Fakes and Fashion: Understanding Counterfeit Crisis in the Middle East

Gaurangi Laud, RMIT University, Australia
Kaleel Rahman, RMIT University, Australia
Rajendra Mulye, RMIT University, Australia

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Fakes and Fashion: Understanding the Counterfeit Crisis in the Middle East
Kaleel Rahman, RMIT University, Australia
Rajendra Mulye, RMIT University, Australia
Gaurangi Laud, RMIT University, Australia

ABSTRACT
This research examines the determinants of consumers’ willingness to buy counterfeit brands in UAE using a sequence of three methods: a projective technique, an exploratory stepwise regression modeling, and a structural equation model. Of the several variables examined, frequent change in fashion was found to be the dominant driver of willingness to buy counterfeit brands.

INTRODUCTION
The trading of counterfeit goods has greatly expanded in recent years. The International AntiCounterfeiting Coalition estimates global counterfeiting trade to be at least $600 billion a year (IAAC, 2013). This is shown to not only affect legitimate businesses, but also impact society through proliferation of unsafe products, loss in government revenue and the funding of organised crime. The growth of counterfeiting can be attributed to the increase in world trade and emerging new markets, fast-paced technology advancements, and increases in the amount of goods that are worth counterfeiting.

However, the intriguing aspect of the booming counterfeiting trade is consumers’ willingness to purchase these brands. This conscious act on the part of consumers to seek fake brands is attributed to their pursuit for status goods and the desire to be attuned with the latest fashions and fads. (Eisend and Schuchert, 2006) Consumers are often seen in conversations about ‘red carpet’ or ‘Kate Middleton fashions’ in various social media communities, both during and after an event has taken place. The increase in media exposure and highly connected consumers are fuelling the urge to acquire high-value products and counterfeiters seem to be a perfect alternative. While most previous research on counterfeiting has focused on supply-side issues (Ang et al., 2003; Albers-Miller, 1999) there is renewed interest among researchers to examine the motives behind consumers seeking counterfeiters. Initial studies focussed on the most obvious variable – price which was viewed as the major determinant of counterfeit purchases (Prendergast, Chuen and Phau, 2002), although later studies have shown many other behavioural and social constructs to influence consumers’ willingness to buy counterfeit brands.

For instance, culture could be seen as an important factor influencing counterfeit purchases. Cultures differ in their ethical, social and moral philosophies, and it is the shared understandings of these philosophies that govern an individual’s behaviour towards society at large. Despite culture’s overarching influence on behaviour, its influence on counterfeit purchase behaviour remains an under researched area. Following a comprehensive review of the literature on counterfeiting Eisend and Schuchert (2006, p. 17) conclude, ‘investigating cultural differences seems a promising further approach when researching determinants of counterfeiting.’ As the majority of studies on counterfeit products are based on consumers in North America, European or East Asian countries we address this call for research by conducting our study in a Middle Eastern country – The United Arab Emirates (UAE) and demonstrate the differences in attitudes of UAE consumers towards counterfeits compared to those of people from other cultures. The UAE has a distinct culture dominated by Middle Eastern philosophies; therefore, we expect our study to reveal variation in terms of UAE consumers’ outlooks towards the counterfeit trade.

The issue of fake products has long been on the upsurge in the Middle East (Kashish and Rease, 2008). Until recently, the UAE government has turned a blind eye to the counterfeit industry as it has been a large aspect of tourism. However, since becoming a member of the World Trade Organization (WTO) in 1996, the government has been combating the counterfeit trade. The UAE governments anti-counterfeiting measures involving raids and seizures of counterfeit products is well covered in the local news media to create a deterrent, but there is no analysis or conversation on understanding why consumers like or are willing to buy counterfeit products.

This paper is organised into several sections, beginning with a discussion on counterfeiting literature, followed by the three stage methodology illustrating the development of constructs and measurement scales. This is followed by hypothesis development which will be tested by means of Structural Equation Modelling. We conclude with discussion and lay out an agenda for further research.

Evaluation of Attitudes towards Counterfeiting
Counterfeit is defined as ‘reproductions of a trademarked brand’, or close replicas of genuine articles (Cordell et al., 1996). Counterfeiting literature has identified two types of counterfeit trade. The first is ‘deceptive’ counterfeiting, in which the consumer is not aware of the illicit nature of the products they are purchasing (Chakraborty et al., 1997). The second is ‘non-deceptive’ counterfeiting, in which consumers recognise the product is not authentic based on cues such as price, sales outlet or material outlet, yet willingly participate in its purchase, even when they know that doing so is illegal (Prendergast et al., 2002). This study will endeavour to understand the behavioural intentions of consumers who consciously seek non-deceptive counterfeits. Earlier attempts to understand counterfeiting behaviour have predominantly focused on rational motives, such as price (Albers and Nancy, 1999; Gentry et al., 2006), product quality of the counterfeits, availability and physical appearance (Prendergast et al., 2002). However, later studies (Phau and Teh, 2009) have shown that non-price factors such as social and personality factors play an equally important role.

Identity-seeking consumption is a common attribute examined in the literature to understand why consumers purchase counterfeit products (e.g. Rio et al., 2001; Woodruffe, 1998). It is noted that consumers buying counterfeits are willing to trade quality and performance for brand image to enhance their self-image for personal gratification (Hoe et al., 2003, Bloch et al., 1993). A few empirical studies have also explored attributes such as past experience and satisfaction with counterfeit products (Tom et al., 1998, 2008); consumer integrity (Dematos et al; 2007) and group influences on intentions to buy fakes (Chuchinprakarn, 2003). Their findings indicate that all the mentioned attributes showed an enhanced propensity to buy counterfeits.

Although a majority of work in the area is based on empirical research, a few studies have emerged to provide a theoretical perspective on consumer counterfeit purchase behaviour. Notable amongst these are studies by Chang (1998) and Wolley and Eining (2006) who use the theory of planned behaviour to assess the influence of consumers’ attitude, subjective norm and perceived behavioural control on the intention to make unauthorised software copies. They found
perceived behavioural control to be a good predictor of behavioural intention towards piracy. Eisend and Schuchert (2006) established a theoretical framework using the commodity theory, typology of products, mood-based concepts and cognitive dissonance to explain the intention to purchase counterfeits. They suggested mood-based concepts to explain situational factors that enhance purchase intentions, while cognitive dissonance hopes to explain the rational and moral justifications of consumers when purchasing counterfeits. Thus, through a theoretical lens researchers have also highlighted the role played by non-price determinants and called upon more empirical research to explore and test these predictors.

While the counterfeiting literature views counterfeit trading as ‘consumer misbehaviour’ (Miller, 1999, p.1) some researchers have taken a positive perspective on the issue. According to them, non-deceptive counterfeits pose little safety risk (Nia and Zaichkowsky, 2000), help build brand awareness (Schultz and Saporito, 1996) and increase the so-called snob value for both originals and counterfeits (Juggensur and Cohen, 2009). However, (Green and Smith 2002; Olsen and Granzin 1992, 1993) are apprehensive with this view and further argue that it is operationally complex to effectively deter counterfeiting in practice. To develop applicable countermeasures it becomes necessary to understand the issue of counterfeiting as a whole and specifically, the reasons why people buy counterfeit goods (Eisend and Schuchert, 2006).

Interestingly, the literature suggests a distinct variation in the motives of counterfeiters across cultures and within the social classes within said cultures (Gentry et al., 2006). Research on software pirating has confirmed that culture is a predominant determinant for software pirating behaviour (Husted, 2000; Marron and Steel, 2000). Gentry et al., (2006) show that being associated with wearing counterfeit is considered embarrassing amongst the Asian middle class and upper classes. These cultures treat counterfeits as available for lower social class and tourists who are after bargain shopping. In this regards, Green and Smith (2000) suggest that moral dilemmas in purchasing counterfeits are derived from cultural roots. Flourishing counterfeit trade is highly collectivistic in nature. The collectivistic societies have less importance for role of individual or company’s contribution and place premiums on the benefits to society at large. Empirical studies have found significant relationship between country’s level of individualism and the degree to which intellectual property rights are protected (Husted, 2000).

Hofstede’s (1991) work on differences in cultural dimensions across nations clearly makes the case that Middle Eastern cultures do not share moral philosophies or cultural and behavioural values with their Western and Far Eastern counterparts. Therefore, we posit that these consumers will differ in terms of their motives for purchasing non-deceptive counterfeits. Moreover, despite the counterfeit dilemma often being attributed to the UAE (IACC, 2008) until now no study on counterfeiting has been conducted in the UAE market.

**RESEARCH METHOD**

This research is completed in three stages: (a) measure development, (b) exploratory regression modeling, and (c) confirmatory structural equation modeling. A convenience sample of 95 respondents with an average age 19 was selected for the first stage of the study. 78% of the sample had either bought or used a counterfeit product previously. Sample consisted of 57% females and 43% males. Using the third-person projective technique respondents were asked to write as many factors as possible as to “why people buy counterfeit brands”. Each respondent was asked to come up with a minimum of 10 ideas. This process resulted in a number of reasons why people purchased counterfeits. Some of these reasons, such as price consciousness have already been reported in the literature. These responses were then categorized into eight meaningful themes namely ‘fashion changes quickly, superior quality of counterfeits, triability of new brands, novelty of brand names, aspect of tourism, friendly sellers, availability of counterfeits, and household usability. The two dependent variables were ‘attitudes towards counterfeits’ and ‘intention to buy counterfeits.’ Several of these constructs overlapped constructs identified in prior studies (e. g., Gentry et. al., 2006), and are listed in table 1.

Scales were developed to measure these constructs using the procedures suggested by authorities in construct development in marketing (e.g., Churchill, 1979; Nunnally, 1978). Scales for measuring attitudes towards counterfeit (Huang et. al., 2004) and intention to buy counterfeits (Ang et. al., 2001) were adopted from earlier studies. Data was collected from a total of 358 consumers in the UAE using a 7-point Likert scale.

**RESULTS**

In the next exploratory modelling stage, stepwise regression analysis was used to explore the nature of the relationships between the constructs. The items under each construct were averaged to create a single item measure. Using standardized beta coefficients as
a measure of the strength of the predictor variables, the results are summarised as follows:

**Attitudes toward counterfeits** (R Squared = 0.63, F = 135, p = 0.000)

\[ \text{Attitudes} = \beta_1 \text{fashion changes} + \beta_2 \text{trialability} + \beta_3 \text{superior quality} + \beta_4 \text{household use} \]

\[ = [0.51 \text{fashion changes}] + [0.17 \text{trialability}] + [0.14 \text{superior quality}] + [0.13 \text{household use}] \]

**Intention to buy counterfeits** (R Squared = 0.40, F = 152, p = 0.000)

\[ \text{Intention} = \beta_1 \text{fashion changes} + \beta_2 \text{superior quality} + \beta_3 \text{household use} \]

\[ = [0.33 \text{fashion changes}] + [0.25 \text{superior quality}] + [0.17 \text{household use}] \]

The R-Square shows that 63% of the total variance in attitudes toward counterfeit is explained by fashion changes, trialability, superior quality and household usability of counterfeits. Other variables mentioned by respondents in the projective technique did not make a statistically significant contribution and were removed from the equation. When it comes to intention to buy counterfeit brands, the result is somewhat different where trialability of counterfeit is not a predictor of intention but the other three are directly predictive.

Further, in order to confirm findings of the projective technique the following hypotheses are proposed:

- **H1**: Perceived frequent changes in fashion has a positive effect on attitudes toward counterfeit.
- **H2**: Trialability has a positive effect on attitudes toward counterfeit.
- **H3**: Perceiving superior quality in counterfeits has a positive effect on attitudes toward counterfeit.
- **H4**: Perceived household use of counterfeit has a positive effect on attitudes toward counterfeit.
- **H5**: Attitudes toward counterfeit has a positive effect on intention to purchase counterfeits.

To test these hypotheses a confirmatory structural equation model was constructed using Amos version 18, and estimated using the Maximum Likelihood Method. After some model trimming based on adjusting item-to-total correlations and modification indices, the model with the best fit to the data was selected. The fit indices for the final model of CMIN/DF = 2.21, RMSEA = .058, PCLOSE = .069, GFI = .926, CFI = .946 are considered acceptable in the measurement literature (Byrne, 2001).

Considering the antecedents of attitudes, the only significant path found was for “frequent changes in fashion” (p < .05, β = .89), supporting H1. Other four variables were not significant, failing to support H2, H3 and H4 as shown in table 2. When assessing the influence of attitude on behavioral intentions, the path was significant (p < 0.000, β = .72) supporting H5. The full estimated model is illustrated in Figure 1 below.

### Table 2

<table>
<thead>
<tr>
<th>Attitude Category</th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P Label</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superior quality</td>
<td>.269</td>
<td>.178</td>
<td>1.509</td>
<td>.331 par_11</td>
</tr>
<tr>
<td>Fashion</td>
<td>.859</td>
<td>.414</td>
<td>2.075</td>
<td>.038 par_12</td>
</tr>
<tr>
<td>Trialability</td>
<td>-.025</td>
<td>.157</td>
<td>-.158</td>
<td>.875 par_16</td>
</tr>
<tr>
<td>Household use</td>
<td>-.120</td>
<td>.453</td>
<td>-.277</td>
<td>.782 par_20</td>
</tr>
<tr>
<td>Intention</td>
<td>.799</td>
<td>.071</td>
<td>11.312</td>
<td>*** par_8</td>
</tr>
</tbody>
</table>

### DISCUSSION

We set out to address the gap in the literature in regards to motivations, attitudes, and behavioral intentions of UAE consumers toward purchasing counterfeit products. An unique finding of this study is that frequent changes in fashion was found to be the strongest determinant of consumers’ preference for counterfeit brands, a factor ignored in prior research. The shorter the life cycle of a fashion brand and the higher the consumer desire to keep up to speed with a fashion brand, the more likely they are to buy counterfeits. These consumers perhaps perceive counterfeits as a cheaper way to stay up-to-date and to keep from falling out of fashion. There is some support for this finding in the literature from Tom et al’s (1998) study who found counterfeit versions of products with few fashion components were selected less frequently, however their study did not look at the effect of ‘change in fashions’ of a product on its vulnerability to counterfeiting. Several motives strongly expressed by projective technique respondents were not supported by our large-sample regression model. For example, “counterfeit sellers are very friendly,” “they come to your door,” and “they are available even before the originals” were factors frequently mentioned by respondents which were not supported in the quantitative phase of the study. In essence, it is frequent changes in fashion that steers consumers in the Middle East to buy counterfeit products.

The results have implications for developing anti-counterfeiting policies, educating consumers against counterfeits, and revising marketing strategies of the original brands to ensure long-term success in the UAE market. The main finding of frequent change in fashion as a major contributor to purchasing counterfeit products, suggests that manufacturers who plan shorter lifecycles for their products through frequent change is fashion or planned obsolescence inadvertently make their product vulnerable to counterfeiting, especially if their product can be easily copied. The recommendation of this study to stay away from such strategies is not entirely impractical as leading fashion designers such as Pierre Cardin note that: “Today’s fashion designers change styles much too fast, partly due to twice-yearly collections, making it harder to create couture that lasts for years” (Lies, 2010).
The exploratory regression stage does suggest quality of counterfeit might be a consideration with the UAE consumers. Therefore, managers should emphasize the quality of material, design and manufacturing process that distinguishes their brand from counterfeits. They should ensure that their brands differ significantly from fakes by carrying unique quality and authenticity markers on their products. This will also create a fear of social embarrassment from being spotted as a consumer of counterfeit – which was found to be a significant deterrent in Gentry et al.’s (2006) study of Asian consumers. We found that UAE counterfeits are trading on the notion of fashion and conspicuous consumption. Therefore, managers should understand the significance of the intricacies between factors such as brand image, self-image and cultural clues that affect the purchase of counterfeit products. They should focus on promoting the physical and psychological benefits of their own products to create a strong positive brand image. By shifting consumers’ focus on non-price attributes of their brand they can communicate the superiority and exclusivity of their brand.

An area of interest for future research could be consumer attitudes towards deceptive and non-deceptive counterfeit trading using online channels. The determinant found in this study, frequent changes in fashion, is in the context of UAE consumers; its generalizability is limited, but future researchers could test frequent fashion changes as determinant using a different cultural context.

The existence of counterfeits is detrimental to the affected brands though there is a debate whether this indeed is the case. The UAE has joined hands with the WTO and is developing initiatives to execute stricter legislation against the suppliers of counterfeit products; it is unlikely that government measures alone will help curb the issue of illicit trade in the UAE. It is important to understand that the supply-side will only provide if there is demand in the market. Perhaps an alternative strategy can be adopted in which brand owners take efforts to understand the attitudes at the demand-side and employ agents of change by collaborating with consumers in their efforts to deal with a ‘faking it’ mind-set.

REFERENCES


