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**What makes people evaluate differently and purchase original goods, counterfeits and imitations in the luxury industry?
An investigation of a personal variable and hindering conditions**

Vincent Chauvet, Bruno Kocher, Brigitte Muller.

Track

Product and Brand Management

Abstract:

This research investigates how consumers evaluate original goods, counterfeits and imitations in the luxury industry. Consumers' attitude toward brand imitations and counterfeits has a great impact on brand management decisions and has been recognised as an important stream of research by practitioners as well as researchers (Keller, 1998). Results suggest that a personal variable (conformity level) moderate his attitude toward the three types of products (originals, counterfeits, imitations). In a second part of the research, factors hindering the consumption of counterfeits and imitations were studied.

Keywords:

Luxury goods, counterfeits, imitations, conformity

Introduction

This research investigates how consumers evaluate original goods, counterfeits and imitations in the luxury industry. Consumers' attitude toward brand imitations and counterfeits has a great impact on brand management decisions (Keller, 1998) and has been recognised as an important stream of research by practitioners as well as researchers. The activity of counterfeits is very wide and reaches almost every economic sector. They account for 5-9% of world trade, representing losses around 200-300 billion euros and around 200.000 lost jobs every year (Guillemin, 2006). More alarming are the evolutions of this new activity: in the last decade, it passed from a handcrafted and regional stage to an industrial and worldwide one. Although several academicians (e.g. d'Astous & Gargouri, 2001; Warlop & Alba, 2004) studied this field, the literature remains scarce or incomplete on several aspects.

It is very important to differentiate originals from counterfeits and imitations as these three types of products will lead to different results. Original products are distinguished from counterfeits (or fakes), which are strict copies of genuine products (Kay 1990) and from imitations. According to d'Astous and Gargouri (2001, p.153), "while a brand imitation is designed as to *look like* and make consumers *think of* the original brand, a counterfeit product is designed to *be like* the original and provide consumers with a less expensive copy".

We decided to study counterfeits and imitations in the luxury industry. Luxury goods (or status goods) are defined as "goods for which the mere use or display of a particular branded product confers prestige on their owners, apart from any utility deriving from their function" (Grossman & Shapiro, 1988, p.82). According to Penz & Stöttinger (2005), products with a high brand image and low production technology are the preferred targets of counterfeiters. The luxury industry is therefore particularly adapted. Moreover, attitude toward luxury goods still deserves more attention (Dubois, Czellar & Laurent, 2005).

In a first stage, we investigated consumers' attitude toward original products, counterfeits and imitations. A personal variable was then included in the analysis. We studied the extend to which one's level of conformity toward the reference group may moderate the attitude toward different type of products (original products, counterfeits and imitations). Several researchers showed that reference group influence is affected by the type of product (Bourne, 1957; Witt, 1969; Bearden & Etzel, 1982; Brinberg & Plimpton, 1986). In a second time, we examine which factors could hinder a consumer to buy either a counterfeit or an imitation. We hope that our study will represent a step toward a future framework that provides a better understanding of the dissuasive arguments managers could use to prevent consumption of counterfeits and imitations, as well as an insight about a personal variable.

Hypotheses

Our main proposition concerns consumers' attitude toward originals, counterfeits and imitations. Actually, two alternative (but not mutually exclusive) pathways could explain how consumers perceive counterfeits and imitations compared to original products. One way could be explained by Grossman and Shapiro's (1988, p.81) view that "the product offers good value for money in the light of its true quality or usefulness". On the other side, the purchase of luxury goods is primarily intended to "satisfy buyers' appetite for symbolic meanings" (Dubois & Duquesne, 1993, p.37). Therefore, consumers may buy counterfeits for the labels (logo, brand) or design characteristics which are themselves of value for them. Since originals and counterfeits look exactly the same, the attitude toward these two types of products should

not differ in a huge proportion. However, imitations may be distinguished quite easily from an original or a counterfeit and should therefore be less liked. We propose:

H1: Attitude toward original luxury products is different from counterfeits and imitations. Specifically, attitude toward:

- (a): originals is the same as toward counterfeits
- (b): originals is more positive than toward imitations
- (c): counterfeits is more positive than toward imitations

However, this first hypothesis is moderated by a personal variable. As stated by Bernheim (1994, p.842), "individual behavior is motivated in large part by social factors [desire for prestige, esteem, popularity, acceptance...], which tend to produce conformism". This variable is defined as an individual's behavior according to the conventions of his peer-group. Consumers being highly conform to the rest of the society and wanting to appear as a part of the group (e.g. by dressing similarly to one's friend, Lumpkin 1985), will evaluate original products more favorably than consumers not caring about conformity to the group. Following this rationale, we propose that:

H2: Attitude toward the product varies according to the level of conformity in consequence of the product type. Specifically:

- (a): For original luxury products, consumers with a high level of conformity evaluate the products more favorably than consumers with a low level of conformity
- (b): For counterfeits, consumers with a high level of conformity evaluate the products the same way than consumers with a low level of conformity
- (c): For imitations, consumers with a high level of conformity evaluate the products more favorably than consumers with a low level of conformity

Research methodology and results

Through two studies, we advance and experimentally test the theoretical propositions about the possible mechanisms at play. The design of both studies was identical and each one was composed of two surveys. The first one inquired about personal characteristics like dress conformity (Lumpkin, 1985), involvement (Zaichkowsky, 1985), familiarity (Hirschman, 1986), and prior attitude toward the brand (Sujan & Bettman, 1989). In the second one, consumer mental imagery was used. Respondents had to read a short scenario, in which they had to imagine themselves. The scenario therefore defined which type of product they had to evaluate. They were then presented with a product illustration (visual and semantic) of either an original, a counterfeit or an imitation. After time for reflection, respondents were asked to rate their attitude toward the product in the scenario and their purchase intention. Finally, we asked respondents to rate eight items which could possibly hinder consumption of the evaluated type of product. Every respondent was randomly affected to one of the three product types and evaluated two brands, which gives us the total sample of observations. A 3 × 2 between-participants experiment was conducted (type of brand: original vs. counterfeit vs. imitation; conformity: low vs. high).

Research suggests that experiences resulting from mental images can be as strong as real experiences (Kosslyn, 1994; Dadds, Bovbjerg, Redd & Cutmore, 1997). The scenarios for counterfeits and imitations were the same while in the scenarios for original products, a different distribution channel was described. The illustrations of the products were composed by a high quality picture and a short description of the technical characteristics of the products. The picture and the product description for the original were taken from the

homepage of the studied brands. For the counterfeits, the picture was exactly the same as for the original, but the product description was modified. According to Grossman and Shapiro (1988), the quality of counterfeits is generally much lower than the original products they copy. For this reason, the quality levels of the materials used as well as the price were downgraded in order to fit with the standards of a counterfeit product. For the imitations, neither the picture nor the product descriptions were the same as in the two previous product illustrations. The picture depicted a product looking like the original but easily differentiable. For example, the logos, which are one of the most important brand elements and which permit the recognition of the products (Henderson & Cote, 1998), were not present on the imitations. The product description was also altered to conform to the quality and the representation of an imitation.

The second part of the study was exploratory and intended to assess variables or factors which could hinder consumers to buy counterfeits or imitations. Eight items were chosen based on a literature review, on a pretest of the questionnaire (10 doctoral students) and on personal considerations emanating from the authors. The items, assessed on seven-point Likert scales, were composed of: the perceived level of quality, the legal issues, the image perceived by others during product usage and purchase, the external aspect of the product, the price, ethical aspects and finally the country of production or "made in" of the product under evaluation.

Part one

Study 1

Procedure: 62 undergraduate students participated in the study. Two brands of different product categories (handbags and polo shirts) from the luxury industry were chosen in order to appeal equally to women and men. The brands were chosen for several reasons. First, they were familiar to almost everybody. Second, these two brands, even if expensive, were not out of touch for the respondents. Finally, a lot of counterfeits and imitations for these two brands are available on the market. No significant differences were found for product attitude, brand attitude and familiarity concerning gender.

After having read the scenario and the product description, respondents had to identify the product type. Seventeen observations were excluded from the analysis, because the respondents did not correctly identify the product they had to evaluate. Therefore, our sample is composed of 107 observations. Manipulation checks indicated that the three types of products were perceived as having different levels of similarity compared to an original product ($M_{original} = 6.05$, $M_{counterfeit} = 5.45$, $M_{imitation} = 4.61$ $F(1, 103) = 15.962$, $p < .01$). This result proves that the experimental stimuli portray the correct type of product for the respondents.

Results: a first variance analysis showed that attitude toward original luxury products, counterfeits and imitations was different ($M_{original} = 4.44$, $M_{counterfeit} = 3.75$, $M_{imitation} = 3.11$, $F(1, 102) = 7.38$, $p = 0.01$). H1 was supported. Planned contrasts revealed that this difference is significant between originals/imitations and counterfeits/imitations. On the contrary, the difference between originals and counterfeits is not significant. This supports H1a, b and c (see Appendix 1).

Then, a 3×2 ANOVA was conducted with attitude toward the product as dependent variable, type of product and conformity as between-participant factors. Low/high groups on the conformity scale were constituted using a conventional median split. The two-way interaction between type of products and conformity was significant by Hotelling's criterion ($F(1, 99) = 4.25$, $p < .05$). Planned contrasts revealed that H2a [$(M_{high\ conformity\ original} = 5.26)$ vs. $(M_{low$

conformity original =3.56), $F(1, 99) = 10.68, p < .01$] and H2b [$(M_{high\ conformity\ counterfeits} = 3.90)$ vs. $(M_{low\ conformity\ counterfeit} =3.65)$, $F(1, 99) = 0.304, p = n.s$] were supported. On the contrary, H2c [$(M_{high\ conformity\ imitations} = 2.98)$ vs. $(M_{low\ conformity\ imitations} =3.21)$, $F(1, 99) = 0.289, p = n.s$] was not supported.

Study 2

Procedure: 79 undergraduate students participated in the second study. Every respondent was randomly affected to one of the three types of products and evaluated two brands. Three brands of different product categories (handbags, polo shirts and watches) from the luxury industry were chosen. 28 observations were excluded from the analysis because they did not identify correctly the type of product, which gives us a total sample of 130 observations.

Results: Manipulation checks indicated that the three types of products were perceived as having different levels of similarity compared to an original product ($M_{original} = 6.48$, $M_{counterfeit} = 5.09$, $M_{imitation} = 3.72$; $F(1, 124) = 43.77, p < .01$). This result proves that the experimental stimuli portray the correct type of product for the respondents.

The attitude toward original luxury products, counterfeits and imitations was different ($M_{original} = 5.90$, $M_{counterfeit} = 3.23$, $M_{imitation} = 2.69$, $F(1, 125) = 87.31, p = 0.01$). H1 was supported. Planned contrasts revealed that this difference is significant between the three types of products (see Appendix 2). H1a is not supported, H1b and H1c are supported.

The two-way interaction between type of products and conformity was significant by Hotelling's criterion ($F(1, 122) = 5.59, p < .01$). Planned contrasts revealed that participants with a high level of conformity had a similar attitude toward original products ($M_{high\ conformity\ luxury} = 6.21$) than low conformity participants ($M_{low\ conformity\ luxury} = 5.63$, $F(1, 122) = .84, p = n.s.$). This disallows hypothesis H2a. On the contrary, H2b [$(M_{high\ conformity\ counterfeits} = 3.11)$ vs. $(M_{low\ conformity\ counterfeit} = 3.32)$, $F(1, 122) = 0.06, p = n.s$] and H2c [$(M_{high\ conformity\ imitations} = 2.19)$ vs. $(M_{low\ conformity\ imitations} = 3.25)$, $F(1, 122) = 13.72, p < .01$] are confirmed.

Part two

The purpose of this part was to discover which of the eight pre-selected items could hinder a consumer to buy either a counterfeit or an imitation. We asked participants to indicate how many counterfeits and imitations they possessed (see table 1) and their purchase intention of the evaluated product.

Table 1: Possession of originals, counterfeits and imitations

	Study 1		Study 2	
	Yes	No	Yes	No
Counterfeits	41	66	12	118
Imitations	22	85	35	95
Originals	58	49	79	51

To determine the important items, we performed multiple regression analysis with purchase intention as dependent variable.

In the first study, the external aspect of the product was of particular importance for consumers in determining not to buy counterfeits ($R^2_{adj.} = .255, \beta = -.505, t = -3.463, p < .01$)

and imitations ($R^2_{adj.} = .191$, $\beta = -.460$, $t = -3.192$, $p < .01$).

In the second data collection, different items had an impact on purchase intention according to product type. For counterfeits, the legal issues influenced negatively purchase intention ($R^2_{adj.} = .231$, $\beta = -.498$, $t = -3.814$, $p < .01$). For imitations, the image perceived by others during purchase appeared as being a stumbling block for purchase intentions ($R^2_{adj.} = .237$, $\beta = -.503$, $t = -3.951$, $p < .01$).

General discussion and conclusion

This research tried to enhance our knowledge concerning evaluations of original products, counterfeits and imitations for luxury products. Similar patterns in the results of both studies emerged. Originals and counterfeits were repeatedly rated more positively than imitations. However, the difference between originals and counterfeits leads to somewhat more nuanced conclusions. Effectively, in the second study, H1a was not confirmed. A plausible explanation of this phenomenon could arise from a sampling effect. Contrary to the first study ($\chi^2 = .76$, $p = n.s.$), we observed a significantly greater proportion of respondents possessing at least an original product in the second study ($\chi^2 = 6.03$, $p < .05$). Moreover, respondents owning an original evaluated this type of product more favorably than respondents which did not possess an original ($F(1, 122) = 8.85$, $p < .01$; see Appendix 3). This was not the case in the first study ($F(1, 99) = .293$, $p = n.s.$). The personal variable included in the studies suggests analogous results. Both data collections confirmed a similar evaluation of counterfeits by high and low conformity individuals. On the contrary, the main difference lies in the evaluation of imitations.

The results regarding the second part are very interesting. Counterfeits and imitations greatly hurt brand images of luxury products. As stated by Penz & Stöttinger (2005, p.568), "it appears necessary to focus on the demand side in order to gain a better understanding of what drives customers to voluntarily buy counterfeits". We focused our research on factors that customers themselves considered as hindering factors. The results indicate that not only legal aspects play a role in consumers' purchase decisions of counterfeits and imitations. Luxury products are bought much more for what they represent (Nia & Zaichkowsky, 2000; Penz & Stöttinger, 2005). Thus, the external aspect of a counterfeit is of great importance. And a bad counterfeit can hinder a consumer to buy the product. Managers and governments trying to hinder the business of counterfeits, should therefore not only focus their communications on the penalization and the ethical aspects of buying counterfeits or imitations, but insist more on the image-side of these types of products. As no legal action could be taken against imitations, the potential hindering factors are even more crucial as for counterfeits. One possible issue for firms and governments could be to implement a communication strategy designed toward the reinforcement of the negative social image associated with the purchase of imitations.

These two studies provide a first insight on the important variables managers should consider in their struggle against the increasing phenomenon of the dark side of the luxury industry. The main contribution and difference to previous studies lie in the identification of *who* buys counterfeits much more than *why*. In addition, it is also a first attempt in distinguishing counterfeits and imitations from original products.

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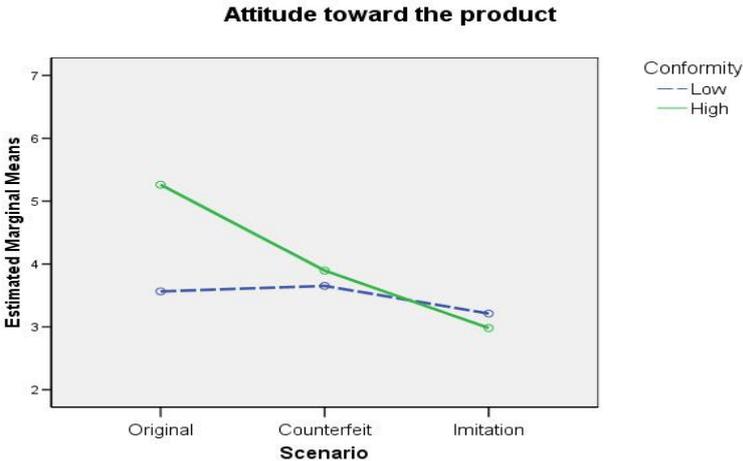
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Appendix 1 : Study one

Figure 1: Attitude toward original luxury products, counterfeits and imitations



Figure 2: Two-way interaction between the type of products and the conformity

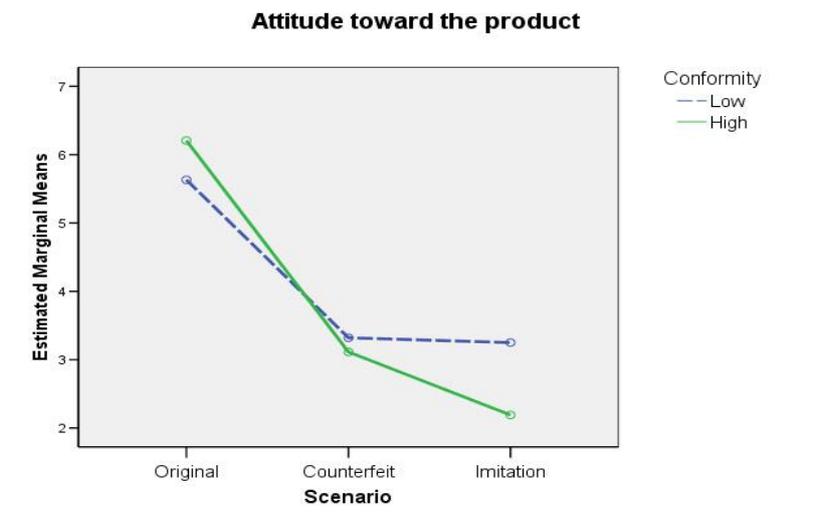


Appendix 2: Study two

Figure 3: Attitude toward original luxury products, counterfeits and imitations



Figure 4: Two-way interaction between the type of products and the conformity



Appendix 3: Attitude toward the product and possession of originals, Study 2



Planned contrasts Study 2:

Source of Variation	SS	DF	MS	F	Sig of F
Within cells	142.46	122	1.17		
Possession Original within Scenario (1)	23.73	1	23.73	20.33	.000
Possession Original within Scenario (2)	12.43	1	12.43	10.65	.001
Possession Original within Scenario (3)	24.54	1	24.54	21.01	.000