CHINESE BUYING LUXURY COUNTERFEITS BEHAVIOR: THE ROLE OF SOCIAL INFLUENCE AND PERSONAL GRATIFICATION IN FORMING ATTITUDES AND PURCHASE INTENTION

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Abstract- This paper’s objectives are to examine the determinants that influence consumers to purchase counterfeit products in Chinese societies, using Taiwan and Shanghai as sample. We examine the antecedent factors of attitudes regarding counterfeits and the relation between the attitudes regarding counterfeit luxury brands and the purchase intention. The results reveal that both social influence and personal gratification have significant effect on attitudes toward counterfeits luxury brands. This study contributes to research on relation between the consumer attitude toward counterfeit and its antecedents and intention to purchase counterfeit luxury brand by a holistic analysis.

Keywords: Counterfeit, Attitude toward counterfeits, Social influence, Personal gratification.

I. INTRODUCTION

The objectives of this paper is to examine the determinants that influence consumers to purchase counterfeit products in Chinese society, using Taiwan and Shanghai as sample. Many researches have discussed counterfeit issues in China, for example (Bernhard et al., 2013; Sonmez et al., 2013). Moreover, Bian et al., (2007) compare consumers' attitudes toward counterfeit brands in the UK and China because the social and political ideologies are quite different between China and Western countries. Chaudhry et al., (2013) think the global market for counterfeit goods is estimated to exceed $600 billion. Counterfeiting has become a flourishing industry, especially in China. Jiang Ling (2014) proposes that 8% of China’s GDP was contributed by the sales of counterfeit goods. Yao (2014) believes that China is now the world’s largest source of counterfeit goods and not only have most foreign brands like Pierre Cardin or Polo, but also Chinese local brands been victims of fake goods production now. That stresses the importance of study toward better understanding of intents of counterfeit items consumers and the factors that influence the attitude in Chinese society. The attitudes toward counterfeit luxury brand of consumers can determine whether the counterfeit market will bloom or not. Ang et al., (2001) and Wang et al., (2005) suggested some antecedents of attitudes toward counterfeits and De Matos et al., (2007) found that consumer intentions to buy counterfeited products are dependent on the attitudes toward counterfeits. However, consumer attitude toward counterfeit goods may be different in different area or culture. Courtenay (2006) suggested that the percentage which consumers in Asia buy the counterfeit goods is much higher than people in Western countries. Jirotmontree (2013) investigates purchase intention of counterfeits among Thai and Singaporean consumers and found that attitude is an important construct in explaining consumers' intention to purchase counterfeits but business ethics only appears in Singaporean respondents. Bernhard et al., (2013) revealed significant differences in the antecedents' impact on purchase intention toward counterfeits among China, Romania, and Germany. The objectives of this research are as follows: First, examine the antecedent factors of attitude toward counterfeits in Chinese society. Second, examine the relationship between the attitudes toward counterfeit luxury brand and purchase intention.

II. LITERATURE REVIEW AND RESEARCH HYPOTHESES

Counterfeiting are the goods in which bearing a logo that is identical to, or indistinguishable from, a trademark registered to another party, therefore infringing the rights of the holder of the trademark (Bian and Veloutsou, 2007). The problem is getting worse in recently years, because of the counterfeiters improving the quality of their products by fast-moving technology. It will not only reduce the profit of global labels, but also does damage to these firms in terms of brand value and brand prestige. Many researches have discussed this problem and pay their attentions on why do consumers buy counterfeit luxury brands (Wilcox, et al., 2009). Ang et al., (2001) suggested that informative susceptibility, normative susceptibility, value consciousness, integrity, and personal gratification influence consumer attitude toward counterfeits. Phau et al., (2009) proposed brand conscious, personal gratification, value conscious, price-quality inference, social influence, brand prestige as the main antecedents of attitudes toward luxury counterfeits. However, only two factors, personal gratification and social influence, significantly affect attitude toward luxury counterfeit (Phau et al., 2009; Wang et al., 2005). Therefore, social influence and personal gratification will be examined as the antecedents of consumer attitudes toward counterfeit luxury brand in this study.
2.1 Social Influence and Attitude

The pressure from peers’ perspectives on counterfeits is the most important driver (Bearden et al., 1989). People tend to associate themselves with the current social class position they are in or the class above them (Mellott, 1983). Consumers who can not afford the price of luxury brand are likely to purchase counterfeits of luxury brands, displaying the image to others, under the influence of their peers (Mellott, 1983; Bearden et al., 1989). People buy the luxury brand may want to reflect his or her social class position rather than just income (Martineau, 1968). Therefore, it is inferred that social influence will gain approval in social situations (Wilcox et al., 2009). The underlying determinants of unfavorable attitude toward knowingly purchasing counterfeits are on one hand perceived consequences for the society, and on the other hand, perceived consequences for oneself (Koklic, 2011). Jiang and Veronique (2012) find that Chinese consumers are more interested in the social necessity of luxury than a necessity itself. Tang et al., (2014) learn that social norms, confusion, and ethical concerns each represented the motivations toward the purchase of counterfeit items. Based on the above, research hypothesis H1 is proposed.

H1 : Social influence has a positive effect on attitudes toward counterfeits of luxury brands.

2.2 Personal Gratification and Attitude

Personal gratification is the need for a sense of accomplishment, social recognition, and the desire to enjoy the finer things in life and people with the higher personal gratification will more desire for the original luxury labels (Ang et al., 2001), associating the status and wealth with the brand prestige (Martineau, 1968). Personal gratification will enhance the value-expressive attitudes to communicate one’s central beliefs and values to others (Katz, 1960). People with higher intention of personal gratification would be more conscious of the appearance and visibility of fashion products and they are probably less willing to accept goods of slightly inferior quality. This kind of people will value the genuine versions of luxury products hence they will have a negative attitude towards counterfeits of luxury brands. Jiang and Veronique (2012) propose that the correlation between counterfeit and luxury product demonstrate the importance of personal gratification. Therefore, the following hypothesis H2 is proposed:

H2 : Personal gratification has a negative effect on attitudes toward counterfeits of luxury brands.

2.3 Attitude and Purchase Intention

Consumer behavior is determined by purchase intention in view of the theory of planned behavior (TPB) which is in turn determined by attitudes (Fishbein and Ajzen, 1975). And Unethical decision-making such as the purchase of counterfeits is explained largely by attitudes, regardless of product class (Ang et al., 2001; Wee et al., 1995). The more favorable consumer attitudes are toward counterfeits of luxury brands, the higher the chances that they will purchase counterfeit brands. (Wee et al., 1995). Phau et al., (2010) find the positive relationship between attitudes towards software piracy and intentions to use pirated software. Koklic and Irena (2012) find a person’s intention to buy counterfeiting product is shaped by favorable attitude, perceived benefits and moral intensity. Jiromontree (2013) found that attitude is an important construct in explaining consumers’ intention to purchase counterfeits. Accordingly, research hypotheses H3 is proposed:

H3 : The more positive attitudes toward counterfeits of luxury brands, the higher purchase intention consumers have.

III. RESEARCH METHODOLOGY

3.1 Data Collection

This study employed paper questionnaires, which were, used anonymous and convenient sampling targeting the public who works in Taiwan and Shanghai. 341 questionnaires were collection within one month and 300 valid questionnaires are in total. The effect responding rate is 87.98%.

3.2 Definition and Measurement

Questionnaire items are measured by seven point Likert scales ranging from strongly disagree (1) to strongly agree (7). According to Ang et al., (2001) and Bearden et al., (1989), personal gratification is measured by 3 items, including “a comfortable life is important to me”, “an exciting life is important to me” and “a sense of accomplishment is important to me”. Social influence is measured by 4 items including “It is important that others like the products and brands I buy”, “if other people can see me using a product, I often purchase the brand they expect me to buy”, “I like to know what brands and products make good impressions on others”, and “the last item is if I want to be like someone, I often try to buy the same brands that they buy”. Based on the definition of Ang et al., (2001) and Phau et al., (2009), consumer’s attitude toward counterfeits is measured by 3 items as following: “The counterfeits of luxury brands have quality as the legal version.”, “The counterfeits of luxury brands provide similar function as the original”, and “The counterfeits of luxury brands are as reliable as the original”. Purchase intention is measured by 4 items including “I would recommend counterfeits of luxury brands to friend”, “Upon request, I will consider purchasing counterfeits of luxury brands for a friend”, “I will buy counterfeits of luxury brands” and “I will buy counterfeits of luxury brands from peddlers”.

IV. DATA ANALYSIS

4.1 Measurement Model
Although all the scales were adapted on the basis of previously tested measures in the literature, we conducted an exploratory factor analysis to validate the scales. The results showed that all items loaded on their corresponding factors with good overall fitness. Standardized factor loading for exogenous variables and average variance extracted (AVE) show all standardized factor loading near or greater than 0.6 and AVEs greater than 0.5 which suggested by (Fornell and Larcker, 1981). These results indicate that our measures are highly reliable. The Cronbach α coefficients of personal gratification, social influence, attitude toward counterfeits, and purchase intention are 0.642, 0.774, 0.758, and 0.836, separately. The Cronbach α value of construct scales are all above 0.7 except personal gratification (above 0.6), which meets the threshold of good reliability suggested by (Nunnally 1978). The data indicates that all the t-value of each items’ loading are higher than 3.29 and reach significant level (p = 0.001) (Anderson and Gerbing, 1988). Furthermore, the average extracted variance (AVE) of each construct are higher than 0.5 which suggested by (Fornell and Larcker, 1981). The results indicate a good convergent validity. Next, we adopt the suggestion of (Anderson and Gerbing, 1988) to test the discriminate validity. Chi-square test of the constrained model and unconstrained model was conducted and indicates significant difference between unconstrained and constrained model for each pair of constructs. It shows the good discriminate validity.

4.2 Verification of Hypotheses
This paper adopted AMOS 16.0 to run the analysis of SEM by maximum likelihood. In absolute fit measures, χ² = 188.498 ; DF = 72 ; χ²/ DF = 2.61 lower than 3.0 of fitness index; the GFI = 0.920, AGFI = 0.883, all higher than 0.8 lowest level, and close to 0.9 good fitness standard; RMSEA = 0.074, lower than 0.08 fitness standard. All these results show good fitness. Social influence (β = 0.474; t = 2.06) has positive and significant effect on attitude toward counterfeits luxury brand. Hypothesis H1 is supported. Personal gratification (β = -0.279; t = 3.28) has negative and significant effect on attitude toward counterfeits luxury brand. Hypothesis H2 is supported. The result also indicates that consumer attitude toward counterfeits luxury brand has a positive effect on intention to purchase counterfeit luxury brand (β = 0.447; t = 4.91). Hypothesis H3 is supported.

V. DISCUSSION AND CONCLUSION
Past studies (Phau et al., 2009; Wang et al., 2005) show personal gratification and social influence are the major antecedents of attitudes toward luxury counterfeits. (Harvey and Ronkainen, 1985; Santos and Ribeiro, 2006; Chaudhry et al., 2011) think that more collectivistic (less individualistic) a society, the higher the level of counterfeiting in a country. Many researches such as (Phau et al., 2010; Koklic and Irena, 2012; Jirotmontree, 2013) show that attitude is an important construct to explain consumers' intention to purchase counterfeits. The first result shows that social influence has a positive effect on attitudes toward counterfeits of luxury brands, but personal gratification has a negative effect on attitudes toward counterfeits of luxury brands. This result consists with the findings of (Phau et al., 2009; Hidayat and Diwasasri, 2013). Social influence has the positive effect on attitude toward counterfeits luxury brand, while people who tend to have personal gratification will not buy something non-original because a clone will not satisfy their desire.

The second result indicates that attitudes toward counterfeits of luxury brands have a positive effect on intentions to purchase it. This finding lines with following related researches. It is supported by Lee and Yoo (2009) who found that the consumers' positive attitude towards counterfeits influence their purchase intentions positively. Triandewi and Tjiptono (2013) ascertain the predictors for consumer purchase intention of counterfeits consist of attitude toward the economic benefits of counterfeit purchase and consumer intention to buy originals. Chiu Weisheng et al., (2014) learn that significant relationship of past experience and attitude towards counterfeits on purchase intention and consumers’ attitudes had a positive influence on purchase intention. Rasheed et al., (2014) find that the young consumer’s positive attitude toward non deceptive counterfeit mobile phones has positive impact on the purchase intentions.

VI. RESEARCH FINDINGS AND CONTRIBUTIONS
Most of studies concentrate the social factor, product attributes, brand equity, and attitude towards counterfeit and neglect the role of culture in explaining the complex phenomenon of counterfeiting. Due to culture identified as an important factor in forming individuals’ psychological processes and characteristics, it is important to understand consumer behavior differences in counterfeiting. Examining the model across Chinese subculture, this paper not only empirically validates what Phau et al., (2009) has suggested: social influence and personal gratification will significant effect on attitudes toward counterfeits of luxury brands. Comparing with people in Taiwan, social influence has stronger impact on attitudes toward counterfeits of luxury brands people in Shanghai, while the negative impact of personal gratification on attitudes toward counterfeits of luxury brands will be weakened or even turn to positive impact. The result is similar with Bernhard et al., (2013) who investigate antecedents of purchase
intention toward counterfeits in China, Romania, and Germany and argue subjective norm accounts for a higher predictive value in collectivist countries compared to individualistic ones. Rahman et al., (2013) also find social influence is one of the important factors of pirated products. Also Bian et al., (2014) demonstrate that social power holds key insights into understanding consumers’ purchase propensity for luxury brand counterfeit products.

VII. MANAGERIAL IMPLICATIONS

China is not only country with counterfeits, but it's no doubt among the areas most severely afflicted with the production and marketing of counterfeits. The counterfeiting problem in China is complex. Jiang Ling (2014) thinks in order to better understand the complex phenomenon of counterfeit in Chinese market, it is necessary to explore the role of culture and discuss the relationship between specific cultural values which could influence Chinese consumers’ preference for counterfeit goods.

Even though the global economics revive, the demands of counterfeits of luxury brands are still increasing. As the results, many researchers eliminate imputing to economics recession but to impute the attitude and values of consumer behavior. Besides, because of fast technology developing, consumers spend only one–ten of price to get the quality almost as same as the original and being satisfy for social adjusting. From time to time, the counterfeits of luxury brands are becoming acceptable. Attitudes will influence consumer behaviors. Social influence and personal gratification are the important antecedents of attitudes toward luxury counterfeiters in Chinese society. According to this study and the prior researches, social influence has the positive effect on attitudes toward luxury counterfeiters.

The findings of this study have some managerial implications for the luxury brands companies and government to formulate anti-counterfeit strategies. First of all, the companies of luxury brands should underlining the uniqueness and personal value of luxury brands. For example, Sonmez et al., (2013) investigate a study of 128 multinational managers’ experience in China and find if branding emphasizes after sales service, consumers’ ability to discriminate was found to enhance firms’ ability to limit counterfeiting damage to brands. Second, Yao (2014) analyze counterfeit goods in China and find existence of counterfeit goods can also be attributable to the market failure factors, such as asymmetric information, externality of quality goods, market monopoly and incomplete law enforcement. Tang et al., (2014) think targeting negative motivations, such as perceived physical and social risks, businesses can devise strategies from a demand side perspective to overcome the problem of counterfeit consumption.

REFERENCES

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