

## **The Role of Lawfulness and Legality toward Purchasing Counterfeits**

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### **ABSTRACT**

This study examines the influence of personality factors and attitudes toward consumers' willingness to knowingly purchase counterfeit luxury brands. The findings have uncovered contrasting evidence that attitudes do not influence consumers' willingness to purchase counterfeit luxury brands. Integrity has been noted to be a strong influencer of both attitudes and consumer willingness to purchase consistently. Both buyers and non-buyers were tested for their attitudinal differences. Status consumption and materialism did not play a role in influencing attitudes or willingness to purchase. Managerial implications were provided to better allow luxury brand owners, the government and policy makers to better understand consumers of counterfeit luxury brands.

### **BACKGROUND**

Counterfeiting of luxury branded products is a growing problem worldwide for genuine producers and policy makers. Many luxury brands have also reported a devaluation of brand equity as a result of rampant counterfeiting activities (Gordon, 2002; Bloch et al., 1993; Nia and Zaichkowsky, 2000; Gentry et al., 2006). The aim of this paper is to test a model that deals with the main predictors, namely status consumption, materialism and integrity of consumer attitudes toward counterfeit luxury brands and their intentions to buy such products.

### **THEORY AND HYPOTHESES DEVELOPMENT**

#### **Theory of Moral Reasoning**

Kohlberg (1976) states that an individual resolves an ethical dilemma through reasoning if the expected personal consequence is a reward or punishment. This is followed by a clear effort to

define moral principles and values, whilst still maintaining and adhering to the values of one's referent group and society (Nill and Shultz, 1996). The crux is about finding a balance between what is morally acceptable for the individual and the fit with his/ her social environment. Consumer behavioural choices are generally influenced by behaviours considered appropriate and therefore normatively approved whilst others are seen as inappropriate and hence restricted (Gupta et al., 2004). Counterfeit producers also justify their actions by excusing themselves of liability through deflecting blame to the buyer (Cordell et al., 1996). This can also work in the reverse, where buyers of counterfeits absolve themselves of blame by shifting the blame onto the seller (Vitell et al., 2001; Penz and Stottinger, 2005). These individuals hold themselves to lower ethical standards than the seller with whom they transact.

### **Moral Competency Theory**

The attitudinal construct said to influence consumer behavioural intentions regarding counterfeits can be distinguished by attitudes toward the *lawfulness of counterfeits* and the *legality of purchasing counterfeits* (Cordell et al., 1996; Ramayah et al., 2002). The higher an individual's level of moral judgement, the less likely the individual is to approve of or engage in counterfeit transactions. When the individual's ethical values are challenged, the individual's beliefs and attitudes become valid predictors of intentions toward the situation.

Kohlberg's (1976) moral competency theory denotes that a consumer's personal behaviours are based on a subjective sense of justice. Unethical decision making such as knowingly purchasing counterfeits is explained largely by the attitudes a consumer possesses, regardless of product class (Wee et al., 1995; Chang, 1998; Ang et al., 2001). The more favourable a consumer attitude

toward counterfeiting, the more likely he/ she will purchase counterfeit luxury brands. Similarly, the more unfavourable a consumer's attitudes toward counterfeiting, the less likely he or she will purchase counterfeit luxury brands (Wee et al., 1995).

### **Theory of Reasoned Action (TRA)**

The theory of reasoned action (TRA) states that the decision to engage in behaviour in this case, purchasing counterfeit luxury products, is predicted by an individual's intention to perform the behaviour directly. The intention can also be predicted if the consumer's attitude and subjective norms are known. An on-going debate proposes that the two components are not conceptually distinct as it is not possible to differentiate between personal and social factors in an individual's behavioural intention (O'Keefe, 1990). Results from other studies have confirmed that attitudes were found to be more useful or have a stronger effect on predicting behavioural intentions than subjective norms (Ajzen, 1991; Donald and Cooper, 2001). As such, this gives rise to the theory of planned behaviour (TPB) developed by Ajzen (1991), with the addition of the "perceived behavioural control" as a predictor for intentions and behaviour to rectify the main flaw of the TRA (Celuch et al., 2004). The theory of planned behaviour can be largely used in this context to explain the decision to purchase counterfeited luxury brands.

## **ANTECEDENTS**

### **Integrity**

Building on Kohlberg's (1976) moral competence theory, an individual's behaviour is affected by their personal sense of justice. The influence of values such as integrity will affect the judgement towards succumbing to unethical activities (Steenhaut and van Kenhove, 2006). Integrity represents an individual's level of ethical consideration for and obedience to the law (Wang et al., 2005). Research shows that ethically-minded consumers possess unfavourable attitudes toward counterfeits and are less willing to purchase counterfeits (Cordell et al. 1996). However, they may rationalise their actions through their non-normative consumption behaviour as such they do not perceive their behaviour as unethical (Ang et al., 2001).

### **Status Consumption**

Early research extending on Veblen's theory of conspicuous consumption (1899, 1953) suggest that people often consume products to demonstrate their superior status (Packard, 1959; Mason, 1981). This gives rise to the construct of status consumption, where it is an individual's goal to evoke superior social standing through overt consumption of products to achieve respect and envy from others (Eastman et al., 1999; Csikszentmihalyi and Rochberg-Halton, 1981). Status goods are acquired for their symbolic values and less for their functional values (Barnett, 2005). Individuals who wish to be seen belonging to a higher social class but do not have the income to support it, will purchase the counterfeit alternative instead of the original, regardless of ethical standing (Wee et al., 1995).

## **Materialism**

Belk (1985) defines materialism as the importance a consumer places on worldly possessions as a means to achieve happiness in life. It could be to the extent that a consumer treats this as a life goal, even to the extreme of neglecting other aspirations (Richins and Rudmin, 1994). Highly materialistic consumers are driven to consume more than other consumers, with explicit preference to consume status goods over general goods (Wong, 1997). They openly display acquired wealth and social standing to significant others (Eastman et al., 1999). In particular, branded clothing and accessories are categories that offer style and image (Fitzmaurice and Comegys, 2006). Highly materialistic consumers without the financial capacity to achieve their aspirations are likely to turn to counterfeit luxury brands.

Based on the preceding discussion, the following two sets of hypotheses are presented:

*H1: Consumers' attitude toward lawfulness of counterfeits is*

- a) inversely related to knowingly purchasing counterfeit luxury brands.
- b) inversely related to integrity.
- c) directly related to status consumption.
- d) directly related to materialism.

*H2: Consumers' attitude toward the legality of purchasing counterfeits is*

- a) inversely related to knowingly purchasing counterfeit luxury brands
- b) inversely related to integrity.
- c) related to status consumption.
- d) directly related to materialism.

## RESEARCH METHODOLOGY

### Data Collection

Data were collected using a convenience sampling of business students from a large Australian university. Survey forms were distributed in three large lecture settings. Prior to filling out the survey, students were briefed on the purpose of the study. The students were then given 10 minutes to complete the survey. 278 survey forms were collected in the process. Respondents were again asked to rate their likelihood to purchase on a seven point Likert scale a genuine Ralph Lauren shirt versus a counterfeit one. The scales used are all established with Cronbach alpha coefficients which from 0.765 to 0.916 and were deemed acceptable.

## ANALYSIS AND DISCUSSION

The total useable sample comprised 202 respondents, of which 48.5% were male and 65.6% of the respondents were between the ages of 18 and 21. Twenty five per cent were between the ages of 22-25 and 9.1% were above 25 years of age. Eighty per cent of the respondents had previously purchased counterfeits.

The attitudinal factors were first regressed against consumer willingness to knowingly purchase counterfeit luxury brands. Neither *attitudes towards lawfulness of counterfeits* ( $t = 0.126$ ,  $\beta = -0.013$ ,  $R^2 = -0.005$ ,  $p > 0.05$ ) nor *attitudes towards legality of purchasing counterfeits* ( $t = -1.245$ ,  $\beta = -0.126$ ,  $R^2 = -0.005$ ,  $p > 0.05$ ) were found to be significant. Hypothesis  $I_a$  is therefore rejected. This could be attributed to consumers not perceiving that buying and/or selling of counterfeit luxury brands is a serious offence. As such, attitudes of lawfulness toward counterfeit luxury

brands and the legality of purchasing them do not register as illegal acts among consumers (Bian and Veloutsou, 2006).

The three antecedents were regressed against consumer attitudes toward lawfulness of counterfeit luxury brands. Results from the stepwise regression revealed that only *integrity* ( $t = 1.999$ ,  $p < 0.000$ ,  $\beta = 0.199$ ,  $R^2 = 0.030$ ) appears to be a significant predictor. The same process of stepwise regression was also used to determine if the three antecedents have any influence on consumer attitudes toward legality of purchasing low involvement counterfeit luxury brands. The results again reveal that *integrity* was found to be the only significant factor ( $t = 2.545$ ,  $p < 0.013$ ,  $\beta = 0.250$ ,  $R^2 = 0.053$ ). In summary, the results reflect that consumers with high integrity are likely to have negative attitudes toward lawfulness and the legality of purchasing low involvement counterfeit luxury brands. As such, Hypothesis 2<sub>a</sub> is supported. The overall results are shown in Table 1.

~ **Insert Table 1 here** ~

Consumers who consider values such as honesty, politeness and responsibility as important tend to have negative attitudes toward counterfeit luxury brands. This result is consistent with previous studies (Ang et al., 2001; Cordell et al., 1996; Kokkinaki, 1999; Matos et al., 2007). Status consumption was found to have no significant influence on consumer attitudes toward the lawfulness and the legality of purchasing low involvement counterfeit luxury brands. Hypothesis 3<sub>a</sub> is thus rejected. It appears that consumers are indifferent in their attitudes toward the lawfulness and the legality of low involvement products (i.e. Ralph Lauren Polo Shirt) and this disparity is likely a result of consumer perceptions of research and development costs associated



with manufacturing the polo shirt. The perception that manufacturers produce these luxury items with low margins but still charge premium prices may lead to attitudes of indifference toward illicit buying behaviour.

The findings revealed that materialism has no significant influence on both consumers' attitudes toward the lawfulness of counterfeits or the legality of purchasing counterfeits. Interestingly, Furnham and Valgeirsson's (2007) recent study actually identified a positive influence on attitudes toward counterfeits. Due to the lack of consensus in findings, more has to be done to understand the discrepancy, although one potential reason could be due to product specificity. The fact that the polo shirt is perceived to be a comparatively low involvement product may have contributed to the difference in findings.

Regression analysis was administered between the three antecedents and consumer willingness to knowingly purchase counterfeit luxury brands. Hypotheses  $2_b$ ,  $3_b$  and  $4_b$  are all rejected as the results did not identify any of the three antecedents to be significant predictors. The review of literature has suggested that price incentives maybe a more accurate predictor of consumer willingness to knowingly purchase counterfeit luxury brands (Bloch et al., 1993; Albers-Miller, 1999; Harvey and Walls, 2003).

Theoretically, it is expected that an individual with high integrity levels is unlikely to purchase counterfeit luxury brands. This is not found to be necessarily true. This anomaly is a result of attitudes being inadequate predictors of buying behaviour. An individual may possess high levels

of integrity but can often be compromised when faced with external factors such as normative and informative susceptibility (Bearden et al., 1989; Wang et al., 2005).

Status consumption was also found to be an insignificant predictor. Fashion clothing has a very high turnover. Status consumers who buy counterfeit luxury brands want to own luxury branded products that are perceived as scarce. As such, when counterfeit luxury branded products are widely available, the status value of the product drops, making the counterfeit luxury brand less desirable.

Contrary to the findings of Browne and Kaldenberg (1997) materialism was found to have no significant influence on consumer willingness to knowingly purchase counterfeit luxury brands. As materialism and status consumption seem to be two constructs inter-related (O’Cass and McEwen, 2002), the same theory can be applied here. Consumers desire products perceived as rare, thus when counterfeit luxury brands are widely accessible, the desire to own them decreases.

## **IMPLICATIONS AND CONCLUDING COMMENTS**

Attitudes toward counterfeit luxury brands were found to have no bearing on consumer willingness to purchase counterfeit luxury brands. This finding also comes as a surprise as this is in contrast to previous studies (e.g. Phau and Teah, 2008). Many reasons can be speculated. For example, consumers do not perceive the counterfeit trade to be illegal. Therefore, the consumer possesses attitudes of indifference toward the lawfulness and legality of the trade (Bian and Veloutsou, 2007). This is attributable to the lack of consumer knowledge on the detrimental effects counterfeiting has on brand equity and society as a whole. More so, quality counterfeit

luxury brands have become so sought-after that commonly used grading systems exist within the trade as a quality indicator for buyers of counterfeits (Gentry et al., 2001).

While integrity was found to be a significant influence on consumer attitudes toward counterfeit luxury brands, it does not necessarily reflect decreased willingness to knowingly purchase counterfeit luxury brands. Using integrity as a cue for developing effective strategies is one way of curbing the growth of the counterfeit trade since it was found to have a significant influence on consumer attitudes toward the lawfulness of counterfeit luxury brands and the legality of purchasing counterfeit luxury brands.

Status consumption and materialism are surprisingly not significant predictors of attitudes and purchase intention towards counterfeit luxury brand. This can be attributed to status consumers fearing rejection by reference groups if they were to find out that the product was a fake (Penz and Stottinger, 2005). In a similar vein, highly materialistic consumers are unlikely to accept counterfeit variants of luxury brands (Furnham and Valgeirsson, 2007). Consumers often purchase counterfeit luxury brands to attain the status benefits associated with use of the product. Hence brand extensions of luxury brands (downward extensions with lower pricing strategies) may offer greater affordability to consumers who otherwise would be more inclined to purchase the counterfeit variant (Wee et al., 1995). A number of success stories have been found in the market place, for instance Armani Exchange as an alternative to the original Giorgio Armani.

There are a number of limitations in this study worthy of improvement and leads for future studies. First, a more random sampling method can be used to capture the broader population.

Second, research should also be compared with a variety of other product categories and services as well to ensure generalisability. Third, sampling from different geographic locations is also a very important future research. Some countries may have a wide availability of counterfeit products and this facilitates the adoption and purchase of such counterfeits. The moral and ethical issues may seem to be less prominent if there are widespread counterfeiting activities going on.

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**TABLE 1**  
**Regression of Personality Factors to Attitudes toward Counterfeit Luxury Brands**

<b>Dependent variable:</b>						
<b>Attitudes toward lawfulness of counterfeit luxury brands</b>						
	<b>B- Values</b>	<b>Standard Error</b>	<b>Beta</b>	<b>Adjusted R<sup>2</sup></b>	<b>t-value</b>	<b>Sig.</b>
Integrity	0.116	0.058	0.199	0.030	1.999	0.048
Status Consumption	-	-	-0.003	0.030	-0.027	0.978
Materialism	-	-	0.014	0.030	0.142	0.888
<b>Dependent variable:</b>						
<b>Attitudes toward legality of purchasing counterfeit luxury brands</b>						
	<b>B- Values</b>	<b>Standard Error</b>	<b>Beta</b>	<b>Adjusted R<sup>2</sup></b>	<b>t-value</b>	<b>Sig.</b>
Integrity	0.311	0.122	0.250	0.053	2.545	0.013
Status Consumption	-	-	0.060	0.053	0.601	0.550
Materialism	-	-	-0.038	0.053	-0.378	0.706

\* Sig at p<0.05