




# “Luxury brand consumption and counterfeiting: A case study of the Portuguese market”

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# LUXURY BRAND CONSUMPTION AND COUNTERFEITING: A CASE STUDY OF THE PORTUGUESE MARKET

## Abstract

This paper discusses the trade of counterfeit luxury brands, which has grown at an alarming rate and is becoming a pertinent topic. The objective of this study is to specify the factors that influence purchase intention of counterfeit products. A questionnaire was applied to a group of Portuguese consumers, wherein 43% male and 57% female, with an average age of 32.59 years (SD = 9.78). The middle class registered the highest number of responses (86%), followed by the upper class (11%). Most respondents had higher education (76%). This group agreed to declare that they purchase counterfeit luxury products. Qualtrics software was used to validate one hundred responses. Data analysis was performed using SPSS.

The results show that the three most popular counterfeit products are bags, clothes, and watches; the three brands that are most easily for sale are Louis Vuitton, Ray-Ban, and Nike; the main motivation associated with counterfeit goods is lower price (44%). The main sources are street vendors and online shopping. The intention to re-purchase a counterfeit product obtained low median results.

The most desired counterfeit products are bags and clothes that are sold by street vendors (28%) or in the Internet (26%). The main factors that lead to the acquisition of counterfeit products are lower prices (44%) and product design (11%). 130 consumers declared the highest price satisfaction than a personal satisfaction from the purchase of counterfeit products. Portuguese consumers are also aware of ethical issues and agree with the enforcement of severe measures.

**Keywords** luxury brands, counterfeiting, consumers, Portugal

**JEL Classification** M21, M31

## INTRODUCTION

Luxury brand counterfeiting continues to grow on a global scale, with financial consequences for brands and the economy in general. For this to happen, there are two immensely different aspects: on one side, the manufacturers of counterfeit products and the entire distribution chain that makes them reach different countries, and, on the other side, consumers who purchase these products.

This is a market that involves a large amount of money. Calculations presented by the OECD studies and the European Union Intellectual Property Office indicate that counterfeiting is an industry worth over USD 460 million and represents 3.3% of international trade. US brands are the most counterfeit and nearly 70% of counterfeit products come from China.

With an international dynamic, counterfeiting affected products from prestigious brands and, at times, was accepted by the majority of con-



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sumers. This is an affront to the Intellectual Property regime, especially at a time when infringement occurs alongside the latest innovations and global provisions.

These transactions damage luxury brands financially, decrease the number of workplaces and break many national and international laws. If consumers are aware of these issues, can they change their behavior by avoiding buying counterfeit products? In this scenario, it is pertinent to understand the Portuguese consumer better to make decisions about strategies to reduce counterfeiting in the future, whether from a marketing, communication or legal point of view.

This paper explores the subject of the counterfeit purchase of luxury brands and reasons why Portuguese consumers buy them.

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## 1. LITERATURE REVIEW

### 1.1. Luxury brands

Luxury is a complex definition that is usually linked to products that give prestige to those who use them. Luxury is related to subjective ideas of well-being, excellence, and a certain social apparatus, while prestige is linked to a brand (Strehlau et al., 2012; Dubois et al., 2005).

Luxury is analyzed considering its creativity, exclusivity, craftsmanship, precision, and innovation (Kapferer & Laurent, 2016; Tynan et al., 2010) of globally acknowledged brands like Louis Vuitton, Hermes, and Gucci, as well as ultra-exclusive brands known only to a select few, such as Jaeger-LeCoultre (Kauppinen-Räsänen et al., 2019). Characteristics of luxury brands distinguish them from other brands as they are rare, serve a tailored experience, provide excellence, and are expensive.

### 1.2. The market of luxury brands

The luxury brand market has been growing in the last decades worldwide and recent economic figures refer that “the global luxury goods market is expected to increase from USD 285.1 billion in 2020 to USD 388 billion in 2025” (Statista, 2020).

Statista (2020) also stated that clothing accessories and glasses/sunglasses are the most popular luxury categories among respondents as well as perfumes. Chanel is well known in cosmetics, Rolex stands for luxury watches and Gucci is known in luxury fashion and accessories. When making purchase decisions, quality remains the prime factor.

In sum, different aspects and dimensions need to be considered when defining a luxury brand; these should include:

- a) product category;
- b) the degree of luxury associated with the brand; and
- c) the context of use (Becker, 2018, p. 53).

Vigneron and Johnson (2004, p. 201) defined luxury goods as those whose consumption satisfies functional and psychological needs linked to perceived product characteristics such as quality, aesthetics, rarity, know-how, and elitism. Mainly the psychological benefits distinguish luxury brands from others, among which the most cited are social recognition and self-esteem (Han & Kim, 2020; Jacob et al., 2020; Vickers & Renand, 2003; De Barnier et al., 2012).

Mundel et al. (2021, p. 5) proved that luxury products are expensive products, i.e., the price is the most important difference, followed by the high quality.

Despite many definitions proposed by different researchers, such as luxury professionals, economists, researchers, sociologists, consumers, luxury products are characterized by the four criteria.

*Quality* is based on the qualitative or technological superiority of the products or services. To become a luxury, you should exhibit clear differences concerning mass consumption products (Richou & Lombard, 1999).

*Shortage* consists of rarity, which is an essential and differentiating component of luxury products.

Kapferer and Bastien (2009) distinguished two main types of rarity: a physical rarity, which includes ingredients and production processes, such as haute couture; and a virtual rarity or impression of rarity, created by the communication itself.

*Price* indicates the exchange value of a product, but what creates luxury is a symbolic value.

*Superfluity* satisfies needs that are dispensable and that do not correspond to a necessity.

In addition, Kapferer and Bastien (2017, p. 65) considered that “the concept of luxury is attractive and fashionable”.

In conclusion, luxury brands are so popular with customers because they are unique, exclusive and give status to those who buy them. The luxury brand market has seen an increase in sales worldwide, and the best-selling products are clothing accessories and glasses/sunglasses as well as perfumes. Chanel, Rolex, and Gucci are preferred for luxury fashion and accessories. When making purchase decisions, quality remains the prime factor, but there are other characteristics as price, shortage, and superfluity.

### 1.3. Counterfeiting

In the last times, the practice of counterfeiting assumed characteristics in the economic sector. Today, counterfeiting uses the same legal means, raising diversity and increasing production. Industrial globalization at the manufacturing and distribution level has also facilitated the production of counterfeit products, which is calling into question a wide range of industries throughout the world.

If the luxury market grew, there has also been an increase in the counterfeiting of luxury products that globally has reached USD 1.82 trillion in 2020, which includes counterfeiting of all products. According to a study carried out by EUIPO and the OECD in 2019, estimates of IPR infringement in international trade is over 3.3% of the world trade. Up to 6.8% of EU imports, or USD 147 billion per year, consist of fake goods.

Recent numbers showed that the principal counterfeit product categories are: footwear (22%),

clothing (16%), leather goods (13%), electrical equipment (12%), watches (7%), medical equipment (5%), perfumes and cosmetics (5%), toys (3%), jewelry (2%), pharmaceuticals (2%), other industries (12%) according to the report Trends in Trade in Counterfeit and Pirated Goods (Manganello, 2019). According to OECD (2019), in the US counterfeiting has reached the sheer size, affecting 24% of their brands and patents. In Europe, the situation is as follows: France – 17%, Italy – 15%, Switzerland – 11%, and Germany – 9%. In addition, such developed economies as those in Singapore and Hong Kong, as well as developing economies like those in Brazil and China are suffering from counterfeiting as well (OECD, 2019). The studies point out that 2.5% of imported goods worldwide, and 5% of European Union imports, are fakes.

Portugal is one of the countries affected by the damage caused by counterfeiting, ranking 15<sup>th</sup> among the 28 countries of the European Union. In the Portuguese market, counterfeit activities have also been diversified – first focusing primarily on luxury goods and expensive brands, but now they also include medical equipment, electronics, cosmetics, car accessories, food, or toys. Annual Portuguese numbers reflect the international reality: clothes – EUR 342 million, pharmaceuticals – EUR 269 million, cosmetics – EUR 129 million, smartphones – EUR 73 million, wines and spirits – EUR 60 million.

Counterfeit products breach copyrights and trademarks, raise benefits for organized crimes, and lower the profits of brands and governments. Fake medical equipment, auto parts, perfumes, cosmetics, toys, food, and electrical tools result in risks for health and safety for those people who use them (OECD, 2019).

Literature review refers that the main characteristics of luxury products are high quality and uniqueness. The added value of a luxury product is more the result of the social value associated. It is easy to reproduce a simple label or logo but it is difficult to copy technical peculiarities. However, most luxury goods are easy to reproduce and counterfeits are a growing phenomenon.

Tunçel (2021), Song et al. (2021), and Kim and Yoon (2021) conducted cross-cultural studies of

counterfeit luxury brands. Amaral (2021) and Gistri (2021) focused on the supply and demand of counterfeit products. Kassim et al. (2021) and Pope et al. (2020) investigated why consumers buy counterfeit luxury products. Chand and Fei (2021) focused on the purchase intention of counterfeit luxury products, as well as Alsaïd and Saleh (2019), and Sondhi (2019).

Pasricha et al. (2019), and Ren and Kang (2018) studied consumer motivation to buy counterfeit products, and Bhatia (2018) investigated attitudes of consumers towards counterfeit goods.

Wang et al. (2020, p. 133) studied counterfeit and gray markets and explained that “counterfeiting usually refers to the manufacturing and sales of “copied products” which are illegal” while “gray market refers to the unauthorized distribution channels where the branded products are traded.”

Counterfeiting of trademarks is associated with the infringement of copyright, patents, and trademarks, but it also affects a wide range of products (Harvey, 1988).

Counterfeiting has become an economic problem of international importance and has led to a variety of countermeasures based on legal, political, administrative, or business techniques (Eisend & Schuchert-Guler, 2006, p. 1). This phenomenon has been expanding due to increased competition between producers of counterfeit goods, competing among them to be able to evolve technologically, enabling higher quality imitations.

Once, “status consumers who buy counterfeit luxury brands want to own luxury branded products that are perceived as scarce” (Phau et al., 2009, p. 14).

Concluding, the principal categories of products counterfeited are footwear, clothes, watches, and leather goods. Additionally, products like electrical and medical equipment, perfumes and cosmetics, toys, jewelry, and pharmaceuticals as well as other industries are extremely popular. Additionally, counterfeiting has become a world wide economic problem and has led to a variety of countermeasures based on legal, political, administrative, or business techniques.

Based on the literature review, this study elaborates the following question – “why Portuguese consumers buy counterfeit luxury brands?” The general objective of this study is to stipulate the determinants that influence the purchase of counterfeit luxury brand products and specify the following aspects:

- Q1. *Identify the factors that influence the intention to buy counterfeit luxury products.*
- Q2. *Realize the importance of the brand in the purchase of counterfeit luxury products.*
- Q3. *Find out if the consumer understands ethical issues when buying counterfeit luxury products.*

## 2. METHODOLOGY

This study is based on the work developed by Araújo (2012), and in the present investigation, the clues for future investigations of the mentioned work were deepened.

It is due to the methodology that it is possible to obtain an absolute and broad understanding of the phenomenon under this study. The methodology allows observing, describing, interpreting, and valuing the environment and the phenomenon as it is presented (Fortin & Gagnon, 2016).

Considering the theme, the problem being studied, and the objectives of the study, a mixed methodology was chosen, which means that two methods were used: quantitative and qualitative. These two approaches, although different, can be used in a complementary way, using the qualitative data to validate, explain, clarify or even reinterpret the quantitative data (Walker & Baxter, 2019).

Concerning the methodological options, the instruments used are the interview and the questionnaire. The interview was conducted with a Louis Vuitton (LV) Brand Manager in the Portuguese market to understand the luxury market and to collect the necessary information to elaborate the questionnaire. From this interview, this paper detaches that the brand works under the key concepts of brand experience and provides “luxury

segment experiences to Louis Vuitton customers and create affinity making them feel part of the LV family”. The LV Brand Manager declares that “LV is, in fact, the most counterfeit brand in the world” and considers that “counterfeiting does not affect the credibility of the brand and the interest on the part of the consumer, and whoever buys original products knows how to distinguish genuine items from counterfeits”, because “buying LV products creates the feeling of a dream come true, getting something that is difficult to buy and that few people can achieve, it is a kind of personal fulfillment.”

### 2.1. Characteristics of a sample

The questionnaire applied consists of 21 questions, the estimated time for its completion was around 10 minutes and Qualtrics software was used.

The questionnaire was distributed and disseminated by e-mail and on social networks through a link. To guarantee the reliability of the answers, each questionnaire could only be submitted by one individual. The anonymity and confidentiality of responses and respondents were ensured, as well as knowledge of the purpose and application of the questionnaire, intended exclusively for this study.

Therefore, the questionnaire was made available on the internet on October 1, 2020 (at 12:50), and the last answer was recorded on October 15, 2020 (at 17:34), with a total of 130 responses, of which 100 were complete and 30 – non-complete responses. Data analysis was performed using the statistical analysis program Statistical Package for Social Sciences (SPSS).

In this specific case, the study population includes consumers in general, as they will be the ones who have an opinion on this topic. The sample is the

subset of the population elements. The results obtained in the sample allow estimating the true results of the population from which it was taken.

A total of 100 participants were interviewed, 43% are male and 57% are female, with a mean age of 32.59 years (SD = 9.78), aged between 16 and 54 years. The middle class was the most prevalent, with 86 participants (86%), followed by the upper class, with 11 participants (11%) and the lower class, with 3 participants (3%). Most respondents had higher education (76%). Secondary education was the educational level of 21 of the respondents (21%) and only two (2%) had only primary education (Table A1, Appendix A).

### 2.2. Questionnaire results

Most of the respondents (91%) reported having already purchased or received a product of a luxury brand and only 9% responded negatively.

Perfumes were referred to as the most frequently purchased type of luxury product (54%). Clothing (48%), footwear (45%), bags/wallets (43%) and watches were also highly referenced products.

The Louis Vuitton brand was the most cited as a luxury product acquisition (38%), although closely followed by the Gucci brand (35%). Armani (31%), Chanel (30%), Burberry (30%), Prada (24%), Mont Blanc (13%), Hermes (12%), Cartier (11%), and others (8%) are also noteworthy.

Figure 1 shows the frequency of purchase (purchase or receipt) of luxury products; it presented a low frequency, with a concentration of responses in “rarely” (43%) or “annually” (29%).

Almost half of the interviewed sample state that they purchase a luxury good rarely (43%), 15%

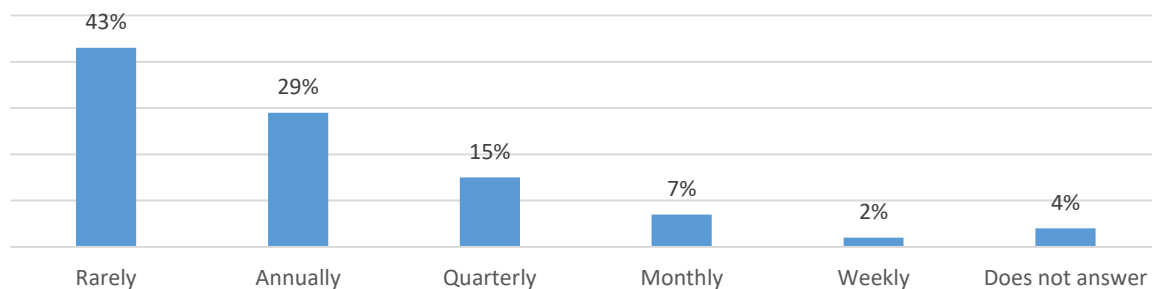


Figure 1. Frequency of purchase or receipt as present of luxury products

receive or purchase quarterly, and only 7% buy a luxury product once a month.

The main factor associated with acquiring a luxury brand item is quality (62%). Personal satisfaction (46%) and product design (45%) complete the top of the hierarchy of the most important factors (Table 1).

**Table 1.** Factors associated with acquiring a luxury brand

Factors	n (%)
Quality	62 (62%)
Personal satisfaction	46 (46%)
Product design	45 (45%)
Exclusivity	22 (22%)
Brand prestige	19 (19%)
Differentiation	17 (17%)
Tracking trends	12 (12%)
Status	7 (7%)
Social distinction	4 (4%)
Top price	0 (0%)

Quality is the first feature of the list (62%) and social distinction is at the end of the list (4%).

On the other hand, this study revealed that more than half of respondents (59%) have already bought a counterfeit luxury product. In the market of counterfeit products, some products are more pursued than others. The products that are more desired by the consumers are bags/wallets that are also the most frequently purchased counterfeit products (31%), followed by clothes (25%), watches (22%), footwear (12%), and perfumes (10%).

The main brand of counterfeit products was the Louis Vuitton brand (26%), followed by Ray-Ban (22%), Nike (15%), Rolex (12%), Michael Kors (10%), Chanel (6%), Prada (6%), Burberry (6%), and others (3%). These data ultimately correspond

to the four most counterfeit brands in the OECD study.

More than half of the sample (61%) responded that they only rarely acquire a counterfeit of a luxury product.

Table 2 shows that the main motivation associated with the purchase of counterfeit products is the lower price (44%).

**Table 2.** Factors that motivate the acquisition of counterfeit products

Source: Authors' elaboration.

Factors	n (%)
Lower price	44 (44%)
Product design	11 (11%)
Quality	8 (8%)
Tracking trends	5 (5%)
Personal satisfaction	4 (4%)
Brand prestige	2 (2%)
Status	1 (1%)
Social distinction	1 (1%)
Differentiation	1 (1%)

The "street vendors" (28%), the "Internet" (26%) and the "intermediates/acquaintances" (12%) were referred to as the main sources of luxury counterfeit goods.

The "consumer" (33%), "acquaintances/friends" (21%), "sellers" (8%), family" (6%) were identified as the main sources of influence for the acquisition of counterfeit products.

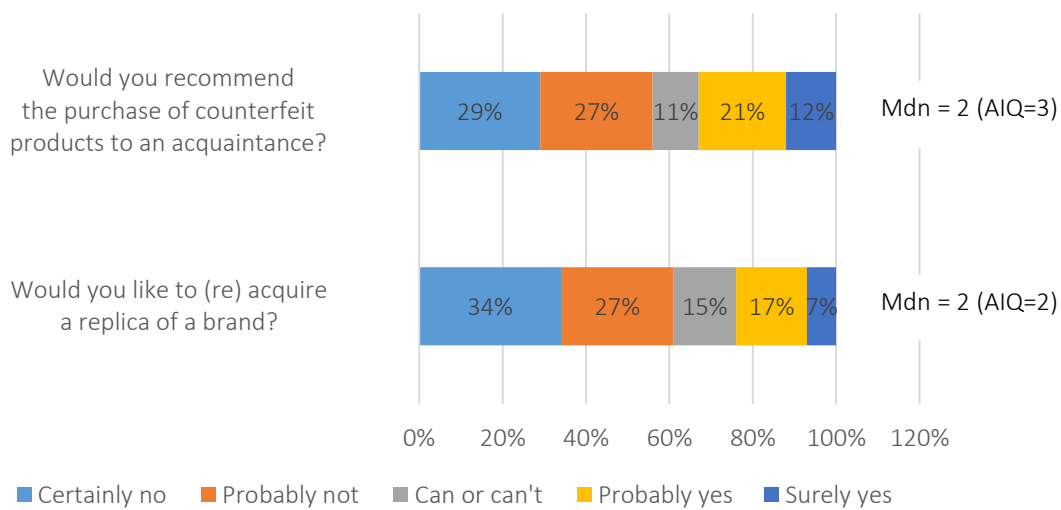
The median of the reactive responses to the experience of counterfeit products showed higher satisfaction with the price (Mdn = 4, AIQ = 2), as evidenced by the more positive trend of responses in this item (Table 3).

**Table 3.** Experience in the acquisition of counterfeit products

Source: Authors' elaboration.

Factors	Extremely unsatisfied	Partially dissatisfied	Neither satisfied nor dissatisfied	Partially pleased	Extremely pleased	Mdn (AIQ)
Personal satisfaction (n = 70)	12 (17.1%)	5 (7.1%)	22 (31.4%)	26 (37.1%)	5 (7.1%)	3 (1.25%)
Product satisfaction (n = 64)	14 (20.9%)	6 (9.0%)	21 (31.3%)	22 (32.8%)	4 (6.0%)	3 (2%)
Price satisfaction (n = 67)	8 (12.5%)	3 (4.7%)	13 (20.3%)	17 (26.6%)	23 (35.8%)	4 (2%)

Source: Authors' elaboration.



**Figure 2.** Intention to re-acquire or recommend counterfeit products

The recommendation for acquisition (Mdn = 2, AIQ = 3) and intention to re-purchase a counterfeit luxury product (Mdn = 2, AIQ = 3) obtained low median results (Figure 2). These results were corroborated by graphical analysis, where there were tangentially negative responses.

Respondents were concerned about the ethical issues related to the purchase of a counterfeit luxury product (Mdn = 3, AIQ = 2) but responded even more affirmatively when questioned about the implementation of severe measures against counterfeiting (Mdn = 4, AIQ = 2). There was also a tendency for respondents to consider themselves capable of distinguishing an original product from a forgery (Mdn = 3, AIQ = 2). Respondents were not particularly concerned about being criticized for using a counterfeit product (Mdn = 2, AIQ = 2).

**2.2.1. Ethical/legal issues related to counterfeit**

To the question “Do you consider ethical issues before buying a fake?” respondents responded as follows: 19% – strongly disagree, 9.5% – disagree, 25% – neither agree nor disagree, 17.5% – agree, 28.9% – strongly agree. SPSS revealed that Mdn = 3 (AIQ = 2).

Regarding the question “While using a replica of a brand, do you worry about being criticized by other individuals?” respondents responded as follows: 37.1% – strongly disagree, 16.5% – disagree, 16.5% – neither agree nor disagree, 11.3% – agree,

18.6% – strongly agree. SPSS revealed that Mdn = 2 (AIQ = 2).

When asked “Do you feel easy to distinguish an original product from a replica?”, respondents revealed that 11.1% – strongly disagree, 17.2% – disagree, 30.0% – neither agree nor disagree, 20.2% – agree, 21.5% – strongly agree. SPSS revealed that Mdn = 3 (AIQ = 2).

Regarding the question “Should severe measures be taken against counterfeiting?” the study revealed that 7.0% – strongly disagree, 9.0% – disagree, 27.0% – neither agree nor disagree, 22.0% – agree, 35.0% – strongly agree. SPSS revealed that Mdn = 4 (AIQ = 2).

Regarding the consequences of buying or selling counterfeit luxury goods, 57% of respondents reported being aware of the damages associated with the original brands and 30% said they had an idea of such consequences. Although a large part of the respondents (84%) said that they know that the sale of counterfeiting is illegal, 16% did not recognize this as illegality.

**2.2.2. Consequences of the acquisition/sale of counterfeit**

When asked “Are you aware of the financial losses of the original brands with the acquisition of counterfeit?” 13% said no, 57% said yes, and 30% had a vague idea.



**Table 4.** Relationship between experience, intention/recommendation, and ethical/legal issues related to counterfeiting

Source: Authors' elaboration.

Personal satisfaction	1	2	3	4	5	6	7	8	9
1. Personal satisfaction	1	.778**	.629**	.559**	.576**	-.384**	-.042	-.118	-.213
2. Product satisfaction	-	1	.673**	.577**	.651**	-.348**	-.213	-.224	-.231
3. Price satisfaction	-	-	1	.443**	.459**	-.376**	.024	-.175	-.190
4. Would you like to (re) acquire a replica of a brand?	-	-	-	1	.832**	-.506**	-.135	-.257*	-.403**
5. Would you recommend the purchase of counterfeit products to an acquaintance?	-	-	-	-	1	-.514**	-.210*	-.206*	-.374**
6. Should severe measures against counterfeiting be implemented?	-	-	-	-	-	1	.195	.126	.372**
7. Do you feel easy to distinguish an original product from a replica?	-	-	-	-	-	-	1	.069	.302**
8. While using a replica of a brand, do you worry about being criticized by other individuals?	-	-	-	-	-	-	-	1	.447**
9. Do you consider ethical issues before buying a forgery?	-	-	-	-	-	-	-	-	1

Note: \* means  $p < .05$ ; and \*\* means  $p < .01$ .

The variables related to experience, intention/recommendation and ethical/legal issues related to counterfeiting were also related, using Spearman correlation coefficient, since these were ordinal variables. Table 4 showed statistically significant positive correlations between the variables related to the experience (personal satisfaction, satisfaction with the product, and satisfaction with the price),  $\rho = .778$  ( $p < .01$ ),  $\rho = .629$  ( $p < .01$ ),  $\rho = .673$  ( $p < .01$ ) and intention/recommendation,  $\rho = .832$  ( $p < .01$ ). The weighting of ethical issues before the acquisition of a counterfeit product obtained statistically significant positive correlations with the remain-

ing questions in this group:  $\rho = .372$  ( $p < .01$ ),  $\rho = .402$  ( $p < .01$ ), and  $\rho = .447$  ( $p < .01$ ).

Personal satisfaction with product and price has shown positive correlations with the intent or recommendation of purchasing a counterfeit product, thus revealing that those who are most satisfied will tend to buy or recommend these products. On the other hand, respondents who agree more with the implementation of severe measures against counterfeiting are the ones that showed less intention to acquire ( $\rho = -.506$ ,  $p < .01$ ) or recommend counterfeit products.

## CONCLUSION

The initial purpose of this study was to understand why Portuguese consumers purchase counterfeit products. The results indicate that the most purchased counterfeit products are in line with the most luxury brand products sought, such as clothing, footwear, and bags, and the main factor is the price.

The results of the intention to repurchase are quite low, which indicates that respondents do not intend to repurchase a counterfeit luxury product because there is the disadvantage of inferior quality, reliability, and durability of the product.

Most importantly, this study shows that some consumers are aware of the damage that counterfeiting causes to luxury brands. On the contrary, some consumers do not consider this practice to be illegal.

In conclusion, this study suggests that marketing and communication actions are necessary to make consumers aware of illegality, appealing not to buy counterfeits, since without demand the supply tends to decrease.

## AUTHOR CONTRIBUTIONS

Conceptualization: Miguel Varela, Paula Lopes, Rita Mendes.

Formal analysis: Rita Mendes.

Investigation: Miguel Varela, Paula Lopes.

Methodology: Miguel Varela, Paula Lopes, Rita Mendes.

Visualization: Paula Lopes.

Writing – original draft: Miguel Varela, Rita Mendes.

Writing – review & editing: Paula Lopes.

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## APPENDIX A

**Table A1.** Characteristics of a sample

Source: Authors' elaboration.

<b>Gender</b>	<b>n(%)</b>
Masculine	43 (43%)
Feminine	57(57%)
<b>Social class</b>	<b>n(%)</b>
Lower class	3(3%)
Middle class	86(%)
Upper class	11(11%)
<b>Education</b>	<b>n(%)</b>
Higher education	2(2%)
Secondary education	76(76%)
Primary education	21(21%)
	M(DP) [min-max]
Age	32.59 (9.78) [16-54]