# 奢侈

# Luxury Fever in China

## An analysis of Chinese Luxury Consumption


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# 1 Introduction and Research Question

## 1.1 Introduction

The Chinese consumers' mania for luxury labels is obvious for anyone who has visited China. During my stays in China I have over the years witnessed how the queues to the Louis Vuitton stores are getting longer and longer, and every time I have been surprised to find how much emphasis is placed solely on logos and brand names. These experiences have really had an impact on me and have made me want to find out more about the Chinese people's obsession with luxury brands.

According to the World Luxury Association, China is now the world's second largest luxury market, only surpassed by Japan[1]. With its substantial population and growing economy, China will soon become the world's largest brand-name luxury goods market (Li & Su 2007). Last year, the Chinese consumers took 18 percent of the global market for luxury goods, and it is expected that the share in the year 2015 will grow to 32 percent. At that time China will then have superseded Japan as the world's largest market for luxury goods[2].

Without doubt, the Chinese market has tremendous potential for luxury brands. It is, however, important for Western companies wishing to expand their luxury business into the Chinese market to be aware of the Chinese consumers' motivations for luxury consumption. It is essential to understand that Chinese consumers might not buy luxury products for the same reasons as Western consumers and that luxury products may not have the same social functions in each society.

Clearly, the Chinese luxury consumer behaviour is distinct and different from the luxury consumer behaviour seen in the West. Having seen this crave for luxury in China with my own eyes I find it quite complex and on the face of it not an easy phenomenon to understand. However, when looking more closely at the luxury fever sweeping through China, one will find that the modernisation process that is taking place in China is leaving its footprint on the luxury consumer behaviour. New values have emerged and influence the Chinese in their luxury consumption patterns while

[1] www.worldluxuryassociation.org
[2] http://www.netpublikationer.dk/um/8751/html/entire_publication.htm

some of the traditional values, on the other hand, also still seem to influence the Chinese luxury consumers. This might be the reason why the Chinese luxury consumer behaviour is so distinct from the Western luxury consumer behaviour. The modern and traditional values fuse in a cocktail that gives rise to Chinese people's passion for luxury brands. What I find really interesting is to find out in what ways the Chinese combine these values and exactly how they influence the luxury consumer behaviour of the Chinese.

The purpose with this dissertation is therefore to explain the Chinese variant of luxury consumption and examine two factors, which I find very likely to have an impact on it: materialism and Confucianism. In addition, I will look at the marketing implications this have for luxury brands entering China. I hope that this dissertation will help luxury firms to gain a higher understanding of the motivations behind luxury consumption in China.

## 1.2 Research Question

The overall objective of this dissertation is to examine the Chinese luxury consumer behaviour. As already stated, the luxury consumer behaviour of the Chinese are different from the one seen in the West and it is the distinct characteristics of the Chinese luxury consumption that I wish to investigate. My assumption is that materialism and Confucianism both have an influence on the nature of the Chinese luxury consumer behaviour. With point of departure in this assumption, the formulation of the research question will therefore be as follows:

**How can materialism and Confucianism explain the nature of Chinese luxury consumption?**

**Which implications does it have for marketing luxury products in China?**

In my opinion, there is every indication that the Chinese consumer behaviour exhibit modern values in a combination with traditional values. My overall assumption is that the socio-economic development in China has a profound impact on the luxury consumption in the country and that modern as well as traditional values therefore co-exist and together can explain the luxury consumer behaviour of the Chinese.

Materialism and Confucianism represent respectively modern values and traditional values and I strongly assume that they are both key motivators for the luxury consumption in China.

The intention with the first part of the research question is to define the concepts of materialism and Confucianism and examine their impact on Chinese luxury consumption. Using China's socio-economic development as a point of departure, I will look at how materialism, as an expression of a modern value, influences the Chinese in their luxury consumption. The level of China's socio-economic development can help me explain why materialism is likely to be an important factor in Chinese luxury consumption. Then I will look at Confucianism, which represents a traditional value, and examine its influence on Chinese luxury consumption. I have chosen to focus on two aspects of Confucianism, which I believe have a strong impact on luxury consumer behaviour in China: collectivism and face-saving. They will thus be the main features of Confucianism that I will focus on in the analysis.

Having gained a deeper understanding of materialism and Confucianism in Chinese luxury consumption, the second part of the research question centres on the implications that these two concepts have for marketing luxury goods in China. I will look at which implications the influence of materialism and Confucianism on Chinese luxury consumption have for luxury firms' marketing strategies in the Chinese market and come up with suggestions as to how to integrate these elements in their marketing strategy.

Thus, the first part of the research question is centred on defining and explaining materialism and Confucianism and analyse the ways in which these two concepts play a role in the nature of Chinese luxury consumption. In continuation of this, the last part of the research question is centred on how marketers can integrate materialistic and Confucian values in their Chinese market strategies and suggestions how to market luxury brands successfully in China are presented.

## 1.3 Limitations

This dissertation deals with two aspects influencing Chinese luxury consumer behaviour, materialism and Confucianism and I thereby wish to explore the nature of

Chinese luxury consumption, the Chinese obsession with luxury brands. The primary focus is on Chinese luxury consumption. The dissertation is therefore not a comparative study of Chinese vs. Western luxury consumer behaviour, although I will include a few comparisons as a means to clarify some of the points in the analysis.

Due to the large size of China and its large population, differences in consumption are inevitable. In China's process of modernisation the population is experiencing an increasing gap between the Chinese living in the urban areas and the Chinese living in the rural areas. Even though China is witnessing an increase of movement to the urban areas, the majority of the Chinese are still living in the rural areas and make their living as farmers and the like. The urban Chinese, in contrast, are considered to lead a more modern lifestyle than their rural counterparts. The urban population were the first to experience the economic growth and have become more affluent than the rural population. Therefore, when exploring luxury consumption in China the focus is on the urban population as only this part of the population have the opportunity to engage in the consumption of luxury goods.

When analysing consumer behaviour it is almost impossible to avoid generalisation and a risk of stereotyping is present. When investigating the factors that influence the Chinese luxury consumer behaviour I am aware that I will be generalising which in turn might question the validity of my conclusion. I will, however, argue that the analysis and thus the conclusion will illustrate some general tendencies in the luxury consumer behaviour of the Chinese and I do not wish to conclude that each and every one of the Chinese exhibit the same luxury consumer behaviour. It is important to note that the analysis is on country level rather than on the individual level. Therefore, my intention is to look at aspects of Chinese luxury consumer behaviour on a national level, meaning that I will analyse the Chinese luxury consumers as a group of Chinese and not as individual Chinese people. I strongly assume that I will be able to find some common features of luxury consumers in China and thereby be able to indicate how materialism and Confucianism influence the Chinese in their luxury consumption and why they put so much emphasis on luxury brands.

Lastly, I would like to add that it is not my intention in any way to judge the luxury consumer behaviour of Chinese and their obsession with luxury brands. It is merely my intention to put a focus on the factors influencing Chinese luxury consumption

and try to explain and understand the luxury fever sweeping through China. However, it is not possible to completely exclude one's cultural background and as De Mooij stresses: "*Because our own culture works as an automatic pilot and we are all more or less prisoners of our own culture, it is difficult to exclude our own cultural value pattern from the way we perceive and classify other cultures*" (De Mooij 2005, p. 51). Hence, my interpretation of the luxury consumer behaviour in China is likely to be affected by my own cultural background.

## 1.4 Target Groups

The primary target group of this dissertation is Copenhagen Business School and it has therefore been written in accordance with the institution's requirements for cand.merc.int dissertations. In addition, luxury firms with an interest in expanding their market to China might also find this dissertation useful. Finally, anyone with an interest in consumer behaviour, luxury brands and China may also have an interest in reading this dissertation.

## 1.5 Structure of the Dissertation

This dissertation consists of five parts. The first part contains the introduction, research question, limitations, target groups and structure of the dissertation. In the second part the methodological approach is introduced and the theoretical framework is presented in the third part. The fourth part consists of the analysis, where I will analyse the how materialism and Confucianism can explain the nature of the Chinese luxury consumption as well as I based on these findings will come up with suggestions as to what marketers of luxury brands should take into consideration when entering the Chinese market. Finally, in part five the conclusion and perspectives are presented. An abstract of the dissertation is included in the appendix.

# 2 Methodology

## 2.1 Methodological Approach

In this part I will introduce my methodological approach and explain the research methods I have chosen to employ in this dissertation.

This dissertation is entirely theoretical meaning that I myself have not conducted any quantitative or qualitative research. All the empirical evidence used is from secondary sources. The dissertation is based on relevant theories, which I try to put into a Chinese context. In order to elaborate on the theories and their applicability to Chinese luxury consumption I will make use of different scholars qualitative interviews with Chinese luxury consumers. The consumers' statements are used to elaborate on my findings and enhance the understanding of the Chinese luxury consumers. The case study, which I will refer to in my analysis, is employed as it contains examples of the importance of luxury goods in China and therefore can shed more light on how luxury goods are perceived in Chinese society.

The examination and analysis in this dissertation have a clear *purpose of understanding and explaining*[3] (Andersen 2003, p. 22-27) as this research method explores causes or consequences and it often has a more generalising aim. The first part of my research question sets the scene for an interpretation and understanding of how materialism and Confucianism can explain the nature of Chinese luxury consumption. Thus, I explain how materialism and Confucianism can cause the Chinese to engage in luxury consumption and in what ways luxury consumption is a consequence of materialism and Confucianism. Later the dissertation takes the form of a more *problem solving or normative purpose*[4] (Ibid, p. 27-28), which is closely connected to the *explaining* part of the above-mentioned research method. *Explaining* research methods produce knowledge, which can be considered general regularities. The *problem solving or normative research* takes this one step further as it comes up with suggestions to solve or rectify the diagnosed challenges or problems. As the second part of my research question indicates, I will here make use of the *problem solving* approach as I will look at the implications materialism and Confucianism

[3] Translated from the Danish expression *forstående og forklarende formål.*
[4] Translated from the Danish expression *problemløsende/normative formål.*

have for marketing luxury products in China and I will make suggestions as to how to market luxury products successfully on the Chinese market.

After this introduction of my methodological approach as well as of my research methods I will in the next part present the theoretical framework of my dissertation.

# 3 Theoretical framework

## 3.1 Luxury

Before conceptualising materialism and Confucianism I consider it relevant to define the concept of luxury. The core of this dissertation is luxury consumption and as we will see later, luxury goods are linked to materialism and the practice of conspicuous consumption as well as Confucianism can be linked to the consumption of luxury goods. In this part I will first describe the concept of luxury. This is followed by an examination of different scholars attempts to classify various dimensions that can explain luxury consumers' perception of luxury brands. Finally, the concept of luxury is put into an Asian perspective.

### 3.1.1 The Concept of Luxury

In the literature on luxury, there have been many attempts to define this concept. Luxury can be defined as "*something inessential but conducive to pleasure and comfort*[5]". This definition is in line with that of Berry's (1994) who puts forward that luxury is an expenditure that goes beyond what is necessary and he asserts that it is "*an obvious fact that luxuries are not needed"* (Berry 1994, p. 23). Most scholars agree that defining the term is rather complicated and that the perception of the luxury concept takes on different forms and depends on the context and the people concerned: "*Luxury is particularly slippery to define. A strong element of human involvement, very limited supply and the recognition of value by others are key components*" (Vigneron and Johnson 2004, p. 485). Thus, what is perceived as luxury is a subjective construct.

It is clear that luxury goods not only fulfil functional needs but also psychological needs. In order for any good to be desired as a luxury, it has to be believed that the possession of the good is able to provide pleasure (Berry 1994). In addition, luxuries are by definition always out of reach of mass consumption (Berry 1994) and exclusivity and rarity are therefore features connected to the concept of luxury.

[5] http://www.thefreedictionary.com/luxury

Thus, it can be argued that luxury is an indulgence and something that brings pleasure to one's life and luxury products may therefore be purchased with hedonic intentions. Luxury and exclusivity are often associated and luxury products may, as suggested by Veblen (1994), be conspicuously consumed with the purpose of demonstrating class and social status. In relation to these various ways of using luxury products I will in the following present different dimensions, which show the different value perceptions of luxury consumers.

### 3.1.2 Luxury Consumers' Value Dimensions

When investigating how materialism and Confucianism play a role in Chinese luxury consumption I find it important to look at theories concerning consumers' luxury value perceptions and how consumers assess luxury products. This is important because consumers' perceptions of luxury brands and the value they attach to these products can be influenced by values such as materialism and Confucianism. This part therefore consists of an examination of different perceptions of luxury products put forward by Vigneron and Johnson (2004) and Wiedman et al. (2007).

Vigneron and Johnson (2004) present five key luxury dimensions, which they argue underlie the decision-making process that occurs when assessing luxury brands. The first dimension is *perceived conspicuousness* and this dimension of a luxury brand is of importance to individuals who are influenced by reference groups and buy luxury products in order to demonstrate class and social status. This dimension is consistent with the work of Veblen (1994), which I will discuss later. The second dimension is *perceived uniqueness,* which is based on the assumptions that exclusivity, scarcity and limited supply of products enhance consumers' preferences for a brand. Uniqueness of a brand appeals to luxury consumers who seek to improve their self-image and social image by adhering to their personal taste. *Perceived extended self* is the third dimension and is important to consumers who use luxury brands to classify or distinguish themselves in relation to relevant others. As explained earlier, materialistic consumers may use brands to evaluate personal or other's success and the extended self thus play a big role in their luxury consumption. Consumers who rely on their own personal opinion when consuming luxury products may represent the hedonic type of customer belonging in the dimension of *perceived hedonism.*

Luxury consumers are considered hedonic when they are looking for personal rewards and fulfilment acquired through the purchase and consumption of products evaluated for their subjective emotional benefits. The last dimension is *perceived quality* and influences perfectionist consumers who may perceive more value from a luxury brand as they consider it to have greater brand quality and reassurance. These consumers are likely to regard luxury brands as having superior characteristics compared with non-luxury brands.

Inspired by Vigneron and Johnson's five luxury dimensions, Wiedman et al. (2007) developed a luxury value model consisting of five key dimensions of luxury value perception to identify different consumers' value perceptions in relation to luxury consumption. The first dimension is the *financial dimension*. This refers to the monetary aspects and addresses the value of the product expressed in the price. The second factor is the *functional dimension* and focuses on the core benefits and basic utilities that drive the consumer based luxury value such as quality, uniqueness, and reliability of the product. This factor contains elements from the *perceived uniqueness* and the *perceived quality* dimensions described above. The *individual dimension* refers to a customer's personal orientation on luxury consumption and addresses personal matters such as materialism, hedonistic and self-identity value. The *perceived hedonism* can be associated with this dimension. Lastly, the *social dimension* of luxury is directed on the perceived utility individuals acquire by consuming products within their own social group such as conspicuousness and prestige value, which might have a strong impact on the evaluation and inclination to consume luxury brands. The *perceived conspicuousness* and also *the perceived extended self* of a luxury brand fits into the last dimension.

As indicated, the way consumers perceive a luxury brand and the value perceptions of consumers in relation to luxury consumption are strongly connected. However, according to Vigneron and Johnson (2004) most consumers would trade off less important dimensions for more important ones. As I will demonstrate in the analysis not all of these luxury dimensions are relevant or of importance to the Chinese luxury consumers. In the analysis I will refer to these dimensions as the way the Chinese perceive luxury products can help me indicate how materialism and Confucianism

influence the Chinese luxury consumption. In the following I will put the concept of luxury into an Asian context as it differs from the Western notion of the concept.

### 3.1.3 Luxury in an Asian Context

When investigating how materialism and Confucianism influence the nature of Chinese luxury consumption, it is relevant to explain what luxury implies for the Chinese, as this is quite different from the Western perception of the concept. In the above conceptualisation of luxury the concept was defined from a Western perspective. Luxury has different connotations in China than in the West, both in terms of the translation and in terms of the negative connotations of extravagance in Chinese history. Lu (2008b) stresses that most literature on luxury is from a Western point of view and he therefore puts the luxury construct into an Asian context.

Luxury derives from the Latin word luxus, which means indulgence of the senses, regardless of cost. An undoubted element of extravagance is involved, but in the Western world the word is more or less neutral and free of criticism, actual or implied. In China, on the other hand, the word luxury consists of two characters, which put together form a word indicating extravagant and wasteful use of wealth (Lu 2008b). Hence, in Chinese the word luxury has a negative connotation. The reason for this is, according to Lu (2008b), that throughout China's history, the social morals of Confucianism, Taoism, and Buddhism have taught that life should have no recklessness, no arrogance, and no showing off. Both emperors in the ancient China and the current Chinese government have encouraged the virtue of frugality, making luxury consumption with its negative connotations conflicting for the Chinese to engage in. Moreover, in 2005 the Chinese government introduced the "socialist concept of honour and disgrace", which promoted "modern socialist values". What is interesting in a luxury context is that it is advocated to "*know plain living and hard struggle; don't indulge in luxuries and pleasures"* (Lu 2008, p. 28). Hence, luxury consumption is still seen as something negative from the government's point of view. However, with China being the second largest luxury market in the world, it seems like the Chinese consumers to a high extent do not live according to the "modern socialist values" proposed by the government. I will investigate the Chinese luxury consumption further in the analysis. In the following I will continue my description of

the theoretical framework employed in this dissertation.

## 3.2 Materialism

This dissertation is based on the assumption that materialism and Confucianism are two factors, which strongly influence the consumer behaviour of the Chinese. In this section I will introduce the first concept, materialism, and present various concepts connected to materialism. Materialism has increasingly gained research attention and many issues concerning materialism have been considered in the literature, among these are causes and consequences of materialism, cross-cultural differences in materialism and materialism and its connection to happiness and well-being (see for example Wong & Ahuvia 1998, Ger & Belk 1996 and Burroughs & Rindfleisch 2002). I will in the following firstly discuss the different conceptualisations of materialism, then I will examine materialism and its antecedents which is followed by a description of the relation between materialism, possessions and the self. Finally, a thorough description and discussion of the practice of conspicuous consumption is included as this practice is of great relevance when exploring materialism in Chinese luxury consumer behaviour.

### 3.2.1 Conceptualisations of Materialism

Materialism can be described as an "*attention to or emphasis on material objects, needs, and considerations, with a disinterest in or rejection of intellectual and spiritual values"*[6]. Belk (1985, p. 265) describes materialism as "*the importance a consumer attaches to worldly possessions. At the highest levels of materialism, such possessions assume a central place in a person's life and are believed to provide the greatest source of satisfaction and dissatisfaction*", while Rassuli and Hollander refer to materialism as "*a mind-set…an interest in getting and spending*" (Richins and Dawson 1992, p. 304). Based on these definitions it can be said that materialism regards placing a relatively high level of importance on material possessions.

[6] http://www.thefreedictionary.com/materialism

In his research on materialism, Belk (1985) argues that materialism can be seen as a personality trait and he outlines three traits to define and measure materialism: possessiveness, non-generosity, and envy. These traits measure respectively the degree to which a person retains control or ownership of one's possessions, is unwilling to give possessions to or share possessions with others and feels demeaned when others have more than he or she. Due to the fact that Belk views materialism as a system of personality traits, Ahuvia and Wong (2002) refer to his construct as *personality materialism.* This approach to defining materialism is according to Dittmar (2008) lacking some important elements. Among these are the use of material objects for status display, judgement of one's own and other people's success by wealth and possessions, and beliefs about the psychological benefits that material goods will bring (Dittmar 2008, p. 75). The following approach, however, takes these elements into account.

Richins and Dawson (1992) view materialism as a consumer value and stress the importance of acquiring and possessing things. They see materialism as consisting of three components: acquisition centrality, acquisition as the pursuit of happiness, and possessions-defined success. Acquisition centrality is the importance materialists place on possessions and their acquisition. Acquisition as the pursuit of happiness is the belief that possessions and their acquisition are essential to satisfaction and well-being in life. In the last component, possession-defined success, materialists are defined as people who tend to judge their own and other's success on things people own. As Richins and Dawson see materialism as a consumer value rather than personality, Ahuvia and Wong (2002) define this construct *personal values materialism.* This approach takes into account the influence of consumer culture and the shared meanings of materialism. According to Dittmar (2008, p. 76), however, it does not distinguish between a person whose strong materialistic values reflect their only life goal, and a person who has similarly strong materialistic values but has satisfying personal relationships and involvement in the community as equally influential life goals.

Dittmar (2008) puts forward that the self-determination theory developed by Kasser and Ryan captures an essential element of materialism. Their theory measures the importance a person places on intrinsic life goals (e.g. self-acceptance, affiliation, and

community involvement) as well as extrinsic goals (e.g. financial success, fame, and image) (Dittmar 2008, p. 76). The more a person emphasises the importance of financial (extrinsic) goals as high compared to other intrinsic goals, the more materialistic he or she is. Dittmar (2008) does criticise this theory as it mainly focuses on the desire for financial success and thus ignores dimensions of materialism identified in the values approach. Kasser's later publications, however, take both the relative financial goal perspective as well as materialistic beliefs about status and identity through material goods, as earlier described, into account in defining materialistic value orientation (Dittmar 2008, p. 77).

### 3.2.2 Materialism and its Antecedents

Different scholars have discussed various reasons for and antecedents of materialism. Among these are Chang and Arkin (2002) who found that when people experience societal normlessness they might turn to materialism as a way for them to see the purpose and meaning of life. Their study also revealed a connection between materialism and conformity to normative social influence, meaning that people's conformity to dominant social norms can lead them to take up materialistic pursuits in order to "keep up with the Joneses" (Chang & Arkin 2002).

The need for control is another antecedent of materialism that Chang and Arkin (2002) point out. This is consistent with another study, which showed that Romanians see materialism as an empowering and self-enhancing expression of control and freedom (Ger & Belk 1996). Others have suggested that the influence of both socialisation processes and unfulfilled needs are causes of materialism. One of the reasons of this can be that in cultures where a strong need to belong is prevalent, people might turn to materialism in order to gain social acceptance (Rose & DeJesus 2007).

Similar to Chang and Arkin's (2002) findings, it has been argued that people in different countries are similar on one point regarding materialism, which is that materialism is a weakness of insecure people who are unsure about their self-worth (Ger & Belk 1996). The research conducted by Ger and Belk (1996) shows that countries in a process of cultural change and with unsettled social conditions are very

likely to have high levels of materialism. This is in line with Inglehart's (1997) extensive cross-cultural research, which has shown that due to a stronger sense of relative deprivation, people in less affluent countries are likely to be more materialistic than people in affluent countries. Rose and DeJesus (2007) support this as they stress that many people turn to the pursuit of wealth and luxury when they are deprived of experiences that promote a sense of security and psychological fulfilment.

It is clear that conformity to social norms, need for social acceptance, unfulfilled needs, need for control, lack of psychological fulfilment, lack of self-worth and cultural change are factors that have a great influence on people's degree of materialism. In continuation of this it is interesting to examine the link between materialism and the self as well as to find out how materialism is connected to the importance placed on possessions. I will examine this in the following.

### 3.2.3 Materialism, Possessions and the Self

Belk (1988) suggests that the relationship between one's self and one's possessions is the most fundamental and influential fact of consumer behaviour. According to Belk, possessions are a major contributor to and a reflection of our identities. He stresses that *"possessions become the means by which we strive to assert, complete, or attain our "ideal" self* (Wong 1997, p.??). Possessions can be seen as representation of the self (Richins 1994, Belk 1988) and Tuan argues that "*our fragile self needs support, and this we get by having and possessing things because, to a large degree, we are what we have and possess*" (Belk 1988, p. 139). This is consistent with Dittmar's (1992) view on material possessions as she argues that people express who they are through material symbols. McCracken (1990) points out that in a world without consumer goods it would be impossible to come up with a definition of certain parts of the self. Based on this it can be said that material symbols play an important role in people's self-definition and the notion of "to have is to be" is affirmed by both Dittmar (1992) and Belk (1988).

It is clear that we do not only consume products to satisfy our needs. People also consume products in order to carry out their self-creation project. People make use of material symbols to construct and express their self-concepts and both personal and

social aspects of identity are confirmed and expressed through material symbols (Wattanasuwan 2005, Dittmar 1992). As Richins (1994) puts it "*possessions are part of the social communication system and are sometimes actively used to communicate aspects of the self*" (p. 523).

It can therefore be said that possessions have both a private and public meaning. They have a private meaning as it can be argued that we are the sum of our possessions (Belk 1988) and possessions are used "*as markers to remind ourselves who we are*" (Webster & Beatty 1997, p. 204). Possessions characterise a person's values and beliefs; however, material symbols are also used to achieve sought-after connection with others (Richins and Dawson 1992, Dittmar 1992). It is obvious that possessions not only express our individual sense of identity but also our sense of belonging to a group and group identity. Thus, possessions also have a public meaning and they are used to express our sense of self to others (Wattanasuwan 2005, Webster & Beatty 1997). Possessions serve as the connection between the self and others and help express who we think we are as well as we through these possessions make assumptions about the identity of others (Dittmar 1992, Webster & Beatty 1997). Hence, material possessions serve the basic function of either reflecting the owner's self-identity or communicating the owner's connection to others.

The Eastern and Western conceptualisations of the self plays an important role in determining the way materialism differs between cultures. The self can be seen as consisting of two aspects: the independent or private self and the interdependent or collective self. The independent self is mostly associated with Western cultures and is based on the belief that distinct individuals are inherently separate. This means that the behaviour of the individuals who emphasise the independent self is directed by their preferences, personal values and convictions, and other internal characteristics. The interdependent self, on the other hand, is mostly associated with Eastern cultures and is based on the fundamental connectedness to each other. The behaviour of individuals with a dominant interdependent self is, as opposed to the independent self, not guided by self-knowledge but rather by the self in relation to specific others in particular contexts (Wong & Ahuvia 1998, Webster & Beatty 1997). Wong (1997) argues that people who are more concerned about how they may appear to others, and thus are dominated by the public self, are likely to be more concerned with the public

meaning of their possessions. In contrast, people whose private self is more salient most likely value the hedonic pleasures, the "being" aspects of their possessions. Therefore, depending on which aspect of the self a person is influenced by, consumption and material possessions will convey different meanings and the degree of materialism will vary.

In sum, materialism can be conceptualised and measured using three different approaches: materialism as a manifestation of three personality traits, materialism as a consumer value, and materialism as the importance attached to financial goals. Furthermore, it is evident that materialism, possessions and the self are closely linked. Material possessions reflect our identities and are used as symbols to match our self-concepts. Possessions represent both who we think we are as well as they serve as an indicator of the identity of others. The relationship between one's self and one's possessions are decisive for our consumer behaviour, and whereas individuals dominated by the independent self are guided by his or her own preferences and personal values, individuals influenced by the interdependent - or collective - self are focused on how they are viewed by others and are thus guided by the norm of the group.

I will now look at the practice of conspicuous consumption, which is a kind of consumer behaviour closely linked to materialism and very relevant to address in a luxury consumption context.

### 3.2.4 Conspicuous Consumption

A behaviour strongly associated with materialism is conspicuous consumption. Conspicuous consumption is a central part of materialism and is a practice mostly connected to luxury consumption. Therefore, conspicuous consumption deserves a thorough examination in this dissertation. First, I describe the theory of conspicuous consumption and I then look at the different conceptualisations of conspicuous consumption and status consumption. This is followed by an examination of the critique of the theory of conspicuous consumption and finally I look at the connection between conspicuous consumption and materialism.

### 3.2.4.1 The Theory of Conspicuous Consumption

As indicted earlier, in many circumstances we do not only consume goods because of the intrinsic utility derived from consuming goods. Rather, the underlying principle of buying goods may be found in what the purchase of goods symbolises to others. An example of this behaviour is when people buy a product in order to show off their wealth and thereby achieve greater social status. This quest for social status is often achieved through the practice of conspicuous consumption (Corneo & Jeanne 1997).

Thorstein Veblen (1994(1899)) was one of the first to address the issues of conspicuous consumption. Veblen's theory of conspicuous consumption is based on observing the leisure class in America at the end of the nineteenth century. He argues that the upper classes invented fashion in order to distinguish themselves from those below. When the behaviour of the upper classes was imitated by their social inferiors, the upper classes were forced to reconstitute themselves to maintain the prestige of exclusiveness. Hence, Veblen refers to conspicuous consumption as expenditures not made for comfort or use but for purely honorific purposes to inflate the ego. His framework is based on the view that consumer behaviour has profound socio-cultural significance as goods take on the function as signs and symbols. He points out that people spend money on artefacts of consumption in order to give an indication of their wealth to other members of society. Thus, the conspicuous display of wealth is a necessary activity for those seeking higher personal status and prestige through esteem and envy from the fellow men in the community.

Phau and Prendergast (2000) identified two motives of conspicuous consumption in Veblen's theory, which they argue can explain the desire for luxury products. The first motivation is *pecuniary emulation*, where consumers strive to project the image that they belong to the classes above and within themselves. The second motive is *invidious comparison*, which refers to consumers striving to distinguish themselves from people in the classes below them. Phau and Prendergast also cite Rae who argues that the behaviour of conspicuous consuming is influenced by self-indulgence irrespective of social and economic pressures. Rae considers vanity and self-expression to be the main motivations for conspicuous consumption. Whereas the pecuniary emulation and invidious comparison are representative of the collectivistic

culture, vanity and self-expressions are more evident in individualistic cultures (Phau & Prendergast 2000).

Packard has taken Veblen's idea of conspicuous consumption and developed it further. He puts forward that this idea can be applied to modern society as people today consume products to display a superior level of status both to themselves and to their friends (Eastman et al 1997). Mason (1981) has also employed Veblen's theory in his study and similar to Veblen he defines conspicuous consumption as "*concerned primarily with the ostentatious display of wealth"* (p. vii). While Veblen was mainly referring to the ability of the rich to lead a life in leisure, he did observe that "*no class of society, not even the most abjectly poor, forgoes all customary conspicuous consumption*" (Veblen 2000, p. 39). In relation to this, Mason (1981) argues that in developing countries there has been a shift from seeing status as something ascribed (i.e. awarded on factors over which the individual has no control – birth, ritual rank, family connections) to seeing status as something achieved (i.e. awarded on the basis of an individuals own efforts and merits). This means that in theory everybody has the opportunity to obtain status, which makes status something that more people can strive for by engaging in the practice of conspicuous consumption. Belk (1988) asserts that "*even Third World consumers are often attracted to and indulge in aspects of conspicuous consumption before they have secured adequate food, clothing, and shelter*" (p. 104-105). As I will explain later, the findings of Inglehart (1997) support this.

It is evident that luxury and conspicuous consumption are closely linked. Veblen perceived luxury consumption as a means to achieve status and he thus looked beyond the motivations of intrinsic or economic utility of products. Veblen's theory has generated the so-called *Veblen effects*, which are said to exist when consumers exhibit a willingness to pay a higher price for a functionally equivalent good. Thus, *Veblen effects* arise from the desire to achieve social status by signalling wealth through conspicuous consumption (Bagwell & Bernheim 1996). From this it can be deducted that luxury goods are consumed not only because of the quality of the goods but also because of their expense. Two other types of effects are present in the conspicuous consumption of luxury goods. The first effect is called the *bandwagon effect*, which describes a situation where the demand of a product increases because others are

buying the same good. In contrast to this effect is the *snob effect* where the market demand decreases because others are purchasing the product (Corneo & Jeanne 1997). As a community's cultural values influence individual and group consumer behaviour (Mason 1981), it seems reasonable to argue that it is quite likely that people with dominant collectivistic values are influenced by the *bandwagon effect* in their luxury consumption whereas people with individualistic values are influenced by the *snob effect*.

As demonstrated, the strive for status is closely linked to conspicuous consumption. It has been argued, however, that conspicuous consumption and status consumption are somewhat different practices. I will briefly explore this in the following.

#### 3.2.4.2 Conspicuous Consumption and Status Consumption

Another practice, very similar to conspicuous consumption, where consumers use products for social status purposes is status consumption. Eastman et al. (1999) define status as a form of power that consists of respect, considerations, and envy from others. They argue that the essence of status consumption is that consumers buy products seen as conferring status on their owners by those significant others surrounding them. Eastman et al (1999, p. 42) therefore define status consumption as "*the motivational process by which individuals strive to improve their social standing through the conspicuous consumption of consumer products that confer and symbolise status both for the individual and surrounding significant others*".

As indicated earlier, many scholars suggest that status considerations are the dominant motive behind conspicuous consumption and most of them treat status consumption and conspicuous consumption as identical constructs. However, a few scholars reject this and distinguish clearly between status consumption and conspicuous consumption. O'Cass and McEwen (2004) point out that it is incorrect to treat the two constructs of status consumption and conspicuous consumption as significantly overlapping. They view status consumption as *"the behavioural tendency to value status and acquire and consume products that provide status to the individual"* whereas they define conspicuous consumption as "*the tendency for individuals to enhance their image, through overt consumption of possessions, which*

*communicates status to others"* (p. 34). These to me very similar definitions indicate that reference groups or significant others are important influences in both status consumption and conspicuous consumption. The difference, however, should be found in the way that status consumers and conspicuous consumers make use of products. O'Cass and McEwen (2004) explain that self-monitoring influences the desire for status consumption in that the self-monitor might use products to fit into different situations, which requires the user to display prestige, success and status. Conspicuous consumers, on the other hand, use products to ostentatiously portray the products chosen, inflate their own ego or improve their social standing. While status consumption and conspicuous consumption might not be completely identical constructs it is still clear that the quest for status is an important component of both the practice of conspicuous consumption and status consumption.

#### 3.2.4.3 Critique of Veblen's Conspicuous Consumption Theory

Colin Campbell (2000) criticises Veblen's theory of conspicuous consumption in different ways. Campbell challenges Veblen's view that the consumption of goods serves to indicate a person's level of wealth and that this is a primary index of social status. As Veblen refers to individuals as wanting to outdo each other, Veblen is, according to Campbell, assuming the prevalence of an aggressive rather than a defensive form of conspicuous consumption. Campbell, however, argues that people do not necessarily try to compete with each other out of envy or pride; rather he believes that an improved standard of living may simply be regarded as attractive in its own right. Moreover, by arguing that conspicuous consumption is an issue of acting upon other-directed patterns of motivation, Veblen ignores the fact that a product might not be acquired due to the status it conveys but that products also can be acquired based on meanings applied to taste and style.

Veblen points out that the existence of a competition between individuals or groups for higher status will result in a behaviour, which imitates those who already hold the higher status. This is questioned by Campbell who stresses that individuals might try to succeed over others through innovation rather than imitation. More importantly, Campbell argues that social groups or social classes might have conflicting views as to how the criteria of defining status should be. Hence, this denies Veblen's

assumption that there is consensus of values in modern society as well as it denies his assumption of a single agreed status system.

Taking this critique a step further, Veblen's approach has been argued to be irrelevant and out of date in relation to the new cultural form of contemporary consumer society (Trigg 2001). It can be argued that under postmodernism there is a " *disaggregation of social structure into lifestyle (...) with individuals now free to project their own meanings into commodities, with personal image more important than display and competition* (Trigg 2001, p. 104). In addition, Campbell (2000) emphasises that Veblen does not allow for the distinguishing of traditional from modern consumer behaviour and he therefore does not account for that insatiability and desire for innovation, which, according to Campbell, characterises modern consumer behaviour.

The critique raised on Veblen's theory of conspicuous consumption is centred on its applicability to modern consumer behaviour. In the critique it is indicated that the important features in conspicuous consumption, the display of wealth and thereby status, are hallmarks of traditional consumer behaviour and that Veblen's theory therefore is outdated in modern societies. Despite the different viewpoints on the validity of Veblen's theory of conspicuous consumption, I believe that as a theory closely connected to materialism it can explain part of the motivation of Chinese luxury consumer behaviour and I therefore find conspicuous consumption relevant to refer to in the analysis. I will in the following explicate this close relation between materialism and conspicuous consumption.

#### 3.2.4.4 The Relation Between Materialism and Conspicuous Consumption

Materialism and conspicuous consumption are related terms and conspicuous consumption is therefore very relevant to include in this dissertation when analysing how materialism has an impact on Chinese luxury consumption. As demonstrated earlier, Belk's (1985) conceptualisation of materialism as a personality trait includes envy as one the three dimensions. Envy can be related to conspicuous consumption because of a person's envy for other's possessions, which are better than his or hers. In addition, Richins and Dawson (1991) conceptualise materialism as a personal value and they argue that one of the three components of materialism is success. Success

can be linked to conspicuous consumption because of a person's desire to show off his or her success through material possessions (Wong 1997).

Moreover, the self plays an important part in materialism as people view material possessions differently according to the self. As conspicuous consumption is a practice concerned with ostentatiously displaying one's wealth through the consumption of symbols and possessions, which communicate status to others, the notion of one's self also have implications for conspicuous consumption. It can be argued that people whose appearance to others is of great concern are likely to engage highly in conspicuous consumption, as they are very concerned with the public meaning of their possessions. Thus, both envy and success have an impact on the degree of materialism as well as these features play a role in the degree to which people engage in conspicuous consumption. In her study, Wong (1997) found that materialism is far more influenced by our desires for image management and keeping up appearances than what it really means to us personally. In addition, she found that materialists in general tend to link conspicuous consumption to the desire for display of success and to arouse the envy of others. Hence, materialism and conspicuous consumption are linked to people who are very concerned with the public self as the public self is based on the evaluations of significant others. This means that people focused on the public self place much more emphasis on material possessions and the display of these possessions. It is important to note that even though conspicuous consumption is mostly associated with materialism, the analysis will reveal that Confucianism also can be linked to the need to engage in conspicuous consumption.

After having explained the concept of materialism and the practice of conspicuous consumption related to it, I will now proceed by looking at the philosophy of Confucianism, another factor influencing the nature of Chinese luxury consumption.

## 3.3 Confucianism

In an analysis of Chinese luxury consumer behaviour a focus on Confucianism is necessary as its traditions have an enormous impact on the Chinese people and thus also can be assumed to influence the Chinese luxury consumer behaviour. First, I will describe the philosophy of Confucianism. This is followed by a description of an

important aspect of Confucianism, the dimension of collectivism. Lastly, I describe the concept of face, as this is another important feature of Confucianism and closely related to collectivism.

### 3.3.1 Definition of Confucianism

Chinese culture has its roots in the philosophy of Confucianism. In fact, Confucianism is often used as synonymous with traditional Chinese culture and has always exerted a profound influence on ordinary people. Consequently, any path to understanding Chinese people's behaviour must pass through a description of Confucian values (Stockman 2000, Yu 1996).

Confucianism is a philosophy of great conservatism where emphasis is placed on maintaining the status quo and harmony. Social hierarchy is an important element in reinforcing this stability and Confucius promoted that everybody has a specific status in society and that one's conduct should always be guided by one's status (Li 1998). Confucius stressed the necessity of a structure of hierarchical relationships between categories of people, who are expected to follow their sense of duty and behave towards each other in ways appropriate to their relationship. The central social relationships are those between father and son, ruler and subject, husband and wife, older and younger brother, and between friends. If everyone held to the expectations associated with their status, social stability and harmony would be maintained (Stockman 2000).

One of the consequences of the Confucian system of belief in Chinese societies is that the highest value is to live properly. In particular, this concerns being polite and obeying the rules. This sets the basis for the great respect for authorities in the Chinese culture. Moreover, the emphasis on preserving the harmony of the group shapes the basis of the many collectivistic features of Chinese society (Schütte 1998).

Confucianism also promotes the Chinese people's group conformity. As importance is placed upon behaving according to the prescription in society, Chinese individuals are experiencing strong social pressures to comply with the group. Failure to conform to the group's norms of appearance or behaviour will generate a frightening feeling of shame and the Chinese will thus be very aware not to make that mistake. This

pressure to conform is also evident in the consumer behaviour of the Chinese (Schütte 1998).

As already indicated, Confucianism has shaped the basis for the collectivism evident in Chinese societies. In addition, the concept of face also stems from Confucianism as it represents the dignity based on the correct relationship between an individual and the groups to which the individual belong. As I will explain in the following, both collectivism and the concept of face, which are important elements of Confucianism, have a profound influence on the Chinese people.

### 3.3.2 Collectivism

When investigating how Confucianism can explain the Chinese luxury consumer behaviour, I find the concept of collectivism important to focus on. The dimension of individualism/collectivism has been identified as one of the major aspects of culture (Hofstede 2001, Sun et al. 2004) and it is deeply rooted in the borders of our self (Usunier 2005). Therefore, I strongly believe that collectivism, often identified as an important cultural value in China, plays an important role in the Chinese luxury consumption. In this part I will describe collectivism and in order to do so I will put it in relation to individualism.

The dimension of individualism and collectivism refers to the relationship one perceives between one's self and the group one belongs to and can be seen as a model of interaction between people (Sun et. al 2004, Usunier 2005). It describes the relationship between the individual and the collective that prevails in a given society (Hofstede 2001). Usunier (2005) argues that individualism is based on the principle of asserting one's independence and individuality. Individualism can therefore be defined as the moral stance or social outlook *"that stress independence and self-reliance. Individualists promote the exercise of one's goals and desires"*[7]. This definition is consistent with Hofstede's who argue that: "*Individualism pertains to societies in which the ties between the individuals are loose; everyone is expected to look after himself or herself and his or her immediate family"* (Kim et. al 1994, p. 2). Individualism entails a focus on individual initiative, effort and achievement (Usunier

[7]http://en.wikipedia.org/wiki/Individualism

2005) and the individual self is the basic unit in individualistic cultures (Sun et. al 2004). When compared to people in collectivistic societies, people in individualistic cultures have a tendency to be more self-centred, self-enhanced and less willing to sacrifice for their in-groups, less loyal and less emotionally attached to in-groups (Sun et. al 2004).

In contrast to individualism we find collectivism. Collectivism can be defined as: "*A term used to describe any moral, political, or social outlook that stresses human interdependence and the importance of a collective, rather than the importance of separate individuals. Collectivists focus on community and society and seek to give priority to group goals over individual goals"*[8]. Hofstede as a similar view on collectivism: "*Collectivism […] pertains to societies in which people from birth onwards are integrated into strong, cohesive in-groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty"* (Kim et. al 1994, p. 21). According to the collectivistic idea it is at group level and not the individual level that initiative, effort and achievement are advanced (Usunier 2005). Consistent to Hofstede and Usunier, Wong and Ahuvia (1998) refer to collectivistic cultures as interdependent cultures and they emphasise that people in these cultures evaluate freedom in terms of its cost and benefits to the group. Hence, a top priority for people in collectivistic cultures is to keep a good and harmonious relationship inside their in-group.

In the above it is indicated that individualistic cultures and collectivistic cultures are opposite constructs and it seems like an individual can be classified as either collectivistic or individualistic in nature. Many scholars, however, do acknowledge the fact that all societies have both individuals and groups (e.g. Usunier 2005). Yet, they all treat individualism and collectivism as two opposite dimensions and they divide cultures according to the individualist/collectivist dimension. In the analysis I will look more closely at this and discuss the problems with making such a clear distinction of individualism and collectivism across cultures.

[8] http://en.wikipedia.org/wiki/Collectivism

### 3.3.3 The Concept of Face

Confucianism and face are closely connected as they both relate to prestige and dignity. A vast amount of literature has addressed the concept of face and described it as an important phenomenon within Chinese society. While the concept of face is a universal human nature and a concept that exists in all cultures, face can be considered particularly important in the Chinese culture (Fang 1999). Face revolves around the notion of gaining and maintaining the respect of others (Lu 2008b) and can be described as "*an individual's public or social image gained by performing on or more specific social roles that are well recognised by others*" (Luo 2000, p. 14).

The Chinese distinguish between two types of face: *lian* and *mianzi*. *Lian* refers to the moral integrity of an individual's character. By being member of society every individual is entitled to *lian*. An individual's *lian* can be preserved by faithful compliance with rituals or social norms and loss of *lian* makes it practically impossible for a person to function properly in the community. The other type of face, *mianzi*, involves material prestige or reputation based on personal effort. This is achieved through getting on in life, through success and ostentation. *Mianzi* can be lost or gained when the quantity of these characteristics decreases or increases. The standards and requirements are determined by the social expectations of the group and individuals are therefore very dependent on the evaluation of others for developing one's *mianzi* (Gabrenya & Hwang 1996, Schütte 1998).

Both *mianzi* and *lian* are social constructs rather than personal constructs. Face is thus all about how one is viewed by others. The recognition, acceptance and enhancement of one's self-worth depend to a high degree on whether or not one has face (Gao & Ting-Toomey 1998). The Chinese individuals are very careful of the importance of maintaining a high degree of moral control, at least publicly. They are very aware of not losing face for their family and social network but rather make every effort to gain face for the family and their group through wealth, status and prestige (Schütte 1998). In China, face not only stands for prestige for oneself but also for one's family, relative and friends. Thus, face is fundamentally a 'social self' construct in China (Li & Su 2007, p. 240). According to a Chinese saying *every person has a face, for the same reason that every tree has a bark*; the saying compares losing one's face to a tree being stripped of its bark – an imperil situation (Fang 1999, p. 143). Therefore,

the Chinese are conscious not to let others lose face as well as they expect the same regard in return (Schütte 1998). Hence, face is an intangible form of social currency and it influences how Chinese people perceive themselves, relate to others and communicate with others (Luo 2000, Gao & Ting-Toomey 1998).

## 3.4 Inglehart's Modernisation Theory

A part of the theoretical foundation of this dissertation is based on the theory that a country's socio-economic development influences its cultural values and thus has an impact on the nature of luxury consumption. I therefore believe that the socio-economic development of China may help explain the degree of materialism in the Chinese consumers' luxury consumer behaviour, and explain why the Chinese are so obsessed with luxury brands. I will in this part go through Inglehart's modernisation theory and describe in what ways a country's socioeconomic development can explain the degree of materialism present in a given country.

In his book "*Modernization and Postmodernization: Cultural, Economic, and Political Change in 43 Societies*" Inglehart presents his so-called *World Values Survey*[9], which is a comprehensive study that he and his team conducted of socioeconomic, political and cultural changes in 43 countries. On the basis of this survey, Inglehart has developed a modernisation theory, which demonstrates that a country's cultural change is linked to its socioeconomic development. What is of particular interest in this dissertation is that Inglehart provides an explanation of why some individuals and societies are more materialistic than others and he links materialism and postmaterialism to certain stages in a country's socioeconomic development.

I therefore find it highly relevant to employ Inglehart's modernisation theory in this dissertation as it can illustrate the stage of China's socioeconomic development and how it is changing the country's cultural values and hopefully enable me to find out how materialism influence the Chinese luxury consumption. In the following I will discuss Inglehart's theory in details. Firstly, I will look at the modernisation theory

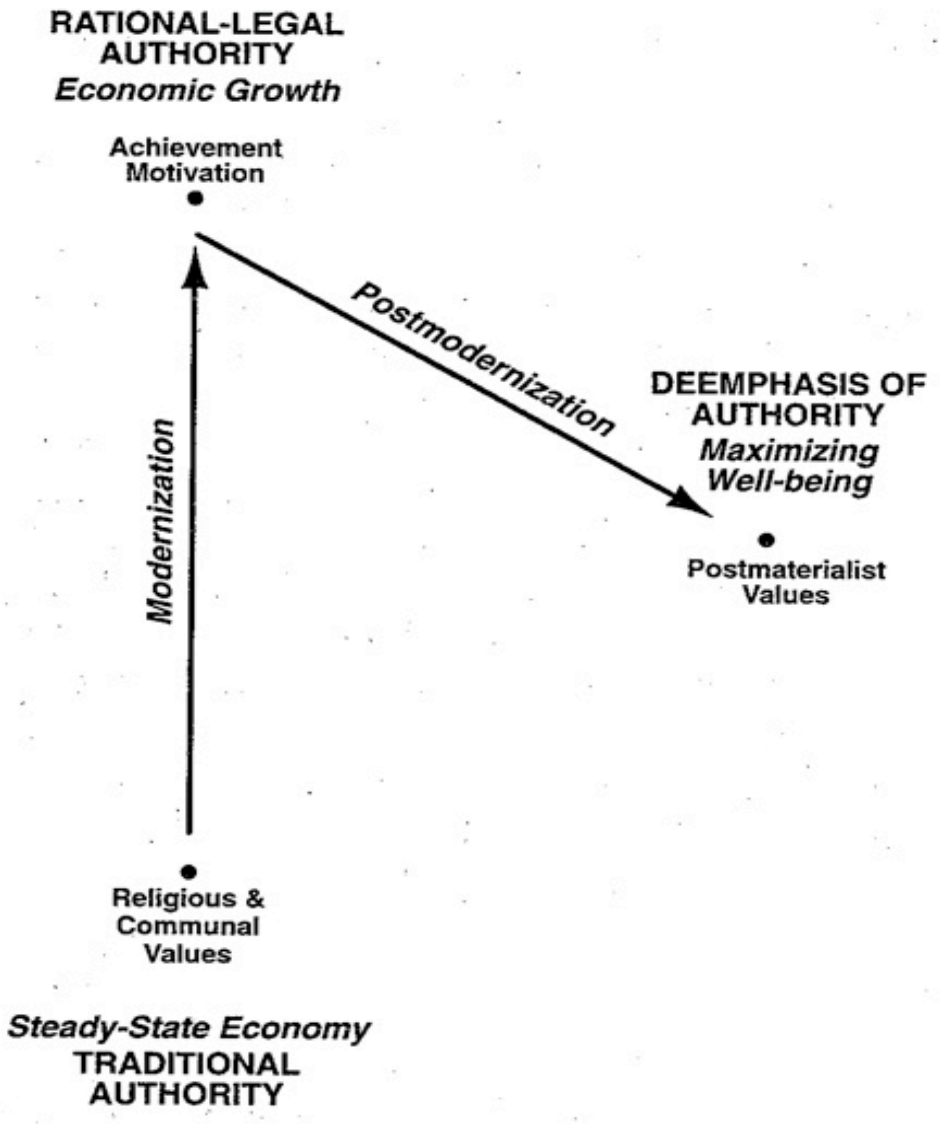
[9] See also www.worldvaluessurvey.com

explaining the different values connected to different stages of economic development. I will then proceed by examining the link between materialism and postmaterialism and a country's economic development. Lastly, I will present the limitations of Inglehart's research.

### 3.4.1 Modernisation and Postmodernisation

Inglehart asserts that the economic development of a country determines its cultural values and that socioeconomic change follows coherent and relatively predictable patterns. According to the degree of economic development, he categorises the countries surveyed into three different types: traditional, modern and postmodern. In addition to this, he argues that these three types of societies are characterised by different sets of cultural values, including materialistic and postmaterialistic values.

In the following figure Inglehart illustrates the change of key aspects of life in line with economic development:




(Source: Inglehart 1997, p. 75)

Traditional societies are typically agrarian or early industrial societies characterised by emphasising what Inglehart calls *survival values* (p. 76). This implies that the core societal project is survival as uncertainty concerning continued existence prevails. The church and the family are the foundation of these societies providing individuals with a sense of security in an insecure environment. Traditional societies emphasise individual conformity to societal norms. The traditional cultural values prescribe loyalty to the group and family as helping each other is essential in order to survive. Social status is ascribed and individuals accept their place in the hierarchy and the society as a whole.

As indicated in the figure, when countries influenced by traditional values experience economic development they will, according to Inglehart, go through a process of modernisation. The authority shifts away from religion to the state and economic growth becomes a central societal goal. The means to attain economic growth is through industrialisation. Traditional norms are weakened and beliefs and values slowly change to focusing on high rates of economic growth. This makes individuals strive for wealth as this increases their chances of survival. Social status is no longer ascribed but changes to achievement-based roles.

A shift from modernisation to postmodernisation occurs when scarcity diminishes and conditions of prosperity and security exist. When survival is taken for granted other demands occurs. Economic growth becomes less central and an emphasis on the quality of life will arise. Inglehart calls this *subjective well-being* (p. 76). The core project of postmodern society is to maximise individual well-being and the pursuit of quality of life concerns. Thus, authority shifts from both religion and state to the individual. The importance of maximising economic gains weakens and self-expression and meaningful work becomes even more crucial.

### 3.4.2 Materialism and Postmaterialism

The materialist and postmaterialist value orientations are one component of Inglehart's modernisation theory and very relevant in my analysis as it shows that materialism and postmaterialism are linked to a given stage of a country's socio-economic development. A central thesis in his work is that national conditions that threaten needs for safety and security lead people to focus on materialistic values at the expense of postmaterialistic values.

According to Inglehart materialism is a dominant value in countries where top priority is given to physical sustenance, safety and economic growth. People who grow up in economically deprived environments tend to internalise a subjective sense of economic insecurity. This sense of economic insecurity remains as they become adults and causes them to place high value on material achievement (Inglehart 1997, Ahuvia & Wong 2002). Hence, people in traditional societies going through a process of modernisation have felt this economic insecurity and will most likely be influenced

by materialistic values. This is consistent with other findings, mentioned previously, where lack of feelings of security and cultural change were found to be factors leading to materialism. In contrast, postmaterialistic values are prevalent in societies with high levels of economic development. People who grow up with a subjective sense of economic security develop the lasting assumption that money is not something one needs to worry much about. People growing up in such societies where the basic needs of survival and security are fulfilled will as adults emphasise postmodern values such as belonging, self-expressions and quality of life, even at the expense of material success (Inglehart 1997, Ahuvia & Wong 2002).

### 3.4.3 Limitations of Inglehart's Research

Inglehart's research has limitations, which are important to be aware of. His research shows that certain cultural values are linked to certain stages of socioeconomic development. Inglehart's *World Value Survey,* addressing this phenomenon, was conducted using quantitative methods and certain limitations are linked to studies of this kind. Quantitative research questions are structured and standardised and it can be argued that quantitative studies are not able to capture the complexity and depth of value questions (Andersen 2003). Hence, his research might not provide an adequate picture of the values linked to the different phases of a country's development. In addition, as Inglehart argues that socioeconomic change follows relatively predictable patterns he is generalising and thereby simplifies the concept of cultural values and the socioeconomic stages a given country goes through.

Another feature of Inglehart's research that one should be aware of is that he only focuses on social values and not personal values. In contrast to other researchers in this field, who ask people how much they value wealth for themselves (Kasser 2002), Inglehart assesses materialism by asking what people think should be the goals of their society and government. I would not say this is a limitation in itself, as social values are as relevant to examine as personal values. It is merely important, when employing Inglehart's research, to be aware of other values, which might influence people in different societies.

Despite these limitations I do find Inglehart's modernisation theory valid as societies are characterised by a number of cultural values, which are general for a number of

people in a certain culture. Without some sort of generalisation it would be impossible to make any inferences about the cultural values related to China's socioeconomic development and this would make it difficult to explain how a modern value like materialism influence the nature of Chinese luxury consumption. Therefore, Inglehart's theory will work as an important framework in my analysis. Nevertheless, as indicated above, by only employing his work in my dissertation the analysis would be to narrow, which is why I throughout the dissertation will make use of other scholars' theories as well as I will make use of Chinese luxury consumers' comments on different aspects related to luxury consumption.

# 4 Analysis

## 4.1 Introduction

In this chapter I will analyse how materialism and Confucianism can explain the nature of the Chinese luxury consumer behaviour. In order to do so, I will first look at materialism and analyse how China's modernisation process and the values it entails can explain the materialism in Chinese luxury consumer behaviour. Then I will proceed by looking at how Confucianism, hereunder especially collectivism and the concept of face, can explain the nature of the Chinese luxury consumer behaviour.

## 4.2 Materialism

In this part I will analyse how materialism can explain the nature of Chinese luxury consumer behaviour. Firstly, I look at the connection between materialism and China's modernisation process. This is followed by an analysis of how the concept of status, being closely linked to materialism, influences the Chinese luxury consumers. Moreover, I will examine how the importance the Chinese attach to wealth and success has a growing impact on luxury consumption in China in the form of materialism. As a final means to analyse the Chinese luxury consumers I will employ Maslow's hierarchy of needs as this can further enhance the understanding of the Chinese luxury consumers. Finally, I will sum up on my findings regarding how materialism can explain the nature of Chinese luxury consumption.

### 4.2.1 Materialism and China's modernisation process

China's ancient history is marked by different dynasties where social morals and virtues were the core of a very stable value system against which behaviour was evaluated. In recent past China has experienced violent social change, which culminated with the communist system continuing until 1978 (Lu 2008b). From then on the new ideology of socialism with Chinese characteristics began. After the Chinese economic reforms were initiated in 1978, the process of modernisation has had an enormous impact on Chinese society; however, a clear categorisation of China's level of modernisation is quite complex. In rural China an emphasis on traditional values are still prevalent whereas the urban areas has shifted to more

modern values. Yet, as the country is in the process of developing into modern society, China can be considered a country where *survival values* are gradually replaced by economic achievement motivation, with the urban population as first movers. Surprisingly though, Inglehart (1997) places China at the top-left on the figure shown in appendix A. This means that Inglehart has found China to be closer to modern societies than traditional ones. This does not correspond to other scholars (see e.g. Croll 2006) who still regard China as more traditional in many aspects. That Inglehart has found the Chinese people in general to hold modern values has to be seen in the light of the fact that he only has about 1900 respondents in China and these are all from urban areas. This has to be taken into account when looking at the figure. Due to Inglehart's insufficient data on China, I find it reasonable to question China's position on the figure. I will argue that China only is in the process of becoming modern society and the country is still somewhere in between traditional and modern society.

With China being in a process of modernisation, its current stage of economic development implies that the primary goal for China is economic growth. According to Inglehart this stage entails an emphasis on materialistic achievement. This is to a high degree the case for China. The fact that China now puts economic growth above all other things is reflected in figures showing that China's economic growth will supersede that of the US in 2009.[10] This focus on economic growth is advocated from the highest place as Deng Xiaoping in 1985 declared that "*China has no alternative but to follow this [economic growth] road; it is the only road to prosperity* (Lu 2008b, p. 55). This statement reveals that in contrast to earlier times, wealth and financial success are now not only acceptable but something to actually strive for in modern China. In line with this, Leung (2008) stresses that when summarising the current social norms and institutional characteristics in China, the notion of materialistic achievement seems most fitting.

According to Inglehart, new values emerge in line with a country's socio-economic development. Clearly, materialism is one of the values, which has emerged in China during the process of modernisation. The importance the Chinese people attach to

[10] http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2007/10/18/cnchina118.xml (retrieved 4/9-08).

materialistic achievement today has an impact on many aspects of Chinese society, including the luxury consumer behaviour of the Chinese. It is of particular interest in this dissertation to analyse the Chinese people's focus on materialistic achievement and the new values this entails and to see how this can explain the nature of the Chinese luxury consumption. It is evident that the Chinese focus on materialistic achievement has changed the idea of status and in contrast to earlier times where status was ascribed, wealth and success have become the new indicators of status. I will in the following analyse the changed status concept and investigate how wealth and success have become new markers of status in China. This is necessary as the emphasis put on these factors can further underline the materialism among Chinese luxury consumers and thereby help explain the nature of Chinese luxury consumer behaviour.

### 4.2.2 Status

I will in this section analyse the importance of the concept of status in Chinese luxury consumer behaviour, as this concept is closely connected to the materialism. Materialism influences what consumers desire from their possessions and which products they believe can fulfil their desires during consumption (Richins 1994). In a Chinese context, materialism therefore has a close relation to the status concept, because the Chinese through their consumption choices wish to reflect their social status. Materialism has an impact on the Chinese luxury consumers as the Chinese people consume luxury products in order to fulfil their desires for social status. Fitzmaurice and Comegys (2006) argue that materialists are intent on acquiring goods in order to add further visible evidence that they are indeed successful or part of an elite rank of society. Hence, by flashing material possessions the Chinese display their success and thereby show their level of social status.

As already pointed out, the Chinese people view economic growth and financial success as respectively an important societal goal and an important personal goal and this implies that the Chinese people emphasise the earlier described extrinsic goals higher than intrinsic goals. According to Dittmar (2008) a focus on extrinsic goals involves a high level of materialism. This strong focus on extrinsic goals demonstrates that the Chinese attach importance to materialistic values as they strive

for financial success and the social status this entails. When focusing on the extrinsic goals in life, status symbols become a central factor because these symbols can make visible the success a person have. Many luxury goods can be considered status symbols, as they are able to demonstrate the owner's financial success. One of the most important status symbols in China today is probably the car. In the following I will provide a summary of a case study by Chang and Yan (2002) where it is evident that expensive luxury cars, like Mercedes-Benz, possess great symbolic value for their Chinese owners.

*Case study: Mercedes-Benz in China*

*In 2000 Wuhan Forest Wild Animal Zoo bought their third Mercedes-Benz car from Beijing Bin-Shi Auto Trade Company. The owner of the zoo Mr. Wang picked up the car in Tianjin, confident that the quality was excellent. After three months Mr. Wang discovered that something was wrong with the car. The power of the engine was weak, the alarm light was kept on all the time, and the wheel axle was leaking oil. Mr. Wang reported the problems he had experienced with the car to the car-seller and had the car transported to Beijing for repair. After a week-long repair he was informed that the car was fully repaired and he drove the car back to Wuhan. However, the same problems of malfunctions re-occurred soon after he arrived back in Wuhan. During the next eight months, Mr. Wang had the car repaired four times and each time he waited more than a month for the arrival of the necessary parts to arrive. However, the same faults appeared soon after every repair. During the fifth repair Mr. Wang became impatient.*

*Mr. Wang disputed several times with Mercedes-Benz China arguing that the quality of his car was not good while denying Mercedes-Benz accusations of him using inferior gasoline with low octane level. Both sides could not reach an agreement. After vainly trying to find a way to solve the problem, Mr. Wang went to Wuhan Consumer's Association, then the local Bureau of Technique Supervision and finally to the court. However, none of these institutions were able to*

*help him. In a last desperate attempt he wrote a letter to Mercedes-Benz China asking to return the car. The Director refused Mr. Wang's request, which made Mr. Wang feel very angry. The next afternoon, witnessed by over 60 journalists and crowded audience, Mr. Wang had seven youngsters damaging his car with iron bars and sticks. The next day Benz China issued a declaration on a Chinese web site criticising Mr. Wang's action and declaring that "the cause of the fault is identified as the customer using undesignated gasoline". The action of Mr. Wang resulted in four other Mercedes-Benz owners setting up the "Association of Benz Car Victims" as well as another Mercedes-Benz owner chose to destroy his car to support his compatriot against Benz' discrimination of the Chinese, even though there was nothing wrong with his own car.*

*Finally, in 2002 Mercedes-Benz China and Mr. Wang reached the agreement that Mercedes-Benz China would completely clean the oil system of the car of the zoo to its original condition and the zoo would test it on the road for a year.*

This case study offers a number of interesting lessons to be learned about the Chinese market and using the case study as point of departure, Chang and Yan point out different factors to be aware of in cross-cultural marketing. The findings in the case study which are of great relevance when examining Chinese luxury consumer behaviour is that according to Chang and Yan (2002, p. 83) "*it is insufficient for companies to know the general values of local people. It is more important to understand for them deeply the idiographic culture on the given products they offer"*. This is where the importance of the car as a status symbol in China comes into the picture. Mercedes-Benz has operated in the Chinese market since 1980 and it can be assumed they are quite familiar with the general culture of China. However, in this specific case at least they failed to take into consideration what the car symbolises to the Chinese people. For the Chinese, a car is not merely a means of transportation, rather a car symbolises success and it is a symbol of a high social status. Chang and Yan also point out that luxury cars are objects of extreme worship and fondness in

China. This denotes that a car repair taking one month is unacceptable for the Chinese. Displaying their successful status is important to the Chinese; consequently, being without one's status symbol no. 1 for a month is intolerable and as demonstrated in the case study it can generate strong emotions.

The fact that a luxury car can be so important for the Chinese is a good example of the materialism present in China today. When flashing status symbols is so important it is quite clear that the Chinese are influenced by materialistic values. One component of materialism, which can describe this kind of materialism, is what Richins and Dawson (1992) identify as possession-defined success. As already described, in this component materialists are defined as people who tend to judge their own and other's success based on things people own. I will argue that this component of materialism to a high degree characterises the Chinese form of materialism. In today's China, status is gained on the basis of your financial success. It is necessary to show your success by conspicuously displaying material possessions in order to obtain the sought-after social status. Therefore, if you own a luxury car your success is measured according to this car and you will thus display a high level of status. According to Doctoroff (2005) status is a weapon to be wielded, not locked in a box for the future generation's pleasure. The reason for this is that the competition is so fierce in today's China that one has to let others know who he is and what he has achieved. Therefore, the Chinese are proudly conspicuous consumers.

What is worth noticing is the speed at which luxury products as status symbols have become popular in China. As Eastman et al. (1997, p. 55) put it, status products "*have changed from being hated symbols of decadent capitalism to being touted as consumption incentives for those who work hard and show initiative*". This comment explains the shift of values in China very clearly. During the rule of Mao Zedong, the Chinese were deprived of all things concerning luxury, freedom and so on. Now suddenly, with a vast amount of consumer goods available the Chinese, they go for the flashiest and brightest (Chadha & Husband 2006). However, the Chinese do not yet possess a sense of style, rather they go for what is expensive and goods they can flash. Materialism has really made its entry into China and this concept can be considered a main reason for the obsession with luxury brands in China. The importance of social status in the shape of material achievement is one element

illustrating how widespread materialism is in China. Materialism and the importance of displaying material possessions in order to obtain social status is one of the factors that have created the enormous hunger for consuming luxury products in China. The strive for social status is thus part of the explanation why materialistic values are prevalent in Chinese luxury consumption.

In the next section I will look more closely at the importance of wealth and success as status symbols, as this, as already indicated, has an impact on the luxury consumption in China.

### 4.2.3 Wealth and Success

As I will demonstrate, wealth and success are indicators of high social status in today's China. The Chinese attach great importance to these two factors, which can be considered a result of the materialism in Chinese society and this importance attached to wealth and success is in turn reflected in the Chinese luxury consumption.

At the outset of the economic reforms in 1978, Deng Xiaoping famously declared: "*to get rich is glorious"*. As pointed out earlier, it is now completely legitimate to attach importance to wealth and success in China; as exemplified it can even be described as glorious. Affluence is a new phenomenon in Asia and according to Wong and Ahuvia (1998) it is therefore understandable that economic achievement has become a cultural fixation. Moreover, they point out that wealth as achievement has replaced the Confucian language of humility in the developing countries of Southeast Asia and they argue that this is the driving force behind Asia's appetite for luxury brands. As discussed previously, a car is considered one important indicator of achievement in terms of wealth and success, and as the Mercedes-Benz case study confirmed the car is an essential possession for the conspicuous Chinese consumers. As one Chinese man puts it: "*I think a car is very important for me. The environment of my company makes me think so. All my colleagues in sales and marketing department, whether the age, they all have a car… if you drive your car, it means that your work performance have arrived a certain level which allow you to have a private car. It is the effects from clients. In addition, the vanity in front of my colleagues*… (Lu 2004, p. 221).

This statement proves how important material possessions as a demonstration of achievement, in this case the success at work, are to the Chinese people.

In China today, the more money you spend and the more you flash it, the higher status you gain in society. It is not a matter of taste as it is in many Western countries; rather conspicuous consumption is an end in itself in China and the motto seems to be: if you have, flaunt it (Chadha & Husband 2006). When I was doing an internship in Beijing I witnessed this obvious Chinese demonstration of wealth several times. In a shopping centre located near my apartment, the wealthy Chinese people showed up every Sunday in their Prada shoes, Gucci bags and their Armani suits with the clear purpose of showing off. In addition, when I was invited to the residence of the Chinese CEO of the company where I was doing an internship, he showed me around his house, freely telling me how much he had paid for the sofa, the dinner table and so on – of course, his furniture were brand-names and very expensive. To me that was a clear display of his wealth and a way for him to prove that he was successful. Again, it is apparent that materialism has a great impact on the luxury consumption in China in the way that wealth and success are demonstrated through the conspicuous consumption of luxury brands.

The fact that wealthy Chinese engage in conspicuous consumption to show off their wealth is not only apparent in their consumption of luxury brands. In Beijing's exclusive Chang An Club where the initiation fee is $18,000, the club aims to keep its fees higher than rival gathering spots. The general manager of the club states that: *"the rich want to join the most expensive club in China"*[11]. This is a very good example of the degree of conspicuous consumption in China. It is all about spending money and showing that you are able to for example afford a membership of the most expensive club in China. The publisher of Elle magazine in China confirms that the price and the status that follows is vital for the Chinese consumers. She comments that: "*Most people go with the trend rather than what suits them. It's not like "I am this sort of person so I use Prada or Vuitton". I don't think we have reached this point yet. It's more "Is this well-known?" or "Is this expensive?"* (Chadha &

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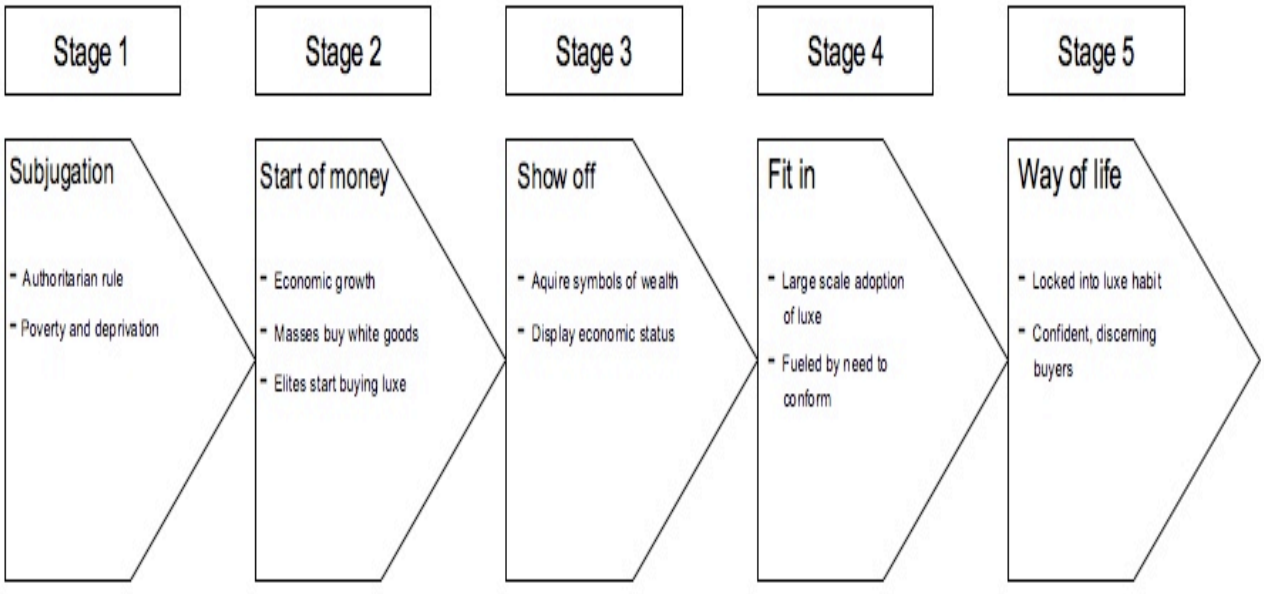
[11] BusinessWeek 6/2 2006: *In China, to get rich is glorious*. http://www.businessweek.com/magazine/content/06_06/b3970072.htm (retrieved 9/10 2008).

Husband 2006, p. 146). This also shows that when assessing luxury brands and even clubs the earlier described *perceived conspicuousness* of the product or club in question is taken into consideration by the Chinese.

As already shown, Inglehart's (1997) modernisation theory can to a large extent explain why materialism and a focus on wealth and success have become widespread in China today. In line with Inglehart's theory, Chadha and Husband (2006) have developed a model, which they argue can explain the luxury culture in East Asia according to the different levels of economic development. They put forward that the spread of the luxury culture in East Asia in general has followed a five-stage process, as shown in the following figure:




**The spread of luxury model**

(Source: Chadha & Husband 2006, p. 43)

The figure explains the different stages of luxury consumption, which follows a country's economic development. Chadha and Husband (2006) have found that China is at the *show off* stage where acquisitions of symbols of wealth are important and display of economic status is emphasised. However, only a selected segment of the

Chinese can be considered being in the *show off* stage. A larger Chinese segment has only reached stage 2 where people with more modest income have started to afford a few luxury products. Yet, many Chinese people are still at stage 1, experiencing poverty and deprivation. Therefore, different layers of Chinese society are at different stages of the luxury culture.

Despite the fact that most Chinese are to be found in either stage 1 or stage 2, it is interesting to notice that not only wealthy Chinese people engage in luxury consumption but the Chinese with a relatively low income level also have strong demands for luxury products (Li & Su 2007). The materialism evident in Chinese society has most likely generated this demand for luxury brands at all levels of society. Ger and Belk (1996) confirm the tendency of people in less affluent countries to be more materialistic. In their study, which I also referred to in the theory chapter, they found that Romanians have a much higher degree of materialism than people in the Western world. Ger and Belk argue that this high level of materialism can be explained by Romania's history of systematic consumer deprivation under Communism and then the sudden release from Communism, which created a sudden influx of Western consumer goods. Naturally, after such severe deprivation the leap to materialism under the temptation of newly available goods is highly seductive. Furthermore, in their study Ger and Belk found out that some of the most materialistic nations presently have the least materially and were those ostensibly striving for egalitarian communist principles only a short time ago. In line with Inglehart, Ger and Belk argue that social change and the accompanying mobility and confusion in norms coupled with the spread of Western influence and globalisation seem to impel materialism. I would say that these findings fit very well into a Chinese context as China has a similar Communist history and has experienced the sudden temptation of Western consumer goods. As already discussed, the economic reforms in China has resulted in cultural change and unsettled social conditions, which follows such an abrupt change as in China. According to both Inglehart and Ger and Belk such changes lead to greater levels of materialism, which in turn can explain the strong focus on luxury brands in Chinese consumer behaviour.

In a discussion of the factors motivating the Chinese to engage in luxury consumption I find it highly relevant to include the work of psychologist Abraham Maslow, who

proposed a means of understanding motivation through his 'hierarchy of needs'. I will discuss his concept of needs and its applicability to the Chinese people in the following.

### 4.2.4 Maslow's Hierarchy of Needs

When discussing consumer motivation and when trying to understand why people behave the way they do, Maslow's hierarchy of needs has become a central part of such discussions. In this part I will look more closely at what needs the Chinese consumers are trying to meet and why. I have already discussed that the importance attached to status, wealth and success in China are results of materialism and that these factors therefore can help explain how materialism influence the nature of the luxury consumption of the Chinese. In order to elaborate on Inglehart's modernisation theory and to enhance the understanding of the Chinese consumers I will employ Maslow's theory of motivation. This will enable me to paint a more nuanced picture of the Chinese luxury consumers.

The central point of Maslow's hierarchy of needs is the existence of a basic set of human needs. As shown in figure 1, Maslow organises the set of human needs into five general categories: physiological, safety, belonging, prestige, and self-actualisation. These five basic levels of human needs rank in order of importance from lower-level needs at the bottom, starting with the physiological, to higher-level needs. This means that consumers must satisfy lower level needs before they can pursue higher-level needs. Once a consumer feels satisfied with the low-level need, a new and higher need appears that the consumer then is motivated to fill. When that need is satisfied, an even higher need will come forward, and the consumer will be motivated to pursue this higher-order need (Arnould et al. 2004, Schütte 1998).

The hierarchy provides a useful model for outlining human needs and motives but it may not be consistent across cultures. It has been argued that in cultures like the Chinese more value is put on social needs and belonging and that the hierarchy of needs is not applicable to Chinese society particularly at the stage of self-actualisation (See e.g. Arnould 2004 and Schütte 1998). Schütte (1998) has therefore developed an Asian version of Maslow's hierarchy of needs, where definitions and even the

existence of some of Maslow's needs are questioned. As shown in his Asian equivalent in figure 2, independence and autonomy are considered absent in the Asian cultures and socially directed needs are regarded as those of the highest level.

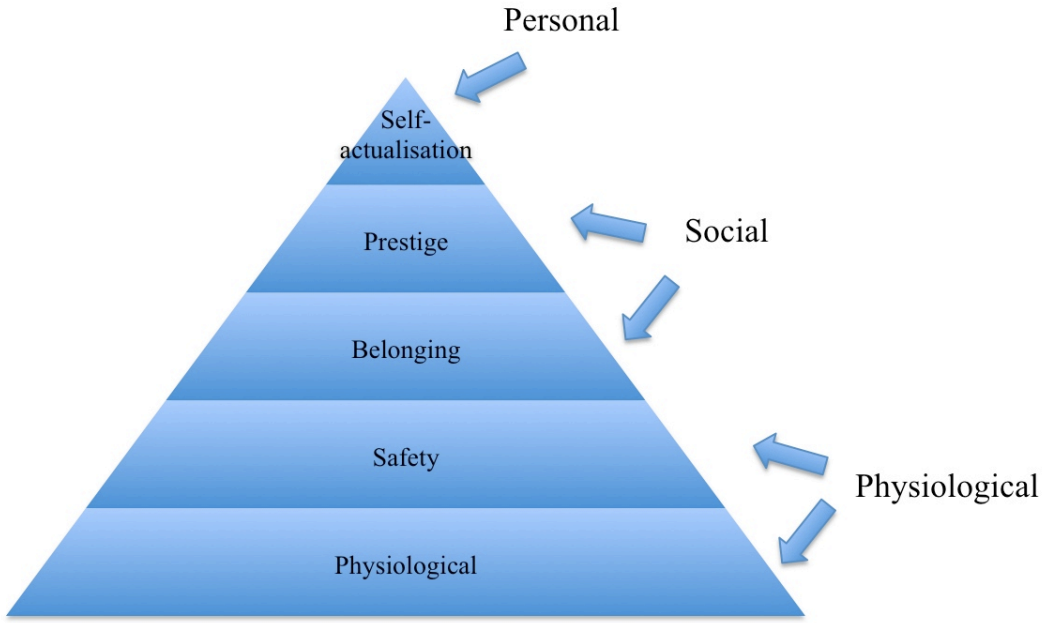



**Figure 1: Maslow's hierarchy of needs**

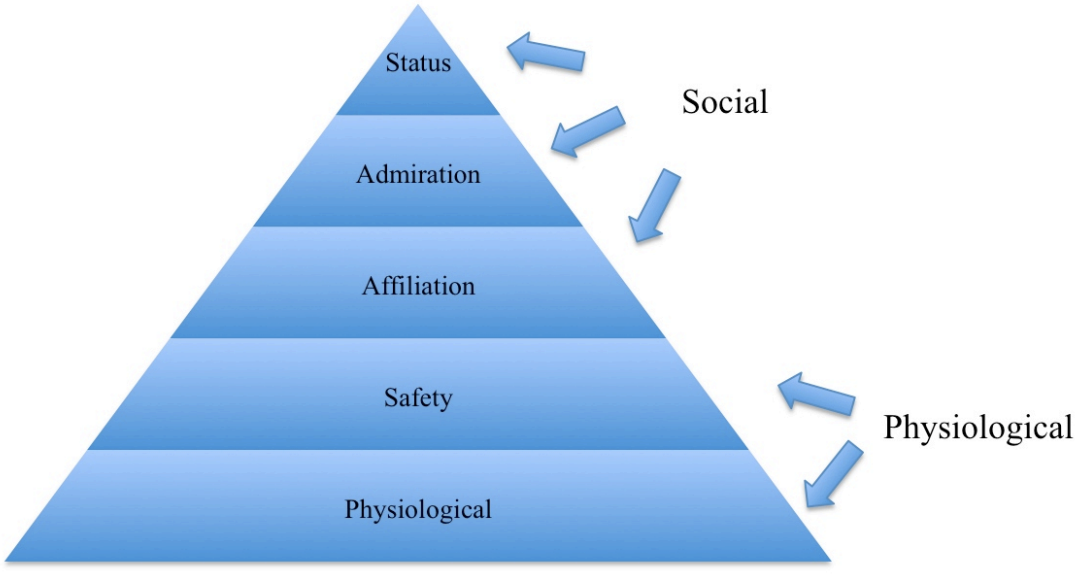



**Figure 2: The Asian equivalent to Maslow's hierarchy of needs**

(Source: Schütte 1998, p. 93).

According to Schütte (1998) belonging and prestige, as identified by Maslow, can be divided into three levels: affiliation, admiration and prestige. Affiliation is the acceptance of a member of a group. Once affiliation has been achieved an individual will strive for admiration of those in the group and it is usually achieved through actions, which demand the respect of others. When the individual feels that admiration has been attained within the group, the need for status that comes from society at large is desirable. Whereas the admiration need is at a more intimate level, status requires the attention of outsiders. Schütte (1998) argues that the status need is similar to Maslow's prestige need and is highly evident in conspicuous consumption. He further claims that self-actualisation in a Western conceptualisation is non-existent for the Asians and therefore not a part of the Asian equivalent of Maslow's hierarchy of needs.

On the face of it Schütte's model fits well into my findings so far. I have found that status seeking through displaying their wealth and success are central goals of the Chinese at present. Moreover, I have presented examples of how material possessions have become a central part of the lives of the Chinese and how important it is for them to engage in conspicuous consumption. All this point towards that an Asian equivalent of Maslow's hierarchy of needs can explain the consumer motivation of the Chinese. However, I still consider Schütte's model to be insufficient. Schütte argues that it is debatable whether self-actualisation as a personally directed need actually exists for the Asian consumers. I agree that personal self-actualisation is not an issue for the Chinese consumers *yet*, however, I believe that this is a reflection of the level of China's socio-economic development. According to Inglehart, countries going through a process of modernisation focus on economic achievement and material values and have not yet reached the point where self-actualisation – or subjective well-being to use Inglehart's term - is emphasised. Hence, just as well as Inglehart's materialism/post-materialism scale and Maslow's hierarchy of needs represent stages of a given country's socio-economic development, I will argue that Schütte's model of Asian needs also reflects the stages of development that Asian countries are experiencing and therefore it is not a conclusive picture of Asian needs and motivations. Schütte fails to take into consideration that Asian values might not stop changing when they have reached the point of the status need. As I see it, it is likely that the Chinese at some point will change their values in a direction towards

more post-materialist values meaning that self-actualisation not only will be a socially-directed need reflecting the desire to enhance one's image and position through contributions to society but self-actualisation will become a more personally directed need as we see in many of the developed countries in the Western world. In fact, in their study Abramson and Inglehart (1998) found that among the Chinese youth there were beginning signs of post-materialistic values.

Thus, Schütte's Asian hierarchy of needs is a good indicator of the present needs of the Chinese consumers, however, I think it is incorrect not to include self-actualisation in the Asian model because the Chinese people have simply not reached the self-actualisation need yet. Much evidence show that consumer needs and values are influenced by economic development, which implies that the needs of the Chinese consumers also will change systematically and eventually the need for personal self-actualisation is highly likely to emerge in China.

China is in a phase where the need for status is very important. Schütte's Asian version of Maslow's hierarchy of needs explains this very well, however, like Maslow, his model also shows different needs according to the stage of a given country's socio-economic development. Currently, the high level of materialism has fostered the high need for status and this status need is one of the reasons for the great demand for luxury products in China. The need for status is a reflection of China's current level of socio-economic development and is to a large extent the result of the high degree of materialism seen in China. However, as the status need and the materialism connected to it both are factors, which stem from the stage of China's socio-economic development they are likely to change over time. Hence, Chinese luxury consumer behaviour is influenced by the needs and motivations connected to China's current stage of economic development where economic achievement is emphasised. Just as well as a high level of materialism is to be found in countries like China where economic achievement is important, the need for status is also present in this stage of economic development. Thus, materialism and the need for social status through the display of status symbols are aspects of the modernisation process in China, which is mirrored in the obsession with luxury brands in China.

### 4.2.5 Partial Conclusion

The focus on status through the display of wealth and success is evident in the materialism seen in Chinese luxury consumption. The high degree of materialism has resulted in an obsession with luxury brands, which expresses itself in conspicuous consumption and an overt display of material possessions. The high materialism present in China can be regarded as a reflection of the stage of China's economic development. Materialism can explain the nature of the Chinese luxury consumption in the way that the present level of China's economic development fosters materialism, which entails a strong focus on material possessions, often in the shape of luxury goods. These luxury goods are used as status symbols and are signs of wealth and success. Therefore, the materialism that is evident in Chinese luxury consumer behaviour is a reflection of the modernisation process in China and the Chinese luxury consumption is thus a mirror of the current cultural change, with materialism as a dominating factor.

In many ways, the Chinese people exhibit a behaviour similar to the one identified in the materialism that scholars have described in the Western world. Veblen (1994) has explained that people engage in conspicuous consumption on order to "keeping up with the Joneses" and Belk (1985) and Richins and Dawson (1992) have found materialists to attach great importance to material possessions. These findings have all been made in the West but as I have demonstrated the Chinese exhibit similar materialistic behaviours. Why, then, do I consider the Chinese luxury consumption to be distinct? I expect to find the answer in the following part where I will analyse how Confucianism can explain the nature of Chinese luxury consumption. I assume that the influence of both materialism and Confucianism creates the unique behaviour of Chinese luxury consumers.

## 4.3 Confucianism

I have so far argued that materialism can explain many aspects of the nature of Chinese luxury consumption. However, materialism cannot explain everything concerning the nature of Chinese luxury consumption. Confucianism also plays a central role in the nature of the Chinese luxury consumer behaviour. In this part I will therefore discuss and analyse specific elements of Confucianism in relation to luxury

consumer behaviour in China. Especially collectivism and the concept of face are elements of Confucianism, which have a considerable impact on Chinese luxury consumers. In the following I will first take a more critical approach to the individualism/collectivism dimension and discuss the problems with treating them as two opposite constructs. This is followed by an analysis of collectivism in Chinese luxury consumption. I will then proceed by analysing how the concept of face can explain the nature of Chinese luxury consumption and hereunder examine how the act of gift giving as a means save face plays a role in the luxury consumer behaviour of the Chinese. As collectivism and the concept of face are central factors connected to Confucianism, which have considerable impact on many aspects of the behaviour of the Chinese people, I have chosen to focus primarily on these aspects of Confucianism in the following analysis of Chinese luxury consumption.

I am aware that collectivism and the concept of face cannot be considered distinct Chinese features as these concepts are found in other countries as well. However, I believe that due to the influence of Confucianism, collectivism and face in China can be considered Chinese variations of something more general. Hence, I will argue that the Confucian variant of collectivism and face can be regarded as distinct for the Chinese culture.

### 4.3.1 Collectivism

In this section I will take a critical approach to the individualism/collectivism dimension, which will be followed by an analysis of collectivism in the luxury consumer behaviour of the Chinese.

#### 4.3.1.1 A Critical Approach to the Individualism/Collectivism Dimension

Collectivism influences the Chinese culture to a high extent, however, individualism has begun to gain an increasing influence. Even though collectivism is still considered a dominant value when it comes to luxury consumption in China, I think the dimension of individualism/collectivism deserves a critical discussion before turning to the analysis. I find the distinction between individualism and collectivism too simplistic and I will therefore address and discuss the problems with making such a

clear distinction between individualistic and collectivistic cultures. I hope that the discussion will contribute to a deeper understanding of these two dimensions and enable me to make a more nuanced picture of the collectivism influencing Chinese luxury consumption.

Hofstede (2001) classifies China as a collectivistic culture and a number of other scholars follow this line and characterise the Chinese as having a collectivistic orientation (e.g. Yau 1986, Usunier 2005, Sun et al 2005). It is even suggested that collectivism originated in China (Triandis 1995). Based on the extensive research on Chinese culture and values there is no doubt that the Chinese are influenced by the collectivistic dimension. However, many of the scholars fail to recognise that individualism is beginning to influence the Chinese people and that individualism and collectivism therefore may co-exist in cultures such as the Chinese. Usunier (2005), for example, acknowledges, as mentioned earlier, that all societies have individuals and groups as well as he stresses that collectivistic cultures also have individualists and individualistic cultures also have collectivists. Nevertheless, he chooses to distinguish clearly between individualistic and collectivistic cultures and argues that cultures can be divided according to this dimension. His argument therefore falls short, as he does not take into consideration the fact that it might be too simplistic to divide cultures according to this dimension.

Kagitsibasi (1994) refers to several studies where it was found that collectivistic and individualistic values co-exist in many situations, such as in child rearing. This is in line with a study of India conducted by Sinha and Tripathi (1994), where it was revealed that both collectivistic and individualistic values co-exist. In the case of China, Ho and Chiu (1994) found that as a result of societal modernisation, the Chinese character is changing in the direction of an increasingly individualist and decreasingly collectivist orientation. Hence, there is no necessary contradiction in holding individual and collectivistic views at the same time and Ho and Chiu assert that in the process of societal modernisation both tendencies may co-exist.

Ho and Chiu (1994) claim that despite the emergence of individualist orientations in the Chinese culture, it is overall still more collectivistic than individualistic. However, they do emphasise that the Chinese exhibit both individualistic and collectivistic beliefs. Therefore, I agree with Wong and Ahuvia (1998) who point out that the

global characterisations of collectivism and individualism are too simplistic. It is more accurate to see individuals as having both private and public self-concepts and to consider which aspects of the self would dominate in each social situation. Lu's study (2008a) supports Wong and Ahuvia's argumentation as his results revealed that contemporary Chinese individuals may use two separate ways of construing the self, individual-oriented and social-oriented, and the Chinese may therefore possess a bicultural self.

Thus, it is inaccurate to view individualism and collectivism as two opposite constructs. Rather, these two constructs are able to exist side by side in different situations. This is also seems to be true in a Chinese context. As mentioned, Ho and Chiu (1994) put forward that the Chinese culture is characterised as being dominated by collectivistic values but is increasingly being influenced by individualistic values. This corresponds to the work of Inglehart (1997) where he found that with societal modernisation a shift to a more individual orientation follows. As Kagitsibasi (1994) points out, a clear classification of individualism and collectivism is problematic. He states that in many cases the societal characteristics associated with individualism and collectivism "*like those relating to modernisation, refer to socioeconomic development levels and make sense mainly at the level of shifts from tribal-agrarian to urban life-styles, not in urbanized contexts in collectivistic and individualistic cultures"*(Kagitsibasi 1994, p. 59). Therefore, the collectivistic values still present in the Chinese culture such as keeping a good an harmonious relationship inside the in-group and avoiding loss of face (Sun et al 2004, Wong and Ahuvia 1998) is not only an expression of collectivism but also a reflection of the stage of China's economic development. The appearance in China of the social characteristics associated with individualism such as more freedom and self-reliability (Triandis 1995) mirror the modernisation process that China is going through where the collectivistic values represent more traditional values while individualism represents modern values. It can therefore be argued that due to the socio-economic development going on in China, a combination of these two constructs is likely to exist in the Chinese culture. As we will se, however, when it comes to luxury consumption collectivism is still a dominating factor.

#### 4.3.1.2 Collectivism and Chinese Luxury Consumption

After having discussed the problems with making a clear distinction between individualism and collectivism, I will in this section demonstrate that there are many indicators that still point in the direction of collectivism as a dominating factor in Chinese luxury consumption. However, with the above discussion in mind, it is important to note that even though there is much evidence of collectivism in Chinese luxury consumption, I am aware of the few but rising individualistic tendencies. In the following, I will analyse how collectivism, as a part of Confucianism, can explain the nature of Chinese luxury consumption. With reference to the above discussion, I will also demonstrate that the collectivism present in Chinese luxury consumer behaviour is quite complex and that it is not possible to paint a purely black and white picture of the collectivism in Chinese luxury consumption. I do, however, still believe that collectivism can explain quite a few of the tendencies in the luxury consumption of the Chinese.

According to Lu (2008b) collectivism is one aspect of Chinese tradition that relates to luxury consumption. As indicated earlier, people influenced by collectivistic values believe that conforming to the norms set by their in-group is the proper way to behave. Therefore, if luxury brands become the norm in a collectivistic culture then it makes perfect sense to buy them (Chadha & Husband 2006). This is in line with Wong & Ahuvia's (1998) study of Asian luxury consumers, where it was found that if the in-group prescribes expensive and ostentatious possessions or activities as socially appropriate, then a good member must subscribe to such public display of wealth in order to fit in. Hence, it is not only materialism but also collectivism that promote conspicuous consumption among the Chinese consumers. Lu (2008b) asserts that the most practical influence of the collective mentality on luxury consumption is that if a luxury brand has high, positive brand awareness, it will create a push effect within the wider collective. This can be described as the earlier mentioned *bandwagon effect* where the demand of a product increases because others are buying the same good. The fact that the Chinese buy goods similar to those consumed by their in-group suggests that the Rarity Principle - prevalent in Western societies, where rarity of a product increases the consumers desire for it - is not relevant in a Chinese luxury consumption context. Rather, increased ownership of a luxury brand in China encourages consumers' purchase of the brand (Phau & Prendergast 2000). A Chinese

woman affirms the importance of imitation in this comment: "*And at that time, this kind of ring was very popular; all the pretty girls wore this model, so I decided that I must buy one"* (Lu 2008b, p. 82). Thus, by engaging in what could be called imitation consumption, a person will be able to identify with the reference group and can expect the reference group to evaluate one in a positive way.

Due to the emphasis on the opinion of one's reference group in the Chinese culture, the Chinese are very likely to use brand-name products to identify with their peers (Tse 1996). In a study conducted by Chadha and Husband (2006) they found that many Asian consumers are not interested in the inherent image of a brand, they only care about how the brand is perceived among their peers. The Chinese therefore focus more on brands than on the products themselves. The importance of brand awareness is illustrated in this statement of a Chinese: *" If the price is high, the quality should be good, the company should be prestigious, internationally famous, and the brand preferable in the eyes of most people in the high income class"* (Lu 2008b, p. 76). Lu (2008b) argues that the more famous a brand is, the more likely it is for Asian consumers to buy products of the brand and the more recognition they get from the public. He further emphasises that this is one of the reasons why ostentatious luxury brands such as Louis Vuitton and Rolex has gained success in the Asian markets. One Chinese luxury consumer puts it very clear: *"If I don't know the brand, I will not buy it… all my friends are like me"* (Lu 2008b, p. 76). Another example of the importance of brands and a high price in Chinese luxury consumption is the following story: *A man from one of the Northern provinces walked into the Hermès store in Beijing and purchased an enormous amount of china. Hermès is most sought after for its leather goods, notably the Kelly and Birkin bags, but that day just for a change the shop windows featured a display of cups, saucers, and other porcelain products. Our man from the North assumed Hermès is best known for porcelain, and promptly proceeded to buy US$75,000 worth of it* (Chadha & Husband 2006, p. 145). Hermès has the reputation of being the most expensive brand, which is why the brand is very popular among wealthy but inexperienced Chinese consumers. I think the example of the Chinese man from the North explains well how much importance is attached to brand names and how little some of the Chinese luxury consumers actually know about the specific products of the famous brands. The Chinese man in the example went for a popular brand probably because he had heard about the brand from others. However,

he had no idea about which products Hermès is famous for, he simply knew that the brand was expensive and high-class.

It is clear that the collective self dominates in Chinese luxury consumption and that it can lead to conspicuous consumption. As I have described previously, people dominated by the collective self are very concerned about how they appear to others and concerned with the public meaning of their possessions. They tend to place great emphasis on material possessions and the display of these possessions. This is an explanation of why the Chinese have this appetite for luxury brands and are so likely to engage in conspicuous consumption. Along with the increasing materialism, luxury brands have become very popular. This popularity, however, is not only due to materialistic values such as the need to show off but collectivistic values also has an impact on this popularity, because if members of one's reference group purchase luxury brands other members are under the pressure to do the same. As I have argued, the Chinese are very dependent on their reference group and therefore they use material possessions to a high degree in order to show a connectedness to the other people in their group. Chadha and Husband's (2006) study also affirms the importance the Chinese attach to public possessions as they found that Asian consumers spend what it takes on publicly visible products whereas they are more reluctant to buy more invisible or private products.

I have already referred to Ho and Chiu's (1994) findings, which show that individualism has increased its influence in China. Furthermore, the Danish newspaper *Politiken* has addressed this issue in an article and argued that the Chinese luxury consumers are highly influenced by individualism[12]. In addition, an increasing number of Chinese advertisements express clear individualistic values, which for example can be seen in an ad for China Mobile's M-Zone service with the slogan "My zone, I decide" (Lu 2008b, p. 63). Doctoroff (2005) explains very well the dilemma that the younger Chinese people face today: standing out or fitting in. The Chinese one-child policy has resulted in only children behaving like spoiled "little emperors". The single child in China today is an investment and very precious and this has reinforced an unprecedented sense of individual importance. Therefore, the young Chinese people are caught in between the desire of getting noticed and the

[12] Politiken 3/8 2008: *Made in Denmark – Solgt i Kina*.

Confucian values of not standing out. The still dominating Confucian values do not leave any room for rebellion against familial or societal norms. Instead of breaking these rules the Chinese youth creatively interpret the rules. Therefore, individuality in China is not the same as in the Western world. Individuality in China is a twist on the conventional and what Doctoroff (2005, p. 102) therefore calls *conformist individuality*. He argues that individualism in China is not an end in itself; rather it is a means to achieve a higher goal of having all your friends think you are popular.

Hence, the collectivistic features of Chinese society still have an impact on the Chinese luxury consumption and can explain many aspects of the nature of the luxury consumer behaviour. However, a new generation of Chinese seem to interpret Confucianism and collectivism their own way and they have started to exhibit signs of a distinct Chinese blend of collectivism with individualistic inputs. Unfortunately, I have not been able to find any empirical studies investigating this and it is therefore clear that more research has to be conducted on this issue in order to paint a more nuanced and up to date picture of the influence of these two dimensions. Based on the empirical studies I have referred to, I find it valid to argue that general speaking collectivism and the need to conform is still dominant in the Chinese luxury consumption.

### 4.3.2 Face and Luxury Consumption

Face is an important part of Chinese culture and it influences every aspect of consumer behaviour in China (Lu 2008b). The influence of face-saving in luxury consumption is both wide and important. In 2005 *China Daily* conducted a survey where 87% of the respondents agreed that saving face was a central part of their lives (Lu 2008b, p. 52). According to Lu (ibid.) face is a collective value and saving face is all about collective living in society. Due to this heavy influence of face, Asian consumers must purchase luxury products to enhance, maintain, or save their face (Li & Su 2007).

*Mianzi*, one of the types of face described earlier, is crucial when it comes to enforce the luxury brand norm. I have previously described *mianzi* as referring to material prestige, success and ostentation and this is precisely what luxury consumption in China is all about. Chadha and Husband (2006) assert that the concept of *mianzi* is

very similar to Veblen's concept of conspicuous consumption in the pursuit of social esteem. They argue that the only difference is that the leisure class that Veblen referred to did it because they wanted to, whereas *mianzi* prescribes the appropriate thing to do in a social context. This is backed up by Wong and Ahuvia (1998) who argue that there is a greater tendency for people in Western cultures to conspicuously consume luxuries of their own free will, whereas in East Asian countries there is a greater tendency for people to behave this way because they feel they have to. It can therefore be argued that the *perceived conspicuousness* and the *social dimension* of luxury products, mentioned earlier, influence the decision-making process of Chinese luxury consumers. In contrast to this, Western luxury consumers might be more likely to assess luxury products according to the *perceived hedonism* of a product. The face-saving mentality of the Chinese also leads to imitation behaviour in consumption and this again demonstrates that the *bandwagon effect* is prevalent in a Chinese consumption context. This might be an explanation of why certain luxury brands are desired while their competitors are not well accepted in the Chinese luxury market (Lu 2008b).

Due to the heavy influence of face in Chinese consumer behaviour, Li and Su (2007) name this specific consumer behaviour *face consumption* and they define it as "*the motivational process by which individuals try to enhance, maintain or save self-face, as well as show respect to others' face through consumption of products"* (Li & Su 2007, p. 243). Face consumption consists of three unique features: obligation, distinctiveness, and other-orientation. These characteristics all influence the consumption of luxury products in China. The first feature, obligation, refers to the fact that when consumption becomes a tool to maintain or save face it is necessary for a Chinese person to imitate the face consumption of his or her reference group. Therefore, if luxury consumption is the norm in the group then the members of the group have to buy luxury products in order to maintain their and their group's face. Distinctiveness means that when engaging in face consumption the products have to be either name brands or higher-priced than the usually consumed products. The Chinese are willing to pay more for face products than products they normally consume, as this will give the whole reference group face and group interests are as already indicated more important than personal interests in China. Lastly, the other-orientation is the aspect of face consumption where the Chinese give attention to other

people's face. This part of face consumption implies for the consumer to carefully judge the value of the products or services when consuming with others to enable the others to feel full of face.

In the case study of Mercedes-Benz in China, which I referred to previously, I argued that one way of interpreting the case was to see Mr. Wang's attachment to the car as an expression of materialism. Materialism can explain why the car is so important to him. However, materialism cannot precisely explain why he chooses to damage the car. Here the concept of face, especially the aspect of *mianzi*, comes into play. The luxury car is bought to maintain Mr. Wang's social status and thereby give him face, and when the car is not functioning well it makes him loose face and loosing face in China is very embarrassing. Mercedes Benz China broke the unwritten rule of not letting others lose face and I believe that this could be the reason why Mr. Wang chooses to damage the car. Schütte (1998) states that people in Confucian cultures always are under pressure to conform to the expectations of others in order to preserve face. Zheng explains the need to save one's face by having the socially appropriate possessions in this way: *"Given the scarcity of resources and opportunities, everyone has to strive hard for them… Once they have succeeded in this (...) they need to show these achievements through the possessions of public visible luxuries in terms of expensive automobiles, ostentatious jewellery, clothes, and rare antiques"* (Wong & Ahuvia 1998, p. 432). This again proves how important luxury possessions are for the Chinese in order to maintain face. This in turn can explain the behaviour of Mr. Wang. It is very likely that Mr. Wang bought the car to the zoo in order to show off his success as the owner of the zoo. However, when it turned out that the car malfunctioned and Mercedes-Benz China denied his accusations, they made him lose face, which is regarded as "*the utmost height of rudeness"* (Gabrenya & Hwang 1996, p. 312). The loss of face can therefore generate strong emotions among the Chinese and in the case of Mr. Wang this resulted in damaging his car.

It is evident that the concept of face is an important factor leading the Chinese to engage in luxury consumption. The Chinese are under great pressure to live up to the expectations of the group and it is important to the Chinese how others view them. Therefore, saving face in front of the group is important to them. As I have argued, if

the group prescribes consumption of luxury brands then the members of the group have to follow this norm and display them in an ostentatiously manner in order to save face. The Chinese luxury consumers engage in conspicuous consumption not just because they want to but also because they have to. The importance of face leads the Chinese to conform to the norms of the group and in order to maintain or enhance their face they have to engage in the consumption of luxury products. Thus, there is no doubt that the concept of face contributes to a high degree of conspicuous consumption in the Chinese luxury consumer behaviour and to the huge appetite for luxury brands in China.

As I will demonstrate in the following the importance of saving face is also reflected in the act of gift giving, which is of great symbolic value in China.

#### 4.3.2.1 Gift giving

Gifts play a major role in the Chinese culture as they establish and maintain social ties (Wong & Ahuvia 1998) and they are used to maintain, give or save face. By maintaining the social ties and saving face for the parties involved, gift giving contribute to preserving the harmony within the group, which is important in Confucian thinking. The importance of gifts as a means to save face is relevant in this dissertation, as luxury goods are considered particularly appropriate for gift giving.

Gift giving is common in many societies but in Chinese societies the notion of a *gift economy* is well known and consists of the personal exchange and circulation of gifts, favours, and banquets (Luo 2000, p. 27). Gift giving is first and foremost connected to guanxi. Guanxi may best be described as interpersonal relationships or personal connections and it is a rather complicated network of favours and exchanges. The exchanges that take place among the members of the guanxi network are not solely commercial but also social as they involve the giving of face, or *mianzi.* The cultivation of guanxi often involves the exchange of gifts (Wu 2003, Usunier 2005).

Gift giving can be considered a means to obtain or continue a business relationship or a friendship. The exchange of gifts creates an ongoing obligation to reciprocate. If you receive a gift you are expected to accept the gift and you thereby agree to the obligation to reciprocate. In a business relationship, if one wishes to continue a guanxi

relationship, reciprocation will normally take the form of a more expensive gift in order to maintain the moral superiority and indebtedness of the other person (Schütte 1998).

The gift industry in China is therefore a very big industry. One successful luxury brand in the Chinese market that has understood the importance of the gift market in China is Dunhill. Dunhill's managing director of the Asia-Pacific points out that gift giving constitutes a major part of the company's success. He explains that: "*China its [luxury market] is dominated by men who are rewarding themselves and rewarding their business contacts and friends (...) In our shops you will often see two guys shopping – one guy choosing products, the other will just sit and read, and then when the things are being wrapped up, he will come and pay. You bring your business contact to the shop, it's not as blatant as a red envelope with cash, but you basically say, let me buy you a jacket"* (Chadha & Husband 2006, p. 161). Thus, by purchasing gifts from a well-known brand like Dunhill, the Chinese are sure that the value of the present is clearly understood by the recipient. A brand like Dunhill is very prestigious and the giver of a Dunhill gift thereby gains face, as such expensive gifts show that the giver is sincere. In addition, the giver gives the recipient face, as a gift from Dunhill is seen as expensive enough to match the income of the giver. Hence, gifts are offered to create face for both the giver and the receiver. In addition, the high prices that luxury brands have create positive perceptions, as the value of the gift symbolises the value of the relationship between the giver and the receiver.

In the above it is indicated that a gift possesses some kind of symbolic value for both the giver and receiver, meaning that a gift is not only seen as a thing to be exchanged but it also symbolises the relation between the parties involved. In his book *The Gift*, Mauss describes and analyses transactions like gift giving in so-called primitive and archaic societies. Mauss argues that the gift is a total social phenomenon and he found that a gift not only is a material object but it also has symbolic importance, which goes further than its immediate utility value. Moreover, he found that gift giving in theory is voluntary, but in reality it is obligatory and very necessary in order to avoid war and hostilities with other groups (Selmer 2007). I believe that Mauss' findings are applicable to the Chinese act of gift giving. It is clear that in China, gifts also has symbolic importance as they are used as means to express the values of relationships.

As in the primitive societies, which Mauss studied, gift giving in China is often not voluntary but obligatory. However, whereas gift giving in primitive societies is all about avoiding hostilities with other groups, gift giving in China primarily has two functions, communicating the importance of the relationship between the giver and the receiver as well as saving face for the giver or giving face to the recipient.

When it comes to the concept of face, the gift giving ritual is a way in which the Chinese are able to communicate their social status and thereby gain face, which is achieved by using luxury brands as gifts. For example will an item purchased from an expensive department store transfer to the recipient a feeling of status and class, which are essential in Chinese gift-giving (Schütte 1998). Therefore, the very important act of gift giving in Chinese society is another explanation of why luxury brands are so popular in China. When offering luxury brands as gifts the giver expresses how much he or she values the relationship with the recipient. In addition, luxury brands are popular gifts due to the message that such gifts convey. The giver is able to display his social status and he or she shows that the recipient is worth giving luxury gifts. In this way both the giver and the recipient gain face. Hence, the concept of face in the form of gift giving is one element of Confucianism, which leads to the Chinese consumers' desire for luxury products.

From a strictly economic point of view it makes no sense to engage in the act of gift giving. It is clear that other forms of capital are in play in gift giving situations. According to Bourdieu, the traditional concept of capital as purely economic is too narrow, since capital also can be regarded as a value possession or a resource (Sørensen 2006). When employing Bourdieu's theory on forms of capital it becomes clear that gift giving is used as a way to build what Bourdieu calls social capital. Social capital can be defined as *"the aggregate of actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationship of mutual acquaintance and recognition*"[13]. In other words, social capital is a form of social networking relations equivalent to the Chinese concept of guanxi. The reason for the Chinese to engage in the act of gift giving is to create social capital, which in turn enables the Chinese to build a comprehensive network - guanxi. In terms of gift giving, it can be argued that the Chinese use economic capital to

[13] http://en.wikipedia.org/wiki/Social_capital

create social capital, as they buy luxury products as gifts in order to enhance their social relationships or guanxi. It is therefore clear that luxury brands have great symbolic meanings in gift giving situations in China.

When it comes to luxury products, it can be argued that the Chinese by possessing luxury products use them to build symbolic capital. Bourdieu define symbolic capital as "*the resources available to an individual on the basis of honour, prestige or recognition"*[14]. The Chinese luxury consumers use luxury products as resources to build up prestige or recognition and thus symbolic capital. Again, the case study of Mercedes-Benz exemplifies this use of luxury goods. Mr. Wang uses his economic capital to buy a luxury car, which then turns into symbolic capital, as he by owning such a luxury car obtains social status and prestige and also gains face. Hence, it can be argued that the buying motives of the Chinese are to use luxury products to build up symbolic capital as well as they use luxury products in gift giving situations in order to create social capital. Again, this can explain why the Chinese attach great importance to luxury goods.

### 4.3.3 Partial Conclusion

In this part I have analysed how specific elements of Confucianism influence the nature of Chinese luxury consumer behaviour. It stands clear that despite an increasing individualism, especially among the young Chinese generation, collectivism can still be considered the dominant factor in terms of luxury consumption in China. The emphasis on conformity prescribed by Confucianism and collectivism is very visible in the luxury consumption as the Chinese buy goods similar to what their peers buy. Therefore, if members of the in-group buy luxury brands then the other members will feel compelled to follow this trend. The fact that the Chinese are under great pressure to live up to the expectations of the in-group is also due to the great impact of the concept of face in the Chinese culture. The Chinese in many cases feel obliged to engage in consumption of luxury products if they are considered socially appropriate possessions in order to save face. In addition, the importance of gift giving in China closely connected to the face-saving behaviour also

[14] http://en.wikipedia.org/wiki/Symbolic_capital

influences the consumption of luxury products in China. When buying luxury goods as gifts the Chinese save face for both the giver and the receiver. A gift can therefore not be considered a purely economic transaction, rather a gift possesses symbolic value and symbolises the relation between the parties involved. Therefore, the use of luxury goods as gifts is widespread in China because of what they symbolise.

Hence, elements of Confucianism explain very well why the Chinese consumers attach so much importance to luxury brands. Materialism with its emphasis on flashing material possessions in the form of luxury brands has become widespread in China, and the still quite dominant Confucian thinking with its emphasis on collectivism and the need to conform therefore makes it difficult for the Chinese not to take part in this obsession with luxury brands, mirrored in their luxury consumer behaviour.

## 4.4 Marketing Implications

In the analysis I have examined how materialism and Confucianism influence the nature of Chinese luxury consumer behaviour. I will in this part look more closely at the findings I have made and see which implications they have for marketing luxury products in China. The intention with this part of the dissertation is to explain how aspects of materialism and Confucianism have consequences for marketers of luxury brands in China and to come up with suggestions as to how to market luxury products successfully in China. Based on the analysis I have identified four factors, which characterise the Chinese luxury consumer and therefore are important to take into consideration when wanting to enter the Chinese luxury market. The four factors are: status symbols and the show off-factor, money over style, conformity, and face-saving behaviour. I will in the following elaborate on these factors and explain how a luxury brand can integrate these factors into their marketing strategy.

### 4.4.1 Status Symbols and the Show Off-Factor

Displaying their social status is very important to the Chinese and luxury goods have become the marker of high social status in China today. Status symbols such as luxury cars are used on a large scale to flash one's financial achievements. The fact that

materialistic achievement is strongly emphasised in today's China makes material possessions very important to the Chinese and a way for them to display their success. Obviously, luxury products are sought after in China because of their ability to communicate wealth and status. Therefore, products and brands that raise the prestige of the Chinese consumers in a visible way are popular and appeal to the Chinese consumers.

As explained, the quest for social status in China is often achieved through the practice of conspicuous consumption. It stands clear that luxury products are not consumed due to their utility value, rather luxury goods are consumed because of what they symbolise. Therefore, assessing luxury products according to the products' *perceived conspicuousness* is prevalent among Chinese luxury consumers. They purchase luxury products in order to demonstrate class and status and it is thus important for them to consume products, which communicate these messages. In terms of luxury brands it is therefore essential that the brand is well known as an expensive brand and has visible brand-name logos, which make the brand easy to recognise. Not surprisingly, some 70 percent of the goods sold in Asia bear their manufacturers' logos[15].

The fact that the Chinese need to project their status through conspicuous consumption also makes it possible for luxury brands to charge more as their products are used for public consumption. The Chinese are willing to pay more for publicly displayed possessions than more invisible and private products. This means that when targeting the Chinese luxury consumers the price of the luxury product has to be high as this for the Chinese is the sole indicator of exclusivity and high-class. The popularity of diamonds in China illustrates this very well. Diamonds have become essential as a public display tool (Doctoroff 2005), as they are very expensive and therefore convey a message of wealth and success.

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[15] SCTWeek 20/10-08: *Asia keeps luxury brands rich*. http://web.ebscohost.com.esc-web.lib.cbs.dk/ehost/detail?vid=24&hid=107&sid=29462175-56e1-48d3-bdc3-52217946d41d%40sessionmgr109&bdata=JnNpdGU9ZWhvc3QtbGl2ZSZzY29wZT1zaXRl#db=bth&AN=35180713

Hence, when marketing to the Chinese luxury consumers it is important to use the show off-factor. The Chinese use luxury products to show off and the products therefore have to communicate prestige and it is therefore a good idea to place the brand name in a visible way. Furthermore, it seems as if the motto among the Chinese luxury consumers are the higher price the better status symbol, thus when marketing a luxury product, which is to be used in public, a premium pricing strategy is worth considering. In addition, luxury brands should never dilute their international credentials as the Chinese luxury consumers are buying global success and therefore want brands that are successful on the world stage (Chadha & Husband 2006). When reading through the Chinese version of the fashion magazine Vogue one will find that most luxury fashion brands, such as Gucci and Chanel, follow this strategy and use the same advertisements to market their products in China as in the West with internationally famous celebrities or supermodels.

### 4.4.2 Money over Style

In my analysis I found that when it comes to luxury consumption, what matters to the Chinese is to show off their wealth. It is clear that style is not an issue for the Chinese and not something to take into consideration when buying luxury goods. It is all about money and the Chinese luxury consumers go for expensive products and brands regardless of style. There are great opportunities for luxury brands entering China where the only success criterion for luxury products seems to be high price and the show off-factor. As mentioned earlier Dunhill has succeeded all over China and this is probably due to its reputation as expensive and exclusive, a brand that signals wealth and status.

According to Chadha and Husband (2006), however, it is important to foster the development of the sophistication level in China, as a stylish market is more profitable and sustainable in the long run. This entails that it is not enough for luxury brands to have an image as expensive, in the future luxury brands in China can also profit from defining what is stylish and chic and then show the Chinese consumers how to put it together.

The strategy of educating the Chinese consumers has recently been implemented in the marketing plans of the luxury product group LVMH. The LVMH group's range of luxury products includes the cognac brand Hennessy and champagne Moët et Chandon and can be considered a market leader. The marketer of these brands states that consumer education is a vital part of the LVMH strategy in the Chinese market, especially in second- and third-tier cities where a majority of the consumers will just buy anything that is foreign. Hence, consumer education forms an important part of the company's marketing of champagne, especially in differentiating the real thing from sparkling wine[16]. Therefore, despite a strong brand recognition in the Chinese market, brands like Moët et Chandon have to continuously educate the Chinese consumers in order for the brand to keep its position and profit in the long run.

### 4.4.3 Conformity

The Chinese are to a high extent guided by the expectations of their in-group. The peers have an enormous impact on the decision-making process of the Chinese and this can be one of the explanations why luxury brands have become so sought after in China. If luxury brands have become the norm in the group then it makes sense to buy luxury brands in order to fit in. The Chinese consumers use brand names to identify with their peers and it can be argued that brands have a social value. Luxury brands are therefore assessed based on the *social dimension* as brands are evaluated according to how they are perceived among the members of the group. In addition, the Chinese tend to focus more on brands than on the products themselves. This is the reason why high brand awareness is so important in order for a brand to succeed in the Chinese market. If a brand has high and positive brand awareness it will create a push effect into a larger segment of consumers.

Due to the conformity in Chinese society it takes time to win the Chinese market. A luxury brand entering the Chinese market has to build up high brand awareness, as the focus is more on the brand than on the product. Thus, appealing to the group mentality and appear as en exclusive brand is crucial for a luxury brand's success on

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[16] Media: Asia's Media and Marketing Newspaper 4/11-08: *LVMH to Boost Awareness.*

the Chinese market. Communication strategies such as word of mouth could be used to attract the Chinese consumers more effectively.

Louis Vuitton is an excellent example of how conformity and the need to fit in have implications for marketers. Louis Vuitton was one of the first luxury brands to enter the Chinese market and this has created very high awareness of the brand among the Chinese. The long queues to the Louis Vuitton stores in China tell their own story about the popularity of the brand. The conformity of the Chinese consumers was also evident for me when I was doing an internship in China. When talking to my female colleagues about shopping they all agreed that what they wanted the most was a handbag from Louis Vuitton. This really shows how important it is for marketers to understand the conformity of the Chinese and not to underestimate the power peers have on the decision-making process in China. Being a first mover on the Chinese market has definitely had its advantages for Louis Vuitton as it has created high brand awareness. Combined with a communication strategy of the word of mouth, Louis Vuitton has established itself as a market leader in the luxury business in China (Larenaudie 2005).

The importance of the opinion of the collective is as pointed out prevalent among all levels of Chinese society. However, there is a small but growing tendency for the young generation to interpret the collective differently then the elder generations. The young Chinese people have started to show sign of what can be called conformist individuality, which means that they want to be different, not as individuals but as members of their own group or generation. They use individualism as a means to achieve respect and having all their friends think they are popular. This has implications for marketers in terms of advertising. When targeting the younger generation of Chinese, collectivism and conformity is still a keyword but in the future advertisements targeting the younger generation is likely to have to contain some kind of twist of the conventional in order to appeal to the young Chinese consumers. Mercedes is one company, which has understood this. In a recently launched advertisement for their new SLK model, which is targeted women aged 25-35, the superstar Zhang Ziyi drives the car very fast through a spiralling parking lot, complete with hairpin turns and nerve racking breaks, demonstrating her complete control over

the vehicle while remaining effortlessly beautiful[17]. The message of this ad is clearly that young women are allowed to stand out and take control over their own life. Apparently more and more Chinese people find such ads emphasising individualistic values appealing, so in the future we will probably see an increase in such ads in China. At present, however, luxury ads in China mostly emphasise connoisseurship and the status of the brand with no direct reference to individualistic values. Therefore, marketers of luxury brands in China should at present still focus on the conformity of the Chinese.

### 4.4.4 Face-Saving Behaviour

The concept of face has a great impact on the Chinese consumers. The strong influence of face makes the Chinese engage in luxury consumption to save or enhance their face. The Chinese are under pressure to live up to the expectations of the group and they are therefore willing to spend what it takes on face products. The pressure to conform in Chinese society is connected to their face-saving consumer behaviour. If members of their reference group buy luxury products the Chinese will often feel compelled to follow this trend and buy luxury products. Again, the *perceived conspicuousness* and *social dimension* of products are used by the Chinese to assess and evaluate products.

It is important for luxury brands seeking to expand to China to obtain a comprehensive understanding of the concept of face as this can help the them identify what products the Chinese consumers prefer and why they favour them (Li & Su 2007). Luxury companies should emphasise high quality and distinguished social status of their products as buying such products can save and enhance the face of the Chinese. As I already have explained, brand awareness is essential to succeed in the Chinese market. The Chinese depend to a high extent on the opinion of their group and view consumption of popular and well-known brands as a means to save face. It is therefore important for marketers to understand the significance of the previous

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[17] Media: Asia's Media and Marketing Newspaper 1/5-08: *Mercedes launches first home grown ads in China.*
Watch the ad on: http://www.youtube.com/watch?v=l-J9lVzlR_4

mentioned word of mouth strategy as the face-saving behaviour of the Chinese ensures that they will follow the lead.

The importance of gift giving is also necessary to take into consideration when operating in the Chinese luxury market. Gift giving is often used as a way to build or maintain guanxi or social relationships. Luxury brands are regarded as particularly suitable for gift giving as they symbolise the importance or value of the social relationship between the giver and the receiver. Luxury gifts communicate status and success and thereby the giver gains face. In addition, the receiver of the gift gains face as luxury gifts communicate that the recipient is worth giving such a gift. What marketers of luxury brands should be aware of in terms of gift giving is that the wrapping is extremely important. It should indicate the status and prestige of the gift offered. In addition, marketers also have to consider their choice of retail outlet of the brand. If the brand is to be sold from a department store, it is essential that it is a prestigious department store, as a gift bought in such a store clearly indicates respect for the recipient of the gift (Schütte 1998).

I have already used Dunhill as an example of a luxury brand which have succeeded on the Chinese market by being a brand suitable for gift giving, thus a face-brand. Another example of a luxury brand, which has successfully marketed their products as face-products is De Beers, which has specialised in diamond engagement rings. In China where there is no tradition for Western-style engagement prior to marriage, De Beers has managed to market their engagement rings as symbols of love and commitment. The strategic planner director for the advertising agency network BBDO in China explains that De Beers has become popular as a face-product due to its emphasis on the ring as a symbol of love and commitment. The Chinese have found out that these engagement rings give them face outside the relationship – acceptance and validation[18].

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[18] Special report from Boston Consulting Group: *Selling in China*
http://search.bcg.com/search?q=selling+in+china&btnG.x=0&btnG.y=0&btnG=Search&entqr=0&getfields=*&output=xml_no_dtd&sort=date%3AD%3AL%3Ad1&client=pubs&ud=1&oe=UTF-8&ie=UTF-8&proxystylesheet=pubs&proxyreload=1&site=pubs&filter=p
(Retrieved 10/1-09)

### 4.4.5 Summing Up

My findings in the analysis have provided some implications for marketers of luxury brands wanting to expand to China. Due to the importance the Chinese attach to status symbols it is important to emphasise the prestige and luxuriousness of a brand as well as a premium pricing strategy is recommendable. In addition, in China the show off-factor connected to luxury brands is emphasised whereas style is not that important. However, in the end a stylish market is more profitable and it is therefore important for marketers to promote the development of style and educate the Chinese consumers. The conformity present in China makes brand awareness crucial for luxury brands in China. The Chinese consumers are very influenced by their peers, which makes communication strategies such as word of mouth an effective way to attract the Chinese consumers. The face saving behaviour of the Chinese should further encourage marketers to follow this strategy as the Chinese consumers often buy brands which are well known and popular among the members of the group in order to save face. The whole act of gift giving is also important to understand for luxury marketers as luxury brands often are used as gifts. The fact that gifts have great symbolic value in China entails that both the wrapping of the gift as well as the place where the gift has been purchased is of great importance.

# 5 Conclusion

The luxury fever sweeping through China has made the Chinese market very interesting for many luxury brands. The intention with this dissertation has been to look deeper into the distinct nature of luxury consumption, the Chinese obsession with luxury brands, as well as to discuss the implications for marketing luxury brands in China. More specifically I have examined how materialism and Confucianism influence the nature of the Chinese luxury consumption. Based on these findings I have examined the implications for marketing luxury products in China.

In order to understand the nature of Chinese luxury consumption Inglehart's modernisation theory has played a central role. A core theory of this dissertation has therefore been that a given country's level of economic development affects the values and thus the consumer behaviour of its people. I found that China's present stage of economic development gives rise to a high emphasis on materialistic achievement. The fact that materialistic achievement has become so important in today's China results in an extremely focus on luxury brands as this is a way for the Chinese to display their success and their social status. The more they spend and the more they flash their material possessions, the higher status they gain in society. The need to display material symbols in the quest for social status explains why the Chinese are so obsessed with luxury brands. The Chinese people buy luxury products because of the recognition that they receive in terms of reinforcing their status or ability to afford expensive items. Consequently, the Chinese consumers engage in conspicuous consumption. China's level of economic development fosters this emphasis on materialistic achievement and thus gives rise to the extreme focus on luxury brands. Therefore, the materialism evident in Chinese luxury consumption mirrors the current social and economic development in Chinese society. Materialism promotes the need to display one's success, financial achievements and social status and is thus a reason why luxury products are extremely popular in China today.

However, materialism alone cannot explain the luxury consumer behaviour of the Chinese. Despite the economic and social change in China where focus on materialistic achievement has become prevalent, the traditional philosophy of Confucianism still has an impact on the Chinese people, also when it comes to luxury consumption. Collectivism and the pressure to conform is one part of Confucianism,

which influence the luxury consumption in China. The Chinese are to a high degree guided by the expectations of their in-group. As luxury brands have become so sought-after in China, many Chinese feel obliged to buy luxury brands in order to fit in. The concept of face is also important in relation to this. In order to save face the Chinese in many cases feel a pressure to engage in this consumption of luxury products as this will enhance the respect of the in-group and they will thus live up to the expectations of the in-group. In addition, gift giving, which is widespread in China, plays a central role in the consumption of luxury brands as buying luxury goods as gifts save face for both the giver and the receiver. Moreover, luxury brands are seen as particularly appropriate for gift giving as they symbolise the importance and value of the relationship between the giver and the receiver. Hence, collectivism and the pressure to conform as well as the need to save face, hereunder the importance of gift giving in Chinese society, are all elements of Confucianism, which can explain the Chinese mania with luxury labels.

Materialism, with its emphasis on financial achievement and Confucianism, with its conservative social structure, may at first glance seem as apparent contradictions. However, I do not consider them as clear contradictions, as I would argue that they both possess a quest for social recognition. In my analysis I have found that the Chinese feel a need to secure or improve their social status through conspicuous consumption. I have demonstrated that this is due to both the influence of materialism, where luxury brands are used to display one's success and wealth and thus indicating one's social status, as well as it is due to the influence of Confucianism, where engaging in conspicuous consumption of luxury brands often is seen as the dominant determinant of recognition from the in-group. Hence, I consider social recognition a major motivator for luxury consumption in China. Materialism and Confucianism can therefore explain the nature of Chinese luxury consumption, which is characterised by an obsession with luxury brands, in the way that it is guided by a quest for social recognition – a quest, which materialism and Confucianism to a large extent contribute to.

Naturally, the influence of both materialism and Confucianism on Chinese luxury consumption has implications for marketers of luxury brands in China. Based on the findings in the analysis I came up with suggestions as to what marketers should take

into consideration when targeting Chinese luxury consumers. The Chinese use luxury brands to show off and the brands therefore have to communicate prestige. It is thus a good idea to place the brand name in a visible way. In addition, a premium pricing strategy is recommendable as high price is the sole indicator of luxury in China. China cannot be regarded as a stylish market, as money is far more important to the Chinese than style. However, as a stylish market is more profitable in the long run consumer education should form an essential part of a luxury brand's entrance to the Chinese market. Furthermore, the Chinese are very influenced by their peers and conformity to the group is crucial. This makes high brand awareness necessary for luxury brands in China and employing the word of mouth communication strategy will be an effective way to attract the Chinese consumers. This communication strategy is also advisable since the Chinese consumers buy brands that are popular among their peers in order to save face. Face-saving behaviour is also prevalent in the act of gift giving in China. Luxury brands are preferred as gifts because of what they symbolise and accordingly it is important for marketers to be aware that luxurious wrapping as well as the right location of the store is of great importance to the Chinese consumers. This indicates respect for the recipient and it is thus a way for the giver to save face as well as a way for the giver to give face to the recipient.

China today is a melting pot into which what might seem as conflicting value systems, materialism and Confucianism, have been thrown together and created the distinct nature of Chinese luxury consumption. Hence, when marketing luxury brands to the Chinese consumers it is crucial to understand how materialism and Confucianism influence the Chinese luxury consumer behaviour - especially that the importance attached to social recognition and prestige, which these two factors have contributed to, has led to the strong desire for luxury brands in China.

# 6 Perspectives – The Future of Chinese Luxury Consumption

During my work process of examining Chinese luxury consumer behaviour I have come across future interesting subjects and aspects related to this topic. I believe that one research area in particular deserves to be mentioned in relation to my topic of investigation, as it will be of great interest to marketers of luxury brands in China. What I am referring to is the young and future generations of luxury consumers in China and how their luxury consumption will develop in the future.

Inglehart's modernisation theory predicts that when a given country has reached a high level of socio-economic development, a shift from modern to postmodern values occurs. It can be argued that China will reach the level of postmodernisation at some point. When reaching this point the luxury consumer behaviour of the Chinese is likely to change and might come to reflect more postmodern values. Some will probably argue that it will come to resemble the Western luxury consumer behaviour with its emphasis on the consumer's own personal opinion and self-expression when purchasing luxury goods. In addition, a shift to more postmodern values often entails more focus on for example the emphasis that the luxury brands put on CSR. However, I believe that aspects of the Chinese culture are so strong that they will continue to have an influence on the Chinese luxury consumption and it may therefore not follow the paths of development identical to the Western world.

When discussing the future of Chinese luxury consumers it may be more obvious to look at Japan instead of the Western countries. The level of Japan's socio-economic development is the same as in many Western countries but the nature of the Japanese luxury consumption is somewhat different than its Western counterparts. Probably due to Japan being a much wealthier nation than China, the Japanese luxury consumers have an even bigger appetite for luxury brands. The fact that Japan has been through all of the five stages in the luxury model referred to on p. 44 makes Japan a case study of the development that the Chinese market is likely to undergo (Chadha & Husband 2006). As Japan is an economically developed nation but still under the influence of Confucianism, I am sure that many of the traits characterising the Japanese luxury consumption will apply to the Chinese in the future.

However, where I think there might be a difference between the Japanese luxury consumers and the future Chinese luxury consumers is when it comes to individualism. Due to China's one-child policy, the young generations in China are used to a lot of attention from their parents and grandparents and they are raised with the awareness of individual importance. Thus, I think that in one way or another individualism, in contrast to Japan, is likely to leave its stamp on the young Chinese generations and therefore have an impact on the nature of luxury consumption. However, I do believe that more traditional values will continue to influence luxury consumption, like they do in Japan.

I think it will be interesting to investigate this future development of the Chinese luxury consumption and see whether individualism in the years to come will have an increasing impact on the Chinese luxury consumers and how this will affect the nature of the Chinese luxury consumption.

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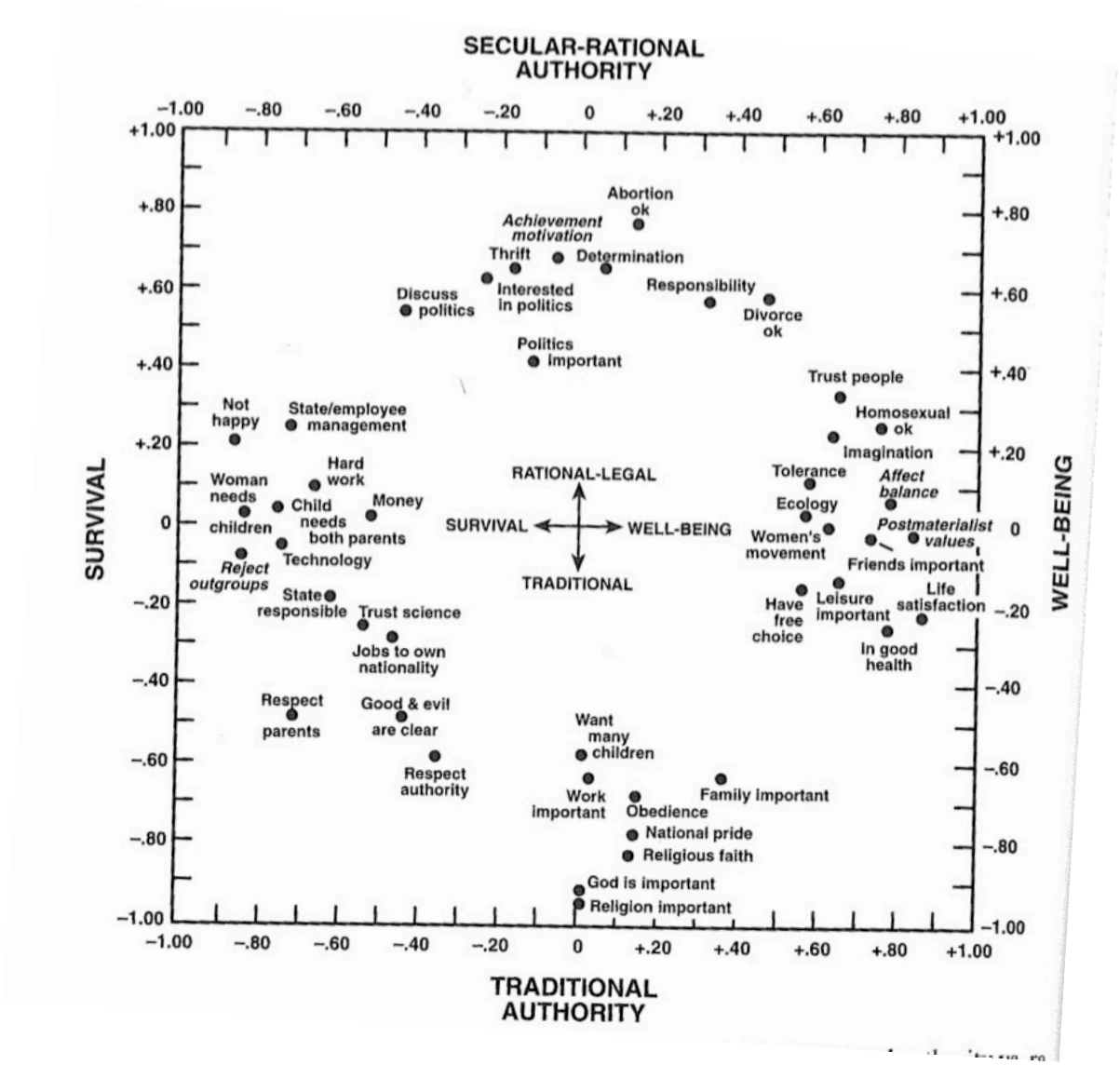
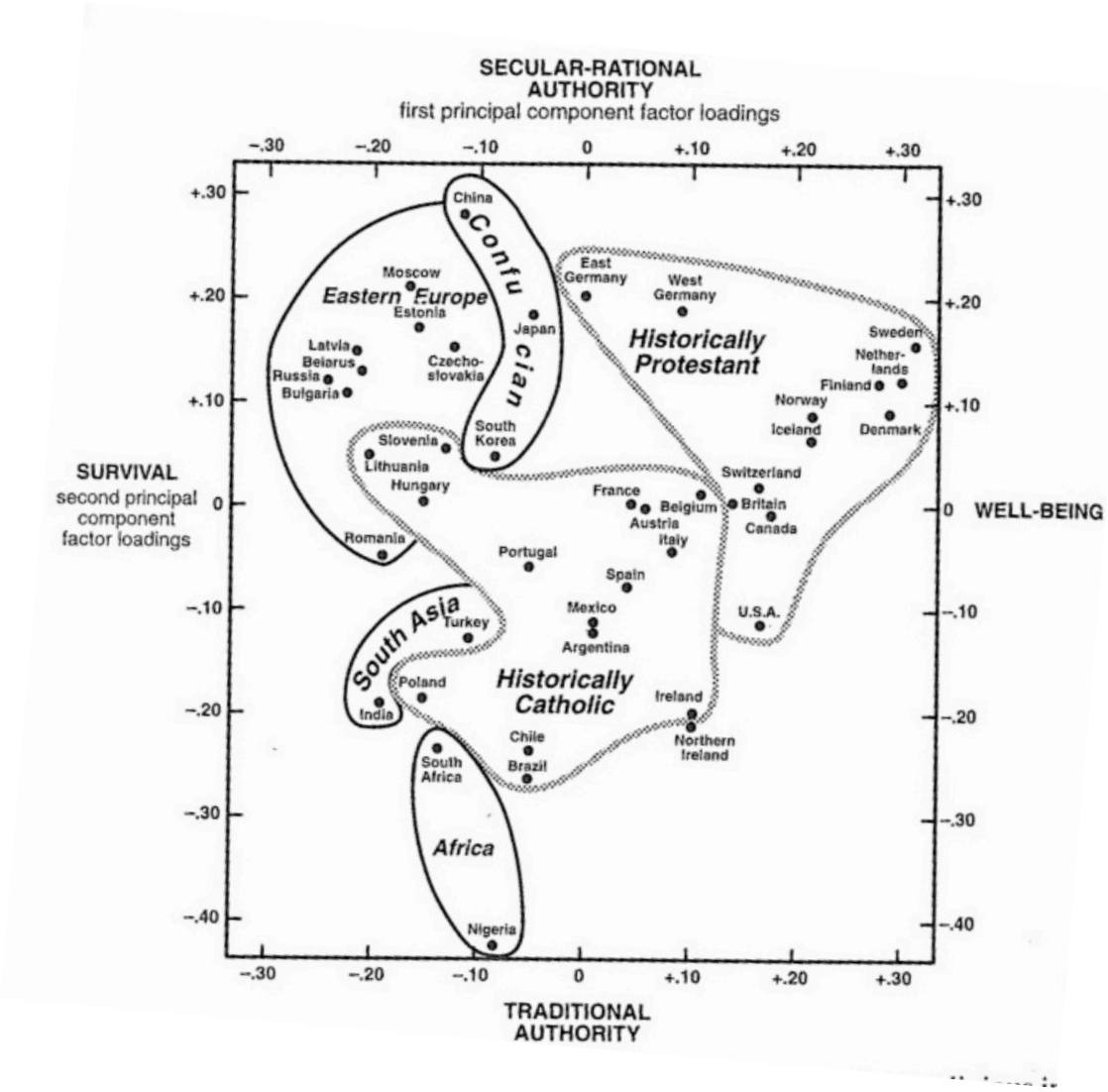
# Appendix A

## Inglehart's Value Dimension Figures:




Variation in values emphasised by different societies.

(Source: Inglehart 1997, p. 82).




Where given societies fall on two key cultural dimensions.

(Source: Inglehart 1997, p. 93).

# Appendix B

## Abstract

The purpose of this dissertation has been two-fold. Firstly, I have analysed how materialism and Confucianism influence the nature of Chinese luxury consumption. Secondly, I have determined which implications this has for marketing luxury brands in China and in continuation of this I have suggested how to market luxury brands successfully on the Chinese market.

The first part of the analysis took its point of departure in Inglehart's theory on the different set of values connected to traditional, modern and post-modern societies. It was found that at China's current level of socio-economic development materialism can be considered a dominant value. At this stage, social status is based on materialistic achievement and this causes the Chinese to attach great importance to the consumption of luxury brands, as they thereby are able to display their success and social status. The materialism that clearly influences the Chinese luxury consumers is therefore a reflection of China's level of socio-economic development and the need to show off their success and project their social status were identified as one of the reasons to the Chinese crave for luxury brands. In the second part of the analysis the influence of Confucianism on the nature of Chinese luxury consumption was examined. It revealed that collectivism and the pressure to conform as well as face-saving are important aspects of Confucianism, which today continue to influence the Chinese luxury consumers. It is seen in the way that the Chinese are under constant pressure to conform to the norms of the in-group. Thus, with the extreme focus on luxury brands in China today, the Chinese feel compelled to follow this consumer trend in order to live up to the expectations of the group and thereby save face.

Based on these findings the implications for marketers of luxury brands in China were identified and suggestions on successful marketing in China were given. I identified four factors, which together form the Chinese luxury consumer: status symbols and the show off factor, money over style, conformity and face-saving behaviour. It was then suggested that a premium pricing strategy, emphasising the brand's international credentials, consumer education, brand awareness through the word of mouth communication strategy as well as the wrapping of gifts and location of the retail

outlet are essential to take into consideration when marketing luxury brands on the Chinese market.

The main conclusion of the dissertation was that even though materialism and Confucianism might seem as clear contradictions they both entail the need for social recognition, which in turn creates the obsession with luxury brands in China. Marketers of luxury brands in China have to understand that both materialism and Confucianism influence the Chinese luxury consumers and this means that factors such as consumer education and the word of mouth strategy is crucial to integrate in a luxury brand's marketing strategy.