

# **The Influence of Information Susceptibility, Normative Susceptibility and Collectivism on Attitudes towards Counterfeiting of Luxury Brands**

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

## **Abstract**

This paper examines the influence of social factors on attitudes towards counterfeiting of luxury brands and purchase intention. Attitudes towards counterfeiting of luxury brands is found to influence purchase intention. An exploratory factor analysis of the scale “attitudes towards counterfeiting of luxury brands” revealed two factors: “perceptions of counterfeits” and “social consequences”. Unlike collectivism, information and normative susceptibility are shown to be influencers of purchase intention. The research findings can be used to formulate strategies for academia, practitioners and more importantly policy makers.

## **Introduction**

This paper explores Chinese consumers’ mindset in relation to the purchase of counterfeits of luxury brands. Although past research conducted has examined the supply side of counterfeiting (Albers-Miller, 1999; Alcock *et al.*, 2003; Ang *et al.*, 2001; Bush, Bloch and Dawson, 1989), there have also been an increasing number of studies conducted on the consumer behavioural aspect of counterfeiting (Gentry *et al.*, 2001; Gentry, Putrevu and Shultz II, 2006; Nia and Zaichkowsky, 2000). Although there are different measures developed for attitudes towards purchasing pirated software (Kwong *et al.*, 2003; Wang *et al.*, 2005), testing consumer attitudes towards counterfeiting of luxury brands is still at its infancy (Ang *et al.*, 2001). This paper strives to understand the attitudes and intentions of Chinese consumers who consciously seek out counterfeit brands and indulge in purchase (Bloch, Bush and Campbell, 1993; Cordell, Wongtada and Kieschnick Jr., 1996; Prendergast, Chuen and Phau, 2002). Findings suggest practitioners formulate more effective strategies to alleviate the counterfeiting problem in China (Ang *et al.*, 2001; Bloch, Bush and Campbell, 1993).

## **Literature Review and Hypotheses**

Counterfeits are reproductions of a trademarked brand (Cordell, Wongtada and Kieschnick Jr., 1996), which are closely similar or identical to genuine articles, including packaging, labelling and trademarks intentionally to pass off as the original product (Ang *et al.*, 2001; Chow, 2002; Kay, 1990). More commonly, price is reflective of consumer attitudes towards the value of counterfeit products. Due to competitive low prices of counterfeits, the expectation of quality would not be equivalent to that of the genuine article, as long as the basic functional requirements are met or the visibility and symbolic value is achieved (Eisend and Schuchert-Güler, 2006). Although product quality of counterfeit products has been improving in recent years (Nill and Shultz II, 1996), counterfeit products are still without warranties unlike genuine products, adding to higher financial risks of faulty purchases. In view of the Chinese consumers, attitudes towards counterfeiting of luxury brands can be influenced by a number of independent variables, namely normative and informative susceptibility, and collectivism.

Social influence refers to the effect that others have on an individual's consumer behaviour (Ang *et al.*, 2001). They are namely information susceptibility and normative susceptibility (Bearden, Netemeyer and Teel, 1989; Wang *et al.*, 2005). In the case of counterfeit or pirated products, it is illegal and unethical which means it does not project a positive image. If a consumer were to be highly susceptible to social influences, they would have less favourable attitudes towards counterfeiting of luxury brands. Consumers who have a greater need to enhance their image in the opinion of others, would purchase goods or products that would strongly reflect their self image (Ang *et al.*, 2001; Bearden, Netemeyer and Teel, 1989).

Information susceptibility is the basis of purchase decision on the expert opinion of others to make informed choices (Ang *et al.*, 2001; Lord, Lee and Choong, 2001; Wang *et al.*, 2005). The assurance of opinion 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 group were to have expert knowledge on the differences between originals and counterfeits (such as product quality), and the negative consequences of counterfeiting, it will consequently have an effect on consumers' perception towards counterfeits of luxury brands. Therefore, consumers would have a negative attitude towards counterfeiting of luxury brands.

On the other hand, normative susceptibility concerns purchase decisions that conform to the expectations of what would impress others (Ang *et al.*, 2001; Lord, Lee and Choong, 2001; Penz and Stöttinger, 2005; Wang *et al.*, 2005). If the purchase of counterfeits of luxury brands was to portray a positive self-image; it may probably accomplish the opposite. Therefore, consumer attitudes would be unfavourable towards counterfeiting of luxury brands.

China has been observed to be a collectivistic society from the past (Li and Su, 2007; Wang *et al.*, 2005). In recent research, there are differing views whereby the degree of collectivism varies depending on geographical locations. There has been past research stating that Chinese collectivistic culture is one of the primary contributing reasons to high counterfeiting rates in China (Husted, 2000; Marron and Steel, 2000; Swinyard, Rinne and Kau, 1990; Wang *et al.*, 2005). However, at the rate of China's development, Shanghai is fast becoming a cosmopolitan city with extensive foreign influences. This projects a greater tendency to seek uniqueness and individualism.

Collectivism has been discussed as one of the factors in Asian society that contributes to consumer attitudes being positive towards pirated products and counterfeits. In an Asian context, those who share are being rewarded and those who don't are being condemned (Ang *et al.*, 2001; Swinyard, Rinne and Kau, 1990), hence consumers would have a positive attitude towards a product being beneficial to as many people as possible in a society. Collectivistic cultures in Asia would then be in favour of the counterfeiting of luxury brands. Therefore, Chinese consumers would have positive attitudes towards counterfeiting of luxury brands.

Building from the above discussion, the following hypotheses are presented:

*H<sub>1a</sub>*- Normative and Information susceptibility have a negative influence on consumer attitudes towards counterfeiting of luxury brands.

*H<sub>1b</sub>*- Collectivism has a positive influence on consumer attitudes towards counterfeiting of luxury brands.

## **Purchase Intention – Theory of Planned Behaviour**

According to the theory of planned behaviour, the purchase behaviour is determined by the purchase intention, which is in turn determined by attitudes (Ang *et al.*, 2001; Azjen, 1991). Chang (1998) states that unethical decision making such as the purchasing of counterfeits is explained largely by the attitudes, regardless of product class (Wee, Tan and Cheok, 1995). Ang *et al.* (2001) and Wang *et al.* (2005) have both concluded that attitudes towards counterfeiting are significant influencers of purchase intention. If the consumer attitude towards counterfeiting is favourable, the higher the chances that they will purchase counterfeit brands. Thus,

*H<sub>2</sub>* -There is a positive relationship between attitude towards counterfeiting of luxury brands and the purchase intention towards counterfeits of luxury brands.

Social variables have long been established to be important in affecting consumer decision making (Miniard and Cohen, 1983); hence they will be tested for influence towards purchase intention. Thus,

*H<sub>3a</sub>* There is a negative relationship between information susceptibility, normative susceptibility and purchase intention towards counterfeits of luxury brands.

*H<sub>3b</sub>* There is a positive relationship between collectivism and purchase intention towards counterfeits of luxury brands.

## **Research Design**

Data was collected via a mall intercept at a major shopping complex in the city of Shanghai, China. 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 survey instrument was developed using established scales. Bearden, Netemeyer and Teel's (1989) and Wang *et al.*'s (2005) scales were used to measure the three independent variables. An adapted scale from Wang *et al.* (2005) was used to measure "attitudes towards counterfeiting of luxury brands", and a scale from Ang *et al.* (2001) was incorporated to measure purchase intention. Lastly, a section for demographic profiles was included. All items were measured with a seven point Likert scale with 1 representing "strongly disagree" and 7 representing "strongly agree". A total of 202 usable surveys from 271 responses were obtained. 58.4% of the respondents were male and 74.8% of the respondents were buyers of counterfeits of luxury brands.

## **Results**

Two factors, namely "perceptions of counterfeits" and "social consequences", were derived through an exploratory factor analysis of the 10-item "attitudes towards counterfeiting of luxury brands" scale. The three independent variables, namely, normative susceptibility, information susceptibility and collectivism were regressed stepwise independently against "attitudes towards counterfeiting of luxury brands" scale. The analysis revealed no significant influence on the dependent variable.

**Table 1 – Stepwise Regression on Attitudes towards Counterfeiting of Luxury Brands**

	B-Values	Std Error	Beta	Adjusted R <sup>2</sup>	t-value	Sig.
<b>Normative Susceptibility</b>	0.537	0.151	0.372	0.334	3.568	.000
<b>Information Susceptibility</b>	-0.441	0.141	-0.257	0.367	-3.122	.002

Stepwise regression was conducted on the three factors towards “perceptions of counterfeits”. The results in Table 1 show that consumers who rated highly on normative susceptibility have better attitudes towards counterfeits. Further stepwise regression was conducted on the three factors in influencing “social consequences”. However, none of the social factors were found to influence “social consequences”.

From the above findings, information susceptibility is revealed to have a negative relationship towards “perceptions of counterfeits”. Whereas, the results show that normative susceptibility has positive influences towards “perceptions of counterfeits”, hence  $H_{1a}$  is partially supported. Collectivism did not show any significant relationship in affecting attitudes towards counterfeiting, hence  $H_{1b}$  is rejected.

Two factors of “perceptions of counterfeits” and “social consequences” are regressed against purchase intention of counterfeits. Both factors are significant, with “perceptions of counterfeits” accounting for an R<sup>2</sup> of 0.740. However, it is revealed that “perceptions of counterfeits” ( $p < 0.000$ ) plays a more influential role in affecting consumer purchase intention whereas “social consequences” holds a weak relationship ( $p < 0.025$ ,  $\beta = -0.085$ ). These findings are in support of  $H_2$ .

**Table 2 - Stepwise Regression on Factors Influencing Purchase Intention**

	B - Values	Std Error	Beta	Adjusted R <sup>2</sup>	t - value	Sig.
<b>Normative Susceptibility</b>	0.448	0.133	0.341	0.371	3.365	0.001
<b>Information Susceptibility</b>	-0.387	0.129	-0.240	0.400	-2.990	0.003

Stepwise regression is administered for the three independent variables against purchase intention. The significant factors are normative and information susceptibility as shown in Table 2. The findings show that  $H_{3a}$  is only partially supported as the results show that information susceptibility is the only factor that negatively affects purchase intentions. However, it is shown that normative susceptibility has a significant positive influence towards purchase intention instead of a negative relationship.  $H_{3b}$  is rejected, as collectivism did not have a significant relationship in affecting purchase intention.

## Discussion

China and particularly coastal cities like Shanghai are advancing into cosmopolitans that would have contributed to increased individualism (Li and Su, 2007). In contrast to what past research has suggested (Ang *et al.*, 2001; Wang *et al.*, 2005), collectivism does not play a role in affecting consumer attitudes and purchase intention towards counterfeiting of luxury

brands. As noted, the research findings are grounds for strategizing anti-counterfeiting campaigns.

Normative influence is found to have positive effects on consumers, which suggests that the norm accepts and encourages the purchase of counterfeits. Consumers may purchase counterfeits as a means of fitting into a group. It might be due to exorbitant price tags of authentic items that drive consumers who want to appear affluent to purchase counterfeits as an alternative to the authentic articles. Advertising to show embarrassment if the consumer is discovered to own counterfeits instead of original articles can exemplify the negative consequences of purchasing counterfeits of luxury brands.

Although instilling fear towards penalty and criminal punishments for counterfeiting is useful in reminding consumers that purchasing the authentic articles should be the common practice, government should enforce a policy whereby buyers and sellers should both be penalized if caught. Such strategies should be in place to discourage the 'demand' and 'supply' side of counterfeiting as both parties should be held responsible (Bloch, Bush and Campbell, 1993).

Information susceptibility is found to be useful in negatively influencing consumers. The proposition of using celebrity endorsements, government officials and testimonials are effective and credible sources that consumers may refer to in order to make informed choices. The information of the negative consequences and severity of purchasing counterfeits can be reinforced through these sources (Lord, Lee and Choong, 2001).

The lack of education on intellectual property infringement may be the reason why consumers perceive counterfeiting as neither immoral nor important. It would require constant reinforcement through credible sources to allow consumers to register the importance of anti counterfeiting.

Similarly to past research findings (Eisend and Schuchert-Güler, 2006), this study show that attitudes towards counterfeiting is the driving force that influences purchase intention. "Perceptions of counterfeits" is found to have a positive influence on purchase intentions. This explains that consumers are attracted to counterfeits if counterfeits have qualities closely similar to authentic articles. Admittedly, counterfeits of luxury brands in China are of unexpectedly high quality, whereby there are even Grade systems attached to them to segregate the better quality counterfeits from the less superior ones (Gentry, Putrevu and Shultz II, 2006). Therefore, it is a bigger incentive for consumers to purchase a counterfeit (Wee, Tan and Cheok, 1995). This would require brand companies to form stronger differentiation tactics by being continuously innovative.

There are a number of limitations worthy of improvement and future research. The study was conducted using a mall intercept method, which may limit the populations that could be reached. Those who purchase may not be regular shoppers at a shopping mall but may be in wholesale markets where counterfeit products are largely being sold. As the study is a snapshot of the Chinese consumers in the coastal areas of the newly rich, possible extensions to populations of other areas in China of different socioeconomic groups or to other countries, or cross culturally may produce different results. The addition of materialism and 'face consumption' constructs can be further investigated to test for their influences on Chinese consumers. Another question worthy of future research would be the examination of whether counterfeits do more harm to authentic brands than good. Although the model is designed to provide an insight into Chinese' consumers attitudes and behavioural intentions towards

counterfeiting, this model only provides a snapshot of the existing phenomenon. Further research and development in warranted in this area.

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