

# **Attitudes towards Counterfeits of Luxury Brands: The Singapore Story**

**Min Teah, Ian Phau, Curtin University of Technology**

## **Abstract**

The paper examines the factors that influence the attitudes of Singaporean consumers towards counterfeits of luxury brands. Data was collected using a self-administered questionnaire from 300 postgraduate students of a large university. Both social influence and price quality inference were found to significantly influence attitudes towards counterfeits of luxury brands. There is no significant relationship with brand consciousness, personal gratification, value consciousness, and brand prestige. Attitudes towards counterfeits of luxury brands were found to influence purchase intention. A research model is developed together with an agenda of seven hypotheses. The main contributions of the proposed research are also delineated.

## **Introduction**

The luxury goods industry is a very lucrative market and is growing at a phenomenal rate (Economic Development Board, 2004), as such many luxury designer brands have become targets of counterfeit producers (Vida, 2007; Commercial Piracy Report, 2005).

The growth in the counterfeit market can be attributed to the increase in world trade and emerging new markets (Wee et al., 1995). As a result of fast paced technology advancements, luxury goods are easier to counterfeit since technology is more easily available (Bloch et al., 1993; Teah and Phau, 2008). Luxury brands are more vulnerable targets to counterfeiters as they are popular with consumers (Shultz and Soporito, 1996). Many of the early studies on counterfeiting have focused on the supply dimension and the development of counter strategies for piracy or counterfeiting (Harvey, 1988; Bush et al., 1989; Carty, 1994). Recently, we observe an increase in studies on the issues pertaining to the demand-side of counterfeiting (Prendergast et al., 2002; Kuo and Hsu, 2001; Tang and Farn, 2004).

This study aims to first examine the relationship between six antecedent factors, which are brand consciousness, personal gratification, value consciousness, price quality inference, social influence, and brand prestige and attitudes towards counterfeits of luxury brands. It also investigates the relationship between the consumers' attitudes towards counterfeits of luxury brands and the intention to purchase counterfeits of luxury brands. The theoretical underpinnings together with relevant literature will be reviewed, then leading to the development of hypotheses. This is followed by a description of the research method and a discussion of the analysis and findings. Finally, the concluding comments, managerial implications and limitations of the study are highlighted.

## **Relevant Literature, Theory and Hypotheses**

Counterfeits of luxury brands are commonly defined as the reproduction or replicated version of the genuine article, usually of a well-known trademarked brand. The copy resembles the genuine article in details such as packaging, colour, labelling, and trademark so as to pass off as the genuine (Kay, 1990; Cordell et al., 1996; Ang et al., 2001). Commonly, consumers purchasing counterfeits of luxury brands are willing to pay for the visual attributes and functions without paying for the associate quality (Grossman and Shapiro, 1988; Cordell et

al., 1996). As such, consumers prefer counterfeit products with a famous brand name attached that would present some meaning of prestige to the consumer. This suggests that only brand names that are well known or worth counterfeiting are targeted for illegal production (Cordell et al., 1996; Sridhar, 2007).

Attitudes toward counterfeiting have been extensively studied in the literature and are explained by the theory of reasoned action (TRA) and the theory of planned behaviour (TPB) (Ang et al., 2001; Kwong et al., 2003; Wang et al., 2005). Both these are well-developed theoretical frameworks that aim to contribute to the understanding of the psychological processes underlying intentions and behaviours of consumers favouring counterfeits of luxury brands (Celuch et al., 2004). Thus they will be used to underpin this research.

According to Bush et al. (1989), publicly self-conscious individuals are especially concerned about the impression they make on others. They are more likely to be concerned about physical appearances and fashion. They are also more compliant with standards in the society and are more sensitive to interpersonal rejections. As such, if brand conscious consumers are being exposed to be wearing or using counterfeits, there is the fear that it will leave a bad impression. Thus they are more likely to have a negative attitude towards counterfeits of luxury brands. As such it is proposed that:

*H<sub>1</sub>*– Brand consciousness has a negative influence on attitudes towards counterfeits of luxury brands.

Personal gratification is linked to the need for a sense of accomplishment, social recognition, and the desire to enjoy the finer things in life. Buyers of counterfeits perceive themselves to be less confident, less successful, and have a lower perceived status (Bloch et al., 1993). Thus, these characteristics are often associated with individuals who seek accomplishment, social recognition, and a higher standard of living. Consumers who seek higher personal gratification will have negative attitudes towards counterfeits of luxury brands. As such it is proposed that:

*H<sub>2</sub>*– Personal gratification has a negative influence on attitudes towards counterfeits of luxury brands.

Value consciousness is defined as the concern for paying lower prices for products but subjected to some quality constraints (Lichtenstein et al., 1990). In this instance, counterfeit products are of lower quality, but offer consumers huge savings as compared to the genuine products. Therefore, consumers perceive counterfeits of luxury brands as “value for money” (Furnham and Valgeirsson, 2007). Furthermore, studies have also shown that when a counterfeit product has a distinct price advantage over the genuine product, consumers will select the counterfeit (Bloch et al., 1993; Teah and Phau, 2008). As such it is proposed that:

*H<sub>3</sub>*: Value consciousness has a positive influence on attitudes towards counterfeits of luxury brands.

Prior studies such as Augusto de Matos et al. (2007) suggests that price quality inference is the belief that high prices are equivalent to high quality, and low prices are equivalent to low quality. Many studies (Huang et al., 2004; Wang et al., 2005) suggest that the perceived differences between a counterfeit and an original are lower prices, lack of guaranties, and perceived risk, especially when consumers are unable to judge or gather information about the product quality. As such it can be proposed that:

*H<sub>4</sub>*: Consumers who are more concerned about price over quality have more negative attitudes towards counterfeits of luxury brands.

A consumer's consumption pattern is a reflection of his or her social class position. If brand status is important to consumers, but they are unable to afford the expensive originals, they are likely to turn to the counterfeit brands as cheaper substitutes. Depending on their social group norm, the pressure from a reference group can induce the consumer's decision to use original or counterfeits of luxury brands (Bearden et al., 1989). As such, it is proposed that:  
*H<sub>5</sub>*: Social influence has a positive effect on attitudes towards counterfeits of luxury brands.

The ability to consume prestige brands is viewed as a signal of status and wealth. Thus, when a brand is more prestigious, consumers will be more likely to purchase it to reflect their status. Consumers who seek to possess brands that exude brand symbols to reflect their self-identity will therefore be uninterested in owning an "inferior" counterfeit (Hoe et al., 2003). As consumers are more conscious of the brand prestige, their attitudes towards counterfeits of luxury brands would be unfavourable. As such it is proposed that:

*H<sub>6</sub>*: Brand prestige has a negative effect on attitudes towards counterfeits of luxury brands.

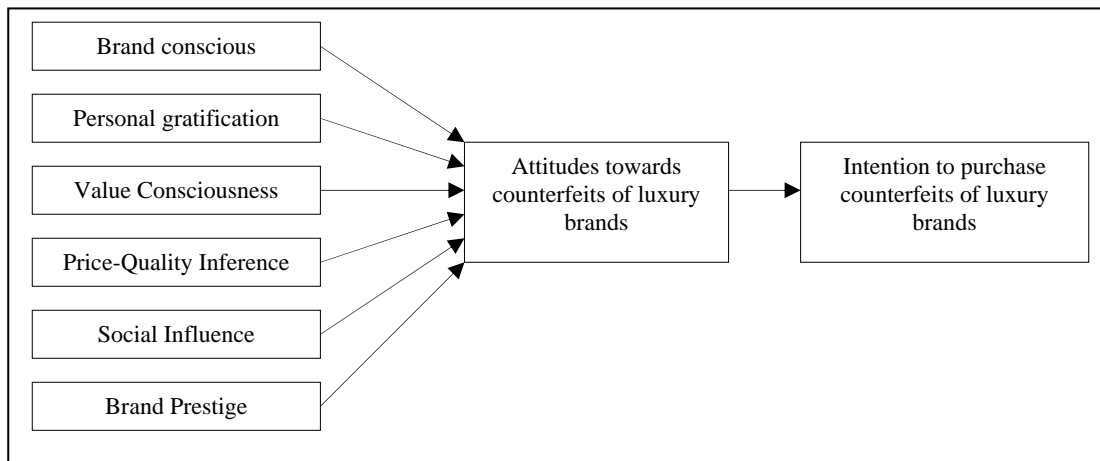
Literature on attitudes toward counterfeiting have examined a host of factors including economic, quality, legal, and ethical issues that shape and influence attitudes of consumers purchasing counterfeits of luxury brands (e.g. Ang et al., 2001; Eisend and Schuchert-Güler, 2006). Fundamentally, consumers will consider purchasing counterfeits of luxury brands when functional needs are met. However, the associated prestige and status symbol that the trademarked brand exudes is an even stronger propellant for consumers to purchase counterfeits of luxury brands (Cordell et al., 1996; Wang et al., 2005).

Building on 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 is noted to be a better predictor of behaviour (Fishbein, 1976; Lutz, 1975; 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 the intentions are, it would be difficult to perform purchase (Vida, 2007; Chang, 1998).

Unethical decision making such as the purchase of counterfeits is explained largely by attitudes, regardless of the product class (Ang et al., 2001). The more favourable consumer attitudes towards counterfeits of luxury brands, the higher the chances that they will purchase counterfeit brands. Similarly, the more unfavourable consumer attitudes towards counterfeits of luxury brands, the less likely are the chances of purchase (Wee et al., 1995). It is therefore postulated that:

*H<sub>7</sub>*: Consumers with positive attitudes towards counterfeits of luxury brands have higher intention to purchase counterfeits of luxury brands.

**Figure 1** Provides a theoretical framework for intention to purchase counterfeit luxury brand



### Methodology

Data was collected from a convenience sample of 300 postgraduate students from a large university. Only 204 surveys were usable and were entered into SPSS 14 for analysis. The sample is composed of 75% female, the majority (68.1%) falls between the age of 20 – 29 years old, with 30.4% of the respondents earning USD21,001 – 28,000 annually. The main statistical techniques that were used to analyse the results and to address the relevant hypotheses were reliability tests and regression analyses. The online questionnaire adapted established scales to measure the key antecedents of the study, which are brand consciousness, personal gratification, value consciousness, pricing and quality inference, social influence, and brand prestige (Bush et al., 1989; Wang et al., 2005; Lichtenstein et al., 2003; Grossman and Shapiro, 1988; Bearden, 1989; Hoe et al., 2003); the dependent variables, attitudes towards counterfeits of luxury brands and purchase intention (Wang et al., 2005). Demographic questions were used purely for statistical analysis. The majority of scales measured via statements on a seven-point Likert-scale.

### Results

In order to test  $H_1$  to  $H_6$ , a multiple regression was used to analyse the effects of the six antecedent factors: brand consciousness, personal gratification, value consciousness, pricing and quality inference, social influence, brand prestige on attitudes towards counterfeits of luxury brands. The multiple regressions resulted in an  $R^2$  value of .48 (48% variance). From the results gathered, only two variables, social influence and price quality inference are found to be significant predictors of attitudes towards counterfeits of luxury brands ( $F = 5.663$ ,  $p < 0.01$ ). Conversely, factors including personal gratification, value consciousness, brand consciousness, and brand prestige are not significant predictors of attitudes towards counterfeits of luxury brands. Thus, there is sufficient statistical evidence to show support for  $H_4$  (price quality inference) and  $H_5$  (social influence), however,  $H_1$  (brand consciousness),  $H_2$  (personal gratification),  $H_3$  (value consciousness), and  $H_6$  (brand prestige) are all rejected. Based on the results ( $p=.000$ ,  $\beta=.678$ ),  $H_7$  is strongly supported and individuals with positive attitudes towards counterfeits of luxury brands are also more likely to purchase counterfeits of luxury brands. Intention to purchase counterfeits of luxury brands explains 46% of the variance. In summary, there is sufficient statistical evidence to show support for  $H_7$ .

## Conclusion

The preceding discussion highlights the implications between a consumer's brand consciousness, personal gratification, value consciousness, price quality inference, social influence, brand prestige, and attitudes towards counterfeits of luxury brands. Conceptually, based on the TPB, the linkage between attitudes and intentions has been re-confirmed again, reflecting many studies in other countries (i.e. Wang et al., 2005). Thus, individuals with favourable attitudes towards counterfeits of luxury brands will also have stronger intentions to purchase counterfeits of luxury brands. Further, findings have reflected that social influence and price quality inference factors have significant influences on the attitudes towards counterfeits of luxury brands. In support of previous findings (e.g. Teah and Phau, 2008; Bian and Veloutsou, 2007), price determinants are not the only influencing factors that affect consumer attitudes and purchase intention towards counterfeits of luxury brands. Clearly, social influence plays an important role as well. This echoes findings by Mellot (1983) and Bearden et al. (1989), that consumers are more likely to purchase counterfeits of luxury brands under the influence of their peers.

There are several key managerial contributions for the study. Firstly, the research findings will allow luxury brands manufacturers further insights into strategizing their anti-counterfeiting campaigns. Thus, it emphasizes the importance of careful tailoring of luxury brand advertisements that appeal to the consumers. One way to dissuade counterfeiting would be to emphasize on personal image (Zhou and Belk, 2004). For consumers who value the opinion of their peers, it will be embarrassing if they are found to be using fake designer goods (Wee et al., 1995). Perhaps, the "loss of face" could serve as a deterrent against the use of counterfeits. Secondly, luxury brand owners are propelled to differentiate and be as innovative as possible to be 'a step ahead' of counterfeiters (such as through special designs to brand their products) in order to avoid being easily imitated (Gentry et al., 2006). Such tactics will also reinforce the belief that consumers are paying high prices for innovative and quality products. Lastly, the government and luxury brand owners should work together to educate the masses on the negative impacts of counterfeiting and the health hazards it will cause as counterfeits are without quality and safety assurances (i.e. Comité Colbert). Although instilling fear through penalty and criminal punishments are useful, other dimensions to change consumer behaviour may also be looked into. Furthermore, in order to dissuade both 'buyers' and 'sellers' from committing counterfeit related activities, government should enforce a policy whereby both parties should be penalized if caught. Such strategies would reiterate the fact that both "suppliers" and "buyers" will be held responsible for their actions.

There are a number of limitations and future research directions worthy of consideration. This study is limited in using a convenience sampling method. Hence its generalizability is limited across consumers from other demographic segments. Studies across different ethnic groups should be explored, especially for multicultural societies. This study only examines purchase intention; actual ownership can be measured to determine if buyers are also owners of counterfeit products. Counterfeit of luxury brands is only one area of counterfeiting. Other areas such as imitation, grey area products, and or custom-made copies will also affect the intention of consumers to purchase counterfeits.

## References

- Ang, S.H., Cheng, P.S., Lim, A.C. and Tambyah, S.K. 2001. Spot the difference: Consumer responses towards counterfeits. *Journal of Consumer Marketing* 18(3), 219- 235.
- Augusto de Matos, C., Ituassu, C.T. and Rossi, C.A.V. 2007. Consumer attitudes towards counterfeits: A review and extension. *Journal of Consumer Marketing* 24(1), 36 – 47.
- Bearden, W. O., Netemeyer, R. G. and Teel, J. E., 1989. Measurement of Consumer Susceptibility to Interpersonal Influence. *Journal of Consumer Research* 15 (4), 473 – 481.
- Bian, X. and Veloutsou, C. 2007. Consumers' attitudes regarding non-deceptive counterfeit brands in the UK and China. *Brand Management* 14(3), 211-222.
- Bloch, P.H., Bush, R.F. and Campbell, L., 1993. Consumer "Accomplices" in Product Counterfeiting: A Demand-Side Investigation. *Journal of Consumer Marketing* 10 (4), 27-36.
- Bush, R.F., Bloch, P.H. and Dawson, S., 1989. Remedies for Product Counterfeiting. *Business Horizons*, 59-65.
- Carty, P., 1994. Fakes' progress. *Accountancy* 114, 44-46.
- Celuch, K., Taylor, S.A. and Goodwin, S., 2004. Understanding Insurance Salesperson Internet Information Management Intention. *Journal of Insurance Issues* 27 (1), 22-40.
- Chang, M. K., 1998. Predicting Unethical Behaviour: A Comparison of the Theory of Reasoned Action and the Theory of Planned Behaviour. *Journal of Business Ethics* 17, 1825 – 1834.
- Commercial Piracy Report 2005. Available: <http://hypnoticmusic.com/news/news-93-2005-commercial-piracy-report.html>
- Cordell, V.V., Wongtada, N. and Kieschnick, R.L. 1996. Counterfeit Purchase Intentions: Role of Lawfulness Attitudes and Product Traits as Determinants. *Journal of Business Research* 35, 41-53.
- Economic Development Board, 2004. LVMH Fragrance & Cosmetics opens regional warehouse cum international headquarters in Singapore. Available: [http://www.sedb.com/edb/sg/en\\_uk/index/news\\_room/news/2004/lvmh\\_fragrance\\_cosmetics.html](http://www.sedb.com/edb/sg/en_uk/index/news_room/news/2004/lvmh_fragrance_cosmetics.html).
- Eisend, M. and Schuchert-Güler, P., 2006. Explaining Counterfeit Purchases: A Review and Preview. *Academy of Marketing Science Review* 2006 (12).
- Fishbein, M., 1967. *Readings in attitude theory and measurement*, Wiley, New York.
- Fishbein, M. and Ajzen, I., 1975. *Belief, Attitude, Intention, and Behaviour: An Introduction to Theory of Research*, Addison Wesley, Reading.
- Furnham, A. and Valgeirsson, H. 2007. The effect of life values and materialism on buying

counterfeit products. *The Journal of Socio-Economics* 36, 677 – 585.

Gentry, J. W., Putrevu, S. and Shultz II, C. J. 2006. The effects of counterfeiting on consumer search. *Journal of Consumer Behaviour* 5(3), 245 – 256.

Grossman, G. M. and Shapiro, C. 1988. Foreign counterfeiting of status goods. *Quarterly Journal of Economics* (February), 79 – 100.

Harvey, M., 1988. A New Way to Combat Product Counterfeiting. *Business Horizons*, 19-28.

Hoe, L., Hogg, G., and Hart, S., 2003. Fakin' It: Counterfeiting and Consumer Contradictions. In: *European Advances in Consumer Research* 6 ed., Turley, D. and Brown, S. Provo, UT: Association for Consumer Research, pp. 60 – 67.

Huang, J.H., Lee, B. C.Y., Ho, S. H. 2004. Consumer attitude toward gray market goods. *International Marketing Review* 21(6), 598 – 614.

Kay, H. 1990. Fake's progress. *Management Today* (July), 54 – 58.

Kuo, F.Y. and Hsu, M.H., 2001. Development and Validation of Ethical Computer Self-Efficacy Measure: The Case of Softlifting. *Journal of Business Ethics* 32 (4), 299 – 315.

Kwong, K.K., Yau, H.M., Lee, S.Y., Sin, Y.M. and Tse, C.B. 2003. The Effects of Attitudinal and Demographic Factors on Intention to Buy Pirated CDs: The case of Chinese Consumers. *Journal of Business Ethics* 47, 223-235.

Lichtenstein, D.R., Netemeyer, R.G. and Burton, S., 1990. Distinguishing coupon proneness from value consciousness: an acquisition-transaction utility theory perspective. *Journal of Marketing* 54, 54-67.

Lutz, R. J., 1975. Changing brand attitudes through modification of cognitive structure, *Journal of Consumer Research* 1, 49 – 59.

Mellott, D. W., 1983. *Fundamentals of Consumer Behaviour*. Penn Well Publishing Company, 828

Penz, E. and Stöttinger, B. 2005. Forget the “Real” Thing – Take the Copy! An Explanatory Model for the Volitional Purchase of Counterfeit Products. *Advances in Consumer Research* 32, 568 – 575.

Prendergast, G., Leung, H.C. and Phau, I., 2002. Understanding consumer demand for non-deceptive pirated brands. *Marketing Intelligence and Planning* 20 (7), 405- 416.

Shultz C.J. II, and Soporito, B. 1996. Protecting intellectual property strategies and recommendations to deter counterfeiting and brand piracy in global markets. *Columbia Journal of World Business* 31(Spring), 18 – 28.

Sridhar, G. 2007. Countering Counterfeits. In: *Proceedings of the International Conference on Marketing and Society*, Indian Institute of Management, Kozhikode, 737-742. <http://dspace.iimk.ac.in/handle/2259/313>

Tang, J.H. and Farn, C.K., 2004. The Effect of Interpersonal Influence on Softlifting Intention and Behaviour. *Journal of Business Ethics*, 1-13.

Teah, M. and Phau, I., 2008. Devil wears (counterfeit) Prada: A study of antecedents and outcomes of attitudes towards counterfeits of luxury brands. *Journal of Consumer Marketing*, In Press.

Vida, I., 2007. Determinants of Consumer Willingness to Purchase Non-Deceptive Counterfeit Products. *Managing Global Transitions* 5 (3), 253 – 270.

Wang, F., Zhang, H., Zang, H. and Ouyang, M., 2005. Purchasing pirated software: an initial examination of Chinese consumers. *Journal of Consumer Marketing* 22 (6), 340 – 351.

Wee, C.H., Tan, S.J. and Cheok, K.H., 1995. Non-price Determinants of Intention to Purchase Counterfeit Goods: An Exploratory Study. *International Marketing Review* 12 (6), 19-46.

Zhou, N. and Belk, R. W., 2004. Chinese Consumer Readings of Global and Local Advertising Appeals. *Journal of Advertising* 22 (3), 63 – 76.