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Labovitz School of Business & Economics, University of Minnesota Duluth, 11 E. Superior Street, Suite 210, Duluth, MN 55802

Decrease Or Enhance? Assessment of the Effect of Shanzhai on the Original Products

Liangyan Wang, Shanghai Jiao Tong University, China

Yitong Wang, Tsinghua University, China

Cornelia Pechmann, University of California, Irvine, USA

Drawing on the general evaluability theory and the expectancy disconfirmation model of satisfaction, our study investigated the positive and/or negative effect of Shanzhai products on the original products as well as the underlying mechanism that accounts for this effect through laboratory and field experiments.

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Liangyan Wang, Shanghai Jiao Tong University, Shanghai
Cornelia Pechmann, University of California, USA
Yitong Wang, Tsinghua University, Beijing

EXTENDED ABSTRACT

As a term connoting copycat manufacturing, “Shanzhai” has become a significant market phenomenon in many economies. Shanzhai has grown into a major industry segment in China. The number of people involved in the Shanzhai industry is estimated to be up to one million, and the annual total capital flow can reach as much as 100 billion yuan (Zhu and Shi 2010).

Shanzhai products are indeed based on imitation, which is an infringement of copyright to some extent. However, putting legal issues aside, the ubiquity of Shanzhai products in the market deserves attention. Investigating the effect of Shanzhai products on the original products from a consumers’ perspective will benefit both marketers and manufacturers. The expected effect of Shanzhai on incumbent business players in mature industries is almost one-sided: companies with famous brands worry that imitators will eat up their market share and cause huge losses in profits. This issue is frequently discussed in the media, but surprisingly, there is scant academic research on it especially from the perspective of consumer behavior. The existing research examines this phenomenon either from a sociological or from an anthropological point of view, and the results are mostly qualitative. There has been a lack of research on the role that Shanzhai products play in consumers’ perceptions and evaluations of leading brands.

Attempting to fill the gap from consumers’ perspective, our study aims to examine the effect of Shanzhai on original products in China. Specifically, by applying and extending the General Evaluability Theory (Hsee 1996; Hsee and Leclerc 1998; Nowlis and Simonson 1997; Hsee and Zhang 2010) and the Expectancy Disconfirmation Model of Satisfaction (Wirtz and Bateson 1999; Spreng, MacKenzie and Olshavsky 1996), we address the following questions using both laboratory and field experiments: Do Shanzhai products have a positive or negative effect on the original products? Are there variables moderating this effect? Finally, what underlying mechanism accounts for this effect?

The General Evaluability Theory predicts that, apart from noticing the categorical differences (i.e., Shanzhai vs. Original, in our case), people will be more sensitive to the incremental differences (i.e., low-quality vs. high-quality differences, in our case) in the joint evaluation mode. Therefore, the juxtaposition of a low-quality Shanzhai product and the original product should make the quality difference more salient, thus increasing the evaluation of and the intent to purchase the original products, and indicating a contrast effect. The Expectancy Disconfirmation Model of Satisfaction focuses on the process of evaluation and emphasizes the comparison between attribute-based expectations and perceived performance, which is also called expectations congruency (Wirtz and Bateson 1999; Spreng, MacKenzie and Olshavsky 1996). Thus when Shanzhai and the original products are juxtaposed, the quality of Shanzhai product matters and serves as a baseline or starting point for people to form their expected performance of the original product. Viewing and evaluating high-quality Shanzhai may unintentionally lead consumers to expect the performance of the original product to be above the actual level of performance. Subsequently, the original product performs at the actual level but falls short of their inflated expectations. Thus, consumers would likely be less satisfied with their overall experi-

ence with the original product than if they had not been shown and allowed to view and evaluate the high-quality Shanzhai (i.e., single evaluation mode). Accordingly, we propose that the quality level of Shanzhai may moderate the effect of Shanzhai products on the original products, and the expectations congruency toward the original may mediate the effects of Shanzhai quality level on the original products.

In Experiment 1, we found that compared with the single evaluation of the original, the joint presence of low-quality Shanzhai and the original enhanced consumers’ evaluation of and intent to purchase the original. In Experiment 2, which was conducted among real consumers, we replicated the findings in Experiment 1 with low-quality Shanzhai (Experiment 2a) and found that the pattern observed earlier reversed with the comparison of the high-quality Shanzhai (Experiment 2b). In Experiment 3, we found that the effects of Shanzhai on satisfaction and evaluation of the original were mediated by participants’ expectations congruency of the original when it was juxtaposed with Shanzhai with differing quality levels.

We have sought to make several substantive contributions through this research. First, we quantitatively studied the effect of Shanzhai on the original in terms of consumer preference and explored its underlying mechanism. Second, the results suggest that if there is no contrasting quality and performance discrepancy between Shanzhai and the original products, Shanzhai has a detrimental effect on the original because it decreases consumers’ evaluation of and intent to purchase the original products. Third, the results of our study indirectly help explain why Chinese consumers have more enthusiasm for leading brand and luxury products compared with consumers from western countries where Shanzhai or counterfeits are not available, aside from the existing explanation of status signaling (Han, Nunes and Drèze 2010) and social motivations (Wilcox et al. 2009).

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