

Social Identity and Luxury Consumption in China



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Resumé

Hovedformålet med dette speciale er, at finde ud af hvilken social identitet kineserne skaber igennem deres forbrug af luksusprodukter. I forlængelse heraf vil jeg se på teorier som kan hjælpe mig til at forstå kinesisk luksusforbrug. Derudover vil jeg se på elementerne fra teorierne, i underspørgsmål 1, og på hvordan de kommer til udtryk i den kinesiske elites luksusforbrug.

Igennem specialet har jeg analyseret mig frem til, at der er flere faktorer der spiller ind, når den Kinesiske elite skaber deres sociale identitet igennem luksusprodukter.

De gældende faktorer er som følgende: konfucianisme,- herunder: kollektivism, guanxi, og face. Derudover spiller opinionsledere, gift giving og landets socialøkonomiske ståsted også en vigtig rolle i forhold til landets forbrug af luksusprodukter.

Kinas socialøkonomiske ståsted gør, at Kineserne har fået flere penge imellem hænderne end tidligere. Der er et stort fokus på materialisme grundet den socialøkonomiske fase som Kineserne befinder sig i på nuværende tidspunkt. Dette bidrager i høj grad til investeringer i luksusprodukter.

Denne påstand er baseret på Inglehart's teori, som argumenterer for et lands nuværende socialøkonomiske ståsted influerer på befolkningens forbrug af luksusprodukter.

Det øgede fokus på materialisme samt landets kultur, hvor gruppementaliteten styrer Kinesernes hverdag gør, at Kineserne forsøger at gøre alt, hvad de kan for at vise deres sociale status i samfundet, hvilket ofte inkluderer køb af luksusprodukter.

Der er en stærk gruppementalitet i Kina. Dette er påvist af Hofstede, men kollektivismen ligger også i Kinas grundlæggende filosofi, konfucianisme.

Konfucianisme er et regelsæt som indeholder flere forskellige faktorer udover kollektivismen. I Konfucianismen finder vi også begrebet face og guanxi. Disse to begreber er vigtige i forhold til Kinesernes sociale identitet og deres forbrug af luksusprodukter. Hertil finder vi også gift-giving som er tæt forbundet med face.

Begrebet face betyder, at man f.eks. køber et luksusprodukt, derefter gives produktet til en anden (gift-giving), hvorved man opnår man face, fordi det får vedkommende til at fremstå positivt i forhold til andre.

Guanxi er et begreb man benytter når en person har et stort netværk af fordelagtige forhold som ikke nødvendigvis er relateret til deres arbejde. Dette er med til at skabe en social identitet hos Kineserne, fordi der som ofte er luksusprodukter involveret i disse forhold.

Den sidste faktor som jeg fandt relevant var opinionsledere. Opinionsledere er ekstremt populære i Kina. Kineserne er, som tidligere nævnt, en del af et gruppesamfund, og i disse grupper er der opinionsledere som nærmest dikterer, hvad de øvrige medlemmer af disse grupper skal købe.

Det er ofte luksusprodukter som opinionslederne køber, og dette skaber en såkaldt "push-effect" i gruppen som gør, at de øvrige medlemmer i gruppen køber de samme luksusprodukter, for ikke at blive udstødt

På baggrund af de ovenstående faktorer kan det konkluderes, at den Kinesiske elite udvikler deres sociale identitet igennem mange forskellige faktorer som alle er forbundet til deres forbrug af luksusprodukter.

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Introduction

Since the opening of China's economy in 1979 (Morrison, 2006, p.142) where new reforms were established and the economy grew dramatically, China achieved 10 percent average growth rate for the next two decades (Morrison, 2006, p.117).

As a former communist country turned to capitalism, consumer culture is spreading from the West to other parts of the world (Wiedmann et al., 2007, p. 2) and the demand for luxury products is increasing (Wong and Ahuvia, 1998) meaning that the Chinese consumer's obsession with luxury products has skyrocketed.

Today the luxury industry in China is growing rapidly and is worth a staggering US\$180 billion (Yuval Atsmon et. al. 2012, p. 7) and with a population of 1.4 billion people (UM, 2015) it was named the world's second-biggest economy last year (S.C, 2014), - and it shows.

The number of new designer stores has accelerated, and today you will find 36 Louis Vuitton stores in 29 cities across China whereas in 2005, the designer brand only had stores in 10 cities.

Gucci has expanded even faster, starting with just six stores in the beginning of 2006, ramping up to 39 stores today. Hermes quadrupled its stores from five in 2005 to 20 today. Other designer brands are experiencing the same tendency (Yuval et. al., 2012, p. 7).

The Chinese consumer is everywhere in today's luxury industry and they know what they want. We have all seen them wait in line outside luxury brand stores across the world hoping to be the first one to buy the latest "must-have".

According to Reuters (2014) the Chinese consumer represents the top and fastest-growing nationality for luxury, spending more abroad than three times what they spend locally.

Brian Buchwald, CEO of consumer intelligence firm Bomoda, explains how Chinese consumers prefer to shop for luxury goods overseas because they are more confident of the branded good's authenticity.

A belief that luxury goods sold abroad are superior to locally sold merchandise, as well as prices that are up to 40 percent lower due to the lack of Chinese import taxes, also helps increase purchases (Aza Wee Sile, 2015).

However, for some Chinese consumers the price doesn't matter. We have a segment of Chinese consumers who you could describe as elite luxury consumers.

In the 2015 edition of Forbes' *China Rich List* a record of 335 billionaires from Mainland China are identified (Flannery, 2015). That's a big increase of 93 people, or 38% from a year ago. Even though the U.S is still number one, it verifies China as No. 2 in the world's billionaire ranks (ibid).

In order to be able to make the 2015 list, the minimum fortune needed rose to \$850 million from \$700 million last year. This was partly due to the economic growth of approximately 7% in the past year but also because of large increases in stock prices.

The 2015 list consists of 400 members and their total wealth rose to \$830 billion compared with \$680 billion a year ago. Some 90 members of last year's list didn't make the 2015 edition (ibid).

These new millionaires and billionaires of China made their money in the booming economy because labor is still very cheap in China compared to the Western countries, making it possible to export to the outside world while making huge profits.

However, the growth of China's new elite luxury segment is not only due to the booming economy. According to managing director for DI, Glen Mikkelsen, who has lived in Shanghai for the past 5 years and has observed the new rich elite, many Chinese consumers have become very wealthy today because of the soaring real estate market.

Anyone who have invested in the real estate market from 1978 and onwards have made large amounts of money. In addition, the consumer groups who invested a ton of money are extremely wealthy today (Vorre, 2012).

Predictions show that the ranks of the very wealthy – (those who's assets are greater than RMB 100 million) – will drive 38% of the growth in the luxury market over the next five years (Yuval Atsmon et. al. 2012, p. 12).

Furthermore, based on the findings above, it is obvious the Chinese elite luxury consumer is a lot different from other consumers- but how are they different? Who are these big-spenders and why has luxury become so increasingly important for them?

Is it only the Chinese elite who are willing to pay 1000\$ for a Louis Vuitton handbag or are some of the customers also from the growing middle-class segment? What characterizes China's elite? What factors come into play when they buy luxury products and what does the term luxury actually mean to the Chinese consumer?

Is every product considered luxury to the Chinese people or is it only selected items? On the basis of the considerations above, I have formulated a problem statement.

Research Question:

What kind of social identity does the Chinese elite shape through their consumption of luxury goods?

Sub-questions:

1. Which theories can help explain Chinese luxury consumption?
2. To what extent do the elements from the theories express the luxury consumption of the Chinese elite?

Limitations

This thesis deals with the Chinese elite and their luxury consumption. Therefore the primary focus will be on Chinese luxury consumption and what theories can help explain the nature of Chinese luxury consumption. This focus will enable me to better understand what social identity they develop through their consumption of luxury products.

The thesis will therefore not be dealing with other countries luxury consumer behavior vs. the Western luxury consumer behavior.

However, throughout the thesis, I will include a few comparisons from other countries in order to demonstrate my viewpoints in relation to the research question but in general the thesis will only focus on the Chinese luxury consumer.

Since China is a group-oriented country (Li & Su, 2007, p. 237) my analysis of the Chinese luxury consumer will be on the country level, meaning I will investigate the Chinese luxury consumer as a group rather than as an individual.

Due to the fact that I will be analyzing the Chinese people as a group and not as an individual there will some general conclusions and tendencies.

However, it is not my intention to conclude that all Chinese consumers exhibit the same behavior because of course there are differences among the Chinese consumers but since the analysis will focus on the country level and not the individual it is almost impossible to avoid generalization and the risk of stereotyping.

With a population of 1.381.537.308 people¹, China is one of the biggest countries in the world. Due to its large size and large population there are going to be inevitable differences in consumption.

Since China started its modernization process in 1979 (Morrison, 2006, p. 142), where new reforms were established and the economy grew dramatically (Morrison, 2006, p. 117), the differences between the Chinese people living in urban areas and the Chinese people living in rural areas have experienced an increasing gap. This means that the people living in the urban areas are more up to date with the modern lifestyle than their rural living counterparts (ibid).

Therefore, the focus will be on the Chinese people living in the urban areas because they will more likely, than their rural counterparts, have the finances and opportunities to engage in the consumption of luxury products.

¹ <http://www.worldometers.info/world-population/china-population/>

Structure of the thesis

This thesis consists of three main parts. The first contains the introduction, research question, delimitations and structure of the thesis.

In the second part, the different culture theories such as theories about Chinese culture and theories about Chinese luxury consumption will be presented.

These theories in particular will take up most of the space in my thesis, the purpose being to gather as much relevant theory about Chinese culture and Chinese luxury consumption as possible.

In the third part of the thesis I present a number of photos of China's superrich, showing how consumers from the younger segment and consumers from the older segment spend their money on luxury. In continuation, I explain the photos using the theories presented in the second part of thesis.

Finally, the conclusion and perspectives are presented.

Theoretical Framework

Luxury Theories

What is luxury?

In this part of the thesis different theories will be presented, which can help explain Chinese luxury consumption. The different theories will enable me to answer sub question no. 1.

Since the core of this thesis is luxury, I will start out defining what luxury is because the concept of luxury can have different connotations.

According to Ahuvia & Wong (2002) the concept of luxury is not new. Many scholars, including Belk and Richins (ibid), have attempted to define what it actually means but it's very difficult to define because it can have so many different meanings depending on whom you ask and depending on the context.

Later in the thesis, the luxury concept will be put into an Asian concept and I will explore how the Chinese consumers consume luxury products.

Definition of luxury

As mentioned above, the word "luxury" can be tricky to define since it depends on whom you ask depending on their social position (and personal consumption experiences).

However, what can be said about luxury is that it is something costly but unnecessary and many people indulge in luxury if they want to spoil themselves or their love ones. Moreover, luxury is something unusual; meaning not many people can obtain or afford it. Luxury can also provide comfort and envy when around other people².

² <http://www.thefreedictionary.com/luxury>

Different scholars have different opinions about how to define the term luxury. Cornell (2002) says: *“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”*, while Berry (1994) defines luxury, as something not needed in society and that it is *“an obvious fact that luxuries are not needed”*.

Brand expert, Jean-noel Kapferer argues the word luxury defines beauty meaning; *“it is art applied to functional items. Like light, luxury is enlightening. Luxury items provide extra pleasure and flatter all senses at once. Luxury is the appendage of the ruling classes”* (Kapferer, 1997, p.253).

Moreover, Kapferer also claims how psychological benefits, rather than functional benefits, are the main factor distinguishing luxury products from non-luxury products (Patrick & Hagtvedt, 2013, p. 358).

Finally, we have one of the most well known sociologist and economist, Veblen (1994), who argues that luxury and exclusivity are often associated, and luxury products may be conspicuously consumed with the purpose of showing off class and social status.

I will speak of conspicuous consumption in the next section of the thesis.

Conspicuous Consumption

As mentioned previously, Veblen argues how conspicuous consumption and luxury consumption is closely connected. Therefore, conspicuous consumption deserves a thorough examination in this thesis.

First, I describe the theory of conspicuous consumption and hereafter I will look at different scholars who agree with Thorstein Veblen and his theory of conspicuous consumption. This is followed by an examination of the critique of the theory of conspicuous consumption.

The Theory of Conspicuous Consumption

-Who is Thorstein Veblen?

As stated earlier, one of the most talked about theorists when it comes to luxury consumption, is Veblen. However, not many people know exactly how he is relevant to the industry.

In the following section, I will discuss the work of Veblen and talk about his renowned conspicuous consumption theory, which is a theory very closely connected to luxury consumption when talking about consumer behavior.

Veblen (1994 (1899)) was a sociologist and economist who lived from 1857-1929. His work within economics and social science contributed to the development of the theory of conspicuous consumption. The theory is based on observing the leisure class in America at the end of the nineteenth century.

According to Veblen (1994 (1899)), the upper classes invented fashion because they wanted to distinguish themselves from those below. When people of a lower social ladder imitated the behavior of the upper classes, the upper classes had to reinvent themselves in order to maintain their exclusiveness.

In other words, he believed the underlying principle of buying a particular expensive product may be found in what the purchase symbolizes to others and not just because we like the design of a particular product.

In Veblen's book *"The Theory of The Leisure Class"* he tries to emphasize the use of personal comfort, consumer goods and well being as not being the sole purpose of consumption.

In Veblen's mind, hence, he refers to conspicuous consumption as expenditures not made for comfort or use but for the only purpose to inflate the ego. In Veblen's theory, conspicuous behavior suggests the rich prefer to pay high prices because this advertises the fact that they can afford such things as a necklace by Gucci, while simultaneously excluding those who cannot.

Veblen points out that for the leisure class the price tag is essential for status. This willingness to pay more when comparable merchandise is available for much less is what some economists now refer to as "the Veblen effect" which I will speak about later (Lu, 2008, p. 5).

Veblen also argues that consumer behavior has a strong socio-cultural significance because goods take on the function of signs and symbols.

Today, he is perceived, as one of the greatest American social critics and many people see him as a pioneer within his field.

Another theorist, John Rae, agrees with Veblen because he also argues people have a socially driven desire for engaging in conspicuous consumption to protect one's position in society (Mason, 1999, p. 75). Furthermore, Rae believes society is to blame for conspicuous consumption, not that of the individual who is merely behaving like everyone else and responding to social pressure (ibid).

What is The Veblen Effect?

Luxury and conspicuous consumption are closely linked. According to Bagwell & Bernheim (1996), the so-called *Veblen effect* arises when consumers exhibit a willingness to pay a higher price for a functionally equivalent good in order to achieve social status by signaling wealth through conspicuous consumption.

In addition to the *Veblen effect*, we also have the *bandwagon effect* and the *snob effect*. The *bandwagon effect* is when the demand of a product increases because others are buying the same good. It is different from the *Veblen effect* because it's independent of price.

In contrast to the *bandwagon effect* we have the *snob effect*. We speak of the *snob effect* when the market demand decreases because others are purchasing the same product (Corneo & Jeanne (1997)) & (Amaldoss & Jain, 2005, p. 1449).

It seems reasonable to argue that people with dominant collectivistic values are influenced by the *bandwagon effect* whereas people with individualistic values are influenced by the *snob effect* (Henriksen, 2009, p. 22).

Colin Campbell's Critique of Veblen

Campbell (1995) was one of the first ones to criticize Veblen's theory about conspicuous consumption (Campbell, 1995, p. 37).

Veblen claims all a stranger can know about another person is what the person visibly displays in terms of one's pecuniary strength but the question is: why would anyone want to impress this ever-changing and anonymous mass of potential observers? (Campbell, Colin, 1995, p. 43)

Veblen's original argument was that the consumer sought to impress others with his or her wealth in order to win their esteem and thereby hoping to maintain or improve their social status.

However, Campbell finds it hard to see how this argument could apply in instances where one's conduct is scrutinized by a number of unknown observers because you don't know what impression one might leave in the mind of the unknown observer and therefore it is impossible to know how it could affect one's social status (ibid).

Veblen is, according to Campbell, also not specifying clearly who the target audience is for his theory. This is relevant because you would need to know if the action you just undertook has been a success or a failure.

In Veblen's view, individuals are trying to outdo each other but according to Campbell (2000) people are not necessarily trying to compete with each other out of envy or pride; instead he believes an improved standard of living could be the reason why people engage in conspicuous consumption.

Furthermore, Veblen seems to ignore the fact a product could be acquired based on the consumer's taste and style and not because of the status it conveys. Campbell also points out how others might try to succeed over others through innovation rather than imitation as Veblen suggests.

More importantly, Campbell argues how social groups might have conflicting views as to how the criteria of defining status should be. However, 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.

Moreover, in Colin Campbell's eyes, Veblen is more of a social critic and commentator rather than a social theorist (Campbell, 1995, p. 37). In addition, other scholars like sociologist Mills, C. Wright (1957) described Veblen as "the best critic of America that America has produced" rather than the best sociologist (ibid).

Another problem, however, appears to stand in the way of pursuing even this limited research strategy. According to British professor Roger Mason (1981), the conspicuous consumer, “anxious to display wealth and gain in prestige, will rarely if ever explicitly admit to any such intentions”.

In addition, a researcher might have problems with informants willing to admit that this definition applied to them (Campbell, 1995, p. 46).

Andrew Trigg’s Critique of Veblen

One person who has taken this critique a step further is senior economist Dr. Trigg. He argues Veblen’s theory is irrelevant and out of date in relation to the new cultural form of contemporary consumer society (Trigg, 2001).

Dr. Trigg (2001) believes Veblen’s theory is too restrictive because it relies on the “trickle down” of consumption patterns from the top of the social hierarchy.

The pacesetters for consumption may also be those at the bottom of the hierarchy. This also shows how the conspicuous consumption theory lacks generality because it only applies to luxury products (Trigg, 2001, p.99).

Many things have happened in society since Veblen developed his conspicuous consumption theory. Today people are subtler when it comes to the display of their wealth and consumer behavior is no longer restricted to a social class but by lifestyles that cut across the social hierarchy (ibid).

As mentioned earlier, there are different viewpoints, from different scholars, when it comes to the validity of Veblen’s conspicuous consumption theory.

However, in today’s society, Veblen’s theory of conspicuous consumption is still relevant in some aspects, which we shall see later in this thesis.

It can explain some of the behavior connected to Chinese luxury consumer behavior because China is in a socio-economic phase where the country is still evolving and economic development is still on-going (Lu, 2008, p.25) which means that as the Chinese consumers become wealthier, the more luxury products they will purchase.

Luxury Consumers' Value Dimensions

Another way to assess luxury products and theories concerning consumers' luxury value perceptions is to look at Vigneron & Johnson's (2004) theories about their five key luxury dimensions, which they believe underlie the decision-making process that takes place when evaluating luxury brands.

Vigneron & Johnson's (2004) five key luxury dimensions:

1. *Perceived conspicuous value* (and) this dimension is important to individuals who are very much influenced by their reference groups when they buy luxury products because they want to demonstrate class and social status.
2. *Perceived unique value* (and) this dimension is based on the assumptions that exclusivity, scarcity and limited supply of products reinforce preferences for a brand. Some consumers are drawn to the uniqueness of a product because they seek to improve their self-image and social image by adhering to their personal taste.
3. *Perceived extended self-value/Perceived social value* (and) this dimension is important to consumers who use luxury products to classify or distinguish themselves in relation to other people that might be relevant.
4. *Perceived hedonic value* (and) here we have consumers who rely on their own personal opinion when buying luxury products. Consumers are considered hedonic, when they are looking to buy products based on a

reward to him or herself or another fulfillment they can acquire through luxury products.

5. *Perceived quality value* (and) this dimension is very important for consumers who are very quality-oriented because they believe that luxury products have better and superior skills compared with non-luxury products.

However, according to Wiedman et al. (2007), Vigneron and Johnson's five-dimension framework is incomplete because they believe it is important to combine a set of luxury value dimensions into one single framework instead of viewing each perceived value of luxury separately.

Wiedman et. al. (2007) have therefore decided to further develop Vigneron and Johnson's five dimension model because they believe, it will be able to identify a broader variety of potential luxury value drivers which in turn may serve as the basis for further identification and segmentation of different types of luxury consumers across cultures (Wiedman et al., 2007, p. 1).

In the following paragraph Wiedman et. al.'s 4 dimensions will be represented.

Wiedman et al.'s model (2007, p.4) 4 dimensions:

1. *Financial Dimension*. This dimension addresses the monetary aspect, such as the value of the product expressed in the price.
2. *Functional Dimension*. The focus of this dimension is on the core benefits and basic utilities that drive the consumer based luxury value when it comes to quality, uniqueness and the reliability of the product.
3. In a way, you can compare this dimension to the *perceived uniqueness* and the *perceived quality* dimensions described above.

4. *Individual Dimension.* The individual is center in this dimension and it can therefore be compared to the *perceived hedonic value* above because it refers to an individual's personal orientation on luxury consumption and addresses personal matters such as materialism, hedonistic and self-identity value.
5. *Social Dimension.* When people buy luxury it often appears to have a strong social function. Consumers often acquire some sort of utility by consuming luxury products within their social group, such as conspicuousness, prestige and perhaps does this have an influence on the evaluation and the desire to purchase luxury brands.

The purpose of Wiedman et. al.'s 4 dimension model was to develop an integrated conceptual framework of consumers' luxury value perception for researchers and marketers of luxury goods who may wish to measure the dimensions of individual luxury perceptions around the world (Wiedman et. al, 2007, p. 1).

The model illustrates how financial, functional, social and individual dimensions significantly impact the consumer's luxury value consumption and consumption on an international level (ibid).

In the previous section, I have presented different definitions of luxury. Furthermore, the work of Thorstein Veblen, his theory about conspicuous consumption and his so-called *Veblen Effect* were a topic of discussing because many people still believe the theories hold ground until this day.

Moreover, I presented different scholars who have stated their opinion about Veblen's work. As a result, some scholars agree and others think Veblen's work is out of date.

One of the first scholars I represented was Vigeron & Johnson. They have developed a 5 dimensional model as a useful tool in connection to the decision-making process that takes place when evaluating luxury brands.

However, I also came across other theorists like Wiedman et al. who found Vigeron & Johnson's model insufficient which in turn made Wiedman et al. add 4 new dimensions to Vigeron & Johnson's original model.

Wiedman et al. (2007) suggest the new model is now supported across countries but the relative importance of the different dimensions may vary.

However, we have to take into consideration that the model will not be able to capture all effects of culture and ethnicity because of the different cultures around the world. Thus, the implications of the model mainly refer to the global segment of cosmopolitan luxury consumers (ibid).

Nevertheless, even though consumers in different countries buy luxury products for different reasons, they hold the same values and no matter what country of origin they come from, their basic motivational drivers are really the same: the functional, financial, personal, and social dimensions of luxury value perception, only the individual value differs.

Culture theories

Culture is a powerful tool when it comes to international business and luxury consumption. A person's luxury consumption is often connected to one's culture. Consumers all around the world live by different values and beliefs because they live in different countries where different cultures exist.

It can therefore be very tricky for marketers to face the challenge of operating in a globalizing economy where culture plays a key role in the effectiveness of nations, companies and functions (Schneider & Barsoux, 2002, p. 1).

Furthermore, in the event a company does not manage to fully understand the cultural dimensions of a country, it can have devastating consequences in the long run and the company might risk losing everything they have worked for.

Therefore, understanding the different cultural dimensions of different countries in connection to their luxury consumption pattern enables us to look for the relevant cues that can help to direct our behavior, to anticipate the preferences or reactions of others and to question the underlying reasons for the differences we encounter (ibid).

In order to help us understand consumer behavior and their luxury consumption pattern, I have decided to look at two world-renowned theorists in the hope of bringing more clarity to the subject.

The first theorist is Abraham Maslow. I have decided to mention him in this thesis because his work says much about a country's developmental stage and by looking at his work, we will be able to obtain a better understanding of where the Chinese are in terms of luxury consumption.

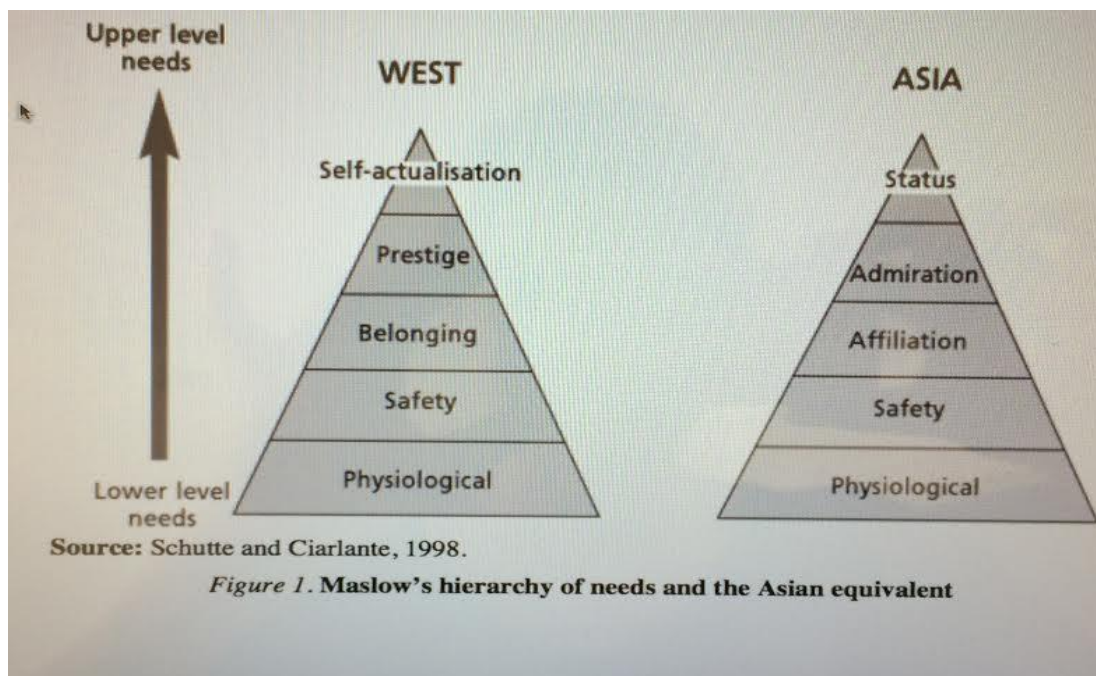
The second theorist is Geert Hofstede and his work revolves around the global differences that exist between different countries all around the world that influence a consumer's luxury spending.

Maslow's Hierarchy of Needs

When discussing consumer motivation and when trying to find out why people behave the way that they do, Maslow's hierarchy of needs plays a central part in the debate and deserves a thorough examination.

Maslow's theory is one of the most referenced and discussed motivation theories used when trying to understand why consumers behave the way they do and what motivates their actions (Chianci & Patrick, 2003, p. 144).

Maslow's hierarchy of needs is divided into 5 categories as shown in the figure below. The needs identified by Maslow, in their hierarchical order, include *physiological*, *safety*, *belonging*, *prestige* and a *self-actualization* need. The needs are ranked according to importance, meaning that that lower-level needs to be fulfilled in order to be able to pursue higher-level needs. See the figure below:



Above we see two figures. I will start by explaining Maslow's hierarchy of needs, which is the figure to the left, and then later in the thesis, I will explain Schütte's Asian equivalent of Maslow's hierarchy of needs, which is the figure to the right.

The reason why Schütte has made an Asian equivalent is because Chinese culture is very different from the Western culture so in order to capture the specific cultural differences, he developed an Asian version of Maslow's hierarchy of needs.

As mentioned, I will elaborate and question Schütte's model later in the thesis because it is doubtful as to whether Schütte's model is a necessary tool to use in general. (see p. 30).

As shown above in Maslow's figure to the left, at the bottom we have the *Physiological* needs which are the basic human needs required fundamentally to be able to live and they include: food, clothing and shelter. Until the *Physiological* needs are satisfied, the motivation to fulfill other above-ranking needs is very low (Chianci & Patrick, 2003, p. 145).

After the *Physiological* needs, we find the *Safety* needs. The *Safety* needs deals with the fact that a human being needs to feel free from harm. These needs include shelter, job security, health and safe environments.

Next up we find the *Belonging* needs. We all need to feel love, belonging and affection in our lives and the way we met these needs are through the different kinds of relationships we carry. It is important for us to feel acceptance by others so therefore we strive for meaningful relationships (ibid).

The fourth need in the hierarchy is the *Prestige/Esteem* needs. After the more basic needs have been satisfied, the individual desires more personal recognition and feels the need for recognition or esteem from others. In other words, the individual wants to feel useful and is therefore seeking feelings of self-confidence, prestige, power and control.

The fifth and final need in Maslow's model is *Self-actualization*. This level/need is the highest-ranking level and this need is about realizing personal potential. Maslow describes the *Self-actualization* need, as the desire to become everything that one is capable of becoming (ibid).

Some theorists have argued how Maslow's hierarchy of needs is only applicable in Western societies where individualism is dominant, which means that it may not be applicable in countries like China, because it has a collectivistic culture, which is the assumption many people have about China and that is also why Schütte made an Asian equivalent of Maslow's hierarchy of needs.

As mentioned earlier on the previous page (p. 24) I will get back to discussing the relevance of Schütte's hierarchy of needs.

One of the people in the debate about whether China is a collectivistic or individualistic country is Dutch social psychologist Hofstede who argues that China indeed has a collectivistic culture (Schneider & Barsoux , 2002, p. 87).

I will discuss the work of Hofstede's and his world-renowned 6 dimensions in the following paragraph.

Hofstede's 6 Dimensions

As just mentioned in the last paragraph, when investigating consumer behavior, the work of Hofstede's 6 dimensions can help to draw a picture of the impact of cultural differences in relation to consumer behavior in different countries.

I will briefly mention the 6 dimensions so the reader can gain an understanding of what his dimensions is about. However, later in the thesis, I will only elaborate on the dimensions I find useful in connection to this thesis.

Hofstede (1991) conducted one of the most important studies, which attempted to establish the impact of culture on management. His study was conducted in the late 1960s and it continued throughout the next three decades. The original study is based on an employee opinion survey involving 116,000 IBM employees in 40 different countries. On the basis of the study, Mr. Hofstede formed 6 dimensions, which I will describe below.

However, I am aware of the fact that Hofstede's study has certain limitations that one has to take into consideration when applying his work into other research areas.

Some people believe his study is not representative because the study was conducted within one single company, particular since IBM has a strong company culture meaning people are very much alike (Schneider & Barsoux, 2002, p. 87).

Moreover, the data used in his study was collected more than thirty years ago and some of the dimensions may have changed because of the different countries socio-economic development (ibid).

Even though Hofstede's study has received some criticism, I still consider it to be a valid guideline when speaking of analyzing and discussing how consumers in a particular country might behave which is why I have decided to include his study it in my thesis.

The 1. dimension is *Power Distance*. This dimension indicates the extent to which a society accepts the unequal distribution of power in institutions or organizations (ibid).

The 2. dimension is *Individualism/Collectivism*. This dimension has to do with whether people's self-image is defined in terms of "I" or "We".

In *Individualist* societies people are supposed to look after themselves and their family only whereas in *Collectivistic* societies people belong to "in groups" that take care of them in exchange for loyalty³.

³ See: <https://geert-hofstede.com/denmark.html>

The 3. dimension is *Masculinity/Femininity*. A high score on this dimension is associated with a society where the importance of earnings and advancement corresponds to the masculine, assertive, and competitive social role.

In contrast, if you score low on this dimension, a *Feminine* society is one where the importance of relations with the manager and with colleagues corresponds to the feminine, caring, and social-environment role (Hofstede, 1994/1991, p. 82).

The 4. dimension is *Uncertainty Avoidance*. This dimension refers to a society's discomfort with uncertainty. Some cultures prefer predictability and stability while other cultures don't feel the need for control and just let things happen (Schneider & Barsoux, 2002, p.87.).

The 5. dimension is *Long Term Orientation*. Countries with a low score on this dimension (*Short Term Orientation*) prefer to maintain traditions and norms and are suspicious when it comes to societal change. They don't save money for the future and they have a focus on achieving quick results.

Cultures with a high score on this dimension (*Long Term orientation*) are very aware of their economy and how they spend their money. You can say that they have a more pragmatic approach to life.⁴

The 6. dimension is *Indulgence*. A high focus on enjoying life, having a positive attitude and a tendency towards optimism is what characterizes a high score on this dimension. A low score (*Restrained*) on this dimension means that cultures have a strong need for controlling their desires and impulses (ibid).

In the discussion about culture theories, I have introduced two main theorists, which I believe are highly relevant in the literature. The first one was Maslow who is best known for creating Maslow's Hierarchy of Needs.

⁴ See: <https://geert-hofstede.com/denmark.html>

It is a theory about how a human being must have a number of innate psychological needs fulfilled in a specific priority before culminating in self-actualization.

The second theorist was Hofstede who has developed a 6 dimensional framework for understanding the communication between different countries. One can say it is a cross-cultural communication tool. His work has inspired a number of other major cross-cultural studies of values. Moreover, his work has also influenced the work on research on other aspects of culture.

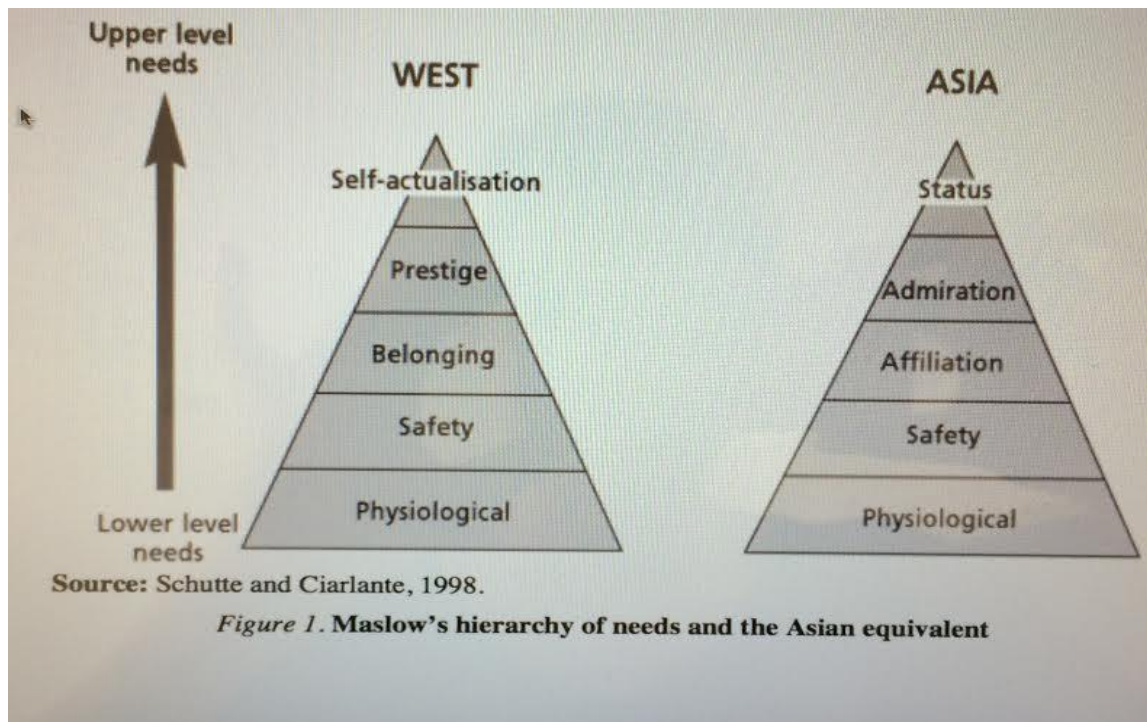
Theories about Chinese Culture

In the following paragraph, I will look at how Maslow and Hofstede's work fit into the Chinese society today. It would be interesting to explore how the two-theorists' work fit into the Chinese mentality and how their work relates to luxury consumption in China.

Hellmut Schütte

As mentioned in the previous paragraph, Maslow's Hierarchy of Needs model is a good and valid tool when discussing consumer motivation (see p. 22-25).

However, it has been questioned if the model is applicable anywhere in the world. Therefore, Hellmut Schütte, a high-profile professor (1998) has come up with an equivalent to Maslow's model, which is the model we see down below:



In Schütte's model we will come to learn that some definitions and some of Maslow's needs are questioned. As shown above, we see Schütte's figure on the right. The two lower levels (*Physiological* and *Safety* needs) are exactly the same as in Maslow's hierarchy of needs and the needs also carry the same names but when it comes to the three highest levels there is a difference.

Schütte's three highest levels are: *Affiliation*, *Admiration* and *Status* whereas Maslow's three highest levels are: *Belonging*, *Prestige* and *Self-actualization*.

I would argue the three highest levels in Schütte's model correspond to level three (*Belonging*) in Maslow's model. In a way, I believe you can transfer Schütte's model into Maslow's model.

However, the Chinese people have not yet reached higher than level four in Maslow's model, which means the Chinese are missing the *Self-realization* need because the country is still far behind compared to other countries when it comes to the development of their economy, politics and their sociological patterns.

The Chinese people are still to be understood by the classic Maslow model and if you compare the Chinese people to the Maslow's model they have yet to reach the *Self-actualization* level.

In reality one could argue and say that the need for Schütte's model is non-existent because you can easily describe the Chinese people through Maslow's model since the Chinese people have only reached the *Prestige* level in Maslow's model.

Is Schütte's Model Even a Valid Tool For Marketers?

Even though Schütte's model in some ways is irrelevant, I still find Schütte's model to be a good indicator when discussing consumer behavior in China.

It is very important in today's Chinese society to fit in and to feel like you belong to a group and the way you accomplish this is by buying expensive things, meaning luxury items, so you can show-off your wealth and in that way be accepted within your group.

In China, we also see how important the act of gift giving is. It is not uncommon for a Chinese person to spend thousands of dollars on gifts to a colleague, family member or a friend because it will give them status within the group and that is exactly what they want to achieve (Wong and Ahuvia, 1998, August).

Schütte's hierarchy makes sense in the way that the highest need in his model is the need for *Status* and that is where the Chinese people are today.

They seek status symbols and will buy anything to signal to the outside world that they have obtained status. Some elements in Schütte's model are valid indicators when discussing Chinese consumer behavior.

However, the fact that Schütte's model does not entail a *Self-actualization* level also makes the model in some ways insufficient in my opinion.

Schütte does not believe the Chinese consumers possess the need for self-actualization like other cultures do and to a certain extent I agree but I also disagree at the same time. I have mixed feelings about Schütte's missing *Self-actualization* need and in the forthcoming paragraph I will try to explain my viewpoint.

Inglehart's Modernisation Theory

In the following paragraph, I will present the work of Ronald F. Inglehart. He is best known for creating the *World Value System*⁵ which is a global network of social scientists, who have carried out representative national surveys of the publics of over 80 societies on all six continents. The survey included 90 percent of the world's population.

On the basis of his survey, Inglehart has developed a modernization theory, which demonstrates that a country's cultural change is linked to its socioeconomic development.

According to Inglehart, a country has not yet reached the point where self-actualization - or subjective well-being- to use Inglehart's term- is emphasized when a country is going through a process of modernization with a focus on economic achievement and material values (Ahuvia & Wong, 2002, p. 390-391).

One thing that is of particular interest in his *World Values Survey* is the fact that Inglehart provides a hypothesis about why some people and certain societies are more materialistic than others and he links materialism and post materialism to certain stages in a country's socioeconomic development.

⁵ See www.worldvaluessurvey.com

Due to the fact that Inglehart's modernization theory can explain certain aspects of China's socioeconomic development, I find it highly relevant to apply his work to this thesis as it may enable me to find out how materialism influence the Chinese luxury consumption.

According to Inglehart, the opposite of a materialist is a post materialist, which is someone who places greater emphasis on satisfying higher order needs, even at the expense of financial rewards.

Furthermore, Inglehart believes that a postmaterialist will seek personal freedom, aesthetic expression and self-actualization at the expense of financial rewards (Ahuvia & Wong, 2002, p. 390).

Inglehart's explanation of why some individuals and societies are more materialistic than others is because Inglehart sees sociopolitical materialism and postmaterialism as the outcome of formative experiences of deprivation or affluence (Ahuvia & Wong, 2002, p. 391).

Put in another way, when people grow up in economically deprived environments they internalize a subjective sense of economic insecurity so when they become adults, this sense of economic insecurity stays with them and leads them to place a high value on material success (become materialists).

By contrast, we have people, who have grown up with economic stability that develop the lasting assumption that money is not something one needs to worry much about.

As adults this translates into a "postmaterialistic" orientation in which they feel free to pursue self-actualization even at the expense of material achievement (ibid).

Inglehart's theory about materialism and postmaterialistic values fits very well with the Chinese society and it can explain why Schütte's is missing the self-actualization level.

It is not long ago that the Chinese society was deprived of the most basic needs in order to survive (food, shelter etc.) and where its people had to live paycheck to paycheck, which means that they have had to grow up with economic instability.

Since 1979 when the opening of the economy and new reforms paved the way for outside investors to enter China through joint ventures and local companies, the country's socio-economic development fostered a new reality. A reality where the Chinese got wealthier, being able to buy luxury items that they didn't have enough money for in the past (Morrison, 2006, p. 142).

On the other hand, it can be argued that even though the Chinese people are now wealthier than ever, they still belong to the lowest level in Maslow's hierarchy of needs because their society still needs development in order for them to be able to reach higher levels in Maslow's hierarchy of needs.

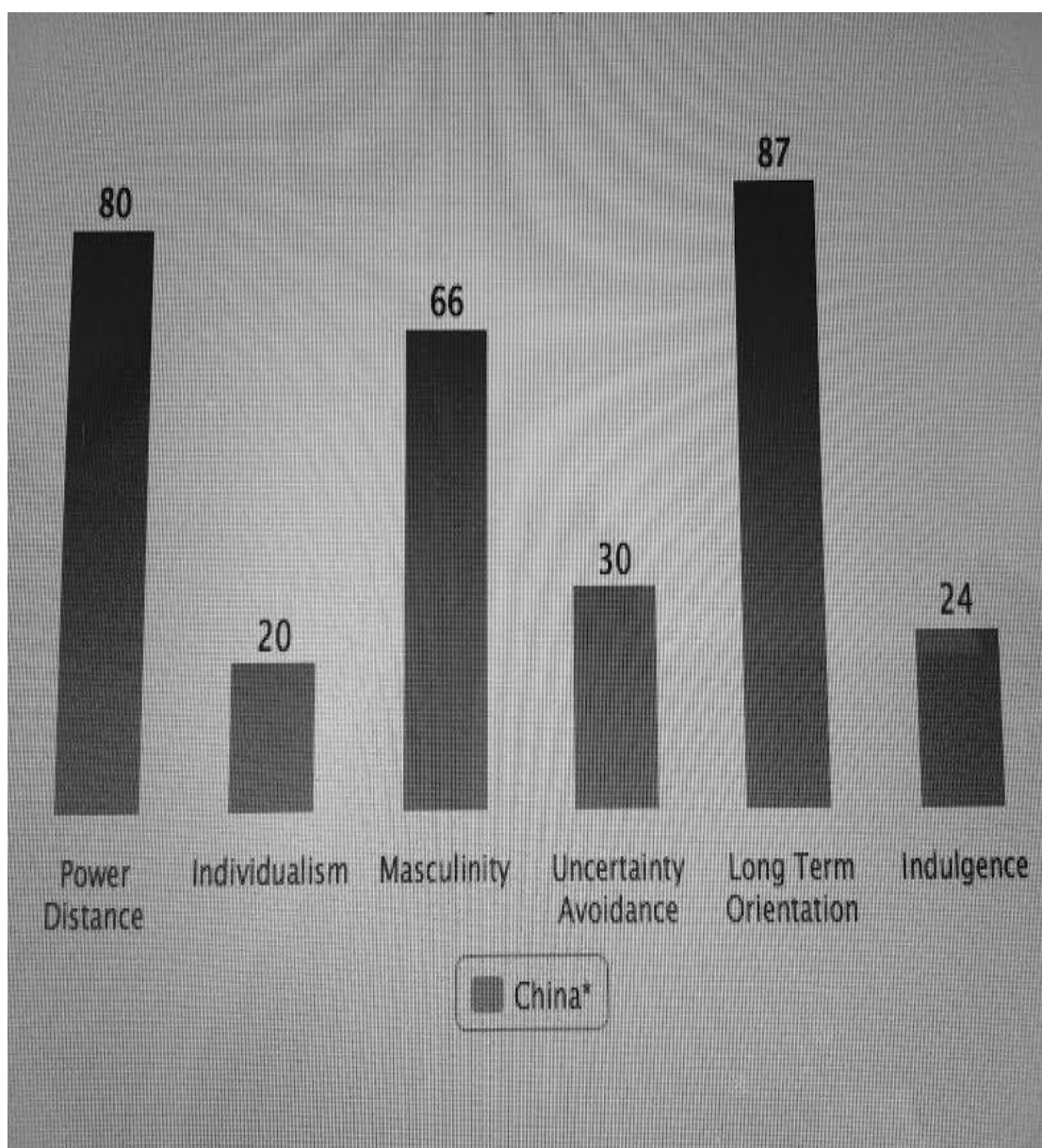
Even though the Chinese people have become wealthier, they still have the remnants of economic insecurity from their past which is why they place so much emphasis on material success and are continued to be materialists (Ahuvia & Wong, 2002, p. 391).

Basically, what Ahuvia and Wong (2002) are trying to say is that, the Chinese people still possess survival values even though they are wealthy.

Geert Hofstede's 6 Dimensions in Relation to China

When investigating the relevance of Hofstede's 6 dimensions in relation to China and the Chinese luxury consumers, I believe *Power-distance*, *Individualism versus Collectivism* and *Long Term Orientation* are the most relevant factors representative of the Chinese culture.

Therefore, only the mentioned dimensions will be discussed and elaborated on below.



As shown in the figure above, China scores very high on the *Power-distance* dimension. This means that the Chinese people have a culture where the difference of power among people is distributed very unequal.

We see examples of this in companies for instance, because the power-distance difference between a subordinate and a manager is very large. Normally a Chinese subordinate would have a tremendous amount of respect for his/her boss and would usually not question the manager's authority (Usunier 2005, p. 97).

This has implications for the luxury consumption in China because sometimes in order to show respect, the Chinese consumers buy very expensive luxury items to their manager or a high-standing family member.

In this way, they hope to gain accept in return from the person receiving the luxury item but also save their face if they have done something wrong (Ahuvia & Wong, 1998, p.435).

The whole gift-giving concept and the face-saving behavior in China is also related to Confucianism, which is a form of philosophy that only exists in China. I will discuss Confucianism later in the thesis (on p. 37), as this is a very big part of why the Chinese consumers spend so much money on luxury in general.

The second dimension from Hofstede's study, is *Collectivism versus Individualism*. According to Hofstede, China is a very *Collectivistic* country meaning that the Chinese people are very group-oriented. They act in the interests of the group and very rarely do they act in the interests of themselves. They will do almost anything in their power to keep the peace and happiness within the group that they belong to.

A way, to keep the peace, happiness within their group and be accepted by its members, is to buy luxury items. One's identity lies in one's familial, cultural, professional and social relationships (Ahuvia & Wong, 1998, p. 426).

If someone were to ask "Who are you?" a person living in a collectivistic country like China would mainly talk about social roles, family relationships, and national or ethnic affiliations (ibid).

It is extremely important for the Chinese people to feel accepted and they have this unwritten rule that the value of the luxury item you give a person determines how much you value that person receiving it, which is why they resort to luxury items. (Ahuvia & Wong, 1998, p. 436).

The third dimension relevant in relation to China is the *Long Term Orientation* dimension, where the score is 87. This dimension describes how a society has to maintain some links with its own past while dealing with the challenges of the present and future⁶.

As shown, China scores very high on this dimension, which means that they have a more pragmatic approach in life. The Chinese people adapt traditions easily to changed conditions, they have a strong desire to save and invest, thriftiness and perseverance in achieving results.

This dimension can explain some of the Chinese luxury consumption since the Chinese people will invest a ton of money in luxury items and hope it will pay off in the end. Furthermore, they are also very open to new traditions meaning that they are open to new business adventures, which can perhaps help them in the future.

⁶ <https://geert-hofstede.com/china.html>

What is Confucianism

As I have mentioned in the previous paragraphs, Confucianism plays a central role in the Chinese society. In the following part, I will analyze how Confucianism can explain the nature of Chinese luxury consumption because I assume that the Chinese consumers are very much influenced by some elements of the Confucianism lifestyle.

For nearly 2000 years, Confucianism has shaped the social, ethical and political aspect of Chinese cultures.

A Chinese philosopher named Confucius developed Confucianism and it focuses on the behavior and practices of people in their daily life.

It is a complex set of ethical and moral rules that dictate how a person is related to others and how it influences the culture in personal, familial and social relationships (Huang & Gove, 2012, p. 10).

Even though Confucianism is an old traditional social value system, most foreigners still see it as an exemplary representative of China's traditional culture (Dotson, 2011, p. 16)

Confucianism consists of different values but not all of them are relevant in connection to Chinese luxury consumption. I find Collectivism, Gift-giving and Face-saving behavior as the most relevant values, which I will be discussing in the following part.

I am aware of the fact that these 3 factors do not only apply to the Chinese culture and that you will find them in other countries as well, however, I do believe that the Confucian variant of collectivism, gift-giving and face-saving behavior can be regarded as distinct for the Chinese culture and that the 3 factors play a central part in connection to luxury consumption in China.

Individualism or Collectivism

So far, Geert Hofstede and other theorists (Usunier 2005, p. 93) & (Sun et al., 2005, p. 318) have established China as a collectivistic country, which means that they are more group-oriented rather than focused on the individual.

Even though collectivism is considered to be the dominant value that influences the Chinese culture, we now see signs of individualism too, which has begun to gain an increasing influence.

The Chinese culture and its people have started to move towards a more individualistic culture with a newfound focus on individualistic values (Ho and Chiu, 1994).

Triandis, McCusker and Hui (1990), who have also studied individualism and collectivism in China, have argued that individualism and collectivism could blend within a culture (Hsu, 2011).

This change in values is, for example, evident when it comes to Chinese managers, especially the younger ones. There's a growing evolution in the making where it's noticeable that these young Chinese managers are adopting a growing spirit of "Chinese-style" individualism and a more Western way of thinking. Therefore, it is reasonable to say that you can challenge the stereotypic notion of collectivism among the Chinese today (Wong, 2001, p. 8).

We are also seeing examples of young women, who are the first generation of women in Asia who are entering the corporate world and many of them hold top or middle management positions.

Women nowadays have a higher education; many are delaying marriage and putting off having children. This clearly indicates that their focus is primarily on themselves and their individualistic needs and that they are not so family-oriented as previously (Chadha & Husband, 2006, p. 54-56).

But how has this change, from a collectivistic culture to a culture adopting individualistic values, come about? The answer lies in the massive changes-political, social and above all economic –that has steadily transformed Asia and in the process has begun to phase out centuries-old ways of determining who you are and your place in society.

In the old days, your social position in society where defined by birth, caste, family position or profession but now you all of a sudden you have this “free-thinking-mentality” where the amount of money you have is the key to everything.

It is not a question of what social position you were born into, - if you make enough money you can now climb the social ladder (Chadha & Husband, 2006, p. 2).

Another factor that can explain the changing values in China is the foreign investment, which pours into the country, making living conditions tremendously improve (Morrison, 2006, p. 117-118).

As the Chinese are exposed to Western influences through work and travel, building professional and social networks along the way, the Chinese elite are increasingly at ease with the Western lifestyle. Moreover, the greater individualism and personal freedom the Chinese represent in their daily lives, including their consumption of luxury goods, are becoming more accepted in general in the Chinese society (Xiao Lu, Pierre, 2008, p. 62)

In their study about China, Ho and Chiu (1994) agree with Chadha & Husband in that the Chinese people and its culture is changing because of societal modernization. Moreover, they claim that in the process of societal modernization both individualistic and collectivistic values may co-exist.

In spite of the new research suggesting that individualistic and collectivistic values may co-exist, we still see many scholars who fail to recognize that individualistic values are starting to influence the Chinese people and that collectivism and individualism may blend into cultures such as the Chinese.

A scholar, who acknowledges that all societies both have individual values and group values as well, meaning that he believes collectivistic cultures also have individualists and that individualistic cultures also have collectivists, is Usunier (2005).

In spite of this, Usunier chooses to clearly separate the individualistic and the collectivistic culture, which makes his credibility a bit unreliable, I think. The fact that China has started to adopt individualistic values while still valuing their collectivistic values very high is not necessarily a contradiction.

Ho and Chui (1994) proclaim that even though China is showing tendencies towards individualism, they are still a collectivistic country. However, they do emphasize that the Chinese people display both collectivistic and individualistic tendencies. Therefore, it may be inaccurate to use the global definitions of individualism and collectivism because the definitions are too simplistic (Ahuvia & Wong, 1998, p. 425-426).

According to Ahuvia & Wong (1998), It may be more accurate to see individuals as having both a private and a public self and in that way determine which self would be more dominant in each social situation, meaning that the two constructs are able to co-exist side by side in different situations.

G. T. Green, Eva et al. (2005) support Ahuvia & Wong's argument and claim that individualist and collectivist attitudes are not mutually exclusive and that they can co-exist in different situations.

To summarize the findings above, one can say that collectivistic values are still dominant in the Chinese culture but individualistic values have started to gain an increasing influence (Hu and Chui, 1994).

This theory fits very well with the work of Inglehart that I discussed earlier (on p. 31) (1997) because he argues as societies go through stages of economic development and thereby a societal modernization process, a shift to an increased focus on individualistic values occurs.

Collectivistic values, therefore, in a way, represent more the traditional values in the Chinese society and individualism represent modern values.

As a result, it can therefore be argued that because of the socio-economic development going on in China, a combination of these two constructs is likely to exist in the Chinese culture. (Henriksen, 2009, p. 53).

However, as I will demonstrate on p. 43, collectivism is still very dominant in China when it comes to luxury consumption but in the fourth coming paragraph, I will discuss the role of face in the Chinese society.

Face

Another very important cultural phenomenon within Confucianism and the Chinese society is the concept of face. It influences every aspect of consumer behavior in China (Lu, 2008, p. 51-52). However, what is face and why is it so important to the Chinese people?

In China and much of Asia, face represents a person's reputation and feelings of prestige within multiple spheres, including the workplace, the family, personal friends and the society at large (Upton-Mclaughlin, 2003). Face is the desire to not appear weak or look bad in the eyes of others (Lu, 2008, p. 52).

In 2005 China Daily conducted a survey where 87% of the respondents agreed that saving face was a central part of their lives (Lu, 2008, p. 52).

In China, people pay significant attention to others' face because face has the same meaning for others. A Chinese behavioral norm like "If you honor me a linear foot, I should in return honor you ten feet", clearly reveals the relationship between self-face and others' face.

In China, people are always under the pressure to live up to face and they are very sensitive to their position in society. For instance, Chinese parents will emphasize, "Don't make our family lose face" to encourage their children to behave properly and succeed in their education (Li & Su, 2007, p. 240-241).

Due to the heavy influence of face in the Chinese society, Asian consumers believe they must purchase luxury or high-end products in order to enhance, maintain or save face.

According to Lu (2008) face is a collective value and saving face is all about collective living in society. Moreover, face consumption has three unique characteristics: conformity, distinctiveness and other-orientation (Li & Su, 2007, p. 237). These characteristics all influence the consumption of luxury products in China.

I will elaborate further on these three unique characteristics later in the thesis in the part about *Face Consumption's Three Unique Dimensions* (see p. 53)

Theories About Chinese Luxury Consumption

Collectivism and Chinese Luxury Consumption

Particularly collectivism and face plays a central role in this thesis because it is a very important part of the Chinese culture and it influences Chinese luxury consumption a great deal.

When one search online, read books or articles on Chinese luxury consumption, collectivism and face take up quite a lot of space in the literature. The two subjects are being portrayed as two very relevant factors in connection to Chinese culture in order to find one's social identity and also how the two subjects are incorporated into the pattern of Chinese luxury consumption.

As discussed on p. 39, the Chinese population has started to show signs of individualism. However, Collectivism still maintains to be the dominant factor in the society. Moreover, the collectivistic values serve as a big factor in connection to Chinese luxury consumption.

In this section, I will demonstrate how collectivism can explain some of the tendencies in the luxury consumption of the Chinese consumers.

As previously mentioned, people who live in a collectivistic culture will do almost anything to conform to social norms within their group as the groups represent their social identity.

The social norms in China have such a large influence because they emphasize harmony within the group and individual responsibility to the group.

This means that following social norms is a core goal, which guides each individual's behavior (Zhan & Yanqun, 2012,).

Therefore, if buying a luxury product becomes the norm in a collectivistic culture then it makes perfect sense for a member of the group to buy them (Chadha & Husband, 2006).

The Chinese people strive to maintain good relationships with others, and also behave in ways that define their social positions and protect their dignity.

In order to fit into groups in society, the Chinese consumers tend to choose luxury products as a mean to achieve respect and maintain their dignity within the group. Chinese consumers pay very close attention to the social meanings of products, and they would particular use material possessions in order to develop social relationship.

Ahuvia & Wong (1998) conducted a study of Asian luxury consumers, where it was concluded how the importance of a product's public meaning and how a product can convey an explicit message about its owner's social identity.

It was found that if the in-group decides to buy luxury products as socially appropriate, then members of the group have to public display their wealth in order to fit in, which again speaks to their collectivistic nature.

In their study, Ahuvia & Wong (1998) also found that buying a luxury product in a Southeast Asian society helps the individual in terms of marking their rank in the hierarchical nature, which exists in many Southeast Asian societies.

The individual's position in these societies is mainly determined by economic advancement, which means that displays of wealth become very important as social markers.

Therefore, Chinese consumers will often only purchase luxury items for the benefit of the group and ignore the individual's need or wishes since the measurement of how successful you are is determined by others instead of the individual.

Chadha and Husband (2006) support this theory because they conducted a study, which showed that many Asian consumers are not interested in the brand itself and that they only care about how the brand is perceived among their peers due to their collectivistic society.

The Chinese focus very much on the price of a product because they think that if the price is high, the quality should be good and the company selling the product should be prestigious, internationally famous, and the brand should be very popular in the eyes of people in the high income class (Lu, 2008, p. 76).

However, the Chinese consumers can't even pronounce the brand name of the product and so therefore, logos and symbols become very important in China.

Consumers often refer to brands by their initials; CD and DG are after all much easier to master than Christian Dior and Dolce & Gabbana.

All of this just shows the Chinese consumers eagerness to buy luxury products so they can show-off to their in-group, which creates a "push-effect" within the group because the members of the group will buy the expensive product in order not to

stand out from the group because they live in a collectivistic country (Chadha & Husband, 2006, p. 145).

Individualism and Chinese Luxury Consumption

Previously, I referred to the fact that individualism has gained an increasing influence in the Chinese society (Ho and Chiu, 1994). I believe that this tendency towards individualism, in the future, will have an enormous impact on the Chinese luxury market.

In today's society, individualism is being used to attract young consumers and encourage them to express themselves with their own values and beliefs.

One company that tries to reach the young consumers is China's Mobile's M-Zone service, which has the slogan "My zone, I decide" (Lu, 2008, p. 62-63)- but at the same time, some of the most appealing TV commercials in China are the ones where "family" is the dominant theme relating to collectivism.

Even though more Chinese people are engaging more in Western values, individualism is not publicly encouraged in the Chinese society.

In Chinese schools, you will still see education on collectiveness and respect for common of society. Moreover, individualism is only accepted if it does not influence with collective interests and social moral standards (ibid).

The younger people of today's China face a dilemma of whether they want to stand out with individualistic values: or fit in with collectivistic values.

The one-child generation (who was born between 1979 and 1990) has grown up receiving much more care and attention from their parents and grandparents. They have been raised with almost no social instability and they were told that education is the key to social standing.

This is reflected in their thoughts and behavior. They are more confident, self-conscious, self-centered, open to new trends, weary of traditional moral doctrines, sensitive to criticism and with a tendency to avoid unpleasant realities. All of these things have made them more oriented towards individualism, materialism and hedonism (Lu, 2008, p. 14-15).

As just described, it is obvious to see how the younger Chinese population nowadays exhibits signs of individualism. They want to create their own social identity. It seems like they are interpreting collectivism, as previously mentioned is a part of Confucianism, in their own way but yet, they're still holding on to some of the old traditions in the social norms of collectivism.

Tom Doctoroff, who works as Greater China chief executive for JWT, which is the world's fourth largest advertising agency, agrees in that as China's youth has become more Western in outlook and lifestyle, sectors like travel, fashion, glossy entertainment magazines, leisure and home ownership are growing (Winn, 2006).

Nevertheless, even though there is a tendency towards the aspirational Western-style individualism, he believes the Chinese youth are not just going to forget 5000 years of history because China's culture and its collectivism is strong and a decade of economic liberalization will not just phase it out (ibid).

Furthermore, he explains how *"Chinese people want their economic interest safeguarded, both today and in the future. They like strong government; they do not understand the linkage between human rights and economic development. They believe China will grow only through preserving order"*(ibid). Doctoroff's words also demonstrate how deeply imbedded the collectivistic values still are in the Chinese society.

Even though there's a tendency towards individualism from the younger Chinese segment, it is clear to see how China's collectivism still plays a dominant role in the Chinese society when it comes to Chinese luxury consumption.

The fact that China is a collectivistic country has implications for a person's social identity.

As discussed earlier, an individual cannot just behave as he/she pleases and their decisions are most of the time guided by their in-group's interests. Moreover, it is very difficult for the Chinese people to trust their own instinct and they feel obligated to rely on the guidelines prescribed by their in-group, which in many cases include buying luxury items.

The individual would never violate the guidelines of the group, as it would equal an eviction from the group, meaning that the person would face social-destruction and it would be almost impossible to re-enter or enter a new group in the Chinese society (Chadha & Husband, 2006, p. 68).

Generally, a collectivistic country like China has a huge respect for authority and hierarchy, as described earlier, which means that a Chinese individual should act according to your rank in society and not necessarily by how you feel.

In my eyes, the Chinese culture is teaching its members to suppress their own needs for the benefit of the group.

How To Be A Part of The Elite

The act of buying luxury products for the Chinese consumer is not only a fast and an easy way to gain respect and dignity but it can also lead to them being classified among the elite without any personal effort or family heritage (Lu, 2008, p. 7).

As discussed so far, the need to fit in is very important for the Chinese population and it has to do with their collectivistic culture.

They are so concerned with how they appear to other people; they are concerned with what they wear, whether it's an expensive dress, bag, watch etc., and they're also concerned with how everything is displayed and how things might look from the outside.

The Chinese consumer is constantly under pressure to buy luxury items if members of one's reference group purchase luxury products. They are so dependent on their reference group and a way to show their belongingness to their reference group is to purchase luxury items.

The Young Luxury Consumer in China

Luxury consumption in China has become a way of communicating with others indirectly. A Chinese person's social identity is decided upon to what extent the individual engages in luxury consumption.

This behavior is encouraged at all levels of the Chinese society, meaning it is not only the more affluent members of the society who buy luxury products. Even girls in high school and college are keen shoppers of luxury products.

Japan takes the lead here; its trendy teens are big enthusiasts when it comes to designer bags, as well as wallets and smaller accessories (Chadha & Husband, 2006, p. 57).

Young girls find it hard to resist the peer pressure because if you don't buy the latest designer product you are automatically excluded from the group. Moreover, the young generation also watch their idols, pop stars and actors flashing designer labels and they want to follow those trends (ibid).

Getting the money to finance these expensive habits is another story. Youngsters will survive on a cup of noodles in order to be able to invest in a pair of luxury Ferragamo shoes, young women prefer to travel in crowded buses so they can save money enough for a luxury Burberry bag. University students may acquire a sugar daddy to finance their luxe craze. Teenage girls, some as young as 14 years old, may even turn to part-time prostitution where they will use their mobile phones to find partners for what is called "paid dating", - all so they can finance their expensive luxury habits.

Other young consumers have stretched their credit cards to the snapping point and in some cases this behavior has even lead to suicide (Chadha & Husband, 2006, p. 61).

According to Arige, Yasue, and Wen (1997), the consumers in Asia-in general the younger generation is "obsessed with the idea of wanting to make others say 'Wow! That guy's really something!'" (Ahuvia & Wong, 1998, p. 428).

In connection to this thesis' research question, I think it is safe to say that the Chinese people attach greater importance to the social aspects of their identity compared to other consumers in other countries.

They are particularly concerned about impressing others around them through symbolic displays of luxury items since material possessions are apparent to others and are perceived to provide a rich source of information about their owners.

The huge focus on collectivism in the Chinese society fosters a reality where engaging in luxury consumption is no longer an option but a necessity if one wants to survive and maintain good relationships (Lu, 2008, p. 6-7).

As a foreigner looking at China from the outside, it can be kind of frightening to witness that this is how the Chinese society works.

An individual, whether he or she lives in China or in another country, should be entitled to live by and address their own values and not some old traditional values prescribed by Confucianism. Furthermore, a Chinese person should be able to spend their money as they please and not being held accountable and judged by their shopping habits.

Face in Connection to Chinese Luxury Consumption

Another factor, that can help us understand the Chinese consumers' strong appetite for luxury products, is the concept of face.

As I have mentioned previously on p. 43, the face-factor plays an extensive part in this thesis because it is such an integrated part of the Chinese society in connection to their culture.

One can say the concept of face is not confined to a specific culture because as social beings, most people have had face-related experiences such as blushing or feeling embarrassed, awkward, shameful or proud.

However, there is a difference in how much emphasis the individual places on face and how people shape its meaning. It differs from one culture to another, as we shall witness in the following section (Li & Su, 2007, p. 239).

The concept of face is an important social cultural value, mainly seen in collectivistic cultures like China, influencing human behaviors (Li & Su 2007, p. 238).

The Chinese people have a strong desire not to appear weak or look bad in the eyes of others, which means they will do anything to save face.

As previously mentioned, in a survey conducted by *China Youth Daily* in 2005, 87% of the respondents agreed that saving face was an integral part of their lives (Lu 2008, p. 52).

Due to the fact that face-saving behavior is such an important element in the Chinese culture and because they are so strongly influenced by face, the Chinese people engage in luxury consumption in order to maintain, enhance and give face (Li & Su, 2007, p. 237).

According to Chadha and Husband (2006) there are two different types of face in China: *mien-tzu* and *lien*. Both types of face have to do with a person's reputation. *Mien-tzu* refers to material prestige, being successful and displaying wealth by showing off. In contrast, *Lien*, refers to a person's moral standing which means that if the loss of *Lien* were to happen, it would make it very hard for a Chinese individual to function in the Chinese society. *Mien-tzu* plays a crucial role when it comes to the enhancement of luxury consumption in China.

Chadha and Husband (2006) argue that Veblen's (1934) concept of conspicuous consumption and status is very similar to the concept of *Mien-tzu*.

The only difference between Veblen's concept and *Mien-tzu* is that the leisure class, which Veblen referred to in his research, did it out of their own free will, whereas *Mien-tzu* prescribes it as the appropriate thing to do in a social context.

This is very much in line with the findings of Ahuvia & Wong (1998) because they found there is a greater tendency in Western cultures to engage in conspicuous consumption and buy luxury items out of their own free will and because people like it, whereas in the East Asian countries, people do it out of necessity.

People in Confucian cultures are always under pressure to live up to the expectations of others in order to maintain face (Ahuvia & Wong, 1998, p. 432).

As a high-society woman explained: *"Face is a major motivator in my use of luxury brands- my husband's face, my family's face-, I have to look good in order to make my family look good"* (Chadha and Husband, 2006, p. 69).

Another woman found that her in-laws started treating her better when she bought her first pair of luxury Ferragamo shoes because in this way she was enhancing their face and made they look good (ibid).

Chinese parents will also emphasize, "Don't make our family lose face" to encourage their children to behave properly and succeed in their education (Li & Su, 2007, p. 240).

Since face is such an important part of the Chinese culture, plays a vital part of one's social identity and because it influences greatly on the Chinese consumer behavior, Li & Su (2007) has defined this specific consumer behavior as *face consumption*.

Their definition of this concept is *"The motivational process by which individuals try to enhance, maintain or save self-face, as well as show respect to others' face through the consumption of products"* (Li & Su, 2007, p.242).

Face Consumption's Three Unique Dimensions:

1. Obligation. This dimension refers to the fact that since the Chinese people *must* and *have to* maintain or save face due to its social meaning, a Chinese person will have no choice but to engage in luxury consumption in order not to lose face among his or her social group.

On the other hand, if the person doesn't engage in luxury consumption like the rest of the group, he or she will also make the group lose face to other groups.

2. *Distinctiveness.* In order for products to be able to stand for face consumption, the products have to be either name brands or more expensive than the products the Chinese usually consume. As a result, face products must be unique in terms of high prize or due to a specific brand.

Chinese consumers are willing to pay more for face products than products they normally consume because face stands for group face and group interests and they are more important than personal interests.

3. *Other-orientation.* People in China pay very close attention to others' face. In this part of face consumption, a consumer must carefully judge the value of the products or services when purchasing or consuming because this will make others feel full of face (ibid).

There is not doubt the concept of face influences the Chinese consumers and its effect on luxury consumption is big.

This means that if the members of ones group engage in luxury consumption, the individual is forced to engage in luxury consumption as well in order to not lose face within the group. Furthermore, the Chinese does not only engage in luxury consumption out of fear of losing face but also because they want to maintain, give or enhance their face within the group.

The act of face-saving, maintaining face or the enhancement of face also plays a large role in the business environment (Li & Su, 2007, p. 237). In the following section, I will explain how face influences China's business environment.

Face and the Chinese Business Environment

As previously discussed, the concept of face plays an import role in the Chinese society and in relation to Chinese luxury consumption.

However, face is not only important in relation to friends and family, it also plays a huge role in the Chinese business environment. It is extremely important for business people, who plan to launch businesses in the Asian market, specifically in China, to be aware of the influence of face on all business-related issues (Winn, Sheridan, 2006).

If foreign potential business entrepreneurs don't understand the concept of face and how it works in not only as a big part of the Chinese culture but also when it comes to Chinese luxury consumption, it may result in strained business-relationships and loss of business opportunities (Dong & Lee, 2007, p. 403) & (Winn, Sheridan, 2006).

A company can establish and maintain long-term business relationships with the Chinese if they play their cards right.

For example, in a survey conducted by Chinese businessmen in Hong Kong, face was mentioned consistently as an important consideration in professional settings (Li & Su, 2007, p. 240).

In the business environment face can be traded. For example, when business people want to enter a new market, they often seek assistance from a third party and that third person uses face to help the company gaining entry to the new market.

It is very important for a potential foreign entrepreneur to use this strategy of "borrowing face" if they want to enter the Chinese market.

Other strategies such as giving face or saving one's own face are also very effective strategies because it helps cooperation and communication between the Chinese business people and foreign business people.

The different face-strategies of trading, borrowing, giving or saving face can all be related to Chinese luxury consumption because an individual or a company will usually buy luxury items in order to be able to achieve the effect of the different face-strategies.

In a business situation in China, it is not seen as appropriate to directly addressing a conflict, criticizing others in public, demonstrating anger or not treating other people the right way because that would make the person and the entire company to loose face.

Tom Doctoroff (2007), who is the Greater China chief executive for JWT, - the world's fourth largest advertising agency, agrees with Li & Su (2007) and Dong & Lee (2007) in that the key rule to doing business in China is to understand the concept of face.

He explains: "*Be careful to let the Chinese feel they have got a bargain by using their clever resourcefulness*" and "*Let them think they have won and outsmarted you*" (Winn, Sheridan, 2006). What Doctoroff is referring to is face-giving behavior, which I will describe in the following section.

In a Chinese business setting, giving face to others is often used as a way to gain mutual respect. A face-giving behavior in a Chinese business setting consists of; frequently mentioning the partner's accomplishments, avoiding mentioning directly business issues in public and treating your partner with appropriate etiquette such as gift giving (Dong & Lee, 2007, p. 402).

As I will demonstrate in the next section, the act of gift giving does not only play a significant role in the Chinese business world because in general, gift giving is seen as a tool for face-saving behavior and therefore plays an essential part in the Chinese culture.

Face and Gift Giving in China

The ritual of gift giving occurs in most societies all around the world. However, in contrast to other societies, the act of gift giving in China plays a significant role, which I will elaborate on in the following section.

As already discussed, relationships in China are very important and one way to maintain social ties or maintain, give or save face is by engaging in the act of luxury gift-giving (Ahuvia & Wong, 1998, 434).

As a collectivistic culture, it is important to the Chinese to create harmony within their group and the use of luxury goods when buying gifts to a member within ones group is seen as particular appropriate.

Symbolically, luxury products are seen as a way of sending a message to the receiver, a message in which the gift giver signals how much they care for the person receiving the gift. Moreover, the gift giver also receives recognition and honor from others by publicly displaying that they can afford to buy expensive luxury products as gifts (Ahuvia & Wong, 1998, p. 435).

The Importance of Guanxi

The importance the Chinese attach to gift giving is connected to Guanxi, which is a part of Confucianism. Guanxi is a crucial part of life in China and can best be described as interpersonal relationships or personal connections. Furthermore, Guanxi is a rather complicated network of favors and exchanges (Henriksen, 2009, p. 60).

Guanxi is also viewed in the sociology literature as a social mechanism substituting for formal institutions in current Chinese society. One can say that the structure of social relationships in China rests largely on fluid, person-centered social networks instead of on fixed social institutions (Yang et. al., 2011, p. 20).

However, Guanxi is different from other relationships in that Guanxi is an action taken deliberately for a specific purpose (Fan, 2002, p. 7).

A person is considered as having good Guanxi, if the person has a wide network of beneficial relationships developed outside of the work setting, for example over drinks or dinners (Hope, 2014).

How Does Guanxi Works?

The following story helps to paint a picture of what it means to have good Guanxi in China: Two Chinese entrepreneurs, Mr. Deng Feng, who is chair of Northern Light Venture Capital, a Chinese venture capital firm, and Michael Yu, who is chairman of the New Oriental Group, one of China's biggest educational service businesses, took a BMW out for a test drive together.

Unfortunately, they got into a car accident and completely destroyed the car. As soon as they stepped out of the wreckage, Mr. Yu told Mr. Deng not to worry because he would take care of it.

"So I know what kind of person he is. Through those kinds of intimate scenarios we can definitely know each other very well", said Mr. Deng.

The two gentlemen are both members of an exclusive club called *China Entrepreneur Club*, a non-profit group of 46 of China's top entrepreneurs and business leaders.

The exclusive club arranges trips to each other's workplaces, nights out and annual trips abroad together with other members. As a result, the two men were already good friends from their membership of the club.

Their experience that day with the car accident can be seen as a classic example of having so-called good "Guanxi". Mr. Yu explains how people in their club really get to know one another, build close connections and help each other out in situations like the car accident incident ".

Another member of the exclusive club also explains how the entire club will stand behind a person going through a difficult time and that the favors are reciprocal, meaning if a person helps somebody out, he or she expect to be repaid at some point (Hope, 2004).

As described in the previous paragraph, having a Guanxi network and the exchanges within the network do not only consist of business-related exchanges.

It is also a social exchange network due to the fact they involve the giving of face and the culture within the network often involves the exchange of luxury gifts. (Wu, 2003).

An example is the rising trend for "reunion parties" with 30-40 family members in attendance. When the Chinese attend these parties, they come loaded with luxury gifts, as is the custom in most of Asia, giving face to both the giver and the receiver.

As mentioned earlier, these luxury gifts are conveying the message that on one hand the high esteem in which the receiver is held but on the other hand, the financial prowess of the giver in being able to afford these expensive gifts (Ahuvia & Chadha, 2006, p. 153).

Nevertheless, Westerners often have a hard time understanding how Guanxi works and while it can be compared to social capital in some ways, Guanxi is more oriented towards twofold relationships and is less related to societies structure.

This allows Guanxi networks to be more freely connected (Yang et. al, 2011, p. 2). Therefore, social capital connects to and affects (positively and negatively) a social unit whereas Guanxi networks are fluid and independent with respect to any institution (ibid).

Ahuvia & Chadha (2006, p. 147) argue how Guanxi has spurred the growth of luxury consumption in China. Guanxi is the way business and other institutions work and everybody knows it. It used to be hard cash in the early days but now it is increasingly being replaced by luxury brand gifts.

It is estimated that 50% of all luxury sales today in China are gifted away (ibid). When all is considered, it is clear that the luxury gift industry in China is very big.

Gift Giving and luxury

As just discussed in the previous paragraph, the luxury gift giving industry in China plays a huge factor in the economy.

However, according to head researcher at JL Warren Capital Junheng Li, the gift-giving sector in China is corrupt. The exposure is so disruptive that it can be detected in stock prices of luxury goods such as Swiss watches.

Junheng Li explains how JL Warren Capital did a survey that showed how all sectors in the gift giving industry are affected by this phenomenon. Furthermore, Swiss watches that own Omega and Rolex are one of the major players in the game if you look at their stocks which showed that 60 percent and above of the purchases were driven by gifting.

JL Warren Capital's survey also showed the distribution pattern of Swiss watches. It showed that men bought watches to their mistresses but also how business people bought watches as gifts for their business contacts, business partners and government officials.

Macau Casino is also believed to have an element of the same thing as Swiss watches, especially in the VIP rooms, according to Junheng Li. She explains how the whole gift-giving industry is moving underground so it is not visible from the outside.

However, buying your business contact a Rolex watch instead of giving him/her hard cash is just the same and is considered corruption (Li, Junheng, 2014)

What Does Face Mean for Chinese Luxury Consumption?

The influence of face in luxury consumption is both wide and important. If purchasing a certain luxury brand can give or save face through, for example, showing that they have elegant or good taste, then the brand will be well accepted by the Chinese luxury consumers (Lu, p. 52).

Dunhill's way of doing business:

One luxury brand that has picked up on the affect and importance of face and luxury gift giving in China is the luxury brand Dunhill. Dunhill is a British luxury goods brand, specializing in ready-to-wear, custom and bespoke menswear, leather goods and accessories.

Managing director for Dunhill, Tim King, explains how an expansive network in more than 30 cities and the recognition of the importance of luxury gift giving helped the company to establish itself in China.

Today, more than a third of its global sales stems from Chinese consumers (Ahuvia, 2006, p. 160). Furthermore, Mr. King points out that most of their customers are men buying gifts.

He explains: “*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*” (Ahuvia, 2006, p. 161).

Moreover, Mr. King explains how most people in China know the value of a Dunhill item, which is why the company’s products are perfect for gift giving since the value of a present should be clearly understood by the person receiving it. “*It’s a safe gift because it’s a known brand which is worth something in terms of prestige and value*”, says King (ibid).

Dunhill is a great example when speaking of face in connection to luxury consumption.

A brand like Dunhill is very well known and prestigious in China, meaning that most people know the brand. Therefore, when buying a Dunhill item, the giver thereby gains face and the person receiving the item gains face.

The high price of the item also shows how sincere the giver is towards the receiver and the giver also indirectly displays how much money they earn. In addition, the high prices of luxury items also symbolize the value of the relationship between the giver and the receiver.

When all is considered, the act of luxury gift giving in China serves two purposes:

1. Saving face for the giver or giving face to the recipient.
2. Communicating the relationship between the giver and receiver.

In order to achieve the two above-listed reasons for gift giving, the Chinese people engage in luxury consumption.

However, in many cases, the Chinese buy luxury items because they see it as an obligation and not something that is voluntary. Consumers feel pressured into buying luxury items due to the country's collectivistic nature and due to the concept of face. They want to fit in and therefore follow the prescriptive rules of their society in order not to create disharmony within their group.

As a result, expensive gifts are being bought to obtain good relationships with others or because the buyer of the luxury product wants to save face or give face to the recipient (Lu, 2008, p. 52-53).

As evident, the whole face-factor is an integrated part of life in China. The Chinese people use face in their every-day life and in all aspects of their life.

As a foreigner it is very important to be aware of the face concept since it in many aspects regulates China's society including China's business environment.

There's a clear connection between face and a Chinese person's social identity since a person can gain face by engaging in luxury products and thereby fit into a group in society, which is extremely important in China. Moreover, we have also seen examples of how one person can save and enhance face (Ahuvia & Wong, 1998, p. 432), (Li & Su, 2007), (Chadha & Husband, 2006) and (Lu, 2008, p. 52).

In addition, it is very likely that the use of social media is an extremely important tool in connection to the face-factor and I have therefore decided that I will be addressing this topic in the following section.

Social Media and The Face-Factor in China

Billions of people create trillions of connections through social media each day. In general, social media has gained an increasing influence within the past decade in all parts of the world and people are spending more and more time online.

Almost everyone in today's society, no matter what country you are living in, has access to the Internet. There are many different social media outlets in today's society and these include email, blogs, micro blogs, Facebook, Twitter, YouTube etc.

Throughout these media outlets, we express our strongly felt opinions, contribute to a community's knowledge, promote our cultural heritage and further our development with users from all over the world.

The power of social networking these days is enormous. The number of worldwide users is expected to reach around 2.95 billion by 2020, around a third of Earth's entire population⁷.

China is rumored to be the front-runner in the game with having the world's largest Internet base of 668 million people using the Internet at the end of June 2015 (China Internet Network Information center (CNNIC), 2015, p. 1), which is more than double the 245 million users in the United States. Moreover, China also has the world's most active environment for social media with a total of 22.31 million domain names at the end of 2014(ibid).

More than 300 million Chinese people use social media, from blogs to social-networking sites to microblogs and other online communities. That's roughly equivalent to the combined population of France, Germany, Italy, Spain, and the United Kingdom.

⁷ <https://www.statista.com/topics/1164/social-networks/>

In addition, China's online users spend more than 40 percent of their time online on social media, a figure that continues to rise rapidly (Cindy Chiu et. al., 2012, p. 1).

As social media has emerged as a widespread platform for human interaction, it has become easier for us to connect with others and it is usually on social media people explore and see new trends arising. Moreover, one can even argue that social media helps social reproduction and that social media fosters change in a society.

At the end, it seems like the media culture is now the dominant form of culture, which socializes us and provides materials for establishing our own identity. In addition, according to Tricia Wang who works as a global tech ethnographer, it seems like social media is creating spaces in China and that the Chinese are shifting norms and behaviors in unexpected ways.

Most surprisingly, the Chinese youth are sharing information and socializing with strangers.

She argues how the Chinese youth are finding ways to semi-anonymously connect to each other and establish trust that extends beyond the normal Guanxi ties and authoritarian institutions (Wang, 2014))

This is a big step in the right direction for the Chinese society because previously and just in general, the Chinese people are known to be somewhat skeptical of formal institutions and authority so therefore they trust opinion leaders in social networks.

I will speak more about opinion leaders in the forthcoming paragraph because it is an important factor in the Chinese society and must not be overlooked (Chiu et. al., 2012, p. 2)

The Importance of Opinion Leaders in China

As mentioned in the last paragraph, one of the reasons why social media helps social reproduction, fosters change and is so popular in China is because many Chinese are somewhat skeptical of formal institutions and authority, which means that users would rather take the advice of opinion leaders in social networks.

An independent survey of moisturizer purchasers, for example, observed that 66 percent of Chinese consumers relied on recommendations from friends and family, compared with 38 percent of their US counterparts (Chiu et. al., 2012, p. 2).

As just described, China is no different than other countries when it comes to social media. In China, online social networks have become a major platform for the younger segment of China's population to gather information and to make friends with individuals similar to themselves (Yu et. al. 2011, p. 2).

In order to make friends online, the Chinese are modifying their behavior to bring them closer to the behavior of their friends (ibid). Since October 1997, the CNNIC⁸ has conducted 11 surveys on Internet development in China. The surveys consistently show that the profile of a typical Internet user in today's China is likely to be a relatively young person (between 20-35 years old) with some college education.

The Internet users young age has implications for the future since this implies a stronger likelihood that the impact of the Internet will keep growing (Yang, 2003, p. 458).

⁸ <https://cnnic.com.cn> (China Network Information Center)

According to global technology ethnographer Tricia Wang, who has studied social media in China for more than 10 years, social media is creating spaces in China that are shifting norms and behaviors in unexpected ways. The biggest surprise is that the Chinese youth are sharing information and socializing with strangers.

Mrs. Wang argues how the Chinese youth are finding ways to semi-anonymously connect to each other and establish some sort of casual trust-system that extends beyond their normal Guanxi ties and rigid institutions (Wang, 2014).

Furthermore, the Chinese youth are displaying signs of wanting to discover the social world around them and seeking emotional connections instead of political change.

Tricia argues how this reflects a new form of sociality among Chinese youth: an Elastic Self. Examples of the Elastic Self can be divided into 3 ways: from self-restraint to self-expression, from comradeship to friendship, and from a “moral me” to a “moral we”.

One may speculate this new sociality is laying the groundwork, which is based on friendship and other interactions on the web. It is also noticeable that the changes Mrs. Wang has documented can have a large and transformative power for the Chinese society in general because all this changes the way people engage and perceive each other (ibid).

As a young Chinese individual trying to figure out their own identity, it would only be natural if the individual would set aside the ancient traditional values embedded in the Chinese society such as Confucianism and let themselves be inspired by social media and the online world instead.

The public communication era initiated a new chapter in state and social relations. (Zengzhi, 2014, p. 1-2) As a result of this shift in behavior, the relationship between communicators and society under the new media environment is the basis for researching state and new social changes.

It also means exploring how the Chinese operate within their micro communities under the new media empowerment since the Internet has introduced new elements, - both good and bad-which influence the social uses of the Internet in China.

On the one hand, we see this overoptimistic view of the role of the Internet in civil society development while stressing the importance of the Internet as a new social phenomenon in China (Guobin, 2003, p. 453).

On the other hand, it can be very hard to regulate the Internet in China because there are so many different forums and because the country is so big and has so many users. Furthermore, people expect responses to each and every post, so companies must develop new models and processes for effectively engaging individuals in a way that communicates brand identity and values, satisfies consumer concerns, and does not lead to a negative spiral.

Moreover, there is also much censorship involved. Despite censorship, popular forms maintain a level of lively discussion on a wide range of topics. This is possible for several reasons but mainly because both hosts and users generally have an interest in keeping their forum up and running (Guobin, 2003, p. 459-460).

However, every forum tries to establish some clear and precise ground rules within each community (ibid). In China, the Internet is not only used as a form of communication between individuals.

It also tends to be perceived as a space for exercising a person's right of free speech, even though there may arise interests conflicts protest among the users (Goubin, 2003, p. 471). In case the online community members do not abide by the rules set by their community, the forum may face a shut-down (Guobin, 2003, p. 459).

In short, one's online behavior in China is very important. It is not just important for yourself and the way you are perceived by others but is can also be very important business-wise and you must therefore behave according to the rules that are laid out.

As just described, the Chinese rely very much on other people when making a decision because they consider them opinion leaders. One will often find themselves imitating the behavior of the opinion leader in order not to stand out in the crowd and this often means engaging in luxury consumption. If the opinion leader of the crowd owns a luxury bag or a pair of Gucci shoes, one will often go out and buy the same luxury products in order to fit in.

Luxury brands need to have a social media strategy these days if they want to survive. The most common thing for companies in China to do would be to employ "artificial writers" to seed positive content about themselves online and attack competitors with negative news they hope will go viral (Chiu et al., 2012, p. 3).

In general competition is evolving very rapidly in China because the social media platforms are very fragmented and different. Furthermore, in China, the consumer (as mentioned earlier) expects responses to each and every post.

Companies must therefore be very observant and closely monitor the different platforms in order to succeed (ibid). In addition, luxury brands have to remember China is a very different market compared to, let say the U.S., and create a different strategy for that specific market.

An example of a marketing strategy gone wrong in China is when Dove China first imported the Real Beauty social-media campaign to promote beauty among women of all looks and body types. Chinese consumers viewed the real women as overweight and unattractive.

Dove switched tack and partnered with *Ugly Wudi*, the Chinese adaptation of the US television show *Ugly Betty*, to weave the Real Beauty message into story lines and mount a number of initiatives, including a blog by Wudi and live online chats.

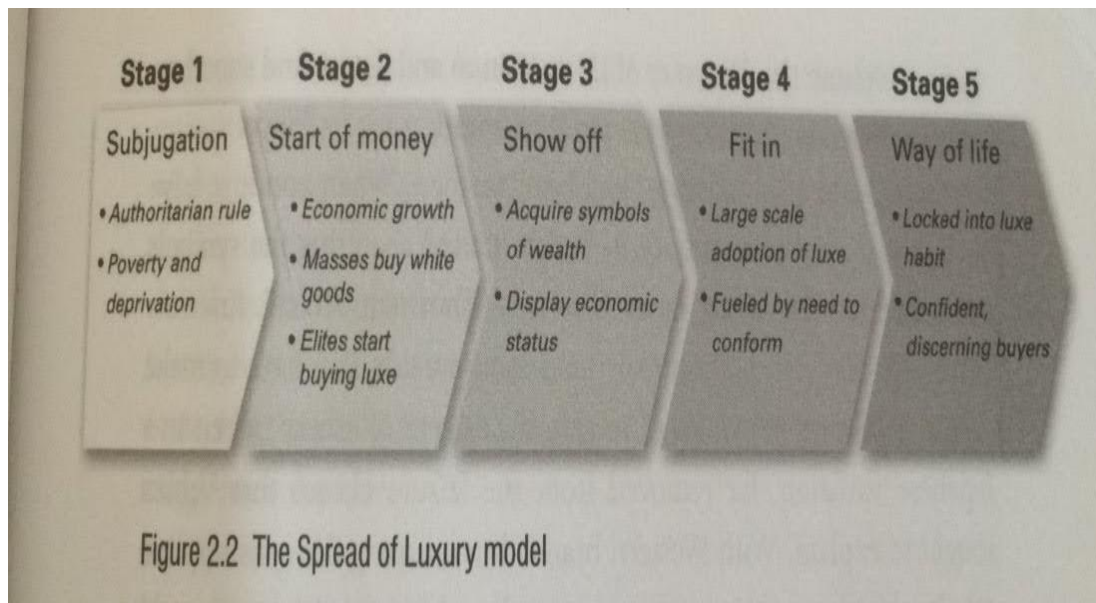
These initiatives increased Dove body wash by 21 percent and increased unaided awareness of Dove's Real Beauty by 44 percent among target consumer. Moreover, the estimated return on investment from this social-media campaign was four times that of a traditional TV media investment (Chiu et al., 2012, p. 4).

In light of the Dove campaign above, it is very apparent how important social media and opinion leaders on social media in China are if a company wants to succeed in China.

The Luxury Consumption Pattern in East Asia

In line with Inglehart's and Schütte's theories, Chadha & Husband (2006) have developed a model in which they argue can explain the nature of East Asia's, - or in our case, - China's luxury culture according to the different levels of economic development.

The luxury consumption pattern in East Asia has followed a five-stage process as shown in the following figure:



Chadha & Husband (2006) have found China to be at stage 3, which is the *show off* stage. Selected segments of China's society, concentrated in the bigger cities, are almost knocking each other down in order to trying to obtain the symbols of wealth and displaying them in the most conspicuous manner to everyone around them.

Even though Chadha & Husband (2006) believe China to be at stage 3 in *the Spread of the Luxury Model*, many Chinese are still only at stage 1 and 2, where modest incomes are allowing people to taste only a few luxuries of life- a washing machine, a decent apartment with a toilet of its own and private intuition for your only child (Chadha & Husband, 2006, p. 46).

Chadha & Husband's model does not only explains the stages a country has been through, it also helps predicting what is up next, which could act as a very valid and useful tool for marketers trying to figure out the Chinese market (ibid).

Chadha & Husband's and Inglehart's theory fit very well with Schütte's Asian equivalent of Maslow's model in that the Chinese people seek *status* (as Schütte's model argues) from others and they obtain their status by buying expensive luxury

items and *showing them off* (as stage 3 in The Spread of the Luxury model proclaims) to the public in order to gain their respect.

One can also say China exhibits signs of being in *stage 4* now. The need to fit in into the Chinese society is bigger than ever due to their collectivistic nature. Furthermore, this need to conform to society is now being controlled through the large amounts of luxury products one purchases.

The Downside of Chinese Luxury Consumption

As previously mentioned, many people in the Chinese society walk around with a somewhat burden on their shoulders because they feel a pressure of having to live up to the norms in the society.

In case an individual do not follow the rules prescribed by the Chinese society and the collectivistic values, one knows that there are going to be sanctions and some sort of punishment. The sanctions for misbehaving in public could be a loss of face and also eviction from their in-group, which is something, the Chinese consider and value very highly and work very hard to avoid.

The whole collectivistic culture in China is so dominant that an individual will often find themselves heavily indebted because they owe money to friends, family members, companies etc. in order to be able to purchase these luxury items so they can fit into their group in society and not stand out.

The Chinese do not really think about the repercussions in relation to their luxury spending, which means that they are willing to put themselves in debt, as just mentioned, since engaging in luxury consumption is seen as the norm in society if you want to fit in (Ahuvia & Wong, 1998, p. 423-437) and it is something everyone around them is a part of.

This behavior of borrowing money in order to be able to purchase expensive luxury products signals that it is okay to borrow money and put yourself in debt if it is for the sake of keeping the peace within the group which in my opinion is not okay.

The collectivistic culture in China encourages its people to spend money, which they don't have, and in many cases people's economy will be ruined forever because they're paying off on many different mortgages for the rest of their life (Lu, 2008, p. 48-49).

However, this behavior of putting yourself and your family in debt is just a part of "the game" and as mentioned, it is something everyone in the Chinese society is a part of.

The Lifestyle of China's Superrich shown through photos

Introduction

Let us now turn to something completely different. In the previous part of the thesis theories were presented in order to give the reader information about theories about Chinese culture and theories about Chinese luxury consumption. The represented theories can help us explain sub-question 1. Now we are shifting gear and we will therefore in this section of the thesis analyze the behavior of China's superrich people through different cases and pictures found online using the theories from the last part of the thesis. In this way, I will be able to answer sub-question no. 2.

Data

In this section of the thesis, the purpose is to look at the data surrounding the different cases and photos. The data collected have all been found online on various online sites.

Collecting valid data about the younger segment was much easier compared to the older segment. Furthermore, It is obvious that the younger segment has been brought up in a different manner than the older segment.

According to ethnographer Tricia Wang (2004), who has studied social media in China for more than 10 years, social media is slowly changing behaviors and norms in unexpected ways.

As a result of these changes, the younger segment is now more open and trusting online and they establish real friendships instead of their normal Guanxi ties and rigid institutions, which was also mentioned on p. 60.

On the other hand, we have the older segment, which is not quite used to this interaction with the Internet and particularly not social media, because during their upbringing the Internet and social media did not play a significant role in society.

However, we do see some examples of online consumers who are 60 and above, but the older segments need to learn how the Internet and social media works because many companies are also targeting them and not just the younger segment as we have seen so far.

Moreover, according to Ann Bierbower (2015), China is made of many unique markets. Many companies trying to enter China only see the different geographical location and not the generational difference the country has.

The older generation often gets overlooked when it comes to foreign products and services, which is a step in the wrong direction. Life expectancy in China has risen from 40 years old in 1950 to around 70 years old today; with indications the trend towards longer life will continue. Furthermore, the spending power of Chinese over 60 is not something to overlook.

The Chinese above 60 want to live their lives fully, and opportunities exist for well-marketed brands that can speak to these unique consumers. Whether it be about health products, health care, travel, investments or fresh food and beverage, communicating with this target market is quite different than addressing the young and affluent (ibid).

The Older Luxury Consumers

Let's start with Mr. Wang Dongwei, who is a businessman, engaged in commercial development, he has built a fishpond in his office just to show off his wealth.

Picture no. 1



Another man, a Beijing real estate developer named Mr. Zhang Yuchen, made in imitation of Château Maisons-Laffitte, expect it wasn't no ordinary imitation.

Mr. Zhang added a manicured sculpture garden with two wings, copying the place at Fontainebleau. Furthermore, he even dug a deep, broad moat, even though uniformed guards and a spiked fence also defended the castle. It cost Mr. Zhang 50 \$million to build his castle (Kahn, 2004).

Picture no. 2



Other examples include young millionaires and billionaires, who will buy very expensive cars and then have them customized with, for an example, more than 80kg of gold, 15kg of silver, rubies, pearls and other jewels just to stand out.

Picture no. 3



In addition, we are also seeing wine cellars with up to 50.000 bottles of wine in the homes of other members of China's elite:

Picture no. 4



A young Chinese businessman once made a bank transfer of \$100.000 as a deposit on a rare bottle of whisky at Singapore Airport. The whisky bottle is reportedly one of the most expensive ever sold and is one of 12 bottles of its kind in the world costing \$194.000:

Picture no. 5



Many fortunes in China have grown very rapidly because of the newly expanding economy, which means that some of the newly wealthy Chinese find themselves to have little knowledge, or training in how to behave at international business settings or social events (Virginie, 2015).

As a result, some Chinese people may appear clumsy or awkward when meeting Western business associations. In order to overcome those challenges, the Chinese attend etiquette schools where you learn how to pronounce brand names, how to peel an orange with your knife and fork etc. (See the photo below). These courses doesn't come cheap, costing around 20,000 yuan for a afternoon tea course to 100,000 yuan for a 12 days course where the client learns skills ranging from engaging in small talk to which wine goes with a meal (ibid).

Picture no. 6



Moreover, the richest segment in China even spoil their pets with designer accessories. A real estate mogul and the richest man in China baffled the nation by posting a photo of his dog wearing two gold Apple Watches, one on each forepaw as shown in the picture below (Beam, Christopher (2015, 1. Oct).

Picture no. 7



The Younger Luxury Consumers

In the previous paragraph we saw how the older segment in China like to spend and show off their money. However if you look closer and behind the lines, the flashiest segment of consumers in China, is the younger segment. The fact that the younger segment is the flashiest segment of consumers may come as a surprise.

However, the reality is that this young segment has been pampered by their wealthy parents all of their life. Typically, they have attended some of the best boarding schools abroad and have educations from the worlds most prestige's universities like Harvard, Yale, and Princeton etc. Furthermore, China's wealth boom has occurred over the last decade and China's millionaires and billionaires are therefore getting younger and younger.

As a result, most of the country's richest citizens are young and experiencing wealth for the first time.

The opposite takes place in countries such as the UK and US, where large amounts of money in many cases have been passed down from generation to generation (Nylander, 2015).

As mentioned earlier, the younger segment in today's China is brought up in a different manner than their ancestors and their values and beliefs have therefore changed. Today, it is not just the older population in China who likes to spend money on luxuries items and experiences.

As we shall see in the forthcoming section, the superrich's children also enjoy buying lavish things such as designer handbags, expensive clothes and going on extravagant trips around the world.

In this section we will look at the younger segment that lives off their parents' money. They are relevant to the Chinese luxury industry because they are China's future and because they have such a big influence on what is being bought.

Therefore, imagine having all the money in the world and you don't know what to do with them. That's the reality for many of China's rich kids. They have been spoiled and pampered their entire life by their families who own multi-million dollar companies. Many people in China hate this segment of spoiled children because of their extreme behavior.

A girl of a superrich family once posted herself setting fire to a pile of money on a popular social media site just to get attention. Another socialite named Guo Meimei posted photos online of herself with 5 million yuan worth of casino chips: Her rival responded by posting a screen shot of his bank statement, which appeared to contain 3.7 billion yuan. Gui was sentenced to five years in prison for running a gambling den (Beam, 2015).

All these rich kids have their own social clubs where one is called *Relay China Elite Association* where members have to pay an initiation fee of 200.000 yuan (30.000 dollars) and they also have to prove that their family businesses pay at least 50 million yuan (7 million dollars) in annual taxes in order to be accepted into the club. Moreover, they also hire models to attend their parties.

However, there are also wannabe rich kids who will go to clubs and rent bottles of expensive liquor to display on their table making it look like they have plenty of money and in that way hoping to be accepted into the crowd (ibid).



Picture no. 8

An example of one of the so-called rich kids in China is the man above in the picture (picture no. 8). He posted an add offering over \$165.000 for a girlfriend for a week.

Many Chinese kids feel a pressure from their parents to get married and when they have to travel back home to visit their parents for New Year or other big events, they have a hard time coming up with explanations as to why they are still single. But not for the young 25-year-old in the picture above, who offered 1 million yuan for a girlfriend for a week.

In an advertisement posted to the Chinese Internet app iweju (“mini-gathering” in English), he said he would pay just over \$ 165,000 for a young Chinese woman who would accompany him for seven days over the Chinese New Year holiday.

This concept of renting a boyfriend or girlfriend is not entirely new in China. However, offers are not generally as high as this one. The advertisement said: “The girl needs to be younger than 25, taller than 5’6, weigh less than 110 pounds, look sweet, and have a Bachelor’s degree or a higher level of education. A PhD or a virgin will get an extra 10 percent reward”.

In addition to the picture of the 25 year old sitting at a table with a ton of cash on the table in front of him. Photographs of the inside of a jet were also provided.

The add attracted 5,300 applications within days but also much unwanted attention from the media, which caused the young man to close the add. The renting of boyfriends and girlfriends became a theme in Chinese culture in the early 2000s, a product of the pressures parents put on the generation born in the 1980s-after the one-child policy came into effect.

These single children, having always been the focus of the family, have become the center of attention for their parents. Their parents want them to get married and have children as early as possible otherwise it is not uncommon for parents to arrange blind dates with boys or girls of their parents choice and in China you do not say no to you parents. You are forced to go on these blind dates whether you like it or not.

This is the reason why we see an increasing number of adds of “renting a boyfriend or girlfriend” online (Chen, 2014).

Super-wealthy daughters of Chinese billionaires flaunt trips on private jets, £5,000 champagne bills and £16,000 rings online (Brennan, 2016).

Picture no. 9



Picture no. 10



Other girls and women like to show off their extensive handbag collection as seen in the picture below. An extensive Hermes' collection (Xiaooyii, Instagram).

Picture no. 11



In attempt to reign in the young ‘fuerdai’, which loosely translates as the rich second generation, President Xi Jinping has been taking some drastic measures. His strict policies include censoring the wealthy teens from reality TV shows, but he’s unable to crack down on social media in the same way.

Despite President Xi Jinping’s efforts, the well-off young women continue to upload enviable snaps of designer clothing labels, flashy cars and expensive champagne (The Sun, 2016).

Picture no. 12



This conch pearl ring shown in the picture below is encrusted with dazzling 16-carat diamonds. Pictures of the latest Ferrari are of course also included in many of the pictures of this young woman on IG. The flashier the better.

Picture no. 13



In another outlandish display of wealth, vickybabyswl proudly showed off three pairs of Celine shoes in the photo above. Footwear that adds up to the staggering price of around \$6000.

Picture no. 14





Picture no. 15

Finally, when the young Chinese rich kids are not buying expensive materialistic items, they are usually flaunting all of their money by their side because many of them sleep on top of all of their money as seen in the picture above (picture no. 15).

Some members of the Chinese elite are even setting fire to their money on purpose,
- just to show off how wealthy they are- as shown below.

Picture no. 16



Theoretical explanations

So far in this chapter, different photos of China's elite's behavior have been represented. In the forthcoming paragraphs, I will show how the theory already presented in the theoretical framework of the thesis (part 2) can help explain the photos presented in part 3.

Conspicuous Consumption

As already discussed in the thesis on p. 13-15, conspicuous consumption and luxury consumption is closely connected to their consumer behavior. As shown in the photos above in part 3, it is clear that the *fuerdai*, which translates as, rich second generation (Siofra, 2016), of China are conspicuously spending their money in order to show off their wealth.

They care what products they buy just as long as it causes envy around them. The *fuerdai* in China want to distinguish themselves from the lower class and they keep reinventing themselves by acquiring new luxury products in order to maintain their exclusiveness. The *fuerdai's* behavior fits nicely with Veblen's theory.

Veblen argues the underlying principle of buying a particular expensive product may be found in what the purchase symbolizes to others and not just because they like the design of the particular product. Furthermore, he emphasizes conspicuous consumption, as something not made for comfort or use but for the only purpose to inflate the ego (Lu, 2008, p.5). Moreover, in Veblen's theory, conspicuous behavior suggests that the rich prefer to pay high prices because this advertises the fact that they can afford to buy such things while at the same time excluding those who cannot (ibid).

Veblen's last statement about excluding those who cannot afford to buy such lavishly luxury products fits well with the photos we see on p. 75-93.

In the photos on p. 75-93 it is obvious how the individuals enjoy showing off all of their wealth to presumably other people who cannot afford these luxury products.

In the end, this willingness to pay more for a product when comparable merchandise is available for much less is “the Veblen effect”, which was discussed on p. 15, and it is highly present in the presented photos.

Veblen’s theory about conspicuous consumption and the behavior of China’s elite are thus closely connected. Several photos show examples of conspicuous consumption. We see a man who has built an imitation of the Château Maisons-Laffitte at the price of \$50 million; another wealthy Chinese man built a fishpond in his office and a third young Chinese businessman reportedly bought one of the world’s most expensive whisky bottles ever sold at the price of \$194.000 etc. (see p. 75-81).

Maslow’s Hierarchy of Needs

There are other factors that also come into play when China’s elite e.g. chooses to lavishly spend their money on an imitation of Château Maison-Laffitte, a very expensive bottle of whisky etc.

In this section, I will show how Maslow’s Hierarchy of Needs, Hofstede, Confucianism, Collectivism, Face and the role of opinion leaders showed through photos can also play a factor when China’s elite are out spending their \$millions and \$billions on shopping.

We have already seen how China’s elite buys outrageous things such as wine cellars with up to 50.000 bottles of wine (see picture on p. 78), how they customize anything, in particular expensive cars, with gold, silver, rubies, pearls and other jewels just to stand out from the crowd (see picture on p. 77) etc. but, what makes them behave in this manner, apart from conspicuous consumption discussed

above? Could it have something to do with the economic and social development of their society?

According to Maslow's Hierarchy of Needs, the Chinese society is currently at stage 4 (see p. 29). At stage 4 in Maslow's model, we find the *Prestige* needs.

Everybody needs to feel love, belonging and affection in our lives and the way we meet these needs are through the different kinds of relationships we carry with other people.

It is important to feel acceptance by the people we surround us with so we strive for meaningful relationships (ibid). *Prestige* is the fourth need in Maslow's Hierarchy of Needs and China's society is at a point, where the individual desires more personal recognition and is longs for the esteem from others.

As argued, Inglehart's theory explains why the Chinese society is still to be found at stage four in Maslow's Hierarchy of Needs. Inglehart states that when people grow up in economically deprived environments they internalize a subjective sense of economic insecurity. When they become adults, this sense of economic insecurity stays with them and leads them to place a high value on material success (they remain materialists) even though they are very wealthy (Ahuvia & Wong, 2002, p. 391).

According to Inglehart, the Chinese people still possess survival values even though they are very wealthy. They still need to satisfy the *Belonging* and *Prestige* Need in Maslow's Hierarchy of Needs hence they go out and spend all of their money on luxury items to themselves or to others in order to obtain the desired need.

Hofstede

Hofstede's dimensions were presented on p. 25-28 in the thesis. They included *Power-distance*, *Long Term Orientation* and *Individualism versus Collectivism*. It was concluded that China scored very high on *Power-distance*, which means the Chinese have a culture where the difference of power among people is distributed very unequal in society (ibid).

The unequal distribution of power in the Chinese society is apparent in the photos p. 75-93 since it is only a very small fraction of the Chinese society, who can afford to lavishly spend their money in the manner shown in the photos.

The next dimension from Hofstede's study is *Long Term Orientation*. The Chinese people scored a high of 87 point on this dimension. In short, this dimension is about how well a society copes with the future, and uncertainty in general. As shown on p. 34 in the thesis, China scores very high on this dimension meaning that they have a more pragmatic approach in life.

The Chinese people adapt to new traditions very easily and they have a strong desire to invest because they hope it will pay off in the end. This dimension may help explain why so many Chinese people invest in huge luxury projects as shown e.g. with the castle on p. 76 and the bedazzled car also on p. 77. Furthermore, the wine cellar on p. 78 is yet another luxury project owned by a member of the Chinese elite.

Confucianism

Another relevant explanation of the photos in p. 75-93 is Confucianism. As explained earlier in the thesis in chapter 2 (theories about Chinese culture), Confucianism has shaped the social, ethical and political aspect of Chinese culture for nearly 2000 years.

It is a complex set of ethical and moral rules that dictate how a person is related to others and how it influences the culture in personal, familial and social relationships. Even though Confucianism is an old traditional social value system, most foreigners still see it as an exemplary representative of China's traditional culture (see p. 37-38).

As previously discussed on p. 37, Confucianism consists of different values. However, in connection to the photos shown in this thesis on p. 75-93, I have chosen to focus on Collectivism and face-saving behavior as I feel that these two factors represent the Chinese culture best. In the following paragraph, I will discuss how the collectivistic mentality becomes apparent in the pictures on p. 75-93. However, the photos may be deceptive.

Collectivism

As argued on p. 36 in the thesis, Hofstede and other theorists describe China as a collectivistic country, meaning that they are more group-oriented rather than focused on the individual (see p. 38-42).

On the other hand, when we look at the photos on page 75-93 with Western eyes, the last word that probably comes into mind is collectivism because the people in the photos seems to be a bunch of rich individuals who like to stand out of the crowd and buying products that no one else has, and they would probably be seen as labeled individualists.

However, this may not be the case and the photos may be deceptive. The Chinese are indeed still highly collectivistic, and in spite of the apparent individualism in the photos the young Chinese share the collectivistic values.

It is not immediately apparent that the Chinese try to fit into a group from the photos. But when they flash all of their money, the dominant collectivistic mentality of the Chinese suggests that this, in fact, may be what they do.

Many of the individuals in the photos at p. 75-93 are all members of elite clubs where membership fees can add up to 1 \$million. As soon as they become members of these elite clubs, the members feel pressured into buying very extravagant items, as shown in the photos, because otherwise they will be faced with the possibility of eviction from the club, which means that they no longer are the members of their collectivity.

The fact that most individuals are members of elite clubs speaks to their collectivistic nature and not the individualistic nature, which is the one we see in the (deceptive) photos. In the photos they try to outdo each other in various ways and they spare no means in their pursuit to do so, but they do so as collectivists.

China's flashiest segment of consumers is the younger segment. Collectivism still plays a significant part in the Chinese society. However, there is a tendency that the younger segment in China is moving towards more individualistic values (see p. 38-42). The growing evolution of the individualistic values is very represented on social media as shown in the photos on p. 75-93.

The young consumers who own the social media accounts connected to the photos p. 82-93 have a huge following and they indulge in all the attention from their followers and usually they will write catchy or provocative captions along with their photos in order to acquire more followers.

Guanxi

Another relevant factor we see when looking at the photo at p. 80 is how the Chinese Guanxi works. On p. 57-60 in the thesis, we were introduced to how Guanxi works and why it is important in the Chinese society.

Guanxi can best be described as interpersonal relationships or personal connections. Moreover, Guanxi is a complicated network of favors and exchanges. Furthermore, one can say that the structure of social relationships in China rests largely on fluid, person-centered social networks instead of on fixed social institutions (ibid).

In the photo on p. 80, a group of Chinese people getting acquainted English afternoon tea, which means they are learning about other cultures and behaviors. In addition, they are also learning how to smoothen political and business relationships, which is a part of the course they are attending.

The participants are very observant, paying close attention to the lecturer in order to learn more about how to behave in public.

Finesse can smoothen many business transactions. "Simply knowing how to be comfortable with a knife and fork can be a deal clincher", said James Hebbert, who represents Seatton, a British etiquette school in China (Mangin, 2015).

The learn the finesse, which can lead to good Guanxi, which in turn can lead to a good deal in China. This may explain why the Chinese attend these etiquette schools as seen in the photo on p. 80.

Face

Earlier in the thesis, I described the face-factor and its relevance in the Chinese society (see part 2) and I also believe the face-factor is an evident factor in connection to the photos, which I posted in part 3. In the following section I will discuss the face-factor in connection to the photos on p. 75-93.

As previously discussed in part 2 of the thesis, the concept of face is an important social cultural value in the Chinese society in all levels of society.

It is a factor that is mainly seen in collectivistic cultures and it influences human behaviors and their social identity.

A survey conducted by *China Youth Daily* in 2005 showed that 87% of the respondents agreed how saving face was an integral part of their life and how they have a strong desire not to appear weak or look bad in the eyes of others, which means they will do anything to save face (see p. 52).

Luxury consumption is a way for the Chinese people to save face but it is also a way to maintain, enhance and give face to others (ibid).

The photos on p. 75-93 speak for themselves in the sense that the owners of all these luxury products are clearly attempting to enhance their face through all these luxury items. As a result, they flash everything they buy to their peers and followers because they want people around them to envy them.

On the other hand, the rich consumers shown in the photos may also in some ways feel pressured into buying many of the luxury items that they own in case they are members of a certain private elite club, where it is an unwritten rule that you indulge in luxury products in order to stay relevant in the game.

The luxury products shown in the photos are all of very high value and this is not without reason. Most people in China know the value of, for example, a car embellished in gold, a Cartier necklace, a Hermes' bag, a pair of Jimmy Choo's, a Ferrari, a Rolex watch etc. which means they are "safe" luxury items in the sense that the items is worth something in terms of prestige and value.

It would have been another story if the consumers in the photos on p. 75-93 flaunted a toothbrush or a cotton bud because these items are of very low value and these products would send a totally different message to the receiver.

Products of very low value would not give, maintain or enhance face, which is why the Chinese elite engages in luxury consumption.

Again, the Chinese face-saving behavior represented in the photos relate back to the Chinese's collectivistic nature because they hope that by saving, maintaining or giving face they will belong to a specific group and thereby creating their social identity.

As the photos on p. 75-93 show, the face-saving, face- maintaining or face-giving behavior is not related to a specific gender.

Opinion Leaders

As argued on p. 66-70 in the thesis, one of the reasons why social media helps social reproduction, fosters change and is so popular in China is because many Chinese are somewhat skeptical of formal institutions and authority, which means that users would rather take the advice of opinion leaders in social networks.

Furthermore, the Internet plays an extensive role when China's elite flashes all their cash, luxury products etc.

The Internet plays a vital part in every sense in modern society, and everybody worldwide seems to have caught up on that. The Chinese elite are no stranger to the Internet, and it is here most of their bragging and showing off to others seems to occur.

As mentioned previously, the power of social networking is enormous. The number of worldwide users is expected to reach around 2.95 billion by 2020 and China is rumored to be the front-runner with the world's largest Internet base of 668 million people using the Internet.

Moreover, China's online users spend more than 40 percent of their time online on social media (see p. 65). Furthermore, many Chinese people have multiple social media accounts (Chiu et. al., 2012).

One of the reasons that social media are so popular in China is that many Chinese are somewhat skeptical of formal institutions and authority and this fosters a new reality where they would rather take the advice of opinion leaders on social platforms than listen to opinion leaders in real life (see p. 66-70). In addition, 66 percent of Chinese consumers rely on recommendations from friends and family, compared with 38 percent of consumers in the US. (Chiu et. al., 2012).

Due to the fact that many Chinese are so influenced by opinion leaders it seems like China's elite, is trying to fill that role of being or trying to be an opinion leader.

We see examples of this in the photos on p. 75-93 where the different individuals represented in the photos are trying to convey some sort of message, hoping that they will capture the attention of the people sitting at home in front of their screens and they seem to succeed.

Many of the individuals in the younger segment in China seem to look up to the people on social media who have many followers and those who have many

followers are typically the people who engage in luxury consumption as seen in the photos on p. 82-93.

Younger Chinese try to imitate the behavior of the opinion leaders on social media in order not to stand out of the crowd and if this means that they have to buy a Rolex watch like their opinion leader on social media then they will do it.

The fact that it is the younger segment in China who is the flashiest segment fits very well with the CNNIC's survey, which showed the profile of a typical Internet user in today's China is likely to be a relatively young person (between 20-35 years old) with some college education (see p. 66).

However, it seems that the older segment in China is keeping up with the younger segment when it comes to the Internet. They may not use it 100% as much as the younger generation but they are certainly more up to speed than they were when the Internet first emerged.

The fact that the older segment is more present on the Internet in China means the older segment who use the Internet have a profoundly different outlook on the world compared to when they use traditional information sources like the TV and newspapers (Weller, Chris (2015)). Even though China's Internet is heavily censored, it appears to be reshaping how people see the world (ibid).

This newfound outlook on life is obvious if one looks at the photos on p. 75-81, where it is very obvious the older generation wants to be part of the game.

The older segment is buying and investing in very expensive luxury products because they want to be considered opinion leaders just as individuals from the younger segment.

Conclusion

In the thesis different theories have been presented, and we have seen how they have they may explain the photos. On this background, I can now answer the overall research question.

China's luxury industry is growing rapidly and is worth a staggering US\$180 billion. Furthermore, China has a population of 1.4 billion people, which has earned them the title of the world's biggest economy last year. These factors combined make the Chinese market very interesting for many luxury brands.

The purpose of this thesis has been to take a closer look at the complexity within the Chinese luxury market, to study the Chinese's obsession with luxury products and what factors come into play when they buy a luxury product in order to find out what social identity the Chinese elite form through their consumption of luxury goods.

In my effort to solve the mystery of China's obsession with luxury products and explain China's luxury market, I came across several factors. The factors related to Chinese luxury consumption are Confucianism, - hereunder collectivism, face and guanxi. Conspicuous consumption is another relevant factor. Moreover, gift giving, social media and opinion leaders also play an important part in the explanation.

Based on these findings I came to a conclusion of how the lifestyle of China's superrich pans out.

I started out investigating different luxury theories because the word "luxury" has many different meanings. Scholars like Thorstein Veblen, Colin Campbell and Andrew Trigg are all of different opinions about what the term luxury actually implies. I found Veblen's theories about conspicuous consumption and the Veblen effect were the most relevant theories to explain Chinese luxury consumption.

The so-called Veblen effect arises when consumers exhibit a willingness to pay a higher price for a functionally equivalent product in order to achieve social status by signaling wealth through conspicuous consumption.

The Chinese consumers engage in conspicuous consumption because of the recognition they receive in terms of reinforcing their status and ability to afford expensive luxury products.

However, Veblen's theory of conspicuous consumption and the Veblen effect alone cannot explain the consumption of luxury products in China. As argued, in spite of the major economic and social changes in China, Confucianism still shapes the social, ethical and political aspect of the Chinese even though it is an old traditional social value system. The Confucian variant of collectivism, gift-giving and face-saving behavior still plays an important role in Chinese luxury consumption.

In general, you are not accepted in China if you do not belong to a group. Moreover, one will do almost anything to remain within a particular group. The Chinese are guided by the expectations of their in-group, and consequently, the rich buy expensive luxury products in order to fit into their in-group, and related to this, they are very much influenced by opinion leaders within their group.

Face-saving behavior, is also important in relation to this. Many Chinese feel pressured into engaging in luxury consumption in order to save face and live up to the expectations of their group.

In addition, another factor mentioned earlier as a part of Confucianism is gift giving, which plays a central role in the consumption of luxury products too. The act of buying luxury products as gifts can save face for both the giver and the receiver. Similarly, luxury products are seen as particularly appropriate for gift giving because they symbolize the value between the giver and the receiver.

It is common for a Chinese person to buy expensive presents to a business associate in order to maintain a good professional relationship. In this way, the person buying the gift fosters a social relationship with the person receiving the gift.

Nevertheless, although conspicuous consumption and Confucianism's three factors, (as mentioned above), have an enormous impact on Chinese luxury consumption, one must not forget the individualistic way of thinking that is sweeping through China these days.

Several theorists argue how managers in China are adopting a growing spirit of "Chinese-style" individualism and a more Western way of thinking. However, behind the apparent, individualistic behavior found in the photos, the collectivistic norms may continue to influence the Chinese.

Collectivism still dominates the Chinese luxury consumption. Many Chinese buy very expensive luxury products and flash them on social media in order to befriend other (Chinese) people on social media and thereby gain status in Chinese society, and it adds to their social identity.

The changing values within the Chinese society fit well with the work of Inglehart. He argues that as societies go through stages of economic development and societal modernization, a shift to an increased focus on individualistic values occurs. He argues that when people grow up in economically deprived environments they internalize a subjective sense of economic insecurity which may continue to influence individuals, in spite of increasing material well-being. They retain values from the lower end of Maslow's hierarchy, leading them to place a high value on material success.

All considered, it is obvious to see how the Chinese elite shape their social identity through luxury goods. They consume luxury through conspicuous consumption and the Veblen effect. Hofstede's six dimensions, Maslow's Hierarchy of Needs, and

Confucianism, as well as the Chinese use of social media and opinion leaders play an important role.

All of these factors combined can explain how China's elite shape their social identity through luxury products.

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