Determining consumer purchase intentions toward counterfeit luxury goods in Malaysia

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ABSTRACT

This study adapted the Theory of Reasoned Action (TRA) to examine how social and personality factors influence Malaysian consumer attitudes toward counterfeit luxury goods and how consumer attitudes mediate these two sets of variables on consumers' purchase intention. Partial Least Square (PLS) were used to analyze the data collected from 109 residents in Malaysia. Perceived risk was a strong factor influencing consumer attitudes toward counterfeit luxury goods, followed by value consciousness and status consumption. Integrity and materialism did not influence consumer attitudes toward counterfeit luxury goods, but social influence factors, information and normative susceptibility positively influenced consumer attitudes. In addition, consumer attitudes mediated the effect of information and normative susceptibility and value consciousness on consumers' purchase intention toward counterfeit luxury goods, but attitudes did not mediate the relationship between perceived risk, integrity, status consumption and materialism, and consumers' purchase intention.

1. Introduction

Counterfeiting is a profitable business, and in Asia, billion dollars are lost annually due to the manufacture and sale of counterfeit goods in China, Hong Kong, South Korea, Singapore, Taiwan, Indonesia, Thailand and Malaysia (Yeap & Ramayah, 2006). Counterfeit luxury goods such as clothes, shoes and handbags are made in varying quality, with most effort going into mimicking fashion details; sometimes, the intent is only to fool buyers who only look at the label but do not know what the real product looks like (Norashikin, 2009). Manufacturers realize that most consumers do not care if the goods they buy are counterfeit but only wish to purchase inexpensive products (Norashikin, 2009).

The impact of this phenomenon is that the manufacturers of the genuine luxury goods have lost more than $600 billion in revenue (Turunen & Laaksonen, 2011). In addition to the financial damage, legitimate manufacturers also face intangible losses, such as the loss of goodwill (Barnett, 2005; Phau, Sequeira, & Dix, 2009) and damage to brand reputation and brand equity (Nia & Zaichkowsky, 2000; Phau et al., 2009). Furthermore, manufacturers suffer a loss in confidence from their customers (Barnett, 2005; Gentry, Putrevu, & Shultz, 2006; Phau et al., 2009) and devalued research and development costs, in addition to incurring huge legal fees (Phau et al., 2009; Ramayah, Jantan, Chow, & Nasirin, 2003). In view of the increasing growth in counterfeiting and counterfeit-related activities, the manufacturers of luxury goods have taken the necessary legal action without hesitation. Based on The Star Online news article published on 18 January 2016, the French luxury goods firm Louis Vuitton is taking legal action against counterfeit online sellers in China for infringing on the LV trademark and is seeking compensation for economic losses.

Nonetheless, the issue of counterfeiting still remains a major concern for global trade in many countries including Malaysia. Based on an online news report released by the International Chamber of Commerce (ICC) in 2011, in 2015, the projected global economic and social impacts of counterfeiting and piracy will reach US$1.7 trillion, representing over 2% of the world's total current economic output. Moreover, the report highlights that the projection in global trade in counterfeiting and privacy will also put 2.5 million legitimate jobs at risk annually. In a similar vein, in 2014,

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there were a total of $1.2 billion in counterfeit seizures in the U.S. based on a recent article on the official website of U.S. Department of the Homeland Security (2015). In Malaysia, for example, in November 2015, the Perak Domestic Trade, Cooperatives and Consumerism Ministry made its largest seizure, with almost RM500,000 worth of counterfeit goods seized (The Star Online, 2016a, 2016b). Apparently, the issue of counterfeiting remains ongoing, and manufacturing firms are scrambling to cope.

In an effort to eliminate counterfeiting, manufacturers have put processes in place to trace, detect and prosecute counterfeiting producers (Norashikin, 2009) and to educate the public, such as the anti-counterfeiting ads of the Motion Picture Association (MPA). This organization, along with the Business Software Alliance (BSA), the Recording Industry Association of America (RIAA) and the World Health Organization (WHO) (Stumpf, Chaudhry, & Perretta, 2011) have launched six anti-counterfeiting actions to reduce consumer complicity, such as emphasizing packaging or labeling, stating the benefits of genuine goods and the harmful effects of counterfeiting, publishing through legitimate distribution and retail, issuing warrantees for genuine goods and reducing prices (Stumpf et al., 2011). However, these actions seem to be ineffective due to the increasingly sophisticated counterfeit syndicates, fast-paced technology advancements, increasingly rapid globalization process, the escalation in the shortage of goods due to limited resources, and the lack of serious penalties (Clark, 2006; Norashikin, 2009; Sonmez & Yang, 2005). Illegal counterfeiting activities seem more difficult than ever to detect and eliminate as counterfeit syndicates continue to expand, with the result that luxury product producers are losing billions of dollars in sales annually. Clearly, consumers' ongoing purchases of counterfeit goods are the key to survival for these illegal activities; if there is no demand, then there will be no supply of counterfeit goods in the market.

There are several studies on the purchase intention and willingness to buy counterfeit goods. In the United States, for example, Kim and Karpova (2010) investigate consumer attitudes toward fashion counterfeits, whereas Randhawa, Calantone, and Voorhees (2015) examine consumer willingness to purchase counterfeit luxury items. Manchiraju and Sadachar (2014) examine whether personal values predict a consumer's behavioral intention to engage in ethical fashion consumption. Similarly, Franses and Lede (2015) study cultural norms and values and the purchase of counterfeits among consumers in South America and the Netherlands.

On the other hand, there is an increasing body of literature that has investigated purchase intentions towards counterfeit goods in the Asian region, such as China (Cheung & Prendergast, 2006; Lau, 2006; Wang, Zhang, Zang, & Ouyang, 2005), Taiwan (Cheung & Prendergast, 2006; Chiou, Huang, & Lee, 2005; Liao, Lin, & Liu, 2010; Liao & Hsieh, 2013; Wang, 2005), Hong Kong (Moores & Chang, 2006), Thailand (Chuchinprakarn, 2003) and Singapore (Ang, Cheng, Lim, & Tambyah, 2001; Moores & Dhaliwal, 2004; Phau & Teah, 2009). However, one of the main research gaps regarding the purchase intentions toward counterfeit goods, as highlighted by Phau and Teah (2009), is the differences between culture, socioeconomic groups and countries.

In Malaysia, only four studies have been conducted to understand which factors drive consumers to purchase counterfeit goods. Two of the studies focus on pirated software (Ramayah et al., 2003; Yeap & Ramayah, 2006); one study in Sabah by Harun, Abdul Rahman, Bledram, Mohd Suki, and Hussein (2012) examines consumers' unwillingness to purchase counterfeit luxury goods, and unpublished research by Norashikin (2009) studies consumer attitudes toward counterfeit luxury goods in the Klang Valley, Kuala Lumpur.

Consequently, a study from the perspective of Malaysian consumers with diverse backgrounds in multi-ethic and multi-cultural

groups is warranted. It is important to determine the expectations and perception of Malaysian consumers toward the purchase of counterfeit luxury goods so that appropriate government policies can be targeted to the buyer and seller to ensure that these counterfeiting activities do not become rampant. To date, no study has examined why consumers intend to purchase counterfeit luxury goods in Malaysia, for example, in Penang state. Therefore, this study focuses on why consumers in Penang intend to purchase counterfeit luxury goods.

Counterfeits good are in the market where there is demand from consumers. The choice of Penang as a study location seems appropriate considering that Penang is the third most popular tourism destination in Malaysia, after Kuala Lumpur and Pahang, with its city, George Town, having been listed as a UNESCO World Heritage Site in July 2008 (Penang Tourism, 2010). In addition, the holiday booking website TripAdvisor notes that the night markets in Batu Ferringhi in Penang peddle counterfeit luxury goods (TripAdvisor, 2013), branded handbags, clothing, watches, leather and shoes from manufacturers such as Coach, Guess, Gucci, DKNY, Armani, Valentino, Longchamp, Jimmy Choo, and many more. In addition, commercial retail centers such as Prangin Mall also offer counterfeit goods, entertainment CDs, VCDs, DVDs and computer software, in addition to luxury branded handbags, clothing, watches, leather, electronic goods and so on (Yeap & Ramayah, 2006). Apparently, counterfeit luxury goods are widespread in Penang market, where it is possible for local residents to purchase.

Thus, it is significant to study why consumers in Penang (i.e., local residents) voluntarily seek counterfeit luxury goods, and this study develops the following research objectives: (1) to examine whether social factors (i.e., information susceptibility and normative susceptibility) influence consumer attitudes toward counterfeit luxury goods; (2) to determine whether personality factors (i.e., value consciousness, perceived risk, integrity, status consumption and materialism) influence consumer attitudes toward counterfeit luxury goods; (3) to investigate the relationship between consumer attitudes toward counterfeit luxury goods and purchase intention; and (4) to explore whether attitudes toward counterfeit luxury goods mediate the relationship between social factors (i.e., information susceptibility and normative susceptibility) and personality factors (i.e., value consciousness, perceived risk, integrity, status consumption and materialism) and purchase intention.

2. Literature review and hypothesis development

2.1. Theory of Reasoned Action (TRA)

The Theory of Reasoned Action (TRA), originally proposed by Ajzen and Fishbein (1980), is a general framework based on people's behavior, which is determined by three constructs, namely, their intention to perform the behavior or behavioral intention (BI), their attitude (A) toward the behavior, and their subjective norm (SN). The theory suggests that individuals' behavioral intention (BI) is a function of their attitude (A) about the behavior and subjective norm (SN), which means that BI = A + SN (Ajzen & Fishbein, 1980).

The TRA (see Fig. 1) has been employed extensively in the consumer behavior literature. Its strong predictive power for Western consumers has been demonstrated with a variety of consumer products, such as beer, dog food, and clothing (Chung & Pysarchik, 2000). The construct of attitude (A) toward the behavior is defined as an "individual's general feeling of favorableness or unfavorableness for that behavior" (Ajzen & Fishbein, 1980, p. 216). As Ajzen (1991) has validated, behavioral beliefs influence attitudes toward a behavior, and the relationship transposes into behavioral beliefs, resulting in a favorable or unfavorable attitude toward the behavior. The next construct, subjective norm,