Anticipated Regret in the Purchase of Secondhand and Counterfeit Product

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Abstract

The purpose of this study is how consumers can minimizing negative emotion they will probably experience. One of negative emotion that consumers could experience is regret. When consumers develop a mechanism to anticipate future regret after buying decision, it is called anticipated regret. This research identifies how anticipated regret affects consumer choice between two risky buying decisions, which are counterfeit product and secondhand product. This research also investigates whether perceived risk mediates the effect of anticipated regret on consumers’ choice. Experimental design is used with 120 participants. The result of the analysis shows that anticipated regret significantly affects perceived risk, anticipated regret has negative significant effect toward purchase intention, and perceived risk also negatively affect purchase intention. The bootstrap results indicate that perceived risk mediates the effect of anticipated regret on consumers’ choice. Managerial implications and suggestions for future research then will be delivered.

Penyesalan yang Diantisipasi pada Pembelian Produk Bekas dan Bajakan

Abstrak

Tujuan dari penelitian ini adalah bagaimana konsumen dapat meminimalkan emosi negatif yang mungkin akan mereka alami. Salah satu emosi negatif yang bisa dialami konsumen adalah penyesalan. Ketika konsumen mengembangkan mekanisme untuk mengantisipasi penyesalan di masa depan setelah keputusan pembelian, hal tersebut disebut sebagai anticipated regret. Penelitian ini mengidentifikasi bagaimana anticipated regret mempengaruhi pilihan konsumen antara dua keputusan pembelian yang berisiko, yaitu produk bajakan dan produk bekas. Penelitian ini juga meneliti apa yang dirasakan manfaat pengaruh anticipated regret pada pilihan konsumen. Desain eksperimental digunakan dengan 120 peserta. Hasil analisis menunjukkan bahwa anticipated regret secara signifikan mempengaruhi risiko yang dirasakan, anticipated regret berpengaruh negatif signifikan terhadap niat beli, dan risiko yang dipersisikan juga secara negatif mempengaruhi niat beli. Hasil bootstrap menunjukkan bahwa risiko yang dirasakan mempengaruhi efek dari anticipated regret terhadap pilihan konsumen. Implikasi dan saran manajerial untuk penelitian masa depan kemudian akan disampaikan.

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INTRODUCTION

Secondhand products once have a bad reputation. There are only limited secondhand products traded, such as automotive or property. People who purchase secondhand fashion products are considered not classy. Despite the sales and purchase of secondhand fashion products such as clothing, bags, or shoes, it usually occurs in the small markets and shops and is done under-the-table. The buyers are mostly from the middle to lower classes who want to look for trendy products at a low price. Now the trading of secondhand products has grown and penetrated into the world of fashion with buyers from middle to upper class. Currently Indonesia has a fast-growing middle-class population with a consumptive lifestyle. They have good education, better access to information, and high social status. But in terms of income, only few who experienced a significant increase. Therefore, they are looking for alternative ways to be able to increase their prestige with limited financial conditions. Despite the status of ‘used’, a product, especially with premium-brand one, still has a high value as long as it is well cared and packaged.

This phenomenon is also influenced by information technology and online media that facilitate public access to the latest fashion trends and lifestyle. The desire to always look trendy causes high-end branded fashion products always in demand, although it is ‘used’. Then, preloved term appears. The bored owner can sell his or her branded goods, and then make a profit. On the other hand, those who want to boost appearance through branded fashion goods will buy it. A mutually beneficial symbiosis happens.

Preloved products are sold in many online stores. High quality used branded-fashion products are sold at a lower price. In Prelo for example, Emporio Armani watches are sold at IDR 9.5 million (US$ 680.85), from the original price of IDR 11 million (US$ 788.31). Prada wallet is sold at a price range of IDR 6 million (US$ 429.96) from the original price of around IDR 16 million (US$ 1,146.48). In Reebonz, Chanel bags are sold at a price range of IDR 18 million (US$ 1,289.79) from the original price of around IDR 30 million (US$ 2,149.84). In addition to the practicality and time effectiveness, shopping for used products online is ‘safer’ because it minimizes the risk of caught by others. Consumers are also free to purchase secondhand products through disguised personal accounts. Given the phenomenon of preloved products, consumers can have the latest original fashion products at a lower price instead of buying expensive counterfeit products. Price comparison of preloved and counterfeit product is shown in Figure 1.

Figure 1. Price Comparison of Preloved and Counterfeit Product in Instagram
Source: Instagram
The phenomenon of preloved products and expensive counterfeit products are both motivated by consumers’ desire to have a look with the latest fashion trends at a more affordable cost. Both types of purchases actually are risky for consumers. Consumer risk refers to the expectation of a particular outcome or a possible negative event (Rubio et al. 2015). In purchasing decisions, consumers are basically exposed to functional, financial, psychological, and social risks (Dowling & Staelin, 1994; Pe laez et al., 2019). Functional risks are due to performance failures over product utilities, financial risk is a potential loss of money more than it should be, psychological risks include the possibility of mental inconvenience as a consequence of a transaction, and social risks associated with a bad image that a consumer might experience by consuming a product certain.

This study has a novelty to confirm that if consumers develop anticipated regret when they buy expensive counterfeit products, they will prefer preloved products. This happens because when they purchase pirated products, they will get products with a lower quality than when they bought the original product. As a consequence, the possibility of consumers to experience regret will be higher. Thus, this study aims to analyze the decline in consumers’ desire to buy counterfeit expensive products because of the anticipated regret. Furthermore, this study attempts to answer two questions: (1) Will consumers prefer to purchase preloved products than expensive counterfeit products in the presence of anticipated regret? (2) Does perceived risk mediate the effect of anticipated regret on consumers’ intention to purchase counterfeit or preloved products? It is expected that this study contributes theoretically in better explaining and understanding the role of anticipated regret in consumer decision making process. In addition, this study is also expected to help marketing managers in understanding consumer behavior in purchasing decisions of preloved or counterfeit products. Several studies have examined regrets in relation to unethical behavior, such as buying counterfeit products (Chen et al., 2015; Bian et al., 2016) and regrets that consumers feel after buying luxury products (Lyons et al., 2019) separately. Current research differs from previous research because it examines regrets in relation to counterfeit and original luxury product purchases simultaneously since in Indonesia this phenomenon is real and experienced by many people.

Hypothesis Development

Preloved and Counterfeit Product

Previously, purchasing secondhand products was associated with buyers’ fund limitation. In addition, consumers are also reluctant to buy secondhand products with consideration of product quality or short product life. But on the other hand, consumers are also influenced by changes in fashion, availability of lower price products, or new products that offer higher efficiency. In later developments, the reluctance of consumers to purchase secondhand products is declining with the increasing of attractiveness of circular economy in people’s lives: reuse, refurbishment, and repair. Buying used or preloved products today is a lifestyle choice as well as a financial decision (Williams & Shaw, 2017).

The market development for secondhand products according to Thomas (2003) caused by several things: first, the development of Internet-based market has made transaction costs decreased. Similar thoughts are conveyed by Williams and Shaw (2017) with what they call a private economy where owners who no longer want their products can easily resell their products to buyers who want them via the internet. Second, the liberalization of global markets has reduced the barriers to the sale of secondhand products around the world where the World Trade Organization (WTO) emphasizes its members to reduce barriers to global trade. Third, one of the important factors in the development of secondhand products market is the product life that is currently getting longer with the advancement of technology.

On the other hand, consumers today have the option to purchase counterfeit products in the market. Counterfeit products are products with
trademarks that are identical to, or indistinguishable from, registered trademarks to other parties and are in violation of the rights of trademark holders (Kapferer, 1995; Chaudhry & Walsh, 1996; Eisend & Schuchert, 2006; Wilcox et al., 2009). Although producing and selling counterfeit products is unlawful, there are now many counterfeit products on the market. Since demand is a market driver, some researchers argue that consumers’ demand for counterfeit products is a major cause of the existence and development of counterfeit products (Bian & Moutinho, 2011).

Regret
Consumer purchasing decision process is a process that is full of emotion, and emotion is a very strong predictor of consumer behavior in the future (Flavián-Blanco et al., 2011) and generally consumers’ goal is to minimize the negative emotions they may experience after making a purchase decision (Bagozzi et al., 2016). Among various negative emotions that consumers may perceive, regret is a very intense emotional response (Di Caprio et al., 2019) so that consumers will tend to avoid regrets and try to regulate their level of regret (Zeelenberg & Pieters, 2006; Pelaez et al., 2019).

This research has several new things, namely how consumers regret if consumers use second and counterfeit goods. Previous research found that regret affects consumer decision making process in two ways: first, consumers will correct the wrong decision they took after making a purchase (Medvec et al., 1995); second, before making a purchase decision, consumers often expect that if the decision turns out to be wrong, they will anticipate the feeling of regret so that in the end they will change the choice. The first that occurs after purchasing is called experienced regret, while the second that occurs before purchasing is referred to anticipated regret (Zhou & Gu, 2015).

When purchasing a product, consumers try to minimize the possibility of regret for the purchase (Bell, 1982). However, since counterfeit products are replication of genuine products but with inferior quality, their reliability and performance can not be ascertained. When consumers are considering purchasing a product, they consider the cost and benefits of the purchase by performing a mental simulation in which they compare the circumstances in which they purchased the product and the circumstances in which they did not purchase the product. When consumers, at the time of mental simulation, get a picture of a better condition when they purchase the product compared to actual state, then consumers will experience a negative affect (regret). Thus when the outcome of a purchase decision is still unknown, as in the case of purchases of counterfeit products, the consumer will anticipate that the purchase decision will cause regret in the future (Chen et al., 2015). Thus, the consumer’s mental simulations of future events can influence their purchasing decisions (Davvetas & Diamantopoulos, 2018).

Consumers who want the newest branded products but do not have enough money will try to purchase counterfeit product that is almost similar with original product even though the price is more expensive than typical existing counterfeit products. But on the other hand, the decision to purchase counterfeit products is likely to bring negative impact to consumers in the form of shame if their relatives or friends find out about it. This risk can be avoided by the consumer if they anticipate the regret before making a purchase. The highest quality of counterfeit products still will not look exactly like the original products. Thus, consumers will anticipate more regrets if they purchase counterfeit products compared to preloved products. Consumers’ preference for counterfeit products will therefore diminish as they anticipate feelings of regret over the purchase decision. Hence, consumers will prefer preloved over counterfeit products in the presence of anticipated regret.

H1: Consumers’ intention to purchase preloved product is higher than counterfeit products in the presence of anticipated regret.
could be avoided if consumers have anticipated this regret before purchasing counterfeit products. In this condition, anticipated regret is a mechanism to minimize the regret they will feel after purchase. As consumers anticipate the negative outcomes of purchasing decisions, their memory and cognition will inform not only the faulty choices they have made in the past, but also the choice of decisions considered true in the future (Shih & Schau, 2011; Davvetas & Diamantopoulos, 2018).

There is a psychological process behind the declining of consumer preferences toward this expensive counterfeit product. Psychologically, consumer preferences toward expensive counterfeit products decrease due to an increased consumer perceived risk (e.g. social risk or the functional risk). Thus, the consumer's perceived risk will lead to the anticipation of regrets that will further reduce consumer preferences for counterfeit products (Chen et al., 2015).

H2: Consumer’s perceived risk mediates the effect of anticipated regrets on consumers’ intention to purchase counterfeit or preloved products.

Based on the hypothesis, the relationship between variables is conceptualized into research model. The model explains the anticipation regret with purchase intention and perceived risk (Figure 2).

![Research Model](image)

Figure 2. Research Model

**METHOD**

There are three variables in this study: independent variable (anticipated regret), mediation variable (risk), and dependent variable (purchase intention). Participants in this study were women who had purchased preloved products or expensive expensive counterfeit products. There were four experimental groups in this study with 30 participants in each group. Thus, the total number in this study is as many as 120 participants. The data are analyzed using ANOVA.

**Scenario Study 1**

Study 1 aims to empirically test Hypothesis 1. This study uses between subjects with two levels of regret (anticipated regret vs. control). The dependent variable is purchase intention of the participant toward expensive expensive counterfeit products vs. preloved products. Fifty-five participants will be assigned in the experimental group (anticipated regret) and 55 others in the control group.

In the control group, two pictures are presented to the participants. The first picture shows original product with the note that the product is in secondhand condition. The second picture is high quality counterfeit product. Both products have similar price. Participants are then asked to choose which product they want to purchase.

In the experimental group, 55 participants were given the same treatment with the control group. Two pictures are presented to participants: preloved and high-quality counterfeit products. However, in the experimental group, for anticipated regret manipulation, participants are asked how they feel when they buy counterfeit product (preloved) and then their friends or relatives find out about it. Participants are also asked which products they want to purchase.

**Scenario Study 2**

The purpose of Study 2 is to test Hypothesis 2. Since counterfeit product is a clone of the original product, consumer bears the risk of their purchase decision. Therefore, the effect of anticipated regret on consumer purchase decisions of counterfeit vs. preloved products is mediated by consumers' perceived risks associated with the purchase of those products. Treatment in Study 2 is identical to Study 1. Sixty participants will be assigned in the experimental group (anticipated regret) and 60 others in the control group. But in Study 2 before participants
are asked to choose which products they would purchase; they are asked about their perceived risk. Perceived risk measurement is adapted from Nordgren et al. (2007).

RESULT AND DISCUSSION

Study 1

There are 124 participants in Study 1. Their ages ranging from 20 to 42 years. They are students, employees, entrepreneurs, and housewives. To the 55 participants in the control group are presented bag pictures that are sold in Instagram. The first picture is a preloved bag (Coach) and the second is a counterfeit bag (Chanel). Both are sold at IDR 1.4 million (US$100.38). After viewing the two pictures, participants are asked to state how their purchase intentions for each product on a scale of 1-5 (1 = very unlikely to 5 = very likely).

While 69 participants in the experimental group are presented the same two images, but then they are asked (1) how they feel if they purchased counterfeit products and then their friends or relatives found out about it, and (2) how they feel if they purchase preloved products and then their friends or relatives found out about it. After that participants are asked to state their purchase intentions for each product on a scale of 1-5 (1 = very unlikely to 5 = very likely). To the participants it is conveyed that they are only allowed to assign a value of 4 or 5 to one of the product (preloved or counterfeit) products of their preference.

ANOVA tests are used to compare consumers’ purchase intentions in both experimental groups. The results show that Hypothesis 1 is supported. As indicated in Table 1, the purchase intention participants for preloved and counterfeit products in the experimental group are significantly different (Mean_{preloved} = 4.51; Mean_{counterfeit} = 4.22; F = 4.398; Sig = 0.040). This study supports the argument that the existence of anticipation regrets will make consumers want to purchase original products even though they are in preloved condition rather than counterfeit products. The presence of anticipated regrets in influencing consumer purchase intentions is also supported by the results of the ANOVA test (Table 2) where in the control group the purchase intention of participants for preloved product is lower than that of the experimental group (Mean_{control} = 4.05; F = 11.013; Sig = 0.001).

| Bag          | Purchase Intention | F-Value | Sig  |
|--------------|--------------------|---------|------|
| Preloved     | 4.51               | 4.398   | .040 |
| Counterfeit  | 4.22               |         |      |

Table 1. ANOVA Analysis for Consumer’s Purchase Intention of Preloved vs. Counterfeit Product

| Preloved Bag | Purchase Intention | F-Value | Sig  |
|--------------|--------------------|---------|------|
| Control      | 4.05               | 11.013  | .001 |
| Experiment   | 4.51               |         |      |

The effect of anticipated regrets toward consumer purchase decisions were also found (Chen et al., 2015). When consumers anticipate regrets in purchasing a product, their preference for the product will decrease. Consumers’ mental simulations will sum up that regret in purchasing decisions of counterfeit products will be greater than the purchase of preloved products. This is very likely to happen because purchasing and consuming counterfeit products not only shows that they do not have sufficient financial condition but also support prohibited activities. This explains why participants’ preferences for preloved products are higher than those of pirated products.

Study 2

There are total 89 women as participants in Study 2. The participants’ demographics in Study 2 were not significantly different from those in Study 1. Their ages ranging from 22 to 43 years. They are students, employees, entrepreneurs, military, and housewives. The experimental procedure in Study
2 is identical to Study 1 with the exception of the participants being asked about their perceived risk. To obtain data on perceived risk, measurements are adapted from Nordgren et al. (2007) by asking how much risk they perceived in purchasing preloved/counterfeit product on a scale of 1-5 (1 = no risk at all to 5 = very risky).

SPSS is used to test the mediation effect of perceived risk on the relationship between anticipated regret and consumer purchase decision on preloved/counterfeit products used. The result of the analysis shows that anticipated regret significantly affect perceived risk (β = 0.57, t = 11.40, p = 0.01), anticipated regret has negative significant effect toward purchase intention (β = -0.20, t = -6.03, p = 0.00), and perceived risk also negatively affect purchase intention (β = -0.32, t = -8.22, p = 0.03). The bootstrap results indicate that there is a significant indirect effect, indicated by 95% CI that the indirect effect does not contain zeros (0.15, 0.11). Thus Hypothesis 2 in this research is supported. This is in line with the findings of Chen et al. (2015). As a symbolic product, fashion is often used by consumers to show their status and identity. When consumers associate purchase of counterfeit products with risky activity, they will consider purchasing the product based on the risks it may face. Social risk is often a major consideration for consumers in deciding to purchase a product, such as the embarrassment consumers will experience when people around them find out that they purchase and consume counterfeit products. In addition, functional risks also accompany the purchase of counterfeit products such as poor-quality product.

CONCLUSION AND RECOMMENDATION

The results of this study indicate that consumers will reduce their preference to counterfeit products when they are aware of the anticipated regret, they will feel in the future for their purchase decisions. The study also shows that the decrease in preference occurs because consumers perceive a risk on their purchasing decisions. The results of this study may contribute to efforts to reduce purchases of pirated products by consumers by governments and companies. The Indonesian government, where this research was conducted, faced major problems with the large number of pirates on different types of products: movies, music, software, drugs, fashion products, and some other products. Based on the results of this study, consumers will change their purchasing patterns against pirated products if their preferences for the product change. Promotional activities can be run by the authorities by adding situations where consumers will be embarrassed to buy and use pirated products. This can be done by emphasizing the risks they will experience, such as social risks as well as functional risk.

For further research, researchers can engage in research on different cultures because each culture carries different values. Thus, there is the possibility of consumers will behave differently. Still in relation to culture, it needs to be investigated about the social effect on consumer behavior in buying preloved or counterfeit products.

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