Abstract: Since the 2008 financial crisis, Chinese consumers have become the most lucrative and desirable market for the luxury and fashion industries. Such consumers are the result of China’s nationalist agenda to reform its economy in the 1980s. Ironically, as the Chinese upper and middle classes continue to grow, their buying power continues to be an obstacle for the growth of Chinese domestic luxury brands.
Why Are Chinese Not Buying Chinese Brands?
The Notion of Chinese Nationalism in the Discourse on Chinese Consumerism

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Since the 2008 financial crisis, Chinese consumers have become the most lucrative and desirable market for the luxury and fashion industries. Such consumers are the result of China’s nationalist agenda to reform its economy in the 1980s. Despite the growth of Chinese buying power for Western luxury goods, Chinese domestic luxury brands are still struggling to attract more domestic consumers. One of the challenges facing such Chinese domestic brands is that Chinese consumers have adopted Western ideals and concepts of luxury and fashion. In addition, Western luxury brands have included various Chinese motifs in their products, thus appropriating the concept of “Chinese elements” and limiting the potential development of these concepts within China. Furthermore, China has a legacy of producing poorly made goods, creating the perception that all “made in China” products are of poor quality. As the Chinese upper and middle classes continue to grow, their buying power continues to be an obstacle for the growth of the Chinese domestic luxury brands.

Evolution of Chinese Consumerism

Contemporary Chinese consumer culture developed as a result of China’s Open Door policy in the early 1980s, transforming the Communist country into one with more capitalist characteristics. This economic reform also permitted foreign companies to expand their global market share into China and allowed China to prepare its trade policies to join the World Trade Organization (WTO) in 2001. Although many Chinese industries were still state-owned, China began to allow privatization of Chinese businesses as the foundation of its transformation to a market economy. Moreover, through foreign investments and joint ventures with foreign companies, China quickly became the world’s largest exporter. However, the Chinese government realized that it could not completely rely on external forces for the stability of its economy; hence, the government began to construct consumerism within its own populace. In Karl Gerth’s book *As China Goes, So Does the World,* the author examines the “hurdles” that China had to overcome to create Chinese consumers, as
Chinese consumerism prior to the economic reform was nonexistent under the Maoist regime (1949-1976). However, within just four decades, Chinese consumers have become responsible for a large part of the world’s luxury consumption.

As most Western countries suffered during the 2007-08 financial crisis, the market for luxury goods suffered as well. Brooke Unger notes the significance of Chinese consumers for their contributions towards “bail[ing] out” the luxury market in 2009, which was a “year of shame socially to consume luxury goods.” Since the beginning of contemporary Chinese consumerism in the 1980s, Chinese consumers have evolved rapidly in their preferences for luxury. According to a Bain report, Chinese consumers only accounted for 1% of global personal luxury goods sales in 2000, whereas Chinese consumers are now responsible for one third of the global consumption of luxury goods. Despite the recent decrease in Chinese luxury goods consumption due to the enactment of a Chinese law against gift-giving to government officials, experts continue to believe that Chinese consumers are essential to overall retail sales. Thus, global fashion houses and luxury brands continue their efforts to attract more Chinese consumers.

In this paper, the term “luxury goods” refers to the premium set of goods that one can acquire with enough financial means. For example, Hermes Birkin purses and Louis Vuitton travel trunks are considered luxury goods. Chinese consumers use these categories of goods as means of expressing themselves, and consumption of such goods also demonstrates the growing economic wealth of China. However, as Chinese consumers are more inclined to purchase Western luxury goods, their concepts of luxury are heavily influenced by Western aesthetics and values. In this regard, Chinese consumerism in the luxury and fashion industries has diverged from the nationalist agenda that sparked the creation of Chinese consumerism.

**Consumerism with a Nationalist Agenda**

Despite Chinese consumers’ desires for Western goods, which are constantly associated with the idea of quality, the notion of Chinese nationalism is still unmistakably embedded in the discourse on Chinese consumerism. Gerth argues that Chinese nationalism and consumerism constitute an inseparable entity that was shaped through the fear of Western imperialism through consumption of Western goods dating back to the Qing Dynasty (1644-1911):

> Politicians worried about trade deficits and the new consumer lifestyles exemplified by opium dens and addicts. Intellectuals, who had begun to read works on Western political economy, feared the loss of sovereignty implicit in the growing foreign dominance of the commercial economy.
This concern over the loss of sovereignty through the Chinese consumption of Western commodities carried over to the establishment of the Republic of China in 1912. In particular, the fear led to the establishment of the National Product Movement in the 1930s, which encouraged the Chinese people to purchase Chinese national products and thus defend China from imperialism. One of the key components of this movement was the notion of “nationalistic visuality,” which “centered on training the eye to identify visual clues and to distinguish between the foreign and domestic across social life.” This “nationalistic visuality” was used across a variety of spectrums but most distinctly centered on the discourse of nationalizing the appearance of Chinese men.

With the import of “Western” goods, Chinese men’s fashion began to change due to the introduction of “Western” suits and the introduction of wool. This transformation became the basis of demand for wool in China, and the popularity of suits began to take off when the new Nationalist Chinese government decided to shed “China’s backwardness.” The government began to encourage Chinese men to cut off their queues as a symbol of eliminating such backwardness. The demands for wool and “Western attire” were high enough to endanger the silk industry, which provided the main material to produce the traditional Chinese attire of the “long gown,” or changpao (長袍). In the face of this threat, members of the silk industry formed the National Products Preservation Association to advocate for the usage of silk as patriotic, a strategy that successfully saved the silk industry. This notion of “nationalistic visuality” signifies unity of nationalism and consumerism in modern Chinese history. Although the Communist Party took control of China in 1949, this notion has continued to exist through Communist Mao suits and beyond.

After the Communist Party took control of China in 1949, consumption of foreign goods in China became extremely limited. Since excessive consumerism is closely tied to a bourgeois lifestyle, it is fundamentally against the Communist doctrine. In the 1950s, the Chinese Communist Party used anti-consumerist rhetoric to denounce the greed and capitalistic aspirations of urban coastal China. However, by the end of the 1950s, the nationalization of private enterprises by the Chinese government was complete, and consumerism was reintroduced in a positive light and in the vein of “nationalistic visuality.” As consumerism in China actually contributes to the national economy, Chinese consumerism is aligned with the nationalist agenda. Hence, when Deng Xiaoping established the Open Door Policy in the 1980s, he and other Chinese government officials were conscious of the risk of allowing foreign brands to enter the Chinese market. However, the Chinese government of the 1980s envisioned China becoming an economic superpower, and to that end, the government encouraged Chinese consumers to spend. Chinese people have clearly responded to the government agenda, as Chinese consumers have become
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One potential obstacle to the growth of the domestic luxury market is that there is a Western influence on the contemporary concept of luxury. As Allison Hulme explains in her book, The Changing Landscape of China’s Consumerism, ownership of Western commodities is interpreted as a sign of wealth, since such goods are perceived as “prestigious” and “modern.” Thus, they are perceived as naturally superior to Chinese domestic luxury commodities. Additionally, in a WWD article, Arthur Zackiewicz calculates the total market capitalization of the Standard and Poor’s apparel, accessories, and luxury goods segment to be $639.9 billion. The top ten companies with the largest market capitalization are not only Western companies (LMVH Moët Hennessy Louis Vuitton SA, Compagnie Financière Richemont SA, Hermès International Société, etc.), but they also make up almost 50% of market capitalization. At only number 14 on the list, the lone Chinese company, Heilan Home Co. Ltd, comes in with $9.498 billion in market capitalization. This dominance of market capitalization in the luxury segment demonstrates that Western luxury brands have a strong influence on the global luxury market. Chinese consumers will continue to strengthen this influence, as they are responsible for one-third of global luxury sales.

As Chinese consumers become more interested in buying Western luxury goods, the idea of Chinese nationalism continues to be linked with consumerism. Since Chinese consumers have proven their enormous buying power for luxury items, Western luxury companies have reciprocated by including “Chinese elements” in their luxury products. This strategy contributes significantly to the Chinese consumer’s desire for Western luxury goods. As Chinese nationalism is closely linked with Chinese consumerism, Chinese consumers are also interested in consuming Western luxury goods with integrated “Chinese elements.” Arguably, the notion of “nationalistic visuality” has transformed into the modern notion of “Chinese elements.” Although there is no clear definition of what constitutes “Chinese elements,” Hulme argues that it “must be conceived as a drive to stimulate creativity, as well as to promote the national spirit and the correct intercultural communication between China and the rest of the world.”
of the world.”\textsuperscript{15} She further argues that the notion of “Chinese elements” should not just consist of the inclusion of Chinese cultural symbols and famous landmarks, such as the dragon or the Great Wall of China, but also incorporate Chinese “spirit, values, and habits.”\textsuperscript{16} However, as the practice of localization is a popular strategy for many international brands breaking into new markets, Western luxury brands have incorporated “Chinese elements” as a way of localizing their products to attract Chinese consumers.

Due to the growing number of Chinese luxury consumers, Western luxury brands have proven quite receptive to including Chinese motifs on their products. For example, the oldest Swiss mechanical watch company, Vacheron Constantin, has utilized the significance of “Chinese elements” in launching their Metiers D’art “The Legend of Chinese Zodiac” collection (see figure 1). The timepieces from this collection each include a depiction of the annual zodiac on the watch dial, and each timepiece costs around €80,000 to €100,000.\textsuperscript{17} In 2014, Gucci launched a “China-red” collection to celebrate the Year of the Horse, which included brightly red purses with “detailed Design of gold horse mouthpiece.”\textsuperscript{18} Through its Weibo account, Gucci explained that this collection represented “auspicious, success,” and other positive notes. Another example is how Rolls Royce launched its Majestic Horse Collection in celebration of the Year of the Horse. For this special collection, Rolls Royce included a Chinese art motif of a horse. Through the efforts of Western luxury brands engaged in producing “Chinese elements,” the very concept of “Chinese elements” is covered by a veil of Western interpretation of Chinese characteristics.

In addition to Western luxury goods, the discourse on Western appropriation of “Chinese elements” continues through fashion events. In one high-profile example, the theme for the 2015 Metropolitan Museum Gala (MET Gala) was “China: Through the Looking Glass,” and the dress code for this event evoked debates on Chinese fashion as well as Western perceptions of Chinese fashion. One of the popular topics was the outfit of actress Sarah Jessica Parker, which consisted of a custom silk grown from H&M, paired with a flame headpiece that resembled the head decorations of Peking opera signers (see figure 2). Famous hat maker, Philip Treacy, whose frequent customers include the English royal family, created the headpiece. Although the headpiece alluded to the history of Chinese fashion, it also signified the current appropriation of “Chinese elements” in Western luxury goods. As Treacy’s Peking Opera headpiece differed from those of traditional Peking Opera, he appropriated the design of the headpieces with his own unique interpretation. This headpiece transforms from cultural icon to fashion accessories, thus it is stripped from its cultural meanings.

Another popular debate stemming from the 2015 MET Gala surrounded Rihanna’s fashion choices. Rihanna stole the spotlight by wearing an
extravagant gold gown by Chinese designer, Guo Pei. Admittedly, Rihanna’s selection of Guo Pei’s works shone an international light on Chinese fashion designers who were previously unknown outside of the Chinese market. However, the process by which consumers choose these designers’ works is still fixated on the criteria of Western-identified ideals of luxury, and these choices continue to be approved by audiences holding such Western ideals. Unfortunately, Western appropriated “Chinese elements” negatively affect the development of “Chinese elements” by Chinese designers. Furthermore, the growth of the Chinese domestic luxury goods market continues to abide by Western ideas of luxury and appropriation of “Chinese elements.”

The development of the Chinese domestic luxury goods market must also overcome the perception of “made in China” goods as low quality. Historically, China has depended on its cheap labor force for its primary economic growth, thus attracting many outsourced jobs. In the modern context, “Made in China” products continued to struggle with the notion of poor quality. Thus, Chinese consumers are not receptive to purchasing domestic brands over foreign brands, which have been associated with higher quality goods. Over time, Chinese consumers became too reliant on Western commodities as a promise of quality, as evidenced by the new market surrounding the consumption of Western luxury goods. The business of overseas personal shoppers, or haiwai daigou (海外代购), has flourished through the high demand for Western luxury goods in China. According to CNN, this segment generated 74.4 billion yuan, or US$12 billion, in 2013. The overseas personal shoppers are often Chinese students studying in Western countries, such as the U.S. or European countries, who frequently travel between China and the countries in which they are studying. They typically find their clients through social media channels, like WeChat or Weibo, as well as the ecommerce platform, Taobao. Depending on the arrangement, the overseas personal shoppers will buy brand name items at a discounted rate (due to tariffs and other fees, it is cheaper to buy Western luxury goods in Western countries than in China), reselling the items to their clients at an agreed upon price. Overseas personal shoppers can often make a hefty profit by reselling luxury goods. The business phenomenon of overseas personal shoppers will likely continue to flourish, especially in light of a 2011 report from the Boston Consulting Group that 61 percent of China’s consumers are willing to pay more for a made-in-U.S.A. product. Hence, the combination of high demand, poor perception of Chinese made goods, and increase in accessibility of Western luxury goods serves major challenges to the domestic luxury brands. Furthermore with booming industries, like overseas personal shoppers, Chinese domestic luxury brands continuously have to face fierce competition to attract Chinese consumers.

Despite all of the challenges facing Chinese domestic brands, there
are signs of support as well as promotion of Chinese domestic designers from the Chinese government and other influential parties within China. Multiple Chinese provincial governments have started initiatives to back domestic luxury goods projects and fashion events. For example, Shanghai Fashion Week is hosted by the Shanghai Municipal Government and supported by the ministry of commerce. According to a report on China’s fashion industry by the Kingdom of the Netherlands, Shanghai is the fashion capital of China, due to the governmental support for Fashion Week and the fact that, on average, people in Shanghai have higher disposable incomes than the rest of the country. With extra disposable consumer income and rise of the Chinese ecommerce, the Shanghai Chinese government has high hopes that its people will invest money back in domestic fashion brands.

Aside from Shanghai, many cities around China have started promoting fashion events and local designers. The government of Dalian, a Northeastern coastal city, has also held an annual International Fashion and Garment Festival for more than twenty years to encourage innovative design within the garment industry. The city of Shandong, also on the Northeastern coast, has heavily supported the creative industry becoming its “pillar industry.” Other Chinese cities that strongly promote domestic fashion designers and designs include Guangzhou, Shenzhen, Dongguan, Nanjing, and Chengdu. Aside from governmental promotion of domestic fashion and luxury goods industries, such supportive rhetoric also appears in Chinese media, including the magazine Vogue China.

The Chinese reclamation of “Chinese elements” may perhaps be most apparent in Vogue China. In spring of 2014, the popular fashion website, Business of Fashion, published a special edition magazine called “The Companies & Culture Issue.” Within this special issue were numerous interviews with some of the most well known names in fashion, including Angelica Cheung, the editor-in-chief of Vogue China. Cheung explains that her role is to produce a modern international magazine, “[b]ut at the same time, it’s [her] job to meet with the Chinese culture. Five thousand years of culture, you cannot change that.” Cheung goes on to explain that it is not enough to just bring Western beauty and fashion trends into China.

In order for Vogue China to be successful in China, it must incorporate “Chinese elements” that Chinese readers at large can relate to. She is proud to say that the incentive for her job is “to prove to the world that Chinese could do something,” reflecting the nationalism behind the notion of the “Chinese elements.” In setting out to prove this point, she saw that there was a lack of representation of Chinese supermodels in Chinese magazines, so she made it a point to feature more Chinese models. For example, the cover of the September 2011 issue of Vogue China features Liu Wen, Fei Fei Sun, Du Juan, Shu Pei, Ming Xi, and Sui He as the supermodels of China (see figure 3). The models are all dressed in clothing from
Western brands, and Cheung believes that it is important for the Chinese people to see that “a Chinese could become big – and ultimately [our readers] want to see that a certain look would look good on Chinese.”

This cover exemplifies the heightened focus on “Chinese elements,” as fashion editors are increasingly using a “Chinese” interpretation of Western trends through their pictorials and articles within fashion magazines. Additionally, with the mission to reconnect the link between Chinese consumerism and Chinese nationalism, Vogue China can serve as a platform to attract Chinese consumers to new domestic designers.

Aside from Vogue China as a platform, there is also a new television show “Goddess’s New Clothes,” or Nü Shen De Xin Yi (女神的新衣), that introduces various groups of designers and has them compete in front of a group of buyers. Whichever designer receives the highest bid wins, and the one with the lowest bid will be eliminated from the contest. This show purposefully showcases the new breed of Chinese designers and their creations on national television. They are given a task by a “goddess,” i.e. a popular Chinese actress, and are asked to display their creativity. The show allows the designers to talk about their creative thought processes when designing their collections and what makes their designs special. This show is an excellent outlet for Chinese audiences to become familiar with the ideas of Chinese fashion designers and to get to know the daily influences the designers had in creating their pieces. However, the conversion rate of audience members into clients is still undetermined.

In contrast, as Chinese consumption has secured thriving revenues for luxury goods companies, the Chinese media has also praised those who have not followed Western trends or bought into commercialism. One popular online media website, Sina, featured First Lady of China Peng Liyuan as the “big figure” or Da Ren Wu (大人物) in its 107th issue of “Sina Female,” or Xin Lang Nü Xing (新浪女性). In this article, the Chinese first lady was praised for her elegance, confidence, and distinctive “Chinese positive energy,” or zhong shi zheng neng liang (中式正能量). It is not uncommon for first ladies to be affiliated with consumerism, as we have seen with American first lady Michelle Obama, who wears products from American designer, Jason Wu, and American brands, like J. Crew. In explaining why the Chinese people adore their first lady, the article also reflects on how Peng Liyuan does not wear brand-name attire like the first ladies of many other countries. There is a nationalistic notion that Peng Liyuan is not conforming to the Western style of beauty and commercialism but instead creating her own sense of beauty and elegance through the notion of spirituality within “Chinese elements.”

In the Wall Street Journal article “The First-Lady Effect on China’s Fashion Labels,” the author, Wei Gu, writes about how all first ladies exert influence over the fashion market. In particular, Gu highlights how Peng Liyuan has stirred up a craze for Chinese designer goods among Chinese consumers:
The timing of Ms. Peng’s fashion statement couldn’t be better. Her husband’s call for austerity has damped the mood of conspicuous consumption in China and taken the shine off the luxury brands that have thrived there.\textsuperscript{29}

Oftentimes, Ms. Peng appears in a tailored outfits without particular labels, which makes it hard to determine the price range of their outfits (see figure 4). Alongside the Chinese government’s actions to combat corruption, Chinese consumers are becoming more interested in local fashion brands. As the Chinese public has praised the first lady for her Chinese brand fashion choices, there has been a spark of Chinese nationalism in the discourse of consumerism and a call to create “Chinese elements” in consumer goods. According to Mike Thompson, the purpose of “Chinese elements” was “designed by China’s market community to regain Chinese culture…, which, according to some commentators, had been disregarded by the new Chinese consumer society.”\textsuperscript{30} The “Chinese elements” serve as a challenge in the already Westernized consumer markets. However, now is an opportune moment to strive to incorporate “Chinese elements” in Chinese consumerism, especially with the rise of China’s economy, President Xi’s condemnation of corruption, and promotion of local fashion events.

Conclusion

Chinese luxury consumption is skewed towards Western luxury brands, and it is evident that Chinese consumers have a strong preference for Western luxury goods. With the combination of Westernized ideals of luxury and the appropriation of “Chinese elements” in Western luxury products, the growth of the Chinese domestic luxury goods market is limited by various challenges. In particular, with the luxury market so heavily influenced by Western ideals, this generation of Chinese luxury designers is facing the obstacle of innovating beyond these ideals to break into the domestic market. At the same time, not only do Chinese consumers prefer Western aesthetics, they also hold a poor perception of Chinese-made goods. Despite all of these obstacles, China-made goods have the potential to become a global player in the luxury brand segment. As promoting fashion and luxury designers becomes part of local government agendas, Chinese luxury designs are also appearing more frequently within Chinese mainstream media. Thus, it is only matter of time before Chinese fashion and designers of luxury goods appear on the global fashion roadmap. However, the Chinese people themselves will need to recognize the potential of Chinese domestic designers before the rest of the world will follow.
Figures


Figure 3. Cover of the September 2011 issue of Vogue China features Liu Wen, Fei Fei Sun, Du Juan, Shu Pei, Ming Xi, and Sui He as the supermodels of China. Source: http://www.fashiongonerogue.com/vogue-china-september-2011-cover-liu-wen-fei-fei-sun-du-juan-shu-pei-ming-xi-sui-inez-vinoodh/
Notes

9. Ibid., p. 10.
10. Ibid., p. 69.
11. Ibid., p. 71.
16. Ibid.
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