

# Non Deceptive Counterfeiting

## Motives and Modalities

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### Abstract

Counterfeiting, intended as the activity of producing and selling copies of branded products, has dramatically emerged in the last decades. Literature on counterfeiting has long investigated the supply-side of the phenomenon, paying particular attention to remedies and measures for contrasting it. Recently, evidence shows that almost 46% of total population worldwide would knowingly buy a counterfeit good, so several studies have deepened the demand-side drivers of counterfeiting, exploring consumer behavior and attitude towards the purchase of pirated products. Therefore, the study aims to understand the motives and the modalities behind the purchase of non-deceptive counterfeit and pirated goods, through examining the impact of some macro-factors (economic benefit; perceived quality of product; hedonic shopping behavior and cultural values of collectivism) on consumer choice to buy a counterfeit. The primary data was collected through a structured questionnaire from a sample of Italian respondents and then analyzed. The study was focused on those buyers who declared to have recently bought a counterfeit product. Purchasing criteria (drivers) and their importance differ from product to product and they also depend on the socio-demographics characteristics of buyers, as well as on the choice context (situation) in which the counterfeit purchase is made. For the above mentioned, questionnaire has focused on two product categories: movie and clothing. For each category we expected to find a different modality toward counterfeit consumption, moderated either by socio-demographics characteristics and choice context of the consumer. We found that the decision to buy a counterfeit varies according to the choice context and that, together with price and perceived quality, it influences consumers proneness towards counterfeit goods.

### 1. Introduction

Counterfeit consumption has become a significant and widespread phenomenon affecting global economies. It seems it accounts for 8%-10% of world trade each year (Chaudhry and Zimmerman 2009; Sharma and Chan 2014). The increasing proliferation of counterfeiting in recent years is the result of many factors, such as: the increasing demand for branded products related with the growth of world trade; the removal of trade barriers; the growth of new markets in emerging economies, the mass production of counterfeit goods, the rise of the internet to simply transfer intangible products and services.

Counterfeit goods have been defined as illegally manufactured, low priced and often lower quality replicas (in term of reliability and /or durability) of branded products (Lai and Zaichkowsky 1999).

Since counterfeits are reproduction of a trademarked brand (Cordell et al, 1996), this can include packaging, trademarks and labeling to intentionally pass off as the genuine

product (Ang et al 2001). Differently from counterfeiting, the term “piracy” has usually been used to address the manufacturing and selling of fakes limited to the digital products (CD/DVD and software). Even if some authors define counterfeiting as one form of IPR infringement and distinguish it from digital piracy and patent violation (Staake et al, 2009), others use interchangeably the two terms (Ang,et al., 2001). For the purpose of this study we use them as synonymous.

From a consumer perspective, counterfeiting can be deceptive and non-deceptive (Cordell, Wongtada and Kieschnick, 1996, Grossman and Shapiro, 1988). Deceptive counterfeiting emerges when the consumer is not aware he is buying a fake, as in the case of pharmaceuticals, automotive parts, or electronics components. In non-deceptive counterfeiting consumer can distinguish fake from genuine product and makes a voluntary purchase of a counterfeit (Nia and Zaichkowsky, 2000), knowing it is illegal (Prendergast et al, 2002).

This study focuses on non-deceptive counterfeiting. The reminder of the article is organized as follows: section 2 proposes a literature review to gain a better understanding/insight on the demand side drivers of voluntary purchase of counterfeit products. Section 3 analyzes the methodology used in the study, which help to develop a pilot test to comprehend counterfeit consumption. Finally, findings of the study are summarized and mapped back into the relevant literature and implications for research are outlined.

## **2. Literature review**

Consumer complicity in counterfeit purchase is one of the leading causes of the growth of the phenomenon. Evidence shows that almost 46% of total population worldwide would knowingly buy a counterfeit good (ICC 2007). As a consequence several academic studies have focused the attention on identifying factors influencing such a consumer choice, i.e. the price/value relationship (Albers-Miller, 1999); the psychographic characteristics (Cordell, Wongtada and Kieschnick, 1996); the product attributes and the brand value (Wee, Tan and Cheok,1995); the social influences and ethics (Ang et al 2001); the demographics characteristics; the buying location (Gentry, Putrevu and Shultz, 2006).

In this stream of research, Chaudhry and Stumpf (2011) examine the impact of some macro-factors, such as the economic benefit; the perceived quality of product; the hedonic shopping behavior and the cultural values of collectivism on consumer complicity in buying a counterfeit .

If we except for the ethic issue, these macro-factors well describe literature findings about consumer behavior towards counterfeits. In fact:

1. The majority of studies, using an utilitarian and economical perspective, had looked at perceived price benefits (Bloch, Bush and Campbell, 1993) in buying fakes. It is widely acknowledged that counterfeits low prices are the key drivers of demand (Ang et al 2001). In this stream of research counterfeits seem to offer less value for less cost, and the quality of counterfeits has nowadays greatly improved with the increasing international practice of manufacturing outsourcing and with the advent of the new technologies (Yao, 2006). As a consequence, when the price-value relationship rises in value, consumer increases his proneness to buy illicit goods.

H 1: Economic benefit is positively related to consumer complicity.

2. Perceived good quality of fake products together with the reasonable prices affect consumers' purchase of counterfeit products (Singh, Vitell, Al-Khatib and Clark, 2007). Some consumers sometimes also believe that fake and original are equal or similar in quality. The so called "super copies" – to mean the existence of replicas being of equivalent or better quality than the original – tell us that the issue of price sensitivity and quality to simply explain non deceptive counterfeiting merits further investigation. Perceived quality has become one of the main evaluating factors in the decision of purchasing a counterfeit.

H 2: Perceived quality is positively related with consumer complicity.

3. More widely in a cost-benefit approach many researchers have attempted to identify other drivers behind the purchase of non-deceptive counterfeit goods. Once the basic functional requirements are met, for some categories of goods, other product attributes are required, such as the visibility and the symbolic value represented by the product. In this case of hedonic shopping behavior, branding literature gets us better understanding the purchasing drivers: buying fakes implies getting the prestige of branded products (benefits) without paying for it (Cordell, Wongtada and Kieschnick, 1996).

H 3: Hedonic Shopping behavior is positively related with consumer complicity.

4. Among factors affecting consumer complicity on buying counterfeits, it was explained the positive relation of collectivism on consumer behavior regarding counterfeit products, due to shared culture and norms (Holbrook and Hirschman, 1982b). The fact of "sharing culture" affects the willingness of consumer to purchase the fake ( Hofstede, 1984; Sabir, et al, 2013).

H 4: Collectivism is positively related with consumer complicity.

In exploring why consumer purchase counterfeits a few studies also take into account the underlying situational variation. They found that the decision to buy a counterfeit may vary according to the choice context (Eisend and Schuchert-Guler, 2006). Researches on consumer behavior investigated the impact of different usage context on consumer consideration sets and showed that consumer consider different product (fake/no fake) in different usage situation (Ratneshwar and Shocker, 1991). Considering the choice context as a longitudinal dimension, Xiao and Nicholson (2011) found an interactive relationship between consumer's learning based considerations, perceived product benefit, product requirement and usage situation.

H 5 The usage situation affects whether non-deceptive counterfeits will be considered by a consumer

Further, as seen above, the literature on factors that influence consumer choice to buy fakes also found that other variables were motivators of non-deceptive purchase, such as demographics characteristics, buying location, attitude towards counterfeit brands, age and wage. In our study we assume these variables are moderating the cost-benefit relation, even if in this first phase of the research the sample is homogenous for such variables.

### **3. Methodology**

In order to address a complex phenomenon as counterfeit consumption, we decided to use a qualitative method. In-depth interviews were conducted. The respondents were chosen considering that purchasing criteria differ from product to product and also depend on

demographic characteristics of buyers. We focused on a convenience sample of university's students because they are usually confident with counterfeit consumption (OECD 2008).

Several studies found that students purchase counterfeit products because it is a way to fight the multinationals or capitalism and it is not risky in terms of sanctions or unethical behavior. On the other hand, there are consumers that are able to distinguish between genuine and fake products but they don't have the means to pay for a genuine product. Sometimes, they feel embarrassed when someone else discovers that the product is a fake.

The level of consumer complicity (Chaudhry, Cordell and Zimmerman 2005) depends on their willingness to object to the sales of fakes. The complicity of consumers is profoundly affected by the increase of infringement actions and the difficulty of seeing rights protected. In a report on Consumer Attitudes and Perceptions of Counterfeiting and Piracy (BASCAP 2009), the researchers called a category of consumers "Happy Purchasers" because they feel counterfeiting is a smart purchase. They assert to be experts in finding copies and purchase sophisticated products (fashion, electronics and software) in small quantities.

We decided to include in our questionnaire two of the most important categories of counterfeit products according to BASCAP report: films and clothes (bags and other accessories are included) to understand if students use different specific criteria for purchasing digital or no digital counterfeit products.

Fifty respondents were interviewed through a questionnaire. The respondents were different in terms of age, sex, level of education, income and involvement with counterfeit products. This study was conducted in Rome from March 2014 to May 2014.

#### 4. Results and discussion

Table n.1 describes the demographic characteristics of our sample.

<b>Tab. 1 Descriptive statistics</b>			
<b>Age</b>		<b>Sex</b>	
19-25	85%	Male	70%
26-40	15%	Female	30%
<b>Education</b>		<b>Employment</b>	
Undergraduate	30%	none	70%
Graduate	45%	temporary work	15%
Post-graduate	25%	permanent work	15%

All students of the sample have seen a pirated movie or counterfeit clothes, but only the 80% of respondents have bought or downloaded a pirated movie and the 60% have bought counterfeit clothes.

The majority of respondents identify a pirated movie from: the scarce quality of video (70%), the scarce quality of sound (70%) the lower or absent price (50%), and the no conventional buying location (40%). Differently, respondents seem to identify a counterfeit

clothes from: price (90%), buying location (75%) and materials, colours or details differences (50%).

The price is considered a very important criteria by respondents to acquire or download a pirated movies (70%) and to acquire a counterfeit clothes (65%) It is considered an important criteria by 20% of the respondents in the case of pirated movies and by 30% in the case of counterfeit clothing. These results are consistent with hypothesis 1.

Hypothesis 2 is supported by the fact that the good quality of video and audio (70%) is an essential criterion to choose a pirated movie. This appears counterintuitive in relation to the assumption that respondents judge very important the speed and the facility to obtain the product (75%), but nowadays, it is easier to find equivalent pirated copies.

In the case of counterfeit clothes the quality is less important (45%) because the symbolic value represented by the product drives the consumption (Hypothesis 3 is supported). Respondents said that brand status is very important (65%) and they are not intentioned to buy/rent the original or a second-hand clothes, if the counterfeit product is not available.

Then, we analyze the annual frequency in which respondents acquire, download or watch pirated movies, distinguished by off-line and on-line channels. As it was easy to predict, students prefer to download pirated movies than purchase it off-line (consistent with hip 4). Off-line channels become residual as well as the exchange of pirated movies with friends and family (Tab.2).

Tab 2 - Channels to purchase, download or watch pirated movies mean max 5		
	mean	std dev.
Streaming by internet	3,578947	1,709964
Peer to peer by internet	2,894737	1,663154
Download by internet	2,736842	1,726979
With parents or friends	2,526316	1,389181
Outdoor Market	1,736842	1,147079
Restaurant, pub etc.	1,578947	1,169795
University/ work	1,421053	0,901591
Street	1,421053	0,837708

The wide variety of movies available on internet (68%) is as important issue that influence the consumer choice to prefer pirated movies instead of original ones. The main explanation of this preference is that respondents download movies that are not willing to buy or otherwise would not have been seen (73%).

Differently, analysing clothing, we didn't find differences in terms of distribution channels, on-line and off-line channels are both utilized by the 50% of respondents to acquire counterfeit products.

An interesting food for thought is the fact that although the respondents prefer the internet to acquire pirated movies, they are subsequently willing to share it via the internet (90%). Respondents prefer to carry out two extreme actions after watching the movie: store (50%) or destroy (40%) the film and rarely present it (15%). Examining clothing, our respondents usually re-use the clothes and rarely decide to present it (10%). These results are inconsistent with hypothesis 4.

It is important to highlight that the 50% of the respondents affirm that they buy pirated movie because the original one is not available in the format required (consistent with hypothesis 5). This response is also affected by the fact that these kinds of consumers are not interested in watching movies at cinemas and they prefer immediately watching it on TV or other devices. Following this approach, piracy is considered a necessity to satisfy instantly their desires to use another device without losing time and the piracy problems can be partially overcome through a quicker distribution of the contents from the other devices.

The aversion to pay to watch a movie is clear from the answer to the question: what do you do if the pirated movie is not available? The 40% of respondents answered that they would not have seen the movie, and the 30% that they would have seen the movie on TV but not in a pay-TV. Consequently, it is difficult to assert in this case that piracy can damage the movie industry.

To achieve the objective of investigating the motives on non-deceptive counterfeit, we also explore in which context are more appropriate for non-deceptive counterfeit consumption. Table 3 shows that respondents decide to watch a pirated movie at home, on their sofa and they are not willing to wait a long time to get access to the movies shown at the cinema (where they do not intend to go), or in the original language that are still to be dubbed.

	mean	std dev
Easy to obtain a movie seen on tv	4,315789	1,056863
Obtain a pay-tv movie	3,421053	1,017393
See the movie on my sofa	3,368421	1,42246
Immediate access to foreign movies	3,157895	1,462994
increase my movies library	3,052632	1,31122
no punishment or penalty	3,000000	1,20185
To evaluate the movie	2,578947	1,426565
No damage for movie industry	2,000000	1,105542
I do what everyone else does	1,894737	0,936586

On the other side, Table 4 shows that respondents decide to buy a counterfeit product to increase their wardrobe with brand clothes that are easy to find in non-conventional store.

Tab 4 - Main motives to purchase a counterfeit clothes		
	mean	std dev
Increase my wardrobe	3,789474	0,976328
Easy to obtain a new brand clothes	3,631579	1,011628
No available near my home	2,789474	1,228321
no punishment or penalty	2,684211	1,492672
No damage for fashion industry	1,947368	1,025978
I do what everyone else does	1,736842	0,933459

It can be concluded that consumers are interested in the purchase of counterfeit products, even if their attitude is significantly different for each product category. Hedonic shopping behavior is positively related with consumer complicity only for “clothes”. For future research, these results implies to focus for each product category on specific drivers and variables.

We also confirm that price and quality are the two main drivers of the purchase, however significant is the specific consumption situation, together with the availability of products.

The confined area and small sample size can impose limitations on the generalizability of the results of this study.

For a future research we may explore and test new determinants / factors affecting consumer attitude to buy illicit goods.

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