

When counterfeits raise the appeal of luxury brands

Simona Romani · Giacomo Gistri · Stefano Pace

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Abstract Counterfeiting is a widespread practice throughout the world. The conventional wisdom is that it affects branded goods negatively. In this paper, however, we suggest that counterfeiting may actually benefit certain luxury brands. By means of two studies, we show how the market presence of luxury counterfeit items can increase consumers' willingness to pay for original brands. In Study 1, we show that the presence of luxury counterfeits can increase consumers' willingness to pay for well-known original brands, but not for lesser-known ones. Brand awareness plays a moderating role in the positive relationship between counterfeiting and willingness to pay (WTP). In Study 2, we address the psychological mechanisms that explain this increased willingness to pay. The results show that consumers' (a) pleasure at being envied, (b) pleasure in distinguishing themselves, and (c) perception of the quality of the original goods fully mediate the relation between the presence of counterfeit in the market and consumers' WTP for originals. We subsequently discuss the theoretical and managerial implications of the two study results.

Keywords Fashion luxury goods · Consumer behavior · Counterfeiting · Brand awareness · Willingness to pay

S. Romani
Department of Business and Management, LUISS Guido Carli, Viale Romania, 32, 00197 Rome, Italy

G. Gistri (✉)
Department of Communication Arts and Sciences, University of Macerata,
Via Armaroli, 9, 62100 Macerata, Italy
e-mail: giacomo.gistri@unimc.it

S. Pace
Department of Marketing, Bocconi University, Via Röntgen, 1, 20136 Milan, Italy

S. Pace
Euromed Management, Domaine de Luminy, BP 921, 13288 Marseille Cedex 9, France

1 Introduction

Several recent reports reveal that counterfeiting is a massive and global economic problem. According to the International Anti-Counterfeit Coalition (IACC 2010) the global market for counterfeits exceeds 600 billion USD annually, accounting for approximately 5–7 % of world trade every year. Counterfeiting is a criminal activity that poses a threat to global health, safety, and legal business (Naim 2005; Midler 2009). However, counterfeiting does not always harm producers of original goods and can, in certain contexts, actually be leveraged to a firm's advantage. Recently, several rationales were developed to show that piracy and counterfeiting can benefit producers of original digital and luxury goods (Barnett 2005; Bekir et al. 2010; De Castro et al. 2008; El Harbi and Grolleau 2008; Raustiala and Sprigman 2006; Ritson 2007; Whitwell 2006; Yao 2005).

Our contribution builds on previous research to explain higher consumer willingness to pay (WTP) for a well-known luxury good (but not for a lesser-known luxury good) when a counterfeit version of the same article is available on the market (Study 1). In addition, we provide insights into the mechanisms behind this phenomenon, which show that consumers' (a) pleasure at being envied, (b) pleasure in distinguishing themselves, and (c) perception of quality for the original luxury good, drive high WTP levels (Study 2). The originality of this contribution lies in three research efforts. First, from a consumer perspective, we empirically test the "snob premium" of well-known original luxury products when counterfeits are present. This hypothesis has to date not been empirically tested. The closest available data is provided in the findings by Nia and Zaichkowsky (2000), who show that most respondents disagree with the assumption that counterfeits decrease luxury goods' value and status. Second, we demonstrate that the effect is reversed for lesser-known luxury brands, as the presence of counterfeits reduces the price consumers are willing to pay for these. If a brand is not popular enough and is unable to assist consumers in their signaling processes to others, the availability of cheaper substitutes can orient consumers towards counterfeit products, reducing the expenditure they are willing to make for the original product. Third, we provide evidence for three mediation variables that can explain the different ways in which the presence of counterfeits in the market is linked to consumers' WTP.

Our objective is not to argue in favor of counterfeiting, but to highlight an original mechanism through which genuine luxury goods' producers can take advantage of being counterfeited. Original producers can benefit by investing in brand awareness and taking the positive roles of envy, distinctiveness, and quality perception into consideration.

The remainder of this paper is organized as follows. Sections 2, 3, and 4 provide the theoretical background and our hypotheses. The two empirical studies are presented in Sections 5 and 6. In Section 7, we conclude with a discussion of the results, their implications, the studies' limitations, and future research directions.

1.1 Beyond the negative effects of counterfeiting

Counterfeiting is the unauthorized manufacturing of articles that mimic certain characteristics of genuine goods and that may pass themselves off as legitimate

companies' registered products. At a macroeconomic level, all relevant reports (BASCAP 2011; IAAC 2010) agree that counterfeiting is a serious problem that must be combated, because it has well-known negative effects on national economies. On the other hand, at the microeconomic level, the effects on rights holders (e.g., on sales volume and prices) and on consumers (safety risks and consumer utility) are less clear, also because there is very little academic work available on the topic (Staake et al. 2009).

Particularly in contrast to the conventionally negative perspectives on the counterfeiting phenomenon, contributions to the literature have recently demonstrated that, while it is still an illegal activity, counterfeiting might also be considered beneficial for rights holders. In the context of digital products, for example, De Castro et al. (2008), taking an economics' information perspective, discuss several rationales to show that piracy can increase pirated firms' profits. The authors identify theoretical rationales that might produce this benefit: network effects (Katz and Shapiro 2001), signaling effects (Urbany 1986), bandwagon effects (Leibenstein 1950), and herding effects (Hanson and Putler 1996).

In the context of luxury fashion goods, certain authors similarly argue that counterfeiting can create a flattery effect that may benefit original producers. Among others, Raustiala and Sprigman (2006) demonstrate that counterfeiting generates demand for new original items by accelerating the fashion cycle; El Harbi and Grolleau (2008) note that it can inspire high-end designers of counterfeited firms in new directions not explored before; Yao (2005) demonstrates that, when fines imposed on counterfeiters are pegged to the price of genuine items, a luxury goods monopolist can benefit from counterfeiting by raising its selling price under a stringent counterfeit monitoring regime; Ritson (2007) explicitly considers counterfeit products as the first signal of a luxury brand's renaissance (when copies appear), or of the final nail in its coffin (when they do not).

Interestingly, Barnett (2005) proposes that the introduction of counterfeits may enable producers to charge consumers, eager to distinguish themselves from the masses, and who settle for fakes, a high snob premium.¹ Our contribution builds mainly on this argument, endeavoring to better explain and test—from a consumer perspective—counterfeiting's positive effects in a luxury context. We measure this positive effect as consumers' higher WTP for a genuine product in the presence of counterfeits. We thus consider the central role of brand awareness in generating the effect, and highlight the underpinning mechanisms that drive higher WTP.

1.2 Snob premium and brand awareness: well-known vs. lesser-known

Traditionally, luxury or status goods are defined as goods of a particular brand whose mere use or display brings prestige to the owner, besides having a use value (Grossman and Shapiro 1988). Fashion goods can also be considered status goods, as they are mainly consumed for their status-conveying properties (Corneo and Jeanne 1997).

In his *Theory of the Leisure Class*, Veblen (1899) argued that status goods' consumption is motivated by an "invidious comparison," i.e., the desire of "higher-

¹ The basic assumption that underlies the following theoretical discussion is that fakes are "imperfect" imitations of the original items. This consent not to violate the prescription of the "rarity principle" (Veblen 1899) underlies conspicuous consumption.

class” people to distinguish themselves from the “lower-class.” In line with this argument, Barnett (2005) holds that unauthorized and inferior copies of Gucci bags do no damage to these luxury goods’ perceived value, as Nia and Zaichkowsky (2000) also show, but may even increase the status premium enjoyed by visible users of the original product. The genuine product thus becomes even more valued because it is counterfeited. The presence of counterfeits turns the genuine product into the “true” and “authentic” good, and thereby adds to its desirability and value, especially among consumers who want to distinguish themselves from the masses who can only afford copies. Consequently, we expect that in presence, rather than in absence, of counterfeit alternatives in the market, consumers exhibit a higher WTP for the original goods.

An implicit assumption regarding this positive effect for luxury brands is that casual observers and not only those “in the know”, can recognize and identify the brands. Regardless of their prominence (Han et al. 2010) or subtleness (Berger and Ward 2010), brands must be effective signals if they are to help people communicate their desired identity and characteristics, and associate or dissociate themselves from specific groups (Belk 1988). High brand awareness is therefore a necessary prerequisite for generating the flattering effect, which increases the snob value of originals.

Brands that are harder for observers to identify, due to low awareness, are unlikely to generate such effects. With regard to these lesser-known luxury brands, counterfeits’ effect works in the opposite direction, hurting the price paid for the originals if fakes are present. Given low brand popularity, the availability of cheaper counterfeit substitutes could orient consumers towards copies, reducing the amount they are willing to pay for the original product.² These arguments lead to our first hypothesis:

H1. The presence in the market of well-known (lesser-known) counterfeited luxury brands increases (decreases) consumers’ WTP for the original luxury brands.

1.3 The psychological rationale behind consumer snob premium

To gain insights into the mechanisms behind the consumer higher WTP described above we investigated consumers’ (a) pleasure at being envied, (b) pleasure in distinguishing themselves, and (c) perception of quality for the original goods as important mediators between the presence of counterfeits in the market and consumers’ WTP.³

Envy is the emotion of intense coveting of what another owns (Smith and Kim 2007) and it has mostly been studied from the perspective of a person experiencing envy (e.g., see Van de Ven et al. 2011). We, on the other hand, refer to envy from the

² Counterfeiting for lesser-known luxury handbags is a rare phenomenon. As reported by Han et al. (2010) counterfeiters tend to copy loud well-known luxury handbags. However here this tendency is mainly cited for theoretical reasons; it highlights a specific condition affecting the relationship between the presence of counterfeits in the market and consumers’ WTP.

³ A review of the literature suggested these constructs as relevant for our analyses. In addition, a qualitative study based on an online qualitative survey with 79 consumers integrated this review. Analyses of the texts resulted in support for the three constructs identified. Two additional minor themes emerged (consumers’ pleasure in rewarding the company that produces the genuine goods and consumers’ positive feelings for behaving fairly) cited by a limited number of respondents. These themes have not received particular attention in the counterfeit literature and we decided not to consider them for further analyses. Details on the qualitative study are available from the authors upon request.

perspective of the person who has something another person desires, i.e., from the envied individual's perspective. The target of envy is in fact the person who possesses that object, not the object itself (e.g., see Solomon 1993). Being envied makes people feel satisfied with who they are and provides confirmation that they have something of value (Rodriguez Mosquera et al. 2010).

The presence of fakes emphasizes that the good is obviously desired by mainstream consumers, but is unobtainable. These mainstream consumers envy the owners of original products and seek to imitate them by using imitation products. Thus, given the fake, the original luxury fashion product has a higher utility level with regard to being envied and, consequently, consumers may experience greater pleasure associated with such a utility type. This higher level of pleasure may then positively influence consumer WTP for the original.

Secondly, consumers' pleasure in distinguishing themselves from the mainstream can be considered. In the twenty-first century, with its mass production and information overload, the need for uniqueness is of ever-increasing importance in everyday life (Tian et al. 2001; Berger and Ward 2010). This need can easily be expressed by means of personal brand preference and buying decisions. In particular, status goods consumption has always been motivated by a desire for "distinction" (Veblen 1899): elite consumers wish to stand out from the crowd and its generic lifestyle. The more a particular good distinguishes its user from the mainstream, the greater is its "distinctiveness" utility.

The presence of counterfeit alternatives in the market can increase the possibility for the originals' users to distinguish themselves from others that cannot afford the genuine product. Thus, this distinctiveness utility of the original product may positively affect consumers' WTP for the genuine product.

Finally, the presence of counterfeit may additionally affect consumers' WTP by influencing the perceived quality of the genuine luxury product. Counterfeits are generally considered to be of lower quality than original products (Nia and Zaichkowsky 2000; Penz and Stottinger 2008). Moreover, fakes might provide a basis for comparison and thus enhance the credibility of quality claims for potential users of the genuine product, by highlighting the difference in such quality between the legal and counterfeited product (De Castro et al. 2008). This enhanced quality perception for the genuine product may induce consumers to pay a higher price for it.

Specifically, we predict that:

- H2. The relationship between the presence of well-known counterfeited luxury brands in the market and consumers' WTP for originals is positively mediated by consumers' (a) pleasure at being envied, (b) pleasure in distinguishing themselves, and (c) perception of quality for the original goods.

Two studies test these hypotheses. In Study 1, we examine how the presence of counterfeits influences consumer WTP for the genuine goods, including both well-known and lesser-known brands. In Study 2, focusing on well-known brands, we test the mediating role that the three constructs illustrated above play in driving counterfeits' positive effect on consumer WTP for originals.

2 Study 1

Our primary goal with Study 1 is to examine whether consumers are willing to pay more for a well-known genuine luxury good if counterfeits of the good are available in the market. In addition, we also test whether the effect is reversed with regard to lesser-known genuine luxury goods.

2.1 Method

We created four different scenarios to test Hypothesis 1 (see Appendix 1). This study manipulated brand awareness (well-known brand—Gucci—vs. lesser-known brand—Valextra) and counterfeits' market availability (present vs. absent) in a context of luxury fashion goods. Several pretests demonstrated the scenarios' perceived credibility and clarity, the high and low awareness of the two brands used and their perception as luxury brands by respondents.

Measured through an open-ended question format, the main dependent variable was how much the subjects would be willing to pay for the new handbag.⁴ The subjects subsequently reported their general expertise in the luxury market (see Appendix 2) and their subjective socioeconomic status (SES) was measured, using the *MacArthur scale of subjective SES* (Goodman et al. 2001). These two variables were used in the analysis as covariates.

The manipulation check for brand awareness required the respondents to evaluate their awareness level on a single item. The questionnaire also included a one-item manipulation check of counterfeit goods' availability in the market to verify the correct understanding of the scenario. Seven-point scales were used for both the manipulation check items.

A total of 104 female Italian undergraduate and graduate students ($M_{\text{age}}=22$ years, $SD=2.6$) took part in a series of experiments in exchange for course credits. They were randomly assigned to one of the abovementioned four conditions. After reading the scenario, the participants completed the survey. They were then debriefed by having the study's purpose explained and thanked for their participation.

2.2 Results and discussion

First, analyses were conducted to determine the manipulation effects on both brand awareness and counterfeits' market availability. The participants generally reported knowing Gucci better than Valextra ($M_{\text{Gucci}}=4.92$, $SD=1.10$ vs. $M_{\text{Valextra}}=1.29$, $SD=0.69$; $t(102)=18.61$, $p<.001$). The analysis also indicated that the manipulation

⁴ This approach measures consumers' hypothetical rather than actual WTP and can thus generate hypothetical bias, which the economic literature has defined as the bias induced by a task's hypothetical nature (Harrison and Rutstrom 2008). Approaches that can elicit actual WTP (see, e.g., Wertenbroch and Skiera 2002) were difficult to use with the present design. In addition, as recently reported by Miller et al. (2011) hypothetical approaches can generate mean WTP estimates that are not significantly different from actual WTP. However, it is important to acknowledge that an actual or hypothetical WTP generated with these methods may not always be accurate because it may differ from the WTP shown in real consumer purchases. We will discuss this issue again in the limitations.

of the counterfeits' presence affected the perceived market availability of counterfeit versions of the new handbag ($M_{\text{present}}=5.20$, $SD=1.43$ vs. $M_{\text{absent}}=2.76$, $SD=1.53$; $t(102)=8.42$, $p<.001$). Overall, these tests demonstrate that, as intended, the manipulations strongly and significantly influenced the perceived variables.

Consumer WTP⁵ was analyzed using a 2 (brand awareness: well-known vs. lesser-known) \times 2 (market availability of counterfeits: present vs. absent) ANCOVA. The covariates were: expertise with the luxury market and subjective SES. The analyses revealed the predicted interaction between brand awareness and the market availability of counterfeits ($F(1, 97)=12.46$, $p=.001$, $\omega^2=.06$)⁶ after controlling for both expertise with the luxury market and subjective SES,⁷ thus supporting Hypothesis 1 (Fig. 1).

In respect of a well-known, genuine luxury good (Gucci), consumer WTP is higher in the market presence (rather than absence) of a counterfeit version of this good ($M_{\text{present}}=\text{€}342.86$, $SD=217.68$ vs. $M_{\text{absent}}=\text{€}209.81$, $SD=111.85$; $F(1, 58)=10.27$, $p=.002$). The contrary is true in the case of a lesser-known luxury good ($M_{\text{present}}=\text{€}75.33$, $SD=37.64$ vs. $M_{\text{absent}}=\text{€}174.23$, $SD=104.45$; $F(1, 37)=10.74$, $p=.002$). This study's results shed light on counterfeiting's effects on consumer WTP for genuine luxury goods and identifies the role of brand awareness. While counterfeiting can increase WTP for the genuine good, this effect is present only in respect of well-known luxury brands, as the effect reverses with regard to lesser-known brands.

3 Study 2

Study 1 shows that, in respect of well-known luxury brands, consumers are willing to pay more when counterfeit versions are available in the market. Study 2 sought to confirm Study 1's results and to verify whether consumers' (a) pleasure at being envied, (b) pleasure in distinguishing themselves, and (c) perception of quality for the original goods would mediate the relation between the presence of counterfeit in the market and consumers' WTP for originals.

3.1 Method

In this study, three different scenarios were used: two scenarios for the manipulation of counterfeits' market availability (present vs. absent) in the context of a well-known luxury brand (Gucci) and a control condition with no reference to counterfeiting. We used the same scenarios as in Study 1 and introduced the control condition as a

⁵ The measure for skewness for this variable (+1.3) was acceptable for psychometric purposes and, consequently, we did not transform this measure.

⁶ The main effect of brand awareness was significant in the analyses— $F(1, 97)=29.15$, $p=.000$, $\omega^2=.11$ —but not the main effect of market availability of counterfeits— $F(1, 97)=.58$, ns, $\omega^2=.001$. It should not be surprising that there are relatively small effect sizes in theory testing experimental research as this was also noted by Fern and Monroe (1996, p. 98). We have to specifically take into consideration that the dependent variable is multiply determined and, consequently, the effect of any single cause is limited. Further studies could investigate other relevant factors at work here.

⁷ Both the covariates were significantly related to the consumers' willingness to pay: $F(1, 97)=24.79$, $p<.000$ for expertise with the luxury market and $F(1, 97)=4.37$, $p<.05$ for subjective SES.

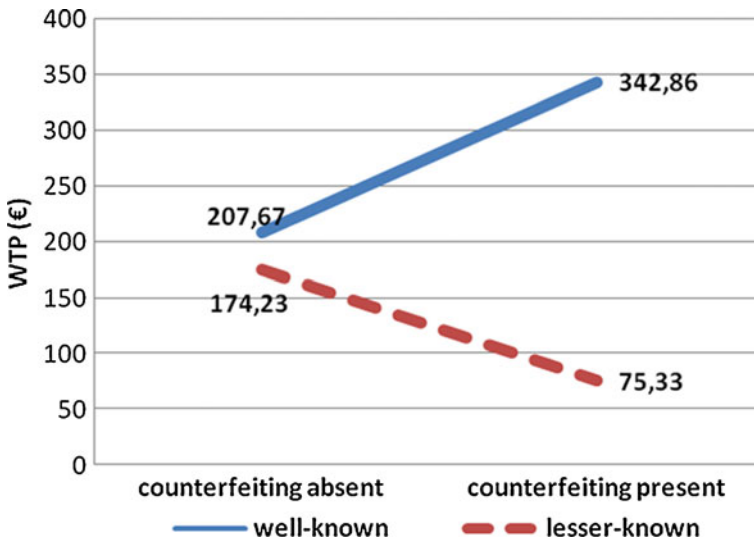


Fig. 1 Interaction between brand awareness and counterfeiting regarding willingness to pay for originals

baseline of what people are willing to pay for the luxury good. In addition, pictorial stimuli were used in this study to integrate the textual scenario. After reading this information, the participants answered several questions. The main dependent variable, measured as in Study 1, was how much participants would be willing to pay for the new original handbag.

The participants in the two manipulated conditions reported their (a) pleasure at being envied, (b) pleasure in distinguishing themselves, and (c) perception of quality for the genuine Gucci handbag (see Appendix 2). The respondents then reported their general expertise with the luxury market, their subjective socioeconomic status, the number of counterfeited handbags they had bought in the past and the price paid for the last original handbag bought. All these additional variables were used as covariates in the analysis.

We asked the respondents to indicate their level of awareness of the brand on a single item. The questionnaire also included two additional manipulation checks for the counterfeits' market availability and for the counterfeit recognizability. Seven-point scales were used for the three items. Finally, the respondents were asked for demographic information.

A total of 219 female Italian consumers took part in this study. They were approached randomly while shopping in a large city's central shopping area and randomly assigned to one of the three conditions noted above ($N=50$ for the control condition; $N=85$ for presence of counterfeiting; $N=84$ for absence of counterfeiting). After completing the questionnaire (approximately 10 min), the respondents were debriefed by having the purpose of the study explained to them, and they were thanked for their participation.

The sample can be characterized as follows: 28.3 % of the participants were 18–24 years old, 35.2 % were 25–34 years old, 15.1 % were 35–44 years old, 10 % were 45–54 years old, and 11.4 % were 55–64 years old. The respondents with an undergraduate or higher education accounted for 42.3 % of the

sample, followed by those with a high school education (51.2 %) or less (6.5 %).

We investigated the study hypothesis by testing: (1) the total indirect effect of counterfeits' market availability on consumers' WTP through consumers' pleasure at being envied, pleasure in distinguishing themselves, and quality perceptions for the genuine Gucci handbag; and (2) the three specific indirect effects of counterfeits' market availability on consumers' WTP through, separately, consumers' (a) pleasure at being envied, (b) pleasure in distinguishing themselves, and (c) perception of quality for the genuine Gucci handbag.

The bootstrapping method is recommended to overcome potential problems caused by unmet assumptions (Preacher and Hayes 2008; Zhao et al. 2010). Thus, we used bootstrapping procedures to obtain estimates of the indirect effects and to test their significance by using confidence intervals. We used an SPSS macro that accompanies the paper by Preacher and Hayes (2008) on testing multiple mediation models to conduct the main analyses.

3.2 Results and discussion

The participants generally considered Gucci well-known ($M=4.33$, $SD=.87$)—significantly higher than the midpoint of the awareness scale ($t(218) = 5.61$, $p<.001$). There were no differences in the three conditions regarding how much the participants knew about Gucci. Our manipulation of counterfeits' market availability was successful, as the participants perceived their availability differently, depending on the condition ($M_{\text{present}}=4.44$, $SD=1.74$ vs. $M_{\text{absent}}=3.08$, $SD=1.80$; $t(166) = 4.96$, $p<.001$). Finally, our manipulation of counterfeits' recognizability was successful, as the participants perceived it as significantly higher than the midpoint of the recognizability scale ($M=4.86$, $SD=1.18$; $t(84)=6.67$, $p<.001$).

We evaluated the psychometric properties of the multi-item constructs by conducting a confirmatory factor analysis (CFA). The fit of the CFA is acceptable, with $\chi^2_{(71)}=159.43$ ($p<.01$), comparative fit index=.96, incremental fit index=.96, Tucker–Lewis index=.94, and root mean square error of approximation=.07. All factor loadings are significant ($p<.01$), in support of convergent validity. Cronbach's alphas are .92 or above, which demonstrates good reliability. In addition, we confirm discriminant validity because the average variance extracted (AVE) exceeded the square of correlations between constructs (Fornell and Larcker 1981). We list the descriptive statistics and correlations in Appendix 2.

Consumer WTP is higher when a counterfeit version of the good is available in the market (rather than absent), and the control condition is in the middle ($M_{\text{present}}=€520.59$, $SD=221.28$ vs. $M_{\text{control}}=€390.00$, $SD=116.04$; vs. $M_{\text{absent}}=€277.50$, $SD=107.35$; $F(2, 216)=21.77$, $p<.001$; the means differences are significant, at the .01 level).⁸ We expected the participants in the counterfeit condition to want to pay more than the participants in the other condition, but this would be due to the effects of consumers' pleasure at being envied, pleasure in distinguishing themselves and perception of quality for the original handbag (a mediational process).

⁸ The greater willingness to pay in Study 2 than in Study 1 could be justified given the different samples used (non-student respondents in Study 2 vs. student respondents in Study 1).

Table 1 displays the bootstrapped estimates for both the total and specific indirect effects and the direct effects. The total indirect effect of counterfeits' market availability on consumers' WTP through the three mediators was statistically significant, as the confidence interval did not contain zero. Significant results were also found for the three specific indirect effects. In addition, the direct effect of counterfeits' market

Table 1 Study 2: results of mediation tests

Mediators:	Bootstrap estimates	SE	<i>t</i> value	<i>p</i> value	BCa 95 % CI lower	BCa 95 % CI upper
Direct effects						
Counterfeits' market availability on WTP (total)	.79	.13	5.95	.00		
Counterfeits' market availability on WTP (direct)	.12	.10	1.23	.22		
Counterfeits' market availability on consumers' pleasure at being envied	.47	.15	3.11	.00		
Counterfeits' market availability on consumers' pleasure in distinguishing themselves	.67	.14	4.79	.00		
Counterfeits' market availability on consumers' perception of quality for the original good	.83	.14	5.93	.00		
Consumers' pleasure at being envied on WTP	.12	.05	2.19	.03		
Consumers' pleasure in distinguishing themselves on WTP	.60	.06	10.42	.00		
Consumers' perception of quality for the original good on WTP	.26	.06	4.33	.00		
Indirect effects						
Counterfeits' market availability on WTP via consumers' pleasure at being envied, pleasure in distinguishing themselves, and perception of quality for the original good (three mediators)	.67	.12			.45	.91
Counterfeits' market availability on WTP via consumers' pleasure at being envied	.05	.03			.01	.13
Counterfeits' market availability on WTP via consumers' pleasure in distinguishing themselves	.40	.08			.26	.60
Counterfeits' market availability on WTP via consumers' perception of quality for the original good	.22	.06			.10	.36
Contrasts						
Consumers' pleasure at being envied vs. consumers' perception of quality for the original good	-.16	.07			-.32	-.05
Consumers' pleasure at being envied vs. consumers' pleasure in distinguishing themselves	-.35	.09			-.55	-.19
Consumers' perception of quality for the original good vs. consumers' pleasure in distinguishing themselves	-.19	.10			-.41	.01

Model summary for DV model

$R^2 = 0.78$; $F(df) = 60.31(9,150)$; $p = .00$

availability on consumers' WTP was not significant, showing an indirect-only mediation (Zhao et al. 2010). Of the five control variables, only the price paid for the last original handbag bought was significantly related to WTP ($B=.12, p<.05$).

In more detail, the specific indirect effect of counterfeits' market availability on consumers' WTP through pleasure at being envied was also statistically significant, as its confidence interval did not contain zero. That is, pleasure at being envied was found to be a significant mediator. The direction of the associations was as expected: the relation between counterfeits' market availability and consumers' pleasure at being envied was positive ($B=.47, p<.00$), and the relation between this pleasure at being envied and consumers' WTP was positive ($B=.12, p<.05$). Consumers experienced greater pleasure at being envied for their possession of an original fashion brand if they knew that a copy was available on the market, and this greater pleasure in turn was positively associated with higher WTP for the original product.

The specific indirect effect of counterfeits' market availability on consumers' WTP through consumers' pleasure in distinguishing themselves was statistically significant, as its confidence interval did not contain zero. That is, consumers' pleasure in distinguishing themselves was also found to be a significant mediator. The direction of the associations was as expected: the relation between counterfeits' market availability and consumers' pleasure in distinguishing themselves was positive ($B=.67, p<.00$), and the relation between such pleasure and consumers' WTP was positive ($B=.60, p<.00$). Consumers experienced greater pleasure associated with distinction for their possession of an original fashion brand, if they knew that a copy was available on the market, and this greater pleasure in turn was positively associated with higher WTP for the original product.

Finally, the specific indirect effect of counterfeits' market availability on WTP through perception of quality for the original Gucci handbag was also statistically significant, as its confidence interval did not contain zero. That is, consumers' quality perception for the original good was also found to be a significant mediator. The direction of the associations was as expected: the relation between counterfeits' market availability and perception of quality was positive ($B=.83, p<.00$), and the relation between this perception and consumers' WTP was also positive ($B=.22, p<.00$). Consumers had a higher perception regarding the quality of the original product if they knew that a copy was available on the market, and this perception in turn was positively associated with higher consumers' WTP for the original product.

Based on the significant mediating effects we also verify whether these three indirect effects differ significantly in terms of magnitude. As illustrated in Table 1, the specific indirect effect through consumers' perception of quality for the original good is significantly stronger than the specific indirect effect through consumers' pleasure at being envied; similarly the specific indirect effect through consumers' pleasure in distinguishing themselves is significantly stronger than the specific indirect effect through pleasure at being envied. However, because zero was contained in the interval, the two specific indirect effects through consumers' pleasure at being distinguished and quality perception for the original good were not distinct in terms of magnitude.

These results confirm the positive influence that the presence of counterfeits has on consumer WTP for a genuine well-known brand. They also shed light on the

psychological mechanisms behind this effect. Mediation results indicate that this positive effect is fully mediated by three different mediators, with consumers' pleasure in distinguishing themselves and perception of quality for the original good having a stronger effect compared with pleasure at being envied.

4 General discussion

This article contributes to our understanding of counterfeiting's effects on rights-holding producers. Specifically, Study 1 reveals that, in the context of luxury fashion goods, counterfeits can increase consumer WTP for the genuine article, but only in the case of well-known brands (such as Gucci). Study 2 shows in more detail the three factors (the pleasure at being envied, the pleasure in distinguishing themselves and the perception of quality for the original goods) fully mediate the relationship between the presence of well-known counterfeited luxury brands in the market and consumers' WTP for originals.

From a theoretical point of view, these studies deepen our understanding of the determinants of counterfeiting's positive spillover regarding luxury brand desirability and value. Contrary to the conventional viewpoint (for a review, see Staake et al. 2009), which claims that the presence of a counterfeiting activity is always and unconditionally undesirable because it devalues the ownership of luxury brands, we show that, under specific conditions, such brands could benefit from their presence. Specifically, the positivity of the relationship between counterfeiting and consumer WTP for the genuine fashion luxury good is applicable to well-known brands, but not for lesser-known ones. In respect of the latter, WTP declines in the presence of counterfeits, thereby changing the direction of the relationship from positive to negative.

Our results confirm the relevance of brand awareness and, more broadly, of brand equity in driving WTP. Elevated brand awareness stimulates counterfeiting, because counterfeiters target famous brands; in contrast, brand awareness makes the brand's price less vulnerable to counterfeiting's detrimental effects. Strong brands can harness the benefits of increased WTP in the presence of counterfeits. At the same time, lesser-known brands, such as new brands or newly imported brands, should beware. The presence of counterfeits reduces the original's WTP for lesser-known brands.

The second key concept in our research is that counterfeiting's effects on consumer WTP for the genuine good are fully and positively mediated by three factors that are linked conceptually to the three dimensions of the perceived value of luxury consumption identified by Wiedmann et al. (2009): individual, social and functional.

Consumers' pleasure in distinguishing themselves is a "self" regarding concept and can be considered an individual dimension. Consumers might wish to stand out from the crowd and its generic lifestyle by buying an original product. This satisfies an inner individual motivation unrelated to social or functional drivers that justifies the increase of WTP in the presence of counterfeits. Conversely, being envied can be considered an "other" regarding concept, that is a specific form of social approval (Wilcox et al. 2009), implying a feeling of superiority over others in terms of status. Our study therefore contributes to the understanding of the many individual and social functions shared by both luxury brands and counterfeiting. The third factor is

quality perception as a product-related concept and it constitutes the core feature of the functional dimension of luxury perceived value. Luxury goods are perceived as unique and the finest within their category in terms of their functional features. In the presence of counterfeiting, consumers appreciate better the higher quality of originals compared with fakes and they are willing to pay more for the genuine article.

In general, our results show coherence with previous literature on luxury consumption and the conceptualization of its value for the consumer. Besides, they contribute to a new insight that the presence of counterfeiting increases the value consumers may gain from the consumption of well-known luxury branded goods by acting on all three dimensions: individual, social and functional.

The findings of this research also have interesting implications for the business community. We show particularly that anti-counterfeiting communications produce a double benefit: they help combat counterfeiting in general, and they also enhance the positive effects on consumers WTP originals driven by the mediators analyzed above. The former effect is linked to the use of communications to educate consumers about the differences in quality perception between fakes and originals. The latter effect, derived from informing consumers of the presence of counterfeiting with the relative enhancement of the pleasure at being envied and in distinguishing themselves from others, leads to an increase of WTP original goods.

However, in the case of low brand awareness, it is better to use different strategies to address counterfeiting in order to discourage a decrease in consumer WTP for the original product. Such strategies can comprise using track-and-trace authentication technology in labeling, monitoring websites, or controlling outsource suppliers (see Berman 2008), although care should be taken not to reveal this. Conversely, well-known brands with high signaling power may benefit from the illegal distribution of recognizably inferior copies, because it increases the snob premium consumers are willing to pay for the originals, to differentiate themselves from consumers with low purchasing power. Furthermore, by instigating anti-counterfeiting communication campaigns, these companies reinforce their reputation and increase the aforementioned signaling process.

4.1 Limitations and future developments

The present study has limitations that suggest directions for further research. First, a limitation of this research is the use of scenario-based experiments with the manipulation associated with knowing about the presence of the counterfeit brands in the market. Possibly the effects related to this information were stronger than they would be in everyday life when consumers are perhaps less aware of the counterfeits. For this reason, replicating this study under even more naturalistic conditions than done herein would provide a more conservative test of the counterfeits' effects on WTP for genuine goods. Nevertheless, our study holds a certain amount of external validity in that respondents in Study 2 were actual adult consumers who responded in the field while shopping, and special effort was taken to construct realistic scenarios (also using pictorial stimuli) whose intent corresponded closely to actual market situations.

Second, we asked the participants what they would be willing to pay for a product, without their decision having any real consequences for product purchases. Therefore, although we find strong significant differences between the manipulated

conditions, it is unclear whether these effects will be as strong when consumers have to pay these high prices in reality. Although hypothetical approaches can generate mean WTP estimates that are not significantly different from those measured using actual WTP (Miller et al. 2011), it is important to consider that these estimates can differ from the WTP shown in real purchases. Future research may examine what happens when people follow up on their WTP.

Third, other limitations emerge from the stimuli used to test our predictions. For example, the participants were exposed to product descriptions (in Study 1) or images of the product (in Study 2) rather than to actual products. Given sensory evaluation's importance for consumer preferences regarding luxury products, this could alter the WTP pattern of the obtained results. Thus, our findings' external validity hinges on their replication, using several real products. Moreover, although our studies involved both female student and non-student subjects, other relevant population representatives could be considered in further research in respect of the study findings' generalization.

Finally, the present studies focus their attention on "imperfect", distinguishable imitation of the original items. Future research could consider the inclusion of an additional condition, characterized by counterfeit alternatives identical to the original ones and evaluate the effect on consumers' WTP for originals.

Future developments could extend the present studies to examine the role of individual characteristics as further possible moderators. For example, considering the taxonomy recently developed by Han et al. (2010), consumers who are wealthy enough to own genuine luxury brands can be divided into patricians and parvenus, according to their need to overtly demonstrate their social status. Patricians have a lower need for status display than parvenus. Patricians do not emphasize luxury brands' social prestige and signaling power, because they are not interested in dissociating themselves from the masses, but rather in associating with other patricians "in the know," which indicates that they belong to the same elite. As a result, we expect that the intensity of the effects demonstrated in this study will be lower for patricians than for parvenus, who have a high need for status display.

Furthermore, additional studies could consider the effect of counterfeit presence in the market on consumers' willingness to buy. The positive effects of counterfeiting for the producers of genuine goods could derive, in fact, not only from an increase in the price per unit, but also from an increase in total units sold. Counterfeiting may increase the popularity of the relevant item, thereby leading some mainstream consumers to adjust upward the estimation of the status benefits of owning the original. Depending on their budget constraints, this upward adjustment could translate into a purchase of the original product. Bandwagon and network effects could be the relevant mechanisms for driving this specific effect. Preliminary analyses that compare the actual cost of the Gucci bag used in the Study 2 scenario with consumers' willingness to pay in order to determine the percentage of consumers willingness to buy across conditions (presence vs. absence of counterfeit in the market) support the significant difference between the willingness to buy in the two conditions. Specifically, the proportion of respondents likely to buy in the presence of counterfeits on the market is higher. This preliminary interesting evidence further encourages additional research into this area.

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Appendix 1—Scenarios for experimental manipulation

Gucci: world premiere of the new autumn-winter collection in Italy
Florence –

The Italian Gucci, one of the groups in the luxury sector in recent years that has a good rate of growth despite the crisis, today announced its launch schedule of the new line of accessories preview (bags, belts, sunglasses etc.) in the U.S. and Italian markets.

The line reflects the history and tradition of the fashion house and accentuates some particulars that made the fortune of its founder. From the production point of view, it wanted to maintain a highly crafted vocation, regarding attention to detail and selection of fabrics, while expanding the production scale because of the increasing appreciation of the market. So far it is the line of accessories (bags, belts etc.) that represents the real strength of the company. For the big launch, it has already been scheduled that new Gucci stores in Milan, Rome, Florence and Venice will be opened soon.

At the end of the text indicated above, as manipulation, we added the following:

1. Control condition

In a recent interview reported in the magazine, *Vogue*, Gucci's CEO has declared that he is very proud of this new collection and he believes it will contribute to the brand plans to double their sales to €3.2 billion by the end of 2011.

2. Counterfeit condition

Meanwhile, on the sidewalks of large cities, close to the Gucci-owned shops, vendors have already appeared who sell fakes of Gucci's new collection and they display them on sheets laid on the ground. However, in a recent interview reported in *Vogue*, Gucci's CEO was quoted as saying that even consumers less experienced in luxury products are able to recognize the difference between fakes and the original products.

3. No counterfeit condition

Asked if he is worried about the danger of counterfeiting the brand, in a recent interview reported in *Vogue*, Gucci's CEO stated that the products of the new collection have not yet been affected.

Appendix 2—Multi-item measures used in the study

1. General expertise (regarding luxury market)—measured on four seven-point semantic differential items (Adapted from Mishra et al. 1993).
 - a. Know very little about/know very much about
 - b. Inexperienced/experienced

- c. Uninformed/informed
- d. Novice buyer/expert buyer

Study 1: $M=3.71$; $SD=1.15$, Cronbach alpha=.95

Study 2: $M=3.61$; $SD=1.31$, $AVE=.85$; Cronbach alpha=.92; correlations (general expertise/quality perception)=.23 ($p<.01$); (general expertise/consumers' pleasure at being envied)=.30 ($p<.01$); (general expertise/consumers' pleasure in distinguishing themselves)=.33 ($p<.01$).

2. Quality perception—measured on three seven-point semantic differential items (adapted from Sprott and Shimp, 2004).
 - a. All things considered, I would say this product has:
poor overall quality/excellent overall quality
 - b. This product has:
very poor quality/very good quality
 - c. Overall, this product is:
poor/excellent

Study 2: $M=4.75$; $SD=1.22$, $AVE=.85$; Cronbach alpha=.94; correlations (quality perception/consumers' pleasure at being envied)=.24 ($p<.01$); (quality perception/consumers' pleasure in distinguishing themselves)=.41 ($p<.01$).

3. Consumers' pleasure at being envied—measured on seven-point scale anchored by 1 = strongly disagree and 7 = strongly agree (adapted from Rodriguez Mosquera et al. 2010).
 - a. To own this genuine Gucci handbag makes me feel very good because I know that other people would like to have it but they cannot because of its high price.
 - b. To purchase this genuine Gucci handbag makes me feel the positive sensation of being envied by other people that cannot afford it.
 - c. To purchase the genuine Gucci handbag gives me the pleasure of being envied by other people who love luxury products but cannot afford them.

Study 2: $M=3.02$; $SD=1.74$, $AVE=.76$; Cronbach alpha=.94; correlations (consumers' pleasure at being envied/consumers' pleasure in distinguishing themselves)=.65 ($p<.01$).

4. Consumers' pleasure in distinguishing themselves—measured on seven-point scale anchored by 1 = strongly disagree and 7 = strongly agree.
 - a. Owning a genuine Gucci handbag distinguishes me from others who, while they desire one, will never possess one.
 - b. Purchasing a genuine Gucci handbag gives me the positive sensation of belonging to a high social status.
 - c. Owning an original Gucci handbag gives me the pleasure of distinguishing myself from other people who love luxury products but cannot afford them.
 - d. Owning this original Gucci handbag satisfies my desire to stand out from the mainstream.

Study 2: $M=3.75$; $SD=1.45$, $AVE=.77$; Cronbach alpha=.94.

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