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A Study Of Strategies Adopted To Combat Counterfeit Culture By Luxury Brands – A Comparative Study Between Gucci And Louis Vuitton

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Abstract

Counterfeiting of well-known luxury brands with a great brand identity and high exposure is a global industry that is rapidly expanding. Perhaps counterfeiting has become the world's fastest growing and most viable business, and there are no signs that the industry is slowing down, particularly when more luxury brands have clearly externalized signs of recognition. It is difficult to estimate the size of the counterfeit merchandise industry since it operates on a 'gray market.' According to one estimate, counterfeiting accounts for more than 6% of global trade, or \$450 billion a year, and fake products worth \$100 million are intercepted per year entering the United Arab Emirates (Betts, 2019). With the introduction of the Internet as a business development channel, the issue of counterfeit products has become even more critical for luxury brands. The counterfeit merchants are offering a serious threat to the luxury houses, with professional-looking websites, low prices, quicker delivery times, and a wider variety of delivery options. The luxury brands are losing a lot of money and are retaliating by spreading the word that purchasing counterfeit goods helps promote terrorism and other not just illegal but also morally reprehensible practices. Suppliers of counterfeit goods, including luxury conglomerates, have recognized the internet's penetration force.

Keyword : A Study, Strategies, Culture Luxury Brands , A Comparative Gucci and Louis Vuitton

1. Introduction

Counterfeiting of well-known luxury brands with a great brand identity and high exposure is a global industry that is rapidly expanding. Perhaps counterfeiting has become the world's fastest growing and most viable business, and there are no signs that the industry is slowing down, particularly when more luxury brands have clearly externalized signs of recognition. It is difficult to estimate the size of the counterfeit merchandise industry since it operates on a 'gray market.' According to one estimate, counterfeiting accounts for more than 6% of global trade, or \$450 billion a year, and fake products worth \$100 million are intercepted per year entering the United Arab Emirates (Betts, 2019).

With the introduction of the Internet as a business development channel, the issue of counterfeit products has become even more critical for luxury brands. The counterfeit merchants are offering a serious threat to the luxury houses, with professional-looking websites, low prices, quicker delivery times, and a wider variety of delivery options. The luxury brands are losing a lot of money and are retaliating by spreading the word that purchasing counterfeit goods helps promote terrorism and other not just illegal but also morally reprehensible practices. Suppliers of counterfeit goods, including luxury conglomerates, have recognized the internet's penetration force. With the ability to sell on the internet, the culture of counterfeiting has exploded. The sellers do not have to worry about being out of sight of the public. Counterfeiting is not a modern phenomenon, but with new sophisticated ways to meet customers, it is on the rise. Copies, counterfeits, replicas, and other knockoffs of luxury brand pieces abound on the Internet. A Google search for the words 'Louis Vuitton bags' yields 777 000 000 results (Google Search, February 2021), the majority of which are suppliers of imitation copies, or replicas.

Fashion is a constantly changing trend in which one's everyday clothing choices can influence others' views and attitudes in a positive or negative way. For several people, the brand they choose or the designer they choose will influence their perception of social status. The hosts of every major award show on television that features celebrities walking the red carpet ask them one major question: "who are you donning?" Luxury fashion brands such as Alexander McQueen, Louis Vuitton, Coach, Giorgio Armani, Chanel, Gucci, Fendi, Tiffany, Dolce and

Gabbana, Marc Jacobs, Prada, and Versace would most likely be listed. Top-paid celebrities are required to respond with these brand titles. But what effects do these brands have on the public who cannot afford to buy these products because of their high prices? Some people fantasize about dressing up as their favorite celebrities. It is a status symbol to carry a designer handbag. Many people who cannot afford to buy genuine designer brands can buy a knockoff if no one else knows it is not genuine. Some citizens are resigned to the fact that they would never be willing to afford to pay hundreds, if not thousands, of dollars for certain brands; some, on the other hand, find ways to circumvent the cost of the products by purchasing designer labels unlawfully. For years, counterfeit products have been a problem for brands. When anything becomes popular and costly, cheaper knockoffs are likely to follow. This enables customers to buy copies of their favorite products for a fraction of the cost of the original. The selling of illegal goods, according to luxury clothing brands, has pushed up the price for legitimate customers. Counterfeit replicas are typically of poorer quality than genuine items, and they are more likely to crack, rip, or fade long before the genuine item.

The business area of every major city that has market vendors is likely to be a hotspot for offering counterfeit products. In UAE, one can particularly find a lot of counterfeit products in Dubai. These replicas have the same symbols as the originals, and they look very much like the original one. Bur Dubai, Karama is a common place to buy knockoffs. There has been an ongoing campaign to combat counterfeiters for years. This research investigates which values are prevalent when buying counterfeit products, as well as the effects these have on luxury brand reputation and, as a result, brand management.

This research examines why people tend to buy counterfeit goods and whether this has an impact on the brand's image. It aims to understand why people choose to buy counterfeit products over authentic or generic goods, both online and via conventional distribution networks. The purpose of the research is to understand the strategies adopted by luxury brands to tackle the issue and the impact of it on brands specifically focusing on Gucci and Louis Vuitton. Counterfeit products have a major effect on a brand and can cause long-term harm. Since counterfeiters can discount brands' costs, profits can suffer. Customers are associating the option of buying a counterfeit with their brand, putting their reputation at risk. If consumers were completely aware about the brand's systemic fraud, they would find it less appealing. Counterfeiters' activities can also damage a brand's image among distributors and other stakeholders associated with it.

The significance of this research is that it demonstrates how widespread this issue is, even within a small group of people. The research took place in UAE – Dubai to be specific. It explains how brands are dealing with the issue. It offers insight into the problems that those who have engaged in the sale or purchase of counterfeit designer products are experiencing, which impact larger companies and our economy. This research also examines consumer attitudes toward the issue and provides a better understanding of the societal pressures on them to fit in and be accepted.

The research looks at counterfeit culture and how it affects luxury brands. As a result, it employs the available literature on counterfeit culture to measure the luxury retail market. This is a comprehensive review of the luxury industry in the United Arab Emirates. The rise in HNI earners, as well as an appreciation for luxurious aspects of life, have all contributed to the positive impact of luxury brands in the UAE. The Middle East's luxury retail market is expected to rise at a remarkable annual pace of approximately 5.6 percent to \$15.1 billion by 2022 (Global Data, 2019). The United Arab Emirates has grown to become the Middle East's largest luxury market.

Though this paper, the researcher aims to understand the impact of counterfeit culture on luxury brands, to compare and analyze the luxury brands of Gucci and Louis Vuitton, whose yearly turnover and market share is always highly ranked in the luxury market.

2. Research Methods

Descriptive statistics are statistics used to analyze data by describing or depicting the collected data as it is without the intention of drawing general conclusions or generalizations.

2.1. Research Objectives

- a. To study the impact of counterfeits on luxury brands and strategies adopted by Gucci and Louis Vuitton to tackle counterfeit culture.
- b. To gain an understanding of how counterfeit products influence the consumer perception of luxury brands.

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- c. To study the factors considered by consumer while buying luxury product: Original vs Counterfeit.
- d. To recommend strategies to Gucci and Louis Vuitton.

2.2. Methodology

Research Approach	Statistics Descriptive
Research Design	Exploratory
	Descriptive
Data Sources	Secondary
	Primary
Research Strategy	Survey
	Sentiment Analysis
	Focus Group Interview
	Mystery Shopping
Data Collection Method	Google Forms
Sampling	Convenience Sample
Data Analysis Method	Factor Analysis
	Cluster Analysis

3. Results and Discussions

3.1. Data Analysis and Interpretation

The total number of respondents of the survey were 98. Out of the 98 respondents, 10 had never purchased any luxury product. Thus, the survey was completed by 88 of them. The form was made in Google Forms and circulated in the UAE through WhatsApp and LinkedIn. WhatsApp circulation generated a high number of responses. Although the overall responses were only 98, the minimum responses needed to attain statistically significance was achieved. This cluster table can after factor

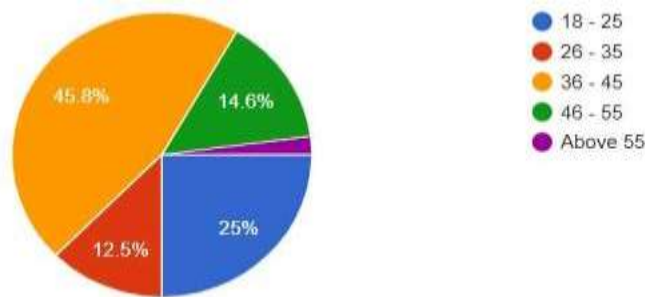
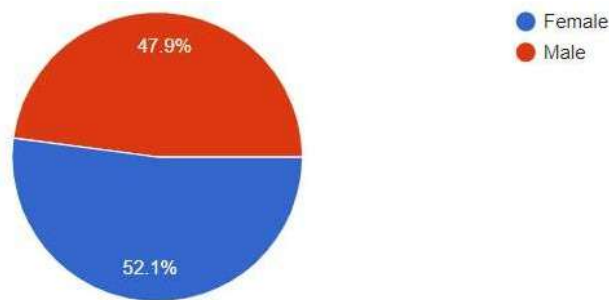
Cluster	1	52.000
	2	36.000
Valid		88.000
Missing		10.000

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.748
Bartlett's Test of Sphericity	Approx. Chi-Square	426.658
	df	28
	Sig.	0

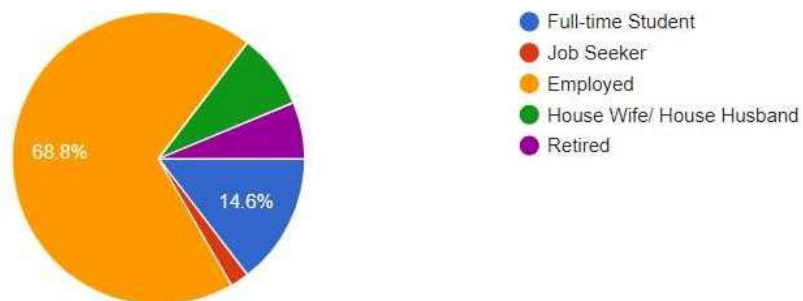
The first question asked to the respondents was to know if they have ever purchased luxury product. 96% respondents had purchased them, and they continued with the survey while the others were requested to submit the survey without proceeding further.



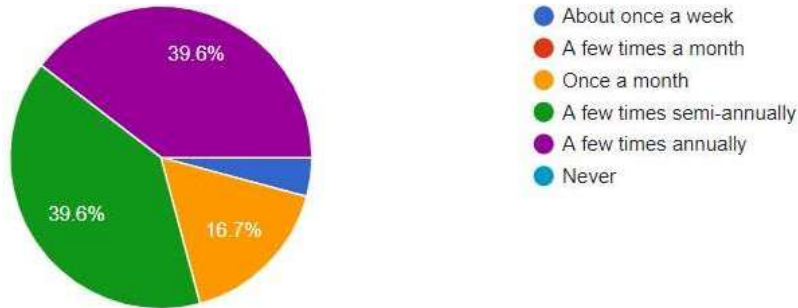
52.1% of the respondents were female while 47.9% of the respondents were male. Majority of the respondents belonged to the age bracket of 36 – 45 years followed by the respondents in the age bracket of 18 – 25 years.



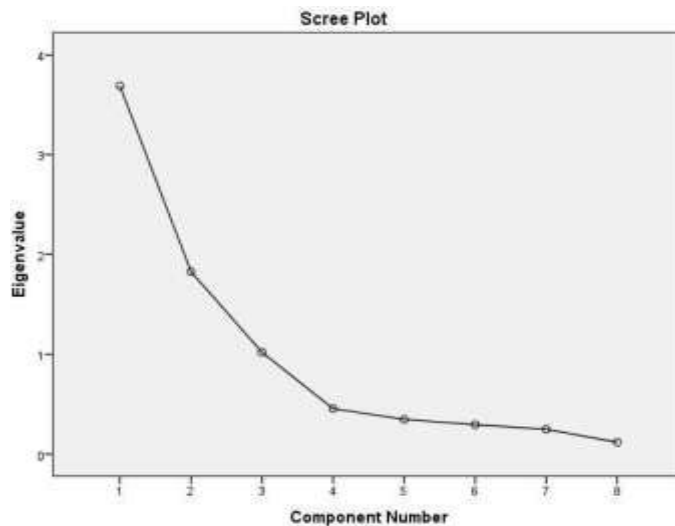
68.8% respondents were full time employees, 14.6% of the respondents were full – time students, 8.3% were either househusband or housewife, 6.3% of the respondents were retired and 2.1% of them were job seekers.



39.6% of the respondents purchase luxury articles a few times semiannually and the same percentage of respondents shop a few times annually. 16.7% shop once in a month and 4.2% of the respondents shop luxury articles about once a week.



The analysis of the responses was done with the help of SPSS and the data analysis approach used was factor analysis and cluster analysis. Two factor analysis was done. Factor one was named as ‘Purchase Value’ which consists of product quality, durability, price, and exceptional service. The second factor was named as ‘Psychological and Physical Factors’ which includes the desire to follow trends, exclusivity, sustainability, prestige and status.



	Rotated Component Matrix ^a	
	Purchase Value	Psychological and Physical Factors
Product Quality	.926	.144
Durability	.882	.064
Price	.876	.155
Exception at Service	.657	.172
Trend	-.063	.905
Exclusivity	.388	.761
Sustainability	.117	.711
Prestige and Status	.180	.706

Extraction Method: Principal Component Analysis.

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Initial Cluster Centers		
	Cluster	
	1	2
Gender	Male	Male
Age	26 - 35	18 - 25
Occupation	Employed	Full-time student
Income	AED 25,001 - AED 50,000	Below AED 10,000
Likely to purchase Gucci	Most Likely	Less Likely
Likely to purchase from LV	Very Likely	Less Likely
Product Quality	Neutral	Very Important
Price	Less Important	Very Important
Exclusivity	Neutral	Neutral
Trend	Neutral	Important
Sustainability	Important	Less Important
Prestige and Status	Less Important	Very Important
Durability	Neutral	Very Important
Exceptional Service	Important	Very Important
Owned counterfeits	No	Yes
Factors to own counterfeits	Accidental Purchase	Pressure or desire to follow the trends
Thought about counterfeits	damages authentic brands' reputation	Has no impact
Multilateral and legal framework	Gucci	Both
Trade agreement and IP	Louis Vuitton	Louis Vuitton
Awareness through campaigns	Gucci	Gucci
Ease of licensing	Louis Vuitton	Gucci
Collaboration with e-commerce	Gucci	Louis Vuitton

3.2. Cluster Analysis

Cluster 1

According to the cluster analysis, the gender of respondents in cluster 1 is male who belong to the age bracket of 26 to 35 years. Their income lies between AED 25,001 – AED 50,000. They are most likely to purchase from Gucci and very likely to purchase from Louis Vuitton. The price of the product and the status symbol do not matter

much to them, but they expect the product to be sustainable and receive exceptional customer service. They usually do not purchase counterfeits, but they have owned them only because it was an accidental purchase. They believe that counterfeit products damage the authentic brand's reputation. They are aware about a lot of initiatives taken by luxury brands like Gucci and Louis Vuitton to tackle counterfeits.

Cluster 2

The gender of respondents in cluster 2 is male who age between 18 – 25. They are full time students who earn below AED 10,000. They are less likely to purchase either Gucci or Louis Vuitton. They consider quality and price of the product as very important aspects while purchasing. They expect exceptional customer service, and they purchase articles to keep up with the trends and as status symbol. They often purchase counterfeits to follow the trends and according to them, counterfeits have no impact on luxury brands. They are aware about the strategies adopted by brands to tackle counterfeits.




1) Brand Sentiment Analysis

The brand sentiment analysis was done on the website www.similarweb.com.




Comparison of marketing channels traffic



Louis Vuitton Product Ads in UAE

Ads (14)	Landing Page	Keywords	Position
 <p>5.950.00 AED Louis Vuitton - Félicie Strap & Go Kaki Messenger Bag louisvuitton.com</p>	www.louisvuitton.com/en-gb/products/felicie-strap-go-messenger-bag-prod2638145v?dispatchCountry=AE?campaign=sem_gg-AE-ENG-EC-SHOP-GTHE	<p>3 keywords: louis vuitton bag tv lv</p>	4
 <p>5.800.00 AED Louis Vuitton - Neverfull MM Handbag Damier Ebene louisvuitton.com</p>	www.louisvuitton.com/en-gb/products/neverfull-mm-damier-ebene-038116?dispatchCountry=AE#N41358	<p>3 keywords: louis vuitton italyan bags design in dubai bag tv</p>	6
 <p>8.000.00 AED Louis Vuitton - Pochette Métis Handbag louisvuitton.com</p>	www.louisvuitton.com/en-gb/products/pochette-metis-monogram-reverse-canvas-nyprod1770373v?dispatchCountry=AE?campaign=sem_gg-AE-ENG-EC-SHOP-GTHE	<p>3 keywords: louis vuitton bag tv lv</p>	6

Gucci Product Ads in UAE

Ads (10)	Landing Page	Keywords	Position
 <p>2.750.00 AED GUCCI Women's Ace Sneaker with Bee, Silk GUCCI</p>	www.gucci.com/ae/en_gb/pr/women/shoes-for-women/sneakers-for-women/womens-ace-sneaker-with-bee-p-43194202JP69064?utm_medium=organic&utm_source=google&utm_campaign=free_pla&utm_content=pla&utm_term=43194202JP09064	<p>3 keywords: gucci shoes shoes</p>	2
 <p>1.450.00 AED GUCCI Original GG Canvas Baseball Hat with Web GUCCI</p>	www.gucci.com/ae/en_gb/pr/men/accessories-for-men/hats-and-gloves-for-men/baseball-caps-for-men/original-gg-canvas-baseball-hat-with-web-p-2000356QWB09791?utm_medium=organic&utm_source=google&utm_campaign=free_pla&utm_content=pla&utm_term=2000356QWB09791	<p>2 keywords: gucci gant</p>	3
 <p>1.700.00 AED GUCCI Leather Belt with Double G Buckle GUCCI</p>	www.gucci.com/ae/en_gb/pr/women/accessories-for-women/belts-for-women/skinny-belts-for-women/leather-belt-with-double-g-buckle-p-414516AP00T1000?utm_medium=organic&utm_source=google&utm_campaign=free_pla&utm_content=pla&utm_term=414516AP00T1000	<p>2 keywords: gucci belt</p>	3

b. Focus Group Study

A focus group interview was conducted to know if people are aware about the strategies adopted by luxury brands to tackle counterfeit culture and to understand their views about luxury brands and their counterfeits. The list of the participants are:

- 1) Mr. Jerin Thangappan – Product Manager, The Art of Shaving
- 2) Mrs. Sonia Nair – Literature Professor
- 3) Mr. Lalchand Yadav – Lawyer
- 4) Ms. Anjali Kanoujiya – Student
- 5) Ms. Veronica James – Designer, Fizzy Goblet
- 6) Ms. Rajeshree Singh – Project Manager
- 7) Mr. Siddhanth Pai – Engineer

It was identified that 5 out of the 7 members knew about some strategies adopted by luxury brands but they believe that these strategies are not so impactful when it comes to educating the audience about the drawbacks of the counterfeit culture. Thus, it is important for brands to share more information with the audience and educate them. One of the participants of the focus group interview, Mr. Jerin shared how the brand he works for tackles counterfeit:

- 1) Legal Battle
- 2) Report in e-commerce platforms and collaborate with them through a contract that states that their platform will accept no other distributor for their products.

c. Mystery Shopping

The researcher went to Bur Dubai and Al Karama in Dubai, UAE to find stores selling counterfeit items. It was identified that the counterfeit culture is a huge business, and these stores have several luxury brands selling them at extremely cheap prices. The products look very much like the original one. The customers usually share pictures of the original one from the original brand from the website or social media and look for similar one in such stores. Some customers randomly visit the store in look out for a good deal. These sellers usually quote a high price but customers usually bargain and get it at very lower prices.



d. What If Analysis

Price is mentioned in '000 USD.

Costs

No. of stock/unit bags	2300
Cost of Product	1700
Technology	600
Branding	300
Social Media	400
Logistics	700
Insurance	400
Total Costs	4100
Price per unit	12
Total Sales	27600
Total Revenues	27600
Profit or Loss	23500

Scenario Summary				
	Current Values:	Normal	Optimistic	Pessimistic
Changing Cells:				
Technology	600	600	600	900
Branding	300	300	250	400
Social Media	400	400	200	600
Logistics	700	700	400	800
Insurance	400	400	400	400
Result Cells:				
Profit/ Loss	23500	23500	24050	22800

- 1) In normal scenario, the profit would be USD 23,500.
- 2) In optimistic scenario, the profit would be USD 24,050
- 3) In pessimistic scenario, the profit would be USD 22,800.

4. Conclusion

For rights holders, intellectual property protection is becoming increasingly crucial. Companies and individuals are becoming more aware of the benefits of properly protecting their exclusive rights, and are working alongside government agencies and international organizations to preserve IP rights. IP rights were created to safeguard our inventions; thus counterfeiting is nothing new. While illegal copying may have once been seen as a complement for small-batch handmade goods, technical advancements and mass production have made such copying hazardous to producers. The current level of production and accessibility of acquiring counterfeit goods is unparalleled as a result of globalization and the ever-increasing rate of internet penetration. Despite the fact that manufacturing operations are gradually shifting out from China to even cheaper locations such as Bangladesh and Indonesia, it is claimed that China currently produces between 85 and 95 percent of all counterfeit items. Tragically, this implies there's a considerable chance those new plants will soon begin selling counterfeit goods in this already crowded market. Although the fight against counterfeiters may appear to be unfair, it is not inevitable; adequate preparation and execution are essential. Counterfeiters employ constantly expanding technology, and there is no reason why brand owners can not do it as well.

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