

Purchasing the Counterfeit: Antecedences and Consequences from Culturally diverse Countries

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Abstract

Counterfeiting is known as the cross-border crime of the 21st century and has been increasingly investigated in the academic literature within a national context. The present study addresses a cross-country examination and investigates antecedents of purchase intention toward counterfeits and its impact on consumers' willingness to pay for the original in culturally diverse countries. Based on the theory of planned behaviour and the adoption level theory the developed framework is tested on consumer data from China, Romania, and Germany. Results of the partial least squares approach revealed significant differences in the antecedents' impact on purchase intention toward counterfeits between the countries. While fairness does not appear as a significant driver of purchase intention in countries, which score high in 'Confucian dynamism', subjective norm accounts for a higher predictive value in collectivistic countries compared to individualistic ones.

Keywords

Counterfeit, theory of reasoned action, purchase intention, adaptation-level theory, cross-cultural research

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1 Introduction

The sale of counterfeit products accounts for up to 9 % of the world trade volume, which amounts to an increase of 10,000 % in the past two decades (IACC 2009). Counterfeits allow consumers to display status brands, but without paying a premium price (Grossman and Shapiro 1988). Moreover counterfeits are the cheap way to embellish one's self with admired symbols and drive consumers' illicit behaviour.

In their literature review, Eisend/Schuchert-Gueler (2006) note people-related antecedents such as demographics, product-related antecedents such as price, social and cultural context, and purchase situation as driving the purchase of counterfeits. They emphasize a more solid theoretical grounding for further studies and a cross-cultural investigation to illuminate potential differences between the antecedents (Eisend/Schuchert-Gueler 2006).

In addition to the demand side, previous studies examine the supply side (Bloch et al. 1993) and show that original brand manufactures of illegal brand copies sustain damage: the brand's equity is jeopardized, and the consumer's demand is diverted into gray markets (Green and Smith 2002). Commuri (2009, p. 88) shows that consumers of genuine brands adapt three strategies when such brand erosion takes place: "abandoning the brand", "elaborating on pioneering patronage of the brand", and "disguising all brand cues". Such strategies devalue the relationship loyal consumers have already established to the brand and destroy one of the most valuable resources a firm possesses. This does not comply with findings from Nia/Zaichkowski (2000, p. 494), who note that a consumer majority "did not believe that counterfeits decrease the demand for original luxury brand name products". Thus, a further investigation of counterfeits' impact on originals is needed.

The counterfeiting phenomenon is of rising importance and should be addressed from the marketer's side (supply side) after obtaining a profound understanding of consumer behaviour and its antecedents (demand side). Since firms manage their brands internationally across many markets, they should understand how the antecedents' impact on consumer behaviour varies across countries. Even counterfeiting is a cross-national phenomenon, but its antecedents have rarely been investigated cross-nationally.

The purpose of this study is to examine antecedents of purchase intention and influence on consumer's willingness to pay for the original. In detail, the following research questions are examined: (1) How do potential antecedents influence purchase intention toward counterfeits?

(2) Does consumers' purchase intention toward counterfeits impact consumers' willingness to pay for the original brand? (3) How do these impacts vary under cultural and economic factors across counties?

We have structured the study as follows: We draw upon the theory of planned behaviour (Ajzen 1991) and the adaptation-level theory (Helson 1964) to develop the conceptual model. We used the partial least square approach to test our hypotheses and conclude with theoretical and managerial implications, as well as suggestions for further research.

2 Conceptual Framework

The underlying conceptual model for our research is three-fold, as illustrated in Figure 1. Firstly, we build upon the theory of planned behaviour (Ajzen 1991) when explaining antecedents' impact on purchase intention. Counterfeiting and piracy have been widely discussed in academic literature (for an overview see Eisend/Schuchert-Gueler 2006). Studies examining illegal music, film and software downloads refer to piracy, which means that patents and copyrights are pirated. Following Lai/Zaichowski (1999), counterfeits are illegally made products that resemble genuine goods, but are typically of lower quality. Cordell et al. (1996) add that counterfeits necessarily copy a trademark and are sold at a lower price.

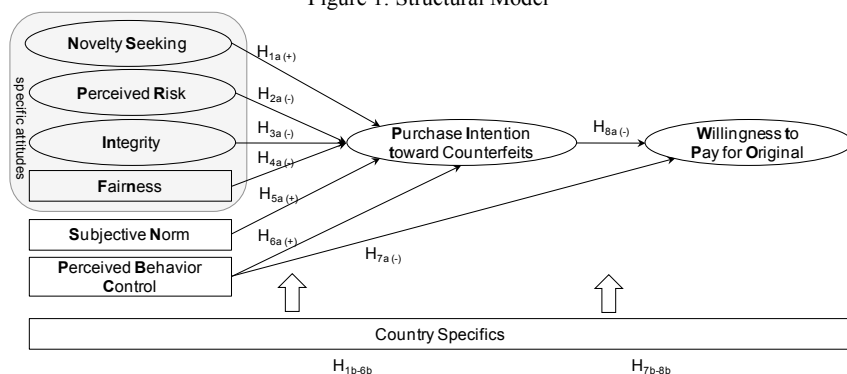
Secondly we refer to the adaptation-level theory (Helson 1964) to derive the impact of purchase intention on willingness to pay for the original. Grossman/Sharpio (1988) differentiate between deceptive and non-deceptive counterfeits, where the latter indicates that consumers are aware that they are purchasing a counterfeit. They show that counterfeits "unbundle the status and quality attributes of the brand-name products", and thus consumers "enjoy the status of displaying a prestige label without paying for a high-quality product" (Grossman/Sharpio 1988, p. 70, p. 98). The willingness to pay for the original relates to whether the consumer is prepared to pay the price asked for the genuine brand. It refers to the price premium that is above the fair price (Rao/Bergen 1992).

Thirdly, we examine how these impacts are affected by cultural dimensions (Hofstede 1983) and countries' level of economic development. The cultural dimensions uncertainly avoidance, collectivism, and 'Confucian dynamism' are outlined to be relevant within consumers' purchase intention toward counterfeits.

3 Theory of Planned Behaviour and Hypotheses Development

The theory of planned behaviour (Ajzen 1991) is an extension of the theory of reasoned action, and defines perceived behaviour control (PBC) in addition to attitude and subjective norm (SN) as antecedents of purchase intention. We refer to the theory of planned behaviour to include the information about potential constraints on purchase intention (PltC) (e.g. accessibility and visibility) that are worth considering when investigating purchase behaviour of counterfeits. Armitage/Conner (2001) achieved a higher explained variance for intention using the theory of planned behaviour instead of the theory of reasoned action.

Figure 1: Structural Model



Following the theory of planned behaviour, we draw upon specific attitudes (marked in gray in Figure 1) from the literature as antecedents of PltC. We emphasize the direct impact of antecedents on behavioural intention and propose that there are country-specific differences (Lee/Green 1991).

Novelty Seeking (NS) is defined as internal drive or motivating force that causes an individual to seek out novel information (Hirschman 1980). One aspect of novelty seeking is when a consumer varies the known brands purchased. Satisfying consumers' (luxury) brand choices (Hirschman 1980) can be achieved easily by consuming counterfeit (luxury) brands (Phau/Teah 2009). Counterfeits offer novelty-seeking consumers a cheap way to consume and experiment with a variety of products. NS has been found to be an antecedent of piracy (Wang et al. 2005). Hence we assume that this is applicable to the counterfeit context.

Country differences are derived from Hofstede's (1983) cultural dimension of uncertainty avoidance. Uncertainty avoidance indicates how societies deal with unknown future aspects.

When scoring low in uncertainty avoidance, societies feel secure and thus are more open to novelty behaviour (Roth 1995). Thus we hypothesize:

H1a: The higher the NS, the higher the PltC.

H1b: In countries where uncertainty avoidance is low, the impact of NS on PltC is higher than in countries scoring high in uncertainty avoidance.

The concept of **Perceived Risk (PR)** was introduced by Bauer (1960), investigated by Cox/Rich (1964) in the consumer behaviour field, and first applied in the counterfeit context by Wee et al. (1995). The consumer seeks to reduce uncertainty and unfavourable consequences of purchase decisions (Bauer 1960). In doing so, consumers rely on brands which signal credibility and quality (Erdem/Swait 1998). Since the counterfeit unbundles status and quality attributes (Grossman/Sharpio 1988), consumers do not know what they get. Wee et al. (1995) do not find a significant impact of risk taking on purchase intention. However, there is also support for PR as an antecedent in the counterfeit context (Bian/Moutinho 2008; Veloutsou/Bian 2008).

Societies scoring low in uncertainty avoidance feel secure, and thus are willing to take higher risks than societies scoring high in this cultural dimension. Nakata/Sivakumar (1996) found that high uncertainty avoidance is associated with risk-taking in the context of new product development. Based on these facts, we assume:

H2a: The higher the PR, the lower the PltC.

H2b: In countries where uncertainty avoidance is high, the impact of PR on PltC is higher than in countries scoring low in uncertainty avoidance.

Integrity (IN) refers to lawful and moral beliefs. According to Kohlberg's (1976) moral competence theory, individuals' intentions are affected by their personal sense of justice. Cordell et al. (1996) find that lawfully guided consumers are less likely to purchase counterfeits, while Phau et al. (2009) could not confirm that attitude toward lawfulness and toward legality of purchasing counterfeits lower consumers' willingness to purchase counterfeits. Conner/Armitage (1998) included moral obligation as a part of IN to the theory of planned behaviour and extracted a higher variance when explaining intention.

Developing countries do not have a long-established legal framework which allows strict prosecution of counterfeiting. Legislation and social norms are related: norms can be a source

of or a substitute for legislation (Posner 1977). Based on these facts, we assume that consumers are more lawful and morally guided toward counterfeits in developed countries than consumers from developing countries. We postulate, therefore:

H3a: The lower the IN, the higher the PltC.

H3b: In developing countries, the influence of IN on PltC is lower than in developed countries.

Fairness (FN) can be defined as the consumer's motivation to support the genuine brand by boycotting the counterfeit. Ang et al. (2001) investigate FN in the piracy context, which significantly differentiates buyers from non-buyers. FN especially refers to the genuine brand and consumers' readiness to patronize the original. Although FN is not discussed as an antecedent in the counterfeit literature considering a cross-country context, FN will give important insights into consumer behaviour.

Asian societies have emphasized the sharing of one's development with society (Ang et al. 2001). This peculiarity refers, for example, to calligraphy, painting, as well as poetry and other art forms, where a student's work becomes more valuable the closer it comes to the teacher's work. The Asian understanding of copying and honouring one's master differs from Western beliefs and has its roots in the Confucian value system. Hofstede/Bond (1988) found a fifth dimension, additionally to Hofstede's four cultural dimensions, which they described as Confucian dynamism. Societies scoring high in Confucian dynamism are China, Japan or South Korea. Thus, we assume:

H4a: The higher the FN toward the original, the lower the PltC.

H4b: In societies with high Confucian dynamism, the influence of FN on PltC is lower than in societies with lower Confucian dynamism.

Subjective Norm (SN) is defined as a person's perception of general social pressure to demonstrate (or not demonstrate) the behaviour (Ajzen/Fishbein 1980). The likelihood of performance is increased by the individual's perception that significant others endorse the performance. SN has been shown to significantly predict behavioral intention within the counterfeit context (De Matos et al. 2007; Penz/Stöttinger 2005). Obtaining social acknowledgment and affiliation play an important role within the SN's impact on behavioural intention.

According to Swinyard et al. (1990), different cultural backgrounds lead to different social norms that affect a person's behaviour in purchasing counterfeits. Integration of the individual into primary groups is indicated by the extent of a society's degree of collectivism (Hofstede 1983). In a collectivistic society, the individuals are highly integrated, thus they depend heavily on their own reference group. In individualistic societies, individuals' goals are valued over the goals of their in-group, and relationships are looser than in collectivistic societies. Hence, we hypothesize:

H5a: The higher the SN that legitimates counterfeiting, the higher the PIItC.

H5b: In collectivistic countries, the influence of SN on PIItC is higher than in individualistic countries.

Perceived Behavior Control (PBC) refers to the perceived ease or difficulty of performing the behaviour (Ajzen 1991). With regard to counterfeits, knowledge of and access to counterfeits may influence the perceived ease. PBC was found to be significant in affecting behavioural intention in the counterfeit context (Penz/Stöttinger 2005).

Referring to country differences, we note different legal frameworks and thus, different ease of counterfeits' availability. For instance, Eisend/Schuchert-Gueler (2006) investigate a German sample, while asking about the purchase of counterfeits in Turkey due to limited availability of counterfeits.

Considering the findings of mere-exposure research (Zajonc 1968), familiarity of a stimulus leads to a more positive evaluation of that stimulus. Thus, consumers in developing countries are more familiar with counterfeits due to higher counterfeit visibility. Hence, we suggest that in developing countries the impact of PBC is higher than in developed countries. Summing up, we assume:

H6a: The higher the PBC, the higher the PIItC.

H6b: In developing countries, the influence of PBC on PIItC is significantly higher than in developed countries.

Adaptation-Level Theory and Hypotheses Development

We refer to Helson's (1964) adaptation-level theory to link purchase intention toward counterfeits with willingness to pay for the original (WtPO). According to this theory, exposure to

stimuli perceived previously serves as a reference by which stimuli perceived later are judged. The reference is not fixed, but dynamic when new stimuli are perceived. Helson (1964) applies the theory to price perception and proposes that consumer response to price is guided by a price comparison. Price serves as a cue (beside brand name, COO etc.) and signals quality (Rao/Monroe 1989). As noted by Cordell et al. (1996), counterfeits are sold at a lower price on which consumers most strongly rely when distinguishing between original and counterfeit (Phau et al. 2001). Commuri (2009) states that the impact of counterfeiting on consumers of genuine goods is barely noticed. If consumers are likely to buy the counterfeit instead of the genuine brand, they already have a lower reference price in mind at which the copied version is available. A significant body of research supports the phenomenon that people refer to an internal reference point when making judgments. Applying Helson's (1964) adaptation-level theory, experience defines an internal reference point according to which perceived stimuli are judged. Monroe (1979) suggests three different internal prices: the highest price, the lowest price, and the adaptation level price. The adaptation level price is the geometric mean of previously observed stimuli and can be considered as the average market price (Emory 1970). Applied to the present context, consumers' reference price is already adapted to the price level of the counterfeit when they intend to purchase counterfeits.

With regard to country differences, consumers from collectivistic societies evaluate an object in a holistic way (Nisbett et al. 2001) by relying more on the environment of the evaluation object. Individualistic societies tend to evaluate in an analytic way by analyzing more on the basis of the object itself than of its environment. Thus, we conclude the following hypothesis:

H7a: The higher the PItC, the lower the WtPO.

H7b: The impact of PItC on WtPO is stronger for more collectivistic countries.

Additionally, we assume that if counterfeits are available to consumers, they will have a reference price in mind at which they can buy the status of the brand without paying for it (Grossman/Sharpio 1988). Consumers who have access to counterfeits may be less willing to pay for the original because the cheap alternative is more easily available.

Considering cultural differences, in developing countries, the impact of PBC on WtPO is higher than in developed countries due to the visibility of and familiarity with counterfeits. Thus, we assume that:

H8a: The higher the PBC, the lower the WtPO.

H8b: In developing countries, the influence of PBC on WiPO is higher than in developed countries.

Method

2100 face-to-face interviews were conducted by native speakers in three urban areas in China (Beijing, Wuhan, Chengdu), Romania (Bucharest, Cluj-Napoca, Sibiu) and Germany (Trier, Saarbrücken, Koblenz). 700 questionnaires per country were counted in the analysis to compare equal sized country samples. The survey was based on quota sampling modelled on age and sex respectively to the national population distribution. Anonymity was assured, and an explanation was given on how counterfeits should be understood. This explanation refers to the definition following Cordell et al. (1996) who defined counterfeit as a copy of trademark. The measurements were adapted from established scales using 5-point Likert-type scales (see Table 1) and were pretested first in China and later on in Romania and Germany to ensure respondents understanding of the translated version.

Table 1: Country Indicators

Countries	China	Romania	Germany
Inhabitants (million)	1,325.6	21.5	82.1
GDP (2008 in USD million)	3,860,039	200,071	3,652,824
GDP per capita (2008 in USD)	2,913.23	9,305.63	44,492.37
Percentage of total trading volume of counterfeits/pirated goods	79%	< 1%	< 1%
Trademark Legislation (since)	1982	1996	1874
Cultural dimension Individualism	20	30	67
Cultural Dimension Uncertainty Avoidance	30	90	65

World Trade Organization (2008); U.S. Customs and Border Protection (2009), Hofstede (2009).

In order to enhance the generalisability of the study (Alden et al. 1999), we chose the countries of investigation according to the differences in their economic development, culture, and trademark legislation, where we noted a considerable variation, to make our hypotheses more suitable for generalization (van de Vijver/Leung 1997). Based on the GDP per capita, China and Romania belong to the developing countries, whereas Germany is among the developed countries, as illustrated in Table 1. According to their culture, China and Romania were among those countries with collectivistic cultures, and Germany belonged to the individualistic cultures. China is characterized by a low level of uncertainty avoidance and by Confucian dynamism. Historically, Germany has the longest tradition of trademark legislation.

Reflective measurement instruments were tested for reliability by calculating indicator reliability, construct validity and discriminant validity of the reflective indicators (Hensler et al. 2009), assuring that they adequately describe the corresponding reflective constructs. The constructs satisfy requirements for reliability of Cronbach's Alpha (CA), Composite Reliability

ity (CR), and of the Average Variance Extracted (AVE) as can be seen in Table 2 (Nunnally 1978; Fornell/Larcker 1981).

Table 2: Measurement

Reflective Construct		China (CN)		Romania (RO)		Germany (GE)		Reference
Item		Factor Loadings	AVE/ CR/ CA	Factor Loadings	AVE/ CR/ CA	Factor Loadings	AVE/ CR/ CA	
NS	1) Because fashion changes so fast, I would not mind buying fake brands.	.896***		.937***		.888***		Adapted from Hirschman (1980)
	2) I buy fakes because they copy the newest version of the brand which is not available here.	.808***	.746/ .854/ .683	.839***	.791/ .883/ .747	.865***	.452/ .695/ .456	
PR	1) I always choose brands because they grant a guarantee.	.774***		.911***		.726***		Adapted from Donthu/ Garcia (1999) and Dowling/Staelin (1994)
	2) Fake products may be harmful to my health.	.797***	.536/ .775/ .571	.535***	.452/ .695/ .456	.680***	.587/ .809/ .656	
	3) If I cannot distinguish genuine or fake brand products, I will not buy any of them.	.725***		.488***		.685***		
IN	1) It is illegal to buy fakes.	.957***	.751/ .857/ .675	.876***	.766/ .866/ .695	.766***	.757/ .860/ .715	Adapted from Ang et al. (2001)
	2) It is immoral to buy fake products.	.774***		.875***		.907***		
FN	1) I want to support the brands I like.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Adapted from Ang et al. (2001)
SN	1) Sometimes I hesitate to buy the original brand as I know that every one else buys the fake.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Adapted from Ajzen (1991)
PBC	1) Fakes are sold everywhere.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Adopted from Ajzen (1991)
WIPO	1) Original brands are way too expensive for me (r).	.873***		.838***		.876***		Adapted from Lau (2007)
	2) I do not think that original brands are worth paying that much more (r).	.826***	.720/ .720/ .611	.867***	.727/ .842/ .626	.815***	.723/ .839/ .617	
Formative Construct		China		Romania		Germany		
		Factor weights	VIF	Factor weights	VIF	Factor weights	VIF	
PltC	I intend to purchase counterfeits in							Adapted from Ajzen (1991)
	1) Food	.341**	1.634	-.003 n.s	1.161	.005 n.s	1.428	
	2) Clothing/fashion	.064 n.s	1.408	.725***	1.167	.734***	1.543	
	3) Toys	.524***	1.318	.225***	1.011	.063 n.s	1.770	
	4) Electronics	.189 n.s	1.437	.139**	1.007	.171**	1.802	
	5) Cosmetics	.215 n.s	1.656	.103 n.s	1.003	.202**	1.808	

Note: factor loadings and significance levels calculated in PLS; significance level = * $p \leq .1$; ** $p \leq .05$; *** $p \leq .01$; n.s. = not significant; n.a. = not available; AVE = average variance extracted; CR = composite reliability; CA = Cronbach's Alpha (for two items, Pearson's correlation coefficient), VIF = variance inflation factor.

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