The Effects of Risk Preferences on Consumer Purchasing Counterfeit Goods Online

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ABSTRACT

Nowadays ways of purchase are changing with the maturity and rapid development of e-commerce. There are two studies in this research paper. In study 1, one online experiment was conducted with 263 subjects, it aims to figure out the relationship between consumers’ risk preference and risk in online purchase environment. In study 2, the other online experiment was conducted involving 263 subjects. It aims to explore consumer purchase intention in counterfeit goods by experimental design including those three variables. It is found risk preferences on consumers and risks in purchase environment must be considered in the same time, because the interaction between risk preference of consumers and risks in online purchase environment for impact on purchase intention will be significant. The product itself like product with logo or not is the biggest factor to attract consumers to purchase. Risk will not affect consumer purchase intention while there are no other variables; but it would affect consumers purchase intention while consumers consider brand logo at same time.

KEYWORDS

Brand Logo, Counterfeit Goods, Purchase Intention, Risk Preference, Word of Mouth

1. INTRODUCTION

Brand counterfeiting has been described as the crime of the 21st century and it affects almost every brand-owning company at some point in time (Lambkin & Tyndall, 2009). Consumers purchase counterfeit goods to derive social identity or buy the counterfeit goods under asymmetric information; Grossman & Shapiro (1988) divided this purchase activity into deceptive counterfeiting and non-deceptive counterfeiting. Deceptive counterfeiting means consumers purchase low-quality counterfeit goods at the price of genuine goods in unknown situations. Non-deceptive counterfeiting means consumers know that product is a low-quality and cheaper counterfeit good, but they still want to purchase it even though it is not a genuine good.

A lot of previous research on counterfeit goods focuses on product supply-side (Bush, Bloch, & Dawson, 1989; Olsen & Granzin, 1992). This study helps consumers avoid doing wrong decision again, and the real brands sellers can be taken to deter the proliferation of counterfeit goods in order to maintain the image and the value of the product itself. The present laws are not strict enough to limit the flooding of counterfeit goods in the internet; to sale counterfeit goods on the internet is also at a low risk and lower cost. Thus, this paper suggests this can be fixed by the government, enterprises,
and consumers to prevent counterfeit goods threat to real brands. However, it also wants to protect consumers to purchase genuine products of their own interests.

This research paper aims to research the effects of risk preferences on consumers purchasing counterfeit goods online. First of all, this paper searched and collected early research papers. Second, this paper had done classification of the literature and systematic discussion to create research framework and hypotheses of this paper. Third, this paper created questionnaire based on research framework and hypotheses, and then distributed and data was collected. Finally, this paper made discussions and conclusion by data analysis.

2. LITERATURE REVIEW

2.1. Counterfeit Goods

Counterfeit goods are not original; instead they copy someone’s idea, creation, something popular, or something that can make money. Counterfeit goods include a variety of products: music CDs, shoes, clothes, jewelry, cars, bags, watches, ideas, and software (Eisend & Schuchert-Guler, 2006). The quality of counterfeit products leads to some health problems and safety risks to the consumers who purchase them. Because of the popularity of the Internet and online shopping becoming more popular, more and more counterfeit goods appear on the online platform.

2.2. Perceived Risks

When customers do purchase, unpleasant things always happen; so consumer behavior is a kind of risk-taking. Consumer behavior may produce unexpected results that could be negative (Lin, 2003), especially online shopping. Online shopping comes with more risks, because the buyer can not face sellers nor check the products’ quality on the spot. In this situation, the perceived value may be negative. Consumers are seeking information from their community; they often rely on views of others in order to reduce purchase perceived risks.

In the web-shopping context, prior experiences will strongly affect future behavior. (Burke, 2002; Parasuraman & Zinkhan, 2002; Mathwick, Malhotra, & Rigdon, 2001). According to early research, this study creates hypothesis 1 to test online consumer purchase intention. This is used to figure out the relationship between risks in the shopping environment and purchase intention of consumers with risk taken.

Chu & Kim (2010) found that perceived tie strength is positively related to consumers’ intention to seek and pass product-focused information in the online social media. Perceived value and perceived risks are absolutely two key factors that affect consumers purchase intention. In this paper, it aims to research how perceived risk influence consumers purchase intention.

H1: Risk in the online shopping environment positively influence purchase intention of consumers with risk taking.

On the other hand, risk-averse consumers are not likely to shop online, or they are likely to delay the online shopping choices. Consumers who perceive online shopping as a highly risky decision are less likely to purchase online. (Hassan, Kunz, Pearson, & Mohamed, 2006) Therefore, this study creates hypothesis 2.
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