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## Original Research Article

## Counterfeiting of luxury products: An attitudinal examination

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## ABSTRACT

**Aim and Scope:** The purpose of this paper is to understand the consumer perception of Counterfeit Luxury goods across ages and what consumer mentality triggers the consumption of these goods and can be associated to the causality to their rise in popularity.

**Materials and Methods:** A sample size of 108 respondents was taken from Amritsar, Punjab, India. Upon inspection of the data it was revealed that there are enough correlations among the statements to move ahead with the factor analysis. Anti image matrix contained low correlations which also showed that data was appropriate for factor analysis. KMO measure of sampling adequacy was computed and found to be 0.555 which is a good figure (Hair et.al 2011). The chi square value was significant and Bartlett's test indicated that correlation matrix is not an identity matrix. Hence, all these factors indicate that data is appropriate for factor analysis. Tools used for the study were IBM SPSS and Microsoft Excel.

**Findings:** We can conclude that socioeconomic factors make up the majority of the decision making process with factors such as low income encouraging consumption. Furthermore, there seems to be a strong linking between their appetite for consumption of these goods and their desire for a better social status. Lastly, younger age groups are likely to be more impressionable and have a higher linking to counterfeit goods compare to older age groups.

**Implications for Marketers:** With the help of this study, marketers can devise appropriate strategies to counteract the consumption of counterfeit goods. Awareness should be spread through advertising and promotions to portray consumption of counterfeit goods in an unethical way which can help curb the growth of this market. Collective action by the luxury goods industry is likely to benefit all parties involved and recover sales lost to counterfeit goods. Lastly, as stated by Lewis, 2009, consumers are encouraged to inform the producer or law enforcement of their suspicions of sale of counterfeit goods.

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## 1. Introduction

Counterfeit products are products with a trademark that are identical to, or indistinguishable from, a trademark registered to another party and illegally violate the rights of the holder of the trademark. (Xuemei Bian and Luiz Moutinho, 2011).

Luxury goods refers to those goods which are not necessary but make the lives of consumer more pleasant and

are positively correlated to income.<sup>1</sup>

There has been rampant growth in the counterfeit market and OECD (Organisation for Economic Co-operation and Development) estimated in 2019 that counterfeit goods accounted for 3.3% of world trade. Since demand is always the key driver of a market, a number of researchers have argued that consumer demand for counterfeits is one of the leading causes of the existence and upsurge in growth of the counterfeiting phenomenon (Xuemei Bian and Luiz Moutinho, 2011). Luxury goods are often expensive and unobtainable to the masses and hence are considered unique,

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as stated by, People feel the need for uniqueness which can influence consumption patterns.

Furthermore, Counterfeit goods decrease companies' profits because what these manufacturers sell is what the brands will not sell, which means that there is a direct theft of revenue from brands. (Amélia Maria Pinto da Cunha Brandão and Mahesh Gadekar(2019)). This also means that the apparent quantity of luxury goods is perceived to be higher than it actually is which hampers the uniqueness of a brand and also its hedonic value.

As stated by Xuemei Bian and Luiz Moutinho, 2011, past research has revealed that approximately one-third of consumers would knowingly purchase counterfeit goods which shows that people crave these products and don't mind unethical practices to achieve higher ranks in today's society.<sup>2</sup>

With the increasing sales of counterfeit goods in the world today it is imperative to investigate consumer mindset behind the purchase of counterfeits and their attitude towards it which this study aims to do.

## 2. Review of Literature

Dr. Aarthy Chellasamy, Abhijith Satya Varma, Nikithaa Paarakh (2020) concluded that consumption of counterfeit goods does not affect the brand image of the product. Therefore, they stated in their research that it can be said that branded companies should not worry about the circulation of counterfeit products. On the other hand, they should focus on marketing strategies and develop a competitive edge to be superior in the market.<sup>3</sup>

Devkant Kala and D.S. Chaubey (2017) emphasized that Lower price and comparable quality of counterfeits to originals is an encouraging factor to purchase counterfeits. Managers need to comprehend the perception of consumers to counterfeits to counteract on this issue. In order to solve this problem and reduce consumer demand for counterfeits of their products marketing managers need to raise awareness through their packaging, merchandizing, and about ethical issues in advertising and understand the hedonic buying behaviour of consumers.<sup>4-6</sup>

Mathumita Mukherjee Basu, Sumit Basu & Jung Kook Lee (2015) stated that Awareness of monetary risk, higher income and fear of legal penalty were factors among consumers that had a negative perception of counterfeit goods. Consumers seeking value for their money were more inclined towards counterfeits since they believed that counterfeits will give them the same product for lower prices. Additionally, higher ideology and integrity in the person correlated to lesser attraction towards counterfeits. Hence, Morals and ethics act as very important factor.

Isabelle Allen, David Eastwood, Jane Piper(2006 ) stated that luxury brands are businesses and a business is ought to understand the consumer and also strike a balance between accessibility and exclusivity. It was stated that in order

to sustain in the long term knowing and respecting the consumer better is the focal point now .he also stated that luxury brand should not be customer led therefore there is a very thin line between being customer led and customer driven which needs to be scrutinised closely.

Abram (2012). He stated that fundamental goals for luxury businesses have not changed but the methods to reach the customers have. To thrive and maintain its relevance to next generation of luxury customers the luxury brands must extend, share and grow its presence across various social media platforms. The luxury brand must learn to translate their essence to the web and master the peculiarities of the platforms that are proliferating across the social web. As per his research the businesses that have embraced the new world are seeing results across the brand, forming deeper connections to their customers and building the brand equity.

F Spencer Baldwin (1899) through his research asserted that luxury is something whose consumption is caused by cost of great labour to produce satisfaction of spurious needs. According to him luxury diminishes the industrial efficiency of the individual and retards the accumulation of capital and wealth. He proved through his research that luxury demoralises the individual, making him sensuous and self-indulgent; and wrongs the poor by wasting money that ought to have gone to charity.

David Dubois, Derek D Rucker and Adam D Galinsky (april 2012) conducted four experiments with 189 respondents and demonstrated through their research that consumers view larger size options as having greater status and powerlessness induced individuals to disproportionately choose large options when it comes to food. It proposed that powerlessness induced preference for large sized options is enhanced when consumption is publicly visible as opposed to private.<sup>7-9</sup>

Julie Fitz Maurice, Charles Comegys (2006) through their research accentuated the role of materialists in luxury brands marketing. As per their research materialists are attuned to the social meaning of goods, stay abreast of changes in meaning of various goods and their ability to get satisfaction from and utility of a consumer good depends on goods ability to communicate certain meanings to others. Materialists are very good at judging which goods are more effective at communicating certain meanings to others, including non-materialists.as per their research the marketers will benefit by identifying and targeting the materialists. Important to research what type of information the materialists need to influence others in their purchases.

Yajin Wang and vladis Griskevicius(2013) stated through their research that there is a difference between the consumption pattern of males and females. As per their research males consume luxury products to attract the opposite sex i.e to attract mates whereas in contrast to this this females buy luxury products to deter other females from

poaching their partners. Females mainly make purchases of luxury products to show how secure they are in their relationship and how well they are treated by their respected partners.

Young Jee Han, Josephs Nunes and Xavier Dreze(2010) through his study stated the need to identify the consumers who relate with loud products and the ones who prefer quiet products. His research also established a negative correlation between price and brand prominence. secondly it was seen that the counterfeits prefer copying loud products .thirdly his research proved that the patricians i.e the elite class can read subtle signals and convey to others that they can accurately judge the relative price of a product because of an insight into luxury brand market.

Ashish Mansharamani, Samit Khanna(2013) stated that the consumers are always looking for newer ways to satisfy their continuously changing needs. Hence the need to keep a close tab through insightful research is of prime importance. Given the rapid affluence of the masses, the scenario is set to witness a boom. No marketer can now afford the luxury of treating its customers as a loosely bunched segment.

Stephen Brown, Robert V Kozinets and John F Jerry Jr(2003) state that marketers are in the midst of retro revolution owing to entry of retro brands as supported by their respective launch and acceptance. Retro brands trade on consumers nostalgic learning. Jeritage based campaigns for brands such as Budweiser, Hancock and ivory indicate that demand exists for authenticate reproductions of past brands. Retro brands harmonise the past with the present by combining old fashioned forms with cutting edge functions. it is important to understand retro brands because of their continuing appeal as a marketing strategy for an important reason i.e technology and imitation quickly eradicate first mover advantage yet a competitive edge is gained by tapping into the wellsprings of trust and loyalty that consumers hold towards old brands.

Kathryn A. Braun-LaTour, Michael S. LaTour and George M(2007) introduced the concept that people's earliest and defining product memories can be used as a projective tool to help managers more fully understand consumers' relationships to their products. The authors use a study on three generations of automobile consumers to illustrate how these memories symbolize the consumer-brand relationship and how they can be used to gain insights into brand meaning. The findings indicate that people's earliest and defining experiences have an important influence on current and future preferences in predictable ways across the consumer life cycle. These memory experiences are symbolic to the consumer and represent a new lens for viewing brand meaning, which complements the toolbox of extant research methods. The authors provide details about this technique for managers who are searching for methods that recognize that consumers coproduce brand meanings.

Silvia Belleza, Francesca Gino, Anat Keinan (2014) stated that people when behave in a non-confirming way such as entering a luxury boutique wearing gym clothes rather than an elegant outfit or wearing red sneakers in a professional setting can act as a particular form of conspicuous consumption and even reflect positive inferences of status and competence in the eyes of others. Through series of studies demonstrated that people confer higher status and competence to non conforming rather than confirming individuals.

Bernard Dubois, Sandor Czellar and Giller Laurent(2005) through their research established the need to segment consumers with regard to their views regarding luxury brands. As per their first categorization the first tier comprises consumers who view luxury as hedonic as well as symbolic that is few who buy luxury brands for pleasure and few who buy to reveal who they are. The second tier comprises elitist and democratic wherein the former proposes that luxury is meant for a small elite and only few ought to buy it and regard it as reserved for refined people only. They thing that these brands should neither be mass produced nor available in super markets. Democratics on the other hand have a broader vision for luxury brands and believe that all should have an access to them and not just refined people. They believe that these brands should be mass produced and available in super markets as well. As per their third segmentation it comprises people who feel that luxury is an altogether different world to which they fail to belong. They are neither attracted to it nor dream of it nor think of it. This group prefers buying fine replicas of luxury brands because they consider that the over prices luxury brands are useless and uninteresting.<sup>10-16</sup>

Sara Loughran Dommer, Vanitha Swaminathan, and Rohini Ahluwalia (December 2013) identified two ways individuals can differentiate themselves from the group through the use of brands: horizontal and vertical differentiation. Horizontal brands offer differentiation through the expression of personality ,taste, traits, and so forth, whereas vertical brands offer differentiation by conferring status or demonstrating one's superiority to others in a group. The results reveal that under social exclusion (inclusion), low self-esteem consumers increase perceptions of group heterogeneity (seek to protect their future belongingness) and subsequently increase their attachment to horizontal (vertical) brands.

Matthew Johnson (july, 2006) through four studies established that when a luxury brand is associated with a human brand as in a celebrity it results in an elevated level of satisfaction, trust and commitment. He also revealed the affective richness of the experience for consumers attached to human brands. He necessitated the need to associate with human brands to ensure great success of a luxury brand as it guarantees better results.

### 3. Need of Study

The Luxury counterfeit industry has grown to nearly 3 trillion \$ according to Harvard business review and this growth is giving tokens of continuation according to recent trends. We live in a world where manufacturing costs have steadily decreased yet people prefer buying fakes rather than their more economical counterparts. Additionally, reports of deception have also increased with the quality of fakes also rising steadily which makes them harder to discern for the innocent man. Due to the industry's clandestine nature, it's been harder to analyse statistics for brands to rectify these operations. Furthermore, counterfeit goods reduce the exclusivity of these brands and harm their hedonic features, on the other hand, some past researchers have argued that counterfeit goods are actually beneficial for brands as they act as a stepping stone into the luxury industry and actually encourage demand. Due to this dilemma and the reasons stated above, it is imperative that we study and analyse the mentality of consumers regarding luxury counterfeit goods and associate factors which are the causality of their consumption to truly fathom the growth of this business.<sup>17</sup>

### 4. Objectives of the study

1. To understand the perception of counterfeit consumers to these goods.
2. To better understand the effect of counterfeit goods on luxury brands to help theorize potential solutions.

### 5. Research Methodology

A sample size of 108 respondents was taken from Amritsar, Punjab, India. Upon inspection of the data it was revealed that there are enough correlations among the statements to move ahead with the factor analysis. Anti-image matrix contained low correlations which also showed that data was appropriate for factor analysis. KMO measure of sampling adequacy was computed and found to be 0.555 which is a good figure (Hair et.al 2011).The chi square value was significant and Bartlett's test indicated that correlation matrix is not an identity matrix. Hence all these factors indicate that data is appropriate for factor analysis. Tools used for the study were IBM SPSS and Microsoft Excel.

1. *Type of research design:* Exploratory Sampling.
2. *Sampling technique:* Simple random Sampling.

### 6. Demographic Analysis

\*Percentages may not add up due to rounding error.

**Table 1:** Gender

Variable	Number of respondents	% of total
Male	69	63.8
Female	33	30.5
Prefer not to say	6	5.7

**Table 2:** Age

Variable	Number of respondents	% of total
20 and below	47	43.4
40-50	33	30.55
20-30	10	9.25
30-40	8	7.5
50-60	6	5.5
60 and above	4	3.8

**Table 3:** Marital status

Variable	Number of respondents	% of total
Married	67	62.03
Unmarried	41	37.9

**Table 4:** Employment status

Variable	Number of respondents	% of total
Unemployed	57	52.77
Working	47	43.5
Retired	4	3.7

**Table 5:** Yearly family income

Variable	Number of respondents	% of total
8 Lakhs and above	80	74.07
4-6 Lakhs	15	13.8
2-4 Lakhs	9	8.33
Below 2 lakh	4	3.7

**Table 6:** Data analysis

<b>Factor Number</b>	<b>Name of Dimension/ Factor</b>	<b>Variables</b>	<b>Factor Loadings</b>
F1	Affordable fashion desire	1) Counterfeiting is realizing a dream which is becoming reality at a lower price.	.738
		2) Counterfeits are useless when consumed knowing the product is an imitation.	.727
		3) Fashion item account the largest part of counterfeit trade.	.724
		4) Consumer purchase luxury goods to satisfy appetite for symbolic meaning.	.662
F2	Hedonistic perception	1) Status consciousness is positively linked to buying counterfeit of original products.	.859
		2) Liking luxury is a pre-requisite for counterfeit purchasing.	.628
		3) Travelling increases chances of buying fakes	.625
		4) Consumers purchase products whose images match their self-image to impress others.	.575
		5) Good counterfeits regarded as substitute good of luxury.	.514
		6) Attitude functions depend on role of brand conspicuousness and advertisement copy.	.440
F3	affordability of counterfeits	1) Consumers who buy counterfeits cannot afford authentic ones	.854
		2) Consumers with less income are more counterfeit prone.	.631
		3) Younger people are more counterfeit prone	.570
		4) Children are more easily influenced by surroundings and motivated to emulate their role models and likely to run into counterfeits.	.523
F4	Role of mentality and ethics	1) Attitude towards consumption of counterfeits depend on values and beliefs.	.773
		2) Women feel more embarrassed than men by possession of counterfeits.	.667
		3) Consumers consumption behaviour towards counterfeit may vary in different cultures.	.564
		4) High income and High educated consumers will be less willing to buy counterfeit products.	.460
F5	Quality and accessibility.	1) Respondents who have positive image of originals believe counterfeits to be inferior	.804

*Continued on next page*

Table 6 continued

		2) Enhancement of quality of counterfeits is a strong motivation to purchase counterfeit.	.658
		3) Limiting accessibility of luxury brands allows the progression of counterfeiting.	.403
F6	Social dream	1) Counterfeiting is realizing a dream which is becoming reality at a lower price.	.715
		2) Legal penalty will develop negative attitude among consumers towards counterfeits.	.697
		3) Economic and Hedonic benefits (Brand name, Logo) make consumers develop positive attitude towards counterfeits.	.523
F7	historic interactions	1) Willingness to buy counterfeits is related to personal experience with original products.	.807
		2) Age is a significant factor in explaining consumption of counterfeits.	.527
		3) Consumers purchase counterfeits as a trial before buying originals.	.503
F8	Safety concerns and deception.	1) Risk of Disappointment and health concerns are significant factors linked to disinclination to purchases counterfeits.	.800
		2) Consumer attitude may vary in case of deceptive and non-deceptive counterfeiting.	.588

## 7. Explanation of the Factors

### 7.1. Factor 1 – Affordable fashion desire

This factor was responsible for 25.549% of the variance and showcased that in order to satisfy people's desire of owning expensive products, people were willing to resort to cheap counterfeits to increase their apparent worth in society and that fashion items account for largest part of the trade in this industry.

### 7.2. Factor 2 – Hedonistic perception

This was the second most important factor and accounted for 9.801% of the variance and established that travelling, advertisements and attitude are important factors that influence consumption of luxury counterfeit goods with status consciousness acting as a encourager of consumption of counterfeit goods.

### 7.3. Factor 3 – Affordability of counterfeits

This factor accounted for 7.240% of the variance and showed that relatively low income and younger groups were more attracted to counterfeits. Additionally, impressionable children were found to be more likely to run into counterfeits trying to replicate their role models.

### 7.4. Factor 4 - Role of mentality and ethics

With a variance of 6.540% of the total, this factor showcased that women and high income individuals may have different morals due to which they have a negative perception of luxury counterfeit goods and that this perception varies across cultures.

### 7.5. Factor 5 - Branding and accessibility

This factor was responsible for 5.491% of the variance and stated that increased quality of counterfeits and limited accessibility of originals can lead to consumption of luxury counterfeits. Furthermore, a higher positive image of originals correlates negatively with perception of counterfeits.

### 7.6. Factor 6 – Social dream

This factor accounted for 4.737% of the variance and showcased that attractiveness of counterfeits is present due to a desire of a certain social status by the hedonic values of the original which can be curtailed if a certain legal penalty is imposed.

### 7.7. Factor 7 - Historic interactions

This factor accounted for 4.509% of the variance, according to this variable, it can be said that age and past personal experiences with counterfeit goods are important factors and

consumers may purchase them as trials before purchasing originals.

### 7.8. Factor 8 - Safety concerns and deception

This factor accounted for 3.789% of the variance, according to the result of this factor, it can be said that safety concerns and risk of disappointment can disincline consumption with attitude towards counterfeits varying in case of deceptive and non-deceptive goods.

## 8. Conclusion

The findings of this research paper align our paper with the school of thought that counterfeit goods are a bane for the luxury goods industry and reduce its exclusivity. Our research revealed that socioeconomic factors such as income and desire for a better social status are key drivers of the growth of this industry. Furthermore, it was revealed that men and lower age groups had a more positive mindset towards these goods. The research strengthened the existing case of legal penalty as a demotivator for the purchase of these products. The easier accessibility of counterfeit goods acts as an explanation for consumption of these goods in tier 2 and tier 3 towns where presence of luxury goods stores is scarce. Lastly, perception of these luxury goods varied across deceptive and non-deceptive goods.

## 9. Implications and Recommendations

Through our findings, multiple parties can come together to address this issue and come up with a solution. Firstly, awareness is key to curtail consumption of counterfeit goods especially in deceptive cases where innocent customers are scammed and are likely to avoid the luxury industry as a whole, marketing teams of luxury good manufactures should raise awareness regarding ethical issues surrounding counterfeits and how to identify counterfeits, this can be done through advertising and promotion and is likely to be highly affective. Secondly, luxury good manufactures should lobby to impose a legal penalty which is significant deterrent according to this paper and Mathumita Mukherjee Basu, Sumit Basu & Jung Kook Lee (2015) also emphasized the effectiveness of this factor. Lastly, consumers should realise the unethical and immoral nature of this industry and condemn consumption of these goods, furthermore, any identification of fakes should be reported to the authorities and the respective companies who should take appropriate action. Collective action is of paramount importance to stop such a massive global trade which operates on a bedrock of illegal and unethical practices.

## 10. Source of Funding

None.

## 11. Conflict of Interest

None.

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