

## Adolescents' Attitudes toward Counterfeits: Consumer Ethics & Reference Group Influence

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### Abstract

Counterfeiting is a fast growing market worldwide. The purposes of this study were to examine adolescents' attitudes toward counterfeits, their ethical beliefs, and reference group influence on purchasing counterfeits. Two hundred thirteen high school students in Seoul and suburb, South Korea, voluntarily participated in the study. As the results, approximately 30% of the adolescents had purchased counterfeits. Also, the adolescent buyers of counterfeits tended to purchase counterfeit goods as more alternative of genuine products than non-buyers, and did have more positive feeling toward counterfeits than non-buyers of counterfeits. In addition, adolescent buyers of counterfeits had lower consumer ethics than non-buyers. Finally, adolescents who have purchased counterfeits were more influenced by their peer group than those who have not. The findings would benefit marketers and educators in understanding of adolescents' purchasing counterfeit products, and contribute to develop strategies regarding counterfeits. Based on these results, some strategies for marketers and educators would be suggested.

**Key Words** : Counterfeits, Adolescents, Ethical beliefs, Reference Group

### I. Introduction

Recently, counterfeit products have been a rapidly growing market globally. Counterfeiting has been a major problem for manufacturers, retailers, and consumers<sup>1)</sup>. Counterfeiting is the manufacture and sale of products, such as clothing and accessories that are intended to pass as genuine products, and are packaged with identical trademarks and labels so that they appear to be original products to consumers.

Product counterfeiting is negatively understood as it damages legitimate brand reputations, revenues, and profits. Also, it demands cost to act against counterfeiters and increases product prices. Thus, most studies and practices have immense attention to develop strategies to discourage counterfeit products. Often the way for designers and manufacturers to take action against sales of counterfeit items is to initiate a lawsuit against a retailer who is knowingly selling

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counterfeit clothing and accessories<sup>2</sup>). For example, Hilfiger, Polo Ralph Lauren, and Nike, Inc. have all sued DesignersDirect.com for selling counterfeit replicas of their clothing and accessories through a website.

The practice of counterfeiting is a worldwide problem, not one confined to only a few areas of the globe<sup>3</sup>. Countries having the most difficulty with counterfeiters include the United States, European countries, and Asian countries such as China, Hong Kong and Korea.

This counterfeiting practice is appealing to counterfeiters who make enormous amounts of money from the manufacture and sale of counterfeit clothing and accessories. Furthermore, proceeds from counterfeit sales are often used simply as a convenient means of funding other criminal activities<sup>3</sup>. The cost to manufacturers and retailers is in the billions of dollars. It appears that the manufacture of counterfeit products is a serious problem. However, consumer demand for counterfeit products contributes also to increase manufacture of counterfeit goods. Accordingly, as the counterfeit products rise as serious economic and social problems, there has been recently increasing research on counterfeit products, particularly in consumer demand side such as consumers' purchasing motivation or characteristics.

According to one research<sup>4</sup>, counterfeit buyers may feel satisfied if they perceive counterfeit products as alternatives of genuine products. This means that counterfeit buyers might have different ethical values or attitudes toward counterfeit products from non-buyers. Thus, it can be assumed that consumers who have purchasing experiences of counterfeits may care less about ethical issues than those who have not. Although there has been increased awareness of unethical consumer practices,

there are a few studies to examine if consumers' unethical beliefs produce unethical consumer behaviors such as purchasing counterfeit products.

On the other hand, generally adolescents are interested in fashion brand names. During adolescents, peers are seen as being an important source of influence on fashion brand<sup>5</sup>. Since adolescents are high brand sensitivity<sup>6</sup>, it is highly possible that adolescents who can't afford the well-known brand prefer buying counterfeits of prestige brand products. However, despite such potential, most research counterfeiting research has focused on college students or adult consumers only. It would therefore be instructive to examine adolescents' counterfeiting behavior and understand whether or not adolescent buyers and non-buyers of counterfeit goods have different attitudes toward counterfeit products, and different levels of ethical beliefs. Therefore, the purpose of this study is to examine adolescents' counterfeit purchasing behavior and if adolescents who have purchased counterfeit goods tend to have more positive attitudes, care less about ethical beliefs, and be more influenced by reference group than those who have not.

## II. Literature Review

Counterfeiting is a major problem for manufactures, retailers, and consumers. Counterfeits are defined as reproduced copies that are identical to the legitimate articles including packaging, trademarks, and labeling<sup>7</sup>. Examples are handbag, sunglass, shoes, clothing and fashion accessories that are made with same trademarks and labels so that they look to be legitimate products to consumers.

Typical items include design brands of clothing and accessories, well-known store items, and sports logo items.

In the present study, consumers of counterfeits are narrowly defined as consumers who are not deceived by counterfeiters but knowingly purchase and consume counterfeits<sup>7)</sup>. In fact, such non-deceptive consumers of counterfeits comprise the majority of consumers of counterfeits, they are well aware of unlawful retail outlets selling counterfeits, and the sellers also explicitly inform consumers that they are selling a counterfeit<sup>8)</sup>. Such a market scene is frequently observed in countries that do not enforce copyright laws strictly. Recently, they are extended to a more variety of categories and the list is endless, including counterfeit pharmaceuticals, luxury fashion items, computer memory chips, hand-phones, cigarettes, liquor, golf clubs, fountain pens, music and movie tapes, and computer software. Among these items, luxury counterfeit products such as Louis Vuitton, Gucci or Prada have been increasing globally.

## 1. Hypothesis Development

### 1) Attitude toward counterfeits

As mentioned before, previous research supports that consumer attitudes toward the lawfulness of purchasing counterfeit products negatively influence consumer intention to purchase counterfeit products<sup>9)</sup>. Also consumers who perceive big business as charging exorbitant prices to exacerbate snob appeal may purchase counterfeit products of the original products to express their negative perception of big business. According to one study<sup>10)</sup>, consumers who have purchasing experiences tend to hold more supportive attitudes towards

counterfeiting and, sufficiently satisfied with fake products, plan to purchase them again in the future. Those who have purchased counterfeit goods may tend to have positive attitudes toward counterfeit products than those who have not. Also, another research<sup>4)</sup> supports that consumer attitude toward the legality of purchasing counterfeit products negatively influence the consumer intention to purchase counterfeit products. Especially, adolescents are very sensitive about prestige brand names so those who cannot afford buying the prestige fashion products prefer purchasing counterfeit products as an alternative. Based on previous studies, Hypothesis 1 was suggested as follows.

H1: Adolescents who have purchased counterfeit products hold more positive attitudes toward counterfeiting than those who have not.

### 2) Consumer Ethics

Ethics, defined as a system of moral principles and standards that guide an individual's behavior<sup>11)</sup>, is now becoming more important than before in attracting customers. Over many years, many researchers have focused on studying consumer ethics and behavior, in an attempt to better understand what motivates consumers to purchase counterfeit products, and what products and services are likely to appeal to them.

Vitell et al.<sup>12)</sup> examined the relationship between Machiavellism and the ethical beliefs of elderly consumers in the US. Respondents were asked if they perceived a given behavior as being wrong. Their findings revealed that consumers used three major rules to make their ethical judgments: the locus of the fault, the legality of the behavior, and the degree of harm cause. For example, actions that did not cause

any harm to the sellers were considered as ethical, and actions that were illegal or initiated by the consumer were considered as unethical.

Also, Cordell et al.<sup>4)</sup> indicated that attitudes toward the lawfulness of purchasing counterfeit products negatively influence the consumer intention to purchase counterfeit products. Based on such previous findings, it can be assumed that the unethical beliefs may lead to unethical behaviors such as purchasing counterfeit products. In other words, those who have purchased counterfeit goods may have more unethical beliefs than those who have not, with holding positive or supportive attitudes toward counterfeit products. The present study aimed to determine whether or not consumers' ethical belief affects consumers' unethical behaviors such as purchasing of counterfeits. Based on previous research, it can also hypothesized that if consumers have purchasing experiences of counterfeit products, they are more likely to show lower ethical beliefs than those who have not. Thus, H2 was suggested as follows.

H2: Adolescents who have purchased counterfeit products have less consumer ethics than those who have not.

### 3) Reference Group Influence

According to some research<sup>13)14)15)</sup>, consumers' attitudes toward counterfeits depend on the extent to which their reference group approves one's purchasing of counterfeits. Reference group such as friends, relatives or family may contribute on the purchasing of counterfeits. It depends on how much this purchasing behavior of counterfeits is approved by reference group. For example, Gentry et al.<sup>13)</sup> reported one of motivations to consumers' purchasing was

tolerant attitudes of their peers about purchase of counterfeits. They pointed out that if someone's reference group approves one's buying of counterfeit products, he/she is more likely to purchase counterfeit goods. Al-Jabri and Abdul-Gader<sup>14)</sup> also found out the influence of peer group affected one's software piracy purchasing behavior. Another research, Ford and Richardson<sup>15)</sup>, addressed in most studies reference groups influenced a person's ethical behavior. In addition, universalism and normative susceptibility concerned purchase decisions that were based on the expectations of what would make an impression on others.

Furthermore, Marcoux et al.'s study<sup>16)</sup> indicated that reference group influence appears to be particularly related to status consumption. Status consumption includes purchase of brand products in order to enhance a persons' social status. Individuals often gain recognition and distinction by spending their income on products that represent status to significant others. Conformity was related to willingness to buy counterfeit goods<sup>9)</sup> so that peer reference group may affect adolescents' attitudes toward counterfeits and their buying counterfeit products. Thus, hypothesis 3 was suggested as follows:

H3: Adolescents who have purchased counterfeit products are more influenced by reference group than those who have not.

## III. Research Method

High school students in Seoul and suburb, South Korea, voluntarily participated in the main study. A total of 250 completed a self-administered, paper-and-pencil questionnaire. Elimination of incomplete responses left 213

eligible responses for analysis. The questionnaire included demographic items and items about purchase of counterfeit products.

A 17-item Consumer ethics scale<sup>11)</sup>, a 10-item Attitudes toward counterfeiting scale<sup>17)</sup>, and a 9-item Reference group influence scale<sup>18)</sup> were used for this study. Each item was accompanied by a 5-point scale (5=strongly agree; 1=strongly disagree). Descriptive statistics and t-tests were used for data analyses. All the reliabilities were determined using Cronbach's alpha, which ranged from .74 to .94

#### IV. Results

Participants in this study were eighty-seven males (41%) and one hundred twenty-five females (59%). The subjects' age ranged from 15 to 18 with average of 16.7. In this study, generally, 29.2% of subjects had purchased one and more counterfeit fashion product. Specifically, the participants' counterfeit product purchasing experience was 6.1% for the handbag brands (e.g., Louis Vuitton, Prada), 3.3% for the designer shoes brands (e.g., Ferragamo,

Gucci), 12.3% for the apparel brands such as (e.g., Chanel, Prada), and 17.1% for the accessories brands (e.g., Cartier, Tiffany).

#### 1. Hypothesis Testing

##### 1) Hypothesis 1 testing

For testing hypothesis 1, factor analysis with Varimax rotation was used as a data reduction technique for the purchasing attitudes toward counterfeit products <Table 1>. Two factors with eigen values equal to or greater than 1.0 were generated, and accounted for 56.06%. Factor 1, labeled as "Counterfeits as alternatives", consisted of six items; it had eigen values of 4.59 in total (46% of the variance) and was reliable ( $\alpha = .85$ ). Factor 2, labeled as "Positive feeling", had an eigen value of 1.01 (10%) and was reliable ( $\alpha = .74$ ).

With two factors of purchasing attitudes toward counterfeit products, we examined the difference between non-buyers and buyer as seen in Table 2. The two groups were significantly different at  $p < .05$ . This result also showed that adolescents who had purchasing

<Table 1> Factor Analysis: Attitudes Toward Counterfeits (ATC)

Dimension name and items	Factor loading	Cronbach's alpha
Factor 1: Counterfeits as alternatives		
ATC 1	.83	0.85
ATC 2	.85	
ATC 3	.73	
ATC 4	.65	
ATC 7	.68	
ATC 10	.70	
Factor 2: Positive feeling		
ATC 5	.69	0.74
ATC 6	.71	
ATC 8	.76	
ATC 9	.81	

experiences tended to buy counterfeit products as more alternative of genuine products than those who had not. Also they did tend to feel more positively about counterfeit products than non-buyers. Thus, H1 (Adolescents who have purchased counterfeit products hold more positive attitudes toward counterfeiting than consumers who have not.) was supported.

2) Hypothesis 2 testing

As shown in Table 3, factor analysis with varimax rotation was used for the items of consumer

ethics. Four factors with eigen values equal to or greater than 1.0 were generated, accounting for 62.31%. Factor 1, Actively benefiting from an illegal activity, consisted of six items; it had an eigen value of 4.53, and was reliable ( $\alpha=.88$ ). Factor 1 accounted for 22.65% of the variance. Factor 2, Passively benefiting at the expense of others, had a eigen value of 4.16, and was reliable ( $\alpha=.87$ ) and accounted for 20.80% of the variance. Factor 3, Actively benefiting from a questionable action, had a eigen value of 3.77 with .85 reliability, and accounted for 18.86%.

<Table 2> A comparison between two groups on ATC

ATC Factors	t-value	Non-buyer (N=155)	Buyer (N=55)
Factor 1: <i>Counterfeits as alternatives</i>	-4.84*	3.01	3.32
Factor 2: <i>Positive feeling</i>	-3.89*	2.97	3.25

\*p<.05

<Table 3> Factor Analysis: Consumer Ethics (CE)

Dimension name and items	Factor loading	Cronbach's alpha
<b>Factor 1: Actively benefiting from an illegal activity</b>		
CE 1	.85	0.88
CE 2	.88	
CE 3	.74	
CE 4	.81	
CE 5	.67	
CE 6	.82	
<b>Factor 2: Passively benefiting at the expense of others</b>		
CE 9	.64	0.87
CE 8	.81	
CE 7	.87	
CE 14	.73	
CE 15	.68	
CE 16	.67	
<b>Factor 3: Actively benefiting from a questionable action</b>		
CE 10	.76	0.85
CE 11	.73	
CE12	.68	
CE 13	.85	
CE 17	.81	

With three factors of consumer ethics, t-test was conducted if there were the difference between non-buyers and buyers <Table 4>. The results showed that out of three, two factors, Actively benefiting from a questionable action and Passively benefiting at the expense of other, were significantly different between two groups while the rest one factor showed directional supports. That is, buyers of counterfeits have lower consumer ethics than non-buyers. Thus, H2 (Adolescents who have purchased counterfeit products care less about consumer ethics than consumers who have not purchased counterfeit goods.) was partially supported.

3) Hypothesis 3 testing

To test hypothesis 3, t-test was conducted between two groups. As a result, there was a significantly difference between non-buyer group and buyer group <Table 5>. That is, buyers of counterfeits had higher scores on reference group influence than non-buyers. Thus, H3 (Adolescents who have purchased counterfeit products are more influenced by reference group than adolescents who have not.) was supported.

V. Conclusion & Implications

The purposes of this study were to examine if adolescents who had purchased counterfeit products develop more supportive attitudes toward counterfeit products, if the buyers of counterfeits tend to care less about ethical beliefs than non-buyers, and if buyers of counterfeits are influenced by reference group.

As the results, approximately 30% of the adolescents indicated they had engaged in purchasing counterfeits. It is expected that more adolescents would purchase counterfeit products in the future, because counterfeit products have been thrived more and more around worldwide than now and before. For this study, three hypotheses were proposed. As expected, most hypotheses were fully or partially supported. First, the adolescent buyers of counterfeits tended to purchase counterfeit goods as more alternative of genuine products than non-buyers, and did have more positive feeling toward counterfeits than non-buyers. The buyers of counterfeits seemed to more willingly purchase counterfeit goods, although they could easily afford to purchase genuine goods. Second,

<Table 4> Comparison between two groups on Consumer Ethics (CE)

CE Factors @	t-value	Non-buyer (N=155)	Buyer (N=55)
Factor 1: Actively benefiting from an illegal activity	2.76**	4.18	3.89
Factor 2: Passively benefiting at the expense of others	3.02**	3.77	3.44
Factor3: Actively benefiting from a questionable action	1.98	3.17	2.99

@ The lower scores of CE factors mean lower consumer ethics.

\*\*p<.005

<Table 5> Comparison between two groups on Reference Group Influence

Variable	t-value	Non-buyer (N=155)	Buyer (N=55)
Reference Group Influence	-2.76**	3.14	3.46

\*\*p<.005

adolescent buyers of counterfeits had lower consumer ethics than non-buyers. Finally, adolescents who have purchased counterfeits were influenced by their peer group. This is consistent with Gentry et al's study<sup>13)</sup> in peers' purchasing counterfeits had affected consumers' counterfeit buying.

Adolescent counterfeit buyers may deny they are wrong and blame the original-product manufactures for charging such exorbitant prices. They may have double standards, which are employed such that prospective buyers of counterfeiters do not hold themselves accountable for their action but hold counterfeit sellers as responsible. Such situational ethics encourage further purchase of counterfeits.

The findings would benefit marketers and educators in understanding the decision process of adolescents' purchasing counterfeit products. The results of this study have some implications as follows. First, as mentioned, counterfeiting is a growing problem worldwide and many actions are being taken to reduce counterfeiting on both domestic and global levels. In order to reduce counterfeiting from demand side, it is necessary to reduce motivation to produce counterfeit goods. Results of the current study revealed that adolescent counterfeit buyers had more positive attitudes toward counterfeit products and lower consumer ethics than non-buyers, indicating that consumers' ethical beliefs may be the key to lessen consumer demand for counterfeit products. Thus, consumer ethics education programs in educational institutions or governments need to develop consumer ethics education programs to prohibit adolescents' purchasing counterfeit products.

Second, anti-counterfeits organizations can encourage word-of-mouth communication among friends and family members, because as shown

in the results, the influence of friends and family members is likely to be more powerful.

Finally, to reduce adolescents' purchasing of counterfeits, manufactures should reduce their prices. The lower margin of genuine goods discourages counterfeiters as the business is no longer as lucrative if they have to reduce their already low prices further to compete against the genuine goods.

The current study has some limitations. All respondents were drawn from limited areas so that the data may not reflect broad geographic differences among college students. Thus, further research need to include more adolescents in more variety areas. In addition, it would contribute to the development of a more rigorous methodology for researching adolescents' ethics in variety of countries globally.

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