

Consumption and Counterfeits: The Role of Brand Familiarity, Perceived Quality and Anticipated Regrets

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ABSTRACT

Counterfeiting is a prevalent trend in emerging countries such as Indonesia. Even though counterfeiting has existed for a long period of time, only quite recently have luxury brand owners shown concern. Counterfeits may cause luxury brands' value to be diluted. This study investigates different factors that may influence purchase intention of counterfeit products, including brand familiarity, anticipated regrets, and perceived quality of the counterfeit products. This study utilises quantitative methods using survey as its data collection method. The findings of the study have shown that the perceived quality of the counterfeit products influences higher levels of intention to purchase. On the other hand, anticipated regrets are shown to negatively influence intention to purchase counterfeit items. Perceived quality was not shown to influence the purchase intention. The findings are expected to provide managerial insights for luxury brand owners as to how they can better protect their brands by lowering the intention of potential customers to purchase the counterfeit products.

Counterfeiting and counterfeited items have grown steadily over the years (Trinh and Phau, 2012). The loss suffered by luxury brands due to counterfeited items is well documented (Poddar, Foreman, Banerjee and Ellen, 2012). Despite the relatively small size of the luxury industry, its sales and influence are pretty strong (Ko and Megehee, 2012). For Indonesia in particular, counterfeits can be found easily in the market, with variations in quality and price points. It has been noted how counterfeits may have cost Indonesia 42 trillion Rupiahs (US\$3.16 billion, March 2017). The existence of counterfeits also harms the luxury brands, as for these brands to be successful, they have to establish a strong relationship with customers and communicate consistent brand values (Klaus-Peter, Wiedman, Klarman and Behrens, 2015). Counterfeiting dilutes the

brand values and therefore one of vital issues faced by luxury brands (Le Roux, Bobrie, Roy and Thebault, 2016). Despite the perception of lower quality (Jakartapost.com, 2011) of these counterfeited products, demand remains high (Jakartapost.com, 2011).

The high demand for counterfeit products can be fuelled by four different factors: product desirability; ease of obtaining the counterfeit products; having low income and/or education; and the view that complicity is acceptable (Stumpf, Chaudhry and Perretta, 2011). Purchasing luxuries can be seen as a way to achieve the lifestyle of more affluent customers (Amaldos and Jain, 2005 in Wu, Chen and Bang, 2015), even though some counterfeit items are purchased based on their function (Cordell, Wongtada and Kieschnik, Jr, 1996). The high demand for counterfeits may require the luxury brand companies to re-design and change their strategy (Nill and Shultz, 1996).

Despite the negative impact that counterfeiting has on luxury brands companies and national economies, very little research has been done to address this phenomenon. Previous scholars have noted that price differences may not fully represent the reasons why people purchase counterfeit products (Bian and Moutinho, 2011), and therefore, it is an open avenue for investigating other possible factors which may influence counterfeit items purchase intention. Previous studies that have involved demographic factors to predict consumer intention to purchase counterfeit items have had limited success (Stumpf, Chaudhry and Peretta, 2011). In the context of Indonesia, this research is particularly important, as Indonesia has been classified as one of the countries in which counterfeiting is prevalent, be it related to piracy or luxury items counterfeit (Jakartaglobe.com, 2011). The study is expected to investigate the roles of brand familiarity, perceived quality, and anticipated regrets in driving the intention to purchase counterfeit items.

LITERATURE REVIEW

Brand Familiarity

Familiarity in this context can be defined as the knowledge that an individual has towards a product or service derived from their previous exposure to the brand or the company (Luhmann, 1988 in Flavian, Guinaliu and Gurrea, 2006). The concept of familiarity can be used to explain a variety of consumer behaviours (Baroglu, 2001). Counterfeiting can damage a brand's reputation and goodwill (Bloch, Blush and Campbell, 1993; Nia and Zaichkowsky, 2000). Customers'

brand knowledge may lead to brand familiarity. Familiarity is developed over time and persistently (Lee and Kwon, 2011). Developing familiarity is important for companies as it can lead to a stronger relationship with customers (Lee and Kwon, 2011). It is noted how brand familiarity also enhances a company's reputation, and enables the customers to evaluate the company's reputation more easily (Mariconda and Lurati, 2015).

Familiarity can play an important role in counterfeit goods purchase. Consumers who have a higher degree of familiarity of a brand are more knowledgeable, and therefore may exert less cognitive efforts since they possess better established knowledge structures (Alba and Hutchison, 1987). This means they require less external information in making purchase decisions. Consumers who are more familiar with a particular brand are more inclined to choose and consume that brand (Tam, 2008; Yang, 2012). Those who are more familiar with the luxury brands are expected to be more knowledgeable and therefore are better equipped to evaluate the differences between authentic and the counterfeit products. Thus, this means the individuals who are familiar with the brand may prefer authentic products over counterfeits.

Hypothesis 1: The higher the brand familiarity, the lower the intention to purchase the counterfeit luxury fashion products.

Perceived Quality

Perceived quality has been shown to have significant impact on both customer loyalty and company profitability (Frank, Torrico, Enkawa, and Schvaneveldt, 2014). Perceived quality is frequently used to judge the actual quality of a product or brand (Yap, Leong, and Wee, 2012). Consumption of luxury items enables the individuals to enjoy higher quality (Phau and Pendergast, 2001 in Urguzen and Guney, 2012). It has also been noted that the expectation of customers will be high when it comes to luxury products as the quality can be seen as compensation for the higher price of the item (Dubois and Duquesne, 1993). It is noted that quality of a product is highly important as it can strengthen the perceived value (Southworth and Kim, 2015) and influence positive behaviour with relation to that product (Pan & Zinkhan, 2006; Song & Zinkhan, 2003). As noted by Zeithaml, Berry and Parasuraman (1996) inferior quality can lead to unfavourable behavioural intention, such as intention to spend less with the company.

Purchasing counterfeited items is known to provide symbolic benefits such as status at lower quality and cost. Customers tend to purchase counterfeit items should they feel the quality almost matches that of the

authentic products (Poddar et al, 2012). The existence of high quality counterfeit products can damage the exclusiveness of authentic products and thereby decrease consumer willingness to purchase genuine items, while on the other hand increase the intention to purchase the counterfeit items (Wilke & Zaichkowsky, 1999 in Wilcock and Boys, 2014). *Thus, it is hypothesised that:*

Hypothesis 2: The higher the perceived quality of the counterfeit luxury items, the higher the intention to purchase the items.

Anticipated Regret

Anticipated regret refers to the negative feelings of realizing the possibility of negative consequences happening in the future that can be foreseen in the current state (Bui, 2009 in Kim, Njite and Hancer, 2013). Anticipated regret acts as an experiential state, which may be “hot” (in the form of anger, emotional outburst, etc.) or “cold” (in the form of wishful thinking). Anticipated regret may arise when an individual compares the actual outcomes that they have received with the possible outcomes of the other alternatives that were not taken (Reynolds, Folse, and Jones, 2006). Anticipated regret causes negative emotion; and when an individual can accurately predict the possible regrets to be a potent negative emotion, they would be able to choose according to their own expectations (Cooke, Meyvis, and Schwartz, 2001).

Decision-making is frequently influenced by anticipated regret (Zeelenberg, 1999; Zeelenberg, Beattie, van der Plight, & de Vries, 1996 in Hoelzl and Loewenstein, 2005). Experiencing regret is possible even though the individuals may not possess information on all possible outcomes, as they may predict the better outcomes that could be resulted from taking the alternatives (Gleicher et al. 1990; Kahneman and Miller 1986). Previous study has shown how anticipated regrets can have influence on intention (Conner, Sandberg, McMillan and Higgins, 2006).

Anticipated regret may be more apparent in counterfeit luxury consumption as consumption of luxury brands is found to be a part of self-identity communication that is frequently laden with symbolic meanings linked to the identity of the wearers (Elliott and Wattanasuwan, 1998). It should be noted however, that under the concept of anticipated regret, decision processes are not explicitly taken into account (Reb, 2008).

It is expected that individuals who have higher anticipated regrets may have weaker intention to purchase, as they may foresee the purchase as leading them to regret it. For example, the counterfeit items may not

last long, or it may not function as expected, thus leading to regrets. This means the individuals who have anticipated disappointment from buying counterfeit items would not purchase them. *Thus, it is hypothesised that:*

Hypothesis 3: The higher the anticipated regret of purchasing counterfeit items, the lower the intention to purchase the counterfeit items.

PROPOSED MODEL AND METHODOLOGY

The study was conducted involving respondents who are exposed to counterfeit luxury fashion items; which means those who have some awareness about the existence of the counterfeit products. Survey method through usage of questionnaires was utilised as the data collection method. Measurements of each variable were adopted from previous studies. Familiarity measurements were adopted from the work of Gefen (2003) with alterations. The measurements of anticipated regret were adopted from Marcatto and Ferrante (2008). The perceived quality scale was adopted from the original work of Zeithaml, Berry and Parasuraman (1996) with alteration to suit the context of luxury products, whereas the intention scale was adopted from the theory of planned behaviour of Ajzen (1985). The data gathered were analysed using regression analysis.

FINDINGS AND DISCUSSION

Prior to the distribution of the questionnaire to the respondents, the measurements were pre-tested to ensure that they are valid and reliable. Table 3 shows the reliability of each variable.

Variable	Cronbach's Alpha (≥ 0.6)
Brand familiarity	0.800
Anticipated regrets	0.761
Perceived quality	0.745
Purchase intention	0.805

Table 3.1: Reliability of the measurements

As evident from the table 3.1 above, all the measurement of variables in the study (brand familiarity, anticipated regrets, perceived quality and purchase intention) are shown to have good reliability. Table 3.2 shows the validity of each variable.

Variable	KMO value (>0.5)	Bartlett's Test (<0.05)	Communalities (>0.5)	Component Matrix (>0.7)
Brand Familiarity	0.663	.000	Familiarity2: .811 Familiarity3: .587 Familiarity4: .680 Familiarity5: .478	Familiarity2: .900 Familiarity3: .766 Familiarity4: .831 Familiarity5: .691
Anticipated Regrets		.000	Regret1: .535 Regret2: .884 Regret3: .845 Regret4: .365	Regret1: .732 Regret2: .940 Regret3: .919 Regret4: .604
Perceived Quality	.675	.000	Quality3: .708 Quality4: .619 Quality5: .683	Quality3: .841 Quality4: .789 Quality5: .794
Purchase Intention	.680	.000	Intention1: .823 Intention2: .848 Intention3: .646	Intention1: .907 Intention2: .921 Intention3: .804

Table 3.2: Validity of the variables

FINDINGS AND DISCUSSION

The data collection yielded usable responses which were further analysed using multiple regression analyses. The respondents consist of both males and females, with age ranging from 18-30 years old. Generation Y was chosen as the respondents as they tend to be more brand- and fashion-conscious due to their vast access to different types of media (Erdogmus and Budeyri-Turan, 2015).

Table 4.1 Hypothesis result

Hypotheses	Sig Level	t-value	R Square	Remarks
H1: The higher the brand familiarity, the lower the intention to purchase counterfeit luxury brand products	.633	-.479	.207	Not supported
H2: The higher the perceived quality of the counterfeit product, the higher the intention to purchase will be	.020	2.382	.207	Supported
H3: The higher the anticipated regrets of buying the counterfeit items, the lower the intention to purchase counterfeit luxury brand products	.060	-2.833	.207	Supported

The findings above indicate that both perceived quality of the counterfeited products and anticipated regrets of buying counterfeit items can influence an individual's intention to purchase the products. On the other hand, brand familiarity was not shown to influence purchase intention. The findings are not aligned with the findings of Laroche, Kim and Zhou (1996), which noted that familiarity with a brand increases customer confidence toward the brand and eventually their purchase intention. The findings are also different from the findings of Park and Stoel's study (2005) which indicated that brand familiarity leads to purchase intention in online apparel shopping.

There are several implications of these findings. First, it is evident that familiarity with the brand itself may not be sufficient to prevent people from purchasing counterfeit products. It is possible that respondents may not be exposed enough to the existence of the authentic luxury brands, and hence have low familiarity with those brands. Moreover, since the respondents' age range from 18 to 30 years, it is plausible that they may not have sufficient experience dealing with luxury brands. It has been noted in previous studies that customers who have higher levels of familiarity will be more equipped with the knowledge about intrinsic attributes of the corresponding brand (Johnson and Kellaris, 1988).

The finding is not aligned with the argument that suggests the responses given by luxury brands with regard to shifting customer preferences may lead to overexposure, as these brand owners seem to ensure that their products are readily available almost everywhere (Doss and Robinson, 2013). Meanwhile, this may suggest that counterfeits may not pose a problem to the brand and the sense of ownership of luxury goods (Nia and Zaichkowsky, 2000). The companies as marketers of these goods should go beyond improving the familiarity and knowledge that the customers have. Marketers and original luxury brand name companies should concentrate on marketing the psychological advantages of their product, focusing more on the parts in which the luxury products can help the consumer gain approval in social situations (Wilcox, Hyeong and Sen, 2009).

Nevertheless, the brands that luxury products bear may act as a symbol of wealth which is perceived as desirable (Nelissen and Meijers, 2011), and purchase of counterfeits, regardless of the quality, are seen as indicators of social status superiority (McFerran, Aquino and Tracy, 2014). Moreover, the customers of these counterfeits may see the price advantages as deciding factors to purchase (Bloch et al., 1993).

With regards to the anticipated regrets, it is important to highlight to

the potential customers that purchasing counterfeit products may lead to substantial amount of regret, as the authentic items may last longer and function as expected as compared to the counterfeits. It is also possible to emphasise to these potential and existing customers that uncertainties resulting from purchasing counterfeits will not happen since the authentic products will be equipped with a warranty and good after-sales service.

CONCLUSION AND RECOMMENDATION

The study of counterfeits and branding is still much needed, especially in South ASEAN (Association of Southeast Asian Nations) countries where counterfeit items can be found pretty easily and the demand is strong. This study is expected to shed some light on the factors which may drive intention to purchase counterfeit items. A next study may investigate how the intensity of anticipated regret may influence intention to purchase the counterfeit items. Other factors that can be taken into account are perceived affordability of the authentic items as well as knowledge of the potential luxury buyers.

The findings of this study indicate that there is a need for luxury brand companies to ensure that the potential customers can see differences of quality between the authentic luxury items and the counterfeits. The characteristics of the buyers may also play a significant role in counterfeit purchase decision (Ang, Cheng, Lin and Tambyah, 2001).

It is acknowledged that there are some limitations of the study. As this study only involved Generation Y individuals, the findings may not be applicable across other demographics. The impact of individual characteristics towards purchasing counterfeit items were not taken into account. Future research can include other possible variables that may have influence on the counterfeit items purchasing intention, such as perceived risks and variety-seeking tendencies.

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