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A global perspective on combating *Shanzhai* products: Cross-cultural solutions

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Abstract

To compete on the world market, companies from emerging economies often adapt their innovations to satisfy unique cultural needs. They do so, in part, by copying the products of their western counterparts with a degree of modification. This approach is referred to as *Shanzhai*, which is a Chinese neologism meaning “copycat.” In this article, we discuss the *Shanzhai* phenomenon and explain *Shanzhai*'s development stages and threats to original brands across the globe. Then, we examine how cultural factors (i.e., power distance belief, face consciousness, and analytic vs. holistic-thinking style) influence consumers' perception towards *Shanzhai* products. We further suggest that original manufacturers should adopt selected strategies to combat *Shanzhai* threats vis-a-vis three cultural drivers. One driver entails launching full product lines and developing new distribution channels in high power distance belief cultures but promoting brand originality in low power distance belief cultures. A second alternative involves embracing a sustainable and green brand image in low face-sensitive cultures but strengthening brand logo impacts and enhancing intangible brand benefits—such as social value (e.g., brand user profile, prestige)—in high face-sensitive cultures. The third entails communicating integrated product values in holistic-thinking cultures but highlighting an offering's most competitive and unique features in analytic-thinking cultures.

KEYWORDS

cross-cultural solutions, emerging economies, face consciousness, power distance belief, *Shanzhai* products, thinking style

1 | THE SHANZHAI PHENOMENON

In recent years, a growing problem, *Shanzhai* imitation, has become a major threat to original brand owners. *Shanzhai* (山寨), that is, meaning “Mountain Village,” is a Chinese neologism, referring to the imitation in appearance and function of original brands with a certain degree of modification (Qin et al., 2018). *Shanzhai* has become particularly prevalent to emerging market multinationals, as they have sought to parlay

Shanzhai imitation in their forays into world markets (Luo et al., 2011). Thus, *Shanzhai* products have become threats to original global brands in a variety of industries, including tangible products (e.g., cell phones, handbags, T-shirts, food, and beverages) and intangible services (e.g., retail stores, online games, and social media).

Shanzhai product made its name in electronic product category. Since 1990, many electronic manufacturers, for example, Tianyu Electronics, in the Pearl River Delta area in Guangdong China, started

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TABLE 1 *Shanzhai* manufacturer and service provider examples.

Innovative <i>Shanzhai</i> company	Tianyu	Miniso	TonyMoly	Dr. Reddy's
Business area	Mobile phones	Retail stores	Cosmetics	Medications
Sales revenue (USD)	\$1150 million (2008)	\$1277 million (2020)	\$101.66 million (2020)	\$2316 million (2020)
Home country	China	China	Korea	India
<i>Shanzhai</i> examples				
Original brands				

imitating Nokia, Samsung, and the other famous leading brands (Luo et al., 2011). *Shanzhai* phenomenon has also been prevalent in the other industries, such as cosmetic products, drug makers, and retail stores. TonyMoly, a famous Korean *Shanzhai* cosmetic brand that imitates a range of global leading brands (e.g., M.A.C, The Body Shop, Maybelline), has opened thousands of off-line retail stores in 50 countries and generated \$101.66 million revenue in 2020 (Dun & Bradstreet, 2020). Miniso, a *Shanzhai* store of Muji (a famous Japanese retail brand), has opened over 4500 stores in nearly 90 countries across four continents, including United States, Canada, Russia, and Australia. In 2019, the World Health Organization (WHO) reported that about half of global antibiotic pills are “me-too” drugs (i.e., *Shanzhai* drugs), which imitated famous brands with minor modifications (O'Brien & Chu, 2020). For example, a famous *Shanzhai* drug maker is Dr. Reddy's, a leading Indian pharmaceutical company (Luo et al., 2011). Dr. Reddy's has marketed a variety of *Shanzhai* drugs in India and foreign markets since 1990s (Forbes India, 2011). Dr. Reddy's has become one of the leading global pharmaceutical companies (Macrotrends, 2021) with annual revenue of \$2594 million in 2021, a 12% increase from 2020. We summarized above *Shanzhai* cases in Table 1.

In spite of the prevalence of *Shanzhai* products, research on this phenomenon has been recent and sparse (Qin et al., 2019). Importantly, the limited number of *Shanzhai* research primarily took suppliers' perspective to study *Shanzhai* manufactures' capabilities development (Hu et al., 2011; Luo et al., 2011; Ren et al., 2016), *Shanzhai* product development stages (Hu et al., 2011), implying that *Shanzhai* is a global phenomenon without cross-cultural differences. Little scholarly attention has been given to *Shanzhai* purchases from consumer perspective with a few exceptions (e.g., Liu et al., 2015; Qin et al., 2018, 2019). Taking a consumer perspective, Qin et al. (2018, 2019) differentiated *Shanzhai* from counterfeit and studied the consumer motivation drivers for *Shanzhai* purchase. Liu et al. (2015) & Cui (2012) explored the concept of “authenticity” and its implications in the Chinese context. In addition, scholars argued a certain degree of familiarity induced by *Shanzhai* copying might lead to a positive salient feeling towards *Shanzhai* product, which might make consumers




choose *Shanzhai* instead of the small genuine brand which shares no or little similarity with the original dominant brand (van Horen & Pieters, 2012a, 2012b). However, prior *Shanzhai* research has not provided sufficient insights into cross-cultural perspective of *Shanzhai* purchase intention. It is of interest to both scholars and marketers to understand how consumers from different cultural backgrounds perceive *Shanzhai* differently and how original brands can combat *Shanzhai* threats in different cultural markets. Specifically, we focus on (1) the conceptual differences between *Shanzhai* and counterfeit; (2) the differentiating effects of cultural drivers on consumers' purchase intention of *Shanzhai* versus counterfeit. We argue that *Shanzhai* is not counterfeit from theoretical perspective although they are often used interchangeably in practice. *Shanzhai* presents a more serious challenge to the original brand than the pure counterfeit, but *Shanzhai* research has not caught enough attention in the academic literature.

To answer these questions, we first differentiated *Shanzhai* from counterfeit to conceptualize *Shanzhai* as a unique theoretical concept. Then, we explained three *Shanzhai* development stages and its threats in the global market to state the theoretical complexity and practical significance of studying *Shanzhai* as a cross-cultural phenomenon. Third, we conducted three empirical studies to test the cross-cultural framework of *Shanzhai* purchase. Finally, we proposed cross-cultural solutions for original brands to combat *Shanzhai*.

2 | SHANZHAI IS NOT COUNTERFEIT

Many people confuse *Shanzhai* with counterfeit and copycat, regarding all of them as imitation. However, the two are distinctly different. Counterfeit refers to later entrants' illegal use of the original brand's trademark without authorization (Cordell et al., 1996). As such, counterfeits are identical to the original brands and considered illegal in most countries (Cesareo, 2016). *Shanzhai*, in contrast, is visually and functionally similar but *not* identical to the original brands and, thus, is regarded as legal in many countries (Qin et al., 2018, 2019).

TABLE 2 Differentiating between *Shanzhai* and counterfeit products.

	Counterfeits	Non-innovative <i>Shanzhai</i> (copycat)	Innovative <i>Shanzhai</i>
Visual similarity?	Yes. Almost identical to originals	Yes. Similar but different	Yes. Similar but different
Functional similarity?	Yes	Yes	Yes
Innovative functions?	No	No	Yes. Provision of enhanced or localized product functions
Legal?	No	Legal in most emerging economies	Yes
Price	Much lower than original's	Much lower than original's	Much lower than original's
Target markets	Low- to high-end markets	Middle- and low-end markets	Middle- and low-end markets
Examples			

Note: Source: Qin et al., 2018.

Qin et al. (2018) further categorized *Shanzhai* into two types: non-innovative and innovative *Shanzhai*. Non-innovative *Shanzhai* reflects that the later entrants imitate original leaders' visual package design and functional utility but without any enhancement or improvement. For example, a non-innovative *Shanzhai* brand of the famous Danish lighting brand Louis Poulsen is "Flowerpot" (see Table 2). It is almost visually identical with original Louis Poulsen offerings and is very popular on Alibaba's Taobao platform. Thus, non-innovative *Shanzhai* products are visually similar to the original design and are considered as "copycats or lookalikes." In contrast, innovative *Shanzhai* reflects later entrants that improved the originals' design and function, thus are functionally similar to the original with added or enhanced features. Thus, consumers can easily tell the differences between the innovative *Shanzhai* and the original brand. For example, an innovative *Shanzhai* brand of the Dyson vacuum cleaner is "Dibeat" (see Table 2). It is not only functionally similar to the Dyson alternative but also has a unique LED light and detachable battery to facilitate consumers' usage. These enhanced innovative features distinguish "Dibeat" *Shanzhai* brand from the original design of Dyson. These functional differences make it hard for original brands to legally sue *Shanzhai* manufacturers as counterfeit makers.

Taking advantage of legal ambiguity, *Shanzhai* offerings can take their free ride untrammled by partially copying the original brand's visual and functional design. In addition, emulating the original brand's design helps *Shanzhai* manufacturers reduce or eliminate their R&D and design costs (Dong, 2014). Accordingly, *Shanzhai* products can be sold at a lower price vis-à-vis original brand offerings to compete in the markets (Luo et al., 2011). Therefore, an existential threat to the original brand arises from the rapid growth of the innovative *Shanzhai*

products. Summarized in Table 2 are the differences between *Shanzhai*, counterfeit, and copycat products.

3 | SHANZHAI DEVELOPMENT AND SHANZHAI THREATS

While not all *Shanzhai* companies can survive, successful *Shanzhai* companies shared similar traits. These winners often began as non-innovative *Shanzhai* (i.e., copycats or lookalikes) but later launched innovative *Shanzhai* products with enhanced product benefits and finally evolved into legitimate and competitive brands. Luo et al. (2011) summarized that the development of *Shanzhai* including three stages: duplicative imitation, innovative imitation, and novel imitation. In the duplicative imitation stage, manufacturers started their businesses by quickly copying famous leading's visual elements and product functions and selling them with much lower prices to attract price-sensitive consumers' interests. Once they can survive and sustain, many of them will increase product offerings and expand markets by utilizing adaptive innovation to satisfy local needs. This is considered as innovative imitation stage. As they further develop, *Shanzhai* manufacturers will upgrade their R&D capabilities to move up into the third stage, the novel imitation. For example, Alibaba was once considered a *Shanzhai* version of eBay, and Tencent's QQ idea originally emulated OICQ (a well-known Israeli company). Both Alibaba and Tencent copied original leaders' ideas and designs and then rapidly adapt to local needs. They have grown to become IT giants and their stocks are listed on New York Stock Exchange and Hang Seng Stock Exchange, respectively. Similarly, Xiaomi smartphone was considered as a *Shanzhai* copycat of iPhone at the beginning. Due to its success in emerging

TABLE 3 Power distance belief, face consciousness, thinking style (PFT) framework.







Dimensions	Predictions		Exemplar solutions for original manufacturers to combat <i>Shanzhai</i> threat	
	High	Low	High	Low
1. Power distance belief (PDB)	Consumers are willing to accept power inequality and obey authority.	Consumers respect power equality and denounce privilege.	Launching full product lines (i.e., high- vs. middle- vs. low-end) and maintaining promotion of the branding effect in high PDB cultures.	Promoting the origin of innovation in low PDB cultures.
	High PDB consumers may reject <i>Shanzhai</i> to signal social status if they can afford originals.	Low PDB consumers may reject <i>Shanzhai</i> if they are convinced that <i>Shanzhai</i> impedes equality and fairness.	 <p>ARMANI EXCHANGE Armani launched an affordable and accessible line, Armani Exchange, to the global mass market.</p>	 <p>Apple's current CEO embraced Steve Jobs' style when releasing the iPhone 13, thus reminding consumers that the iPhone is Apple's original innovation.</p>
2. Face consciousness	High face-conscious consumers are motivated to gain face and keen to avoid losing face in social networks.	Low face-conscious consumers are motivated to achieve <i>personal</i> success and regard face as <i>maintaining a respectable public self-image</i> .	Marketing an original brand's logo effects in high face-conscious cultures.	Promoting that the original brand satisfies the need for independent self-actualization in low face-conscious cultures.
	High face-conscious consumers may reject <i>Shanzhai</i> due to social embarrassment risk of using <i>Shanzhai</i> items.	Low face-conscious consumers may reject <i>Shanzhai</i> if they believe the original brand satisfies their self-actualization needs.	 <p>Juicy Couture's noticeable features (bright color with a prominent logo) induce higher face-conscious consumers to reject <i>Shanzhai</i> imitators because of social embarrassment risk.</p>	 <p>Nike empowers the individual consumer to create an improved self. This kind of brand strategy can effectively prevent <i>Shanzhai</i> threats in low face-conscious cultures.</p>

TABLE 3 (Continued)

Dimensions	Exemplar solutions for original manufacturers to combat <i>Shanzhai</i> threat	
	Predictions	
	High	Low
3. Thinking style	<p>Holistic thinking: Characterized by a tendency to connect an object to a background field as a whole when processing information.</p> <p>Holistic-thinking consumers may reject <i>Shanzhai</i> if they believe that the original brand provides more overall benefits than the <i>Shanzhai</i> brand.</p>	<p>Analytic thinking: Characterized by viewing objects isolated from context and focusing on specific attributes.</p> <p>Analytic-thinking consumers may reject <i>Shanzhai</i> if they are convinced that the unique feature of the original brand cannot be substituted by the <i>Shanzhai</i> counterpart.</p>
	<p>Holistic thinking: Promoting the overall benefits of the original brand in holistic-thinking cultures.</p>  <p>HUAWEI P50 True•From Dark Matrix Camera 66 W/ 50 MP SuperCharge IP68, In-Display, Water, and Dust Resistant</p> <p>HUAWEI listed overall benefits of its recent P50 mobile phone and also provided free gifts (e.g., ear pods, rechargers, cell phone covers).</p>	<p>Analytic thinking: Promoting the most competitive feature of the original brand in analytic-thinking cultures.</p>  <p>iPhone 13 Battery Life</p> <p>Apple often promotes its most competitive feature (e.g., the larger battery life of the iPhone 13).</p>

markets, including China and India, Xiaomi's sales volume has surpassed Samsung and Apple to become the world's largest smartphone provider (Mishra, 2021). As these *Shanzhai* companies evolve along the three stages, their target consumer market change. They often start with the low-end market and move up to the high-end market later.

The success of *Shanzhai* products has presented major threats to original brand manufacturers worldwide: *Shanzhai* not only impairs marketing strategies of original brands but also has potential to help startup firms evolve into competitors of original brands. Three significant consequences associated with *Shanzhai* products are conceivably palpable yet manifest major challenges for original brand manufacturers.

- *Shanzhai* brands take advantage of original brands' R&D and marketing efforts by taking a free ride on the original brand's R&D and marketing investment. In fact, they might emulate the original brand's promotion and channel communication strategies. Because such strategies might appear similar to those of the original's brand advertising planning, creativity, communications, and brand spokespersons, consumers from emerging markets might be easily influenced by *Shanzhai* product marketing (Leng & Zhang, 2011).
- *Shanzhai* might change consumer habits and increase *Shanzhai* consumers' switching costs to other brands. For example, Xiaomi modified Android operating system and launched its own unique operating system, MIUI. MIUI is aesthetically appealing and provides enhanced and localized functions—such as theme packs, improved security, and user interfaces. In fact, the MIUI system could educate users and make them feel difficult to switch to the Apple operating system (i.e., iOS).
- *Shanzhai* might take over low-end consumer market and become powerful future competitors in both consumer market and supply chain management. *Shanzhai* imitative products often initially commence with low-end imitations to dominate the price-sensitive consumer market; they do so by selling their products at low prices in their domestic markets. Once *Shanzhai* firms raise capital by dominating their home markets, they gain negotiation power over both end consumers and supply chain partners. For example, Xiaomi's supply chain overlaps with Apple. The major supply chain partners of Apple company, such as Foxconn Precision and Sunway Communication, provide key components and assembly services to both Xiaomi smartphone and Apple iPhone. With its continuous innovation and increasing scale, Xiaomi will gain more power on the supply chain partners.

4 | CULTURAL FACTORS INFLUENCING SHANZHAI PRODUCT PURCHASE

Shanzhai imitators seize originals' designs and then rapidly produce and launch corresponding clone versions in both emerging and developed markets. Whether this approach is invariant across cultures, though, remains uncertain. As such, exploring the impact of culture on consumers' attitudes and perceptions vis-a-vis *Shanzhai* imitation

should be especially beneficial for both original and *Shanzhai* brand marketers. We adopted Qin et al.'s (2019) conceptualization of *Shanzhai* to focus on the innovative *Shanzhai* in this study because the innovative features truly differentiate innovative *Shanzhai* products from counterfeits. Specifically, we define *Shanzhai* as the products “imitating the original brands through visual or functional similarities, providing enhanced features, and manufacturing at a lower cost and faster production cycle than do the originals” (Qin et al., 2018, p.231). Following the empirical design of Qin et al. (2019), we asked consumers to make a purchase choice between a *Shanzhai* and a counterfeit product. Specifically, we used Burberry scarf and Apple wireless earbuds as original products, the corresponding *Shanzhai* and counterfeit versions with descriptions were then designed as the study stimuli (see Appendix A). A logit regression was used to predict consumers' purchase intention towards *Shanzhai* vis-à-vis counterfeit.

A synthesis of prior cross-cultural consumer research has revealed that *Shanzhai* companies in global markets focus especially on three cultural factors to promote their products in various cultural markets. The three are power distance belief (i.e., high vs. low), face consciousness (i.e., high vs. low), and thinking style (i.e., holistic vs. analytic), thus constituting the PFT framework. Understanding the role of these three cultural factors on consumers' purchasing decisions should be particularly consequential in creating strategies that attend to original brands' *Shanzhai* threats. Below, we expatiate on the PFT framework (see Table 3).

4.1 | Power distance belief

Power distance belief (PDB) refers to the extent to which individuals in a given society accept the power gap and inequality encountered (Hofstede, 1984, 2001; Oyserman, 2006). In countries with high PDB—such as Korea, India and China—people are more willing to accept power inequality and comply with authority. In countries with low PDB—such as Northern Europe and New Zealand—individuals cherish equality, denounce privilege, and believe that everyone is equal regardless of his/her social position or wealth.

Prior cross-cultural consumer research has found that PDB affects consumers' behavior across a variety of scenarios. Specifically, high PDB consumers are less likely to choose *Shanzhai* products, because they have a stronger tendency to favor status products than low PDB consumers (Aw et al., 2021; Gao et al., 2016; Kim & Zhang, 2014). Prior cross-cultural consumer literature supported this view. For example, Wang et al. (2020) found that high PDB consumers prefer national leading brands to private label brands. Moreover, high PDB consumers are less price sensitive, and often make their purchase decision quickly based on brand prominence instead of searching for a better price (Lee et al., 2020). In contrast, *Shanzhai* products' enhanced innovative features and inexpensive prices may drive low PDB consumers to prefer *Shanzhai* products rather than counterfeiting brand products.

We recruited 161 participants from a key university in Southern China ($M_{\text{age}} = 23.08$, $SD = 4.91$; 59% female) to answer our survey.

First, we measured PDB by using Yoo et al.'s (2011) five-item scale (1 = Strongly disagree, 7 = Strongly agree; $\alpha = 0.80$; see Appendix B). Subsequently, we asked participants to imagine that they were shopping a scarf, and there were two options (i.e., a counterfeit and a *Shanzhai* scarf; see Appendix A) for them to choose from. The counterfeit scarf was described as “a scarf looks almost identical to original Burberry scarf in all aspects yet without any authorization from original Burberry company.” The innovative *Shanzhai* scarf was described as “a scarf looks similar but not identical to Burberry scarf. In addition, the scarf was stitched with two pockets and can be used as a tippet.” Then, participants indicated their choice between the two options.

We coded choice of counterfeit scarf as “1” and *Shanzhai* scarf as “2.” The results of binary logit regression showed that PDB exerted a negative impact on choice between the counterfeit and the *Shanzhai* product ($b = -0.32$, Wald $\chi^2 = 5.24$, $p < 0.05$), indicating that consumers with higher PDB are more likely to choose counterfeit over *Shanzhai* product than those low in PDB. Above study results provided evidence that high PDB consumers might be less likely to choose *Shanzhai* products.

4.2 | Face consciousness

Face refers to an individual's acquired social recognition and prestige derived from other people's approval and respect (Ho, 1976; Hu, 1944; Hwang, 1987). As a relatively stable trait, face consciousness is formed by a person's cultural background and social interaction with surroundings (Zhang et al., 2011). Those in the West and the East deal with the concept of face, yet the sensitivity of face differs significantly between them (Brown, 1968; Cardon, 2009; Earley, 1997; Goffman, 1955, 1967). For instance, individuals in Confucian culture countries—such as China, Singapore, and South Korea—are motivated by both gaining face and avoiding losing face during social activities (Tse, 1996). They see themselves as integrated across a range of social relationships (e.g., family, school mates, colleagues, and neighbors), are sensitive to collective opinions, and manifest high interdependence (Hu, 1944; Tse, 1996). In contrast, people in western cultures—such as those in North America and Europe—pursue more self-related goals and independent self-fulfillment, and thus often regard face as maintaining a respectable public self-image (Brown, 1968).

Face as a culturally constituted social factor, has also been used to explain people's consumption behaviors. For example, scholars have found that Asian consumers have strong motives to gain face by buying luxury products regardless of their income level (Li & Su, 2007; Liao & Wang, 2009). Higher face-conscious consumers—compared with their lower face-conscious counterparts—perceive greater social and psychological risks and might experience a high level of tension when making *Shanzhai* purchase decisions (Shan et al., 2021). As *Shanzhai* products might be considered as a low-cost substitution of the original brands, the high face-conscious consumers might feel embarrassed if *Shanzhai*'s imitation tracks are noticed by others (Davidson et al., 2019). Building upon this line, we

predict that high face-conscious consumers might be less likely to choose *Shanzhai* products, compared to their lower face-conscious counterparts.

We recruited 167 consumers from the Amazon Mechanical Turk ($M_{\text{age}} = 32.06$, $SD = 8.91$; 59.9% female) to test above idea by measuring their face consciousness and purchase intention between counterfeit and *Shanzhai* product. In this study, we used electronic product, that is, wireless earbuds, as the study stimuli. First, we measured face consciousness using Bao et al.'s (2003) four-item scale (1 = Strongly disagree, 7 = Strongly agree; $\alpha = 0.91$; see Appendix B). Subsequently, we asked participants to imagine they were shopping for a pair of wireless earbuds, and there were two options (i.e., counterfeit and *Shanzhai* earbuds; see Appendix A) for them to choose from. Counterfeit earbuds were described as “The earbuds look almost identical to original Apple earbuds yet without any authorization from Apple company.” *Shanzhai* earbuds were described as “The earbuds look rather similar but not identical to Apple Bluetooth earbuds. Besides, new earbuds provide a charging case that features 5000 mAh of power. You can also use the case to charge your other mobile devices.” Then, participants indicated their choice between the two options.

We coded the choice of counterfeit earbuds as “1” and *Shanzhai* earbuds as “2.” The results of binary logit regression showed that face consciousness exerted a negative impact on choice between the counterfeit and the *Shanzhai* product ($b = -0.41$, Wald $\chi^2 = 14.42$, $p < 0.001$), indicating that consumers with higher face consciousness are more likely to choose counterfeit over *Shanzhai* product than those with lower face consciousness.

4.3 | Thinking style

Styles of thinking (i.e., holistic and analytic thinking) is the third cultural factor in explaining *Shanzhai* buying. Holistic thinking is characterized by a tendency to connect an object to a background field as a whole; while analytic thinking is characterized by viewing objects isolated from their context and focusing on specific attributes (Monga & John, 2007; Nisbett et al., 2001). People in East Asian and Latin American cultures (e.g., China, Japan, South Korea, and Brazil) tend to regard information as being interrelated and thus are prone to have a holistic-thinking mindset. Those in the West, though, (e.g., North America and Australia) are more likely to acquire and process information in a discrete, item-specific fashion and thus possess an analytic-thinking mindset (Nisbett et al., 2001). Similar to the first two cultural factors, thinking style in the marketing domain has been found to influence consumers' judgment and decision making. For example, holistic-thinking consumers—who focus more on relationships between objects and the field—perceive higher brand extension fit than do analytic-thinking consumers (Ji et al., 2000; Monga & John, 2007). In addition, holistic-thinking consumers are more likely to use price as a signal of quality than are analytic counterparts, because they perceive higher interconnection between price and quality (Lalwani & Shavitt, 2013). It is reasonable to predict that holistic-

Purchase intention of *Shanzhai* over counterfeit product (1 = counterfeit, 2 = *Shanzhai*)

	B	Wald's χ^2	df	p
Study 1 (N = 161)				
Power distance belief (1 = Low, 7 = High)	-0.32	5.24	1	0.02
Control variable: Income	0.08	0.92	1	0.34
Overall Model Fit: Omnibus $\chi^2 = 7.04$, $df = 2$, $p = 0.03$				
Study 2 (N = 167)				
Face consciousness (1 = Low, 7 = High)	-0.41	14.42	1	0.00
Control variable: Income	-0.04	0.85	1	0.36
Overall Model Fit: Omnibus $\chi^2 = 15.98$, $df = 2$, $p = 0.00$				
Study 3 (N = 123)				
Holistic-analytic thinking (1 = Holistic, 7 = Analytic)	-0.46	4.92	1	0.03
Control variable: Income	0.11	1.07	1	0.30
Overall Model Fit: Omnibus $\chi^2 = 6.58$, $df = 2$, $p = 0.03$				

TABLE 4 Predicting purchase intention of *Shanzhai* over counterfeit using power distance belief, face consciousness, and holistic-analytic-thinking style.

thinking consumers may take an integrated mindset to consider the overall value of *Shanzhai* products, including inexpensive pricing, enhanced innovative features, visually appealing design, and prefer *Shanzhai* products to counterfeits. In contrast, analytic-thinking consumers might center on the dissimilarity between the *Shanzhai* and original brand item, instead of considering the overall value of *Shanzhai* products, because they are less flexible and tend to categorize products based on their existing stereotypes (Hossain, 2018). Therefore, we predict that analytic-thinking consumers are less likely to choose *Shanzhai* products because they may intuitively label and categorize *Shanzhai* as a copycat.

We recruited 123 participants from a key university in Southern China ($M_{\text{age}} = 26.08$, $SD = 3.74$; 53.7% female) to predict their purchase intention between counterfeit and *Shanzhai* product based on their thinking style. We first measured analytic-holistic thinking by adapting Choi et al.'s (2007) six-item bi-polar scale (1 = Holistic thinking, 7 = Analytic thinking; $\alpha = 0.70$; see Appendix B). Subsequently, we asked participants to imagine they were shopping for a scarf, and there were two options for them to choose from (i.e., the counterfeit and the *Shanzhai* scarf; see Appendix A). The counterfeit scarf was described as "a scarf looks almost identical to original Burberry scarf in all aspects yet without any authorization from original Burberry company." The *Shanzhai* scarf was described as "a scarf looks similar but not identical to Burberry scarf. In addition, the scarf was stitched with two pockets and can be used as a tippet." Then, participants indicated their choice between the two options.

We coded the choice of counterfeit scarf as "1" and *Shanzhai* scarf as "2." The results of binary logit regression showed that thinking style exerted a negative impact on choice between the counterfeit and the *Shanzhai* product ($b = -0.46$, Wald $\chi^2 = 4.92$, $p < 0.05$), indicating analytic-thinking consumers are more likely to choose counterfeits over *Shanzhai* products than the holistic-thinking consumers. All above empirical results of the PFT model are summarized in Table 4.

5 | CROSS-CULTURAL SOLUTIONS FOR ADDRESSING SHANZHAI THREATS

As discussed above, cultural factors (PFT) differentially affect consumers' reactions towards *Shanzhai* products. The empirical results showed that *Shanzhai* offerings are more acceptable to consumers in low PDB, low face-conscious, and holistic-thinking cultures. In the sections below, we offer specific solutions to defend effectively against *Shanzhai* products vis-a-vis the PFT framework.

5.1 | Strategies in high versus low PDB cultures

We propose different strategies to deal with *Shanzhai* threats in high versus low PDB cultures. First, in high PDB cultures, to compete with the *Shanzhai* products effectually, original brand manufacturers can consider investing in marketing and advertising to enhance the status of their brands and launch new alternative product lines with simplified functions to reduce production costs. After all, consumers in high PDB cultures are willing to try the original brand to signal high social status. The functional aspect might not be a key driver for high PDB consumers.

Second, in high PDB cultures, original brand manufacturers might develop a integrated production facility and distribution channel to increase market penetration rate (e.g., urban to rural markets). For example, P&G has actively developed contract manufacturers—such as Lang Qi Soap Factory in Guangdong and Panda Laundry Factory in Beijing—that produce products at a reduced cost in China. In addition, a third-party logistics company—such as Bao Gong Logistics—could be hired to handle distribution to increase P&G's competitive products' penetration rate. P&G could effectively control *Shanzhai* imitation and experience dramatic growth in emerging markets (e.g., China and India) because of its effective low-cost production and logistics strategies.

To compete with *Shanzhai* in low PDB cultures efficaciously, the original brand should promote ethical concerns behind buying imitative products and the importance of supporting original innovation. For example, Apple's current CEO has adopted Steve Jobs' style when releasing Apple's new products. Specifically, he reminds consumers that the Apple Event Announcement Style is the firm's original innovation. As a result, low PDB consumers may reject *Shanzhai* products owing to respecting originality considerations, as such items are mimetic of the original's design and function.

Second, original brand manufacturers may collaborate with public media to depict *Shanzhai* products as reptilian competition, which will not only undermine the entire industry but also discourage a nation's innovation capability in the long run. This kind of public atmosphere may induce low PDB consumers to regard the purchase of *Shanzhai* items as detrimental to equality and thus reject *Shanzhai* products.

5.2 | Strategies in high versus low face-conscious cultures

We propose two sets of strategies in high versus low face-conscious cultures. First, in high face-conscious cultures, original brand manufacturers should consider making brand logos and packaging more conspicuous (e.g., gift wrapping depicting a firm's prominent logo on the packaging) to satisfy consumers' need for face. For example, Juicy Couture (a fashion casualwear cloth brand) is well known for its tracksuits in abundant colors; such efforts have been iconic and noticeable to consumers. Similarly, Canada Goose is easily recognized by using a logo with the North Pole embedded in a red, blue, and white color design. Once the original brand has acquired such recognition and approval from the foregoing efforts, high face-conscious consumers will be unlikely to choose *Shanzhai* offerings, owing to potential risk of shame and embarrassment.

Second, original brand manufacturers can promote an elite social club for buyers to strengthen the relationship between their brands and buyers. In high face-conscious cultures, consumers will likely appreciate the social benefit of belonging to an elite brand club due to their social status needs. *Shanzhai* products essentially cannot provide this social benefit—at least until they are first launched to the market. For example, Starbucks promotes its elite membership club image on social media and provides loyal customers special services and discounts. These efforts are redolent of an effective strategy for competing with its *Shanzhai* counterparts in emerging economies.

In low face-conscious cultures, individuals value an independent work ethic and self-actualization more than the collective opinions of others. However, they also assess public morality and the common good over face. Therefore, strategies addressing *Shanzhai* threats are twofold. The first strategy entails promoting the emotional need for self-actualization. For example, Nike essays to convince its loyal customers that it has the functionality and brand personality to empower them to realize their dreams of becoming proficient athletes. Second, original brands may undertake efforts to embrace ethical and

sustainable practices, engage in ethical sourcing and production, and build an eco-friendly brand image. For example, Lush (a famous British cosmetic brand) continuously emphasizes that its offerings involve no animal testing, contain natural ingredients, and are produced using fair trade practices; accordingly, it has established a strong eco-friendly brand image. This kind of green and self-actualizing branding endeavors are effective ways to prevent low face-conscious consumers from opting for *Shanzhai* brands. Furthermore, *Shanzhai* manufacturers cannot easily emulate this strategy, as green and sustainability programs represent costly production, which contradicts *Shanzhai*'s most competitive advantage: lower cost and price.

5.3 | Strategies in holistic- versus analytic-thinking cultures

Original brand manufacturers should adopt different strategies to address *Shanzhai* threats in holistic- and analytic-thinking cultures. First, they should promote a product's integrated benefits (i.e., functional, financial, and social benefits) in holistic-thinking cultures but emphasize the most competitive product advantages in analytic-thinking cultures. For example, Huawei P50 Pro lists all important product utility functions (e.g., supercharger, camera, and water resistance) together with product photos in its promotion (see Table 3). This is an effective advertising strategy for holistic-thinking consumers, as they weigh overall benefits more than a single, unique feature. However, the iPhone 13 only uses one abstract slogan, "Oh. So. Pro," to attract consumer attention. This alternative is more effective in analytic-thinking than holistic-thinking cultures because consumers in such contexts may underscore the most unique feature rather than the overall benefits.

Second, we suggest that original brands should provide consumers with free gifts when competing in holistic-thinking cultures, but not necessarily doing so when competing in analytic cultures. For example, Apple's decision to separate power adapters and ear pods from the iPhone encountered a backlash in China's and Brazil's markets. Although most iPhone consumers already had their chargers and ear pods, they still complained that the separation undermined the value of the iPhone, thus inducing them to switch to competing brands.

6 | CONCLUSIONS AND FUTURE RESEARCH

Firms in emerging economies tend to be latecomers to global competition. Nonetheless, they have become competitive nemeses and are challenging the leadership of their western counterparts—in part by adoption of *Shanzhai* innovation. *Shanzhai* products are emulative of the design of the leading brands but possess a certain degree of modification and provide a good quality-price ratio choice for consumers. By investigating *Shanzhai* from consumers' social-cultural perspectives, this study sought to provide an overarching framework to

enhance understanding of the success of companies from emerging economies and their *Shanzhai* innovations.

We initially introduced the *Shanzhai* phenomenon and explained its prevalence in global markets and development stages. Second, we explained the difference between *Shanzhai* and counterfeit items. Third, we investigated *Shanzhai* consumption from a social-cultural perspective by establishing a PFT framework. In so doing, we discerned that *Shanzhai* offerings are more acceptable to consumers in low power distance belief, low face-conscious, and holistic-thinking cultures. Last, we provided several solutions based on the PFT framework that original manufacturers can employ to attend to *Shanzhai* products across the globe.

The conceptualization of *Shanzhai* offerings by itself presents a fruitful future research avenue. The *Shanzhai* concept varies based on the degree of imitativeness vs. creativeness, as well as the scope of copying vs. creating new features (Luo et al., 2011). Moreover, certain marketers from emerging economies (e.g., Xiaomi and its smart phone) were considered as *Shanzhai* manufacturers only in their early development stage, as they have evolved to become original brands.

Given the foregoing, unpacking the black box of each cultural driver we discussed (i.e., PDB, face consciousness, and thinking style) would be intriguing and likely proffer additional pragmatic implications. Our efforts provide a foundation for subsequent empiricism pertaining to *Shanzhai* innovation and its cultural drivers. Scholars can use multi-method empirical research designs to examine how consumers from different cultures perceive the *Shanzhai* product juggernaut. It is worthwhile to pay attention to various drivers that might induce consumers' *Shanzhai* products purchase intentions versus original luxury products, which will help the original product manufacturers with designing strategies to effectively combat *Shanzhai* threats in the global market.

AUTHOR CONTRIBUTIONS

The first two authors contributed equally and are listed in alphabetical order.

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APPENDIX A: STUDY STIMULI

Counterfeit Burberry scarf

This scarf looks almost identical to original Burberry scarf in all aspects yet without any authorization from original Burberry company.



Shanzhai Burberry scarf

This scarf looks similar but not identical to Burberry scarf. In addition, the scarf was stitched with two pockets and can be used as a tippet.



Counterfeit Apple earbuds

The earbuds look almost identical to original Apple earbuds yet without any authorization from Apple company.



Shanzhai Apple earbuds

The earbuds look rather similar but not identical to Apple earbuds. Besides, new earbuds provide a charging case that features 5000 mAh of power. You can also use the case to charge your other mobile devices.



APPENDIX B: CONSTRUCTS AND MEASUREMENT ITEMS

Power distance belief (adapted from Yoo et al., 2011)^a

1. People in higher positions should make most decisions without consulting people in lower positions.
2. People in higher positions should not ask for the opinions of people in lower positions too frequently.
3. People in higher positions should avoid social interaction with people in lower positions.
4. People in lower positions should not disagree with decisions by people in higher positions.
5. People in higher positions should not delegate important tasks to people in lower positions.

Face consciousness (Adapted from Bao et al., 2003)^a

1. It is important that others like the things I buy.
2. Sometimes I buy a product because my friends do so.
3. I enjoy showing off my new possessions to others.
4. Name-brand purchase is a good way to distinguish people from others.

Analysis-Holism (Adapted and revised from Choi et al., 2007)

1. I pay more attention to a phenomenon's ____ (1 = whole context; 7 = details)
2. When considering a situation, I believe ____ (1 = whole picture is more important than its parts; 7 = its parts are more important than whole picture)
3. To understand a phenomenon, I should consider ____ (1 = whole rather than its parts; 7 = parts rather than whole)
4. When disagreement exists among people, I incline to ____ (1 = compromise on a point; 7 = debate of the right/wrong)
5. When one's opinions conflict with other's opinions, it is desirable to be ____ (1 = in harmony; 7 = in discord)
6. Everything in the universe is ____ (1 = somehow related to each other; 7 = unrelated)

Purchase intention (Adapted from Qin et al., 2019)

I would choose_____ (1 = product looking the same as original brand, 2 = product looking similar to original brand).

^a Measured on a scale from 1 (strongly disagree) to 7 (strongly agree).

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