

**COUNTERFEITING IN SINGAPORE: UNDERSTANDING CONSUMER ATTITUDES
AND PURCHASE INTENTIONS**

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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.

KEYWORDS: Singapore, Counterfeits, Luxury brands

INTRODUCTION

The luxury goods industry is a very lucrative market (Economic Development Board, 2004). With the luxury market value growing at a phenomenal rate, many luxury designer brands have become targets of counterfeit producers (Reuters, 2007; 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 vulnerable targets to counterfeiters as they are popular with consumers (Shultz and Soporito, 1996). Many of the early studies on counterfeiting 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 namely, brand consciousness, personal gratification, value consciousness, pricing and 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 and leading to the development of hypotheses. This is followed by a description of the research method and a discussion of the findings and analysis. 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 reproduced or replicated version of the genuine article, usually of a well-known trademarked brand. The copy is closely similar to the genuine article in details such as packaging, colour, labelling, and

trademarks to pass off as genuine (Kay, 1990; Cordell et al., 1996; Ang et al., 2001). Commonly, consumers purchasing counterfeit 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 orientations 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. In such instances, consumers who are brand conscious will most likely have a negative attitude towards counterfeits of luxury brands. As such it is proposed that:

H₁– Brand consciousness has a negative influence on the 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. Non-buyers of counterfeits tend to be less confident, less successful, and have 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:

H₂ – Personal gratification has a negative influence on attitudes towards counterfeits of luxury brands.

Value consciousness is defined as a concern for paying lower prices, subject to some quality constraints (Lichtenstein et al., 1990). Counterfeit products which maybe of lower quality offer consumers huge savings as compared to the genuine products. In such instances, the perceived value of the counterfeit products will be high for a consumer who is value conscious (Furnham and Valgeirsson, 2007). Bloch et al. (1993) have shown that when a counterfeit product has a distinct price advantage over the genuine product, consumers will select the counterfeit. As such it is proposed that:

H₃: Value consciousness has a positive influence on attitudes towards counterfeits of luxury brands.

Prior studies such as Grossman and Shapiro (1988) suggest that there are two types of counterfeit buyers in relation to price and quality inference. The first group feels that if counterfeit products are comparable to the genuine in all aspects and yet is superior in price offered, then consumers will choose counterfeits, since they provide the advantage of status and quality attributes of the brand-name products. On the other hand, the second group feels that although counterfeits are inferior to the original, their superior prices more than compensate for the shortfall in quality and performance. As such it can be proposed that:

H₄: Consumers who are more concern 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 counterfeit brands as cheaper substitutes for the originals. Depending on their social group norm, the pressure from referent 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:

H₅: 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 has numerous implications for their attitudes towards counterfeits of luxury brands (Hoe et al., 2003). As consumers are more conscious of the brand prestige, their attitudes towards counterfeiting of luxury brands would be unfavourable. As such it is proposed that:

H₆: Brand prestige has a negative effect on attitudes towards counterfeits of luxury brands.

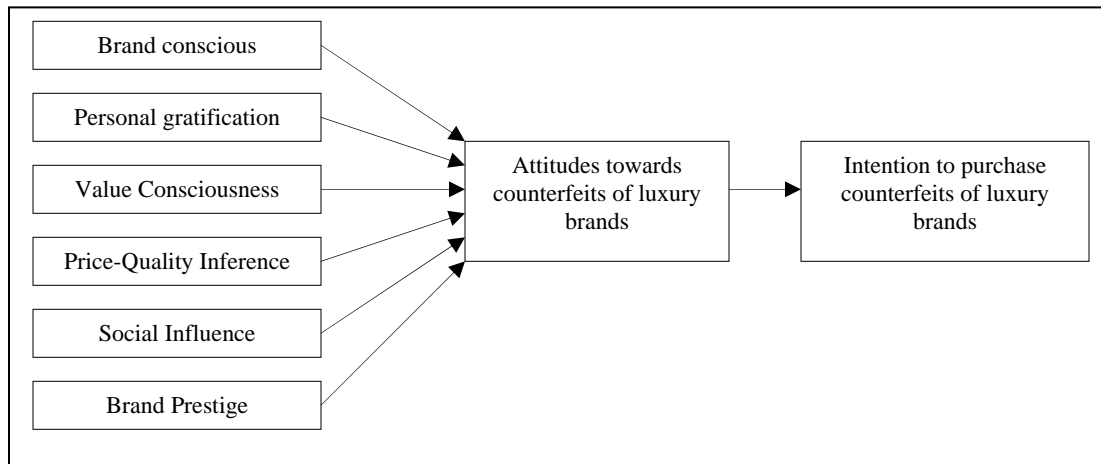
Literature on attitudes toward counterfeiting have examined a host of factors including economic, quality, legal, and ethical issues that shape and influence attitudes of consumers purchasing counterfeit brands (e.g. Ang et al., 2001; Eisend and Schuchert-Güler, 2006). Fundamentally, consumers will consider 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 are 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 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 the attitudes, regardless of product class (Ang et al., 2001). The more favourable consumer attitudes towards counterfeits of luxury brands are, the higher the chances that they will purchase counterfeit brands. Similarly, the more unfavourable consumer attitudes towards counterfeits of luxury brands are, the less likely are the chances of purchase (Wee et al., 1995). It is therefore postulated that:

H₇: 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. Main statistical techniques used to analyse the results to address relevant hypotheses were reliability tests and regression analyses. The online questionnaire adapted established scales to measure the key antecedents of the study, namely brand consciousness, personal gratification, value consciousness, pricing and quality inference, social influence, brand prestige, and the dependent variables, attitudes towards counterfeits of luxury brands and purchase intention. 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 H₁ to H₆, a multiple regression was used to analyse the effects of the six antecedent factors namely 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 R² value of .48 (48% variance). From the results gathered, Only two variables namely 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 H₄ (price quality inference) and H₅ (social influence), however, H₁ (brand consciousness), H₂ (personal gratification), H₃ (value consciousness), and H₆ (brand prestige) are all rejected. Based on the results (p=.000, β= .678), H₇ 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 H₇.

CONCLUSION

The preceding discussion highlights the implications between a consumer's brand consciousness, personal gratification, value consciousness, pricing and quality inference, social influence, brand prestige and attitudes towards counterfeits of luxury brands. Conceptually, based on the TRA, the linkage between attitudes and intentions has been re-confirmed again reflecting many studies in other countries. 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 directions worthy of improvement. This study is limited in using a convenience sampling method. Hence its generalizability is limited across consumers from other demographic segments. 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.

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