

# **THE OVERLOOKED COMPONENT IN THE CONSUMPTION OF COUNTERFEIT LUXURY BRANDS STUDIES: MATERIALISM - A LITERATURE REVIEW**

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## **ABSTRACT**

Trade in counterfeit luxury brands is perceived as a challenging issue to the luxury industry. This paper seeks to explore an often overlooked component of consumer behavior in the consumption of counterfeit luxury brands - materialism. An extensive and critical literature review was conducted that included contributions from different streams of management and marketing research. While materialism played an essential role in influencing purchase intention of consumer consumption of luxury brands, little is known about its role in consumption of counterfeit luxury brands. Moreover, the concept of materialism can be further dimensionalised pertaining to the motivation of indulging in counterfeits purchase. By further investigation of the role of materialism in the consumption of counterfeit luxury brands, this paper also opens an agenda of directions worthy of research which will have academic, managerial and social policy significance.

**Keywords:** Materialism, Counterfeit, Luxury

**Paper type:** Literature review

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# 1. INTRODUCTION

## 1.1 Practical Background

The marketing practice of branding luxury products can be dated back to the Roman period, when Roman winemakers put unique marks on their wine amphorae [1]. And the first practice of counterfeiting can also be dated back in the same period when wine merchants from Gaul copied and put those unique marks on cheap local wine and sold them as expensive Roman wine [2].

Counterfeiting of luxury brands has been growing steadily in the past few years regardless of the combined efforts of individual organizations and law enforcement agencies. Anti-counterfeiting forces have relentlessly pursued legal battles in many countries in their fight against counterfeiting. Despite their efforts, the consumption of counterfeit luxury brands continues to soar worldwide. In 2007, US Custom seized more than \$200 million worth of counterfeit luxury brands, and that was only the tip of the iceberg [3]. In recent years, the consumption of counterfeit luxury brands continues to expand worldwide, and it is now regarded as a common act of consumption. Without reservation, counterfeiting of luxury brands is one of, if not, the most critical issues for the luxury industry because it unlawfully takes advantage of the prestige of luxury brands and harms their tradition, identity and image.

## 1.2 Objective and structure

The objective of this paper is to:

- Identify theoretical gaps and opportunities for further research; and
- Draw managerial implications for the fight against the consumption of counterfeit luxury brands

The rest of this paper is organized as follows: the second chapter provides a clear definition of counterfeiting, counterfeit luxury brands and materialism. After that there is a comprehensive review of the academic literature regarding materialism, consumption of counterfeit luxury brands, and existing literature on materialism in counterfeit context.

# 2. TERMS AND DEFINITIONS

By definition, counterfeiting is any unauthorized manufacturing of goods whose special characteristics, such as names, content, or signs, are registered to another party and thus protected as intellectual rights [4]. Counterfeit luxury brands are also known under several other names such as replicas, imitation, bogus, fakes, copy, and knock-off, and they are often considered to be of poor quality [5].

Richins and Dawson [6] in 1992 defined materialism as “the importance ascribed to the ownership and acquisition of material goods in achieving major life goals or desired states”. As counterfeit luxury brands are replicate versions of genuine luxury

brands, the demand for them should also be driven by the same values that consumers expect in a genuine luxury product. Previous studies on luxury brands have also indicated that consumers' attitude towards genuine luxury brands may serve a social adjustment function, a value-expressive function, or both [7]. For example, a person might purchase a Gucci bag because the brand reflects her personality (value-expressive function) or because it stands for a status symbol that help her fit into a specific social group (social adjustment function), or because of both reasons. As such, these functions of attitude are postulated to be connected to materialism.

### **3. LITERATURE REVIEW**

#### **3.1 Methodology**

Despite the first study about counterfeiting was published more than 30 years ago [8] [24], counterfeiting research has yet to be established as an independent research stream. Literature about counterfeiting spreads across various streams of business related researches such as: management, logistics, marketing, economics and others. Because the objective of this study is to depict the role of materialism in current knowledge in the consumption of counterfeit luxury brands, journals in the area of sociology, marketing, consumer research and management are given a more explicit focus. Works in other disciplines such as law or business ethics are only mentioned when they hold significant impacts.

This study began with an extensive search in electronic journal database (ProQuest, ScienceDirect, Emerald Insight) for the keywords "materialism", "counterfeit" and "luxury". The search returned over 59,000 findings for "counterfeit", 628 for the combination of "counterfeit" and "luxury", 32 for "counterfeit" and "materialism", and only 11 results for all three key words. After eliminating unrelated articles, 67 studies that concentrate on counterfeits of luxury brands or materialism of consumers were selected for further review. References and bibliographies from these studies were checked to identify further contributions from other sources. At the end, 36 journals were selected to be included in this paper. In addition to academic papers, reports from trade magazines and industry organizations such as BASCAP (Business Actions to Stop Counterfeit And Piracy) were also included to provide the primary data that other academic papers were based upon.

This paper will first present a section of general descriptions to

- General descriptions of the phenomenon
  - Materialism
  - Consumption of counterfeit luxury brands
- Materialism in existing counterfeit luxury brands literature

#### **3.2 General descriptions of the phenomenon**

## Materialism

The oldest theory that explains consumer's demand for luxury brands is the theory of conspicuous consumption [9]. According to this theory the demand for luxury brands is motivated by consumers' desires for social status or esteem, which can only be achieved through acquiring and displaying of luxury goods and wealth. Thus, the social esteem of consumers, rather than economical value or physiological utility of goods, has driven conspicuous consumption [9]; [10]; [11];. Materialistic consumers tend to consume more than other consumers, with clear intention to consume products that generate social recognition or status for the owners [10]. They often display acquired goods to distinct themselves from others. This has been portrayed thoroughly by several studies into conspicuous and consumption of luxury brands [12]; [13]; [14]; [15]; [16]. Because of the wealth and status signaled via the use of luxury brands [17], highly materialistic consumers without the financial capacity to achieve their ambitions are easily tempted to buy counterfeit luxury brands.

## Consumption of counterfeit luxury brands

Most of general information about the consumption of counterfeit luxury brands can be found in trade magazines [18]; [19]; [20] as well as in reports published by industry organizations [3]. Articles from magazines generally outlined examples of spectacular cases or seizures in selected markets and discuss the magnitude of counterfeiting of luxury brands while reports from industry organizations illustrate the existence of counterfeits and market research data in different regions of the world.

In academic journals, counterfeits of luxury brands had been described as cheaper and lower quality copies of authentic brands from the first publication in the 1970s until recently. The quality of counterfeit luxury brands has improved dramatically as compared to 10 years ago and it has also affected the demographic of potential consumers. With the improvements in manufacturing process and greater attention to details, counterfeit luxury brands are no longer the cheaper and lower quality copies of genuine ones [21]. In fact, some of the counterfeit goods could be easily mistaken for the genuine ones even to the trained eye. Furthermore, the trade of counterfeit goods has also increased exponentially with extensive distribution and logistics networks [22], especially on the Internet. Because of the excellent quality, cheaper price and relative easier access, people who actively seek and purchase counterfeit luxury brands are no longer limited to those who cannot afford the genuine ones anymore [3].

### **3.3 Materialism in existing counterfeit luxury brands literature**

In the beginning, most studies on counterfeiting were focused on the supply side and there was a lack of research that examines the perspective of consumers. Therefore,

materialism was mentioned in counterfeit literature at a much later stage. In 1995, Wee et al. [23] published an article, using materialism as a key component, in the *International Marketing Review*. However, the study indicated that it has no effect on buying intention whether a person is materialistic, risk taking, novelty seeking or not. In an extensive review of the counterfeit trade published in 2009, Staake *et al.* [24] presented an exclusive list of literature relating to the subject dated from 1978 to 2008. Among these studies, there was only one paper investigating consumption of counterfeits using materialism as a key component [25]. Nevertheless, the findings of this study confirmed only one in three material values – material centrality – as a predictor of buying intention.

Further exploration into this subject using an electronic database only resulted in a few more published papers dated from 2008 to 2010 that have employed materialism scales and models in their research [26];[27]. Including Furnham and Valgeirsson's paper [25], there are three papers that have employed either materialism scale designed by Richins and Dawson or Belk's materialism traits in their researches to study counterfeit of luxury brands. Although both models are highly regarded by researchers, neither of them has proven that materialism is a solid force in predicting consumption of counterfeit luxury brands [25]; [26]; [27].

On the other hand, Wan *et al.* [28] employed an adapted version of Richins' materialism scale in their CD piracy study and found significant results. Furthermore, a recent study in Indonesia [29], also using Richins' scales, found that materialism is positively correlated with ethical judgments of consumers. This suggests that an individual with high level of materialism is more likely to be involved in questionable consumer practices.

With only a handful of study on materialism in the context of counterfeiting of luxury brands, it is hard to bring a conclusion on the role of materialism in illicit consumer behavior. Given the importance of materialism in consumption of luxury brands, this is surely an area that requires further investigation.

## **4. DISCUSSION**

### **4.1 Research gaps**

Given the widespread of counterfeits, it comes as a surprise that there is a relative dearth of literature in this area. It is even a bigger surprise to see that only a few of the studies have used materialism as a key component. Previous studies on consumption of luxury brands have indicated that materialism plays an important role in influencing the buying intention of consumers. Since the nature of counterfeiting is that it must copy a trademarked brand in order to sell itself, counterfeiting often targets luxury products, which have a high brand value. Therefore, materialism should also have a significant role in influencing buying intention of counterfeit luxury

brands.

Moreover, previous studies that used or adapted Richin's materialism scale have found inconclusive results [22]; [27]; [28]; [29]. Reasons such as cultural background and income level may cause this occurrence but it could also be because Richin's scales were originally developed to measure materialistic level of consumer consumption of authentic brands, not counterfeits. While consumption of authentic luxury brands are driven by conspicuousness and the urge to become distinguished [30]; [32], materialistic consumers who bought counterfeits of luxury brand are looking for social recognition, status [22]; [27] and in a way, become more alike to the authentic brand users. Thus, in order to measure the materialistic level of consumers in the counterfeit of luxury brand context the materialism scale needs to be able to measure not only material conspicuousness but also status and material distinctiveness.

## 4.2 Managerial implications

Managerially, the lack of study on materialism may have obstructed organizations planning more effective anti-counterfeiting strategies. Further researches into this subject will help the management of authentic brands by providing a better understanding of what drive consumers towards counterfeits of luxury brands so that they are able to design better anti-counterfeit strategies.

## 5. SUMMARY AND OUTLOOK

The development of counterfeit of luxury brands remains a substantial threat to the luxury industry. Against this background, this paper provides a literature review to shed light on an often overlooked component based on its importance. The diversity of the counterfeit phenomenon underlines the need for further research in this area. Because materialism is a significant factor in influencing buying intention of consumers and the existing research findings are still far from concrete, it calls for further investigation. From a managerial perspective, it may be helpful to understand the relevant influential factors to assist the development of company-specific measures in the fight against counterfeiting.

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## APPENDICES

<b>Table 1. Background of consumption of counterfeit luxury brands</b>		
<b>Author(s)</b>	<b>Year</b>	<b>Short description</b>
Hansen	1978	Evidences of the global consumption of counterfeits
Kaikati can LaGrace	1980	Discussion of different form of brand piracy.
Grossmann and Shapiro	1988	Non-deceptive counterfeiting was described as a disaggregation of brand and product
Wee <i>et al.</i>	1995	The study found out that various non price determinants have significant impact on consumers' purchase intention towards counterfeit goods. They are psychographic (attitude towards counterfeiting, brand status, and novelty seeking), demographic (age, educational attainment, and household income), and product-attribute (appearance, durability, image, perceived fashion content, purpose, and quality) variables. The study indicate that whether a person is materialistic, risk taking, novelty seeking or not has no effect on his or her intention to purchase Counterfeit products.
Chaudhry and Walsh	1996	A paper research trends in counterfeits. It provides

		an overview legal framework, a review of different anti-counterfeiting strategies and a summary of techniques used to distinguish between real and fake goods.
Nia and Zaichkowsky	2000	Viewpoints of luxury brand owners toward counterfeit luxury goods
Green and Smith	2002	Summary of counterfeit trade.
Chuchinparkarn	2003	A study about counterfeit in Thailand from consumer perspective.
Hilton <i>et al.</i>	2004	Descriptions of various types of counterfeiting that take place in luxury clothing industry.
Penz and Stottinger	2005	Survey among 1040 respondents. This study uses the Theory of Planned Behavior to systematize past findings in the field and come up with key drivers of the demand for counterfeits.
Cheung and Prendergast	2006	Survey among 1152 buyers of two categories counterfeit products. Heavy and light buyers of pirated clothing and accessories have similar demographic and attitudinal profiles, and were mainly attracted by the appearance of the product. Both product categories were rated less positively on their ethical and legal dimensions, and on after-sales service.
Bian and Moutinho	2009	The study anticipates and explores the effects of consumer perceived brand image, perceived risk, product knowledge, product involvement, and consumer demographic variables. The results show that among the tested variables, brand personality performs best in determining consideration of the counterfeit brands. In general, demographic variables and product involvement do not appear to be significantly influential.
Swami <i>et al.</i>	2009	Survey among 237 adults in the UK. Results indicate attitudes towards counterfeiting were the strongest predictors of purchase intention. Material values predicted purchase intention directly and indirectly via attitudes towards counterfeiting
Staake <i>et al.</i>	2009	A detailed review of literature that study counterfeit from 1978 to 2008.
Wilcox <i>et al.</i>	2009	This research demonstrates that consumers' desire for counterfeit luxury brands because of the social motivations underlying their luxury brand preferences
Wan <i>et al.</i>	2009	Survey among 300 respondents in Hong Kong. The study found that face consciousness increased materialism and risk aversion, thereby producing a favorable deontological judgment of pirated CDs.
Lu and Lu	2010	Survey among 230 Indonesian respondents. Analytical results indicated that Indonesians with high materialism and relativism were more likely to engage in actions that were questionable but legal.

**Table 2. Materialism in Counterfeit Literature**

<b>Author(s)</b>	<b>Year</b>	<b>Short description</b>
Wee <i>et al.</i>	1995	The study found out that various non price

		determinants have significant impact on consumers' purchase intention towards counterfeit goods. They are psychographic (attitude towards counterfeiting, brand status, and novelty seeking), demographic (age, educational attainment, and household income), and product-attribute (appearance, durability, image, perceived fashion content, purpose, and quality) variables. The study indicate that whether a person is materialistic, risk taking, novelty seeking or not has no effect on his or her intention to purchase counterfeit products.
Furnham and Valgeirsson	2007	Survey among 102 adults. Study based on Richins' materialism scales, Schwartz value inventory and questions about belief of counterfeit. Belief of counterfeit was found as a strong influence while materialism only contributed at some variance and Schwartz value inventory did not have any influence.
Swami <i>et al.</i>	2009	Survey among 237 adults in the UK. Results indicate attitudes towards counterfeiting were the strongest predictors of purchase intention. Material values predicted purchase intention directly and indirectly via attitudes towards counterfeiting.
Wan <i>et al.</i>	2009	Survey among 300 respondents in Hong Kong. The study found that face consciousness increased materialism and risk aversion, thereby producing a favorable deontological judgment of pirated CDs.
Phau <i>et al.</i>	2009	Survey among 202 students in Australia. The study found that attitudes do not influence consumers' intention to purchase counterfeit luxury brands. Integrity is noted to be a strong influencer of both attitudes and consumer willingness to purchase consistently. Both buyers and non-buyers are tested for their attitudinal differences. Status consumption and materialism does not play a role in influencing attitudes or willingness to purchase.
Lu and Lu	2010	Survey among 230 respondents in Indonesia. Analytical results indicated that Indonesians with high materialism and relativism were more likely to engage in actions that were questionable but legal.