



Consumers' willingness to knowingly purchase counterfeit products

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Abstract

Purpose – The purpose of this paper is to examine the effect of personality factors on consumers' attitudes toward counterfeits and their willingness to knowingly purchase counterfeit luxury brands. Product performance and useful life are included to investigate their influence on consumers' willingness to purchase counterfeit luxury brands.

Design/methodology/approach – A self-administered questionnaire is designed using established scales. Data are collected using a convenience sampling method from a large Australian university. Regression analyses are conducted using Statistical Package for the Social Sciences (SPSS).

Findings – Integrity is found to be the only factor influencing attitudes toward counterfeits. The useful life of a counterfeit luxury brand showed significant influence on consumers' willingness to purchase. Attitudinal factors and personality factors do not influence consumers' willingness to purchase counterfeit luxury brands.

Research limitations/implications – The findings are limited to an Australian context. Mall intercept method can be implemented for future studies. The paper has only examined a high involvement luxury brand. Other product categories or low involvement products can be further investigated.

Practical implications – It is recommended for government to implement educational programs that are not only limited to schools, but also to multinational companies and domestic businesses. Luxury brand owners are also encouraged to distinguish their products through emphasis on product attributes, such as their product's useful life.

Originality/value – A specific high-involvement luxury brand is studied as opposed to previous studies only examining counterfeit luxury brands as a whole. Furthermore, this paper has also examined both personality factors and product attributes.

Keywords Counterfeiting, Consumer behaviour, Premier brands, Australia

Paper type Research paper

Introduction

Counterfeiting is said to have had its growth since the 1970s (Bian and Veloutsou, 2005), when Levi's discovered a large quantity of counterfeit jeans bearing its trademark logo and label that had been produced in South East Asia and distributed throughout Western Europe (Walker, 1981). Since then, counterfeit goods have flooded the market in the past few decades and have increased at an astronomical rate (Phau and Teah, 2009). In particular, the counterfeiting of luxury brands of fashion products is particularly rampant and these can include clothes, handbags, wallets, watches and pens, just to name a few. The International Anti-Counterfeiting Coalition estimates that counterfeiting is responsible for US\$200 billion a year in lost jobs, unpaid taxes and lost sales (Furnham and Valgeirsson, 2007). Owing to the nature of counterfeiting, such statistics are at best only rough estimates. Counterfeiting is responsible for causing serious economic and social harm to both legitimate producers and to society as a



whole (Bush *et al.*, 1989). Regardless of the damages caused by counterfeit products, the Anti-Counterfeiting Group survey found consumers disregard the negative effects of counterfeit products. The group found that about one-third of consumers would knowingly purchase counterfeit products given the right price and quality and 29 per cent saw no harm in product counterfeiting as long as the products do not put the buyer at risk (Bian and Veloutsou, 2005).

Aside from the lost revenues incurred as a result of counterfeiting, legitimate producers also face intangible losses; such as loss of goodwill (Jacobs *et al.*, 2001; Barnett, 2005; Wilke and Zaichkowsky, 1999; McDonald and Roberts, 1994; Nia and Zaichkowsky, 2000), loss of brand reputation and reduced brand equity (Nia and Zaichkowsky, 2000). Furthermore, many counterfeited brands experience lost confidence from their consumers (Gordon, 2002; Bloch *et al.*, 1993; Barnett, 2005; Wilke and Zaichkowsky, 1999; Nia and Zaichkowsky, 2000; Gentry *et al.*, 2006), devalued research and development efforts as well as massive legal fees (Thurasamy *et al.*, 2002; Wilke and Zaichkowsky, 1999). There are also the damaging effects that counterfeiting has on society.

The success of luxury brand counterfeiting can be attributed primarily to the price advantages it offers over the genuine product (Bloch *et al.*, 1993), the brand affiliations that go hand-in-hand with counterfeiting prestigious or status brands as well as the potential for mass production through manufacturing operations (Nill and Shultz, 1996). Furthermore, the consumer demand for “status laden” products at reduced prices has encouraged the growth of this illegal activity, as consumers actively seek out prestigious clothing and accessories.

The research presented in this study strives to fill the gap in the counterfeit literature that views the problem from the demand side. The main objective of this study is to investigate whether personality factors namely status consumption, materialism and integrity influence consumers’ attitudes towards counterfeit luxury brands and willingness to knowingly purchase counterfeit luxury brands. It also determines whether product attributes (product performance and useful life) influence willingness to knowingly purchase counterfeit luxury brands. This paper draws on a high involvement product category and a luxury symbolic brand – Tag Heuer dress watch. While this may narrow the scope, the findings provide benefits for luxury brand houses that specialise in high involvement rather than low involvement products. In addition, policy makers will be able to benefit from “insider” knowledge gained regarding consumer attitudes toward counterfeit luxury brands of high involvement products. This paper is organized into several sections beginning with a discussion of extant literature, followed by the theoretical framework, leading to the development of hypotheses. This is followed by a description of the research method. The discussion of the findings and analysis are presented. Finally, the concluding comments, managerial implications and limitations of the study are highlighted.

Relevant literature

Attitudes toward counterfeits

Attitude is a “learned predisposition to respond to a situation in a favourable or unfavourable way” (Huang *et al.*, 2004). The attitude construct is often used as a predictor of consumer intentions and behaviours. As attitudes cannot be observed directly, researchers must rely on determining consumer attitudes through research measures (Huang *et al.*, 2004).

In order to identify an individual's attitude to counterfeit products, researchers employ the concept of informative and normative susceptibility as predictors of consumer behaviour (Thurasamy *et al.*, 2002; Wang *et al.*, 2005; Gupta *et al.*, 2004). According to Bearden *et al.* (1989), informative susceptibility is when a consumer bases their purchase decision on the expert opinion of others (Ang *et al.*, 2001; Phau and Teah, 2009). Whereas, normative susceptibility is when consumers base their purchase decision on the expectation of what would impress others (Ang *et al.*, 2001; Penz and Stöttinger, 2005; Phau and Teah, 2009). As counterfeiting is illegal and is generally viewed as unfavourable by the media and general public, it is reasonable to assume a person who is more susceptible to social influence (both normative and informative) will express negative attitudes towards counterfeiting (Wang *et al.*, 2005; Thurasamy *et al.*, 2002; Wang *et al.*, 2005; de Matos *et al.*, 2007).

To date, four primary dimensions namely quality, economic, ethical and legal, have been found useful in determining consumer attitudes (Cordell *et al.*, 1996; Ang *et al.*, 2001; Gupta *et al.*, 2004). Of these, price as the economic factor has been noted to play an influential role in determining attitudes towards counterfeit products. Hence, if consumers perceive that they are being "ripped-off" by the genuine producers, they are likely to express more favourable attitudes towards counterfeits and in turn are more likely to purchase counterfeit products (Ramayah *et al.*, 2002). Additional factors noted to influence consumer attitudes towards counterfeit products include gender, religion, motivation for personal gain, situational factors (Gupta *et al.*, 2004; Nill and Shultz, 1996) and collectivism (Wang *et al.*, 2005).

Consumers who hold favourable attitudes toward counterfeits and engage in purchase activity with producers of such goods, frequently employ double standards. Buyers absolve themselves of blame by justifying their actions and shifting the blame onto the producer (Ang *et al.*, 2001; Cordell *et al.*, 1996; Penz and Stöttinger, 2005). Such situational ethics encourage further purchases, leading to the support for the illegal producer (Ang *et al.*, 2001). Buyers justify their actions by stating that illegal producers have lower margins than the original manufacturers and hence do not feel "ripped-off" (Penz and Stöttinger, 2005). Further, the illegal producer is said to provide an achievable dream for consumers who cannot afford the genuine article but who wish to achieve the status, image and excitement associated with owning such goods (Gentry *et al.*, 2001).

Influence of luxury and symbolic brands

The extent to which a brand is considered as symbolic or functional also influences consumers' willingness to knowingly purchase counterfeit luxury brands. Symbolic brands are often used as vehicles for interpersonal communication and as expression of an individual's self-concept and need for social conformity (Chaudhuri and Majumdar, 2006). Brands have become a way of self-realisation and identification as consumers move beyond mere consumption of product utility. They now consume the symbolic meaning the brands represent (O'Cass and Frost, 2002).

Marketers can position specific brands in ways that allow the brand to retain its exclusivity, to communicate prestige and to promote the social position of the brand user (Zinkhan and Prenshaw, 1994; Nia and Zaichkowsky, 2000). Greenberg *et al.* (1983) developed a quantitative measure known as the perceived fashion content (PFC) rating. The PFC rating is achieved by dividing the functional importance for a product

by the fashion importance for that same product. Hence, a product with a high PFC rating indicates that the product is more functional than fashionable. Furthermore, high PFC rated products are likely to have less influence on a consumer's intention to buy, particularly when the product in question is a status or luxury item.

Given the relatively short product life cycle of fashion products such as clothes, bags, shoes and accessories, most consumers are reluctant to spend exorbitant amounts of money on them, as these products are only "in vogue" for a short time period after which they would be considered as out-of-date or obsolete (Ramayah *et al.*, 2002). If products with low PFCs are being counterfeited and sold at significantly reduced prices compared to the original, it is likely the fashion status conscious consumer with average income will be enticed into buying the counterfeit variant (Wee *et al.*, 1995). Prestige, brand image and fashion are important to purchasers of premium luxury brands. Buyers of counterfeits value image characteristics and look to gain the status image without having to sacrifice a significant amount of money for it (Bloch *et al.*, 1993; Delener, 2000). Hence, buyers of luxury branded counterfeits are commonly known as "snobs", but without the financial resources to afford the genuine product (Delener, 2000).

Conceptual framework

This study extends Cordell *et al.*'s (1996) work and hence several variables proven to have high significance (such as product performance, lawfulness, legality and useful life) are utilised for this study. As identified in the literature, three new personality variables (status consumption, materialism and integrity) are added as antecedents. The study aims to measure how these antecedents (personality variables) influence consumer attitudes towards the lawfulness and the legality of purchasing counterfeit luxury brands and further influencing consumer willingness to knowingly purchase counterfeit luxury brands. To explain the conceptual underpinnings of the study, three theories are presented.

Theory of reasoned action (TRA)

The TRA was proposed by Ajzen and Fishbein (1980). It is made up of three constructs namely behavioral intention (BI), attitude (A), and subjective norm (SN). The theory suggests that an individual's BI is a function of the individual's attitude about the behavior and SNs ($BI = A + SN$). BI is defined as the individual's relative strength of intention to perform a behavior. Attitude comprises of the various beliefs about the outcomes of performing the behavior multiplied by the assessments of these outcomes. SN comprises of the perceived expectations from the individuals and the intentions to comply with these expectations. In short, an individual's volitional (voluntary) behavior is predicted by the attitude toward the behavior in question and how it is assumed that other people would view them if the behavior is performed. The individual's attitude, together with the SNs, will form the BI. However, the predictive validity of the theory becomes problematic if the behaviour being studied is not under volitional control (Sheppard *et al.*, 1988). In this study, the TRA justifies the use of the construct "willingness to purchase counterfeit luxury brands" as surrogate for the actual purchase of counterfeit products.

Theory of planned behaviour (TPB)

The TPB was created to account for the weakness in the TRA. With the addition of the perceived behavioural control (PBC) construct (Notani, 1998), PBC is defined by

Ajzen and Madden (1986) as a “persons beliefs as to how easy or difficult performance of the behaviour is likely to be”. Beliefs about resources and opportunities are often viewed as underlying factors influencing PBC. Therefore, as well as having positive attitudes toward purchasing a product and having social reasons to do so (SN), PBC should be able to additionally predict intentions of knowingly purchasing counterfeit luxury brands based on the perceived ease or difficulty associated with this behaviour. If an individual perceives he or she has control over performing behaviour, the individual is more likely to form strong intentions to perform the behaviour and vice versa (Notani, 1998; Ravis and Sheeran, 2003; Armitage and Christian, 2003; Armitage and Conner, 2001; Ajzen, 2002). Furthermore, Ajzen (1991) argued the PBC-intention relationship is dually dependent on the type of behaviour and nature of the situation.

Since counterfeit products are more prominent and more widely available than genuine articles in some countries, the ease of access to counterfeit products strengthens the link between intention and behaviour. In the context of this study, this further reinforces the use of “willingness to purchase counterfeit luxury brands” as an indicator of actual purchase behaviour.

Theory of moral reasoning and competency

Moral reasoning comes into play when an individual is faced with an ethical dilemma. Kohlberg (1976) categorized three stages which an individual encounters when faced with ethical dilemmas. At the pre-conventional level (Stages 1 and 2) an individual's reasoning is based on expected personal consequences such as reward and punishment. Stages 3 and 4 focus on maintaining and adhering to the expectations of reference groups and societal values. At the post-conventional level (Stages 5 and 6), there is a clear effort to define moral principles and values, whilst still maintaining and adhering to the values of one's reference group and society (Nil and Scultz, 1996). This stage is about finding a balance between what is morally acceptable to the individual and which fits in with his/her social environment.

Consumer 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). Willingness to knowingly purchase counterfeit luxury brands is attributed to the non-normative class of consumer behaviours (Cordell *et al.*, 1996). In these cases, non-normative behaviour is justified by producers excusing themselves of liability in the situation, achieved by deflecting blame to the buyer (Cordell *et al.*, 1996). This can also work in the reverse, where buyers of counterfeits absolve themselves of any blame for supporting illegal activities, such as the illegal purchase of luxury brands by shifting the blame onto the seller (Vitell *et al.*, 2001; Penz and Stöttinger, 2005). These individuals excuse themselves to lower ethical standards than those the ethical standards that hold against the sellers with whom they engage in purchase transactions. Furthermore, buyers justify their actions based on claims that sellers have “conned” them or used unfair tactics to promote the purchase of the counterfeit.

Consumer attitudes toward non-normative behaviours fluctuate based on the situation at hand. More serious offences are viewed less favourably than trivial offences. In keeping with past research from Kohlberg (1976) and Emler and Reicher (1987), this research expects to find strong lawful attitudes will have a negative influence on consumers' willingness to knowingly purchase counterfeit luxury brands.

However, the theory is not without critique from several perspectives. For one, it is argued that the theory emphasizes justice but excludes many other moral values, such as caring as documented and discussed in depth by Gilligan (1982). Further, there is an overlap between stages that they should more properly be regarded as separate domains.

The theories mentioned above in combination with the literature review have aided in the development of the hypotheses development outlined below.

Hypotheses development

Attitudes towards the lawfulness and legality of counterfeit luxury brands

The attitudinal construct said to influence consumer intentions and counterfeits can be distinguished by attitudes towards the lawfulness of counterfeits and the legality of purchasing counterfeits (Cordell *et al.*, 1996; Ramayah *et al.*, 2002). The higher one's level of moral judgement, the less likely he/she is to approve of or engage in counterfeit transactions. TPB is based on the attitude-behaviour relationship linking attitudes, SNs, PBC, behavioural intentions and behaviour (Shaw and Shiu, 2002). In these cases when an individual is faced with a situation where his/her ethical values are challenged, beliefs and attitudes become valid predictors of intentions toward the situation.

Kohlberg's (1976) moral competency theory denotes a consumer's personal behaviours are predicted by a subjective sense of justice. Unethical decisions such as knowingly purchasing counterfeits are largely explained by the attitudes a consumer holds, regardless of product class (Wee *et al.*, 1995; Ang *et al.*, 2001). The more favourable a consumer's attitude towards counterfeiting, the more likely he/she will purchase counterfeit luxury brands. Similarly, the more unfavourable a consumer's attitude towards counterfeiting, the less chance of purchase (Wee *et al.*, 1995). Based on this the following hypotheses are formed:

- H1a.* A consumer's likelihood of knowingly purchasing counterfeit luxury brands will be negatively related to his/her attitude toward the lawfulness of purchasing counterfeit luxury brands.
- H1b.* A consumer's likelihood of knowingly purchasing counterfeit luxury brands will be negatively related to his/her attitude toward the legality of purchasing counterfeit luxury brands.

Status consumption

Status was first studied by Veblen (1899, 1953) in theory of the leisure class. This study points to status indicators such as clothing. In order to validate their privileged status, consumers may select clothing that communicates their leisure-state and independence from job commitments. Packard (1959) and particularly Mason (1981, 1992) endeavoured to further Veblen's economic idea of conspicuous consumption and suggest people often consume products to demonstrate superiority of status to themselves and to others (status consumption). As such, status consumption is the motivational process by which an individual strives to improve his or her social standing through overt consumption of products that project this image (Eastman *et al.*, 1999). It consists of respect, consideration and envy from others and represents the goals of an individual (Csikszentmihalyi and Rochberg-Halton, 1981). Status goods are

valued not so much for their functional qualities, but in their ability to project the image of status. It is often the case that the status of the product plays a more significant role than the functional attributes of the product in the purchase decision process (Barnett, 2005). Individuals, who wish to be considered as belonging to a higher social class but do not have the income to support it, will purchase the counterfeit alternative over the original, regardless of ethical standing (Wee *et al.*, 1995). Thus, the following hypotheses are presented:

H2a. Status consumption has a positive influence on consumer attitudes toward the lawfulness and legality of counterfeit luxury brands.

H3a. Status consumption has a positive influence on consumer willingness to knowingly purchase counterfeit luxury brands.

Materialism

Materialism is the importance a consumer places on worldly possessions (Belk, 1985). The materialistic trait can be so high in some consumers that it serves as a life goal, thus neglecting other life aspects (Richins and Rudmin, 1994). Materialists view the acquisition of possessions as the means to achieving happiness (Richins and Rudmin, 1994). More than any other value construct or personality trait, materialism is uniquely associated with consumption (Richins and Rudmin, 1994). Materialists are driven to consume abundantly, preferring to consume status goods over general goods (Wong, 1997). The motivation materialists derive for acquiring possessions is driven by the need to display acquired wealth and social standing to significant others (Eastman *et al.*, 1999). In particular, branded clothing and accessories are categories that project style and image (Fitzmaurice and Comegys, 2006).

High materialists depend more on projecting an identity to others by relying on the consumption of status goods (Fitzmaurice and Comegys, 2006). This extreme desire to acquire possessions that signal status becomes the focus of the materialist's life, leading the individual to be somewhat blinded by this goal. In the same vein as the status consumers who are without the financial capacity or support to achieve this chosen lifestyle, they are likely to turn to counterfeit luxury brands as alternatives. Thus, the following hypotheses are developed:

H2b. Materialism has a positive influence on consumer attitudes toward the lawfulness and legality of counterfeit luxury brands.

H3b. Materialism has a positive influence on consumer willingness to knowingly purchase counterfeit luxury brands.

Integrity

In accordance with Kohlberg's (1976) moral competence theory, an individual's behaviour is affected by his or her personal sense of justice. The influence of values like integrity will affect one's 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 consumers who are more lawfully minded, possess unfavourable attitudes toward counterfeits and are less willing to purchase counterfeits (Cordell *et al.*, 1996). Consumers, who knowingly purchase counterfeits, rationalise their actions and do not

perceive their behaviour as unethical (Ang *et al.*, 2001). Hence, in comparison to buyers of counterfeits, non-buyers will have negative attitudes toward the lawfulness of counterfeits and the legality of purchasing counterfeits. Therefore, the following hypotheses are developed:

- H2c.* Integrity has a negative influence on consumer attitudes toward the lawfulness and legality of counterfeit luxury brands.
- H3c.* Integrity has a negative influence on consumer willingness to knowingly purchase counterfeit luxury brands.

Product attributes

Product performance

Intentional purchase of counterfeits provides buyers with a different set of utilities than the original product (Grossman and Shapiro, 1988). Therefore, one can assume consumers will only buy counterfeits when the perceived performance risks are low. Consumers, who intentionally purchase counterfeit products, are more concerned with the physical appearance of the product than the long-term durability (Bush *et al.*, 1989). This is most true for counterfeit luxury brands, where buyers place higher value on the prestige, brand image and fashion content over its functional attributes. The buyer is looking to gain the image benefits associated with the use of the product, most importantly without having to pay full price. These consumers have the taste of “snobs” with low price acceptability (Bloch *et al.*, 1993). The purpose of purchasing status brands is gaining recognition or membership to desired reference groups, rather than the guarantee of quality (Wee *et al.*, 1995).

Provided that benefits associated with the original and counterfeit are the same, it is hypothesised that consumers will be more likely to purchase the counterfeit as opposed to the original. This assumption is based on the provision that the counterfeit will perform at least the minimal required functions. However, the difference in product attributes (i.e. symbolic or functional) will also affect purchase intention. Products with symbolic value will be judged on the product’s ability to perform in the short-term, whilst products with functional value will be judged on their ability to perform in the long run. As such, consumers have only minimal expectations of the quality performance of the counterfeit. The better the expected functional performance compared to the genuine product, the more likely the consumer will buy the counterfeit. This leads to the hypothesis that:

- H4a.* A consumer’s likelihood of knowingly purchasing counterfeit luxury brands will be positively related to the expected performance of the counterfeit luxury brands relative to the genuine luxury brands.

Useful life

Consumers are said to pay more attention to product durability and reliability when considering the purchase of functional products (Greenberg *et al.*, 1983). However, status benefits associated with usage is the primary motivator for purchasing counterfeit luxury products. It is reasonable to assume that the appearance and visibilities are more significant attributes for fashion and symbolic products (Prendergast *et al.*, 2002). Thus, the product attributes for buying a luxury branded counterfeit luxury brand would be based on appearance and visibility. Products with

symbolic attributes will be judged on their ability to perform in the short-term. This leads to the following hypothesis:

H4b. A consumer’s likelihood of knowingly purchasing counterfeit luxury brands will be negatively related to the useful life of the counterfeit luxury brands relative to the genuine luxury brands (Figure 1).

Research methodology

Research design

A convenience sample was chosen among business students from a large Australian university. Respondents were asked to complete a self-administered survey form. A commonly counterfeited luxury brand watch Tag Heuer was selected as the stimulus for this study. A watch was selected as it is an established product that is both cross-gender and presents well as a luxury item. Through the focus group, this brand and product was deemed to be a “high involvement” product and a “symbolic luxury” brand. More importantly, undergraduate students perceive this brand to have high visibility and view it as a luxury brand based on their current financial resources.

Student samples are justifiable for this study, given the nature of the research design. First, the vast majority of university students fall into the 18-25 years age group. This age group has consistently been found to contain individuals who are most likely to purchase counterfeits (Gupta *et al.*, 2004; Gentry *et al.*, 2001; Bian and Veloutsou, 2005). Furthermore, students do not have the income required to purchase genuine luxury products. Thus, they resort to counterfeits to gain the benefits

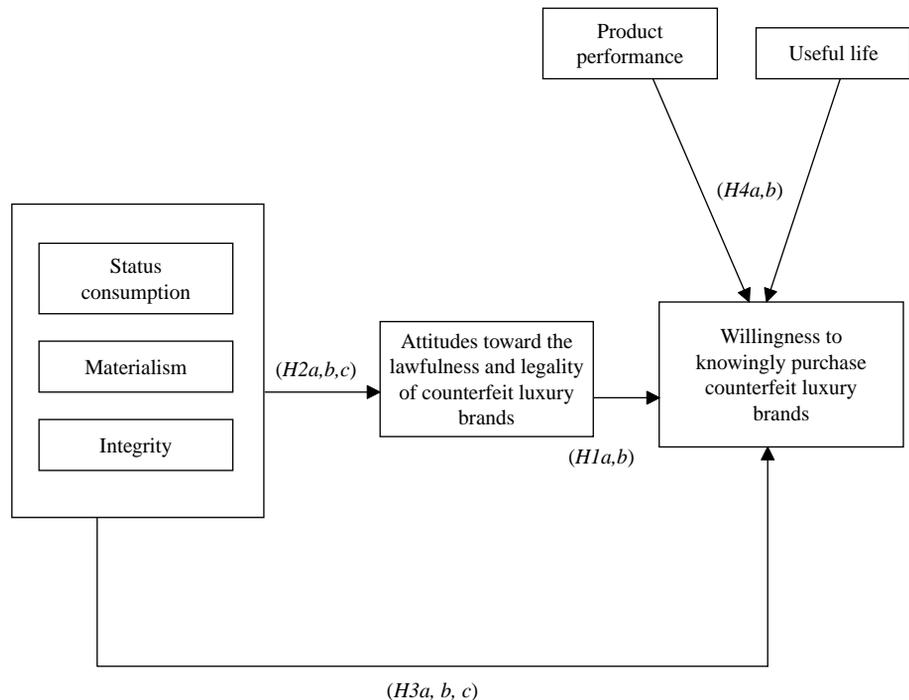


Figure 1.
Conceptual framework

associated with use of luxury brands (e.g. status consumption). Students are regarded as relatively homogeneous in their attitudes and behaviour (Calder *et al.*, 1981; Brown and Stayman, 1992). These characteristics make students a suitable population for this study, as they are more likely to consume counterfeit luxury brands and are more likely to have favourable attitudes towards counterfeits.

The survey instrument

A two-page instrument was developed for self-administered completion. It comprised six sections. Section A begins with a brief description of the genuine Tag Heuer watch (with a coloured image) from an authorised seller. Respondents were asked to rate their likelihood to purchase this watch. Thereafter, they were asked to rate the expected product performance and useful life in years using the scale developed by Cordell *et al.* (1996). In section B, respondents were told that an identical counterfeit Tag Heuer watch is available. There is no difference in physical attributes except that it may be of poorer quality but is offered at a cheaper price. Respondents were again asked to rate their likelihood to purchase this watch. Thereafter, respondents were asked to rate product performance and useful life in years using the same scale for the counterfeit Tag Heuer watch. Expected product performance was measured from low (1) to very high (7) on a seven-point Likert scale. A composite score is thus obtained by the difference between the counterfeit and the genuine version of the product to be used for later analysis. Useful life was measured using less than one year (1) and more than seven (7) on a seven-point scale. Similarly, the composite score is obtained by the ratio between the counterfeit and the genuine versions of the product to be used for later analysis.

Section C contained a screening question, "Have you ever purchased counterfeit products before?" This was a nominal type question with a yes or no answer option. Section D consisted of two scales. First, the Rundquist and Sletto (1936) law scale was adopted to test attitudes towards the lawfulness of counterfeits. The Cronbach α coefficient was 0.624 which is acceptable according to Nunnally (1978). Second, the measurement for consumers attitudes toward the legality of purchasing counterfeits was derived from two questions "buying counterfeit products is illegal" and "selling counterfeit products is illegal". The Cronbach α coefficient was 0.809.

Section E consists of the integrity, status consumption and materialism scales (Appendix). To measure integrity, the Rokeach value survey (Rokeach, 1973) was used. The Cronbach α coefficient was 0.916. Status consumption scale was measured by the Eastman *et al.* (1999) five-item scale. The Cronbach α coefficient was 0.765. Finally, materialism was measured using a seven-point Likert scale developed by Sirgy *et al.* (1998). The Cronbach α coefficient was 0.826. The last section consisted of demographic questions used to classify respondents into categories.

Data collection

The survey forms were distributed in three large settings. Before students commenced on the survey, a brief explanation of the study was presented. Students were given 10 minutes to complete the survey. In total, 278 survey forms were collected. Only 202 surveys (72 per cent) were usable and were entered into SPSS 14 for analysis.

Research findings and discussion

Sample

The total useable sample was 202. A total of 44 per cent of respondents were male and 56 per cent were female while 76 per cent of the respondents were between the ages of 18 and 21, 16 per cent between the ages of 22-25 and 6.4 per cent were above 25 years of age. Given the student population, 76.8 per cent of respondents reported an annual income of AUS\$20,000 or less.

Hypothesis 1

Standard regression was conducted to determine whether attitudinal factors have negative influences on consumer willingness to knowingly purchase counterfeit luxury brands. Neither attitudes towards lawfulness of counterfeits ($t = -0.561$, $\beta = -0.055$, $R^2 = -0.013$, $p > 0.05$) nor attitudes towards legality of purchasing counterfeits ($t = -0.324$, $\beta = -0.032$, $R^2 = -0.013$, $p > 0.05$) were found to be significant in predicting consumer willingness to knowingly purchase counterfeit luxury brands. These results fully reject *H1a* and *H1b*.

The inability of attitudes to influence consumer willingness to knowingly purchase counterfeit luxury brands does not necessarily indicate moral laxity. But rather, it can be attributed to the fact that in the grand scheme of things, buying and/or selling counterfeit luxury brands is not seen as a serious offence compared to other illegal acts. Hence, attitudes of lawfulness toward counterfeit luxury brands and the legality of purchasing them do not register as illegal acts with the consumer (Bian and Veloutsou, 2005). This lack of presence of lawful/legal attitudes is a reflection of the limited information available on the damaging effects the counterfeit trade has on luxury brands and society as a whole.

Hypothesis 2

Stepwise regression was conducted to determine whether the three antecedents have any influence in determining consumer attitudes towards lawfulness of counterfeit luxury brands. Results show that only integrity ($t = 4.530$, $p < 0.000$, $\beta = 0.394$, $R^2 = 0.147$) is a significant predictor. This indicates that consumers with high integrity levels are more likely to hold unfavourable attitudes toward the lawfulness of counterfeit luxury brands.

Stepwise regression was also used to determine the influence of the three antecedents on consumer attitudes toward the legality of purchasing counterfeit luxury brands. The results show that integrity was found to be significant ($t = 3.376$, $p < 0.001$, $\beta = 0.304$, $R^2 = 0.084$) as well as status consumption ($t = 2.797$, $p < 0.006$, $\beta = 0.245$, $R^2 = 0.137$). This reflects status consumers are indifferent in their attitudes toward lawfulness of counterfeit luxury brands but hold negative attitudes toward the legality of purchasing counterfeit luxury brands. While this analysis fully supports hypothesis *H2c*, it partially supports *H2a* and fully rejects *H2b*.

Integrity was found to be the most significant predictor of consumer attitudes toward the lawfulness of counterfeit luxury brands and attitudes toward the legality of purchasing counterfeit luxury brands. Thus, consumers who have higher levels of integrity are more likely to hold negative attitudes toward counterfeits. Consumers who consider values such as honesty, politeness and responsibility as important tend to have negative attitudes toward counterfeit luxury brands. Further, individuals who are highly involved with the Tag Heuer watch (which is considered as a high

involvement product here) hold strong attitudes and they would carefully consider the possible positive/negative consequences of their behaviour (Kokkinaki, 1999). This result is consistent with previous studies (Ang *et al.*, 2001; Cordell *et al.*, 1996; Kokkinaki, 1999; de Matos *et al.*, 2007).

While status consumption did not have a significant influence on the attitudes toward lawfulness of counterfeit luxury brands, status consumption influenced consumer attitudes toward legality of purchasing counterfeit luxury brands. The availability of counterfeit luxury brands means consumers who previously could not afford the genuine article are now able to purchase an alternative. Status consumers who are loyal to their preferred luxury brands do not wish for the brand equity/image to be diluted by fakes. The demand for the counterfeit variant increases demand and in turn increases supply (Grossman and Shapiro, 1988). More consumers using the same branded product decreases the “status” image of the brand and product. As the popularity of the product grows, buyers of the genuine products are then forced to seek out other luxury brands which are still perceived as “status products” as a result of their relative scarcity (Barnett, 2005). Further there are high research and development costs involved in producing the Tag Heuer watch. The significant finding of status consumption influencing attitudes toward the legality of purchasing counterfeit luxury brands indicates that consumers perceive that they are not being “ripped off”. Hence, they are willing to support the legal producers of luxury brands by investing in research and development.

Lastly, materialism was found to have no influence on consumers’ attitudes toward the lawfulness of counterfeits or the legality of purchasing counterfeits. This result contradicts findings by Furnham and Valgeirsson (2007) that identified positive relationships between materialism and attitudes towards the lawfulness of counterfeits. This could be due to the particular product category, thus this finding should be treated with caution (Table I).

Hypothesis 3

Standard regression was used to predict the influence of the three antecedents on consumer willingness to knowingly purchase counterfeit luxury brands. The results revealed that none had any significance with all significance ratings above the critical

	B-values	SE	β	Adjusted R^2	t-value	Sig.
<i>Dependent variable: attitudes towards lawfulness of counterfeit luxury brands (mean = 5.27)</i>						
Integrity (mean = 5.28)	0.406	0.090	0.394	0.147	4.530	0.000*
Status consumption (mean = 4.33)	–	–	–0.055	0.147	–0.633	0.528
Materialism (mean = 4.78)	–	–	–0.106	0.147	–1.216	0.227
<i>Dependent variable: attitudes towards legality of purchasing counterfeit luxury brands (mean = 4.87)</i>						
Integrity (mean = 5.28)	0.540	0.160	0.304	0.084	3.376	0.001*
Status consumption (mean = 4.33)	0.271	0.097	0.245	0.137	2.797	0.006*
Materialism (mean = 4.78)	–	–	–0.014	–	–0.145	0.885

Notes: *Significant at $p < 0.05$; mean (1, strongly disagree; 7, strongly agree)

Table I.
Regression of personality
factors to attitudes
towards counterfeit
luxury brands

level ($p > 0.05$). These results fully reject *H3a*, *H3b* and *H3c*. As previous studies show, price incentives may be a more accurate predictor of consumer willingness to knowingly purchase counterfeit luxury brands (Bloch *et al.*, 1993; Albers-Miller, 1999; Harvey and Walls, 2003).

The result for *H3c* in particular is interesting. When taken together with the findings in *H2c* integrity was found to be a significant influencer of consumer attitudes of lawfulness and legality of purchasing counterfeit luxury brands. However, this does not necessarily reflect the individual's buying intention. This means that while the individual acknowledges that the purchase of counterfeit luxury brands maybe immoral, it has no bearing on the individual's final buying decision. This inability to carry attitudes of lawfulness and legality through to the purchase environment indicates consumer vested interest in the product (Sivacek and Crano, 1982). Hence, the higher the vested interest in a product, the more likely the individual is to ignore moral values.

Materialism was found to have no influence on willingness to knowingly purchase counterfeit luxury brands. It has been shown that, although high materialists desire to own status goods, they would rather own the genuine item then settling for the counterfeit alternative (Furnham and Valgeirsson, 2007). Hence, high materialists are less willing to purchase counterfeit luxury brands. Further research should focus on examining product involvement exclusively with the various factors of materialism in relation to counterfeit luxury brands. Perhaps, a low involvement product may elicit different findings.

Status consumption was found to have no bearing on willingness to knowingly purchase counterfeit luxury brands. This result contradicts previous studies that showed status consumption to be a significant predictor of consumer willingness to knowingly purchase counterfeit luxury brands (Barnett, 2005). This is attributable to the PFC content of the Tag Heuer watch. The Tag Heuer watch has a high PFC rating making it more functional than fashionable. Only counterfeit luxury brands with low PFC ratings increase consumer willingness to purchase the counterfeit alternative (Wee *et al.*, 1995).

Hypothesis 4

Stepwise regression was used to determine the ability of product attributes (product performance and useful life) to influence consumer willingness to knowingly purchase counterfeit luxury brands. Results reflect that useful life was the only significant indicator of willingness to knowingly purchase counterfeit luxury brands ($t = -2.207$, $p < 0.029$, $\beta = -0.204$, $R^2 = 0.033$). This reflects consumers who are willing to knowingly purchase counterfeit luxury brands with a functional purpose are more likely to weigh the long-term durability of the product with the initial short-term performance. However, product performance is not a significant predictor ($t = -0.529$, $p > 0.05$, $\beta = -0.059$). This analysis fully supports *H4b*, but rejects *H4a*.

The findings revealed that a consumer's likelihood of knowingly purchasing counterfeit luxury brands will be negatively related to the useful life of the counterfeit luxury brands relative to its genuine luxury brands. This result is consistent with findings from Cordell *et al.* (1996) and Eisend and Schuchert-Güler (2006). Product performance was not found to be significant and this indicates that the consumer expects that counterfeit products should perform at a standard similar to that of the original branded product. This could be explained by the fact that most luxury

branded products performs the same utilitarian function, but with only the added prestige. With counterfeits improving, the quality and performance of the counterfeits and original could well be closely similar. Otherwise, there is less incentive to purchase the counterfeit variant (Wee *et al.*, 1995) (Table II).

Managerial implications and concluding comments

It appears that the three personality factors are not useful predictors of consumer willingness to knowingly purchase counterfeit luxury brands. First, this may be attributed to status consumers fearing rejection from reference groups if they are discovered using a fake (Penz and Stöttinger, 2005). Second, materialists with high centrality levels are unlikely to settle for counterfeit variants of luxury brands (Furnham and Valgeirsson, 2007). Third, while integrity was found to be a significant influencer on consumer attitudes toward counterfeit luxury brands, it does not necessarily reflect decreased willingness to knowingly purchase counterfeit luxury brands. This is attributable to vested interest playing a moderating role in the attitude – behaviour linkage (Sivacek and Crano, 1982). Consumers who have personally vested in a counterfeit product (i.e. strongly desire to own the product) are likely to ignore personal moral values. This study had reflected similar results in previous studies that product attributes are influential in predicting consumer willingness to purchase counterfeit luxury brands (Wee *et al.*, 1995; Cordell *et al.*, 1996).

Attitudes toward counterfeit luxury brands were found to have no bearing on consumer willingness to knowingly purchase counterfeit luxury brands. Consumers do not perceive the counterfeit trade as illegal, hence are indifferent towards the lawfulness and legality of the trade (Bian and Veloutsou, 2005). The global growth experienced by the counterfeit trade has also meant an increase in competition for the current producers of counterfeit products. Evidently, 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).

The increase in consumer expectations of quality counterfeit products can be attributed to several factors. First, the global growth of the counterfeit trade has meant increased competition for producers of counterfeits, who are now competing against other illicit sellers. It is often the producers who seek out the consumers through various alternate distribution channels, such as launching sites on the net (i.e. Sofia's Replicas), as opposed to previous instances where the consumers would actively seek out the producer. This indicates a more balanced exchange transaction between the producer and consumer, which reinforces the fact that both parties engaging in counterfeit transactions are found to be co-responsible (Phau and Prendergast, 1999; Bloch *et al.*, 1993).

Second, technological developments mean producers are better able to copy luxury branded designs, even providing everything that the original product does. Often it is

	<i>B</i> -values	SE	β	Adjusted R^2	<i>t</i> -value	Sig.
<i>Product attributes</i>						
Useful life (mean = 2.45 years)	-0.222	0.101	-0.204	0.033	-2.207	0.029*
Product performance (mean = 4.23)**	-	-	-0.059	0.033	-0.529	0.598

Notes: *Significant at $p < 0.05$; ** mean (1 for low and 7 for high)

Table II.
Product attributes
influence on willingness
to knowingly purchase

hard to tell the imitations and the genuine article apart. As a result they are often sold to legitimate retailers and department stores, without the buyers and sometimes even store owners being able to detect differences in quality (Ang *et al.*, 2001; Gentry *et al.*, 2001; Nill and Shultz, 1996; Gordon, 2002; Jacobs *et al.*, 2001). Consequently, consumer expectations for the quality of counterfeit luxury brands have risen.

Using integrity as a cue for developing effective strategies is one way of curbing the growth of the counterfeit trade. It was found to have a significant influence on consumer attitudes toward both the lawfulness of counterfeit luxury brands and the legality of purchasing counterfeit luxury brands. As previously suggested by prior researchers, consumers are often ill-informed about the detriments of the counterfeit trade (Prendergast *et al.*, 2002). More cohesive efforts should be undertaken to educate consumers about the negative effects their buying behaviours have on the economy (Bush *et al.*, 1989; Nia and Zaichkowsky, 2000). These educational programs should not only be limited to schools, but should also include employees of multinational companies, tourism related businesses and other domestic businesses (Phau and Teah, 2009; Simone Jr., 2006). If educational efforts are to have any benefits, it is important to start educating consumers from a young age.

From a managerial perspective, as suggested by other studies (Wee *et al.*, 1995; Tom *et al.*, 1998; Ang *et al.*, 2001; Wang *et al.*, 2005), it is possible to evoke empathy from consumers by putting a more “human face” on the damaging effects of counterfeiting. This can be achieved through advertisements targeting high-spending consumers between ages of 25 and 34 (Phau and Teah, 2009; Prendergast *et al.*, 2002).

It is important to note that the counterfeiting problem does not lie with manufacturers alone but also with the buyers of counterfeits (Bloch *et al.*, 1993; Phau and Prendergast, 1999). Consumer attitudes of integrity toward counterfeit luxury brands are negatively influenced by perceptions that authorised luxury brand manufacturers profit excessively by charging exorbitant prices (Penz and Stöttinger, 2005). Subsequently, consumers justify the purchase of counterfeits on environmental factors. To combat this way of thinking, luxury brand companies may engage in more social responsibility programs to reduce consumer perceptions of being exploited (Phau and Teah, 2009).

Useful life has a direct influence on consumer willingness to purchase counterfeit luxury branded products. Luxury brand companies who wish to retain brand equity should be able to use cues to demonstrate distinguishable attributes and features of their products relative to a counterfeit variant. Such cues may include pointing out the high quality, durability, useful life, performance, after sales-service and life-time warranties. Further, it is important for luxury brand companies to differentiate their products from counterfeits by focusing on attributes not easily copied or imitated. Further, authentic manufacturers of luxury branded products can provide consumers with a list of authorised dealers. Doing so will diminish consumer confusion as to where to find the original product (Gentry *et al.*, 2006).

Consumers often purchase counterfeit luxury brands to attain the status benefits associated with the use of the product. Hence, brand diffusion offers greater affordability to consumers who otherwise would be more inclined to purchase the counterfeit variant (Wee *et al.*, 1995). The image from the parent brand is transferred to the diffusion brand so as to retain its status image. This makes it more affordable for

consumers to attain the status image without doing the brand a disservice by purchasing the counterfeit alternative.

Limitations and future research

There are a number of limitations in this study worthy of improvement and future study. This study was conducted using students. While numerous past studies have favoured this method of data collection (Cordell *et al.*, 1996; Albers-Miller, 1999; Wang *et al.*, 2005), a more appropriate method would be a mall intercept. The mall intercept method ensures ecological validity where a more varied sample can be obtained (Hornik and Ellis, 1988; Thøgersen, 2004). This study also focussed on one product category which is deemed to be high involvement. Replication with other products in low-involvement categories, such as T shirts, mineral water or baseball caps may elicit different results. Finally, culture and nationality may also be issues in influencing ethical and moral values. A cross national or cross cultural study may shed new insights into this issue.

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Appendix. Scale items

Integrity (source: Rokeach, 1973):

- (1) I value responsibility.
- (2) I value honesty.
- (3) I value politeness.
- (4) I value self-control.

Status consumption (source: Eastman *et al.*, 1999):

- (1) I would buy a product just because it has status.
- (2) I am interested in new products with status.
- (3) I would pay more for a product if it had status.
- (4) The status of a product is irrelevant to me.
- (5) A product is more valuable to me if it has more snob appeal.

Materialism (source: Sirgy *et al.*, 1998):

- (1) It is important to me to have really nice things.
- (2) I would like to be rich enough to buy anything I want.
- (3) I would be happier if I could afford to buy more things.
- (4) It sometimes bothers me quite a bit that I cannot afford to buy all of the things I would like.
- (5) People place too much emphasis on material things.
- (6) It is really true that money can buy happiness.
- (7) The things I own give me a great deal of pleasure.

Attitudes towards law (source: Rundquist and Sletto, 1936):

- (1) A person should obey the laws no matter how much they interfere with personal ambitions.
- (2) A person should tell the truth in court, regardless of the consequences.
- (3) A person is justified in giving a false testimony to protect a friend on trial.
- (4) It is all right for a person to break the law if he or she does not get caught.

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