To Buy or To Lie: Determinants of Purchase Intention of Counterfeit Fashion in Malaysia

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In the competitive market of the fashion industry, counterfeit fashion has become prominent and also a great threat to the original brands in the market. The study seeks to investigate the factors that affect consumers’ purchase intention towards counterfeit fashion products (CFP). Constructs of past experience of consumers, perceived risk, social influence, attitudes of consumers towards the purchase intention of counterfeit fashion products were explored through the distribution of 350 questionnaires. 284 usable data is analysed and the results showed that past experience and social influence have the most significant influential effect towards the purchase intention of CFP. The results also proved that consumers’ attitudes towards CFP have a mediating effect and gender moderates between past experience and purchase intention. This research discusses the implications towards authentic brand manufacturers in fashion industry and recommendations for future research studies, which will help the researchers in conducting related research more accurately.

Key words: Counterfeit Fashion Product, Past Experience, Social Influence, Perceived Risk, Purchase Intention, Attitude, Structural Equation Modeling (SEM)

JEL classification: M31.

1. Introduction

According to Carpenter and Edwards (2013), counterfeit products are known as the identified copies of the authentic products. To eliminate the market of counterfeit goods, Malaysia has strengthened its protection of copyright and its enforcement against piracy since 2011 by amending certain laws, as well as launching schemes such as the “Basket of Brands” to protect companies (Asian Patent Attorneys Association, 2012) but laws itself are insufficient (Stumpf, Chaudhry and Perretta, 2011). Vida (2007) describes two type of counterfeits; deceptive counterfeit which represents the situation where consumers are unaware of the fact that they actually purchased counterfeit products instead of the genuine ones, while non-deceptive refers situations where consumers are actually fully aware counterfeit products purchase, and still have intention to buy it. This study focuses on the non-deceptive counterfeiting products in fashion industry. Based on Mavlanova & Benbunan-Fich (2010), companies most affected by this trend are luxury fashion brands, e.g. Louis Vuitton, Gucci, and Prada and covers products including clothing, bags, shoes and accessories.

According to Phillips (2007), the counterfeit business is said to be the largest business around the world if it were to be acknowledge as a business. He also further estimated that the market of counterfeit product may reach the $2 trillion mark in 20 year times. Tom, Garibaldi, Zeng, and Pilcher (1998) and Phau, Prendergast, and Chuen (2001) estimates that there are at least 33% of consumers who would buy counterfeit goods with consent. Many consumers consent to the purchase of counterfeit fashion products even though it is an illegal activity. Therefore, this study aims to investigate the determinants that affect consumers’ purchase intention towards counterfeit fashion products in Malaysia.

2. Literature review

2.1 Counterfeit fashion products

According to Phua, Teah and Lee (2008), counterfeit business has gained momentum as the largest business in the market if it were to be acknowledged as one. There are actually many types of products in
the market that could be counterfeited, fashion products being the biggest target for the counterfeit producers. Counterfeit fashion product is defined as a fashion item that use a brand name or trademark as well as including the same packaging and labelling without the permission of the register owner (Carpenter and Edwards, 2013). It is said to be ‘fake’ products in the fashion industry. Not only that, counterfeiting also tends to damage most firms’ brand equity and brand prestige in the fashion industry, and at the same time threatening their businesses. In the context of this research, counterfeit fashion products like clothing, watches, handbags, accessories and footwear are the main focus. Hence, this study explores on the situations surrounding consumers’ willingness to purchase the counterfeit fashion products instead of the original brand.

2.2 Purchase intention
Roughly one-third of buyers buy counterfeit fashion products armed with the knowledge that their product purchases are ‘fake’ (Phau et al., 2001; Tom et al., 1998). Consumers whom knowingly buy counterfeit goods increased the sales of counterfeits and this has forced the marketers to refine more effective marketing strategies to target consumers (Bian & Moutinho, 2009).

According to Maldonado and Hume (2005), attributions of a product will affect the willingness of consumers’ to purchase either genuine or counterfeit goods. There would be a higher chance of consumers purchasing counterfeit products if they have more favourable attitudes towards them. Vice versa, lower favourable attitude decreases the likelihood of purchasing the products (Wee, Tan and Cheok, 1995).

2.3 Past experience
According to Bagozzi (1981) and Ouellette and Wood (1998), past behaviour will predict consequent behaviour, forming a habit, thus causing repeated behavior. Rather than using cognitive consideration, future performance tend to be more predicted by past behaviour (Bamberg, Ajzen, and Schmidt, 2003). Therefore, if a customer starts to purchase counterfeit luxury brands, this might increase the purchase intention in the future (Yoo and Lee, 2009). Besides that, Yoo and Lee (2012) also stated that a customer who previously purchased or experienced a counterfeit luxury brand (CLB) would likely to purchase more in the future. De Matos, Ituassu and Rossi (2007) added that those customers who have bought a counterfeit have more favourable attitudes compared to those who have not.

Van Phuong and Toan (2014) highlights that when consumers purchased counterfeit products with a lower price compared to expensive branded ones, they will express a stronger intention to purchase the fake one over the genuine items. Swami, Chamorro-Premuzic and Furnham (2009) did a survey where the respondents mentioned that they had a meaningful experience and was willing to buy counterfeit products in the future. Therefore, this research hypothesized that:

H1: There is a relationship between past experience and consumers’ purchase intention towards counterfeit fashion products.

2.4 Perceived risk
Ha and Lennon (2006) states that perceived risk is a situational and personal consumer behaviour. There are often risks involved in every purchase of a product and the effects of perceived risk will affect consumers’ decision making. According to De Matos, Ituassu and Rossi, (2007), they found out that most consumers who exhibit these risk perception are mostly towards counterfeit products. Consumer believes that counterfeit products sold at cheaper prices equates to lower quality. They consider it as a risky venture that might involve financial, performance and functional risk (Wee et al., 1995). Therefore, consumers often assumed that there might be risk associated with purchasing a counterfeit product. Not only that, the purchase of counterfeit products involves social risk too (Wee et al., 1995). This is supported by Yoo and Lee (2009) where high social risk causes discomfort of consumers when this particular social group or the person belongs or aspires to belong realize the use of counterfeit products. A person might involve in the risk of being discriminated or ostracised from that social group.

However, De Matos, Ituassu and Rossi, (2007) mentioned that consumers are not afraid that the counterfeit will be faulty signifying their lower expectation for a lesser price paid for a product. Nia and Zaichkowsky (2000) states that these type of consumers do not even concern themselves about the poor quality and materials of these counterfeit products because they do not see it as inferior choices. Based on
this argument, this research hypothesized that:

**H2:** There is a relationship between perceived risk and consumers’ purchase intention towards counterfeit fashion products.

### 2.5 Social influence

Social influence as stated by Ang, Cheng, Lim and Tambyah, (2001) is regarded as how other people affect the judgement and decision making process of the consumers. Social pressure helps to maintain certain relationships (Ajzen, 1991; Notani, 1998) and it can lead people to either follow or break the rules (Ang, et al., 2001). Consumers’ behaviour can be influenced by the support given from peers and family in participation of purchasing counterfeit fashion goods. This can be showed by Ferrell and Grisham (1985) who stated the importance of peers and other reference group in affecting the consumers’ behaviour. Hamelin, Nwankwo and El Hadouchi (2013) also proved that social interaction with family and peers are the principal drivers in purchasing counterfeit fashion goods.

However, situation depends on the social norms. Reference group or peer pressure can also influence consumers in buying original luxurious product as well (Bearden, Netemeyer and Teel, 1989). Therefore, consumers’ purchase intention towards counterfeit fashion products depends on the normative pressure from significant others. This research hypothesized that:

**H3:** There is a relationship between social influence and consumers’ purchase intention towards counterfeit fashion products.

### 2.6 Attitudes toward counterfeit fashion

Huang, Lee and Ho (2004) defined attitude as a learned predisposition to respond to a situation in a favourable or unfavourable way. They added that we cannot observe attitude directly as research should be carried out to find out the attitudes according to the attitude measurements. According to the theory of planned behaviour (TPB), attitude is a good determinant of purchase intention. Besides that, the TPB model suggested that the behaviour performed by the individual is determined by their intention to perform the behaviour (Ajzen, 1991). Based on Ajzen and Fishbein (1980), Attitude is considered to be highly correlated with one’s intentions, which in turn is a reasonable predictor of behaviour. Besides that, De Matos, Ituassu and Rossi (2007) mentioned that individual and interpersonal level factors will influence the intentions of a behaviour (De Matos, Ituassu and Rossi, 2007) and argued that attitudes mediate between the behavioural intentions and the constructs that they used. In this research, we hypothesized that:

**H4:** Attitude mediates the relationship between social influence and purchase intention of consumers towards counterfeit fashion products.

### 3. Methodology

Utilising a quantitative research design, questionnaires were distributed to 350 respondents and statements for the research instrument were adapted from past research with some minor amendments to align with the research objectives. The questionnaire includes 21 item questions that covers all constructs. Positive and negative sentence structures were used in the questionnaires to make sure respondents read and analyse every sentence carefully. A seven-point Likert Scale was applied to measure the variables where for this study: 1 represents ‘Extremely Disagree’, 2 represents ‘Moderately Disagree’ followed by 3, which represents ‘Slightly Disagree’, 4 represents ‘Neutral’, 5 represents ‘Slightly Agree’, 6 represents ‘Moderately Agree’ and lastly, 7 represents ‘Extremely Agree’.

A pilot test of 30 people were conducted on the research instrument to reduce biasness and enhance the reliability, thus to avoid irrelevance and evaluate the comprehension of the questionnaire. After reliability testing (all Cronbach alpha $> 0.7$) and modification, a new structured questionnaire was distributed in a few locations such as malls, business conference hall, universities and by online social media. Questionnaires were given to the people randomly and with this, respondents were chosen due to chances or probability, rather than other attributes.

SmartPLS was used to conduct Structural Equation Modeling (SEM) to test how well the research objectives and hypotheses fit into the research model. Fit measures of composite reliability, Convergent Reliability (AVE), Discriminant Validity, Confirmatory Factor Analysis, and Goodness of Fit are then used to evaluate the model.
4. Results and analysis

4.1 Respondent profile
There were 284/350 (81.14%) usable data due to incomplete and incorrect data imputations. Gender disparity was at 51.4% females 48.6% males. Majority of the respondents are from the income level below RM1000 which consists of 74.6% while the income level which has the lowest percentage is only 1.4% which is from the range above RM 4001. It also can be seen that most of the respondents’ highest education level are at Bachelor’s Degree which consists 69.4%. While for the age group majority are from 21-24 years old (69%), and then only followed by below 21 years old (23.6%). Males have a higher purchase intentions in comparison to females and they are mostly from the age group of 35-39 years old. It is interesting to find out that people who have higher purchase intentions are mostly from the higher income level of RM3001-RM4000 and then followed by the level of income below RM 1000. It also shows that the group of people from the range of RM3001-RM4000 have the highest in past experience and the lowest in perceived risk.

4.2 Structural equation model – Measurement model
The PLS model was analyzed in to two different stages – measurement model and structural model. The validity and reliability of the construct measures in model were tested in the measurement stage and the relationship between latent constructs was emphasized in structural stage. In the measurement model, all loadings are above 0.6 (Hulland, 1999) indicating reliability of each variable. In addition, composite reliability (Hair, Ringle and Sarstedt, 2011; Fornell and Larcker (1981) for all latent constructs are above 0.7. Convergent and discriminant validity (Camines and Zeller, 1979) was met as every construct recorded an average variance extracted value ranged from 0.587 to 0.826.

4.3 Structural equation model – Structural model
71.8% (R-Square = 0.718) of variation in the independent variables will affect the consumers’ purchase intention towards counterfeit fashion products. Goodness of fit index (0.2763) indicates a medium overall fit for the model (Wetzels, Odekerken-Schroeder and Van Oppen, 2009). Figure 1 shows the structural model after bootstrapping 5000 samples.

Table 1 shows the hypothesis testing results.
Table 1: Hypothesis Testing

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Beta</th>
<th>Standard Error (STERR)</th>
<th>T Statistics ([O/STERR])</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Past experience -&gt; Purchase Intention</td>
<td>0.176**</td>
<td>0.048</td>
<td>3.664</td>
<td>Supported</td>
</tr>
<tr>
<td>H2: Perceived Risk -&gt; Purchase Intention</td>
<td>0.018</td>
<td>0.033</td>
<td>0.537</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H3: Social Influence -&gt; Purchase Intention</td>
<td>0.300***</td>
<td>0.055</td>
<td>5.430</td>
<td>Supported</td>
</tr>
</tbody>
</table>

*p<0.1, **p<0.05 ***p<0.01

From Table 1, the results showed that the relationship between past experience (p<0.01), social influence (p<0.05) and attitude towards counterfeit fashion products are significant. However, there is an insignificant relationship between perceived risk and purchase intention (p>0.1).
Mediation effect of attitude is also shown to be significantly mediating the relationship between social influence and purchase intention (p>0.01).

Table 2: Hypothesis Testing on Indirect Effects (Mediation of Attitude towards CFP) of purchase intention

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Indirect Effect</th>
<th>Standard Dev (Constraint Model)</th>
<th>T Statistics (Beta/Stdev)</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H4: Social Influence -&gt; Attitude -&gt; Purchase Intention</td>
<td>(SI&gt;ATT) 0.309* (ATT&gt;PI) 0.674 = 0.208</td>
<td>0.060*0.040 = 0.0024</td>
<td>86.667***</td>
<td>Supported</td>
</tr>
</tbody>
</table>

5. Discussion and conclusion

5.1 Past experience
Past experience positively influences the consumers’ purchase intention towards counterfeit fashion products (p<0.05). 60.6% of the respondents had good experiences with counterfeit fashion goods in the past and 21.5% of them do not have a good experience. According to Yoo and Lee (2009), purchase intention of counterfeits should be influenced by the past purchase of counterfeits especially when they had a good experience. Consumers who experienced counterfeit fashion products will be more likely to have repurchase behavior in the future. In business context, counterfeit products manufacturers should create a superior product usage experience for consumers who have not purchase counterfeit products before. This will then retain a large amount of counterfeit buyers in the market. On the other hand, authentic fashion products manufacturers also need to realize what consumers experienced in counterfeited fashion products. With this, the authentic retailers may offer a better value to the consumers so that they will purchase the original products instead of the fake ones.

5.2 Perceived risk
Perceived risk does not have a significant effects on the purchase intention of consumers towards counterfeit fashion, p>0.05. Only 37.3% of the respondents answered that counterfeit fashion products are reliable while 31.3% of them disagree with it. The remaining of 31.3% was neutral in answering this question. According to Wee et al. (1995), some consumers might consider purchasing counterfeit products as a risky venture in terms of performance, functional and financial lost if the products are faulty or unreliable. The driver for this perceived risk could be attribute with the fact that most people are not willing to be associated with the shame of loss of authenticity and identity when discovered using fake items or even loss of pride in one’s image. Counterfeit products manufacturers already noticed that consumers are actually aware of the risk and prefer quality products Therefore, authentic products manufacturers should position themselves as the original producers who are not only producing products and the brands, but also maintaining superior quality products to distract consumers away from counterfeit fashion products.

5.3 Social influence
Social influence (p<0.01) is significantly positive towards consumers’ purchase intention towards
the counterfeit fashion products. An average of 55.67% of the respondents’ purchase intention towards counterfeit products is easily influenced by the fashion of their friends, family and colleagues. Most of the respondents are below the age of 24 and more worrying, support counterfeit fashion products. Tapping on their social media habits authentic products manufacturer can market their original products via the Word of Mouth marketing (WoM) and Electronic Word of Mouth marketing (eWOM). Consumers that recommended the products to their friends or family will get incentives and discount for the next purchase. According to Ang, Cheng, Lim and Tambyah, (2001), social influence has a strong influence on consumer’s impression and purchasing intention towards the counterfeit goods. Hence, it is proved that social influence positively affect consumers’ purchase intention. This influence can sometimes outweigh personal conviction and peer pressure may overrule integrity of oneself. It is interesting to note that this study has revealed the struggle between personal conviction of risk and inability to resist influence by peers when purchasing counterfeit luxury items which have implications for marketing of luxury brands and policy makers.

5.4 Consumer’s attitude
The mediating effect of consumers’ attitudes between social influence and purchase intention of counterfeit fashion (p<0.01) continues to show the struggle between internal motivation and external influence of ones decisions to purchase. 42.6% of respondents records positive perception towards counterfeit products, while 20.4% do not. The remaining 37% rated neutral towards the question. They felt that there is nothing wrong with purchasing counterfeit fashion good but it does not mean that counterfeit fashion goods are a better choice compared to the authentic products. Moreover, past research also showed that consumers’ attitudes towards a certain product will have a direct effect on their purchase intention (Marcketti and Shelley, 2009). Hence, consumer will tend to purchase the counterfeit fashion goods if they have a positive feeling towards it. Some respondents also mentioned that counterfeit products’ quality is almost the same as the authentic ones. In business context, authentic products manufacturers and retailers should look into this problem. Consumers will opt for counterfeit products they can get a similar or even better quality than the original.

5.5 Limitation and future research
There are a few limitations in this research. Firstly, this research was solely conducted in the Klang Valley area. Hence, the results and comments obtained from the respondents are limited only to the respondents who stay in Klang Valley. In this case, the results might not be really accurate as there might be differences in perspectives towards counterfeit fashion products from the people who are in other places. In future research, it is recommended that questionnaires be distributed to other areas in Malaysia to represent the Malaysian context.

Besides that, the size of the sample data and demographics are also another limitation. Due to time constraint, only 350 surveys are given out to the respondents and most of the target respondents are below age of 24 (92.6%). Therefore, the sample results may not be representative of the average Malaysia’s consumer towards the counterfeit fashion products. Therefore, future research should focus on managing a diverse age group so that the result can be generalised.

Another limitation is the interest of the respondents. When some respondents are being confronted, they showed no interest in doing the surveys; some even rejected it directly. Moreover, 91.5% of the respondents’ incomes are below RM2000. This showed that the research result also cannot represent the upper middle and upper class income group consumers. Therefore, the result cannot be generalised. In short, a bigger sample size is needed so that different income group consumers are included in the research.

There is a possibility to continue to segment the counterfeit luxury purchases into clusters. With identified clusters more effort could be made in recognizing needs and wants of smaller segments and then devise strategy to meet them. Further analysis of segmentation could also describe the demographic and behavioural makeup of the segments for better understanding of the market. This could also be followed up with in depth qualitative interviews that seeks to further illuminate and confirms the hypothesis as tested in this study.
References


