

Attitudes toward counterfeit products and counterfeit purchase intention in non-deceptive counterfeiting: role of conspicuous consumption, integrity and personal gratification

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Abstract: The purpose of this research is to study the effects of conspicuous consumption, integrity and personal gratification, on consumers' attitude and behavioral intentions toward counterfeits. To examine the relationship between dependent and independent variables research hypotheses were proposed. 300 questionnaires were distributed to respondent as a test sample and 276 questionnaires were found to be usable in data analysis. Collected data were tested using SPSS and Amos software programs. The findings indicated that conspicuous consumption has significant effect on attitude toward counterfeit products (ATCP) and the, integrity has negative significant effect on it. Besides personal gratification has significant effect on consumers' attitude toward counterfeit products. On the other hand, the findings state that attitudes toward counterfeit products, has significant effect on purchase intention. This study may have some limitation due to population, sample size, number of studied variables and some other factors. Some cautions should be considered in generalization of the results, considering the limitations of the research, just like other researches. Future research can identify those factors that influence attitude toward buying counterfeit products and not considered in this study.

Key words: *Counterfeit products; Purchase intention; Conspicuous consumption; Integrity; Iran*

1. Introduction

One of the most important and most complex problems faced by international companies is fraud phenomenon, and counterfeit products in countries. Product counterfeiting is growing dramatically in terms of volume, sophistication, range of goods, and countries affected (ICC, 2005; Staake et al., 2012). Most of the global companies are more concerned about counterfeit products, because this phenomenon can reduce their sell and disrupt their Pricing and distribution strategies. On the other hand, destabilization of prices, damaging the marketing and distribution channels, disruption of brand reputation and brand image, are among the problems that have been reported by managers of international brands.

According to some estimates, counterfeiting activity is estimated to account for 5 to 7% of world trade, depriving genuine manufacturers of about \$600 billion a year, with a growth rate of 1700% over the past 10 years (Economist, 2010; Yoo and Lee, 2012).

Global trends of counterfeiting show that cautionary growth in the field of production, distribution and consumption of non-genuine goods is happening. Counterfeit merchandise trade, estimate over \$ 600 billion a year worldwide with a growth rate of 10,000 percent in the last 20 years.

However, this growth is largely due to the increasing demand of consumers.

The trade of counterfeit commodities exists across various industries in business-to-consumer and business-to-business markets in industrialized and emerging economies. The illegal practices of counterfeiting can be reduced by affecting either of the two sides of the transaction: the supply side or the demand side of counterfeits. While the supply side has received considerable attention in marketing literature, studies consider the demand side of counterfeiting, are still scarce (Vida, 2007). Especially studies addressing counterfeit purchasing from the consumer's viewpoint is still incipient, particularly considering the antecedents of the construct "attitudes toward counterfeits" and makes the counterfeits interesting options for consumers (Mastos et al. 2007). It has been said that both increased production and demand caused counterfeiting growth (Astray, 2011).

Many counterfeit products are sold in Iran every year as well and as in other countries, distribution and trade of counterfeit goods has become a major and inclusive problem. Especially in this case, it can be noted the counterfeit and imitation goods that the origin of most of them is China. Just about every product under the sun is being pirated there, and then sold in-country or exported (Zimmerman, 2013). In order to solve the problem of counterfeiting, a variety of activities have been performed and several laws have been designed in

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Iran that among them, is the bill of combat with smuggling of commodity and exchange that presented to parliament in 2011. However, most of these proceedings were associated with the supply side, and demand side was less taken into consideration. Nevertheless, some new proceedings formed that represents, the demand side is taken into consideration. This suggests the importance of demand side of these products is the society need and is expanding daily.

In general, previous studies differentiate three kinds of exchanges involving counterfeit goods, i. e., deceptive and non-deceptive counterfeiting (Grossman and Shapiro 1988a; Chakraborty et al., 1996; Vida, 2007) and blur counterfeiting (Bian, 2006). Deceptive counterfeiting represents transactions which consumers believe they are buying a genuine product while it is really a counterfeit. For instance, some counterfeit automotive spare parts, electrical appliances and pharmaceuticals (Grossman and Shapiro 1988a). On the other hand, however, consumers are fully aware that they are purchasing counterfeits. The non-deceptive forms of counterfeiting are especially prevalent in luxury brand markets (Nia and Zaichkowsky, 2000; Heidarzadeh and Taghipourian, 2012) where consumers are often able to distinguish counterfeits from genuine ones according to price, quality, distribution channels and the type of outlet from which the product is purchased. With blur counterfeiting, the consumer is not unsure of the fact that he/she is purchasing a counterfeit rather than the original product and cannot be held accountable for this behavior (Bian and Moutinho, 2011).

Some past studies have revealed that about one-third of consumers would knowingly purchase counterfeit goods (e.g., Phau et al., 2001; Tom et al., 1998; Bian and Moutinho, 2009), so surveying the variables influencing consumers' attitude toward counterfeit products is momentous.

This research focuses on the demand side of non-deceptive counterfeiting where consumers intentionally purchase counterfeits, and measures the effects of some variables on consumers' perceptions of counterfeiting in non-deceptive counterfeiting and its findings can help policy makers and managers reduce the counterfeit trade. We examine the influence of selected factors on a consumer's willingness to knowingly purchase counterfeit goods.

2. The theoretical background and hypotheses

2.1. Counterfeit products

A number of definitions have been used for product counterfeiting and two of them are expressed in this paper. First the definition given by Cordell et al. (1996) and also used by Chaudhry et al., (2005) and Mastos et al., (2007): "any unauthorized manufacturing of goods whose special characteristics are protected as intellectual property rights (trademarks, patents and copyrights)

constitutes product counterfeiting." And the second: "the unauthorized representation of a registered trademark carried on goods similar to goods for which the trademark is registered, with a view to deceiving the purchaser into believing that he or she is buying the original goods" (Grocery Manufacturers Association and A.T. Kearney, 2010; Wilcock and Boys, 2014).

Fake products are copies of genuine ones with similar trademark, label and packaging but low quality materials were used in their production process. (Kay, 1990; Wee et al., 1995; Chuchinprakarn, 2003).

Understanding the reasons of consumer participation in using of fake goods is a social, economic and political problem that trying to reduce it, affect the success of many business strategies (Stumpf and Chaudhry, 2011). Despite the legal demands to reduce the volume of counterfeit merchandise trade, all the market leaders and planners have identified the problem and formed groups such as International Anti-Counterfeiting Coalition (IACC) in order to protect their plans, brands and products from copying and counterfeiting. IACC (2008) has estimated 5-7 percent of the total international trade, including trade in counterfeit goods (Norum and Cuno, 2011) and as it was said, before previous studies suggest that about one-third of consumers buy fake goods consciously.

Because of the high willing of consumers to take part in this unhealthy trade, counterfeiters and fakers can rob Billions of USDollars from healthy economies annually.

In spite of the efforts on the part of international trade organizations to deter counterfeiting practices, product counterfeiting represents a growing problem for legitimate producers of global branded products ranging from pharmaceuticals to computer software and fashion merchandise (Vida, 2007).

Even in light of technological advancements facilitating identification of genuine products and legal pressures on illegitimate buyers and sellers, corporations continue to incur billions of US Dollars in lost sales annually due to this problem (Stoettinger and Penz 2003; Vida, 2007).

So the researches considering the antecedents of the constructs "attitudes toward counterfeits" as a mediator variable in purchase intention can be very useful and the attempt toward understating the effects of conspicuous consumption, integrity and personal gratification, on consumers' attitude and behavioral intentions toward counterfeits can be essential to measure the consumers' attitude and behavioral intention related to these factors.

2.2. Attitudes toward counterfeit products (ATCP)

Attitude is "a learned predisposition to behave in a consistently favorable or unfavorable manner with respect to a given object" (Schiffman and Kanuk, 1997, Matos et al., 2007) or attitudes refer to the

degree to which a person has a favorable assessment of a questionable behavior and are an immediate indicator with which an intention of him/her for doing particular behavior can be predicted (Yoo and Lee, 2009). Attitude is a learned tendency to replay to a topic through a desired path or adverse continually and plays a very important role in consumer behavior. Attitudes cannot be directly observed rather they are subjective situations that marketers must obtain the results through realized measurements of them (Wilkie, 1994). Specific attitudes may suggest a specific behavior. Attitude is considered to be highly correlated with one's intentions, which in turn is a reasonable predictor of behavior (Ajzen and Fishbein, 1980, Matos et al., 2007).

This paper focuses on consumer attitudes towards counterfeit goods generally rather than any particular brand or product group. As studies have shown about one-third of the respondents knowingly buy counterfeit goods when available, so understanding the factors that affect ATCP is important and according to the literature review, the three predictors and purchase intention are presented below.

2.3. Conspicuous consumption

Veblen (1889) studied conspicuous consumption in the theory of the Leisure Class for the first time. The theory deals with the indicators such as clothing and appearance of people. Consumers with conspicuous consumption follow not only the satisfaction of material needs, but also the satisfaction of social needs, such as credibility and prestige. Masom (1981, 1992) did some efforts toward economic ideas of conspicuous consumption and showed that most of people consume products that present them higher level than the others in the society. Conspicuous consumption is a motivational process through which an individual tries to show a higher social situation and image (Eastman et al. 1999). People who have tendency to higher social situation and do not have enough income, consider counterfeit product rather than original goods for this purpose (Wee et al., 1995). Thus, the following hypothesis is offered:

H1: Consumers' conspicuous consumption will affect their attitude toward counterfeits

Integrity: Integrity is a concept of consistency of actions, values, methods, measures, principles, expectations, and outcomes. In ethics, integrity is regarded as the honesty and truthfulness or accuracy of one's actions. Integrity can be regarded as the opposite of hypocrisy, in that it regards internal consistency as a virtue, and suggests that parties holding apparently conflicting values should account for the discrepancy or alter their beliefs (www.wikipedia.com). Consumer purchase of a counterfeit is not a criminal act, but as consumer participation in a counterfeit transaction supports illegal activity (i.e. counterfeit selling), consumer's

respect for lawfulness might explain how much engagement

He/she will have in buying counterfeits. Indeed, research shows that consumers' willingness to purchase counterfeit products is negatively related to attitudes toward lawfulness. In this sense, those consumers who have lower ethical standards are expected to feel less guilty when buying a counterfeit. Rather they rationalize their behavior in a way to reduce the cognitive dissonance of an unethical behavior (Matos et al., 2007). So it is hypothesized that:

H2: Consumers' integrity will affect their attitude toward counterfeits

Personal gratification: The majority of counterfeit goods are not comparable to the original goods in terms of quality and consumers who purchase counterfeits are aware that the counterfeit products do not provide similar levels of quality as the original they are willing to accept such compromise. Ang et al., (2001) stated that personal gratification concerns the need for a sense of accomplishment, social recognition, and to enjoy the finer things in life and the result of their study showed no significant influence of personal gratification on consumer attitudes toward counterfeits. These are different from Bloch *et al.* (1993) findings. Bloch *et al.* (1993) pointed out in a research that, consumers by choosing a counterfeit product see themselves as less well off financially, less confident, less successful and lower status than counterfeit non-buyers. However, consumers who purchase counterfeit goods are attributed to the fact that the quality of them is some degrees lower than the genuine ones and they may have certain feelings about this fact. Matos et al., (2007) examined the effect of personal gratification on consumer attitudes to non-genuine items through 400 Brazilian consumers as respondents. The results of their research show that willingness of consumers to purchase counterfeit products depends on the attitude of them toward these products and personal gratification is one of the variables that affect the attitudes toward counterfeit products. Thus, the following hypothesis is offered:

H3: Consumers' personal gratification will affect their attitude toward counterfeits

Purchase intention: The link attitude-behavioral intention has been extensively examined in the marketing literature. According to the Theory of Reasoned Action, attitude is positively correlated with behavioral intentions, which in turn is an antecedent of the real behavior. Indeed, research has found support on this relationship (Matos et al., 2007).

Different explanations can be suggested for the link between the attitude of consumers and their actual purchase behavior. For example, based on work of Yoo and Lee (2009), attitudes toward an action affect behavioral intentions positively and previous studies represented that consumer's attitudes can affect the probability of buying counterfeit products (Singhapakdi, 2004).

Based on the researchers' findings, individuals with a favorable attitude toward counterfeiting more often indicated that they intended to purchase counterfeit products than individuals with negative attitudes (Kim, 2009).

For example, an investigation indicated that Singaporeans, who are less supportive of software copyright law, are more inclined to make pirated copies of software than their US counterparts (Wee et al., 1995; Heidarzadeh and Taghipourian, 2012). Therefore, it is expected that positive attitudes toward buying counterfeits affect behavior intention of counterfeits positively whereas it is expected to affect the opposite action negatively. So it is expected that:

H4: Consumer's attitudes toward counterfeit products affects behavioral intention of buying

Theoretical model: Based on the literature review this research concentrates on conceptual framework of attitudes toward counterfeit products in terms of three variables of conspicuous consumption, integrity and personal gratification. These independent variables affect attitudes toward counterfeit products (ATCP) and ATCP affects purchase intentions (PI).

3. Research method

3.1. Data collection and sample

The descriptive survey study aims to describe the influence of conspicuous consumption, integrity and personal gratification, on purchase intention of counterfeit products, through attitudes toward them. The data were collected using a questionnaire that was completed during a week in Jun 2014 by respondents. Questionnaire of this research was

designed based on the previous study of Matos et al., (2007) with necessary changes and adjustments. For each statement, the respondent indicates his/her opinion on a five-point Likert-type scale ranging from "strongly disagree" (1) to "strongly agree" (5). To examine the validity of the data collecting instrument, the marketing experts' opinion through computing content validity ratio (CVR), suggested by Lawshe (1975), and Bartlett Test was used, and its reliability was confirmed by using Cronbach alpha. Although the ideal Cronbach alpha amount of a scale should be above 0.7, the minimal Cronbach alpha amount of 0.6 suggested by Robinson et al. (1991) was accepted (Hoare & Butcher, 2008). The calculated Cronbach alpha coefficients for the all constructs were ideal Cronbach alpha (higher than 0.7) that indicating high reliability. Besides, the coefficients for individual variables were obtained as follows: conspicuous consumption 77%, integrity 81%, personal gratification 78%, and attitude 74% and purchase intention 82%.

The population of this research includes consumers who live in Shiraz-Iran. The sample was selected in the streets and places close to the points where counterfeited products were being sold. Because of the largeness of populations Cochran's formula (1963) was used to determine an adequate sample for proportions. By using the formula and as a test sample of the research a total of 300 questionnaires were distributed to respondent and 276 questionnaires were found to be usable in the study. Some characteristic of the sample in terms of demographic variables such as gender, age and education level are presented in table 1.

Table 1: The sample in terms of demographic characteristics

Demographic variable	Variable	No. of respondents	Percent
Gender	Male	163	59.0
	Female	113	41.0
Age	Less than 20 years old	3	1.08
	Between 20 to 29 years old	92	33.3
	Between 30 to 39 years old	95	34.4
	Between 40 to 49 years old	61	22.1
	50 years old and above	25	9.1
Education	High-school diploma or below	13	4.7
	Associate or bachelor	214	77.5
	Over bachelor	49	17.8

According to table 1 the majority of respondents were male. On the other hand, most of the sample members were aged 30 to 39 years and most of them had an associate or bachelor degree.

Data analyses: To evaluate the proposed model Anderson and Gerbing two-step approach (1988) was used. First, the measurement model was tested and then the structural model was estimated by using Structural Equation Modeling. All analyzes were performed using SPSS 17 and Amos 18 software programs. For testing the mediated effects in the model and their significance Baron and Kenny

method (1986) and Sobel test (1982) were used. Model adequacy was evaluated by the comparative fit index (CFI), goodness of fit index (GFI) (Bentler and Bonnett, 1980) and the χ^2 test statistic (Bollen, 1989). Besides, normed χ^2 index (χ^2/df), normed fit index (NFI), Adjusted goodness of fit index (AGFI), root-mean-square error of approximation (RMSEA) and root mean square residual (SRMR) were used in the model adequacy evaluation. When significant, the χ^2 statistic is indicative of a lack of fit. However, the χ^2 test being particularly sensitive to sample

size, the use of relative fit indices CFI, GFI, NFI, SRMR and RMSEA is strongly recommended.

4. Results

4.1. Explanation and interpretation of the independent and dependent variables

Since the number of respondents is more than 30 people, according to the central limit theorem, the population distribution, is a normal distribution. So single-sample T test was used for explanation and interpretation of variables with test value = 3, confidence interval=95% and error=5%. The results of single-sample T test of independent and dependent variables are presented in Table 2.

Table 2: The single-sample T test results of independent and dependent variables

Factor	P-Value	Mean	Std. deviation	T test
Conspicuous consumption	0.330	2.8571	0.8876	-1.365
Integrity	0.275	2.9323	0.9839	-2.103
Personal gratification	0.433	2.3452	0.8744	-2.323
ATCP	0.001	2.6477	0.9129	-6.609
PI	0.000	2.8813	0.9044	-7.419

ATCP: attitudes toward counterfeit products; PI: Purchase intentions

If P-Value is more than 0.05, the test does not show any significant difference between variable studied and test amount namely 3. Consequently the factor examined exists in the population in average amount and if P-Value is less than 0.05, the test shows significant difference between variable studied and test amount namely 3. In this case, if the mean of factor examined is more than 3, the factor examined exists in the population significantly and if the mean of factor examined is less than 3, the factor examined exists in the population weakly. So regarding Table 2, the variables of conspicuous consumption, integrity and price personal gratification in the population in average amount and the variables of ATCP and PI exists in the population weakly.

4.2. Survey of the relationship between the independent and dependent variables by using Multiple Linear Regression

Simultaneous effects of independent variables on the dependent variable examined by using Multiple Linear Regression in Stepwise method. As can be seen in Table 3, the ANOVA (Sig.) amount is less than 0.05 for the variables of conspicuous consumption, integrity and personal gratification that indicating a linear relationship between the above factors and attitude. The R square is 0.839, implies that 0.839 of changes in attitude influenced by conspicuous consumption, integrity and personal gratification.

Table 3: The results of Multiple Linear Regression between independent variables and ATCP

Dependent variable	Independent variables	ANOVA (Sig.)	Coefficients B	R Square
				Constant =0.232
ATCP	Conspicuous consumption	0.001	CC =0.211	0.839
	Integrity	0.000	IN=0.249	
	Personal gratification	0.002	PG =0.202	

CC: Conspicuous Consumption; IN: Integrity; PG Personal Gratification

Structural equation model: The hypothesized model was tested for model fit. The result of the

Goodness-of-fit for the structural model shows a proper model fit according to Table 4.

Table 4: Overall Fit Indices of the Hypothesized Structural Model

Model Fit Indices	χ^2	χ^2/df	GFI	AGFI	CFI	NFI	RMSEA	SRMR
Amount	409.25	2.23	0.90	0.887	0.92	0.97	0.073	0.053

Models whose SRMR and RMSEA is smaller than the threshold amount of .05 are indicative of a close-fitting model, whereas amounts up to .08 represent acceptable errors of approximation and amounts above 0.10 are indicative of poor fit (Browne and Cudeck, 1993). This means that the model is an adequate representation of the sampled data. As for the GFI, NFI and the CFI, amounts above the criteria amount of 0.90 are also indicative of a good fit (Hoyle, 1995) and for the AGFI Value close to 0.9 represents a good fit.

As it is indicated in table 3, the model fit indices for the structural model shows a proper model fit;

chi-squared/df. Ratio is 2.23 and below the threshold of 3, indicating good fit for the modified measurement model. GFI=0.90, CFI=0.92 and NFI=0.97 are above cut-point of 0.9 and show a proper model fit. RMSEA and SRMR are 0.073 and 0.053 respectively, both below the cut point of 0.08. Therefore according to the fit indices for the final model and the threshold amount of the above quantities, it can be said that the final model presented in this study is acceptable. The final structural model can be seen in Fig. 1.

As it can be seen in Fig. 1, the standard path coefficients for hypothesized relationships are

measured using structural equation modeling. The hypothesis of this study can be examined regarding the results of structural modeling. Path coefficient

between the final model variables and their significance level are reported in Table 5.

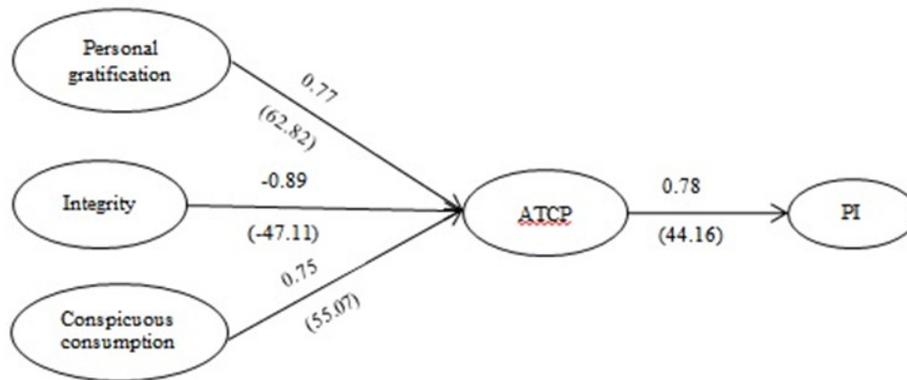


Fig. 1: The Structural Model

Table 5: The results of structural equations or path analyses

Hypothesis	Path		Std. coefficient	Significant numbers
H1	Conspicuous consumption	→	ATCP 0.75	55 .07
H2	Integrity	→	ATCP -0.89	-47 .11
H3	Personal gratification	→	ATCP 0.77	62.82
H4	ATCP	→	PI 0.78	44 .16

ATCP: attitudes toward counterfeit products; PI: Purchase intentions

Regression analysis of independent and dependent variables shows that, consumers' attitudes are affected by the three components of conspicuous consumption, integrity and personal gratification. On the other words, these three variables constitute the variable of attitude. For significance of a coefficient, the number of significance should be greater than 2 or less than -2. Thus all hypotheses are confirmed according to the results of the structural equation and similarly, significant coefficients that are greater than 2 and less than -2 according to the numbers in Table 5, and among them integrity is the most effective according to the coefficient of 89%. On the other hand, integrity has a significant negative impact on consumers' attitudes, as well.

5. Conclusion

This paper examines the 3 factors influencing consumers' attitude toward counterfeit products (ATCP) and the effects of (ATCP) on the behavior intention to purchase those products. According to the literature review, variables of conspicuous consumption, integrity and personal gratification may affect attitudes toward counterfeit products (ATCP) and their effects on consumer attitudes toward counterfeit goods were tested. Regression

analysis results associated with the path coefficient showed that these variables motivate consumers for order with impact on their attitudes significantly. Integrity was found to have a negative impact on attitude towards counterfeit products. Consumers who considered important values as honesty, politeness and responsibility tended to have a negative attitude toward counterfeits, in accordance with previous research (e.g. Ang et al, 2001; Cordell et al., 1996; Matos et al, 2007).The results cleared that integrity has had the greatest influence on attitudes toward counterfeit goods among other variables. Consumers who attribute more (less) integrity to themselves have unfavorable (favorable) ATCP. In fact, consumer with higher integrity has less motivation to purchase counterfeit goods.

In this study, conspicuous consumption affects attitude towards counterfeit products significantly and positively. So if consumers perceive that their friends/relatives approve their behavior of buying counterfeit goods will have favorable attitudes towards counterfeited products. On the other hand, the effect of personal gratification on attitude towards counterfeit products was significant. Consumers who seek to have a sense of accomplishment have positive attitudes, different from findings of the previous study of Ang et al, (2001), which found a positive but non-significant

effect and in accordance with the findings of the previous study of Matos et al., (2007).

The study states that attitudes toward counterfeit products would affect behavioral intention of buying and this hypotheses was supported in the study and is similar to the results of previous researches, as Wee *et al.* (1995) claimed if a person's attitude towards counterfeiting is favorable, it is highly likely that he/ she would consider the purchase of counterfeit products.

The findings can help managers, practitioners and government officials reduce the counterfeit trade, therefore they must focus more on factors that help increase or decrease counterfeiting. They should improve the variables that influence counterfeiting negatively. This study has some limitation due to population, sample size, limited number of independent variables and so on. Considering the limitations of the research, some cautions should be considered in the generalization of its results just like other studies. It is possible to conduct this study with some changes and adjustment, to enhance the generalization of the research. The other researches may better measure the causal relationships of the variables through the identification of other variables that influence attitudes toward counterfeit goods (ATCP) and through the improvement of the method of research conduction.

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