

PART V

MANAGERIAL AND
CONSUMER PERCEPTIONS
OF THE EFFECTIVENESS OF
ANTI-COUNTERFEITING
TACTICS



16 Analysis of anti-counterfeiting tactics to diffuse consumer demand

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16.1 INTRODUCTION

Consumers are accomplices in the business of counterfeiting and digital piracy. This notion has been prevalent in the academic and managerial discussion around both phenomena (e.g., Bloch et al. 1993; Chaudhry 2013). At least, this is the case with non-deceptive counterfeiting, which we are focusing on in this contribution, where consumers consciously buy counterfeit and digitally pirated products (Grossman and Shapiro 1988). Consumer complicity represents a natural fact if we understand the trade of counterfeit and pirated products as a market of supply and demand. While focusing on measures eradicating the supply as the driving force, addressing consumers is vital to fight the overall challenges posed by the phenomena (Sonmez et al. 2013). Countermeasures usually cater to stakeholders such as governments, international organizations, distribution partners or the counterfeiters themselves, whereas consumers are addressed only to a small extent (Cesareo and Pastore 2014b; Cesareo and Stöttinger 2015; Chaudhry and Zimmerman 2009).

For our contribution, we define counterfeiting/piracy as “any unauthorized manufacturing of goods whose special characteristics are protected by Intellectual Property Rights (trademarks, patents and copyrights)”, which is in line with the World Intellectual Property Organization (WIPO) (2015) as well as Chaudhry and Zimmermann (Chaudhry and Zimmerman 2009, p. 2, based on Cordell et al. 1996). The product categories affected by intellectual property rights (IPR) infringements encompass physical products but digital goods as well, such as software, digital documents, digital audio (including music and voice) and digital video (Higgins 2007). While this definition seems to be clear-cut when it comes to physical products, its scope for digital goods varies. This may be because the product types and distribution options vary substantially from those of the physical goods. For example, while Chiou et al. (2005) distinguish unauthorized duplication/download as piracy, Quah (2003, p. 6) does not even perceive such an issue as pirating, as technically “any copy of a digital good is the good itself. There is no distinction between an original and a copy.” Nunes et al. (2004, p. 43), in turn, refer to piracy as “any type of illegitimate copying”. Further approaches to define digital piracy reflect the type of pirated digital goods and variety of acquisition modes. Van Eijk et al. (2010, pp. 36–38), for example, suggest that

file sharing is the catch-all term for uploading and downloading, and encompasses a range of technologies . . . [W]ithin the meaning of copyright law, the downloading of copyrighted digital content constitutes a reproduction (copying). Every form of downloading (from P2P networks or a website, on a mobile phone, etc.) basically involves making a copy . . . however, consent is not always required to download content.

Goles et al. (2008) define piracy along the lines of the actor initiating duplication. They define illegal duplication of copyrighted software for resale as commercial piracy, illegal duplication of copyrighted software for use within an organization as corporate piracy, and use the term *softlifting* when copyrighted software is duplicated by individuals for personal use. These exemplary statements and directions on how to look at the definition of digital piracy highlight the complexity which surrounds this phenomenon. At this point, we do not aim to unify them, but provide the background for our working definition of digital piracy in a demand context for this chapter.

We define digital piracy as the overall concept of downloading or copying digital files for personal use without the consent of copyright holders. In this sense, the term “piracy” expresses the notion that the creator and copyright holder of the work miss out on monetary compensation.

Notwithstanding the complexity in terms of defining counterfeiting, and even more so digital piracy, this does not alter the need to address both aspects from a consumer perspective. Apart from the fact that consumers play an important role in a supply and demand exchange, we see several other reasons why consumers and consumer-directed anti-counterfeiting measures (CAMs) need more attention. Historically, manufacturers were cautious in addressing consumers directly as they saw limited effectiveness in CAMs, as well as the risk of alerting consumers to counterfeiting and digital piracy and generating anti-big-business sentiments in the first place (e.g., Chaudhry and Zimmerman 2009; Chaudhry 2012; Kwong et al. 2003). At the same time, studies on the actual effectiveness of CAMs are limited (Herstein et al. 2015; Wilcock and Boys 2014) and sometimes diverse in outcome (Chaudhry et al. 2009).

Technological changes such as the Internet and social media have led to the fact that consumers can not only access counterfeits and pirated digital goods much easier, with a mouse click, opening up new distribution channels, but they also have more information available about both product categories. These developments have led to the fact that consumers are more knowledgeable and also experienced when it comes to product counterfeiting and digital piracy (Cesareo and Stöttinger 2015).

Moreover, the role that counterfeits and digitally pirated goods play in consumers’ lives has changed. While previous research has captured the purchase decision for counterfeits, for example, as a dichotomous choice, choosing originals over fakes and vice versa, these contentions no longer reflect consumer reality. Increasingly, consumers own both product types concurrently and use them flexibly (e.g., Gistri et al. 2009; Stöttinger and Penz 2015).

For globally operating companies, the challenge of how to address consumers in the fight against counterfeits and digital piracy is aggravated by the fact that the legal side of this illicit business is far from clear-cut. In his report for the WIPO, Clift (2011, p. 5) highlights that IPRs are territorial, meaning that “each country is free to make its own laws consistent with any relevant international agreements it has signed”, resulting in different methods of enforcement and judicial practices across countries. This not only complicates the situation for consumers, but also for manufacturers aiming to develop a universal portfolio of CAMs (Tang et al. 2014).

A frequently employed strategy to prevent consumers from choosing counterfeit or pirated goods is to appeal to their ethical concerns. Highlighting the fact that counterfeiters and digital pirates free-ride on original manufacturers’ investments in research and

development (R&D) or marketing (e.g., Chaudhry and Zimmerman 2009), buying and owning such products was presented as unethical by manufacturers. Academic research noted quite mixed results regarding the issue of whether such behavior is considered unethical by consumers (e.g., Tan 2002; Cronan and Al-Rafee 2008; Chaudhry and Zimmerman 2009; Wang et al. 2013).

In the case of digital piracy, such as softlifting, consumers are aware that they are using a copy of an original or an unauthorized copy but they might not judge it morally wrong, because they don't realize the harm to society or others or don't perceive the high moral intensity of the issue (Logsdon et al. 1994). Especially in regard to digital piracy, consumers do not consider it a big moral issue and oftentimes develop moral justifications for their behavior (e.g., Bhal and Leekha 2008; Coyle et al. 2009; Kos Koklic et al. 2014; Mudrack and Mason 2013). Similarly, consumers increasingly do not consider buying counterfeit products as a moral issue: they morally disengage from their acts, since, compared to other crimes, counterfeiting is regarded as a minor peccadillo.

From an academic perspective, many of the issues outlined above have attracted research attention, even if still scattered and predominantly separated within the two silos of the counterfeiting and piracy literature. Based on our research experience in both fields, we see much more similarities than differences in consumer behavior between both product categories. To identify strong and feasible CAMs, it thus makes sense to attempt a consolidated approach, reconciling and drawing from both literature streams (Cesareo 2015).

Based our contentions outlined above, we aim to shed light on the role of consumers and what can be done to make them stay away from these illegal business practices and win them over (again) to originals. Specifically, through bringing together the counterfeiting and the piracy literature and highlighting similarities rather than differences between the two product categories, we outline (1) how these consumer insights are already reflected in consumer-directed CAMs, (2) how effective these activities are, and (3) what can still be done in the fight against counterfeits and digital piracy.

16.2 CONSUMER BEHAVIOR IN COUNTERFEITING AND DIGITAL PIRACY

In order to develop effective consumer-directed measures against counterfeiting and digital piracy it is necessary to understand more closely what influences consumers' purchase behavior. In the following, we outline key purchase drivers focusing on product, user and shopping characteristics, as they pertain to originals, counterfeits and pirated goods.

We highlight similarities of the two product categories, focusing on differences only when needed for a better understanding. Moreover, we select a list of demand drivers and possible CAMs and develop avenues for further research. Neither counterfeits nor digitally pirated goods would exist if it were not for the unique set of benefits the original product offers. The former lure consumers into buying, as they promise to come close to the original, however, without paying the (high) price (Cordell et al. 1996; Gabrielli et al. 2012). For each set of drivers, we therefore describe motives to buy the original and then shift to counterfeits and digitally pirated products.

Table 16.1 Exemplary key drivers of consumer demand for originals vs. counterfeit/ pirated goods

| | |
|---|---|
| Functional drivers | Product quality, durability, uniqueness, innovativeness |
| Self-focused drivers | Hedonistic motives, materialism, enhancing the ideal self |
| Social drivers | Recognition in the peer group, pride, image, prestige |
| Shopping environment | Feeling of luxury, joy & fun, shopping environment as part of the experience |
| Relationship with the product over time | Change in relationship, different quality of relationship, patterns, seasonal effects, concurrent ownership |
| Product search & evaluation | Time devoted to product/information search, sources of information |

Source: Our elaboration.

16.2.1 Functional Drivers

Brands are sought after for their outstanding functional features, such as superior product quality, uniqueness, innovativeness or durability (Holt et al. 2004). What pertains to originals is present to a certain extent in counterfeit products as well, even if these are available at a fraction of the original's price (Bian and Moutinho 2009; Phau and Min 2009). While buyers of counterfeits expect lower quality and less durability from counterfeits (Bian and Veloutsou 2007), they see quality differences between originals and counterfeits eroding (Penz and Stöttinger 2008). Also, consumers see counterfeits as trial purchases, where they accept potential quality differences, and find it easier to dispose of and change them (Bian and Veloutsou 2007; Gentry et al. 2006). For some consumers, this trial purchase actually leads to a more positive evaluation of counterfeits' functional benefits compared to non-buyers (Phau and Min 2009). One reason to choose counterfeits may also be the lack of availability of originals in a specific market (Stöttinger and Penz 2015), which pertains particularly to certain areas in emerging markets or is the case for limited editions.

The functional similarity between originals and fakes is even truer for digitally pirated products: digital pirated copies of music, movies, software, videogames, and so on, are identical to the original, and the possibility of obtaining them through multiple peer-to-peer, streaming or downloading platforms makes the pirated versions functionally identical to the originals. In addition, technological advancements (higher bandwidth, lower storage costs) support the behavior (Bhattacharjee et al. 2003). Digital goods, such as software, are experience goods and therefore for users it is important to test them before purchasing—digital pirated goods or unauthorized downloads seem to be a convenient solution, especially, for those users exploring music online and later turning into CD consumers (Bounie et al. 2007). In addition, some digital goods are used only for a short time and users do not want to spend money on them (Cheng et al. 1997; Gupta et al. 2004). High price and low income, but also lack of channel access or government restrictions are perceived as constraining and encourage consumers to engage in piracy (Miyazaki et al. 2009). Besides, unauthorized downloading is perceived as convenient (Cenite et al. 2009) and perceived benefits and rationalization proved to be significant predictors of a consumer's intention to illegally download files in the future (Vida et al. 2012). Nevertheless,

illegal downloading can come with technical risk, such as security threats like computer viruses (Ibrahim and Lóa Bára 2011; Kos Koklic et al. 2016; Vida et al. 2012).

In terms of functional benefits, we see many similarities between counterfeits and digitally pirated goods: they offer similar/same functions as the original; they are often seen as trial purchases with a great price/performance relationship; economic reasons, product scarcity and geographic limitations of both product types lead consumers to seek the counterfeit version. Downsides perceived are financial (not worth the money) and product risk (of malfunction, technical problems).

16.2.2 Self-Focused Drivers

Consumers choose branded products not only for their functional benefits, but also as a way to support their real self or reach their ideal self (Belk 1988; Kirmani 2009; Malär et al. 2011). They provide them with increased self-esteem or hedonic pleasures (Tsai 2005; Vigneron and Lester 1999) and satisfy materialistic needs (Wiedmann et al. 2009).

Materialism also leads to a strong preference for counterfeits (Sharma and Chan 2011), as it allows consumers to own more ostensibly “branded” products, but also to stay current in a fast-changing fashion world (Gentry et al. 2006). Moreover, as counterfeits are bought for their image similarity to the original, they appear suitable to satisfy the self-motivated drivers mentioned above to a similar degree. This similarity, or the lack thereof, may also create negative consequences: consumers may feel a loss of self-esteem or self-confidence for owning not the authentic, but the fake version of a brand (Gino et al. 2010; Zampetakis 2014).

In the case of digital piracy, hedonic benefits, like feeling smart (Cesareo and Pastore 2014b) and maximizing one’s own reward (Golle et al. 2001) are self-enhancing motives. Highly involved users, who experience pirating digital content as intrinsically important and relevant for their lives, not only have more positive attitudes towards piracy but their attitudes are better predictors of intention compared to less involved users (Kos Koklic et al. 2014). Another interesting aspect is whether people perceive causing harm by not paying for digital goods: consumers are less willing to pay for goods and services when the product’s cost is attributable to high fixed costs. For instance, because software incurs low variable costs, its high price is not perceived as fair (Nunes et al. 2004). Reasons to not engage in piracy are perceived negative personal consequences of pirating music (d’Astous et al. 2005), including technical risks (Kos Koklic et al. 2016).

In summary, the self-focused drivers of obtaining counterfeit and pirated goods are quite similar across the product categories: enhancing the self, materialistic needs and the perception of being a smart shopper when buying counterfeit/pirated goods prevail. The last is supported by the perceived low production costs (high margins in luxury brands or low variable costs in the production of software), which consumers put forward as their motivators.

16.2.3 Social Drivers

Consumers buy branded products to send signals about themselves to fellow consumers (Kirmani 2009) which are designed to express a social connection to a certain reference group such as family, community, or cultural group (Escalas and Bettman 2005). By

owning certain brands, which are highly regarded in a specific consumer group, fellow consumers satisfy their drive to impress others (Schmitt 2012; Wiedmann et al. 2009). To comply with these social norms and avoid interpersonal rejections, consumers are willing to pay the higher price for branded originals (Ang et al. 2001). Counterfeit versions of branded products offer similar social benefits for a fraction of the price, which is a key demand driver (Cordell et al. 1996). The social environment not only instigates the demand for counterfeits, but also pushes it further; the physical presence of friends and the importance of status within a social group spur the interest in counterfeits (Albers-Miller 1999; Sharma and Chan 2011). Negative social consequences, however, also serve as strong deterrents to the purchase of counterfeits. Being ousted and ridiculed as someone using fakes is a strong threat to consumers (Bian and Moutinho 2009; Wilcox et al. 2009). To avoid being detected, consumers therefore take great care to identify well-made, high-quality counterfeits (Stöttinger and Penz 2015).

In digital goods, investigated social drivers that mitigate piracy are altruism (Becker and Clement 2006), the norm of reciprocity and a sense of community (Cenite et al. 2009). Recent studies on online music acquisition found that fan–celebrity connection reduces illegal downloading activity (Daellenbach et al. 2015; Huang et al. 2015). Fans feeling close to the artist perceive music as a social experience, for instance by spending time at the musician’s social network site. However, while personal idolization, that is developing intense feelings towards the idol and showing this to others (Huang et al. 2015), negatively impacts illegal downloading, it was further shown that social idolization, which develops at a lower relationship level, that is, fans just reading and learning about idols (McCutcheon et al. 2002), encourages illegal downloading.

However, in a social environment where others support piracy or at least ignore instances of it, consumers would be more likely to engage in piracy (Gupta et al. 2004). Piracy attempts cool off in a social environment where there is low visibility of the process related to obtaining and using the digital pirated content (Kos Koklic et al. 2016). Peer influence, in the form of informational influence, was found to be the key underlying mechanism through which self-control affects unauthorized downloading (Yang et al. 2015). In addition, the immediate community of individuals influences the development of moral intensity (Kini et al. 2004).

Some users believe that piracy enhances the general well-being of society and it has a high social benefit with a low social cost (Kwong et al. 2003). Similar arguments are put forward when talking about the positive effects of counterfeiting on the original brand (Gabrielli et al. 2012).

The social environment does play a significant role in motivating consumers to seek counterfeit/pirated goods. Social sanctions serve as deterrents, while positive reactions from the peer groups spur such behaviors. Only when the behavior is not shown to others do they become uninfluential.

16.2.4 Shopping Environment

Brands are not only valued for what they promise to the consumer, but also for the shopping and consumption experience they promise. The careful crafting of the retail environment, as well as knowledgeable and forthcoming sales staff, render the acquisition of branded products, particularly in the high-price segment, an outstanding experience in

itself (Fionda and Moore 2009). The purchase situation for counterfeit products does not offer that high-quality experience, which does not mean that consumers of fakes do not draw positive results from the purchase process. Buying counterfeits is usually described as fun and entertaining, often related to holiday experiences (Gentry et al. 2006; Penz and Stöttinger 2012).

Digital piracy can also be understood in terms of shopping experience, like the experience of software consumption, which includes acquiring, using and pirating it (Gupta et al. 2004). When it comes to access to difficult-to-find and censored content, peer-to-peer networks prove a viable alternative to traditional shopping contexts (Cenite et al. 2009). The online environment also allows some invisibility of downloading, which hides one's identity and allows the user to feel undetected (Lysonski and Durvasula 2008). Further, it was found that the feeling regarding the act of downloading movies illegally affects intention and attitude (Phau et al. 2014). Last but not least, it is the online environment's convenience and its characteristic to allow community connectedness, which both lead to higher satisfaction with peer-to-peer networks (Plouffe 2008).

As to the shopping experience, counterfeit brands and pirated software differ. While for the former, the pleasure, joy and fun of buying fake products on a night market in Asia during a vacation for instance represents an important aspect, it is the access and the rather anonymous acquisition that consumers enjoy when looking for pirated goods. The limitless consumer access to illicit digital products creates a distancing effect where a consumer feels removed from the "physical aspect" of the illicit act (Gupta et al. 2004).

16.2.5 Relationship with the Product Over Time

As in interpersonal settings, consumers develop relationships with brands, which differ in intensity and emotional connection (Fournier 1998; Reimann et al. 2012). In certain cases, this may even develop into brand love (Batra et al. 2012). The relationship with brands can pass through several stages, where emotional arousal in a newly established consumer–brand relationship may be high but wears off over time (Reimann et al. 2012). Stöttinger and Penz (2015) have identified the changing patterns of these consumer–counterfeit brand relationships. In a first phase, buying fake products creates many positive emotions, like fun and excitement during the shopping experience, the joy of owning many affordable, although fake, brands, where functional and social benefits play a key role. These positive feelings are replaced by increasingly negative feelings (social punishment, lack of authenticity) and lead to lower consumption levels of counterfeits. In a next stage, consumers try to balance originals and fakes: they have specific reasons to buy originals (authenticity, timelessness) and fakes (seasonality, complementing a brand portfolio), or they refrain from buying fakes at all.

In general, engaging in digital piracy and downloading in the past increases the likelihood of downloading files in the future (Kos Koklic et al. 2016; Lysonski and Durvasula 2008). Similarly, the actual usage of peer-to-peer networks and satisfaction with them predicts future behavioral intent (Plouffe 2008). The more positive one perceives his/her own behavior to be (through rationalizing it and thus making it more positive), the more confident the person might be to perform the same behavior in the future (Vida et al. 2012). These relationships demonstrate that if users have experience with digital piracy in the past, they will continue in the future. The only exception would be if people use illegal

downloads for sampling purposes and they then buy the legal alternative based on this experience (e.g., Bhattacharjee et al. 2006b).

Given past research in both domains that investigated both longitudinally and cross-sectionally the motivations and intentions of individuals to continue/repeat acquiring counterfeits or digital goods (Higgins 2007), we see opposing trends: while the hunger for counterfeit products decreases over time after heavy use in the beginning of the purchase history, the opposite is true for digital pirated goods. They seem to attract consumers even more, as they continue to use them, which also calls for different CAMs.

16.2.6 Product Search and Evaluation

Consumers invest a lot of time and effort to know and share information about the brands they appreciate. Similarly, they scrutinize counterfeit versions carefully, yet for different reasons, such as making sure that visible product characteristics resemble the original as closely as possible in order to avoid social ostracism (Bian and Moutinho 2011). Moreover, they use the difference in price with the original or the seller's location as cues for counterfeit quality (Gentry et al. 2006).

Concerning piracy, the immediacy of peer-to-peer networks facilitates access to pirated content, thus reducing search times and associated costs (Hill 2007). Regarding music piracy specifically, consumer interest in an album changes, as do music sales and the level of sharing opportunities. Thus, a highly sought after music album increases pre-purchase sampling piracy as well as contributes to lost sales piracy (Bhattacharjee et al. 2006c). Deficient self-regulation of behavior, that is being out of control and acting habitually, was found to determine an individual's intention to continue downloading (LaRose and Kim 2007; LaRose et al. 2005). In this context, social learning theory was found relevant in understanding digital piracy. Following Akers' (1998) social learning framework, digital piracy "is a consequence of participation in a dynamic social learning process" (Burruss et al. 2013, p. 1161). In particular, higher associations with peers, who engage in digital piracy and favorable attitudes towards digital piracy resulted in higher likelihood of piracy behavior (Higgins et al. 2009).

16.3 MANAGERIAL ANSWERS TO CONSUMER EDUCATION TODAY AND TOMORROW

While research has revealed that counterfeiting and digital piracy may have positive effects on a macro-economic level (e.g., Oberholzer-Gee and Strumpf 2007), it is widely acknowledged that counterfeiting and piracy have a negative impact on firms, both directly and indirectly. These types of illicit trade tarnish both tangible and intangible assets, cut revenues and destroy brand image, brand equity and brand trust, while also causing job losses and huge resource investments (financial, human and technological), with little monetary and non-monetary (i.e., image) return (Pastore and Cesareo 2014). It is therefore an absolute priority for all legitimate companies to counteract the phenomena with the appropriate strategies, tools and actions.

Past literature has highlighted a plethora of anti-counterfeiting and anti-piracy strategies, accompanied by brand protection efforts that companies do, and should, adopt to

stem the phenomena. Anti-counterfeiting and anti-piracy solutions have mainly been categorized based upon:

- technological possibilities available, in terms of *track-and-trace*, *overt* and *covert* solutions (Acken 1998; Chaudhry and Walsh 1996; Cheung and Choi 2011; Duchêne and Waelbroeck 2006; Li 2013; Ting and Tsang 2013; Wong et al. 2006);
- the country or culture they refer to, mostly in reference to countries replete with counterfeits, such as China, and other emerging markets (Bender 2006; Chaudhry 2006; Clark 2006; Stumpf and Chaudhry 2010; Swike et al. 2008; Zimmerman 2013);
- the strategic and operational choices companies have in fighting against counterfeiting and piracy, from *awareness* to *prosecution*, from *withdrawal* to *hands off* (Cesareo and Pastore 2014a; Cooper and Eckstein 2008; Harvey 1987; Jacobs et al. 2001; Kaikati and LaGarce 1980; Shultz and Saporito 1996; Yang et al. 2004),
- the subjects they target: institutions, governments, employees, channel members, infringers and, last but not least, consumers (Chaudhry et al. 2005; Chaudhry and Zimmerman 2009).

With reference to this last categorization, the literature has consistently highlighted the fact that among all stakeholders, consumers have always received the least attention (Cesareo and Stöttinger 2015; Chaudhry and Zimmerman 2009). Multiple are the reasons for which companies are cautious in targeting consumers. In our analysis, we focus on technological possibilities, as well as strategic and operational choices companies pursue in targeting consumers. In a previous work (Cesareo and Stöttinger 2015), we detailed such a toolset of CAMs by joining evidences from past literature with practical solutions implemented by managers. We thus distinguished CAMs as being product related, communication related, distribution related and price related. Subsequently, we will use this framework to elaborate on consumer-directed anti-counterfeiting/piracy measures in response to the drivers that push consumers to purchase illicit goods.

16.3.1 Product-Related CAMs

Product-related CAMs include solutions companies use to differentiate the original from the counterfeit/pirated good. They vary from labels to special packaging to authentication certificates. Furthermore, to satisfy consumers' materialistic and status-related needs, companies could also create related, lower priced, entry-level product lines with conspicuous display of the company's logos (Han et al. 2010). Finally, companies could have events where consumers can come into the store and physically compare original and counterfeit versions of the company's products, so to get first-hand, direct evidence of the superiority of the original. As to pirated goods, product-related CAMs depend on the industry. More copying behavior is observed in the music and movie industry (Peitz and Waelbroeck 2004), where business models were not adapted quickly (Penz 2007).

In the software sector, shareware or student versions are offered to allow for testing. Other measures include providing additional services (Choi and Perez 2007) or product bundles (Elberse 2010). A greater deterrent effect is expected to derive from using software-based protections (Choi and Perez 2007) or the higher risk of getting computer

viruses from illegal versions (Wolfe et al. 2008). The question also arises of how much protection against copying is needed overall. Influencing factors are the extent of informational value and quality of music download as well as cost of piracy (Poddar 2006). Similarly, in some circumstances no protection was even suggested (Conner and Rumelt 1991), as significant levels of piracy would entail network externalities. Finally, it has to be mentioned that the industries affected by digital piracy have increasingly offered legal alternative platforms (such as subscription-based services), which lead, for example, to higher consumption of legitimate music and movies (Briggs et al. 2014).

16.3.2 Communication-Related CAMs

Communication-related CAMs include initiatives to educate consumers about the negative effects of purchasing counterfeit and pirated goods, the ways in which consumers can spot such products, the superiority of the original and the importance of engaging in company–customer initiatives. Examples would be initiatives like <http://www.respect-copyrights.org/> (an initiative by the US Motion Picture Association of America, MPAA) or <http://www.ideensindetwaswert.at/> (educative material for schools). Communication activities represent the most widely used tool in the fight against both counterfeits and piracy. They either stress the advantages of the originals (i.e., the advantages of legal software to the “dissatisfied switchers” consumer segment) (Choi and Perez 2007), or, the dangers of counterfeits (functional, social, health risk) as well as negative consequences for society. A good example is the “www.DesignsFauxReal.com” campaign of the International AntiCounterfeiting Coalition. In 2012 the organization collaborated with its members and KraftWorks NYC to create a website where consumers, as they navigate through the pages, learn more about the risks of counterfeiting, such as fraud and identity theft (Figure 16.1).

To fight against the self-focused drivers of counterfeit consumption, companies should highlight how consuming counterfeit products makes you feel unauthentic yourself, giving way to a “counterfeit self” that is more unethical and dishonest (Gino et al. 2010). To discourage the social drivers of counterfeit usage, companies should stress the loss of face individuals would suffer with their in-group once being discovered buying counterfeit goods, especially in collectivist countries (i.e., China, etc.) (Gentry et al. 2006). In terms of relationship with the product over time, companies could create an awareness campaign that stresses the emotional rollercoaster consumers go through once they purchase a counterfeit, from the original euphoria, excitement and happiness that quickly fades and opens up the way to regret, shame, guilt and embarrassment as time progresses. To discourage file sharing, companies should strongly promote legal threats (Choi and Perez 2007) and actions on a relatively small group of individuals as a drastic showcase (Bhattacharjee et al. 2006a). Companies and governmental entities should also mitigate the feeling of being a “smart” consumer by stressing the negative effects of piracy on the industry, as the “Piracy doesn’t work in NYC” campaign did back in 2010 with at least a strong initial effect by highlighting how 140,000 jobs in the creative industries had been lost to counterfeits (Chaudhry et al. 2014). They could do so by employing celebrities (music idols, famous actors, etc.) as endorsers in social media campaigns targeted directly at consumers, such that the source of the message is perceived as more credible and reliable.



DesignsFauxReal.com

HOME CLOTHING ACCESSORIES JEWELRY ABOUT US FAQ LEARN MORE

FREE IDENTITY THEFT when you shop on knock-off sites like this one. NOT TODAY ONLY, EVERY DAY!

CLEARANCE
ON YOUR BANK ACCOUNT

ACT NOW!

TIFFANY & CO. \$25

- FEATURED BRANDS**
- American Eagle
 - Juicy Couture
 - Kate Spade
 - Lucky
 - Lacoste
 - Tiffany & Co
 - True Religion

CLOTHING

ACCESSORIES

JEWELRY

50% OFF
YOUR LIFE SAVINGS

when you give your credit card to counterfeit sites like this one.

FREE
CREDIT CARD FRAUD
WITH COUPON CODE:
FAK3S

Source: <http://www.iacc.org/resources/about/awareness>.

Figure 16.1 The DesignFauxReal.com campaign homepage

16.3.3 Distribution-Related CAMs

Distribution-related CAMs stress the importance of channel partnerships in the fight against fakes, from warranties to after sale services, from authorized retailers to avoidance of “fake districts”. Consumers often compensate for the physical unavailability of branded products in some countries with the purchase of counterfeit goods. To fight against these instances, companies could provide online access to their legitimate e-commerce website, guaranteeing speedy deliveries by collaborating with either global or local delivery services. In addition, for both counterfeit and digital products consumers often spend a lot of time online researching high-quality illicit alternatives at either low or no cost. Companies could stress the fact that searching is not a resource-free activity, and that consumers would be better off and save valuable resources (i.e. time) by simply purchasing the products on either a legitimate e-commerce website or through an authorized platform (e.g., iTunes) (Lynch and Ariely 2000).

16.3.4 Price-Related CAMs

Finally, price-related CAMs imply the reduction of price gaps between originals and fakes. While this strategy is rarely employed by original companies of physical goods (mostly in the luxury industry), this trend has been observed in the content goods industries, as the cost of music and movies has gone down over the past years. Content providers have innovated their business models to develop attractive offerings in order to keep their customers: manufacturers can and already do offer different pricing options (subscription, like Spotify, Pandora, Netflix or Hulu; price per unit; or mixed), efficient search tools and new licensing structures (Bhattacharjee et al. 2006b) to increase the attractiveness of buying originals. Also, they operate with price discounts for consumer segments such as “stayers” and “dissatisfied switchers” (Choi and Perez 2007). More extensive approaches consist of reorganization of the value supply chain (El Harbi et al. 2014), where artists release products directly to consumers and allow a “pay what you want” online strategy. Lowering the cost of sampling music will propel more consumers to purchase music online (Gopal et al. 2006).

16.4 CONCLUSION

In this contribution, we addressed the role of consumers in counterfeiting and piracy and what countermeasures exist or may be developed to curb demand. In looking at the literature streams for both, we observed similarities in terms of consumer motives and behavior when it comes to buying counterfeits or digitally pirated goods. This novel approach may instigate future efforts to develop effective CAMs. Synergies may be leveraged between both product categories when developing new CAMs, but also transferring successful CAMs between categories.

Apart from the fact that there are quite a few options for CAMs, the question remains about their actual use and even more so their effectiveness. Interestingly, very few studies have addressed CAMs, even if the literature realizes the importance of such strategic choices and the active role consumers can play in the fight against the phenomena

(Amine and Magnusson 2007; Nill and Shultz 2009). Even though some prior research suggests CAMs as a possible strategic option (Berman 2008; Jacobs et al. 2001; Shultz and Saporito 1996; Yang et al. 2004), very few actually take them into account given that these are considered to be the least effective among all other solutions (Chaudhry et al. 2009). What is interesting to stress in this regard is that all studies that have addressed the perceived effectiveness of anti-counterfeiting strategies, have done so only from a managerial perspective (e.g., Sonmez et al. 2013). Only Stumpf et al. (2011) actually compared managerial and consumer beliefs regarding which strategies were perceived to be more effective by one group or the other, with clear dissonances. What managers consider the least successful CAMs (such as stressing the harmful effects of counterfeiting, emphasizing the benefits of legitimate products, publishing lists of legitimate distributors and retailers, and communicating the warranties of genuine products) are actually perceived as most effective by final consumers. Therefore, given this gap in the literature, what is strongly advised for future research is to delve into consumers' perceptions through experimental settings or in the field. This allows for establishing the effectiveness of the different anti-counterfeiting strategies employed by companies. Only in this way can firms gain a return from their investments and transform consumers from accomplices of infringers to advocates of authenticity.

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