



Contents lists available at ScienceDirect

## Journal of Business Research



## Coping with copies: The influence of risk perceptions in luxury counterfeit consumption in GCC countries<sup>☆</sup>

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## ARTICLE INFO

## Article history:

Received 8 May 2016

Received in revised form 28 September 2016

Accepted 16 November 2016

Available online xxx

## Keywords:

Counterfeit

Luxury brand

Risk

Coping strategies

GCC consumers

## ABSTRACT

This research investigates counterfeit luxury consumption in the Gulf Cooperation Council (GCC) countries, where consumers are so affluent that their consumption of counterfeit goods is surprising. An exploratory quantitative survey conducted in the United Arab Emirates demonstrates that though GCC nationals do purchase counterfeit luxury products, the perceived performance, psychosocial, and moral risks might prevent them from the engagement in such consumption. Based on 19 in-depth interviews, a follow-up qualitative study identifies the strategies Emiratis use to cope with the cognitive dissonance that occurs from the perception of those risks. The findings are of major interest for public policy makers and luxury brand managers fighting counterfeiting.

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### 1. Introduction

The Organisation for Economic Co-operation and Development (2016) has recently estimated the global trade in fake goods to be worth nearly half a trillion dollars a year. Counterfeiting is increasing at a faster pace than ever before and is developing into a significant global economic problem (Bian, Wang, Smith, & Yannopoulou, 2016; Staake, Thiesse, & Fleisch, 2009), particularly in the luxury goods market (Bian & Veloutsou, 2007; Commuri, 2009; Nia & Zaichkowsky, 2000). For luxury brands, counterfeiting may represent a significant threat damaging their reputation, reducing demand for legitimate products, entailing additional costs to protect against infringement, and result in lower business revenues (Kapferer & Michaut, 2014; Wilcox, Kim, & Sen, 2009; Wilke & Zaichkowsky, 1999). As such, academics widely study counterfeit luxury consumption. In particular, they investigate the antecedents of such consumption, including consumers' motivations and characteristics, product attributes, and situational factors related to the context of purchase or sociocultural influences (Bian et al., 2016; Eisend & Schuchert-Güler, 2006; Hieke, 2010; Zaichkowsky, 2006).

Prior studies discuss the obvious financial motives that drive non-deceptive counterfeit luxury consumption, in which consumers consciously and willingly purchase fake products (Grossman & Shapiro, 1988; Staake et al., 2009). While luxury counterfeits may not provide the same level of excellence as the original products regarding tangible attributes, they preserve the brand image the original products convey. Therefore, intentional purchase of counterfeits means attaining luxury brands' prestige without paying the price; that is, consumers purchase these products because of their low price (Albers-Miller, 1999; Prendergast, Chuen, & Phau, 2002; Tang, Tian, & Zaichkowsky, 2014). If so, a negative correlation emerges between counterfeit proneness and income (Ang, Cheng, Lim, & Tambyah, 2001; Sharma & Chan, 2011; Tom, Garibaldi, Zeng, & Pilcher, 1998), which may explain why little research examines such counterintuitive counterfeit luxury consumption among affluent consumers, those consumers that can afford the prices of genuine luxury brands (Perez, Castaño, & Quintanilla, 2010). As an exception to the above trend, Perez et al. (2010) show that consumption of counterfeit luxury brands provides affluent consumers with symbolic benefits as this is the case with the less affluent consumers. Focusing on motivations, they do not address however whether affluent consumers associate the same kind of risks with counterfeit luxury consumption than less affluent consumers, though one reasonably might expect that both types of consumers could differ, especially concerning financial or social risks. As risk perceptions have a strong influence on counterfeit purchase decisions (Albers-Miller, 1999; De Matos, Ituassu, & Rossi, 2007; Chen, Zhu, Le, & Wu, 2014; Tang et al., 2014; Veloutsou & Bian, 2008; Vida, 2007; Viot, Le Roux, &

<sup>☆</sup> The authors thank Pierre Valette Florence, the reviewers in the 2016 Symposium on Luxury for their valuable comments as well as Najla Al-Hendi and Hamad Al Ali for their invaluable help in collecting the data.

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Kremer, 2014), studying the risk dimensions affluent consumers may associate with counterfeit luxury consumption seems necessary.

To fill the gap, this study examines risk perceptions associated with non-deceptive counterfeit luxury consumption by the local population in the Gulf Cooperation Council (GCC) countries. More precisely, the study investigates United Arab Emirates (UAE) national consumers for two main reasons. First, Emiratis are very wealthy people. Thanks to oil rents, UAE population, which mixes 20% of nationals with 80% of western or Indian sub-continent expatriates, displays the 10th highest gross national income per capita in the world in terms of purchase power parity (Worldbank, 2016). However, this ranking should be reconsidered upward knowing that Emirati households are around twice wealthier than non-Emirati households (Government of Dubai, 2014) due to a strong political will to favor UAE nationals as they are a minority in their own country (e.g., job priority, higher salaries, numerous subsidies, grants, loans and free utilities and services). These facts shed light on how Emiratis are wealthy. Second, Emiratis are major consumers of genuine (Bain & Company, 2014; Chalhoub, 2014) and counterfeit luxury products. For example, in September 2015, the Department of Economic Development of Dubai reported the largest ever fake goods haul, with a seizure of 3.5 million counterfeit items worth a record AED 195 million (€46.4 million) (UAEinteract, 2015). Two months later, Dubai announced the launch of the “Intellectual Property Protection Advisory Board” to bring organizations and the government closer to combatting counterfeiting and trademark violations. Although many counterfeits are only transiting in the UAE or mainly target tourists and non-locals, Emiratis also buy counterfeits in dedicated areas such as the Karama Market in Dubai (ranked 65 of 316 Dubai activities by TripAdvisor). To better understand such consumption and extend Perez et al.'s (2010) first contribution on affluent consumers, this study uses a risk perception perspective to determine whether Emiratis do not perceive any risk in counterfeit consumption or apply strategies to cope with those risks.

To do so, the study draws from Eisend and Schuchert-Güler's (2006) preliminary framework, which proposes that consumers develop coping strategies when dealing with the cognitive dissonance that occurs from counterfeit consumption. Such dissonance partly derives from the risks people associate with counterfeit consumption. The exploratory quantitative study shows that Emiratis' perceptions of performance, psychosocial, and macro risks mainly hinder counterfeit luxury consumption. In ruling out the possibility that the consumption of luxury counterfeits in the UAE results from an absence of perceived risks, the study then qualitatively explores the strategies Emiratis use to cope with such risks. Four main strategies specific to wealthy and genuine luxury products consumers emerged from the interviews. The A-quality strategy stresses the affluent consumers' preference for high-quality luxury counterfeits. The black chameleon strategy shows that affluent consumers mix both genuine and counterfeit luxury products according to situations and product categories. The fashionista strategy suggests that affluent consumers favor counterfeits when luxury products are very trendy and have a short lifecycle. Finally, the believer strategy shows how religion can support and serve as a justification for counterfeit luxury consumption among affluent consumers. A discussion of the findings and implications for public policy makers and brands locally fighting counterfeiting concludes.

## 2. Literature review

### 2.1. Risk perception

Bauer (1960) contributes to the risk literature by distinguishing objective from subjective risk; the latter designates the risk consumers perceive. Two dimensions comprise risk perceptions: the probability of the risk and the seriousness of its negative consequences (Dowling & Staelin, 1994), that are the losses people may face in the event the risk comes to fruition (Kahneman & Tversky, 1979)—for example,

when a fake luxury bag promised to last for two years lasts only two months. In the end, research shows that risk perceptions exert a strong influence on the vast scope of consumers' decisions, suggesting that consumers try to reduce uncertainty and avoid unfavorable consequences of their decisions (Cox, 1967; Dowling & Staelin, 1994; Mitchell, Davies, Moutinho, & Vassos, 1999; Roselius, 1971).

People differ in their risk assessments of the same object, depending on individual and situational factors. Consumers perceive different levels (e.g., low, high) and various facets of risks (Michaelidou & Christodoulides, 2011). Financial, performance, physical, psychological, and social risks were among the first identified dimensions (Jacoby & Kaplan, 1972). The perceived financial risk refers to disappointment about value for the money, waste, or loss in the event of product malfunction. The perceived performance risk relates to situations in which the product fails to perform as expected. The perceived physical risk involves the threat to consumer health and safety. The perceived psychological risk includes concerns about consumers' self-concept, such as a fear not to make the right product choice or being unable to fit the product with their self-concept. The perceived social risk confronts consumers with negative reactions or thoughts from other people. Roselius (1971) identified a sixth dimension, time risk, defined as the waste of time, convenience, and effort getting products adjusted, repaired, or replaced when they fail.

These risk facets are specific to each product category (Derbaix, 1983; Michaelidou & Christodoulides, 2011) and are functionally interdependent: while one category of risk increases, the other categories can increase, decrease, or remain unchanged (Jacoby & Kaplan, 1972). These risk facets predict the overall risk perception and enhance understanding of consumer behavior (Featherman & Pavlou, 2003), such as counterfeit consumption.

### 2.2. Risk perceptions in counterfeit consumption

In line with prior evidence that risk perception is one of the major factors influencing counterfeit consumption (Albers-Miller, 1999; De Matos et al., 2007; Chen et al., 2014; Viot et al., 2014), Tang et al. (2014) show that risk perception scores as the second reason after utility for non-deceptive counterfeit consumption. No consensus, however, appears in the literature about the relative influence of the various risk facets associated with counterfeit consumption. Veloutsou and Bian (2008) stress the importance of financial, psychological and physical risks; Bian and Moutinho (2009) underscore the impact of financial and social risks; and Tang et al. (2014) opt for the dimensions of physical and social risks, while physical risk has little significance for Ha and Lennon (2006). Time risk is rarely taken into account in the literature on counterfeiting and scores as the least important dimension (Veloutsou & Bian, 2008).

Beyond these traditional risk facets, academics associate counterfeit consumption with other specific risk dimensions. The perceived legal risk is the risk of sanctions or punishment if caught with counterfeits (Albers-Miller, 1999). The perceived macro risk refers to the economic and social consequences of counterfeits, such as tax evasion, loss of jobs (Viot et al., 2014), a deficit in the trade balance (Viot et al., 2014), child labor (Marcketti & Shelley, 2009) or terrorism funding (Hamelin, Nwankwo, & El Hadouchi, 2013).

The majority of scholars exploring counterfeiting from the consumer perspective base their research on data collected in the Western world (Eisend & Schuchert-Güler, 2006), though more recent research also considers Asian countries (e.g., Chen et al., 2014; Phau & Teah, 2009; Veloutsou & Bian, 2008). This focus calls for more cultural studies on the subject, as culture strongly influences the risks consumers may perceive in counterfeiting (Eisend & Schuchert-Güler, 2006). Veloutsou and Bian (2008) show that English consumers perceive more psychological and social risks than the Chinese. However, no research to date explores how consumers perceive the risks associated with counterfeit consumption in GCC countries.

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