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Counterfeit products affect on brand equity
A case study on how counterfeit products affect a
luxury brand's brand equity.

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Abstract

Purpose: The purpose of this paper is to investigate how counterfeit products affect a brand's brand equity with the help from a consumer perspective.

Research question:
- What is the consumer's perception of counterfeit products?
- How and why does the consumer's perception of counterfeit products affect a brand's brand equity?

Methodology: This research paper was based on quantitative research, literature review and three case studies. A survey with 96 respondents was conducted on our private social media. Aakers (1991) five dimensions brand equity model has been applied and Louis Vuitton, Gucci and Michael Kors were the chosen companies.

Findings: By analyzing the brands Louis Vuitton, Gucci and Michael Kors and how their brand equity is affected by the consumers' perspective on counterfeiting a framework was illustrated. The framework presents how associations with counterfeiting and brand equity relate to each other and suggests four different strategies that brands can use to strengthen their brand. These findings were illustrated using a 2x2 matrix.

Original/value: Previous research has already been conducted on the subject, however from a consumer perspective. This paper provides research on the subject from a brand management perspective, which can be used to get a view of a brand positioning in relation to counterfeit products.

Keywords: Counterfeit products, Brand equity, Louis Vuitton, Gucci, Michael Kors

Paper type: Research paper

Introduction

With globalization and the increased use of the internet, opportunities for counterfeit products have grown in the last decades. Due to the global economic expansion, trade has produced a situation where shipping is easier than ever and where illicit goods have an increasing opportunity to appear (O'Hagan & Garlington, 2018). Counterfeit products are unauthorized replicas of the real products, and are considered an illegal act (Bian & Moutinho, 2009). According to Bian and Moutinho (2009), the counterfeit phenomenon has existed over a long time however it's only just recently been taken seriously after becoming an economic phenomenon. Further, this has grown into a critical concern for many companies in different industries.

The problem has extended so far that counterfeit products are becoming an increasing threat to society, especially when it comes down to public safety (O'Hagan & Garlington, 2018). O'Hagan and Garlington (2018) explains that the reason for this is among other things the growing threat of counterfeit pharmaceuticals and that adverse health problems, such as fatalities, have resulted from consumers self-medicating with counterfeit products. Another industry that has been affected by counterfeit is the fashion industry (Bhatia, 2018). Bhatia (2018) explains that luxury brands often are the ones that are being replicated the most since the consumer doesn't have enough money to buy the real product. However, the issues for luxury brands and for products such as handbags, clothing items and jewelry can't be compared to the danger associated purchasing and consuming a counterfeit pharmaceutical product. The scope of this paper will however solely focus upon the fashion industry and more specifically luxury brands, since they are a vulnerable industry and constantly challenged by counterfeiting.

Previous research has mostly focused on the consumer perspective of counterfeiting. Penz and Stöttinger (2011) have come to the conclusion that emotional aspects for the consumer are important drivers for purchasing a counterfeited product. According to their research consumers feel smart and happy when they buy fake products because of the bargain price. Bhatia (2018) also discusses the consumer perspective of counterfeiting and explains that consumers would choose an original fashion brand if the prices were lower and more affordable. Bian and Moutinho (2009) argues that consumers still buy counterfeit products, even if they know they are illegal. Since demand is a driving factor of the market, this results in increasing counterfeiting.

While there is a large amount of literature focusing on counterfeit from the consumer perspective, there is a lack of research focusing on providing a useful framework on the effectiveness of these strategies from a brand management perspective. This opens up for a discussion of how the consumer perspective in turn affects the original brands in the fashion industry. It is therefore highly relevant to investigate how luxury fashion brands are affected by consumers' attitudes and motivation towards counterfeit

products. A strong brand is often a company's most valuable asset (Melin, 2002). But when being copied with identical products at a often lower price, it could potentially harm the brands strength, value and trust. This area is relevant when considering brand management, since it can help brand managers to identify how brand equity is affected and how they can manage and adapt when being exposed to counterfeiting. The purpose of this paper is to investigate how counterfeit products affect a brand's brand equity with the help from a consumer perspective. This paper aims to answer the following questions:

- What is the consumer's perception of counterfeit products?

- How and why does the consumer's perception of counterfeit products affect a brand's brand equity?

This research paper includes three different case examples from high premium brands, that are widely considered to be exposed to counterfeit: Louis Vuitton, Gucci and Michael Kors. With the use of knowledge gained from the illustration of the cases, previous literature and our survey, this paper will present research and a framework that will contribute to the subject.

Literature review

Brand equity

The concept of brand equity is in marketing terms, often described as the benefit endowed by the brand to the product through the consumers (Keller, 1993: Aaker,

1991). According to Keller (1993) the power in brand equity lies in the minds of consumers and the concept can provide added value in different ways for brands. This is often called consumer-based brand equity, and refers to the idea that brand equity is viewed from the consumer's perspective when assessing the value of the brand (Aaker, 1991).

When a company is being exposed to counterfeit products, it could impact the brand equity negatively. Wilke and Zaichkowsky (1999) discuss two major issues that seem to affect the damage of brand equity by those who violate their brand. The first issue is whether the consumer is aware of the counterfeit, while the second concerns the quality and value of the copy (Wilke & Zaichkowsky, 1999). In the case of luxury brands, counterfeiting can result in a significant threat, damaging not only the brand's reputation but also reducing demand for legitimate products and leading to additional costs in order to protect the brand against trespassing (Wilke & Zaichkowsky, 1999).

Aaker (1991) observed that brand equity creates value for both customers and the firm and addresses the issues of the brand equity concept and raises different solutions on how to manage brand equity. When a brand has been exposed to counterfeit, it could therefore use Aakers (1991) brand equity model in order to help managers understand and focus on what drives their brand equity and how and where the brand adds value. The model is interrelated with five dimensions: brand associations, brand

awareness, brand loyalty, brand quality and other proprietary brand assets. The first four play an important role in the perception consumers have regarding a specific brand (Aaker, 1991). Other proprietary brand assets are viewed from the firm's perspective and can give a brand competitive advantages. By examining a brand through Aakers (1991) framework, managers can provide useful insights in order to maintain and improve the brands status on the market. It can also gain insight into the relation between the different brand equity components and future performance of the brand. The five components provide value to the firm by for example enhancing: brand loyalty, brand extensions, competitive advantage and efficiency (Aaker, 1991). The five dimensions of brand equity will now be discussed below.

Figure 1: Brand equity

Brand loyalty

Brand loyalty is the extent to which consumers are loyal to a brand and can be defined as an action of repeat purchase and commitment towards a brand. In relation to brand equity, brand loyalty is often considered the core (Aaker, 1991). Regardless of the competitors price, convenience and quality, a consumer with brand loyalty will continue to purchase the brand's products (Aaker, 1991). When brand loyalty is high, the vulnerability to competitive actions is reduced. However, brand loyalty will not generate value by itself, as it is coherent with the other dimensions.

According to Wilke and Zaichkowsky (1999) luxury goods provide an elevated feeling to consumers who cannot or will not pay for the original. Counterfeit also allows lower-income people to gain prestige and appear more affluent from distance. As a result, they may damage the brand equity of the original brand. In Hieke's study (2010) a brand's value decreases if the consumer is exposed to a range of counterfeits. Furthermore, copies wash away the abstract images of the original brand in the consumer's mind and reduce the perceived level of luxury that the brand previously radiated (Hieke, 2010). Brand loyalty is according to Aaker (1991) the dimension most tied to the user experience, since it can't exist prior to purchase. However, it's influenced by the other dimensions of awareness, associations and perceived quality. Of these dimensions, brand loyalty arises mostly from perceived quality or attribute associacions (Aaker, 1991).

Brand awareness

This dimension revolves around the ability of a potential customer to recognize and recall the brand. The goal is to get the consumer to believe that the brand is the only one in the product class and therefore the first one that comes to mind, in other words top of mind (Aaker, 1991). Luxury brands' exclusiveness are jeopardized when low cost counterfeit products emerge, since it can reduce the perceived value of exclusiveness (Wilke & Zaichkowsky, 1999).

Nia and Zaichkowsky (2000) discussed that the underlying problem concerns whether the consumers are fully aware that the product being purchased is a counterfeit product or not. Nia and Zaichkowsky (2000) findings revealed that counterfeit brands were perceived to be inferior to luxury brands as they felt more prestige from the ownership of the original product. Because of this, the availability of counterfeit did not negatively affect luxury brands. There are, according to Aaker (1991), different ways of maintaining awareness such as to be different in memorable ways and symbol exposures.

Perceived quality

Perceived quality is based on whether a brand from the consumers perception is considered to provide good quality products (Aaker, 1991). It is an intangible feeling about a brand, and some customers can potentially perceive more value from luxury brands since they may create higher value in forms of brand quality (Aaker, 1991). Wilke and Zaichkowsky (1999) argued that being able to judge the quality of a product is of importance when the counterfeit is sold at near the price of the original. When a product is misled by the brand's name, symbol and other external counterfeit, the consumer might think the counterfeit is the original. One the other hand, if the quality of the ingredients or manufacturing process is inferior, both individual consumers and the brand can be harmed.

Brand associations

Brand associations are the attributes that come into consumers mind, a mental connection between a customer and the brand (Aaker, 1991). Aaker (1991) describes the strength of brand association which tends to get stronger through experience and exposure to communications. Further, associations represent perceptions which may not always reflect objective reality.

According to Wilke and Zaichkowsky (1999), fake products can diminish a brand's equity. Poor quality imitators risk contributing to negative association for a brand, however the problem can often be traced back to a decrease of the brands received uniqueness and unfavorable associations. In addition, Wilke and Zaichkowsky (1999) argues that if luxury counterfeit products use inferior materials and then are knowingly purchased the original brand is losing its exclusivity. In order to create associations it's important for a brand to create a meaningful name and symbol to gain positive feelings which in the long run can affect loyalty and perceived quality. Differentiating associations could, according to Aaker (1991), be a competitive advantage which provides a reason to buy or stimulate positive feelings that transfers to the brand.

Other proprietary brand assets

The previous four categories discussed can be described from the consumer perspective, however there are other important assets for a brand such as patents, trademarks and channel relationships (Aaker, 1991).

According to Aaker (1991), brand assets are of most value if they prevent competitors from eroding a customer base and loyalty. Brands use different methods to protect their brand from counterfeit products. Patent protection can prevent direct competition, if it's strong and relevant (Aaker, 1991). However, Aaker (1991) means that the brand name can be even more useful than a patent.

Another way to protect a brand is, according to Bouchoux (2012), to use trademarks. Trademarks provide information about the quality and consistency of the original brand at the same time as it assists consumers in making purchase decisions. The trademark can be a word, logos, names, symbols or anything that can be used to identify a specific product (Aaker, 1991; Bouchoux, 2012). If the name is closely tied to the innovation, protection of the name can be considered enough (Aaker, 1991). Brands are exposed to infringement in different ways where trademark counterfeiting is a common one. Counterfeit products are sold with the purpose to take advantage of other brands and their reputation, image and awareness. There have been several efforts to try to stop counterfeiting but in recent years even more products have entered the counterfeit market (Bouchoux, 2012). Mollerup (2002) explains that plagiarists often not only copy the product, instead they copy both the product and the trademark. This way there is an illegal production of almost identical products to the original ones.

Methodology

Research design

Our purpose is to investigate how consumer's attitudes towards counterfeit products affect brands from a brand management perspective. The purpose has culminated into two research questions that are to be answered in this paper. Since the paper aims to explore how consumer's attitudes of counterfeit products affect companies, a quantitative research design is the most suitable. A quantitative method enables us to chart several consumer attitudes which will bring a deeper understanding for the subject. According to Bryman (2018) there are several advantages with a quantitative method. He explains that a quantitative method can help to discover small and specific differences between different people. To answer the research questions this paper needs to explore small differences in consumer attitudes, which strengthens the choice of a quantitative research design. Aakers (1991) five dimensions are used to determine the brand's brand equity, however the last dimension called other proprietary brand assets will not be analyzed separately due to the fact that it is incorporated in the other parts of the analysis.

Empirical data collection

The paper is based on a survey which was answered by consumers with different ages and gender. The survey got 96 answers which were represented by 31,3% men and 68,8% women. 65,6% of the respondents are in the ages 18-30, while 14,4% are 31-45 years old and 16,7% are 46-59 years old.

Only 3,1% of the respondents are 60+ years old which can be a result of the fact that we sent out the survey on our social media where most people are at a younger age. Once the answers were collected we used the empirical data to investigate how consumer attitudes affect brands from a brand management perspective. We adopted a convenience sampling method for the survey, since it was sent out on our private social media in order to reach as many people as possible. Bryman (2018) describes this method as impossible to generalize for the population and our study will therefore work as a sample which can be used for future research. The questionnaire consisted of 18 questions on topic, where 16 were multiple choice and 2 were open-ended. The open-ended questions gave us an opportunity to collect information about what brands consumers associate with counterfeit products, which also functioned as a base for what brands that should be included in the study.

Louis Vuitton, Gucci and Michael Kors were the brands that most people associate with counterfeit products which therefore became the ground for our case study. A total of 81 respondents answered the open-ended question about which luxury brand they associate the most with counterfeit products. 28 respondents answered Louis Vuitton, 21 answered Gucci and 16 answered Michael Kors. The three cases enabled us to compare the different brands and how their brand equity is affected due to counterfeit products. The empirical data, together with the case study, was used for discussion in the analysis

which later resulted in a framework. The framework can from a managerial perspective, be used to measure the effects of counterfeit products on a brand's brand equity.

Case study review

Louis Vuitton

Louis Vuitton was founded in Paris in 1854 by Louis Vuitton himself. The company had rapid growth and Vuitton decided to expand his operation in 1859 to an atelier in Asniéres, Paris, where he hired 20 employees (Louis Vuitton, 2022). In 1900 the company reached nearly 100 employees and 225 employees by 1914, which was further proof of how well and quickly the business was growing. The Asniéres atelier is still the key location of the brand, and is to this day still one of Louis Vuitton's foremost workshops. 170 designers work in the atelier to design and create unique products and special designs for customers all around the world (Louis Vuitton, 2022). The company is now owned by the LVMH group, which also owns a handful of other luxury brands (LVMH, 2022). According to Sabanoglu (2022) Louis Vuitton was the most valuable luxury brand in 2021.

Louis Vuitton has a zero tolerance policy when it comes to counterfeit products. Fighting against counterfeit products is a part of the company's sustainability strategy, and they are determined to protect the creativity and rights of their designers, artists, and brand (Fujiwara, 2018). Counterfeit products have been a challenge for Louis Vuitton already since the beginning of their success. The Louis Vuitton Intellectual Property Department is investing a lot of time in exposing and fighting Louis Vuitton counterfeit products (Fujiwara, 2018). In 2017, they initiated around 38 000 anti counterfeit procedures worldwide, leading to eliminating criminal networks, and alleviating the hardship of illegal workers. To further end the cycle of counterfeit products Louis Vuitton registers domain names, fights cybersquatting and tracks counterfeiting online, which has resulted in further shutdowns of counterfeit websites and products (Fujiwara, 2018). The brand is also supported by the owner, LVMH group, when it comes to counterfeit products. In 2019 the LVMH group even received an award as a result of its accomplishment in the fight against counterfeiting (LVMH, 2019).

Gucci

Different from LouisVuitton, Gucci's success hasn't been as straightforward. The founder, Guccio Gucci established the company in 1921 in Florence, Italy. In the beginning, the company achieved many successes and opened stores all over the world, in cities like London, New york, and Tokyo etc (Luisa Zargani, 2021). However, in the 1980s the company had a tough path as the brand got associated with cheap duty-free bags. The Gucci brand had to be restructured and with the help from Bergdorf Goodman, Tom Ford, and De Sole, they managed to create a new, more sophisticated view of the brand. This resulted in less family involvement and in 1993 all Gucci family involvement in the brand ended. In the 1995, Guccio Gucci's grandson,

Maurizio Gucci who was a key figure in the company, was murdered by a hit man ordered by his ex-wife outside of his Milan office. However, the same year, Gucci went public on the New York and Amsterdam stock exchanges as the brand was thriving and was now considered an ultimate luxury brand. The company was later sold to the French luxury group Kering who still owns the brand together with many other luxury brands (Luisa Zargani, 2021). The French luxury group Kering are the owners of several leading luxury brands within the fashion industry. They own brands like Saint Laurent, Bottega Veneta, Balenciaga, Alexander McQueen, etc. (Kering, 2022).

Despite Gucci's rocky history, the brand is no exception from being exposed to counterfeit products. In 2017 the Kering Group made an interesting agreement with the Alibaba group with the main purpose of fighting the sales of counterfeit products primarily in China. Similar to eBay, Alibaba's primary business is a digital marketplace where consumers can buy and sell goods (Alibaba.com, 2022). In 2015, the Kering Group filed a lawsuit against the Alibaba group for selling counterfeit products using brand names owned by the Kering Group (Mozur, 2015). However, in connection with the above agreement, Kering withdrew their lawsuit. The cooperation between the companies is a huge breakthrough in stopping the selling and buying of counterfeit products in the luxury brand industry. The two companies have agreed to exchange useful information, and cooperate with law enforcement agencies in order to take appropriate action

against the selling and buying of counterfeit products of Kering's brands by using Alibaba's advanced technology (Kering & Alibaba, 2017).

Michael Kors

After years of having a vast interest and a keen eye for fashion, Michael Kors established the company in 1981. From the start, he managed to create a great reputation for himself, in particular when it came to understanding how women lived and felt in their clothes (Michael Kors, 2022). Today, the company has a wide range of products including, accessories, footwear, watches, jewelry, women's and men's clothes, wearable technology, eyewear, and fragrance products. Today, a Michael Kors store can be found in every major city in the world and the company takes pride in its work environment and employee talent. Lastly, the company likes to celebrate global events and reflect culture and diversity all over the world (Michael Kors, 2022). As the other chosen brands, Michael Kors is also owned by a bigger group called Capri Holdings. The group also owns other big brands within the industry like Versace and Jimmy Choo (Capri, 2022).

As the other brands chosen for this research paper, Michael Kors also takes legal actions to prevent consumers from buying counterfeit products. They work together with customs authorities, law enforcement, and legal representatives around the world to prevent the black market, both online and in-person, from selling Michael Kors counterfeit products. They are encouraging people to only purchase the brand's products

directly from their website, stores, and other authorized department stores to make sure that the product isn't counterfeited (Michael Kors, 2021). Other than Michael Kors, the brand also has support from the owners Capri Holdings. The group is constantly trying to prevent counterfeit products both domestically and internationally. They try to stop counterfeit products in the United states, Europe, Middle East, Asia, etc (Capri Holdings, 2022).

Empirical Results and Analysis

The following part will include three different sections. The first part refers to the consumer perspective and is based on the first research question. The second part includes counterfeit product's affect on a brand's brand equity and is based on the second research question. Lastly, we present a framework based on the previous results from the analysis.

What is the consumer's perception of counterfeit products?

The respondents of our survey got to answer what brand/brands they would not buy from since there are too many counterfeit products on the market (see appendix 1). 48% of the answers were Louis Vuitton, 55% of the answers were Gucci, and 10% answered Michael Kors. Only 31 people answered the question which can be explained with the fact that this was an open-ended question. Because of the low engagement on this particular question we can not generalize for everyone who contributed to the survey. A similar question was asked to the respondents "*which luxury brand do you associate the most with fake fashion?*". 81 people out of 96 answered the question, and 34% of the respondents answered Louis Vuitton, 26% of the respondents answered Gucci and 20% of the respondents answered Michael Kors. The statistics of the first question in this paragraph might not be relevant due to the low participation rate. However, by combining the results from the first question in the paragraph with the results from the second question in the paragraph a stronger assumption can be made. Louis Vuitton was the brand that most people associated with fake fashion, that association could have a great impact on why 48% of the respondents would not buy products from that brand because there are too many counterfeit products on the market. Gucci was the brand in between, 26% associated the brand with fake fashion, but according to the first question they had a higher percentage than Louis Vuitton. That means that according to our assumptions Gucci should have been the brand most people associated with fake fashion, however that was not the case. This could be because only 31 people answered the question. Michel Kors had a lower score than both Louis Vuitton and Gucci on both questions which supports the assumption.

As previously mentioned, 34% of all respondents associate Louis Vuitton, 26% of all respondents associate the brand Gucci and 20% of the respondents associate Michael Kors with counterfeit products. As mentioned in the case study review it can be concluded that all three brands are doing their best to prevent counterfeit products existens on the market. However it can be

worth mentioning that the Kering Group is the only group that has decided to cooperate with another company to stop counterfeiting, a groundbreaking cooperation. Despite that, Michael Kors are 14% less associated with counterfeit products than Louis Vuitton and 6% less associated with it compared to Gucci. That could be because both Louis Vuitton and Gucci were ranked the world's most valuable luxury brands in 2021, Louis Vuitton as number 1 and Gucci as number 4. Michael Kors was not on the list (Sabanoglu, 2022). Because a lot of people value the brands Louis Vuitton and Gucci more highly there could be an increased desire to buy products from the brands, meaning that they have higher brand equity as well. Even if you can't necessarily afford the products from the brand, people would still consider buying a counterfeited product to feel connected to the specific brand. This argument is strengthened by Bouchoux (2012) who explains that the brands who are most exposed by counterfeiting are the ones that have the best reputation, image and awareness. Another reason could be because Michael Kors has a slightly lower price range than the other two brands. Bathia (2018) strengthens this argument by explaining that luxury brands, with a higher price range, often are the ones that are counterfeited. That could result in the brand not being as attractive on the counterfeit market as the other two brands.

Another thing that was mentioned in the case study review is that all three brands are owned by a company that also owns many other luxury brands. The LVMH group that owns Louis Vuitton also owns brands like Fendi, Celine and Christian Dior (LVMH, 2022). The Kering Group that owns Gucci also owns brands like Balenciaga, Saint Laurent and Bottega Veneta (Kering 2022). Lastly, Capri Holdings who owns Michael Kors also owns Versace and Jimmy Choo (Capri, 2022). That is an interesting insight because none of the other brands that the companies owns were mentioned in the survey except for one person that mentioned YSL and one person that mentioned Versace. Because of time constraints we did not have time to investigate that finding further, but it is highly recommended for further research.

How and why does the consumer's perception of counterfeit products affect a brand's brand equity?

Earlier research has shown that brand equity can be affected by different factors. Brand loyalty, brand awareness, perceived quality and brand associations all are factors that affect a brand's brand equity (Aaker, 1991). This will now further be discussed in the second part of the analysis.

Brand loyalty

Aaker (1991) explains that brand loyalty often is considered the core within brand equity since high brand loyalty results in reduced vulnerability to competitive actions. As mentioned in the previous section, the respondents of our survey feel that there are brands they would not buy products from since there are too many counterfeit products on the market. This could be a sign of a decreased brand loyalty of luxury brands because of the counterfeit products on the market, which also have been stated

in earlier research. According to Hieke (2010) counterfeit products affect consumers' view of luxury brands in a negative way since they start to associate the brand with counterfeiting. He later explains that this results in decreased brand value and brand loyalty for the original brand. Since Louis Vuitton, Gucci and Michael Kors were the brands that were most associated with counterfeiting, this would result in decreased brand loyalty for these brands. As mentioned in the case study review, all three brands have been investing both time and money on working with removing counterfeit products on the market. However, Louis Vuitton and Gucci are the two brands that are the most associated with counterfeiting according to our study. Their work with counterfeiting has therefore not been successful as they may have hoped, since this research shows a decreased level of brand loyalty. On the other hand, Louis Vuitton and Gucci have been selected as the world's most valuable luxury brands in 2021, which could refer to a strong brand equity after all.

Brand awareness

Another part of brand equity that can be affected by counterfeiting is brand awareness. Aaker (1991) explains that the goal with brand awareness is to become top of mind which means that the consumer thinks of the brand as the only one in the product class. The respondents of the survey did present their thoughts of how they associate Louis Vuitton, Gucci and Michael Kors with counterfeiting which therefore results in the fact that the original brands no longer are top of mind. Instead the

counterfeit products come to mind which indicate a lower degree of brand awareness for the original brands.

Louis Vuitton was the brand that was most associated with counterfeiting which also then would result in the weakest brand awareness. Since Michael Kors was the least associated with counterfeiting of the three brands, their brand awareness would be least affected. On the other hand, Nia and Zaichkowsky's (2000) studies show that counterfeit products do not affect brand awareness negatively since consumers who buy luxury goods want to be associated with the original brand. Consumers feel more prestige when they own the original product which therefore will not harm the brand and its awareness (Nia & Zaichkowsky, 2000).

These findings are the opposite of our survey which shows that consumers will not buy products from Louis Vuitton, Gucci and Michael Kors since they associate it with too many counterfeit products. Our research instead shows that brand awareness is affected negatively by counterfeit products, since the original brand is no longer top of mind. According to our research Louis Vuitton is the most negatively affected brand while Michael Kors is the least affected. However, Louis Vuitton was selected as a strong brand in 2021 while Michael Kors was not even on the list.

Perceived quality

Bad product quality is a major source of frustration associated with counterfeit products according to our survey. The respondents prefer the original brand since

the counterfeit product doesn't bring the status and prestige the consumers prefer. They also mention that the original brand is associated with positive perceived quality, which leads to reason to buy for consumers. The reason for this is that luxury brands offer superior product qualities at higher prices, which creates intangible feelings to the brand (Aaker, 1991). All three brands mentioned in the case study review are luxury brands who provide its customers with great qualities and materials. However, the poor quality of counterfeit products could provide consumers with a negative association to the original brand. With that being said, Louis Vuitton, Gucci, and Michael Kors could have a decrease in sales because too many consumers are perceiving their original product with counterfeit products at a specific point in time.

Wilke and Zaichkowsky (1999) mentioned the importance for the consumer to be able to judge the quality especially when being sold at a near price of the original. 45% of the respondents' answer to why they would purchase a fake product was because of the good price, which means that if the quality cannot be determined between the original brand's product and the counterfeit, the original brand will be affected. Quality is therefore an important factor for brands to focus upon in order to combat counterfeit. If the original brand doesn't stand out from the counterfeit, the perceived quality will go down and the brand equity will be affected.

Brand associations

Majority of the respondents have thought about not buying a luxury brand since it is too associated with a fake product. As mentioned in the survey, approximately 26% of all respondents associate the brand Gucci with counterfeit products. However, 34% associate Louis Vuitton with counterfeit and only 20% of the respondents with Michael Kors. Wilke and Zaichkowsky (1999) discusses that the poor quality imitators risk contributing to negative association for a brand, and that it often can be traced back to a decrease of the brands received uniqueness and unfavorable associations.

Aaker (1991) describes brand associations as the attributes that come to mind for the consumers when thinking of the brand. Most respondents in our survey answered that they would not buy a counterfeit product because of the bad quality, bad design and that they prefer the original brand. This could become a risk for Louis Vuitton, Gucci and Michael Kors since the respondents also associate the brands with counterfeiting. When consumers also associate counterfeiting with bad quality and bad design, there is a risk that this will affect consumers' associations with the original brands the same way. Wilke and Zaichkowsky (1999) argues that original brands lose the association to luxury and quality when there are counterfeit products on the market because of the inferior materials that are being used in counterfeit production. Earlier research therefore strengthens our argument that the associations to counterfeiting also affects the associations to the original brands negatively. Since Louis Vuttion is the brand that is the most associated with counterfeit products, this would once again mean that

they are the brand who are most negatively affected. Michael Kors, on the other hand, is the least associated with counterfeiting which would mean that they also are the least affected. However, it could also mean that Louis Vuitton has a stronger brand equity since more people are willing to buy a counterfeited product to be associated with Louis Vuitton customers.

Counterfeit impact on company's brand equity matrix

The following matrix has been constructed on the previous analysis, and will work as a framework to measure counterfeit products' impact on a brand's brand equity (see figure 2). The framework consists of a 2x2 matrix, on the horizontal axis the brand equity is measured and on the vertical axis the associations with counterfeiting is being measured. The following four different categories will further be discussed:

- **Builders**: High association with counterfeiting and low brand equity.
- **Developers**: Low association with counterfeiting and low brand equity.
- **Protectors**: High association with counterfeiting and high brand equity.
- **Stars**: Low association with counterfeiting and high brand equity.

When using this framework, brands will receive information and clarity of what they should be focusing on for the future to build a stronger brand equity. If the brand finds themselves in the Builders stage they should focus on protecting their brand against counterfeiting as well as build a stronger brand equity. When a brand is a developer, they should only focus on building a strong brand equity since they do not have problems with counterfeiting. A Protector should instead only focus on protecting the brand from counterfeiting since this is their main problem. The stars should continue to maintain their strong brand equity and brand protection.
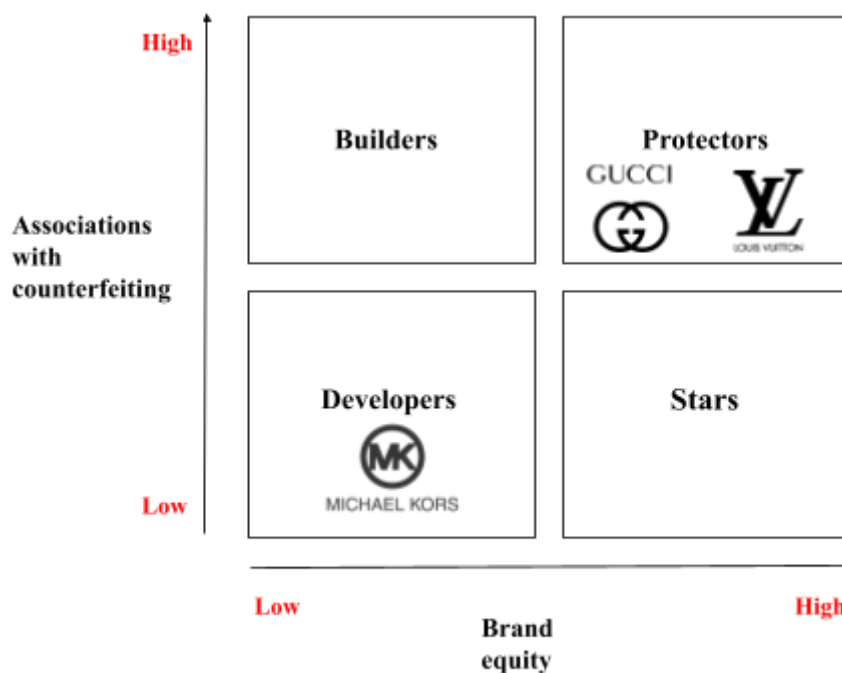

Figure 2: Counterfeit impact on company's brand equity matrix

As previously stated in the analysis, Michael Kors aren't valued as highly as the other two brands. Since brand equity is based on a brand's value from a consumer perspective (Aaker, 1991), the conclusion can be drawn that Louis Vuitton and Gucci have much higher brand equity. That is one reason as to why Louis Vuitton and Gucci are to the right when it comes to brand equity and Michael Kors is to the left. However it can be concluded from our survey that the respondents associate Louis Vuitton and Gucci more with counterfeit products than what they do with Michael Kors. That is the reason behind their final placement in the matrix.

Conclusion

The purpose of this paper was to investigate how and why counterfeit products affect a brand's brand equity with the help from a consumer perspective. Because of our comparison of the different cases we were able to come to a conclusion of our purpose. Counterfeit products have an effect on a brand's brand equity in relation to brand loyalty, brand awareness, perceived quality, brand associations and other proprietary brand assets. During our analysis we came up with the following conclusion; counterfeit products affect the original brand, however, if the brand has a high brand equity it has less impact.

As our research shows, Louis Vuitton and Gucci are the brands that are affected the most by counterfeit products. However, because of the two being highly valued brands it doesn't affect their brand equity as much. If the two brands would have had a

lower brand equity, the brands would instead be in the builders category in our matrix. Out of the three brands, Michael Kors are the brand least affected by counterfeit products according to our survey. However, because of their low brand equity they are in the developers category. The low brand equity could be a reason as to why the brand isn't as affected by counterfeiting to the same extent as the other two brands. Important to mention is that counterfeit products don't always have a negative impact on a brand, it can instead prove the brand's good brand equity. Louis vuitton and Gucci were associated mostly with counterfeit, however they also provided most value.

As previously mentioned there is limited research about the topic from a brand management perspective. This paper contributes to the gap by presenting research and a framework which can be used to get a view of a brands positioning when exposed to counterfeiting. The framework helps brand managers by providing a guideline which can be used to know what strategy to focus on. As a brand manager our research paper describes two things to consider, how strong is your brand equity and how much is your brand associated with counterfeit products? Once again, it is important to point out that counterfeit doesn't always have to have a negative impact on your brand, the key concept is understanding how the consumers perceive your brand.

Limitations and further research

With regard to that this paper solely focuses on analyzing brand equity from the

perspective of three companies within the luxury fashion industry, the findings could not be generalized to all brands. However, having a case-based approach provided the opportunity to identify similarities to analyze and draw conclusions from. Limitations of this paper include a restricted survey which affects the generalizability of the findings. It's likely that the survey is not representative since the majority survey respondents were women and in a younger group age.

Further research should therefore include a more detailed analysis with more case studies and a combination of quantitative and qualitative approach in order to increase reliability and generalizability. To get a better perspective and draw distinct conclusions it would also be helpful to conduct research from a brand perspective. It is therefore highly encouraged for further research to collect research from other relevant brands and perspectives.

As mentioned in the empirical results and analysis it is also encouraged to further research why none of the other three groups, LVMH group, Kering Group, and Capri Holdings, brands are associated with counterfeit products. Despite the limitations, this paper could be used as the basis for future research on the subject and as a useful tool for managers to get a deeper understanding when being exposed to counterfeit.

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Appendix 1 - Survey questions

1. How old are you ?

- Younger that 18
- 18-30 years old
- 31-45 years old
- 46-59 years old
- 60+ years old

2. What is your monthly income?
- Under 10 000 sek/month
- 10 000-30 000 sek/month
- 30 000- 60 000 sek/month
- Over 60 0000 sek/ month

3. How interested are you in fashion?
- 1 (Not interested)
- 2
- 3
- 4
- 5 (very interested)

4. How often do you buy fashion items? (clothing, shoes, accessories etc.)
- Daily
- Weekly
- Monthly
- Yearly
- Less than once a year

5. Have you ever bought an item from a luxury/premium fashion brand?
- Yes
- No
- I don't know

6. Have you ever bought a fake fashion item?
- Yes
- No
- I don't know

7. If yes on the above question, what brand(s)?

8. When was the last time you bought a fake fashion item?
- This month
- This year
- Over one year ago
- Over two years ago
- I've never bought a fake fashion item

9. Would you consider buying a fake fashion item?
- Yes
- Maybe
- No

10. If you would buy a fake product, within what product category would you buy it? (Select all that apply)
- Clothing
- Bags
- Shoes
- Eyewear
- Accessories
- Perfumed
- Other…

11. What is the main reason you would buy a fake fashion item? (select all that apply)
- Good price
- Nice design
- Good quality
- I would not buy a fake fashion item
- Other..

12. If you would NOT buy a fake fashion item, why? (select all that apply)
- Bad quality
- Bad design
- It can harm/damage the original brand
- I prefer the original product
- Other…

13. Are there any brands you would NOT buy from since there are too many fake products on the market?
- Yes

- Maybe
- No
- I don't know

14. If yes/maybe on the above question, what brand(s)?

15. Do you think fake fashion items have an impact on the view of the original brand?
- Yes
- No I don't know

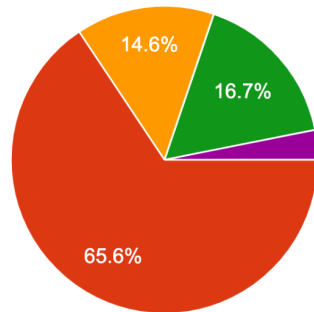16. If yes to the above question, is it positive or negative?
- Positive
- Negative
- Both negative and positive

17. Which luxury brand do you associate the most with fake fashion?

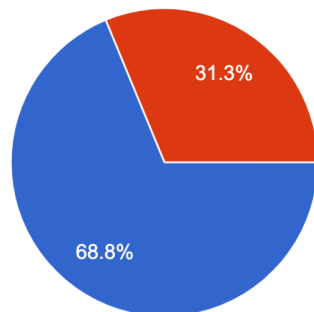# Appendix 2 - Survey results

How old are you?
96 responses

- Younger than 18
- 18-30 years old
- 31-45 years old
- 46-59 years old
- 60+ years old

14.6%
16.7%
65.6%
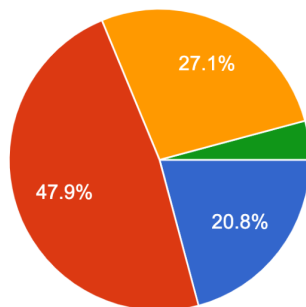
What gender do you identify with?
96 responses

- Female
- Male
- Other

31.3%
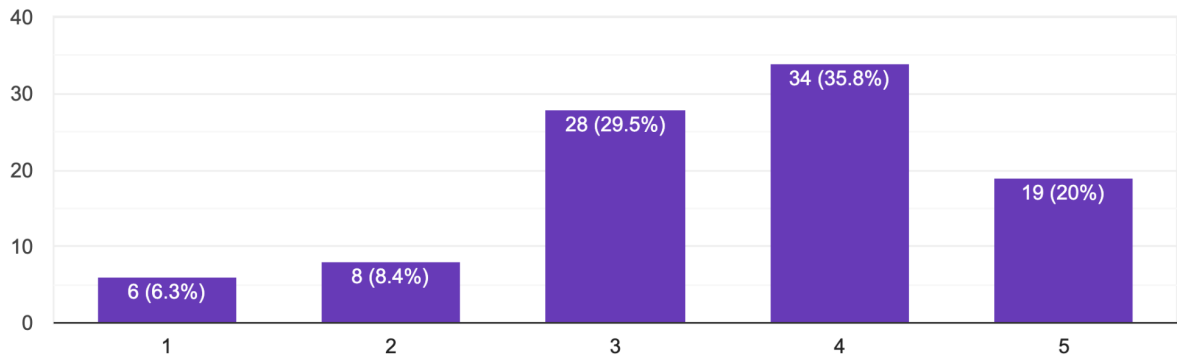68.8%

What is your monthly income? (Before taxes)
96 responses

- Under 10 000 sek/month
- 10 000-30 000 sek/month
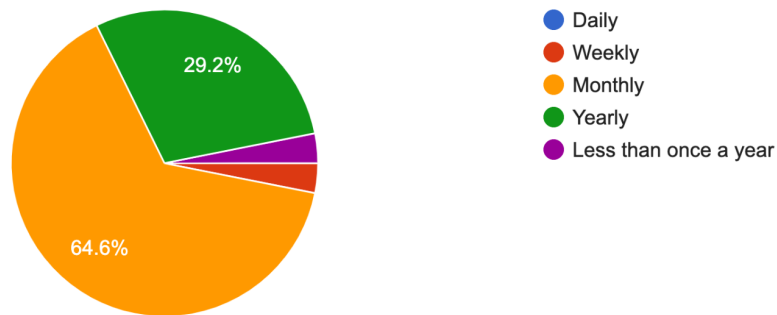- 30 000-60 000 sek/month
- Over 60 000 sek/month

27.1%
47.9%
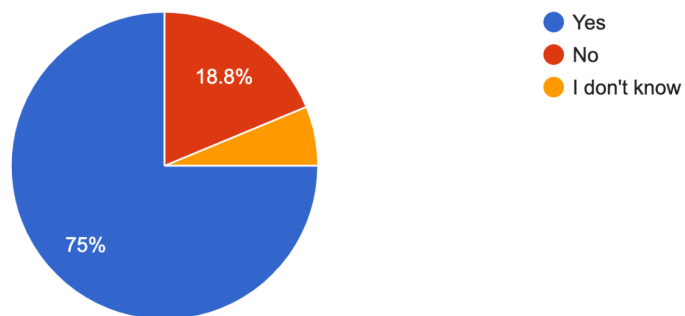20.8%

How interested are you in fashion?
95 responses

1	6 (6.3%)
2	8 (8.4%)
3	28 (29.5%)
4	34 (35.8%)
5	19 (20%)

How often do you buy fashion items? (clothing, shoes, accessories etc.)
96 responses

- Daily
- Weekly
- Monthly
- Yearly
- Less than once a year

29.2%
64.6%

Have you ever bought an item from a luxury/premium fashion brand?
96 responses

- Yes
- No
- I don't know

18.8%
75%

Have you ever bought a fake fashion item?
95 responses

- ● Yes
- ● No
- ● I don't know

60%

37.9%
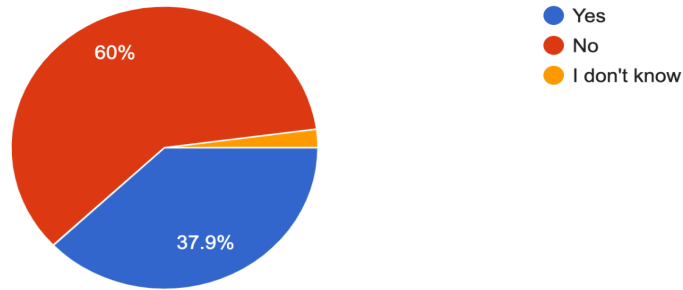
If yes on the above question, what brand(s)?
38 responses
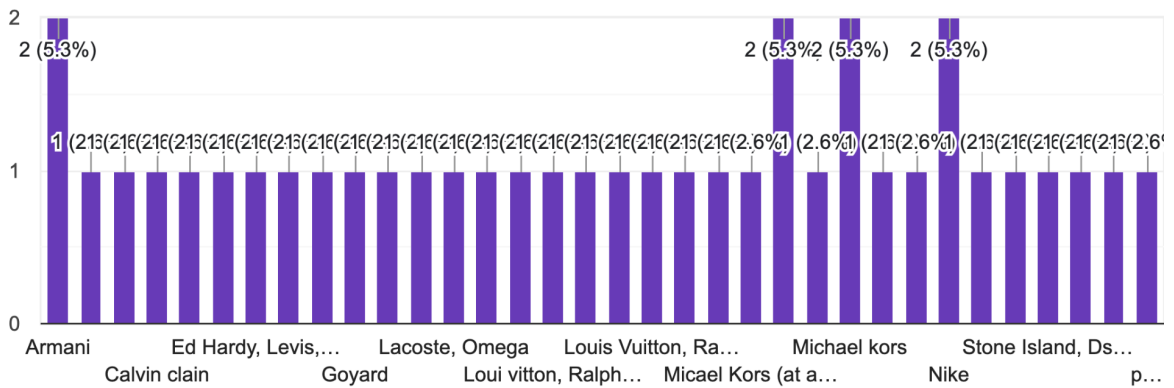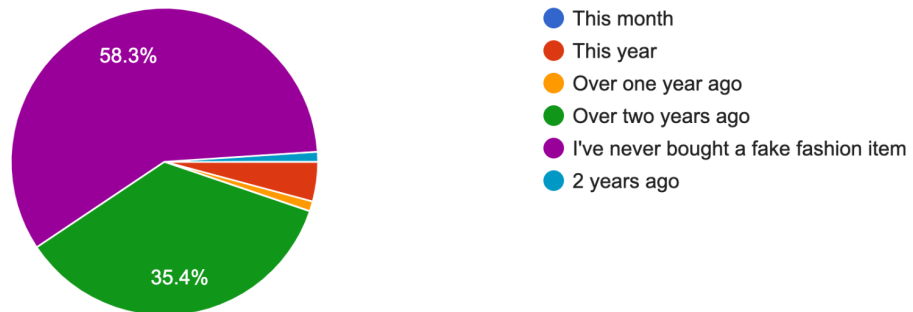
2 (5.3%)

2 (5.3%) 2 (5.3%) 2 (5.3%)

1 (2.6%)

1 (2.6%) 1 (2.6%) 1 (2.6%) 1 (2.6%)

Armani   Ed Hardy, Levis,…   Lacoste, Omega   Louis Vuitton, Ra…   Michael kors   Stone Island, Ds…
        Calvin clain   Goyard   Loui vitton, Ralph…   Micael Kors (at a…   Nike   p…

When was the last time you bought a fake fashion item?
96 responses

- ● This month
- ● This year
- ● Over one year ago
- ● Over two years ago
- ● I've never bought a fake fashion item
- ● 2 years ago

58.3%

35.4%

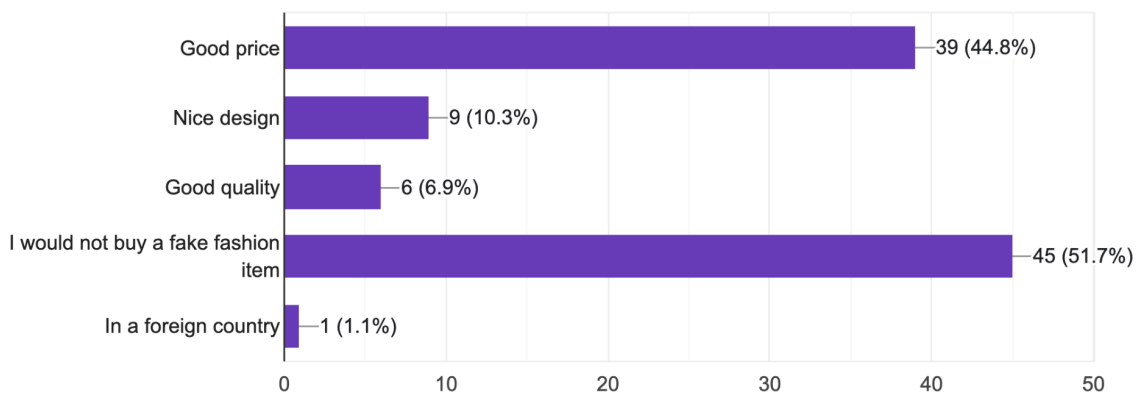## Would you consider buying a fake fashion item?
96 responses

- Yes
- Maybe
- No

64.6%

32.3%
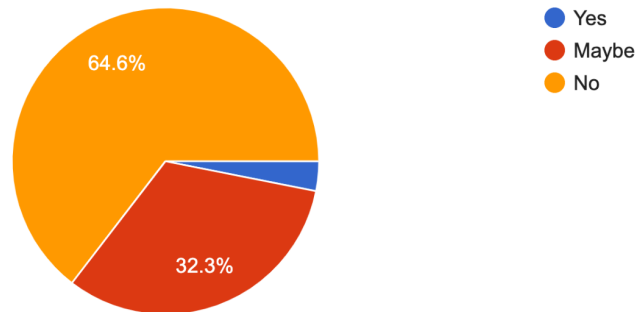
If you would buy a fake product, within what product category would you buy it? (Select all that apply)
62 responses

Category	Value
Clothing	23 (37.1%)
Bags	19 (30.6%)
Shoes	12 (19.4%)
Eyewear	21 (33.9%)
Accessories	18 (29%)
Perfumes	5 (8.1%)
I have never considered it	1 (1.6%)
Köper ingen fake om jag kan u…	1 (1.6%)
Jag skulle inte göra det igen	1 (1.6%)
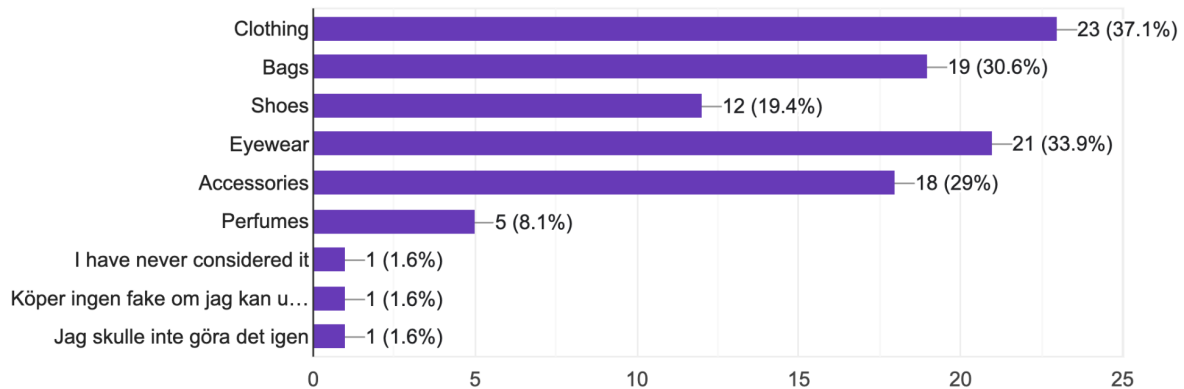
What is the main reason you would buy a fake fashion item? (Select all that apply)
87 responses

Reason	Value
Good price	39 (44.8%)
Nice design	9 (10.3%)
Good quality	6 (6.9%)
I would not buy a fake fashion item	45 (51.7%)
In a foreign country	1 (1.1%)

If you would NOT buy a fake fashion item, why? (Select all that apply)

85 responses
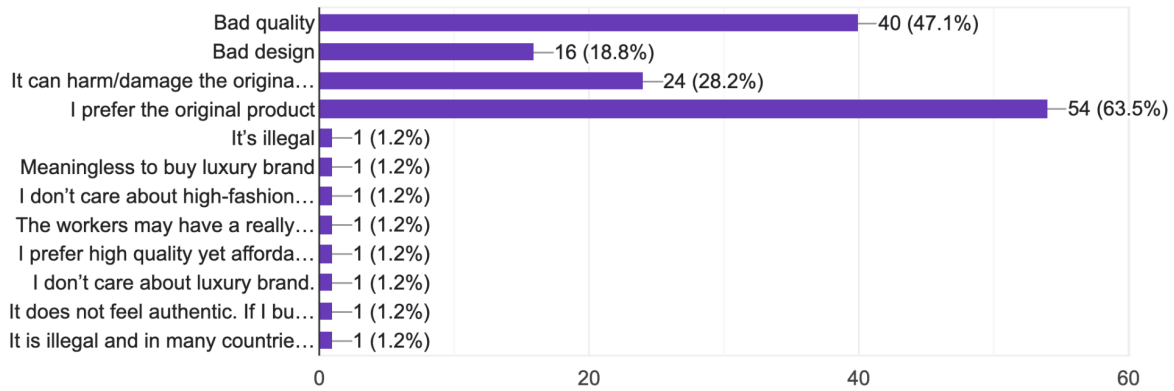
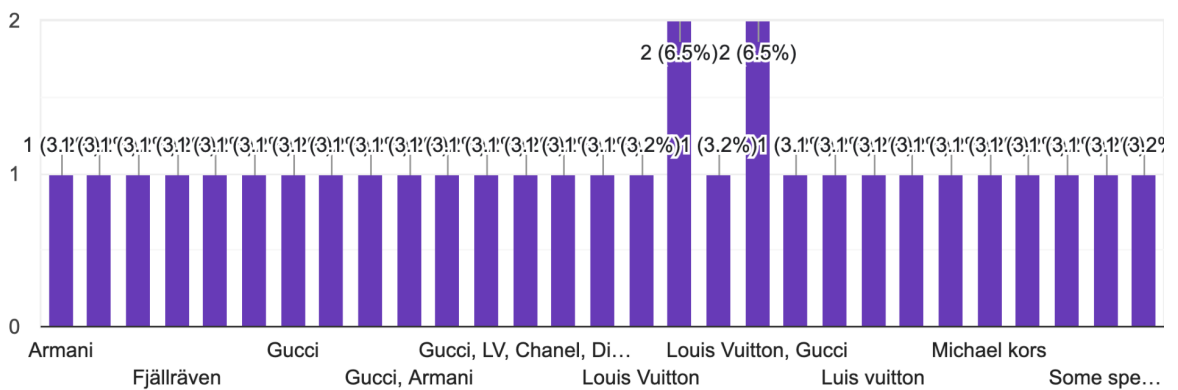| Reason	Count
Bad quality	40 (47.1%)
Bad design	16 (18.8%)
It can harm/damage the origina…	24 (28.2%)
I prefer the original product	54 (63.5%)
It's illegal	1 (1.2%)
Meaningless to buy luxury brand	1 (1.2%)
I don't care about high-fashion…	1 (1.2%)
The workers may have a really…	1 (1.2%)
I prefer high quality yet afforda…	1 (1.2%)
I don't care about luxury brand.	1 (1.2%)
It does not feel authentic. If I bu…	1 (1.2%)
It is illegal and in many countrie…	1 (1.2%)

Are there any brands you would NOT buy from since there are too many fake products on the market?

94 responses

- Yes — 25.5%
- Maybe — 17%
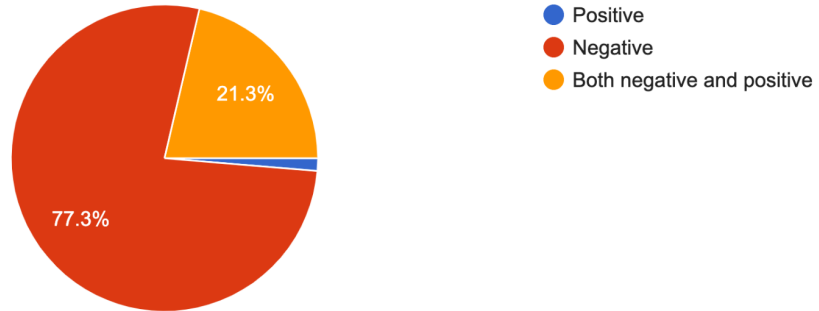- No — 24.5%
- I don't know — 33%
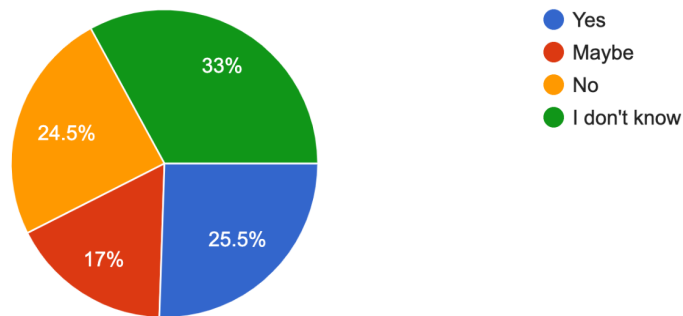
If yes/maybe on the above question, what brand(s)?

31 responses

Armani, Fjällräven, Gucci, Gucci, Armani, Gucci, LV, Chanel, Di…, Louis Vuitton, Louis Vuitton, Gucci 2 (6.5%), 2 (6.5%), Luis vuitton, Michael kors, Some spe…

If yes on the above question, is it positive or negative?

75 responses

- Positive
- Negative
- Both negative and positive

21.3%

77.3%

Which luxury brand do you associate the most with fake fashion?

81 responses

Gucci

Louis Vuitton

Louis Vuitton

Louis Vuitton and Gucci

LV

louis vuitton

Gucci

Michael kors, gucci, louis Vuitton

Michael kors