Consumer's Motivation of Counterfeit Consumption in China

Felix Tang, Hang Seng School of Commerce, China
Vane-Ing Tian, The Chinese University of Hong Kong, China
Judith Lynne Zaichkowsky, Simon Fraser University, Canada

This article 1) develops a framework to explain the motivation underlying the purchase and use of counterfeits based on an exploratory qualitative research study; 2) discusses why people in emerging countries purchase and consume counterfeits; and 3) highlights the differences in rationalization of counterfeit consumption in developing and developed countries.

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EXTENDED ABSTRACT

Economic-based literature suggests that charging loyal customers a higher price than prospective customers would lead to greater profits if loyal customers are comparatively more price insensitive than prospective customers (Chen 1997; Chen, Narasimhan, and Zhang 2001; Taylor 2003). Behavioral research, however, shows that when targeted promotions occur, loyal customers perceive higher unfairness and betrayal when they know that they paid higher prices than non-loyal customers (Feinberg et al. 2002). Targeted promotions may generate a side effect by making the targeted segment salient as potential comparison others to those consumers who are not offered the promotions. Other consumers (e.g., loyal customers) will necessarily be at a price disadvantage in relation to the targeted segment (e.g., prospective customers). In particular, loyal customers, knowing that they paid higher prices, exhibit higher perceived unfairness than prospective customers (Tsai and Lee 2007). Loyal customers often perceive that they are entitled to an equal or even a lower price since they invest comparatively more than prospective customers in the firms (Cox 2001). These different conclusions from marketing research raise an interesting and important question: what is the effect of sales promotion framing on consumers’ perception of price fairness across different customer segments (regular vs. prospective)? Recently, a study showed that price framing, presenting the same price offer or price change in various formats, may reduce consumers’ negative reactions even when consumers know that they paid higher prices than other people (Lee and Monroe 2008). However, the study did not examine whether using price framing to minimize consumers’ negative perceptions can be implemented across different customer segments. This research contributes to consumer research by showing that using different price promotion framing tactics can induce price-disadvantaged consumers to have different transaction perceptions and subsequently increase their perceived price fairness across different customer segments and promotion deal comparisons of different magnitudes.

The prediction that consumers generally would prefer segregated gains more than reduced losses in their buying decisions was first proposed by Thaler (1985). Diamond and Sanyal (1990) later confirm that sales promotions framed as gains are chosen more often than promotions framed as reduced losses. Their study finds that consumers perceive promotions of equivalent financial magnitude framed as gains as better value than those framed as reduced losses. We propose that for assumed less price sensitive and more emotionally attached regular customers, they would be more attracted to a reward promotion (e.g., free gift) framed as a separate extra gain than discount promotion framed as a reduced monetary loss. The additional reward may generate an exclusiveness effect that loyal customers may feel more special than other customers who do not receive any rewards. On the other hand, if prospective customers are more price sensitive and less emotionally attached to the firm, they would be more attracted to a discount promotion (e.g., pure price reduction) framed as a reduced monetary loss.

Using two experiments, we examined whether the effect of sales promotion framing can successfully reduce consumers’ negative perceptions of targeted pricing across different customer segments and deal comparison situations. Participants were presented the same notebook computer web page with the same product but with a different sales promotion framing format. Participants were randomly assigned to either the control or various framing conditions. After all participants indicated their willingness to buy the notebook computer, they were told that a friend recently bought the same notebook computer from the same online store for a much lower price. Finally, participants were asked to evaluate the dependent measures on nine-point scales.

In both two studies, price discount and reward framing, compared to an equivalent financial offer without any framing tactics, successfully increased consumers’ perceived transaction dissimilarity, which subsequently increased their perceived price fairness. The results confirmed that the degree of perceived transaction similarity is highly related to perception. In addition, price promotion framing tactics work differently across different customer segments. Our findings suggest that regular customers perceived significantly higher price fairness when they received a price promotion that was framed as a reward than as a discount. On the other hand, prospective customers perceived significantly higher price fairness when they received a promotion that was framed as a discount than as a reward. Previous studies suggest that retailers should treat regular customers better since they would be more upset when they learn that prospective customers received a better deal than they did. We propose an alternative explanation that price-disadvantaged regular customers’ negative price unfairness perception might also be influenced by the easiness of comparing their own transaction to other individuals’ transactions. Our research findings suggest that price-disadvantaged customers’ negative perceptions toward targeted pricing can be mitigated by not only using different price promotion presentation formats but also giving different levels of promotion to different customer segments so that the offers will be less comparable.