



The Affect of Counterfeit Products on Luxury Brands

- An Empirical Investigation from the Consumer Perspective

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Abstract

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Title: The Affect of Counterfeit Products on Luxury Brands: An Empirical Investigation from the Consumer Perspective

Introduction: Counterfeiting is considered as the crime of the 21st century. A highly affected market of counterfeits is the market of luxury branded goods. These goods are bought by consumers who want to express their social class and belonging by being admired, recognized and accepted by other people. The counterfeits of luxury brands that flourish on the market makes it possible for anyone to be a luxury brand user which is against the core of luxury brand, which strives for a low distribution to keep the demand high to be able to keep the consumer associations of luxury brands.

Purpose: The purpose of this thesis is to create knowledge of how counterfeit products affect the consumer perception of luxury brands.

Methodology: The research approach was a deductive, quantitative research and the data was collected through a questionnaire distributed through Facebook and the internal e-mail of the Linnaeus University. The sample frame was generation Y in Sweden. A total of 432 completed questionnaires were collected and was the foundation for the analysis and result.

Conclusion: The consumers' perception of counterfeit products have a negative effect on the consumer perception of luxury brands. Both the consumer's brand associations and how consumers perceive the quality of luxury brands are affected by counterfeit products. However, what the consequences are of this negative relationship cannot be answered by the result of this thesis.

Keywords: Branding, Luxury brands, Counterfeit products, Customer-Based Brand Equity (CBBE), Brand Associations, Perceived Quality.

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1. Introduction

This chapter will present an introduction of the area of interest for this thesis. First a background of the topic is presented in order to provide the reader with information about the research area. A problem discussion is also provided which ends up in the purpose of this thesis.

1.1 Background

According to James Moody, former chief of the FBI organized crime division, counterfeiting will be the crime of the 21st century (in Wilcox et. al., 2009, p. 247). Counterfeiting is a growing problem and between the years 2000 and 2006 the amount of seized goods increased with 273 percent (European Commission, EC, 2007) and it accounts between 5-7 % of the total world trade (ICC Commercial Crime Services, 2012-01-31). The country that produces the largest amounts of counterfeit products is China which stands for 60 percent of the total world production (EC, 2007).

There are different types of counterfeit products and depending on their character different laws regulates the market. The most common violation is counterfeiters' crime against companies' trademarks which have a 92 percent share of the seized articles that comes to the European Union (EC, 2007) see figure 1.1 below.

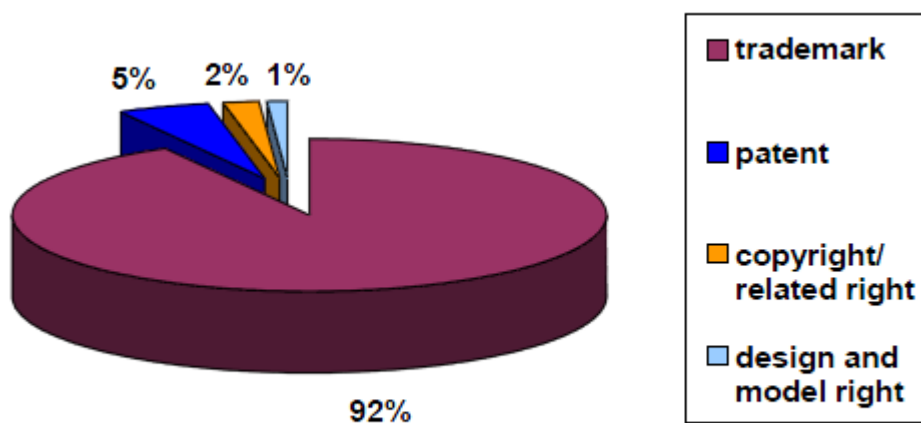


Figure 1.1: Breakdown by type of Infringed right per seized articles (European commission, 2007)

Trademarked counterfeiting is the area of interest of this thesis and when mentioning counterfeit products it is only trademarked counterfeiting that is considered from now on. To be able to understand what harmful effects the crime of counterfeiting has on trademarked

goods it is first needed to state what counterfeit products are and what type of brands that are counterfeited.

Counterfeit products are defined as identical or similar copies of trademarked goods that are offered in the marketplace in order to take advantage of the benefits generated by the specific branded products (Grossman & Sapiro, 1988). A further developed definition stated by Lai and Zaichkowsky (1999) is that a counterfeit product is a 100% direct copy of a product with a high-valued brand, although with mostly inferior quality. Such copied goods are manufactured in order to convince the buyer that it is identical with the original and makes the consumers think that they purchase the original and trademarked brand. However, all counterfeit products are not made for convincing the buyer that he or she buys the original and trademarked brand i.e. there are two types of counterfeit products; deceptive and non-deceptive counterfeits (Grossman & Sapiro, 1988; Bloch et. al., 1993). *Non-deceptive counterfeits* are all situations when the customer has been aware of the origin and the inferior quality of the product and *deceptive counterfeits* include scenarios when the customer act in faith and honest and do not know that the purchased product is a copy and can be considered as victims of counterfeiting. In this thesis it is non-deceptive counterfeits that are of interest and those are the type of counterfeits that is considered from now on when mentioning counterfeit products.

As mentioned, counterfeit products are produced in order to take advantage of a high-valued brand (Lai & Zaichkowsky, 1999), in this thesis it is narrowed down to counterfeit products on brands considered as luxury by consumers. The reason behind this decision is that a large extent of the trademarked counterfeited products are in the luxury segment (Verdict Research Co, 2007) and the more firms invest in creating a prestigious brand the more likely the brand will become counterfeited (Commuri, 2009). An example of the problem of counterfeit products of luxury brands is that seven percent of the British adults have bought counterfeit products of a luxury brand, and five percent have bought a counterfeit product from one of the top ten luxury brands (Davenport Lyons, 2012-05-06).

During 2012 consumption of luxury goods worldwide are estimated to reach a level of \$450 billion dollars a year (Verdict Research Co., 2007). In general luxury brands are associated with high prices and superior quality (Turunen & Laaksonen, 2011) but way to many brands can fit into that general definition without being considered as a luxury brand (Kapferer & Bastien, 2009). There are a lot further developed definitions of luxury brands in research and

the most of them share the same aspects of what a luxury brand must obtain to fit into the category of luxury. In research six criteria for a luxury brand can be stated; a luxury brand must have a strong *artistic content*, be a result of *craftsmanship*, *be known internationally*, and have a *unique, individual and recognizable design* (Nueno & Quelch, 1998; Chevalier & Mazzalov, 2008). Furthermore a luxury brand should have a limited and restricted distribution and production to keep the demand high and the service or product delivered from the brand should in some way be unique (Nueno & Quelch, 1998; Kapferer & Bastien, 2009).

1.2 Problem discussion

Most research in the area of counterfeit products has focused on the demand-side (Cordell et. al., 1996; Tom et. al., 1998; Gistri et. al., 2009), but in the beginning of the 21st century a new way of looking at the problem of counterfeit products has been the area of interest, namely how counterfeit products affect the brand image of the genuine brand (Nia & Zaichowsky, 2000; Hieke, 2010) and it is this area that will be in focus of this thesis as well.

According to Nia and Zaichowsky (2000) the supply side of counterfeit products claim that the genuine luxury brands do not lose customers due to the existence of counterfeit products on the market since the consumers of counterfeit products are people that cannot afford the genuine branded products anyway. Even if this is true the loss of customers might not be the biggest problem for the luxury brands due to counterfeits. The real problem might be that the values connected to the brand is affected by counterfeit products, an area which needs more research to create knowledge of these affects.

The distribution of luxury branded products should be limited and restricted to keep the demand high (Kapferer & Bastien, 2009) and due to the existence of counterfeit products in the market, the distribution of the brand becomes unmanageable for the genuine luxury brand manufacturers. In addition, manufacturers suffer the risk of damage to their brands' reputation and reputation is rather important when it comes to luxury brands (Kapferer & Bastien, 2009).

When buying luxury brands, consumers evaluate the brand of the product more rather than the actual features of the products (Grossman & Shapiro, 1988; Van Kempen, 2004; Husic & Cicic, 2009), even if the features are embedded in the values of the brand. Because of this it is likely that the luxury brand segment can be extra vulnerable to the existence of counterfeit products than for example premium brands which are bought due to the superior quality (Kapferer & Bastian, 2009).

Common for the segment of luxury brands is that by the limited distribution and other obstacles such as high prices, the products cannot be bought by everyone (Kapferer & Bastien, 2009). Instead they are targeting a special group of consumers who wants to display what social group they belong to, and the consumers who are not able to buy luxury branded products are supposed to envy those who can (Van Kempen, 2004; Kapferer & Bastien, 2009). Counterfeit products of luxury brands have changed this phenomenon. Consumers who do not have the opportunity of owning genuine luxury brands can now fill their desire for those brands by buying counterfeits which has enabled everyone to own luxury brands, regardless what social class they belong to (Wilcox et. al., 2009; Wiedmann et. al., 2012).

The specific area of interest of this thesis is how consumers' perception of luxury brands are affected due to the counterfeit products which makes it possible for anyone to be a luxury brand user. This is not a common researched topic but has been done in at least two scientific articles; Nia and Zaichowsky (2000) and Hieke (2010). Nia and Zaichowsky (2000) focused on consumers of luxury brands and did only include participants who owned luxury branded products with the result that the availability of counterfeit products did not affect status and purchase intentions of luxury brands. By only including luxury brand owners, the subjective thoughts can be biased since the consumers might want to justify their consumption of expensive products. The other study by Hieke (2010) focuses on if the visibility of counterfeit products affects the evaluations of genuine luxury brands, but this study focuses on if one mere exposure of counterfeits affects consumers' evaluation of luxury brands. The results in both these cases are contradictory to the theory and finds that counterfeit products did not affect the perception of genuine luxury brands. Since both these studies (Nia & Zaichowsky, 2000; Hieke, 2010) have results which is contradictory to the theory of the phenomenon of counterfeit affect on genuine luxury brands there is a need for more research of the topic in order to create knowledge of how counterfeit products affects the consumer perception of luxury brands.

In this thesis it was not taken into consideration if the consumers purchase luxury brands or not, while Nia and Zaichowsky (2000) only focused on luxury brand users. Secondly this thesis focused on how consumers perception of luxury brands are affected by the market of counterfeit that makes the products available and not only how the perception of luxury brands are changed due to one mere exposure of counterfeits which was the focus of Hieke (2010). By doing this research it contributes with information to luxury brand managers by stating if counterfeit products are harmful for the consumer perception of luxury brands or not

and what consequences it might lead to for luxury brands. The aim of this thesis is therefore to primarily answer if counterfeit products affect the perception of luxury brands and secondarily answer what consequences this affect might lead to. With this discussion in mind the following purpose of the thesis was stated.

1.3 Purpose

The purpose of this thesis is to create knowledge of how counterfeit products affect the consumer perception of luxury brands.

2. Literature Review

This chapter provides a literature review of existing theories in the area of interest. The literature review presents the general theory of counterfeit products, how to measure customer-based brand equity and the general theory about luxury brands and then ends up in how counterfeit products can harm the genuine luxury brand.

2.1 Theory of Counterfeit Products

According to the marketing literature counterfeit products of luxury brands are associated with low quality and low prices. The counterfeit products are also offered to a broader market than what the genuine luxury branded products is, which jeopardize the exclusivity of genuine luxury brands (Grossman & Shapiro, 1988; Lai & Zaichowsky, 1999; Gistri et. al., 2009; Sharma & Chan, 2011).

There is a high demand for counterfeited products on the market. There are two main reasons why people buy counterfeit products of luxury brands; the low price compared to the genuine luxury brands and the value expressive functions the brands deliver (Cordell et. al., 1996; Wilcox et. al., 2009; Wiedmann et. al., 2012).

Consumers buy counterfeit products as status symbols to classifying themselves into a prestigious social group where they want to belong (Grossman & Shapiro, 1988; Wilcox et al. 2009). By wearing counterfeit products of luxury brands, the consumers can identify with the people wearing the original luxury products and claim to belong to the same social class as where the original luxury brand users belong, as long as no one can tell that the consumer wears fake products (Gistri et. al., 2009). The price for a counterfeit product of a luxury brand is just a fraction of the price of a genuine product and people tend to buy counterfeit products to reduce the risk of buying the original for a lot of money (Tom et. al., 1998; Wiedmann et. al., 2012). Counterfeit products deliver good value for money, even though they can be of low quality, since they offer other utilities which are associated with consumers of luxury brand products such as personal status (Wilcox et. al., 2009; Wiedmann et. al., 2012). Gistri et. al., (2009) adds a reason for buying counterfeit products, since they are fun, in the sense that they can be bought as a gift for friends and family during vacations since it is a cheap imitation of a highly valued product in the home country, which the person who gives it away never could afford to give as a gift in ordinary cases. Previous research (Nia & Zaichowsky, 2000) has evaluated consumers' perceptions of counterfeit products in eight dimensions based on the

literature. These eight dimensions are: if the counterfeit products are seemed to be status symbols, prestigious, common, fun, worth paying for, qualitative, durable and exclusive.

2.2 Customer-Based Brand Equity

As discussed in the problem discussion counterfeit products can harm the genuine luxury brand. To be able to find answers for this assumption, the consumers' perception of genuine luxury brands needs to be measured which can be used in several ways (Faircloth et. al., 2001). One approach is to measure the brand equity (Aaker, 1991), which also can focus on the customer side (Keller, 1993), which was used in this thesis. How the concept of a customer based approach for brand equity is measured will be further explained below.

First of all, brand equity has two main approaches; the financial approach and a customer-based approach (Lassar et. al., 1995; Kim et. al., 2003; Pappu et. al., 2005). The financial approach is of most use for companies who wants to know the value of a brand in for example dollars and is defined by Simon and Sullivan (1993, p. 29) as "*the incremental cash flows which accrue to branded products over and above the cash flows which would result from the sale of unbranded products*".

Aaker (1991, p.15) uses a mixed approach that states the importance of brand equity for both firms and customers with following definition "*Brand Equity is a set of brand assets and liabilities linked to a brand, its name and symbol, that add or subtract from the value provided by a product or service to a firm and/or to that firm's customers*". A third more specified definition of brand equity from the customers point of view called customer-based brand equity is stated by Keller (1993, p. 8) as "*the differential effect of brand knowledge on consumer response to the marketing of the brand*". In this thesis, brand equity was examined from the customers' point of view and not from the firm, why two definitions of brand equity suitable for this study is the once from Aaker (1991) and Keller (1993) and both definitions will be referred to as Customer-Based brand Equity (from now on called CBBE).

Aaker (1991) is a broadly accepted researcher in the area of CBBE and are well cited among other researchers (e.g. Cobb-Walgren et. al., 1995; Faircloth et. al., 2001; Washburn & Plank, 2002; Ailawadi et. al., 2003; Taylor et. al., 2004; Chen & Tseng, 2010). According to Aaker (1991) the brand assets and liabilities linked to a brand may differ depending on the context, and can be grouped into five categories, Brand Loyalty, Brand Awareness, Perceived Quality, Brand Associations, and other proprietary Brand Assets. Four of them can be viewed from the customers point of view but the last item of other proprietary Brand Assets cannot be included

in a customer based perspective of brand equity (Washburn & Plank, 2002) since it consists of patents and trademarks of a brand which is not consumer oriented and are therefore rejected as an area of interest and will not be further examined in the literature review.

Keller (1993) is also a well accepted researcher in the area of CBBE and is well cited (e.g. Kim et al., 2003; Kim & Kim, 2005; Pappu et. al., 2005; Tong & Hawley, 2009). Keller (1993) is influenced by Aaker (1991) in his conceptualization of CBBE but focuses on a concept called Brand Knowledge. *Brand Knowledge* is a concept built upon two items which are the foundation of CBBE (Keller, 1993). These concepts are, Brand Awareness and Brand Image, where Brand Image are made upon Brand Associations and therefore can be seen as a synonym to Aaker´s (1991) item Brand Associations.

By combining the approach from Aaker (1991) and Keller (1993) there is four items of interest: Brand Loyalty, Brand Awareness, Perceived Quality, and Brand Associations / Brand Images. Figure 2.1 shows the dimensions of Brand Equity, according to Aaker (1991), which focusing on the four items which can be seen from the customers' point of view and not from the firms' point of view. A short presentation of each item and how they are supposed to create equity for the consumer will follow.

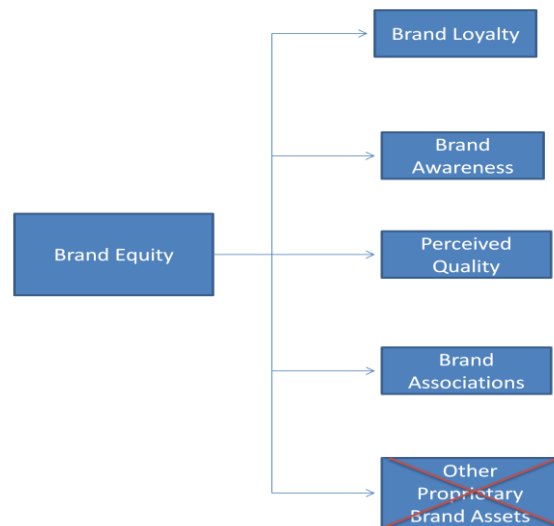


Figure 2.1: Dimensions of Customer-based Brand Equity (Adopted from Aaker, 1991).

Brand loyalty

Brand loyalty has an important impact on CBBE (Yoo et al., 2000). Brand loyalty is established when consumers starts buying products from a specific brand without evaluating the product in terms of price, quality and other features but rather on the basis of the brand

name (Aaker, 1991). A buying behavior based on brand name occurs when consumers established positive attitudes and beliefs about a brand which in turn leads to repeated buying behavior (Keller, 1993) which reduces that consumers switching to other brands (Yoo et. al., 2000). If a firm manages to make consumers loyal to the brand, the firm will face some competitive advantages such as the consumers become less price sensitive (Yoo et. al., 2000). Brand loyalty also reduces marketing costs, leads to trade leverage since preferred products gets preferred shelf space, makes it easier to attract new customers since brand loyal customers probably will talk in positive spirit about the brand, and lastly it leads to that a firm has more time to react to competitors' moves since loyal customers are not willing to switch to a competing brand (Aaker, 1991).

Brand awareness

Brand awareness refers to the ability for a consumer to recognize or recall a brand among a product category (Aaker, 1991; Keller, 2003). Brand awareness is the anchor of CBBE since it is a necessity for a consumer to know about a brand to be able to create associations about it (Aaker, 1991; Keller, 1993). Brand Awareness occurs when a consumer repeatedly becomes exposed to a brand by hearing, seeing or thinking about it and after several connections the brand will be established in the mind of the consumers who in the future automatically become related to the brand (Radder & Huang, 2008).

Brand Awareness can be divided into two subgroups; Brand Recognition and Brand Recall (Keller, 1993). *Brand Recognition* refers to consumer's ability to connect prior exposures and experiences to the brand, where the name or logo works as cues in the consumer's memory (Keller, 1993). According to Aaker (1991) Brand Recognition provides a brand with a familiar feeling and that consumers prefer to buy products they are familiar with.

Brand recall is when a brand has been established in the mind of the consumers and is one of the brands that the consumer thinks of when he thinks of a certain product category (Aaker, 1991). A big asset for a company is to be the brand a consumer first associate with a certain product category which should be the position to strive for (Keller, 1993). An example of Brand Recall could be if a consumer has a craving for cornflakes and the first brand he or she thinks of is Kellogg's. In this case the awareness of Kellogg's has created a top of mind brand awareness.

Brand associations

A brand association is anything linked in memory to a brand, i.e. a perception of the brand (Aaker, 1991; Keller, 1993) and has a positive effect on the brand equity (Tong & Hawley, 2009). A link to a brand gets stronger when it is based on many experiences with the brand. The underlying value of a brand name is the set of associations to the brand and these associations represents bases for purchase decisions (Aaker, 1991). There are a lot of possible associations connected to a brand and they can be divided into mainly three different categories that provide equity for the brand, attributes, benefits and attitudes (Aaker, 1991; Keller, 1993).

Attributes are those tangible and intangible assets that characterize a brand, more specifically how the consumers perceived the brand during a purchase. These assets can be classified as product related or non-product related where product-related consists of physical ingredients that are necessary for offering the product and non-product related attributes consists of external factors like price, packaging and user imagery (Keller, 1993). The positioning to associate with different attributes are effective because they can be the reason to buy or not to buy whether the consumer identify with the attributes or not (Aaker, 1991).

Benefits are the values consumers connect with the product or service and more specific what types of needs the product or service fulfill for the customer. Product or service benefits could further be divided into three categories; Functional benefits, experiential benefits and symbolic benefits (Keller, 1993).

Functional benefits refer to the product or service intrinsic purpose it supposes to fulfill (Keller, 1993). For example a jacket is supposed to keep you warm and dry. Experiential benefits in a product or service are what it feels like to wear or use the product or service. The experiential attributes often correspond with product related attributes and often satisfy some or many of the human senses. The symbolic benefits in a product or service are often not satisfying a product related need, the symbolic benefits are instead a help for the consumer to fulfill the social identity. The product or service can also be a tool for expression or building self esteem. These types of products often have unique design or look and are often equipped with "badges" to further deliver the value (Keller, 1993).

Attitudes have a direct impact on the brand associations (Faircloth et. al., 2001) and is defined as consumers overall evaluations of a brand (Keller, 1993; Chen, 2001; Rio et. al., 2001). Attitudes has become a part of brand associations since it is hard to correctly specify all the

relevant attributes and benefits for a brand, so researchers has built a multi-attribute model of consumer preferences with the general attitude toward the brand which is not captured by the attributes and benefit values of the brand (Keller, 1993). The multi-attribute model is built on the salient beliefs a consumer has about a brand and if these beliefs are evaluated positively or not (Keller, 1993). Attitudes can be about non-product related attributes such as symbolic benefits, and about product related attributes which are closely related to the research about perceived quality (Keller, 1993).

Perceived quality

Perceived quality is the customer's perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative to alternatives (Aaker, 1991; Yoo & Donthu, 2001). Perceived quality cannot be objectively determined since it is a perception but also since it is subjective judgment of what is important for the consumer involved (Aaker, 1991). Perceived quality is an intangible asset but will probably be evaluated together with other assets of the product such as reliability and performance (Aaker, 1991). High perceived quality is not always a necessity since a consumer can have low expectations of the quality of a product but can still have positive attitudes about a product since the product is cheap, so consumers can be satisfied with products without high perceived quality (Aaker, 1991). On the other hand the perceived quality can generate value to the brand in multiple ways. It can create reason-to-buy, it can differentiate a brand from competitors, and the firm can take out price premiums, and can be an important reference in brand extensions (Aaker, 1991).

Even though all the four parts of CBBE is important for consumers when evaluating brands only two of the concepts will be further examined in this thesis, namely brand associations and perceived quality, for reasons explained below.

Brand Loyalty should focus on existing customers rather than potential (Aaker, 1991) and as stated in the introduction chapter this thesis was not taken into consideration whether people do buy luxury brands or counterfeits of them or not. It is impossible to ask questions of customer loyalty to potential customers since, according to Grönroos (2008), customer loyalty is built on a successful serial of reoccurring relationships between the customer and the brand. Furthermore since the study was only made at one time and was not investigating whether the consumer was acting loyal to a brand or not, examine the customer loyalty becomes irrelevant according to the purpose of this thesis.

Also Brand Awareness was determined to not been investigated in this thesis due to that the focus of this thesis is to create knowledge of how counterfeit products affect the consumer perception of a genuine brand and Brand Awareness is about if a consumer knows about the brand and not how they perceive the brand. It is also hard to ask questions who aims for answering why consumer knows about a brand and what it is that made the consumer aware of a certain brand. Therefore the two CBBE categories in focus of this thesis were Brand Associations and Perceived Quality which will be further discussed in the context of luxury brands in the following sections.

2.2.1 Brand Associations of a Luxury Brand

As stated in previous section, Brand Associations are created in the mind of the consumer (Aaker, 1991). These associations are further divided based on what type of associations that are created in mind (Keller, 1993). When it comes to luxury brands there are several items that are connected as associations to these brands. Since a luxury brand is associated with high prices and superior quality (Turunen & Laaksonen, 2011) brand associations of a luxury brand should be categorized within these subjects. Other researchers (e.g. Kim et. al., 2003; Tong & Hawley, 2009; Chen & Tseng, 2010) has used different items when measuring Brand Associations that can be classified as luxury based on the definition made by Turunen & Laaksonen (2011). These items are *Expensive* (Kim et. al., 2003) and *Status symbols* (Tong & Hawley, 2009; Chen & Tseng, 2010).

According to Kapferer & Bastien (2009) luxury brands are especially made for a specific social class and not for everybody, which makes the products exclusive to own. This exclusiveness has created a feeling of satisfaction of belonging to this specific social class (Kapferer & Bastien, 2009). Social class belonging has been stated by other researchers depend upon that luxury brands are associated with statements like *High class goods* (Kim et. al., 2003), *Good reputation* (Lassar et. al., 1995; Chen & Tseng, 2010) and *Pride* (Lassar et. al., 1995; Pappu et. al., 2005).

Furthermore, it is stated that a luxury brand should have restricted distribution in order to secure a high level of service (Nueno & Quelch, 1998; Kapferer & Bastien, 2009), which can be connected to other researchers' stated levels of Brand Associations, like *Trustworthy* (Lassar et. al., 1995; Pappu et. al., 2005; Tong & Hawley, 2009) and *Service level* (Kim et. al., 2003).

Therefore, following items can be classified as brand associations of a luxury brand; Status symbols, Expensive, High class goods, Good reputation, Pride, Trustworthy and Service level. If a brand manages to be linked with these associations the brand users will also be accepted, recognized and admired by others (Dubois & Duquesne, 1993).

2.2.2 Perceived Quality of a Luxury Brand

Perceived quality is, as examined in previous sections, the customer perception of the overall quality or superiority that is connected with a product or service (Aaker, 1991). Determine the perceived quality of a luxury brand should therefore be quite obvious since it is confirmed that a luxury brand should have superior quality (Turunen & Laaksonen, 2011), high level of service (Nueno & Quelsh, 1998; Kapferer & Bastien, 2009) and a unique design that secure quality of each specific product (Nueno & Quelsh, 1998; Hellofs & Jacobsen, 1999; Commuri, 2009). These items of a luxury brand can be compared to measurement of perceived quality made by other researchers (e.g. Pappu et. al., 2005; Tong & Hawley, 2009) like *Durable* (Pappu et. al., 2005), *Quality* (Pappu et. al., 2005; Tong & Hawley, 2009) and *Reliability* (Pappu et. al., 2005; Tong & Hawley, 2009), which also are classified as criteria of Perceived Quality (Aaker, 1991).

2.3 Counterfeit Products Affect on Genuine Luxury Brands

As stated in the theory the perception of counterfeit products and the Brand Associations and Perceived Quality of luxury brands are quite the opposite. The marketing literature has not examined the relationship between counterfeit products and the original brands to a wide extent but the marketing literature are of the opinion that counterfeit products has the potential to ruin the exclusivity and uniqueness that is associated with luxury brands (Fournier, 1998; Hellofs & Jacobsen, 1999; Commuri, 2009). If this can be confirmed it will probably lead to devastating consequences for the original brands, which will be discussed in the following section.

2.4 Discussion of Literature Review

Since the purpose of this thesis was to investigate how counterfeit products affect the perception of a luxury brand, counterfeit products needed to be examined in the literature review. The literature review confirmed that eight items had been used in research to investigate consumers' perceptions of counterfeits. The items were if the counterfeit products was perceived as status symbols, common, exclusive, fun, worth paying for, durable and

prestigious (Nia & Zaichkowsky, 2000). These items could therefore be seen as indicators of how counterfeit products are perceived by consumers.

As examined in previous sections, CBBE is the main theoretical concept under investigation in this thesis. However, only two of the four categories in this concept were applicable in this thesis for reasons examined in previous sections. The two remaining categories were Brand Associations and Perceived Quality. These categories will together examine the general perception of a brand. This thesis was further limited, as determined in the introduction chapter, to only involve luxury brands. Furthermore, a literature review of the Perceived Quality and Brand Associations that is linked with luxury brands was done. Following items were determined as Perceived Quality of a Luxury Brand; Durable, Reliable and Quality, and the following items were determined as Brand Associations of a Luxury Brand; Status Symbols, Good Reputation, Expensive, Service Level, High Class goods, Trustworthy and Pride (Pappu et. al., 2005; Tong & Hawley, 2009; Chen & Tseng, 2010; Lassar et. al., 1995; Kim et. al., 2003). These items were therefore determined as indicators of Customer-based Brand Equity of a luxury brand.

As stated in the literature review the characteristics of counterfeit products and genuine luxury brand products are quite the opposite of each other. Counterfeit products are associated with low quality and low prices and are offered to a broad market (Grossman & Shapiro, 1988; Lai & Zaichowsky, 1999; Gistri et. al., 2009; Sharma & Chan, 2011) while genuine luxury branded products are associated with high quality and high prices and are offered in a selective market (Kapferer & Bastien, 2009; Turunen & Laaksonen, 2011).

According to the literature counterfeits of luxury brands ruin the status of the genuine luxury brands and also contribute to the loss of exclusivity and uniqueness of these brands (Fournier, 1998; Hellofs & Jacobsen, 1999; Commuri, 2009) i.e. ruin the brand associations and perceived quality of luxury brands. If this can be confirmed in this thesis the loss of CBBE would probably lead to consequences for the consumers of the genuine brand, which will be examined in the next chapter.

3. Conceptualization and Hypotheses

In this chapter the examined theories and concepts in previous chapter will be further discussed in order to create a research model of this thesis. This chapter will further develop two hypotheses based on the created research model and three hypotheses based on potential consequences of the affect of counterfeit products on genuine luxury brands. The aim of the research model and the hypotheses is to enable the investigation of the concepts in order to fulfill the purpose of this thesis.

3.1 Conceptualization

In order to simplify the research and fulfill the purpose of this thesis a research model needed to be developed. The research model should contain the relevant concepts examined in the literature review which can be connected to the purpose of this thesis which was to create knowledge of how counterfeit products affect the consumers' perception of luxury brands.

The main phenomena under investigation of this thesis were counterfeit products. As examined in the literature review, there are eight different items that could be classified as perceptions of counterfeit products (Nia & Zaichkowsky, 2000) and therefore has these items been grouped together in order to investigate the opinion about counterfeit products which creates the variable perception of counterfeit products. This variable is then supposed to affect a luxury brand, which was connected to Customer-based brand Equity (CBBE) which is seen as the overall added or subtracted value the brand generates to the products (Aaker, 1991; Keller, 1993).

Since only two categories of CBBE were penetrated, Brand Associations and Perceived Quality, only these two are included in the research model, and therefore have these two concepts been determined as two variables in the model. Since these concepts together creates the perceptions of a brand in the mind of a consumer (Aaker, 1991), the consumers should in this case have positive associations to the brands since this thesis focuses on luxury brands which according to the theory (Nueno & Quelch, 1998; Kapferer & Bastien, 2009; Turunen & Laaksonen, 2011) has positive consumer perceptions. Therefore the research model has been created based on these three variables with the aim to investigate its relation, except for the relation between Brand Associations and Perceived Quality since its relation already has been stated by a lot of other researchers (e.g. Aaker, 1991; Keller, 1993; Yoo & Donthu, 2001;

Ailawadi et. al., 2003). The potential relation is examined with hypotheses which will be further discussed in the next section. The research model is shown in figure 3.1

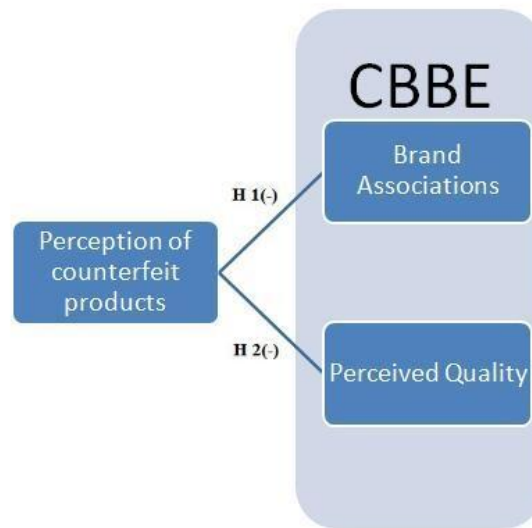


Figure 3.1: Research Model

In order to investigate what a negative perception of a luxury brand might lead to, three different possible consequences were examined, which were adopted from the literature. The first possible consequence is if CBBE of luxury brands are affected by counterfeit products, the personal status will then be ruined. Luxury brands are associated with social status and a desire of owning its products (Kapferer & Bastien, 2009; Turunen & Laaksonen, 2011). By owning luxury branded products the consumer gets admired, recognized and accepted by others (Dubois & Duquesne, 1993) which also increases the personal satisfaction of owning these products (Nia & Zaichkowsky, 2000). Since counterfeit products want to take advantage of the value expressive functions of luxury brands (Cordell et. al., 1996; Wilcox et. al., 2009; Wiedmann et. al., 2012) the status in owning luxury brands become more easily accessible which by time ruin the social status in owning these brands. Therefore, a damaged social status is a potential consequence of the existence of counterfeit products and was determined as a variable which included the items admire, recognition, acceptance and personal satisfaction.

The second potential consequence is if counterfeit products affect the perceived value of luxury brands. It is likely that the value of owning luxury brands is decreased since one of the main criteria for classify a brand as luxury is its exclusivity and the delimitations of purchasing these products (Hellofs & Jacobsen, 1999; Commuri, 2009). The availability of counterfeit products have enabled a broader group of consumers to buy luxury brands

(Grossman & Shapiro, 1988; Gistri et. al., 2009) which is likely to devalue the ownership of original luxury brands since the low prices enables that almost everyone can afford to buy the counterfeit products (Wilcox et. al., 2009). The consumers of counterfeit products want to take advantage of the belonging to a special social class that owning the original luxury brand leads to (Wilcox et. al., 2009; Wiedman et. al., 2012) which in turn would likely decrease the value of owning original luxury brands. Therefore is decreased value a potential consequence due to the existence of counterfeit products hence, the variable Devalue was determined.

The third and final potential consequence that was examined in this thesis is if the demand for luxury branded products is affected by the existence of counterfeit products in the marketplace. According to Aaker (1991) the reason to buy a brand is influenced by the CBBE and if the Brand Associations are positive and the Perceived Quality of a brand is high, a reason to buy the brand has occurred. However, if the CBBE is damaged due to counterfeit products the reason to buy would therefore be affected which would probably lead to a decreased demand of luxury branded products. Therefore, decreased demand is a potential consequence and has been determined as a variable.

To answering if the perception of counterfeit products has an effect on the brand associations and perceived quality of luxury brands and if there are any negative consequences of this effect, five research hypotheses was stated which will be further explained in the next section.

3.2 Research Hypotheses

In previous section, a research model was constructed which compute the relevant concepts together and create an overview of how the research was done. In order to fulfill the purpose of this thesis, five research hypotheses were stated. Two hypotheses is based on the relation between perception of counterfeit products and Brand Associations/Perceived Quality of a luxury brand which is shown in the research model (3.1) and three hypotheses are based on the potential consequences with the existence of counterfeit products. Each of the five hypotheses will be presented below.

3.2.1 Counterfeits affect on the brand associations of luxury brands

By going through the literature it can be stated that the perception of counterfeit products and the brand associations of luxury brands are quite the opposite. If the counterfeit products, which have a negative perception, flourish on the market with the name of a luxury brand this will probably have a negative effect on the brand associations of a luxury brand. Therefore the following hypothesis was stated:

H₁: A negative perception of counterfeit products has a negative effect on the Brand Associations of luxury brands.

3.2.2 Counterfeits affect on the perceived quality of luxury brands

By going through the literature it can be stated that the perception of counterfeit products and the perception of luxury brands are quite the opposite, as same as for Brand Associations. If counterfeit products, with low quality, flourish on the market in the name of a luxury brand it will probably have a negative effect on the perceived quality on a luxury brand. Therefore the following hypothesis was stated:

H₂: A negative perception of counterfeit products has a negative effect on the Perceived Quality of luxury brands.

3.2.3 Counterfeits affect on the of luxury brands as personal status symbols

If the CBBE, i.e. Perceived Quality and Brand Associations of luxury brands are ruined by counterfeits, it will probably have consequences for the owners of the genuine brands. The associations that lead to the status of owning luxury brands, namely admiration, recognition and acceptance (Dubois & Duquesne, 1993) rooted in the brand associations of luxury brands will probably be ruined and the status of owning luxury brands would not be greater than owning the counterfeit products of the brand. Therefore following hypothesis was stated:

H₃: Counterfeit products have a negative effect on the personal status in owning luxury brands.

3.2.4 Counterfeits affect on the value of owning original luxury brands

If the CBBE, i.e. Perceived Quality and Brand Associations of luxury brands are ruined by counterfeits this will probably have consequences for the owners of the genuine brands. The inaccessibility of luxury brands are according to the theory vital for the associations of a luxury brand (Hellofs & Jacobsen, 1999; Commuri, 2009). The inaccessibility can be of both monetary and distribution obstacles (Kapferer & Bastien, 2009), which are both ruined by counterfeit products of the luxury brands. This will probably lead to that the value, satisfaction and status of owning counterfeit products will be decreased. Therefore the following hypothesis was stated:

H₄: Counterfeit products devalue the ownership of luxury brands.

3.2.5 Counterfeits affect on the demand of original luxury brands

If the CBBE, i.e. Perceived Quality and Brand Associations of luxury brands are ruined by counterfeit products this will probably have consequences for the owners of the genuine brands. Both positive Brand Associations and high Perceived Quality are positive for the CBBE of luxury brands (Aaker, 1991) which leads to reasons to buy its products for the consumers. If the CBBE of luxury brands are ruined by counterfeit products, it is likely that reasons to buy the luxury branded products will be loosed and the demand of luxury brands will be lowered. Therefore the following hypothesis was stated:

H₅: Counterfeit products have a negative effect on the demand of luxury brands.

4. Methodology

In this chapter the relevant approaches and tools for fulfill the purpose will be explained and discussed with the aim to show the reader what has been done. With a genuine and clear methodology the researchers are able to create validity and reliability of the thesis. This chapter will further explain more detailed which research approach that have been used, the research design and what strategy that was used.

To be able to get the respondents' knowledge about which types of luxury goods this thesis investigates, it was chosen to adopt a product category and in this thesis it was determined to be watches. The reason was that there is a lot of watch brands that can be classified into the luxury segment and fulfill the luxury criteria that was stated in the background. The criteria for a luxury brand are; the products have strong *artistic contentment*, are a result of *craftsmanship* and *known internationally*. The products also need to have a *unique, individual and recognizable design* (Nueno & Quelch, 1998; Chevalier & Mazzalovo, 2008).

The luxury watch industry is also in high extent affected of the counterfeit industry. For example four percent of the seized goods that pass the United States border are counterfeited watches (US Customs and Border Improvement Protection, 2011). By determine a specific category the validity was supposed to be increased since the risk that the respondents misunderstood the questionnaire was decreased.

4.1 Research Approach

There are two types of research approach; deductive and inductive (Bryman & Bell, 2005; Aaker et. al., 2010) which will be further explained below. After the consideration regarding a deductive or inductive approach, also a decision about how the problem of the study should be solved, which is done by either doing a quantitative or a qualitative research (Bryman & Bell, 2005; Christensen et. al., 2010; Malhotra, 2010; Aaker et. al., 2010) which also will be examined below.

4.1.1 Inductive versus Deductive Research

The *deductive* research approach is when the research shows the relation between existing theories and reality. This means that stated theoretical framework is tested through empirical observations or investigations in which the theory either is confirmed or revised. In the *inductive* approach the theories are results and conclusions drawn from observations without help of existing theories which then become new established theories (Bryman & Bell, 2005).

In this thesis the deductive approach were chosen due to that the aim of the thesis was to answer hypotheses that are based on theory in the literature review which enables to fulfill the purpose of this thesis.

4.1.2 Qualitative versus Quantitative Research

To be able to draw accurate conclusions in this thesis, data needed to be collected. There are two types of research approaches to collect empirical foundation; Qualitative and Quantitative (Bryman & Bell, 2005; Christensen et. al., 2010; Malhotra, 2010).

The *Qualitative* method is less formalized and has an ability to describe complicated situations more easily. The qualitative method is preferred in order to explain complicated situations due to its ability to create a deeper understanding and is therefore more appropriate in one specific problem but it is not suitable as a tool to draw general conclusions (Bryman & Bell, 2005). The *Quantitative* method presents the empirical material in terms of numbers and statistics with the aim to present data in order to draw general conclusions. This type of method is formalized, structured and controlled with the aim to investigate few variables but on a large amount of respondents (Bryman & Bell, 2005; Christensen et. al., 2010).

In this thesis general conclusions about how counterfeit products affect two categories of CBBE; Brand Associations and Perceived Quality, was drawn and due to its lack of ability to draw general conclusions (Bryman & Bell, 2005), a qualitative method was therefore not suitable for the purpose of this thesis. The qualitative approach would fit this thesis if the stated problems have been in a more complicated nature. The area of interest of this thesis is, as examined in the theory chapter, a general phenomena and a qualitative study in this area would only show affects in one or a few cases. Therefore the quantitative approach was chosen since it was generating valuable data from a large sample in order to draw general conclusions.

4.2 Research Design

The research design is an expressed or an un-expressed logic plan where the empirical data is connected with the research purpose, which enables to draw conclusions (Yin, 2007). There are two types of research design, Exploratory and Conclusive, and they fit different types of research depending on its character (Malhotra, 2010). *Conclusive research* design can be divided into two different research designs, descriptive research and causal research, which generates three different research designs (Bryman & Bell, 2005; Malhotra, 2010; Aaker et. al., 2010), which will be further explained below.

Exploratory research design is used when searching into general problems and is often used in areas where there is a lack of research. The exploratory research design is very flexible and often unstructured which fits qualitative studies (Malhotra, 2010; Aaker et. al., 2010). Often the result of an exploratory research is generating important and deep information about a specific problem rather than generate answers of a general problem (Bryman & Bell, 2005).

Descriptive research designs show a clear and accurate picture of the market environment which gives the reader relevant information about a topic. The descriptive approach often fits quantitative studies due to its nature and hypotheses are often used in descriptive research (Aaker et. al., 2010). Descriptive research can be divided into two different forms, Cross-sectional and Longitudinal design. The *Cross-sectional* design shows a snapshot of the population in a specific moment and based upon the fact that the researcher forms their conclusion. The basic value in a Cross-sectional design is that the single moments are measured but if the same sample becomes measured and compared over a time the study becomes *Longitudinal* which rather focusing in investigate changes (Bryman & Bell, 2005).

Causal research designs shows how one variable affects another variable and are often used in studies with an aim to show relations and associations. In causal studies where relationships and links between two variables have been found they could be seen as associated which is called *causal relationships* (Aaker et. al., 2010). According to Malhotra (2010) marketing research objects is not often only affected by one single variable and results from causal studies often tends to be probabilistic hence the results of causal studies, if there are any, are often incorrect.

In this thesis the potential effects of counterfeit products on Brand Associations and Perceived Quality was examined and since the qualitative approach was chosen to be avoided, also exploratory research was chosen to not take into consideration since it is most suitable for a qualitative approach (Malhotra, 2010; Aaker et. al., 2010). A causal research is usually not adequate (Malhotra, 2010) and since this thesis was not going to investigate causality between variables it was not the chosen research design of this thesis. Therefore, the most suitable research design was descriptive since the problem and theoretical part of the selected area is widely researched and stated. The discussed theories and concepts were examined in order to either be confirmed or rejected. The snapshot from the market environment was showed with help from a quantitative method and therefore was hypotheses used.

Since the conclusions will be drawn on one sample at one time and not comparing the results over time the Descriptive research design for this thesis will be cross-sectional instead of longitudinal. A presentation of the chosen methodology approaches so far is presented in figure 4.1

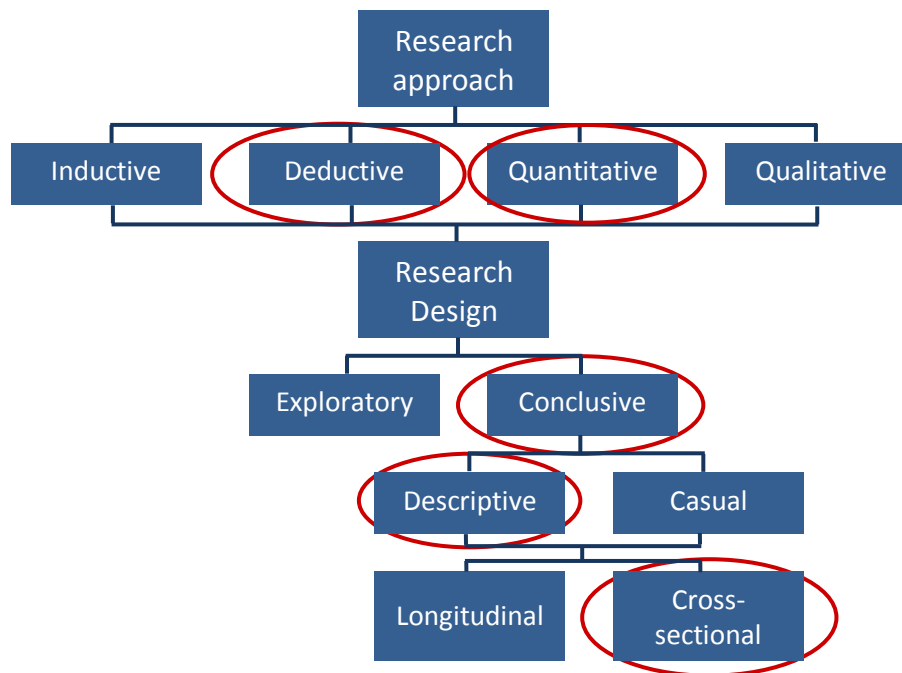


Figure 4.1 Methodology Approaches

4.3 Data Sources

Empirical data exists of two types; secondary and primary data. *Secondary data* is information that was collected for another purpose or study (Christensen et. al., 2010) and is not of major importance to fulfill the purpose of the research but will contribute to a better understanding of the problem and a greater depth for the research (Aaker et. al., 2010). Secondary data can for instance be collected from governmental statistical units, newspapers and trade organizations (Christensen et. al., 2010) and is beneficial due to the fact that it can save the researcher a lot of time and money (Christensen et. al., 2010; Aaker et. al., 2010). This type of data is also often reliable and accurate collected due to the skills and experience from different statistical institutes (Bryman & Bell, 2005). The negative aspect of secondary data is that the purpose with collecting the data is mostly not corresponding with the research and would therefore become irrelevant (Christensen et. al., 2010).

Primary data is information gathered by the researcher for the specific project. There are different approaches when collecting the data, i.e. surveys, interviews and observations, which will be further presented in the next section. The advantages with collecting primary data are that it contributes to the research and is relevant for meeting the purpose of the study (Christensen et. al., 2010). Compared to secondary data it is more expensive and more time requiring but due to its level of relevance (Christensen et. al., 2010) primary data seems to be the most appropriate type of information regarding a specific research project.

In this thesis both secondary and primary data was collected with mainly focus on primary data. Secondary data was mainly collected for the introduction chapter in order to generate a greater depth and understanding for the subject of counterfeits and luxury brands. To gather relevant information specific for this thesis, primary data was collected for the analysis by using techniques presented in upcoming sections.

4.4 Research Strategy

According to Yin (2007) five different research strategies are identified; *Experiment*, *Survey*, *Archival Analysis*, *History* and *Case study*. The differences between the strategies are not always obvious and it is therefore difficult to state in which situations one strategy is to prefer compared to another. Three variables should be considered when determining strategies which are: (1) What type of research question, (2) if the researcher needs to control the behavioral events of the research and (3) if the research involves a focus on contemporary events (Yin, 2007). A comparison between the different strategies and a tool to determine appropriate strategies are presented in table 4.1

Table 4.1: Relevant Situations for Different Research Strategy

Research Strategy	Form of Research Question	Requires control over behavioral events	Focuses on contemporary events
Experiment	How, why	Yes	Yes
Survey	Who, what, where, how many, how much	No	Yes
Archival analysis	Who, what, where, how many, how much	No	Yes/No
History	How, why	No	No
Case study	How, why	No	Yes

Source: Yin (2007, p. 22)

For this thesis the purpose is based on a current problem that was mapped by analyzing primary collected data. The nature of the problem makes it therefore hard to solve with help from a history or archival strategy. Experimental strategies are often used to find answers in causal problems, since the descriptive approach where chosen the experimental strategy could also be excluded. Based on the purpose of this thesis, surveys or case studies could be used, but in this specific case it was chosen to more specific investigate a wide market and not company specific problem, the chosen strategy was therefore a survey where general conclusions could be drawn. The design and structure of the survey will be explained in the following sections.

4.5 Data Collection Method

In a quantitative study built on primary data, there are two main approaches to use when collecting the data: observations and survey (Bryman and Bell, 2005; Malhotra, 2010). *Observations* are a method where the researcher wants to know what the respondents actually do in a certain situation which is collected by observing specific behavior of the respondent (Malhotra, 2010) rather than tell the researcher what they say they do in the same situation (Bryman & Bell, 2005). The observation method could be excluded from this thesis since the main focus was to know what the respondents' opinions and attitudes to the area of interest were, rather than what they actually did in an upcoming situation.

Survey is a method built upon communication with the respondents of the study. It is the most common method regarding social science when the predicted population is too large to be observed (Bryman & Bell, 2005). Since observations were excluded, the only remaining method was survey which was also more suitable for this thesis since the interest is in

peoples' subjective thoughts. Therefore the survey method was preferred to use in this thesis, which also was determined to be the most suitable research strategy in the previous section. After deciding the survey strategy the next step was to decide how the survey was going to be conducted. The possible survey methods were personal interviews, telephone interviews and self-administrated-questionnaires (Bryman & Bell, 2005; Aaker et. al., 2010). The choice was made to collect the data by handing out a self-administrated questionnaire since the analytical approach was earlier determined to be quantitative which align with a great number of respondents rather than collecting informative data from a few respondents. The choice was also taken with consideration of the advantages and disadvantages with the method which will be further discussed below.

First of all there is a limitation to self-administrated questionnaires since there is no personal interaction between the researcher and the respondent why the researcher cannot interpret body language as a part of the answer (Bryman & Bell, 2005). It is not possible to add additional answers while the respondents answering the questionnaire (Christensen et. al., 2001; Bryman & Bell, 2005). This limitation was addressed by pretest the questionnaire on a test-group of respondents which gave feedback on the questions and what questions that could resolve the communication issues. Another risk which is higher in a self-administrated questionnaire compared to an interview is if the respondents gets bored and do not answer all of the questions (Bryman and Bell, 2005). Telling the respondent at the beginning of the questionnaire how long time it is supposed to take to answering the questionnaire has hopefully minimized this risk.

Advantages with self-administrated questionnaires are that they are not that time-consuming as interviews as well as they are a much cheaper option than interviews (Bryman & Bell, 2005; Christensen et. al., 2001). Respondents answering a questionnaire are also more anonymous compared to the respondents in an interview situation, which contributes to more honest answers compared to a situation where the respondent wants to fit into the social desired frame (Bryman & Bell, 2005). An important consideration when choosing the self-administrated questionnaire was the skills needed of conducting an interview of high quality. By doing interviews without professional skills the outcome of the interview can be influenced (Bryman & Bell, 2005). Since there were no experienced interviewers available it was a better option to use a self-administrated questionnaire where the hard work is conducting the right operationalization and questions which then is presented exactly the same to all respondents and not biased by the interviewer.

With the limitations in mind and primary focus on the reasons of time consideration, insufficient financial resources and the lack of experience in interviewing techniques the self-administrated questionnaire was evaluated to be the most appropriate data collection method after the main advantages and disadvantages, explained above, was taken into consideration.

4.6 Data Collection Instrument

In this section the theoretical operationalization will be presented as well as the construction of the questionnaire and how each specific question is connected to a variable. Finally, an explanation of how the questionnaire was pretested, in order to secure validity of the study, is presented.

4.6.1 Operationalization and Measurement of Variables

To be able to test the hypotheses, the concepts in the research model (see figure 3.1) needed to be translated into measureable indicators. The theoretical constructs can have single or multiple indicators when being measured but when it comes to measuring attitudes, each concept should have several measurable indicators to be as valid as possible (Bryman & Bell, 2005). According to Hair et. al. (2003) each variable should be measured by at least three items in order to be valid, which all variables are in this thesis except from one variable; Demand. That this variable only was measured by one item is a limitation which needs to be taken into consideration when evaluating the result of the study. This will be further discussed in the limitation section (6.4) of the thesis.

To define the indicators that measure the theoretical concepts in the research model an operationalization needed to be done. Operationalization is a tool of showing how the conceptual framework transfers from abstract to measurement and modes of evidence collection (Shields & Tajalli, 2006), in other words, translate the research into understandable language for the respondents.

Instead of creating the measurement variables from scratch the items for each variable are adopted from earlier research where the variables has been statistically significant. This means that earlier research of each variable has been examined, adopted and rephrased to suit this thesis and its area of interest. The indicators used in this thesis are shown in table 4.2.

Table 4.2 Operationalization

Theoretical construct	Indicator	Measurement	Item on questionnaire	Adopted from
Perception of Counterfeit	Quality (PCP-1)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	I believe fake luxury watches have low quality	Nia & Zaichowsky (2000)
	Status symbols (PCP-2)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	I believe fake luxury watches are status symbols	Nia & Zaichowsky (2000)
	Worth paying for (PCP-3)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	I believe fake luxury watches are not worth the price you pay	Nia & Zaichowsky (2000)
	Durable (PCP-4)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	I believe fake luxury watches are durable	Nia & Zaichowsky (2000)
	Exclusive (PCP-5)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	I believe fake watches are exclusive	Nia & Zaichowsky (2000)
	Common (PCP-6)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	I believe fake luxury watches are common	Nia & Zaichowsky (2000)
	Fun (PCP-7)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	I believe fake luxury watches are fun	Nia & Zaichowsky (2000)
	Prestige (PCP-8)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	I believe fake luxury watches give me prestige	Nia & Zaichowsky (2000)
Brand Associations of Genuine luxury goods	Status symbols (BA-1, BA-7)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	Using luxury watches is a social status symbol I respect and admire people who wear luxury watches	Chen & Tseng (2010); Tong & Hawley (2009)
	Reputation (BA-2, BA-4)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	Luxury watches has good reputation Luxury watches are well regarded by my friends	Chen & Tseng (2010); Lassar et. al. (1995)
	Expensive (BA-3)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	I Believe luxury watches are expensive	Kim et. al. (2003)
	Service level (BA-5)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	I Believe luxury watch brands are associated with high level of service	Kim et. al. (2003)
	High class goods (BA-6)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	I believe luxury watches are suitable for high class consumers	Kim et. al. (2003)
	Trustworthy (BA-8)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	I like and trust companies which makes luxury watches	Lassar et. al. (1995)Tong & Hawley (2009); Pappu et. al. (2005)
	Pride (BA-9, BA10)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	I would be proud to own a luxury watch I would be proud to buy a luxury watch	Lassar et al. (1995); Pappu et. al. (2005)

Perceived quality of genuine luxury goods	Durable (PQ-1)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	Luxury watches are very durable	Pappu et. al. (2005)
	Reliability (PQ-2, PQ-5)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	Luxury watches are very reliable I trust the quality of luxury watches	Pappu et. al. (2005); Tong & Hawley (2009)
	Quality (PQ-3, PQ-4, PQ-6)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	Luxury watches have very good quality Luxury watches offers excellent features Luxury watches has consistent quality	Tong & Hawley (2009); Pappu et. al. (2005)
Demand of luxury goods	Demand (DEM)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	If there were no fake luxury watches in the market place, I would purchase more original luxury watches	Nia & Zaichowsky (2000)
Devalue of luxury goods due to counterfeits	Value (DEV-1)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	I feel the value of owning original luxury watches is decreased by the counterfeits available in the market place	Nia & Zaichowsky (2000)
	Satisfaction (DEV-2)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	I feel the satisfaction of owning original luxury watches is decreased by the counterfeits that are available in the market place	Nia & Zaichowsky (2000)
	Status (DEV-3)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	I feel the status of owning luxury watches is decreased by the counterfeits available in the market place	Nia & Zaichowsky (2000)
Social status	Personal satisfaction (SS-1)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	Owning original luxury watches gives me more personal satisfaction than owning fake luxury watches	Nia & Zaichowsky (2000)
	Acceptance (SS-2)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	Owning original luxury watches helps me be more accepted by other people than owning fake luxury watches	Nia & Zaichowsky (2000)
	Admired (SS-3)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	Owning original luxury watches help me be more admired by other people than owning fake luxury watches	Nia & Zaichowsky (2000)
	Recognized (SS-4)	Seven point likert scale, 1=Totally disagree, 4= Neutral, 7=Totally agree	Owning original luxury watches help me be more recognized by other people than owning fake luxury watches	Nia & Zaichowsky (2000)

4.6.2 Questionnaire Design

As discussed in previous sections the data collection method for this thesis was determined to a self-administrated questionnaire. There are several ways of how to design and handout these types of questionnaires and the most common ways will be discussed below.

Since the data collection method was decided to be a self-administrated questionnaire the choices was to do a questionnaire with either open-ended questions or closed questions. In open ended questions the respondents can answer with their own words and in closed questions they have to choose between different fixed answers (Bryman & Bell, 2005). The advantages with an open-ended questionnaire is that the respondents, when answering the questions with their own words, can generate answers the researcher have not thought about, and therefore the answers are not biased by the researcher's alternative answers (Bryman & Bell, 2005). By using open-ended questions the researcher needs to code all the different answers after collecting the questionnaire which can make the coding unreliable. Another drawback of an open-ended questionnaire is that it requires a lot of the respondents which have to produce the answers by themselves and cannot just choose the best alternative answer (Bryman & Bell, 2005).

The advantages with designing a closed questionnaire are that it is easier to analyze the results, the answers can easily be compared to each other and the alternative answers can make the meaning of the question more obvious for the respondent (Christensen et. al., 2001; Bryman & Bell, 2005). The main disadvantage with a closed questionnaire is that there is a risk that the respondents' spontaneous reaction to a question is not covered by the alternative answers and it can be hard to manage all alternative answers within the alternative frame. Another disadvantage is that closed questions can be irritating for the respondents if they felt that their personal answers is not covered by the alternatives (Bryman & Bell, 2005).

In this thesis the questions was of closed character due to the advantages of getting the respondents to understanding the questions and alternative answers, but also due to the advantages when analyzing the collected data and the ability of comparing the answers of the respondents.

Since the decision was to use a closed questionnaire it was needed to decide what type of measurement scale that would be used. The most common scales to use are: nominal, ordinal, interval or ratio (Christensen et. al., 2001; Bryman & Bell, 2005; Ghauri & Grønhaug, 2005; Malhotra, 2010). The questionnaire of this thesis was mostly constructed with questions of interval scale. An *interval scale* is a scale where the distance between each possible answer is exactly the same in each step (Christensen et. al., 2001; Ghauri & Grønhaug, 2005; Malhotra, 2010) i.e. the distance between alternative 1 and 2 is the same as the distance between alternative 3 and 4. All statements in the questionnaire with an interval scale had a seven

graded likert scale, which is a commonly used scale when measuring attitudes (Bryman & Bell, 2005; Cian, 2011). According to Cian (2011) is it important that all questions have the same grading of the likert scale in order to become measurable against each other. However, all questions was not measured by an interval scale because some introducing questions in the beginning aimed to deliver personal information about the respondent like gender, age, occupation and annual income. The scale used for occupation and gender were a *nominal scale* which is a scale where the different alternatives are unable to be ranked. The numbers only serves as labels for identifying and classifying objects (Malhotra, 2010). The aim with these questions was to get a perception about the sample and to secure that they belong in the sample frame. The questions about income and age are in *ordinal scale* where the different answers could be ranked which not can be done with nominal scale (Malhotra, 2010).

The questions where then created based on the operationalization and the data coding presented in previous sections (the questionnaire can be found in Appendix A). Before handing out the questionnaire to the respondents, three possible options were taken into consideration; hand it out over the internet, by mail, or by personal interaction with the respondents (Christensen et. al., 2001; Saunders et. al., 2009). The decision was to hand out the questionnaire over the internet for reasons examined below.

Handing out the questionnaire over the internet has both advantages and drawbacks compared to the other possible ways of handing out the questionnaire. First of all; handing out the questionnaire over the internet is much less time consuming then handing out every single questionnaire in person to each respondent (Christensen et. al., 2001; Ilieva et. al., 2002). It is possible to get answers more quickly over the internet than collecting mails from the respondents. The respondents can choose to answer the question when they have time and are not forced to do it right away as they are when it comes to handing it out the questionnaire by personal interaction (Christensen et. al, 2001). The last major advantage of online-based questionnaire is that it can be automatically transformed into data analysis software compared to when the questionnaire is received in hand and the researcher has to do it manually (Ilieva et. al., 2002).

As well as internet-based questionnaire has advantages it also has some drawbacks. The major aspect is that internet based questionnaires are commonly known to be associated with low response rates compared to a questionnaire handed out in personal interaction (Christensen et. al., 2001; Ilieva et. al., 2002). For dealing with the risk of low response rates it was decided

that the respondents had the opportunity to attach their e-mail in the questionnaire in order to win cinema tickets. When the survey was completed three participants were chosen randomly, with an online random generator, to win two cinema tickets. This was done in order to increase the response rate since it is shown that people are more likely to make a commitment if they are rewarded (Cialdini, 2005).

Another drawback is that it is harder to secure the respondents' anonymity in an internet-based questionnaire compared to a traditional mail questionnaire (Ilieva et. al., 2002). For dealing with this drawback, the respondents were informed that all information about the respondents would be kept strictly confidential. The last drawback that could be identified due to the choice of handing out the questionnaire over the internet was that the respondent was left all alone and cannot ask questions to the researcher regarding any identified problems regarding what was meant by a question (Christensen et. al., 2001). To eliminate as much problems as possible the questionnaire was pretested on potential respondents which will be further discussed in the next section.

Since the target group of the study was Swedish citizens, the questionnaire needed to be translated into Swedish. The translation was made by the authors since they master the Swedish language fluently. To secure the quality of the translation, the Swedish questionnaire was back-translated into English by a third part with good knowledge in both the Swedish and English language. The back-translated questionnaire was then compared to the original with a satisfying result.

4.6.3 Pretesting

After the survey was constructed, two pretests were done in order to secure validity and that the questionnaire were understandable for the respondents (see explanation of validity in chapter 4.9). A general opinion is that a questionnaire should not be used without being pretested (Malhotra, 2010). Before the two pretests were done, the questionnaire was reviewed by two experts with good knowledge in the academic field. One of the experts was aware of the theoretical part to secure that right theoretical concepts was measured and the second expert have good knowledge in constructing questionnaires and how to make them understandable for the respondents. Letting experts review the questionnaire is a good way to secure content validity of the survey (Bryman & Bell, 2005).

The first pretest was in printed format and was handed out to eleven respondents with the aim to investigate if the questions were understandable. A pretest should be done on a small group

and it is enough to only include five to ten respondents (Christensen, 2010). The result of the pretest was satisfying and only small changes of minor importance needed to be done. The second pretest was done online with ten respondents participating. The aim of that test was to see how the online survey program worked and if the answers were useful and could be tested statistically in SPSS. The answers were tested in SPSS to check the reliability which generated a satisfied Cronbach alpha (Cronbach Alpha will be further explained in chapter 4.9 about reliability) for all variables except for Brand Association since one question seemed to be an outlier, which is a score or item that is either much higher or much lower than it stands apart from the rest of the data set (Nolan & Heinzen, 2007). This question was therefore reformulated.

4.7 Sampling

To get relevant answers on each question, researchers need to collect the answer from the group of interest; i.e. the population. The *population* could be a large group of individuals and it is almost impossible to collect information from all units due to its great amount of numbers. One way of doing the survey is to ask all people in the population, called census survey, but collecting answers from the whole population can be hard due to the size of the population or unwillingness for individuals to participate (Bryman & Bell, 2005). Therefore a group can be chosen as representatives for the whole population, this group is called the *sample* (Bryman & Bell, 2005; Malhotra, 2010). Handing out the survey to a representative group of the population, i.e. the sample is called a *sample survey*. In this thesis a sample survey was used for reasons further explained in the following sections.

4.7.1 Sampling Frame

In order to delimitate the thesis, generation Y was chosen as the population of interest. The generation Y includes individuals born 1977-1994, and this generation has been chosen according to its purchase power which has a significant effect on the market economy (Noble et. al., 2009). Indicators also show that the purchase pattern of generation Y is driven by socialization, uncertainty reduction, reactance, self-discrepancy, feeling of accomplishment and connectedness (Noble et. al., 2009) which are driving forces for luxury consumption (Wilcox et. al., 2009).

In this thesis generation Y was further delimited to only include the population in Sweden. To find the exact number of this population, the Swedish statistical institute SCB was used as the

source of secondary data. According to their data the generation Y population were at the 31st of December 2011; 2 209 097 individuals (Statistiska Centralbyrån, SCB, 2012).

4.7.2 Sample Selection

Since the population is a quite big number of individuals a sample of the population needed to be determined in order to enable the investigation. It is quite impossible to do a survey investigation on the whole population (Malhotra, 2010) and therefore a sample was determined based on criteria examined below.

There can be different ways of choosing the sample; it could be either randomly or non-randomly. In a randomly chosen sample the researcher gives each individual the same opportunity to participate as a represent of the population. In a non-randomly sample the population was not given the same opportunity to participate in the sample (Bryman & Bell, 2005). The questionnaire for this thesis was non-randomly distributed. Moreover the sample procedure was a convenience sample. A convenience sample exists of people that are easily accessible for the researchers at the time the research is done (Bryman & Bell, 2005).

In order to decide the exact amount of participants in the sample, a statistical calculation model was used. The model calculated the minimum sample that was required to get statistically significance based on the specific population (see figure 4.2 below).

Figure 4.2 Sample selection model

$$n = \frac{2500 * N * Z^2}{[25(N - 1)] + [2500 * Z^2]}$$

n = Sample size required
 N = Population size
 Z= Number of standard errors
 1.96 for 95 % confidence level

Source: Malhotra (2012)

Since the population was stated (2 209 097 people), the minimum requiring sample could be calculated. After deciding the number of standard error, the sample was calculated. Since the

desirable confidence level was 95 %, the number of standard errors was determined to 1.96 according to the calculation model (Figure 4.1). Therefore could the minimum required sample be determined to an amount of **384** respondents (see calculation below in Figure 4.3).

Figure 4.3 Sample calculation

$$n = \frac{2500 * 2\,209\,097 * 1,96^2}{[25(2\,209\,097 - 1)] + [2500 * 1,96^2]} = 384$$

However, since this was the minimum level of respondents needed to reach statistically significance, the intention was to get at least this amount of respondents but preferably even more respondents.

4.7.3 Data Collection Procedure

In numbers, the chosen population size are 2 209 097 persons (SCB, 2012) and 1 994 555 people in this age range are also members of Facebook (Social Bakers, 2012-03-21) which means that about 90 % of the selected population has a Facebook account. Therefore was Facebook seen as an appropriate way to approach the respondents since a great majority of the respondents are members of Facebook. The application Key Survey (keysurvey.com) was used for constructing the questionnaire online and the link was posted to friends on the social media site Facebook and sent by e-mail to students at Linnaeus University.

Distribute the questionnaire through Facebook and more specific the personal friend-lists can be seen as a limitation because even if over 90% of the sample population has a Facebook account it is not certain that every one of them logs in to their account everyday or even every week, which will automatically lead to a loss in respondent. However, studies has shown that almost 67% of the Swedish Facebook members log into their account every day (Nordstjernan, 2012-05-08), which made it probable that most of the Facebook members approached in this thesis was reached during the one-week-period the questionnaire was possible to answer.

The survey was also distributed through the Linnaeus University student e-mail, as a complement to the distribution on Facebook. The reason for that was that the mail reaches more then 13 000 potential respondents in both Växjö and Kalmar. The questionnaire

collection was conducted under a period of one week. After four days, a reminder was sent out to the student e-mail of Linnaeus University, which resulted in more answers.

The distribution of the survey could not be totally controlled since respondents had the opportunity to send the link to other potential respondents without the researchers' permission, but by asking the respondents to fill in their age in the survey, respondents outside the sample frame could be excluded. One week after launching the questionnaire it was closed and by that time 459 persons had answered the questionnaire, and the data analysis begun.

4.8 Data Analysis Method

After the data collection, an analysis of the result should take place (Christensen et. al., 2001). Due to the analytical approach of this thesis, i.e. *quantitative research method*, a statistical analysis has been used in order to analyze the collected data. The quantitative analyze was done in a statistical analytical computer program, named *SPSS – Statistical Package for Social Science*.

The quantitative analysis can be either *bivariate*, *univariate* or *multivariate*. *Univariate* is when one variable at time is analyzed, *bivariate* is about analyzing two variables in order to show its relation and *multivariate* is used when it regards three or more variables (Christensen et. al., 2001; Bryman & Bell, 2005). To see the diffusion of a variable with only one number, *univariate*, a measure of central tendency should be used, which exists of three values; *mean value*, *median value* and *mode value*. A *bivariate* analysis is used when the diffusion between the variables is examined and a lot of different approaches could be used in statistical programs, i.e. correlation analysis or regression analysis (Bryman & Bell, 2005). Since this thesis mostly examined data with two variables at time a bivariate analysis was primarily used but also a univariate analysis was used in the beginning in order to get a general perception about the results.

Multivariate analysis is quite extensive (Bryman & Bell, 2005) and has not been taken into consideration at all in this thesis. According to the hypotheses and research model (Figure 3.1) of this thesis there are no need of analyzing three or more variables at time and therefore was multivariate analysis not used.

Following tools in SPSS was used in order to analyze the collected data; Descriptive Statistics, Correlation Analysis, Regression Analysis and One-Sample t-test. Each tool will be presented below.

Descriptive statistics gives the reader a summary of the measured sample. The descriptive statistics is presented different depending on their scale category, and the results often represented are; range, variance and standard deviation (Miller et. al., 2002) but also mean, median and mode which is a measure of the central tendency (Christensen et. al., 2010). To give the reader a clearer overview the descriptive statistics is often presented in different figures such as bar charts or histograms (Miller et. al., 2002). In this thesis, descriptive statistics was used in order to display an overview of the sample, but also to get a perception about the results, which was used by calculating the central tendencies.

Correlation analysis is used in marketing research to show and summarizing the strength and association between two variables. The most used correlation coefficient is Karl Pearson r which explains linear relations between variable X and Y (Malhotra, 2010). The values in the correlation test are between -1 (strong negative correlation) and +1 (strong positive correlation) with 0 as an indicator of no correlation. Depending on if the variable is positive or negative it shows the direction of the correlation. The sample size is important when calculating the significance of the correlation and with higher amount of respondents the better the significance will be (Bryman & Bell, 2005). Correlation analysis was used in this thesis in order to secure the validity of the study (see section 4.9.1 about validity).

The *regression analysis* is used in order to analyze the relationship between dependent and independent variables. It can give the researcher answer on questions such as; does the relationship exist, how strong the relationship are, structure or form of the relationship, predict values of the dependent variable or control for other variables. What makes the difference between regression and correlation analyzes is that regression assumes that the independent variable is a cause or a predictor of the dependent variable (Malhotra, 2010). To secure the significance of the result in the regression analysis the p -value can be calculated, which is a measure of how reliable the regression is. The p -value should be lower than 0,05 which shows that the result is significant with at least 95 %. If the p -value is lower than 0,01 the result is significant with at least 99 % (Nolan & Heinzen, 2007). In this thesis, regression analysis was used in order to test the first two hypotheses.

One-sample t-test can be done in order to find out if there are any differences between the means and how they are spread. The test shows the differences between the means and contributes with detailed information about the range of the score, called the variability, compared to descriptive statistics which only shows the mean of the sample. The reason for

testing the variability of the score is that only calculating the mean can be misleading since the results could be spread in a wide range around the mean (Miller et. al., 2002). One-sample t-test was used in this thesis in order to test the three last hypotheses.

4.9 Quality Criteria

In order to secure the quality of the study, validity and reliability of the thesis should be examined. *Validity* is about how the tool of measurement used for the study is measure what it is intend to do and *Reliability* is if the study intends to measure its aim (Bryman & Bell, 2005). Both validity and reliability has been secured in this thesis for reasons explained below.

4.9.1 Validity

In social science research, the validity is important to discuss and take into consideration. The concept of validity discusses whether or not one or many indicators, which have been constructed with the intension to measure a concept, really measure that concept (Bryman & Bell, 2005) i.e. if the indicators really represent the theoretical concepts. Therefore three different types of validity have been taken into consideration for this quantitative research; content, construct and criterion validity.

To show the reader that the measurement is sufficiently high, the *content validity* should be secured. To be able to get a high level of content validity the researcher often let experts judge if the chosen concepts for the study are able to show what it intent to show (Bryman & Bell, 2005). In this thesis, the content validity was guaranteed by letting two experts in the academic field review the questionnaire. One expert reviewed the operationalization and that relevant theoretical concept was measured and the other expert reviewed how the questionnaire was conducted. When constructing the questionnaire an expert in the area was consulted with the purpose to judge if the questions were correlating to the theoretical framework. The questionnaire was also pretested on an expert and a small group of respondents in order to find validity errors.

Construct validity refers to if the operationalization really measures what it intends to measure for the relevant study, i.e. the relation between the statements in the questionnaire and the theoretical concepts (Bryman & Bell, 2005). This type of validity can be guaranteed by doing a correlation analysis statistically during a quantitative research (Nolan & Heinzen, 2007). In this thesis, the construct validity was secured by doing a correlation test, which is further presented in section 5.2.2.

Criterion validity refers to the author's ability to choose specific types of changes which are going to be studied. This choice shows evidence that the changes really investigate the specific requirements that the research-area demands (Yin, 2007). This type of validity can be achieved by doing a hypothesis test (Nolan & Heinzen, 2007). To be sure that the right concepts were measured with the right questions all statements were adopted from another researchers which was further tested with research hypotheses. The result in this thesis was also benchmarked with those findings.

4.9.2 Reliability

To decide and measure the quality of the research the reliability needs to be evaluated which can be seen as a tool of decide if a measurement can be considered as stable. Two aspects of reliability should be taken into consideration in a quantitative study; intern reliability and stability (Bryman & Bell, 2005). The aim with reliability is to minimize bias and error in the research (Yin, 2007). If a research is considered as totally reliable it has no numbers of errors (Christensen et. al., 2010).

Stability of a research refers to if the results are the same over time (Ghauri & Grønhaug, 2005) i.e. its repeatability, which means that if it should be done again the result and conclusion would become the same (Bryman & Bell, 2005; Yin, 2007). Important aspect to consider when creating a research with high stability reliability is that each research steps should be so obvious that another researcher can be able to repeat the study only by reading the original study (Yin, 2007). Every step in this thesis was attempted to be well formulated in order to enable other researchers to repeat the study. This was done in order to reach stability reliability.

Another aspect to take into consideration is the *internal reliability* which regards whether the measured indicators are reliable and consequential or not, which means if one indicator has high values should another indicator, measuring the same concept, has high values as well (Bryman & Bell, 2005). To secure intern reliability of this thesis, Cronbach alpha (α) was calculated in SPSS, which is a measure of how different items in each variable are correlating. The Alpha-coefficient (α) gets a value between 0 (no intern validity) and 1 (perfect intern validity) (Bryman & Bell, 2005) these values should be above 0.6 when calculated (Hair et al. 2003).

4.10 Chapter Summary

A summary of the method chapter and what type of choices that were taken during each section is presented in table 4.3

Table 4.3 Method Chapter Summary

Research Approach	Deductive Quantitative
Research Design	Descriptive
Data Sources	Secondary Data Primary Data
Research Strategy	Survey
Data Collection Method	Self-Administrated questionnaire
Sampling	Convenience Sample Generation Y, Sweden
Data Analysis Method	Descriptive Statistics Correlation Analysis One-Sample t-test Regression Analysis
Validity	Expert Review Pretest Correlation Test Hypothesis testing
Reliability	Repeatability Cronbach Alpha

5. Data Analysis and Result

In this chapter the collected data will be analyzed in order to find the results of the study. The chapter is divided into three sections. The first section conducts a description of the sample and an overview of the results on the different questions in the questionnaire. The next section presents how the quality was statistically secured and the final section presents how the hypotheses of this thesis were tested.

5.1 Descriptive Statistics

First, a discussion about the total sample and the response rate is presented. Then an explanation of how the sample looked like, like age, occupation etc. is presented. Finally an overview of the result is discussed in terms of frequencies and central tendency.

The total amount of completed questionnaires was 459. A small amount of these were outside the sample frame, due to their age, and was therefore rejected from the sample. A total of 432 questionnaires was then determined as valid and included in the sample which generates a response rate of 2.5%. This response rate is low, although there is no agreed norm of what an acceptable response rate is (Baruch, 1999). There is two main reasons for why people do not answer questionnaires, either the potential respondents did not receive the questionnaire or the potential respondent did not want to participate in the questionnaire (Baruch, 1999). In this particular case the questionnaire was distributed in two ways, through Facebook to the personal friends of the researchers and through the internal e-mail of Linnaeus University. The distribution through Facebook probably generated a very high response rate since almost everyone who was approached on Facebook answered in a personal e-mail that they had completed the questionnaire. On the other hand the internal e-mail of Linnaeus University reached out to approximately 13 500 people and did not generate a high response rate. A short discussion to justify the low response rate of this thesis will follow.

The internal e-mail of Linnaeus University reach out to both students at the university and former students of the university and includes both Swedish and international students and the questionnaire was closed after one week. Since the questionnaire was in Swedish it becomes impossible for the international students to answer the questionnaire, also it is likely that former students do not use the internal e-mail of the university anymore and did not reach the questionnaire at all. Lastly, based on own experience, it is not a high priority to check the

student e-mail every week and probably several potential respondents did not see the e-mail before the questionnaire was closed. Therefore it was predicted that the actual response rate of the approached respondents that did see the questionnaire was much higher than 2,5%.

Even though the response rate was low, the minimum amount of required respondents in order to reach statistical significance (according to the statistical model presented in 4.7.2) was reached. The minimum amount of required respondents was 384, why an amount of 432 respondents could be seen as an acceptable number in order to draw conclusions, despite the low response rate.

70% of the respondents were in the age range between 18- 24 and 30% were in the age range 25-35. Most of the respondents, 76%, were students, 22% had a job and 2% were looking for work or responded that they were doing something else (see description of the respondents' occupation in appendix B). In line with the high amount of students answering the questionnaire 54% of the respondents answered that they had a yearly income between 0-100 000 SEK, 26% had an income between 101 000-200 000 SEK, 11% had an income between 201 000-300 000, 6% had an income between 301 000-400 000 and 3% had an income over 401 000 (the result of the respondents' annual income is displayed in appendix C). It was a good distribution between men and women answering the questionnaire with 43% male respondents and 57% female respondents.

The questionnaire was divided into different sections where each question was connected to a variable based on the operationalization presented in section 4.6.1 (See table 4.2). The first variable was Perception of Counterfeit Products (PCP) which measured whether the consumers had a negative or a positive perception of counterfeit products. The results indicated that the majority of the respondents, in line with the theory, have a negative perception of counterfeit products. In all the questions, except one, about the consumers perception of counterfeits, at least 55,3% had a negative perception. In one indicator PCP-3 ("I believe fake luxury watches are not worth the price you pay") 44,3% agreed to the statement but the mean (3,65) still indicates that the most common perception is that the products are not worth paying for since many respondents was neutral in the question. This item was therefore not considered as an outlier. The result of the variable Perception of Counterfeit Products (PCP) is presented in table 5.1.

Table 5.1 Result of the Questionnaire of Perception of Counterfeit Products

Indicator	Answer on statement (%)			Central Tendencies		
	Disagree	Neutral	Agree	Mean	Median	Mode
PCP-1 Quality	58,3	21,8	19,9	3,10	3	4
PCP-2 Status Symbol	60,2	14,4	25,5	3,04	3	1
PCP-3 Worth paying	43,3	24,8	31,9	3,65	4	4
PCP-4 Durable	66,7	25,2	8,1	2,75	3	2
PCP-5 Exclusive	86,1	9,5	4,4	1,92	1	1
PCP-6 Common	67,2	24,5	8,3	2,92	3	3
PCP-7 Fun	55,3	26,4	18,3	2,98	3	1
PCP-8 Prestigious	77,5	16,9	5,6	2,11	1	1

The result from the statements about Perceived Quality of luxury brands indicated that the respondents believed that luxury brands have high quality. In all the questions, a majority of at least 63,6% agreed with that the Perceived Quality of luxury brands are high, and the indicator that people did disagree on the most was PQ-4 ("Luxury watches offers excellent features") where 7,9% of the respondents disagreed. The result of the variable Perceived Quality is presented in table 5.2.

Table 5.2 Result of the Questionnaire of Perceived Quality

Indicator	Answer on statement (%)			Central Tendencies		
	Disagree	Neutral	Agree	Mean	Median	Mode
PQ-1 Durable	4,6	19,0	76,4	5,47	6	6
PQ-2 Reliability	6,3	19,7	74,1	5,37	6	6
PQ-5 Reliability	3,5	13,0	83,5	5,58	6	6
PQ-3 Quality	4,1	13,0	82,9	5,66	6	6
PQ-4 Quality	7,9	28,5	63,6	5,03	5	4
PQ-6 Quality	2,8	16,7	80,5	5,52	6	6

When looking at the consumers Brand Associations towards luxury brands the results indicates that luxury brands are associated with status, good reputation, good service, the products are expensive, trustworthy, of high class and the consumers are proud to own the brands. Even though the results indicate that luxury brands are associated with the previous mentioned indicators the result is not very strong which is indicated by the mean of the answers were four equals a neutral respondent and seven equals respondents which totally agree to the statement. The mean in these statements vary between 4,56 and 5,76 for all indicators except from two. One indicator is strongly associated with luxury brands, BA-3, which is that the products are expensive with a mean of 6,38 and one indicator is an outlier due to that the respondents do not associate the statement with luxury brands. The indicator

seen as an outlier was BA-7 ("I respect and admire people who wear luxury watches") which had a mean of 3,33. Even though this indicator is seen as an outlier and not correspond with the other indicators it was not removed from the analysis despite it might skew the result. The results of the variable Brand Associations are presented in table 5.3.

Table 5.3 Result of the Questionnaire of Brand Associations

Indicator	Answer on statement (%)			Central Tendencies		
	Disagree	Neutral	Agree	Mean	Median	Mode
BA-1 Status Symbol	6,9	6,3	86,8	5,82	6	7
BA-7 Status Symbol	44,9	31,9	23,2	3,33	4	4
BA-2 Reputation	3,9	11,1	85,0	5,76	6	6
BA-4 Reputation	18,5	31,0	50,5	4,56	5	4
BA-3 Expensive	2,8	3,9	93,3	6,38	7	7
BA-5 Service level	14,1	37,1	48,8	4,68	4	4
BA-6 High Class	12,5	18,3	69,2	5,13	5	6
BA-8 Trustworthy	12,5	26,2	61,3	4,79	5	5
BA-9 Proud	15,7	19,4	64,8	4,87	5	5
BA-10 Proud	19,9	24,1	56,0	4,62	5	5

The variable social status of owning luxury brands had one indicator that tends to have a great impact on the social status. The indicator was SS-1 ("Owning original luxury watches gives me more personal satisfaction than owning fake luxury watches") where almost 82% agreed to the statement. All the other indicators for social status had widely distributed results and the mean were close to four which indicates that the consumers do not have a general opinion of how the social status of owning luxury brands are. The result of this variable is presented in table 5.4

Table 5.4 Result of the Questionnaire of Social Satisfaction

Indicator	Answer on statement (%)			Central Tendencies		
	Disagree	Neutral	Agree	Mean	Median	Mode
SS-1 Personal Satisfaction	7,2	10,9	81,9	5,75	6	7
SS-2 Acceptance	44,3	28,2	27,5	3,47	4	4
SS-3 Admired	34,8	27,5	37,7	3,90	4	4
SS-4 Recognition	34,3	22,9	42,8	3,98	4	5

The variable if counterfeit products devalue the ownership of luxury brands tends to have widely distributed answers as well, for example in one question DEV-1 ("I feel the value of owning original luxury watches is decreased by the counterfeits available in the market place") did 40% of the respondents disagree and almost 39% did agree with the statement. The results of this variable are presented in table. 5.5.

Table 5.5 Result of the Questionnaire of Devalue

Indicator	Answer on statement (%)			Central Tendencies		
	Disagree	Neutral	Agree	Mean	Median	Mode
DEV-1 Value	40,0	21,3	38,7	3,78	4	4
DEV-2 Satisfaction	47,7	23,6	28,7	3,47	4	4
DEV-3 Status	48,8	22,5	28,7	3,41	4	4

The last variable which measures the Demand for luxury brands is widely distributed as well but a majority of the respondents either disagreed (46,8%) or were neutral (28,0%) to the statement " If there were no fake luxury watches in the market place, I would purchase more original luxury watches". The results of Demand are presented in table 5.6

Table 5.6 Result of the Questionnaire of Demand

Indicator	Answer on statement (%)			Central Tendencies		
	Disagree	Neutral	Agree	Mean	Median	Mode
DEM Demand	46,8	28,0	25,2	3,28	4	1

5.2 Quality Criteria

To secure quality of a research, both validity and reliability need to be taken into consideration (Bryman & Bell, 2005). In this thesis the validity was secured by calculating the correlation between the variables and the reliability was secured by calculating the Cronbach alpha value of each variable.

5.2.1 Reliability

To show that the study has intern reliability, as examined in the methodology chapter (4.9), the Cronbach alpha value was calculated for each variable both independent and dependent. The result was satisfying since all variables was $\alpha > 0,8$ except for the PCP variable where the value was $\alpha > 0,6$, which is an acceptable alpha as examined in the methodology chapter (see section 4.9). With the reported alpha results the reliability of this thesis is satisfying. The reliability test is shown in table 5.7.

Table 5.7 Reliability test

Variable	Type of Variable	α	No of Items
Perception of Counterfeit Products (PCP)	Independent	,677	8
Brand Awareness (BA)	Dependent	,802	10
Perceived Quality (PQ)	Dependent	,887	6
Social Status (SS)		,820	4
Devalue (DEV)		,861	3
Demand (DEM)		-	1

5.2.2 Validity

In order to secure construct validity of a study, a correlation test can be done (Bryman & Bell, 2005). The most common is to test the correlation between the different independent variables (Bryman & Bell, 2005), but since this thesis only had one independent variable, the correlation test was also made on the two dependent variables. The test was done in order to investigate whether the two variables measure the same thing or not, i.e. if they correlate too high, $>0,9$. If so, they can be computed to one variable (Bryman & Bell, 2005). The result shows a positive correlation that is quite high, 0,659 but not too high, i.e. greater than $>0,9$. This correlation has a significance level of 99 %, $p < 0,001$ which means that it is acceptable since the p-value should be $< 0,05$. Therefore, construct validity in this thesis has been secured. The correlation test is shown in table 5.8.

Table 5.8 Correlation test

	Mean	Std. Deviation	Brand Associations	Perceived Quality	Perception of Counterfeit Products
Brand Associations	4,9931	,89284	1		
Perceived Quality	5,4387	,96672	,659**	1	
Perception of Counterfeit Products	2,8093	,87568	-,110*	-,250**	1

** , Correlation is significant at the 0.01 level (2-tailed)

* , Correlation is significant at the 0.05 level (2-tailed)

5.3 Hypotheses testing

To be able to either reject or confirm the stated hypotheses different statistical tests were used based on how the hypothesis was constructed. The two first hypotheses were tested with a regression analysis in order to see whether the independent variable, Perception of Counterfeit products (PCP), has an effect on the two different dependent variables, Brand Associations of luxury brands (BA) or/and Perceived Quality of luxury brands (PQ). The last hypotheses, H₃-H₅, were tested with an one-sample t-test in order to see if the mean of the variables were higher or lower than the determined test value, 4. This since there was no possibility to do a regression analysis due to the construction of the questions for these variables.

5.3.1 Hypothesis 1

H₁: A negative perception of counterfeit products has a negative effect on the Brand Associations of luxury brands.

The first hypothesis was tested with a regression analysis in order to see if the independent variable, perception of counterfeit products, has a negative effect on the dependent variable Brand Associations of luxury brands. The regression analysis shows if there is causality between the variances in the two variables (Bryman & Bell, 2005). From the output of the regression, there are two important values to take into consideration; the R-square (R^2) and the Beta coefficient (β).

The R^2 value was calculated as ,012 which shows how the variance in the dependent variable, Brand Associations, is affected by the variance in the independent variable, perception of counterfeits. In this case the variance in the dependent variable is affected by the variance in the independent variable to an extent of 1,2 percent. This value is quite low which explains that the variance in the dependent variable is mostly affected by other aspects than the independent variable.

The β value was -,112, which means that if the independent variable changes one unit, the dependent variable is changing 11,2 percent. However, the distance between the values in the independent variable is not always obvious and therefore is it difficult to determine this value to 11,2 percent but it is an indicator of whether the independent variable affect the dependent variable or not. This relationship can be confirmed with 95 % significance since the $p < ,05$, which is shown in the sigma column where the value was ,022. See values in table 5.9 below.

Table 5.9 Regression Analysis H₁

	β	R Square	Std. Error	t	Sig.
Perception of Counterfeit Products	-.112	,012	,049	-2,294	,022

Dependent variable: Brand Associations

In this case the independent variable has a negative effect on the dependent variable, although it is weak and can only explain 1,2 percent of the variance in the dependent variable according to the R^2 value. However, the regression analysis shows that the affect of the independent variable on the dependent variable is reasonably strong, thus the hypothesis H₁ is supported

5.3.2 Hypothesis 2

H₂: A negative perception of counterfeit products has a negative effect on the Perceived Quality of luxury brands.

Also the second hypothesis was tested with a regression analysis. It shows the affect of the independent variable, Perception of counterfeit products, on the dependent variable Perceived Quality of luxury brands. The R² value was calculated to ,063 which shows how the variance in Perceived Quality is affected by the variance in Perception of Counterfeit products. In this case the variance in the dependent variable is affected by the variance in the independent variable to an extent of 6,3 percent. This value is quite low which explains that the variance in the dependent variable is mostly affected by other aspects than the independent variable.

The β was calculated to -,276 which shows that the perception of counterfeit products has a negative influence on the perceived quality of a luxury brand. This value is also a bit higher compared to the β of Brand Associations. The significance level is also higher which shows that the relationship is significant at the 99 % level since $p < ,001$. The results are presented in table 5.10

Table 5.10 Regression Analysis H₂

	β	R Square	Std. Error	t	Sig.
Perception of Counterfeit Products	-,276	,063	,052	-5,364	,000

Dependent variable: Perceived Quality

The independent variable, perception of counterfeit products, has a negative effect on the dependent variable, Perceived Quality of a luxury brand although it is weak and can only explain 6,3 percent of the variance in the dependent variable according to the R² value.

The result of this regression analysis is reasonably strong, thus the hypothesis H₂ is supported.

5.3.3 Hypothesis 3

H₃: Counterfeit products have a negative effect on the personal status in owning luxury brands.

Since it was not possible to do a regression analysis to test this hypothesis, a one-sample t-test was done in order to compare the mean from the test value 4, i.e. the neutral value of the likert scale. Due to how the statements in the questionnaire was conducted the mean should be

lower than the test value (4) in order to confirm the hypothesis. The result is presented in table 5.11

Table 5.11 t-test H₃

	Test Value = 4				
	Mean	Std. Deviation	T	Sig. (2-tailed)	Mean Difference
Social Status	4,2737	1,38610	4,105	,000	,27373

N=432

The t-test shows that the mean is positively differing from the test value which means that there is no general opinion by the respondents that counterfeit products has a negative effect on the social status of owning luxury brands. This result is significant since $p < ,001$.

However, the mean difference from the test value is not so great which means that there are tendencies to support the statement that counterfeit products have a negative effect on social status of owning luxury brands but it is not statistical supported, thus the hypothesis H₃ is rejected.

5.3.4 Hypothesis 4

H₄: Counterfeit products devalue the ownership of luxury brands.

Since it was impossible to do a regression analysis in order to test this hypothesis, a t-test was done in order to compare the mean from the test value 4, i.e. the middle value of the seven graded likert scale. Due to how the statements in the questionnaire was conducted the mean should be higher than the test value in order to support the hypothesis. The result is presented in table 5.12

Table 5.12 t-test H₄

	Test Value = 4				
	Mean	Std. Deviation	t	Sig. (2-tailed)	Mean Difference
Devalue	3,5517	1,55468	-5,993	,000	-,44830

N=432

The t-test shows that the mean is negatively differing from the test value which means that there is no general opinion by the respondents that counterfeit products devalue the ownership of luxury brands. This result is significant since $p < ,001$. However, the mean difference from

the test value is not so great which means that there are tendencies to support the statement that counterfeit products devalue the ownership of luxury brands but it is not statistical supported, thus the hypothesis H_4 is rejected.

5.3.5 Hypothesis 5

H₅: Counterfeit products have a negative effect on the demand of luxury brands.

Since it was not possible to do a regression analysis to test this hypothesis, a one-sample t-test was done in order to compare the mean from the test value 4, i.e. the middle value of the likert scale. Due to how the statements in the questionnaire was conducted the mean should be higher than the test value (4) in order to support the hypothesis. The result is presented in table 5.13

Table 5.13 t-test H_5

	Test Value = 4				
	Mean	Std. Deviation	t	Sig. (2-tailed)	Mean Difference
Demand	3,2755	1,89652	-7,940	,000	-,72454

N=432

The t-test shows that the mean is negatively differing from the test value which means that there is no general opinion by the respondents that counterfeit products has a negative influence on the demand (DEM) of luxury brands. This result is significant since $p < ,001$. However, the mean difference from the test value is not so great which means that there are tendencies to support the statement that counterfeit products have a negative influence on the demand of luxury brands but it is not statistical supported, thus the hypothesis H_5 is rejected.

5.4 Summary of results

The analysis could support two out of the five hypotheses. The hypotheses H_1 and H_2 could be supported which indicates that the consumer perception of counterfeit products has a negative effect on the CBBE of luxury brands. The hypotheses H_3 - H_5 was about possible consequences of that the perception of counterfeit products affect on the CBBE of luxury brands. None of the hypotheses H_3 - H_5 could be supported which means that there were no evidences that the predicted consequences, i.e. the social status of owning luxury brands is lowered, the demand of luxury brands is lowered and the ownership of luxury brands is devalued, could be statistically supported. This means that there was no evidence of what consequences the counterfeit products affect on the CBBE of luxury brands leads to.

6. Conclusions and Implications

This chapter provides a discussion which aiming to connect the findings and its theoretical connections with the purpose of this thesis. Followed by this discussion a presentation of the conclusion was done. Furthermore managerial and theoretical implications are provided based on the findings in this thesis. Finally the limitations of this thesis and suggestions for future research are discussed.

6.1 Discussion

The result from the analysis indicated that consumers general perception of counterfeits are that the products have low quality and are common products which do not bring status and prestige to the owner, which is in line with the theory of the perception of counterfeit products (Grossman & Shapiro, 1988; Lai & Zaichowsky, 1999; Gistri et. al., 2009; Sharma & Chan, 2011). The results also indicated that genuine luxury brands are associated with good reputation and are prestigious to own and the genuine luxury branded products are also associated with a high price these results supports the theory of luxury brand associations (Lassar et. al., 1995; Kapferer & Bastien; 2009; Chen & Tseng, 2010) discussed in the literature review. The theory is also supported in the perceived quality of luxury brands from the results of this thesis since the consumers perceive luxury brands to be of high quality, being durable and reliable as stated in the theory (Pappu et. al., 2005; Tong & Hawley, 2009).

The results in this thesis indicated that the perception of counterfeit products do have a negative effect on both the brand associations (H_1) and perceived quality of genuine luxury brands (H_2). However the affect on brand associations of luxury brands was weak and could only explain 1,2 percent of the variance. The same goes for perceived quality where perception of counterfeit products explained 6,3 percent of the variance. Even though the negative effect of the perception of counterfeit products on genuine luxury brands were low it supports the theory which states that counterfeit products has a harmful affect on the exclusivity of luxury brands (Grossman & Shapiro, 1988; Lai & Zaichowsky, 1999; Gistri et. al., 2009; Sharma & Chan, 2011). The results indicate that there are other phenomenon that affect people's perception of genuine luxury brands than counterfeits.

When examine the possible consequences of the perception of counterfeit products affect on the genuine luxury brands three possible consequences were investigated. According to the theory the social status of owning luxury brands can be damaged which was stated in the third hypothesis of this thesis (H_3). Luxury brands are associated with a special social class and

status (Kapferer & Bastien, 2009; Turunen & Laaksonen, 2011) which gets the brand users admired, recognized and accepted by other people (Dubois & Duquesne, 1993) and counterfeits can ruin this by taking advantage of the value expressive functions embedded in the products (Cordell et. al., 1996; Wilcox et. al., 2009; Wiedmann et. al., 2012). The result in this thesis indicated that counterfeit products did not affect the personal status in owning luxury brands (mean 4,2737) and could not support the statements in the literature review. However the results indicated that the consumers was neutral in how they evaluate the personal status in owning genuine luxury brands and it is hard to draw any conclusions in which direction the tendencies of the personal status in owning luxury brands are going.

The fourth hypothesis states that the counterfeit products of luxury brands devalue the ownership of genuine luxury brands (H_4). According to the theory it is likely that the value in owning luxury brands is decreased due to that counterfeit products makes the brands accessible for anyone to a lower price than the genuine luxury brands (Grossman & Shapiro, 1988; Gistri et. al., 2009; Wilcox et. al., 2009). The results in this thesis indicates that counterfeit products do not devalue the ownership of genuine luxury brands (mean 3,5517) and could not support the statements in the literature review. Since the results is close to the test value (4) it becomes hard to draw any general conclusions from the result and it can therefore not be stated how the general tendencies in this hypothesis are.

The fifth hypothesis states that counterfeit products lower the demand of genuine luxury brands (H_5). According to the theory positive customer-based brand equity in terms of brand associations and perceived quality leads to reason to buy for consumers (Aaker, 1991). If the customer-based brand equity is negative affected by counterfeit products it can lead to that reasons to buy for the consumers are decreased and the demand of genuine luxury brands are affected. However the results in this thesis indicated that the demand for genuine luxury brands are not decreased due to the counterfeit products available (mean 3,2755) and could not support the affect of a damaged customer-based brand equity. The results are close to the test value (4) and therefore it is hard to draw any general conclusions on the tendencies in this hypothesis.

The results in this thesis could support that counterfeit products have a negative effect on the brand associations and perceived quality of genuine luxury brands, even though the affect is quite weak according to the test results. The results in this thesis could not support that the personal status, the value of owning or the demand for genuine luxury brands are lowered due

to the counterfeits of luxury brands that flourish in the marketplace. If the negative effect of counterfeit products on genuine luxury brands had been stronger it might have led to the examined consequences could be supported.

6.2 Conclusion

To meet the purpose of this thesis which was: "*The purpose of this thesis is to create knowledge of how counterfeit products affect the consumer perception of luxury brands*" the following conclusion has been stated.

The conclusions that can be drawn from the results of this thesis are that consumers have positive perceptions of genuine luxury brands and believe that the genuine luxury brand products are of high quality. Consumers also tend to believe that counterfeit products are of low value and of low quality. The perception consumers have of counterfeit products do have a negative effect on the genuine luxury brands. Consumers believe that the associations to genuine luxury brands is negatively affected due to counterfeits even though this affect is not very extended. This means that counterfeit products has a negative effect on consumers attitudes about genuine luxury brands as well as on the attributes and benefits associated with the genuine luxury brands. The consumer perception of counterfeit product do also have a negative effect on the consumer beliefs of the quality of genuine luxury brands. Counterfeit products has a stronger negative effect on the quality perception than on the associations to genuine luxury brands. With this negative affect consumers' beliefs of the quality, service level as well as the features delivered by luxury brand products is negatively affected.

Even if it the conclusion could be drawn that counterfeit products has a negative effect on genuine luxury brands it could not be supported that it has any consequences for the luxury brands since the result did not indicate that the personal status, value or demand of genuine luxury products were decreased due to existence of counterfeit products in the marketplace.

6.3 Implications

Based on the discussion and conclusion implications from this thesis could be stated. The implications is both for managers in the luxury brand segment and the academic contribution of this thesis.

6.3.1 Managerial Implications

Since there is a tendency that counterfeit products negatively affect the consumer perception of genuine luxury brands managers has an important problem to deal with. The recommendation is to focus on the genuine luxury brand products superiority in quality and delivered social value to the owners. Companies should also focus to distinguish their products in comparison to counterfeit products in order to make it easier for consumers to see the difference between the original and the counterfeit product.

The marketing communication of luxury brands should focus on the superiority to attract new customers and maintain loyalty in order to not switching to counterfeit products. Managers should also focus on increase the awareness among the consumers that counterfeiting is a crime which damages the original brand and has a negative impact on the world economy. It is also important for managers to push the authorities to do what they can to protect the market from counterfeit products since the problem is not only for the exposed brand but also to the whole world economy.

6.3.2 Theoretical Implications

By the results found that counterfeit products has a negative effect on genuine luxury brands this thesis can contribute to the theory by confirming the harmful effects of counterfeit products on the genuine luxury brands stated by other researchers (Grossman & Shapiro, 1988; Lai & Zaichowsky, 1999; Gistri et. al., 2009; Sharma & Chan, 2011). The result of this thesis shows that counterfeit products affect the Customer-Based Brand Equity on two different levels, i.e. Brand Associations and Perceived Quality, which is a theoretical implication since this connection has not been investigated before. The result also contributes with information about how the generation Y in Sweden perceive the affect of counterfeit products on a luxury brand. The investigated sample was also greater than ever tested before in similar research.

6.4 Limitations and Future Research

The chosen population of this thesis was generation Y in the geographic area of Sweden. The limited time frame and the financial resources made it impossible to collect answers from respondents spread in the whole geographic area and a convenience sample was therefore collected. Using a convenience sample is an accepted method but can in some cases be misleading. By collecting a geographically spread sample the results had been more reliable and could be an issue that can be examined in future research.

Since the majority of the questionnaires were distributed with the Linnaeus University student e-mail and 76% of the respondents were students, there is a chance that the result is highly influenced by this group. The issue is not something that makes the study incorrect but it has to be taken into consideration that the students were a large part of the sample. The high numbers of students in the sample could also be connected to some consumption bias, the reason for that could be that students in general do not consume luxury goods or brands based on their limitation of financial resources. An interesting issue connected to the large amount of students in the survey can be to investigate the same issue in the future but to exclude the students in the sample. However, since the target population was generation Y which includes individuals born 1977-1994 which is a generation with a large amount of students, another target population like individuals born earlier than 1977 would be an interesting target population of another study in order to compare the result and see how it differs. It is likely that the outcome would be different since this group probably have a higher annual income why they might have a different perception about counterfeit products.

The response rate of the questionnaire was 2.5 % and the reason for that low number could be that the answers from the questionnaire was collected in a short period of time and that the students do not use their account. The accounts are still active a long period after the students of Linnaeus University has finished their studies and some current students do not use their mail assigned by the university.

The product category luxury watches was adopted in this thesis. The products in this category fulfill most of the criteria's for being luxury goods and the answers would therefore be possible to generalize. But to create stronger evidence for the results of this thesis the hypotheses could be tested on another luxury product category and can therefore be a topic for future research, a qualitative study is also recommended to be conducted in order to investigate the underlying drivers for consumer perception about counterfeit products. It could also be interesting to see if the results could be compared with counterfeited products outside the luxury segment.

In the questionnaire several different items were referring to the same measured variable but the variable demand was only tested with one question. Due to the single variable the answers on demand could be skewed if the respondents do not understand or interpret the question correct. Therefore, future research should investigate the affect of this variable but should then use more than one item to secure the validity.

This thesis investigated only two categories, Brand Associations and Perceived Quality, of CBBE which makes the result skewed and therefore should future research also investigate Customer Loyalty and Brand Awareness, despite the complexity of investigating Brand Awareness in a quantitative research. Another aspect to take into consideration is the choice of CBBE as theoretical concept under investigation. Using other concepts that influence a brand perception might have generate another result which should be taken into consideration by other researchers in future studies.

The findings in this thesis correlate with the other findings in this area (Nia & Zaichowsky, 2000; Hieke, 2010). The results show that there is an affect of counterfeit products on luxury brands but not in a widely extent. An interesting angle can therefore be to investigate if there are any positive aspects of the counterfeit industry, for instance has counterfeit products a positive effect on the brand awareness of luxury brands? Another proposal to future research would be then to investigate other potential negative consequences of counterfeit products than the three investigated in this thesis.

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Appendix A: Questionnaire Swedish



Enkätundersökning armbandsur av lyxvarumärke

Vi är tre studenter på Linnéuniversitetet i Växjö som skriver vår kandidatuppsats på marknadsföringsprogrammet och skulle behöva veta din åsikt.

Vårt ämne angår konsumenters åsikter om lyxvarumärken och piratkopior av dessa. Produktkategori av intresse i den här enkäten är armbandsur. Som armbandsur av lyxvarumärke menas exempelvis: Rolex, Omega, Breitling, Patek Philippe, Tag Heuer, i prisklassen 15 000 - 200 000 SEK. Du behöver ingen tidigare erfarenhet av liknande produkter för att delta.

Enkäten tar ca 5-7 minuter att fylla i. Vi ber dig ge samtliga svar utifrån din egen uppfattning och åsikt i frågan.

Genom att fylla i enkäten har du möjlighet att delta i en utlottning där tre slumpvis valda deltagare vinner presentkort på SF Bio till ett värde av 200 kr styck. För att vara med i utlottningen krävs att du uppger din E-postadress. E-postadressen kommer dock inte kopplas ihop med dina svar i övrigt utan vi garanterar dig anonymitet

Nuvarande sysselsättning

- Studerande
- Arbetande
- Arbetssökande
- Annat

Kön

- Man
- Kvinna

Ålder

- <17
- 18-24
- 25-35
- 36<

Årsinkomst (SEK)

- 0-100K
- 101-200K
- 201-300K
- 301-400K

○ 401<

Fyll i din E-postadress för din chans att vinna två biobiljetter, uppgifterna kommer behandlas strikt konfidentiellt för att garantera dig anonymitet

E-post:

Instruktioner

Under fråga 1-2 ber vi dig kryssa för i vilken utsträckning du håller med påståendena nedan. Kryssa för alternativ 1 om du inte håller med alls och alternativ 7 om du instämmer helt och hållet.

1. *Jag upplever att piratkopierade armbandsur av lyxiga varumärken:*

a) är av låg kvalitet

- | | | | | | | |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| 1. | 2. | 3. | 4. Neutral | 5. | 6. | 7. |
| Instämmer
inte alls | | | | | | Instämmer
till fullo |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

b) är statusymboler

- | | | | | | | |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| 1. | 2. | 3. | 4. Neutral | 5. | 6. | 7. |
| Instämmer
inte alls | | | | | | Instämmer
till fullo |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

c) inte är värda att betala för

- | | | | | | | |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| 1. | 2. | 3. | 4. Neutral | 5. | 6. | 7. |
| Instämmer
inte alls | | | | | | Instämmer
till fullo |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

d) är hållbara

- | | | | | | | |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| 1. | 2. | 3. | 4. Neutral | 5. | 6. | 7. |
| Instämmer
inte alls | | | | | | Instämmer
till fullo |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

e) är exklusiva

- | | | | | | | |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| 1. | 2. | 3. | 4. Neutral | 5. | 6. | 7. |
| Instämmer
inte alls | | | | | | Instämmer
till fullo |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

f) är vanligt förekommande

- | | | | | | | |
|------------------------|----|----|------------|----|----|-------------------------|
| 1. | 2. | 3. | 4. Neutral | 5. | 6. | 7. |
| Instämmer
inte alls | | | | | | Instämmer
till fullo |

<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g) är roliga att äga							
1. Instämmer inte alls	2.	3.	4. Neutral	5.	6.	7. Instämmer till fullo	
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h) ger mig prestige							
1. Instämmer inte alls	2.	3.	4. Neutral	5.	6.	7. Instämmer till fullo	
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. Jag upplever att äkta armbandsur av lyxiga varumärken:							
a) är statusymboler							
1. Instämmer inte alls	2.	3.	4. Neutral	5.	6.	7. Instämmer till fullo	
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) har gott rykte							
1. Instämmer inte alls	2.	3.	4. Neutral	5.	6.	7. Instämmer till fullo	
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) är dyra							
1. Instämmer inte alls	2.	3.	4. Neutral	5.	6.	7. Instämmer till fullo	
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) har gott anseende bland mina vänner							
1. Instämmer inte alls	2.	3.	4. Neutral	5.	6.	7. Instämmer till fullo	
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e) är förknippade med god service							
1. Instämmer inte alls	2.	3.	4. Neutral	5.	6.	7. Instämmer till fullo	
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f) är anpassade för överklass-konsumenter							
1.	2.	3.	4. Neutral	5.	6.	7.	

Instämmer inte alls	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Instämmer till fullo
g) är hållbara								
1.								7.
Instämmer inte alls	2.	3.	4. Neutral	5.	6.			Instämmer till fullo
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h) är pålitliga								
1.								7.
Instämmer inte alls	2.	3.	4. Neutral	5.	6.			Instämmer till fullo
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
i) har god kvalitet								
1.								7.
Instämmer inte alls	2.	3.	4. Neutral	5.	6.			Instämmer till fullo
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
j) är funktionella								
1.								7.
Instämmer inte alls	2.	3.	4. Neutral	5.	6.			Instämmer till fullo
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Under fråga 3-8 ber vi dig kryssa för i vilken utsträckning du håller med påståendena nedan. Kryssa för alternativ **1** om du inte håller med alls och alternativ **7** om du instämmer helt och hållet.

3. Jag respekterar och beundrar individer som har armbandsur av lyxvarumärken								
1.								7.
Instämmer inte alls	2.	3.	4. Neutral	5.	6.			Instämmer till fullo
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. Jag respekterar och litar på företag som tillverkar armbandsur av lyxiga varumärken								
1.								7.
Instämmer inte alls	2.	3.	4. Neutral	5.	6.			Instämmer till fullo
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. Jag skulle vara stolt över att äga ett armbandsur från ett lyxvarumärke								
1.								7.
Instämmer inte alls	2.	3.	4. Neutral	5.	6.			Instämmer till fullo
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

10. Jag anser att värdet i att äga en äkta vara har minskat på grund av piratkopior

1.						7.
Instämmer inte alls	2.	3.	4. Neutral	5.	6.	Instämmer till fullo
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

11. Jag anser att tillfredställelsen att äga en äkta vara har minskat på grund av piratkopior

1.						7.
Instämmer inte alls	2.	3.	4. Neutral	5.	6.	Instämmer till fullo
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

12. Jag anser att statusen av att äga en äkta vara har minskat på grund av piratkopior.

1.						7.
Instämmer inte alls	2.	3.	4. Neutral	5.	6.	Instämmer till fullo
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

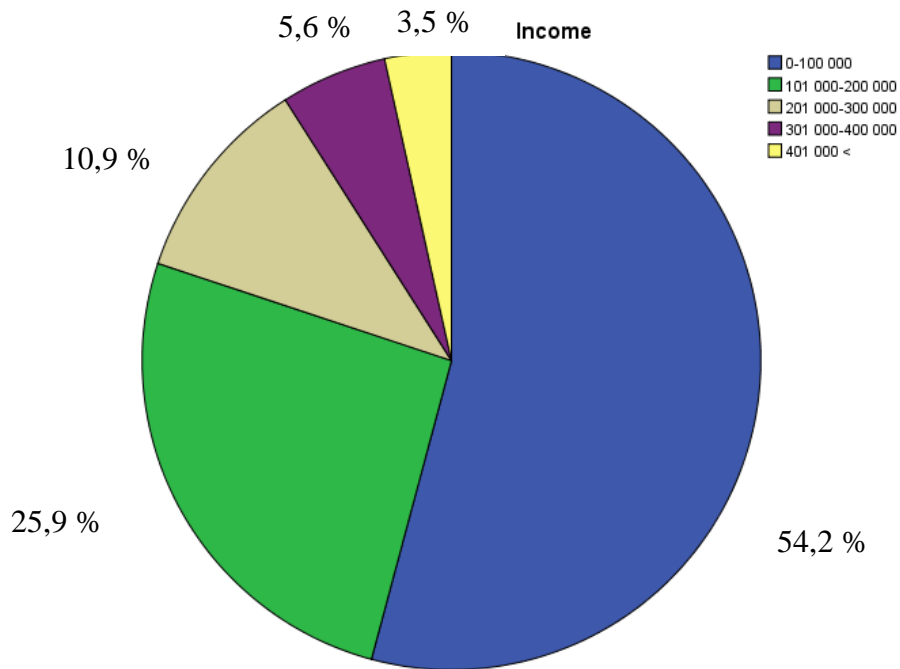
13. Om det inte fanns några piratkopior på marknaden skulle jag köpa äkta produkter i större utsträckning

1.						7.
Instämmer inte alls	2.	3.	4. Neutral	5.	6.	Instämmer till fullo
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

submit

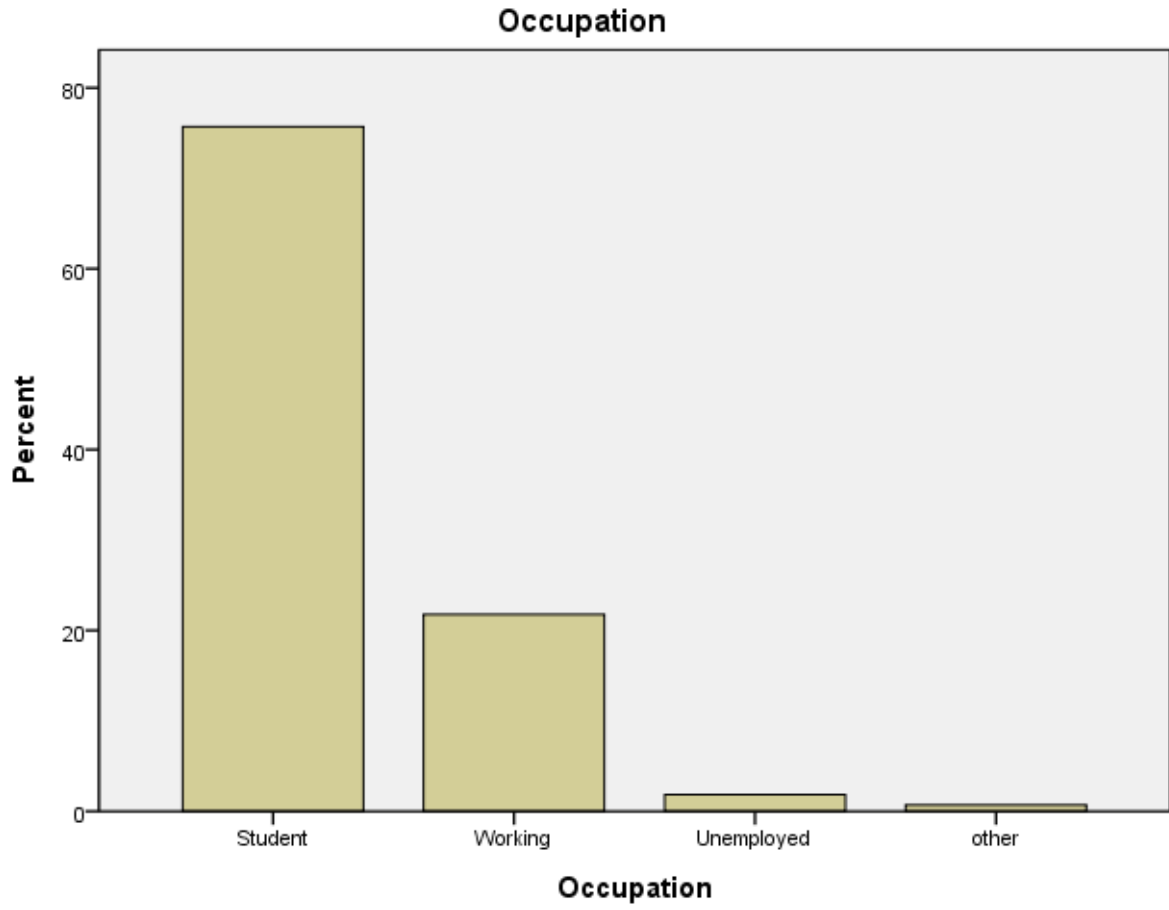
Appendix B

Annual income of the sample



Appendix C

Occupation within the sample





Linnaeus University – a firm focus on quality and competence

On 1 January 2010 Växjö University and the University of Kalmar merged to form Linnaeus University. This new university is the product of a will to improve the quality, enhance the appeal and boost the development potential of teaching and research, at the same time as it plays a prominent role in working closely together with local society. Linnaeus University offers an attractive knowledge environment characterised by high quality and a competitive portfolio of skills.

Linnaeus University is a modern, international university with the emphasis on the desire for knowledge, creative thinking and practical innovations. For us, the focus is on proximity to our students, but also on the world around us and the future ahead.

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