



## YOU CAN'T FOOL ME! OR CAN YOU? ASSIMILATION AND CONTRAST EFFECTS ON CONSUMERS' EVALUATIONS OF PRODUCT AUTHENTICITY IN THE ONLINE ENVIRONMENT

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### Article History:

**Received:** 26 July 2015  
**Revised received:** 29 August 2015  
**Accepted:** 15 September 2015  
**Online available:** 19 October 2015

### Keywords:

Counterfeit products,  
consumer behavior,  
contrast effect,  
assimilation effect

### Abstract

The majority of counterfeit products originate in East Asia. However, with help of online marketplaces, these products are disseminated all across the globe significantly and negatively impacting the marketplace. Therefore, a robust understanding as to how the presence of such products impact consumer perceptions of item authenticity is warranted. In light of a consumer's ability to compare product offerings online, this paper looks to contrast and assimilation effects to determine how consumers may perceive a product's authenticity. A framework and propositions for research in this area are offered as well as theoretical and managerial implications.

## 1. INTRODUCTION

The illegal practice of producing and selling counterfeit goods is a multi-billion dollar industry (Eisend *et al.*, 2006). This epidemic negatively impacts legitimate producers, and furthermore, the sell of counterfeit products has been tied to illegal activity such as both drug and human trafficking (Thomas, 2007; Wilcox *et al.*, 2009). Though production of these goods is highly concentrated in East Asia, the effect of this illicit industry is felt worldwide.

According to a 2014 U.S. Customs yearly seizure report, the top 5 confiscated counterfeit products include: wearing apparel/accessories, consumer electronics, pharmaceuticals/personal care, handbags/wallets, and footwear. According to the same report, much of these products came from China and Hong Kong (U.S. Department of Homeland Security 2014). Industry losses due to counterfeit products constitute billions of dollars with an estimated loss of \$12 billion in the apparel industry alone and another \$12 billion in the footwear industry (Burnsed, 2007). Clearly, as international trade has become more commonplace, so too has the dissemination of counterfeit goods. The advent of the Internet and the rise of online shopping appear to have only increased the purchase of such illicit goods. Table 1 displays Internet retail sales for the top five countries.

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**Table 1: Internet retail sales by country in 2012**

Country	\$MILLION
USA	186,942
China	75,322
United Kingdom	54,737
Japan	32,021
Germany	

Source: Cushman and Wakefield Research Publication (2013) Global Perspective on Retail: Online Retailing

The evaluation of an item's authenticity is often more complex when it comes to items offered online, and may help explain the rise in counterfeit sales. Berman (2008) explains how the market for counterfeit goods has increased as use of digital sales and auction platforms like eBay and Craigslist have grown. Several years ago, a suit filed by Louis Vuitton and Dior Couture claimed that 90% of the Louis Vuitton items on eBay were in fact counterfeits (Berman, 2008). Therefore, understanding how consumer perceptions of item authenticity are formed in an online environment is critical.

The purpose of this study is to build a framework that describes how the presence of counterfeit item offerings and the ability of a consumer to compare online product offerings impact his or her perception of the item's authenticity within an online environment. Literature on assimilation and contrast effects is utilized to develop propositions for empirical research in this area.

## 2. COUNTERFEITING FOR CONSUMERS

A counterfeit product is defined as "an illegally manufactured copy of a genuine brand" (Gentry *et al.*, 2006). The counterfeit literature has traditionally distinguished between two types of counterfeiting: deceptive and non deceptive. Deceptive counterfeiting occurs when a consumer purchases a counterfeit item without knowledge that the item is not authentic (Grossman & Shapiro, 1988; Wilcox *et al.*, 2009). Whereas, nondeceptive counterfeiting involves instances when a consumer knowingly purchases a counterfeit item or at least should have had strong suspicions that the item was not authentic (Grossman & Shapiro, 1988). Grossman and Shapiro (1988) elaborate on non deceptive counterfeiting by noting the public's awareness of such counterfeit goods within the fashion industry.

However, counterfeiters are getting better at mimicking authentic items. Thus, the dichotomy of deceptive and non deceptive counterfeiting may be viewed more as a continuum than two distinct entities (Global Business Leaders' Alliance against Counterfeiting, 2005; Wilcox *et al.*, 2009). This continuum makes it difficult for consumers to know exactly what they are purchasing, and it is becoming clear that what is non deceptive to one may be deceptive to another. That is, it is the individual's perception of deceptiveness that the researcher should be interested in, not whether an item should be classified as deceptive or non deceptive. For instance, OECD (2008) states "whether an infringement is marketed deceptively is not a property of the actual infringing good; rather it is determined by the individual consumer's perception" (p. 45).

Although the authenticity of online offerings is becoming harder to judge, there are certain elements of a product that can heighten one's awareness of deceptiveness. Mavalanova and Benbunan-Fich (2010) refer to these characteristics as "red flags", which signal that a particular item is counterfeit or that a seller is not to be trusted. Berman (2008) explores one of these "red flags", low price, by discussing that when the price is so low in comparison to the price of an authentic item, the individual should know that a counterfeit is being purchased. Another "red flag" involves the country from which the seller resides. As previously discussed, many counterfeit products originate in East Asia. A third "red flag" particularly pertinent in online contexts involves the visual depiction of the product. Because individuals are forced to rely on the text of the description and photos of the item, it is highly important that the pictures viewed depict the actual item and not a stock photo of an authentic item (Mavalanova & Benbunan-Fich, 2010). Finally, negative seller feedback evokes

another “red flag” and should also help signal to the shopper the type of goods that the seller provides. Thus, consumer trust can be communicated through feedback (Kim & Benbasat, 2003).

However, it should be noted that the absence of these “red flags” does not necessarily indicate that the item offered is authentic. It is very easy for counterfeiters to misrepresent their product offerings online by mimicking authentic listings and by masking important information (Mavlanova & Benbunan-Fich, 2010). For instance, counterfeiters can easily obtain photos of authentic items that are not stock photos, and can list their products at a price that is comparable to the price of authentic items being offered from licensed dealers. Oftentimes sellers of counterfeits have good feedback ratings, further obscuring the veracity of counterfeiting “red flags.” Thus, it is clear that researchers should focus on the perceptions of potential consumers, and that the online environment makes it more difficult to develop accurate perceptions because of one’s lack of ability to physically inspect these offerings. However, this discussion becomes even more complex when considering another major difference between traditional and online shopping experiences. The ability to rapidly shop and compare product offerings.

### 3. TRADITIONAL AND ONLINE SHOPPING

As already described, one critical factor that impacts consumer perceptions of counterfeit goods is the way by which the consumer shops. Shopping at traditional brick and mortar stores and shopping online can be strikingly different experiences. Clearly one’s inability to physically inspect online product offerings impacts one’s perception of an item’s authenticity. However, it may be that one’s ability to evaluate multiple online offerings from various sellers and selling platforms impacts this perception as well.

As Lin *et al.* (2010) state, “It is easier to compare products online than it is in a traditional retail outlet” (p.1527). For example, individuals viewing a product offering on eBay can often find the exact same item for sale on the same ecommerce website, or may view product listings of the same item on other websites such as Amazon, Craigslist, or the Chinese online marketplace-Taobao. This ability to compare item listings may impact how individuals perceive item authenticity in that perceptions of one item may impact perceptions of future items viewed. This leads to a discussion on assimilation and contrast effects.

### 4. ASSIMILATION AND CONTRAST EFFECTS

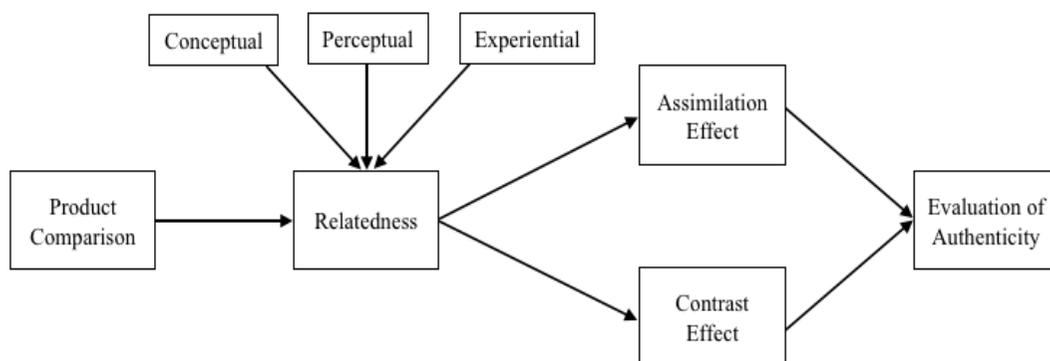
The assimilation and contrast effect literature describes how, under some conditions, evaluations have a carryover effect on subsequent evaluations (Shen *et al.*, 2010). This concept addresses the titular research question of whether the ability to compare item offerings by multiple sellers impacts an individual’s perception of item authenticity. That is, when an individual finds two comparable items, is his or her perception of the authenticity of each formed from an evaluation of the merit of the individual item (i.e., the amount of “red flags” and website trust signals in the listing), or is it partially dependent upon a comparison between the two items and their listings (i.e., the amount of “red flags” and website trust signals in the first viewed listing)?

According to Shen and associates (2010), an assimilation effect occurs when affective evaluations in one circumstance lead to the same affective evaluation in a subsequent situation. That is, viewing one product as deceptive or potentially counterfeit will cause future evaluations of similar products to be judged deceptive as well. On the other hand, a contrast effect occurs when affective evaluations in one situation lead to the opposite affective evaluation in another. For example, “An object will be judged heavier when it is evaluated in a series of light objects than when it is evaluated within a series of heavy objects” (Richins, 1991). In the context of this research, a product may be perceived to be less authentic in the presence of similar potentially counterfeited products (i.e. assimilation effect). On the other hand, a product may be perceived to be more authentic in the presence of similar potentially counterfeited products (i.e. contrast effect).

Although perceptions are expected to differ when comparisons are possible, the question of when an assimilation effect occurs as opposed to a contrast effect must be considered. The answer appears to depend partially on whether the experiences are related or unrelated to each other. Research suggests that assimilation effects are expected to occur when two events are perceived as being related, whereas contrast effects can be expected when two events are perceived as being unrelated (Shen *et al.*, 2010). For example, Lee and Labroo (2004) found less favorable attitudes toward a specific hair conditioner brand for participants who viewed an ad for lice shampoo (an unfavorable related product) as opposed to those exposed to a non-related ad, demonstrating an assimilation effect. Furthermore, Shen *et al.* (2010) found evidence for a contrast effect in that subsequent evaluations of a product were more favorable and product information was easier to process when the processing difficulty of the first product viewed was increased, as long as the two products were considered part of differing (unrelated) experiences.

Thus, the relatedness between the items being compared is key to determining whether a contrast or assimilation effect will occur. In discussing relatedness, Shen *et al.* (2010) state, “Two experiences can be related either conceptually (e.g., if they belong to naturally related categories, such as sports and shoes), perceptually (e.g., through the use of cosmetic features, such as a common border) or experientially (e.g., when people try to form a narrative of the two experiences)” (p. 881). Though these three conceptual distinctions should impact evaluations of authenticity in similar ways, their practical utility in the marketplace may look very different.

Compared to traditional, physical retail settings, in which consumers can only compare items to comparable offerings within the store, the online context provides unique and multifaceted avenues for product comparisons. Thus, evaluations of counterfeit products become more complex as product presentations are intermixed with individual consumer perceptions and comparisons across digital selling platforms. Figure 1 visually depicts the incorporation of relatedness as well as assimilation and contrast effects on evaluations of authenticity. When comparing two products, it is expected that the relatedness of either the products themselves or the platform on which they are being sold directly impacts whether or not an assimilation or contrast effect will occur, which in turn influences the consumer’s evaluation of authenticity. A more detailed analysis of this process follows.



**Figure 1: Impact of assimilation and contrast effects on evaluations of authenticity**

## 5. DEVELOPMENT OF PROPOSITIONS

In light of the previous discussion, the interrelationship of relatedness, assimilation, and contrast effects should be explored in greater depth. The three distinctions of conceptual, perceptual, and experiential relatedness provide unique avenues for research as well as applicable contexts consumers may encounter on a daily basis. Two distinctions of relatedness, conceptual and perceptual, are particularly important in the context of authenticity judgments and online comparisons. Table 2 provides examples of how consumers might interact with each of these depictions of relatedness.

**Table 2: Examples of contrast and assimilation effects**

Type of Relatedness	Assimilation effect	Contrast effect
Conceptual	Two similar products are viewed (i.e., luxury purses), leading to comparable evaluations.	Two different products are viewed (i.e., luxury purses and computers), leading to different evaluations.
Perceptual Experiential	Two products are viewed across the same selling platform (i.e., eBay), leading to comparable evaluations.	Two products are viewed across different selling platforms (i.e., eBay and Amazon), leading to different evaluations.

### 5.1. Conceptual relatedness

Described as the relatedness of two products to one another, conceptual relatedness occurs when a consumer compares offerings for the same product, or different products in related categories. This can range from a broad product category, such as clothing or furniture, to specific desires, such as a red blouse to wear to work or a small, brown coffee table. These products may form consumers' evoked sets.

When considering commonly counterfeited goods, such as purses, watches, or sunglasses, such product-to-product comparisons are critical in determining the authenticity of a particular item. While "red flags" may alert consumers to obviously suspicious features of a given product offering, this paper proposes that, the presence or absence of "red flags" in the first product offering viewed may in fact result in assimilation or contrast effects through product comparison which influences consumers' perceptions and evaluations of whether or not an item is authentic or counterfeit. In this case, comparing similar items to one another (i.e., comparing multiple offers for a similar purse) will result in assimilation effects occurring in which one's perception of authenticity of the first product offering will lead to similar perceptions of authenticity for the second product offering viewed. That is, if an individual first views an offering he or she perceives to be counterfeit due to "red flags," the second product viewed will be perceived to be more likely to be counterfeit due to the two offerings being conceptually related (i.e. belonging to the same product category). On the other hand, if the first product offering viewed is perceived to be authentic than the second offering viewed is expected to be perceived as more authentic. Thus,

P1: Comparing products conceptually similar to one another will result in an assimilation effect on evaluations of authenticity.

On the other hand, if consumers are searching for products among more than one product category at a time, such as purses and computers, perceptions of authenticity will not carry over across product categories. In line with the notion of contrast effects, evaluations of authenticity in one product category will result in the opposite evaluation in an alternate product category. That is, when shopping for commonly counterfeited purses before browsing listings for computers, which are not as commonly counterfeited, the computers may be viewed even more authentic when seen through the lens of the suspicious purse offerings. Therefore,

P2: Comparing products conceptually different from one another will result in a contrast effect on evaluations of authenticity.

### 5.2. Perceptual relatedness

Perceptual relatedness involves the context in which the products are being sold. In the online consumer-to-consumer marketplace, this could include popular websites like eBay, Amazon, and Taobao. In this case, whether the products themselves are similar or disparate is not as predominant an issue as whether the products are being compared within the same selling environment. For example, perceptual relatedness can display itself "through the use of cosmetic features, such as a common border" (Shen *et al.*, 2010). Though some sites allow sellers to customize their listings,

product offerings on the same ecommerce website should be viewed perceptually related due to similar cosmetic features within each offering (e.g. same logo, borders, site buttons and options).

When a consumer views multiple products within one website, authentically perceived items on one area of the website will enhance the authenticity of products throughout the website. On the other hand, when consumers compare products from one website to another, one digital seller’s palpability of counterfeit goods will enhance the other’s authenticity. Therefore,

P3: Comparing products across the same online selling platform will result in an assimilation effect on evaluations of authenticity.

P4: Comparing products across different online selling platforms will result in a contrast effect of evaluations of authenticity.

These propositions are depicted in Table 3 and provide an introductory overview to this context. Theoretical and managerial implications are offered as well as directions for future research.

**Table 3: Propositions for research**

Proposition	Expected Outcome	Example
P1: Similar products	Assimilation effect	Purse → Purse
P2: Different products	Contrast effect	Purse → Computer
P3: Similar selling platforms	Assimilation effect	eBay → eBay
P4: Different selling platforms	Contrast effect	eBay → Amazon

## 6. IMPLICATIONS AND FUTURE RESEARCH

When faced with determining the authenticity of an online good, consumers typically rely upon product “red flags” and seller trust signals. However, this research suggests that the search and or comparison of multiple product offerings may impact perceptions of authenticity due to contrast and assimilation effects. The viability of either effect depends upon the relatedness of the task.

Relatedness can be perceived as conceptual, perceptual, or experiential (Shen *et al.*, 2010). Though each distinction of relatedness may impact authenticity judgments, it is argued that the conceptual and perceptual forms of relatedness are most applicable to the current context. In an online comparison between two product offerings, the two offerings are conceptually related if belonging to the same product category, while the two offerings are perceptually related if offered on the same ecommerce site. It is theoretically expected that related comparisons will result in an assimilation effect, while a contrast effect is expected when comparisons are unrelated.

This conceptual piece adds to the growing research stream on counterfeit product offerings by explaining how online searches and product comparisons may impact consumer perceptions of item authenticity. It also extends the reach of contrast and assimilation effects within the field of consumer behavior. It is proposed that such effects impact perceptions, which in turn will influence buying behavior.

Furthermore, this research may be viewed as a call to online marketplaces about the importance of dealing with illicit counterfeiters. A website with a laissez-faire attitude towards the offering of counterfeit goods may inadvertently develop a negative reputation which could impact consumer perceptions of authentic offerings. As an eBay page entitled “eBay Against Counterfeits” states, “It’s bad for honest sellers who deal in authentic merchandise (eBay Against Counterfeits, 2015).” For example, in relation to the proposed framework in this paper, imagine an instance where a contrast effect may take place in that a potential consumer first views an obvious counterfeit offering and is then unnecessarily deterred away from purchasing an authentic item due to a carryover effect of perceptions established when viewing the counterfeit.

The issues brought about from counterfeit goods are multifaceted and should be discussed in the public eye. There is not an easy fix for online marketplaces dealing with counterfeit offerings, but disseminating knowledge of the issue to consumers is a start. Fortunately, ecommerce sites have at least begun to take a stand against counterfeit dealers. For example, eBay has attempted to protect consumers and brand owners in several ways, including the removal of questionable goods along with prosecuting offenders in conjunction with law enforcement (eBay Against Counterfeits, 2015).

Future research should evaluate the accuracy of the propositions in this paper. Experiments that manipulate the two forms of relatedness would be a start. Research may also investigate any interactive effects that may occur between these two forms of relatedness. For example, what happens when the two offerings being compared are the exact same product (conceptually related), but appear on different ecommerce sites (perceptually unrelated). Future research may also look for other factors that impact consumer authenticity judgments such as motivation.

<b>Funding:</b> This study received no specific financial support.
<b>Competing Interests:</b> The authors declare that they have no conflict of interests.
<b>Contributors/Acknowledgement:</b> All authors participated equally in designing and estimation of current research.
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