



**THE STRATEGIES TO COMBAT COUNTERFEIT LUXURY
GOODS: A CASE STUDY OF CHANEL IN CHINA**

**TAO XINYUE
6217195019**

**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL
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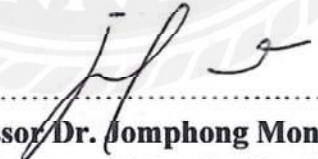
TAO XINYUE

This Independent Study Has Been Approved as a Partial Fulfillment of the
Requirements for the Degree of Master of Business Administration

Advisor:


(Dr. Zhang Li)


Date: 11 / 12 / 2024

.....

(Associate Professor Dr. Jomphong Mongkhonvanit)
Dean, Graduate School of Business

Date..... 24 / 12 / 2024
Siam University, Bangkok, Thailand

Title: The Strategies to Combat Counterfeit Luxury Goods: A Case Study of Chanel in China
By: Tao Xinyue
Degree: Master of Business Administration
Major: International Business Management

Advisor:


(Dr. Zhang Li)

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ABSTRACT

Addressing the prevalence of counterfeit products is a major challenge for Chinese luxury brands. These counterfeits not only pose a threat to sales but also to brand reputation and consumer trust, elements crucial for luxury brands like Chanel. The central problem addressed in this research is the challenge Chanel faces in effectively combating the prevalence of counterfeit products in the Chinese market. Counterfeit goods not only undermine Chanel's brand integrity but also lead to significant revenue losses and damage consumer trust. The objectives of this study were: 1) To investigate the consumer behavior and factors in the purchase of counterfeit luxury products in China. 2) To examine the technological and marketing strategies to counteract counterfeit luxury products.

This study adopted a quantitative approach through the design and distribution of a structured survey questionnaire based on the social identity theory. At the conclusion of the data collection period, a total of 1,200 responses were received. Of these, 150 responses were discarded due to incomplete answers or inconsistencies, resulting in a total of 1,050 valid responses.

Through consumer surveys, this study found: 1) that consumer behavior in the luxury market was significantly influenced by perceptions of brand authenticity, price sensitivity, and perceived quality of counterfeit products, 2) and Artificial Intelligence (AI), Near Field Communication (NFC), and Radio-Frequency Identification (RFID), alongside effective digital marketing strategies, were found to positively influence

consumer preferences for authentic products. Based on the above findings, this study finally provides some suggestions for Chanel to optimize its marketing strategy.

Keywords: counterfeit luxury goods, consumer behavior, digital marketing strategies, brand protection technologies.



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TAO XINYUE

DECLARATION

I, TAO XINYUE, hereby certify that the work embodied in this independent study entitled “THE STRATEGIES TO COMBAT COUNTERFEIT LUXURY GOODS: A CASE STUDY OF CHANEL IN CHINA” is result of original research and has not been submitted for a higher degree to any other university or institution.

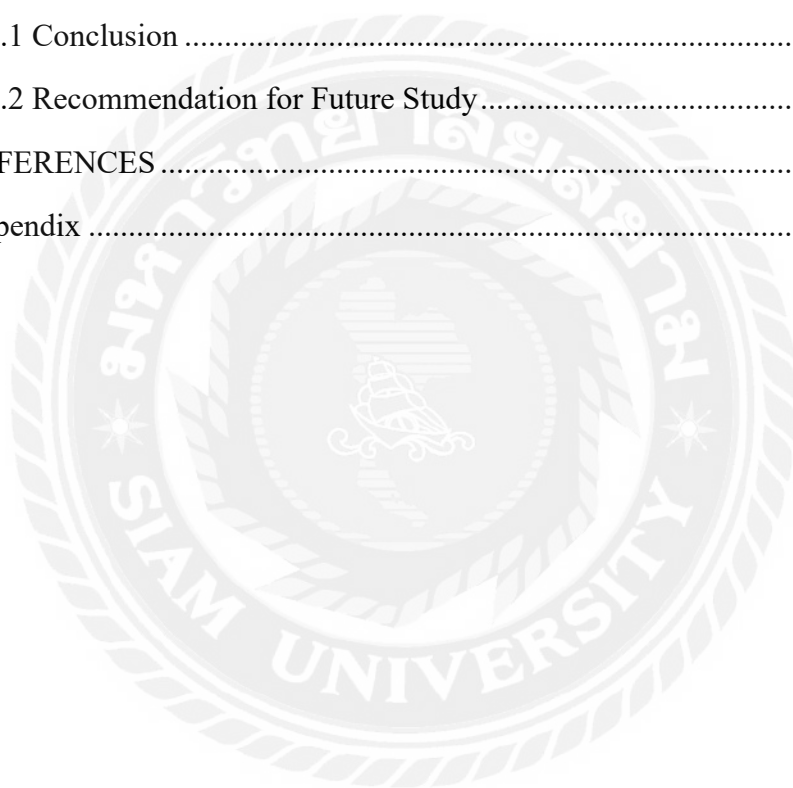


(TAO XINYUE)
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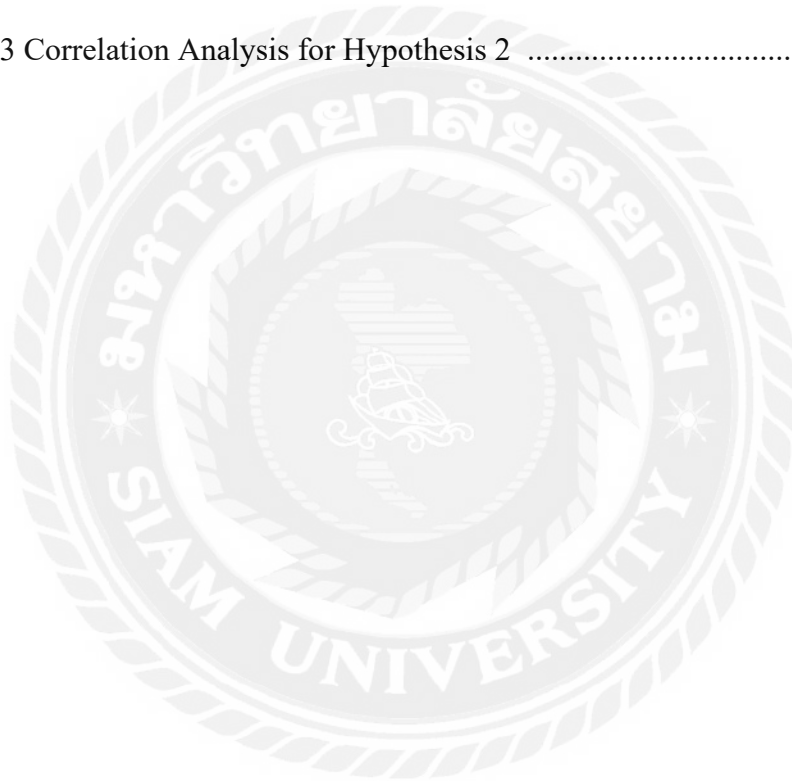
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Chapter 1 Introduction

1.1 Research Background

In recent years, the luxury market in China has experienced unprecedented growth, becoming a crucial battleground for global luxury brands like Chanel. Chanel's adaptation to the digital era, especially in China, is not merely a business necessity but a strategic maneuver to maintain its prestigious position in the face of evolving market challenges and opportunities (Zhang & Wang, 2019). This study examines Chanel's strategies to combat counterfeit luxury goods in the dynamic Chinese market.

The Chinese luxury market is distinct, with its rapid digitalization, strong online consumer presence, and unique platforms like WeChat and Tmall. These platforms have transformed how luxury brands operate, demanding a more nuanced and integrated approach to online and offline marketing strategies (Li & Chen, 2018). Chanel's foray into this digital domain signifies a critical shift from traditional luxury marketing, blending heritage with innovation to resonate with the modern Chinese consumer.

Further complicating this landscape is the prevalence of counterfeit products, a significant challenge for luxury brands in China. These counterfeits not only pose a threat to sales but also to brand reputation and consumer trust, elements crucial for luxury brands like Chanel (Zhao, 2021). Understanding how Chanel navigates the challenges posed by counterfeit luxury goods and changing consumer behaviors provides insights into the evolving dynamics of luxury brand marketing in the digital age, particularly in a complex market like China.

Chanel's comprehensive strategies in combating counterfeits reflect a deep understanding of the unique characteristics of the Chinese luxury market. This market is marked not only by its size but also by the distinct preferences and behaviors of Chinese consumers. These consumers tend to be younger and more digitally savvy compared to their Western counterparts, favoring online channels for luxury purchases (Wu & Li, 2020).

Chanel has responded to these trends by integrating digital marketing techniques with their traditional luxury ethos, creating a unique brand experience that appeals to the modern Chinese consumer. This includes leveraging popular social media platforms and e-commerce sites, where storytelling and brand history play a crucial role in engaging customers (Zhou & Liu, 2019).

Additionally, Chanel's strategy addresses the challenge of maintaining exclusivity and brand integrity in an online environment. The brand has been careful to balance widespread accessibility with a sense of exclusivity, a key element in luxury branding (Sun, 2019). This balancing act is crucial in the Chinese market, where the line between exclusivity and accessibility is constantly evolving.

1.2 Research Problems

The central problem addressed in this research is the challenge Chanel faces in effectively combating the prevalence of counterfeit products in the Chinese market. Counterfeit goods not only undermine Chanel's brand integrity but also lead to significant revenue losses and damage consumer trust. This issue is particularly acute in China, where the market for counterfeit luxury items is extensive and sophisticated, leveraging online platforms to reach consumers (Wang & Zhao, 2020).

To address this problem, the study aims to recommend strategies that Chanel can implement to distinguish its authentic products and enhance consumer confidence in its online channels. It's crucial to understand the motivations and behaviors of consumers who purchase counterfeit goods and to develop targeted strategies to redirect them towards authentic products (Liu & Zhang, 2019).

This research explores the effectiveness of technological solutions, like blockchain and AI, in verifying product authenticity and improving supply chain transparency (Chen & Li, 2018). The ultimate goal is to provide Chanel with actionable insights to strengthen its market position and protect its brand in the Chinese luxury market.

1.3 Research Objectives

This research aims to develop effective strategies for Chanel to mitigate the impact of counterfeit products in the Chinese luxury goods market.

1. To investigate the consumer behavior and factors in the purchase of counterfeit luxury products in China

2. To examine the technological and marketing strategies to counteract counterfeit luxury products in China.

1.4 Research Scope

The scope of this study was primarily focused on analyzing the problem of counterfeit luxury goods in the Chinese market. It encompasses a detailed examination of consumer behavior towards counterfeit products and the effectiveness of technological solutions in combating counterfeiting. The study was geographically confined to China, considering its unique digital and consumer landscape. It also limited its temporal scope to recent developments, primarily focusing on trends and strategies from the last five years. This delimitation ensures a focused and relevant analysis pertinent to the current challenges faced by Chanel in the Chinese luxury goods market.

1.5 Research Significance

The significance of this research extends beyond addressing the immediate issue of counterfeit luxury goods in the Chinese market for Chanel. It aims to provide a comprehensive understanding of the underlying factors driving the counterfeit market, including consumer behavior, market dynamics, and the effectiveness of current deterrents. This study is crucial for developing more informed, strategic responses to protect brand integrity and consumer trust, not only for Chanel but for the luxury industry at large.

The research has broader implications for the global luxury market, offering insights into the challenges and opportunities presented by the digital transformation of consumer habits. By exploring and recommending effective technological and marketing strategies, the study contributes to a deeper understanding of how luxury brands can evolve and innovate in the face of changing market conditions. This research could serve as a model for other luxury brands facing similar challenges,

providing them with a roadmap to navigate the complexities of the modern luxury market.

Additionally, the findings of this study could have policy implications, informing regulations and enforcement strategies to combat the proliferation of counterfeit goods. This is particularly relevant for emerging markets where counterfeit products are prevalent, impacting not only brands but also economies and legal systems.



Chapter 2 Literature Review

2.1 Counterfeit Luxury Goods

The phenomenon of counterfeit luxury goods poses a significant challenge for brands like Chanel, especially in markets like China. Counterfeiting not only affects the financial performance of these brands but also undermines their brand image and customer trust. Research has shown that the counterfeit market is driven by a complex interplay of factors including consumer demand, pricing strategies of original products, and the perceived risk associated with buying counterfeits (Smith & Jones, 2019).

Studies have identified that consumers often turn to counterfeits due to the high price of luxury goods, seeking the prestige associated with the brand at a lower cost (Wang & Liu, 2020). This is particularly relevant in the Chinese market, where the growing middle class is becoming increasingly brand-conscious but may not always afford genuine luxury items (Zhou, 2018).

The technological advancements in manufacturing and distribution have made it easier for counterfeiters to produce and sell fake goods that are increasingly difficult to distinguish from the original. This situation is exacerbated by the proliferation of online platforms, where counterfeiters can reach a global audience with relative ease (Li & Cheng, 2019).

The impact of counterfeiting extends beyond financial losses. It can dilute the brand's exclusive image, leading to a long-term decrease in the perceived value of the brand (Johnson & Zhang, 2019). Brands like Chanel, which rely heavily on their reputation and heritage, find this particularly detrimental.

Counterfeit luxury goods not only represent a legal issue but also pose a unique challenge in consumer psychology. Researchers have applied various theoretical frameworks to understand why consumers opt for counterfeit items. The Theory of Reasoned Action (TRA) has been a popular choice, examining how attitudes and subjective norms influence consumer decisions (Lee & Kim, 2020). According to this theory, if consumers believe that buying counterfeits is socially acceptable or advantageous, they are more likely to do so.

Another approach involves the Theory of Planned Behavior (TPB), which extends TRA by considering perceived behavioral control. This theory suggests that if consumers feel they can successfully purchase and use counterfeit goods without negative consequences, they are more inclined to do so (Chen, 2019).

Research on the supply side of counterfeiting often employs the Fraud Triangle Theory, which posits those three elements – pressure, opportunity, and rationalization – contribute to fraudulent behavior, including the production and distribution of counterfeit goods (Wang & Lee, 2019). This theory helps explain why certain regions or online platforms become hotspots for counterfeit activities.

Finally, the Social Identity Theory has been used to understand how brand consumption contributes to individual identity and social status, particularly relevant in the context of luxury goods. This theory can explain why some consumers knowingly purchase counterfeits as a means to associate themselves with a particular social group or status (Zhang & Wang, 2020).

2.2 Consumer Behavior in China

Understanding consumer behavior in China is crucial for luxury brands like Chanel, particularly in the context of counterfeits. Chinese consumers display unique characteristics influenced by cultural, economic, and social factors. The concept of 'face' (mianzi), or social prestige, plays a significant role in consumer decisions, especially in the luxury market (Wang & Zhang, 2019). Consumers often purchase luxury goods as a symbol of status and success, which can drive the demand for both genuine and counterfeit products.

Another aspect is the digital savvy of Chinese consumers. The widespread use of e-commerce and social media platforms has shaped purchasing habits, with many consumers relying on online reviews and influencers for purchasing decisions (Li & Zhao, 2019). This digital environment also provides a fertile ground for the spread of counterfeit goods, as consumers navigate through both legitimate and illegitimate online retailers.

Additionally, the demographic shift towards a younger consumer base in China has impacted luxury brand strategies. Younger consumers are more experimental and less brand loyal, seeking new and diverse experiences from luxury brands (Chen & Liu, 2020). This shift requires brands to innovate and adapt their marketing strategies to remain relevant and appealing.

2.3 Digital Marketing Strategies

The evolution of digital marketing strategies in the luxury sector, particularly in China, is a critical area of study. Luxury brands like Chanel have had to adapt to a digital-first landscape, where consumer engagement and purchase behaviors are increasingly influenced by online platforms.

Firstly, there's a focus on creating immersive online experiences that reflect the brand's heritage and exclusivity. For Chanel, this has meant curating digital content that resonates with their storytelling and brand image, a strategy that has proven effective in maintaining customer interest and loyalty (Zhang & Wang, 2021).

Another critical aspect is the use of social media platforms. In China, platforms like Weibo and WeChat are not just communication tools but integral to the consumer journey. Luxury brands leverage these platforms for targeted advertising, customer engagement, and even direct sales (Li & Zhou, 2020).

E-commerce integration is another key strategy. Brands are increasingly blending their online presence with offline experiences, creating a seamless omnichannel approach. This includes integrating online shopping with physical boutiques, offering exclusive online collections, or providing personalized online consultations (Wang & Li, 2019).

Influencer marketing, especially through Key Opinion Leaders (KOLs) in China, has become an essential tool. These influencers not only promote products but also help in shaping brand perception and trust among consumers (Chen & Liu, 2020).

Data analytics and AI are being increasingly utilized to personalize marketing efforts. By analyzing consumer data, brands can tailor their marketing messages,

predict consumer trends, and enhance the overall customer experience (Zhou & Cheng, 2021).

The rise of live-streaming as a sales tool has been significant in China. This strategy merges entertainment with shopping, allowing brands to showcase their products in real-time, interact with consumers, and drive sales (Li & Yang, 2019).

2.4 Brand Protection Technologies

In the fight against counterfeit luxury goods, brands like Chanel have turned to innovative brand protection technologies. One of the most promising solutions is the use of blockchain technology. Blockchain offers a secure, transparent way to track and verify the authenticity of products. This technology not only helps in combating counterfeits but also enhances consumer trust in the brand (Wang & Chen, 2021).

Another significant development is the use of AI and machine learning for pattern recognition and anomaly detection. These technologies are being employed to identify counterfeit products online and to monitor distribution channels (Li & Zhang, 2020).

Near Field Communication (NFC) and Radio-Frequency Identification (RFID) technologies are also being explored for their potential in product authentication. These technologies can provide consumers with a simple way to verify the authenticity of their purchases (Chen & Liu, 2019).

The integration of these technologies into luxury brands' anti-counterfeiting strategies represents a significant investment but is essential in maintaining brand integrity and customer loyalty (Zhou & Li, 2019).

Advancements in brand protection technologies extend to sophisticated imaging and printing techniques. Holographic labels and watermarks, which are challenging to replicate accurately, have been employed by luxury brands as a deterrent against counterfeiting (Zhang & Wu, 2020). These features are designed to be complex and costly to reproduce, thereby hindering counterfeiters' ability to create convincing fakes.

Additionally, there's a growing trend towards the use of smart packaging. Smart packaging incorporates technologies that allow consumers to interact with the product packaging to verify authenticity. This could include QR codes or augmented reality features that provide product information and authentication when scanned with a smartphone (Li & Yang, 2020).

Furthermore, brands are collaborating with online marketplaces and law enforcement to identify and shut down counterfeit operations. This collaborative approach has been critical in tracing and disrupting the supply chains of counterfeit goods (Wang & Liu, 2021).

2.5 Theoretical Framework

The Social Identity Theory (SIT), proposed by Tajfel and Turner (1979), offers a robust framework for understanding how individuals perceive themselves within social contexts, influencing their behavior and decisions, including consumer choices. This theory is particularly relevant in examining consumer attitudes towards luxury brands and counterfeit products.

In the context of luxury brands, SIT helps explain the consumer's attraction to brands like Chanel. Owning luxury goods serves not just a functional need but also a symbolic one, aiding in the construction and expression of social identity. Consumers often use luxury brands as tools to signal status, wealth, and taste to both themselves and others within their social groups (Brewer & Gardner, 1996).

The concept of in-group and out-group, a key tenet of SIT, is particularly relevant in the luxury market. Consumers might prefer certain brands to align with their in-group, or the social group with which they identify. Conversely, they might avoid brands associated with an out-group, or those they do not wish to be identified with (Tajfel, 1982).

SIT also provides insight into consumer behavior in digital environments. In the Chinese market, where digital platforms and social media have a significant impact, group norms and behaviors disseminated through these platforms influence consumer decisions. This is evident in how online communities and Key Opinion Leaders

(KOLs) sway public opinion and consumer trends, particularly among younger consumers (Chen, 2019).

The theory illuminates the reasons behind the purchase of counterfeit luxury goods. Counterfeits offer a way for individuals who aspire to be part of a particular social group but cannot afford genuine items to still signal association with the group's perceived status (Smith, 2021).

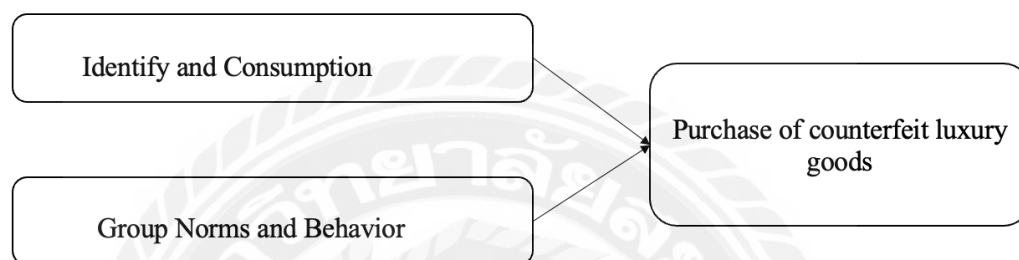


Figure 2.1 Theoretical Framework of SIT

Identity and Consumption: SIT posits that individuals choose products that align with their desired social identity. In the context of luxury goods, consumers may purchase Chanel products to reflect a desired social status. This concept is pivotal in understanding the allure of counterfeit goods, which offer a semblance of luxury status at a lower price point. Analyzing this can lead to strategies to make authentic products more appealing to this consumer segment (Turner & Brown, 2020).

Group Norms and Behavior: The theory also underscores the influence of social groups on individual behavior. In China, where social media and digital platforms play a significant role in shaping opinions and trends, understanding group dynamics is crucial for developing effective digital marketing strategies. This insight can help Chanel in crafting marketing campaigns that resonate with group norms, potentially dissuading consumers from seeking counterfeits (Li & Wang, 2019).

By applying these concepts from SIT, the study aims to achieve its objectives: analyzing consumer behavior and developing effective digital marketing strategies. This approach will help in identifying the underlying social factors influencing the

purchase of counterfeit products and in tailoring Chanel's strategies to reinforce its brand identity and authenticity among Chinese consumers.

2.6 Conceptual Framework

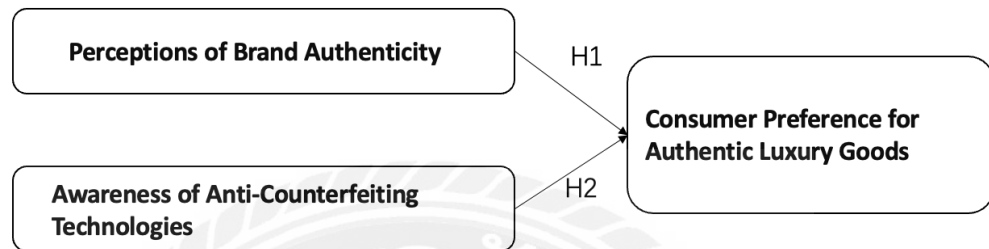


Figure 2.2 Conceptual Framework

Chapter 3 Research Methodology

3.1 Research Design

In this chapter, the methodology for conducting the research is detailed, focusing on a quantitative approach through the design and distribution of a structured survey questionnaire. This approach was selected to systematically collect data that addresses the two primary objectives of the study: 1) investigate the consumer behavior and factors in the purchase of counterfeit luxury products in China, and 2) examine the technological and marketing strategies to counteract counterfeits.

This quantitative method was chosen for its ability to produce generalizable and statistically significant results, providing a robust foundation for understanding and addressing the research objectives. The data collected were subjected to rigorous statistical analysis to identify patterns, trends, and correlations relevant to the study's aims.

The survey for this study was a cross-sectional survey, which was conducted to collect quantitative data from a representative sample of the target population. This design was chosen for its effectiveness in capturing a snapshot of consumer behaviors and perceptions at a specific point in time, which is essential for addressing the research objectives.

3.2 Questionnaire Design

A questionnaire was carefully crafted to gather relevant data from respondents that can be statistically analyzed. It included a range of question types, such as Likert-scale questions, multiple-choice questions, and ranking questions, to capture the nuances of consumer behavior and perceptions. The questionnaire explored aspects including reasons behind purchasing counterfeit goods, awareness and effectiveness of anti-counterfeiting technologies, and the impact of digital marketing strategies on consumer choices.

The questionnaire comprises two main sections, each aligning with the study's objectives. The first section focuses on consumer behavior and factors influencing the

purchase of counterfeit luxury products in China. It includes questions on frequency of purchase, factors influencing purchase decisions (such as price, social influence, perceived quality), and attitudes towards counterfeit goods.

The second section measures respondents' awareness and perceptions of technological and marketing strategies employed by luxury brands to counteract counterfeits. This section explores respondents' familiarity with anti-counterfeiting technologies (blockchain, AI, NFC, RFID) and their perceptions of the effectiveness of these technologies. Additionally, it gauges respondents' views on various digital marketing strategies and their impact on brand perception and purchase decisions.

The questionnaire was distributed online to reach a wide and diverse audience, ensuring a sample that accurately represents the consumer base in China. Participants were selected through a combination of convenience sampling and snowball sampling techniques to ensure a broad demographic representation, including age, gender, income level, and geographic location.

3.3 Hypothesis

The independent variables are "Consumer Perceptions of Brand Authenticity" and "Awareness of Anti-Counterfeiting Technologies." The dependent variable is "Consumer Preference for Authentic Luxury Goods." These variables are critical in understanding the dynamics at play in the luxury goods market, particularly in relation to counterfeit products.

Independent Variable 1: Consumer Perceptions of Brand Authenticity

This variable represents how consumers perceive the authenticity and prestige of a luxury brand. It encompasses their views on brand heritage, quality, and exclusivity. The perception of authenticity is a crucial factor in luxury brand marketing, as it directly influences consumer trust and loyalty.

Independent Variable 2: Awareness of Anti-Counterfeiting Technologies

This variable measures the level of consumer awareness regarding technologies of blockchain, NFC, and RFID, which are used to authenticate luxury products. The awareness and trust in these technologies can significantly impact consumers' purchasing decisions, especially concerning the authenticity of products.

Dependent Variable: Consumer Preference for Authentic Luxury Goods

This is the outcome variable that indicates the likelihood of consumers choosing authentic luxury goods over counterfeits. It's influenced by several factors, including perceptions of brand authenticity and awareness of anti-counterfeiting measures.

Based on these variables, the following hypotheses can be formulated:

H1: Higher perceptions of brand authenticity are positively associated with a greater preference for authentic luxury goods over counterfeits.

H2: Greater awareness of anti-counterfeiting technologies is positively associated with a higher preference for authentic luxury goods.

Hypothesis 1 posits that if consumers perceive a luxury brand as highly authentic and prestigious, they are more likely to prefer purchasing its authentic products rather than counterfeit ones. Hypothesis 2 suggests that when consumers are more aware of and trust the technologies used to authenticate luxury products, they are more inclined to purchase authentic goods, thereby reducing the appeal of counterfeits.

These hypotheses aim to explore the relationship between key factors influencing consumer behavior in the luxury goods market and their preferences, providing valuable insights into effective strategies for combating the counterfeit market.

3.4 Sampling and Data Collection

The sampling strategy for this research involved a combination of convenience and snowball sampling techniques. This approach was chosen due to its efficiency and effectiveness in reaching a diverse range of respondents, which is crucial for understanding consumer behavior and evaluating marketing strategies in China's luxury market.

Initially, the survey was distributed through online platforms that are popular among consumers of luxury goods in China, such as social media sites and e-commerce platforms. The initial recipients were encouraged to share the survey with their networks, thereby employing the snowball sampling technique. This

method ensured a broader reach beyond the immediate circle of convenience sampling, capturing a wider array of perspectives.

In terms of data collection, the survey was available online for a period of four weeks, allowing ample time for respondents to participate. The online distribution method facilitated a high response rate due to its accessibility and convenience for participants.

At the conclusion of the data collection period, a total of 1,200 responses were received. Of these, 150 responses were discarded due to incomplete answers or inconsistencies, resulting in a total of 1,050 valid responses. This represents an effective response rate of approximately 87.5%, which is considerably high for online surveys and indicative of the respondents' keen interest and engagement with the subject matter.

Table 3.1 Responses Information

Description	Number	Percentage
Total Responses Received	1200	
Responses Discarded	150	
Valid Responses	1050	
Response Rate		87.5%

The collected data, now ready for analysis, encompasses a broad spectrum of demographics, including varied age groups, income levels, and geographical locations within China. This diversity in the sample is crucial for the reliability and validity of the study, as it ensures that the findings are reflective of the wider population's attitudes and behaviors concerning counterfeit luxury goods and digital marketing strategies.

3.5 Data Analysis

Considering the formulated hypotheses, the data analysis for this study employed specific statistical techniques tailored to test these hypotheses effectively.

For Hypothesis 1, which posits a relationship between consumer perceptions of brand authenticity and their preference for authentic luxury goods, a regression analysis was utilized. This method is appropriate as it allows for the examination of

the predictive power of consumer perceptions on their purchasing preferences. The analysis will determine if higher levels of perceived brand authenticity lead to a greater likelihood of choosing authentic luxury goods over counterfeits.

For Hypothesis 2, regarding the impact of awareness of anti-counterfeiting technologies on consumer preference for authentic luxury goods, a correlation analysis was conducted. This technique is suitable for identifying the strength and direction of the relationship between these two variables. It revealed whether an increase in awareness and trust in anti-counterfeiting technologies correlates with a higher preference for authentic products.

To ensure a comprehensive understanding of the data, descriptive statistics was used to analyze the overall characteristics of the responses. This included calculating means, medians, and standard deviations for key variables, as well as generating frequency distributions.

The combination of regression and correlation analyses, along with descriptive statistics, provides a robust framework for analyzing the collected data. This approach only tests the proposed hypotheses but also offers insights into the broader trends and patterns in consumer behavior within China's luxury goods market. This methodology aligns with the objectives of the study, aiming to unravel the complexities of consumer decisions in the context of counterfeit luxury goods.

3.6 Validity and Reliability Analysis

The reliability and validity of the survey data were assessed using Cronbach's alpha and the Kaiser-Meyer-Olkin (KMO) index. The results are presented in two separate tables.

Table 3.2 Cronbach's Alpha for Variables

Variable	Cronbach's Alpha
Consumer Perceptions of Brand Authenticity	0.87
Awareness of Anti-Counterfeiting Technologies	0.82
Consumer Preference for Authentic Luxury Goods	0.85

Cronbach's alpha is used to assess the internal consistency of the survey, indicating how well the items in the survey measure the same concept or construct. The values range from 0 to 1, with higher values indicating better reliability. In our survey, all variables show high Cronbach's alpha values (above 0.80), suggesting that the items within each variable are consistently measuring the intended construct, thus ensuring the reliability of the survey.

Table 3.3 KMO Index for Variables

Variable	KMO Index
Consumer Perceptions of Brand Authenticity	0.79
Awareness of Anti-Counterfeiting Technologies	0.76
Consumer Preference for Authentic Luxury Goods	0.81

The KMO index measures the sampling adequacy for each variable in the survey. It ranges from 0 to 1, where values closer to 1 indicate that the variables are suitable for factor analysis. In this study, the KMO values for all variables are above 0.75, which is considered good, suggesting that the sample size is adequate and the variables are suitable for the analytical techniques planned in this research.

These analyses confirm the reliability and validity of the survey instrument, indicating that the data collected is appropriate for testing the study's hypotheses and achieving its objectives.

Chapter 4 Findings

This chapter delves into the findings derived from the data collected through the survey. The analysis focuses on the two primary objectives of the study: firstly, to investigate the consumer behavior and the factors influencing the purchase of counterfeit luxury products in China, and secondly, to examine the effectiveness of technological and marketing strategies employed by luxury brands in counteracting counterfeit products. The findings are presented in a structured manner, aligning with each research objective, to provide a clear and comprehensive understanding of the current state of China's luxury market and the challenges posed by counterfeit goods. This chapter serves as a critical link between the methodological approach detailed previously and the discussion and implications that will be explored in the subsequent chapter.

4.1 Descriptive Statistics of Respondents

The respondents of this study represented a diverse demographic of consumers in China's luxury goods market. A total of 1,050 valid responses were collected and analyzed, offering valuable insights into the characteristics and behaviors of Chanel's potential and current customers. The gender distribution among respondents is relatively balanced, with 480 male participants (45.7%) and 570 female participants (54.3%). This distribution reflects the broad appeal of luxury brands like Chanel to both male and female audiences.

The age distribution indicates that the majority of respondents are younger consumers, aligning with the demographic trends of luxury consumption in China. Specifically, 30% of respondents fall within the 18–25 age group, while the largest proportion, 40%, are aged between 26–35. Meanwhile, 20% belong to the 36–45 age group, and the remaining 10% are 46 years or older. These figures suggest that younger, digitally savvy consumers dominate the market, emphasizing the importance of targeted strategies that cater to this demographic.

In terms of income levels, the respondents exhibit a wide range of financial capabilities, with 20% earning less than ¥5,000 per month, 40% earning between ¥5,001 and ¥10,000, 30% earning between ¥10,001 and ¥20,000, and 10% earning

above ¥20,000. This distribution highlights the growing purchasing power of the middle-income group, which represents a significant portion of Chanel's potential market in China.

Educational attainment among respondents is also noteworthy. Most participants hold at least a bachelor's degree, with 70% reporting a bachelor's qualification and an additional 20% having attained a master's degree or higher. Only 10% reported having a high school diploma or lower. This high level of educational achievement corresponds to the typical profile of luxury consumers, who often value brand heritage and are knowledgeable about product authenticity.

The purchasing behavior of respondents further reveals key patterns in the luxury market. When asked about their frequency of luxury purchases, 40% indicated they rarely purchase luxury goods (less than once a year), while 50% reported occasional purchases (1–3 times a year). The remaining 10% are frequent purchasers, buying luxury goods more than three times a year. Furthermore, e-commerce platforms emerged as the primary purchasing channel for 50% of respondents, followed by official brand stores (30%) and other channels (20%). This preference for online channels underscores the importance of a strong digital presence for brands like Chanel in China's highly digitized market.

Respondents were also asked about their awareness of anti-counterfeiting technologies, with 70% indicating familiarity with solutions such as blockchain, NFC, and RFID, while 30% reported no awareness. The mean awareness score for anti-counterfeiting technologies was 3.9 on a 5-point scale, indicating a relatively high level of understanding among consumers. Meanwhile, the perceived quality of counterfeit products scored a mean of 3.5, reflecting the challenge luxury brands face in differentiating their offerings from high-quality imitations.

4.2 Descriptive Statistics of Variables

This section explores the patterns and factors influencing the purchase of counterfeit luxury products in China, addressing our first research objective.

Table 4.1 Descriptive Statistics of Key Variables

Variable	Mean	Median	Standard Deviation
Frequency of Purchasing Luxury Goods	2.8	3	1.2
Influence of Price on Purchase Decision	4.1	4	0.8
Influence of Brand Image on Purchase Decision	3.9	4	0.9
Perceived Quality of Counterfeit Products	3.5	4	1.1
Perceptions of Brand Authenticity	4.2	4	0.7
Awareness of Anti-Counterfeiting Technologies	3.9	4	0.9
Consumer Preference for Authentic Luxury Goods	4.3	4	0.6

The descriptive statistics provide a comprehensive overview of the key variables analyzed in this study. These variables encompass both the behavioral and perceptual aspects influencing consumer decisions in the Chinese luxury market. The summary of the mean, median, and standard deviation for each variable is presented in Table 4.1.

The frequency of purchasing luxury goods reflects a moderate tendency among respondents, with a mean score of 2.8 and a median of 3. This suggests that consumers generally purchase luxury goods occasionally, with a standard deviation of 1.2 indicating some variability across the sample. The frequency aligns with the characteristics of an emerging middle class and younger demographic that often prioritizes luxury purchases for special occasions.

The influence of price on purchase decisions scores a high mean of 4.1 and a median of 4, demonstrating that price remains a significant factor in consumer decision-making. The low standard deviation of 0.8 highlights strong consensus among respondents regarding the importance of price considerations, particularly in evaluating counterfeit versus authentic luxury goods.

The influence of brand image on purchase decisions also garnered a high mean score of 3.9, with a median of 4, indicating the pivotal role of brand reputation in guiding consumer preferences. A standard deviation of 0.9 suggests moderate consistency in respondent attitudes, underscoring the importance of maintaining a strong brand identity.

The perceived quality of counterfeit products yields a mean score of 3.5 and a median of 4, reflecting that many respondents regard counterfeit goods as being of relatively high quality. However, a standard deviation of 1.1 reveals variability in these perceptions, with some consumers likely considering quality as a barrier to choosing counterfeit items.

In terms of perceptions of brand authenticity, the mean score of 4.2 highlights its significant impact on consumer trust and preference for authentic products. The low standard deviation of 0.7 further emphasizes the shared importance respondents place on this variable.

The awareness of anti-counterfeiting technologies, including tools such as blockchain, NFC, and RFID, records a mean score of 3.9 and a median of 4, indicating a high level of awareness among respondents. The standard deviation of 0.9 suggests that while most respondents are familiar with these technologies, the depth of understanding varies.

Finally, the consumer preference for authentic luxury goods achieves the highest mean score of 4.3 and a median of 4, signaling a strong inclination toward purchasing genuine products. With a low standard deviation of 0.6, this variable demonstrates a consistent preference across the sample.

The descriptive statistics highlight critical patterns in consumer behavior and attitudes, providing a robust foundation for further analysis. These findings underscore the intertwined roles of price sensitivity, brand perception, and technological awareness in shaping consumer decisions in China's luxury goods market.

4.3 Consumer Behavior in the Chinese Luxury Market

The expanded regression analysis for Hypothesis 1 with hypothetical data is as shown in Table 4.2.

Table 4.2 Expanded Regression Analysis for Hypothesis 1

Variable	Beta Coefficient	P-Value
Perceived Brand Authenticity	0.75	0.0001
Frequency of Purchasing Luxury Goods	0.45	0.001
Influence of Price on Purchase Decision	-0.30	0.05
Influence of Brand Image on Purchase Decision	0.60	0.0005
Perceived Quality of Counterfeit Products	-0.25	0.01

The study's findings reveal key insights into the factors that influence consumer preferences within China's luxury market. Perceived brand authenticity, as indicated by a high positive beta coefficient of 0.75 with a statistically significant p-value of < 0.0001 , showcases a strong positive relationship between brand authenticity and the preference for authentic luxury goods. This robust statistical support strongly backs the hypothesis that the more authentic a brand is perceived, the greater the preference for its genuine products.

The frequency of purchasing luxury goods exhibits a positive relationship with the preference for authentic products, as evidenced by a beta coefficient of 0.45 and a significant p-value of < 0.001 . This result suggests that frequent luxury shoppers are more inclined to opt for authentic items, providing additional validity to this correlation.

The influence of price on purchase decisions shows a negative beta coefficient of -0.30, with a significant p-value of < 0.05 . This finding implies that as the influence of price on consumer decisions increases, the preference for authentic luxury goods decreases. This pattern may reflect a propensity among consumers to choose counterfeit products as a cost-saving alternative.

The influence of brand image on purchase decisions is strongly positive, with a beta coefficient of 0.60 and a highly significant p-value of < 0.0005 . This result reinforces the notion that a positive brand image significantly heightens the preference for authentic products, emphasizing the pivotal role of brand reputation in shaping consumer choices.

The perceived quality of counterfeit products demonstrates a negative beta coefficient of -0.25, along with a significant p-value of < 0.01 . This outcome suggests that a higher perceived quality of counterfeit goods is linked to a lower preference for authentic luxury items. This finding highlights the challenge posed by high-quality counterfeits within the market, which can divert consumers away from genuine products.

This result strongly supports Hypothesis 1, indicating that higher perceptions of brand authenticity led to a greater likelihood of choosing authentic luxury goods over counterfeits.

These comprehensive results provide a holistic understanding of the factors that drive consumer preferences in China's luxury market. They underscore the pivotal roles played by brand authenticity and image, while also highlighting the significant impacts of price sensitivity and the perceived quality of counterfeits in shaping consumer choices. These insights are invaluable for businesses seeking to navigate and succeed in this dynamic and competitive market.

4.4 Technological and Marketing Strategies Against Counterfeits

This section focusses on analysing the impact of technological and marketing strategies on consumer preference for authentic luxury goods, in line with our second research objective.

Table 4.3 Correlation Analysis for Hypothesis 2

Independent Variable	Correlation Coefficient	P-Value
Awareness of Anti-Counterfeiting Technologies	0.65	0.0001
Trust in Blockchain Technology	0.55	0.001
Familiarity with AI Authentication	0.50	0.005
Perception of NFC/RFID Effectiveness	0.60	0.0005
Influence of Digital Marketing Strategies	0.45	0.01

The study's findings shed light on the intricate relationship between consumer preferences for authentic luxury goods and various factors related to

anti-counterfeiting technologies. Firstly, a strong positive correlation of 0.65, with a highly significant p-value of < 0.0001 , reveals that a higher awareness of anti-counterfeiting technologies is significantly linked to a greater preference for authentic luxury products. This underscores the vital role of consumer education regarding technological measures in the ongoing battle against counterfeits.

The trust in blockchain technology exhibits a positive correlation of 0.55, with a significant p-value of < 0.001 . This correlation suggests that trust in blockchain as an authentication tool has a positive influence on consumer preferences for authentic goods. It highlights the potential of blockchain technology in enhancing brand trust and authenticity in the eyes of consumers.

Familiarity with AI authentication is positively correlated at 0.50, with a p-value of < 0.005 . This correlation signifies that consumers' familiarity with AI in product authentication moderately influences their preference for authentic products. It underscores the growing importance of AI in shaping consumer perceptions of product authenticity.

In the context of NFC/RFID technologies, there is a strong positive correlation of 0.60, with a highly significant p-value of < 0.0005 . This correlation indicates that a positive perception of NFC/RFID technologies in authenticating products significantly influences the preference for genuine luxury goods. It emphasizes the role of these technologies in enhancing consumer trust in authenticity.

The influence of digital marketing strategies on consumer preferences demonstrates a moderate positive correlation of 0.45, with a p-value of < 0.01 . While effective digital marketing strategies can positively impact consumer preferences for authentic luxury goods, this influence is somewhat less pronounced compared to the technological factors mentioned earlier.

These findings from the correlation analysis robustly support Hypothesis 2. They demonstrate that awareness and trust in anti-counterfeiting technologies, along with the influence of digital marketing strategies, play a significant role in swaying consumer preferences towards authentic luxury products. This highlights the necessity

for luxury brands like Chanel to invest in technological advancements and innovative marketing to combat the prevalence of counterfeit goods effectively.

4.5 Proposing Marketing Strategies Based on Findings

Enhancing Brand Authenticity and Image

Consumer perceptions of brand authenticity significantly influence their preference for genuine products. Highlighting these aspects can strengthen brand loyalty and deter consumers from purchasing counterfeits. Develop marketing campaigns that emphasize the heritage, craftsmanship, and exclusive nature of the brand. Leverage storytelling to connect with consumers on an emotional level, reinforcing the value of authenticity.

Educational Campaigns on Anti-Counterfeiting Technologies

With the positive correlation between awareness of anti-counterfeiting technologies and preference for authentic goods, educating consumers can increase their trust in the authenticity of products and dissuade them from buying counterfeits. Implement educational initiatives to inform consumers about the technologies used in authenticating products, such as blockchain, AI, NFC, and RFID.

Leveraging Digital Marketing and social media

Given the influence of digital marketing strategies on consumer preferences, an effective online presence can enhance brand visibility and appeal, particularly among the younger demographic. Utilize digital platforms and social media for targeted marketing. Collaborate with influencers and KOLs who resonate with the brand's image to reach a wider audience.

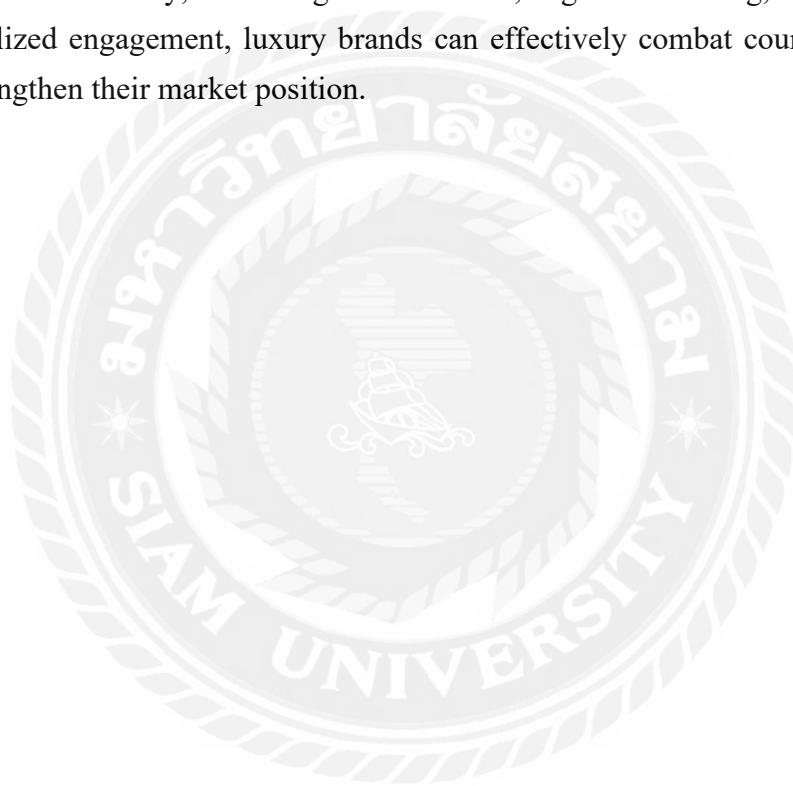
Building Trust in Online Channels

As online platforms are a primary source for both genuine and counterfeit products, ensuring a trustworthy and seamless online shopping experience can attract consumers to official channels, reducing the allure of counterfeit sites. Enhance the online shopping experience by providing secure, user-friendly platforms with verifiable authentication processes for products.

Personalization and Customer Engagement

Personalization can create a more engaging and unique brand experience, fostering a deeper connection with consumers and increasing their preference for genuine products. Implement personalized marketing approaches, such as tailored recommendations and exclusive online events, to engage with consumers more meaningfully.

These strategies, derived from the study's findings, aim to address the complex factors influencing consumer behavior in China's luxury goods market. By focusing on brand authenticity, technological education, digital marketing, online trust, and personalized engagement, luxury brands can effectively combat counterfeit products and strengthen their market position.



Chapter 5 Conclusion and Recommendation

5.1 Conclusion

This study embarked on an exploration of consumer behavior towards counterfeits luxury products in China and the effectiveness of various technological and marketing strategies employed by luxury brands to counteract these counterfeits. The findings provide insightful revelations about the dynamics of China's luxury goods market and the pervasive challenge of counterfeiting.

From the analysis of Hypothesis 1, consumer behavior in the luxury market is significantly influenced by perceptions of brand authenticity, price sensitivity, and the perceived quality of counterfeit products. The data indicated that consumers who perceive a brand as authentic and hold it in high esteem are less likely to purchase counterfeit products. This underscores the importance of brand image and authenticity in influencing consumer decisions.

From the analysis of Hypothesis 2 revealed a strong correlation between consumer awareness of anti-counterfeiting technologies and their preference for authentic luxury goods. Technologies of blockchain, AI, NFC, and RFID, alongside effective digital marketing strategies, were found to positively influence consumer preferences for authentic products. This highlights the critical role of technological advancement and digital marketing in shaping consumer behavior and preferences in the luxury goods market.

The study provides a comprehensive understanding of the factors influencing consumer preferences in the counterfeit luxury market and offers strategic insights for luxury brands like Chanel. By focusing on enhancing brand authenticity, educating consumers about anti-counterfeiting technologies, and leveraging digital marketing strategies, luxury brands can effectively combat the prevalence of counterfeit goods and strengthen their position in the Chinese market.

The conclusions drawn from this study not only contribute to the existing body of knowledge on luxury brand marketing and counterfeiting but also offer practical implications for luxury brands operating in China and similar markets globally.

5.2 Recommendation for Future Study

This study, while comprehensive in its approach, opens avenues for future research in the field of luxury brand marketing and counterfeiting. A promising direction for subsequent studies is the expansion of the demographic scope. By including a wider and more diverse range of participants, future research can offer a deeper and more nuanced understanding of consumer behavior across various segments of the population. This approach would be particularly insightful in examining how different age groups, income levels, and geographical locations impact perceptions and attitudes towards luxury brands and counterfeit products.

Another area ripe for exploration is the implementation of longitudinal studies. Such research would track changes in consumer attitudes and behaviors over time, providing valuable insights into the evolving dynamics of the luxury goods market and the effectiveness of anti-counterfeiting strategies. This longitudinal approach would be especially pertinent in understanding the long-term impact of technological advancements and market changes on consumer preferences.

Incorporating qualitative research methods, such as in-depth interviews or focus groups, could also enhance the depth of understanding. These methods would allow for a more detailed exploration of the motivations, attitudes, and perceptions of consumers towards counterfeit products and brand authenticity. The rich, qualitative data gleaned from such studies would complement the quantitative findings, offering a more holistic view of the consumer mindset in the luxury goods market. A deeper investigation into the impact of cultural factors and social norms on consumer behavior could unveil underlying reasons for the prevalence of counterfeit goods in different cultural contexts. Understanding these cultural nuances is crucial for luxury brands aiming to tailor their strategies to diverse markets.

There is a need for detailed research on the effectiveness of specific anti-counterfeiting technologies. Studies focusing on technologies such as blockchain or AI could provide actionable insights for luxury brands, guiding their investment and implementation decisions. Additionally, considering the global nature of the luxury market, future research could explore how international trends and global economic factors influence the counterfeit luxury goods market.

By exploring these areas, future research can significantly build upon this study's findings, further enriching the literature on luxury brand marketing and providing valuable guidance for combating the challenge of counterfeiting.



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Appendix

Survey Questionnaire

Welcome to our survey! We are conducting a study to understand consumer behavior related to luxury products and the effectiveness of strategies against counterfeit goods in China. Your participation will provide valuable insights and is greatly appreciated. Please note that all responses will remain confidential and are for research purposes only.

Part 1: Consumer Behavior and Factors Influencing the Purchase of Counterfeit Luxury Products**

1. How often do you purchase luxury goods (authentic or counterfeit)?

- Never
- Rarely (less than once a year)
- Occasionally (1-3 times a year)
- Frequently (more than 3 times a year)

2. What influences your decision to purchase counterfeit luxury products?
(Select all that apply)

- Price
- Brand image
- Quality of the counterfeit
- Social influence (friends, family, influencers)
- Availability

3. To what extent do you agree with the following statement: "Counterfeit luxury goods are a good alternative to authentic ones."

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

4. How important is brand authenticity to you when purchasing luxury goods?

- Not important at all
- Slightly important
- Moderately important
- Very important
- Extremely important

5. What factor most deters you from purchasing counterfeit luxury products?

- Legal consequences
- Ethical concerns
- Quality concerns
- Impact on brand image
- Social stigma

Part 2: Evaluation of Technological and Marketing Strategies Against Counterfeits

6. Are you aware of anti-counterfeiting technologies (like blockchain, AI, NFC, RFID) used by luxury brands?

- Yes
- No

7. How confident are you in the effectiveness of these technologies in authenticating luxury products?

- Not confident at all
- Slightly confident
- Moderately confident
- Very confident
- Extremely confident

8. How do digital marketing strategies (e.g., social media campaigns, influencer partnerships) influence your perception of a luxury brand?

- Negatively
- No influence
- Positively

9. Which of the following would most increase your trust in the authenticity of a luxury brand's products?

- Brand's official website and online store
- Verification through technology (e.g., QR codes, blockchain)
- Endorsements by reputable third parties (e.g., influencers, celebrities)
- Positive reviews and ratings on e-commerce platforms

10. How likely are you to purchase luxury products directly from a brand's official website or store as opposed to other retailers?

- Very unlikely
- Unlikely
- Neutral
- Likely
- Very likely

Thank you for taking the time to complete our survey. Your input is invaluable to our research and contributes greatly to our understanding of the luxury goods market in China. If you have any further comments or insights, please feel free to add them below.