



Consumer decisions in the black market for stolen or counterfeit goods[☆]

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ABSTRACT

Three studies investigated hypothetical consumer behaviour in buying stolen, pirated or counterfeit goods from the black market. Study 1 found that both students and members of the general public rated the acceptability of such purchases higher when the victim was an organisation or society rather than an individual, and when there was a survival need rather than not otherwise being able to afford the good or wanting to save money. Study 2 used an adaptive method to find the price at which hypothetical consumers would buy from the black market rather than legally. The price was higher if the victim was society or an organisation, was little affected by the legal price, and generally averaged about a third of the legal price. Study 3 found that providing participants with information about the costs incurred by victims lowered the price they were willing to pay for black market goods, and increased the number of refusals to buy at any price.

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1. Introduction

This paper investigates aspects of consumer willingness to participate in a particular type of black market: the market in stolen or counterfeit goods.

Previous research has investigated a variety of different kinds of black market. Perhaps most frequently studied have been markets which are outside the official economy, with the frequent consequence of unpaid taxes. For example, [Schneider and Enste \(2000, p. 78\)](#) define black markets as “all economic activities that contribute to the officially calculated (or observed) gross national product but are currently unregistered” ([Schneider & Enste, 2000, p.78](#)). Although measures of their extent are notoriously uncertain ([Giles, 1999](#)), there is general agreement that it is large and varied. [Williams \(2003\)](#) found that participation is driven partly, but not only, by economic considerations. [Fortin, Lacroix, and Montmarquette \(2000\)](#) point out that those who provide goods and services in informal markets also tend to consume the goods and services they provide. [Reilly, Krstic, and Cominetta \(2006\)](#) found use of informal markets in Serbia more frequent among younger people and those on lower incomes. A common theme in this work is the importance of social networks for maintaining the markets. The study of informal markets has strong links to the question of why people evade taxes (e.g. [Elffers, 1999](#); [Kirchler, 2007](#); [Mittone, 2006](#); [Reilly et al., 2006](#)).

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In many informal markets, the transactions are quite legal, except for the issue of tax. In other markets, for example those in illegal firearms and drugs, the transactions themselves are illegal (French, McCollister, Alexandre, Chitwood, & McCoy, 2004). There has also recently been research interest in software and media piracy. Some of this research has focussed on what kinds of individuals are most likely to pirate software, and in which societies this behaviour is most prevalent, but there has also been both work on the situations in which piracy is most likely to occur and the reasons that people give for doing it (Cheng, Sims, & Teegen, 1997; Cronan & Al-Rafee, 2008; Glass & Wood, 1996; Gopal & Sanders, 1997; Logsdon, Thompson, & Reid, 1994; Robertson, Gilley, & Crittenden, 2008). Cheng et al. (1997) found that the most important reasons given for pirating software were the cost of buying it legally or not being able to afford it otherwise, the wish to try it out or only use it for a brief period, and the ease of obtaining it.

Among black markets, software piracy is unusual because as a rule the person who illegally obtains the product and the consumer of the product are the same. In other markets for stolen or counterfeit products, the supplier and the consumer are usually distinct. We focussed on these other products, because we wanted to focus on variables that might affect the consumer rather than the supplier. This was because most existing law enforcement has focussed on the supplier. For example, within New Zealand it is currently illegal to sell or manufacture pirated goods, and convictions for these activities take place from time to time, but the consumers of such goods are not generally pursued or prosecuted (Reuters New Zealand, 2005, 2006a, 2006b). Yet, it has been cogently argued that the endeavour to reduce black markets should target consumers as well as suppliers, and aim to restrict demand as well as supply (e.g. Albers-Miller, 1999; Ray, 1981; Sheley & Bailey, 1985). Thus, the studies we report centred on factors influencing consumer demand for stolen and counterfeit goods.

Previous research indicates that there is often quite high demand for stolen or counterfeit goods. For example, Bryce and Rutter (2005) found that 34% of their UK respondents reported buying a counterfeit product at some point. Reports of actual or potential consumers indicate that a strong motivation to buy such products is their cheaper cost (Albers-Miller, 1999; Bryce & Rutter, 2005). However, other factors, such as whether others present might also be purchasing (Albers-Miller, 1999), wanting to get the product quickly (Bryce & Rutter, 2005), and not thinking buying counterfeit goods to be very wrong (Cordell, Wongtada, & Kieschnick, 1996), can also be significant.

Because such variables are often more important for changing people's behaviour, the focus of the present studies was mostly on the environment and circumstances surrounding purchase decisions rather than the consumer's personal characteristics (cf. Olander & Thøgersen, 1995). An obvious variable suggested by previous research is the legal cost of the good, and this was varied in Studies 2 and 3. Another important variable may be the consumer's need (cf. Maslow, 1943). Is it more acceptable to buy from the black market when the need is survival rather than a desire to save money or because the consumer cannot otherwise afford a desirable, inessential good? A third possible variable is the victim of the crime. It has been found, for example, that people are less likely to feel guilty about stealing from large than from small organisations (Smigel, 1956). The first two studies reported below varied whether the victim was an individual, an organisation or society as a whole.

The studies were not designed to focus primarily on individual differences, but some information about age, gender and income effects was collected. Crime rates generally decrease with age (e.g. Hirschi & Gottfredson, 1983; Stattin & Magnusson, 1991), and it seemed reasonable that willingness to participate in black markets might do so too. This has also been found true with informal markets (Reilly et al., 2006). Similarly, men are generally more likely to engage in criminal activities than women (e.g. Blickle, Schlegel, Fassbender, & Klein, 2006; Haynie & Armstrong, 2006), so one might predict greater male willingness to engage in the black market. Finally, the common finding that people buy stolen or counterfeit goods because otherwise they cannot afford them suggests that those on lower incomes would be more tempted by the black market (Reilly et al., 2006). Note, however, that we did not manipulate access to black networks (another individual difference variable), and hypothetical access was effectively held constant by the wording of the scenarios.

In the first study we asked respondents how unacceptable it would be to buy stolen goods under different circumstances. In the second and third studies the dependent variable was the price that people would be willing to pay for stolen or counterfeit goods in different circumstances. Our decision to investigate this dependent variable arose from previous research into protected values (Baron, 1999; Baron & Leshner, 2000; Baron & Spranca 1997; Irwin & Baron, 2001; Ritov & Baron, 1999). Protected values are those that people often claim should not be traded off. "Thou shalt not steal" is a good example. Yet, research into protected values shows that in fact people are prepared to trade off against moral values. For example, Baron (1999) found many participants were prepared to buy a copied computer program, provided it was at a discount to the legal price. Similarly, some people are prepared to work in industries commonly believed to be immoral (e.g. tobacco) if they receive sufficient money (Frank, 2005)

Probably the most important reason to study the influences on consumer demand for stolen or counterfeit goods is to find ways to reduce demand for such goods and the size of the market overall, and indeed previous researchers have offered suggestions for doing this (e.g. Albers-Miller, 1999; Cheng et al., 1997; Sheley & Bailey, 1985). Previous research also suggests that consumers can rationalise their decisions to acquire goods illegally by denying that there is a real victim or that anyone else is injured by their actions (Strutton, Vitell, & Pelton, 1994). Some victims, such as organisations or societies, may be more difficult to perceive as victims. Thus, a possible strategy for reducing consumer demand for stolen or counterfeit goods is to present a clearer picture of such victims. Our final study (Study 3) attempted to change people's hypothetical purchase behaviour by focussing their attention sharply on the victims of the black market in stolen and counterfeit goods.

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