

The real thing? People are often unsure about telling authentic luxury goods from fakes

December 1 2009, by Peter Dizikes



Renee Richardson Gosline, an assistant professor at the MIT Sloan School of Management. Photo: Patrick Gillooly

Luxury goods are supposed to be expensive because of their quality: A sip of fine wine or the comforting feel of designer clothing should justify the price.

Yet ever since the sociologist Thorstein Veblen developed the idea of “conspicuous consumption” about a hundred years ago, it has been widely accepted that consumers own [luxury goods](#) for a second reason as

well: to mark their own social status by distinguishing themselves from other groups of people.

How much does each of these rationales contribute to the value of high-end products? In a new working paper, “Rethinking Brand Contamination,” Renee Richardson Gosline, an assistant professor at the MIT Sloan School of Management, uses the phenomenon of counterfeit luxury goods to shed new light on this issue. Consumers, Gosline observes, struggle to distinguish the intrinsic qualities of real luxury goods from fakes; instead, they rely heavily on [social cues](#) to make those judgments. Indeed, when some consumers are shown pictures of people wearing luxury apparel, they are twice as confident in their ability to judge those products, and willing to pay twice as much for the apparel, as when those consumers are shown pictures of the goods alone.

Gosline’s research contains a subtle insight for businesses. The spread of counterfeit goods would seem damaging to the luxury-goods industry, especially if consumers have difficulty distinguishing real products from fakes on the merits of the products alone; in those circumstances, people would have an incentive to buy cheaper counterfeit goods.

And yet, these very same consumers remain highly confident in their ability to tell real goods from fakes, as long as they can pass judgment on the people using those products, too. Because people regard themselves as being so socially discerning, and so good at spotting fakes in social settings, they are still willing to pay high prices for authentic luxury goods. To the extent that consumers are habitually rendering a verdict on other people, not just merchandise, they provide luxury firms with some insulation from the threat posed by counterfeiting.

In effect, Gosline has quantified Veblen’s famous observation: Consumers are willing to pay twice as much for luxury apparel when they can use those products to send or receive social signals. As a

practical matter, a luxury firm that can measure how much of the value of its products derive from their social cachet — up to half, in this case — can decide to what extent its resources should be applied to enhancing that cachet, or to maintaining the quality of the product itself.

This study comes as luxury-goods companies seek stability amid a shaky economy and the ongoing problem of counterfeiting. The global recession has hurt the industry, with sales of luxury products expected to be down 8 percent worldwide in 2009, according to the consultancy Bain & Co. Counterfeiting appears to be a significant global business; an often-cited estimate by the International Chamber of Commerce puts counterfeit goods at 5 to 7 percent of global sales, although such matters are difficult to measure.

Is it faux real?

To examine how people assess luxury brands, Gosline conducted a survey, showing consumers two dozen photos of high-end handbags, some authentic, some counterfeit. Half the pictures showed a handbag sitting by itself on a shelf, while the other half showed the bag being held by a person in public. Before the slideshow, consumers who owned authentic luxury apparel rated their confidence in telling a real item from a fake one to be 6.2 out of 7, on average, and said they would pay \$786 for a true luxury bag.

Yet when shown a mixture of real and fake handbags on shelves, the owners of real goods found the exercise far more difficult. Their stated confidence level dropped in half, to 3.1 out of 7, and, after being asked to offer a price for each bag, they were willing to pay just \$403 for the products on average. “When there is no contextual information, it’s terrible for the brand,” says Gosline. “People’s confidence in their ability to discern the real from the fake plummets, as does their willingness to pay.”

But when Gosline showed the same consumers pictures of the bags in use, their confidence level was 6.1 out of 7, and they were willing to pay an average of \$783 for the bags. Why? Based on their comments, the people in the survey group were deciding if the person in the photo matched their preconceived notion of who is likely to own such products. “Basically these consumers look at the person, the setting, and determine the authenticity by seeing if the person’s image corresponds with the image they have of the brand,” Gosline explains.

In a sense, consumers are not so much rendering a verdict on the bags as deciding if the people measure up. By demonstrating this habit, colleagues say, Gosline’s research is highly innovative. “I think this question of luxury goods and counterfeiting has been neglected by companies and ignored by scholars, but she’s gotten consumers to really talk about these issues,” says Rohit Deshpande, a professor of marketing at Harvard Business School. “And by taking a consumer lens to the issue, she’s reached some non-obvious conclusions.”

Fashion police

Gosline’s research seemingly highlights a bind for luxury firms: Quality is not enough. Then again, by showing how much value people place on luxury goods due to a desire to consume conspicuously, Gosline’s work also shows how deeply the whole idea of luxury apparel still appeals to shoppers.

That means businesses have room to attract new, status-seeking clients. Gosline suggests the advent of social media may help firms study consumer tastes. Some consumers become aggressive online “policemen” attempting to separate what they perceive to be fashionable and real from what is not. As Gosline notes, there exists a Facebook page called “Darling, I can tell by the rest of your outfit your Louis Vuitton is fake,” featuring pictures of people deemed to be sporting

inauthentic goods. “It’s like a public shaming ritual,” Gosline says. Burberry, maker of upscale coats and other products, introduced its own social networking web site in November, to help clients interact with each other and, perhaps, lure new consumers aboard.

Gosline’s future work will explore the persistence of brand cachet among middle-class consumers. For instance, in another working paper she just finished this fall, “The Real Value of Fakes,” Gosline interviewed hundreds of [consumers](#) who knowingly bought [fake](#) luxury apparel, many at “purse parties” where such goods are sold. Gosline found that within two years, 46 percent of these buyers subsequently purchased the authentic version of the same product — even though other people could not necessarily tell the difference. Such behavior is another twist on Veblen’s thesis: For some status-seeking people, at least, the social power of luxury goods means that consumption must not just be conspicuous, but real.

Provided by Massachusetts Institute of Technology ([news](#) : [web](#))

Citation: The real thing? People are often unsure about telling authentic luxury goods from fakes (2009, December 1) retrieved 25 April 2024 from <https://phys.org/news/2009-12-real-people-unsure-authentic-luxury.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--