

# ***China and Luxury: How China's Return to Luxury Leadership Will Affect Their Image in the Eyes of the West***

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The purpose of this comprehensive study is to show the changing perception of China in the eyes of western democracies, America in particular. The focus of this study is on luxury marketing as the driving force behind this change, as China reclaims its image of elitist culture. This is shifting the pervasive view westerners hold of China as a country plagued by poverty, driven by their communist form of government under leaders such as Mao Zedong, and now, the Chinese Communist Party (CCP) under Xi Jinping. Under this form of government, China is on its way to being the number one exporter of luxury goods in the world. Big name luxury brands such as Louis Vuitton, Dior, and Chanel are shifting their focus to China, where exports and consumerism are increasingly growing. This is significant for two reasons. First, luxury marketing is selling the Chinese lifestyle as one of affluence and exclusivity – a lifestyle that westerners had previously deemed impossible for the everyday Chinese person to obtain. Second, perception can help shift the global balance of power, and as China is shifting the scale in economic factors, its shift in perception is helping drive this change further. This study was completed by analysis of several journal articles, news articles, and books. The role of communism in China and democracy in America, seemingly incompatible systems, are being bridged by an age of consumerism, with luxury marketing showing that each form of government is capable of creating wealth for individuals, thus bringing a new light to China in the eyes of the West.

## **Introduction**

In the 21st century, the world is watching as China rises to power. Its economy is growing at an exponential rate, and it is America's biggest global rival. The global balance of power is straining to maintain an equilibrium between the two countries. Despite this, many Americans still think of China as a nation of cheap exports, plagued by poverty due to the Chinese Communist Party (CCP), which Americans view in a negative light. Yet, China is growing wealthier as a nation, and its individual citizens are experiencing a rise in living standards and an end to extreme poverty (Gill, 2021). China understands the importance of not only projecting an image of global power through economic and militaristic expansions, but also through making the lives of its citizens seem desirable and prosperous. They are achieving this goal through its growing reach in the luxury market. By demonstrating a life full of luxury and exclusivity not only to their own citizens, but also to the rest of the world, China is creating its own version of the "American Dream" that has much deeper roots and cultural implications and that is challenging the democratic and liberal philosophies ingrained into the American mind. China is showing that its system of communism is allowing its citizens to thrive.

## **Literature Review**

### **History of Luxury in China**

In a modern context, China is often thought of by the West as an exporter of cheap goods. Yet for most of history, China was seen as an exporter of luxury goods

such as silk, porcelain, paper, and spices, traded through the Silk Road, which lasted from around 130 B.C. to 1453 A.D. During this time, particularly during the rule of the Han dynasty, China saw major economic expansion and growth. In fact, it is acknowledged by many scholars that China was a breath away from creating the first industrial revolution in the ninth and tenth centuries with the creation of guns and gunpowder. During the 15th and 16th centuries, China's economy accounted for 25-30 percent of the global economy. However, by the 1950s and 60s, it made up less than 5 percent (Holodny, 2017). The question is, why did a country with such an abundance of resources, from natural goods to great scholars, become a country plagued by poverty in the modern century? There are many answers to this question – the Opium Wars, the mass increase in population during the Qing dynasty that led to land shortages, famine, and economic disaster, World War II, the birth of the Republic of China, and the failure of policies implemented by leaders such as Mao Zedong during the Cultural Revolution of the 1960s and 70s. America and Democracies chalk up this economic decline to communist systems that were implemented during Mao Zedong's rule, claiming the system is incompatible with a wealthy nation and well-off citizens.

### **Modern Chinese Economy and Consumerism**

Today, China accounts for approximately 17% of the global economy, America for reference makes up approximately 24% (Holodny, 2017). This massive economic expansion that occurred in China, starting at the end of the 1970's, can be attributed to the adoption of

capitalist market policy, building of better infrastructure, education reform, agricultural reform, and a mass migration of people from rural areas to the city where they were able to work. China's leaders however, do not attribute their market growth to capitalism and deem the term as a western label. Instead, leaders such as Xiaoping and Jingping have referred to it as "communism with ancient Chinese roots." There is much debate over this claim, but China grew its economy by what many define as capitalistic policies, meaning they "embraced the tenets of free-market economics, introduced private ownership, and gradually reduced the influence of the once all-powerful state over the Chinese economy" (Zitelmann, 2019). The adoption of free market policies after the Cultural Revolution failed greatly increased consumerism in China, helping to boost the economy. This increase in consumerism led to an increase in taste for luxury goods, as well as general globalization for the country as trade and access to goods increased. Under new economic reform, many scholars argue China lost touch with all communist roots. However, this is debated and completely rejected by the Chinese government. Author Jun Zhang, in his review of *Unending Capitalism: How consumerism negated China's Communist Revolution*, states that "The CCP was the ultimate authority, defining what should be produced and how, and who has access to what kinds of resources. Despite the institutional hierarchy, as many empirical studies have shown, Chinese society was relatively egalitarian in the late 1970's. This differs significantly from a capitalist society where production for mass consumption is highly developed and the property regime allows and encourages people to accumulate wealth endlessly and protect it." Regardless of the debate, consumerism in China has been increasing greatly since the 1970's and has led to an increase in the consumption of luxury goods.

### Role of Luxury in Modern Chinese Economy

China and the form of government it calls communism have lifted more than 800 million people out of poverty. According to the world bank, they are classified as an upper middle income country, and are almost as well off today as the United States was in 1960 when it became a high-income economy. Many economists predict that China's economy will surpass that of the U.S. by 2030 and have coined the 21st century as the "Asian century," with a dominance of Asian politics, culture, and economy. With this we are beginning to see a shift in the way Americans view China, from a country overcome by poverty in the late 20th century to one that is rivaling their own power in the early part of the 21st century. Viewing China as an economic force is one thing that Americans have accepted as the countries now depend on each other for trade and stability. Viewing Chinese culture and politics as something desirable is another factor, as many Americans are still convinced that communism under the CCP ensures that everyday citizens do not see the wealth that China bolsters, nor do they see the freedom they are entitled to under democratic views. This is where luxury marketing plays a vital role. According to a report issued by Bain & Company, China's luxury goods

market achieved a 48 percent growth in 2020 and is worth nearly 346 billion yuan (54.4 billion USD). On top of this, China's share of the world luxury goods market nearly doubled in 2020, growing from about 11 percent in 2019 to 20 percent, placing them as the third-largest market for luxury goods with \$52 billion in sales, behind the Americas with \$74 billion and Europe with \$68 billion. As of 2021, luxury spending by the Chinese consumer increased by 36% to 73.59 billion USD. China is on its way to becoming not only the number one exporter of luxury goods, but the number one consumer as well. This has major implications for how the "Asian century" will arise, particularly in China. Luxury marketing is a science, made to create a client relationship that sells not only a product but an experience and a lifestyle. It crafts a careful image that must seem desirable by all, but obtainable only by a few. Luxury brands have a heavy focus on succession— a concept renewed by Gianni Versace's sudden death in 1997— the very concept of which parallels royalty. Luxury and elitism are incredibly ancient topics, ones much more parallel

to Chinese history, than the recent rise of communism. The growing rise of luxury is not a new phenomenon, but rather a reclamation of old ways. LVMH (a French corporation and conglomerate in luxury goods, controlling over 60 subsidiaries such as Louis Vuitton, Dior, Fenty, Tiffany & Co., Bulgari, etc.) states its number one biggest market is in Asia, with China being the driving force.

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### Implications

The GMA marketing agency based in Shanghai describes China's preference for bold and showy luxury items that display clear logos as "Mianzi," which means "face/honor and reputation. Purchasing luxury items is a symbol of prestige and social status and accumulated wealth. The more you take care of your appearance and lifestyle, the more you show to the world you succeed." Further, GMA talks about "Digital China" and how only four percent of shoppers will have an "offline" shopping experience, and that generation Z especially favors online shopping platforms. This move to digital shopping has created more brand exposure than ever before, with luxury brands taking to forms of online marketing through celebrity influence, and official accounts on platforms such as Facebook and Instagram. As these luxury brands increase their influence in China, they learn marketing techniques which specifically cater to the Chinese consumer. Pierre Xiao Lu's book *Elite China* dives further into depth about Chinese consumers claiming that they seek more than just "Mianzi" or the status of owning luxury goods. Rather, they are becoming reacquainted with their luxury roots and embrace it as an "entry to culture, to beauty, and to the refined lifestyle they once had." Thus we see China beginning to reclaim and strive for the image it once had during the 15th and 16th centuries, and even during the times of the Silk Road, and luxury products are helping China send a message of luxury and elitism.

From the Chinese luxury market, we can see how China is stating its form of communism is one with ancient Chinese roots that extend back to the Silk Road. This return to ancient roots is driven by a thriving economy under the

name of Chinese communism, and sends a clear message to America that China is refusing to be labeled by the west and that its government is capable of creating wealth, as well as distributing it with the eradication of poverty. This has major implications for how the average American will come to view China because luxury and elitism are words in democratic thought that do not seem compatible with communism. Americans do not look at the Chinese communist form of government in a positive light and assume that the system is incompatible with wealth. Yet, China is proving that luxury is becoming accessible to an increasing number of Chinese citizens. This is evident not only through the brands themselves but through prominent influencers and social media platforms. Based on the reports from Bain & Company and the estimated continuation of this growth in the Chinese luxury market, it is clear that the Chinese government is in no way hindering the prosperity of luxury for the Chinese citizens. With globalization and the increasing use of social media, the rise of luxury in China is becoming ever more apparent. Luxury brands take their marketing to where the consumers are, and as “Mianzi” implies, the world will begin to see an increase of luxury and elitism in China, which will in turn shift the prevailing view that under the CCP, the average Chinese citizen cannot obtain wealth.

### Conclusion

As China becomes a rivaling economic force to America, it is challenging the prominent liberal thinking that Chinese communism is not compatible with individual wealth for large populations. Luxury marketing is bringing a new light to what Chinese citizens are capable of obtaining. China, ranking third in the world for consumption of luxury goods, and predicted to be first by 2030, is a demonstration to the American public that individual wealth and democracy do not necessarily have to go hand in hand. As the world steps into the “Asian age,” China has recognized the importance of the world forming a favorable opinion of the lifestyle offered under the CCP regime. Luxury marketing, though seemingly small when compared to looking at economic and military policies, is of understated importance as it will help shift the everyday American’s opinion of what life in China looks like, perhaps to the point where the “American Dream” is no longer the standard they hope to obtain.

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