

The Overlooked Component in the Consumption of Counterfeit Luxury Brands Studies: Materialism - A Literature Review

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ABSTRACT

Trade in counterfeit luxury brands is perceived as a challenging issue to the luxury industry. As such, this paper sought to explore an often overlooked component of consumer behavior in the consumption of counterfeit luxury brands - materialism. An extensive and critical literature review was conducted that included contributions from different streams of management and marketing research. While researchers has noted that materialism plays an essential role in influencing purchase intention of consumer consumption of luxury brands, little is known about its role in consumption of counterfeit luxury brands. Moreover, the concept of materialism can be further dimensionalized to pertain to the motivation of indulging in counterfeit purchases. Through further investigation of the role of materialism in the consumption of counterfeit luxury brands, this paper also opens an agenda of directions that are worthy of research and will have academic, managerial, and social policy significance.

Keywords: Materialism, Counterfeit, Luxury

INTRODUCTION

Practical Background

The marketing practice of branding luxury products can be dated back to the Roman period when Roman winemakers put unique marks on their wine amphorae (Chaudhry and Walsh, 1996). Likewise, the first practice of counterfeiting can also be

dated back to the same period when wine merchants from Gaul copied and put those unique marks on cheap local wines and sold them as expensive Roman wine (Phillips, 2005).

Counterfeiting of luxury brands has grown steadily in the past few years, regardless of the combined efforts of individual organizations and law enforcement agencies. Anti-counterfeiting forces have relentlessly pursued legal battles in many countries in their fight against counterfeiting. Despite their efforts, the consumption of counterfeit luxury brands continues to soar, worldwide. For example, in 2007, U.S. Customs seized over \$200 million worth of counterfeit luxury brands; this was only the tip of the iceberg (BASCAP Report, 2009). In recent years, the consumption of counterfeit luxury brands continues to expand, worldwide, and is now regarded as a common act of consumption. Without reservation, counterfeiting luxury brands is one of, if not, the most critical issues for the luxury industry because it unlawfully takes advantage of the prestige of luxury brands and harms their tradition, identity, and image.

Objective and Structure

The objective of this paper is to:

- Identify theoretical gaps and opportunities for further research; and
- Draw managerial implications for the fight against the consumption of counterfeit luxury brands.

The remainder of this paper is organized as follows: the second chapter provides a clear definition of counterfeiting, counterfeit luxury brands, and materialism. Following, is a comprehensive review of the academic literature regarding materialism, consumption of counterfeit luxury brands, and existing literature on materialism in the counterfeit context.

TERMS AND DEFINITIONS

By definition, counterfeiting is any unauthorized manufacturing of goods whose special characteristics, such as names, content, or signs, are registered to another party and, thus, protected as intellectual rights (Bian and Veloutsou, 2007). Counterfeit luxury brands are also known under several other names such as replicas, imitation, bogus, fakes, copy, and knock-off, and are often considered to be of poor quality (Lai and Zaichkowsky, 1999).

Richins and Dawson (1992) defined materialism as “the importance ascribed to the ownership and acquisition of material goods in achieving major life goals or

desired states.” As counterfeit luxury brands replicate versions of genuine luxury brands, the demand for such products should also be driven by the same values that consumers expect in a genuine luxury product. Previous studies on luxury brands have also indicated that consumer attitudes toward genuine luxury brands may serve a social adjustment function, a value-expressive function, or both (Shavitt, 1989). For example, a person might purchase a Gucci bag because the brand reflects her personality (value-expressive function) or because it stands for a status symbol that helps her fit into a specific social group (social adjustment function), or for both reasons. As such, these functions of attitude are postulated to be connected to materialism.

LITERATURE REVIEW

Methodology

Despite the fact that the first study on counterfeiting was published more than 30 years ago (Hansen, 2009; Staake, Thiesse, and Fleisch 2009), counterfeiting research has yet to be established as an independent research stream. Literature on counterfeiting spreads across various streams of business-related research including management, logistics, marketing, economics, and others. Because the objective of this study was to depict the role of materialism in current knowledge and the consumption of counterfeit luxury brands, journals in the area of sociology, marketing, consumer research, and management were given a more explicit focus. Works in other disciplines, such as law or business ethics, are only mentioned when they hold significant influence on this subject.

This study began with an extensive search in electronic journal databases (ProQuest, ScienceDirect, Emerald Insight) for the keywords that included “materialism,” “counterfeit,” and “luxury.” The initial search returned over 59,000 findings for “counterfeit,” 628 for the combination of “counterfeit” and “luxury,” 32 for “counterfeit” and “materialism,” and only 11 results for all three key words. After eliminating unrelated articles, 67 studies that concentrated on counterfeits of luxury brands or materialism of consumers were selected for further review. References and bibliographies from these studies were cross-referenced to identify further contributions from other sources. In the end, 36 journals were selected for inclusion in this paper. In addition to academic papers, reports from trade magazines and industry organizations, such as BASCAP (Business Actions to Stop Counterfeit and Piracy), were also included to provide the primary data upon which other academic papers were based.

This paper will first present a section of general descriptions of the following

- General descriptions of the phenomenon
 1. Materialism
 2. Consumption of counterfeit luxury brands
- Materialism in existing counterfeit luxury brands literature

General Descriptions of the Phenomenon

- **Materialism**

The oldest theory that attempted to explain consumers' demand for luxury brands was the theory of conspicuous consumption (Veblen, 1899). According to this theory, the demand for luxury brands is motivated by consumers' desires for social status or esteem, which can only be achieved by acquiring and displaying luxury goods and wealth. Thus, the social esteem of consumers, rather than economical value or physiological utility of goods, drives conspicuous consumption (Veblen, 1899; Mason, 2001; 1981). Materialistic consumers tend to consume more than other consumers, with a clear intention to consume products that generate social recognition or status for the owner (Mason, 2001). Further, these individuals often display acquired goods to distinguish themselves from others. This has been portrayed thoroughly by several studies on conspicuous and consumption of luxury brands (Dubois and Paternault, 1995; Campbell, 1995; Corneo and Olivier, 1997; Faure and Fang, 2008; Chaudhuri and Majumdar, 2006). Because of the wealth and status that is signaled via the use of luxury brands (Mason, 1998), highly materialistic consumers, without the financial capacity to achieve their ambitions, are easily tempted to buy counterfeit luxury brands.

- **Consumption of Counterfeit Luxury Brands**

Most general information about the consumption of counterfeit luxury brands can be found in trade magazines (The Economist, 2004; Business Week, 2005; The Guardian, 2010) and reports published by industry organizations (BASCAP Report, 2009). Further, articles from magazines generally outline examples of spectacular cases or seizures in selected markets and discuss the magnitude of luxury brand counterfeiting, while reports from industry organizations illustrate the existence of counterfeits and market research data in different regions of the world.

In academic journals, from the first publication in the 1970s until recently, luxury brand counterfeiting had been described as cheaper and lower quality copies of authentic brands. The quality of counterfeit luxury brands has improved dramatically

compared to 10 years ago and this activity has also affected the demographic of potential consumers. With improvements in manufacturing processes and greater attention to detail, counterfeit luxury brands are no longer the cheaper and lower quality copies of genuine ones (Penz and Stottinger, 2005). In fact, some counterfeit goods are easily mistaken for the genuine product, even to the trained eye. Furthermore, the trade of counterfeit goods has also increased exponentially with extensive distribution and logistics networks (Wilcox, Kim, and Sen, 2009), especially on the Internet. Because of the excellent quality, cheaper price, and relative ease of access, people who actively seek and purchase counterfeit luxury brands are no longer limited to those who cannot afford the genuine ones (BASCAP Report, 2009).

Materialism in Existing Counterfeit Luxury Brand Literature

In the beginning, most studies on counterfeiting focused on the supply side, while there was a lack of research that examined the consumer perspective. As such, it was not until much later in the counterfeit literature that materialism was even mentioned. For example, in 1995, Wee et al. (1995) published an article in the *International Marketing Review* that examined materialism as a key component. However, the study found that, whether a person was materialistic, risk taking, novelty seeking, or not, had no effect on buying intention. Later, in an extensive review of the counterfeit trade, published in 2009, Staake et al. (2009) presented an exclusive list of literature that was related to the subject dated from 1978 to 2008. Among these studies, there was only one paper that had investigated the consumption of counterfeits using materialism as a key component (Furnham and Valgeirsson, 2007). Nevertheless, the findings of this study confirmed only one in three material values – material centrality – as a predictor of buying intention.

Further exploration into this subject using electronic databases only resulted in a few more published papers, dated from 2008 to 2010, that have employed materialism scales and models in their research (Phau, Sequeira, and Dix, 2009; Swami, Chamorro-Premuzic, Furnham, 2009). These include Furnham and Valgeirsson's paper (Furnham and Valgeirsson, 2007) and three papers that employed either materialism scale designed by Richins and Dawson or Belk's materialism traits in their study of counterfeit of luxury brands. Although both models are highly regarded by researchers, neither has proven that materialism is a solid force in predicting the consumption of counterfeit luxury brands (Furnham and Valgeirsson, 2007; Phau, Sequeira, and Dix, 2009; Swami, Chamorro-Premuzic, Furnham, 2009).

On the other hand, Wan et al. (2009) employed an adapted version of Richins' materialism scale in their CD piracy study and found significant results. Furthermore, a recent study in Indonesia (Lu and Lu, 2010), also using Richins' scales, found that materialism is positively correlated with consumers' ethical judgments. This suggests that an individual with high level of materialism is more likely to be involved in questionable consumer practices.

With only a handful of studies on materialism in the context of counterfeiting of luxury brands, it is difficult to bring a conclusion on the role of materialism in illicit consumer behaviors. Given the importance of materialism in the consumption of luxury brands, this is surely an area that requires further investigation.

DISCUSSION

Research Gaps

Given the widespread of counterfeits, it comes as a surprise that there is a relative dearth of literature in this area. It is an even bigger surprise to see that only a few studies have used materialism as a key component. Further, previous studies on consumption of luxury brands have indicated that materialism plays an important role in influencing the buying intentions of consumers. Because the nature of counterfeiting must copy a trademarked brand in order to sell itself, counterfeiting often targets luxury products that have a high brand value. Therefore, materialism should also play a significant role in influencing buying intention of counterfeit luxury brands.

Moreover, previous studies that used or adapted Richin's materialism scale have found inconclusive results (Wilcox, Kim, and Sen, 2009; Swami, Chamorro-Premuzic, Furnham, 2009; Wan et al., 2009; Lu and Lu, 2010). Reasons such as cultural background and income level may explain this occurrence; however, it could also be because Richin's scales were originally developed to measure the materialistic level of consumer consumption of authentic brands, not counterfeits. While consumption of authentic luxury brands is driven by conspicuousness and the urge to be distinguished (Csikzentimihalyi and Rochberg-Halton, 1981; Kaikati and LaGarce, 1980), materialistic consumers, who buy counterfeits of luxury brand, seek social recognition, status (Wilcox, Kim, and Sen, 2009; Swami, Chamorro-Premuzic, and Furnham, 2009), and, in a way, become more similar to authentic brand users. Thus, to measure the materialistic level of consumers in the counterfeit of luxury brand context, the materialism scale must be able to measure, not only material conspicuousness, but also status and material distinctiveness.

Managerial Implications

Managerially, the lack of study on materialism may have obstructed organizations' planning of more effective anti-counterfeiting strategies. Further research into this subject will help management of authentic brands by providing a better understanding of what drives consumers toward counterfeits of luxury brands so that they are able to design better anti-counterfeit strategies.

SUMMARY AND OUTLOOK

The development of counterfeit of luxury brands remains a substantial threat to the luxury industry. Against this background, this paper provided a literature review to shed light on an often overlooked component based on its importance. The diversity of the counterfeit phenomenon underlines the need for further research in this area. Because materialism is a significant factor that influences buying intention of consumers and existing research findings are still far from concrete, further investigation is warranted. From a managerial perspective, it may be helpful to understand the relevant influential factors in order to assist the development of company-specific measures in the fight against counterfeiting.

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APPENDICES

Table 1 Background of Consumption of Counterfeit Luxury Brands

Author(s)	Year	Short description
Hansen	1978	Evidence of the global consumption of counterfeits.
Kaikati can LaGrace	1980	Discussion of different forms of brand piracy.
Grossmann and Shapiro	1988	Non-deceptive counterfeiting was described as a disaggregation of brand and product.
Wee <i>et al.</i>	1995	The study identified that various non price determinants have significant impact on consumers' purchase intention toward counterfeit goods and include psychographic (attitudes toward counterfeiting, brand status, and novelty seeking), demographic (age, educational attainment, and household income), and product-attributes (appearance, durability, image, perceived fashion content, purpose, and quality) variables. The study indicated that whether a person was materialistic, risk taking, novelty seeking or not had no effect on his or her intention to purchase Counterfeit products.
Chaudhry and Walsh	1996	A paper on research trends in counterfeits that provided an overview of the legal framework, a review of different anti-counterfeiting strategies, and a summary of techniques used to distinguish between real and fake goods.
Nia and Zaichkowsky	2000	Viewpoints of luxury brand owners toward counterfeit luxury goods.
Green and Smith	2002	Summary of the counterfeit trade.
Chuchinparkarn	2003	A study on counterfeiting in Thailand from a consumer perspective.
Hilton <i>et al.</i>	2004	Descriptions of various types of counterfeiting that take place in the luxury clothing industry.
Penz and Stottinger	2005	Survey among 1,040 respondents via the Theory of Planned Behavior to systematize past findings in the field and determine key drivers for the demand of counterfeits.

Table 1 Background of Consumption of Counterfeit Luxury Brands (Continued)

Author(s)	Year	Short description
Cheung and Prendergast	2006	Survey among 1,152 buyers in two categories counterfeit products. Heavy and light buyers of pirated clothing and accessories have similar demographic and attitudinal profiles and were mainly attracted by the appearance of the product. Both product categories were rated less positively on their ethical and legal dimensions and on after-sales service.
Bian and Moutinho	2009	The study anticipated and explored the effects of consumer-perceived brand image, perceived risk, product knowledge, product involvement, and consumer demographic variables. The results showed that, among the tested variables, brand personality performed the best in determining consideration of the counterfeit brands. In general, demographic variables and product involvement do not appear to be significantly influential.
Swami <i>et al.</i>	2009	Survey among 237 adults in the UK. Results indicated that attitudes toward counterfeiting were the strongest predictors of purchase intention. Material values predicted purchase intention directly and indirectly via attitudes toward counterfeiting
Staaque <i>et al.</i>	2009	A detailed review of literature that studies counterfeiting from 1978 to 2008.
Wilcox <i>et al.</i>	2009	This research demonstrated that consumers' desire counterfeit luxury brands because of the social motivations underlying their luxury brand preferences.
Wan <i>et al.</i>	2009	Survey among 300 respondents in Hong Kong. The study found that face consciousness increased materialism and risk aversion and thereby produced a favorable deontological judgment of pirated CDs.
Lu and Lu	2010	Survey among 230 Indonesian respondents. Analytical results indicated that Indonesians with high materialism and relativism were more likely to engage in actions that were questionable but legal.

Table 2 Materialism in Counterfeit Literature

Author(s)	Year	Short description
<i>Wee et al.</i>	1995	The study found that various non-price determinants had a significant impact on consumers' purchase intentions toward counterfeit goods, that included psychographic (attitude toward counterfeiting, brand status, and novelty seeking), demographic (age, educational attainment, and household income), and product-attribute (appearance, durability, image, perceived fashion content, purpose, and quality) variables. The study indicated that whether a person was materialistic, risk taking, novelty seeking or not had no effect on his or her intention to purchase counterfeit products.
Furnham and Valgeirsson	2007	Survey among 102 adults, based on Richins' materialism scales, Schwartz value inventory, and questions about belief of counterfeit. Belief of counterfeit was found to be a strong influence, while materialism only contributed to some variance and Schwartz value inventory did not have any influence.
<i>Swami et al.</i>	2009	Survey among 237 adults in the UK. Results indicated attitudes toward counterfeiting were the strongest predictors of purchase intention. Material values predicted purchase intention directly and indirectly via attitudes toward counterfeiting.
<i>Wan et al.</i>	2009	Survey among 300 respondents in Hong Kong. The study found that face consciousness increased materialism and risk aversion, thereby producing a favorable deontological judgment of pirated CDs.
<i>Phau et al.</i>	2009	Survey among 202 students in Australia. The study found that attitudes did not influence consumers' intentions to purchase counterfeit luxury brands. Integrity was noted to be a strong influence on both attitudes and consumer willingness to purchase consistently. Both buyers and non-buyers were tested for their attitudinal differences. Status consumption and materialism did not play a role in influencing attitudes or willingness to purchase.

Table 2 Materialism in Counterfeit Literature (Continued)

Author(s)	Year	Short description
Lu and Lu	2010	Survey among 230 respondents in Indonesia. Analytical results indicated that Indonesians with high materialism and relativism were more likely to engage in actions that were questionable but legal.
