e.g. Penz and Stottinger, 2009; Phau and Teah, 2009) the theory of planned behaviour model is found to be an appropriate theoretical framework to underpin consumption behaviour of counterfeits of luxury brands. In addition, this study further establishes the application of the theory of planned behaviour in the counterfeiting literature (Kim and Karpova, 2010) and further extends the theory in a cross national study within the counterfeiting literature.

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 being sold. As the study is a snapshot of the Taiwan Chinese consumers in the city of Taipei and a snapshot of China Chinese consumers in the city of Shanghai, extensions to populations of other areas or different socioeconomic groups will show different results. In addition, other neighbouring countries such as Hong Kong should be examined and compared with Taiwan and China Chinese consumers as it may produce different results. The addition of “materialism” and ‘face consumption’ constructs can be further investigated to test for their influences on Chinese consumers. Other variables such as guilt and shame can be used to better understand the consumer psyche when purchasing counterfeits of luxury brands (Kim and Johnson Kim, 2014; Tang *et al.*, 2014).

Further exploration using qualitative approaches to examine consumer purchase behaviour of counterfeit products may provide deeper insights. Quantitative approaches are very commonly used, and the understanding derived may still be limited (Gentry *et al.*, 2001; Hoe

et al., 2003; Eisend and Schuchert-Güler, 2006). Therefore, by providing qualitative insights into the underlying differences between the two regions would develop further understanding of the consumption behaviour of counterfeits (Perez, 2010; Tang *et al.*, 2014). Although this study shows that integrity of consumers plays a role in affecting purchase intention, it might differ in the purchase of other product categories such as pirated CDs. This study only examines purchase intention but actual ownership should be measured to determine if buyers are also owners of counterfeit products. Further research can also be undertaken across different product categories of luxury brands to better understand the specific strategies for brand managers within the industry. While the debate on the harmful effects of counterfeiting on genuine luxury brands, there is the notion that counterfeits are in fact beneficial to genuine luxury brands (e.g. Yoo and Lee, 2009). Therefore, further research is warranted to understand the impact of counterfeits of luxury brands on genuine luxury brands.

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