WHAT MODERATES ATTITUDES AND PURCHASE INTENTIONS IN A LUXURY BRAND COUNTERFEITS CONTEXT?

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WHAT MODERATES ATTITUDES AND PURCHASE INTENTIONS IN A LUXURY BRAND COUNTERFEITS CONTEXT?

ABSTRACT
The study aims to understand the moderators that would enhance the relationship between attitudes towards counterfeits of luxury brands and purchase intentions of Chinese consumers. Data collection was conducted in a major shopping complex in downtown Shanghai. A response rate of 14% was recorded. Findings reveal that both social and personality factors enhance the relationship of attitudes towards counterfeits of luxury brands and purchase intentions. However, only value consciousness was found to be insignificant moderator. Various implications were derived and limitations and future directions of the study were also delineated.

INTRODUCTION
The increase in world trade in recent years has spurred the growth of counterfeiting, especially in China (Wee et al., 1995; Bloch et al, 1998; Counterfeiting: Tricks and trends, 2003). Accompanied by globalization and technological advancements, counterfeits have become easier to manufacture and is low in cost to produce (Shultz and Saporito, 1996; Gentry et al., 2006). Furthermore, as the Chinese are fast becoming wealthier, the demand for luxury goods is also increasing. In conjunction, the demand for counterfeits of luxury brands is also increasing. Although, government officials have implemented intellectual property legislation is still riddled with loopholes and flaws. This allows counterfeit syndicates and manufacturers to continue with counterfeiting activities without heavy penalties and threats (Sonmez and Yang, 2005; Clark, 2006).

While studies in the past have confirmed that attitudes towards counterfeits of luxury brands has a significant influence on purchase intentions (Phau and Teah, 2009; Ang et al., 2001; Wang et al., 2005), it has never been investigated whether any factors would enhance this relationship. As such, this study will examine the moderating factors that impact on the relationship between attitudes towards counterfeits of luxury brands and purchase intentions. The findings would allow practitioners and policy makers to formulate effective strategies to curb the counterfeiting problem in China.
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. This includes 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).

Research has identified two types of consumers of counterfeit products. The first is a victim, who unknowingly and unintentionally purchases 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 knew that the products were 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 has 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, unlike genuine products, counterfeit products are still without warranties, 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).

Furthermore, attitudes towards counterfeits of luxury brands are more enduring and are not easily altered by mood states and purchase situations (Penz et al., 2009). It has been suggested that attitudes can be moderated by external factors, whereby attitudes become less accessible (Penz et al., 2009). In view of the Chinese consumers, it is suggest that social factors which are normative and informational susceptibility towards social influence and collectivism; and personality factors such as value consciousness, integrity, personal gratification, novelty seeking, and status consumption will moderate the relationship between attitudes towards counterfeits of luxury brands and purchase intentions.

**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; 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 a 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:

\[ H_1 \text{ There is a significant relationship between attitude and purchase intention towards counterfeits of luxury brands.} \]

**Social Factors**
Two common forms of consumer susceptibility to social influences that affect consumer’s behaviour are information susceptibility and normative susceptibility (Bearden et al., 1989; Wang et al., 2005). Information susceptibility is when a purchase decision is based on the 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. 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.

A number of prior researches have stated 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; Wang et al., 2005), however, the degree of collectivism varies depending on geographical locations. Based on the Chinese philosophy, it is believed that people should share for the greater good of the community (Swinyard et al., 1990; Wang et al., 2005). Collectivism has been discussed as one of the factors in Asian societies to positively influence consumer attitudes towards pirated products and counterfeits (Wang et al., 2005).

**Personality Factors**

While most consumers of luxury brands pursue the image and status benefits of a luxury product, they are less willing to foot the heavy price tag attached with it (Bloch et al., 1993). Counterfeits of luxury brands then serves as an alternative, whereby a lower price and a slightly substandard quality but still retaining the functional benefits of the original, counterfeits deem it as value for money (Bloch et al., 1993; Lichtenstein et al., 1990; Ang et al., 2001; Wang et al., 2005). For consumers who are value conscious, they would have positive attitudes towards counterfeits of luxury brands.
Novelty seeking is defined as 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).

In accordance to Kohlberg’s (1976) moral competence theory, consumer’s 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).

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.

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; Packard, 1959; Mason, 1981; Scitovsky, 1992; Eastman et al., 1997). 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 seeking self-satisfaction as well as to display their prestige and status 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.

Based on the above discussion, the following hypotheses have been formulated:
H2a  Normative and information susceptibility moderates the relationship between attitudes towards counterfeits of luxury brands and purchase intention.

H2b  Collectivism moderates the relationship between attitudes towards counterfeits of luxury brands and purchase intention.

H2c  Value consciousness moderates the relationship between attitudes towards counterfeits of luxury brands and purchase intention.

H2d  Novelty seeking moderates the relationship between attitudes towards counterfeits of luxury brands and purchase intention.

H2e  Integrity moderates the relationship between attitudes towards counterfeits of luxury brands and purchase intention.

H2f  Personal gratification moderates the relationship between attitudes towards counterfeits of luxury brands and purchase intention.

H2g  Status consumption moderates the relationship between attitudes towards counterfeits of luxury brands and purchase intention.

METHODOLOGY

Data collection
A mall intercept method was employed to collect data in a major shopping complex in downtown Shanghai, China. Every fifth shopper that crossed a designated spot outside the main entrance of the shopping complex was approached to participate in a self administered questionnaire. The interviewers were also trained prior to the data collection to familiarize on how to administrate and also to capture respondents with different demographic profiles. Data was collected over a two week period, including weekdays and weekends. A response rate of 14% was recorded. It has been suggested that to measure consumers’ attitudes and perceptions in a shopping environment would allow the population to relate to what the research is measuring, thus improving on the ecological validity of the study (Hornik and Ellis, 1988; Cowan, 1989; 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 questionnaire comprised of
five sections. Established scales were used and the items and their reliabilities are reflected in Table 1. Sections A and B measured social factors and personality factors. Section C examines attitudes and the purchase intentions towards counterfeits of luxury brands. Section D comprised of items regarding purchasing habits of counterfeit products and brands. Section E comprised of demographic information of respondents.

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

<table>
<thead>
<tr>
<th>Scale Measure</th>
<th>Source</th>
<th>Number of Items*</th>
<th>$\alpha$ Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Susceptibility</td>
<td>Bearden et al. 1989</td>
<td>4 items</td>
<td>0.733</td>
</tr>
<tr>
<td>Normative Susceptibility</td>
<td>Bearden et al. 1989</td>
<td>4 items</td>
<td>0.721</td>
</tr>
<tr>
<td>Collectivism</td>
<td>Wang et al. 2005</td>
<td>4 items</td>
<td>0.702</td>
</tr>
<tr>
<td>Value Consciousness</td>
<td>Lichtenstein et al. 1990</td>
<td>4 items</td>
<td>0.747</td>
</tr>
<tr>
<td>Integrity</td>
<td>Rokeach 1973</td>
<td>4 items</td>
<td>0.716</td>
</tr>
<tr>
<td>Personal Gratification</td>
<td>Vinson et al. 1977</td>
<td>5 items</td>
<td>0.764</td>
</tr>
<tr>
<td>Novelty Seeking</td>
<td>Wee et al. 1995</td>
<td>4 items</td>
<td>0.736</td>
</tr>
<tr>
<td>Status Consumption</td>
<td>Eastman et al. 1997</td>
<td>5 items</td>
<td>0.708</td>
</tr>
<tr>
<td>Attitudes towards counterfeiting luxury brands</td>
<td>Adapted from Wang et al. 2005</td>
<td>7 items</td>
<td>0.661</td>
</tr>
<tr>
<td>Purchase Intention</td>
<td>Ang et al. 2001</td>
<td>4 items</td>
<td>0.921</td>
</tr>
</tbody>
</table>

* All scales rated on a 7 point Likert scale

**Samples**

In total, 270 questionnaires were collected and only 202 usable responses were retained for analysis using SPSS software version 14. It was recorded that 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).

**ANALYSIS AND RESULTS**

Influence of attitudes towards counterfeits of luxury brands towards purchase intentions
Regression analysis was conducted between the attitudes towards counterfeits of luxury brands and purchase intention. Attitudes towards counterfeits of luxury brands significantly influences purchase intentions, accounting for an $R^2$ of 0.292 ($p<0.000$, $\beta=0.544$). It shows that if consumers hold positive attitudes towards counterfeits of luxury brand it will lead to a more positive purchase intention. Therefore, the findings are in support of H$_1$.

Hierarchical Moderated Regression

Hierarchical moderated regression was conducted on the social factors, which are “information susceptibility”, “normative susceptibility” and “collectivism” on attitudes towards counterfeits of luxury brands and purchase intentions. As shown in Table 3, results showed that the three social factors are all significant moderators (Sig. =.000) of attitudes towards counterfeits of luxury brands and purchase intentions. The factors recorded a $\Delta R^2$ of .052, .079 and .021 respectively. The results therefore support H$_{2a}$ and H$_{2b}$.

Hierarchical moderated regression was then conducted on the personality factors, which are “personal gratification”, “value consciousness”, “integrity”, “novelty seeking”, and “status consumption”. It was revealed that all the personality factors were significant (Sig. = <.05) except for the factor “value consciousness” (Sig. = .05), deeming the factor an insignificant moderator of attitudes towards counterfeits of luxury brands and purchase intentions. The significant factors recorded a $\Delta R^2$ of .038, .049, .095 and .072 respectively. The results are in support of H$_{2c}$, H$_{2e}$, H$_{2f}$ and H$_{2g}$. However, H$_{2d}$ is rejected.
### Table 3: Results for Hierarchical Moderated Regression

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Sig.</th>
<th>R²</th>
<th>F</th>
<th>df</th>
<th>ΔR²</th>
<th>F Change</th>
<th>df</th>
<th>β</th>
</tr>
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<td>Attitudes</td>
<td>.000</td>
<td>.302</td>
<td>78.822</td>
<td>1</td>
<td>.302</td>
<td>78.822</td>
<td>182</td>
<td>-.550</td>
</tr>
<tr>
<td>Attitudes + Information Susceptibility</td>
<td>.000</td>
<td>.351</td>
<td>49.024</td>
<td>1</td>
<td>.049</td>
<td>13.718</td>
<td>181</td>
<td>-.549</td>
</tr>
<tr>
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<td>.403</td>
<td>40.561</td>
<td>1</td>
<td>.052</td>
<td>15.682</td>
<td>180</td>
<td>1.332</td>
</tr>
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<td>76.424</td>
<td>1</td>
<td>.295</td>
<td>76.424</td>
<td>183</td>
<td>-.649</td>
</tr>
<tr>
<td>Attitudes + Normative Susceptibility</td>
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<td>.468</td>
<td>80.028</td>
<td>1</td>
<td>.173</td>
<td>59.289</td>
<td>182</td>
<td>-.610</td>
</tr>
<tr>
<td>Attitudes + (Attitudes + Normative Susceptibility) + (Attitudes x Normative Susceptibility)</td>
<td>.000</td>
<td>.547</td>
<td>72.852</td>
<td>1</td>
<td>.079</td>
<td>31.595</td>
<td>181</td>
<td>1.658</td>
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<td>75.891</td>
<td>1</td>
<td>.299</td>
<td>75.891</td>
<td>183</td>
<td>-.333</td>
</tr>
<tr>
<td>Attitudes + Collectivism</td>
<td>.000</td>
<td>.440</td>
<td>69.429</td>
<td>1</td>
<td>.141</td>
<td>44.443</td>
<td>182</td>
<td>-.205</td>
</tr>
<tr>
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<td>.000</td>
<td>.579</td>
<td>50.096</td>
<td>1</td>
<td>.021</td>
<td>6.846</td>
<td>181</td>
<td>1.043</td>
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<td>83.184</td>
<td>1</td>
<td>.317</td>
<td>83.184</td>
<td>179</td>
<td>-.627</td>
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<tr>
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<td>.440</td>
<td>69.943</td>
<td>1</td>
<td>.123</td>
<td>39.030</td>
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<td>-.390</td>
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<td>.302</td>
<td>76.050</td>
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<tr>
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<td>60.612</td>
<td>1</td>
<td>.100</td>
<td>30.086</td>
<td>181</td>
<td>-.091</td>
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<tr>
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<td>.013</td>
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<td>.301</td>
<td>77.602</td>
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<td>-.908</td>
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<td>.398</td>
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<td>.309</td>
<td>80.972</td>
<td>181</td>
<td>-.721</td>
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<tr>
<td>Attitudes + Novelty Seeking</td>
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<td>.457</td>
<td>75.879</td>
<td>1</td>
<td>.148</td>
<td>49.216</td>
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<td>-.680</td>
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<td>73.717</td>
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<td>.095</td>
<td>38.108</td>
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<td>.291</td>
<td>73.068</td>
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<td>-.776</td>
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<tr>
<td>Attitudes + Status Consumption</td>
<td>.000</td>
<td>.498</td>
<td>87.751</td>
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<td>.207</td>
<td>72.914</td>
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<td>1</td>
<td>.072</td>
<td>29.430</td>
<td>176</td>
<td>1.868</td>
</tr>
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</table>

* Dependent Variable: Purchase Intention
* Independent Variable: Attitudes = Attitudes towards counterfeits of luxury brands

**Discussion and Implications**

The findings have revealed and confirmed the relationship that attitudes towards counterfeits of luxury brands have a significant influence on purchase intentions (Phau and Teah, 2009; Wang et al., 2005; Ang et al., 2001). Furthermore, social and personality factors are both found to moderate the relationship between attitudes...
towards counterfeits of luxury brands and purchase intentions, with the exception of value consciousness.

The findings of this study have provided numerous implications for brand managers to target consumers of counterfeits of luxury brands. It is found that if consumers have positive attitudes towards counterfeiting of luxury brands, the influence of their peers and information available will enhance their attitudes to induce positive purchase intentions. As such, it is very important for brand managers to formulate advertising campaigns that educate consumers on the “embarrassment” and low quality of counterfeits of luxury brands, such as potential health risks with faulty bag straps. It is especially important for consumers who are susceptible to peer influence, especially in China whereby “face” among friends is very important (Li and Su, 2007). Furthermore, as a collectivism also enhances the relationship, if consumers realize that their support of counterfeits of luxury brands could well harm the overall welfare of the society with loss of jobs, physical harm and the negative consequences that counterfeiting has on the society, it could discourage the positive attitudes towards counterfeits of luxury brands.

In addition to social factors, personality factors are found to enhance the relationship between attitudes towards counterfeits of luxury brands and purchase intentions. Personal gratification, integrity, novelty seeking and status consumption are significant and have a positive moderation effect on the relationship between attitudes towards counterfeits of luxury brands and purchase intentions. Unsurprisingly, novelty seekers and status consumers would be more likely to purchase counterfeits of luxury brands if their attitudes are positive would suggest that for the “fun” and variety seeking consumer, counterfeits of luxury brands offer that array of choice. As for status consumers, their possible lack of financial capability to afford the highly expensive luxury brands could be encouraged by the low price but high quality counterfeits of luxury brands in China as an alternative to the original. However, brand managers would have to beware that even consumers with high levels of personal gratification and integrity would be induced to purchase counterfeits of luxury brands if their attitudes towards counterfeits of luxury brands are positive. Therefore, it is important to understand that the counterfeiting phenomenon could well stem from consumers’ attitudes towards counterfeits of luxury brands. If
consumers hold positive attitudes, chances are even consumers who believe that it is unethical and illegal to purchase counterfeits might be induced to purchase as their perceptions of counterfeits of luxury brands could be of good quality and consumers won’t be easily caught. As such, imposing penalties would still be an important process to form negative attitudes and luxury brand owners will have to continuously innovate to ensure that products are much highly differentiated from counterfeits of luxury brands.

However, the findings of this study suggest that if consumers have existing positive attitudes towards counterfeits of luxury brands, it could be very damaging to the original brands as social factors and personality factors can both induce stronger purchase intentions. Therefore, making the eradication of counterfeiting a very tricky business.

**CONCLUDING COMMENTS**

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. Furthermore, this study only examined the moderation affect on attitudes and purchase intentions towards counterfeits of luxury brands. Other studies could look into the non-buyer and buyer differences or to extend this study with other antecedents.

Further exploration using qualitative approaches to examine consumer purchase behaviour of counterfeit products may provide deeper insights. Actual ownership can be measured to determine if buyers are also owners of counterfeit products. It would also provide deeper insights to examine if the country of origin of counterfeit products would affect consumer evaluation (Penz et al., 2009).
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