

## **Shanzhai as a Weak Brand in Contemporary China Marketing**

**Xionghui Leng**  
**East China Jiaotong University**

**Mingyan Zhang**  
**Nanchang University**

*Shanzhai as a special brand is widespread in contemporary China. Shanzhai marketing is becoming the marketing innovation model for weak brands. The current research on Shanzhai marketing focus on the Shanzhai marketing phenomenon but are lacking theoretical analysis. This study aims to interpret the theoretical foundations for Shanzhai marketing from various marketing perspectives, and probes the marketing implications for weak brands. It first reviews Shanzhai marketing's origin, background, definition and types, then explores the motivation and possibilities for weak brands to carry out Shanzhai marketing, and finally concludes the marketing implications suggesting that weak brands can conduct a Shanzhai marketing strategy in their start-up period. The paper reaches the conclusion that Shanzhai marketing which has given rise to, in particular in the Chinese marketing environment is becoming the marketing model for weak brands to develop quickly at a low cost, and is an innovative marketing model which adapts to the dynamic changes in the Chinese market and the changes in consumers' behavior.*

### **INTRODUCTION**

Since the Reform and Opening-Up, China not only has had a large increase in GDP but has gone through profound changes in all areas. Compared with the European and American markets, Chinese markets have some special features: The mainstream products in the market have monopolistic advantage while small and medium-sized enterprises (SMEs) lack resources either in power or in finance to support and expand development; Taking advantage of reduced technical doorsill in some industries in recent years, many SMEs even family-run workshops produce different kinds of products to meet people's needs especially people with low-income; Chinese people's average income has risen sharply, and therefore their consuming capacity has been improved greatly, which contributes to a large increase in brand awareness. Although worshipping domestic and international top brands has become a trend in China, most of Chinese consumers don't have enough purchasing power for the big brands; the idea of despising authority and pursuit of personality has become a new and negligible force as the growing up of

1980s and 1990s generation. Influenced by such an idea, the Chinese consumers, especially those who were born in the 1980s and 1990s, stand in an opposition to mainstream products and monopolistic products. Due to the changes in Chinese market and consumers, Shanzhai products are welcomed and accepted as soon as they appear in the market.

“Shanzhai” is the spelling of Chinese characters of “山寨.” In Chinese, it originally means “fences” which are built for defensive purposes in the military. Later, it has its derived meaning “the forts occupied by the outlaws in Chinese history.” Shanzhai stands for the places that are not under the jurisdiction of the monarchy. In fact, the term “Shanzhai” was introduced from Hong Kong to mainland China. In Hong Kong, small-scale factories or small family-run workshops are called “Shanzhai industries,” and the products are accordingly ridiculed as “Shanzhai products.” In Cantonese, “Shanzhai” contains “irregular” or “unorthodox” meanings (Yin, 2010). Because “Shanzhai products” produced by “Shanzhai industries” are mostly imitations and counterfeits, “Shanzhai” has a connotative meaning like “imitation”, “piracy” and “counterfeit.” Shanzhai products have gone far beyond piracy and counterfeits. Shanzhai strategy, or the imitation-plus-innovation strategy, carried out by Shanzhai products has contributed to many Shanzhai brands consumers take delight in talking about. These brands, in some sense, can compete against some mainstream brand (Deng & Xu, 2010).

Shanzhai phenomenon first originated from the mobile phone industry, then expanded to MP3, game machines, DVD’s and other different areas before spreading to the whole digital area. By means of network, Shanzhai has reached to all areas of people's lives. Beginning in 2007, “Shanzhai” is becoming a folk culture in Chinese society. Shanzhai film, Shanzhai star, Shanzhai brands and other Shanzhai appear one after another. K-Touch (天语), a newly-emerged domestic mobile phone brand which integrates many useful and excellent features of mobile phones like Nokia, Samsung and Motorola, and Adivon (阿迪王), a newly-emerged domestic sports outfit brand with Chinese characters meaning of exceeding Addidas, stand as the representatives (Xu, 2009).

Shanzhai products and brands have spontaneously formed a new marketing model-Shanzhai marketing-in the gradual process of development. Shanzhai marketing, innovative and non-mainstream marketing characterizing SMEs’ different marketing strategy, belongs to Niche Marketing, and is a special expression of Long Tail Theory. It is an appropriate strategy for SMEs to build and develop the brands in the start-up period. Shanzhai marketing enables SMEs to produce products that are quickly-provided and can meet people’s needs at a low price. These products are manufactured by means of “copy, imitation, learning, innovation and improvement” in big brands’ appearance, functions and even the name; and an approach to realize original capital accumulation and initial building of their own brands (Yin, 2010). The author believes that SMEs develop timely strategies to “de-Shanzhai” to achieve rapid building and development when they have developed into a certain size and their brands have considerable strength.

Shanzhai marketing is pursued by SMEs and widely applied in the context of Shanzhai culture spreading to various fields in Chinese society. But many SMEs have a simple and superficial understanding of Shanzhai marketing; even confusing it with counterfeit, resulting in misunderstandings and prejudice (Liu, 2009). With Shanzhai products getting popular and SMEs showing greater enthusiasm for Shanzhai marketing, many opponents emerge. They believe Shanzhai products can never get rid of the suspicion of “piracy” and “counterfeit,” and that they are synonymous with fake and shoddy products, representatives of piracy culture and gangster logic. Opponents of Shanzhai believe Shanzhai products are not only destroyers of the normal order of the market, but also culprits of violations of consumers’ rights. Therefore, combating,

boycotting and condemning Shanzhai phenomenon should be the correct direction of public opinion (Yin, 2010).

Current research of Shanzhai marketing focus on the phenomenon, simply comparing Shanzhai brands with mainstream brands in terms of manufacturing and imitating, but we are lacking studies that explore Shanzhai marketing's connotation and reasons why consumers favor Shanzhai products, and studies which analyze the possibilities and necessities of Shanzhai marketing theoretically, which naturally leads to prejudice, misunderstanding, or even resistance. This study aims to interpret the theoretical foundations for Shanzhai marketing from different marketing perspectives, and conclude the marketing implications for SMEs to build and develop their brands. This research hopes to give a profound definition of "Shanzhai" and other Shanzhai-related concepts, clarify public's misunderstandings and prejudice towards Shanzhai phenomenon, more importantly, arrive at the theoretical foundations of SMEs' Shanzhai marketing and the implementing strategies.

The author argues that Shanzhai marketing is a marketing model for weak brands, which enables rapid development at low cost in the Chinese market, and innovate marketing strategy, which adapts to the dynamic changes of Chinese markets as well as to the changes in consumers' behavior. It conforms to brand building ideas for SMEs in the start-up period and has positive significances in the Chinese changing market environments. SMEs should comprehend the essence and connotation of Shanzhai marketing, grasp scientific and reasonable Shanzhai marketing approaches before they can survive and develop in the fierce market competition.

## **OVERVIEW AND BASIC CONCEPT**

### **The Origin and Background of Shanzhai**

The rising of Shanzhai phenomenon is related to the Reform and Opening Up. In the beginning, traces of Shanzhai can be found in China's many high-tech companies, private technology enterprises, as well as township enterprises. In fact, as early as 2001, in Zhejiang Cixi, the small appliance manufacturing center, or in IT industry gathering cities, like Guangdong Dongguan, consumers can always see some familiar but confusing ads: "Daneng" washing machine, "BMW" fan, Samsung Okma refrigerator, and NOKLA mobile phone (Xu, 2009). These products are manufactured and sold by means of copying or imitating brand name, but they are welcomed by people with limited consumption capacity for the cheap prices.

Shanzhai originated from the mobile phone industry. Since 2005, Chinese electronics manufacturing industry has lowered its control and technical threshold, so many small companies in Shenzhen, Jiangsu and Zhejiang (most developed provinces in China) started to engage in. Take mobile phone industry for example, a large number of manufacturers, which rely on imitation, innovation and cheap price, have emerged. These manufacturers first imitate mainstream brands' appearance or function, and then make some innovations, finally exceed them either in appearance, function or price. With the policy and technical barriers further reduced, Shanzhai manufacturing is expanding from the mobile phone industry to various fields in the IT industry. Many SMEs are characteristic of small capital investment, low-cost operation, quick response to market, and short product life cycle. So although start from imitation or OEM, many SMEs can survive in the market, even exceed the big brands by developing Shanzhai marketing.

### **Shanzhai Marketing's Definition and Types**

"Shanzhai products" are defined as those products which lack technology, and cheap copies

of big brand products. They are provided to satisfy people's desire for some products (cultural products included) they appreciate but can't afford due to limited consumption ability. Those products are quickly provided, can meet people's needs, and sold at low price. They are manufactured in terms of "copy, imitation, learning and improvement" to replace the old and long-existing products which lack innovation and updating. (Tao, 2010)

Shanzhai products are favored by many consumers. Take its source "Shanzhai mobile phone" for example. Its sales growth is impressive because of its low prices. "Shanzhai fighter", "K-Touch" has a bigger sales growth even than mobile phone manufacturing giants Motorola, Samsung, Sony Ericsson, and LG. CCTV news reports that in 2007 at least 150 million "Shanzhai phone" are produced, almost the same as total sales of mobile phones in domestic market. An online survey shows 66.15% people said they would consider buying Shanzhai phone, 76.2% thought buying Shanzhai phone is reasonable, only 14.5% consider it as infringement and should be cracked down.

Shanzhai Marketing is innovative for the Chinese SMEs to build and develop brands in the start-up period. Shanzhai marketing is an approach which enables SMEs to produce "quickly-provided, to meet civilians' needs, marketable, of multiple functions and low price" products in terms of "copy, imitation, learning, innovation and improvement" in big brands' appearance, functions and even the name; and a approach to realize original accumulation of capital and initial building of its own brand. When SMEs have developed into a certain size and their brands have considerable strength, they develop timely strategies to "de-Shanzhai" to achieve rapid building and development.

SMEs' Shanzhai marketing is a copy and innovation for big brands' marketing. The specific performance of its strategy has the following types:

First, a full copy of digital products is most typical. Shanzhai mobile phone is the source which Shanzhai popularizes. The products are 100% the same as the mainstream brands in style, appearance, technology, function and brand names.

Shanzhai phone are copies of big brands such as Nokia, Samsung, and Sony-Ericsson in function and appearance. Even some brand names are changed to Nokir, Samsing, Suny-Ericcsun to seek similarity. Because of copy, companies can save R&D costs and therefore the price is only one-fifth of the regular products or less. Although the material quality and technologies are lower, its multiple functions and fashionable appearance can make them favored by low-end consumers.

Second, some Shanzhai brands confuse consumers by imitating big brands' brand names, trademarks, packaging and other outside cognitive factors to achieve sales objectives.

Many Shanzhai brands attract consumers' attention by imitating big brands' brand names, trademarks and slogans to achieve sales. Such as the following ambiguous brand names Sqny, Adidos, Fuma, Pama, Hike, Tochifa, which are respectively imitations of Sony, Addidas, Puma, Nike, and Toshiba? Imitation of some familiar brands' cognitive factors can be very confusing for consumers. For example, one consumer purchased a pair of Double Star shoes ("double star" is a famous sport-shoes brand in China). But the shoes are actually branded "Double Star Shoe".

Third, Shanzhai brands imitate big brands' marketing communication strategy and channel operation strategy and therefore are similar in brand advertising planning, creativity and communications, and brand spokesperson, so consumers can be easily confused.

Take Shanzhai spokesman for example. Many domestic TV shows are producing Shanzhai stars, such as Zhou Wings, Zhou Caifeng, Shanzhai version of Jay chou and Zhou Huajian (both are famous Chinese pop singers). For Many SMEs, on one hand, they want to expand their

markets and increase brand awareness and reputation, on the other hand, they have a shortage of capital, so they have to choose Shanzhai stars as their spokesperson, which is consistent with "more, faster, better and cheaper" commercial advertising investment principles. For example, it seems that American President Obama is advertising for "Imperial" clothing because you can see President Obama is smiling on the billboard, but in fact, famous photographer Yilehamu has his signature in the lower corner.

## **THE MOTIVATION AND POSSIBILITIES FOR SHANZHAI MARKETING**

SMEs generally own weak brands. How to build and accumulate brand equity is a problem that troubles the scholars and entrepreneurs. Shanzhai brand strategy is not only one of the shortcuts for companies to build brands in early period of capital accumulation and early period of building brands, but also an innovative marketing pattern for SMEs. Prevalence of Shanzhai marketing is analyzed from brand growth path, marketing strategy and consumers' changing behavior.

### **Low-Cost for Weak Brands' Growth**

SMEs generally have weak brands which attributes to scarce financial support. Therefore, weak brands should develop not only innovative and offensive but also defensive and concentrating strategies, rather than dispersing resources to market segments. In the initial stage of brand building, there are two basic routes to take. First, pull by high-cost ads; second, promote by low-cost products. In the second route, SMEs invest limited money in the key factor—products. In brands building, relevant elements of products take an active role through design and planning, advertising withdrawing to a secondary position (Liu, 2007). A dramatic increase in advertising price push high the cost of new product promotion and a strong market competition makes more difficult new products promotion. Under the second route and in the absence of advertising, the average market share is no more than 4 percent. To realize the dream of a strong brand, transformation of the original brand and advertising promotion are compulsive to ensure more than 10% market share.

SMEs Shanzhai brand strategy is an embodiment of the second route. Starting from early imitation, and operating a profitable project based on "short, flat and fast," SMEs quickly finish capital accumulation. In this process, Shanzhai brands take advantage of low cost, big brands' advertising, low prices and "familiar" brand image quickly to open up markets and seize more shares in lower market to achieve sales expansion.

### **Shanzhai Brand Can Attract Consumers' Attention and Lead to Purchase**

About current economic trends, with the development of information, what values is not information but attention. Michael H. Goldhaber (1997) adopts the concept of "Attention Economy" in his 1997 The Attention Economy and the Net. It is coupled with the information age, and its biggest feature is the excessive products and scarce attention. The core is to obtain and maintain more consumers' attention. Attention Economy is an economic pattern to maximize future commercial interests by attracting the maximum attention of the user or consumer and therefore developing the potential consumer groups.

In the time when consumers' self-awareness is rising, and access to information is increasingly diversified, rejecting traditional literacy and information-based indoctrination marketing to choose "Eyeball Economy" was particularly important. It is a must and premise for

consumers to buy goods. By imitating the appearance of well-known brand products, brand names, product LOGO, and slogans Shanzhai brands lead consumers to discuss in the hope of acquiring consumers' attention, and thus enhancing sales possibilities.

### **Marketing Environment Changes Lead to Changes in Consumers' Behavior**

Consumers' preferences and habits have undergone major changes in the late 1990s. Consumers' lifestyle is a moving target, as is put: society's focus and preferences are constantly changing (Solomon, 2004). One of the current global trends is consumers' need for convenience is increasing; value-oriented consumers want to show their unique personality and they begin to reflect on the past consumption pattern. In showing personality, Shanzhai brands' appearance is beyond comparison for many well-known brands. Their designs show not only current trends, but also international fashion style, and their functions are no worse than all big brands.

The development and change in domestic consumers' behavior cannot be ignored. Chinese consumers' unique behaviors can be divided into Face Consumption, Comparing Consumption, Show-off Consumption and Symbolic Consumption. As digital products popularize in market, consumers have become more rational, value-oriented, emphasizing on the function and role, and more sensitive to price (Lu, 2005).

China's newly emerged consumers are composed of people born in 1980s and 1990s. Many lifestyle changes in consumer behavior are promoted by young consumers. They constantly redefine what is the most popular and what is not. (Solomon, 2004) China's new consumer group is one-child-only generation, or the E generation (referring to the group growing in network and electronic media "Electronic" age). Their consumption behavior and psychology are different from other generations in better tolerance, strong curiosity, a strong self-sense, leading to consumption features like diversity-- a decline in brand loyalty, consumer autonomy -- try before purchase, the effectiveness of their choice -- emphasis on function rather than form. The rise of 1980s and 1990s paves the way for the popularity of Shanzhai products. These people are characterized by contempt for authority, dislike being rule-bound and little care for brands.

Changes in the marketing environment and consumers' psychology and behavior also reflect the current social and cultural environment. On one hand, they fit the current popular culture "anti-authority, anti-monopoly, anti-elite," on the other hand, they have strong characteristics of subverting and destroying the existing social order. Shanzhai brand is part of consumer culture. Shanzhai is a manifestation of pursuing individuality, a mockery of mainstream culture. Therefore, for urban white-collar and the new generation born in the 1980s and 1990s who pursue fashion and personality, Shanzhai brands which are cheap and amusing are welcomed and favored.

### **CCDVTP 4P Marketing Model Replacing the Traditional Model**

Facing a changing marketing, Philip Kotler, "father of modern marketing," modified his "4P" theoretical model and replaced it with the latest marketing model CCDVTP (Kotler, 2003). The so-called CCDVTP means for short: Create, Communicate, Deliver Value, Target and Profit. CCDVTP points out that in order to create a good brand, enterprises must constantly communicate with consumers; deliver brand's unique value while being aware of their target market to take every opportunity to make profits. CCDVTP model is to achieve profitability by means of innovation, communication and value delivery in target market. In Marketing-triumph time, SMEs must adapt to market changes, update their market strategies, find out target market and enhance interactive communication with consumers. Double-way communication, full

practice and using CDVTP model are of great significance.

Market has undergone tremendous changes, likewise are consumers' psychology and behavior. On one hand, with the monopoly and control of the market price, big manufacturers make large profits, but ordinary consumers lack sufficient purchasing ability; on the other hand, the popularity of the Internet allows consumers to learn about products' cost. Sales price is far more than those consumers can accept especially in fields as sport outfits, shoes and hats. SMEs Shanzhai brands are copies of big brands in appearance, design, and function but with cheaper price, more functions and appearance that is more original. Shanzhai brands have lower manufacturing costs, advertising costs and marketing costs, so ordinary consumers naturally can accept them, and satisfy the needs for vanity of low and middle income groups (Wang and Shen, 2007).

Although today's market is fragmented, individualized, consumers' demands are different and personalized; Shanzhai brands can fully underpin their adapted segments. Effective segmentation of the market, identification of appropriate target market, SMEs must have effective STP strategies in fierce competition. Shanzhai brand can meet the needs of its target market segments. Low cost, stylish appearance and multiple functions can better grasp consumption trends of segmental market. Generally, Shanzhai brands appear more often in rural markets, urban-rural areas, retail outlets and railway stations in urban areas where migrants' workers concentrate. But consumption groups of Shanzhai brands are not limited to low-income groups. A considerable amount of middle-income consumers are Shanzhai brand loyal customers, who are mainly followers of fashion or practicability and their professions cover IT, university teachers, engineers, and low-income groups also include students who learn up-to-date information ( Luo, 2009).

Shanzhai brand is an embodiment of SMEs' market segmentation strategy. In terms of products and market segmentation, products' market coverage model can be divided as follows: a concentrated market, product specialization, market specialization, selective specialization, and full coverage. Shanzhai brand belongs to the third model - the market specialization, that's, SMEs position their products as low price for low-income groups. Companies producing Shanzhai products are small in size and have advantages just as small boat turns easily. It is easy for companies to find entry points in the market, and change producing strategies timely with changes in the market.

Shanzhai brand is the use and presentation of product innovation strategies for SMEs (Ruan, 2009). Take Shanzhai phone for example. Shanzhai is an integration of technology, appearance and process innovation. Producers of Shanzhai phone combines the latest vertical and horizontal technology favored by consumers into a new product to occupy more market share realizing 1 + 1 > 2, and make greater economic profits. These technologies are mainly presented in Shanzhai phones' design concepts, including individualized appearance, high resolution screen, large volume horn, long standby time, and other kinds of useful features.

### **Elaboration Likelihood Model and Meaning Transfer Model**

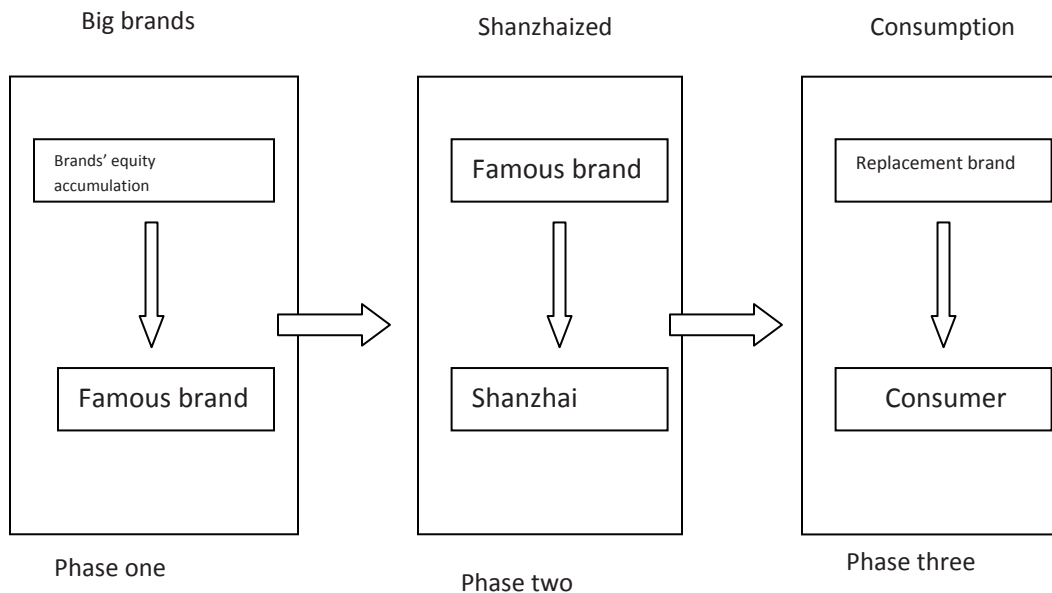
In 1980s, R.E.Petty etc. brought forward the Elaboration Likelihood Model (ELM), a type of model for consumer information management, which explains how advertising impacts on consumers' attitudes and emphasizes the influence of consumer involvement on advertising effects (Petty, Cacioppo, & Schuman, 1983). The theory reduces the attitude changes into two basic paths: the central and edge. Central route considers attitude change over the products because of consumers' serious consideration and integrating information. On the contrary, edge

route sees the change not as the consequence of considering the features or proves but as the consequence of linking it with many clues. The basic principle for ELM model is different persuasion methods rely on the likelihood of elaborating information. When the elaboration likelihood is high, the central route is particularly effective; and when this possibility is low, the edge route is effective.

Consumers can be confused by Shanzhai brands after borrowing big brands' cognitive elements, and therefore develop impulsive or conforming consumption behavior. Shanzhai brands can be found more often in IT field because homogeneity and popularity are obvious in market. Based on such a model, the elaboration likelihood is low when consumers choose Shanzhai products. Their cognitive process and attitude change belongs to the edge route of elaboration likelihood model. Consumers tend to ignore products' features and functions, and more influenced by the explicit elements attached to Shanzhai brands. In this case, consumers develop some preferences and then promote purchase.

In Meaning transfer model, "meaning" refers to the imitation of the famous brand's image. The process of consumers buying the Shanzhai brand is process of famous brands' transferring. This process includes three phases: first, strong brands have been given a certain symbolic meaning for long-term brand equity accumulation, making them representatives of a certain gender, age, social status, life style and consumption situation. Second, Shanzhai brands are imitations of big brands that can attract consumers who worship big brands but have limited consumption ability. As such, the consumers transfer big brands' image to Shanzhai brands consciously and therefore make Shanzhai brands as the alternatives of big brands, and third, Shanzhai brands' target consumers have access to big brands' symbolic meaning by using or consuming these Shanzhai brands. Figure 1 shows these processes:

**FIGURE 1  
MEANING TRANSFERRING AND SHANZHAIZED PROCESS**





## **Shanzhai Marketing = Niche Marketing**

In marketing, the long tail market is also named “niche market.” The internationally famous marketing professor Philip Kotler argues that a business must differentiate itself in ways that are important to the customer, concentrating on one or two areas in which it can be excellent or stand out, such as speed, reliability, service, design, relationships, features, personality, or technology. According to him, “whereas segments are fairly large and normally attract several competitors, niches are fairly small and normally attract one.” His definition of an attractive niche is characterized as “the customers in the niche have a distinct set of needs; they will pay a premium to the firm that best satisfies their needs; the niche is not likely to attract other competitor; the niche gains certain economies through specialization; and the niche has size, profit and growth potential” (Kotler, 2003).

The Long Tail theory which is proposed by Chris Anderson (2004) popularizes as the widely use of Internet. It suggests that a market with a high freedom of choice will create a certain degree of inequality by favoring the upper 20% of the items (“head”) against the other 80% (“long tail”). In marketing, enterprises tend to concentrate on the 20% of the market share taken by the mainstream commodities which are purchased by 80% of the customers. They ignored the 80% of the market share taken by only 20% of customers. After China's Reform and Opening-up, Chinese economic model has a transition from Planned Economy to Market Economy. Tens of thousands of SMEs which lack government support seize every opportunity to take the niche market overlooked by the mainstream enterprises by manufacturing various products to satisfy the needs of the 80% of customers. So the economy-driven model in China changes from mainstream market to non-mainstream market. The Pareto Principle which was regarded as commercial bible has the potentiality to be changed.

Shanzhai products produced by SMEs make up an essential part of the long tail in Chinese market. CCTV reports that production of Shanzhai mobile phone in 2007 has reached 0.15 billion, which shares between one third and a half of the market share of the year. The production keeps growing in 2008 and has reached 0.2 billion. A considerable number of Shanzhai mobile phone gives multiple choices to customers who have limited consumption capacity or identifies with Shanzhai culture. The Long Tail theory focuses on the market share of the non-mainstream market. It believes “every little makes a nickel” and that the market share can even exceed that of mainstream products. Tao (2010) argues that the number of customers who welcomes Shanzhai products keeps growing, and Shanzhai products are taking more and more market share in the Chinese market.

## **SHANZHAI BRAND'S MARKETING IMPLICATIONS ON WEAK BRAND**

Shanzhai market is a shortcut for SMEs to build their weak brands, and also an innovative marketing approach when Shanzhai culture popularizes. SMEs' Shanzhai brands respond quickly to the market, using strategies of imitation plus innovation and positioning their market accurately. Shanzhai brands choose to avoid strong competitors and target the consumers with lower income to acquire market share. It is because of adapting to market changes and innovative marketing approach that Shanzhai star brands come into being represented by K-Touch and Adivon. Weak brands' Shanzhai marketing strategy brings us many marketing implications.

### *Shanzhai as the Start-up Strategy and the Growth Path for Weak Brands*

Seeking to develop weak brands through Shanzhai marketing, SMEs must have a deep

understanding of Shanzhai brands' different levels. SMEs should persist in innovation based on imitation, discard plagiarism, and never attract consumers' attention by infringement. Low-level Shanzhai is simply plagiarizing while high-level is innovation based on big brands, using SMEs' advantages to carry out innovation which big brands don't work on, such as car phone, music phone, camera-concept mobile phone, and mobile phone equipped with eight overweight bass speakers. Under the pressure of competition in the market, Shanzhai products rise. Many companies realize processing semi-finished products is more convenient than starting from raw materials. Moreover, Shanzhai products have advantages both in price and function through imitations and innovation in appearance and function. Under the precondition of no infringement, no violation of law, imitation is the first step in taking market share, and the first step towards the market.

In the initial stage of brand development there are two basic routes to take; first, pulling through high cost in ads; second, promoting through low-cost products. The second route advocates SMEs to invest limited money in the key point, namely, product itself. In brands' start-up phase, products' related elements take positive role through plan and design while advertising relegates to secondary position. Weak brands' Shanzhai marketing, such as using Shanzhai star as spokesperson and imitating big brands' logo and trademarks, is only a stage and way in the process of building brands, and a speculative choice SMEs have to make in start-up phase. But the starting point and destination of Shanzhai marketing is to make big brands. After acquiring enough original capital, de-Shanzhai strategies must be carried out. Integrated marketing communication strategy can be applied, such as pulling by ads, to raise market share to over 10%, and eventually a strong brand is made.

#### *Weak Brands Need to Innovate with Marketing Communication*

SMEs' weak brands have little influence, limited financial support and scarce marketing resources. TV commercials, newspapers, street shows, or new product release cost high for SMEs. Consumers because of its special "Shanzhai" status can reject Shanzhai products. Therefore, SMEs must take marketing innovation into serious consideration, and master accurately key points of Shanzhai marketing communications.

Viral marketing is essentially adding promoting information while providing users with free but valuable services such as free e-books and free email to help users to enjoy network service and entertainment bringing users convenience. If applied correctly, viral marketing can achieve a very significant effect at a very low cost (Leng, 2010). Selecting a unique and valuable topic is particularly important because it can stimulate consumers to purchase through viral marketing's rapid reproduction and dissemination of product information. Adivon is a successful viral marketing model. Creative and humorous network topics edited arbitrarily by netters spread quickly like network viruses. Many Webbers remember "Adivon" after reading posts about "Adivon" online in a delightful manner.

Internet is changing, influencing and dominating people's lives. SMEs must take advantage of network because it attracts a large number of consumers born in 1980s and 1990s who are not offensive over Shanzhai products but very welcome. In terms of network forum, community, blog, online games, QQ group, brands can strengthen interaction with Webbers. Viral marketing not only reduces cost but also has a significant effect on target consumers.

After SMEs have obtained achievements in brand building, their products have gained a certain degree of awareness and reputation, and word of mouth marketing effect begins to take shape, enterprises must develop integrated marketing communication strategy, which means to

combine network marketing and traditional TV advertising marketing, to further enhance brand awareness and reputation and increase sales.

Word-of-mouth communication allows people to discuss products and services and makes the dialogue easy and practical. It is an art and a science to start positive and beneficial dialogues between consumers and consumers, between consumers and marketers. Word-of-mouth communication can not only stimulate positive communication, help SMEs to reduce marketing budgets, bring new clients to increase sales, but also play an important role in establishing a good reputation for brands.

#### *Weak Brands Must Specify Appropriate STP Strategy*

SMEs must have a clear STP strategy, position accurately the market, and grasp the target market. It is very difficult for SMEs to open the first and second class market with weak brands, so the third and fourth class market is appropriate. Most Shanzhai products are highly competitive in that they can always find the lowest-cost supply and the most convenient access channels, so their advantage in cost performance is evident, especially in the third and fourth class market. This strategy allows weak brand to evade big brands' competing pressures, discover new market segments, and fill the empty spaces. This is Shanzhai brands' first step towards market.

#### *Weak Brands Can Make Use of Imitation-Plus-Innovation Strategy to Penetrate into the Market at a Low Cost in the Start-Up Period*

SMEs can improve and innovate marketing elements like products, brands, advertising and channel, which are based on imitation. New ideas and concepts are added, different functions are integrated. Similar designs, packaging and brand names attract young consumers' attention. It provides new generation consumers motives for purchase. Compared to high prices of big brands, the low price of Shanzhai brands makes it possible for low-income consumers to satisfy their admiration and vanity for big brands.

#### *Weak Brands Can Make Use of Word-of-Mouth Marketing, Event Marketing, Story Marketing and Other Emerging Low-Cost Marketing Approaches to Adapt to Changing Trends in Marketing and Consumers' Behavior; Grasp Consumers' Core Needs, and Enhance Brands' Images*

Event marketing is enterprises' involving in public' focus, bringing themselves into the focus, to attract media and public's attention; enterprises can also attract the attention through creative activities planned by themselves. Linking products' core values and elements skillfully with big events, or making news for the need of marketing promotion will undoubtedly enhance brands' awareness and reputation. This is a remarkable way for Shanzhai brands to carry out low-cost marketing. Weak brands relate themselves appropriately to big events, and bring themselves to the center of media and public attention, which will no doubt play an important role in weak brands' promotion and development.

Story Marketing is to put emotions into the brands in the form of story to increase the brands' core culture when products reach a relatively mature phase. It enables the products to move the consumers through releasing their core emotion, assisted by the function and concept needs, and therefore ensure a explosive increase while maintain a stable increase in sales. Weak brands can make use of story marketing to help with word of mouth communication. At present, most products produced by small-sized and medium-sized enterprises are relatively mature and popularized products, having a high degree of market homogeneity. In this case, SMEs should

segment the market and position their products accurately. They can design products using story as the starting point, conforming to the target consumers' needs in brand names, products' appearance design and packaging design, create a personalized image, and carry out advertising planning and marketing planning centered on the story to fit the theme of the brand's communication.

SMEs develop Shanzhai marketing, take advantage of new-century consumers' activity and behavior, steer marketing communication, capture "active group" and "opinion leaders", form heated topics, and contribute to interpersonal word-of-mouth communication. With the time of needs for personality coming, enterprise must develop marketing strategies which can apply to consumers' psychological needs, cultivate "opinion leaders" in target consumers, discover and even produce topics appreciated by target consumers. By making use of events, through target consumers' word of mouth communication and viral communication, purchase potentiality can be fully released.

## **CONCLUSION AND MARKETING IMPLICATIONS**

Shanzhai marketing is one way for weak brands to develop at low cost in specific market environments in China, and also an innovative marketing way to adapt to the dynamic changes of Chinese market and consumer behavior changes. It conforms to brand building ideas for enterprises in the start-up period and has positive significances in Chinese changing market environments.

Shanzhai marketing is accomplished by SMEs in terms of "copy, imitation, learning, innovation and improvement." Imitation-plus-innovation strategy is used to realize capital accumulation and initial building of the brands. When SMEs have developed into a certain size and their brands have considerable strength, they develop timely strategies to "de-Shanzhai" to achieve rapid building and development. Shanzhai marketing incorporates in SMEs' imitation and innovation of big brands in explicit cognitive factors like brand name, trademark, package and channel operation strategy, but how to operate and the degrees of operation vary.

Different marketing theories can be applied to interpret the necessities and possibilities of Shanzhai marketing. First, from the enterprises' point of view, low-cost Shanzhai marketing is one of the growth paths for weak brands to develop. Shanzhai brands can quickly attract consumers' attention to promote the purchase in attention economy era. Nowadays, CCDVTP has replaced traditional 4P model. Weak brands' Shanzhai marketing can readily adapt to market changes. Secondly, from consumers' point of view, changes in marketing environment have led to changes in consumers' psychology and behavior. New generation is willing to choose Shanzhai brands. Elaboration Likelihood Model and Meaning Transfer Model can better explain why and how consumers accept and buy Shanzhai brands.

SMEs should comprehend the essence and connotation of Shanzhai marketing, grasp scientific and reasonable Shanzhai marketing approaches to survive and develop in the fierce market competition. SMEs must firstly have a profound understanding of Shanzhai strategy, carefully choose the future development path; secondly, in the start-up period, weak brands can use imitation-plus-innovation strategy to penetrate into the market. They can be innovative in marketing advertising. For example, Viral Marketing can be tried to reduce cost. Word-of-Mouth Marketing and Event Marketing can also be used to grasp target consumers' core demand and enhance brands' image.

Given the specialty of Chinese market, Shanzhai marketing is a valuable strategy in the start-up period for SMEs. We offer the following marketing suggestions:

SMEs should carefully choose Shanzhai marketing. Due to limited financial support, products manufactured by SMEs have little influence in the market, so opening up the market and attracting consumers' attention are the priorities in brand building. Shanzhai marketing, namely, the imitation-plus-innovation marketing, becomes a speculative choice. SMEs should avoid being treated as counterfeits or infringing copyrights. For Shanzhai marketing, imitation is the appearance, and innovation is the essence.

Enterprises should carry out investigation into the market before formulating Shanzhai marketing. Shanzhai marketing is Niche marketing in the essence, covering the non-mainstream segment market, which requires market investigation into the target consumers before understanding their potential needs.

Shanzhai marketing strategy requires a clear S - T - P strategy. STP strategy is short for segment market strategy, target market selection strategy and market position strategy. In China, Shanzhai brand should focus on the segments like rural markets, urban-rural areas, retail outlets and railway stations in urban areas where migrants' workers concentrate, as well as the young people who follow the fashions or seek for practical value. Shanzhai marketing should position itself as "enjoying high-quality products with low prices." Shanzhai products are very similar to the mainstream products in quality, function appearance and even the logo, but they are sold at much cheaper price.

Shanzhai marketing should focus on innovation, keeping improving the products' quality; it should adhere to low-price strategy to take more market share. Enterprises should make use of different low-cost marketing strategies to carry out Shanzhai marketing, such as viral market, word-of-mouth marketing and event marketing.

It is necessary to indicate that this study has several limitations. Firstly, it has theoretical analysis of Shanzhai marketing; however, it lacks quantitative research based on a massive investigation into the market. Secondly, it doesn't take into account the differences in different product types, thus it is recommendable that a thorough and specific analysis should be conducted. Last but not least, most of the references quoted in this study are limited to China, so it is suggested that a worldwide research on Shanzhai marketing should be done. The next study is expected to collect more data and materials related to Shanzhai marketing from both home and abroad. Then, it selects a specific product of an industry to carry out a large-scale market investigation into Shanzhai consumers, employees in enterprises manufacturing Shanzhai products as well as the government. By using various statistical models and analyzing the influence of various factors over Shanzhai marketing, it targets to construct the theoretical model of Shanzhai marketing.

## REFERENCES

Anderson, Chris. (2004). The Long Tail. Wired Magazine, 12(10). Accessed in January 2011 from <http://www.wired.com/wired/archive/12.10/tail.html>

Deng, Yali, & Li Tianzhu. (2010). The Origin of Shanzhai Phenomenon and A Study on Its Openly Innovative Features. Enterprise Economy. (2010)1, 21-23.

Goldhaber, M. H. (1997). The Attention Economy and the Net. First Monday. (2)4,

<http://firstmonday.org/htbin/cgiwrap/bin/ojs/index.php/fm/article/view/519/440>, accessed in September 2011.

Kotler, Philip. (2003). Marketing Management. Shanghai: Shanghai People's Publishing House.

Leng, Xionghui. (2010). The Promotion Strategy of Marketing Communication Effects-Based on Involvement. China Business. (2010)2, 32-33.

Liu, Lanjian, & Si Chunlin. (2010). Lower Market Destroys: The Case about Shanzhai Handset. Technical Economy and Management Research. (2010)3, 46-49.

Lu, Taihong. (2005). Consumer Behavior. Beijing: Higher Education Press.

Luo, Gangyi. (2009). An Analysis of Advantages and Strategies of Shanzhai Marketing. China Business. (2009)10, 90-91.

Petty, R.E., J.T.Cacipoop, & D.Schumann. (1983). Central and Peripheral Routes to Advertising Effectiveness: The Moderating Role of Involvement. Journal of Consumer Research. 1983 (10), 135-146.

Ruan, Shitao. (2009). Advantages and Disadvantages of "Shanzhai-Star" Being Spokesperson. Advertiser Market Watch. (2009) 9, 139.

Solomon, Michael R. (2004). Consumer Behavior: Buying, Having and Being. 6<sup>th</sup> ed. Prentice Hall.

Song, Yan, & Yin Lu. (2010). Research on "Shanzhai" Pattern Based on "Segment Zero"-A Case of the Development of "Shanzhai" Mobile Telephone. R&D Management. (2010)6, 39-46.

Tao, Yonghou. (2010). Formation Mechanism of Shanzhai Model and Its Implications to Organizational Innovation. China Soft Science. (2010)11, 123-143.

Wang, Lili, & Sheng Dong. (2007). More Perspectives on "Shanzhai" Phenomenon. Advertising Grand Integrated. 9<sup>th</sup> version, 136.

Xu, Hongming. (2009). Adivon: Shanzhai Brands' Shanzhai Marketing. New Marketing. (2009)1, 44-46.

Yin, Lu, & LI Tianzhu. (2010). Study on the General Disciplinarian of Shanzhai Phenomena and Its Policy Suggestion. Studies in Science of Science. (2010)3, 321-328.

**Acknowledgements:** Eternal thanks go to Dr. Robert Tian for his constant help and constructive suggestions in my completion of the paper. I am also greatly indebted to Jean-Pual Heldt for his patient and careful revision. For correspondence, please send email to [luojialenon@yahoo.com.cn](mailto:luojialenon@yahoo.com.cn) or call at 158-7903-9637.