Retail knockoffs: Consumer acceptance and rejection of inauthentic retailers

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ABSTRACT

This study extends the counterfeit product paradigm by examining an unexplored area in services – namely, the existence of inauthentic retail establishments, or so-called retail knockoffs. These fake establishments mimic the service and product offerings of genuine establishments, such as Starbucks, McDonald's, 7-Eleven, Apple, and others, prevailing across Southeast Asia, primarily in China, Vietnam, and Cambodia. By employing grounded theory methodology, this study offers an original framework that illustrates why consumers accept and patronize both authentic and inauthentic retail establishments. The model shows that many consumers are satisfied with counterfeit servicescapes and that some fake retail and service establishments are ironically building a loyal customer following. Thus, service organizations should respond to these inauthentic companies by viewing them as potential partners for innovation and expansion, rather than as future adversaries for costly litigation.

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1. Introduction

The idea that counterfeit products harm consumers, organizations, and economies and stifle new product development and innovation is commonplace in academic and practitioner literature (Sullivan & Chermak, 2013; Trott & Hoecht, 2007). Counterfeiting is a $600-billion-a-year global problem (Chaudhry & Zimmerman, 2013; Sharma & Chan, 2011), as counterfeiters steal the innovative creativity and knowledge of established firms. This practice is unlikely to change; many consumers find their participation in illicit acts of engaging in counterfeit trade hedonically arousing (Chaudhry & Stumpf, 2011), and many consumers perceive more value in purchasing a counterfeit version of a product rather than the product's authentic version (Stumpf, Chaudhry, & Perretta, 2011).

Counterfeiting negatively affects multiple industries, most notably watches, apparel, leather products, music, film, books, software, and pharmaceuticals. Staake, Thiesse, and Fleisch (2009) also note the increase of counterfeit retail establishments, which prevail across China and, to a lesser extent, Southeast Asia (Song, 2013). Although marketers know a great deal about Chinese counterfeit goods, they still know little about counterfeit retailers. Retail knockoffs (Ahuvia, Gistri, Romani, & Pace, 2013) are available in China's informal retailing sector, which refers to China's unregulated and under-researched retail practices, including street hawkers, periodic markets, and counterfeits (Uncles, 2010).

The conceptualization of the term "counterfeits" (Gentry, Putrevu, Shultz, & Commuri, 2001) describes these as unauthorized, manufactured goods that are sold in breach of intellectual property, typically in the form of patents, copyrights, and trademarks. This definition of counterfeits is sound but fails to consider that unauthorized service providers also counterfeit retail establishments with esteemed brand names, including Apple, Nike, Ikea, Starbucks, McDonald's, KFC, and Dairy Queen (Ahuvia et al., 2013; Chaudhry, Zimmerman, Peters, & Cordell, 2009; CNBC, 2013). This study conceptualizes counterfeit retailers as "retail knockoffs." Although Ahuvia et al. (2013) describe a retail knockoff as a retailer that primarily copies a genuine retailer's logo, the present research expands on this perspective by conceiving a retail knockoff as something that also copies focal retailer's branding design, atmospherics, décor, furniture, signs, operating procedures, and menu offerings.

Unlike the term "counterfeit," which refers to an exact copy of a branded product, a "knockoff" involves copying the design and appearance of a premium-labeled product, which creates a variety of "look-alikes" that closely resemble genuine articles (Phillips, 2005; Raustiala & Sprigman, 2012; Staake, Thiesse, & Fleisch, 2012). Knockoff products look the same as branded products but do not abuse the intellectual property, patents, or trademarks of any manufacturer. Thus, the production, distribution, and consumption of knockoffs are not illegal. In a similar vein, retail knockoffs represent legal retail-imitator operations that

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copy the physical dimensions of retailers to create look-alike knockoff versions of authentic retailers.

Although look-alikes may seem innocuous, knockoffs are not any less damaging to the original premium product than counterfeits, as both threaten brand exclusivity, devalue the focal brand's brand equity, confuse customers (Gentry, Putrevu, & Shultz, 2006), and contribute to human suffering by employing child labor (Phillips, 2005). Commuri (2009) emphasizes that criminal organizations are often involved in the counterfeit industry, while the International Labor Organization reports that most of the world's 246 million child laborers work in the counterfeit/knockoff industry (Phillips, 2005). Thus, both counterfeit and knockoff products taint business innovation, hurt global well-being, and stymie business expansion in China (Chaudhry & Zimmerman, 2013; Sheng, Zhou, & Lessassy, 2013).

Chinese imitators create retail knockoffs of famed retail operations that permeate throughout China, especially outside the major "first-tier" cities (Chaudhry & Zimmerman, 2013). Marketers, however, lack a theoretical understanding of why consumers opt to patronize retail knockoffs and how retail organizations can confront fake places without pursuing costly litigation.

In response to these research voids, this article proceeds as follows: first, the study reviews a set of literature streams, to situate the research within the services domain. Second, the study employs grounded theory (Glaser & Strauss, 1967), a recommended method for developing theory to put forth a theoretical framework that highlights drivers that encourage consumers to patronize either authentic or inauthentic retailers. The framework emerged from data gathered from customers in actual retail knockoffs.

The framework also provides managers with guidance on how they can confront the challenges posed by wrongdoing corporations engaged in imitation and counterfeit activities, by developing an informative campaign for end users. The article concludes with a discussion of theoretical and managerial implications, especially with regard to retail innovation in China.

2. Positioning within the literature

2.1. Counterfeit drivers

Marketers confirm that consumers purchase counterfeit products and knockoff goods because these normally cost a fraction of what the genuine items cost (Chaudhry & Stumpf, 2011). The price benefit is often so powerful that in many instances, this driver encourages consumers to knowingly engage in unethical and unlawful consumption (Kim, Kim, & Park, 2012), especially when the counterfeit products are luxury goods (Penz & Stöttinger, 2012; Wilcox, Kim, & Sen, 2009).

Consumers' motivation to purchase luxury-branded, counterfeit goods is clear. Doss and Robinson (2013) conceptualize a luxury brand as "a premium priced brand purchased by consumers for their psychological values and not primarily for their functional or economic value." Thus, consumers' desire for counterfeit luxury goods hinges on social motivations (e.g., to express themselves), rather than functional, utilitarian consumption motives.

Extending the reasoning behind the purchasing of luxury-branded counterfeit goods to retail knockoffs poses challenges because the production and consumption of services occur simultaneously. Unlike a consumer who purchases a counterfeit Rolex watch to obtain social approval through public display, a consumer who patronizes a fake McDonald's does so in a private manner. That is, consumers who patronize retail knockoffs might do so primarily as a response to unfilled functional consumption needs, such as the need for inexpensive, pleasant-tasting food, rather than social motivations. To explore the reasons consumers, primarily in China, patronize inauthentic retailers, this study first discusses their motivations for patronizing authentic versions of branded retailers.

2.2. Authentic and inauthentic service organizations

China is home to several U.S. food companies, including McDonald's, KFC, Pizza Hut, and Starbucks. The typical consumers of these foreign-branded retailers are part of an expanding Chinese middle class, which comprises wealthy and educated young people enthusiastic about consuming Western products (Harrison et al., 2005).

Venkatraman and Nelson (2008) note that though McDonald's, KFC, and Pizza Hut differentiate themselves in the marketplace on features such as efficiency, modernity, and cleanliness, Starbucks represents an iconic emotional brand that is "interwoven with the narrative of people's lives." Researchers show that Chinese consumers assign various meanings to Starbucks, including a second home, a constellation of personal space in which they can do as they please, an exotic place, and a place where they can develop a linkage to American culture (Venkatraman & Nelson, 2008). Although younger, affluent Chinese consumers seek "authentic" Western experiences, for many Chinese consumers, the "inauthentic" establishment seemingly fulfills their consumption needs.

Relph (1976) posits that people experience places with "different intensities of authenticity, so they can be created with varying degrees of authenticity." In other words, at the authentic extreme, retailers engage in international expansion by offering their customers a consistent built environment, or servicescape, that features many design elements, such as logos, internal color palette, layout, and décor, that are trademarked (Trott & Hoecht, 2007) and recognizable by customers in any locale (Venkatraman & Nelson, 2008). At the inauthentic extreme, firms engage in manipulative planning to create artificial worlds or inauthentic retail spaces that employ design elements that mimic a genuine organization's servicescape.

Fig. 1 illustrates examples of inauthentic retailers in China. MFC is a KFC knockoff that mimics the original KFC logo and the copyrighted Colonial Sanders. BFC offers customers a McDonald's-like menu, though the moniker actually imitates the KFC organization more so than McDonald's. SPR Coffee imitates Starbucks by copying the firm's classic green logo color as well as its in-store design elements, such as display and counter design. The fake Apple store, Unison, features the iconic "bitten apple" logo, though its small and cluttered interior does not resemble legitimate Apple stores. Range duplicates 7-Eleven's prominent red and green iconic color scheme throughout the store design.

Retail knockoffs permeate throughout China, but theoretical guidance is lacking on why consumers patronize inauthentic places or refrain from doing so. Understanding of such patronization is even more pressing when considering that retail organizations that opt to combat copycat Chinese-based organizations are essentially doing so on their own. In 2003, Starbucks sued the Shanghai-based coffee shop Xingbake for copying its name. After three years of costly litigation, a Shanghai court ordered Xingbake to discontinue use of its name and to pay Starbucks approximately $62,000 in damages (Greene, 2008). Although Starbucks won this case, other knockoff versions of Starbucks operate in China, and the payout amount Starbucks received is paltry compared with the company's litigation expenses.

Chaudhry et al. (2009) conclude that consumption of counterfeit products in China is likely to continue because of consumers' willingness to purchase counterfeits and Chinese government officials' lax in enforcing corporate intellection property rights. Uncles (2010) describes China's retail marketplace as divergent – one that simultaneously offers authentic, high-end products and services, and counterfeit and fake versions of these same products and services. Uncles speculates that China continues to embark on this two-track retail system to fulfill the needs and wants of the country's emerging middle- to upper-income consumers, as well as mass, lower-income consumers.

To better address the theoretical chasm regarding the reasons consumers patronize retail knockoffs, this study employs grounded theory methodology (Birks & Mills, 2011; Glaser, 1978, 1998). This methodological approach helps advance an original theoretical framework

Inauthentic service organizations in China

Fig. 1. Inauthentic service organizations in China.

regarding servicescape knock-offs. The framework clarifies why consumers patronize inauthentic and authentic retail establishments and sheds light on organizational responses to these knockoffs in an inexpensive, non-legal manner.

3. Method

3.1. Sample

The purpose of grounded theory methodology is to develop theory from systematically obtained and analyzed data. Theory emerges when researchers generate patterns, denoted as conceptual categories, and their encompassing properties from data. To help ensure the theoretically relevancy of the proposed theory, Glaser and Strauss (1967) instruct researchers to collect data from multiple groups because doing so increases the scope of substantive theory.

Given these methodological tenets, the data came from informants in five inauthentic establishments in China (see Fig. 1). SPR Coffee served as the first data location because this coffee shop mimics Starbucks. At this step of the methodological process, the data were open coded, which

means coding the data to denote the latent patterns, conceptual properties, and conceptual categories emerging from the data.

To increase theoretical relevance for furthering the development of the emergent conceptual categories and to capture important differences absent from the prior data, the authors engaged in theoretical sampling. This process entails collecting data from additional groups and constantly comparing them in an effort to develop a theoretically relevant model that contains as many properties of the proposed conceptual categories as possible, as well as to understand how the categories relate to one another.

Strauss and Corbin (1998) emphasize that constant comparative of sampling requires "the making of comparisons [and] the asking of questions," which move from general questions to more specific probing. In this study, respondents and their locales were constantly compared to develop a well rounded framework. Thus, the second sample locale was BFC, a McDonald's retail knockoff. In an effort to again increase the framework's applicability across industries, a third sample site was chosen – that is, Range, an inauthentic version of 7-Eleven. The fourth sample site was MFC, an ersatz version of KFC. The fifth sample site was Unison, an unauthorized Apple retailer.

3.2. Procedure

Because of the sensitive nature, and potential embarrassment, surrounding patronage of inauthentic establishments and the need for a native standard Mandarin speaker, two of the authors trained the third author, a doctoral candidate, on grounded theory methodology. Such training enabled that author to engage in conversations with SPR, BFC, MFC, Range, and Apple customers primarily to discover whether they realized that they were patronizing inauthentic places and how they knew, or failed to know, that the place was fake. A natural conversation between the author and each informant was optimal, but a recommended interview guide also helped provide consistent structure across the interviews (see the Appendix A). The author also revealed the purpose of the interview to the informants and collected a written consent form and demographic information from them. Interview times ranged from 10 to 20 min each, typically depending on whether the informant was alone or with others.

The long interviews allowed the researchers to probe informants intensely and to obtain information not normally available or even regularly discussed. Evidence suggests that an unstructured interview method allows respondents to share information the way it is stored in their memories. Schank (1990) concludes that people tend to process and store information as stories rather than using item-by-item categories. Long interviews provide a method that allows informants to become aware of and report on how cultural and socio-historical forces affect their thoughts and actions. As respondents tell their story, they self-interpret the experience, providing deeper meaning to their actions and feelings (Weick, 1995).

After each interview, the author transcribed memos (e.g., descriptive notes), a process that yielded 40 pages of research notes, and engaged in constant comparison of the data to develop an emerging theory. The authors met together throughout the data collection process to constantly compare informant-to-informant and fake organization-to-fake organization data to ensure the appropriate scope of the emergent framework and that the framework's conceptual categories indeed captured informants' reasons for patronizing or refraining from patronizing inauthentic retail establishments.

The third author conducted semi-structured interviews with 20 informants: three customers from SPC, three from Range, four from the unauthorized Apple retailer, four from MFC, and six from BFC. Table 1 shows a demographic analysis of the study's informants. The author sampled informants in retail knockoffs that were located in Shanghai and Shenzhen, both first-tier cities; Nanchang, Ji'an, and Shenyang, all second-tier cities; and Wuyuan, a third-tier city. The author introduced himself to each informant and indicated the purpose of the research, to gain verbal consent and to proceed with the interview questions.

Sampling ceased after 20 informants because the proposed theory had reached "theoretical saturation" (Glaser & Strauss, 1967, p. 61); that is, the data no longer supported the existence of new conceptual categories or category properties. The following section turns attention to discussing the emergent theory of authentic and inauthentic place consumption.

Table 1
Summary profile of informants and inauthentic place knowledge.

	Place	Sex	Age	Know the place is fake?	"How did you know that the establishment was fake? Or what made you believe that it was real?"
1	MFC	F	23	Yes	The logos of KFC and McDonald's are so authentic and it's easy to recognize a fake logo. It's easy to recognize the food from KFC and no matter how good the copied version is, it is impossible to make the fake taste the same as the real.
2	MFC	M	27	Yes	Both McDonald's and KFC are really famous and I know the real ones from my own experience. I also know the real ones from the Internet and from my friends. McDonald's and KFC have their own logos. In fake places, the atmosphere is just average and the logo is a copied version.
3	MFC	M	27	Yes	For sure! The fake BFC is quite different from the real one in terms of decoration and the quality of its staff. I can tell the fake from its name, visual identity, decoration, and food promotion materials.
4	MFC	F	27	Yes	I definitely knew it was a fake. I have been to real McDonald's and KFCs, so I can tell the difference.
5	SPC	F	28	No	Really? I did not realize it. I have never thought of this place as a fake Starbucks.
6	SPC	M	40	Yes	When I came in, I already realized that this is a fake version of Starbucks. But, the decoration is quite similar. But, based upon on the music and the details of the environment, I could tell [that it is a fake].
7	SPC	M	26	Yes	You could tell from its decoration and service. Well, I might be confused at first; but the service, the organizational cultural, and the intangible elements, they are hard to copy. Also, I have been to Starbucks many times, and I could easy tell whether it is real or fake.
8	BFC	M	25	Yes	It is easy to tell by the logo whether it is fake or not. Also, through my friends, I also get to know other fake brands.
9	BFC	F	26	Yes	Of course, I know it is fake McDonald's, as the logo is so fake, and the name of it is also fake. Also, I could tell this from the product's smell. Other things, if you take a further look, it is so easy to identify the difference between the fake and the real McDonald's, such as the promotional materials, and the size of the restaurant.
10	BFC	M	24	Yes	Because the products, and the shop decoration, as well as the logo are different. Sometimes I can spot the differences, while other times I was informed by my friends about the differences.
11	BFC	M	24	Yes	The logo is so obvious that this is fake. I could tell by myself, as it is too easy to recognize the difference. This logo, when you see it, though similar, it is still quite different from the real McDonald's.
12	BFC	M	39	Yes	I have never heard this restaurant. You could see I identify it by myself because the fake one could not be the same as the real ones as its name, the quality of its staff, and also the taste are different from real ones. Taste is much worse than that of the real ones.
13	BFC	M	31	No	I am not sure whether it is really fake. But at least from my tuition, it does not seem to be real.
14	Range	F	35	No	In fact, I am not sure whether it is fake or not. But as you mentioned, I feel it somewhat looks similar to 7-Eleven. I did not think about 7-Eleven just now, because although there is similarity, there is still difference. I feel it is like its own brand.
15	Range	M	34	Yes	I could tell by myself. The lighting and the layout are different from 7- Eleven. Also, some snacks are missing here, for example, Häagen-Dazs.
16	Range	M	23	No	Is that really fake 7-Eleven? I do not think so. I think it has its own brand
17	Apple	F	33	Yes	Yes, because there will a clear logo outside suggesting that it is a real Apple store or an authorized Apple store.
18	Apple	M	34	Yes	I heard from my friend saying this is a fake one, as it does not clearly outline it is authorized apple. Also, its layout and products are similar to Apple. If my friend had not pointed out that, I would not have been able to recognize fake from real. But, I went to the real Apple store in Shenzhen, I feel that it does show a great difference. But if anyone has been to the real ones, they could identify the fake stores at first sight.
19	Apple	M	28	Yes	You could definitely not find this fake store online. Also, this store is small, and you know, the Apple store is usually spacious. Also, the staff dress is different. But, honestly speaking, the display as well as the environment are quite similar to the real Apple store. It seems up to standard of Apple.
20	Apple	M	25	Yes	I have been to the real store and I can tell the difference. But, I just need a cheap case cover, so it does not make sense for me to travel far to buy a case cover.

4. Findings

The overwhelming majority of informants (17) realized that they were patronizing a fake version of genuine establishments. The results show that many informants were aware of place inauthenticity from personal experience with both authentic and inauthentic establishments or from the Internet (see Table 1). Many informants also gauged place inauthenticity through the perceived inferior environmental cues, including the establishment's logo, décor, smell, employee dress, and staff quality. Other informants noted that they learned about fake places from their social relationships, with one informant stating that he was told that BFC was authentic by his friends. Three SPC customers realized that they were patronizing the inauthentic version. Again, inauthenticity was noted by servicescape clues, including logo design, décor, music, and location. For example, Starbucks is located in Shenzhen's city center, but the company currently does not reside in Shenzhen's outlying areas. Nearly all MFC patrons noted that they could tell the place was fake from the logo, which features a fake, iconic Colonel Sanders.

Range informants were unique; only one of three informants realized that the convenience store is a 7-Eleven knockoff, primarily noting that the logo mimics the genuine version and that Range does not carry Häagen-Dazs ice cream, which every 7-Eleven in Shenzhen stocks. Two informants believed that Range is its own brand and they were unaware that the iconic red and green stripes and color are copyrighted by 7-Eleven.

Every Apple informant realized that the fake store was an unauthorized imitation. Reasons for the conclusion stemmed from servicescape clues, including the displayed logo, store size, and employee dress, and from personal experience with a real Apple store in Shenzhen.

The data indicate that the majority of informants realized that they patronize inauthentic versions of genuine establishments. This conclusion does not hold true for Range informants, however, likely because few informants were familiar with the authentic 7-Eleven retailer.

In any case, the idea that Chinese consumers knowingly patronize inauthentic retail establishments, essentially engaging in place counterfeiting, requires a theoretical understanding of why this behavior occurs and how service organizations can respond to this behavior.

5. Proposed framework

Fig. 2 depicts a theoretical framework that describes drivers that encourage consumers to patronize both authentic and inauthentic retail establishments. According to the theory, Chinese consumers confront the decision to patronize authentic or inauthentic retail establishments and respond to various drivers that influence this decision. For example, consumers who choose to patronize inauthentic establishments primarily do so for location and convenience. Also influencing this decision are these establishments' lower prices, compared with the authentic places, and the realization that in some instances, the fake's product and service quality mirrors the authentic version. Consumers also choose retail knockoffs because they do not perceive themselves as brand loyal to the authentic version and because they, or their children, cannot differentiate authentic from inauthentic establishments. Last, shoppers at the fake Apple store noted that the inauthentic retail establishment was suitable for browsing, rather than for shopping, and that fake accessories were acceptable for their authentic iPhones.

Consumers who choose authentic retailers do so primarily because their location is convenient. Consumers also noted that they choose authentic retailers because they are able to pay a price premium, they are concerned about their perceived social status, and they desire quality and safe products and cleanliness. Apple customers noted that they refrained from purchasing fake items because they are concerned about both service quality and the lack of warranties or guarantees on the fraudulent products. Thus, retailers might be able to combat the counterfeiting problem by educating consumers about quality standards and emphasizing guarantees associated with the purchasing of authentic products.
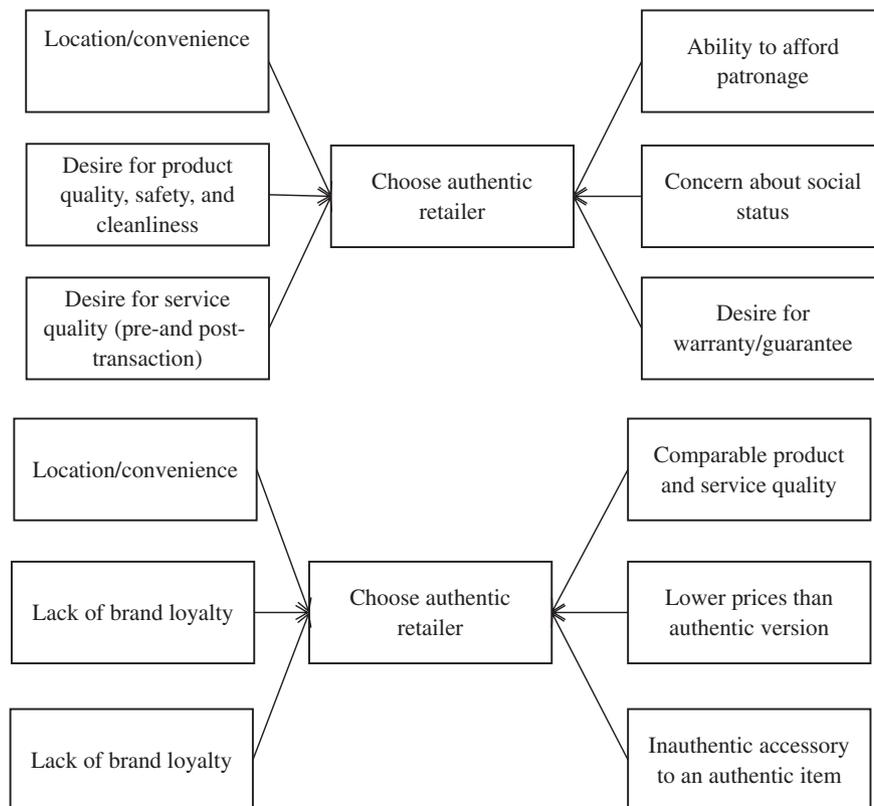

Fig. 2. A framework of authentic and inauthentic (knockoff) retail consumption.

The following sub-sections define and develop each of the components of the framework. The article concludes with a discussion of the managerial implications arising from the theoretical framework and research limitations.

5.1. Inauthentic place patronage

5.1.1. Location/convenience

The data reveal that location and convenience are the primary reasons consumers patronize inauthentic retailers. In total, 14 of the 20 respondents noted this reason when explaining why they patronize fake places. An MFC customer (23, female) noted, "To be frank, in my hometown, it is impossible to have real ones [KFC or McDonald's] and I have to go to fake ones if I want Western food." Another customer (27, male) remarked, "We don't have it [authentic service establishments] in my area. It's in the city center. It is inconvenient." An SPC customer (28, female) also stated, "I am on a business trip and I passed by this coffee shop. There is no comparable coffee shop nearby." Finally, a Range customer (35, female) noted, "If 7-Eleven is closer, I will go to 7-Eleven. Convenience stores are everywhere and the difference is the location."

A Unison customer (34, male) discussed the challenge of finding an authorized Apple retailer, noting that "not many authorized Apple shops [are located] in the country. How could I have the chances [sic] to experience these products?" Another customer (28, male) said that he purchased a fake Apple phone because of store location; he stated, "I came here today because I helped my father to buy a new phone and the place is very close to my apartment; [it is] very convenient." For many consumers, concern with place authenticity falls by the wayside when location and convenience are the primary driving forces behind fulfilling a consumption need.

5.1.2. Lower prices

Another reason informants decided to patronize fake places was the lower prices offered than those of the authentic retailers. An SPC customer (26, male) said, "The reason that I come here is that the price is okay, not that expensive. The service is also okay." An MFC customer (27, male) noted, "The fake ones are cheap and the food and beverage are just as good. For example, you could have two burgers for RMB 10 [approximately $1.50]." Price-conscious consumers are likely unable to patronize authentic places that target China's middle class.

Although budget-conscious consumers may be swayed to patronize fake retailers with discounted prices, these retailers likely reside in less expensive areas located farther away from city centers, and thus location becomes as problematic as high prices. A BFC customer (39, male) said, "I have to reiterate that the fake KFC has a price advantage compared to the real, and hence, people will still go to the fake." A fake Apple customer (28, male) stated, "In terms of the price, it [fake product] is a bit cheaper than the mainland version of Apple."

5.1.3. Comparable product/service

Many informants noted that inauthentic retailers are comparable to genuine versions and, in some cases, even better, given the price benefit level and the functional quality. A BFC customer (26, female) said, "Although I know it is fake, it still makes me feel like McDonald's, and the environment and the hygiene are better than other restaurants. At least you have the feeling of being at McDonald's." A Range customer (35, female) noted, "In terms of the price, it [Range] is almost the same as 7-Eleven. I believe it [Range] should be okay. There is no actual difference if the service and the products are the same." Thus, the consumers who do not care about product or service quality benefits associated with patronizing authentic establishments are satisfied by the price benefit level and functional quality of inauthentic retailers.

5.1.4. Lack of brand loyalty

An additional reason informants patronize fake places is that they are not brand loyal to the authentic version or the location overrides brand loyalty. An MFC customer (23, female) remarked, "I will go to real ones and I will also go to fakes ones. First, because I am not a loyal customer [to KFC or McDonald's]. If products are good, I don't care whether [they are] from McDonald's or the fake." A Range customer (23, male) also said that location overrides brand loyalty: "I will go to 7-Eleven, but it has to be convenient. I have some brand loyalty to 7-Eleven, and the food quality in 7-Eleven is ensured…. I have to say location is extremely important."

Last, two informants indicated that they patronize fake establishments because their children like the taste of fast food and are too young to care about authenticity. A BFC customer (39, male) explained, "I take my kids here once in a while, as the kids like BFC, KFC, and McDonald's food. To them, it's all the same." Another customer (26, female) mentioned, "The reason that I came here [to BFC] is that my little brother wants to have fried chicken. There is no KFC in this city [Liaoning Province]. I think my young brother doesn't really care about the fake products."

5.1.5. Browsing and inauthentic accessories

The discussions with Unison's informants expose two additional reasons customers choose to patronize unauthorized retail knockoffs. First, one Apple customer (33, female) explained that she merely liked browsing in the fake retailer and that she would refrain from purchasing anything: "Although I am not going to buy any Apple products here [fake place], I will try some new Apple products on display. If there are some samples that I could try, I do not care about going there to browse." Second, another Apple customer (34, male) remarked that he would purchase fake Apple accessories at the store but not a counterfeit iPhone: "I do not buy an iPhone here, but I might buy the accessories. If I were buying 5C, I will go to [a real] Apple store."

5.2. Authentic place patronage

5.2.1. Location/convenience

The framework suggests that five drivers encourage consumers to patronize authentic retailers, the last of which is unique to understanding Apple consumption. The primary and perhaps most intuitive driver that more than half the informants mentioned was that authentic retail establishments are only located in China's first-tier cities, which refer to Shanghai, Beijing, Guangzhou, and Shenzhen (Mullich, 2013). Thus, Chinese consumers who travel outside first-tier cities have few convenient options and often have no other choice but to patronize inauthentic establishments. A BFC customer (25, male) summarized the situation as follows: "When I return to Shanghai, I could go to the real McDonald's, but now there are only fake ones here and not real ones. I want to say that I will not go to the fake ones, unless there is a special situation, like being away from a first-tier city."

5.2.2. Quality, safety, and cleanliness

Another driver that encourages consumers to patronize authentic retail establishments is a desire for product quality, safety, and cleanliness. This finding primarily emerged among BFC and SPC customers, indicating that for the most part, Range customers are satisfied with perceived safety and cleanliness at the fake retailer. An MFC customer (27, male) said, "The taste, the hygiene, the service quality is really different here." Another MFC customer (27, female) remarked, "I feel the management and hygienic condition of the fake place is so-so." Finally, a SPC customer (40, male) added, "I order the same non-coffee drink at SPR because I am not brave enough to try their coffee. The person needs to smell the flavor of coffee first; I do not like the smell of the coffee here."

5.2.3. Social status

Two SPC customers remarked that they patronize SPC when they are alone; however, they both patronize Starbucks when they are with friends and are concerned about their perceived social status. A SPC

customer (28, male) said, "I only go to SPC when I'm alone. It is not good for my status to bring friends here. When we want leisure, we go to Starbucks." Another SPC customer (40, male) stated, "The place [SPC] is not a place for meeting my friends. If I go to see my friends, I will go to high-end coffee shops. Starbucks is only for leisure purpose."

5.2.4. Afford patronage

Only one informant discussed authentic place patronage in terms of the ability to afford authentic prices. The MFC customer (23, female), who noted that she was still a student, said, "I will still go to fake ones because I am price sensitive. I'm still a student." Authentic place patronage is likely currently limited to China's aspiring upper-income classes and urban population in first-tier cities (Harrison et al., 2005).

5.2.5. Service quality, warranties, and guarantees

Two conceptual categories are unique to understanding why Unison's customers prefer to shop in authentic Apple stores and authorized retailers: concern with service quality, during and after the initial sale, and a desire for product warranties or guarantees. For example, one customer (28, male) said, "I will go [to an authentic Apple store] because the quality is guaranteed and the service is much better. Also, [I will go to a real Apple store] because it has reputation of the brand as well as an after-sales service guarantee." Similarly, another customer noted that he prefers to buy an iPhone at authorized retailers and resellers because "I feel … that I will not be cheated. It makes you feel safe to buy, just if there are any other problems after I get home." Another customer (33, female) also said, "The real ones [Apple stores] give customers a better service. The variety of products is more comprehensive, and the accessories are reliable, as it represents the real brand. Also, the after-sales service is guaranteed and more comprehensive."

5.3. Theoretical overview

From an etic perspective, that is, the extension of an existing framework to a new setting (Martin, 2010), the authors suggest that Chinese consumers engage in a decision-making process when opting to patronize an authentic or inauthentic retailer. The patronage decision commences with location/convenience; currently, only Chinese consumers located in first-tier cities can easily choose an authentic retailer. When location is convenient, a Chinese consumer must evoke an internal value equation that considers product prices, service quality (e.g., employees, guarantees), and product quality, all of which are lower at retail knockoffs than genuine retailers. In food/beverage decisions, consumers must consider a revised value equation with the addition of children, who add total costs but cannot easily discern taste differences between genuine and knockoff items. However, parental concern about food quality safety may encourage authentic retail patronage among affluent Chinese consumers. Last, Chinese consumers must consider an internal need for social status when patronizing authentic or fake retailers. Renowned global retailers such as Starbucks and Apple support consumers' positive public display of status, especially when they are attempting to self-promote status among social or business relationships.

6. Discussion

This article brings an under-researched topic in the counterfeiting area to the forefront – namely, that of inauthentic retail establishments, or retail knockoffs. These establishments copy the in-store design, product offering, and appearance of genuine retailers. This research shows that, in general, fake retail establishments not only offer similar products and services to the focal organizations they copy but also do so in manner that satisfies their customers' needs.

An estimate of the dollars that inauthentic retail establishments siphon from authentic counterparts, as well as the impact of these fake places on authentic counterparts' future expansion plans into China,

remains unknown. As mentioned previously, well-known foreign companies are located in China's first-tier city centers, while inauthentic versions of these companies are present primarily in second- and third-tier cities. This situation leads to a temporary détente, because foreign companies have not yet experienced significant competition from inauthentic versions; however, problems will most likely emerge as genuine establishments expand into China's second-tier cities and directly confront inauthentic versions of their services. Although it may be difficult for foreign companies to understand, China's populace accepts a divergent, two-track retail system, which describes the case of authentic products and service establishments along with their counterfeit and knockoff versions being located in the same shopping locale (Uncles, 2010).

The proposed framework demonstrates that many consumers who patronize inauthentic firms do so because of easily explainable reasons such as location and convenience. In addition to the vast number of locations, the price benefit level and the functional quality that consumers receive from patronizing inauthentic retailers are so profound that many consumers might increasingly perceive the inauthentic companies as their own unique brands rather than lower-grade, imitative versions of genuine versions. However, the framework also reveals that one of the driving forces encouraging authentic place consumption is a concern with product safety, service quality, after-sales guarantees, and a hygienic environment. Rather than taking a prosecutorial stance toward China-based inauthentic retail establishments, the framework offers managers insights into a legal and relatively inexpensive way to combat place counterfeiters.

6.1. Managerial implications

The consumer safety issues that arose during the interviews, such as perceived dangers of inferior food and beverage quality and lack of cleanliness, suggest that authentic retailers should promote their product and service quality standards. That is, authentic service organizations should tout their food safety protocols and commitment to quality because Chinese consumers are increasingly willing to pay price premiums for perceived safe food products (Wang, Mao, & Gale, 2008). Along these lines, authentic product-oriented retailers should emphasize product guarantees and clearly specify that technicians cannot service fake electronics.

Many informants also reported that they patronize authentic retailers for social status, primarily when they meet with friends or have professional meetings. Given the extent to which Chinese consumers use these companies to construct a contemporary, Westernized identity (Venkatraman & Nelson, 2008), foreign retail establishments should refrain from becoming extremely localized, for example, by dramatically altering foods or beverages for local palates; rather, authentic place patronage helps build bridges to foreign cultures.

This research shows that customers are largely satisfied with inauthentic retail establishments, even though they know that these are copycat organizations. Stumpf et al. (2011) suggest that customer complicity regarding counterfeits and fakes emerges when "a counterfeit product is as easy to obtain as the legitimate good (if not easier), or the price differential is large yet the apparent quality differential is small."

In addition to having a satisfied customer clientele, Chinese-based corporations that create retail knockoffs essentially have tacit government approval to do so. Although Western companies have successfully litigated in Chinese courts to protect their intellectual property rights, Brauer (2012) notes that this "enforcement-only" approach is overly legalistic, reactionary, and, ultimately, ineffective. Brauer contends that Chinese courts typically fail to enforce judgments against intellectual property infringers and that both the penalties and damages assessed against infringers are typically so low that they fail to deter intellectual property infringers. Thus, litigation should likely be the last step when trying to enforce trademark rights in China.

Given that intellectual property infringers are a mainstay in China, this study draws on the work of Trott and Hoecht (2007) to propose that authentic organizations should target their inauthentic competitors as possible joint venture partners. The reasons to do so are threefold. First, as discussed previously, the Chinese courts are unlikely to charge inauthentic organizations with trademark infringement. Second, because inauthentic organizations imitate authentic counterparts, they already understand the basic processes of the authentic organizations. Third, authentic organizations are currently expanding operations in China's first-tier cities and thus are unlikely to expand into the outlying, second- and third-tier cities in the near future. Rather than provide additional opportunities for inauthentic retail establishments to build a loyal customer following in these second- and third-tier cities, authentic firms can expand brand awareness of their genuine brands in outlying areas through partnerships with inauthentic imitators.

6.2. Research limitations

This research emerged from interviews with Mainland Chinese; however, fake retail establishments are present in other Southeast Asian countries as well, including Vietnam, Cambodia, and Myanmar. Given that the methodological focus in this research was on Chinese consumers, this research does not allow generalizations to broad populations. Further research should expand the proposed framework by exploring why other consumers patronize retail knockoffs and how organizations can combat place counterfeiting. Research could also empirically test the extent to which the solutions posed in the framework may help quell consumer patronage of inauthentic places. The introduction of a budget menu, more locales, and product quality information may influence some retail knockoff customers to switch to authentic versions. Despite these limitations, this article achieves a primary goal of bringing to light a previously under-researched and unknown phenomenon – the retail knockoff.

Appendix A. Appendix

Table 2
Basic questions for semi-structured interviews.

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1. Do you realize that you are in a fake version of a real place?
2a. If yes, how did you know that this place is fake? For example, can you tell it's fake or have you heard this from others?
2b. If no, what makes you believe that this place is a real?
3. Is it possible for you to conveniently patronize the real place? If no, please explain.
4. If you could patronize the real place, would you do so? Please explain your answer.
5. Now that you know that the place is fake, will you go back to the place? Please explain your answer.

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