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## New insights into unethical counterfeit consumption

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## ABSTRACT

Consumer demand for counterfeit luxury brands is often viewed as “unethical,” but the demand is also robust and growing. The aim of this exploratory research, which employs in-depth interviews, is two-fold: 1) to identify the psychological and emotional insights that both drive and result from the consumption of higher involvement counterfeit goods and 2) to uncover the coping strategies related to unethical counterfeit consumption. This research reveals new psychological motivations (e.g., “thrill of the hunt,” being part of a “secret society” and genuine interest) underlying counterfeit consumption and the associated emotional outcomes (e.g., embarrassment, shame, and positive hedonic gains). This research is also one of the few studies to identify cognitive moral logics by disclosing the neutralization techniques (specifically, denial of responsibility and appealing to higher loyalties) that consumers adopt to cope with the cognitive dissonance associated with debatable counterfeit consumption. The paper contributes to scholarly, managerial, and policy conversations.

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## 1. Introduction

The counterfeiting of branded products is not new; however, this practice has only become a significant global problem in its own right in the last three decades (Bian & Moutinho, 2011b). Despite companies, national governments, and enforcement agencies devoting substantial resources to tackling this issue, counterfeiting appears to be increasing at a faster pace than ever before (Wilcox, Kim, & Sen, 2009). The International Anti-Counterfeiting Coalition (2014) projected that the value of global trade in counterfeiting and piracy in 2015 would be \$1.77 trillion. Luxury brands alone lose more than \$12 billion every year to counterfeit competitors (International Chamber of Commerce, 2004). Consumers' demand for counterfeits, particularly in the luxury goods market, is one of the leading causes of the apparent upsurge in the growth of the counterfeiting phenomenon (e.g. Ang, Cheng, Lim, & Tambyah, 2001; Bian & Veloutsou, 2007; Gentry, Putrevu, Shultz, & Commuri, 2001; Nia & Zaichkowsky, 2000).

Prior studies have primarily investigated why consumers knowingly purchase counterfeit luxury brands and have identified a large number

of determining factors that influence consumers' appetite for counterfeits (see Eisend & Schuchert-Güler, 2006 for a review). These studies enhance our knowledge of the antecedents of the motivational drivers for purchasing and consuming counterfeits. Nevertheless, the literature concerning counterfeit consumption suggests the following: 1) Despite the obvious financial drive and various identified antecedents of the motivations, there is limited understanding of the motivations underlying counterfeit consumption (Jiang & Cova, 2012; Tang, Tian, & Zaichkowsky, 2014; Zaichkowsky, 2006); 2) no known study has documented the cognitive processes by which consumers cope with feelings of unease during counterfeit consumption. Purchasing counterfeits violates consumer ethics and is likely to be socially undesirable, which inevitably produces cognitive dissonance (as proposed by Eisend & Schuchert-Güler, 2006); and 3) the research to date principally explores counterfeit consumption by applying surveys or experimental methods. Surveys and experiments can prove to be problematic when investigating socially undesirable or self-revealing behavior (Crane, 1999), of which counterfeit consumption is an example. A deeper inquiry of a more interpretive nature is more suitable for revealing as yet submerged motivations and cognitive processes (Malhotra, 2007). This study adopts an in-depth interview method to address these specific issues.

A comprehensive understanding of the motivation to knowingly purchase counterfeits is crucial, as “motivations produce” outcomes, and they concern all aspects of activation, purchase intention, and behavior (Ryan & Deci, 2000, p. 69). Studies by Wilcox et al. (2009); Perez, Castaño, and Quintanilla (2010) and Jiang and Cova (2012)

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specifically examine the socio-psychological aspects of motivation for counterfeit consumption. Building on this momentum, the research probes more deeply into the nature and role of the motivational factors in response to calls for further research in this important but under-explored area (e.g. Tang et al., 2014; Zaichkowsky, 2006).

Counterfeit consumption violates laws and raises ethical issues and concerns (Garcia-Ruiz & Rodriguez-Lluesma, 2014). The construction of counterfeit decision making in isolation from the moral/ethical aspect hinders our understanding of consumers' demand for counterfeits. This research is one of the few studies to investigate and disclose the cognitive moral logics and the prominent interplay between the motivational drivers and neutralizations (Sykes & Matza, 1957) underlying unethical counterfeit consumption. The present research provides deeper insight into the causes of consumers being prone to counterfeits from a theoretical perspective, thus contributing to both the counterfeit consumption literature and the consumer ethics literature. From a managerial perspective, the findings from this research may help marketing practitioners and policy makers alike to establish more refined, effective, and actionable counter strategies.

First, this paper presents an overview of the counterfeiting-related research, followed by an outline of the interpretive methods employed to address the research objectives. Subsequently, the research findings are presented. A discussion of the theoretical and practical implications as well as suggestions for future research conclude the paper.

## 2. Literature

### 2.1. Definitions and scope

Product counterfeiting can be easily confused by both researchers and practitioners with imitation and piracy (Bian, 2006). Thus, a clear definition of counterfeiting is crucial (Hoe, Hogg, & Hart, 2003; Phau, Prendergast, & Chuen, 2001). Consistent with Chaudhry and Walsh (1996), this research defines counterfeits as products that bear a trademark that is identical to, or indistinguishable from, a trademark registered to another party and that infringe the rights of the holder of the trademark. This definition, which is congruent with the views of both practitioners and researchers, is widely adopted in prior studies (e.g. Bian & Moutinho, 2009, 2011a; Kapferer, 1995). A counterfeit is a direct copy, whereas an imitation is an indirect copy (Bamossy & Scammon, 1985), such as imitation smartphones (Liao & Hsieh, 2013). Imitation is subtle and is often based on partial differences: imitators recreate an overall similarity, even if the details of the packaging differ between the well-established brand and the imitator's own-label product (Kapferer, 1995). In contrast to counterfeiting (which breaches trademarks), piracy infringes copyrights and patents (Chaudhry & Walsh, 1996), such as music and software piracy (Bhal & Leekha, 2008; Wan et al., 2009). From a legal perspective, both counterfeiting and piracy are illegal by legislation, whereas imitation does not necessarily break the law unless it is proved to have caused confusion among consumers (Bamossy & Scammon, 1985).

Counterfeiting is further delineated as 1) deceptive counterfeiting (Grossman & Shapiro, 1988) (i.e., the consumer is unaware—this form of counterfeiting often applies to low involvement goods), 2) blur counterfeiting (Bian, 2006) (i.e., when they consider purchases, consumers are not sure whether products are genuine, counterfeit, genuine but from a parallel import arrangement, genuine but on sale, or even stolen merchandise), and 3) non-deceptive counterfeiting, in which consumers knowingly purchase counterfeits (Grossman & Shapiro, 1988).

The present research investigates non-deceptive counterfeiting, which is particularly prevalent in luxury brand markets (Nia & Zaichkowsky, 2000). Consumers often consciously and willingly access discrete retailers to obtain these counterfeits. The choice of non-deceptive counterfeiting for higher involvement goods as a context is important because the possibility of uncovering psychological

motivations and cognitive coping strategies is far more likely. If the counterfeiting is deceptive, then the consumer will not consciously choose a counterfeit over the genuine brand. Consequently, cognitive dissonance and the motivation for buying lower involvement counterfeit goods (e.g., domestic cleaning products) are likely to be less strident, less relevant, and less visible to the researcher.

### 2.2. Effects of counterfeiting and consumer consumption appetites

Counterfeiting has a significant influence on four stakeholders: consumers, legitimate manufacturers, brand owners, and society as a whole (Bian, 2006). Although some studies have suggested that counterfeits could benefit the original brand (e.g. Bekir, El Harbi, & Grolleau, 2013; Romani, Gistri, & Pace, 2012), a large body of extant literature argues that counterfeiting is a serious economic, social, and security problem because 1) counterfeiting affects consumers' confidence in legitimate products, destroys brand equity and damages companies' reputations, which leads to the loss of revenue (Bian & Moutinho, 2011a; Commuri, 2009); 2) counterfeiting increases the costs associated with attempting to contain infringement, thus impacting hundreds of thousands of jobs (Wilcox et al., 2009); 3) counterfeiting might also threaten consumer health and safety (International Chamber of Commerce, 2013); and 4) in some cases, the profits generated from counterfeits might be used as financial support for terrorism (Playle & VanAuken, 2003). In most countries, including China and the US – the two main producers of counterfeits in the world – producing and trading counterfeits are criminal offenses (Bian, 2006).

The detrimental effects of counterfeits are often well communicated to consumers. Consumers, therefore, are most likely aware of the damage caused by counterfeits as well as the ethical issues and the violation of the social order involved in counterfeit consumption (Nia & Zaichkowsky, 2000; Nill & Shultz, 1996). The intentional purchase of counterfeits is often regarded as consumer misbehavior and unethical consumption (Penz & Stöttinger, 2005). Prior studies, however, report that consumers are inclined to knowingly purchase counterfeits, particularly in the luxury goods sector (e.g. Nia & Zaichkowsky, 2000; Wilcox et al., 2009). More worryingly to practitioners, the world has seen a steady and rapid increase in the demand for counterfeits in recent years (Bian & Veloutsou, 2007; Bloch, Bush, & Campbell, 1993; Phau et al., 2001; Tom, Garibaldi, Zeng, & Pilcher, 1998), together with increased accessibility to and quality improvement of counterfeits (Wilcox et al., 2009). On the one hand, consumers acknowledge the harm that counterfeits can cause and the unethical nature of counterfeit consumption, while on the other hand, consumers are motivated to buy counterfeits when they are available (Bian, 2006; Eisend & Schuchert-Güler, 2006; Hoe et al., 2003). Such a misalignment between ethical standards and behavior inevitably results in cognitive dissonance (Eisend & Schuchert-Güler, 2006). Thus far, the literature has inadequately accounted for consumers' coping strategies in explaining how the discrepancies between the unethical nature of counterfeit consumption and purchase motivation are sustained; this gap is one of the focuses of this paper.

### 2.3. Motivations for counterfeit consumption

The market for counterfeits can be attributed to consumer demand (Bian & Veloutsou, 2007; Nia & Zaichkowsky, 2000; Wee, Ta, & Cheok, 1995); consequently, a large body of research has investigated why consumers knowingly purchase counterfeits. Prior research identifies many factors that influence the demand for counterfeits. Eisend and Schuchert-Güler (2006) classify these influential factors into four broad categories, including person (e.g., demographic and psychographic variables), product (e.g., price and product attributes), social and cultural context (e.g., cultural norms), and situation (e.g., at home versus on vacation). A number of recent papers also investigate the determinants of counterfeit purchasing and find some new influential

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