Brand Dilution: the Impact of the User of Counterfeits on Original Brand Perception

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The costs associated with counterfeit goods world-wide has been estimated at about $550 billion yet very little attention has been given to this issue in the marketing literature. Our research addresses this gap directly by investigating the effects of counterfeit goods on dilution of the brands they imitate. Our findings provide the first empirical evidence to suggest that, for prestige products, the use of counterfeit products can dilute people’s perceptions of the original brand. We find evidence of dilution effects on beliefs about the original brand’s prestige, beliefs about whether the original brand is high-class, and overall attitudes toward the original brand. More interestingly, we find a significant two-way interaction that provides evidence for the process that causes this dilution. Specifically, because of the symbolism of prestige brands for different social classes, the social class of the users of these counterfeits plays an important role in understanding the effects of these counterfeit products on the original brands.

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F(1,105)=4.60, p=.03. As predicted, the computer mouse was liked better when action goals were primed than when inaction goals were primed (M=.29 vs. M=-.90, F(1,105)=3.89, p=.05). However the nap alarm was evaluated similarly in each of the goal priming conditions (M=-.40 vs. M=-.99), F(1,105)=1.10, p>.10.

To verify our assumption that consumers generally have a positive attitude towards incrementally new products but do not have clear attitudes towards radically new products, 21 participants who did not take part in the main study were asked to rate “what is your general attitude towards radically new products” (“-5”=“very negative” and “5”=“very positive”) and “what is your general attitude towards incrementally new products” (“-5”=“very negative” and “5”=“very positive”). The results supported our assumptions that consumers have a positive attitude towards incrementally new products (M=2.62, t(20)=8.60, p<.001) and a slightly but non-significantly positive attitude towards radically new products (M=.81, t(20)=1.72, p>.10).

Marketers spend a large amount of money on advertising their new products. Our findings suggested that adding action-related words and images into the ads of incrementally new products may activate general action goals in consumers’ mind, and thus increase their liking for incrementally new products. In future research, we will use different manipulations of general action and inaction goals and test their influence on consumer judgments in various consumption contexts.

References
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The costs associated with counterfeit goods world-wide has been estimated at about $550 billion, or 5-7% of world trade (Underwriters Laboratories, 2007). However, these costs do not begin to account for the reduction in perceived quality, prestige, and other core brand associations that may result and are difficult to account for on a balance sheet. Despite the magnitude of the problem very little attention has been given to the issue of counterfeits in the marketing literature. Specifically, research on the effects of counterfeit goods on dilution of the brands they imitate is lacking (Loken and John, 2009). Our research addresses this gap directly while also looking at the impact that the user of the counterfeit products might have on the original parent brand.

We suggest that counterfeit products of high-prestige brands dilute the original brands through a weakening of the symbolism of those brands to specific (i.e. target) social groups. Research on dissociative reference groups suggests that people avoid brands that are associated with disliked groups (White and Dahl 2006). Furthermore, consumers may abandon brands when out-groups adopt them and the brands stop being distinctive (Berger and Heath 2007). With respect to prestigious brands in particular, there is evidence that an individual’s consumption pattern could symbolize his or her social class position (Martineau, 1968). As a result, the consumer’s use of a counterfeit product, such as a counterfeit “Louis Vuitton” bag, could have specific effects on the symbolism of that brand for other consumers, depending on the social class of the counterfeit user. We investigate this proposition directly by manipulating the social class of the user of both real and counterfeit products.

The extant literature above results in two hypotheses that are tested by our research:

H1: For participants who are exposed to counterfeit products, the overall beliefs about the prestige of the real brand will be lower than the comparable beliefs of participants exposed to the real brand.

H2: For prestige brands, the impact of counterfeit brands on the original brand will be moderated by the social class of the user of the product such that a user from a lower social class will have a greater effect on the symbolism and therefore ratings of the prestige of the real brand.
Our design results in two between subject factors: product (real vs. counterfeit) and social class of the user (“low” class vs. “high” class). Undergraduates entered the lab and were seated at individual cubicles or rooms. Participants were shown a photograph of a young woman (for females) or a young man (for males) using a prestigious product (males=Rolex watch; females=Prada handbag) and were told that the product in the picture was either a real product or a counterfeit product. A brief description of the individual was used to convey the user’s social class. For example, for female participants, the higher class user was described as a 25-year-old recent MBA graduate who bought the product while on a trip to Milan. The lower class user was described as a 25-year-old Applebee’s waitress who bought the bag online.

After looking at the picture and reading the description of the user, participants (drawn from a relatively high class pool of subjects—undergraduate students at a large mid-western university) answered a series of questions that were analyzed as manipulation checks and measures of the dependent variables. The key measures were participants’ beliefs about (a) the prestige of the original brand and (b) whether the brand was a high class brand, each assessed, on 7-point agree-disagree and likely-unlikely scales (the two scales for each, prestige belief and high-class belief, were highly correlated (both r=0.78) and were averaged as a measure of each). We also measured overall attitudes toward the brand on four 7-point rating scales, with end points: excellent-poor, better-worse than other brands, a good-bad value, extremely favorable-unfavorable (these latter four scales were averaged (α=0.83)). Manipulation checks about the product and “user” (the person depicted in the photo and descriptive stimuli) were also collected as well as a few covariates (e.g. the number of designer products and counterfeit products the individual owns).

Consistent with our expectations, a simple comparison of means provided strong evidence for the first hypothesis. Specifically, participants who were exposed to counterfeit goods provided lower ratings on both the prestige and high-class beliefs about the brand. We also found lower overall attitudes toward the brand (4-item index) for the original product. More interestingly, an analysis of variance with covariates provided evidence for a significant two way interaction between the two factors in the study such that the social class of the user had a significant impact on the participants’ evaluations of the original brand. Specifically, the social class of the user had a significant effect on both the belief (prestige and high-class) and attitude ratings when the user in the photo was seen using a counterfeit prestige product, but the same effect did not occur when the user was seen using a real product. When a lower-class individual was seen using a counterfeit product it resulted in significantly lower evaluations than when the same counterfeit product was seen being used by a high-class individual.

Overall, our findings indicate that, for prestige products, the use of counterfeit products can dilute people’s perceptions of the original brand. These are the first findings that document these dilution effects on beliefs about the original brand’s prestige, beliefs about whether the original brand is high-class, and overall attitudes toward the original brand. These effects of brand dilution of counterfeits on the original brands are not the same for all users. Because of the symbolism of prestige brands for different social classes, the social class of the users of these counterfeits plays an important role in understanding the effects of these counterfeit products on the original products. The contribution of this research to the literature is twofold. First, we demonstrate through experimental evidence the problem posed by counterfeits on beliefs about the original brands and attitudes toward the original brand. Counterfeiting is a costly problem for brands, not only in terms of the reduced sales of the original brands, but dilution to the original brand beliefs and attitudes. Second, we use a social psychological theoretical framework to provide evidence for the importance of understanding how specific consumer groups differ in their response to counterfeit use and how this factor impacts consumer perceptions and attitudes of the original prestige brands.

Bibliography

Google or Googol? How Meanings of Sound and Spelling Processes Influence Evaluations for Brand Names
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Despite the heavy reliance of consumers on brand names they are exposed to auditorily (i.e., via word of mouth; Hein, 2007), the majority of studies on brand naming typically examine consumers’ responses to names they are exposed to visually. Consequently, little is known about how consumers process and later use sounds.