

# **An Exploratory Study of the Upper-middle Class Consumer Attitudes towards Counterfeiting in China**

**Constantinos-Vasilios Priporas**  
*Middlesex University, London, UK*

**Yan Chen**  
*Beijing University of Posts and Telecommunications, People's Republic of China*

**Shasha Zhao**  
*Middlesex University, London, UK*

**Hui Tan**  
*Royal Holloway, University of London, UK*

## **Abstract**

Although counterfeiting has been discussed in the literature, research focusing on the newly-emerged upper-middle class from emerging economies remains scarce. The aim of this exploratory study is to uncover the new upper-middle class consumers' attitudes towards counterfeiting in China. Qualitative research method was adopted to provide richer and deep information on the research questions. Through semi-structured in-depth interviews with members of the Chinese upper-middle class in Beijing, this study reveals that upper-middle class consumers present a distinctive view in counterfeiting in that they believe counterfeiting not only causes grave welfare related consequences and loss of trust in the legal system, but also seriously interferes with the order of the market.

**Keywords:** Counterfeit, Consumer behavior, Upper-middle class, China

## 1. Introduction

Counterfeiting has become in recent times a major and increasingly challenging issue in world trade (Bian et al., 2016; Chaudhry and Zimmerman, 2013; Priporas et al., 2015). The OECD (2016) estimates the value of counterfeited and pirated goods worldwide was \$ 461 billion (2.5% of world trade) in 2013, compared with \$200 billion (1.9% of world trade) in 2005. The International Anti-Counterfeit Coalition (2014) also projected this value for the year 2015 to be \$1.77 trillion. These figures show the magnitude of the issue in the global context.

Contributing to this problem, China is considered the major producer of counterfeits (Bian and Veloutsou, 2007; International Anti-Counterfeiting Coalition, 2014; Jiang and Cova, 2012; OECD, 2016) and the largest consumer of counterfeit products (Cheung and Prendergast, 2006). Previous studies regarding counterfeits in China have used mixed economic and social background samples to explore consumers' ethics (Bian et al., 2016; Li et al., 2018; Li and Seaton, 2015), cultural values (Wan et al., 2009), interpersonal and personal effects on counterfeit luxury brand consumption (Jiang and Cova, 2012), economic, ethical and socio-psychological perspectives (Sharma and Chan, 2016), and 'face' and brand consciousness (Jiang and Shan, 2016). Yet, many marketing scholars and practitioners still find China to be an 'enigma' (Ucok et al., 2015), as the attitudes and behavior of Chinese consumers is rapidly changing as a result of the fast-economic development (Sharma, 2010). McKinsey (2013) finds that consumption dynamics have been significantly shifted, and within the burgeoning middle class, the upper-middle class is poised to become the principal engine of consumer spending over the next years. Birdsall (2016) asserts that the most extraordinary middle-class growth has come from urban areas of China (e.g. Beijing and Shanghai). This development is shared across many developing economies as International Labor Organization (2016) finds that the developing world's emerging middle class has more than doubled in size over the past decade.

The total proportion of middle class has grown to 41.6%, which is up from 23% a decade earlier. Whilst these objective measures based on household income provide some useful insights into the magnitude of the growth, more recent research asserts the idiosyncratic difference of the middle-class definition between developed and developing economies (Wietzke and Summer, 2014). The middle class in developing economies represents a much more diverse group where there is a clear separation between the ‘lower’ middle class and ‘upper’ middle class in terms of level of income, sense of security, and education. This is largely due to the fast economic and social development of developing economies enabling greater upward (or downward) mobility of individual households.

Despite the growing importance of the middle class (and particularly the latest emergence of the upper segment) to the Chinese economy, and the fact that the middle class in China is mostly concerned with social and economic ‘status’ rather than a driving force for political and social change (Xin, 2013), which is most visible via its consumption behavior (Song et al., 2016), there are scarce studies examining their consumption behavior or attitudes (Chen and Lamberti, 2015; Song et al., 2016). Among those latest research studies on counterfeit purchase behavior (e.g. Bian et al., 2016; Chen et al., 2015; Li et al., 2018; Ngo et al., 2018 Priporas et al., 2015; Stöttinger and Penz, 2015; Zhan et al., 2015), there are still many mixed findings and unanswered questions (Sharma and Chan, 2016).

Given the importance of the rising middle class as an economic driver (Kravets and Sandikci, 2014; Song et al., 2016; Uner and Gungordu, 2016), the magnitude of the counterfeit trade in China and globally, and limited studies on counterfeit purchase behavior of the upper-middle class (Priporas et al., 2015) with a particular focus on emerging economies, this paper addresses these gaps by exploring attitudes towards counterfeit trade among the Chinese upper-middle class. In doing so, a qualitative approach was chosen as suggested by Torres de Oliveira

and Figueira (2018) due to different realities that China presents in comparison with the Western world in terms of culture, sociopolitical environment and history. Specifically, the following two questions were developed to serve this purpose: What are the consumer attitudes of the Chinese upper-middle class towards consumption of counterfeits? What measures might be effective in curtailing the counterfeit trade in China? By answering these research questions, our study contributes new knowledge to counterfeit literature by providing empirical insights into the consumption behavior of the upper-middle class and the role that upper-middle class consumers play in the development of counterfeit phenomenon. Also, we paid special attention to China for two reasons: 1) China is considered a highly attractive market for businesses and products (Zhan and He, 2012; Chen and Lamberti, 2015; UNCTAD, 2016) including counterfeits (Liu et al., 2016), given its population size of 1.371 billion and the continued high economic growth over recent years (World Bank, 2016); 2) China has the world's largest middle class consumers (Bloomberg, 2016). Finally, our findings could inform future research focusing on the consumption of counterfeits by the new middle class of other emerging economies, and our empirical findings can be used as important sources to guide business practices and the development and improvement of local and national policies and regulations.

## **2. Literature**

### *2.1. Counterfeiting*

Counterfeits are illegally made, low-priced products that are manufactured in a way that resembles genuine goods, yet are inferior in terms of quality, performance, reliability and durability (Lai and Zaichkowsky, 1999; Wilcox et al., 2009). Counterfeiting can be divided into three categories depending on consumer awareness: 1) deceptive counterfeiting, where consumers are unaware that the products are imitations of the authentic ones (Grossman and

Shapiro, 1998); 2) non-deceptive, where consumers are aware that the products are counterfeit and intentionally buy them (Penz and Stottinger, 2005); and 3) blur counterfeiting, where consumers are not sure whether the products are fakes or originals (Bian, 2006). The existing literature has largely focused on non-deceptive counterfeits (i.e., Bian et al., 2016; Nia and Zaichkowsky, 2000; Penz & Stottinger, 2005; Priporas et al., 2015).

Priporas et al. (2015) point out that various established theories (e.g. Theory of Reasoned Action) have been employed to interpret the phenomenon and it has been explored from different angles (i.e. motives, attitudes, and ethics). Jiang and Cova (2012) propose five categories of determinants of counterfeit purchase intentions, comprising product characteristics (i.e. price, product type), consumers' demographic and psychographic variables (i.e. social status, attitudes), social and cultural context (i.e. cultural norms, social influence), mood and situational context (i.e. when tourists consider buying counterfeit products as an authentic experience), and consumers' ethical and lawfulness cues (compliance to law and ethical standards).

Furthermore, some studies suggested that consumer education and awareness as well as government's initiatives (i.e. tougher laws) as possible solutions to minimize or eradicate counterfeiting consumption (i.e., Ang et al., 2001; Berman, 2008; Priporas et al., 2015). Chun (2017) asserts that anti-counterfeit measures appealing to consumers' own morality is not that effective, while educating consumers seems to be the most effective anticounterfeit initiative (Stumpf et al., 2011). Quach and Thaichon (2017) point out that more efforts must be done to educate the public regarding the intellectual property right issues, and schools and universities can assist in this direction by educating the new generations not only on moral aspects, but also on legal issues and harmful effects (health and safety issues) of counterfeit consumption.

## 2.2 Counterfeiting in China

China has a love and loath relationship with counterfeiting products. It is regarded as the largest country of origin for global counterfeiting products and as such The Economist (2010) claims that “...80% of the world's fake goods are thought to be produced [in China]”. A recent investigation carried out by The Economist (2016) shows that China (including Hong Kong) has been the leading country with 84% of all international lawsuits on counterfeit sales. Research carried out by Bian and Veloutsou (2007) suggests that as much as 20% of goods sold in the Chinese market are counterfeits, which means that in monetary terms, counterfeiting is worth a staggering \$16 billion market value per annum. Despite the increasingly repeated attempts by the Chinese government to use the legal system to implement a wide range of measures to crack down on counterfeit products being sold, which ranges from agricultural equipment to software, and greater scrutiny of exports of counterfeit products, national (and to an extent international) consumption remains high year on year, demonstrating the distinct attitudes and purchasing behaviors of Chinese consumers. One explanation for their high level of national consumption of counterfeits is partly due to the increasing challenge on their ability to differentiate between genuine brand goods and counterfeits. Further to these findings, Wang and Song (2013) argue that prior buying experiences of branded products impact on consumers' attitudes towards counterfeiting products. Those who have more buying experience of branded products strongly believe that counterfeits devalue the genuine products, while those who end up purchasing counterfeits emphasize the lack of necessary knowledge to recognize product authenticity.

A different explanation for consumption of counterfeits in China is provided by Kwong et al. (2009). Their study finds that a higher number of Chinese consumers buying counterfeits in comparison to non-Chinese consumers is potentially associated with important social

benefits in Chinese society. These benefits include conformity to the ‘upper’ class, status-seeking, as well as ‘face-saving’. This argument is echoed by Jiang and Cova (2012), who contend that buying a well-regarded counterfeit brand can provide social meanings. Thus, a counterfeit not only comes with utility value (i.e. generally significantly cheaper than the authentic equivalent) but also brings more social consequences to Chinese consumers. Zhang’s (2017) latest research has followed this line of inquiry and stressed the important role of cultural norms in affecting consumers’ purchasing strategy and decisions in China. Historically-established cultural values such as face-saving and thrift-practice are used to legitimize the purchasing decisions for counterfeits over more ethical considerations.

Thus, it is not difficult to conclude that a large proportion of Chinese consumers are subconsciously more prone to the pursuit of counterfeits (Jiang & Shan, 2016). Interestingly, in contrast, Bian et al. (2016) find that the common consensus of the Chinese public towards counterfeit consumption is that it is an unethical act. Yet, the consumer demand is also ‘robust and growing’ (Bian et al., 2016). Their empirical findings highlight some of the previously unveiled psychological processes associated with counterfeit consumption. Three main themes of motives are found to initiate the act of buying: “thrill of the hunt,” “being part of a secret society” and “a sense of interest” (p. 4255). These motives are found to establish in a combined fashion and once enacted, are often sustained by two psychological neutralization techniques: “denial of responsibility” and “appealing to higher loyalties” (p. 4255). Table 1 illustrates a synopsis of some of the key studies in counterfeit buying literature re.

[Table 1 about here]

### *2.3. Middle class in China*

There is a lack of a universal definition on middle class. It can be argued that the absence of such a universal definition could be caused by the term being context-dependent,

whereby a suitable definition shall be one considered in accordance within a specific economic context, such as a particular country with its idiosyncratic history and characteristics (Bonnetfond Clément and Combarous, 2015). In the same vein, Uner and Gungordu (2016) point out that class definitions and measurement vary from country to country. Schiffman and Wisenbilt (2015) assert that two strata are given: 1) the “upper or professional middle class”, which encompasses highly educated, salaried professionals and managers; and 2) the “lower middle class”, including mainly semi-professionals, skilled crafts persons and lower-level managers. Wolburg and Pokrywczynski (2001) and Acquino (2012) identify Generation Y as a unique part of middle class in that those highly educated, and command stronger purchasing power demonstrate different consumption behavior from the rest of the middle-class consumers. Yet, no specific research is found to address the segment of upper-middle class in relation to their consumer behaviors in general or consumption of counterfeit in particular.

In the case of China, according to Wang (2012), middle class can be defined in terms of home ownership, family vehicle ownership, dining out, and money for entertainment, travel and education of the family child. In 1990 the middle class comprised an estimated 0.3 percent of the whole population of China, about one million people. By 2010, it had grown to 35 percent, about 220 million people. By 2015, the figure reached an estimated 340 million (Birdsall, 2016). The middle class in China is mainly an urban population residing in big cities, having a college education, working for multinationals or state-owned companies, owning an apartment and a car, and consuming ‘excessively’, especially people under 30 (Luhby, 2012).

The middle class plays a crucial part in China’s economic and social development. A report entitled “Consuming China” (McKinsey, 2012) indicates that 83 percent of households in China’s primary cities (i.e. with population of 10 million and over, including Beijing, Chongqing, Guangzhou, Shanghai, Shenzhen, and Tianjin), and 66 percent in the rest of the



country's cities, are middle class families. It is estimated that by 2022, more than 75 percent of China's urban consumers will earn 60,000 to 229,000 renminbi (\$9,000 to \$34,000) a year. In purchasing-power-parity terms, this range is between the average income of Brazil and Italy (McKinsey, 2013). In the year of 2000, only 4 percent of urban Chinese households were within this range whilst by 2012 it rose to 68 percent. In the decade ahead, the middle class's continued expansion will be powered by labor market and policy initiatives that push wages up, financial reforms that stimulate employment and income growth, and the rising role of private enterprise, which should encourage productivity and help more income accrue to households. Yet, in the face of such generational societal changes in urban consumption and market landscape, no specific research either theoretically or empirically is conducted to examine the consumption attitudes or behaviors of the upper-middle class from the overall middle class. This could disguise the true market dynamic in the fast-changing Chinese market and highlights the urgency of differentiating the huge consumption group of more than 600 million middle class in China (McKinsey, 2013) into appropriate subunits for further profiling and examination.

### **3. Method**

Research design for this study is based on the fact that our interested research questions are exploratory in nature and thus intended to unravel a relatively underexplored phenomenon. Upper-middle class attitudes towards counterfeiting in China has received limited attention because this group of population has only recently emerged as a distinctive group of consumers with high purchasing power. Their unique social backgrounds of good education, professional and well-paid jobs, and personal experiences suggest that their attitudes are likely to be distinctive. Therefore, we follow the argument of Torres de Oliveira and Figueira (2018) regarding different realities that China presents in comparison with the Western world in terms

of culture, sociopolitical environment and history.

The purpose of our study is to explore how this distinctive group (upper-middle class) of consumers view counterfeiting in a country like China, a context vastly different from the West (Tsui, 2006). Given the nascent nature of the phenomenon and the exploratory nature of our research, an inductive method based on qualitative cases is considered as more appropriate (Edmondson and McManus, 2007; Yin 2014), which echoes a similar approach taken by Ureña et al (2008). The interviewees in this study were selected from a group of EMBA students in a top university in Beijing. The reason for choosing this group of students is two-fold: one, their social status are characterized as within the upper-middle class group; two, the practice of using MBA students in management research is well established and even encouraged (Bello et al., 2009), particularly in countries such as China (Tung, 2007).

Data were collected through one-to-one in-depth interviews to obtain rich qualitative data (Thaichon and Quach, 2016). This way the ‘distance’ between interviewer and interviewee is reduced (Johns and Ross-Lee, 1998), and it facilitates a mutual understanding between them (Bryman and Bell, 2015). To gain more data during in-depth interviews, a simple semi-structured interview guide was employed; however, the discussion remained flexible and open-ended (McCracken, 1988). One of the authors conducted and interviewed in person members of one EMBA class who are typically considered as the upper-middle class. Upper-middle class members were considered those with an annual income of RMB120,000 to 500,000 following Chen and Lamberti’s (2015) definition. This is the fastest growing segment in China with a projection to reach the 54% of the total population in 2022 (McMillan, 2016). The sample was purposive, since the participants were chosen based on their income. Initially, 29 participants were approached in a convenience manner. Nine of the them declined due to their busy schedules or other obligations and a final sample of 20 participants was employed with an

income from RMB350,000 to RMB500,000 and an age range between 34 and 48 years (see Table 2).

**[Table 2 about Here]**

The participants were mainly from privately owned firms and were attending the Executive MBA (EMBA) program when the investigation was conducted. The sample, such as the one used in this study, is considered sufficient (De Ruyter and Scholl, 1998; Onwuegbuzie and Leech, 2007; Saunders, Lewis, & Thornhill, 2009), while previous studies on counterfeits in China (Bian et al., 2016) have used smaller samples.

The interview guide was constructed based on a review of the literature (Jiang & Cova, 2012; Priporas et al., 2015) which had been pre-tested with 3 respondents for readability and content relevancy in relation to the research questions. The interview guide consisted of 10 questions and 5 demographic questions, focusing on the participant's attitude towards the counterfeiting phenomenon, why the counterfeiting phenomenon exists in China and what can be done to minimize, or even eradicate the phenomenon, etc. The questions were aimed at allowing participants to express their personal views and thoughts.

The interviews took place in April-May 2016 in the premises of the university in Beijing and followed ethical guidelines such as no harm, informed consent, confidentiality-anonymity and honesty (Allmark et al., 2009; Bryman and Bell, 2015). Each session lasted approximately 45 to 60 minutes. With the participants' permission, the interviews were recorded digitally and transcribed verbatim in Chinese. The respondents' names were substituted with coded numbers to ensure anonymity. The discussions were translated into English and back translated to Chinese by one of the authors, who is a bilingual native Chinese speaker. The data was analyzed using thematic analysis. Following the approach described by Ryan and Bernard (2003), the information gathered was processed into categories or themes.

The data were divided into categories to be analyzed. Each question was treated as a different category, and the answers of all the respondents were analyzed at the same time for each question; thus, differences and similarities could be analyzed more accurately (Priporas et al., 2015). This method also helped us compare and contrast information and data from both primary and secondary sources (Saunders et al., 2009). A copy of the analyzed data was shown to interviewees to confirm their authenticity and enable reflection of their views.

To ensure reliability of our findings, all interviews were carried out in the same setting with same researcher. All interviews and consequent comments were tape-recorded, transcribed, and translated to English. One of the authors is of Chinese origin, who ensured truthfulness of the translated data. Consistent data coding and sorting were deployed and documented. To ensure a rigorous case study is presented in this paper, we draw on Gibbert and Ruigrok (2010)'s suggestion of strategies, principles and coding rules. Specifically, as the research proceeded where new or inconsistent data were collected, respondents' responses were constantly compared and modified. The triangulation process happened within the case, across all respondents. Although the respondents were from the same setting (a cohort of EMBA students from a University), the fact is these respondents were highly diverse in their personal and professional lives, thus ensured data source triangulation (Stake, 1995). Meanwhile, all respondents had good understanding of the counterfeiting issue in China based on personal experience prior to this study. Hence, these individuals were able to reflect on their overall experience (Miles and Huberman, 1994) and provided valuable insights into the issue. The study deployed replication of questions across interviews as well as any follow-ups that were necessary.

## 4. Results and discussion

In this section, we provide detailed empirical findings and discussions in relation to existing literature. The analysis and discussion are twofold. First, we focus on attitudes of the respondents towards consumption of counterfeits. This is followed by their views on addressing the issue of counterfeiting in the country.

### *4.1. Attitude towards consumption of counterfeits*

The respondents believe that counterfeiting in China is extensive and covers many product categories, (i.e. clothes, shoes, bags, toys, food, etc.). However, almost all respondents are in sharp opposition to the act of consumption of counterfeits. They believe that counterfeiting is a fraud, a serious damage to social justice and impacts on product quality. It has baneful influences on research and development, intellectual property rights, social integrity, industrial development, the tax system and so on. This is evidenced in the views expressed by the respondents:

*“The counterfeiting not only violated the rights and interests of consumers, but also threatened health and life. On the surface, counterfeiting enabled some people to buy the idea of a luxury good at a lower cost and counterfeiters “work pay”. It also seems to be a “win-win” [for the parties involved]. But it is actually a kind of catering for the vanity, grandiose, an injury to the societal honesty, an invasion of intellectual property rights, and a harm to the idea that innovation creates value” (R12).*

Respondents of this upper-middle class sample also expressed many social and welfare concerns. For example, one respondent stated:

*“An environment of low cost and low risk to take the responsibility allowed the counterfeiting behavior. It disrupted the market order and affected the entire social and economic development. To change this behavior [we] must start from the source and change this kind of irresponsible market phenomenon, otherwise we are letting the counterfeiters do more harm than good” (R3).*

Their attitudes regarding the hazardous nature of counterfeit products are in line with findings in previous studies (e.g. Bikoff et al., 2015; Priporas et al., 2015; van Kempen, 2003). For example, a recent study by Bikoff et al (2015) notes that China faces severe social and welfare consequences as a result of poor legal enforcement on the production and distribution of counterfeits. Some of the most influential cases include multiple deaths of counterfeit electronics users as a result of electric shocks or device explosions, endangerment of commercial aircrafts due to counterfeit components, and permanent health damage to infants as a consequence of counterfeit formula and foods. An earlier study by Chow (2003) also discusses two of the most pirated industries in China, pharmaceuticals and tobacco, and the high likelihood of developing serious, permanent, and life-threatening illnesses, or even deaths.

The counterfeiting phenomenon is severe in the Chinese market because of “inadequate market regulation”, “insufficient penalties” and “consumer’s vanity”. One respondent commented:

*“Our country (China) is in the process of transformation and upgrading. There is a large market demand, allowing the counterfeiting to survive and develop. Government's weak ability to govern results in insufficient market supervision’ and supports non-credit culture; counterfeiting costs are low, the penalty is limited, which cannot shake the foundation of the counterfeiting phenomenon” (R12).*

These views are shared by previous studies. For example, Jiang (2014) and Wan et al. (2009) assert that certain traditional Chinese values support counterfeit production and consumption. Also, the phenomenon is so extensive in China as a result of its sheer size and the scope of its counterfeiting problem, which make anti-counterfeiting enforcement difficult. Shen and Antonopoulos (2017) assert that counterfeit in China is a complex socio-economic and cultural problem and the lack of effective laws and commitment from top-level political officials and the overall administrative organization appear to be the fundamental problem. Whilst the current legal protections against counterfeit and dangerous goods are improving, there remains a significant lack of transparency, consistency and effectiveness (Bikoff *et al.*, 2015). From a more controversial perspective, Chow (2003) suggests that the main cause of widespread counterfeiting activities is the presence of ‘organized crime’ and ‘local protectionism’ in China. He explains that in terms of the former there are illegal organizations based in Hong Kong and Taiwan which have been funding counterfeit production in Southern China where the majority of counterfeits are produced. Indeed, the promotion of counterfeit trading has been made easier for these organizations by the jurisdictional and legal issues between the international borders that separate Hong Kong and Taiwan from mainland China. For the latter, local governments have played a critical role in protecting counterfeit trading activities. Such trading activities tend to take place in large wholesale markets, which are established and regulated by the local Administration of Industry and Commerce - a branch of the local government responsible for promoting, regulating, and policing commercial activity.

Since the beginning of the 21<sup>st</sup> century, e-commerce has become the most powerful way of selling goods worldwide. Some major e-commerce websites, such as Amazon, eBay etc., have overtaken traditional market leaders in sales volume. However, the emergence and development of e-commerce also provides a more convenient conduit for counterfeits. As one respondent noted:

*“A large number of wholesale markets or well-known shopping sites have high percentage of fake goods, which the media has repeatedly exposed” (R14).*

#### *4.2. Reduction of counterfeiting phenomenon*

While there is a huge market demand for counterfeits in China, all the respondents believe that consumer education and law enforcement could help to minimize the problem, which is evidenced in the following sample statements:

- *“Increase the intensity of punishment, increase the cost of counterfeiting” (R2)*
- *“National quality and culture education are fundamental. The national education of "being true, good and beautiful" is necessary in a society lacking faith” (R4)*
- *“By increasing market management and punishment, we can minimize the phenomenon of counterfeiting” (R16)*
- *“Punishing by the law and increasing the cost of counterfeiting can help curb this phenomenon; Management and supervision of the market are main factors to maintain the market order” (R11)*

These views highlight the importance of consumer education and awareness and the state’s or local government’s initiatives to minimize or eradicate this problem (Ang et al., 2001; Berman, 2008; Bikoff et al., 2015; Marcketti and Shelley, 2009; Priporas et al., 2015). For example, Ang et al. (2001) argue that to effectively curb counterfeiting activities, it is essential that anti-piracy organizations understand the motivations underlying the strong demand for counterfeits and develop strategies to arrest the preference for fake goods, under the directive of governments.



Drawing on these findings, a conceptual framework (Figure 1) is developed. The framework shows that upper-middle class consumers, such as in the case of China, attributed by high income level, great sense of security, advanced level of education, and high societal status (Schiffman and Wisenbirt, 2015; Wietzke and Summer, 2014), have negative attitudes towards consumption of counterfeits and current anti-counterfeiting environment. These attitudes are two-fold. One, they regard consumption of counterfeiting as damaging to market development, reducing society integrity, discouraging innovation and invading intellectual property rights. Two, they contend that anti-counterfeiting should include more severe penalties, increased nation-wide consumer education, and better legal enforcement.

**[Figure 1 Here]**

## **5. Conclusion**

Focusing on the emerging upper-middleclass consumers in China, our empirical evidence clearly shows that consumers in our sample have overwhelmingly negative views regarding the behavior of counterfeit consumption. The features of this group of consumers (i.e. high-income level, great sense of security, and advanced level of education and societal status) can be attributed to their distinctive attitudes towards counterfeiting as a somewhat political matter. In particular, the survey data indicates that these consumers believe counterfeiting not only causes some of the gravest welfare related consequences (such as health and property safety issues), but also leads to loss of trust in the legal system, and seriously interferes with the proper functioning of market and its development. The view shared across those upper-middle class participants is that the national and local government authorities have fallen short on their role and responsibilities to enforce an effective legal framework whereby counterfeiting activities should be severely punished. Further, it is also commonly viewed

amongst the participants that a number of key stakeholders in the country should be actively involved in developing and implementing anti-counterfeiting strategies with the facilitation of government authorities, such as education of consumers to reduce demand, and original manufacturers to monitor and minimize counterfeit production.

### *5.1. Theoretical contributions*

From the theoretical perspective, the current paper extends the literature of counterfeiting on consumer behaviour by focusing on upper-middleclass respondents' views to address a gap in the extant research (Priporas et al., 2015). This is one of the few studies that have examined the case of upper-middle class in terms of their views of counterfeiting consumption. Kotler (2013) has highlighted the importance of the middle class. He asserts that the developed economies in the West have been the primary home of the urban middle class for over 100 years. This has contributed to the Western market economy and consumer lifestyle, along with the economic and political institutions. However, Kotler (2013) notes that time is changing, and the middle class is shifting from West to East, driven by the rapid urbanization and industrialization of dynamically growing economies. A clear example of his argument is China, which is undergoing a fundamental transformation from a communist society towards a market economy. In this process, we are witnessing a newly emerged middle class, which is continuously fast-growing and economically succeeding under China's idiosyncratic societal structure and national culture. While strategy and marketing scholars generally recognise the increasing importance of the new middle class in emerging economies, limited research has attempted to explore the dynamics of the new middle class (particularly the upper-middle class) and consumption of counterfeits. Hence, our study contributes to the recent literature on consumption of counterfeits by exploring the newly emerged upper-middle classes in the

context of a fast-developing emerging economy, characterised by its extensive counterfeit trading (e.g. Kravets and Sandikci, 2014). Moreover, we contribute to existing literature on the behaviors of counterfeit consumption by revealing new and useful empirical insights (some of the views are negative as specified in Figure 1) from upper-middle class to shed light and add clarity to the debate in existing literature.

## *5.2 Practical implications*

From a practical perspective, our findings show that consumption of counterfeits is widespread in China due to a fundamental lack of enforcement provided by the government and legal system, and unavailability of information to Chinese consumers. Moreover, at the social-cultural level, consumer attitudes towards counterfeiting consumption could be effectively channeled by emphasizing the concept of face or ‘mian-zi’ which has been a long-established cultural norm among the Chinese consumers (Phau and Teah, 2009; Zhou and Belk, 2004). By emphasizing embarrassment or humiliation, that is, a loss of face, as the consequence of purchasing counterfeit luxury goods, more economic and social benefits can be gained, should the legal enforcement or policy-regime be weak (Ting et al, 2016).

## *5.2. Limitations and future research*

The current study has some unavoidable limitations which provide opportunities for further research. Given its exploratory nature, the focus of this study was on gaining insights and depth of understanding, rather than on generalizing (Bian et al., 2016; Priporas et al., 2015). Despite the growing importance and purchasing power of the middle class and particularly the latest emergence of the upper-middle segment, there remain scarce studies examining their

consumption behavior or attitudes (Chen and Lamberti, 2015; Song et al., 2016). The empirical insights provided in this study can act as a springboard for future studies to examine this important topic across samples of different sizes of upper-middle class in other emerging economies. Subsequent new findings may be generated to further extend our understanding of the attitudes of global upper-middle class consumers towards counterfeiting.

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Table 1. A summary of key literature reviewed

<b>Authors/Year</b>	<b>Theoretical perspective</b>	<b>Countries investigated</b>	<b>Factors observed</b>	<b>Main findings</b>
Bian et al (2016)	Consumer Motivation	China	Motivational factors	Self-image enhancement, intrinsic hedonic motivations (“thrill of the hunt” and being part of a “secret society”) and a sense of interest are the key motivational drivers of unethical counterfeit consumption
Fernandes (2013)	Theory of Planned Behavior	Dubai, UAE	Factors that influence the demand for counterfeit products	Lack of ethical judgement, self ambiguity, value consciousness and being susceptible to the opinions of others are the main reasons for buying counterfeits
Marcketti and Shelly (2009)	Theory of Reasoned Action	USA	Concern, knowledge and attitude towards counterfeit apparel goods	A greater concern, knowledge and attitude towards counterfeit apparel good increases directly the willingness to pay more for non counterfeits
Phau et al (2009)	Theory of Moral Reasoning	Australia	Personality factors and attitudes toward counterfeit luxury brands	Integrity is the strongest influencer of both attitudes and consumer willingness to purchase

Priporas et al (2015)	Consumer behavior-economic crisis	Greece	Knowledge, beliefs and perceptions of the counterfeits	counterfeit luxury brands Four types of consumers: “brand buyers”, “conscientious consumers” “counterfeit switchers and “counterfeit buyers”
Sharma and Chan (2016)	Cognitive dissonance theory	China (Hong Kong)	Counterfeit proneness, ethical judgments, subjective norms, counterfeit product evaluation and purchase intentions.	Counterfeit proneness positively influences ethical judgments and subjective norms toward buying a counterfeit product, which in turn positively affect counterfeit product evaluation and purchase intention.
Wan et al (2009)	Cultural theory	China (Hong Kong)	Cultural values, consumer values, consumer attitude and belief to the intention to buy pirated CDs	Chinese cultural values encourage a market for pirated CDs .

Table 2: Sample's demographic profile

<b>Participant</b>	<b>Gender</b>	<b>Age</b>	<b>Marital Status</b>	<b>Educational Background</b>	<b>Income</b>
1	Female	41	married	Bachelor's degree	RMB390,000
2	Male	36	married	Bachelor's degree	RMB480,000
3	Female	38	married	Bachelor's degree	RMB500,000
4	Female	46	married	Bachelor's degree	RMB500,000
5	Female	48	single	Bachelor's degree	RMB380,000
6	Male	47	married	Bachelor's degree	RMB500,000
7	Male	38	married	Bachelor's degree	RMB500,000
8	Male	36	married	Bachelor's degree	RMB420,000
9	Male	35	married	Bachelor's degree	RMB420,000
10	Female	38	married	Bachelor's degree	RMB500,000
11	Male	44	married	Bachelor's degree	RMB360,000
12	Female	46	married	Bachelor's degree	RMB400,000
13	Female	41	married	Bachelor's degree	RMB500,000
14	Male	39	married	Bachelor's degree	RMB500,000
15	Male	39	married	Bachelor's degree	RMB490000
16	Female	41	married	Bachelor's degree	RMB500,000
17	Male	40	married	Bachelor's degree	RMB450,000
18	Male	34	married	Bachelor's degree	RMB350,000
19	Female	38	married	Bachelor's degree	RMB450,000
20	Male	37	married	Bachelor's degree	RMB500,000

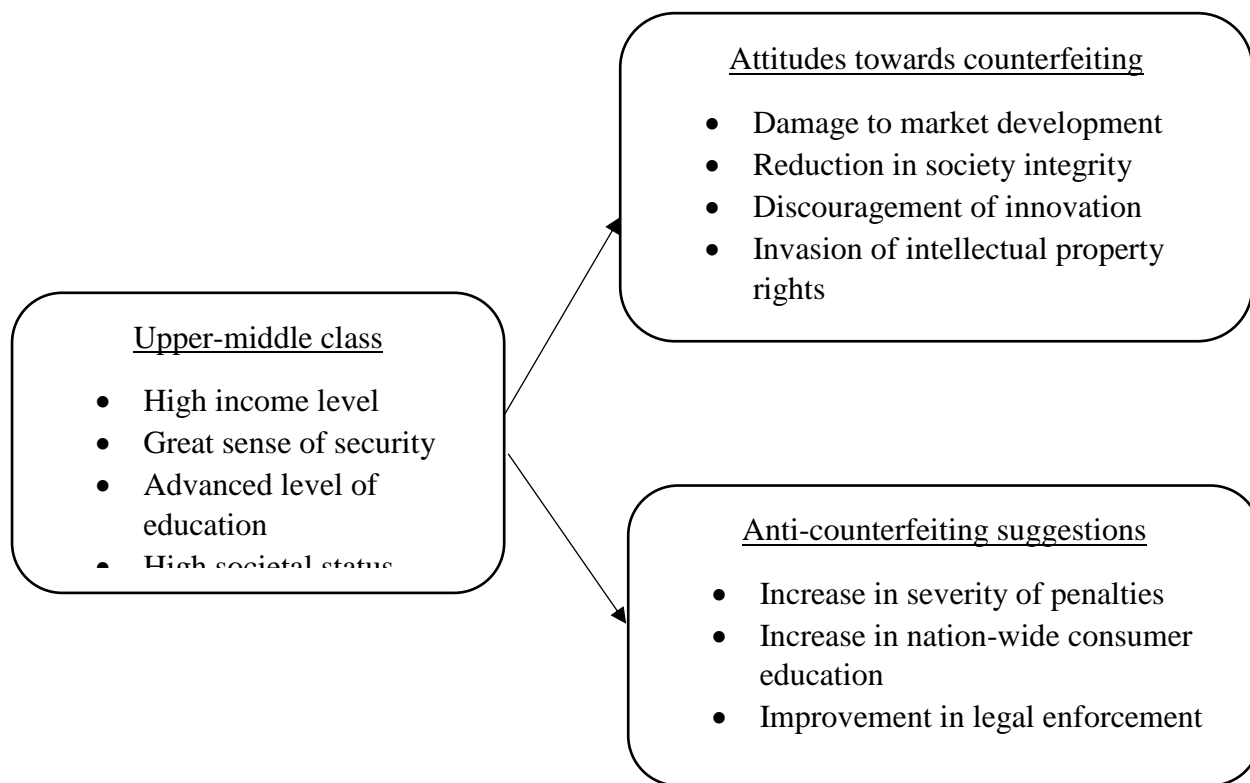


Figure 1: A synopsis of the findings