

**Counterfeit luxuries: Does the Moral Reasoning Strategy influence
consumers to pursue counterfeits?**

Abstract Existing research has painted a clear and uniform portrait of morality, noting it to be strongly associated with negative intentions towards the purchase of counterfeit goods. However, drawing on Moral Disengagement theory, we argue that individuals are motivated to rationalize their immoral behaviors through guilt avoidance, so as to increase their counterfeit purchasing intentions. This research demonstrates that consumers' desires for counterfeit luxuries hinges on moral reasoning (i.e. moral rationalization or moral decoupling). The empirical results indicate that these two types of moral reasoning increase purchase intention, but through different processes. With the former utilizing moral judgment, while the latter applies perceived benefits. Implications for researchers and managers are discussed.

Keywords counterfeit purchase intention; moral rationalization; moral decoupling; moral disengagement

Introduction

In recent years, counterfeit consumption has attracted increasing attention as a notable moral issue. Various researches have painted a clear and consistent description of morality, noting it to be strongly associated with negative intentions towards the purchase of counterfeits (Simpson *et al.* 1994; Logsdon *et al.* 1994; Tan 2002; Wang *et al.* 2005; Cronan & Al-Rafee, 2007; Michaelidou & Christodoulides 2011; Fernandes 2013). In other words, consumers are less likely to purchase counterfeit goods when they are aware that such behavior is ethically wrong (Cordell *et al.* 1996; Tan 2002; Penz & Stottinger 2005). However, an examination of previous research reveals the following gaps.

First, although scholars have clearly defined morality, suggesting it to have worldwide negative connotations for the consumption of counterfeit goods. The question we raise is whether this is a universal truth, or if the results are bound by a narrow premise that consumers' moral judgments are unchangeable. Taking the perspective of moral reasoning, consumers' moral judgments typically rely on varying circumstances, calling for different decisions (Albert 1991). It is surprising that research has seldom examined the relationship between morality and counterfeit purchasing practices in a changeable moral judgment setting.

Second, drawing on Moral Disengagement theory, previous research has shown that individuals are motivated to rationalize their immoral behaviors by guilt avoidance (Bandura *et al.* 1996; Bandura 1999; Tsang 2002; Bhattacharjee *et al.* 2013). Although some scholars have considered the effect of moral rationalization (e.g. finding

justifications for buying counterfeits) in context to counterfeits (Eisend & Schuchert-Güler 2006) no empirical evidence has been presented to date.

Furthermore, in related literatures, scholars have identified two moral reasoning strategies: (1) moral rationalization, or the process of reconstructing immoral actions into less immoral acts; (2) moral decoupling, a psychological separation process, in which individuals selectively dissociate judgments of performance from judgments of morality (Bhattacharjee & Reed 2013). However, conceptually and empirically, most of the researches focus its attention on the former, (Baumeister & Newman 1994; McAlister *et al.* 2006; Aquino & Freeman 2007; Shu & Bazerman 2011) while paying little attention to the latter. The possibility that these two processes may operate simultaneously has continuously been overlooked. Thus, special attention needs to be given to these two moral reasoning strategies, concurrently.

This study provides major contributions in the following respects. First, it contributes theoretically to the current research on counterfeits by integrating the Moral Rationalization and Moral Decoupling strategies, examining their positive effects on the consumption of counterfeit goods (Bandura 1991; Tsang 2002; Bhattacharjee & Reed 2013). Second, this study enriches Moral Disengagement theory and extends (Bhattacharjee *et al.* 2013) and empirically tests these two distinct moral reasoning strategies adopted by consumers in the counterfeit consumption setting. Our key finding is that by identifying these two moral reasoning strategies one can aid in their ability to refrain from any self-sanction imposed by the guilt of unethical consumption. Specifically, we find that the consumers facing benefit incentives from counterfeit

luxury brands are motivated to use the moral rationalization process to facilitate the improvement of their moral judgment, and the moral decoupling process to facilitate the improvement of their perceived benefits, both leading to improved purchase intentions.

This article is organized as follows: first, the conceptual framework and research hypotheses are detailed. Second, the research methods used to design the empirical study are described. Following this, the model is tested using a Chinese sample of consumers and the results are presented. Finally, the main findings and managerial implications of the study are discussed, concluding with the study's limitations and future research directions.

Conceptual framework and hypothesis

Fig. 1 depicts the relationships investigated in this study. The study examined two types of Moral Reasoning strategies, Moral Rationalization and Moral Decoupling, employed by consumers to help justify their immoral counterfeit purchase behavior when they recognized the moral issue (Kohlberg 1969; Haidt 2001). They are hypothesized to have impacts on purchase intention through moral judgment and perceived benefits respectively.

Insert figure 1 about here

Moral recognition

In a recent review of empirical research investigating the reason why consumers buy counterfeit goods, moral recognition was found to play a significant role in counterfeit consumption (Wilcox *et al.* 2009), in addition to financial consideration, status appeal, novelty seeking, face consciousness, and the desire to impress other people, to name a few (Cordell & Kieschnick 1996; Eisend & Schuchert-Güler 2006; Sharma & Chan 2011; Wilcox *et al.* 2009). Previous studies indicate that consumers' internal ethical obligations, which are based on moral standards, could reduce counterfeit purchase intention. This occurs when an individual thinks at a higher state of moral judgment, thus utilizing a higher level of moral reasoning, which lowers purchase intentions to immoral conducts (Trevino 1992; Tan 2002; Furnham & Valgeirsson 2007; Michaelidou & Christodoulides 2011). Attitudes towards the lawfulness of purchasing counterfeit products also have a negative influence on intentions to purchase counterfeits (Swinyard & Kau 1990; Cordell *et al.* 1996). From Social Cognitive theory, an immoral conduct is regulated by two major sources of sanctions- social sanctions and internalized self-sanctions. Both of these control mechanisms operate anticipatorily (Bandura 1991; Bandura *et al.* 1996). Therefore, researches indicate that moral recognition heightens the moral concern of individuals, thus influencing their counterfeit purchase intentions. It is anticipated that the presence of moral recognition will result in lower counterfeit purchase intentions.

H1 Moral recognition is negatively related to purchase intentions of counterfeits

Moral reasoning strategies

According to the work of (Galotti, 1989) and (Bargh, 1994), moral reasoning is defined as a conscious process of reaching a moral judgment after a thorough sequence of steps, such as searching for evidence, weighting evidence, coordinating evidence with theories, and reaching a decision. However, the recent Moral Psychology theory holds that moral reasoning is usually a post-hoc construction, generated after an intuitive moral judgment has been reached (Haidt 2001). In other words, when individuals are involved in a moral dilemma, they will modify their reasoning process in a way that selectively searches for information to reach a moral judgment in line with the desired outcome (Ditto *et al.* 2009). There are two moral reasoning strategies, Moral Rationalization and Moral Decoupling, which are likely employed by consumers to alter the direction of their moral reasoning.

When purchasing counterfeits individuals are faced with motivational conflicts between economic and hedonic benefits and moral principles (Cordell *et al.* 1996; Furnham & Valgeirsson 2007). Violating the moral principles or withdrawing the benefits will cause tension or dissonance (Eisend & Schuchert-Güler 2006). To relieve this tension, some may choose not to purchase counterfeits, while those who are strongly motivated by benefits may pursue moral reasoning strategies (Tsang 2002). This preference for benefits could be supported through the altering reasoning process, shifting moral judgments to match the desired outcome (Ditto, Pizarro, &

Tannenbaum, 2009). To avoid self-sanction, individuals may seek to make the immoral action inconsequential, defined as Moral Rationalization. Nevertheless, they may pursue a distinct reasoning strategy to not be involved in improper behaviors, defined as Moral Decoupling (Bhattacharjee & Reed 2013). By separating the performance of the immoral conduct from morality, this strategy lets individuals make decisions without being subject to self-condemnation.

Moral Rationalization

From perspectives of Moral Rationalization, three theories, Cognitive Dissonance, Self-affirmation and Moral Disengagement, are used to address different aspects of the motivations behind why individuals rationalize their immoral behaviors (Tsang 2002). Cognitive Dissonance as a form of psychological discomfort, occurring when one's cognitive perceptions of intentional behaviors contradict their valued ones, with such discomfort comes reduction strategies to alleviate it (Festinger 1962; Elkin & Leippe 1986; Elliot & Devine 1994). As a consequence, decisions will be changed. However, many people will modify their belief by adding harmonious elements, thus reducing the importance of dissonance elements, or by reinterpreting these dissonance elements to reconstruct the immoral act as moral one (Eisend & Schuchert-Güler 2006). The Self-confirmation view focuses on one's motivation to reaffirm themselves as good by maintaining a positive self concept to resolve inconsistencies (Tsang 2002). In sum, when individuals are faced with inconsistent cognitions, they may be motivated by cognitive dissonance to rationalize immoral behaviors to moral

behaviors, whereas those motivated by self-affirmation could admit their wrongdoings and reaffirm themselves as good (Tsang 2002).

In contrast, drawing on Moral Disengagement theory, individuals are motivated to rationalize their immoral behavior by guilt avoidance (Tsang 2002). Moral disengagement is defined as a process adopting diverse moral reasoning strategies to justify or excuse immoral conduct (Bandura 1999; Bandura *et al.* 1996; Bhattacharjee & Reed 2013). Scholars link the psychological discomfort to self-sanction mechanisms which keep in line with moral standards. In other words, individuals should refrain from behaving in ways which violate their moral standards and do what can maintain a positive self-image; otherwise they will experience self-condemnation (Bandura 1991; Bandura *et al.* 1996; Bandura 1999). Individuals can also avoid such guilt or self-condemnation through selective activation and moral disengagement of moral control (Bandura 1991; Bandura 1999; Bandura *et al.* 1996; Shu & Bazerman 2011).

In counterfeit context, counterfeit luxury products pose a moral dilemma for consumers who have developed an emotional attachment to the original brand. Given that consumers are concerned about behaving ethically and complying with common shared norms, like intellectual property right protection, we can infer that consumers wanting to buy counterfeit luxury brands need to minimize the gap between their moral standards and actual behaviors (Aquino & Reed II 2002; Shu & Bazerman 2011). They are effective in convincing themselves that their behavior does not violate moral standards, for this reconciles such conflicts derived from the

misalignment of their beliefs and actions (Bhattacharjee & Reed 2013; Hanzaee & Jalalian 2012; Tsang 2002). After going through a process of moral reasoning, individuals will use different moral reasoning strategies to reinterpret their immoral behaviors as less immoral by disengaging moral self-sanctions to avoid self-condemnation ("purchasing counterfeits of luxury brands is not as bad as some of the other horrible things people do"; "It is okay to buy one or two counterfeits of luxury brands, because it does not really do much harm"). Thus, this study includes moral rationalization as a class of reasoning strategies to moral disengagement.

If consumers recognize that it is absolutely morally wrong to purchase counterfeits, they will be less likely to adopt such a strategy. In contrast, when morality is ambiguous and questionable, it becomes easier to adopt the moral rationalization strategy. In line with this logic, the more individuals perceive counterfeit purchasing to be considered a moral issue, the less likely such reasoning strategy is to be adopted.

Hence, we posit:

H2 Moral recognition is negatively related to Moral Rationalization

Moral Rationalization allows individuals to convince themselves that their preferred counterfeit purchasing intention is consistent with their moral standards. Because of the weak enforcement of the anti-counterfeit law and ambiguity of the definition of counterfeit (Wanjau & Muli 2012), individuals can easily use the Moral Rationalization strategy to support their actions (Bhattacharjee & Reed, 2013). When

individuals face the vague social evaluation and moral standards of counterfeiting with a preference toward purchasing, this preference distorts their interpretations. Individuals do not go looking for evidence of their culpability or the adverse effects of counterfeit purchasing, but strive to maintain or enhance their positive self-regard with the ability to rationalize the ambiguous behavior (Ditto & Tannenbaum 2009). Therefore, we predict that:

H3 Moral rationalization is positively related to counterfeit purchase intention

Moral rationalization reduces the tension between desired benefits and individuals' moral standards by reconstructing the act of counterfeit purchasing so that a favorable self-serving moral judgment is reached. Moral judgments are made after an intentional, effortful, and controllable conscious process consisting of mental activity about transforming given information about people (Galotti 1989; Bargh, 1994; Musschenga, 2008). In our research consumers are more likely to be benefit-seeking, by restructuring their actions to be less immoral. So such a judgment is a kind of reasoned inference, searching for a relevant justification for morality (involving moral justification; euphemistic language; advantageous comparison; displacement of responsibility; diffusion of responsibility; distortion of consequences; attribution of blame (Bandura et al. 1996)), coordinating justification with situations, and reaching a judgment. Thus, we posit that:

H4 Moral rationalization is positively related to moral judgment

If individuals hold favorable moral beliefs towards counterfeits, in comparison to those who believe such behavior is immoral, they will be more likely to purchase counterfeit brands (Wilcox & Sen 2009; Fernandes 2013). Previous studies based on Moral Development theory have consistently confirmed that the higher stage of moral judgment leads to a lower incidence of unethical behavior (Trevino 1992; Prendergast & Phau 2002; Fernandes 2013). In contrast, taking perspective of Social Cognitive theory, in different moral predicaments, different moral standards will be employed based on the given situation rather than relying on one type of moral standard consistent with one stage of moral reasoning (Bandura 1991; Bandura 1999; Bandura *et al.* 1996). Thus, we predict that:

H5 Moral judgment is positively related to counterfeit purchase intention

Moral decoupling

Consumers may pursue a distinct reasoning strategy to not be involved in improper behavior, defined as Moral Decoupling by Bhattacharjee and Reed (2013). While other individuals may adopt the Moral Rationalization strategy, still facing condoned improper behaviors, but because their psychological process chose to defend the improper conduct they avoid violating their moral principles. Moral decoupling involves disconnecting certain moral judgments from another set of evaluative judgments to avoid self-sanction. When individuals choose to purchase counterfeits

they do not need to rationalize the immoral act in an attempt to make it less immoral, rather, they can choose to morally decouple by separating the immoral behavior from the performance of counterfeit purchasing, such as economic benefits and brand conspicuous.

If the purchasing of counterfeits is clearly an immoral behavior, then it is difficult for individuals to dissociate from the performance. However, when morality is questionable it is realized by individuals, and it becomes easier for them to adopt the Moral Decoupling strategy. That is, the more individuals perceive counterfeit purchasing to be considered a moral issue, the less the Decoupling strategy is adopted.

Following this sight, we argue that:

H6 Moral recognition is negatively related to moral decoupling

Consistent with the above, moral decoupling resolves the dissonance between the acquired benefits of counterfeit purchasing and moral standards. More specifically, though moral decoupling has seldom been examined in current research, it is easy for individuals to justify and thus is adopted for immoral behaviors (Bhattacharjee & Reed 2013). Thus, we predict that:

H7 Moral decoupling is positively related to counterfeit purchase intention

Moral decoupling, as a psychological separation process, selectively alters the manner in which an individual views counterfeit purchasing behavior to be associated with the performance. When individuals adopt the strategy, they focus on the social benefits (i.e. image, status consumption, etc.) and economic benefits (i.e., perceived fashion content, physical appearance, performance, scarcity etc.) (Liao & Hsieh 2012). Thus, we propose that:

H8 Moral decoupling is positively related to perceived benefit

When individuals only select the performance of benefits of counterfeit purchasing, they will be motivated to only address the functional or hedonic performance of counterfeits which could both satisfy their conspicuous and/or practical needs. Thus, we posit that:

H9 Perceived benefit is positively related to counterfeit purchase intention

Methodology

Context

This study was conducted in China. Two reasons were taken into account for choosing China as our research context. First, China is perceived as one of the main producers of counterfeit goods and is the country with the largest consumption rates of luxury products, accounting for about 28 percent of the global consumption, according to the

official report from the *World Luxury Association* in the year 2012 (Zhang 2012). Secondly, the weak enforcement of Chinese intellectual property right protection and proliferation of luxury counterfeits creates moral ambiguity amongst the public (Wanjau & Muli 2012). As a result, the public can easily find excuses for purchasing counterfeit products. Thus, China provides us with an appropriate context to examine moral reasoning strategies in the cognitive process of luxury counterfeit consumption.

Data collection

According to Gerbing and Anderson's (1988) recommended procedures, we developed a questionnaire. To begin, an English-version was created only after interviewing consumers, some of which had experience in purchasing luxury counterfeits, while others did not, and conducting a broad literature review. Following this, two independent translators were employed to translate the English questionnaire to its Chinese equivalent. A Chinese to English translation process was then utilized to ensure consistency in conceptual equivalence. For the purpose of ensuring face and content validity, five in-depth interviews with two marketing professors and three consumers were conducted through random sampling. The questionnaires were then revised in accordance to their responses to help ensure its completeness, relevance, and clarity. Following this a pretest was conducted with a sample size of thirty consumers. In addition to completing the questionnaire these individuals provided useful feedback on the overall design and wording. The questionnaire was then refined and finalized based on the results.

The data for this study was collected using both online and offline surveys. To distribute the online survey the questionnaire was sent to the website, Qualtrics.com.

Respondents were solicited through some well-known social-networking websites, professional business forums, and a mail-list which our research team obtained. Invitations were then sent to the potential respondents, detailing that all of their personal information will be kept strictly confidential and that they will be paid for their participation. To complete the offline survey, we used a convenient sampling method to collect data. The members of our trained research team sent our questionnaire to shopping mall customers in select Chinese cities, such as Hangzhou and Shanghai.

In total, 334 usable responses were obtained, leading to a 38.5% response rate. Of the 334 responses, 313 came from the online survey, while the remaining 21 respondents completed the offline survey. The demographics indicate that 31.2% of the respondents are male, while 68.8% are female. Among the respondents, approximately 75.1% are between 20 and 29 years old, 18.5% are between 30 and 39 years old, 4.1% are between 40 and 49 years old, while 1.5% are between 50 and 59 years old, and the remaining 0.9% are over 60 years old. The distribution of education indicates respondents have a high level of education, with 97.4% having a college education. Contrary to high levels of education meaning a higher income, the distribution of monthly disposable income indicates that well-educated young Chinese people earn less money, with approximately 66.8% of respondents having less than 3000 RMB of disposable income every month.

In addition, no-significant T test on age, monthly disposable income, education and key constructs between early and late respondents indicate that there are any existing no-response biases. Furthermore, the same test was conducted between online and offline respondents and no significant differences were found.

Measures

The constructs included in this study were moral recognition, moral rationalization, moral decoupling, moral judgment, perceived benefit, and counterfeit purchase intention, which were measured using 7-point multi-items scales (1=“strongly disagree” - 7=“strongly agree”) drawn or adapted from established literature.

Moral recognition

Moral recognition was measured by a single item adapted from the work of Valentine and Hollingworth (2011). Respondents were asked “whether the action of counterfeit purchasing involved moral issues or not?”

Moral rationalization

Moral rationalization was measured using 8-item scales adapted from previous studies (Bandura *et al.* 1996; Bhattacharjee & Reed 2013). Respondents were asked to indicate the degree to which the below statements were consistent with what they truly thought: (1) it is alright to purchase counterfeits of luxury brands (moral

justification); (2) it is not a bad thing to buy one or two counterfeits of luxury brands (euphemistic language); (3) purchasing luxury brand counterfeits is not as bad as some of the other horrible things people do (advantageous comparison); (4) people should not be at fault for purchasing counterfeits of luxury brands because of the convenience of such behavior in recent society (displacement of responsibility); (5) people should not be at fault for purchasing counterfeits of luxury brands when so many other people do it (diffusion of responsibility); (6) it is unfair to blame such purchasing behaviors because it is probably the fault of business environments around us (displacement of responsibility); (7) it is okay to buy one or two counterfeits of luxury brands because it does not really do much harm (distortion of consequences); (8) it is not our fault to buy counterfeits of luxury brands because the price of authentic brands are too high (attribution of blame). Except for item 3, all the items were retained, leading to a measure with a Cronbach's alpha coefficient of 0.87.

Moral decoupling

We adapted the measure of moral decoupling from the work of Bhattacharjee (2013), using three items to assess the extent to which such reasoning strategy was employed by respondents in considering purchasing counterfeits of luxury brands, ranging from “strongly disagree” to “strongly agree”. Respondents were asked to rate each item: (1) the immoral actions of purchasing counterfeits of luxury brands do not change my assessment of benefits provided by counterfeits; (2) perceived benefits should remain separate from judgments of morality towards purchasing counterfeits of luxury brands;

(3) reports of wrongdoing should not affect our view of buying counterfeits. All items were retained after reliability and validity tests.

Moral judgment

We developed the measure of moral judgment towards purchasing counterfeits of luxury brands on the basis of Reidenbach and Robin (1990). They operationalized ethical judgment or moral judgment as a multidimensional scale that consists of three dimensions: moral equity, moral relativism and moral contractualism. Moral equity was defined as an individual perception of what is right or wrong based on a broad or fundamental decision in terms of inherent fairness or justice. Moral relativism was also defined as an individual perception of what is right or wrong based on requirements, guidelines, and parameters embedded in social or culture systems. As for moral contractualism, it is more concerned with notions of implied rules and obligations or duties. Thus, we captured these three dimensions of moral judgment by using the following five items: (1) it is morally right to purchase counterfeits of luxury brands (moral equity); (2) it is acceptable for my family to purchase counterfeits of luxury brands (moral equity); (3) it is traditionally acceptable to purchase counterfeits of luxury brands (moral relativism); (4) it is culturally acceptable to purchase counterfeits of luxury brands (moral relativism); (5) it is tacitly promised to purchase counterfeits of luxury brands in recent business environments (moral contractualism). The Cronbach's alpha coefficient is 0.87 and no items were deleted.

Perceived benefits

Perceived benefits, adapted from Xuemei Bian (2009), were measured by three items reflecting the degree of benefits consumers perceived from counterfeit purchasing. Respondents were asked to rate each item: (1) the quality of luxury counterfeit metrics the price; (2) luxury counterfeits can bring you prestige; (3) luxury counterfeits may function well.

Counterfeit purchase intention

We adapted measures of Counterfeit purchase intention from Teng and Laroche (2007) using 4 items: (1) I would definitely intend to buy counterfeits; (2) I would absolutely consider buying counterfeits; (3) I would definitely expect to buy counterfeits; (4) I would absolutely plan to buy counterfeits. The Cronbach's alpha coefficient is 0.91 and no items were deleted.

Unidimensionality, reliability and validity

All scales were subjected to a process of refinement involving a series of unidimensionality, reliability and validity assessments. First off, an exploratory factor analysis on all of the items from the six constructs (moral recognition, moral decoupling, moral rationalization, moral judgment, perceived benefit and purchase intention) was run in software STATA. The results indicated that there were six factors whose eigenvalue was greater than one as theoretically expected, and each item only

loaded on one single factor. We also conducted EFA on items for each construct; the result was as theoretically expected, suggesting the unidimensionality of measures. This was followed by a confirmatory factor analysis and the results indicated that there was one single item (item 3 of moral rationalization) whose factor loadings was less than 0.5. After the unqualified items were deleted, we ran CFA in software Lisrel again, the fit statistics of measurement model presented a good fit to the data ($\chi^2/df \approx 3, RMSEA = 0.08, NFI = 0.94, CFI = 0.96$), also suggesting the unidimensionality of measures (Anderson & Gerbing 1988). Cronbach's alpha, average variance extracted and composite reliability coefficients were calculated based on purified and unidimensionality measures for each construct. As seen in the table 1, the value of Cronbach's alpha ranged from 0.80 to 0.91 greater than the 0.7 threshold level accepted for perceived benefit (0.64). However, for statistical consideration of social research, Cronbach's alpha coefficients even as low as 0.55 can be accepted, so the reliability of perceived benefits was also deemed adequate for this study (Hatcher, 1994). The composite reliability and average variance extracted (AVE) exceeded or equaled the threshold level of 0.6 and 0.5 respectively. Furthermore, all factor loadings were highly significant at a 1% significance level. Together, the test results mentioned above demonstrated adequate reliability and convergent validity.

We addressed the divergent validity in two ways. First, we ran a chi-square difference test for two-factor confirmatory measurement models with each possible pair of all the constructs (15 tests) to determine whether the restricted model (correlation between the two constructs was fixed to 1) was significantly worse than the

unrestricted model (correlation between the two constructs was estimated freely) . All the χ^2 differences between each of the restricted with the unrestricted models were highly significant (e.g., moral decoupling and moral rationalization: $\chi^2(1) = 70.44$, $p = 0.00$), and in every instance the restricted models showed a worse data fit, thus providing evidence of discriminant validity (Anderson & Gerbing 1988). Second, following the recommendation from Fornell and Larcker (1981), we verified that the AVE for each construct was greater than its shared variance with other constructs represented by the square of its correlations with other constructs (see table 1), in support of discriminant validity.

Insert table 1 about here

Common method bias test

Common method variance (CMV) may be a concern when we use a self-report questionnaire to collect data from the same participants at the same time, especially, if the information of dependent variables and independent variables are perceptual measures and derived from the same informants (Podsakoff & Organ 1986). If we do not control for this, the problem will cause systemic measurement errors which will inflate or deflate observed relationships between constructs in the study, generating type one and two errors. Researchers called this problem a common method bias, and recent research works have recommended some remedies to avoid or correct CMV (Chang & Eden 2010). These remedies are categorized by ex ante and ex post, where

the former are implemented in the design stage and the latter are implemented in the data analysis stage (Chang *et al.* 2010). We addressed ex ante remedies by assuring informants anonymity and confidentiality, informing participants that there were no right or wrong answers, but that they should answer honestly, clarifying items to ensure ambiguous and unfamiliar items are not included, and randomizing the order of the questionnaire with the Qualtrics.com website. We also applied ex post remedies as follows. First, we employed the Harman one-factor test (Podsakoff & Organ 1986). The un-rotated factor analysis, based on principle component method, results indicated that there was no one general factor accounting for the majority of variance, suggesting the CMV is not significant. Secondly, given the insufficiency of the Harman one-factor test (Podsakoff *et al.* 2003), another useful remedy, and marker variable technique recommended by Lindell and Whitney (2001) was applied in this study. Inconsistent with many previous works which identified a marker variable theoretically unrelated at least one variable in the study and for fear of capitalizing on chance factors, we used the second smallest correlation (0.02) among manifest variables as proxy for CMV in this study (Lindell & Whitney 2001; Malhotra *et al.* 2006). After controlling for CMV, correlations that were significant before remained significant (see table 1), suggesting that CMV unlikely has an effect on the findings of this study.

Analysis and results

Insert table 2 about here

The proposed structure model shows a satisfactory fit to data. As suggested by table 2, all fit indices are within an acceptable range, the chi-square statistic is 674.62 with 200 degrees of freedom and is significant at the 1% level ($p=0.00$). The NFI-value (0.94) and CFI-value (0.96) are both above the 0.9 requirements. The RMSEA-value is 0.08, indicating an acceptable fit of the data (Hu & Bentler, 1999).

As table 2 shows, the moral recognition is not significantly related to counterfeit purchase intention, thus H1 is rejected, indicating that moral recognition does not have a direct effect on the purchase intention. As predicted by H2, the moral recognition has a significant negative impact on moral rationalization ($r=-0.94$; $p=0.00$). The moral rationalization significantly affects moral judgment ($r=0.66$; $p=0.00$), in support of H4. Consistent with H5, the relationship between the moral judgment and the purchase intention is positive and significant ($r=0.16$; $p=0.05$). However, the effect of the moral rationalization on the purchase intention is not significant, indicating that moral rationalization does not directly affect the purchase intention, thus H3 is not supported. Moral recognition is hypothesized to affect moral decoupling negatively (H6), and the result supports H6 ($r=-0.91$; $p=0.00$). Consistent with H8, the effect of moral decoupling on the perceived benefit is positive and significant ($r=0.46$; $p=0.00$). Furthermore, the perceived benefit is positively related to counterfeit purchase intention as predicted by H9 ($r=0.55$; $p=0.00$). However, inconsistent with H7, the relationship between the moral decoupling and the perceived benefit is not significant, indicating that moral decoupling does not directly affect the

counterfeit purchase intention.

Conclusion and discussion

In our research, we argue that immoral behavior in counterfeit consumption is motivated by two different moral reasoning processes, respectively, moral rationalization through moral judgment and moral decoupling through perceived benefits. In this research, we studied (1) whether moral recognition impacts counterfeit purchase intention, (2) how such intention is increased by moral rationalization under moral recognition context, in which consumers involved in moral issues of counterfeit consumption; and (3) how moral decoupling, a different moral reasoning strategy characterized by a distinct intervening process, increases such intention. We find that moral recognition has no significant direct effect on counterfeit purchase intention, but significant positive indirect effect through two distinct processes, moral rationalization and moral decoupling respectively, with the former through moral judgment and the latter through perceived benefits. We also find that the more consumers recognized the morality of counterfeit consumption, the more difficult moral rationalization and moral decoupling strategies are to adopt.

Our research contributes new work on an under researched phenomenon in the context of counterfeit consumption. By suggesting that even if consumers recognize the moral issues towards consumption, they may choose to buy counterfeits. Our research advances understandings of immoral consumption. We conjecture that when consumers are facing the moral dilemma of counterfeits, in which to obey the moral

principle would result in the forgone benefits; they may prefer benefits of counterfeits through purchasing. Additionally, even if the relationship between moral recognition and purchase intention is un-significant as indicated by empirical results, which is inconsistent with previous research (Michaelidou & Christodoulides 2011; Wilcox *et al.* 2009), possibly, it is due to the ambiguity of moral issues embed in counterfeits of luxury brands.

Secondly, we contribute to literature that tries to provide new perspective, moral disengagement to explore the moral mechanisms in the context of counterfeits. We argue that consumers are likely to justify their behavior to avoid self-condemnation instead of resolving dissonance or reaffirming themselves as good. They may adopt distinct moral strategies to activate corresponding processes by which such reprehensible or culpable consumption actions can be disengaged from self-sanctions, such that the guilt of immoral consumption felt by consumers is alleviated without violating moral standards.

Thirdly, we examine two types of moral reasoning strategies, Moral Rationalization and Moral Decoupling, providing consumers with convenient tools to implement moral disengagement with recognition of moral issues in counterfeit consumption. Our empirical results verified that moral rationalization lead to positive moral judgment, thus increasing counterfeit purchasing intentions, which is an individual internal forming process involved in the assessment of morality. We also examined the mechanism of moral decoupling in counterfeit purchasing, in which the evaluation object is the product and performance is subjective. Our empirical results show a

completely different process in which moral decoupling leads to positive perceived benefits other than moral judgment, thus increasing purchase intentions, suggesting that moral decoupling makes consumers avoid self-sanction without activation of morality assessment.

Managerial implications

Admittedly, counterfeiting is emerging as a serious global issue, as it tarnishes genuine brands, causes losses of revenue to authentic brands, defrauds consumers, results in unfair competition to legitimate companies, generates employment dislocation, and poses danger to consumers and national safety (Chakraborty *et al.* 1997; Furnham & Valgeirsson 2007; Phau *et al.* 2009). Given the negative impacts of this illicit industry, countries have tightened their laws and regulations against counterfeiting and have been educating the public on its immorality, usually using sayings such as, “To buy a counterfeit good is stealing from others’ wallets” or “Buy a fake Cartier, get a genuine criminal record”. Nevertheless, counterfeiting continues to flourish and is arguably more pervasive than ever.

Luxury brand managers and policy makers should be aware that the reason why counterfeits of luxury brands are prevalent is not because of lack of recognition of morality. Despite being well informed that “counterfeiting is stealing”, consumers still voluntarily and deliberately buy counterfeit goods. In light of our findings, though consumers are aware of the immorality of counterfeit consumption, when such morality is ambiguous and questionable they may disengage from self-sanction so as

to hold a belief that purchasing is related to real consumption behavior. Therefore, marketers and policy makers should communicate to consumers just how harmful and immoral the purchasing of counterfeits is. Ronald K. Noble, the Secretary General of *Interpol*, said “the counterfeiting rackets are run by crime syndicates that also deal in narcotics, weapons, child prostitution, human trafficking and terrorism”.

To prevent moral rationalization in the future, different messages should be presented to consumers explicitly by means of promotional advertisements, public campaigns, or even formal education systems. For example, “buying counterfeits of luxury brands is absolutely wrong in any case”, which prevents consumers from justifying their immoral behavior; “Buy a fake Cartier, get a genuine criminal record” (French luxury goods group Comite Colbert), which prevents consumers for masking reprehensible activities with use of “one or two doesn’t matter”; “buying a fake products is the same as stealing someone's purse” (French luxury goods group Comite Colbert), which uses a method of comparison with a unarguable immoral behavior; “Real ladies don’t like fake”(French luxury goods group Comite Colbert), which emphasizes appreciation of individual consumers rather than external temptation, suggesting this responsibility should belong to oneself; “knock-offs enslave kids ; knock-offs kill kids; knock-offs terrorize kids” (United Nations International Children's Emergency Fund), which tells consumers how severe the conduct is for others.

As for moral decoupling, to effectively reduce the probability of adopting such moral reasoning strategy by consumers, marketers and policy makers should not only place more effort in informing consumers that the economic and social benefits from

counterfeits are accompanied by potential risks posed on themselves and others, but should also emphasize that counterfeit purchasing is absolutely not a means of self-expression.

Limitations and future research

There are several limitations to this study which should be explored in the future. First, we have collected data only from one country, China, which limits the generalizability of the findings. Future studies should gather data from across countries as consumer characteristics may change geographically across cultures. In addition, when consumers face a moral dilemma, the selected moral reasoning strategy may depend on consumer characteristics, so future research should also investigate such moderator for further analysis. Lastly, future studies should consider whether these results would hold true for other product categories.

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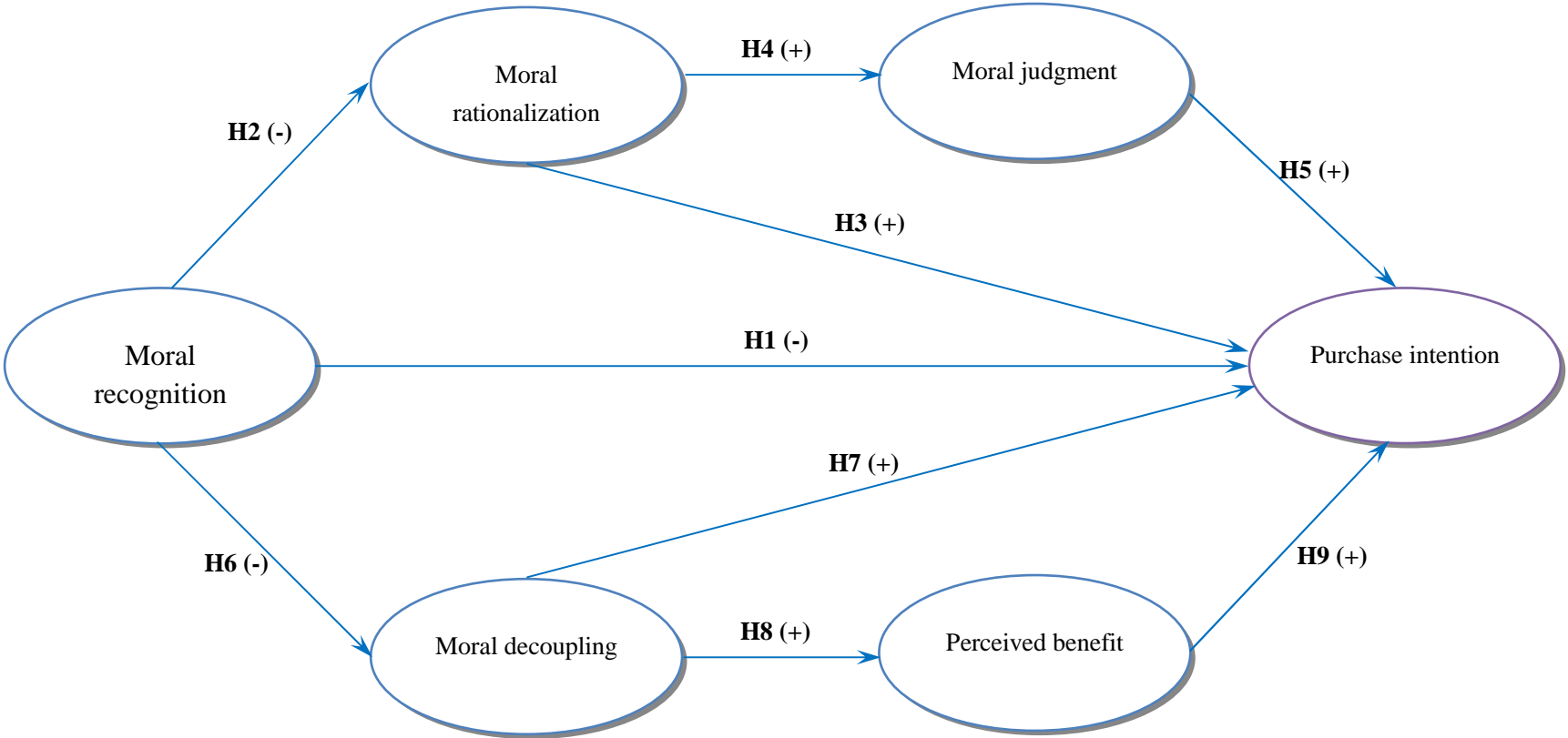
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Figure

Figure 1 Conceptual framework



Table

Table 1 Statistics and correlation matrix

	Mean	S.D.	AVE	Composite reliability	1	2	3	4	5	6
1. Moral recognition	3.55	1.75	0.79	0.79		-0.37***	-0.36***	-0.33***	-0.10*	-0.15***
2. Moral rationalization	4.36	1.12	0.50	0.87	-0.34***	0.86	0.69***	0.59***	0.37***	0.35***
3. Moral decoupling	4.76	1.27	0.60	0.82	-0.33***	0.70***	0.80	0.46***	0.24***	0.16***
4. Moral judgment	4.47	1.17	0.57	0.87	-0.30***	0.60***	0.47***	0.86	0.44***	0.40***
5. Perceived benefit	3.90	1.37	0.50	0.65	-0.08***	0.38***	0.26***	0.45***	0.64	0.47***
6. Purchase intention	3.13	1.38	0.73	0.92	-0.13***	0.36***	0.18***	0.41***	0.48***	0.91

Notes. * p<0.1. ** p<0.05. *** p<0.01; the value of dialogue are estimates of reliability coefficient (Cronbach's alpha); the upper triangular matrix displays corrected correlation coefficients considering CMV; the lower triangular matrix displays uncorrected correlation coefficients.

Table 2 Results of path analysis

Hypothesis	Path	Expect sign	Standardized estimates	Supported vs not supported
H1:	Moral recognition → Purchase intention	-	-0.65	Not supported
H2:	Moral recognition → Moral rationalization	-	-0.94***	Supported
H3:	Moral rationalization → Purchase intention	+	-0.65	Not supported
H4:	Moral rationalization → Moral judgment	+	0.66***	Supported
H5:	Moral judgment → Purchase intention	+	0.16**	Supported
H6:	Moral recognition → Moral decoupling	-	-0.91***	Supported
H7:	Moral decoupling → Purchase intention	+	-0.85	Not supported
H8:	Mora decoupling → Perceived benefit	+	0.46***	Supported
H9:	Perceived benefit → Purchase intention	+	0.55***	Supported
Goodness of Fit Statistics		$\chi^2 = 660.77; p = 0.00; \chi^2 / d.f. = 3.3; RMSEA = 0.08;$ NFI = 0.94; CFI = 0.96		

Notes. * p<0.1. ** p<0.05. *** p<0.01

