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# The devil wears Prada: counterfeit in luxury goods

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## **Abstract**

**Title:** The devil wears Prada: counterfeit in luxury goods

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All over the world, the market of luxury products has been significantly increasing. Following an almost parallel trend, the grey market of counterfeit luxury goods, has also been exponentially growing. To fight against this tendency, and to avoid losing a relevant part of their business, luxury brands need to develop new strategies. Such strategies can be directed not to fight the black market itself, but to better understand consumers' perception of luxury items and try to change consumer perception about counterfeit goods. To try to understand consumers' perception and to see their reaction to a threat, this thesis compiled a comprehensive online survey, where participants faced several scenarios with luxury and counterfeit goods. Besides, in half of the scenarios, participants were exposed to a self-threat. The results showed that threatened consumers tend to better accept counterfeit in luxury goods while increasing their sense of fashionable to protect their identity. However, when they were threatened their likelihood to purchase luxury perfumes surprisingly decreased. Consumers' age influenced the likelihood to purchase a counterfeit luxury perfume in the same way as current occupation and monthly income influenced the likelihood to purchase a counterfeit luxury handbag. The results also showed that consumers that relate a high value-expressive function to genuine luxury goods, have more sensitive moral beliefs from other people buying counterfeit luxury goods. It was also concluded that consumers' are willing to pay more for some product that may restore their self-image previously threatened.

**Keywords:** luxury goods; counterfeiting; self-threat; self-image; moral beliefs.

**Resumo**

**Título:** O Diabo veste Prada: contrafação nos produtos de luxo

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O mercado dos produtos de luxo e o mercado da contrafação dos mesmos tem sofrido um aumento significativo. Para combater esta tendência e para evitar perdas de negócio, as marcas de luxo têm de começar a desenvolver novas estratégias. Estas, não podem ser unicamente direcionadas ao combate do mercado clandestino em si, mas sim para uma melhor compreensão das perceções dos consumidores sobre os produtos de luxo e na tentativa de mudar as suas perceções sobre os produtos contrafeitos. Para perceber as perceções dos consumidores e analisar como reagem quando são ameaçados, esta tese foi elaborada com base num questionário online, onde os participantes enfrentaram diferentes cenários com produtos de luxo e produtos contrafeitos. Simultaneamente, em metade dos cenários, os participantes foram sujeitos a uma ameaça à sua personalidade. Os resultados mostraram que os consumidores ameaçados tendem a aceitar melhor os produtos contrafeitos como forma de aumentar o seu sentido de moda para proteger a sua identidade. Surpreendentemente, a probabilidade de comprarem perfumes de luxo diminuiu. A idade dos consumidores influenciou a probabilidade de comprarem perfumes contrafeitos da mesma forma que a ocupação atual e salário mensal influenciaram a probabilidade de comprarem malas de luxo contrafeitas. Os resultados também mostraram que os consumidores que associam a função de valor expressivo aos produtos de luxo, são mais sensíveis nas suas convicções morais sobre as outras pessoas comprarem produtos contrafeitos. Foi também concluído que os consumidores estão dispostos a pagar mais por produtos que possam restaurar a sua imagem, quando previamente ameaçada.

**Palavras-Chave:** produtos de luxo; contrafação; ameaça à identidade; auto-imagem; convicções morais.

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## **Chapter 1. Introduction**

### *I. Background*

While some years ago, only haute couture, jewelry and watches were seen as a sign of luxury, now almost every brand has some luxury accessible products like perfumes, cosmetics and sunglasses, which are accessible to a wide range of people, without jeopardizing their exclusivity and restricted access. As the luxury market grew, an opportunity appeared for a parallel industry to develop. The counterfeit in luxury products spread as a parasite to the industry itself, being even considered by some as the crime of the 21<sup>st</sup> century.

While in the beginning, counterfeit goods had to be sold in physical markets (e.g. grey markets, flea markets), now they are spread through the entire online world, making it even easier to reach more consumers and to escape the authorities control. Like with every online product, as the availability increases, the exposure of the consumers to it also increases, leading to an augmented demand and a boost in the counterfeit market.

Considering the reduced number of studies analyzing the consumers' motivations behind the acquisition of counterfeit and the genuine luxury products, it is essential to increase the research dedicated to this subject. By doing so, brands can use such studies to develop new strategies that allow them to protect and fight against this parasite parallel industry.

### *II. Problem Statement*

The main goal of this dissertation is to analyze consumers' motivations to buy counterfeit luxury goods rather than genuine luxury goods. Luxury products should contribute to positive self-image however, the illegality of counterfeit products may reduce this contribution of luxury products to consumers' positive self-image. To understand this process the present dissertation tests how a threat to one's positive self-image can influence consumers' perceptions and decisions. Thus, the research questions of the study are the following:

**RQ1:** What are the consumers' motivations to buy counterfeit luxury goods?

**RQ2:** To what extent do counterfeit luxury goods contribute for consumer's positive self-image?

In order to understand how consumers' perception of themselves and others can be influenced by the presence of a threat, in the beginning of half of the surveys, an intentional threat will be

included (independent variable). The results obtained will be analyzed against the presence or not of the threat. Likewise, the effect of this threat on owns materialism perception will be compared.

**H1:** Consumers' perception of themselves and others is negatively influenced by a threat

To comprehend how consumers' likelihood to acquire counterfeit luxury products or genuine ones can be influenced by a self-threat or personal characteristics, specific questions on age, gender, occupation, education level, nationality and monthly income will be included in the survey. The results obtained from these questions will be analyzed at the same time as the threat to evaluate their influence on the likelihood to acquire luxury or counterfeit products.

**H2:** Self-threat and differences in consumers' age, gender, occupation, education level, nationality, and monthly income can increase the likelihood to acquire luxury/counterfeit products.

To evaluate the influence of consumers' perception of the product they are buying – value expression or social expression – on owns' moral beliefs about people who purchase counterfeit luxury goods, a 7-point likert scale addressing both points, social and value expressions will be inserted in the survey. At the same time, the influence of the factor “threat” will be analyzed for all responses.

**H3<sub>a</sub>:** If consumers' attitude towards luxury products serves a value-expressive function, their moral beliefs about people buying counterfeit luxury goods are negatively correlated.

**H3<sub>b</sub>:** If consumers' attitude towards counterfeit luxury products serves a social-expressive function, their moral beliefs about people buying counterfeit luxury goods are positively correlated.

To analyze the consistence between previous works published by different authors and the results obtained in this thesis, an analysis of consumers' willingness to pay for luxury or counterfeit items when facing a threat will be evaluated. In order to do so, consumers will be questioned about the value they are willing to spent on a given item after facing or not a threat.

**H4:** When exposed to a threat, consumers' willingness to pay (WTP) for a luxury or a counterfeit product increases.

#### *IV. Dissertation Structure*

This dissertation is divided in five main chapters. The first one provides an overview of the study, including the main research question and respective hypothesis. The second chapter accounts for a comprehensive literature review on the state of the art of the topics approached during this thesis. The third chapter provides a description of the methodology, comprising research instruments and research methods. The fourth chapter includes the results obtained from the conducted survey and the subsequent statistical analysis to answer the main hypothesis. Lastly, the fifth chapter presents the main conclusions together with a broad discussion of the obtained results. As well, this chapter includes the research limitations and future research suggestions.

## Chapter 2. Literature Review

The mystery of people buying counterfeit products can only be solved if there is a previous knowledge and understanding of the motivations behind the purchase of luxury goods. Therefore, when this relation client-counterfeit is established, it is possible to unveil the motivations and personal goals behind each buying decision.

In order to address these points, this chapter aims to present a review of the relevant theoretical and empirical publications required to answer the research problem.

The literature review is divided in five main topics. The first one regards the definition of luxury with an ephemeral insight into its history. The second topic refers to the main differences between marketing within other brands and luxury brands, essential to understand how professionals manage luxury brands. The third one describes some of the consumer characteristics while the fourth topic concerns how people perceive themselves while luxury brands' consumers (the self-concept). Finally, the fifth topic covers the counterfeit market in luxury goods.

### *I. Luxury Definition*

Derived from the Latin *luxus* and consequently from the old French *luxurie* it means “excess, extravagance” or even “vicious indulgence” (Berthon *et al.*, 2009). Luxury is the desirable but inaccessible, the greater the inaccessibility, the greater the desire – “where the ordinary ends and luxury starts” (Tynan *et al.*, 2010).

While in the past luxury was seen as difficult to obtain objects, like rare pearls, crystals, perfumes or spices from the Caribbean region (Berthon *et al.*, 2009), currently it can be seen everywhere. The developments in worldwide faster transportation and the globalization concept completely changed this reality. Instead of waiting long months for caravans or boats to arrive, goods like silk, saffron, amber, or precious gems are a click away. According to Bain & Company (2016), the luxury market had a steady growth of 4% rounding about 1.08€ trillion in annual retail sales. Inside this general market, the personal luxury goods segment, which includes beauty products, hard luxury apparel and accessories accounts for 249€ billion.

Brands and companies come up with new ideas to convince the costumers that such an item represents luxury and exclusivity. *Masstige*, *opoluxe*, *premium*, *ultra-premium*, *trading-up*, *hyperluxury*, *real or true luxury*, are being used to try to induce a luxury experience on their consumers (Kapferer and Bastien, 2009). However, luxury is not only about this.

The luxury seen in the past as a signal of social stratification in aristocratic societies (kings, priests and nobility, versus the others) has disappeared with time. In our modern society, this kind of social stratification has faded. Nevertheless, people still find a need to define some kind of hierarchy among them, using luxury to distinguish them from everybody else (Kapferer and Bastien, 2009). Kapferer and Bastien called it a “democratic luxury” in which a luxury item is the extraordinary to the happy few.

According to the same authors, luxury can be defined by: symbolism, where we find the symbolic desire to belong to a superior class; qualitativensness versus quantitativensness, as we don't measure the value of a necklace by the number of pearls; multisensoryship and experientialism, seen for example on the act of buying a luxury perfume where we don't buy only the odour, but the whole experience of the bottle, the beauty and the uniqueness of it; the hedonism which takes preference over functionality, as when we buy a luxury purse not for its functionality, but for the value that it represents to us.

The problem with defining luxury with attributes is that most of the times, luxury is more than a simple characteristic or set of attributes. We can look to a Cartier bracelet and still don't understand why it is a luxury product, because luxury is more than the material. Hence, instead of defining luxury brands by theirs attributes, Berthon *et al* (2009) believed that we should define them in three dimensions: the material, the social and the individual.

As stated by Kapferer and Bastien (2009), luxury can only be considered luxury and not snobbery while it includes a strong personal and hedonic component, at the same time as it converts money in a social stratification product, the luxurious object itself. To be able to distinguish a luxury from a simple fashion item, the object should be handmade and incorporate a strong human content, offering an exclusive and self-identifying experience. On the other hand, such personalization of an item can help to establish a strong relationship between brands and customers.

## *II. How luxury turns marketing upside down*

The classical marketing works for fashion and premium sectors but it cannot be applied to the luxury sector (Kapferer and Bastien, 2009). The marketing of luxury goods needs to satisfy the market demand while it faces the increase of counterfeit in luxury goods, safeguarding brands' identity and uniqueness (Bian and Veloutsou, 2007). Likewise, marketing is responsible for the value that customers perceived from luxury goods, leading them to buy it even with high prices,

which takes particularly importance in the current recession period that we are facing (Tynan, McKechnie and Chhuon, 2010).

Luxury is managed by a different set of rules, opposite of classical marketing – usually called anti-laws of marketing (Kapferer and Bastien, 2009).

### **1. Forget about positioning, think identity only**

In classical marketing brands sell positioning, the difference they offer towards the other competitors. In luxury, brands do not compare with each other due to the impossibility to distinguish them on a better/worse scale. These brands are different and most important they are unique, with each brands having its history. In the luxury segment, it is irrelevant to talk about competitors because brands do not compete with each other. Luxury can be considered as a “superlative” and not “comparative” industry.

### **2. Make it difficult for your client to buy**

The greater the inaccessibility, the greater the desire. Luxury brands make it difficult for consumers to buy the products, often with time obstacles. Consumers have to wait to own his/her luxury good. (e.g. Ferrari creates a waiting list for each brand new car).

### **3. Do not pander your customers' wishes**

In contrast to companies like Procter & Gamble that listen to their customers and transform their wishes into new products, the new products in luxury brands come from the mind of its creator, maintaining a consistency over time, guaranteeing brands' authenticity.

### **4. It is not the price that creates luxury. Luxury creates the price**

In traditional marketing, marketers find out the price level for a new product. However, in the luxury sector, brands first create the product followed by the definition of its value. Higher prices mean that the products are highly perceived by the client as luxury products.

### **5. Increase the average price to grow demand**

In traditional markets, when the price decreases, the demand increases. In the luxury market it is the opposite. Luxury brands increase prices to distinguish themselves and to be exclusive, investing that price difference in more advertising and/or the quality of the products

### **6. Do not communicate to sell but to dream**

Luxury brands do not communicate and advertise to sell like traditional brands do. These brands communicate to raise brand awareness and create desire on consumers. Not everyone can afford to buy a Dior haute couture dress but they can dream about it.

### **7. Communicate well beyond your target**

Luxury brands communicate to everyone but only a few can afford their products. These luxury brands want to be recognized, thus they work to increase brand awareness.

### *III. Luxury Consumer Characteristics*

The current general economic recession that has been hitting our societies for the past years may have a particular impact on luxury brands and goods. It would be expected that brands with higher prices would be affected first. Nevertheless, and going against the expectations, consumers with lower incomes and subsequently reduced purchasing power are still buying luxury goods (Hudders, 2012). This may raise a big question; why are these people still buying luxury goods instead of spending the money on basic needs?

According to the economic theory, consumers tend to buy the product that maximizes the utilitarian benefits, which goes against luxury products that are not always about functionality (Vigneron and Johnson, 2017). As an example, we can imagine a consumer that needs a purse to carry her laptop. If she would think only about functionality, she would buy a basic purse at a standard store with accessible prices (e.g. Zara, H&M). However, this does not occur always, as sometimes you can see consumers going to a luxury product store (e.g. Chanel, Louis Viton) to buy the “same” purse but paying a lot more for the same functionality, leading to the next question. If these consumers do not buy the goods for their functionality, are they buying it due to some psychological benefits that a purse from a standard store cannot offer?

According to some authors (Dubois and Laurent, 1996; Wong and Ahuvia, 1998; Kapferer and Bastien, 2009; Wiedmann *et al.*, 2009), products from luxury brands tend to offer psychological benefits that other brands do not. These authors divided these psychological impacts in two dimensions: expressive and impressive purchase motives. The expressive motives can be from 3 types: need for uniqueness, need for conformity and need for communicating one’s own identity. Consumers can take utility from some’s identity or other psychological benefit. Leibenstein (1950) associated the need for uniqueness with the “snob effect”, as luxury goods’ consumers want to feel unique and superior to others consumers that cannot afford such items. The need for conformity is related to consumers’ need to feel that they belong to their reference groups, which Leibenstein (1950) calls the “bandwagon effect”, as consumers purchase goods when others do. Finally, the need for communicating one’s own identity shows that consumers buy luxury brands to show their reference groups, so that the goods they possess are an extension of their self (Belk, 1985, 1988).

On the other hand the impressive motives relates to when the purchase provides pleasure to the consumer (Hudders, 2012). This category can be divided into two components, emotional and functional. The first one is related with the pleasure and sensory gratification that consumers

get from luxury brands while the seconds refers to the high quality of the products and functionality.

In short, expressive purchase motives are the ones where consumers communicate status to others, while impressive motives are related to hedonic experiences.

Individual aspirations and motivations are the key to study consumer behavior in luxury. Consumers' motivations come from each consumer individual aspiration being the guidelines to their future actions (Kasser and Ryan, 1996; Kim *et al.*, 2003). In 2005, Tsai categorized the purchase motivations into two dimensions: intrinsic or extrinsic. Whereas extrinsic motivation reflects the importance of others' perceptions, intrinsic motivation reflects an internal motivation, a personal satisfaction. The extrinsic motivations are associated with the theory of conspicuous consumption which suggests that consumers purchase luxury products as a sign of their wealth and social status (Veblen, 1899). Dubais and Duquesne (1993) defended that the higher the person's income, the higher is the propensity to buy luxury goods. Nowadays this theory has some limitations, since everyone can own a purse, which may not be a sign of wealth and social status. To fight against this, specific brands are differentiating themselves through specific features for a precise class of costumers (Han, Nunes and Drèze, 2010).

Trying to adapt to these different consumers and heterogeneous situations, brands highlight their products in different ways to be more or less visible. This variation of conspicuousness on brands is called "brand prominence". The strategies to promote the products and attract different types of consumers are divided into two types: "loud" or conspicuous branding, or "quiet" or discreet branding (Han, Nunes and Dreze, 2010). By choosing "loud" or "quiet" products, consumers can associate and/or dissociate themselves with other groups of consumers. Additionally, consumers avoid choosing a product associated with a dissociative group, to protect their self-presentation (White and Dahl, 2006, 2007).

As a different approach, Han, Nunes and Drèze (2010), while testing the conspicuousness of logos or brands' marks on products, proposed an arrangement of consumers into four groups, according to their wealth and need for status: patricians, parvenus, poseurs and proletarians.

The consumers from the first category, **Patricians**, possess significant wealth and buy inconspicuously branded products, with subtle signs that only other patricians may understand. Furthermore, they do not buy luxury products to be different from the others consumers but for their own pleasure. Their main concern is associating with others patricians rather than dissociating form others groups.

Consumers from the second category, **Parvenus**, possess significant wealth but cannot interpret the subtle signs like Patricians as they are not the *connoisseur* type. They are concerned with status and rather prefer to dissociate themselves from the “have-nots” than associate themselves with others “have” consumers, like patricians or parvenus.

The third category, **Poseurs**, means “a person who pretends to be what he or she is not” in French. This group aims for the social status too but without having the financial availability to afford real luxury goods. Hence, they are likely to buy counterfeit products to associate themselves with the wealthier groups.

The last group, **Proletarians**, is the group of less affluent and less status conscious consumers. In short, this group is not worried with signaling social status.

As previously mentioned if these are no more than theories, what brands tend to do is adapt their strategies to different groups and mentalities, grouping consumers and ideas in boxes, in such a way that their job can be facilitated and stratified.

#### *IV. The Self Concept in Luxury*

As previous mentioned by John Dewey, the self is not something precast, but something always developing through our actions. For Solomon (2006) the definition of self-concept refers to the beliefs which a person holds about his or her attributes, and how he or she evaluates these qualities. Although there are different points of view regarding the self-concept, there is a consensus about the existence and independent influence of two self-concept motives: self-esteem and self-consistency (Epstein, 1980). While the self-esteem relates to how consumers seek experiences that will enhance their self-concept, the self-consistency deals with the need of every consumer to behave accordingly with his/her view of himself/herself (Sirgy, 1982). According to the self-congruity theory, consumers purchase goods and services that are consistent with their self-image, emphasizing their own identity (Sirgy *et al.*, 2008). According to the cognitive consistency theory, consumers try to balance their purchase and consumption behavior against their beliefs and feelings (Meyers-Levy and Tybout, 1989). Therefore, consumers purchase certain products and brands to express their self-image to the public (self-consistency), to enhance self-esteem and to try to be consistent with their current beliefs.

As mentioned before (please refer to *II. Luxury Consumer Characteristics*), consumers often acquire goods not for their utility but as a signal of social status. Social institutions and groups may influence consumers in their purchase behavior. If some consumer wants to be associated

with some group, he/she will behave as the ones in the group behave, in order to build a close relationship (Goodwin, 1987).

Sometimes, against all economic theories, consumers with less income are the ones who spend more on conspicuous consumption. Sivanathan and Pettit (2010) support this paradoxical consumption decision through the psychological motives of consumers to protect their self-integrity.

As in other aspects of life, when there is a threat to the self, even if physical or not, humans have a tendency to fight back, using their willingness to survive. Following the same line of thought and considering that each's consumption choices define by extension their definition of self (James, 1890; Fromm, 1976; Belk, 1988), when consumers feel threat, they can protect their identity by consuming (Wicklund and Gollwitzer, 1981; Braun and Wicklund, 1989). Consumers' choices cannot be seen as simple and independent decisions but as complex and interdependent decisions, since their consumptions reflects their cultural ideas, lifestyles and their construction of the self (McCracken, 1990). In other words, consumers keep their identity through the brands they purchase and they identify with (Elbedweihy, Jayawardhena and Elsharnouby, 2016). In addition, people tend to have a very, even unrealistic, positive self-image (e.g. ethical beliefs, being smart or beautiful) and any threat to such positive perception of the self (e.g. something reminding of some past one's unethical behavior) will lead to psychological and behavioral reactions to preserve or restore one's self-worth. (Dunning, 2007). Consequently, the self, identity and consumption can be clearly linked (Dittmar, 1992).

Gao, Wheeler and Shiv (2009) stated that individuals may respond to self-concept's threat through their actions. This threat may have two different results in consumers' self: an immediate loss of confidence or some behaviors with the intention to restore confidence. In either case, performing a familiar task in an unfamiliar way can influence this threat to the self. As an example, driving in the "wrong lane" when we are required to transmit the message that "something is wrong" which will result in lack of confidence in this specific self-view (Schwarz, 2004). One of the ways of recovering from a shaken self is the consumptions of symbolic products, since we already know that products may not be chosen by their functional qualities but for their symbolic qualities. In other words, this symbolic function of products can restore the confidence that individuals lost momentarily (Gao, Wheeler and Shiv, 2009). In addition, Kurt Lewin (1935) defended that products are valued according to the main goal that

they satisfy, and consequently, people will prefer self-view-bolstering products to recover from a self-threat.

Consumers' choices cannot be studied isolated, as most of the time, their choices follow previous decisions (Dhar and Simonson, 1999).

Khan and Dhar (2006) studied how prior virtuous act licenses can have a change in self-concept when choosing between a relative luxury and a necessity. As they predicted, an altruistic act, induces a positive mood on consumers leading them to choose hedonic over utilitarian options. The licensing effect occurs by stimulating the relevant self-concept. In other words, after a charitable decision, consumers tend to forget the negative attributions of luxury items, making them not guilty to choose luxury instead of utilitarian options.

Consumers' possessions became an extension of each one's identity and help to define the self of each consumer (James, 1890; Fromm, 1976; Belk, 1988). In short, the decision to consume plays an important role in shaping one's identity as well as preserving one's self-integrity. Therefore, it may be assumed that there is a connection between the self and possessions (Beggan, 1992), that may lead to an indirect source of self-affirmation – consumption. Sivanathan and Petit (2010) compared our self-integrity to a tire, in which self-threats that we may find in our daily live, create in our self-integrity a need to have some “inflation”. This inflation, to fight bumps on the road, tends to occur through more consumption.

Summarizing and following the idea of Dunning (2007), who called the process of consumer's decision making “belief harmonization”, the final decisions on buying or not a product come from consumer's beliefs, needs and preferences and the way he or she is interacting with the society in each moment.

#### *V. The Counterfeit market – characteristics, size and impact in Europe*

According to James Moody, former chief of the FBI Organized Crime Division, counterfeiting will become the crime of the 21<sup>st</sup> century. Lai and Zaichkowsky (1999) defined counterfeit goods as illegal replicas of high brand value products. Nevertheless, counterfeit products show lower quality in terms of performance, reliability or durability.

Analyzing the size of the counterfeit market in the general picture, a trend can be noticed. It is possible to find all types of goods counterfeited, such as handbags, watches, purses and clothing. In 2013, the illegal products traded by organized international networks, counterfeit

and Intellectual Property Rights (IPR) crime accounted for 5% of the EU imports, reaching a value of 85€ billion (OECD/EUIPO, 2016). The OECD (Organisation for Economic Co-operation and Development) /EUIPO (2016) characterized the counterfeit market in approximately 2.5% of the global trade, in value, \$461 billion. Besides the financial implications of IPR crime, counterfeit usually mean risks to the human health, due to the lack of quality control or certification protocols. This may affect tobacco, food and pharmaceutical sectors which have a direct impact in human health, but also indirectly the clothing industry with flammable clothes or ineffective sunglasses.

According to the European Commission Report (2015), concerning product types, the top categories of detained articles in value are watches (24%), wallets/purses (9%) and clothing (7%).

Nowadays the market of counterfeit goods is facing a twist. While previously we could find counterfeit goods in physical markets, now the market spread to internet-based platforms (Elings, Keith and Wukoson, 2013). Simultaneously, the economic recession in Europe and the constant need for globalization are influencing the change in the markets for fashion and luxury goods that are diversifying into emerging markets. The market of high-end fashion and luxury goods is growing mainly in the BRIC countries (Brazil, Russia, India and China). For instance, in the end of 2012, Chinese customers accounted for 25% of the global luxury purchase, overstepping the United States customers as the world's top buyers of luxury goods. From that global luxury purchase, 60% is made while travelling abroad due to lower prices and the weak euro -other currency relation (Bain & Company Report, 2012). This big change to emerging markets does not represent only opportunities. We cannot forget that besides China being the world's top buyer of luxury goods, at the same time it is the world's largest producer and supplier of counterfeit goods. Hence, China is at the same time an opportunity for luxury brands but also a threat.

From the consumer's perspective, counterfeit can be divided in two types: deceptive or non-deceptive. Deceptive counterfeiting usually happens when consumers do not know that they are buying a counterfeit product like it often happens in automotive parts, consumer electronics or pharmaceuticals (Grossman and Shapiro, 1988). In the non-deceptive form of counterfeiting, consumers know that they are buying counterfeit products, which happens a lot in luxury brand markets (Nia and Zaichkowsky, 2000). In these cases, consumers can simply identified the

counterfeits based on prices, the distribution channel and the quality of the product (Wilcox *et al.*, 2009).

Several factors can explain the purchase and consumption of luxury counterfeit goods. Eisend and Schuchert-Guler (2006) classified those factors into four groups:

Firstly, psychological and demographic characteristics, (attitudes included) towards counterfeiting. Previous studies have come to the conclusion that counterfeit products' consumers are of a lower status. This group is labeled "person".

The second group is composed by **product features**, such as price, uniqueness and availability (Wilcox *et al.*, 2009) or even style and fashionable (Bloch *et al.*, 1993).

The third and fourth groups are associated with **social and cultural context** in which consumers purchase counterfeit goods (Lai and Zaichkosky, 1999). Different societies have different motivations to buy luxury goods and consequently, they also have different motivations behind the purchases.

### Chapter 3. Methodology and Data Collection

This section presents the research methods used in this dissertation. To answer the main paradigm- consumers’ motivations to buy counterfeit luxury goods – the following research instruments were used.

#### *Research Instruments*

To obtain the necessary data to perform a significant statistical analysis, an online survey was conducted. This survey, which was hosted at the Qualtrics platform (Online Survey Software), was spread through different online social streams like e-mail, Facebook or other social media channels.

Due to cost, time and logistic constrains, it was not possible to reach a bigger audience or to even distribute this survey in person in the existing period of time. However, by using the social media to spread the survey, it allowed a better dissemination of the survey by increasing and diversifying the analyzed population sample. The use of an online platform like the one chosen, allows the use of different analytical techniques like the randomized blocks, which increases the survey possibilities. Due to the type of platform used, it was possible to include the “threat” variable in the survey, creating an intentional manipulation of the unaware test subjects.

#### *Research Method*

The survey was constructed according to a 2x2-group design with a factorial design (Table 1), with two independent variables (Threat: Threat/No Threat and Type of Product: Counterfeit luxury product/Genuine Luxury Product).

All the collected data was voluntarily and anonymously provided. There were 283 data sets collected, randomly allocated to one of the versions of the survey (please refer to the following table).

Table 1 – Design of the study survey - 2x2 Intra-Subject Factorial Design

	No-Threat	Threat
Counterfeit Luxury Product	No Threat with Counterfeit Luxury Product	Threat with Counterfeit Luxury Product
Genuine Luxury Product	No Threat with Genuine Luxury Product	Threat with Genuine Luxury Product

The survey was divided in the following seven main blocks. While the first 3 blocks showed significant differences between each survey type, from block 4 onwards, the surveys were identical. (Please refer to Appendix 1 for the survey flow)

#### *Block 1: Self-Threat*

To analyze the effect of the independent variable “Self-Threat” (Threat or No-Threat) this block was included in the survey. The test subjects faced a question where their identity was threatened or not, calling into question their ideals. The test subjects needed to arrange a list of items according to their importance, from 1 to 11 (1 = most important item, 11 = least important item). Afterwards, each individual was asked to think about a situation where they failed to live up their most important value/characteristic (selected in the previous question), and using the chance to describe it (**Threat Survey Type**). On the other variant, test subjects faced the opposite situation, where they were asked to think about a situation where they lived up their most important value/characteristic (**No-Threat Survey Type**). This procedure and the list of characteristics and values was adapted from Cohen, Aronson and Steele (2000) and Ledgerwood, Liviatan and Carnevale (2007).

#### *Block 2: Imagine Handbag and Perfume*

In this block, participants were randomly directed to one of two different scenarios. In the first scenario, participants were asked to imagine a counterfeit version of a luxury handbag and told that it seems just like the genuine branded handbag, which not even experts would notice the difference between them. Afterwards, they were told to imagine a counterfeit luxury perfume just like the original one, with the same package and smell (**Counterfeit Luxury Product Survey Type**). In the second scenario, participants were told to imagine the exact same situations but this time, with genuine luxury goods (**Genuine Luxury Product Survey Type**). Within this two scenarios, the survey evaluated participants’ likelihood to purchase the products on a seven-point Likert scale (1 = “Would definitely not purchase”, 7 = “Would definitely purchase”), their willingness to pay and their feelings about using the products.

Additionally, for the handbag it was asked which option would described better the product they were thinking of, a discreet handbag, with any logos visible (description of a Quiet Product) or an exuberant branded handbag, with the brand logo visible that everyone could recognize (description of a Loud Product).

In summary, in two survey respondents' were asked to imagine a counterfeit luxury handbag and a counterfeit luxury perfume, and in the other two surveys, respondents' were asked to imagine a luxury handbag and a luxury perfume.

#### *Block 3: Influence of Threat*

Block 3 was designed to analyze the influence of the effect "threat" to which participants were exposed on Block 1 questions. Using a seven-point Likert scale (adapted from Khan and Dhar, 2006), respondents were questioned about their feeling at the moment (1 = "Most negative", 7 = "Most positive") regarding the following dimensions: Sad-Happy; Bad mood-Good mood; Irritable-Pleased; Depressed-Cheerful. Subsequently, to further evaluate the "threat" efficacy, participants faced a question to evaluate their degree of agreement with some sentences in a scale from 1 to 7 (1 = "Strongly Disagree", 7 = "Strongly Agree"), such as, "I am compassionate".

#### *Block 4: Counterfeit Consumption*

The main goal of Block 4 was to know participants' consumer habits towards counterfeit luxury goods. Participants were asked about their buying preferences, their preferable shopping location and the most valuable attributes in counterfeit luxury goods.

Participants moral beliefs about people who purchase counterfeit products was accessed on a three-item semantic differential scale (adapted from Wilcox et al, 2009) was evaluated (1 = "Immoral", 7 = "Moral"; 1 = "Unethical", 7 = "Ethical", 1 = "Insincere", 7 = "Sincere"). At the end of this block, the participants' attitudes towards counterfeit brands was assessed into two distinct functions, value-expressive function and social-adjustive function, on a seven-point Likert scale (1 = "Completely Disagree", 7 = "Completely Agree") (Adapted from Wilcox et al, 2009).

#### Value Expressive Function:

- Counterfeit brands reflect the kind of person I see myself to be;
- Counterfeit brands help me communicate my self-identity;
- Counterfeit brands help me express myself;
- Counterfeit brands help me define myself;

#### Social-Adjustive Function:

- Counterfeit brands are a symbol of social status;
- Counterfeit brands help me fit into important social situations;

- I like to be seen wearing counterfeit luxury brands;
- I enjoy it when people know I am wearing a counterfeit luxury brand.

#### *Block 5: Luxury Consumption*

The questions presented in block 5, intend to study participants' consumer habits, towards luxury goods. It assesses the frequency of participants' buying luxury goods, their spending value and their reasons on purchasing them. At the end of this Block, the same scale used in Block 4 was used to assess participants' attitudes towards luxury brands into two distinct functions too, value-expressive function (e.g. Luxury brands help me express myself) and social-adjustive function (e.g. Luxury brands help me fit into important situations).

#### *Block 6: Self-Concept*

With a materialism seven-point Likert scale adapted from Richins and Dawson (1992), this block, was developed to study the respondents' materialistic profile. Respondents' were asked to indicate their degree of agreement with some statement about materialism (e.g. Some of the most important achievement in life include acquiring material possessions), from 1 to 7 (1 = "Completely Disagree", 7 = "Completely Agree"). Afterwards, they were asked to rate several attributes about how they perceived their self-image in a twelve-item semantic differential scale from 1 to 7 (e.g. Confident/Non Confident).

#### *Block 7: Demographic*

The final block was designed to collect data on the participants' demographic profile (gender, age, education level, current occupation, nationality and monthly income), to evaluate their influence on the remaining survey.

#### *Statistical Analysis*

Firstly, it was tested sample's normality and homogeneity of variances using Shapiro Wilk Test and Levene's Test. Right after it was examined the presence of outliers on open answer questions, to test consumers' willingness to pay for different products. Afterward, it was tested, with independent sample t-tests, if threat and product type manipulation had an influence on consumers' response through some control questions. To verify the reliability of the scales used was calculated the cronbach's alpha of each scale and some changes were made to assure good scales' assurance.

A paired sample t-test was conducted to compare consumers' preferences on some attributes when purchasing a counterfeit luxury product or a genuine one.

An independent-sample t-test ( $\alpha=0.05$ ) was conducted to compare the influence of the threat manipulation on consumers' perceptions about themselves and the others.

To test the influence of external threats and consumers' demographic profile on the likelihood to acquire genuine luxury/counterfeit luxury products it were conducted independent-sample t-tests ( $\alpha=0.05$ ) and one-way ANOVAs ( $\alpha=0.05$ ).

In order to analyze the influence of consumers' value-expressive functions on their moral beliefs it was performed an independent-sample t-test ( $\alpha=0.05$ ).

A multi-factorial ANOVA ( $\alpha=0.05$ ) was conducted to test the influence of two independent variables (threat and type of product) on consumers' willingness to pay (WTP) for two products, a handbag and a perfume.

## Chapter 4. Results' Analysis

The following chapter concerns the results of the study presented in the previous chapter.

### *Data Collection*

The survey was available online for a week, from 17<sup>th</sup> to 24<sup>th</sup> November. Within this time, 283 questionnaires were completed or almost completed (above 70%, since none of the questions was mandatory and some participants skipped a few questions). From those, 70 respondents were exposed to Luxury and Threat conditions, 73 were exposed to the Luxury and No-Threat conditions, 71 were exposed to Counterfeit and Threat conditions and 69 were exposed to Counterfeit and No-Threat conditions.

### *Data Screening*

-Normality and homogeneity of variances

The results showed that all samples followed a normal distribution. For almost all questions, the homogeneity of variances was confirmed. However, for the questions that was not confirmed, the same statistical procedure was followed as for the ones with homogeneity of variances. It is clear the effect that such assumption can create on the analysis of the results, nevertheless as in this case the fail to meet this criteria relates to large sample sizes with large variances, it will only mean that the significance of further questions will be overestimated. This will slightly diminish the power of the statistical test, but not the evaluation of the results.

-Outliers

The analysis on the open answer questions, like consumers' willingness to pay for a handbag and for a perfume revealed the presence of outliers. The analysis was done by graphical evaluation of histograms and box plots. After cleaning all the outliers from the data it was possible to proceed with the following analysis.

### *Data Reliability*

The evaluation of data reliability done with the Cronbach's Alpha test showed that all scales but the one on question 24 were statistically robust (please refer to the following table). Regarding the scale on question 24, that shows a slightly low level of internal consistency ( $\alpha = 0.687$ ), further refinements were necessary. By eliminating one item from the scale, Cronbach's

alpha was higher than 0.70. For the following analysis using this scale, only 13 items were considered.

Table 2 - Statistical analysis on scales' reliability

Scale	Q4	Q7	Q8	Q9	Q15	Q17	Q23	Q24	Q26	Q27
<b>Cronbach's Alpha</b>	0.907	0.942	0.956	0.834	0.837	0.903	0.948	<b>0.687*</b>	0.792	0.823

\*Value in bold represent low value of scale's reliability

Table 3 - Statistical modifications to guarantee the scale's reliability

Scale	Initial # of items	Cronbach's $\alpha^*$	Cronbach's $\alpha$ if item deleted**	Item deleted	Final # of items
<b>Q24</b>	14	0.687	0.725	1	13

\*Cronbach's alpha for the total measure

\*\*Cronbach's alpha after excluding items

### *Manipulation Check*

Regarding the manipulation check (control questions), the dichotomy threat/no-threat had no influence on participants mood or self-assessment, as all p-values are above 0.05 (Please refer to tables 4 and 5).

Table 4 - Statistical evaluation on consumers' mood according to No-Threat/Threat exposure

Dimension (7 point likert scale)	Condition	Mean $\pm$ SD	p-value
<b>Sad - Happy</b> (1 - 7)	No-Threat	5.02 $\pm$ 1.46	.804
	Threat	5.06 $\pm$ 1.44	
<b>Bad mood / Good mood</b> (1 - 7)	No-Threat	5.12 $\pm$ 1.43	.996
	Threat	5.12 $\pm$ 1.51	
<b>Irritable / Pleased</b> (1 - 7)	No-Threat	4.96 $\pm$ 1.43	.939
	Threat	4.98 $\pm$ 1.60	
<b>Depressed / Cheerful</b> (1 - 7)	No-Threat	4.79 $\pm$ 1.48	.419
	Threat	4.94 $\pm$ 1.46	

SD: Standard deviation. Student's t-test,  $\alpha=0.05$

Table 5 - Statistical evaluation on consumers' self-assessment according to No-Threat/Threat exposure

Dimension	Condition	Mean ± SD	p-value
<b>I am compassionate</b>	No-Threat	5.52 ± 1.21	.571
	Threat	5.60 ± 1.03	
<b>I am sympathetic</b>	No-Threat	5.56 ± 1.23	.123
	Threat	5.77 ± 0.99	
<b>I am warm</b>	No-Threat	5.19 ± 1.33	.505
	Threat	5.29 ± 1.31	
<b>I am helpful</b>	No-Threat	5.77 ± 1.35	.493
	Threat	5.86 ± 1.03	

SD: Standard deviation. Student's t-test,  $\alpha=0.05$

Concerning the influence of the dichotomy counterfeit/luxury product on the well-being after buying a handbag or a perfume, there was a highly statistically significant difference between them (please refer to table 6 and 7). As seen on the following tables, all p-values were below 0.001.

Table 6 -Statistical evaluation on consumers' well-being with the handbag

Dimension (7 point likert scale)	Condition	Mean ± SD	Sig
<b>Weak – Powerful</b> (1 – 7)	Counterfeit	3.41 ± 1.65	< .001
	Luxury	4.16 ± 1.36	
<b>Unpleased / Pleased</b> (1 – 7)	Counterfeit	3.58 ± 1.89	< .001
	Luxury	4.60 ± 1.39	
<b>Insecure / Secure</b> (1 – 7)	Counterfeit	3.49 ± 1.79	< .001
	Luxury	4.51 ± 1.45	
<b>Unfulfilled / Fulfilled</b> (1 – 7)	Counterfeit	3.15 ± 1.80	< .001
	Luxury	4.06 ± 1.40	
<b>Unethical / Ethical</b> (1 – 7)	Counterfeit	2.70 ± 1.77	< .001
	Luxury	3.40 ± 1.30	
<b>Out of style / Stylish</b> (1 – 7)	Counterfeit	3.93 ± 1.87	< .001
	Luxury	4.71 ± 1.52	

SD: Standard deviation. **Values in bold** represent statistically significant values (Student's t-test,  $\alpha=0.05$ )

Table 7 - Statistical evaluation on consumers' well-being with the perfume

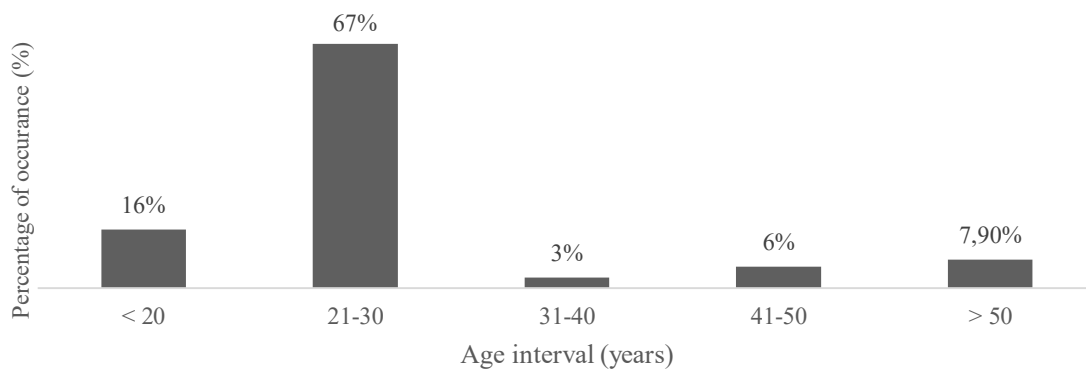
<b>Dimension (7 point likert scale)</b>	<b>Condition</b>	<b>Mean ± SD</b>	<b>Sig</b>
<b>Weak / Powerful (1 – 7)</b>	Counterfeit	3.40 ± 1.81	<b>&lt; .001</b>
	Luxury	4.44 ± 1.27	
<b>Unpleased / Pleased (1 – 7)</b>	Counterfeit	3.61 ± 2.00	<b>&lt; .001</b>
	Luxury	4.71 ± 1.31	
<b>Insecure / Secure (1 – 7)</b>	Counterfeit	3.70 ± 1.87	<b>&lt; .001</b>
	Luxury	4.81 ± 1.25	
<b>Unfulfilled / Fulfilled (1 – 7)</b>	Counterfeit	3.33 ± 1.91	<b>&lt; .001</b>
	Luxury	4.17 ± 1.33	
<b>Unethical / Ethical (1 – 7)</b>	Counterfeit	2.99 ± 1.86	<b>&lt; .001</b>
	Luxury	3.89 ± 1.24	
<b>Out of style / Stylish (1 – 7)</b>	Counterfeit	3.49 ± 1.83	<b>&lt; .001</b>
	Luxury	4.24 ± 1.27	

SD: Standard deviation. **Values in bold** represent statistically significant values (Student's t-test,  $\alpha=0.05$ )

### *Sample Characterization*

The final sample was divided between 26.9% male and 73.1% female participants. The mean respondents' ages, was approximately 27 years old and the majority of the respondents were young adults between 21-30 years old (67%) followed by the youngest group with  $\leq 20$  years old (16.1%). The remaining respondents can be split between smaller groups of respondents aged over 51 (7.5%), the ones between 41-50 years old (6%) and respondents between 31-40 (3%).

Figure 1 – Distribution of respondents' age interval



Regarding, the nationality of the participants, 88.3% of the respondents were Portuguese and the remaining were foreigners (11.7%).

In terms of education level, 48.3% of the respondents completed the Bachelor Degree, 34.1% completed a Master Degree, 15% had the High School level and a minority of respondents held a PhD (2.6%). In what concerns their occupation, 50.6% of the respondents were students, 30.5% were employed and 14.9% were worker students. The other participants were self-employed (1.5%), and unemployed/retired (2.6%). Additionally, the household monthly liquid disposable income (after taxes) was between 1001 and 3000€ for 36.3% of the respondents, followed by 19.8% of the respondents with an income between 3001 and 5000€, 17.2% of the respondents between 500 and 1000€ and 15.3% of the respondents over 5000€. The remaining were respondents with less than 500€ of income per month (11.5%).

As far as consumers’ habits are concerned, 159 of the respondents admitted to have purchased a counterfeit luxury good, which represents 56.4% of the surveyed sample. From those, 47.2% of the respondents buy counterfeit luxury goods mostly from the grey market, 24.5% from shops and 19.5% buy it online. The remaining respondents wrote different options from which they buy counterfeit products like “street markets”, the “beach”, from “acquaintances” or even from “huge counterfeit shopping malls (e.g. Well-known shopping malls in China)”. From the counterfeit luxury goods’ purchases, the brands most stated by respondents were firstly Louis Vuitton (22%), followed by Chanel (14%), Michael Kors (11%) and Prada (9%). Regarding the type of products purchased, the most mentioned were handbags (34%), perfumes (28%), shoes and clothes (21%)

Figure 3 - Distribution of brands that consumers purchase from counterfeit

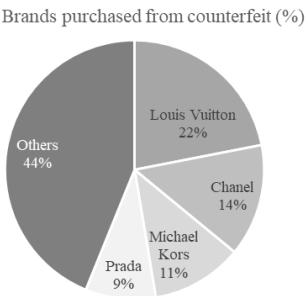
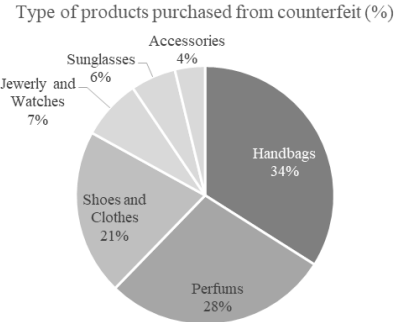


Figure 2 - Distribution of type or products that consumers purchase from counterfeit



Regarding the consumption of genuine luxury goods, 71% of the respondents said they purchase this type of products, which means 201 respondents. From the shopping frequency, these consumers stated that they buy luxury goods every 6 months (44.8%), followed by once a year (41.8%), monthly (11.4%) and weekly (2%). When asked about which handbag they would buy, respondents preferred quiet products to loud products ( $M = 2.91$ ,  $SD = 1.55$ ).

Concerning the motivations behind the purchase of luxury goods, 5.5% of the respondents stated utilitarian reasons while 13.9% stated hedonic reasons ( $M = 4.80$ ,  $SD = 1.66$ ). The threat did not have a statistically significant influence here ( $t_{(199)} = -0.34$ ,  $p = .734$ ) but the gender did ( $t_{(189)} = -3.01$ ,  $p = .003$ ). The means between female and male were significantly different, and can be concluded that females ( $M = 5.00$ ,  $SD = 1.62$ ) purchase luxury goods more for hedonic reasons than male ( $M = 4.20$ ,  $SD = 1.67$ ). Lastly, the respondents spend on average 186€ ( $SD = 118$ ) when buying a luxury good.

In addition, the comparison between consumers' preferences on some attributes for counterfeit and genuine luxury products showed that there was a significant difference in quality ( $t_{(266)} = 5.35$ ,  $p < .001$ ), price ( $t_{(266)} = -9.51$ ,  $p < .001$ ), brand ( $t_{(266)} = 3.37$ ,  $p = .001$ ) and exclusivity ( $t_{(266)} = 7.42$ ,  $p < .001$ ). The other attributes, service and fashionable, did not show a significant difference between them and they are the ones that respondents value the less when it comes counterfeit luxury products or genuine ones. Regarding counterfeit luxury products, respondents value more price, quality and brand, in this specific order, whereas in genuine luxury products, they value first quality, then brand and price. (Please refer to the following table)

Furthermore, the analysis of the threat influence on consumers' preferences on the attributes revealed that the condition threat had no statistically significant effect on consumers' preferences on counterfeit luxury products' attributes neither on genuine ones.

Table 8 - Statistical evaluation on consumers' preferences on the attributes (quality, price, brand, exclusivity, service and fashionable) when purchasing counterfeit luxury products or genuine ones

	<b>Counterfeit</b>	<b>Luxury</b>	<b>p-value</b>
	<b>Mean ± SD</b>	<b>Mean ± SD</b>	
<b>Quality</b>	2.44 ± 1.52	1.86 ± 1.12	<b>&lt; .001</b>
<b>Price</b>	2.06 ± 1.26	3.35 ± 1.82	<b>&lt; .001</b>
<b>Brand</b>	3.37 ± 1.37	3.10 ± 1.37	<b>.001</b>
<b>Exclusivity</b>	4.53 ± 1.22	3.90 ± 1.42	<b>&lt; .001</b>
<b>Service</b>	5.04 ± 1.20	5.06 ± 1.17	.844

<b>Fashionable</b>	3.55 ± 1.47	3.72 ± 1.51	.075
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SD: Standard deviation. **Values in bold** represent statistically significant values (Paired sample t-test,  $\alpha = 0.05$ )

### *In-depth analysis*

In order to evaluate the data collected on the survey, the statistical analysis is divided and presented as previously divided by the several hypotheses.

#### *H1: Consumers' perception of themselves and others is negatively influenced by a threat*

The scale used for consumers' moral beliefs about people who purchase counterfeit luxury goods showed a high level of internal consistency and consequently, the scale with four items was transformed into a single measurement (taking the average of the results on each parameter in consideration).

An ANOVA 2 (threat/no-threat) x 2 (counterfeit/luxury) showed a statistically significant influence of threat ( $F_{(1, 279)} = 5.17, p = .024$ ) such that participants under threat judged people who purchase counterfeit products morally more positively ( $M = 3.68, SD = 1.25$ ) than participants who did not underwent such condition ( $M = 3.37, SD = 1.07$ ). There was/was not an effect of the type of product ( $F_{(1, 279)} = 1.95, p = .164$ ) and no interaction between threat and type of product was found ( $F_{(1, 279)} = 1.59, p = .208$ ). Yet, planned contrasts revealed that the observed main effect of threat manipulation was not significant on counterfeit luxury products condition ( $t_{(138)} = 0.70, p = .485$ ) and was driven by participants on the genuine luxury product condition ( $t_{(141)} = 2.56, p = .012$ ). In this specific case, when consumers are under the threat condition ( $M = 3.68, SD = 1.24$ ) their moral beliefs show high values than when not facing the threat ( $M = 3.19, SD = 1.03$ ).

Results showed that consumers facing a threat, at the beginning of the survey showed a significant increased trend through moral, ethical and sincere beliefs when compared to the ones without threat (Table 9).

Table 9 - Participants' moral beliefs statistically significant influenced by an external threat

Moral parameter (7 point likert scale)	Condition	Mean ± SD
<b>Immoral - Moral</b> (1 – 7)	No-Threat	3.51 ± 1.25
	Threat	3.83 ± 1.37
<b>Unethical – Ethical</b> (1 – 7)	No-Threat	3.37 ± 1.29
	Threat	3.75 ± 1.43
<b>Insincere – Sincere</b> (1 – 7)	No-Threat	3.34 ± 1.32
	Threat	3.80 ± 1.55
<b>Non-Acceptable – Acceptable</b> (1 – 7)	No-Threat	3.24 ± 1.58
	Threat	3.35 ± 1.54

SD: Standard deviation.

Regarding the consumers' perception on their own image and beliefs, the evaluated data evidence that the only affected parameter was the perception of own fashionable/not-fashionable. When facing a threat, consumers tended to consider themselves more fashionable ( $M = 3.08$ ,  $SD = 1.19$ ) than without threat ( $M = 3.39$ ,  $SD = 1.38$ ) ( $t_{(263)} = 1.96$ ,  $p = .050$ ). For all the other parameters, consumers' self-image was not affected when facing a threat.

The analysis of participants' sense of materialism revealed that the condition "threat" had a statistically significant effect on the statements found on the following table. The admiration for people who show higher levels of ostentation was negatively affected by the condition threat. Likewise, the condition "threat" negatively affected owns' sense of possession and its meaning.

Table 10 - Influence of an external threat on participants' sense of materialism

Evaluated statements*	Condition	Mean ± SD	t	dF	p-value
<b>I admire people who own expensive homes, cars and clothes</b>	No-Threat	3.57 ± 1.83	2.07	264	<b>.040</b>
	Threat	3.11 ± 1.74			
<b>The things I own say a lot about how well I am doing in life</b>	No-Threat	3.78 ± 1.70	2.58	264	<b>.010</b>
	Threat	3.27 ± 1.52			
<b>I like to own things that impress people</b>	No-Threat	3.46 ± 1.82	2.26	264	<b>.025</b>
	Threat	2.97 ± 1.69			

SD: Standard deviation. **Values in bold** represent statistically significant values (Students' t-test,  $\alpha = 0.005$ ) \*- Statements evaluated with a 7 point likert scale (1=completely disagree; 7=completely agree)

*H2: Self-threat and differences in consumers' age, gender, occupation, education level, nationality, and monthly income can increase the likelihood to acquire luxury/counterfeit products.*

### Threat

The data revealed that the parameter “threat” had no statistically significant influence on consumers' likelihood to purchase both kinds of handbags, both luxury ( $t_{(140)} = 0.95, p = .346$ ) or counterfeit ones ( $t_{(138)} = 1.15, p = .252$ ).

Regarding the counterfeit/luxury perfume, results showed that the parameter “threat” has a highly statistically significant effect on the likelihood to buy the luxury item ( $t_{(141)} = 3.70, p < .010$ ). While the mean trend to buy luxury perfumes significantly decreased when a threat was present ( $M_{no-threat} = 4.47, SD_{no-threat} = 1.63$  to  $M_{threat} = 3.57, SD_{threat} = 1.23$ ), the mean trend to buy a counterfeit perfume did not significantly changed ( $t_{(138)} = 1.27, p = .206$ ), ( $M_{no-threat} = 4.86, SD_{no-threat} = 2.17$  to  $M_{threat} = 4.37, D_{threat} = 2.37$ ).

### Demographic profile

#### *Gender*

When analyzing the effect of gender, results showed that there was no influence on the likelihood to purchase a genuine luxury handbag, ( $t_{(130)} = -0.87, p = .388$ ) or counterfeit luxury handbag ( $t_{(133)} = -1.00, p = .318$ ). Concerning the perfume, the results show that for the luxury version ( $t_{(131)} = 0.51, p = .610$ ) and the counterfeit version ( $t_{(133)} = -0.36, p = .718$ ) there were no statistically significant differences between gender (for detailed description of the used scale, please refer to chapter 3).

#### *Age*

Regarding the influences of consumers' age on the likelihood to buy a handbag and a perfume, statistically significant difference was found on the perfume. While in luxury perfume segment there was no statistical differences ( $F_{(4, 128)} = 1.13, p = .347$ ), in the counterfeit segment, consumers showed different likelihoods to buy according to their age ( $F_{(4, 129)} = 2.65, p = .036$ ). The results of the Tukey HSD test showed that the age groups with the same likelihood to buy a counterfeit perfume can be divided between  $\leq 30$ ; 41-50 and 31-40 +  $\geq 50$  (for detailed results please refer to Appendix 2).

### *Education Level*

The consumers' education level had no statistically significant influence on the likelihood to purchase a counterfeit luxury handbag ( $F_{(3, 129)} = 2.34, p = .077$ ), a genuine luxury handbag ( $F_{(3, 129)} = 0.79, p = .504$ ), a counterfeit luxury perfume ( $F_{(3, 129)} = 1.83, p = .145$ ) or a genuine luxury perfume ( $F_{(3, 130)} = 0.26, p = .853$ ).

### *Current Occupation*

In what concerns consumers' current occupation, there were no significant statistical differences between buying a genuine luxury perfume ( $F_{(4, 129)} = 0.74, p = .565$ ) or a counterfeit luxury perfume ( $F_{(4, 130)} = 2.10, p = .084$ ). Regarding the handbag, while in the luxury item there were no statistically significant differences ( $F_{(4, 128)} = 1.51, p = .202$ ), in the counterfeit product there were differences ( $F_{(4, 130)} = 4.94, p = .001$ ). The results of the Tukey HSD test showed that there is a statistically significant difference between students and employees. Students' likelihood ( $M = 4.71, SD = 1.97$ ) to buy a counterfeit handbag is higher than employees' likelihood ( $M = 3.53, SD = 1.98$ ). (The current occupation groups with the same likelihood to buy a counterfeit handbag can be divided as presented in Appendix 2).

However, due to the reduced number of participants from the group Self-employed and Unemployed/Retired these results could be related to a false negative (error type I), and one or both groups could be separated from the others.

### *Nationality*

The study showed that consumers' nationality didn't have a statistically significant influence on the likelihood to purchase a counterfeit luxury handbag ( $t_{(138)} = -1.46, p = .146$ ), a genuine luxury handbag ( $t_{(138)} = 0.55, p = .525$ ) a counterfeit luxury perfume ( $t_{(140)} = 1.40, p = .163$ ) or a genuine luxury perfume ( $t_{(141)} = 0.76, p = .447$ ).

### *Monthly Income*

Regarding consumers' monthly income influence on the likelihood to purchase a handbag, the results showed a statistically significant difference on the counterfeit luxury handbag ( $F_{(4, 125)} = 7.54, p < .001$ ) but not on the genuine luxury item ( $F_{(4, 126)} = 0.96, p = .433$ ). The results of the Tukey HSD test showed that within the monthly income groups, there was a significant difference on consumers' likelihood to purchase a counterfeit handbag between "<500€" and ">5000€" groups. On average, consumers with a lower income are more willing to purchase a counterfeit luxury handbag ( $M = 5.00, SD = 2.00$ ) than the ones with higher incomes ( $M = 2.72,$

$SD = 1.81$ ). On the other hand, consumers' monthly income showed no statistically significant influence on consumers' likelihood to purchase a counterfeit luxury perfume ( $F_{(4, 125)} = 0.93, p = .449$ ) or a genuine luxury perfume ( $F_{(4, 127)} = 0.07, p = .990$ ).

*H3<sub>a</sub>: If consumers' attitude towards luxury products serves a value-expressive function, their moral beliefs about people buying counterfeit luxury goods are negatively correlated.*

Participants' attitudes towards luxury goods showed low values on the value-expressive function ( $M = 3.08, SD = 1.77$ ) and the social-adjustive function ( $M = 3.88, SD = 1.81$ ). Despite being relatively low, these results were higher than the correspondent counterfeit ones. The Pearson test performed showed a positive result for the analysis between both functions ( $r(272) = 0.77, p < .010$ ). Regarding the comparison between both functions and the moral beliefs, the obtained Pearson correlation showed a negatively correlation between value expressive function and moral beliefs ( $r(274) = -0.14, p = .022$ ) and no correlation between social-adjustive function and moral beliefs ( $r(273) = -0.07, p = .238$ ).

When comparing the results between participants responses when being threatened or not, the statistical parameters did not show a statistically significant difference on value expressive function ( $t_{(272)} = 1.55, p = .122$ ) neither on social-adjustive function ( $t_{(271)} = 1.23, p = .222$ ). Participants that were threatened or not threatened showed the same responses on the survey. Comparing the results between participants responses when they were thinking about a counterfeit luxury product or a genuine one, the statistical parameters did not show a statistically significant difference on value expressive function ( $t_{(272)} = -0.48, p = .633$ ) neither on social-adjustive function ( $t_{(271)} = -0.27, p = .789$ ).

An ANOVA on value-expressive function for genuine luxury products showed with 2 threat condition and the type of product respondents' have been thinking of, as independent factors revealed: no statistically significant effect off the threat ( $F_{(1,270)} = 2.35, p = .127$ ); no effect on the type of product ( $F_{(1,270)} = 0.22, p = .643$ ); and no statistically significant interaction between them ( $F_{(1,270)} = 0.35, p = .556$ ).

The same ANOVA was run for the social-adjustive function for genuine luxury goods and the results showed no statistically significant effect off threat condition ( $F_{(1,269)} = 1.52, p = .219$ );

no effect on the type of product ( $F_{(1,269)} = 0.07, p = .787$ ); and no statistically significant interaction between them ( $F_{(1,269)} = 0.21, p = .649$ ).

*H3<sub>b</sub>: If consumers' attitude towards counterfeit luxury products serves a social-expressive function, their moral beliefs about people buying counterfeit luxury goods are positively correlated.*

Participants' attitudes towards counterfeit luxury goods showed low values on the value-expressive function ( $M = 2.15, SD = 1.33$ ) and the social-adjustive function ( $M = 2.34, SD = 1.27$ ). The Pearson test performed showed a positive result for the analysis between both functions ( $r(283) = 0.74, p < .010$ ). Regarding the comparison between both functions and the moral beliefs, the obtained Pearson correlation showed there was no correlation between them (Value Expressive vs Moral Beliefs:  $r(283) = 0.07, p = .248$  and Social-Adjustive vs. Moral Beliefs:  $r(283) = 0.11, p = .075$ ).

When comparing the results between participants responses when being threatened or not, the statistical parameters showed a clear statistically significant difference on the social-adjustive function ( $t_{(281)} = 2.88, p = .004$ ) and on the value-expressive function too ( $t_{(281)} = 1.99, p = .048$ ). Participants tend to agree more with the statements when they are not threatened, as seen in table 11.

Comparing the results between participants responses when they were thinking about a counterfeit luxury product or a genuine one, the statistical parameters did not show a statistically significant difference on value expressive function ( $t_{(281)} = -0.73, p = .466$ ) neither on social-adjustive function ( $t_{(281)} = -0.09, p = .926$ ).

Table 11 - Influence of an external threat on participants' level of agreement with some statements

Evaluated statements*	Condition	Mean ± SD	t	dF	p-value
<b>Counterfeit luxury brands help me define myself.</b>	No-Threat	2.20 ± 0.13	2.03	281	<b>.043</b>
	Threat	1.84 ± 0.12			
<b>Counterfeit luxury brands are a symbol of social situations.</b>	No-Threat	3.18 ± 0.16	2.91	281	<b>.004</b>
	Threat	2.53 ± 0.15			
<b>Counterfeit luxury brands help me fit into important social situations.</b>	No-Threat	2.68 ± 0.15	2.11	281	<b>.036</b>
	Threat	2.26 ± 0.14			
<b>I like to be seen wearing counterfeit luxury brands.</b>	No-Threat	2.36 ± 0.14	2.03	281	<b>.043</b>
	Threat	1.99 ± 0.12			

SD: Standard deviation. **Values in bold** represent statistically significant values (Students' t-test,  $\alpha = 0.005$ ) \*- Statements evaluated with a 7 point likert scale (1=completely disagree; 7=completely agree)

Again, an ANOVA on value-expressive function for counterfeit luxury products showed with threat and the type of product as independent variables revealed: a statistically significant effect off the threat condition ( $F_{(1,279)} = 3.94, p = .048$ ) such that participants under threat value counterfeit products less in an expressive way ( $M = 1.99, SD = 1.27$ ) than participants under no threat ( $M = 2.30, SD = 1.36$ ); no effect off the type of product ( $F_{(1,279)} = 0.50, p = .482$ ); and no statistically significant interaction between them ( $F_{(1,279)} = 1.17, p = .280$ ). Furthermore, a planned contrast revealed that the effect of threat is statistically significant for counterfeit luxury products ( $t_{(138)} = 2.23, p = .027$ ), that is, when consumers are under the threat condition ( $M = 1.85, SD = 1.16$ ), counterfeit luxury products serve a lower value-expressive function than when they are not threatened ( $M = 2.33, SD = 1.38$ ). However, when consumers are thinking about genuine luxury products threat manipulation does not has an effect on value-expressive belief regarding counterfeit products ( $t_{(141)} = 0.62, p = .535$ ).

In summary, when consumers are under the threat condition, counterfeit luxury products serve a lower value-expressive function than when they are not threatened, particularly if they were imagining themselves buying a counterfeit product.

Regarding the influence of the same variables on social-adjustive function for counterfeit luxury goods an ANOVA showed a statistically significant effect off the threat condition ( $F_{(1,279)} = 8.33, p = .004$ ); no effect on the type of product ( $F_{(1,279)} = 0.01, p = .962$ ); and no statistically significant interaction between them ( $F_{(1,279)} = 1.62, p = .205$ ). Furthermore, a planned contrast study revealed again that the effect of threat is statistically significant only for

counterfeit luxury products ( $t_{(138)} = 3.11, p = .002$ ) but not when consumers are thinking about genuine luxury products ( $t_{(141)} = 1.09, p = .279$ ).

In conclusion, when consumers are under the threat condition ( $M = 2.02, SD = 1.14$ ), counterfeit luxury products serve a lower social-adjustive function than when they are not threatened ( $M = 2.64, SD = 1.21$ ), particularly when participants imagined themselves dealing with a counterfeit luxury product.

*H4: When exposed to a threat, consumers' willingness to pay (WTP) for a luxury or a counterfeit product increases.*

An ANOVA on participants' willingness to pay showed a statistically significant difference for the handbag in both experimental manipulations of threat ( $F_{(1, 236)} = 10.118, p = .002$ ) and type of product ( $F_{(1, 236)} = 43.101, p < .001$ ). A marginally significant interaction was also found between "type of product" and "threat" ( $F_{(1, 236)} = 3.446, p = .065$ ) suggesting that the effect of threat on participants' willingness to pay for luxury products is larger ( $t_{(117)} = 2.35, p = .020$ ) than the effect of threat on the willingness to pay for a counterfeit product ( $t_{(119)} = 2.65, p = .009$ ), as can be seen in figure 2. Even though, the main effect of the threat condition suggests that the threat influence is significant on both type of products, counterfeit and luxury. The results from planned contrasts analysis show a statistically significant influence of threat on counterfeit ( $t_{(117)} = 2.35, p = .020$ ) and on luxury products ( $t_{(119)} = 2.65, p = .009$ ). Consumers' willingness to pay for the luxury and counterfeit handbags increases when they are under the threat condition but this effect seems to be stronger for luxury products (Please refer to table 12).

For the perfume, there was a statistically significant difference for the type of product ( $F_{(1, 266)} = 173.484, p < .001$ ) and not for threat/no threat ( $F_{(1, 266)} = 0.035, p = .852$ ). The interaction between them showed no statistically significant difference on consumers' WTP ( $F_{(1, 266)} = 1.877, p = .172$ ), as can be seen in figure 3. Even though, the figure may suggest that the threat influence might be significant on both type of products, counterfeit and luxury. The results from planned contrasts analysis show a marginally significant influence of threat on counterfeit ( $t_{(128)} = 1.91, p = .058$ ) but not on luxury products ( $t_{(138)} = 0.67, p = .505$ ).

Figure 4 - Statistical Analysis of the interaction of threat condition and type of product on consumers' WTP for a handbag

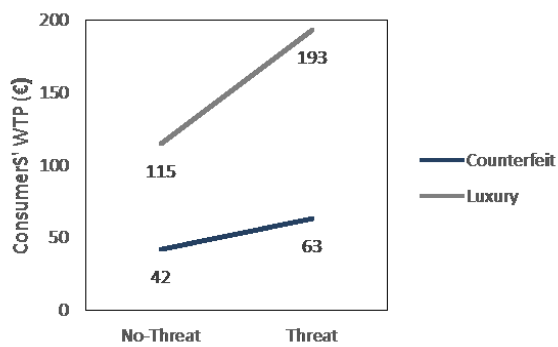


Figure 5 - Statistical Analysis of the interaction of threat condition and type of product on consumers' WTP for the perfume

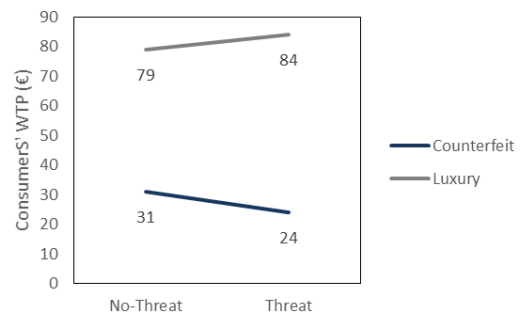


Table 12 - Influence of an external threat on participants' willingness to pay

Consumers' WTP		Condition	Mean ± SD*
<b>Counterfeit</b>	Handbag	No-Threat	42.37 ± 25.95
		Threat	62.87 ± 60.98
	Perfume	No-Threat	30.65 ± 21.17
		Threat	24.23 ± 16.82
<b>Luxury</b>	Handbag	No-Threat	115.15 ± 89.49
		Threat	193.23 ± 208.80
	Perfume	No-Threat	79.30 ± 39.81
		Threat	84.17 ± 46.45

WTP- Willingness to pay; SD: Standard deviation.

\* Results evaluated using a multi-factorial ANOVA,  $\alpha = 0.05$ )

## **Chapter 5. Main conclusions and future research**

This final chapter presents the main academic conclusions, linked with previous literature. Furthermore, the limitations of this study are presented together with some suggestions for future research.

### *Academic Implication*

Through the analysis, it can be concluded that half of the studied sample tend to buy counterfeit luxury good, mostly at grey markets. The most purchased brands were Louis Vuitton, Michael Kors, followed by Chanel and Prada. The main purchased products were perfumes, handbags, clothes and jewelry (including watches). The products mentioned by the consumers matched the products chose for the study; handbag and perfume. As previously mentioned in the literature review chapter, this group of consumers fits in the third category of Han, Nunes and Drezè (2010) – the Poseurs. This group aims for the social status without having the financial availability to afford genuine luxury goods. Instead, they buy counterfeit luxury products.

Regarding genuine luxury goods', three quarters of the samples stated that they purchase this type of products, mostly every 6 months. The participants preferred quiet to loud products, what allow to categorize them as Patricians, following the approach from Han. Nunes and Drezè (2010). These consumers possess significant wealth and buy inconspicuously branded products, with subtle signs that only Patricians may understand. Furthermore, they do not buy luxury products to distinguish themselves from other consumers but for their own pleasure. This hypothesis is supported by the presented results as consumers admitted to buying luxury products for hedonic reasons over utilitarian reasons. In addition, when consumers look for genuine luxury products, the attribute they value the most was quality, followed by brand and price, in this specific order. Whereas looking for counterfeit luxury products, their main concern first was price, followed by quality and brand.

The first main hypothesis stated that consumers' perception of themselves and others is negatively influenced by a threat. Based on the literature review it could be expected that consumers would lose some confidence or react to restore that confidence (Gao, Wheeler and Shiv, 2009). The results showed that this hypothesis was partial accepted. Firstly, consumers' perceptions were splitted in three groups: consumers' perceptions about others moral beliefs when buying counterfeit luxury goods; consumers' perceptions on their own image and beliefs;

and consumers' sense of materialism. Regarding moral beliefs, when consumers felt threatened, they enhanced their moral beliefs in a positive way, which may lead to the conclusion that when consumers are under the threat condition, they do not perceive others' action towards purchasing counterfeit luxury products as an immoral action like they perceive it when not under the threat condition. In other words, when consumers were threatened they tended to better accept counterfeit in luxury goods, they are not worried about other people buying counterfeit goods because they are concerned in retrieve their self. Concerning, consumers' perception on their own image, there was no influence by external threat on all the parameters except for one, consumers' sense of fashionable. When consumers feel threatened, as could be expected, they increase their sense of fashionable to protect their identity. Finally, regarding consumers' sense of materialism there was an influence by external threat in three of the eleven statements. When threatened, consumers' sense of materialism decreased. This last conclusion goes against what Wicklund and Gollwitzer (1981) theorized, in which consumers protect their identity, when threatened, by consuming.

The second hypothesis studied if the self-threat and differences in consumers' age, gender, occupation, education level, nationality, and monthly income could increase the likelihood to acquire luxury/counterfeit products.

Regarding the influence of an external threat, the results showed that this parameter does not influence consumers' likelihood to purchase luxury or counterfeit luxury handbags and counterfeit luxury perfumes. On the other hand, threat influenced negatively consumers' likelihood to purchase luxury perfumes. In other words, when consumers were threatened their likelihood to purchase luxury perfumes surprisingly decreased. These results does not match with results from previous studies and our own results on willingness to pay. According to Mandel and Heine (1999), when exposed to a threat consumers demonstrated a higher interest in purchasing luxury goods. Such conclusion was also corroborated by Heine, Harihara and Niiya (2002), who found similar results for the influence of an external threat.

Regarding the influence of consumers' demographic profile, the results showed that there was no influence of consumers' gender, level of education and nationality in the likelihood to acquire luxury or counterfeit luxury goods. On the other hand, consumers' age influenced the likelihood to purchase a counterfeit luxury perfume. Likewise, current occupation and monthly income influenced the likelihood to purchase a counterfeit luxury handbag. Similarly to previous studies (Rutter and Bryce, 2008), the results obtained in this thesis showed that young-

adults respondents buy more counterfeit products. Respondents with an age below 30 years tend to more frequently buy counterfeit luxury products. For the participants with an age above 31 years, the tendency to buy counterfeit luxury products strongly decreased. However, an internal category in this group was found, where respondents with an age between 41 and 50 showed an increased tendency to buy counterfeit perfumes. Concerning respondents' current occupation there was an influence on their likelihood to purchase counterfeit luxury handbags. Students were more willing to buy a counterfeit luxury handbag than employees are. Finally, regarding respondents' monthly income there was an influence on their likelihood to purchase counterfeit handbags too. Respondents with lower monthly incomes (<500€) are more willing to purchase counterfeit luxury handbags than respondents with higher monthly incomes (>5000€). This conclusion goes against the study from Hudders (2012) that mention that consumers with lower purchasing power are the ones who buy more luxury goods. In this case, the consumers with lower purchasing power are the ones more willing to purchase counterfeit luxury goods to satisfy their "needs" for genuine luxury goods. This difference in results can be related to easiness to acquire new and trending products that was not available or popularized some years ago.

The third hypothesis studied the correlation of luxury products' attitude towards a value-expressive function with consumers' moral beliefs about people buying counterfeit luxury goods. Also, the correlation between consumers' attitude towards counterfeit luxury products serving a social-expressive function and their moral beliefs.

The results showed that for counterfeit luxury goods there was no correlation between the value-expressive function or the social-adjustive function with consumers' moral beliefs. Moreover, there was an influence of threat in consumers' level of agreement with specific statements from both functions. When consumers were threatened, they agreed less with the statements, which means their levels of value-expressiveness and social-adjustive with counterfeit luxury brands decreased. It seems that under threat participants attitudes towards counterfeit product become more negative, which may suggest that these products cannot provide a way of recovering from a threat to the self-concept. Regarding genuine luxury products, there was no correlation between social-adjustive function and consumers' moral beliefs. In addition, the results showed a negative correlation between the value-expressive function and consumers' moral beliefs. In other words, consumers that relate a high value-expressive function to genuine luxury goods, have more sensitive moral beliefs from other people buying counterfeit luxury goods.

The last hypothesis stated that when exposed to a threat, consumers' willingness to pay (WTP) for a luxury or a counterfeit product increases. The results showed that the type of product influenced consumers' WTP both in counterfeit luxury good and in genuine luxury goods, for both products, handbag and perfume.

For the handbag and the perfume, consumers are more willing to pay for genuine luxury products than for counterfeit luxury products. These results were already expected since consumers tend to identify counterfeit products based on prices (Wilcox *et al.*, 2009). When consumers were threatened, as it was predictable, their WTP increased positively for both the counterfeit and the genuine luxury handbags, nonetheless this effect seemed to be stronger for luxury products. Presumably consumers' are willing to pay more for some product that may restore their self-image previously threatened. Previous authors already demonstrated this kind of reaction that in this case reflects an increased WTP. Wicklund and Gollwitzer (1981) and Braun and Wicklund (1989) studied the effect on threat on consumers' behavior, evidencing that the presence of a threat induces a physical or psychological defense. Such defense can be in some cases revealed as an increased tendency to buy and defend the own self-concept (Gao, Wheeler and Shiv, 2009). The present study adds that luxury products may be seen as a better way to recover from a threat than counterfeit products. Regarding the perfume, even though there was no significant increase on consumers' WTP for luxury products under the threat condition, there is an effect on counterfeit product that decreases consumers' WTP for counterfeit products when being threatened, which means, that when consumers are under the threat condition they tend to depreciate the counterfeit perfume.

Together these findings suggest that counterfeit products cannot provide the same benefits for people's self-esteem and be used to recover from threats to ones' self-concept as original luxury products do. Presumably the illegality of luxury counterfeit products adds a morally negative aspect to these products reducing the positive effects luxury products may have on consumer's self-esteem.

### *Limitations and Future Research*

This dissertation contributed to increase the empirical evidences on consumers' motivations to buy counterfeit luxury goods. However, there were some limitations attached to this research. The first limitation concerns the sample size. Even though 283 answers were collected, due to the randomization of the study, each condition had around 70 participants, which can be a small

number of responses to compare within them. Therefore, in a future research it would be beneficial to have a higher sample size.

Secondly, the sample was not really diversified. The majority of respondents were female (73.1%), aged between 21-30 years old (67%), Portuguese (88.3%) and students (50.6%). Consequently, this may have resulted in biased responses. For a future research, a more diversified sample would improve the reliability of results.

Thirdly, the study included two products representing genuine luxury goods and counterfeit ones, a handbag and a perfume. This may have skewed the results depending on sample's preferences, which could have been avoided if more products were included. Nevertheless, this would have imply a longer survey, what was not possible to conduct due to time and logistic constrains.

Fourth, as long as the study was performed through an online survey there was a lack of opportunities to clarify some questions and there was no control over the identity of the respondent, whom the respondents consults or even the speed of response.

Regarding future research, there is still much to explore. Firstly, a broader study with more examples of products, including more respondents and different approaches like in-depth interviews or focus group. Moreover, the influence of some brands is also a recurrent topic on literature. Consequently, instead of studying more product examples, a more detailed study with specific examples of luxury brands which are affected regularly by the counterfeit sector could be performed.

As demonstrated in this study, the influence of an external threat on consumers' motivations and beliefs, and consequently WTP is a very interesting subject. A deeper study on the effects of an external threat could be of extreme relevance, both in academic and a professional point of view.

## Appendices

### Appendix 1 - Survey

Dear participant,

I am a Master student from Católica Lisbon School of Business and Economics. This survey is part of my study for the Master Thesis on the topic of Marketing and Hedonic Experiences. The survey will take about 6 to 8 minutes .

Please be assured that the information you give will remain anonymous and confidential.

Thank you very much for your time,

Rita Fernandes

**Q0** Below is a list of characteristics and values, some of which may be important to you, some of which may be unimportant. Please rank these values and qualities in order of their importance to you, from 1 to 11 (1 = most important item, 11 = least important item).

Romantic values (1); Business/managerial skills (2); Creativity (3); Physical attractiveness (4); Musical ability/appreciation (5); Athletics (6); Social Skills (7); Spontaneity/living life in the moment (8); Relations with friends/family (9); Sense of humor (10); Artistic skills/aesthetic appreciation (11)

**Q0.1** Now please write a description of a time where you lived up to your most important value/characteristic (selected in the previous question). No-Threat Survey Type

or

**Q0.1** Now please write a description of a time where you failed to live up to your most important value/characteristic (selected in the previous question). Threat Survey Type

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Imagine a handbag you really want to buy from one of your favorite luxury brands.

Imagine you have a counterfeit version of that product on your hands and it seems just like the genuine branded handbag. In fact, not even experts would notice the difference between both of them.

Contrary to the genuine version, you can afford to buy this handbag. Counterfeit Luxury Product Survey Type

or

Imagine a handbag you really want to buy from one of your favorite luxury brands. Genuine Luxury Product Survey Type

**Q1.** Choose the option that describes better the product you were thinking of:

- A discreet branded handbag, without any logos visible 1 (1)
- 2 (2)
- 3 (3)
- 4 (4)
- 5 (5)
- An exuberant branded handbag, with the brand logo visible that everyone can recognize 6 (6)

**Q2** How likely were you to purchase the counterfeit product you imagined? Counterfeit Luxury Product Survey Type

or

**Q2** How likely were you to purchase the luxury product you imagined? Genuine Luxury Product Survey Type

	1 (0)	2 (1)	3 (2)	4 (3)	5 (4)	6 (5)	
Would definitely not purchase (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Would definitely purchase

**Q3** What is the maximum value in euros you would be willing to pay for it?

**Q4** Now imagine you actually own this counterfeit handbag and you are using it today. Please describe on the following scale how would you feel while using this handbag: (Counterfeit Luxury Product Survey Type)

or

**Q4** Now imagine you actually own this luxury handbag and you are using it today. Please describe on the following scale how would you feel while using this handbag: (Genuine Luxury Product Survey Type)

	1	2	3	4	5	6	7	
Powerful (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Weak
Pleased (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Unpleased
Confident (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insecure
Fulfilled (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Unfulfilled
Ethical (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Unethical
Stylish (6)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Out of Style

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Imagine a perfume you really want to buy from one of your favorite luxury brands.

Imagine you have a counterfeit version of that product on your hands and it seems just like the genuine branded perfume. In fact, not even experts would notice the difference between both of them.

The odor and the packaging are exactly the same, and the price is affordable comparing with the genuine one. Counterfeit Luxury Product Survey Type

or

Imagine a perfume you really want to buy from one of your favorite luxury brands. Genuine Luxury Product Survey Type

**Q5** How likely would you be to purchase the counterfeit product? Counterfeit Luxury Product Survey Type

or

**Q5** How likely would you be to purchase the counterfeit product? Genuine Luxury Product Survey Type

	1	2	3	4	5	6	7	
Would definitely not purchase (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Would definitely purchase

**Q6** What is the maximum value in euros you would be willing to pay for it? \_\_\_\_\_

**Q7** Now imagine you actually own this counterfeit perfume and you are using it today. Please describe on the following scale how would you feel using this perfume: Counterfeit Luxury Product Survey Type

Or

**Q7** Now imagine you actually own this luxury perfume and you are using it today. Please describe on the following scale how would you feel using this perfume: Genuine Luxury Product Survey Type

	1	2	3	4	5	6	7	
Powerful	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Weak
Pleased	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Unpleased
Confident	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insecure
Fulfilled	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Unfulfilled
Ethical	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Unethical
Stylish	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Out of Style

**Q8** Taking into account your previous answers, please describe how you feel at the moment (1="Most Negative, 7="Most Positive") regarding the following dimensions:

	1	2	3	4	5	6	7	
Sad	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Happy
Bad mood	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Good mood
Irritable	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Pleased
Depressed	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Cheerful

**Q9** Please indicate to what extent do you agree or disagree with the following statements (1="Strongly disagree, 7="Strongly agree"):

	1	2	3	4	5	6	7
I am compassionate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I am sympathetic	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I am warm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I am helpful	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Q10** Please chose one of the following sentences that describes better a counterfeit good:

- A counterfeit good is any product that we can buy at grey markets that may be similar to genuine products.
- A counterfeit good is low in quality and price.
- Counterfeit goods are illegal replicas.

The definition of counterfeit products are illegal replicas of high brand value products that we can find at grey markets or even in stores and online. A replica of the design of some clothes or handbag can be considered counterfeit as well as the similarities in odors, when we talk about perfumes.

**Q11** Have you ever purchased counterfeit luxury goods?

Yes

No

**Q12** From which brands? Which products? \_\_\_\_\_

**Q13** Where do you buy counterfeit luxury goods?

Online (1)

Grey Market (2)

Shops (3)

Other (4) \_\_\_\_\_

**Q14** How likely would you be willing purchase a counterfeit product from your favorite luxury brand?

	1	2	3	4	5	6	7	
Very Unlikely	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Very Likely

**Q15** How do you feel about people who purchase counterfeit products?

	1	2	3	4	5	6	7	
Immoral	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Moral
Unethical	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Ethical
Insincere	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Sincere
Acceptable	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Non-Acceptable

**Q16** Please rank the following attributes according to your preference when purchasing a counterfeit luxury product.

- \_\_\_\_\_ Quality
- \_\_\_\_\_ Price
- \_\_\_\_\_ Brand
- \_\_\_\_\_ Exclusivity
- \_\_\_\_\_ Service
- \_\_\_\_\_ Fashionable

**Q17** Please indicate your degree of agreement with the following statements in a scale from 1 = "Completely Disagree" to 7 = "Completely Agree".

Counterfeit luxury brands reflect the kind of person I see myself to be

Counterfeit luxury brands help me to communicate my self-identity

Counterfeit luxury brands help to express myself

Counterfeit luxury brands help me define myself

Counterfeit luxury brands are a symbol of social status

Counterfeit luxury brands help me fit into important social situations

I like to be seen wearing counterfeit luxury brands

I enjoy it when people know I am wearing counterfeit luxury brands

**Q18** Do you buy luxury goods? (Please consider any type of luxury goods, from perfumes and accessories to clothes, handbags, shoes)

Yes

No

**Q19** How often do you purchase luxury goods?

- Weekly
- Monthly
- Every 6 months
- Once a year
- Never

**Q20** Please rank the following attributes according to your preference when purchasing a luxury product.

- \_\_\_\_\_ Price
- \_\_\_\_\_ Quality
- \_\_\_\_\_ Exclusivity
- \_\_\_\_\_ Brand
- \_\_\_\_\_ Exclusive Service
- \_\_\_\_\_ Fashionable

**Q21** Please describe on the following scale how do you feel when you buy luxury goods

	1	2	3	4	5	6	7	
I buy luxury goods because I need them (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	I buy luxury goods because I feel connected with the brand and I feel pleased

**Q22** How much do you spend on average when you buy a luxury product? 0€-500€

**Q23** Please indicate your degree of agreement with the following statements in a scale from 1 = "Completely Disagree" to 7 = "Completely Agree".

Luxury brands reflect the kind of person I see myself to be

Luxury brands help me communicate my self-identity

Luxury brands help me express myself

Luxury brands help me define myself

Luxury brands are a symbol of social status

Luxury brands help me fit into important social situations

I like to be seen wearing luxury brands

I enjoy it when people know I am wearing luxury brands

**Q24** Please indicate your degree of agreement with the following statements about counterfeit luxury products vs. genuine luxury products, in a scale from 1 = "Completely Disagree" to 7 = "Completely Agree".

Counterfeit luxury products have the same quality from genuine products

I can easily tell the difference between counterfeit and genuine luxury brands

Counterfeits have a similar physical appearance with genuine brands

I expect the quality of counterfeits to be as good as the quality of genuine brands

I expect the counterfeits to last as long as genuine brands

I will not use counterfeits as much as genuine brands

I will be embarrassed if my friends realize that the product is not genuine

I would tell my friends a counterfeit is a genuine product

I would tell my friends my counterfeit is a counterfeit

For me, counterfeit products are similar products (of genuine products) with lower prices

I buy counterfeit products if I think genuine designer products are too expensive

I buy counterfeit products if I cannot afford to buy genuine branded products

I usually purchase counterfeits when it is difficult to distinguish between the counterfeits and the genuine products

I would buy counterfeit products even if I could easily afford to buy non-counterfeit products

**Q25** In your opinion, the questions about personal characteristics and humor, were associated with the rest of the survey?

Yes

No

**Q26** Please indicate your degree of agreement with the following statements in a scale from 1 = "Completely Disagree" to 7 = "Completely Agree".

I admire people who own expensive homes, cars and clothes

Some of the most important achievements in life include acquiring material possessions

I do not place much emphasis on the amount of material objects people own as a sign of success

The things I own say a lot about how well I am doing in life

I like to own things that impress people

I do not pay much attention to the material objects other people own

I usually buy only the things I need

The things I own are not at all that important to me

Buying things gives me a lot of pleasure

I like a lot of luxury in my life

My life would be better if I owned certain things I do not have

**Q27** Please rate the following attributes about how do you perceive your self-image.

	1	2	3	4	5	6	7	
Modesty	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Not modesty
Intelligent	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Not intelligent
Mature	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Not mature
Sophisticated	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Not sophisticated
Confident	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Not confident
Feminine/Masculine	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Not feminine/not masculine
Classic	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Not classic
Fashionable	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Not fashionable
Practical	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Not practical
Individuality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Not individuality
Active	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Not active
Gorgeous	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Not gorgeous

**Q28** Please indicate your gender:

- Male
- Female

**Q29** How old are you?

**Q30** What is your education level? (Please choose the last one completed)

- 9th Grade
- High School
- Bachelor Degree
- Master Degree
- PhD
- Other \_\_\_\_\_

**Q31** What is your current occupation?

- Student
- Worker student
- Employed
- Self-employed
- Unemployed/retired

**Q32** What is your nationality?

**Q33** What is your household's monthly liquid disposable income (after taxes)?

- < 500€
- 500-1000€
- 1001-3000€
- 3001-5000€
- > 5000€

**Appendix 2 - Demographic parameters - Influence of gender, age, nationality, education level, occupation and monthly income on the likelihood to buy counterfeit or luxury items (means  $\pm$  standard deviation)**

		<b>Likelihood to buy a luxury handbag</b>	<b>Likelihood to buy a counterfeit handbag<sup>1</sup></b>	<b>Likelihood to buy a luxury perfume</b>	<b>Likelihood to buy a counterfeit perfume<sup>1</sup></b>
<b>Gender</b>	Female	4.16 $\pm$ 1.73	4.41 $\pm$ 2.06	3.96 $\pm$ 1.44	4.66 $\pm$ 2.32
	Male	3.87 $\pm$ 1.79	4.00 $\pm$ 1.99	4.11 $\pm$ 1.66	4.50 $\pm$ 2.16
<b>Age</b>	<20	4.24 $\pm$ 1.81	4.91 $\pm$ 2.05	3.90 $\pm$ 1.22	5.00 $\pm$ 2.39 <sup>a</sup>
	21-30	3.45 $\pm$ 1.74	4.38 $\pm$ 2.00	3.95 $\pm$ 1.53	4.86 $\pm$ 2.08 <sup>a</sup>
	31-40	3.40 $\pm$ 1.52	3.00 $\pm$ 1.00	3.40 $\pm$ 1.52	2.67 $\pm$ 2.89 <sup>b</sup>
	41-50	5.44 $\pm$ 1.13	2.71 $\pm$ 2.06	4.78 $\pm$ 1.20	4.00 $\pm$ 2.89 <sup>c</sup>
	>51	4.40 $\pm$ 1.71	3.60 $\pm$ 2.12	4.45 $\pm$ 1.57	2.90 $\pm$ 2.38 <sup>b</sup>
<b>Nationality</b>	Portuguese	4.16 $\pm$ 1.73	4.27 $\pm$ 2.04	4.06 $\pm$ 1.42	4.65 $\pm$ 2.27
	Foreigners	3.53 $\pm$ 1.84	5.06 $\pm$ 1.95	3.76 $\pm$ 2.11	4.31 $\pm$ 2.41
<b>Education Level</b>	High School	3.70 $\pm$ 1.87	4.35 $\pm$ 2.21	3.91 $\pm$ 1.28	4.71 $\pm$ 2.59
	Bachelor Degree	4.31 $\pm$ 1.66	4.63 $\pm$ 2.01	3.92 $\pm$ 1.52	4.71 $\pm$ 2.23
	Master Degree	3.98 $\pm$ 1.83	3.96 $\pm$ 1.99	4.18 $\pm$ 1.55	4.75 $\pm$ 2.14
	PhD	4.00 $\pm$ 1.73	1.50 $\pm$ 0.71	4.00 $\pm$ 1.87	1.00 $\pm$ 0.00
<b>Current Occupation</b>	Student	4.06 $\pm$ 1.79	4.71 $\pm$ 1.91 <sup>a</sup>	4.08 $\pm$ 1.41	4.79 $\pm$ 2.18
	Worker Student	3.47 $\pm$ 1.74	4.86 $\pm$ 1.96 <sup>a,b</sup>	3.47 $\pm$ 1.65	4.62 $\pm$ 2.29
	Employed	4.33 $\pm$ 1.69	3.53 $\pm$ 1.98 <sup>b</sup>	4.07 $\pm$ 1.55	4.37 $\pm$ 2.38
	Self-Employed	3.00 $\pm$ 1.41	1.00 $\pm$ 0.00 <sup>a,b</sup>	4.00 $\pm$ 2.83	1.00 $\pm$ 0.00
	Unemployed/Retired	5.20 $\pm$ 1.30	2.00 $\pm$ 1.41 <sup>a,b</sup>	4.40 $\pm$ 1.14	7.00 $\pm$ 0.00
<b>Household monthly income</b>	<500	4.23 $\pm$ 1.85	5.00 $\pm$ 2.00 <sup>a</sup>	4.09 $\pm$ 1.60	4.25 $\pm$ 2.77
	500-1000	3.65 $\pm$ 1.64	5.86 $\pm$ 1.39 <sup>a,b</sup>	3.91 $\pm$ 1.56	5.32 $\pm$ 1.89
	1001-3000	3.93 $\pm$ 1.72	4.20 $\pm$ 1.99 <sup>a,b</sup>	3.98 $\pm$ 1.37	4.75 $\pm$ 2.21
	3001-5000	4.12 $\pm$ 1.90	4.07 $\pm$ 1.92 <sup>a,b</sup>	4.08 $\pm$ 1.78	4.48 $\pm$ 2.39
	>5000	4.62 $\pm$ 1.66	2.72 $\pm$ 1.81 <sup>b</sup>	4.09 $\pm$ 1.19	4.06 $\pm$ 2.26

<sup>1</sup> – Tukey HSD test - Equal letters in the same line do not statistically significantly differ.

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