

Analysis of Counterfeit Purchase Based on Cognitive Dissonance

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Keywords: rational actor, cognitive dissonance, counterfeit purchase

Abstract: This study re-examined the rational actor model by considering its limitations and further modifications, including bounded rationality and bounded will power. Economic decision making, in fact, is affected by many psychological factors, and the application of cognitive dissonance theory in economic field is one of the indications. It reveals that the dissonance between attitude and behavior would raise an uncomfortable tension which can motivate individuals to either change behavior or attitude to release the tension. This study analyzed counterfeit purchase behavior based on the theory and revealed consumers coping strategies. The theory also provides prevention methods to mitigate counterfeit purchase.

1. Introduction

Behavioral economics is an interdisciplinary field that integrates psychological factors into economic models. Before such trend, most mainstream of economic assumptions are based on the rational actor model which is first developed by Adam Smith in his book *An Inquiry into the Nature and Causes of the Wealth of Nations* [1]. With the consideration of self-interest and rationality, the model proposes that, in decision making process, all human agents' goal is to maximize benefits and minimize costs. This model emphasizes self-interest as human nature. It also assumes that individuals have extensive information on available choices, and they would constantly pursue the highest expected utility. Many economists believe that economy as a whole can also benefit from individuals' rational calculations that result in their own best interests.

However, there are some new insights of decision-making behavior emerging from psychology research. In fact, human beings are not able to consistently make optimal choices due to some cognitive limitations. The rational actor theory could not predict decision-making behavior accurately without reference to some boundaries, including bounded rationality and bounded willpower.

Herbert Simon addressed a modification to the rational actor model by suggesting the term "bounded rationality". Since the information, time, and human cognitive ability are all limited in real life situations, people cannot be expected to unboundedly rationalize and optimize decisions. Selecting the most profitable option requires extensive and comprehensive information, but the search of alternatives, information, and consequences is usually selective and incomplete, which prevent individuals to achieve the absolute maximum. He also proposed that, instead of searching for all

possible alternatives and pursuing the optimal, people usually perform limited searching and accept the satisfactory outcomes in line with minimum level of preference [2] [3]. Consider loss aversion in real economic context. Studies showed that the pain of loss is twice as powerful as the pleasure of gaining [4]. Park et al. conducted an automobile customization study which asked participants to either add options to a base model or delete options from a fully loaded model, and the result showed that participants tend to choose more options in the subtractive task, which illustrated the effect of loss aversion [5]. Moreover, the prospect theory proposed by Kahneman and Tversky asserts that the gains and losses are evaluated subjectively by the reference point, and losses tend to be valued more than gains [6].

It is also worthy to consider human's limited willpower in the rational actor model because an optimal decision-making process requires consciousness and self-control, and people tend to be affected by subtle biases. In economic contexts, present bias refers to the tendency that people weigh immediate payoffs more than increased future payoffs. O'Donoghue and Rabin's research indicated that people prefer to receive 10 dollars today over 15 dollars tomorrow, but they wouldn't mind waiting an extra day to receive an increased amount if the time is one year from today versus one year and one day from today [7]. In this case, people failed to make the best decision because the bounded willpower prevents them from accepting delayed gratification.

2. Cognitive Dissonance Theory

According to the cognitive dissonance theory developed by Festinger, an uncomfortable tension would appear when people have conflicting behaviors and beliefs, and they are motivated to change their behaviors or beliefs to reduce the tension [8]. Although it is used to be widely studied in social psychology field, it also has many implications on people's economic decision-making behavior. When this theory is taken into consideration, many conventional economists' belief would be challenged. In models of economic decision-making, human cannot be simply viewed as a rational agent who always makes decisions to maximize utility. They may also alter their behaviors or attitudes to achieve internal assonance.

A classic study conducted by Festinger and Carlsmith gave participants a boring task, and then asked them to tell another person that the task was interesting. Those who received \$20 to do so still thought the task was boring while those who received only \$1 believed the task was somehow enjoyable. Apparently, 1\$, as an external factor, was not enough for them to justify their behavior, so they changed their beliefs internally [9]. In application in economics, Akerlof and Dickens found that workers in hazardous industry often experience dissonance between their work and their fear of accidents. Thus, they changed their belief to think the industry is safe in order to alleviate the dissonance. This belief alternation leads them failed to use safety equipment due to the underestimation of risks [10]. Moreover, many recent studies have focused on how cognitive dissonance theory affects underpaid workers on their perceptions. For underpaid workers, a dissonance would arise due to the inconsistency of their effort and small reward they get. In order to reduce the dissonance, they tend to view the job more positively to justify their effort. Liu and Sundar study showed that underpaid workers with cognitive dissonance rated their participation as more important than those who were paid higher [11].

Although Festinger's original version of cognitive dissonance theory is widely accepted, many scholars proposed other alternative theories based on further studies regarding dissonance and motivation.

One of the alternations of dissonance theory is offered by Aronson. He stated that dissonance is created by the conflict of self-concept and behaviors. In his statement, people desire to perceive

themselves positively, and when they behave in a way that is contradict to the positive self-concept, dissonance would happen [12]. It can help to explain over-consumption behavior which is opposed to the rational actor model predicting people are supposed to consume the most cost-effective products with better quality and less money. Hirsch hypothesized that once basic necessities are fulfilled, people would allocate more expenditures for status seeking [13]. Due to scarcity of upper social class, people who failed to obtain one may purchase products with above-average price or luxury brands in order to ease the dissonance of their desire and the lack of social status.

A further developed theory is confirmation bias proposed by Wason. People's initial beliefs can lead to overestimation consistent information and ignoring other inconsistent information [14]. This motivation can be explained as people try to seek for more consistent information to avoid appearance of dissonance. Study found that consumers are motivated to seek for positive information to affirm their decision of purchase in order to relieve the post-purchase dissonance [15].

3. Counterfeit Purchase and Dissonance

A consumption behavior frequently involved with cognitive dissonance is counterfeit purchase. In the circumstance of counterfeit purchase, there are two distinct concepts—deceptive (consumer buying counterfeits without knowing because they are identical to original brands) and non-deceptive (consumer can distinguish counterfeits from original brands) [16]. In the following, we only discuss non-deceptive counterfeit purchase that consumers have awareness and intention to choose counterfeits.

As mentioned earlier, consumption not only serves to satisfy the needs of life but also serves as competing for social status. There are many benefits for higher social status, but the space is very limited. Thus, people who desire but failed to obtain a high social status may experience a dissonance. This dissonance is generated because they try to preserve a positive self-concept in social comparison while their actions do not enable them to achieve a higher status. To reduce this unpleasant tension, they can improve their performance and pave a way to earn a higher rank, but most people would follow an easier way to over consume pricy products showing they are able to afford them. Consumption of pricy popular brands, people would acquire satisfaction due to positive feeling of self in social comparison.

However, products like jewelry, watch, clothing, and shoes from popular luxury brands are expensive and sometimes over-priced, and many people could not afford them or not consider them as worthy in terms of the price. This is when counterfeit purchase gets involved. People can spend much less money on counterfeit to demonstrate same results that they are able to afford branded pricy products and they “belong” to particular social groups. Yet, since counterfeit is harmful for copyright and illegal, consumer with awareness of this deceiving process and negative consequences would justify their behavior by modifying attitudes toward counterfeit purchase. According to a qualitative study, Eisend and Schuchert-Guler summarized consumers coping strategies into three categories: 1) devaluating the importance of purchase behavior; 2) enhancing value of counterfeit; 3) devaluating the value of authentic brands. People tend to use excuses as “everybody buys fake products” to minimize the effect of their own behaviors. Also, some people attribute more positive effect on counterfeit purchase, such as “counterfeits can help the economy of the country” while other consumers justify their behavior by re-interpreting the non-choosing alternatives and thinking the original product costs too much and is not worthy [17].

4. Discussion

When these strategies are more accessible in people's mindset, it is easier for them to purchase counterfeits. Whether cognitive dissonance would arise and the degree of dissonance depend on people's moral beliefs and awareness of copyright. To reduce the dissonance, people can either apply these coping strategies or change consumption behaviors. In a qualitative study conducted by Pueschel et al., some consumers from Middle East countries reported that they do not have concepts of patent or copyright because they think people should invent things to benefit others without asking for rewards [16]. It would be hard to prevent counterfeit purchase if consumers lack awareness. Governments should implement more education about copyright through various media and education institutions. With an improvement of awareness, consumers would find coping strategies less persuasive so that they would reduce counterfeit consumptions.

Also, due to the widespread and accessibility of counterfeit products, many consumers do not perceive any legal risks toward their consumption. Pueschel et al. stated that some interviewees think there is no explicit cues indicating counterfeit product consumption is illegal and these products are everywhere [16]. Thus, it is critical to limit counterfeit production through law enforcement. Government may strengthen investigation and punishment toward counterfeit production. Since internet is a main platform for counterfeit trading, business managements and law enforcement agencies need to actively monitor electronic shopping to report any counterfeit trading in order to protect company's intellectual property. In this way, consumers would perceive more legal risks when making the purchase. Also, the cost of counterfeit production would increase. When perceived risks and costs are high enough, consumers can no longer take advantages from it and thus stop counterfeit consumptions.

Finally, one thing to notice is that when consumers voluntarily purchase counterfeits, their goal is to pretend they are capable of affording luxury products so that they can feel satisfaction in social comparison with others. It also reflects social and income inequality in the whole society. Government should place more efforts on resources distribution to reduce the gap between different social classes. Then as people perceive less dissatisfaction in social comparison, they would exhibit fewer pretending behaviors.

5. Conclusion

The study reviewed a few limitations of the rational agent model in predicting economic decision-making behavior by proposing bounded rationality and bounded willpower of human nature. This study is based on the cognitive dissonance theory and explored the effect on non-deceptional counterfeit purchase behavior. We discussed consumers' coping strategies for moral justification and to release the uncomfortable tension from dissonance between behavior and belief. We also proposed some implications for marketing and government strategies against counterfeit consumption. Since counterfeit is a prevalent threat for many countries, law enforcement of copyright should be strictly applied to limit counterfeit by increasing the cost and risk of production. It is also critical to use cognitive dissonance to prevent consumers from purchasing counterfeit products.

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