



AT THE CROSSROADS OF LAW AND ECONOMICS: THE MOTIVATION OF GENZ FOR PURCHASING COUNTERFEIT BRANDED PRODUCTS

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Abstract - The aim of our research is to identify the legal backgrounds of counterfeiting, i.e. trademark infringement and its effect on the brand value (equity) from an economic perspective on the one hand. On the other hand we aim to identify the motivational factors which lead GenZ (Generation Z) to purchase counterfeit branded products (CBPs) in the context of non- deceptive counterfeiting. With the help of our research we have identified that those who purchase counterfeit branded products are fully aware of their decisions. Thus, in general, the commercial transaction and the purchase itself are not done under false pretences. This article does not evaluate the effect and motivation of the selling party who, in offering these products use online platforms to sell in most cases. They, sometimes, offer highly sought international brands at an extremely cheap price. Those branded products would not be available under normal circumstances at that low price level. The aim of the article is to focus on the buyers and to identify the backgrounds for their conscious behaviour in making those decisions. The paper starts with the depiction of the legal background concerning counterfeit branded products, bringing examples for international and Hungarian practices with the relevant legal regulations. The paper identifies the legal and economic effects - in fact, the loss - created internationally by these practices, including the theoretical effects on brand value (equity). During the research we performed a primary group interview including 11 GenZ persons, for deeper understanding the phenomenon at hand. Our research indicates that young people in Hungary are highly price sensitive, at the same time strive not to be excluded from their respective socio-cultural groups - peer pressure and actual fashion trends - thus they try to make an optimal decision given their limited financial resources. Frequently, they opt for the cheaper alternatives.

Keywords: Generation Z, brand value, equity, counterfeit products

INTRODUCTION

In our paper, we discuss an activity that generates serious (also financial) worldwide problems. This activity is brand counterfeiting which is quite widespread and covers almost all segments of life. The aim of the companies with brand developing is to identify their products so that the brands will be valued by consumers (Levy and Rook, 1981). Products branded successfully can claim a higher price in the market since consumers shows loyalty to them as they are convinced that the brands represent a higher quality and a unique style. In fact, global or national brands are the main creators of wealth (Hopkins et al., 2003; Perrier, 1997). In the meantime, the success of a branded product (BP) can cause counterfeiting to the extent that competitive offerings may appear indistinguishable from the original brand they imitate (Cordell et al., 1996).

In general, counterfeiting is regarded as a serious economic, social, and political problem. Previous research has depicted a number of forms of deception. Grossman and Shapiro classified deception for deceptive and non-deceptive counterfeiting (Grossman and Shapiro, 1988a). According to their article, deceptive counterfeiting happens when the consumers are imperfectly informed in the market and they are not aware of the infringement. Opposite to the above, non-deceptive



counterfeiting refers to the practice of consumers knowingly purchasing counterfeits (Grossman and Shapiro, 1988a). Bian (2006) brings blur counterfeiting, namely the situation when consumers are uncertain whether they purchased a counterfeit or an original branded product.

This research investigates the counterfeiting phenomenon in the context of non-deceptive counterfeiting. The choice of the non-deceptive counterfeit context is important because these circumstances enable the investigation of consumers' true perceptions of CBPs. The quality of counterfeits is generally poor and their value is not even close to that of the branded products. Sometimes it can be seen at first sight that these products are not original. Inferred from the above, it is unlikely that the consumers will buy them as they believe these are not original branded products. Only under special circumstances will consumers be willing to buy counterfeit branded products when consumer perception of counterfeit products do reflect their utmost demand for branded products. In such cases, such a strong desire will influence their decision processes. Most consumers are aware that they are purchasing counterfeit branded products whose quality is much lower (Kim, Sen and Wilcox, 2009). The question arises: What is the motivation for such purchases? In our paper, first we discuss counterfeiting in general and then we narrow down the scope to brand counterfeiting. The consequences of counterfeiting are discussed as well as the relevant legislation in general. During our primary research, we assessed how consumers relate to brands and counterfeit branded products.

1. Definition of counterfeit

The National Intellectual Property Office (hereinafter: NIPO) defines trademarks as the most important type of indications, which is a legal protection intend to identify and distinguish goods and services and to inform consumers. It is an essential tool of economic competition and plays a prominent role in marketing and advertising. A trademark may consist of words, a combination of words, including personal names and slogans, letters, numerals, figures, images, colours, colour combinations, sound or light signals, holograms, planes or three-dimensional shapes, including the shape of goods or packaging, and combinations of these (Act XI of 1997 (Hungarian Trademark Act)). According to the World Trade Organization, a counterfeit product is nothing more than the unauthorized display of a mark under trademark protection on products that are identical or similar to the original, thus deceiving the consumer, who believes that he has purchased an original. „Counterfeits are those products bearing a trademark that is identical to, or indistinguishable from, a trademark registered to another party, thus infringing the rights of the holder of the trademark.” (Bian and Moutinho, 2009, p.368)

According to the National Intellectual Property Office, counterfeiting occurs when there is some form of infringement of intellectual property rights, whether it is copyright or industrial property protection, and whether it is a civil or criminal infringement. Under this definition, a product is a counterfeit if it is protected by some form of legal protection. According to (Cordell at al., 1996) counterfeit must copy a trademarked brand (Cordell et al., 1996). However, the general definition of counterfeiting is not limited to products protected by intellectual property rights, as products of companies that have not obtained any legal protection for their products are also counterfeited. Furthermore, it is not only the whole product that may be counterfeit, but also the packaging or labelling, the name, the active ingredient, the composition or the manufacturer of the product that may bear the hallmarks of counterfeiting.

2. Legal background of counterfeit

Since trademark functions in a legal realm, there will be no feedback mechanism. However, if a brand is built up on a trademark, it can be more useful for the marketing effort to present the brand to the customers according to the new brand theory developed by Desai (2012). Trademarks have additional information factors in brands which are strictly connected with information asymmetries, derived from market failure. Information asymmetry means that sellers and buyers do not have the same knowledge. According to Ramello trademark is a sign introduced to remedy a market failure (Ramello, 2006). He argued that a trademark has a positive effect on decisions since it indicates the origin of the goods so that consumers can identify specific quality attributes deriving from their own or others' past experience. (Ramello 2006).



Based on the above, we argue that a brand which is built up on a trademark can strengthen trademarks to relieve information asymmetry. In Hungary, the firms have the opportunity to apply for the Hungarian Product trademark for the products that originate entirely from Hungary. This procedure is a low-cost solution for both informing the market about the origin of the product, and protecting the customers from a quality perspective. Every country has a unique name and images in the minds of people both inside and outside the country, and therefore nations may and do have brands.

Brand values permeate every element of a brand's interaction with customers, while the primary function of trademarks is to enable buyers to perceive the commercial origin of a product or service. There is a new trend in trademark: brands with purpose. Purpose branding is a concept that curves upwards in recent years. However it is a marketing innovation in academic research it is still rare. According to purpose branding trademark with a message about why a consumer might want to purchase above and beyond the quality, functionality and price. This supposes a carefully crafted trademark strategy. People fall in love with brands, trust them and believe in their superiority. Companies are increasingly adopting brands tied to specific values or aims but they should tread carefully when it comes to trademarks. Trademark is a method of economizing on consumer search costs by providing a compact identifier of a particular producer's brand (Posner, 2005). Their consumer behavior and financial decisions can be influenced by the application of the appropriate communication strategy (Garai-Fodor and Csiszárík-Kocsir, 2018).

3. Trademarks and Consumer habits of Gen Z

In the field of industrial property rights, including trademarks, a distinction should be made between criminal and non-criminal claims of trademark infringement. Counterfeiting is regarded as a civil offence, and is also considered as a criminal offence in some countries (Bush et al. 1989; Hopkins et al. 2003),

The central element of the offence of infringement of industrial property rights is industrial property protection, and certain types of industrial property protection, such as trademark protection, are protected by criminal law, as the legislator has decided.

The forms of protection are not specified in the Hungarian Criminal Law, since its conceptual criteria are defined as the underlying technical legislation in Act XI of 1997 on the Protection of Trade Marks and Geographical Indications. The facts of the case must be considered to be a core factual situation, since the conduct set out in the statutory facts must also cover the infringement of industrial property rights.

Act C. of 2012. section 388 of the Criminal Code provides for the criminal law of infringement of industrial property rights, which entails criminal law consequences.

The loss arises from the conduct and is causally connected with it, therefore it is caused by imitating or taking over the subject of protection or placing on the market goods produced by imitating or taking over the subject of protection, or acquiring or holding such goods for the purpose of placing them on the market. The above mentioned constitutes an infringement of a right conferred by industrial property protection. The main feature of criminal law is that the concept of loss cannot go beyond the civil law interpretation, namely the interpretation of the Act XI of 1997 on the Protection of Trade Marks and Geographical Indications.

Specifically, with regard to acts committed against trademarks, it can be established that the criminal law concept of loss, as well as the specific criminal law rules for its determination, and the enforceable (non-criminal law) claims related to trademark infringement are not fully compatible with each other (Karsai, 2022).

At the same time, it is important to note that the most important criterion for establishing usurpation (Act C. of 2012. section 384) is that it can be applied until the request for protection is filed (a request for registration designating), since after that - due to the existence of the protection - a conduct according to Act C. of 2012. section 388 can be carried out, even if the protection is created retroactively to the notification.



The Hungarian Supreme Court pursuant to its individual decision published at no. BH2007.398., the imitation is an activity which has a results a mark that is similar to and can be confused with the object of trademark protection. (Karsai, 2021)

In the case of trademarks, the imitation of the subject of protection typically appears on a label, stitching, packaging material, or in other visually detectable ways, and the placing on the market of the counterfeited brand product (or the acquisition or possession of the goods produced in this way) is typically part of the sale of counterfeits (on the market, by parcel delivery, online trading) is realized. Imitation essentially means "counterfeit" in terms of a trademark. The general definition mentioned above actually applies to acts committed against the trademark, it is not always applicable to other intellectual property.

In the case of imitation (receipt), under the actual circumstances of the crime, it is visible that there is a seized stock of "counterfeited" goods, but there is no data (evidence) about the placing on the market or its purpose. In such cases, three types of cases are possible with regard to the production of counterfeit brand products (due to the underlying industrial property protection regulations): a) the production of a counterfeit for which the right holder usually grants a license for the production of the original; b) production of a counterfeit brand product, the production of which is not licensed by the holder of the original (i.e. produced by himself); or c) it is a counterfeit brand product that does not have an "original" (the right holder does not use the trademark in the scope of counterfeit brand products, e.g. Louis Vuitton furniture). In the case of acquiring or possession for the purpose of placing on the market, there is also a reserved stock of goods, similar to placing on the market. (Karsai, 2021) The stock of goods may include a) a counterfeit brand product produced by another party, the original of which the holder grants a license for production, or b) a counterfeit brand product produced by another party, the holder does not grant a license for the production of the original (manufactured by himself), or c) a counterfeit brand product produced by another party product whose original does not exist. (Karsai, 2021)

Act XI of 1997 on the Protection of Trademarks and Geographical Indications Section 12, paragraphs (1) and (3) regulate the possibility of asserting non-criminal claims related to trademark infringement.

*"§ 12 * (1) Based on trademark protection, the trademark holder has the exclusive right to use the trademark.*

- (3) It may be prohibited in particular if the conditions regulated in subsection (2) are fulfilled*
- a) placement of the mark on the goods or their packaging;*
 - b) putting the marked goods on the market, offering them for sale, and keeping them in stock for the purpose of putting them on the market or offering them for sale;*
 - c) providing a service or offering it under the designation;*
 - d) the importation into or exportation of goods bearing the designation into the country;*
 - e) use of the mark on business documents or in advertising;*
 - f) using the sign as a trade name or business name, or as part of a trade name or business name;*
 - g) the use of the sign in comparative advertising contrary to the provisions of the Act on the Prohibition of Unfair Market Conduct and Restriction of Competition. "*

4. Counterfeit consequences - loss and damage

The National Anti-Counterfeiting Board was established in 2008 in order to make more effective action against infringements of intellectual property rights. It is carried out on the basis of a government decree of 287/2010. (XII.16.). Its members are representatives of state bodies with tasks and powers related to intellectual property, as well as representatives of social and economic advocacy organizations concerned with the protection of intellectual property.

In 2017, the National Anti-Counterfeiting Board (hereinafter: HENT) issued a recommendation (hereinafter HENT Recommendation), the purpose of which is to provide guidelines for courts in the determination of loss in the event of infringement of industrial property rights.

Jurisdiction in determining the amount of the loss and the lost revenue is based on the HENT Recommendation. However, it is important to note that loss in the criminal sense is not the same as



the loss in the HENT Recommendation. The HENT Recommendation interpreted broadly the concept of loss, which implies a violation of the principles of legality and liability based on guilty (Karsai, 2022). This is particularly true in so far as the trademark proprietor, as the victim, also takes into account the criminal court's decision of loss in the context of the amount of the loss requested as a civil claim.

The HENT recommendation treats it as a fact that the original branded product would certainly have been bought instead of the counterfeit brand product. For this reason, trademark proprietor as the victim assesses the production costs as material loss, even though no loss can be shown in the turnover for the trademark proprietor. Jurisdiction follows the HENT recommendation, despite the fact that there is no evidence that consumers actually bought the original brand product instead of the counterfeit brand product. It should be noted that the Court does not expect that the above mentioned has to be proven, having regard the declaration of the HENT Recommendation. The jurisdiction presumes that potential buyers of counterfeit brand product would have purchased the originals, thus inferring that there was a real loss of revenue (damage) to the brand owner. However, the results of the research presented below clearly demonstrate that in fact the HENT Recommendation and the resulting jurisdiction wrongly assumes that consumers would have purchased the original product instead of the counterfeit brand product, given the price sensitivity of Generation Z consumers.

It follows from the above, that the calculation of the loss based on the price of the original product in the context of the calculation of the loss also gives the trademark owner an undue advantage in some way, since the original brand product can still be sold. Thus, the trademark owner can realise the full profit, while receiving the loss from the offender as a civil claim. In the determination of the loss is further complication that counterfeiters seek to offer potential customers cheaper products that appear to be genuine, i.e. confusable products that have a similar shape, appearance and quality, so that the customer does not notice the difference between the products. In many cases, counterfeit brand products have poor quality, so they cannot be confused with the protected brand product. Therefore, in our view, the assessment of the amount of the loss must take into account whether the brand on the product and the quality of the product are likely to be confused with the characteristics of the trademarked product. Furthermore, it must be ascertained whether the mark on the products are deceptive, or non-deceptive, since it is identical to the protected brand product. With this regard, it is noted that in some litigation, the above issues have already been examined by experts appointed by the court, but in the light of the HENT recommendation, the court practice has ignored to count on the above issues. In our view, greater emphasis should be placed on the fact that the deception of counterfeit branded products can be deceptive, non-deceptive or blur counterfeit. Since from a legal aspect the deceptiveness of the protected brand cannot be the same and should not be treated with the deceptiveness of the products. If there were no loss in sales, the sale's profit of the proprietor cannot be taken into account if the product is non-deceptive, so it is not confusingly similar to the original. In this case, the market value of the counterfeit brand product and the marketing profit can be taken into account in the amount of the loss. Even if in legal sense there is no loss in revenue of the trademark holder, the damage cannot be ignored in an economic sense. The trademark owner suffers damage because the counterfeiter has used the trademark without authorisation and the counterfeiter would have made a profit in a causal connection with counterfeit brand product. For the purposes of quantifying this, the assessment of damages should be based on the extent to which the counterfeiter would have been enriched by the sale, i.e. the black market value.

Potential buyers were attracted to the products they wanted to sell by the use of the trademark, even if they knew that they were not genuine. From the brand perspective, counterfeit products have the advantage of increasing brand awareness, but as a complementary product, they negatively affect the sales of the original brand (Qian, 2011), resulting in lost revenue for the branded product manufacturers. The presence of counterfeit products in the market also does not benefit the brand from a brand perspective (Wang et al., 2020).



Counterfeiting affects consumers' confidence in legitimate products, destroys brand equity and companies' reputations (Wilke and Zaichkowsky 1999), causes loss of revenues (Grossman and Shapiro 1988a, b; Bush et al. 1989). In this way, counterfeiting means not only trademark infringement in the legal sense, but also about a loss of corporate prestige, which is reflected in the depreciation of brand equity. „The brand equity is defined in terms of marketing effects uniquely attributable to the brand - for example when certain outcomes result from the marketing of a product or a service because of its brand name that would not occur if the same product or service did not have the that name. (Keller, 1993, p.1.) „ Simon and Sullivan 1993 define brand equity in terms of „incremental discounted future cash flows accrue to branded products over unbranded products”. „Consumer-based brand equity is defined as the differential effect of a brand knowledge on consumer response to the marketing of the brand.” (Keller, 1993, p.1.)

As a result of the above, the brand associated with the trademark will also be harmed. Mahyari et al (2018) revealed that brand equity influences brand preference and purchase intention. So It can appear that the more counterfeits a brand has, it will negatively affect the consumers purchase intention to the branded product, which will cause the depreciation of brand equity.

5. Counterfeiting and its effect on brand value

Brand and brand value are complex multi component factors. Beyond the products or services physical appearance, the brand is a set of feelings and promises, an image in the consumer's "brain" that affects the perception of the organization as a whole. It can be interpreted from the consumer and producer side, and these interpretations sometimes don't align (Papp-Váry, 2020). A brand is a name, term, design, symbol or any other characteristic that distinguishes the goods or services of one seller from another (AMA, 2021; Kotler et al. 2005, pp. 549). In terms of branding, a positive effect can be observed if the organization's brand - which includes its complex value system - is aligned with the individual's "self-brand", i.e. with their self-image, thus strengthening the relationship (Bowden and Mirzaei, 2021).

When considering the relationship of brands and counterfeits, one of the motivators can be the embarrassment effect. Face-consciousness, which can be interpreted as a need for social acceptance is a motivator. As products have social signalling and symbolic value, in this case private hedonic and public social needs are contrasted, counterfeits serving the later one. A study has shown that given the risk of embarrassment, face-consciousness lowers the willingness to buy fake luxury items (Jiang, Cui and Shan, 2023). Thus if the product is visibly a counterfeit, that lowers purchasing intent. Another study (Patel, Singh and Parayitam, 2023) has shown that although status seeking behaviour increases, the same risks as previously mentioned decrease willingness to buy fake products. Similar effects are found when looking at embarrassment and self-presentation (Khan, Fazili and Bashir, 2023), where higher risk (embarrassment) avoidance is present, lowering purchasing intent when considering publicly, rather than privately self-conscious buyers. The previously discussed upward social interaction is also visible, when inconspicuousness is more important when interacting with "higher-class" audiences.

Considering the brand value of original and counterfeit brand products, research indicates, that those valuing original products have a lower view of counterfeits, while those owning them don't necessarily find them to be inferior (Nia and Zaichkowsky, 2000). Overall the study found that, although the wide availability of fake products that can be purchased through a line of sources, their presence on the market does not decrease the brand equity of original ones. This phenomenon, the wide presence of fakes can indeed be a positive thing for the brand, as studies show that the wider the availability awareness is, the more people value originals and the stronger the purchasing intent is to buy authentic ones (Baghi, Gabrielli and Grappi, 2016). Le Roux, Thébault, Roy and Bobrie (2016) have found that if the brand typicality conditions, brand name and product appearance is manipulated by counterfeiting, thus there is visible deviation from the original characteristics, which significantly lower value for the consumers.

In summary, purchasing intent of counterfeit products is enhanced by the self-expressive nature of the consumer, while this is mitigated by the effects of embarrassment and risks of being found out



and ridiculed. Fakes not only don't have a negative effect on original and authentic brands, but they can also increase their value.

6. The effects and trends of the counterfeit industry

Counterfeiting is a global phenomenon and is present in different industries. The Pharmaceutical Security Institute (PSI, 2022) reports that the number of counterfeit product crime incidents is increasing, from 2018 to 2022 by 47 per cent. In the pharmaceutical industry, the most - almost half of all global cases - is present in North America. In 2018, the estimated size and sales of alternative illegal products was around 991 billion US dollars (Miller and Winegarden, 2020). The biggest one being medicines and drugs 200 billion, but counterfeit electronics also amounted to 100 billion US dollars.

According to OECD/EUIPO (2019) 3.2 per-cent of all global trade is "fake" goods of some sort. Some of the industries that are the most highly hit by counterfeiting and pirating is footwear and clothing. Considering the European Union, data show that up to 6.8 per-cent of all goods imported from non-EU countries are fake. The origin of the counterfeit products is diverse, although seven countries lead the global market, being: China and Hong Kong, India, Turkey, Thailand, Singapore and the United Arab Emirates. Brands based in the USA are hit by the most, while French and Italian brands are in second and third places.

Most recently the Corona virus outbreak sparked a new wave of counterfeit pharmaceutical products globally. According to Interpol (2020) raising public awareness to the risks in general to fake products would be needed by state actors, especially in the case of medicines, as the amount and type of active ingredients can be tampered with, rendering the medicine useless or dangerous. In 2020 the value of detained items increased by 31 per-cent in the EU, amounting to 1.9 billion Euros (European Commission, 2021). The global counterfeit industry amounts to over 40 billion Euros in losses for those companies affected, the clothing industry being in a leading position with an estimated 26 billion Euros in losses (Statista, 2020).

A Hungarian research was conducted in 2020 about the demand for fake products that shows that only 54 per-cent of the respondents thinks that buying counterfeit products is a crime, while 28 is unambiguous, and 18 disagrees. The majority 62 per-cent indicated lower price as a motivator, 59 didn't find anything wrong with the quality and 45 didn't care that it was fake (Tárki, 2020). This result seems devastating in view of the fact that, in order to promote consumers' right to information, consumer protection education in schools is part of the National Basic Curriculum in Hungary (Falus 2023, p. 120). The research shows significant differences in industries, from the respondents the amount of those who would be willing to buy fake branded clothing is the highest, to a lesser extent pirated software, film, movies etc. When considering foodstuff and medicines, these show a significantly lower amount of people willing to buy them from an untrusted source, even when the price is much more favourable. Age and income has a negative, the size of the city has a positive effect on willingness to buy fake products, while gender and education level shows no relationship.

7. Group membership, non-consumption and the fear of omission (missing out)

Non-consumption is not to be confused with anti-consumerism, although it is a form of it. According to Töröcsik and Szűcs (2021, chapter 2. Non-consumption) non-consumption has two forms, renouncement and missing out (omission). Renouncement is a conscious concept that can be based on the belief system, ideology of the person, thus not buying a product or service because it cannot be aligned with the value system of the consumer. In the case of omission, on the other hand, we assume some kind of deficiency, rather it is the consequence of a situation that can be derived from the determination characteristic of the consumer's life situation, for example a low income person trying to buy a high-end product or service. Although not knowing about a product, insufficient time, lack of company, physical constraints can all cause omission.

A phenomenon called abandonment (not buying a product) is present in three forms a) contingent, b) positional, and c) ideological (Suarez and Chauvel, 2012). Because of the scope of our study, we will focus on the first one. When constraints are present, a person may be forced to stop purchasing a product that he had a shared interest with other consumers in a group in the past. This is called



“contingent abandonment”. Similarly to the negative emotional effects to being left out or missing out discussed previously, contingent abandonment may have a similar negative emotional effect on the consumer.

A person can choose to purchase counterfeit products because of financial constraints, thus because of the fear of missing out, they can opt for other options. In this aspect, envy can be linked directly to non-consumption and omission, as it acts as an unpleasant feeling, an impulse on which a person may act, feeling inferior to others in some way (Crusius and Mussweiler, 2012). Feeling superior or inferior, needs to be determined by the consumer. Festinger (1954) uses the term “social comparison” for this aspect. Social psychology uses this phenomenon to describe a behaviour when a person evaluates this social standing “a person’s cognition ... about the situation in which he exists”. If a person is able on a cognitive level to evaluate, they will thus do so by comparison to others, although within self-imposed limits, thus these opinions can be subjective. Festinger (1957, chapter 8, The role of social support) disserts about the importance of social groups, which should be linked to the previous thought. People are members of socio-cultural groups, thus this comparison can be made with a within-group method. This can be called “social influence” that a person receives. This is linked to information sharing and cognitive dissonance within a group and its consonant effect. As groups tend to eliminate or minimise consonant opinions, social groups tend to become more and more homogeneous. Linking this thought to consumer decisions, if consumers in a group are similar, it can be argued that their purchasing decisions, likes and dislikes, the trends that they follow may show similarities, thus when making purchasing choices, they compare their decisions to the decisions made by the members of the same group.

In their study Zheng, Baskin and Peng (2018) show the importance that consumers place on material goods. If a person has a group membership, the person may put value on the same things that others in the group possess. The study shows that people tend to put higher value to physical goods that are visible publicly. This can have a positive effect on the person’s social standing, acts as a form of upward social comparison by spending more money. The findings of the study may be linked to status symbols. Veblen (1899, chapter 4. conspicuous consumption) describes spending a lot for expensive items to show superior financial social standing as conspicuous consumption. Today this is usually called using status symbols (Packard, 1959, Chapter II. Marks of Status) to signalize value, although similar symbols can indicate membership to certain groups. They are usually used by status seekers to signalize wealth, as a form of external (conspicuous) consumption.

During this process, the form of consumption should be considered, as through consumption and buying, value is created for the consumer. This process can be internal - self-satisfaction, when the result of the action is directed towards oneself - and external - self-expression when we expect and desire positive reactions from the environment (Rekettye et al. 2022, Chapter V. Consumer Behaviour). In case of counterfeit products, buying behaviour is both emotional and functional at the same time. Emotional because the buyer is unable to justify it, functional because it solves a “problem” namely to solve a certain issue that has arisen, the consumer tries to reach an optimal result based on rational arguments. Although this on its own poses an irregularity and a somewhat self-contradiction.

In summary,

- a) A person evaluates their own position in a sociocultural group, where they receive social influence.
- b) They compare the products and services that other members use and purchase - on a subjective upward social comparison basis.
- c) While trying to avoid or solve omission (missing out) differences present within the same group.
- d) With a goal of external (self-expression) positive environmental reaction.

8. Methodology

During the research, we considered numerous primary research options, including a personal or online questionnaire, personal interviews and group interviews. The decision has been made, for the deeper understanding of the phenomenon, to conduct a semi-structured group interview, as it provides an opportunity for the participants to reflect on each other’s opinions, contrast them in real time, thus potentially better quality answers could be provided.



We conducted a primary group interview study with the participation of 11 people, all university students between the ages of 19 and 25, thus focusing on Generation Z. Five of them were male, six female, studying economics and management at Budapest Business University. The group interview took place on the 11th of July, and took two hours. After a brief introduction to the topic, participants were asked to state if they have ever bought counterfeit products. All of them indicated positively, thus neither of them was excluded from the interview. The questions included four main topics, a) the motivation in buying counterfeit products, b) the potential effects “fake” products have on the original brand, c) the different products that they buy, and d) the industrial differences in perception of the “fake” product.

9. Group interview

The participants indicated that they have bought, in case on multiple occasions counterfeit products. According to the participants, there are no general differences between the genders, when talking about willingness to buy these products, although product and industry differences, attached to lifestyle choices can be present. They indicated that they felt left out, or not trendy enough, if they don't buy certain products or accessories. One of them stated, that they are frequently bombarded by social media post about the latest products, and at the same time see these same consumer goods being used by their friend and people in their socio-cultural group, thus this acts as peer pressure. They feel missed out and on the side-lines of the same group, their membership as challenged by a lack of the same consumer goods, given financial constraints, thus there is a need to resolve this issue somehow. The easiest and cheapest way to buy highly sought for and branded goods is to buy fake ones, that are usually widely available, online or even at a local market. Other than financial reasons, no other main motivator was mentioned. The interviewees agreed that these are usually lower quality than the original ones, although some also mentioned that that may not be a serious issue to consider. Talking about fashion accessories, they are frequently changed, shoes are getting worn thus new ones are purchased on a relatively frequent yearly basis. A person's style or interest may also change, especially in a young age, this phenomenon is frequent, thus buying cheaper counterfeit goods is a risk minimising strategy alternative to the expensive original ones.

The participants usually buy fake branded clothing and fashion accessories. According to interests this can be anything from mobile holders, bags, shoes, or any other clothing item. Respondents mainly agreed that the proliferation of fake products is relatively low in Hungary, thus if the quality of the item is not much substandard, than it is not going to stand out. This “relative” good or satisfactory quality is a minimum when considering the satisfaction level that this consumer good can offer, on the contrary it would be ridiculed by peers and that would go against the goals stated. The participants don't feel that these products have any serious impact on brand value in Hungary. Two conditions would need to be met, for this to happen. First, the amount of fakes on the market would need to be much greater, and second they shouldn't be able to tell with full confidence, which ones are fake and which are original when buying. That would mean an information asymmetry, a risk, thus a negative effect on the brand. But as there is a relative low amount, and the visible quality and the price definitely indicates fakes, this is not an issue. One of the participant mentioned that when talking about clothing, a few times Turkish fake ones were even better quality (higher cotton content, more vibrant colours and nicer stitch marks) than the original ones. The other agreed to the possibility, but were on the opinion, that although this can happen, it is never the less not something that can be considered as a general phenomenon on the counterfeit market.

Considering the different products and industries, the most widely bought ones were clothing and fashion accessories. An item that came up repeatedly was the market for counterfeit watches, although the problem with those is, that they can be obvious and transparent. A nice watch can be bought for as little as 80-100 Euros, thus if the financial situation of the wearer is relatively known, it would be highly unlikely that a Jaeger-LeCoultre or Rolex watch could be afforded. Thus potentially causing ridicule that would be counter productive. They agreed that a “trendy” person needs to have a wide assortment of different clothes for different, sometimes only a few occasions. They stated that not all of their clothes are fake, but usually the greater the price for certain ones of high brands, the higher the willingness to buy a fake one is, especially if it is an accessory item, or something that



is not worn daily. Fake branded shoes are also frequently available, but as some groups like “sneakerheads” are able to easily detect fake ones, also their quality is also low, causing bad odour for example, and they opt not to buy them. They mentioned that counterfeiting product willingness might be higher at certain cultural groups in Hungary, but they didn’t elaborate further.

The respondents agreed that clothing is a “safer” market for fakes from the point of view of the consumer, one of them mentioning that hygiene may be an issue, but comparing them to other things like consumer electronics, foodstuff or medicine, completely different risk factor. They agreed that they wouldn’t buy fake medicines, rather buying off-brand or other cheaper ones with the same content if available, as usually medical professionals in the pharmacies will also offer those. They said that fake branded food is not something that can be considered in Hungary. There are cheaper alternatives in supermarket chains with their own brands, thus if someone is price sensitive, they opt for these. They don’t see great differences between well-known brands and private labels. The only exception to the rule would be small private grocery stores or Chinese shops where food is also sold, and cocoa spreads or chocolate can come from uncertain sources, although they usually see goods produced in Poland. Counterfeit perfume is a product that is widely available and sought for, usually quite cheaper although less intensive than the original ones. Seven of the interviewees buys these perfumes on a regular basis. Considering other cosmetics, the reception was negative in general, lipstick came up as an example, that as it is getting in close contact on a regular basis in higher quantities with the skin, given the higher risk of some toxins, they opt to buy cheaper private label ones, rather than fake ones. One of them remarked that in contrast to clothing, this isn’t something that’s visible. A perfume has a smell that’s important, but make ups in general, are much harder to differentiate after applied. A similar opinion was voiced in terms of electronic goods in general, regardless if it’s a mobile phone or a computer. The warranty and guaranty is an important aspect, and as these products are widely available, in the past years the real exclusivity of an expensive mobile phone is lost. As long as a few people had for example the expensive first generation iPhones, the phone itself was a status symbol, which signalled wealth. Now, although it is visible if someone has a high brand and expensive phone, the effect is much more moderate, the reactions are weaker and the novelty of it shorter.

In summary, price sensitivity and group membership (risk of missing out) was the strongest motivator in purchasing these items. When considering fake branded goods, quality and credibility is an important factor, since if the forgery is obvious, than the user doesn’t receive the same desired effect. Counterfeit goods are usually bought when visible self-expression and a reaction of others is a goal.

CONCLUSION

Determining the amount of loss as a consequence of the counterfeit has not been matured yet in current Hungarian jurisdiction, as the definition of loss in the criminal code is not in line with the governing HENT recommendation. The current jurisdiction extends interpretation of loss beyond the civil law. For this reason, jurisdiction interprets the concept of loss in an expansive manner and establishes a higher amount of loss than the amount of loss was suffered by the trademark proprietor in the legal sense. At the same time, jurisdiction does not examine that the counterfeiting deceptive, non-deceptive or blur, which, in our opinion, should be taken into consideration when imposing the penalty for counterfeit and determine the amount of the financial loss. Furthermore, there is no current practice on how the damage, which is realized in terms of brand equity, can be determined in sum.


Previous studies and the literature have revealed that a person (consumer) views their social standing in a subjective and upward manner, and wish to self-express externally with a need for positive reassuring. Our primary group interview shows similar intent, financial resources and constraint being the most important motivator, followed by group membership and resulting peer pressure by the fear of missing out. The most widely accepted counterfeit products are clothing, foot-ware, fashion accessories and some cosmetics, while on the other hand chemicals, foodstuff and medicine are considered as high risk items, thus not bought. These findings are in line with the international trends discussed previously. As the literature suggests and as the group interview confirms, the quality of



the counterfeit product, and the associated risk and embarrassment if found out have negative effects on buying intent.

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