

## **Counterfeit luxury goods purchase motivation: A cultural comparison**

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### **ABSTRACT**

The widespread consumption of counterfeit luxury goods is a global challenge. China and the United States are presently the two largest purchasers of both genuine luxury goods and counterfeit products. The motivation for the purchase of counterfeit luxury goods is proposed to be different based on the collectivistic (China) or individualistic (United States) culture of the consumer. Findings support this hypothesis. While young Chinese consumers have higher expectations of the quality of counterfeit products than their American counterparts, they are less likely to purchase them. Chinese consumers use branded luxury goods as symbols to enhance their status, referred to as *face consumption*, and do not want to risk damaging their reputation with counterfeit product consumption. Whereas Americans are more willing to pretend their counterfeit product is a genuine luxury good brand.

Keywords: Counterfeit, Luxury goods, Culture, Face Consumption, Status  
Article Classification: Research Paper

## INTRODUCTION

Members of a Confucian society experience the inner tension of conforming to societal expectations, yet striving for a means for personal success. Chinese consumers view *face*, or their projected status, as the primary means for personal advancement. Brands that are publically consumed are perceived as a tool, or as a weapon in their arsenal, for their upward mobility. “Consumers are willing to pay a premium for any product that delivers a public payoff and, hence, face (Doctoroff 2012, p. 94).”

China has been especially receptive to global luxury brands and spends heavily in the consumption of such products (Ernst & Young China, 2005). Indeed, while China accounts for just six percent of the world’s consumer spending, it makes up 20 percent of global luxury spending (Economist, 2012). China’s luxury goods market is predicted to increase by six to seven percent during the year 2012 (Bain, 2012).

The majority of luxury brands consumed in China are fashion products, including fragrances, watches, handbags, jewelry, shoes and men’s and women’s wear. According to Bain’s “China Luxury Market Study 2010”, the luxury brands desired most by the Chinese were Luis Vuitton, Chanel and Gucci. While it is the norm for older consumers to dominate countries’ luxury good markets, China is clearly an exception to this case. According to the *The 2010-2011 World Luxury Association Annual Report*, 45 percent of Chinese luxury consumers are between 18 to 34 years old. The report predicts that during the next five years, the leading consumers for luxury products in China will be people aged 25 to 30. Thus, it is difficult to overstate the importance of this Chinese generation to the global marketers of luxury fashion brands.

Luxury products are one of the most commonly counterfeited product areas. The manufacture and use of counterfeit products is a worldwide phenomenon which continues to gain in popularity with particular segments of consumers. Counterfeiting clearly is not a new phenomenon. Phillips (2005) reports that counterfeiting dates back to at least 27 BC, and Higgins and Rubin (1986) report that counterfeiting had become so common by the thirteenth century that it was punishable by death. Much more recently, James Moody (former chief of the FBI Organized Crime Division) referred to counterfeiting as “the crime of the 21<sup>st</sup> century.”

Lai and Zaichkowsky (1999) defines counterfeiting as illegally made products that resemble genuine goods, but that are typically of lower quality in performance, durability, and reliability. While major counterfeit product sources are thought to be China, Russia, the former Soviet Republics, India, Philippines, Middle East, Africa, and some Latin American countries (Lambkin and Tyndall, 2009), the percentage of the global counterfeit supply attributed to China is estimated at 80% (Economist 2010).

It is important to understand the attitudes and perceptions that consumers from differing cultures may hold toward the use and purchase of counterfeit products. Given that the United States and China are presently two of the largest purchasers of both counterfeits and luxury goods, this study examines the perceptions and attitudes towards counterfeits of these two groups of consumers. Moreover, one (the U.S.) represents a primarily individualistic culture and the other (China) represents a primarily collectivistic culture. It is thought that while both cultures are heavy consumers of counterfeit luxuries, the underlying motivation for those purchases may be quite different.

## LITERATURE

According to Grossman and Shapiro (1988), there are two general types of counterfeiting. Deceptive counterfeiting refers to situations where consumers do not realize that they are buying a counterfeit product, as is often seen in automotive parts, consumer electronics and pharmaceuticals. Conversely, non-deceptive counterfeiting refers to situations where consumers are aware that they are purchasing a counterfeit product but they do so willingly (Grossman and Shapiro, 1988), often with the intent of deceiving others regarding their perceived luxury brand ownership. Non-deceptive counterfeiting is prevalent in luxury brand markets (Wilcox et al, 2009).

## USE OF COUNTERFEIT PRODUCTS BY U.S. CONSUMERS

The Gallup Organization, in conjunction with the U.S. Chamber of Commerce, conducted a three year study of consumer perceptions regarding counterfeiting in the U.S. According to the study, counterfeiting levels (percentage of consumers to have purchased counterfeits in the past year) rose sharply from 13% in 2005 to 22% in 2007. They further reported an inverse relationship between age and counterfeit purchasing, with the highest use of counterfeit products found to be in the 18-24 age group (44% in the last year) and the lowest usage was found in the 65+ age group (13% in the last year). In terms of income, the highest usage of counterfeit products was found in the \$50 – 74K category (20%) and the lowest (7%) in the \$150K category (Gallup Consulting, 2007).

Of the reported 13 percent of U.S. consumers that purchased counterfeit products in 2005, more than half of those purchases were of the non-deceptive variety, suggesting they were aware of the illicit nature of the products at the time of purchase (Lambkin and Tyndall, 2009). Consumers have indicated that they were aware of the negative implications for purchasing counterfeit products but cited the availability of counterfeit products as the main reason for purchasing them (Gallup Consulting, 2007 and Lambkin and Tyndall, 2009). Moreover, it has also been reported that U.S. consumers who had previously purchased counterfeit products were more apt to view them in a positive light. If those consumers had friends/relatives who approved of counterfeit products they too were more likely to have a positive view of purchasing counterfeits (Lambkin and Tyndall, 2009).

While it is clear that U.S. consumers purchase counterfeit products, the question of why they purchase these products has yet to be fully answered. Research has shown that consumers tend to have more favorable attitudes toward counterfeit products than towards generic products (Grossman and Shapiro, 1988), that publicly consumed counterfeit products are more valued than privately consumed counterfeit products, and that country of origin is an important factor in the choice of counterfeit products (Chapa et al, 2006). Not surprisingly, consumers who have knowingly purchased a counterfeit product are more supportive of counterfeit products than those who have never knowingly purchased a counterfeit product (Tom et al, 1998 and Lambkin and Tyndall, 2009).

Boumphrey (2007) points out that 76 percent of respondents in the U.S. indicated that counterfeit brands were perfectly good alternatives to the original brand and at a much lower price. Boumphrey notes that 69 percent of respondents in the United States sample indicated that there was nothing wrong with buying counterfeits. Walthers and Buff (2008) also found that those consumers who had knowingly purchased a counterfeit product report that they did so

because designer prices are unfair and that the quality of the counterfeit product was equal to the quality of the legitimate product. However, in general, their the total sample respondents report that if they could afford the legitimate product they would likely purchase it as they believe the overall quality is higher.

Wilcox et al. (2009) suggest that the purchase of counterfeit products may revolve around the desire to satisfy either a social-adjustive function or a value-expressive function. The social-expressive function is thought to be centered on the desire for maintaining relationships and gaining approval in certain social situations. The value-expressive function is a method whereby consumers communicate their values, central beliefs, and is a form of self-expression. The results of the Wilcox *et al.* (2008) study found that the chances of purchasing a counterfeit product is higher if the product is being used to satisfy a social-adjustive function (gaining approval of others) rather than a value-expressive function.

It appears, based on the related literature, that many consumers in the United States are not opposed to purchasing counterfeit products due to the perceived low price, acceptable quality, and wide spread availability.

## USE OF COUNTERFEIT PRODUCTS BY CHINESE CONSUMERS

It has been estimated that 20 percent all products sold in China are counterfeit (Alcock *et al.* 2003). As the Chinese middle class has grown, the demands for luxury goods that reflect one's status and position have also grown. It has been noted that some Asian consumers' are increasingly purchasing luxury goods even though they may not have money for adequate food, clothing, and housing (Li and Su, 2006). Chen and Sethi (2007) argue that the Chinese culture does not view luxury items as wasteful, rather as success symbols. Wearing high end fashion is a means of differentiating oneself from the lower social classes. Shipman (2004) argues that many Chinese have new found wealth and they are anxious to create the impression of success, wealth and accomplishment. Li and Su (2006) found that Chinese consumers are extremely concerned with the concept of *face* and that *face consumption* is the purchase of high end luxury products that serve to enhance one's reputation or standing. For this to be accomplished, the products brand name or price must be higher than those typically consumed in the Chinese culture.

It is also unclear if this growing middle class, which Chen and Sethi (2007) describe as having an annual income of between \$7,800 and \$65,000, has the income required to purchase high end luxury goods. Those at the upper end may indeed have adequate income to purchase many high-end luxury products. However, those consumers at the lower end of the middle class income brackets may not have adequate incomes to purchase these types of goods but still have the desire the status these goods potentially project. Li and Su (2006) note that even though many Chinese consumers have a low income level they still wish to purchase luxury products to enhance, maintain, or save face. In such situations, status seeking consumers with insufficient incomes may yield to their desires for the status enhancing luxury brands by purchasing counterfeits (Phau and Teah 2009). Purchasing a counterfeit product allows a consumer to appear to own a high status brand without paying for the higher quality typically associated with a genuine brand (Grossman and Shapiro, 1988). This allows the purchaser to consume the status of the brand without having the pay the often high price for the high quality good (Phau & Teah 2010).

Literature suggests that there are a variety of reasons for purchasing a counterfeit product. Perez, Castano, and Quintanilla (2006) argues that counterfeit products might be purchased to project a desired image, if the opportunity simply arises, and for adventure seeking purposes. Following this line of thought, the purchase of a counterfeit product may represent the consumption of a brand rather than the consumption of a product and that consumers are willing to compromise on the quality of the product for the opportunity to be seen with the right brand name (Gentry et al., 2001). Indeed, a study of Singaporean consumers, who could not afford to purchase a higher priced original, found that it was likely that the consumer would purchase a lower priced counterfeit (although they may deny the product is a fake) as the most important thing was to possess the appropriate brand name and not necessarily the original product (Gentry et al., 2001). A study conducted by Deloitte Research (Kalish, 2005) concluded that the purchase of counterfeit products allows the consumer to purchase the highest brand names without paying the high price that is typically associated with those brands and that those who knowingly purchase counterfeit goods believe that the quality is as good as the original product (Tom et al. 1998).

Culture may play a role in how one perceives the purchase and use of counterfeit products. Chang and Lu (2008) suggest that members of a collectivistic society will tend to see the purchase of counterfeit products as nothing more than sharing a product's benefits with the group and that this collective feeling or tendency may actually enhance the purchase and use of counterfeit products. Indeed, Charkraborty *et al.* (1996) suggests that when the original product is made in another country, high ethnocentric consumers believe that there is less risk (image) in purchasing counterfeit goods than do low ethnocentric consumers and they also hold the counterfeit product in higher regard when the original product is made outside of their country. Chapa, Minor, and Maldonado (2006, p. 95) confirm that among Chinese consumers "American counterfeits are more likely to be purchased than Chinese counterfeits" given the perception that American made products, even counterfeits, are of a higher quality than Chinese products. Interestingly, both high and low level ethnocentric consumers believe that the quality levels of originals and counterfeits are about equal (Charkraborty et al., 1996). Chang and Lu (2008) further concluded that mainland Chinese consumers had little concern for losses that the original product might suffer. Rather, they were primarily interested in the benefits that could be gained by purchasing the counterfeit product and they encouraged others to also purchase the counterfeit product.

It would appear that the Chinese consumer will have ample opportunity to purchase counterfeit products as the average Chinese consumer has access to a wide variety of such products. Indeed, China is responsible for approximately 66% of all counterfeit and pirated goods worldwide (Balfour et al., 2005). While the widespread availability of such goods, the question is whether they will seize the opportunity to purchase these counterfeit products, or will they demand the original in order to insure the status and/or they are seeking?

As noted earlier, the Chinese consumer may view *face*, or their projected status, as the primary means for personal advancement and luxury brands as a means for projecting upward mobility. Li and Su (2006) found Chinese consumers to be highly concerned with the concept of *face* and that *face consumption* is the purchase of high end luxury products that serve to enhance one's reputation or standing. It would seem that if a Chinese consumer's friends or co-workers realized that a product was in fact a counterfeit there would be a serious loss of face for the user. This potential loss of face would deter the Chinese Gen Y consumers from purchasing counterfeit:

H1 Chinese Gen Y consumers will be significantly less likely to use counterfeit products than will Gen Y consumers from the United States.

The literature seems to paint a picture of a rising class of Chinese Gen Y consumers who both enjoy and demand Western status products but are also experiencing a new found pride in domestic brands. It is this dual consumption possibility that clouds the picture for the retail strategist. As noted earlier, the present study is designed to provide a current, and more complete, view of U.S. and Chinese Gen Y consumers' perceptions of counterfeit brands and perceptions of counterfeit brands.

## METHODOLOGY

This study utilized a college student sample because the topic of apparel is of particular interest to this age group (Bertrandias & Goldsmith, 2006), this group tends to be relatively heavy users of counterfeits, and Chinese in this age group are major consumers of luxury products. Moreover, the use of a student sample is consistent with studies involving cross-cultural Gen Y-aged consumer populations (e.g. Aaker and Williams, 1998; Rajamma *et al.* 2010). The present study's sample was comprised of a convenience sample of U.S. and Chinese students enrolled in an American undergraduate business course offered by a U.S.-based university. The Chinese part of the sample was made up of Chinese-born college-aged students enrolled in a business course offered at the university's branch campus, which is located in a large Chinese city on northeastern coast. The U.S. portion of the sample consisted of U.S.-born college-aged students enrolled in a business course offered at the university's main campus located in the central United States.

Courses conducted at the Chinese branch campus were taught in English and TOEFL proficiency was a requirement for admission into the program, thus the questionnaire was administered in English. The questionnaire included 19 items drawn from Bian and Veloutsou (2007) related to purchase intentions of counterfeit brands, perceptions of counterfeit versus genuine brands, and perceptions of counterfeit versus non-logo products. The respondents were asked to select their level of agreement or disagreement with each statement using five-point Likert scales (1 = *strongly disagree*, 2 = *disagree*, 3 = *neutral*, 4 = *agree*, 5 = *strongly agree*). Using this same scale, three additional items were developed for this study, including "I would you act as if my counterfeit was a genuine brand", "I would tell my friends a counterfeit is a genuine brand?", and "I would volunteer (say freely) that your counterfeit is a counterfeit brand?"

## RESULTS

There were 347 usable surveys collected, 46.1 percent (n = 160) Chinese respondents and 53.9 percent (n = 187) American respondents. Consumer Attitudes Regarding Non-Deceptive Counterfeit Brands were examined using independent sample t-tests with nationality as the grouping variable. Results are shown in Table 1 (Appendix).

One significant difference in means was observed for the Purchase Intention items. U.S. respondents reported a greater willingness to buy counterfeit brands for their personal use than did the Chinese sample ( $t=4.81$ ,  $p=0.000$ , US  $\mu=3.21$ , CH  $\mu=2.63$ ). However, there was no

significant difference between the two groups when asked about their willingness to *often* buy counterfeits for their personal use. Thus, hypothesis one is partially supported.

Significant differences between the U.S. and Chinese respondents were observed for three of the six Views Regarding Counterfeit Brands items: U.S. respondents agreed more strongly than did the Chinese sample that counterfeits are of acceptable quality ( $t=1.81, p=.071, US \mu=2.94, CH \mu=2.73$ ); that counterfeits are normally as good as expected ( $t=3.15, p=.002$ ) ( $US \mu=2.98, CH \mu=2.63$ ); and that counterfeits usually meet expectations ( $t=1.68, p=.093$ ) ( $US \mu=2.96, CH \mu=2.78$ ).

Six of the eight items pertaining to Perceptions of Counterfeit Versus Genuine Brands showed significant differences between the two samples. U.S. respondents agreed more strongly that the physical appearance of counterfeits is very similar to genuine brands ( $t=2.02, p=0.044, US \mu=3.42, CH \mu=3.22$ ). However, relative to the U.S. sample, Chinese respondents agreed more strongly that the quality of counterfeit brands is as good as genuine brands ( $t=-6.13, p=0.000, CH \mu=2.85, US \mu=2.17$ ); that they expected counterfeits would last as long as genuine brands ( $t=-5.41, p=0.000, CH \mu=2.71, US \mu=2.12$ ); they would be upset if counterfeits did not last as long as the original brand ( $t=-3.29, p=0.001, CH \mu=2.66, US \mu=2.31$ ); that it is important that counterfeits last as long as the genuine brands ( $t=-1.74, p=.083, CH \mu=2.69, US \mu=2.49$ ); and that they would be upset if their friends realized their counterfeit products were not genuine ( $t=-5.99, p=0.000, CH \mu=3.08, US \mu=2.39$ ).

A significant difference was also observed for one of the three Counterfeit Versus Non-Logo items. Relative to the U.S. respondents, the Chinese agreed more strongly that counterfeits have better style than non-logo ( $t= -3.71, p=0.000, CH \mu=2.84, US \mu=2.46$ ).

Significant differences were observed for all three of the additional items. Compared to the Chinese, the U.S. respondents reported a greater willingness to act as if their counterfeit brand were genuine ( $t=4.884, p=0.000, CH \mu=1.57, US \mu=2.60$ ); that they would tell their friends a counterfeit was genuine ( $t= 11.263, p=0.000, CH \mu=1.67, US \mu=2.09$ ); and that they would volunteer that their counterfeit brand was a counterfeit ( $t= 22.767, p=0.000, CH \mu=1.27, US \mu=3.35$ ).

## DISCUSSION

The findings suggest Chinese young people have higher expectations of the quality of counterfeits than do their American counterparts. This may be explained by the relative high quality of counterfeits in China. According to Gentry *et al.* (2006), Chinese fakes have improved as technology has been enhanced and become more available globally. Advances in printing, scanning and 3-D modeling have lowered the cost and ease of reverse engineering (Parloff 2006). Gentry (2006) reports that Chinese fakes have improved in the quality to the point that systems are in place to grade the quality of the fakes. As luxury goods manufacturers have increasingly outsourced their production to Asia in an effort to reduce costs, some contract manufacturers have added “third shifts” or “ghost shifts” to produce counterfeit goods to be sold “out the back door” (Phillips 2005). Such “third shift” goods may be produced with lower quality materials from the same molds, designs and specifications as the authentic brands (Parloff 2006). To the degree that the close proximity of the Chinese consumers to these contract manufacturers allows them greater access to these “third shift” goods, one would expect their quality expectations would be enhanced due to greater experience with such products.

While Chinese may have more favorable perceptions of counterfeits' quality and are in closer proximity to the counterfeit sources, the results suggest that Chinese are less likely than Americans to actually buy counterfeit for themselves. Thus, Hypothesis 1 is accepted. The results suggest that Americans are more willing than Chinese to pretend (and to tell their friends) that their counterfeit products are genuine, i.e., to be inauthentic about an inauthentic product. The results also suggest that Chinese are much less willing to volunteer (i.e., openly admit without prompting) that his/her product is a counterfeit than are Americans. Apparently Chinese are concerned that their friends don't appreciate this form authenticity (where one is genuine about his/her phoniness). Thus, it seems Chinese are more concerned with how their counterfeit brand usage may impact their "face" than are Americans. Atsmon *et al.* (2011) reported that Chinese luxury buyers "felt sure that their friends would spot a counterfeit" and that "it (the brand) would be meaningless if it was a fake." Wee *et al.* (1995) suggest that if a person's social group (aspirational or actual) does not approve of counterfeit purchases, that person risks being sanctioned or ostracized for buying such products. In such cases, the consequence of being caught consuming counterfeits would be embarrassment and humiliation (Phau and Teah, 2009). This might explain why Chinese are more likely to forgo the potentially socially risky counterfeit purchase opportunities more than are Americans. They may even avoid purchasing legitimate western brands that are heavily counterfeited in China for fear of being perceived by friends as owning a fake.

## MANAGERIAL IMPLICATIONS

The present study suggests differences in perceptions and purchase intention of luxury and counterfeit branded products between consumers who are members of an individualistic (US) versus a collectivistic (China) culture. The results suggest that Gen Y American consumers were more inclined to purchase, consume, and reveal the truth about counterfeit products. The desire to save "face" results in a different response from Chinese consumers who consider luxury brand purchases an investment in their upward mobility. Therefore, Doctoroff (2012) recommends that luxury brands create a product line at a more affordable scale (i.e., Zegna Sport or Armani Exchange) to give Chinese consumers with less spending power the ability own, and to show off, their consumption of the high-end brand. "Contrary to conventional wisdom, knockoffs are not the big threat. An image-conscious (Chinese) mainlander who can afford the real deal would not be caught dead with a fake" (Doctoroff 2012, p. 112).



## APPENDIX

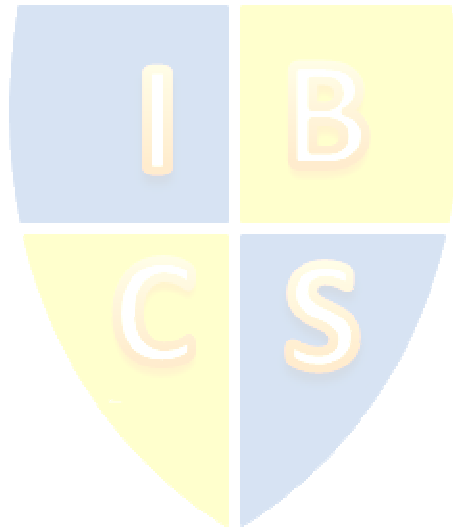
Table 1  
Consumer Attitudes Toward Counterfeit Brands

Concept	Variable	China Mean	China SD	U.S. Mean	U.S. SD	<i>t</i>	<i>p</i>
Purchase Intention of Counterfeit Brand	I am willing to buy counterfeit brands for my own use.	2.63	1.04	3.21	1.136	4.81	<b>.000</b>
	I often buy counterfeit brands for my own use.	2.44	1.012	2.58	1.123	1.15	.251
	I am willing to buy counterfeit brands as presents.	2.40	1.083	2.56	1.152	1.37	.173
Views Regarding Counterfeit Brands	I feel that counterfeits have acceptable quality for me.	2.73	.987	2.94	1.104	1.81	.071
	I feel that counterfeits are worth the money I paid.	2.85	1.042	2.99	1.093	1.16	.247
	Counterfeits are normally as good as I expect.	2.63	.933	2.98	1.053	3.15	<b>.002</b>
	Counterfeits entirely fulfill my needs.	2.59	1.014	2.57	1.079	-.17	.863
	Counterfeits have not been as good as I thought they would be.	3.12	.913	3.08	.953	-.45	.651

	Counterfeits usually meet my expectations.	2.78	.966	2.96	.958	1.68	.093
Counterfeit Versus Genuine Brands	I can easily tell the differences between counterfeit and genuine brands.	3.15	.978	3.30	1.053	1.31	.192
	Counterfeits have very similar physical appearance with the genuine brands.	3.22	.932	3.42	.887	2.02	<b>.044</b>
	I expect that the quality of counterfeits is as good as the quality of the genuine brands.	2.85	1.019	2.17	.994	-6.13	<b>.000</b>
	I expect that the counterfeits will last as long as the genuine brands.	2.71	.949	2.12	1.008	-5.41	<b>.000</b>
	I will be very upset if counterfeits do not last as long as genuine brands.	2.66	.966	2.31	.996	-3.29	<b>.001</b>
	I will not use counterfeits as much as	3.24	1.031	3.33	1.098	.704	.482

Concept	Variable	China Mean	China SD	U.S. Mean	U.S. SD	<i>t</i>	<i>P</i>
Counterfeit Versus Genuine Brands, continued	the genuine brands.						
	It is important to me that counterfeits will last as long as the genuine brands.	2.69	.989	2.49	1.036	-1.74	.083
	I will be very upset if my friends realize that the products are not genuine.	3.08	1.010	2.39	1.073	-5.99	<b>.000</b>
Counterfeit Versus Non-Logo Brands	I can easily tell the difference between non-logo and genuine brands.	3.11	.949	3.25	1.073	1.29	.199
	Counterfeits have better style compared with non-logo products.	2.84	.938	2.46	.942	-3.71	<b>.000</b>
	Counterfeits have similar quality as the non-logo products.	2.67	.869	2.71	.955	.395	.693
Additional items	I would act as if my counterfeit was a	1.57	.497	2.60	1.112	4.884	<b>.000</b>

	genuine brand.						
	I would tell my friends a counterfeit is a genuine brand.	1.67	.471	2.09	1.049	11.263	<b>.000</b>
	I would volunteer (say freely) that my counterfeit is a counterfeit.	1.27	.528	3.35	1.102	22.767	<b>.000</b>



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