An Exploration into the Influence of Servicescape
Cues on Perceptions of Counterfeit Products.

**by**

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Abstract

Purpose

The purpose of this research is to examine the role of servicescape theory in the counterfeit context and explore the extent to which servicescape cues influence perceptions of counterfeit products.

Literature

Following extensive examination of the current literature surrounding counterfeit activity it was discovered that counterfeits can be sold in a variety of environments; market stalls and car boots sales through to the legitimate retail environments. In the instances where the counterfeit has been integrated into the legitimate retail environment, weaknesses in the supply chain are usually to blame. These occurrences can be a major concern for both brands and consumers as they pose not only a risk to brand image but also a threat to consumer safety.

Much of the current literature which explores consumer perceptions of counterfeit products concentrates on tangible product attributes and their influence. This research expands the current knowledge by examining further influential factors in the form of environmental cues. As a means of discussing the various elements which constitute a retail environment, the concept of servicescape is incorporated and analysed into the literature discussion. Following a comprehensive exploration of the various cues that may be present within a retail environment, the extent to which these cues influence consumer behaviour is explored.

Further to this, as a means of understanding the ways consumers generate perceptions of counterfeit products, the processes of sensation and perception are analysed.

Methodology

The methodology chapter contained within this thesis considers both the philosophical positioning and the data collection methods used by this research. The philosophical positioning of the researcher is one of a constructivist-interpretive nature. Focus groups in conjunction with photo elicitation were the core data collection methods used. This combination of methods allowed an excellent opportunity for discussion and insights to be gathered and emotions to be recorded surrounding the issues of counterfeiting, servicescape and perception formation.

Findings

The findings which were identified by this research contribute extensively to the existing knowledge regarding counterfeiting and servicescape. The key themes highlighted the influence of human variables on perceptions of counterfeit products. Within this theme were a number of subsidiary themes including the influence of image, socio-demographics, other individuals within the counterfeit purchase environment, customer characteristics, human/social crowding and the influence of staff in the counterfeit purchase environment. In addition to this, levels of privacy also appeared to be an influential cue amongst participants in relation to their perceptions of product authenticity. Levels of spatial crowding were also an influential factor used by the research participants as a means of forming perceptions regarding product authenticity. From examination of the data, it was also made apparent that branding categorisation within a counterfeit

purchase environment was particularly influential. Finally, servicescape permanency was noted to be a key theme throughout the focus group discussions. It appeared that a purchase environment's level of permanency was a key influencer when determining whether or not it sold counterfeit products.

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<u>Introduction</u>

For a growing number of individuals, the consideration of a 'fake' purchase is one which leaves them unfazed. In fact, a study conducted by the International Chamber of Commerce in 2009 revealed that, "80% of consumers spanning the developed and developing world regularly purchase counterfeit and pirated products, showing little remorse or fear of the consequences, including potential health and safety risks to themselves or their families" (International Chamber of Commerce, 2009) [accessed 14/01/2010]. This issue of debate is also discussed by Bosworth (2006, p2) when he highlights that "while branded firms complain bitterly about the scale and impact of counterfeiting and piracy, the feeling invoked amongst individuals and even governments tends to be more ambiguous."

Today's consumers appear to be quickly becoming part of a 'counterfeit culture', where almost anything that is desired can be faked and offered at a so-called bargain price (Ang *et al.*, 2001; Bosworth, 2000). A visit to a local outdoor market will most likely allow you to witness rows of wooden benches drowned in fake designer bags, fake sunglasses and fake watches (Brand Management, 2003). For some, this is where they believe counterfeiting ends (Gentry *et al.*, 2001); an impulse purchase at your local market or car boot sale. This, however, is not always the case (DeKieffer, 2006). Delener (2000) suggests that "international trade in counterfeit products is worth about 3-6% of overall world merchandise trade." Six years later the size of the problem was estimated by Cheung and Prendergast (2006) to be at least 6%. This highlights the significance of this growing, global issue.

The act of counterfeiting, as defined by The Economist (2003, p1), is "something that is forged, copied or imitated without the perpetrator having the right to do it, and with the purpose of deceiving or defrauding." In contrast, the definition of piracy should be defined as these are two terms which are found to be regularly confused; "the unauthorized copying of the content of a fixed medium of expression, such as films, musical recordings, and computer software" (Chow, 2000, p2). The important clarification between the two acts remains in the way the process is conducted. With pirated products, the original product is present in order to make a copy. With counterfeiting, the original product need not necessarily be present in order to make the copy.

There can be many misperceptions between the terms counterfeiting and piracy and this is sometimes demonstrated in published works, the significance of which will be discussed at a later point in the thesis. It is crucial, however, that the two acts remain distinct. This research concentrates specifically on the act of counterfeiting. Further definitions and their implications will be discussed at a later point within the research however it is the factors of deception or fraud which are frequently mentioned within the definitions of counterfeiting which should worry most. There appears to be many consumers who believe that they are able to distinguish a counterfeit from a legitimately-produced version of a product (Gentry *et al.*, 2001). As a result of this confidence, many of these consumers possess a belief that they have never purchased or consumed a fake product. During a study conducted by Rutter and Bryce in 2008, 63.1 per cent of respondents stated that they had never to their knowledge purchased a counterfeit product. Which such an abundance of deceptive counterfeit products on the market today, this is very difficult to believe.

With technology advancing at an immense rate, the quality levels of counterfeit products and the methods which the counterfeit manufacturers use to make copies of the originals are also making impressive progressions. Newland (1998, p1), for example, establishes the connection between technology and counterfeit product quality over a decade ago when stating that "ever-more sophisticated technology is making counterfeit copies of brand names look so authentic that neither consumers nor shops can tell the difference." Speaking eight years later in 2006 De Chernatony and McDonald suggest that "many companies have found that counterfeit packaging of their products can be copied to such a professional level that only under microscopes could any differences be noticed" (De Chernatony and McDonald, 2006, p388). The result of these technology advancements is that the counterfeit product's ability to deceive is growing ever stronger; a worrying realisation for both brands and consumers.

Counterfeiting, however, is not a modern issue. For thousands of years, counterfeiting has been known to be a significant crime affecting various communities across the world. Nummedal (2007), for example, speaks of counterfeit money dating back 2000 years to Roman times. With this to consider, however, there is still a significant amount to learn about the subject of counterfeiting and this is no doubt due to the fact that counterfeit manufacturing is developing at such an immense rate. Anything that can be created legally can usually also be created illegally and so any advancements in the legal markets are quickly mimicked by the counterfeiters.

Due to the counterfeit industry being one which appears to be ever-strengthening, the critical literature examination included within this research highlights the immense scale of the issue with reference to not only focal economic issues but also to the many other areas which are affected by counterfeit presence; areas such as marketing, law, politics, logistics and supply chain management and, as stated previously, technology. Whilst exploring the various fields that can be influenced by the presence of counterfeits, the authors Staake and Fleisch (2008) were considered to be of particular benefit. The authors' research includes a broad insight into both the consumer perspective and the commercial perspective of counterfeiting. Detailed within Staake and Fleisch's (2008) publication is data from a number of reputable sources including European Customs who offer information regarding levels of product seizure and the specific categories of counterfeit products which are most often seized. Staake and Fleisch (2008) also offer other substantial data such as risk assessments for various markets in relation to counterfeit activity. Information such as this is not readily available in many other publications and so Staake and Fleisch (2008) was considered to be a pivotal inclusion within this study.

Marketing and retail standpoints are important to consider with reference to the counterfeiting industry as a comprehensive analysis of both provide both an insight into the supply and demand perspective of the subject matter. Both the supply and demand perspective of this complex subject area need to be understood in order to appreciate why this phenomenon arose, why it continues to grow, and what could possibly be done, if anything, to reduce any negative outcomes.

An exploration of the economic perspective assists in divulging information regarding the extent to which counterfeit presence is considered to be affecting various branches of the retail industry. Scrutiny of the economic viewpoint also encourages us to consider how any negative implications of an illegal market such as this may be measured.

Further to this, national and international law is examined as the law that governs one country may differ drastically over the border. Due to the fact that laws regarding counterfeiting vary considerably dependent upon the country to which you are referring, brands which operate on an international level, in particular, can feel the strain (Dutton, 2004).

In addition to the laws which direct a country and its occupants, politics and relative governmental bodies are explored. The political nature and governmental bodies which structure a country can very much influence the ways in which anti-counterfeiting schemes are approached (Arnould, Price and Zinkhan, 2004; Porteous, 2001).

Further to this, an exploration of the technology advancements in relation to the counterfeiting industry is included. This discussion of related technology considers how organisations are attempting to reduce counterfeit threat with the use of new technologies. This area of the literature analysis also discusses how technological advancements can also play at being the enemy for some legitimate organisations. An example of this is supported by Paradise (1999, p1) who states, "advances in technology have led to an explosion of counterfeit products".

Finally, an understanding of the logistical nature of the organisations which are threatened by counterfeiting is considered. In addition to this, the ways in which

they manage their supply chains provides useful information regarding why and how some organisations might be targeted over other, similar brands. Through this analysis of supply chain management, it was learnt that there is an increasing tendency for counterfeit products to be deceptively filtered into the supply chains of genuine brands at particular points of weakness (DeKieffer, 2006).  In these instances, the counterfeit products are of such high quality that they are able to deceive others into believing that they are the genuine article. These counterfeit products can then be distributed using the genuine brand's supply chain and be ultimately found in the genuine stores amongst other legitimate items (Balfour *et al.*, 2005). It was through the realisation that counterfeit products could potentially be sold in a great variety of environments, anything from market stalls to the genuine retail environments, that the study's focus began to consider the counterfeit purchase environment and its potential to influence.

Aim

Whilst exploring the literature, it was noted that the environments in which counterfeits are sold is a particularly under researched area. Further to this, the extent to which a purchase environment is influential to counterfeit product perceptions was completely overlooked. It appears that, until this point, the majority of the literature which focuses on perceptions of counterfeit products concentrates on product packaging and other tangible aspects of the product. The aim of this research is to explore the existing knowledge relating to servicescape theory and transfer it into the context of the counterfeit environment. This study will examine the extent to which servicescape cues are

relevant in the counterfeit context and the extent to which they are able to influence consumer perceptions of product authenticity.

Thesis Structure

In order to discover more about purchase environments, the significant literature in relation to this area was critically examined. The concept of servicescape; "the environment in which the service is assembled and in which the seller and consumer interact, combined with tangible commodities that facilitate performance or communication of the service" (Booms and Bitner, 1981, p36) was found to be crucial to this research. The focal author within this literature base was Bitner (1992) who developed the core servicescape framework. The literature concerning servicescape and the elements which construct a servicescape were studied in detail and the work of various other theorists in the area such as Mudzanani (2008), Ezeh and Harris (2007), Reimer and Kuehn (2005) and Lin (2004) were used to construct the strategic, research questions.

Research Questions

1. Does the servicescape in which a counterfeit product is sold influence consumer perceptions of the counterfeit product?
2. Which servicescape cues have the greatest influence on consumer perceptions of counterfeit products?

3. Are there servicescape cues which influence counterfeit product perceptions but haven't yet been identified by the current servicescape literature?

4. Do consumers consider there to be a difference between those servicescapes which sell counterfeit products and those servicescapes which sell legitimate products?

Research Objectives

1. To explore the extent to which servicescape cues influence consumer perceptions of counterfeit products.

2. To discover which servicescape cues have the greatest influence on consumer perceptions.

3. To discover whether there are additional cues which influence perceptions of counterfeit products and are independent to the literature concerning legitimate products.

4. To explore consumer perceptions of legitimate servicescapes and counterfeit servicescapes and to determine whether consumers perceive there to be a difference between the two.

Subsequent to the focus of the research being defined, further literature needed to be explored as a means of understanding the concept of perception. The research that was considered within the literature discussion includes theories that examine perception as both an outcome and as a process. This chapter also explores the elements which are thought to comprise a retail environment (the stimuli) and the extent to which they are thought to be influential.

Following the critical literature examination, the data collection methods which were used to address the research questions are evaluated and explained. The focal data collection method which was used within this research was focus groups and so a qualitative approach was adopted. To complement the data collection, the philosophical approach of this research is also injected into the discussion. The philosophical positioning is a particularly insightful segment of any research as it allows the researcher's thoughts and beliefs regarding the process of gathering knowledge to be explored.

Subsequent to the data collection methods and philosophical nature of the research being defined, the research's data discussion and analysis is presented. This chapter analyses the key themes which were highlighted by the focus group discussions. These themes are discussed in relation to how they complement the current literature yet also provide a significant and original contribution to the existing field of knowledge.

The issue of counterfeiting is a global concern which affects a significant number of legitimate retailers on a daily basis. The more that can be learnt regarding such an influential and illegal operation, the more likely it is that strategies can be implemented to reduce the power of the counterfeit manufacturers and distributors. In addition to this, with an increase of knowledge regarding the consumer perspective of counterfeiting, the more efficiently retailers will be able to deter counterfeit purchase and, more importantly, inform consumers about the potential dangers of counterfeit product consumption.

Context Literature – The Counterfeit Environment

The following chapter provides a context in which to place the research questions. In other words, before examining the deeper relevance of the focal literature and its relevance to this study's aims, an exploration of the context surrounding the key issues will take place. Counterfeiting is a vast issue which spans a wide variety of areas including technology, logistics, consumer behaviour, law and retail, to name but a few. The following chapter explores these various areas which are impacting upon the counterfeit industry and subsequently, the legitimate victims which they target.

Defining the Area

By way of defining the area of specific interest, "a counterfeit, on a strict definition, is something that is forged, copied or imitated without the perpetrator having the right to do it, and with the purpose of deceiving or defrauding. Such rights are legally enshrined in patents, copyright, trademarks, industrial designs and other forms of intellectual-property protection" (The Economist, 2003, p1). In order to develop a comprehensive comparison, further definitions must be injected into this discussion. Chow (2000, p2) also discusses the area by stating that, "counterfeiting involves an attempt to pass off the counterfeit as an authentic product, including the same trade dress and including the name and address of the manufacturer on the product." It is interesting and useful to compare the definitions provided by two very different sources as they offer the opportunity to observe the perspectives of both an academic and commercial viewpoint. From observation of the above definitions, it can be noted that the Economist (2003) viewpoint has more of a commercial viewpoint and

concentrates on intellectual-property right protection and infringement. Alternatively, Chow (2000) concentrates more on the process of counterfeiting and what it attempts to achieve.

An interesting ingredient of both the above definitions is the use of the word 'deceiving' or the suggestion of consumer deception. More recently, in 2006, Bosworth suggested considering a 'spectrum of deception' that involves extremes of 'super-deceptive' ("branded and counterfeit goods appear identical and impossible to tell apart") and completely non-deceptive ("all buyers are able to distinguish the counterfeit from the genuine article"). The purpose of Bosworth's study was to categorise a counterfeit's ability to deceive. That said, although one counterfeit product could be categorised as falling on a certain point on the spectrum of deception by one consumer, another consumer may place the same counterfeit product on a vastly different point on the spectrum of deception. In other words, a counterfeit's ability to deceive greatly depends on the circumstances in which it is placed and the individuals with which it is interacting. This research project's aim is to explore this concept further by considering the various environments in which counterfeits can be purchased and the extent to which they can affect consumer perceptions of the counterfeit product.

Further to this, the consideration of official bodies and their definition of counterfeiting should be included. The World Trade Organisation developed an agreement known, in short, as the TRIPS agreement (Agreement on Trade-related Aspects on Intellectual Property Rights). Within this agreement the term "counterfeit trademark goods" includes, "any goods bearing, without authorisation, a trademark which cannot be distinguished in its essential

aspects from the trademark registered for such goods" (World Trade Organisation, 1994). This definition, created in 1994, is still used as a foundation to define the issue which the TRIPS agreement addresses. This definition however appears to, again, suggest an element of deception. This suggestion of deception appears to be a regular occurrence among those definitions formed before Bosworth's (2006) consideration of the spectrum of deception. Authors developing a definition for 'counterfeit' more recently should ensure Bosworth's (2006) spectrum of deception is considered so that a comprehensive definition can be formed.

A further definition which recognises the weaknesses of those definitions previously discussed yet also acknowledges the work of Bosworth's (2006) spectrum needs to be highlighted and used as a foundation of understanding for this research. A definition which appears to satisfy this need is one which is shaped by Staake and Fleisch in 2008. Staake and Fleisch (2008, p3) state product counterfeiting to be, "the unauthorised manufacturing of articles which mimic certain characteristics of genuine goods and which may pass themselves off as registered products of licit companies." This definition is stronger as it recognises that there may only be some element of product imitation, it may not be the entirety of the product. Another interesting component of this definition is the suggestion of the counterfeit product mimicking "certain characteristics" of the legitimately-produced, genuine goods. Staake and Fleisch's (2008) definition suggests that it may not be the entire product which may hold the power to deceive; it may be as little as one detail which could make the suggestion of genuine-brand design and ownership. A further strength of this definition is the fact that it acknowledges the rights of products and brands by referring to them as "registered products".

In order to strengthen this definition, further clarity will be sought from a professional body and incorporated into the discussion. An example of this is the International Trademark Association's Anti-Counterfeiting Division's (2007) definition which states counterfeiting to be, "the deliberate use of a false mark that is identical with or substantially indistinguishable from a registered mark." What is interesting about this definition is that although the term 'substantially indistinguishable' is used which may suggest the *capability* of some level of deception however it may not be an essential ingredient. In addition to this, the definition itself focuses on the 'mark' used on the specific product, not the entirety of the product. This definition, in addition to Staake and Fleisch's, suggests that a product may become a counterfeit product with the inclusion of only one, perhaps small, characteristic.

An important aspect to mention within this discussion is the differentiation between a 'counterfeit' product and a 'pirated' product. Chow (2000, p2) extends this deliberation by stating that, "counterfeiting should be distinguished from copyright piracy, which refers to the unauthorized copying of the content of a fixed medium of expression, such as films, musical recordings, and computer software." The phenomenon of piracy and counterfeiting must be distinguished from one another as they are usually typical of very different markets. As previously mentioned, the primary victims of piracy are markets such as film, music and computer software. In contrast to this, due to the nature of counterfeiting, counterfeit activity expands into a wide range of other territories including clothing, accessories, pharmaceuticals, food and drink, jewellery, machinery, money and perfume to name but a few.

Counterfeiting and its Economic Impact

Further to defining the phenomenon, an understanding must be developed of the affect it has on the global market. A recent report from the International Chamber of Commerce (ICC) stated that "counterfeiting and piracy has grown to into a global business valued at more than US$750 billion" (ICC, 2009). In addition to this, "The World Customs Organisation estimates counterfeiting accounts for 5%-7% of global merchandise trade" (Balfour *et al.*, 2005). Several other reputable sources also report similar figures and suggest that 5 to 10 per cent of world trade is generated from counterfeit goods (Bowman, 2006);(Green and Smith, 2002); (Nia and Zachkowsky, 2000);(Simons, 2005).

An interesting consideration when discussing the extent to which counterfeit presence is affecting the economic market is the degree to which these figures have the ability to be precise. When conducting an examination of the literature in this field, it can be noted that many authors use approximations when describing counterfeit market strength (eg: Bowman, 2006). Green and Smith (2002) noted this deliberation when they stated that the:

> "assessment of the losses associated with counterfeiting varies widely. There is no agreement about the factors that should be taken in to account when calculating the scale of counterfeiting. Should it be measured by production costs of counterfeits, sales lost by associated brands, damages to brand equity, total sales of counterfeits, or some combination of measures?" (Green and Smith, 2002, p4).

With the above in mind, dependant on how an individual or organisation wishes to portray the counterfeit issue, statistics could be presented in varying lights. Differing measures could be quoted giving differing perspectives of the current

situation regarding counterfeiting. In addition to this, although educated assumptions regarding the extent of the counterfeit issue can be made, these approximations must always be approached with caution as data regarding illegal markets is not easily obtainable or, more importantly, likely to be as reliable as data relating to legal markets.  With this to consider, generating an accurate statistical representation of the current counterfeit issue is likely to be challenging.

Another consideration in relation to this issue is the observation that some sources in the field of interest, although reputable, present statistics referring to the extent to which both counterfeiting *and* piracy affect the economic market. Some examples of this form of statistical representation are those statistics provided by ICC in 2009 and those presented by The Organisation for Economic Co-Operation and Development. In instances such as these, a situation can be presented in a very different light and the issue can be misconstrued. Without segregating the statistics concerning counterfeiting and piracy, it is impossible to begin to understand the extent to which each individual phenomenon might be influencing the economy and the targeted brands. This issue is, however, recognised by Staake and Fleisch (2008, p3) when they state that the estimates provided by sources are highly questionable and "counterfeit market share among world merchandise trade is more in the order of 1% to 2%". Even if counterfeit market share is lower than some presume, the extent to which counterfeit presence may be damaging should not be underestimated.

With this to consider, it may be in the interest of anti-counterfeit organisations to present and publish somewhat inflated statistics in order to gain the attention of

consumers. By presenting the situation with 'statistical evidence' which suggests counterfeit presence to be affecting the economy in greater measures, anti-counterfeit organisations may feel that this will help discourage consumers from making corrupt purchases.

An example of an instance of possible biased representation was documented by the UK government website in May 2009 when they quoted David Lammy, Minister of State for Intellectual Property. David Lammy (2009) stated that "Counterfeiting and piracy rob our economy of millions of pounds every year - intellectual property crime is worth £1.3billion in the UK with £900 million of this flowing to organised crime". These figures appear to be somewhat specific for an illegal market. As mentioned previously, statistics which are presented in such a way need to be approached with caution. Another factor which suggests these figures should be approached with caution is the fact that the acts of counterfeiting and piracy are grouped and, as mentioned previously, this is a mistake as the statistics presented are less specific.

Further consideration of the negative impact of counterfeit presence is the implication that counterfeiting takes advantage of the financial investments which legitimate, genuine brands make with regards to market research and product development. In addition to this, organisations can be discouraged from investing in economies which have significant issues with counterfeit activity. In support of this, Paradise (1999, p2) speaks of the U.S. trade dispute with China which highlighted the counterfeit epidemic. This reluctance to trade with an economy which is suffering greatly from counterfeit impact may be due to the fact that anything that has a brand image has the potential to be targeted by counterfeiters. If a counterfeited version of a product integrates itself into the

market, it is likely that the genuine brand reputation will suffer (McLean, 2011). In respect of this, organisations should choose wisely if they are thinking of expanding into new markets and consider the extent to which their brand reputations may be put in jeopardy.

Staake and Fleisch (2008) source the International Chamber of Commerce when they consider that the risks associated with counterfeit presence are very much dependent upon the initial state of the country's economy:

> "The national income tax within the developed countries is reduced since counterfeit goods are largely manufactured by unregistered organisations. Social implications result from the above-mentioned costs as society pays for the distorted competition, eventually leading to less innovative products, higher taxes, unemployment, and a less secure environment as the earnings from counterfeiting are often used to finance other illegal activities." (Staake and Fleisch, 2008, p6).

However, in some countries that are less developed, counterfeiting can prove to be a greater source of income for those who are struggling (Balkun, 2006). With this to consider, some countries and areas of the world may be at greater risk of counterfeit activity than others. If brands are considering international expansion or diversification, they should take time to consider the environment in which they may be operating. Further to this, counterfeit product country of origin should be discussed.

Counterfeit Origin and the Implications for Genuine Brands

To many, China is considered to be one of the world's greatest sources of counterfeit goods (Gentry *et al*, 2006; Simons, 2005; Balfour *et al*, 2005; Hung, 2003; Benjamin, 2003). However with further consideration of the literature, it is recognised that "fakes are prevalent in both developed and developing countries" (Gentry et al, 2006, p245). The following is statistical data in relation to illicit articles seized in European Customs in 2006. The product categories included are as follows:

- Foodstuffs, alcoholic and other drinks
- Perfumes and cosmetics
- Clothing and accessories
  a) sportswear
  b) other clothing (ready to wear)
  c) Clothing accessories (bags, sunglasses etc)
- Electrical equipment
- Computer equipment (hardware)
- CD (audio, games, software) DVDs, cassettes
- Watches and jewellery
- Toys and games
- Cigarettes
- Medicines
- Other

Figure 1.0

European Customs Seizures

Staake and Fleisch (2008, p39)

Accompanying the data is useful detail segmenting the type of product and the product's country of origin. What is extremely interesting to notice in relation to this data is the prevalence of seized products which are sourced from China. The majority of every product group seizures, except for 'foodstuffs, alcoholic and other drinks' and 'medicines' had Chinese origins. The product categories which had the highest percentages of seizures from Chinese distribution routes were toys and games (85%), cigarettes (83%), clothing accessories (81%) and other (82%). In addition to this, 88% of seizures involved with the product category 'CD (audio, games, software), DVD and cassette' were sourced from China. This category, however, is likely to be mainly pirated products due to the nature of the goods and so will not be considered as a focal category; the concentration of this study is solely counterfeit products. It is also useful to note the various counterfeit product categories mentioned included in this data. This information is useful as it indicates the extent of the counterfeit issue within various industries. It appears that dependent upon the product market in question, the prevalence of counterfeit activity may vary. Information such as this may indicate those markets which may be a greater liability to brands wishing to diversify.

As mentioned previously, although China is one of the primary sources of counterfeit goods, many other countries are involved in the manufacture and distribution of illicit products. With reference to the data (Figure 1.0) quite a high percentage of seizures involved products from India, Hong Kong, The United Arab Emirates, Turkey, Spain, Vietnam and the Ukraine. Some statistics which might surprise consumers include the fact that 7 in every 100 sportswear

product seizures at EU Customs originated in Switzerland. In addition to this, 1 in 50 electrical equipment seizures completed at EU customs originated in the USA (Staake and Fleisch, 2008).

This important and interesting data allows a perspective to be gained regarding the origin of specific counterfeit product types. This information could be useful for organisations when deciding which countries may be less reliable when attempting to source materials, product parts etc. Additionally, depicting countries which may be of greater threat regarding counterfeit production may be useful when organising channels of distribution. The fewer amount of times that channels of distribution pass through countries which are known to be of higher risk, the more the threat of counterfeits being integrated within the legitimate supply chain is reduced.

Determining the specific areas of the world which pose the greatest threat is important for organisations, specifically those which operate on a multi-national or global level. Not only is the geographic location important, the specific industry is also an important factor to consider. If an organisation wishes to diversify, they should consider analysing the industry risk in relation to counterfeit presence before investing.

Staake and Fleisch (2008, p7) explore the related risk of counterfeit presence in several industries; pharmaceutical, luxury goods, aviation and fast-moving consumer goods. The analysis presented discloses the risk related to loss of revenue, brand name and reputation, competitive disadvantage and consumer safety and liability claims.
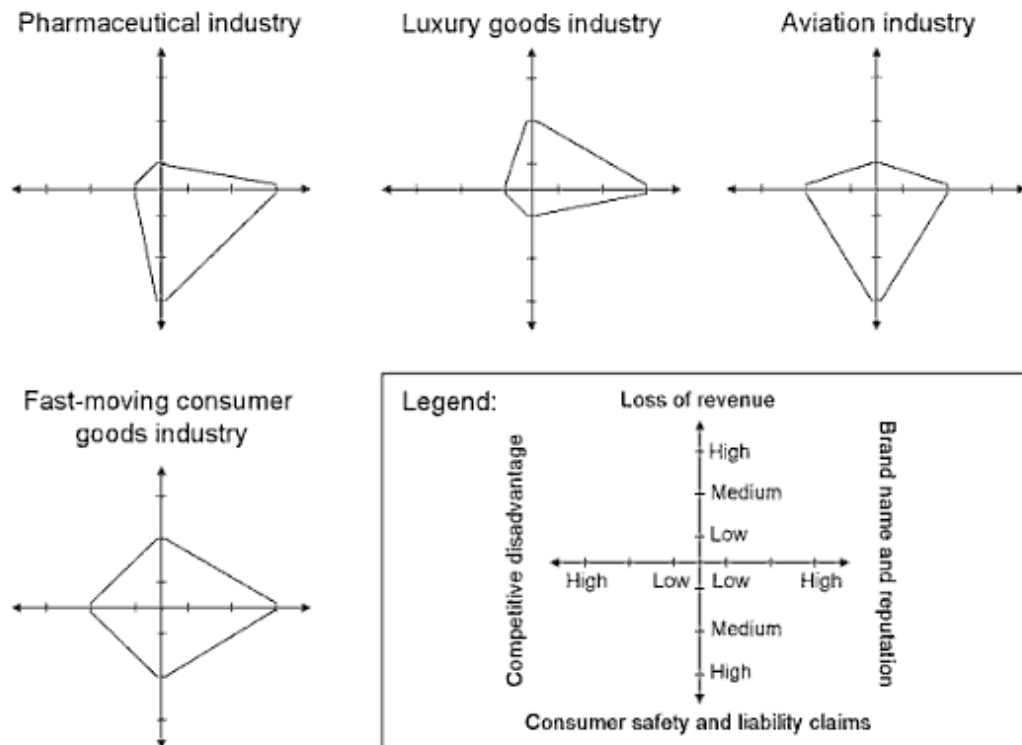
Figure 1.1

Risk Profile as Seen by Different Industries

Staake and Fleisch (2008, p7)

As can be noted from examination of Figure 1.1, the pharmaceutical industry considers competitive disadvantage risk and loss of revenue risk as being low however brand name and reputation risk along with consumer safety and liability claims risk is considered high. These results are most likely due to the nature of consumption surrounding the product. In particular reference to the high risk associated with consumer safety and liability claims, a large proportion of counterfeit pharmaceutical products will be ingested into the body and so any negative outcomes will most likely be inflicted on the individual who has consumed the counterfeit medication. The Medicines and Healthcare Products Regulatory Agency (MHRA, 2010) [accessed 04/02/10] support this by stating

that "numerous fatalities have occurred around the world" in relation to counterfeit pharmaceuticals. "All counterfeit medicines are dangerous" (MHRA, 2010) [accessed 04/02/10].

When referring to Figure 1.1, the aviation industry also reports a high risk of consumer safety and liability claims along with a low risk of loss of revenue. Similar to the pharmaceutical industry, if counterfeit products are active within the aviation market, lives could also be lost. In response to this safety risk "Airbus, one of the world's leading aircraft manufacturers, is deeply interested in developing a system to ensure authenticity of spare parts during their whole lifecycle. This could significantly reduce the risk of counterfeit parts and consequently improve aircraft safety" (Kheiravar, 2008, p8). The aviation industry also has a low risk of loss of revenue associated with counterfeit presence, similar to that of the pharmaceutical industry. Competitive disadvantage in the aviation industry is, however, considered medium risk. This risk is slightly higher than in the pharmaceutical industry.

The possible reasoning behind the pharmaceutical industry and the aviation industry having low risk of revenue loss may be related to the channels through which the specific counterfeit products are sold. From examination of the current literature, there appears to be a prevalence of counterfeit pharmaceutical products which have infiltrated the legitimate supply chains (DeKieffer, 2006). In addition to this, in her 2008 publication, Kheiravar explores the current issue of counterfeit presence within the aviation industry's licit supply chains. It may be that due to the fact that many of the counterfeit products in these two industries are integrated within the legitimate supply

chains, the industries in question have the opportunity to generate revenue from sales of the illegal goods. Thus, the risk of revenue loss within these specific industries is considered low.

In comparison, Figure 1.1 suggests that the risks associated with loss of revenue to the fast-moving consumer goods and luxury goods industries are slightly higher. The risk within these industries is considered medium. This may be due to the fact that consumers may be more likely to knowingly purchase luxury counterfeit products and fast-moving consumer goods of a counterfeit nature and therefore the counterfeit could be considered competition to the genuine brand. In the instances of pharmaceuticals, consumers may be less likely to knowingly purchase a counterfeit because they may consider the personal risks involved.

Within a survey conducted by the Anti-Counterfeiting Group (ACG) in 2003, 1,000 English-speaking consumers were asked, "Which, if any, of the following goods would you knowingly purchase as counterfeit, assuming you thought the price and quality of the goods was acceptable?" The results of the study were as follows: Pharmaceuticals (1%), Food (3%), Children's toys (4%), Car parts (5%), Alcohol (7%), Electrical goods (9%), Perfumes and Fragrances (13%), Watches (18%) and Clothing and Footwear (27%) (Staake and Fleisch, 2008).

If manufacturers of counterfeit pharmaceuticals are aware that there is only a very small percentage of consumers who will knowingly purchase their counterfeit goods then they are likely to do what they can to convince consumers that the goods they are selling are legitimate and genuine. For

example, if a consumer wishes to buy a legitimate, genuine product, they will most likely do what they can to reduce the risks of accidently purchasing a counterfeit e.g.: by buying from a reputable, legitimate retail outlet. Because of these types of consumer risk-avoidance techniques, it may be that manufacturers of counterfeit pharmaceutical goods attempt to integrate their counterfeit products into licit supply chains in order to increase their chances of retail. A similar situation could be suggested regarding the aviation industry.

In instances where the counterfeit goods being produced are more likely to be willingly purchased by consumers who are aware of their illicit status, eg: clothing and footwear (Staake and Fleisch, 2008, p50) the need for counterfeit manufacturers to deceive is reduced. Because of this, the need for their counterfeit goods to be integrated into licit supply chains in order to sell is also likely to be reduced. Referring again to Figure 1.1, perhaps due to the consumer safety and liability claims risks being lower in the industries of luxury goods and fast-moving consumer goods, consumers may be more willing to take the risk of a knowledgeable counterfeit purchase. In these situations it may be less likely that the legitimate, genuine retailers will still benefit financially from the counterfeit product sales because many of the counterfeit purchases will be available through alternate, illicit channels.

With regards to the high risk related with brand name and reputation within both the luxury goods industry and the fast-moving consumer goods industry, this result may be due to the risk of negative association. Arnould *et al.* (2004, p121) elaborates on this consideration:

"The symbolic nature of brands has been recognised since the 1950s. Researchers recognised that the set of feelings, ideas and attitudes that consumers have about brands were crucial to purchase behaviour. They found that brands consist of both 'objective attributes' such as package size and raw materials used, and the intangible beliefs, feelings, and associations that congeal around them." (Arnould *et al.*, 2004, p121).

When considering the concept of association and within this the intangible elements with which this study is most concerned, Arnould *et al.* (2004, p121) suggest that "associations may extend to the kinds of people who use the brand and situations in which consumption is appropriate." This is a particularly interesting contemplation in relation to Figure 1.1 and the concern of counterfeiting. It may be that association could sometimes be the catalyst which advances an individual's desire to buy into a brand. These feelings and beliefs which surround brands could allow the consumer to buy into both a product and an image. This concept could also be considered in light of a counterfeit version of a brand. Consumers may make a counterfeit purchase because they may feel that by owning a product made by a certain brand, or a product that appears to be made by a certain brand, they become more strongly associated with the 'typical consumer' of that brand. By associating themselves with these 'typical consumers' an individual may feel that they themselves will appear to possess some of the traits of this typical consumer, for example, affluence or style. In instances such as this, individuals may be buying into a brand purely for status purposes as they aspire to be related to others who have made similar purchases.

However, it must be considered that association may also have adverse effects as it is association that caused the brand Burberry so many problems. In this instance the consumer may consider not buying in to the legitimate brand due to the individuals with which it is sometimes associated, largely those people who have counterfeit versions of the Burberry products.

Bothwell (2005) from the BBC News adds to this by discussing Burberry's situation; "their distinctive beige check, once associated with A-listers, has now become the uniform of a rather different social group: the so-called Chav." It is interesting that although many people know that Burberry products are counterfeited in vast quantities and it is these fake products that are usually purchased by the certain individuals which some consumers do not want to be associated with, individuals may still consider not buying the legitimately - produced Burberry articles as the negative association is still strong. It may be this issue which has influenced the luxury goods industry and the fast-moving consumer goods industry's perception of brand name and reputation risk (detailed in Figure 1.1).

Counterfeit Association and Brand Image

With the example of Burberry to consider, it could be assumed that once a brand has connections with counterfeit activity, their days of success are over. When referring to the literature, Hung (2003, p60) suggests that "counterfeit presence can overwhelm the sale of authentic products in addition to damaging their product distinctiveness and brand image." Further to this, Nia and Zaichkowsky (2000) speak of lost revenues and jobs for the genuine brands. Delener (2000, p18) also discusses this issue and states that "consumers do

not always realise that they have purchased a counterfeit product. They send the product back to the company whose 'name' is on it for a replacement. In the interest of customer service, the company may replace the product. They might not want to publicly announce that they received a counterfeit for fear of bad publicity. This leads to brand equity erosion, which in turn leads to a loss of market share." A further anecdote told by Lamb et al., (2007, p176) reads, "counterfeit Levi jeans made in China are hot items in Europe, where Levi Strauss had trouble keeping up with demand. The knock-offs look so much like the real thing that the unsuspecting victims don't know the difference – until after a few washes when the belt loops falls off and the rivets begin to rust."

What is important to note in relation to these quotations, however, is the consumer's level of awareness in the counterfeit purchase. If, as Delener (2000) suggests, the consumer is unaware that the item they have purchased is counterfeit then it could be understandable for negative quality perceptions to tarnish the genuine brand's image. If, however, the consumer has purchased in a non-deceptive manner and is aware that they have purchased a counterfeit product, any negative associations with the product are unlikely to be related to the genuine brand in question. In other words, the level of deception involved in the purchase influences the extent to which the genuine brand's image may be damaged if negative perceptions of quality occur.


Brand Image Risk caused by Deceptive Counterfeit Products

With regards to the high risk associated with brand names and reputation in the pharmaceutical industry this may, again, be directly related to the channels through which the counterfeit pharmaceutical products are sold. On a rising

number of occasions, counterfeit products possessing a pharmaceutical industry brand name are purchased through licit supply chains (DeKieffer, 2006). Although the retailers in the licit supply chains may be unaware of the counterfeit status of the product being sold, the product has been integrated into the licit supply chain by deceptive means and is therefore considered a deceptive counterfeit product. Because on many occasions the end consumer is unaware of the pharmaceutical product being a counterfeit, any negative outcomes are directly related to the brand which has had its trademark infringed. This exploration may begin to give explanation to the high risk associated with the pharmaceutical industry and its brand names and reputation.

Data in relation to counterfeit presence such as Figure 1.1 could be argued to be more useful from the perspective that acute statistics are not being stated and perhaps relied upon. In the instance of Figure 1.1, risks are measured in relation to one another and so specific industries could use the method of risk assessment as a guide to understanding which areas of the industry are at most risk. By doing this, budgets directed towards anti-counterfeiting measures have the capability to be more strategic and effective.

<u>The Risks Involved for the Counterfeit Consumer</u>

It isn't, however, just the brand that can suffer from the presence of counterfeit products. The consumer can also be put in great danger by consuming low quality imitations. In relation to this matter, Kafchinski and Shelley (2009, p1) state, "Health and safety are compromised by counterfeiting. Fake auto parts and electrical equipment put their users in dangerous situations. Global trade in

counterfeit cigarettes has significant health and economic effects. Also, the rise of counterfeit pharmaceuticals, and the shift of these counterfeits from lifestyle drugs to disease prevention and life-saving medicines, produces the most direct hazards to public health and safety throughout the developing and developed worlds." Barnes (1996, p24) also speaks of the potential threats to consumers, "In 1995, the US FDA warned the public that the well-known Nutramigen baby food, formulated for children allergic to dairy proteins, had been counterfeited. They had to assume that the fraudulent product might contain these proteins, and thus be a danger to the lives of the children." Further to this, Michelle Roberts, the BBC News health editor, discloses a case surrounding counterfeit pharmaceuticals. These are drugs which people are relying upon to save lives and they are being made in inferior circumstances, sometimes with little or no active ingredients (Roberts, 2012). Some counterfeit medication is even causing resistance to the genuine drugs once the patient begins taking the correct prescribed course, "Researchers who looked at 1,500 samples of seven malaria drugs from seven countries in South East Asia say poor-quality and fake tablets are causing drug resistance and treatment failure." These are all shocking accounts of consumer hazards which demonstrate how far counterfeit manufacturers will go in order to make a profit. It seems that almost anything, anywhere, can be counterfeited. Even those products which you would hope could be trusted, for example pharmaceuticals, have been victimised by the counterfeit manufacturers.

With this to consider, some genuine products we already know are bad for us. The counterfeit versions of these products are, however, said to be even worse, "some researchers have detected signs that counterfeit cigarettes have higher

(and sometimes considerably higher) levels of tar, nicotine and carbon monoxide emissions. Therefore, whatever the health implications associated with the use of tobacco, they are likely to be greater in the case of counterfeit cigarettes verses known brands." (Avery, 2008, p390). Some may think that although they smoke, they would still never buy counterfeit cigarettes. Their naivety does, however, not account for deceptive counterfeit products and with counterfeit cigarettes estimated to account for 2-3% of total global consumption (Avery, 2008), it seems that counterfeit cigarettes cannot always be avoided. Please refer to Appendix 3 for further details of consumer hazards relating to counterfeit consumption.

With so many potential threats to consider, the environments which pose the greatest hazards must be explored. Is there ever really a 'trustworthy' sales environment?

Counterfeiting in Relation to Logistics and Supply Chain Management

This research's focus refers to the environments in which counterfeit products are sold and the extent to which servicescape features influence perspectives of counterfeit product. With this in mind, it is important to recognise that counterfeit products are available in a wide variety of circumstances and formats including car boot sales, markets, pubs or, to the furthest extreme, the legitimate, genuine retail outlets (Simons, 2005);(MHRA, 2010);(DeKieffer, 2006).

With such a variety of environmental opportunities within which to purchase a counterfeit product, the methods by which counterfeit products manage to infiltrate themselves, particularly within legitimate environments, must be

examined. This segment of the literature discussion will explore the current publications which detail accounts of counterfeit products within licit supply chains. The literature discussion will also consider statistics provided by customs officials regarding counterfeit product seizures at country borders. The points at which counterfeit products could possibly enter the legitimate supply chains will also be considered.

One of the major occurrences which may imply the counterfeit industry's escalating strength is the increasing recognition of counterfeit product prevalence within licit supply chains (DeKieffer, 2006). DeKieffer, speaking in reference to the years 2001 to 2006, stated that:

> "over the past five years, there have been over 140 reported incidents of counterfeit and mislabelled drugs being sold by legitimate pharmacies in the United States. Thousands of patients have consumed these medications, sometimes with dire consequences. The true extent of counterfeits in the legitimate market, however, is unknown." (DeKieffer, 2006, p325).

This statement offered by DeKieffer (2006) only begins to expose the current issues regarding counterfeit products being infiltrated into legitimate supply chains. In fact, when referring to the MHRA's website (2010) [available at: www.MHRA.gov.uk] there is specific consumer information regarding counterfeit medicines and counterfeit medical devices.

**Drug Alerts issued relating to counterfeit medicines**

| Year | Product | Batch no and expiry date | Drug Alert |
|------|---------|--------------------------|------------|
| Aug 2004 | Cialis 20mg | A031410 - 06/2006<br>A041410 - 06/2006 | EL(04)/07 (50Kb) |
| Sep 2004 | Reductil 15mg | 65542 - 01/2007 | EL(04)A/08 (129Kb) |
| Jul 2005 | Lipitor 20mg | 004405K1 - 11/2007 | EL(05)A/11 (40Kb) |
| Jul 2006 | Lipitor 20mg | 004405K1 - 11/2007 | EL(06)A/16 |
| Aug 2006 | Lipitor 20mg | 067404K3 - 05/2007 | EL(06)A/17 |
| May 2007 | Zyprexa 10mg | A200127 - 02/2009<br>A216454 - 03/2009<br>A229505 - 03/2009 | EL(07)A/06 |
| May 2007 | Plavix 75mg | 3098 - 08/2008<br>6Y098 - 07/2009 | EL(07)A/07 |
| June 2007 | Casodex 50mg | 65520 - 07/2011 | EL(07)A/08 |
| June 2007 | Plavix 75mg | 3103/1 to 3103/20 inclusive - 07/2009 | EL(07)A/09 |
| July 2007 | Sensodyne Original and Sensodyne Mint 50ml Tubes | Fake batch<br>PROD 07 2005 / EXP 08 / 2008 | EL(07)A/13 |
| May 2009 | Seretide 250 Evohaler 8 ml pressurised inhalers | 1183R – 06/2009 | EL(09)A/12 |

http://www.mhra.gov.uk/Safetyinformation/Generalsafetyinformationandadvice/Adviceandinformationforconsumers/Counterfeitmedicinesanddevices/index.htm

Table 1.0

Drug Alerts Issued relating to Counterfeit Medicines (Aug 2004- May 2009)

(MHRA, 2010)

Table 1.0 has been sourced directly from the MHRA site and gives examples of the specific counterfeit products which have been exposed within legitimate supply chains between 2001 and 2006. Some of these products have even been found in their counterfeit form on more than one occasion, in some instances ranging over a year apart, eg: Lipitor (20mg). This repetition of product counterfeiting suggests that weaknesses within the licit supply chains are not always being recognised by the manufacturers within an efficient space of time. Due to this delayed reaction of anti-counterfeiting strategy, distributors

of counterfeit goods appear to have been able to attack the channel of distribution with repeated offences.

When discussing the extent of the counterfeit issue within the pharmaceutical industry, the World Health Organisation (WHO) estimates that "up to 1% of medicines available in the developed world are likely to be counterfeit. This figure rises to 10% globally, although in some developing countries they estimate that one third of medicines are counterfeit." (Medicines and Healthcare products Regulatory Agency (MHRA), 2010) [accessed 03/02/2010].

These figures, again, must be approached with some caution as statistics regarding the counterfeit industry are unlikely to be reliable (Green and Smith, 2002). These figures do, however, adopt some precautionary measures by stating that the data is 'estimated'. The figures provided, however, may assist in beginning to understand the variation in counterfeit product prevalence in different areas of the world.
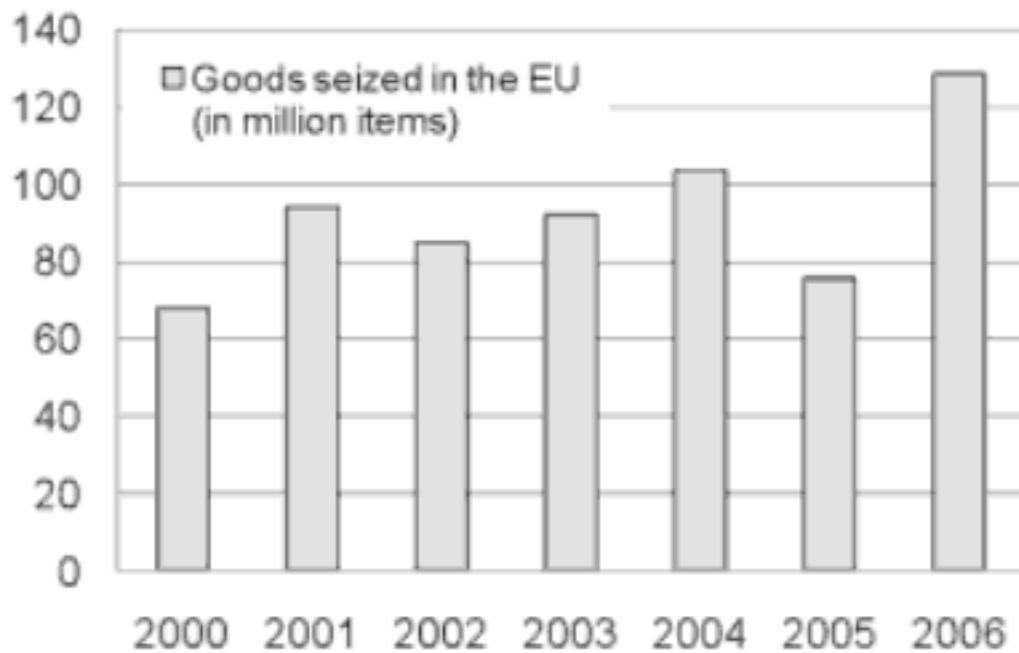
Figure 1.2

Counterfeit Goods Seized in the EU (in million items) between 2000 and 2006

Staake and Fleisch, (2008, p4)

As mentioned previously, dependent on the way statistics are presented, they can appear to tell a different story. Methods of counterfeit control and methods of inspection within the European Union (EU) may have varied during the seven year period and this would suggest that a direct comparison of 'year-to-year' statistics may not be as reliable as first assumed. For example, dependant on the frequency of inspection and the inspection strategies used, the level of goods seized is likely to vary.

Another element to consider within this framework is the fact that these figures represent the European Union. Speaking in 2011, the EU currently consists of twenty-seven countries. What is vital to notice is that the time frame presented in Figure 1.2 begins in 2000 and concludes in 2006. When considering the

European Union's expansion and the relative dates of its growth, the statistics which are delivered as part of this table represent varying quantities of countries. Up until 2003 there were only fifteen countries in the European Union. Ten more countries joined in 2004 with a subsequent two countries joining in 2007. With reference to this, it must be acknowledged that although there are now twenty-seven members of the Union, a maximum of twenty-five countries will have their Customs statistics represented within Figure 1.2. In addition to this, those countries which have their statistics incorporated in 2006 may not have their statistics represented earlier.

However, what is interesting and somewhat useful regarding Figure 1.2 is that there is a suggestion of a gradual, though not consistent, increase in the amount of counterfeit goods that are being seized at EU borders. Although these figures should be examined with caution there is, however, a suggestion that there is a gradual increase in counterfeit product movement within the EU.

However, if EU anti-counterfeiting strategies have varied slightly over the years specified within Figure 1.2, the data provided could be interpreted in different ways. For example, if during 2005 the EU had varied their anti-counterfeiting strategies and directed them more specifically towards reducing counterfeit products initially entering the supply chain, the reduced 2005 figures may imply that the strategies used that year were more successful than those used in 2004. This would be due to the fact that counterfeit products appear to be less successful in their attempts at reaching EU borders for distribution elsewhere.

However, it could also be considered that the lower figures related to 2005 may suggest failures with regards to EU anti-counterfeiting strategies. For example, if EU counterfeit product detection tactics within the year 2005 were altered, it

may be that the same amount of counterfeit products were passing through the borders but they may just not have been detected under the new guidelines.

In order to clarify the above discrepancies, EU Customs should be aware of any variances in their anti-counterfeiting tactics and the relative outcomes. Also, some anti-counterfeiting strategies may take longer than 12 months to display any successes and so strategies may have to not only be tracked in relation to their initial results but also tracked over an extended period of time. EU Customs should also take into account that anti-counterfeiting tactics and frequency of border inspection may vary from country to country.

Figure 1.2 is yet another example of statistics regarding counterfeit presence having the ability to be interpreted in different ways.

Staake and Fleisch (2008, p5) continue to provide some interesting information regarding counterfeit activity and piracy by offering the following table:

| Product type | No. of cases | % of total | No. of articles | % of total |
|---|---|---|---|---|
| Foodstuffs and beverages | 54 | 0,1% | 1.185.649 | 0,9% |
| Perfumes and cosmetics | 1.093 | 2,9% | 1.676.409 | 1,3% |
| Clothing and accessories | 24.297 | 65,1% | 14.361.867 | 11,2% |
| a) sportswear | 3.254 | 8,7% | 1.210.196 | 0,9% |
| b) other clothing | 9.977 | 26,7% | 4.315.338 | 3,4% |
| c) clothing accessories | 11.066 | 29,6% | 8.793.123 | 6,8% |
| Electrical equipment | 1.342 | 3,6% | 2.984.476 | 2,3% |
| Computer equipment (hardware) | 543 | 1,5% | 152.102 | 0,1% |
| Media (audio, games, software) | 2.880 | 7,7% | 15.080.161 | 11,7% |
| Watches and jewellery | 3.969 | 10,6% | 943.819 | 0,7% |
| Toys and games | 678 | 1,8% | 2.370.894 | 1,8% |
| Cigarettes | 300 | 0,8% | 73.920.446 | 57,5% |
| Medicines | 497 | 1,3% | 2.711.410 | 2,1% |
| Other | 1.682 | 4,5% | 13.287.274 | 10,3% |
| Total: | 37.334 | 100,0% | 128.631.295 | 100,0% |

Table 1.1

Number of Cases and Number of Articles Seized within different Product Categories (2006)

Staake and Fleisch, (2008, p5)

Before any discussion can be formulated surrounding Table 1.1, several matters need to be highlighted. The first point of relevance is the fact that the figures which were provided to construct this table were provided by the Taxation and Customs Union. With this to consider, there may be a possibility that the figures could be biased. The Taxation and Customs Union may want to provide statistics which reflect an increasing success in illegal product seizures. As suggested previously, statistical representation and the data source is important to consider with regards to the counterfeit market.

Another detail which must be considered is the fact that Table 1.1's statistics are a combination of counterfeit product and pirated product seizures. As mentioned previously within the chapter, fusing the statistics regarding counterfeiting and piracy in such a way means that counterfeit and pirated product seizures are unable to be distinguished from one another. When referring to the definition of pirated products provided earlier in the chapter, the sections within Table 1.1 regarding 'computer equipment' and 'media' may be categories which house pirated goods. This is assumed due to the definition stating that pirated goods are produced via "the unauthorized copying of the content of a fixed medium of expression, such as films, musical recordings, and computer software".

An additional factor to take into account with regards to Table 1.1 is the fact that the statistics, although published in 2008, are representative of the year 2006.

Table 1.1's statistics are, however, useful to a great extent due to the fact that they detail and categorise specific product types. By categorising in this way, an appreciation can be gathered of the particular counterfeit product groups which are most likely to be distributed in the greatest volumes. For example, when referring to Table 1.1, the 'number of cases' refers to the number of instances where a seizure has been conducted within that particular counterfeit product category. Further to this, the 'number of articles' refers to the total number of items that have been seized within the specified category. When considering these statistics as a whole, the lower the statistic relating to the 'number of cases' and the higher the relative 'number of articles', the more likely it is that that specific counterfeit product category is distributed in greater volumes. This is an interesting notion as it is likely that, dependant on the volumes of

counterfeit product being distributed, the methods of distribution may vary. Smaller counterfeit distributions may also be easier to distribute discreetly if they are able to be integrated into packaging amongst similar legitimate items. In relation to this discussion Thomas (2010) speaks of 'blending', "the act of attempting to legitimise counterfeit products by combining them with legitimate goods during shipment."

With this to consider, Staake and Fleisch (2008, p38) highlight counterfeit cases by means of transport and state that "shipments by mail are very attractive for counterfeit actors as they do not require additional intermediate stakeholders who would have to dispatch and further distribute the goods." The more intermediaries that are involved, the more likely the counterfeit products will be discovered. Staake and Fleisch (2008) also detail the percentage of counterfeit products which were discovered through various transportation methods by European Customs in 2007; 53% were discovered whilst being transported by air, 23% by mail, 12% by road, 8% by sea, 1% by rail and a further 3% by undisclosed means. Although it would be easy to assume from these figures that counterfeit actors primarily use air as their means of transportation this may not be the case. It may be that shipments via air are examined more vigilantly therefore resulting in a higher rate of counterfeit discoveries.

With the above considered it may also be useful to take into account that, dependent upon the specific type of counterfeit product in question, it may be more or less difficult for Customs officers to realise their illicit status. Customs

officers must undergo extensive training in order to heighten their counterfeit product recognition skills.

When examining Customs Control and their relative training programmes, Walt Bogdanich who writes for the New York Times, details an incident which occurred at Heathrow Airport on 22<sup>nd</sup> May 2006. Bogdanich explains how British customs officials intercepted 846 pounds of pharmaceuticals and the majority of this constituted counterfeits products. Apparently, suspicions were aroused when customs officials noted that the route intended for the products was not a route that the drug companies used (Bogdanich, 2007). When Nimo Ahmed, head of Intelligence for the British drug regulatory agency, was questioned regarding this incident he stated, "What triggered this particular interception was that the pharmaceutical companies had conducted some awareness training with customs in Heathrow Airport to explain suspicious routes." This event is an excellent example of how correct and efficient training of customs officers is a crucial means of detecting illicit distributions.

Further to this, Mr. Ahmed suggested that one of the pharmaceutical brands which had some of their products counterfeited during this incident, Pfizer, took a particular interest in one element of the seizure; "Thousands of pills of its cholesterol-fighting drug Lipitor had been among those counterfeited" (Bogdanich, 2007, p2). It is worthy of note that the drug Lipitor was part of this seizure and it was this drug that was a reoccurring issue within Table 1.0. Within this table, the MHRA detailed three instances of counterfeit Lipitor seizure and two of the seizures occurred very shortly after the Heathrow Airport interception detailed by Walt Bogdanich. To illicit manufacturers, Lipitor appears to be an attractive product to counterfeit. This may be due to a number of

reasons including the possibility of price mark-up potential if sold through legitimate channels. Further to this, Staake and Fleisch (2008, p11) suggest that "the shipment of illicit articles is often substantially more expensive than the distribution of genuine products." This may be due to the potential loss of products due to seizure. It may also be due to the fact that lengthy or abnormal routes of distribution may have to be adopted as a means of reducing the chances of detection. For this reason, counterfeit producers may be likely to purposefully seek the most efficient opportunities for price mark-up in order to balance their costs and make the overall process more worthwhile.

Although this section of the literature discussion highlights many cases of statistical discrepancy, the figures should still be considered for what benefits they can offer. While statistics in this field should not be relied upon for acute accuracy, they could still be used for suggestions of the ways in which the counterfeit market may be changing. For example, these statistics could still be used to examine possible patterns of change. From this possible recognition of pattern formation, the counterfeit market could be examined with regards to whether the emerging patterns suggest market expansion or decline. Although this technique may be a crude use of the statistics provided, it manages to acknowledge the possible weaknesses yet still give the statistics some worth.

In order to understand how counterfeit products emerge within legitimate channels in the first instance, supply chains must be examined. Bix *et al* (2007) attempt to shed some light on the area in question by suggesting that secondary wholesalers are the most likely entry point for counterfeit goods because they are the least regulated. The mid-points of supply chains appear to indicate weaker links and it is these segments of the supply chains which

should be monitored with the greatest care and attention if counterfeit threat is ever going to be reduced. The organisations in question need to develop an extensive knowledge of their supply chain and an in-depth understanding of the possible routes of entry.

The Organisation for Economic Co-operation and Development (OECD) presented a framework in their 2008 publication 'The Economic Impact of Counterfeiting' which suggests possibly entry routes for counterfeit product infiltration:
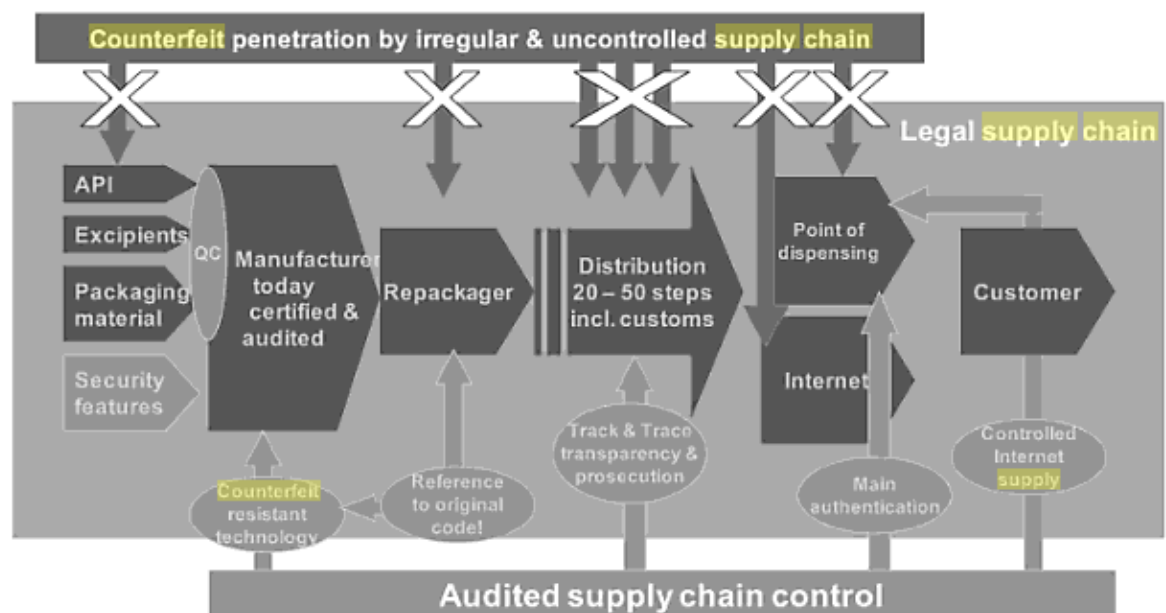


Figure 1.3

Possible flows of counterfeits into the legitimate distribution channel

(OECD, 2008, p360)

As can be noted from the above illustration, counterfeit products may infiltrate the legitimate supply chain at various points. This observation creates an

extremely worrying and complex issue for legitimate organisations to manage. It may not be that all areas of the supply chain are weak however detecting which component is vulnerable may prove challenging.  In response to this concern, many organisations develop auditing sequences, similar to the arrangement depicted in Figure 1.3. In order improve the efficiency of the audit strategies, the legitimate organisations must closely observe any developing mid-chain relationships. The Organisation for Economic Co-operation and Development (OECD) describes how, within the supply chain, "brokers or middle-men attempt to connect buyers and sellers through a series of 'comfort transactions' in which both parties attempt to develop a level of mutual trust." It is at these points that weaknesses appear to develop (Bix *et al*, 2007). Staake and Fleisch (2008) elaborate on the counterfeit products' distribution strategies when they advise that products initially pass through the supply chain as non-deceptive counterfeits and are eventually sold to the licit side as deceptive counterfeits.

In order to further improve their anti-counterfeiting measures, organisations must also make note of which batches of products they suspect to be counterfeit and which specific distribution route they completed. By observing their supply chain in such a way, specific routes could possibly be noted as 'high-risk' routes. For example, Staake and Fleisch (2008, p11) state that:

> "measures to bypass border controls frequently include transhipment, i.e. the routing of shipments through countries that, in the past, neither have conducted effective inspections nor have been a significant source of counterfeit production and thus are not on the radar of customs officials in the country of destination."

By noting specific destinations which appear to be less stringent with customs inspection procedures, organisations may be able to attempt to avoid distribution channelling in these areas. Even if certain locations cannot be avoided completely, those goods which have been known to travel through specific areas could be observed with greater caution. Further to this, the OECD (2008) suggests that counterfeit distributors use "transit or trans-shipment points in geographically diverse ports or free-trade zones as a means of disguising the nature of the product and complicating the tracking and detection of the shipments."

Further distribution methods which make illicit detection even more complicated include those detailed by Phillips (2007) who suggests that products can be manufactured in stages and distributed through a number of countries during the manufacturing process. "Sometimes products are manufactured in one country, assembled in another, transported through a third one and eventually sold in a fourth" (Phillips, 2007, p73). McDonough also discusses this in 2007 when she stated that "counterfeiters have evaded federal law by importing counterfeit labels and other component parts separate from fully assembled counterfeit products" (McDonough, 2007, p71). More will be discussed regarding this issue within the 'Counterfeiting in relation to Law and Politics' segment of the chapter.

Referring back to the definitions of counterfeiting discussed earlier within the chapter, it was noted that there was some discrepancy within the literature regarding what counterfeiting was. Further to this, the International Trademark Association's Anti-Counterfeiting Division's (2007) definition states counterfeiting to be "the deliberate use of a false mark that is identical with or

substantially indistinguishable from a registered mark." This professional organisation, as mentioned previously, concentrates on counterfeit product status being defined by a 'mark' being placed on a product. With this in mind, dependant upon the point at which an artificial trademark is placed upon a product, products could possibly be transported for an extended period without directly being referred to as a counterfeit. In order to reduce the threat of distribution strategies such as these, customs officials should attempt to make themselves aware of product loads which may have the potential to later acquire counterfeit status. Recognition techniques may include tangible product attributes and possible additions. The future distribution route of the product, as discussed previously, regarding free-trade zones etc may also suggest the possibility of future acquisition of illicit status.

Channels of distribution which should also be monitored include those which involve the internet. Staake and Fleisch (2008, p89) suggest that "in countries where it is too risky to display counterfeit goods in public, the internet constitutes an important sales channel for illicit actors." This reference to specific locations of retail and the possible risks involved suggests that dependent on the potential consumer and their location, they may be targeted via varying mediums. This deliberation makes the anti-counterfeiting war even more complex for legitimate brands. Online stores can be created and then closed down extremely easily and, in addition to this, it can be extremely difficult if not impossible to trace the online environment creator. Even if online counterfeit retail opportunities are discovered and then reported, the same illicit actors may create an online opportunity elsewhere by trading under a different name. With this in mind, current anti-counterfeiting measures should be explored.

Anti-Counterfeiting Strategies

In response to the issues with supply chain weakness and the possibility of counterfeits integrating with legitimate channels, brand owners are adopting several preventative procedures. Brand Management, back in 2003, was already suggesting several means by which the threat of counterfeiting could be reduced. These included holograms, serial numbers and barcode systems, watermarks and invisible ink (Brand management, 2003, p135). Staake and Fleisch (2008, p16), however, highlight the fact that "despite their high resistance against duplication, these features have not been able to stop the growth in counterfeit trade." Whilst conducting a survey in relation to organisations and their perspectives of anti-counterfeiting mechanisms, Staake and Fleisch discovered that only "41% of the respondents consider that established security features hold medium, high or very high prospects of successfully helping to avert counterfeit trade" (Staake and Fleisch, 2008, p16). These figures are worrying as it suggests that the majority of organisations have little or no confidence in the effectiveness of their anti-counterfeiting measures.

The lack of confidence of the organisations questioned may be due to the relative vagueness of the anti-counterfeiting measures; "Scenario analyses and risk assessments are demanded by senior management in order to allocate the necessary resources for mitigating the risk. Conducting such analyses is a major challenge as neither the probability of occurrence nor the individual damage can be calculated in a straightforward way" (Staake and Fleisch, 2008, p15). In addition to this, organisations can find it extremely difficult to predict future trends in an illicit market such as this and it is therefore almost impossible to predict the future strategies of these illicit businesses. As a reaction to this

issue, many organisations tend to oversimplify the issue of counterfeiting and assume that the counterfeit actors merely intend to make a quick profit which can be a mistake (Staake and Fleisch, 2008).

These are just some examples of anti-counterfeiting technologies which have been developed within the last decade. Although the issue of counterfeiting appears to be increasing over time, without these technologies the issue may have been even greater.

In order to gain a greater understanding of this phenomenon, the laws which attempt to govern this illicit act should be explored as a means of understanding how counterfeiters may have been avoiding getting discovered.

Counterfeiting in Relation to Law and Politics

Before discussing individual laws, the element which is being protected by the laws must be defined. As depicted by Bird and Jain (2008, p5) a trademark is "a word, symbol or device that identifies the source of goods and may serve as an index of quality." It is this element of quality which is put into jeopardy if trademarks are infringed via the creation of deceptive counterfeit products. Any negative outcomes resulting from the faults of a deceptive counterfeit product may be associated with the legitimate brand which is having its trademark infringed. This would ultimately reduce the perceived quality of the trademark. In continuation of this clarification of meaning, Bird and Jain (2008, p5) state that "trademark laws are used to prevent others from making a product with a confusingly similar mark." This statement may be more accurate if it read:

'trademark laws are used to *help deter* and *prevent* others from making a product with a confusingly similar mark'.

It is these trademarks and the 'meaning' of the trademarks which the act of counterfeiting exploits; "by blending all of the assets constituting brands, marketers are able to develop brands which build goodwill between the brand producer and the consumer" (De Chernatony and McDonald, 2006, p387). It is feeling of goodwill which relates to the earlier discussion of 'association'. As stated by Arnould *et al.* (2004, p121), when describing the results of their study, "the set of feelings, ideas and attitudes that consumers have about brands were crucial to purchase behaviour." With this in mind, an understanding can be developed of the possible reasoning behind why some brands may be targeted over others with regards to counterfeiting. Dependent upon the strength of association or the feelings associated with a brand, they may be more or less appealing to imitate.

With regards to the laws associated with counterfeiting, the UK's Government website (2010) [accessed 15/02/10] states, "It is unlawful to apply a registered trade mark to goods, or to make an exact copy of goods which have the benefit of a registered trade mark registration, without the permission of the trade mark owner." In addition to this information provided by the UK government, De Chernatony and McDonald (2006, p388) inform of the UK Trade Marks Act (1994) when they suggest that "the act makes it easier for trade mark owners to register and protect their marks more efficiently. It also ensures that trademarks have the same rights and test for validity everywhere in the European Union."

However, as mentioned previously, counterfeiting is a global issue and laws regarding counterfeiting will vary dependant on the area of the world to which

you are referring. For example, the Dutch Customs website [available at:

www.douane.nl], states that "It is forbidden to bring and import counterfeit

products into the Netherlands. Customs will confiscate these products and you

will have to pay a penalty" (Dutch Customs, 2010). Further to this, however, the

website states the following interesting exceptions to this law:

> "It is forbidden to bring in and import counterfeit products. However you
>
> are allowed to bring in personally a very small quantity of counterfeit
>
> goods intended for personal use. This exception only applies if you bring
>
> in these goods yourself as a traveler. If counterfeit goods enter the
>
> Netherlands by post or courier the counterfeit goods will be confiscated
>
> and you may be prosecuted." (Dutch Customs, 2010).

The following table is presented by the Dutch Customs (2010):

| Despite prohibition you are allowed to bring in the following counterfeit products | | |
|---|---|---|
| **Type of counterfeit product** | **Maximum quantity** | **Remarks** |
| Watches | 3 articles | |
| Perfume/Eau de toilette | 250 ml | |
| Music CDs | 3 articles | Different titles |
| Music DVDs | 3 articles | Different titles |
| Film DVDs | 3 films | Several films. Three films on 1 DVD are permitted. Four films on 1 DVD are not permitted. |
| Software and games | None | |
| Other goods (such as clothing and toys) | 3 articles/pairs | |

Table 1.2

Personal allowances for individual travellers (Dutch Law)

Dutch Customs, (2010)

What is interesting about the law detailed by the Dutch Customs in Table 1.2 is that there appears to be an element of flexibility within the law. By allowing this element of flexibility it could be argued that the Dutch Customs officials are, to a certain extent, condoning the illicit behaviour. If specific levels of counterfeit products are legally allowed to be brought into Holland by each individual, over an extended period of time, this could constitute very large numbers of counterfeit products being present. By having what could potentially be large quantities of counterfeit products being consumed in Holland, the counterfeit

products will most likely be involved in social situations. This increased

prevalence in social environments may result in an increased social acceptance

which, in turn, could encourage further consumption not only from the same

individual but also from their peers. Lee and Yoo (2009, p16) support this

consideration when they speak of social pressures and state that "consumers'

attitudes toward the purchase of counterfeits depend on the extent to which

their reference groups approve of it." An increase in demand would most likely

then be met with an increase in supply. Issues such as these could be feeding

the counterfeit problem.

McDonough (2007, p71-72), discusses the issues related to US law and

describes a 'label loophole' by stating that:

> "for some time courts struggled with the meaning of 'goods and services'
>
> in the Federal Trademark Counterfeiting Act (TCA) and whether such
>
> 'goods' included component parts such as labels and medallions bearing
>
> a trademark but unattached to a host product. As a result of the
>
> ambiguity, some courts held that trafficking counterfeit labels was not a
>
> violation of the statute, creating a loophole for counterfeiters"
>
> (McDonough, 2007, p71-72).

Within the 'Counterfeiting in relation Logistics and Supply Chain Management'

section of the chapter, a scenario was described where products were

distributed in stages of production. These products were being distributed and

assembled in stages so they did not gain their counterfeit status until they were

a complete and final product. Laws such as the 'label loophole' could have been

part of a collection of law loopholes which allowed counterfeiters to distribute what would ultimately become counterfeit products.

With regards to how the law works to deter consumers from counterfeit purchase, Lee and Yoo (2009) suggest that education is directly related to the extent to which the law is effective. Lee and Yoo (2009, p13-14) state that "more highly educated respondents are more concerned with the negative externalities resulting from counterfeiting and piracy." In addition to this, "better-educated consumers apparently are more aware of, and understand better, the implications arising from copyright infringement than their less-educated counterparts" (Lee and Yoo, 2009, p14). This insert from Lee and Yoo (2009) highlights the need for government bodies and other professional anti-counterfeiting organisations to keep consumers informed of current laws and punishments; "a lack of awareness of Intellectual Property Rights (IPR) is likely to generate demand for counterfeits" (Lee and Yoo, 2009, p14). In addition to this, various strategic channels of communication relevant to the diverse consumer types must be considered in order for anti-counterfeiting strategies to be effective.

Within the current literature, consumer risk is considered in relation to counterfeit presence and purchase (Berman, 2008; Veloutsou and Bian, 2008). Within this concentration of literature, the primary focus appears to relate to those risks associated with health and safety and social embarrassment (Penz and Stottinger, 2005; Balfour *et al*, 2005; Beck, 2005). One of the greatest risks that appears to be overlooked by many authors is the consumers' perception of the risk of illegality (Yoo and Lee, 2009). Yoo and Lee discuss this in their 2009 publication when they state that:

"higher institutional risks may lower the intention to purchase counterfeits. However, the perceived risks from the purchase of counterfeit vary depending on the level of risk-taking and lawfulness. The degree to which a consumer will take institutional risks depends on the degree of IPR protection and his or her moral standards."

From this, it can be noted that varying laws may not be the only dynamic influencing the extent to which counterfeit presence is controlled. The individuals on which the laws are enforced are an imperative factor within the equation.

Morality, Ethics and Lawfulness

Within the current literature, there is some exploration of the relationship between an individual's morality and lawfulness and their willingness to purchase illicit products such as counterfeits. Authors Lee and Yoo (2009, p16) suggest that "people with higher morality tend to have lower intentions to purchase counterfeits." Ang *et al.* (2001) also support this when they suggest that an individual's ethical standing relates to the extent to which they will involve themselves in the purchase of such products. Ang *et al.* (2001) suggest that those consumers with lower ethical standards were less likely to feel guilty when making a counterfeit purchase. Also in support of this argument is Cordell *et al.* (1996) who suggest that consumers who were more considerate of the law were less likely to make counterfeit purchases. An interesting addition to this discussion, however, is the study conducted by Lee and Yoo in South Korea 2004. As part of this research, both counterfeit buyers and non-counterfeit buyers were studied and the results suggested no significance in

their ethical differences. The authors of this study concluded that the fact that counterfeit products were not illegal to buy in South Korea greatly influenced the study's results. This study is particularly interesting as it suggests that an individual's ethical standards may not be as significant when a consumer is making the decision whether or not to purchase as other authors claim them to be. This study suggests that another influencing factor, not necessarily an individual's ethical standards, may be the major influencer in the decision to purchase counterfeit products. It may be that the concept of illegality is more significant to consumer behaviour. In order to learn more about the factors that may be influencing these counterfeit consumption patterns, further possible influences have been explored.

Further Elements which Influence Counterfeit Purchasing Habits

The elements which are thought to encourage counterfeit purchase are extremely important to understand when exploring counterfeit activity. If more is understood about those factors which drive demand, more can be understood about how to deter demand. In relation to counterfeiting and the consumer, questions such as why do they buy and what do they buy need to be answered. The possible customer purchase environments for counterfeit products have already been discussed earlier in the chapter; "car boot sales, markets, pubs or, to the furthest extreme, the legitimate, genuine retail outlets (Brand Management, 2003; Simons, 2005; MHRA, 2010; DeKieffer, 2006). In addition to this, the possible various types of consumer need to be examined. Further to this, demand led anti-counterfeiting strategies will be considered and analysed.

When referring to Eisend and Schuchert-Guler's 2006 publication, the various possible reasons for counterfeit purchase are considered. The authors state:

"Depending on the variables related to the person (e.g., demographics, psychographic variables such as willingness to take risks), the product (particularly the price, product attributes such as fashion ability, brand uniqueness and scarcity), the social and cultural context as well as the situation (purchase at home versus on holiday), attitudes towards counterfeiting as well as decisions and intentions to purchase counterfeits are influenced" (Eisend and Schuchert-Guler, 2006, p16).

Eisend and Schuchert-Guler (2006) developed the following framework as a way of presenting their assumptions regarding those factors which may influence consumer intentions to purchase counterfeit goods:
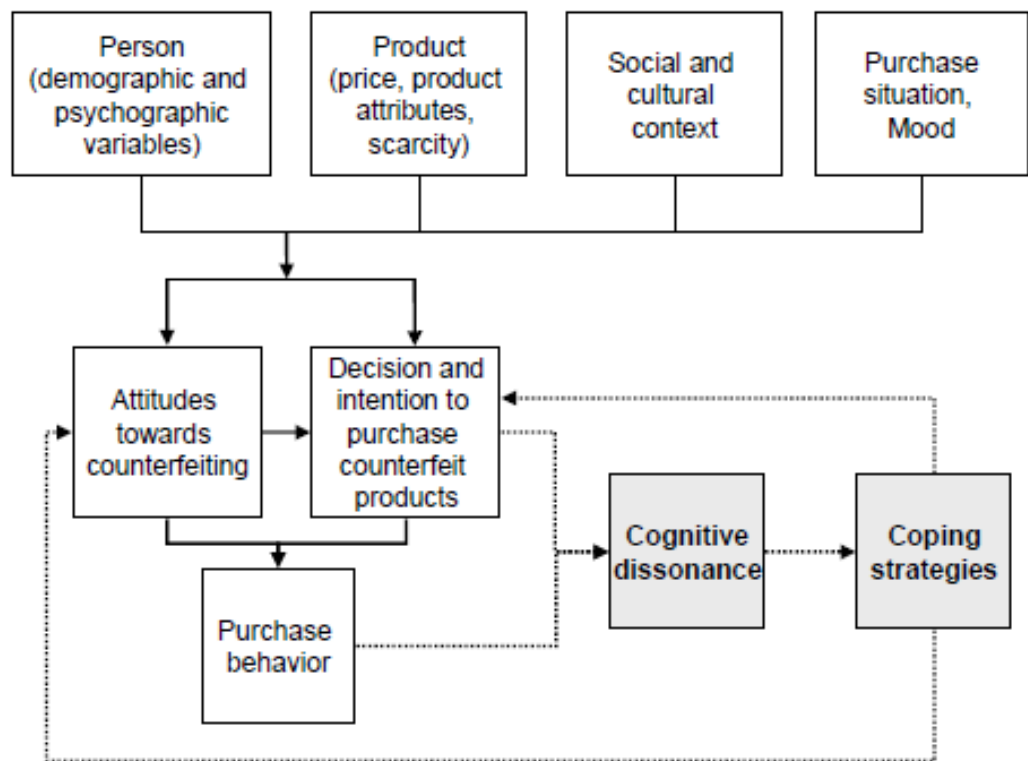
Figure 1.4

Cognitive-Dissonance Model Explaining Counterfeit Purchase Processes

(Eisend and Schuchert-Guler, 2006, p16)

Within this framework, Eisend and his colleague suggest that various elements contribute to the ultimate counterfeit purchase behaviour. Some of the particularly interesting contributors are the internal influencers and these include the consumer's cognitive dissonance and the consumer's coping strategies. "Cognitive dissonance is caused by feelings of uncertainty as to whether or not one has made the right decision. This is most likely to occur when there are multiple attractive alternatives or when there is potential for risk in the consumption of the item" (Noel, 2008, p150). In relation to this Eisend

and Schuchert-Guler (2006, p16) state, "consumers develop coping strategies in order to reduce their dissonance".

Internal Consumer Influences

Eisend and Schuchert-Guler's framework also suggests that elements such as the person (the individual making the purchase), the social and cultural context, the purchase situation and mood are influential towards purchase behaviour. Ang *et al* (2005) also agree with elements of social influence being significant to the counterfeit purchase decision.

Due to Eisend and Schuchert-Guler's (2006) framework suggesting that internal cues such as mood, consumer cognitive dissonance and coping strategies are also present, this suggests that although the same counterfeit product could be being purchased, the ultimate purchase behaviour may be very different dependent upon the individual consumer making the purchase. The concept of identity also appears to be a focal theme within this model as demographics, psychographics and social and cultural contexts come into play.

What should be considered, however, is that some of the internal cues present within this framework such as dissonance and coping strategies are likely to be learned by the individual. For example, the factors which contribute towards dissonance are segments of information which have been learned from various sources. According to Eisend and Schuchert-Guler's model (2006), the information which has been gathered by the individual will then affect their future consumption habits. In addition to this, the coping strategies which consumers use to reduce their dissonance may be strategies which have been

learned from others around them, perhaps reference groups. These internal cues could therefore be shaped by others around them and the variables of demographics, psychographics and social and cultural context could again appear significant in relation to customer intention to purchase counterfeits.

Other individuals also appear to be significant within various levels of the customer purchase decision. In the case of Eisend and Schuchert-Guler's (2006) model, the other people appear to be influential before the customer enters the purchase environment. In relation to this, Cuno and Norum (2011, p30) discuss their recent findings and state that "respondents were more likely to engage in illicit behaviour if there was peer pressure to do so. While it has been shown that peer support of an illegal behaviour encourages deviant behaviour, peer rejection may also serve as a deterrent." Noting such interesting information links various segments of Eisend and Schuchert-Guler's (2006) model including demographic and psychographic variables and the social and cultural context in relation to purchase behaviour. It appears that the beliefs of others and perhaps the image that an individual portrays to others is extremely influential. Eisend and Schechert-Guler's (2006) model also relates people or social actors to purchase behaviour. With reference to this, this thesis will explore the possible relationship between the social actors or people that are operating within a purchase environment, whether these are other customers or staff, and their power to influence the perception formation process. The extent to which other people within a servicescape are influential to customer perceptions of counterfeit product quality will be explored.

<u>The Influence of Others and the Extent to which Image is Important</u>

Image is stated by Lee and Yoo (2009) to be a further factor influencing the purchase decision. The idea of image is also strongly linked to Ang *et al*'s (2005) and Eisend and Schuchert-Guler's (2006) suggestion that social influence plays a significant role in this context. Ang *et al* (2005) explores the concept of image in relation to the ways in which it can influence consumer behaviour and whilst doing this highlights the concept of consumer susceptibility. This concept can be defined as:

"the need to identify with or enhance one's image in the opinion of significant others through the acquisition and use of products and brands, the willingness to conform to the expectations of others regarding purchase decisions, and/or the tendency to learn about products and services by observing others or seeking information from others" (Bearden et al, 1989, p474).

This concept is extremely interesting in relation to counterfeit activity as it adds additional depth to the literature discussion regarding the possible justification of counterfeit purchase. Ang *et al* (2001) expands the concept of consumer susceptibility by explaining the presence of two forms of susceptibility. Ang *et al* (2005, p223) suggests that consumers may be informationally susceptible where "products are bought based on the expert opinion of others" or normatively susceptible where purchase decisions "are not based on the expert opinions of others, but on the expectations of what would impress others." Due to the concept of deception being a dominant discussion within the counterfeit literature, it may be that some counterfeit buyers may behave in the manner

described as normatively susceptible. The counterfeit product may be purchased in the knowledge that it is a counterfeit however the consumer may wish to deceive others by encouraging the assumption that their possession is a legitimately-produced, genuine product. By acting in such a way, the consumer would be attempting to impress others via product deception. This is not to say that counterfeit products cannot be bought in instances where customers are informationally susceptible. Those customers who are relatively open about their interest in counterfeit consumption may seek information from more experienced shoppers as a means of obtaining a better quality counterfeit or perhaps a counterfeit that may be more deceptive to others. These experienced reference groups may be able to suggest specific locations or environments which could provide this kind of product. In these instances, customers would be informationally susceptible.

To elaborate on the concept of image, Lee and Yoo (2009, p12) state that "the purchase of counterfeits depends on the extent to which the counterfeit product is able to project the same image as the original product." This area of discussion reflects a previous focus within the chapter; association. If the consumer believes that the counterfeit product is likely to provide a satisfactory level of positive association, the intention to purchase is likely to increase. The important dynamic of the preceding statement is the concept of *positive* association. As mentioned previously, association can sometimes be considered to be negative, for example Burberry. In instances such as this, no matter whether the product in question is a genuine, legitimately-produced Burberry product or a counterfeit Burberry product, the consumer may wish to not buy into the associated image due to possible negative connotations.

Referring back to Eisend and Schuchert-Guler's model in Figure 1.4, the negative connotations surrounding the Burberry brand could encourage a consumer to develop a dissonance and therefore avoid the counterfeit, or indeed genuine, purchase.

The Concept of Self-Image

Authors which are worthy of mention in relation to this topic include Blythe (2006), Arnould, Price and Zinkhan (2004) and Jamal and Goode (2001) who discuss the various states of self-image and its implications. "The real-self is the objective self that others observe, self-image is the subjective self; as we see ourselves, the ideal-self is the person we wish we were and the looking-glass-self is the way we think others see us" (Blythe, 2006, pp142-143). Jamal and Goode (2001, p482) add to this by suggesting that "the self-concept is basically a cognitive structure which is in many ways associated with strong feelings or behaviours." This notion is particularly interesting in relation to this thesis' objectives as they focus specifically on consumer perceptions. Jamal and Goode (2001, p482) also add that "an exploration of self-concept can help marketers understand the way consumers make choices in the context of symbolic meanings attached to various brands." The idea of symbolic meanings is particularly relevant when considering counterfeit products as the concept of association is extremely influential when it comes to the purchase of brands (Arnould *et al.*, 2004). As stated previously, it may be that consumers buy a counterfeit version of a branded product because they believe that consuming the counterfeit will allow them to experience some of the feelings or symbolic

meanings associated with consuming the legitimate, branded version of the product.

When attempting to relate the concept of self-image to the possible reasoning behind counterfeit purchase, the real-self would be the perception that others develop of an individual with regards to their counterfeit purchase. The self-image would be the image which an individual believes the counterfeit product has provided them with. The ideal-self would be the aspiration to be a consumer who owns the genuine, legitimately-produced version of the product. Finally, the looking-glass-self is likely to depend on the individual's perception of the counterfeit product itself. For example, if the individual perceives the counterfeit product to be of high quality and of a reasonably deceptive nature, they may be more likely to consider their looking-glass-self to be an individual with positive image associations. If the individual considers their counterfeit product to be of lower quality and perhaps less deceptive in nature, the individual may be more likely to consider their looking-glass-self to possess less positive image associations. Penz and Stottinger (2005, p568) state in relation to this discussion point that "consumers are buying branded products basically for two reasons: physical product attributes and the intangible brand image associated with the product. They communicate meaning about their self-image and enhance their self-concept." Jamal and Goode (2001, p482) also develop this discussion by stating that "self-concept is formed in an interaction process between an individual and others and the individual will strive for self-enhancement in the interaction process." This interesting quotation provided by Jamal and Goode (2001) highlights the need for social interaction to take place if the various states of self are to be experienced. It is also extremely fascinating that this quotation focuses on the individual's need for self-enhancement. This

concept is particularly relevant in the counterfeit context as some counterfeit purchases are made with the intent to deceive others into believing they are genuine. By striving to experience the feelings of ideal-self through ownership of a counterfeit 'branded' product, consumers highlight their need for self-enhancement.

## Demographic Influencers

Further to this, Lee and Yoo (2009) suggest various socio-demographic factors to be influencers of counterfeit purchase decisions. Income, education, age and gender are suggested to be influential towards counterfeit purchase decision making by various authors including Lee and Yoo (2009) and Wee *et al* (1995).

## The Influence of Income

The proposal that income influences the counterfeit purchase decision is interrelated with the suggestion that price advantage is a chief influential factor. In relation to this, Poole-Robb and Bailey (2004, p86) suggest that "counterfeiting damages legitimate business because, by undercutting prices for genuine products and copying styles and brands, it reduces sales of the genuine article."

Prendergast and his counterparts (2002), however, reported no relationship between income and purchase behaviours. Prendergast *et al* (2002) reported from the results of their study that those respondents who spent less on counterfeit products were typically between the ages of 19-24 and had a relatively low income. The respondents who were typically high-spenders of

illicit products were between the ages of 25-34 and fell into the higher-income group.

Bian and Veloutsou (2007) also explore the variable of income in association with counterfeit purchase intention and also state that the literature holds some discrepancies. Expanding upon this, authors such as Tom *et al* (1998) suggest that 'counterfeit-prone consumers' typically earn less than those consumers who chose to avoid counterfeit purchases. Other authors such as Phau *et al* (2001) imply the opposite by suggesting that those consumers who spend greater amounts of money on counterfeit products earn a higher income. This discrepancy within the literature may be due to the differing dates in which the papers were published. It may also be due to the fact that consumer profiles and consumer behaviour patterns have varied over time.

> "Research attempting to profile the buyers of counterfeit brands has produced inconsistent results. Some report that demographic variables (age and household income) were not effective in distinguishing between counterfeit accomplices and consumers who would choose genuine brand clothing, while others argue that it does affect, but in an inconsistent manner." Bian and Veloutsou (2007, p214).

Further research need to be conducted regarding these variables in order to encourage clarification.

Education as an Influencer

Further to the possibility of income being an influential factor when determining counterfeit purchase behaviour, Lee and Yoo (2009) suggest that a consumer's

level of education could also play a part in the equation of perception and influence. Lee and Yoo (2009, p13-14) state in relation to their studies that "more highly educated respondents are more concerned with the negative externalities resulting from counterfeiting." As mentioned previously, Lee and Yoo (2009) suggest that those consumers who are better educated are more likely to be aware of any possible negative outcomes which may arise from the production and purchase of counterfeit goods. In light of this observation, Lee and Yoo (2009) suggest a connection between copyright law ignorance and more relaxed attitudes towards counterfeit production and purchase.

Phau *et al* (2001) also speak of the association between level of education and consumer purchase behaviour in relation to products holding counterfeit status. Phau and his counterparts propose that high spenders on counterfeit branded clothing have a higher education level.

This is a further consumer variable which is still uncertain with regards to its influence on consumers and their behaviour towards counterfeit products. Again, further research needs to be conducted to explore this area which appears to hold a lack of clarity.


Why do Individuals make the Counterfeit Purchase?

Although the discussion regarding consumer traits and their influence may still hold some discrepancies, the possible motivations surrounding counterfeit purchase may allow a greater knowledge to be gained of those consumers who purchase these illicit products.

<u>Price Advantage</u>

In addition to the data provided by Staake and Fleisch (2008) and Eisend and Schuchert-Guler (2006), Lee and Yoo (2009, p10) also discuss factors which may influence the purchase decision. Within this discussion, price advantage is suggested to be a dominant reason for counterfeit purchase (Lee and Yoo, 2009). Authors such as Gentry *et al* (2006), Penz and Stottinger (2005) and Prendergast *et al* (2002) also support this implication. This influential factor is also included within Eisend and Schuchert-Guler's framework, depicted in Figure 1.4.

In reference to this, Penz and Stottinger (2005, p568) suggest that "the purchase of  counterfeits seems to be a difficult decision, as temptations to consume are strong given the often tremendous price advantages of fake compared to original products." Ang et al (2001, p223) also add to this when they state that "it has been observed that consumers engage in illicit purchase behaviours when there are price pressures."

There appears to be strong support for the notion that consumers may buy into counterfeit brands due to a price advantage. Unfortunately for many genuine brands, the possibility of repositioning themselves in order to compete with regards to price is highly unlikely. There would be many image and market implications for luxury brands if this was to happen. Instead, genuine luxury brands could consider attempting to justify their higher prices by promoting product quality as a differentiating factor.

<u>Highly Taxed Products</u>

Other than the use of inferior ingredients or materials, one of the key reasons that the counterfeit manufacturers are able to offer such prices advantages to the consumer is by targeting highly taxed products. If the genuine version of the product is usually taxed at a considerable rate, the counterfeit retailer who avoids paying such taxes is able to offer their version at a considerable price advantage whilst still making a substantial profit for themselves. Balakrishna (2011, pp3-4) speaks of this issue and states that, "counterfeit manufacturers generally operate from a very small unit, often tucked away in some remote corner. They are able to evade taxes, particularly the excise duty. This means that while they can price their products well below that of the national players, they still make high margins."

When considering highly taxed products, Orla Ryan (2008) from the BBC News speaks of the comparable taxes rates across Europe and states, "Britain has the second-highest levels of tax on wine in the European Union, the third-highest level on spirits and the highest level of tax on beer. Duty on a bottle of wine in the UK is £1.33 - against £1.12 in 1998 - compared with two pence in France, zero in Spain, Italy and Germany and £1.21 in Sweden." Ryan (2008) also quotes the Tobacco Manufacturers Association who suggest that tax rates on cigarettes in the EU are also high; "Ireland 78%, UK 77%, France 80%, Estonia 67%, Latvia 83%, Greece 73%, Czech republic 78% and Hungary 80%." Worryingly, the Tobacco Manufacturers Association believes that "higher taxes may not necessarily encourage smokers to kick the habit, as anxious smokers go in search of cheaper cigarettes overseas." (Ryan, 2008) Unfortunately, by seeking out 'better value' in less regulated countries, the

consumer may increase their chances of purchasing deceptive counterfeits. Further to this, another highly taxed product is fuel, with approximately 60% of the overall cost being accountable to fuel duty and VAT (Anderson and Kahya, 2011). With such high tax rates, it comes as no surprise that these product categories have a high potential to be counterfeited.

The Quality of Counterfeits

In addition to the above influential factors, Lee and Yoo (2009) suggest that the quality of the counterfeit product is directly linked to strength of demand. Lee and Yoo (2009, p11) elaborate on this when they state that "there is a complex interaction between price and quality of counterfeits. In general, the high quality and functionality of a counterfeit may lead to high demand". Eisend *et al* (2006, p15) continue the discussion of this issue by suggesting that "the willingness of consumers to purchase a counterfeit product appears to increase if they are able to rate the quality of a product before purchase (search goods) and it seems to decrease if they cannot (experience goods)."

Adding strength to the suggestion that quality is directly related to demand are the various sources from which this idea derives. When referring to the previous authors mentioned, Gentry and his counterparts were from various areas of the United States and Canada including Nebraska, Arizona and Ontario. Their study involved over 100 students at an Australian research university conducting interviews with international students. The international element of the sample adds greater validity to the results as the findings were not primarily based on one nationality. Due to the additional validity surrounding the research

of James Gentry and his colleagues', the findings are more likely to be a reflection of the more generalised global consumer. In addition to this, due to Gentry and his colleagues being from differing areas of the globe, they offer differing perspectives of the data set which is likely to add strength to the analysis.

Additional authors such as Prendergast, Chuen and Phau who also make the connection between quality and demand offer a multi-national approach to their research. Both Prendergast and Chuen conducted their research from the Hong Kong Batist University. In addition to this, Ian Phau works from the Curtin University of Technology in Perth, Western Australia. Although the questionnaires which were distributed as part of this study were distributed in Hong Kong only, the researchers again offer varying perspectives which may be influenced by their different locations within the world. What is also interesting to note is that both studies, one conducted by American and Canadian researchers using international students and one conducted by researchers from Hong Kong and Australia using respondents from Hong Kong, noted the relationship between quality and demand. The strength of this relationship grows with these acknowledgements.

Gender as an Influencer

Whilst exploring further possible influential factors in relation to counterfeit product perception, the literature discusses the possibility of gender being influential. As stated by Cuno and Norum (2011, p29) "early studies found gender to be unrelated to ethical behaviour, ethical problems, and reasonable

alternatives to resolving ethical problems whereas more recent studies indicated gender differences. Lee and Yoo (2009, p15) discuss this issue and suggest that "gender appears to reflect varying attitudes towards counterfeits". More specifically, however, these authors suggest a possible significance with regards to gender when counterfeit product preference is considered. Authors Lee and Yoo (2009) note a difference between males and females with regards to the categories of counterfeit products that they buy into. For example, Lee and Yoo (2009) consider women to be more likely than men to purchase counterfeit clothing and accessories.

Whilst detailing the results of their study, Rutter and Bryce (2008, p1153) also report that "the proportion of respondents who had knowingly purchased counterfeits goods varied according to age and gender. […] A higher proportion of male respondents (24.1%) had purchased counterfeit goods and indicated that they would do so again compared with females (20.7%)." In addition to this, Carpenter and Lear (2011, p2) state that "men are more likely to participate in unlawful activities than women". Lee and Yoo (2009, p15) suggest, however, that "the impact of gender may differ from country to country. Men in the United Kingdom were more likely to buy counterfeits than women, but no differences were discovered in China."

From what can be learnt about the relationship between gender and counterfeit product perception, there needs to be a considerable amount more research conducted in this area. Not only does the literature appear to be inconclusive regarding the significance of gender but the conclusions regarding this issue appear to vary dependent upon the respondent nationality.

When exploring the significance of age in the counterfeit context both Lee and Yoo (2009) and Ang *et al* (2001) note that the age variable not only influences attitudes toward the counterfeit product but it also influences overall purchase habits. When discussing this issue, it is important to ensure that the specific data which is being examined is making a clear distinction between counterfeit products and pirated products. For example, Chaudhry and Stumpf (2011, 142) named their article 'Consumer Complicity with Counterfeit Products' however appear to move between a discussion of pirated products and counterfeits; "age did moderate the attitude towards digital piracy." In addition to this are the authors Norum and Cudo. Although these authors have provided some useful and interesting insights into the broader understanding of illicit behaviour and the possible variables influencing this, they also named their paper in a way which suggests that their focus is counterfeit products however their discussion moves freely between counterfeit and pirated products; "gender and age were significantly related to the intention to buy pirated CDs, with male respondents more likely to purchase counterfeit CDs than were female respondents." With reference to this blurred distinction of illicit products, it appears that there may be less research than once thought which relates specifically to counterfeit products. This, again, highlights the need for further investigation into this significant area.

Authors such as Kozar and Marcketti (2011, p394), however, appear to be more specific when discussing these forms of illicit behaviour when they note that "younger consumers are more likely than older consumers to engage in unethical behaviour such as the purchasing of counterfeit goods."

It appears that several authors consider age to be influential towards illicit consumer behaviour whether it is regarding counterfeit products or pirated products. However, with the inconsistencies that have been noted with regards to defining the area, it is recommended that more research would need to be conducted into specific aspects of illicit behaviour and how it may be influenced by age before any conclusions could be developed.

Awareness of Counterfeit Trade – What Types of Counterfeits do Consumers Buy?

Within consumer surveys where respondents are asked to state the types of counterfeit products they have knowingly purchased in the past, their existing knowledge of counterfeit availability is likely to play a major role (Eisend and Schuchert-Guler, 2006). To expand upon this, Staake and Fleisch (2008) conducted a survey which included asking consumers the question: 'are you aware of the sale of counterfeit goods in any of the following categories?' The results are as follows:

| Product category | Percentage of respondents aware of counterfeit presence in category |
|---|---|
| Perfumes, fragrances | 60 |
| Clothing, footwear | 57 |
| Watches | 57 |
| Alcohol | 35 |
| Electrical goods | 30 |
| Car parts | 26 |
| Children's toys | 23 |
| Pharmaceuticals | 18 |
| Food | 8 |

Figure 1.5

Awareness of Counterfeit Trade with Respect to Different Products

(Staake and Fleisch, 2008, p49)

In relation to the statistics presented above, Staake and Fleisch (2008, p49) highlight that "60% of the respondents were aware that counterfeits exist in categories which are often bought knowingly (for example clothing and watches) or that are at least offered on street markets, for example countries that have been visited on holiday." This acknowledgement of data suggests that it may be relatively common knowledge that some counterfeit products types

are purchased in a non-deceptive manner. Also, from observation of Staake and Fleisch's statistics, it appears that many consumers are not aware that product categories such as 'car parts', 'children's toys', 'pharmaceuticals' and 'food' also contain illicit versions of products. This may be due to the channels through which these counterfeit products are distributed and sold. As mentioned earlier in the literature discussion, certain product types are more likely than others to be bought in a non-deceptive manner. For example watches, clothing and footwear are more likely to be bought as a non-deceptive counterfeit than articles such as food and pharmaceuticals (Staake and Fleisch, 2008). As discussed previously, if manufacturers of counterfeit products are aware that there is only a very small percentage of consumers who will knowingly purchase their goods, as counterfeit, then they are likely to do what they can to convince consumers that their goods are legitimate and genuine, i.e.: sell them as deceptive counterfeits. If these specific counterfeit product types are almost always distributed through legitimate channels and sold as though genuine, it is less likely that consumers will be aware of them being counterfeit products. If this is the case, it is likely to explain the reduced number of consumers aware of counterfeit products such as food and pharmaceuticals.

Due to consumers being unaware of certain product categories containing illicit versions of products, they are less likely to be wary of possible counterfeit versions and less likely to recognise a counterfeit if they experienced one. In other words, if the consumer wasn't aware that there was a possibility that the product could be a counterfeit then they are less likely to acknowledge it as an option. As mentioned previously, the outcome of instances such as these can be lethal.

Further Reasoning as to why Individuals Buy Counterfeits

When examining further possible reasoning behind counterfeit purchases and those elements which may influence purchase behaviour, Staake and Fleisch offer the results from their more recent 2008 study. The data encapsulated consumer opinions regarding reasons for purchase and motivations against purchase. The conclusions were based on individual interviews in which respondents were asked to provide five motives for each of the two decisions. However, due to the results suggesting two 'fifth place' reasons on both occasions, six results were provided for each.

The primary six reasons for purchasing counterfeits, in order of relevance, were as follows:

- The good quality of counterfeits

- The high prices of the genuine article

- The high value for money

- The interest in counterfeits and the fun associated with having one

- The attractiveness of the brand and The unwillingness to pay for it

In contrast, in order of relevance, the following six reasons were given as the primary motivations against purchasing counterfeit products:

- The limited availability

- The bad quality of fakes

- The missing warranty

- The better value for money of genuine articles in the long term

- Personal values and Potential conflicts with the law

What is interesting about the results depicted above is the fact that 'quality of products' and 'value for money of products' were present in reasons both for *and* against counterfeit purchase. It may be that prior experience of counterfeit product ownership very much influences future purchase intention. Further to this, it may be that future purchase intention is very much dependent upon the quality of the counterfeit product/s which have been previously consumed and experienced. From this, a consumer's perception of counterfeit product quality and the way in which they form perceptions must be appreciated. This concept will be analysed within a later segment of the literature discussion.

The Role of the Consumer in Anti-Counterfeit Measures

The identity of brand and product can be divided by the presence of counterfeits (Staake and Fleisch, 2008) and this may be particularly damaging to those brands whose consumers rely on brand image to define the quality and other features of a product. The consumers of counterfeit products, particularly those who purchase in a non-deceptive manner, are the key drivers in the anti-counterfeiting issue as they create the demand. However, what must be taken into consideration in this instance is the fact that "the buyer's willingness to help fight counterfeit trade depends on the reasons behind his or her intent to buy fakes" (Staake and Fleisch, 2008, p16). As can be noted from the significant analysis of the current literature base, it is extremely difficult to determine specific reasons for counterfeit purchase as there appears to be a multitude of possible reasons. Because of this, consumer-led anti-counterfeiting strategies are growing increasingly difficult to implement. Considerably more needs to be

learnt about the counterfeit consumer before effective demand-focused strategies are executed with a positive outcome.

Types of Counterfeit Consumer

From what can be learnt from the existing literature, there are still a considerable amount of discrepancies regarding the 'typical counterfeit consumer'. Combinations of factors such as age, gender, income and education have all been explored however it is still almost impossible to define what the 'typical counterfeit consumer' entails. This intriguing product market appears to be continuously changing and developing which means that the research surrounding this area needs to be continuously developing with it. This thesis will tread new ground in an attempt to learn more about this interesting and influential research field.

Summary

This chapter has considered the various fields that are thought to be influenced by the presence of counterfeit activity. Amongst these considerations, potential image conflicts and the negative associations relating to brands which have been counterfeited are discussed. This chapter also explores the potential negative economic impact caused by counterfeit presence through loss of revenue to genuine brands. Law and logistics is considered whilst highlighting the potential complications which international brands must face whilst distributing their products. Further to this, the counterfeit consumer is examined with respect to the characteristics which constitute a typical consumer, the

various demographics which influence consumer perceptions, the potential risks associated with counterfeit consumption and the extent to which the consumer drives demand for counterfeit products. The theory of self-concept was also injected into the discussion as an effective means of demonstrating the feelings and meanings associated with counterfeit consumption. Fundamental questions such as 'why do consumers buy counterfeits?', 'where are counterfeits made?' and 'what types of counterfeit categories are produced?' are also addressed. Various anti-counterfeiting strategies were also considered in relation to their effectiveness to battle counterfeit presence.

A great quantity of literature was examined and discussed throughout this chapter however, following the discovery that counterfeit products can potentially be found within legitimate supply chains and purchase environments it has become clear that more needs to be learnt regarding this potentially devastating situation. The literature regarding the purchase environment and the extent to which it can influence perceptions of counterfeit products will, therefore, be investigated. The theory surrounding perceptions, how they are formed and what specifically influences them will also be injected into the discussion.

<u>Focal Literature</u>

Now an understanding has been developed of the context of counterfeiting, the following chapter will explore the key issues relating to the research questions in greater depth. Specifically, this chapter concentrates on the concept of perception, perception formation, the influence of stimuli, product perception and the physical retail environment.

The purpose of segmenting the two areas of literature into context and focal was to allow the reader to build upon their knowledge as they read, almost a layering effect. It was hoped that the context chapter would establish a foundation on which to build specialist awareness.

<u>Defining Perception</u>

The focus of this study is specific to consumer perceptions of counterfeit products and the ways in which these consumer perceptions are influenced by servicescape. Because the interest of this study lies in such a specific area, the literature surrounding perception formation, servicescape and the wider purchase environment needs to be examined.

The concept of perception is one which has been examined by various authors within various disciplines  including Dobel *et al.* (2008), Schwartz (2004) and Yeung and Morris (2001). Due to the extensive attention that the subject of perception has drawn, the concept is related to various issues and explored from various angles. When initially considering the subject of perception, the primary thought may be to attempt to determine perception outcome, that is, the perception or perceptions belonging to an individual or selected group

concerning a particular topic. However, the process of perception formation begins to build a long time before perception outcomes are expressed. Therefore, before perception can be explored as a concept the process of perception formation must firstly be understood. By understanding the variables that influence perception formation, we can begin to understand why one person's perception of an issue may differ from another person's. Understanding which variables are playing an influential role may also allow predictions to be made of consumer perceptions.

Fill (2005, p122) examines the state of perception and suggests it to be "concerned with how individuals see and make sense of their environment. It is all about the selection, organisation and interpretation of stimuli by individuals so that they can understand the world." In support of this, Wright (2006, p110) defines perception to be "the process of selecting, organising and interpreting sensory data into usable mental representations of the world." These definitions reinforce the earlier suggestion that it is not merely the perception outcome that is important to understand, how the perceptions are formed is just as relevant. These definitions support this discussion by concentrating on the fact that perceptions are brought about by a cognitive process, specifically selection, organisation and interpretation.

Perception Formation

Whilst discussing the perception formation process, Fill (2005, p123) states that "the stimuli that are selected result from the interaction of the nature of the stimulus with the expectations and the motivations of the individual." Before perceptions may be formed, however, an initial interaction between the

perceiver and the stimuli takes place. This process is referred to as 'sensation' and Wright (2006, p109) defines the term to be:

"the process of sensing the environment through touch, taste, sight, sound and smell. This meaningless information is sent to the brain in raw form where perception comes into play. Perception is the way these sensations are selected, interpreted and organised as individuals attempt to make sense of everything around them."



| Sights | Eyes | | | | |
| Sounds | Ears | | | | |
| Smells | Nose | awareness | selection | interpretation | organisation |
| Tastes | Mouth | | | | |
| Touch | Skin | | | | |

(Stimuli)     (Sensory Receptors)
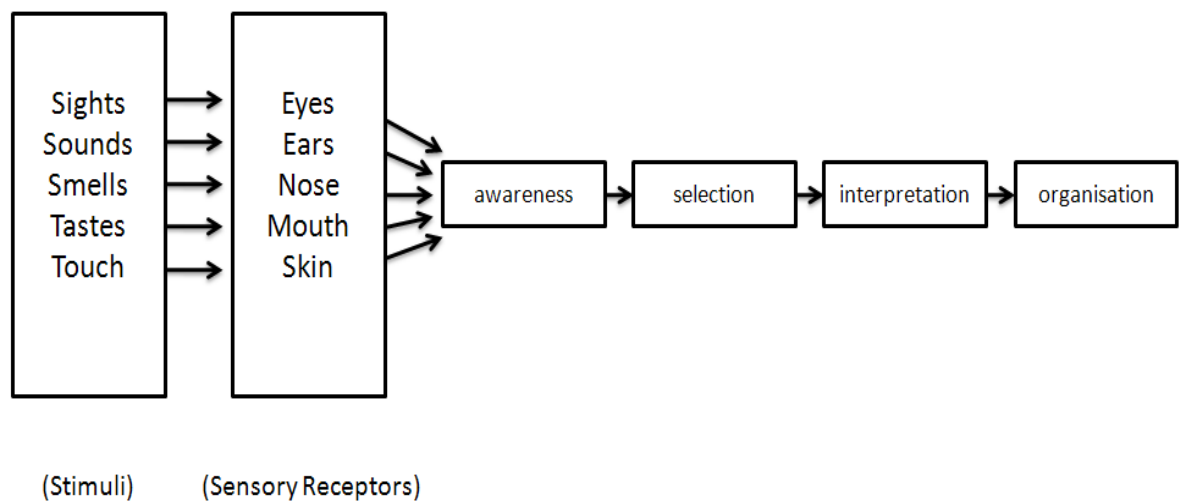
Figure 1.6

The Perceptual Process

Wright (2006, p110)

The processes of sensation and perception are extremely important to investigate and, if understood, their structures can be used to direct strategic marketing measures. For example, by understanding how these processes influence behaviour, retailers and marketers can create purchase environments in which a complementary combination of consumer senses may be stimulated (Arnould *et al*, 2004). Subsequent to the initial process of sensation, consumers will filter the information they have been exposed to and then select the stimuli which have been most influential or memorable. After being selected the stimuli, as mentioned previously within Fill (2005) and Wright's (2006) definitions, are then interpreted and organised. It is this line of functions known as awareness, selection, interpretation and organisation which ultimately generate an outcome known as the consumer perception. It is because these functions are so influential that stimuli which influence the functions need to be recognised. In other words, the various types of stimuli which hold the potential to influence the consumer need to be considered.

Stimuli Groupings

Findlay (1992) explored the concept of the consumer retail setting and examined the elements which influence the consumer and, ultimately, their behaviour. Within this exploration of the consumer mind, Findlay (1992) illustrates two specific categories of stimuli and these are shown in Figure 1.6. The two categories of stimuli, segregated into 'situation' and 'object', constitute two very different influencers to a consumer, or 'organism' as they are referred to in Figure 1.1. It is these stimuli which ultimately influence the consumer and therefore their eventual behaviour.

Situation

Object

Person

Behaviour

(stimulus)　　　　　　(organism)　　　　　　(response)
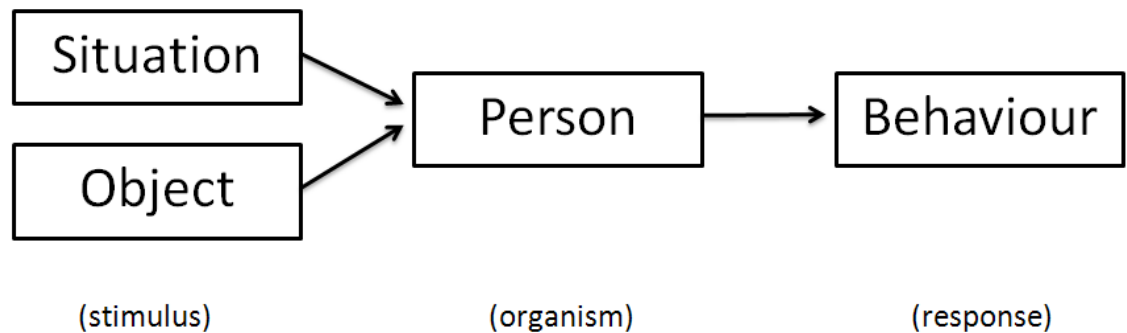
Figure 1.7

The Stimulus-Organism-Response Paradigm

Findlay (1992)

Turley and Milliman (2000, p193) also support the concept of the stimulus-organism-response (S-O-R) theory when they state that "the atmosphere is a stimulus (S) that causes a consumer's evaluation (O) and causes some behavioural response (R)." What is particularly useful and interesting about Turley and Milliman's consideration is the fact that they speak of this concept specifically in relation to store atmosphere and its effect on consumer behaviour which relates their theories very strongly to this thesis' objectives. The particular responses which are thought to occur are referred to in the literature as 'approach' or 'avoidance' responses (Turley and Milliman, 2000);(Bitner, 1992). Approach behaviours are described by Turley and Milliman (2000) to be associated with positive feelings and result in the customer remaining in the purchase environment and perhaps make a purchase. The opposite behaviour, known as avoidance, is associated with more negative feelings where the customer no longer wants to stay in the purchase environment.

While explaining the stimulus-organism-response paradigm, Findlay (1992, p34) states that "both individual and situational factors must be considered in order to explain consumer choices." Findlay (1992, p35) also continues to highlight the fact that "because behaviour with respect to a product or service is of primary significance in consumer behaviour, the object to which the consumer is directly responding will be regarded as a unique source of behavioural influence."  This statement highlights the fact that the product itself appears to be a unique source of influence in perception formation. Combining this knowledge with previous author acknowledgements (Wright, 2006), it seems that a delicate combination of variables influence ultimate consumer behaviour. These variables appear to be the individual consumer who is purchasing the product, the point in time and space in which the product is purchased and the product itself.

Defining 'Situation'

Figure 1.7, defines a 'situation' to mean "a point in time and space". What is interesting about this definition is that it concentrates primarily on the timeframe in which an experience occurs. It does not, however, refer to the elements which are involved within the timeframe. This thesis and its objectives require a term of expression which can be used throughout to refer to the physical objects which are present while a purchase is being made. Due to the fact that the term 'situation' focuses primarily on the timeframe in which an experience occurs and not the elements involved, this term is not thought to be appropriate. This thesis needs a term which relates directly to the physical objects which are present and groups them as a whole.

<u>Defining 'Behavioural Setting'</u>

The 'situation' can also be extended to be referred to as a 'behavioural setting' and a 'behavioural setting' is known to be "an interval in time and space in which certain behaviours can be expected regardless of the particular persons present" (Findlay, 1992, p34). What can be noted regarding this definition is that it concentrates heavily on the behaviours resulting from a situation. This description of the behavioural setting accounts for certain expected behaviours however there will always be those instances where behaviours which were expected to happen don't happen or instances which include behaviours which have not be expected. 'The expected' cannot be relied upon to happen in 100 per cent of cases. Because of this, a greater number of studies exploring the settings in which consumers make purchases are needed. The more that is discovered regarding typical purchase settings, the more likely it is that the expected behaviour within these settings will predict the actual behaviour. The label 'behavioural setting', however, appears to rely too heavily on behaviours or outcome rather than those elements which have the potential to influence. Since elements of influence are particularly useful within this thesis, this label also cannot be adopted.

<u>Defining 'Environment'</u>

Neither of the terms 'situation' or 'behavioural setting' appear to relate well to the purpose of this thesis and therefore neither of these terms will be adopted. Further defining terms must be explored and Findlay (1992) makes some suggestions by extending this discussion even further to introduce the idea of the 'environment'. An environment may be thought as "the chief characteristics

of a more or less permanent 'situation'" (Findlay, 1992, p35). In other words an environment could be referred to as the chief characteristics of a more or less permanent point in time and space. It is the reference to 'characteristics' which make this descriptive term more appropriate for this thesis. Therefore with reference to Findlay's (1992) expectations of 'the environment', the term 'the counterfeit purchase environment' will be used throughout this thesis as a means of referring to 'the characteristics of a point in time and space which offers the purchase of a counterfeit product'. Although this term again refers to timing, the focus of the term lies within the characteristics. The amalgamation of characteristics and timing within this definition is interesting as each counterfeit purchase environment explored within this study will include varying combinations of influential elements. At the particular point in time the images were taken, the counterfeit purchase environment included certain stimuli which are thought to have influence over the customer. Taken at a different point in time, the counterfeit purchase environment may have included a different combination of stimuli. This variance of stimuli combinations may have varying influences on the customer. Due to this, the purchase environments which are studied within this thesis will not be referred to by their commonly associated labels eg: market stall, department store. Each purchase environment will be referred to according to their stimuli combinations. This is because referring to a label such as 'department store' alone does not provide adequate detail regarding the stimuli present. One department store may include a very different stimuli combination to another department store.

Within the current literature, researchers have concentrated on the 'response' to counterfeit product quality (the consumer perception) and how it is primarily associated with the 'object' or product. This study intends to extend this

knowledge by exploring the extent to which 'environment' affects 'response' to perceptions of counterfeit product.

When comparing the theories of Wright (2006) and Findlay (1992), Findlay (1992) speaks of the 'stimulus', the 'organism' (the consumer) and the 'response'. Within Findlay's (1992) 'stimulus' and 'organism' stages, Wright's (2006) theory of sensation and process of perception formation comes into play. In order to appreciate the full potential of the two theorists' offerings, Figure 1.8 was produced as part of this thesis.
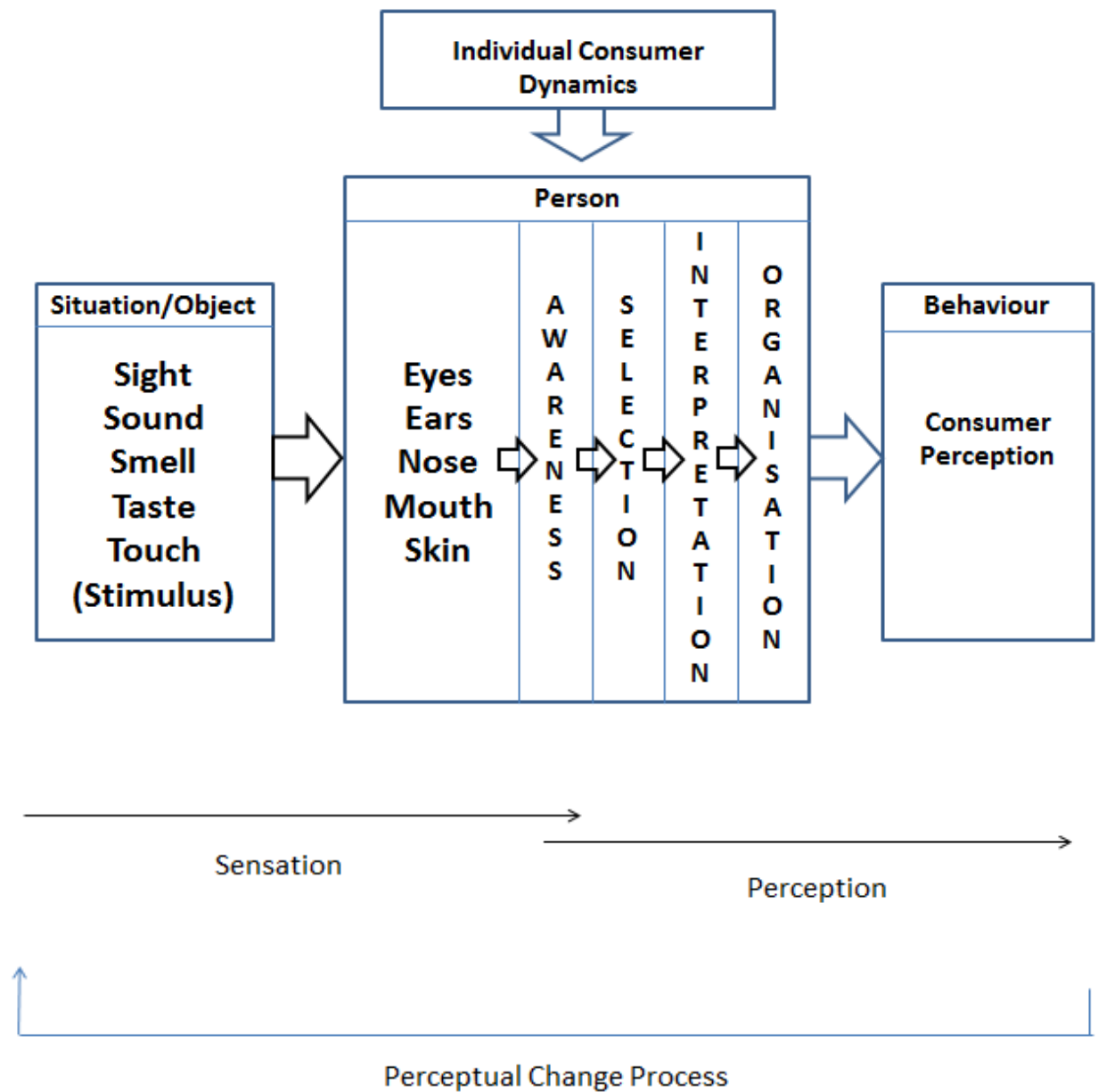
Figure 1.8

The Sensation and Perception Formation Process

Counsell (2011)

Based on the core elements of Wright (2006) and Findlay's (1992) frameworks

Within Figure 1.8, the processes of 'sensation' and 'perception' are indicated and, as can be noted from observation of this model, the arrows indicating the two processes overlap slightly. This purposeful suggestion was included within Figure 1.8 in order to demonstrate the fact that there is not a clear border where one process ends and one begins. To clarify, once the sensation process is almost complete, the stimuli will have interacted with the cognitive processes of the consumer and the consumer will become aware of the stimuli's presence (see 'awareness' in Figure 1.6). Further to this, the consumer will begin to select the stimuli which are of greatest significance (see 'selection' in Figure 1.6). It is at this point of selection where perception is said to begin as it is at this point that the consumer will be subconsciously determining which of the stimuli are going to be selected and which aren't, in other words, a back and forth process of subconscious cognitive choice. Due to this back and forth process being completed, both processes of sensation and perception will be used in order to select the ultimate stimulus combination. In other words, it is within this back and forth process of decision where the processes of sensation and perception merge, hence the circular overlap indicated on the framework. Once the final stimuli selection has been made, the perception formation process takes complete control.

Findlay (1992) suggests that a combination of the situation and the product influence the consumer and, subsequent to this, the ultimate outcome or behaviour of the consumer will depend on the dynamics of the organism (the individual consumer). The dynamics Findlay (1992) speaks of are differentiators such as age, gender, sex, ethnicity, geographic location, social interests and these may all impact the ways in which the elements around us affect us. From this observation it could be assumed that, dependent upon the individual

consumer or 'person' as they are referred to in Figure 1.7, the 'behaviour' (consumer perception) may differ dramatically. Arnould *et al* (2004, p309) explore this concept when discussing the perceptual process and state that "consumers are more likely to attend to stimuli that relate to themselves or their current needs. In addition, consumers' goals serve to direct their attention to information that is relevant or important to those goals." This observation encouraged Figure 1.8 to include an 'arrow of influence' indicating individual consumer dynamics.

The influence of individual consumer dynamics also encouraged the addition of the arrow indicating the possibility of the consumer changing their perception (refer to Figure 1.8). This arrow allows for individual consumer dynamics to change and therefore manipulate the way in which the same selection of stimuli may influence the consumer perception formation process at a different moment in time. When speaking of the process of perception formation, Goldstein (2009, p6) states that "the process is dynamic and continually changing." Fill (2005, p123) also supported this notion when he discussed the consumer sensation and perception process and stated that "the stimuli that are selected result from the interaction of the nature of the stimulus with the expectations and the motivations of the individual".


The Counterfeit Purchase Environment

Extending the discussion of the counterfeit purchase environment, many authors have explored the concepts of physical surroundings and store atmosphere (Hawkins, 2006);(Baker *et al*, 2002);(Moye and Kincade, 2002);(Schlosser, 1998);(Donovan and Rossiter, 1982). Of the research that

has been completed so far however, the concentration appears to lie in relation to legitimately produced products and legitimate services.

In 1987, Akhter *et al* (1987) explored the retail environment and suggested that it could be segregated by two dividing elements; physical characteristics and social characteristics. Akhter and his collaborators suggested that physical characteristics comprised "physical properties of the objects within the store" and social characteristics were "patterns of exhibited and expected social interactions among the actors" (Akhter *et al*, 1987, p69). In some ways, Akhter *et al*'s (1987) theory is similar to that of Findlay's (1992) which was discussed earlier within the chapter. Both theorists appear to recognise the importance of both the object in question and the physical make-up of an environment. As Akhter *et al* (1987, p69) suggests, however, the "characteristics can be subjectively interpreted by customers." This statement adds to the previous discussion regarding the individuality of the consumer and how individual consumer dynamics affect ultimate behaviour and perception. By making this observation Akhter *et al* (1987) adds to the discussion highlighting how consumer perceptions may vary over time as individual consumer dynamics change.

Ertekin and Gurkaynak (2010) add to this by stating that the retail environment consists of three factors: design factors, ambient factors and social factors. The two authors defined these to be "design factors, visual cues such as layout, clutter, cleanliness and colour, ambient factors which are non-visual cues such as smell or sound and social factors which include people in the store such as customers and employees". Further to this, Berman and Evans (1995) discuss

four elements of atmospheric stimuli and highlight the store exterior, the store interior, the store layout and design and the point-of-purchase and decoration.

Turley and Milliman (2000) built on Berman and Evans' (1995) model and suggested that five categories of variables existed within the purchase environment. These include external variables such as size of building, exterior display windows and exterior signs; general interior variables including colour schemes, width of aisles and cleanliness; layout and design variables such as space design and allocation, placement of merchandise and furniture; point-of-purchase and decoration variables such as wall decorations, product displays and artwork; and human variables such as employee characteristics, employee uniforms, crowding, customer characteristics and privacy. Turley and Milliman's (2000) addition of human variables is interesting as it relates to Findlay's (1992) suggestion that the ultimate outcome or behaviour of the consumer will depend on the dynamics of the organism (the individual consumer). Turley and Mulliman (2000, p197) state, in addition to this, that "human varibales can be sub-classified into two areas, the influence of other shoppers and the influence of retail employees on shopping behaviour."

In order to expand on this additional category of variables, Turley and Milliman (2000) suggest that crowding has a negative influence on consumer evaluations of the shopping experience. Particularly in relation to this thesis' objectives, Turley and Milliman (2000) suggest that crowding has a negative influence on consumer perceptions of product quality. Further to this, "the appearance of retail employees is critical since it can be used to communicate a firm's ideals and attributes to consumers, […] the more social cues present in the store environment, the higher the subjects' arousal […] and stores with prestige-

image social factors were perceived as providing higher service quality than stores with discount-image social factors" (Turley and Milliman, 2000, p206).

The Influence of Physical Surroundings

Further to this, authors such as Hawkins (2006, p40) examined physical surroundings in their work and suggest that retail formats are specifically designed to evoke *feelings* in consumers and, in addition to this, Hawkins (2006, p40) suggested that internal elements of these retail environments can be used as cues or reinforcement mechanisms to encourage purchase; "these influences will generate perceptions of the retail environment and these perceptions will, in turn, influence the purchase decision." (Hawkins, 2006, p40). It is suggestions such as these which are so interesting to place in the context of counterfeit purchase. Several authors explore possible reasoning for consumer purchase of counterfeit goods (Gentry et al, 2001);(Penz and Stottinger, 2005);(Hung, 2003), however this study aims to explore this area further. One of the focal objectives of this study is to explore the extent to which these 'physical surroundings' and 'store atmospherics' are relevant and influential in the counterfeit context, specifically the influence that environmental characteristics have on consumers when they are developing perceptions of the counterfeit product.

Referring back to Findlay's definition of environment, "the chief characteristics of a more or less permanent situation" (Findlay, 1992, p35), it should be noted that certain characteristics may be present in a variety of situations and not present at all in others. In addition to this, combinations of retail characteristics will constitute various purchase environments. In other words, an individual

environment characteristic could be present in two environments however the environments themselves may be extremely different due to the other characteristics which are present and acting as influencers. Due to this notion, this study will initially examine retail characteristics as individual entities. The specific purchase environment characteristics which will be explored will be initially moulded by the literature surrounding the theory of servicescape.

Servicescape, originally developed by Booms and Bitner in 1981, has been examined for many years now and can be defined as, "the environment in which the service is assembled and in which the seller and consumer interact, combined with tangible commodities that facilitate performance or communication of the service" (Booms and Bitner, 1981, p36).

Bitner also independently extended this research and defined servicescape at a later date by stating it to be, "all of the objective physical factors that can be controlled by the firm to enhance (or constrain) employee and customer actions" (Bitner, 1992, p65). The use of the wording 'enhance (or constrain) employee and customer actions' suggests that the physical factors that belong to an environment adopt a manipulative role and have the opportunity to influence the individual. This suggestion supports previous suggestions (Findlay, 1992);(Akhter *et al*, 1987) that the purchase environment influences behaviour.

| Environmental Dimensions | Holistic Environment | Moderators | Internal Responses | Behaviour |
|---|---|---|---|---|

**Cognitive**
-Beliefs
-Categori-
sation
-Symbolic
Meaning

**Emotional**
-Mood
-Attitude

**Physiological**
-Pain
-Comfort
-Movement
-Physical
fit

**Ambient Conditions**
-Temperature
-Air quality
-Noise
-Music
-Odour
-Etc

**Space/Function**
-Layout
-Equipment
-Furnishings
-Etc

**Signs, Symbols and Artifacts**
-Signage
-Personal artifacts
-Style of decor
-Etc

**Perceived Servicescape**

**Employee Response Moderators**

**Customer Response Moderators**

**Employee Responses**

**Customer Responses**

**Approach**
-Affiliation
-Exploration
-Stay Longer
-Commitment
-Carry Out Plan

**Avoid**
(opposites of approach)

**Social Interactions Between and Amongst Customers and Employees**

**Approach**
-Attraction
-Stay/Explore
-Spend Money
-Return
-Carry Out Plan

**Avoid**
(opposites of approach)

**Cognitive**
-Beliefs
-Categori-
sation
-Symbolic
Meaning

**Emotional**
-Mood
-Attitude

**Physiological**
-Pain
-Comfort
-Movement
-Physical
fit

Figure 1.9

Bitner's Servicescape Model

Bitner (1992, p60)

Bitner's Model of Servicescape

To begin, it should be noted that this model should be observed from left to right, beginning with a discussion of the 'environmental dimensions'. Referring to the work one of the original authors of 'servicescape', Mary Bitner (1992, p65) speaks of 'three composite dimensions' (see Figure 1.9). These dimensions are demonstrated in the 'environmental dimensions' section of the model and comprise of 'ambient conditions', 'spatial layout and functionality'

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and 'signs, symbols and artifacts'. As the title suggests, 'ambient conditions' refer to the elements within the servicescape such as temperature, noise, odour etc. Further to this, 'spatial layout and functionality' refers to equipment, furnishings etc. Bitner (1992, p66) states that, "spatial layout concerns the ways in which machinery, equipment, and furnishings are arranged, the size and shape of those items, and the spatial relationships among them." Finally, 'signs, symbols and artifacts' refers to additional objects produced by humans within the environment, for example, signage.

The three sub-categories which fall into Bitner's (1992) grouping of 'environmental dimensions' are the elements which constitute a servicescape and it is these elements of servicescape which will guide this study's consideration of what may constitute a 'counterfeit purchase environment'.

In addition to its contribution to servicescape categorisation, Bitner's (1992) publication demonstrates the impact of physical surroundings on customers and employees; "Many items in the physical environment serve as explicit or implicit signals that communicate about the place to its users" (Bitner, 1992, p66). In other words, the elements of servicescape (environmental dimensions) communicate a message or meaning to the individuals interacting within the purchase environment. This 'message interpretation' is represented in Bitner's model as the 'perceived servicescape'.

Being individuals, each staff member or customer who is interpreting the environment is likely to select different combinations of servicescape cues (environmental dimensions), "Not only do different guests respond differently to the same environment, but even the same guest may respond differently from

day to day or even hour to hour. Although the hospitality organization usually provides the same servicescape elements for everyone, it should always remember the uniqueness of guests." (Bitner, 1992). With this to consider, Bitner (1992) includes 'moderators' within the model (see Figure 1.9). Moderators are the distinct factors which cause each individual to react to environments in different ways. These factors could be the particular mood or feelings the individual is experiencing that day. Therefore, dependent upon the 'moderators', the internal responses of the individual will differ and subsequently, the reaction of avoidance or approach.

Bitner's model (1992) is interesting to consider as an extension of the theory explored so far as it not only details and segments the elements of servicescape but it also suggests the various ways that servicescape could influence the individual. Within Bitner's model, the relationship between various characteristics of the environment and human responses is presented. The particular responses are also segmented by whether they refer to either the employee or the customer. Due to the nature of this study, the particular element of Bitner's model which is of interest is the ways in which specific environmental characteristics affect consumer responses (refer to shaded areas of Figure 2.0).
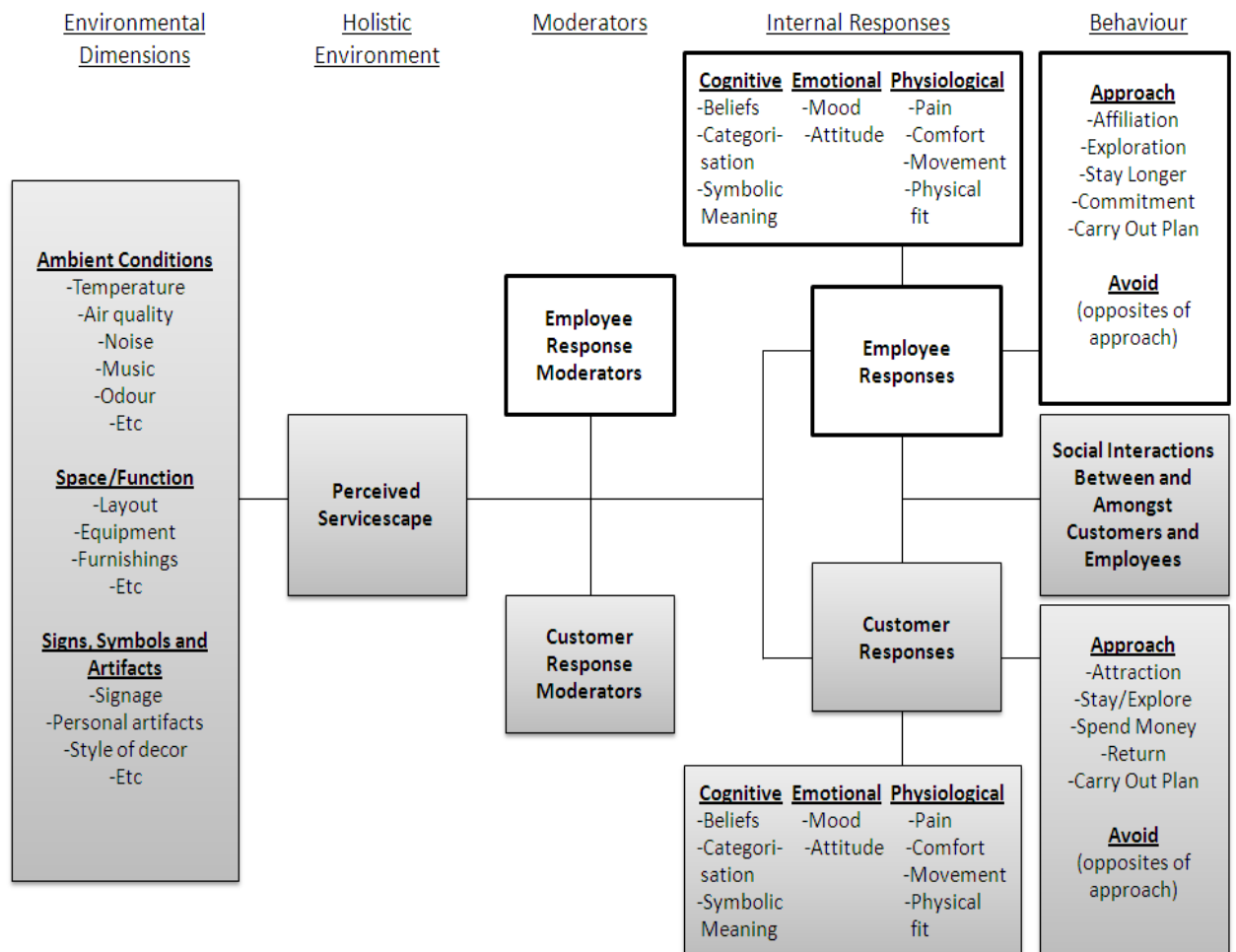
Figure 2.0

Bitner's Servicescape Model (specific areas of interest – shaded)

Bitner (1992, p60)

Servicescape elements, one of the core attributes of Bitner's model, are suggested to have a direct influence on consumer behaviour (Cockrill *et al*, 2008) however, it is important to recognise in addition to this that "servicescapes play an important role, both positive and negative, in customers' impression formation" (Lin, 2004, p163). In relation to this consideration, Bitner (1992) speaks of 'approach' and 'avoidance' and how the decision of which

reaction an individual makes is based upon a sequence of events running from the servicescape to the individual (refer to Figure 1.9). The reaction to 'approach' ultimately involves a positive outcome where the customer remains in the purchase environment, possibly makes a purchase and is likely to return in the future. The 'avoidance' reaction involves negativity where the customer most likely leaves the purchase environment, does not make a purchase and is unlikely to make a return visit to the environment. Bitner (1992) suggests that the consumer's final decision of whether to approach or avoid is based on their responses to the servicescape.

The responses which are mentioned above are the internal responses which Bitner (1992) categorised as cognitive, emotional or physiological reactions. Bitner (1992) describes cognitive reactions as those elements such as beliefs, categorisation and symbolic meaning. Emotional responses are said to be associated with moods and attitudes. Physiological responses include reactions such as pain, comfort, movement or physical fit.

Due to the specific nature of this study, the types of responses which are of particular interest are those labelled as 'cognitive' and 'emotional'. These responses have been chosen to be examined more closely because the consumer perceptions with which this study is interested relate more directly to consumer feelings, cognitive thought and emotion rather than the more to external, tangible, physical reactions which are depicted within the 'physiological' response category.

Bitner (1992, p62) elaborates on these elements of response and states that "the perceived servicescape may elicit cognitive responses influencing people's beliefs about a place and their beliefs about the people and products found in

that place." Bitner (1992, p63) continues by highlighting the fact that "emotional responses to the environment may be transferred to people and/or objects within the environment." Statements such as these support the fact that a relationship may be present between the retail environment and the consumer perceptions of the products which the environment holds.

Further Exploration of Servicescape

Extending the exploration of servicescape further, Reimer and Kuehn (2005) state that the three elements which comprise a 'servicescape' are "the exterior and interior design, ambient conditions such as temperature, noise, odour, and tangible parts of the service such as business cards, brochures, and other communication material" Reimer and Kuehn (2005, p786).

Mudzanani (2009) discusses further categorisation of 'servicescape' and suggests three, slightly different, components of segregation. These three components include facility exterior, facility interior and other tangibles. Mudzanani (2009, p24) describes facility exterior to include "exterior design, signage, parking, landscaping and the surrounding environment". Mudzanani (2009, p24) then continues by highlighting the key elements of the facility interior; "interior design, equipment used to serve the customer directly or to run the business, signage, layout, air quality and temperature". The final component which Mudzanani (2009) describes is 'other tangibles'. Mudzanani (2009, p24) specifies that 'other tangibles' refers to items such as "business cards, stationary, billing statements, reports, uniforms and brochures".

Most recently, Mudzanani's (2009) ideas appear to have been built upon similar foundations to those of Reimer and Kuehn (2005) and Bitner (1992) as many factors mentioned in the servicescape are of similar nature. Madzanani's (2008) study appears, however, to neglect the consideration of ambient conditions being present within the servicescape and acting as influential factors.  The elements which comprise Madzanani's (2008) servicescape are only tangible. It may be that, due to the differing times these studies were conducted, variances of opinion came about. It may be that Madzanani (2008) found that ambient conditions were insignificant and therefore chose not to include them.

It is interesting to note that authors such as Mudzanani (2009) and Reimer and Kuehn (2005) have categorised servicescape elements in a similar fashion to Bitner's (1992). This categorisation technique appears to have been adopted for many years throughout the field of servicescape research.

Lin (2004) adds to this discussion by concentrating on examining several elements within the servicescape construct, primarily those of cognition and emotion, mentioned previously in Bitner's (1992) model. Within this study, Lin (2004) firstly considers the concept of 'perception', suggesting that individuals are affected by a variety of stimuli and, further to this, systematise these stimuli into groups as a means of making sense of them. This systemisation process is likely to be conducted at the point where the processes of sensation and perception overlap, as mentioned previously within the chapter. It is thought that these systematised groups of stimuli generate 'images' within the consumer's mind. As a means of example, Lin (2004, p165) states that "individuals' perceptions of a hotel lobby tend to include not only the front desk, but also many other elements such as the employees and customers, the lighting, floors,

furniture, artwork, and colour of the walls. The lobby is evaluated by including sensory inputs such as music and scents. All these elements contribute to the formation of customers' image of the lobby."

The Influence of Servicescape on Consumer Perception

Extending the discussion of the ways in which servicescapes could possibly affect consumer perceptions, Ezeh and Harris's (2007) study will be examined. Within this study, the authors examine the relevance of legitimate servicescape in relation to consumer perceptions. Ezeh and Harris (2007, p60) consider the work of Baker (1987) and state that, "because the physical facilities are a visible manifestation of the intangible service, inexperienced consumers (that is consumers using the service organisation for the first time) will rely on the organisation's servicescape to make judgements on the organisation's competence."

Due to many counterfeit purchases being 'impulse' purchases (Richins, 2010), it may be that these purchases are made in servicescapes which are not familiar to the consumer or are servicescapes which, although may be visited regularly, may change their structure frequently due to their 'temporary' nature. For example, purchase opportunities for counterfeit products are considered by many to be related to environments such as markets and car boot sales (Trott and Hoecht, 2007) and these types of environments can very often vary in structure between each of the consumer's visits. Also, as mentioned previously, the consumer may have never visited the environment before and the environment's stimuli may be a new interaction for the consumer.

Subsequent to this it could be suggested that many counterfeit consumers are so-called 'inexperienced' consumers and will, as suggested by Ezeh and Harris (2007), rely on the servicescape as a means of assessment. Even those consumers who are considered to be 'experienced' and have consumed in the servicescape on multiple occasions are said to rely on these 'physical facilities' to conclude as to the product provider's competence (Ezeh and Harris, 2007). From this knowledge contribution from Baker (1987) which has been contextualised in the present consumer market by Ezeh and Harris (2007), it could be assumed that consumers from a variety of experience backgrounds regarding counterfeit purchases will seek physical cues from the counterfeit servicescape (counterfeit purchase environment) as a means of assessing the retailer and, most likely, the product offerings. From this, the notion that servicescape stimuli influence consumer perceptions of product retailer competence and ultimately the product offerings has been observed.

The Counterfeit Servicescape

Due to this study being specifically interested in the environments in which counterfeit products are sold and how the stimuli within these environments may influence consumer perceptions of counterfeit product quality, a detailed examination of the literature concerned with the specific environments in which counterfeit products are sold needs to be conducted. Several authors in the previous few years including Trott and Hoecht (2007), Gentry *et al* (2006), Balfour *et al* (2005) and Hung (2003) have examined this field and the results have proved extremely interesting and beneficial.

Gentry *et al*'s (2006) work is particularly useful as a foundation for this study as Gentry and his collaborators explore the issue in question from a consumer perspective; specifically consumer perceptions of the environments in which they would *expect* to find counterfeit products on sale. Gentry and his fellow researchers, Putrevu, Shultz and Commuri, conducted a study which involved international students from countries such as Singapore, France, Malaysia, America and Italy, and discovered that 'seller location' was a key element to establish when a consumer was attempting to determine whether or not a product was counterfeit. Further to this, the retail format from which the product was available appeared to be an integral part of determining the product's legitimacy. Gentry *et al*'s (2006) study validity is considered strong as it involves respondents from various countries and does not base its conclusions on a limited sample.

The majority of consumers involved in Gentry, Putrevu, Shultz and Commuri's (2006) study assumed that more 'sophisticated formats' including boutiques and department stores would be more likely to stock *legitimately* produced products. The consumers interviewed as part of this study gave some interesting responses including, "If I know where the product is from, I can make a reasonable guess as to whether it's real or not"; "An upper class speciality shop will sell the real product" and "I have the belief that products from department stores are genuine."

Gentry *et al*'s (2006) responses are particularly interesting as some recent publications (DeKieffer, 2006); (Staake and Fleisch, 2008), discussed within the previous literature review chapter, speak of counterfeit products being infiltrated into legitimate supply chains and therefore being ultimately sold in legitimate

retail environments. As mentioned previously, it may be that manufacturers of counterfeit goods attempt to integrate their counterfeit products into licit supply chains on some occasions in order to increase the counterfeit products' chances of retail. For example, if the chances of a consumer believing that the counterfeit product is actually a legitimately-produced, genuine product are increased, it may be that the chances of a consumer making a purchase are increased. In addition to this, the retail value potential of a product which is considered to be legitimately-produced and genuine is usually considerably higher than if the product was considered to be counterfeit. This is likely to be an attractive option for a counterfeit manufacturer. From this, the respondents to Gentry *et al*'s (2006) study may hold somewhat hazardous beliefs as they may be consumers who are easily deceived into buying a counterfeit if it is sold in a more sophisticated environment.

Further exploration of the environments in which counterfeit products are available leads to the work produced by Balfour *et al* (2005). Balfour *et al*'s (2005) study is relatively recent and also involved author perspectives from various points around the world including Paris, London, Beijing, New York, Sao Paulo, Philadelphia and Washington. This study, again, brings an additional international perspective to the data considered. Many of the consumers involved in Gentry *et al*'s (2006) study believed that retail formats such as department stores were reliable sources of only legitimately produced products however Balfour and his colleagues' (2005) work, which studies the supply perspective of counterfeiting, suggests this not to be the case. Balfour *et al* (2005, p3) states, "goods leave China, [then] they can sneak in to the legitimate supply chain just about anywhere." Balfour *et al*'s (2005) use of the word 'sneak'

highlights the negative nature of this action and how this act of integration is very much unwanted by legitimate manufacturers.

Hung (2003, pp63-64) adds to this discussion by stating that:

> "Chinese counterfeiters are not amateurs in counterfeit product production. They can produce sophisticated fakes that replicate every fine detail of the copied product and the package. These fakes may be sold through established retailers and passed off as authentic. Sometimes, even original brand owners are unable to discern whether their products displayed in stores are fakes."

It appears that counterfeit products could, very well, be offered within those 'reputable' retail formats which many of the consumers in Gentry *et al*'s (2006) study appear to trust. In addition to this, Hung (2003) highlights how counterfeit goods can be integrated within a legitimate supply chain with relative ease, stating that counterfeit production sometimes operates alongside the legitimate production within the same factory.

It seems, from initial examination of the current literature, that many consumers assume that counterfeit products are sold in a specific standard of environment. It appears that the majority consumer perception is that counterfeit products are sold in a lower standard of purchase environment however legitimately produced products are expected to be sold in more reputable retail formats including department stores and boutiques.

Further to this it must be considered, as consumer perspectives of the retail environment vary, do perspectives of a *product* vary? If consumers expect a more reputable retail format such as a department store to offer only

legitimately produced products, would their perspective of the same product differ if it had been displayed in a retail format of a 'less sophisticated' standard? For example, if a consumer was asked to give their perception of counterfeit product A whilst it was offered in servicescape X, would the consumer's perceptions have differed if counterfeit product A had been offered in servicescape Y? This study aims to examine this in greater depth, exploring elements within possible counterfeit purchase environments which may influence a consumer's perception of the counterfeit product's quality. With many consumers possessing the kinds of beliefs mentioned above, more needs to be understood about those counterfeit products which manage to infiltrate themselves into legitimate circumstances. More specifically, more needs to be understood regarding the elements of servicescape which portray the image of 'legitimate' or 'genuine' and, in turn, create deceptive counterfeit products. This study intends to explore this gap in the current literature base.

Perceptions of Quality

As is known by many consumers, "the quality of counterfeits has improved greatly" (Gentry *et al*, 2006, p254) over the last few years and this, in turn, has contributed to the percentage of counterfeit products having the ability to become *deceptive* in nature. This increase in counterfeit product quality is a major concern to legitimate brands as it is the deceptive element of counterfeit activity which is seen to cause the greatest damage to legitimate brands that are having their copyrights infringed (Delener, 2000). Delener's (2000, p4) study investigates the issue of consumers being deceived during a counterfeit purchase and states, "Consumers do not [always] realise that they have

purchased a counterfeit. They send the product back to the company whose 'name' is on it for replacement." It appears that consumers assume a product to be a legitimately produced product if it originally appeared to be of good quality. Due to this assumption, deceptive counterfeits are sometimes returned to legitimate retail outlets. Delener (2000, p4) continues; "In the interest of customer service, the company may replace the part or the product. They may not publicly announce that they received a counterfeit for fear of bad publicity. This leads to brand equity erosion which, in turn, leads to a loss in market share." Staake *et al* (2009, p321) appear to share this view when they state that "substandard imitation products that are difficult to distinguish from genuine goods can diminish the level of *quality* associated with a product or company."

## The Influential Environment.

Understanding the ways in which counterfeit servicescapes may affect consumers and their perceptions will help determine those counterfeit servicescapes which are likely to house the most deceptive counterfeit products and those counterfeit products which have the potential to damage the reputations of legitimate brands. This research project will shed light on this area of interest and explore the extent to which consumer perceptions can be influenced by counterfeit servicescape. This will be a much needed addition to the existing literature as even in the context of legitimate retail environments, "the effect of servicescape on quality perception has been inadequately captured." (Reimer and Kuehn, 2005, p785).

Further to this, within the existing literature where research regarding the influence of store environment cues is present, there is a considerable shortage

of studies exploring this area in relation to *multiple* store environment cues (Baker et al, 2002). Baker *et al* (2002) notes this and extends the literature in such a way as to develop our understanding of the influence of multiple store environment cues and their influence on consumer perceptions and intensions. This area in relation to the counterfeit context, however, remains unexplored. This scarcity, again, highlights the need for research in this area and the subsequent originality of this research project.

Due to this specific research project being interested in the extent to which counterfeit servicescape influences consumer perceptions of counterfeit product quality; Baker *et al*'s (2002) paper is particularly beneficial. Baker *et al* (2002) suggest that consumers' 'design cue' perceptions are the only significant elements which affect product quality perceptions. From this suggestion, this research project could adopt the direction of examining only 'design cue' elements in relation to the counterfeit servicescape and the extent to which these elements affect consumer perceptions however, older studies conducted by Akhter *et al* (1994) and Gardner and Siomkos (1985) suggest additional elements that influence consumer perceptions of product quality, these include 'employee' and 'music' perceptions.

Baker *et al* (2002) explores possible reasoning for this variation in opinion and suggests that choices of data collection method may be responsible. Baker *et al*'s (2002) study collected data from respondents using *videotaped* scenarios of servicescapes, this allowed Baker et *al* (2002) to simulate a relatively realistic environment and gain consumer perspectives on these environments and their impact. Akhter *et al* (1994) and Gardner and Siomkos (1985), however, used *written* scenarios to demonstrate the elements of servicescape which were

present. There is a possibility that when scenarios are written and described to a consumer for the purposes of such a study, consumers have their attention drawn towards elements of a servicescape which they might not have otherwise noticed of their own accord in a natural purchase scenario (Baker *et al*, 2002). There is also a possibility that, due to Akhter *et al*'s (1994) and Gardner and Siomkos's (1985) studies being slightly older, consumer habits and perceptions may have changed and the studies' assumptions may be less relevant.

Taking these conflicting views and considerations into account, the original hypotheses composed by Baker *et al* (2002) were referred to. These hypotheses stated that they believed 'store design' cues, 'store employee' cues and 'store music' cues would significantly influence consumer perceptions of merchandise quality. As stated previously, Baker *et al* (2002) ultimately found only 'store design' cues to be a significant influencing factor of consumer perceptions of merchandise quality. However, due to previous studies stating that further elements including consumer perceptions of 'employees' and 'music' were significant, all considered elements will be included within this study in order to help clarify an obvious discrepancy in the current literature. In addition to this, any further elements highlighted during the data collection stages which may prove to be significant in the counterfeit context will be included and analysed.

Adding strength to the decision to consider all cues, including 'employee' cues, Bitner's (1992, p59) comprehensive study suggests that the interaction carried out between staff and customer can ultimately influence perception. Also, due to this consideration being shared by Akhter *et al* (1994) and Gardner and Siomkos (1985) when they suggest that 'staff perceptions' influence consumer

perceptions of product quality, the significance of 'employee' cues appears to be a consistently significant result.

Further to this, Hawkins (2006) explored the purchase environment and, again, deciphered categories of situational influence. Within Hawkins' (2006) work, types of surroundings were categorised and, subsequent to this, the features of these types of surroundings were detailed. Hawkins (2006, p40) suggests five classes of situational influence including, 'physical surroundings', 'social surroundings', 'temporal perspective', 'task definition' and 'antecedent states'.

When speaking of 'physical surroundings', Hawkins (2006, p40) defines this to concern elements such as geographical and institutional location, and also elements such as lighting, sounds and aromas within the retail format. As mentioned previously, within the current literature base concerning counterfeiting, the geographic locations around the world and the settings in which products are produced appear to greatly influence consumer perceptions of product legitimacy (Gentry *et al*, 2001). Also, the specific purchase environments from which products are available also prove influential (Gentry *et al*, 2001); "lower price and non-conventional location were some ways in which consumers could tell whether an item was genuine or a counterfeit" (Gentry *et al* (2001, p260). Further ways to determine product legitimacy included close inspection of the tangible attributes of the product (Gentry *et al*, 2002). This research project, however, intends to take Gentry and his collaborators' exploration a step further. It appears that certain locations or types of purchase environments may influence perceptions of counterfeit products and their legitimacy however more needs to be known about the specific features of these environments, the specific servicescape elements which suggest

legitimacy and those which suggest a product is counterfeit. This study will also explore the possibility that a combination of servicescape features may indicate a product's level of legitimacy.

In addition to this, 'social surroundings' are said to be the extra detail to a given purchase situation. These elements are said to include other people present in the situation including friends, family, other consumers and employees, their characteristics and also their perceived roles within the situation (Hawkins, 2006, p40). This suggestion from Hawkins (2006) may be another indicator that it was a mistake for Baker *et al* (2002) to disregard 'employee' cues as an influential factor. Hawkins' (2006) inclusion of 'social surroundings' also adds strength to those studies which do recognise the importance of other actors within the purchase environment (Akhter *et al*, 1994);(Bitner, 1992);(Gardner and Siomkos, 1985). Hawkins (2006), being a more recent study, also suggests that the slightly more dated work of Akhter *et al* (1994), Bitner (1992) and Gardner and Siomkos (1985) is still relevant.

What is interesting to consider in relation to Hawkins' (2006) 'physical surroundings' and 'social surroundings' is that the ways in which these surroundings may influence is likely to be dependent upon the consumer themselves. The way in which the consumer interprets these 'situational influencers' may differ dependent on whether or not the counterfeit purchase is deceptive in nature. For example, consumers may have an unnatural, preconceived perception of 'a place that sells counterfeits' and if the consumer entered an environment which sold products which they knew to be counterfeit, the consumer may observe the 'situational influencers' or other elements of servicescape in a different way.

Hawkins (2006) then speaks of the 'temporal perspective'. This influential element is all about the *timing* of the purchase, for example, the specific time of day of the purchase or the season in which the purchase is made. Sullivan and Adcock (2002, p65) suggest that the main areas of research in relation to the 'temporal perspective' include explorations of, "shopping times, trip duration, trip frequency and time constraints." Placing the 'temporal perspective' in the counterfeit context, consumers may, to some extent, be affected by time constraints. Situations where counterfeit products can be referred to as 'search goods' (Eisend and Schuchert-Guler*,* 2006), goods which consumers are able to assess for quality before the purchase is made, are likely to be less frequent if time constraints are present. Time constraints in a counterfeit servicescape may, therefore, greatly influence a consumer's perception of the counterfeit product's quality.

However, if physical features of the purchase environment are considered attractive or intriguing by the consumer, this may encourage prolonged browsing and, in return, extended periods in which to view potential purchases. Elements such as music, the extent to which a servicescape is crowded, colours used as part of the exterior and interior of the store, can all contribute towards consumer browsing time (Hawkins, 2006). Hawkins (2006, p42) states, in relation to this issue, "colour influences the way the physical environment is perceived. For example, red is effective at attracting attention and interest and would therefore be good for the outside of a store. However, because it is also perceived as tense and negative, it may not be suitable for the interior of the store where calmer, cooler colours (such as blue or green) would be the best at *retaining* customers." Puccinelli *et al* (2009) also suggests that retail formats with 'soothing, dim lights' encourage longer browsing due to the perception of

the retail environment being more 'pleasant'. From this, it could be assumed that varying combinations of 'physical surroundings' and 'social surroundings' in relation to the 'temporal perspective' could produce various outcomes. To refer to Bitner's (1992) model (refer to Figure 1.9), dependent upon the combination of 'situational influencers', consumers may choose to approach or avoid.

Taking this consideration in to the counterfeit context, those purchase environments which offer counterfeit products would most likely want to consider a balance of 'situational influencers'. Counterfeit retailers would most likely want their potential consumers to spend enough time browsing at products in order for interest to be raised however, if these counterfeit products were being retailed in a *deceptive* manner, the counterfeit retailer may not desire browsing to reach the extent where their counterfeit product offerings become 'search goods'. If consumers were given the opportunity to 'search' the goods, this may reduce the product's chances of being deceptive and therefore their ability to attain a higher price.

Another issue to consider in relation to the 'temporal perspective' is that this element is very much affected by the individual consumer themselves, their lifestyle etc, as the busier the person, the more likely their purchasing patterns will be subject to time constraints.

Hawkin's (2006) forth class of situational influence is titled, 'task definition'. 'Task definition' refers to the intentions behind the purchase; the reasoning for the purchase. In relation to this issue, Puccinelli *et al* (2009, p16) states "goals influence how consumers perceive the retail shopping environment and its individual elements, their shopping behaviour, and their satisfaction with the shopping experience." As previously stated in the literature review, there are

various reasons for why individuals choose to purchase counterfeit products. Eisend and Schuchert-Guler (2006) suggest that consumers sometimes purchase counterfeit products due to them foreseeing themselves purchasing the legitimately-produced, genuine version of the product in the future. These consumers feel that buying a counterfeit version of the product will give them an opportunity to experience the product before investing in the full-price, legitimately-produced product. Eisend and Schuchert-Guler, (2006, p16) also suggest that, "people buy counterfeit products because they want to demonstrate that they can afford branded goods, to show that they belong to a particular social group or to use the product for symbolic self-extension." Counterfeit products are also sometimes bought on holiday as a means of spending the last small amount of holiday cash, for a present or as a souvenir; "The holiday situation also produces a specific holiday mood which seems to drive the inclination to purchase counterfeit products." (Eisend and Schuchert-Guler, 2006, p14).

In relation to 'task definition', dependant on whether the counterfeit product will be given to somebody else as a present or souvenir or whether the product will be kept for personal use, consumers may be more or less concerned with the experiential aspect of the purchase. As confirmed by Puccinelli *et al* (2009, p16), "the same purchase environment may produce very different outcomes and feelings, depending on the consumer's goals." In other words, if the customer is buying for somebody else and they are not as concerned with the overall personal consumption process including the experience of the making the purchase, 'situational influencers' or servicescape elements may be less influential.

The final class of situational influence discussed by Hawkins (2006, p40) is 'antecedent states'. These 'antecedent states' refer to moods, feelings or conditions within an individual which are not long-term (Hawkins, 2006). Examples of these 'antecedent states' include hunger, excitement or fatigue. These states are likely to influence the ways in which consumers shop including their consideration of their 'wants' and 'needs'. Due to antecedent states sometimes being somewhat extreme states of feeling and condition, they may encourage 'wants' and 'needs' for products which are not within usual buying habits. In other words, they may explain counterfeit purchases which are somewhat sporadic in nature. From this it could be assumed that consumers who conduct sporadic counterfeit purchases may be more likely to be influenced by 'antecedent states'.

Exploring the individual strength and impact that these situational influencers, servicescape elements and environmental cues possess within a counterfeit purchase environment is considered important to this research project. Due to the fact that varying counterfeit purchase environments will contain varying influential combinations, different counterfeit purchase environments will house different levels of influence. By exploring the impact of these influencers and determining which counterfeit purchase environments typically possess the most influential cues, an important step can be made in determining the counterfeit purchase environments which possess the greatest potential to deceive. In other words, counterfeit purchase environments which possess a combination of influencers which suggest product legitimacy are more likely to be deceptive in nature and therefore have the ability to damage brand reputation if product faults occur.

As mentioned previously whist analysing the literature, the majority of current research related to counterfeit product assessment concentrates on the counterfeit product itself; the tangible product attributes. Although studies have been completed in relation to legitimate purchase environments and their influence on perceptions of legitimately-produced products (Baker *et al*, 2002);(Akhter *et al* (1994);(Gardner and Siomkos, 1985), the current research has not yet been extended to relate the specific features of the purchase environment to counterfeit products. This study intends to bridge the gap between the current literature whilst, at the same time, injecting new data into the literature field.

<u>Methodology</u>

This methodology chapter is comprised of two parts. The first describes the philosophical positioning that relates to this study and the researcher. This section allows the reader to understand the researcher's attitude to the world and how they believe information is gathered, learnt, used, understood and transferred within the world. The second segment of this chapter details the process that was completed in order to collect the data needed to satisfy the project's objectives. This segment of the chapter provides justifications for data collection choice, the advantages and disadvantages of the methods chosen and details the experiences that the researcher had whilst collecting the data. Writing this chapter allowed the researcher to reflect on the project as a whole and to justify why there is strength in the decisions that were made.

<u>Concepts of Philosophical Positioning within the Research</u>

The phenomenon with which this study is concerned is known as 'counterfeiting' and it is the customers or 'social actors' who operate within the parameters of this phenomenon who must attempt to make sense of it. In relation to this issue, Schwandt (1994, p40) states that "particular actors, in particular places, at particular times, fashion meaning out of events and phenomena, through prolonged, complex processes of social interaction involving history, language and action." In other words, whilst individuals experience different situations in day to day life, they attempt to make sense of them. However, dependent upon the individual who is involved in the situation, the ways in which the situation is analysed may be very different. This is because different individuals have different ways of making sense of the world.

In order to begin to understand the phenomenon of counterfeiting and in order to appreciate the elements which operate within the parameter of this phenomenon, an understanding must be developed of the social actors and their ways of interpreting and developing meaning regarding counterfeiting. Furthermore, this study aims to "understand meaning" and "grasp the actor's definition of the situation" (Schwandt, 1994, p40).

Whilst examining a phenomenon such as counterfeiting, the world and its social actors are observed and discussed. Whilst making these observations, the study facilitator develops certain viewpoints and behaviours which ultimately influence the ways in which they analyse and interpret the data they gather. These influential behaviours are referred to by Denzin and Lincoln (2008) as interpretive paradigms and it is these interpretive paradigms which influence the way we see the world and subsequently, the way we interpret what we observe or experience. In relation to this, Denzin and Lincoln (2011) suggest four major 'interpretive paradigms', these being 'positivist and postpositivist', 'constructivist-interpretive', critical (Marxist, emancipatory), and feminist-poststructural'. From these four suggested paradigms, the ontological position and the epistemological position relevant to this thesis has been determined. The ontological position answers questions such as 'what kind of being is the human being?' and 'what is their nature of reality?' (Denzin and Lincoln, 2011, p31). The epistemological position defines the relationship between the researcher and the participant (Tashakkori and Teddlie, 2009).

The ontological position or 'the nature of reality' (Denzin and Lincoln, 2011, p31) which has been adopted is one of a constructivist nature. In addition to this, the

epistemological positioning or "the relationship between the inquirer and the known" (Denzin and Lincoln, 2011, p31) is known as interpretivism. This thesis therefore follows the constructivist-interpretive paradigm discussed by Denzin and Lincoln (2011).

Ontological Positioning - Constructivism

Tashakkori and Teddlie (2009, p90) suggest that those researchers following a constructivist viewpoint believe inquiry to be value bound. These authors suggest constructivist thinkers to be "subjective, with researchers and participants working together to co-construct social realities" (Tashakkori and Teddlie, 2009, p90). This suggestion of 'working together' reflects this study's use of a more interactive data collection method, focus groups. More will be discussed regarding the relevance of the individual methods used later in the chapter.

As mentioned previously, individuals attempt to make sense of the world around them as they experience various aspects of life. In relation to this, Schwandt (1994, p40) describes a constructivist researcher to "share the goal of understanding the complex world of lived experience from the viewpoint of those who live it." Schwandt's (1994) suggestion appears to show some support for methods such as focus groups because the method allows the study's facilitator to explore the perspective of individuals in a way that encourages open discussion and allows the participants to converse freely and in as much detail as they feel necessary. Most importantly, the study facilitator has the

opportunity to ask additional questions in order to further clarify certain issues and truly grasp the perspectives of the participants'.

The constructivist viewpoint which suggests 'working together' to build meaning (Tashakkori and Teddlie, 2009, p90) along with developing 'understanding from the viewpoint of those who live it' (Schwandt, 1994, p40) is encapsulated within the focus group concept. Focus groups allow a great opportunity for discussion, insights to be gathered and emotions to be recorded. It is the interactive components of discussion which allow the researcher and the participant to 'co-construct social realities' (Tashakkori and Teddlie, 2009, p90).

From this data collection method, the respondents' viewpoints concerning the crucial issue of counterfeiting were able to be captured in great depth. Also, whilst in session, the focus group participants have the opportunity to lead the discussion to those issues which matter most to them. This freedom of discussion direction which focus groups allow very much supports this idea of 'understanding from the viewpoint of those who live it' which was suggested by Schwandt, (1994, p40) earlier in the chapter. One of the particularly constructivist features of focus groups is the fact that participants use their own words, not pre-conceived words or expressions, to express an experience or situation. By doing this, the participants describe experiences from their own point of view and do not have to struggle to fit into one of several categories of experience which some data collection methods, such as multiple choice questionnaires, offer.

<u>Epistemological Positioning – Interpretivism</u>

As mentioned previously within the chapter, the epistemological positioning or "the relationship between the inquirer and the known" (Denzin and Lincoln, 2011, p31) which has been adopted within this thesis is interpretive. Oates (2005, p292) explores the concept of interpretivism and states that it involves "trying to identify, explore and explain how all the factors in a particular social setting are related and independent." This quotation from Oates (2005) truly encapsulates the objectives of this thesis. Also in relation to interpretive thinkers, Oates (2005, p292) states "they look at how the people perceive their world (individually or in groups) and try to understand phenomena through the meanings and values that the people assign to them."

Within this thesis, meanings and values are very much a focal issue as consumer perceptions of counterfeit products and their levels of quality are explored and discussed. An important issue in relation to this thesis topic is how the product quality perceptions or values are created by the social actors or customers as they are more commonly known. Further to this, this thesis explores how the individual factors, eg: the social actors and products, in various consumption situations are related. The focus of this thesis is very much of an interpretive nature.

Denzin and Lincoln (2011) suggest all research to be interpretive as all research is affected in some way by the researcher's own feelings and beliefs concerning the subject area; "No analysis is neutral" (Denzin and Lincoln, 2011, p208). Oates (2005) also considers this element of the interpretivistic approach and

states that "researchers are not neutral" (Oates, 2005, p292). Oates (2005, p292) continues and states that "researchers' own assumptions, beliefs, values and actions will inevitably shape the research process and affect the situation." In other words, two researchers could be given the same data and they could interpret it in completely different ways. Everyone has their own subjectivity.

Schwandt (1994, p40) also discusses this issue and states that "the constructivist or interpretivist believes that to understand this world of meaning one must interpret it." Bearing in mind the suggestions of these authors, it must be considered to what extent the researcher's beliefs may affect the study in question. Within this context, the researcher has been previously involved within the counterfeiting parameter adopting various roles. For example, the researcher has been both a customer of counterfeit products, a consumer of counterfeit products and, in addition to this, a researcher exploring the phenomenon from both the supply and demand perspective. In relation to this Oates (2005, p293) recognises that "researchers must be reflective and self-reflective, acknowledging how they influence the research and how their interactions with those they are studying can themselves lead to a renegotiation of meanings, understanding and practices." The beliefs and feelings that have been generated from this previous experience with counterfeiting are not of a contentious or difficult nature and so there is no suggestion that the prior experience will affect the study in a negative manner. The previous experience has, however, allowed the researcher to observe the phenomena from a broad perspective, observing many elements within the parameter. It is felt that this previous experience and interpretation of the phenomena will only benefit the study as many perspectives can be understood and taken into consideration. A

continuous reflective process will be conducted throughout the study in order to ensure previous experiences do not influence the study in any negative way.

Methods of Data Collection

The Population of Interest

Within this thesis, the population of interest is individuals between the ages of 18 and 30. This age range was chosen as it categorises 'the young customer'. Younger customers were specifically chosen as it is these individuals who will continue to develop their purchasing habits and consumption habits and ultimately shape future consumption in relation to the counterfeit market. By discovering more about how the younger consumer operates in various counterfeit purchase environments, more can be learnt about how counterfeit consumption patterns may develop in the future.

Getting 'in touch' with the Population

With the chosen age group in mind, various communication channels were considered. The use of social networking sites was considered a contemporary yet efficient way of targeting the chosen sample as they use this form of communication on a regular basis (Mintel, 2008). Facebook was chosen as Mintel (2008) stated it to be the most commonly used social networking site within the chosen population (see Figure 2.1).

A personalised webpage was created via Facebook to promote the study. The Facebook webpage consisted of a title, 'Faking it - Research', a photograph of counterfeit products alongside the title to reflect the theme of the page, a

section containing relevant information such as the researcher's background

and the purpose of the study, the option for both the researcher and the

participants to upload additional photographs in relation to the topic and a 'wall'

for people to add comments or start a discussion. The structure of the page was

an excellent opportunity for the chosen population to interact with the study in a

convenient and familiar way.
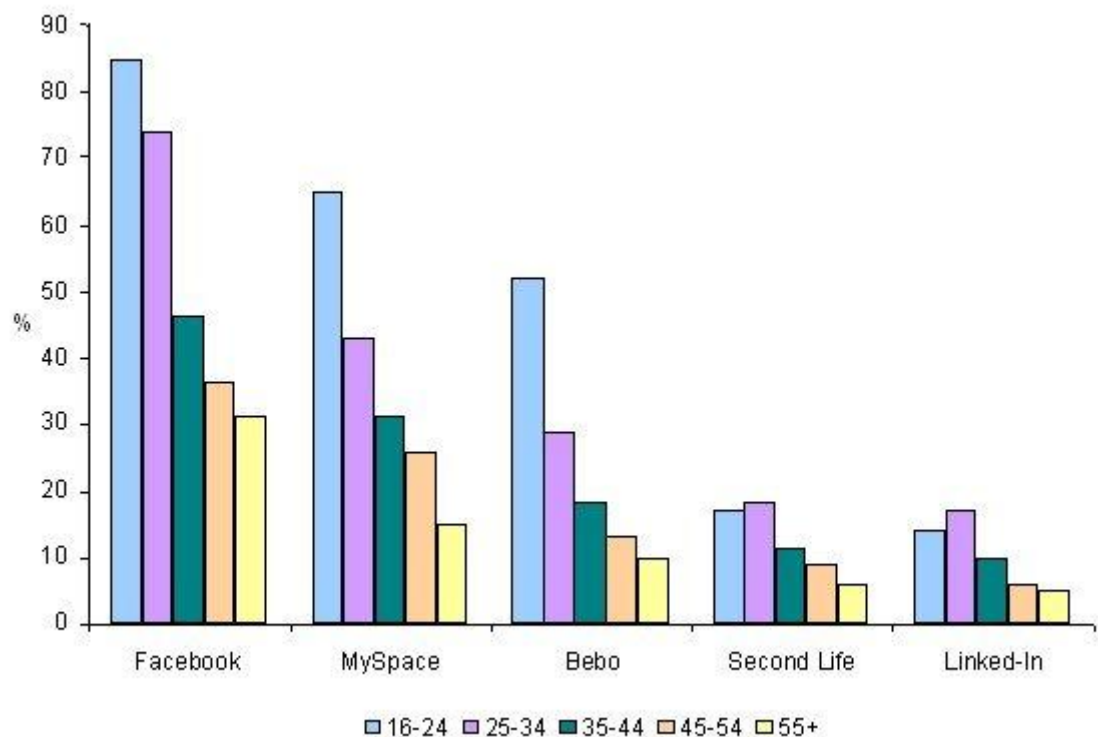


Figure 2.1

Social Networking Sites by Age Group

Mintel (2008)

Via use of the study's personalised webpage on Facebook, participants were

able to learn about the study's focus at their own leisure as the primary

objectives of the study were available to read in concise segments within the

information section. The participants were also able to view images of counterfeit products to further engage them with the study's theme.

Initially, a link was sent to everyone who fell into the 18-30 age range on the researcher's Facebook friend list requesting them to join the webpage. The individuals who received the link were given an option to either ignore or join the webpage. When an individual joined the webpage, a notification would be posted on their personal Facebook profile page indicating that the individual was now a member of the 'Faking it – Research' webpage. Through the use of these notifications, the 'Faking it – Research' page was advertised to others and these other individuals were made aware of its presence. If these other individuals were interested in the group, they could click on it and have the option to join, creating a snowball effect. This self-selecting sampling format emerged due to the involvement of the social networking site, Facebook. In addition to this, when individuals joined the webpage, an automatic email would be sent to the researcher which indicated new members. Individual members could then be contacted regarding their participation in a focus group (please refer to Figure 2.2).
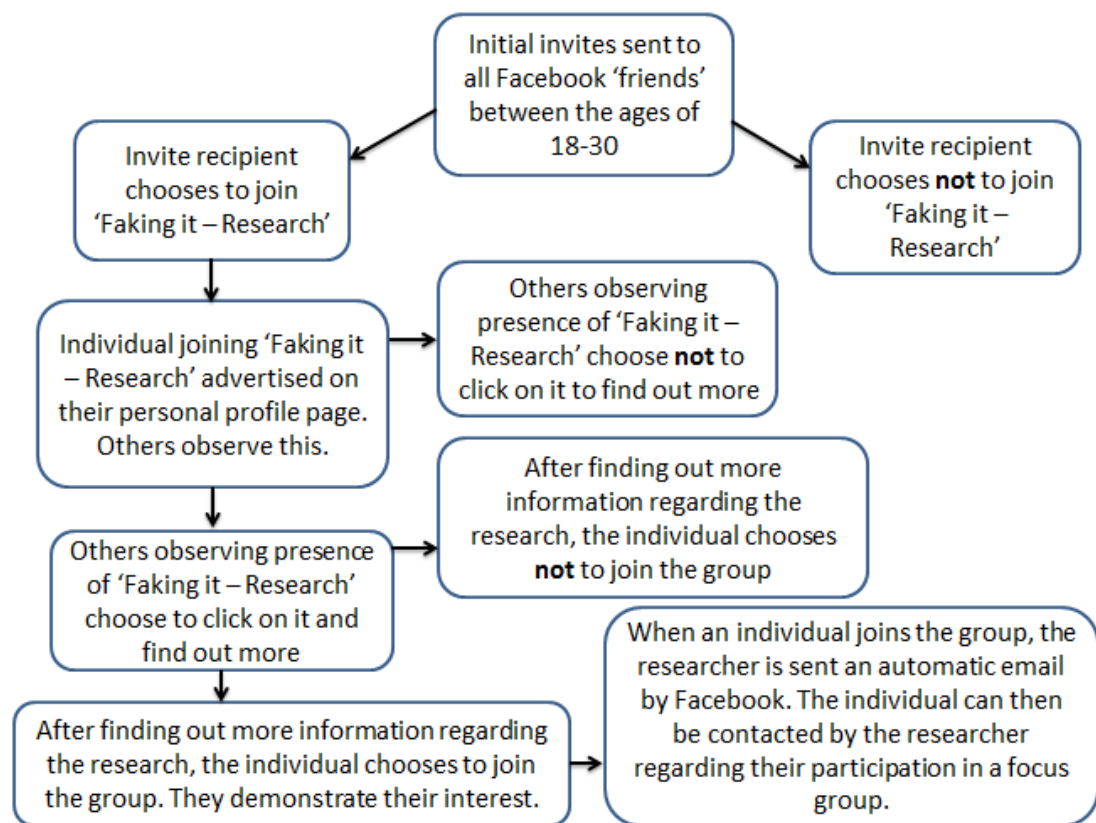
Figure 2.2

The 'Snowballing' Effect

Counsell (2012)

Contact between the 'Faking it – Research' members and the researcher was simple and convenient as contact could be made at any time using a laptop or PC or even by accessing Facebook via a mobile phone. Contact could be made via communal messages on the webpage itself or via personal messages to the member's individual profile page.

What was particularly useful about using a communication channel such as Facebook was that individuals had the initial option of whether or not to join the study's personalised webpage. If an individual chose to join the webpage then

they had already indicated their interest in the study's subject and were, therefore, more likely to participate in a focus group. In other words, using a communication channel such as a social networking site means that the task of collecting focus group participants is made much simpler. Individuals who weren't interested in participating in the study could 'opt out' via the click of a button.

The following 'screen shots' demonstrate the layout of the Facebook page.
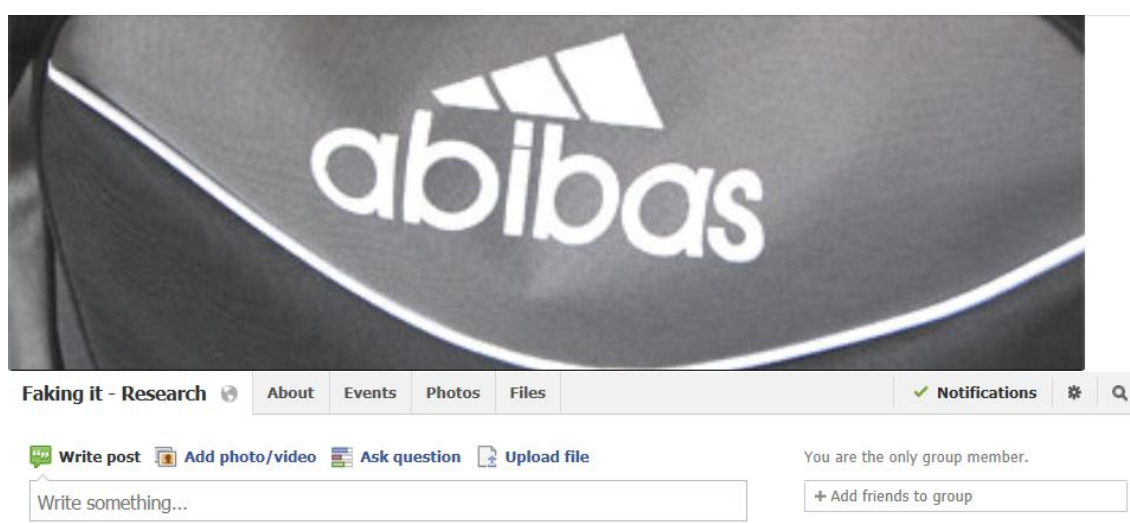


Figure 2.3

Title Bar and Title Image of Facebook Group – 'Faking it – Research'.

Figure 2.3 shows the title bar and main image of the Facebook group. As can be observed, the title bar provides options for the visitor to find out more information regarding the research, find out about future events (focus groups) and learn more about the topic via images of counterfeit products. There is also the option to upload files if additional information is needed such as directions to focus group locations.
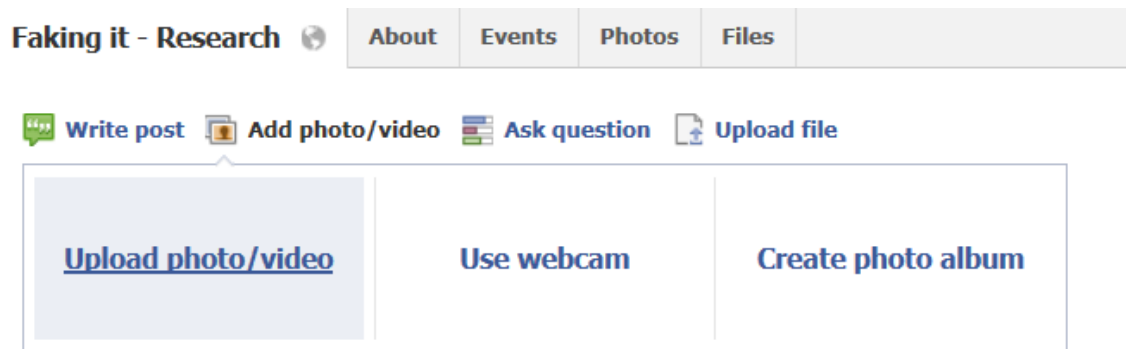
Figure 2.4

'Faking it – Research' Screen Shot

Figure 2.4 demonstrates the additional options available for the group members such as uploading their own images/videos of counterfeit products. Members also have the opportunity to ask questions about the group, the research or image/video via an instant messaging system. This allows individuals to clarify any concerns they may have before agreeing to participate in a focus group. Members can also 'chat' with the researcher or other group members via the 'webcam' option. The option to 'chat' via webcam allows members to get to know each other before the focus groups are conducted. This can ease an individual's concerns about meeting a new group of people and can reduce chances of participants not wanting to speak during the focus group due to nerves.

**Natalie Kate Rebecca Counsell**

If you are available during the following time slots, please let me know:

Student Groups:

Wednesday 24th Feb -

1pm-2pm,

2pm-3pm,

3pm-4pm or

4pm-5pm
OR ANY OTHER TIME (PERHAPS BETWEEN LECTURES/SEMINARS)
WHICH IS CONVENIENT

Student or Non-Student Groups:

Week Commencing Monday 1st March (Weekdays or Weekend)

Week Commencing Monday 8th March (Weekdays or Weekend)

Week Commencing Monday 15th March (Weekdays or Weekend)

Like · Comment · Unfollow post · 16 February 2010 at 12:55

**Laura Eaves** hi nat happy to do it. let me know when!
16 February 2010 at 15:35 · Like

Write a comment...

Figure 2.5

'Faking it – Research' 'Wall' Discussion

The screen shot above shows an example of a discussion on the group's 'wall'.
Possible focus group time slots were advertised and group members could
respond either as a comment at the bottom of the page or via a private
message to the researcher. Members could respond at a time convenient to
them as Facebook is available at any time.

130
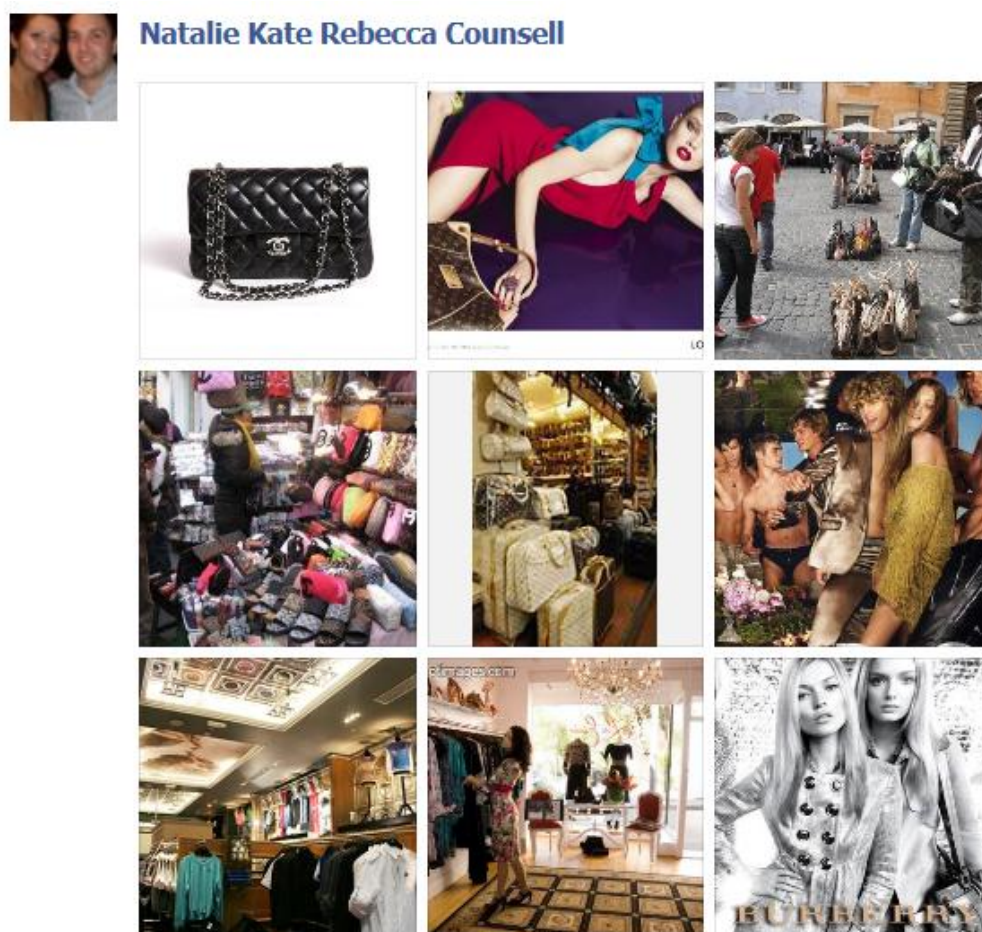
Figure 2.6

'Faking it – Research' Images

Figure 2.6 shows a selection of the images that were uploaded to the Facebook group as a means of explaining the research project to the group members and providing examples of counterfeit products. The group members could comment or ask questions about the individual images if they chose to.

Focus Group Composition

Each focus group consisted of four to eight participants and included a mix of gender, occupation and age within the given boundaries (18-30) in order to

cover a diversity of views where they exist. Examples of the participants'
occupations included hairdressers, teachers, retail assistants, nursery nurses
and students. By using as broad a range of participants as possible, the focus
group discussions could involve the opinions of varied individuals with varied
backgrounds and experiences. This diverse group of individuals would also
allow for a richer selection of responses.

Due to the financial limitations of the research project, all focus groups had to
be conducted within the North West of England. Due to this restriction all
participants were, at the time, located in this area however not all were originally
from the North West. All of the participants were, however, British citizens.

A total of ten focus groups were conducted over a period of 12 months. The
focus groups were conducted in similar environments, either study rooms within
the university or private rooms within the library. The environments in which the
focus groups were conducted were chosen to be similar in nature in order to try
and reduce any possible external influences which may affect the responses.

Due to the controversial nature of the subject matter and the fact that it involves
the discussion of illicit activity, it was felt that too large a group may result in
participants being less likely to disclose certain behaviours or opinions. Too
small a group, however, may result in a more limited discussion being
developed within each session. It was decided that no less than four and no
more than eight participants would be a good balance of numbers for the
purposes of this study. In addition to this, the focus group sessions lasted
between 50 minutes and 90 minutes dependent upon the direction and extent of
discussion development.

<u>Introducing the Focus Groups</u>

All of the focus groups began with an initial introduction providing an overview of information about the researcher and a brief outline of the study's objectives. This introduction aimed to familiarise the participants with the situation and make them feel more confident about the purpose of the focus group and their involvement. All focus group participants were reassured that all data recorded for the purposes of the study would be treated in a strictly confidential manner and the information received would be securely stored and would not be disclosed to any third party. In relation to this, Israel and Hay (2006, p78) state that "in social science, interviewees might be reluctant to reveal details about themselves if they think the information could be freely disseminated to third parties." It is therefore of benefit to both the focus group participants and the study itself to have correct confidentiality procedures in place.

In addition to the correct confidentiality procedures, The University of Central Lancashire has strict regulations regarding ethical procedures in research. This research project was presented to the Research Ethics Committee in the form of a study proposal which included information regarding the data collection methods and data storage process. In order to continue with the data collection, the Research Ethics Committee must approve the proposal which has been presented. All research students must also adhere to the university's Code of Conduct for Research. This Code of Conduct states that researchers should be honest regarding their own actions in research and in their responses to the work of other researchers, recognise that academic research and data should be protected throughout the process and, once published, researchers should make relevant data available. The Code of Conduct also states that researchers

should observe the standards of practice set out by other relevant external bodies, be aware of legal requirements and take particular consideration regarding health and safety legislation.

Conducting the Focus Groups

Initially, the focus group participants were provided with definitions of both a counterfeit product and a pirated product and the difference between the two was distinguished. These definitions were included at the beginning of the focus groups as the literature suggests that some confusion lies between the two. The participants were also advised of the focus group structure and approximate timescale. In order to ensure that no data was unintentionally disregarded, all focus groups were recorded on a digital dictaphone in order for them to be transcribed at a later date.

The focus group schedule was delivered in two parts. The first part involved a discussion about the participants' previous experience with counterfeit products, their opinions about counterfeit product quality and where they believed counterfeit products were typically sold. This section of the focus groups was extremely useful as it allowed open discussion about the study's areas of interest. The discussion as a whole was shaped around an itinerary of questions which were used to prompt discussion regarding specific topics. Participants were able to give examples of experiences they had had with counterfeit products and they were also able to describe in some detail the environments in which they had purchased the counterfeit products.

## The Benefits of Adopting the Focus Groups Approach

When certain parts of the focus group discussion were particularly interesting, further questioning was able to be injected. By incorporating this further questioning, more could be learnt about the participants' experiences and existing knowledge regarding counterfeiting. An opportunity such as this may not be available during some other data collection methods such as a questionnaire. Kolb (2008, pp125-126) supports this when he states that "an advantage of focus groups is the opportunity they provide for researchers to probe issues in depth by encouraging interaction between members. In addition, if a moderator is unsure of any point made by participants, they can be asked follow-up questions." Stewart *et al* (2007, p42) also discuss the benefits of focus groups and the opportunity of follow-up questions when they state that:

> "focus groups allow the researcher to interact directly with participants. This provides opportunities for clarification of responses, for follow-up questions, and for the probing of responses. Participants can qualify responses or give contingent answers to questions. In addition, it is possible for the researcher to observe nonverbal responses such as gestures, smiles, frowns and so forth, which may carry information that supplements and on occasion even contradicts the verbal response."

What was found to be particularly useful when conducting the focus groups was that the focus group participants not only had the opportunity to elaborate on their own responses but they also had the opportunity to extend the comments of other participants' (Stewart *et al*, 2007). This form of discussion proved to provide the study with a rich set of data.

Stewart *et al*'s (2007) observation regarding nonverbal responses is particularly interesting as it highlights an extremely beneficial feature of using focus groups to collect data. Noting the reactions of participants was particularly useful when discussing a subject such as counterfeiting. For example, if a participant was feeling uncomfortable with certain questions or if they felt that they wanted to include themselves in the discussion but lacked the confidence to do so their body language sometimes suggested this and they were therefore be encouraged by the moderator to include themselves and express their thoughts and feelings. During the focus groups conducted for this study, some participants appeared to be less confident when speaking in a group and so body language acted as a major contributor towards making them feel more comfortable within the group.

An additional benefit of the focus group method is suggested by Stewart *et al* (2007, p42) when they state that "the open response format of a focus group provides an opportunity to obtain large and rich amounts of data in the participants' own words". The use of the expression 'the participants' own words' is particularly interesting here as it highlights the difference between those data collection methods which predetermine possible response options and those data collection methods which allow the respondent more freedom of expression. The focus group allows the respondent to describe experiences and feelings in their own words rather than attempting to choose the statement or expression which they feel is a best-fit.

Stewart *et al* (2007, p42) also speak of large and rich amounts of data and to support this they emphasize that "focus groups provide data from a group of people much more quickly and often at less cost than would be the case if each

individual were interviewed separately." During this study's focus groups, rich discussions were able to be developed and the participants were able to speak freely about the topics in question, adding detail to the comments of other participants and drawing conclusions from what they had learnt from one another. Stewart *et al*'s (2007) comment is also particularly relevant to this study as it highlights the reduced costs of focus groups in comparison to other data collection methods. The focus groups were able to be organised and conducted with almost no additional costs to the researcher. This was a benefit to the study as any additional data collection costs would have been adopted personally.

Boeije (2009, p64) also adds to the discussion by suggesting that "group discussions can elicit rich, experiential information and participants can feel good about sharing their experiences." Kolb (2008, p125) also states that "it is the interaction between the moderator and group members and also between the members themselves that gets beyond participants' first responses to explore deeper ideas." The focus group formation was particularly interesting for instances where the participants possessed a range of conflicting views. In these situations the various opinions could be debated and the participants themselves could attempt to draw a conclusion from the opinions expressed. It was extremely interesting to observe the discussions developing and sometimes noting participant opinion transformations.

An additional reason for using focus groups as a means of data collection was that they provided to be an excellent opportunity for various opinions to be represented in one place. If another data collection method had been used, a method such as interviews or questionnaires, individual opinions would have

been expressed by the participants however they would not have had the opportunity to learn about other participants' opinions. By allowing participants to interact they had the opportunity to learn from one another and develop stronger, informed conclusions about the various issues which were discussed within the sessions.

A further positive aspect of focus groups is provided by Stewart *et al* (2007) when they state that;

> "the results of a focus group are extremely user friendly and easy to understand. Researchers and decision makers can readily understand the verbal responses of most participants. This is not always the case with more sophisticated survey research that employs complex statistical analyses."

This aspect of focus group data collection is very appealing as the words which have been recorded can be reviewed and analysed manually, providing the opportunity to interpret and reinterpret the data. The specifics of this data analysis process will be detailed later within the chapter.

Although focus groups provide many benefits, as with all data collection methods, there are some issues which should be considered. Stewart *et al* (2007) suggest that due to the focus groups being comprised of small numbers of people the data they provide cannot be used to generalise the behaviour of a larger population. As with any data collection method, there is always the possibility that too little data could be collected in order to fully understand the subject matter of the research. The amount of data collected should depend upon the objectives of the particular study, in other words, what the study is trying to achieve. It must, however, be taken into consideration that this study

does not intend to generalise regarding the population of interest. The purpose of this study is not to generalise about the chosen population but to contribute to the existing body of literature by learning more about the chosen population in relation to their counterfeit consumption habits and counterfeit product perceptions. After conducting the first seven focus groups for this study, it was noted that a pattern of responses appeared to be forming. It was decided, however, that continuing with the data collection would be advisable in order to ensure that a substantial level of responses had been considered. Once a further three focus groups had been conducted and it had been discovered that the pattern of responses had continued in the same fashion, it was decided that the data that had been collected satisfied the research objectives of this study.

Another consideration regarding focus groups is their level of human interaction. Stewart *et al* (2007, p43) states that "the results obtained from a focus group may be biased by a very dominant or opinionated member. More reserved group members may be hesitant to talk." As mentioned previously, observation of body language is an excellent opportunity to note situations where members of a focus group may be feeling a little uneasy by the situation or discussion. If a quieter member of the group wanted to include themselves in the discussion but lacked the confidence to do so their body language may suggest this and they could therefore be encouraged by the moderator to include themselves and express their thoughts and feelings. Also, if one particular group member appeared to be dominating the discussion, the moderator can attempt to even the situation by actively encouraging the other members of the group to contribute. In order to gain the greatest benefit from the focus group situation, all participants should have the opportunity to speak and express their opinions.

Also when considering levels of human interaction within a focus group, it is important to ensure that the moderator is useful to the extent that they can chair the group effectively however they should not involve themselves to the point where they may begin to contaminate the data. In order to ensure that any negative influences did not occur, the moderator of this study's focus groups did not sit in amongst the group discussion. It was felt that by sitting slightly away from participants whilst they were in discussion, the moderator would reduce the possibility of being considered as a contributor to the discussion by the participants. By arranging the focus groups in this way, the participants concentrated on what each other had to say and developed a discussion rather than just answering individual questions as a group.

Data Collection Using Images

The second section of the focus groups involved presenting the participants with a slide show of images. Each of the fourteen images displayed a different purchase environment with varying combinations of visual stimuli. The reasoning behind choosing to use images within the data collection process evolved from the works of Baker *et al* (2002), Akhter *et al* (1994) and Gardner and Siomkos' (1985) studies. As mentioned previously within the literature review chapter, these authors all studied store environments cues. Baker *et al*'s (2002) study collected data from participants using videotaped scenarios of servicescapes, this allowed Baker et *al* (2002) to simulate a relatively realistic environment and gain consumer perspectives on these environments and their impact. Akhter *et al* (1994) and Gardner and Siomkos (1985), however, used written scenarios to demonstrate the elements of servicescape which were

present. When deciding which method would be most effective for this study, Baker *et al* (2002)'s consideration was taken into account. Baker *et al* (2002) suggested that there is a possibility that when scenarios are written and described to a consumer for the purposes of a study, consumers have their attention drawn towards elements of a servicescape which they might not have otherwise noticed of their own accord in a natural purchase scenario. From this observation, Baker *et al* (2002) adopted the technique using videotaped scenarios. For the purposes of this study, however, videotaping a range of scenarios where counterfeit products could be sold posed some safety risks. This is due to the illicit nature of counterfeiting. Because of the risks associated with the videotaping method and the obvious weaknesses highlighted by Baker *et al* (2002) concerning written scenarios, this study adopted an approach using still images. It was felt that an almost half-way point between a written description and a videotaped scenario was found in still imagery.

The images that were used for this study were sourced from a wide selection of images available on the internet and the images represented a range of environments including those where counterfeit products are typically sold through to environments where you would only expect legitimately-produced, genuine products to be on sale. The images that were used for the study were chosen because they each involved a considerable variety of servicescape cues which the participants could consider and discuss. As mentioned previously in the literature review chapter, counterfeit products are known to be sold in a great range of environments from street vendors to the legitimate retail outlets. Using such a range of images allowed a greater range of counterfeit purchase environment possibilities to be considered.

<u>Visual Data and Photo Elicitation</u>

In relation to using images as part of a data collection method, Boeije (2009, p65) speaks of visual data and defines it to be "the recording, analysis and communication of social life through photographs, film and video." Further to this, in instances where images are used in conjunction with another data collection method such as focus groups or interviews, the method is called 'photo elicitation' (Boeije, 2009). The method of photo elicitation can be described as a process where visual materials are combined with data collection, usually interviews or focus groups, and the participants are asked to comment on and discuss the images (Boeije, 2009).

Bryman and Bell (2011, p222) further describe this data collection procedure and state that;

> "this method involves integrating photographs into the interview by asking the respondent questions about photographs of the research setting. Participants are asked to reflect, explain and comment on the meaning of the objects in the photograph, the events that are taking place, or the emotions that they associate with them."

Denzin and Lincoln (2011, p757) consider photo elicitation and suggest that "photographs proved to be able to stimulate memories that word-based interviewing did not." This, again, supports the method of data collection used within this study and suggests that a richer supply of data can be gathered through the use of photograph-led discussion. By gathering this richer supply of data, we can learn in greater depth about the issue of counterfeiting and its impact. During the focus group sessions, the participants referred to their own experiences and related them to the images they were seeing. The images that

were incorporated within the focus groups proved extremely beneficial to the participants' memory generation process and ultimately allowed very in-depth discussions to be developed.

Whilst conducting the photo elicitation process, the focus group participants observed a variety of photographs. As mentioned previously, a range of environments were shown in order to explore the various scenarios in which counterfeit products could possibly be sold and develop a strong base on which the focus group participants could develop a discussion. The photographs that were chosen to be included within this process incorporated a variety of visual stimuli including variations of lighting, varying levels of environment permanency, various colours, a variety of human stimuli combinations and other various physical cues. The cues which were chosen to be included were based on the existing literature suggestions by authors such as Baker *et al* (2002), Turley and Milliman (2000), Akhter *et al* (1994), Bitner (1992) and Gardner and Siomkos (1985). As mentioned previously, it must be considered that these authors explored the servicescape context in relation to legitimate goods however their theories are still extremely useful when referred to in the counterfeit context. In addition to this, by transferring these ideas into a new context it allows this thesis to tread new ground.

What was particularly useful about incorporating the process of photo elicitation within the data collection process was that the discussion was able to be very much controlled and led by the participants. In contrast, the discussion during the first part of the focus groups was structured by the study facilitator. The discussion during the second stage of the focus groups, however, was very much led by the participants themselves as they discussed what they were

individually drawn to within the images and subsequently how this made them feel. The participants showed their enthusiasm for various aspects of the images and appeared to thoroughly enjoy the discussion with the other members of the group.

The discussions that developed within each focus group session were purely dependent upon the particular servicescape cues that the group noted. It was interesting to see how the discussions developed and how the participants progressively analysed the environmental stimuli as the focus group discussion evolved.

Typically, it took each group of participants a few minutes to settle into the second stage of the focus group and open up to the idea of self-led discussion. As a consequence of this, each group was asked an opening question by the facilitator and then the participants were left to develop a discussion around the themes that they identified for themselves. Subsequent to this, the groups settled into the discussion format of the session and began to 'bounce' ideas off one another as a means to coming to a conclusion about what certain servicescape cues suggested about the counterfeit products that could be available in the environment. In some instances, the focus group would be split into sub-sections if opinions differed and in these instances participants argued their points as to why they believed certain cues suggested certain traits amongst counterfeit products. This was particularly useful to the data collection procedure as participants provided even greater detail as a means of supporting their arguments. This additional detail also resulted in a richer data set for the study.

Within the second stage of the focus groups, those individuals who were involved were able to describe what they saw in their own words. As mentioned previously, this was an excellent opportunity to gather some truly rich data as not only were the individual topics chosen by the participants but the discussion was also shaped by the participants themselves. Within the focus groups, however, a variety of words could be used to describe the same servicescape cue. From one session to another it was found that words could be used interchangeably e.g.: words such as 'busy' and 'crowded'. In addition to this, the words busy or crowded could refer to the quantity of people or even the quantity of the products within the environment. In these instances, it was important to clarify exactly what that particular respondent meant by 'busy' or 'crowded' so discrepancies would not arise at a later date during the analysis period. It proved, however, that by asking the participants to clarify themselves on these occasions that they again added additional detail to the environment they were describing. This was another exercise that contributed to the quality of the data that was collected.

During the data analysis process, all focus groups were transcribed and, from this, areas of particular interest were noted. The transcription process was an extremely useful part of the overall data analysis process as it allowed significant themes to become apparent as the transcriptions unfolded. As stated by Rabiee (2004, p657);

> "The process of data analysis begins during the data collection, by skilfully facilitating the discussion and generating rich data from the interview, complementing them with the observational notes and typing the recorded information. […] The aim is to immerse in the details and

get a sense of the interview as a whole before breaking it into parts.

During this process the major themes begin to emerge."

The quotes that were considered particularly interesting in relation to the study's research objectives were extracted from the main body of transcription and then these quotations were examined in more detail. The key words and themes that occurred frequently within these quotations were noted and then the quotations were categorised in relation to their apparent themes. As the quotations were segmented into themes, a colour coding system was developed to indicate when a particular quotation had been included in a theme. This colour coding system made it easier to recognise in which particular theme the quotation had been categorised and, in addition to this, when some quotations could relate to more than one theme.

Once the quotations had been categorised into approximate themes further, more in-depth, analysis was conducted by not only comparing the themes with one another and seeing how they relate or contrast but also by comparing the individual quotations within each theme. Rabiee (2004, p657) speaks of this strategy in relation to focus group analysis and refers to it as 'indexing' and states that it involves "sifting the data, highlighting and sorting out quotes and making comparisons both within and between cases." This process was extremely useful as further detail was noted and internal sub-themes within more major themes were recognised. For example, the influence of human variables was a theme which emerged from the transcripts however within this theme smaller sub-themes were present such as perceptions of staff and perceptions of other customers.

Once the themes were highlighted, they were able to be inserted into the main body of text. It was decided that the quotations would be presented amongst the discussion in order for the reader to be able to appreciate the way in which the focus groups were analysed and the way in which the data relates to the relevant theory. It was felt that by incorporating the participants' thoughts amongst the relevant theory, it would be more apparent as to how the data and the theory intertwine.

Methodology is an essential part of any research project. It allows the researcher to explore the various justifications for their choices regarding methods, strategy and particular tools. When making any choices regarding methodology, it is important that the researcher considers not only what will best satisfy the research questions but also what methods will complement the researcher's philosophical positioning and what can be considered realistic with regards to elements such as time restraints and financial ability.

<u>Data Analysis and Discussion</u>

This data analysis chapter presents and analyses the major themes that have been observed within the focus groups discussions. There are several themes that have been noted, some which are considerably more extensive in length than others. It is important to mention, however, that although some themes may be smaller than others they are, by no means, less significant.

The chapter segments each theme and provides a discussion of the discoveries that have been made. In addition to this, participant quotations are provided to support the conclusions that have been drawn. The discoveries of this study are then related back to the initial literature exploration in order to demonstrate the original contribution of this piece.

The chapter begins with a discussion of the key theme 'human variables'. It was chosen to discuss this theme first as it was the theme which appeared to be most complex. The human variables theme contains several sub-themes including the concept of self-image and the influence of employees. It begins, however, by discussing the product owner and the cues they provide. The product owner appeared to be the influencing factor that was discussed most by participants. The discussion then expands to discuss other individuals that may be present within the environment, for example, other customers. The chapter discusses the characteristics and cues of these other customers and how they may influence product perceptions and perceptions of product authenticity. Following this, the discussion considers the influence of human crowding and how varying numbers of these other individuals within an environment may impact upon perception formation. The discussion then naturally progresses to examine the other possible human factor; staff present within an environment.

The data analysis chapter then concludes by exploring the other relevant themes; the themes which do not directly involve humans. The final three themes relate to the physical aspects of the environment; opportunities for privacy, spatial crowding and levels of servicescape permanency.

<u>Human Variables</u>

<u>Image and Counterfeit Product Perception</u>

Within the data collected, the participant's perceptions of the owner of the product appeared to act as a major cue when determining the authenticity of an item. Within this consideration, the participants appeared to be specifically dependent upon their perception of the owner's other possessions when they were making decisions as to the status of the product in question. The participants appeared to feel 'canny' and confident when making the decision as to whether or not another individual owned the 'real deal'. Many of the participants' assumptions appeared to be formed around perceptions of the individual's other possessions and their perceived quality. Although the majority of participants appeared to use an individual's other possessions as a means to judge a product's authenticity, the participants had differing views as to how counterfeit and genuine product combinations could influence overall perceptions. For example, some participants considered counterfeit and genuine product combinations to work in the owner's favour:

> *"I think that sometimes if you have a couple of branded things that are*
>
> *real and people know that they're real, people are more likely to think*

*that some of the fake stuff you buy is real too."* (Female participant, age 24, Physiotherapist).

*"If you get a mixture of brands, some fake and some real, people are more likely to believe that your fake is actually real."* (Female participant, age 26, Hairdresser).

*"I like to buy some branded stuff but I can't afford the really expensive brands. I have some fake stuff like stuff I've bought on holiday, handbags and sunglasses, and I think people are more likely to think that my fake stuff is real because I own other branded things."* (Female participant, age 26, nurse).

What is interesting to note about these instances of counterfeit and genuine combinations is that the *participants* are speaking as though they are the ones attempting to deceive. It may be that when an individual makes a counterfeit purchase, they believe that the counterfeit has the ability to deceive others into thinking it is genuine. From this, the *participant* may also be led to believe that the 'deceptive' counterfeit is likely to blend effectively with their other genuine branded possessions.

Focus group *participants* also spoke of other possible instances of brand collaborations:

*"You just know that some people's stuff is real because they've got loads of other designer stuff to go with it. If they've got quite a few designer things, they've probably got certain standards and wouldn't put up with fake stuff."* (Male participant, age 21, Student).

*"When people own a designer product and you're pretty sure it's real, you assume that there's more where that came from. You think, 'well, if they've bought that then they've probably got other things that are designer too.' Buying designer stuff might just be the norm for them. For us, we shop in Topshop or Next, they'll shop in Selfridges or Harvey Nics." (Female participant, age 30, Office Administrator).*

*"I think I'm pretty good at telling a genuine from a fake and, from experience, people who own genuine things usually own more than one genuine thing. I guess it's likely that the other stuff they're carrying is probably genuine too." (Male participant, age 24, Logistics Manager).*

In these instances, the participants were discussing the possessions of other people. The participants in all cases, however, relied heavily on their perceptions of the individual's overall possessions in order to make assumptions about individual items and this is the focal feature of this theme.

One participant described a typical scenario where individuals have been deceived through brand combinations:

*"I've got a friend that buys a lot of last season branded stuff at outlet stores and people know that the stuff she has is real but she just got it at a reduced price. She can't afford to pay the original full prices for these branded things so she'll also buy good quality fake stuff when she's on holiday and stuff. People assume that she's just got another genuine bargain from an outlet store again when they see her fake stuff." (Female participant, age 30, Office Administrator).*

In this instance, the owner of the counterfeit product is known to have bought discounted genuine products in the past. It may be the fact that previous genuine purchases were bought at a discounted price that influences others to believe that any counterfeit purchases are also genuine. Individuals who know the product owner may question whether or not the individual has the financial means to purchase a full price genuine product however they may form the assumption that the counterfeit is just another discounted genuine product. This assumption, however, would only be possible in a situation where the observer of the situation knows the owner and their purchase pattern history.

Some participants, however, believed that counterfeit and genuine product combinations do not work in the owner's favour:

*"I think you know whether or not someone's bag or something is fake because of the other things that they're wearing. They're not fooling anyone when they wear their 'designer' handbag with a really cheap looking outfit. Someone who could afford the genuine thing would wear their genuine handbag with an outfit which would probably be designer as well." (Female participant, age 25, Retail Assistant).*

*"Sometimes you look at people and you just know that what they're wearing is fake because the other stuff they're wearing with it looks cheap and poor quality." (Male participant, age 18, Student).*

*"People who can afford the real thing don't usually have other stuff that's from Primark or something, you know, cheap stuff. If they're wearing something from Primark and then they've got some 'designer' accessories to go with it, you've got a pretty good idea that the 'designer' accessories aren't real." (Female participant, age 28, School Teacher).*

What is interesting to note about the statements from these participants is that they're now speaking not as though they are consuming the counterfeit and genuine product combination themselves but as though they are observing it being consumed by someone else. It appears that when the participants are speaking of their own consumption habits, counterfeit and genuine brand combinations can be seen as a more positive choice. However, when individuals are speaking of observing others and their consumption combinations, they can be seen in both a negative and positive light.

Consumer Susceptibility

Many participants appeared to consider themselves to be 'canny' and admitted to creating combinations of counterfeit and genuine branded items as a means of attempting to consciously deceive observers as to the status of their possession. These active decisions to create brand combinations are extremely interesting as they relate to the theory of consumer susceptibility previously discussed within the literature chapter. To reiterate, consumer susceptibility is stated to be:

> "the need to identify with or enhance one's image in the opinion of significant others through the acquisition and use of products and brands, the willingness to conform to the expectations of others regarding purchase decisions, and/or the tendency to learn about products and services by observing others or seeking information from others" (Bearden *et al*, 1989, p474).

The theory, as can be noted from the definition, can be considered from various perspectives and Ang *et al* (2005) give further insight into the two segments of susceptibility. Ang *et al* (2005, p223) suggest that consumers may be informationally susceptible where "products are bought based on the expert opinion of others" or normatively susceptible where purchase decisions "are not based on the expert opinions of others, but on the expectations of what would impress others."

Social Acceptance

The concept of consumers being normatively susceptible is particularly interesting in the context of the data that has been collected. It appears that consumers are knowingly purchasing counterfeit products in a non-deceptive manner however they are doing so in the knowledge that they may be able to deceive others into thinking that the counterfeit is the genuine product and ultimately impress them. Whilst consumers are behaving in such a way, they appear to be showing 'the need to enhance one's image in the opinion of significant others through the acquisition and use of products and brands', as stated by Bearden *et al*, (1989, p474). In other words, it appears that counterfeit purchases can be very much led by the need for social acceptance. Jamal and Goode (2001, p482) also discuss this interesting notion and state that "self-concept is formed in an interaction process between an individual and others and the individual will strive for self-enhancement in the interaction process."

The fact that a large majority of participants appear to be behaving in a normatively susceptible manner suggests that consumers may see the opinions of others as a high priority.

The Use of Self-Image Theory when Determining Product Authenticity

When considering these other influential individuals that the counterfeit owners may be trying to impress and the subsequent social interaction in relation to an individual's counterfeit consumption habits, the various states of self-image (Blythe, 2006);(Arnould *et al,* 2004) can be incorporated as an interesting method of analysis. Blythe (2006, pp142-143) states that:

> "the real-self is the objective self that others observe, self-image is the subjective self; as we see ourselves, the ideal-self is the person we wish we were and the looking-glass-self is the way we think others see us".

Further to this, with reference to the data, this theory can be discussed in greater depth.

When the consumer purchases a counterfeit product and believes that it is of satisfactory quality to deceive others into thinking that it is genuine, the ownership of the counterfeit may provide them with certain levels of self-image. Self-image is the image which the owner believes the counterfeit product has provided them with. This may be the belief that they now portray the image of superiority or exclusivity. The owner may now believe that they possess some of the positive feelings, beliefs or associations (Arnould et al, 2004) related to the imitated brand. In addition to this, according to Jamal and Goode (2001, p483), "consumers might prefer brands that have images compatible with their perceptions of self." In other words, consumers may be using brands or counterfeit versions of branded products as a means of promoting the image they believe they possess. The consumer may choose a brand due to its specific associations.

Self-image is, however, completely subjective and may be tarnished when the counterfeit's ability to deceive is put to the test. For example the real-self is the perception that others develop of an individual, in this circumstance, with regards to their counterfeit purchase. There may be various real-self portrayals as several individuals may develop differing perceptions about an individual. Therefore, in the case of the individuals who are creating deceptive brand combinations by consuming genuine and counterfeit brands simultaneously, there may be several depictions of real-self. For example, one individual may observe the owner and their brand combination and believe the counterfeit to be genuine. In this instance, this would confirm the owner's beliefs regarding the product's ability to deceive. Examples of this scenario happening were described earlier when observations of brand combinations were considered positive by the participants.

In these circumstances, it appears that the counterfeit owner may continue to experience the feelings of the ideal-self, the person they wished they were. In other words, if other people believe that what they have is the genuine article, they have an insight into the feelings generated from owning a status symbol such as a designer accessory. Typical participant opinions are summarised by the following quotations:

> *"I have a couple of designer things that I've saved up for and bought myself as a treat but usually I can't afford to buy genuine designer goods. I do like the feel of owning something designer though so I like to buy good quality fakes too. A lot of my friends have assumed that some of my fake stuff is genuine though and thought that I've just treated myself again. It's great because I get the feeling of owning something genuine*

*but I've only paid a really small amount!" (Female participant, age 30, Office Administrator)*

*"I love it when I buy a really good fake because loads of people think it's real. I went to a hand-bag party once where you can get really good fakes and I bought a couple of bags and almost everyone thought they were real! It was great! Everyone was complementing me on my bag and it had only cost me £30!" (Female participant, age 26, Hairdresser).*

*"I've had some really good copies before. I've had branded fake stuff and they're that good quality they've even got a fake label sewn inside them. I know it is fake because of where I got it but the quality's so good that you probably wouldn't be able to tell the difference between the real thing and mine, especially from a distance which is where most people will see it from." (Male participant, age 24, Student).*

Although the owners themselves know that their possession is in fact counterfeit the observer, in these instances, are thought to believe that the article is genuine. These observers can be impressed with the owner's purchase and therefore behave in a more positive manner towards the owner, thus giving the owner a feeling of what the ideal-self might be like. In relation to this theory, Jamal and Goode (2001, p483) suggest that "consumers' evaluations of publicly consumed brands were more affected by the congruence between brand image and ideal-self image than actual self-image [or the subjective self-image as it is referred to by some other authors]." From what can be learned from the focus group participants, many counterfeit purchases are made in an attempt to deceive and would therefore be used publicly. Jamal and Goode's (2001) theory is also, therefore, relevant in the counterfeit context as it seems consumers

evaluate counterfeit branded products in relation to the genuine brand's image and the counterfeit product's ability to project the image of ideal-self. It is extremely interesting to relate existing theory which is usually used in the legitimate environment to this new illicit context. By exploring the theory from a new perspective additional validity is added to the theory whilst, at the same time, demonstrating the theory's expanded range of benefits.

If, however, another individual observes the counterfeit product which is being displayed amongst genuine products and is not deceived they will be aware of the counterfeit's illicit status. In these instances the observer may make the owner aware that they believe the product to be counterfeit and will therefore be unlikely to provide the owner with the feelings of ideal-self. An example of a situation such as this was provided by one of the focus group participants when they stated:

> *"I always feel a bit disappointed when somebody says to me 'look what I've got' and they show it to me and I can't hide the 'oh my god, how fake is that' face because you can just tell!" (Female participant, age 26, Retail Assistant).*

The observer may, however, keep their beliefs regarding the product's status to themselves and the owner may still have the opportunity to experience the feelings of ideal-self. In the example below, the participant was aware that the product she was observing was a counterfeit however it appears that she did not disclose this knowledge:

> *"My friend is a very wealthy girl that lives in London and she was saying that she'd discovered these boots called Ugg boots and they were amazing, the best thing she'd ever found. I said 'oh well I think they're*

*ugly but I'm going to have to succumb to them because they're so comfy'. I went to see her in London not so long ago and I saw these famous Ugg boots that she never has off her feet and they were spelt 'Ugh' and I couldn't believe it! And I'm thinking, you're really well off, how much have you paid for those, and you're obviously not street wise enough to know that they're fake. It's kind of a bit insulting. I've bought genuine stuff including genuine Ugg boots so I don't really agree with the fact that this is going on. I have a bit on a conscience about it.* I just hate things that look fake." *(Female participant, age 30, Office Administrator).*

With this to consider, dependent upon whether or not the observer believes the counterfeit to be genuine, the observer's ultimate opinion of the real-self will differ.  Further to this, dependent upon the observers' opinion of real-self and their subsequent reactions, the owner's looking-glass-self will be affected. The looking-glass-self is the way the owner thinks others see them.

From what can be observed from the data, the concept of the real-self is focal as it appears that a vast majority of the participants make assumptions regarding product authenticity based on their perception of the product owner and the cues they provide.  In other words, observer depictions of real-self determine their ultimate perception of the counterfeit product.

Further to this, by creating these combinations of genuine and counterfeit brands and behaving in the deceptive manner that has been highlighted through this thesis' data collection, it appears that the consumers are attempting to attain the feeling of their ideal-self. The theory of self-image appears pivotal when analysing the behaviour of consumers in the counterfeit context. The theory should not, therefore, be thought to be restricted within the boundaries of

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the legitimate context. Self-image is a key theory when exploring the rationale behind perceptions of counterfeit product and product authenticity.

The Concept of Image and Association in the Counterfeit Context

When speaking of the concept of image, Lee and Yoo (2009, p12) state that "the purchase of counterfeits depends on the extent to which the counterfeit product is able to project the same image as the original product." This quotation supports this particular theme as it considers a consumer's apparent need to identify with their ideal-self. In order to achieve the feelings of ideal-self, the owner has to believe that the counterfeit that they own is able to project the particular image that they crave. If the consumer believes that the counterfeit product will be able to provide a satisfactory level of positive image association then the likelihood of purchase appears to increase:

> *"If I'm going to buy a fake bag or something, I make sure that I'm getting a half-decent one. I don't want it to be really obvious that it's a fake! What's the point in having it if everyone knows that it's fake, I might as well buy a nice non-branded bag or something from the high street. You always hope that someone thinks your fake is real." (Female participant, age 29, Student).*

> *"When I'm buying something fake I only ever actually buy it if I think it looks a lot like the real thing, like the design is the same or something. I'd never buy something that's just an obvious random bag or something that's had a brand name sewn on it!" (Female participant, age 20, Travel Agent).*

In these instances the looking-glass-self, the way the product owner thinks others see them, appears to be particularly important.

This theory also appears to work in the reverse. When the image of a genuine brand adopts less positive associations, it seems that individuals may not want to consume their genuine product for the fear of it being mistaken for a counterfeit version. One focus group participant stressed the following about one of her possessions:

> *"A few years ago, I remember really wanting this genuine Burberry handbag and so I saved up a few weeks wages just so I could buy it. I still have it but there's no way I would ever use it now because the Burberry brand is considered 'chavvy'. The Burberry brand is copied so much that even if someone had a real handbag like mine, people would probably assume it was a fake and I don't want people to think that, especially since I saved ages to be able to buy it. It's a shame really."* (Female participant, age 30, Office Administrator).

### The Influence of Socio-Demographics on Perceptions of Counterfeit Products

The participants also relied on the owner of the product in question to provide further cues as to the status of the product. The participants sought to determine the background or social class of the product owner as a means of deciding whether or not a product is counterfeit. This acknowledgement relates to the theory of association because through strategic marketing campaigns, brands create an image for themselves and from this image, associations are created with the typical consumer of the product. In relation to this, Arnould *et*

*al.* (2004, p121) suggest that "associations may extend to the kinds of people who use the brand and situations in which consumption is appropriate." Arnould *et al.* (2004) is yet another theory that contributes to the understanding of counterfeit perception formation. Until this point in time, Arnould *et al.*'s (2004) work has related purely to the legitimate context. This study allows Arnould *et al.*'s (2004) work to be expanded and established as relevant in a new field of research.

The participants of the focus groups described instances where an individual's social class suggested to them whether or not the individual's possession was likely to be a counterfeit:

> *"If the person looks like they're not very well off and you can usually tell that by their general appearance, you know that their 'designer' purse isn't going to be genuine. You know the sort of person I mean. They're shopping in a cheap shop in town but they're paying for the stuff with the change in their Gucci purse! It just doesn't add up so you know it's a fake!" (Female participant, age 24, Physiotherapist).*

> *"I know it sounds bad but I think you know whether or not someone's belongings are genuine because of the background the person comes from. You can usually tell what social class someone is just by looking at them. If you know that their family isn't very wealthy then you know what they have is probably a copy." (Male participant, age 23, Retail Assistant).*

> *"I think someone's social class is a good clue as to whether their 'designer' bag is really designer." (Female participant, age 28, School Teacher).*

*"I'd say the owner or whoever's wearing it can give you a pretty good idea if something is a fake. You just know that some people aren't in a position to buy the real deal so they have to buy a copy instead." (Male participant, age 24, Logistics Manager).*

*"It's like some places you know just wouldn't be selling a genuine item. It's the same for people; you just know that some people won't be wearing the genuine thing." (Female participant, age 19, Student).*

*"You see people who have designer clothes and designer handbags and you can tell from the look of the person that they're probably quite well off, middle or upper class." (Female participant, age 21, Student).*

*"You can tell whether or not something is fake by who owns it. If there's a 'chav' walking down the street with a 'Chanel' handbag, you know that it's not real because you know that they probably wouldn't be able to afford the real thing." (Female participant, age 29, Student).*

As stated in the literature review chapter, the theory of association allows an understanding to be developed regarding the possible reasoning why some brands may be targeted over others by counterfeiters. The positive feelings or beliefs which an individual relates to a brand may be sought after in the form of a counterfeit product however dependent upon the strength of association or the feelings associated with a brand, certain brands may be more or less appealing for the counterfeiters to imitate.

Some brands may have a particular 'type' of consumer related to them. The type of consumer may relate to age, gender, wealth or occupation. For example, the brand 'Barbour' is typically associated with middle to upper class

individuals who may have an interest in farming, hunting, fishing etc. The brand has marketed itself in this way and appears to have successfully achieved the image they sought. The brand describes their products as "authentic country and lifestyle clothing fit for the outdoors" (Barbour, 2011). From the discussions held within the focus groups it appears that if a brand is seen to be used by a 'non-typical' user, the item is more likely to be suspected to be counterfeit.

This consideration could also relate to why some individuals purchase certain counterfeit products over others. The individual may believe that purchasing a counterfeit version of a particular branded product may allow them to benefit from positive association with the brand if the item is believed to be genuine. In other words the individual may believe that by owing a product which appears to be a certain brand, observers may be led to believe that the owner possesses similar qualities to the 'typical-user' of the brand e.g.: a certain social class or wealth.

This sub-theme is also heavily linked to the various states of self-image (Blythe, 2006). The real-self is evident here as the focus group participants made it clear that they generate a perspective of the owner with regards to their perceived socio-demographics and subsequently a perspective of the owner's possession. Ultimately, the focus group participants suggested that their perspective of an owner's social class affected their perspective of the owner's product's authenticity.

The owners of the suspected counterfeit products in these instances may also be attempting to acquire a sense of ideal-self, the person they wished they were. This, however, will depend on the owner's justification for their suspected counterfeit purchase. If the owner's possession is, in fact, counterfeit and the

owner is not attempting to deceive observers with regards to the status of their

possession then it is unlikely that feelings of ideal-self are their personal goal. If,

however, the possession is counterfeit and the owner does wish to deceive

observers, feelings of ideal-self may be the owner's intention.

What must also be considered with regards to the correlation between

perception of the owner's social class or background and perception of

counterfeit product quality is that the perceptions of social class are purely

subjective. In other words, two different observers may interpret the social class

of the same individual in two very different ways. Officially, social class or, as it

is now officially referred to as by The Office for National Statistics (2011), 'socio-

economic classification' is determined by a hierarchy of occupation categories

however, according to the quotations provided by this study's participants, many

attempt to determine social class judging by an individual's outward

appearance. Again, participants appear to relying heavily on 'the overall

package', the owner *and* their product, not just the product in order to generate

perceptions of products.

Negative Association

Within the focus groups, there was also a participant who described a scenario

where association was apparent. The participant describes a scenario where

she purchased a genuine branded product because the feelings of self-image

the purchase produced were likely to mirror her feelings of ideal-self. In others

words, by making the purchase she felt she was able to portray an image closer

to that of the person she wished she was. However due to the brand developing

negative associations in relation to human stereotypes, she chose to discontinue her use of the product:

> *"It does make you think what you're buying though. About seven years ago, I spent a whole week's wages on a genuine Burberry handbag and I've still got it but you wouldn't see me using it anymore! Because it's Burberry and, since then, it's been copied so many times, so badly, and become 'chavvy', I just wouldn't wear it. But then you've got your classics, something like Mulberry, where you don't get as many copies. You can spot the bag a mile off and know it's a Mulberry but since there's hardly any copies of Mulberry bags, people will know it's real." (Female participant, age 30, Office Administrator).*

This example of negative association is particularly interesting because it is usually the genuine branded product that is sought after by the consumer however the consumer sometimes has to resort to buying a counterfeit version in an attempt to attain the feelings related with owning a genuine branded product. Conversely, in this case the consumer has purchased a genuine branded product however chooses not to continue using it due to the negative associations with a certain 'type' of individual. It seems that branding associations can extend both positively and negatively and can be built around the feelings of aspiration (wanting to be like a certain 'type' of person) or the attempt to avoid certain negative stereotypes.

It appears that observers rely on the product owners to provide significant cues when they are attempting to determine the authenticity of an item. In these instances, however, the owner and their product need not necessarily be

operating within the purchase environment; cues are sought from the owner alone.

## The Influence of other Individuals within the Counterfeit Purchase Environment

It isn't, however, only the owners of the products who provide human cues. The focus group participants also suggested that the various individuals who operate within the servicescape can affect perceptions of the products. When the participants spoke of other influential individuals, these varied from other customers to the staff. Referring to the literature, Turley and Milliman (2000) built on Berman and Evans' (1995) model and suggested that five categories of variables existed within the purchase environment. As discussed previously in the literature chapter, the Berman and Evans (1995) model originally comprised of only four atmospheric variables categories. In 2000, the authors Turley and Milliman decided to add a fifth category to the model which highlighted the specifics of human variables and this category was sub-categorised into employee characteristics, employee uniforms, crowding, customer characteristics and privacy. Turley and Milliman (2000) considered the five-category model to be more substantial as a means of examining the effects of various cues on buyer behaviour.

As stated by Turley and Milliman in their 2000 publication, "human variables can be classified into two areas, the influence of other shoppers and the influence of retail employees on shopping behaviour" (Turley and Milliman, 2000, p197). When referring to the results of this thesis' study, it appears that some of the focus group responses in relation to this area can also be categorised in the same way. The participants speak of both other shoppers and the employees

that operate within the purchase environment. From what has been discovered through the various focus group discussions, both the human cue categories appear influential in the counterfeit context as do the sub-categories of these two variables e.g.: employee characteristics, employee uniforms, crowding, customer characteristics and privacy (Turley and Milliman, 2000, p194).

Customer Characteristics

Whilst discussing other customers and their characteristics in relation to perceptions of the environment's products, the participants typically stated:

*"I think that the other people who are in the shopping environment suggest whether or not a place sells counterfeit products. You can look at someone and generally know whether they're upper, middle or lower class and from that you get an opinion of the store's products." (Male participant, age 22, Student).*

*"In the genuine stores, you usually find a certain type of person. You wouldn't find working class people in somewhere like a Louis Vuitton store and if you did, you might suspect that the products they were selling were fake or they had something wrong with them so they were cheaper or something." (Male participant, age 25, Bank Clerk).*

These responses again mirror those that were stated in relation to product owners. From what the participants suggested, other individuals operating within a purchase environment are also used as cues to provide suggestions regarding product legitimacy. Again, perceptions of social class and 'typical consumer' were used to evaluate the individuals within the purchase

environment and these perceptions were then translated into perceptions of product. It seems that a certain 'type' of person is expected within purchase environments where legitimate branded products are being sold and if the individuals within the environment do not meet 'type' expectations then the perception of product can be negatively affected.

Human/Social Crowding

When discussing the impact of other individuals within a purchase environment, participants also discussed levels of crowding. The element of crowding, as stated previously, is discussed by Turley and Milliman (2000) and is said to be an influential component of atmospherics. In 2011, however, Ertekin and Gurkaynak extended the concept of crowding by segmenting it into two categories; human/social and spatial. In this particular section of the data analysis, we are specifically interested in human crowding; "the number of people and level of interaction between them in a store setting" (Ertekin and Gurkaynak, 2011, p7). Levels of spatial crowding will be discussed later within the data analysis chapter.

The concept of human crowding was, at some points, brought into the discussion whilst the participants observed the various images of servicescape. If the images were perceived by the participants to contain particularly high levels of human crowding, they frequently highlighted this and the participants' typical perceptions were as follows:

> *"Usually if a store's really busy with people, it suggests that the products in the store are available to anyone so they're probably not genuine*

*because not everyone can afford the genuine products." (Male participant, age 24, Logistics Manager).*

*"Genuine stores are usually not really busy 'coz' not that many people can afford to shop in them. I would think it was strange if a Louis Vuitton shop or something was crammed full of people." (Female participant, age 26. Retail Assistant).*

*"If I saw a store that was supposedly selling genuine stuff and it was really busy with people, I'd probably think that was a bit weird. Genuine stores are usually very quiet with only a couple of people in at any one time. In fact, I've heard in the past that some major brands only let so many people in their stores at any one time because crowds increase the chances of things getting stolen. You know, the staff can't keep their eyes on what's going on as much if there are too many people in the store. So yeah, I'd probably expect genuine stores to not be overcrowded and if they were, I might suspect that the stuff they were selling either was marked down in price, like an outlet store or something, or the stuff might not be real." (Female participant, age 28, School Teacher).*

These references to levels of human crowding relates to Turley and Milliman's (2000, p197) exploration of the human variable. In relation to this issue, the authors stated that "perceived crowding has a negative influence on consumer evaluation of the shopping experience" and has "a negative impact on quality perceptions". Interestingly, Turley and Milliman's (2000) study related to the legitimate environment however it appears that their study is also relevant to some extent in the counterfeit context. In addition to this, Ertekin and Gurkaynak's (2011) study which examined the relationship between the number

of people and level of interaction between them in a legitimate store setting also appears to have some relevance in this context.

It must be highlighted, however, that when the above authors speak of human crowding, it not only consists of high levels of customer presence. In the above studies, the staff who operate within the servicescape also contribute to perceptions of overall human crowding. Within the focus group discussions, however, the concept of human crowding was only associated with the other customers within the servicescape. When the focus group participants spoke of the staff members within an environment, their focus appeared to lie in the individual staff traits and not in staff quantities. With this to consider, not all elements of Turley and Milliman's (2000) and Ertekin and Gurkaynak's (2011) can be related to the counterfeit context and should be used with a level of caution when exploring counterfeit product perception.

From the typical focus group responses that have been noted it could be suggested that levels of human crowding, particularly customer crowding, are used by customers as a potential cue of product authenticity. The majority of participants did not link genuine purchase environments to the possibility of human crowding. It seems that in purchase environments where there are high levels of human crowding, individuals are less likely to consider these to be environments which offer genuine products.


The Influence of Staff within the Counterfeit Purchase Environment

Further to this, the participants spoke of individuals such as the employees who operated within the purchase environments:

*"The care that the member of staff takes over your purchase suggests whether or not the counterfeit product is good quality. If they are very helpful and take the time to help, it makes me think that they care more about what they're selling and the counterfeit products might be better quality."* (Male participant, age 29, Engineer).

*"Sometimes when you go into a shop that sells fake stuff, you can feel a bit like the shop assistants are pestering you. They really push sales and try and 'help' you shop but it just gets annoying! Sometimes it even drives you out of the shop because it's so annoying! In places that sell genuine products, the assistants seem to be more concerned with your experience in the store. Assistants in genuine stores seem to want you to enjoy being in the store and so seem to be more aware of what is considered helpful and what could be considered annoying."* (Female participant, age 28, School Teacher).

These responses highlight the majority of views within the focus groups with regards to staff in the purchase environments. Dependent upon whether or not the product is genuine or counterfeit, it seems that the consumer expects different levels of service whilst considering their purchase. Based on the service and reception they receive from staff members, consumers appear to make an assumption regarding the products on offer. In support of this, Turley and Milliman (2000, p194) state that "the store's atmosphere influences both the customers and the store's employees who, in turn, through their interactions, influence each other." It, again, appears that Turley and Milliman's (2000) work is relevant in both the legitimate and counterfeit contexts. Turley and Milliman (2000) speak of the environment being an influential factor and, subsequent to

this, the balance of interaction between customers and staff being influential. From what can be learnt from the focus group participants, it seems that customer-staff interactions are a key indicator of product authenticity.

<u>Physical Appearance of Staff in Environment</u>

Similar to the Turley and Milliman (2000) theory, the participants also spoke of employee uniforms and how they relate the presentation of the employee to their perception of the environment's products:

> *"In a counterfeit shop the staff aren't in a uniform. They're not necessarily smartly dressed." (Male participant, age 22, Student).*

> *"The people who work in the counterfeit shops are usually pretty informal looking, no uniform or anything like that." (Female participant, age 26, Hairdresser).*

> *"In a counterfeit shop, the staff wouldn't be wearing a uniform." (Female participant, age 19, Student).*

Participants who observed staff members in more casual dress or without uniform defined this as a cue of an environment which is likely to sell counterfeit products.

<u>The Influence of Staff Characteristics</u>

With regards to overall characteristics and presentation, participants tended to differentiate between the employees they would expect to see in a genuine, legitimate purchase environment and the staff they would expect to see in a

counterfeit purchase environment. Participants explained how both employee characteristics and employee uniforms are significant when determining product authenticity. When questioned about legitimate purchase environments and their staff, the participants expressed the following beliefs:

> *"The assistants can't do enough to help you, sometimes it's almost like you get a personal shopper service." (Female participant, age 28, School Teacher)*

> *"The store assistants are usually very professional and attentive." (Female Participant, age 29, Nursery Nurse).*

> *"I bought a genuine Armani jacket from the Armani store and the service I received from the staff was excellent. You can definitely tell the difference between the staff in a counterfeit store and the staff in a genuine store. The staff in a genuine store are much more interested in pleasing you, meeting your needs and making sure that your experience in the store is enjoyable. In a counterfeit store, the staff or sales people don't usually know as much about the product, they're more interested in price and making the sale." (Male participant, age 22, Student)*

Looking back to the literature, the studies of Akhter *et al* (1994) and Gardner and Siomkos (1985) suggested that additional elements such as employee cues influence consumer perceptions of product in the legitimate environment. From review of the focus group data it appears that employees can also provide a variety of cues when a customer is attempting to determine product authenticity. It, therefore, appears that elements of Akhter *et al* (1994) and Gardner and Siomkos' (1985) studies can also be related to the counterfeit context.

Availability of Privacy in the Environment

When exploring the work of Turley and Milliman (2000), privacy is suggested to be significant in relation to the legitimate environment. Privacy, however, also appears to be an influential cue for participants in relation to their perceptions of product authenticity. Focus group participants differentiated between legitimate and counterfeit servicescapes and the following quotations highlight the key issues that emerged from the focus groups:

> [When speaking of legitimate environments] *"They have private changing rooms." (Female participant, age 23, Retail Assistant).*

> *"You're a lot more 'out in the open' in a lot of fake shops." (Male participant, age 28, Mechanic).*

Referring back to the literature, Baker *et al* (2002) suggest that design cues are the only significant elements to affect product perceptions. This may be true of the legitimate purchase environment as this was the context in which this theory was tested, however authors such as Turley and Milliman (2000), Berman and Evans (1995), Akhter *et al.* (1994) and Gardner and Siomkos (1985) disagree.

This thesis' contribution does not solve the disagreement with regards to consumer perception formation in legitimate purchase environments. However, if Baker *et al.* (2002) is correct and only design cues are significant in legitimate servicescapes, the fact that this thesis' data suggests other cues in addition to design to be influential in counterfeit servicescapes highlights the significance of this thesis' contribution. The fact that consumers may seek different cues when they believe they are observing counterfeit products to when they believe they

are observing legitimate products is particularly interesting. This difference in consumer behaviour highlights the necessity of the research in this field.

It must be noted, however, that Turley and Milliman's (2000), Akhter *et al.* (1994), and Gardner and Siomkos' (1985) studies concentrate on the human cues which lie within the boundaries of the purchase environment. This thesis' data collection has recognised that variables which influence perceptions of product authenticity also lie beyond these boundaries. For example, the owners of counterfeit products operate within further stages of the consumption process when both themselves and the product are no longer in the purchase environment. Earlier within the data analysis chapter, it was recognised that consumers can be observed to be using their potentially 'counterfeit' product in any location. Due to this, it is understood that individuals are likely to observe counterfeit products throughout the stages of consumption, not solely in the purchase environment. Turley and Milliman's (2000) theory is useful as a means of identifying possible variables which lie within the borders of the counterfeit purchase environment. However, when attempting to identify influential variables beyond the purchase environment, further theoretical consideration is essential.

The Influence of Spatial Crowding within the Purchase Environment

A further theme which was identified during the data analysis process was the influence of spatial crowding on consumer perception formation. Spatial crowding is defined by Ertekin and Gurkaynak (2001, p7) as relating to "the number of non-human objects such as amount of merchandise and fixtures and their arrangement within the store." These authors also add to this point by

stating that "consumers will perceive the store environment as crowded when the number of people and, or objects restrict their activities" (Ertekin and Gurkaynak (2001, p7).

When Turley and Milliman (2000) categorise non-human objects they state them to be external variables, general interior variables, layout and design variables and point-of-purchase and decoration variables. It seems that from examination of these categories, 'layout and design variables' is the category most associated with spatial crowding as Turley and Milliman (2000, p194) describe 'space design and allocation' along with 'placement of merchandise' within this particular category. It appears, therefore, that Turley and Milliman's (2000) concept regarding layout and design variables being an influential component of servicescape perception is relevant in both the legitimate and counterfeit context.

Further to this, it is also useful to refer to Bitner's (1992) model which suggests 'spatial layout and functionality' to be influential toward eventual consumer behaviour or, as it is referred to in Bitner's model, approach or avoidance behaviours. In addition to this, Whiting (2009, p488) also referred to the influence of crowding suggesting that "the outcomes of crowding in general are negative. Crowding has been shown to produce a strong negative evaluation of the environment and the situation among all individuals. Specifically in marketing, crowding from a customer perspective has been found to influence emotions."

Whilst conducting the photo elicitation process within the focus group sessions, the participants were asked to comment on how the various images of servicescapes made them feel about the potential counterfeit products that may

be available within the environments. Some images within this process were of servicescapes where a large amounts of one type of product were on offer, instances where products were crowded together in one area or instances where there was little product categorisation. All participants who were involved in this study's focus groups considered these particular servicescape cues to have a negative influence on perceptions of product authenticity and a negative influence on perceptions of counterfeit product quality. To demonstrate the feelings of the focus group participants, some of the typical quotations have been documented below:

> *"When the products are crowded together, it makes you think that the counterfeits they are selling are probably low quality." (Female participant, age 26, Retail Assistant).*

> *"The fact that there are a lot of products all crammed together and it looks very disorganised makes me think that what they're selling is probably fake and low quality." (Female participant, age 23, Student)*

> *"Places that are selling one type of product, not like just a bit of everything, they might be more likely to have genuine products. I always imagine counterfeit shops to sell loads of different things, not just one type of thing." (Female participant, age 19, Student).*

> *"Genuine stores would probably only have a couple of mannequins showing off the main products or the newest products. Places like this where everything is on a mannequin and there is so much choice in such a small space makes me think that it's probably fake." (Male participant, age 24, Logistics Manager).*

*"In a store that sells genuine products, they usually have one of each item on display and if you want to buy that product, they get you one from the back." (Female participant, age 20, Travel Agent).*

*"If I was in a shop like this with the categorised products, the attractive displays, I wouldn't be expecting to find counterfeit products and if I did find counterfeit products I'd be very surprised. If a place like this was selling counterfeit products then I'd expect them to be quite high quality." (Female participant, age 24, Physiotherapist).*

*"The signs aren't very specific and the clothes aren't categorised. Things just seem to be all over the place and I wouldn't expect a store that was selling genuine products would look like this. You'd expect a place that was selling the genuine thing to be more organised than this." (Male participant, age 21, Student).*

Referring back to Ertekin and Gurkaynak's (2010) theory surrounding the influence of servicescape on consumer perception formation, they state that "badly designed stores may cause emotional distress, affecting the customers' mood badly and reducing the shopping pleasure." As a consequence of this, it appears that servicescapes which are categorised or laid out in a way which displeases the customer may ultimately result in avoidance behaviour (Bitner, 1992). Relating to this, when the focus group participants observed images of what they considered to be poorly designed servicescapes they developed less than favourable perceptions of the goods that were on offer within the servicescape. Spatial crowding ultimately appeared to be a major contributor to perceptions of illicit product activity and, subsequent to this, low counterfeit

product quality. From this, it appears that Ertekin and Gurkaynak's (2010) and Bitner's (1992) studies also contribute to the understanding of consumer perception formation in the counterfeit context.

The Influence of Branding Categorisation

In addition to this, the focus group participants considered the brands that were available in each environment and it appeared that the environment's branding categorisation was particularly influential when determining whether or not an item was perceived to be counterfeit:

> *"The fact that this stall seems to be selling lots of different brands all in one place makes you think that they're probably fake. In a genuine store, they'd have categories of brands, not just group everything together. Either that, or they'd be selling just one brand in the whole shop like the Louis Vuitton shop just sells that one brand." (Male participant, age 21, Student)*

> *"You usually know when a place sells fake products because of the way they group the products. If they're selling 'Chanel' products next to 'Adidas' products, you know they're fake. That wouldn't happen in a genuine store. Those two brands just don't go together and wouldn't be sold alongside one another." (Female participant, age 28, School Teacher).*

> [when describing a legitimate purchase environment] *"The products are usually categorised by brand, type of clothing, style, stuff like that." (Female participant, age 29, Nursery Nurse).*

Referring back to the previously discussed work of Arnould *et al.* (2004), it may be that because of the individual associations that consumers link to brands, some brand combinations could be considered by consumers to be unnatural, for example, Chanel and Adidas. This is a particularly interesting concept because although both of these brands are very successful in their own right, due to their differing associations, a consumer may not expect to see these two brands standing side by side in one purchase environment. It appears that if a consumer has a negative perception of the branding categorisation offered within a servicescape then they are more likely to assume that the products on offer are counterfeit.

Perceptions of Servicescape Permanency

An additional and prominent theme which emerged from the data analysis was the concept of servicescape permanency. Whilst the focus group participants discussed their perceptions of the typical counterfeit servicescape environment they made comparisons with their perceptions of the typical environment that sold legitimate, genuine branded products. It appeared that a servicescape's level of permanency was a key influencer when determining whether or not it sold counterfeit products. In addition to this, some focus group participants also defined the quality of a counterfeit product in relation to their perception of the servicescape's permanency.

During the perceptual comparisons, some of the typical responses were as follows:

*"The fact that things are outside makes you think that what they're selling is probably fake. The stall isn't permanent and it looks like you could go back to the same place next week and you wouldn't find it again. It wouldn't be reliable and it'd probably sell low quality counterfeits." (Female participant, age 29, Student).*

*"When you see bags and stuff being sold outside on the street or on a market stall, you know it's fake because the genuine stores selling the genuine products have fixed, permanent shops and these market stalls look nothing like the genuine stores." (Female participant, age 20, Travel Agent).*

It seems that consumers can be concerned that some servicescapes are not consistent and reliable in their behaviour and it is these servicescapes that were considered by the focus group participants to be more likely to offer counterfeit products.

To date, no research has been conducted which examines the influence of servicescape cues on perception formation of counterfeit products and this is the original contribution of this thesis. The literature which examines the effects of servicescape cues on perception formation in legitimate servicescapes, however, does not consider the element of servicescape permanency. This theme therefore highlights the significance of exploring the specific servicescape cues that affect counterfeit product perceptions. The presence of this theme also demonstrates the fact that although the theory surrounding the influence of servicescape cues on the perception of legitimate goods is

beneficial, it should not be solely relied upon to determine behaviour in the counterfeit context.

It appears that when consumers are considering the servicescapes in which counterfeit products are sold, there is a negative correlation between a servicescape's level of permanency and a consumer's perception of whether they offer a counterfeit purchase. In other words, the more permanent a servicescape is considered to be by a consumer, the less likely the consumer considers them to be offering counterfeit products.

Another interesting concept which appeared to run throughout the focus group discussions was the perception that more permanent, high-street stores or chain stores would never sell counterfeit products. It appears that the participants of this study had no knowledge of the possibility that counterfeit products could be deceptively integrated into the supply chains of legitimate retailers and sold in their servicescapes. As discussed earlier in the thesis, the possible risks associated with this deceptive integration of counterfeit products can be considerable and must therefore be understood to be a serious consideration by legitimate retailers and consumers alike.

Whilst discussing the possible locations in which counterfeit servicescapes could be placed, one focus group participant stated:

> *"Market stalls are typical places where you'd find counterfeit products on sale. A lot of counterfeit products you buy in markets are really low quality. You just expect the worst because it's being sold on a market stall but if the same thing was being sold on the high street in a chain store or something you probably wouldn't walk in expecting low quality counterfeit, to be honest, you wouldn't expect counterfeits at all! High*

*street stores have got a certain image and reputation to uphold. Their products have to be higher quality and genuine." (Female participant, age 26, Hairdresser).*

As mentioned previously, the majority of the focus group participants appeared to be unaware of the possibility that counterfeit products could be deceptively sold in legitimate servicescapes. It appeared that chain stores located on the high street were trusted to never have counterfeit products on sale as they were considered to have a responsibility to the customer to provide legitimate goods.

Further opinions regarding the location of a servicescape in relation to its likelihood to sell counterfeit products included:

*"In a high-street chain store you know what to expect. You wouldn't expect fake products!" (Female participant, age 28, School Teacher).*

*"I think you can pretty much sense whether something's fake just by the circumstances it is being sold in. Like if you were in a backstreet shop or a market somewhere, you're not going to be buying the real deal. For the real thing, you'd have to go to a high street store or a fancy department store like Selfridges where they only sell the real thing." (Female participant, age 30, Office Administrator).*

*"If you go into a nice, professional looking shop with designer clothes on sale, you're not going to think that they're selling fake stuff. You wouldn't question it because you're in such nice surroundings, you know, a posh shop somewhere. If you go into some backstreet shop somewhere though, especially on holiday, it wouldn't surprise you to find fake stuff." (Male participant, age 22, Student).*

*"I think the location of the store has a lot to do with whether or not the products inside it could be fake. You wouldn't get a large, well-lit, obvious shop in the middle of a shopping centre selling counterfeit products because it would be too obvious. Counterfeit stores would probably be a lot smaller and more discreet. They probably wouldn't want to make the fact that they had counterfeit products on sale too obvious. They wouldn't want to be really noticeable, just noticeable enough for people to know they're there so that they can sell stuff. That's why you find a lot of counterfeit shops down back alleys and not on the high street." (Female participant, age 26, Retail Assistant).*

*"You wouldn't walk into a well-known, high-street shop in town like Fusion and pick up a Paul's Boutique bag and think it's fake. You just wouldn't question it." (Female participant, age 24, Physiotherapist).*

*"It looks nice, nice layout, nice furniture. It looks like a really high quality department store in a city centre somewhere, like Selfridges or somewhere like that. This would definitely sell genuine products. I'd be really shocked if you told me it sold fake stuff." (Female participant, age 29, Student).*

In one of the focus group discussions, a participant was able to share a particularly interesting account of how an individual she knew had believed her purchase to be a genuine, branded product because of the servicescape in which it had been purchased. The following transcription documents the discussion that was held between the focus group participant and the facilitator:

*"A well-known local clothes boutique was selling jeans, Victoria Beckham-branded jeans, with the crown logo on the back and they were*

*like £150 and a close friend of mine bought a pair coz she was going out that night and when she was out someone spilt a glass of red wine on them and she said 'oh my god, my new jeans!' but they turned to her and said 'oh, you've got those jeans haven't you, from that boutique, they are nice but I thought £150 was a bit steep for copies.' And she said 'What?!' and when she looked inside the label, the label said 'Denim Co' which is a Primark brand. So they just had crowns on the back of them and the boutique was selling them as imitation Victoria Beckham jeans. So she'd bought, in good faith, a pair of jeans which she thought were Victoria Beckham jeans with the famous jewel crowns on the back for £150 and she'd paid that for those jeans because where she bought them from is classed and seen as a designer shop."*

The facilitator responded with the following question:

*"So do you think that if these jeans had been sold in a different sales environment, this would have influenced her perception of the jeans in a different way?"*

The focus group participant then stated:

*"Yeah, if she'd bought them off a market stall and they still had those crowns on the back and they were suggesting that they were Victoria Beckham jeans, I don't think she would have even considered that they might have been real but because she had bought them in that boutique that sells other well-known brands, she's seen them lined up with all the other unique, boutique stuff and just thought, yeah, I'll have those Victoria Beckham jeans!"*

This focus group participant provided a very interesting account of how servicescape influenced perception of product authenticity. The servicescape in which products are purchased appears to be crucial for consumers when determining whether or not a product is counterfeit.

In relation to the current literature which focuses on the legitimate servicescape, Turley and Milliman's (2000) model relates the variables of 'address and location', 'surrounding stores' and 'surrounding area' to the category 'external variables'. It appears that these 'external variables' also have some influence in the counterfeit context as it seems that consumers consider the location and context of the servicescape when considering whether or not it might sell counterfeit products. As mentioned previously, however, specific level of permanency is not detailed amongst the existing models of servicescape cues.

From the data that has been collected, it appears that purchase environments which are located in more prominent shopping areas such as a high-street or shopping centre are considered to be environments which would never sell counterfeit products. Beliefs such as this may not only have repercussions for the consumer but also the retailer. For reference, Appendix Three details some of the hazards related to counterfeit activity. As mentioned previously, it can be difficult to gain reliable figures which indicate the extent to which instances such as counterfeit integration occur. Because of the illicit nature of counterfeiting, figures regarding counterfeit trading and distribution tend to be based on educated assumption rather than hard evidence. In addition to this, retailers who do discover counterfeit integration within their supply chains or servicescapes may not wish to promote this information due to the possible negative associations it may invite. Retailers also run the risk of any unknown,

integrated counterfeit products being assumed to be genuine by the consumer who accidently purchases them. Any negative outcomes of the consumption of these goods could result in negative consumer opinion and potentially a damaged brand image. In addition to this, the consumer may be put at risk physically. This is, however, an issue which would need to be dealt with on an individual basis by any brand that is unfortunate enough to be affected by counterfeit integration as the specifics of each case are likely to differ significantly.

<u>Conclusion</u>

The following chapter will evaluate the key findings of the research as a means of addressing the research questions. The significant relevance of this study will also be established along with any recommendations for future research.

<u>Key Findings and The Original Contribution</u>

The key focus of this research is the environments in which counterfeit products can be purchased and the extent to which these environments influence consumer perceptions of counterfeit products. From what has been explored within the extensive literature review, it can be confidently suggested that counterfeit purchase is available in a variety of environments which comprise of a multitude of cues. It is these cues that have ultimately driven the discussion of this study and have inspired a fascinating quantity of rich quotations describing the thoughts, feelings and varied opinions of the consumer sample.

Counterfeiting is a controversial issue which affects brands all over the world and has potentially deadly consequences for its victims. By gathering a greater knowledge about this critical issue, more informed, strategic measures can be used to address the situation in its entirety. Counterfeiting is a complex concern and its flexible nature along with its ability to develop at a rate which mirrors its legal equivalents are some of the core reasons why the issue has grown to the sheer size it is today.

If the counterfeiting issue is going to be dealt with in a more effective manner, anti-counterfeiting strategies need to be developed with the specific habits of the consumer in mind. With that to consider, this research provides an insight

into the consumer mind, their perceptions of the environments in which counterfeit products could be sold and the extent to which these environments, and their cues, influence perceptions of counterfeit products. By exploring these vital consumer perceptions, an understanding can be formed concerning the environmental cues which suggest authenticity or possibly counterfeit identity to the consumer. From this, we have a greater understanding of those counterfeit purchase environments which have the greatest potential to deceive the consumer with regards to authenticity. This knowledge is fundamental to any anti-counterfeiting strategy as this focus will allow anti-counterfeiting budgets to be concentrated more efficiently.  It is, after all, these deceptive counterfeit products which house the ability to tarnish the image and reputation of the genuine brands and are, therefore, considered to be such a great threat. This research is, therefore, not only interesting but essential if the growth of counterfeiting and its negative impact is ever going to be curbed.

Until this point, the literature concerning counterfeit product perceptions and their ability to deceive was restricted to the physical attributes of the product, for example, packaging. This research expands the existing knowledge by exploring further factors that influence consumer perceptions of product authenticity.

Specifically, the key themes identified during the data analysis process were the influence of human variables, levels of privacy in the environment, levels of spatial crowding and levels of purchase environment permanency. These themes all appeared to influence consumer perceptions of product authenticity.

Within the human variables theme were a number of subsidiary themes including the influence of image, the influence of socio-demographics, the

influence of other individuals within the counterfeit purchase environment, customer characteristics, human/social crowding and the influence of staff in the counterfeit purchase environment.

From analysis of the data collected, the participant's perceptions of the owner of the product appeared to act as a major cue when determining the authenticity of an item. Specifically, the participants appeared to be dependent upon their perception of the owner's other possessions when they were making decisions as to the authenticity of the product in question.

It appears that a vast majority of the study's *participants* make assumptions regarding product authenticity based on their perception of the product owner and the cues they provide. In particular, perceived social class and the product owner's other possessions proved valuable when the participants were generating assumptions as to whether or not items were counterfeit. In other words, observer interpretations of the product owner's real-self influenced the observer's perception of the counterfeit product.

It isn't, however, only the product owners who appear to provide human cues. Other individuals who are operating within a purchase environment are also thought to provide cues regarding whether or not products are counterfeit*, specifically* other customers operating within the environment and any employees that are present. Perceptions of social class and 'typical consumer' were also used to evaluate the individuals within the purchase environment and these perceptions were then transferred into perceptions of product. It appears that if an observer's perception of 'typical consumer' does not match those individuals who are operating within the purchase environment then it is more likely that the product or products in question will be perceived to be counterfeit.

In relation to further human cues, the concept of human or social crowding was, on several occasions, injected into the discussion. Human crowding is judged based upon "the number of people and level of interaction between them in a store setting" (Ertekin and Gurkaynak, 2011, p7). Whilst the focus group participants observed the various servicescape images, high levels of human crowding generated perceptions that the product or products in question were more likely to be counterfeit.

Human crowding can relate to high levels of both other customers and staff members within a purchase environment. In the instance of this research, however, the focus group respondents did not refer to staff quantities. When staff were mentioned within the discussions, the focus lay solely on individual staff characteristics. The research participants suggested that based on the service and reception they receive from staff, perceptions are influenced regarding the authenticity of the products within the environment.

The presentation of employees with a purchase environment was also stated to influence consumer perceptions as to whether or not the products on offer are counterfeit. Participants who observed staff members in more casual dress or without uniform defined this as a cue of an environment which is more likely to sell counterfeit products. The focus group participants also explained how individual employee characteristics are significant when determining product authenticity. Professionalism and shopping pleasure did not go unnoticed and staff which did not offer this were used as a cue to suggest a purchase environment which was more likely to offer counterfeit products.

Further to the influential nature of human variables, another key theme which ran throughout the focus group discussions was the concept of privacy. Turley

and Milliman (2000) suggest privacy to be significant in relation to the legitimate environment. Privacy, however, also appears to be an influential cue amongst participants in relation to their perceptions of product authenticity. The research participants felt that there was a significant difference between the levels of privacy that counterfeit and genuine purchase environments offer and therefore perceptions of purchase environment privacy influenced perceptions of product authenticity. With this to consider, this study extended the work of Turley and Milliman (2000) by demonstrating their work's relevance in the counterfeit context.

Levels of spatial crowding were also depicted by the research participants to be an influential factor when forming perceptions of product authenticity. Turley and Milliman's (2000) study of environmental cues proved beneficial as a means of categorising this sub-theme. Subsequently, 'layout and design variables' specifically 'space design and allocation' and 'placement of merchandise' proved significant to consumer perception formation.

From the data, it was also made apparent that branding categorisation within a purchase environment was particularly influential when determining whether or not an item was perceived to be counterfeit. The individual associations that consumers may relate to a particular brand may not complement the associations related to another brand. Therefore, when purchase environments are considered to be poorly categorised with regards to branding and anticipated association, the focus group participants were more likely to perceive the products within the environment to be counterfeit.

Finally, servicescape permanency was noted to be a key theme that ran throughout the focus group discussions. It appeared that a purchase

environment's level of permanency was a key influencer when determining whether or not it sold counterfeit products. Products which were sold in purchase environments that were considered to be less permanent in nature were the products which were more likely to be considered counterfeit.

This theme also highlighted the lack of consumer knowledge with regards to counterfeit product integration within legitimate supply chains. All focus group participants held the opinion that high-street stores or chain stores would never have counterfeit products on their shelves. As discussed earlier within the thesis, the possible risks associated with this deceptive integration of counterfeit products can be considerable and must therefore be understood to be a serious consideration by legitimate brands and retailers. The fact that consumers feel completely reassured of product authenticity due to the purchase environment's level of permanency is potentially hazardous.

Prior to this study's contribution, these significant cues had been explored in relation to consumer perceptions of legitimate product quality however this study takes the existing knowledge base a step further by exploring these factors within the counterfeit context. What is particularly exciting about this advancement of knowledge is the fact that it amalgamates two existing fields of research, servicescape theory and counterfeit activity. Until this point, servicescape cues had not been examined in the context of product authenticity. In addition to this, by exploring existing theory in a new context, the theory can be analysed from a different perspective. By proving that key elements of servicescape theory are relevant in further contexts, both the legitimate and counterfeit environment, the validity of the servicescape theory is strengthened.

<u>Future Contributions to Knowledge</u>

Subsequent to the acknowledgment of this study's key themes, the potential for future, supporting work is recognised. In light of the potential hazards deceptive counterfeits in legitimate supply chains may cause, a greater amount of research needs to be conducted as a means of examining the strategies which brands are using to attempt to reduce counterfeit product supply chain integration. It would be particularly interesting to explore the relationship between specific supply chain routes and levels of counterfeit infiltration. By gaining a greater understanding of possible 'threat routes', brands can make more informed decisions regarding their routes of distribution. It may be that some countries are less stringent with their national border security checks and this may allow counterfeits to be transported deceptively with greater ease. It may also be possible that internal points of contact, within the borders of certain countries, may be acting as additional points of counterfeit infiltration.

By building on the existing work of Phillips (2007) and McDonough (2007), a more expansive knowledge base can be formed regarding the deceptive channels which infiltrate legitimate supply chains and the ways in which they achieve deception.

Further to this, the existing work of Kheiravar (2008) and Penz and Stottinger (2005) could be expanded to improve knowledge in the area surrounding hazards of deceptive counterfeit products. The more consumers understand about these potential dangers and the procedures for identifying a potential counterfeit, the chances of end-user injury or even fatality could be reduced. These circumstances would relate to various types of consumers, both the end-user and the organisations constructing products, for example, lift engineering

companies and car production companies. Collaborations with Trading Standards and existing brands whose products may pose a health threat if imitated to a low standard would be beneficial for this expansion of knowledge. Building a greater understanding of the existing knowledge of end-consumers and the existing knowledge of threatened organisations regarding this concern would be extremely interesting and advantageous.

Beyond these knowledge advancements, this study's key focus could be related to consumers of differing nationalities for the purposes of developing a cross-cultural approach. The existing work of Staake and Fleisch (2008) explores issues regarding counterfeit distribution and highlights key findings relating to counterfeit products' countries of origin and, further to this, segments the counterfeits by product type. It would be extremely interesting to compare consumer perceptions in countries from which counterfeits appear to be predominantly produced and countries from which there is little known counterfeit production. If counterfeits are more prevalent in certain countries, it would be interesting to explore whether consumer opinions regarding cues of authenticity differ in these countries. It would also be fascinating to understand whether or not the consumers of these countries differ with regards to their knowledge of determining a counterfeit product from a genuine product.

When exploring consumer perceptions in differing countries, there are several key issues which must be taken into consideration. Specifically, dependent upon the country in question, the consumer perceptions of morality, lawfulness and ethics may differ. According to the existing literature base which includes the work of Lee and Yoo (2009), Ang *et al.* (2001) and Cordell *et al.* (1996), the issue of illegality appears to be of greater significance to counterfeit consumer

behaviour than ethical standards. These studies were, however, limited to a restricted number of countries and so this research is likely to benefit from future advancement and support. By expanding this study's research questions into the context of other cultures, more could be understood regarding consumer perceptions of counterfeit purchase environments in differing countries and the possible influence of morality, lawfulness and ethics in this context.

The Practical Implications of the Study

As with any research project, there are some practical implications to consider. Due to the fact that counterfeit activity is illegal in the UK and in many other countries around the world, there are health and safety issues to consider when exploring consumer behaviour in this context. For example, when collecting the data, an observation approach was considered where customers would have been observed in purchase environments which may have sold counterfeit products. Subsequent to leaving the environment, the customers would then have been approached and questioned regarding their views of possible counterfeit purchase in the environment they just visited. Due to counterfeiting being an illicit activity, it was advised that this methodological approach should not be adopted. If illicit activity was being conducted in the environments, safety hazards could have been posed for both the researcher and the participants involved.  The methods of data collection for this study were, therefore, restricted in parts.

A further implication of studying an illicit market is the level of protection brands have for their reputation. Whilst conducting the extensive research that

formulated the literature review, it was noted that some brands that are regularly counterfeited are sometimes reluctant to openly communicate about the issue. Authors such as McLean (2011) and Staake and Fleisch (2008) discuss the negative impact of counterfeit presence on brand image and suggest that brands may be concerned about 'advertising' the negative implications of their presence. Brands may be especially concerned about consumer knowledge of deceptive counterfeit products due to the fact that consumers might avoid buying into their brand through fear of being deceived by a counterfeit. As discussed in the literature review, consumers may also avoid buying the genuine items due to fears that observers may assume their possession is counterfeit. Ultimately, the brands that have these concerns may be less likely to admit the high prevalence of these counterfeit products and may not speak openly about counterfeit activity.

For the purposes of this study, the demand side of counterfeiting was explored and the consumer perspective was the main concentration. The issue mentioned above may, however, arise if this research was to expand or deviate slightly in order to discover more about the issue of counterfeiting.

 A further implication of researching an illicit market is the amount of cooperation that governmental bodies are willing to provide. As discussed within the literature review, statistics regarding counterfeit activity should always be approached with caution as they are produced with a level of estimation. Governments are relying on the same estimations of counterfeit activity and, as mentioned previously, vague statistics can be presented in various lights dependent upon the issue you wish to highlight. It may be that governments do not wish to highlight the sheer size of the counterfeiting issue through fears of

upsetting consumer trust. Statistics such as those announced by The Organisation for Economic Co-operation and Development (OECD) and Customs officials, previously discussed within the literature review, are useful to an extent but should always be analysed with the knowledge in mind that not all information regarding counterfeit activity is available. Governmental bodies may want to reassure consumers that they are in control and are making advancements towards reducing counterfeit activity however, at the same time, inform consumers that there is an issue that they should be aware of. It's about creating a balance of awareness and action. With this to consider, the same issue arises as does with many brands. Governments want to support the economy and promote consumer confidence. Controlling the levels of knowledge surrounding counterfeit movement and availability is the government's way of maintaining control over these important issues.

Putting this in the perspective of the researcher, governmental bodies are not always easily accessible and aren't likely to want to promote counterfeiting as a major issue, only one that they are in control of. With this to consider, relying on governmental bodies for an abundance of open information may be naïve.

For further information regarding the practical implications of this study and for a critical evaluation of the work completed, please refer to Appendix 2.

Reflection of the Research Experience

In reflection of the research project as a whole, a rich quantity of knowledge has been gathered which is not only extremely interesting from a consumer perspective but also incredibly beneficial from an industry perspective. The

experience of interacting with a variety of different consumers and gaining a

perspective on their beliefs regarding this controversial issue has also been

extremely enjoyable. The issue of counterfeiting, when compared with other

research fields, is relatively under researched and so anything further that can

be learnt regarding this important issue is valuable.

As with many other research fields, the environment surrounding the key

subjects is ever-changing. Because of this it is imperative that research

continues to explore this evolving issue; discovering more regarding how the

counterfeiters operate, how the consumers feel and what organisations can do

to react and reduce the negative implications of this illicit industry.

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# APPENDIX ONE

**Images used during the photo elicitation process.**

The following images were used as part of the focus group photo elicitation process. Due to the illicit nature of counterfeiting it was recommended, for safety purposes, to extract images from existing sources rather than visit environments which could sell counterfeit products.

The images were chosen as they represent a wide variety of servicescapes and cues from various perspectives. The existing theory of servicescapes was referred to when the images were being selected in order to ensure that all known cues were represented within the photo elicitation process.

**Image One**

**Image Two**



**Image Three**

**Image Four**



**Image Five**

**Image Six**



**Image Seven**

**Image Eight**



**Image Nine**

**Image Ten**

**Image Eleven**

**Image Twelve**



**Image Thirteen**

# APPENDIX TWO

## **Appendix 2**

## **A Critical Self-Evaluation of the Work Conducted**

As with any research project, there are strengths and possible limitations which must be considered. Although this research was well prepared and the project's particular strengths will be highlighted, there are also some areas which could have been approached differently and so these shall be discussed in this section.

To begin it is important to recognise that, as with many research projects, there were both time and financial limitations involved. The research structure outlined an approximate 12 month window in which to gather the necessary data. Although this is a substantial amount of time, it is important to acknowledge the fact that a longer time period would have allowed more flexibility with regards to collecting a larger sample of data and perhaps incorporating a greater number of data collection methods, for example, interviews. Additional financial support may have also allowed a greater sample to be accessed. The financial limitations caused travel restrictions which dictated that the consumers involved in the focus groups would have to be located in the north west of England.

With this in mind, however, the study ultimately conducted ten comprehensive focus groups in which a rich quantity of data was collected. Additional data collection did not seem imperative at this point as the themes that were drawn from the focus group discussions were particularly fascinating and proved substantial in relation to the research questions.

An element of the data collection methods that was also considered to be particularly beneficial was the use of Facebook. By incorporating social networking into the data collection methods process, the chosen sample was able to be communicated with via a medium that is proven to be, for the chosen age range, very convenient and familiar. By adopting social media as a data collection method, not only could the potential participants communicate with the researcher at ease, it was also at no extra cost to either party due to the fact that Facebook does not charge to create an account. If, in the future, this study was extended to consider a consumer sample that was much greater in age, Facebook may be less appropriate due to frequency of use in different age ranges. More traditional methods of gaining attention for focus group participation, for example posters, may have to be used in this instance.

It could perhaps be assumed that, by using Facebook, the researcher was being biased as to who is involved in the focus group process and that the researcher may already know the participants. It is true that the researcher did know some of the participants however these individuals were, in a sense, the tip of the iceberg that followed. Due to the snowballing effect described in the methodology chapter, the majority of the focus group participants were unknown to the researcher and were part of a self-selecting sampling format which was merely facilitated through the use of Facebook and the benefits it offers.

Further strengths of this study were its ability to merge two existing fields of research whilst, at the same time, benefitting the knowledge generation surrounding a crucial issue. The fields of servicescape and counterfeit activity, until this point, had not been combined in this manner. This study, therefore,

broke new ground whilst supporting a global issue that affects consumers and industry alike.  It is incredibly important for organisations to keep up-to-date with the knowledge surrounding counterfeit activity and its potential threats as it is this data which could steer their anti-counterfeiting strategies in a more effective way.

As mentioned previously, there are various areas into which this study could expand. Developing a cross-cultural approach or exploring the hazards surrounding deceptive counterfeit products and the related issues to supply chain management would be incredibly interesting and beneficial. The consideration of exploring a different consumer age range with regards to their opinions of counterfeit products would also be fascinating. If this study had been adopted on a larger scale and perhaps additional researchers were assisting with the data collection and analysis processes, these additional paths could have possibly been integrated. However, since this was not possible, this larger concept of the research project will have to be segmented into smaller projects and conducted over an extended period of time.

Within the literature review chapter, a significant number of authors were referred to and explored with regards to their contributions to the relevant fields. Two particular authors, Lee and Yoo, have developed various contributions to the field of counterfeiting by critically amalgamating the work of other theorists. By considering the critical viewpoints of these authors alone, a study would be severely limited with regards to reference points for the reader and the development of a comprehensive, theoretical foundation.  With this in mind, this study considered Lee and Yoo's work to be an extremely interesting and beneficial reference point however a significant number of studies were also

injected into the discussion in order to ensure a broad understanding had been formulated.

The overall experience of the research project has been extremely fascinating. The most enjoyable point is thought to have been the interaction that was made with the various consumer participants. From extensive research into the field of counterfeiting at the outset of the project, an understanding was developed regarding the key issues. However, once the emergence of new concepts from the focus group discussions began forming, the project began to form its own organic shape which was completely unique from any other. It is this point of original contribution that makes the concept of research so satisfying.

# APPENDIX THREE

## Appendix 3

## The Potential Hazards of Counterfeit Product Consumption

As can be recognised from the contribution of this research project, counterfeit products span a wide variety of product categories and almost anything that can be made legitimately can also be made illegitimately. The following case studies highlight the dangers of counterfeit products, their sometimes inferior use of materials and ingredients and what the consumer can do to attempt to avoid injury.

## Counterfeit Alcohol

Many people enjoy an occasional drink however the innocent act of purchasing a bottle of your favourite spirit from a local off-license has recently been highlighted by the BBC to be potentially dangerous! A BBC Report published in January 2012 spoke of the growing market of counterfeit vodka and its damaging health effects, "In November, Sheffield University student Lauren Platts bought a cheap bottle of what she thought was vodka, for £5.99. After drinking about a third of a bottle mixed with lemonade she spent the next two days unable to get out of bed." (Sturdey, 2012) This deceived consumer was said to have suffered side-effects from the bogus vodka including migraines, vomiting and blurred vision. The BBC News (2012) article continues to detail the fact that "methylated spirit is mixed with bleach to change the colour of the alcohol, so it resembles vodka. Other chemicals like isopropanol, used in cleaning fluids, and chloroform, used in pesticides, have also been found in these counterfeit vodkas." (Sturdey, 2012) A consultant at Lincoln County

Hospital, Vikas Sodiwala, was interviewed by the BBC in relation to this concern and stated, "Methanol can attack the optic nerve at the back of the eye. This is what can affect a person's vision and in some cases make them blind." (Sturdey, 2012) In response to this issue, Trading Standards teams across the UK say they are seizing illegal alcohol every week (Sturdey, 2012).

## Children's Toys

During the Christmas of 2011, consumers across the UK were warned by the UK Border Agency to beware of fake goods of inferior quality (The Guardian Newspaper, 2011). The Guardian newspaper describes an interview conducted with Paul Kitson, head of personal injury at law firm Russell Jones and Walker, where the particular dangers of counterfeit toys were highlighted. Mr Kitson stated: "The main risk for consumers arises from small parts which children can choke on if they come loose, and the use of banned chemicals which can cause long term injury. I very recently worked on a case where parents bought their child a toy from a 99p store in the Midlands and it exploded leaving three members of the family needing urgent hospital treatment for toxic inhalation." (The Guardian Newspaper, 2011).The newspaper article concluded by offering advice to consumers in an attempt to reduce the future likelihood of consumer deception. Advice is given such as checking for spelling mistakes on packaging, avoiding products with 'tatting-looking' packaging and ensuring all purchases have a kite mark or lion mark on the packaging. The article also warns that although quality marks such as kite marks are a helpful guide, they can also be copied by the counterfeit manufacturers (The Guardian Newspaper, 2011). This issue demonstrates the great difficulties that consumers face when attempting to avoid counterfeit deception.

## Counterfeit Pharmaceuticals

The issue of counterfeit pharmaceuticals and the example that will be provided for the purposes of this study is a personal account. Within the literature review, Table 1.0 on page 30 discusses a list of pharmaceuticals which were found to be counterfeited between the dates of 2004 and 2009. Being a life-long sufferer of asthma, it was shocking to discover that the list included an asthma drug called Seretide which is currently being prescribed. Furthermore, this drug has been prescribed and consumed for a substantial length of time including the period when it was stated to have been counterfeited. This, of course, caused much alarm and led to questioning the local GP and nurse who provided the prescription. They stated to have no knowledge of this issue and could not provide any further information. Referring to Table 1.0, batch numbers of counterfeited products are provided and these were compared with those which had been consumed. Fortunately, the batch numbers did not match however there was still concern regarding the use of this drug.

The potential side effects of counterfeit drugs were researched and some shocking cases were revealed. The United States Food and Drug Administration (2009) (FDA) stated that "Some fake drugs contain ingredients that, if ingested or injected, can cause health problems. For example, the recently counterfeited Procrit, an important drug for cancer and AIDS patients, contained nonsterile tap water, which can cause an infection in the bloodstream." The FDA (2009) continued to state that some counterfeit manufacturers substitute one drug for another. For example, last year counterfeiters were found to have produced bottles which were labelled with

'Zyprexa', a drug used for schizophrenia and acute bipolar mania. The drugs inside the bottles turned out to be aspirin.

Another shocking story was recently told by Phil Kemp (2012), a news reporter for the BBC, who stated that "72,000 packs of counterfeit drugs entered the UK supply chain in 2007 but 25,000 still remain untraced. Only eight people out of several thousand who received counterfeit drugs from the NHS have been identified and of those eight, only three have been informed about the incident (Kemp, 2012).

These alarming stories are, unfortunately, not rare. A greater amount needs to be done to warn consumers of the potential dangers of counterfeit products. The more we can learn about current consumer opinions and beliefs, the more we can understand regarding the most effective way to inform the consumer about these potential hazards.

# APPENDIX FOUR

**Thank you to everyone present for participating in this focus group.**

**Please be reassured that any information which is gathered in this session will be handled in a secure and confidential manner.**

**For the purpose of this session, the term 'counterfeit' will be known to be:** "...Something that is forged, copied or imitated without the perpetrator having the right to do it, and with the purpose of deceiving or defrauding. Such rights are legally enshrined in patents, copyright, trademarks, industrial designs and other forms of intellectual-property protection." The Economist, (2003, p1).

**In addition to this:**

"Counterfeiting should be distinguished from copyright piracy, which refers to the unauthorized copying of the content of a fixed medium of expression, such as films, musical recordings, and computer software." Chow (2000, p2)

General Perceptions of Counterfeiting

(to encourage conversation surrounding the topic)

1. To your knowledge, have you ever purchased a counterfeit product?

2. What type/s of counterfeit product/s have you knowingly purchased?

3. What kind of experiences have you had with counterfeit products?

4. Do your friends buy counterfeit products?

## The Counterfeit/Legitimate Sales Environment

5.  In which everyday locations would you consider counterfeit products to be typically sold?


6.  Have you ever entered a sales environment believing that they had **legitimately-produced genuine** products on sale but, on closer inspection, found that the products were actually **counterfeit** products?


7.  If you believe that (the above) **has** or **may have** happened to you, what features of the sales environment made you originally assume that the products on sale were legitimately-produced, genuine products?


8.  Consider the possible environments in which you could purchase a **counterfeit** product.


    - How do these counterfeit sales environments **differ** to those sales environments which sell the legitimately-produced, genuine versions of the product?


9.  Imagine a shopping environment which sells, what you consider to be, **genuine** products.


    - What do you imagine this environment to be like?


10. Now imagine a shopping environment which sells, what you consider to be, **counterfeit** products.


    - What do you imagine this environment to be like?

## Perceptions of Counterfeit Product Quality

11. In your opinion, are some counterfeit products of higher quality than other counterfeit products?

12. If yes, why?

13. Please choose **2 words each** which you feel summarise the **environments** in which **counterfeit** products are sold.

## Group Discussion using Photo Elicitation

**The following slide show will display <u>several environments</u> in which counterfeit products could be sold.**

**With each environment, please discuss the following:**

- The main **features** of the environment which stand out to you
- Whether you believe the environment to sell counterfeit or genuine goods (or not sure)
- The specific **features** of the environment which helped you come to this (above) conclusion