



Genuine or Counterfeit Brand: Does It Matter?

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Abstract

Some middle class consumers tend to purchase luxury brands to portray status and achievement, while the others prefer to buy counterfeit ones. This study aims to examine the difference on shopping motives, perceived risks, and influence of reference group between those consumer groups.

This study used concurrent mixed method to obtain a deeper understanding of consumer behavior on the genuine and counterfeit luxury fashion brands. Judgmental sampling was employed to select 400 respondents in the quantitative study. Independent sample t-test was utilized to analyze the responses. Data of qualitative study were collected from exploratory survey and in-depth interviews that analyzed using descriptive statistics and content analysis. Each consumer group of genuine and counterfeit brands in exploratory survey was represented by 100 participants. Meanwhile, the in-depth interviews involved 3 consumers of genuine brands and 5 consumers of counterfeit brands.

The findings showed that there were significant differences on product and transaction risks between genuine and counterfeit brands. In contrast, the differences on shopping motives and the influence of reference group between those brands were found insignificant.

Keywords: *consumer behavior, fashion, luxury brand, theory of reasoned action*

INTRODUCTION

The number of Indonesian middle class consumers increases significantly due to positive economic growth. These consumers are more likely to have hedonic lifestyle and prioritize external appearance through fashion (Ansori, 2009; Heryanto, 1999). It is shown through their interest in consuming foreign luxury brands as status symbols.

The lifestyle of middle class consumers attracts the producers of luxury brands and counterfeiters. Even though the counterfeiters are targeting the limited-income consumers, the products also attract the high income consumers (Phau et al., 2001; Prendergast et al, 2002).

Most previous research evaluate the consumers' purchase intention either on genuine or counterfeit brands, while there are only few studies that compares the behavior of those consumer groups. Since middle class consumers may purchase



either genuine or counterfeit brands, it is necessary to investigate the difference on the influencing factors of purchase intention between those consumer groups.

This research intends to investigate the difference on shopping motives, perceived risks, and reference group influence between consumers of genuine and counterfeit luxury brands. It is expected to give contribution to the producers of genuine brands in designing appropriate marketing strategies.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

This study uses theory of reasoned action (TRA) to explain the consumer purchase behavior toward genuine and counterfeit brands. According to TRA, attitude and normative influence shape consumers' behavioral intention (Hoyer & MacInnis, 2010). The attitude toward genuine and counterfeit brands may be formed by shopping motives and perceived risks. Meanwhile, the normative influence consists of perceived expectation of reference group and consumers' motivation to meet expectation of others.

Shopping motives can be divided into hedonic and utilitarian motives. Consumers who are dominated by hedonic values tend to choose genuine luxury brands to gain emotional values from those products. Genuine luxury fashion brands are having symbolic values that may demonstrate exclusivity and a unique self-identity of the consumers (Vigneron & Johnson, 2004). On the other hand, consumers of counterfeit brands are dominated by utilitarian motive that prioritize functionality of the products (Robinson & Doss, 2011). Therefore, this study tests the following hypothesis:

H1: consumers of genuine luxury fashion brands are more hedonic than consumers of counterfeit brands

Consumers' attitude is also influenced by perceived risks. In this study, the perceived risks are divided into product and transaction risks. It is believed that consumers of counterfeit brands face higher risks due to lower product quality, unavailability of after-sales services, and possibility of being caught by authorities (Ha & Lennon, 2006; Robinson & Doss, 2011). Therefore, this study examines the following hypotheses:

H2: consumers of genuine luxury fashion brands have lower product risk than consumers of counterfeit brands

H3: consumers of genuine luxury fashion brands have lower transaction risk than consumers of counterfeit brands



Subjective norm in TRA is related to culture. The Indonesians are dominant in collectivism values that stimulate them to look alike their groups. The reference group influence is higher for publicly-consumed goods, such as fashion. Many consumers use luxury brands to get acknowledgment from the group (Husic & Cicic, 2009; Lee, 2009). The last hypothesis being tested is:

H4: the reference group influence is higher on consumers of genuine brands than counterfeits

RESEARCH METHODOLOGY

This study used mixed method by applying concurrent triangulation strategy. This method compared the findings of quantitative and qualitative study to obtain a deeper understanding on the phenomenon (Creswell, 2003).

The subject of this study was Indonesian middle-upper class consumers. As most middle class consumers lived in big cities, this study was conducted in Jakarta which had the highest GDRP. Data were collected in 2011. Table 1 shows the profile of participants in this study.

Table 1 Demographic profile

| | Quantitative | | Exploratory survey | | In-depth interviews | |
|---------------------------------|----------------|--------------------|--------------------|--------------------|---------------------|--------------------|
| | Genuine brands | Counterfeit brands | Genuine brands | Counterfeit brands | Genuine brands | Counterfeit brands |
| N | 121 | 159 | 70 | 72 | 3 | 5 |
| Gender: | | | | | | |
| Female | 65.29% | 79.87% | 72.86% | 62.89% | 100% | 100% |
| Male | 34.71% | 20.13% | 27.14% | 37.11% | - | - |
| Age: | | | | | | |
| 18-24 | 9.92% | 44.03% | 60.00% | 100% | - | 100% |
| 25-35 | 47.11% | 34.59% | 12.00% | - | - | - |
| 36-45 | 34.71% | 16.98% | 8.29% | - | - | - |
| More than 45 | 8.26% | 4.40% | 21.72% | - | 100% | - |
| Educational level: | | | | | | |
| High school | - | 41.51% | - | 88.72% | - | 60% |
| Undergraduate | 82.64% | 54.72% | 78.16% | 11.28% | 66.67% | 40% |
| Postgraduate | 17.36% | 3.77% | 21.84% | - | 33.33% | - |
| Frequency of purchase per year: | | | | | | |
| 1-2 times | 80.99% | 21.38% | 94.29% | 13.89% | 100% | 20% |
| 3-4 times | 19.01% | 62.27% | 4.29% | 36.11% | - | 40% |
| More than 4 times | - | 16.35% | - | 50% | - | 40% |
| Not answer | - | - | 1.43% | - | - | - |

Data of quantitative study were obtained through distribution of closed-ended questionnaires to 400 respondents and 280 responses could be used. This study used judgmental sampling to select the respondents. Measurement items in the questionnaire were adopted from Robinson and Doss (2011) and measured using 5-point Likert scale. The items were factor analyzed to check the validity, followed by



reliability analysis. Nineteen out of 27 items were valid and reliable. The items were highly reliable with Cronbach's alpha above 0.8, except for hedonic shopping motives with alpha of 0.779. Data were further analyzed using independent sample t-test.

Exploratory survey and in-depth interviews were done to collect data of qualitative study. The survey involved 100 respondents for each consumer groups. There were 3 participants of genuine luxury brands and 5 participants of counterfeit brands being interviewed. Data were analyzed using descriptive statistics and content analysis.

RESULTS AND DISCUSSION

In order to examine the hypotheses, independent sample t-test is utilized to analyze the differences on the influencing factors of purchase intention between genuine and counterfeit luxury fashion brands. Results are shown in Table 2. Qualitative data provides additional explanation of the findings that may be not explored in quantitative study.

Table 2 Results of quantitative study

| Influencing factors | Mean | | Sig. (2-tailed) |
|--------------------------|----------------|--------------------|-----------------|
| | Genuine brands | Counterfeit brands | |
| Hedonic shopping motives | 3.518595 | 3.592767 | 0.258 |
| Product risk | 2.202480 | 2.588052 | 0.000* |
| Transaction risk | 2.363636 | 2.493711 | 0.057** |
| Reference group | 3.371901 | 3.265409 | 0.136 |

*significant at $P < 0.05$

**significant at $P < 0.10$

The first hypothesis is not supported as the findings show no significant difference on hedonic shopping motive between genuine and counterfeit luxury fashion brands. Based on the mean value of genuine and counterfeit brands, both consumers are dominated by hedonic motive. They tend to buy luxury fashion brands for self-expression which consistent to the findings of qualitative study. Further investigation finds that although consumers consume luxury brands to be fashionable look, they still evaluate some functional aspects. The consumers of genuine brands emphasize the product design (78.57%) over quality (47.14%), while consumers of counterfeit brands stress on price (65.98%) and product design (32.99%).



The findings support the second and third hypotheses which consistent to the study by Robinson and Doss (2011). There are significant differences on product and transaction risks between genuine and counterfeit brands in which genuine brands have lower risks than counterfeit ones. The guarantee on superior product performance offered by producers of original brands cause consumers having lower perceived risks. In contrast, the counterfeit buyers tend to trade-off the quality with price. Even though the difference is significant, perceived risk on counterfeit brands is not high. It may be due to the availability of super quality counterfeits and ineffective law enforcement in Indonesia. The availability of super quality counterfeits enables the consumers to get faked branded items that have good quality at much cheaper price. Weak law enforcement causes rampant selling of counterfeit brands and lowering transaction risk faced by the consumers.

For fourth hypothesis, insignificant difference is found on reference group influence on genuine and counterfeit brands. The influence is relatively high for both brands that support the findings of Husic and Cicic (2009) and Lee (2009). In the qualitative study, it is discovered that consumers of genuine brands are influenced by family (67.14%), peers (41.43%), and mass media (10%), while consumers of counterfeit brands are influenced by retailers (47.42%), peers (39.13%), and family (5.15%). Family and peers may give normative influence in which individuals choose a particular brand to meet expectation of others. Meanwhile, the mass media and retailers provide information about the latest fashion trend. According to Maslow's hierarchy of needs, after fulfilling physiological and safety needs, Asian people are more likely to satisfy affiliation need (Keegan & Green, 2012). To gain acceptance from reference group, they tend to buy the same brands as their peers. Therefore, they purchase the same luxury brands, either genuine or counterfeit, to conform the expectation of the group.

CONCLUSION AND DIRECTION FOR FUTURE RESEARCH

Two out of four hypotheses are supported, where there are significant differences on product and transaction risks between genuine and counterfeit brands. The buyers of genuine brands are more hedonic by considering product design and quality, more influenced by reference group, and facing lower perceived risks. On the other hand, buyers of counterfeit brands are also hedonic by focusing on price and product design, less influenced by reference group, and deal with higher perceived risks.

The producers of genuine brands should maintain the product quality and create additional value for consumers such as providing after-sales services and offering loyalty program. They should encourage the government to implement strict intellectual property rights law enforcement to reduce the sales of counterfeit



products. They also have to educate the consumers about the impact of buying counterfeits on producers of genuine brands, society, government, and consumers.

This study has several limitations. The object of this study is handbag and the majority of respondents are female in Jakarta and surrounding areas. Future study may choose different objects and involve more respondents with different demographic characteristics. Further study may also investigate the impact of shopping motives, reference group influence, and perceived risks on purchase intention.

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